

# Chapter - Corporate Governance Failure

## 1. Kirch Group (Germany)

Kirch Media (Programming and entertainment Distribution Company) had business in Germany, founded by Leo Krich in 1970. It was failed in 2002.

**Person Responsible for Failure** - Company failed because of heavy loan amount. **Amount of Scam/Failure** - More than 6.5 Billion Euro.

**Detailed Reasons for Failure** - Company failed because of heavy loan amount and detailed reasons for its Failure are as follow;

- **Audit Failure** - KPMG (External Auditor), unable to assess the company's increasing debt amount.
- **Overexpansion**- the company adopt improper strategic planning before acquisition. Kirch overestimate the demand for the pay channel services, which lead to a loss of \$900 million.
- **Financial Pressures** - The heavy debts were the result of costly film rights deals. The group taken heavy amount of loan from Lehman Brother's and JP Morgan (US investment banks) for purchasing TV rights which increased its financial pressure.
- CEO of the company operated the business in a secret way, which leads to poor transparency.

**After failure** - Leo Kirch reduced his stake to 10% to escape bankruptcy. The group was run by new executive Wolfgang Van Bettery (an insolvency specialist) and Hans Joachim (Kirch Advisor).

## 2. Vivendi (FRANCE)

Vivendi SA (formerly Known as Vivendi Universal, Multinational Mass Media and Telecommunication Company) had business in France (head quarter - Paris) incorporated in 1853. It was failed in 2002.

**Persons Responsible for Failure** – Jean Marie Messier (CEO) and Guillaume (CFO)  
**Amount of Failure/ Scam** - More than 23 billion Euros.

### **Detailed Reasons for Failure;**

- **Poor Diversification** - Vivendi (originally CGE - Compagnie Generale Des Eaux), diversified from water company to media and communication company with lot of acquisition after 1980's. Heavy expansion caused company both financial and legal problems due to the decaling value of acquisitions.
- **Improper Accounting** - Improper adjusting various reserve accounts and violating US GAAP. The company increasing its EBIT by adjusting wrong transactions.
- **Ineffective board** - BOD's not question the strategies of management and there was in-balance in the board.
- **Audit Committee** - audit committee not performing its duties correctly.
- **Dominating CEO** - Dominant CEO of the company dominating in behaviour and started irrational and risky series of company. Messier took over 30 companies which lead to 100 billion euro debt.

**After failure** - In 2006, the gradual recovery of the company took place through the sale of 80% stake in the Vivendi Universal Entertainment Unit to form NBC Universal. SEC (Security Exchange Commission) set investigation against Vivendi Universal, Vivendi SA, Jean Marie Messier (CEO) and Guillaume (CFO). Vivendi charged with a penalty of \$50 million. Messier- prohibited for becoming an officer or directors of a public company for 10 years and Guillaume for a period of 5 years.

### 3. Parmalat ( ITALY)

Parmalat (Milk and Milk Product company, Parmalat dismantled the Government monopoly in Milk products in 1973) had business in Italy, founded by Calisto Tanzi in 1961. It was failed in 2003.

Person Responsible for Failure - Calisto Tanzi Amount of Failure/Scam - 14 Billion Euros

#### **Detailed Reasons for Failure;**

- **Financial Fraud** - Parmalat collapse because of huge amount of debt and had no money for returning back to its bond holders. Some international banks gave loans to Parmalat and involved in selling out its bonds of the company (banks were aware about the financial situation of Parmalat) in exchange of large amount of fees.
- **Poor Auditing** - Company auditor (Grand Thornton) was also involved in fraud, malpractices, negligence and concealing the facts of the company's affairs.
- **Bogus Accounting** - Company adopted a system of double billing for Italy's super market and other retail customers. Company billed twice the same shipment in order to increase revenue and revenues were also increased through fictitious sales.
- **Unwanted Acquisition** - The company's bond issues were failed and 3 CEO's resigned from the company in the space of 8 months. The downfall of Parmalat started because of aggressive expansions. Once, Tanzi had succeeded in the long-life milk market, he want to buy most of his competitors, and then entered into the football market. However the family football clubs and the tourism enterprise Parmatour turned out to be financial disaster.
- **Parmalat Brazil badly affected by the Crises** - Brazil was one of the company's largest markets. During the 1990's the holding company of Italy transferred millions of Euros to Brazilian subsidiary but, it had debt of \$1.8 billion, its president had resigned and the company filed for bankruptcy to protection. Farmers and cooperatives attached with Parmalat have not been paid for a long period and the assets of the subsidiary exceed to its debts.
- Default role of Brokerage houses, external auditors, lawyers of the company and its regulators. There were so many loopholes in the Corporate Governance system of the company.

