



WINGS *of* CHANGE

WELCOME TO A NEW ERA



You've been asking for change, so here we are. We heard what you've been saying, and we look forward to giving you what you've asked for. But if you're expecting us to go back to the Golden Age of what we once were, we're not going to do that.

We love our history, and we're sure to revisit it. But right now we're making a commitment to our future. One that will be defined not by our past, but by evolution. We have been the wings of a nation. Now, we will also be the wings for its future.



Introduction:

Finally, the pressure was created on the sale of Air India, India's national carrier, which is also known as the Maharajah colloquially. The "winning bidder" for the sale of equity participation in Air India and its subsidiaries was Talace, a fully-owned affiliate of Tata Sons. Tuhin Kanta Pandey, Secretary, Department of Investment and Public Asset Management (DIPAM), confirmed the transaction when he made the announcement on October 8, despite the fact that everyone seemed to know about the sale for weeks. Given Tatas' emotional attachment to the airline and the fact that just two bidders were in the race, it seemed a near certainty that Tata Sons would win the offer for Air India.

About the Tata group

Founded by Jamsetji Tata in 1868, the Tata group is a global enterprise, headquartered in India, comprising 30 companies across ten verticals. The group operates in more than 100 countries across six continents, with a mission 'To improve the quality of life of the communities we serve globally, through long-term stakeholder value creation based on Leadership with Trust'.

Tata Sons is the principal investment holding company and promoter of Tata companies. Sixty-six percent of the equity share capital of Tata Sons is held by philanthropic trusts, which support education, health, livelihood generation, and art and culture.

In 2020-21, the revenue of Tata companies, taken together, was \$103 billion (INR 7.7 trillion). These companies collectively employ over 800,000 people. Each Tata company or enterprise operates independently under the guidance and supervision of its own board of directors. There are 29 publicly-listed Tata enterprises with a combined market capitalisation of \$314 billion (INR 23.4 trillion) as of December 31, 2021. Companies include Tata Consultancy Services, Tata Motors, Tata Steel, Tata Chemicals, Tata Consumer Products, Titan, Tata Capital, Tata Power, Tata Communications, Indian Hotels, Tata Digital and Tata Electronics.

About Air India

Founded by the legendary JRD Tata, Air India has pioneered India's aviation sector and the airline's history is, in fact, synonymous with the annals of civil aviation in India.

Since its first flight on October 15, 1932, Air India has spread its wings to become a major international airline with a network across USA, Canada, UK, Europe, Far-East, South-East Asia, Australia and the Gulf. The airline also has an extensive domestic network, including far-flung areas of India's North-East, Ladakh, Andaman & Nicobar Islands. Air India has been a member of Star Alliance, the largest global airline consortium, since July 2014.

India's first international budget carrier, Air India Express was launched in 2005 to meet the need for affordable services on short and medium-haul routes- connecting smaller towns directly to the Gulf and southeast Asia regions.

Air India, along with Air India Express, has always been playing a pivotal role in standing by the Nation in its hour of crisis. In an epic mission, Air India has been evacuating stranded people from all over the world from and to India in the aftermath of the Covid-19 outbreak through the Government's Vande Bharat Mission and Air Transport Bubble flights.

The Origin of Tata Air

Story begins in the year 1932—in the city of Karachi. This was at a time when Karachi was still part of undivided India. On 15th October 1932, a 28-year old Jehangir Ratanji Dadabhoy (JRD) Tata climbed aboard a single-engine plane and took to the skies. His destination was Chennai (then Madras) and he intended to reach his destination after a brief stop at Mumbai (then Bombay). With him, he also carried a small pouch of airmail. It read—‘First Flight Madras-Karachi Airmail Service.’



And thus...Tata Air Mail had arrived.

