

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

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- 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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