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MOTHER EARTH

Great Design, Great Values

To be sustainable, an enterprise must be profitable. Our first aim is to break-even in the next couple of years.
Neelam Chhiber, co-founder, Industree and Mother Earth

MOTHER EARTH – A HUMBLE BEGINNING

In February 2011, Mother Earth (ME) opened two new stores, one each in the cities of Mumbai and Bangalore and the company expected to touch a turnover of Rs. 120 million (1USD = Rs. 45) in the FY 2010–2011, a growth of about 54% over the previous financial year. Just two years earlier, ME had opened its flagship store; an 11,000 square feet, three-storey flagship store in the posh Indiranagar locality in Bangalore, the silicon valley of India. The company planned to add on 40 stores by 2015 (**Exhibit 1**) and reach a turnover of Rs. 1,500 million (refer to **Exhibit 2** for ME's financials). In this mission, it had the backing of the Future Group, which had a 53% equity stake in the company and was providing its expertise in India's retail sector. The Future Group itself had a turnover of USD 1 billion in 2009. The company planned to have a total of eight exclusive stores in the major metros of India by the end of FY 2011 and had a growing presence using several shop-in-shop formats in departmental stores such as Central, HomeTown, HomeStop, @Home and Ethnicity. ME was actively exploring opportunities for wholesale trade and planned to become active in the export market after the effects of the global downturn subsided.

Mother Earth, the company emerged out of Industree Crafts, a social enterprise that was set up with the vision of building a brand that would stand for sustainability. Neelam Chhiber and Gita Ram, the founders, started Industree in 1994 to help the rural artisanal sector, which they felt was “treated as a sunset sector by the government¹.” Their vision was to harness market mechanisms to create demand for Indian crafts and give it a new contemporary identity. ME in 2011 was organized into four primary functions – Mother Earth for Retail, Industree Crafts Pvt. Ltd. for manufacturing expertise, design and support, Industree Transform Pvt. Ltd. for Supply Chain and the Industree Crafts Foundation, the not-for-profit arm that worked with the government and provided training to the artisans.

Evolution of Industree Crafts

As a designer studying at the National Institute of Design in the eighties, Chhiber was fascinated by traditional Indian aesthetics. She realized that contemporary design was largely influenced by western sensibilities. Chhiber took up a project to improve her understanding of the Indian craft sector and worked with craftsmen or “artisans.” Her experience in working with them also made her realize that owing to a shift in manufacturing to urban areas, there was widespread migration which had impoverished the rural artisans. Local craftsman who migrated to the cities in search of work found little support and no market for their products or skill-sets. She was also perplexed by the supply–demand mismatch in the home furnishings sector. “We have local production which we are exporting and local demand for which we are importing.” With the view of connecting the producers and consumers, Industree Crafts was founded in 1994 by Chhiber along with social investor Gita Ram and co-founder Poonam Bir Kasturi. The company was set up as a private limited firm in 1994, selling contemporary items made from traditional craft

¹ Interview with Neelam Chhiber, November 2010. Subsequent quotes are from the author's interviews unless otherwise noted.

techniques. These were designed in-house, but produced in villages by partnering with established non-governmental organizations (NGOs) and self-help groups (SHGs). The crafts were sold through Industree-branded stores, the first one opened in 1996, in Malleswaram, Bangalore and several shop-in-shop formats in upscale lifestyle stores. Industree was also involved in exports for the first six years of its existence and created a niche for itself in the natural fibers segment, exporting to over 25 countries in Europe and the United States.

Industree Crafts Foundation was set up in August 2000 as Industree's non-profit arm in order to access public funds. It worked in the capacity of a design consultancy firm to the office of the Development Commissioner, Handicrafts. The vision of the foundation was to provide rural artisan groups with adequate training and manufacturing support. However, providing training was just one aspect. What was really required was a stable demand, so that the producer groups were gainfully employed and could keep their units running throughout the year. According to Chhiber:

The reason we do not want to rely on exports is that it is a very unpredictable market. Sometimes, there are huge orders and sometimes, there is nothing for months on end. We don't want our artisans to face that type of uncertainty. That is one of the major reasons we wish to develop the Mother Earth brand in the Indian market. We also feel that the Indian consumer's heart belongs here. We like to have a sense of belonging to our country.

Chhiber noted that the Supply Chain Company, Industree Transform, the latest reorganization in the company, was crucial to the success of the brand.

When we took the decision to scale up in this way, we needed to have a separate focus for our producers who we treat as our second group of customers. Therefore, we decided to establish this supply chain company with our producers having 26% equity stake in it. Another rationale for having this separate entity was that Indian laws do not yet permit foreign direct investment (FDI) into retail directly; the investment can thus be sourced by the supply chain company.

The decision to create a retail brand was taken on the advice of Kishore Biyani of Future Group. "In retail, it's all about creating a great brand" says Chhiber. To help with the retail expansion, Raminder Rekhi was brought in as CEO. Rekhi had previously served at Pantaloon Retail India Ltd. and had successfully led the expansion of the chain, opening 12 new stores. The organization chart and complete shareholding pattern of ME are as shown in **Exhibits 3** and **4**, respectively.

INDIA'S ARTISANAL SECTOR

India has been known for its rich cultural heritage of traditional arts and crafts. The artisanal sector engaged approximately 450 million Indians (**Exhibit 5**) and was a major component of the country's socio-economic fabric. Moreover, a large portion of the population working in such industries comprised the poor and economically and socially disadvantaged communities.² Traditionally, these household artisanal products catered to the local or regional markets and were sold primarily through "haats" and "melas" (village fairs) held at regular intervals in rural India. The lack of distribution and marketing channels implied that these products were limited in reach and were at the very best available to the urban elite. In the recent years, the government had realized the potential of such resources in contributing to rural as well as national development. Consequently, there was a spurt in the number of government initiatives targeted at uplifting this sector. This resulted in an increase in the overall demand for products from this sector both from within the country and from exports (**Exhibit 6**).

² In India, this included the rural poor and Scheduled Caste, Scheduled Tribes, Other Backward Classes and other ethnic and religious minorities.

Even though India's unemployment rate according to the Current Daily Status was only 9.4%³ in 2009–2010, the percentage of population in poverty was around 37%.⁴ Although the unorganized sector contributed to over 92% of the employment in the country⁵, the quality of employment generated was poor. Manufacturing in the organized sector had a net domestic product (NDP) of Rs. 1273.9 billion and accounted for 6.75 million jobs nationally while the NDP of Rs. 824.2 billion in the unorganized sector accounted for over 34 million jobs⁶, implying high labor intensity in the unorganized sector (7.8 times that of the organized sector). Consequently, it was observed that this sector had been unable to thrive on its own when faced with competition from international players. The productivity levels in the sector needed to be improved in order to increase the viability of such businesses. Investment in newer capital saving technology was important in order to rejuvenate the growth of this sector. The ever-increasing pressures from deregulation of the economy and increased globalization had necessitated an integrated support initiative to create a coherent strategy for saving this vulnerable sector.

Role of government⁷

The 11th five year plan prepared by the Planning Commission proposed to develop clusters of 20 to 500 artisan families to improve the income, employment and the productivity of the units and workers within the cluster. Further, it suggested the formation of growth poles to bring together a number of such clusters in a region to exploit economies of scale and scope. At the heart of the recommendations were measures which encouraged growth of SHGs in poor states and backward areas (**Exhibit 7**). It also proposed the creation of a national fund (NAFUS), a Rs. 50 billion initial corpus to cater to the requirements of micro and small enterprises in agriculture and non-agriculture sectors that were not served by Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD).

MOTHER EARTH'S SUPPLY CHAIN

Building efficient linkages between technology, production and the market was the central focus of the ME business model. The biggest challenges in developing such linkages related to the highly fragmented and unorganized nature of this segment. Most artisanal groups were widely dispersed throughout the length and breadth of the country. Funding such units at the individual level was not feasible as there was little scope of reaping the benefits of scale in operations. The ME way of addressing these problems was to form clusters of SHGs which it called "producer groups." These groups had 100% ownership of their units and received design and business inputs from ME. Apart from these groups, ME purchased its products from a variety of vendors. For the purposes of the supply chain, ME classified its vendors into four distinct groups based on their size, status and relationship with ME.

