LEAN START-UP MANAGEMENT (MGT1022)

DIGITAL ASSIGNMENT – 5

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Question 1

Analyze why Jet Airways, Kingfisher and Air Deccan failed in India. [15 marks]

1.1. Introduction

For four decades after eight independent domestic airlines — Deccan Airways, Airways India, Bharat Airways, Himalayan Aviation, Kalinga Air Lines, Indian National Airways, Air India (formerly Tata Airlines), and Air Services of India — were merged to create state-owned Indian Airlines in 1953, India's aviation sector remained a national monopoly. Policy changes came in the 1990s — and liberalisation and economic reforms gave the private aviation industry new wings of hope.

Several of the private airlines that took off during that decade were to hit air pockets soon, however — and in the years that followed, the sector saw the entry of quite a few new players even as the businesses of others collapsed or were taken over. The suspension of operations at Jet Airways — at one time India's largest private airline — announced Wednesday, follows the troubles at Kingfisher, Air Deccan, and Sahara.

Global aviation industry is passing through challenging times due to unprecedented fuel price hike during the last 4 years, turbulent financial markets and economic recession. Vijay Malaya's dream bird, Kingfisher Airlines - popularly known as The King of Good Times - is witnessing its worst phase. Indian domestic aviation is suffering from a serious market failure, caused by misguided government policy and ministers need to step in quickly to fix it. In India, most of the upcoming airlines added a large number of aircraft since 2006 and deployed them mostly on metro sectors resulting into suicidal price war among all the airlines. Every airline in India is currently suffering from operating losses.

Jet Airways was teetering on the brink of collapse today, operating just five planes and waiting for lenders to release emergency funds to keep the debt-saddled carrier flying. Airfares on rival carriers have soared and Air France and KLM are operating additional flights to Mumbai to accommodate passengers affected by Jet's decision to cancel international flights.

1.2. Literature Review

[1] Fall of a Titan: understanding the Jet Airways crisis (2021)

The authors of this research used Porter's five forces model to examine the competitive climate of the Indian aviation industry. Jet Airways' competitive position was examined using a SWOT analysis. Mergers and acquisitions were also looked at in relation to the current Jet Airways situation. This case's info was gathered from secondary sources. Newspaper articles, industry reports, company reports, and the company's website are among these sources. This example demonstrated how a buyer's fixation with making poor Mergers/Acquisitions decisions could lead to bankruptcy. The fact that Goyal has several (197) of his fleet's most recent aircraft supports this theory.

Goyal was also chastised for purchasing Sahara Airlines, which had been underperforming in the market. Only the cost of turbine fuel accounts for 50% of total operational expense, despite spending a considerable portion of the budget on capital expenditure in an industry where operating costs are extremely high. Jet Airways' financial condition is weakened by high capital budget spending and rising operational costs. Despite having the biggest market share and making excellent income in 2010, Jet Airways lost money for three years in a row, from 2009 to 2011. Jet Airways' viability was in jeopardy after 2011, when the Indian aviation industry saw a surge in competition and expansion in low-cost airlines (LCC). Jet Airways was on the danger of going bankrupt despite urgent cost-cutting and investor-attractive efforts.

[2] Critical analysis of failure of Kingfisher Airlines (2018)

The authors of this report looked into the demise of Kingfisher Airlines as well as the financial condition of UB Holdings. Many public and private Indian banks continued to lend to Kingfisher Airlines, UB Holdings Ltd., and other companies because of the CMD's status as a well-known businessman and politician. Private banks were able to recover all of his loans, although 14 public sector banks were unable to do so. They looked at the business of Kingfisher Airlines, the causes for its downfall, and whether banks could judge the creditworthiness of companies like Kingfisher Airlines and UB Holdings Ltd. They looked into whether it was feasible to anticipate bankruptcy ahead of time. They also looked into the involvement of banks in loan extensions and recovery efforts.

