

Paramount set to buy 10 Airbus aircraft for \$1.5 b

European Central Bank Funding Firm's Fleet Expansion Plan

Our Bureaux

NEW DELHI | CHENNAI

MADURAI-based Paramount Airways will buy 10 Airbus A321 aircraft for \$1.5 billion. The company has placed the order with French aircraft manufacturer Airbus for operating flights to Middle East, Africa and Far Eastern destinations, Paramount managing director M Thigarajan said.

"These overseas destinations will only have first class and business class, a model similar to our domestic operation," he said. The delivery of first aircraft will be in the fourth quarter of 2010. The European Central Bank is funding Paramount's fleet expansion plan. "Paramount has signed an agreement to buy 10 aircraft at a list price of \$90 million each. The airline has option to buy 10 additional aircraft," Airbus vice-presi-

dent (sales) Miranda Mills told ET. The company's plan to add 10 more aircraft in its existing fleet of five airplanes comes at a time when most of the domestic carriers are deferring their fleet expansion plans due to the current economic slowdown. Paramount currently operates with five 70-seater Embraer jets.

Paramount plans to operate flights on international sectors soon. The existing guideline by the government allows an airline to fly overseas only after it completes five years of operation in the domestic market and has a fleet size of at least 20 aircraft.

"We would complete five years of operation next year. By then we would also have a fleet size of more than 20 aircraft. A few days back we got the permission from the government to import one Embraer aircraft," Mr Thigarajan said. The domestic airline industry is estimated to have lost \$2



billion in 2008-09 mainly on account of excess capacity, high fuel price and irrational pricing strategy. As per an industry estimate, there is still 20% excess capacity in the market.

While almost all the domestic carriers are bleeding, Paramount is believed to be making operating profit. The airline recently expanded its operation to

north India by launching flights to Delhi. As per government data, Paramount holds 2.1% share in the domestic market pie.

The MoU was signed during the 48th Le Bourget air show outside Paris. Airbus will start delivering the aircraft in phases starting from the last quarter of calendar year 2010.