



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2017/09/528)

29th November, 2017

Notice under Section 6 (2) of the Competition Act, 2002 filed by SVF Holdings (Jersey) L.P.

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U.C. Nahta
Member

Mr. G.P. Mittal
Member

Legal Representative: AZB & Partners

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

1. On 29th September, 2017, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice filed by SVF Holdings (Jersey) L.P. (“**SVF**”/ “**Acquirer**”), pursuant to execution of Series I Subscription Deed and other related transaction documents dated 20th September, 2017, entered *inter-alia*, between SVF



and Flipkart Limited (“**Flipkart**”) (hereinafter, SVF and Flipkart are collectively referred to as “**Parties**”).

2. The notice was filed under sub-section 2 of Section 6 read with sub-section (a) of Section 5 the Competition Act, 2002 (“**Act**”).

3. The proposed combination relates to acquisition of up to 20 % stake in share capital (on fully diluted basis) of Flipkart by SVF. SVF is also entitled to appoint a Director and an observer on the Board of Directors of Flipkart.

4. 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**”), certain information(s) / clarification(s) *inter-alia*, relating to supply chain, products or services and controlling rights were sought from the Acquirer vide Commission’s letter dated 17th October, 2017. The Acquirer submitted response to the same on 27th October, 2017, after seeking an extension of time. The Acquirer also provided certain information, *inter-alia*, relating to digital payment services and vertical relationships relevant for assessment, through emails on 9th November, 2017 and 17th November, 2017.

5. SVF, a private company incorporated in Jersey, holds private equity investments on behalf of SoftBank Vision Fund L.P., an entity of the SoftBank Group Corporation (“**SB Group**”).

6. The SB Group, incorporated in Japan, is a holding company and comprises subsidiaries that are directly or indirectly controlled, managed and/or advised by it. The SB Group, through its subsidiaries, is engaged in *inter-alia*,: (i) provision of mobile communication services in Japan; (ii) provision of mobile communication services in United States of America; and (iii) internet advertising and e-commerce business.



7. In India, SB Group is present through: (a) its subsidiaries; and (b) investments in various entities, registered in India or outside India, providing goods and services in India. In this regard, it is noted that SB Group has *inter-alia*, investments, directly or indirectly in the following:

- (a) Hands on Trades Pvt Ltd (“**H**ands on Trades”)
- (b) Grofers India Pvt Ltd (“**G**rofers”)
- (c) Jasper Infotech Private Limited (“**S**napdeal”)
- (d) Zipcash Card Service Pvt Ltd (“**Z**ipCash”)
- (e) Hike India Pvt Ltd (“**H**ike”)
- (f) One97 Communications Ltd (“**O**CL”)
- (g) Brightstar Telecommunications India Ltd (“**B**eetel”)

8. Further, it is noted that (a) Hands on Trades, a subsidiary of Grofers International Pte Ltd, is engaged in cash and carry wholesale trading i.e. business to business sales (B2B Sales) of products including food and beverages and other daily need/household items; (b) Grofers, a subsidiary of Grofers International Pte Ltd, is *inter-alia*, engaged in e-commerce marketplace that facilitates sale of products such as groceries, electronics and other household items; (c) Snapdeal is engaged in e-commerce market place (www.snapdeal.com) facilitating sale of range of products such as mobile, appliances, apparels, home and kitchen in India; (d) ZipCash, a subsidiary of ANI Technologies Private Ltd (“**O**la”), is *inter-alia*, engaged in providing digital payment services such as pre –paid wallets, and peer-to-peer payments solutions; (e) Hike, a subsidiary of Hike Global Pte Ltd is engaged among others in the business of messaging related application for mobile phones and wallet services through its products “Hike Wallet”; (f) OCL, has stake in PayTM Payments Bank Limited (“**P**PBL”) which provides digital payments services such as payments bank services and mobile wallet services in India; (g) Beetel is *inter alia*, engaged in distribution and selling of mobile handsets, accessories, fixed line telephones and IT peripherals in India. (hereinafter, all these entities referred to as “**P**ortfolio Companies”)

9. Flipkart, a private limited company incorporated in Singapore, is an investment holding company and is *inter-alia*, engaged in the business of B2B sales and provision of



services relating to e-commerce market platforms (such as Flipkart.com, Myntra.com and Jabong.com) through its subsidiaries (hereinafter, together ‘**Flipkart Group**’).

