

# Jet's Recovery Uncertain as Etihad Withdraws

The UAE flag carrier, Etihad Airways, which owns 24 per cent in Jet Airways and its board was considering a draft agreement as part of a debt-recast plan being mooted by the airline's lenders led by State Bank of India (SBI).

Today, the stand of Abu Dhabi-based Etihad Airways became clear:

- It would quit the talks for resolving the Jet Airways debt crisis and
- It would like to sell its stake in Jet Airways

Etihad Airways had picked up its stake in Jet Airways in 2013 valued at around Rs 2,060 crore at that time. As the news of the Etihad stand spread, Jet Airways shares slumped more than Rs 11 or nearly 5 per cent to close at Rs 218 on Wednesday. Thus, at the current market level, Etihad's shareholding in Jet is worth about Rs 400 crore. Etihad has offered to sell its 24 per cent stake to the SBI at a discount of Rs 150 a share.

Etihad has also offered to sell its 50.1 per cent stake in Jet Privilege, estimated to be worth Rs 1,000 crore to the SBI .

## Etihad pulls out of resolution plan

Etihad Airways itself is not going through a good phase. It had to cancel its orders with the Airbus. A March 15 Forbes magazine report says that Etihad reported another huge loss in a year. It flew 17.8 million passengers last year when compared to 18.6 million in 2017, and reported a loss of \$1.28 billion in 2018. In comparison, Dubai-based Emirates reported a 4.3 per cent rise in passenger numbers to almost 58.5 million and 8.5 per cent rise in revenues to \$25 billion with the profits more than doubling to \$762 million.

Etihad was expected to put in further Rs 1,800 crore of equity in Jet Airways bringing its stake to 24.9 per cent. The lenders' consortium led by the SBI was also expected to bring in Rs 1,000 crore by way of additional equity apart from converting the current debt into equity as agreed by the resolution plan that has received Jet shareholders' nod.

But the talks between Etihad's chief executive officer Tony Douglas and SBI chief Rajnish Kumar failed. It got stuck on two main issues: (a) reducing founder Naresh Goyal's stake in the airline, removing him from the management, and (b) Etihad wanted the SBI to take over its liabilities as a guarantor for Jet Airways' Rs 1,000 crore loan from HSBC Dubai. Jet has already defaulted on the repayment of this loan.

### **Jet Airways in free fall**

As Etihad has withdrawn from the resolution plan, it has now become apparent that only a government intervention can rescue Jet Airways.

Jet Airways' fleet of about 120 aircraft has already shrunk by more than 50% leading to drastically curtailed operations, a threat by its pilots to go on strike from April 1 for salary dues looms, its staff has already written to the government over non-payment of salaries. These have brought Jet Airways further into the red. Jet has been staring at bankruptcy with more flights getting cancelled every day as lessors ground aircraft over the payment defaults.



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Jet Airways Monday defaulted on payment to its debenture-holders—the third default since January—even as airline chairman Naresh Goyal assured the employee of a resolution in the immediate possible time.

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