

Singapore Airlines, Tata agree to merge Air India with Vistara

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Singapore Airlines will get a 25.1pc stake in Air India and make an investment of ₹2,059 crore in the Tata-owned airline as part of an agreement to merge their joint venture Vistara with the larger Indian carrier.

The merger will allow the Tata group to consolidate the different airlines it owns under an enlarged Air India group. Earlier this month, Air India also fully bought out budget carrier AirAsia India from Malaysia's AirAsia Aviation Group and said it would combine it with AI's low-cost Air India Express unit.

Tata Sons purchased both Air India and Air India Express from the government in January.

“Vistara shall be merged with Air India post receipt of requisite approvals. The transaction is estimated to be completed by March 2024,” Tata Sons said in a press statement. In the meantime, “it will be business as usual” for Vistara and its customers, its chief executive officer Vinod Kannan said.

With this consolidation, the Air India group has the second-largest domestic market share of 25.9pc behind only IndiGo, which controls 56.7pc of domestic traffic. The Air India group also has the highest international market share among Indian airlines of nearly 22.7pc.

It is the only Indian airline to operate both full-service and low-cost passenger services. It is expected that its domestic routes will be primarily operated on a low-cost model, barring some business routes. International routes will see a full-service model, though short-haul routes could be a combination of both.

“We are excited with the opportunity of creating a strong Air India which would offer both full-service and low-cost service across domestic and international routes. We would like to thank Singapore Airlines for their continued partnership,” said Tata Sons chairman N. Chandrasekaran.

“The combination of Tata Sons and Singapore Airlines will provide Air India with the requisite strategic expertise, industry capabilities, access to capital and determination to create an airline that India will be proud of,” said Kapil Kaul, chief executive of aviation research and advisory firm CAPA India.

A continued investment in an Indian airline that is four to five times larger in scale in comparison to Vistara will “bolster SIA’s presence in India, strengthen its multi-hub strategy, and allow it to continue participating directly in a large and fast-growing aviation market,” Singapore Airlines said in a press statement. It added that although India is the world’s third-largest aviation market, where air travel is expected to more than double over the next 10 years, “India also remains underserved with low international seats per capita,” which signifies a massive potential for growth.

Air India, Air India Express, AirAsia India and Vistara currently have a total of 218 widebody and narrowbody aircraft, serving 38 international and 52 domestic destinations.

Vistara, a 51:49 joint venture between Tata Sons and Singapore Airlines Limited was established in 2013 and is a full-service carrier with international operations in the Middle East, Asia and Europe.

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