

Sharp focus on cost helps Paramount break even

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Privately-held Paramount Airways, promoted by Madurai-based textile major Paramount Group, claims to be the first among new airlines to break even. "We have been running on operating profit for the last 7-8 months," Paramount Airways CEO M Thiagarajan told *Business Standard* on Thursday.

Indian carriers together have lost \$700 million (Rs 2,800 crore) in 2007-08, according to a report from the Centre for Asia-Pacific Aviation (CAPA). They have estimated to have lost close to \$1.2 billion in the last two financial years.

But experts have struck a different chord over the issue.

"They may have made money in the third quarter or for a few months. It would be extremely surprising if an airline can break even, given the cost condition," said Kapil Kaul, CAPA's CEO for Indian sub-continent and West Asia.

"Break even in a few months doesn't mean anything. Airlines need to achieve a break even over a financial year," added an expert. CAPA estimates that airlines will continue to make losses

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Paramount adopted the 70-seater Embraer planes, which are fuel efficient and require less maintenance, while others went for bigger, 180-seater planes. So, its break even levels are much lower (its flight can break even with an occupancy of 40-45 seats).

"Unlike others, we didn't spread ourselves thin and re-

stricted our operations to one region, which has optimised the infrastructure cost," said Thiagarajan. So, instead of one or two flights operating out of an airport, it has six or more. If the number of flights an airport services is more, it brings down the cost per flight.

With focus on a single region, Paramount has been able to manage its media costs better. "Advertising is restricted to one region without any spill. It makes a huge difference in costs," said Thiagarajan.

Though it's a full-service airline, Paramount has been modelled along the lines of an LCC. In some cases it has been

more aggressive than others while attacking costs. "We fly our aircraft for 10-12 hours a day against many of our peers who log only 9-10 hours," said Thiagarajan. Airlines try to flog planes as much as possible to amortise rentals.

Similarly, it sells around 40 per cent of its ticket on the Internet, which is high for a full-service airline as they tend to sell most of its seats through travel agents. Interestingly, Paramount is not looking for any funding even as it is expanding.

"There's no dying need for money though private equity is chasing us. We have enough resources and the airline has also started making money. We are doing aircraft financing through the Exim Bank or the European Credit Agency, and could look at some funding when we fly international," said Thiagarajan.

He claimed that Paramount enjoyed an average yield of Rs 4,200 per seat, 3-5 per cent higher than Jet Airways and Kingfisher, depending on the flight and when the ticket was bought.

Paramount has also been helped by slower induction and rationalisation of capacities in South by airlines such as Kingfisher, Deccan, SpiceJet and GoAir. Airlines are rationalising capacities to reduce cash burn.