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COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2020/09/771)

20th November 2020

Notice under Section 6 (2) of the Competition Act, 2002 jointly given by Reliance Retail Ventures Limited, Reliance Retail and Fashion Lifestyle Limited and Future Enterprises 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 21st September 2020, the Competition Commission of India ('**Commission**') received a Notice under Section 6(2) of the Competition Act, 2002 ('**Act**'), jointly given by Reliance Retail Ventures Limited ('**RRVL**'), Reliance Retail and Fashion Lifestyle Limited ('**RRVL WOS**') and Future Enterprises Limited ('**FEL/Transferee Company**'). [Hereinafter, RRVL and RRVL WOS are collectively referred to as '**Acquirers**'; and Acquirers and FEL are together referred to as the '**Parties**'.]
2. The Proposed Combination involves acquisition of Retail & Wholesale Undertaking and Logistics & Warehousing Undertaking carried out through various entities of the Future Group by RRVL and RRVL WOS respectively. These entities will be transferred to FEL



following an internal restructuring pursuant to a composite scheme of arrangement ('Scheme'). The Retail & Wholesale Undertaking, and Logistics & Warehousing Undertaking are collectively referred to as the '**Target Businesses**'.

3. The entities of the Future Group, viz. Futurebazaar India Limited ('**FIL**') and its subsidiaries, Future Consumer Limited ('**FCL**'), Future Lifestyle Fashions Limited ('**FLFL**'), Future Retail Limited ('**FRL**'), Future Market Networks Limited ('**FMNL**') and Future Supply Chain Solutions Limited ('**FSCSL**') are together referred to as the '**Transferor Companies**'. The Target Businesses are presently carried out through the Transferor Companies.
4. The Notice was given pursuant to the Scheme approved by the Board of Directors of the Acquirers, the Transferor Companies, and the Transferee Company on 29th August 2020; and the Implementation Agreement ('**IA**') dated 29th August 2020, executed amongst the Acquirers, the Transferor Companies, the Transferee Company, the promoters of the Transferor Companies and the Transferee Company and certain other entities of the Future Group.
5. The Proposed Combination relates to acquisition by the Acquirers of the Target Businesses of the Future Group by way of the following inter-connected steps:

Step 1: Internal Restructuring by Future Group - The Target Businesses of the Transferor Companies will be consolidated by amalgamating the Transferor Companies into FEL on a going concern basis. Pursuant to this, FEL shall issue and allot fully paid-up equity shares, on a pro-rata basis to the existing shareholders of the Transferor Companies, in the resultant entity, i.e. FEL. Consequently, pursuant to such amalgamation, the Transferor Companies will cease to exist.

Step 2: Acquisition of the Target Business - Upon completion of the internal restructuring, the Acquirers shall acquire the Target Businesses on a going concern basis, through the following slump sale(s) –



- a. **Slump Sale of the Logistics & Warehousing Undertaking¹:** The Logistics & Warehousing Undertaking shall be transferred from FEL to RRVL.
- b. **Slump Sale of the Retail & Wholesale Undertaking²:** The Retail & Wholesale Undertaking shall be transferred from FEL to RRVL WOS.

Step 3: Investment by RRVL WOS in the Remaining Business of FEL – ‘Remaining Business’ of FEL consists of manufacturing (including through contract manufacturing) and processing of fast moving consumer goods (‘FMCG’) products, processed food, and apparels and their distribution to third-party wholesalers and retailers (other than through online or physical stores), certain investments and interests in certain immovable and movable properties/assets. RRVL WOS shall invest in the Remaining Business of FEL by subscribing to a mix of equity shares and warrants of FEL by way of preferential allotment, in the aggregate, up to 13.14% of the total expanded issued and paid-up equity share capital of FEL (on a fully diluted basis).

6. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of Business relating to Combinations) Regulations, 2011 (‘**Combination Regulations**’) *vide* letters dated 1st October 2020 and 23rd October 2020, the Acquirers were required to furnish certain information *inter alia* on overlaps, definitive agreements, FDI policy, shareholding structures and delineation of market(s). The Acquirers submitted responses on 12th October 2020, 26th October 2020, and 27th October 2020.
7. RRVL, a subsidiary of Reliance Industries Limited (‘**RIL**’), is an unlisted company. RRVL is engaged in the business of retail supply chain management. Reliance Retail Limited (‘**RRL**’), a subsidiary of RRVL, undertakes retail operations in India across segments such as food and grocery, consumer electronics, apparel, footwear, and

¹ The Logistics & Warehousing Undertaking of FEL will *inter alia* consist of contract logistics and express logistics services

² The Retail & Wholesale Undertaking of FEL will *inter alia* include all the stores including their online channels, such as Big Bazaar, fbb, EasyDay, Hypercity *etc.*, in relation to the consumer goods, food products, fashion products, apparel, *etc.*



accessories. RRL operates its retail businesses (online and offline) through a chain of stores spread across India which includes Reliance Fresh, Reliance Smart, Reliance Digital, Reliance Trends, Project Eve, Reliance Jewels, and AJIO.com.

8. RRVL WOS, a wholly-owned subsidiary of RRVL, has been recently incorporated to carry out various businesses including the businesses proposed to be transferred to RRVL WOS post the acquisition of the Retail & Wholesale Undertaking of FEL.
9. The Future Group³ consists of several listed and unlisted companies engaged primarily in retail and wholesale business as well as logistics and warehousing business. These businesses operate on a pan-India basis and include retail operations across segments such as food and grocery, apparel, footwear and accessories, home furnishings, other merchandise, *etc.* It operates its retail businesses through a chain of stores spread across India which include Big Bazaar, Central, Fashion at Big Bazaar (*fb*), Brand Factory, EasyDay, Nilgiris, Heritage Fresh, WH Smith, Hypercity, Foodhall, HomeTown, *etc.* The Future Group also manufactures various food and grocery products and sells these products under different brand names to end consumers through their retail store chains.
10. FEL, a listed entity, is part of the Future Group. FEL is engaged in the business of manufacturing and sourcing of fashion merchandise. Currently, FEL develops, owns and leases the retail infrastructure for the Future Group. FEL also holds the Future Group's investments in subsidiaries and joint ventures in sectors such as insurance and textile manufacturing.
11. It has been submitted that the Proposed Combination will enable the Future Group to achieve a holistic solution towards overcoming its financial challenges, by allowing it to reduce its debt obligations while continuing the Remaining Business of FEL.

³ Founded in 1987 by Mr. Kishore Biyani, Future Group is an Indian private conglomerate, headquartered in Mumbai. While its retail supermarket/hypermarket chains Big Bazaar, FBB, Food Bazaar, Food Hall, Hometown, *etc.*, are operated through FRL and Future Consumer Ltd. ('FCL'), its fashion outlets such as Brand Factory, Central, Planet Sports, *etc.*, are operated *via* its subsidiary Future Lifestyle Fashions.



Horizontal Overlaps

12. Based on the submissions, it is observed that the products and services of Parties exhibit horizontal overlaps at the broad level of market for retail/B2C⁴ retail in India and in the sub-segments of retail for (a) Food & Grocery ('F&G'); (b) Apparel, Footwear and Accessories ('AFA'); and (c) General Merchandise ('GM') in India & in cities/towns where both the Parties are present and at the broad level of market for wholesale/B2B⁵ sales in India.
13. It is submitted by the Parties that the Future Group is no longer present in the market for retail in consumer electronics. It has discontinued all of its consumer electronics business, save and except a store in the city of Kolkata, which operates under the brand name Ezone.
14. The Commission also noted that horizontal overlap also exists between third-party logistics ('3PL'⁶) activity of FSCSL and last mile delivery service of Grab A Grub Services Private Limited ('Grab A Grub')⁷.

Vertical Overlaps

15. It is submitted that the Acquirers and the Target Businesses (including subsidiaries and/or joint ventures) are not engaged in any activity relating to the production, supply, distribution, storage, sale and service or trade in products or provision of services which is at different stages or levels of the production chain in which any other party to the combination is involved. Further, there is no direct supply arrangement between the Parties.

⁴ B2C: Business to Consumer

⁵ B2B: Business to Business

⁶ 3PL refers to outsourcing of distribution (including last mile delivery), warehousing, and fulfilment services by an organization to a third-party.

⁷ Reliance Industrial Investments and Holdings Limited, a wholly-owned subsidiary of RIL, holds 83.36% equity shares in Grab A Grub.