[3] Two Cases of Failure in Merger: Air Deccan, Is it Overconfidence? (2011)

Mergers and acquisitions have a high failure rate all across the world. Even if due diligence is performed by skilled employees and an expert consulting firm, the computation may be incorrect. Many academics have identified behavioural biasness as one of the causes of deal failure throughout the decision-making process. With the use of two cases in the Indian setting, the author attempts to identify human bias in merger decisions in this research. The aforementioned mergers failed ostensibly due to the acquirer's underestimating of risk, which resulted from overconfidence.

This research attempted to critically evaluate the efficacy of mergers and acquisitions through the investigation of two situations after a theoretical discussion. If a corporation makes sensible decisions, it will almost surely achieve its target goal of merger and acquisition success. Decision-making is not a fully objective process, but rather a subjective one prone to human biases. As a result, any choice, whether financial or organisational, should take into account all behavioural aspects, including behavioural finance difficulties, in order to reduce personal bias in decision-making. In this study, it is suggested that KAL's top management's overconfidence bias may have hampered the merger of Kingfisher Airlines and Deccan Aviation.

[4] The Strange Case of the Jet Airways Bankruptcy: A Financial Structure Analysis (2021)

The worldwide aviation sector has changed dramatically in recent years, owing to advancements in both technology and business structures. These changes have also had an impact on the Indian aviation industry, pushing Indian airlines to face new and unanticipated problems, which they have not always met satisfactorily. In this regard, Jet Airways' bankruptcy is a relevant but still "unsolved" case. The writers of this paper looked into the financial structure of the company in order to see if financial turbulence for an aircraft company may be used as an antecedent for predicting the danger of bankruptcy. A combined analysis of the Altman Z-score, Piotroski F-score, and BeneishM-score reveals that financial instability acts as a bankruptcy predictor (through the Z- and F-scores) in the case under consideration, while rejecting probable profits manipulation as financial malpractice (via the M-score).

[5] Mergers And Acquisitions: A Review Of Episode, Failure And Success New Mantra (2013)

This research examines the variables that cause mergers and acquisitions to fail around the world, notably in India, as well as the success mantra for successful mergers and acquisitions implementation. The nature of this research article is conceptual. The research conducted helps management and other stakeholders understand the reasons for pre- and post-merger failures. Understanding culture, educating managers to generate change agents, communication with stakeholders, setting goals, forming a new culture, having a leader to lead, and meticulous planning and implementation at each stage of a merger are all factors that contribute to a successful merger.

[6] A Review on Kingfisher Airline 'Prosperity Converted Into Bankruptcy' (2019)

The case seeks to uncover the flaws in the system that allowed Vijay Malaya, a flamboyant figure who was a member of the Rajya Sabha and the chairman of a major corporation, to flee India even as Kingfisher Airlines was grounded (Kingfisher Airlines was founded in 2005 and went bankrupt in 2012, and Kingfisher Red was founded in 2009 and went bankrupt in 2014), employees were unpaid, and liabilities totaled around'9000 crore. United Breweries Group, located in Bengaluru, owns the airline, which was founded in 2003. The airline began operations on May 9, 2005. It began international operations on September 3, 2008, with a connection between Bengaluru and London. A corporate ethics lesson might use this case.

It can also be used to illustrate the rules followed by banks when approving loans to firms, as well as the consequences of not adhering to the guidelines. The airline had been experiencing financial difficulties for several years, with the merger with Air Deccan Airlines being mentioned as the cause. Now, the purpose of this study is to critically examine the factors that contributed to the airline's demise, as well as to provide an overview of its many bailout phases. The case can be used to demonstrate kingfisher failure concepts.

[7] Jet without fuel: nosedive of Jet Airways (2021)

This example illustrates the vulnerability of the Indian aviation sector by focusing on the bankruptcy of Jet Airways, one of the country's largest carriers. The current case examines Jet Airways' leadership's involvement in addressing foreign threats to India's aviation industry. It is based on information gathered from secondary sources, such as publicly available company information, journals, websites, newspapers, and reports. Findings – The case details how hubris-driven strategy decisions, as well as the leader's fear of losing control of the company, resulted in the grounding of one of India's main airline companies. The case also gives useful information about the Indian aviation industry, with a focus on the dangers to the industry. Other airline businesses and the aviation business community can use the case to deal with external challenges to their business and concerns of leadership dysfunction.

