



# THE ECONOMIC TIMES magazine

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## JET, SET BUT NOT QUITE GO

For India Inc's captains private jets are a necessity. But it isn't always a smooth flight

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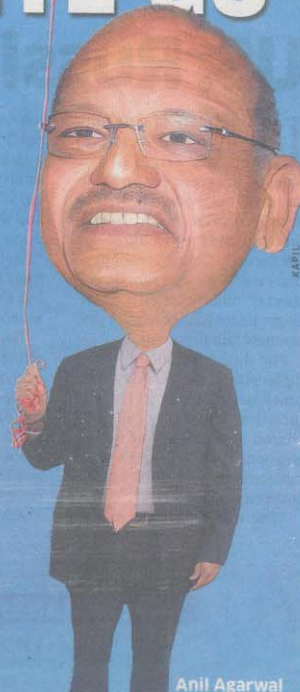
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Sunil Mittal



Pawan Munjal



Anil Agarwal



# JET, SET BUT NOT QUITE GO

For India Inc's captains, private jets are more a necessity than a luxury. But it isn't always a smooth flight

## Private Jets in India A Snapshot

**645**

Total number of aircraft\*

**45,898**

Average domestic flying hours by private jets in a year

**4,304**

Average international flying hours by private jets in a year

**60,191<sup>^</sup>**

Average flying hours by helicopters in a year

**165**

No. of registered non-scheduled operators (owners of jets & copters) in India

**5**

Years

**400**

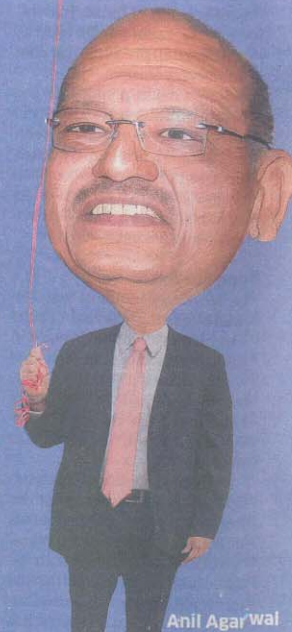
Expected new aircraft in the next five years



Sunil Mittal



Pawan Munjal



Anil Agarwal

\* Includes helicopters <sup>^</sup> Includes medical emergencies, evacuations, relief operations  
Source: DGCA and Baron Eagle

## Indian Ultra HNIs\* travelling on work or business



\* Ultra high net worth households: having a minimum average net worth of ₹25 cr. All trips are in a year. Source: TQI India - Kotak Wealth & Credit Research

## :: Binoy Prabhakar

Every expression on the face of Thomas Flohr, founder and chairman of VistaJet Holding SA, bore the stress and strain of a nearly 10-hour flight when he showed up in New Delhi on a recent Thursday morning. He has barely had time to shower. He is still looking to grab a bite three hours after landing. Flohr's flight to India in a Global 6000, one of the London-based luxury air-charter company's 37 Bombardier jets, was delayed

by an hour after a client in Spain insisted they meet the previous night.

Flohr's schedule - meetings with potential clients and journalists - has gone astray, but he is not complaining. This flexibility, he says, is why chartering a private jet makes better sense than flying a commercial airline. "Everything an airline does is driven to be on time. Everything we do is driven to be flexible."





Flohr had landed in India to make a big splash. The country, he says, is "absolutely important" for VistaJet – which placed the largest single transaction in the history of business aviation when it ordered 56 Global-series aircraft from Bombardier last November – from two standpoints.

One is India's proximity to China, South East Asia and the Middle East, a geographical setting that renders cost benefits to a company that targets corporate customers and wealthy individuals travelling point-to-point with wide-cabin (8-20 seaters), long-range aircraft (connecting London with Tokyo or New York with Hong Kong). If VistaJet were to send a plane to a client in Hong Kong, it would take eight hours from Nairobi or Dubai, but only four hours from India.

The second is the market itself. In recent years, a steady stream of promoters and executives from India has been travelling to their factories located in Australia, Africa, Europe and the US.

