

# Replicating Success

Having grown exponentially via the franchise model in the last few years, Re-feel Cartridge is now eyeing a larger pie of the fast-growing Indian cartridge refilling market, as it plans to further consolidate its franchisee network, while exploring overseas business opportunities. Besides, it plans to enter corporate gifting sector in a big way. By **Vishnu Rageev R**

'Two roads diverged in a wood,  
And I took the one less traveled by,  
And that has made all the difference.'

**T**hese lines from Robert Frost's famous poem 'The Road Not Taken' exemplify the success of Kolkata-based Re-feel Cartridge Engineering Pvt Ltd, the franchisor of Re-feel and Club Laptop outlets. Re-feel Cartridge, since its inception in February 2007, has grown phenomenally registering about 600 per cent year-on-year growth rate. The TLG Capital-backed company, which operates a network of 117 Re-feel and 56 Club Laptop outlets across 80 cities, plans to appoint hundreds of franchisees in this financial year on pan-India basis. While talks are underway for Re-feel's international market foray, the company will soon enter corporate gifting sector through franchise model.

According to Samit Lakhotia, Co-Founder & Director (Strategy & Business Development), Re-feel Cartridge Engineering, "Yes, we took the less travelled road as we embarked on our business journey with a very low capital of ₹ 5 lakh in 2007. Although we had sound IT experience, we were quite new in refilling as well as retail and franchise business. We are proud to say that we crossed the 100-store mark last year. We have set up a successful business model for India's budding entrepreneurs. Moreover, the growth rate of our company which is around 600 per cent says it all."

Capitalising on its expertise in IT business, the company is throwing its hat into the ring for a larger pie of the fast-growing Indian cartridge refilling market, which is



estimated at ₹ 3,000 crore. The company earlier had sold 36 per cent of its stake to private equity major TLG Capital. Around 75 per cent of the money raised has been spent on expansion, setting up regional offices in Mumbai and New Delhi, amongst others.

#### What's on offer for franchisees?

Re-feel and Club Laptop are looking to appoint franchise owners across India as part of their new recruitment drive. While Re-feel plans to appoint 50 franchisees, Club Laptop intends to sign in around 75 associates in this fiscal. The company, which has its presence in all the states, is looking to strengthen its operations in Andhra Pradesh, Bihar, Jharkhand, and Gujarat -- where its presence is little weak.

"The number of franchisees could only go up this year as there are lots of enquiries coming from across India. However,

the target is to make minimum 50 Re-feel and 70-75 Club Laptop outlets operational across the country," Lakhotia adds.

A potential Re-feel franchisee has to make an overall investment of ₹ 8-10 lakh, while that of Club Laptop requires ₹ 6-8 lakh. The area needed for running Re-feel and Club Laptop is around 300 and 200 sq ft respectively. While the operational break-even for both the brands entails 3-4 months, these outlets have a projected break-even period of 12-18 months. The company is looking for people with good entrepreneurial skills. Though educational qualification is not a prerequisite; a franchisee must have good communication skills and should be adaptive by temperament.

When asked about the company's support to franchisees, Lakhotia informs, "We have devised two support levels for our

franchisees: pre-operational and post-operational. The former includes setting up the store, designing, finding location for franchisees, providing training, recruiting team, further helping the team, conducting press conferences during inauguration and the like. The post-operational support happens once the store gets functional. We offer regular support at technical (setting up micro manufacturing unit at each outlet), administrative, accounting and marketing levels. There is a dedicated team to carry out each of these operations for our franchisees. Also, we keep on participating in lot of national and global exhibitions. When a new technology/product comes to India, we do our R&D and quickly find the vendors for the component/technology. Finally, when we have a full solution, we pass it on to our franchisees."

The company also has an excellent revenue sharing model with its franchisees. Says Lakhota, "We sell components to franchisees and charge six per cent royalty on refilling bills, while for Club Laptop, we charge 16 per cent royalty on service bills."

#### Tough beginning helps?



₹ 5 lakh is not a handsome figure to give birth to a brand new business. But Alkesh Agarwal, CEO of Re-feel Cartridge along with Co-founders Amit Bermecha, Rajesh Agarwal and Samil Lakhota

took the plunge and managed to open three outlets in the first year itself.

"It was the market-driven demand that made us think about setting up this venture. We have around 11-12 years of experience in IT field and were into providing hardware, software and other networking solutions, which included selling printers and cartridges. Since the price for original cartridges were high, the customers used to ask for an alternative solution. Initially, we sourced cartridges from local market for selling. It created lot of problem on quality front. That's how the idea was born. We thought, instead of sourcing it from outside, why can't we produce quality material and provide it to customers? And we

saw a big market which was completely vacant to explore," Lakhota remembers.

When asked about the challenges faced, he opines, "In retail, it is really difficult to convince people without showing them a proper model on how it would look like, its business theme, how it's going to be successful amongst customers. And our start-up capital was used mainly for R&D



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purpose. We kept on meeting people asking them to invest money to set up stores. However, we were lucky that we got someone to open franchised outlets in Kolkata and Jaipur shortly."

When quizzed about competition from national and international players, Lakhota smiled. He says: "In terms of the number of stores and turnover, we are much ahead of competition in India. We are indisputably the No:1 player. As far as local competition is concerned, there is not even a single brand which has 20 successful outlets. Most of them have less number

of outlets. In the last five to six years, this industry has taken a good shape but we don't face any competition. As far as the branded segment is concerned other local players are restricted to one or two cities"

#### What next?

Expansion, expansion, Lakhota chants. While Re-feel plans to have a strong foothold nationally, it is also exploring franchise opportunities globally. The company aims to roll out its international operations within the next six months.

"Yes, we are in talks with potential partners. Recently, we attended a business conference in South Africa and we got an opportunity to meet its President and Finance Minister. They promised us some help in setting up our business there. Also, we are in talks with many nearby countries. You would see our Master Franchisee coming up in a foreign land in the next six months time," Lakhota envisages.

When asked about IPO and fund raising plans, he clarifies, "That's the reason why I can't share our turnover figures. Our investors are seriously contemplating on coming up with an initial public offering by 2014. TLG Capital is already a partner with us and we are not considering stake sale to any other PE firms right now."

The company is also planning to set up regional offices in few more metro cities like Bengaluru, Hyderabad, Chennai, Pune, Ahmedabad and the like. It will also enter corporate gifting sector in a big way. Lakhota declined to share more details and says: "We will expand this venture also via franchise model."

The company spent about ₹ 1.5 crore on advertisements and marketing last fiscal. "Earlier we did a lot of print ads, now the focus is more on DTL activities. The marketing budget will go up as we enter new business arenas. Our idea is to become a leading national brand with a global spread. You will see three to four more new verticals from us. There will be more product categories added into our portfolio. You will see some good developments happening in our company in the next two years time," Lakhota signs off. **FP**