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## **Revitalizing Air India: Tata Sons' Acquisition and Tata SIA Airlines Limited (Vistara) Merger**

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### **Abstract:**

**Purpose:** To examine the strategic, operational, cultural, and financial implications of the Tata-Air India-Vistara merger and measure its broader impact on competitiveness and transformation in the Indian aviation sector. In spite extensive research on M&As, limited studies offer a holistic post-acquisition assessment that combines PMI frameworks with real-world data from India's civil aviation industry, especially involving a government-to-private transition.

**Design/Methodology/Approach:** Employing a case study approach, the study uses secondary financial and operational data, comparative performance analysis, and qualitative assessments. The findings are interpreted through the perspective of PMI models (Absorption and Symbiotic), acculturation theory, and the Synergy Trap hypothesis to provide a comprehensive evaluation of integration results.

**Findings:** This study highlights that the strategic acquisition of Air India by Tata Sons and its subsequent merger with Vistara has transformed India's full-service aviation segment. The combined entity achieved a market share of 22.9%, expanded its fleet to 208 aircraft, and reduced financial losses by over 50%. Operational synergies were realized through route optimization, cost efficiencies, and service integration.

**Practical implications:** While significant progress was made in financial restructuring and service enhancement, the study also identifies ongoing cultural and political integration challenges, offering critical insights into the execution gaps of Post-Merger Integration (PMI) strategies.

**Originality value:** The case is highly relevant to aviation strategists, policymakers, and business leaders aiming to understand how integration strategies can influence legacy carrier turnarounds and competitive positioning in rapidly expanding emerging markets. The research offers a valuable framework for managing complex integrations, especially where legacy, culture, and market dynamics intersect. It contributes to the literature on Post Merger Integration (PMI), synergy realization, and acculturation by applying them in a large-scale, real-world context.

**Keywords:** Aviation sector, operational efficiency, PMI, synergies, market share and financial performance.

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**Paper type:** Research Paper – Case Study.

## 1. Introduction

The aviation sector plays an important role in increasing economic growth, strengthening connectivity, and facilitating global trade. In India, Air India has significantly contributed to the growth of the aviation industry since its inception. It was established in 1932 by J.R.D. Tata as Tata Airlines. Later, Tata Airlines was nationalized and renamed as Air India in 1953 and served as the country's leading airline. During the same year, government of India launched another domestic carrier named as Indian airlines to enhance regional connectivity within the country (ICMR India, 2007; Ministry of Civil Aviation, 2007).

However, over time, financial mismanagement, operational inefficiencies, and increasing debt pushed Air India into a severe financial crisis (Bisht, 2025). To reduce losses, Air India established in the form of Air India Express is low-cost subsidiary, providing affordable international flights primarily to the Middle East and Southeast Asia.

Further, in 2007, Indian Airlines merged with Air India with the goal of improving operational efficiency and reduce financial losses, but instead of yielding positive results, it further deteriorated the financial condition of Air India due to poor planned integration, workforce conflicts, rising operational costs and other factors (Hindustan Times, 2007; ICMR India, 2007).

Between 2012 and 2013, Air India faced most critical financial difficulties due to operational setbacks involving the Boeing 787 Dreamliner and prolonged work force unrest. In May 2012, over 150 pilots initiated a strike, protesting unfair Dreamliner training policies, which led to extensive flight cancellations and severe operational disruptions (Al Jazeera, 2012; BBC News, 2012).

In reprisal, the airline dismissed several pilots and derecognized the Indian Pilots' Guild (IPG), further escalating the conflict (Business Today, 2012). Matters deteriorated further when the Boeing 787 Dreamliner, anticipated to enhance operational efficiency, experienced major technical failures, particularly battery malfunctions, prompting a global grounding of the aircraft in January 2013 (CNN Money, 2013). This led to Air India grounding six Dreamliners, intensifying financial losses and operational difficulties (BBC News, 2013).

Beyond technical setbacks, mismanagement and flawed decision-making played a significant role in Air India's crisis. Overstaffing resulted in an unsustainable wage bill, with 11,433 employees instead of the required 7,245 employee (The Economic Times, 2013). Political interference also contributed to the airline's struggles, with excessive spending on advertising and poorly planned route expansions increasing financial losses (The Hindu Business Line, 2013).

Air India suffered losses exceeding \$112.45 million, further worsening its financial crisis (Business Standard, 2012). The Delhi High Court intervened, ordered the pilots to resume work, and urged the management to address grievances (India Today, 2012). Shokeen *et al.* (2022) similarly observed that mismanagement, technical failures, and rising competition played a crucial role in the airline's downfall.

Moreover, the rapid growth of private and international airlines offered passengers more competitive alternatives, reducing Air India's market dominance (The Indian Express, 2013). By 2014, Air India's growing debt, operational inefficiencies, and loss of consumer trust had solidified its decline in the global aviation sector.

### **1.1 Event of Changes in Civil Aviation Industry in India**

AirAsia India was established in 2013 as a joint venture between Tata Sons and Malaysia-based AirAsia Berhad, with the objective of making air travel more available and affordable in India's expanding aviation market (Business Standard, 2013). Despite its low-cost model and competitive pricing, the airline faced determined operational and regulatory challenges, leading to continuous financial losses (Mint, 2020).

In 2022, Tata Sons acquired the remaining 16.33% stake from AirAsia Berhad, securing full ownership of the airline (Economic Times, 2022). Following the acquisition, AirAsia India was merged with Air India Express (established on 29 March 2005) to form a unified low-cost carrier under the Tata Group (Hindustan Times, 2023). This strategic integration aimed to optimize operations, improve cost efficiency, and solidify Tata's position in the budget airline sector (Business Today, 2023). AirAsia India operates as part of Air India Express, focusing on domestic and short-haul international routes, contributing to Tata's broader vision of strengthening its presence in the aviation industry.

By 2020, Air India's debt had exceeded ₹60,000 crore (\$8 billion), making it increasingly difficult for the government to sustain its operations. As a result, the Government of India considered privatization as a strategic measure to rescue Air India from its financial distress (Ministry of Civil Aviation, 2021). Which are typical to a government for company.

To regain its lost aviation legacy and rescue Air India from its financial crisis, Tata Sons acquired Air India in January 2022 through its subsidiary, Talon Private Limited. Tata Sons offered ₹18,000 crore (\$2.4 billion) for the acquisition (Tata Group, 2021). This acquisition was a historic moment as it marked the return of Air India to its original founder after nearly 69 years.

Tata Sons, which was already active in the Indian aviation sector through Tata SIA Airlines Limited (a joint venture with Singapore Airlines) and AirAsia India, aimed to combine its airline businesses through this acquisition. The key purpose was to improve operational efficiency, reduce costs, and enhance market competitiveness, allowing Tata Sons to strengthen its position in the Indian aviation industry.

As part of this strategy, Tata Sons announced the merger of Air India and Tata SIA Airlines Limited on November 29, 2022. According to the agreement, Tata Sons retained a 74.9% stake in Air India-including its 2022 acquisition of AirAsia India's remaining 16.33% stake-while Singapore Airlines acquired 25.1% by investing ₹2,059 crore (\$250 million) (Singapore Airlines Annual Report, 2022; Economic Times, 2022).

The main objective of this merger was to create India's largest full-service carrier, enhancing the airline's fleet size, operational efficiency, and service quality. This step aligned with Tata Sons' broader vision to position Air India as a globally competitive airline while leveraging the expertise of Singapore Airlines (Tata Group, 2022). The main purpose behind Air India's privatization was to improve operational efficiency, reduce financial burden, and enhance market competitiveness.

However, the airline faced several challenges, including rising debt and employee resistance (BBC News, 2012; Economic Times, 2021; Times of India, 2018; Business Standard, 2017). Researchers suggest that the main reason for Air India's downfall was not the privatization-nationalization but rather weak leadership and poor decision-making processes (Shokeen *et al.*, 2021).

Additionally, a failed merger, excessive fleet expansion, and financial mismanagement further deteriorated Air India's financial condition, eventually creating a need for strategic divestment (Agarwal and Reddy, 2020). Above all being a government carrier, it operates in non- financial visible sectors of the domestic market.

This research investigates the strategic rationale, financial implications, and challenges of the Air India-Vistara merger, evaluating its potential impact on the Indian aviation industry. The study explores how the merger can drive synergies, improve international competitiveness, and reshape India's civil aviation market, while also addressing regulatory challenges, workforce integration, and operational restructuring.

