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Arihant at Crossroads

Siddhartha K. Rastogi*, Kavita Kasliwal Kothari**

ABSTRACT

This is a case about the Arihant Education Group which was registered in the year 2006 with the approval of All India Council for Technical Education (AICTE), National Council for Teacher Education (NCTE), and Department of Higher Education Madhya Pradesh. Located in the prime educational cluster of Indore, the campus had all essential facilities. As of 2018, the group ran programs in teachers' education, commerce, arts, management studies, and computer sciences. It was also listed as an authorized skill development center for selected government projects and was permitted by the regulators to increase its intake in most of the courses up to double or triple. In March 2016, the group was NAAC *(National Assessment and Accreditation Council) accredited and a recipient of many accolades for imparting quality education.* The group Chairman, Mr. Jayant Kasliwal, along with his children– Kunal Kasliwal and Dr. Kavita Kothari were involved with the group's functioning since its inception. However, as the group became more stable, he felt a need for moving on to spiritual pleasures. Therefore, he called for a meeting with the core management group members to plan the group's future strategies and discuss about who will and are they even prepared enough to manage the succession and ownership of the group?

Keywords: Educational Institution, Accreditation, Succession Planning, Strategies

INTRODUCTION

The Arihant Education Group was registered in the year 2006 as a society for higher education and related activities. The location was the native town of the family, i.e. Indore, an industrial town in Central India. Although the society formed was new, the business house behind the group had two schools running for about 100 years under the family trust. The group had a lustrous family lineage, starting with Sir Seth Hukum Chand Kasliwal of Indore (1874–1959). Seth Hukum Chand was among the pioneers of Indian textile industry, who inherited a small business and transformed it into an empire of business and social activities.

Known as 'Cotton Prince of India', he established cotton mills (Hukum Chand Mill and Raj Kumar Mill) in Indore and a steel factory in Kolkata (then, Calcutta). He was the first Indian businessman to set up a Jute Mill. He actively participated in Swadeshi (indigenization of Indian consumption and production) movement during Indian independence and worked for promoting Hindi language. Sir Seth Hukum Chand Kasliwal established many medical facilities and hospitals as well as educational organizations. He also had a great track record in constructing and protecting various monuments of

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** CEO, Arihant Education Group, Indore

religious significance. He served in many positions across a range of social, religious, and educational organizations. Apart from many honors from the royal houses of Indore and Gwalior, he earned the title of Rai Bahadur in 1915 and the British Knighthood in 1919.

The other cousins of this family were running successful businesses in Indore like dealerships of cars, two-wheelers and commercial vehicles, running hospitals, managing hotels, restaurants and lodges, and real estate development. This family lineage and the continued business expanse provided the group a good reputation and ready relations with the local industry.

The group started with the educational and teachers' training courses and expanded very quickly. With the approvals of AICTE, NCTE, MP Higher Education and affiliation from the Devi Ahilya University (DAU) of Indore, the Arihant group started 'Arihant College of Education' in 2006. The group increased its verticals to offer management courses with 'Arihant Institute of Management and Technology' in 2008; commerce courses with 'Arihant College of Commerce' in 2010; 'Arihant College of Arts' in 2016; and computer sciences in 2017. The group also instituted an award for Non-Governmental Organizations for providing health and educational services in 2010. A major diversifying extension came in 2016 with 'Arihant Online competitive examination center' with 400 computer terminals for conducting competitive exams, which was increased to 1000 computer terminals in 2018.

As of 2018, the group had strength of 120+ employees working at various levels including faculty members. It had an eminent advisory board with ex-directors of business schools and corporate houses. The group helps the faculty to upgrade their skills by sponsoring them for various faculty development programs, management development programs, seminars, national and international conferences, etc. It encouraged the faculty to use modern techniques for teaching. The alumni base exceeded 3000 well-placed students in various roles in industry, government, and entrepreneurship. In January 2016, the group was NAAC accredited, which added to the credibility of the group's educational ventures.

The details of courses of Arihant Education Group are given in Exhibit-1. The campus also developed a number of facilities over time, including swimming pool, skating, open-air theatre, yoga, martial arts, general physician, dental OPD, and lush-green Wi-Fi campus spread in 5.5 acres of land with various indoor and outdoor sports activities. A city office also operated from a posh locality in the center of the Indore city at Mahatma Gandhi Road for corporate affairs, public relations, marketing, and information dissemination to various stakeholders, primarily students.

FAMILY BUSINESS MEETING

The group Chairman, Mr. Jayant Kasliwal (66 years) felt it was time to consider the planning of succession. However, he was not so sure about the plan and timelines. When this subject was raised at the core management group meeting, Dr. Kavita Kothari (35 years), daughter of Mr. Jayant Kasliwal, who had been working as the CEO of the group, indicated that this was a business by him and that he should transfer the management control and the ownership when he felt comfortable in doing so. Kunal Kasliwal, son of Jayant Kasliwal (39 years), who has been working as the Secretary of the group added, "I don't want him to think that papa is being pushed out of his own business or that his services are no longer valued."

Dr. Vivek Kapre, Group Director, proposed, that a ten-year time frame would be appropriate for ownership succession. Listening to this, Kunal responded, "If I have to wait for ten years, then you can tell him, I'm out of here. I have no problem in him hanging around here for forever if he wants. You all are already managing most of the operations and making most of the key decisions with his inputs of course"

“How will the ownership transfer be? Gradual? Partial or all at once??”, asked Dr. Kapre.

Dr. Vaishali Waikar, Group Academic Head, added, “I feel before planning about succession, Chairman sir should formulate agreed-upon policies, which will act like guideline to deal with conflicts that will no doubt, challenge personal relationships, business relationships, and therefore the colleges too.”

Dr. Kapre asked, “Jayant Sir, please throw some light on what’s on your mind. I will have to plan out how and when this has to be communicated to the faculty, students, parents, employees, and other stakeholders of the colleges.”
Curiously listening to so many queries Kavita enquired, “What is the objective of this meeting? What are the criteria for becoming the owner? How is it determined? How is it funded? What will be the added responsibilities and how much will the person be paid for it?”

Excitedly Kunal intervened, “I have the required skill-set. I am willing to take on the additional responsibilities.”

“I would like to interrupt here”, said Kavita. “Over the years, I am the face of the institution. I am close to the staff and the students. Kunal, you don’t take part in any day-to-day operations of the college. Then how can you say that you have the desired skills? I have also recently completed my PhD. So, even technically, I am more qualified than you.”

“This whole meeting is making me feel very low. I am going through a variety of emotions ranging from anger to guilt to freedom to happiness”, Jayant retorted. “This discussion was intended to build comfort among you all so that we can look at all the aspects and take informed decisions with respect to your future roles in the business”, he added. “After consistent efforts over past eleven years, the group has established itself with all the pre-requisite infrastructural facilities and approvals. Although our objective is not profit-making solely, we cannot deny the role of financial sustainability. I feel this year we should not plan of any expansion and instead work on stabilizing ourselves. What do you all think? … Vaishali, can you share the present status of the group and different courses with us?” asked Jayant.

“We have more than 1600 students enrolled in 22 different courses of education, commerce, arts, computer sciences, and management streams. We have a broad range and a good mix of courses to offer (see Exhibit 1). The institute has managed a good record in training and placements of students. It has also produced many university toppers in various courses, thereby assuring that we are moving in the right direction. We have seen some or the other expansion in each year of our operations. This year we have added computer systems in our online examinations center venture along with starting government skill development courses.” informed Vivek.

“You cannot be serious!” exclaimed Vaishali “Does anyone really remember how we started this institution with only 100 seats of B. Ed.? And today we have so much to offer under Kasliwal Sir’s able leadership and guidance”.

“I would agree with Vaishali!” opined Kavita. “I think instead of stabilizing, we should continue our expansion mode. So what if Papa is wanting to retire. I am here to take this baton forward”, Kavita added.

Kavita was married to Ravish, a hotelier in Indore. She is a mother of two children, a son aged 12 and daughter aged 4. Despite the marriage and children, she didn’t take any break from work and

continued with her work, when they were young. On the other hand, Kunal was married to Urvashi, a teacher in playschool having a son aged 10 years. They both participate in all college's functions socially. Urvashi has no interest in joining the management of the group. Jayant's wife, Sudha, is a house wife but she attends all the functions of the group with great enthusiasm and commitment. She shares a personal rapport with few senior staff members also.
"I doubt if you have seen how much dedication and exposure it requires to lead this empire." interjected Vaishali "We should involve Sudha Ma'am in our meeting as, a mother knows her children the best!" Also don't forget that last year we started another institute with few courses for Kunal Sir."

Jayant said, "Then what is the problem, Vaishali? Why are you worried about the increased seats? When you have performed so well during the peak of the recession, I believe that situation has improved now. You all will be here to help and support our next successor the way you have supported me, I believe."

"Do you realize that we are a very young institution of twelve years and we are competing against institutions and Universities established for decades? Their programs are much less affected by market conditions than ours. Our one wrong move will make us go back to where we started. Sir, if you are planning for division of properties, estates, I guess it's better you divide the team and staff also." Vaishali interrupted anxiously.

"I will work hard to uphold my family name." said Kunal. "Well, do you know it means protecting the family heritage, reputation, fame and glory?" asked Jayant. "I am clear in my mind that if I take charge of the group, then I will stop all expansions and instead work only to see the day, when we are among the top ranked established brands!" explained Kunal.

"That only time and tide will tell but…" commented Kavita . "I want to suggest something. As we have conflicting goals, I suggest we appoint a family business consultant here." "I doubt if we can afford such frills and freebies." observed Jayant, "The eventual objective of our business is to have a happy family and financially healthy business. I am not in favor of involving any outsider for this. They would also not fit well with our institutional philosophy."

"But with changing times, do we really need to stick with the philosophy of oneness?" refuted Vaishali "As it is very clearly evident that there are issues in compatibility to work with each other as both Kunal Sir and Kavita Ma'am are different. Also, they have conflicting goals for the group"

Although everyone broadly agreed with this that the group needed upgradation and professionalism, there are confusions for the future of this group. The strategic heads of the group are concerned about the cost as well as the effectiveness of any possible strategies to be adopted.
"I think I should consult Sudha, Urvashi, and Ravish also to help us mutually chalk out how we need to move forward and decide upon the strategy for the same. After speaking to everyone, we all will meet again next week." said Jayant, closing the meeting.

