

Tatas regain airloom: Book Rs 18,000 crore return ticket on struggling carrier



Tata Sons, India's oldest and largest conglomerate, will be the new owner of the country's debt-laden national carrier Air India (AP)

NEW DELHI/ MUMBAI: It's a lost-and-found story like no other in business folklore. A 153-year-old conglomerate reclaims an airline behemoth after 68 years and several governments, tracing a policy arc from nationalisation to disinvestment to privatisation. It's also a homecoming that's been two decades in the making, with the [Tatas](#) first making an unsuccessful bid to buy and the government of the day then making an unsuccessful bid to sell its stake. The Tatas finally got third time lucky, marking the first successful privatisation by a government in nearly 17 years.

Tata Sons - which bid through its wholly-owned subsidiary Talace Pvt Ltd - quoted an enterprise value of Rs 18,000 crore for the bleeding national carrier. This includes the debt of Rs 15,300 crore that it will take over and the Rs 2,700 crore cash that will flow into government coffers. The rest of AI's Rs 61,562 crore debt (at the end of August) will be borne by the government.

HAPPY HOMECOMING: MAHARAJA BACK IN EMPIRE

What's The Deal?

- Tata Sons to acquire Air India, Air India Express & 50% of Air India-Sats for **₹18,000 crore**
- Govt to get **₹2,700cr cash**; rest is govt's debt that AI will take over
- Deal **doesn't include non-core assets**, including land and building, valued at ₹14,718cr
- AI employees can be offered voluntary retirement in second year. **No layoffs in first year**
- Tata Sons **can transfer brand** after 5 yrs but **only to an Indian**

Why Maharaja Is Still King...

- Brand name** associated with India and recognised everywhere
- Flying rights** as designated Indian carrier to several countries in pre-pandemic times. **Slots at major airports** overseas, including bustling Heathrow
- In Oct-Dec 2019, AI & AI Express

...But A Tough Buy Too

- Accumulated loss at ₹84,000cr; daily loss ₹20cr
- Sub-optimal experience for flyers
- AI's huge work-force, its onerous contracts; fleet needs to be refurbished

89 Yrs On A Rollercoaster

Oct 15, 1932 | **JRD Tata** flies Tata Aviation Services' **first airmail flight** from Karachi to Mumbai. Tata Aviation Services was forerunner to Tata Airlines and AI. **Initial investment: ₹2 lakh**. By 1946, Tata Airlines has 1/3rd domestic share. Goes int'l in 1948

1953 | Nehru **nationalises** airlines. JRD requested to stay on as chairman of AI

1978 | **Morarji Desai removes JRD**

2001 | Vajpayee moots idea of selling AI, but project stalled

2007 | AI and Indian Airlines **merged**

2020-2021 | **Third-time lucky** after Tata's buying bid in 2000 and govt's stake sale bid in 2018 failed. Tatas outbid consortium led by SpiceJet CMD Ajay Singh

WELCOME BACK, AIR INDIA

- Tweets Ratan Tata as airline returns to Bombay House

together had 18.8% international market share.

AI will make Tatas the **largest int'l player from the country, 2nd largest in domestic sector**, after IndiGo

FLEET & DOMESTIC MARKETSHARE

*As of Aug 2021

	Vistara	AirAsia India	AI+AI Express
48 8.3%	66 6.8%	135 13.2%	

Tata's offer was nearly 40% higher than the reserve price of Rs 12,906 crore set by the government and 19% more than what rival bidder, a consortium led by Spicejet CMD [Ajay Singh](#), had offered. Seven bidders had initially shown their interest by December 14, 2020 but five were disqualified as they did not meet the requirements set by the government. One of the disqualified bidders had approached the Delhi high court but its plea was rejected in August this year.

CALL OF DUTY: FLAG CARRIER'S BURDEN

MISSION AIRLIFT: AI's evacuation flight from Wuhan, China in 2020

Ever since the govt took control of AI (& Indian Airlines) had to deal with the risks associated with being a flag carrier. Apart from being targetted by terrorists, AI has served the country in evacuating citizens in distress...

SELECT INCIDENTS

- 1955** AI faces its first **terrorist attack**, a bomb targeting then Chinese Premier Zhou Enlai, who missed the flight, exploded over the South China Sea
- 1981** Flight IC423 is **hijacked** by militants and flown to Lahore
- 1985** A Boeing 747 is blown up near Ireland by a **bomb**
- 1990** | Does **largest evacuation by air** amid Kuwait invasion
- 1999** Flight IC814 is **hijacked**
- 2020-21** | AI operates flights under **Vande Bharat mission** amid Covid

"The Tata Group winning the bid for [Air India](#) is great news! While admittedly it will take considerable effort to rebuild Air India, it will hopefully provide a very strong market opportunity to the Tata Group's presence in the aviation industry... Welcome back, Air India!" Tata Sons chairman emeritus [Ratan Tata](#) said in a note posted on his Twitter handle. Aviation is widely seen as a passion of his - he has a pilot's licence - and while the Tata Group re-entered the industry via Vistara (in partnership with Singapore Airlines) and AirAsia, it's the return of AI to the fold that's been a long-cherished dream.

During Atal Bihari Vajpayee's term, the Tata Group had joined hands with Singapore Airlines to bid for a 40% stake in Air India, which was then the national carrier only flying overseas. Adding Air India in the hangar will make it the largest player from the country on international routes, while it will be the second largest player in the domestic sector, after IndiGo.

"Air India provides a unique and attractive international footprint," Tata Sons said in a statement, adding that more than two-thirds of AI's revenue comes from international markets such as North America, Europe and West Asia. The airline's frequent flyer programme has more than three million members.

The salt-to-software conglomerate was seen as the frontrunner once the government restarted the sale process after another unsuccessful attempt in 2018. The transaction marks a return to an aggressive privatisation plan chalked out by the Modi administration, which has made it clear that the government should exit non-strategic businesses. It has taken seven years to complete a major privatization of a state-run entity.

The government is looking to use the money being spent on keeping the national carrier afloat for social welfare schemes. Air India had accumulated losses of almost Rs 84,000 crore and the government was taking a daily hit of Rs 20 crore.

"If you have year after year after year of losses, all these losses have actually been funded, some part by equity, which was a minor part, and largely through the government-guaranteed debt... Taxpayers have actually put in Rs 1,10,276 crore in Air India since 2009-10," DIPAM secretary [Tuhin Kanta Pandey](#) said at a press conference, adding that the transaction will be completed by end-December.

The sale with the assurance that none of the 13,500 employees of Air India and Air India Express will be removed by the new owner during the first year. After that, the 8,084 permanent AI employees can be offered a voluntary retirement scheme, civil aviation secretary Rajiv Bansal said at the press conference.

The terms of the transaction allow the Tatas to sell up to 49% in Air India after a year, although they can undertake realignment of the airline during the first year itself. The Tata Group will also sign a business continuity plan for three years.

While the brand and eight logos will also be transferred to the Tatas, they come with a five-year lock-in, and the new owner cannot sell them to a foreign entity.

"Air India's return to @TataCompanies marks a new dawn for the airline! My best wishes to the new management, and congratulations to @SecyDIPAM & @MoCA_GoI for successfully concluding the difficult task of paving a new runway for the airline to take off! I hope the airline will continue to deliver on its mission of bringing people closer through its successful operations," civil aviation minister [Jyotiraditya Scindia](#) tweeted