
INDIGO CRISES
FROM DAWN TO DUSK
Yo!
Founder of Indigo Airlines
INDIGO FOUNDERS FIGHT EXPLAINED FROM
BEGINNING TO THE CONCLUSION PHASE

10-07-2019

GANGWAL WRITES TO SEBI, ESCALATING INDIGO FEUD

Rakesh Gangwal writes to Sebi Seeks Sebi's intervention to curb alleged violations by co-founder Bhatia

THE STICKING POINTS
RAKESH GANGWAL HAS OBJECTED TO SIX RIGHTS VESTED WITH RAHUL BHATIA –LED INTERGLOBE ENTERPRISES . ANOTHER ISSUE THAT HAS CREATED DIFFERENCES IS RELATED- PARTY TRANSACTIONS , WHICH WERE WORTH Rs. 225.7 CRORE IN F.Y 2019.

THE SIX RIGHT IN QUESTION ARE

1. **To appoint 3 of the 6 Indigo Directors ,**
2. **To appoint the chairman**
3. **To nominate and appoint the Managing Director,**
4. **To nominate and appoint the CEO,**
5. **To nominate and appoint the President and**
6. **A voting arrangement that requires Gangwal and his affiliates to vote alongside Interglobe Enterprises Group on appointment of Directors.**

11-07-2019

INDIGO SHAREHOLDERS PACT TO BE CHECKED BY GOVT. VIOLATIONS

The government will scrutinize a disputed shareholder pact between Rakesh Gangwal and Rahul Bhatia, the founders of InterGlobe Aviation Ltd that runs India's largest airline IndiGo, even as it will let the markets regulator look into Gangwal's allegations of governance failure in the company. If the government's scrutiny leads to the conclusion that the shareholder agreement was in violation of the Companies Act, the agreement which gives certain special rights to a company controlled by Bhatia could get annulled, a person privy to discussions in the government said on condition of anonymity The agreement that gives Bhatia's InterGlobe Enterprises Pvt. Ltd (IGE) the power to appoint three out of the six directors of IndiGo, nominate a chairman as well as appoint a managing director and chief executive, has become a thorny issue between the two promoters of the airline. Gangwal and his associates hold about 37% in the company, while Bhatia and his associates hold 38%. One key right flowing from the agreement to Bhatia is that it requires Gangwal and his affiliates to vote alongside the IGE Group on the appointment of directors. Regulators such as the Securities and Exchange board of India (Sebi) and the Registrar of Companies under the ministry of corporate affairs tend to take note when shareholders with substantial stakes raise issues about governance in their companies. Corporate law experts said that governance and shareholder disputes are two distinct matters. "If a shareholder raises concerns related to governance in a company, the government or regulators could seek a response from the company. However, shareholders will have to approach the appropriate judicial forum for settling disputes over shareholder agreement," said Pavan Kumar Vijay, founder of advisory firm Corporate Professionals. Disputes relating to mismanagement and oppression under the Companies Act are dealt with by the National Company Law Tribunal.

