

STAG INTERNATIONAL: STRATEGIC DILEMMAS OF A GROWING FAMILY OWNED INDIAN BUSINESS

Sanjay Goyal and Dr. Harsh W. Mishra wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com.

Copyright © 2013, Richard Ivey School of Business Foundation

Version: 2013-10-31

“And that’s where we are, gentlemen,” said Rakesh Kohli as Ajay, an external industry consultant concluded his presentation to Rakesh and Vivek Kohli, chairman and vice-chairman of Stag International, respectively. “Good job, and thank you, Ajay. Vivek — your thoughts on this, please” continued Rakesh as he reached out for his cup of coffee and looked over to his younger brother, Vivek.

The date was May 04, 2011. The time was 8.00 am. The place was Meerut — a town in the National Capital Region of India and headquarters to Stag International (Stag). The two Kohli brothers had gotten together for a breakfast meeting with Ajay, hired by Rakesh to advise them on the way forward for potential growth strategies for Stag over the next five years. Clad in an immaculate, custom tailored steel grey business suit, 52 years of age, athletically fit, elder of the two brothers and chairman of Stag, Rakesh exuded every bit of the sharp sportsman turned astute businessman that he was. Ten years younger, vice-chairman of Stag, former India number one and captain of the Indian table tennis team, Vivek, clad in a sports jersey and smart casuals exuded every bit the hunger of a champion who has lived and excelled at competitive sports all his life.

A lot was at stake here. As this family run, leading manufacturer and exporter of sports goods from India entered its 90th year of existence, the dynamics of the business had changed significantly, and the two brothers had to chart the way forward for the next generations of the business. On the one hand, lifestyles and fitness awareness were increasing in leaps and bounds in India, and there was talk of the government really throwing open the retail segment for foreign multi brand retail, while on the other hand there was still no end in sight to the economic turbulence that had plagued Europe (Stag’s biggest export market) over the last few years. And then there was the question of expanding Stag’s core business to the next level. What should Stag do? Should it stick to the knitting and focus on expanding its core business of manufacturing and selling Stag branded sports goods only, diversify into synergistic product lines and ride the retail opportunity in India or just sit tight for the moment? Those were the issues that had been foremost in Rakesh’s mind as of late.



Distributed by The Case Centre
www.thecasecentre.org
All rights reserved

North America
t +1 781 239 5884
f +1 781 239 5885
e info.usa@thecasecentre.org

Rest of the world
t +44 (0)1234 750903
f +44 (0)1234 751125
e info@thecasecentre.org

HISTORY & BACKGROUND

Fourth generation family owned Stag International was one of India's leading, and a globally acknowledged, manufacturer, supplier and exporter of sports goods and equipment. Like any family owned business, Stag had had humble beginnings. It started out as Goodwill & Co. out of Sialkot (now in Pakistan) in 1922 by the family patriarch, Lala Arjan Das, to manufacture guts for use in badminton racquets, football bladders and footballs. After the post-independence India-Pakistan partition, Lala Arjan Das shifted operations (circa 1947) to Meerut, where the company continued its operations as Goodwill & Co. until 1957, when a new company, International Sports, was formed. Integral to the operations was an in-house facility to manufacture indigenous sports equipment — a facility which grew from 2,000 square feet in the 1950s to 10,000 square feet by 1991. As the years rolled by, the baton of steering the company passed into the hands of successive Kohli generations — first Lala Arjan Das's son Tilak Raj Kohli and then (currently) into the hands of Lala Arjan Das's two grandsons, Rakesh and Vivek. By 2011, and with the introduction of Pranav and Vinita (Rakesh' son and daughter-in-law respectively) into the business, the stage had been set for the fourth generation of the Kohli family to step in and steer the business forward.