QUESTIONS FOR DISCUSSION

1. Comment on each of the core members' capabilities for managing a small business?
2. What does this case show about the problem of managing succession in a family-owned business?
3. What is the role of outsiders and family members who do not have ownership in the business?
4. Was Mr. Jayant Kasliwal's decision of calling the meeting right? How could he manage this situation without such a step?
5. Is there a difference or conflict of personal goals vs business goals?
6. Explain how family relationships can affect the business and vice versa?

EXHIBITS

EXHIBIT-I

NAME OF THE COURSE	YEAR OF INITIATION	NO. OF SEATS (UPON INCEPTION)	NO. OF SEATS (AS IN 2019)
EDUCATION COURSES			
Bachelor of Education (B.Ed.)	2006	100	100
Master of Education (M.Ed.)	2008	35	50
Diploma inEducation (D.Ed.)	2007	100	100
MANAGEMENT COURSES			
Bachelor of Business Administration (BBA)	2007	60	120
Bachelor of Business Administration - Hospital Administration (BBA-HA)	2007	40	40
Master of Business Administration (MBA)	2008	60	180
Masterof Business Administration - Hospital Administration (MBA-HA)	2012	60	60
Post Graduate Diploma in Business Management (PGDM)	2019	60	60
COMMERCE AND COMPUTER SCIENCES COURSES			
Bachelor of Commerce (B.Com.)	2010	60	120
Bachelor of Commerce - Computer Application(B.Com. -CA)	2010	60	120
Bachelor of Commerce -Tax (B.Com. - Tax)	2012	60	120
Bachelor of Commerce – Honors (B.Com. –Honors)	2016	60	60
Bachelor of Commerce – Sales and Advertising	2017	60	60
Bachelor of Commerce – Office Management	2018	60	60
Bachelor of Computer Applications (BCA)	2017	60	60

Masters of Commerce (M.Com)	2014	60	60
ARTS COURSES			
Bachelor of Arts- Geography	2016	60	120
Bachelor of Arts–Political Sciences	2016	60	120
Bachelor of Arts- History	2017	60	120
Bachelor of Arts- Hindi Literature	2018	60	60
Bachelor of Arts- English Literature	2018	60	60
Bachelor of Arts- Sociology	2017	60	60
Bachelor of Arts- Economics	2016	60	120
Bachelor of Social Works- (BSW)	2018	60	60

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Rescue Operation in the Air: A Case of Air India

Salma Ahmed*

ABSTRACT

Air India (AI), the public sector company, which had its beginning sixty five years ago, is involved in divestment process. It was beset with operational inefficiency and has been making losses for the last many years, with an accumulated loss of Rs. 46,256 crores between April 2010 to December 2017. To keep the airline in running condition, the government invested Rs. 26, 545 crores into the airline since April 2011. Finally, the government has decided to divest 76% stake in the company. A 100% stake is offered in its subsidiary Air India Express and a 50% stake on the branch which is handling ground operations. Its other subsidiaries- Alliance Air, Hotel Corporation of India, Air India Air Transport Services and Air India Engineering Services, are not offered for sale and would be transferred to a special purpose entity (SPV). Apart from financial re-structuring, focus has also shifted to organizational and managerial re-structuring too. For prospective buyers, the strengths of AI which could have attracted them to buy were its bilateral flying rights, lucrative international destinations, large fleet of wide bodied and narrow-bodied aircraft and a large customer base. However, these were offset by the huge debt burden and the large employee base. The government could not attract a single potential bidder for the company. The government was in a dilemma. It had to put on hold the divestment process. The future is bleak, whether the government will be able to revive the ailing airline remains to be seen. The objective of the case is to identify the reasons for divestment and the structure of divesting an enterprise. Also, to identify the financial, HR, operational and marketing implications of the process of divestment.

Keywords: Divestment, Financial Restructuring, Debt Burden, Air India, Public Sector Undertaking

INTRODUCTION

Air India (AI), the public sector company, which had its beginning in the year 1932 (as Tata Airlines) and grew into an international airline owned by the Indian Government (nationalized in 1953), is today involved in divestment process. The decision has been taken. AI has made multiple efforts to revive the ailing airline. It had been making losses for many years. The accumulated loss is estimated to be Rs. 46,256 crores between April 2010 to December 2017. The company also has a working capital loan (taken from banks) at Rs. 31,088 crores as on March 31, 2017. To keep the airline in running condition the government invested Rs. 26,545

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crores into the airline since April 2011. There are many who are of the opinion that Air India should remain with the government, that is, it be government owned. However, the government has finally decided to divest 76% stake in the company. A 100% stake is offered in its subsidiary Air India Express and a 50% stake is on offer in the branch that is handling the ground operations. Its other subsidiaries like Alliance Air, Hotel Corporation of India, Air India Air Transport Services and Air India Engineering Services are not offered for sale yet; but is expected that they would be transferred to a special purpose entity (Special Purpose Vehicle (SPV)) along with a third of AI's Rs. 48,781 crores of outstanding debt.

The Government had initially planned to give away 76% equity capital of the national airline and also transfer the management control to private players. The buyer was also required to take the Rs. 24,000 crores of debt and also the Rs. 8,000 crores of liabilities. However, it failed to attract any bidder when the bidding process completed on 31st May 2018.

Of late in August 2018, the government had received consent of Parliament for the infusion of Rs 980 crore of equity funds in Air India for a purpose of initiating a turnaround of the airline. The Parliament also approved a further Rs. 2,345 crore equity infusion into the airline. These were all steps taken to revive the airline.

Of late, a ministerial panel has already cleared the sale of Air India's ground handling subsidiary, Air India Air Transport Services. Now it also plans to sell another subsidiary, that is, Air India Engineering Services. And the proceeds from the sale of subsidiaries and land and building assets is expected to go to the SPV and is planned to be utilised towards lowering the debt burden of the airline.

However, as of now, the government has postponed the sale of Air India.
The question arises as to why the government is indecisive with respect to sale of Air India when it already has huge debts (historical debts) of around Rs. 50,000 crore (approximately); which continues to increase every year lowering further its standing in the industry.

WHY DIVEST AIR INDIA?
Air India has huge debts and it is increasing day by day. Therefore, it was a wise decision to divest it. In the words of Director Finance, Air India, Vinod Hejamadi, "The government has put on hold, not given up on Air India divestment". He further added that it had done so as market conditions were not conducive at that point in time. Therefore, the government has not given up plans for privatization of Air India but it has been kept on hold.

"There are mixed feelings among employees. Of course, everyone will like it to be government-owned but people also realise that the airline cannot be with the government forever," Hejamadi said.

There are many who would prefer the airline to remain with the government. There is opposition particularly from its employees. Eleven unions[1] of Air India which represent over ten thousand employees started a "Save Air India" campaign on social media.

However, Director-Finance, Air India, defends the government's decision for sale. According to him, the Indian Government's plan to sell 76% stake of Air India has terms and conditions laid down wherein it protects the interests of the employees. The terms and conditions guarantee that the permanent employees of the airline would be retained for a minimum period of one year. After one year the employees could be offered voluntary retirement scheme (VRS).

FINANCIAL TURNAROUND

The Director Finance, Air India further added that the government's decision to give off the airline to a special purpose vehicle would help Air India save around Rs 3,000 crore which would enable it to turn around financially. He also explained in detail the steps taken by the airline to improve its operations and financial performance. He said that almost $100 million had been invested in the engineering department which has helped it to add fourteen (14) aircrafts into the fleet. He added that the airline was also hopeful of ensuring that its aircraft would able to be flown for more hours than they are flying at currently.

WOULD AI GET A SUITOR?

The question arises-Would Air India get a suitor? That would depend on a number of factors.

High Debt: With so much debt burden, would there be any prospective buyer? The debt burden is estimated to be of Rs. 53,000 crores. It plans to transfer about Rs. 33,000 crores from the total debt of the airline into a special purpose vehicle (SPV). And the remaining debt which was against aircraft purchases would remain in the company's books. Despite Air India having many positive aspects, its large debt is a burden and a great hindrance for its sale to take place. Further there have been losses too. And many reasons were quoted for its losses.

In 2016-17, a high interest costs led to the company bearing a loss of Rs. 5,765 crores. Operational inefficiencies and poor management also contributed to its losses. These include a very high turnaround time, repeated cancellations of flights, delays by the cabin crew and also poor fleet planning. It was estimated that out of its 370 daily flights, only nine were assessed to be profitable, and of these, six were on domestic routes, and the remaining three were overseas. Of the 20 A320s in Air India's total fleet of 103 aircrafts, six were in service in the last 26 years and seven were in service since 21 years. To have an ideal situation, these aircrafts should have been written off. Therefore, the company experienced high maintenance cost due to high average age of fleet.

Culture: Poor culture of the organization was also a negative feature of the company. It was quoted that there was indiscipline and complacency was rampant among employees. Also, there existed high turnaround time which led to delaying of aircraft flying to subsequent connections. All this led to poor customer experience, decrease of customer satisfaction and goodwill.

Also, there were many other airlines operating in the domestic market with Air India having only a small share of the pie. (See Exhibit-1 for market share). And, it was expected that, prospective investors would also look for many other finer details to ascertain the real worth of the national carrier.

Employee Base: There were other issues too. Its large employee base was one grave concern. The employee base was said to be as high as 18,834. (Air India EoI Document, DGCA) (See Exhibit 2)

WHAT CAN ATTRACT INVESTORS AND WHO CAN BUY?

From a customer's perspective, buying AI could be a wise decision as the domestic air traffic was growing fast. The passenger carried by the domestic airlines during January 2018 was 114.64 lakhs while in January 2017 it was 95.79 lakhs which indicated a 19.69 percent growth. The major attractions for any investor for buying AI were the lucrative international routes, AI's bilateral flying rights, the large customer base which was said to be as high as 23 million, highly trained staff, and also its large fleet of aircrafts which were both wide bodied and also narrow planes.

The prospective investors on the anvil were the domestic carrier Indigo. It had a market share of 42.5% and with the buying of AI (with AI having 12.2% market share) its market share was expected to increase to 54.7%. (See Exhibit-1) Indigo would then emerge a formidable force to reckon with. The Tata Sons and Singapore Airline joint venture Vistara had also shown inclination in buying AI.

