Project Dissertation Report on

"CORPORATE BANKRUPTCIES IN INDIA – A Case study of JET AIRWAYS under IBC 2016"

Submitted By

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CERTIFICATE

This is to verify that the Major Research Project entitled "Corporate Bankruptcies" presented by Priyank Sharma in partial fulfillment of the requirements for the degree of Master of Business Administration is a genuine work done under my supervision. This report has not been previously submitted for the award of any degree or diploma to any other university or institute.

Supervisor's Signature

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DECLARATION

I Priyank Sharma, hereby affirm that the Major Research Project entitled "Corporate Bankruptcies" submitted in partial fulfillment of the requirements for the award of the degree of Bachelor of Vocation in BFSI at Delhi Technological University, is my own work and has not been submitted for the award of any degree or diploma at any other institute or university earlier.

This project report is prepared after my own research and effort under the guidance of Dr. Archana Singh, Assistant Professor, Delhi School of Management, Delhi Technological University.

Date: April, 2025
Place: Delhi

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EXECUTIVE SUMMARY

This project investigates the serious problem of corporate bankruptcy in India with a special emphasis on Jet Airways, a leading private airline that experienced financial ruin and came into the Insolvency and Bankruptcy Code (IBC), 2016 regime. The study was conducted to identify the reasons behind such corporate collapses and evaluate the efficacy of India's insolvency resolution framework.

Training and Learning Overview

As part of my academic training, this study enabled me to understand corporate governance, financial distress, legal mechanisms, and strategic blunders that can cause the collapse of large corporations in a deeper manner. Through real-life case analysis and systematic methodology, I gained insights into how regulatory systems such as the IBC work in actual situations.

Objectives of the Study

The primary objectives of this project were:

- To explore the domestic and international reasons behind corporate bankruptcy in India.
- To evaluate the design, roll-out, and performance of the IBC, 2016.
- To scrutinize the Jet Airways insolvency case in depth.
- To learn lessons on enhancing policy, corporate governance, and the insolvency resolution process.

Methodology

The study employed a qualitative, case study method and relied wholly on secondary data gathered from:

- Government and regulatory reports (MCA, IBBI, RBI)
- Company accounts and stock exchange filings
- News reports, court documents, and scholarly journals

The research included thematic analysis of the financial collapse of Jet Airways, corporate governance failures, and insolvency processes under the IBC. No primary data (such as interviews) were gathered because of logistical and legal restrictions.

Summary of Findings

- Jet Airways collapsed owing to over-expansion, debt overload, poor corporate governance, and inability to respond to market competition.

- The IBC established a formal legal process for resolution, but delays and regulatory barriers diluted its actual impact.
- All stakeholders—creditors, employees, and regulators—suffered substantially both during and after the resolution process.
- The case emphasized the requirement for sectoral reforms, enhanced NCLT capacity, early warning systems, and greater promoter accountability.

Conclusion

This initiative highlights that bankruptcy is not merely an economic failure—it is a failure of management, governance, and regulatory action. Although the IBC is a significant overhaul, its success hinges on timely enactment, sectoral clarity, and coordination between all parties. The case of Jet Airways is a useful learning template for corporate India, regulators, and policymakers so that insolvency can result in revival—not destruction.

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CHAPTER-1

INTRODUCTION

1.1 Introduction

Corporate bankruptcy is a critical process in the economy and law of any country. It is a formal judicial procedure by which financially troubled companies are able to undergo reorganization or liquidation so that their fiscal liabilities are sorted out. Bankruptcy is more than just the inability of a company to meet its debt, but an overlap of managerial inefficiencies, production failures, extrinsic shocks, and systemic lacunae in the system weakening the sustainability of a company. Its ripple impacts go beyond corporate walls, affecting employees, creditors, shareholders, customers, and the economy as a whole.

In the new global economy, especially in emerging economies such as India, corporate bankruptcy is both a challenge and an opportunity.

The challenge is ensuring timely and equitable resolution of insolvent entities, while the opportunity is learning from failure to construct a robust corporate governance and legal framework. Basing its approach on the international best practices, India brought about the Insolvency and Bankruptcy Code (IBC), 2016—a historic reform intended to consolidate and simplify the insolvency process.

This research examines corporate bankruptcy in India through a concentrated examination of the causes, legal process, and system implications of insolvency, using a case study of Jet Airways. The study critically analyzes the IBC system's efficacy, questioning whether it has lived up to its promise of speedy, time-bound resolution and rekindled investor confidence in the Indian corporate environment.

1.2 Background of the Study

Corporate life is full of tales of triumph and failure. The former are usually eulogized, while the latter come loaded with important lessons. It has been a sequence of high-profile bankruptcies in India over the last few years—Jet Airways, DHFL, Reliance Communications, and Videocon being some of the more notable ones. These instances highlight the reality that financial trouble is not exclusive to struggling companies but can also hit big, once-great businesses because of a combination of strategic blunders, mismanagement of debt, and regulatory shortcomings.

Prior to the enactment of the IBC in 2016, India's bankruptcy resolution system was diffuse and dysfunctional, regulated by antique legislations such as the Sick Industrial Companies Act (SICA), SARFAESI Act, and Companies Act provisions. These were marred with long timelines, low recovery rates for creditors, and uncertainty regarding jurisdiction and enforcement. The IBC aimed to overhaul this sector by enacting a consolidated, time-bound, creditor-in-control framework for resolving insolvency.

Under the IBC, the cases are to be resolved in 180 to 330 days with the adjudicating authority being the National Company Law Tribunal (NCLT) and the insolvency professionals (IPs) playing a pivotal role. The IBC also brought about the notion of the Committee of Creditors (CoC), which gives powers to the financial creditors to take important decisions regarding resolution plans.

Though its revolutionary design, the IBC implementation has been hindered by judicial delays, capacity constraints of the NCLTs, unawareness among small businesses, and frequent litigations. Though the code has boosted recovery rates and speedily resolved a large number of cases, some unsettled challenges remain.

This study seeks to analyze the causes of corporate sickness, assess the role of the IBC in dealing with such crises, and provide practical suggestions to improve the system and make it more inclusive and effective.

1.3 Problem Statement

Corporate insolvency remains a very real threat to the Indian economy even with the existence of advanced legal structures such as the IBC. More and more Indian businesses, including some of the biggest and best-known names, have been drawn into insolvency cases, typically leading to significant job losses, unpaid creditors, and eroding investor confidence.

One of the major problems is delayed identification of financial stress and inaction on early warning signs. Most firms, particularly small and medium enterprises (SMEs), do not have proper governance mechanisms and fiscal discipline and are susceptible to external shocks as well as insider mismanagement. Even when businesses are accepted into the insolvency process, resolution is postponed on account of overstrained judicial systems and procedural glitches.

Additionally, systemic problems such as poor promoter accountability, stakeholder disputes, fraudulent transactions, and legal uncertainties in cross-border insolvencies have prevented the IBC from realizing its full potential. Instances such as Jet Airways reveal the difficulty in reviving complicated companies with multi-level debt, international operations, and deep-rooted promoter interests.

Therefore, the fundamental issues this study seeks to address are:

- Why do corporate bankruptcies continue to occur despite the presence of the IBC?
- What are the systemic and organizational breakdowns that cause financial distress?
- How effective is the IBC in resolving such breakdowns?

- What can be learned from prominent cases to build a stronger insolvency ecosystem in India?

1.4 Study Objectives

Main Objective

To critically assess the performance of India's corporate bankruptcy resolution system, in general, and specifically the Insolvency and Bankruptcy Code (IBC), 2016, using theoretical analysis and practical application through an in-depth case study of Jet Airways.

Specific Objectives

1. To comprehend the conceptual and legal framework of corporate bankruptcy

Discuss the legal and fiscal concepts of insolvency, distinguishing between liquidity and solvency crises, and comparing international insolvency legislations like Chapter 11 (USA) and the UK Insolvency Act with the Indian IBC.

2. To recognize major internal and external drivers of corporate financial distress

Examine corporate misgovernance, over-leveraging, market miscalculations, regulatory reforms, and macroeconomic shocks as main drivers of insolvency.

3. To study the structure and working of the Insolvency and Bankruptcy Code (IBC), 2016

Discuss the IBC's mechanism, such as the CIRP, NCLT's role, IPs, CoC, and how it diverged from previous models like SARFAESI and SICA.

