

QUENBY GROUP LIMITED





OPERATIONS



UK

- Holding company only
- Leicester operations ceased 2006 after 24 years

OVERSEAS

- Joint venture company, Sri Lanka
- Subsidiary, India, Bangalore

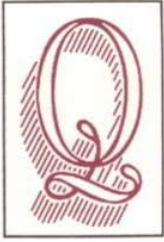
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TEXTILE PRINT

- Raise garment value by direct printing/heat transfer motifs
- Customers: garment makers worldwide and indirect retail customers inc. Marks & Spencer, BHS, Tesco, Asda, Woolworths (UK) and Disney, GAP (USA)





WHY MOVE ABROAD?



- UK: Rising cost pressure
- Termination of lease
- Declining market
- Huge pressure on prices/ margins
- Employment constraints

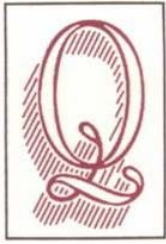




WHY INDIA?



- **Established contacts through UK customer base including major Indian customer**
- **Huge Textile centre**
- **Massive market: 1.2bn people, growing affluence**
- **All major retailers' buying offices present**
- **Familiar legal principles**
- **English spoken, drive on left!**



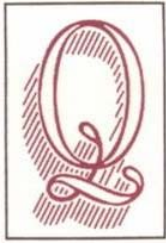
NEXT STEPS



- **Why India?**
- **Commercially and financially viable?**

CRUCIALLY

- **Do you have people you trust to set up/run your business in India?**
- **OR do you seek a joint venture partner?**
- **IF SO how much equity/control will you part with?**



OUR EXPERIENCE



- **A UK based Indian client had spare land near Bangalore**
- **Agreed with current UK MD for him to go to India for at least two years: otherwise I would NOT have invested**
- **Sri Lankan contacts advised of lawyer who we used to establish the business**
- **7 years of Joint Venture experience in Sri Lanka**



FINANCIAL ISSUES



- **We appointed a Chartered Accountant who became our auditor**
- **Bank accounts**
- **Term loan facilities (slow, especially for new start ups) – Sri Lankan trading track record important**





OTHER ISSUES



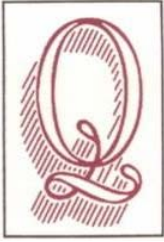
- **Beware: duties, charges, valuations...**
- **Capital goods: up to 35% duty (we could recover 23% through CENVAT)**
- **Valuations: at the mercy of the valuer (in our case Indian depreciation rates were applied)**
- **Banking: until repaid, bank hold a fixed deposit of 30% of the loan value**



SITE AND CONSTRUCTION



- **MOU established with landlord**
- **Construction was a lengthy process**
- **Builders can be unreliable**
- **Cheap occupancy costs**
- **Factory inspectorate important**



PEOPLE



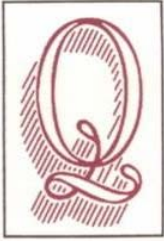
- **We recruited a reputable Indian GM**
- **GM and UK MD recruited all staff**
- **Provision of catered staff houses (transportation out of work hours nonexistent)**
- **48 hrs standard working week. Overtime officially limited to 16 hrs/month.**
- **STAFF FLEXIBILITY HAS BEEN KEY**



PEOPLE and TECHNOLOGY



- Our merchandisers are hungry for success: first class attitude to customer care
- Computers: CAD department download images from overseas directly. FTP gives highly secure outlook to individual customers.



RESULTS



- **Expected break-even year 1, 20% sales return year 2, after that onwards and upwards**
- **Major buying house approvals with more expected (garment sector has received us with enthusiasm)**
- **By comparison, UK operation went from profit to loss in two years**



TAKING OUT YOUR HARD EARNED MONEY



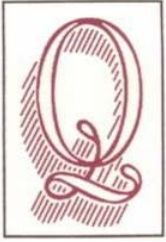
- **Dividend (12% Indian tax before repatriation)**
- **UK agency fees on export sales (at 12.5%, non taxable with formal agency agreement)**
- **Royalty on Technology Transfer and/or use of Brand Name payable between 5 and 8% (subject to 33% Withholding Tax in India)**
- **EXPAT Allowances available within India**



IN CONCLUSION...



- **India: a country of massive opportunity with huge domestic demand as well as exports**
- **High GDP growth, attracting massive investment from overseas (VC and private)**
- **Build all of this into understanding your market, customers and the skills you bring to your business**
- **PLAN EARLY AND LONG TERM BUT HAVE IN MIND EXIT STRATEGIES**



GOOD LUCK!

