



Rajan Overseas: An Entrepreneurial Quest for Growth

On the evening of May 31, 2017, Rajan Kumar Makhija, the founder CEO of Rajan Overseas, a private company that manufactured and exported Home Textile items like rugs, cushions, throws, carpets, poufs, etc., was unusually busy working in his office as it seemed to be a special day for his company. He had just completed his largest ever order with his customer-Design Imports (DI), a supplier to Amazon-USA, yet he was far from being happy. He had received an email from the Import Relationship Manager of DI. As per the email, DI was asking for an exclusive partnership with Rajan Overseas. This meant Rajan Overseas couldn't continue to do business with DI's competitors, else it risked losing business with DI. The email came as a shock to Makhija's expansion plans for his business, which did not seem possible without the help of other importers (Makhija's customers) in the USA because DI was a medium sized importer. Makhija had to decide whether to continue with DI or part ways with it and try out new importers (customers). The decision was not easy as sales through DI accounted for more than 25% of Rajan Overseas's sales.

Makhija recollected his journey as a young and enthusiastic entrepreneur. Beginning with limited resources, Rajan Overseas was able to register sales of INR 7.6 crore¹ in the previous year by exporting soft goods like rugs, cushions, throws, etc., to ten different countries. On his table was a small note that said, "100 crores - 2022". Concerned about expanding his business, he was perplexed with what the future would have in store for him. As if these struggling thoughts weren't enough, Amit - Manager-PPC (Production, Planning and Control) knocked at the door and asked Makhija whether he could accept one of his labor employees' request of three days' leave.

RAJAN OVERSEAS

Rajan Overseas, a 100% Export Oriented Unit, was founded on March 19, 2014. The decision to export Home Textile items was very natural as Makhija had gained significant experience in this segment. Most of the small players in the handloom and home furnishing industry were in to hand-woven goods; however big players like Welspun, Trident, Alok Industries from India and Mohawk Industries, Shaw Industries from US were into machine-made goods as the scale of operations was very large for such firms. Rajan Overseas, being a small firm with limited capital and other resources, chose to stay with home textile items-some of them were hand-woven and some were machine made. However, his customers preferred hand-woven goods to machine-made goods. By 2017, Rajan Overseas had reached a turnover of INR 7.6 crore, a figure that took major Panipat exporters a couple of decades to reach. Rajan Overseas had 76 employees including its payroll and contractual workers. Focusing entirely on foreign markets, it supplied home textile items like bathmats, rugs, cushions, throws, pet mats etc., dealing mostly with medium to high end quality products.

¹ 1 crore = 10 million

(Refer to **Exhibit 1** for product images, **Exhibit 2a** for sales from different products and **Exhibit 2b** for revenue and cost structure of the company.)

On asking Makhija why he focused on international markets, he explained:

I decided to focus on international markets due to multiple reasons. The quantity ordered by an international customer (mostly in tons, at least 4000 pcs) was much more than that ordered by an Indian customer (100 – 200 kg, around 100 pcs). The quality & color preferred by overseas clients is entirely different from the domestic market. International customers bought premium products which entailed a higher profit margin for my company. In my opinion, India has limited market for such products and Indian customers also frequently defaulted on their payments. Further, I was already dealing with foreign clients in my previous job; so, I had the required experience. On the top of it, The Government of India promoted exports by giving tax incentives (Duty Drawback, FPS duty credit scrip, Sales Tax Refund, Service Tax Refund and Duty rebate for importing production machinery) to exporters. So, international markets looked like an easy bet to me.

HOME FURNISHING INDUSTRY

The home furnishing industry was broadly categorized into two segments: soft goods and hard goods. **Exhibits 3a and 3b** show the sales trends of soft goods and hard goods in key markets/countries. **Exhibit 3c** shows information on various distribution channels and the corresponding trends in key markets/countries.

Soft goods primarily comprised of categories like bath textiles (towels, bathmats), bed textiles (pillows, bed sheets, duvet covers, blankets), living room textiles (poufs, throws, cushions, pillows, accent rugs, wall carpets, wall hangings, hand-made baskets), rugs (including carpets, area rugs, kitchen rugs, fancy rugs), kitchen textiles (table runner, table placemats, apron, pot holder), pet textiles (pet mats, pet bowls, dog beds, etc.). Although Pakistan and Bangladesh were known for towels and garments manufacturing respectively, India acted as an inexpensive one-stop manufacturing location for all soft goods products especially those made from cotton/jute & other natural fibers. India was known for its handmade products globally. Panipat (a city in India) was the major manufacturing hub for handloom textile items that were being exported from India. Availability of inexpensive cotton and an influx of cheap labor from West Bengal, Bihar and Uttar Pradesh (states in India) gave Panipat an advantage over other cities in India.

