A CASE ANALYSIS ON THE DOWNFALL OF JET AIRWAYS LTD

PURNIMA SARKAR
ASST. PROFESSOR-FINANCE,
AMITY GLOBAL BUSINESS SCHOOL,
BHUBANESWAR,

ANIMESH CHANDRA
STUDENT-BBA SEM 4,
AMITY GLOBAL BUSINESS SCHOOL,
BHUBANESHWAR.

ABSTRACT

Jet Airways was founded by Naresh Goyal in 1992 after India opened its skies for private airlines. One of India's finest and the biggest private airline company Jet Airways (India) Private Limited, which ruled the Indian skies till 2005 has been grounded and all operations are at a halt. The last flight of the airline was from Amritsar to Mumbai on 17th April, 2019 and since then the airlines is grounded. The company is in a debt of billion dollars and shutting down of the company has badly affected more than 20,000 employees. This case study analysis the reasons that led to the collapse of one the finest airlines in India. The findings and observations from the study give a conclusion report of problems faced by the airlines. The ultimate aim of the study is to find the causes for the downfall of India's premier airlines Jet Airways.

KEYWORDS: Jet Airways, collapse, premier, grounded halt.

INTRODUCTION

The civil aviation industry in India is an under penetrated market. The debacle of India's finest airline has sent a wave of shock in the country and particularly in the concerned sector. Since 1991 there has been a rapid increase in air travel by Indians with the skies being open for all private players. But the availability of the aircrafts is not in pace with the trend. There are merely 565 aircrafts for a population of 135 cr in India compared to US which has 7309 commercial aircrafts for a population of 32 cr. Jet Airways was founded in April 1992 by Mr. Naresh Goyal and the operations commenced on 5th May 1993. It was a reputed private airline in India and it flew to 63 destinations in India and abroad. It connected various international cities including New York, Toronto, London etc. It operated a fleet of 97 aircrafts which includes Airbus and Boeing both. Jet Airways was listed on the Bombay Stock Exchange in 2004 and offered IPO. It grabbed a giant market share in Indian domestic market and ruled the skies till 2005. On 17th April 2019 the airline ceased all operations and was grounded.

REVIEW OF LITERATURE

Shital Sonpal (2019) in the study "Jet Airways: A study on consequences of poor leadership" contemplated the effect of poor leadership on the management of Jet Airways which led to the debacle of India's finest air player.

Ms N.Ramya (2019) in the study "Wrap-up of Jet airways – Reasons" gave a comprehensive detail of the financial debt and the bankruptcy which led to the downfall of the airline.

Payal Mehra (2010) in the study "Communicating in a crisis and the role of a Business Leader: The Case of Jet Airways" stated the conflicts of the employees and the management.

Bharat K.A. (2017) in the study "Comparative study on growth and financial performance of Jet Airways, Indigo Airways & Spice Jet Airlines companies in India" gave the detailed financial performance of Jet Airways.

OBJECTIVE OF THE STUDY

This case study aims to analyse the reasons that led to the collapse of the Jet Airways. The ultimate aim of the study is to find the causes for the downfall of India's premier airlines Jet Airways.

RESEARCH METHODOLOGY

Descriptive research design has been used for this case study analysis. The research method involves comprehensive secondary study on Jet Airways and provides all the reasons and causes for the downfall of the airlines. This case study provides the qualitative information about the downfall of Jet Airways trough secondary market research. The data is collected by various resources such as news outlets, company website, newspapers and research papers.

DATA INTEPRETATION AND FINDINGS

From the data and information collected via descriptive research and secondary study, It had the following causes for the downfall of the Jet Airways. This summarizes the data analysis, observations and research on the causes of the downfall of the airlines.