[8] Assessing Financial Health Of A Firm Using Altman’s Original And Revised Z-Score Models: A Case Of Kingfisher Airlines Ltd. (2013)

The authors of this case study employed both Altman's Z-score and Modified Z"-score models to see if Altman's Models (1968, 1983) can be used to assess financial health and predict financial collapse of a publicly traded non-manufacturing company in India. According to the findings of this case study, Altman's original Z-score model projected that the financial health of the company under investigation is not consistent during the years 2005-2012. The Revised Z"- score model also confirms this. The algorithms were able to predict financial difficulties and the firm's likely impending insolvency, according to this study. The mean Z-score for the company under examination from 2005 to 2012 is 0.918, and the mean Z"-score for the same period is 0.019, both of which are below cut-offs, indicating that the company's financial health is bad and that bankruptcy is quite possible.

[9] Financial Structure Instability As Failure Symptom In The Aviation Industry - The Jet Airways Bankruptcy Case (2019)

The worldwide aviation sector has changed dramatically in recent years, owing primarily to advances in technology and the resulting commercial models. These changes have had an influence on the Indian aviation industry, pushing Indian airlines to face new and unanticipated problems, which they have not always met satisfactorily. In this regard, the collapse of Jet Airways is instructive. The financial structure of the organisation was the subject of a specific inquiry in this study, with the goal of determining whether financial turbulence for an aviation firm could serve as an antecedent for predicting the danger of bankruptcy.

From a scientific standpoint, the study has proven the validity and reliability of Altman's Z score and Piotroski's F score, as both clearly indicated the possibility of Jet Airways' bankruptcy during the study period, while Beneish's M score demonstrated the absence of manipulation. From a managerial standpoint, it becomes clear that Jet Airways' loss was not due to a failure of the commercial model, but rather to management's inability to make the finance model work. Finally, as the Jet Airways bankruptcy case shown, financial structure instability is an obvious failure signal in the aviation industry. The use of commonly used scores for bankruptcy prediction is then very necessary, at the very least to notify the managers in charge of putting both aspects of the business model, i.e. the commercial and financial ones, into careful and constant attention.

[10] Predicting financial distress of firms. A study on bankruptcy of Kingfisher Airlines (2017)

The insolvency of Kingfisher Airlines and the financial condition of UB Holdings are the subjects of this article. Given Mr. Vijay Mallya's image as an accomplished businessman and politician, several Indian banks continued to lend to his Kingfisher Airlines and UB Holdings Ltd. The writers attempted to determine whether Kingfisher Airlines could continue to operate smoothly, as well as the causes of bankruptcy and whether banks could assess creditworthiness and whether banks should have refused loans to Mr. Vijay Mallya and his firms. The authors investigated the reasons for Kingfisher Airlines' demise. Any business (particularly airlines) with rapidly growing revenues and low profit margins, as well as external business environmental factors that have a significant impact on costs, should avoid taking on excessive debt, as even minor changes in pricing and costs can have a negative impact on profits, leading to tragic bankruptcy.

1.3. Analysis

1.3.1. Jet Airways

Jet Airways was formerly India's largest and, in many ways, best airline. Jet Airways appeared to be headed for success, with the fast increasing aviation business and more Indians selecting air travel as their primary mode of transportation. However, although Jet Airways experienced highs, it also experienced very low lows. Shutting down Jet Airways is due to various factors, few of them are incompetency, bad management, high fuel costs and inability to find investors

Here's a look at where it all went wrong for Jet Airways:

1. Costly purchase

Many aviation experts believe Jet's financial problems began with the purchase of Air Sahara for $500 million in cash in 2006. Naresh Goyal, the company's founder, is claimed to have disregarded professional advice that he was overpaying. The purchase elicited a mixed response from the market. The cheap carrier was renamed "JetLite," but it continued to lose money, and Jet wiped down its entire investment in 2015. "The acquisition is still a millstone around the company's neck," Bangalore Aviation website editor Devesh Agarwal told AFP.