10. In India, Flipkart Group is present through, *inter-alia*,: (a) Flipkart India Pvt Ltd (“**Flipkart India**”), which, *inter-alia*, is engaged in wholesale distribution of books, mobile, computers and consoles; (b) Myntra Jabong India Private Limited (“**Myntra Jabong**”) is engaged in *B2B sales* of all kinds of clothing and apparel; (c) Flipkart Internet Private Limited (“**Flipkart Internet**”) is *inter-alia*, engaged in the business of e-commerce market platform, information technology enabled services and related support services; (d) Myntra Designs Private Limited (“**Myntra**”) operates an e-commerce platform, an e-commerce portal (www.myntra.com) and mobile application on which third party sellers sell their products; (e) Novarris (www.jabong.com) operates an e-commerce platform; (f) Mintkart India Private Limited (“**Mintkart**”), is engaged in the business of e-commerce market place and owns the “eBay” website; (g) PhonePe Private Limited (“**PhonePe**”), is engaged in the business of digital payment services through semi-closed pre-paid instruments in India. (hereinafter collectively referred to as the “**Flipkart entities**”)

11. The Commission observed that the Portfolio Companies and Flipkart entities are engaged, in providing similar products or services namely; (1) Overall B2B sales through Hands on Trade, Flipkart India and Myntra Jabong; (2) Overall B2C sales (business to consumers) through Snapdeal, Grofers, Flipkart Internet, Myntra, Novarris and Mintkart and (3) Digital payment services through ZipCash, PPBL, Hike, and PhonePe.

12. With regard to vertical relationships, the Commission noted that there are relationships between the activities of Portfolio Companies and Flipkart entities in relation to: (a) supply of landline phones, mobile handset and accessories, where Beitel supplies landline phone, mobile handsets and accessories to Flipkart India; (b) digital payment services, under which PPBL provides m-wallet services to customers purchasing merchandise from Novarris (www.jabong.com).

13. In wholesale cash and carry i.e. B2B sales, a business offers products or services to other businesses. In this regard, the Commission observed that the Portfolio Companies



and Flipkart entities are engaged in providing services relating to overall wholesale cash and carry (i.e. B2B). While 'Hands on Trades' provides B2B services to enterprises through e commerce interface, Flipkart's entities i.e. Flipkart India & Myntra Jabong buy goods from various manufacturers, suppliers, distributors and sell such goods on an offline B2B basis to various third party retailers. However, the exact market definition is being left open as the proposed combination is not likely to raise any competition concern.

14. In relation to the overall B2C sales segment, the Commission observed that the overall B2C sales market can be broadly categorised into organized and unorganized segments. Organised segment include supermarkets, hypermarkets, retail chains, e-commerce retail and private departmental stores; whereas unorganized segment include traditional format of low-cost retailing run locally by the owner or caretaker. With regard to operations of Portfolio Companies and Flipkart entities in B2C segment, the Commission observed that these are engaged in B2C through e-commerce i.e. online mode which may further be segmented on the basis of range of products they offer i.e. diverse range of products or those who offer specific category of products such as Food and Beverages, Clothing and Textile, Beauty and Personal care, Consumer Durables, Home Décor & Furnishing and Footwear. However, the exact market definition is being left open as the proposed combination is not likely to raise any competition concern.

