Monopolistic Competitive Equilibrium with entry

$AC =$ average cost  
$MC =$ marginal cost  
$D^* =$ conditional demand for this producer  
$MR^* =$ conditional marginal revenue for this producer  
shaded area = profits

(a) : initial position. Profits are positive, so entry occurs. This shifts the demand curve inwards. 
(b) : new position with entry. Profits are still positive, but smaller than before. So entry still occurs, and demand shifts inwards  
(c) : position after further entry; profits now almost competed away  
(d) : equilibrium with entry: profits are now zero. Demand is tangent to AC. Note that in equilibrium the firm is producing under IRTS.