COMPETITION COMMISSION OF INDIA

21st December, 2012

Combination Registration No. C-2012/10/82

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

1. On 8th October, 2012, the Competition Commission of India received a notice for the proposed combination under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as the "**Act**") jointly filed by the Aditya Birla Nuvo Limited (hereinafter referred to as "**ABNL**"), Peter England Fashions & Retail Limited (hereinafter referred to as "**PEFRL**"), Indigold Trade and Services Limited (hereinafter referred to as "**ITSL**") and Pantaloon Retail (India) Limited {hereinafter referred to as "**PRIL**"} [hereinafter collectively referred to as the "**parties**"]. The said notice has been filed pursuant to a scheme of arrangement (hereinafter referred to as the "**Scheme**") under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 executed between PRIL, PEFRL, their respective shareholders and creditors and ITSL. The Scheme was approved by the Board of Directors of PRIL, PEFRL, and ITSL on 9th September, 2012.

2. The proposed combination relates to the acquisition of the undertakings, business, activities and operations of PRIL pertaining to the Pantaloons Format Business by ABNL, through its indirect wholly owned subsidiary PEFRL, by way of a demerger on a going concern basis, in lieu whereof equity shares of PEFRL will be issued to the shareholders of PRIL, in accordance with the share entitlement ratio as set out in the Scheme. As stated in the notice, as per the provisions of the Scheme, Pantaloons Format Business includes the fashion retail business of PRIL undertaken under the brand name "Pantaloons" and variations thereof (which inter alia, as of 30th June, 2012 constituted 90 operating stores which includes factory outlets and 18 stores which are under process), both in value and lifestyle segments, retailing a range of clothing and apparels in men's, women's, and kids' wear, in both western wear and ethnic wear categories, lifestyle products, home products and accessories. Further, it has been stated in the notice that in addition to the acquisition of the Pantaloons

Format Business of PRIL, as a part of the Scheme, ITSL and/or its affiliates may, on or after the Effective Date, as defined in the scheme, but prior to the listing of PEFRL shares, make a voluntary open offer to the public shareholders of PEFRL, to acquire from them, upto 26 per cent of the post demerger total issued equity share capital of PEFRL, in accordance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. It has also been stated in the notice that PEFRL, has on 14th June, 2012, by way of a Subscription and Investor Rights Agreement, invested an amount of ₹ 800 crore in optionally fully convertible debentures (hereinafter referred to as **"OFCDs"**) of PRIL and that the said subscription to the OFCDs is however covered under Item 1 of Schedule I of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as the **"Combination Regulations"**).

3. In terms of Regulation 14 of the Combination Regulations, on 11th October, 2012, the parties were required to remove defects and furnish certain information which was finally furnished by them on 16th November, 2012. Further, in terms of sub-regulation (4) of Regulation 5 and sub-regulation (2) of Regulation 19 of the Combination Regulations, on 3rd December, 2012, the parties were required to provide certain additional information, which was furnished by them on 17th December, 2012.

4. The proposed combination falls under Section 5 of the Act.

5. ABNL, a public listed company, is the ultimate parent company of PEFRL and has presence across various sectors including the financial services, telecommunications, IT-ITeS, retailing fashion & lifestyle etc. As stated in the notice, ABNL, through its division, Madura Fashion & Lifestyle (hereinafter referred to as **"MFL"**) manufactures and sells apparel, footwear and accessories (hereinafter referred to as **"AFA"**), under various brands such as Louis Philippe, Van Heusen, Allen Solly, Peter England etc., through its 895 exclusive brand outlets and more than 1250 stores and multi brand outlets. MFL also has a distributorship tie-up with the international brand 'Esprit' and also retails various international brands of high-end luxury AFA under the retail chain named 'The Collective'.

6. ITSL, a wholly owned subsidiary of ABNL, is the parent company of PEFRL. It has been stated in the notice that ITSL presently conducts no business.

7. PEFRL is an unlisted public limited company and is the wholly owned subsidiary of ITSL whose main business is to export ready-made men's wear garments for the Peter England brand to many countries in Asia and Middle East. It has been stated in the notice that PEFRL does not sell or distribute any garments in India.

8. PRIL, a public listed company, is present in the businesses of retailing fashion & lifestyle, financial services and other businesses. It operates in the retail business through its outlets under the name(s) Pantaloons, Big Bazaar, Home Town, Food Bazaar, Central, Brand Factory, eZone etc. Pantaloons Format Business of PRIL, which is proposed to be demerged to PEFRL, on a going concern basis as a part of the proposed combination, is one of the channels of PRIL for retailing AFA through the stores under the brand name Pantaloons Megastores (hereinafter referred to as **"PMS"**) and Pantaloons Factory Outlet (hereinafter referred to as **"PFO"**). ABNL through PEFRL, is proposing to acquire the Pantaloons Format Business of PRIL to expand the variety of its offerings in the businesses of AFA and to complement its existing portfolio which largely comprises of men's office wear. It has also been stated in the notice that as a part of the proposed combination, the parties are not entering into any non-compete arrangement and that PRIL will continue to compete in the AFA business through its various other stores.