A – Producer Groups set up and nurtured by ME

Producer groups⁸ were SHGs formed by a group of artisans. These groups were at the time located in the southern part of the country, in the states of Karnataka, Tamil Nadu and Andhra Pradesh; and made articles, clothing and furniture from natural fibers and textiles. There were typically 20 members in one group and they selected a group leader who acted as the administrator/manager for the group. The groups worked on the principles of mutual benefit and collective decision-making. These groups were incubated by ME, and were provided assistance with loans, working capital, training, and designs. Their monthly turnover ranged between Rs. 200,000 and Rs. 400,000. Group A contributed to about 30% of ME's sales at the time. Chhiber believed that as ME scaled up, this group would grow organically and would contribute to about 60% of total sales.

This captive supply chain is the toughest as well as the easiest for us. Toughest because of

³ Report on Employment & Unemployment Survey (2009–10)", Bureau of Labor Statistics, Indian Government, October 8, 2010, last accessed on January 20, 2011.

⁴"New math: 37% Indians live below poverty line", *The Economic Times*, 2009-12-11, last accessed on 20 January 2011.

⁵<http://labour.nic.in/ss/INFORMALSECTORININDIA-approachesforSocialSecurity.pdf>, last accessed on January 20, 2011.

⁶ Report of the Inter-Ministry Task Group on "Technological, Investment and Marketing Support for Household and Artisanal Manufacturing", Planning Commission, January 2005.

⁷"Eleventh Five Year Plan (2007–12), Inclusive Growth", Vol. 1, Planning Commission, Government of India.

⁸ Some names of Producer Groups – Ashraya SHG, Sri Amman SHG, Vandana SHG, Sahara SHG, United SHG, Creative Kraft SHG.

the proactive and continual investment of time, money and energy that our organization puts into it. Easiest because once it takes off, it keeps rolling and fits in with our ecosystem.

Distribution and logistics were taken care of by the supply chain company Industree Transform Pvt. Ltd. (ITPL). The Industree Craft Foundation (ICF) acted as the producer development vertical and provided these producer groups with comprehensive training to run their operations, manage their cash flows and it also made business plans for them. In 2011, the ICF was piloting a “pay and learn” program with 30 of these producer groups.

B – Small NGOs, Cooperative Societies and Traders

Group B comprised small NGOs, cooperative societies and small traders⁹ mainly from the states of Rajasthan and Uttar Pradesh. They were typically low in capacity and did not have a brand name of their own. ME provided them with design inputs and retailed their products under its brand name. Since they usually had an upper limit to how much they could scale up, the only way to increase the share of this group was to find more and more of the “small guys”. Group B contributed about 20% to ME’s sales.

C – Established, Fair Trade Vendors

Group C consisted of established vendors¹⁰ whose “fair trade” credentials were assessed by ME. These were large traders and small companies spread across the country. They would exhibit their merchandise to ME and ME would buy from them. Group C contributed about 45% to ME’s sales and Chhiber expressed that she wished to reduce their dependence on this group of vendors. She believes that as Group A scaled up, ME would be able to reduce the share of Group C to its sales.

D – Partners

Group D consisted of the various partners of ME (**Exhibit 8**). These were established NGOs and had their own brand with ME being a retail partner that also provided consumer inputs with respect to design and price points. This group contributed to about 5% of ME’s sales. This was a complex part of the supply chain as ME did not directly buy from the producers but through an NGO that had its own agenda, its own market and struggled through its own share of ups and downs. Chhiber admitted that although Group A was the most preferred, Group D was also important to the expansion of ME. However, ME did not wish to invest much in the development of its partners. It rather hoped that they would, in time, scale up on their own and ME would provide the retail environment, whenever the possibility arose. For this reason, ME wanted to maintain close relationships with its partners. ME wished to grow organically as well as through its partners. For Chhiber, the ideal contribution of partners would be about 25% in about three years (**Figure 1**).

The idea was that a part of the working capital load would be shared with other social brands, but this has not been as successful, as happens in mainstream supply chains. For instance, Central, Home Stop, and Shoppers Stop stock other brands and have limited or no in-house merchandise. They simply provide an umbrella brand, real estate, and an overall shopping experience. Mother Earth hopes to become that, but this means a much larger investment in supply chain and partner social brand/merchandise development. This is tougher in the social arena, as each social partner often has other market development pressures than just domestic retail and lacks the acumen as well as the drive to scale up as other private players.

Raw Material Suppliers

ME was responsible for forming sourcing contracts for all the raw materials which the producer groups needed. Wherever possible, sourcing was done from suppliers who were fair trade certified. However, as Chhiber admitted, there was a dearth of such certified companies and relying entirely on such suppliers could have an adverse impacted on the viability of ME’s operations. Moreover, ME had its own set of terms and guidelines which it

⁹Names of Group B Vendors –Manapad Palm leaf society, Adventure, Share, Jeeva Sevalaya, Thirupal, Shanti Devi, Shivan Paswan, Kondapalli

¹⁰Names of Group C Vendors – Neelkanth Exports, Dileep Industries, Nandalal Arts, Koolwal, Kalani Creations

employed to select its suppliers for the SHGs. This organization worked on trust and attempted to build sustainability on its own terms without actually depending on obtaining certification from western authorities.

ITPL (Industree Transform Pvt. Ltd.)

ITPL was formed in order to focus on the needs of the Producer Groups (PG) and the sourcing part of the chain. The main objective was to meet the growing demands of the retail outlets. This segregation helped ME attract FDI in order to support its expansion plans since FDI in retail was not allowed by Indian laws. ITPL earned fair trade certification¹¹ and worked closely with the government to leverage the benefits of various initiatives. It served the PGs primarily by connecting them to the raw material suppliers and providing a market for the rural producers. The producers had a maximum of 26% stake in this unit.

ICPL (Industree Crafts Pvt .Ltd.) and Retailing

ICPL was a result of ME's attempt to forward integrate in order to provide a stable demand. It served as a distribution channel for the goods produced and catered to the needs of the various retail formats. The producer's stake in this was limited to a maximum of 12%. Future Group's investment in this unit was primarily to provide retail expertise and help the company build a brand. The ME retail outlets were exclusive stores for its products. There were five such exclusive stores by the end of 2010. The company targeted expanding to 40 stores in the next 3 years propelled by the investment from Future Group. The shop-in-shop format provided more points of sale and also helped in promotion of the brand. The primary objective was to build the ME brand over the next few years.

Distribution Channels

The end products were retailed through the company-owned ME outlets or shop-in-shop formats. ICPL also sold the products through wholesale and exports without the ME brand name.

Product Mix

ME had three brands in its portfolio – Earth Home, Earth Fashion and Earth Food covering a wide variety of green products targeted at the young urban consumer. The product mix is shown in **Figure 3**. By the end of 2010, the share of revenue between the three verticals was 60%, 35%, and 5% for Earth Home, Earth Fashion, and Earth Food, respectively. Chhiber projected that the food vertical would grow to about 10% of revenues in the next few years. Chhiber maintained that ME has a similar positioning as that of Fabindia.¹² However, she believed that her products were priced below those of Fabindia and other retailers. Chhiber says that she “does not believe in charging a premium for being sustainable. That's not the way to promote sustainability.” **Exhibit 9** shows some of the products available at ME stores as well as the in-store sustainability signaling that the company cleverly uses as a positioning statement.

RETAIL INDUSTRY IN INDIA

India's retail industry could be broadly classified into fast moving consumer goods (FMCG), hardlines and leisure goods, fashion and diversified (broad product offering in different formats) retailers based on the products that the retailers sell.

Retail Boom in India

A rapidly growing economy, favorable demographic dividend and younger workforce had resulted in what might have been touted as a “retail boom” in India. In 2011, the Indian retail sector that recorded sales of US\$ 392.63

¹¹http://www.fairtrade.org.uk/what_is_fairtrade/fairtrade_certification_and_the_fairtrade_mark/fairtrade_standards.aspx, Last accessed on December 12, 2010

¹²Fabindia is the largest organized player in the handloom fashion and eco-retailing space in the Indian market

billion was expected to clock US\$ 674.37 billion by 2014.¹³ Although until 2011, the consumption was predominantly in the tier I cities and metros; with the expanding middle class, consumption opportunities were expected to cascade down to tier II and III cities as well. India's attractiveness was beyond doubt, with it being ranked the 3rd most sought-after destination for retail investment among 30 emerging markets.¹⁴ Some recent trends in this sector were:

- Various global retail giants such as Wal-Mart, Tesco and Marks & Spencer had already made inroads into the Indian retail industry and with multi-billion dollar investments.
- Major domestic players such as Reliance Retail and Future Group were rapidly expanding to strengthen their place in the retail game.
- Favorable government regulations such as 100% FDI for cash and carry trading/wholesale trading and up to 51% FDI for trade of single brand products were further attracting investments¹⁵.
- Newly emerging consumer-centric trends such as offering support services (helped generate repeat business) and differentiated discounting caught the attention of consumers.¹⁶

Organized retail market in India was expected to reach US\$ 50 billion by 2011. The key trends in this context were¹⁷ as follows.