India

Though the sales of home furnishings in India had been on the rise, the growth of soft goods in India had been stagnant. On the other hand, hard goods like bedroom furniture, kitchen furniture, artefacts, lighting items, ceramic crockery, glass items, etc. had witnessed growing demandⁱ.

The per capita consumption of soft goods in India (USD 3) was lower than other developing countries like China and Brazilⁱⁱ. As a result, Indian companies were more export focused. In soft goods category, customers preferred low value products and this industry was highly fragmented. Leading manufacturers in India were expected to keep their prices low to

increase demand. However, consumers were expected to increase their overall spending on home furnishings, with an increase in the frequency of buying productsⁱ.

While handloom contributed to around 15% of the total cloth (handloom, power loom and mill sector excluding hosiery, khadi, wool and silk) production in India, power loom contributed around 80% in FY2015-16. 95% of world's hand-woven fabric came from Indiaⁱⁱⁱ.

Between 2007-08 to 2012-13, power loom exports from India grew from USD 7.7 billion to USD 13.1 billion^{iv}. The handloom products exports from India was around USD 360 million in FY 2015-16, showing a 5% increase in sales from the previous year. US was the highest contributor with USD 106 million worth of purchases. UK and UAE followed with USD 22 million and USD 19 million worth of purchases. Other major importers were Germany, France, Spain, Japan, Netherlands, Australia, and Italy. While fabrics contributed USD 35 million in exports, floor covering, clothing accessories and machine-made products added around USD 125 million, USD 25 million and USD 174 million, respectively^v.

USA

19% of all home furnishings sales in the US was expected to take place over the internet by 2021. In the US, the indoor furniture market was fragmented and regional brands along with private labels mitigated the brand awareness of bigger names like IKEA and La-Z-Boy. Kitchen furniture (dining table, kitchen cabinet, etc.) saw the highest sales growth among all furniture categories in 2016 at 5% and was expected to perform well in the coming future too^{vi}.

Europe

In Europe, home furnishings sales were expected to rise with more building activity. Kitchen furniture had been the most promising category in most countries in Europe, as the kitchen had been replacing living rooms for most social activities. Premium and modular products sales had also been on the rise, due to their multi-functionality. One such product was the sofa bed, which had seen increased usage as the houses became smaller in size. People also came to realise the importance of a good night's sleep, which was reflected in the sales in the bedroom furniture category^{vii}. Home textiles included bath, bed, kitchen, dining and living room textiles, and rugs. These products had seen a positive trend in the past as they helped people give a personal touch to homes. Rugs had shown the strongest growth in regions where there was a need to keep the wooden flooring warm and comfortable as cold floors could be uninviting ^{vii}.

PANIPAT HOME FURNISHING INDUSTRY²

Panipat, situated around 90 kms west of New Delhi, was famous for its hand-woven rugs and carpets, handloom/power loom/jacquard bed-sheets, sofa fabric and cushion covers, table covers, and bath and kitchen handloom linen. The textile industry in Panipat comprised of several segments, i.e. Woolen shoddy yarn spinning/cotton yarn spinning, handloom/pitloom/powerloom/kelim/jacquard/shuttleless/tufting machines. There were around 25,000 handlooms in the region employing around 60,000 people^{viii}. The key to Panipat's sustenance in exports was its ability to customize its products according to the demands of the customers. The exporters therefore gave high importance to product

² Information related to Panipat Home furnishing industry has been shared by the protagonist/company.

diversification, designing and R&D (to innovate new designs and to satisfy specific customer need) which kept them updated with latest lifestyle trends. Several international retailers like Walmart, Target, JC Penny, K-Mart, Carrefour, IKEA, Home Depot, Marks and Spencer, Ralph Lauren, etc., imported home textiles from Panipat. Major players in Panipat's textile market like Devgiri Exports, Raj Overseas, Paliwal Group, Mittal International, Mahajan Overseas, Pan Overseas, Handfab Home, exported in hundreds of crores. The power-loom sector of the city's textile industry focused primarily on bed covers, curtains, upholstery, blankets, etc.^{viii}

RAJAN MAKHIJA - MAKING OF AN ENTREPRENEUR

Rajan Kumar Makhija grew up in Panipat, a famous city in India and known as "City of Weavers OR Handloom City of India." In 1999, while Makhija was pursuing senior secondary education, his father passed away. Being the eldest son of the family, Makhija endured the responsibility of taking care of his family of three-his mother, a younger brother who was pursuing studies and an elder sister who was of marriageable age by Indian societal and cultural norms.

