

Govt to decide on Go First bankruptcy - lessors looking for planes fear impact

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The fate of India's fourth-largest carrier Go Airlines (India) Ltd and its 7,000 employees is set to be decided today (May 10) in a bankruptcy ruling that will also have major implications for foreign lessors trying to repossess planes. .

The lowcost carrier, recently renamed Go First, said its financial crisis was caused by "faulty" Pratt & Whitney engines that grounded about half of its 54 Airbus A320neos. The American engine manufacturer, which is part of Raytheon Technologies, called these claims unsubstantiated.

If the Indian tribunal accepts Go First's plea, it will lead to the appointment of a new resolution officer to take charge of the recovery of the airline, which is run by India's Wadia Group. A decision is expected at 10:30 am (05:00 GMT) and many expect Go First to succeed.

It is the first time an Indian airline has voluntarily sought bankruptcy protection to review its contracts and debts.

The unprecedented move could complicate efforts to reclaim ownership of lessors, who in recent days have filed requests with India's aviation regulator to return about 40 Go First planes due to missed lease payments.

They now face a major hurdle, as Indian law prohibits any such refunds after the company enters bankruptcy proceedings, lawyers and industry sources said.

India has made it easier for lessors to take back planes if airlines default on payments after joining an international agreement known as the Cape Town Convention.

But the lack of adequate legislation to enforce the contract means India's bankruptcy law will replace landlords' repossession requests, lawyers say.

"Landlords must be very, very worried right now. The repossession requests will not matter at all if the insolvency and bankruptcy process starts," said Abhirup Dasgupta, partner at HSA Advocates, who specializes in insolvency law but is not involved in Go. First thing.

The story continues

Two industry sources who have advised some of the lessors said there were strong fears that Go First's bankruptcy could force them to launch lengthy legal proceedings to assert their rights to repossess the planes.

Lessors are worried about their assets being stuck in the country with no clarity on returns, one of the sources said, adding that this could lead to higher lease rates for Indian airlines in the future, given the risks.

Industry sources cannot be named because they are not authorized to speak publicly.

Go First lessors include world-leading names such as Jackson Square Aviation, SMBC Aviation Capital and GY Aviation Leasing from CDB Aviation.

The shutdown of Go First, which had a nearly 8% market share in the world's third-largest aviation market, came as Indian Prime Minister Narendra Modi touted the country's emergence as an aviation hub.

Bigger rivals IndiGo and Air India, part of the Tata group, are making big expansion plans with orders for hundreds of new planes as domestic air travel in India surpasses pre-pandemic levels.

Some of the lessors have initiated talks with IndiGo and Air India to buy the Go First planes, two industry sources said, although it is unclear how the tribunal's ruling on Wednesday might affect such talks.

IndiGo declined to comment. Air India did not immediately respond.

If Go First fails, it will follow fellow Indian carriers Jet Airways, which collapsed in 2019, and Kingfisher, which collapsed in 2012.

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