Competitive sports, table tennis in particular, ran in the Kohli blood! Rakesh played for the state table tennis team in the 1970s. He then graduated to lawn tennis, played in competitive senior championships and won international titles at Karachi (Pakistan), Schondorf (Germany) and Delhi (India). While Rakesh played table tennis at the state level, brother Vivek had gone one step further and played for the country. Besides winning state championships, Vivek was the national champion and captain of the Indian table tennis team in the 1980s. It was, therefore, only natural that table tennis had played a significant role in crafting the fortunes of this family business.

The turning point for the operations came when the first indigenously developed and manufactured table tennis table by Sports International rolled out of the factory in 1975. Over the next few years, as the product gained momentum and acceptance in the market, the two brothers decided to re-brand the operations and give the product a much more contemporary look and feel. They decided to associate the word 'Stag' with the company, as it conjured up images of speed and power. In 1981, Sports International was re-christened, and Stag International was born, with Rakesh at the helm as chairman and Vivek as vice chairman.

Subsequent milestones for the business came when, in 1983, the Table Tennis Federation of India (TTFI) approved the Stag table for use at the national championships in India and then again in 1987, when the Stag table became the first table tennis table from India to be accredited by the International Table Tennis Federation (ITTF).

By 2011, Stag had become one of the most reputed Indian sports brands globally in table tennis, a game that had the second largest number of federation affiliations worldwide after only volleyball. As the biggest domestic producer of table tennis equipment, Stag was already the number one table tennis brand in India and amongst the top five globally. Stag was also now one of the five premium partners of the ITTF — the premier world sports body for the sport of table tennis. Ambition for the Kohli brothers was to take Stag into the top three global brands in table tennis.

In 2011 Stag's annual turnover reached INR40 crore (approximately US\$8 million) from the manufacture and distribution of Stag branded sports goods and equipment across 16 different sports categories, including table tennis, basketball, football, netball, badminton, hockey, track and field, gymnastics, weight training, archery and other sports in more than 150 countries. It was also ranked in the top five sports equipment manufacturers and exporters from India.

SPORTS GOODS INDUSTRY IN INDIA

(See Exhibit 1)

STAG's TABLE TENNIS ASSETS

(See Exhibit 2)

LINES OF BUSINESS AT STAG

Stag organized its operations around two verticals: domestic (India) sales and exports. A third line of business, strategic tie ups with international/global sports and fitness brands for distribution rights in India, was also being evaluated.

Stag's business model was to sell via dealers and distributors of sports goods and fitness products. The 2011 top line revenues were split 70:30 between exports and domestic sales. The sale of sporting equipment contributed 86 per cent of the top line, and the other 14 per cent came from accessories, including apparel, which had been growing steadily over the last couple of years. Of the various sporting categories, table tennis contributed more than 60 per cent to the total revenues.

Over the years, exports had been the main focus for Stag. From 1991 to 2008, exports went from zero to 75 per cent of the Stag top line; thereafter, it steadily hovered around the 60 to 70 per cent mark. Stag's export business was organized around "Key Markets" - Latin America, Europe (UK, Germany, Spain), ITTF and the "rest of the world." Given the strategic importance of the key markets to Stag's business, these markets were handled by Rakesh himself. The ITTF, in its own right, was a critical stakeholder for Stag's business and was therefore managed directly by Vivek. Vivek's passion for promoting the sport, coupled with the fact that he himself was a player and technically very skilled at the game, made Vivek extremely popular with the ITTF. Two export managers had also recently been recruited to support Rakesh and Vivek managing this part of the business.

Consistent with its business model, Stag sold in the domestic segment via a chain of Stag appointed distributors (single/multiple states distributors), dealers (mom and pop stores in individual cities and locations) and its points of presence in organized retail outlets like Planet Sports, Reliance Retail, Hypercity, Spencer's, etc. across India. In 2011, Stag was operating in the domestic segment via a network of more than 400 distributors, dealers, organized retailers and mom and pop retail outlets across India. Four account managers and one order processing resource had been dedicated to supporting the domestic business.