To make ends meet, Makhija decided not to pursue a college education and started working as a helper with a local woolen blanket manufacturing company at a salary of INR 1200 per month. Unsatisfied with his work, he quit this job within a year to work with a local cement distributor where he learnt the basics of computer operating and subsequently with an IOCL distributor. Soon, he quit that job too because it involved high risk of handling cash amounting to lakhs³ or more. In March 2003, he joined one of the biggest exporters of Panipat as a computer operator. He prepared production reports in excel and mailed them to the owner of the firm to help him with his day to day decisions. Impressed with Makhija's dedication towards work, the owner promoted him to sampling division and from here Makhija's journey of learnings about product and export business started. However, Makhija was by now convinced that he could do much better if could get on his own. But he first decided to complete his graduation.

By 2006, Makhija's younger brother Sachin had completed his B.Tech (Comp. Science) from State Govt College & was placed in Dell Computer Systems through campus placement, easing out the family's financial condition. Free from the financial burden, Makhija enrolled into B.Sc (Comp Science) while simultaneously working in a small textile export house. Makhija secured highest position in his B.Sc degree in his college. After completing his under-graduation in the year 2010, he moved to Noida for a year and started working for a textile company there, during which he also started pursuing his own orders as an agent on a commission basis. As an agent, Makhija used to receive orders from his personal overseas clients and pass them on to various exporters in the area and receive a commission of 5-7% in return.

Makhija took complete charge of communications with his overseas clients as it helped him in explaining clients' product specifications to the exporters. Since exporters were not dealing directly with any of Makhija's clients, Makhija was responsible for arranging full payment of shipment from the client to the exporter.

After a year of stay in Noida, Makhija shifted back to Panipat due to some family reasons and joined a regular management program (MBA) there in the year 2011. He continued

³ 10 lakhs = 1 million

working as an agent from Panipat. To increase income inflow, he started working in a local export house as a merchandiser, where he was responsible for communications between clients and the production team. Over time, orders from Makhija's personal clientele increased significantly, and it was getting difficult for him to manage the personal and company's orders simultaneously. After completing his two years management program, Makhija resigned from the textile company and started pursuing his personal orders as a full-time agent on a commission basis.

On a night in 2014, Makhija received an unexpectedly large order worth USD 35000, which was to be shipped in a very short time of two months. The order was the precise opportunity he was looking for to establish himself in the export business. Makhija pulled off a favour from an old college friend to set up a deal with a local yarn mill to invest in the manufacturing of the order, which otherwise would have been difficult as the client disagreed to provide any advance payment and order-production involved high raw material and production costs. As Makhija recalled:

The enormity of the task did not bog me down. In fact, I was excited about the opportunity as if it was my chance to prove myself. I did not have any plant or physical facility to start the business. But I was able to put everything together and ship the order in time and that gave rise to my company-Rajan Overseas.

RAJAN OVERSEAS' CUSTOMERS

The company supplied to customers in the US, Netherlands, New Zealand, Denmark, Sweden, Portugal, UAE, South Africa, Australia and the UK among others (refer to **Exhibit 4a** for sales distribution across various countries.)

Rajan Overseas' customers belonged to the following categories:

1. **Importers** – These customers bought in huge quantities and supplied to small boutiques/local shops. Example: DI in US, AUM in Denmark, MXL in UK⁴, etc. This was the most important customer category for Rajan Overseas as 70% sales came from this category. DI procured home textile items from various exporters and sold them to Amazon. Similarly, other importers also sold products to various distributors and retailers. DI was the only client of Rajan Overseas in the US in this category.
2. **Direct retailers/Direct stores** - These retailers had 50 to 150 stores spread throughout the country in almost every major city. Example: B B & B (New Zealand), HRS (Dubai), SVN (Sweden), HTX (South Africa), LUHTA (Finland)⁵.
3. **Catalogue based buyers/Online buyers** – These buyers printed designer products of exporters in their catalogues and asked for delivery as per the demand. These customers were very quality conscious and design oriented. The order quantities were low and the products were unique in terms of design. This was a niche market with high margins. So far, the demands had been steady for Rajan Overseas from this segment. E.g. Jaipur Rugs in USA.

⁴ Original names of Denmark and UK importers are not disclosed.

⁵ Original names of customers are not disclosed.