4. To make a comprehensive case study of Jet Airways' insolvency

Examine the cause of the airline's failure, analyze the legal process under IBC, and judge the results in the form of recovery of creditors, employee effect, and market impact.

5. To assess the efficacy of the IBC as a tool for resolving bankruptcy

Assess outcomes such as resolution time, recovery rates in terms of money, judicial efficiency, and stakeholder satisfaction to gauge the real-world success of the IBC.

6. To suggest implementable measures to avoid insolvency and enhance the efficiency of resolution

Recommend enhancing corporate governance, early warning systems, industry-specific frameworks, and judicial capacity development to decrease insolvency cases and improve quality of resolution.

1.5 Research Questions and Hypotheses

Research Questions

1. Why do corporate bankruptcies persist even after the formation of a formal legal process such as the IBC?

2. How effective has the IBC been in resolving financial distress of Indian corporations?

3. What are the lessons from the Jet Airways case on governance, debt settlement, and insolvency recovery?

Hypotheses

• H1: Corporate bankruptcies continue in India because of weak governance framework and enforcement loopholes in the legal framework despite the passage of IBC.

• H2: The IBC has enhanced the environment for insolvency but finds it difficult to provide uniform results in complicated cases because of procedural slowdowns and stakeholder disagreements.

1.6 Scope of the Study

Geographical Scope

The research deals mainly with the Indian corporate world, with sporadic international references for the sake of comparison.

Industry Scope

The case study is based on the aviation sector with Jet Airways as the focus company, selected due to its size, cross-border significance, and public interest.

Time Scope

The research highlights the post-IBC era (2016 and later), with historical background where required.

Data Scope

Research is founded upon secondary data, such as company documents, NCLT orders, financial statements, regulatory filings, and scholarly literature. Primary data collection (interviews/surveys) is not undertaken.

Thematic Scope

The research focuses on:

• Reasons and consequences of corporate financial stress

• Legal processes under IBC

• Case-specific takeaways

• Policy-level and practical suggestions

Exclusions

• Quantitative forecasting or modeling (e.g., Altman Z-scores)

• Insolvency in MSMEs or unregistered companies

• Sector-specific reforms other than aviation

1.7 Significance of the Study

Corporate bankruptcy is not merely an economic occurrence—it is a multidimensional crisis that affects human lives, market configurations, and national economic confidence. The value added by this research is four-fold:

1. Academic Significance

• Adds to the interdisciplinary body of literature on corporate failure and legal solutions.

• Marries financial theory with strategic and legal frameworks.

• Presents real-world case analysis of a major Indian corporate collapse.

2. Policy Significance

• Provides evidence-based recommendations to policymakers to refine the IBC.

• Recognizes structural and procedural lacunae in India's insolvency ecosystem.

• Endorses reforms for speedier, fairer, and more transparent resolution processes.

3. Practical Significance

• Empowers managers, investors, and financial institutions with instruments to identify early warning signs of insolvency.

• Stresses corporate governance, promoter accountability, and stakeholder alignment.

• Calls for enhancements in CIRP operations and resolution plan implementation.

4. Societal Significance

• Highlights the human and social cost of bankruptcy.

• Encourages legal and corporate reforms that protect jobs, investments, and public trust.

• Encourages responsible business practices that support long-term sustainability.

CHAPTER 2:

LITERATURE REVIEW

Corporate bankruptcy is not just the ultimate consequence of a company's failure to repay debt but a multifaceted culmination of failures across governance, strategy, operations, and external economic shocks. In the case of developing economies such as India, the importance of bankruptcy as a research area gained momentum after the enactment of the Insolvency and Bankruptcy Code (IBC) in 2016. This chapter provides an exhaustive review of academic literature on corporate bankruptcy—mapping its conceptual development, theoretical foundations, determinants, legal changes, and seminal empirical case studies, with a focus on the Indian corporate environment and the failure of Jet Airways.

2.1 Literature Overview: Conceptual Evolution of Corporate Bankruptcy

The scholarly comprehension of bankruptcy has dramatically changed throughout history. The earlier literature had focused mainly on accounting indicators for anticipating bankruptcy. Altman's Z-Score (1968) was one of the earliest foundational works, and it brought forth a multivariate model that applied five accounting ratios to anticipate firm failure and created a quantitative benchmark that is broadly used in credit analysis. Earlier than that, Beaver (1966) utilized univariate analysis to identify principal financial signals—particularly cash flow measures—that foretell probable insolvency.

Over time, the field of research grew to include a wider range of factors, such as behavioral, macroeconomic, and organizational factors. Ohlson's (1980) logistic regression model was one of these developments, combining financial measures with firm size and economic environment. This was a move away from individual financial measures to a more holistic approach.

Indian scholarship, especially after economic liberalization and the 2008 financial crisis, started to explore how changes in regulation affected the viability of firms. In the wake of the IBC, the emphasis has shifted towards recovery mechanisms, institutional responsibility, and creditor empowerment—taking India from a regime favorable to debtors to one that is more creditor-dominated.

2.2 Theoretical Foundations of Corporate Bankruptcy

There are a number of theories from the finance and management literature that provide a deeper insight into why firms fail.

2.2.1 Trade-Off Theory

According to Kraus and Litzenberger (1973), companies balance the advantages of debt (e.g., tax shields) with the disadvantages of financial distress. In India, heavily indebted industries such as aviation, infrastructure, and real estate frequently cross this line. Jet Airways, for example, engaged in aggressive borrowing without considering increasing interest obligations or sufficient liquidity cushions—ultimately causing its demise.

2.2.2 Pecking Order Theory

Myers and Majluf (1984) proposed that companies prefer internal financing to debt or equity because of information asymmetry. Companies that depart from this pecking order—particularly by incurring unsustainable external debt—subject themselves to higher bankruptcy risk. Jet Airways did precisely that by financing its overseas expansion through external borrowings, leading to financial distress.

2.2.3 Agency Theory

Jensen and Meckling (1976) argued that value-destroying decisions often occur due to conflicting interests between stakeholders and managers. Poor monitoring, over-control by executives, or ignoring creditors' interests can lead to financial pressures.

2.2.4 Behavioral Finance Theories

Cognitive biases also attribute delayed or unreasonable monetary choices. Prospect Theory (1979) by Kahneman and Tversky identifies inclinations such as overconfidence, inaction, and denial of burgeoning risks. Jet Airways exemplified these habits because management remained steadfast in the pursuit of an error-prone strategy in the face of ever-increasing losses.

2.3 Causes of Corporate Bankruptcy: Empirical and Theoretical Insights

2.3.1 Financial Mismanagement

Poor financial management, poor use of working capital, and excess short-term obligations are significant causal factors for company failure. Deloof and Jegers (1996) stressed that illiquidity mishandling is a serious early warning sign. In India, most bankruptcies are traceable to over-borrowed capital structures.

2.3.2 Corporate Governance and Fraud

Weak governance is usually a prelude to fiscal collapse. Poor legal protections and internal controls as noted by La Porta et al. (1998) tend to entice abuse and mismanagement. The IL&FS debacle provides an example, highlighting how weaknesses in governance have systemic effects.

2.3.3 Macroeconomic Shocks

External shocks like currency depreciation, oil price instability, or pandemics aggravate domestic vulnerabilities. Fan et al. (2021) pointed out that weak firms were more prone to fail during COVID-19. Jet Airways was hit severely by increases in aviation fuel prices as well as macroeconomic volatility.

2.3.4 Industry-Specific Challenges

Industries such as aviation are susceptible by nature due to low margins and high operational costs. Porter's Five Forces (1985) points out high competitive rivalry and customer sensitivity to prices as red flags. Indian aviation's regulatory issues and price wars have resulted in several exits, including Kingfisher and Jet Airways.

2.3.5 Strategic and Operational Mistakes

Aside from finances, poor business strategy usually causes failure. Kaplan and Norton (2004) emphasized the value of strategic alignment. Jet Airways did not adapt in a market where low-cost carriers were dominating, and hence its service model was out of sync with what consumers expected.

2.4 Evolution of Bankruptcy Laws in India

Prior to 2016, India's insolvency resolution process was disjointed and ineffective. Laws such as SICA (1985) and SARFAESI (2002) were misused, resulting in long-drawn and unresolved bankruptcies. Recovery rates were abysmal—only 25.7%—and the average resolution lasted more than 4 years, as per the World Bank's Doing Business Report (2014). Such inefficiencies undermined lender confidence and discouraged investment.

