

As Is Report

Corporate Business-cum-Revival Plan for
Central Cottage Industries Corporation of India

December 2013



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Abbreviations

AGM	Additional General Manger
AM	Assistant Manager
APAR	Annual Performance Assessment Review
Bang	Bengaluru
CCIC	Central Cottage Industries Corporation of India Ltd.
CGM	Chief General Manager
Cr	Crore (1,00,00,000)
CVO	Chief Vigilance Officer
DC-Handicraft	Development Commissioner (Handicraft)
Del	Delhi
DM	Deputy Manager
ERP	Enterprise Resource Planning
FPMS	Finance Payroll Management System
GoI	Government of India
GRB	Goods Received Back
INR	Indian Rupee (Rs)
Kol	Kolkata
KPIs	Key Performance Indicators
Lac	Lakh (1,00,000)
MD	Managing Director
MGS	Minimum Guarantee Sales
MoT	Ministry of Textiles
MoU	Memorandum Of Understanding
Mum	Mumbai
PO	Purchase Order
SIMS	Sales and Inventory Management System
TP	Transfer Challan
y-o-y	Year on Year
HC	Handicraft
HL	Handloom

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1 Executive Summary

Central Cottage Industries Emporium established in 1952 under the Indian Cooperative Union, was conceived as an abode for the Indian handicrafts and handloom products. The Corporation showcases the finest crafts ranging from sculptures, paintings, artifacts, metal ware, woodcraft, pottery, stoneware and marble craft, branded Bankura silver, carpets, furniture, ready to wear, accessories, jewellery, etc. It has also engaged itself with craft clusters in different parts of the country for providing marketing support to the product development and has been playing a major role in the revival of languishing crafts.

Retail sales of Handicraft and Handloom products are the primary source of income for CCIC. They have introduced other services like interior decoration but the contribution to sales from such services are marginal. They do not own any capital assets which may be utilized in distress situations to generate capital inflows. The existing showrooms are run in rented premises in all metro cities except Delhi. The long lease of these showrooms is expiring and the landlords are asking for market competitive rentals which are adding to the burden.

Along with this, the corporation is struggling to manage the increasing personnel and administrative costs. CCIC being an old organization has become top heavy due to regular promotions as per government rules. There is also a large skillset mismatch which needs to be addressed.

In the view of this background, it was decided that a comprehensive current state assessment study of the corporation would be undertaken with the aim to understand the pressing issues and challenges faced by the corporation. The current state assessment exercise would be followed by devising a marketing plan and creating a short term and a long term business cum revival strategy for CCIC.

This report provides an analysis and evaluation of the current and prospective profitability, liquidity and financial stability of CCIC. Methods of analysis include trend analysis and financial ratio analysis. All calculations and analysis can be found in the various figures and tables in the report. Results of data analysed show that all ratios are below industry averages. In particular, comparative performance is poor in the areas of profit margins, liquidity, and asset/inventory turnover. Also there are several issues and challenges that have been identified across different functions at CCIC such as buying, inventory, marketing, sales, product categories etc. that are described below.

The report focuses on quantitative and qualitative analysis for the organization. The analysis is for 3 year period and based on data from Sales and Inventory Management System database. The financial ratios are compared against the retail industry benchmarks and the qualitative aspects in each of the sections have been discussed in detail during the discussions with stakeholders at CCIC.

The major areas of weakness across different functions such as buying, inventory, marketing, sales, product categories etc. require remedial action by the management. The report finds the prospects of the company in its current state needs to improve tremendously.

Financial Assessment

- ▶ CCIC had a turnover of INR 78.5 cr in FY 2012-13, recording a Cumulative Average Growth Rate (CAGR) of 7.5 % operating at 0.7% margin. The net profit margin has been 0.3%.
- ▶ The average annual expenditure is to the tune of INR 40 Cr of which INR 10 CR is booked under Administrative expenditure and INR 25 CR is booked under personnel cost. These are 13.7% and 32% of the sales respectively.
- ▶ One key contributor to the net profit margins is the interest income from 'Fixed Deposits (FD's)' which is to the tune of INR 3 CR annually. If this interest income of Rs 4 Crore is deducted CCIC makes losses with operating and net profit margins of -4.3% and -4.6%.
- ▶ All locations except Delhi and Kolkata are making losses. If interest income of FD's is deducted then even Delhi operates at a loss. Kolkata remains the only location to operate at a profit.

- ▶ The industry benchmark are higher than the CCIC performance levels and hence the organisation needs to make many structural and non-structural changes to come to pace with the market.
- ▶ The Asset Turnover has gone up over the last three years indicating marginal improvement in operations but still operates at .95 which below the industry average of 2.07.
- ▶ Inventory Turnover has decreased over the years being replaced on avg. 6.1 times in a year as against industry benchmark of 7.2
- ▶ Mumbai is the worst performer with maximum losses since last three years and has the highest personnel cost at approximately 50% of sales. Administration cost of Mumbai is higher than all other locations. Kolkata has the best financial performance as it is the only location to make profits, and has the lowest cost structure.

If CCIC loses the litigation case in Mumbai and has to pay Rs 44 crore as differential in rentals, it will further damage the profitability as it entails a large cash outflow. This will be met through the FD's which will result in zero interest income pushing the company into losses. The personnel cost will further increase with the implementation of the 7th pay commission which will further dent the poor financials of the firm. As it is the firm have negative operating margins across all locations except Kolkata. CCIC is not in a position to implement the 7th pay commission.

Buying

Buying takes place in a decentralised manner across product categories through a dedicated team of 15 buyers. Each buyer is responsible for making purchases and ensuring availability of adequate stocks for two or three product categories. Buying takes place across the 24 product categories through a network of 6,092 registered suppliers spread along the length and breadth of the country.

The key challenge with buying at CCIC are as follows:

- ▶ Lack of standardisation in the procurement process especially for quality control, market benchmarking for pricing, copywrite protection and design and innovation.
- ▶ All items over Rs 10,000 are purchased on approval basis. This limits the Buyer's flexibility to purchase premium and marque products. The policy has a standard applicability across all Handicraft and Handloom products. All High value items are
- ▶ The pricing of the products where raw material are linked to market indices for example- silk, gold, silver etc. are not linked to market fluctuations and hence CCIC is not able to gain on the on the increase in prices of such products. Buying budgets are on monthly basis and a bulk purchases is not possible in the current scenario.
- ▶ No standard means to define items
- ▶ CCIC is increasing facing challenges in procuring quality products from suppliers. The key issues quoted by the suppliers are lack of market competitive rates, requirement of paper work, fear of design duplication etc.
- ▶ Purchases are not linked to sales and current inventory; as purchases have grown at a higher rate compared to sales across product categories. Purchases have grown y-o-y at a CARG of 15% while the Sales have grown at a CAGR of 8% for the same period (FY 2010-13).
- ▶ No focus on design of products as there is no inhouse design team.
- ▶ As per policy, all items over Rs 10,000 are taken on approval basis which limits the choice for procurement.
- ▶ There is no policy for regular price revision for upward pricing of the products especially where raw material costs have increases over the years for e.g. metal, wood etc.
- ▶ Buying budgets are on monthly basis and a bulk purchases is not possible in the current scenario.

Inventory management

We analysed that CCIC has excess stock in slow moving and poor performing product categories and less stock of fast selling and top performing categories.

30% of stock around Rs 50 lac in the Handloom section (including Men's Wear, Women's Wear, Children's Wear, Table Linen, Dress Fabrics etc.) that are aging for more than 2 years even which implies that these items have not been cleared as per the liquidation policy.

Inventory prices are revised on adhoc bases and are not linked to market fluctuations; Also aging of handicraft items demand premium prices over time.

The process of bar code scanning is not always followed and the bar code information captures prices of items on SP, there is no real time monitoring of inventory and hence lack of any data analytics while making decisions on purchases, sales, promotions etc.

Product categories

The cottage emporium displays on avg. 3,11,934 items which are classified into 24 product categories. The key challenges in product categorisation are as follows:

- ▶ Lack of synchronisation in defining product categories for internal database, on website and showroom display
- ▶ Multiple parameters are used for defining product categories
- ▶ Overlap and redundancy in classifying items into product categories
- ▶ Lack of real time information on inventory

The performance of all product categories across all locations, i.e Delhi, Mumbai, Bengaluru, Chennai, Kolkata for the last three years (FY 2010-13) have been compared based on four performance parameters as mentioned below. The analysis is based on Sales, Purchase, Inventory and Internal transfer data received from CCIC (Source- SIMS database) for all showrooms and stores.

1. CAGR- Sales - Compounded Annual growth rate of sales for last 3 years
2. Avg. Sales per sq. feet- Avg. Sales/Area (sq. feet)
3. Gross Margins % - (Avg. Sales - Avg. COGS*)/Avg. Sales
4. Stock Inventory days - Avg. Inventory/(Avg. COGS/365)
5. Contribution to Sales (%) - Avg. Sales of Product Category/Total Avg. Sales

At an overall level Handicraft is a better performing section compared to Handloom in terms of revenue growth, aging, purchases, inventory turnover etc.

Carpets, Herbal/Perfumes, Wood, Furniture, Art Objects, Shawl and Metal are top performing product categories at CCIC, whereas Women's Wear, Men's Wear, Children's Wear, Saree, Table Linen, Toys, Craft and Jute Objects are poor performing product categories.

Sales

Handicraft sales grew at a higher rate over last three years compared to Handloom section.

ABC analysis of sales indicate that CCIC sells mostly low value items, i.e less than Rs 5,000 (54% in value terms and 96% in no. of transactions). Delhi is the only showroom which performs over the industry benchmark on Avg. sales per sq. feet. Chennai has the lowest avg. sales per sq. feet. Key issues in sales are as follows:

- ▶ Low footfalls in all showroom except Delhi compared to some of the other retail players.
- ▶ No customer database
- ▶ Limited activities for store promotion.

- ▶ The forecasting of sales is done based on prior experience of dealing with the concerned product categories. Lack of structured approach to key account/Institutional sales etc.,
- ▶ CCIC store closes at 7pm as against the industry standard of closing at 9pm.
- ▶ Absence of a robust data analytics tool further poses as a hindrance for the Corporation to analyze sales data to make decisions on purchases, inventory and revising sales forecast.

Concessionaires

Four out of Nine Concessionaires' at Delhi have not recorded sales growth over last three years and have been defaulting in payment of MGS. . Due to low footfalls and customer base, CCIC is finding it difficult to attract Concessionaires and hence difficulty in expanding different product mixes for the customers. In one case i.e. National Book Trust, the concessionaires has terminated contract on account of declining sales

A review of the concessionaire selection process and contracts indicates that the process of determining MGS is not fool proof, mechanism and process is not in place to float a detailed tender.

Marketing

Marketing is not a focus activity and the budget is 1.6% of sales as opposed to 3.96% in industry.

Traditional print media are being used for advertisement and there is no strategy to harness the potential of internet and social media. The website was created about 5 years back but has not been updated since.

Manpower

CCIC is a top heavy organisation with 53% employees being at AM level, which come from non-technical background.

The organization also has an aging employee profile. 64% of the staff is in >45 years category and only 3% are in <35 years category resulting in absence of strong middle management to take up leadership roles in future.

The manpower costs of the organisation are substantial i.e. to the tune of 32% of sales against industry benchmark of approximately 13.7% of sales. Manpower cost also includes Overtime and Honorariums that CCIC has to give to its employees for working on Saturday or Sunday although as per industry standard it is a norm to work six days a week as per store timings.

There is lack of clearly defined roles and responsibilities of personnel across departments along with mismatch of skills and job profiles of employees. There is no system of regular training and capacity building.

Information Technology

CCIC does not have a big emphasis on IT, as there is no IT budget. There are two ancient systems running at CCIC; SIMS (Sales and Inventory Management System) and FPMS (Financial Payroll Management System) that were developed way back in late 1990's and these two systems have not been updated since then.

Both systems run on Fox-Pro, which is an outdated and archaic programming language, they do not permit web log-ins and are only accessible when connected through LAN. SIMS and FPMS systems are not integrated and work in solitary environments. e.g., data transfer from the Warehouse to the Showroom is through pen drives. Also branch to branch integration of SIMS and FPMS is not possible. Due to these limitations real time data analytics is not possible, also there are no IT systems to follow standard procedures across functions, organization works more on manual intervention.

CCIC is planning to implement ERP in the coming months that should provide standard procedures and strong data analytics and real time information to make informed decisions at CCIC.

CCIC has been known for its genuine products made of high quality and has been regarded as the place for buying Indian Handicraft & Handloom products. Over a period of time, many changes have taken place as a result CCIC has lost its market share. One of the key ways the business has transformed is evolution of technology in retail, organized retail growth, focus of strong marketing techniques by retailers, changing customer needs. This has led CCIC to re-think its vision through a Vision Workshop, to regain the top market position. The vision for CCIC moving forward as discussed by the top management is summarized below:

“We will become a leading player in handicraft and handloom retail in India by selling premium, genuine, high quality products and ensure quality customer experience across all stores. We will increase our footprint in India and explore the international markets. Thus we will contribute to enhancing the lives of millions of artisans associated with us.”

To ensure sustainability, our vision shall be supported through clear goals across the following segments:

- **Profit:** Maximising the net return on products, earning net profits of minimum 5% while maintaining the competitive edge in product pricing.
- **Presence:** Improve the market presence through an aggressive and targeted marketing campaign that promotes the CCIC brand and captures customers mind share.
- **People:** To nurture a committed group of individuals that work for the betterment of the organisation and together create a great place to work.

2 Project background

2.1 About Central Cottage

Central Cottage Industries Emporium established in 1952 under the Indian Cooperative Union, was conceived as an abode for the Indian handicrafts and handloom products. It served to restore the craftsmen's pride in their work by way of recognizing their genius and excellence of skill as well as promising them a viable future.

Over the years the emporium evolved into Central Cottage Industries Corporation of India Ltd. (CCIC) operating as an independent public sector undertaking under the Ministry of Textiles since 1991. CCIC incessantly strives to be a premier organisation in retailing of quality Indian handicrafts and handloom products sourced from skilled artisans, craftsmen and weavers across India. At present CCIC has is operating across Delhi, Mumbai, Kolkata, Chennai, Bengaluru & Hyderabad.

The Corporation showcases the finest crafts ranging from sculptures, paintings, artifacts, metal ware, woodcraft, pottery, stoneware and marble craft, branded Bankura silver, carpets, furniture, ready to wear, accessories, jewellery, etc. It has also engaged itself with craft clusters in different parts of the country for providing marketing support to the product development and has been playing a major role in the revival of languishing crafts.

2.2 Industry overview

The Handicraft and Handloom Sector plays a significant role in the country's economy, generating substantial foreign exchange for the country. The sector is extremely important as an economic activity and in terms of employment generation. Handicraft and Handloom have great potential, as they hold the key for sustaining not only the existing set of millions of artisans spread over length and breadth of the country, but also for the increasingly large number of new entrants in the crafts activity. The sector has, however, suffered due to its being unorganized, with the additional constraints of lack of education, low capital, poor exposure to new technologies, absence of market intelligence, and a poor institutional framework etc.

The Handicraft sector is estimated to employ 68.86 lakh artisans, which include a large number of women and people belonging to the weaker sections of the society. In addition to the high potential for employment, the sector is economically important because it entails low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country. The Indian handicrafts industry is valued at INR 43,000 Cr¹, and it remains largely fragmented and unorganized.

Handloom weaving is one of the largest economic activities in India and it provides direct and indirect employment to more than 43 lakh weavers and allied workers. This sector contributes nearby 15% of the cloth production in the country and also contributes to the export earning of the country.

Indian handmade products capture niche markets worldwide and make a distinct impact through their exclusive designs, finesse, workmanship and colours. This gives India a definite edge over its competitors including China, the Philippines, Korea, Thailand and Taiwan, which primarily produce machine-made products. The revenue generation potential for organized retail chains from this sector is significant. With appropriate business planning CCIC stands to leverage the vast potential of the sector.

2.3 Need for a current state assessment of CCIC

In the last few years, the corporation is unable to make profits, even though the sales revenue is on an increase. The compounded annual growth rate (CAGR) in revenue for CCIC in the last three years has

¹ "Taking Indian Handicrafts Online", Business Standard

been approximately 9.2%. However, the post-tax losses in two of the three financial years are posing to be areas of concern for CCIC.

Retail sales of Handicraft and Handloom products are the primary source of income for CCIC. They have introduced other services like interior decoration but the contribution to sales from such services are marginal. They do not own any capital assets which may be utilized in distress situations to generate capital inflows. The existing showrooms are run in rented premises in all metro cities except Delhi. The long lease of these showrooms is expiring and the landlords are asking for market competitive rentals which are adding to the burden.

Along with this, the corporation is struggling to manage the increasing personnel and administrative costs. CCIC being an old organization has become top heavy due to regular promotions as per government rules. There is also a large skillset mismatch which needs to be addressed.

In the view of this background, it was decided that a comprehensive current state assessment study of the corporation would be undertaken with the aim to understand the pressing issues and challenges faced by the corporation. The current state assessment exercise would be followed by devising a marketing plan and creating a short term and a long term business cum revival strategy for CCIC.

3 Financial assessment

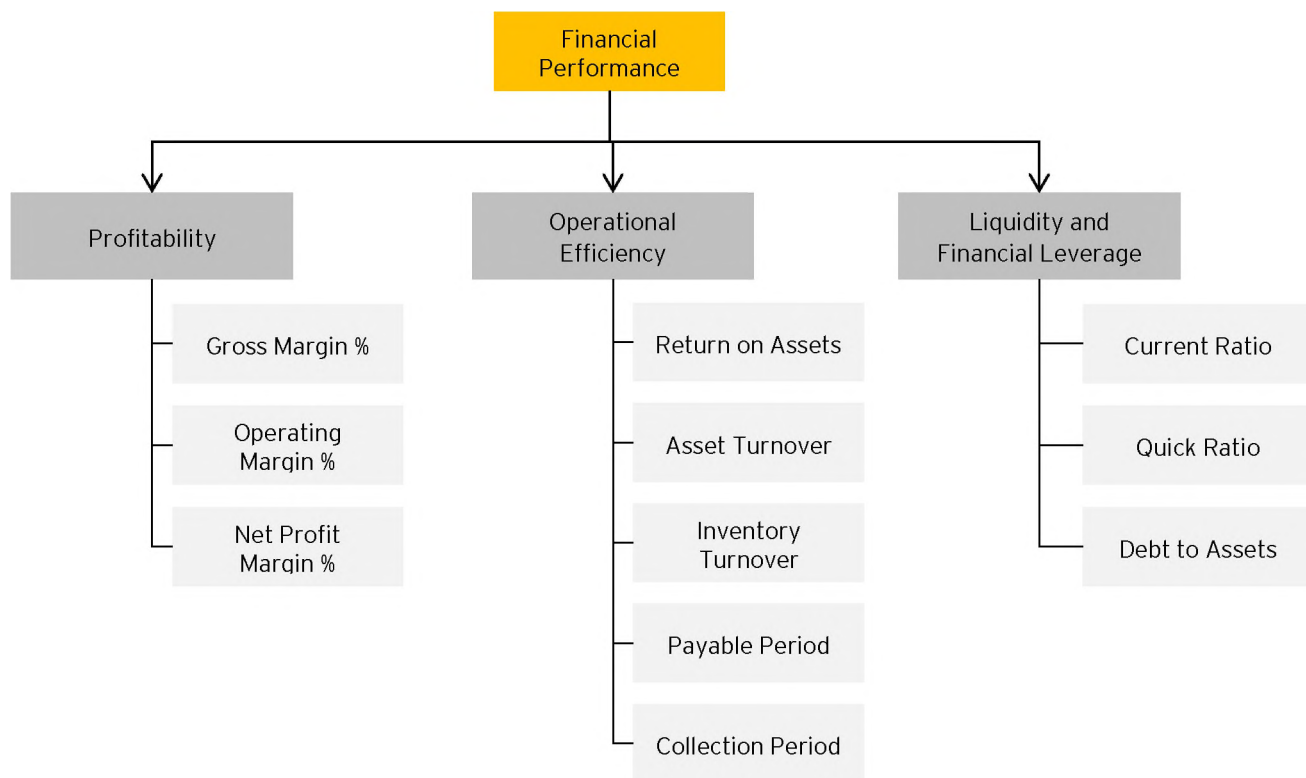
3.1 Overview

CCIC revenues stood at Rs 78.3 crore in FY 2012-13 with a compounded annual growth rate of 7.5% over the last three years. The net worth of the company is Rs 10.74 crore at the end of FY 2012-13 and CCIC’s total expenses for the year 2012-13 were Rs 82.71 crore.

The financial assessment for CCIC reflects a poor financial health for the company for the last three years (FY 2010-13). Although revenues have increased by CAGR of 7.5%, CCIC performs well below industry benchmarks on profitability, operational efficiency, liquidity, and revenue growth. Also CCIC has the highest cost structures compared to the industry. The industry benchmarks across financial ratios, revenue growth rates and cost as % of sales are taken from retail industry benchmarks in India.

The financial performance across the three financial levers have been analysed using the commonly used financial ratios in the retail businesses for performance benchmarking and is in line with the standard methodology to determine financial performance.

Figure 1: Financial Performance Levers (Ratio Analysis)



Key highlights of the financial assessment are as follows:

- ▶ CCIC 's revenue growth has been at CAGR 7.5% as against industry benchmark of 16.5%
- ▶ CCIC's is marginally profitable at 0.7% and 0.3% operating and net profit margins compared with industry benchmark of 5.7% and 3.52% respectively
- ▶ If the interest income of Rs 4 Crore is deducted from the organization’s revenues, CCIC makes losses with an operating and net profit margins of -4.3% and -4.6%
- ▶ Personnel cost of CCIC is 32% of sales compared to 13.7% that for the industry and the Administration cost is 13.7% of sales compared to 8.8% for the industry, highlight alarmingly high cost structures.

- ▶ All locations except Delhi and Kolkata are making losses. If interest income of FD's is deducted then even Delhi operates at a loss. Kolkata remains the only location to operate at a profit.
- ▶ Mumbai is the worst performer with maximum losses since last three years and has the highest personnel cost at almost 50% of sales. Even the administration cost of Mumbai is higher than all other locations.
- ▶ Kolkata has the best financial performance as it is the only location to make profits, and has the lowest cost structure.
- ▶ If CCIC loses the litigation case in Mumbai and has to pay Rs 44 crore as differential in rental, it will further damage the profitability as it will entail a large cash outflow. This will be met through the FD's which will result in zero interest income pushing the company into losses.

3.2 Revenue

The company has shown incremental sales from FY 2010-13 and the overall sales have grown at a CAGR of 7.5% to touch Rs 78.3 Cr in FY 2013. On account of Revenues CCIC has performed well showing a consistent growth over the last three years. Although revenues have increased in the last three years the revenue growth is below the industry avg. of CAGR 16.5%.

Figure 2- Revenue for CCIC FY 2010-13

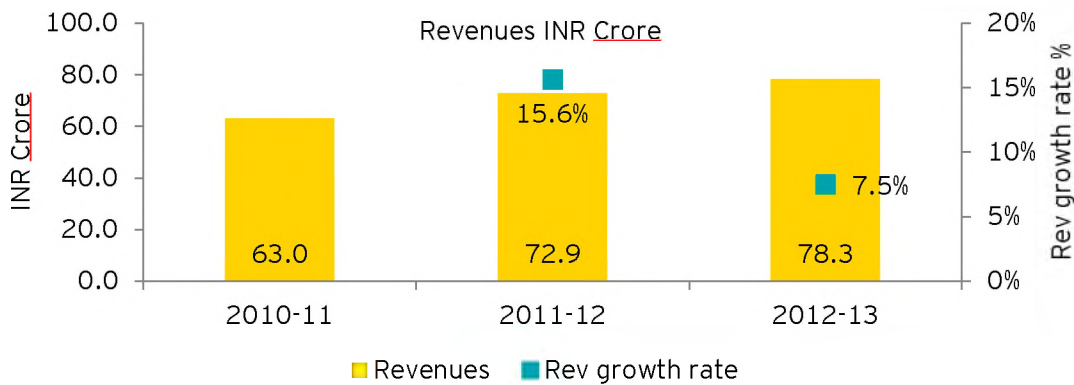


Figure 3- Contribution to revenue from HC and HL sales

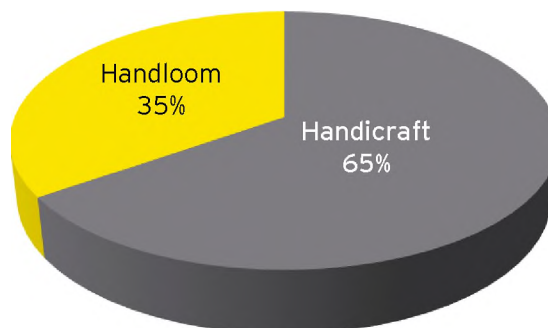
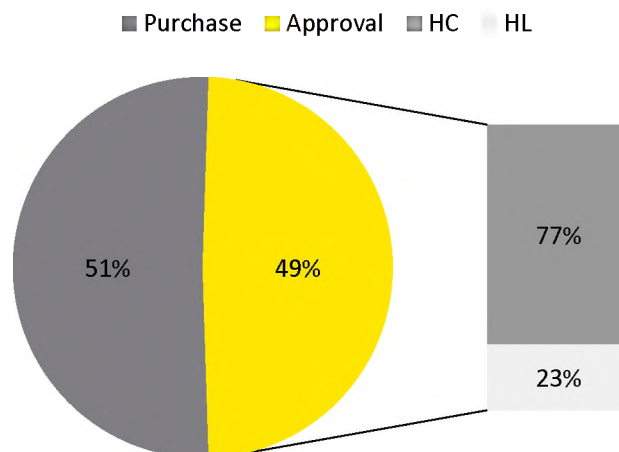


Figure 4- Contribution to revenues from approved and purchased stock



- ▶ Chennai has the highest sales growth over the last three years with CAGR of 16.1% in last three years.
- ▶ Handicraft contributes 65% to overall revenues; Handicraft have grown at CAGR of 6.1% while Handloom have grown at a CAGR of 3.8%
- ▶ CCIC has 49% approval sales out of which 77% approval sales are for Handicraft clearly indicating high value items being sold under Handicraft compared to Handloom section.
- ▶ Handicraft section at CCIC outperforms Handloom in terms of revenue contribution, revenue growth rate.

3.3 Cost

The cost head at CCIC are categorized broadly into five categories. Each cost head as a detailed schedule that is prepared under it which includes all line items under that cost head. The broad cost categories as used in the Annual report are explained below.

1. **Cost of Goods Sold (COGS)**- this is expenses incurred in purchasing inventory (raw material, finished goods, Work in process goods etc.). This takes into account opening stock, purchases, ending stock.
2. **Personnel Cost**- this is the manpower cost and includes salaries, allowances, bonus, contribution to P.F, EPS and Gratuity, staff welfare expense.
3. **Administration Cost**- this expense head includes Rent, Electricity and Water charges, Printing and Stationary, Computerization expense, repairs and renewals of plant, machinery and building, Travel and Conveyance etc.
4. **Trade**- includes all expenses related to advertising, marketing, publicity, discount of sales, legal and professional charges and other trade expenses etc.
5. **Depreciation**- is the expense charged on depreciation of assets at CCIC.

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The graphs below indicate that CCIC operates at a higher cost structure compared to industry especially for Personnel and Administration cost.

Figure 5- Cost Break Up- INR Crore

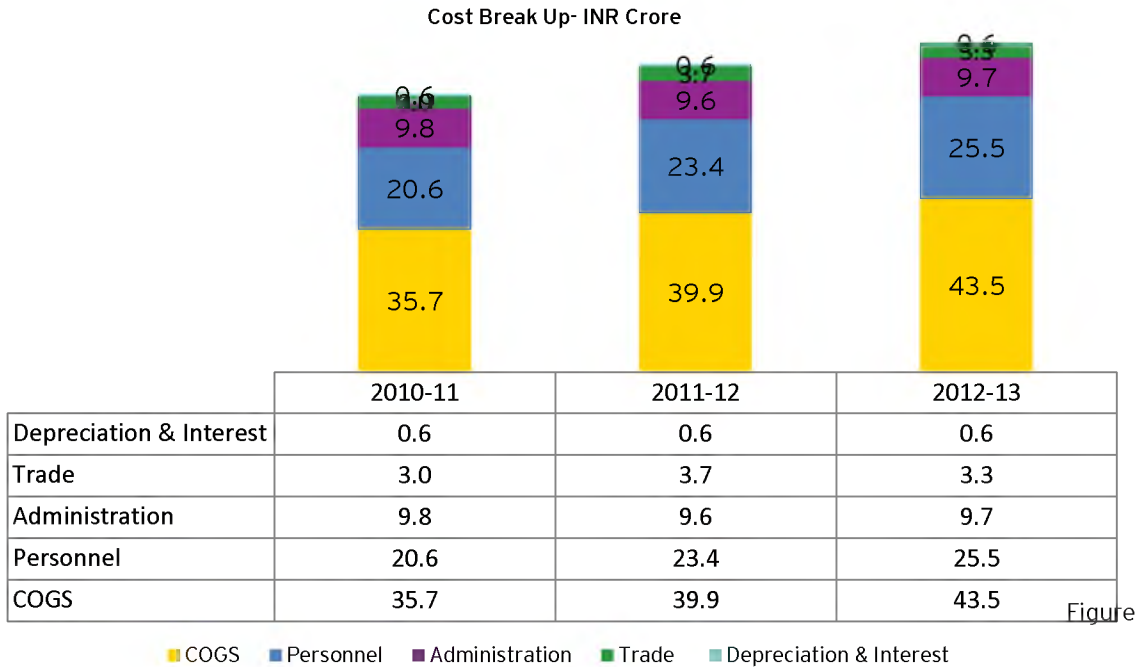
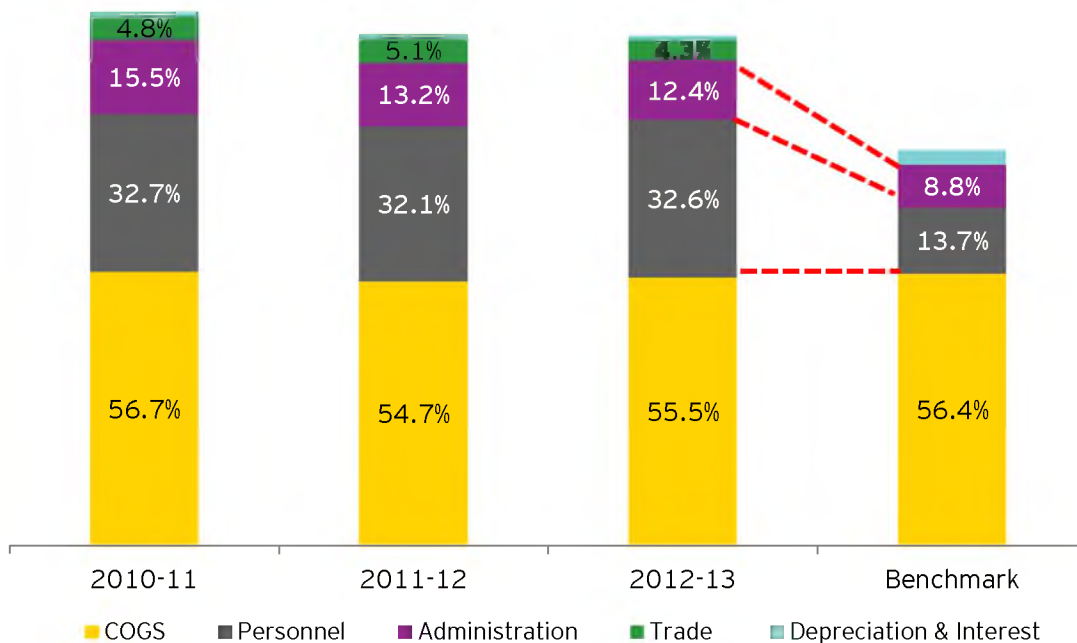


Figure 6- Cost as a % of sales



The numbers above reflect a high cost structure at CCIC when compared to industry benchmarks for retail. Personnel Cost has been increasing at a CAGR of 7.4% and stands at 32% of sales compared to 13.7% of sales as Industry average, which is alarming high. Administration cost is also above industry standards as it is 13.7% of sales compared to 8.8% of sales by industry benchmarks. COGS have increased at a CAGR of 6.8% and are almost in line with industry benchmarks at 55.5% of sales.

Marketing cost at CCIC is only 1.6% compared to industry standard of 3.96%. Rent is 5.8% of sales which is below industry avg. of 7.7% of sales. Electricity & water charges are 1.7% of sales

Although the Avg. Gross Margins for CCIC are around 50.3%, the Avg. Operating and Net Profit Margins are only -0.4% and -0.1% respectively. This shows a poor financial health for the company. The cost structures of CCIC have been compared with that of industry benchmarks².

Table 1- Growth rates of cost heads

Cost head	CAGR
COGS	6.8%
Personnel	7.4%
Administration	-0.1%

3.4 Financial Performance- organization level

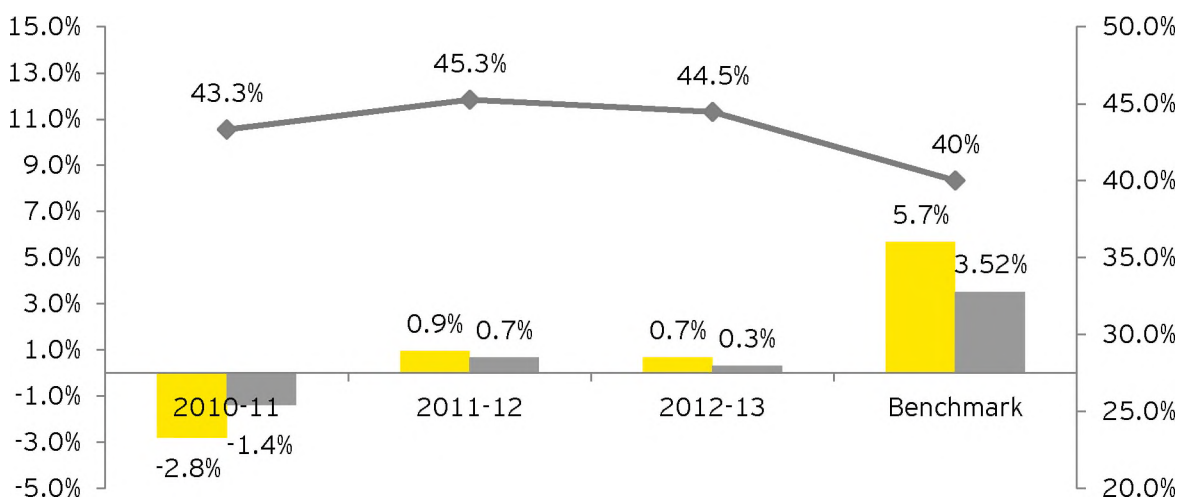
The Avg. Gross Margins for CCIC are around 50.3%, the Avg. Operating & Net Profit Margins are only -0.4% & -0.1% respectively. This shows a poor financial health for the company. The section below analyses financial performance at CCIC with the help of financial ratios & comparing those ratios with industry benchmarks.

3.4.1 Profitability

The profitability of the company is measured by three key financial ratios, which are explained below. These profitability ratios have been compared with industry benchmarks to assess if CCIC is making reasonable profits.

