THE RETAILER WILL OPEN COMPACT STORES

Ikea's going small to get bigger

VIVEAT SUSAN PINTO
Mumbai, October 20

EVER SINCE THE world's largest furniture retailer Ikea came calling in 2018, curious Indians have lined up to sample its products, savour its snacks and get a taste of its hospitality at its big-box stores in Hyderabad, Navi Mumbai and Bengaluru. In six years, the Swedish retailer has set up four large outlets and built an online presence. Now, Ikea is exploring a compact store format of about 30,000-40,000 square feet. These mini stores will complement the giant, warehouse style outlets, set up at the outskirts of big cities and the city-centre stores.

The reason for the re-think, experts say, is the somewhat slower-than-anticipated growth. So far, 180 million visitors have walked through Ikea's doors fetching it revenue of ₹1,768 crore in FY23. But the business is yet to turn profitable with the net loss widening to ₹1,134 crore in FY23 versus ₹902 crore in FY22. To be sure, Ikea has been investing in the operations and has already spent ₹10,500 crore in the first phase.

But, even as it has been fine-tuning its business model, a rapid rollout of stores is critical to boost revenues. "The high cost of real estate in India has meant setting up its signature big-box stores has been slow and expensive. Ikea's pivot to smaller stores may help it set up a scalable model," said an expert. At the same time, as Angshuman Bhattacharya, Partner and National Leader - Consumer Products and Retail Sector, EY-Parthenon, points out, in general furniture stores are space- intensive and working capital- intensive, so unless there is significant throughput, it cannot be a prime real estate play.

Driving up volumes won't be easy because as experts point out, Ikea's do-it-yourself (DIY) assembly model which is popular overseas has met with a lukewarm response here. Indians prefer ready-to-use furniture, valuing the convenience factor. Ikea is addressing this issue. Adosh Sharma, country commercial manager of Ikea India says the company has introduced interior design services to help with the planning, ordering, delivery and installation of products.

Experts also say Ikea's minimalist design aesthetics are in contrast to traditional designs and materials preferred by Indians.

As Devangshu Dutta, founder and CEO of Gurgaon-based retail consultancy Third Eyesight observes furniture is an extension of an individual's personality and people here tend to be invested in it, whether big or small items. "Ikea is trying to understand India's design sensibilities, what people like, dislike and how best they can cater to it. It is work in progress," Dutta says.

Indeed, high operational costs, logistics and supply-chain issues and a price-sensitive market with diverse preferences has meant Ikea is yet to hit the right notes in India. The compact living spaces prevalent in urban India further complicate matters. Many of Ikea's larger products do not fit well into smaller homes, limiting their appeal, say experts.

Also, second-hand furniture marts continue to offer reasonably good options. In fact, most of the furniture market, estimated at ₹1.4 trillion -- across furnishings, furniture, home décor, mattresses and accessories---is fragmented and unorganised. Less than 10% of it or ₹8,000-10,000 crore is organised.

Sharma says Ikea is trying to get under the skin of the consumer. It is working on affordability and the design matrix to help consumers buy products within their budgets. An AI-powered app -- Kreativ ---has been launched to help consumers visualise how the furniture will look when placed in their homes. Last month, the retailer introduced a 365-day exchange and return policy that allows consumers to exchange or return products within a year.