2. Budget airlines

Jet has been battered by a number of extremely successful low-cost airlines, notably IndiGo, SpiceJet, and GoAir, in India's aviation business, which is fiercely competitive. Experts claim that when the trio launched in 2005 and 2006, offering low-cost flights and previously unserved routes, Jet's executives refused to take them seriously. The Jet management essentially felt they were fringe players; Jet has traditionally catered to corporations and has failed to recognise that low-cost carriers are luring price-conscious customers.

3. Poor management

Experts blame Goyal's managerial style for a large part of the problem. According to them, his choice to have a single management team operate all of Jet's operations, led by himself, was a critical blunder. He made poor decisions that jeopardised the organization's long-term viability. He made poor investment decisions and fired over 2,000 employees during a period marked by visible demonstrations. According to analysts, he should have had two teams running the full-service carrier and the budget flyer. "Jet lacked a clear business strategy and tinkered with it frequently, which perplexed investors and passengers alike," said Agarwal, who feels the company's decisions were opaque. Goyal has also been accused of making poor investments and failing to address the company's deteriorating financial situation while taking on a large amount of debt. "To put it simply, they spent more than they earned and continued to accumulate loans," Agarwal added.

Jet Airways pilots created a union called the National Aviators Guild. Two major individuals in the union's formation were fired by the management. Mr Goyal should have had two separate management teams to oversee the full-service airline and the budget flyer, according to experts. Jet Airways spent far more than it earned in the entire scenario, resulting in debt accumulation.

4. Fluctuating crude

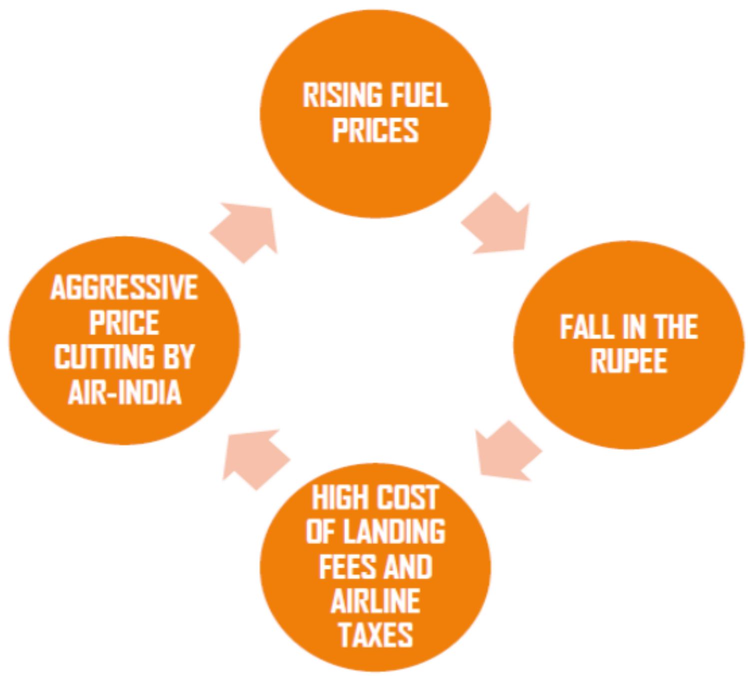
Because India is a significant oil importer, all of India's carriers are particularly vulnerable to global crude price swings. When the rupee is weak, as it has been for the past year or so, fuel, which is the airlines' major expense, becomes more expensive. Last year, all Indian carriers were impacted by rising oil prices and the Indian rupee's historic lows. IndiGo and SpiceJet both posted large losses, but analysts think their books were able to withstand the blow. Jet's, on the other hand, was in debt. Ashutosh Datar, a Mumbai-based analyst, told AFP that Jet Airways "failed to manage its balance sheets and was caught out by these cyclical swings in the business."

5. Failure to attract investors

According to aviation specialists, Goyal's refusal to locate a strategic investor to inject money into Jet extended the airline's losses, leading to its current financial plight. End-of-year talks with Tata, the tea-to-steel behemoth, fell through, and Etihad Airways reportedly refused to boost its shareholding because Goyal was in charge. The 69-year-old was compelled to relinquish control of Jet as part of a debt-resolution plan that saw the airline taken over by a consortium of lenders led by the State Bank of India. Since fugitive tycoon Vijay Mallya's Kingfisher Airlines suspended operations in 2012, Jet has become the first Indian airline to go bankrupt.

