

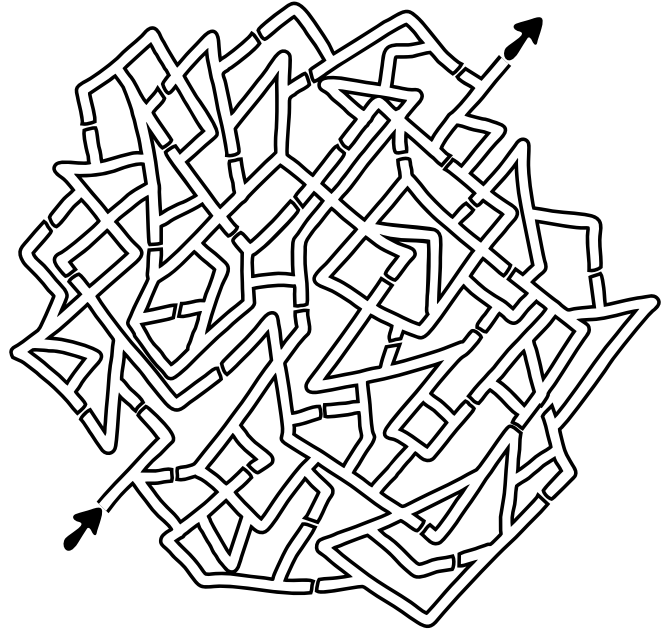


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PRIVATIZATION OF AIR INDIA

ASTHA BHATTACHARYA



AIR INDIA'S HOMECOMING

The 8th of October, 2021 was a historic day in more ways than one. The government-owned Maharaja (Air India) is finally coming back home to the Tata Group, as their subsidiary - Talace Pvt Ltd. has submitted the winning bid. The Tatas are paying Rs. 18,000 crores for the beleaguered airlines - Air India and Air India Express, of which Rs 15,300 crores is in the form of debt and the rest is to be paid in cash. The homecoming of Air India is interesting because the erstwhile government had almost forcibly taken over the airline from the founder, Mr. J.R.D Tata. Ever since, successive governments have been burning taxpayers' monies to keep the national airline in the air, while incurring thousands of crores of debt in the process. With the sale of Air India now, the privatization of government-run businesses has finally come out of its hiatus.

THE DEBT AND THE DEETS

The new owners of the airline will effectively take over $\frac{1}{4}$ of the total debt while retaining at least 51% stake and its 12,000 employees for a year. As part of the divestment deal, the Tatas have agreed to stick to the business continuity clause for three years, while also retaining the Air India brand for 5 years. To be clear, the government will be absorbing the airline's debt worth Rs. 46,262 crores to make the deal more lucrative for the new buyers. With the Addition of Air India in its aviation portfolio, the Tata Group is now an aviation behemoth in India as it also owns a 51% stake in Vistara Airlines and an 83.67% stake in Air Asia India. There are talks of consolidation of all these brands going forward to create a formidable competition for incumbents like Indigo and new entrants like Akasa Airlines.

THE UNSUCCESSFUL ATTEMPTS

Interestingly, this is not the first time that the Maharaja has seen the auction block. Attempts began much earlier during PM Atal Bihari Vajpayee's third term in office (1999-2004). The cabinet voted to sell 60% of the government's shares in the airline in May 2000. However, by early 2002, the process had debilitated, with the consortium of Singapore Airlines and Tata Sons cutting ties and the other bidders such as Hinduja, withdrawing. As for the Tatas, this sale underscores a long-term bet on India's booming aviation sector, as they are expected to invest far more into Air India, than what they have paid the government.

THE ZEE - SONY MERGER

KRISHNA LOHIA



AN ENTERTAINING MERGER

Sony Pictures has been on the lookout for a local partner in India to challenge the Disney-Star collaboration that has been leading the content market. Previously, the company had also been in discussions with Reliance-owned Viacom for a potential merger but the talks were called off. Here, things seemed to be off to a good start with Zee. ZEE has a larger network viewership share than Sony, but it derives most of its strength from regional general entertainment channels (GEC) and movies, whereas Sony has a strong foothold on GEC and sports segments.

SPILLING THE DEETS

Let's talk about perhaps the most exciting M&A deal going on in the Indian corporate world currently. Yes, we're talking about the proposed merger of Zee Entertainment Enterprises Ltd. (ZEEL) with Sony Pictures Networks India. The board of directors of ZEEL had given in-principal approval to the merger, in what was supposed to create a media combine which straddles across platforms such as cable television, digital video streaming, production operations, and music and video libraries. The two media giants had agreed to merge the linear networks, digital assets, production operations, and program libraries. Before any of this could materialize, a whole host of roadblocks have cropped up that have stalled the mega-merger in the industry.

In fact, in 2018 Zee Entertainment had sold its sports portfolio under the Ten Sports brand to Sony Pictures Networks India, along with a non-compete agreement that prevented Zee from entering the sports segment. Now, as per the terms of the proposed merger, the shareholders of Sony were to infuse \$1.575 billion in the merged entity, giving Sony a 52.93% stake, while the shareholders of ZEEL were to hold onto 47.07%. The plan was to get the merged entity publicly listed company in India.





THE POWER TUSSLE

There's a reason why this merger hasn't materialized yet, and that's because the shareholders and the board of the company do not see eye to eye on this merger. Not so long back, Invesco - one of ZEEL's biggest foreign investors had voted to remove Mr. Punit Goenka, the sitting CEO of the company over corporate governance issues. However, Goenka, who has presided over the company since 2010, is putting up a stiff legal fight against Invesco. Zee has rejected the demands of Invesco and the matter has gone from the NCLT to the Bombay High Court. While Invesco is being accused of attempting a hostile takeover during the merger negotiations are ongoing, the future of the Zee-Sony deals is in limbo as of now.

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