Stag's Vision:	Sports with a spirit!
Stag's Mission:	Top three global brands in Table Tennis. The number one exporter of sports goods from India. The number one sports goods group in India with the objective of grooming future champions.

(For more details supporting the Stag Vision and Mission, see Exhibit 3).

MARKETING/BUSINESS DEVELOPMENT AT STAG

The Stag brand was a key asset for Stag International, and Stag invested heavily in creating and supporting its brand presence both domestically and internationally. For example, every year over the last 20 years, Stag participated in the ISPO — the leading international sports tradeshow¹ via the Sports Goods Export Promotion Council of India — the government of India's initiative to promote the Indian sports goods industry in global markets. ISPO was the biggest, and by far the most internationally acknowledged, sports goods industry event for manufacturers, buyers and visitors from across the globe. Over the years, Stag also participated in most, if not all, major table tennis events in the domestic and international circuits and reinforced its brand presence by way of Stag sponsored (and branded) team kits, equipment and events.

Sweden's Peter Karlsson — five time table tennis world champion — and India's Kamlesh Mehta — Arjuna Award recipient and the national coach and selector for the Indian table tennis team — were the official brand ambassadors for Stag.

BACK OFFICE OPERATIONS AT STAG

The entire Stag product range across the 16 sports categories, complete with product specifications, was published in the annual Stag product catalogue. The Stag product catalogue, with an associated price list, was available to all Stag channel partners and distributors, domestic and international. Orders were placed by channel partners through direct email from Stag. All incoming orders were scrutinized and approved by Rakesh and passed on to the production manager in the Stag manufacturing facility for production and supply. Any discussions or clarifications regarding the incoming purchase orders were managed by the relevant export manager and/or the domestic order processing resource under instructions from Rakesh. Factory lead times were anywhere between 15 to 45 days.

Standard business terms were 100 per cent in advance for both domestic and export orders. For very select customers, and based on specific approvals from Rakesh himself, special payment terms of 30 days credit were, at times, offered.

Export consignments were dispatched by sea. Domestic consignments were delivered via in-country freight movers or via specific consignment or courier services to the respective dealers and distributors.

Up until now, Stag had not felt the need to invest in any after sales/service mechanism. Any damages during shipment and/or manufacturing defects were handled by an offer of a one-for-one replacement against return of the damaged/faulty goods. Replacements were shipped with consignments against the next purchase order, whenever they became due.

STAG'S MANUFACTURING FACILITY

One of Stag's key assets was its in-house, fully integrated manufacturing facility. The first Stag branded table tennis table was manufactured and supplied from this facility in 1975. Two high points for Stag came in 1983, when the TTFI approved the indigenously designed and manufactured Stag table for use at the national table tennis championships in India and then again, and in 1987, when the Stag table became the first table tennis table from India to be accredited by the ITTF.

¹ www.ispo.com, accessed September 24, 2013.

By 2011, Stag's manufacturing facility was spread over a 100,000 square foot area and employed 300 full-time employees. Approximately another 300 individuals were directly or indirectly employed to support Stag's business in its ancillary units. The primary raw material used in the manufacturing of table tennis tables was MDF/particle boards, while steel, plastic and paint were the primary raw materials used in the manufacturing of other sports goods and accessories. Most of the raw material was sourced from within India, although China was also emerging as an alternative source of material. Price volatility of raw materials had been on the increase in recent times and had disruptive effects on the supply chain in the recent past.

The Stag manufacturing facility peaked at an annual capacity of 35,000 table tennis tables in 2011.

BUSINESS GOVERNANCE AT STAG

Rakesh was fully hands-on in all aspects of the business and gave the final word on all decisions. Besides managing the company's relationship with the ITTF, Vivek was also responsible for the factory and production at Stag. At that time, Pranav and his wife Vinita (a qualified fashion designer from the London College of Fashion) had begun to get increasingly involved in product management and the apparels product line of the Stag business portfolio.