Before anyone knew it, the airlines went from ferrying mail to ferrying passengers. Within six years, the company owned 15 planes. And it was renamed, Tata Airlines. By 1946, it carried one in every three passengers in India and owned 50% of the country's fleet. The same year, it became a public company and adopted the name we're all familiar with—Air India. And as you can probably imagine, a private airline ruling the skies was quite something. Even by global standards. "Scarcely anywhere in the world was there an air service operating without support from the government. It could only be done by throwing on the operator the financial risk. Tata Sons were prepared to take the risk," Sir Frederick Tymms, the then chief of civil aviation told a newspaper in 1934.

The takeover

Shortly after independence, the Indian government whipped up a joint venture with the Tata Group. They formed Air India International. But by 1953, the aviation sector had become a bit of a mess. Multiple airlines were trying to grab a piece of the fledgling industry and losses were mounting. Only Air India remained profitable. And then in a nationalisation spree, the Indian government took over the company for a sum of Rs 2.8 crores. It then merged a bunch of entities flying India's domestic routes, including Air India's domestic operations and rebranded it—Indian Airlines.

And Air India International? Well, it became just Air India.

Now, most people think that Air India went for a toss the moment the state acquired the assets. However, that isn't true at all. For three decades until the mid-1980s, state-owned airlines in India made considerable sums of money for the government. This was a period of exceptional profitability for both Air India and Indian Airlines. The only problem however was that ticket prices were prohibitively high and regular folks simply couldn't take to the skies. So in a bid to increase airline penetration in India, the government started letting private players participate in the commercial aviation segment. Once private players entered the market, more Indians took to the air than ever before and a slew of profitable private airlines emerged during the 90s.

It was during this competitive era that Air India's prospects began going for a toss.

The fall

Air India lost market share in the post-liberalisation period of the 1990s. And losses mounted. Indian Airlines, the domestic carrier, suffered a similar fate. And by 2007, the government merged both entities. Here's what Shashank Shah, the author of *The Tata Group: From Torchbearers to Trailblazers*, wrote:

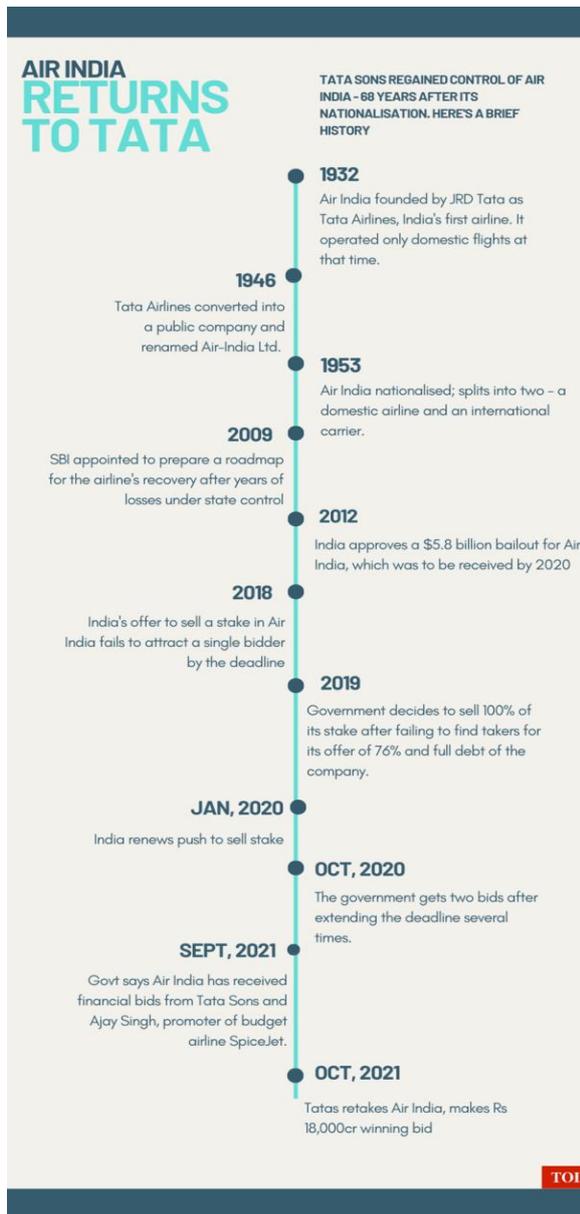
"Between 2007 and 2009, combined losses increased from ₹770 crores to ₹7,200 crores and borrowings rose from ₹6,550 crores to ₹15,241 crores. The merged company had over 30,000

employees i.e., 256 employees per plane, twice the global standard. Air India ended up spending almost one-fifth of its revenue on employee pay and benefits while other private airlines spent about one-tenth.

