

## PE Funds Too can Bid for AI: DIPAM

Govt open to selling stake in airline to any firm with required net worth and funds

Our Bureau

**New Delhi:** The government is open to selling its stake in Air India to any firm with required net worth and funds and not just airlines, a senior official has said, making a case for big private equity funds to bid for the national carrier.

“Even in Air India, we are not looking for only an airline to take over,” department of investment and public asset management (DIPAM) secretary Nee-raj Gupta said on Thursday. ■ “Finance is the main criteria

and the capability to take over and run such an asset is the main criteria,” he said at a function organised by industry association Assocham.

Last month, the government had floated a preliminary information memorandum inviting bidders to buy 76% in Air India along with transfer of management control. “We had given a small carve-out for airline — how the domestic airline can be fitted in terms of eligibility of consortium. Otherwise, anybody who has (required) net worth and funds can bid for Air India,” Gupta said, adding that venture capital funds may tie up with domestic companies to bid for state-run assets.

Separately, a finance ministry official said there has been good response from entities in airline industry as well as corporates for buying stake in the debt-ridden national carrier.

● AI SALE

## Not looking for airlines alone, says government

FE BUREAU  
New Delhi, April 19

AMID REPORTS THAT domestic private airlines have developed cold feet in bidding for Air India due to the tough conditions and doubts about the worth of the state-run carrier, a top finance ministry official on Thursday said not just airlines but other firms having sufficient net worth and the ability to run AI could buy the 76% stake on the block.

Venture capital funds could tie up with domestic companies to bid for AI, Neeraj Kumar Gupta, secretary of the department of investment and public asset management said. "...we are not looking for only an airline to take over (AI)... Finance and the capability to take over and run such an asset are the main criteria (for potential bidders)," Gupta said.

Last month, the government issued a preliminary information memorandum (PIM) offering 76% equity in AI, along with its budget arm Air India Express and airport service unit Air India SATS. "We had given a small carve-out for airlines (to bid) (in terms of how domestic airlines could be fitted in (when it comes to) eligibility of the consortium, but otherwise anybody who has (the required) net worth and funds can bid for Air India," Gupta said at an Assocham event here.

Domestic carriers IndiGo and Jet Airways have indicated they won't be bidding for the state-run carrier unless the current bidding conditions are changed.

## AI sale: Not looking for airlines alone, says government

SOURCES SAID several queries have been received with regard to the AI disinvestment "from entities in airline industry as well as other corporate groups". As per the PIM conditions, the government would retain 24% in AI and the prospective buyer/s are obligated to list the airline in a spec-

positive — if the consortium has a scheduled airline operator in India as its partner, the PAT condition won't be applicable, if its shareholding is restricted to a maximum of 51% of the paid-up equity share capital of the consortium.

Employee unions have expressed concern about job security of employees post-privatisation of the airline. Official sources added that there should be no concern about retrenchment as the the government "would follow best industry practices". There are over 11,000 regular employees at AI and its two other units.

# AI sale: Govt looks past airlines to other bidders

Emphasis on allowing other investors comes after some airlines drop out

Gireesh Chandra Prasad &  
Asit Ranjan Mishra

NEW DELHI

**T**he government is counting on investors outside the airline industry as suitors for Air India to keep competition high for the national carrier that is up for sale.

Neeraj Kumar Gupta, secretary in the department of investment and public asset management (DIPAM) said here that the eligibility criteria for the strategic disinvestment is only financial and does not require investors to have prior experience in the aviation sector.

"We are not talking about the technical or managerial expertise of the investor (in the bid document) so that there is an equal opportunity. Even in the case of Air India, we are not looking at airlines alone," said Gupta.

Speaking at the India investment conference organized jointly by industry chamber Assocham and Private Equity and Venture Capital Association of India, Gupta said that so far the department of investment and public asset management has received a lot of queries and clarifications regarding the Air India disinvestment from prospective airline and non-airline investors.

Allowing investors with a strong financial position to bid in a consortium with other businesses widens the pool of potential bidders for the assets the government is exiting.

The emphasis on the government welcoming businesses other than airlines on an equal footing with airlines for the 76% stake in Air India comes after some airlines dropped out of the race for the national carrier.

