

BLACKSTONE SYNERGY CONSULTING GROUP LIMITED, NAIROBI, KENYA

Blackstone Synergy differentials –
sports apparel business – India
operations

Creating value in debilitating market scenarios

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This is an initiative in creating value amid the weakening macro-economic scenario as part of the process for safeguarding livelihoods through knowledge capital formation

Creating the turnaround algorithm

1. PRODUCT PROFILES

- Tracks
- Lowers for competitive sport and active leisure wear
- Jerseys and tops for competitive sport and active leisure wear

2. PRODUCT CONFIGURATIONS

KEY BRAND DYNAMICS @ 1.0 - benchmark values

PRODUCT DIFFERENTIAL	Global brands - Adidas, Nike, Puma	Blackstone Synergy
Flexural rigidity@ patent -1	1.0	1.45
Abrasion resistance@ patent -2	1.0	1.55
Sweat capillary @patent -3	1.0	1.62
Air ventilation and aerodynamic flow with minimal resistance in the fabric structure@patent -4	1.0	1.65
Aesthetics @patent-5	1.0	1.55
Functionality @patent -6	1.0	1.48
PRICE DIFFERENTIAL	1	0.38

Notes:

- The products shall have six patents built into the structural aspects and shall be differentiated in the key elements of delivery.
- The benchmarks shall be overshoot substantially through the product differentials to carve out a niche in the market.
- The overall qualitative offerings shall be decidedly superior to the global competition in the factors of product leadership.

3. PRODUCT DIFFERENTIAL PATHWAYS

- a) The product is classified into major differential features that are the quintessential attributes of sports apparel but are not well comprehended in the industry.
- b) Enormous body of research has gone into the structuring of the causal links for the preferred attributes of the apparel wear but the essence of homing in on the right combination of properties of raw material, fabric structure and the human interventions of abstract attributes of comfort, drape, resistance to abrasion and stress cycles as primary features of functionality have not yet been converged on.
- c) The major brands around the globe are cloned on convergence of research.
- d) Blackstone Synergy brand is built on the cumulative experiences of the CEO in yarn and fabric manufacturing and on his decades of cutting edge research in the realm of textile machinery engineering as well as the applications in the manufacturing process.

Consequently, the research derivatives and the patents that shall be built into the product shall be unique brand proposition of the products and shall be way differentiated from the hitherto converged research thereby giving the cutting edge leadership in the aspects of product engineering.

- e) Patent derivatives shall position the brand uniquely in the market and enable leadership coordinates at the inception.

BLACKSTONE SYNERGY BRAND DIFFERENTIALS - SPORTS APPAREL SEGMENT

PRODUCT DIFFERENTIAL	Determinant -1	Determinant -2	Determinant -3	Determinant -4	Determinant -5
Flexural rigidity @ patent -1	Bending modulus of the yarn	Fiber density and bulk strength for tensile derivatives of elongation and work done at rupture coordinates	Rubbing abrasion properties of the yarn	Linear mass percentage mean deviation across the cross-sections	Density of randomly occurring faults in the yarn that increases the weak spots
Abrasion resistance @ patent -2					
Sweat capillary @patent -3	Material moisture regain%	Fibrous spatial volumes for permeability	Insulating properties for heat by virtue of the thermal conductivity features	Fabric structural compactness of the knit	Yarn elongation contributing to retention of moisture regain under stressed fabric conditions of periodic strain behavior
Air ventilation and aerodynamic flow with minimal resistance in the fabric structure @patent -4					
Aesthetics @patent-5	Solid shades with consistent	Use of patterns in the design with dyed yarns to overcome the	Snow heather series that uses proprietary	Linear mass percentage mean deviation	Elimination of irritants as barre, white specks and

Functionality @patent -6	color coordinates and high end color elevation and resolution	weaknesses of the piece dyeing processes	processes for achieving exotic look on the fabric and are different from anything before in knitted r woven fabrics	across the cross-sections for improving color lift	pilling altogether from the fabric substrates
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4. FINANCIAL SIMULATION – THE BALANCE SHEET DYNAMICS OF THE LEASED INITIATIVES

