



COMPETITION COMMISSION OF INDIA
(Combination Registration No C-2017/02/479)

30th March, 2017

Notice under Section 6 (2) of the Competition Act, 2002 given by Heritage Foods Limited.

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. Augustine Peter
Member

Mr. U.C. Nahta
Member

Legal Representative: AZB & Partners

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

1. On 3rd February, 2017 the Competition Commission of India (hereinafter referred to as the "**Commission**") received a notice from Heritage Foods Limited ("**HFL/Acquirer**") under sub-section (2) of Section 6 of the Competition Act, 2002 ("**Act**"). The notice was filed pursuant to execution of Business Transfer Agreement ("**BTA**") dated 24th January, 2017 entered between HFL and Reliance Retail Limited ("**RRL**"). (Hereinafter, HFL and RRL are collectively referred to as "**Parties**").
2. The proposed combination relates to the acquisition by HFL of the dairy business pertaining to procuring, processing / manufacturing, and sale and distribution of dairy products in India (excluding its business relating to procurement, distribution, sale and / or trading of dairy products of third parties) of RRL ("**Dairy Business/Target Business**"), as a going concern, by way of a slump sale ("**Proposed Combination**").
3. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter



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(Combination Registration No C-2017/02/479)



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referred to as “**Combination Regulations**”), a communication dated 01.03.2017 was sent to the Acquirer, to which the response was filed on 06.03.2017.

4. HFL, a company incorporated under the Companies Act, 1956 is engaged in the business of retail trading and operating retail stores across India. HFL has six business divisions i.e. dairy, bakery, retail, agriculture, renewable energy and veterinary care.
5. RRL, a company incorporated under the Companies Act, 1956 is a subsidiary of Reliance Industries Limited (“**RIL**”) and is engaged in the business of organized retail stores. The dairy business of RRL is a business division engaged in procurement, processing/ manufacturing and sales and distribution platform of dairy products.
6. From the information given in the notice, it is observed that there are product overlaps in relation to milk, pouch curd, paneer, table butter, white butter, skimmed milk powder, flavoured milk, Indian sweets, ghee, butter milk and special milk (ultra high temperature). On the basis of the duration for which these products can be stored and supplied, the Commission observed that the overlapping products can be broadly divided into two categories: (i) Perishable Dairy Products i.e. products for short-term consumption like milk, pouch curd, paneer etc; and (ii) Non-Perishable Dairy Products i.e. products for long-term consumption like ghee, skimmed milk powder, etc. Accordingly, two relevant product markets that may be considered for the purpose of competitive assessment are: (i) market for Perishable Dairy products and (ii) market for Non-Perishable Dairy Products, with possibility of further sub-segmentation on the basis of each individual product.
7. The Commission noted that the dairy business of HFL is carried out in the states of Telangana, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Maharashtra, Odisha, Haryana and Delhi and that of RRL is carried out in the states of Haryana, Punjab, Andhra Pradesh, Rajasthan, Maharashtra, Delhi-NCR, Himachal Pradesh, Karnataka, Telangana, Tamil Nadu, Uttar Pradesh, Madhya Pradesh and Jharkhand. Therefore, the relevant geographic market for short term consumption dairy products i.e. Perishable Dairy Products would be overlapping states where both HFL and RRL are present namely Telangana, Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Haryana and Delhi. As regards, Non-Perishable Dairy Products, the same would be entire territory of India.



COMPETITION COMMISSION OF INDIA
(Combination Registration No C-2017/02/479)



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8. Accordingly, the relevant markets for the purpose of Proposed Combination could be (a) market for Perishable Dairy Products (i.e. milk and milk related products) within the states of Telangana, Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Haryana and Delhi-NCR; and (b) market for Non-Perishable Dairy Products (i.e. skimmed milk powder and ghee) in the entire territory of India. However, the exact delineation of relevant market is being left open as it observed that the proposed combination is not likely to raise competition concerns in the relevant markets in India.

Market for Perishable Dairy Products

9. The Commission noted that different perishable dairy products have following state-wise overlaps :
- Market for milk in states of Andhra Pradesh, Telangana, Maharashtra, Karnataka, Tamil Nadu and Haryana.
 - Market for pouch curd in states of Andhra Pradesh, Telangana, Karnataka, Tamil Nadu and Haryana.
 - Market for butter milk in the states of Andhra Pradesh and Telangana.
 - Market for paneer in the states of Haryana and Delhi-NCR.
 - Market for white butter in Andhra Pradesh, Telangana and Maharashtra.

10. In each of the perishable dairy products as mentioned in para 9(a) to (e) above, the Commission observed that combined market share of the Parties is small to give rise to any competition concerns.

Market for Non-perishable Dairy Products

11. In case of non-perishable dairy products namely, skimmed milk powder and ghee, in the territory of India, the Commission observed that market share of the Parties is small to give rise to any competition concerns.
12. Further, the Commission noted that there is an insignificant vertical relationship between the Parties, which does not give rise to any competition concerns.
13. Considering the facts on record, 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



COMPETITION COMMISSION OF INDIA
(Combination Registration No C-2017/02/479)



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factors stated in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that 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.

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