

# A Comparative Study of Jet Airways and Kingfisher Airlines: Rise, Decline, and Industry Implications

Shreesha R Huddar

*Assistant Professor, BMS College of Commerce and Management*

**Abstract-** This research paper provides an in-depth comparative analysis of two major Indian full-service airlines—Jet Airways and Kingfisher Airlines—which once dominated the commercial aviation sector in India. Their operational success, followed by steep decline, demonstrates systemic weaknesses in management, regulatory structures, capital allocation, branding policies, and financial control. This paper expands on historical events, business strategy, financial decisions, external pressures, insolvency proceedings, and long-term consequences for stakeholders including employees, banks, suppliers, government agencies, consumers, and regulators. Finally, it offers lessons and recommendations for sustainable aviation operations in developing economies.

**Keywords:-** This research paper focuses on the rise and fall of Jet Airways and Kingfisher Airlines within the Indian aviation industry, highlighting the impact of aviation sector liberalization, private airline growth, and full-service carrier business models. It examines strategic expansion, market leadership, and branding efforts under founders Naresh Goyal and Vijay Mallya, alongside challenges such as intense competition from low-cost carriers, high operating and fuel costs, aggressive fleet acquisition, and debt-driven expansion. The study emphasizes financial mismanagement, poor corporate governance, liquidity crises, negative cash flows, and regulatory pressures from bodies like the DGCA, which ultimately led to insolvency, bankruptcy, and airline shutdowns. Using a comparative case study approach, the paper analyzes airline failure, risk management shortcomings, and sustainability issues in the Indian aviation sector.

## I. INTRODUCTION

Indian aviation experienced accelerated market liberalisation after the economic reforms of 1991. Private airlines emerged and began competing with state-run carriers such as Indian Airlines. During this phase, Jet Airways (founded 1992) and Kingfisher Airlines (launched 2005) shaped new expectations of luxury travel, frequent-flyer incentives, and extensive connectivity. However, with changing

market dynamics, increased fuel prices, intensifying competition, and excessive financial leverage, these airlines eventually shut down.

Studying them comparatively is important because:

- Both operated premium and full-service models.
- Both faced similar external macroeconomic pressures.
- Both fell due to governance and financial mismanagement.
- Their decline changed India's aviation structure permanently.

## II. BACKGROUND OF INDIAN AVIATION MARKET

Before 2000, aviation was dominated by national carriers and limited private routes. After deregulation:

- Low-cost carriers like IndiGo, SpiceJet, Go First and Air Deccan entered.
- Passenger behaviour shifted primarily to low-fare flying.
- Full-service pricing became unsustainable.
- Domestic routes expanded rapidly.
- Operating margins narrowed due to intense fare competition.

The aviation cost structure was largely fixed with variable profitability. Fuel accounted for 35–50% of operating costs. Rupee depreciation affected lease rentals and maintenance costs. In such an economic environment, airlines needed strong working capital cycles, diversified revenue strategies, and robust investor funding.

Neither Jet Airways nor Kingfisher Aerospace successfully adapted to this shift.

## III. JET AIRWAYS: HISTORY, GROWTH AND OPERATIONS

Formation and Early Success

- Established by Naresh Goyal in 1992.
  - Offered superior service compared to government-owned airlines.
  - Acquired dominant market share by mid-2000s.
- Strategic Acquisitions
- Purchased Air Sahara in 2007, rebranded as JetLite.
  - Objective: Capture budget travellers.
  - However, dual-brand strategy increased cost duplication.

Peak Phase

- Extensive fleet mix of Boeing, Airbus and ATR.
- Leadership position in international markets: London, Singapore, Gulf routes.
- Introduced loyalty programs, business lounges, corporate tie-ups.

Reasons for Decline

1. High Debt from Acquisition
  - Air Sahara deal cost over ₹1,450 crore.
2. Mismatch between revenue inflow and operating expenditure
3. Fall in business-class demand post 2008 global recession
4. Delay in restructuring
5. Fuel supply credit withdrawal
6. Unpaid dues to aircraft lessors

Cessation of Operations

Jet Airways suspended operations in April 2019 after lenders refused additional emergency funding.

