



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2021/07/855)

23 November 2021

Notice under Section 6(2) of the Competition Act, 2002 jointly given by FedEx Express Transportation and Supply Chain Services (India) Private Limited and Delhivery Limited

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

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

1. On 22 July 2021, the Competition Commission of India (**‘Commission’**) received a notice under Section 6(2) of the Competition Act, 2002 (**‘Act’**), jointly given by FedEx Express Transportation and Supply Chain Services (India) Private Limited (**‘FedEx India’**) and Delhivery Limited¹ (**‘Delhivery’**). Delhivery and FedEx India together with their subsidiaries and affiliates are hereinafter referred to collectively as the **‘Parties’**, and individually as a **‘Party’**.

¹ It is submitted that Delhivery Private Limited has been converted from a Private Limited Company to a Public Limited Company, namely, Delhivery Limited, with effect from 12 October 2021.



2. The notice was given pursuant to the execution of the Share Subscription Agreement² (SSA) dated 15 July 2021, the Restated Shareholders' Agreement³ dated 15 July 2021 (SHA), the Asset Purchase Agreement (APA) dated 15 July 2021, and the Service Agreement dated 15 July 2021 for an initial period of five years, which may be extended by the Parties mutually.
3. The proposed combination relates to the:
 - i. Acquisition of 2.9% of equity shares of Delhivery by FedEx India in accordance with terms of SSA ('SSA Transaction'); and
 - ii. Acquisition of operating assets of FedEx India and TNT India Private Limited ('TNT')⁴ by Delhivery pursuant to the APA ('APA Transaction').

The SSA Transaction and the APA Transaction shall hereinafter be collectively referred to as the '**Proposed Combination**'. Further, the Service Agreement has been notified as an interconnected transaction in terms of Regulation 9(4) of the Combination Regulations, 2011.

4. It is submitted that pursuant to the APA transaction, FedEx India and TNT will transfer their operating assets pertaining to domestic business in India to Delhivery, which includes physical assets, fleet, customer contracts, and certain employees. However, FedEx India will retain certain assets related to line-haul and pick-up and delivery (PUD) services for international operations through the international gateway cities of Delhi, Mumbai, and Bangalore. It will also retain certain other assets, primarily to provide limited 'line-haul' services for high-value cargo shipments' customs clearance activities from Chennai, Hyderabad, Coimbatore, Cochin, Ahmedabad, Pune, Kolkata,

² Amended *vide* Supplemental Agreement dated 26 October 2021 to SSA executed by and between Delhivery, FedEx India, and founders of Delhivery.

³ Amended *vide* Amended and Restated Shareholders' Agreement executed on 9 August 2021, which was further amended by Amendment Agreement executed on 26 October 2021.

⁴ TNT has been part of the FedEx group since May 2016.



and Jaipur. TNT will also retain certain assets related to clearance and special services operations.

5. Further, pursuant to the Service Agreement:

- i. Delhivery will provide line-haul and PUD services within the territory of India for FedEx India's inbound and outbound international parcels;
- ii. Delhivery will act as FedEx India's sales agent for the sale of FedEx's international express logistics services; and
- iii. FedEx India will act as Delhivery's international carrier for its international express logistics services into and out of India.

6. The effect of the Service Agreement along with APA is that the domestic leg of express transportation in case of an international shipment either out of or into the territory of India will be provided by Delhivery on behalf of FedEx India and FedEx India will undertake the international leg of the operations for the shipments of both Parties in respect of international air express services. However, FedEx India will continue to provide line-haul and PUD in the international gateway cities and limited line-haul in eight more cities as mentioned in paragraph 4 above.

7. In terms of Regulations 14(3) of the Competition Commission of India (Procedure in Regard to the Transaction of Business Relating to Combinations) Regulations, 2011, ('**Combination Regulations**'), *vide* communication dated 13 August 2021, the Parties were required to furnish certain information regarding overlaps, relevant market, etc. The Parties submitted response on 25 August 2021. Since response was incomplete and had discrepancies, the Commission, *vide* its letter dated 6 September 2021, issued communication to the Parties seeking clarification and information. The Parties submitted response on 17 September 2021. Meanwhile, on 16 September 2021, CCI officials undertook a site visit of certain facilities of the Parties in Delhi to understand the relevant market and Parties' operations. Certain queries were also raised during the



site visit, responses to which were submitted by FedEx India on 29 September 2021 and by Delhivery on 30 September 2021. In these responses, the Parties made certain addition to their earlier responses. Since certain aspects relating to the relevant market were still not properly addressed, a continuing response was submitted by the Parties on 15 October 2021. Again, as this response had some defects, a revised response was submitted by the Parties on 24 October 2021, which also continued to have errors. Finally, a revised response was submitted by the Parties on 25 October 2021. Thereafter, a few clarifications were provided by the Parties on 27 October 2021. Subsequently, the Commission, *vide* its email dated 9 November 2021, issued another communication to the Parties, the response to which was submitted on 12 November 2021 and in continuation additional response was received on 17 November 2021.