12-07-2019

SEBI SEEKS TO FIND OUT IF INDIGO MISLED INVESTORS

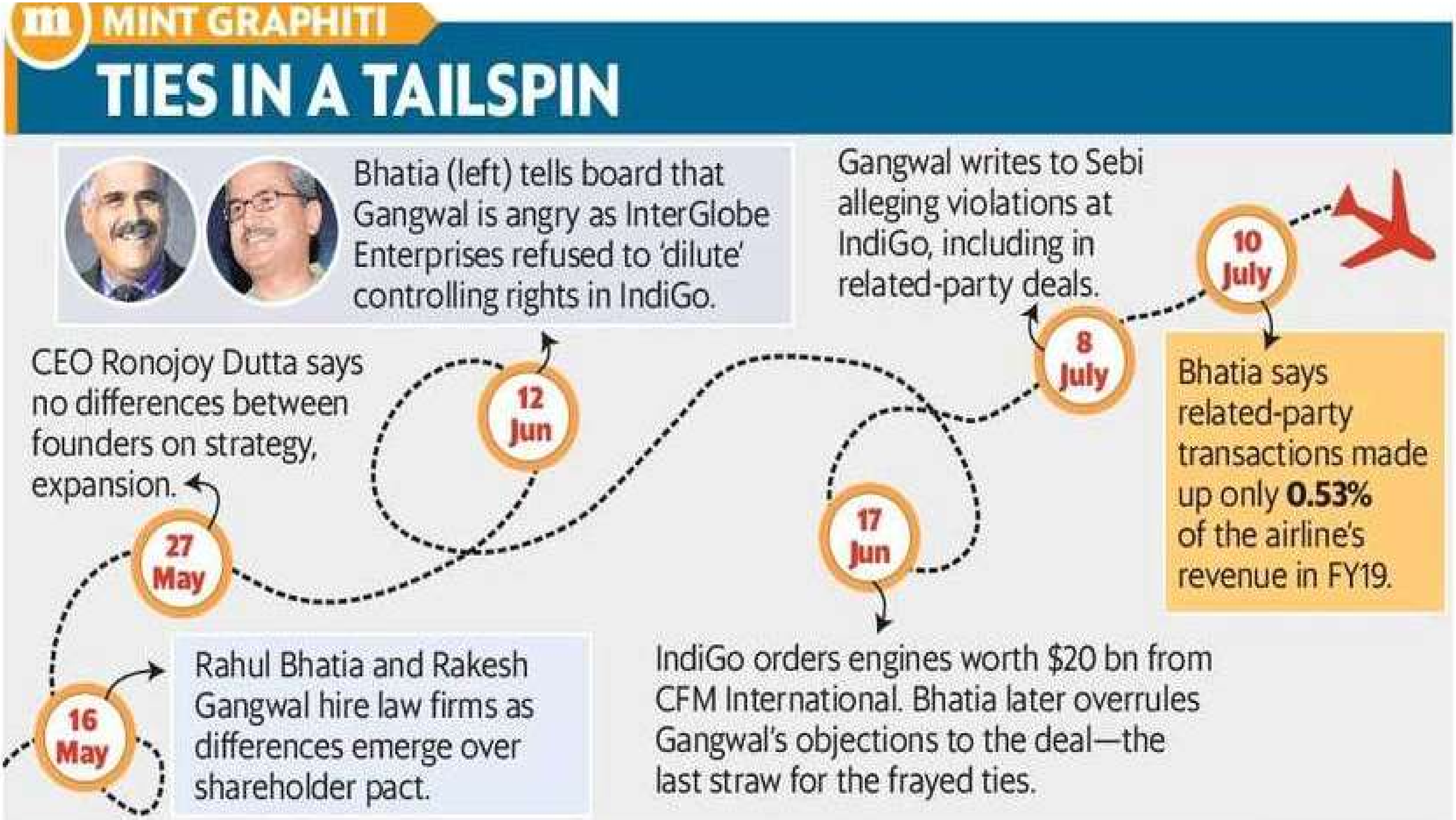
The Securities and Exchange Board of India (Sebi) is examining whether the management deliberately misled shareholders or it was unaware of the true extent of the differences between co-founders Rakesh Gangwal and Rahul Bhatia, one of the two people cited above said on condition of anonymity. The tussle between the two billionaire promoters of IndiGo over shareholder rights took a turn for the worse on 8 July when Gangwal wrote to Sebi alleging governance lapses at the airline. Gangwal's complaint to the regulator raised issues including related-party transactions (RPTs) entered into by the airline with Bhatia-controlled entities and the independence of the airline's board. These differences first came into public view on 15 May when the two promoters hired lawyers to reconcile their differences and take a relook at the contentious shareholder agreement which gives sweeping powers to Bhatia's InterGlobe Enterprises Pvt. Ltd.

