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Project Dissertation Report on

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

Submitted By

Priyank Sharma

2k23/UMBA/74

Under the Guidance of

Dr. Archana Singh

Assistant Professor

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Delhi Technological University

Bawana road Delhi 110042

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

Name: Dr. Archana Singh
Designation: Assistant Professor
Delhi School of Management
Delhi Technological University

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

Signature
Priyank Sharma
Enrollment No.: 2k23/UMBA/74

ACKNOWLEDGEMENT

I would like to place on record my deepest gratitude to Dr. [Supervisor's Name], Assistant Professor, Department of Management, Delhi Technological University, for their support, guidance, and valuable suggestions during the duration of this research work.

I also extend my gratitude to all the faculty members of the Delhi School of Management for their support and guidance and to my fellow students for giving useful insights and suggestions. Last but not least, I am grateful to my family and friends for their encouragement and motivation.

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

Corporate bankruptcy is a judicial process by which business firms in financial distress may find relief and protection from their creditors. It is an integral component of the financial and judicial systems that provides distressed businesses an opportunity to either restructure operations or sell off assets to satisfy debts.

Bankruptcy can cause important economic and social consequences. It impacts employees, shareholders, suppliers, customers, and creditors. Bankruptcy laws are different in various countries but generally seek to effect a just distribution of assets and offer businesses a second chance.

This research seeks to explore the notion of bankruptcy in depth, discuss causes of business failure, and study the procedures adopted under Indian bankruptcy laws, particularly the Insolvency and Bankruptcy Code (IBC), 2016.

Corporate bankruptcy is a formal legal procedure by which financially troubled or insolvent companies can gain relief. Bankruptcy laws aim to safeguard the interests of both creditors and the debtor by ensuring that the debts are either restructured fairly or that the assets of the company are disposed of in an efficient manner to settle the liabilities.

While temporary financial losses do not necessarily indicate the collapse of a firm financially, bankruptcy signals the financial demise of a firm. It is not only a financial consequence but also in many cases the result of strategic, operational, and managerial failures. The bankruptcy decision does not only affect the company but its employees, suppliers, creditors, customers, and the broader economy as well.

The process can lead to either of the following:

• Liquidation: Selling the assets of the company to cover the creditors.

• Reorganization/Resolution: Reorganizing the company's debts and business model to provide it with a second opportunity.

It is necessary to understand the causes of corporate bankruptcies and how they are dealt with through legal means in order to ensure a healthy economic climate.

1.1 Background

In the current global and competitive business environment, the survival of a company relies significantly on its financial condition. **Corporate bankruptcy** is a significant occurrence, usually caused by inadequate financial management, economic shocks, or defective business models. It not only impacts the company but also its workers, creditors, investors, and the overall economy.

Appreciating the necessity for a contemporary and effective system, India promulgated the **Insolvency and Bankruptcy Code (IBC), 2016**, which revoked a combination of archaic legislations such as SICA and SARFAESI. The IBC established a **time-bound, creditor-driven process** of insolvency resolution under a unified legal framework.

Major reforms under IBC are:

- Fast-track resolution (180–330 days)

- Setting up the **NCLT** as a specialized authority

- Enfranchisement of **creditors against defaulting debtors**

- Engagement of **Insolvency Professionals (IPs)**

- Emphasis on resolution, not liquidation

The IBC has dramatically enhanced recovery rates, investor sentiment, and the business climate in India. Still, issues like **judicial delays, NCLT clogging, and stakeholder disputes** require to be addressed.

This research investigates India's changing insolvency context, using the real-life example of **Jet Airways**, to determine the reasons for bankruptcy and assess the efficiency of the IBC in resolving corporate distress.

1.2 Problem Statement

Even when legal mechanisms exist, company bankruptcies go on to trigger mass disturbance within economies. Most enterprises are unable to notice early warning signals of financial stress, and thus stakeholders incur heavy losses. In India, though the IBC has enhanced the resolution process, it still encounters issues like delays in enforcement, judicial arrears, and unawareness at small companies.

Even with legal tools such as the IBC, corporate bankruptcies in India remain a serious issue. Several big companies — Jet Airways, DHFL, Videocon, and Reliance Communications, to mention a few — have collapsed, resulting in huge losses to creditors, employment losses, and investor gloom.

The true issue is not merely the phenomenon of bankruptcy but the systemic and operational loopholes that culminate in it. Most companies ignore warning signs, procrastinate, and do not have strong corporate governance. Even though IBC has improved, there are quite a few impediments:

- judicial delays caused due to overladen National Company Law Tribunal (NCLT) benches.
- lack of awareness and understanding among medium and small-size firms and also among creditors.