## **2. Literature Review: Post-Merger Integration Strategies**

The literature on mergers and acquisitions (M&A) provides valuable insights into the complexities of post-merger integration (PMI) and its impact on organizational performance. Research emphasizes that cultural alignment, operational synergy, and effective communication are key drivers of successful integration. This review synthesizes existing studies to analyse the strategic considerations and challenges involved in the Air India–Vistara merger, exploring how these factors influence the overall performance and competitive positioning of the newly integrated entity.

### **2.1 The Five Strategic Views of the Integration Process**

The integration process in post-merger scenarios is inherently complex and necessitates multiple strategic perspectives. Sarala (2008) and Junni *et al.* (2015) identify five key perspectives essential for successful integration: strategic management, human resources, cultural, political, and discursive perspectives. These dimensions play a crucial role in ensuring a smooth transition and alignment between the merging entities. These five perspectives are reviewed in the following:

- The strategic management approach to M&As highlights the need for operational efficiency, synergy realization, and goal alignment post-merger (Haspeslagh and Jemison, 1991). Strategic integration planning is crucial for long-term value and improved financial performance (Weber *et al.*, 2003; Bauer and Matzler, 2014), as seen in Tata Sons' acquisition of Air India, where restructuring aims to restore market position and stability.
- Human resources perspective emphasizes the emotional and psychological responses of employees, which are critical for ensuring smooth integration (Cartwright and Cooper, 1993; Seo and Hill, 2005). Effective employee engagement, clear communication, and strong leadership support play a vital role in minimizing uncertainty and resistance during transitions (Schweiger and Goulet, 2000). However, in the context of Air India's acquisition and subsequent merger, this approach appears to have been inadequately applied.
- Cultural perspective in M&As stresses the need to manage cultural differences to ensure smooth integration. Alignment between the cultural preferences of merging entities helps minimize acculturative stress, aiding merger success (Nahavandi and Malekzadeh, 1988). Studies consistently highlight that cultural compatibility has a significant impact on post-merger performance (Stahl and Voigt, 2008; Teerikangas and Very, 2006). Nevertheless, Tata Sons' acquisition of Air India and its merger with Vistara demonstrate ongoing challenges in achieving effective cultural integration.
- The political perspective in M&As highlights the challenges arising from shifts in power, internal conflicts, and resistance to change due to alterations in organizational control. Addressing these issues requires effective

leadership and strong stakeholder alignment. Anderson *et al.* (2013) stress the vital role of stakeholders in shaping integration outcomes, while Ranft and Lord (2002) emphasize how leaders in acquired firms manage political tensions and knowledge transfer. Sarala (2008) further underscores how power imbalances and internal resistance can negatively impact post-merger performance. In the case of Tata Sons' acquisition of Air India and the merger with Vistara, these political complexities appear to have been inadequately managed.

- Discursive perspective in M&As highlights the impact of communication and narrative in shaping stakeholder perceptions and integration success. Clear, empathetic messaging helps reduce resistance and ease transitions (Zagelmeyer *et al.*, 2018; Sarala, 2008).

In Tata Sons' acquisition of Air India and its merger with Vistara, effective communication played an important role in influencing employee morale and public acceptance.

## **2.2 Pre-Conceived Designed Strategy**

The pre-conceived strategy perspective supports early integration planning for smoother post-merger transitions (Marks and Mirvis, 2001; Gomes *et al.*, 2013), but critics highlight its limitations due to incomplete information and unforeseen challenges (Haspeslagh and Jemison, 1991; Ranft and Lord, 2002). A balanced, flexible approach is recommended (Edwards, 2024). In the Tata-Air India acquisition and Vistara merger, despite strategic intent, execution gaps led to operational and employee integration issues.

## **2.3 Inherently Emergent Process Strategy**

The inherently emergent process strategy sees post-merger integration as a flexible, evolving journey that requires continuous learning and adaptation. Success depends on how well organizations respond to changing situations, retain key talent, and manage cultural differences using adaptive strategies (Haspeslagh and Jemison, 1991; Ranft and Lord, 2002; Graebner, 2004; Angwin, 2004; Stahl and Voigt, 2008; Vaara, 2002; Birkinshaw *et al.*, 2000; Bauer and Matzler, 2014; Weber and Tarba, 2013). While this approach encourages responsiveness, the Tata-Air India acquisition and Vistara merger reflect only limited use of it, as many challenges were handled reactively rather than through planned, proactive adaptation.

## **2.4 Post-Merger Integration (PMI)**

Post-merger integration (PMI) is crucial for M&A success, focusing on aligning operations, finances, and culture to achieve synergies and long-term value (Bodner and Capron, 2018). Its effectiveness depends on strategic fit and organizational

compatibility (Haleblian *et al.*, 2009; Zollo and Singh, 2004). Haspeslagh and Jemison (1991) outlined four PMI models—Absorption, Preservation, Symbiotic, and Holding. In Tata Sons' case, Air India follows the Absorption Model, while Vistara adopts the Symbiotic Model, reflecting their different integration needs.

#### **2.4.1 Absorption Model**

The Absorption Model fully integrates the acquired firm into the acquirer, eliminating its autonomy and adopting the acquirer's systems (Capron and Pistre, 2002). It works best when operational synergies and standardization are key goals (Larsson and Finkelstein, 1999).

However, it may trigger employee resistance, requiring effective change management (Marks and Mirvis, 2011), and risks knowledge loss if key personnel exit, especially in tech-driven deals (Ranft and Lord, 2002). This model is seen in Tata Sons' integration of Air India through complete operational restructuring and control.

#### **2.4.2 Preservation Model**

Preservation Model allows the acquired firm to retain its existing structure and operations while leveraging selective synergies with the parent firm (Schweizer, 2005). This approach is common in acquisitions where knowledge-based assets and brand identity are crucial (Bresman *et al.*, 1999).

Very and Schweiger (2001) suggest that cultural and operational autonomy in this model fosters innovation and minimizes integration-related disruptions. However, Bauer and Matzler (2014) contend that limited integration may reduce cost synergies, making it less effective in cost-driven mergers.

#### **2.4.3 Symbiotic Model**

Symbiotic Model promotes gradual integration, enabling both firms to adapt and learn from each other over time (Haspeslagh and Jemison, 1991). Ideal for knowledge-intensive and culturally distinct organizations, it fosters trust, minimizes resistance, and supports synergy realization (Graebner, 2004; Weber and Tarba, 2013).

Stahl and Voigt (2008) highlight its effectiveness in cross-border M&As due to its sensitivity to cultural differences. Tata Sons' merger of Vistara follows this model, ensuring a phased integration while maintaining Vistara's brand and operational identity.

#### **2.4.4 Holding Model**

The Holding Model involves the acquiring firm maintaining financial control while allowing the acquired firm to operate independently with little integration (Birkinshaw *et al.*, 2000). This approach is common in private equity, as operational autonomy helps preserve value (Ahern and Harford, 2014). It works best when firms

are in unrelated industries to avoid harming competitive advantages (Collis and Montgomery, 1998), though a lack of synergy may limit cost savings and efficiency gains (Bauer and Matzler, 2014).

## **2.5 Strategy Based on Acculturation in Post-Merger Integration (PMI)**

Post-merger integration (PMI) is critical to the success of mergers and acquisitions (M&A), with cultural integration—also called acculturation—playing a central role in aligning values, systems, and practices of merging firms to build a unified corporate identity (Nahavandi and Malekzadeh, 1988).

A well-managed cultural integration enhances employee satisfaction and helps realize synergies (Weber *et al.*, 1996), whereas poor cultural management can lead to conflict, low morale, and reduced efficiency (Chatterjee *et al.*, 1992).

Nahavandi and Malekzadeh (1988) proposed four main acculturation strategies: assimilation, separation, integration, and deculturation. In assimilation, the acquired firm adopts the culture of the acquirer, which may be effective when the acquiring firm is perceived as superior (Weber and Camerer, 2003), though it can lead to employee resistance (Buono and Bowditch, 1989). Separation, where the acquired firm retains its culture, can minimize conflict (Marks and Mirvis, 2011), but may limit collaboration and reduce synergy benefits (Cartwright and Cooper, 1993).

Integration combines elements of both firms' cultures into a shared identity, encouraging collaboration and knowledge-sharing (Stahl and Voigt, 2008; Teerikangas and Very, 2006).

Though useful in mergers of equals, it requires intensive effort and may face hurdles if cultural differences are not well managed (Vaara, 2002). Deculturation involves replacing the acquired firm's culture entirely, often seen in hostile takeovers, but may result in employee alienation (Larsson and Lubatkin, 2001; Buono and Bowditch, 1989).

