Tesco’s $110m India expansion given go-ahead

The British retail giant intends to invest $110m (£68m) in India’s closely-protected retail sector. It will set up a chain of supermarkets in partnership with the Indian Tata Group.

Tesco is the first global food retailer to get approval to invest in India since the government decided to open up the supermarket sector last year. India’s Foreign Investment Promotion Board (FIPB) also approved a proposal by the British telecoms group, Vodafone, to take full ownership of its Indian business. (…) The approvals are seen as a vote of confidence in India’s slowing economy which has struggled to attract foreign investment in the past because of restrictive bureaucracy and political opposition. (…)

The deal itself sees Tesco take a 50% stake in Tata Group’s Trent Hypermarket. The company already supplies much of the produce in Tata’s Star Bazaar shops, and has been in partnership with Tata since 2008.

Though the rubber-stamping of the Tesco plan will be taken as a good sign of the liberalisation of India’s retail laws, in October, the world’s largest shop group Wal-Mart terminated its joint venture with India’s Bharti Enterprises, after it faced regulatory hurdles. However, others, such as Hennes & Mauritz (H&M), have also been given final approval by India’s government to open stores there.

Marks and Spencer has also been keen to seize the potential of India’s retail market. It already has a presence in India, and it plans to double its store count to 80 - making the country its biggest overseas market. (…)

(251 words)

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