Responsibility for the day-to-day running and operational well-being of the firm was in the hands of Rakesh. Sales activities for the domestic market were being increasingly handed over to Pranav, leaving Rakesh and Vivek to focus more on exports and the company's relationship with the ITTF.

Business planning for all financial and operational targets of the firm was an activity led by Rakesh, with input from relevant stakeholders. All accounts and financial matters were personally reviewed by Rakesh with the firm's accountant on a regular basis.

All order processing, logistics (shipment and delivery of consignments) and accounts receivables/collections activities were under the purview of the respective sales staff, with Rakesh as the escalation point. All factory and manufacturing related issues were managed by Vivek.

Rakesh and Vivek were the two main client and industry interfaces for Stag.

Vivek, Pranav and Vinita reported directly to Rakesh and were based out of Meerut.

CORPORATE SOCIAL RESPONSIBILITY AT STAG

"We are a small company with a big heart."²

True to its vision of sports with a spirit, Stag had walked the talk as a responsible citizen, doing its part to help promote social causes via its business domain. Since 2001, Stag has been an active member and a keen participant in the ITTF's development program, promoting humanitarian programs in table tennis in far out and little known areas of Oceania and Africa. On its own, Stag had also initiated a program called "Sports for All — Equipment for All" with the objective of providing equal opportunities for the underprivileged in the remotest parts of the world to access sports equipment and promote health through sports. In the past, Stag had done this primarily by providing free equipment and accessories to sports federations and grassroots programs.

² Interview with Rakesh Kohli.

STAG'S FINANCIAL PROFILE

(See Exhibit 4)

Stag was a partnership firm. In terms of Stag's operating philosophy, "The guiding force for us has been that Stag has to be an affordable quality brand. While making profits is of course important, it has not been the driving force for us. Operating costs have been kept low and our standard operating terms are zero credit."³

Because of the brand presence and its long history of operations, access to external funding was not anticipated to be an issue. External funding would, however, call for dilution of the Kohli stake holding in Stag.

COMPETITIVE LANDSCAPE

Despite the fact that the sports goods and equipment industry in India had been highly fragmented, over the years the following companies emerged as the more serious and organized players in the domestic and export markets for sports goods and equipment from India:

Garware Sports (approximately INR40 crore/US\$8 million in exports): This company is part of the Garware Polyester Limited industrial group of India (2011 sales of INR940 crore/US\$188 million). Given that manufacturing and distribution of polyester-based industrial products was the core business of this group, as an off-shoot the group extended its product line to include manufacturing and exports of synthetic nets for sports — volleyball, tennis, table tennis and badminton.

Vinex India (INR34 crore/US\$6.8 million in exports): This company is part of Bhalla Exports Pvt. Ltd with a history similar to Stag's. However, it had not invested in building a brand for itself as Stag had. Traditionally, Vinex focused mainly on equipment for athletics, but recently the group also diversified into hospitality (hotels).

Sanspareils Greenlands (SG) (approximately INR60 crore/US\$12 million turnover from exports and domestic sales): What table tennis was to Stag, cricket was to SG. SG operated only in the cricket segment and manufactured its products for resale for global cricket brands, including Kookaburra of Australia. SG was a strong brand in its niche segment and had also remained the number one exporter (by turnover) of sports goods from India over the last several years. The domestic cricket market in India was in itself a very big market — several times larger than table tennis in India — and SG had established a healthy domestic business for itself over the last three years.

Stag International (approximately INR40 crore/US\$8 million turnover): Up until now, Stag has focused primarily on table tennis as a sports category, and even in that, it has not ventured into the two fast selling and high margin areas: shoes and apparel. Lately, Stag has been evaluating the possibilities of leveraging its assets in other sports categories.

Besides the domestic sports goods manufacturers and distributors, nearly all major international table tennis brands of repute — Stiga, Butterfly, Joola, Donic — were also available and selling in India via their distribution arrangements with a few local partners. These players were, however, highly fragmented.

³ Interview with Rakesh Kohli.

