

An Epic War involving Amazon and Reliance Shaping Up

An epic war between two of the world's biggest business houses seems to be shaping up. It is for getting hold of the retail space in some of the world's biggest consumer market, that is India.

In August 2019, the U.S. firm, the e-commerce online retail giant Amazon.com Inc., bought a 49 per cent stake in Kishore Biyani's retail conglomerate Future Coupons, a promoter group entity of Future Group's retail business, which owns 7.3 per cent of Future Retail for about Rs 15,000 million. This deal provided Amazon with a 3.58% stake in Future Retail, contractual rights like a right of first refusal, a non-compete-like pact, and to purchase more stake in Future Retail.

In August 2020, Mukesh Ambani's Reliance decided to buy the retail and some other businesses of Future Group. The Future Group's sale of its retail and wholesale businesses to Reliance Industries Ltd (RIL) triggered a dispute.

Also Read: Reliance Industries falls 7% post Q2 results



In October 2020, circumstances became such that Amazon had to spend some time, money and valuable resources in appointing law firms to launch some legal proceedings. Amazon has served a legal notice to Future Coupons over the deal with Reliance Industries. It will initiate arbitration proceedings against the Future Group and the arbitration will be outside India, most likely before the Singapore International Arbitration Centre.

Also Read: India's Foreign Policy: Influence in global affairs grows

While enforcing contractual obligations, Amazon has also sent intimation notices to various parties including Singapore International Arbitration Centre (SIAC), Future Group and its shareholders, since the contract allows for arbitration as per media reports. Amazon has presented that the Reliance-Future deal is against the interest of Future Retail's shareholders, as none of the shareholders will get anything since Reliance has technically bought assets of Future Enterprise.

The arbitration proceedings between Amazon and Future Group in Singapore are expected to start from November 2020 and could go on till Sept-Oct 2021 at least.

Amazon has levelled accusations against the Future Group as:

- not meeting contractual obligations by going ahead with the Rs 2,50,000 million deal with Reliance Retail,
- the Future Group's \$3.38 billion asset sale deal with Reliance Industries breached an agreement with Amazon, under which Amazon took an indirect stake in Future Group, on several counts,
- Future Group was required to seek Amazon's permission as Amazon has the first right of refusal in the event of stake sale,
- This deal also violates a non-compete clause in the 2019 agreement,

October 8, 2020. Future Retail shares fell as much as 9% as the news of Amazon sending a legal notice to Future Group spread.

The truth and validity of such accusations will, however, be determined in the court and the matter has now become subjudice. Expert observers have opined that Reliance did not buy a stake in Future Coupons. It is not even buying a stake in Future retail. It is just buying assets like logistics, warehouses, etc. The well-known powers of Reliance may not make an easy battle for Amazon's legal teams at the court.

Amazon, the retail behemoth, seems very keen to retain its hold in the lucrative retail space. It is exploring all options to stop the Rs 2,50,000 million deal between Future Group and Reliance Retail. This is a last-ditch effort by Amazon to delay the Reliance-Future deal. Amazon seems to fear that the deal will give Reliance a much firmer foothold in online space as well as physical distribution. This will indeed be an epic war in retail space which none of the

parties would like to lose.

But will the epic war end in court or will it be arbitration are the outcomes what we have to look at. However, the time factor is sure to kill the retail investors!!