COMPONENT DERIVATIVES FOR MEASUREMENTS	<u>ANALYSIS OF THE BALANCE SHEET OR SPORTS APPAREL SEGMENT</u>						<u>BASELINE WORKING ON THE PRODUCT CONFIGURATIONS - PRICING COORDINATES</u>				
INR in cr	INVESTMENT @ 20% cost of capital and additional provisioning of 3 months' equivalent working capital as a summation of seed capital for the project funding paradigm		0.75	1.25	VALUE IN INR (Cr)	PEER	OPTIMIZED THROUGH EXPERTISE	PRICING EQUILIBRIUM COORDINATES WITH 1.0 = PEER PRICING			
Ratios on the seed capital investment	CAPITAL COSTS	Factory lease	0.12	0.12	0.15	0.46	Spandex - 20D		4	320	
		Administrative set-up and housing lease	0.09	0.09	0.1125		Ne 20 Combed under-spun with 50s cotton - MCU 5			275	
		Technology	0.25	0.25	0.3125		Ne 80/2 Combed cotton DCH-32 100%			600	
Ratios on the sales	SCM COSTS	Supply Chain provisioning for raw material	0.08	0.08	0.1	0.28	0.24	Spandex percentage in bottoms and tracks		14%	44.8
		Supply chain provisioning for distribution networks of finished	0.08	0.08	0.1			Spandex percentage in tops		8%	25.6

OPERATING COSTS	products								
	Raw material (yarns) and dyestuff costs	0.12	0.08	0.1		TRACKS COST SHEET AT ACCOUNTING PRUDENCE	644.8		
	Manufacturing infrastructure for the knitting & processing plant, warehousing and material handling	0.02	0.01	0.0125		JERSEY WEAR COST SHEET AT ACCOUNTING PRUDENCE	300.6		
	Plant maintenance and integrated inventory costs	0.03	0.01	0.0125	0.11	0.061			
							GSM - tracks - 175	0.175	113
	Labor costs	0.04	0.04	0.05			Tracks - manufacturing costs	0.01	11

	Energy costs - electrical and fuel as well as mechanical drives	0.02	0.001	0.00125			Tracks - dyeing and finishing costs	0.015	2
	OVERHEADS								
	Sales costs - product warehousing, brand positioning and sales team logistics	0.1	0.1	0.125	0.15	0.15	Supply chain, administrative and sales costs	0.02	2
	Administrative costs	0.05	0.05	0.0625			COST PRICE - market penetration	per GSM	128
Key financial indicators	GROSS MARGIN (operating profitability)	1	0.911	1.14	0.46	0.549			3496
	NET MARGIN (after provisioning for taxes and interest payout)				0.276	0.329		30%	2331
	ROI DYNAMICS ON A SUSTAINABLE MODE						<u>SALE PRICE - Market penetration</u>	20%	2152
								10%	2958
									1972

Key derivatives of the financials:

- a) The balance sheet is structured around distress prices but ramped up volumes with the product differentials convincing the market for shifting decisively into the Blackstone brand over the globally established brands.
- b) The strategic cost elements of the yarns and the spandex have been elevated at thresholds that shall factor in accounting prudence. The elevation is to the tune of 20-25% thereby ensuring that our calculations of margins and profitability are well assured.
- c) Sustainability is founded on the scenario analysis of optimizing volumes at distress prices that are approximately 30 – 35% of the global brands.
- d) Sales promotion shall involve competitive sports and gymnasiums across the metros for showcasing the functionality of the products.
- e) Our sales strategy shall be founded on quantified measurable parameters as well as videos of functionality in action drawn in from the actual myriad of sporting activity.

Strategic branding of the product shall be riding on real time demonstrations of the functionality of the products in the spheres of the prominent sporting activity like athletics, soccer, volleyball and swimming.