Even before the merger, the Civil Aviation Ministry had decided to purchase 111 new narrow and wide-body aircraft for a whopping ₹67,000 crores funding it via debt. As a result, between October 2012 and March 2013, the merged entity suffered an average loss of ₹400 crores every single month.”

Oh yes, it turned into a proper dumpster fire.

The comeback



The government finally had enough of the beleaguered airline and it began its bid to wash its hands off Air India in 2017. And 4 years on, the journey has finally come a full circle. Tata Group has emerged with the winning bid and they're all set to take control of Air India.

So let's look at the deal itself and figure out what Tata is putting at stake right now.

All in all, they're shelling out about Rs 18,000 crores in enterprise value terms. You don't have to know too much about Enterprise value. But know this much—Tata isn't actually putting up all of this money. Instead, they're taking up about 15,300 crores worth of debt from the beleaguered airline and they're paying close to 2,700 crores in cash—which will ultimately go to the government. In return, they're getting a pretty decent deal. There's the presence that Air India has built over the years—the brand equity and all the airport slots. They will now control 4,400 domestic and 1,800 international landing and parking slots at domestic airports. As well as 900 slots at overseas airports.

And since the Tata Group already operates 2 other airlines—Vistara, a joint venture (JV) with Singapore Airlines, and Air Asia India, a JV with AirAsia Investment Ltd—the new acquisition should bolster their aviation ambitions and give them a commanding market share. And if you're thinking that the government can simply walk away here after offloading the company, well, that's not entirely true.

As of 31st August, the airline was carrying a debt of ~Rs 61,500 crores. So the government will still have to service about Rs 46,000 crores worth of debt—not an insignificant sum by any account. Also according to the aviation ministry, the fixed assets—land, buildings, planes—worth more than \$6 billion (over Rs 45,000 crore) won't all be sold to Tata. The planes will go to them of course. But the land and building, worth approximately Rs 14,700 crores will stay with the government. There's also this massive collection of art—close to 40,000 pieces in total. But since we don't know the value of these assets, we can leave that for now. The only other silver lining for the government perhaps is that they won't have to worry about running the company and any 'future' debt the entity may see.

The Transaction Details:

The finance ministry in a statement said the Air India strategic disinvestment transaction has been completed with the government receiving a consideration of Rs 2,700 crore from Talace Pvt Ltd, a wholly-owned subsidiary of Tata Sons. The government has retained debt of Rs 15,300 crore in Air India and Air India Express Ltd (AIXL) while 100 per cent shares of Air India, AIXL and the national carrier's 50 per cent shareholding in AISATS have been transferred to Talace. In a tweet, Department of Investment and Public Asset Management (DIPAM) Secretary Tuhin Kanta Pandey said the strategic disinvestment transaction of Air India has concluded successfully with transfer of 100 per cent shares of Air India to Talace along with management control.

Bids received

- The bids received were:

Bidder	EV quote (INR in cr)	Debt to be retained (INR in cr)	Cash component (INR in cr)
M/s Talace Pvt Ltd, a wholly owned subsidiary of M/s Tata Sons Pvt Ltd	18,000	15,300	2,700
Consortium led by Mr Ajay Singh	15,100	12,835	2,265

- The transaction does not include non-core assets including land and building, valued at INR 14,718 crore, which are to be transferred to Gol’s AIAHL
- M/s Talace Pvt Ltd emerged as the successful bidder for sale of equity shareholding of Gol in AI and AI in AIXL and AISATS along with management control.

