

Jet Airways gets wing – Key takeaway from Resolution Plan of Jet airways approved by NCLT

A. INTRODUCTION

With the Resolution Plan submitted by Kalrock-Jalan Consortium getting final nod from NCLT, Mumbai, Jet Airways is set to fly again. Financial year 2018-19 witnessed a big blow for Jet Airways as the airline faced financial stress and its lenders did not agree for emergency funding of Rs. 400 Crore. On 17th April' 2019, airline suspended all its flight operations for want of funds and since then it never took off till day. In June' 2019, lenders to Jet Airways led by SBI referred the company to National Company Law Tribunal and Resolution Process started on 20th June' 2019 by appointing Interim Resolution Professional to take over the company.

The Insolvency Resolution Process of Jet Airways witnessed huge challenges as, besides other reasons, the lenders to the bankrupt firm and its RP were tasked with finding a new buyer at a time when entire world was Jittery about travelling and aviation sector faced huge setback due to COVID-19. Entire Resolution Process for finding a new buyer for grounded airline had to be scrapped as many as 3 times as no buyer gave concrete proposal for revival of Jet Airways initially. We will try to take a cursory glance and present key takeaways

from the approved Resolution Plan for India's first airline facing insolvency proceedings.

B. FINANCIAL PROPOSAL BY KALROCK- JALAN CONSORTIUM

Approval for Jet Airways Resolution has come at a time when some of the accounts involving large stake were resolved with huge haircut to the Bankers raising eyebrow about the quality of Resolution under Insolvency and Bankruptcy Code' 2016. High profile cases like Videocon, DHFL, Siva Industries saw lenders face haircut as high as 95%. Jet Airways resolution is also next in line to these cases with claims of Approximately Rs. 15,000 Crore getting settled at Rs. 500 Crore. The claims of operational creditor which were approx. Rs. 6000 Crore are being settled at Rs. 10 Crore by offering a token amount of Rs. 15,000 to each operational creditor irrespective of amount of their claim, pity an operational creditor - engine supplier to jet airways : GE Engine Services Llp who had lodged claim of Rs. 1,500 Crore and would be receiving Rs. 15,000 towards their full and final settlement with probably no legal recourse available to them now.

C. Employees and Workmen's fallacy

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As the company was non-operational during the Resolution Process, RP did not account the salary of employees and workmen as part of CIRP cost amounting to Rs. 715 Crores. NCLT also supported the view of RP citing to be in line with the principle of “no work, no pay”. The Kalrock-Jalan consortium has offered a gratuitous proposal for the employees and workmen by offering cash payment of Rs. 11,000 to each, distribution of IT assets, free tickets etc, although this offer also comes with T&C- At least 95% of employees and workmen choose not to file an appeal against the Resolution Plan. Nice trick, Mr. Jalan!!!

D. Once again tough luck for Retail Shareholders

One of the objective of having stock market in an economy is the fair price discovery of a share using demand supply forces. Offlate, Indian stock market has witnessed sudden delisting of some of insolvent companies scrip such as Videocon, DHFL etc. Thanks to bidders of these companies who chose to cancel the entire shareholding thus leaving the retail shareholders to lurches. Fortunately, this will not happen in case of Jet Airways but unfortunately, a retail shareholder holding 100 shares in his demat account would be

having only 1 share left as the Resolution Applicant has chosen to offer 1 share in Jet 2.0 against 100 shares held by them. It is beyond understanding why SEBI has been closing their eye and no action have been taken to protect the interest of retail shareholders. Scrips of listed insolvent companies continues to trade on stock exchange even after insolvency proceedings have commenced, the commencement of insolvency proceeding in financial sense means that practically the equity share of company does not carry any value. While Jet Airways was trading at Rs. 133 on NSE after touching upper circuits, here we have the stock market anomaly.

Whats next for Jet Airways

Although the Jet Airways resolution Plan has been approved, the prayer by Kalrock-Jalan consortium for direction to DGCA and Ministry of Civil Aviation for reinstatement of slots was not approved by NCLT. Tribunal has directed these authorities to consider request of airline for allotment of slots. With the resolution plan approval coming in 1st half of 2021, one can hope to see the jet airways flying high in the sky in the later part of 2021.

- CS Gaurav Joshi



Bringing Value Proposition..

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