Air India-Vistara Merger: A Long Trend of the Maharaja Finding Support

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Abstract

The paper focuses on the ongoing merger of the Tata-owned Air India and Singapore Airline's Vistara due this year, highlighting the risk and outcomes of the same. The paper further covers the trend of Air India, with a background analysis of its merger of the Shareholding Pattern and the repercussions of the same. The paper brings into consideration of Air India's recent change of ownership, as the Maharaja becomes a part of the Tata Group again.

Research Methodology

The research method that will be utilized for this paper is strictly doctrinal. The study will incorporate multiple sources to acquire pertinent laws and facts, including Legislations, Articles, Journals, Statutes, Reports, and Books. Furthermore, the development of jurisprudence on this subject will be analyzed by referencing relevant case studies regarding the same. Articles and other statutes (if required) would additionally be referred to for their concerned provisions in order to derive legislative context for the research. Lastly, this investigation will gather information from various other sources such as newspaper and magazine articles, as well as online sources.

Introduction

In January 27, 2022, Tata Sons, through its wholly owned subsidiary, Talace Private Limited obtained full ownership of Air India. Vistara, a 51:49 Joint Venture established in 2013 by Tata Sons and Singapore Airlines Limited ("SIA"), is India's inaugural full-service airline with a global presence in the Middle East, Asia, and Europe. After acquiring the required permissions, Vistara will merge with Air India. As part of the merger agreement, SIA would also invest Rs 2,059 crore in Air India. The merger between Vistara and Air India will receive final approval once the Cabinet gives its nod to Singapore Airlines' foreign direct investment in AI. Singapore Airlines (SIA), a 49% shareholder in Vistara, has announced plans to increase its stake in the combined airline by investing 2,059 crores, resulting in a 25.1% interest. Thus, obtaining FDI permission is necessary.

Issues Contended

1. Will the previous government held ownership and trends of acquiring low-cost airline govern the current merger, based on economy?
2. What would be the legal Impact of the FDI Approval not provided yet?
3. Would the merger result in multi-faceted answers for the competition and consumer commissions of both the jurisdictions?
4. What would be the impact on the key stakeholders of the two airlines as a result of the merger?

5. Would the delayed timeline impact the merger due to its concerns being raised about the current ration and jurisdictional issue?

Literature Review

A. "Air India-Vistara Merger – Maneuvering "Vihaan.Ai" Through the Turbulence" - Prashant Chaudhary.

The author identifies the clear cause for the merger trend as the superior identification, salience, and recall of the brand AI in the worldwide market, above Vistara. The Tata Group envisioned the brand AI as a prominent global aviation participant, embodying the legacy, character, and principles of the Vistara brand in its redefined form. In order to achieve these objectives, the author recommended that the Tata Group devise a bold strategy known as "Vihaan.AI", with the aim of securing a 30% share of the home market by 2027.

B. "Acquiring Air India: Turbulent Questions for the Competition and Consumer Commission of Singapore (CCCS)" - Tarun Rao.

The paper suggests that the combination could significantly reduce competition in the air transport industry, specifically between Singapore and important Indian cities such as Mumbai. In addition, it is determined that the existing framework utilized by the CCCS to enforce airlines' obligations is inadequate in addressing the repercussions of this acquisition, as there are limited past instances for the CCCS to consider when making an informed judgement. In addition, the paper aims to analyze the legislative framework that governs merger control in Singapore and the United Kingdom, along with the business environment surrounding the Air India-Tata and Asiana-Korean Air mergers.

C. "Landing On Tata Runway for a Rapid Take Off: Air India Beyond 2021" - Rameshan P.

In this research report, two strategic viewpoints are analyzed: corporate strategy, profitability, and market leadership within the specific business unit. In addition to evaluating the organizational culture, operational turnaround, industry structure, and competitive dynamics, the owner prioritizes returns, repositioning strategy, and financing plan. The author's objective is to gain insight into the evolving competitive dynamics of a dynamic industry, investigate the elements that result in a shift of control from the public to the private sector, and examine the rationale behind acquiring a consistently unprofitable company operating in an unpredictable environment without a well-defined strategy.

D. "Air India Acquisition Eight Decades of Being 'Maharaja" Saha S.

The author examines Air India's remarkable turnaround under the guidance of Tata Sons. One year after Tata Sons' acquisition of Air India from the government, the airline has experienced a significant boost in its average daily income, showcasing remarkable progress made in a relatively short time. The transformation strategy, known as "Vihaan.AI", seeks to elevate Air India to the status of a leading international airline by improving customer service, technology, product offerings, reliability, and hospitality, while also taking into account the merger.

E. Tata Group Faces Long Struggle to Transform Air India – Prajakta K.

The article highlights the potential impact of losses experienced by the airline, which may be balanced out by earnings from other Tata companies. In addition, Air India's plans to increase its market share will be greatly supported by its lucrative flying rights and valuable landing slots, along with the airline's improvements in personnel and initiatives to change long-standing attitudes that have developed over many years of public ownership. In addition, the upcoming merger with SIA's Vistara will continue to support this objective.

F. "The Laws of Ownership and Control of Airlines: Selected Jurisdictions" Andrea Trimarchi.

This paper primarily examines the Indian airline industry. In a surprising move, India has made substantial policy changes to allow for greater foreign investment in its national air carriers, despite its long-standing strict restrictions on "substantial ownership" and "effective control". Furthermore, regarding the latest changes in regulations, three concerns have arisen. At present, although the new FDI policy allows for full foreign ownership of Indian carriers, this provision has not yet been incorporated into domestic licensing laws. Airlines are still required to demonstrate that Indian nationals have a significant ownership stake and maintain effective control in order to obtain an operating license.

Conclusive Analysis

In November 2022, Tata Group, a conglomerate with a wide range of strategic interests, jointly announced the merger of Air India (AI) with Vistara. Such development will result in the establishment of a fully-fledged airline operating under the brand name "Air India". The primary factor contributing to this phenomenon was the superior degree of recognition, visibility, and memorability of the brand AI in comparison to Vistara in the worldwide market. In its new and enhanced form, the Tata Group saw the brand AI as a significant participant in the worldwide aviation sector, embodying the heritage, essence, and values of the Vistara brand. To attain these objectives, Tata Group devised a bold plan named "Vihaan.AI" with the intention of securing 30% of the local market by 2027.

Following the merger, Air India Ltd.'s shareholding pattern will be as follows: Tata Sons Pvt. Ltd. will hold 73.8%, Singapore Airlines Ltd. will hold 25.1%, and SBICAP Trustee Co. will hold 1.52%. The tribunal ordered Talace and Vistara to dissolve without winding up following the merger's effective date.

All perks, entitlements, and obligations of the merging companies would be transferred to Air India. Employees of the disbanded companies will continue to work for Air India, with their current terms and benefits. Contracts and responsibilities will also be transferred to Air India, which will handle any remaining legal actions.

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