4. **Stock** – Stock buyers were the customers who buy unsold/surplus/over-run from other export shipments. Whenever there was unsold inventory due to issues related to shipment rejection or delivery problems or payment issues, Rajan overseas would sell the unsold inventory to stock customers of foreign countries. Either the prices of unsold products were kept low or these products often were sold at a discount. However, such contingencies or issues arose rather infrequently and the quantity in question was also very less. Hence, these customers did not have many choices in terms of colour, size, etc. Every six months, Rajan Overseas would use the excess material (dyed yarn, fabric) from previous shipments to create products for this category of customers.
5. **Themed showrooms** – This category of customers ordered products in fewer quantities (100-200 pcs) but the products were premium and commanded a high margin. Every season (Christmas, autumn, spring, summer, etc.), these showrooms created a new theme and started working on the same 6-8 months before the season started. They sent the theme chart to manufacturers who then developed samples. On approval of the sample, the order was placed and the manufacturer shipped the order after two months that stayed in transit in the sea for a month more. Customers could provide the designs themselves or could choose to use the designs that were made by the manufacturing companies. Rajan Overseas had employed freelance designers in Panipat to cater to such customers.

Exhibit 4b provides details on revenues from each customer type.

On asking, how clients were different from country to country, Makhija shared:

Cultural differences are very visible when I meet clients' representatives; most of them are women of foreign origin. Clients of USA and France are very professional and believe in arm's length relationships; on the other hand, clients of Netherlands, New Zealand, Italy, and Dubai are very friendly and it is easy to have a conversation with them. Since US is big market for me that gives me high volume but at low margin, I see a potential of huge expansion there. Therefore, I have decided to take all the clients for semi-annual dinners to strengthen relationships. In export business, customer is the king and companies do well only when customers are happy with the product and services. In my industry, customers reject orders if specifications are not met and they pose heavy penalties. If they do not like the quality of final product from shipment, then they can reject the entire shipment in one second which means you are having loss of around 20 lakhs in a single container and when you try to sell these export quality goods in the local market it sells for less than one forth the price because color/designs are quite opposite to the Indian taste.

He further added:

Also, different countries have different characteristics, Netherlands and South Africa are high volume-high margin markets, US and France are high volume-low margin markets, and Italy is a low-end product market that has high volume but low margins. I am not focusing on Italy because mafia issues

lead to delay in payments. But I do visit Italy to gain knowledge on designs so that I can sell similar concepts in other countries.

All of Rajan Overseas' products were sold under its customers' (importers or retailers) brand names. Rajan Overseas only manufactured these products and passed on the products to its customers under their respective brand names. The products were sold to the customers at 4 times the selling costs incurred by Rajan Overseas (including production costs, taxes and shipping charges). E.g. if FOB Price was USD 3.55 then retail price would be USD 29.90. However, the final price was negotiated based on the relationship with the customers, regular business and their order quantities. These negotiations were always done by Makhija himself.

He always ensured that all the products supplied to his customers were of consistent quality in terms of color, weight, size, hand-feel and overall look. Before finalizing the order, product samples were thoroughly checked and approved by Makhija. Random checks were performed to ensure the desired quality. Typically, 3-4% of the products were rejected during the quality checks.

Rajan Overseas ensured that customers got variety of products and the designs were as per the latest market trends. Here, presence in different countries came very handy as designs of one country could be sold to the clients of another country and everyone would get unique products that too with wide variety. This cross-country knowledge transfer had really worked well for Makhija to get more clients as customer perceived Rajan Overseas to be an innovative firm that came up with different and latest designs every time. Further, to give variety in a timely manner, production of certain goods/products was outsourced to local vendors. Makhija attended trade fairs on a regular basis in different parts of India and world like Heimtextile @ Germany, IFFS @ Singapore, Canton Fair @ China, New York Market Week @ USA, HKTDC Home Textiles & Furniture Fair @ Hong Kong, IHGF @ India. He would survey all the available textile products in a fair and buy some products that would give him idea about the new designs/latest trends that people were liking; on the basis of this new information, he would try to come up with something similar for his foreign clients.

According to Makhija,

It may not be possible for an exporter to produce everything that a customer needs. There are certain machines that could cost minimum INR 50-60 lakhs with no certainty that there will be regular orders for that particular product. So, production of some items is outsourced. Versatility is important as surviving in exports markets can be tough. Big players can undercut prices by achieving economies of scale. Rajan Overseas gets some products from Fatehpur Sikri, Sitapur and Badhoi in Uttar Pradesh, where the craftsmen have skills in weaving a particular kind of rug and carpet respectively.

