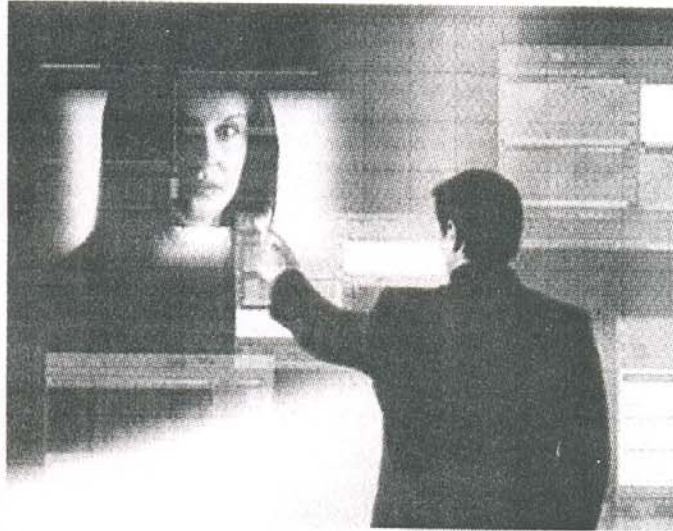


Govt's final touches to Indian-AI merger



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IN another step towards the merger of Air India and Indian, the government is in the process of finalising the capital structure of National Aviation, the company into which the two PSU carriers will merge. There will be a complete revaluation of the airlines, whose current balance sheets do not reflect the value of their immovable assets held all over the world.

The capital structure in terms of equity share capital will be decided on the basis of the net worth of the two carriers, which is being determined by the airlines as they finalise their accounts. The new company will take over their assets and liabilities. Incidentally, the two will also reconcile amounts owed to each other for various transactions in the past few years. Both operate flights on each other's routes and netted out that the payments could amount to Rs 250 crore, sources said.

Though Air India is the larger of the two airlines with a turnover of Rs 9,500 crore in 2005-6, its equity capital is Rs 153 crore while that of Indian is Rs 432 crore. Air India's net worth stood at Rs 550 crore at the end of 2006. Indian had a negative net worth because of its earlier losses. However, the revaluation of assets is expected to wipe off previous losses. The valuation is being carried out by RB Shah and associates.

Meanwhile, the management of Indian is still locked into negotiations with its unions for wage revisions. The government had promised the unions that the revision will be complete before the merger.

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