•Coordination issues among stakeholders and resolution professionals.
•Non-cooperation of promoters and legal loopholes. Even after massive legal reforms and the enactment of the IBC, corporate bankruptcies in India still raise havoc across industries. Major companies like Jet Airways, DHFL, Videocon, and Reliance Communications have been subjected to insolvency proceedings under IBC, but not all of them have seen successful resolutions.
The root cause is that:
•Few companies are able to identify or respond to early warning signs of financial stress.
•There is poor internal control and financial discipline.
• Stakeholders, particularly in small and medium-sized enterprises (SMEs), are unaware of their rights and obligations under the law.
• There are inefficiencies in court proceedings, e.g., NCLT judgments are delayed, appeals in the higher courts, and lack of cooperation from the promoters.
Further, insolvency proceedings are typically complicated by issues such as:
• Cross-border debt structures
• Willful defaults and fraudulent transactions
• Governing systems that are weak
• Political and regulatory interference
The research aims to address the following fundamental questions:
• Why do corporate bankruptcies persist even with legal protections such as the IBC?
• How effective has the IBC been in responding to corporate financial distress?
• What can be learned from recent high-profile bankruptcy proceedings?

Corporate insolvency is not simply a company-specific failure—it has a systemic effect. A significant company insolvency may produce layoffs, derail supply chains, dampen investor confidence, and, in certain circumstances, affect national financial stability. Even though there are regulatory changes and increased consciousness, numerous companies in India are still falling into insolvency due to repetitive patterns of company mismanagement, governance failure, and inaccurate risk analysis.
Despite having the IBC framework in place, the process is frequently delayed, caught up in litigation, or faces inconsistent enforcement. Although the IBC was intended to be time-bound and creditor-led, in practice, it has experienced a number of setbacks, including:
• NCLT/NCLAT decision delays

• Incomplete resolution plans or failed implementation
• Unclear treatment of operational creditors and employees
•Legal uncertainties, particularly in cross-border insolvency and financial service providers

This research aims to investigate the core question: Why do corporate bankruptcies still rise even with robust legal reforms such as the IBC? Additionally, is the IBC effective in avoiding financial distress and facilitating sustainable recovery of corporations?

Main Question:
Why do corporate bankruptcies take place even if legal protections such as the IBC are not there? How efficient is the current bankruptcy resolution system for corporations in India in averting and addressing financial distress?

1.3 Study Objectives

The main objective of this study is to examine the changing scenario of corporate bankruptcy in India, critically evaluate the performance of India's regulatory and institutional mechanisms—particularly the Insolvency and Bankruptcy Code (IBC), 2016—and study actual cases to draw useful, practical, and policy-level observations. Over the past few years, corporate insolvencies have not only affected the financial sector but also employment, investor sentiment, and overall economic stability. Therefore, this study attempts to fill the gap between theoretical concepts regarding insolvency and reality on the ground as seen through case study such as Jet Airways.
The specific objectives of the study are as follows:

1. In order to comprehend the legal and financial principle of corporate bankruptcy and how it has developed in India and internationally
This aim entails learning about the conceptual framework underlying bankruptcy and insolvency from a financial and legal perspective. The study delves into how bankruptcy and insolvency are defined, the tests of insolvency (cash-flow insolvency vs. balance-sheet insolvency), and the process by which a financially troubled firm moves before it gets into bankruptcy. Secondly, the research examines the historical development of insolvency legislation in India compared to international best practice like Chapter 11 of the U.S. Bankruptcy Code and the UK Insolvency Act. The comparative method gives a set context to interpret the novelty of India's legal transformation with the IBC.

2. To ascertain the principal reasons for corporate financial trouble and collapse

This goal explores the two types of factors, internal and external, that drive companies into financial distress. Internally, these are mismanagement, bad capital structure, high leverage, and poor governance structures. Externally, regulatory uncertainty, sector-specific plunges, macroeconomic crises (such as COVID-19 or oil price shocks), and market shocks are also critical. By classifying and examining these drivers, the study sets out to formulate a holistic risk factor analysis and early warning indicators that can be tracked by stakeholders.

3. To examine the legal regime for corporate insolvency in India
An essential section of the study focuses on studying the Insolvency and Bankruptcy Code, 2016's structure, design, and implementation. The IBC is studied in the context of its aims, most important characteristics (such as creditor-in-control, time-bound resolution, function of the National Company Law Tribunal), and how it remedies the deficits of the previous legal framework (such as SICA, SARFAESI, Companies Act winding-up provisions). It examines the extent of the IBC convergence with/against international practices, and its balance in determining the resolution to all stakeholders including operational and financial creditors, workers, and investors.

4. To research true-life case study of corporate bankruptcy in India
The research is based on comprehensive case-study examination of a key insolvency case—Jet Airways. These cases are chosen since they belong to two different industries (aviation and NBFC) and involve opposing reasons for failure—strategic misalignment and fraud, respectively. Each of the case studies is examined from the perspective of the IBC, examining considerations such as reasons for failure, roles of stakeholders, evaluation of resolution plan, legal issues, and post-resolution implementation. These empirical findings not only confirm theoretical models but also identify practical difficulties and achievements in the IBC process.

