



# A Critical Analysis of the Kingfisher Airlines Insolvency Case: Lessons for Corporate India

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# A Critical Analysis of the Kingfisher Airlines Insolvency Case: Lessons for Corporate India

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## ABSTRACT

*The insolvency of Kingfisher Airlines remains one of the most high-profile corporate failures in India's aviation sector, symbolizing the convergence of financial mismanagement, regulatory lapses, and inadequate corporate governance. This study presents a critical analysis of the Kingfisher Airlines insolvency case, examining the root causes of its downfall, including unsustainable business models, excessive debt accumulation, and poor strategic decisions. The case also highlights systemic weaknesses in India's corporate governance practices, particularly in promoter-driven companies where oversight mechanisms failed to mitigate risky financial behavior. The role of banks and financial institutions in extending large unsecured loans without adequate due diligence is scrutinized, reflecting deeper flaws in credit risk assessment frameworks. The study evaluates the legal proceedings under the Insolvency and Bankruptcy Code (IBC), 2016, and the challenges faced in recovery, including the complexities of cross-border asset tracing and promoter accountability. The Kingfisher case also underscores the importance of timely regulatory intervention and stronger enforcement of corporate governance norms to prevent similar corporate failures. By analyzing this case, the study derives crucial lessons for Indian corporates, emphasizing the need for transparency, ethical leadership, robust financial discipline, and responsible lending practices. The findings offer valuable insights for policymakers, regulators, financial institutions, and corporate stakeholders, reinforcing the importance of a holistic*

*and proactive approach to corporate governance and insolvency resolution in India. The study concludes with recommendations to strengthen India's insolvency framework, enhance lender accountability, and institutionalize better governance practices to safeguard the financial ecosystem.*

## KEYWORDS

*Insolvency Governance Accountability Regulation  
Leadership*

## INTRODUCTION

The downfall of Kingfisher Airlines, once celebrated as India's premier luxury airline, reflects a glaring failure in corporate governance and regulatory oversight. Founded by liquor baron Vijay Mallya in 2005 under United Breweries Group, Kingfisher's swift growth concealed serious financial irregularities, unchecked borrowing, and reckless expansion. By 2012, the airline had accumulated debts exceeding ₹9,000 crore. Its flamboyant branding could not offset the gross mismanagement, absence of revenue discipline, and its failure to adapt to India's cost-sensitive aviation sector. Despite early warnings from the Reserve Bank of India (RBI), the lending banks including State Bank of India and Punjab National Bank, kept restructuring loans instead of initiating recovery, fueling deeper insolvency risks.<sup>1</sup>

The airline's business model was unsustainable. It aggressively pursued premium aviation services in a price-conscious market. After acquiring Air Deccan, it inherited financial liabilities, losing low-cost advantage while increasing operational costs. The merger failed to create synergy. Instead, it magnified the cash burn rate. As a result, between 2008–2011, the airline reported continuous losses, yet kept seeking fresh loans based on Vijay Mallya's personal brand and political clout. The lenders showed repeated leniency which eventually turned into non-performing assets (NPAs). This scenario exposed the inefficiencies of credit risk appraisal mechanisms in Indian banking and gave rise to debates on crony capitalism.<sup>2</sup>

In 2017, the Enforcement Directorate (ED) and the Central Bureau of Investigation (CBI) filed cases under the Prevention of Money Laundering Act, 2002 and Indian Penal Code, 1860 for cheating and criminal conspiracy. It was alleged that Kingfisher

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<sup>1</sup> RBI, "Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning," RBI/2011-12/133, DBOD.No.BP.BC. 14 /21.04.048/2011-12 (July 1, 2011).

