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# FINANCIAL TURBULENCE: THE BANKRUPTCY CRISIS IN INDIAN AVIATION SECTOR

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## INTRODUCTION: THE INDIAN AVIATION LANDSCAPE

The aviation sector in India has seen significant improvements post the 1990s liberalization, which saw the entry of private players into an earlier government-controlled space. Moreover, the rise of private carriers like Akasa Air, IndiGo, and SpiceJet has transformed air travel into more accessible, competitive and economic for the middle class. Today, India is the world's third-largest aviation market behind the U.S. and China, which reports a passenger traffic of 376 million in the fiscal year 2024, of which 306 million are domestic travelers.[2] Furthermore, this sector supports almost 7.7 million jobs, which are either direct or indirect and is key in improving national connectivity and economic growth.[3]

Comparatively, India's aviation industry is significantly lagging behind China's. Even with a sizable population of 1.46 billion people, India has a relatively small fleet of 836 commercial aircraft[4], with an additional 1,786 aircraft pending on order.[5] In contrast, China's aviation fleet has over 4,300 civil aircraft, more than five times that of India's,[6] as China's population is comparable, at 1.41 billion. This illustrates India's constraining capabilities and the comparison with China's rapid growth is stark. Numerous Indian airlines, such as Jet Airways, Go First, and Kingfisher Airlines, are under enormous financial stress approaching bankruptcy, courtesy of the sector with elevated operating expenses and regulatory inefficiencies. As India strives for a $5 trillion economy, closing the aviation gap is not just a goal but a crucial strategic priority.

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[1] Symbiosis Law School, Pune, Final Year (LL.B.)

[2] Wikipedia, https://en.wikipedia.org/wiki/Civil_aviation_in_India (last accessed 10th July, 2025).

[3] NDTV, https://www.ndtv.com/india-news/indias-aviation-sector-rises-to-third-spot-globally-creates-7-7-million-jobs-8566447?utm (last accessed 10th July, 2025).

[4] KnowIndia, http://www.knowindia.net/aviation7.html (last accessed 10th July, 2025).

[5] Global Indians, https://www.linkedin.com/posts/globalindians_globalindians-indiandiaspora-indianaviation-activity-7345708225641574402-QU0d/ (last accessed 10th July, 2025).

[6] Boeing, https://investors.boeing.com/investors/news/press-release-details/2024/Boeing-China-Commercial-Fleet-to-More-than-Double-by-2043-for-Growth-and-Modernization/default.aspx (last accessed 10th July, 2025).

# LEGAL AND REGULATORY FRAMEWORK GOVERNING INDIAN AVIATION

In India, civil Aviation is regulated by the Ministry of Civil Aviation (MoCA), with the Directorate General of Civil Aviation (DGCA) responsible for operational supervision as per the Aircraft Act of 1934 and the Aircraft Rules of 1937. In India, the safety protocols, licensing procedures, and airworthiness criteria via the Civil Aviation Requirements (CARs) are all implemented by DGCA. Also, we have the Airports Economic Regulatory Authority (AERA), which came into being with the AERA Act of 2008 and which in turn is in charge of airport pricing and service standards. Furthermore, international aviation operations are managed by over 116 Bilateral Air Services Agreements (ASAs) which India has put forth with different countries.[7]

On the insolvency front, Indian Airlines has commenced insolvency as per Section 7 (application by the financial creditors) and Section 10 (voluntary application by the company itself) of the IBC 2016. However, we see that the automatic moratorium established under Section 14 is causing worry to aircraft lessors as they are not able to get back their planes during the Corporate Insolvency Resolution Process (CIRP), which in turn is a point of contention with international standards and which is also an issue in the recovery of lessors' assets.[8] Although by 2008 India had ratified the Cape Town Convention and the Aircraft Protocol, its implementation has been hindered by the lack of supporting legislation.[9]

Although the Cape Town Convention does not have the force of law in India's jurisdiction, an essential element of this convention should be followed and implemented to preserve international investors' confidence and to honour our treaty agreements. To clarify the treaty's principles and provide relief to lessors, the Ministry of Corporate Affairs (MCA) issued a notification on 3 October 2023. This notification exempted aircraft governed by the Convention from the IBC moratorium. Consequently, reinstated lessors' rights to recover their assets during insolvency.[10]

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[7] Economic Times, https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/india-signs-bilateral-air-services-agreements-with-116-countries-to-enhance-global-connectivity/articleshow/112296509.cms?utm (last accessed 10th July, 2025).

