



Strat Team Advisors

Matchmaking Service

Mergers • Acquisitions • Collaborations • Joint Ventures

Acquisition Opportunity

Luxury goods & jewelry designer-manufacturer-retailer : India

Strat Team Advisors, Gurgaon

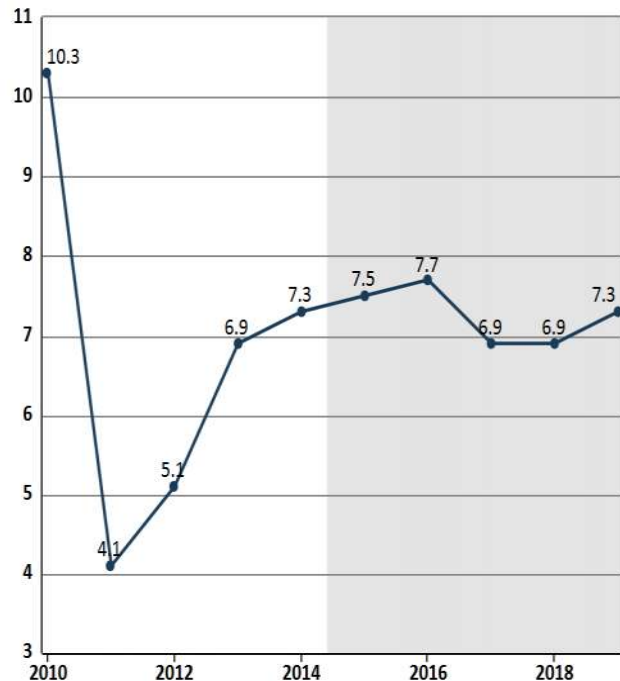
04 November 2015

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The market

Economist Intelligence Unit (EIU) Forecast

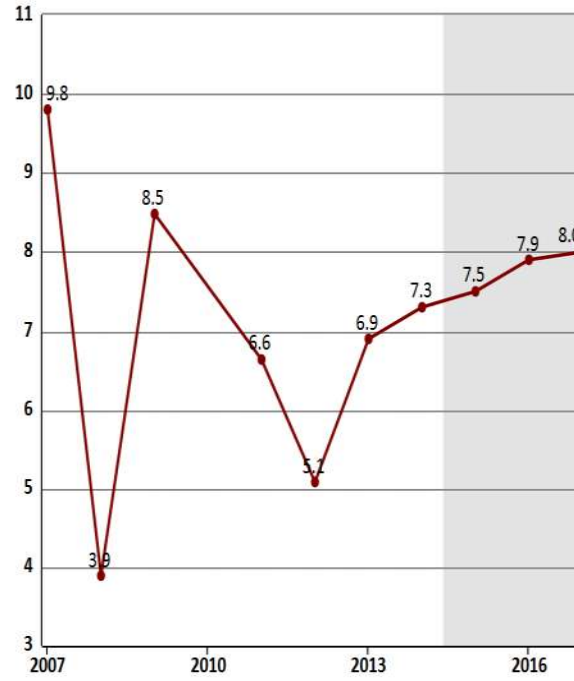
Real GDP Growth (% Change)



Source: [EIU Economic and Commodity Forecast, July 2015](#)

World Bank (WB) Forecast

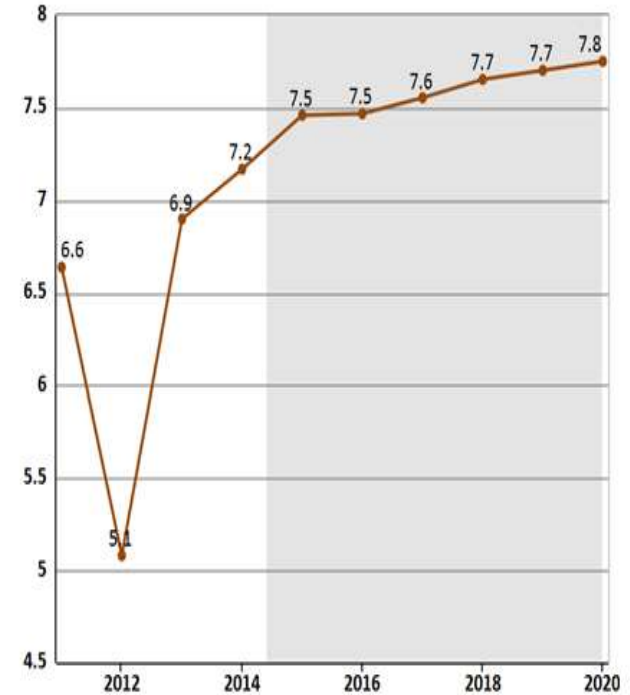
Real GDP (at 2005 Prices) Growth (% Change)



