

# think! THE BIG STORY

# THE STRIKEBUSTERS

**THREE AIRLINES BROKE THE BACK** of the aviation strike called for August 18. They are also India's only profitable airlines. The stories of SpiceJet, IndiGo and Paramount Airways

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They are the Davids who are showing the Goliaths how to stay ahead.

The Indian aviation sector lost Rs 10,000 crore (roughly the cost of electrifying 83,000 villages) in the financial year 2008-09, but three small airlines — SpiceJet, IndiGo and Paramount Airways — stood out for their profitability and unique business models.

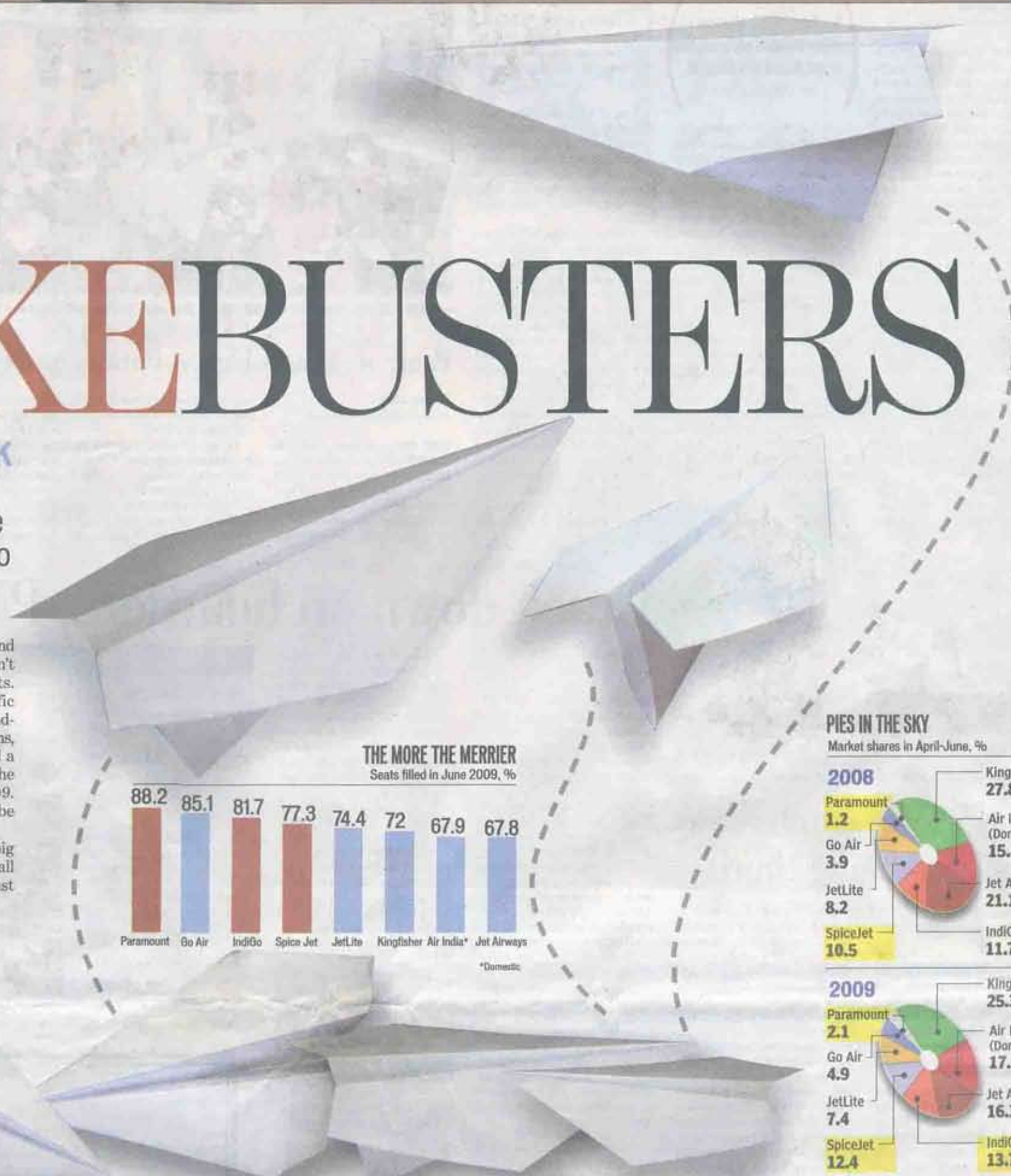
Paramount, which offers only business class seats, is very popular in the South and has only recently begun expanding across the rest of India. SpiceJet, India's second-largest low-cost airline, and IndiGo cater to the value-conscious flyer. But that's where their similarity ends.