On 18 May, Ronojoy Dutta, chief executive of IndiGo, said in a statement that there was no attempt by RG (Rakesh Gangwal) Group to renegotiate the shareholder agreement. One of the major allegations Gangwal has levelled against InterGlobe Enterprises is that the related-party transactions violated the company's code of governance. In the year ended 31 March 2018, InterGlobe's total reported related-party transactions were ₹332 crore, according to a Mint analysis of company disclosures.

This rose to ₹504 crore in the following year. This is about 1.4-1.7% of the airline's annual consolidated revenue.

hese related party transactions were examined by advisory firm EY in January.

LET'S SEE MINT GRAPHITI TO GRAB BETTER UNDERSTANDING


MINT GRAPHITI
TIES IN A TAILSPIN
16 May
Rahul Bhatia and Rakesh Gangwal hire law firms as differences emerge over shareholder pact.
27 May
CEO Ronojoy Dutta says no differences between founders on strategy, expansion.
12 Jun
Bhatia (left) tells board that Gangwal is angry as InterGlobe Enterprises refused to 'dilute' controlling rights in IndiGo.
17 Jun
IndiGo orders engines worth $20 bn from CFM International. Bhatia later overrules Gangwal's objections to the deal—the last straw for the frayed ties.
8 July
Gangwal writes to Sebi alleging violations at IndiGo, including in related-party deals.
10 July
Bhatia says related-party transactions made up only 0.53% of the airline's revenue in FY19.

13-07-2019

BHATIA , HITTING BACK AT GANGWAL, SAYS "PAN KI DUKAN" DOING WELL

Rahul Bhatia and Rakesh Gangwal, the two estranged promoters of IndiGo Airlines, took their escalating power battle to a new level on Friday.The Bhatia-controlled InterGlobe Enterprises (IGE) Group—the parent company of the country's largest airline—condemned Gangwal's charges over issues related to governance and those involving the allegedly superior rights of the Bhatia-led group as compared with the Gangwal group in IndiGo. . Mr Gangwal fails to cite a single concrete example where any act or omission has resulted in any loss or damage to Indigo. Paan ki dukan has apparently done well and continues to do well; it is financially sound; it is well-run and managed by a competent set of managers. Mr Gangwal's allegations about lack of corporate governance are much ado about nothing," IGE said in a statement. However, the IGE Group tacitly admitted in a press release that there were certain procedural laxities at IndiGo regarding related-party transactions (RPTs).IGE stated that the minutes of the 4 March board meeting show that the new IndiGo chairman M. Damodaran had sought an EY report analysing the RPTs to get a better understanding of the issues. At the meeting, Damodaran said while there was nothing wrong with the transactions, he had identified certain procedural irregularities in RPTs. He suggested process improvements, following which the board was to constitute an internal committee to examine RPTs. On Friday, Gangwal told CNBC-TV18: "I am trying to see if the Prime Minister would ask the government to intervene and fix the issues that I have raised at IndiGo because it is a security and economic matter, and the airline is part of the national fabric."The IGE Group's statement indicated that Gangwal's primary objective of raising the RPT issues was to free his group from the obligations of the shareholder agreement, which was signed between the two promoters in 2006 and is due to expire this October. IGE said Gangwal has labelled certain features of the shareholders' agreement (SHA) as "unusual" at the time when IndiGo was founded and he came in as an "investor". The agreement was negotiated between Bhatia and Gangwal in 2006 and was amended twice in 2015 as a precursor to IndiGo's initial public offering (IPO) that year to comply with regulations.