Of the two bidders, Talace quoted Rs 18,000 crore while a consortium led by Ajay Singh (promoter of SpiceJet) quoted Rs 15,100 crore. Talace would now be required to pay Rs 2,700 crore (cash component) while the balance 85 per cent amounting to Rs 15,300 crore would be debt to be retained by Talace. The takeover gives Tatas control of a massive fleet of 128 aircraft (of these 70 are directly owned by Air India, and the rest are held on lease), in addition to more than 18 per cent of the international passenger market, 2,738 international as well as 4,486 domestic slots (counted on a weekly basis), and a massive 25 per cent share of the domestic market (the combined market share of Air India, Vistara and Air Asia; the latter two are also controlled by Tata group companies).

The financial bids for Air India were submitted on September 15 in which Tata Sons and Ajay Singh (promoter of SpiceJet) in his individual capacity were reportedly the key bidders. Subsequently, the bids were evaluated by the core group of Secretaries on Divestment (CGD) headed by the Cabinet Secretary. Thereafter, news of Tatas having emerged as the lead bidder made headlines for several hours before DIPAM Secretary Pandey in a tweet dismissed the reports as “incorrect”.



TATAS ACQUIRE AIR INDIA WITH WINNING BID OF Rs 18,000 CRORE

- ✈ The winning bid is for Rs **18,000** crore as Enterprise Value (EV) consideration for AI
- ✈ Tatas now have two budget airlines – AI Express and AirAsia India – and as many full service ones – **AI and Vistara**.
- ✈ Interest of the employees and **retired employees** would be taken care of by the winning bidder
- ✈ In total Air India has **8 logos** and all of them will be transferred to Tatas.

AIR INDIA: ASSETS & LIABILITIES

When it goes looking for a private buyer, Air India will turn to its formidable assets, including its many subsidiaries and properties, to swing the deal

STAFF

(As on March 31, 2017)

11,912
Regular

WAGE BILL

Rs **2,400 crore** or 12% of expenditure (2015-16)

MARKET SHARE
Down from 28% in 2005-06 to **14% in 2016-17**

AIRCRAFT

107

ATF BILL

Rs **5,745 crore** or 29% of expenditure (2015-16)

ON-TIME PERFORMANCE

Aprox. **76%** as opposed to serviceable industry standard of 85%

TOTAL DEBT

₹ 52,000
CRORE

LOANS FOR AIRCRAFT

₹ 20,000
CRORE

WORKING CAPITAL LOAN

₹ 30,000
CRORE

DEBT-SERVICE BURDEN

₹ 6,500
CRORE P.A.

EQUITY INFUSION FROM GOVT

₹ 2,500
CRORE P.A.

DEPRECIATION

₹ 1,500
CRORE

AI NEEDS TO FURTHER BORROW

₹ 2,500
CRORE P.A.

SUBSIDIARIES

Air India Air Transport Services Ltd (AIATSL)

Company provides ground handling services (cargo, passenger, baggage) to AI and other airlines at airports in India

Formed: **2013**
Staff: **11,755** (1,832 regular)
Net profit (2016-17): **₹ 102 crore**

Air India Charters Ltd (AICL)

Operates low-cost airline Air India Express (launched April 2006), operating primarily to the Gulf and SE Asian countries

Formed: **1971**
Staff: **1,064**
Aircraft: **23 B-737s**
Net profit (2016-17): **₹ 361 crore**

Air India Engineering Services Ltd (AIESL)

Handles maintenance, repairs, overhaul (MRO) of Boeing and Airbus aircraft for Air India and other airlines

Formed: **2013**
Staff: **4,605**
Losses (2016-17): **₹ 558 crore**

Airline Allied Services Ltd (AASL)

Manages airplane purchase, lease and sale and provides air transport services as Alliance Air

Formed: **1983**
Staff: **663**
Aircraft: **10**
Losses (2016-17): **₹ 200 crore**

Hotel Corp. of India Ltd (HCL)