<sup>2</sup> Report of the Parliamentary Standing Committee on Finance, "Non-Performing Assets in Indian Banks," 22nd Report, 16th Lok Sabha (2016).

diverted funds borrowed for aircraft acquisition towards unrelated activities including brand promotion and overseas investments. Courts later found that Mallya personally guaranteed several loans and defaulted, triggering corporate liability under the Companies Act, 2013 and IBC, 2016 provisions. His actions invited personal accountability under Sections 447 and 448 for fraud and misstatement of financial documents.<sup>3</sup>

The Kingfisher case triggered a wider institutional response. It highlighted regulatory gaps within Directorate General of Civil Aviation (DGCA), SEBI, and the Ministry of Corporate Affairs. It forced a re-evaluation of promoter control, the need for independent directors, and stricter compliance with corporate governance norms under Clause 49 of SEBI's Listing Agreement. Post-2016, the Insolvency and Bankruptcy Code became a pivotal tool for restructuring and recovery. The Kingfisher fallout served as a reference point during the drafting and evolution of IBC, illustrating the need for time-bound resolution of insolvencies to protect creditor interests.<sup>4</sup>

The legal proceedings in the Kingfisher case attracted international attention too. Vijay Mallya's extradition battle in the UK underscored the complexities of transnational economic crimes. Indian authorities pursued him under treaties such as the India-UK Extradition Treaty, 1992. The Westminster Magistrates' Court, in 2018, accepted India's request based on prima facie evidence of fraud, setting a precedent for similar white-collar cases. It reinforced the importance of international cooperation in economic offences and showcased India's evolving legal mechanisms to handle cross-border corporate frauds.<sup>5</sup>

## **CORPORATE INSOLVENCY FRAMEWORK IN INDIA**

### ***1. Overview of the Insolvency and Bankruptcy Code, 2016***

The Insolvency and Bankruptcy Code, 2016 (IBC) consolidated all existing insolvency laws into one single legislation. It replaced fragmented laws and established a uniform process. Before IBC, there was no clear-cut mechanism for debt recovery and resolution. The Code introduced a creditor-in-control model. This shifted power from defaulting promoters to creditors. It provided

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<sup>3</sup> Prevention of Money Laundering Act, No. 15 of 2003, §§ 3, 4; Indian Penal Code, No. 45 of 1860, §§ 120B, 420; Companies Act, No. 18 of 2013, §§ 447, 448.

<sup>4</sup> SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Reg. 17; Insolvency and Bankruptcy Code, No. 31 of 2016, Preamble & §§ 5(7), 7, 9.

<sup>5</sup> Government of India, "India-UK Extradition Treaty," Gazette Notification (Extradition Treaties, Ministry of External Affairs, 1992); Vijay Mallya Extradition Case, Westminster Magistrates' Court, Case No. 2016/010187.

time-bound resolution for corporate debt. The Code became operational in December 2016. It covered companies, limited liability partnerships, partnerships, individuals, and sole proprietors. Corporate insolvency resolution process (CIRP) under Part II deals with companies and LLPs.

The Code introduced a 180-day resolution period, extendable up to 330 days. The National Company Law Tribunal (NCLT) was designated as the adjudicating authority. It had exclusive jurisdiction. The Insolvency and Bankruptcy Board of India (IBBI) was established as the regulatory body. The Code recognised three classes of persons who could trigger insolvency: financial creditors, operational creditors, and corporate applicants. Financial creditors file under Section 7, operational creditors under Section 9, and corporate debtors under Section 10.<sup>6</sup>

The IBC empowered resolution professionals (RPs) and introduced information utilities. These mechanisms promoted transparency and efficiency. A key innovation was the moratorium under Section 14. It halted all suits, recovery actions, and enforcement during the insolvency period. This ensured breathing space for debtors. The Code also recognised the committee of creditors (CoC) as the main decision-making body. It empowered creditors to decide on revival or liquidation. Decisions required a 66% majority under Section 30(4).<sup>7</sup>

## **2. Key Provisions Applicable to Corporate Debtors**

For corporate debtors, CIRP starts with default above ₹1 crore, as per a 2020 amendment. Once admitted, NCLT appoints an interim resolution professional. Section 17 suspends powers of the board of directors. The management vests with the IRP/RP. Section 20 imposes duty to preserve value of assets. Section 21 provides for formation of CoC, based on financial claims. Resolution plans must comply with Section 30(2) — covering payment to operational creditors and IRP costs.

Section 29A restricts persons from submitting resolution plans if they are wilful defaulters, undischarged insolvents or related party of the defaulting corporate debtor. This provision was added in 2018 to prevent backdoor entry of promoters. Section 31 makes approved resolution plans binding on all stakeholders. Liquidation starts if no plan is approved in time. Section 33 of IBC governs liquidation proceedings.

