



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2016/12/462)

13th February, 2017

Notice under Section 6 (2) of the Competition Act, 2002 given 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

Mr. G.P. Mittal
Member

Legal Representative: AZB & Partners, New Delhi

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

1. On 2nd December, 2016 the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice from Future Retail Limited (“**FRL**”) under sub section (2) of Section 6 of the Competition Act (“**Act**”). The notice was filed pursuant to execution of Implementation Agreement dated 7th November, 2016



entered amongst, *inter-alia* FRL and Heritage Food Limited (“**HFL**”). (Hereinafter, FRL and HFL are collectively referred to as “**Parties**”).

2. As stated in the notice, the proposed combination relates to the acquisition of (a) Small store retail business formats under the format name “Heritage Fresh” and “Heritage Mart” in the supermarket segment (“**Retail Business**”) (b) sourcing, processing and marketing fresh fruits and vegetables (“**Agri Business**”) and (c) Manufacturing and supplying bakery products (“**Bakery Business**”) [Hereinafter, Retail Business, Agri-Business, Bakery Business are collectively referred to as “**Retail Undertaking**”] of HFL by FRL by way of two steps:-
 - a. Transfer of the Retail Undertaking and Veterinary care business involving supply of cattle feed and maize (“**VetCa Undertaking**”), by HFL to its wholly owned subsidiary Heritage Foods Retail Limited (“**HFRL**”), by way of a slump sale, and
 - b. Demerger of the Retail Undertaking from HFRL to FRL. The Vetca Undertaking shall remain with HFRL as the remaining business.
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 referred to as “**Combination Regulations**”), the communication dated 29.12.2016 was sent to the Acquirer, to which the response was filed on 06.01.2017, after seeking extension of time. Further, the Acquirer filed certain submissions on 19.01.2017 and 07.02.2017.
4. FRL, a public listed company incorporated under the Companies Act, 1956 is engaged in the business of retail trading across India under different brand names, including Big Bazaar, FBB, Food Bazaar, Foodhall, Home Town, Easyday, and Ezone etc.
5. HFL, a public listed company incorporated under the Companies Act, 1956 is engaged in the business of retail trading and operating retail stores across India.



HFL's business includes Retail Business, Agri-Business, Bakery Business, dairy business, VetCa Undertaking and Renewable Energy.

6. The proposed combination pertains to retail sector, which is generally segmented into organized and unorganized retail, manifested in modern brick and mortar stores ('**MBMS**') and traditional brick and mortar stores ('**TBMS**') (also known as mom-and-pop stores), respectively. The stores of the Parties fall in the category of MBMS. As per a report published by KPMG, Indian Retail –The next growth story, the value of the overall retail industry in India was around Rs. 31,00,000 crore in 2013-14. In the overall retail industry of India, the size of the organized retail was approximately 8 percent i.e. around Rs. 2,48,000 crore. The key segments in the retail industry of India can be broadly categorized into food and groceries, footwear, pharmacy, home products, consumer durables & IT and apparel and others. Some of the major organized retail stores brand operating in India include Auchan, Big Bazaar, Reliance Fresh, More, Spencer, Star Bazaar, Heritage, Easy day, Spar and D-Mart etc¹.
7. The following alternate relevant product markets for the proposed combination have been defined in the notice: (a) the overall market for retail through the large brick and mortar retailers, online retailers and mom-and-pop stores as the relevant product market ("**Broad Relevant Product Market**") (b) markets for retail of grocery and fresh produce; and general merchandize ("**Narrow Relevant Product Market**"). Similarly following alternate relevant geographic markets have been defined by the Parties as (a) the cities of Bengaluru, Chennai and Hyderabad ("**Broad Relevant Geographic Market**") (b) the market for: (i)grocery and food products; and (ii) general merchandize, located in Bengaluru, Chennai and Hyderabad with a total store catchment area of 5 kms. ("**Narrow Relevant Geographic Market**"). Accordingly, the Parties have submitted for the relevant market can be defined as (a) the market for retail in Bengaluru, Chennai and Hyderabad, through the large brick and mortar retailers, online retailers and mom-and-pop stores ("**Broad Relevant Market**") (b) the market for grocery and food

¹ Combination Registration No. C-2015/05/281 (Bharti Retail Limited/Future Retail Limited)



products and general merchandize, located in Bengaluru, Chennai and Hyderabad, with a total store catchment area of 5 kms (“**Narrow Relevant Market**”). Further, it has been submitted by the Parties that in cases related to retail sector, the Commission had observed the geographic markets as markets which are typically *local in nature*. In the present case, the Commission observed that the relevant markets may be delineated as the markets for the provision of food and groceries & general merchandize in Bengaluru, Chennai and Hyderabad, within a total store catchment area of 5 kms. However, the exact delineation of relevant market in the case of proposed combination is being left open as it observed that the proposed combination is not likely to raise competition concerns in any of the alternative relevant markets in India.

8. As per the information available on record, the Parties have overlaps in several stores within a total store catchment area of 5 kms in the three cities namely - Bengaluru, Chennai and Hyderabad. However, it has been observed from the submissions of the Parties that there is presence of a number of brick and mortar stores e.g. Greens Store, Nature Basket, More Mega Store, Spencer’s Stores etc in each of such overlapping markets. Besides this, there are large number of local mom and pop stores. Other online players like Grofers, Big Basket, ZopNow etc. which are providing online grocery services also providing competitive constraint to Parties. 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 relevant markets as the Commission found there are many competitors in the said overlapping markets.
9. As regards the vertical relationships between the Parties, it is noted that there is an insignificant vertical arrangement which does not give rise to any competition concerns.
10. 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



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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.

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