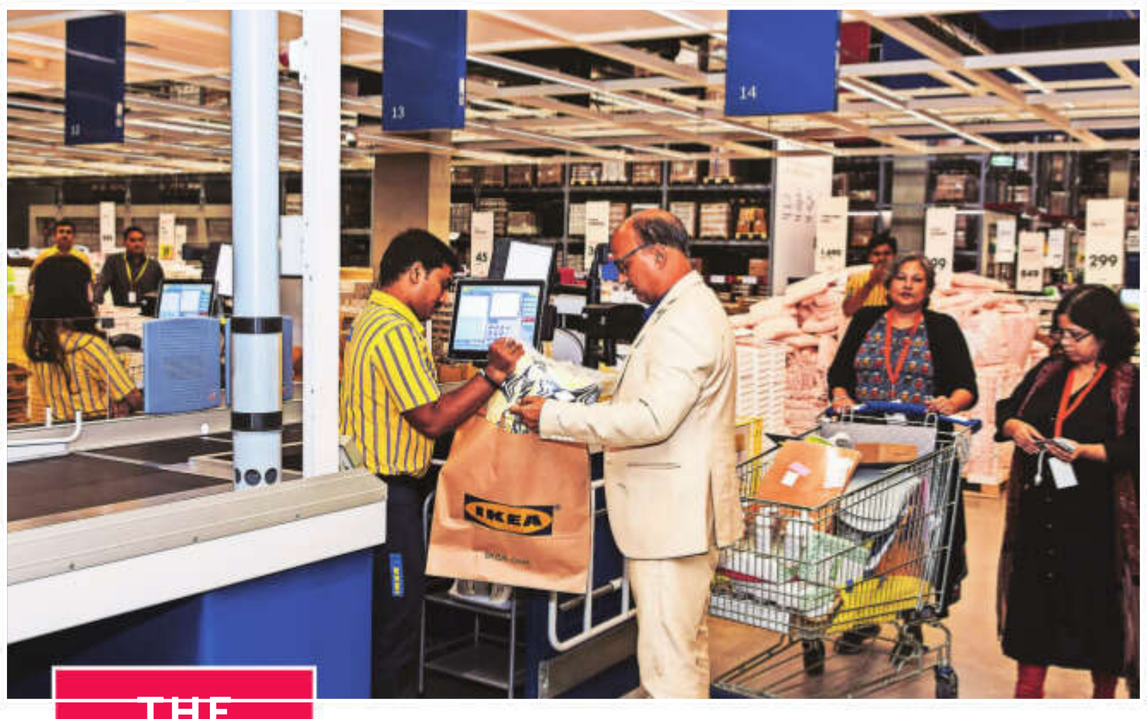
The good news as Dev Sarkar, Senior VP and Head (consumer business) Godrej Interio, points out, is that compared with the single-digit growth for the overall market, the organised segment is growing at a much faster 25-30%. This is being attributed to rising disposable incomes and a young, floating population looking for easy and convenient furniture. But, with a host of offline and online players having forayed into the space, the competition is keen.

Legacy players such as Godrej Interio, best-known for its almirahs, wardrobes, home and office furniture competes with new-age startups and D2C brands such as Wakefit, Urban Ladder, Wooden Street, HomeLane and Pepperfry. Godrej Interio is growing at a brisk 25% and clocks an annual turnover of ₹3,000 crore. Wakefit closed FY24 with a turnover of ₹1,017 crore and an operating profit of ₹65 crore, according to co-founder and director Chaitanya Ramalingegowda. It is aiming for a 25-30% growth in revenues by the end FY24.

Sarkar concedes the space is evolving fast with new products, direct-to-consumer delivery models and robust exchange and return schemes. As such, the pressure to be affordable, have appealing designs and good distribution is increasing. Today, speed is of the essence as are reliable brands. EY's Bhattacharya believes that any furniture retailer which gets its e-commerce piece right can hope for a sales buoyancy of 20-30%.

"The important thing is to ensure speedy delivery schedules," he says. Wakefit's Ramalingegowda says the company plans to strengthen its omni-channel presence and improve brand visibility and will add to its 80 stores. Two-thirds of its sales come from physical outlets and the website and a third from marketplaces. Ikea's Sharma says that the retailer is building an "omni-channel model" and will soon roll out its e-commerce operations in Delhi-NCR.

"We are tying up with quick commerce players to deliver small items and accessories quickly," Sarkar says. That sounds like a plan.

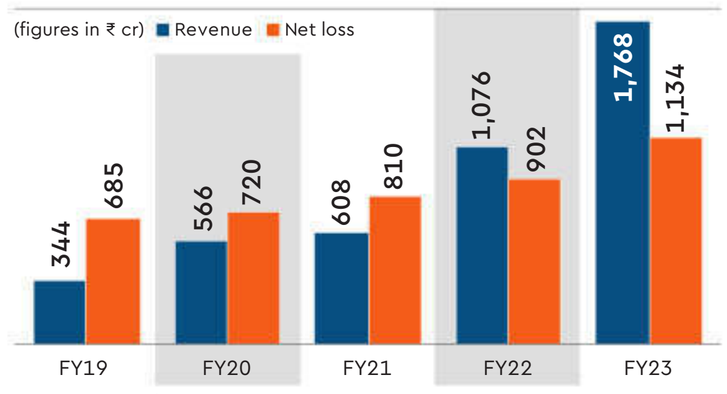


THE BIG PICTURE

EXPERTS SAY SETTING UP BIG-BOX STORES HAS BEEN SLOW AND EXPENSIVE GIVEN THE HIGH COST OF REAL ESTATE

MISSING MOMENTUM

Ikea India financials



Source: RoC; Tofler, #FY24 numbers not available yet



New Zealand and Indian players shake hands after the former won the first Test at M Chinnaswamy Stadium, in Bengaluru, on Sunday PTI

India's comeback saga after losing opening Test

SANDIP G
Bengaluru, October 20

ROHIT SHARMA LET himself a deep breath. His eyes wandered to the flickering bulbs on the ceiling of the press conference room, before he processed the question and framed the answer. The question was regarding India's habit of losing the first Test and then bouncing back to wrap it up. He put on a matter-of-fact smile and replied, "See, every time we play the game, every time we play the Test series, first Test, you don't want to lose a game. We don't go with that mindset of just playing casual cricket." By the end of the answer he was visibly irritated, not at the question but India's curiously expanding ledger of first-Test defeats.

