

Prospective buyers may find Jet dead on arrival

SUNITHA NATTI @ Hyderabad

TROUBLED carrier Jet Airways reached its hour of heartbreak, with the airline temporarily shutting down operations from Wednesday.

If key air routes and slots remain unutilised, industry sources fear suspension of Jet's airport operators' permit, which could further erode its value and credibility.

While the SBI-led consortium of banks searches for a white knight, it doesn't want to tie itself up in knots extending emergency capital, as a result of which prospective buyers may find Jet dead on arrival.

Unlike other sectors, airlines operate as a prepaid busi-

ness, where everything is paid upfront. When promoter Narish Goyal couldn't raise capital, he was forced to step down as banks entered the cockpit. But their reluctance to plonk down money strangled Jet's skeletal remains, say analysts. But lenders disagree. "The ₹400 crore (which Jet's management sought) may not fix it...they may come back for more next week. We are waiting for binding bids to come by April 30," one of the nine lenders told this publication.

As Jet teeters on the edge, the blame is back on the banks for not identifying underlying stress, signs of which ap-

peared last March when Jet first delayed salaries. "It has been in losses for sometime and fresh capital wasn't coming. In hindsight, banks should have been proactive in identifying stress and proposing a resolution," said Anil Gupta of ICRA Ratings.

As on FY18, Jet had 119 aircraft, flew 47 domestic and 20 international destinations, but Etihad's partnership enhanced it to 130 routes. International routes were Jet's holy grail, contributing 55 per cent of consolidated revenue and operating profit. But with both international and domestic operations on hold, will Jet

still be attractive for buyers?

"Jet has the largest, highly-trained manpower including pilots and technical staff. Besides, it has a brand, goodwill among employees and customers and key routes that can be capitalised on," a senior south-Indian airline official told this publication. The key issue, however, is its high cost structure. "In airlines business, where even a 5-6 per cent margin is considered good, with such high costs you are bound to fail," he added.

Goyal may have lost the company and personal credibility, but his troubles end there as he didn't borrow in personal capacity, but through the company.