1.3.2. Kingfisher Airlines

Kingfisher Airlines Ltd. was founded by India's richest liquor baron with the goal of becoming the industry's top. Growing market share, a large number of locations, and several accolades painted a picture of the company that was both appealing and inventive.
By providing a wonderful and comfortable flight experience to its passengers, Kingfisher Airlines was able to win customer satisfaction. Kingfisher Airlines, on the other hand, had a brief but lasting influence in the Indian aviation industry.



Kingfisher Airlines was in serious financial trouble by the end of 2011. Many private and public sector banks in India gave Kingfisher Airlines, UB Holdings Ltd. a loan because of its CEO's reputation. He was unable to repay numerous public sector institutions, while private banks were able to retrieve all of his debts.

It regularly and unnecessarily shifted its business model. ' It wasted money on products and services that customers didn't want or need. The flamboyance of its owner had a deliberate effect on it. Furthermore, it required an excessive amount of time to decipher the writing on the wall. Kingfisher airlines, despite apparent warnings of an oncoming disaster, exhibited little urgency in dealing with the situation. Rather than trying to be everything to everyone, companies should focus on a single business strategy. Firms with an understanding of their consumers' needs are more likely to survive if they develop their business strategy around those needs.

Airlines have to consider the interests of a wide range of stakeholders when making decisions. A wide range of stakeholders play a role in a company's success. A lack of consistency in this led to kingfisher airline's demise as a leading Indian carrier in the airline business.

It's a market where new players are constantly entering, regulations are always changing, and the industry as a whole is not profitable. Those companies, like kingfisher airlines, who lack a clear and consistent strategy in such a situation are unlikely to survive. Insights are gained into the difficulties faced by firms, and measures for long-term survival are recommended.

Kingfisher Airlines share price: Sep-2010 to Sep-2011

Almost strangely, Kingfisher has continued to record solid, if not outstanding, domestic market operational results despite their continuous decline in the home market. Kingfisher intends to increase revenues through more efficient operations while simultaneously reducing costs by shedding some real estate assets (including its Mumbai corporate office), entering sale and leasebacks for some Airbus aircraft, and switching some high-cost rupee loans into low-cost foreign currency loans. Even though the airline's fleet of 66 planes (the same number as in June 2010) has been reduced, there is suspicion that it will be reduced to 35 planes permanently. A bank consortium owning a 23% stake in Kingfisher Airlines is also working "aggressively" with the airline to minimize interest expenses and raise operational capital.

1.3.3. Air Deccan

Air Deccan is an airline service which is almost solely responsible for making fights affordable for the average/middle class Indian. It allowed people to fly at unbelievable rates of a rupee. It introduced a “dynamic pricing” method where a small number of "early bird" customers could travel at a rupee. An Air Deccan ad summarized it well by saying “For millions of Indians, flying is no longer a dream. ” It brought many innovative ideas to the aviation industry with e-ticketing 24×7, Customer call-centers, aircraft exterior used for advertisements, sale of food and merchandise being just a few of them. Many Indian airlines use these ideas to this day. The disruptive pricing system brought about waves in the whole Indian industry.

Air Deccan flights were 40 percent to 50 percent less expensive than those offered by other major full-service airlines (FSAs) in the country. G. R. Gopinath, the founder of Air Deccan emphasized the importance of safety and guaranteed that their inexpensive rates are accompanied by excellent levels of flight safety. They had very strict safety rules in place that had been certified by regulatory agencies. The United States had 40,000 daily commercial flights at the time, whereas India had 420. The majority of Indians still travel by train and would never consider flying one of the few pricey domestic airlines. Gopinath believed that if he could just catch a portion of the 500 million Indians that rode the trains, he would be successful.

