



SINGAPORE AIRLINES AND TATA SONS TO MERGE AIR INDIA AND VISTARA, CREATING INDIA'S LEADING AIRLINE GROUP

Singapore Airlines (SIA) and Tata Sons (Tata) have agreed to merge Air India and Vistara, with SIA also investing INR 20,585 million (S\$360 million, US\$250 million) in Air India as part of the transaction. This would give SIA a 25.1% stake in an enlarged Air India group with a significant presence in all key market segments¹. SIA and Tata aim to complete the merger by March 2024, subject to regulatory approvals.

SIA intends to fully fund this investment with its internal cash resources, which stood at S\$17.5 billion as of 30 September 2022².

SIA and Tata have also agreed to participate in additional capital injections, if required, to fund the growth and operations of the enlarged Air India in FY2022/23 and FY2023/24. Based on SIA's 25.1% stake post-completion, its share of any additional capital injection could be up to INR 50,200 million (S\$880 million, US\$615 million), payable only after the completion of the merger.

The actual amount will depend on factors including the progress of the enlarged Air India's business plan, and its access to other funding options. SIA intends to fully fund any additional capital injections with its internal cash resources.

¹ Today, SIA and Tata hold a 49% and 51% stake in Vistara respectively. Tata wholly owns Air India, which includes the low-cost carriers Air India Express and AirAsia India.

² In addition to its cash and bank balances of S\$17.5 billion, the Group retains access to S\$2.2 billion of committed lines of credit, all of which remain undrawn. SIA intends to redeem the 2020 Mandatory Convertible Bonds on 8 December 2022, and cash and bank balances will decline by S\$3.86 billion on a pro-forma basis on that date.

Through this transaction, SIA will reinforce its partnership with Tata and immediately acquire a strategic stake in an entity that is four to five times larger in scale compared to Vistara. The merger would 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.

Mr Goh Choon Phong, Chief Executive Officer, Singapore Airlines, said: "Tata Sons is one of the most established and respected names in India. Our collaboration to set up Vistara in 2013 resulted in a market-leading full-service carrier, which has won many global accolades in a short time.

"With this merger, we have an opportunity to deepen our relationship with Tata and participate directly in an exciting new growth phase in India's aviation market. We will work together to support Air India's transformation programme, unlock its significant potential, and restore it to its position as a leading airline on the global stage."

Mr Natarajan Chandrasekaran, Chairman, Tata Sons, said: "The merger of Vistara and Air India is an important milestone in our journey to make Air India a truly world-class airline. We are transforming Air India, with the aim of providing great customer experience, every time, for every customer. As part of the transformation, Air India is focusing on growing both its network and fleet, revamping its customer proposition, enhancing safety, reliability, and on-time performance.

"We are excited with the opportunity of creating a strong Air India which would offer both full-service and low-cost services across domestic and international routes. We would like to thank Singapore Airlines for their continued partnership."

India is the fastest growing global economy, and is projected to become the third largest in the world by 2027³. It is also the world's third largest aviation market. Demand for air travel is surging with passenger traffic expected to more than double over the next 10 years, supported by rising income levels and ongoing investments in its aviation infrastructure. However, India also remains underserved with low international seats per capita, signifying significant growth potential⁴.

Following its acquisition by Tata in January 2022, Air India unveiled a wide-ranging transformation programme to strengthen its foundations and revamp its operations, setting it on the road to recovery and positioning it for growth⁵.

The combination of Air India and Vistara would bring significant synergies. Air India has valuable slots and air traffic rights at domestic and international airports that are not available to Vistara. With Vistara widely recognised as India's leading full-service carrier, Air India will benefit from its operational capabilities, customer base, and a strong focus on customer service and product excellence.

Today, Air India (including Air India Express and AirAsia India) and Vistara have a total of 218 widebody and narrowbody aircraft, serving 38 international and 52 domestic destinations. With the integration, Air India will be the only Indian airline group to operate both full-service and low-cost passenger services. It can optimise its route network and resource utilisation, be flexible and agile in capturing demand across market segments, and tap on a larger consumer base to strengthen its loyalty programme.

This would reinforce its position as India's largest international carrier and second largest domestic carrier, allow it to offer more options and connectivity for business and leisure customers, and enable it to compete as a leading global airline.

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³ Morgan Stanley India report - <https://tinyurl.com/3sajf7ma>.

⁴ Airbus forecast (<https://tinyurl.com/2ykenje>) and Boeing forecast (<https://tinyurl.com/53ac9vtv>).

⁵ Details on Air India's Vihaan.AI programme can be found here: <https://tinyurl.com/2y5dwa6h>.

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