

Paramount planning foray into the business of in-flight catering

WHEN the aviation industry is bleeding due to the liquidity crunch and air carriers are laying off employees and slashing salaries, an exception to the rule is Chennai-headquartered Paramount Airways which has a number of expansion projects up its sleeve. Managing Director, M Thiagarajan is even planning a foray into a hitherto untested territory of in-flight catering business. Thiagarajan is quick to point out that Paramount has always done things differently and in excerpts of his conversation with **Shobha Mathur**, outlines plans for replicating the air carrier's southern success in the west as well. *Excerpts:*

When the aviation industry is bleeding and talking in terms of cost cutting, how can Paramount be so unaffected?

Paramount has always done things differently. Unlike other air carriers, our airline caters to the niche segment of business travelers. We hold a 26 per cent market share in the south compared to 18 and 20 per cent held by others. We have a higher frequency of flights per day to southern cities. Moreover, our operating costs are 50 per cent lower than other air carriers.

This is because our 72 and 75 seater Embraer aircrafts are about 30 per cent more fuel efficient than the Boeing 737s



Paramount Airways, Managing Director, M-Thiagarajan

and airbuses. Embraer's have a 30 to 40 per cent lower maintenance cost. Paramount also does not have to pay landing and parking charges according to government legislation. The legislation mandates that less than 40 tonne aircrafts would attract only 4 per cent sales tax on aviation turbine fuel compared to upto 36 per cent sales taxes by other air

carriers.

In October, we held a load factor of 69 per cent. In November, it increased by 10 to 15 per cent. We have 5 aircrafts and are buying two more next year with which we expect to improve our occupancy by 10 per cent next year.

There are talks that you plan to enter

a new line of business...

Yes, we are looking at entering the in-flight catering business. We will be taking the final call in the next couple of weeks and hope to launch it in about 4 months. We are the second largest consumer of flight catering food service in Chennai with 2,000 meals per day. The first is Jet with about 1,000 more meals per day. We consume 3,500 in-flight meals per day across flights in South.

The catering service will be a separate line of business initially, for captive consumption. Later, we will explore opportunities of extending it other air carriers. Our in-flight meals are currently outsourced from Oberoi and Taj who charge 5 star rates of Rs 300 to Rs 500 per meal.

Our in-flight catering business will have better quality food and will enable more cost saving. It will work on the 'book the cook concept', where the customer will have the freedom to select from an ala carte, according to his choice of cuisine, while ticketing.

You have recently entered the western market. How do you plan to replicate the southern success story in the western market?

We have saturated the southern sector, so in 2009 we will focus on connecting every city in the west. Recently, we started flights to Ahmedabad, Goa and Pune

and plan to connect Mumbai soon. From Mumbai we will have a network connectivity to many other routes in the west just as we have in the south. Thereafter, we will focus on the north and north-east till we gain a pan India presence. Though our airline is about 3 years old we have started generating profits.

Plans for expanding your cargo business...

Currently, we have a 100 tonne cargo capacity that is commoditised. Cargo space in the aircraft's belly will now be branded and sold to the end user directly through a separate division called Paramount Cargo. It will be based on the hub and spoke concept. We will also enter into interline agreements with international air carriers for extension of the cargo service. This will increase the efficiency of the company's revenue by about 30 to 40 per cent. There is good scope in carrying floriculture products like jasmine from southern to western cities like Ahmedabad and Goa.

Plans for fresh recruitments...

Our recruitment is need-based. We added 100 employees in the last quarter, both ground staff and cabin crew as we commenced new flights to the western sector. Another 300 to 400 employees will be added on our rolls next year as we expand.