SpiceJet, which names its aircraft after spices, reported a net profit of Rs 26 crore for the April-June quarter of 2009 (the first quarter of the financial year 2009-10), compared to a loss of Rs 129.2 crore for the same quarter in the

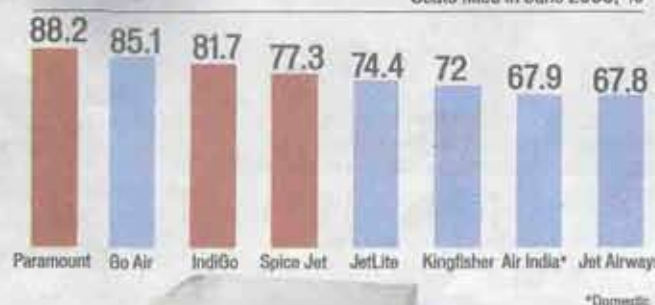
previous year.

Unlike SpiceJet, Paramount and IndiGo are not listed, and so don't have to announce their results. But the Centre for Asia Pacific Aviation, one of the world's leading aviation market research firms, estimates that IndiGo earned a net profit of Rs 40-60 crore in the April-June quarter of 2009. Paramount, too, is believed to be profitable.

No wonder they forced the big daddies to toe their line and call off the strike planned for August 18. Read on.

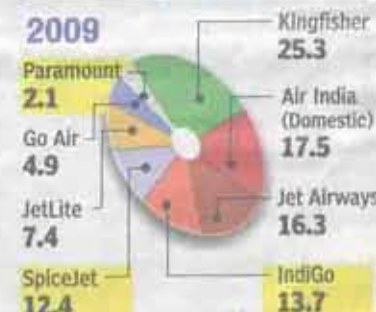
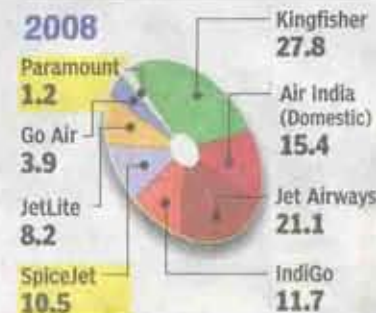


**THE MORE THE MERRIER**  
Seats filled in June 2009, %



**PIES IN THE SKY**

Market shares in April-June, %



Source: Centre for Asia Pacific Aviation

## It's not just about size

**M. THIAGARAJAN'S** Paramount has bucked all trends by posting profits for the second year

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He should be the industry's poster-boy — but chances are that you haven't heard of him. In a beleaguered industry run mostly by people over 40, 31-year-old M. Thiagarajan has quietly led his four-year old company, Paramount Airways, into the second straight year of profits.

Thiagarajan's dream was seeded in 2000 in an unlikely setting in far-away Frankfurt. As a 23-year-old aspiring pilot, he was invited by a friend to step into a simulator of the 747 Jumbo jet. "My friend left me with the controls — and that was the starting point. I came out with an unshakeable desire to fly," says Thiagarajan.

He enrolled himself into a flying school near London and secured a private pilot's licence. Soon the desire to fly an aircraft turned into an ambition to pilot an aviation company.

But then, Thiagarajan had to stand out in an industry that was already somewhat crowded. He set about the task innovatively. When others went for the larger 180-seater Boeing 737s or Airbus A320s, Paramount bought 80-seater Embraers from Brazil. "I compromised on size, but not on the flying range," claims Thiagarajan. Also, they guzzle a quarter less of jet fuel.

And because the Brazilian company was trying to break into the Indian market, the planes also came at relatively lower rental and maintenance costs (the actual numbers are not disclosed as the company is held privately). The smaller aircraft can also land at smaller airports and be made ready for the next flight quicker. What's more, as the aircraft are less than 40 tonnes in weight, Paramount is spared the parking and landing fees. The size also entitles the airline to a 4 per cent sales tax on jet fuel, rather than the 28-32 per cent the others have to pay.

So the benefits of the simple business decision were dramatic indeed. Then there were other ways Paramount differentiated itself. It expanded and nurtured the southern Indian market. The airline's unwaver-



Thiagarajan nurtured a niche market  
PHOTO COURTESY: PARAMOUNT

**PARAMOUNT WENT FOR SMALLER PLANES AND THE SOUTHERN MARKET. ALL ITS SEATS ARE BUSINESS CLASS**

ing focus on the area has made operations possible with only five aircraft.

At the same time, all these aspects make Paramount a smaller company than most of the rest of the industry. Thiagarajan is unfazed by that; he points out that he has a 27 per cent of the market he operates in, that is, south India. So his sky maybe limited, but Thiagarajan is the biggest star in it.

To top it, all the seats he offers are business class. So they earn more per seat. But, truth be told, this could a fragile model to guard. Even a little laxity may tarnish the carefully-crafted image of a high-flier.

But then, Thiagarajan has always balanced diverse images. His long exposure to Western society stands next to the fact that he's from a traditional family whose patriarch, his grandfather, is the chief patron of the Madurai Meenakshi temple. He could have rolled in luxury; but he runs his business from an inconspicuous corner of a modest office-cum-home. Thiagarajan's is, perhaps, the true Indian-bred model.