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CONTENTS

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Editorial Note

The Indian film industry is multi-lingual. Films are produced in more than 14 languages every year which is the primary reason for India being the largest producer of films in the world. The first article tries to find out whether the affordability influences the preference of consumers to watch new films along with family and friends in theatres and provide possible solutions to mitigate the situation.

Turmeric is an important commercial crop providing substantial income to the farmers in Belgavi district. The second article discusses the changing scenario of turmeric cultivation in Belgavi District of Karnataka State.

The third article highlights the strategies of talent engagement activities and their impact on employee retention and effectiveness of its execution in the retail sector in Mumbai region.

The fourth article is dealing with the working of mutual fund, the reasons for growth in mutual funds along with the Compounded annual growth rate of Mutual fund Asset Management Company.

The fifth article deals with employee segmentation strategies and talent management practices in I.T. Industry in Chennai

Case study on "Air India Change of Direction" discusses the various aspects of Merger of Air India and Indian Airlines.

At the end we have a book review on "G.S.T. Law Guide". The reviewer presents detailed highlights of each chapter. It is very helpful to all the students and researchers .

Dr. C. S. Kale
Editor

Case Study
Air India- Change Of Direction

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The plan to turn around AI was grounded. Ashwani Lohani was asked to head Railway board as a Chairman, and Rajiv Bansal an IAS officer was inducted as replacement head of ailing AI. The announcement of in-principle approval for the strategic disinvestment of Air India by the Cabinet Committee on Economic Affairs (CCEA), on 28 June, 2016 was the final nail. What could be expected of Bansal was to make Air India sell out attractive just like what was done by Colin Marsh Marshall to British Airways Plc (BA) in 1983. British Airways made $284 million in profit when it was completely privatized in 1987. The privatization of AI was also considered in 2001, but political will and market conditions did allow it happen. Will it happen now? Only time has the answers as to what would be the fate of Maharaja and its employees. The brand equity, experience, colossal infrastructure of engineering and ground-handling subsidiaries of Air India's would make any suitor airline envious.

Business description

Air India is a state-owned entity, engaged in providing passenger international and domestic network of fleet and cargo transportation services. The company also offers maintenance, engineering support and specialized services. The company operates a fleet of 118 aircrafts, and offers passenger and cargo services across domestic and international routes. Air India also provides maintenance, engineering support and specialized services. The company primarily operates in India, where it is headquartered in New Delhi. Air India's subsidiaries are Airlines Allied Services Ltd, Hotel Corporation of India Ltd, Air-India Engineering Services Ltd, Air-India Charters Ltd and Air-India Air Transport Services Ltd.

The company recorded revenues of Rs 183709.6 million (approximately $3,056.9 million) in the fiscal year ended March 2014, an increase of 14.6% over 2013. The company's operating loss was Rs 39,778.9 million (approximately $661.9 million) in fiscal 2014, as compared to an operating loss of Rs 38071.5 million (approximately $633.5 million) in 2013. Its net loss was Rs 62796 million (approximately $1,044.9 million) in fiscal 2014, as compared to the net loss of Rs 54,901.6 million (approximately $913.6 million) in 2013. In April 2012, the government then led by congress party had announced of restructuring program to turn around ailing national carrier by infusing money in form of equity.

Indian Aviation

India was the 9th largest aviation market in the world with a size of around US$ 16 billion and was poised to be the 3rd biggest by 2020. Civil aviation sector had been growing steadily registering a growth of 13.8% during the last 10 years. In year 2015, the domestic passenger growth was 20.34 % and in 2016 it was 23.18% as per Director General of Civil Aviation.

The air transport in India had attracted FDI of over US$ 569 million from April 2000 to February 2015. The Indian airports had a combined capacity to cater to 220.04 million passengers and 4.63 million tonnes cargo per annum and handled 168.92 million passengers and 2.28 million tonnes cargo in 2013-14. As per estimates, passenger traffic at Indian Airports was expected to increase to 450 million by 2020 from 159.3 million in 2012-2013.

High growth potential of civil aviation sector was attributed to large and growing middle class population, rapid economic growth, higher disposable incomes, rising aspirations of the middle class and overall low penetration levels. In addition to social and economic factors, industry structure such as low cost carriers, modern airports, and foreign direct investments in domestic airlines, cutting edge information technology interventions and growing emphasis on regional connectivity were expected to provide impetus to upswing of the growth.

