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# Kingfisher to help Mallya fly

## Cos recognise the value hidden in intangible assets like IP, brand

**Shailesh Dobhal & Boby Kurian NEW DELHI/BANGALORE**

BEER-TO-AIRLINEtycoon Vijay Mallya knows the value of brands. And he's pretty good at convincing even the most traditional of bankers that brands have value, and worth.

Recently, the audacious 55-year-old chairman of the UB Group convinced conservative, government-owned State Bank of India (SBI) to accept the Kingfisher airline brand — registered separately from its beer and wine brands — as collateral to raise Rs 2,000 crore in debt.

It's not that others haven't monetised brands to raise cash. They have. But what others haven't managed to do is convince public sector banks to accept brands as collateral.

"Earlier only private sector banks were lending against intangibles, and that too selectively and only as a top-up to other collateral. But with transactions involving brands and intellectual property (IP) becoming commonplace, even public sector banks seem to getting comfortable," says Sanjeev Agarwal of audit and consulting firm Ernst & Young.

In an environment where credit is relatively scarce and lenders cautious, companies like Kingfisher are recognising the value hidden in intangible assets such as intellectual property, brands and customer relationships. Which perhaps explains why such assets have begun to play an increasingly significant role in capital raising and bank lending. **India Inc to structure cap deals**

SOME time ago, New Delhibased LT Foods (earlier called LT Overseas) used its Daawat brand of packaged rice as collateral to raise debt for its $50 million (Rs 200 crore) acquisition of US-based rice firm Kusha Inc.

Mr Agarwal says that in the past six months he has been a part of similar deals involving as many as five to six companies and as many brands. He did not disclose any details citing client confidentiality.

Globally, many companies have used their brands' value to open lines of credit for some time now. Perhaps the most famous example is Walt Disney, which did so in 1988 in the Japanese market to raise as much as $725-million.

Mr Mallya's UB Group itself has leveraged brands to raise funds for recent acquisitions. The group's liquor business — United Spirits — offered some its leading whiskies like Bagpiper and a few Whyte & Mackay brands as collateral to raise over Rs 6,000 crore from institutions such as ICICI Bank. Other Indian firm, ranging from a leading Mumbai-based retailer to an Ahmedabad-based apparel maker have in the past pawned their brands to banks. While lending against tangible, "visible" assets such as capital, land, buildings and factories is the norm, increasingly borrowers and lenders are coming around to the view that value needs to be unlocked from intangibles too.

For one, intangibles hold an over two-thirds share of enterprise value for Indian firms, according to a twoyear old global study on intangible assets by London-based Brand Finance Institute. Moreover, the fact that many businesses have exhausted all sources of tangible assets for raising debt means India Inc will have to look at structuring capital deals around intangibles like brands.

In the case of Kingfisher Airlines — it is registered as a separate brand with the trademark office, distinct from beer and wine — the move to value the airline brand separately was initiated early last year when the firm initiated talks with private equity funds to raise $400 million.

The brand's worth, estimated at around Rs 1,900-crore, has been included in the balance sheet, boosting the airline's valuation, pegged at over $1.1-billion.