Provides in-flight catering and operates the Centaur hotels in Delhi and Srivnagar

Formed: **1971**
Staff: **854**
2 hotels * 2 flight kitchens
Losses (2016-17): **₹ 51 crore**

PROPERTIES

DELHI

- Baba Kharek Singh Marg, CP **16,188** sq. m./ Owned
- Airlines House, Gurudwara Rakabgari Rd **3,116** sq. m./ Owned
- Staff Quarters, Vasant Vihar **121,400** sq. m./ Owned
- 8 units in Asiad Village Complex **177** sq. m. each/ Owned

NCR, GURGAON

- DLF Qutab Enclave, Phase II **420** sq. m./ Owned

MUMBAI

- Air India Building, Nariman Point **41,713** sq. m./ Land leased/ building owned
- Building at old airport, Kalina, Santacruz **23,989** sq. m./ Owned
- Office building, MITC, Santacruz/ N.A.*/ Owned
- Land on Cidco plot, Nerul/ N.A.*/ Leased

CHENNAI

- Freehold land and residential flats at Palavanthangal village and IA Staff Housing Colony **77,416** sq. m./ Owned
- Freehold vacant no. 504, Annasalai/ Teynampet **5,936** sq. m./ Owned

HYDERABAD

- Freehold land (CTE Complex) and buildings in Central Training Establishment **80,937** sq. m./ Owned

* Not available

** Not all properties listed

CONSOLIDATED REVENUE

Total Revenue (Rs million)

- 2019-20: Rs 328,306.2
- 2018-19: Rs 298,111.5
- Increase: 10.1%

Passenger Revenue (Rs million)

- 2019-20: Rs 275,357.5
- 2018-19: Rs 247,283.9
- Increase: 11.3%

Other Revenue (Rs million)

- 2019-20: Rs 13,309.4
 - 2018-19: Rs 12,242.4
 - Increase: 8.7%
- Source: Annual Report FY20

“Media reports indicating approval of financial bids by Government of India in the AI disinvestment case are incorrect. Media will be informed of the government’s decision as and when it is taken,” he tweeted in the wake of the headlines.

But that hardly seemed to make any impression on the people who continued to believe that the final decision would be in favour of Tata Sons based on the news of its bid being reportedly Rs 3,000 crore more than the next bid. Everyone thought a formal announcement was just around the corner, as only the Air India Specific Alternative Mechanism (AISAM) panel headed by Home Minister Amit Shah was left to examine the highest bids and the corresponding documentation etc. and give its approval. The AISAM panel also includes Finance Minister Nirmala Sitharaman, Commerce Minister Piyush Goyal and Civil Aviation Minister Jyotiraditya Scindia.



“Due process of evaluation and scrutiny of documentation takes time. All angles are examined. Transfer of ownership, whether between two private entities or between a government-owned entity and a private party takes time,” said an aviation expert explaining the nitty-gritties of such approvals. “The takeover team is ready. As soon as it’s official, it will swing into action. Operationally, it should be seamless and smooth from the passengers point of view,” said a company insider. Officially though, everyone was tight-lipped ahead of the formal announcement.

According to industry sources, once the deal is done and over, there would have to be some sort of consolidation of the airline operations for the winner. Why? Because, with Singapore Airlines having given its nod for the acquisition of Air India, the airline under the Tata management would have to be part of one aviation entity that also includes Vistara and Air Asia. As of August 2021, the three airlines together had a market share of 26.8 per cent in the domestic segment. Individually, Air India was at the second spot with a 13.3 per cent market share behind IndiGo’s 57 per cent market share.

Overall, for the eight months ended August 2021, Air India along with Air Asia and Vistara accounted for over 25 per cent market share whereas IndiGo’s share for the same period was 55 per cent. Some rejig in market share is a certainty going forward. “A combined market share of 25 per cent or more can give significant leverage on pricing of tickets, expense rationalisation on fuel cost and issues related to repairs, etc. Post-pandemic, we can see price wars, especially after Jet Airways also takes to the air,” says a senior executive of a rival airline.

