

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 380
(To be answered on the 19th July 2018)**

DISINVESTMENT OF AIR INDIA

- 380. SHRI BHARTRUHARI MAHTAB
SHRI RAJAN VICHARE
SHRI KODIKUNNIL SURESH
SHRI MUTHAMSETTI SRINIVASA RAO (AVANTHI)
PROF K.V. THOMAS
SHRI E.T. MOHAMMED BASHEER
SHRI ANTO ANTONY
SHRI GURJEET SINGH AUJLA
SHRI RAHUL SHEWALE
SHRI SANJAY DHOTRE
SHRI JAYADEV GALLA
SHRIMATI VASANTHI M.
SHRI B.V. NAIK
SHRI GUTHA SUKENDER REDDY
SHRI KUNWAR PUSHPENDRA SINGH CHANDEL**

Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) whether the Government has found no bidder for its stake sale in Air India in the recent past;
(b) if so, the details thereof and the reasons therefor along with the present debt burden of Air India;
(c) whether the Government has formulated any plan to get Air India out of its debt during each of the last three years;
(d) if so, the details and its success thereof;
(e) the number of suggestions/requests received by the Government for not selling its stake in Air India from various Experts/Unions in the recent past along with the present status of such suggestions/requests; and
(f) the steps taken/being taken by the Government to protect the rights of the employees of Air India before announcing its stake sale in it?

ANSWER

Minister of State in the Ministry of CIVIL AVIATION

नागर विमानन मंत्रालय में राज्य मंत्री

(Shri Jayant Sinha)

(a) & (b): The Preliminary Information Memorandum (PIM) for inviting Expression of Interest (EOI) for the Strategic Disinvestment of Air India including its shareholding in Air India Express and AI SATS was issued on 28th March, 2018. No EoI/ bid was received till the last date of receipt of bids. Probable reasons as analyzed by the Transaction Advisor i.e M/s EY for non-receipt of bids, inter-alia, are GOI 24% stake and corresponding rights, high amount of allocated debt, changes in macro environment, individuals not being allowed to bid, profitability track record, and bidders not being able to form a consortium within given time period.

As regards the present debt burden, the total outstanding loans on Air India at the end of 31st March 2017, as per the Audited Accounts of FY 2016-17 are Rs 48447.37 crores, the details are as under:

- a) Aircraft Loans Rs 17,359.61 crores
- b) Working Capital Loans Rs 31,087.76 crores

Total Rs 48,447.37 crores

(c) and (d): In view of precarious financial health of Air India Ltd and to take AIL back on the path of profitability, the Government has already approved and implemented a Turnaround Plan (TAP) for Air India Ltd in 2012 in terms of which all Government Guaranteed Aircraft Loans and interest thereon are being paid by the Government by way of Equity Infusion into Air India. Similarly, a Financial Restructuring Plan (FRP) has also been implemented by means of which high cost working capital loans have been converted into long term debt carrying lesser rates of interest so as to reduce the financial burden on AIL.

The TAP/FRP includes budgetary support amounting to Rs 30231 crores spread over 10 years i.e. upto FY 2020-21 and also equity support for the payment of principal/interest of the Non Convertible Debentures. AIL has received an Equity Infusion of Rs 27195.21 crores till FY 2018.

As a part of the Turnaround strategy for Air India Ltd, Air India 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) Setting up a Route Rationalization Committee to ensure revenue maximization by continuously looking at load factors, revenue yields and competitor fare structure and responding immediately to the same
- (ii) Induction of brand new aircraft on several domestic & international routes to increase passenger appeal
- (iii) Phasing out & grounding of old fleet
- (iv) Leveraging the assets of the Company to increase MRO revenue and revenue from Company's real estate properties
- (v) Introduction of PSS (Passenger Services System) to have a single code and SAP ERP based Solutions
- (vi) Establishment of Integrated Operations Control Centre and Hub Control Centre in Delhi
- (vii) Operationalization of Subsidiary Companies such as AIATSL & AIESL and transfer of manpower and equipment and treating them as Independent Profit Centers
- (viii) Induction of the B-787 aircraft on Medium Capacity/Long Haul Routes.

- (ix) Restriction on staff overtime/holiday pay, except when operationally required
- (x) Encouraging of same day return duty travel to avoid unnecessary hotel expenses.
- (xi) Restriction on Foreign Travel
- (xii) Focus on cargo Revenue
- (xiii) Focus on Ancillary Revenue
- (xiv) Rationalising Commission of Agents
- (xv) Review of loss making routes.

Air India has shown a considerable improvement both in terms of Operational and Financial Parameters in the recent past. However, it may be noted that the main improvements have come around since 2011-12 i.e. since the implementation of the Turnaround Plan (TAP/(FRP). EBITDA has become positive since 2012-13 and continues to be positive even today as compared to the negative EBITDA before the implementation of TAP.

(e): The Government has received various representations from employees unions of Air India and other persons/groups for not selling the GOI stake in AI. As no bids have been received, any measure/step required to be taken on this account does not arise at this stage.

(f): No EoI/ bid was received till the last date of receipt of bids, so the steps required to be taken by the Government to protect the rights of the employees of Air India in this regard does not arise at this stage.

- (i) Restriction on staff overtime/holding pay, except when operationally required
 - (x) Encouraging of same day return duty travel to avoid unnecessary hotel expenses.
 - (xi) Restriction on Foreign Travel
 - (xii) Focus on cargo Revenue
 - (xiii) Focus on Ancillary Revenue
 - (xiv) Rationalising Commission of Agents
 - (xv) Review of loss making routes.
- Air India has shown a considerable improvement both in terms of Operational and Financial Parameters in the recent past. However, it may be noted that the main improvements have come around since 2011-12 i.e. since the implementation of the Turnaround Plan (TAP/ERP). AIRINDIA has become positive since 2012-13 and continues to be positive even today as compared to the negative EBITDA before the implementation of TAP.
- (c) The Government has received various representations from employees unions of Air India and other persons/groups for not selling the GOI stake in AI. As no bids have been received, any assessment/step required to be taken on this account does not arise at this stage.
- (f) No Bid was received till the last date of receipt of bids, so the steps required to be taken by the Government to protect the rights of the employees of Air India in this regard does not arise at this stage.

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