Section 66 deals with fraudulent or wrongful trading. Resolution professionals can initiate action against directors who defrauded creditors. In *Jaypee Kensington Boulevard Apartments Welfare*

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<sup>6</sup> Insolvency and Bankruptcy Code, No. 31 of 2016, §§ 7–10.

<sup>7</sup> Insolvency and Bankruptcy Code, No. 31 of 2016, §§ 14, 17, 21, 30(4).

*Assn. v. NBCC (India) Ltd.*, the Supreme Court upheld the primacy of CoC decisions and reiterated the objective of balancing stakeholders' interests.<sup>8</sup> Section 12A allows withdrawal of insolvency application before CoC approval, subject to 90% creditor consent. The IBC also introduces fast-track resolution for small companies under Section 55.

The Supreme Court in *Swiss Ribbons Pvt. Ltd. v. Union of India*, upheld the constitutional validity of IBC. It recognised the Code's objective of maximising value of assets and promoting entrepreneurship. The judgment also clarified the distinct roles of financial and operational creditors. The moratorium under Section 14 was affirmed as essential to the process.<sup>9</sup>

### **3. Evolution of Insolvency Laws Prior to the IBC**

Before IBC, insolvency law in India was scattered across multiple statutes. The Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) was meant to rehabilitate sick industrial units. The Board for Industrial and Financial Reconstruction (BIFR) administered SICA. It failed due to long delays and lack of enforcement powers. Promoters misused BIFR to avoid creditors.

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act) created Debt Recovery Tribunals (DRTs). It was designed for speedy recovery. But DRTs became overburdened. The SARFAESI Act, 2002 allowed secured creditors to enforce security interests without court intervention. However, it did not cover unsecured creditors. It also lacked a resolution mechanism. These laws addressed recovery, not revival.

Multiple overlapping forums created confusion. Creditors had to approach DRTs, BIFR, High Courts, and Company Law Boards simultaneously. This fragmented approach resulted in delay and value erosion. The World Bank's Doing Business Report 2015 ranked India 136 out of 189 on resolving insolvency. It took an average of 4.3 years to resolve a case. Recovery rate was just 25.7%.<sup>10</sup>

## **KINGFISHER AIRLINES: COMPANY PROFILE AND FINANCIAL COLLAPSE**

### **1. Formation, Operations and Business Model**

Kingfisher Airlines Limited was incorporated in 2003 as a part of the United Breweries Group headed by Dr. Vijay Mallya. It commenced commercial operations on 9 May 2005 with a

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<sup>8</sup> *Jaypee Kensington Boulevard Apartments Welfare Assn. v. NBCC (India) Ltd.*, 2021 SCC OnLine SC 253.

<sup>9</sup> *Swiss Ribbons Pvt. Ltd. v. Union of India*, (2019) 4 SCC 17.

<sup>10</sup> World Bank, *Doing Business Report 2015: Resolving Insolvency* (2015).

Bangalore-Mumbai route. Positioned as a premium full-service carrier, the airline focused on luxury branding over price competitiveness. It differentiated itself with in-flight entertainment screens, gourmet meals, and plush interiors. The airline marketed itself as a five-star flying experience in a market where low-cost carriers were thriving.

By 2007, it aggressively expanded and acquired Deccan Aviation Ltd, the parent of Air Deccan, India's first budget airline. The intention was to merge luxury with reach. But the integration failed. Operational incompatibilities emerged. The combined network led to duplicated routes and increased burn rate. The merged airline operated under Kingfisher Red and Kingfisher Class, but both segments bled capital. Instead of synergy, losses compounded.

Its fleet included Airbus A320s, ATRs, and wide-bodied aircraft. It also placed high-value orders for Airbus A330s and A340s. These orders involved significant capital expenditure. The leasing costs were high. The airline did not hedge fuel prices. Foreign exchange volatility hit lease repayments. Operational costs kept climbing. Revenues didn't match projections. The business model failed to align with the economics of Indian aviation, which was cost-sensitive and low-margin.<sup>11</sup>

## **2. Financial Distress and Default Timeline**

The airline began incurring losses by FY 2007-08. Its net loss stood at ₹1,008 crore that year. By FY 2008-09, losses widened to ₹2,328 crore. The global financial crisis of 2008 further hurt aviation demand. Passenger load factors declined. Fuel prices spiked. Interest costs increased. The airline began defaulting on vendor payments. Airports Authority of India and oil companies suspended services intermittently due to unpaid dues.