There were also some international airlines who had shown interest in taking Air India. Qatar Airways was a bidder. Further, Turkey's Celebi Holding, Bird Group, Menzies Aviation Plc and Livewel Aviation Services Pvt. Ltd were quoted to have shown interest in buying AI subsidiaries.

WOULD PRIVITISATION BENEFIT THE AIRLINE?

The major benefit expected was that the airline would become financially viable. It would no longer consume the tax payers' valuable funds. Huge amount of money had been infused to keep it operating and in running condition but with no improvement in its performance; however, the private player could bring some change. The company which was otherwise overmanned (overstaffed) would also cut down on its employees and thus create a more rational workforce. It was expected that a private player would be more careful about the way it would utilize its funds (rationalize the funding) and also the workforce. It was expected that the Government would start the process of sale of AI in the last quarter of 2019 and would also work towards selling its subsidiaries and monetize its assets.

WHAT IS EXPECTED?

A very comprehensive financial package was planned, which would include the transfer of non-core debts and assets to a SPV. Implementation of reforms in the governance system and organization system; and maybe introduction of differentiated business strategies were on the cards. A deep focus on managerial issues was also to be introduced.

The government could not attract a single potential bidder for the company. The government was in a dilemma. It had to put on hold the divestment process. The future seemed bleak, whether the government would be able to revive the ailing airline remained to be seen. However, the scenario has changed.

CHANGING SCENARIO

There were many changes in the airline industry. The major changes were:

Jet Airways Operations Wound-up: So far Air India which was in search of an investor had no success. But with Jet Airways having closed operations, which was a major competitor in full service carriers (FSCs), in both domestic and international arena, the future of Air India seems to be bright. AI faced stiff competition from Jet Airways in the international space. But with its closure, AI would get the international slots of Jet Airways and thereby become more attractive to investors. AI would dominate the international space. Currently it flies to forty one (41) international destinations and fifty-four (54) domestic destinations.

AI has also been given many of the flying slots in the domestic space which were freed by Jet Airways and also for its low-cost carriers like Air India Express and Alliance Air.

Reduced Debt Burden: The government's initiative to reduce the debt burden is encouraging for the bidders. The government has plans to reduce the debt burden the airline is trapped in which was acting as a major deterrent for investors. Rs. 29,464 crores of rupees of its working capital debt which was not secured by an asset would be transferred to a new company, Air India Asset Holding. The company would then have a debt burden of only Rs. 25,000 crore which would include mostly long term debt secured by aircraft purchases. This would also reduce its outgoing interest to Rs. 1,700 crores a year.

Efforts to make Air India operationally viable: The Government plans to make AI operationally viable before divesting it. In the words of the Civil Aviation Minister, Hardeep Singh Puri, "Our plan is to revive Air India, make it more operationally viable and then to divest it. So far as Air India is concerned, the government is committed to the privatization of Air India. Let there be no ambiguity on that". He further added that currently the company was making revenue and was expected to make profits during the current financial year. In his words, "There has been a steady improvement in Air India's finances. It has been my expectations that in the current financial year, we are hoping to make profit". He stressed on this fact that its position was improving. He added, "Our expectation is that in the coming months, in the current year, we will make a profit and turn Air India around and then privatise the airline". "It is customary for situations like this for employees and stakeholders in the process to put pressure on the government. We have increased the Air India profitability by 7 crore revenue per day. We are doing all that we can".

AI's Valuable Assets: Though the company has a huge debt of Rs. 53,000 crores, it would retire Rs. 33,000 crores into a SPV. In the words of Puri, "Now when Air India's alternative mechanism is established, we will take a view on these. After all, Air India is a viable airline and it has some prized assets and when we go for divestment, we will also take care of this. But, the press report was motivated in order to put pressure on the government not to divest Air India".

Further, it was noted that Air India has some very valuable assets which could fetch a high market price. The head-quarters at Nariman Point in Bombay was an example and during the process of divestment these would not be overlooked.

Its fleet of aircrafts was also a valuable asset. AI owns fifty-five percent of its aircrafts. The investor could have the option to monetize these assets by selling the aircraft to pay off part of the heavy debt. Currently it has a fleet of 163 aircrafts.

Liberalisation of terms and conditions of sale: The government has also liberalised the terms and conditions of sale. It was believed that AI could get a bidder as it was retaining a 24% stake; but, now chances are that it could sell 100% of the airline. After the failed attempt to divest in 2018, the government has decided to liberalise the terms and conditions of sale. If not the entire 100 percent, 95 percent would be for sale retaining 5 percent for the employee stock option. It would also allow a buyer to sell the airline immediately after acquiring it, that is, enable merger or a reverse merger of Air India with any existing business of the bidder.

The Air India Specific Alternative Mechanism (AISAM)[2] was reconstituted with F M Nirmala Sitharaman and Civil Aviation Minister, Hardeep Singh Puri on board who have again initiated the divestment process.

The government invited bids to sell 76% stake in Air India along with transfer of management control. However, it did not attract any bidder. The transaction advisor EY prepared a report citing probable reasons that led to the failure of the sale process; government retaining a 24 percent stake and corresponding rights and its high debt, being the prominent two. As the government by now has taken action on these, would the future be all set for sale of Air India? It remains to be seen.

There have been successful turnarounds in the airline industry in the past. Examples are in plenty. British Airways is a prominent example. Lessons can be learnt and models can be replicated. What is the modus operandi of AI remains to be seen?

QUESTIONS FOR DISCUSSION

1. Identify the problems faced by Air India? How can such problems be resolved?
2. What do you mean by divestment strategy? What are reasons for divestment? What are the approaches to divestment? Discuss in depth.
3. What are the reasons for divestment of Air India? According to some AI should remain government owned? Do you agree? Give reasons in support of your answer.
4. Discuss the measures taken by government for divestment process? In your opinion, are these adequate for dealing with problem faced?
5. Identify the financial, human resources, operational and marketing implications of the process of divestment.
6. What lessons do we learn from the case?

ENDNOTES

[1] There are many unions of AI. They are: Air Corporation Employees Union, Air India Employees Union, Indian Airlines Technicians Association, Indian Commercial Pilots Association, Air India Aircraft Engineers Association, Air India Cabin Crew Association, Air India Engineers Association and Aviation Industry Employees Guild.

[2]Air India Specific Alternative Mechanism (AISAM), basically constituting of a Group of Ministers was formed in 2017 and was given responsibility of giving approval for the divestment process.

EXHIBITS

Exhibit-1: Market Share of Airlines

Airlines	**Mkt Sh***	**Mkt Sh****
Indigo	42.5%	43.2%
Air India	12.2%	12.4%
Spice Jet	13.3%	12.3%
Jet Airways	11.9%	12.2%
Go Air	08.7%	08.8%
Air Asia	05.3%	05.3%
Vistara	03.8%	03.8

*As of Dec 2017, **As of Dec 2018

Source: www.economictimes.indiatimes.com

Exhibit 2: Employees Base of Air India

Kind of Employee	**Number**
Executive (AGM ad Above)	
Pilots	194
Engineers	001
Flight Operations Officers	055
General Category Officers	482
Officers (AM to Senior Manager and Above	
Cabin Crew Officers	**851**
Flight Operations Officers	**136**
General Category Officers	**3591**
Workmen (AM to Senior Manager and Above	
Line Pilots	**1642**

Cabin Crew	**3085**
Technicians	**57**
Clerical/Unskilled	**6504**
Foreign Clerical/Unskilled	**236**
Grand Total*	**16834**

*Excludes 2658 employees on deputation from AASL, AIATSL, and AIXL. However the figures include 3 employees on deputation from the government

Source: Air India EoI Documen, DGCA; Air India EoI Documen, DGCA)

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Boardroom Battles & Corporate Governance Turbulence at IndiGo

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ABSTRACT

IndiGo, the airline services arm of InterGlobe Aviation Limited, was co-founded by Rakesh Gangwal (Gangwal) and Rahul Bhatia (Rahul) in 2006. A recent spat between these two co-promoters has raised the question of corporate governance issues in the company. Bitter boardroom battle got triggered when one of the co-promoters Gangwal made critical comments against the company's practices. This issue got raised because of rights abused by Rahul by his considerable powers opined by Gangwal. However, Gangwal was quite okay at the inception of the company. These comments triggered the attention of capital market regulator SEBI. The topics regarding exclusive rights and Related Party Transactions (RTPs) raised red flags. Shareholders got concerned, and the share price nosedived. Experts opined RTPs to be an administrative issue and not that of the airlines. This case uses secondary data from reliable sources. Discussion is centered from the debut of IndiGo to strategies used in becoming a leading domestic carrier and about the recent bitter battle. We then explored the question: What would be the impact of governance issues with the company in the future?

Keywords: Related Party Transactions, Boardroom, Corporate Governance, Indigo, Aviation Sector, India

INTRODUCTION

India's leading airline IndiGo is reported to be suffering from corporate governance issues by none other than one of the promoters of the company. The differences between the two founder-promoters led to a bitter boardroom battle and even called for the attention of the stock market regulator – the Securities and Exchange Board of India (SEBI). This case examines the circumstances that led to the spat, the proposals made, and the attempt to patch up the differences in the context of corporate governance.

INDIAN AVIATION INDUSTRY

India is the home for one of the fastest-growing aviation industries in the world. As many as 158 million travellers flew in 2017, and the count is expected to reach 520 million by 2037,

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according to a report by the International Air Transport Association (IATA)[1]. The Indian domestic market is all set to become the third-largest (after the US and China) with a record 90% load factor. Domestic airfares have fallen about 70% since 2005. The key reason for this is: Low-cost carriers sell 70 percent of domestic seats. While India had 486 airports, as many as 406 were participating in unserved airports[2]. The Ude Desh ka Aam Naagrik (UDAN) or the Regional Connectivity Scheme (RCS) helped take the operational airport count to 131 by December 2017. Keeping domestic passenger's demand in view, the Civil Aviation Ministry has planned to build about 100 new airports in the next 10 to 15 years. The cost outlay is at about $60 billion to the exchequer[3]. A total of 22 airlines operate in India under different management. Air India and Pawan Hans are from the public sector. There are listed private sector airlines such as Spice Jet and IndiGo and unlisted private airlines such as GoAir, Air Asia, Vistara. These companies together operate 548 aircraft as of December 2017. The Indian aviation industry is a moderately concentrated market and has an HHI Index score of over 2500. Market experts feel the airline market will turn into highly concentrated in the next four years[4]. Ticket discount policies triggered by intensified competition had forced many of the airlines to run their operations in a loss. Global crude prices and the location for refueling have become important factors that determine airline profitability. Some airlines such as Air Deccan, Kingfisher, and Jet Airways have stopped their services having turned unviable to do business.