16. It is submitted by the Parties that with regard to the logistics & warehousing activity, 3PL business of FSCSL is captive to a significant extent. Further, the Acquirers have logistics infrastructure that only supports their own wholesale and retail operations, and do not commercially contract with third parties. Therefore, the logistics business of the Acquirers is entirely captive and has no market facing aspects to it.
17. It has been further submitted that limited 3PL business of FSCSL, *i.e.* non-captive services may be classified as the services of an ‘enabler’ in the overall supply chain. The last mile delivery service is an intrinsic part of 3PL services. Thus, the Parties through FSCSL (a 3PL service provider) and Grab A Grub (a last mile delivery service provider), may be considered to be located at different levels of supply chain.

RETAIL/B2C

Relevant Product Market

18. The Parties have submitted that the relevant product market may be considered as the market for the overall retail market and alternatively as the markets for retail of (i) F&G; (ii) AFA; and (iii) GM.
19. The retail market in India comprises large brick and mortar stores (**‘B&M’**), online retailers, mom and pop stores, kirana stores, *etc.* These offer same or similar products to the end consumers and compete inter-se. There is presence of retail hubs such as haats, mandis, bazaars and cluster markets (**‘Local Hubs’**). Largely, the stores can be said to fall under the unorganised or the organised segments. All kind of retail products (like grocery, apparel, general merchandise, *etc.*) are sold through both organised and unorganised segment stores.
20. In the F&G segment, the stores operating under the unorganised retail segment, lined up next to each other provide the experience of moving from one shelf to another shelf in a large organized retail store for a typical Indian consumer. Thus, even though one kirana store may lack one or some of the products required by a customer, the multiple small



stores lined up with that kirana store are so closely located that the customer ends up fulfilling his purchasing needs *via* multiple stores instead of relying on just one amongst them. Furthermore, the nature of the products under F&G retail is such that products of various brands are the same (based on parameters like quality, packaging, taste, colour, *etc.*) regardless of the medium/point of sale. Therefore, the unorganised retail segment may provide sufficient competitive constraint to the organized segment in F&G retail. For the purpose of assessing the Proposed Combination, competition assessment for the F&G segment has been carried out for overall F&G retail that includes both organised and unorganised retail.

21. The Commission noted that the nature of products in AFA retail may be different from F&G segments. There is a difference in the range of brands available in organised and unorganised sectors. However, owing to the differentiated nature of AFA products and in view of the quality continuum that may run across retail formats, a clear demarcation between organised and unorganised AFA retail is not possible. Further, the AFA segment may be seen as a dynamic segment that continuously adapts to changing fashion trends. Further, the consumer preferences may be 'event based' in the AFA retail, further blurring the line between organised and unorganised segments. Therefore, for the purpose of assessing the Proposed Combination, competition assessment for the AFA segment has been carried out for the overall AFA retail level.
22. The products under GM are typically other non-food consumer goods primarily sold by F&G stores along with F&G goods. These products could include books and stationery, floor mats, batteries and bulb, home furnishings including furniture, plastics, consumer electronics and other equipment, *etc.* The unorganised retail segment may provide sufficient competitive constraint to the organised segment in GM retail. For the purpose of assessing the Proposed Combination, competition assessment for the GM segment has been carried out for the overall GM retail level.



Relevant Geographic Market

23. It is submitted that the relevant geographic market in relation to the broad segment of market for retail sales may be defined on a pan-India basis as the 'entire territory of India'. The Parties have also submitted that the relevant geographic market at narrow sub-segment may be defined as at least city/town-wide for retail purposes for all the identified narrow product markets. The Commission is of the view that in the market for retail sales, the relevant geographic market is at least city-wide and may even be narrower in terms of town or area (for example, at a 5 km catchment level for at least certain product categories) within selective cities. Accordingly, competition assessment has been carried out at all India level as well as at city-wide and catchment area level for sub-segments of overall retail market stated above.
24. The Commission decided to leave the delineation of the relevant market open as it was observed that the Proposed Combination is not likely to cause an appreciable adverse effect on competition in any of the possible alternative relevant markets.

