AIR INDIA PUTS 9 DREAMLINERS ON SALE TO RAISE OVER 7,000 CRORE RUPEES

News / Airlines

State-owned carrier Air India has put on sale nine of its 21 Dreamliners (B787-800) to raise over 7,000 crore rupees to fund acquisition of new aircraft and also for repayment of the bridge loan availed earlier for purchasing these Boeing 787-800s.

These nine planes were inducted in the national carrier's fleet between March 2014 and June this year.

Air India would also lease back these the nine B787-800 under an operating lease for a period of up to 12 years with a three-years extension option, the airline said in an Invitation of Offers document.

Under a Sale and Lease Back (SLB) arrangement, the seller of an asset leases it back from the purchaser for a long-term period and continues to use it without actually owning it.

The airline has already sold and leased back the remaining 12 Dreamliners under the SLB arrangement.

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Air India intends to finance its aircraft through direct purchase/operating sale and lease back, proposed to use the proceeds of the facility for purchase of aircraft and repayment of bridge loan taken for acquisition of nine 787-800 planes, the document said.

The airline has fixed a reserve price of not less than US$120 million for the planes acquired in 2015 and US$120 million for the aircraft inducted in the fleet during 2014, it said.

Under the SLB/financial lease, Air India would sell these planes to the lessor and immediately lease them back under an operating lease for a period of up to 12 years with an option to extend by three more years at a mutually negotiated price, the document said.

According to the bid document, the SLB would be backed by the Guarantee of the Indian Government and cover the lease rental obligation during entire leasing period.

As part of its fleet expansion plan, the national carrier had in 2006 placed orders with Boeing for 68 aircraft - 27 Dreamliners, 15 B777-300ERs, eight B777-200LRs and 18 B-737- 800s.

The airline has so far taken delivery of 21 Dreamliners, 12 777-300ERs, eight B777-200LRs and 18 B-737-800s.

Air India has to take the delivery of remaining six B787-800 between April 2016 and March 2017 for which it has to make a 10 percent pre-delivery payment to Boeing, 12 months prior to the induction the aircraft as part of the agreement.

Early this week, the carrier had come out with Invitation of Offers from domestic and overseas institutions and banks to raise up to US$110 million for part financing the advance payment of these planes.

Significantly, despite frequent glitches and grounding of the Dreamliner planes, Air India Board had in June turned down a Boeing proposal to replace the remaining order with a higher version B787-900.

The airline was looking at inducting the higher range variant of the aircraft, which has more seating capacity than the existing model for its ultra long-haul routes such as the U.S. and Canada.

The Boeing 787-800 has 256 seats, of which 18 are in business class and remaining 238 in economy class.

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