The choice of strategy depends on factors like cultural fit (Chatterjee *et al.*, 1992), leadership style (Ranft and Lord, 2002), and employee involvement (Schweiger and Goulet, 2000). Transformational leaders who ensure clear communication and involve employees (Kuipers, 2024) can significantly ease the transition. For instance, Emirates Group's IT restructuring into Accelya reflects effective cultural change to drive innovation (Singh, 2019).

## **2.6 Market Position, Operational Performance, and Financial Outcomes**

Existing studies highlight that mergers and acquisitions contribute significantly to reshaping market structures by enabling firms to expand their networks, improve

competitiveness, and secure stronger positions within the industry (Haspeslagh and Jemison, 1991; Graebner *et al.*, 2017).

Researchers have found that such consolidations often lead to operational benefits, including enhanced resource utilization, streamlined processes, and improved service quality (Weber *et al.*, 2011; Bodner and Capron, 2018).

In addition, financial literature consistently shows that mergers can strengthen long-term sustainability through debt reduction, revenue growth, and better cost management (Zollo and Singh, 2004; Capron and Pistre, 2002; Haleblian *et al.*, 2009). Together, these findings emphasize that well-executed mergers can deliver substantial improvements across market, operational, and financial dimensions.

### **3. Research Methodology**

The research methodology employed in this paper includes mainly description in nature but the amount and data enable researchers to draw conclusion research approach may be termed as a case study approach, focusing on the privatization and merger of Air India and Vistara (Tata SIA Airlines Limited), offering insights into the strategic decisions of the Tata Group and their impact on the airline's future.

#### ***Objectives of the Study:***

- To analyse changes in Air India's market position compared to competitors like IndiGo and Akasa Air.
- To analyse the impact on operational improvements of Tata SIA Airlines Limited (Vistara) merger with Air India.
- To assess Air India's financial performance after Tata Sons' acquisition, focusing on the context of revenue growth and debt reduction.
- To explore the impact of integration strategies and organizational culture on the success of the Air India–Vistara merger.

#### ***Data Collection:***

The study uses secondary data from government reports, industry analyses, and financial statements of Air India and Vistara, which are important for understanding their operational and financial performance.

#### ***Comparative Analysis:***

The study conducts a comparative analysis of pre- and post-merger periods to assess changes in market share, fleet size, revenue, and operational efficiency, using quantitative metrics like revenue figures and market share percentages.

#### ***Qualitative Assessment:***

The study conducts qualitative assessments on service quality improvements and customer experience enhancements after the acquisition, supported by insights from industry experts and customer feedback.

***Strategic Perspectives on PMI:***

The study explores various Post-Merger Integration (PMI) strategies, including pre-conceived designed strategies, emergent process strategies, and acculturation strategies. It evaluates how Tata Sons navigated the integration process, adjusting their approach to address operational and cultural challenges.

**3.1 Research Propositions/ Research Question**

1. The merger of Air India and Vistara is expected to significantly improve Air India's financial performance, leading to reduced losses and increased revenue generation.
2. The integration of Air India and Vistara is currently enhancing operational efficiencies, which is likely to impact service quality positively and contribute to cost reduction in the future.
3. The merger is anticipated to affect Air India's market share and competitive positioning in the Indian aviation sector in comparison to competitors like IndiGo and Akasa Air.
4. The combined fleet and network expansion post-merger is expected to enable Air India to compete more effectively on international routes against global carriers.
5. The merger is likely to influence customer perceptions and improve the overall service quality of Air India in comparison to its competitors.

This methodology provided a detailed understanding of the changes at Air India, offering valuable insights into their wider implications for the Indian aviation sector.

**4. Result and Discussion****4.1 Financial Performance of Air India (Pre- and Post-Acquisition)**

Table 1 provides an overview of Air India's revenue, total expenses, and net profit from 2015-2016 to 2022-2023, reflecting key financial trends over the years. The data highlights change in the airline's financial position, influenced by operational costs, market dynamics, and industry challenges.

Table 1 shows Air India's financial performance from 2015-16 to 2023-24, highlighting its struggles before and improvements after Tata Group's acquisition. Before Tata took over in January 2022, Air India faced continuous losses due to expenses being much higher than revenue. The worst year was 2018-19, with a massive net loss of ₹-8,55,636 million.

The situation worsened during the COVID-19 pandemic in 2020-21 and 2021-22, as revenue dropped sharply while losses remained high. After Tata's acquisition, the airline's financial condition started improving, with revenue increasing to ₹3,88,120 million in 2023-24 and losses reducing to ₹-44,440 million, reflecting better cost

control and operational efficiency. Additionally, Air India's merger with Vistara, expected in 2024-25, is likely to strengthen its market position, improve efficiency, and enhance profitability.

**Table 1.** *The major trends of Air India are (as of the financial year ending 31 March)*

Year	Revenue ₹Million	Revenue \$Million	Total Expenses ₹Million	Total Expenses \$Million	Net Profit/ Net Loss ₹Million	Net Profit \$Million
2015-16	₹ 2,06,100.00	\$3,212.78	₹ 2,43,613.30	\$3,797.56	₹ -3,83,678.00	\$-5,980.95
2016-17	₹ 2,21,770.00	\$3,299.66	₹ 2,57,974.60	\$3,838.34	₹ -5,76,517.00	\$-8,577.85
2017-18	₹ 23,003.00	\$353.24	₹ 2,91,258.30	\$4,472.64	₹ -53,370.00	\$-819.56
2018-19	₹ 2,64,877.20	\$3,871.91	₹ 3,49,625.20	\$5,110.73	₹ -8,55,636.00	\$-12,507.47
2019-20	₹ 2,85,244.40	\$4,052.34	₹ 3,62,901.70	\$5,155.59	₹ -7,98,282.00	\$-11,340.84
2020-21	₹ 12,104.00	\$163.35	₹ 19,187.00	\$258.93	₹ -70,830.00	\$-955.87
2021-22	₹ 19,815.00	\$265.97	₹ 29,406.00	\$394.71	₹ -95,910.00	\$-1,287.38
2022-23	₹ 31,377.00	\$382.65	₹ 3,71,110.00	\$4,525.73	₹ -1,13,880.00	\$-1,388.78
2023-2024	₹388,120	\$4,675	₹432,560	\$5,211	₹-44,440	\$-536

**Source:**

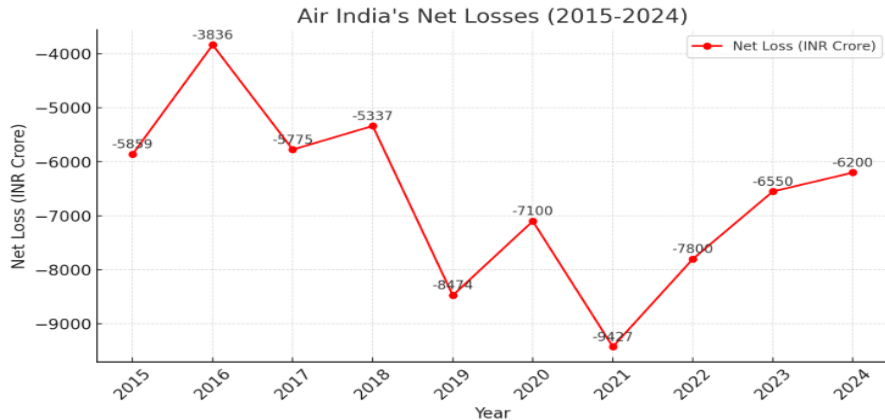
1. <https://www.bseindia.com/bseplus/AnnualReport/946631/9466310317.pdf>
2. <https://www.airindia.com/content/dam/air-india/image/company-information/air-india-annual-report-2019-20.pdf>
3. <https://economictimes.indiatimes.com/air-india-ltd/yearly/companyid-12228.cms>
4. <https://www.bseindia.com/bseplus/AnnualReport/947514/9475140318.pdf>
5. <https://www.scribd.com/document/725442568/Air-India-Annual-Report-2021-22>
6. <https://www.tata.com/content/dam/tata/pdf/fy23/Tata-Sons-Annual-Report-FY23.pdf.pdf>

Figure 1 shows Air India's net losses from 2015 to 2024, indicating fluctuations in financial performance. The losses peaked at ₹9471 crore in 2021 but reduced to ₹6200 crore in 2024, reflecting efforts to improve financial stability.

#### **4.2 Air India's Operational Performance, ASKMs, and PKMs Trends**

Table 2 presents Air India's key operational indicators — passenger traffic, revenue hours, freight, fleet size, load factors, ASKMs, and PKMs (2016–2022).

It highlights trends in capacity, efficiency, and performance, showing growth, COVID-19 impact, and recovery.

