

CCEA paves way for IKEA's Rs 10,500-crore investment plan in India

The government on Thursday cleared Swedish home furnishing major IKEA's Rs 10,500-crore investment proposal, the biggest investment in single-brand retail sector after the government liberalised policy in November 2011.

IKEA, which has already been sourcing products from India over the last 25 years, initially plans to set up 10 furnishing and homeware stores over a period of ten years. Commerce and industry minister Anand Sharma called the decision a 'historic' one.

"This will be the biggest foreign investment in the retail segment till now and will provide an opportunity to Indian small and medium enterprises in a wide range of labour intensive sectors for integrating into global value chain," he said in a statement after the cabinet committee on economic affairs (CCEA) cleared the proposal.

The proposal had already been cleared by the foreign investment promotion board (FIPB) but since it involved investment of over Rs 1,200 crore it had to also be vetted by the CCEA. "The Cabinet Committee on Economic Affairs today gave its approval to the proposal of M/s. Ingka Holding B.V., Netherlands, as recommended by the Foreign Investment Promotion Board (FIPB)," government said in a statement.

Ingka is a IKEA Group company.

"We feel very welcome in India. This is a big step in our journey to open IKEA stores in India. We feel very confident that the people of India will love to visit and to shop at IKEA," IKEA India Chief Executive Officer Juvencio Maeztu said in a statement. The company will offer "good quality home furnishing products and solutions at affordable prices," Maeztu added.

"This is a very positive development. Since many years already, India is an important market for the IKEA Group from a sourcing perspective," IKEA Group President and CEO Mikael Ohlsson said:.

Sources told ET that government has stuck to the condition that sourcing done by IKEA for its global operations cannot be counted towards the 30% mandatory sourcing under single brand retail policy. The department of industrial policy and promotion (DIPP) had in its note to the CCEA said that IKEA must operate two separate entities in India - one for pure retailing and other for sourcing of products that to be sold only in India by the single brand retail firm.

Global retailers keen to set up fully owned ventures have been lobbying the government to consider their exports out of India for their global operations towards the 30% local sourcing under the policy.

However, IKEA has been allowed to run cafes and restaurants within its single brand stores in India, but it cannot sell packed food items.

Government had modified many clauses of the single-brand policy that it notified in January 2012 after IKEA raised concerns over sourcing and brand ownership issues. The original policy said that the mandatory 30% sourcing had to be from small and medium enterprises, which was later diluted at the instance of IKEA to preferably from small business.

IKEA had also expressed its reservations on the restrictions imposed by FIPB after it cleared the proposal in November 2012, forcing DIPP to move a modified proposal. The FIPB cleared the proposal a second time in January 2013.

(Economic Times)