5. To assess the effectiveness of the IBC framework
Effectiveness is measured through various performance metrics: time taken for resolution (against statutory timelines), recovery amount by creditors (as a percentage of claims), resolution outcomes for operational creditors and employees, judicial efficiency, and overall stakeholder satisfaction. This assessment also involves determining the bottlenecks in the CIRP like delays, legal disputes, non-viable resolution plans, and promoter interference. Wherever possible, the study compares outcomes under IBC with legacy systems to measure improvements.

6. To suggest steps to avoid insolvency and enhance the resolution process of bankruptcy

Drawing on literature insights, case study analysis, and comparative frameworks, the study offers pragmatic suggestions to lower the frequency of insolvency and enhance the resolution process. These are:

- Adopting early warning systems and predictive financial modeling for banks and credit agencies
- Enhancing board supervision and corporate governance norms
- Improving transparency and accountability of promoters and resolution professionals
- Implementing sector-specific resolution frameworks (e.g., aviation or financial sector)
- Enhancing NCLT infrastructure and minimizing judicial pendency
- Facilitating digital platforms and AI software for quicker data analysis and reporting under CIRP

These aims together strive to fill the gap between academic comprehension and practical application, paving the way for enhanced legal regimes, corporate behavior, and policymaking in the arena of insolvency and bankruptcy in India.

1.4 Study Scope

The present research has mainly dealt with:
- Indian corporate sector, supported by global cases for comparative study
- Post-IBC era trends and developments in bankruptcy cases
- Combination of qualitative analysis with secondary data support
- Applications relevant to corporate stakeholders such as managers, investors, regulators, and academicians

The scope does not involve detailed quantitative forecasting or primary data gathering owing to time and resource limitations.

This research encompasses:

- Indian corporate sector: Focus is primarily on Indian firms doing business in India, although international frameworks are used for comparative purposes.
- Time period: Focus is on the post-IBC period (2016 onwards), with reference to the past when needed.
- Industry covered: Single sector — aviation (Jet Airways) have been chosen for case study because of their public significance and broad-based impact.
- Sources of data: The research relies on secondary data — government reports, legal documents, academic journals, financial news reports, and company releases.

Scope Limitations:
- Primary data like interviews or surveys are not included in the study.
- It is more concerned with qualitative observations than predictive models or statistical projections.
- General suggestions are made, but the research does not offer industry-specific restructuring remedies.

The scope of this research is carefully established to ensure focus and pertinence.

Geographical Scope
- The major concern is India.
- Global bankruptcy practices are mentioned only for comparative reasons.
- Sectoral Scope
- The research concentrates on two key industries:
- Aviation (Jet Airways)
- These industries were chosen because of their high public interest and the scale of their bankruptcy cases.

Legal Scope
- The focus is on Insolvency and Bankruptcy Code (IBC), 2016 and supporting institutional frameworks like NCLT, IBBI, and Insolvency Professionals.
- Other legislations are touched upon briefly only to set the context.
- Time Period
- Bankruptcy cases post-2016, i.e., post-Implementation of IBC, are in focus.
- Historical context is added for context.

Data Scope
- The research is based solely on secondary data like company reports, legal filings, financial newspapers, government documents, and academic research.
- Primary data collection (interviews/surveys) is not undertaken due to time and resource limitations.

Thematic Scope
- Focus is given to causes of bankruptcy, legal resolution mechanisms, stakeholder impact, and policy recommendations.
- Excluded Areas
- Quantitative forecasting and mathematical models of bankruptcy prediction (such as Z-scores) are not extensively covered.
- Insolvency of small and informal sector businesses is beyond the purview

1.5 Significance of the Study

The significance of this study is practical and policy-based in nature. Bankruptcy in companies is a complex problem with law, finance, strategy, and social consequences. Through this research:

- Academicians develop a wider perspective regarding how insolvency law can contribute to business sustainability.
- Policymakers receive a practical feedback on the effectiveness of IBC.
- Managers and investors understand early warning signs of distress and the role of governance.
- Researchers and students profit from an interdisciplinary grasp of financial failure and recovery models.

Secondly, examination of real-life case such as Jet Airways gives bottom-line evidence to grasp what works — and what doesn't — for corporate turnarounds and insolvency.

The significance of this research is both observable from different viewpoints:

1. Academic Significance

- Adds to the increasing body of insolvency research.
- Weaves together legal analysis with financial and strategic expertise.
- Encourages more in-depth examination of India-specific corporate failures.

2. Policy Significance

- Provides evidence-based inputs for policymakers.
- Identifies implementation gaps in IBC and recommends areas for reform.
- Can assist in enhancing legal procedures and creditor-friendly policies.

3. Practical Significance

- Offers useful lessons for company promoters, financial managers, and investors.
- Assists businesses in designing early warning systems and risk mitigation measures.
- Stresses the need for compliance, internal control, and transparency.

4. Societal Significance

- Corporate bankruptcies impact thousands of employees, customers, and investors.
- Imminent resolution and revival can salvage jobs, stabilize markets, and safeguard public interest.
- An understanding of these problems constructs a more responsible business environment.

