

What happens when Finance meets business Strategy

PREQUATE

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About when we
remodeled a company
from a USD 10Mn to
USD 100Mn

How it began

Quattro Private Limited is a 4 year old company providing hardware development services with a team of over 100 employees. **Prequate** was brought in to help **Quattro** remodel the business for proposed investments.

Quattro had just developed a great product with good interest for introduction to rural markets. They were aiming to manufacture the products with a EBIT of 27% of USD 10Mn in 5 years. They had been approached by investors for scaling the reach.

Disclaimer: **Quattro** started a limited engagement that allowed **Prequate** to develop the renewed business model within the IBM&A offering and strategize investments.



the problem set

Prequate started off with looking into the product that was developed. In the course of such delivery, Prequate noticed that:

- > Product had been designed with abilities to remotely manage the software backend
- > Model was built on a product sale model that netted cash on each product sold
- > Working capital requirement bloated due to lead time payments
- > Profit needed scale which needed continuous inflow of money

While the product delivered ongoing benefit, the revenue model was one-time only.

the approach

Prequate deduced that the fundamental business model was a value-in-use as compared to value-on-sale. It meant that the business model needed to address:

- > Is the model rewarding usage while de-risking delivery?
- > Who gains from using the product?
- > Are we profiting from the continuing value of the product?
- > Can contracts become onerous someday?

action steps

- > *Perform a scalability assessment:* Identify the key variables that provide sustaining value to the business
- > *Fit an ecosystem fundamental:* Develop a new business model to boost the NPV of the business and create an eco-system
- > *Redesign the revenue model:* Developing continuing revenue streams based on usage
- > *Develop the fund raise strategy:* Create new raise plan in a tranche manner

the results

Prequate redesigned the business model that

- > was based on franchise model of the devices and had a revenue model was based on per use basis
- > for faster adoption, training manuals were to be delivered on the device display itself in various languages
- > had incentives built on volume
- > required cash inflow for development of content and not for working capital

- > **Cumulative EBIT increased by 1000%** over a 5 year horizon
- > **Net jumped to 47%** from existing 17%
- > **Adoption risk brought down** with franchise model
- > **Cash requirement reduced** from USD 10Mn to **USD 6Mn**
- > **Product was the service** and not the device
- > **Big Data** opportunities opened up in 3 years

impact matters

Need more clarity?

Prequate works with organizations to help them understand their environment and do business in a leaner and smarter way.

By helping businesses interpret their surroundings, Prequate helps amplify the impact of their strategies and executional strengths without worrying too much, or with a lot more clarity, as to how their environment may be respond.

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