### Boom Time

Flohr believes business aviation in India is on the cusp of the next phase of growth because the number of such travellers – "their DNA is very global" – is poised to rise dramatically.

It is a sentiment shared by VistaJet's principal competitor, NetJets, a unit of Warren Buffett's Berkshire Hathaway Inc. In 2011, Buffett hosted a NetJets event in Delhi with business leaders to discuss business aviation, among other subjects.

NetJets already has a growing number of customers in India, both businesses and individuals, who are flying privately in and out of the country. "India is an important country for us and we are examining options for establishing operations here," says Thomas Hoyt, head of corporate communication, NetJets.

Indeed, for these two companies, there couldn't have been a better time than now to enter India.

In August, aviation regulator Directorate General of Civil Aviation (DGCA) barred Indian companies that offer private jets on charter from flying abroad to comply with a safety audit by the UN's International Civil Aviation Organization (ICAO). Under the new standards laid down by ICAO, every non-scheduled operator (private jet and helicopter companies) in India must apply afresh with the DGCA and have their operations reviewed.

Expectedly, Rohit Kapur, president of Business Aircraft Operators Association (BAOA), the umbrella body representing private jet owners in India, does not share the exuberance of Flohr. Kapur is upset that the DGCA has thrown a 256-page document at the private jet industry in India and is "sitting on applications". "It will take at least six months before every operator can fly abroad again because of the DGCA's staff crunch," he says.

Meanwhile, foreign competitors like

NetJets and VistaJet are laughing all the way to the bank, according to Kapur. "No Indian company will ignore a \$100-million business abroad," he says.

Indian private jet owners lament that the latest setback is illustrative of the perennial obstacles that have plagued the industry.

Business aviation in India took off in earnest in 2002-03 and peaked in 2006, underscoring the profound shifts taking place in the economy. A new generation of business leaders who began to acquire as-

sets abroad realised they could use private jets as a tool for growth. The number of private aircraft (including helicopters) increased 19% in 2005 and peaked to 26% in 2006, according to BAOA.

### Fits and Starts

But purchases dropped amid a recession. Soon after, the government imposed an import duty of 25% on aircraft purchases. The global financial crisis intensified in late 2008 and some companies caught the government's attention for evasion of import duty on aircraft. Purchases almost came to a standstill. Growth in the number of jets fell to 10% between 2009 and 2010 and is now languishing in single digits.

Given this bleak backdrop, the DGCA order couldn't have been more ill-timed. The slowdown that has visited the economy has arrested not just aircraft purchases but also usage. "One step forward and two steps backward – it has always been like this," says Kapur.

It shouldn't be. Frequent fliers, as we know, approach airports with a sense of trepidation because of the utter chaos – delays, cancellations and queues. Boarding a plane itself is sheer punishment due to the transformation of terminals into high security zones: there is no avoiding body scanners, pat-downs and checks.

Normally, the private jet industry should be drooling at this opportunity. The well-heeled, who are accustomed to flying first-class or business class, would not mind paying extra to avoid the commotion at airports. Private jets are known to use separate terminals that are less congested, enabling passengers to be whisked away to waiting cars.

But this is not the case with India. The Indian private jet industry has long been hobbled by high taxes on jet fuel, exorbitant charges at airports, poor infrastructure and wobbly regulations, including time-consuming procedures for acquisition, import and operation of aircraft.

Gautam Singhania, chairman of Raymond Ltd, says his jet is often parked in Ahmedabad or Nagpur due to lack of space at the Mumbai airport. When Singhania, one of the earliest owners of a private jet in India, visits Goa, he sends back his aircraft to Mumbai or Nagpur because the airport has no parking base. "The problem has been there for 10 years."