THE MARRIAGE IN NUMBERS

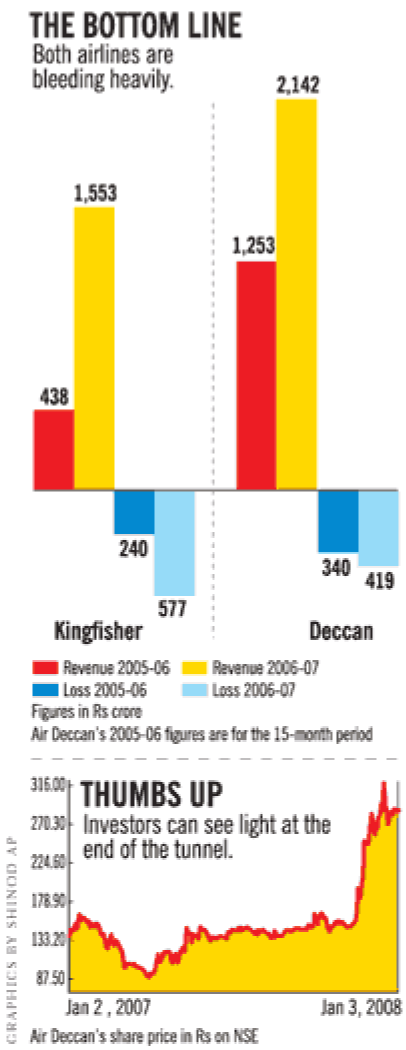
Kingfisher and Deccan make a formidable combine, but it must first get the financials right.

	KINGFISHER	DECCAN	COMBINED
Number of aircraft	24 Airbus & 15 ATR	23 Airbus & 17 ATR	**47 Airbus & 32 ATR**
Aircraft in the pipeline	106 Airbus	54 Airbus	**160 Airbus**
No. of flights*	248	350	**598**
No. of destinations	43	63	**70**
No. of pilots	496	421	**917**
No. of employees	4,600	3,535	**8,135**
Employees per aircraft	115	88	**203**

* per day

Source:- BusinessToday.in

Not long after Air Deccan’s entry in the aviation industry, other new aviation companies joined in. They followed an economical model similar to Air Deccan’s which resulted in a huge spike in fuel prices. The heavy competition and increase in prices caused a huge dent in Air Deccan's earnings. The once dominant aviation giant was suffering huge losses. Meanwhile Kingfisher, which was another full-service Indian carrier was trying to expand into the international market but it faced a major issue. Kingfisher did not meet the mandatory requirement of having five years of operational history to fly international flights. Kingfisher tackled this by acquiring Air Deccan in order to meet the requirement.



[Source:- BusinessToday.in]

In the midst of his losses, Gopinath agreed to sell Air Deccan to Kingfisher. The carrier was renamed Simplifly Deccan, and its fleet was given the Kingfisher livery. By 2008, Simplifly Deccan had merged with Kingfisher Airlines to form a single corporate organization, but it continued to operate as Kingfisher Red, Kingfisher's low-cost sibling.

Using two different business models proved to be a huge mistake for Kingfisher as it didn’t work in practice. Operating both a full-service airline and a low-cost model simultaneously proved to be very hard and unsustainable for Kingfisher. Slowly Air deccan started to fade away and Kingfisher finally ceased all its operations in 2012 as discussed above in section 1.3.2.

An Attempt to revive the brand:-

G. R. Gopinath repurchased the rights to the name Air Deccan and began operations as a regional operator in western India in 2017. Air Deccan was awarded 34 routes through the government's UDAN programme, which promotes regional connectivity in the country. However, following India's post-COVID shutdown in 2020, the airline ceased operations indefinitely.

Question 2

What steps should be taken to avoid such failures in future. [5 marks]

- ☐ **Business models are changing.**

A business model explains how a company generates, distributes, and captures value. Companies' strategies, value generation, delivery, and capture logic are not expected to remain static in a dynamic world. Companies that adopt these strategic changes in response to technical or market developments, changing customer needs, and competition threats are more likely to prosper. In KFA's (King Fisher Airlines) case, the adjustments to its business strategy were haphazard, resulting in disastrous consequences.