ABOUT INDIGO

IndiGo is a low-cost airline run by the Gurgaon-headquartered InterGlobal Aviation Limited. Rakesh Gangwal started his airline career with United Airlines in 1984 and rose to become the US Airways Group chief executive and chairman[5]. Rahul Bhatia worked for IBM and later did IT work for United Airlines where he met Gangwal. The two co-founded IndiGo with just one airline that they took delivery of in July 2006. By 2012, it became the leading passenger-carrying airline in India. IndiGo preferred to lease out new aircraft for less number of years and specialized in bulk, as analysts said. IndiGo only had the A320 models as an initial contract and plans to add a long-distance A321neo LR and A321 XLR which yet to release in 2019[6]. Experts opined that, since IndiGo uses only one type of aircraft, it would take less time to get to the next type. Turnaround time between schedules comes down, and so do services go uninterrupted.

The company went public and became a listed company in 2015. Since it is a low-cost carrier, the focus is on keeping costs low and improving efficiency to be viable to carry passengers and maintaining low fares.

IndiGo uses the IATA code 6E and is the largest Indian airline in terms of passenger carriage and fleet size (238 aircraft). It enjoys a 48.1 percent market share as of June 2019 according to company statistics[7]. The airline covers 57 domestic and 19 international destinations and runs 1400+ daily services. IndiGo has a positive reputation for being profitable for the last ten consecutive years[8] at a time when global airlines are bleeding and on vital financial support to sustain their operations. The airline also won accolades for being an award-winning employer.
IndiGo made significant gains during the crash-landed Jet Airways crisis in 2019 in terms of increased domestic business as well as the opening up of international routes. IndiGo seized the opportunity by capturing the short-haul international routes because as much as 83 percent of international routes are for the short-haul, thanks to its A321neos orders.

THE TURBULENCE

On July 8, 2019, co-founder Rakesh Gangwal approached SEBI for its intervention. He alleged lack of proper corporate governance and about certain questionable related-party transactions at InterGlobe Aviation *(Refer to Exhibit I for Related Party Transactions of InterGlobe Aviation).* The Audit Committee members met before the Board Meeting to discuss the RTP issue. They felt that the contract/terms of all proposed RTPs should be checked before entering into them. In the event of the Company proposing to enter into or amend an existing RTP which is not in the ordinary course of business or not on an "arm's length" basis, the management shall present it to the Audit Committee. A similar complaint to the Ministry of Corporate Affairs (MCA) is submitted. A copy of the allegations also went to the offices of the Prime Minister and the Finance Minister. The Bhatia group rejected the claims.

Meanwhile, the company stock lost about Rs. 13,000 crores in market cap on the stock exchange between July and August 2019. Fortunately, much of what is lost notionally is regained in no time, which appears to be a manifestation of shareholder's confidence in the company[9]. An August 2019 report said that SEBI is studying the Shareholders Agreement (SHA) to check for any violation of the rights of minority investors and individual shareholders[10]. SHA is a private contract between the two parties of a company. SEBI, in general, is not in favor of bilateral SHAs as seen from its past standpoint of view. It feels SHAs lead to disproportionate rights to one set of shareholders. Hence, SEBI generally desists from interfering to such contracts. Further, SEBI does not invalidate such SHAs either. SEBI interferes only in case the contract compromises the governance or the rights of other shareholders, particularly that of the public shareholders.

Much of the questions and doubts arise from the para 16.16 of the Articles of Association (AoA). It reads: "Each Group shall at all times exercise their voting rights at the meetings of the shareholders and shall cause their nominees on the Board to vote, in order to ensure the implementation of the terms of the AoA - which would include the rights of the IGE Group to nominate the senior management listed in Article 17.4.". Gangwal questioned this paragraph that said that there shall be no binding obligation on each group to exercise voting rights and that they are to be left free in exercising their voting rights[11].

Experts opined the fierce battle might end up before the National Company Law Tribunal (NCLT). NCLT is the rightful platform for judging the rights of shareholders from a legal perspective because of the superior jurisdiction and power of NCLT over SEBI on such matter.
In late August 2019, IndiGo's Chief Financial Officer (CFO) Rohit Philip, who joined the company at the behest of Gangwal announced his resignation**.** *(Refer to Exhibit II, Recommendation 2 for Letter of Appointment to Director).* The company soon announced that it is replacing Philip with Aditya Pande[12].

THE PROPOSAL
Addressing the related party transaction issue, the Board decided that an external audit committee will approve any transaction over Rs. 2 crores. *(Refer to Exhibit II, Recommendation 10 for Related Party Transactions)*

As per June 2019 shareholding pattern, the promoters hold 74.89 percent shares of the company. Of this, Rakesh & Shoba Gangwal holds 23.07 percent and Chinkerpoo Family Trust for which Shoba Gangwal is a trustee holds 13.59 percent. This combined holding will be 36.66 percent in the company[13]. *(Refer to Exhibit III, Shareholding Pattern)* The Bhatia family (together with the Interglobe Enterprises Private Limited (IGE) that is run by the Bhatias), Asha Mukherjee and Alok Mehta hold nearly 38 percent. *(Refer to Exhibit IV, Promoter & Promoter Shareholding Pattern)* The two groups together hold 75 percent of the company – the maximum promoter holding allowed for a listed company. Some experts opinioned that having shares carrying differential voting rights (DVR) could be a source of trouble at a later stage. For instance, one of the co-founders could secure DVR's carrying special rights such as those having more voting rights[14].

The Company's Board later decided to amend the Articles of Association (AoA) by increasing the member count. The AoA is regarded as the Constitution of the Company. It defines the nature of the business, roles, and responsibilities of the Board of Directors. AoA is the means through which shareholders control the Board. The Company's Articles of Association were rewritten and was put before the Annual General Body Meeting (AGM) on August 27, 2019. The AGM room was only half-full. A section of shareholders was unhappy at the absence of Gangwal. The absence further raised corporate governance issues in the minds of the public because it was Gangwal's idea to take the company public when his partner Bhatia was not that keen[15]. Increasing the board size to ten members (from six) and having four independent directors (from 2) is amongst the significant resolutions proposed.

The special resolution needs acceptance from 75 percent of members and with Gangwal holding 37 percent, getting it passed will not be easy. However, on July 27, Gangwal pointed out the lack of clarity on the RTP policy. He highlighted certain "loopholes" wherein in the event of the resignation or retirement of the independent directors, a disproportionate strength situation could arise. This could make the situation even more bitter going forward. The Board fixed the loophole by agreeing not to approve any policy, barring specific urgent ones such as those related to Government regulations, without approval from the full board. By doing so, neither Bhatia nor Gangwal groups get policy change approvals without the consent of the other. *(Refer to Exhibit II, Recommendation 8 for Board meetings through Teleconferencing)*

This solution seemed plausible and led to a possible patch-up of the two. Ten members are not a size either Gangwal or Rahul wanted, but the Board decided for it after two days of deliberations. Getting a woman director, as well as an executive director on the Board and keeping all six directors in non-executive, were intended. However, it got revealed that the numbers game seemed not that right. The expanded board will have five nominees from IGE, one from Gangwal and four independent directors, one of whom will be a woman director. Reports say that 84 percent of large public shareholders (which include institutional investors who hold 21 percent of shares) rejected the move to alter the AoA[16]. *(Refer to Exhibit II, Recommendation 9 for Executive Sessions)*

The battle turned fierce with Gangwal hiring law firm Khaitan & Co. to assist him in taking legal recourse. Meanwhile, Bhatia engaged legal experts from JSA Law[17].

THE PATCH UP

With the Board composition issue fixed and related party transaction issues closed, Gangwal issued a media statement uploaded to his newly built website. He announced that the loophole pointed out by him was fixed by the board. He further said that it is "gratifying to see progress towards better governance"[18] and that in the "light of positive and important developments," he is supporting for the resolution[19]. The exact reason for the patch was however not revealed[20]. Gangwal, however, kept his cards open by waiting for the inquiry findings from the SEBI and MCA.

Gangwal and independent director Anupam Khanna (who earlier questioned the workings of chairman M. Damodaran's decisions related to the Board's functioning) abstained from attending the AGM. At the AGM, the Chief Executive Officer (CEO) Ronojoy Dutta said that the RTP's between Bhatia's IGE and InterGlobe Aviation now amounts to less than 1% of the annual revenue. The RTP's value is at Rs. 156 crores as against the company revenue of Rs. 30,000 crore. The company duly approved all RTPs[21]. An independent audit is called upon by Chairman Damodaran. EY engaged in the activity has found no significant irregularities. The Chairman said the company had taken additional safeguards by taking the RTP policy further beyond the two standard requirements. The two standard conditions are: The transaction must be in the ordinary course of business. Second, it must be an arm's length transaction with no favorable pricing with a related party. Speaking about the old RTPs that raised the issue, he said that there are seven or eight transactions done year-after-year with the same related party. These were duly approved by the audit committee every year. He said the question got shifted from RTP to RTP policy and that the policy is now even more strengthened by not allowing the dilution to it without the approval from the independent directors.

In late August, Chairman Damodaran said that SEBI and MCA are not conducting any investigation. Only correspondence is taking place and that the company has provided all documents sought by them. Speaking about the long-lasting truce, he said, "*Truce is certainly sustainable, but the truce is not peace ... I am looking forward to a day, not in the distant future, where we will have peace rather than a truce. The truce is closer to ceasefire than peace is. Peace is when you put everything behind you, and none of these issues survive. What we need to do is look ahead and take the airline to even higher growth*"[22].