Kapur offers this example to illustrate the lack of infrastructure. It will take a tycoon who stays in Delhi's tony Aurangzeb Road

## The Jet-Set Club

### Prominent Owners...



**Mukesh Ambani**,  
Chairman, Reliance  
Industries Ltd

9

No. of private jets,  
including a Sikorsky  
576 copter



**Naveen Jindal**,  
Promoter, Jindal Steel  
and Power Ltd

9

No. of private jets,  
including 4 copters

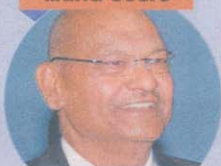


**GM Rao**,  
Chairman, GMR Group

5

No. of private jets,  
including 2 copters

### ...and Users



**Anil Agarwal**,  
Executive Chairman,  
Vedanta Resources

200-250

Flying hours in a year

### Flying Patterns

London to New York, London-  
New Delhi, Africa, Australia etc



**Pawan Murjal**,  
CEO, Hero MotoCorp

250-300

Flying hours in a year

### Flying Patterns

Latin America, Central America,  
Europe, US etc

Source: DGCA, Industry Analysts



Private jet companies are wooing customers with offices in the air with facilities like large HD screens and internet connectivity as well as lavish furnishings and plush interiors.







**VistaJet Holding SA**, European luxury air-charter company



#### Business Model

VistaJet allocates different types of aircraft depending on a customer's flight pattern and needs. Charges only for flying hours, called wheels up to wheels down in industry parlance.

#### Fleet

37, owns and operates largest privately owned Bombardier business aircraft fleet. Placed order for 56 new Bombardier Global aircraft last November

#### Charges

**\$10-17,000** an hour, depending on size of aircraft

Thomas Flohr, founder, VistaJet

#### Target Clients

Ultra high net-worth individuals, entrepreneurs and executives who need to fly regularly – 50 to 500 hours a year



**Baron Eagle**, Mumbai-based "Jet Card" Company



#### Business Model

Customers, who do not wish to own an aircraft due to the high costs and hassles of management, maintenance and compliance of regulations, can become members of Baron Eagle by paying ₹25 lakh to ₹2 crore. This deposit gets consumed depending on the aircraft and flying hours

#### Fleet

9 dedicated jets and 18 shared aircraft, including copters

#### Charges

**₹75,000 to ₹5 lakh** an hour

Rajeev Wadhwa, CEO, Baron Eagle

#### Target Clients

High net-worth individuals, entrepreneurs and executives who need to fly regularly – 50 to 150 hours a year

nearly three hours to reach a destination in Agra by his own aircraft – 30 minutes to drive to the Delhi airport, a one-hour waiting period before takeoff, 45 minutes to land in Agra, and another 30 minutes to drive out of the airport into town. This businessman will reach Agra in the same time, or even before, if he rides his Rolls Royce, thanks to the Yamuna Expressway, says Kapur.

#### Frustrating Period

Understandably, private jet owners are frustrated, even resigned, to the mess. The somber mood is reflected in the fleet numbers. India may be home to the second-largest business jet fleet in the Asia-Pacific, but the number of such aircraft and their owners has remained constant at 645 and 165 for nearly two years.

If one were to count only private jet fleet in the country, it would be no more than 160, the rest being helicopters and hot air balloons, according to data by DGCA.

Compared with the US, these are teeny-weeny figures. That country has 2,55,000 private jets operating from across 5,110 airports, according to global consultancy PwC.

Alex Wilcox, CEO of JetSuite, a thriving private jet company in California, says growth in the US private jet industry accelerated in the early 1960s after the introduction of the JetStar and the SabreLiner and other business jets because the cost of jet fuel was subdued in the initial years. "India's nascent in-

dustry faces high taxes, costs and tough regulation, and less robust infrastructure, so we can expect that the rate of growth will be considerably lower than in the early days in the US industry," he says.

That also explains why the number of private jet users in India too has stayed exclusive to a small club of affluent businessmen. The list of such travellers, as one would expect, reads like a Who's Who of India Inc (see *The Jet-Set Club*).

"But it is a small crowd considering the size of India," says Vinit Phatak, co-founder

of Invision Air, a private jet charter company based in Mumbai.

According to industry insiders, these entrepreneurs fly many hours in a short period. They usually embark on relatively short business trips of 2-4 days overseas. A typical flight schedule: fly to the west coast and east coast of Africa, stop in Europe, or go to China or Russia or swing back by South East Asia and back.

