

# RETURN FLIGHT: AIR INDIA BACK WITH TATA GROUP

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Tatas face tough task of reviving airline with a dwindling market share

**NEW DELHI** : Air India was handed back to its founders, the Tata group, on Thursday almost seven decades after it was nationalized, capping years of struggle by the government to sell the struggling airline that became a burden on taxpayers.

N. Chandrasekaran, chairman of Tata Sons Pvt. Ltd, said Tata group is excited to have Air India back and is committed to making it a world-class airline.

"I warmly welcome all the employees of Air India to our group and look forward to working together," he said.

The handover to the Tata group marked the end of a long process to unload the debt-laden airline by the government, which spent a whopping \$15 billion to keep it flying.

However, the Tata group now faces the daunting task of turning around the money-losing carrier, with a bloated workforce and dwindling market share. But Air India does control prized slots at international and domestic airports.

"One of the biggest challenges for the Tata group will be to integrate Air India's fragmented operating network. Executing its global bilateral agreements will also be a challenge," said Mark Martin, chief executive at aviation industry consultancy Martin Consulting LLC.

"Air India, under Tata, will be a major international airline and compete with major global players. They will, however, have to augment network and routes and close down loss-making ones. Tata group will also have to work on bringing down the high costs," Martin said.

The finance ministry, whose Department of Investment and Public Asset Management (DIPAM) oversaw the sale, said the government received 2,700 crore from Talace Pvt. Ltd, a unit of Tata Sons, and transferred shares of Air India (100% of Air India and its low-fare subsidiary, Air India Express Ltd, and 50% stake in ground handling company Air India SATS Airport Services Pvt. Ltd) to Tata Sons.

In October, India's largest conglomerate was named the winning bidder for Air India, beating a consortium led by SpiceJet chairman Ajay Singh.

The Tata group holding company, through Talace, submitted the winning bid of 18,000 crore as the enterprise value of Air India against a reserve price of 12,906 crore. The bid comprised a payment of 2,700 crore and retaining a debt of 15,300 crore.

"A new board, led by the strategic partner, takes charge of Air India," DIPAM secretary Tuhin Kanta Pandey said on Twitter.

The board members of Air India, led by recently appointed chairman and managing director Vikram Dev Dutt, resigned on Thursday to make way for the management team led by the Tata group.

While a Tata group spokesperson declined to comment on the board's new members, it is said

to include executives from Tata Sons' mergers and acquisition team, the group's aviation experts, and a retired government official as an independent director.

Civil aviation minister Jyotiraditya Scindia said "Best wishes to the new owners. I am confident that the airline will bloom under their wings and pave the way for a thriving and robust civil aviation industry in India."

Tata Sons is, however, yet to disclose its plans for Air India. The Tata group holds a 51% stake in full-service airline Vistara, in which Singapore Airlines is the minority partner. It also owns a majority stake in AirAsia India Ltd, with Malaysia's AirAsia Bhd as the junior partner.

The Air India acquisition will give the Tata group access to 4,400 domestic and 1,800 international airport slots at Indian airports and 900 slots at foreign airports, including London's Heathrow and New York's John F. Kennedy International Airport.

Air India was founded by industrialist and aviator J.R.D. Tata in 1932 as Tata Airlines.

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