**Figure 1. Net Losses of Air India**

**Source:** Own study.

**Table 2. Air India's Operational Performance, Efficiency Trends, and Scheduled Services ASKMs & PKMs**

Year	Passengers (million)	Total Revenue Hours Flown	Freight Carried (000 tonnes)	Fleet Size	Passenger Load Factor (%)	Overall Load Factor (%)	ASKMs (Million)	PKMs (Million)	References
2015-16	18	3,56,182	192.8	135	75.6	62.6	–	–	–
2016-17	19.1	4,05,164	197	136	76.3	65.3	54,155	41,316	[1], [4], [8]
2017-18	21.1	4,34,955	204	158	79	68	14,173	11,277	[5]
2018-19	22.1	4,69,693	240.7	171	79	69	14,173	11,277	[3], [4]
2019-20	22.5	4,82,099	221.3	127	79.8	69.1	14,982	12,512	[3], [4]
2020-21	6.3	1,73,689	74.9	124	65	55	23,690	16,207	[6]
2021-22	11.5	2,78,796	169	165	70	60	31,748	23,344	[6], [7]
2022-23	18.5	3,96,000	175	127	75	65	–	–	[1],[2], [6], [7]

**Source:**

- <https://www.bseindia.com/bseplus/AnnualReport/946631/9466310317.pdf>
- [https://www.business-standard.com/companies/news/air-india-launches-400-million-upgrade-to-transform-flying-experience-124091700669\\_1.html](https://www.business-standard.com/companies/news/air-india-launches-400-million-upgrade-to-transform-flying-experience-124091700669_1.html)
- <https://www.airindia.com/content/dam/air-india/image/company-information/air-india-annual-report-2019-20.pdf>
- <https://www.statista.com/statistics/587911/passenger-traffic-by-segment-air-india>
- <https://www.financialexpress.com/business/industry-air-india-net-loss-falls-17-6-to-rs-5337-crore-in-fy18-1427007/>
- <https://www.thehindubusinessline.com/economy/logistics/air-indias-losses-up-by-18-per-cent-in-fy23-revenues-double/article67473586.ece>
- <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/air-indias-400-mn-overhaul-luxury-seats-modern-lights-and-high-tech-upgrades-coming-soon/articleshow/113420294.cms>
- <https://www.bseindia.com/bseplus/AnnualReport/947514/9475140318.pdf>

Table 2 shows Air India's operational performance, efficiency trends, ASKMs, and PKMs from 2016 to 2022. Before its 2022 acquisition by Tata Sons, the airline faced financial losses, high costs, an aging fleet, and growing competition, all made worse by the COVID-19 pandemic, leading to sharp declines in key metrics in 2020-21. The acquisition marked a turning point, with restructuring, service upgrades, and fleet modernization driving recovery. The planned 2024 merger with Vistara is expected to further strengthen Air India's global competitiveness.

### **4.3 Synergies Expected from the Consolidation**

The merger between Air India and Vistara is expected to unlock several synergies, driving financial sustainability, operational efficiency, and customer experience improvements.

#### ***Cost Savings:***

The merger is expected to generate ₹500 crore (\$59.76 million) in annual cost savings by optimizing operations, revising vendor contracts, and simplifying shared services. Main savings areas include fuel procurement, where a larger fleet enables better pricing agreements, airport lounge services, reducing redundancy and improving efficiency, and ground infrastructure, enhancing the utilization of maintenance and technical facilities. Additionally, catering and ancillary services will be unified to cut costs while maintaining service quality. These measures will strengthen the airline's financial position and competitiveness (Business Lines, 2024; Aviation, 2024)

#### ***Expanded Network:***

Merger will significantly enhance accessibility by increasing flight frequency and adding new domestic and international routes. The newly formed airline will operate over 5,600 weekly flights, covering more than 90 worldwide places. With a combined fleet of 208 aircraft, the airline will have greater flexibility in deploying resources to meet demand on high-traffic routes while also expanding into underdeveloped markets. The improved connection will provide passengers with better connectivity options, reduced layovers, and a more seamless travel experience (Business Standard, 2024; Times of India, 2024).

#### ***Fleet Modernization:***

To support its expanded operations, Air India has placed an additional order for 100 Airbus jets, including 90 A320-family aircraft and 10 A350 widebodies. This move signifies the airline's strategic commitment to revamping its fleet with next-generation, fuel-efficient aircraft, aimed at boosting operational efficiency, minimizing costs, and advancing sustainability goals. The transformation effort is expected to reduce maintenance costs, improve fuel efficiency, and enhance passenger comfort, thereby making Air India-Vistara a more competitive player in both domestic and international markets (Aerospace, 2024; Air bus, 2024).

#### 4.4 Impact on the Indian and International Aviation Market

The merger is expected to bring transformative changes not just to the Indian aviation sector but also to the broader worldwide market.

##### ***Market Leadership in India:***

By integrating Air India and Vistara, the new entity will consolidate its position as the largest full-service carrier in India. This will eliminate internal competition between the two airlines while strengthening their market share against challengers such as IndiGo, Akasa Air, and other international carriers operating in India. The merger also enhances Air India's ability to challenge low-cost carriers by offering competitive fares while maintaining premium services. (Business Standard, 2024; Times of India, 2024).

##### ***Enhanced Global Competitiveness:***

With an expanded fleet, broader network reach, and improved service standards, the merged airline will be better positioned to compete on international routes, particularly in the Asia-Pacific, Europe, and North America. The enhanced scale of operations will allow it to secure better airport slots, increase code-sharing agreements with global airlines, and offer more seamless international connections. Additionally, the fleet modernization will enable the airline to launch more long-haul, non-stop flights, reducing dependence on layovers and increasing customer convenience. (Financial Times, 2024; Bench Market, 2025).

##### ***Strengthened Strategic Partnerships:***

A crucial aspect of the merger is the 25.1% stake that Singapore Airlines (SIA) now holds in the combined entity. This partnership brings valuable expertise in airline management, premium service offerings, and operational efficiency.

Singapore Airlines' involvement is expected to enhance Air India's global standing by introducing international best practices in customer service, fleet management, and operational efficiency. Additionally, this strategic alliance opens possibilities for expanded code-sharing agreements and deeper integration within the global aviation ecosystem. (Business Standard, 2024; Times of India, 2024)

Table 3 presents a comparison of Air India's performance in 2021, before its acquisition by Tata Sons, with major competitors IndiGo, SpiceJet, and GO First (GoAir). It includes data on market share, fleet size, revenue, profitability, debt levels, and service quality, providing insights into the competitive landscape of India's aviation sector.

Before Tata Sons took over Air India in 2022, the airline was facing many problems. In 2021, it had a 16.5% market share but was struggling with an old fleet of 124 aircraft and a huge debt of ₹600,000 million (\$8.09 billion). Even though it earned

₹230,000 million (\$3.10 billion) in revenue, it suffered a big loss of ₹70,000 million (\$944.67 million) due to poor management and inefficiency.

**Table 3. Pre-Acquisition Performance Comparison of Air India, IndiGo, and Competitors (2021)**

Performance Indicators	Air India (2021, Pre-Acquisition)	IndiGo	SpiceJet	GO First (GoAir)	References
Ownership	Government-Owned (Before Tata Sons' Acquisition)	Private	Private	Private	[1], [5]
Market Share (2021)	16.5% (Including Alliance Air)	60.80%	9%	8.10%	[3]
Fleet Size	124 aircraft (Aging fleet)	250+ aircraft (Expanding)	90+ aircraft	55+ aircraft	[1], [2]
Revenue (2020-2021)	₹230,000M (\$3,103.91M)	₹275,500M (\$3,717.95M)	₹60,720M (\$819.43M)	₹42,000M (\$566.80M)	[1], [5]
Net Profit/Loss	₹70,000M (\$944.67M)	₹61,700M (\$832.66M)	₹10,290M (\$138.87M)	₹12,700M (\$171.39M)	[1], [5]
Debt Levels	₹600,000M (\$8,097.17M)	Low debt, self-sustained	₹35,000M (\$472.33M)	₹25,000M (\$337.38M)	[5]
Service Quality	Operational inefficiencies, aging fleet	Best on-time performance	Frequent delays, cancellations	Operational challenges	[4]
Network Strength	Strong international, weak domestic	Largest domestic presence	Moderate domestic reach	Primarily domestic routes	[1], [2]
Challenges	High debt burden, declining reputation, operational inefficiencies	Pilot shortages, infrastructure constraints	Cash flow issues, safety concerns	Lack of funding, operational instability	[1], [2], [5]

**Sources:** 1. <https://www.civilaviation.gov.in/Publication/annual-reports>  
 2. <https://www.civilaviation.gov.in/Publication/annual-reports>  
 3. <https://www.businessinsider.in/business/news/domestic-air-passenger-traffic-went-up-by-47-this-year-compared-to-2021-dgca/articleshow/97137334.cms>  
 4. <https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/indigo-spicejet-goair-had-on-time-performance-of-93-7-76-9-and-72-8-in-jan-puri/articleshow/81430714.cms>  
 5. <https://www.tata.com/content/dam/tata/pdf/fy23/Tata-Sons-Annual-Report-FY23.pdf.pdf>  
 \*M (Million)

On the other hand, IndiGo was leading the market with a 60.8% share, over 250 modern aircraft, and strong finances. SpiceJet and GO First had smaller shares but were also facing cash problems and flight delays. Tata Sons acquired Air India with the goal of reducing its debt, upgrading its fleet, and improving service to compete better in India and abroad.

