

GOVT. TO MOVE NEARLY HALF OF AIR INDIA'S RS. 55,000-CR. DEBT TO SPV

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R.N. Chaubey

The government has decided to transfer more than half of Air India's nearly Rs. 55,000-crore debt into a special purpose vehicle (SPV) to help the airline cut expenditure on servicing the huge loan, R.N. Chaubey, Secretary, Ministry of Civil Aviation, said.

"More than Rs. 29,000 crore will be moved from Air India into an SPV, which will also house the non-core assets such as the ground-handling arm and land. Liquidation of these assets will enable us pay off the debt. This will help Air India to reduce an expenditure item because of the interests it pays on its loans," Mr. Chaubey told reporters on Thursday.

'Substantial relief'

He called the move "a partial, but substantial relief" for the cash-strapped national carrier.

Mr. Chaubey said that the SPV — Air India Asset Holding Company Limited — had already been formed and that the airline had identified the loans to be transferred. The airline pays nearly Rs. 4,500 crore per annum as interest on its total debt. The debt of Rs. 55,000 crore is due to working capital loan and loans for aircraft. Once the partial debt is transferred, the airline would be left with Rs. 26,000 crore of debt from loans for aircraft.

Earlier this week, the Group of Ministers approved 100% stake sale of Air India's ground-handling arm Air India Air Transport Services Limited (AIATSL), an asset that will be moved to the SPV. AIATSL is the only profit-making subsidiary of Air India apart from Air India Express Ltd.

According to the earlier revival plan under the UPA-2 regime, Air India was approved equity infusion of Rs. 30,231 crore until 2021. Of this, it has received Rs. 28,000 crore. "There are two ways of looking at this plan. On one side, the break-up of Air India's core and non-core assets will help the government capture the upside of profit-making entities to pay off the debt of the airline.

"But the flip side is that the government is selling off profit-making entities to keep afloat an ailing and loss-making airline," Dhiraj Mathur, partner and leader, Aerospace and Defence. PricewaterhouseCoopers, said.

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