Customer acquisition was a continuous process at Rajan overseas; the company used direct e-mailers extensively to promote its products and offerings. Makhija would send new product offers to 500 different customers every week just to increase visibility of Rajan overseas. Some of these customers did write back and couple of them had placed orders last year like SVN @ Sweden, HTX @ South Africa, LB @ Denmark, FTY @ Colombia.

However, Rajan Overseas did not have many big clients. The main reason of un-acceptance from big clients was lack of compliance by Rajan overseas; so far, Rajan Overseas did not have social audit certifications like BSCI, SA 8000, SMETA|Sedex, C-TPAT certified manufacturing facility and the moment potential clients came to know about it, they showed reluctance in taking conversations forward. Therefore, Makhija had decided to set up a new unit, work for which was already going on, that would have SA 8000 certification and would meet all compliance related requirements. Due to this SA 8000 certification, Makhija was bound to give all employment related benefits to all its employees that would add cost of operations for him but according to Makhija, that was good for long run.

On asking, why small and medium sized customers preferred to do business with him, Rajan responded,

I am very prompt when it comes to customers. I reply to each and every query of the customer in a detailed manner either via phone or email and fulfill their orders within time which sends an impression that Rajan Overseas is run by professionals & these guys know the nitty gritty of textile business. I think, my promptness in addressing customers' concerns along with quality practices and the overall approach of the company have helped me build a loyal base of customers. By overall approach, I meant, everything that is being done in my company.

He further shared how he managed customer relationships,

I regularly visit clients in different countries for many reasons like a) to understand their requirements, b) maintain relationships, c) get idea about retail prices, d) know what other products are the clients selling; can I sell those too, e) know the size of the firm of the client as it gives me an indication as to how much more business I can do with them, f) know which competitors are doing more business with them. Since clients are very particular about the specifications of the product (related to colors, hand feel, UPC (Universal Product Code), packaging, product testing like colorfastness to washing, rubbing, light. etc.), one mistake from our side can ruin customer relationship and penalties that clients impose are huge in USD because labor cost is very high in overseas market. Maintaining relationships with clients is extremely important because my product is not very differentiated from the other products in the market and the competition is intense. So, it is important for me to stay dedicated to all aspects of my business

Since Makhija had to deal with foreign customers on daily basis, he felt the need to continue his formal education as well. Since 2014, he had attended many short-term executive education courses and online certification courses to improve his business acumen and learnt customer relationship management.

OPERATIONS AT RAJAN OVERSEAS

The current operations of Rajan Overseas were carried out in three production facilities, all of which were rented. Two of these were used for production, while the third one was used solely for packaging. All three units were running close to the maximum capacity. To cope up with the increasing increase in production, a large sum had already been invested to purchase a new factory. Profits from operations from previous years had been used to fund

this purchase. Although Makhija was not in an immediate need of money, a few competitors had approached him with prospects of a partnership. The partnership would require Makhija to close Rajan Overseas and instead work for the competitor's company on profit sharing basis without any monetary investment, but Makhija did not like the idea of giving up the identity of Rajan Overseas.

A typical order would undergo the following stages in Rajan overseas before it was fulfilled.

Pre-production sample

Typically, a customer placed a new order at Rajan Overseas on the basis of the product offer e-mailed by the company or the sample sent. Upon receiving an order, the original sample was permanently marked for further referencing. Depending on the order size, yarn of the required quality and quantity was ordered from yarn mills. Dying and coning of the ordered yarn was outsourced to a local company in Panipat. Rajan overseas then wove the yarn into production-samples at an in-house facility. Various tests to check the color bleeding, color fastness to washing, rubbing and light, dimensional stability/shrinkage after washing strength were then performed at laboratories like SGS Testing, Intertek Testing, etc. The results of the test reports were sent to the customer for final approval.

Production

Once the order was confirmed and pre-production samples were approved by the customer, bulk production started. The same procedure was followed to procure and dye the yarn and then weave it into the final product in bulk or some products were piece dyed which meant first the product was made from natural un-dyed cotton and after that pieces were bulk dyed into the big machine. Makhija randomly checked products at each stage of production to maintain the quality and typically 3-4% of the products were rejected by the company at this stage. The products were then washed and sent for clipping, finishing, and packaging. Packaging was a cumbersome process as it involved putting the right label with article number/SKU number/Style number/UPC number. Similar random checking was done by Makhija at this stage as well to ensure the packaging quality and the errors at this stage were as low as 1% (refer to **Exhibits 5 and 6** for production and facilities at Rajan Overseas).

