



Unfinished Business: Evolving Capitalism in the World's Largest Democracy

Nandini Vijayaraghavan
Penguin Random House
Pp 364, ₹599

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THERE HAVE BEEN several books written on successful corporate honchos. They tell us how these leaders did things right. But in life, everything does not go right; and there can be patterns in failure. Hence, we need to also know what not to do. This can be known from experience of leaders who failed, and here Nandini Vijayaraghavan makes a difference with her book *Unfinished Business*. She looks at four corporate failures which involved leaders who were larger than life but came down in ignominy. Their case studies should be useful for students, as well as aspiring leaders. It is a book written with objectivity and backed by hard-core facts and incisive research.

The author has chosen four businessmen who were household names for all the wrong reasons. These are VG Sidhartha of Café Coffee Day, Vijay Mallya, Naresh Goyal and Anil Ambani. While their stories followed a similar pattern, the curious part is that no one raised a flag when their models ceased to work. This is probably the advantage of being a corporate celebrity where even brash actions are overlooked or justified on grounds of believing in the bigger picture.

There was a commonality among them. All of them had flashy lifestyles, which was part of the persona that they built for themselves. As long as the going



A file photo of Vijay Mallya with personnel of his now defunct Kingfisher Airlines. As per the author, one can run a low-cost or a full-service airline but cannot combine the two, which is what Kingfisher did and led to its downfall

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A lesson from the losers

It's also important to know what not to do in a business, which is explained with four stories

was good, they were not just style icons, but also market gurus. The fall has reversed this view as they are now untouchables.

How did this happen? The problem started with buildup of large quantities of debt to finance businesses which were loss making. Yet there were grandiose actions of investing or buying other companies in different fields. The author

attributes this to absence of acumen required to keep a business afloat in tough times.

The specifics of the book are extremely interesting as she starts from scratch. For example, the author takes us through the history of the aviation industry, which begins with Air India and Indian Airlines. There was politics involved even before the skies were opened up. Reading this section one would ask the question as to why should businessmen be interested in an industry where volatile fuel costs, abnormal operating costs, competitive pricing *prima facie* make the enterprise potentially less viable. It is always a struggle to survive.

Here, both Mallya and Goyal made all the wrong moves when they went in for

expansion through consolidation as they had eyes on the overseas market. She also raises a pertinent point on the models pursued in the industry. One can run a low-cost or a full-service airline. According to Nandini, one cannot combine the two, which is what Jet and Kingfisher did, which brought about their downfall. This is quite a deep thought because it is relevant even today, as the new Air India and Vistara Airlines are looking like pursuing the same model. And if this being done strategically in the market, they should be aware of the possible pitfalls. In contrast, the author explains the Indigo model which is the low cost carrier. It works very well not just from the point of view of optimisation of aircraft use, but also in terms of using an approach of purchase-sale-lease of aircraft.

Interestingly, she points out that all these protagonists were empire builders who built 'memorable brands', which cannot be denied. They also had good relations with those in power, which helped them get closer to lenders. It is a different thing that this money finally was in jeopardy as these enterprises failed. Mallya and Ambani were MPs, while Sidhartha was related to a former chief minister. Goyal had clout at the ministry level to formulate policy and also had ties with the underworld. With such strong brand names, banks loosened their purses and failed to do due diligence, probably because of political patronage.

Now having political connections and bank backing also gave them abundant access to the equity market, and hence got investors to put in their money. Low investor awareness reflecting naiveté allowed them to raise money at substantial premium. The pitfalls of promoter financing became all-encompassing when this equity was used as collateral with banks and mutual funds joined the bandwagon.

Another commonality was that they focused a lot on scale rather than sustainability, which made it hard to meet debt commitments. The problem with such high leverage was that three out of four, which excludes Mallya, were not able to generate enough cash to finance their operations. Mallya had a good cash cow in the UB group, but this was not adequate to sustain the debt levels.

The author also has some very interesting stories that are narrated at the right place. These include Mallya and his partner carrying seven pieces of luggage and calmly flying out of New Delhi in a Jet Airways flight.

There is another on Dhirubai Ambani's early life of how he converted coins to metal and made a fortune. The wars between the Ambani and Wadia family is also touched upon and the role of lobbying with the government by Dhirubai is quite revealing. She also points to the differences in the Ambani brothers in terms of competence.

Unfinished Business: Evolving Capitalism in the World's Largest Democracy has very useful insights on how failed companies came to be what they became. Will these be a lessons for others is the pertinent question.

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