



UNION BUDGET PROPOSE EQUITY INFUSION OF 4,000 CRORE INTO AIR INDIA

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Union Budget 2012-13 presented by Finance Minister Mr. Pranab Mukherjee has proposed equity infusion of INR 4,000 crore into Air India. The equity infusion of INR 4,000 crore will help in improving the debt-equity ratio of the airline. The infused funds would be used to clear the dues of oil companies, airport operators and payment of employee's salary. According to industry sources, it is believed that the airline's debt-equity ratio will improve from 1:13 to 1:6.5.

PSA's view: It is a welcome step for Air India who has a debt of over INR 43,000 crore and accumulated losses of over INR 20,000 crore. The present infusion is over and above the INR 3,200 crore infused into the airline in the last two financial years. It is important to assess as to how long the Government can take these measures to restore our national carrier.

CBEC drag Mr. Vijay Mallya to court

Mr. Vijay Mallya, the promoter of the Kingfisher Airlines is in for trouble. The CBEC has taken a legal opinion to drag the owner of the ailing airline to the court, and seek his prosecution for failure to clear INR 76 crore as service tax dues. According to CBEC, the airlines had deducted service tax from passengers, but did not deposit the same which is in breach to CBEC norms. The rule stipulates that if a person fails to deposit tax deducted at source for a period exceeding six months, the offender can be prosecuted and even face jail term up to three years.

PSA's view: Last year, Ministry of Finance had given the ailing airline the opportunity to clear its dues by depositing INR 1 crore a day. However, due to default, CBEC froze airline's 40 bank accounts. It is believed that a similar action has also been initiated by the Income Tax authorities against airlines for not depositing TDS.

Air India's MRO facility to be operational soon

As a first, Air India's new MRO facility at the IGI Airport in New Delhi is slated to be commissioned soon. Though the facility was commissioned in December 2011, a few essential works still remained pending and are likely to be finished soon allowing the airline to commence MRO operations locally. The only hurdle

remaining in Air India's way was the statutory clearance from BCAS which had inspected the facilities last week, and as per media reports, BCAS has also expressed its acceptance of the facilities.

PSA's view: In view of the growing aviation sector, the establishment of a state of the art facility by Air India is definitely a positive step. With the announcement of active consideration of FDI up to 49%, the aviation sector is slated to see many firsts in 2012. Establishment of a local MRO facility by Air India will in the future improve turnaround time for repair and maintenance activities and allow for saving of massive time and cost. Hopefully, this will also turn around the perception of other aviation companies and more MRO facilities will be established in India, owing to the huge demand of inland MRO by aircraft owners and operators.

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