1. Gross Margin % - (Net Sales-COGS)/Net Sales
2. Operating Margin % - (Gross Margin - all fixed and variable costs + Other Income)/Net Sales
3. Net Profit Margin % - (Operating Margin - taxes)/Net Sales

Figure 7- Profitability ratios- (FY 2010-13)



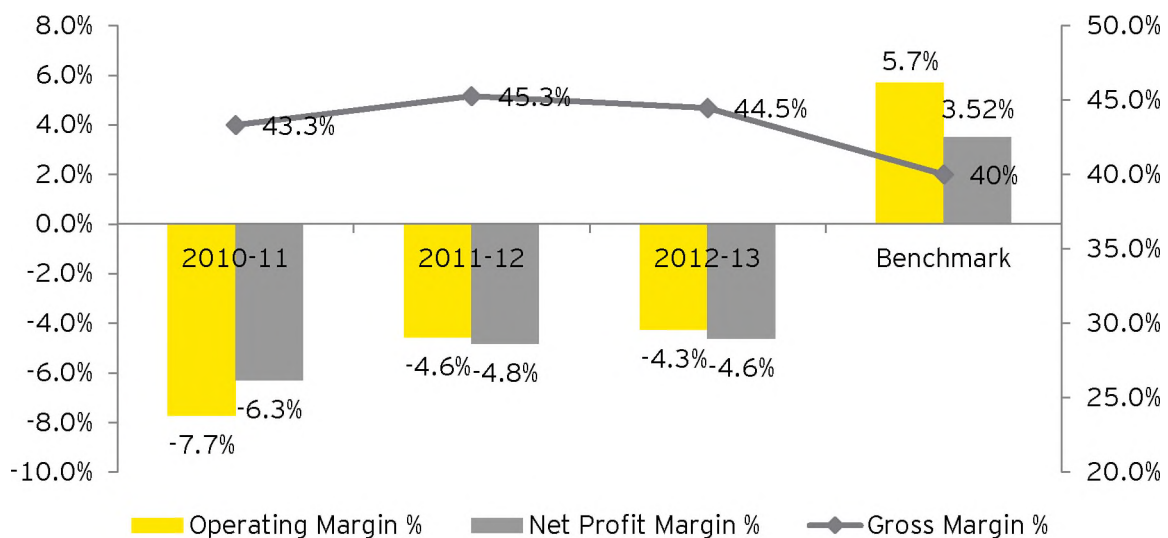
² Note- the industry benchmarks have been taken from the below links

<http://www.bizstats.com/corporation-industry-financials/retail-trade-44/>
<http://www.retailowner.com/Benchmarks/GeneralMerchandiseStores/VarietyStores>

http://csimarket.com/Industry/industry_Profitability_Ratios.php?s=1300

<http://www.retailowner.com/Benchmarks/GeneralMerchandiseStores/VarietyStores.aspx#2906294-roa>

Figure 8- Profitability ratios after deducting interest income from FDs



CCIC performs above industry average on gross margins; 44.5 % gross margins of CCIC compared with 40% gross margins for industry, but the profitability decreases substantially when the Personnel and Administration costs are added to derive the Operating margins. Operating and Net profit margins are below industry benchmarks refer to **Error! Reference source not found..** CCIC operates at 0.7% and 0.3% operating and net profit margins respectively compared to operating margin of 5.7% and net profit margin of 3.5% by Industry. This reflects a poor financial condition of the company.

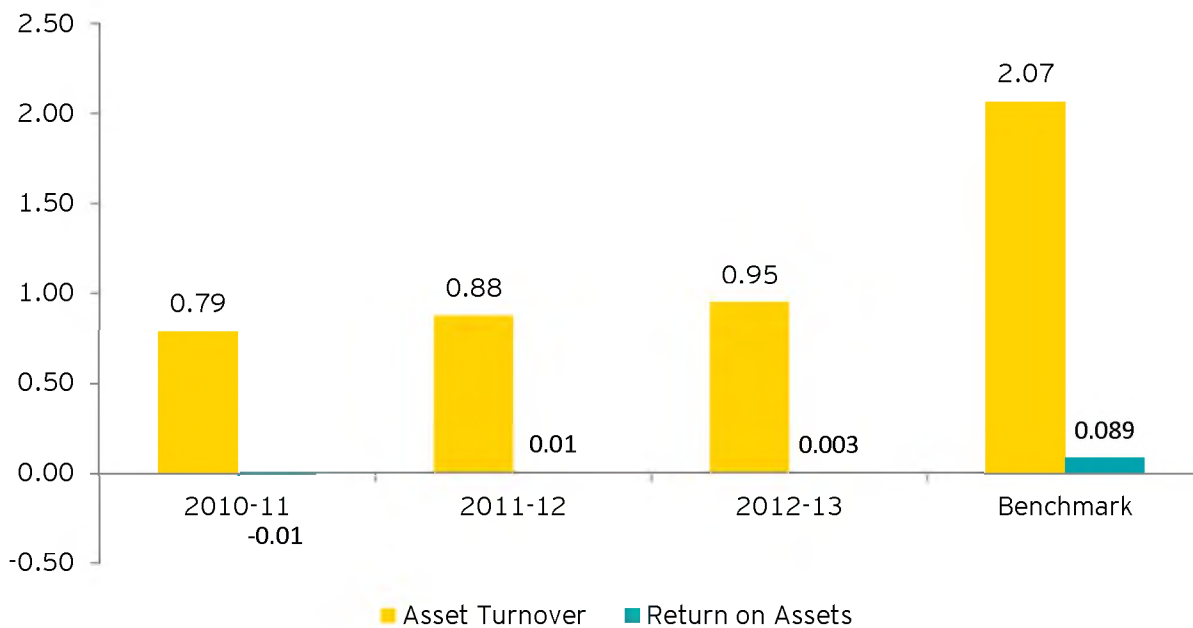
The company's operating margins and net profit margins have been decreasing over years and it is below the industry average. If the interest income from FD's is taken out, CCIC operates at negative operating and net profit margins refer to **Error! Reference source not found..** CCIC will become a loss making organization as soon as CCIC has to pay for litigation loss of Rs. 44 Cr, as the FDs will pay for this cash outflow. To add to this the next pay commission when implemented will further dent the poor profitability at CCIC.

3.4.2 Operational Efficiency

Operational Efficiency for a company in the retail business is defined by key ratios such as Asset Turnover Return of Assets, Inventory Turnover, Stock Turnover days, Collection period and Payable period.

1. Asset Turnover (Net Sales/Total Assets)- this ratio indicates how effectively the company uses its assets to generate sales, the higher the number the company is managing its resources more effectively, a lower number indicates that assets are not being utilized or being ineffectively used.
2. Return on Assets (Net Income/Total Assets) - this ratio indicates the income generated by assets. A higher number indicates a progressive company that is utilizing its assets effectively.
3. Inventory Turnover (COGS/Avg. Inventory) - this ratio signifies the number of times the inventory is moved or replaced. A higher number indicates that inventory sells fast; a lower number indicates that inventory sits for long before being sold.
4. Collection Days (Accounts Receivable/Credit Sales per day) - the number of days it takes CCIC to collect all outstanding receivables that are generated from credit sales.
5. Payable Days (Accounts Payable/Credit Purchases per day) - number of days after which CCIC pays its suppliers that are generated on account of Approved purchases.

Figure 9- Operational Efficiency Ratios- Overall (FY 2010-13)



CCIC has a poor operational efficiency, on account of low asset turnover and ROA even though CCIC has a low asset base. In case CCIC intends to own more assets the sales need to increase substantially to generate a healthy Asset turnover and ROA. CCIC performs well below Industry benchmarks for across all ratios. The Asset Turnover has gone up over the last three years indicating marginal improvement in operations but still operates at .95 which below the industry average of 2.07. This implies that all assets at CCIC are not even generating sales equivalent to the value of assets, as per industry standards CCIC should generate twice as much sales as the value of its assets.

The Return on Assets shows a similar performance as it is way below the industry average. ROA is measure by how much income is generated by its assets. In case of CCIC the ROA has gone down indicating that income generated by assets has gone down. The ROA is only at .003 which is below the industry norm of .089.

The third parameter i.e Inventory Turnover has decreased over the years showing that the stock sits in inventory for a long time before being sold. The Inventory is replaced on avg. 6.1 times in a year which is below the industry norm of 7.2. This translated to Stock Turnover days of 70 vis-a-vie the industry avg. of 51 days.

Table 2- Other operational efficiency ratios- overall

Parameter	2010-11	2011-12	2012-13	Benchmark
Inventory turnover	6.6	6.4	5.2	7.2
Stock Turnover Days	56	57	70	51
Collection Days	16.4	5.8	5.8	-
Payable Days	157.5	89.9	84.9	-

Collection days at CCIC are low indicating that the company is able to collect money from its debtors in 5.8 days, at the same time CCIC pays its creditors in 84.9 days. Since CCIC is able to collect money before it pays its creditors it minimizes its working capital. Collection and payable days have

decreased over time, but still high payable days for suppliers. Overall CCIC scores low on Operational efficiency as it is performing below industry benchmarks.

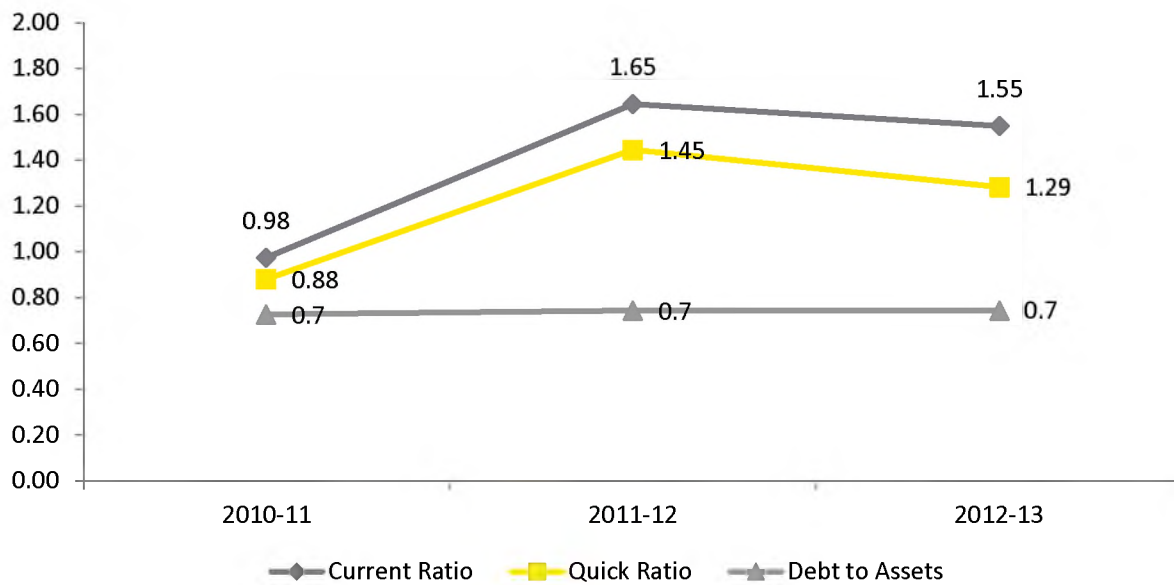
Note- Assets for CCIC primarily consists of building/land for example the Delhi showroom, Noida office etc. however industry invests heavily on IT assets which is miniscule for CCIC.

3.4.3 Liquidity and Financial Leverage

Liquidity is how quickly the company can convert its current assets to pay its short obligations. Also this parameter looks at financial leverage which implies

1. Current Ratio (Current Assets/Current Liabilities) - the current ratio compares the assets that will turn into cash within the year to the liabilities that must be paid within the year. A company with a low current ratio lacks liquidity in the sense that it can't reduce its current assets for cash to meet maturing obligations.
2. Quick Ratio (Current Assets-Inventories)/Current Liabilities) - this is a more conservative ratio as it reduces the numerator by Inventories, as inventories are frequently illiquid.

Figure 10- Liquidity Ratios- Overall



CCIC's Current Ratio and Quick Ratio has increased over the years indicating that company has low liquidity to pay off the current obligations. CCIC has a Debt to Asset ratio of .7 which implies that 70% of CCIC's assets in book value terms; comes from creditors of one type or another.

Overall CCIC has poor financial health as it performs low on profitability, operational efficiency and financial leverage.

3.5 Financial performance at locations

Overall Financial Ratios- Avg. of financial ratios for last three years

Table 3- Financial Ratios for locations

	Del	Mum	Bang	Chennai	Kol
Profitability					
Gross Margin %	46.3%	49.7%	45.0%	45.6%	44.6%
Operating Margins %	5.9%	-58.7%	-13.0%	-8.0%	2.9%
Operational Efficiency					
Asset Turnover	0.7	2.7	2.8	1.0	6.4
Inventory Turnover	7.3	2.9	3.5	5.9	5.0
Stock Turnover Days	50	125	110	62	73
Collection Days	10.9	4.7	3.1	0.0	1.4
Payable Days	98.9	195.8	160.2	91.3	135.8
Liquidity and Financial Leverage					
Current Ratio	2.9	0.1	0.9	0.9	0.7
Quick Ratio	2.7	0.0	0.3	0.3	0.1

The financial ratios in the above table have been derived by taking the average across three years. Mumbai is the worst performer in terms of profitability, operational efficiency and liquidity/financial leverage. It has the lowest operating margin, lowest inventory turnover, lowest current and quick ratio. It has the highest payable days which imply that suppliers are paid on avg. after 196 days from the date of purchase. Mumbai is also the worst performer in terms of Personnel and Administration cost, as it has the highest Personnel and Administration cost compared to other locations. Kolkata is the best performing location; if we exclude the interest income from FD's at Delhi. Kolkata also has the lowest personnel and administration cost (as a % of total cost) compared to all locations.

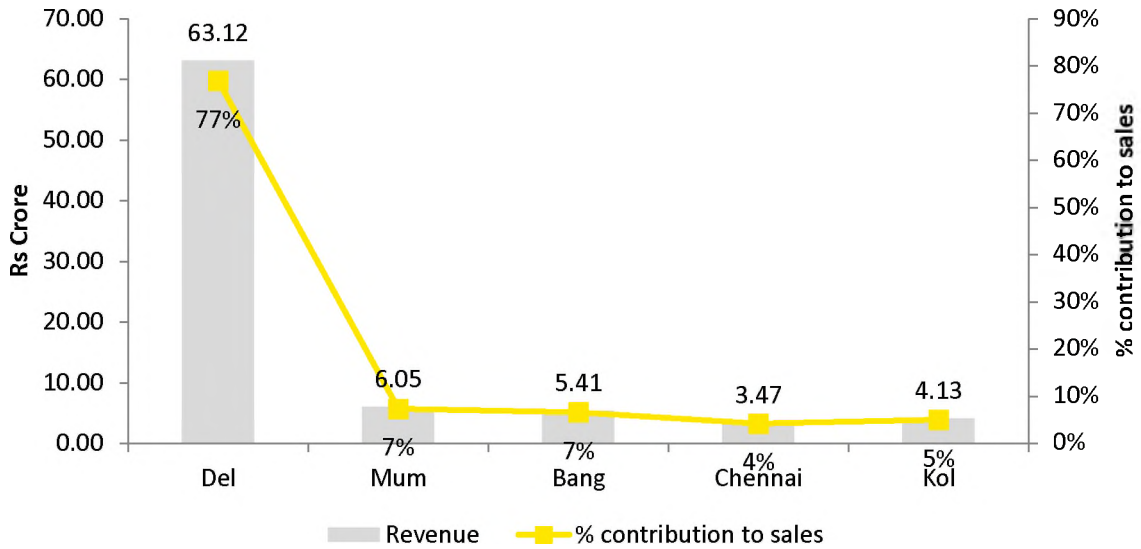
All locations except Delhi and Kolkata have negative operating margins, which imply that after deducting fixed and variable costs from total net revenues all locations are making losses. If we deduct the interest income, then Delhi is also operating at a loss. Kolkata is the only location to make operating profits, hence is the best performer.

Collection days are very low across locations since most of the sales are paid off at the time of sale and hence there is low credit sales/Account receivable to be collected. On the other hand Payable days are high and are highest for Mumbai, since almost 60% of purchase is made on Approval basis for which the money is paid to the supplier only once the items are sold. CCIC has high payable period with Mumbai leading the list at 196 days.

Current and Quick ratio is below 1 for all locations except Delhi, indicating that Mumbai, Bengaluru, Chennai and Kolkata are less liquid to meet its current obligations/liabilities. Delhi has a strong current and quick ratio that means that it can meet its liabilities through its current assets.

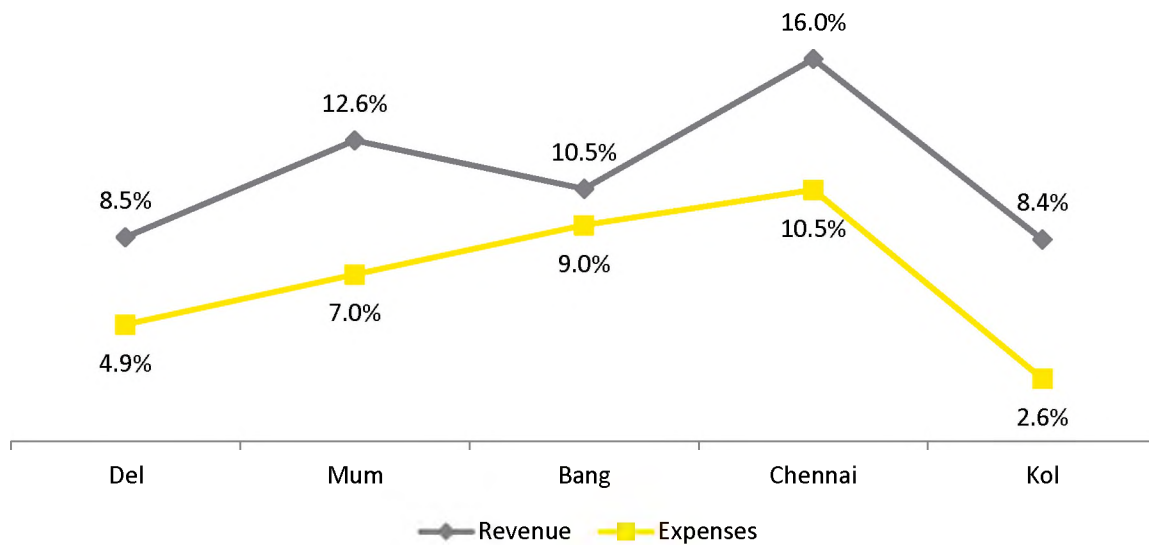
3.5.1 Revenue assessment

Figure 11- Revenue contribution across locations- FY 2012-13



For the sales figures for FY 2012-13, Delhi is the largest contributor with 77% to overall revenues followed by Mumbai, Bengaluru at 7% each, Kolkata at fourth position with 5% and Chennai contributing 4% to overall sales.

Figure 12- Revenue and Expense CAGR (FY 2010-13) across locations



In terms of revenue and expense growth rates over the last three years, although Chennai has recorded maximum growth in revenues at 16% it has also recorded maximum growth in expenses at 10.5%. Kolkata has recorded lowest revenue and expense growth at 8.4% and 2.6% respectively.

3.5.2 Cost assessment across locations

Figure 13- Avg. Cost % of Sales across locations

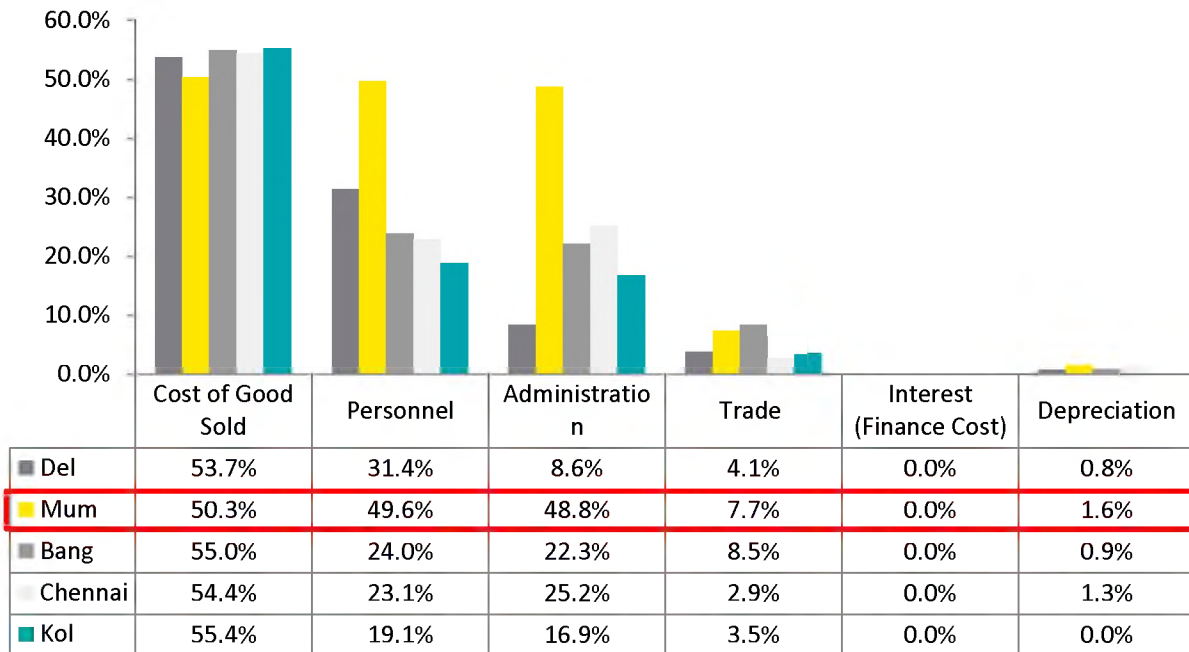
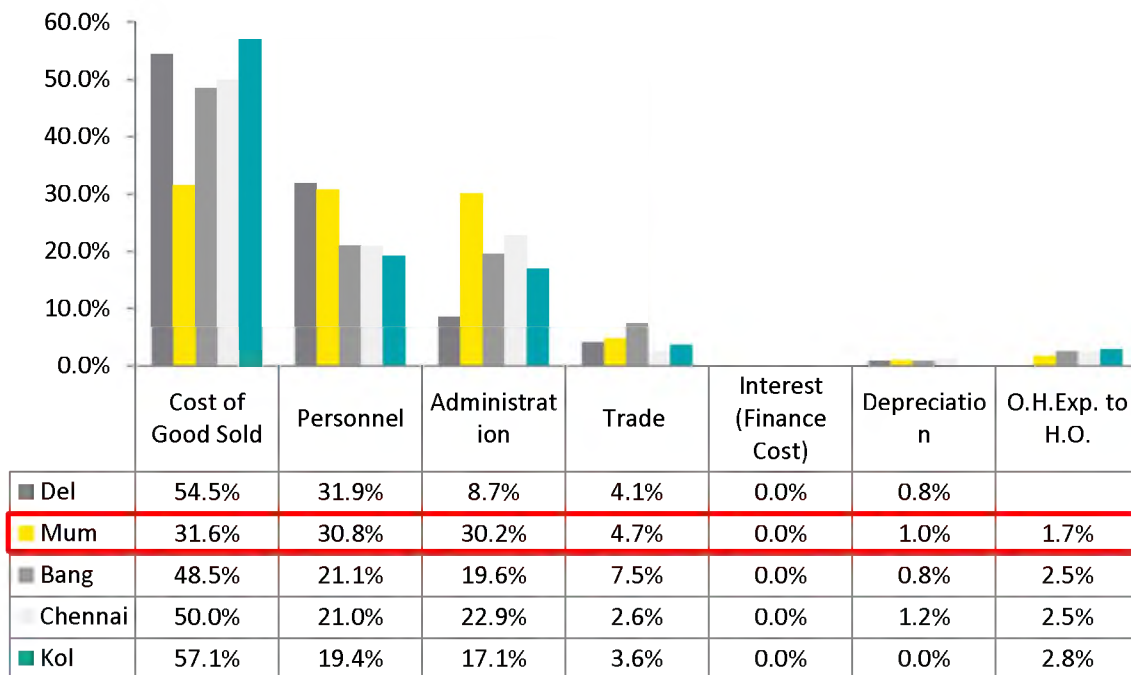


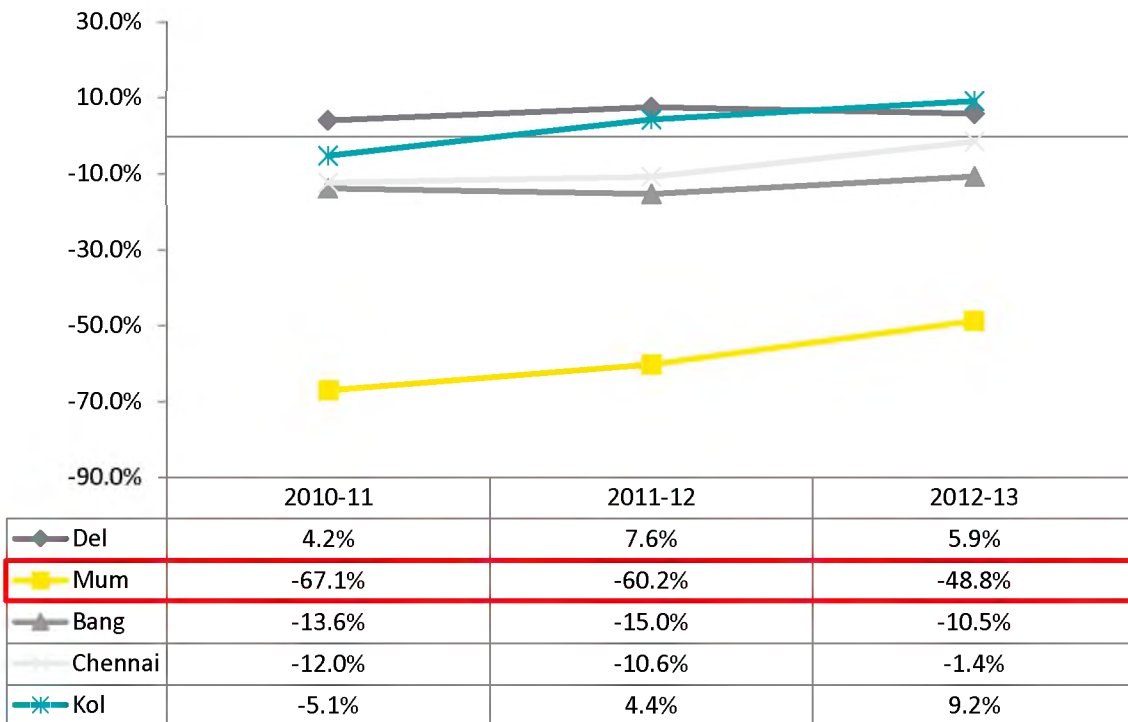
Figure 14- Avg. Cost as a % of Total Cost across locations



Mumbai has the highest Personnel and Administration costs compared to all other location. While Personnel cost is in the range of 19-32% of sales for other locations, Mumbai has Personnel cost at 49.6% of sales which is extremely high. Administration Cost for all locations is in the range of 8-25% of sales; Mumbai has Administration cost at 48.8% which is way above the normal range. Mumbai has the highest cost structure when compared to all locations, indicating an aberration. Kolkata has the lowest Personnel and Administration cost (% of total cost) compared to other locations.

3.5.3 Financial Ratios Analysis

Figure 15- Operating Margin % across locations FY 2010-13

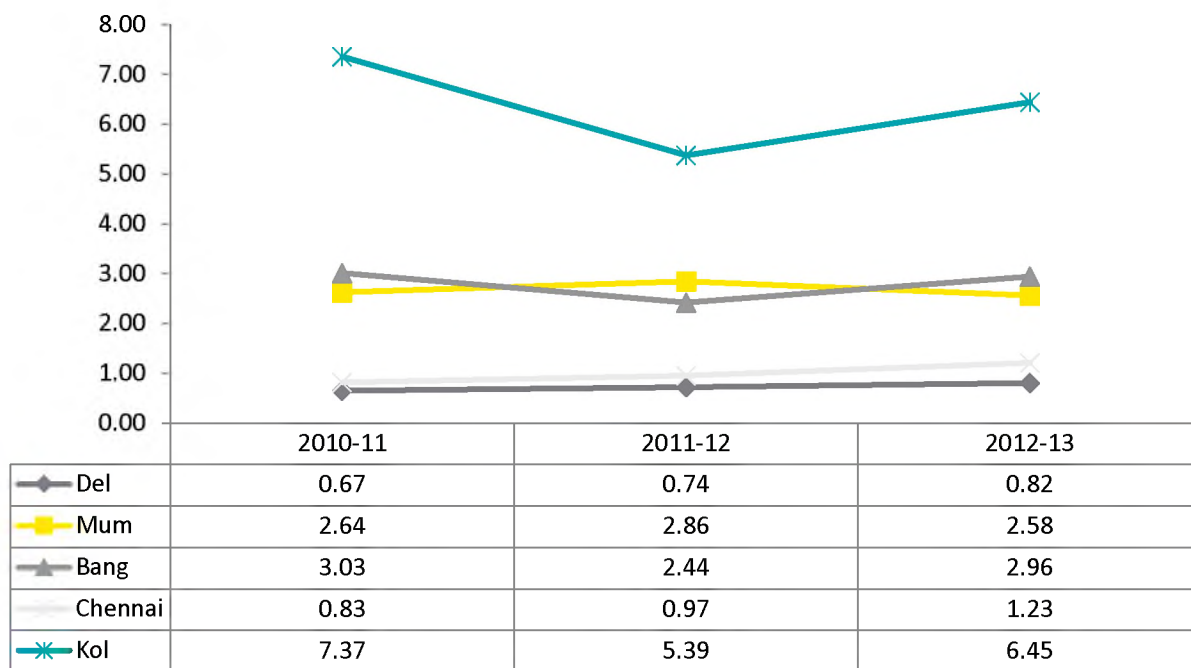


Delhi and Kolkata are the only two locations that have positive operating margins; that implies that these are profit making locations for CCIC. Delhi is the best performer in terms of Operating Margin % followed by Kolkata. All the other three locations i.e Bengaluru, Chennai and Mumbai have negative operating margins.

If we subtract the interest income at Delhi, that accrues due to interest received on deposits with banks and others then even Delhi operates at a negative operating margin of **-2.1%**. Kolkata is the only location that operates a positive operating margin even if we subtract the interest income. The avg. interest income across Delhi is Rs. 4.16 Crore, which is if taken out results in Delhi also being a under performer.

Mumbai is the worst performer with lowest operating margin, and is making maximum losses, on account on low sales and highest cost heads compared to the other locations.

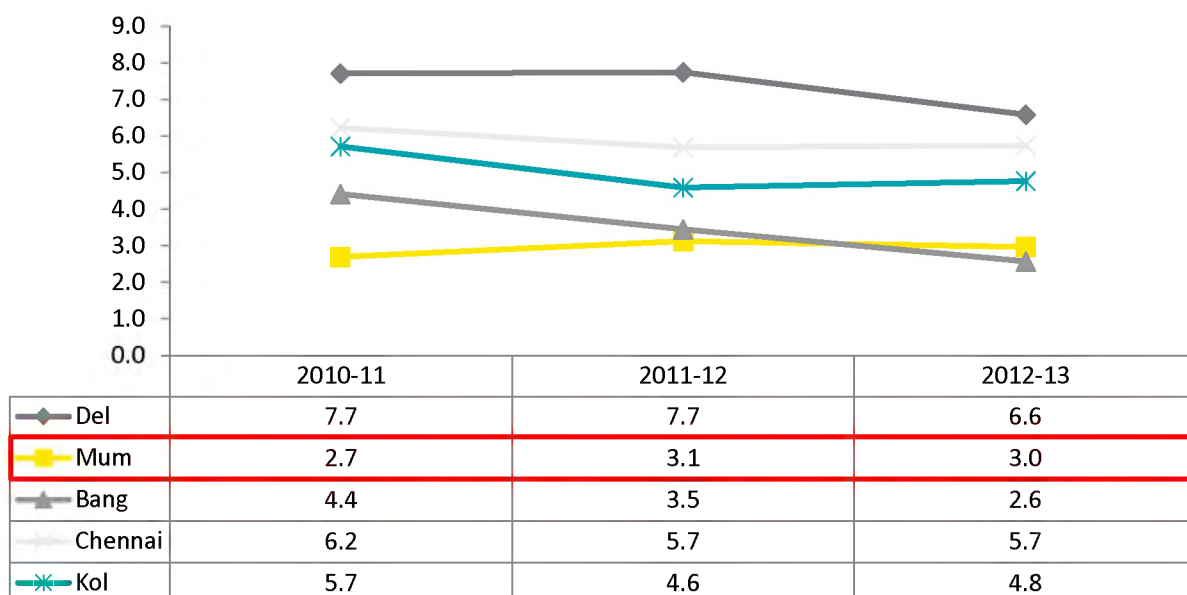
Figure 16- Asset Turnover across locations



Kolkata has the highest Asset turnover ratio of 6.41 (avg. of last three years) indicating best use of assets to generate sales. Delhi has the lowest Asset turnover with .74.

Bengaluru is second after Kolkata with 2.81 followed by Mumbai at 2.69. Chennai is marginally better than the lowest performer Delhi at 1.01.

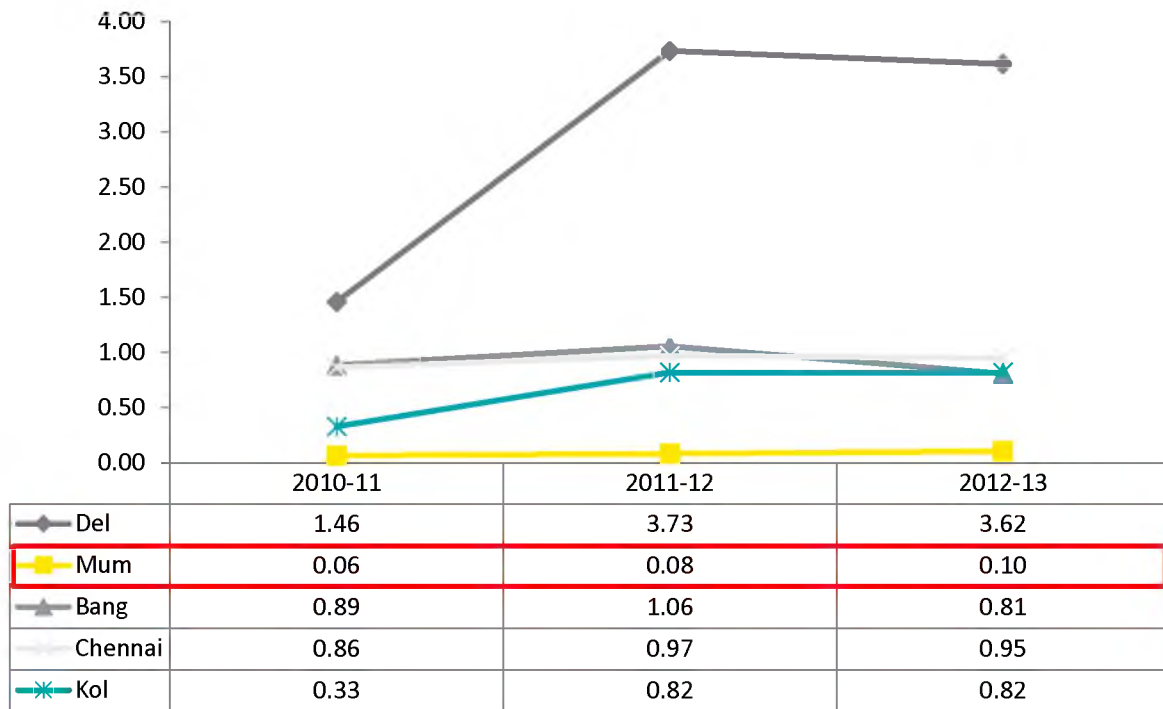
Figure 17- Inventory Turnover ratio across locations



Delhi has the best Inventory turnover ratio compared to all other locations that implies the inventory is replaced on avg. 7.3 times a year. Chennai and Kolkata are at second and third positions where inventory is replaced 5.9 and 5 times a year respectively. Bengaluru is at fourth place with an Inventory turnover ratio of 3.5.

Mumbai is the worst performer in terms of Inventory turnover ratio, where the inventory moves only 2.9 times in a year.

Figure 18- Current Ratio across locations



All locations have Current ratio below 1, indicating that all locations are not in a position to meet its current liabilities that will mature in the next one year. All locations except Delhi have way more current liabilities than current assets, and signify a high risk for CCIC.

Delhi is in a sound position with a strong current ratio where are Mumbai is the worst performer having the lowest current ratio.

4 Buying

Buying is an integral and important function at CCIC. The Buying function is organized into Buyers who are responsible for two-three product categories and procure, manage, coordinate with suppliers within those respective product categories. Buying takes place across the 24 product categories through a network of 6,092 registered suppliers spread along the length and breadth of the country.

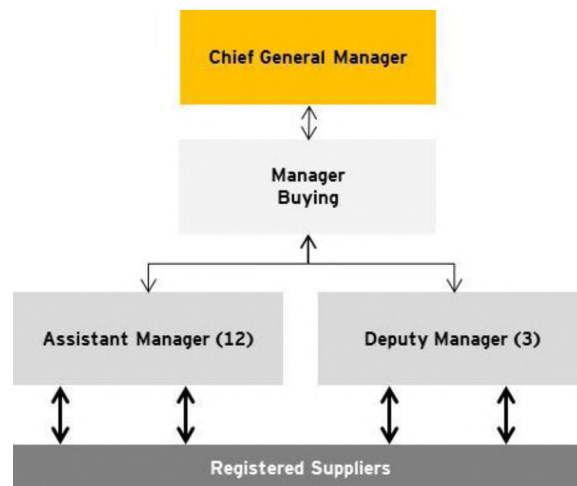
At present the buying team consists of employees who have had extensive experiences in their specific product categories and are knowledgeable about the material being used, the type of craftsmanship, origin of product and quality features etc. Buying function at CCIC is decentralized which implies that there are Buyers across all locations have separate budgets and procure independently. The purchased stock is received at stores in Delhi, Mumbai, Kolkata and Bengaluru. The team at stores is responsible for quality inspection, bar coding and transferring items to showrooms.