Transportation

Transportation of products could be done either through in-house factory stuffing or through external transportation agents. In in-house factory stuffing, an approval would be acquired from Director General of Foreign Trade and Container Corporation of India (CCI) annually. The containers were brought inside the factory and packed products (in cartons) were loaded in the containers. Custom Examination Officer from Inland Container Depot (ICD) Panipat would then seal the containers after checking the contents. These containers were transported to Delhi by road then via train from Delhi to Mumbai (JNPT port/Nhava Sheva Port) via Road. After the requisite documents were checked by custom officer, shipping bill generated with all the details including HS (Harmonized System) code of all the products being shipped. The containers were then loaded onto a ship for export. To transport products through external transportation agency (the route Rajan Overseas followed), the agency's truck was used to transport the cargo from Panipat to Mumbai via road. The products were unloaded in Indian Shipping warehouses and were checked by customs officer. After passing the examination, cartons were stuffed into the container & loaded on a ship for export. A local Mumbai based Clearing House Agent (CHA) dealt with

the Customs Department on behalf of Rajan Overseas who verified the products with what was mentioned in the invoice and generated shipping bill. The CHA would contact the importer or customer nominated forwarder in India (Mumbai) and the custom cleared shipment would be handled over to the forwarder. After shipment sailing, forwarder would give a bill of lading (BL) to Makhija and it seemed to be the most important document because without it the customer in the foreign country could not unload the shipment. Once Makhija got the BL, he would email it to the customer as a proof that the shipment had been ex-India and after receiving scanned BL/Invoice & Packing List/Certificate of Origin (GSP Form A) by e-mail, the customer would make the payment. Entire process of documentation/transportation was managed via phones/emails. Makhija did not have to go to Mumbai for this.

It typically took three to four days for transportation to Mumbai, around seven days for container stuffing, ship loading, ex-India dispatch, BL printing, etc., and thirty to forty-five days for transportation via sea route depending on the destination.

Makhija had a plant and production manager (Makhija's cousin-Amit) who oversaw the entire production process. Though Amit supervised the entire production; the directions for orders were given by Makhija at all times. There were 65 employees who were involved in production of goods at the plant level. There were 10 other employees to handle field work like banking, follow up with local vendors and arranging packaging materials from local market, etc.

According to Makhija:

Running an export house can be complicated as there are 11 - 12 processes that need to be taken care of for completing an order. Given the complications and quality conscious customers, I never ask anyone in my company to share responsibility when it comes to dealing with clients. I believe in doing everything by myself whether it is handling queries, selecting designs, guiding designers, convincing clients on product quality and reliable delivery, negotiating prices and order quantity with clients, ensuring manufacturing meets quality standards, arranging for logistics via ports, and final fulfillment of the order.

VISION 2022

Rajan Overseas had been on a growth path since its inception. It had become the preferred supplier for all of its customers due to the quality of service provided. Encouraged by the growth of his business till now, Makhija had set a target to make Rajan Overseas an INR 100 crore company by 2022.

During some of his recent visits to his clients, Rajan had noticed the product range that his clients were offering, and he found that décor and furniture (hard goods of home furnishing industry) were a major chunk of the clients' portfolio in all the countries he was doing business with. This got him into thinking if he should start selling these products as well. Since his early days of working with an export house, Makhija had hoped to become the largest home furnishing company in Panipat one day. Since none of the competitors in Panipat were selling complete range of products in home-furnishing, it looked like an attractive value proposition for his existing clients. It could also help him in achieving his vision.

However, he knew the path to achieving this growth was not easy especially the email from his company's largest client-DI seemed to have put a hurdle to his growth plan. Several questions crossed his mind. Should he take the risk of parting ways with DI, a client that had been contributing 25% of the sales? Should Rajan Overseas enter the Hard Goods industry? If yes, would customers accept these products from his company? Should Rajan Overseas sell products in India? Makhija was passionate about the growth of his firm and he knew he had to make some of the most important decisions of his life in the coming months as these decisions would put the company on the path of growth and bring him closer to his vision.

EXHIBIT 1

Rajan Overseas products



Figure 1.1. Rugs



Figure 1.2. Throws



Figure 1.3. Cushions

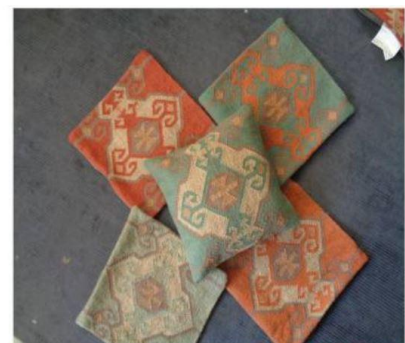




Figure 1.4. Bathmats



Figure 1.5. Poufs

Source: Internal company document

EXHIBIT 2A**Revenue by product**

Product	2017-18(%) - From April 1, 2017 to September 1, 2017	2016-17(%)	2015-16(%)	2014-15(%)
Floor Mats	42.29	62.64	69.62	88.03
Cushions	34.58	14.76	18.06	3.86
Throws	20.49	18.87	11.41	1.74
Poufs	2.22	0.99	0.81	2.46
Chair Pads	0.29	0.00	0.00	3.91
Wall Hangings	0.14	2.75	0.00	0.00
Bags	0.00	0.00	0.11	0.00
Total	100.00	100.00	100.00	100.00