- Number of shopping malls was expected to increase at a compound annual growth rate (CAGR) of more than 18.9% from 2007 to 2015.¹⁸
- Rural market was projected to dominate the retail industry landscape in India by 2012 with total market share of above 50%.
- Apparel, along with food and grocery, would lead organized retailing in India.

In the coming years, India was expected to witness a two-pronged growth in the retail sector. In the urban market, organized retail market in India was projected to grow rapidly, with the number of shopping malls expected to increase at a CAGR of more than 18.9% from 2007 to 2015.¹⁹ The consumption in the rural market would also increase multifold owing to the burgeoning middle class and aspiring youth.

The Indian lifestyle goods sector was estimated to be worth about US\$ 4.5 billion. The key segments in lifestyle retailing were clothing, home-furnishings and footwear, with clothing comprising more than 60% of the total market.²⁰ The quick revival of this sector from the recession in 2008 stands testimony to the boost in consumer confidence. Re-worked pricing strategies and introduction of entry-level products further encouraged consumption.

A trend emerging in the developed countries was the preference for high-end goods and services, particularly those with an artisanal and green flavor, and affordable indulgencies, rather than pure luxury goods. This trend had trickled down to the emerging markets too and India was touted to be the most dynamic luxury market in the period up to 2015. This trend would have tremendous impact in the creation of new markets for niche players such as ME.

Major Lifestyle Retailers in India

Table 1 details a comparative study of major lifestyle retailers in India with insights on their brand formats, dominant strategies and size (in terms of number of stores and number of brands).

Typical of the modern retailers was the Future Group, founded by Kishore Biyani, one of India's leading business houses with multiple businesses spanning across consumer finance, capital, insurance, leisure and entertainment,

¹³ BMI India Retail Report for the first-quarter of 2011

¹⁴ US-based global management consulting firm, A T Kearney in its 9th Annual Global Retail Development Index (GRDI) 2010

¹⁵ US-based global management consulting firm, A T Kearney in its 9th Annual Global Retail Development Index (GRDI) 2010

¹⁶ Euromonitor Report – Retailing in India

¹⁷ Research report published in June 2008 by RNCOS titled “Booming Retail Sector in India”

¹⁸ http://www.ibef.org/artdispview.aspx?in=63&art_id=27630&cat_id=376&page=2

¹⁹ http://www.ibef.org/artdispview.aspx?in=63&art_id=27630&cat_id=376&page=2, Last Accessed on December 2010

²⁰ Euromonitor Report – India Lifestyle (Clothing and Footwear) Industry

brand development, retail real estate development, retail media and logistics. Its flagship enterprise, Pantaloon Retail, led the group and operated over 16 million square feet of retail space in 73 cities and towns and 65 rural locations across India.²¹ The company followed a multi-format retail strategy that captured almost the entire consumption basket of Indian customers with brands such as Big Bazaar, Food Bazaar, Planet Sports, eZone, Home Town and a rural retail chain, Aadhaar in its portfolio (**Exhibit 10**). Future Capital Holdings, the group's financial arm provided investment advisory to assets worth over \$1 billion that were being invested in consumer brands and companies, real estate, hotels, and logistics. Future Group targeted a turnover of \$3 billion by 2011²², 55% of which was expected to come from retail. The financials for Future Venture India Ltd. for FY08–FY10 are detailed in **Exhibit 11**.

COMPETITION IN THE ECO-RETAIL SPACE

Fabindia

Fabindia was a for-profit Indian retail company with the stated mission of *providing employment to weavers and traditional handicraft artisans in rural India*. Founded by John Bissell, as a village-based industry, it aimed at enhancing the growth of the textile industry. The company employed more than 15,000 craftsmen and artisans all over India, who hand-made ethnic products. Fabindia started out as an export-focused company, with a single customer, merchandizing “desi” clothes/fabric. By 2006, it had grown to become the largest domestic player and diversified into non-textile categories such as organic foods and personal care products. **Figure 5** is a graphical representation of the journey of Fabindia.

Being the largest handloom fashion and home furnishings player in India, Fabindia had lofty ambitions of operating close to 200 stores, with a revenue target of Rs. 9 billion by 2011. By 2010, it already had a presence across 4 countries, 56 cities and with 136 stores apart from an online presence in over 33 countries. The detailed financials of the company, for FY05 to FY09, are provided in **Exhibit 12**. Fabindia's product portfolio is detailed in **Figure 6**.

LOOKING TO THE FUTURE... WITH FUTURE

Reflecting on the last few years, Chhiber found herself asking several questions. ME had positioned itself as a company that believes in sustainability and planned to build tremendous brand equity around it. Its identity had evolved over the years into a social enterprise with a corporate face. Its tie-up with the Future Group had set the path for rapid expansion in the Indian market. Would the company be able to sustain its social ethos as the pressure to break-even builds up, even as retail space was getting more expensive in the country's urban areas? Should the company revert to export or concentrate on building the brand locally, first? Did the Indian consumer really care about “green and good”? What challenges will the company face in scaling up its business? Could the producer group-based model measure up to the task or was the factory model more justified? How could ME distinguish itself from other niche players such as Fabindia and should they even try to? Could an organization with an inherently social cause at its heart build the aggressive culture that was crucial to success in the retail game, where one needs to be several steps ahead of the competition at all times?

Although the alliance with the Future Group had thrown open new opportunities and allowed for greater reach into the retail sector, it also posed new challenges. ME's identity as a unique sustainability and artisan-oriented firm could be subsumed by the demands of the more traditional retailing approaches practiced by the Future Group.

