Walmart buys 77% of India's Flipkart for $16 bn

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Walmart says it will pump $2 billion into Flipkart, giving the Indian e-tailer a bigger war chest to fight off a huge challenge from Amazon

US retail behemoth Walmart said Wednesday it will buy a 77 percent

stake in Indian online sales giant Flipkart for $16 billion in the world's biggest e-commerce deal.

The blockbuster takeover, which is also Walmart's most expensive acquisition, threatens a major blow to rival Amazon's lofty ambitions in India.

Flipkart and Amazon have been going head-to-head in a costly battle for domination of one of the fastest growing online retail markets since 2013.

The deal, announced in a joint statement, values Flipkart, India's largest e-tailer by sales, at just over $20 billion.

"India is one of the most attractive retail markets in the world, given its size and growth rate, and our investment is an opportunity to partner with the company that is leading transformation of e-commerce in the market," Walmart president Doug McMillon said.

The announcement ended months of speculation that Walmart, the world's biggest retailer, was preparing to take over Flipkart. Both had repeatedly declined to comment on the talks.

Walmart said it would pump $2 billion of new equity into Flipkart, giving the Indian e-tailer a bigger war chest to fight off a huge challenge from Amazon, which is rapidly expanding its reach.

Binny Bansal, Flipkart's co-founder and group chief executive officer, said the deal "is of immense importance for India and will help fuel our ambition to deepen our connection with buyers and sellers and to create the next wave of retail in India".

The announcement came a day after Amazon said it was injecting an

extra 26 billion rupees ($386 million) into its Indian subsidiary.

Boss Jeff Bezos has committed more than $5 billion to grabbing a big slice of India's e-commerce pie after failing to make inroads in China.

E-commerce sales in India hit $21 billion last year according to market research company Forrester, and are expected to soar as its population of 1.25 billion people make greater use of internet access.

Flipkart was founded in 2007 by former Amazon employees Sachin Bansal and Binny Bansal, who are not related.

Like Amazon, it started as an online bookstore. Flipkart now sells everything from mobile phones, televisions and juicers to running shoes, sofas and beauty products.

'Unable to compete'

Masayoshi Son, chief executive of Japan's SoftBank, had earlier confirmed to reporters in Tokyo that the Walmart-Flipkart deal had been agreed.

He said SoftBank's $2.5 billion stake in the company would be worth $4 billion with the acquisition.

Small stakes will be held by existing Flipkart shareholders, including Binny Bansal, Tencent Holdings, Tiger Global Management and Microsoft.

The companies said the board makeup was yet to be decided but that Flipkart and Walmart would remain distinct brands.

They added that the deal is expected to be completed by the end of the

year, subject to regulatory approval.

Venture capitalists have pumped billions of dollars into Flipkart over the past few years but the company is still posting massive losses.

Flipkart saw losses rise 68 percent to 87.71 billion rupees ($1.31 billion) in the financial year that ended 31 March 2017.

Analysts said the deal helps Walmart gain a foothold in Indian retail without having to open commercial stores which is problematic under Indian foreign direct investment rules.

It currently runs 21 wholesale stores in the country.

Walmart's logistics expertise will greatly help Flipkart reach customers in more remote corners of India, according to experts.

"Flipkart lacks the expertise in mom-and-pop stores while Walmart understands retail and 'kirana' (small family-run) stores.

"It has infrastructure in place for supply chain management and stocking which Flipkart doesn't," Sanchit Vir Gogia, chief executive of Greyhound Research, told AFP.

The deal has faced opposition from independent traders, however.

The Confederation of All India Traders, which represents thousands of small businesses, has written to the government urging it to block the deal.

"It will adversely affect both online and offline retailers as the Indian e-commerce space is already crippled with malpractices and predatory pricing," Pravin Khandelwal, the body's secretary general, told AFP.

"The deal will create an uneven playing field with retailers unable to compete," he added.

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