Twice in the last two series against England in three years, they lost the opening bout. So did they against Australia in 2017, nearly contrived to lose the opener against Bangladesh, New Zealand managed to draw in Kanpur last time, and now they stare at the same fate of having to come back against New Zealand. As annoying a sequence as it could be for Rohit and Co, especially with a spot in the World Test Championship (WTC) final on the line, he could draw considerable courage from his side's knowhow in overturning deficits. "Honestly I am not going to look too much into this Test match. Because that three hours is not going to dictate what this team is," he said.

The mood was not one of mourning or recriminations, but of reconciling with the situation. He struck half a warning too, "We have made small mistakes in this game and we are suffering the consequences of those mistakes. But that doesn't mean that everything is over."

If New Zealand are not already aware of India's bounce-backability, the Bengaluru Test provided an ample preamble of things to come. With the ball in the first innings on a flat surface, India exuded hostility to have them reeling at 223 for seven before a plucky stand, riding an incongruous amount of luck rescued them.

In the second innings with the bat, India batted with exceptional freedom and purpose before the fleeting passage when they lost wickets in a heap, when every edge fell into the catcher's palms and every stroke of indiscretion was punished. Not that they were extremely unfortunate, but India could pick passages in the game when nothing went their way.

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–Addl. General Manager (IT)

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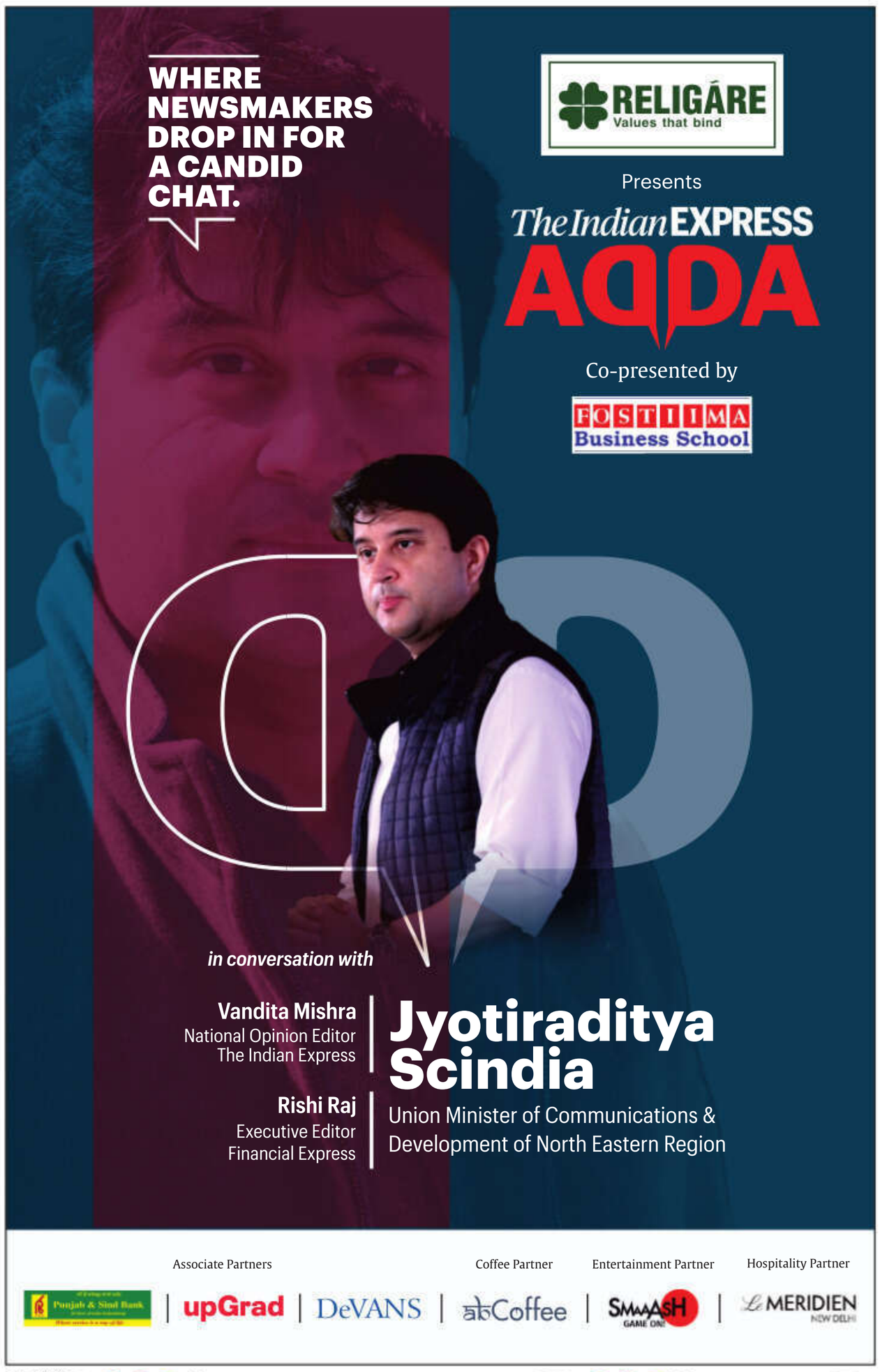
AUCTION OF STATE GOVERNMENT SECURITIES

