



Market Realities in Air India's Disinvestment

What is the issue?

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- Right wing nationalists have recently claimed for swadeshi policies in Air India's disinvestment.

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- The market realities prevailing in the public sector enterprises are contrary to these claims.

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What is government's decision on Air India?

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- Air India limited a government owned enterprise, has been a non-performing asset for well over a decade with an unsustainable debt of over Rs 520 billion.

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- This is partly on account of poor aircraft purchases and more due to deep rooted operational inefficiencies.

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- Air India has a huge loan amount but working capital loans and other liabilities account for more than half, which points to the deep-seated operational inefficiencies.

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- To address these issues Union government has proposed divesting 75% of Air India's shares.

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What is the stand of swadeshi advocates?

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- The right wing groups and advocates have always supported swadeshi in trade, politics and religion.
- This ideology bloomed during the nineties for a brief period as a new swadeshi movement to counter the LPG measures.
- The movement waned as the limitations with this ideology became manifest in an increasingly open economy.
- Presently, few right wing advocates are trying to bring back the ideologies of swadeshi in government measures like divestments of shares in public owned enterprises.

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What is the market reality in Air India's disinvestment?

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- No Indian corporations are willing to purchase shares of Air India due to its heavy loan burden.
- Even if they buy, none of the domestic players have capacity to turn around the airlines to a profitable entity.
- There are unnecessary concerns over the national interest as divesting India's flag carrier, could affect country's security.
- This stipulation has almost always crippled the growth of the public enterprises.

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Source: Business Standard

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