Structure and functions of the buying team

The Buying team consists of a Manager-buying, supported by a team of 15 Buyers, of which 11 are based out of Delhi, while Mumbai, Bengaluru, Chennai and Kolkata have one Buyer each.

- ▶ There are 12 AM and 3 DM who work as Buyers but report directly to Manager-Buying.
- ▶ Out of the 12 AM's, eight are based out of Delhi while Mumbai, Bengaluru, Chennai and Kolkata have one each AM. All three DM's are based out of Delhi.

Figure 19- Structure of Buying team



Major activities

- ▶ Identification and purchase of products from the list of registered suppliers ensuring utilisation of buying budgets
- ▶ To represent a good product mix which conforms to the quality standards of CCIC
- ▶ To maintain stock levels of all items to avoid stock outs at showrooms
- ▶ Co-ordinate and manage all suppliers for respective product categories
- ▶ To coordinate with sales team for special orders and sales targets
- ▶ Conduct market surveys to understand existing trends (new products), changing demand of customers and competition
- ▶ To work with the Design team and suppliers to introduce new products to cater to changing customer needs.

AM and DM both perform the role of a Buyer but they report directly to the Manager-Buying in Delhi which in turn reports to the Chief General Manager. The buying also consists of a Purchase Committee which Manager-Buying, AGM (Commercial Marketing) and buyer.

4.1 Buying Process

Buying can take place for either new products or old products. For all new products the samples and cost sheets are to be approved by Purchase Committee. The new items may be identified through the stocks showcased by suppliers visiting CCIC showrooms or by the buyers visiting trade exhibitions/suppliers at their locations. For all old items no approvals are required unless there is revision in the costing of the item from the supplier. In case of new changes to cost sheets for the items the Purchase Committee approves or rejects the same. The role of a Purchase committee is to approve rates for new items or revise price for old items.

The supplier needs to be registered as Artisan with DC-Handicraft in order for him/her to supply to CCIC. There is form for supplier registration which is to be filled by the new supplier that is to be registered with CCIC.

The Buyer at CCIC typically manages two to three product categories and has a Buying budget that is made month-wise for each product category and is shared with the Buying team by MIS team. The Buyer is an experienced person at CCIC who knows about the quality, product material etc. for items that he/she handles. Each month actual sales for that product category and closing inventory at SP value is shared by the MIS team with respective Buyers. The Buyer checks the actual sales and ending inventory before placing an order for that month with the suppliers. The buying budget is not defined at an item level and the Buyer has the discretion to select the quantity, supplier and order value based on his/her experience.

There is no minimum inventory levels defined but there is a maximum value of Inventory which is valued at SP and can be two/three times of sales for that month for a product category. Buyer looks at actual sales vs. target sales for the month and the ending inventory before placing the order. Purchase Order is raised and the same is communicated to the supplier. Any item which is more than Rs 10,000 is bought only on Approval basis, i.e the payment to supplier is made once the item is sold. All PO's are signed and approved by Manager-Buying. In some cases the POs are sent to CGM or AGM (Showroom) in case of customer orders. Once the POs are delivered to the supplier, the supplier makes and delivers the orders either to the showroom directly but most cases the items are delivered to the store.

First level of inspection is done by the Buyer, who placed the order. This is to check the specification, material etc. If the inspection is found to be ok, items are approved for second level inspection by the store. In case the inspection is not found satisfactory, the goods are returned to the supplier. Store inspects the items for quantity, quality factors such as damage, torn, stains etc. If inspection is found to be ok, the details of Invoice by the supplier are entered into SIMS. Once all relevant information is entered into the SIMS, Bar codes are printed and applied to each item. A transfer Challan is made and items are transferred to the respective showrooms. The invoice of the supplier is entered into the SIMS and given to Finance to be entered in FPMS to processing of the payment to the supplier in 60 days in case of Purchase stock and on sale of item in case of Approved stock.

4.2 Suppliers

CCIC buys from its list of registered suppliers that are classified into five categories. CCIC has the mandate to purchase over 70% products from Artisans that are registered with Development Commissioner (DC)-Handicrafts. The supplier categories and their definitions are as follows:

- ▶ **Artisan/Craftsmen:** Persons that make products with the help of his tools and expertise. Usually Artisans do not supply in large volumes as their capacities are limited on account of huge capital requirements. Within this category there are Artisans that are National or State

Awardees which also form a part of registered suppliers from whom CCIC buys. In the supplier database artisans stand at 81% of the total.

- ▶ **NGO/Co-Operatives:** These are Non-Government Organization which is making items at their societies with help of the people under that NGO. CCIC places an order with the NGO and the NGO executes the order with the help of people inside the NGO. At present there are 5% NGOs in the database
- ▶ **Manufacturers:** is a person or business unit who has a group of Artisans working for them, in this case the shed, tools etc. may also be provided by the Manufacturer to the Artisans. CCIC places an order with the Manufacturer who in turn gives the work to these Artisans. The manufacturers have their own terms and conditions with these Artisans, but the order is delivered to CCIC by the Manufacturer. 8% of the registered suppliers are manufacturers.
- ▶ **Middlemen/Dealers:** these are dealers or middlemen that store or purchase large volumes of products from Artisan and sell to CCIC at a commission. CCIC places an order in this category only for bulk or large volume of orders that cannot be executed through Artisans or any other categories. 4% of the registered suppliers are middlemen
- ▶ **Clusters:** These are government sponsored, in which large number of Artisans register. The order is given to the Cluster which in turns gives the work to the Artisans. Under this a large group of Artisan may be registered, but they may be using their own tools, capital etc. 2% of the registered suppliers are clusters.

4.3 Buying spends

An analysis of the organisation's spending on buying in the last three years indicates the following trends:

- ▶ Delhi showroom has the largest value of purchases followed by Mumbai, Bengaluru, Chennai and Kolkata contributing to about 80% to total purchases across all locations as indicated in Table 4- Expenditure on buying across locations and Figure 20- Expenditure on buying across locations
- ▶ On avg. 8% of purchases are made from National/State awardees.
- ▶ Purchases have grown y-o-y at a CARG of 15% while the Sales have grown at a CAGR of 8% for the same period (FY 2010-13) which indicates the following
 - More Purchases have been done than corresponding sales in value terms over the same period
 - Incremental increase in per unit cost by supplier is greater than incremental increase in per unit selling price
- ▶ The trend in avg. purchase value in the last three years as indicated in table 8 is as follows:
 - Highest for Wood, followed by Art Objects, Metals and Shawls with average value being >Rs 3 crore.
 - Lowest is for Toys, Men's Wear, Furnishing, Lamps, Children's Wear and Jute Objects which is <Rs 50 lacs
- ▶ 83% of product categories show a higher growth of purchases compared to sales growth of the same period which has been indicated in Figure 21- Trend Analysis*- Purchase Vs. Sales (FY 2010-13)
 - Difference between purchase growth rate and sales growth is highest for Children's Wear

- Other noticeable categories where purchase growth rate is higher than sales growth by more than are 5 % points are Wood, Men’s Wear, Shawl, Jewellery, Carpets, Bed Spreads, Jute Objects, Metal, Pottery, Dress Fabrics, Table Linen, Women’s Wear.
- ▶ The reason for high purchases compared to sales could be on account on stocking items for which the supply is limited or the manufacturing lead time is large or to have a large mix of products at the shelf.
- ▶ It is interesting to note that the products with lowest average expenditure are also the ones where purchase growth rate is higher than sales growth rate.
- ▶ Further a review of buying spends across (refer Table 6- Buying across States and Figure 22- Purchases made from suppliers across India) states indicates the following:
 - Registered suppliers are concentrated in North with 54% belonging to mere 4 States, i.e Delhi, UP, Rajasthan and JK.
 - 82% of purchases done only from four northern states i.e Delhi, UP, Rajasthan, JK and hence buying is skewed towards these states
 - Delhi, Rajasthan and UP are equal contributions approx. 23% followed by JK at 12%
 - Except for Delhi showroom, no buying has taken place for last three years from suppliers of Jharkhand, Manipur, Nagaland, Sikkim, and Tripura.

Table 4- Expenditure on buying across locations

S.No	Showroom Location	2010-11 (Rs)	2011-12 (Rs)	2012-13 (Rs)	Avg. (Rs)	CAGR
1	Delhi	22,56,32,824	26,17,90,604	29,93,29,046	26,22,50,825	9.9%
2	Kolkata	57,29,038	1,16,08,156	77,78,135	83,71,776	10.7%
3	Mumbai	2,00,47,634	2,38,81,196	2,85,14,447	2,41,47,759	12.5%
4	Chennai	1,05,90,590	1,53,32,475	1,37,77,401	1,32,33,489	9.2%
5	Bengaluru	1,75,08,353	2,30,46,118	2,01,48,231	2,02,34,234	4.8%
Grand Total		27,95,08,438	33,56,58,549	36,95,47,261	32,82,38,083	9.8%

Figure 20- Expenditure on buying across locations

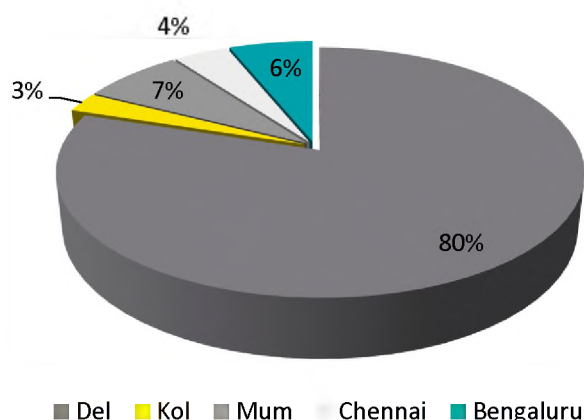


Table 5- Expenditure on buying across product categories

	Product Category	2010-11 (Rs)	2011-12 (Rs)	2012-13 (Rs)	Avg. (Rs)	CAGR
1	Wood	2,89,99,866	4,10,65,608	5,73,58,779	4,24,74,751	25.5%
2	Art Objects	3,53,25,656	4,59,63,221	4,57,42,318	4,23,43,731	9.0%
3	Metal	3,15,42,052	4,17,01,432	4,46,64,432	3,93,02,639	12.3%
4	Shawl	2,43,09,558	3,39,46,208	3,94,11,657	3,25,55,808	17.5%
5	Brass	1,78,78,022	2,11,86,788	2,02,10,365	1,97,58,392	4.2%
6	Saree	1,98,27,235	2,01,65,036	1,81,20,445	1,93,70,905	-3.0%
7	Carpets	1,74,91,840	1,25,81,234	2,19,70,631	1,73,81,235	7.9%
8	Herbal/Perfumes	1,32,22,249	1,46,70,738	1,44,90,565	1,41,27,851	3.1%
9	Pottery	1,25,65,178	1,49,39,021	1,41,78,399	1,38,94,199	4.1%
10	Furniture	95,94,424	1,32,65,392	1,46,46,223	1,25,02,013	15.1%
11	Jewellery	90,31,281	1,12,24,826	1,27,24,589	1,09,93,566	12.1%
12	Women's Wear	98,40,525	1,06,90,895	1,04,71,803	1,03,34,408	2.1%
13	Bed Spreads	82,48,203	89,60,109	1,13,27,976	95,12,096	11.2%
14	Accessories	82,56,200	98,33,571	91,32,862	90,74,211	3.4%
15	Dress Fabrics	71,69,894	99,99,889	87,26,362	86,32,048	6.8%
16	Craft	82,66,352	76,73,862	87,21,886	82,20,700	1.8%
17	Table Linen	48,00,185	52,26,972	55,18,751	51,81,970	4.8%
18	Toys	27,43,094	29,56,325	29,78,119	28,92,513	2.8%
19	Men's Wear	19,94,799	30,98,756	33,37,309	28,10,288	18.7%
20	Furnishing	26,11,705	31,91,639	20,58,461	26,20,602	-7.6%
21	Lamps	44,51,229	12,22,357	11,43,351	22,72,312	-36.4%
22	Children's Wear	8,93,839	13,23,348	21,48,794	14,55,327	34.0%
23	Jute Objects	4,45,050	6,71,321	4,63,184	5,26,519	1.3%
24	Khadi	0	0	0	0	0.0%
Grand Total		27,95,08,438	33,56,58,549	36,95,47,261	32,82,38,083	9.8%

Figure 21- Trend Analysis*- Purchase Vs. Sales (FY 2010-13)

*CAGR has been computed for Actual Purchase Value and Sales Value across product categories

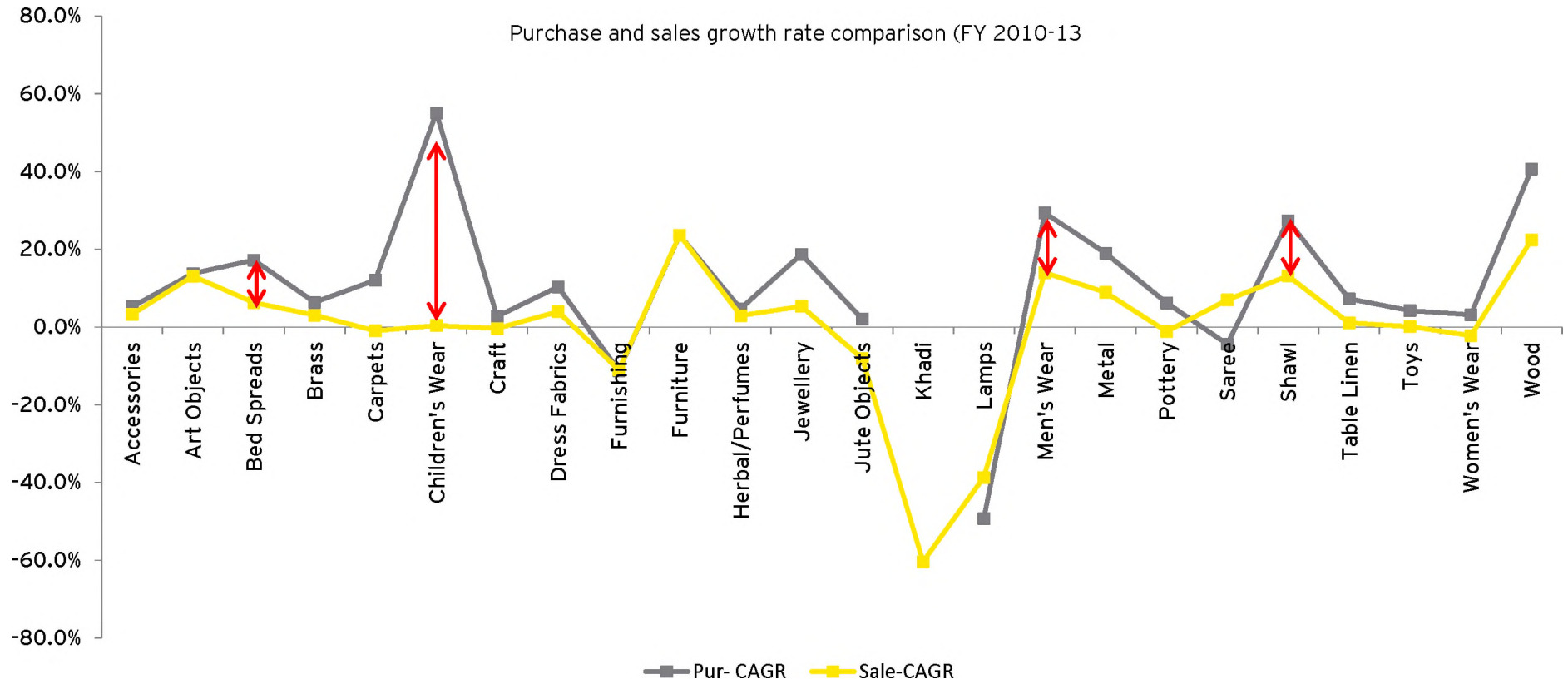
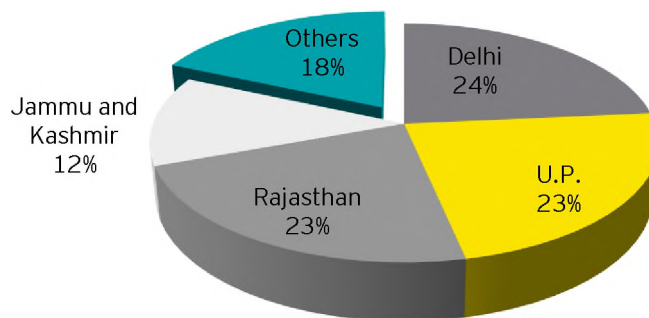


Table 6- Buying across States

State	CCIC showrooms				
	Bengaluru	Chennai	Delhi	Kolkata	Mumbai
Andhra Pradesh	⌵	⌵	⌵	⌵	⌵
Assam			⌵		⌵
Bihar	⌵	⌵	⌵	⌵	⌵
Chhattisgarh			⌵		⌵
Delhi	⌵	⌵	⌵	⌵	⌵
Goa			⌵		⌵
Gujarat	⌵	⌵	⌵	⌵	⌵
Haryana	⌵		⌵	⌵	⌵
Himachal Pradesh	⌵	⌵	⌵	⌵	⌵
Jammu and Kashmir	⌵	⌵	⌵	⌵	⌵
Jharkhand			⌵		
Karnataka	⌵	⌵	⌵	⌵	⌵
Kerala	⌵	⌵	⌵	⌵	⌵
Madhya Pradesh	⌵	⌵	⌵	⌵	⌵
Maharashtra	⌵	⌵	⌵	⌵	⌵
Manipur			⌵		
Nagaland			⌵		
Orissa	⌵	⌵	⌵	⌵	⌵
Puducherry	⌵		⌵	⌵	⌵
Punjab	⌵	⌵	⌵	⌵	⌵
Rajasthan	⌵	⌵	⌵	⌵	⌵
Sikkim			⌵		
Tamil Nadu	⌵	⌵	⌵	⌵	⌵
Tripura			⌵		
U.P.	⌵	⌵	⌵	⌵	⌵
Uttaranchal	⌵				
Uttarakhand			⌵		⌵
West Bengal	⌵	⌵	⌵	⌵	⌵

Figure 22- Purchases made from suppliers across India



4.4 Issues and challenges

1. **No standard way of defining items**- each time the same item is purchased it is given a new item code based on date of purchase. Since no standard way to define a unique item, and item number for the same item keeps changing, no analysis possible at SKU level to optimize inventory, depending on fast or slow moving items. Also no way to establish if the item should be categorized as new product or old product.
2. **No standard mechanism for quality assurance**- the buying takes place based on the experience of the buyers. There is no Standard Operating Procedure, sample based lab testing etc. to determine the quality of the item. For example whether the items is of pure silk or not is determined by the experience of the buyer, in case of an inexperienced buyer there are no standard method or tools to establish quality norm for the products supplied by suppliers at CCIC.
3. **Price negotiations are driven by experience and not by market intelligence**- even though Buyers are required to understand market study and based on the prices in the market, plus the latest cost elements and trends the negotiations are to be done with the suppliers. In the current context no market reports were available with buyers and hence the price negotiations are purely based on old estimates and experience of the buyers.
4. **Monthly buying budgets and no provision for bulk purchase**- The buying budget doesn't account for item level budgets but is only done at product category level and are only defined month wise, there is no provision to place bulk/blanket orders in order to reduce the per unit price of the purchase. Also the Items to be ordered and Order quantities are determined based on experience of Buyers since there is no min/max levels defined for items in the inventory.
5. **Some products where raw material are facing rapid market fluctuations**- the pricing of the products where raw material are linked to market indices for example- silk, gold, silver etc. are not linked to market fluctuations and hence CCIC is not able to gain on the on the increase in prices of such products.
6. **Approvals for Cost revisions are dependent on Board's approval**- for any changes to basic cost estimates for example sticking, dying etc. the approvals need to be taken from the Board which takes a long time and hence purchase for that season can't be done on time in case for any changes. Any change whether small or big needs Board's approval which delays the buying cycle.
7. **Limitation of Approved Purchases**- since any item above Rs 10,000 (per unit price) is purchased on Approval basis, many suppliers are not keen to supply to CCIC thus limiting the product mix CCIC can order from various suppliers. Also since the purchase is on approval basis which means that the supplier is paid when the product is sold, for all items where raw materials are linked to rapid fluctuations in market prices such as gold, silver, silk etc. CCIC is not able to gain the margins on these items.
8. **Uneven work distribution for Buyers**- since each buyer at CCIC handles on avg. two to three product categories, there is clearly uneven distribution of work as categories such as Art Objects, Wood and Metal warrants more than one buyer on the basis of total purchase value, total POs raised, total suppliers to be managed etc.
9. **Not enough focus on Design of new products**- buyers at CCIC order mostly from suppliers that either come to show new samples at CCIC or by placing repeat orders. There is not much focus to study market trends, consumer preferences, data analytics on fast moving items on real time basis to design new products to increase product mix and hence sales for CCIC.
10. **No Key Performance indicators for buyers**- there are none well-defined measures to monitor the performance of buyers such as variance from buying budget, no. of market survey reports per month, etc.

5 Inventory management

CCIC manages its inventory through a system called SIMS (Sales and Inventory Management System). Each item in the inventory is tagged with a bar code, which has all information about the item i.e. price, supplier, date of purchase, date sold, and location etc. Items procured from registered suppliers are inspected at stores and if conforming to the 'Purchase Order' is taken into the Inventory. Damaged goods are returned to the supplier and the same is recorded on the invoice of the supplier. The inventory is reduced once the item is sold, by scanning the bar code on the item. The physical reconciliation of inventory takes place on 31 March of each year.

Inventory is segregated into three categories as described in the table below

Table 7-Inventory categories

S. No	Category	Description
1.	Regular	Items that are on regular price due to the inventory being procured in the current year or items whose value increase with time are classified as Regular Inventory
2.	Mark Down	As per the Liquidation policy at CCIC all items that are to be put at a discounted price for clearance are classified as Mark Down Inventory. <ol style="list-style-type: none"> 1. Items under Handloom more than 1 yrs. in Inventory are to be put as Mark Down 2. Items under Handicraft more than 2 yrs. in Inventory are to be put as Mark Down
3.	Damage	Items that are damaged, either while handling at the showrooms or in transit are classified as Damaged inventory

The key activities of inventory management are as follows:

- ▶ Receiving items at Store
- ▶ Inspection of items to ensure
 - Quantity
 - Quality- damage, stains, torn etc.
- ▶ Enter inventory data in SIMS
- ▶ Apply Bar codes to each item
- ▶ Prepare Transfer Challan and transfer items to showroom
- ▶ Return damaged/rejected goods to suppliers
- ▶ Received stocks from Showrooms, receive
- ▶ Inventory reconciliation on 31st March 2013

5.1 Inventory Analysis last 3 years:

Inventory data for last three years as received from SIMS database is analyzed across all locations on below parameters

1. Avg. Inventory - $(\text{Beginning Inventory} + \text{Ending Inventory})/2$: This parameter indicates that on avg. how much inventory is kept at any point and time

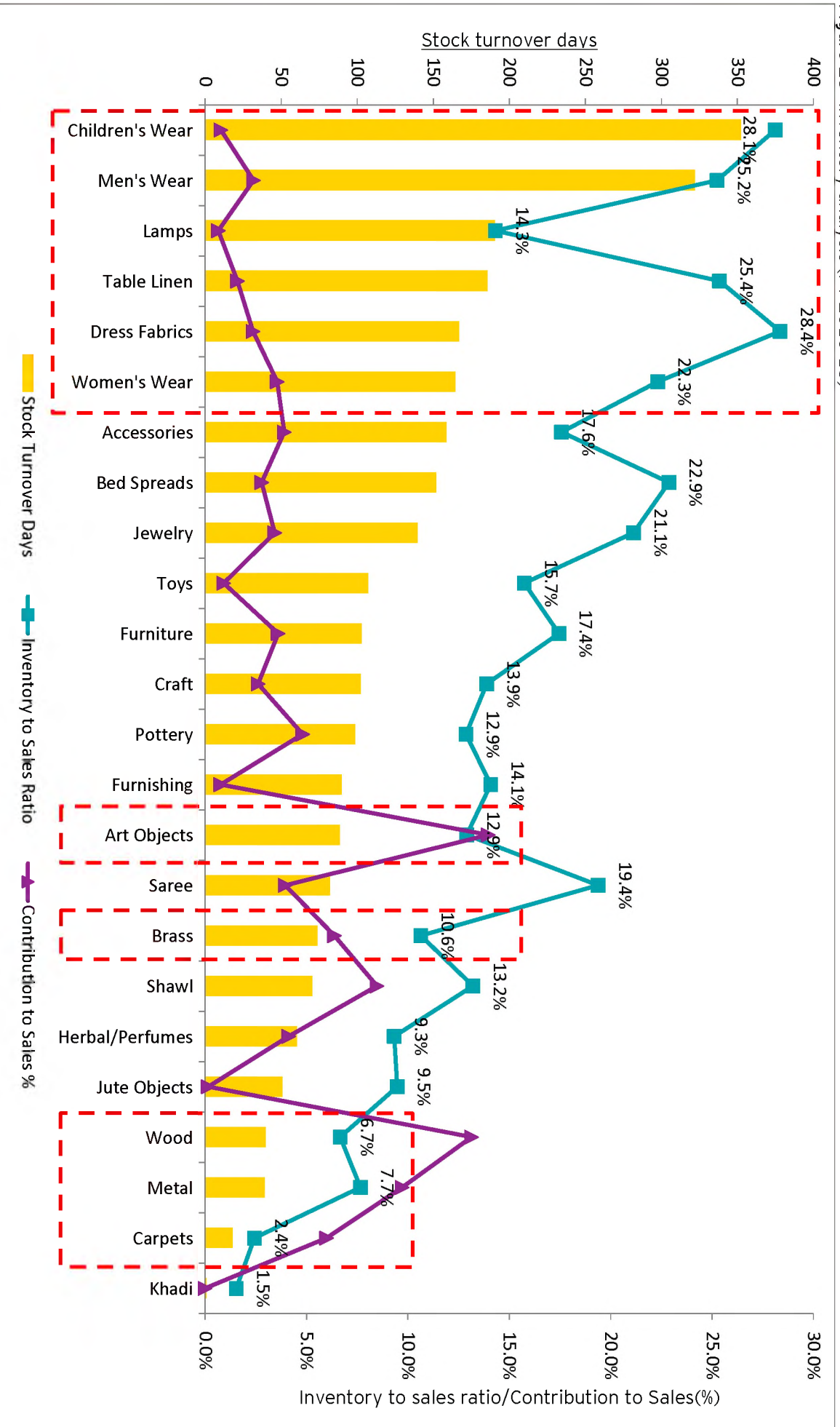
2. Stock Turnover days- (Average Inventory Value / (COGS*³/365)), this indicates how many days Inventory is in stock before being sold. A higher number shows that the inventory moves slowly and a lower number indicates that the inventory is fast moving.
3. Inventory to Sales Ratio- (Avg. Inventory/Avg. Sales), this parameter indicates how much inventory we are carrying as a % of sales. A higher number may indicate excessive inventory where as a very low figure may indicate low inventory levels which could lead to stock outs.

Table 8- Inventory analysis (FY 2010-13)

S.No	Product Category	Avg. Sales (Rs)	Avg. COGS (Rs)	Avg. Inv. (Rs)	Stock Turnover Days	Inventory to Sales Ratio
1	Children's Wear	46,19,964	13,45,652	12,98,942	352	28.1%
2	Men's Wear	1,42,73,557	40,86,202	36,03,974	322	25.2%
3	Lamps	38,91,458	10,66,608	5,56,921	191	14.3%
4	Table Linen	95,33,122	47,54,722	24,17,600	186	25.4%
5	Dress Fabrics	1,41,43,974	87,62,641	40,10,532	167	28.4%
6	Women's Wear	2,12,57,976	1,05,27,043	47,43,902	164	22.3%
7	Accessories	2,33,72,128	94,46,484	41,07,442	159	17.6%
8	Bed Spreads	1,66,96,828	91,63,581	38,18,590	152	22.9%
9	Jewellery	2,05,21,040	1,13,14,850	43,35,111	140	21.1%
10	Toys	54,60,134	29,27,716	8,59,231	107	15.7%
11	Furniture	2,15,43,907	1,33,12,739	37,58,246	103	17.4%
12	Craft	1,56,34,975	77,37,278	21,71,245	102	13.9%
13	Pottery	2,87,88,324	1,37,09,149	37,04,331	99	12.9%
14	Furnishing	45,44,398	26,06,739	6,40,121	90	14.1%
15	Art Objects	8,35,84,194	4,44,15,434	1,07,78,033	89	12.9%
16	Saree	2,36,43,164	2,03,89,102	45,82,475	82	19.4%
17	Brass	3,81,51,954	2,00,08,250	40,56,411	74	10.6%
18	Shawl	5,06,95,113	3,46,76,249	66,96,668	70	13.2%
19	Herbal/Perfumes	2,46,66,035	1,39,48,716	23,01,320	60	9.3%
20	Jute Objects	9,08,285	6,17,635	86,020	51	9.5%
21	Wood	7,86,63,020	4,80,55,771	52,35,463	40	6.7%
22	Metal	5,81,30,400	4,15,76,036	44,51,539	39	7.7%
23	Carpets	3,58,94,124	1,75,14,184	8,74,097	18	2.4%
24	Khadi	1,450	9,502	22	1	1.5%

³ COGS- Cost of Goods Sold= Beginning Inventory + Purchases + Transfer-Ending Inventory

Figure 23- Inventory analysis (FY 2010-13)



5.1.1 Inferences from Inventory Analysis

- ▶ There a mismatch between movement of stock and inventories especially in the Handloom section. Higher inventories levels, holding up capital for slow moving categories.
- ▶ The graph above indicates that Children's Wear, Men's Wear, Lamps, Table Linen, Dress Fabrics, Women's Wear have high stock turnover days and high inventory to sales ratio.
 - For Apparel (Handloom section) that is slow moving and indicates excess inventory, the contribution to sales is less than 5%.
 - Children's Wear, Men's Wear, Lamps, Table linen, Dress Fabrics, Women's wear have low contribution to sales (less than 5%), high stock turnover days and high inventory to sales ratio indicating excess inventory in these categories.
 - On the contrary Art Objects, Wood, Metal, Carpets, Brass are fast selling, have a higher contribution to sales but have very low inventories
 - This indicates that CCIC is holding up capital in products which are slow moving and have miniscule sales contribution.
 - Generally apparels section changes with every season (Spring, Autumn, Winter, Summer), in line with changing fashion, but in this case CCIC is holding excess inventories in the apparel sections - which impacts the sales because the products are not in line with the latest trends.
 - The total value of Avg. Inventory for Apparel section, that has Inventories to Sales Ratio in excess of 15% and high Stock Inventory Days, is Rs 2.5 Crore. (*Children's Wear, Men's Wear, Table Linen, Dress Fabrics, Women's Wear, Bed Spreads, Saree*).
- ▶ Fast selling product categories such as Wood, Metal, Carpets, and Brass have Art Objects have relatively low inventories.
- ▶ Art Objects (Rs 1.07 Cr), followed by Shawl (Rs 66 lac), Wood (Rs 52 lac), Women's Wear (Rs 47 lac) have the highest value of Avg. Inventory (FY 2010-13).
- ▶ Children's Wear, Carpets, Toys, Furnishing, Lamps, Jute Objects and Khadi have the lowest value of Avg. Inventory (FY 2010-13) less than Rs 15 lac.

5.2 Aging Analysis

Aging Analysis is based on the value of Inventory at CP across product categories that has been lying at CCIC for more than 2 yrs. Also as per the categorization at CCIC, the analysis sums up the inventory value in Aging categories of 2-3 yrs, 3-4 yrs, 4-5 yrs and 5+ yrs.

The difference between closing inventory day i.e 31 March of each year and the date on which the item was received in the inventory determines the Yrs of Aging for that item. To arrive at the analysis we have considered the growth rate of inventory from overall aging of stock y-o-y for last three years for items more than 2 yrs old.

- ▶ Total Value of Aging Stock at CP stands at Rs 1.8 Crore for Inventory ending on 31 March, 2013 across all locations.
- ▶ Handloom section represents 29% of Aging Inventory (2+yrs.) and ~ Rs 52 lac in value terms.
- ▶ Even though Handicraft items are a higher value of aging items, Handloom items which are low value and are to be liquidated within one year due to fashion trends, are aging to the extent of Rs 52 lac ~ 29%
- ▶ Men's Wear has the maximum Aging stock followed by Sarees, Shawls, Women's Wear and Dress Fabrics contributing approx. 75% to total Aging Inventory in the Handloom section.

- ▶ Art Objects, Wood, Furniture, Craft, Jewellery are the top 5 product categories that have the highest Aging Inventory for 2+ yrs in value terms, contributing around 60% to total Aging Inventory ending 31 March 2013.
- ▶ In the Handloom section, Aging has increased in Dress Fabrics and Children’s Wear at 23% and 10% growth rates respectively, for Aging Stock which is more than 2 yr.
- ▶ Aging of stock has increased in Jute Objects, Dress Fabrics, Craft, Wood, Children’s Wear, Art Objects and Accessories, which implies that more stock has been added to Aging stock compared to sales of aging stock.