The following State Governments have offered to sell stock by way of auction, for an aggregate amount of ₹ **8,100/- crore** (Face Value).

Sr. No.	State/UT	Amount to be raised (₹ Crore)	Additional Borrowing (Greenshoe) option (₹ Crore)	Tenure (Year)	Type of auction
1.	Bihar	2,000	-	09	Yield Basis
2.	Chhattisgarh	1,000	-	Re-issue of 7.46% Chhattisgarh SGS 2033 issued on February 14, 2024	Price Basis
3.	Goa	100		10	Yield Basis
4.	Karnataka	4,000	-	11	Yield Basis
5.	Tamil Nadu	1,000	-	05	Yield Basis
	Total	**8,100**			

The auction will be conducted on Reserve Bank of India Core Banking Solution (E-Kuber) in multiple-price format on **October 22, 2024 (Tuesday).** Individual investors can also place bids as per the non-competitive scheme through the Retail Direct portal (**https://rbiretaildirect.org.in**). For further details please refer to RBI press release dated **October 18, 2024 (Friday)** on RBI website **www.rbi.org.in**

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EXTRACT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2024

(₹ in Lakh)

PARTICULARS	Three months ended September 30, 2024 Unaudited	Three months ended June 30, 2024 Unaudited	Three months ended September 30, 2023 Unaudited	Half Year ended September 30, 2024 Unaudited	Half Year ended September 30, 2023 Unaudited	Year ended March 31, 2024 Audited
1 Total Income from Operations	6,359	5,434	4,215	11,793	7,587	16,736
2 Net Profit/(loss) for the period (before Tax, Exceptional and/or Extraordinary items)	4,272	3,024	(1,137)	7,296	(1,440)	3,282
3 Net Profit/(loss) for the period before tax (after Exceptional and /or Extraordinary items)	4,272	3,024	(1,137)	7,296	(1,440)	3,282
4 Net Profit/(loss) for the period after tax (after Exceptional and /or Extraordinary items)	4,272	3,024	(1,137)	7,296	(1,440)	3,259
5 Total Comprehensive Income/(loss) for the period [Comprising Profit for the period (after tax) and Other Comprehensive Income (after tax)]	4,285	3,013	(1,155)	7,298	(1,459)	3,242
6 Equity Share Capital (of ₹10/- per share)	23,998.50	23,998.50	23,998.50	23,998.50	23,998.50	23,998.50
7 Reserves (excluding Revaluation Reserves as shown in the Audited Balance Sheet of previous year)	-	-	-	-	-	(16,868)
8 Earnings Per Equity Share (of ₹10/- each)* Basic and Diluted (₹)	1.78	1.26	(0.47)	3.04	(0.60)	1.36

** Earnings per share for the interim period is not annualised.*

Notes:

1. The above is an extract of the detailed format of Quarterly Financial Results. The full format of the Quarterly Financial Results are available on the Company's website at www.mcxccl.com.
2. The above results have been reviewed by the Audit Committee held on October 19, 2024 and approved by the Board of Directors at their meeting held on October 19, 2024.

For **Multi Commodity Exchange Clearing Corporation Limited**
sd/-
Narendra Kumar Ahlawat
Managing Director & CEO

Place: Mumbai
Date: October 19, 2024