

# Govt, Tatas ink share purchase pact for AI sale

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NEW DELHI: The government on Monday signed the share purchase agreement (SPA) with Tata Group for Air India's divestment, sticking to the timelines that aim at transferring the airline to its new owner by the end of this fiscal. The Rs 18,000-crore deal, which will require Tatas paying Rs 2,700 crore upfront and taking over a debt of Rs 15,300 crore, will now enter its most crucial phase of meeting vital "conditions precedent" (CP). The government will retain Rs 44,679 crore of AI's debt in an SPV which will be paid off gradually by monetising its non-aviation assets like land and buildings.

In the CP phase, clearances will be sought from regulatory agencies, including Competition Commission of India (CCI), Directorate General of

Civil Aviation (DGCA), lessors, lenders and other third-party vendors. "The tricky part usually is CCI but with Tata Group's four airlines' combined domestic or international share being nowhere near 50%, that will not be an issue in this case. Similarly, there are doubts that the substantial ownership and effect control of AI-Tata is with Indians," say people in the know.

Once CP requirements are met, the closing balance sheet on date of CP completion will be prepared. A transition management will be put in place with representatives from Bombay House. Unless there is difference of views between the outgoing and incoming owners, the Tatas will then pay Rs 2,700 crore consideration and take over control.

The new owner currently has Vistara with Boeing 787s, B737s and A320s in its fleet and AirAsia India with A320s. AI and AI Express will soon join the group. "Till the Tatas decide on what model they adopt - one mega airline by merging all four or a low-cost arm by merging AI Express and AirAsia India and a full service one with AI plus Vistara - they can continue operating aircraft on the existing air operator permit (AOP - the licence) of the different types. Once they decide the model, one airline or two, they will need another AOP/s accordingly that is issued after due diligence," said senior officials.