

Subhiksha failure essay



**ASSIGN
BUSTER**

Likewise, having grown from 150 stores in September, 2006 in Tamilnadu to 1, 600-odd stores across the country in September, 2008, Subhiksha has been the envy of its competitors. By the end of this year, it was looking at grossing a turnover of Rs 4, 300 crore from 2, 300 stores. Interestingly, all the growth was, however, fuelled from a small net worth base of Rs 250 crore having equity component of Rs 180 crore (face value of Rs 32 crore). Turndown began at Subhiksha: The management has committed some eventual mistakes which have led the company towards the downward position.

The first and big mistake committed by the management of Subhiksha is expanding the number of stores rapidly without sufficient funds in hand. They thought of raising equity during last September but the things had gone too far before they woke up. The global markets were stated collapsing and there were no possible chances of raising funds. .

“ We got into trouble during the second half of last year, when we were unable to tie up funds for our ongoing operations. That slowly started choking and has lead to paralysis of operations completely now,” said Subramanian.

Consequently, in the following month (October, 2008) the company ran out of enough funds to run the organization . Thereafter, Subhiksha has been continuously besieged by a set of problems from all sides. 1. Subhiksha Trading Services has come under fire from television channels for not clearing advertising dues that run around Rs 8 crore.

2. Subhiksha is believed to owe Rs 35 crore against goods, Rs 18 crore against wages, and Rs 20 crore against lease rents. The company, according to the report, is also carrying a debt of Rs 700 crore at an average interest cost of 12 per cent per annum. . Expansion of Stores without adequate system control and IT Support.

That's why there was a huge Audit and abnormal losses in the system. And when they have started implementation of SAP the time has gone for survival of Subhiksha. 4. Maharashtra FDA, the state government's regulatory authority for food and drugs, had asked Subhiksha to suspend operations of its warehouses at Bhiwandi (Mumbai) for 20 days as well as had cancelled licences of three of its vendors, charging that they had failed to maintain health and hygiene norms as prescribed by the regulator.

5.

Many wholesale suppliers in Azadpur subzi mandi, or vegetables market, have stopped supplying fruits and vegetables to Subhiksha's outlets in the National Capital Region (NCR) surrounding the national capital. This comes in the wake of the company holding up payments for two to six months against normal credit period of one month. 6. Lack of strong Hr policy and Staff— Due to this Subhiksha was not able to retain the talent which he initially brought into Junior, Middle and high level management. Whatever was remaining with it is all family bound with no commitment policy.

7.

They were paying huge rentals for these stores, which was a huge drain on the company's finances.. There are huge frauds while entering in to rental agreements by their own management people. There was no proper check and control on this cost though this is a very crucial part to defeat competitors and to gain profitability in future. This, coupled with less than-expected footfalls, drove the operational costs to unsustainable levels.

8. The wrong assumption that telecom segment is a sound, and profit making segment. The CEO never looked in to system losses arise from telecom.

Subhiksha stores always sell handsets at below DP while its benchmarking is to match DP. No control on inventory of mobile accessories and there stock value and were unable to circulate the working capital. 9.

Meanwhile, the company has closed around 90 grocery stores across the country over the last one month or so. The company has also significantly reduced the inventory levels in its mobile retail arm – Subhiksha Mobile stores. Thus sinking into unrepaired conditions Subhiksha has to compete with its high profile competitors like RPG, Reliance retail and Future group etc.

Reliance Retail has set up 700-odd stores in the past two years, almost at the rate of one store per day, Future Group has begun opening a new no-frills discount retail chain called KB's Fair Price Stores, a format that is similar in concept to Subhiksha stores. Reliance's food and grocery format Reliance Fresh on the other hand is high-end in terms of display, ambiance and size.

The raise of the company thus gradually started sinking down step by step and now stands on the verge of collapse.

The management frankly admits that their over confidence and aggressiveness are the main reasons for their loss. They should have gone for an IPO when the things were well and good to prevent such downfall. If they had responded in right time they wouldn't have been put through such bad phases. Subramanian is confident of reviving the business of his company.

“ The market is tough and banks are cautious about lending, but, if we are to get back on track, I cannot predict a timeframe, but we will,” believes Subramanian