CHAPTER 2:

LITERATURE REVIEW

Company bankruptcy is an ultimate failure of a firm during its life cycle, not merely the inability to service debt, but also root problems associated with corporate governance, economic conditions, and strategic error. In developing economies such as India, the subject of bankruptcy has become increasingly pertinent following the passage of the Insolvency and Bankruptcy Code (IBC) in 2016. This chapter briefly reviews the corpus of literature concerned with corporate bankruptcy—its conceptual foundations, determinants, juridical solutions, and pragmatically relevant case-based learning, with an emphasis on the Indian corporate ecosystem and the detailed failures of Jet Airways etc.

2.1 Overview of Literature on Corporate Bankruptcy

Scholarly discussion of bankruptcy has come a long way since its early days. Initial studies mainly concentrated on forecasting insolvency based on financial ratios and accounting signals. One of the key milestones in this direction was the Altman Z-Score (Altman, 1968), which used five financial ratios to forecast corporate failure with high accuracy. This model provided the foundation for quantitative bankruptcy prediction and was extensively utilized by credit agencies and analysts. Prior to Altman, Beaver (1966) had applied univariate analysis to determine critical financial ratios of firms that are likely to fail, with specific focus on cash flow ratios. These contributions underscored how declining liquidity and profitability frequently lead to corporate failure.
Subsequent studies broadened the analytical framework, integrating macroeconomic, behavioral, and organizational factors into the understanding of bankruptcy. For example, Ohlson (1980) developed a logistic regression model incorporating not only financial ratios but also company size and economic context, reflecting a growing recognition that bankruptcy cannot be understood in isolation from broader economic and institutional factors.
With globalization and financial liberalization, the setting of bankruptcy analysis went even wider. Indian scholars started concentrating on how post-liberalization regulatory changes, as well as those after the 2008 global financial crisis, influenced bankruptcy patterns in India. Since the implementation of the IBC, the focus has shifted to recovery mechanisms, creditor rights, and institutional functions, given the shift in the Indian system from a debtor-penetrated to a creditor-oriented resolution framework.

2.2 Theoretical Foundations of Corporate Bankruptcy

Explaining corporate bankruptcy calls for bases in some theoretical frameworks from management theory and finance theory. The most salient ones are the Trade-Off Theory, Pecking Order Theory, Agency Theory, and the nascent Behavioral Theories.

2.2.1 Trade-Off Theory

The Trade-Off Theory (Kraus and Litzenberger, 1973) assumes that companies balance the advantages of debt (notably tax shields) against the disadvantages of financial distress. Whereas optimal capital structure is achieved through moderate debt, improving value, high leverage raises the risk of bankruptcy. The theory is especially applicable in India, where most capital-intensive sectors—real estate, infrastructure, and aviation—tend to be over-dependent on debt, even at the cost of increasing insolvency risks. The collapse of Jet airways is a classic example. The firm embarked on aggressive loan expansion, particularly using wholesale funding, without sufficient consideration of liquidity imbalances and increasing interest liabilities.

2.2.2 Pecking Order Theory

Myers and Majluf (1984) proposed the Pecking Order Theory, which posits that companies prefer to finance using internal sources first before turning to debt or equity. This is grounded on information asymmetry and transaction costs. Companies that move out of this sequence—particularly those that grow via excessive external debt with weak cash flows—are more likely to be at risk of bankruptcy. Jet Airways, for example, broke this rule by funding its aggressive overseas expansion on unsustainable debt levels, resulting in operational pressure and eventual failure.

2.2.3 Agency Theory

Agency Theory (Jensen & Meckling, 1976) identifies conflicts of interest between various stakeholders—most frequently between managers and shareholders, or between equity owners and debt holders. Misaligned incentives can cause choices that maximize the benefits to one group while maximizing the costs to another, enhancing the probability of firm failure.

2.2.4 Behavioral Theories

Behavioral finance has enriched knowledge of bankruptcy in recent years by adding psychological elements. Research grounded in Prospect Theory (Kahneman and Tversky, 1979) contends that overconfidence, confirmation bias, and inertia may postpone corrective measures. Managers can continue with failing strategies, underestimate risk, or shun making uncomfortable decisions like restructuring. These biases were witnessed in Jet Airways, where leadership did not recognize the unsustainable cost structure and rising debt until the situation had severely deteriorated.

2.3 Causes of Corporate Bankruptcy: Literature Insights

2.3.1 Financial Mismanagement
Mismanagement of finances is a fundamental reason behind the failure of corporations. Deloof and Jegers (1996) stressed the significance of working capital efficiency and how it helps prevent insolvency. Debt structures that are mismatched, ill-planned liquidity, and heavy reliance on short-term borrowing put companies at risk of repayment and market shock. In India, corporate failures are found to be associated with over-leveraged balance sheets

2.3.2 Corporate Governance and Fraud
Corporate governance failures often lead to financial breakdown. La Porta et al. (1998) posited that companies with poor legal protections and internal controls are most vulnerable to abuse of governance. The same governance failures were witnessed in the IL&FS debacle, which destabilized investor faith in India's financial system. Good governance mechanisms—independent directors, open disclosures, and robust audit systems—are needed to reduce insolvency risk.

