## Govt to offload 76% stake in Air India

Airline to continue holding debt, liabilities of over ₹333 billion

ANEESH PHADNIS Mumbai, 28 March

he government will divest 76 per cent stake in Air India, according to the information memorandum on the airline's proposed stake sale released on Wednesday. The sale will include Air India's shareholding in low-cost Air India Express and its joint venture ground handling subsidiary AISATS.

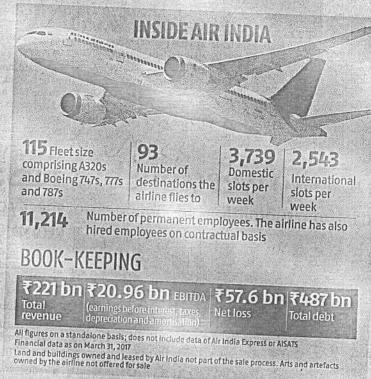
Bidders must have a minimum net worth of ₹50 billion and net profit for three preceding years. However, the rule has been relaxed for Indian carriers to enable them to participate in the bid process. A domestic carrier, which is part of a consortium, does not need to fulfill the three-year profitability criteria if its shareholding in the consortium does not exceed 51 per cent. Similarly a domestic airline with a negative net worth can also apply as a part of the consortium, provided its stake is restricted to 51 per cent.

Bidders have been asked to submit expressions of interest by May 14.

As on March 31, 2017, Air India had a standalone debt of over ₹487 billion and contingent liabilities of over ₹30 billion. The carrier reported a net loss of ₹57.6 billion in the same period.

According to the information memorandum, existing debt and liabilities of Air India and Air India Express were being reallocated. Debt and liabilities aggregating to over ₹333 billion will remain with Air India and Air India Express.

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## ESOP option to be provided to AI employees

Air India employees may get stock option in the airline after it is privatised. The government is planning to create an employee stock pool from the 24 per cent stake it will hold in the airline. "Permanent employees will be given stock option in the company, it will be given from the residual stake the government will hold in Air India," said a senior official. This, along with an assurance of job continuity for the next one year, is the government's step to assure the employees the official said. ARINDAM MAJUMDER reports

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This includes ₹88 billion of liabilities and ₹245 billion of debt.

The balance debt will be allocated to Air India Asset Holding, a 100 per cent government owned entity, subject to approvals from lenders and regulators. The Centre has also clarified that contingent liabilities will continue to remain with Air India and Air India Express, but with the assurance that the government will compensate the new owner in case liabilities pertaining to income tax, customs duty and service tax are confirmed against Air India.

The proposed sale of Air India has attracted interest from local and foreign carriers, given the domestic airline's strong fleet size of 115, its slots, traffic rights and market share of 16.9 per cent on overseas routes, the highest manning all Indian carriers. Also Air India's revenue of \$255 billion is the highest among all Indian carriers.

IndiGo had submitted its interest to acquire Air India, but the airline said it was interested mainly in the airline's international operations. Jet Airways has been in talks with its partner Air France-KLM for a possible bid, while SpiceJet chairman Ajay Singh had said his airline was too small to bid for Air India. Among international carriers, Singapore Airlines said it had an open mind on acquiring a stake in the carrier.

"The bid details are largely aligned to suit investor interests," said Kapil Kaul, CEO, South Asia, Centre for Asia Pacific Aviation.

"The winner will get a significant share of the third-largest aviation market in the world, leapfrogging many established carriers," said Jagannarayan Padmanabhan, director and practice lead, transport and logistics, CRISIL.