Source: [World Bank Global Economic Prospects, 2015](#)

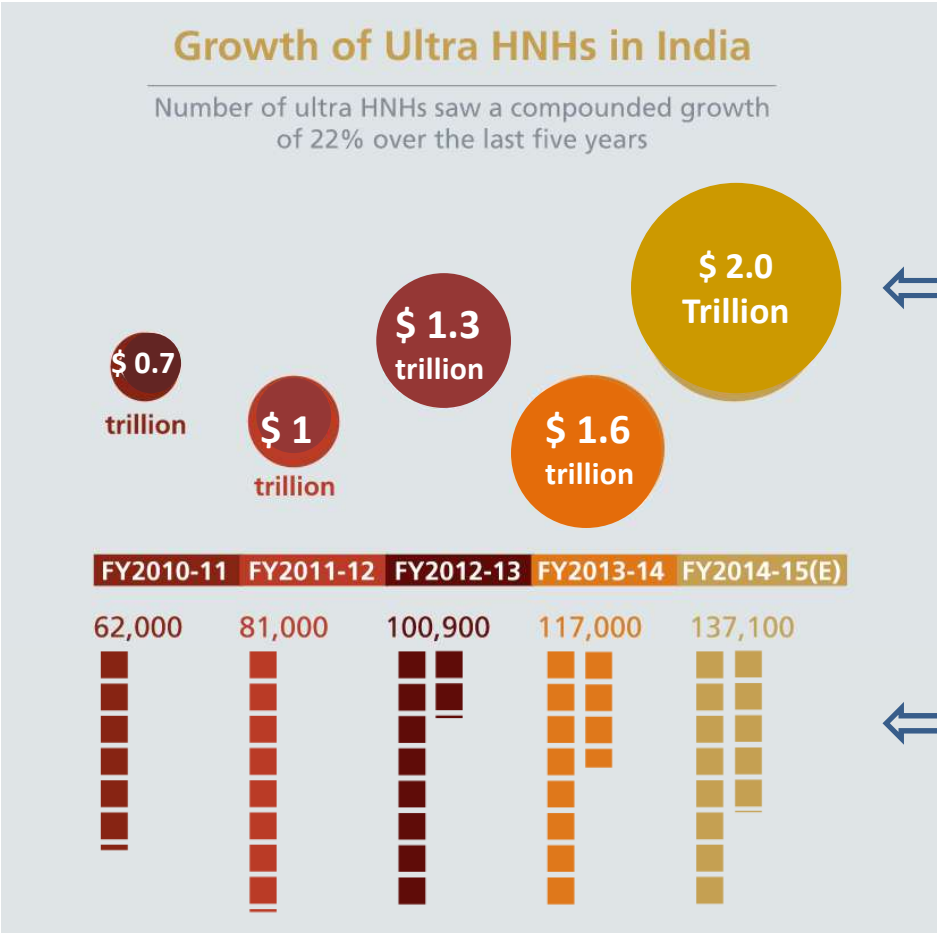
International Monetary Fund (IMF) Forecast

Real GDP Growth (% Change)



- Based in India : fastest growing major economy in the world
- GDP growth estimates range from 6.9% to 8.0%, average about 7.5%

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Currency conversion @
US \$ 1 = Rs. 65.3

← Ultra High Networth Households Cumulative Wealth (in US \$ trillion)