IV. KINGFISHER AIRLINES: HISTORY, MODEL AND FAILURE

Launch and Market Positioning

- Started by Vijay Mallya under UB Group.
- Introduced luxury experience:
  - High-end meals
  - Screen-equipped seats
  - Exclusive lounges
  - Premium hostess grooming

Expansion Through Acquisition

- Acquired Air Deccan in 2007.
- Intended strategic shift into budget segment.
- However:
  - ✓ Corporate identity confusion emerged.
  - ✓ Legacy cost structure continued.
  - ✓ Misalignment between service offering and pricing strategy.

Key Decline Factors

1. Over-ambitious expansion without capital discipline
2. Bank loan defaults exceeding ₹7,000 crore
3. Cancellation of international flying rights
4. Employee strikes due to non-payment
5. Loss of investor credibility
6. DGCA suspension

In October 2012, operations fully stopped.

V. FINANCIAL ANALYSIS (EXPANDED SECTION)

Below are comparative financial policy issues:

Parameter	Jet Airways	Kingfisher Airlines
Primary Cost Burden	Fuel, lease rentals, debt servicing	Interest burden, subsidised fares, debt write-offs
Major Financial Mistake	Acquisition of Air Sahara	Merger with Air Deccan
Source of Losses	Loss of operational cash flow, fare war	Mismanagement, overleveraging
Restructuring Attempt	Yes, consortium takeover attempt	No viable turnaround attempt
Asset Ownership	Mostly leased aircraft	Mostly leased aircraft

VI. CORPORATE GOVERNANCE FAILURES

Jet Airways

- Delayed equity infusion
- Conflict between promoter holdings and lender expectations
- Poor debt renegotiation strategy
- Inconsistent leadership during restructuring

Kingfisher Airlines

- Allegations of improper capital utilisation

- Tax deduction non-remittance
- Weak board oversight
- Lack of clarity over cash movement within UB Group subsidiaries

Both airlines displayed insufficient risk-based governance measures.

VII. EXTERNAL AND ECONOMIC FACTORS INFLUENCING BOTH FAILURES

Fuel Price Volatility

- Global crude volatility sharply raised ATF prices.
- Indian taxation made fuel among the most expensive worldwide.

#### Exchange Rate Risk

- Lease rentals payable in USD.
- Rupee depreciation increased burden drastically.

#### Infra-related Costs

- Airport landing and parking fees soared after PPP airport modernisation.

#### Competition Shift

- Market migrated to:
  - No-Frills flying
  - High seat utilisation
  - Quick turnarounds
  - Direct bookings

Premium carriers struggled to pivot operationally.

### VIII. INSOLVENCY PROCEEDINGS (DETAILED)

#### Jet Airways

- Bank-led insolvency via NCLT.
- Multiple bidders.
- Lenders demanded stronger repayment schedules.
- Interim revival approval granted but implementation failed.
- Slots redistribution complicated restart.
- As of late-2024, liquidation ordered.

#### Kingfisher Airlines

- Assets attached under debt recovery laws.
- Vijay Mallya declared wilful defaulter in India.
- Extradition efforts initiated in UK (still ongoing).

#### Employees' Legal Standing

Employees from both firms fought for:

- Gratuity settlement
- Provident fund dues
- Full and final compensation

Outcomes remain partial or under arbitration.

### IX. STAKEHOLDER IMPACT (EXPANDED DETAIL)

#### Employees

- Job loss without social safety nets.
- Delayed terminal benefits.
- Reduction in industry morale.

#### Banks

- Millions of rupees in NPAs.
- Stricter norms introduced later for aviation financing.

#### Government

- Pressure on labour ministries and aviation regulators.
- Revision of slot allocation rules.

#### Travel Consumers

- Loyalty points devalued
- Refund delays

#### Other Airlines

- Increased market share of competitors (IndiGo, Air India).