Terms Of The Deal

The stake sale process, in which the government is selling 100 per cent stake in Air India including Air India’s 100 per cent shareholding in AI Express and 50 per cent in Air India SATS Airport Services, began in January 2020. But the process was marred by delays due to the spread of the Covid-19 pandemic. In April this year, the government resumed the process by asking potential bidders to put in financial bids.

EXPENDITURE

Total Expenses (Rs Mn)

- 2019-20: Rs 389,737.4
- 2018-19: Rs 370,264.9
- Increase: 5.3%

Staff Cost (Rs million)

- 2019-20: Rs 35,498.8
- 2018-19: Rs 32,882.9
- Increase: 8%

Fuel Cost (Rs million)

- 2019-20: Rs 108,879.7
- 2018-19: Rs 115,558.9
- Decrease: 5.8%

IndiGo v/s Air India-Tata Combine IANS

IndiGo	Air India-Tata Combine (expected figures)
Fleet Size: 275 aircraft	Fleet Size: Over 215 aircraft
Domestic Market Share - 58%	Combined Domestic Market Share - Over 25%
Domestic destination - 71 (Pre-pandemic)	Domestic destinations: Around 100
International - 24 (Pre-pandemic)	International destinations: Over 60
Fleet comprises of Airbus aircraft	Fleet comprises a mix of wide and narrow body aircraft
Source: Industry	



As mentioned earlier, Air India’s disinvestment plan requires the successful bidder to take on Rs 23,286 crore of the total Rs 60,074 crore debt on the books of the airline. And since the winning bid has been placed on the basis of enterprise value (both equity and debt) of Air India, the bidder has to pay least 15 per cent of the quoted enterprise value to the government in cash, and the rest can be taken on as debt. As per the plan, the balance debt of Air India would be transferred to government-owned Air India Assets Holdings (AIAHL), a new company that will house Air India’s assets including Air India building in Mumbai, Airlines House in Delhi, land in Delhi’s Connaught Place and various other housing societies spread across cities.

On its part, the central government has already asked Air India to ensure that its employees vacate company accommodations within six months from the divestment of the airline or the monetisation of properties. If they do not vacate, they may face strict penal action or heavy monetary penalty with disciplinary action. The decision was taken by AISAM at its meeting held on August 9, 2021, said an Air India employee.

THE GREAT AIR INDIA SALE



The Centre has declared the Tata Sons' subsidiary Talace as the highest bidder for the national carrier. The transaction is expected to be completed by December 2021 after all regulatory approvals are in place and the share purchase agreement is signed.

<p>DETAILS OF THE DEAL</p> <p>Reserve Price: Rs 12,906 crore</p> <p>First Bidder: Talace Pvt Ltd, a wholly owned subsidiary of Tata Sons</p> <p>Bid Amount: Enterprise Value (EV) of Rs 18,000 crore</p> <p>Second Bidder: Consortium led by Ajay Singh, CMD, SpiceJet</p> <p>Bid Amount: EV of Rs 15,100 crore</p> <p>HOW THE WINNING BID IS DIVIDED:</p> <p>Rs 15,300 crore will be used towards paying off Air India's debt</p> <p>Rs 2,700 crore will go to the government as cash payment</p> <p>WHERE THE STATUS QUO REMAINS:</p> <p>No retrenchment in the first year of Air India's operations under the Tatas</p> <p>The VRS option could be offered only in the second year</p> <p>Gratuity and PF as well as post-retirement benefits for employees to continue</p> <p>WELCOME BACK, AIR INDIA!</p>	<p>WHAT TATAS GET AS PART OF THE DEAL:</p> <p>141 aircraft owned and leased by AI and AI Express</p> <p>Rs 20 crore in daily losses</p> <p>12,085 Air India employees (includes 8,084 who are permanent)</p> <p>1,434 Air India Express employees</p> <p>The Tatas, however, gain access to Air India's top-notch maintenance, repairs and operations (MRO) infrastructure as well as its airport flying slots and bilateral agreements.</p> <p>What it does not get are the non-core assets, including land and buildings valued at Rs 14,718 crore, which are to be transferred to the government-owned Air India Asset Holding Limited (AIAHL).</p> <p>The government has picked up Rs 46,262 crore out of Air India's total debt of Rs 61,562 crore.</p>
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"Air India, under the leadership of Mr JRD Tata, had, at one time, gained the reputation of being one of the most prestigious airlines in the world. Tatas will have the opportunity of regaining the image and reputation it enjoyed in earlier years. We also need to recognise and thank the government for its recent policy of opening select industries to the private sector. Welcome back, Air India!"— **RATAN TATA, Chairman Emeritus, Tata Sons**