KFA began as a middle-of-the-road airline, offering neither luxury nor low-cost flights. It made a strategic transition to full-service operations very quickly, and for no apparent reason. Even more perplexing was its purchase of Air Deccan in 2007, a loss-making ultra-low-cost carrier focusing on the bottom of the pyramid market. Finally, six years later, it was back to where it all began, with KFA reverting to a full-service airline in 2011. KFA evidently lacked a logical and consistent approach in making all of these business model adjustments.

- ☐ **Align Capital Expenditure to strategy**

Consumers recognised Air Deccan as a no-frills, low-cost airline. KFA purchased it and quickly rebranded it as Kingfisher Red. This resulted in muddled messaging, as the Kingfisher brand stood for luxury, with the tagline "Kingfisher– the king of good times." Existing KFA customers expected a level of service and experience that a low-cost airline could not provide. Customers were dissatisfied with both Kingfisher Red and Kingfisher as a result of this.

- ☐ **Provide what the customer values**

KFA's approach had always been extravagant, perhaps as a reflection of its owner's personality. KFA made a mistake by providing services that customers did not value in order to live up to its brand image. What KFA failed to realise was that passengers on short-haul domestic flights were uninterested in in-flight entertainment, expensive wines, and high-quality food. All they cared about was whether an airline provided good connections, reasonably priced tickets, and on-time arrivals on a consistent basis. Competing airlines profited at the expense of KFA. Charges for auxiliary services like in-flight meals let some competitors make more money. Others increased profits by eliminating unnecessary services that the client did not appreciate anyway. This crucial customer knowledge was ignored by KFA. As a result, KFA's relatively lavish business strategy was no longer viable.

- **Not paying attention to the obvious**

The demise of KFA was not unexpected. For a long time, the writing had been on the wall. Long before its death rites, KFA's business strategy had clearly failed. The first warning came in late 2009, when KFA was forced to lay off over 100 pilots and raise tickets due to massive losses. KFA had started missing payments to airports by the end of 2011. It postponed the payment of service tax until December 2011. KFA's schedule had been shortened and unexpected flight cancellations had become the norm by the first few months of 2012. Employees began publicly protesting against the company in March 2012 on failure to pay wages, at the same time, the company's independent directors began to leave. KFA could only conduct roughly 120 flights per day at this point, compared to its previous schedule of 400 flights per day.

Many of its planes had been repossessed by June due to non-payment of lease rentals. Airports, energy corporations, banks, and employees all received assurances that their debts would be paid on time. KFA, on the other hand, was unable to keep any of its pledges. Dues piled up as payments were postponed, and the interest cost continued to rise. KFA had lost almost USD 80 billion by December 2012, and had approximately the same amount of debt on its books. Most of its creditors and suppliers had not been paid. By the end of 2012, KFA was on the verge of losing its airline operating licence.

It could have been feasible to preserve KFA if Vijay Mallya had picked up on these indications early enough and acted on them. However, by remaining in denial and projecting an image of "everything is fine," things were allowed to drift for far too long, until it was too late to save the company.

- **Lessons from Jet Airways' failures – What other Airlines can learn, and mustn't repeat.**

1. Lesson 1: Recognizing probable industry disruptions and changing market dynamics

Consumer tastes shift frequently over time, particularly in B2C enterprises. Those businesses that have previously been successful get complacent and fail to adjust to changing consumer demands. Jet Airways was a good example of this. The market dynamics changed dramatically with the advent of low-cost carriers such as IndiGo and GoAir. Jet Airways failed to adapt to the changing airline market, which became more price-sensitive. And, sure enough, when the low-cost revolution hit the airline sector in 2005, Jet Airways' profit margins began to dwindle.

2. Lesson 2- Products don’t disrupt; business models do

The low-cost carrier revolution exploded in 2005, with a slew of new carriers debuting in quick succession. Their business ideas were built on the principles of simplicity and efficiency, as well as a high return on investment. Simple route networks, a single aircraft model, a minimal-frills offering, and no credit sales were major factors in low-cost carriers' ability to reduce flying expenses. Low-cost airlines began to attract more traffic in a short period of time, affecting Jet's profits and market share indirectly. Jet Airways attempted to respond to the market disruption, but instead chose to play defence. Jet Airways, rather than decreasing costs, created barriers for low-cost carriers by influencing policies to create a competitive barrier and make an uneconomic purchase.