**After failure** - After making a good financial restructure the company return to be listed on the Milan Stock Exchange in 2005 and in August 2006 the Banca Popolare Italiana agreed to pay Parmalat 59.9 million euros to settle a law suit over the bank's role in the bankruptcy (under Italian bankruptcy law Parmalat can sue it is formers to unravel financial transactions leading to bankrupt).

#### **4. Satyam Computers Services (INDIA)**

The Satyam Computer Services scandal was a corporate scandal affecting India-based company Satyam Computer Services in 2009, in which chairman Byrraju Ramalinga Raju confessed that the company's accounts had been falsified.

##### **History**

##### **Initial confession and charges**

On 7 January 2009, the chairman of Satyam, Byrraju Ramalinga Raju, resigned, confessing that he had manipulated the accounts of Rs 14,162 crore in several forms. The global corporate community was said to be shocked and scandalised.

In February 2009, CBI took over the case and filed three partial charge sheets (dated 7 April 2009, 24 November 2009, and 7 January 2010), over the course of the year. All charges arising from the discovery phase were later merged into a single charge sheet

On 10 April 2015, Byrraju Ramalinga Raju was convicted with 10 other members

##### **Role of Auditors**

Price water house Coopers affiliates served as independent auditors of Satyam Computer Services when the report of scandal in the account books of Satyam Computer Services broke. The Indian arm of PwC was fined \$6 million by the SEC (US Securities and Exchange Commission) for not following the code of conduct and auditing standards in the performance of its duties related to the auditing of the accounts of Satyam Computer Services. In 2018, SEBI (Securities and Exchange Board of India) barred Price Waterhouse from auditing any listed company in India for 2 years, saying that the firm was complicit with the main perpetrators of the Satyam fraud and did not comply with auditing standards. SEBI also ordered disgorgement of over Rs 13 crore wrongful gains from the firm and 2 partners. PwC announced their intent to get a stay order.

## Aftermath

"We are obviously shocked by the contents of the letter. The senior leaders of Satyam stand united in their commitment to customers, associates, suppliers and all shareholders. We have gathered together at Hyderabad to strategize the way forward in light of this startling revelation."

On 10 January 2009, the Company Law Board decided to bar the current board of Satyam from functioning and appoint 10 nominal directors. "The current board has failed to do what they are supposed to do. The credibility of the IT industry should not be allowed to suffer." said Corporate Affairs Minister Prem Chand Gupta. Chartered accountants regulator ICAI issued show-cause notice to Satyam's auditor PricewaterhouseCoopers (PwC) on the accounts fudging. ICAI President Ved Jain said: "We have asked PwC to reply within 21 days."

Also on 10 January 2009, the same day, the Crime Investigation Department (CID) team picked up Valdmantis Srinivas, Satyam's then-CFO, for questioning. He was arrested later and kept in judicial custody.

On 11 January 2009, the government nominated noted banker Deepak Parekh, former NASSCOM chief Kiran Karnik, and former SEBI member C Achuthan to Satyam's board.

