

## Business

MONDAY, MAY 7, 2018

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NEW DELHI: In this file photo, an Air India plane is seen parked on the tarmac at the Indira Gandhi International Airport in New Delhi. — AFP

# Sale of debt-laden Air India fails to take off

## Key deadline looms with no bidder in sight

**MUMBAI:** The Indian government's attempt to sell debt-laden national carrier Air India is in danger of hitting the skids as a key deadline looms with no bidder in sight. Prime Minister Narendra Modi's administration announced in March that it would privatize the beleaguered airline. But the plan has struggled to get off the ground with several prospective buyers ruling themselves out.

"Conditions put forth by the government with regards to debt and employee costs are restrictive and have put off investors," aviation expert Amrit Pandurangi told AFP.

"The government needs to address the concerns of the private investors if the stake sale is to move forward," the independent analyst added. Air India, founded in 1932, was once the country's monopoly airline, known affectionately as the "Maharaja of the skies".

But it has been hemorrhaging money for years as it has slowly lost market share to low-cost private players

in one of the world's fastest-growing airline markets. Successive governments pumped in billions of dollars to keep it afloat before Modi's cabinet last year gave the go-ahead to start the process of selling the flagship carrier. The government wants to sell a 76 percent stake in the 86-year-old airline and offload \$5.1 billion of its debt in what would be one of India's biggest ever divestments. However the proposal has failed to fly with several major airlines, including IndiGo, now India's number-one airline, and Jet Airways, which said last month they were out of the running after reviewing government bid documents.

Analysts say the company's large debts and generous pension schemes are putting off buyers. Air India is about \$8 billion in the red and reported losses of almost 58 billion rupees (\$866 million) for the financial year ending March 2017.

"We don't think any of the Indian airlines have the financial strength to bid for Air India," said Binit

Somaia, South Asia Director at the Centre for Aviation (CAPA), told AFP.

### 'Back to drawing board'

Airlines are also being deterred by the sale terms, experts say. The documents state that the buyer has to purchase all of Air India's six entities, three of which are loss-making. IndiGo said it was interested only in Air India's international routes and not its loss-making domestic operations. "IndiGo has been a highly successful carrier. It is a good decision on their part to focus on organic growth," said Somaia.

Under any deal the government would retain a 24 percent stake. Its insistence that the winning bidder cannot merge the airline with existing businesses as long as the government keeps its stake is seen as a key stumbling block. Last week the government was forced to extend its deadline to May 31 for companies to submit an expression of interest after none was received.

Indian media reports say the tea-to-steel conglomerate Tata Group, which founded the airline before it was nationalized in 1946, is the best hope for a sale. Others have suggested that Lufthansa, Etihad Airways and the British Airways-led International Airlines Group might come forward. The three carriers declined to comment to AFP. Singapore Airlines, which has a partnership with Tata in Indian airline Vistara, has also been touted. A spokeswoman told AFP that it will "keep its options open".

Commentators say it will be very difficult politically for Modi's Bharatiya Janata Party government to sell the state carrier to a foreign group, making a domestic-international partnership most likely. But first it looks like it will have to ease its sale terms to attract any formal bids. "If the deal in its current form doesn't go through the government will have to go back to (the) drawing board and relook at the deal structure," Manish Agarwal, of PricewaterhouseCoopers, said. — AFP

## Gulf Bank voted 'Best Retail Bank in Kuwait' by Banker Middle East



tomers might not even realize they have," said Tareq Al-Saleh upon receiving the award.

"I would like to thank the Gulf Bank team for their hard work and Banker Middle East for recognizing and endorsing our efforts." The Banker Middle East Industry Awards were first held in 1999 and have become acknowledged as the most important recognition of financial excellence in the Middle East. Every year through a combination of reader votes and in-depth analysis of financial statements Banker Middle East assesses all financial institutions in the region and celebrates the best and brightest of the banking sector in the region. Each winner has outperformed their peers across a variety of the most important key performance indicators to witness unrivaled growth and success in the last year.

tive year, which I believe is a testament to the Bank's commitment to its customers and their needs. We are working to ensure we not only meet customers' needs but also meet needs that cus-



## Egypt must deepen reforms to catch window of global growth, says IMF

**CAIRO:** Egypt will have to deepen its IMF-backed reforms and better encourage private sector growth if it wants to cash in on a wave of global expansion that may soon come to an end, a fund official in Cairo said on Saturday. Halfway into a three-year \$12 billion IMF loan program it signed in late-2016 tied to tough austerity measures, Egypt is hoping painful reforms like tax hikes and subsidy cuts will now lure back foreign investors and kick-start an economy that crashed after its 2011 Arab Spring uprising. Speaking to government officials as part of an IMF visit to review Egypt's reform program, First Deputy Managing Director David Lipton praised the country's progress but said "broadening and deepening the reform agenda" is crucial to take advantage of ripe global conditions.

"But now the time has come to take advantage of the hard-won macroeconomic stability and push on to create jobs and raise living standards through sustainable growth," Lipton said in a prepared statement provided to Reuters. He described strong global growth, projected at 3.9 percent for 2018 and 2019, and low interest rates likely to rise as "a good window of opportunity for Egypt to undertake reforms...that may not be open for too long."

Cairo's tough reforms have included a currency float that halved the value of its pound, deep cuts to fuel and electricity subsidies and a new value-added tax. — Reuters

**KUWAIT:** Building on an already impressive start to 2018, Gulf Bank was awarded the distinction of 'Best Retail Bank in Kuwait' by Banker Middle East, the region's leading banking industry magazine. The award recognizes the Bank's outstanding performance in the retail sector and highlights its understanding of customers' needs and its commitment to delivering superior services and products. The award was received by Bank executives Tareq Al-Saleh, Assistant General Manager of Investment and Mr. Basel Al-Assad, Assistant General Manager of Branch Banking at a ceremony at the Ritz Carlton DIFC in Dubai on May 3, 2018. "It is an honor to be recognized as the leading retail bank in Kuwait for the third consecu-