GROWTH OPPORTUNITIES FOR STAG

Rakesh was acutely aware that the sports goods market in India was highly fragmented. Yet, the industry reports that he had read in the recent past estimated the sports goods market in India was to reach the INR5,000 crore (US\$1 billion) mark in 2011, with growth rates pegged at anywhere between 10 and 35 per cent per annum (Exhibit 1). With the opening up of organized retail, increasing disposable incomes and changing lifestyles of the ever growing Indian middle class, Rakesh also observed with interest several international brands like Nike, Adidas and Reebok enter the Indian market and establish roots.

Clearly, as Rakesh argued with himself, there had to be an opportunity for Stag here. The questions were simple — what should he do, and where and how should he go about it?

WINDOW TO THE CASE

As chairman of the firm, Rakesh had disciplined himself to constantly scan and evaluate the landscape for potential business opportunities. Stag's table tennis business was stable, but he needed to understand how to take the business — a legacy that he had inherited from his father and grandfather — to the next level and set it up for the coming Kohli generations to take forward. Rakesh's eldest son and daughter-in-law were already getting increasingly involved with the business, and his younger son and Vivek's two children would soon come of age and get introduced to the business. All eyes were on Rakesh to chart the course forward for this family owned business.

To kick start the thought and planning process, Rakesh ambitiously determined that the business should reach INR500 crore (US\$100 million) in annual turnover in five years. He had further broken this down to INR70/130/200/350/500 crore (US\$14/25/40/70/100 million) in revenue over each year of that five-year period. In some quick, back-of-the-envelope calculations with Vivek, Rakesh estimated that to do this, the business would require between INR70 and 100 crore (US\$14 and 20 million) of external funding along the way.

To help him navigate the way forward, Rakesh hired the services of an industry consultant to come in, analyze the situation and make some recommendations.

THE WAY FORWARD FOR STAG

As he sipped his coffee and turned around to listen to Vivek, Rakesh felt that, no doubt, a major milestone had been achieved with the presentation from Ajay (the consultant) on the morning of their conversation about the future of the company. However, critical for Rakesh was the fact that the journey ahead for Stag had to be aligned and paced with the organization's philosophy and capabilities, and as a result, certain choices and tradeoffs would have to be made along the way. While the presentation that day was a good first step, and he expected a similar reaction from Vivek, Rakesh would still need to think carefully through the what, where and how, as well as the cross-functional, organization-wide implications in his mind before making any calls. Rakesh needed a framework to think this through.

EXHIBIT 1: SPORTS GOODS INDUSTRY IN INDIA

Riding on the back of strong economic reforms and growth over the last decade, India had been a burgeoning market for sports and fitness equipment and accessories. Despite a shortage of adequate sporting facilities in general, this growth was driven primarily by the fact that new generation of Indians had become increasingly affluent, urban, educated and lifestyle and fitness conscious.

The government of India had played its role in this journey. The National Sports Policy 2001 was drafted with the objective of broad basing sports in the country and achieving excellence in both domestic and international arenas. In its eleventh five-year plan (2007—2012), the government of India had earmarked INR1,684 crores (US\$340 million) for the development of the sports infrastructure in India. For example, the Panchayat Yuva Krida aur Khel Abhiyan was launched with a grant of INR4 crore (approximately US\$0.8 million) to the Ministry of Youth and Sports Affairs to promote sports and games in schools, colleges and universities in India during the financial year 2010—2011. In a similar vein, in 2010, the Ministry of Human Resource Development introduced its Continuous and Comprehensive Evaluation initiative under which students of Class 10 under the Central Board of Secondary Education system in India were to be evaluated on their performance/participation in sports events and activities in addition to their academic performance. “The sports and goods and toys sector has a special focus in the Foreign Trade Policy (2009—14) and is treated as a priority sector under the marketing development assistance and the market access initiative schemes.”⁴ Proposals from the government of India for the introduction of a goods and services tax, tax incentives for investments in back-end retail systems like logistics management and amendments to the Urban Land Ceiling Regulation Act of 1976 by the states of Gujarat and Goa were measures that were aimed at helping promote retail in India.

