



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2015/05/281)



*Fair Competition
For Greater Good*

19.08.2015

Notice u/s 6 (2) of the Competition Act, 2002 ('Act') given by:

- Bharti Retail Limited
- Future Retail Limited

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

CORAM:

Mr. Ashok Chawla

Chairperson

Mr. S. L. Bunker

Member

Mr. Sudhir Mital

Member

Mr. Augustine Peter

Member

Mr. M.S. Sahoo

Member

Mr. U. C. Nahta

Member

Legal representatives: M/s AZB & Partners and M/s Vinod Dhall & tta

1. On 29th May 2015, Future Retail Limited ('FRL') and Bharti Retail Limited ('BRL') jointly filed a notice under sub-section (2) of Section 6 of the Act, pursuant to the execution of Implementation Agreement ('IA') entered into and between them on 4th May 2015 ('Hereinafter FRL and BRL are together referred to as Parties'). With



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regards to the proposed combination between FRL and BRL, the Parties have submitted that the same will be effected by way of a Scheme of Arrangement and Amalgamation ('Scheme'), approved by the respective board of directors of FRL and BRL.

2. The proposed combination involves two steps which would occur simultaneously:
 - a. The in-store retail business of FRL operated through various retail formats, shall be transferred, by way of demerger from FRL, into BRL as a going concern. Pursuant to this, BRL would issue shares to the shareholders of FRL in consideration for the demerger of the said business in accordance with the applicable share entitlement ratio,
 - b. The support services business comprising the activities and assets providing support services to the retail format stores operated by BRL, shall be transferred, by way of demerger from BRL, into FRL as a going concern, in consideration for which FRL would issue shares to the shareholders of BRL in accordance with the applicable share entitlement ratio.
3. It has been submitted in the Notice that the Parties have also entered into a Share Purchase Agreement ('SPA') dated 4th May 2015 which would come into effect if the Scheme is not made effective within 15 months from the date of the IA or if the parties withdraw the Scheme. Effectively, the proposed combination would result in the retail businesses and the retail infrastructure businesses of the Parties being reorganised into two separate entities, both under the sole control of the Future Group to which FRL belongs.
4. FRL, a group company of Future Group¹, is a public limited company listed on Bombay Stock Exchange ('BSE') and National Stock Exchange ('NSE'). It is operating around 370 retail stores at various locations in India under different formats such as

¹ Future Group is an Indian conglomerate engaged inter alia, in operations of retail supermarket/hypermarket chains through its retail arms, FRL and Future Consumer Enterprise Ltd. ('FCEL'). Its fashion outlets such as Brand Factory, Central, Planet Sports etc. are operated through a subsidiary, viz., Future Lifestyle Fashions Ltd.



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hypermarket, supermarket and home segments and under different brand names including Big Bazaar, FBB, Food Bazaar, Foodhall, Home Town, and eZone. The retail business of FRL inter-alia includes retail operations and retail infrastructure operations. The retail stores of FRL deal in following broad categories of products, viz., grocery (including fruits and vegetables, staples etc.) general merchandise, consumer durables and IT, apparel & footwear etc.

5. BRL, stated to be a group company of Bharti Group, is a public limited unlisted company. It operates around 200 retail stores at various locations in India. The retail business of BRL inter-alia includes the retail operations and the retail infrastructure operations. BRL currently operates retail formats by way of neighbourhood stores and compact hypermarket stores under the brand names 'easyday' and 'easyday market', respectively. Product offerings of BRL at its retail stores include apparel, home furnishings, appliances, mobile phones, meat shop, general merchandise, fruits and vegetables, among others.
6. For combination cases involving retail stores, generally, information relating to the operations of the stores in terms of their catchment area, types of products dealt with at different stores etc. are required for competition assessment. In this regard, it is observed from the information available in public domain, that based upon customers data captured either at the level of the retail store or through customer surveys conducted by the retailer or others, the relevant geographic markets are typically local in nature². As the above stated information relating to the retail stores was not provided in the notice filed with the Commission, in terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 ('**Combination Regulations**') communication dated 11th June 2015, was sent to furnish the requisite information; response to the same was filed by the Parties on 14th July 2015 after seeking extension of 29 days. As there were inconsistencies in data provided by the Parties vide their letter dated 14th July 2015, another letter was issued to them on 28th July 2015, response to which was furnished by on 7th August 2015 after seeking an extension of 8

²As the customers do not generally travel longer distances for such products.



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days. Due to inconsistencies found in the data submitted by the Parties on 7th August 2015, vide their email dated 13th August 2015, Parties revised the store level information for some cities.

