

Amazon plans to invest \$700 mn in Future Group

Two entities have signed term sheet to take talks further

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The Indian unit of Jeff Bezos-led Amazon has begun formal negotiations with Kishore Biyani's Future Group to invest around \$600-700 million for a 12 to 15 per cent stake in the retail major, it is learnt. The two entities have signed a term sheet to take the talks further, sources said. Although there's nothing binding about a term sheet, it denotes the two sides have officially entered a pact.

The deal, if it fructifies, is likely to be a combination of cash and stocks.

The development is significant as it comes soon after the world's largest retailer Walmart Inc. closed the \$16-billion deal to buy 77 per cent stake in leading e-commerce company Flipkart.

Walmart and Amazon, rivals in America's e-commerce space, are preparing to compete aggressively in India. Amazon's proposed venture with the Future Group could possibly give the e-commerce giant an edge in physical retail. A source close to the Future Group said, "A term sheet between Amazon and Future has been signed. While the discussion is for a minority stake in the range of 10 to 15 per cent, it might be increased. The two firms have begun the process of negotiations," the source added.

Future Group denied signing any term sheet. Amazon India declined to comment on the matter. Turn to Page 6 ▶



Kishore Biyani, founder & CEO, Future Group (left); Jeff Bezos, CEO, Amazon

MAPPING THE FOOTPRINT

AMAZON INDIA

67 FCs ACROSS 13 STATES: Total number of fulfillment centres (FCs)

20 MILLION CUBIC FEET: Total storage capacity

17,500 STORES ACROSS 225 CITIES: Number of small format 'I Have Space' warehouses

PANTRY, PRIME NOW: Grocery services

FUTURE GROUP

2,000-PLUS: Total stores in India

Store projections over the next 15 months

1,000: Small-format stores (Easyday, Nilgiris, and other brands)

40: Big Bazaar

60: Brand Factory

50-PLUS: Number of food, fashion, electronics, other FMCG brands owned

Amazon...

According to sources, talks between the two firms started in January, coinciding with the buzz that Walmart was planning to buy a stake in Flipkart.

The Amazon-Future talks gained momentum around April-May, they pointed out. "For the last four months, Amazon and Future have held multiple meetings discussing the terms of the deal."

Future Retail, one of the main operating companies of the Future Group, is a listed firm with a market cap of over ₹260 billion.

Amazon is currently working on two major initiatives — reaching out to the non-English speaking population in the country through its vernacular platform and expanding its grocery business. For the grocery push, while the company has started verticals such as Pantry and Amazon Prime Now, it's focused on an omnichannel strategy, where a brick and mortar ally could help.

In the US and Europe, Amazon has already started running pilots of brick and mortar retail stores. A few months ago, it bought Whole Foods for around \$13 billion, helping it gain a massive brick and mortar footprint globally. In India however, Amazon's plan to tie-up with an offline ally would also help it comply with the foreign direct investment regulations in retail.

In the last few months, sources said Kishore Biyani has made frequent trips to both Bentonville and Seattle to have stake sale discussions with Walmart and Amazon, respectively. The company has also announced a series of investments in technology and business expansion, which, according to industry insiders, is being done to bolster the prospects of a planned stake sale.

Among other things, Future Group is planning home delivery of groceries, services like gym membership, tie-ups with

non-banking finance companies to provide credit, and setting up a data centre in the Bay Area in the US.

The company has set aside ₹1 billion for on-boarding artificial intelligence and machine learning on the platform. It is also planning to double the number of its small format stores which run under the Easyday, Nilgiris or other banners to 2,000.

Over the next 15 months, the company is targeting to add 1,000 small stores. It also wants to open another 40 Big Bazaars and 60 Brand Factory stores. Recently in an interaction with Business Standard, Biyani had said the company was planning to earn revenue of ₹1 trillion by 2021-22.

Amazon, on its part, could bring the Whole Foods brand to India by end of this year, sources said.