Organized retail for branded apparel and footwear in India for 2010 was estimated at INR3,500 crores (US\$700 million) and was growing at an annual rate of 15 per cent. This segment was monopolized by Reebok, Adidas, Puma and Nike. At present, there was no major Indian brand directly competing with these large global brands in India.

The market for sports equipment is mostly handled by small independent retailers. This business is estimated to be worth Euro 380 million annually (approximately USD 500 million), again with growth rate in the range of 10 per cent to 15 per cent in the last years. Among the most promising categories are fitness, badminton, and tennis, along with some team sports.⁵

The fitness equipment industry has witnessed significant growth; the market was estimated to be around Rs. 12.5 billion (INR 1,250 Crore / USD 250 million) in 2008 and is expected to reach Rs. 63.3 billion (INR 6,300 Crores / USD 1.25 billion) by 2012. The end-users include individuals using fitness equipment at home and institutions like health clubs, corporate houses, etc.⁶

Unorganized retail, dealing mostly in locally made Indian and unbranded brands, was estimated at approximately INR10,500 crores (US\$2.1 billion) per annum in 2010.

In 2010, sports retail in India constituted a miniscule 0.2 per cent of the overall retail in India. The share of organized sports retail in overall sports retail in India was estimated to be 30 per cent (as opposed to the much lower 6 per cent of overall organized retail in India's total retail). The reason for this was that, over the last several years, a number of foreign sports brands as well as Indian corporate houses had entered the sphere of organized retail in sports in India.

⁴ “Sports Retailing in India: Opportunities, Constraints and Way Forward,” Working Paper No. 250, Indian Council for Research on International Economic Relations, June 2010, p. 20.

⁵ “The Indian Sports Goods Market-Executive Summary,” Federation of Sports and Play Associations, May 2011.

⁶ “Sports Retailing in India: Opportunities, Constraints and Way Forward,” Working Paper No. 250, Indian Council for Research on International Economic Relations, June 2010, p. 32.

EXHIBIT 1 (CONTINUED)

Opening up the retail segment to organized retail and foreign direct investment had created a lot of interest in foreign players entering the Indian market, and this was expected to change the way sporting and fitness equipment and accessories would be marketed and sold in India. Local Indian business houses were also moving quickly into organized retail by setting up chains of their own retail outlets — Future Group, Reliance Retail, Planet Sports, Primus Group, ITC Wills Lifestyle, Lodhi Sports and others.

The sports goods manufacturing industry is over a century old and has been growing at an average annual rate of around 10—12 per cent in the past five years. This is a labor intensive sector and occupies a prominent place in government policies for its contribution to employment, especially of unskilled and semi-skilled workers. It is an export oriented industry. In the past, around 60 per cent of the production was for the export market, but in recent years, domestic demand has increased and now only around 40 per cent of the production is for export. The increase in the share of the domestic market indicates that (a) sports retail market is growing (b) the Indian manufacturers now need to focus on the domestic market.⁷

Go-to-market models adopted by international sports goods manufacturers and suppliers to enter India varied across a very wide spectrum of buying/distribution/licensing agreements, exclusive arrangements, joint ventures and company owned outlets. Partnerships with local entities had become a popular mode of entry, as these partnerships helped deal with the numerous complexities of doing business in India. Indian domestic manufacturers were of particular interest to international players, especially in the sports equipment category, as they provided ready access to manufacturing, as well as distribution channels.