Analysts in India have termed the Satyam scandal India's own Enron scandal. Some social commentators see it more as a part of a broader problem relating to India's family-owned corporate environment. Immediately following the news, Merrill Lynch (now a part of Bank of America) and State Farm Insurance terminated its engagement with the company. Also, Credit Suisse suspended its coverage of Satyam. It was also reported that Satyam's auditing firm PricewaterhouseCoopers will be scrutinised for complicity in this scandal. SEBI, the stock market regulator, also said that, if found guilty, its license to work in India may be revoked. Satyam was the 2008 winner of the coveted Golden Peacock Award for Corporate Governance under Risk Management and Compliance Issues, which was stripped from them in the aftermath of the scandal. The New York Stock Exchange has halted trading in Satyam stock as of 7 January 2009. India's National Stock Exchange has announced that it will remove Satyam from its S&P CNX Nifty 50-share index on 12 January. The founder of Satyam was arrested two days after he admitted to falsifying the firm's accounts. Ramalinga Raju was charged with several offences, including criminal conspiracy, breach of trust, and forgery.

Satyam's shares fell to 11.50 rupees on 10 January 2009, their lowest level since March 1998, compared to a high of 544 rupees in 2008. On the New York Stock Exchange, Satyam shares peaked in 2008 at US\$29.10. By March 2009, they were trading around US\$1.80.

The Indian Government has stated that it may provide temporary direct or indirect liquidity support to the company. However, whether employment will continue at pre-crisis levels, particularly for new recruits, is questionable.

On 14 January 2009, Price Waterhouse, the Indian division of PricewaterhouseCoopers, announced that its reliance on potentially false information provided by the management of Satyam may have rendered its audit reports "inaccurate and unreliable".

On 22 January 2009, CID told in court that the actual number of employees is only 40,000 and not 53,000 as reported earlier and that Mr. Raju had been allegedly withdrawing ₹200 million (US\$3 million) every month for paying these 13,000 non-existent employees.

The Indian government designated A. S. Murthy to become the new CEO of Satyam effective 5 February 2009. Special advisors were also appointed, Homi Khusrookhan of Tata Chemicals and Chartered Accountant T. N. Manoharan.

On 4 November 2011, the Supreme Court granted bail to Ramalinga Raju, as well as two others accused in the scandal, since the investigation agency CBI had failed to file a charge sheet, despite having already had 33 months (from the time of Raju's arrest) to do so.

On 15 September 2014, the special CBI court hearing the case asked the concerned parties to appear before the court on 27 October 2014. Date of judgement was to have been indicated later on that day.

On 9 April 2015, Raju and nine others were found guilty of collaborating to inflate the company's revenue, falsifying accounts and income tax returns, and fabricating invoices, among other findings, and sentenced to seven years imprisonment by Hyderabad court. Kunjumani and his brother were also fined by the court 55 million rupees (US\$883,960) each.

## 5. Harshad Mehta Scam

Harshad Mehta was an Indian stockbroker, well known for his wealth and for having been charged with numerous financial crimes that took place in the 1992 securities scam.

Of the 27 criminal charges brought against him, he was only convicted of four, before his death at age 47 in 2001. It was alleged that Mehta engaged in a massive stock manipulation scheme financed by worthless bank receipts, which his firm brokered in "ready forward" transactions between banks. Mehta was convicted by the Bombay High Court and Supreme Court of India for his part in a financial scandal valued at ₹ 5000 Crores which took place on the Bombay Stock Exchange (BSE).

The scandal exposed the loopholes in the Indian banking system, Bombay Stock Exchange (BSE) transaction system and SEBI further introduced new rules to cover those loopholes. He was tried for 9 years, until he died in late 2001.

### Early career

Mehta tried his hand at various jobs, often related to sales, including selling hosiery, cement, and sorting diamonds. Mehta started his career as a sales person in the Bombay office of New India Assurance Company Limited (NIACL). During this time, he got interested in the stock market and after a few days, resigned and joined a brokerage firm. In the early 1980s, he moved to a lower level clerical job at the brokerage firm Harjivandas Nemidas Securities where he worked a jobber for the broker Prasann Pranjivandas Broker who he considered his "Guru". Over a period of ten years, beginning 1980, he served in positions of increasing responsibility at a series of brokerage firms. By 1990, he had risen to a position of prominence in the Indian securities industry, with the media (including popular magazines such as Business Today) touting him as "The sunny deal of the Stock market".

