



• Posted: Mon, Jan 28 2008. 4:00 AM IST

# Tatas buy into Quikjet Cargo

Details of Tata Capital's investment in the airline not out; Quikjet will start operations in April

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The Tata group, which has a 6% stake in New Delhi-based low-cost airline SpiceJet Ltd, has picked up a stake in Bangalore-based cargo airline Quikjet Cargo, according to a person familiar with the transaction, who did not wish to be identified.

The person did not elaborate on the magnitude of the stake or the money Tata Capital Ltd, the Tata group's private equity arm and a wholly owned subsidiary of Tata Sons Ltd, the group's holding company, paid for it.

Quikjet will start operations in April. Executives at the Tata group and Quikjet declined comment.

Movement of air cargo to and from India, and across destinations within the country, is expected to rise even as the economy continues to grow at more than 9% a year.

Aleks Popovich, global head, cargo, of International Air Transport Association, a body that represents more than 240 airlines accounting for 94% of scheduled international air traffic, said the international air cargo market in India (by volume) has been growing at 8.23% a year, next only to China's 10.8%.

According to Dinesh A. Keskar, vice-president, sales (commercial airplanes) of Boeing Co., which sells passenger as well as cargo planes, the domestic air cargo market is expected to grow at 9.1% a year, but there are just 12 planes serving this market.

The size of the Indian international and domestic air freight market in 2006, the most recent year for which data is available, was about 1.5 million tonnes, up 10% from the previous year.

Several companies are looking to tap growing demand for air cargo movement. Jet Airways (India) Ltd and Kingfisher Airlines Ltd intend to start dedicated cargo operations even as Flyington Freighters Ltd, a Hyderabad cargo airline promoted by Deccan Chronicle Holdings Ltd, Mumbai-based Avicore Aviation Pvt. Ltd and New Delhi-based Aryan Cargo Express Pvt. Ltd are drawing up plans to enter the market.

Meanwhile, Reliance Industries Ltd, India's largest company by market value, is firming up plans to float a venture to run dedicated freighters to cater to the needs of companies that will operate out of its special economic zones in

Haryana and Mumbai.

The person familiar with the transaction said Tata Capital's investment in Quikjet Cargo would be a "financial investment" along the lines of the Tata group's investment in SpiceJet.

"At present, these investments could be financial investments, but they can be leveraged at a right time in future," said an aviation analyst at a domestic brokerage, who did not wish to be identified.

Aviation Consultancy Services Pvt. Ltd, Quikjet Cargo's parent company, is promoted by Cardinal Aviation Pte Ltd, a private equity firm in Singapore, and Mumbai-based logistics firm AFL Pvt. Ltd.

Specialized infrastructure finance companies such as Infrastructure Development Finance Co. Ltd and Infrastructure Leasing and Financial Services Ltd have picked up minority stakes in Aviation Consultancy Services.

"Quikjet Cargo will be using two-three Boeing type B737-300 cargo planes initially to cover the main Indian metros using Bangalore's new airport as a hub. It will be an overnight operator and position itself as a premium alternative to the current players in the market," said the person familiar with the transaction. According to him, the airline will start its international cargo operations after consolidating its operations in the domestic market.

Tulsi Mirchandaney, senior vice-president, marketing and projects, Blue Dart Express Ltd, which runs six cargo planes in India, said the arrival of Quikjet Cargo is not competition for her airline "because success lies in developing complete logistics chain to deliver goods to (the) end user."

"Blue Dart covers 14,000 locations in India with an integrated transport chain," Mirchandaney added.

India's domestic cargo market is currently served by one scheduled cargo airline, Blue Dart Aviation Ltd, a subsidiary of Blue Dart Express.

Apart from this, National Aviation Co. of India Ltd's Air India also operates dedicated cargo planes in the domestic market in association with logistics firm Gati Ltd.

The Tata group floated Tata Capital in June 2007 to operate in the financial services market. The company has the mandate to make private equity investments in India and elsewhere. It also advises companies on transactions and manages wealth for customers.

"Though Blue Dart has been flying domestic routes, its capacity is largely utilized by the firm itself. People are looking for a cargo airline that can go beyond captive use and offer more capacity for general trade," said a Mumbai-based freight forwarder, who did not wish to be identified.