In 2009, the airline sought debt restructuring. A corporate debt restructuring (CDR) package was approved in 2010. Banks converted part of their debt to equity at ₹64.48 per share. But the stock value later fell below ₹10. This led to erosion of value for lenders. RBI guidelines in force then discouraged such conversions without viable turnaround plans. Yet, banks proceeded under promoter assurances.

From 2011, the defaults became systemic. Salaries were unpaid. DGCA suspended its licence temporarily. Aircraft were grounded. Lessors terminated leases. The Income Tax Department attached its accounts. Service tax authorities issued notices. By October 2012, Kingfisher ceased operations. It owed over ₹9,000 crore to

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<sup>11</sup> Kingfisher Airlines Ltd., Annual Report (2006–2011), available at Ministry of Corporate Affairs, Government of India.

a consortium of 17 banks. The account was declared NPA in 2012. By 2013, most banks had classified it as a loss asset.

### **3. Major Creditors and Debt Exposure**

Kingfisher's largest creditors were public sector banks. The State Bank of India topped the list with an exposure of ₹1,600 crore. Other banks included IDBI Bank (₹800 crore), Punjab National Bank (₹800 crore), Bank of Baroda (₹550 crore), United Bank of India (₹430 crore), and Central Bank of India (₹410 crore). The total institutional debt was around ₹9,000 crore. About ₹2,000 crore more was owed to employees, service providers, tax departments, oil companies, aircraft lessors, and airport operators.

Notably, the loans were sanctioned with weak collateral. SBI and PNB accepted brand value of Kingfisher Airlines as security. Some loans were backed by Mallya's personal guarantee. However, the market value of these guarantees was insufficient. In *State Bank of India v. Vijay Mallya*, DRT ruled in favour of banks and attached his assets, but recovery remained partial.<sup>12</sup>

A key concern was conflict of interest. IDBI sanctioned a ₹950 crore loan in 2009 despite red flags raised by its internal credit committee. CBI later filed chargesheets against IDBI officials for criminal conspiracy and breach of trust. The role of auditors and rating agencies also came under scrutiny. Credit rating agencies had not downgraded Kingfisher debt on time. By 2016, the total recoverable assets were worth less than ₹3,000 crore. ED attached multiple properties including UB Towers, fixed deposits, and shares. But many assets were encumbered. The UK High Court recognised the Indian judgment and allowed enforcement against Mallya's UK properties. However, extradition remained pending due to legal delays.<sup>13</sup>

## **LEGAL PROCEEDINGS AND INSOLVENCY RESOLUTION ATTEMPTS**

### **1. Litigation Before the IBC Era**

Kingfisher Airlines' financial distress predated the IBC. During this period, legal proceedings were fragmented and reactive. Creditors and regulators had to approach multiple forums. Debt Recovery Tribunals (DRTs) were moved by banks under the RDDBFI Act, 1993. But the process was slow. DRTs lacked proper enforcement capacity. Their caseloads were excessive.

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<sup>12</sup> Central Bureau of Investigation, "CBI Files Chargesheet Against Former IDBI Officials and Vijay Mallya," Press Release (Jan. 2017).

<sup>13</sup> Westminster Magistrates' Court, *India v. Vijay Mallya*, Case No. 2016/010187 (UK).

In 2013, SBI initiated recovery proceedings against Kingfisher Airlines and Vijay Mallya before the DRT, Bengaluru. The proceedings dragged on for years. Meanwhile, the account had already turned into a non-performing asset. Other creditors like United Bank of India and IDBI Bank also initiated separate legal proceedings. Courts issued interim directions, but execution was delayed.

Tax authorities, including the Income Tax Department and Service Tax Department, filed separate claims. Oil companies like HPCL and BPCL initiated civil recovery suits. Employees approached labour courts for pending wages. Civil courts issued warrants. But no comprehensive or consolidated resolution was possible. There was no statutory moratorium, unlike what IBC later introduced.

