



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2017/10/529)

16th November, 2017

Notice under Section 6 (2) of the Competition Act, 2002 filed by Future Retail Limited.

CORAM:

Mr.Devender Kumar Sikri
Chairperson

Mr. S.L. Bunker
Member

Mr. Sudhir Mital
Member

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 13th October, 2017, Future Retail Limited (**'FRL'**/ **'Acquirer'**) filed a notice under sub-section (2) of Section 6 of the Competition Act, 2002 pursuant to the execution of Share Purchase Agreement (**'SPA'**) entered into and between FRL, Hypercity Retail (India) Ltd. (**'HRIL'**) and shareholders of HRIL (**'Sellers'**) on 8th October, 2017 (**'Hereinafter FRL and HRIL are together referred to as 'Parties'**).



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2. The proposed combination relates to acquisition of 100 per cent share capital of HRIL by FRL in a cash and stock transaction. The notice for proposed combination has been filed under sub-section 2 of Section 6 read with sub-section (a) of Section 5 the Competition Act, 2002 (“Act”).
3. FRL, a group company of Future Group, is a public limited company listed on Bombay Stock Exchange (‘BSE’) and National Stock Exchange (‘NSE’). It operates stores under multiple formats such as hypermarket, supermarket and home segments and under different brand names including Big Bazaar, FBB, Food Bazaar, Foodhall, Home Town, and eZone. 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.
4. HRIL, a company belonging to K. Reheja Corp. Group, owns and operates a chain of hypermarket stores and offers a range of products across various categories such as grocery, home and personal care, apparel & footwear, home décor. It operates retail stores in eight cities (including national capital region – ‘NCR’) in India under different brand names such as (i) the Fresh Basket, Good Living, Terzo and Masala Chai in respect of grocery and home & personal care; (ii) Avorio, Ebano, and Maxit in respect of general merchandise; and (iii) RiverInc, City Life, Joojobs and Iktara in respect of apparel and accessories.
5. 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 unorganized retail, respectively. The stores of the Parties fall in the category of MBMS. The Acquirer has submitted that the relevant market should be considered as overall market for retail comprising large brick and mortar retailers, online retailers and mom-and-pop stores as the relevant product market and relevant geographic market may be defined as the whole of India as the nature of competition in the market for retail services is similar across different parts of India.
6. The Acquirer has also submitted the following alternative product market definitions, namely markets for retail of: (i) food and grocery produce (‘F&G’) (ii) General



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- Merchandise (iii) apparel, footwear and accessories and (d) consumer electronics and home appliances in the cities of Mumbai, NCR, Hyderabad, Bengaluru, Bhopal, Amritsar, Ahmedabad and Vadodara.
7. In earlier cases pertaining to retail stores, information relating to the operations of the stores in terms of their catchment area, types of products dealt with at different stores etc. has generally been considered for competition assessment. In this regard, the Commission observed that, from the information available in the public domain, based upon customers' data captured either at the level of retail stores or through customer surveys conducted by the retailer or others, the relevant geographic markets are typically local in nature.
 8. The Acquirer, has submitted that the catchment area for food and grocery produce ('F&G') and general merchandise is 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 the relevant market in the case of proposed combination is being left open as it is observed that the proposed combination is not likely to raise competition concerns in any of the alternative relevant markets in India.
 9. The value of the overall retail industry in India was around INR 40 lakh crores in 2016-17 and that the size of the organized retail was approximately 9 percent i.e. INR 3.5 – 4 lakh crores. Further, the Commission observed that the key segments of the retail industry in India can be broadly categorized into food and groceries, general merchandise, apparel, footwear and accessories, consumer electronics & home appliances. Some of the major organized retail stores brand operating in India include Aditya Birla ('More' stores), Best Price, SPAR, Tesco, Metro, D-Mart, Spencer's Hyper, Reliance Retail etc.
 10. The Parties' have submitted that their stores overlap in 8 cities/towns namely; Mumbai, NCR, Hyderabad, Bengaluru, Bhopal, Amritsar, Ahmedabad, and Vadodara, in terms of Local area. Notwithstanding the overlaps as stated above, it is observed from the submissions of the Acquirer that many organized retail players such as Aditya Birla ('More' stores), Best Price, Tesco, Metro, Hypercity, D-Mart, Spencer's Hyper,



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Reliance Retail, Patanjali Stores etc. are present in the said overlapping cities / towns, in the Groceries and General Merchandise segments. Apart from these, there are numerous unorganised retail stores. With regards to consumer electronics and home appliances, it is noted that there are a number of outlets selling products of LG, Samsung, Sony, Voltas, Hitachi, IFB, Onida etc. present in the CDHA 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, the Acquirer has submitted that the online retail market, comprising of players such as Amazon, Zopnow, Bigbasket, Flipkart, Snapdeal, etc., is growing at a rapid pace. Some of the online retail players specialise in selling Groceries while others supply Apparel & Footwear, CDHA 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.

11. 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 growth of retail business in India, the unorganised retail business also exerts competitive constraint on the organised retail business.
12. As regards the vertical relationships between the Parties, it is noted that some of the Future Group entities supply grocery (including food items) and apparel & footwear to Hypercity under various brands. However, the said vertical relationships would not raise any competition concerns in view of the insignificant presence of Future group entities in these segments.
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 the 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 any 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 Acquirer is found to be incorrect.



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15. The information provided by the Acquirer shall be treated as confidential in terms of and subject to the provisions of Section 57 of the Act.
16. The Secretary is directed to communicate to the Acquirer accordingly.