Air India History

Air India was founded as Tata Airlines in 1932 and became a public limited company in 1946 as Air India owned by the Indian government. In 1948, international service was introduced through Air-India International Limited. In 1953 India nationalized all Indian airlines, creating two corporations—one for domestic service, called Indian Airlines Corporation and one for international service, Air-India International Corporation. The latter's name was abbreviated to Air-India in 1962.

Maharajah, the mascot of Air India was created in 1946 by Bobby Kooka, Air India's Commercial Director and Umesh Rao, an artist with J.Walter Thompson Ltd., Mumbai. Maharaja promoted Air India completed 70 years and become the one of the most recognizable mascot the world over.

The airline was saddled with accumulated losses and debt. To restructure it, the civil aviation ministry prompted the company to go through the financial and operational reengineering exercise. That resulted into a merger between Air India and Indian Airlines which got the cabinet clearance on March, 1 2007. The merger between two on March 30, 2007 created new entity National Aviation Company of India Ltd. It was decided that post-merger, the new entity will be known as "Air India" while "Maharaja" would be retained as its mascot. On 27th February 2011, Air India and Indian airlines merged along with their subsidiaries to form Air India Limited.

Merger Rational

The merger between Air India and Indian airline in 2007 resulted in setting up of National Aviation Company of India Ltd. (NACIL). The new entity NACIL had a fleet of over 130 aircrafts for its operation and it became among the top 10 airlines in Asia, and the top 30 in the world. The merger was aimed at to achieve the economics of scale in areas of maintenance, ground operations, the use of landing slots and parking rights. Also, it was expected to provide the bargaining scope for volume discounts in areas such as fuel purchase and insurance. It created hub and spoke system where in international operation was supported and complimented by the domestic airlines. It was expected that leveraging and pool-in of resources such as manpower, infrastructure and assets, better aircraft and resource allocation would enhance the operational efficiency of the airline. Star Alliance membership of Air India was to provide extra mileage required for revenue enhancement and better service to the passengers.

Over all, the merger was expected to be of synergetic in nature. A merger was expected to save about 9.96 billion over a period of two years. However, in first year it self it showed the loss of 22.00 billion and in next year it swelled to 55.48 billion. The global recession and rising fuel prices had contributed to some extent to the losses. The merger of Air India and Indian

Airlines was in troubled water from the day one on account of various factors.

Employees: With 30517 of total employees i.e. 214 employees per plane on pay roll, it was far more than other competitors in market. Of the closer competitors on international routes, Singapore airlines had 161 while British Airlines had 178 employees per plane.

Aircrafts: Indian Airlines had preferred Airbus aircrafts which were narrow bodies and were suitable for short domestic routes, Air India had wide-bodied Boeing aircraft. They had to maintain two separate sets of people to fly and maintain the aircrafts. Clearly, there was no synergy. Southwest airlines had been profitable since last 39 years. One of the reasons was that they deployed only Boeing 737 type of aircraft. It facilitated them to train their engineers for only one type of aircraft, inventory cost remained under control and also it provided flexibility to interchange the plane in case of any problematic situations. Air India had no such luxury. It continued with both types of aircraft increasing operation, maintenance and man power cost.

Career progress and discrimination: There was distinct advantage to the crews belonging to Indian Airline. The time required to reach to the position of commander for them was almost half as compare to pilots of Air India. The perception of AI pilot was that management was being partial to IA pilots and felt that their career and progress was getting jeopardize. During the merger process, Indian Pilot Guild (IPG) of Air India fraction, was promised by the management that the IPG pilots would fly wide-bodied aircraft like Dreamliner and others and Indian Airlines (domestic) pilots would fly narrow-bodied aircraft. In addition to it, productivity linked incentives (PLI) of AI pilot was under threat. PLI accounted for almost 80 percent of the salary of AI pilots.

Post-merger problems included incomplete integration of official positions, of IT systems and as well as infrastructure due to different aircraft flown by the two companies, and inability of employee unions to accept merger. Instead of expected synergy and better service to customers, it led to decline of customer service. Increased competition from domestic airlines as well as international airlines added to the woes.

Operation

According to CAPA report of 2013, of the 189 routes that Air India operated only 12 met total costs. A further 82 covered their cash costs but not their total costs and 95 routes, or just over half, did not even meet their cash costs. International routes were bleeding badly and account for 80-90% of losses. In 2012, with the introduction of fuel efficient Dreamliner, Air India was expecting better efficiency and improved margin. But it did not materialized. It cannibalized one of the 787 acquired in 2012 and used spare parts of it for other aircrafts there by effectively reducing the numbers of operational aircrafts. It happened with Boeing 777 also. It could be due to absence of proper effective maintenance contract with the OEM supplier.

