



ESTD : 1880

**FACULTY OF COMMERCE**

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**CERTIFICATE**

This is to certify that Ms. K JAHNAVI G 2338029, Mr. K ROHIT DANIEL RAO 2338030, Ms. KIM CAROL NORONHA 2338030, Mr. LOITONGBAM TOPPER SINGH 2338032, Ms. MANJU PATEL 2338033, Mr. MERRILL RODRIGUES 2338034, Mr. MOHAMMED ANUF 2338035 have successfully completed the project work on the topic titled “ Mallya’s Downfall in Brewery and Airlines” under my guidance. This Project Report is submitted to St Aloysius College (Autonomous), Mangalore as a part of continuous assessment.

Project Guide

CA Jason Castelino

Signature with name and designation

Date: 4.11.2023

Place: MANGALORE

SEAL

# Mallya's Downfall in Brewery and Airlines

## **'SYNOPSIS'**

**2338030 - K ROHIT DANIEL RAO**

- Vijay Mallya's downfall in the brewery and airlines industry is a significant and widely discussed event. He was an Indian business tycoon who once headed the United Breweries Group and Kingfisher Airlines. Mallya's empire faced a series of setbacks due to financial mismanagement, mounting debts, and legal troubles. This led to the eventual collapse of his ventures, including the iconic Kingfisher Airlines. His story serves as a cautionary tale about the challenges of maintaining a successful business empire in a competitive and regulated industry.
- The purpose of a case study on Vijay Mallya's downfall in the brewery and airlines industry is to provide a detailed examination of the factors that led to his business empire's collapse. It aims to analyze the key decisions, financial practices, and external circumstances that contributed to the downfall. By studying this case, one can gain valuable insights into the complexities and challenges of managing large-scale enterprises, as well as the importance of effective financial management, compliance with regulations, and ethical business practices. Additionally, it serves as a learning opportunity for students, professionals, and entrepreneurs interested in understanding the intricacies of the business world and learning from both successes and failures.

## **'INTRODUCTION'**

**2338034 - MERRILL RODRIGUES**

- The rise and fall of Vijay Mallya, an Indian business tycoon, is a compelling case study that highlights the complexities and challenges of managing a diverse conglomerate spanning the brewing industry and airlines. Vijay Mallya, often referred to as the "King of Good Times," enjoyed immense success as the

chairman of the United Breweries Group, known for its flagship beer brand, Kingfisher. Additionally, he ventured into the aviation sector with Kingfisher Airlines, aiming to revolutionize air travel in India. This case study delves into the factors and events that led to Vijay Mallya's ultimate downfall in both the brewery and airline businesses, offering valuable insights for students, entrepreneurs, and business leaders seeking to understand the intricacies of managing a multi-sector conglomerate and the repercussions of financial mismanagement and legal issues.

- The story of Vijay Mallya's downfall is a compelling narrative of ambition, extravagance, financial mismanagement, legal troubles, and a complex web of financial institutions, regulators, and stakeholders. It presents an opportunity to explore the following key areas:
  - **Business Diversification and Vision:** Investigate the rationale behind Mallya's diversification from the brewery industry into aviation. Analyze the challenges and opportunities associated with managing businesses in these two vastly different sectors.
  - **The Brewing Empire:** Explore the success story of the United Breweries Group and its flagship brand, Kingfisher. Assess the strategies employed to build and sustain the brewery business.
  - **The Kingfisher Airlines Dream:** Examine the vision and strategy behind the launch of Kingfisher Airlines. Evaluate the challenges of entering the highly competitive Indian aviation market.
  - **Financial Mismanagement:** Investigate the financial practices that led to the downfall of Kingfisher Airlines. Analyze the mounting debt and its impact on both the airline and brewery businesses.
  - **Legal and Regulatory Challenges:** Explore the legal issues and controversies surrounding Vijay Mallya, including allegations of financial irregularities and loan defaults. Discuss the role of regulatory authorities and government agencies in addressing these issues.
  - **Stakeholder Impact:** Assess the consequences of Mallya's downfall on employees, shareholders, creditors, and the Indian economy. Analyze the repercussions of a high-profile corporate failure on brand reputation.
  - **Lessons Learned:** Identify the key lessons that can be drawn from Vijay Mallya's story for business leaders and entrepreneurs. Discuss how regulatory frameworks can be strengthened to

prevent similar corporate debacles.

- In short, the case study on Vijay Mallya's downfall in the brewery and airline industries offers a comprehensive examination of the factors that contributed to this prominent entrepreneur's decline. By dissecting this complex and multifaceted narrative, we can gain valuable insights into the challenges and consequences of managing a diversified conglomerate and the critical importance of financial prudence, regulatory compliance, and ethical corporate governance.

