

Top panel recommends full govt exit from Air India

Amit Shah-headed committee to take final call soon

ARINDAM MAJUMDER
New Delhi, 15 August

The government has moved closer to a complete exit from Air India, with the committee of secretaries (CoS) led by Cabinet Secretary P K Sinha agreeing in principle to sell 95 per cent in the national carrier. The proposal will now be put up for approval of the committee of ministers in the next 15 days, it is learnt.

As the message from the top is that the Air India sale must be a success and for that the conditions should be eased, the government is taking several steps that range from reducing the debt burden for the potential buyer to rewriting the rules of the privatisation process. The objective is to make Air India an attractive buy, according to a source close to the development.

The ministerial panel, headed by Home Minister Amit Shah, will make a final decision on the timing, price and amount of shares of Air India to be sold. By the first week of October, the expression of interest (EOI) will be out, an official said.

This will be the government's third attempt to sell the debt-laden national airline after attempts in



SWEETENERS FOR POTENTIAL SUITORS

Only the debt backed by assets like aircraft will be transferred

New owner will be allowed to dilute stake immediately to raise cash for turning around the airline

The arm's length clause to be diluted, allowing merger with the new owner's existing business

India Inc's suggestions with regard to sale process will be incorporated

EQUITY INFUSION INTO AIR INDIA (₹crore)



Source: Parliament questions

2001 and then again in 2018 failed to generate an interest from buyers.

The government has agreed to exit the airline completely by sell-

ing 95 per cent in the carrier, retaining 5 per cent for ESOP of permanent employees.

Turn to Page 9

Air India...

The government has thoroughly analysed the failed sale process of last year and is making changes in the privatisation process based on those lessons, the official quoted above pointed out.

"EY— the transaction advisor for the process — highlighted that the government holding a 24 per cent stake had scared away many potential suitors. Hence, the decision to sell 95 per cent," the official said.

In a significant departure from the current norms, a small group of government officials is directly communicating with prospective buyers to incorporate their suggestions in the structure of the Air India sale and the share purchase agreement, it is learnt. Typically, the selected transaction advisor engages with bidders and their identity is kept confidential from all including government officials in the sale process. In fact, the traditional practice is that a note guiding any strategic disinvestment states that potential bidders will be assigned code by the transaction advisor and all communication with government officials will be through the code. A Cabinet note to amend the guidance has been circulated.

"The process was designed to eliminate any chance of influence by government officials. However, from the previous experience, it was felt that in transactions like Air India where the bidders need to infuse a large capital, they are more comfortable dealing with the government. Also such decisions are rarely taken by the CEO or CFO of the bidding company, but by the promoter who wants to directly deal with the government," the official briefed on the matter said.