

Amazon to invest \$2 bln to expand in India

July 30 2014, by Kay Johnson

(AP)—The world's largest online retailer is facing off in India against a new name in e-commerce that was founded by former Amazon employees.

Amazon.com Inc. said Wednesday it will invest \$2 billion to expand its Indian business, a day after local rival Flipkart raised \$1 billion to fund its own expansion.

Launched last year, Amazon's India division has been making a big push into the country's small but fast-growing online retail market. It has been running front-page advertisements in newspapers and touting one-day delivery.

Gearing up to fight the online giant, Indian e-commerce company, Flipkart, raised \$1 billion in new capital on Tuesday. Both companies claim they are the largest online retailer in India, though neither releases its sales numbers

Amazon founder and CEO Jeff Bezos touted India's potential in a statement Wednesday announcing the \$2 billion investment.

"At current scale and growth rates, India is on track to be our fastest country ever to a billion dollars in gross sales," Bezos said. "We've never seen anything like it."

Online retailing accounted for \$2.3 billion of India's \$400 billion retail market in 2013, but Crisil Research estimated in a February report that

sales are growing at more than 50 percent annually and are on track to reach \$8.3 billion by 2016.

Amazon is limited by Indian law to providing products through third-party merchants. Despite that, Amazon India has expanded to 17 million products, it said.

Flipkart, founded in 2007, has at times been called the Amazon of India. It was founded by Sachin Bansal and Binny Bansal, who worked at Amazon before returning home to India to start their online business.

Among the investors in Flipkart's recent \$1 billion fundraising round are Singapore's sovereign wealth fund, GIC, along with existing investors Accel Partners, DST Global and Morgan Stanley Investment Management, the company said. The company said the funds will be used to invest in expansion, especially in mobile technology.

The funding will help the business develop into a "technology powerhouse," Flipkart said in a statement Tuesday.

Flipkart says it has 22 million registered users and handles 5 million shipments per month.

Flipkart also recently acquired Indian online fashion retailer Myntra to strengthen market share.

India's Finance Minister recently announced plans to allow foreign investment in e-commerce, paving the way for Indian companies to gain more support from abroad.

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