3. Lesson 3 - Any company with a cost base that isn't covered by revenue will eventually fail.

Revenues must be higher and costs must be lower in order for a firm to be viable. Although some organisations may use techniques such as loss leadership or discounting to gain market dominance, the losses must eventually be recovered. It's a recipe for disaster if you don't do it at the correct time. Jet Airways' costs were 35% more than its competitors' yet its pricing remained the same. As a result, Jet's competitors were able to make more money on the same pricing levels. Jet Airways tried to bring its costs in line, but the disparity was so large that even breaking down the cost structure didn't help it reach the intended objectives.

4. Lesson 4 - A well-thought-out strategy and a clear vision are essential for corporate success.

Airlines is one of the most lucrative sectors, and with a middle class of 300 million people, the potential is enormous. Airlines, on the other hand, are tough to control due to high fuel costs. Jet Airways was believed to be in trouble on many fronts, including its business model, aircraft, funding, and costs. The airline changed its positioning several times, initially as a premium carrier, then as a low-cost carrier with a full-service offering. This adjustment in positioning threw the company's cost structure into disarray. As a result, the company lacked a clear, compelling vision for a single aim. Jet Airways became just another airline, albeit one with a far higher cost and no revenue, as a result of its attempt to cater to all segments.

5. Lesson 5 - Regardless of the size of the organisation, a focus on the balance sheet is critical.

Because of their nature, capital-intensive firms like airlines are subject to a range of risk concerns. As a result, having a strong balance sheet and proper capitalization is essential for success. A solid balance sheet can help firms withstand unforeseeable disasters that can have major consequences depending on the risk exposure. Jet Airways, on the other hand, lacked this discipline. Despite IPO proceeds of Rs 1,899 crore, the airline's debt has more than doubled and is growing fast. In 2014, Etihad purchased a 24 percent interest in Jet Airways, allowing the firm to pay off its debts. However, only 24-26% of the equity inflow from the IPO was used. The majority of Etihad's funds were used to repay debts, with the remaining funds being used to meet the company's massive working capital requirements. The bad balance sheet of Jet Airways was mostly due to a lack of accountability, short-term targets, and short management tenures.

- ☐ **Successful Airline- Indigo**

With its low fares and well-thought advertising campaign, IndiGo was gradually becoming popular in India. In December 2010, IndiGo replaced state-run carrier Air India as India’s third-largest airline behind Kingfisher Airlines and Jet Airways. A year later, an even higher order was placed by the growing airlines, this time for 180 aircraft consisting of 150 A320neos and 30 more A320ceos. With an increasing fleet, IndiGo started international flights apart from adding more domestic destinations by 2012. In the very same year in the month of August, IndiGo officially became India’s largest airline replacing Jet Airways.

A low-cost domestic airline has become a formidable player in the toughest period in Indian aviation. With international travel having been banned for more than a year, and domestic flights still only operating with limited capacity, IndiGo has emerged as India's largest passenger airline—by far—with a market share of 57%.

In a land where airlines fail to be successful and cease operations like the short-lived Air Mantra and Air Pegasus, IndiGo was able to touch success due to its profitability. . From 2009 onwards, the carrier became profitable and has since maintained that. The factor that keeps its profitability afloat include its decision to be a low-cost airline that offers only an economy class due to which they don't have to cater to VIPs or maintain expensive lounges at airports. They also don't have an in-flight entertainment system or complimentary meals, instead offering a buy onboard meal program, which helps to keep expenses low.

☐ Conclusion

KFA leaves us all with a few vital survival lessons in its fall. Companies who follow these guidelines will have a better chance of surviving in India's highly competitive aviation industry:

- Concentrate on a single, razor-sharp business model and give your plans enough time to flourish.
- Do not cross over between business models that are vastly different from one another.
- Bring in top-notch professionals and give them complete control over the company.
- Recognize what your customers value and tailor your products to that knowledge.
- Treat your employees fairly, even when times are tough.

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