15-07-2019

GANGWAL INVESTED LESS THAN Rs. 15 CRORE IN INDIGO

InterGlobe Aviation Ltd's co-founder, Rahul Bhatia, has claimed that he bore most of the financial risk to grow the once fledgling airline, while his estranged partner, Rakesh Gangwal, restricted his investment to less than ₹15 crore, justifying the wider powers vested on him to run IndiGo, India's largest airline. IGE Group claimed that Rahul Bhatia and his father, Kapil Bhatia, extended personal loans to IndiGo and personal guarantees to banks for diverse funding needs of the airline such as pre-delivery payments, aircraft acquisition and working capital requirements. Starting from financial year 2005-06 at a level of ₹143 crore of personal guarantees by financial year 2009-10, the aggregate financial exposure of IGE, Mr. Kapil Bhatia and Mr. Rahul Bhatia was well over ₹1,100 crore (consisting of equity, non-convertible preference shares, and guarantees) while Mr. Gangwal was in safe harbour with equity exposure of less than ₹15 crore; with no personal loans or guarantees or any other financial obligations for IndiGo," it said. In an 8 July letter addressed to the Securities and Exchange Board of India (Sebi), Gangwal alleged several violations at IndiGo, including those pertaining to related-party transactions; and appointment of senior management personnel, directors and the chairman, who has always been an independent director by convention. Bhatia has denied these allegations. Sebi has sought a reply from IndiGo by 19 July. As IndiGo started operations, it was the IGE Group's created ecosystem and infrastructure that provided critical support and nurturing to IndiGo such as pan-India sales and distribution network, call centre and IT services, and office space. These facilities and support services were provided at cost and many a time on a complimentary basis. Even more significantly, during the turbulent period of a fledgling airline, it was left to the IGE Group, as a responsible founder, to fend for IndiGo," it said. The feud between the two founders may affect the airline's operations, according to an 11 July report by Institutional Investor Advisory Service (IIAS).

LET'S SEE MINT GRAPHITI TO GRAB BETTER UNDERSTANDING

MINT GRAPHITI

INDIGO FACES MORE HEADWINDS

IGE on Sunday claimed that Rakesh Gangwal, one of IndiGo's two founders, had avoided increasing his investment in the airline.

Stake in IndiGo (as of 31 March)

Mr. Gangwal wanted to de-risk and pushed for the business to be sold. However, the IGE Group went ahead to continue to support the start up without in anyway diluting Mr. Gangwal's potential upside.

InterGlobe Enterprises (IGE)

What it said

RAHUL Bhatia and his father, Kapil, extended personal loans to InterGlobe Aviation.

THE risk ratio was almost 80:1 between IGE Group and Rakesh Gangwal group at one time.

SHAREHOLDER pact was between seasoned businessmen with proper risk assessment.

16-07-2019

CFM OFFERED BETTER TERMS FOR DEAL AT CENTRE OF INDIGO ROW

IndiGo's decision to drop Pratt and Whitney (P&W) in favour of CFM International for a $20 billion jet engine contract for its fleet of 280 Airbus A320neo and A321neo planes was driven by commercial considerations and not just technical or performance criteria. P&W did submit an offer but it could not better its earlier offer to IndiGo, which had a generous compensation factor in case of glitches," adding that IndiGo chose CFM engines "purely on the basis of commercial benefits and technical issues were not the reasons for the airline to ditch the fuel-efficient P&W engines". IndiGo's choice of engine assumes significance against the backdrop of the ongoing power struggle between the two promoters of the airline in which one of the promoters, Rahul Bhatia, has cited the CFM contract as one of the key issues that he claimed upset Rakesh Gangwal and prompted him to write to the Securities and Exchange Board of India citing violations of several corporate governance norms at the airline. IndiGo, which controls nearly half of India's civil aviation market, has taken delivery of at least 90 aircraft fitted with P&W engines. In June, it placed a $20 billion jet engine contract with CFM International—a joint venture of General Electric and France's Safran—to power an additional 280 A320neo and A321neo aircraft. "IndiGo's decision was based on commercial terms rather than the geared turbofan technical issues in India, In a 12 June letter to the board of InterGlobe Aviation Ltd, which runs IndiGo, Bhatia blamed Gangwal's outbursts at the company, proceeding to make alternative arrangements for original equipment manufacturers (OEMs) following Gangwal's refusal to lend a hand in the company's ongoing negotiations.

