

IBC DOSSIER

Bulletin on Landmark Judgments under IBC, 2016



SMBC AVIATION CAPITAL LIMITED AND ORS Vs. UNION OF INDIA AND ORS

Brief Facts

In the present case, the issue at hand centers around the termination of lease agreements between SMBC Aviation Capital Limited and others, collectively referred to as the "Petitioners," and Go Airlines, hereinafter termed the "Respondent of Go Airlines." These lease agreements pertain to several aircraft. The Petitioners have taken the step of terminating the lease agreements due to the Respondent of Go Airlines' failure to fulfill lease rental payments. However, a critical concern has arisen as the Respondent of Go Airlines reportedly continued to operate some of the aircraft without securing proper authorization following the lease terminations.

This action is alleged to contravene the regulations stipulated within the Aircraft Act, 1934, and the Aircraft Rules, 1937. The central question pertains to the permissibility of these flights and whether they constitute a breach of aviation regulations.

- Termination of Lease Agreements and Unauthorized Flights

The Petitioners assert that the termination of the lease agreements was prompted by the Respondent of Go Airlines' failure to meet lease rental obligations. Despite the termination, Respondent No.9/RP of Go Airlines allegedly proceeded to operate certain aircraft without obtaining the necessary permissions. This conduct is purportedly in violation of the provisions set forth in the Aircraft Act, 1934, and the Aircraft Rules, 1937. The Petitioners aim to establish that the operation of aircraft subsequent to lease termination stands as a legally prohibited act and stands contrary to aviation regulations.

- Justification for Unauthorized Flights

The Respondent of Go Airlines offers a counterargument, contending that the operation of the aircraft post lease termination is grounded in the necessity for maintenance flights, which are deemed essential to ensure the aircraft remain in an optimal, flight-ready state. To substantiate this stance, they reference the Airbus Manual and other relevant regulations, asserting that these non-revenue flights are standard practice during the parking period. The purpose is to uphold the airworthiness of the aircraft.

Decision

This issue hinges upon the legal evaluation of aircraft operation following lease termination. The Court has observed that once lease agreements have been terminated and the process of aircraft deregistration initiated, conducting flights without the requisite permissions violates the stipulations outlined in the Aircraft Act, 1934, and the Aircraft Rules, 1937. Consequently, the Court has issued an order to maintain the status quo with regard to handling/non-revenue flights of the aircraft in question until the subsequent hearing.

Furthermore, the Court's analysis finds that the Respondent of Go Airlines' assertion, backed by the Airbus Manual and cited regulations, lacks substantial support for the necessity of non-revenue flights during the parking period.

It underscores that the aircraft in question has not been grounded for a duration of two years, thereby challenging the validity of the Respondent's claims of maintenance flights.

In Conclusion, the Court has ruled that unauthorized aircraft operation subsequent to the termination of lease agreements is impermissible in accordance with aviation regulations. The Respondent of Go Airlines' rationale for these flights, grounded in maintenance requirements, has been subjected to scrutiny, leading to the Court's order to uphold the status quo until further legal proceedings.

Link of the Order

<https://ibbi.gov.in/uploads/order/32ed44e593ce72c76b083033dc205110.pdf>



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