2.3.3 Macroeconomic Shocks
Systemic shocks like recessions, pandemics, or geopolitical tensions can serve as triggers to bankruptcy, particularly when companies do not have buffers. Fan et al. (2021) emphasized that companies with poor pre-existing fundamentals were more likely to collapse during the COVID-19 crisis. In India, companies like Jet Airways were greatly hit due to increasing aviation turbine fuel (ATF) prices, currency depreciation, and post-2016 GST-related disturbances, all of which intensified their pre-existing vulnerabilities.

2.3.4 Industry-Specific Dynamics
Some industries possess structural weaknesses. Porter's Five Forces model (1985) indicates that industries with high competition, price sensitivity, and high fixed costs are more likely to fail. The Indian aviation industry, which is marked by thin profit margins, volatility in fuel prices, and regulatory hassles, has witnessed the departure of players such as Kingfisher Airlines and Jet Airways.

2.3.5 Strategic and Operational Failures
Apart from monetary matters, poor business strategies are common causes of business failure. Kaplan and Norton (2004) highlighted strategic alignment and measurement performance. Naresh Goyal's Jet Airways didn't keep up with the emerging aviation industry characterized by low-cost carriers. Its full-service proposition was not viable in a landscape where price-sensitive customers opted for low-cost carriers.

2.4 Evolution of Bankruptcy Laws in India

Until 2016, India's bankruptcy resolution system was ad hoc and ineffective. Statutes such as SICA (1985), SARFAESI (2002), and the Companies Act were either weakly implemented or abused. SICA was often used by promoters to stall closure in the name of rehabilitation. The SARFAESI Act, although empowering the secured creditors, left operational stakeholders and unsecured creditors without recourse.

India's insolvency resolution was notoriously slow and uncertain. It took more than 4.3 years on average to close insolvency cases, with a recovery rate of only 25.7%, putting India at number 136 in the world, as per the World Bank's Doing Business Report (2014). Such inefficiencies gravely weakened credit markets, increased lending risks, and deterred foreign investment.

2.5 Emergence and Influence of the Insolvency and Bankruptcy Code (IBC), 2016

The IBC, 2016, was a revolutionary shift from the prior regimes by embracing a time-bound, creditor-in-control approach. Its major innovations were the establishment of institutions like:

- National Company Law Tribunal (NCLT)
- Insolvency Professionals (IPs)
- Committee of Creditors (CoC)
- Information Utilities (IUs)

IBBI targeted resolution within 180 to 330 days, liquidation being last resort. Joshi and Acharya (2017) highlighted that the law introduced accountability and discipline in the borrowers. Bhatia (2018) reported IBC's structure inducing value preservation through resolution versus liquidation. Kapoor (2022) cited enhanced recovery rates—43% by 2021—indicating increased creditor power.

Yet, there are challenges. The Jet Airways resolution went far beyond statutory requirements, bogged down in legal appeals and jurisdictional disputes. Delayed appointment of resolution professionals and congested NCLTs also slow down time-bound resolutions.

2.6 Global Best Practices in Bankruptcy Law

2.6.1 United States

Under Chapter 11 of U.S. Bankruptcy Code, companies can restructure while staying in business. The "debtor-in-possession" approach ensures maintaining enterprise value, employment, and customer relations. This framework balances debtors' and creditors' rights under court supervision and has been successfully employed by large companies such as General Motors and Delta Airlines.

2.6.2 United Kingdom

The UK provides Company Voluntary Arrangements (CVAs), in which troubled companies negotiate payment schedules with creditors without filing formal bankruptcy. The Pre-Pack Administration method allows asset sales to new purchasers even before insolvency procedures start—saving jobs and business continuity.

2.6.3 Germany

Germany's StaRUG law (2021) permits pre-insolvency restructuring with minimal judicial intervention, allowing early intervention. It promotes stakeholder dialogue and establishes flexible mechanisms to prevent insolvency.

Datta (2020) highlighted that India can learn from adopting international best practices like pre-pack insolvency, cross-border insolvency regimes, and case digitization to add efficiency and transparency.

2.7 Empirical Literature and Case Studies

Jet Airways

Goyal and Kulkarni (2021) also examined the demise of Jet and concluded that key reasons were tardy creditor response, poor full-service strategy, and poor cost controls. Even though IBC was initiated, resolution was affected by delays based on jurisdiction issues, multiple creditors, and disputes. The importance of early discovery and quick creditor coordination is showcased in the case.