Out of the total debt of ₹615,620 million (\$8.2 billion), Tata Sons took ₹153,000 million (\$2.04 billion), and the rest ₹462,620 million (\$6.17 billion) was moved to a government-owned company called Air India Asset Holding Limited (AIAHL).

Table 4 shows how Air India (2024), after merging with Vistara and Air India Express, compares with IndiGo and SpiceJet in terms of market share, fleet size, network, revenue, and profits.

**Table 4.** Post-Acquisition Performance Comparison of Air India, IndiGo, and Akasa Air

Performance Indicators	Air India (Post-Acquisition & Post-Merger, 2024)	IndiGo	SpiceJet	References
Ownership	Tata Sons (Merged with Vistara & Air India Express)	Private	Private	
Market Share (October 2024)	19.4% (Domestic) (Post-Merger with Vistara & Air India Express)	63.3% (Industry leader)	5.4% (Emerging player)	[1]
Fleet Size & Expansion	Added 100+ aircraft, upgrading fleet	1,000+ aircraft orders, largest in India	27 aircraft, 226 more on order	[2], [3]
Network Expansion	Expanded international & domestic routes	Strongest domestic network	22 domestic, 5 international routes	[1]
Revenue Growth (2023-24)	25% year-on-year growth	Positive growth, exact figures undisclosed	Expansion phase, yet to report profits	[1]
Profitability	Reduction in financial deficits by 50%+	Profitable	Growth-focused, financial consolidation underway	[1]
<b>Sources:</b>				
<ol style="list-style-type: none"> <li><a href="https://timesofindia.indiatimes.com/business/india-business/less-than-30-spicejet-domestic-flights-took-off-on-time-last-month-dgca-data/articleshow/112624966.cms">https://timesofindia.indiatimes.com/business/india-business/less-than-30-spicejet-domestic-flights-took-off-on-time-last-month-dgca-data/articleshow/112624966.cms</a></li> <li><a href="https://www.business-standard.com/industry/news/domestic-air-passenger-traffic-in-india-jumps-by-6-12-to-161-3-mn-in-2024-125012201413_1.html">https://www.business-standard.com/industry/news/domestic-air-passenger-traffic-in-india-jumps-by-6-12-to-161-3-mn-in-2024-125012201413_1.html</a></li> <li><a href="https://economictimes.indiatimes.com/industry/transportation/airlines/-/aviation/civil-aviation-ministry-to-get-rs-2300-cr-budgetary-allocation-for-2024-25/articleshow/107331849.cms">https://economictimes.indiatimes.com/industry/transportation/airlines/-/aviation/civil-aviation-ministry-to-get-rs-2300-cr-budgetary-allocation-for-2024-25/articleshow/107331849.cms</a></li> <li><a href="https://www.business-standard.com/budget/news/budget-2025-civil-aviation-gets-rs-2-400-cr-udan-funds-cut-to-rs-540-cr-125020100957_1.html">https://www.business-standard.com/budget/news/budget-2025-civil-aviation-gets-rs-2-400-cr-udan-funds-cut-to-rs-540-cr-125020100957_1.html</a></li> </ol>				

Following its acquisition by Tata Sons and merger with Vistara and Air India Express, Air India has made memorable progress. By October 2024, its domestic market share rose to 19.4%, supported by fleet expansion and modernization. Revenue increased by 25% year-on-year, and financial losses were halved, indicating a move toward stability. In comparison, IndiGo remains the market leader with a 63.3% share and a strong domestic network, backed by over 1,000 aircraft on order. SpiceJet, with a 5.4% share, is focusing on recovery and growth but remains unprofitable. The comparison reflects Air India's improved competitiveness under Tata's strategic restructuring.

Table 5 compares the pre-merger performance of Air India and Vistara (2023) with their post-merger status in 2024. It highlights key metrics such as market share, fleet size, revenue, profitability, debt levels, service quality, and network strength. The data reflects the merger's impact on financial consolidation, operational expansion, and competitive positioning in the global aviation sector.

**Table 5. Air India & Vistara – Pre-Merger vs. Post-Merger Performance**

Performance Indicator	Air India (Before Merger, March 2023)	Vistara (Before Merger, 2023)	Air India (Post-Merger, March 2024)	References
Market Share	9.8%	10.4%	22.9% (Merged entity)	[2], [3]
Fleet Size	127 aircraft	70 aircraft	208 aircraft	[3]
Revenue (FY 2022-23)	₹313,770 million	₹151,910 million	₹388,120 million	[1], [3]
Net Profit/Loss	₹ (113,880) million	₹ (13,930) million	₹ (44,440) million	[1]
Debt Levels	Reduced under Tata, but still high	Low debt	Further debt restructuring & financing plans	[1]
Service Quality	Improved post-Tata takeover	Premium full-service experience	Enhanced premium offerings & modernization	[4], [5]
Network Strength	Strong international, moderate domestic	Strong domestic & SE Asia focus	Expanded global & domestic presence	[3], [4]
Employee Strength	14,000+ employees	5,500+ employees	20,000+ employees (post-integration)	[3], [5]
Challenges	Fleet modernization, competition, cost efficiency	Limited scale, lack of global presence	Integration of operations, brand consolidation	[4], [5]

**Source:**

1. <https://www.tata.com/content/dam/tata/pdf/fy23/Tata-Sons-Annual-Report-FY23.pdf.pdf>
2. <https://dgca.gov.in/>
3. <https://newsroom.airindia.com/in/en/press-release/air-india-completes-merger-with-vistara---second-group-airline-m>
4. <https://www.gktoday.in/air-india-and-vistara-merger/>
5. <https://www.tata.com/newsroom/business/air-india-vistara-merger-completion#:~:text=Air%20India%20Group%20has%20completed%20the%20operational%20integration,a%20significant%20milestone%20in%20the%20post-privatisation%20transformation%20journey.>

Table 5 highlights the performance of Air India and Vistara before and after their merger in March 2024. Before merging, Air India held a 9.8% market share, while Vistara had 10.4%. After the merger, their combined market share increases to 22.9%, strengthening their position in the aviation industry. Fleet size expanded from 127 (Air India) and 70 (Vistara) to 208 aircraft, enabling better domestic and international connectivity. This growth resulted from the Air India-Vistara merger (The Hindu, 2024) and the acquisition of 100 new Airbus jets (Reuters, 2024), strengthening its global presence (FT, 2024). Revenue increased significantly, reaching ₹388,120M, while financial losses declined due to cost efficiencies.

Service quality also improved, with modernization efforts and Vistara's premium experience enhancing passenger satisfaction.

The total workforce grew to over 20,000 employees, supporting expansion efforts. Despite these gains, challenges like fleet upgrades, operational integration, and cost management remain, but the merger has positioned Air India as a stronger global competitor. Air India's consolidated net loss reduced from ₹113,880 million to ₹44,440 million by March 2024 due to operational synergies from the Vistara merger, cost optimization, revenue growth, and debt restructuring (Business Standard, 2024; Reuters, 2024)

#### **4.5 Acquisition of Air India by Tata Sons**

##### ***The Air India Acquisition by Tata Sons: A Transformational Deal:***

The acquisition of Air India by Tata Sons marked a major turning point in the privatization of India's aviation sector. Once known for excellent service and global reach, Air India had declined due to rising debt, poor operations, and falling service quality. By 2021, its debt had crossed ₹60,000 crore (\$8.05 billion), making continued government ownership unviable.

To reduce fiscal burden and revive the airline, the Government of India launched a strategic disinvestment, handing over control to a private player. This aimed to enable professional management, restructuring, and long-term sustainability for Air India (Directorate General of Civil Aviation, 2021).