Source: DIPAM

Scope For Profits

Sector watchers believe way too much focus has been put on the massive debt on the books of Air India (including its subsidiaries and group entities). Based on the financial data available for the past few years, Air India has been clocking weekly departures ranging from 380 (in FY15) to around 450 (in FY19). On a monthly basis, these translate to more than 1,600 departures generating over Rs 2,260 crore in passenger revenue (pre-pandemic figures when aviation sector was booming). On the expense side, fuel accounts for less than 44 per cent of the passenger revenue or around Rs 910-920 crore. The monthly salary bill is around Rs 260-265 crore. The lease outgo is another Rs 210-220 crore. Post-takeover, cost rationalisation coupled with increase in passenger traffic, the scope for generating profits from Air India operations will be immense, say experts.

“Decisions would be faster, cost negotiations would be more effective, deals with aircraft lessors can be negotiated more effectively. There are more gains for the buyer. Access to slots around the world, trained and experienced pilots, crew and technical staff are just some of the many advantages,” says a former Air India veteran.

As per the information memorandum on Air India that was put up for the potential bidders in January 2020, the government referred to it as “India’s flag air carrier” with a significant market share in international and domestic operations. Air India along with Air India Express had a 50.64 per cent share of the international traffic to and from India among Indian carriers and around 18.4 per cent share overall (ex-India) as of Q2 FY20. The two airlines combined control around 12.7 per cent of the Indian domestic market as of Q2 FY20 (touching 13 per cent in August 2021). Undoubtedly, Air India is one of the most extensive flight service providers in India with network coverage of 98 destinations (56 domestic destinations. with around 2,712 departures per week and 42 international destinations with around 450 departures per week) as on November 1, 2019.

Air India also offers 75 additional destinations through its secondary network of code share operations covered under 25 code share agreements with foreign carriers. During FY 2019, Air India carried around 22.1 million passengers and recorded operational revenues of Rs 255,088 million. At the time, Air India reported an aircraft fleet of 121 aircraft (excluding 4 B747-400 aircraft), mainly comprising Airbus and Boeing aircraft such as A-319, A320, A-321, B-777 and B-787. Out of these 65 were either owned or on finance lease/ bridge loans, 21 on sale and lease back model and balance 35 were on operating lease.

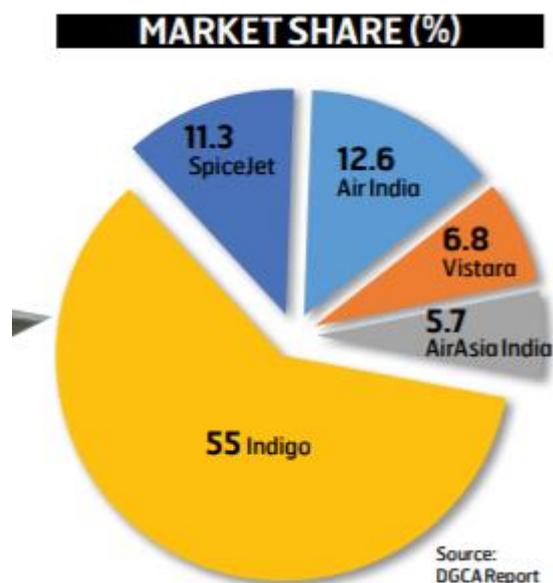
There couldn’t have been a worse time for the aviation sector globally than 2020! It suffered an estimated net loss in 2020 of \$118.5 billion, a fourfold jump from the \$30 billion loss