## **‘FINDINGS’**

**2338031 – KIM CAROL NORONHA**

1: Banks providing loans on the Goodwill of Kingfisher airlines-

- The loans given by SBI were on the trademarks and Goodwill of Kingfisher airlines kept as collateral. SBI chairman OP Bhatt was involved in providing such fraud loans to him. Banks lost their money because of the officials who granted and processed the loans, without checking all the collaterals and taking securities that were to be followed as per rules and regulations. They came under the pressure of their seniors who were bribed by Vijay Mallya. Also, he took the help of his political connections to process such big loans.

2: Loans weren't used for the actual cause-

- The loans taken on the name of Kingfisher Airlines and UB group weren't used for its actual cause. Banks never knew that the loans taken by Vijay Mallya were laundered overseas to various tax havens. All this was done with the help of shell companies. These bank loans were moved to these shell firms. These companies did not have any source of income and weren't active at all. The directors placed in the shell companies would act according to the command of Mallya. The money was transferred to seven different countries including the United Kingdom, the United States, Ireland, Switzerland, France, and South Africa.

3: Vijay Mallya diverted the money he got from the loans to fund his IPL team-

- Furthermore, Vijay Mallya diverted the money he got from the loans to fund his IPL team Royal Challengers Bangalore. He bought the most expensive IPL team RCB at INR 476 Crore with the money of public sector banks. Around 77 payments were done by the SBI bank account of Kingfisher Airlines to the IPL Vendors. He had spent massive amounts lavishly over cricketers from the borrowed money of the banks.
  
- Here is a list of how much loan was taken from each bank:
  - Rs 1,600 crore State Bank of India
  - Rs 800 crore PNB
  - Rs 800 crore IDBI Bank
  - Rs 650 crore Bank of India
  - Rs 550 crore Bank of Baroda
  - Rs 430 crore United Bank of India
  - Rs 410 crore Central Bank of India
  - Rs 320 crore UCO Bank
  - Rs 310 crore Corporation Bank
  - Rs 140 crore Indian Overseas Bank
  - Rs 90 crore Federal Bank
  - Rs 60 crore Punjab & Sind Bank
  - Rs 50 crore Axis Bank
  - Rs 600 crore 3 other Banks
  - Rs 150 crore State Bank of Mysore

## **‘DISCUSSION’**

**2338029 – K JAHNAVI G**

### **Failure Reason of Kingfisher Airlines**

- Lack of Business Strategy:  
The first reason for the failure of Kingfisher airlines is the lack of strategy. First, the company launched an economic class service later they shifted to luxury class After that they shifted as a low-cost airline.

As the company continuously changes its targeted audience, passengers lose interest in this airline. The other issue in their business strategy is that they do not focus on profitable routes.

- **Lack of Management:**

The other failure of Kingfisher airlines is that Vijay Mallya involved too much in his airline business. Kingfisher doesn't have any long-term CEO or MD. Management is an important part of any business whether its failure or success.

- **2008 Recession:**

There are not all internal faults in the failure of Kingfisher airlines; there are some external factors too. The other reason for failure in Kingfisher airlines is the 2008 recession which plays an important role in the failure of Kingfisher airlines.

The recession impacted the whole world and also the aviation industry. Due to the recession, there is high inflation in fuel prices or airport charges. All of these factors impact the health of Kingfisher airlines

- **Air Deccan:**

The acquisition of Air Deccan which is a low-cost airline company that was acquired by Kingfisher airline. In the beginning, Vijay Mallya treated both as separate companies.

There was a time when the flight of both companies flew at the same time but later, they decided to cancel the flights of Air Deccan but the customers of Air Deccan did not transfer to Kingfisher Airline they transferred to their competitor.

- **High Operational Cost:**

The other external reason for the failure of kingfisher airline is that there is a high operational cost in the airline industry as compared to other industries. Airline companies require licenses for came the next thing that is a merger with Air Deccan, which the routes, investment in the aircraft maintenance, salaries were a low-cost airline.

There is also a high price of fuel and the company did not able to recover its cost or continuously made loose. There is also great competition in the airline industry that's why this company offers low cost but they forget if they did not earn a good margin their company will be closed.

