

# **Jet Airways: NCLT admits insolvency petition moved by SBI**

The National Company Law Tribunal (NCLT) on Thursday admitted the insolvency petition moved by State Bank of India (SBI) – under section 7 of the Insolvency and Bankruptcy Code (IBC) – against Jet Airways, and instructed that the resolution process be wrapped up in 90 days as the matter is of national importance.

Typically, the corporate insolvency resolution process (CIRP) should be completed in 180 days, and an extra 90 days' time is granted in case the process doesn't conclude in the stipulated period. The interim resolution professional (RP) has been instructed to submit fortnightly progress reports on the CIRP process, with the first to be filed on July 5, the day of the next hearing.

The tribunal also declared a moratorium on recovery of dues from Jet, the country's first aviation firm to be admitted for bankruptcy. Jet had over 120 planes, of which only about a dozen have not been de-registered by the civil aviation regulator. The rest of the planes had their leases terminated and many of them have been inducted by other airlines in India or abroad.

Also, on a day which saw the beleaguered airline being admitted under the insolvency process, Jet shares posted their highest single-day gain on the bourses on Thursday, rising 93 per cent on the BSE to end at Rs 64 after declining 75 per cent in the previous 10 sessions. Such a movement in share prices is highly unusual.

Moreover, presiding judges V P Singh and Ravi Kumar Duraisamy did not take cognizance of the Dutch court order that had

declared Jet bankrupt, given that cross-border insolvency is still not in place under the IBC and because the jurisdiction of the corporate debtor rests with the tribunal (as the company is listed in India).

SBI, in its plea, said the airline had defaulted on working capital loans of up to Rs 970 crore. Jet had a working capital facility of Rs 505 crore. This account was overdrawn by around Rs 460 crore for 30 days. The lender had also provided a term loan facility of Rs 1,292 crore to the carrier, which owes over Rs 8,000 crore to a consortium of 26 lenders.



*Jet Airways unusual share movement*

Jet stopped operations on April 17 leaving over 14,000 employees in the lurch. SBI had declared Jet an NPA and made provisions in its Q4 results. The other 25 lenders will have to get their claims admitted when the interim RP begins to admit claims of various lenders. On the Jet case, SBI chairman Rajnish Kumar said lenders had taken every decision after a lot of deliberation.

SBI said that Etihad Airways had sought waiver of open offer and assurance of flying slots for take over of Jet Airways, but the lenders to the debt-ridden carrier had no authority to accommodate the relaxations sought.

State Bank of India (SBI) chairman Rajnish Kumar **defended the lenders' decision** to take Jet Airways for bankruptcy saying

“it was their last effort to find a resolution” for the grounded airline and also did not rule out the possibility of liquidation.

“It (taking Jet to NCLT) is the last effort. This is the first case of bankruptcy in the aviation sector, which will be tested,” he said on the sidelines of the bank’s annual general meeting. Nobody appeared on behalf of the airline as most of the key management personnel had resigned as early as in May, the bank told the tribunal.

Ashish Chhawchharia of Grant Thornton has been chosen as the interim RP by SBI for 30 days, and the final decision on the RP will be taken by the committee of creditors. The interim RP will gather details of the airline’s assets along with along with inviting claims from creditors and employees. The two operational creditors – who had filed separate insolvency pleas – will file their claims with the interim RP now that the SBI plea is admitted.

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