The absence of a unified forum led to forum shopping. Kingfisher challenged many proceedings on jurisdictional grounds. Promoters sought interim reliefs from High Courts. This caused inconsistency in judicial responses. Courts provided temporary protection against coercive recovery, which only prolonged insolvency. There was no binding time limit on these litigations. SICA and BIFR were invoked but rejected due to technical reasons. Kingfisher did not qualify as a “sick company” under the terms of Section 3(o) of SICA. Thus, the BIFR route was unavailable. Meanwhile, the airline kept defaulting. Suppliers and lessors started grounding planes. Employees walked off. The litigation matrix spiralled with no central anchor.<sup>14</sup>

## **2. Role of Banks, ED, and SFIO**

Banks, as key stakeholders, acted late. SBI and others first opted for a CDR in 2010. The decision was influenced by Vijay Mallya's stature. Credit Risk Committees ignored red flags. Debt was converted into equity at inflated valuation. IDBI sanctioned loans despite poor ratings. CBI later filed chargesheets against IDBI officials under IPC Sections 120B and 420. After repeated defaults, banks declared Kingfisher and Mallya as wilful defaulters under RBI guidelines. This designation allowed them to restrict credit access. Yet, they failed to secure assets or initiate criminal recovery in time. DRT finally issued a recovery certificate in 2017 for ₹6,203 crore. But by then Mallya had fled to the UK.

The Enforcement Directorate invoked the Prevention of Money Laundering Act, 2002 in 2016. It accused Mallya of laundering bank loans through offshore accounts. ED provisionally attached properties including bungalows, cars, fixed deposits, and shares

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<sup>14</sup> Recovery of Debts Due to Banks and Financial Institutions Act, No. 51 of 1993; *State Bank of India v. Vijay Mallya*, DRT Bengaluru, Recovery Certificate No. 3497/2017.

under Section 5 of the Act. The total value exceeded ₹9,000 crore. Simultaneously, the Serious Fraud Investigation Office (SFIO) under the Companies Act, 2013 launched a probe. SFIO found misstatements in financial reports. Related party transactions were inadequately disclosed. Company officials were non-cooperative. In 2017, SFIO recommended prosecution for falsification of accounts under Section 447 and 448. These cases are still pending before Special Courts.<sup>15</sup>

The Central Bureau of Investigation (CBI) pursued criminal conspiracy charges. FIRs were lodged under Section 13(1)(d) of the Prevention of Corruption Act, 1988. The agency alleged collusion between Mallya and public sector bank executives. Raids were conducted. Evidence of fund diversion emerged. But the enforcement efforts were delayed. Kingfisher's brand was devalued. Tangible assets were either leased or already encumbered.

### ***3. Attempts at Revival and Asset Recovery***

During 2010–2012, the UB Group made public statements on revival. It approached investors. Negotiations with Etihad and Qatar Airways reportedly took place. But none materialised. Regulatory constraints and litigation risks deterred investment. Mallya requested fresh credit lines. But after licence suspension by DGCA, investor interest vanished. Kingfisher tried internal restructuring. It stopped Kingfisher Red to focus on full-service operations. Aircraft were returned. Staff strength was reduced. Salaries were partially paid. But the restructuring lacked capital. No turnaround expert was hired.

In 2011, promoters infused around ₹750 crore. But this was not enough. Debt stood over ₹8,000 crore. Cash inflows were inadequate. Working capital loans were overdue. Airports like Mumbai and Delhi refused landing rights. The DGCA suspended the Air Operator's Certificate in 2012. The suspension sealed its fate. Post-shutdown, banks attempted asset recovery. UB Tower and other real estate were attached. Kingfisher Villa in Goa was auctioned but received poor bids. Auctions were delayed by litigation. Employees filed multiple claims. The company failed to clear even tax dues. Central Excise and Income Tax departments attached bank accounts. There was overlapping jurisdiction between various claimants.<sup>16</sup>

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<sup>15</sup> Prevention of Money Laundering Act, No. 15 of 2002, § 5; Companies Act, No. 18 of 2013, §§ 447–448.

