Notice under Section 6 (2) of the Act given by Varun Beverages Ltd.

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

1. On 17th November, 2014, the Competition Commission of India (hereinafter referred to as the “Commission”) received a notice under sub-section (2) of Section 6 of the Act, from Varun Beverages Ltd. (“VBL” or “Acquirer”).

2. The proposed combination relates to (i) acquisition of two undertakings comprising four factories / bottling plants operating in the states of Haryana, Himachal Pradesh, Uttarakhand and Uttar Pradesh by VBL from PepsiCo India Holding Private Limited (“PepsiCo India”) as going concern on a slump sale basis along with the rights to distribute and sell “Pepsi” products in the territory of Chandigarh and (ii) acquisition of an undertaking situated in Punjab by VBL from Aradhana Drinks and Beverages Private Limited (“ADBL”), stated to be a group company of PepsiCo India, also as a going concern on a slump sale basis. (Hereinafter “VBL”, “PepsiCo India” and “ADBL” are together referred to as “Parties”).

3. The notice was filed pursuant to the execution of two Business Transfer Agreements (“BTA”) on 15th November, 2014 amongst PepsiCo India, VBL and RJ Corp Ltd. (“RJ Corp’’); and ADBL, VBL and RJ Corp.

4. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (“Combination Regulations”), vide letter dated 25th November, 2014, the Acquirer was required to remove defects and furnish certain information/document(s) by 3rd December, 2014. The Acquirer filed the response on 10th December, 2014 after seeking extension of time to file the reply. Further, the Acquirer also furnished clarifications on 12th December 2014, in response to queries raised on certain issues with regard to its reply filed on 10th December 2014.
5. As per the details provided in the notice, VBL is a franchisee bottler of PepsiCo India and is engaged in manufacturing and marketing of “Pepsi” brand of beverages such as Pepsi, 7UP, Mirinda etc. in certain territories in India.

6. PepsiCo India, a company incorporated in India, is a group company of PepsiCo Inc., which owns many brands in its non-alcoholic beverages portfolio in India. It manufactures and markets carbonated soft drinks (CSDs) and non-carbonated soft drinks (non-CSDs) under its various brands including Pepsi. ADBL markets various “Pepsi” brands of beverages.

7. It is noted that PepsiCo India and VBL are not competitors but have an existing vertical relationship with each other. The proposed combination involves the transfer of ownership of the bottling plants / factories, certain distribution rights and an undertaking to an existing bottler / franchisee i.e. VBL. Post combination, PepsiCo India will continue to own, maintain and promote the Pepsi brand in India. In view of the above, there will be no significant change in the market structure as a result of the proposed combination.

8. Considering the facts on record and the details provided in the notice given under sub-section (2) of section 6 of the Act and the assessment of the combination after considering the relevant factors mentioned in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effort on competition in India and therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.

9. This approval is without prejudice to any other legal/statutory obligations as applicable.

10. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
11. The Secretary is directed to communicate to the Acquirer accordingly.