1. **FULL-SERVICE AIRLINE:** Jet Airways was a full service airline which offered passengers economy, business and first class travel on the same flight. It is very tough to run a full service airline in India because segregating the sections of Indian society requires enormous strategy and strength. It also requires formidable financial support.
2. **EMERGENCE OF LOW COST CARRIER**: In late 2003, Air Deccan, Indigo Airline, Spice Jet and GoAir started low cost carriers and provided tickets at a cheap cost compared to Jet Airways which was a Full Service Carrier. No special service was provided by low cost carrier hence they provided cheap tickets which increased their market share and affected Jet Airways.
3. **ACQUISITION OF AIR SAHARA:** In 2007, Jet Airways bought the ailing Air Sahara for a whopping 1,450 cr which proved vital for the airlines as it was way above the actual worth of the airline. The merger in Indian Aviation has always brought misfortune for the companies as it can be seen in the merger of Kingfisher Airlines and Air Deccan and also Air India and Indian Airlines.
4. **REBRANDING SAHARA AIRLINES:** To cope up with the low cost carriers Jet Airways bought Sahara Airways and renamed it as JetLite. The rebranding cost Jet Airways a major disaster as Sahara was a powerhouse and the flyers that were attracted towards the Sahara brand image could not resonate with JetLite.
5. **SHARE MARKET:** In the year 2005, Jet was listed at an IPO of INR 1,100 share price and market capitalization at 11,200 cr. After this it never touched its 1100 mark at stock market.
6. **CASH CRUNCH:** Jet bought Air Sahara and to compete with low cost carriers it reduced its prices. They gave full services but had to reduce the prices due to competition. This badly affected the financial position of the company and the profit started crumbling.
7. **LAVISH PAY:** The pilots and higher management employees were paid lavishly when compared to other players. The perks and high accommodation costs for the sake of providing comfort and luxury compromised with the finances. It spent more than its revenue and hence the debts kept on incurring.
8. **MARKET SHARE:** Indigo managed to lure the customers through low cost tickets and turn the AC-2 and AC-3 tyre Railways customers towards Air travel. By 2015, Indigo became the largest airline and the market share of low cost carrier grew immensely affecting the Full Service Carrier. Kingfisher was closed in 2012 and Jet Airways posted huge losses.
9. **INTERNATIONAL SERVICE:** In 2004, Government introduced 5/20 rule and Jet Airways started its international operation. At that time Jet Airways was ruling the Indian skies and it was the largest airline in India. Jet focused more on international operations and the vacuum filed was taken over by low cost airlines. They grabbed a major market share in domestic operations which later proved vital for Jet Airways.
10. **MISMANAGEMENT:** The founder of Jet Airways,Naresh Goyal was an autocratic leader or a one man army. He did not hire a good management committee and had a poor financial acumen. All the operations related to Jet were relied on a single management team.
11. **POOR LEADERSHIP**: The downfall of Jet Airways is the consequences of poor leadership. Lack of direction, lack of communication, micromanaging resources, lack of vision etc. at Jet Airways were the root cause for the debacle.
12. **FAILURE TO CRACK DEAL:** At ailing situation, Jet Airways failed to crack deal with Delta Airlines and also the Tata Sons deal. It even failed to crack Etihad deal in which Etihad was planning to increase its stake in Jet Airways. The deal with the banks to save the airline also failed.
13. **CRUDE PRICES:** The aviation sector is highly affected by the global crude oil prices and the taxation on the fuel is also very high. Fuel makes up 34% of Indian carrier cost. This however affected all the airlines but since Jet was already in a debt it suffered heavy losses.
14. **FINANCIAL CRISIS 2008:** The demand fell and the oil prices increased drastically. There was a huge debt on Jet Airways due to Sahara Air takeover and buying aircrafts for a whopping 10,750 cr. Since 2008 company stopped growing and didn't post a profit either.
15. **EMPLOYEE SERVICE:** In order to curb the debt the company decided to fire 1900 employees. This lead to a protest and pilots went on a strike. Naresh Goyal expressed his anger during a press meet in 2009 saying "I will not hesitate to close down the airline", eventually the airline was grounded in April, 2009.

16. **FINANCIAL AUDIT:** DGCA announced a financial audit of Jet Airways in August 2018 to find whether the airline has sufficient cash flow to maintain the safety of the airlines. In the same quarter Jet posted a loss of 1,323 cr. The employees were not paid salaries since December and it was a sign that the airlines in going to crumble.
17. **BANKRUPTCY:** Jet airways have bank dues of 8,500 cr. The airline also owes 10,000cr to vendors and aircraft lessors and over 3,000 cr to its employees who have not received their salaries. The company has 36,500 cr dues and being a service company it has negligible assets to recover.

RECOMMENDATIONS

The airline has been grounded since April 2019 and as of March 2020 the grounded airline did not find any buyer. To revive the airlines the government has to play a pivotal role. Civil Aviation is the least reformed sector.GOI previously has increased the FDI in aviation sector from 40 to 49% and it must increase it to 75% so that foreign players can also invest in jet Airways. The banks should waive of the bad debt to revive the airlines.

The regulatory mechanism for airlines must be made transparent. The regulator should invite bids to allocate the routes. Waive the heavy taxation on civil aviation. The taxes on fuel tax and collection by Airport Authority must be reduced.

CONCLUSION

This report on "The case study analysis of the downfall of Jet Airways" is a novel attempt to find out the reasons for the failure of India's one of the finest and biggest airline company. This study analysed the causes that led to the downfall of the airlines and the mismanagement that resulted in ceasing of all operations. It has been over a year since the airline is grounded and yet it failed to garner any buyer. The interest and increasing and the claim has mounted to around INR 37,000 cr. More than 20,000 employees have been affected by the debacle of the company and the founder has been made to step down from the company. The airline that ruled the sky has been grounded at it has lost its glory. The company sold out its slots at major international airports to foreign airlines and the government of India temporarily reallocated Jet's slots to keep a check on the reducing capacity in the sector.

The pilots union NAG (National Aviator's Guild) appealed to the PMO and Civil Aviation Minister to help the company and the employees. The government on other hand has asked the banks to save the airlines. Many employees have been absorbed by various competitors. The hope for revival of the airlines solely depends on the fact that someone buys the Airlines then only can the ex-employees can get their dues from the bankrupt airlines. Spice Jet and Etihad Airlines has shown interest in buying Jet however the Indian Government's role is pivotal in deciding the course this crisis ultimately takes.

LIMITATIONS

There were few shortcomings in the study. All the data and information gathered are secondary in nature and company's information of books of accounts are not included. It is a qualitative study and in order to acquire comprehensive information and explore in-depth situation, quantitative studies are recommended.

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