

# FINANCIAL REVIEW

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Retail Ravi Thakran's humble upbringing in India is a world away from his role with leading luxury goods **company** LVMH. He loves his job and he's fallen for Australian brands – especially the 'hidden gems', writes Sue Mitchell.

Perfume, champagne and haute couture were not really essential items in Ravi Thakran's household when he was growing up in Delhi in the late 1960s. His mother, a schoolteacher, and his father, who worked in agriculture, scraped and saved just enough of their meagre income to send Thakran to a good school and university, where he studied science and **business** before joining Tata **Group**, India's largest **company**.

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He's now surrounded by luxury and says he's got "the best job in the world" as head of the south-east Asian and Middle East operations of LVMH **Group**, which owns Louis Vuitton, Moët Hennessy, Krug, Dom Perignon, Veuve Clicquot, Dior, Fendi, Givenchy, Bulgari, TAG Heuer and Sephora.

"If you're in a job where you can have fun every day, it's not a job," the 51-year-old father of two told AFR Weekend.

"I've been a very lucky man.

"Even though I didn't know any of these things [growing up in India], today I'm able to learn about each of these and be able to represent them. I certainly don't take it to the head – I still remember my origins and keep my feet on the ground.

"If you can do that, if you keep your feet on the ground but still dive deep and love what you're doing with full gusto, you can enjoy it much better," he says.

Thakran, who has worked at Swatch **Group** and Nike, is also managing partner of LVMH's Singapore-based private **equity** fund, L Capital Asia, which is emerging as a serious threat to the aspirations of more established private **equity** firms in the Asia-Pacific region by snapping up more than a dozen iconic and up-and-coming consumer and lifestyle brands, including in Australia.

Thakran says he can't get enough of Australia or Australian brands and is keen to take them to consumers around the world, starting in Asia.

"Australian-ness is a unique phenomenon – it's hip and cool, it's very trendy, it's free and easy. The spirit of Australia is very different ... all our four brands are connected to the spirit of Australia," he says.

L Capital has made four investments in Australia, outlaying \$52 **million** for a 49.9 per cent **stake** in bush outfitter RM Williams, \$75 **million** for 40 per cent of performance sportswear **company** 2XU in 2013, about \$20 **million** for gourmet food chain Jones the Grocer in 2012, and \$70 **million** for 70 per cent of family-owned swimwear **company** Seafolly last week.

It has a triple-A investment strategy, seeking out affordable, aspirational and alternative brands that are capable of delivering three-fold returns in three to five years.

"Australians practically live on the beach in summer and a **brand** like Seafolly is a fantastic reflection of that – it should truly be a global **brand**," Thakran says.

"Australia is also one of the most sporting nations in the world – whether you're a real sportsman or not ... sporty by nature.

"And it's a market where the outback is something that's celebrated in a big way and people want to stay connected to that. RM Williams, the way it expresses itself, it should be a global **brand**."

L Capital was established in 2009 by LVMH and Groupe Arnault, the private **company** of LVMH's chairman and chief executive Bernard Arnault, as part of a strategy to pursue growth by taking minority or majority stakes – rather than full ownership – in the "affordable luxury" market.

The **firm** has raised more than \$US1.6 **billion** (\$1.9 **billion**) from investors and now has about a dozen companies in its portfolio, ranging from Ku De Tha, a trendy nightclub in Singapore, YG Entertainment, the Korean music label behind Psy of Gangnam Style fame, Crystal Jade, a **Chinese** restaurant chain in Singapore, and Charles and Keith, an upscale Singapore accessories **brand**.

It is also attracted to Australia because of its focus on corporate governance and emphasis on transparency.

Thakran says L Capital can waste a year conducting due diligence on potential targets only to find out that all is not what it seemed once they take control.

"The law of the land provides great comfort on that, whereas in countries like **China**, India and Indonesia, companies often come up short on that front – [they] are used to taking shortcuts and avoiding aspects of compliance and governance to get ahead. In Australia, you have that comfort that here things will be far better."