Competition Assessment

25. With regard to the competition between organised and unorganised retail sector, the Commission is of the view that the unorganised retail business exerts competitive constraint on the organised retail businesses across India. At the pan-India level, the combined market shares of the Parties is in the range of [0-5]% in the overall retail market for the FY 2019-20.
26. In view of the overlapping products/services of the Parties within retail market, the Commission has looked into the following narrower areas of retail operations: (a) market for retail of F&G; (ii) market for retail of AFA; and (c) market for retail of GM.
27. **Market for F&G:** The market for F&G is marked by several peculiarities owing to its atypical nature in India. The Commission notes that the Indian F&G segment is largely dominated by the traditional kirana stores such that the customer ends up fulfilling his



purchasing needs *via* multiple closely lined stores instead of relying on just one. Most kiranas have personal relationships with their customers and are amenable to bargaining with the ability to sell 'loose items'. Besides, Indian households face 'real-estate constraints' such that they cannot stock up their homes with household items that can last for more than a month (or even for more than a fortnight). Instead, a typical household in India buys grocery based on 'day-to-day needs'. Even the segment of people who visit the organised B&M retail stores multi-home between the organised and unorganised B&M retail stores depending upon their convenience.

28. The presence of either or both Parties is in 423 cities and towns in India in this sub-segment and they exhibit overlaps in only 120 cities and towns. The combined market share of the Parties does not exceed 10% in any of the overlapping cities. The incremental market share is in the range of [0-5]% in the overlapping cities. In addition to the presence of large number of players, there has also been emergence of new players as well. The presence of such players increases the competitive constraints on other players, as they essentially provide either the same products or products of very similar quality / characteristics.
29. The Commission observed that in the F&G segment, competitive interplay between the large unorganised segment and the organised segment is very visible. Therefore, inclusion of the unorganised segment in the fold of F&G retail would provide competitive constraints on the combined entity and other organised offline sector players even post the combination.
30. **Market for AFA:** The Parties supply apparel, fashion and accessories, which can be classified under the 'organised B&M retail'. RRL is present in the market for retail of AFA in India through certain in-house brands, partner brands and a bouquet of store concepts. It operates nearly 1428 stores across India. The Future Group currently operates more than 300 stores across 90 cities in the market for retail of AFA. The presence of either or both Parties is in 518 cities and towns in India in this sub-segment and they exhibit overlaps in only 162 cities and towns. The combined market share of the Parties



does not exceed 10% in any of the overlapping cities. Further, the incremental market share is in the range of [0-5]% in the overlapping cities.

31. As noted in the context of the relevant product market, owing to the differentiated nature of AFA products and in view of a quality continuum that may run across retail formats, a clear demarcation between organised and unorganised AFA retail cannot be drawn. The presence of a large unorganised retail sector in India for this product segment will continue to constrain and discipline the organised sector players including the combined entity. Nonetheless, from the information available on record and in the public domain, it appears that even the organised sector comprises a number of fashion focused offline single / multi-brand retail outlets which would continue to provide competitive constraint on the combined entity post the Proposed Combination.
32. **Market for GM:** The presence of either or both Parties is in 408 cities and towns in India in GM segment and they exhibit overlaps in only 119 cities and towns. The products offered by the Parties under the GM category are standard, of regular use, and sundry. The combined market share of the Parties in the GM retail market in any of the overlapping cities is less than 10%. Further, the incremental market share is in the range of [0-5]% in the overlapping cities.
33. In this regard, the Commission observed that owing to the relatively lesser relevance of brands in this segment and given the comparable availability of range of products / brands across retail formats for GM, the large unorganised sector seemingly would continue to constrain the conduct of the organised sector players such as the Parties to the Proposed Combination.

WHOLESALE/B2B SALES

Relevant Product Market

34. The Parties have submitted that the relevant product market may be considered as the market for B2B sales in India for the reasons that the relevant wholesale cash and carry



entities of the Parties operate and compete on a pan-India basis. Further, the conditions of competition are homogeneous throughout India and there is insignificant switching cost between various wholesale traders, regardless of their geographical location or categorisation.

35. B2B or wholesale trading means sale of goods / merchandise to resellers, industrial, commercial, institutional consumers. B2B, thus, refers to sales for the purpose of trade, business and profession, as opposed to sales for the purpose of personal consumption. It has been submitted that B2B sales may take place through both online and offline means.
36. The Parties have submitted that the market for B2B sales is characterised by intense competition among a very large number of competitors – both online and offline. Both channels give customers a plethora of choices and best prices and provide vendors a level-playing field. India has large hubs of wholesale markets offering extremely competitive prices on various products. For example, the textile markets of Surat (Radha Krishna Textile market and Shiv Shakti Textile market), hubs in Jaipur (Johri Bazaar), North Delhi (Sadar Bazar), Hyderabad (Begum Bazaar), *etc.* It has also been submitted that a further delineation of the B2B sales market based on product categorisation is not warranted.
37. Notwithstanding above, the Commission has carried out the competition assessment at product sub-category level also.