2.5 The Insolvency and Bankruptcy Code (IBC), 2016: A Paradigm Shift

The IBC transformed insolvency management by establishing a time-bound, creditor-in-control resolution framework. The major innovations were:

• National Company Law Tribunal (NCLT)

• Insolvency Professionals (IPs)

• Committee of Creditors (CoC)

• Information Utilities (IUs)

The legislation provides for resolution in 180–330 days. Joshi and Acharya (2017) and Bhatia (2018) studies highlighted how the IBC enhanced recovery, accountability, and value preservation. Kapoor (2022) indicated a rise in average recovery rates to 43%.

Yet, in high-profile cases such as Jet Airways—due to jurisdictional disputes, litigation, and administrative backlogs—the operational and institutional implementation gaps are brought to the forefront.

2.6 Global Best Practices in Insolvency Resolution

United States

Under Chapter 11 of the U.S. Bankruptcy Code, companies can restructure while still being operational. The debtor-in-possession framework safeguards business continuity and jobs while balancing creditor rights.

United Kingdom

The Company Voluntary Arrangement (CVA) and Pre-Pack Administration frameworks enable companies to restructure debt or dispose of assets quickly, even before actual insolvency sets in—saving enterprise value.

Germany

The StaRUG law (2021) enables pre-insolvency negotiation with minimal judicial intervention. It promotes early intervention and cooperative stakeholder involvement.

India can implement similar mechanisms to increase speed, transparency, and coordination among stakeholders, as suggested by Datta (2020).

2.7 Case-Based Learnings: Jet Airways and DHFL

Jet Airways

Goyal and Kulkarni (2021) pointed out the main causes of Jet's collapse: defective full-service model, high operational expenses, and passive creditor behavior. Even after entering the IBC system, resolution was plagued by procedural delays and judicial obstacles—underlining the necessity for robust judicial infrastructure and active creditor intervention.

DHFL

As per Sharma et al. (2020), the collapse of DHFL was led by fraudulent activities, financial overstatement, and failure of governance. Although the IBC facilitated recovery of assets through Piramal Group's takeover, the case reflected IBC's poor ability to detect fraud at an early stage.

Kapoor (2022)

They also concluded that although ₹2 lakh crore had been recovered in 40 cases until 2022, most cases resulted in liquidation—pointing towards the necessity of systemic reforms and online monitoring.

2.8 Gaps in Current Literature

Even with significant academic advancement, some research gaps remain:

• MSMEs and Bankruptcy: Studies generally target large firms, overlooking MSMEs—although they are economically relevant. These companies tend to lack formal credit access and legal assistance to participate effectively in the IBC process.

• Technology Integration: AI, machine learning, and blockchain are not adequately leveraged for insolvency identification, credit risk assessment, and process automation.

• Socio-Economic Impact: The wider implications of bankruptcy on workers, vendors, and local economies are under-studied. Interdisciplinary approaches are needed.

• Cross-Border Insolvency: With internationalized business models, Indian companies require international insolvency legal frameworks. The UNCITRAL Model Law's adoption is still pending, and comparative studies are rare.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology forms the backbone of any scholarly investigation, delineating the systematic approach adopted to explore, analyze, and interpret the subject matter. In the context of this study, which examines the causes and consequences of corporate bankruptcy in India through the lens of Jet Airways, a meticulous and structured methodology is imperative. This chapter explains the research design, data collection approach, analytical framework, and ethical factors that underpin the research so that it can be considered scholarly and pertinent.

3.2 Research Paradigm

The research is rooted in a qualitative research paradigm with a focus on rich comprehension of complicated phenomena rather than quantifiable numbers. Such an approach is specifically appropriate to studying the multidimensional nature of corporate insolvency that involves legal, financial, managerial, and socio-economic factors. Taking a qualitative approach, the research attempts to find the root cause of corporate malaise, gauge the effectiveness of the Insolvency and Bankruptcy Code (IBC) 2016, and extract lessons from the given example of Jet Airways.

3.3 Research Design

An efficient research design plays an imperative role in shaping the path of study. The adopted research design in this case is an integration of descriptive, analytical, and case study methodologies:

3.3.1 Descriptive Approach

This element entails a detailed description of corporate bankruptcy, tracing its historical development in India, and summarizing the legislative framework that regulates insolvency. It lays the groundwork for an in-depth understanding of the topic by giving context and background.

3.3.2 Analytical Approach

The analytical component probes the critical assessment of the IBC 2016, appraising its provisions, implementation arrangements, and effects on corporate insolvency resolution. It also entails cross-examining financial information, court proceedings, and stakeholder reactions to gauge the efficacy of the code.

3.3.3 Case Study Approach

Using a case study approach enables a close examination of Jet Airways insolvency path. The cases provide comparative viewpoints—Jet Airways for the aviation industry and thus enhancing the analysis with sectoral insights.

3.4 Research Objectives

Research objectives are the guiding beacon of any scholarly research. They precisely state what the researcher is going to examine, analyze, and conclude. In the context of this research—examining corporate bankruptcy in India using the case studies of Jet Airways —research objectives are framed to study the legal, financial, managerial, and systemic aspects of insolvency and resolution procedures in India. The following is a point-by-point description of each objective:

Objective 1: To determine and examine the principal reasons resulting in corporate bankruptcy in India
This objective seeks to explore the internal and external reasons causing financial woes and ultimately driving businesses to insolvency. Knowing the underlying reasons for bankruptcy is vital not only for diagnosing past failures but also for avoiding a recurrence of the same in the future.

Objective 2: To assess the efficacy of the Insolvency and Bankruptcy Code (IBC), 2016 in addressing corporate financial distress
The promulgation of the IBC brought about a paradigm shift in India's strategy towards corporate insolvency with the goal of enhancing the pace, transparency, and efficiency of resolution. This goal evaluates the actual performance and results of the IBC, especially using case studies.

Objective 3: To draw useful lessons from the insolvency case of Jet Airways that can be used in policy making and corporate governance practices
This objective moves beyond analysis and interpretation to distill actionable insights from real-world case study. By deconstructing Jet Airways —high-profile bankruptcy cases across various sectors—the research hopes to draw larger lessons for the industry, regulators, and policymakers.

Table-3.1 **Summary of Research Objectives**

Objective	Focus Area	Purpose
Objective 1	Identify causes of bankruptcy	Diagnose internal/external triggers and industry-level vulnerabilities
Objective 2	Evaluate the IBC framework	Assess legal and institutional efficiency, stakeholder impact, and bottlenecks
Objective 3	Extract lessons from Jet Airways	Contribute to governance reform, policy improvement, and practical knowledge

3.5 Scope of the Research Methodology

The scope of the methodology of the study determines the limits within which this research has been designed, conceived, and implemented. It specifies the dimensions—both topical and methodological—to which the research responds and identifies the limits the study embraces deliberately to deliver depth and coherence. Considering the intricacy of the insolvency of corporations in India and the dynamic nature of the Insolvency and Bankruptcy Code (IBC), 2016, the research methodology for this study is precisely planned to investigate the pertinent legal, financial, operational, and strategic aspects through a qualitative, descriptive, and case study-based method.

1. Thematic Scope

The research seeks to cover a wide range of themes dealing with corporate insolvency, such as but not restricted to:

- Corporate Distress & Bankruptcy Causes: The study delves into the complex causes—internal (e.g., managerial incompetence, sloppy financial management) and external (e.g., economic downturn, regulatory overhaul)—of corporate collapse in India.
- Legal Framework of IBC: In-depth analysis of the IBC, 2016 as the primary legal tool for resolving insolvency in India, such as the objectives, procedural design, timelines, and judicial interpretation.
- Resolution & Recovery Mechanisms: The research examines the extent to which the IBC has succeeded in creditor recovery, resolution value realization, and time-bound processes.

This thematic range guarantees a multi-faceted conceptualization of insolvency that spans financial, legal, regulatory, and strategic management frames.

