



WRAP-UP OF JET AIRWAYS - REASONS

Ms.N.Ramya

*Assistant Professor, Department of Commerce with Professional Accounting,
Dr.N.G.P Arts & Science College (Autonomous), Coimbatore, T.N, India*

Monisha.A

*Student of III B.Com. (PA), Department of Commerce with Professional Accounting,
Dr. N.G.P Arts and Science College (Autonomous), Coimbatore, T.N, India*

Nithya.V

*Student of III B.Com. (PA), Department of Commerce with Professional Accounting,
Dr. N.G.P Arts and Science College (Autonomous), Coimbatore, T.N, India*

Shrinidhi.S

*Student of III B.Com. (PA), Department of Commerce with Professional Accounting, Dr. N.G.P Arts and Science
College (Autonomous), Coimbatore, T.N, India*

ABSTRACT

This paper analyzed the reason for the temporary shutdown of Jet airways. The important reasons affecting the airlines might be availing low cost services to the public, No proper loyalty with employees and most importantly bankrupt issue. In this study, we have pointed out the reasons as mentioned above for the fall of Jet airways.

KEYWORDS: *Commercial passengers, Etihad airways, Air Sahara, Massive debt, Value crumbles.*

INTRODUCTION

Jet Airways (India) Ltd. is a grounded Indian international airline based in Mumbai, India which, on 17 April 2019, suspended all flight operations. From the third quarter of 2010 onwards, Jet Airways was the largest Commercial passenger airline in India with a Passenger market share of 22.6%. In October 2017, when compared to other airlines it dropped to 2nd place, with passenger market share of 17.8%. The downward slide continued unabated and, as of July 2019, the company is undergoing insolvency

proceedings under Insolvency and Bankruptcy code, 2016.

Jet Airways were founded in the year of 1st April 1992 and commenced operations in 5 May 1993. It ceased operations 17 April 2019 (temporarily suspended, not permanent).

Its Headquarters situated in Mumbai, Maharashtra, India. The founder and the former Chairman is NARESH GOYAL, and the former CEO is, VINAY DUBE. Its revenue is Rs252 Billion and it earned a profit of Rs-6.3 Billion. Jet Airways holds 16,015

employees in 2017. It attracts the people with its slogan “THE JOY OF FLYING”. The total share of airline has split up into:

Naresh Goyal	- 24%
State Bank of India (SBI)	- 51%
Etihaad Airways-	12%
Public share	- 13%

In 1996, airlines placed a \$ 375 million order. In 1996-1997 airline carried 2.4 million passengers. The airlines purchased its 1st Boeing 737-400 simulator from CAE INC in 2001.

For the 1st time the airline suffered a loss in 2001-2002. As demand fell and costs increased. In March 2004 the airline launched its 1st international long-haul flight to London.

In January 2006, Jet Airways announced its intention to acquire Air Sahara for US\$500 million and in 2007 Air Sahara was renamed as Jet Lite. In 2013-14 Jet Airways made profit in 3rd quarter.

TEMPORARY WALKOFF

The following are some of the reasons for shutdown:

- Bankrupt
- Low cost service
- Employees service

FINANCIAL CRISIS

BANKRUPT

The 2nd largest airline in India has about \$1.2 billion in debt. All the flight has been suspended. At once, Jet Airways were the biggest airlines in India. Jet Airways seems like it was destined for success. The airline ran profitably for a number of years but it enjoyed the highs, it also stumbled to very low. In 2008 financial crisis hit the airline while the Indian Aviation market reduced. Due to this the number of passengers has been gradually reduced. So the airline decided either to drop the price or to raise them when fuel price soared. In 2010, while other few airlines accumulating losses, Jet Airways met with a smile and the company's books were hitting in the green.

In 2009, the airline launched one more subsidiary called “JET KONNET”. In short term the airline was running good, but in the long term the moves were not best.

In 2012, Etihad lined up to buy 24% of Jet Airways shares, and both agreed on November 2013 and increased its value to 49% after a certain period. Finally, the airline was bankrupted. Another main reason was that the airline riddled up with massive debt. They borrowed more than the asset value.

LOW COST SERVICE

The Low cost carrier was the important problem in the airlines. The financial year 2012-2013 was fairly successful but 2013-2014 was a disaster. The airline's financial situation was terrible, as it posted a loss of 36.7 million. In 2014, the airline decided to provide full

service only in India. In 2016-2017 the airline after 6 years gained some profit.

EMPLOYEES SERVICE

Another reason for the shutdown is debt, so the company decided to fire 1900 employees. This leads employees to protest. Followed by this, pilots went on strike. Naresh Goyal had an idea of not rehiring the employees. He expressed a lot of anger in the press meet conducted by Times of India in 2009. He said “I will not hesitate to close down the airline(...) I have no disagreement with pilots. However, I cannot tolerate any breach of basic principle of discipline.” In the meantime airways cancelled number of flights.

Naresh Goyal decided to rehire the workers when everything is okay in human resource department even in the case of the company is still in a heavy debt.

This results in increase of debt and leads to shutdown. The airline has virtually no asset and its value crumbles day by day. At last the Indian Oil Corporation refused to serve fuel to airlines for the same reason. Finally the airlines permanently land down on 10 May 2019.

CONCLUSION

The findings of this study can be understood as using of finances and employee management made a cause for temporary destruction. It should have been borrowed money according to its asset holdings. Apart from giving their services to its customers at low costs, than others they should have given correct and valuable services which uplift the reputation and profit of the firm. The employees should be properly treated with long term assurance for jobs and at the same time employees must also be loyal towards the firm.

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