After several unsuccessful divestment attempts, Tata Sons, through its wholly owned subsidiary Talace Pvt Ltd, successfully acquired Air India for ₹18,000 crore (\$2,416.11 million). The transaction involved the absorption of ₹15,300 crore (\$2,053.69 million) in debt and a cash payment of ₹2,700 crore (\$362.42 million) to the government.

To ease the financial burden on the new management, the remaining liabilities and non-core assets were transferred to a government-owned entity, Air India Asset Holding Ltd. (Ministry of Civil Aviation, 2022). This acquisition marked a significant policy shift, emphasizing the government's move towards promoting private ownership in sectors where continued state control had become economically unsustainable.

The acquisition is expected to significantly restructure Air India's financial foundation, improve operational efficiency, and elevate service standards, positioning the airline as a competitive player in the global aviation market. In the short term, it is likely to foster healthy competition within the Indian aviation industry, prompting private carriers to enhance service quality while maintaining affordability. Furthermore, the acquisition reflects a forward-looking economic

reform, underscoring the government's commitment to reducing fiscal burdens through increased private sector involvement in loss-making public enterprises.

Overall, Tata Sons' acquisition of Air India marks a pivotal moment in India's aviation history, paving the way for long-term sustainability, operational excellence, and an improved customer experience.

The acquisition was particularly significant as it marked the return of Air India to its original founders, Tata Sons, who had established Tata Airlines in 1932 before its nationalization and rebranding as Air India in 1953 (Tata Group, 2022). As part of the transaction, Tata Sons also acquired Air India Express, a low-cost subsidiary focused on international short-haul operations. Alliance Air, originally launched in 1996 as a regional arm of Indian Airlines to enhance connectivity in Tier-2 and Tier-3 cities, continued under Air India following the 2007 merger with Indian Airlines (Business Standard, 2022; Economic Times, 2022).

In 2022, Alliance Air was formally separated from Air India and became an independent government-owned enterprise (Mint, 2024). In spite of its strategic role in regional aviation, Alliance Air continues to face financial constraints, necessitating government support and raising the prospect of future privatization (Economic Times, 2024). The acquisition also provided Tata Sons with access to 4,400 domestic and 1,800 international airport slots, substantially expanding its operational footprint and strengthening its position within the aviation industry (Economic Times, 2023).

Tata Sons' strategic rationale for acquiring Air India was multifaceted. Firstly, the airline's strong international network and prime airport slots provided an opportunity to establish a globally competitive full-service airline (DGCA, 2023). Secondly, Tata Sons already operated Tata SIA Airlines Limited (in partnership with Singapore Airlines) and AirAsia India, and acquiring Air India allowed the group to consolidate its aviation business.

The group later announced a merger between Air India and Tata SIA Airlines Limited (Vistara), making Air India the second-largest airline in India after IndiGo, with a market share of 19.4% as of 2024 (MoCA, 2024). Additionally, AirAsia India and Air India Express were merged to create an integrated low-cost carrier (Economic Times, 2024).

Following the acquisition, Tata Sons carried out a holistic transformation strategy focused on modernizing the fleet, elevating service standards, and streamlining the airline's financial structure to ensure long-term sustainability. In 2023, Air India placed an order for 470 new aircraft from Airbus and Boeing, amounting to approximately \$70 billion, marking one of the largest fleet orders in aviation history (Tata Group, 2024). The group also introduced new branding, enhanced customer service, premium cabin interiors, and improved on-time performance, aiming to

restore Air India's global reputation. Moreover, financial losses have significantly reduced post-acquisition due to cost-cutting measures, route optimization, and operational efficiencies (Business Standard, 2024).

In August 2024, Air India received government approval for its merger with Vistara, a joint venture between Tata Group and Singapore Airlines. This approval from the Competition Commission of India (CCI) and the Directorate General of Civil Aviation (DGCA) marked a significant step in consolidating Tata Group's aviation business (Reuters, 2024; Finance Yahoo, 2024).

The merger aims to create a leading full-service airline with a stronger presence in both domestic and international markets. As part of the integration, regulatory approvals from international aviation authorities are also being processed to ensure a seamless transition. Vistara's operations are set to be fully incorporated into Air India, enhancing fleet strength, route networks, and overall service quality (Business Standard, 2024).

#### ***Why Tata Sons Acquired Air India: Strategic Rationale and Implications?***

Tata Sons acquired Air India to reclaim its legacy and strengthen its aviation portfolio by integrating it with Tata SIA Airlines Limited (Vistara) and AirAsia India. The acquisition provided Tata with a vast domestic and international network, making it the second-largest airline group in India with a 19.4% market share (MoCA, 2024).

Despite Air India's financial struggles, Tata sons saw potential in investing in civil aviation sector it makes global reach, enhance brand value, and strategic airport slots (DGCA, 2023). The Indian government absorbed ₹46,000 crore (\$6,174.50 million) of Air India's debt, reducing Tata's financial burden (MoCA, 2022). Post-merger, Tata placed a \$70 billion order for 470 aircraft, modernizing Air India's fleet and enhancing global competitiveness (Economic Times, 2024). The deal aligns with India's aviation growth, positioning Tata as a dominant player in both full-service and low-cost segments (Tata Group, 2024).

#### **4.6 The Merger of Air India and Tata SIA Airlines Limited (Vistara): A Strategic Aviation Deal**

The merger of Air India and Vistara, announced in November 2022, represented a transformative step towards redefining the landscape of India's aviation industry. Tata Sons and Singapore Airlines (SIA) agreed to merge Vistara with Air India, creating India's largest full-service airline. Under the deal, Singapore Airlines acquired a 25.1% stake in the merged entity by investing ₹2,059 crore (\$250 million) (Tata Group, 2023).

This move aimed to consolidate Tata's aviation assets, streamline operations, and enhance global competitiveness. The joint entity benefited from Air India's vast

international network and airport slots and Vistara's premium service reputation (DGCA, 2023). The deal also positioned Air India as a challenging competitor to global carriers like Emirates and Qatar Airways, strengthening India's aviation presence on long-haul routes (Economic Times, 2024).

Post-merger, Tata Sons initiated fleet modernization, service improvements, and a uniform brand identity, with a \$70 billion aircraft order for 470 new planes (MoCA, 2024). The integration is expected to improve efficiency, reduce costs, and enhance customer experience, creating Air India a leading global airline.

### ***Why Tata Sons Merged Air India and Tata SIA Airlines Limited (Vistara)?***

The merger of Air India and Vistara was driven by Tata Sons' strategy to consolidate its aviation business, improve operational efficiency, and create a globally competitive full-service airline. Prior to the merger, Tata operated four separate airlines - Air India, Vistara, AirAsia India, and Air India Express - leading to fragmentation. The integration of Air India and Vistara aimed to streamline operations, reduce costs, and strengthen the full-service carrier (FSC) segment, allowing Tata to compete with leading international airlines (Ministry of Civil Aviation (MoCA), 2024)).

A crucial reason for the merger was market expansion. Air India had a vast international network and valuable airport slots, while Vistara was known for its premium service and strong domestic presence. Merging their strengths positioned the new Air India as India's largest full-service airline, increasing its ability to challenge global carriers like Emirates, Singapore Airlines, and Qatar Airways (Economic Times, 2024).

The deal also benefited Singapore Airlines (SIA), Vistara's joint venture partner, which acquired a 25.1% stake in the merged entity by investing ₹2,059 crore (\$250 million), allowing it to maintain a presence in India's fast-growing aviation market (Tata Group, 2023).

Another major driver was fleet expansion and modernization. Tata placed a \$70 billion aircraft order for 470 new planes from Airbus and Boeing, ensuring improved service standards and fuel efficiency (DGCA, 2023). Additionally, integrating both airlines helped eliminate duplicate costs, optimize workforce deployment, and leverage synergies in operations, technology, and customer service.

## **4.7 Tata Sons' Acquisition of Air India: A Strategic Transformation**

Tata Sons' acquisition of Air India in January 2022 marked a historic shift in India's aviation industry. The ₹18,000 crore deal aimed to revive the airline, which had been struggling with massive debt and operational inefficiencies. Tata Sons, already a key player in the aviation sector with Vistara and AirAsia India, sought to integrate Air India into its broader aviation strategy. A major focus was on fleet modernization,

with orders for 470 new aircraft to enhance operational efficiency. The merger of Air India with Vistara aimed to create India's largest full-service airline, strengthening its domestic and international market presence. Tata's expertise in corporate restructuring played a crucial role in streamlining operations and improving service quality. The integration also emphasized digital transformation to enhance passenger experience and optimize cost management.

