

Jet Airways flew over 120 planes at its peak. In 2019 it flew five

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Maxim: *Growth that goes nowhere.* — Dhirendra Kumar, in substance

A company can double its sales and leave its shareholders poorer. The difference between growth that creates wealth and growth that destroys it is what each new rupee of capital earns.

Growth is not the same as value. Sometimes it is the opposite.

For much of its life Jet Airways was a growth story. It became one of India's biggest airlines, flying more than 120 aircraft at its peak, adding routes at home and abroad, and filling the skies with the promise of a rising middle class that wanted to fly. Then, on 17 April 2019, it announced that it was "compelled to cancel all its international and domestic flights." That day it was operating five planes. It owed more than \$1 billion, had failed to pay staff for months, and could not raise even 4 billion rupees of emergency funding from its bankers, according to an [AFP report](#) published by Gulf Times. More than 20,000 jobs were at risk.

The airline did not fail for lack of customers or growth. It failed because the growth never earned enough to pay for itself. Each new aircraft, route and acquisition needed capital, much of it borrowed, and the returns on that capital, squeezed by low-cost rivals, fuel prices and a weak rupee, were too thin to service the debt.

Buffett's gruesome business

Warren Buffett described this kind of business precisely in his [2007 letter to Berkshire Hathaway shareholders](#). "The worst sort of business is one that grows rapidly, requires significant capital to engender the growth, and then earns little or no money. Think airlines." He added, with characteristic dryness, that if a farsighted capitalist had been present at Kitty Hawk, "he would have done his successors a huge favor by shooting Orville down."

Buffett compared businesses to savings accounts. A great business is like an account paying a very high rate that keeps rising. A good one pays an attractive rate, including on new deposits. A gruesome one pays an inadequate rate and keeps demanding new deposits at that same poor rate. Growth in a gruesome business does not help its owners. It simply means they have to keep feeding it.

What the Indian data says

None of this means growth is bad. In Indian markets, growth has paid handsomely, when it came with good returns on capital. Value Research's Wealth Insight examined this in its [September 2026 cover story](#), the issue in which Dhirendra Kumar's editorial warned of growth that goes nowhere. It tracked a basket of companies whose revenue and pre-tax profits had grown more than 15% a year for five years. Between FY20 and FY25 that basket returned 53.7% a year, against 25.5% for the rest of the market.

But the magazine was careful to say why. "Fast growth funded by mediocre return on capital doesn't create wealth," it concluded. It illustrated the point with two companies each trying to lift profit from ₹100 crore to ₹110 crore. One earns 20% on the capital it reinvests and needs to plough back only ₹50 crore, leaving the rest for shareholders. The other earns 12%, roughly the return shareholders demand, and must reinvest ₹83 crore to achieve the same growth. Both grow at exactly the same speed. Only the first creates any value. As the magazine put it: "Growth only adds to what a business is worth once it clears this bar."

Price adds a final twist. Even a fast grower can disappoint if bought too dearly. In the same story, a stock bought at 100 times earnings whose earnings grow 30% a year for five years, but whose multiple falls to 40, returns only about 8% a year.

Telling good growth from empty growth

Before paying up for a company because it is growing fast, ask five questions:

1. **What does the business earn on its capital?** Look at return on capital employed over several years. If it hovers around or below the cost of money, roughly the 12% that shareholders typically expect in India, growth is not creating value.
2. **How much capital does each rupee of growth need?** Compare the increase in profit with the increase in capital employed. A business that must invest heavily for every step forward is running to stand still.
3. **Who is paying for the growth?** Growth funded by internal cash is very different from growth funded by debt or repeated share issues that dilute existing owners.
4. **Is cash following profit?** Check whether operating cash flow, after capital spending, is positive and rising. Profits that never turn into cash are a warning sign.
5. **What is the price assuming?** A high multiple can absorb years of good growth. Ask what return you would earn if the multiple merely halved.

A simple decision rule. Pay a premium for growth only when the company has earned well above its cost of capital for several years and funds its expansion largely from its own cash. If growth depends on borrowing or dilution to deliver returns near or below the cost of capital, treat it as a warning, not a reason to buy, however impressive the sales line looks.

Jet Airways' passengers kept coming until the very end, and its revenue line looked like the India growth story in miniature. What its shareholders and lenders needed to watch was the other line: what all that growth earned on the money it consumed. Growth that cannot pay for itself is not going anywhere useful, however fast it travels.

Sources

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