<u>TRACKS</u>				-	<u>JERSEYS</u>				<u>SALES MATRIX</u>		
QUANTITY IN '000	P1	P2	P3	SALES CONUNDRUM	QUANTITY IN '000	P1	P2	P3	<u>CONSOLIDATED SALES TURNOVER SCENARIO</u>		
1	0.24	0.22	0.20		10	0.32	0.29	0.27	0.55	0.51	0.47
2	0.48	0.44	0.40		15	0.47	0.44	0.40	0.95	0.88	0.81
5	1.19	1.10	1.01		20	0.63	0.58	0.53	1.83	1.69	1.55
6	1.43	1.32	1.21		25	0.79	0.73	0.67	2.22	2.05	1.88
7.5	1.79	1.65	1.52		40	1.26	1.17	1.07	3.05	2.82	2.58
10	2.39	2.21	2.02		50	1.58	1.46	1.34	3.97	3.66	3.36

		GSM - Jerseys - 130	0.13	39							
FABRIC CONVERSION FOR COST ANALYSIS		Jerseys - manufacturing costs -0.1	0.01	0.39							
GSM converted in m2	0.01	Jerseys - dyeing and finishing costs	0.015	0.58617							
Number of GSM in 1 meter square fabric	100	Supply chain, administrative and sales costs	0.02	0.78156							
Track suit length for 2.0 meters height	2690	COST PRICE - market penetration	per GSM	41	Athlete-1	2.0 meter tall	319				
Track suit length for 1.8 meters height	1793				Athlete-2	1.8 meter tall	239				

PROFILING THE BUSINESS FOR INDIA OPERATIONS - SPORTS APPAREL								
Positions	Role	Qualifications (preferred but not mandatory)		Taxes	Housing	Vehicle	CTC	SUMMATION
STRATEGY								
1	Director - Strategy	B.Tech / MBA	135,000	40500	40500	33750	249,750	249,750
1	Vice President - Brand - East, North East	B.Tech / MBA	110,000	33000	33000	27500	203,500	203,500
1	Vice President - Brand - North,Central India	B.Tech / MBA	110,000	33000	33000	27500	203,500	203,500
1	Vice president - Brand - South and West	B.Tech / MBA	110,000	33000	33000	27500	203,500	203,500
4	Product Managers	M.Tech	80,000	24000	24000	20000	148,000	592,000
OPERATIONS								
1	Director - Operations	B.Tech	135,000	40500	40500	33750	249,750	249,750
4	Factory Engineers	B.Tech	40,000	12000	12000	10000	74,000	296,000

1	R&D and Quality Assurance Head	PhD	90,000	27000	27000	22500	166,500	166,500
10	Operator - technicians	Diploma - Mechanical / Electrical/ Textile	30,000	9000	9000	7500	55,500	555,000
4	Laboratory Technicians	Diploma - Textile	30,000	9000	9000	7500	55,500	222,000
3	Trainers	Jobbers from industry	35,000	10500	10500	8750	64,750	194,250
								3,135,750

STRATEGIES FOR OPERATIONS CONTROL AND MANAGEMENT OF THE DIFFERENTIALS

STRATEGY	PLANT CONFIGURATIONS	KEY DIFFERENTIALS	INTELLECTUAL PROPERTY RIGHTS (IPR)
Lease and modernize selectively	5,000 spindles with fiber dyeing capacities Additionally, we shall convert the spindleage into spandex core spun	Managing dyeing with augmented thermodynamics of the liquor bath to promote exhaustion, dye affinity and consistent temperature-dwell coordinates between batches	PROCESS PATENT -1
Manpower training - key process controls and expert software for managing outcomes consistently	Control of process and outcomes on lease through Blackstone engineers in the process line but with manpower drawn in from the pool of graduating diploma holders in textile/ mechanical and electrical engineering for an overall plant competitiveness.	Generate combed sliver for the dye house with the following features 1. Feed at card on a narrow bandwidth with dynamic controls on the mass variations 2. Card wire management for real time dynamic controls of the fiber shear mechanism through temperature analysis of the carding zone 3. Comber settings for the half lap and managing the pre-comber draft for high degrees of fiber attenuation and individualization	PROCESS PATENT -2
Manpower training - key process controls and expert software for	Control of process and outcomes on lease through Blackstone engineers in the process line but with manpower	Core spun yarn of Ne 20 with the following parameters for single yarn conversion into the fabric for trac suits, lowers and shorts: Yarn cover	PROCESS PATENT -4

