



Chef Turns Airline Chief as Modi Boosts Flights Across India

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(Bloomberg) -- Koustav Dhar used to work as a chef for a major hotel chain in India before hanging up his apron nearly two decades ago and becoming an airline executive.

Since then, he's worked at, or run three domestic Indian carriers. One was shut down, another sold, and the third failed to take off despite a license to operate regional flights. Unperturbed, Dhar, 45, is back -- this time, as chief executive officer and director of Zoom Air, which began in February flying commuters between New Delhi, Kolkata and a smaller city, where no regular service existed.

Zoom Air is one of at least 43 businesses to have applied to Indian regulators the past two years to start some form of passenger air transport service in what's projected to be the third-largest aviation market by 2020 and the world's largest by 2030. The increase in local air passenger traffic -- estimated to reach half a billion in a decade -- has outpaced all other markets for 22 straight months. That's been helped by the addition of regional routes aimed at tapping demand from



“The need of the hour in this country is to connect tier-2 and tier-3 cities,” Dhar said in an interview in New Delhi, referring to urban centers with 20,000 to 100,000 people. “That’s part of the larger dream of the entire political think tank also, where they feel tier-2 and tier-3 cities will see maximum amount of growth.”

Qatar Airways Ltd. will apply “soon” to authorities in India to start a [short-haul airline](#) there with a fleet of 100 narrow-body planes, Chief Executive Officer Akbar Al Baker said Wednesday at the ITB Berlin travel fair.

Luring Airlines

Of the 450 airports and airstrips in India, only one in every six is in regular commercial use. Most existing airlines flying single-aisle jets with about 180 seats don’t see enough potential to make money shuttling passengers between regional centers.

Modi is trying to change that, using subsidies on fuel taxes and airport charges to lure airlines to regional areas in exchange for discounted fares that he predicts will stimulate traffic.

Such a plan may not be sustainable, said Saj Ahmad, an analyst at London-based StrategicAero Research. “The real challenge is how the Modi government could realistically continue to fund routes that lose money,” Ahmad said. “If routes are under served, it’s because demand doesn’t exist.”

A spokesman for the civil aviation ministry didn’t immediately respond to an email seeking comment and couldn’t be reached on his mobile phone.

‘Common Man’

The government’s subsidy program, called UDAN -- an abbreviation for Ude Desh Ka Aam Naagrik, which means “flies the common man of the country” in Hindi -- is encouraging new entrants.

JSW Group, the Indian conglomerate led by billionaire Savitri Jindal, applied under the program to [offer flights](#) between its steel plants, Chief Financial Officer Seshagiri Rao said last month.

The UDAN model is “significantly profitable” for 48- and 78-seater aircraft, said Amber Dubey, a partner and India head of aerospace and defense at accountancy and consultancy firm KPMG, which has studied its economics. “The selection of fleet, route and operating model is key to profitable operations,” he said.

Zoom Air’s inaugural service uses a 50-seater Bombardier Inc. CRJ200 jet for a service linking New Delhi, Kolkata and Durgapur, a steel city of about 500,000 people in West Bengal state. As much as 84 percent of seats on the daily service operated by Zexus Air Services Pvt. are filled, Dhar said. Zexus operates Zoom Air. Weekend flights are typically booked out, enabling the full-service carrier to make money.

Air India

State-run Air India started flying into Durgapur’s newly built Kazi Nazrul Islam Airport from Delhi in 2015, but ended the service less than a year later, citing [operational reasons](#), the Times of India reported in June.



With promotional discounts, Dhar doesn't need to try to drum up business with paid newspaper advertising, like his competitors do, he said. Still, as Dhar's career in the Indian airline industry attests, market conditions can change quickly. Kingfisher Airlines Ltd., which was owned by liquor baron Vijay Mallya, and as many as 16 other Indian carriers have shut down in the past two decades, while accumulated losses of operating airlines total 600 billion rupees, according to a June, 2016 research paper by KPMG and trade body Associated Chambers of Commerce of India.

Provincial taxes of as much as 30 percent make jet fuel in India the costliest in Asia, even as cut-throat competition forces airlines to sell tickets below cost. Even then, the lure of the market has forced global carriers such as Singapore Airlines Ltd. and AirAsia Bhd. to set up local units, apart from dozens of small regional airlines planning to connect the remotest parts of the country.

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