

Flying high over south India

AVIATION ...but will Paramount Airways' young CEO be able to replicate its unique success formula at the national level?

BS REPORTER

MThiagarajan is the youngest chief executive of an airline in the country. The owner and managing director of Chennai-headquartered Paramount Airways is all of 30. He could also be the only chief executive in the country to claim that his airline is making profits.

"These are profits from operations and not from sale-and-lease-back or foreign exchange hedging," says Thiagarajan in his thick Tamil accent. The sense of achievement is unmistakable in his otherwise conservative demeanour.

Paramount Airways is a closely-held company and Thiagarajan stonewalls any attempts to know its financials. Still, the cash generation seems strong enough for him to draw up ambitious growth plans.

At the moment, Paramount Airways operates only in the South. Next year, Thiagarajan wants to launch in the West. Two years after that, in 2010, he plans to enter the North and

the East. "We want to dominate the West by 2009 and become a national player by 2011," he says.

In the crowded Indian skies with over half-a-dozen well-established national carriers, Thiagarajan has a tough challenge

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ahead of him. There are budget carriers and well-established full-service airlines. Thiagarajan will have to create his own space between them. He has his task cut out.

The only factor in Thiagarajan's favour is Paramount Airways' impressive showing in the southern market. "Within two years of starting, we are ahead of all others in the South with a 26 per cent market share," says he. According to him, Jet is next with 22

per cent of the market, followed by Kingfisher (20 per cent) and Air Deccan (16 per cent).

Thiagarajan says it is because of his unique business model. Swimming against the tide, he was the first to dump the low-cost carrier model. "The pilot, engineer and airport infrastructure costs are the same for all in India. Where is the economics for a low-cost carrier?" says he, adding: "You can become a budget carrier by cutting out food but that costs only Rs 75-100 per seat."

So, Paramount Airways started out by offering business class configuration on all its flights. Thiagarajan says his prices are about 10-15 per cent higher than Jet or Kingfisher. In order to sell his seats in a highly price-sensitive market, Thiagarajan targeted his airline at businessmen and company executives. He claims that he has signed bulk deals with "hundreds" of companies. "Almost 90 per cent of our customers are from this category, the demand from which is somewhat

price-inelastic," says he. So far, the strategy seems to have worked for him.

For a pan-India footprint, Paramount Airways has placed an order for 40 Embraer jets for \$2 billion, which will be delivered between 2008 and 2011. (Thiagarajan himself is a trained pilot and owns a Cessna.) The money will come from his own wallet and debt. Nor does Thiagarajan see the nationwide pilot crunch as a problem. "Our attrition rate is

zero," says he with quiet pride.

There has been talk in the last few months of Paramount eyeing at least two budget carriers including Delhi-based Spicejet. Refusing to get into details, Thiagarajan says a buy-out will depend on the right valuation and synergies, especially in the field of airport infrastructure.

Otherwise, money is the least of the problems, adds he. Thiagarajan's grandfather, Karammattu Thyagraja Chettiar, it would be worth remembering, had set up the Bank of Madurai which was taken over by ICICI Bank some time back.



M. Thiagarajan: business class only