← Number of Ultra-high Networth Household

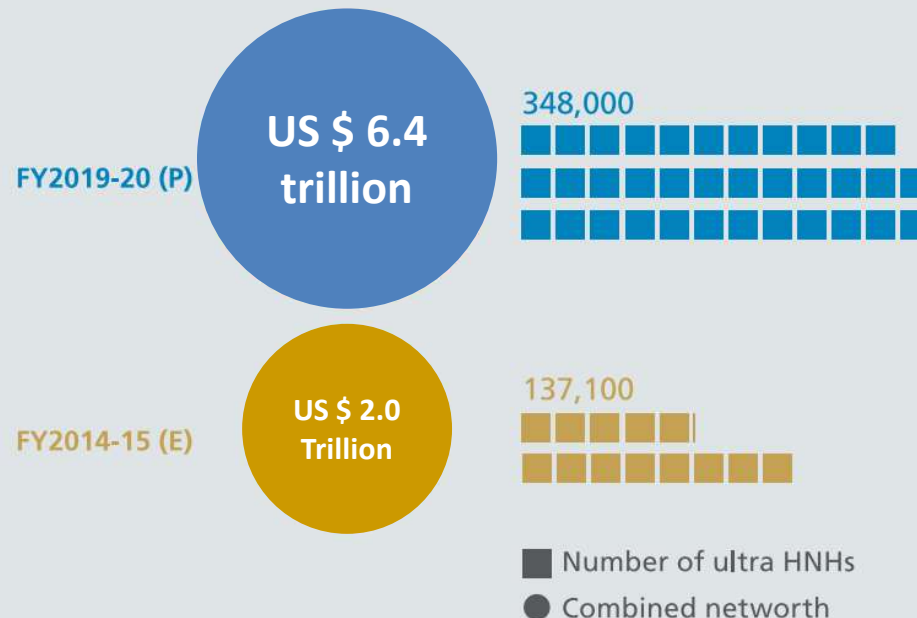
Source : "Top of the Pyramid Report2015" by Kotak Mahindra Bank and E&Y

- Ultra High Networth Households with > US \$ 4 million are key consumer of luxury goods
- UHN Households numbers growing at 22% CAGR
- Wealth of these households growing at 25% CAGR , currently at US \$ 2 trillion

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Expected Growth of Ultra HNHs in India

The combined network of ultra HNHs is projected to increase to ₹415 trillion in FY2019-20(P)



(P) Projected; (E) Estimated

Source: Top of the Pyramid 2015, Kotak Wealth Management

Source : “Top of the Pyramid Report2015 ” by Kotak Wealth Management and E&Y

Currency conversion
Indian Rs. 65 = US \$ 1

- Number of UHN Households projected to grow 2.54 times by 2020
- Wealth to rise from US\$ 2 trillion (current) to US\$ 6.5 trillion by 2020

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The organisation

30+ year old award-winning organisation

- Continues a 125+ year old family tradition in the same business
- Designs - manufactures - retails luxury items
- Renowned for unique silver and metal items
- 8 retail stores across metro cities

Enviably customer base in top-10 and top-100 wealthiest families in India

- Excellent platform for launching new luxury brand in the Indian market
- Ready opportunity to increase sales by offering additional products to current customer base

Unique manufacturing processes developed internally

- Pre-processing, and post-processing give products an outstanding and durable finish
- Patent-pending manufacturing process, for key product range

The organisation

Competent, flexible manufacturing unit

- Manufacturing base for leading global brands
 - Armani
 - Ralph Lauren,
 - John Lewis and others
- Bulk export business could be readily scaled up : not a focus for last several years.
- Excellent opportunity to increase sales by making the product range available to acquirer's current customers
- Fully compliant with air-pollution controls , and effluent treatment plant in place.

Stable and long-service team of managers in place

- Very substantial base of ex-employees who have left for purely monetary considerations, and are interested in return
- Excellent ability to scale up manufacturing, by matching their current salaries, and welcoming them back.

Senior citizen owners

- Willing to stay on for a one-year handover, to ensure smooth transition
 - May continue for further 3 years, or more, on suitable terms
- Open to sign suitable non-compete agreement

Flexible deal structure possible

- For a prospective acquirer in the **Luxury retail business** : Transaction only for the luxury retail business is possible
 - Transaction value
 - Value of brand, at marked-to-market multiplier
 - Fair market value of finished goods inventory, and real estate
 - Agreed transfer pricing from manufacturing unit to retail business unit, could be part of the contract

Flexible deal structure possible (contd)

- For a prospective acquirer in **luxury end-to-end business** :

Luxury retail business + manufacturing business + export business could be acquired together

- Transaction Value
 - For retailing business : as mentioned
 - For manufacturing business : fair market value of assets and real estate.
 - For export B2B business : EBITDA earned from exports x suitable multiplier
- Real estate could be included, or could be kept separate.

The financials

Figs in US \$ MM	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue	2.6	3.0	3.0	2.9	2.8
EBITDA	0.3	0.3	0.4	0.3	0.3

Note : EBITDA here is Adjusted EBITDA, includes added-back owner/promoter's salary and perquisites.

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For further information and the investment memorandum , please send the NDA to merger.help@stratteam.com

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Matchmaking. Not just deal making.

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