

India sells struggling Air India back to Tata conglomerate

October 8 2021, by Nivrita Ganguly



Air India operates 50 percent of all international flights from India.

Tea-to-software Indian giant Tata is buying back Air India, 89 years after founding it as Tata Air and half a century following its nationalisation, the government said Friday.

The 180-billion-rupee (\$2.4-billion) deal marks the end of a lengthy effort to privatise the heavily-indebted flag carrier that according to the government has eaten up 1.1 trillion rupees (\$14.7 billion) in public money since 2009.

The airline was founded in 1932 with the first flight piloted by Tata's eponymous chairman himself JRD Tata, flying mail and passengers in a single-propeller de Havilland Puss Moth from Karachi to Bombay, as the city was known then.

Tata Air offered a slice of the high life with Bollywood actresses in its adverts and at one point commissioning Spanish surrealist artist Salvador Dali to design its ashtrays.

The airline was nationalised in the 1950s and in the decades that followed the "Maharaja of the Skies" became synonymous with the hopes and ambitions of the newly independent country.

"Welcome back, Air India," Tata's patriarch chairman emeritus Ratan Tata tweeted on Friday, while admitting it "would take considerable effort to rebuild" the company.

The airline 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," he said.

No frills, no profits

In the 1990s Air India began to struggle with competition on domestic and international routes from Gulf carriers and no-frills airlines, and the firm started amassing huge losses and debts.

Successive Indian governments tried to privatise the company but its

debts and New Delhi's insistence on retaining a stake put off would-be buyers.

Finally last year Prime Minister Narendra Modi's government, seeking to sell of a raft of state assets, agreed to take bids for the entire company but to retain some of what the airline owes.

Under the deal announced Friday, Tata will take on around a quarter of Air India's dues of 615 billion rupees, while the remainder will be transferred to a special-purpose vehicle.

Big bet

Tata Group, one of India's biggest and oldest companies, employs over 800,000 people in 100 countries.

Founded in 1868 by Jamsetji Tata, the "Father of Indian industry", Tata owns Jaguar Land Rover, software giant TCS, Tata Steel as well as interests in chemicals, hospitality, consumer goods and communications.

Its subsidiaries include 29 listed entities including software giant TCS, Jaguar Land Rover-parent Tata Motors, Tata Steel and others, which have a combined market capitalisation of over \$250 billion.

Buying back India's biggest international airline—domestically IndiGo is number one—is part of ambitious plans.

Tata owns 51 percent in Indian airline Vistara—Singapore Airlines holds the remaining 49 percent—as well as an 84-percent stake in AirAsia India, all of which Tata will now try to bring together.

Air India comes with a fleet of around 120 aircraft in addition to 4,400 domestic and 1,800 international landing and parking slots at domestic

airports, and 900 slots at airports overseas.

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Mark D Martin from Martin Consulting, an aviation consultancy, said that Tata should be able to swallow the additional debt.

"The transition from traditional to modern by the Tatas has been something of a case study and they've done a very good job. So, I don't think they'll have a problem with handling Air India," Martin told AFP.

"They've got deep pockets, they're well-positioned and they are very strategic in their approach. You won't find anyone better than the Tatas when it comes to turning around businesses."

Apart from Air India, the government also plans to raise billions of dollars through the privatisation of Bharat Petroleum and a major insurer.

In August, New Delhi said it was seeking to lease state-owned assets to the private sector to raise six trillion rupees to repair public finances battered by the pandemic and fund new infrastructure.

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