2. Methodological Scope

Methodological structure determines the tools, methods, and data sources that are used in the research. This research approach includes:

a) Nature of Research

- Qualitative and Descriptive: Deals with describing processes, causes, and meanings in place of quantitative quantification.
- Explanatory and Interpretative: Seeks to know why and how corporate bankruptcies occur and how they are settled under IBC.
- Contextual: Based on the Indian corporate and legal landscape, recognizing sector-specific dynamics.

b) Case Study Approach

- Jet Airways is studied in depth to offer real-life examples of bankruptcy under IBC.
- The approach enables thorough chronological mapping, event analysis, and review of stakeholder impact.

c) Data Sources

- Secondary Data Only: Contains government reports, legal documents, financial statements, media articles, academic papers, and expert analyses.
- Sources were carefully selected to ensure credibility, relevance, and triangulation of information.

d) Analytical Techniques

- SWOT analysis, financial data trend interpretation, legal judgment interpretation, and cross-case comparison are used.
- Thematic coding and content analysis are applied in order to derive patterns and meaning from qualitative data.

This methodological range allows the researcher to preserve depth, reliability, and analytical thoroughness while preserving data accessibility and feasibility within scholar timeframes.

3. Sectoral Scope

The case studies permit the research to concentrate on two varied yet systemically relevant sectors:

- Aviation Sector (Jet Airways): Capital-intensive, operationally uncertain, and considerably influenced by world trends such as fuel prices and forex volatility.

This sectoral variation enhances the breadth and applicability of the research findings across multiple industries.

4. Geographic Scope

The study is India-centric, focusing on the Indian legal, financial, and regulatory landscape. The companies under review operated predominantly in the Indian market, and the IBC's implementation is analyzed within the domestic judicial and corporate ecosystem.

But the study does recognize global events (e.g., changes in oil prices, global economic recessions) that could have indirectly led to the distress of these firms.

5. Temporal Scope

The study covers a time period from 2015 to 2023, covering:

- Pre-distress events in both firms
- IBC filing and subsequent resolution/liquidation proceedings
- Ultimate outcomes (where available) and long-term effects on stakeholders

This timeline spans the pre-IBC setting, the formative years of IBC implementation, and the matured application of IBC, thereby presenting a holistic perspective of systemic evolution.

Table-3.2 **Summary Table: Scope of Research Methodology**

Scope Dimension	Coverage
Thematic Scope	Causes of bankruptcy, IBC effectiveness, case study analysis
Methodological Scope	Qualitative, descriptive, interpretative, based on secondary data
Sectoral Scope	Aviation (Jet Airways)
Geographic Scope	India-centric (domestic regulatory and corporate environment)
Temporal Scope	Covers events from 2015 to 2023
Academic & Policy Scope	Contribution to insolvency literature, policy recommendations, governance

3.6 Sources of Data

The validity and usefulness of a research study greatly rely on the dependability of the sources of data. This research employs both unplanned primary data (not gathered) and secondary data (used to the fullest).\s

3.4.1 Primary Data (Planned but Not Gathered)

Primary data collection—like interviews, surveys, or focus group interviews—was initially intended to get firsthand information from stakeholders like ex-Jet Airways employees, insolvency experts, aviation regulators, or members of the Committee of Creditors (CoC). But due to various constraints, primary data were not collected:

- Access Challenges: Jet Airways shut down in 2019, and the majority of the staff and major stakeholders were either unavailable or reluctant to take part because of pending legal cases.

- Time Constraints: The project schedule did not provide sufficient time for in-depth stakeholder engagement or formal interview scheduling.

- Legal Sensitivity: The insolvency process was under court review at the time of data collection, making confidential or sensitive information less accessible.

Conclusion: No primary data were applied in this study, and secondary sources are based on all the findings.

3.4.2 Secondary Data (Main Source of Data)

The whole study is based on comprehensive secondary data, gathered from genuine, verifiable, and publicly available data sources. They are:

- Company Reports: Jet Airways' audited annual reports, management commentary, and financial information filed with SEBI and stock exchanges during FY 2015 to FY 2019.
- Orders, filings, and proceedings of the National Company Law Tribunal (NCLT) under Jet Airways' Corporate Insolvency Resolution Process (CIRP).
- Regulatory Reports: Guidelines and press releases of the Directorate General of Civil Aviation (DGCA), Ministry of Civil Aviation, and the Insolvency and Bankruptcy Board of India (IBBI).
- Credit Rating Agency Reports: CRISIL, ICRA, and CARE analysis pointing towards the declining credit profile of Jet Airways.
- Media Coverage: Editorials and news coverage in The Economic Times, Business Standard, Mint, Reuters, CNBC-TV18, and others to follow the timeline and stakeholder views.
- Academic Journals: Peer-reviewed articles on theory of bankruptcy, the development of the IBC, and the economic consequences of corporate collapse.
- Investor Briefings: Analyst calls, earnings presentations, and shareholder letters detailing the company's strategic vision and the ensuing challenges.

These sources of data were chosen for their public availability, relevance, and credibility to ensure that the research is based on objective, verifiable facts.

3.7 Data Analysis Methods

The study uses several qualitative methods of analysis to generate insights from the secondary data gathered:

- Thematic Analysis: Utilized for the identification of common themes and patterns in legal rulings, media reports, and company releases.

- SWOT Analysis: Used for Jet Airways to evaluate internal strengths/weaknesses and external opportunities/threats that led to insolvency.

- Comparative Analysis: Compared Jet Airways' business model with low-cost carriers (e.g., IndiGo) to identify strategic misalignment.

- Timeline Analysis: Created an in-depth chronology of main events from 2015 through 2023 to analyze the development of financial distress and judicial intervention.

- Institutional Assessment: Assessed the framework and operations of the IBC, with emphasis on timelines, resolution effectiveness, and stakeholder satisfaction.

- Financial Ratio Analysis: Utilized to analyze profitability patterns, indebtedness, and liquidity problems based on publicly disclosed financial records.

These methods facilitated an intensive, multi-dimensional analysis of the bankruptcy process and its consequences.

Table-3.3 **Sources of Data**

Data Source Type	Methods Used/Identified	Purpose	Availability in Study
Primary Data	Interviews, Surveys, FGDs, Case Study Interviews	Stakeholder insights, qualitative context	Not conducted due to time/access limitations
Secondary Data	Annual Reports, NCLT Orders, IBBI Reports, News Articles, Credit Ratings, Journals	Financial analysis, legal review, timeline reconstruction	Fully utilized

3.8 Drawbacks of the Research Approach

All research approaches, no matter how deep or rigorous, work within a framework of constraints and limitations. These constraints can be caused by the breadth of data, availability of information, time, methodological limits, or the very nature of the research topic. It is important to recognize these constraints because it brings transparency to the research process and enables readers to know the contextual limits within which the conclusions are being drawn.

The current research, although extensive in its qualitative and case-study method, suffers from the following limitations:

1. Relying on Secondary Data

The study draws only on publicly available sources (e.g., news reports, reports, court decisions), with no primary interviews or surveys.

- Effect: Might be short of insider perspectives and contemporaneous experiences.
- Risk: Possibility of bias in third-party reporting.

2. No Direct Stakeholder Input

There was no engagement with important stakeholders such as insolvency professionals, creditors, or regulators.

- Impact: Loses first-hand experience of the IBC's real-world usage.

3. Limited Quantitative Tool Utilization

The research does not leverage sophisticated data analytics or financial modeling.

- Impact: Findings are descriptive rather than predictive or statistically validated.

4. Single Case Study Focus

Only Jet Airways was examined in detail.

- Impact: Results might not be generalizable across all industries or types of companies (e.g., SMEs).

5. Limited Access to Confidential Material

Legal negotiations and internal company documents were not available.

- Effect: Restricts thorough comprehension of boardroom choices and detection of fraud.

6. Legal Interpretation Limitations

Being a non-legal expert, the researcher has to depend on summaries and expert comment.

- Effect: Legal findings might not be technically deep or specific.

CHAPTER 4

CASE STUDY {JET AIRWAYS}

4.1 Introduction to the Case

The corporate bankruptcy phenomenon is more than just an economic accounting loss; it is a complex failure that encompasses strategy, governance, marketplace dynamics, and regulatory framework. In India, the enactment of the Insolvency and Bankruptcy Code (IBC), 2016 was a turning point in the reorganization or liquidation of distressed entities. Under this paradigm, the Jet Airways case of Jet Airways (India) Ltd. is perhaps the most celebrated and complicated IBC insolvency proceeding so far.