Relevant Geographic Market

38. The Parties have submitted that the relevant geographic market is at least India wide in the market for B2B sales.
39. The Acquirers have submitted that they are present in this segment through Reliance Market, a wholesale cash and carry store concept which serves households, kirana stores, hotels, restaurants and catering ('**HoReCa**') institutions and B2B member partners. On the other hand, FCL is engaged in the B2B business directly and through its following subsidiaries:
 - a. Aadhaar Wholesale Trading and Distribution Limited ('**Aadhaar Wholesale**');



- b. Nilgiri Dairy Farm Pvt. Ltd. ('**Nilgiris**'); and
- c. Bloom Foods and Beverages Private Limited ('**Bloom Foods**').

40. Notwithstanding above, the Commission has carried out the competition assessment at the city-wide level also.
41. The exact delineation of the market may be left open since the Proposed Combination is not likely to cause AAEC either in the market for B2B sales in India at the broader level, or at the narrower levels on the basis of product segments, *i.e.* F&G, AFA and GM, or at city level.

Competition Assessment

42. The Parties' B2B business primarily overlaps in the F&G segment. However, post combination market share of the Parties in the B2B sales market as well as in all the overlapping segments is [0-5]%. Further, due to the low entry barriers owing to the Government of India allowing 100% FDI in the B2B sales market, there has been significant growth in the number of players in this segment. The market appears to be competitive with the presence of players such as Indiamart, Walmart, Amazon, Alibaba, Ninjacart, TradeIndia, *etc.* Apart from these players, unorganised sector also poses a significant constraint on organised wholesalers.

LOGISTICS AND WAREHOUSING

43. Logistics services usually cover a wide spectrum of services, including, transportation, distribution, warehouse management, freight forwarding, material handling, and value-added services such as packaging, bundling, kitting, *etc.*
44. It has been submitted that FEL through FSCSL provides the following kinds of logistics services a) contract services; b) road express services; c) temperature controlled services; and d) international freight forwarding services.



45. The Commission has decided to leave the delineation of the relevant market open as the vertical relationship and horizontal overlap between the Parties may not raise competition concern.

Competition Assessment

46. It has been submitted that share of FSCSL in the 3PL segment in India is in the range of [0-5]%⁸. 3PL segment has seen several new players enter the segment for logistics services, such as E-Kart, Xpressbees, Gati Limited, *etc.* Business segment of 3PL services is characterised by the presence of several players such as Mahindra Logistics Limited, Blue Dart Express, Delhivery, Transport Corporation of India, Gati Limited *etc.* Grab A Grub's total income during FY 2019-20 was only INR 59.52 crore. In view of the limited presence of Grab A Grub, horizontal overlap is not likely to raise competition concern.
47. In relation to vertical overlap(s): (i) last mile delivery services of Grab A Grub and merchandise sale business of Target Businesses; and (ii) 3PL services of FSCSL and last mile delivery services of Grab A Grub, the Commission noted that the value of service procured by Target Businesses from Grab A Grub is not such to raise any concern. Further, the market for last mile delivery services is characterised by the presence of numerous players in India such as Shadowfax, Delhivery, Ecom Express, Softage, Trackon Couriers, Wow Express, Porter, Lightning Logistics, *etc.* Given the limited requirement of Target Businesses *vis-à-vis* total revenue of Grab A Grub, the said vertical interface is not likely to raise competition concern.
48. In light of the above, the Commission is of the opinion that the Parties may not be in a position to foreclose competition in any of the segment where they are present.
49. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on the factors stated in Section 20(4) of the Act, the Commission is of the opinion that the proposed combination is not likely to

⁸ It has been submitted that market size for 3PL segment in India in 2018 stood at INR 42,000 crore.



have any appreciable adverse effect on competition in India. Further, the Commission observed that non-compete clause is not ancillary to the combination.

50. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
51. The information provided by the Parties shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
52. The Secretary is directed to communicate to the Parties accordingly.