Harshad Mehta	
<b>Born</b>	29 July 1954 Paneli Moti, Saurashtra State, India
<b>Died</b>	31 December 2001 (aged 47) Mumbai, Maharashtra, India
<b>Nationality</b>	Indian
<b>Citizenship</b>	Indian
<b>Occupation</b>	Businessman, Stockbroker

## **Later career and the 1992 scam**

### **GrowMore Research and Asset Management**

In 1984, Mehta was able to become a member of the Bombay Stock Exchange as a broker and established his own firm called GrowMore Research and Asset Management, with the financial assistance of associates, when the BSE auctioned a broker's card. He actively started to trade in 1986. By early 1990, a number of eminent people began to invest in his firm, and utilize his services. It was at this time that he began trading heavily in the shares of Associated Cement Company (ACC). The price of shares in the cement company eventually rose from Rs. 200 to nearly 9000 due to a massive spate of buying from a set of brokers including Mehta. Mehta justified this excessive trading in ACC shares by stating that the stock had been undervalued, and that the market had simply corrected when it revalued the company at a price equivalent to the cost of building a similar enterprise; the so-called "replacement cost theory" that he had put forward.

During this period, especially in 1990–1991, the media portrayed a heightened deified image of Mehta, calling him "The Big Bull". He was covered in a cover page article of a number of publications including the popular economic magazine Business Today, in an article titled "Raging Bull". His flashy lifestyle of a sea facing 15,000 feet penthouse in the tony area of Worli complete with a mini golf course and swimming pool, and his fleet of cars including a Toyota Corolla, Lexus Starlet, and Toyota Sera were flashed in publications. These further exemplified his image at a time when these were rarities even for the rich people of India.

In criminal indictments later brought by the authorities, it was alleged that Mehta and his associates then undertook a much broader scheme, which resulted in manipulating the rise in the Bombay Stock Exchange. The scheme was financed by supposedly collateralised bank receipts, which were in fact uncollateralised. The bank receipts were used in short-term bank-to-bank lending, known as "ready forward" transactions, which Mehta's firm brokered. By the second half of 1991 Mehta had earned the nickname of the "Big Bull", because he was said to have started the bull run in the stock market.[10] Some of the people who worked in his firm included Ketan Parekh, who later would be involved in his own replicate scam.

## **Background of the 1992 securities scam**

### **Stamp paper scam**

Up to the early 90s, banks in India were not allowed to invest in the equity markets. However, they were expected to post profits and to retain a certain ratio (threshold) of their assets in government fixed interest bonds. Mehta cleverly squeezed capital out of the banking system to address this requirement of banks and pumped this money into the share market. He also promised the banks higher rates of interest, while asking them to transfer the money into his personal account, under the guise of buying securities for them from other banks. At that time, a bank had to go through a broker to buy securities and forward bonds from other banks. Mehta used this money temporarily in his account to buy shares, thus hiking up demand of certain shares (of good established companies like ACC, Sterlite Industries and Videocon) dramatically, selling them off, passing on a part of the proceeds to the bank and keeping the rest for himself. This resulted in stocks like ACC (which was trading in 1991 for Rs. 200/share) to nearly Rs. 9000 in just 3 months.

### **Bank receipt scam**

Another instrument used in a big way was the bank receipt (BR). In a ready forward deal, securities were not moved back and forth in actuality. Instead, the borrower, i.e. the seller of securities, gave the buyer of the securities a BR. The BR confirms the sale of securities. It acts as a receipt for the money received by the selling bank. Hence the name - bank receipt. It promises to deliver the securities to the buyer. It also states that in the meantime, the seller holds the securities in trust of the buyer.

Having figured this out, Mehta needed banks, which could issue fake BRs, or BRs not backed by any government securities. Two small and little known banks - the Bank of Karad (BOK) and the Metropolitan Co-operative Bank (MCB) - came in handy for this purpose.