managing outcomes consistently	drawn in from the pool of graduating diploma holders in textile/ mechanical and electrical engineering for an overall plant competitiveness.	Spandex percentage of 12-14% by weight and fabric spatial volume Very high resistance to pilling Extremely high moisture absorbency and regain properties Fatigue properties of secondary creep, work done to rupture and stress-strain behavior on continuous load cycles augmented at > 25% of generic comparable yarns	
Manpower training - key process controls and expert software for managing outcomes consistently	Control of process and outcomes on lease through Blackstone engineers in the process line but with manpower drawn in from the pool of graduating diploma holders in textile/ mechanical and electrical engineering for an overall plant competitiveness.	Core spun yarn of Ne 50 with the following parameters for single yarn conversion into the fabric for sports-wear jerseys and tops: Spandex percentage of 6-8% by weight and fabric spatial volume Very high resistance to pilling Extremely high moisture absorbency and regain properties Fatigue properties of secondary creep, work done to rupture and stress-strain behavior on continuous load cycles augmented at > 25% of generic comparable yarns Algorithm for interpretation of online classimat data for trouble shooting in the process	PROCESS PATENT -5 PROCESS PATENT -6

Leasing knitting factory with 4 textured jersey (interlocks and double jersey) and 4 single jersey	Control of process and outcomes on lease through Blackstone engineers in the process line but with manpower drawn in from the pool of graduating diploma holders in textile/ mechanical and electrical engineering for an overall plant competitiveness.	Tension in the knitting through the mechanical elements and matching the single yarn tensile properties	PROCESS PATENT - 7
		Fabric cover with the right GSM - fiber matrix match through an algorithm	PROCESS PATENT -8
		Advanced condition based maintenance of the knitting machine	PROCESS PATENT -9
Leasing the garmenting process	Creation of the garment process algorithm and having a well- qualified M.Tech - textile engineering for controls in the process for Blackstone Synergy	Off cut management through advanced operations research and industrial engineering techniques for reduced tack time and higher packing percentage	PROCESS PATENT -10
		Optimizing the post garmenting finishing process	PROCESS PATENT -11

5. CONCLUSIONS:

- a) Product patents that are founded on process integrals that are unique and protected for intellectual properties shall differentiate the business from the competition.
- b) Initial investment shall be on leased facilities of 5000 spindles and the related value chain.
- c) The monthly turnover shall be in the range of 1.55-1.8 Cr for the first three months (Q1) and eventually shall be crossing over to 2 Cr per month in Q2. Consequently the pool of internal resources at the disposal of the company in six months shall be around 4-5 Cr; adequate to invest on scaling up the lease to merit a monthly turnover of 5 Cr from H2.
- d) The first year shall ideally end with a pool of around 20 Cr at the disposal of the company. The investment in the second year shall be in leasing out a shoe company and investing in building technical textiles for the sports shoes segment to complement our brand.
- e) The scaling up by owning the leased property and selective expansion in state of the art technology shall happen in January -2023 through a mix of funds from the Nairobi business and the internal accruals of the India operations.

Consolidation of the sports apparel business with the introduction of the sports shoe segment in January – 2023 shall eventually help achieve scale of economy and market presence for good irrespective of the devastation caused by pandemic and related macro-economic "black swan" effects.