At this time, it almost appeared that truce came in. Three days after the AGM, on August 30, 2019, Gangwal, through his legal counsel, reiterated some issues previously raised as well as new questions including a demand to remove IGE's controlling rights on the functioning of the airline, the independence of the chairman amongst others. He sent his missive to SEBI and sought its inference on the issue. The list of questions includes on the recently amended AoA, about the refusal to hold an extraordinary general meeting when asked by Gangwal and certain statements made by the CEO. SEBI, in its September 3 letter has sought a reply from the company on the points freshly raised[23]. Analysts feel that this new fallout would call for further investigation from the regulator. The result adversely affects investor's sentiments and thereby impacting share prices. The company enjoys strong volume growth and cost advantage against other airlines. This is perhaps what is holding its share process for now[24].

LOOKING FORWARD

Despite facing all odds, IndiGo managed to stay in profit and has excellent brand visibility. However, certain irregularities, particularly on corporate governance, have fueled suspicion on the company. So much is the doubt that one of the founder-promoter himself has complained on his other partner. Corporate Governance issues are not new, and the Indian Corporate has had several stories that are popular in management studies. Organizational issues like these, raise doubts in the stakeholder's minds. How will shareholders, regulators, and Government bodies react in these circumstances? How will this impact the future of the company? These unanswered questions will be answered in the days to come as things pan out.

QUESTIONS FOR DISCUSSION

1. Analyze the growth and profitability of IndiGo?
2. What makes IndiGo wispy to irregularities?
3. What would be the impact of governance issues on the stakeholders?
4. What would be the impact of governance issues on the company in the future?

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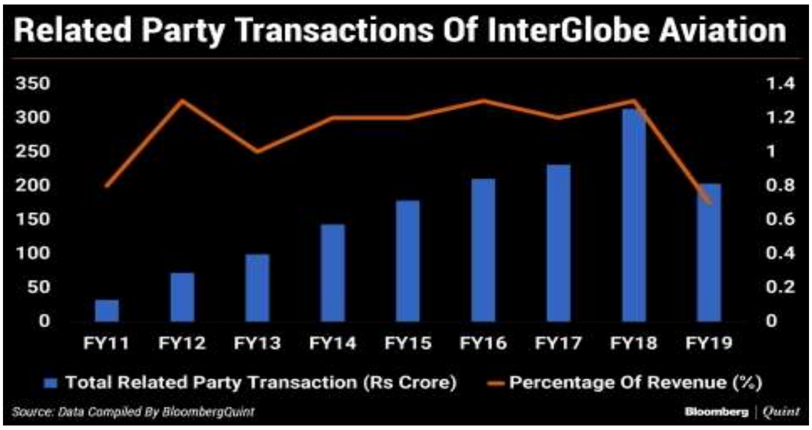
EXHIBITS

Exhibit I

Related Party Transactions of InterGlobe Aviation



Source: www.bloombergquint.com/business/indigos-related-party-transactions-fell-in-fy19, August 6, 2019.

Exhibit II

Highlights of the Confederation of Indian Industry Report on Corporate Governance

Recommendation 2: Letter of Appointment to Directors

- Specify the expectation of the Board from the appointed director;
- The Board-level committee(s) in which the director is expected to serve and its tasks;
- The fiduciary duties that come with such an appointment;
- The term of the appointment;
- The Code of Business Ethics that the company expects its directors and employees to follow;
- The list of actions that a director cannot do in the company;
- The liabilities that accompany such a fiduciary position, including whether the concerned director is covered by any Directors and Officers (D&O) insurance; and
- The remuneration, including sitting fees and stock options, if any.[1]

Recommendation 8: Board Meetings through Tele-conferencing

If a director cannot be physically present but wants to participate in the proceedings of the board and its committees, then a minuted and signed proceeding of a tele-conference or video conference should constitute proof of his or her participation. Accordingly, this should be treated as presence in the meeting(s). However, minutes of all such meetings or the decisions taken thereat, recorded as circular resolutions, should be signed and confirmed by the director/s who has/have attended the meeting through video conferencing.

Recommendation 9: Executive Sessions

To empower independent directors to serve as a more effective check on management, the independent directors could meet at regularly scheduled executive sessions without management and before the Board or Committee meetings discuss the agenda.

Recommendation 10: Related Party Transactions

Audit Committee, being an independent Committee, should pre-approve all related party transactions which are not in the ordinary course of business or not on "arms length basis" or any amendment of such related party transactions. All other related party transactions should be placed before the Committee for its reference.

Source: Corporate governance, http://www.mca.gov.in/Ministry/latestnews/Draft_Report_NareshChandra_CII.pdf, (Accessed on 30th September 2019)

Exhibit III

Shareholding Pattern of InterGlobe Aviation Ltd for the period ending June 2019

Shareholder Category	Shareholding Percentage
(A) Promoter & Promoter group	74.89%
(B) Public	25.11%
(C1) Shares underlying DRs	0%
(C2) Shares held by Employee Trust	0%
(C) Non Promoter-Non Public	0%
Grand Total	100%

Source:BSEIndia.com, https://www.bseindia.com/stock-share-price/interglobe-aviation ltd/indigo/539448/qtrid/102.00/shareholding-pattern/Jun-2019/

Exhibit IV
Statement showing the shareholding pattern of the Promoter and Promoter Group for the period ending June 2019

Shareholder Category	Shareholding Percentage
(A1) Indian	
Individuals/Hindu undivided Family	0.35%
ROHINI BHATIA	0.00%
KAPIL BHATIA	0.01%
RAHUL BHATIA	0.01%
ASHA MUKHERJEE	0.01%
ALOK MEHTA	0.33%
Any Other (specify)	37.88%
INTERGLOBE ENTERPRISES PRIVATE LIMITED	37.88%
Sub Total A1	38.23%
A2) Foreign	
Individuals (NonResident Individuals/ Foreign Individuals)	23.07%
SHOBHA GANGWAL	8.40%
RAKESH GANGWAL	14.67%
Any Other (specify)	13.59%
THE CHINKERPOO FAMILY TRUST (TRUSTEE: SHOBHA GANGWAL & J. P. MORGAN TRUST COMPANY OF DELAWARE)	13.59%
Sub Total A2	36.65%
A=A1+A2	74.89%

Source:BSEIndia.com,https://www.bseindia.com/corporates/shpPromoterNGroup.aspx?scripcd=539448&qtrid=102.00&QtrName=June%202019

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L&T's Hostile Takeover of Mindtree: A Value Destructive Transplant

Suresh Kerani[*], K Narendranath Menon[**]

ABSTRACT

After twenty years of successful running of their company, Mindtree co-promoters had to exit their company as it was acquired by conglomerate L&T. A passive investor in the firm, V G Siddhartha had to sell his 20% stake, to clear heavy debts of his core business. As the promoters of Mindtree were not in a position to raise the finances to buy off his stake, he approached L&T, which bought his shares.L&T went on to acquire additional stake in Mindtree from the open market and from FIs. The three co-promoters in senior positions at Mindtree, along with another co-promoter Subroto Bagchi tried to fend off the unwelcomed acquirer, but in vain. Without a controlling stake in the firm and resources to buy off the largest individual shareholder, Mindtree co-promoters had to exit and face the harsh reality of the new owner L&T being classified as the promoter of the firm. The original promoters of Mindtree had set up and scaled into a global IT services company.

Keywords: L&T, Mindtree, Hostile Takeover, India

INTRODUCTION

"We ring-fenced L&T from future takeover attempts by setting up the L&T Employees Welfare Foundation" –A M Naik, CEO, L&T, in 2001

"I must protect the Tree from people who have arrived with bulldozers and saw chains to cut it down so that in its place, they can build a shopping mall.' –Subroto Bagchi, Co-founder, Mindtree, in 2019

Anil Manibhai Naik's quote appearing above was made after he successfully thwarted the attempt of the Birlas' to takeover L&T. In a curious turn of events, the attempts of L&T in the beginning of 2019 to take over Mindtree, compelled Subroto Bagchi to air the second quote. Life had, in a way come full circle for the construction and engineering supremo, who had become Chairman of L&T by 2019. But first things first, and for that we need to know something about Mindtree.

GENESIS AND GROWTH OF MINDTREE

The first idea to set up a different kind of IT firm was born in 1998, in a discussion Bagchi (who had quit Wipro and joined Lucent) had with his friends. Their idea was to build from scratch, a

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company that would do aspirational work, create and share wealth and be socially conscious. Ten likeminded people from three nationalities came together, and after 14 months of gestation, set up MindTree. The founders were Krishna Kumar, Subroto Bagchi, N S Parthasarathy, Scott Staples, Anjan Lahiri, Kamran Ozair, Srinivasan Janakiraman, Kalyan Banerjee, Rostow Ravanan and Ashok Soota. They had worked earlier at Wipro, Lucent Technologies and Cambridge Technology Partners. The name of the company was chosen among the many suggested by American firm, NameIt. With a seed capital of $1.4 million from the promoters, the first round of $9.5 million funding came from 'chosen' investors Walden International, Global Technology Ventures and Capital Group. Its Vision and Mission statements were:
Mission – "We will deliver business-enabling solutions and technologies, in partnership with our customers, in a joyous environment for our people."

Vision – "To build a truly global company."

Its logo (Exhibit 1) was designed to reflect its DNA of *Imagination, Action* and *Joy*. The logo was interpretation of this DNA by a 17-year old boy from *Spastics Society*. It positioned itself as a high consulting, lower-cost mid-sized Indian IT services global company.

Its first client was Lucent Technologies, with an order for $49,000. MindTree's first Indian customer was Hindustan Unilever. Photos of its first invoice and first Indian customer (K Ramesh of Hindustan Unilever) proudly adorn a *History Wall* in MindTree's corporate head office. The firm closed its first year with revenues of $15 million.

Within six years, MindTree grew into a $100 million revenue company. Second round funding of $14.4 million was raised in 2001. In 2007, MindTree went public through an IPO that was oversubscribed more than 100 times. Its tagline for the corporate brand was "Welcome to possible", coined in 2012, when it also redesigned its logo (Exhibit 2). Besides its own organic growth across geographies and industry sectors, it also grew through acquisitions (Linc Software Services, software division of ASAP Solutions Private Limited, Aztecsoft Ltd, Magnet 360).

By 2019, it had grown fast into an INR 7,022 crore revenue, INR 754 crore profit and 20,200 employees' firm. While financial services accounted for 60% of its revenues, its IT solutions also catered to huge Media and Telecom sectors. To mark its 20th anniversary and celebrate clocking of $1 billion revenue, it gave a special dividend to its shareholders.