Once these fake BRs were issued, they were passed on to other banks and the banks in turn gave money to Mehta, plainly assuming that they were lending against government securities when this was not really the case. He took the price of ACC from Rs. 200 to Rs. 9,000. That was an increase of 4,400%. The stock markets were overheated and the bulls were on a mad run. Since he had to book profits in the end, the day he sold was the day when the markets crashed.

## **Outbreak of 1992 security scam**

On 23 April 1992, journalist Sucheta Dalal exposed Mehta's illegal methods in a column in The Times of India. Mehta was dipping illegally into the banking system to finance his buying.

A typical ready forward deal involved two banks brought together by a broker in lieu of a commission. The broker handles neither the cash nor the securities, though that wasn't the case in the lead-up to the scam. In this settlement process, deliveries of securities and payments were made through the broker. That is, the seller handed over the securities to the broker, who passed them to the buyer, while the buyer gave the cheque to the broker, who then made the payment to the seller. In this settlement process, the buyer and the seller might not even know whom they had traded with, either being known only to the broker. This the brokers could manage primarily because by now they had become market makers and had started trading on their account. To keep up a semblance of legality, they pretended to be undertaking the transactions on behalf of a bank.

Having figured out his scheme, Mehta needed banks which issued fake BRs (Not backed by any government securities). "Two small and little known banks – the Bank of Karad (BOK) and the Metropolitan Co- operative Bank (MCB) – came in handy for this purpose. These banks were willing to issue BRs as and when required, for a fee," the authors point out. Once these fake BRs were issued, they were passed on to other banks and the banks in turn gave money to Mehta, assuming that they were lending against government securities when this was not really the case. This money was used to drive up the prices of stocks in the stock market. When time came to return the money, the shares were sold for a profit and the BR was retired. The money due to the bank was returned.

This went on as long as the stock prices kept going up, and no one had a clue about Mehta's operations. Once the scam was exposed, though, a lot of banks were left holding BRs which did not have any value – the banking system had been swindled of a whopping ₹40 billion (US\$560 million). He knew that he would be accused if people came to know about his involvement in issuing cheques to Mehta. Subsequently, it transpired that Citibank, brokers like Pallav Sheth and Ajay Kayan, industrialists like Aditya Birla, Hemendra Kothari, a number of politicians, and the RBI Governor R.Venkitaramanan all had played a role in allowing or facilitating Mehta's rigging of the share market.[15]

## **Exposure, trial and conviction**

Exploiting several loopholes in the banking system, Mehta and his associates siphoned off funds from inter-bank transactions and bought shares heavily at a premium across many segments, triggering a rise in the BSE SENSEX. When the scheme was exposed, banks started demanding their money back, causing the collapse. He was later charged with 72 criminal offences, and more than 600 civil action suits were filed against him.

He was arrested and banished from the stock market with investors holding him responsible for causing a loss to various entities. Mehta and his brothers were arrested by the CBI on 9 November 1992 for allegedly misappropriating more than 2.8 million shares (2.8 million) of about 90 companies, including ACC and Hindalco, through forged share transfer forms. The total value of the shares was placed at ₹2.5 billion (US\$35 million).

Mehta made a brief comeback as a stock market guru, giving tips on his own website as well as a weekly newspaper column. However, in September 1999, Bombay High Court convicted and sentenced him to five years rigorous imprisonment and a fine of ₹25,000 (US\$350).<sup>[17]</sup> On 14 January 2003, Supreme Court of India confirmed High Court's judgement. It was a 2:1 majority judgement. While Justice B.N. Agrawal and Justice Arijit Pasayat upheld his conviction, Justice M.B. Shah voted to acquit him.

## **Death**

Mehta was under Criminal custody in the Thane prison. Mehta complained of chest pain late at night and was admitted to the Thane civil Hospital. He died following a brief heart ailment, at the age of 47, on 31 December 2001. He is survived by his wife and one son. He died with many litigations still pending against him. He had altogether 28 cases registered against him. The trial of all except one, are still continuing in various courts in the country. Market watchdog, Securities and Exchange Board of India, had banned him for life from stock market-related activities.