[8] Cyril Amarchand Mangaldas, https://corporate.cyrilamarchandblogs.com/2023/10/sky-is-the-actual-limit-for-ibc-exemption-from-moratorium-over-aircraft-objects-during-insolvency/?utm_source (last accessed 10th July, 2025).

[9] International Bar Association, https://www.ibanet.org/insolvency-law-airline-liquidation-india?utm (last accessed 10th July, 2025).

[10] Bar and Bench, https://www.barandbench.com/view-point/interplay-between-ibc-and-mca-notification-balancing-lessors-interests-and-airline-revival (last accessed 10th July, 2025).

# FINANCIAL DISTRESS AND INSOLVENCY IN INDIAN AVIATION

The Indian aviation industry is currently going through a prolonged period of hardship. We see that there has been an increase in operating costs, volatile fuel prices, an outdated aircraft fleet, large scale maintenance issues and very high lease payments with the lessor. Another main reason is the engine failures, which in turn have brought down the reputation of Pratt Whitney's - Geared Turbofan Engines (GTE's), which lead to large scale grounding of aircraft, as in the case of Go-first airlines. Also, over the past two decades, over 15 Indian airlines have ceased their operations, which include the major players in this sector like Kingfisher, Jet Airways, and Go First airlines.[11] Jet Airways, at one time, was the second largest airline in the country. It ceased operations in April 2019 due to significant debt and outstanding governance issues. The Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC) of 2016 is still unresolved. Furthermore, Go First in May 2023 went for insolvency protection because half of its fleet was out of service and was grounded due to ongoing Pratt Whitney's engine defects, which in turn brought about a liability of ₹11,000 crore for the airline.[12] Another one was the Kingfisher Airlines that collapsed in 2012 with a debt of ₹9,000 crore, which was a result of operational mismanagement.[13]

Following the industry's volatility, in June 2025, the Air India Boeing 787 Dreamliner crash occurred, which was caused by dual engine failure and loss of power, which in turn has amplified attention to issues of ageing aircraft and maintenance defects.[14] With all these challenges, things are getting tougher. Rising costs, technical failures, regulatory shortcomings, and unclear lease agreements with the lessors, which in turn have made the Indian aviation industry very much at risk of insolvency, as we see in the cases of Jet, Kingfisher, and Go First which serve as prime examples of the system-wide problems within the industry.

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[11] Economic Times, https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/india-aviation-industry-air-india-crash-ahmedabad-boeing-indias-aviation-boom-is-flying-on-fumes/articleshow/121842977.cms?utm (last accessed 10th July, 2025).

[12] Reuters, https://www.reuters.com/business/aerospace-defense/engine-dispute-heart-go-firsts-bankruptcy-filing-2023-05-03/?utm (last accessed 10th July, 2025).

[13] Hindustan Times, https://www.hindustantimes.com/india-news/what-is-the-actual-loan-taken-by-defunct-kingfisher-airlines-owner-vijay-mallya-raj-shamani-podcast-101749213658085.html (last accessed 10th July, 2025).

[14] Reuters, https://www.reuters.com/world/india/air-india-crash-probe-focuses-engine-fuel-control-switches-air-current-reports-2025-07-08/?utm (last accessed 10th July, 2025).

# BANKRUPTCY IN THE SKIES: AIRLINES THAT FACED INSOLVENCY

India's aviation market, known for its very high growth rates worldwide, has faced many issues that have seen many airlines struggle for profit. We see high operating costs, very cut throat pricing from competitors, hefty taxes on aviation turbine fuel (ATF) and burdensome regulations, creating a volatile environment where most airlines report losses. In this setting IndiGo (InterGlobe Aviation Ltd.) stands out as the odd man being the only airline in India that has achieved and is able to sustain profitability through its low-cost carrier model, which is very efficiently operated, with optimized aircraft utilisation and very stringent cost control measures.[15]

As of 2024, IndiGo has flourished with a market share exceeding 55% due to its "no-frills" business model. However, full-service airlines like Jet Airways and Kingfisher Airlines struggle debt, competition, and poor management decisions. The previous national carrier, Air India, accumulated losses of nearly ₹85,000 crore in 2021 and only continued to function because of continuous government bailouts. In a significant regulatory shift, the Indian government privatised Air India, selling 100% equity to the Tata Group in 2021 for ₹18,000 crore, which included a combination of ₹2,700 crore in equity and ₹15,300 crore of Air India's debt.[16]

Therefore, even though indigo is a lone symbol of profitability, the Indian aviation industry remains a graveyard of dreams due to flawed business strategies, external disruptions, and stagnant policies. This scenario sets the context for studying the stories of three major airlines, Kingfisher, Jet Airways, and Go First, which went bankrupt during India's developing insolvency timeline.