Gangwal alleged several violations at IndiGo, including those pertaining to related-party transactions; and appointment of senior management personnel, directors and the chairman, who has always been an independent director by convention. Bhatia has denied these allegations.

Sebi has sought a reply from IndiGo by 19 July.

17-07-2019

INDIGO, IN MIDDLE OF A STORM , MAY FLY WITH MORE DIRECTORS

The board of InterGlobe Aviation Ltd, which runs IndiGo, India's largest airline, will consider a proposal to induct new directors at its board meeting slated for Friday, A proposal will be placed before the board to grow its strength to probably a dozen directors from the current six when it meets to approve IndiGo's quarterly results, the people cited above said on condition of anonymity.

The plan to add more directors follows allegations of corporate governance violations against co-founder Rahul Bhatia by his estranged partner, Rakesh Gangwal. The proposed board expansion has been a contentious issue between the two promoters. According to a 30 January letter written by Rahul Bhatia and his wife Rohini to the company's board, Gangwal has asked on several occasions for the board to be expanded. "Mr. Bhatia agreed to an expansion so long as the IGE Group's representation on the board is maintained at the proportion mentioned in the shareholders' agreement (SHA) and the articles of association of the company (AoA)," the letter said. Mr Gangwal, being unhappy with IGE Group's position on the expansion of the board, reacted by abruptly withdrawing from participating in aircraft and related acquisition activities of the company," according to the letter.

Sebi norms require at least one woman independent director in the top 500 listed entities by market capitalization by 1 April 2019 and in the top 1000 listed entities by 1 April 2020. Further, at least 50% of the board should comprise independent directors. IndiGo's board comprises Rahul Bhatia and Gangwal, besides former Securities and Exchange Board of India chief M. Damodaran, who serves as the chairman, Rohini Bhatia, InterGlobe Technology president Anil Parashar and former World Bank executive Anupam Khanna, an independent director. "Due to Gangwal's insistence on dilution of the IGE Group's rights, the expansion has been kept pending and the company is in technical default,"

LET'S SEE MINT GRAPHITI TO GRAB BETTER UNDERSTANDING

MINT GRAPHITI

CLOUD OVER INDIGO

Differences between IndiGo co-founders Rahul Bhatia and Rakesh Gangwal have taken a turn for the worse, leaving India's largest airline facing severe turbulence, with the markets regulator and the ministry of corporate affairs stepping in.

"I am here for the long haul. I have no desire to sell my stake or raise it... I'm focusing on governance issues that have gone awry. I'm not seeking any additional control

RAKESH GANGWAL,
co-founder, IndiGo

THE PARTNERSHIP

Gangwal, a former CEO and chairman of US Airways Group, founded IndiGo when he joined hands with Rahul Bhatia in 2004.

THE FALLING OUT

Earlier this month, Gangwal sought the market regulator's intervention to curb alleged corporate governance violations at IndiGo.

THE COUNTER

Bhatia denied Gangwal's charges and accused him of trying to dilute the controlling rights of his holding company.

THE REGULATORY ROLE

Sebi has asked the airline to respond by 19 July to Gangwal's charges. The corporate affairs ministry has also written to the firm seeking a response.

THE PATH AHEAD

IndiGo's board, which will meet on Friday to consider quarterly earnings, will take up a proposal to induct new directors.