Currency conversion used: Indian Rupees (INR) 5 Crore = US\$1 Million; 1 Euro = US\$1.2

Source: Excerpts from "The Indian Sports Goods Market-Executive Summary," Federation of Sports and Play Associations, May 2011; www.sportsandplay.com, accessed December 16, 2012; "Sports Retailing in India: Opportunities, Constraints and Way Forward," Working Paper No. 250, Indian Council for Research on International Economic Relations, June 2010; www.icrier.org, accessed December 16, 2012; "The sports goods market in India," Business Standard, New Delhi edition, March 28, 2011; www.business-standard.com/article/management/kit-the-sports-goods-market-in-india-111032800074_1.html, accessed December 16, 2012.

EXHIBIT 2: STAG'S ASSETS IN TABLE TENNIS

- Stag produced the number one table tennis brand in India and was amongst the top five producers in the world.
- Stag had a close and productive association with the ITTF.
- As professional players, the Kohli brothers possessed firsthand knowledge of the sport and the nuances of its equipment.
- Both Rakesh and Vivek were tech savvy and applied this knowledge to the design and manufacturing of Stag's product lines.
- The cost of operations had been kept low so as to minimize funding requirements and generate healthy profits.
- Stag had a countrywide distribution network of more than 400 dealers, a large portion of whom had more than three decades of relationships with Stag and had generated goodwill for Stag in the distribution and go-to-market arm of the business.

Source: Interview with Rakesh Kohli.

⁷ "Sports Retailing in India: Opportunities, Constraints and Way Forward," Working Paper No. 250, Indian Council for Research on International Economic Relations, June 2010, p. 45.

EXHIBIT 3: STAG'S VISION, VALUE PROPOSITION AND MISSION

Stag's Vision

Sports with a spirit!

Stag's Value Proposition

Good quality at affordable prices.

Stag's Mission

1. Among the top three table tennis brands in the world by volume of table tennis tables shipped
 - a. Already in the top five, but the gap between Stag and the others was very large.
 - b. Estimated global volume of table tennis tables: approximately six million tables per annum.
2. Number one exporter of sports goods from India
 - a. Already in the top five.
 - b. Grow the current export business of Stag branded in-house products from INR30 crore (US\$6 million) to INR100 crore (US\$20 million).
3. Number one sports goods group (Stag, ++++ products) of India with the objective of grooming future champions.
 - a. Grow the current domestic business of Stag branded in-house products from INR10 crores (US\$2 million) to INR100 crores (US\$20 million).
 - b. Build a domestic distribution business of 30 global sporting and fitness brands at INR300 crores (US\$60 million).
 - c. Introduce/add one million new players to the sport of table tennis in India. (This was driven as much by the passion that the Kohli brothers had for the sport of table tennis as by the business opportunities this could potentially create for the business along the way.)

Source: Interview with Rakesh Kohli.

EXHIBIT 4: STAG'S KEY FINANCIAL INDICATORS

	2008-09	2009-10	2010-11
Top Line Revenues	25.8	28.9	31.2
Operating Profit before Depreciation, Interest and Tax (OPBDIT)	2.3	2.3	2.7
Profit after Tax (PAT)	1.3	1.7	1.5
Net Cash Accruals	1.5	2.0	1.9
Tangible Net Worth	2.1	2.5	4.2
Total Debt	6.3	7.3	9.5
OPBDIT/Operating Income (OI)	8.8%	8.0%	8.7%
PAT/OI	4.9%	5.7%	4.9%
Return on Capital Employed	23.3%	24.2%	18.1%
Return on Net Worth	59.9%	65.3%	36.5%
Net Cash Accruals/Debt	24.6%	27.3%	19.7%
OPBDIT/Interest	3.25	3.17	2.84
Total Debt/ Net Worth	2.98	2.87	2.28
Net Working Capital/OI	21.1%	21.2%	34.1%
Total Debt/ OPBDITA	2.8	3.2	3.5

All figures are in Indian Rupees (INR) Crore; INR5 Crore = US\$1 million.

Source: Company provided document - "Stag International - ICRA (Investment Information and Credit Rating Agency of India Limited) Credit Perspective, December 2011," ICRA Rating Services, ICRA Limited; www.icra.in, accessed September 23, 2013.