Jet Airways, which was once India's top private airline, represents a quintessential example of how hasty growth, ill-conceived strategic moves, and increasing debt can bring down even the greatest companies. Founded in 1993 and growing to become a leading airline in the early 2000s, Jet Airways was the biggest airline in India by market share. It was famous for its high-quality service, extensive route network, and global reach. By April 2019, the carrier had shut down all operations, was not in a position to pay creditors, staff, or operational expenses.

This case study explores the fall of Jet Airways in the light of financial mismanagement, defective business models, regulatory issues, and the enforcement of the IBC. It offers insights into the manner in which insolvency proceedings play out in the real world, how stakeholders are affected, and how institutional mechanisms react to corporate distress on a large scale. The research also examines whether the IBC was successful in resolving Jet's insolvency, and what can be learned to enhance the bankruptcy resolution ecosystem in India.

The case is especially relevant for a number of reasons:

•Sectoral Significance: The aviation industry is highly regulated, capital-intensive, and internationally networked. The collapse of a major airline has far-reaching implications for investor confidence, employment, tourism, and trade.

•Public and Economic Impact: More than 20,000 employees, hundreds of suppliers, financial creditors, and passengers were impacted directly. The grounding of Jet Airways also resulted in market consolidation and higher fares on important routes.

•Policy and Legal Implications: The case pushed the limits, pace, and efficacy of the IBC in a fast-moving industry. It revealed loopholes in regulatory coordination, creditor recovery, and revival planning.

•Comparative Value: Jet Airways' insolvency can be compared with international airline bankruptcies (e.g., India's Kingfisher Airlines, or the US's Delta and American Airlines) to determine distinctive Indian challenges and points of enhancement.

This chapter employs a qualitative case study method to analyze the sequence of events, fiscal and strategic blunders, the IBC insolvency resolution process, and the resolution of the case. The data is collected from a broad sweep of secondary sources such as company reports, court papers, press reports, regulatory filings, and analyst reports. Results are depicted with accompanying tables, charts, and infographics where appropriate.

In conclusion, the Jet Airways case is not merely a tale of corporate failure, but a significant learning experience for stakeholders throughout India's economic and legal sphere. It presents a live case of how insolvency mechanisms work and indicates spaces where policy, governance, and institutional reactions need to change.

4.1.1 Background of the Company – Jet Airways (India) Ltd.

Jet Airways (India) Limited was the jewel of Indian aviation—a full-service carrier that transformed air travel in India. Founded in 1993 by businessperson Naresh Goyal, Jet Airways started as an air taxi service before becoming a scheduled commercial airline. It quickly grew into one of India's largest and most respected private carriers, providing premium service and linking major domestic and international hubs.

Early Years and Growth Trajectory

Jet Airways began commercial operations in 1995, just as India opened up its aviation industry. The market was then dominated by state-owned airlines like Indian Airlines and Air India. Jet's arrival brought a dramatic change to the scene, as it provided better in-flight amenities, new aircraft, and reliability—qualities that attracted strongly to corporate customers and the new middle class.

In the late 1990s and early 2000s, Jet sustained its fast expansion:

• It added a fleet of new Boeing 737 aircraft.

• It earned loyalty among high-paying passengers for its in-flight comforts, cuisine, and frequent flyer program.

• Jet became India's largest domestic carrier by market share in 2004.

Public Listing and International Expansion

Jet Airways went public in 2005, listing its shares on both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The IPO was oversubscribed multiple times and reflected high investor confidence in the airline's future.

That year, Jet made a bold move by expanding internationally. It became the first private Indian airline to fly long-haul international flights, connecting Indian cities with global hubs like:

• London (Heathrow)

• Newark (USA)

• Toronto (Canada)

• Brussels and Amsterdam (Europe)

Jet Airways also signed code-share pacts and strategic partnerships with other leading international airlines. Perhaps the most significant of these was in 2013, when Etihad Airways, the UAE national airline, bought a 24% stake in Jet Airways as part of a strategic investment. This capital infusion was to boost Jet's international network and global competitiveness.

Acquisition of Air Sahara

In 2007, Jet Airways took over Air Sahara at a price of around ₹1,450 crore. The transaction was projected to solidify Jet's market dominance and enhance its presence. With the takeover came the establishment of JetLite, a low-cost subsidiary, meant to face competition from emerging low-cost carriers (LCCs). Nevertheless, integrating Air Sahara was not an easy task:

• JetLite was unable to find a distinct market identity.

• Synergies at the operating level were scarce.

• Costs related to the acquisition and integration continued to weigh on Jet's financials.

Peak Performance and Market Position

Its peak in the early 2010s saw Jet Airways as a market leader with a prominent position in both domestic and international markets. Some of the major highlights of its activities during that time include:

Table-4.1

Metric	Details
Daily Flights	Over 300
Fleet Size	120+ aircraft (including Boeing 737, Airbus A330, and ATRs)
Destinations	65+ domestic, 20+ international
Employees	Over 20,000 (including pilots, crew, engineering, logistics, ground staff)
International Routes	Brussels, London, Toronto, Amsterdam, Singapore, Dubai, Bangkok, and more

Jet Airways was universally regarded as a premium carrier and was continuously being awarded service excellence, taking home many honors for in-flight service, security, and client satisfaction.

Winds of Financial Distress

Even with such strong brand strength and operational presence, the gaps in Jet's financial and planning structure started developing after 2015:

• Rising losses due to bloated operating expenditure.

• Vanishing yields due to tougher competition from ultra-low-cost players like IndiGo, SpiceJet, and GoAir.

• Increasing debt load, amplified by foreign exchange-denominated loans and aircraft leases.

• Weak cost disciplines and absence of digitalisation in core operational areas.

• Failure to harvest non-core assets or simplify business segments.

By 2018, Jet Airways started defaulting on payments to suppliers and holding back employees' salaries. Things further worsened in early 2019 when the company started parking planes as it did not have funds for maintenance and fuel. By April 2019, Jet Airways had suspended all operations formally, creating a gap in the Indian aviation industry and initiating one of the most high-profile bankruptcy cases under the IBC.

4.1.2 Timeline of Distress and IBC Proceedings – Jet Airways

The decline of Jet Airways was not one of sudden collapse but one of gradual decline in financial health, operational control, and market share. This section provides a detailed timeline of events and how the airline transitioned from being a market leader to a bankrupt entity, finally going into the Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC), 2016.

Chronology of Financial Distress and Insolvency Events

The table below captures the key milestones in Jet Airways' financial decline and the corresponding developments in the insolvency proceedings:

Table-4.2

Year/Date	Event
2016–2017	Jet Airways begins posting **operating losses** despite steady revenue. This was primarily due to high fuel costs, poor cost control, and aggressive pricing to compete with LCCs.
Late 2017	Early signs of distress emerge as **vendor payments are delayed**, and operational cash flows become tight.
2018	Jet **defaults on salaries** of pilots and engineers. Vendors and fuel suppliers raise concerns. Aircraft lessors begin grounding jets.
January 2019	A **SBI-led lender consortium** proposes a **debt restructuring plan**, offering to convert part of Jet's debt into equity and infuse capital via strategic investors.
April 17, 2019	Jet Airways **suspends all operations**, citing a severe **liquidity crunch**. Over 100 aircraft are grounded.
June 20, 2019	The **National Company Law Tribunal (NCLT) Mumbai Bench** admits the **insolvency petition** filed by **State Bank of India (SBI)** under Section 7 of the IBC.
October 2020	The **Jalan-Kalrock Consortium** is chosen as the **preferred resolution applicant** by the Committee of Creditors (CoC).
June 2021	NCLT **approves** the resolution plan proposed by Jalan-Kalrock, which includes equity infusion and partial payment to creditors.
2022–2023	Jet's revival faces **legal challenges**, including disputes over **airport slots**, **payment of employee dues**, and **approvals from DGCA** and other regulatory bodies. The airline remains non-operational.

4.2 Data Collection

This section summarizes the data collection methods applied to the case study of Jet Airways' bankruptcy. The study depends mainly on secondary sources of data because of unavailability of access to direct stakeholders for primary data.

A. Primary Data Collection

Though primary data offers firsthand information and contemporary stakeholder viewpoints, this case study depended least on primary techniques because of a number of restrictions.

Limitations of Primary Data:

• Access Restrictions: Jet Airways stopped operations in 2019, so it was hard to reach former employees or management.

