

## L&amp;T, Essar, Jindal, Reliance Infra cut private jet fleet to beat slump heat

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**Tags:** US dollar | the rest | The Hub | Rupee | Punj Lloyd | Larsen & Toubro | force motors | Essar Group | economy | Aditya Birla | Adani Group

NEW DELHI: Stung by a sluggish economy and weak rupee, several of India's top corporate houses that own private jets and helicopters have sold a part of their fleet in the past year.

The companies that cut their fleet size in 2013 include Larsen & Toubro, the Essar Group, Naveen Jindal's Jindal Steel & Power, Reliance ADAG's Reliance Infrastructure and Aditya Birla Group's Grasim Industries.



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In India, 22 companies have their fleet to carry management and top executives. While owning aircraft helps save time, operating them is a costly affair. For instance, Mumbai, the hub for business and private aviation, has only 15 permanent slots for private aircraft. Private planes can be parked for as low as Rs 150 an hour in other slots for up to 48 hours, beyond which the airport operator charges between Rs 1,000 and Rs 8,000 an hour.

A weaker rupee meanwhile has added to their other expenses, some of which are met in dollars.

A smaller fleet size would help save money for companies that are trying to cut costs in every possible manner given the weak economic environment.

When contacted by ET, the companies declined to discuss the details which led them to cut their fleet. "As a large construction and projects company, we have many high-value assets used for our businesses and we decommission some assets from time to time based on the need and other factors," said a spokesperson for L&T.

"This was a routine changeover as the aircraft was no longer required in the inventory," said a Jindal Steel & Power spokesperson. Executives of private-jet operators see a boon for their business from the development, which they say is led by the current economic environment.

## JET, SET, GONE...

## Companies That Cut Fleet Size In 2013

**Larsen & Toubro**  
**Essar Group**  
**Jindal Steel & Power**  
**Reliance Infrastructure**  
**Grasim Industries**

**22** Number of companies having own fleet to carry their management and top executives

## While cost pinches...

- 1 Mumbai has only 15 permanent slots for private aircraft
- 2 Private planes can be parked for as low as ₹150 an hour in other slots for up to 48 hours
- 3 After 48 hours, the operator charges between ₹ 1,000 and ₹ 8,000 an hour
- 4 Weaker rupee has added to the problem

## ... sales have also taken a hit

Indian companies bought just 8 private jets between January and August for around \$170 million, compared with 12 planes worth around \$230 million in the year-earlier period

## Is it a Blessing in Disguise?

- 1 As sales of aircraft are done in US dollars, in rupee terms companies can get a 10% to 15% higher value
- 2 This would help the cash-flow situation for some of them

**"Aircraft are big overheads in such weak economic conditions. In US too, large corporations tend to sell their aircraft in bad times and buy them back when the economy stabilises"**

**RAJEEV WADHWA**

CEO of Baron Luxury and Lifestyles, a firm that sells private jets

"There are some Indian companies who have sold or are in the process of selling their aircraft and helicopters," said Vinit Pathak, managing director of air-charter company Invision Air. "The reason for this has more to do with the individual company's financial performance and the rise in the US dollar rate."

According to him, the companies that sell their aircraft now stand to gain as well because of the weaker rupee. "As sales of aircraft are done in US dollars, in rupee terms they can get a 10% to 15% higher value than if they had sold them a year ago which would help the cash-flow situation for some of the companies."

The chief executive of Baron Luxury and Lifestyles, which sells private jets and offers memberships for charter services, also made similar views. "Aircraft are big overheads to corporations in such weak economic conditions. In America too, large corporations tend to sell their aircraft in bad times and buy them back when the economy stabilizes," said Rajeev Wadhwa, who is also its chairman.

However, despite some companies cutting their fleet size, the appetite for business aviation remains, both Pathak and Wadhwa said. They expect these corporate houses to outsource some of their requirements, providing more business to air-charter operators.

"The appetite for business aviation still exists for these companies as it caters to a genuine problem of access to rural locations," said Pathak. Meanwhile, Baron's Wadhwa said demand for aircraft from political parties ahead of the recently concluded state elections has given the air-charter industry a boost. He expects the demand to remain strong with the general elections around the corner.

ET had reported earlier that several companies were selling planes and chartering flights due to weak economy and higher costs. The shift in preferences is further highlighted by the declining private jet sales in the country.

According to data available with aviation regulator Directorate General of Civil Aviation, Indian companies bought just eight private jets between January and August this year for around \$170 million at list prices, compared with 12 planes worth around \$230 million in the year-earlier period.

Out of the eight planes bought this year, only six were bought directly by corporate houses and the buyers included the Adani Group, Punj Lloyd, Force Motors and the Sun Group. The rest were acquired by air charter services providers like Air One Aviation.