Africa is the biggest market for many businessmen, including Sunil Mittal of Bharti Airtel, India's biggest telecom operator, not

**Nextant Aerospace**, US-based Business Jet 'Remanufacturer'



**Business Model**  
Restores worn-out jets

**Charges**  
**\$4.5 mn a jet**

only because of the poor air connectivity in those countries but also because of the quantum of assets acquired in recent years.

As it happens, most trips are on business. "We haven't seen people flying to the Maldives and going sunbathing," says Flohr.

In India, jets are summoned to visit factories located in remote areas. A large chunk of Invision's regular customers – promoters of ₹300-400 crore companies – fly to their factories in Ahmedabad, Aurangabad, Belgaum, Daman, Surat, Latur, and the like. They average 50-100 hours a year.

Some of them also fly in jets from Mumbai to attend meetings in Delhi, despite this being the busiest route in Indian commercial aviation. A few businessmen like Analjit Singh, founder and chairman of Max India, have invested in "time-share" style programmes, an arrangement under which they book fixed hours of flights on jets along with other such flyers.

These businessmen rely on private jets to fly even within key overseas markets. Wilcox says there are a number of wealthy Indians who fly privately throughout the US.

Travel by jets is not cheap by any measure. Flying on a VistaJet jet for example sets back a customer by up to \$17,000 an hour depending on the size of the aircraft and duration of usage. But as these aircraft can accommodate up to 20 passengers, members of the management usually accompany entrepreneurs on these trips.

The slowdown has put paid to this prac-





## Why Sunil Mittal uses a private jet

tice. So the first set of executives to be pushed back to the well, inconvenience, of business class would be the vice-president and then the president of a company. "Companies are having a relook at the usage of private aircraft because they are tightening their belts," says Kapur.

That may not be the only reason why private jet travel is sluggish in India. Invision's Phatak says people are still reluctant to accept private jets as a utility although the truth is they are. Their worry is that others, including peers and authorities, will see private jets in different light.

All the private jet owners and users that ET Magazine approached were reluctant to part with photographs of their jets.

Even so, it is not all gloom and doom for the Indian private jet industry. Justin Firestone, managing director, Firestone Management Group, a boutique private jet consulting firm based in the US, says India is finally starting to realise the benefits of business aviation and many companies in the private jet industry want to gain a first mover advantage. A great example of this is VistaJet, he says.

### New Players

A new Indian player too has emerged coinciding with VistaJet's entry into India. Mumbai-based Baron Luxury and Lifestyles Private has launched jet cards, sold at hourly increments of flight time to individuals or businesses that fly 50-150 hours a year and whose travel patterns don't justify buying an aircraft.

Modelled on a few trade practices of NetJets, Baron Eagle offers the flexibility to use different types of planes depending on the requirement of flyers thanks to its partnerships with private jet owners like Singhanian who want to generate income from their aircraft when they are not using it.

At least 75% of Indian private jet owners have 1-2 aircraft, according to Rajeev Wadhwa, chairman and CEO, Baron Luxury and Lifestyles. "And existing players don't have the capacity to schedule flights consistently," he says.

Existing players like Invision Air have been promoting themselves as offering reasonable fares. Invision gives this example: it typically costs a company about ₹45,000 to fly last minute an employee in business class from Mumbai to New Delhi. The charter price on an Invision's Embraer Phenom 100 jet for four employees would be only ₹3.5 lakh, or ₹87,500 an employee, Phatak says, adding that the benefit is that flying becomes private and efficient.

No one is saying private travel jet is cheap, but that is not to suggest it is not affordable. A 25-hour jet card costs the same as a 3-series BMW, a 50-hour card costs the same as 5-series BMW and a 100-hour card equals the price of a 7-series BMW, according to Phatak. "The BMW customer can easily afford to travel for a year on a jet," he says.

These prices may still seem outrageous to the average traveller, but charter companies have been relenting on fares to promote travel. As an introductory offer, Invision is giving the same price as a last-minute business class fare.