7. The retail industry is generally divided into modern brick and mortar stores ('**MBMS**') and traditional brick and mortar stores ('**TBMS**') (also known as mom-and-pop stores). These categories are also referred to as being part of organised and unorganised retail, respectively. The stores of the Parties fall in the category of MBMS. The Parties have submitted that the relevant market should be considered as overall market for retail as the relevant product market and relevant geographic market may be defined as the whole of India.
8. Parties have also submitted the following alternative product market definitions, namely markets for retail of: (i) grocery and fresh produce ('**Groceries**') (ii) apparel, footwear and accessories ('**Apparel & Footwear**') (iii) consumer electronics and home appliances ('**CDIT**') (iv) home furnishings including furniture, glassware, crockery, plastics and utensils and (v) equipment, books, stationery and luggage. (Item numbers (iv) and (v) are hereinafter referred to as '**General Merchandise**')
9. The value of the overall retail industry in India was around Rs. 31,00,000 crore in 2013-14³. In the overall retail industry of India, the size of the organized retail was approximately 8 percent i.e. around Rs. 2,48,000 crore. The key segments in the retail industry of India can be broadly categorized into food and groceries, footwear, pharmacy, home products, consumer durables & IT and apparel and others. Some of the major organized retail stores brand operating in India include Auchan, Big Bazaar, Reliance Fresh, More, Spencer, Star Bazaar, Heritage, Easy day, Spar and D-Mart etc.
10. According to submissions of the Parties, given the nature of products, the catchment area for Groceries is stated to be an area upto 5 Kms ('**Local area**') from the store, whereas in relation to product categories such as CDIT, General Merchandise, etc. the consumers are generally willing to travel longer distances. However, the exact delineation of relevant market in the case of proposed combination is being left open

³Indian Retail – The next growth story (A report published by KPMG)



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as it is observed that the proposed combination is not likely to raise competition concerns in any of the alternative relevant markets in India.

11. As per information available on record, Parties have overlaps in 26 cities / towns namely; Agra, Ambala, Amritsar, Bangalore, Barnala, Bareilly, Bhatinda, Bhiwadi, Bilaspur, Dehradun, Delhi, Faridkot, Ghaziabad, Gurgaon, Hubli, Jaipur, Jalandhar, Lucknow, Mangalore, Meerut, Muktsar, Nabha, Noida, Rudrapur, Tarantaran and Zirakpur, in terms of Local area. Notwithstanding the overlaps as stated above, it has been observed from the submissions of the Parties that many organized retail players such as Aditya Birla group's More, TATA's Star Bazaar, D-Mart, Spencers, Reliance Fresh and Reliance Mart, Spar, Hyper City, Heritage etc. are present in overlapping cities / towns, in the Groceries and General Merchandise segments, apart from numerous unorganised retail stores. With regards to CDIT and Apparel & Footwear, it is noted that there are a number of outlets selling products of LG, Samsung, Sony, Voltas, Hitachi, IFB, etc. are present in the CDIT category and Bata, Liberty, Lakhani, Woodland, Action, Nike, Allen Solly, Louis Phillips, Peter England, Park Avenue, Provogue etc. in the Apparel & Footwear category, in the overlapping cities / towns. In addition to the above, Parties have submitted that the online retail market, comprising of players such as Zopnow, Bigbasket, Flipkart, Snapdeal, Jiffstore etc., is growing at a rapid pace. Some of the online retail players specialise in selling Groceries while others supply Apparel & Footwear, CDIT and General Merchandise in several overlapping cities / towns. Therefore, it is apparent that the consumers have ample choice in terms of number of options available to them for purchasing various products in the overlapping product categories.
12. Further, as per the information provided in the notice, other documents on record and information available in the public domain, at the present stage of development of retail business in India, the unorganised retail business also exerts competitive constraint on the organised retail business. In this regard, it is noted that unorganised retailers establish personal relationships with their customers and have also differentiated themselves by offering several value-added services like home delivery, credit for purchase and sale in small units etc. Further, traditional retailers have also



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started modifying their stores into contemporary looking outlets with an option of self service in aisle format.

13. As regards the vertical relationships between the parties it is noted that FRL and Future Consumer Enterprise Limited ('**FCEL**'), in the past purchased food and beverages products from FieldFresh Foods Private Limited ('**FFPL**') which is stated to be joint venture between one of the Bharti Group entities and Del Monte Pacific Ltd. However, the said vertical arrangement would not raise any competition concerns in view of the insignificant presence of the FFPL in its areas of operations.
14. Considering the facts on record and details provided in the notice given under sub-section (2) of section 6 of the Act and assessment of the proposed combination on the basis of factors stated 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 an appreciable adverse effect on competition in India and therefore, the Commission hereby approves the same under sub-section (1) of section 31 of the Act.
15. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
16. The Secretary is directed to communicate to the Parties accordingly.