

**Akineet Overseas Pvt. Ltd: An Entrepreneurial Fiasco**

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**ABSTRACT**

Entrepreneurship is all about proper planning, calculated risk, conviction, foresightedness, and self-belief. The two main characters in the case Mr. Abhijit Chopra and Mr. Arun Rathore lacked coordination, communication, marketing skills, and professionalism, had a short sight, and above all inbuilt lacuna in the ecosystem caused Akineet Overseas Pvt. Ltd to become an entrepreneurial fiasco. The secret to the success of any new venture lies in the proper homework and having expertise in trading or marketing rather than manufacturing. The case shows how the delay of a project due to bureaucratic hurdles, personality problems, and loss of the confidence of promoters can mar its prospects. It could be an eye-opener for a startup or entrepreneur and can establish the do's and don'ts of any venture and can guide him to various internal and external factors he should keep in mind while starting a new venture.

Keywords – Entrepreneurship, professionalism, return on investment, bureaucratic, payback period

### **Akineet Overseas Pvt. Ltd: An Entrepreneurial Fiasco**

Mr. Arun Rathore a textile engineer and MBA, with three years of industrial experience in the spinning industry, was thinking of an entrepreneurial journey. One day he visited his hometown and met with a family friend of his elder brother, Mr. Abhijit Chopra, a businessman with having interest in networking business of financial products, who discussed various aspects of business with Arun Rathore. Mr. Abhijit Chopra showed interest in investing in new ventures that can fetch sound profit. Mr. Arun Rathore suggested garment business has a lot of potential in both domestic markets as well as in the export market.

With due consideration and preliminary research, they started a Company in December 2014, named Akineet Overseas Pvt. Ltd, a Garment Export House with state-of-the-art machinery at Udyog Vihar, Phase -6, Gurugram started manufacturing garments in the middle of the year 2017. The project got delayed because of transfer of land for the factory took a lot of time as it was purchased from an NRI, and required a lot of formalities and paperwork. Getting clearance from government departments like the State Industrial Development Corporation, Urban Development Authority, Pollution Board, Registrar of Factories, Small Scale Industries, and Apparel Export Promotion Council (AEPC) were very bureaucratic, cumbersome, time-consuming, and tedious. There was no single window clearance system so multiple approvals were required from different authorities. The company was registered as a Private Ltd Company even before the purchase of land and machinery, which increased a lot of paperwork and unwanted expenditure in the form of fees to chartered accountants and registrar of companies etc. Promoters spent a lot of money on the recruitment process as the advertisement for recruitment was published in the most prominent English daily newspaper and faculty from fashion schools and universities were called to interview the candidates. Before the trial production employees were hired and a large chunk of money was paid as executive salary. Most of the employees were found unfit for the company and fired, later on, employees were hired on a trial basis or actual job performance and found fit for the organization.

A loan of 30 million INR (₹) was raised, (25 million INR (₹) as term end and 5 million INR (₹) as working capital) from the State Bank of India, Sector 18, Gurugram Branch. Machineries were imported from Singapore and Turkey. The company opened a new bank account at HDFC Bank and started all the transactions from it. The cost of operations at

Gurugram was exceedingly high, electricity board hardly provided three-phase electricity. Most of the time it provided electricity in single phase or two phases which was useless as most of the machinery required a three-phase power supply. The average load shedding in that area was 5 to 6 hours and the company has to pay at least 10 thousand INR (₹) per month for 48 KVA load as meter charge. Most of the time machines had to be run on diesel generators and the average cost of fuel was 60 thousand INR (₹) per month.

Initially Akineet Overseas Pvt. Ltd started manufacturing for their retail outlets situated in five different cities of India like Ranchi, Patna, Lucknow, Bhubaneswar, and Raipur. The company manufactured Denim, Non-Denim, and Hosiery products for both ladies and gents. Retail outlets were a single brand and did not show any substantial revenue collection. Initially, Mr. Abhijit Chopra had a perception that he would be able to sell his merchandise to associate members of his networking business. At the outset, members showed interest in purchasing garments from company outlets but later on there was very little or insignificant demand from members. For sales promotion of the products discount, lottery, and other sales promotion offers were initiated but the demand did not pick up.

The company decided to enter into the export business and started fabrication job work for other exporters to gain experience in manufacturing systems. For getting export orders Mr. Arun Rathore met a lot of representatives of buying houses and in the meantime, prepared lots of samples and met with a lot of expenses in preparing all these samples. At last, an Italy-based buying house gave an export order worth 0.4 million USD (\$), and a letter of credit was issued in the name of Akineet Overseas Pvt. Ltd. Mr. Arun Rathore purchased fabric for dyeing and sent it to dyeing house. In the meantime, Mr. Abhijit Chopra started a new venture in real estate and started building flats at Ranchi and had a perception that the new business would be a future cash cow. On the 7th of every month salary of the workers used to be credited to their account. There were no funds available for wages and salary as the finished stocks of the company were transferred to five different retail outlets without any revenue as it was internal transfer and fabrications or job work which fetched some revenue for the Akineet Overseas Pvt. Ltd was in a nascent stage and at the same time bills were outstanding. On the 7th of February 2019 the salaries of the workers were not credited to their account, workers demanded their salaries and started agitation. Mr. Arun Rathore contacted Mr. Abhijit Chopra and asked to transfer money. Mr. Abhijit Chopra showed an inability to transfer the required sum. Mr. Arun Rathore tried to raise the working capital of

the export order from SBI, Sector 18, Gurugram Branch, but bank authorities declined as there were limited financial transactions with the bank. At the same time, payment had to be made to the dyer of the fabric, and working capital was needed to further process the export order. Due to the non-availability of working capital, Mr. Arun Rathore resigned from the post of whole-time director, as on 13 February 2019 and his resignation was accepted.

### **Probable Questions for Discussion**

- ✓ Critically analyze different problems faced by Akineet Overseas Pvt. Ltd.
- ✓ Assess the leadership style of Mr. Abhijit Chopra.
- ✓ "Trading before manufacturing is a key to the success of any venture", to what extent does this statement apply to Akineet Overseas Pvt. Ltd?
- ✓ Can you sense the latent gap between Mr. Abhijit Chopra and Mr. Arun Rathore?
- ✓ Justify and analyze the topic of the case, "Akineet Overseas Pvt. Ltd: An Entrepreneurial Fiasco".

### **Teaching Notes**

This case intends to give lessons of do's and don'ts to students, budding entrepreneurs, and professionals who want to learn entrepreneurship, start a new venture, or in any way connected to business. This case encompasses certain areas of general management and entrepreneurship development. It provides the significance of planning and proper leadership as the key attributes of the success of a business. Trading before manufacturing is another aspect of the success of the business.

### **Target Group**

This case can be discussed and taught to Undergraduates, Postgraduates, Executives, and Budding Entrepreneurs.

### **Teaching Strategy**

Provide 30 to 35 minutes to study the case and write the answers to the questions. Afterward, participants had to elaborate on the case and present the answers to the questions before a panel of judges. Participants should be in groups 4 or 5.

### **Background Reading**

Participants should read journals and articles on entrepreneurship and general management. The following three books are suggested for reading.

- ✓ Disciplined Entrepreneurship: 24 Steps to a Successful Startup by Bill Aulet
- ✓ Zero to One: Note on Start Ups, or How to Build the Future by Peter Thiel and Blake Masters
- ✓ Before You Start-Up: How to Prepare to Make Your Startup Dream a Reality by Pankaj Goyal.