Now, let us examine some of the most significant corporate failures in the history of Indian aviation, which involved Insolvency and Bankruptcy proceedings.

## KINGFISHER AIRLINES

a. Vijay Mallya launched Kingfisher Airlines on 9 May, 2005 as part of United Breweries Group. It rapidly grew to become India's second-largest domestic airline by 2011 with a 20% market share. It was positioned as a full-service premium airline and offered luxurious in-flight entertainment and other services.
b. In 2007, the airline acquired 26% of Air Deccan's equity to expedite entry into international markets and further diversify into the low-cost segment. This merger,

[15] Hedge School of Applied Economics, https://www.schoolofhedge.com/pages/indigo-the-only-profitable-airline-business-in-india (last accessed 12th July, 2025).
[16] The Economic Times, https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/and-sold-tata-group-to-take-over-national-carrier-air-india/articleshow/86862950.cms?utm (last accessed 12th July, 2025).

however, caused brand erosion and operational chaos. Rising fuel prices, along with poor fiscal stewardship further worsened the already strained airline.

c. Kingfisher suffered more than ₹9000 crores in losses and had to ground a large part of their fleet. Their market share by October 2011 stood at a mere 11%.

d. The airline unilaterally ceased operations and defaulted on contracts for fuel delivery, airport services, and financial services with Bharat Petroleum and several public sector banks.[17]

e. In 2012, Income Tax Department froze their bank accounts, and later, in October, the DGCA suspended Kingfisher's operating license due to unpaid taxes and accumulated debt, as well as rampant internal governance issues regarding salary payments and long-term safety concerns. The airline eventually went out of business, after not providing any plan to restructure their debts meaningfully.[18]

f. Kingfisher's outstanding debts were more than ₹9,000 crore, which was owed to a group of 17 banks, with SBI bearing an exposure of ₹1,600 crore. Major banks like IDBI, Punjab National Bank, Bank of Baroda and United Bank of India were also creditors. International creditors like Lufthansa Technik and some other aircraft lessors aggravated the matter by filing winding-up petitions before the tribunal[19].

g. In August 2017, SBI and other lenders submitted application under Section 7 of the IBC (application by the financial creditors) before the NCLT. The tribunal took the matter under consideration and appointed an Interim Resolution Professional (IRP). After that, a Committee of Creditors (CoC) was formed, which enabled the beginning of Corporate Insolvency Resolution Process (CIRP).

h. The Investigative units of the CBI and ED found that Mallya misused more than ₹9,000 crore in bank loans to finance his IPL franchise (Royal Challengers Bangalore), personal luxury expenditure, and other unrelated businesses. He fled to the UK in 2016 and was later labelled a willful defaulter.[20]

i. A severe trust deficit combined with crippling liabilities rendered it impossible for any tangible resolution strategy to be developed during the CIRP. The CoC opted for liquidation, which led the NCLT to order it under Chapter III of the IBC. The ED

[17] Forbes, https://www.forbes.com/2007/06/01/kingfisher-deccan-tieup-markets-equity-cx_rd_0601markets2.html (last accessed 13th July, 2025).
[18] Wikipedia, https://en.wikipedia.org/wiki/Kingfisher_Airlines (last accessed 13th July, 2025).
[19] India Today, https://www.indiatoday.in/india/story/vijay-mallyas-kingfisher-house-finds-no-takers-in-sbi-auction-313700-2016-03-17 (last accessed 13th July, 2025).
[20] The Times of India, https://timesofindia.indiatimes.com/business/india-business/vijay-mallya-used-royal-challengers-bangalore-for-laundering-ed/articleshow/64640905.cms (last accessed 13th July, 2025).

attached assets worth ₹13,000 crore, but the actual recovery was much less. Most public sector banks then wrote off the amount.

