Centre may divest 100% in Air India to woo bidders

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Air India strategic sale is back on the table after a failed attempt last year. And this time, the government may consider 100 per cent divestment of its stake in the airline, *Business Standard* has learnt.

Big businesses are being approached all over again to assess their interest in Air India and convince them to bid once the divestment process takes off, according to sources in the know.

The civil aviation ministry and the Department of Investment and Public Asset Management (DIPAM) in the finance ministry are already on the job. In fact, following a high-level meeting at the Prime Minister's Office (PMO), Civil Aviation Secretary Pradeep Singh Kharola has sent a letter to Air India, asking it to finalise the financial accounts of the airline and its subsidiaries for 2018-19 by the end of June.

"It was *inter alia* decided to speed up the process of disinvestment of Air India and its subsidiaries," the letter reviewed by *Business Standard* said.

Officials said the government was still pursuing the option of selling the airline's subsidiaries before the airline itself, in order to deal with the outstanding debt of around ₹27,000 crore.

DIPAM Secretary Atanu Chakraborty is expected to brief the PMO soon on the preparations by the department and the transaction advisor regarding the sale of the national carrier.

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Consultancy firm EY has been retained as the transaction advisor and the new expression of interest (EoI) to invite the bids could be put out in public domain within a month's time, said an official.

Taking lessons from last year's failed privatisation attempt, the government is unlikely to hold any residual stake in the airline. One of the plans being discussed is to sell 95 per cent stake in the airline and retaining 5 per cent for employee stock options (ESOPs).

"There is a plan to give permanent ESOPs in the company at the time of disinvestment along with the assurance of job continuity for one year," said an official aware of the development.

At last year's auction, the government had decided to retain 24 per cent in the airline, which was one of the primary reasons why it failed to generate any interest from buyers. Not a single buyer expressed interest in Air India, forcing the government to call off the sale.

The government is also looking at ways to tackle Air India's huge debt. Despite hiving off around ₹27,500 crore of debt into a separate entity in order to clean up the books of the airline, market sources said a further reduction in debt was necessary to generate interest.

"When prospective bidders take a decision on buying Air India, they will see if the revenue from operations will be able to take care of paying the annual interest on the debt. At ₹27,500 crore, it still looks on the higher side. The government needs to take a haircut," said an executive of a company, which had considered bidding for the airline last year.

It is understood that the government will push to sell the subsidiaries before initiating the process of selling Air India, to tackle the debt issue. "Currently, the process of selling the subsidiaries is on course. The EoI for the ground handling firm Air India Air Transport Services (AIATSL) has already been issued. Due to the election process, it was kept on hold. Prospective bidders have raised a few queries. Those will be responded to soon," said a person aware of the development.

The sale of AIATSL is expected to be a success, as it had received offers from four to five investors. New Delhi-based private operator Bird Group, which provides ground-handling services at seven airports, including Delhi, Mumbai, Bengaluru, and Kochi, had at that time expressed interest in buying the Air India arm.

After AIATSL, Air India's engineering arm Air India Engineering Services (AIESL) is likely to be put on the block. AIESL is a profit-making organisation and the government believes it will fetch a good value.