

Jet Airways cancels flights on international routes

Jet airways has proactively cancelled all west bound long haul flights from India from tonight until tomorrow morning

- Jet Airways fights for survival
- Jet is saddled with more than \$1.2 billion of bank debt,
- It owes money to lessors, suppliers, staff and oil companies.

Mumbai: The crisis deepened at Jet Airways on Thursday even as the bid process to get new owners for the debt-ridden airline elicited good response from investors.

In a regulatory filing, Jet Airways said 10 more of its aircraft have been grounded over non-payment of lease rentals, taking the total number of grounded planes to 79.

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The airline has cancelled all international flights for Thursday amid reports that the government is likely to review Jet Airways' eligibility to continue its international operations. The Civil Aviation Ministry is awaiting a report from the regulator DGCA on the issue.

Jet Air has also grounded its services to and from the East and Northeast regions.

The airline has reduced its fleet to just 14 planes as of Thursday noon, way down from 123 planes in operations at the peak.

Sources said private equity firms TPG Capital and Indigo Partners, National Investment and Infrastructure Fund Ltd (NIIF) and Abu Dhabi-based Etihad Airways are among the four firms that have submitted their expressions of interest (EoIs) for picking a stake in Jet Airways.

Former Jet Airways chairman Naresh Goyal is also expected to submit initial bids for a stake in the airline, sources said.

SBI Caps, which invited Expression of Interest (EoI) for stake sale in Jet Airways on April 8, has already extended the date for submission of bids to April 12 from April 10.

Sources said lenders are expecting EoIs from international airlines like Air Canada and Delta Airlines.

SBI Caps has the mandate for Jet Airways' sale on behalf of the SBI-led consortium of domestic lenders to the private carrier.

It has put between 31 per cent and up to 75 per cent in the airline for investors.

An agency report quoting a source said, "Jet Airways flights to London, Amsterdam and Paris from Mumbai, New Delhi and Bengaluru scheduled for April 12 are cancelled for operational reasons."

The airline will not operate on the Bengaluru- Amsterdam-Bengaluru route on April 13 as well, the report said.

"All Jet operations to and from the Eastern and Northeastern regions are suspended. Following this, there are no Jet flights to and from Kolkata, Patna, Guwahati and other airports in the region," said a travel industry source.

Jet Airways said its Mumbai-Kolkata, Kolkata-Guwahati and Dehradun-Guwahati via Kolkata stand cancelled for Friday due to "operational reasons."

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Bidding process for Jet Airways likely to begin from April 8

MUMBAI: The bidding process for stake sale in the cash-starved Jet Airways is likely to commence from Monday as the bid document is still to be given a final shape, a source said.

The SBI-led consortium of 26 lenders, which now has the management control of the full-service carrier under a debt-recast plan, last Thursday said bid for the stake sale in Jet Airways airline would be issued on April 6.

“The expression of interest (EoI) for stake sale in Jet Airways will now be issued on Monday (April 8),” said the source.

Accordingly, the last date for submission of the bids, which was April 9 earlier, is also likely to be extended by a day to April 10, he said.

SBI is the lead lender to Jet Airways, which has a debt burden of Rs 8,000 crore.

Under the debt resolution plan approved by the Jet Airways' board on March 25, lenders have taken majority stake in the airline and are set to infuse Rs 1,500 crore funds. Besides,

the carrier's founder and promoter Naresh Goyal as well as his wife Anita Goyal quit the board. The shareholding of Goyals have come down to 25 per cent from 51 per cent earlier.

Acute financial crunch has forced the airline to ground aircraft, cancel flights and delay payment of salaries, including to pilots.

Amid uncertainty over future of Jet Airways, the consortium of SBI-led lenders last Thursday said bids for selling stake would be invited on April 6 and other options would be explored in case the stake sale efforts do not result in an "acceptable outcome".

After taking stock of the current situation at the airline, which is currently operating less than 30 planes, the lenders said they would pursue resolution plan for the carrier in a time-bound manner under the present legal and regulatory framework.

"The lenders are cognisant that the outcome of efforts of the lenders will depend on the interest shown by the parties on sale of stake in the company," the statement issued by lenders last week said.

"Whilst all efforts will be made for the stake sale by lenders, other options may be considered by the lenders should these efforts not result in an acceptable outcome," it said. [Amazon.in Widgets](#)

Jet Airways sinks further,

forced to ground 15 more planes

The new management at the crisis ridden Jet Airways does not seem to have put in more funds as it had assured earlier. As a result, the Company sank further. It had to ground 15 more aircraft due to non-payment of rentals to lessors. Thus, 69 of its planes have been grounded so far. Now, earning revenue and paying off liabilities have become more unlikely for the airline.

“... an additional 15 aircraft have been grounded due to non-payment of amounts outstanding to lessors under their respective lease agreements,” Jet Airways said in a filing to the stock exchanges.

The fleet strength in the airline has, however, has come down to 20 now.

Till last month, Jet Airways, which is now under the new ownership, had taken 54 planes out of operations due to lease rental defaults.

Last week, the airline had informed the government it has 35 aircraft in operations.

On March 25, Jet Airways' board approved a resolution plan formulated by SBI-led domestic lenders. Under the plan, lenders decided to take control of the airline and make a fund infusion of Rs 1,500 crore.

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Jet Airways pays December salary partially, pilots unhappy

Jet Airways on Saturday cleared the pending salaries for December, but pilots maintain they would stop flying from April 1 if full dues are not settled. The pilots' union has called for a meeting on Sunday to decide further steps.

