



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2014/03/162)

22.05.2014

Notice u/s 6 (2) of the Competition Act, 2002 given by Tesco Overseas Investments Limited.

Order under Section 31(1) of the Competition Act, 2002

1. On 31st March 2014, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as the “**Act**”), relating to the proposed acquisition of 50 percent of the issued and paid-up equity share capital of Trent Hypermarket Limited (hereinafter referred to as “**THL**”) by Tesco Overseas Investments Limited (hereinafter after referred to as “**TOIL**” or “**Acquirer**”). The notice was given by TOIL pursuant to the execution of a Joint Venture Agreement and a Share Purchase Agreement between TOIL, THL and Trent Limited (hereinafter referred to as “**Trent**”) on 21st March 2014. The proposed combination falls under Section 5(a) of the Act.
2. TOIL, a company incorporated in England, is a subsidiary of Tesco Plc, UK (“**Tesco**”). Tesco also incorporated in England, is the parent entity of the Tesco group of companies (“**Tesco Group**”). TOIL is the holding company for several of the Tesco Group’s overseas retail businesses in various countries, primarily engaged in the retail trading of grocery and general merchandise through various formats including hypermarkets, supermarkets, convenience stores and franchised stores. The Tesco group currently operates in countries including United Kingdom, India, China, Malaysia, South Korea etc. As stated in the notice, the Tesco Group is not engaged in retail business in India.
3. Trent is engaged in the business of retail of ready-made garments and accessories, footwear, cosmetics, accessories, gift items and household items, in India. Trent also carries on retail operations through its subsidiaries. THL, a wholly owned subsidiary of



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Trent, is engaged in the business of multi-format retail trading in India including hypermarkets, supermarkets and smaller convenience stores for various merchandise including food and grocery, personal, home care and kitchen products, apparel, consumer durables and general merchandise. THL currently operates 16 retail stores at various locations in India. In 2008, Tesco Group, through one of its entities, Tesco Hindustan Wholesaling Private Limited (“**THWPL**”), executed a Wholesale Supply Agreement (“**WSA**”) with THL to supply merchandise to the THL’s retail stores. In addition, Tesco Group provided expertise and technical know-how to THL pursuant to the Franchise and Technical Services Agreement executed between THL and Tesco Stores Limited. On 21st March 2014, THWPL and THL have entered into the WSA Amendment Agreement to terminate the WSA. THL and Tesco Stores Limited, through the Franchise and Technical Services Termination Agreement dated 21st March 2014, have also agreed to terminate the terms of the Franchise and Technical Services Agreement.

4. In terms of Regulation 14 of the Combination Regulations, vide letter dated 22nd April 2014, the Acquirer was required to remove certain defects and provide information/document(s) by 30th April 2014. The Acquirer filed its response on 25th April 2014. As the response was not complete, vide letter dated 29th April 2014, the Acquirer was again required to provide complete information by 6th May 2014. The Acquirer filed its response on 2nd May 2014.
5. As observed, the proposed combination relates to the business of retail in India. The size of the retail market in India was estimated to be around US\$ 450-500 billion¹ in the year 2012. The retail market in India comprises both organised and unorganised retailing. The organized retailing includes the hypermarkets, supermarkets, departmental stores etc. The retail market in India is dominated by a large number of unorganized retailers consisting of the local kirana shops, owner-manned or self-owned general stores and shops, hawkers, pavement vendors etc. As per the publically available information, in the year 2012, unorganised players controlled approximately 92 per cent share of the overall retail market in India. The organised retail market, which was approximately 8 per cent of the overall retail market in 2012, is expected to

¹ Indian retail industry report, April 2014. Indian Brand Equity Foundation Source: <http://www.ibef.org/industry/retail-india.aspx> accessed on 6th May 2014;



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account for 20 per cent by 2020². Some of the large players who have been operating in the organised retail market in India are Reliance Retail, Future Retail, Spencer's Retail, Bharti Retail, Aditya Birla's 'More', Shoppers Stop etc. Additionally, due to increased internet penetration and changing lifestyles, the Indian retail market has also witnessed a surge in online retailers which has widened the choice for the consumers. THL currently operates only 16 retail stores across various locations in India and its total revenue, as per the annual report of Trent, during the financial year 2012-13 was only around INR 785 crores, which is insignificant as compared to the size of the overall retail market as well as the organised retail market in India.

6. The Government of India has allowed 51 per cent FDI in the multi-brand retail, subject to specified conditions and leaving its implementation upon the discretion of the state governments. As the FDI policy regarding multi brand retailing has not been implemented in the states of Gujarat and Tamil Nadu, THL has entered into a Stores Transfer Agreement on 31st March 2014 with Fiora Hypermarket Limited (a wholly owned subsidiary of Trent), to transfer its four stores operating in Gujarat and Tamil Nadu. It is observed that while THL is engaged in the business of multi-format retail trading in India including hypermarkets, supermarkets and smaller convenience stores, TOIL is not present in the retail market in India and therefore, there is no horizontal overlap between the business activities of THL and TOIL in the retail market in India.
7. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the combination after considering the relevant factors mentioned in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the proposed combination is not likely to have appreciable adverse effect on competition in India and therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act. This order is, however, issued without prejudice to the proceedings under Section 43A of the Act.
8. This approval is without prejudice to any other legal/statutory obligations as applicable.

² As per the details provided in Investment and Technology Promotion Division, Ministry of External Affairs website, under the following link: <http://www.indiainbusiness.nic.in/industry-infrastructure/service-sectors/retailing.htm>



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9. This order shall stand revoked if, at any time, the information provided by the parties is found to be incorrect.

10. The Secretary is directed to communicate to the Acquirer accordingly.

(Ashok Chawla)
Chairperson

(M. L. Tayal)
Member

(S.L. Bunker)
Member

(Sudhir Mital)
Member

(Augustine Peter)
Member