

Budget 2012: Budget may bring sweet relief for ailing Air India

There could be some good news for ailing Air India in the upcoming Budget with the government considering a support package of about 10,000 crore for it, including 6,600 crore worth of equity infusion.

The Union Cabinet is expected to consider this package shortly to enable inclusion of the provision in the general Budget, official sources said, adding that a Cabinet note has already been circulated for comments from various ministries.

The cash-strapped airline is likely to get a 10,000-crore package in the next financial year, including additional equity of 6,600 crore and other support, the sources said.

The move comes two weeks after a group of ministers, headed by finance minister Pranab Mukherjee, cleared the financial restructuring plan for the cash-starved national carrier, allowing it to raise 7,400 crore by issuing government-guaranteed bonds or other means.

The bond is likely to carry 8.5-9% coupon rate and financial institutions, who have lent money to Air India, may subscribe to these bonds, the sources said. The entire package was suggested by the GoM as part of the airline's financial restructuring and turnaround plan. The government has invested 1,200 crore this year, taking Air India's equity base to 3,345 crore.

(Economic Times)