GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:353
ANSWERED ON:17.11.2016
Losses Incurred by Air India
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Will the Minister of CIVIL AVIATION be pleased to state:

(a) the target fixed by Air India as operating profit during the first quarter of the current fiscal;

(b) whether Air India has reported operating loss of Rs.246 crores during the first quarter of the current fiscal as other listed airlines in the country have made net profits during the same period;

(c) if so, the details thereof and the reasons therefor;

(d) the details of total revenue generated and loss incurred by Air India during the last three years and the current year, year-wise along with the reason therefor and the bail out packages given to the company during the said period;

(e) the corrective steps taken by the Government to increase operating revenue for Air India; and

(f) the other steps taken by the Government to reduce overheads, rationalize costs and boost revenue growth of Air India?

Answer

Minister of State in the Ministry of CIVIL AVIATION

(Shri Jayant Sinha)

(a) to (c): Air India Ltd has posted an Operating Loss of Rs 246.14 crores in the first quarter of 2016-17 i.e. April to June 2016 as compared to an Operating Loss of Rs 315.37 crores during the corresponding first quarter of FY 2015-16. Accordingly, the Operating Loss reduced by Rs 69.23 crores over the same period of last year. The target fixed by Air India Ltd for Operating Profit for the first quarter of 2016-17 was Rs 87.28 crores as against which the company has posted an Operating Loss of Rs 246.14 crores in the first quarter of 2016-17. The main reasons for the Operating Loss was the decline in the Revenue Yields by around 6% over the budgeted target resulting in the decline in the Passenger Revenue. There was also a decline in Cargo Revenue during the period over the budgeted estimates.

The first quarter of the financial year is a lean traffic season for domestic aviation traffic and the same picks up only in the second half of the year during which the company will be aiming at achieving an overall Operating Profit.
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(d): The Net Loss and Operating Profit/Loss of Air India, Equity Infusion and Total Revenue generated given by the Government under the Turnaround Plan (TAP) during the last three years and the current year are attached as Annexure;

Air India Ltd has been facing losses in the past few years on account of a multitude of factors. The main reasons for the losses of the company are given hereunder:

(i) High interest burden
(ii) Increase in competition especially from low cost carriers
(iii) High Airport User Charges
(iv) Adverse impact of exchange rate variation due to weakening of the Indian Rupee
(v) Liberalized Bilaterals to Foreign Carriers.

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(e) & (f): In view of the losses suffered by Air India up to 2010-11 and its mounting debt burden, the Government has approved a Turnaround Plan (TAP)/Financial Restructuring Plan (FRP) for operational and financial turnaround of Air India. The TAP/FRP envisages equity induction by the Government subject to achievement of certain financial and operational parameters. The details of financial support approved under TAP/FRP are as follows:

i. Upfront equity of Rs. 6750 crores in FY 2011-12

ii. Equity for cash deficit support of Rs. 4552 crores till FY 2017-18

iii. Equity for guaranteed aircraft loan till FY 2021 of Rs. 18,929 crores.

iv. For GOI guaranteed Non-Convertible Debentures (NCDs), an amount of Rs. 11,951 crores towards interest and Rs. 7400 crores towards principal.;

Till date, an amount of Rs. 23,993 crores has been released as equity support to Air India.
As a part of the Turnaround Strategy for Air India Ltd., the company with the overall support of the Govt. has initiated a number of steps in order to cut costs and losses. These steps, inter-alia, include the following:

i. Route rationalization of erstwhile AI & IA route and elimination of route network involving parallel operations.

ii. Rationalization of certain loss making routes.

iii. Phasing out of old fleet and consequential reduction in maintenance cost.
iv. Joining of Star Alliance.

v. Enhanced utilization of new fleet resulting in production of higher Available Seat Kilometers (ASKMs).

vi. Closure of overseas offline offices at certain locations.

vii. Introduction of PSS (Passenger Service System) to have single code and SAP ERP based solutions throughout the organization in terms of increase in revenue and decrease in cost.