Source: Internal company document

EXHIBIT 2B**Revenue and Cost structure of Rajan Overseas****Revenue for the year 2016-17**

INR 7.6 crores

Cost Structure

(of Rajan Overseas and any small exporter in the same industry)

Raw material (yarn) cost	INR 70-150 per kg
Dyeing cost	INR 40-50 per kg
Weaving cost	INR 100-500 per square meter (minimum)
Finishing cost	INR 30-70 per square meter
Packaging cost	INR 20-50 per piece (varied depending upon the size of the piece)
Logistics cost (Cost of forwarding shipment from Panipat to Mumbai, payment to CHA and Nominated forwarder of the customer)	INR 1.10 lakhs for 1 x 40 ft HC container i.e. 65 cubic meters (CBM)
Average value of one 40 ft HC container	INR 35 lakhs
Size of one container (volume)	65 cubic meters (CBM)
Profit margins from operations	15%
Benefits form government incentive schemes for exports	12% (8% Duty drawback + 4% FPS duty credit scrip)
Total profit	27% (sometimes fluctuations if USD exchange rate increases the profit margin)

Source: Internal company document

EXHIBIT 3A
Soft goods industry trends in major markets: Sales figures

(In Million USD)

	Product Category	USA	Netherlands	UK	UAE	South Africa	Italy	Australia	France	India
2016	Bath Textiles	4608	125	588	66	104	379	264	407	424
	Bed Textiles	10865	337	1294	97	141	590	677	743	1208
	Living Room Textiles	811	104	474	15	31	184	115	259	316
	Rugs	4550	116	488	25	23	212	305	422	63
	Kitchen and Dining Textiles	2034	133	185	4	15	331	114	395	108
	Curtains	2253	412	796	33	94	647	187	239	232
2021 (Expected)	Bath Textiles	4713	132	628	75	101	364	298	408	462
	Bed Textiles	11233	343	1352	118	155	510	781	756	1302
	Living Room Textiles	837	108	508	17	31	154	129	262	333
	Rugs	4938	123	530	27	22	180	327	423	76
	Kitchen and Dining Textiles	2171	138	174	4	15	317	126	399	116
	Curtains	2284	429	861	39	90	571	217	240	303
% change between 2016 and 2021 (Expected)	Bath Textiles	2.28	5.60	6.80	13.64	-2.88	-3.96	12.88	0.25	8.96
	Bed Textiles	3.39	1.78	4.48	21.65	9.93	-13.56	15.36	1.75	7.78
	Living Room Textiles	3.21	3.85	7.17	13.33	0.00	-16.30	12.17	1.16	5.38
	Rugs	8.53	6.03	8.61	8.00	-4.35	-15.09	7.21	0.24	20.63
	Kitchen and Dining Textiles	6.74	3.76	-5.95	0.00	0.00	-4.23	10.53	1.01	7.41
	Curtains	1.38	4.13	8.17	18.18	-4.26	-11.75	16.04	0.42	30.60

Source: Euromonitor, 2017

(In Million USD)

[illegible]

	Product Category	USA	Netherlands	UK	UAE	South Africa	Italy	Australia	France	India
% change between 2016 and 2021 (Expected)	Bedroom Furniture	7.87	6.05	11.14	-96.39	-9.34	-10.45	12.52	1.94	23.76
	Dining Furniture	4.10	3.20	4.78	9.40	-8.97	-17.21	14.73	1.07	39.98
	Home Office Furniture	5.54	2.74	7.13	7.41	-14.71	-17.77	8.79	1.86	31.87
	Kitchen Furniture	18.63	10.12	5.76	17.33	-7.81	12.50	15.58	6.58	35.31
	Living Room Furniture	5.18	9.49	5.59	12.10	-7.35	-5.36	16.77	2.19	25.64
	Sitting Furniture	9.39	5.66	5.23	28.16	-13.11	-7.79	14.70	2.55	23.56
	Storage Furniture	6.04	4.74	12.85	11.76	-9.52	-21.55	4.06	1.06	34.02
	Window Blinds	-0.06	5.68	2.64	12.50	-12.12	-18.16	6.20	1.02	50.00
	Outdoor Living	5.87	8.95	2.00	8.99	-0.54	-14.16	12.42	2.63	17.86
	Lighting	7.55	8.67	8.08	19.86	21.57	-11.03	10.51	11.89	111.41