Figure 24- Break up aging stock (Rs)

Ending inventory as of 31 March 2013 (Rs)

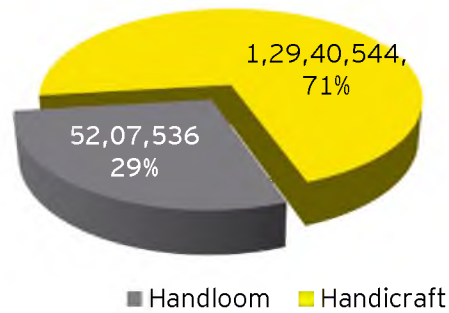


Figure 25- Break up of aging inventory- Handloom as of 31 March 2013

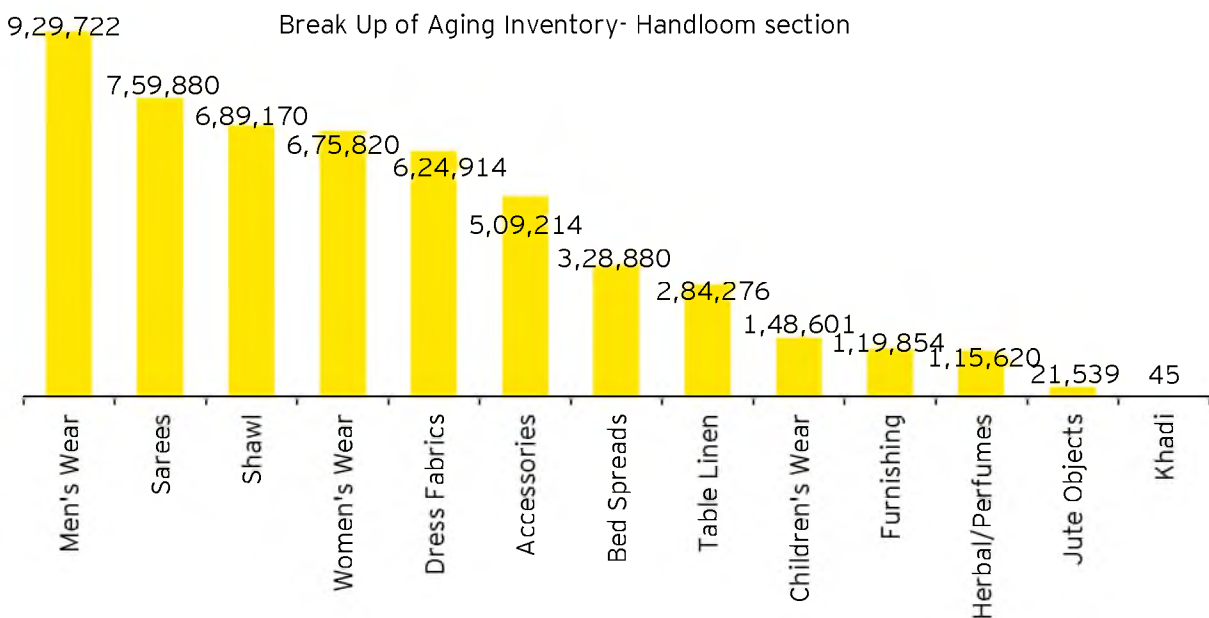
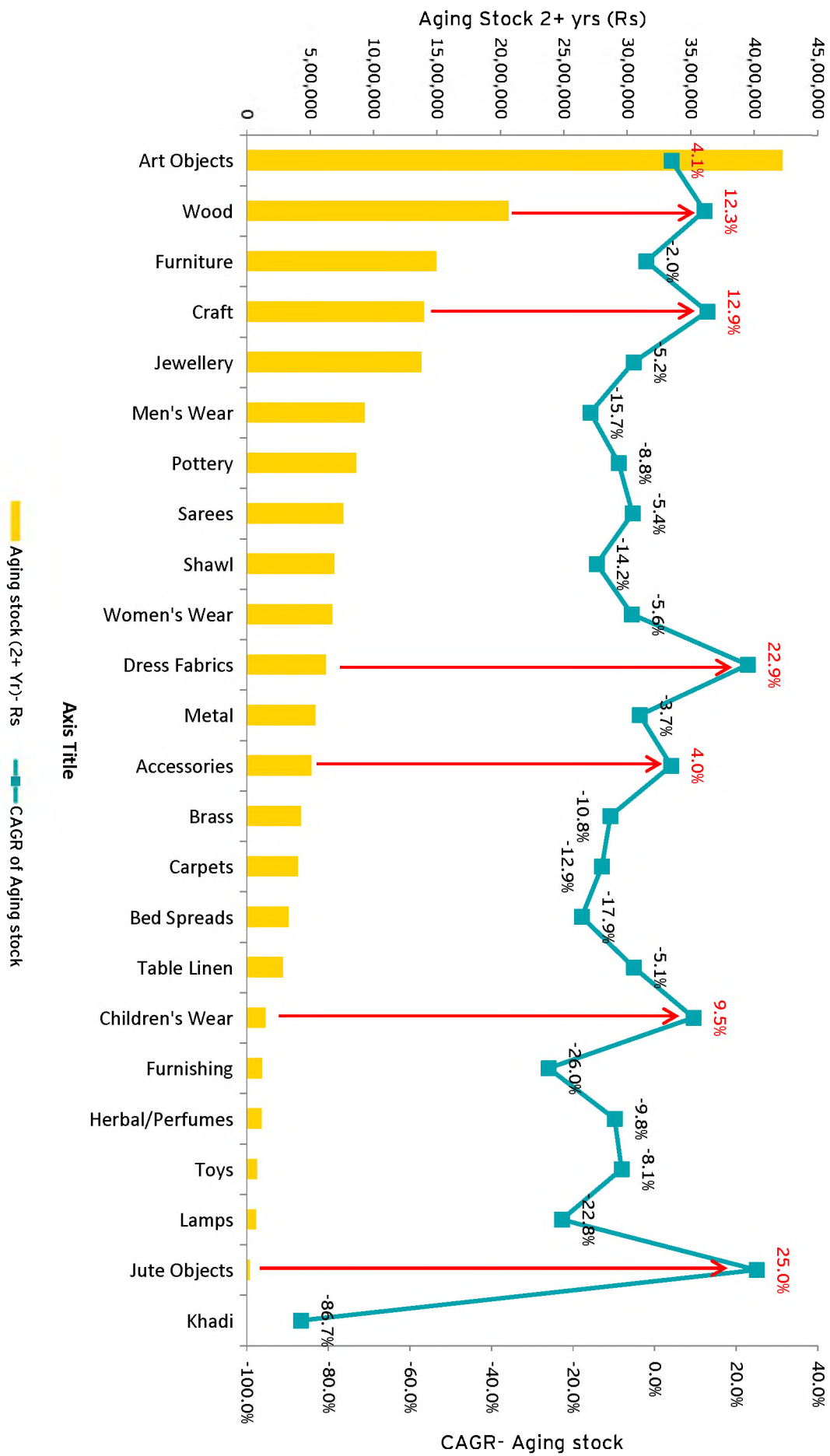


Figure 26- Aging Analysis (2+Yr)



5.3 Issues and Challenges

1. **Purchase and Inventory not in line with sales-** purchase and inventory not linked to top/poor performing categories and fast/slow moving items. Excess stocks and purchases for poor performing slow moving categories and low inventory of stocks that is top performing fast moving categories.
2. **Adherence to liquidation policy is not 100%-** Aging categories (1-2yrs, 2-3yrs, 3-4yrs, 4-5yrs, and 5+ yrs) across product categories are growing y-o-y indicating that items that are classified as mark down are not cleared, in a specified period of time. Items in Handloom that are to be sold within one year as per liquidation policy are aging for more than 2 years and make up Rs 52 lac in value terms, contributing 29% to overall aging.
3. **Inventory prices not revised based on market fluctuations of raw materials-** CCIC not able to capture capital gains on aging items in Handicraft category where the prices of raw materials are linked to fluctuating market prices; such as gold, silver, silk. Also aging of handicraft items demand premium prices over time
4. **No real time monitoring of inventory-** as item number keeps changing for the same item each time, also items not scanned each time, and hence inventory accuracy is a question. Inventory captured at SP due to bar code prices in SP & hence manual intervention required to view real time inventory value at CP. This results in lack of instant MIS reports and data analytics for decision making.
5. **Inventory mostly on approval basis-** High value items such as Carpets are purchased on Approval, many suppliers not willing to supply to CCIC on account on high payable days of approx. 90 days, hence low inventory levels of Carpets which is a top performing category
6. **Lack of key performance indicators to measure and monitor performance on Inventory**
 - o Fill Rates - Stock Out Items/No. of items ordered by customer
 - o On time delivery by suppliers
 - o Inventory Cost as % of Sales
 - o Inventory to Sales Ratio
 - o Inventory Stock Turnover days
 - o Inventory Reconciliation Accuracy at year end

6 Product analysis

This chapter reviews the product categorisation and their performance across locations for a period of three years.

6.1 Product categorisation

The cottage emporium displays on avg. 3,11,934 items which are classified into 24 product categories, as detailed in the Table 9- Product categories and sub-categories.

This categorisation is used for the purpose of inventory management, pricing and billing and has no relation to display of products in the showroom or on the website. Each showroom has its own layout plan designed locally and the website has a completely different set of categories that are displayed. The website categories are listed in Table 10- Product categories displayed on the website.

Table 9- Product categories and sub-categories

S. No	Category	Items
1.	Accessories	Silk Scarves, Zari Beads Belts and bags, Leather and Silk Bags, Cotton and Jute bags, Juttis, Chappals and Sandals, Stoles, Laces, Handkerchief.
2.	Art Objects	Brass and Bronze artifacts, Marble gold leaf work, Wood carving, Old Metal Items, Old Stone Carvings, Old Hand Paintings, Old Wall Hangings, Old Wooden Carving, Diyas, Hanging Bells, Wooden Doors, Panels, Jharokhas, Cabinets, Tribal Art and Exquisite Embroideries and Chaklas.
3.	Bed Spreads	Towels, Crewel Cushion Covers and Bed Covers, Silk Cushion covers, Curtains, Cotton prints fabrics, Embroidered Mirror Work and Lace Work Cushion Cover, Jacquard Handloom Bed Covers, Silk Bed covers
4.	Brass	Aluminium, Copper cutlery and copper items (Donga, Thal, Kadhai, Glass, Kulhar etc.), Brass Natraj, Krishna, Ganesha, Plant, Brass keychain, Laxmi, Balaji face, Cooper Meena etc. Wind Chime, Oil Lamp
5.	Carpets	Cotton Durrie, Silk Kashmir Carpets, Badohi hand knot, Amritsar Handmade carpets, cotton kalamkar, Wool Carpet, Jute Wall Hanging, Wool Durrie, Zari wall hanging etc.
6.	Children's Wear	Silk and Cotton Kurta Pajamas for girls and boys, Lahangas Choli, Garara , Pant Suitsand Blouses, Maxix Dresses Frock and Angarkhas, Knitted Wear, Infant wear, Jacket silk, skirt/lehnga silk
7.	Craft	Candles, Diyas Clay, Paper Machie Goods, Shell work, Stationary items, wicker goods, wood base paper machie item
8.	Dress Fabrics	Banaras Handloom Brocade Material, Cotton Printed handloom, North Indian Handloom Silk Material, Printed Silk material, South Indian Handloom Silk material, Handloom Woolen material
9.	Furniture	Brass Mirrors, Stools and Tables, Cane and Bamboo Furniture, Corded Furniture, Lacquered Wooden Furniture Sankheda, Nirmal and Other Local Lacquered Furniture, Rosewood Carved and Inlaid, Sheesham, Walnut Wood Carved and Plain, Teak Wood-Carved and Plain Tables, Rocking Chains, Chairs, Dining Table Set, Wine etc.
10.	Furnishing	Crewel material, Handloom Jacquard material, Handloom cotton and synthetic mixed, Handloom pure silk, handloom cotton material
11.	Herbal/Perfumes	Premium Tea, Natural Oils, Soaps, Diffusers, fragrances, sandalwood powder, condiments and Kesar Masalas, Aggarbatti Dhoop and Mehendi
12.	Jewelry	Artistic Bangles costume, Assorted Silver Jewellery, Bidri Jewellery and Shell Jewellery, Enamelled and Kundan Silver, Stone and Pearl silver jewellery, White metal costume jewellery, Kashmir silver jewellery, meenawork silver jewellery

S. No	Category	Items
13.	Jute Objects	Accessories And Gift Items- Includes Purses, Carry Bags, Luggage, File Covers, Bed Spread- Includes Bed Cover, Cushion Cover and Pillow Cover etc., Home Furnishing- Jute Fabrics For Curtains, Table Linen- Includes Table Cloth, Napkins, Teacosy Etc.
14.	Khadi	Ready To Wear For Men
15.	Lamps	Cotton and Silk Lamps Shades, Metal lamps, Paper Mashie lamps, Pottery, Glass and stone lamps, shades of all kinds, wooden lamps
16.	Men's Wear	Chikan Work, cotton plain checks (fabric), silk- (jacket, kurta, shirts) gown, men's accessories, wool muffler, ready to wear, sports and swim wear
17.	Metal	Bankura Silver Article, Bidri items, silver article, tanjore goods, white metal
18.	Pottery	Alabaster Goods, Marble, Soap Stone and Other Goods From Agra, Pottery Goods, Stone Painted Items, Terracota
19.	Saree	Cotton Sarees, Embroidered Silk Sarees, Handloom Woven Cotton Sarees, Handloom Woven Silk Sarees, Printed silk and cotton Sarees, Rare Silk Sarees, Zari borders
20.	Shawl	Banaras Shawls, Gujarat Weaves, Kulu and Punjab plain shawls, Pashmina Shawls, Raffal Embroidered Shawls, Tie and Dye Shawls
21.	Table Linen	Chikan Mats and Naokins, Chikan Table cloth, crewel articles, Embroidered Mats/Table Cloths, Handloom Silk Mats, Handloom Cotton Mats, Cotton Table clothes, lace work, silk t. cloth, matset, runner, coaster, apron, gloves, bread box, tea cozies, Handloom printed table cloth
22.	Toys	Dolls, Indoor games, Brass and wood toys, soft stuffed toys, porcelain and glass toys, paper machie and clay toys, Skin toys
23.	Women's Wear	Chikan Work, Duppattas, Cotton K.P Sets, Cotton plain checks (Fabric), Cotton kurtas, Dresses and Maxi, Kattans, Indian style garments, Silk kurtas, silk plain and checks (fabric), silk/chiffon/crepe skd set, top, short/long kurta, skirts, salwar, Kashmir woolens, kaftan cotton
24.	Wood	All Other Wood Including Sheesham Wood and Teek Wood, Brass carving sets, Inlaid wooden-walnut wood, wood and bone, wood carving rose wood, wood carving sandalwood

Table 10- Product categories displayed on the website

S no	Category	Item
1.	Art Objects	Wood Carvings, Marble Gold - leaf work and Brass and Bronze Artifacts
2.	Bankura Silver	Silver Enamel, Filigree Work and Silverware
3.	Tea and Herbals	Premium Tea, Natural Oils/Soaps, Herbal and Perfume
4.	Dress Fabrics	Cotton Fabric, Silk and Woollen Fabric
5.	Garments	Men's Wear, Women's Wear, Children's Wear, Saree
6.	Home Décor and Furnishing	Table Linen, Furnishing, Carpets and Durries, Bed Spreads and Furniture
7.	Decorative and Gift Items	Lamps, Candles and Handmade paper, Traditional and Contemporary paintings, Embroidery, Toys
8.	Crafts	Wood craft, Metal craft, Pottery and Marble craft, Paper Machie

A review of the classification of product categories and items indicates the following challenges:

- Lack of synchronisation in defining product categories for internal database, on website and showroom display.

- ▶ **Multiple parameters are used for defining product categories:** The parameter for defining the product categories is not consistent, some are defined based on the material (such as Wood, Metal etc.), some are defined based on end use such as Decorative and Gift items and some are defined based on type of user Men's Wear, Women's Wear, Children's Wear. The broad classification is as follows:

Table 11- Mapping of product categories with existing definitions

Raw material	End product	Usage/Profession	End User
Brass	Shawl	Decorative and Gift Items	Children's Wear
Wood	Toys	Furnishing	Women's Wear
Khadi	Art Objects	Craft	Men's Wear
Metal	Accessories	Home Décor	
Pottery	Carpets		
Jute Objects	Dress Fabrics		
	Bed Spreads		
	Herbal and Perfumes		
	Saree		
	Table Linen		
	Lamps		
	Jewelry		
	Furniture		

- ▶ This method of product categorisations further leads to confusion and lack of clarity while classifying the items into each category. Product Categories and grouping inside the JVB, Showroom is different from that given on CCIC's website. For example, on the website, there are eight broad product categories but inside the showroom, 24 product categories are displayed across VI levels.
- ▶ **Overlap and redundancy in classifying items into product categories:** Since multiple parameters are used to define product categories, the classification of items is inconsistent. Similar items are being tagged in multiple categories which impacts the analytics. Some examples are as follows:
 - Brass items are found in 'Brass' and 'Art Objects' category
 - Wooden items are found in both 'Wood' and 'Art Objects' categories.
 - Wood and Furniture are among overlapping categories
 - 'Metal' exists as separate category and similar metal items are found in 'Brass' etc
- ▶ **Lack of real time information on inventory:** Real time information about inventory is not available due to various reasons which are as follows:
 - Bar code does not contain all information about the item that is captured by barcode scanner
 - Limited Wireless bar code scanners hence heavy items that can't be moved to the counter are not scanned
 - Unloading of items directly at the showroom, in which case cash memos are made even without putting bar codes
 - A unique item number is not defined in the system
- ▶ The Item number that is defined for an item, changes every time even for the exact same item, hence it is not possible to analyse fast moving SKU's which is an important aspect in a retail business. For example, the item is defined based on the date on which the item is received in the inventory, and is

only defined under a product category, sub head, but there is no unique number that is given to that item, hence each time the same item is received the item number changes based on the date when received.

6.2 Performance across product categories

The performance of all product categories across all locations, i.e Delhi, Mumbai, Bengaluru, Chennai, Kolkata for the last three years (FY 2010-13) have been compared based on five performance parameters as listed below. The analysis is based on Sales, Purchase, Inventory and Internal transfer data received from CCIC (Source- SIMS database) for all showrooms and stores.

1. CAGR- Sales - Compounded Annual growth rate of sales for last 3 years
2. Avg. Sales per sq. feet- Avg. Sales/Area (sq. feet)
3. Gross Margins % - (Avg. Sales - Avg. COGS*)/Avg. Sales
4. Stock Inventory days - Avg. Inventory/(Avg. COGS/365)
5. Contribution to Sales (%) - Avg. Sales of Product Category/Total Avg. Sales

*NOTE: *COGS- Cost of Goods Sold = Opening Inventory + Purchases + Transfers - Ending Inventory*

Further to support analysis and compare products, a ranking system has been devised and applied on the selected parameters for all locations.

All product categories have been scored on a scale of 1 to 5 against each of the four performance indicators (1 being the lowest and 5 being the highest). The ranking scale for each performance category is as follows:

Table 12- Rating Scale for performance evaluation of Product Categories

Gross Margins %		CAGR%	
Range	Score	Range	Score
less than 20%	1	less than equal to 0%	1
20-35%	2	1-5%	2
35-45%	3	5-10%	3
45-55%	4	10-20%	4
greater than 55%	5	greater than 20%	5

Stock Turnover Days (days)		Avg. Sales per sq. feet (Rs)	
Range	Score	Range	Score
greater than 300 days	1	greater than 80k	5
200-300 days	2	50-80k	4
100-200 days	3	30-50k	3
50-100 days	4	10-30k	2
less than 50 days	5	less than 10k	1

Contribution to Sales (%)	
Range	Score
Less than 5%	1
5-10%	2
10-15%	3
15-20%	4
Greater than 20%	5

As-Is report

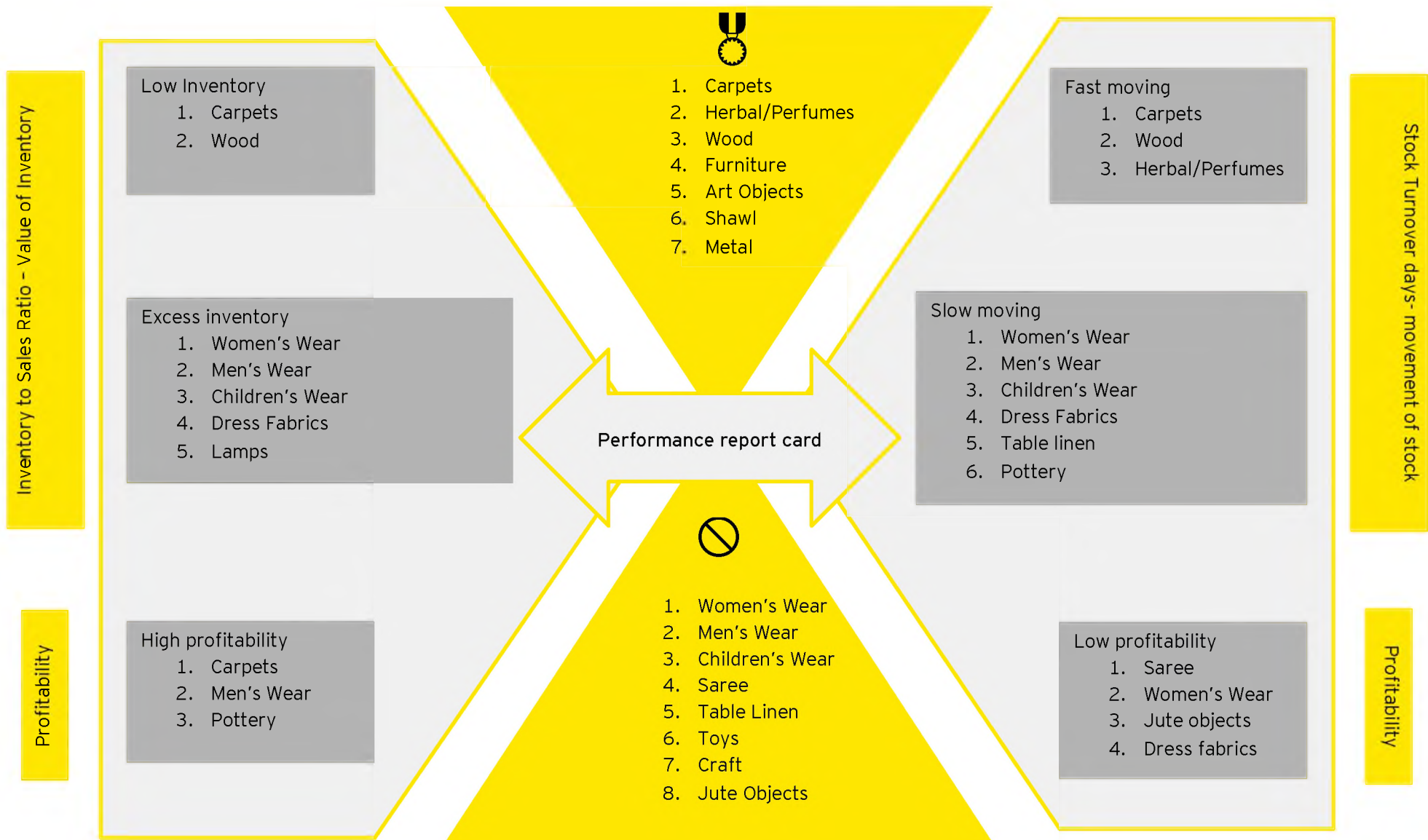
Once the scale is applied to individual product category, the overall score is assigned by giving weightage to each and then adding the score. Weightage has been assigned in discussion with the CCIC officials which is based on importance. The weightages are as follows:

Table 13- Performance parameters and weightages assigned

Performance indicator	Description	Weight
Avg. Sales per sq. feet (Rs)	Sales effectiveness- sales generated by space allocated to the product category	20%
CAGR- Sales %	Sales growth over last three years	27.5%
Gross Margins %	Profitability of the product category	27.5%
Stock Turnover Days	No. of days in which the stocks takes to sell	20%
Contribution to Sales (%)	Sales contribution in value terms of product category to overall sales	5%

The tables with overall score for each product category and corresponding analysis is provided in the following sections for each city and herein we are summarising the overall findings from this analysis. The product categories attaining an overall score of 3 or above are classified as Top performing, score between 2-3 are classified as Medium performing and score below 2 as Poor performing.

Figure 27- Overall performance report for product categories across locations



▶ Overall product performance:

- Top performing categories: Carpets, Herbals/Perfumes, Wood, Furniture, Art Objects, Shawl and Metal
- Poor performing categories: Women's Wear, Children's Wear, Men's Wear, Saree, Table Linen, Toys, Craft and Jute Objects

▶ Performance on each parameter:

- Movement of goods:
 - CCIC has excess inventory of poorly performing product categories across locations and low inventory of top performing product categories.
 - Carpets, Wood and Herbal/Perfumes are the fastest selling categories across all locations.
 - Men's Wear, Children's Wear, Women's Wear, Dress Fabrics, Table Linen and Pottery is the slowest selling product categories across all locations.
- Sales:
 - Khadi and Furnishing has either no sales or miniscule sales contribution across all locations.
 - 65% of product categories have shown declining sales (negative sales growth) at Bengaluru, followed by 48% product categories recording negative sales growth at Kolkata and 41% product categories clocking negative sales growth at Chennai.
 - At Delhi only 25% product categories recorded a negative sales growth followed by Mumbai where 36% of product categories recorded negative sales growth.
- Inventory
 - Excess inventory of Men's Wear, Children's Wear, Women's Wear, Dress Fabrics and which are all slow moving items.
 - Low inventory of Carpets and Wood which are fast moving and top performing categories
- Others
 - Furniture has been given the maximum space mostly across all locations but it accounts for one of the lowest sales per sq. feet.

Table 14- Summary table for product category analysis for each location

Parameter	Delhi	Bengaluru	Mumbai	Chennai	Kolkata
Top performers	Wood, Art Objects, Herbal/Perfumes, Brass, Shawl, Metal, Accessories, Furniture, Men's Wear	Carpets	Carpets, Furniture, Metal, Art Objects and Wood	Jute Objects, Furniture, Bed Spreads and Shawl	Herbal/Perfumes, Wood, Metal, Art Objects, Pottery and Shawl
Poor performers	Table Linen, Jute Objects and Khadi	Dress Fabrics, Men's Wear, Jewellery, Craft, Table Linen, Lamps, Pottery, Furniture, Bed Spreads, Women's Wear, Children's Wear and Toys	Toys, Jute Objects, Craft, Men's Wear, Sarees and Women's Wear	Saree and Children's Wear	Women's Wear and Jute Objects
Fast Selling (stock turnover days~70 days)	Carpets, Wood, Metal, Jute Objects, Furniture, Brass, Herbal/Perfumes, Sarees, Shawls and Art Objects	Carpets, Herbal/Perfumes	Carpets	Jute Objects, Wood, Saree, Herbal/Perfumes	Herbal/Perfumes
% contribution to sales ~ 70%	Art Objects, Metal, Wood, Shawl, Carpets, Brass, Herbal/Perfumes, Pottery, Women's Wear	Art Objects, Wood, Carpets, Furniture, Shawl and Accessories	Art Objects, Wood, Brass, Shawl, Accessories, Sarees, Bed Spread's and Furniture	Art Objects, Wood, Saree, Bed Spreads, Furniture, Shawl and Accessories	Wood, Art Objects, Brass, Jewellery and Saree
Highest Sales per sq. feet	Herbal/Perfume, Wood, Art Objects, Shawl, Brass, Carpets	Art Objects, Wood, Accessories and Carpets	-	Herbal/Perfume, Wood, Art Objects, Shawl, Brass and Carpets	Metal, Wood and Shawl
Lowest Sales per sq. feet	Lamps, Toys, Men's Wear, Children's Wear, Furniture, Furnishing, Bed Spread's, Sarees, Women's Wear and Dress Fabrics	Men's Wear, Women's Wear, Dress Fabrics, Jute Objects, Craft and Jewellery	-	Furniture, Women's Wear, Dress Fabrics, Carpets, Lamps and Children's Wear	Dress Fabrics, Furniture, Jute Objects, Children's Wear
Low Inv./sales ratio for top categories	Carpets, Wood, Metal, Brass, Furniture, Art Objects (less than 10%)	Carpets (2.2%)	Carpets (4%)	Jute Objects, Bed Spreads, Carpets and Shawl (less than 15%)	§Herbal/Perfumes and Wood (less than 10%)

Parameter	Delhi	Bengaluru	Mumbai	Chennai	Kolkata
High Inv./sales ratio for poor performers	Children's Wear, Dress Fabrics, Table Linen (more than 20%)	Lamps, Women's Wear, Children's Wear, Men's Wear (more than 70%)	Children's Wear, Dress Fabrics, Lamps, Women's Wear, Men's Wear and Sarees (more than 40%)	Children's Wear, Men's Wear and Toys (more than 20%)	Children's Wear, Dress Fabrics, Women's Wear, Furniture (more than 70%)
High-Profitability	Lamps, Men's Wear, Children's Wear, Accessories, Women's Wear(<=50%)	Carpets (<=50%)	Craft, Brass, Accessories, Men's Wear, Furniture, Carpets, Lamps and Pottery (<=50%)	Jewellery, Carpets, Craft, Men's Wear, Children's Wear and Brass (<=50%)	Carpets, Pottery, Men's Wear and Art Objects (<=80%)
Low-Profitability (less than 30%)	Sarees, Metal, Shawl, Jute Objects, Wood, Furniture, Jewellery and Dress Fabrics	Lamps, Metal, Dress Fabrics, Jute Objects, Women's Wear, Saree and Children's Wear	Children's Wear and Sarees	Jute Objects, Women's Wear, Dress Fabrics, Saree and Lamps	-

6.2.1 Delhi

Product Category	Contribution to Sales (%)	CAGR- Sales	Gross Margin %	Stock Turnover Days	Inventory to Sales Ratio	Avg. Sales per sq. feet	Overall Score	Rank
Wood	12%	20%	33%	28	5%	58,039	3.9	1
Art Objects	12%	10%	46%	69	10%	51,948	3.7	2
Brass	6%	7%	43%	46	7%	30,671	3.6	3
Herbal/Perfumes	4%	1%	42%	46	7%	95,172	3.4	4
Shawl	9%	10%	30%	58	11%	50,740	3.4	5
Metal	12%	5%	28%	33	7%	73,787	3.3	6
Accessories	3%	8%	61%	145	16%	25,846	3.3	7
Furniture	3%	16%	34%	44	8%	6,643	3.2	8
Men's Wear	3%	9%	73%	288	21%	4,469	3.1	9
Carpets	7%	1%	48%	17	2%	27,401	2.9	10
Jewellery	3%	11%	38%	109	19%	24,274	2.7	11
Craft	3%	0%	49%	82	11%	18,141	2.6	12
Bed Spread's	2%	4%	47%	126	18%	7,379	2.5	13
Lamps	1%	-34%	74%	155	11%	3,495	2.5	14
Toys	1%	1%	46%	83	12%	4,047	2.4	15
Pottery	4%	-2%	48%	75	11%	15,657	2.4	16
Sarees	3%	5%	17%	53	12%	13,255	2.4	17
Women's Wear	4%	-1%	53%	128	17%	13,286	2.2	18
Dress Fabrics	3%	1%	39%	133	22%	13,901	2.2	19
Furnishing	1%	-7%	43%	90	14%	6,953	2.2	20
Children's Wear	1%	0%	73%	324	24%	6,558	2.1	21
Table Linen	1%	1%	50%	153	21%	-	2.0	22
Jute Objects	0%	-11%	31%	36	7%	-	1.9	23
Khadi	0%	-30%	-1300%	1	3%	-	1.6	24

▶ Overall product performance:

- Top performing categories: Wood, Art Objects, Herbal/Perfumes, Brass, Shawl, Metal, Accessories, Furniture, Men's Wear.
- Medium performing categories: Carpets, Jewellery, Craft, Bed Spread's, Lamps, Toys, Pottery, Sarees, Women's Wear, Dress Fabrics, Furnishing and Children's Wear.
- Poor performing categories: Table Linen, Jute Objects and Khadi.

▶ Performance on each parameter:

- Movement of goods:
 - Carpets, Wood, Metal, Jute Objects, Furniture, Brass, Herbal/Perfumes, Sarees, Shawls and Art Objects are the top 10 fastest selling (fast moving) product categories in which the stock sells in less than 70 days.
- Sales:
 - Wood, followed by Furniture, Jewellery, Art Objects, Shawls, Men's Wear, has recorded the maximum sales growth in the last three years.
 - At Delhi Women's Wear, Pottery, Furnishing, Jute Objects, Khadi and Lamps have recorded negative growth rates in sales over the last three years.
 - Highest Avg. Sales per sq. feet achieved by: Herbal/Perfume, Wood, Art Objects, Shawl, Brass and Carpets.
 - Lowest Avg. Sales per sq. feet achieved by: Lamps, Toys, Men's Wear, Children's Wear, Furniture, Furnishing, Bed Spread's, Sarees, Women's Wear and Dress Fabrics
 - Furniture and Men's Wear ranks 8 and 9 respectively they have a very low Avg. sales per sq. feet of less than Rs 7,000 which indicates are more than sub optimum space allotment to generate sales from these categories.
- Inventory
 - Carpets, Wood, Metal, Brass, Furniture, Art Objects ranks in the top 10 categories the Avg. Inventory to Sales ratio for all these are less than 10% indicating that CCIC may be keeping low inventories which may lead to stock out issues.
 - Children's Wear, Dress Fabrics & Table Linen which ranks in the last 10 categories have Avg. Inventory to Sales ratio of more than 20% indicating higher levels of inventory which may lead to excess inventory of slow moving items.
- Profitability
 - Most Profitable Categories: Lamps, Men's Wear, Children's Wear, Accessories, Women's Wear.
 - Least Profitable Categories: Sarees, Metal, Shawl, Jute Objects, Wood, Furniture, Jewellery and Dress Fabrics.

6.2.2 Bengaluru

Product Category	Contribution to Sales (%)	CAGR- Sales	Gross Margin %	Stock Turnover Days	Inventory Sales Ratio	Avg. Sales per sq. feet	Overall Score	Rank
Carpets	11.3%	-13.9%	71%	28	2.2%	10,033	3.2	1
Metal	2.2%	45.0%	22%	120	25.6%	3,069	2.8	2
Brass	3.9%	7.0%	41%	291	47.3%	3,929	2.6	3
Shawl	6.0%	1.0%	49%	133	18.5%	6,044	2.6	4
Wood	14.0%	-11.8%	36%	94	16.5%	14,166	2.5	5
Art Objects	25.1%	-0.3%	40%	144	23.7%	25,429	2.4	6
Saree	3.5%	8.4%	-32%	110	39.5%	3,587	2.2	7
Jute Objects	0.1%	11.9%	-14%	161	50.3%	161	2.2	8
Accessories	5.5%	-7.3%	41%	106	17.2%	12,958	2.2	9
Herbal/Perfumes	2.5%	-8.7%	45%	73	11.0%	8,915	2.2	10
Dress Fabrics	1.4%	9.8%	10%	250	61.8%	1,976	2.0	11
Men's Wear	2.0%	-13.5%	47%	555	80.9%	2,031	1.8	12
Jewelry	1.7%	-22.7%	46%	563	83.5%	2,027	1.8	13
Craft	2.1%	-1.0%	36%	209	36.3%	2,178	1.8	14
Table Linen	1.5%	-11.2%	40%	225	37.0%	5,333	1.8	15
Lamps	0.6%	4.0%	25%	354	72.3%		1.6	16
Pottery	4.6%	-1.9%	45%	250	38.0%		1.6	17
Furniture	7.1%	-6.8%	34%	267	48.2%	3,730	1.5	18
Bed Spreads	3.5%	-4.0%	31%	244	46.5%	3,557	1.5	19
Women's Wear	1.4%	-9.3%	-16%	390	124.3%	1,440	1.0	20
Children's Wear	0.0%	0.0%	-425%	471	678.1%		1.0	21
Toys	0.0%	0.0%	-2999%	714	6063.2%		0.8	22
Furnishing								23
Khadi								24

▶ Overall product performance:

- Top performing categories: Carpets
- Medium performing categories: Metal, Brass, Shawl, Wood, Art Objects, Saree, Jute Objects, Accessories and Herbal/Perfumes.
- Poor performing categories: Dress Fabrics, Men's Wear, Jewellery, Craft, Table Linen, Lamps, Pottery, Furniture, Bed Spreads, Women's Wear, Children's Wear and Toys.

▶ Performance on each parameter:

- Movement of goods:
 - Carpets are the fastest selling category followed by Herbal/Perfumes and Wood with less than 100 days of Stock Inventory days.
- Sales:
 - Metal, Jute Objects, Dress Fabrics, Saree, Brass, Lamps, Shawl, has recorded the positive sales growth in the last three years.
 - Art Objects, Wood, Accessories, Carpets, Herbal/Perfumes, Table Linen, Furniture, Bed Spreads, Craft, Men's Wear, Jewellery, Women's Wear, Pottery have recorded negative growth rates in sales over the last three years.
 - Highest Avg. Sales per sq. feet achieved by: Art Objects, Wood, Accessories and Carpets.
 - Lowest Avg. Sales per sq. feet achieved by: Men's Wear, Women's Wear, Dress Fabrics, Jute Objects, Craft and Jewellery.
 - Contribution to Sales: Art Objects, Wood, Carpets, Furniture, Shawl and Accessories are the highest contributors to sales ~70%.
- Inventory
 - Carpets is the fastest selling product category and top performer, but has an Inventory to Sales ratio of just 2.2% indicating that CCIC may be understocking items in this product category.
 - Lamps, Women's Wear, Children's Wear, Men's Wear which are poor performing categories have Avg. Inventory to Sales ratio of more than 70% indicating higher levels of inventory which may lead to excess inventory of slow moving items.
- Profitability
 - Most Profitable Categories: Carpets, Shawl and Men's Wear.
 - Least Profitable Categories: Bed Spreads, Lamps, Metal, Dress Fabrics, Jute Objects, Women's Wear, Saree and Children's Wear.

6.2.3 Chennai

Product Category	Contribution Sales (%)	CAGR- Sales	Gross Margin %	Stock Days	Turnover	Inventory Sales Ratio	Avg. Sales per sq. feet	Overall Score	Rank
Jute Objects	1.3%	15.9%	26%	5		1%	2,826	3.2	1
Furniture	5.7%	32.5%	41%	183		29%	737	3.1	2
Bed Spreads	7.1%	11.2%	39%	73		12%	2,075	3.0	3
Shawl	5.5%	12.4%	37%	78		13%	4,783	3.0	4
Craft	1.7%	1.2%	58%	181		21%	1,346	2.8	5
Art Objects	25.9%	10.1%	31%	103		19%	3,644	2.7	6
Carpets	1.2%	-12.0%	64%	73		7%	333	2.7	7
Lamps	0.3%	44.9%	-6%	89		26%	242	2.7	8
Women's Wear	1.5%	9.4%	21%	182		39%	670	2.5	9
Dress Fabrics	0.8%	17.5%	12%	174		42%	350	2.5	10
Wood	14.4%	-6.4%	38%	22		4%	3,494	2.5	11
Pottery	4.5%	4.9%	35%	98		17%	1,952	2.4	12
Herbal/Perfumes	1.7%	4.6%	35%	65		11%	1,522	2.4	13
Men's Wear	2.4%	2.7%	55%	228		28%	1,048	2.3	14
Jewellery	1.4%	-25.1%	75%	253		17%	3,016	2.3	15
Accessories	5.1%	-1.2%	49%	106		15%	2,244	2.3	16
Brass	3.9%	-4.0%	52%	118		16%	2,153	2.2	17
Table Linen	3.5%	2.8%	44%	111		17%	2,195	2.2	18
Metal	2.3%	-0.4%	49%	103		14%	1,573	2.2	19
Toys	1.7%	-5.3%	46%	133		20%	1,588	2.2	20
Saree	7.8%	-1.7%	4%	33		9%	3,415	1.9	21
Children's Wear	0.2%	-0.6%	53%	451		58%	129	1.8	22
Furnishing	-	-	-	-		-	-	-	23
Khadi	-	-	-	-		-	-	-	24

▶ Overall product performance:

- Top performing categories: Jute Objects, Furniture, Bed Spreads and Shawl.
- Medium performing categories: Craft, Art Objects, Carpets, Lamps, Women's Wear, Dress Fabrics, Wood, Pottery, Herbal/Perfumes, Men's Wear, Jewellery, Accessories, Brass, Table Linen, Metal and Toys.
- Poor performing categories: Saree and Children's Wear.

