IBC for Air India

What is the issue?

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- The government’s attempt to privatise the loss making Air India (AI) is not materialising.
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- Resolving it through the new Insolvency and Bankruptcy Code could be a better option.
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What is going on with AI?

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- The airline is behind on its payments to several of its creditors.
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- These include both operational creditors, such as aircraft lessors, and financial creditors, such as banks.
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- Debts have been piling up for at least two months in both cases.
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- The aircraft lessors have declared that an “event of default” has occurred.
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- This may mean that they begin proceedings to take back the leased aircraft.
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- This would leave AI with a huge drawback in its schedule and place it in even more trouble.
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- On the other hand, the RBI has been quite firm on not covering up bad loans any further.
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- So if AI misses payments for 3 months, then the banks might be entitled to declare its account a non-performing asset.
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What next?

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- In the last financial year (2017-18), the government committed to releasing Rs 18 billion.
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- This was, reportedly, to allow the airline to deal with its accumulated losses.
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- But only Rs 6.5 billion of that amount was released.
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- AI is assuring its creditors to pay back, but the government may not release any more of the money.
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- This is because the creditors, concerned with NPA, could possibly move the AI case to the National Company Law Tribunal.
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- The AI account might be subjected to the process and principles of the Insolvency and Bankruptcy Code (IBC).
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- If this happens, the privatisation of AI might move forward purely through the application of law.
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- In this case, the committee of creditors could take the decisions that the government, as primary owner, is unwilling to take.
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- This would be favourable from the taxpayer's point of view, as it prevents the impact of the AI loss on taxpayers money by being under the government.
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Source: Business Standard

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