Of course, private charter flying is not for everybody. But Wadhwa says people assume (wrongly) that only the Tatas, the Birlas and

### Case Study

Bharti Airtel, thanks to its acquisition of Zain Telecom's business in Africa, now has interests across the continent. Senior executives have to visit each project occasionally

### Travelling commercial: Delhi-Lusaka (Zambia) via Nairobi

- Starts from Delhi on a commercial plane at midnight and reaches Nairobi at 5:25 am
- Takes an 8-hour connecting flight from Nairobi at 9 am to reach Lusaka late afternoon
- The entire day is wasted as the executive will have to catch up on sleep due to jet lag. Can only resume work next morning.
- While returning, takes a midnight flight from Lusaka to Nairobi. Reaches at 7 am
- Then takes a connecting flight from Nairobi at 10 am to reach Delhi at 8 pm

### Travelling on a private jet

- Finishes day's work in Delhi to catch a direct flight from airport at midnight
- Flies 8½ hours non-stop to Lusaka to reach the city at 4:30 am (local time)
- With sound sleep on board, can check into the hotel, relax and attend work in Lusaka
- Takes the same plane back at 8 pm to reach Delhi early next morning
- Can resume work the same day

### Costs

Not that the cost of flying a jet matters to Mittal, but for the sake of comparison...

**₹1,50,000**  
The average return fare on a business class per person

**₹5 lakh**  
Average fare per hour on a jet for overseas travel

### Benefits

Saves time and increases productivity

Source: Business Aircraft Operators Association, Industry Experts, Pilots

the Ambanis can fly a private jet.

Charter companies say they see an uptick in bookings and inquiries from first-time flyers between October and February. Indeed, a growing number of high net worth individuals are travelling for work or business, according to a recent survey of about 150 ultra HNIs by Kotak Wealth and Crisil Research (see *Indian Ultra HNIs...*).

And as more private jets are pushed into the market, these companies say they will be able to lower the price barrier further.

On Thursday, aircraft maker Beechcraft Corporation said it has appointed a new sales distributor for the country to promote its range of piston-engine aircraft and King Air turboprops across the country.

Richard Emery, Beechcraft president, Europe, Middle East, Africa and Asia Pacific, says the appointment is part of the company's increased focus on the Indian market, "one of the most exciting countries for business aviation in the world". India is already the second-largest purchaser of King Airs in Asia Pacific, with 21 turboprops having been delivered to the country between 2008 and 2012.

Companies like Beechcraft would not be too worried about a dip in sales. Despite the continuing economic gloom, India has recorded the largest increase in its Ultra HNIs (\$30 million and above, according to this study) among BRICS nations in the past one year, with 7,850 such people in the country, says a new report by Wealth-X, a global wealth intelligence and prospecting company.

Firestone says business today is truly global. "With the rupee under pressure, Indian companies have an opportunity to sell their products to the rest of the world and private aviation is the best way for India's top business executives to accomplish this mission."

### Bright Future

Fortuitously for the industry, it is not only the Ambanis and Tatas who are flocking to these aircraft. To cite an example, TS Kalyanaraman of Kalyan Jewellers purchased a seven-seat Embraer Phenom 100 in, of all places, Kerala. The private jet helps him supervise his 30-odd jewellery stores in Kerala, Tamil Nadu, Karnataka, Andhra Pradesh and Puducherry.

"A private jet is not a luxury; it is a necessity," he told ET in an earlier interview, referring to the poor air connectivity in India. Kalyanaraman had trouble reaching small towns like Hubli, Belgaum or Tirupati. Travel took days – one flight a day, a couple a week or no flights at all – but now thanks to the jet, he zips from Bangalore to Hubli in half an hour.

Even in government policy, charter companies see many positives. If it took seven days for aircraft registered abroad to get landing permits in India, it now takes only three days. India has also conformed to an international rule that mandates only aircraft with more than 19 passengers to assemble cabin crew, dropping the earlier 9-passenger rule.

To the delight of charter companies, the government has announced plans to build new airports or modernise existing airports.

Invision's Phatak says one by one, problems are being resolved and things are much better than what they were two years ago. "I definitely see things improving further." ■