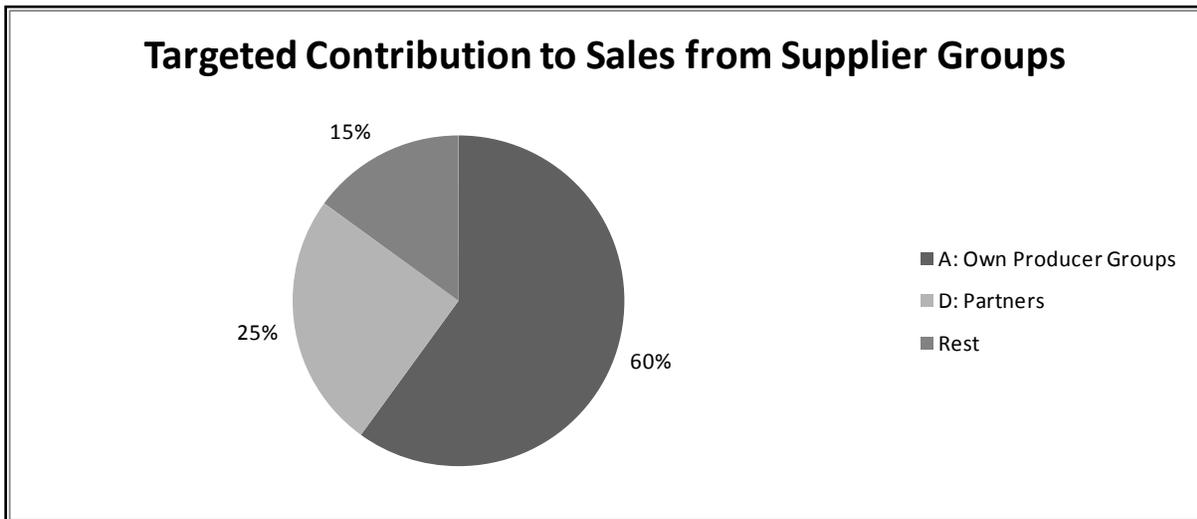
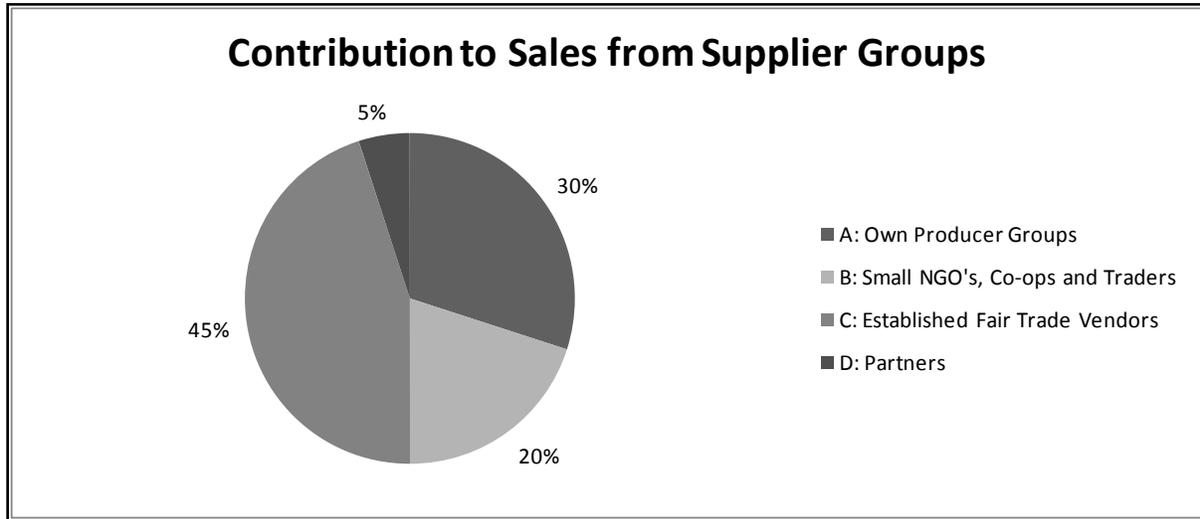
As the company's focus shifted to its retail brand, Chhiber realized that Indian craft had to be much more than a “crafts melakasaaman” or the “little knick-knacks one finds at craft fairs”. In her view, this industry could grow only if it produced high utility items, items that people need to buy anyway – but with a touch of cultural and sustainability aspects. Further, this was what the ME brand had to represent.

²¹ Future Group website and analyst reports

²² <http://economictimes.indiatimes.com/news/news-by-industry/cons-products/garments/-textiles/future-group-targets-3-billion-turnover-by-2011/articleshow/5604674.cms>

Our aim is to build the ME label. Our consumer should recognize that we are a brand that stands for doing something good. We are members of Craftmark, but we intentionally don't use it because we do not wish to create layers. We want the ME brand to stand for itself. We want sustainability to be in our DNA. We are trying to build an organization with integrity. We want every employee of ours to have the ethos to do the right thing as though it is the only thing to do, even without allied certifications.

Figure 1
Current and targeted split of revenue from Vendor Groups A to D



Note: The supply chain is shown in **Figure 1** and the company structure in **Figure 2**.

Figure 2

Mother Earth – supply chain

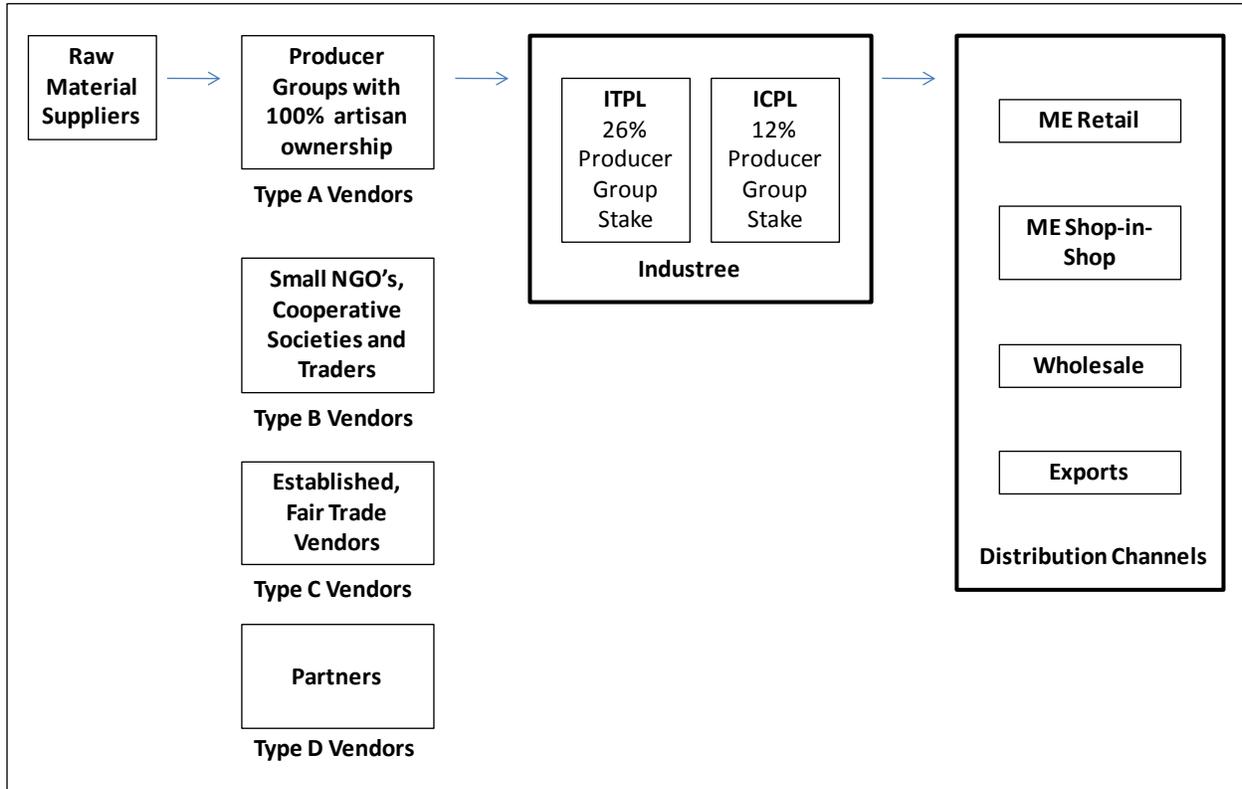


Figure 3

Mother Earth company structure

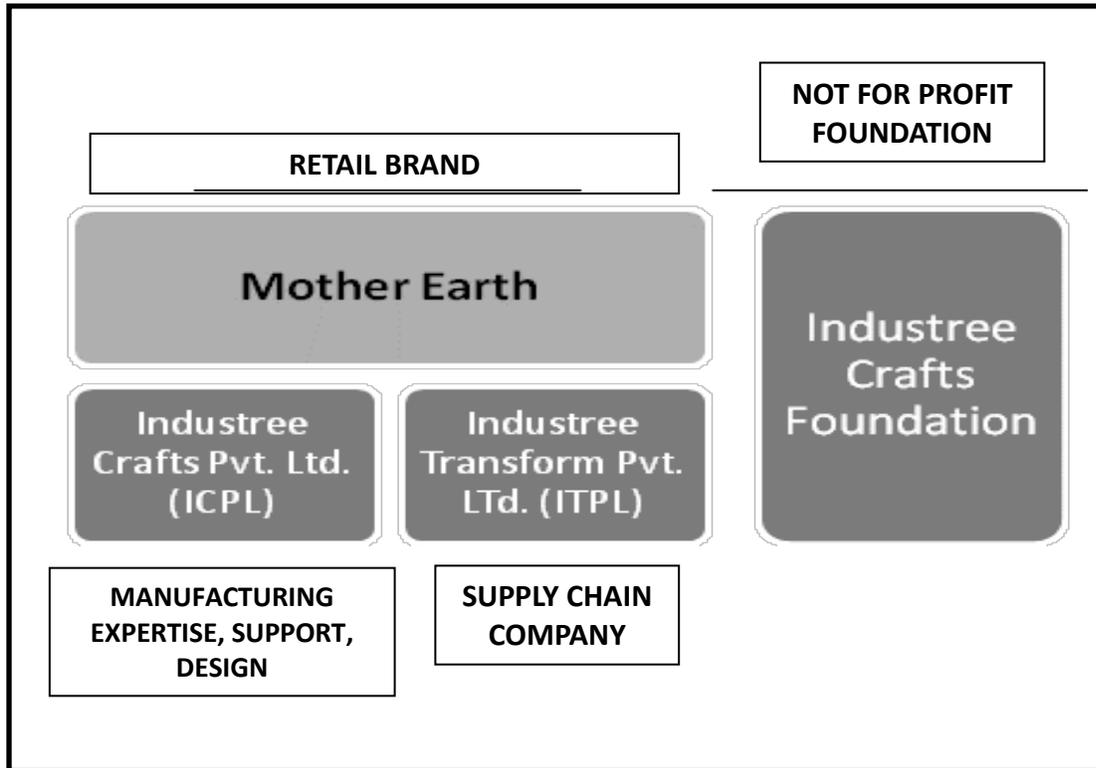


Figure 4

Mother Earth sub-brands, product mix and share of revenue from each vertical

Earth HOME	Earth FASHION	Earth FOOD
<ul style="list-style-type: none">• Bed• Bath• Living• Gifts• Stationery	<ul style="list-style-type: none">• Women• Men• Kids	<ul style="list-style-type: none">• Staples and Cereals• Dairy• Juice and Health Drinks• Bath and Body