<sup>16</sup> Directorate General of Civil Aviation, Suspension Notice (Oct. 2012); Income Tax Department, Provisional Attachment Order (2013).

#### **4. Enforcement of Personal Guarantees against Promoters**

Vijay Mallya signed personal guarantees for several loan facilities. Under Indian Contract Act, Section 128, the liability of surety is co-extensive with the borrower. Lenders relied heavily on these guarantees. But enforcement was slow. Civil suits were filed in DRT and High Courts. Mallya challenged them. He claimed the guarantees were conditional. Courts disagreed.

In *State Bank of India v. Vijay Mallya*, DRT ruled that Mallya's guarantees were absolute and enforceable. A recovery certificate was issued for over ₹6,000 crore. The court also allowed attachment of shares in United Breweries and United Spirits. Mallya moved appellate tribunals but lost.<sup>17</sup>

RBI's Master Circular on Wilful Defaulters allowed banks to initiate criminal action. Based on that, banks and ED coordinated. Under Section 447 of the Companies Act, 2013, actions for fraud were initiated. Mallya was also declared a Fugitive Economic Offender under the Fugitive Economic Offenders Act, 2018. Special Court in Mumbai allowed ED to confiscate his Indian properties.<sup>18</sup>

Extradition proceedings were launched in the UK. Westminster Magistrates' Court ruled in 2018 that Mallya should be extradited. The UK Home Office approved the order. Mallya filed appeals. Meanwhile, Indian agencies continued asset tracing. ED argued for simultaneous enforcement in India and the UK. Enforcement of guarantees also involved regulatory hurdles. Shares were already pledged to other lenders. Many properties were under litigation. Mallya's assets were held through offshore entities. Enforcement of foreign judgments required bilateral cooperation. Indian courts invoked principles of comity and reciprocity. However, execution faced delays.

The Kingfisher episode led to a rethinking on promoter guarantees. IBC now allows enforcement of guarantees separately under Section 60(2). This principle was later upheld in *Laxmi Pat Surana v. Union Bank of India*, (2021) 8 SCC 481. Creditors are now filing simultaneous claims under IBC and Contract Law for quicker enforcement.<sup>19</sup>

#### **CRITICAL ANALYSIS OF THE CASE**

The Kingfisher Airlines insolvency case reveals a systemic failure in corporate accountability, regulatory enforcement, and lender

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<sup>17</sup> Indian Contract Act, 1872, § 128; *State Bank of India v. Vijay Mallya*, DRT Bengaluru, Recovery Order (2017).

<sup>18</sup> Fugitive Economic Offenders Act, No. 17 of 2018, §§ 2, 5; Special PMLA Court, Mumbai Order (2019).

<sup>19</sup> *Laxmi Pat Surana v. Union Bank of India*, (2021) 8 SCC 481.

due diligence. Banks continued to extend credit despite worsening financials. Credit risk frameworks were bypassed. IDBI sanctioned loans without proper collateral. RBI guidelines on stressed asset classification were not enforced uniformly. The default was not an unforeseen event. It was foreseeable, gradual, and largely ignored.<sup>20</sup>

Promoter influence distorted board functioning. Kingfisher lacked independent oversight. Board members did not exercise fiduciary duties under Section 166 of the Companies Act, 2013. Disclosures under Clause 49 of the SEBI Listing Agreement were insufficient. Related party transactions escaped scrutiny. The corporate governance framework failed to flag high-risk decisions like the acquisition of Air Deccan and expansion into wide-bodied aircraft leasing.<sup>21</sup>

The regulatory response was reactive, not preventive. DGCA acted only after repeated defaults. ED and SFIO initiated action after Mallya fled India. Legal delays allowed asset stripping. The use of personal brand valuation as security raises concerns. It reflected a deeper institutional bias towards celebrity entrepreneurs. It also exposed the absence of risk-based lending. The wilful defaulter tag came too late.<sup>22</sup> Judicial and administrative enforcement remained fragmented. There was no centralized insolvency forum before IBC. The DRTs lacked authority to consolidate actions. BIFR's jurisdiction was denied due to statutory definition constraints. Civil courts offered interim reliefs that diluted enforcement. Only after IBC was enacted, did the recovery and prosecution processes gain direction. But by then, the promoter had relocated overseas and liquid assets were dissipated.<sup>23</sup>