▶ Performance on each parameter:

- Movement of goods:
 - Jute Objects, Wood, Saree, Herbal/Perfumes are the top fastest selling (fast moving) product categories in which the stock sells in less than 70 days.
 - Dress Fabrics, Craft, Women's Wear, Furniture, Men's Wear, Jewellery and Children's Wear is slowest moving categories where stock sits in the inventory for at least 180 days.
- Sales:
 - Lamps followed by Furniture, Dress Fabrics, Jute Objects, Shawl, Bed Spreads and Art Objects have recorded the maximum sales growth in the last three years, with more than 10% growth rates.
 - Metal, Children's Wear, Accessories, Saree, Brass, Toys, Wood, Carpets and Jewellery have recorded negative growth rates in sales over the last three years.
 - Highest Avg. Sales per sq. feet achieved by: Herbal/Perfume, Wood, Art Objects, Shawl, Brass and Carpets.
 - Lowest Avg. Sales per sq. feet achieved by: Furniture, Women's Wear, Dress Fabrics, Carpets, Lamps and Children's Wear.
 - Contribution to Sales: Art Objects, Wood, Saree, Bed Spreads, Furniture, Shawl and Accessories are the highest contributors to sales ~70%.
- Inventory
 - Jute Objects, Bed Spreads, Carpets and Shawl ranks in the top 10 categories but the Avg. Inventory to Sales ratio for all these are less than 15% indicating that CCIC may be keeping low inventories which may lead to stock out issues.
 - Children's Wear, Men's Wear and Toys that are not in top 10, have an Avg. Inventory to Sales ratio of more than 20% indicating higher levels of inventory which may lead to excess inventory of slow moving items.
- Profitability
 - Most profitable Categories: Jewellery, Carpets, Craft, Men's Wear, Children's Wear and Brass.
 - Least Profitable Categories: Art Objects, Jute Objects, Women's Wear, Dress Fabrics, Saree and Lamps.

6.2.4 Mumbai

Product Category	Contribution to Sales (%)	CAGR- Sales	Gross Margin %	Stock Turnover Days	Inventory to Sales Ratio	Avg. Sales per sq. feet	Overall Score	Rank
Carpets	2.1%	16.8%	55%	37	4%	-	3.5	1
Furniture	6.4%	24.8%	58%	202	23%	-	3.3	2
Metal	2.8%	25.9%	48%	166	23%	-	3.1	3
Art Objects	13.2%	9.3%	48%	117	17%	-	3.0	4
Wood	11.2%	8.4%	49%	109	15%	-	3.0	5
Pottery	6.3%	7.4%	53%	158	20%	-	2.9	6
Table Linen	2.7%	6.6%	48%	294	42%	-	2.7	7
Bed Spread's	6.4%	6.8%	44%	183	28%	-	2.6	8
Herbal/Perfumes	3.4%	6.9%	40%	218	36%	-	2.4	9
Brass	8.9%	-20.5%	64%	132	13%	-	2.4	10
Shawl	8.2%	0.9%	43%	98	15%	-	2.3	11
Dress Fabrics	1.9%	10.8%	44%	495	75%	-	2.2	12
Lamps	0.2%	5.7%	54%	414	52%	-	2.2	13
Children's Wear	0.1%	43.1%	22%	845	181%	-	2.2	14
Accessories	7.9%	-9.7%	63%	232	23%	-	2.2	15
Jewellery	5.6%	-3.8%	49%	141	19%	-	2.1	16
Toys	1.5%	-2.0%	47%	189	27%	-	2.0	17
Jute Objects	0.3%	-36.0%	49%	131	18%	-	2.0	18
Craft	1.4%	-9.0%	67%	341	31%	-	1.9	19
Men's Wear	1.3%	-4.5%	59%	432	48%	-	1.9	20
Sarees	7.3%	4.0%	9%	163	41%	-	1.8	21
Women's Wear	0.8%	-4.9%	45%	774	117%	-	1.4	22
Furnishing						-		23
Khadi						-		24

▶ Overall product performance:

- Top performing categories: Carpets, Furniture, Metal, Art Objects and Wood.
- Medium performing categories: Pottery, Table Linen, Bed Spread's, Herbal/Perfumes, Brass, Shawl, Dress Fabrics, Lamps, Children's Wear, Accessories and Jewellery.
- Poor performing categories: Toys, Jute Objects, Craft, Men's Wear, Sarees and Women's Wear.

▶ Performance on each parameter:

- Movement of goods:
 - Carpets are the fastest selling (fast moving) product categories in which the stock sells in less than 40 days; this is followed by Shawls with 98 days of stock turnover days.
 - Bed Spread's, Toys, Furniture, Herbal/Perfumes, Accessories, Table Linen, Craft, Lamps, Men's Wear, Dress Fabrics, Women's Wear and Children's Wear are slowest moving categories where stock sits in the inventory for at least 180 days.
- Sales:
 - Children's Wear, Metal, Furniture, Carpets and Dress Fabrics has recorded the maximum sales growth in the last three years of more than 10% way above the CAGR of 3.2% for entire Mumbai.
 - Toys, Jewellery, Men's Wear, Women's Wear, Craft, Accessories, Brass and Jute Objects have recorded negative growth rates in sales over the last three years.
 - Contribution to Sales: Art Objects, Wood, Brass, Shawl, Accessories, Sarees, Bed Spread's and Furniture are the highest contributors to sales ~70%.
- Inventory
 - Carpets the fastest moving category and ranked 1 has an Avg. Inventory to Sales ratio of only 4% indicating that CCIC may be keeping low inventories which may lead to stock out issues.
 - Children's Wear, Dress Fabrics, Lamps, Women's Wear, Men's Wear and Sarees which ranks in the last 10 categories have Avg. Inventory to Sales ratio of more than 40% indicating higher levels of inventory which may lead to excess inventory of slow moving items.
- Profitability
 - Most profitable categories: Craft, Brass, Accessories, Men's Wear, Furniture, Carpets, Lamps and Pottery.
 - Least profitable categories: Children's Wear and Sarees

6.2.5 Kolkata

Product Category	Contribution to Sales (%)	CAGR- Sales	Gross Margin %	Stock Turnover Days	Inventory to Sales Ratio	Avg. Sales per sq. feet	Overall Score	Rank
Herbal/Perfumes	5.1%	9.0%	63%	59	6%	28,275	4.0	1
Wood	24.9%	5.0%	76%	109	7%	61,339	3.9	2
Metal	2.3%	64.0%	47%	244	35%	71,483	3.7	3
Art Objects	16.4%	6.9%	80%	247	14%	10,081	3.5	4
Pottery	0.6%	36.8%	93%	2734	53%	2,237	3.2	5
Shawl	4.8%	6.0%	76%	752	49%	49,527	3.1	6
Toys	0.8%	5.1%	53%	182	23%	4,217	2.8	7
Dress Fabrics	0.6%	19.0%	40%	630	104%	995	2.7	8
Brass	10.8%	-11.6%	65%	217	21%	17,566	2.6	9
Craft	2.0%	-3.2%	78%	258	15%	11,130	2.5	10
Furniture	1.4%	2.5%	59%	670	75%	931	2.4	11
Jewellery	9.5%	-15.1%	72%	280	22%	9,757	2.4	12
Saree	7.9%	0.0%	62%	241	25%	6,089	2.4	13
Carpets	1.1%	-33.2%	98%	164	1%		2.3	14
Children's Wear	0.0%	9.8%	35%	1083	192%	133	2.1	15
Accessories	4.7%	-7.6%	74%	329	24%	7,831	2.1	16
Bed Spreads	3.0%	-7.4%	62%	363	38%	6,910	2.1	17
Men's Wear	1.6%	-7.1%	80%	407	22%	6,630	2.1	18
Table Linen	1.4%	-3.0%	76%	648	43%	3,126	2.1	19
Jute Objects	0.3%	-9.3%	43%	114	18%	793	2.0	20
Women's Wear	0.7%	0.7%	45%	738	110%	4,882	1.8	21
Furnishing	0.0%	-9.5%	100%		0%		1.7	22
Khadi	0.0%	-100.0%	100%		0%		1.7	23
Lamps	0.0%							24

▶ **Overall product performance:**

- Top performing categories: Herbal/Perfumes, Wood, Metal, Art Objects, Pottery and Shawl.
- Medium performing categories: Toys, Dress Fabrics, Brass, Craft, Furniture, Jewellery, Saree, Carpets, Children's Wear, Accessories, Bed Spreads, Men's Wear and Table Linen.
- Poor performing categories: Women's Wear and Jute Objects.

▶ **Performance on each parameter:**

- Movement of goods:
 - Herbal/Perfumes, Wood and Jute Objects are the fastest selling (fast moving) product categories at Kolkata.
 - Bed Spreads, Men's Wear, Dress Fabrics, Table Linen, Furniture, Women's Wear, Shawl, Children's Wear and Pottery are slowest moving categories where stock sits in the inventory for at least 400 days.
- Sales:
 - Metal, Pottery and Dress Fabrics, has recorded the maximum sales growth in the last three years of more than 10%.
 - Table Linen, Craft, Men's Wear, Bed Spreads, Accessories, Jute Objects, Furnishing, Brass, Jewellery, Carpets and Khadi have recorded negative growth rates in sales over the last three years.
 - Highest Avg. Sales per sq. feet achieved by: Metal, Wood and Shawl with more than Rs 50,000 sales per sq. feet.
 - Lowest Avg. Sales per sq. feet achieved by: Dress Fabrics, Furniture, Jute Objects, Children's Wear with less than Rs 1000 sales per sq. feet.
 - Contribution to Sales: Wood, Art Objects, Brass, Jewellery and Saree are the highest contributors to sales ~70%.
- Inventory
 - Herbal/Perfumes and Wood that are ranked 1 and 2 and are fast moving categories have an Avg. Inventory to Sales ratio for all these are less than 10% indicating that CCIC may be keeping low inventories which may lead to stock out issues.
 - Children's Wear, Dress Fabrics, Women's Wear, Furniture which are not in the top performing categories have Avg. Inventory to Sales ratio of more than 75% indicating higher levels of inventory which may lead to excess inventory of slow moving items.
- Profitability
 - Most Profitable Categories: Carpets, Pottery, Men's Wear and Art Objects with more than 80% Gross Margin (%).
 - Least Profitable Categories: Dress Fabrics, Children's Wear, Metal, Women's Wear and Jute Objects.

7 Sales

7.1 Types of sales and sales channels at CCIC

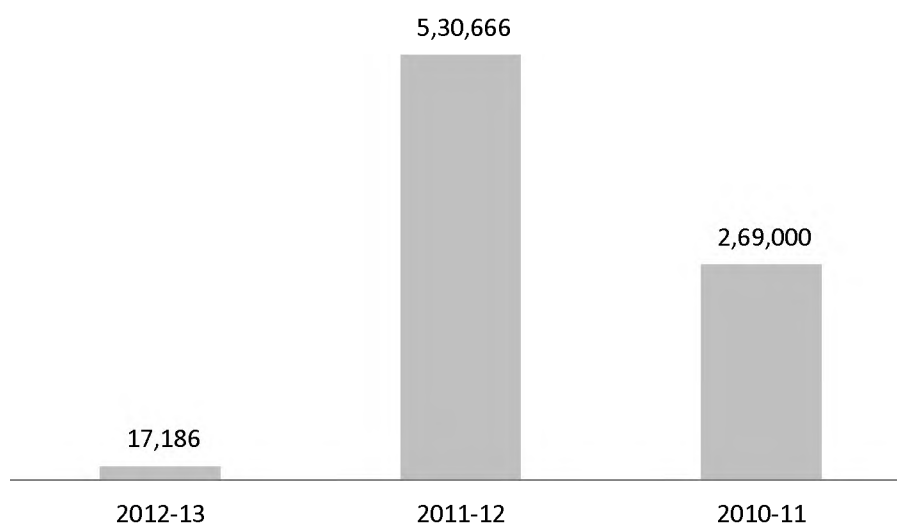
CCIC is involved in various types of sales activities to generate revenue. Revenues are generated through product sale, concessioners and through service delivery. Following are the channels of sales at CCIC:

Domestic Sales	International Sales	Sale through Services	Others
<ul style="list-style-type: none"> ▶ Retail sales ▶ Institutional sales 	<ul style="list-style-type: none"> ▶ Export sales 	<ul style="list-style-type: none"> ▶ Interior decoration 	<ul style="list-style-type: none"> ▶ Concessioner

- ▶ **Showroom sales** refer to all products, which are sold over the counter in the showroom.
- ▶ **Institutional sales** at CCIC are targeted towards government organizations. The purchase orders are placed by various government departments wherein, in most cases, these departments approach CCIC.
- ▶ CCIC organizes **exhibitions** throughout the year to expand the patronage of the corporation by displaying new product ranges
- ▶ **Export sales** refer to sales made to any foreign customer. This could be by means of shipping out products to different countries or through over the counter sales to foreign nationals.
- ▶ **Interior decoration:** The team consists of 2 assistant managers, 1 typists and 1 helper. It is headed by AGM Commercial and Marketing. The team primarily provides a facelift to the interiors of office space through wall designing, designing upholstery and adding showpieces. CCIC's clientele through this service are various government departments, such as, Delhi Police, Delhi Museum, Central Bureau of Investigation, etc. The Corporation gets business in this service line primarily through word of mouth and references.

The turnover from this segment is highly volatile. Figure 28- Sales revenue from interior decoration provides a snapshot of the revenues generated from this service line in the last three years.

Figure 28- Sales revenue from interior decoration



- ▶ **Concessioner** is a party to whom, CCIC rents out a designated area in its showroom for sale of high quality specialised products on the basis of a fixed commission that is received on Minimum Guarantee Sale (MSG) for the period of the contract. The MGS is fixed for each year for the period of the contract. A new tender is floated at the end of the contract period for appointment of the Concessionaire.

Sales platforms:

Following are the platforms of sales at CCIC:

1. **Showrooms:** maximum proportion of revenue for CCIC is generated through showroom sales. Majority of the products are sold at the counter across the CCIC showrooms.
2. **Online:** customers could visit CCIC's website and place orders for the products displayed on the website.
3. **Exhibition:** exhibitions are organized throughout the year on selected themes to display CCIC's in product range to expand the patronage of the Corporation. Various teams in CCIC and the appointed PR agency collectively manage exhibitions. Approximately 12 to 15 events are organised in a year. The marketing team undertakes the PR initiatives related to an event.
4. Advertisement in Print and Electronic Media (Radio)
5. Posters and Banners
6. Invitations through mails
7. Co-ordinating with Media houses in ensuing publicity about the event

Following is a snapshot of the sales contribution in the past three years from the major sale channels in Delhi:

Table 15- Sales contribution from sales channels

Particulars	2012-13 (in INR Cr.)	2011-12 (in INR Cr.)	2010-11 (in INR Cr.)
Retail sales	41.67	40.41	35.42
Institutional sales	4.82	4.09	3.49
Export sales	3.31	3.31	1.96
Concessioner sales	9.18	8.75	8.25
Total sales	58.98	56.56	49.12

- ▶ Over the years, Retail Sales have been the largest contributor to the total sales revenue from Delhi
- ▶ On an average, 71% of revenue contribution comes from Retail Sales, 8% from Institutional Sales, 5% from Export Sales and 16% from Concessioner Sales
- ▶ Export Sales have only marginally increased in the year 2012-13

The sales force in Delhi comprises of 66 employees split across various product categories:

Bn

Table 16- Sales force in Delhi

Product Category	Sales Force
Art objects	7
Herbal/perfumes	1
Painting	1
Gift wrapping	1
Brass	3
Metal	3
Wood	4
Carpets	2
Silver	3
Bed spread's	2
Pottery	3

Product Category	Sales Force
Women's wear	3
Jewellery	4
Dress fabrics	4
Furnishing	2
Shawl	3
Sarees	4
Jute objects	2
Accessories	2
Children's wear	2
Men's wear	4
Furniture/lamps/durries	3
Toys	1
Table linen	2

7.2 Forecasting sales

CCIC gets an annual sales target from the Ministry of Textiles in the beginning of every financial year. The cumulative sales target is then broken down and allocated among all the locations based on their previous years' sales performance. After every location gets an annual sales target, the target then gets segregated among product categories within the location, again based on previous years' sales performance of the product categories, and monthly sales targets are allocated to every product category.

There is minimal formal review of progress on sales vis-à-vis the assigned targets by the Corporation on a regular basis.

7.3 Analysis of revenue data over the last three years

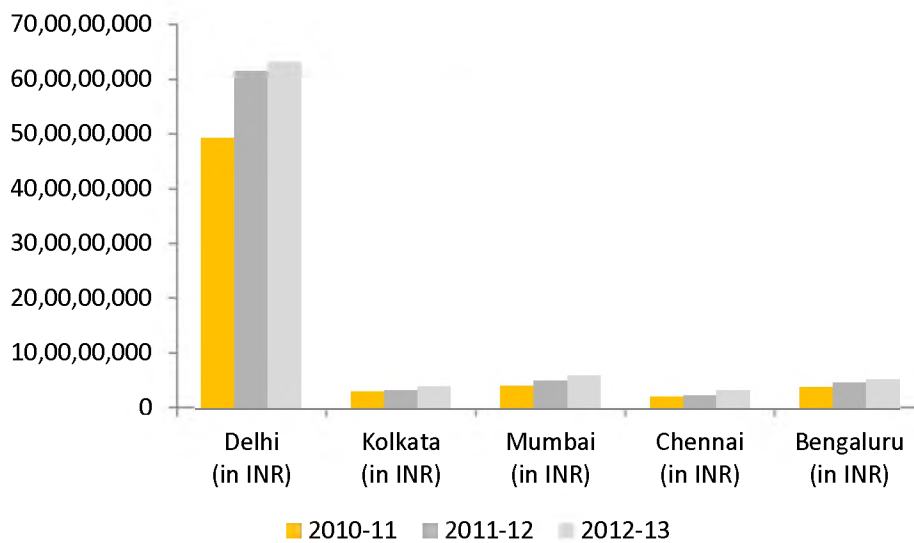
Revenue details across locations for the last three years are as follows:

Table 17- Revenue data over last 3 years

Year	Delhi (in INR)	Kolkata (in INR)	Mumbai (in INR)	Chennai (in INR)	Bengaluru (in INR)	Total (in INR)
2010-11	49,38,70,672	3,24,27,382	4,25,50,898	2,22,30,076	4,00,57,107	63,11,36,134
2011-12	61,50,85,775	3,46,70,316	5,23,39,403	2,41,63,198	4,86,86,974	77,49,45,666
2012-13	63,12,45,204	4,13,40,606	6,07,00,563	3,46,74,594	5,41,10,797	82,20,71,764
CAGR	8.52%	8.43%	12.57%	15.97%	10.54%	9.21%

1) Analysis of revenue contribution across locations:

Figure 29: Revenue contribution across locations



- ▶ On an average of three years, Delhi contributes approximately 78% to the total revenue of CCIC followed by 7% contribution from Mumbai and 5% from Kolkata.
- ▶ The CAGR for the Delhi showroom over the last three years is approximately 8.52%.

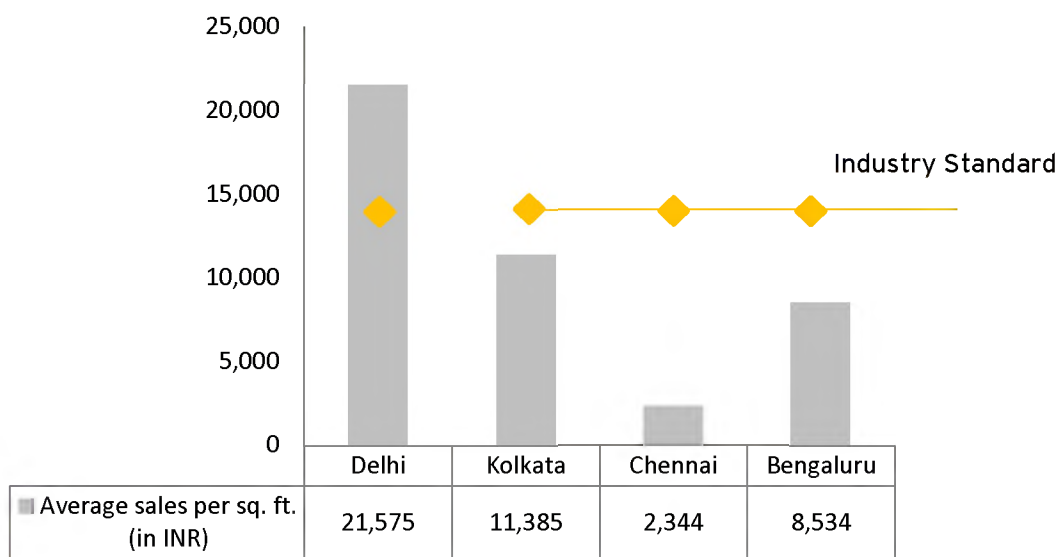
2) Analysis of average sale per sq. ft.:

Average sales per sq. ft. is an important sales metric used to determine the average sales generated by a store in a year over effective retailing space used for generating sales. It is determined to measure the efficiency of a store's management in creating revenues with the amount of sales space available to them. The higher the sales per square foot, the better job management is doing of marketing and displaying the store's products.

Table 18- Average sales per sq. ft. of showroom area

City	Area (in sq. ft.)	Average sales of the last three years 2010-11 to 2012-13 (in INR)	Average sales per sq. ft. (in INR)
Delhi	26,886	58,00,67,217	21,575
Kolkata	3,175	3,61,46,101	11,385
Chennai	11,530	2,70,22,623	2,344
Bengaluru	5,580	4,76,18,292	8,534

Figure 30- Average sales per sq. ft.



- ▶ The average sales per sq. ft. in Delhi is approximately INR 20,421 per annum, which is approximately 70% higher than the industry standard of INR 12000⁴
- ▶ All the other cities lag behind the industry average of achieving average sales per sq. ft. of INR 12000 per annum

3) ABC Analysis for sales across Delhi:

ABC analysis is based on the categorization of each item being sold as:

1. Low Value- per unit sales price less than equal to INR 5,000
2. Medium Value- per unit sales price greater than INR 5,000, but, less than equal to INR 15,000
3. High Value- per unit sales price greater than INR 15,000

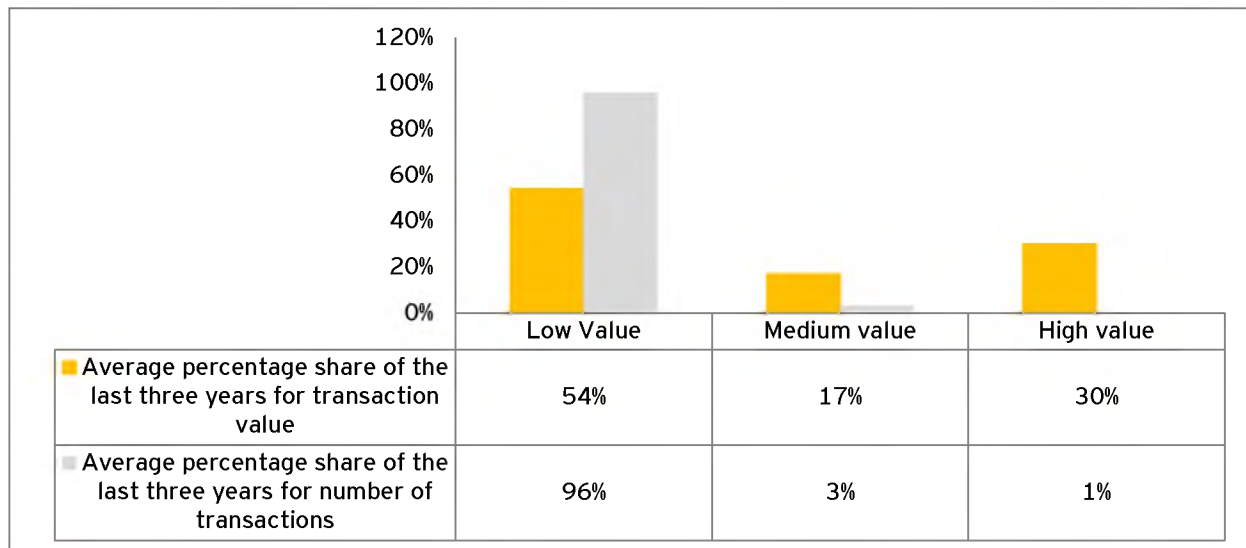
Table 19- ABC Analysis for Low value, medium value and high value items

Transaction value	2010-11		2011-12		2012-13	
	Number of transactions	Value of transactions	Number of transactions	Value of transactions	Number of transactions	Value of transactions
Low Value	3,47,044	28,54,98,913	3,34,106	29,73,98,844	3,02,573	30,05,95,708
Medium value	8,924	7,73,52,269	10,585	9,36,17,761	11,134	10,25,55,452
High value	2,806	12,88,11,864	3,644	17,45,99,821	3,880	18,66,97,413
Total	3,58,774	49,16,63,046	3,48,335	56,56,16,426	3,17,587	58,98,48,573

The split between the transaction values and number of transactions has largely remained constant across the three years. On an average following are the percentage shares of the transaction values as well as the number of transactions:

⁴ Indian Retail Operations Benchmarking Excellence Survey 2013, Tata Consultancy Services

Figure 31- Average % share of number of transactions and transaction values for the last 3 years



- ▶ 54% transactions at the stores are of value less than equal to INR 5,000
- ▶ 96% of all transactions are of value less than equal to INR 5,000
- ▶ While 30% of sales is generated through transactions of value greater than INR 15000, it only constitutes 1% of all transactions

Over the last three years, share of transaction values of INR 15,000 and above have increased, while the share of transaction values of less than equal to INR 5,000 have decreased.

4) Analysis of revenue contribution from the product categories across all locations:

The table below summarizes the average category sales across all CCIC locations over the last three years, and its percentage contribution to the total average sales over the last three years

Table 20- Revenue contribution from product categories across locations

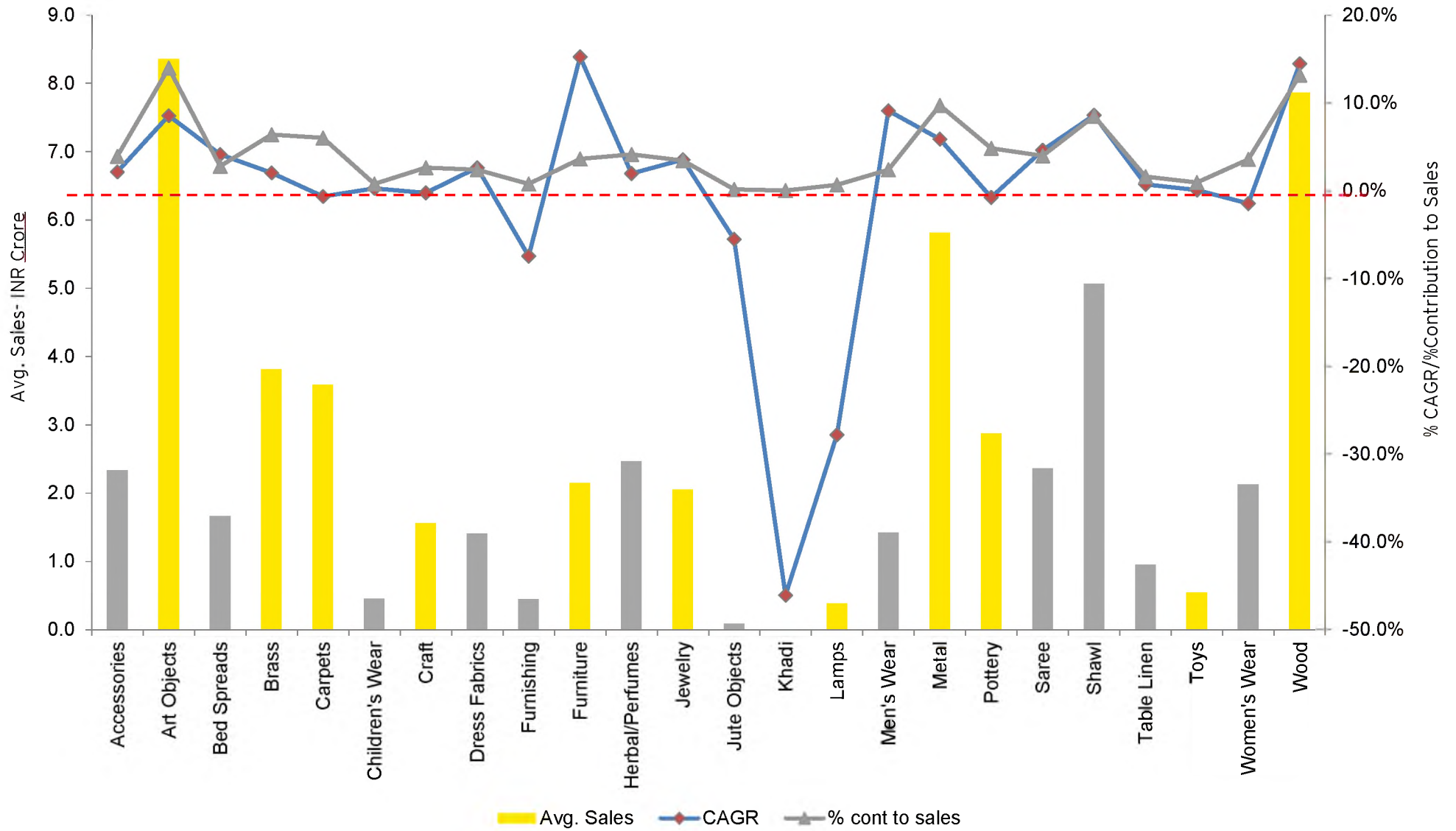
Product Category	Average sales (in INR Cr)	Contribution to total average sales (%)	CAGR
Accessories	2.34	4%	2%
Art Objects	8.36	14%	9%
Bed Spread's	1.67	3%	4%
Brass	3.82	6%	2%
Carpets	3.59	6%	-1%
Children's Wear	0.46	1%	0%
Craft	1.56	3%	0%
Dress Fabrics	1.41	2%	3%
Furnishing	0.45	1%	-7%
Furniture	2.15	4%	15%
Herbal / Perfumes	2.46	4%	2%
Jewellery	2.05	3%	4%
Jute Objects	0.09	0%	-6%
Khadi	0	0%	-46%
Lamps	0.34	1%	-28%
Men's Wear	1.4	2%	9%

Product Category	Average sales (in INR Cr)	Contribution to total average sales (%)	CAGR
Metal	5.87	10%	6%
Pottery	2.65	4%	-1%
Sarees	2.45	4%	5%
Shawl	5.21	9%	9%
Table Linen	0.81	1%	1%
Toys	0.6	1%	0%
Women's Wear	2.16	4%	-1%
Wood	7.35	12%	14%

The top contributors to sales are Art Objects, Wood, Metal, Shawl, Brass & Carpets. Avg. sales per sq. feet for CCIC is below industry standards and sales at CCIC is driven predominantly by low value items (less than Rs 5k) in value and no. of transaction.

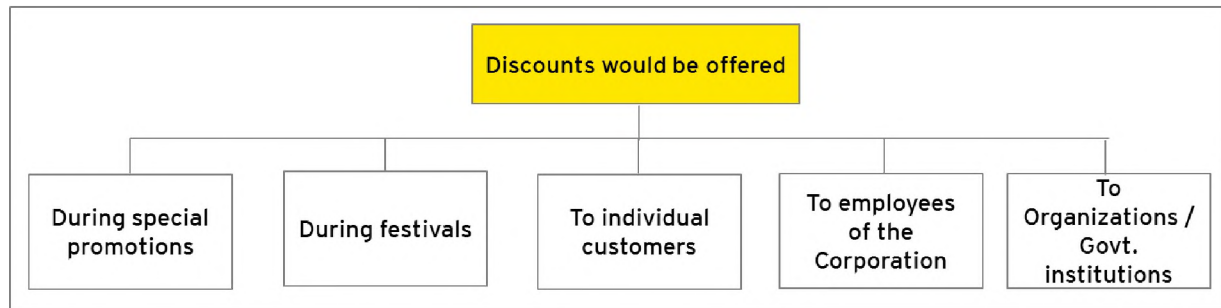
Handicraft sales perform better over Handloom sales as CAGR for Handicraft for last three years is 6.1% compared to 3.8% of Handloom. Most product categories in Handicraft have better growth rates and contribution to sales refer to Figure 32- Analysis of sales contribution from product categories and their congruent CAGR. Approx. 77% of Approval stock in Handicraft is high value items.

Figure 32- Analysis of sales contribution from product categories and their congruent CAGR



7.4 Liquidation Policy at CCIC

CCIC offers discounts on its product offerings in the following cases:



The following discounting policy has been adopted by CCIC:

1. A discount of 10% would be allowed on special promotion to attract clientele and to promote a particular item. Such promotions would be authorized by the General Manager.
2. Festival discounts up-to 10% would be allowed on special festivals by the General Manager. Festival discount would be allowed for a maximum period of 15 days on festivals such as Diwali, Dussera and Christmas, and any specific festivals relevant to a particular branch.
3. As a general policy discount to individual customer is not allowed. However, the Manager (Showroom) / Manager (Branch) may allow discount upto 5% on any item which is either defective or is slightly shop-soiled on the spot, if by doing so the sales is affected. A higher discount on such items can be allowed by the AGM / GM.
4. A discount of 10% can be authorized by the Manager (Showroom) / Manager (Branch) on purchase by Government commercial organizations, hotels, airlines, etc. Minimum purchases in such cases should be Rs. 5000/-. Such discounts would be approved by the AGM / GM.
5. A discount of 5% can be allowed by the Manager (Showroom) / Manager (Branch) to registered firms of furnishers and interior decorators. A list of such parties would be maintained by the Manager (Showroom) / Manager (Branch) with the approval of AGM / GM. The total purchase by such parties would be submitted to the AGM every month. In case purchases by any party fall below of Rs. 5,000 per year, the party would be taken out of the list. It would be at the discretion of the AGM / GM to approve the name of any party to the list.
6. A discount of 10% is allowed to permanent employees of CCIC of their purchases from emporia against cash payment subject to a maximum of 15 day salary per month. The same discount facility is extended to Directors and Consultants of CCIC.

7.5 Issues and challenges

1. **Minimal footfalls** in the retail stores at CCIC ~ 500 customers per day (at JVB Delhi) compared to 35-45k per day at other leading retail stores around Delhi/NCR.
2. **Lack of a standard way for forecasting sales**- an industry benchmarked mechanism of forecasting sales within CCIC is not available. The forecasting is done based on prior experience of dealing with the concerned product categories.
3. **Product catalogs/website is not updated**- product catalogs are used as ready reckoners for catalyzing sales. However, CCIC does not maintain such updated catalogues. Additionally, the Corporation's website is also not updated with latest products lines. Most of the times, the Corporation does not have the displayed products in stock. As a result, majority of the online orders do not conclude into sales.
4. **Absence of focused trainings for sales force**- product knowledge among staff personnel is low. The sales representatives are not appropriately trained on products and services of CCIC.

Though there are trainings organized for the staff personnel across various levels throughout the year, there is still a requirement for focused product / service line trainings to the staff personnel.

5. **Sales are not commission based hence no incentive to achieve target sales-** there are no monetary incentives attached to exceptional performance. Though CCIC has recently initiated a no-cash incentive scheme, wherein top performers are entitled to receive gift vouchers at the end of the performance year. However, cash incentives drive employee motivation, which translates to increased sales.
6. **Absence of structured sales force for revenue generating functions-** it is a standard industry practice to have channelized sales teams for focused sales revenue generation. However, CCIC does not have dedicated sales force for their primary revenue generating functions, such as IDS, Institutional, Exhibition, Key Accounts, and Retail etc.
7. **Mismatch of skill sets of sales force vis-à-vis job profile-** majority of the sales force at CCIC lack relevant skill sets and education background. The highest education qualification of the staff is heavily skewed towards a bachelor's degree / diploma. Only a small minority (approximately 13%) have a master's / professional qualification. Additionally, the manpower skill sets are a mismatch with their job profiles. For instance, an Assistant Manager is tasked with managing display and arrangement of products.
8. **Lack of a consistent manner to record sales-** recording of sales is not consistent and uniform at the Corporation. The mechanism to record sales starts from receiving the product from the store to the showroom, followed by scanning the product bar code to update internal records and finally concluding the sale to the customer. In some cases, products are directly received at the showroom, and upon sale of such products, a manual cash memo is produced. The details of the cash memo are then recorded, thereby, establishing the respective product sale in the system. This irregularity gives rise to a number of issues, including inaccuracies in reconciliation of sales data and inaccurate sales figures.
9. **Absence of strong Data Analytics to analyze real time sales of items-** absence of a robust data analytics tool further poses as a hindrance for the Corporation to analyze sales data. As a result, it is difficult for the Corporation to conclusively ascertain sales numbers. A comprehensive business intelligence tool is a business requirement, which could enable thorough drill down to the unit value data points, thereby assisting in decision making.
10. **Absence of strong in store promotional activities/programs-** (loyalty, reward) to optimize sales. Lack of robust Customer Relationship database to increase sales.
11. **Understaffed sales team to attend to customers at the stores-** there is leave encashment, tea and lunch breaks, weekly off for permanent employees of CCIC that are customer facing which results in understaffed sales team at CCIC.
12. **Store timings not in line with retail industry-** CCIC store closes at 7pm whereas all other retail showrooms do not close before 9pm.