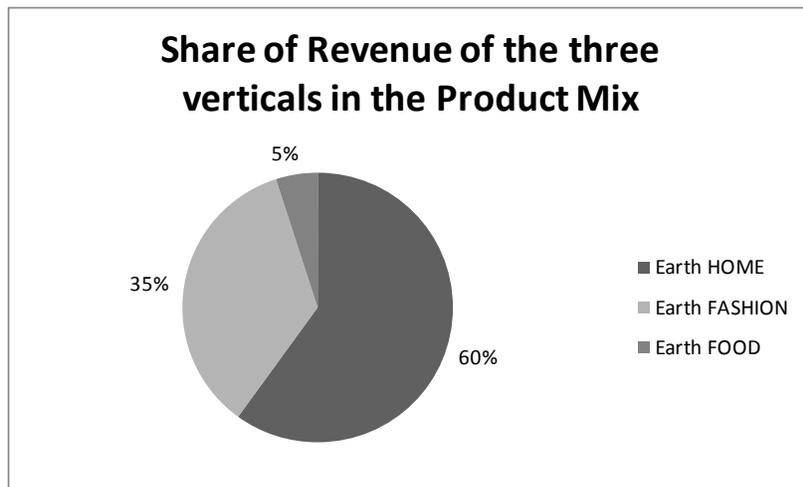
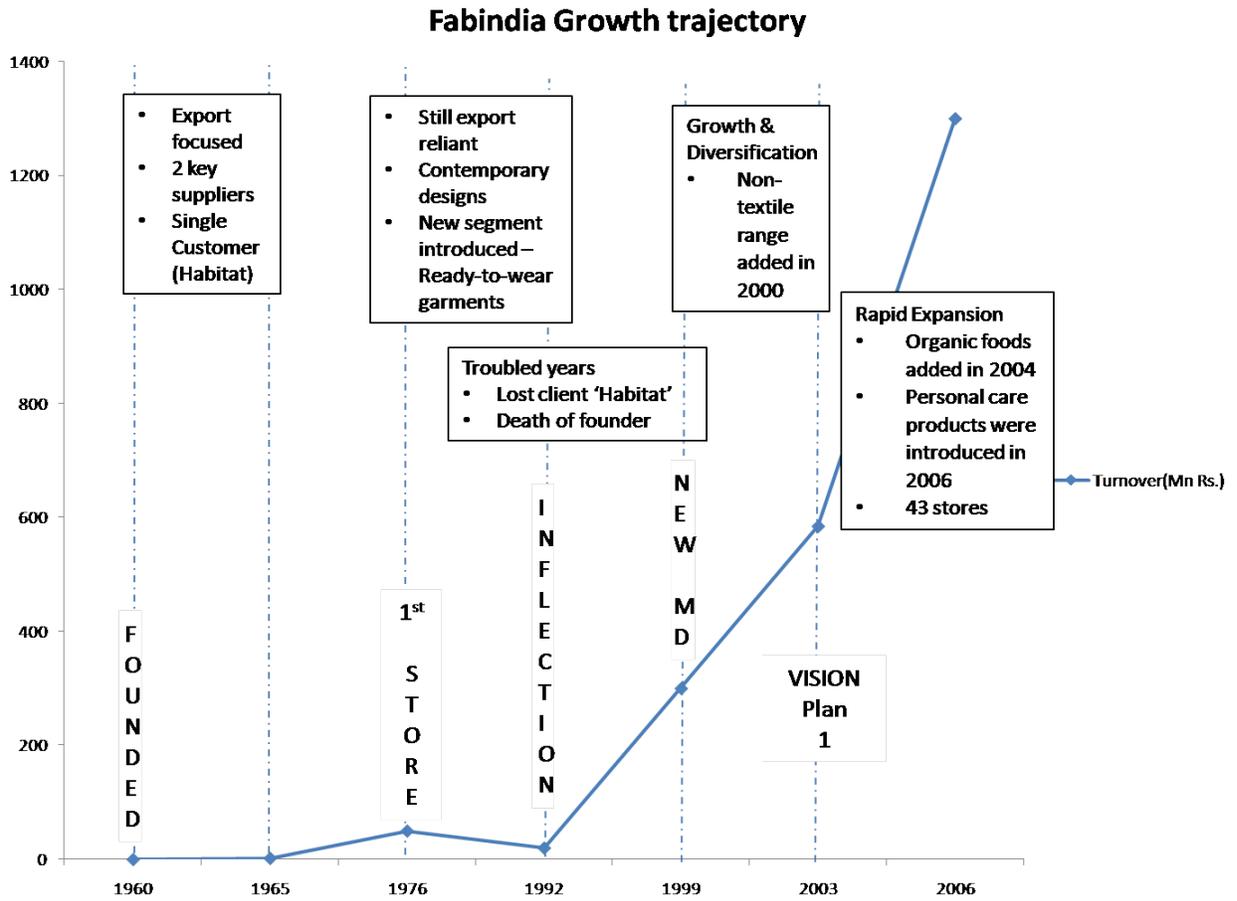


Figure 5

History of Fabindia, compiled from various sources²³



²³MuktiKhaire and Prabakar PK Kothandaraman, Fabindia Overseas Pvt. Ltd., Harvard Business School Case, 807-113

Figure 6

Fabindia product mix, compiled from data on the Fabindia website

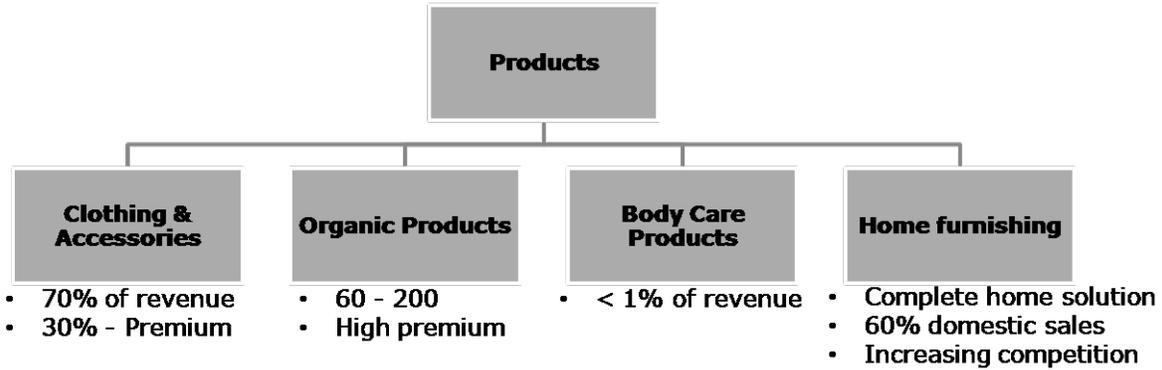


Table 1

Major lifestyle retailers in India

Major Lifestyle Retailers in India			
Retail Brand	Dominant Strategy	Brands owned	Size (as of 2010)
Pantaloon Retail (India) Ltd. – The Future Group	Dual Strategy – lifestyle segment and value-for-money segment	Lifestyle Segment » Pantaloon » Central Value Segment » Big Bazaar » Food Bazaar	140 stores in 32 cities, mostly tier 1&2
Shopper Stop Ltd. – K Raheja Group	Lifestyle retailing	Lifestyle – Shopper Stop Niche – MAC, Crossword, Mothercare	19 stores representing around 200 brands
Tata Trent Ltd.	Multi-brand and specialty outlets	Lifestyle – Westside Value – Star India Bazaar Specialty – Croma	23 stores, mostly in tier 1
Wills Lifestyle (ITC)	Lifestyle retailing	Caters to top of pyramid, includes some luxury brands	48 outlets in 30 cities

