



सत्यमेव जयते



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2019/12/715)

03.02.2020

Notice under Section 6(2) of the Competition Act, 2002 filed by Yum Restaurants (India) Private Limited.

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

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

1. On 24.12.2019, the Competition Commission of India (**Commission**) received a notice (**Notice**) under Section 6(2) of the Competition Act, 2002 (**Act**), filed by Yum Restaurants (India) Private Limited (**YRIPL/ Acquirer**). The Notice has been given pursuant to the execution of Share Subscription Agreement (**SSA**), Share Holders Agreement (**SHA**) and Business Transfer Agreement (**BTA**) each dated 11.12.2019 entered inter alia, between YRIPL and Devyani International Limited (**DIL**). (hereinafter, YRIPL and DIL will be referred to as "**Parties**".)
2. The proposed combination relates to subscription of certain equity shares of DIL by YRIPL (**Transaction-1**). Further, it is stated that YRIPL would transfer the business of running, maintaining and operating 61 KFC restaurants as a going concern on an 'as is, where is' basis by way of a slump sale to DIL (**Transaction-2**). These restaurants are located in the states of Karnataka, Telangana and Andhra Pradesh (except Hyderabad) and are currently owned and operated by YRIPL. It is stated that DIL will only get operational control over these restaurants, and rights with respect to the recipe and pricing of food items would continue to be controlled by Yum Brands. (hereinafter, Transaction-1 and Transaction-2 will be referred to as "**Proposed Combination**".)



3. The Commission vide communication dated 09.01.2020, under Regulation 14(3) of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011, required Parties to remove certain defect(s) in the Notice; response to the same was provided on 17.01.2020 after seeking extension of time. Certain clarification(s) inter alia, relating to activities of the Parties were also sought in relation to the response; reply to the same was received on 27.01.2020.
4. YRIPL is a private limited company incorporated in India and is a part of Yum! Brands Inc. – a USA based entity. It is stated that in India YRIPL runs restaurants under three Brands i.e. KFC, Pizza Hut and Taco Bell in the segment of Quick Service Restaurants (QSR).
5. DIL, a public company incorporated in India, is stated to be present in Food and Beverage sector in India. Further, it is stated that as a franchisee, DIL runs, maintains and operates KFC and Pizza Hut / Pizza Hut Delivery restaurants in certain territories of India. It is also the exclusive franchisee of Costa Coffee in India. It is stated that DIL operates food courts, restaurants and bars under the brands such as ‘The Food Street’ and ‘Foodies Bar’ apart from other such brands. It operates these outlets under verticals across various food courts at highways, malls, hospitals and airport on a pan-India basis.
6. According to the parties, both DIL and YRIPL are operating in different categories of food products with the only common segment being KFC and Pizza Hut, which are operated by DIL as a franchisee of YRIPL, and therefore, there is no horizontal overlaps between the area of activities of parties. It has been submitted that since both YRIPL and DIL primarily operate in QSR segment, the relevant market for the purpose of competition assessment may be considered as “provision of services offered by QSRs in the Territory of India”. However, the Commission decided to leave the exact delineation of relevant market open as the Proposed Combination is not likely to raise any competition concern in India, in any of the segments of Food and Beverage sector or sub-segments therein in which the parties are operating.
7. It is observed that combined market shares of YRIPL and DIL is miniscule in the QSR segment in India. Further, it is noted that Proposed Combination is not likely to cause change in the competition dynamics in the market. As far as end customers are concerned,



it does not matter as to whether a franchisee is operating the KFC or Pizza Hut outlet or if YRIPL is directly operating the outlet. It is also stated that there will be no foreclosure as prior to the Proposed Combination, YRIPL is running its own restaurants and its restaurants are not available for franchise to rival brand owners. DIL is an existing franchisee operating in neighbouring territories and is merely expanding its QSR operations.

8. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have any appreciable adverse effect on competition in India. Therefore, the Commission approves the Proposed Combination under Section 31(1) of the Act.
9. This order shall stand revoked if, at any time, information provided by Acquirer is found to be incorrect.
10. The information provided by Acquirer is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.
11. The Secretary is directed to communicate to the Acquirer, accordingly.