SARVESH KUMAR SHARMA/MINT

20-07-2019

INDIGO FLIES HIGH IN QUARTER 1 AMID PROFIT SPAT

InterGlobe Aviation Ltd, which operates India's largest airline, IndiGo, on Friday reported its highest ever quarterly profits, benefiting from the collapse of Jet Airways and showing resilience in the face of a bitter confrontation between founder Rahul Bhatia and his estranged partner Rakesh Gangwal. IndiGo's net profit stood at ₹1,203 crore in the quarter ended June, a nearly 44-fold jump from the measly ₹27 crore in the corresponding quarter last year. The airline's chief executive officer, Ronojoy Dutta, said the surge in net profit was due to strong passenger revenues and a sharp improvement in cargo performance. "The board is having a fulsome discussion on all issues. We obviously had a number of committee meetings today, including the audit committee, and the board discussed a whole range of issues and it will continue to do so tomorrow," said Dutta. Capital market regulator Securities and Exchange Board of India (Sebi) and the ministry of corporate affairs (MCA) had sought explanations from the company on the charges of corporate governance lapses raised by Gangwal earlier this month. If the differences are not settled quickly, the dispute could dent investor confidence in the airlines, delay decisions on key issues, invite avoidable regulatory attention and force the carrier to cede space to rivals. Sales jumped 44.7% from the year-ago period to ₹9,420 crore in the June quarter. IndiGo's sales and market share have been steadily increasing in the recent past, following the grounding of rival Jet Airways in April.IndiGo's share in the domestic market rose from 39.7% in January 2018 to 48.1% in June 2019, giving it the unique position of controlling half of India's air travel market. It ferried 6 million passengers during May 2019 compared to 4.6 million in January 2018. After posting net losses of ₹652 crore in the September 2018 quarter, on account of a weak rupee and high jet fuel prices, the carrier climbed back spectacularly in the subsequent two quarters to end the March 2019 quarter with ₹590 crore net profit, up by over 400% from a year ago.

22-07-2019

INDIGO PROFIT SOAR IN JUNE QUARTER, BUT WHAT ITS INVESTORS WANT IS PEACE

If distractions were really helpful, InterGlobe Aviation Ltd's June quarter results are as good as they come. In the midst of the messy public spat between the airline's co-founders, the company reported a standout performance, with its net profit 60% higher than the Street's optimistic estimates. InterGlobe runs IndiGo, India's largest airline. IndiGo's management tried to assuage investor concerns by saying that the only disagreement between the co-founders was related to their shareholder agreement, and that other matters, such as the airline's international expansion plans, were unaffected. But as the saying goes: "When elephants fight, it is the grass that suffers." Investors would rather have a firm resolution on the matter, than the company's well-intentioned assurances. IndiGo's decision not to make a board-commissioned report on related-party transactions public, also did not help. While companies often resort to the excuse that such reports contain confidential information that don't belong in the public domain, especially with competitors, there is always the option of releasing a version with such confidential portions redacted. . IndiGo's net profit for the quarter was ₹1,203 crore, compared to ₹28 crore in the same period last year, and ₹590 crore in the March quarter.

June quarter results clearly show that the promoter disputes have not cast a shadow on operational performance. But at least some analysts are worried it can eventually impact performance. "The dispute has the potential of lingering on and becoming a significant headwind for the IndiGo stock.

23-07-2019

INDIGO FOUNDERS SAID TO READY COMPROMISE DEAL

The feuding co-founders of InterGlobe Aviation Ltd, Rahul Bhatia and Rakesh Gangwal, are working towards a compromise formula that may result in every related party transaction in the company being vetted by independent directors. In addition, the Articles of Association (AoA) of InterGlobe Aviation, which runs India's largest airline IndiGo, will be amended to expand the board to 10 directors from the current six. Both parties are discussing a range of issues that include composition of IndiGo's board, related party transactions and other issues that have been contested between the two sides. IndiGo said in a regulatory filing on Monday that the number of directors will be raised to 10. The current six-member board comprises two independent directors, which will double when the board is expanded. "There are various issues that are being discussed between the two parties including composition of the board. As things stand, Bhatia will have five nominations to the board, which will have one nomination from Gangwal and four independent directors, . On the issue of related-party transactions, which have been raised by Gangwal, InterGlobe Aviation plans to implement a new mechanism wherein such transactions would be approved by a majority of independent directors, said the second person. "The Rahul Bhatia-led InterGlobe Enterprises (IGE) also wants to retain rights to appoint managing director and chief executive officer of the airline," The simmering feud between the two founders of IndiGo took an ugly turn in early July, with Gangwal seeking the intervention of the Securities and Exchange Board of India (Sebi) to curb alleged corporate governance violations by Bhatia. The charges were denied by Bhatia, who accused Gangwal of trying to dilute the controlling rights of his holding company IGE in the budget airline.ALSO
"Certain clauses (16.16) of the Articles of Association (AoA) of the company will have to be changed to give effect to 10 directors on board the company.