## **6. Kingfisher Airlines**

Kingfisher Airlines Ltd. was owned by biggest liquor tycoon of India with an ambition to become an industry leader. Growing share in aviation market, wide number of destinations and numerous awards, depicted a very attractive and innovative picture for the company. Kingfisher airlines achieved success in gaining customer satisfaction by offering great and comfortable flying experience to its passengers. However, in the Indian aviation sector, Kingfisher Airlines had a short but lasting impression. By the end of 2011, Kingfisher Airlines suffered a huge financial crisis. Kingfisher Airlines, UB Holdings Ltd. was provided loan by many private and public sector banks in India, considering the reputation of its CMD. He was unable to repay loans to many public sector banks, however private banks recovered all loans.

### **Background of the Company**

Kingfisher Airlines was established in the year 2003 and owned by the United Breweries Group which is based in Bengaluru. It came into the aviation market at a time when the low cost airlines had galvanized the market and made air-travel available to every Indian.

On 9<sup>th</sup> May 2005 Kingfisher airlines started commercial operations with four brand new Airbus A320 –200s, which operated between Delhi and Mumbai on a daily basis. The company aimed to provide world class facilities and lead the competition in products well as service offerings, with brand new planes and excellent facilities like: hot meals, comfortable seats, personalized entertainment and treating passengers as “guests”. With this kind of an approach, the company started with 4 flights in a day between Delhi and Bangalore, and further increased it to 104 flights per day by introducing 17 aircrafts and connecting 16 cities in one year and setting record in 2005-2007, of fastest airplane induction.

By the year 2006, the Airlines achieved a five-star status and were popular among the business class travellers. It also offered personalized live in-flight entertainment by collaborating with Dish TV India Limited. By connecting Bengaluru with London, the airline commenced its international operations on 3rd September 2008. During the year 2008, the company attained the reputation for being the only five star air travels in India and came to be known for rendering excellent flight services to its travellers and maintained its position for the next three years.

In 2009, Kingfisher won numerous accolades across the globe and it was one of the only seven airlines which got 5-star rating by Skytrax. Eventually it became the largest airline of the second most populated country in the world with 26.7% share in aviation market. Kingfisher Airlines operated around 250 daily flights. In May 2009,

Kingfisher Airlines got the highest share in aviation market among all the airlines in India by carrying more than 1 million passengers.

### **Start of the Bad Time**

There was a time when Kingfisher airlines was one of the best rated airline in India and got success in gaining customer satisfaction, but it failed to sustain that for a long time. With the economic slowdown in 2008 and the increasing fuel prices as well as the KFA's mandatory requirement to provide services on non-profitable routes, the path ahead was full of difficulties. The cash strapped Kingfisher airlines was caught in a precarious web and burdened under huge debt, which it owed for airport fees, fuel, and salaries to employees, repayment of loans to different banks and service tax.

### **Reasons behind the Downfall**

Till December 2011, KFA was considered among top 5 passenger airlines in India but after that it suffered high losses, heavy debts and finally shutdown in 2012. From the data collected, it depicts that there are more business reasons as compared to marketing reasons behind the failure of KFA. The main marketing reason responsible for the decline was the merging of KFA with Air Deccan and starting of Kingfisher Red.

### **Operational Reasons**

1. The maintenance, navigation, landing cost of KFA in 2012 was about 1.086% of the total revenue generated and 3% more than that of Jet Airways.
2. The employee cost of KFA was also higher than any other airlines.
3. The cost of Value added Services (VAS) by KFA was also very high and also they paid less attention on cleanliness, connectivity, scheduling and low prices that were the basic requirements of Indian customers. From the reports generated and studies conducted it shows that the condition of Aviation Industry in India was in so much pain that it adversely affected the KFA. There were 4 factors responsible for bad condition of Aviation Industry in India.