8. In terms of Regulations 16 of the Combination Regulations, five communications with respect to change in information to the Proposed Combination were received from the Parties on 25 August 2021, 30 September 2021, 15 October 2021, 28 October 2021, and 29 October 2021.
9. FedEx India is a subsidiary of Federal Express Europe Inc., which belongs to the ultimate holding company, FedEx Corporation, USA (**'FedEx'**), one of the largest express transportation companies in the world. FedEx is present in India primarily through i) FedEx India, ii) TNT, iii) FedEx Trade Networks Transport & Brokerage Private Limited (**'FedEx Logistics'**), and iv) a branch office (**'FedEx Branch Office'**).
 - i. **FedEx India:** It offers end-to-end logistics solutions in India under the FedEx brand. It has around 14 warehouses, a fleet of 394 large and small (owned and leased) vehicles, 19 Hubs/Gateways (Domestic), 3 International Gateways, 142 PUD stations, and around 5,000 employees. The services provided by FedEx India can be broadly categorized as below:
 - a) Express Services⁵

⁵ Time-bound/relatively fast delivery service.



- b) Freight Services⁶
 - c) Warehousing and Supply Chain Management Services
- ii. **TNT:** It provides logistics services in the form of express parcel deliveries and special services. Generally, the special services are time critical services and require customizations such as dedicated vehicles, air charter, next flight out, and on-board courier (personal delivery) services.
- iii. **FedEx Logistics:** This entity uses the brand name FedEx Logistics and provides logistics services in the form of a suite of supply chain solutions, air and ocean cargo services, customs brokerage, and trade management tools and data.
- iv. **FedEx Branch Office:** FedEx through its branch office provides aviation and ramp services to its group entities.
10. Delhivery is an Indian delivery and e-commerce logistics company. Delhivery, offers a range of logistics services including through its subsidiaries and affiliates. It is submitted that Delhivery's network infrastructure includes around 124 gateways, 20 automated sorting centres, 83 fulfilment centres, 35 collection points, 24 returns processing centres, 249 service centres, 120 intermediate processing centres, 2,235 direct delivery centres, and 1,162 partner locations. It is one of the largest integrated and fastest growing fully integrated logistics services players in India. The services provided by Delhivery in India can be broadly categorized as below:
- i. Express Services
 - ii. Freight Services
 - iii. Fulfilment and End-to-End/3PL (third-party logistics) Services, including Warehousing Services

⁶ Freight services can be typically understood to mean the transport of goods through owned or third-party assets through various means of transport such as road, rail, water, and air, or a combination of these.



11. As per the submissions made in the notice and responses, it is submitted that Parties exhibit horizontal overlaps in the overall market of logistics services in India. Further, it is submitted that the Parties provide following identical services in segments / sub-segments of logistics services:
- i. **Express Services:** It is submitted that the Parties provide various types of express services which broadly comprise:
 - a) *Domestic express.* Domestic express services could be through:
 - (a) domestic road express services, or
 - (b) domestic air express services;
 - b) *International/cross-border express services (air).*
 - ii. **Freight Services:** Freight services are provided by Parties as Less-than Truck Load (**LTL**) and Full Truck load Freight (**FTL**), and they constitute the bulk of the freight operations of the Parties. LTL can be further classified into two types, viz., express LTL and traditional or slow LTL.
 - iii. **Fulfilment Services and Warehousing:** It is submitted that warehousing can be provided as a standalone service, or as a part of 3PL service. However, the share of warehousing as a standalone service of the total business operations is not very significant for either party, and they provide it primarily as a part of overall bouquet of 3PL services. Further, it is submitted that the Proposed Combination does not entail a transfer of warehouses and warehousing business of any of the Parties.
 - iv. **End-to-End services/3PL:** 3PL or third-party logistics services refers to end-to-end logistics services in which a logistics service provider provides not just transportation of goods but also warehousing and value-added services required for supply chain management.