- **RCB's Connection with Vijay Mallya:**

RCB is an IPL franchises team that was founded by United Spirits in 2008. Royal Challenger Bangalore also promotes its brand

Kingfisher till 2013 but in 2014 no liquor brand was promoted by RCB. United Sprites Wholly owns the RCB thus Vijay Mallya Resigned from United Sprites' chairman he also resigned from RCB's Director Position. After Vijay Mallya Financial scandals Amrit Thomas became the chairman of the Royal Challengers and RCB changed the team logo. RCB's holding company Royal Challengers Sports Pvt Ltd (RCSPL) is owned by United Spirits. United Spirits now owned by the British beverage company Diageo, is the largest shareholder in RCSPL. Diageo Acquired United Sprits in 2014. Before Acquiring United Spirits, Diageo has conducted an investigation in which they found financial irregularities of Rs 1.15 billion (Rs 115 crore). USL's management revealed that Rs 1.15 billion had been "potentially diverted from RCSPL. In 2019, the company earns more than 10% of its operating profits Through RCB While RCB performed Very Bad in the season.

- **Huge debt:**  
Kingfisher Airlines had a deficit of around Rs. 7,000 crores (approximately 1 billion USD) and could not pay its dues to vendors, lenders, and employees. It led to a severe cash crunch, resulting in the grounding of its fleet.
- **Regulatory issues:**  
Kingfisher Airlines faced several regulatory issues, including the Directorate General of Civil Aviation (DGCA) suspension of its flying license due to safety concerns. It led to the grounding of its fleet, resulting in significant losses for the airline.

## **Solutions**

- The failure of Kingfisher Airlines highlights the importance of several lessons, including:
  - **Sound Financial Management:** Airlines must manage their finances effectively and invest in sustainable growth strategies.
  - **Strategic Planning:** Airlines must develop a unique value proposition and a clear growth strategy that aligns with their business objectives.
  - **Regulatory Compliance:** Airlines must comply with regulations and maintain strong relationships with regulatory bodies.
  - **Crisis Management:** Airlines must develop a crisis management plan to manage unforeseen risks and challenges.

- **Strong Leadership:** Airlines must have strong leadership that makes sound decisions and manages the airline's operations effectively.

## **'CONCLUSION'**

**2338032 – LOITONGBAM TOPPER SINGH**

Conclusion Indian airline business has seen ideal growth and revolution which will go on in coming years. Many airlines come and go while the others have gained a strong ground in this business. The grand and ambitious Kingfisher Airline's project suffered huge downtime due to improper strategic decisions and mismanagement by the group. Instead of trying to utilize this grand airline project opportunity, Vijay Mallya focused to achieve a glamorous status. The airline became for the luxurious design, food and ambience including big goals for settling in international market but neglected the basic economic class. The strategy practiced by Vijay Mallya could not sustain for long and proved to be a great threat at a large scale to both, sustainability and stabilization of the aviation sector. Mallya is now the only board member left holding on to the brand.

For a business to be successful the main focus should be on creating an efficient work-frame, taking appropriate decisions, establishing healthy competitive environment, improving quality of service and standing in unity to find best solutions to problems.

Conflict of Interest: None

## **'RECOMMENDATIONS'**

**2338033 – MANJU PATEL**

There are various reasons for the downfall of Kingfisher Airlines. There could be various measures that could have been taken to avoid the downfall. Here are few measures that could have stopped the downfall of the Kingfisher Airlines: -

1. Sound financial management:

- Kingfisher Airlines should have managed their finances effectively and invest in sustainable growth strategies.



- When Kingfisher Airlines had started its operations back in 2005, they should have strived to make the airline profitable since the first year of its operation.
- Kingfisher Airlines should have focused more on the cost benefit framework where in the service offered to the customer is fit for the amount of price they are paying in for.

## 2. Strategic planning:

- Kingfisher Airlines should have developed a unique value proposition and a clear growth strategy that could align with their business objectives.
- Kingfisher Airlines should not have defaulted its payments to the Indian airports for the non-repayment of Airport fees and duties in order to sustain its operations till the end and they should have paid more money to the investment in the operations and the management of the company in order to make it more profitable.
- After Buying Air Deccan they should not have converted it into a low-cost budget airline and instead should have converted it into a high-cost premium airline with top class amenities and more benefit to its passengers.

# **‘RECOMMENDATIONS’**

**2338035 – MOHAMMED ANUF**

## 3. Proper Management:

- Instead of changing the CEO and the top-level management frequently the Kingfisher Airlines should have appointed CEO how was expert in this field.
- Due to the lack of knowledge and experience in the airlines it led to the downfall. So rather than making Siddhartha Mallya the CEO, Mr. Gopinath (ex-founder of Airline Deccan) could have become the CEO.

#### 4. Leasing out the planes:

- When the airlines were in huge debt, few planes could be leased out to other companies, so it has helped them to cover the cost.

#### 5. Minimize unnecessary costs:

- It could cut down cost by not flying to expensive sectors and airports resulting to huge parking costs and no returns.
- It should have limited its services to the domestic country only.