DHFL

Sharma et al. (2020) looked into DHFL's downfall based on fraudulent lending, overstated books, and poor governance. Takeover through the IBC was facilitated by Piramal Capital, but recoveries constituted mere percentages of overall dues. The case reflected IBC's ability to redirect assets but exposed its inability in identifying frauds and early warnings.

Kapoor (2022)

In a comparative analysis of 40 large IBC cases, Kapoor discovered that although more than ₹2 lakh crore was retrieved by 2022, several cases resulted in liquidation or were unresolved. The results emphasized the necessity of judicial reforms, digitization, and quicker resolution timelines.

2.8 Existing Literature Gaps

Despite improvements, some gaps in existing research remain:

SMEs and Insolvency

The majority of literature targets big companies, keeping MSMEs in the background, which are the backbone of the Indian economy. MSMEs usually don't have access to formal credit, legal consultation, and recovery processes, which restrict their entry into IBC platforms.

Technology Integration

New technologies such as AI, machine learning, and blockchain are not being utilized adequately in insolvency forecasting and process automation. Integration of data analytics can enhance early identification, credit risk assessment, and fraud detection.

Socio-Economic Impact

There is not much research on the impact of bankruptcy on employees, suppliers, and local economies. A multidisciplinary approach integrating economics, sociology, and labor studies would yield greater insights into systemic impacts.

Cross-Border Insolvency

With operations globalized, most Indian companies experience insolvency across borders. India's cross-border insolvency framework is underdeveloped, and implementation of UNCITRAL Model Law is awaited. Comparative studies in this field are few but required.

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.

Summary of Research Objectives

Table-3.1

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.

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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.

Summary Table: Scope of Research Methodology

Table-3.2

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 Methods of Data Collection

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Good research is dependent on the gathering of appropriate and dependable data. For this research on corporate bankruptcy in India, specifically the case study of Jet Airways, two important categories of sources of data have been utilized: Primary Data and Secondary Data. Both are used for a specific purpose and contribute to the depth and authenticity of the analysis.

A. Primary Data (Planned but Not Used)

Though the research design had initially provided for the use of primary data, some practical constraints prevented its use:

Planned Sources:

- Interviews with past employees, insolvency experts, or lenders.
- Surveys/questionnaires sent to Jet Airways customers and stakeholders.
- Focus group discussions with aviation industry experts and analysts.

Reasons for Exclusion:

- Jet Airways suspended operations in April 2019, and it was challenging to reach or verify relevant stakeholders.
- Active legal proceedings made several participants unavailable or unwilling to comment.

- Time and access restrictions influenced the practicability of performing direct interviews or surveys.

The study thus exclusively depends on verified and publicly accessible secondary data sources.

A. Secondary Data Collection Methods

Secondary data is data that has been previously gathered and published by some other persons, institutions, or organizations. This research relies mainly on secondary data sources for case observations and empirical data analysis.

1. Annual Reports of Companies

- Definition: Official reports containing the company's financial statements, director's report, auditor's report, and management discussion.
- Application:

o Jet Airways financials for FY 2015 till FY 2019.

- Utility: Provided insights on profit/loss patterns, debt, and cash flows, which were essential for financial analysis.

2. Insolvency and Bankruptcy Board of India (IBBI) Reports

- Definition: Official files and reports from the regulatory agency overseeing insolvency proceedings in India.
- Use:

o CIRP timeframes, resolution applicant information, and NCLT/NCLAT decisions.

- •Utility: Facilitated the monitoring of procedural status and the assessment of implementation of the IBC framework.

3. National Company Law Tribunal (NCLT) Orders

- Definition: Legal recording of court orders and case summaries.
- Application:

o Analyzing how the resolution plans were admitted, challenged, or delayed.

- Usefulness: Provided a legal insight into the issues of implementing insolvency resolutions.

4. Financial News and Media Sources

- Examples: The Economic Times, Business Standard, LiveMint, Reuters.
- Application:

o Following timeline of events, stakeholder responses, and post-bankruptcy developments.

✓ Usefulness: Complemented real-time developments and stakeholder interviews with journalistic reports.

5. Credit Rating Agency Reports

- Sources: CRISIL, ICRA, CARE Ratings.
- Application:

o Analysis of debt risk, company ratings prior to collapse, and downgrades.

- Usefulness: Had made independent risk assessments forecasting or attributing financial stress.

6. Research Journals and Academic Articles

- Application:

o Supplied theoretical background regarding corporate bankruptcy, financial mismanagement, and the IBC paradigm.

• Usefulness: Complemented the literature review and facilitated positioning of the case study in the larger scholarly debate.

7. Investor Presentations and Analyst Calls

• Application:

o Provided information regarding company outlook, investor apprehension, and forward-looking estimates.

• Usefulness: Helped assess the narrative created by company leadership and investor confidence.

Table-3.3

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

3.7 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:

51 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 Study

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

15 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 Sources and Methods of 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.

Planned but Unavailable Sources:
Table-4.3

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

Step-by-Step Process:
Table-4.4

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.