8 Concessionaires

Concessionaire is a party to whom, CCIC rents out a designated area in its showroom for sale of high quality specialised products on the basis of a fixed commission that is received on Monthly Guarantee Sales (MGS) for the period of the contract. The MGS is fixed for each year for the period of the contract. At the end of the contract period a new tender is floated for appointment of the Concessionaire.

8.1 Concessionaire selection process

A tender is floated by CCIC inviting offers from competent parties with adequate experience in relevant trade. The tender document specifies the location, area to be allotted, product specification and period of contract. The bidders reply to the tender with details as specified in the tender document, basis which CCIC shortlists prospective bidders for next round of discussions. Contract is awarded by the Board of Directors to the bidder with highest commission/discount/license fee. A Memorandum of Understanding (MOU) is signed between CCIC and the selected Concessionaire. The contract period is generally for a period of 3 to 5 years. Some of the details contained in the MOU between CCIC and its Concessionaires are provided below.

- ▶ Name of Party/Concessionaire
- ▶ Products that Concessionaire are permitted to sell within the premises of CCIC
- ▶ Minimum Guarantee Sales (MGS)
- ▶ Period of contract/tenure
- ▶ Security Deposit to be deposited at the start of each year
- ▶ Commission rate on MGS
- ▶ Location and area allotted (sq.feet)
- ▶ Other terms and conditions

8.2 Payment to Concessionaires

The Concessionaires are paid by CCIC after the sales has been recorded in SIMS. At the time of the sale the Concessionaire makes three copies of the cash memo. Two copies are provided to the customer and one is sent along with the item to the delivery counter. The customer takes the two cash memos at the payment counter. Once the customer pays, the sale is recorded in the SIMS. The cashier at the payment counter stamps the customer copy of the cash memo and the customer collects the item from the delivery area. In case the customer decides not to buy the item the sales is not recorded in the SIMS and the product is returned to the Concessioner the next day.

On the 15th and 30th day of every month the Concessionaire submits a summary of all sales till that date. The Concessionaire receives a cheque on the 30th of each month from CCIC after deduction of the commission amount. In case there is a shortfall from the MGS till September and CCIC feels that the Concessionaire will not be able to achieve the MGS for that year, CCIC starts deducting the deficit amount as Commission from payments to the Concessionaire in the subsequent months.

8.3 Standard terms and conditions of the MoU

There are standard terms and conditions which are contained in the MoU between CCIC and the Concessionaires. Some of the important terms and conditions are highlighted below.

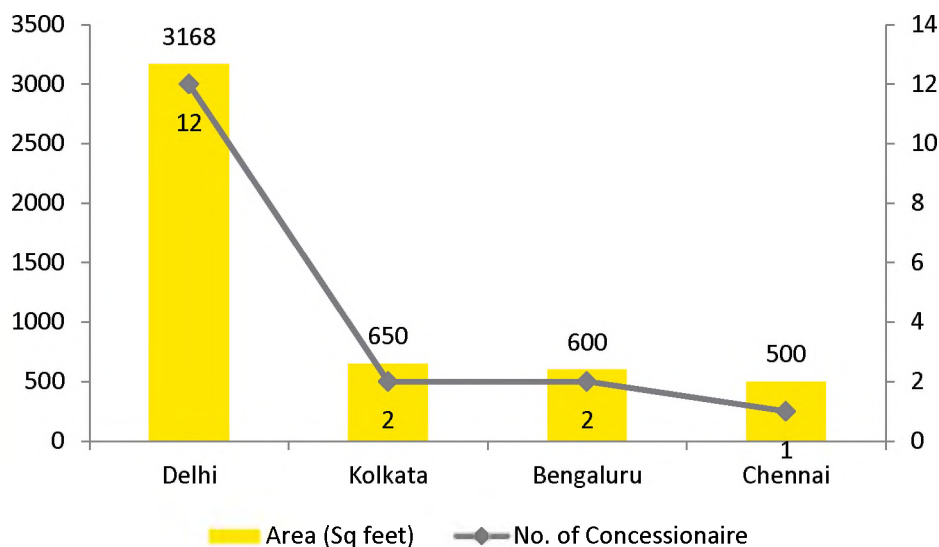
- a) In case of any specialised product/services being showcased, the party shall depute trained professionals at its own cost. Moreover CCIC withholds the right of objection to recruitment being taken for individuals who shall be employed under Concessionaire.
- b) CCIC shall be liable to make payments of Value Added Tax only. For any other tax which has been made by CCIC, CCIC shall be reimbursed by the Concessionaire within 7 days of intimation to concessionaire.

- c) The contract can be terminated by either party with a written notice of 90 days.
- d) The Concessionaire cannot affix or exhibit signboards on the allotted area without the written consent of CCIC.
- e) The Concessionaire cannot sell directly to the customers and all payments by the customers will be paid directly to CCIC.
- f) Payment to the Concessionaire will be made by CCIC on the 15th day of each month after deducting the commission on MGS.
- g) Maintenance, interior decoration, furniture, fixture, at its own cost, but design of the same will be done in consultation and approval of CCIC.
- h) The Concessionaire is subject to being shifted to another level of the showroom considering "exigency" and policy of CCIC.

Concessionaire Summary

CCIC has a total of 17 Concessionaires across four locations namely Delhi, Bengaluru, Kolkata and Chennai. Total area allotted across concessionaires is 4,918 sq. feet. Delhi has the highest number of concessionaires followed by Kolkata and Bengaluru. Refer to Figure 33- No. of Concessionaires and area allotted (sq. feet) across locations

Figure 33- No. of Concessionaires and area allotted (sq. feet) across locations



Concessionaires contribute Rs 759 lacs to total sales at CCIC (under sub head special) out of which CCIC receives on avg. Rs 138 Lac as commission fee from 9 Concessionaires in Delhi against 2,528 sq. feet of rented space. This equates to Rs455 per sq. feet per month.

The rented space and number of concessionaires has been increased in the last year. 8 new concessionaires were added post 31 March 2013 and rented space increased to 4,918 sq. feet from March 2013 onwards.

Concessionaires at CCIC sell a wide variety of products ranging from Leather products, jewellery, herbal products, Café to Carpets, Bindis and Tatoos, Juttis, Bangles, Shawls and Stoles, Books and CDs, and Paintings. Some of the products sold by Concessionaires are also sold by CCIC in the same premises such as Shawls and Stoles, leather products, jewellery, and carpets; hence this may lead to cannibalization of sales for CCIC.

Summary of the concessionaires is given in table 9 and their performance snapshot has been provided in table 10.

Table 21- Summary of Concessionaire's at CCIC

S.No	Product category	Party	Agreement details		Area	Location	Minimum Guaranteed Sales (INR Lac)					Comm ission on %	Security Deposit INR Lac till 2013-14
			Start date	End date			Sq. ft.	Of Concession aire	2010- 11	2011- 12	2012- 13		
1	Leather products	G.R.Simon and Sons	01-04-2010	31-03-2015	518	JVB, Delhi	94	96	97	99	100	15%	4.81
2	Herbal and Perfumes	Shahnaz Ayurvedics (File No C5)	1.1.10	31.12.14	35	JVB, Delhi	25	26	27	27	28	24%	2.09
3	Café	Cottage Café Barista Coffee Co. Ltd. (File No C6)	1.5.11	30.4.14	1000	JVB, Delhi	-	24	26	29	-	15%	10.99
4	Mehendi and Choori Wala	Bangles Jagni (File No C7)	1.1.10	31.12.14	44	JVB, Delhi	28	30	32	34	36	25%	2.58
5	Painting and Framing	Kunika Art Centre (File No C8)	1.1.10	31.12.14	156	JVB, Delhi	160	165	170	175	180	17.5%	9.21
6	Books and CD	National Book Trust (File C9)	1.4.10	31.3.15	150	JVB, Delhi	25	28	30	33	36	10%	0.96
7	Precious Jewelry and Craft	Precious Jewellery Craft Exporters (File No. C11)	1.1.10	31.12.14	339	JVB, Delhi	275	292	324	344	361	21%	21.61
8	Gold Jewellery and Craft	Gold Jewellery Craft Exporters (File No. C12)	1.10.10	30.9.15	250	JVB, Delhi	220	231	240	242	248	3%	2.33
9	Bindi and Tattoos	Smridhi Kapoor (File No C13)	1.1.10	31.12.14	36	JVB, Delhi	18	20	21	23	24	35%	2.36
10	Jootti	Sumit Kumar (File No 378)	3.4.13	2.4.16	40	JVB, Delhi	-	-	9	10	12	28%	0.21
11	Shawls and Stoles	Vishal Kaistha	5.4.13	4.4.16	100	RGHB, Delhi	-	-	38	40	42	20%	0.63
12	Carpet Rugs and	Galaxy International (File 378J)	1.6.13	31.5.16	500	RGHB, Delhi	-	-	48	60	71	21%	0.83
13	Carpets and	Galaxy	20.4.13	19.4.16	500	Kolkata	-	-	30	32	35	23%	0.58

S.No	Product category	Party	Agreement details		Area Sq. ft.	Location Of Concession aire	Minimum Guaranteed Sales (INR Lac)					Comm ission on %	Security Deposit INR Lac till 2013-14
			Start date	End date			2010- 11	2011- 12	2012- 13	2013- 14	2014- 15		
	Rugs	International (File 378J)											
14	Carpets and Rugs	Galaxy International (File 378J)	15.6.13	14.6.16	500	HSR Bengaluru	-	-	21	23	25	21%	0.37
15	Carpets and Rugs	Galaxy International (File 378J)	15.4.13	14.4.16	500	Chennai	-	-	34	36	38	23%	0.65
16	Jewellery	Handicraft Source	1.11.13	31.10.16	150	Kolkata	-	-	33	34	35	23%	0.64
17	Jewellery	Gem Shop	1.5.13	30.4.16	100	Bengaluru	-	-	72	75	78	24%	1.44
Total Security Deposit with CCIC till 2013-14 (Rs Lac)												62.31	

Table 22- Performance snapshot of Concessionaire's

S.No	Product Category	Name of Party	Location	Maturity Level	Avg. MGS (Rs Lac)	Avg. Actual Sales (Rs Lac)	Avg. Commission on MGS (Rs Lac)	No. of defaults on MGS	CAGR-Actual Sales	Avg. % variance (Shortfall/MGS)	Avg. Rent paid per sq ft per month (Rs)	Avg. Sales/sq feet per month (Rs)	% Space allotted @ CCIC
1	Books and CD	National Book Trust	JVB, Delhi	High	30	19	2.8	3	-8.0%	28.9%	153	1,071	3.1%
2	Precious Jewellery and Craft	Precious Jewellery Craft Exporters	JVB, Delhi	High	319	276	62.4	2	7.8%	7.3%	1,533	6,774	6.9%
3	Leather products	G.R.Simon	JVB, Delhi	High	97	69	14.3	3	-11.2%	28.0%	230	1,103	10.5%
4	Gold Jewellery and Craft	Gold Jewellery Craft Exporters	JVB, Delhi	High	236	152	6.9	3	0.9%	34.1%	230	5,056	5.1%
5	Bindi and Tattos	Smridhi Kapoor	JVB, Delhi	High	21	19	6.8	2	2.9%	2.2%	1,580	4,406	0.7%
6	Mehendi and Choori Wala	Bangles Jagni	JVB, Delhi	High	32	22	7.5	3	-12.4%	27.4%	1,420	4,082	0.9%
7	Herbal and Perfumes	Shahnaz Ayurvedics	JVB, Delhi	High	26	11	6.2	3	3.4%	58.5%	1,476	2,554	0.7%
8	Café	Cottage Café Barista Coffee Co. Ltd.	JVB, Delhi	Med	26	16	3.8	2	14.0%	35.5%	32	136	20.3%
9	Painting and Framing	Kunika Art Centre	JVB, Delhi	High	170	176	27.2	1	-7.3%	2.9%	1,454	9,409	3.2%
10	Carpets	Galaxy International	RGHB, Delhi	Low	60	-	12.5	-	-	-	208	-	10.2%
11	Carpets	Galaxy International	Kolkata	Low	32	-	7.4	-	-	-	124	-	10.2%
12	Carpets	Galaxy International	Bengaluru	Low	23	-	4.8	-	-	-	81	-	10.2%
13	Carpets	Galaxy International	Chennai	Low	36	-	8.3	-	-	-	138	-	10.2%
14	Jewellery	Handicraft Source	Kolkata	Low	34	-	7.8	-	-	-	436	-	3.1%
15	Jootis	Sumit Kumar	JVB, Delhi	Low	10	-	2.9	-	-	-	603	-	0.8%

S.No	Product Category	Name of Party	Location	Maturity Level	Avg. MGS (Rs Lac)	Avg. Actual Sales (Rs Lac)	Avg. Commission on MGS (Rs Lac)	No. of defaults on MGS	CAGR-Actual Sales	Avg. % variance (Shortfall/MGS)	Avg. Rent paid per sq ft per month (Rs)	Avg. Sales/sq feet per month (Rs)	% Space allotted @ CCIC
16	Jewellery	Gem Shop	Bengaluru	Low	75	-	9.0	-	-	-	750	-	2.0%
17	Shawls and Stoles	Vishal Kaistha	RGHB, Delhi	Low	40	-	8.0	-	-	-	667	-	2.0%

Maturity LevelHigh Year of operations at CCIC greater than 3 years**Med Year of operations at CCIC greater than equal to 2 yrs and less than 3 yrs**Low Year of operations at CCIC less than a year*

Figure 34- Concessionaire Performance across locations

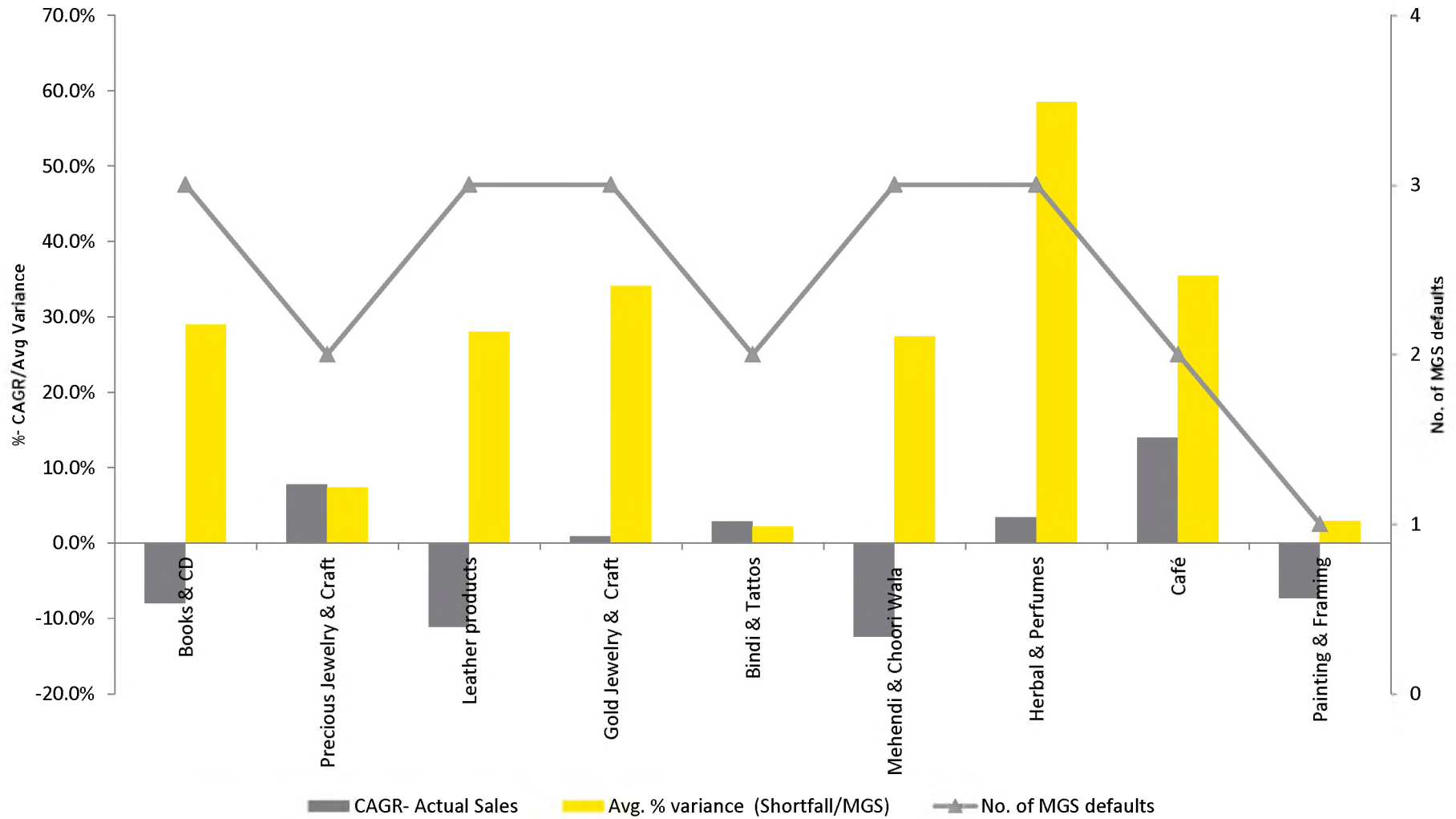
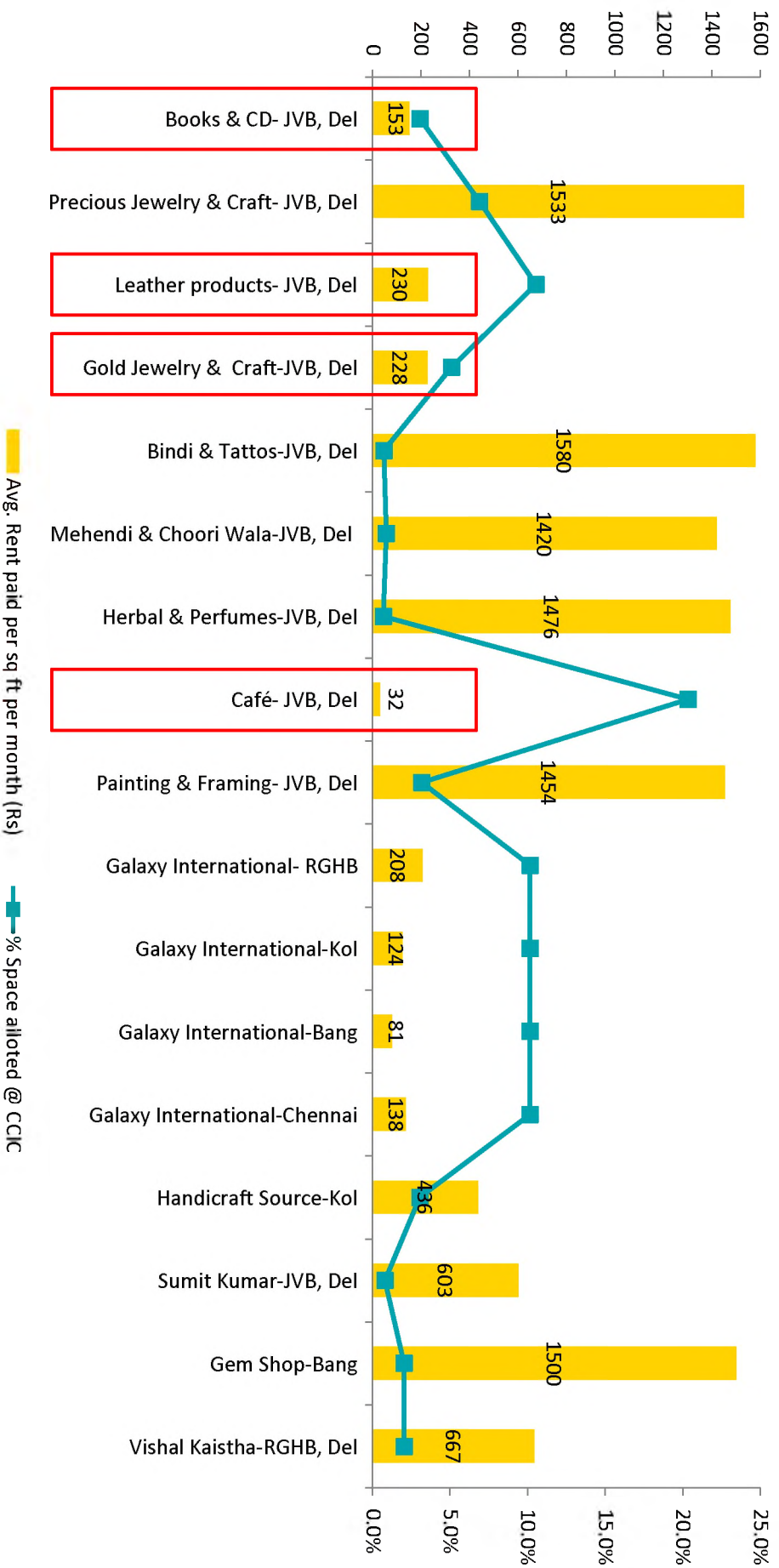


Figure 35- License Fee paid per sq. feet per month compared to market rent



- ▶ Four out of Nine Concessionaires' at Delhi has recorded negative sales growth over last three years and have failed to achieve MGS
 - M/s Bangles Jagni (-12.4%)
 - M/s G R Simon and Sons (-11.2%)
 - M/s National Book Trust (-8%)
 - M/s Kunika Art Center (-7.3%)
- ▶ Five concessionaires have recorded positive sales growth over the last three years but majority of concessionaires are finding it challenging to achieve MGS.
- ▶ Five out of Nine Concessionaires (56%) have recorded positive sales growth but have been termed as Poor Performers by CCIC as none of them have achieved MGS.
 - M/s Barista Coffee Co. Ltd (14.0%)
 - M/s Precious Jewellery and Craft (7.8%)
 - M/s Shahnaz Ayurvedics (3.4%)
 - M/s Smridhi Kapoor (2.9%)
 - M/s Gold Jewellery Craft Exporters (.9%)
- ▶ 24% of Concessionaires (four out of seventeen) are paying below the minimum market rent (as indicated in Figure 35- License Fee paid per sq. feet per month compared to market rent)
 - National Book Trust- Del (below minimum rent of Rs 240)
 - G.R Simon- Del (below minimum rent of Rs 240)
 - Gold Jewellery Craft Exporters- Del (below minimum rent of Rs 240)
 - Café - Barista- Del (below minimum rent of Rs 240)
- ▶ M/s Barista Coffee Co. Ltd in only paying only 13% of market rent. It has the highest space allotment with 1000 sq. feet and is paying the lowest rent of Rs 32 per sq. feet per month which is way below the market avg. of Rs 240 per sq. feet per month for that area.
- ▶ M/s G R Simon and Sons has the second highest space allotment (518 sq. feet) and has an Avg. Annual Commission of Rs 14 Lac. This Concessionaire has had a decline in sales at a CAGR of -11.2% and has defaulted in all three years on MGS target since signing of the contact.
- ▶ M/s Precious Jewellery Craft Exporters occupying almost same space at JVB, Delhi (6.9%) selling similar product (jewellery) and generating almost similar Sales per sq. feet as M/s Gold Jewellery Craft Exporters is paying almost 6x times more commission to CCIC when compared with M/s Gold Jewellery.
- ▶ Although the MoU specifies that the Concessionaires can be moved to a different level based on exigency or policy at CCIC, it has been indicated by the top management that there is a big resistance from Concessionaires and it is not possible to shift them within the premises.
- ▶ MGS growth% calculated y-o-y shows that in some cases the MGS growth % decreases y-o-y while for some Concessionaires it increases, within the same location. The MGW growth % y-o-y fluctuates greatly and ranges from 2% and goes upto 25% within the same location for different Concessionaires.

8.4 Issues and challenges

- ▶ There are challenges for concessionaires to achieve MGS and the problem is compounded as 44% of have recorded declining sales over the last three years.
- ▶ It has been observed that around 24% of concessionaires are paying below market rents
- ▶ Due to low footfalls and customer base, CCIC is finding it difficult to attract Concessionaires and hence difficulty in expanding different product mixes for the customers.

- ▶ Concessionaires are terminating contract on account of declining sales within CCIC; for example National Book Trust has already terminated their contract with CCIC. National Book Trust has already terminated their contract with CCCI on account of declining sales within CCIC.
- ▶ Process of determining MGS is not fool proof, mechanism and process is not in place to float a detailed tender.
- ▶ The ambience and aesthetics of Café Barista is below par, this needs to be improved as Café is an important area for the customers to relax and enjoy while shopping at CCIC.

9 Marketing

The marketing department at CCIC is responsible for preparing the marketing strategy for the year and managing the marketing and publicity related activities. The team is headed by AGM (Commercial and Marketing), supported by an AM (Marketing) and Management trainees.

Marketing and publicity is used as a medium to impact sales which happen at two levels for CCIC i.e. institutional sales and Retail sales. Within retail the department focuses on the organisation focuses on indoor and outdoor publicity largely through print media and limited use of traditional electronic media as indicated in Table 23- Advertising mediums used in CCIC below.

Table 23- Advertising mediums used in CCIC

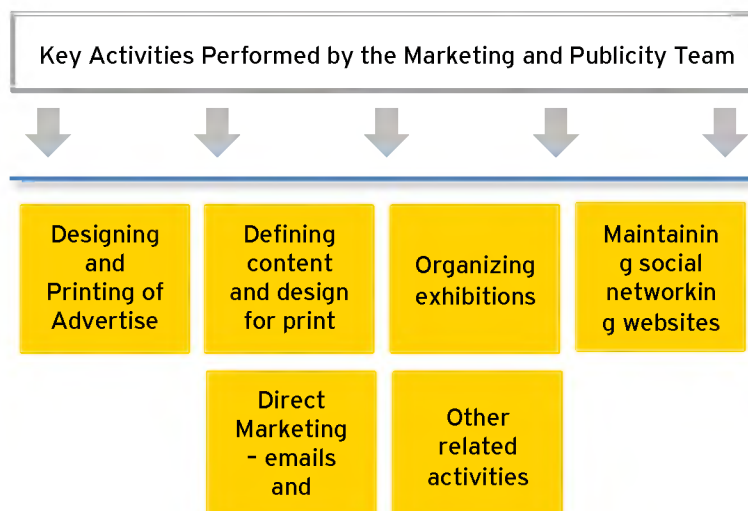
Indoor Publicity	Outdoor Publicity
<ul style="list-style-type: none"> ▶ Signage / Signboards ▶ Banners ▶ Posters ▶ Brochures 	<ul style="list-style-type: none"> ▶ Print <ul style="list-style-type: none"> ✓ Newspapers ✓ Magazines ▶ Electronic <ul style="list-style-type: none"> ✓ Radio ✓ Websites ▶ Newsletters ▶ Brochures

While the retail sales are complemented through the use of traditional media vehicles (newspaper and magazine advertisements, radio, banners, pamphlets, etc.), there are no defined strategy or initiatives for targeting Institutional customers.

The key Institutional customers at CCIC are government departments which approach CCIC on their own initiative and not as a result of any direct/indirect marketing activity. When last inquired the organisation was still designing its product catalogue. There is a lot of potential to drive volumes through Institutional Sales, and CCIC should actively promote themselves to prospective clients. Use of technology and mobile hand-held devices (such as an iPad, Tablets, etc.) could be evaluated as an effective advertising tool for a real-time product representation.

9.1 Activities of the marketing team

The Marketing and Publicity team is involved in various activities pertaining to advertising and publicizing CCIC. Following is a snapshot of the primary activities performed by the team:



- 1) Designing and Printing of Advertisements: CCIC has separate empanelled agencies for creating and designing content of advertisements and printing of advertisements. The marketing and publicity team seeks quotations from these empanelled agencies, and accordingly engages with the agency with the lowest quotation.
 - ▶ The Marketing and Publicity Team plans and schedules an advertising campaign for a particular period
 - ▶ The team seeks quotations from the empanelled agencies for designing / printing job requirements
 - ▶ The empanelled agencies respond with their quotations
 - ▶ The team appoints the agency with the lowest quotation
- 2) Defining content and design for print advertisements: The overall theme and direction for advertising campaigns are decided by the Managing Director, the Assistant General Manager (Commercial and Marketing) and the Chief General Manager. The final decision is passed on to the Marketing and Publicity Team for execution. The team then proceeds with creating the required content and designs, which compliments the theme of the proposed campaign
 - ▶ The Marketing and Publicity Team discusses the advertising brief with the appointed agency for creating content and designing the advertisement
 - ▶ The appointed agency designs the advertisements based on the inputs from the team
 - ▶ The marketing team evaluates the options and identify the suitable designs
 - ▶ The shortlisted design/s is/are sent to the MD, CCIC for approval
 - ▶ The MD, CCIC examines the design/s and either approves the advertisement or sends it back to the marketing team for revisions
 - ▶ The advertisement is sent for print after it is approved by the MD, CCIC
- 3) Organizing Exhibitions: CCIC participates in exhibitions to showcase their product offerings. Posters/banners/signage used in such exhibitions are designed by the Marketing Team (collaborating with the empanelled agencies), and an approval from the MD is sought before finalizing the design and content. Exhibitions organized by Development Commissioner of Handicrafts (DCH) where CCIC qualifies to participate are funded by DCH. DCH approximately funds 50% of the exhibitions for CCIC.
- 4) Maintaining Social Networking Websites: CCIC has a Facebook page, a LinkedIn and a Twitter account. These accounts are maintained by the Marketing and Publicity team. The traffic of followers on Facebook and LinkedIn is low, with 9 and 64 followers respectively on both these platforms.
 - ▶ At CCIC, social media as a marketing tool is used in an unprofessional set up. Photographs are clicked by an internal team member and uploaded on these social networking platforms. It needs to seek professional services for both maintain their social networking platforms and for taking high quality pictures.
- 5) Direct Marketing: CCIC has a repository of customer phone numbers and email IDs. The Marketing and Publicity team sends emails and SMSs to these customers regarding upcoming product lines and other updates.
- 6) Other related activities: The team engages in multiple other activities such as:
 - ▶ Negotiation and tie up with various Magazines, Newspapers for publishing articles
 - ▶ Vendor management
 - ▶ Budget utilization management

9.2 Analysing marketing expenditure

The marketing expenditure of CCIC has been analysed for a period of three years. The expenditure represented is against the following six segments:

1. Newspaper Advertisements
2. Magazine Advertisements
3. Electronic Media - Radio and Website Advertisements
4. Signage's / Posters / Banners
5. Tenders / Brochures / Pamphlets
6. Other Miscellaneous Expenses (photography, gifts, etc.)

In the last three years, CCIC has spent approximately INR 2 Crore on marketing activities (refer Table 24- Year-on-Year analysis of expenditure across different media vehicles) however this is miniscule in comparison to the sales and total expenditure figures (refer Table 25- Marketing expenses compared to total Revenue and Total Expenses). Preferred media vehicles for advertisements are Newspapers and Magazines. The commonly used Newspapers and Magazines are Times of India, Hindustan Times, Punjab Kesari, Explocity, India the Journey, Cosmopolitan and Femina.

Table 24- Year-on-Year analysis of expenditure across different media vehicles

Advertising Medium	Expenditure			
	2012-13 (in INR)	2011-12 (in INR)	2010-11 (in INR)	Total (in INR)
Newspaper	9,55,776	23,17,701	30,88,872	63,62,349
Magazine	9,05,160	27,36,328	22,31,246	58,72,734
Electronic Media	2,80,388	3,97,966	3,45,814	10,24,168
Signage's / Posters / Banners	5,13,390	6,06,972	4,26,417	15,46,779
Tenders / Brochures / Pamphlets	14,63,758	20,10,875	13,04,178	47,78,811
Other Miscellaneous Expenses	2,42,009	1,06,799	38,303	3,87,111
Total Expenses	43,60,481	81,76,641	74,34,830	1,99,71,952

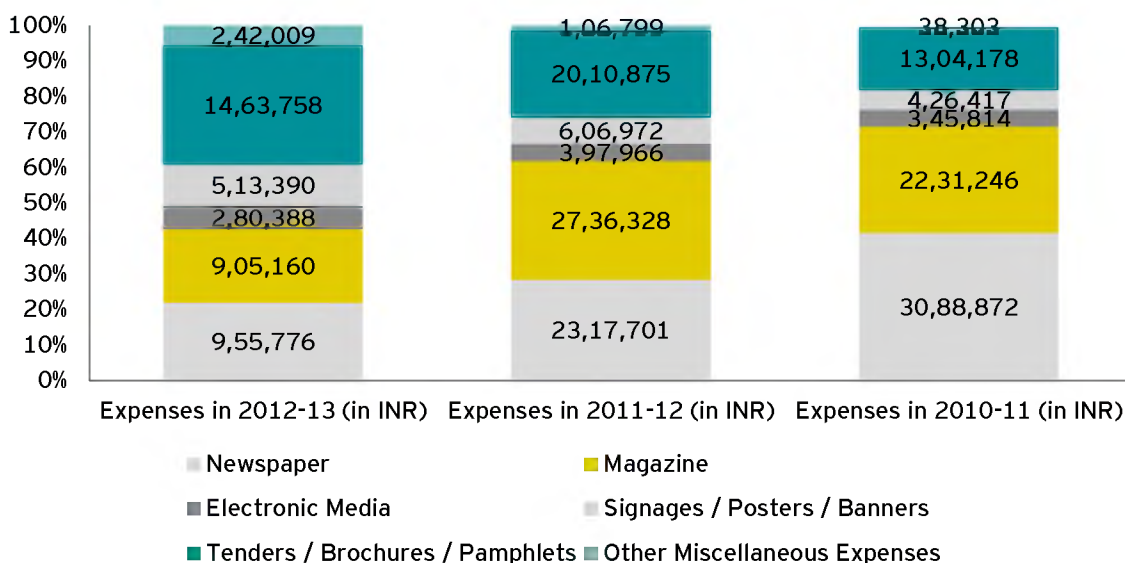


Figure 36- Trend of expenses on different media over last 3 years

In FY 2012-13 the overall expenditure has been reduced but the relative expenditure in the category of 'Miscellaneous Expenses' which include photography, designing of calendar etc.

Table 25- Marketing expenses compared to total Revenue and Total Expenses

Particulars	2012-13	2011-12	2010-11
Total Revenue (in INR)	82,19,91,501	76,91,58,086	67,31,67,692
Total Expenses (in INR)	82,71,65,101	77,24,03,014	69,47,08,528
Marketing Expenses (in INR)	43,60,481	81,76,641	74,34,830
As % of total expenses	0.52%	1.05%	1.07%
As % of total revenue	0.53%	1.06%	1.10%
Industry standard	3.09%	3.09%	3.09%

CCIC's average Marketing Expense for the last 3 years when compared to the Total Expenses is approximately 0.89% and when compared to the Total Revenue is approximately 0.9%. As per industry standards, growing retail businesses need a marketing budget of 5%⁵ of total revenue to define markets and attract, acquire and retain customers. The current marketing budget doesn't factor in digital marketing costs an important industry factor, which is gaining significant traction in the industry for its potential to increase revenues.

9.2.1 Effectiveness of Advertisements Over the Last Three Years

Effectiveness of advertisements by CCIC has been arrived at by analyzing the increment in revenue over every rupee spent on advertising. It indicates the effectiveness of advertisements in terms of the amount spent on marketing initiatives over the concurrent increase in sales revenue.

To arrive at reasonable indicators, it is assumed that marketing initiatives contribute to 50% increase in sales revenue. The remaining 50% contribution to the revenue is assumed to be a consequence of word-of-mouth referrals and repeat customer purchases.