The airline is yet to pay full salaries for January and February to its pilots, engineers and senior management. So far, only 12.5 per cent of December salary was paid and on Saturday the airline credited the remaining 87.5 per cent for the month.

"The board of directors and the management team are working as fast as possible to implement the resolution plan agreed with the consortium of Indian lenders to quickly restore the much-needed stability to our operations and build a sustainable future for the airline," chief executive officer Vinay Dube said in an email to staff. Stating that these are complex processes and that it has taken longer than expected, Dube wrote, "We are only able to remit your remaining salary for December 2018".

Founder Naresh Goyal stepped down as chairman of Jet Airways on March 25 as lenders agreed to provide Rs 1,500 crore in emergency funding as part of a resolution plan. His wife, Anita, too, resigned as director on the Jet board.

"We realise that this remittance does not lift the financial hardship that each of you are facing and we do not take your sacrifices for granted. We continue to work on additional funding on an urgent basis and shall advise you about the release of the remaining salary arrears as the funds come in,"

Dube has told the Jet staff in his latest email communication.

The pilots' union has made it clear that the partial payout is not acceptable. "There will be no flying unless the company pays us substantial salaries and provides a road map," the National Aviators Guild, the pilots' union, said in a message to its members.

ALSO READ | [Over 1,000 Jet Airways pilots to go ahead with no flying call from April 1](#)

Just a day ago, around 200 pilots had individually written to the airline CEO, threatening to go on leave of absence and warning of legal action for non-payment of dues. Engineers too have threatened to stop work if salaries are not paid.

[Cash-strapped Jet Airways](#) has grounded many planes and also defaulted on repayment of debt, including ECBs.

Lenders' consortium is preparing for an open auction for Jet, which has a debt of around Rs 8,500 crore. The expression of interest for the auction is likely by April 9 and final bids are expected by end of May. Goyal, whose stake has been halved from 51 to 25.5 per cent is learnt to be scouting for strategic partners for the airline he had founded more than 25 years ago. Abu Dhabi-based Etihad, which owned 24 per cent in Jet and now is left with 12 per cent, is expected to decide at a board meeting on Sunday, whether it wants to exit the airline completely or not.

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Jet Airways Lenders considering open auction process

Lenders to cash-strapped Jet Airways plan to sell their stake in the airline through an open auction process over the next two months, seeking maximum value for the asset.

In the meantime, the consortium led by State Bank of India will provide emergency funding of around Rs 1,500 crore to bring operations back to normal, in phases. A senior executive of a large public sector bank said this is a transitory arrangement in which the lenders will acquire control, run the process of transparent bidding, and receive final bids by the end of April.

The bids will then be evaluated according to guidelines by the civil aviation ministry, following which a buyer will be selected. The outer limit for the process is May-end. Transfer of control to the buyer will be effected by June-end.

The resolution is being overseen under the framework of the Reserve Bank of India's February 12, 2018 circular for dealing with stressed assets, which mandates the lenders to complete resolution within 180 days of default. In case of Jet, the 180-day period had begun from January 1, 2019.

The open auction process will be similar to what is followed under the National Company Law Tribunal, but will be outside the insolvency code and tribunal. It is being done in this manner given Jet is a service sector enterprise with little or no assets. If lenders take the NCLT route, the airline will be grounded with practically no chance of revival. The cases referred to NCLT have taken a long time for resolution, said one private banker.

Asked about the hit banks will have to take on exposure, a senior banker said: "The extent of write-downs we may have to take will become clear from the bids (price indicating expected haircuts) during the auction."

During the two-month period, lenders will control the airline but will run it with the help of airline industry professionals and turnaround experts, backed by active oversight of the board of directors. Naresh Goyal and his nominees will exit the board.

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Lenders said they would prefer to have an experienced banker as chairman of the board.

Banks will provide emergency funding of about Rs 1,500 crore to the airline and want it to return to 100 per cent operating capacity.

A large number of planes in Jet's fleet have been grounded due to non-payment of lease rentals. Lenders (consortium members) are approaching the Union civil aviation ministry with a plea not to take away the airline's landing rights, slots and traffic rights, as it is necessary for protecting the economic value of the enterprise and attracting bidders, the bankers added.

The government was toying with the idea of providing unused airport slots of Jet Airways to other domestic airlines on an interim basis, a senior civil aviation ministry official had said on Wednesday, with a view to minimise flight disruptions.

ALSO READ: [Government looks at providing Jet Airways' unused airport slots to other domestic airlines](#)

The ministry has also held interactions with representatives of carriers such as Air India, SpiceJet, GoAir and IndiGo, to discuss issues such as augmentation of fleet and utilisation

of existing planes.

The domestic carriers will add 20-25 more planes by April-end. Jet Airways as an entity is still a good asset with a strong brand, and evokes huge investor interest, said a senior public sector bank executive.

The carrier's international network and slots at key airports, too, are an attraction and lenders will be able to draw interest if they are successful in restoring the airline to its earlier strength.

“The airline has a well-balanced international network and serves all main markets from India, Hong Kong and Singapore in the east, several cities in West Asia, and London. Its partnership with Air France-KLM and Delta has enabled it to tap into Europe and North America and garner corporate traffic from those countries. The other key attraction is slots, especially at Mumbai airport, where it continues to be the dominant carrier,” said an aviation expert.

With the fund infusion, the airline will be able to partially clear dues on lease payments and then negotiate a fresh payment plan to get the fleet operational, said people in the know.

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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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Also Read: [Jet Airways gets another setback, unlikely to recover](#)

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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