25-07-2019

PROGRESS AT INDIGO, BUT STILL MILES TO GO FOR TRUCE

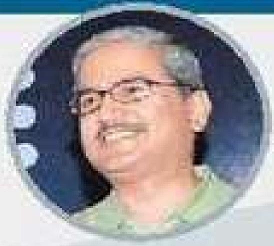
Rahul Bhatia, one of the two founders of InterGlobe Aviation Ltd, will not accept a dilution of his shareholder rights unless there is a compelling offer from his estranged partner Rakesh Gangwal, Bhatia is, however, open to a deal with Gangwal to resolve differences over shareholders' rights that may include acquiring a part of Gangwal's stake in the company if he chooses to sell, the person said, requesting anonymity. The Bhatia group is of the view that the shareholders' agreement between the co-founders and the rights that the Bhatia group has in the carrier are private matters between the two parties. The reworked 10-member board of IndiGo will have four independent directors in addition to Gangwal and five directors nominated by the Bhatia group, one of whom would be the chief executive. The board of IndiGo has also reached out to former PepsiCo Inc. CEO Indra Nooyi to be an independent director, The board had on Saturday stated that the company will seek shareholders' nod for appointing a woman director, a demand flagged by Gangwal in his letter to the capital markets regulator earlier this month. According to the decisions taken by the board on Saturday, the four independent directors will decide on any policy change on related party transactions in which neither Bhatia nor Gangwal will have a say. Gangwal had demanded "checks and balances" although he did not object to related-party transactions per se between InterGlobe Aviation and companies related to Bhatia. InterGlobe Enterprises will wait for a decision from the markets regulator and the ministry of corporate affairs on the charges of corporate governance lapse in the company made by Gangwal. "However, there are several issues that are yet to be sorted. We are hoping for this to happen

LET'S SEE MINT GRAPHITI TO GRAB BETTER UNDERSTANDING

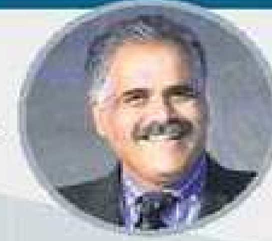
e concessions but says won't accept dilution of his rights

MINT GRAPHITI

FLIGHT CHECK



Rakesh Gangwal



Rahul Bhatia

THE feuding founders agree to expand the board to 10 directors, with the CEO nominated by Bhatia group.

THEY have also agreed to have no role in changing company policies on related-party deals.

INDRA Nooyi is being considered for a board position amid scrutiny over lack of women directors.

THE InterGlobe row, however, continues as the Bhatia group is not ready to cede more control to the Gangwal group.

FOUNDERS also have to reach a bilateral deal and IndiGo needs a clean chit from Sebi on Gangwal's charges.

LET’S HAVE A LOOK ON SHARE PRICE OF INDIGO FROM 08-07-2019 TO 24-07-2019

DATE	VALUE OF A SHARE (INR)
08-07-2019	1571.05
09-07-2019	1566.30
10-07-2019	1398.05
11-07-2019	1354.50
12-07-2019	1356.85
15-07-2019	1381.05
16-07-2019	1440.30
17-07-2019	1465.25
18-07-2019	1458.90
19-07-2019	1462.95
22-07-2019	1519.20
23-07-2019	1523.40
24-07-2019	1595.00

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A THUMBS UP