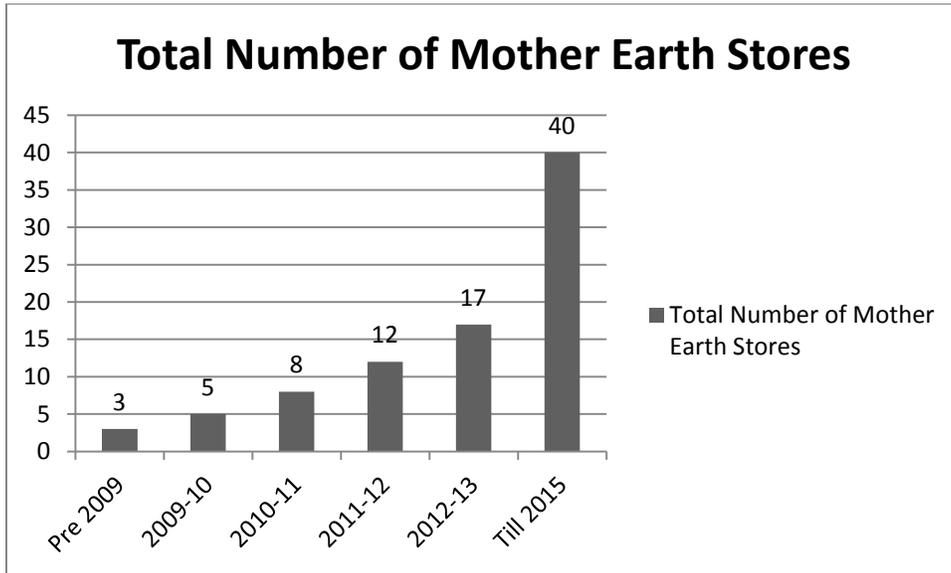
Niche Retailers			
Fabindia	For-profit but with a cause	Focus on hand-made cloth & apparel, handicrafts and small home furnishings, organic products	Company-owned co-operations, 126 owned independent outlets
Mother Earth	Sustainability and cause-related strategy	Clothes, furniture and home-décor – handicrafts-oriented	40 stores by 2014

Source: Compiled from various sources²⁴

²⁴Compiled from company websites, SEBI Report, Media Reports

Exhibit 1

Mother Earth stores – growth



Source: Company documents

Exhibit 2

Mother Earth financials – balance sheet

Industree Crafts Pvt. Ltd.			
Balance Sheet		All Figures in Rs. Million	
		Mar-10	Mar-09
<i>Source of funds</i>	-		
Shareholders' Funds			
Share Capital		10.53	8.80
Reserves and Surplus		96.18	61.96
Loan Funds			
Secured Loans		0.78	1.31
Unsecured Loans		12.97	6.80
	Total	120.46	78.86
<i>Application of Funds</i>	-		
Fixed Assets			
Gross Block		33.76	14.39
Less: Depreciation		7.39	5.18
Net Block		26.36	9.22
Capital Work-in-Progress		5.73	11.87
		32.09	21.08
Investments		0.01	0.01
Current Assets, Loans and Advances			
Inventories		32.73	18.23
Sundry Debtors		14.78	10.28
Cash and Bank Balance		3.16	11.58
Loans and Advances		19.35	13.47
		70.02	53.57
Less: Current Liabilities and Provisions			
Current Liabilities		27.89	17.85
Provisions		0.49	0.14
Net Current Assets		41.64	35.57
Profit and Loss A/c. (Dr. Bal.)		46.73	22.21
	Total	120.46	78.86

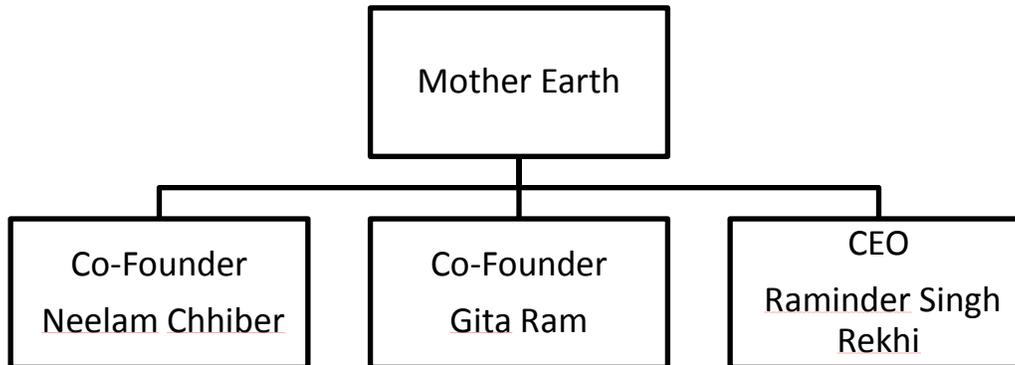
Exhibit 2 (continued)

Mother Earth financials – profit and loss statement

Industree Crafts Pvt. Ltd.				
Profit and Loss Account		All Figures in Rs. Million		
			Mar-10	Mar-09
<i>Income</i>		-		
Export Sales			0.80	5.89
Domestic Sales			77.32	28.31
Interest Income			0.16	0.57
Other Income			0.13	0.34
		Total	78.41	35.11
<i>Expenditure</i>		-		
Material Cost			39.00	21.29
Manufacturing Expenses			7.32	3.83
Employees Remuneration and Benefits			21.59	18.80
Administration and Office Expenses			26.54	13.00
Repairs and Maintenance			1.93	0.70
Interest			3.47	2.68
Depreciation	3.24			
Less: Transferred from Revaluation Reserve	0.16		3.08	1.43
		Total	102.93	61.73
Profit Before Tax			-24.52	-26.62
Provision for				
Deferred Tax			0.00	0.22
Fringe Benefit Tax			0.00	0.14
Profit After Tax			-24.52	-26.99
Balance Brought Forward from Previous Year			-22.21	4.93
(Excess)/Short Provision for Tax of Earlier Years			0.00	0.15
Balance Carried to Balance Sheet			-46.73	-22.21
Weighted Avg No. of Shares Outstanding Used in Calculating EPS			89,472	71,173
EPS of Face Value of Rs. 100 Each (in Rs.)			-274.02	-379.18

Source: Provided by Mother Earth for ICP

Exhibit 3

Mother Earth management

The following are the brief biodata of the management as given in the Mother Earth website.

***Neelam Chhiber, Co-founder***

Neelam is an Industrial Designer from National Institute of Design and alumnus of Social Impact International, as well as Global Social Benefit Incubator, Santa Clara University, USA. She believes that the strong marketing platform of Mother Earth will drive producer incomes upwards, increase potential of ownership in their own enterprises, which in turn will drive efficiency. She is of the firm view that “design” education has been the key to her 360 degree thinking. Neelam believes Industree's biggest challenge and reward has been to facilitate and enable producers to manage themselves in changing scenarios.

***Gita Ram, Co-founder***

Gita Ram, has been the company's principal social investor. She mentors the company, and has provided it with loans of up to 150,000 USD. A craft enthusiast, Gita is the leading light in Industree's quest to uphold a tradition of volunteerism. She believes that the success of Mother Earth hinges on the reduction of discrepancies of free market wages between urban management and rural producers which is typically quite extreme.

***Raminder Singh Rekhi, CEO***

Raminder Singh Rekhi brings to Mother Earth over 13 years of experience having worked for rural enterprise development, forging marketing linkages, supply chain management, sourcing, logistics, vendor development, media management, etc. During his stint with Pantaloon Retail India Ltd., Raminder had been instrumental in the opening of 12 new stores totaling 378,000 sq ft. and increasing turnovers from Rs. 200 million to Rs.2500 million. During the course of his career, Raminder has interacted with a variety of NGOs and CSOs and has worked with farmers and linked them up to markets and retailers.