## CONCLUSION

Kingfisher Airlines was not just a corporate failure. It became the mirror that showed deep cracks in India's financial and corporate governance architecture. The collapse revealed how glamour, unchecked ambition, and regulatory complacency can distort market discipline. The downfall was not caused by one error. It was caused by a chain of unchecked lapses at multiple levels.<sup>24</sup>

The case illustrated how lenders ignored basic principles of

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<sup>20</sup> Reserve Bank of India, "Master Circular on Wilful Defaulters," RBI/2014-15/73, DBOD.No.CID.BC. 07/20.16.003/2014-15 (July 1, 2014).

<sup>21</sup> Companies Act, No. 18 of 2013, § 166; SEBI, Clause 49 of Listing Agreement (revised 2014).

<sup>22</sup> Enforcement Directorate, "Attachment Orders in Kingfisher Money Laundering Case."

<sup>23</sup> *State Bank of India v. Vijay Mallya*, DRT Bengaluru, Recovery Certificate No. 3497/2017; SICA, No. 1 of 1985, § 3(o).

<sup>24</sup> Parliamentary Standing Comm. on Fin., 22nd Rep., 16th Lok Sabha, Non-Performing Assets and Role of Banks (2016).

secured lending. Credit decisions were based on brand image, not balance sheets. Collateral was vague or intangible. Due diligence was either absent or compromised. The conversion of debt to equity was done at unrealistic valuations. No forensic audits were done in time. Recovery became near impossible when the airline stopped operations.<sup>25</sup> The absence of a unified insolvency law until 2016 allowed forum shopping. Creditors approached DRTs, civil courts, SEBI, and DGCA in parallel. There was no legal mechanism to stop value erosion. The introduction of the Insolvency and Bankruptcy Code was timely. It offered a consolidated, time-bound process. It shifted power from defaulting promoters to financial creditors. Still, in Kingfisher's case, most damage had already happened by then.<sup>26</sup>

The conduct of the promoter violated key principles of corporate law. Directors owe duties to act in good faith. They must avoid reckless trading. The promoter used multiple group companies and cross-guarantees. Transactions lacked transparency. Personal guarantees were offered but were hard to enforce. He left India before courts could take action. He resisted extradition using complex legal defences. This shows the challenges of enforcing personal liability in cross-border insolvencies.<sup>27</sup> The case created political and legal momentum. Parliament passed the Fugitive Economic Offenders Act in 2018. It allowed authorities to confiscate properties of absconding fraudsters. RBI tightened its norms on wilful defaulters. SEBI introduced new rules for disclosure of default by listed companies. These steps were reactive but important. The case became a template for regulatory reform in India.<sup>28</sup>

The enforcement ecosystem showed delays. ED and CBI took years to act. SFIO probes remained pending. Legal notices were issued but not followed up. By the time ED attached assets, most had lost value. This delay diluted deterrence. Economic crimes must be dealt with urgency. Early investigation can preserve assets and prevent flight risk.<sup>29</sup> India must now move beyond compliance formality. Corporate governance must become culture, not checkbox. Board independence must be real. Risk committees must work. Whistleblower protection must be credible. Auditors must report irregularities. Regulators must act on time. Corporate India must understand that reputation cannot

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<sup>25</sup> Reserve Bank of India, Master Circular on Wilful Defaulters, RBI/2015-16/100, DBR.No.CID.BC.22/20.16.003/2015-16.

<sup>26</sup> Insolvency and Bankruptcy Code, No. 31 of 2016, §§ 5, 7, 12, 60.

<sup>27</sup> Companies Act, No. 18 of 2013, §§ 166, 447, 448.

<sup>28</sup> Fugitive Economic Offenders Act, No. 17 of 2018, §§ 2, 5; Ministry of Finance, Press Releases (2018–2020).

<sup>29</sup> Enforcement Directorate, Annual Enforcement Reports (2017–2021).

be a substitute for responsibility.<sup>30</sup>

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<sup>30</sup> Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Amendment Regulations (2018).