

Paramount eyes controlling stakes in SpiceJet and GoAir

Plans to run SpiceJet as an independent airline, buy GoAir's assets

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PARAMOUNT AIRWAYS, promoted by the Tamil Nadu-based textile major Paramount Group, could acquire a 51 per cent stake in Delhi-based budget carrier SpiceJet for close to Rs 650 crore and Mumbai-based budget carrier GoAir's assets for Rs 100-150 crore, a source close to the deal said.

Paramount plans to run SpiceJet as an independent airline that will complement its presence in the south while it plans to acquire GoAir's assets — parking bays, prime-time slots, engineering and airport infrastructure, and people, who would be re-trained for running the Embraer aircraft — minus the brand, said sources.

Paramount could close both these deals in the next two to three weeks though both SpiceJet and GoAir have denied sale reports. "SpiceJet would like to reiterate that there is absolutely no plan to sell any stake in the company to anybody," the airline said in a statement on Monday.

GoAir CEO Jeh Wadia too denied reports. "GoAir has not been in any talks of any alliance or stake sale with Paramount," he said in a statement. Paramount CEO M. Thiagarajan could not be reached for comment.

Sources close to the development, however, say Paramount is keen on acquiring a controlling stake in SpiceJet from a few individual investors. Paramount may acquire around 31 per cent stake from them, and will follow it up with an open offer for another 20 per cent, these sources said.

The shares of some institutional investors like Royal Holding Services (which owns 12.91 per cent of Spicejet), Istithmar (13.42 per cent), and Tatas (6.24 per cent), BNP Paribas (5.43 per cent), KBC Financial Products (0.87 per cent) are locked in for one



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Paramount is eyeing the stake held by other investors, including Spicejet director Ajay Singh and some other individual investors, whose shares are not locked in. Paramount could pay a premium of 20-30 per cent over the current stock price. Spicejet shares rose 3.83 per cent on Monday to Rs 59.64 on the Bombay Stock Exchange on reports of a deal with Paramount.

Like Mallya, Thiagrajan wants to flank the market with two carriers—Paramount will target the full-fare paying and higher

fare-paying economy class passengers, while Spicejet will continue target the budget-conscious travellers. The two airlines will also leverage each other's presence to expand their reach (Paramount will get access to the north and east, while Spicejet can leverage Paramount's southern network).

Sources say Thiagrajan is banking on a 10-15 per cent improvement in yields because of consolidation in the market, which will help airlines rationalise their routes and defer induction of additional aircraft.