

# Farnair Switzerland picks up stake in Quikjet Cargo

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Mumbai: Farnair Switzerland AG, a European cargo airline, has bought a substantial stake in Quikjet Cargo Airlines Pvt. Ltd in which Tata Capital Ltd is one of the key investors.

Bangalore-based Quikjet Cargo, which is also backed by investors including Infrastructure Leasing and Financial Services Ltd, Infrastructure Development Finance Co. Ltd and AFL Pvt. Ltd, will start commercial operations on 10 February with a small ATR plane.

Quikjet Cargo will start services almost four years after it initially planned, seeking as many as five extensions of six months each from the aviation regulator to operate scheduled air transport services, because of a slowing economy and regulatory hurdles.

Preetham Philip, chief executive of Quikjet Cargo, confirmed the development, but declined to disclose details of Farnair's stake and investment size. Christian Degouy, sales director at Farnair, termed it as a "strategic stake" and said his company will supply planes and operational expertise.

Quikjet's launch comes at a time when Deccan Cargo and Express Logistics Pvt. Ltd—the air cargo and logistics venture founded by G.R. Gopinath—is reworking its business model, including reducing staff and the number of franchisees, and returning big planes, as Reliance Industries Ltd is not keen on increasing its investment in the airline.

Aryan Cargo Express (Pvt.) Ltd, promoted by a Delhi-based entrepreneur, Mukut Pathak, suspended its operations in June 2010 because of a working capital crunch.

In a note on 1 February, International Air Transport Association, which represents about 240 airlines comprising 84% of global air traffic, said air freight markets revived at the end of last year after shrinking through much of summer and autumn as business confidence across major economies and export orders, slumped.

Surveys are now showing that business confidence, a leading indicator for cargo markets, rose in December, suggesting industrial production and global trade may stabilize, it said.

To be sure, Quikjet Cargo has no global ambitions as of now. "We will focus on the domestic market initially. We will be connecting Kolkata, Lucknow and Patna. Later, we have plans to develop Hyderabad as our hub considering the infrastructure," Philip said, adding that the idea is to have three small ATR planes and four Boeing 737-400 planes.

"We don't have plans to go to international destinations at this time, but we will be offering domestic coverage for global air cargo companies," Philip said.

Quikjet Cargo is adopting a different business model compared with Gopinath's Deccan Cargo, which is offering a cargo airline as one of the services apart from door-to-door services. Philip said Quikjet, for the time being, would only focus on airline connections. Large scale integrators of cargo are offering sufficient loads for Quikjet. He did not name the cargo company that is offering assured cargo for Quikjet.

"We will be offering our planes for charters and on lease to large integrators while offering a scheduled network," Philip said. "They will assure cargo and we will assure them prompt delivery."

Gopinath's Deccan Cargo was dependent on the franchisee model, where his cargo airline was to appoint representatives for all services including freight forwarding, road transportation, warehousing and others. The franchisees will operate under the Deccan Cargo brand.

These were to be serviced by a warehouse in Nagpur that would function as a multimodal logistics hub that would aggregate, distribute and redistribute cargo to and from international and domestic locations.

Philip said his airline would not be present in all segments and may look at expanding at a later stage. He also admitted that Quikjet promoters could not gauge the Indian market conditions and regulatory mechanisms when it wanted to start in 2008.

Deccan Cargo and Quikjet will have to compete with Blue Dart Aviation Ltd, which has the most extensive domestic network covering more than 27,578 locations with seven planes and whose parent DHL Express services more than 220 countries and territories worldwide.

Philip said Farnair is coming on board as strategic investors and will share its operational and marketing capabilities.

Sanand Karnik, vice-president (joint ventures) at Farnair said his company has got a strong relationship with world's leading cargo integrators and Quikjet is the right airline to tap the growing Indian market.

However, concerns about the cargo airline industry remain. "The last two quarters have been extremely tough for the air cargo industry. Today, with the deteriorating economic situation in Europe and the US, a fresh downturn is once again staring at us in the face," said Bharat Thakkar, president of the Air Cargo Agents Association of India.

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