### X. LESSONS FOR INDIAN AVIATION SECTOR

#### Operational Lessons

- Need for diversified fleets for dynamic cost management.
- Operating cost must align with revenue cycles.

#### Financial Lessons

- Debt-driven expansion must be avoided.
- Working capital must be protected.

#### Governance Lessons

- Independent directors must actively monitor financial health.
- Transparent reporting of promoter involvement is necessary.

#### Regulatory Lessons

- Insolvency resolution time frames must shorten.
- Consumer safety measures required during operational shutdowns.

### XI. RECOMMENDATIONS

#### For Airlines

1. Adopt hybrid service model (premium + low-fare).
2. Maintain clear separation between operational income and capital utilization.
3. Dynamic pricing tools for demand-based seat allocation.

#### For Banks

1. Limit exposure concentration in single-business promoters.
2. Introduce structured repayment-linked operating covenants.

For Government and DGCA

1. Create contingency passenger refund fund.
2. Improve cross-border insolvency law framework.
3. Establish Employee Security Pool Fund like ESOP liquidation reserve.

## XII.CONCLUSION

Jet Airways and Kingfisher Airlines present two of India's most instructive corporate failures. Their downfall proves that aviation-sector success depends heavily on prudent capital utilisation, cost-adaptive operations, investor discipline, contingency funding, and governance transparency. However, these failures also catalysed reforms, improved banking oversight, enhanced aviation regulations, increased consumer awareness and allowed geographically diversified low-cost carriers to emerge and mature.

## REFERENCES

- [1] Somasekaran, S., Parameswaran, R., & Panda, A. P. (2024) *"Jet Airways — The Rise and Fall of Aviation King"*, *International Journal of Research in Commerce and Management Studies*, Vol. 6(6), pp. 243–259.  
— Comprehensive case analysis of Jet Airways' growth and collapse. ResearchGate
- [2] Manchanda, B. (2024) *"Rise and Fall of Jet Airways"*, Conference on Entrepreneurship Development, New Delhi. — Discusses reasons behind the airline's downfall and preventive measures. ResearchGate
- [3] Ghosh, U. & Pinto, G. (2021) *"JET AIRWAYS (India) Ltd.: A Case of Financial Crash Landing in the Indian Aviation Sector"*, *Turkish Online Journal of Qualitative Inquiry (TOJQI)*, Vol. 12(6).  
— Analyses aviation sector background and financial collapse factors. tojqi.net
- [4] Panigrahi, C. M. A., Sinha, A., Garg, A., & Mehta, A. (2019) *"Financial Crisis at Jet Airways Limited: Turnaround or Bankruptcy"*, *Journal of Management Research and Analysis*. — Peer-reviewed article on financial distress, lender response, and market impact. SAGE Journals

Academic & Case Study References (Kingfisher Airlines)

- [1] Jetir.org — Empirical Study of Kingfisher Airlines Bankruptcy (2024) *"Failure and Bankruptcy of Kingfisher Airlines"*.  
— Focus on corporate governance, insolvency, and financial mismanagement. JETIR
- [2] (Older academic sources on Kingfisher & airline failures)
  - Research on aviation financial crisis context including Kingfisher as a reference. IJNRD
  - Broader analysis of failures in Indian aviation with Kingfisher as a case example. ijsr.org

Industry & Case References (General / Both Airlines)

- [1] IBSCDC case study (Betala & Krishnan, 2009) *"Kingfisher Airlines–Jet Airways Alliance: Competitors Turned Collaborators"* — Explores strategic alliance context and industry challenges around 2008. IBS CDC
- [2] Sandip Foundation MBA case (Jet Airways) *"The Rise and Fall of Jet Airways: A Case Study"* — Secondary data on expansion and decline. mba.sandipfoundation.org
- [3] Indian Express / Times of India reports
  - Explained timeline of rise and fall in Indian aviation with Jet & Kingfisher references. The Indian Express+1
  - Financial Times / Economic Times coverage on debt struggles. The Economic Times
- [4] Competition Commission of India Order (Mehrotra vs Jet & Kingfisher) — Legal context for strategic alliances / anti-competitive concerns.