

UB Group

The group has a long history of more than 100 years of operations. The Group was founded by a Scotsman, Thomas Leishman in 1857 as bulk producer of beer from South Indian based British breweries. United Breweries Limited (UBL) was founded on March 15, 1915, in Madras by Thomas Leishman, a Scotsman, also its first Managing Director. UBL manufactured and sold only bulk beer for troops of both the world wars. Vittal Mallya was closely associated with the growth of the firm in early days and during 1940s it was he who shaped Indian operations of the firm. Seeing his dynamic leadership and diligence, he was elected to the Board of Directors of UBL in 1947 at the age of 22 and a year later became its Chairman. The Registered Office of UBL was shifted to Bangalore in June 1952.

In 1951, United Breweries Limited added liquor to its product cabinet when McDowell's became its first subsidiary, thus the company became the first company to manufacture Indian substitutes of foreign liquor, popularly known as IMFL (Indian Made Foreign Liquor). Vittal Mallya continued to pursue opportunities in the Alcoholic Beverages business and at the same time diversified into Polymers and Batteries in addition to Pharmaceuticals and Food industry.

On the demise of Vittal Mallya, his son, Vijaya Mallya at the age of 28 took over as the Chairman of the United Brewery (UB) Group in 1983. Now the group has developed into a conglomerate of many business activities including Engineering, Breweries to new age business ventures like Airlines and Racing team from Formula one motor car racing sport.

The UB Group is one of India's largest conglomerates with annual sales of over US\$ 4 billion and a market capitalization of approximately US\$ 12 billion. The Group has diverse business operations in brewing, distilling, real estate, engineering, fertilizers, biotechnology, information technology and aviation. The exit strategy for this investment was profitably executed when Mallya successfully directed five Initial Public Offerings on the London, Singapore (Main Boards), Nairobi, Jamaica and Abidjan Stock Exchanges. He also initiated

several ventures for the promotion and globalization of UB brands and, in particular, Kingfisher and McDowell.

After Liberalization policy was introduced in India, the UB group has determined to focus on areas where it has the competitive advantage to match with the global players. The market share of the Spirits Division in India is currently 60% and exports to the Middle East, Africa and Asian countries are growing rapidly.

Kingfisher Airlines, promoted by Vijaya Mallya is the undisputed market leader in India's aviation market. Within a short span, Kingfisher Airlines has redefined the whole experience of flying and has raised the bar by unleashing a host of product and service innovations. It has consolidated its market position and leadership by acquiring its prime rival i.e., Deccan Airways Limited. Vijaya Mallya has formed a consortium with the Netherlands-based Mol Family for the joint ownership of Force India Formula One, which is also India's first-ever Formula One Team. The group has completed the acquisition deal for Mangalore Chemicals & Fertilizers Ltd., the bankrupt public sector undertaking in the process of divestment and privatization undertaken by govt. in year 1993.

“The Mangalore Chemicals and Fertilizers had gone totally bankrupt. It had laboratory equipment worth Rs. 400 crores and it had suffered a loss of about Rs. 100 crore. The then Chief Minister late Veerendra Patil requested me to take over the unit. He told me that 85 percent of the farmers in Karnataka would suffer if it was closed. I bought it for a higher price. The Board of Directors of UB Company cautioned me repeatedly against taking over the unit. But see today, it is a debt-free company. You just see what service the company is rendering to the farmers all over the State. Mangala fertilizer has reached the houses of every villager. Every farmer knows the name Mangala and its manufacture. All these fellows (apparently JD leaders) only talk and do nothing. But do first and only then talk about it.”

Vijaya Mallya, Chairman, UB group

The group has soared by about 5500% in assets and revenue over a period of last 19 years. For the period 1990-2009, the total asset value of the group has increased from INR 2,710 million to INR 151,220 millions. The total revenue has increased from INR 2,670 million to

145,250 million during the same period. However, the group profit has remained negative or minimal during these years. In 1990, the group profit was -380 million and in 2009, the group profit was INR -1070 million. It would be interesting to reason whether these sustained losses are because of poor investment decisions, inefficiency of management, or purposeful to avoid paying dividends and taxes.

Questions for Discussion

1. How has the group/firm performed in the domestic/international markets?
2. How has the group acquired resources and capabilities in the home country?
3. How have the group exploited the various factor endowments of business operations in the home country to grow?
4. How has the characteristic of the domestic market supported the growth of the firm?
5. How have the various industry policies and incentive structure (LPG policies) of the Govt. of India been formulated that advance the growth objectives of the group?
6. How did the firm generate capital from the masses/retail investors in India?
7. How did the group acquire/propose to acquire the state run public enterprises from the Government of India?
8. How has the group developed its large subsidiary and associate network and how does it leverage on this network?
9. How does the firm engage in advancing the free market economy and privatization policies in the country?
10. How has the regulatory framework of the WTO help the firm to grow globally?

References:

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