Despite initial challenges, the acquisition positioned Air India as a strong competitor to global airlines. With continued investments and strategic realignments, Tata Sons is set to transform Air India into a profitable and world-class airline. This move is expected to reshape India's aviation landscape, challenging market leader IndiGo and increasing global connectivity.

#### **4.7.1 Phase 1: Air India, Tata Sons, and Vistara**

Air India, originally founded by the Tata Group in 1932 as Tata Airlines, was nationalized in 1953 and operated as India's flagship carrier for decades. However, due to financial mismanagement, rising debts, and operational inefficiencies, it accumulated a debt of over ₹60,000 crore by 2020 (Ruwali and Ram, 2021).

Although its historical significance, Air India struggled to maintain profitability. Meanwhile, Tata Sons re-entered the aviation industry in 2014 by launching Vistara, a premium full-service airline in partnership with Singapore Airlines (Economic Times, 2024). This move showed Tata's long-term commitment to the aviation sector, paving the way for future consolidation and strategic realignments (Business Standard, 2024).

#### **4.7.2 Phase 2: Strategic Changes and Growth of Air India and Vistara**

In January 2022, Tata Sons acquired Air India for ₹18,000 crore, marking one of the largest privatizations deals in Indian aviation history (Reuters, 2024). Tata Sons initiated a multi-phase restructuring strategy, focusing on financial stabilization, fleet modernization, and service enhancement (Financial Times, 2024).

A main aspect of this transformation was the planned merger of Air India and Vistara, which received regulatory approval in August 2024 (DGCA, 2023). The merger aimed to create India's largest full-service airline, leveraging Air India's vast international network alongside Vistara's premium service model (MOCA, 2024). By adopting digital transformation and customer service improvements, Tata Sons sought to reposition Air India as a strong competitor against global airlines like Emirates and Qatar Airways (Times of India, 2024).

#### **4.7.3 Phase 3: Air India and Vistara with New Ownership**

Under Tata Group's leadership, the integration of Air India and Vistara aimed to streamline operations, reduce inefficiencies, and enhance service quality (Financial Express, 2024). By 2024, the merged entity held a market share of 22.9%, strengthening its position in both domestic and international aviation markets

(Economic Times, 2024). A significant milestone in Air India's transformation was its historic order for 470 new aircraft, valued at approximately \$70 billion, from Boeing and Airbus (Airbus, 2024).

This investment emphasized Tata's long-term vision of fleet expansion and global competitiveness (Aerospace, 2024). Additionally, Tata Sons focused on improving in-flight services, upgrading airport lounges, and implementing digital innovations to enhance the passenger experience (Tata group, 2024).

#### **4.7.4 Phase 4: Air India, Vistara, and Future Prospects**

As Air India and Vistara continue their integration, Tata Sons remains focused on cost optimization, operational efficiency, and brand enhancement (MOCA, 2024). The airline is expected to achieve significant cost savings through synergies, enabling it to compete effectively against low-cost carriers like IndiGo (Financial Express, 2024).

Tata's strategy includes leveraging technology-driven solutions, customer-centric policies, and fleet modernization to restore Air India's global reputation (Money Control, 2024). The successful transformation of Air India is expected to reshape India's aviation sector, positioning the airline as a strong global competitor and enhancing India's connectivity with international markets (DGCA, 2023). Despite facing challenges such as high operational costs, regulatory compliance, and intense competition, Tata Sons' long-term vision and strategic investments ensure a sustainable and competitive future for Air India (Business Standard, 2024).

### **5. Strategies for Post-Merger Integration: Pre-Designed Strategy, Emergent Processes, and Cultural Alignment in the Air India-Vistara Merger**

#### **5.1 Five Strategic Perspectives on the Integration Process**

In Tata Sons' acquisition of Air India and its merger with Vistara, the Strategic Management and Discursive Perspectives were the primary drivers. The focus was on operational revival, market competitiveness, and synergy creation, alongside effective communication and branding to shape public and employee perceptions. Human Resources, Cultural, and Political Perspectives played a minimal role due to a smooth workforce transition, limited cultural differences, and strong government support.

#### **5.2 Strategic Management Perspective**

Tata Sons' acquisition of Air India was a landmark move aimed at reviving the airline and restoring its lost market position. With years of financial distress and operational inefficiencies, Air India required a robust turnaround strategy focused on cost reduction, service enhancement, and market expansion. The merger with Vistara

aligns with Tata's broader vision to establish a world-class, full-service airline, leveraging Vistara's premium positioning and operational efficiencies. Research highlights that successful mergers depend on effective strategic planning, operational synergies, and financial realignment (Haspeslagh and Jemison, 1991; Weber *et al.*, 2011; Bauer and Matzler, 2014).

News reports suggest that Tata Sons is prioritizing fleet modernization, enhanced customer service, and stronger international connectivity to position Air India as a global competitor (Reuters, 2023; Economic Times, 2023; Bloomberg, 2023).

### **5.3 Discursive Perspective**

Tata Sons has carefully crafted the narrative around Air India's acquisition to reinforce its emotional and historical significance. The transaction was framed as a "homecoming", restoring the airline to its original founders and evoking national pride. This storytelling approach helped manage public perception, employee morale, and brand loyalty.

The Air India-Vistara merger is similarly positioned as a strategic step toward creating a premium airline that competes with global carriers like Emirates and Singapore Airlines. Studies suggest that clear communication, strategic framing, and stakeholder engagement are vital for merger success (Rosendale *et al.*, 2024; Giessner *et al.*, 2016; Zagelmeyer *et al.*, 2018; Sarala, 2008).

Reports indicate that Tata Sons is prioritizing transparent leadership communication, employee engagement initiatives, and service rebranding to ensure smooth integration (Hindustan Times, 2023; Business Standard, 2023; NDTV, 2023).

By focusing on strategic execution and effective communication, Tata Sons is working to revitalize Air India, integrate Vistara's strengths, and establish a dominant force in the global aviation market.

### **5.4 Pre-Conceived Designed Strategy**

In the case of Tata Sons' acquisition of Air India and the merger with Vistara, the pre-conceived designed strategy perspective is partially followed. Tata Sons likely had a strategic vision in place before acquiring Air India, focusing on operational efficiencies and synergy realization, including integrating Vistara's premium services into Air India.

However, as Haspeslagh and Jemison (1991) and Ranft and Lord (2002) suggest, plans made before the acquisition may not always address the challenges that arise after the merger. Tata Sons' approach involved adjusting the strategy as the integration process unfolded, especially when dealing with issues like fleet integration, cultural differences, and aligning both companies' services. This shows

that while Tata Sons had a plan, they also remained flexible and adapted as needed during the integration (Tata Group, 2024; The Economic Times, 2023).

### **5.5 Inherently Emergent Process Strategy**

The inherently emergent process strategy is evident in Tata Sons' acquisition of Air India and the merger with Vistara. The integration process was shaped by ongoing challenges and evolving circumstances, rather than following a rigid pre-defined strategy. Tata Sons likely adapted and refined its integration approach based on real-time feedback from the airline industry, including regulatory challenges, fleet management issues, and competition.

This approach aligns with the emergent strategy perspective, which emphasizes flexibility and learning through the integration process (Mintzberg, 1994; Homburg and Bucorius, 2006). Tata Sons' continuous adjustments to its strategy during the integration of Air India and Vistara demonstrate the characteristics of an emergent strategy, where the integration strategy evolves to address unforeseen issues (Tata Group, 2024; The Economic Times, 2023).

### **5.6 Post-Merger Integration (PMI)**

Post-merger integration (PMI) is a crucial phase in the success of mergers and acquisitions (M&A), where the merging firms align their operational, financial, and cultural aspects to achieve synergies and create long-term value.

The integration strategy chosen can significantly impact the overall success of the merger, with different models offering various approaches to integration. In the case of Tata Sons' acquisition of Air India and the subsequent merger with Vistara, two distinct PMI models emerge, the Absorption Model for Air India and the Symbiotic Model for Vistara, each suited to the unique circumstances and strategic objectives of the integration process. These models highlight how Tata Sons balanced the need for operational efficiency with the preservation of Vistara's premium brand identity.

## **6. Application of PMI Models to Air India and Vistara**

### **6.1 Air India: Absorption Model and Full Integration**

The integration of Air India into Tata Sons followed the Absorption Model due to Air India's financial distress, inefficiencies, and declining service quality. By the time of acquisition, the airline had a debt of ₹615,620 million (\$8,209 million), requiring urgent restructuring (Economic Times, 2024). Under the deal, Tata Sons assumed ₹153,000 million (\$2,040 million) of this debt, while ₹462,620 million (\$6,169 million) was shifted to a government-owned SPV, Air India Asset Holding Limited (AIAHL) (Business Standard, 2024). This restructuring aimed to reduce

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liabilities and support Air India's long-term financial stability (Capron and Mitchell, 2012).