Organization and Culture

In early seventies, Air India was Maharaja in true sense. Monopoly status did not reflect in its service. With the excellent service, it could manage to capture large pie of Indian international travelers. Not only that, it had large share of trans-Atlantic traffic between New York and London. It was one of the most respected airline known for its business acumen. Under the leadership of JRD Tata, it had carved its position to such an extent that in 1972, Singapore Airline had sought AI expertise to set up its airline.

AI and IA were kept alive by their

respective unions; Indian Pilot Guild, representing AI employees and Indian Commercial pilot association of IA. These engineers were initially hired on a temporary basis on the condition that their services will be regularized only after five years and that too depending on the performance but throwing rules to the wind, their services were made permanent after a year. The most frequently reported complaints from passengers included flight delays, cancellations and the discontentment over lost baggage Air India continued to have top ranking in the complaints' register with 32,518 passengers affected due to various issues like denied boarding, delays and cancelled flights on the domestic sector.

Path Ahead

After a two-year stint as Chairman and Managing Director of Air India, Ashwani Lohani is returned to the Railways. Lohani's stay at Air India spread its wings internationally and leaves Air India with slightly better financials since he took the corner office in 2015. AI debt burden which is larger than India's annual spend on healthcare, the government is now thinking of selling off Air India. And even if there is political consensus on the sale, who will come forward as a buyer/strategic partner when the airline is under □500 billion debt burden? The government seems to believe this is the right time to take a bold call on Air India. Currently the foreign direct investment rules allow a foreign airline to hold a 49 percent stake in a domestic airline.

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Exhibit 1
Profit & Loss - Air India

(Rs million)	2010-11	% of net Sales	2011-12	% of net Sales	2012-13	% of net Sales	2013-14	% of net Sales
Operating Income	140,620	100.0	147,138	100.0	160,278	100.0	183,710	100
Total expenses	163,698	116.4	181,482	123.3	181,346	113.1	203,749	110.9
Aircraft fuel expenses	61,121	43.5	85,117	57.8	83,630	52.2	98539	53.6
Staff cost	37,515	26.7	35,667	24.2	32,547	20.3	31522	17.2
Other operating costs	65,062	46.3	60,699	41.3	65,169	40.7	73689	40.1
EBITDA	-23,078	-16.4	-34,344	-23.3	-21,068	-13.1	-20,040	-10.9
Depreciation	16,901	12.0	15,968	10.9	17,004	10.6	19011	10.3
Interest	32,408	23.0	36,455	24.8	38,690	24.1	40713	22.2
Non-operating income	0	0.0	0	0.0	443	0.3	7217	3.9
Exceptional items	3,747	2.7	11,191	7.6	21,416	13.4	9696	5.3
Profit before tax	-68,640	-48.8	-75,576	-51.4	-54,902	-34.3	-62,852	-34.2
Tax	12	0.0	21	0.0	0	0.0	0	0.0
Profit after tax	-68,652	-48.8	-75,597	-51.4	-54,902	-34.3	-62,852	-34.2
Capital charges	49,309	35.1	52,423	35.6	55,693	34.7	59,725	32.5

Source: MCA report https://www.crisilresearch.com

Exhibit 2

Operating revenue and expenses per ASKM

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Jet Airways	3.7	3.8	4.5	4.5	4.7	4.5	3.2	3.8	4.3	4.7	4.7	4.0
Kingfisher	3.9	3.6	2.9	n.a	n.a	n.a	4.1	4.5	12.8	n.a	n.a	n.a
SpiceJet	2.7	2.9	3.5	3.4	3.6	3.9	2.7	3.3	3.6	3.9	4.0	3.6
JetLite	3.2	3.3	4.4	4.5	4.7	4.2	3.4	3.7	4.9	5.0	5.3	4.1
Air India	2.6	n.a	n.a	n.a	n.a	n.a	3.3	n.a	n.a	n.a	n.a	n.a
Indigo	3.1	n.a	n.a	n.a	3.9	3.8	2.6	n.a	n.a	n.a	3.4	3.1
GoAir	0.0	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Paramount Airways	0.0	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
												n.a

Note 1: Operating revenue and expenses include domestic and international operations

Note 2: Kingfisher revenues includes revenues from kingfisher Red

Note 3: Kingfisher airlines stopped all operations post Sept, 2012

Note 4: n. a - not available

Source : DGCA- Company reports