



Judul : Garuda Indonesia Requests Third Extension of Debt Restructuring Period
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Garuda Indonesia requests third extension of debt restructuring period

Flag carrier needs more time to agree with creditors

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Garuda Indonesia has once again requested more time for its supervised debt restructuring, as the national flag carrier believes it will not be possible to complete the process by the May 20 deadline.

Garuda filed the request with the Central Jakarta District Court, the court that granted the airline a suspension of debt payment obligations (PKPU) on Dec. 9 of last year. Since then, Garuda has proposed and been granted two PKPU extensions of 60 days each, one in January and the second in March. It is now asking for another 30 days.

The company said the verification of claims was ongoing and that it had yet to reach an agreement with creditors on its “reconciliation plan”.

The airline also claimed the extension accommodated requests from some creditors.

“We believe the PKPU process should be carried out carefully [...] as the process aims to afford parties a win-win solution,” Garuda Indonesia CEO Irfan Setiাপutra said in a statement.

As part of the PKPU process, Garuda and its creditors must come to an agreement on the company’s restructuring plan within 270 days of the court’s granting of the suspension. A failure to do so would result in the court declaring the company bankrupt.

By May 20, Garuda will have used just over 160 days of that win-

dow, some 60 percent of the total time granted by the PKPU Law.

The company wanted the current extension request to be the last one proposed, Irfan said, adding that the airline would make good use of the remaining time to reach an agreement with creditors and lessors.

Under the restructuring process, Garuda is seeking a US\$6.09 billion debt cut, which the State-Owned Enterprises (SOEs) Ministry aims to slash to \$3.69 billion, a 62 percent reduction, according to a November 2021 figure.

Last year, the ministry unveiled a restructuring plan that would have creditors — including aircraft lessors, banks and business partners — accept either a haircut or a debt-for-equity swap.

Measures discussed also included issuing a zero-coupon bond so that the airline could repay state-owned companies Pertamina, Airnav, Gapura, Bank Mandiri, BRI and BNI, as well as a debt-for-equity swap to repay state-owned airport operators AP I and AP II.

An SOEs Ministry statement from Jan. 25 of this year claimed that four aircraft lessors had agreed to Garuda’s proposal. Thirty-five others had yet to back the plan.

“The good news is that these four lessors, which have agreed to the proposal, are big lessors. Given the percentage, if we could acquire three more, we could consider the majority in agreement, because the rest are small in size [in terms of claims on

Garuda],” SOEs Minister Erick Thohir told lawmakers during a meeting with the House of Representatives, according to the statement.

On April 22, lawmakers on House Commission VI, which oversees trade, investment and SOEs, gave their approval for the government to execute the currently proposed restructuring plan to save the debt-laden flag carrier.

“*Alhamdulillah* [thank God], after several meetings, we can now agree that saving Garuda is a must,” Erick said in a statement after the commission meeting.

Jakarta-based aviation consultant Gerry Soejatman told *The Jakarta Post* on Wednesday that several factors could be hampering Garuda’s efforts to convince creditors to accept its restructuring proposal, namely disagreements on the actual arrears value and the new lease value, as well as a lack of trust in Garuda’s post-restructuring business plan.

He also said the recent passenger hike during the Idul Fitri holiday period may not have been enough to convince creditors, as it was too short to have a significant impact on Garuda’s performance.

“I think another [factor causing] delay is that Garuda needs more time to negotiate with its lessors. Other creditors — except bondholders — may have already [expressed their] backing for the plan, as their credit value is still manageable,” Gerry added.