MINDTREE'S DIFFRENTIATORS

The promoters ensured that a culture of adhering to core values were institutionalised across the organization. According to Puneet Jetli, Head-People Function, "We believe that values drive behaviour and behaviour drives results." Integrity, transparency and accountability were key cornerstones of values followed internally. Each employee's performance evaluation had 40% weightage assigned to values, with a list of metrics to measure adherence against each value. Ninety percent of senior leaders (who managed more than 10 people) voluntarily opted for 360^{0}compliance with the company values.

VALUE SYSTEMS - TRANSPARENCY AND INTEGRITY

While different components of employees' pay package were published on the intranet, a dedicated call centre and chatbot were also deployed for any queries by employees on their pay structure.

A personal, quarterly update (*Snaphot*) from the Chairman was emailed to all employees.

Its book, *All About Integrity* recorded breaches of integrity by employees and how these were dealt with. The book was given even to its suppliers, apart from customers and employees.

A policy decision was taken that MindTree will have no business relationship with any of the promoters' relatives.

An interesting MindTree initiative was its 95:95:95 principle, which meant that 95% of the employees should have access to 95% of the information 95% of the time.

On a tool codenamed *Goldmine*, all sales calls were recorded.

The values followed were encapsulated as *CLASS* – Caring, Learning, Achieving, Sharing and Social Responsibility.

LEADERSHIP

Co-founder and Chairman Ashok Soota, set a personal example of sharing with all employees his self-assessment of his own performance and personal objectives every quarter. This precedence was followed up and implemented by all business CEOs and function heads.

Setting personal examples in cost cutting during tough business environment, some of the co-founders took a pay cut of 25-35% during 2001, when the business was significantly down.
As accountable leaders, the founders met employees every quarter in '*What's on your mind'* program, wherein they could be questioned on any issue.

To ensure that founders do not dominate strategic decision making, the company's nine-member Board had five external members.

To create a long-term leadership pipeline and groom future internal leaders, Bagchi took upon himself in 2008 the role of a 'gardener'. Aiming to nurture top hundred potential leaders, he held one-to-one confidential meetings with them to expand their leadership capabilities and through self-introspection heighten their self-awareness.

VIBRANT LEARNING CULTURE

To enable employees to continuously update their knowledge, an internal online learning portal was deployed, called *Y Orbit*. Its culture was touted as MindTree's "soft differentiator" among mid-sized Indian IT firms.

KNOWLEDGE MANAGEMENT PRACTICES

Sharing of knowledge and expertise was intensely encouraged, right from the beginning. Knowledge Management was formally constituted as a full-fledged corporate function in 2003, with the CKO (Chief Knowledge Officer) reporting directly to COO (Chief Operating Officer).

One of the major achievements of this function was devising an internal idea nurturing online platform called *Neuron*. Ideas submitted by employees were grouped into different categories which were then mapped to various business areas. Through this collaborative network, an idea's entire lifecycle was covered. Over a period of time, MindTree managed to generate ten patents out of this exercise.

As many as thirty volunteer-driven communities of knowledge practices emerged within the company, from cross-functional teams working together on their chosen area of interest.

HR ('PEOPLE FUNCTION')

MindTree crafted an interesting approach to hiring employees for the first forty critical positions. In the words of Bagchi, "If they are chosen right, treated well, empowered, they in turn would take care of the first four hundred." One of the founders personally explained the firm's mission, vision, business plan and company values to potential first forty employees, at the selection stage itself.

Employees were referred to internally as *MindTree Minds*. Right at the recruitment stage, potential employees were screened for adherence to CLASS, MindTree's internal standards.

Some of the parameters to evaluate suitability were:

C (Caring)	L (Learning)	A (Achieving)	S (Sharing)	S (Social Responsibility)
Empathy	Cross-domain exposure	Performance Rating	Knowledge sharing	Any counselling experience
Trust	Any humbling experiences	Role models, if any	Publications, if any	Personal motivators

Within the first 90 days of joining, each employee was explained what CLASS stood for.

For fresh recruits from college campuses, C2C mapping was done, i.e. Competency and Culture. A role-based, tiered assimilation program, *Arboretum*, was developed for lateral entrants.

A hierarchy-free internal system was put in place, with even reservation in car parking only for two categories – physically disabled and customers. None of the founders were assured of any accelerated career path or entitlements for any special privileges.

To facilitate meditation, each floor, in its blocks in its main campus was fitted with a quiet room called *Still Mind*.

To encourage expression of personal, individual ambitions, a *Hero's Wall* was set up, to enable employees to depict what they wanted to evolve and grow into.

To share wealth among employees, all 4,000 employees were given stock options until the firm went public to raise money from retail investors. Due to employee-friendly policies, MindTree's attrition level was 3.5% below the industry average.

INTRAPPRENEURSHIP

To attain fast growth, it came up with an innovative 5 * 50 initiative in 2010. Innovative ideas to build new $50 million businesses were invited from employees. The top five innovative ideas were given resources to kickstart and operationalise them.

SOCIALLY CONSCIOUS CORPORATE CITIZEN

To encourage latent talent among differently-abled children, the firm partnered with *Spastics Society of Karnataka.* Paintings of kids of this society adorned the walls of MindTree offices.

ACHIEVEMENTS

- It was the youngest IT company (6-year-old, in 2005) to cross $100 million revenues.
- IC Sweden, which ranks global organizations in terms of intellectual capital, rated MindTree among the Top 12%
- Youngest company in the world to be assessed at Level 5 of PCMM (People Capability Maturity Model)

- First Indian company to employ 2,000 people in five years

In 2009, MindTree won the coveted Asian MAKE (Most Admired Knowledge Enterprise) Award. Within the next five years, its market cap touched $1 billion, with a revenue of $500 million. Forrester's 2017 Q3 report "The Forrester Wave Continuous Testing Service Providers" named Mindtree a leader in testing capabilities in the digital space.

One of the biggest achievements of Mindtree was design and implementation of Government of India's ambitious, national Unique Identification Number (UIN) called Aadhaar. It comprised of issuing UIN, capturing biometric data, to all residents. The technical requirements of this nationwide exercise were:

- Enrolment ability scalable to 100 million UIDs
- Processing capacity of 1 million UIDs per day
- Handling 10 million authentication requests per day
- Sustaining hourly throughput for ten hours

As of September 2019, 1.2 billion Aadhaar enrolments, 309 million updates and 33 billion authentications had been handled.

THE L&T TAKEOVER SAGA

V G Siddhartha, an entrepreneur from a coffee plantation business family, had invested $ 8 million in MindTree, way back in 1999. The next year, he acquired a 7% stake in MindTree through his firm Global Technology Ventures. Over the next thirteen years, he kept increasing his investments in Mindtree, but as a passive investor. In 2012, he sold 2.5 lakh Mindtree shares. In 2018, he quit the Board of Mindtree and pledged his significant, valuable shares in the firm, to secure loans for his core business of Cafe Coffee Day chain of coffee parlours.

Siddhartha held a higher stake (20.32%) than that of the co-promoters of the company. The combined stake of the company's co-promoters was just 13%, with N Krishnakumar (3.72%), Subroto Bagchi (3.11%), N S Parthasarathy (1.43%) and Rostow Ravanan (0.71%) accounting for the bulk of it (Ashok Soota had resigned in 2014, to set up his own IT firm *Happiest Minds* and had divested his stake). The promoters were envisioning theirs' (13.2%) and Siddhartha's (20.32%) stakes as one joint stake of 33.52% and were confident that the latter would not do anything that might put Mindtree at risk.

His financial troubles, forcing him to pare his heavy debt, necessitated release of his pledged Mindtree shares for sale. His stake sale discussions were on with multiple interested parties, including L&T, for nearly a year. Global private equity player KKR had, in February 2019, offered to buy at INR 925 per share, and also not to purchase any additional stake, so as to let promoters run the company. This was an upward revision by KKR from INR 850 per share offered just a month before. Media reports also indicated Baring offering INR 975 per share to Siddhartha.

When Siddhartha approached L&T more than once, L&T finally offered him INR 980 per Mindtree share. Though L&T had its own IT subsidiary called L&T Infotech (Exhibit 3), there was little overlap with Mindtree's operations and L&T planned to run both as distinct entities. The difference between Baring's offer a few months earlier and L&T's quote, for buying out Siddhartha's entire stake in Mindtree was just INR 16.7 crore. It was not reported why these non-L&T offers failed to materialise. Independent directors on Mindtree's Board had to put pressure on promoters to either arrange funds to buy out Siddhartha or let external suitors buy his shares.

On 18 March 2019, L&T announced that it had bought the entire 20.23% stake of the single largest non-promoter shareholder of Mindtree – that of Siddhartha. The valuation was INR 3,269 crore (at INR 980 per share). The same day it also revealed that it had by then made market purchase of another 15%. L&T also made an open offer to institutional shareholders for buying another 31% stake. This was necessitated due to SEBI's Takeover Code, which mandated an open offer through public announcement for buying additional 26% shares, if a firm with at least 25% stake wanted to attempt an acquisition.

Though hostile acquisitions were tried at earlier in India in non-IT sectors (Exhibit 4), L&T's attempt was the first in the globally strong Indian IT sector. In a strong joint statement issued by the promoters, they strongly opposed the L&T offer and emphasized the unique culture of Mindtree, commenting "We don't see any strategic advantage in the transaction and strongly believe it will be value destructive for all stakeholders. We believe that culture needs to be carefully created and nurtured over time, and cannot be bought and sold like any asset."

On 20 March 2019, Mindtree's Board discussed a share buyback proposal. A Board meeting six days later, however, dropped the idea. Mindtree also rejected L&T proposal to buy additional shares, for a controlling stake.

On 5 April 2019, Competition Commission of India (CCI) approved L&T's acquisition offer.
Naik struck a conciliatory note towards the promoters, in May 2019, by stating "We are not saying you sell and go. Whenever they sell and if they want to sell it to us, we will buy the stake."

On 26 June 2019, two days ahead of the closing date, L&T successfully secured for itself stakes of Mindtree's institutional investors in response to its offer to buy shares at INR 980. UTI Asset Management, Nalanda Capital, Amansa Holdings, Arohi Asset Management and Franklin Templeton Asset Management sold to L&T their shares in Mindtree of 2.97%, 10.61%, 2.77%, 2.74% and 1.06% stakes respectively.