Jet Airways (India) Ltd recently stated that it is not participating, while Inter-Globe Aviation Ltd, the operator of IndiGo, the country's largest airline, said it has no capability to successfully turn



MINT QUICK READS

## Govt woos potential bidders

► Eligibility criteria for the strategic disinvestment is only financial and does not require investors to have prior experience in the aviation sector

► Bidders need a minimum net worth of Rs5,000 crore and profit after tax in three of the previous five financial years

► Govt is selling 76% stake in Air India, 100% in Air India Express and 50% in Air India SATS Airport Services

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—Neeraj Kumar Gupta  
Secretary, DIPAM

NAVEEN KUMAR SAINI/MINT

around Air India.

Gupta said that the financial prudence displayed by the government makes private investors, including venture capital and private equity investors, key players in economic growth and that the process of disinvestment in state-owned enterprises offers an investment opportunity to them.

According to the bid document released last month, investors with a minimum net worth of Rs5,000 crore and a track record of reporting profit after tax (PAT) in three of the previous five financial years are eligible to bid for 76% stake in Air India, 100% stake in Air India Express Ltd and 50% stake in Air India SATS Airport Services Pvt. Ltd.

DIPAM secretary Gupta added that

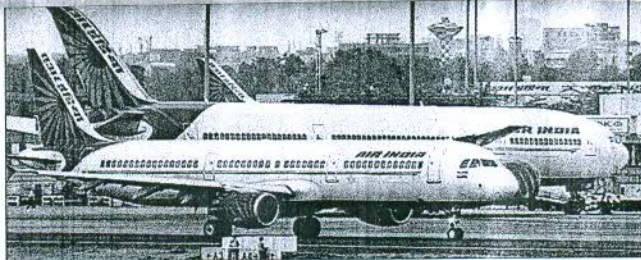
several public sector companies which are good brownfield projects needing capital for technology acquisition offer scope for private equity and venture capital funds to invest in.

**Govt has received a lot of queries regarding AI disinvestment from prospective airline and non-airline investors, says DIPAM secretary Neeraj Gupta**

Gupta said that the "transformational" reforms that have taken so far, such as the implementation of the goods and services tax (GST) and bankruptcy reforms indicated the resolve of the central government to take on thorny issues head on.

Experts said bankruptcy reforms have opened up new opportunities.

"There will be a lot of scope for investment in stressed assets," said Suman Jyoti Khaitan, managing partner at law firm Suman Khaitan and Co.



▪ The emphasis on government welcoming other businesses on an equal footing with airlines for the 76% stake in Air India comes after some airlines opted out of the race

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## AI sale: Govt looks past airlines to other bidders

Gireesh Chandra Prasad and  
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PRIME MARKET

## Entities with funds to run AI can bid: Dipam secy

**New Delhi:** Entities having sufficient networth and the ability to run Air India (AI) can bid for 76% stake in the national carrier, Dipam secretary **Neeraj Gupta** said on Thursday.



Prodding venture capital funds to participate in the PSU disinvestment programme, Gupta said such funds may tie up with domestic companies to bid for state-run assets.

"Even in Air India, we are not looking for only an airline to take over...Finance is the main criteria and the capability to take over and run such an asset is the main criteria," said the secretary in the Department of Investment and Public Asset Management (Dipam).

The government had last month floated a preliminary information memorandum inviting bidders to buy 76% stake in Air India along with transfer of management control. "We had given a small carve-out for airline, how the domestic airline can be fitted in terms of eligibility of consortium but otherwise anybody who has (required) networth and funds can bid for Air India," Gupta said at an Assocham event here.

The proposed disinvestment would also include profit-making Air India Express and joint venture AISATS. The latter is an equal joint venture between the national carrier and Singapore-based SATS. Air India has a cumulative debt of nearly Rs 49,000 crore of which over Rs 33,000 crore will remain with Air India and Air India Express post the disinvestment.

As per the bid document, bidders would be required to have a minimum net worth of Rs 5,000 crore and should have posted profit after tax (PAT) in three of the previous five financial years from the Expression of Interest (EoI) deadline. The last date for submission of the bids is May 14.

The bids can be put in by a single player or as part of a consortium. The consortium can be along with a bank, venture capitalist, financial institution or fund. AGENCIES