• Legal and Confidentiality Issues: Ongoing insolvency proceedings limited access to confidential financial and operational information.

• Time Constraints: Gathering information through interviews, surveys, or focus groups within the project timeline was not possible.

Table-4.3 **Planned but Unavailable Sources:**

Method	Target Audience	Purpose	Status
Interviews	Former Employees, Creditors	Understand internal issues	Not feasible
Questionnaires	Insolvency Professionals, Analysts	Assess IBC effectiveness	Not feasible
Focus Group	Frequent Flyers, Travel Agents	Gauge customer perception	Not feasible

Conclusion: Due to the above challenges, **primary data was not collected**, and the study relied exclusively on secondary data.

B. Secondary Data Collection

Secondary data refers to information already published by credible institutions, media, or regulatory bodies. It formed the **backbone of this research**.

Key Secondary Sources Utilized:

1. Company Reports and Financial Disclosures

o Jet Airways Annual Reports (FY 2016–2019)

o SEBI Filings and Shareholder Communications

o BSE/NSE Corporate Announcements

2. Legal and Regulatory Documents
o NCLT Orders (Mumbai Bench) under the Insolvency and Bankruptcy Code (IBC)
o Resolution plan and proceedings of the Jalan-Kalrock consortium
o DGCA notifications on aircraft grounding and slot allocation

3. News and Media Articles
o Economic Times, Business Standard, Mint, CNBC TV18
o Archived articles on operational shutdown, employee protests, vendor dues

4. Research Papers and Academic Articles
o Research on Indian corporate bankruptcy
o Sector-specific analysis on air economics and turnaround failure

5. Government and Aviation Sector Reports
o Ministry of Civil Aviation white papers
o DGCA safety audits and compliance reports

6. Investor and Market Data
o NS&E/BSE share performance and stock analysis (2016–2019)
o Analyst reports on Jet's financial condition and aviation market dynamics

C. Data Collection Approach

Table-4.4 **Step-by-Step Process:**

Step	Description
Identification	Selected key documents, reports, and articles from official and credible sources
Compilation	Extracted relevant financial and legal information; organized into Excel and Word
Cross-Verification	Cross-checked facts across multiple sources to ensure accuracy
Thematic Grouping	Grouped data under themes like strategy, finance, governance, IBC, etc.

D. Thematic Categories of Collected Data

Table-4.5

Theme	Description

Strategic Decisions	Jet's expansion plans, acquisition of Air Sahara, global route policies
Financial Health	Revenue trends, profit/loss, debt-to-equity ratios, forex liabilities
Corporate Governance	Promoter control, board structure, shareholder issues
IBC Proceedings	CIRP timeline, CoC decisions, NCLT orders
Stakeholder Impact	Job loss, unpaid dues, investor losses, vendor defaults
Regulatory Challenges	Airport slot reallocation, DGCA re-certification, legal disputes

E. Benefits of Secondary Data Use
• Cost-Effective: Quite easily available through public records and online databases.
• Time-Saving: Enabled fast compilation and examination.
• Authentic: Derived from legally and financially validated facts.
• Rich Historical Context: Gave a long-term perspective of Jet Airways' performance.

4.3 Data Analysis

Data analysis is an important phase of understanding why Jet Airways failed financially, operationally, and strategically. Data analysis includes looking at quantitative information like financial records, market performance, and qualitative information like managerial decisions, regulatory issues, and stakeholder reactions.

1. Financial Performance Analysis (2016–2019)

Let's begin with a snapshot of Jet Airways' key financial indicators over its last four operating years:

Table-4.6

Fiscal Year	Total Income (₹ Cr)	Net Profit/Loss (₹ Cr)	Total Debt (₹ Cr)	Market Share (%)
2015–16	₹22,694	+₹1,212	₹8,153	21.2%
2016–17	₹23,310	+₹438	₹7,995	18.7%
2017–18	₹23,957	–₹636	₹8,415	15.4%
2018–19	₹23,314	–₹5,535	₹8,963	0% (operations ceased)

Key Observations:

a) Revenue Stagnation:

• Though a large airline, Jet's revenue stagnated post-2016. No significant rise in top-line numbers took place, reflecting saturation in route profitability and passenger load.

b) Declining Profitability:

•Net profits fell sharply from ₹1,212 crore in FY16 to a whopping loss of ₹5,535 crore by FY19. This reflects a sharp erosion of margins and weak cost control.

c) Mounting Debt:

• Total debt was high and went up from ₹8,153 crores to ₹8,963 crore, indicating no meaningful reduction or restructuring in spite of growing interest burdens.

d) Loss of Market Share:

• Market share fell from more than 21% to 0% when operations were shut down. These enabled competitors such as Indigo, Spice Jet, and Vistara to take Jet's market.

2. Cost Analysis

• Fuel Expenses: One of the largest cost components of airline operations, fuel expenses increased with increasing Aviation Turbine Fuel (ATF) prices and rupee devaluation. Jet's failure to hedge against this left it vulnerable to global fluctuations.

• Lease and Maintenance Charges: With more than 60% of its fleet leased, Jet was constantly under pressure from lessors for prompt payments. Foreign currency maintenance charges added to costs.

• Staff Costs: Jet had more than 20,000 employees but never reorganized or streamlined manpower during off-seasons, resulting in inflated wage bills.

• Servicing Debt: Yearly interest outgoings added up every year, consuming working capital flows. In FY19, financial expenses crossed ₹1,000 crore.

3. Comparative Business Model Analysis

Table-4.7

Aspect	Jet Airways	IndiGo (Competitor)
Business Model	Full-Service Carrier	Low-Cost Carrier (LCC)
Fleet Type	Mixed fleet (narrow + wide-body)	Narrow-body Airbus fleet
Route Strategy	International + Domestic	Mostly Domestic
Cost Control	Weak	Strong (single aircraft type model)
Ancillary Revenue	Limited	Strong (add-ons, web check-in, etc.)
Technology Investment	Lagging	Advanced and automated

Insights:

Jet Airways retained a legacy airline structure that did not adapt to the LCC-led market shift in India. In contrast, IndiGo optimized costs and maximized profitability through standardized operations.

4. Timeline and Operational Analysis

Table-4.8

Key Event	Impact on Jet Airways
Air Sahara acquisition (2007)	Financial strain from overpriced acquisition; failed synergy.
Etihad investment (2013)	Infusion of funds helped briefly, but strategic alignment remained weak.
Fuel price rise (2018–19)	Exposed to price shocks due to lack of hedging mechanisms.
Salary defaults (2018)	Caused employee unrest, low morale, and attrition.
Suspension of operations (2019)	Zero revenue generation, asset depreciation, and loss of customer confidence.
IBC proceedings (2019–2021)	Attempt to resolve financial stress through legal recourse. Delay in resolution plan implementation hampered a quick restart of operations.

5. Stakeholder Impact Analysis

Table-4.9

Stakeholder	Impact Description
Employees	Thousands unemployed; delayed salaries; litigation over dues.
Creditors/Lenders	Large-scale NPAs; provisioning burden on public sector banks.
Shareholders	Over 90% market cap erosion; stock delisting.
Lessors	Aircraft repossession; delayed payments; legal disputes.
Customers	Ticket losses, canceled bookings, and disrupted travel plans.
Government/Regulators	Need for tighter regulatory oversight of financially weak carriers.

6. SWOT Analysis of Jet Airways (Pre-Bankruptcy)

Table-4.10

Strengths	Weaknesses
Strong brand recognition	High fixed cost base
Global connectivity	Excessive debt and poor cost structure
Premium customer base	Poor route profitability analysis
Experienced workforce	Weak digital/tech adoption
Opportunities	Threats
Partnership with international airlines	Increasing dominance of low-cost airlines
Sectoral growth post-2015	ATF price volatility and rupee depreciation
Restructuring through IBC	Regulatory bottlenecks and slot allocation

7. Altman Z-Score Analysis

To measure Jet Airways' risk of bankruptcy, the Altman Z-Score model for non-manufacturing companies was used for a period of four years. The formula for calculating Z-Scores looks at working capital, retained earnings, EBIT, and equity-to-debt ratios to forecast financial distress.