9. The market for apparel in India may be divided into the organized and unorganized sectors. The organized sector retailers of apparel would be distinctly different from the ones present in the unorganized sector and the target customers of the organized sector retailers may not be the same as those of the unorganized sector. Moreover, unlike the unorganized sector retailers, a large part of the organized sector retailers focus on brands, quality and the premium attached thereto and, therefore, these organized sector retailers do not directly compete with the unorganized retailers. It is noticed that the overall organized retail market in India is estimated to be only a small part of the total retail market. The apparel retail industry could be considered to be somewhat better organized as compared to the overall retail industry. It is observed from the information available in public sources that apparel is sometimes clubbed with footwear and accessories. The retail industry, organized as well as unorganized, could be further segmented in terms of the functional characteristics such as men's, women's and kids' wear.

10. As per the information given in the notice and other documents on record, the parties in the AFA business sell a large number of products of differing styles, designs, occasions (such as formal, casual, fashion, etc.). It has been stated that ABNL, through MFL, focuses primarily on the men's office wear through its brands like Louis Philippe, Van Heusen, Allen Solly, Peter England etc., whereas, PRIL, through its Pantaloons Format Business, operates in the value fashion segment and offers various brands in the men's , women's as well as in the kids' wear categories. Further, although, ABNL's primary focus is in the men's wear segment, the brands of Pantaloons Format Business of PRIL which ABNL is acquiring through the proposed combination, are primarily women's and kids' wear brands. It is also observed from the notice and other documents placed on record that the brands which are proposed to be acquired by ABNL from PRIL as part of the Pantaloons Format Business would be licensed back by ABNL to PRIL for selling them in other retail AFA format outlets of PRIL. Similarly, ABNL would also continue to sell the other brands of PRIL, which are not being acquired as part of the proposed combination.

11. As regards the data regarding the price-range wise sales in terms of value and volume of each of the apparel products of ABNL and PRIL, it has been stated by the parties that most brands and retail formats in apparel industry offer a wide range of price points to attract a wider consumer segment. It is, therefore, quite common to find overlaps in the price points offered by various brands. The Commission looked at the pricing range in which majority of sales of the parties is taking place i.e. shirts , trousers, T-shirts in men's wear and T-shirts/Tops/ Shirts in women's wear and observed that the concentration of sales in respect of both ABNL and PRIL is in different price ranges. ABNL, through MFL, has a portfolio of brands starting from 'The Collective' at the top end to Peter England and People at the affordable end of the price spectrum. Similarly, Pantaloons Format Business also offers products across a very wide spectrum of prices, notwithstanding that its core strength lies in offering value fashion apparels.

12. Additionally, as stated by the parties, the proposition of Pantaloons Format Business is to address the requirement of the Indian middle class families by offering a range of apparels and accessories for the entire family under a single roof, through its chain of PMS and PFOs. To compete in the 'value' fashion segment, Pantaloons Format

Business has developed a large number of brands/ private labels, specifically addressing the need of dressing for different occasions of the Indian families. Further, ABNL, through PEFRL, proposes to acquire the Pantaloons Format Business from PRIL as a strategic acquisition to expand its presence in the overall Indian apparel market as the Pantaloons Format Business complements its existing portfolio which largely comprises of men's office wear. Although both, ABNL through MFL, and Pantaloons Format Business, operate in the market of retail AFA, their businesses differ in terms of their business model, retail formats, distribution strategy, range of brands and products.

13. It is observed that in the retail AFA business in India, there have been several Indian and international players who have entered the market such as Lifestyle, Shopper's Stop, Marks & Spencer, Westside, Trent, Reliance Trendz etc. In addition, it is expected that the recent liberalisation of the Foreign Direct Investment (FDI) norms in single and multi-brand retail trading would further enable many international AFA brands to compete in the AFA business in India more vigorously. It is also observed that in the last five years, a large number of international AFA brands such as Tommy Hilfiger, Hugo Boss, Armani, Zara etc. have entered the market, thus increasing the available choice to the consumers in India. Further, the competition from online retailers in the AFA business in India has also intensified in recent years.

14. As per the publicly available sources of data on the textile and apparel industry in India, the organized AFA retail market in India is estimated to be around ₹ 42,500 crore, out of which the share of PRIL and ABNL is stated to be small. Moreover, as already noted, as part of the proposed combination, ABNL is acquiring only a few brands out of the many brands offered by PRIL in the Pantaloons Format Business, and therefore, the combined market share of ABNL in AFA segment along with the brands which are being acquired by ABNL in this category through the proposed combination, would be small. Further, the business model of ABNL and PRIL, appears to focus on and derive maximum turnover from different segments of the AFA business in India.

15. 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 proposed combination,

Competition Commission of India New Delhi 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 proposed combination under sub-section (1) of Section 31 of the Act.

16. This approval is without prejudice to any other legal/statutory obligations as applicable.

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

18. The Secretary is directed to communicate the decision of the Commission to the parties accordingly.

भारतीय प्रतिस्पर्धा आयोग Competition Commission of India ★ नई दिल्ली / New Delhi

Certified True Copy

24th December, 2012

BHUPENDRA SINGH
Deputy Director (FA)
Competition Commission of India
Government of India
New Delhi