Source: Euromonitor, 2017

EXHIBIT 3C
Distribution channels in major countries
(% sales values through different channels for the year 2016)

Distribution Channel	USA	Netherlands	UK	UAE	South Africa	Italy	Australia	France	India
Grocery Retailers	10.3	1.2	10.9	6.0	12.0	6.4	1.1	5.5	12.4
Mixed Retailers	12.7	13.1	11.2	4.2	13.1	3.8	24.1	3.1	3.1
Non-Grocery Specialists	62.0	74.6	61.2	89.6	74.5	86.8	71.3	88.2	80.9
Home shopping	2.0	0.1	0.8	-	-	1.1	-	0.2	-
Internet Retailing	11.9	11.1	15.8	0.2	0.4	1.5	3.5	2.7	3.6
Direct Selling	1.1	-	0.1	-	-	0.4	-	0.3	-

Source: Euromonitor, 2017

Note:

1. Store-based retailing consists of grocery retailers, mixed retailers and non-grocery specialists
2. Grocery retailers include supermarkets, hypermarkets, discounters and other grocery retailers
3. Mixed retailers include department stores, mass merchandisers, variety stores and warehouse clubs
4. Non-grocery specialists include home and garden specialist retailers, home improvement and gardening stores homeware and home furnishing stores and other non - grocery specialists
5. Non-store retailing includes home shopping, internet retailing and direct selling

EXHIBIT 4A
Country-wise sales of past few years

Year	2017-18 From April 1, 2017 to September 1, 2017		2016-17		2015-16		2014-15	
Country	Total (Cr)	(%)	Total (Cr)	%	Total (Cr)	%	Total (Cr)	%
USA	1.8300	36.83	1.9100	25.32	1.4300	23.52	0.8482	19.13
Netherlands	1.6000	32.03	1.5500	20.53	0.8641	14.14	0.0000	0.00
UAE	0.6010	12.05	0.4351	5.76	0.3848	6.30	0.4171	9.41
New Zealand	0.3326	6.67	2.0000	26.52	1.3000	21.31	1.2600	28.59
Colombia	0.2526	5.06	0.2031	2.69	0.6303	10.32	0.0000	0.00
UK	0.1878	3.76	0.7592	10.05	0.5142	8.42	1.2400	28.05
South Africa	0.1107	2.22	0.2531	3.35	0.0000	0.00	0.0000	0.00
Denmark	0.0433	0.87	0.0546	0.72	0.3334	5.46	0.0837	1.89
Poland	0.0250	0.50	0.0000	0.00	0.0000	0.00	0.0000	0.00
Australia	0.0000	0.00	0.1166	1.55	0.0000	0.00	0.1564	3.53
Finland	0.0000	0.00	0.0217	0.29	0.0000	0.00	0.0000	0.00
France	0.0000	0.00	0.0318	0.42	0.0000	0.00	0.0000	0.00
Greece	0.0000	0.00	0.0000	0.00	0.0000	0.00	0.1529	3.45
Ireland	0.0000	0.00	0.0000	0.00	0.0000	0.00	0.0192	0.43
Italy	0.0000	0.00	0.2113	2.80	0.1813	2.97	0.0000	0.00
Portugal	0.0000	0.00	0.0000	0.00	0.1436	2.35	0.0000	0.00
Sweden	0.0000	0.00	0.0000	0.00	0.1705	2.79	0.0727	1.64
Uruguay	0.0000	0.00	0.0000	0.00	0.1478	2.42	0.1720	3.88
Total	4.9900	100.00	7.5500	100.00	6.1100	100.00	4.4300	100.00

Source: Internal company document

EXHIBIT 4B

FY 2017 Revenue by customer type

Customer type	Sales
Importer	73.5%
Catalogue buyer	16.9%
Direct retailer	9.6%

*No sales in FY 2017 to Stock and Themed Showrooms customer categories

Source: Internal company document

EXHIBIT 5

Production process at Rajan Overseas



Source: Internal company document

EXHIBIT 6

Facilities at Rajan Overseas



Figure 6.1. Dyeing



Figure 6.2. Tufting



Figure 6.3. Tumbling & Drying



Figure 6.4. Packaging

Source: Internal company document

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