

Retail

Walmart close to deal for India's Flipkart

Planned acquisition would value ecommerce group at about \$20bn, say insiders

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Walmart is on the verge of buying a majority stake in Indian online marketplace Flipkart, in a deal that would pit the US retailer against Amazon and reshape Indian retailing.

The proposed deal would value Flipkart at about \$20bn and could be sealed within the next week, according to two people with knowledge of the matter.

Flipkart declined to comment. There was no immediate comment from Walmart.

Founded in 2007 by former Amazon employees Sachin and Binny Bansal, and backed by New York-based fund Tiger Global Management and Japanese tech and telecoms conglomerate SoftBank, Flipkart has overtaken rivals to become by far the biggest homegrown Indian ecommerce group by sales, helped by its aggressive discounting.

However, it faces a strong challenge from Amazon, which entered India in 2013 and has committed \$5bn of capital to the country.

Meanwhile, Chinese ecommerce group Alibaba has ambitious plans to take on Flipkart and Amazon through its 40 per cent stake in Paytm.

Paytm, which is based outside Delhi, has a payments arm and an ecommerce business.

The move by Walmart highlights the bullishness among some big global investors about India's long-term potential in ecommerce, despite its limited growth to date. Indian ecommerce sales last year amounted to about \$21bn, according to Forrester Research — less than Alibaba reported for a one-day promotion on November 11.

The stake sale to Walmart will enable Tiger Global to sell out entirely, roughly doubling its money, while SoftBank's Vision Fund will sell about half the stake that it acquired for \$2.5bn in August, according to people with knowledge of the proposed terms.

Satish Meena, an analyst at Forrester Research, estimated that Flipkart accounted for about 39 per cent of Indian ecommerce sales by value,

against 30 per cent for Amazon. While Amazon has been gradually narrowing this gap, Walmart's backing could prove a big boost to Flipkart as it aims to strengthen its logistics networks and warehousing operations.

Walmart's aggressive move follows an unhappy earlier experience. It first entered India in 2007 through a partnership with Bharti Enterprises but that was hobbled by regulations designed to protect small retailers.

Amazon had been linked with a possible Flipkart bid of its own, but observers said its interest did not appear serious — at least until Walmart showed up.

"It is classic game theory," said one consultant. "They have caused Walmart to spend more time and more money than it would have otherwise done."

39%
Flipkart's estimated share of Indian ecommerce sales by value

\$21bn
Indian ecommerce sales in 2017, according to Forrester Research