Source: <http://motherearth.co.in/about>

Exhibit 4

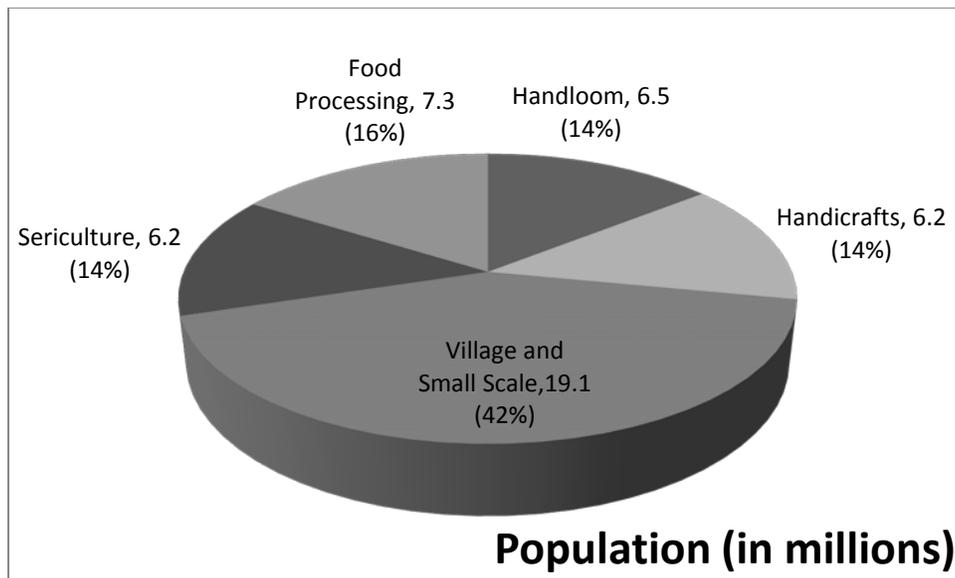
Mother Earth shareholding pattern

Shareholding Pattern as on 18 February, 2011		
Sl. No.	Shareholder's Name	% of Holding
1	Neelam Chhiber	16.38
2	Gita Ram	16.38
3	Mutual Beneficial Trust for Artisans and Producer Groups	13.29
4	Raminder Singh Rekhi	1.42
5	Future Venture India Limited	52.53
	Total	100.00

Source: Company documents

Exhibit 5

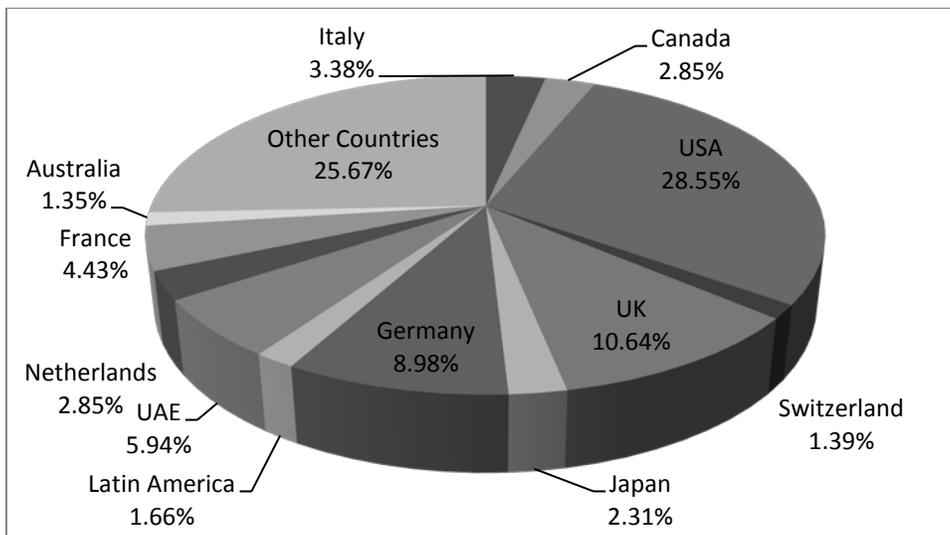
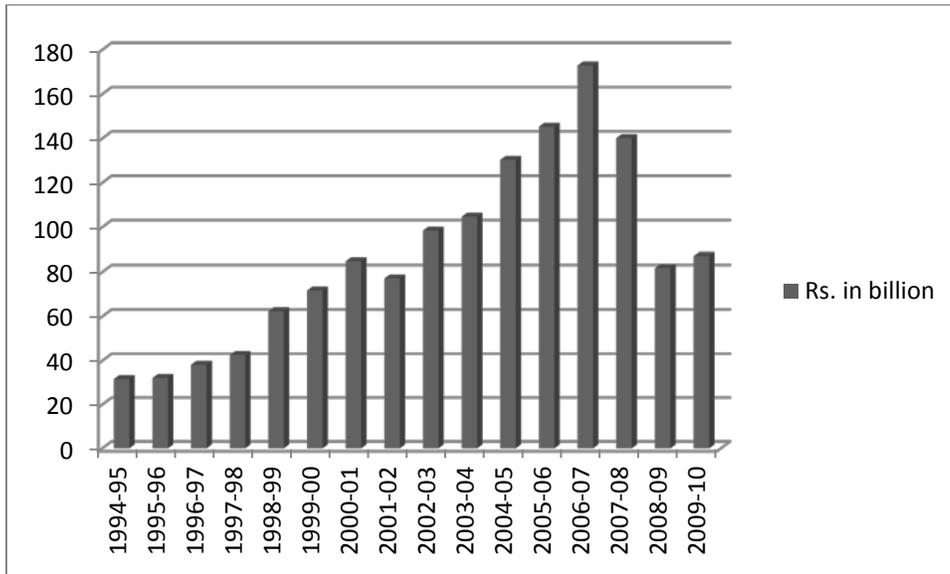
Artisanal Sector, India – Break-up by employment



Source: Report of the Inter-Ministry Task Group on Technological, Investment and Marketing Support for Household and Artisanal Manufacturing, Planning Commission, January 2005

Exhibit 6

Exports of handicrafts



Country-wise Export's Share of Handicrafts during 2009-10

Source: Export Promotion Council for Handicrafts, <http://www.epch.in/hed.htm>

Exhibit 7a

Thirteen Point Action Plan suggested by the NCEUS for employment in the unorganized sector***A. Protective Measures for Workers***

1. Ensuring Minimum Conditions of Work in the Non-agricultural and Agricultural Sectors: Two bills that specify the minimum conditions of work, including a statutory national minimum wage for all workers
2. Minimum Level of Social Security: A universal national minimum social security scheme covering life, health and disability, maternity and old age pension to protect workers in unorganized sectors

B. Measures to Improve Growth of the Non-agricultural Sector

3. Improve Credit Flow to the Non-agricultural Sector:

Percentage (%)	Sector and Sub-Sector/Purpose
18	10% for small and marginal farmers; 8% for other farmers
10	4% for micro enterprises with capital investment (other than land and building) up to Rs 0.5 million and 6% for other micro and small enterprises
12	12% on loans up to Rs 0.5 million to the socio-economically weaker sections for housing, education, professions, and so on
40	Total priority sectors lending

4. Encouraging SHGs and Microfinance Institutions for Livelihood Promotion: Measures to encourage growth of micro finance and SHGs in poor states and in backward areas.
5. Creation of a National Fund (NAFUS):Rs. 50 billion initial corpus for an exclusive statutory agency to take care of requirements of micro and small enterprises in agriculture and non-agriculture sectors that are presently not reached by SIDBI and NABARD.
6. Up-scaling Cluster Development through Growth Poles: Twenty-five growth poles in the traditional industries clusters with incentives at par with those given to Special Economic Zones set up by the government.

D. Measures to Expand Employment and Improve Employability

7. Expand Employment through Strengthening Self-employment Programs: Rationalization and strengthening of the four major self-employment generation programs with 5 million annual employment generation target.
8. Universalize and Strengthen National Rural Employment Guarantee Act (NREGA): Extension of NREGA programs to all districts.
9. Increase Employability through Skill Development: On-job-training cum employment-assurance program to provide incentive of Rs. 5,000 per person to any employer willing to provide one-year training on job skill enhancement.