### **Rise in Fuel Prices**

Due to rising demand for fuel and competition among various airlines there was continuous increase in the price of jet fuel and KFA was not able to pay the bills of fuel consumed.

Their fuel expenses were increased by nearly 70% and because of their non-payment of fuel expenses many vendors' filed a petition with Bangalore High Court

against KFA including BPC (Bharat Petroleum Corporation). Also the Aviation Turbine Fuel is heavily imposed by Government of India.

In India ATF is approx. 51% higher than the international standard.

1. Fall in Rupee
2. High cost of landing fee and airline taxes
3. Price cutting by AIR INDIA

### **Worst Decision Made**

In 2007, KFA merged with Air Deccan that was a low-cost-carrier that charges low fares while Kingfisher was a high cost carrier that was known for its luxury. Kingfisher thought that Air Deccan was in market before it so it would uplift the financial position of the company and another reason was that Kingfisher didn't have 5 years of domestic experience but Air Deccan had and to get international license in aircraft it must have 5 years of domestic experience that is why it acquired Air Deccan. After merging with Air Deccan there was introduction of Kingfisher Red in 2008. But this business strategy caused confusion in consumer's mind because the KFA passengers were used to the luxury provided like cuisine and lounge access etc. The merging degraded the brand status of KFA and the company lost its premium value.

### **Strategic Issues**

1. The major mistake committed by Mr. Mallya is that he failed to make proper decisions. He failed to understand the requirement of consumers and made all decisions on the basis of luxury sells. For him airlines were considered to be a luxury travels but in India only selected classes were ready to pay extra for luxury.
2. Mallya being a liquor tycoon was unable to identify the differences between the two industries. Customer might pay extra for alcohol but not for transport, because transport is type of necessity than luxury.
3. In 2008 Deccan airlines was rebranded as Kingfisher Red by Mr. Mallya. So Kingfisher Airlines operated both business and economy class airlines. This looks perfect but wasn't actually. Mr Mallya was in different businesses at the same time. For his liquor business officials were appointed but for airlines all was going by itself. The business needed the attention of Mr Mallya.
4. According to reports, 366 domestic flights, 20 international flights were flown by KFA. It also owned 67 aircrafts. This increases aircraft lease

rental. In 2011, the lease rental crossed Rs.984 crores and because of this, 66 aircrafts have been grounded.

5. In 2011 there was a time when Kingfisher was not able to pay the salaries to employees. Salaries were due for 4 to 5 months. After this the employees started refusing to sign the mandatory "Tech Log" which states that aircraft is fit and ready to fly. This was noticed by Directorate General of Civil Aviation (DGCA) and they cancelled the license of KFA.

### **Economic Slowdown**

Economic slowdown in 2008 is another external factor for downfall of the Kingfisher. In 2008, first international route from Bangalore to London was set up. Because of downturn, fuel prices of airplanes raised landing charges at international airport which highly impacted Kingfisher airlines.

### **Lack of Proper Management**

The frequent change of CEO for more than once in a year and malfunctioning of top level management, which Mr. Vijay Mallya never took any serious intervention in day-to-day operations. Later airline was gifted to Siddarth Mallya (son of Vijay Mallya) by his father on birthday. He lacked the maturity to handle such a big airlines business and so, lack of correct proficiency and experience in the airline industry, kingfisher airlines suffered severe downfall due to lack of proper management.

### **Bank Dues**

According to a report generated by "The Indian Express" in November 2015, Mr. Mallya suffered a total loss of Rs 9,091.40 crore. He took loan from 17 banks. His highest debt was with State Bank of India of Rs. 1600 crore. From the above data the airline owes Rs 800 crore each to Punjab National Bank and IDBI Bank. It also owes Rs650 crore to Bank of India, Rs 550 crore to Bank of Baroda, Rs 410 crore to Central Bank, Rs 320 crore to UCO Bank, Rs 310 crore to Corporation Bank and Rs 430 crore to United Bank of India, among others, data showed.

### **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.