Table-4.11

Year	Total Assets (₹ Cr)	Working Capital (₹ Cr)	Retained Earnings (₹ Cr)	EBIT (₹ Cr)	Book Equity (₹ Cr)
2015–16	16,000	+1,200	+2,000	+1,600	+2,500

2016–17	16,500	+900	+1,500	+800	+2,000
2017–18	15,500	–800	–500	–400	+500
2018–19	15,000	–2,000	–4,000	–3,500	–1,500

The Z-Scores calculated for Jet Airways were:

Table-4.12

Financial Year	Z-Score	Interpretation
FY2015–16	1.893	Grey Zone (Caution)
FY2016–17	1.244	Grey Zone (Near Distress)
FY2017–18	-0.558	Distress Zone (High Risk)
FY2018–19	-3.483	Severe Distress (Bankruptcy Imminent)

Interpretation:

The Z-Score pattern reveals a sustained decline in Jet Airways' financial health. From being in the grey zone in FY2015–16 to serious distress in FY2018–19, the company's declining fundamentals reliably anticipated bankruptcy risk. The early warning signs like declining earnings, elevated debt, and liquidity crunch were ignored by management.

Fig-4.1

4.4.1 Summary of Data Analysis of Jet Airways Bankruptcy Case

The financial split-up of Jet Airways from FY2016 through FY2019 reveals the chronic breakdown of one of India's once successful private airlines. We analyze four primary parameters—Total Income, Net Profit/Loss, Total Debt, and Market Share—to examine how the financial collapse resulted in bankruptcy.

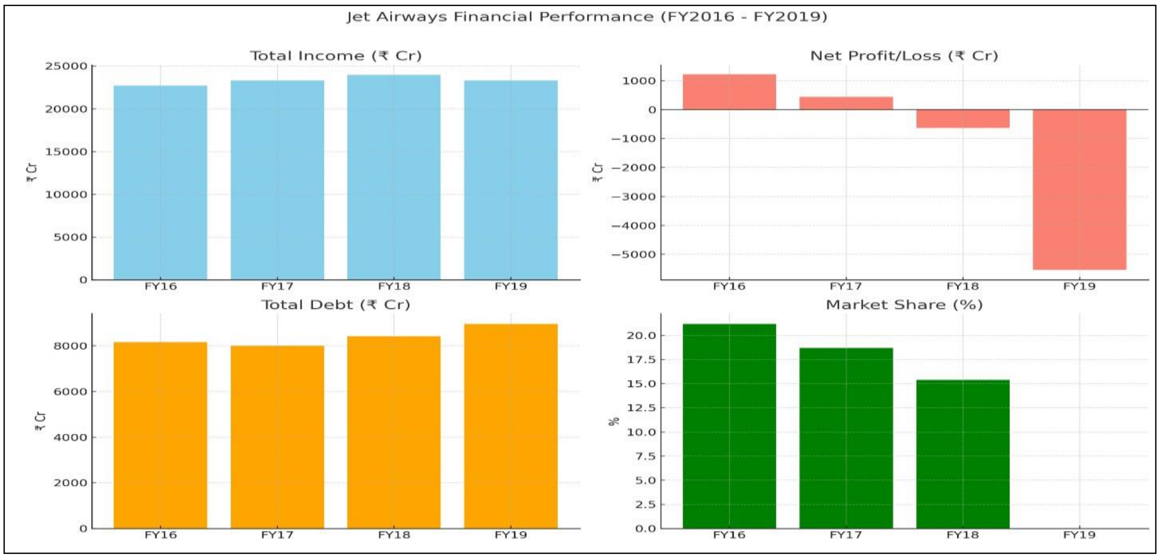

Fig-4.3

1. Total Income (Revenue)

• Trend: Total income was relatively constant, reaching a high of ₹23,957 Cr in FY2018, but falling to ₹23,314 Cr in FY2019.

• Insight: Regardless of consistent revenue, Jet Airways was unable to convert income into profitability, reflecting inefficiencies in cost control and route profitability.

2. Net Profit/Loss

• Trend:

o FY2016: ₹+1,212 Cr (Profitable)

o FY2017: ₹+438 Cr

o FY2018: ₹–636 Cr

o FY2019: ₹–5,535 Cr (Substantial loss)

• Insight: The huge loss in FY2019 indicates operational stress, debt servicing strain, and falling passenger loads. Profitability reduced by half in FY2017 and dived into deep red subsequently.

3. Total Debt

• Trend:

o FY2016: ₹8,153 Cr

o FY2017: ₹7,995 Cr (mild decline)

o FY2018: ₹8,415 Cr

o FY2019: ₹8,963 Cr

• Insight: The debt burden increased even as profitability fell, which suggests aggressive leveraging. Excessive interest payments drained cash reserves and crippled day-to-day operations.

4. Market Share

• Trend:

o FY2016: 21.2%

o FY2017: 18.7%

o FY2018: 15.4%

o FY2019: 0% (exit from the market)

• Insight: Consistent erosion of market share due to inability to compete with low-cost carriers, inefficient route management, and customer dissatisfaction. The 0% figure in FY2019 indicates the airline's withdrawal from the market.

Cross-Comparative Observations

Table-4.13

Indicator	FY2016	FY2017	FY2018	FY2019
Total Income (₹ Cr)	22,694	23,310	23,957	23,314
Net Profit/Loss (₹ Cr)	+1,212	+438	–636	–5,535
Total Debt (₹ Cr)	8,153	7,995	8,415	8,963
Market Share (%)	21.2	18.7	15.4	0.0

• The fall in profits while maintaining a consistent income reflects poor cost control.

• Creation of debt in the absence of asset development indicates poor capital management.

• Loss of market share is evidence of weak customer retention and competitive failure.

4.4 Limitations of the Case Study

Although this case study offers important information on the collapse of Jet Airways and the process of insolvency resolution under the IBC framework, it is important to recognize certain limitations that limit the depth, range, and generalizability of the findings. Being aware of these limitations guarantees transparency and enables future researchers to make improvements to their approach when investigating similar corporate bankruptcies.

1. Limited Primary Data Access
With time and confidentiality constraints, no primary data were collected from direct interviews with Jet Airways' stakeholders (employees, management, creditors, or regulators). The research is based mainly on secondary data that are in the public domain, restricting understanding of internal governance and decision-making dynamics.

2. Incomplete Public Disclosures
Critical internal reports like board meetings, audit reports, and complete CIRP documents were not disclosed or made available in parts, resulting in estimates and third-party data that could influence analytical accuracy.

3. Unfolding Resolution Process
Given that Jet Airways' revival process under the Jalan-Kalrock Consortium is still pending, with issues such as slot allotments and certifications yet to be resolved, the final success of the IBC intervention cannot yet be evaluated completely.

4. Limited Generalizability of Findings
Jet Airways' industry-specific characteristics—aviation sector regulations, high capital intensity, and operational complexity—render the conclusions less directly applicable to other sectors such as FMCG, IT, or manufacturing.

5. Retrospective Bias
Examination of managerial choices following Jet's failure introduces hindsight bias. Decisions previously prudent under changing circumstances can now appear faulty, perhaps overstating failures and underestimating operational difficulties.

6. Lack of Sophisticated Quantitative Modeling
While simple financial trends were examined, advanced statistical models (such as predictive regressions or Monte Carlo simulations) were not utilized, maintaining the research largely qualitative and descriptive.

7. Limited Legal Deep-Dive
Considering the multilayered litigations involving employee claims, lessor rights, and regulatory approvals, the study only offers a general overview and not a comprehensive legal analysis owing to expertise and scope constraints.

CHAPTER 5

FINDINGS AND RECOMMENDATIONS

5.1 Findings and Recommendations

This section summarizes consequential findings drawn based on the conclusion of Jet Airways' corporate bankruptcy and provides effective suggestions to reverse such problems in analogous future examples. These observations are drawn upon the company's financial performance course, strategic decision-making, company governance conduct, and the liquidation process using the IBC.

✓ Findings

1. Stability of Revenue Had Covered Underlying Structural Problems

Jet Airways had a stable top line until its demise, which convinced most stakeholders that the airline was in good health. But escalating costs, indebtedness, and loss-making routes added to eroding financial performance.

• Lesson: A stable top line is no guarantee; cost structure and operating margins have to be tracked closely.

2. Overleveraging and Financial Mismanagement

The debt of the airline increased steadily, though its equity base was weak. With more than ₹8,900 crores as debt by FY2019 and much of it foreign currency-denominated, Jet was extremely susceptible to macroeconomic shocks such as oil price increases and rupee devaluation.