Beyond financial restructuring, Tata Sons implemented significant operational and leadership changes to align Air India's management with its private-sector approach. A new executive team was appointed to overhaul corporate governance, streamline decision-making, and enhance service quality (Reuters, 2024).

Additionally, Air India's outdated fleet and inefficient route networks were restructured to optimize cost efficiencies and improve customer experience (Bodner and Capron, 2018). While the Absorption Model offered long-term efficiency gains, challenges such as employee resistance, service standardization, and cultural realignment posed obstacles to seamless integration (Zollo and Singh, 2004). These findings align with past studies that highlight the risks of rapid absorption in organizations with entrenched operational cultures (Ranft and Lord, 2002).

## **6.2 Air India & Vistara: Symbiotic Model**

Vistara's merger with Air India seems to follow the Symbiotic Model initially, wherein both firms maintained distinct identities while collaborating for mutual benefit. Vistara, a joint venture between Tata Sons and Singapore Airlines, had a strong brand presence in the premium services sector, whereas Air India had a broader market appeal (Vistara, 2021).

Initially, Vistara's premium brand identity was retained, with the airline capitalizing on Air India's extensive network. This allowed Vistara to offer premium services while benefitting from Air India's larger infrastructure and operational capabilities. The Symbiotic Model emphasizes maintaining the autonomy of both firms while facilitating synergies through collaboration (Haspeslagh and Jemison, 1991).

However, over time, as the merger progresses, this strategy may transition towards the Absorption Model, especially if Vistara's brand becomes increasingly integrated into Air India's operations. This phased approach aligns with research that suggests firms with strong brand equity, like Vistara, benefit from retaining their identity initially before full absorption (Puranam and Vanneste, 2016).

Research supports this approach, with researchers observing that a phased integration model allows firms to balance autonomy with synergies (Graebner *et al.*, 2017). The phased approach enables the integration of complementary strengths - Air India's global network and Vistara's premium services - while mitigating risks associated with immediate absorption (Schweizer, 2005). Therefore, Tata Sons' strategy reflects an adaptable approach to PMI, wherein Air India follows the Absorption Model, while Vistara's initial merger strategy leans towards the Symbiotic Model.

### **6.3 The Synergy Trap Hypothesis in the Tata Sons–Air India and Vistara Merger**

#### **6.3.1 Understanding the Synergy Trap Hypothesis**

The Synergy Trap Hypothesis (Sirower, 1997) explains how companies often expect big benefits from mergers and acquisitions but fail to fully understand the difficulties involved. As a result, most mergers—over 70%—do not deliver the promised gains because of problems like mismatched operations, cultural differences, and financial inefficiencies (Capron and Mitchell, 2012; Haleblan *et al.*, 2009). Firms often plan for cost savings, higher revenues, and improved performance, but these are hard to achieve due to hidden challenges (Bauer and Matzler, 2014).

In Tata Sons' aviation consolidation, which included acquiring Air India and merging with Vistara, such traps became visible. Although they aimed for better routes, lower costs, and a larger market, the process faced high costs, cultural clashes, and slow brand integration (Economic Times, 2024). This case shows that synergy expectations must be realistic and based on a deep understanding of integration risks (Graebner *et al.*, 2016).

## **7. Analysis of Data & Interpretation with Respect to Research Proposition**

***Research Proposition 1. The merger of Air India and Vistara is expected to significantly improve Air India's financial performance, leading to reduced losses and increased revenue generation.***

Yes, the merger is expected to significantly improve Air India's financial performance. Post-merger, the combined entity is projected to reduce losses by approximately 50%, aided by operational efficiencies and Tata's strategic restructuring. Revenue is anticipated to increase due to enhanced market reach and synergy benefits, with a consolidated revenue target of over ₹45,000 crore (approximately \$5.4 billion) post-merger.

Additionally, the merger is expected to generate annual cost savings of over ₹500 crore through optimized operations, fuel management, and improved contract negotiations (The Hindu Business Line, 2024). The integration of Vistara into Air India is also projected to enhance profitability, supported by a streamlined workforce and improved fleet utilization (Economic Times, 2024). Furthermore, Singapore Airlines, which holds a stake in Vistara, expects a non-cash accounting gain of approximately SGD 1.1 billion (around \$832.45 million) following the completion of the merger, further strengthening the financial position of the new entity (The Hindu, 2024).

Overall, these factors collectively position the merged airline for long-term financial stability and growth (DGCA, 2023; Financial Times, 2024; Times of India, 2024; The Hindu Business Line, 2024; Economic Times, 2024; The Hindu, 2024).

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***Research Proposition 2. The integration of Air India and Vistara is currently enhancing operational efficiencies, which is likely to impact service quality positively and contribute to cost reduction in the future.***

The integration is enhancing operational efficiencies by eliminating duplicate costs, optimizing workforce deployment, and leveraging synergies in operations and technology. This will likely lead to improved service quality as Vistara's premium service standards are integrated into Air India's operations. Cost reductions are expected through streamlined processes and better resource allocation, ultimately enhancing customer experience (Business Standard, 2024; Tata Group, 2024, The Hindu Business Line, 2024; Economics Times, 2024).

***Research Proposition 3. The merger is anticipated to affect Air India's market share and competitive positioning in the Indian aviation sector in comparison to competitors like IndiGo and Akasa Air.***

The merger is set to strengthen Air India's market share, combining Air India's 12.6% and Vistara's 6.8% to create a new entity with a 19.4% market share. This consolidation will enhance its competitive positioning against rivals like IndiGo and Akasa Air, allowing it to offer competitive fares while maintaining premium services, thereby eliminating internal competition and strengthening its market presence (DGCA, 2023; Tata Group, 2024; Business Standard, 2024).

***Research Proposition 4. The combined fleet and network expansion post-merger is expected to enable Air India to compete more effectively on international routes against global carriers.***

Yes, the combined fleet and network expansion will enable Air India to better compete on international routes. The merger includes a significant order for 470 new aircraft, which will enhance fleet modernization and service standards. This expanded capacity will allow Air India to secure better airport slots, increase code-sharing agreements, and launch more long-haul, non-stop flights, positioning it as a challenging competitor to global carriers like Emirates and Qatar Airways (Economic Times, 2024; Tata Group 2023).

***Research Proposition 5. The merger is likely to influence customer perceptions and improve the overall service quality of Air India in comparison to its competitors.***

The merger is expected to positively influence customer perceptions by improving overall service quality. By integrating Vistara's premium service reputation with Air India's extensive network, customers can expect enhanced service standards and operational efficiencies. This strategic alignment aims to position Air India as a leading global airline, thereby improving customer satisfaction and loyalty compared to its competitors (MOCA, 2024; Tata Group, 2024; Financial Times, 2024).

## **8. Conclusion**

In conclusion, Tata Sons' acquisition of Air India and its merger with Vistara represent a transformative shift in the Indian aviation industry, driven by the goal of improving competitiveness and operational efficiency. While the merger offers significant synergies, such as optimized route networks and cost reductions, it also brings forth challenges, including cultural integration and unforeseen operational costs.

These complexities underscore the inherent difficulties of post-merger integration (PMI), where initial expectations often face the realities of organizational dynamics. Adaptability and effective communication are critical during this phase. Research shows that involving employees in the cultural adaptation process can reduce resistance and promote stability post-merger.

As Tata Sons navigates these challenges, clear and transparent leadership communication, along with robust stakeholder engagement, will play a pivotal role in shaping employee perceptions and ensuring a smooth transition. Furthermore, the narrative surrounding Air India's acquisition has been strategically designed to evoke national pride and reinforce brand loyalty, which is crucial for maintaining morale throughout this period of change.

The integration strategy must maintain a balance between careful planning and the flexibility to adjust to emerging issues. Although pre-conceived strategies provide a useful framework, the dynamic nature of PMI necessitates continuous learning and adaptation. This flexibility will allow Tata Sons to tackle unexpected challenges while maximizing the combined strengths of Air India and Vistara.

In the end, the success of this merger hinges on Tata Sons' ability to integrate operational efficiencies with cultural alignment, positioning Air India as a major global player. By focusing on strategic execution and fostering a unified organizational culture, Tata Sons aims to transform Air India into a premium airline capable of competing with the world's leading carriers.

The path ahead will require innovation, resilience, and a steadfast commitment, but with a clear vision, Tata Sons is well-positioned to reshape the future of Indian aviation.

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