

Clarifications sought by Interested Bidders on PIM for the Strategic Disinvestment of Air India Limited, including AI's shareholding interest in the AIXL and AISATS

The PIM (including the clarifications to the PIM) are subject to changes basis the finalization of the definitive documents. The definitive documents will be negotiated with the QIBs at the RFP stage. The GOI reserves the right to make any changes including consequent changes to the provisions of the PIM/ clarifications basis such negotiations or otherwise.

Terms not defined in this document will have the meaning ascribed to them in the PIM.

Sl. No.	Query	Response
1	<p>After going through the Ninth Corrigendum, we have the following queries:</p> <p>The treatment of the Enterprise Value quoted by the Confirmed Selected Bidder laid down under Clause 6 reads as</p> <p>(i) On the date of closing of the Proposed Transaction, debt which is lower of (A) outstanding Debt of AI and debt of AIXL combined and (B) 85% (or such other lower percentage as may be opted by the Confirmed Selected Bidder in its financial bid) of the Enterprise Value quoted by the Confirmed Selected Bidder, will remain as debt with AI and AIXL combined ("Retained Debt")</p> <p>Does this mean that the debt to be transferred will be maximum 85% of Current liabilities and Long-Term Borrowings?</p>	<p>On the date of closing of the Proposed Transaction, debt which is lower of :</p> <p>(A) outstanding Debt of AI and debt of AIXL combined</p> <p>and</p> <p>B) 85% (or such other lower percentage as may be opted by the Confirmed Selected Bidder in its financial bid) of the Enterprise Value quoted by the Confirmed Selected Bidder,</p> <p>will remain as debt with AI and AIXL combined ("Retained Debt"). The remaining debt (i.e. other than Retained Debt) will be allocated to AIAHL</p> <p>Please refer to clause 6(b) of the Ninth Corrigendum for treatment of liabilities of AI and AIXL (as presented in their respective balance sheets other than debt, equity and contingent liabilities).</p>
2	<p>Under the new bidding structure, Interested Bidders now need to bid Enterprise Value ("EV") of Air India, wherein EV will be aggregation of Debt and equity of Air India as assessed by bidder in its financial bid. On the date of closing, debt which is lower of (A) outstanding Debt of AI and debt of AIXL combined and (B) 85% (or lower) of the EV, will remain as debt.</p> <ul style="list-style-type: none"> • Similar to the process for allocation of 	

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	<p>residual Debt to AIAHL from existing lenders, the debt in AI will we assume be provided by existing lenders to the extent of 85% of EV.</p> <ul style="list-style-type: none"> • It is understood that the EV that is bid will be paid as to 85% in assumed debt and 15% in cash. We acknowledge the GOI's desire to receive some proportion of EV in cash. It is logical. We would like however to point out that at the end of the day what matters most is the long-term success of Air India which will be a significant contributor (directly and indirectly) to GDP and also to the Indian Exchequer. In order to create long term success, the successful bidder will need to invest cash in: <ul style="list-style-type: none"> ○ Upgrading the owned and leased fleet. An airline is a commodity business wherein any operator must be the most efficient and have the lowest cost per seat kilometre. This requires having the latest generation of aircraft that are suitable for the task. ○ There are large amounts of cash required to bring into service aircraft that are not in service for any reason. ○ Return obligations to lessors will need to be paid. ○ Large amounts of cash is required to meet health, gratuity and other employee benefits. ○ Any restructuring will require large amounts of cash including any VRS. <p>Please keep this in mind in your deliberations.</p> <p>In particular we recommend that the focus should be on the cash required by the ailing company in difficult times and not on taking any money out of the business. We therefore believe the 85% / 15% condition is misguided and contrary to the aim of GOI which is to divest AI successfully on a basis that make the airline thrive. The entire EV should be left in the Company in the form of assumed debt.</p>	<p>No change in PIM provisions.</p>
3	<p>As per the clause 6 updated with Ninth Corrigendum:</p> <p>“the sum of certain identified current and noncurrent liabilities (other than debt , equity and contingent</p>	

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	<p>liabilities of AI and AIXL) to be retained in AI and AIXL combined will be equal to the sum of certain identified current and non-current assets of AI and AIXL combined, such that the difference between the two components is zero”</p> <p>Please provide breakup of the current & non-current assets and current & non-current liabilities along with their ageing profile - also details of receivables and details current maturity of long term liabilities.</p> <p>Please provide details of outstanding Debt of Air India, AIXL and AI SATS containing information such as but not limited to terms, tenor, security package, hypothecation, repayment schedule etc</p>	<p>Certain details have been provided in the VDR. Further details, to the extent available, to be provided at the RFP stage.</p>

[Note: The clarifications provided herein pertain only to the queries raised on Clause 6 of the PIM, as per the terms of the Ninth Corrigendum]