

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

STARRED QUESTION NO:160
ANSWERED ON:26.02.2009
REVISED RESCUE PACKAGE FOR AIR INDIA
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Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether a proposal to provide a revised rescue package for Air India is under consideration;
- (b) if so, the details thereof; and
- (c) the circumstances which have necessitated such a proposal?

Answer

MINISTER OF THE STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL)

(a) and (b): National Aviation Company of India Limited (NACIL) has submitted proposal for equity induction of Rs.1231 crores and a proposal for providing of soft loan of Rs.2750 crores.

(c): The Airline industry globally, including Indian Airline industry is passing through one of the most critical periods in its history. The factors which have impacted their financial position are:-

- (i) Steep increase in fuel prices from April, 2008 to September, 2008;
- (ii) Decline in traffic on account of global recession;
- (iii) Decline in yield and profitability due to stiff competition;
- (iv) Appreciation of the Dollar vis-à-vis the Rupee;
- (v) Steep increase in the borrowing costs due to liquidity crunch among all banks.
- (vi) The total aircraft acquisition programme of NACIL is of approx. Rs.44,000 crores. It is necessary to ensure that the equity base of the company is adequate to support the capital requirement by ensuring a better debt-equity ratio.