j. Aircraft lessors saw great issues in repossessing their aircraft due to the moratorium under Section 14 of the IBC, which prohibited unilateral possession once the insolvency process is initiated. Although India became a party to the Cape Town Convention (CTC) in 2008, the country failed to pass the supporting legislation, which saw the IBC superseding CTC rights in Indian courts. As a result, lessors could not get approval from the NCLT to repossess their aircrafts, which in turn saw aircraft being grounded and subsequently dismantled. This legal issue has sparked demand for India to harmonise the Insolvency and Bankruptcy Code in line with the Cape Town Convention provisions.[21]

## JET AIRWAYS

a. Jet Airways began operations as an air taxi service on 1 April, 1993. In 1995, the company grew to include full scale commercial services with the start of international flights in 2004.

b. By 2016, Jet Airways had a 21% share of the Indian passenger market. In 2007, Jet Airways acquired Air Sahara which they rebranded as Jet Lite and later Jet Konnect (low-cost airline) in 2009. Furthermore, in 2013, Etihad's acquisition of a strategic stake in the company expanded Jet's international presence. Despite the initial success, high fuel prices and relentless expansion and competitive fare strategies put pressure on profit margins and caused significant financial strain, which in turn led to loss.[22]

c. Jet Airways faced a severe liquidity crisis in March 2019, leading to the grounding of 25% of its fleet and further defaulting on ATF payments mainly to Indian Oil Corporation. The airline continued to operate until 17 April, 2019, after then they had to suspend the operations permanently due to not being unable to secure required emergency funding. By June 2019, creditors filed application under Section 7 of the IBC before NCLT to start insolvency proceedings with claims amounting to ₹7500–8000 crores.[23]

d. The NCLT accepted the petition in June 2019, initiating the Corporate Insolvency Resolution Process (CIRP). An IRP was appointed, and a Committee of Creditors, led mainly by SBI, managed the process.

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[21] Khaitan & Co., https://www.khaitanco.com/sites/default/files/2024-10/Airlines%20Insolvency%20Article%20-%20IBBI.pdf (last accessed 13th July, 2025).

[22] The Economic Times, https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/jet-buys-sahara-airlines-at-rs-1450-cr/articleshow/1898015.cms?from=mdr (last accessed 13th July, 2025).

[23] Financial Express, https://www.financialexpress.com/business/industry-jet-airways-end-game-sbi-files-for-insolvency-in-nclt-hearing-on-19-june-1611039/ (last accessed 13th July, 2025).

e. The Jalan–Kalrock Consortium (JKC) was awarded as the Successful Resolution Applicant in June 2021 after submitting a resolution plan of ₹4,783 cr with an upfront payment of ₹350 cr. However, JKC defaulted shortly thereafter, failing to fulfil its funding obligations, which triggered warning signals among creditors.[24]

f. On 7 November 2024, the Supreme Court set aside past approvals and put in motion the liquidation of Jet Airways under Article 142 of our Constitution, which was regarding JKC's breach and a five-year delay in the resolution plan. Additionally, a deposit of 200 cr was forfeited, and lenders were allowed to utilise the performance guarantee.[25]

g. Aircraft lessors faced issues getting back the leased aircraft from the airline because of the Section 14 under the IBC, 2016, which prohibit the lessors to repossess their aircrafts. Furthermore, despite Jet's operational suspension, this situation brought to the forefront large-scale legal issue with the Cape Town Convention and highlighted the need for customised insolvency reforms in the aviation sector.[26]

## GO FIRST AIRLINE

a. Go-First airline was founded by the Wadia Group in 1995, and began its services on 4 November 2005 with Airbus A320. It was a low-cost carrier which saw consistent growth, and by 2022, it had a passenger market share of 8 - 9% which it achieved through a gradual approach that prioritised profit over rapid expansion[27].

b. Commencing in late 2022, Go First encountered a significant crisis attributed to Pratt & Whitney engine malfunctions, which led to the grounding of nearly 50% of its fleet. Consequently, the airline incurred revenue losses estimated at ₹10,800 crore and faced a significant number of flight cancellations, leading to severe financial distress[28].

c. During the 20-month insolvency period, claims from international aircraft lessors totalling around ₹2600 crore sought the deregistration of all 54 aircraft. However, the moratorium prevented unilateral repossessions, resulting in protracted legal battles.

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[24] Deccan Herrald, https://www.deccanherald.com/business/jet-airways-insolvency-resolution-journey-1000290.html?utm (last accessed 13th July, 2025).

[25] Deccan Herrald, https://www.deccanherald.com/business/companies/supreme-court-orders-jet-airways-liquidation-on-failure-of-resolution-plan-3266160?utm (last accessed 13th July, 2025).