L&T went public around mid-June 2019 with information that a desperate Siddhartha had approached them three times for sale of his Mindtree stake to them. Interestingly, they also revealed that their offer to make Natarajan (a co-founder) Chairman post their acquisition was rejected.

On 2 July 2019, post its acquisition of 60.06% stake, L&T was categorised as "promoter" officially by Mindtree in a regulatory filing.

On 6 July 2019, co-promoters Krishnakumar Natarajan, N S Parthasarathy and Rostow Ravanan quit Mindtree as Executive Chairman, COO and CEO respectively. This marked complete exit of original promoters from Mindtree, after twenty years of nurturing and growing it.

LESSONS FOR PROMOTERS

Institutionalizing value systems and work culture best practices by the founders is necessary for long-term sustainability, assuming these are backed up by a successful business model. However, ensuring that these survive, the founders take farsighted and steadfast adherence by successors in leadership positions.

One of the ways to do so would be to ensure independence by setting up firewalls to prevent acquisition from undesirable, mismatched quarters.

Mindtree's hostile acquisition by L&T serves the following lessons for promoters who would like their firm to remain independent beyond their active role in the company they founded:

- If ESOPs are given to employees, shares can be issued with a rider that during crisis of potential hostile acquisition attempt, employees who were issued shares must pool together, and not sell their shares either in the open market or to the potential acquirer
- Enterprise Risk Management and scenario planning for future, when promoters are still running the show, must consider anti-acquisition protective plans for future.
- One of the hedging actions could be to identify potential white knights who could pitch in to prevent acquisition and exit later, for a nice appreciation in value for their support. For example, ex-promoters of successful firms could be approached in private. In this case, probable white knights could have been Uday Kotak or Nusli Wadia, two of the richest Indians with no presence in IT sector who could afford to buyout Siddhartha's 20% stake for INR 3,000 crores and remain passive investors.

As Naik aptly put it, "If a company is cheap and doesn't have a single owner with a large shareholding, it becomes a takeover target."

QUESTIONS FOR DISCUSSION

1. What is a hostile takeover? Why is it attempted?
2. Why did L&T take interest in acquiring Mindtree?
3. Why did the promoters oppose acquisition by L&T?
4. What types of defensive strategies are available for preventing hostile takeovers?
5. Could Mindtree have adopted any of these?

EXHIBITS

Exhibit 1 – First Logo

(**Source:** Company Website)

Exhibit 2 – New Logo

(Source: Company's Website**)**

Exhibit 3 – Profile of L&T Infotech

Founded in 1997 by L&T as its IT subsidiary, L&T Infotech was primarily set up to cater to internal IT solutions of the conglomerate. Later, its IT solutions evolved into serving global clientele across different sectors.
Its IT solutions included consulting, Applications Management, Digital Integration, Artificial Intelligence and Cloud Computing. The industries served were Energy and Utilities, BFSI, Media and Entertainment, CPG and Retail, Life Sciences and Healthcare and Manufacturing.
With 28,000 employees it served 350 clients with offices across 30 countries. Its revenues and profit, as of 2018-19 were INR 9,446 crore and INR 1,516 crore respectively.
(**Source:** www.lntinfotech.com)

Exhibit 4 – Unsuccessful non-IT Sector Hostile Acquisition Attempts in India (**Source:** www.lntinfotech.com)

Way back in 1980s three unsuccessful bids were made in non-IT sectors. Under a new scheme that permitted NRIs (Non-Resident Indians) to invest in Indian companies, Lord Swaraj Paul of UK stealthily bought into two companies Escorts and DCM. Indian business houses sought government mediation to thwart this backdoor entry when Paul's stake exceeded that of the promoter families. Their successful lobbying resulted in Paul being convinced to sell his shares back to the Nanda and Shriram families, original promoters respectively of Escorts and DCM.

Late 1980s also saw another British firm failing in acquiring an Indian company. BATCO (British American Tobacco Company) had a stake in India's leading cigarette manufacturing firm ITC (then Indian Tobacco Company). The Indian government again played a role in thwarting this attempt.
The most high-profile and unsuccessful acquisition attempt however, was of Reliance Industries Limited (RIL)'s creeping stake purchase into L&T, a conglomerate. RIL bought into L&T significantly through a transaction with a Bank of Baroda subsidiary. Government of India owned Institutional Investors (FIs) held a majority stake (40%) in L&T. By 1989, RIL acquired 18.5% stake worth shares from the open market, spending INR 190 crore. Ironically, Ambani stepped in as a white knight on the request of the then L&T Chairman N M Desai. This was to prevent hostile takeover attempt by NRI businessman Manu Chhabria. With its high stake, RIL succeeded in gaining three seats on the Board of Directors of L&T. Dhirubhai Ambani, the founder of RIL, even became Chairman of L&T.

However, L&T's senior management put pressure on the FIs to prevent this takeover. Amid strong pressure due to change in government at the Centre due to political turbulence, the Ambanis were forced to retreat, selling their stake to another powerful Indian business family – the Birlas. The Birlas were prevailed upon to play a non-interfering passive role and were eventually bought out by L&T by selling its cement business to the former. To safeguard L&T from any future attempts to takeover, Naik put in place transfer of some stake in the firm to L&T Employees Welfare Foundation. As of 2019, FIs and employees collectively held 43% stake in L&T.

(**Source:** https://www.business-standard.com/article/companies/40-years-ago-and-now-l-t-the-graveyard-of-corporate-raiders-114091700011_1.html),
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MILAP Cosmetics: Expanding Horizons and Exploring New Markets

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ABSTRACT

MILAP Cosmetics is a well-established cosmetic brand that came into being in the year 1985. Over the years it has grown from micro business to small and medium cosmetic brand. The product portfolio includes powder sindur, liquid sindur, stick sindur, sticker kumkum, kajal, eyeliner, mascara, melon hair color, plastic grooming items like hair dye brush, Ezee razor and is oozing with confidence to launch many more in the next five years. Being in the business for more than a quarter of a century and battling fierce competition from the giant brands, the company sees a huge scope of growth and revenue in its target segment. Despite its superior products, it has faced a lot of challenges owing to little brand visibility. The brand also intends to make inroads into the digital sphere but does not have a clear strategy in place. To have a strong foothold in the market MILAP intends to increase and gain more visibility across segments and communication platforms. This case highlights the challenges faced by MILAP and brings to fore the dilemmas the brand is grappling with. The case accentuates the need for brand visibility, expansion and digital presence.

Keywords: Milap Cosmetics, Brand Visibility, Brand Expansion, Digital Marketing, India

'Be Beautiful' 'Be India' –Milap Cosmetics

INTRODUCTION

MILAP Cosmetics Company is an Indian company and it was established in 1985. The company is committed towards making high quality and medically safe cosmetics in the economy range. Having a 34 years of existence, it has forayed into several products like powder sindoor, liquid sindur, kajal, eyeliner, sticker kumkum, eyeliner, mascara, hair colour, plastic grooming items, eye liner, mascara and premium segment of nail lacquer but the challenges are still prevalent and very real. All the products are designed by the experts with the best tools and ingredients. The company creates products keeping in mind the market expectations. All the products manufactured by the company are organic and free from impurities. These cosmetic products are best for all skin types and can be availed by customers at affordable prices.

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The company has constructed a very large in-house production unit at Bawana industrial area, New Delhi that is spacious and well equipped with the latest machinery. From the initial stage of procurement of raw material till its delivery, the processes are smooth and efficient. The company is toying with the idea of penetrating into digital market with a range of new products for new segments. Since MILAP wants to stay relevant in the dynamic market space, it need to stay up to date on digital /social media platform. For now, MILAP's digital presence is through its website and by creating a social media fan page on Facebook and Instagram.

HISTORY

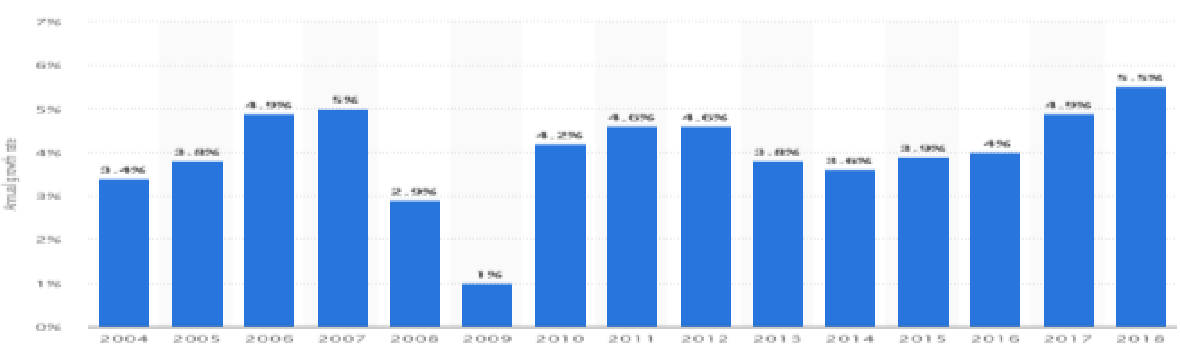
In the year 1985, Ravi Chadha, father of Sachin Chadha and Keshav Chadha set up MILAP cosmetics in New Delhi. They started with the powder sindur of red and maroon color. Sindur is the traditional vermillion cosmetic powder worn by the Indian married women along the part of the hair indicating the women is married. Sindur or Kumkum has social and cultural religious eminence attached in Indian society. In most parts of India Sindur or Kumkum is offered to the gods as worship and it is also applied by the men as a 'Tilak' on their forehead. In the following years, MILAP faced cut throat competition and had to forcefully invest and launch in more product range and as per the market demand. They are considered to be the trendsetters for liquid sindur category.