12. The Parties have identified the *market for Overall Logistics Services in India* as the broad relevant market (**'Broad Relevant Market'**) and the following narrow/narrower relevant segments for the purposes of competition assessment:
- A. *market for Express Services in India (Narrow Relevant Market-I)*
 - i. *market for Domestic Express Services (Narrower Relevant Market-I)*
 - a) *market for Domestic Road Express Service (Narrowest Relevant Market-I)*
 - b) *market for Domestic Air Express Service (Narrowest Relevant Market-II)*
 - ii. *market for International Express Service (air) (Narrower Relevant Market-II)*
 - B. *market for Freight Services in India (Narrow Relevant Market-II)*
 - C. *market for Warehousing Services in India (Narrow Relevant Market-III)*
 - D. *market for 3PL Services in India (Narrow Relevant Market-IV)*

Further, in respect of Narrow Relevant Market-I, the competition assessment was also carried out for two more plausible narrower segments, namely, *market for express parcel delivery* and its sub-segment, *market for eCommerce express parcel shipments*.

13. The Commission decided to assess the Proposed Combination in the above relevant markets; however, the exact delineation of the relevant market has been left open as the material available on record suggests that the Proposed Combination is not likely to cause an appreciable adverse effect on competition in any of the relevant markets.
14. Based on the submissions of the Parties, it is noted that the combined market share of the Parties in the Broad Relevant Market as well as in the Narrow Relevant Markets II, III, and IV is in the range of [0–5%], and there are other large players such as Mahindra Logistics, Blue Dart/DHL, TVS Supply Chain Solutions, Safexpress, and Stellar Value Chain Solutions etc. With respect to Narrow Relevant Market-I, i.e., market for express services in India, it is noted that the combined market share of the Parties is in the range of [15–20%]. In the segment of domestic express services the combined market share of the Parties is in the range of [10–15%] and in its sub-segments, namely, the market for domestic road express and domestic air express, the combined market share of the



Parties is in the range of [15-20%] and [5-10%], respectively. Further, in the segment of international express service (air), the combined market share of the Parties is in the range of [20-25%] and in the segment of express parcel delivery and its sub-segment ecommerce express parcel shipments, the combined market share of the Parties is in the range of [10-15%] and [15-20%], respectively. However, it is noted that the incremental market shares in the various segments and sub-segments of express services are relatively low, as Delhivery is a stronger player in domestic market segments, whereas FedEx is a stronger player in international market segments. Also, there are other significant competitors such as Blue Dart/DHL, XpressBees, Safexpress, DTDC, Ecom Express, ShadowFax, India Post Speed Post, ATS (Amazon), Ekart (Flipkart), etc.

15. With regard to vertical and complementary relationships, the Parties have submitted that there are no existing vertical/complementary relationships between them. However, pursuant to the Service Agreement, the Parties would occupy different legs in the provision of certain logistics services as Delhivery will act as FedEx India's sales agent for the sale of FedEx's international express logistics services; FedEx India will provide international express carrier services till/from the international gateway, and Delhivery will provide the corresponding line-haul and pick-up/delivery services within India, which is in the nature of a vertical agreement. Based on this, the upstream and downstream markets in relation to Service Agreement have been submitted as international express services (to be provided by FedEx India) and domestic express services (to be provided by Delhivery).
16. It is noted from the submissions of the Parties that their combined market share in the upstream market of international express services is in the range of [20-25%] and in the downstream market of domestic express service is in the range of [10-15%]. In the international express services segment, the main competitor of the Parties is DHL, whose standalone market presence is larger than the combined market presence of the Parties. Further, it is noted that for certain regions, specifically for the Middle-East and North Africa region, Delhivery will continue to provide international air express / parcel services to and from, in partnership with Aramex under their existing commercial



arrangement at least till March 2024. In the domestic express services, there is the presence of other competitors such as Safexpress, DTDC, Blue Dart/DHL, Indian Postal Service's Speed Post, etc. It is also noted that FedEx India will continue to have limited domestic operations in a few cities, as described in paragraphs 4 to 6 above.

17. Considering the facts on record, including the details provided in the notice given under Section 6(2) of the Act and the assessment of the Proposed Combination based on the factors stated in Section 20(4) 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 in any of the relevant market(s), and therefore, the Commission hereby approves the Proposed Combination under Section 31(1) of the Act.
18. This order may be revoked if, at any time, the information provided by the Parties is found to be incorrect.
19. The information provided by the Parties shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
20. The Secretary is directed to communicate to the Acquirer accordingly.