[26] Legal 500, https://www.legal500.com/developments/thought-leadership/airline-insolvency-in-india-legal-gaps-in-lessors-rights-and-passenger-data-protection/?utm (last accessed 13th July, 2025).

[27] Mint, https://www.livemint.com/companies/news/wadia-group-s-go-first-files-for-bankruptcy-due-to-pratt-whitney-engine-issues-suspends-operations-for-3-days-11683049817533.html?utm (last accessed 13th July, 2025).

[28] Live Law, https://www.livelaw.in/ibc-cases/nclt-orders-liquidation-of-go-airlines-india-limited-281883?fromIpLogin=88179.98929250828 (last accessed 13th July, 2025).

d. In Oct 2023, the Ministry of Corporate Affairs (MCA) issued a notice that clarified that Section 14 of the IBC (moratorium) would not apply to aircraft transactions, signaling a shift in legal policy in line with the Cape Town Convention and thus protecting lessor's rights.
e. On 24 January 2025, the NCLT New Delhi gave the order to liquidate Go First after their 20-month CIRP put forth no workable resolution plan. This resolution, which the CoC supported, went into liquidation via Section 33(2), which in turn ended any revival chance. In April 2025, NCLAT approval the proposal, which was also included in the 90-day compromise proposals.[29]
f. Because of the Section 14 moratorium, lessors could not repossess leased aircraft, and DGCA denied registration. Despite the notification in October 2023 and later court rulings, along with DGCA conformity, allowed for deregistration under the Cape Town Convention IDERA rules. However, this delay caused many jets to remain stranded or under-mortgaged, incurring significant losses.

# CONCLUSION

The Indian aviation sector is well known for its capital-intensive nature. Every airline has to either lease or purchase aircraft, spend a heavy amount on aviation turbine fuel (ATF), incur elevated and periodic costs related to aircraft maintenance, and purchase or rent out airport gates and the relevant infrastructure. Regarding India, the ATF cost generally makes up 40 to 45% of operating expenses, much higher than the global average. Furthermore, the costs are roughly 65% higher than international benchmarks due to domestic taxes and levies. The combination of fixed costs and exceptionally high maintenance costs, which can reach 13 to 15% of revenue, along with airport fees that are among the highest in the region, significantly worsens the situation. Moreover, over the past 2 decades, almost 15 out of 20 Indian airlines ceased operations, encumbered by debt, operational inefficiencies and a customer base with low disposable income, who generally find air travel fares unaffordable.[30]

[29] Live Law, https://www.livelaw.in/ibc-cases/nclat-upholds-liquidation-of-go-airlines-permits-submission-of-compromise-or-arrangement-within-90-days-of-liquidation-order-288556 (last accessed 13th July, 2025).
[30] Federation of Indian Airlines, https://www.fiaindia.in/Cost_of_ATF.html?utm_source (last accessed 14th July, 2025).

# A MODEL THAT WORKS: HOW INDIGO CRACKED THE CODE

In the contemporary competitive aviation landscape, only one Indian airline has consistently demonstrated profitability, i.e IndiGo. This achievement stems from optimizing a low-cost operational framework: devoid of unnecessary luxuries, lacking a business class (until recently), and maintaining stringent cost management. The airline prioritises the deployment of fuel-efficient Airbus A320neos, maximises aircraft utilization, and maintains rigorous cost control. In the fiscal year 2023, IndiGo generated ₹762 crore from in-flight dining and beverages (F&B), yielding a profit of ₹532 crore (with a 70% profit margin), which notably exceeded Domino's India's fiscal year 2023 profit after tax (PAT) of ₹356 crore. This demonstrates their adeptness in capitalizing on ancillary revenue streams. Conversely, airlines providing complimentary meals treat such services as necessities rather than a desire. Other industry players are now mimicking this business model, such as Air India's low-cost airline named Air India Express.

To avert financial distress, airlines must:

i. For instance, strategically reduce expenses (cost-cutting) by utilizing fuel-efficient aircraft.
ii. Set ticket prices within an accessible range, comparable to train fares, to broaden their customer demographic.
iii. Adopt a low-margin, high-volume operational strategy, depending on supplementary income from in-flight meals, baggage charges, advertising, and collaborative branding initiatives.
iv. Innovatively optimize operations, ensuring fee collection at every passenger interaction point.

This methodology guarantees sustainability and scalability within a market characterized by limited consumer expenditure and substantial operational demands.

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