BACKGROUND OF THE COSMETIC INDUSTRY

The Global Cosmetic Industry has been showing a 4.5 percent of annual growth in the quarter of a century (Lopaciuk and Loboda, 2013). The cosmetic industry is mainly categorized into five segments- skin care, hair care, oral care, fragrances and colour cosmetics. The market is further divided into two segments- Premium segment and mass market segment. In 2025, India will comprise 5 percent of the total global market in cosmetics and will be in the top five global market in terms of revenue (Redseer,2017). In India, the biggest beauty giants who have captured the Indian market are- Boutique, Coloressense, Colorbar, Dove, Elle 18, Faces, Himalaya, Lakme, Nivea, Revlon, L'Oréal, Ponds, VLCC and many more (stylecraze,2019). Indian market has a huge potential for growth in cosmetic brands owing to the rising beauty concern for both men and women. In the era of digitalization, Indian consumers are being updated about the latest cosmetics products and have a desire to purchase them. Today cosmetic Industry has been benefited by social media platforms like Instagram and YouTube. Majority of the conversations surrounding the cosmetic brands and makeup are done on YouTube. Half of the videos are the tutorials, aiming to teach the viewers about the beauty, and how to use a particular product or makeup.

MARKET GROWTH OF GLOBAL COSMETICS INDUSTRY FROM 2004 TO 2018

Figure-1



Source- Statista report,2019 by M. Shahbandeh, Annual growth of global cosmetics market from 2004 to 2018

PRODUCT PORTFOLIO

MILAP cosmetics contests in the Indian cosmetic mass market segment and has gradually expanded its branded product portfolio. MILAP, success mantra lies in their more profound understanding of the product mix. Against the flow of the industry, where there is price war and the compromise on the quality of the product, MILAP believed that the product should be pocket friendly and worthwhile for every customer. However, to reduce the dependence on a particular product and drive growth, MILAP over the years has been experimenting and innovating new products and launched several new ones.

Looking at a country like India with diverse cultures; it is challenging to know the taste and preferences of each customer. Their choices are affected by a number of reasons including price, quality, packaging, quantity etc. By keeping in view the preferences of popular segments, MILAP offers a diverse range of products under their umbrella brand. The product portfolio of the company is shown in Table 1.

Table 1- Product portfolio of MILAP cosmetics

Product Portfolio of MILAP Cosmetics		
Product Category	Sub- Product Name	Brand Name
Powder Sindur	*Stick Mirror, Bell,Top Large, Top Small, Diamond, Ganesh Statue, Shagun, Heart's, Powder Sindur (Dabbi)*	MILAP Cosmetics
Liquid Sindur	*Bridal, Bridal (Matte), Impression, Herbal Sindur, Sleek*	MILAP Cosmetics
Premium Sindur	*Glam(Velvet Matte), Shagun (Matte), Crystal (Matte), Intense (Velvet Matte), Artistic (Velvet Matte)*	MILAP Cosmetics
Stick Sindur	*Mini Stick Sindur, Traditional Sindur, Mirror Sindur,Classic Sindur*	MILAP Cosmetics
Sticker KumKum	*MILAP Sticker Kumkum, Bridal Sticker Kumkum*	MILAP Cosmetics
Kajal	*Mini Stick Kajal, Velvet kajal, Orient Kajal, Mirror Kajal, Herbal Kajal, Classic Kajal, Supreme Kajal, Onyx Kajal, Medieval Kajal,*	MILAP Cosmetics
Eyeliner	*Long wear, 9to6, Gloss Artist, Pop-up, Bling it on, Sketch Artist, Super Glaze Ink*	MILAP Cosmetics
Mascara	*Black Dazzle, Lash Obsessed, 9to6*	
Hair Color	*Black, Brown, Burgundy, Kali Mehndi*	Melon Hair Color
Plastic grooming items	Ezee Hair dye Brush, Ezee Ladies Razor	Melon
Nail Paints		Kasey Milano
Source: Created by authors after collecting data form MILAP website		

In 1988, MILAP came up with the Ezee women razor, which was easy to carry, use and scratch for smooth, quick and comfortable body.

In 2000, they came up with the liquid sindur in different range like *Bridal, Bridal (Matte), Impression, Herbal Sindur, Sleek sindur, Glam (Velvet Matte), Shagun (Matte), Crystal (Matte), Intense (Velvet Matte), Artistic (Velvet Matte)*. In Indian market, they are considered to be the pioneer's in liquid sindur in red and maroon colour with plain, matte and sparkle finish. It is uniquely formulated, comprising of 100 percent natural and toxic free ingredients which are lab-tested to avoid any kind of side effects on skin. Designed and packed in a stylish and easy to use container with a sponge tip applicator this liquid sindur is a waterproof, smudge-proof and is resistant to perspiration.

In 2012, MILAP launched its uniquely formulated herbal hair colour “Melon hair colour”. The magnificent properties of its henna based composition with amla, shikakai and precious herbs rejuvenate the hair and give them natural look. Melon hair colour comprises of three natural shades- Natural black, Natural brown, Burgundy that gels with the texture of all hair type and it is 100 percent ammonia free.

In 2013, MILAP came up with a unique range of kajal- Mini Stick Kajal, Velvet kajal, Orient Kajal, Mirror Kajal, Herbal Kajal, Classic Kajal, Supreme Kajal, Onyx Kajal, Medieval Kajal with tested, medically safe and long lasting formulation. Ministick kajal, velvet kajal, orient kajal and Mirror stick kajal are the economical range of kajal and come in tiny packaging and are easy to apply. Herbal kajal is a unique herbal base kajal blend of exclusive herbal ingredients like almond oil, cow ghee, honey, castor oil, Honey basil, Vitamin E and camphor that nourishes, takes extra care, adds lustre and soothing touch to the eyes. MILAP Onyx is a p new generation premium formula kajal with olive oil, esters, cocoa butter, vitamin E and C derivatives. It has deepest black pigments, a unique tip and exclusive colour fix formula which gives an eye a smooth, intense black colour that stays on up to 12 hours. It is lab tested, smudge proof and suitable for contact lens wearers.

In 2014, MILAP dye brush was launched to complement the colour. It is made of great quality and is considered to be the finest of brushes. It is made from the premium bristles which helps to take care of the hair. It can be used to apply dye and henna and can be used for both amateurs and professionals.

In 2017, MILAP came up with the MILAP sticker Kumkum in two colours, red and maroon made up of the finest quality of velvet ensuring the skin friendly long-lasting adhesive and can be used for daily purpose or occasionally.

In 2018, MILAP launched eye liner and mascara. MILAP eyeliner is a high shine finish, water resistant and fast drying formula and super stay. The product has seven variants- Long wear, 9to6, Gloss Artist, Pop-up, Bling it on, Sketch Artist, Super Glaze Ink. MILAP mascara gives the finishing look to the eye by making lashes look thicker, voluminous and vivid. It has a long lasting formula of keeping the lashes curled and voluminous. The company has launched three different variants of mascara- Black Dazzle, Lash Obsessed, 9 to 6.

In 2019, to venture into the premium segment, the company launched “Kasey Milano’’ under the flagship of MILAP cosmetics to target a completely new segment of the brand. The company has launched Nail paints under this premium brand.

BUILDING BRAND THROUGH EXTENSIVE DISTRIBUTION AT MILAP

India is considered to be in the top seven countries of the world in terms of 3.28 million sq. km. It is challenging for any organisation to serve the whole country from a single place. In the last 34 years’ company has set many company-owned depots in various parts of the country and also has a large distribution range in various parts of India as shown in Table 2.

Table 2 : Distribution of MILAP in INDIA	
East Region	Bihar, Jharkhand, Chhattisgarh
West Region	Gujrat, Rajasthan, Maharashtra, Goa
North Region	Delhi, Haryana, Jammu and Kashmir, Himachal Pradesh, Uttar Pradesh, Punjab, Uttarakhand
South Region	Hyderabad
Central Region	Madhya Pradesh

Also, other than serving the domestic market, the brand has made its presence in the international market as well. The countries catered to are Fiji, Nepal, Ukraine and Pakistan.

ADVERTISEMENT AND PROMOTIONS AT MILAP

The brand has flourished through push marketing. MILAP has been heavily advertised through distributors and retailers which was seen as a medium to reach the masses. The company had disbursed high incentives to distributors and retailers to promote the products, so that they can encourage customers to purchase the company's cosmetics from the available multiple brands on the counter. MILAP has found this strategy as the most effective for the market that it serves.

Brand gained visibility through its BTL events across the country. MILAP sponsored various big and small events like "Kitchen to Ramp" (as shown in Exhibit 2) for encouraging women to showcase their hidden talent and also a small Punjabi documentary "Mud Haseya Punjab" (Exhibit 3) throughout the year. The aim was to bring out the local talent. These events helped MILAP in creating awareness and becoming a part of the society.

Other promotions included hoardings/ banners of the company's products (as shown in Exhibit 1) so that it can grasp the attention of the customers. The company has also invested in Digital/ Social media marketing. It has entered the digital realm by creating the MILAP cosmetics website and by selling the products on Flipkart by stockists. Brand has recently created the brand page on Facebook (Exhibit 4) and Instagram.

HANDLING COMPETITION

Competition has always been there and it has never fazed MILAP cosmetics. The Indian manufacturers are facing stiff competition from the international brands but are continuously evolving themselves to maintain their position as an ethnic brand. The major competition of MILAP in Indian market is Blue Heaven cosmetics. It is a 45 years old cosmetic brand with a wide range of products of cosmetics, health care products, cosmetic accessories, beauty products and chemical supplies. They are promoting the product through retailers and distributors and through digital and social media platforms. Strategies which MILAP adopts to overcome the competition is product differentiation strategy. MILAP believes that value and quality both are important factors to sell the product which makes its product stand out in the competitive environment. MILAP is very consistent on maintaining high quality at an affordable price. This helps them in maintaining loyal customers and attracts new customers.

All these factors put together motivated the company in its smooth functioning and well-being. As discussed, there are two concerns of MILA, firstly their brand visibility for country-wide sales of its new range of cosmetics for premium segment and the secondly, devising a strong digital presence.

QUESTIONS FOR DISCUSSION

1. What should MILAP do in order to increase brand visibility in premium customer segment?
2. How should MILAP expand itself on digital platform?

EXHIBITS

EXHIBIT 1: **MILAP Banners / Hoardings**

Source- Company's website

EXHIBIT 2: From Kitchen to Ramp event sponsored by MILAP cosmetics
The aim behind this event was to showcase the hidden talent of the women

Source- Company's website

EXHIBIT 3: A small Punjabi documentary "Mud Haseya Punjab" sponsored by MILAP cosmetics to promote local talent

Source: Company's website

EXHIBIT 4: MILAP cosmetics Facebook fan page

Source: Company's Fan page on Facebook

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