15. With regard to digital payment services, it is noted that the digital payment services can be made through Credit cards, Debit cards, Internet banking and Prepaid Payment Instruments ("PPIs"). As per RBI Master Circular dated July 1, 2014, updated on 3rd December 2014, "*PPIs are payment instruments that facilitate purchase of goods and services, including funds transfer, against the value stored on such instruments. The value stored on such instruments represents the value paid for by the holders by cash, by debit to a bank account, or by credit card. The pre-paid instruments can be issued as smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, **mobile wallets**, paper vouchers and any such instrument which can be used to access the pre-paid amount*". PPIs can be segmented into three categories viz. (i) Closed-system; (ii) Semi-closed system; and (iii) Open system. While open system PPIs can be issued only by Banks, Closed and Semi-closed PPIs can be issued by other person/entities. The closed PPIs issued by a person/entity can be used for facilitating purchase of goods and services



from him/it. These instruments do not permit cash withdrawal or redemption viz. Delhi Metro card, Sodexo meal vouchers etc. The semi-closed PPIs can be used for purchase of goods and services, including financial services at a group of clearly identified merchant locations/ establishments which have a specific contract with the issuer to accept the payment instruments. These instruments also do not permit cash withdrawal or redemption by the holder. The mobile wallets (“**m-wallets**”) are a type of semi-closed PPI, which allows the user to make payment for products or services to third party(ies). However, the exact market definition is being left open as the proposed combination is not likely to raise any competition concern.

16. With regard to overall B2B segment, it is noted that the combined market shares of Parties including portfolio companies and Flipkart entities is insignificant to raise any competition concern and there are other players such as Reliance Retail, Walmart, Metro Cash and Carry India, Amazon Wholesale India and Indiamart providing similar products/ services.

17. In relations to overall retail it is observed that the overall retail market in India is of the size of around USD 700 Billion (~INR 45 lakh Crore) out of which the organised retail market size is around USD 75 billion (~INR 4.85 lakh Crore). On the other hand, the unorganised retail segment is of the size of around INR 40 lakh crore.

18. The combined market shares of the Parties in overall B2C segment or any segment therein is not significant to raise any competition concern. Moreover, with regard to B2C retail including e-commerce retail, it is observed that there are a number of players such as the Future Group, Reliance Retail, Tata group, Aditya Birla Group, Amazon, Alibaba, Shoppers Stop, Pantaloons and Vijay Sales providing similar services. Apart from these, there are a number of individual outlets selling products in electronics and apparel category such as LG, Samsung, Sony, Voltas, Hitachi etc. and Bata, Liberty, Lakhani, Woodland, Action, Nike, Allen Solly, Louis Phillips, Peter England, Park Avenue etc. In relation to *B2C e-commerce platforms* for vendors, it is observed that there are a number of e-platforms providing similar services such as Amazon, Paytm Mall, homeshop18, naaptol, aliexpress, indiaplaza, Tatacliq, shopclues as well as those providing products in specific segments such as 1. **Apparels:** yebhi.com, fashionandyou, FirstCry, shopperstop, lifestyle;



2. **Consumer electronics:** Reliance Digital, techshop.in, smartshoppers.in, bigadda.com, ezonee, gadgetsguru.com 3. **Beauty Products & Accessories:** nykaa, thebodyshop, theskinstore, blueheavenconsmetics, shahnaz 4. **Food & Grocery:** bigbasket, zopnow, bazaarcart, merakisan; and 5. **Furniture:** Pepperfry, homestudio.com, Urbanladder, Homecentre, Godrej, fabindia.

19. Both the Portfolio Companies and Flipkart entities are engaged in providing digital payment services through m-wallets namely ZipCash, PPBL, Hike, and PhonePe. With regard to digital payment services, it is noted that incremental market share due to proposed combination is insignificant, and there are other players such as Airtel money, Jio Money, Idea Money, Oxygen Wallet, mPurse providing services related to digital payments segment.

20. With regard to the vertical relationship(s) between the Parties, it is noted that:

- (a) In the segment of landline phones and mobile handsets, the market share of Beetel is negligible to cause any competition concern relating to foreclosure. Besides, there are a number of other players such as Samsung, Apple, Lenovo, Micromax, Intex, Lava, BSNL, Reliance, etc selling similar products in India;
- (b) In relation to digital payment services and e-commerce retail operations of “Flipkart Entities”, the transaction value is not significant and there are other players such as HDFC Bank, SBI, ICICI Bank, PayU, Oxygen Wallet, Mobikwik, etc providing similar services.

21. 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 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.



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*Fair Competition
For Greater Good*

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