



IdeaWatch

SURVIVING THREE CRISES

In those early days finance was the biggest challenge. With reorders strong, we realized very quickly that people loved our product, and that gave us confidence. But we needed money to make more beer, and we didn't want to give up our majority stake in the fledgling company. We availed ourselves of every form of government finance and eventually found an angel investor who took a 5% share that valued us at £1 million.

Three years in we hired a few more salespeople and began to invest in marketing. We created pint glasses featuring a map of India and gave them to restaurants, whose owners reported that customers liked them so much they were taking them home. At the five-year mark Arjun decided he wanted to move back to India. At the time, our revenue was about £2 million, and perhaps he didn't expect it to grow much more. But I wanted to stick with Cobra. I strongly believed that it could become a global brand, so I bought him out on his terms, and we remain good friends.

Happily, sales doubled the next year. Now production was the problem. The Bangalore brewery couldn't cope, and we had issues with quality, consistency, and availability. I had to decide whether to expand capacity in India or in the UK. The knee-jerk reaction from distributors was to insist that we remain an imported beer. But when we surveyed consumers, we found that they appreciated the beer's extra-smooth taste more than its country of origin. That gave me the confidence to adapt again and move production to Bedford, in the UK. With increased capacity, we were able to

expand our reach to different types of restaurants along with pubs and bars; we could produce Cobra in kegs to serve on draft—exactly the way I'd been drinking beer when I came up with the concept.

The climb from there to where we are today has not been without further setbacks, however. In fact, in a near-echo of my great-grandfather's experience, I almost lost the business three times. The first crisis was sparked in 1998 by an article criticizing the service in Indian restaurants—published in a trade magazine that I'd helped create and that still listed my name on the masthead. That prompted a yearlong boycott of Cobra, during which we had to close our UK depots and lay off employees. Sales grew by an anemic 3% over that 12-month period, and I thought we were finished. Eventually, however, with a lot of hard work, we persuaded the restaurants that we would never want to harm them, and they lifted their ban.

The second crisis came in 2008. By this stage Cobra was a much larger company, and we needed significant investment to pursue our global growth plans. One of the world's largest liquor companies had agreed to pay £30 million for a 30% equity stake in the company. But its management suddenly got cold feet and pulled out. Thankfully, I had a plan B: financing from an Indian bank. We secured the loan—just two weeks before Lehman Brothers collapsed.

That bought us some time, but within a year we were confronting the third existential threat: A financial backer that had suffered badly in the

global downturn called in its loan and ordered us to sell the company in the worst possible climate. Our valuation had been £100 million; now we got much less. That was very painful. In March of 2009 Molson Coors exercised interest in a joint venture: It took 50.1%; I would retain 49.9% and remain on as chairman and integrate the company. The deal satisfied 90% of our creditors, but one balked, forcing us to enter into a pre-pack administration, in which anyone can bid for the company. We persuaded Molson Coors to come back to the table with us and pursue a joint bid. It did, and we saved the company, ensuring that one-third of our employees could move to the new venture and that those made redundant would be paid out in full, along with some remaining shareholders.

THE KEY ELEMENTS OF SUCCESS

When I reflect on how we managed to survive each of those scenarios, I focus on the elements I mentioned at the beginning of this story. First, my vision for the company never wavered. I wanted to create the finest Indian beer available everywhere. With determination, I built a team and I turned Cobra into a household name in Britain, and that reputation of brand helped us through tough times; during none of the crises did sales decline.

At the same time, we've been creative and flexible—willing to constantly adapt, learn, grow, and innovate. That's the heart of successful entrepreneurship: knowing what you want to go but staying open to various ways of getting there.