One of the areas where Australia lags the rest of the world is taking brands to Asia.

A recent survey of more than 1000 Australian businesses by PwC found that only 9 per cent were operating in Asia, only 12 per cent had any experience of doing **business** in Asia and 65 per cent had no intention of doing so in the next few years.

Thakran says if consumer brands can survive and thrive in Australia – with its high labour, rent and logistics costs and small market – they can survive just about anywhere. "If you are able to create success with all these constraints, you pretty much are ready for anywhere in the world," he says.

"International doesn't mean the UK and the US ... if they can build a footbridge to Asia, it's almost the easiest market they can go to, even though they think it's the most difficult."

He says there is a ready market in Asia for well-developed, innovative and credible Australian brands as consumers become increasingly sophisticated and as young Asians who have studied in Australia return home with a taste for the Antipodean lifestyle. He cites the overseas success of Jones the Grocer, L Capital's first and smallest Australian investment.

Jones the Grocer opened its first store in Woollahra in 1996 – giving Australian foodies their first taste of walk-in **cheese** rooms and artisanal **bread** – but went into voluntary administration briefly in 2002. It now has 16 stores – four in Australia, two in New Zealand, three in Singapore and seven in the UAE, where it has recently been awarded the country's first liquor licence.

"It's super-successful in the Middle East," says Thakran, who plans to open the first Jones the Grocer store in New York next year. "We have already multiplied the **business** since we took it over and we believe we can multiply by two for the next few years – it's still at a very early stage."

Thakran has similar ambitions for Seafolly, 2XU and RM Williams.

L Capital's strategy is to provide its partners with enough capital to fund growth for five years and support founders by giving them access to the considerable resources of LVMH.

This can range from negotiating better deals on store rentals, advising on local sizing, store design and point of **sale** systems to contributing management expertise from within LVMH or identifying executives from outside the **group**.

For example, Raju Vuppalapati, the managing director of Levi Strauss (Australia, Africa and the Middle East) has taken the helm at RM Williams, and former RM Williams chief executive Hamish Turner is taking up a directorship at L Capital Asia.

"CEOs can take comfort from the fact that a **company** like LVMH is behind these companies – they're not leaving a multinational and joining a small family-owned **company**, they know that they're joining a **company** that is backed by LVMH," says Thakran.

"If it's only capital needed, we are not necessarily the right player, but if you need knowledge skills and value-add to become global or a regional major, we certainly can add that value and are very interested."

For this reason, companies such as Seafolly and RM Williams have embraced L Capital after rejecting numerous approaches from other would-be suitors.

"I've had many approaches over the years but, until meeting L Capital, I didn't come across anyone who could give us what we need," says Seafolly chief executive Anthony Halas.

Thakran says working with founders can prove problematic, so L Capital vets owners just as closely as it crunches the numbers.

"You can study the P&L and the balance sheet, but if the leadership doesn't smell right and if the **company** does not have the right culture, eventually it will hit the wall," he says. "Private **equity** has only a few years with a **company**, we don't have a lifetime, and you want to make a difference."

After unveiling the Seafolly partnership on Monday and opening Sephora's first store in Australia on Friday, Thakran is heading to Byron Bay this weekend to check out health and wellness brands.

He is also eyeing a few Australian **wine** labels and would love to add a pawpaw skincare product to the mix. "I was very surprised to learn about this product – every Aussie woman knows about it, but it's not known to the world. "Australia has some hidden gems which can be taken to the world."

**CO** tata : Tata Group | vuimth : LVMH Moet Hennessy Louis Vuitton SA

**IN** i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services | icnp : Consumer Goods | iluxgds : Luxury Goods

**NS** cbrand : Branding | nedc : Commentaries/Opinions | ccat : Corporate/Industrial News | c31 : Marketing/Markets | ncat : Content Types | nfact : Factiva Filters | nfcpx : C&E Executive News Filter | nfcpin : C&E Industry News Filter

**RE** austr : Australia | india : India | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | indsubz : Indian Subcontinent | sasiaz : Southern Asia

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