

## Walmart, Alphabet readying to flip e-com 'kart' in India

Online-offline: Walmart may replicate in India the investment model it had with China's JD.com, says N. Chandramouli. AFP

Walmart, the world's largest retailer by revenue, has almost completed the process to buy a majority stake of up to 75% in India's largest online retailer, Flipkart, to rival Amazon, two sources familiar with the deal said.

The sources also said that the Bentonville, Arkansas-based company, might also partner with Google's parent Alphabet in the deal that values Flipkart at about \$20 billion. The whole process, including getting various approvals, is expected to take more than two months, they said.

"The Walmart-Flipkart deal will be a disrupter in online retail industry in India," said N. Chandramouli CEO, TRA Research. "Walmart's partnership and investment in Chinese online store, JD.com, is the model that they will probably be replicating in India as well.

"The Walmart-JD.com partnership in China has turned the appcart for Amazon in the country and this new partnership has the potential to do the same in India," he said.

India's e-commerce sales are expected to grow at a 30% compounded annual growth rate through FY 2027 and touch \$200 billion of gross merchandise value, according to financial services firm Morgan Stanley.

### Alphabet's strategy

One of the sources said it would be a "data strategy" for Alphabet as it would help Google understand the consumer behaviour of people in India.

Last year, Google led a \$12.3-million funding round in dunzo, provider of a conversational mobile commerce platform. It manages the discovery and fulfilment of local tasks across categories such as food and grocery delivery, and offline retail purchases. "Google might join forces with Walmart to take on Amazon," said another source.

The deal will also benefit investors, including Japan's SoftBank, which holds about 20% stake in the company and Flipkart founders Sachin Bansal and Binny Bansal who collectively own about 10% stake in the firm. "Sachin (Bansal) might exit the company board while Binny (Bansal) is expected to stay [on] at the firm," said the source. Flipkart declined to comment on the deal.

### Buyback of shares

Flipkart recently concluded another buyback of shares worth \$350.46 million from investors, a move that is likely aimed at paving the way for Walmart's stake acquisition, according to data from business intelligence platform, Paper.vc.

Flipkart had raised \$6.11 billion in equity funding till date, according to data analytics firm Tracxn.

Satish Meena, a senior forecast analyst at research and advisory firm Forrester Research, said the investment in Flipkart was a deal that Walmart had been looking for more than 20 years to get access to the Indian retail market. Mr. Meena said that Walmart was not investing in the current performance of Flipkart but was looking at the future addressable market that India would provide in the next 15 years.

“If I am Amazon and if I have to defend my second biggest market which is India (against Walmart) then I have to buy Flipkart, it makes absolute sense,” said Hemchandra Javeri, co-founder, Forum Synergies India PE Fund Managers. “There is so much headroom for the online retail to grow in India that the valuation of Flipkart would appear small after some time,” he said. Ajit Singh, managing director at venture capital firm Artiman Ventures, said: “Here, the rising boats like Walmart and Amazon are lifting the [e-commerce] tide in India.”

Mr. Chandramouli said the partnership of the two giants would provide a new model by creating a mixed on-ground-online ecosystem which is difficult to replicate easily. “Not only will Flipkart get access to nearly 2,000 of Walmart’s products exclusively but Walmart will also get the well-established e-tailing delivery system that Flipkart has sharpened over the years, giving it logistics support throughout India.”

“We are also likely to see another disruption that will come with the Walmart-Flipkart partnership. Due to Walmart’s strong base in grocery, this entity is also likely to go very aggressive on selling grocery products online very soon, and apart from giving Amazon a run for their money in this area, online grocery retailers like Bigbasket, Grofers are likely face the brunt of it,” Mr. Chandramouli added.

*(With Jay Shankar*

*in Bengaluru)*

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