⁵ Indian Retail Operations Benchmarking Excellence Survey 2013, Tata Consultancy Services

Table 26- Effectiveness of advertisements

Indicator	2012-13	2011-12	2010-11
Revenue contribution from Delhi (in INR)	58,30,05,295	56,00,10,998	48,80,82,966
Total increment in sales revenue (in INR)	2,29,94,297	7,19,28,032	NA
50% of Total increment in sales revenue (in INR)	1,14,97,149	3,59,64,016	NA
Marketing expenses	NA	81,76,641	74,34,830
Increment in sales revenue over every one rupee spent on marketing initiatives (in INR)	1.41	4.84	NA

In the Year 2011-12 the increment of sales revenue over every rupee spent on advertisements was approximately INR 5. However, in Year 2012-13, the marketing expenses constituted for a marginal increment in revenue, approximately INR 1.5.

9.2.2 Analysis of Customer Acquisition Costs

Based on the marketing expenses of CCIC, an analysis on the costs incurred to acquire a customer in Delhi has been arrived at. The analysis indicates the amount spent by CCIC on marketing initiatives to acquire one customer.

For effectiveness of the analysis, it is assumed that the marketing expenses contribute towards 50% of the total customers acquired. The remaining 50% is assumed to be a consequence of word-of-mouth referrals and repeat customers. Additionally, every transaction is assumed to be one unique customer, and it is assumed that the marketing initiatives result in customer conversions in the same year.

Table 27- Analysis of customer acquisition costs

Indicator	2012-13	2011-12	2010-11
Number of Customers	1,72,772	1,90,150	1,97,765
50% of the Number of Customers	86,386	95,075	98,883
Marketing Expenses (in INR)	43,60,481	81,76,641	74,34,830
Customer Acquisition Cost (in INR)	50.48	86.00	75.19

CCIC spent an average of INR 70 on marketing initiatives in the last three years to acquire one customer.

9.3 CCIC website

An impressive website is considered to be one of the most powerful marketing tools. Most people usually visit the website and research for products before they make a purchase. It is therefore, extremely important to have an updated website with clearly defined product categories and product lines for potential business opportunities. Without a high quality website that attracts visitors and provides a way to capture information, the potential of a website is not utilized optimally. Apart from reaching the market through traditional means, a high quality business website targets potential customers who primarily use the internet for their purchase research.

CCIC's website is designed and managed by India Mart. Though well established, there is still a lot to be desired from CCIC's website. This section describes the current state of CCIC's website:

1. Look and feel (design) of the website

- ▶ The page is cluttered with information overload. Presentation of information is not clearly distinguishable.
- ▶ Product images are not magnified. Users have to click on the images to see it clearly, which is time consuming.



2. Ease of use

- ▶ The page is cluttered with information overload, which hinders channelized navigation
- ▶ Inconsistent information under information tabs makes it difficult for the user to navigate through the website



3. Dynamism / Interactivity

- ▶ The website in its current state is static. It does not interact with the customer based on the selections made by the customer.
- ▶ Features such as magnification upon scrolling the mouse over the image is not available

4. Relevant content

- ▶ The products on display in the website are not classified appropriately
- ▶ Often products displayed in the website are unavailable for purchasing. They cannot be purchased online as well as from the showrooms.
- ▶ Relevant content is not available under the "Corporate Info" tab at the bottom of the webpage



9.4 Showroom

The Delhi Janpath showroom is spread across an area of approximately 28,000 Sq. Ft. and is the largest retail space for the CCIC. Product category sections in the showroom are spread across 6 levels.

- ▶ There were no navigation schematics available in the showroom
- ▶ Product section signage's in the showroom were substantially above the customer's line of vision
- ▶ Some of the signage's in the showroom were in Hindi. Though capturing the essence of India, it would not be helpful for foreign tourists.



Figure 37- CCIC Delhi showroom

- ▶ Items on Sale were displayed appropriately
- ▶ There are 12 concessioners present in the showroom
- ▶ Some areas in the showroom, especially at Level 5 and 6, were isolated and witnessed very low foot falls
- ▶ The levels did not have appropriate planograms

9.5 Branding

The Corporation does not follow a consistent branding approach. Some key observations regarding the branding of CCIC are as follows:

- ▶ The sales-force in the showroom is not uniformly dressed.
- ▶ No branding on the products
- ▶ Colour patterns in showroom are not consistent with the brand colours

9.6 Issues and challenges:

- ▶ Lack of a well-defined marketing strategy
 - Segmentation of customers, targeting the right customer base and positioning statement
 - Absence of a detailed marketing calendar
 - Lack of marketing initiatives with major international airlines
 - No presence at airports
 - Lack of customer profiling - data analytics to support decision making on marketing initiatives at CCIC
 - Marketing needs to be a centralized function at CCIC. Clear marketing guidelines and compliances need to be created and adhered to. Currently a marketing guideline manual is not available. Every location has a different marketing team which carries out their respective marketing activities in a silo.
- ▶ Lack of Branding strategy

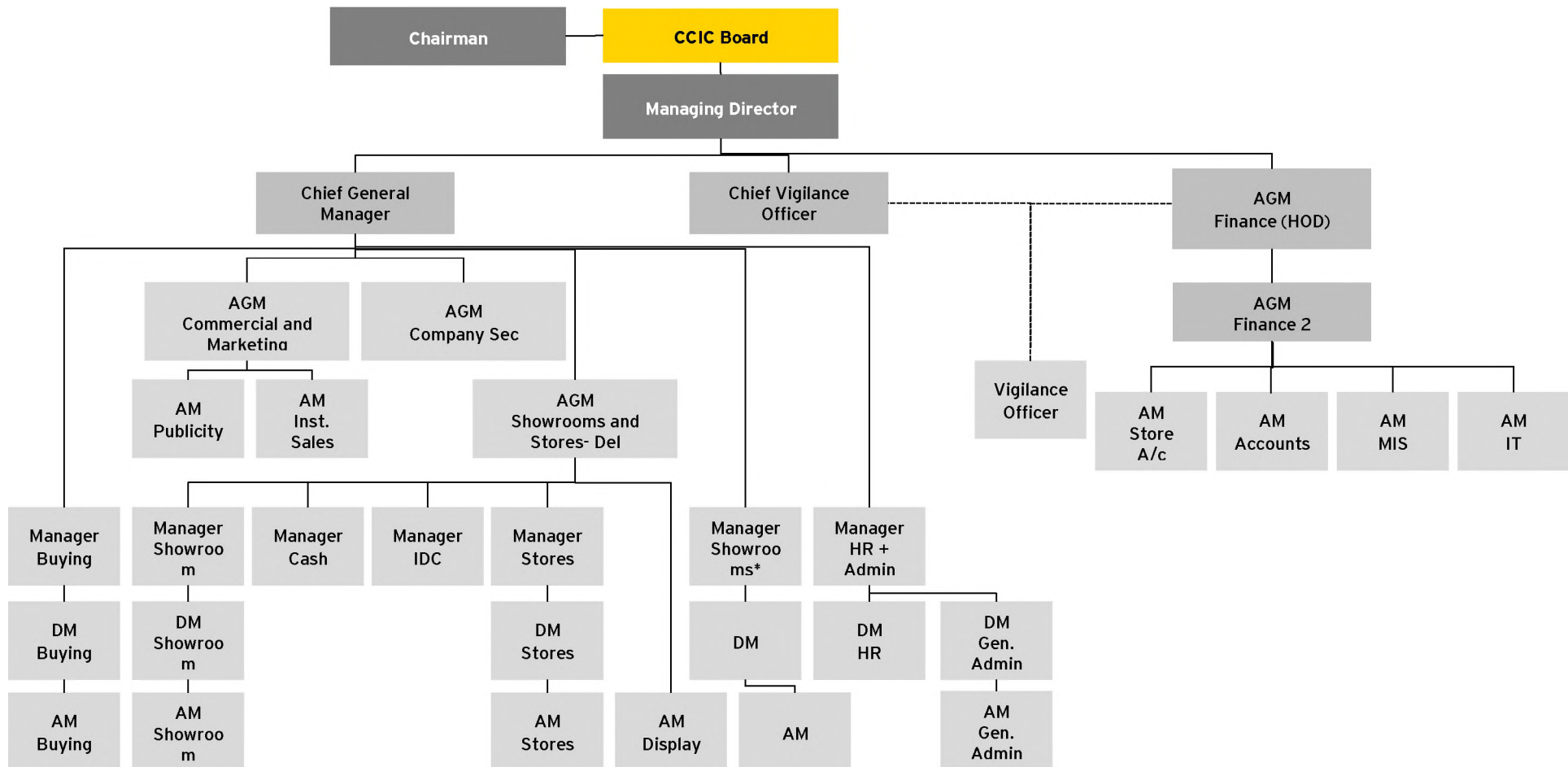
- Linkage to Business Strategy/Vision
- Inconsistent Brand elements
 - CCIC, CCIE, Cottage (multiple names), non-uniformity in colours
- ▶ Lack of Innovative methods to marketing
 - Mystery shopping, prominent with Fabindia
 - Active use of social media
- ▶ Lack of a functional and contemporary website
 - It needs to be more interactive and dynamic to elicit customer enthusiasm.
 - The website needs to be updated on a real-time basis. Products unavailable for sale should not be displayed on the website.

10 Manpower assessment

10.1 Organization structure

The organization is governed by the Board of Directors who is nominated by the Government of India (GoI). The board is presided over by the Chairman. The administrative power of the organization lies with the Managing Director. Under the direction of Office of the Managing Director, the organization has been segregated into departments for effective functioning.

Figure 38- Organization Structure at CCIC



Board of Directors

Chairman, Managing Director and an external Director (*Deputy Secretary of Ministry of Textile*) constitute the Board of CCIC. A minimum of 2 directors are required on the board at any given point and the maximum cap is 9 members. Chairman is appointed by the President of India and Managing Director and external director is appointed by the President of India in consultation with the Chairman.

Departments at CCIC

The organization has been segregated into three departments for effective functioning which are as follows:

1. **Department of Vigilance:** Headed by the Chief Vigilance Office (CVO) who is nominated by the Gol. The CVO works as a part time Chief for the department. The operations for Vigilance are further support by the Head of Department of Finance.
2. **Department of Finance:** Headed by AGM (Finance). The finance department has been further segregated into 4 divisions - Accounts, Store Accounts, MIS and IT. The Head of Department of Finance also supports the vigilance office for all vigilance related matter.
3. **Office of Chief General Manager (CGM):** Headed by CGM. This office directs the remaining departments in CCIC for effective functioning. It has following 5 divisions:
 - Company Law/ Secretary Division
 - Buying Division which has a design cell
 - Commercial and Marketing Division - This division has further been segregated into 2 teams - Institutional Sales (ISD) and Publicity.
 - HR Division - this division has further been segregated into General Administration and Hindi. HR for CCIC is managed centrally from Delhi for all locations.
 - Showroom and Sales Division - This division has been further segregated into 6 teams which are Interior Decoration Services (IDS), Display, Stores, Showroom, Cash, Packaging and Shipping.

10.2 Staff strength across locations

As on 1st Nov 2013, total employee strength of CCIC across all locations is 298 and is segregated across officers, supervisors, assistants (*including stenos*), and Class IV employees as per table below. Additionally, CCIC has a pool of sub-contracted / temporary manpower. The sub-contracted manpower is hired on 'Limited Term Employment'. At present the strength of temporary manpower in Delhi is 58.

Table 28- Total staff strength at CCIC

Level	Designation	Delhi	Mumbai	Kolkata	Bangalore	Chennai	Hyderabad	Total
Officers	MD	1	0	0	0	0	0	1
	CGM	1	0	0	0	0	0	1
	GM	0	0	0	0	0	0	0
	AGM	5	0	0	1	1	0	7
	Manager	3	1	0	2	0	0	6
	DM	14	1	3	1	2	0	21
	AM	90	16	3	7	6	1	123
	Total	114	18	6	11	9	1	159
Supervisors	22	2	0	2	0	0	26	
Steno, Sales Assistants, etc.	5	1	0	1	0	0	7	
Class-IV, Vigilance Man, Driver, Helper, etc.	96	7	2	0	0	1	106	
Total (permanent staff)	237	28	8	14	9	2	298	
Temporary staff							58	

Grand Total							356
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Over the years the staff strength at the organisation has reduced due to retirements by 50% and the organisation has become top heavy due to promotions. A combination of the two aspects implies that even though the staff strength has reduced, the overall expenditure on manpower has increased because (a) higher salaries have to be paid to the promoted staff which is now at officer level and (b) additional helpers have to be hired on temporary basis. Further the exchequer was loaded after the implementation of the 6th planning commission recommendations. The aspects have been analysed in the following sections.

Further, it is important to note that effective manpower of the organisation is even lesser than the documented numbers. The reasons are as follows:

- a) CCIC is operational all 7 days of the week and all employees are entitled to one weekly off day. As a result, employees are rotated during the week so that all employees get their designated weekly off. Thus, the employee strength is never at its capacity throughout the week. Everyday approximately 50 employees (including temporary staff) are on weekly scheduled offs.
- b) As per policy, CCIC has discontinued Paid Leave encashment for their permanent employees. As a result, the manpower strength during operational days is also affected because employees now avail all their designated Paid Leaves.
- c) Employees at CCIC are allowed three breaks in a day - 30 min Lunch Break, and two 15 min Tea Breaks. Since there is no fixed vigilance on the timings availed for breaks by these employees, the manpower strength on operational days are affected.

10.2.1 Staff across locations

CCIC’s has total manpower strength of 298 across all its locations, namely - Delhi, Mumbai, Kolkata, Bangalore, Chennai and Hyderabad. Approximately 72% of the total manpower strength is in Delhi, followed by 11% in Mumbai.

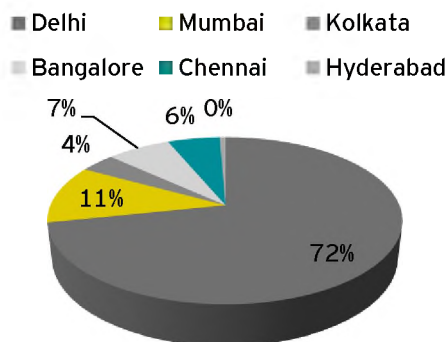


Figure 39- Staff across locations

10.2.2 Staff across levels

Of the 298 staff members, 159 are officers i.e. 53% of the total and hence this is a top heavy organisation. Of these 159 officers, 77% are at the level of Assistant Managers and 13% are Deputy Managers.

Among the temporary staff, 45% are appointed as helpers followed by 33% security guards. The combination of posts for the temporary staff is split across different departments/functions of CCIC. Helpers are required at all counters for supporting the AMs which are the client interface.

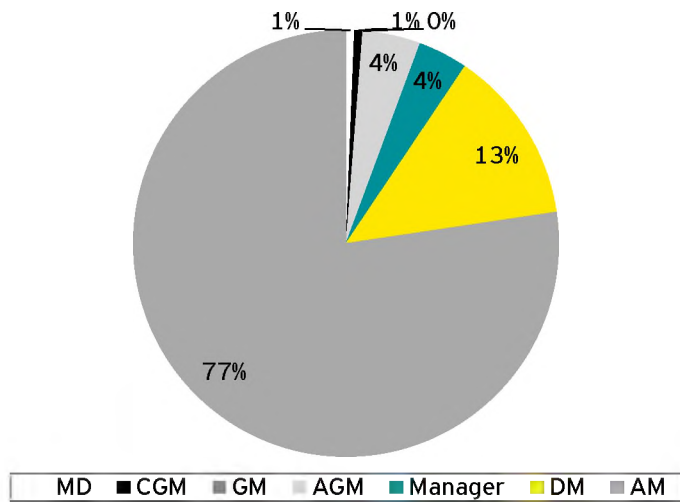


Figure 40- Staff across levels

Table 29- Total temporary staff at CCIC

Post	Number
Cleaner	6
Driver	2
Electrician	2
Gardner	1
Helper	26
Sales Assistant/ PA	2
Security	19
Total	58

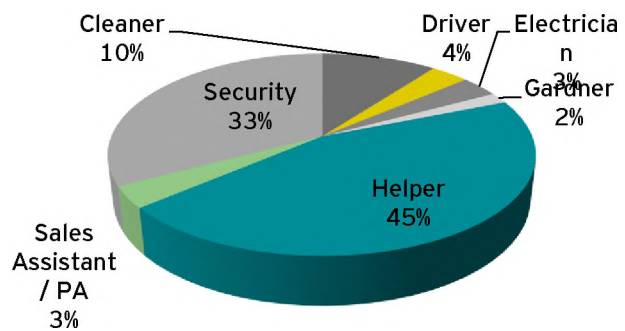


Figure 41- Segregation of temporary staff

10.2.3 Staff across ages

The organisation also has an aging employee profile. 64% of the staff is in > 45 years category and only 3% are in <35 years category. Since the retirement age is 60 years, over 50 employees will retire by 2015. 64% of these employees i.e. 47 employees are above Assistant Managers level. The details are in the following table.

Table 30- Staff retiring by 2015

Designation	Number
Assistant Managers	18
Deputy Managers	20
Manager	9
AGM	2
Total	49

10.2.4 Education profile of the staff

Table 31- Education profile of staff

Designation	Bachelor's Degree / Diploma	Master's Degree / Diploma	Professional Course	Upto 10th	Upto 12th	Upto 6th
AGM		1	6			
AM	75	24	1	11	10	2
CGM			1			
DM	15	4	1		1	
Manager	2	1	2		1	
MD (Additional Charge)			1			
Supervisor	14	3	1	5	3	
Typist /Assistant	1			4	2	
Driver and Class IV Employees	9			83	8	6

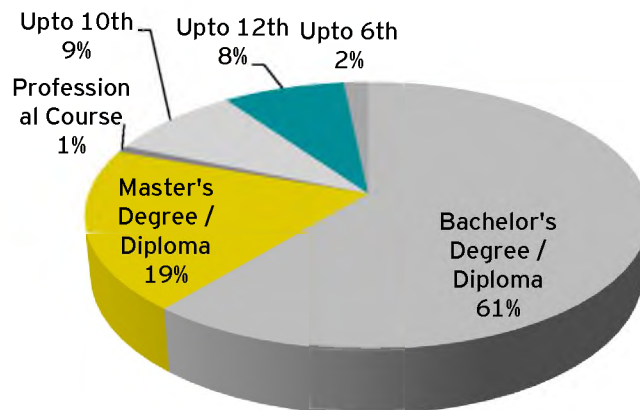


Figure 42: Education profile of AMs

- ▶ Overall, 39% employees at CCIC have a bachelor’s degree and 46% have completed higher secondary education (12th Standard).
- ▶ There are 6 Managers in the corporation, out of which 2 have a professional degree / diploma, 1 has a master’s degree, 2 have a bachelor’s degree and 1 has completed higher secondary education (12th Standard).
- ▶ There are 21 Deputy Managers in the corporation, 15 out of them have a bachelor’s degree / diploma.
- ▶ Education profile of Assistant Managers is skewed towards bachelor’s degree / diploma. Of the 123 AMs at CCIC, 61% (75 AMs) have a bachelor’s degree / diploma, whereas only 20% (24 AMs) have a master’s degree / diploma. Only 1 AM at CCIC has a professional degree / diploma.

Majority of employees at the above mentioned designations at the corporation do not have specialized technical education qualifications.

10.2.5 Expenditure on manpower

On an average for the last three years, manpower costs are approximately 30% of the total expenses incurred by CCIC. Also, CCIC's employee sales (net revenue from operations) to cost ratio is 33%, which is higher than the desired range. Returns from the employed work-force, therefore, is not in the optimal zone for CCIC.

Table 32- Manpower expenditure

Particulars	2012-13	2011-12	2010-11
Employee Benefit Expenses (in INR)	25,53,69,407	23,40,33,101	20,59,84,460
Net Revenue from Operations (in INR)	77,47,98,080	71,98,28,095	63,04,72,883
Total Expenses (in INR)	82,71,65,101	77,24,03,014	69,47,08,528
Manpower Costs as a % of Total Expenses	30.87	30.30	29.65
Manpower Costs as a % of Net Revenue from Operations	32.96	32.51	32.67

The process of 7th Pay Commission set up has been started. According to news reports, the implementation of the amendments is likely to come into effect prior to the Lok Sabha Elections 2014. It is speculated that the increase in pay is going to have a multiplier effect of 3. This means, CCIC would have to incur thrice the manpower expenses as the 7th Pay Commission amendments take effect.

10.3 Recruitments

Recruitments at CCIC are done as per the Government guidelines. The recruitment process takes approximately 3 to 4 months to complete depending on the scale and number of recruitments. A brief description of the process and the HR department's intervention are as follows:

- i) Once a vacancy is identified in any location, the HR team prepares a note for recruitment and forwards it for the Board of Directors' (BoD's) approval
- j) Post approval from the BoD, advertisements for recruitment are published in the leading employment dailies
- k) Applications are received. HR team screens the applications, measures them against the minimum qualification criteria and generates a list of eligible candidates.
- l) The list is forwarded to the MD for approval
- m) Post approval, a letter of invitation is sent to the candidates informing them about the date, venue and time for the scheduled interview
- n) A selection committee is formed to conduct interviews and recruits the candidate.

10.4 Performance management and evaluation

Every employee at CCIC (up to Chief General Manager) undergoes an Annual Performance Assessment Review (APAR) as per GoI guidelines. The employee is required to fill in details of his / her self-assessment, which is validated by the employee's reporting authority.

The evaluation mechanism is based on the key performance areas / indicators defined for each role. Based on performance against the KPIs, the employee is rated on a scale of 1 to 5, 1 being "Below Average" and 5 being "Excellent". The final scores are evaluated on identified indicators. For every indicator there are various listed parameters, based on which an employee is evaluated.

For instance, employees at the level of an assistant manager up to the level of a chief general manager are provided final scores based on the following indicators:

- ▶ Performance (Max Score 50)

- ▶ Competencies (Max Score 20)
- ▶ Values (Max Score 15)
- ▶ Potential (Max Score 15)

These indicators are further broken down into measurable parameters on which the employee's scores are allocated. For instance, under the Performance (Max Score 50) indicator the scoring parameters are:

- ▶ Accomplishment of planned work / work allotted
- ▶ Quantity of output
- ▶ Analytical ability
- ▶ Accomplishment of exceptional work / unforeseen tasks performed
- ▶ Creativity

While CCIC follows the regular methodology adopted by the GoI for employee annual evaluation, there exist certain industry related benchmarks based on which an employee's performance is evaluated. These benchmarks assign responsibilities to the employees in terms of sales targets, customer retention, new business development, etc. The annual evaluation is based on thorough monitoring of these benchmarked indices.

CCIC recently introduced a non-cash based incentive scheme, which would be given to the employees who perform well on the job. The incentive is in form of gift vouchers / coupons. Also, annual evaluation mechanism has been put in place recently. Though a system has been established, however, no fixed parameters are evaluated for employee performance.

Key performance indicators of staff personnel at CCIC

The following section details the KPIs of the staff personnel at the CCIC:

- 1) For Assistant Manager / Deputy Manager / Manager / Addl. General Manager / General Manager / Sr. General Manager / Chief General Manager:

Performance
Competencies
Values
Potential

These indicators are further broken down into measurable parameters, on which the respective employee is given a score.

- 2) For Supervisor / Sectional Accountant / Stenographer / Sales Assistant / Cashier / Steno Typist / Computer-cum-Assistant / Sr. Assistant / Assistant / Typing-cum-Assistant / Telephone Operator:

Accomplishment of planned work / work allotted
Quantity of output
Analytical ability
Job Knowledge
Creativity

3) For Shop Assistant / Vigilance-cum-Customer Care Personnel / Delivery Man / Record Keeper / Driver / Helper / Cleaner:

Key Performance Indicators for Drivers
To drive the staff car as per the instructions of the competent authority following all the traffic rules and regulations and in the best interest of the corporation by following the shortest possible route
Responsible for proper maintenance and upkeep of the car
Maintaining the "Log Books" with up to date information with all the required particulars
Responsible for getting the journey countersigned by the officers using the staff car as soon as the journey is over
Periodically servicing of the staff car, ensure its road worthiness
To renew the road license, insurance cover as required within the repaired time schedule
To report any incident of accident / damage or penalty charged by the Traffic Police to the appropriate authorities
Behave orderly with the officer using the staff car
To clean and polish car including the engine and interior parts regularly
To work out mileages / to ensure constant good mileage of the vehicle
To deal with such other matters as are incidental to the above items of work
Cost consciousness and time value
Economy measures taken
Any other work as may be assigned by higher officers from time to time
Key Performance Indicators for Helper / Shop Assistant
To entry inward and outward correspondence and maintain correspondence and file movement register
Deliver messages, papers, files and other items from one part of the office to another and outside the premises, obtain receipts for articles delivered
Ushering of visitors into officer's room and looking after the rooms in absence of the officers
Thoroughly dusting of tables, chairs and other articles of the office, furniture every morning before commencement of work
Dusting of glass panes of door and windows
Dusting of light shades/blades of fans wherever possible
Fetch and serve water, tea, etc. to officer and staff
Arrange files of officer and staff, attend call bell of the officers when placed on duty
Take delivery of stationary and other items and bring them to the concerned section
Opening and closing locks of the officer's rooms
Attending to routine visitors, attending and sending fax messages
Cost consciousness and time value
Economy measures taken
Perform any other work as assigned from time to time
Key Performance Indicators for Cleaners
General cleaning which includes: sweeping, scrubbing, mopping of floors, dusting of floors, emptying dustbins, cleaning of toilet, etc.

To ensure the cleaning equipment is cleaned after use and securely stored
Maintain a standard of neatness and hygiene in the office
To ensure cost effective usage of cleaning consumables
Render support to personnel whenever / wherever necessary
Any other work assigned from time to time
Key Performance Indicators for Vigilance-cum-Customer Care Personnel
Maintain constant surveillance of persons on CCIC's premises to prevent loss of stock
Responsible for the apprehension of shoplifters, attempting to escape without paying for goods
Responsible for security of CCIC's premises and property in accordance with set guidelines
Clearly understand the operation of the showroom / store's alarm and electrical systems
Maintain high degree of confidentiality while performing duties
Any other duty assigned from time to time
Key Performance Indicators for Deliveryman
Proper packing of goods sent to the delivery counter to the satisfaction of customers
Keeping the parcels at appropriate shelves at delivery counter to ensure that the same do not get mixed and wrong parcel is not delivered to any customer
Prompt delivery of parcels to customers
To make the customers comfortable and handle them tactfully whenever there is a long queue on the delivery counter
Ensure cost effective usage of packing material
Any other duty assigned from time to time

10.5 Training and development

Trainings and development related activities at CCIC are of three types:

- ▶ **Trainings specified by Ministry of Textiles:** In the beginning of every financial year, the CCIC enters into a MoU with the MoT to achieve HR related targets. A report is generated at the end of the Financial Year to measure progress against desired goals, and accordingly a rating is designated to the CCIC. The desired goals are usually set towards imparting trainings to the employees and are targeted towards grooming their acumen in the required domain. These trainings are imparted across levels of seniority. For instance, in the current financial year, one of the targets to achieve an "Excellent" rating was to train 3 senior level officials on Risk Management. Another training to be imparted was on soft skills at a junior level.
- ▶ **Trainings on product knowledge:** Knowledge of products is extremely important in this industry. Product Line Trainings are organized by CCIC for their sales staff across seniority. The idea is to impart knowledge about the products. The trainings are imparted by the respective product Supplier along with senior officials of CCIC.
- ▶ **New Joiner Trainee:** Training is imparted to the new joiners on the product categories at the shop floor by the Floor Manager (usually a DM level official) and the Counter In-charge (usually an AM level officer). It is a hands-on training imparted to acclimatize the new joiners with nuances of the products.

10.6 Issues and challenges:

- ▶ **Manpower management**

- ▶ CCIC is a top heavy organisation with 53% employees being at AM level. These AMs are promoted in the organisation and do not have any technical knowledge
- ▶ The organisation retails handicraft and handloom products and needs manpower with technical skills in various areas like design, marketing, interior decorations, etc. However there is only 10% staff with technical background. Of these approximately 68 % are from Finance background. There is a lacuna in the other areas which needs to be filled. Design and Marketing being the most crucial.
- ▶ The manpower costs of the organisation are substantial i.e. to the tune of 32% of sales against industry benchmark of approximately 13.7% of sales.
- ▶ Approximately 20% of the total employee strength over all locations (including helpers, sales assistants, cleaners, drivers, etc.) of CCIC is going to retire in the next two years (by 2015). Hence the organisation needs to plan for filling the vacancies in a structured manner and the plan should be for hiring technical staff.
- ▶ The department structure and functions are not well defined. For example, the interiors department is doing the tasks of visual merchandising department.
- ▶ Lack of clearly defined roles and responsibilities of personnel across departments.
- ▶ Absence of strong middle management to take up leadership roles in future.

- ▶ **Performance monitoring**
 - ▶ The organisation follows the regular government APAR systems for performance monitoring which is not in line with the industry practices.
 - ▶ Sales targets are decided in the beginning of the year; however there is little follow up on that at later stage. Therefore, employees are not entirely evaluated based on their sales performance.
 - ▶ Employees are not penalized / rewarded for not achieving / achieving the targets.
 - ▶ Recently CCIC has introduced rewards as sales incentive but these are not in cash and the amount is not substantial enough to motivate people.

- ▶ **Training and capacity building**
 - ▶ Focus on training of resources is low. There is no formal system of imparting required training on art and craft knowledge of the products.
 - ▶ There is no fixed process of transferring employees from one department to the other. People are shuffled across product lines.
 - ▶ Streamlined processes for knowledge sharing and knowledge transfer do not exist. Considering many people are scheduled to retire in the near future, it is essential to put a knowledge transfer system in place.

11 Information technology

IT systems (computers and server) were introduced in CCIC in the year 1997 and in the same year a Sales and Inventory Management System (SIMS) developed by CMC Ltd. was adopted. Then in 2001, Finance Payroll Management System (FPMS) was introduced with the objective of strengthening the SIMS system and automating the financial aspects of the corporation.

CCIC's website was launched in the year 2010. It is managed and maintained by Indiamart, however, the new products are updated on the website once in 6 months by CCIC itself. CCIC aims to implement ERP within the next 4 months. It envisages making ERP operational across the organization by the end of the financial year 2014.

The CCIC has spent approximately INR 36 Lacs in purchasing computer hardware products in the last three years. The total cost of implementation of the ERP is INR 42 Lac + Taxes, out of which INR 29 Lac + Taxes has been paid against a bank guarantee in the beginning of the project. Out of remaining INR 13 Lac, INR 5.2 Lac + Taxes have been paid. Remaining payment would be released as per the progress of the project. The AMC related payments were not made in these years because; these products are delivered with a 2 year maintenance contract.

Figure 43: Expenditure on IT in last 3 years

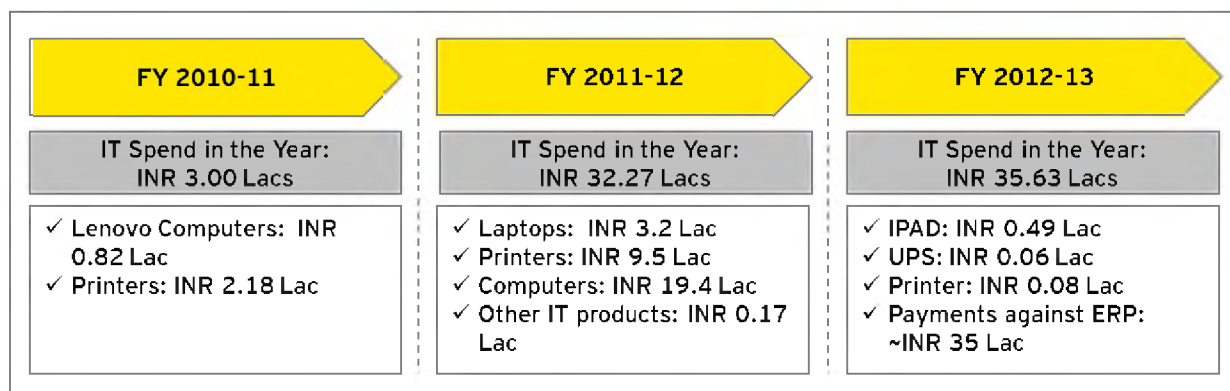


Table 33- IT spends as a % of total expenses FY 2010-13

Particulars	2012-13	2011-12	2010-11
IT Expenses (in INR)	63,000	32,27,000	3,00,000
Total Expenses (in INR)	82,71,65,101	77,24,03,014	69,47,08,528
IT Costs as a % of Total Expenses	0.01	0.42	0.04

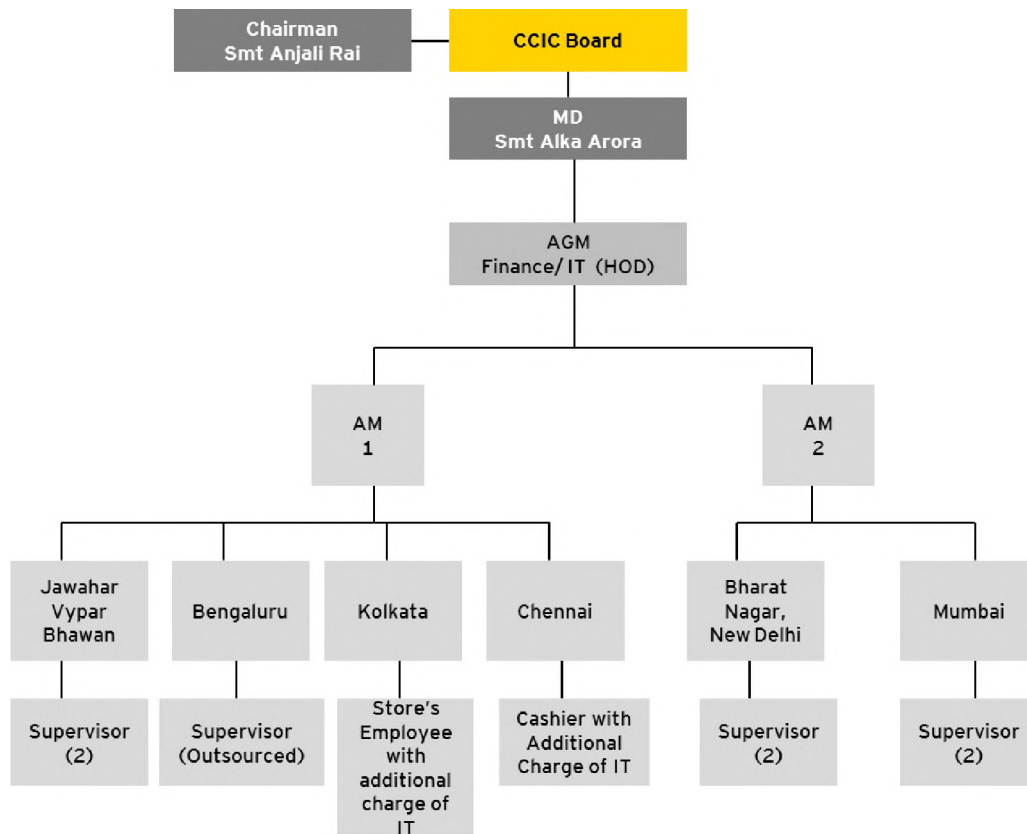
Given the scale of CCIC's business, the IT component needs to be substantially more significant. IT enablement is essential for CCIC to achieve efficiencies and exercise compliance checks on its functions.

11.1 Structure and functions of IT department

11.1.1 Structure

The IT department is headed by AGM Finance. The AGM is supported by 2 Assistant Managers, who are in-turn supported by 6 Supervisors. One Assistant manager manages IT operations in New Delhi, Bengaluru, Kolkata and Chennai. The other Assistant Manager oversees IT operations in branch office at Bharat Nagar in New Delhi and showrooms in Mumbai. Out of the 6 supervisors, 2 are at the Bharat Nagar office and 2 at the Jawahar Vyapar Bhawan and 2 at the Mumbai showroom.

Figure 44- Organization Structure of IT department

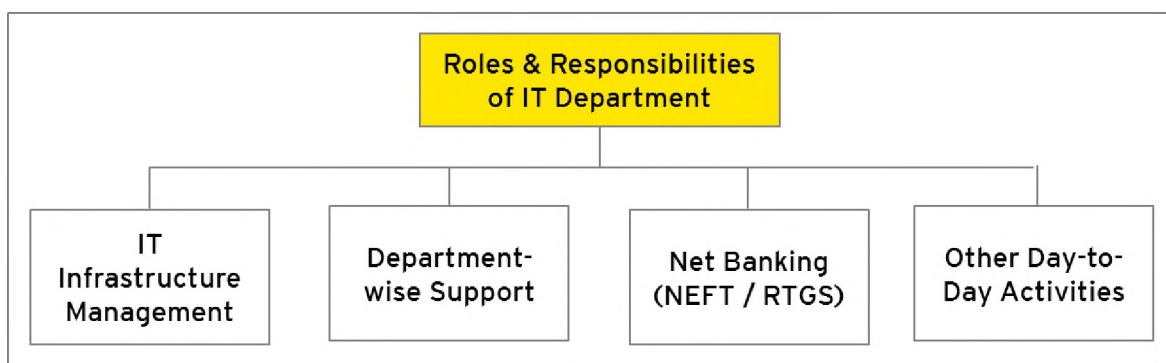


AGM- Additional General Manager DM- Deputy Manager AM- Assistant Manager * Showrooms include Mum, Bang, Kol, Chennai

Additionally, CCIC has hired third party employees who provide full time IT support to the showroom in Bengaluru. At Chennai and Kolkata the employees of the Cash Department and the Stores department (respectively) are given additional IT responsibilities based on their experience. They support their respective showroom for software related issues. For Hardware related issues, vendor support is taken post intimation to Assistant Managers at the Head Quarters.

