

Is the Tata – Jet Deal Bad News for Indigo, Air India ?

It was Jet Airways founder Naresh Goyal who had tried to prevent the Tatas to venture into the airline business. It is well known in aviation circles that for the past 20 years or so, Jet Airways did not want any airline license for Tatas. Jet Airways had even tried to resist any relaxation in the erstwhile 5/20 norms to prevent Tata's entry. All those events are history now. (See: 5/20 Lobby)



Today, the story is different.

Tables seem to have turned. Jet has pruned its network. A number of its planes are grounded and out of airline business. Deeply immersed in debt and losses, Jet is trying to sell its planes, it is cutting its work force and has been unable to pay staff salaries on time. Though Jet Airways has ordered a number of new Boeings, it is not in a position to take their deliveries. (See: Jet Airways)

Initially, Jet Airways was among the airlines who had protested & delayed the entry of foreign airlines. After some time it claimed all entitlements, sold partly its stake to foreign airlines (Etihad).

Today, Jet is strapped of cash. It has been in talks with both strategic and financial investors to sell its assets and a major chunk of its business. A situation has reached today where both Mr and Mrs Naresh Goyal are agreeing to relinquish their own shares on the buyer's terms. Strange.

Enter Tatas.

For Tatas, Jet Airways appeared to be a better option than buying Air India for the time being. The profits of Tata's airline business have been severely affected by its inability to have flights across the country. Tatas want to give its aviation plans a much needed boost. They are keen on landing rights, routes, related infrastructure amenities, and the new Boeings of Jet. The Tata group is also keen on the exit of existing promoters and the Goyal family to have a complete control over Jet Airways. (See: Tata-Jet Deal)



Tata group chairman N Chandrasekaran has been doing a great job steering the well respected Tata group. He is keen that a deal is quickly worked out that will strengthen the group's position in the aviation business and give it a much needed heft. The Jet deal is a meticulously calculated risk at a time when Tata group as a whole is doing exceedingly well. Only Tatas can survive where Jet with more than two decades of experience failed. Anybody who buys jet now will immediately need to fund in billions to recover the airline plus more to make it functional.

The First Step

In the first formal step towards a possible acquisition of Jet Airways, Tata Sons will take up the proposal at its board

meeting and focus on achieving the scale in Tatas' aviation business through Jet purchase.

According to analysts and aviation followers, the Tata-Jet deal is an excellent news as a monopoly presently being enjoyed by Indigo is not good for the consumers. A strong and healthy Jet is therefore needed to counter this.

The deal between the Tata group and Jet Airways is slowly moving forward towards its conclusion.

Naresh Goyal is finally forced to leave a sinking ship and will be very happy to hand over the proverbial "tail of the tiger" to Tatas and quit. Subroto Roy of Sahara and Capt Gopinath of Air Deccan had already done so earlier. The Wheel of fortune keeps rotating. History repeats itself. After Jet, may be Air India, which was with the Tatas 65 years ago, could be the next for Tatas. That may be a different story.