• Aggressive leveraging in the absence of hedging or repayment planning leads to insolvency risk.

3. Weak Corporate Governance and Promoter Control

Naresh Goyal's overbearing control as promoter held up reforms, stifled investor participation, and defied leadership transitions. Independent board supervision was unsuccessful, and choice was opaque.

• Lesson: Poor governance and promoter over-reach are warning signs for long-term viability and investor trust.

4. Expansion Strategy Fail

Jet's takeover of Air Sahara and expansion on money-losing overseas routes over-stretched financial and managerial capabilities. This was undertaken without proper due diligence and strategic focus.

• Lesson: Growth has to be sustainable and supported by thorough market and cost-benefit analysis, particularly in capital-intensive industries such as aviation.

5. Market Share Loss to Agile Competitors

Since Jet had a full-service model, it could not match the cost-effectiveness and pricing tactics of low-cost carriers (LCCs) such as IndiGo and SpiceJet.

• Lesson: Inability to keep up with evolving industry dynamics and customer preferences is a key weakness.

6. CIRP Under IBC Was Structurally Sound but Operationally Delayed

Though the IBC gave a statutory framework to the resolution of Jet's insolvency, the operational side was tainted by regulatory approvals, slot allotments, and clearance of employee claims running slow.

• Lesson: Sectoral insolvency cases need to be handled on a fast-track basis with inter-agency coordination to maintain enterprise value.

✓ **Recommendations**

➢ **Implement Early Warning Systems**

- Use AI-based analytics to track corporate borrowers and identify early warning signs of financial stress (e.g., liquidity problems, EBITDA margin reduction).
- Action: Implement financial health scoring as part of RBI-guided monitoring for large borrowers.

➢ **Enforce Stronger Corporate Governance**

- Limit promoter control after the company goes public.
- Require independent board composition and regular governance audits.
- Action: Revamp SEBI and MCA guidelines to increase transparency and independent monitoring.

➢ **Rationalize Debt and Capital Structure**

- Restrict foreign currency borrowing unless adequately hedged.
- Encourage balanced capital structures with ideal debt-to-equity levels.
- Action: RBI must keep highly leveraged sectors under close scrutiny and offer pre-IBC restructuring guidance.

➢ **Incorporate a Sector-Specific Fast-Track IBC Process**

- Establish fast-track IBC processes for industry-dependent sectors such as aviation, NBFCs, and telecom.

- Action: IBBI must formulate sector-specific regulations and facilitate regulatory coordination for quicker resolutions.

➢ **Improve Labor Protection under IBC**

- Make payment of pending wages and retirement benefits a priority during insolvency resolution.

- Create a compensation fund for workers hit by corporate collapses.

- Action: Modify Section 53 of IBC to promote worker claims in the priority list.

➢ **Re-evaluate Acquisition Strategies and Risk Assessment**

- Mandate M&A risk audit by listed companies prior to acquisitions.

- Institute board and shareholder approvals for risky deals.

- Action: SEBI must make third-party risk assessments mandatory for large acquisitions.

CHAPTER 6

CONCLUSION

5.1 Study Summary

The problem of corporate bankruptcy in India was examined in this study through the case of Jet Airways. The study started with a general overview of bankruptcy legislation and the Insolvency and Bankruptcy Code (IBC), 2016, followed by literature review and explanation of the research methodology employed. The bulk of the study consisted of an in-depth case study of Jet Airways, demonstrating how ill-judged decisions, promoter control, and delay in regulations led to its failure. The IBC facilitated a well-structured resolution process, albeit with issues.

5.2 Key Findings

- The majority of Indian bankruptcies are triggered by mismanagement, poor financial planning, and external shocks.
- The IBC made insolvency resolution quicker and more transparent.
- Yet, issues such as delays in courts, absence of employee protection, and sluggish revival upon resolution continue.
- The Jet Airways case illustrated the necessity for prompt action, improved governance, and industry-specific regulations.

5.3 Recommendations

- Regulators such as RBI and SEBI need to keep a closer watch on high-risk firms.
- Boards of companies need to act faster once distress signals emerge.
- Specialist bankruptcy courts can resolve complicated cases more quickly.
- Resolution professionals require greater support and training.
- The public, particularly SMEs and investors, must be made aware of insolvency legislation and their rights.

5.4 Suggestions for Future Research

- Research how effective IBC is in various industries.

- Research how bankruptcy impacts employees and communities.
- Compare India's IBC with other emerging economies.
- Apply AI and data tools to identify corporate distress early.

5.5 Conclusion

The IBC has revolutionized the way bankruptcy is dealt with in India, and the process is now more structured and equitable. Delays and challenges of execution, however, must be taken care of. The Jet Airways case demonstrates that even big, successful enterprises can fail if not planned for and monitored well. This research contributes to the increasing debate about enhancing India's corporate and legal systems for long-term stability.

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ANNEXURE

Annexure 1: Financial Summary of Jet Airways (FY2015–FY2019)

The table below summarizes key financial data of Jet Airways across four financial years. These figures form the basis for bankruptcy risk assessment and Altman Z-Score analysis.

Table-5.1

Financial Year	Total Income (₹ Cr)	Net Profit/Loss (₹ Cr)	Total Debt (₹ Cr)
2015–16	22,694	+1,212	8,153
2016–17	23,310	+438	7,995
2017–18	23,957	–636	8,415
2018–19	23,314	–5,535	8,963

Annexure 2: Altman Z-Score Calculations

The table below shows calculated Z-Scores for Jet Airways over four financial years:

Table-5.2

Financial Year	Z-Score	Interpretation
2015–16	1.893	Grey Zone
2016–17	1.244	Grey Zone (Near Distress)
2017–18	-0.558	Distress Zone
2018–19	-3.483	Severe Distress

Annexure 3: CIRP Timeline of Jet Airways

A chronological summary of Jet Airways’ Corporate Insolvency Resolution Process (CIRP):

- April 2019 – Jet Airways suspends operations.
- June 2019 – Admitted into CIRP by NCLT.
- October 2020 – Jalan-Kalrock Consortium selected as resolution applicant.
- June 2021 – NCLT approves resolution plan.
- 2022–2024 – Revival efforts delayed due to slot allocation, DGCA approval, and employee settlements.

Annexure 4: SWOT Analysis of Jet Airways (Pre-Bankruptcy)

Summary of Jet Airways' internal and external factors:

Table-5.3

Strengths	Weaknesses
Strong brand recognition	High fixed cost base
Global connectivity	Excessive debt and poor cost structure
Premium customer base	Poor route profitability analysis
Experienced workforce	Weak digital/tech adoption
Opportunities	**Threats**
Partnership with international airlines	Increasing dominance of low-cost airlines
Sectoral growth post-2015	ATF price volatility and rupee depreciation
Restructuring through IBC	Regulatory bottlenecks and slot allocation

Annexure 5: Jet Airways vs IndiGo – Strategic Comparison

This comparison outlines key operational differences:

Jet Airways: Full-service airline, high-cost model, international focus

IndiGo: Low-cost model, domestic focus, lean operations

Table-5.4

Aspect	Jet Airways	IndiGo (Competitor)
Business Model	Full-Service Carrier	Low-Cost Carrier (LCC)
Fleet Type	Mixed fleet (narrow + wide-body)	Narrow-body Airbus fleet
Route Strategy	International + Domestic	Mostly Domestic
Cost Control	Weak	Strong (single aircraft type model)
Ancillary Revenue	Limited	Strong (add-ons, web check-in, etc.)
Technology Investment	Lagging	Advanced and automated

Annexure 6: Sample News References and NCLT Orders

• Business Standard (2019): Jet Airways defaults and insolvency admission

• Economic Times (2021): NCLT approves Jalan-Kalrock resolution plan

• NCLT Order Summary: Jet Airways CIRP Admission (June 2019) – Source: IBBI/NCLT portal

Annexure 7: List of Acronyms

IBC – Insolvency and Bankruptcy Code
CIRP – Corporate Insolvency Resolution Process
NCLT – National Company Law Tribunal
DGCA – Directorate General of Civil Aviation
SEBI – Securities and Exchange Board of India
RBI – Reserve Bank of India
IBBI – Insolvency and Bankruptcy Board of India
CoC – Committee of Creditors

APPENDIX A: PLAGIARISM REPORT

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