

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANAGEMENT
(DIPAM)
LOK SABHA
STARRED QUESTION No.*109
TO BE ANSWERED ON MONDAY, DECEMBER 6, 2021
Agrahayana 15, 1943 (Saka)

Sale of Air India

*109: SHRI A. RAJA

Will the Minister of FINANCE be pleased to state:

- (a) Whether it is a fact that Air India was sold off to Tata for a sum of Rs. 18,000/- crore of which Rs. 3,000/- crore is cash and rest Rs. 15,000/- crore is a loan transfer on paper;
- (b) if so, the details thereof;
- (c) whether apart from the other aircrafts, the 30 new 777 Jumbo jets each costing Rs. 2,000/- crore delivered in 2018 are also a part of the deal;
- (d) if so, the details thereof; and
- (e) the reason for diluting the assets of more than Rs. 1 lakh crore of Air India for Rs. 3000/- crore, which is actually three per cent of its value?

ANSWER

THE MINISTER OF FINANCE
(SMT. NIRMALA SITHARAMAN)

(a) - (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) to (e) OF LOK SABHA
STARRED QUESTION No. *109 TO BE ANSWERED ON MONDAY
DECEMBER 6, 2021 REGARDING “**SALE OF AIR INDIA**”

(a), (b) & (e): On account of huge accumulated debt of Air India, Government followed Enterprise Value (EV) bidding approach for strategic disinvestment of Air India and its identified subsidiaries/JVs (100% shareholding in AIXL and 50% shareholding in AISATS). Under the EV approach, bidders were to quote a combined debt and equity value with a split of 85% as debt and minimum 15% as equity consideration for allocation of quoted EV. The strategic disinvestment transaction has been carried out for the entire company as a going concern. Assets other than non-core assets and liabilities other than those excluded from the transaction will remain with the acquirer. Non-core assets of Air India and its subsidiaries (book value of Rs 14,718 crore as on August 31, 2021) are not a part of the disinvestment transaction and will not be taken over by the successful bidder but transferred to Air India Asset Holding Company (AIAHL), 100% owned by Gol. The strategic disinvestment transaction has been carried out through an open, transparent and competitive process.

- (i) In the first stage of the transaction, seven Expressions of Interest (EOIs) were received of which five EOIs were rejected on grounds of non-fulfilment of eligibility criteria and two EOIs were shortlisted for the second stage.
- (ii) Information was made available, under confidentiality undertaking through Virtual Data Room (VDR) to the Qualified Interested Bidders (QIBs), who also inspected the assets and facilities of the companies under the transaction.
- (iii) The Request for Proposal (RFP) was issued to the bidders. The Share Purchase Agreement (SPA) was then finalized and issued to the QIBs before submission of bids. DIPAM has a set of indicative guidelines for strategic disinvestment transactions which are to be suitably customized to each specific transaction. The Share Purchase Agreement (SPA) are based on

- guidelines and have been finalized after detailed Inter- Ministerial consultations at several fora, the Inter-Ministerial Group (IMG), the Core Group of Secretaries on Disinvestment (CGD) and Air India Specific Alternative Mechanism (AISAM).
- (iv) In keeping with the best market practices and extant guidelines, the Reserve Price for the transaction was fixed at Rs 12,906 crore on the basis of Business valuation carried out by the Transaction Adviser and Asset Valuation carried out by the Asset Valuer. The Reserve Price was fixed only after receipt of sealed financial bids.
 - (v) Two financial bids were received following a competitive and transparent disinvestment process. The highest bidder, M/s Talace Pvt Ltd, a wholly owned subsidiary of M/s Tata Sons Pvt Ltd quoted an EV of Rs 18000 crore with a retention of debt in AI + AIXL of Rs 15,300 crore (85% of EV quoted) and the cash component of Rs 2,700 crore (15% of EV quoted).
 - (vi) The SPA has been signed on 25 October, 2021. As per the SPA, a set of Conditions Precedent (CPs) have to be satisfied by the successful bidder, Air India and Government of India before closing of the transaction.
 - (vii) The transaction has been supported by professional advice from experts - Transaction Adviser, Legal Adviser and Asset Valuer, who have been appointed through a transparent, competitive process.

(c) and (d): Sixteen B777 aircrafts in Air India are part of the transaction, of which fifteen aircrafts have been inducted during the period 2007 to 2010 and one aircraft in 2018.