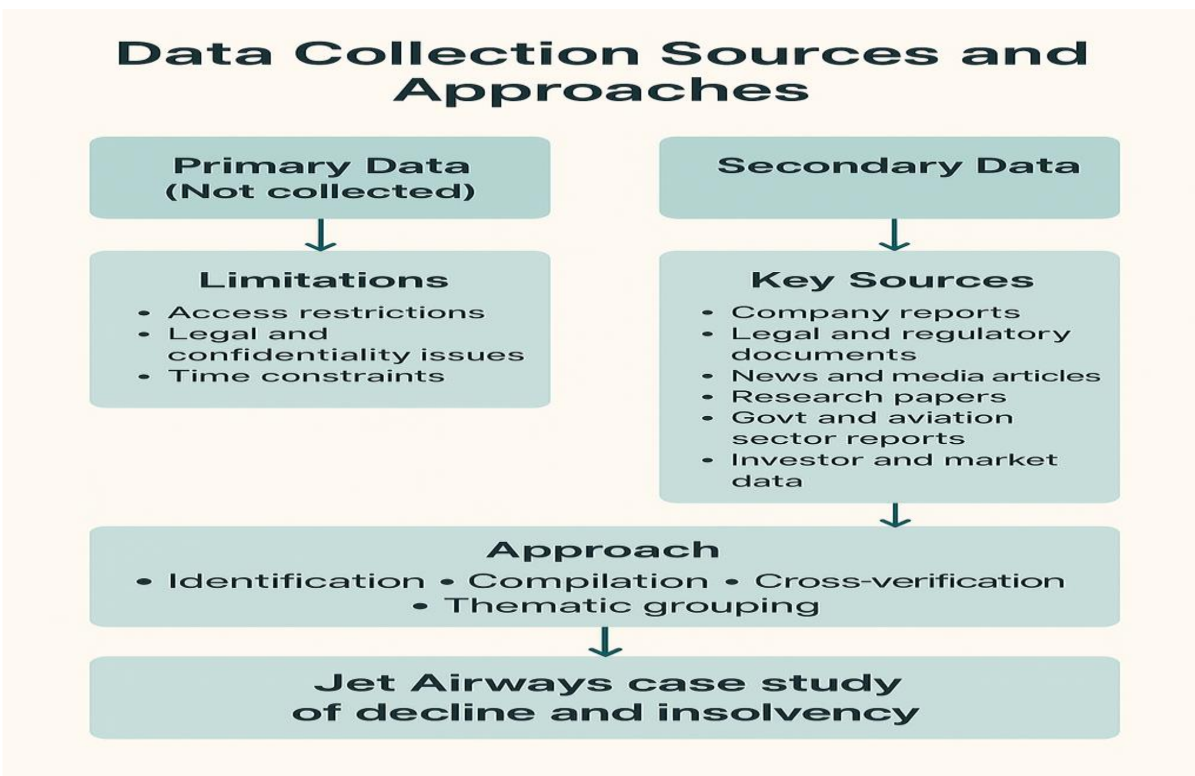


Fig-4.1

4.3 Analysis of the Jet Airways Case Study

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

<u>7. Altman Z-Score Analysis</u>

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:

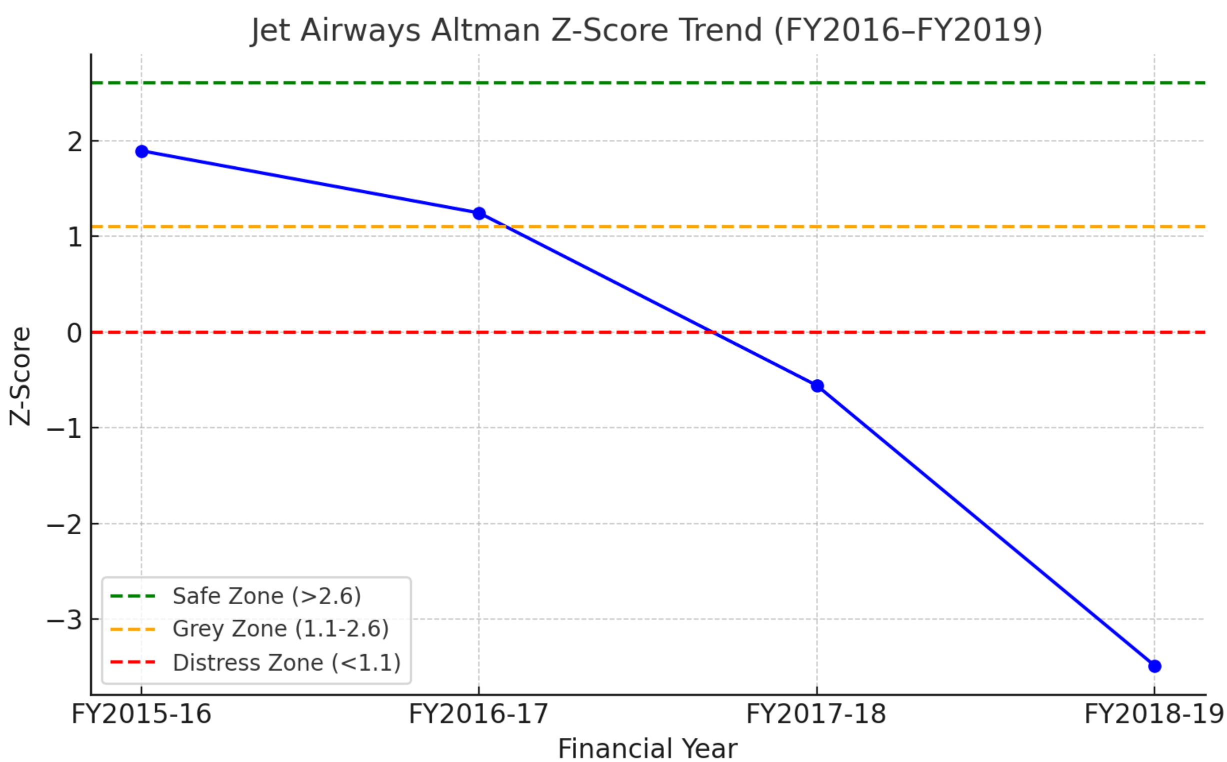
Table-4.12

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-4.2



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.

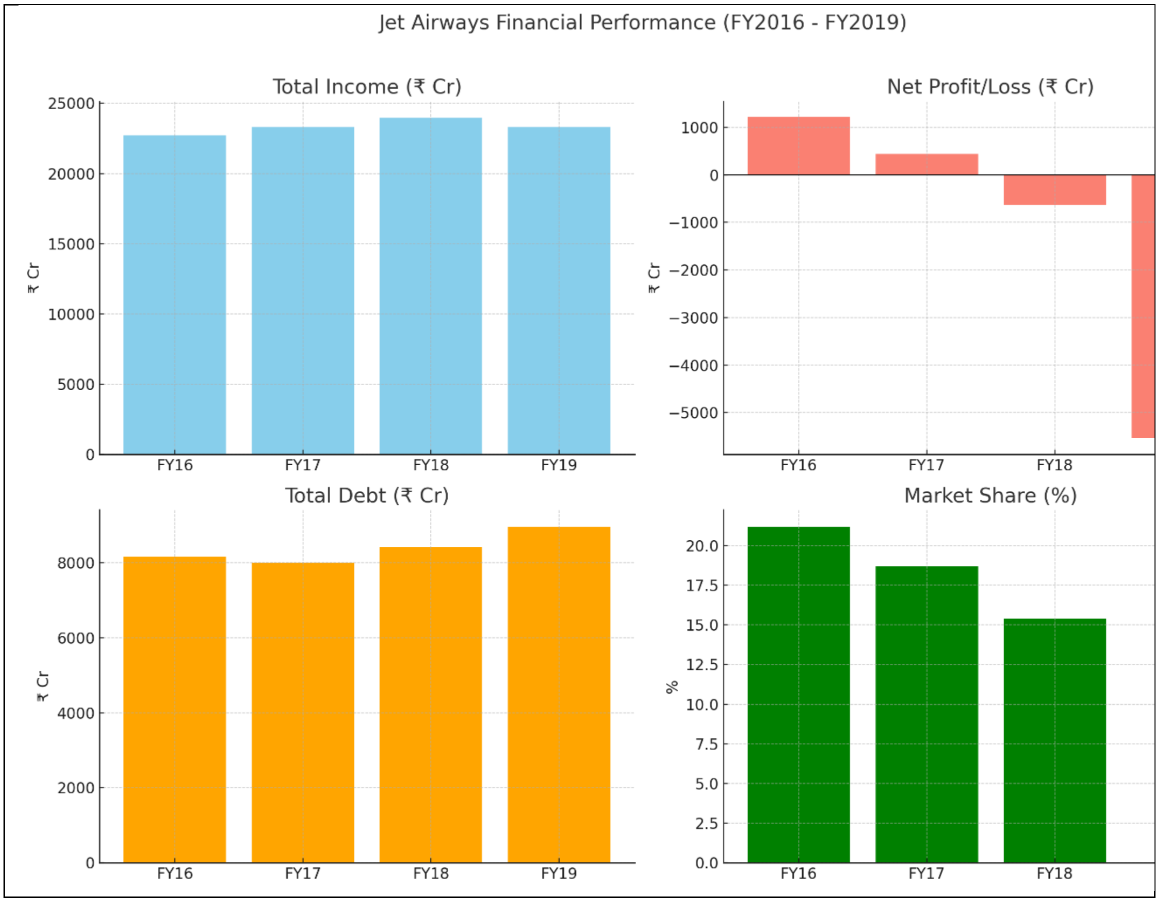


Fig-4.3

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 Findings and Recommendations — Jet Airways Case Study

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.

4.5 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

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
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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