Exhibit 8

Mother Earth partners

Hansiba: A fashion brand under the SEWA umbrella, which employs over 15000 women/rural artisans with 100% handcrafted products. Artisans are shareholders and suppliers for this company with a 65% stake in the earnings.



Sadhna: An NGO established in 1984 which has implemented many schemes and projects under the Ministry of Textiles, Govt. of India. Its prime objective is to revive the hand block textile printing tradition besides the upliftment of other traditional crafts of India.



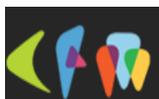
Sasha: A non-profit marketing outlet which serves groups of crafts persons and producers from all over the country. Sasha works closely with these groups to revive crafts and develop new designs and techniques which appeal to end consumers.



Conserve: It makes high end fashion items such as handbags, wallets, shoes and belts from handmade recycled plastic. It works in collaboration with top designers to upcycle plastic bags by washing, drying and pressing into sheets and strives to improve condition of rag pickers in Indian cities.



Sahaj: Established in 1989, Sahaj strives to support tribal women groups in eastern Gujarat to prevent them from migrating by providing them off-farm income generation opportunities.



Community Friendly Movement: CFM Market Linkages is a social enterprise which aims at creating wealth for artisan communities at the bottom of the pyramid. It works to revitalize the supply chain by removing the number of intermediaries.



Central Cottage Industries Emporium: Envisaged as India's window to showcase its craftsmanship, weavers and folk artists to the world, the Cottage has been at work for the last 50 years.

Source: Company documents

Exhibit 9

Product range and in-store sustainability signaling



Source: Pictures taken at the retail store, reproduced with the permission of Mother Earth

Exhibit 10

Future Group retail portfolio

Retail Brand	Format	Value Proposition	Size (as of 2010)
Pantaloon	Multi-brand departmental store including private labels	Fresh fashion yet affordable(popularized through factory outlets)	50-store mark in 2010, Contributes to 20–30% of Pantaloons Retail Ltd. (Group company)
Brand Factory	Multi-brand departmental store/discount store	“Buying smart” – widest range of brands, money-saving deals	Over 10 outlets in India housing about 120 brands
Central	Seamless mall	Lifestyle products across multiple national and international brands – convenience, choice and service	Over 10 outlets across the country
Big Bazaar	Hypermarket or Discount store	Value retailing – Price, convenience and choice	120 stores over 70 cities
Food Bazaar	Supermarket or Convenience store	Convenience	170 stores over 70 cities
e-Zone, Shoemart, Furniture Bazaar, Electronic Bazaar	Specialty stores/Category killers	Service, extensive range	48 outlets in 30 cities
Home Town	Home improvement retail format	“A one-stop destination for complete home-making solutions”	Year on year growth of 60%, breakeven in 2012 with Rs. 10 billion profit

Source: Compiled from company websites, SEBI Report, Media Reports

Exhibit 11

Future Ventures financials – balance sheet (all figures in Rs. millions)

Year	Mar-10	Mar-09	Mar-08
Sources of Funds			
Share Capital	5762.40	3688.40	3638.40
Reserves Total	24.60	-142.90	-41.60
Total Shareholders Funds	5787.00	3545.50	3596.80
Application of Funds			
Fixed Assets			
Gross Block	5.70	5.90	3.50
Less: Accumulated Depreciation	2.60	1.50	0.20
Net Block	3.10	4.40	3.30
Investments	4539.80	2788.50	3090.40
Current Assets, Loans & Advances			
Cash and Bank Balance	113.50	71.50	12.80
Loans and Advances	1181.20	699.40	1237.90
Total Current Assets	1294.70	770.90	1250.70
Less: Current Liabilities & Provisions			
Current Liabilities	4.60	14.20	747.30
Provisions	46.10	4.40	0.20
Total Current Liabilities & Provisions	50.70	18.60	747.50
Net Current Assets	1244.00	752.30	503.20
Deferred Tax	0.10	0.30	-0.10
Total Assets	5786.90	3545.20	3596.90

Exhibit 11 (continued)

Future Ventures financials – Profit & loss statement (all figures in Rs. millions)

Year	Mar-10	Mar-09	Mar-08
INCOME:			
Total Income	257.6	-30.2	50.8
EXPENDITURE :			
Operating & Administration Expenses	14.6	44.8	81.3
Miscellaneous Expenses	1.5	1.6	0.7
Interest	0	0	1.1
Employee Expense	30.1	23.4	8
Total Expenditure	46.2	69.8	91.1
Gross Profit	211.4	-100	-40.3
Depreciation	1.2	1.3	0.2
Profit before Tax	210.2	-101.3	-40.5
Tax	42.5	0	2.5
Fringe Benefit Tax	0	0.3	0.1
Deferred Tax	0.1	-0.3	0
Reported Net Profit	167.6	-101.3	-43.1

Source: Future Ventures India Ltd., adapted from Capitaline

Exhibit 12

Fabindia financials – balance sheet (all figures in Rs. millions)

Year	Mar-09	Mar-08	Mar-07	Mar-06	Mar-05
Sources of Funds :					
Share Capital	21.8	21.8	19.3	14.4	14.4
Reserves Total	1223.0	1051.0	438.0	338.8	277.6
Total Shareholders Funds	1244.8	1072.8	457.3	353.2	292.0
Secured Loans	183.2	128.3	352.5	162.7	105.5
Unsecured Loans	0.0	0.0	0.0	22.5	0.0
Total Liabilities	1428.0	1201.1	809.8	538.4	397.5
APPLICATION OF FUNDS :					
Gross Block	757.7	647.6	533.7	386.2	259.3
Less : Accumulated Depreciation	253.1	187.4	141.1	100.4	77.2
Net Block	504.6	460.2	392.6	285.8	182.1
Capital Work in Progress	28.7	7.0	9.2	3.8	29.7
	533.3	467.2	401.8	289.6	211.8
Investments	161.1	31.7	17.2	17.2	6.6
Current Assets, Loans & Advances					
Inventories	739.3	591.0	483.2	286.6	154.5
Sundry Debtors	19.9	25.1	32.7	25.9	15.4
Cash and Bank	61.1	81.5	43.0	29.6	53.5
Loans and Advances	635.4	537.8	269.0	163.7	109.1
	1455.7	1235.4	827.9	505.8	332.5
Less : Current Liabilities and Provisions					
Current Liabilities	273.9	199.3	224.8	109.4	57.1
Provisions	438.7	322.9	202.9	158.4	89.6
Net Current Assets	743.1	713.2	400.2	238.0	185.8
Deferred Tax	-9.5	-11.0	-9.4	-6.4	-6.7
Total Assets	1428.0	1201.1	809.8	538.4	397.5

Exhibit 12 (continued)

Fabindia financials – profit and loss statement (all figures in Rs. millions)

Year	Mar-09	Mar-08	Mar-07	Mar-06	Mar-05
Income:					
Sales	3043.3	2573.5	1884.5	1292.9	868.3
Other Income	42.3	0.0	4.0	4.4	29.5
Stock Adjustments	0.0	0.0	196.6	132.1	32.9
Total Income	3085.6	2573.5	2085.1	1429.4	930.7
Expenditure:					
Raw Materials	1844.6	1425.2	1305.4	904.5	569.5
Power & Fuel Cost	0.0	0.0	19.2	14.2	9.9
Employee Cost	0.0	0.0	160.0	129.6	70.5
Other Manufacturing Expenses	0.0	0.0	42.9	19.7	21.7
Selling and Administration Expenses	48.9	41.0	279.8	170.5	134.1
Miscellaneous Expenses	861.2	802.3	12.8	6.6	4.2
Total Expenditure	2754.7	2268.5	1820.1	1245.1	809.9
Operating Profit	330.9	305.0	265.0	184.3	120.8
Interest	0.0	0.0	40.8	20.6	17.2
Gross Profit	330.9	305.0	224.2	163.7	103.6
Depreciation	0.0	0.0	36.1	24.5	19.2
Profit Before Tax	330.9	305.0	188.1	139.2	84.4
Tax	112.5	103.8	62.3	59.0	26.0
Fringe Benefit Tax	9.6	10.1	2.3	2.5	0.0
Deferred Tax	-1.4	1.6	3.0	-0.4	1.8
Reported Net Profit	210.2	189.5	120.5	78.1	56.6

Source: Fabindia Ltd., adapted from Capitaline