Annual Maintenance Contracts (AMC) has been taken primarily for assets deployed at showroom and offices based in New Delhi. Vendors are called in on a need basis.

11.1.2 Functions



IT Infrastructure Management:

- ▶ Data Network Administration
- ▶ Maintaining Broadband internet connections and its allocation to end users as various departments in showroom
- ▶ Firewall and Antivirus Management
- ▶ Supervision of System house -keeping and support services from vendors
- ▶ User training, support and system support
- ▶ Supervision of jobs assigned to support team
- ▶ Remote Support Branches across India
- ▶ Evaluation of new technologies
- ▶ Management of IT Infrastructure, installed at finance, IT, MIS, Store Accounts, Buying, Stores and Packing and Shipping department

Department Wise Support:

- ▶ Database Administration of Sales and Inventory Management System (SIMS)
- ▶ Supervision of data transfer for merchandise transfer to showroom
- ▶ Barcode label designing
- ▶ Database Management of in-house developed software (FPMS)
- ▶ Maintaining regular backups and data consistency
- ▶ Database corrections
- ▶ Support in Bank reconciliation system
- ▶ System analysis, software modification (FPMS) related to salary, income tax, PF, EPS, and arrears
- ▶ Support in electronic filing of VAT returns, Excise return, CCIC's income Tax return

Net Banking (NEFT/RTGS):

- ▶ Maintaining bank details of suppliers for Internet Banking in FPMS database and in bank website including data entry
- ▶ Maintaining secured internet connectivity by using Firewall, Antivirus and Digital Signatures for safe net banking
- ▶ Liaising with Bank officials for smooth functioning of Net Banking services
- ▶ Transfer of salary, medical reimbursement to employees bank accounts

Other Day to day Activities:

- ▶ Database Management
- ▶ Network Administration
- ▶ Server Administration and Backup
- ▶ Establish and maintain sound backup and recovery
- ▶ Installation, configuration and upgrading of system software
- ▶ Implement and maintain database security
- ▶ Firewall and Antivirus Management
- ▶ Support, supervision and maintenance of system hardware
- ▶ Troubleshooting and support

11.2 Existing IT systems at CCIC

The two primary IT systems at CCIC are:

- ▶ Sales and Inventory Management System (SIMS)
- ▶ Financial Payroll Management System (FPMS)

SIMS is used for keeping record of all sales and purchase transactions at CCIC. It records inventory, stocks and sales details - purchase orders, invoices, transfer orders, item wise sales, department wise and supplier wise records, stock ledgers etc. In its current capacity, it plays a critical role in the functioning of CCIC. Consolidated sales and inventory figures, however, are not available on SIMS.

FPMS was developed by the IT team of CCIC in 2001 with the objective of capturing the financial impact at various interventions such as supplier payments, proceeds received from sale of products, processing salary and reimbursements, etc. It captures the data by providing a snapshot of transactions in value terms for a given period. It facilitates CCIC in the following manner:

- ▶ To make payments to suppliers of the products: The system works by identifying the unique code of every product. The unique code is assigned to a product after it passes the mandatory quality check, and is generated at the time of tagging and labelling.
- ▶ To record salaries of the staff personnel: The MIS team under the Finance Department manually feeds in the data
- ▶ To record re-imbursements raised by the staff personnel: Based on the actuals, the MIS team records the re-imbursements raised by the staff personnel
- ▶ To record sale of goods and services

Key observations on these systems:

- ▶ Both SIMS and FPMS do not permit web log-ins. These systems are only accessible when connected through LAN.
- ▶ The SIMS and FPMS run on Fox-Pro, which is an outdated and archaic programming language
- ▶ The SIMS and FPMS systems do not have the capability to generate automated reports
- ▶ Reports generated through SIMS and FPMS are in PDF, and needs to be manually converted to excel / word for analysis
- ▶ The SIMS and FPMS systems are not integrated and work in solitary environments. E.g., data transfer from the Warehouse to the Showroom is through pen drives
- ▶ Drill-down fields are not available in the SIMS and FPMS. E.g., sales and purchase reports are available only in terms of total value.
- ▶ Branch to branch integration of SIMS and FPMS is not possible.

The current IT systems at CCIC are fragmented and there exists minimal integration among them. As a result, it gets increasingly difficult for CCIC to exchange crucial information within various departments. Owing to limited integration, reports are made manually; data is transferred through external hard-disks, etc. Therefore, dependency on manual work is very high, and so are chances of manual error. However, CCIC is in the process of implementing an ERP system, which shall supersede the exiting IT systems at CCIC including the SIMS and FPMS. As mentioned in the previous sub-sections, CCIC envisages making ERP operational across the organization by the end of the financial year 2014.

Proposed ERP system to be deployed at CCIC

The proposed ERP system at CCIC is an MS NAV 2009 version. It is being implemented through Godrej InfoTech. User Acceptance Testing has been completed along with inputs and recommendation from CCIC. These recommendations need to be fine-tuned in line with the desired requirements.

Implementation of ERP at CCIC shall be in phases. The pilot of the ERP implementation is going to be in Delhi. Approximately 140 employees are supposed to be facilitated across Delhi Offices in first phase of

ERP implementation. Post the successful pilot implementation; it shall be implemented in Bangalore, followed by Kolkata Chennai and Mumbai.

The key modules of the ERP system at CCIC are: Sales and Inventory Management, and Finance. The ERP system is being adopted at CCIC with the following objectives:

- ▶ To facilitate an organization wide integrated Information Systems covering all functional areas such as purchase, inventory, sales, accounts, payables, receivables, inventory, human resources etc.
- ▶ To integrate and automates internal processes and share information enterprise-wide in real-time, thereby improving the operational efficiency and resulting in improved customer service
- ▶ To bridge information gaps across a company and focuses on key issues such as productivity enhancement, customer service, cash management, inventory, quality control and prompt delivery etc.
- ▶ To provide business intelligence tools like decision support system, executive information system, reporting, data-mining, early-warning system, enabling people to make better decisions and improve business processes
- ▶ To address the current requirements of the organization and provide an opportunity for improvement and refinement in the business process on a continuous basis

Given the scale and complexity of CCIC's operations, apart from the Sales and Inventory and Finance Management system, the proposed ERP system needs to have comprehensive modules on HR Management, eProcurement and eOffice.

11.3 Issues and Challenges

- ▶ No IT budget is allocated at CCIC. IT spends are minimalistic.
- ▶ Absence of a CRM (Customer Relationship Management) database
- ▶ Absence of eProcurement module to enable entire procurement process through IT based system
- ▶ CCIC's correspondences are through hardcopy files. eOffice facilities are not available at the organization.
- ▶ Real time visibility of stock across branches is not possible
- ▶ Demand forecast, Inventory control, automated buying and selling tracking and reports are not available
- ▶ The team is not well trained to use latest IT technologies

12 Property details

12.1 Background

CCIC has 11 showrooms across Mumbai, Delhi, Bengaluru, Chennai, Kolkata & Hyderabad. All showrooms across locations are rented properties with an exception of one showroom i.e JVB, Delhi. JVB Delhi also happens to be the largest showroom in terms of total area (sq. feet) and sales contribution.

Mumbai has the largest number of showrooms at the moment as the showroom near Gateway of India is facing a litigation case in the court. Also there have been other litigation cases on account of increased rentals in Bengaluru. CCIC has vacated some spaces due to these increased rentals.

CCIC also operates four stores across all these locations which are also on rent and are primarily used for receiving, inspecting, bar coding of items. The showroom in Hyderabad has been recently opened in year 2013.

Table 34- List of properties owned/rented by CCIC

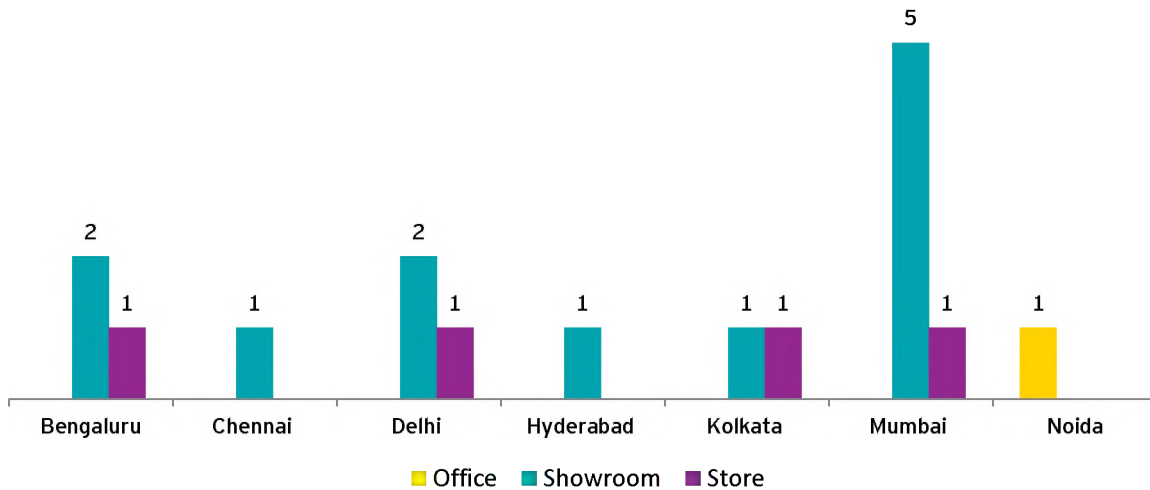
S.no	City	Address of property	Name of the party	Area sq. ft (A)	Rate Sq ft/ month - Rs (B)	Rent/ month -Rs Lac (A*B)	Security Deposit Rs Lac	Notice Period (months)	Lease Start Date	Lease End Date	Property Type
1	Bengaluru	Shop No.44, 3rd Block, BDA Commercial Complex, HSR Layout, Bengaluru - 560034 (Showroom)	Bangalore Development Authority (BDA)	4,152	29	1.39	12.4	-	1-1-2010	08-12-2016	Rent
2	Bengaluru	Shubharam Complex ,144, Mahatma Gandhi Road, Bangalore -560001 (Showroom)	M/s Shubharam Complex	9,140	100	9.14	91.4	3	1-4-2013	31-3-2019	Rent
3	Bengaluru	CMC Katha No. 173, Vijinapura, Krishnarajapuram Hobli, Bengaluru (Store)	Mr. B Narayna Murthy	3,000	10	.31	1.8	3	16-9-2012	16-9-2015	Rent
4	Chennai	Temple Tower 1st Floor, Anna Salai , Nandanam, Chennai . 600035 (Showroom)	K Raghavendra Rao/K Bappaiah	12,441	14	1.76	4.1	6	15-11-2010	14-11-2015	Rent
5	Delhi	Jawahar Vyapar Bhawan, Janpath, New Delhi 110001 (Showroom)	-	27,391	-	-	-	-	-	-	Owned
6	Delhi	10, Ground Floor, RGHB, Baba Kharak Singh Marg, New Delhi 110001 (Showroom)	DC - Handicrafts, MoT	1,633	104	1.71	1.5	-	1-12-2011	30-6-2015	Rent
7	Noida	Plot No A 36 , Shed 36 , Sector 2, Noida , UP .-201301 (Office)	-	8,435	-	-	-	-	-	-	Owned
8	Delhi	Weavers Colony ,Bunkar Complex , Bharat Nagar, New Delhi 110052 (Store)	Commissioner of Industries (DC-H)	7,740	-	-	-	-	3-2-2009	ongoing	Rent
9	Hyderabad	First Floor, GMC Balayogi Paryataka Bhawan , Tourism Plaza , 6-3-870, Greenlands, Begumpet, Hydrabad- 500016 (Showroom)	GMC Balayogi Paryataka Bhawan , Unit of AP Tourism Corporation Ltd	980	43	.42	1.2	-	6-9-2013	5-9-2018	Rent
10	Kolkata	7 , Jawahar Lal Nehru Road ,Metropolitan Building , Kolkata-700013 (Showroom)	Life Insurance Corporation of India	6,000	35	2.10	-	3	1-10-2013	1-10-2018	Rent

S.no	City	Address of property	Name of the party	Area sq. ft (A)	Rate Sq ft/ month - Rs (B)	Rent/ month -Rs Lac (A*B)	Security Deposit Rs Lac	Notice Period (months)	Lease Start Date	Lease End Date	Property Type
11	Kolkata	No. 13, S.N Banerjee Road, Kolkata 700013 (Store)	Sree Sree Maheswar and Shree Shree Lakshmi Narayan Jew	2,000	7- first 5 yrs 9 - next 5 yrs	.14	-	-	1-5-2009	30-4-2019	Rent
12	Mumbai	Shopper's Stop - Home Stop division, 2nd Level, Inorbit Mall, Link Road, Malad (West), Mumbai - 400 064 (Showroom)	Shoppers Stop Ltd.	4,770	140	6.68	-	1	1-1-2013	31-12-2015	Rent
13	Mumbai	Ground Floor , TrafficOffice cum Bus Engineering Building, Dindoshi Bus Depot ,Malad (East), Mumbai-400097 (Showroom)	Brihanmumbai Electric Supply and Transport Undertaking	1,989	23	.46	11.6	6	2-8-2011	31-7-2016	Rent
14	Mumbai	34 CSM Marg, near Gateway Of India, Mumbai 400064 (Showroom)									Rent
15	Mumbai	Kamal Mansion , Arthur Bunder Road, Colaba , Mumbai - 400005 (Showroom)	Mrs Abha G Gupta and Mrs Vimla D Doshi	1,013	168	1.70	10.2	6	1-5-2012	30-4-2017	Rent
16	Mumbai	15-A Mama Parmanand Marg, Ground Floor, Hotel Regal Palace, Charni Rd., Mumbai-04 (Showroom)	Weavers Service Centre	800	-	-	-	-	-	-	Rent
17	Mumbai	1/2 Kamal Mansion, Next to Radio Club, Arthur Budner Rd., Colaba, Mumbai - 400 005 (Store)		2,543	14	.36	-	-	-	-	Rent

Summary

- ▶ CCIC has a total of 12 showrooms, 1 Office and 4 stores totalling 84,822 sq. feet of space across India.

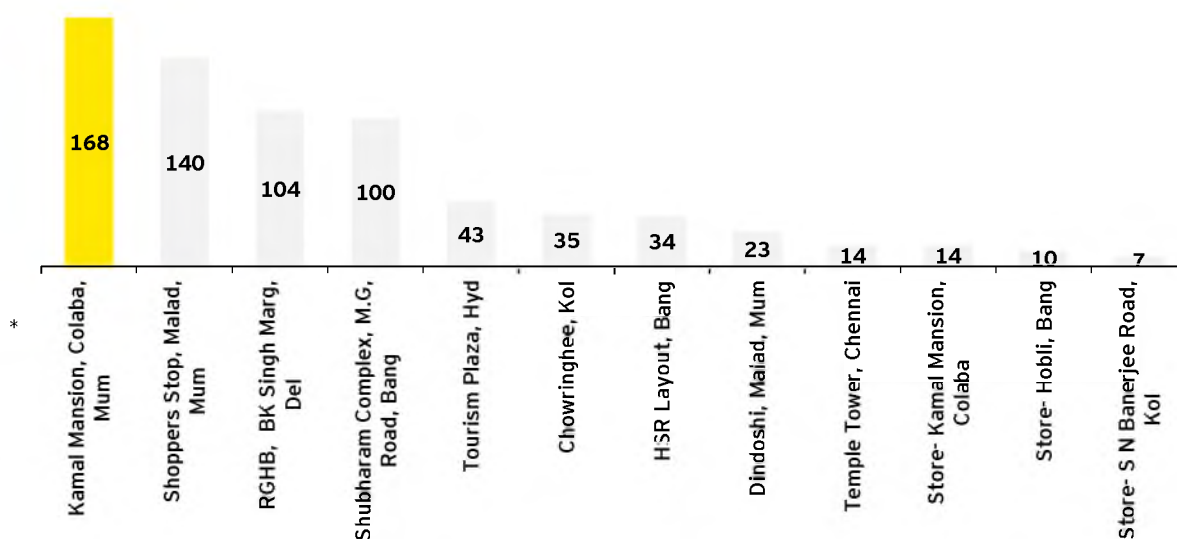
Figure 45- Property details for CCIC across locations



- ▶ Mumbai has the highest number of showrooms (5), followed by Delhi (2) and Bengaluru (2). Chennai, Hyderabad and Kolkatta has one showroom each.
- ▶ The showroom, at Janpath, Delhi and the office at Noida are the only two properties owned by CCIC, the remaining 14 properties are on rent.
- ▶ Delhi has the highest total available showroom space i.e 41 % of the total showroom space of 70,309 sq. feet. Bengaluru comes second with 19% followed by Chennai at third with 18%, Mumbai at fourth with 12%, Kolkata at fifth with 9% and Hyderabad at sixth with 1%.
- ▶ JVB at Janpath, Delhi is the oldest showroom that has been operational since 1952, followed by showroom at MG Road, Bengaluru and Metropolitan Building in Kolkatta (1984), Temple Tower, Chennai (1994). Most showrooms in Mumbai have been opened post 2009.
- ▶ Earlier Mumbai had a showroom at Gateway of India and due to a litigation case CCIC had to vacate the premises. Post that CCIC has been trying out new locations but somehow neither of the showrooms have been able to match the performance of the earlier showroom.
- ▶ There was a litigation case for the property at MG Road, Bengaluru and as per the High Court orders CCIC had to vacate the premises by 12 Dec 2012 as the landlord had filed a law suit for increase in rent, but the rent at this property has been re negotiated by CCIC.
- ▶ A litigation case in on going for the Mumbai store at Kamal Mansion Colaba, Mumbai, for which CCIC deposits a monthly rent of Rs 36,000 to the Court.
- ▶ Rentals per sq feet per month
 - Highest Rentals rates per sq. feet per month are observed at Mumbai showrooms. Kamal Mansion, Mumbai has the highest rental rate at Rs 168 per sq. feet per month, followed by Shoppers Stop, Malad, Mumbai with Rs 140 per sq. feet per month.
 - Lowest Rental rate per sq. feet per month is at Temple Tower, Chennai, showroom at Rs 14 per sq. feet per month.

- The Rental rate per sq. feet per month for the Bengaluru store is Rs 10 followed by Kolkata store at Rs 7.

Figure 46- *Rent per sq. feet per month across all properties



*Rent Rs per sq. feet per month includes service tax and maintainence charger per sq. feet per month

Table 35- Rent Vs Sales per sq. feet across locations

Location	Avg. Sales (Rs)	Avg. Rent per sq. feet per month (Rs) A	Avg. Sales per sq. feet per month (Rs) B	Margins Rs (B-A)
Mumbai	4,94,71,340	120	407	287
Chennai	2,64,27,610	14	177	163
Bangalore	3,99,91,836	100	247	147
Kolkata	3,54,96,249	35	493	458

- ▶ Kolkatta has the highest margins whereas Bangalore has the least margins.
- ▶ CCIC has decided to vacate the showroom at Kamal Mansion, Colaba, Mumbai vide letter number CCIC/SECY/2013-14/13995 dated 5 September 2013. CCIC shall vacate the premises on 15 March 2014.
- ▶ CCIC has two showrooms in Malad, Mumbai. The rentals are Rs 140 per sq. feet per month at Shoppers Stop, Malad and only Rs 23 at Dindoshi, Malad, Mumbai.
- ▶ CCIC has given a security deposit of Rs 1.34 Cr for all its rental properties. The security deposit is highest for the showroom on MG Road, Bengaluru with Rs 91.4 Lac, followed by showroom at Dindoshi, Malad, Mumbai with Rs 11.6 Lac and Kamal Mansion, Colaba, Mumbai with Rs 10.2 Lac.
- ▶ CCIC will receive back the security deposit of Rs 10.2 Lac around March 2014 when the showroom at Kamal, Mansion, Colaba, Mumbai is vacated.
- ▶ In majority of the lease aggrements CCIC has to pay the Electricity, HVAC, Water charges in addition to the monthly rent per sq. feet.

- ▶ As per the lease agreement with Shoppers Stop Ltd. for the showroom space at Shoppers Stop, Malad, Mumbai CCI is required to pay 7% of monthly sales or Minimum Guarantee Amount @ 7% of 3,20,00,000 per year which ever is higher in addition to the to the basic minimum monthly rent per sq. feet of Rs 140.
- ▶ Rent Escalations
 - 10% every year for space at Toursim Plaza, Hyderabad
 - 15% every three years at MG Road, Bengaluru
 - 25% increase in rent at the time of renewal of lease at Temple Tower, Chennai
 - 29% every five years at Bengaluru for the Store on S N Banerjee Road

Table 36- Showroom wise Sales

Location	Name of showroom	Avg. Sales (FY 2010-13)	CAGR (FY 2010-13)
Mum	Shoppers Stop, Malad	2,64,27,177	5.9%
Mum	Kamal Mansion, Colaba	55,67,470	-29.2%
Mum	Dindoshi, Malad	20,28,277	-
Mum	CSM marg, near Gateway Of India	1,55,53,421	16.4%
Mum	WSC- Charni Road	12,47,181	-60.9%
Chennai	Temple Tower	2,64,27,610	25.4%
Bangalore	MG Road	3,99,91,836	-6.3%
Kolkata	Chowringhee	3,54,96,249	13.5%
Delhi	JVB	54,36,99,753	9.3%

- ▶ The showroom at Kamal Mansion, Colaba, Mumbai, WSC, Charni Road, Mumbai and MG Road, Bengaluru have shown decline in sales from FY 2010-13.

12.2 Issues and Challenges

- ▶ The showrooms in Mumbai are all scattered and have the highest rentals per sq. feet per month.
- ▶ Litigation disputes pending against CCIC in Mumbai. Many locations have been closed due to the these litigation issues.
- ▶ Many locations has been tried and then closed leading to poor brand experience and image in the eyes of the customers.
- ▶ There is a lack of strategy and risk mitigation plan around real estate deals of CCIC, which is important for a retail business.

13 Recent initiatives

The recent initiatives carried out at CCIC are listed below; most of these initiatives have been undertaken for cost cutting measures especially in the short term.

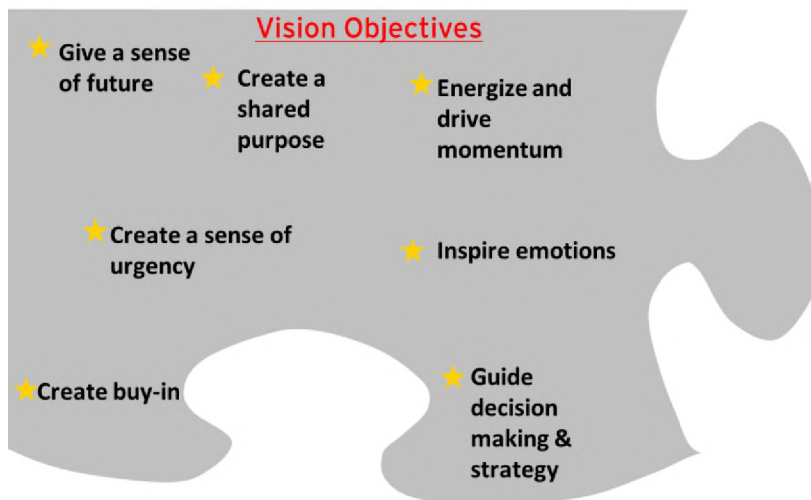
- ▶ Medclaim has been given to the employees that results in a saving of Rs 1 Crore.
- ▶ Leave Encashment Rules have been altered and now there is no leave encashment for restricted or casual leaves resulting in cost savings.
- ▶ Noida Office has been closed which results in saving of electricity and other admin charges.
- ▶ Mumbai rent has been re-negotiated to a lesser amount resulting in savings for CCIC.
- ▶ Bangalore showroom the basement has been vacated again saving on rent amount for the basement.
- ▶ Chennai office area has been surrendered resulting in savings of Rs 7-8 Lac per annum.
- ▶ Manpower has been outsourced; 7-8 people have retired in 2013 none of these positions have been filled as regular employees resulting in savings for CCIC.
- ▶ Floor plan has been changed
 - Men's Wear has been shifted from Level VI to Level IV with Women's Wear
 - Furniture and Wood Objects have been displayed on Level VI in place of Men's Wear
- ▶ Concessionaire National Book Trust selling Books and CDs have surrendered their space to CCIC, on account that they were not making enough money and the sales were declining.
- ▶ Thomas Cook has also vacated the premises at JVB, Delhi.

14 Vision

As a part of the As-Is assessment a Vision workshop was conducted at CCIC. The workshop was carried out at JVB, New Delhi in the presence of the top management of CCIC, as mentioned below:

- ▶ Ms Alka Arora- MD, CCIC
- ▶ Mr. Promod Nagpal- CGM, CCIC
- ▶ Mr. Vineet Gupta- AGM (Finance), CCIC
- ▶ Mr V Kalyan Sundaram- AGM (Commercial and Marketing), CCIC

The objective of the vision workshop was to define the future roadmap for the organization based on internal and external analysis. The key objectives for defining the vision are summarized in the figure below. During the vision workshop inputs from the top management were received in conjunction with key findings of the As-Is report.



The following contours of the Vision were discussed during the workshop:

- *CCIC intends to focus on niche/high end customers (SEC A/B)* –CCIC is known for its genuine high quality products. high profile government dignitaries, foreign diplomats, bureaucrats and foreign tourists are its key customers. During earlier times CCIC was known for selling exclusive products and it has seen times when sale attracted queues of customers. Hence it was discussed that CCIC should regain its position to supply exclusive and premium products to attract high-end customers,
- *CCIC to expand presence in India and in international markets:* The management at cottage is located at Delhi and being centrally managed the Delhi showroom has been a focus since inception. It is evident from facts like higher marketing spend in Delhi, frequency of showroom renovation, JVB being the only owned property etc. Hence the need to focus on and strengthen showrooms across India. CCIC also intends to expand presence in India and explore new opportunities in international markets.
- *CCIC to increase spends (purchases) on high value items-* the ABC analysis shows that most of the item purchases are of low value items. It was discussed by the top management that CCIC should increase spends on high value items.

- *CCIC to rationalize its product line:* In line with the objective to target High end customers, CCIC shall plan to create a balance between high value and medium value items. It intends to carry an exclusive range of products for its niche customer base while also maintaining the mid segment product range. It was discussed that CCIC shall keep high value unique products and display them in a professional and aesthetic manner.
- *CCIC to transform into an aggressive marketing driven company-* due to the lower marketing spends coupled with lack of any brand creation, CCIC has lost the 'recall value' in customer minds. It was strongly deliberated by the top management that CCIC should focus heavily on aggressive and targeted marketing initiatives to create awareness and capture consumer mind space resulting in brand purchase.
- *CCIC to become "the choice of employee for the best place to work"*- the top management gave due importance to all the manpower related issues currently being faced at CCIC such as lack of self-motivated/driven individuals. It is an endeavour to create CCIC as a place for committed employees by putting in the right processes and systems in place that will drive future growth. This will also be accompanied by creating the mid-level management to take future leadership roles.

Hence based on the As-is analysis and discussion with the officials, the identified contours of CCIC vision are as follows:

- ✓ Customer
- ✓ Marketing
- ✓ People
- ✓ Presence



Thus based on the various discussions along the key Vision contours and multiple iterations that took place during the vision workshop the below vision has been derived for CCIC for the near future. The Vision statement for CCIC is as follows:

VISION

“We will become a leading player in handicraft and handloom retail in India by selling premium, genuine, high quality products and ensure quality customer experience across all stores. We will increase our footprint in India and explore the international markets. Thus we will contribute to enhancing the lives of millions of artisans associated with us.”

To ensure sustainability, our vision shall be supported through clear goals across the following segments:

- **Profit:** Maximising the net return on products, earning net profits of minimum 5% while maintaining the competitive edge in product pricing.
- **Presence:** Improve the market presence through an aggressive and targeted marketing campaign that promotes the CCIC brand and captures customers mind share.
- **People:** To nurture a committed group of individuals that work for the betterment of the organisation and together create a great place to work.

15 Annexures

Annexure 14.1: Department-wise Spread of Employees in Delhi

Department	MD	CGM	GM	AGM	Manager	DM	AM	Supervisors	Class-IV, Vigilance Man, Driver, Helper, etc.	Steno, Sales Assistants, etc.	Total
Personnel	0	0	0	0	1	0	4	2	2	0	9
General Administration	0	0	0	0	0	1	3	1	9	0	14
MIS	0	0	0	0	0	0	2	0	2	0	4
A/Cs/Store A/Cs	0	0	0	2	0	2	12	4	5	2	27
Cash Department	0	0	0	0	0	0	7	0	3	0	10
IDS	0	0	0	0	0	0	3	0	1	0	4
Publication	0	0	0	0	0	0	1	0	0	0	1
Showroom	0	0	0	1	0	5	35	5	52	2	100
Buying	0	0	0	0	1	2	10	1	0	0	14
Company Secretary	0	0	0	1	0	0	0	1	1	0	3
MD's Office	1	0	0	0	0	0	0	1	2	0	4
AGM (C/M) Office	0	0	0	1	0	0	0	1	1	0	3
CGM's Office	0	1	0	0	0	0	1	0	1	0	3
Stores	0	0	0	0	1	4	6	3	14	1	29
IT	0	0	0	0	0	0	2	3	0	0	5
ISD/Ministry	0	0	0	0	0	0	2	0	1	0	3
Display	0	0	0	0	0	0	2	0	2	0	4
Design Cell	0	0	0	0	0	0	0	0	0	0	0
Chairperson's Office	0	0	0	0	0	0	0	0	0	0	0
Total	1	1	0	5	3	14	90	22	96	5	237

Annexure 14.2: Detailed Analysis of Concessionaire M/s G R Simon and Sons, Delhi, File C4

A detailed analysis of M/s G R Simon and Sons is provided below and a similar analysis can be conducted for all Concessionaires.

Area– 518 sq. feet

Category-Leather garments and accessories

Contract term-01-04-2010 to 31-05-2015

Commission rate- 15%

Security-15% of one month's minimum guaranteed sale based on minimum guarantee sale per annum for the concerned years at the beginning of the calendar year

List of products to be sold by M/s G R Simon and Sons as per MoU is provided in Table 16-3.

Table 15-3: Product categories as per MoU

S.No	Categories
1	Ladies/ gents suede and leather garments including leather trousers, skirts and vests
2	High quality leather travel bags/ leather accessories
3	High quality leather suitcases, hard and soft brief cases/ PF bags
4	High quality leather golf bags and leather suitors
5	Suede and leather ladies bags, wallets, etc.
6	Suede and leather belts and money belts
7	Suede and leather organizers, tie and ties cases
8	High quality suede bags and garments with Kashmiri hand embroidery
9	Suede and leather gloves
10	Lamb skin caps
11	Leather tissue boxes, photo frames and toilet bags
12	Suede mufflers
13	Suede Embroided shawls
14	Leather bean bags and cushion covers
15	Leather and suede rugs
16	Leather mobile phone covers/ cases

Performance

M/s G R Simon and Sons performance prior to renting out space at CCIC is as per Table 16-4

Table 15-4: GR Simon's performance prior to being a Concessionaire at CCIC

SN	Year	Sales (INR lakh)
1	2005-06	101.32
2	2006-07	99.52
3	2007-08	99.75
4	2008-09	94.15

M/s G R Simon and Sons performance at CCIC is summarized in the Table 13-5

Table 15-5: G R Simon performance at CCIC showroom

S.No.	Year	MGS (INR lakh) (A)	Actual Sales (Rs lakh) (B)	Shortfall (Rs lakh) C=(B-A)	Commission INR-Lac @15%	% Variance (C/A)
1	2010-11	94	79.2	14.8	14.1	-16%
2	2011-12	96	71.1	24.4	14.3	-26%
3	2012-13	97	55.5	41.5	14.5	-44%
4	2013-14	99				
5	2014-15	100				

- ▶ The revenues for M/s G R Simon and Sons has decreased at an CAGR of **-16.3%** over the last three years at CCIC.
- ▶ M/s G R Simon and Sons have been in operations at CCIC for last three years, hence they are on a high maturity curve with respect to years at CCIC.
- ▶ The variance % in shortfall from MGS has been increasing over the last three years and is 44% for FY 2012-13.
- ▶ Space occupy of this Concessionaire is 10.5% of the total space allotted to all Concessionaires (518 sq. feet) but its Sales per sq. feet per month (Rs 1,071) is amongst one of the lowest when compared with other Concessionaires.
- ▶ The MGS growth % calculated for the Concessionaire (2%) is the lowest when compared to the Avg. MGW growth % y-o-y. Simultaneously the Commission rate is 15% which is below the Avg. Commission rate of 20%.
- ▶ M/s G R Simon and Sons wrote a letter vide letter number 11/12 SFL dated 11 May 2011 that the shortfall in sales was on account of similar products being sold by Accessories department of CCIC showroom. The Concessionaire made an appeal to CCIC to adjust the remaining payment of Rs 6.45 Lac in four equal installments. CCIC accepted the appeal vide letter dated 9 April 2013 with payments to be adjusted in three equal installments.

Annexure 14.3: Detailed Analysis for properties in Delhi

A detailed analysis for a sample property is provided below. The same can be done for all properties for CCIC.

Delhi

CCIC has 3 properties in Delhi, out of which 2 are showrooms and one is a store. The premier showroom of CCIC is at JVB, Janpath measuring 29,649 sq feet and is the largest in terms of space and revenues. JVB, Janpath is owned by CCIC and the remaining two properties are leased. The details of properties in Delhi are summarised in the table below.

S.No	Address of Property	Property details	Property Type
1.	Rajiv Gandhi Handicrafts Bhawan (RGHB) , Baba Kharak Singh Marg, New Delhi 110001	Showroom 1,633 sq. feet	Rent
2.	Jawahar Vyapar Bhawan, Janpath, New Delhi 110001	Showroom 29,649 sq. feet	Own
3.	Weaver Service Center, Bunker Colony, BharatNagar, New Delhi 110052	Store 7,740 sq. feet	Rent

Rajiv Gandhi Handicrafts Bhawan (RGHB) , Baba Kharak Singh Marg, New Delhi 110001-
Development Commissioner (Handicrafts)

Lease agreement snapshot

Name of Lessor –Development Commissioner (Handicraft), Ministry of Textiles, GOI

Date of agreement–1 December 2011

Date of expiry-30 June 2015

Area-1633.26 sq. feet

Notice period-1 month

Rental- INR 93/- per sq. feet per month

Security Deposit-INR 1,51,893 (adjusted after termination of the agreement)

Location-10, Ground Floor, Rajiv Gandhi Handicrafts Bhawan , Baba Kharak Singh Marg, New Delhi 110001

Overview

CCIC has been renting this property from DC-Handicraft, since 21 September 2006. Initially CCIC had the ground and first floor with a total area measuring 3633.26 sq. feet. Currently CCIC occupies only the ground floor as the first floor with an area of 2000 sq. feet was vacated on 31 December 2012 vide letter number CCIC/SECY/2011-12/14986 dated 31 January 2012.

Initially the rental were as low as Rs 30 per sq. feet per month for the ground floor and Rs 20 per sq. feet for the first floor. Over the years the rentals have increased and currently the rent for the ground floor stands at Rs 93 per sq. feet per month (excluding service tax of 12.36%).

Over the years three Concessionaires i.e Jewellery, Shawls and Carpets. have also been added by CCIC to operate out of RGHB with the intent of increasing sales.

The rental at this location started at Rs 10 per sq. feet per month and subsequently increased to Rs 60 per sq. feet per month. At present the rental has been approved at Rs 93 per sq. feet per month. CCIC achieved sales of Rs 79.93 lacs from this area for the FY 2012-13 and for a period from April to July 2013 has been of Rs 26.50 lacs.

Key points

- ▶ License Fee of INR 1,70,667 (includes service tax @ 12.36%) to be paid on or before 5th day of every succeeding English Calendar month to the Licensor (DC-Handicraft).
- ▶ Security deposit shall be interest free.
- ▶ There is a provision of increase of rent by 10% after every two years w.e.f 1st December 2011.
- ▶ Either party can terminate this Licence by giving one months prior written notice.
- ▶ Licensee shall in addition to the License Fee, pay its electricity bill and water bill on or before due dates, as per sub meters installed.