

Air India's Turnaround: Big Ambitions, Bigger Financial Challenges

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Summary

Air India stands at a critical stage in its ambitious Tata-led transformation. Despite substantial investment in fleet renewal, technology, integration and network expansion, the airline has incurred heavy losses, prompting a reported request for fresh capital from Tata Sons and Singapore Airlines. The latter's cautious approach reflects growing concern over the financial burden of its investment. Air India's future will depend not merely on additional funding but also on improved operational efficiency, aircraft utilisation, route profitability and competitiveness.

Air India finds itself at a critical juncture. Barely four years after the Tata Group took control of the national carrier from the Indian government, the airline is seeking another substantial infusion of capital from its shareholder – Tata Sons and Singapore Airlines. Reports indicate that Air India has sought [approximately US\\$1.5 billion](#) (S\$1.91 billion) in fresh equity at a time when its financial losses have widened dramatically. The request is significant because it raises a fundamental question: how much more capital will be required before Air India becomes a sustainably profitable airline?

The financial numbers are sobering. Air India and its low-cost subsidiary Air India Express together incurred [losses of around US\\$2.33 billion](#) (S\$2.97 billion) in the financial year ended March 2026, more than twice the previous year's loss. This leads to the broad unmistakable conclusion that the turnaround is proving considerably more expensive and more difficult than originally anticipated.

Yet, Air India is not a normal airline undergoing an ordinary expansion. The Tata Group inherited a carrier with decades of accumulated operational, financial and organisational problems. Its fleet required extensive refurbishment; aircraft availability and reliability had to be improved; employee systems and customer service needed transformation; digital infrastructure had to be modernised; and the airline had to integrate Vistara into the enlarged Air India group. The merger with Vistara was completed in November 2024, with Singapore Airlines becoming a 25.1 per cent shareholder in the enlarged group.

The airline has been affected by disruptions to international airspace, particularly restrictions on the use of Pakistani airspace, geopolitical tensions in the Middle East, elevated fuel prices, supply-chain constraints and continuing difficulties in obtaining and deploying aircraft efficiently. The tragic Air India crash in 2025 also created an enormous operational and reputational challenge. These factors have come on top of the airline's ongoing fleet refurbishment and transformation programme.

There is, therefore, an important distinction between investment losses and structural losses. Some of Air India's present financial burden reflect the cost of rebuilding the airline. However, shareholders will increasingly want to know how quickly these investments can translate into higher revenues, better aircraft utilisation, improved punctuality, stronger customer loyalty and, ultimately, positive cash flow.

This brings Singapore Airlines into the picture. It owns 25.1 per cent of Air India and has a strategic interest in the Indian market. Its earlier partnership with Tata through Vistara demonstrated the attraction of India's rapidly expanding aviation market. India is expected to remain one of the world's fastest-growing large aviation markets, and a successful Air India could provide Singapore Airlines with a powerful partner for traffic flows between India, Southeast Asia, Europe and other international destinations.

Singapore Airlines itself has now suffered a substantial earnings impact from its Air India investment. Its FY2025-26 net profit fell sharply. The [*Financial Times*](#) reported that Singapore Airlines has suffered nearly S\$1 billion in operating losses on the Air India investment in less than two years. Consequently, Singapore Airlines cannot be expected to provide additional capital merely because Air India requires it. Its board has explicitly said that any request for further capital will be carefully considered against Singapore Airlines' own capital requirements and Air India's overall business strategy.

This makes the probability of an immediate, unconditional US\$1.5 billion (S\$1.91 billion) injection less certain. The more likely outcome is a phased and conditional infusion, possibly with Tata Sons providing the bulk of the capital and Singapore Airlines contributing according to its 25.1 per cent shareholding or another mutually agreed arrangement. It is reported that the proposed funding could come in tranches and that Singapore Airlines would need to contribute its share for the investment to proceed. There is, however, an important positive development. Singapore's state investment company, Temasek, which is the majority shareholder of Singapore Airlines, has publicly backed the strategic rationale for the Air India investment.

In this attempt of capital infusion seeking a turnaround, the following factors would be decisive.

Firstly, Air India must improve operational efficiency. A large fleet is valuable only when aircraft are flying reliably and generating revenue. Maintenance, aircraft utilisation, crew productivity and punctuality must improve.

Second, the group must rationalise its network and brand architecture. The merger has created a formidable portfolio comprising Air India and Air India Express, but scale alone does not guarantee profitability. Each route must be judged commercially, and the distinction between full-service and low-cost operations must remain clear.

Third, Air India needs to develop a sustainable competitive position against IndiGo and other carriers. IndiGo has demonstrated the advantages of a disciplined, cost-conscious operating model. Air India's opportunity is different: it can become India's principal

international full-service carrier, combining the country's growing outbound travel market with transit traffic through strategically important hubs.

The Tata Group also possesses an advantage that Air India did not have under government ownership: the ability to take long-term commercial decisions without the same political constraints. Tata's global reputation, access to capital and experience in building consumer brands provide important advantages. However, those advantages will eventually have to translate into financial returns.

The next two or three years will be decisive. If fresh capital enables Air India to complete its fleet renewal, improve reliability, rationalise its network and establish a strong international franchise, today's losses may eventually be remembered as the painful investment phase of a successful revival. If, however, additional capital merely finances continuing operational losses without a corresponding improvement in productivity and cash generation, shareholder patience, particularly at Singapore Airlines, will inevitably erode.

For the moment, the strategic commitment appears intact. Temasek's backing is encouraging while Singapore Airlines' cautious position is a warning that the next round of funding will not be a blank cheque.

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