during the financial crisis in 2008 and 2009. The pandemic also brought an abrupt end to the 10-year profit run for major airlines. As per IATA, the full-year passenger traffic results for 2020 showed that demand fell by 66 per cent (international 76 per cent, domestic 49 per cent) compared to 2019, by far the sharpest traffic decline in aviation history. While the situation is turning for the better with the passage of every month, experts say it may take three full years for the overall scenario to return to pre-pandemic levels.

Sector In Turmoil

Indian aviation saw its biggest turmoil with the closure of Jet Airways in early 2019. This resulted in a big capacity vacuum. In 2020 March came the Covid-19 lockdown. This led to the suspension of all scheduled air operations from 25 March 2020. Air India did step up its operations post the closure of Jet Airways right up to the suspension of all air services due to the pandemic, says Rajiv Bansal, Secretary, Ministry of Civil Aviation and former Chairman, Air India. “Air India is the only airline service in India with long-haul operations and we have been able to step in to effectively bridge the gap between demand and supply post-April 2019,” Bansal had told the shareholders in the annual report. During that period, Air India added some capacity and launched the nonstop Delhi-Toronto, Mumbai-Kuwait, Delhi-Doha, Delhi-Seoul and Mumbai-Nairobi flights. In the India/ UK market, Air India added capacity to Heathrow and Stansted and included Amritsar as one more point to UK. For Dubai, the growth opportunity came with Jet’s closure and Air India added more direct flights from interior points in India to connect Dubai.

However, the post-pandemic restriction on air travel did take its toll on all carriers. In a written reply to a Rajya Sabha question in July 2021, the Civil Aviation Ministry said that airlines in India suffered a cumulative loss of Rs 15,086.3 crore in FY 2020-21. IndiGo led the table followed by Air India, as they operated a larger fleet and more number of flights amidst restrictions on passenger capacity. Air India reported a loss of Rs 4,700 crore while IndiGo reported a loss of Rs 5,829.7 crore.



In comparison, airlines that had a smaller fleet size and operated fewer flights posted smaller losses. As a result Vistara (Rs 1,609.7 crore), AirAsia (Rs 1,396.0 crore), and Go Air (Rs 1,333.5 crore) fared slightly better. The ministry pointed that the data for Spice Jet was not available. In the pre-pandemic period, the combined losses of Indian carriers was relatively smaller — loss of Rs 5,497.24 crore in FY 2019-20 and Rs 6,709.43 crore in FY 2018-19. Air India hardly saw any change in the losses in the last three years. In FY 2019- 20, it raked up a loss of Rs 4,660.3 crore and Rs 4,685.26 crore in FY 2018-19.

Challenges Galore

The takeover of Air India is expected to have wide-ranging implications for Tatas and their aviation business, and raises several questions as well. Following the takeover, it may take at least three years for the new owners to effect complete integration. Also, what happens to Vistara (a joint venture between Tata Sons and Singapore Airlines), also a full-service carrier like Air India? Or to Air Asia India, a joint venture with Tata Sons Holding and AirAsia Investment of Malaysia? Will these two get merged into an umbrella corporation that also would hold Air India? Or will one or both be shut down or merged? Media reports peg the combined financial losses in the two JVs in excess of one billion dollars or even more.

Once back home, the ‘Maharaja’ would also need fresh investments. How will the dynamics play out amidst the proposed re-launch of rival Jet Airways (expected to start operations in the first quarter of 2022) and the launch of ultra-low-cost carrier Akasa Air backed by well-

known market investor Rakesh Jhunjhunwala? It will be interesting times for the aviation sector where the passengers may be spoilt for choice and the aviation companies will be crunching numbers.

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