



BANK EMPLOYEES FEDERATION OF INDIA

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Press Statement issued on 27th March 2019 by Shri Debasish Basu Chaudhury, General Secretary, Bank Employees Federation of India, at Kolkata, ON TAKING OVER OF STAKES OF STRESSED PRIVATE AIRLINES BY SBI

Reports are pouring in from different news agencies that the Government of India has urged state owned banks to convert its debt in the ailing carrier Jet Airways into equity and provide funds to bailout the private sector carrier from bankruptcy. It is also reported that the State Bank of India has prepared a resolution plan by way of which it may acquire about 15% stake in the troubled carrier. Jet Airways reportedly owes a staggering Rs.10,900 crore to lenders including State Bank of India and Punjab National Bank.

The 25-year old airline company which caters to international destinations, is in severe crisis. It had to ground two-third of its fleet of aircrafts due to non-payment of amounts outstanding to the lessors that provide the aircrafts. About Rs.1,700 crore interest on its loans are due to be serviced by this March end, else it will turn into NPA, wherein no further forbearance will be permitted. In the prevailing situation where the concerned airliner does not own any major assets and mainly running operations on leased aircrafts, thousands of jobs are at stake. As per media report the pilots' association already approached the management of SBI to pay their due salaries. The airlines company was facing a liquidation process when the Govt. stepped in. The founder Chairman and his board-member wife were allowed to continue with 25.5% in place of earlier 50.1% stake in the company only by stepping down from their positions.

We are alarmed at the move of the Government forcing the Public Sector Banks to acquire major stake in the ailing carrier. We sordidly recall the traumatic experience in the restructuring of Kingfisher Airlines under similar circumstances under restructuring regime in November 2010. A consortium of banks led by SBI, in a bid to bailout the carrier had converted Rs.1,355 crore of Kingfisher Airline debt into equity with a fresh loan on lower interest rates and repayment stretched over a 9-year period including a two-year moratorium on repayment. After the two years of moratorium, the airline defaulted and by the time the debt had surmounted to Rs.9,000 crore on its liquidation in 2012.

The so-called efficiency of the private sector, the mantra assiduously touted by successive Governments at the Centre in the last twenty-five years have proved to be a myth once again with transferring the burden of losses of the private sector to public sector. Moreover the Government's nervous response to secure its dear private airline from its much vaunted baby of Insolvency and Bankruptcy Code, a mechanism to transfer public capital in state owned banks to private coffers, as it is expected to result in an inevitable liquidation of the company, exposes the hypocrisy of the system.

'Privatise the profits and nationalise the losses' is the 'mantra' of the present regime. On one hand the present Govt. is seeking to privatise Air India and on the other hand they are forcing public sector banks to save an almost bankrupt private airline with public money.

The public sector banks which are already suffering from huge amount of stressed assets mainly due to bad debts and with the proposed move PSBs will be put to further stress in absence of effective regulatory control over the new entity.

We strongly demand that the Govt. must initiate measures to protect the interest of the workforce of the Airlines instead putting further burden on the PSBs.

To
The News Editor/Chief Reporter,

For favour of circulation/broadcasting/telecasting through your esteemed media,

(Chiranjit Ghosh)
Joint Secretary.