



Ref. No.: 2790/1/50

07th November, 2019

Shri Piyush Goyal
Hon'ble Minister for Commerce & Industry
Government of India
New Delhi

Dear Shri Piyush Goyal Ji,

Subject : Shocking revelations about Flipkart business model highly violating FDI Policy

We invoke your kind attention to our earlier communications on issues of gross violation of FDI Policy by Flipkart & Amazon which is not only indulging into predatory pricing, deep discounting & loss funding but also causing huge GST & Income Tax revenue loss to the Government. We express our gratitude to you for taking immediate cognisance of the issue and directing the officials to take immediate steps. However, we are pained to observe that inspite of your repeated commitment of the Government that predatory pricing and deep discounting will not be allowed under any circumstances and the FDI policy will have to be followed not only in law but in spirit as well, these e commerce companies are still indulging into above activities turning your firm commitment to deaf ears.

We have submitted that these Companies are incurring losses of thousands crores of rupees every year but still they are able to continue their businesses without any problem which is much against the basic fundamentals of economics. However, a shocking revelation of true facts about Flipkart in a section of media which has analysed Balance sheet of Flipkart amply corroborate our charge that its not a market place but in real terms is largest retailing company of the Country which is a gross violation of FDI policy.

According to media report five top corporate retailers bought goods worth Rs. 43,374 crore in financial year 2018-19 whereas, the financials of its Singapore parent Company Flipkart Private Limited, reveals that Flipkart alone bought goods worth Rs.39,514 crore which is 90% of total goods purchased by five corporate retailers. The pertinent question is Why a marketplace need to buy & sell goods at such a huge scale ?

In same financial year Flipkart incurred a loss of Rs.4431 crore due to sale of goods without even accounting for the incidental expenses which were incurred to process the sales. The losses because of discounting rises to 170% hike in financial year ending 2019. As per an estimate the Flipkart is buying goods of Rs.110 crore every day and is selling at a loss of Rs.39 crore per day.

Interestingly, the Flipkart sells product to sellers related or controlled by it. Companies like SuperCo.net, Omni Tech Retail and Retail Net are buying from Flipkart's B2B entity and sell to sellers like Sports Lifestyle Private Limited, Premium Lifestyle, Fashion India Private Limited and Wishberry Online Services Private Limited which is again a gross violation of FDI policy.

This is just a glimpse of the high level manipulations by such e commerce companies and if we go in deeper details of the whole business model such more glaring revelations will crop up which would be quite alarming. Further, by selling goods at a higher discounted price, in fact much below the fair market value of the products, they charge GST on discounted price causing huge GST revenue loss to the Government since GST has to be charged on fair market price and not on under valued price. By posting huge losses every year, they are escaping the liability of paying substantial Income Tax revenue to the Government.





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It is a matter of grave concern that on the one hand such e commerce companies are brutally violating the FDI policy of the Government and on the other hand causing huge revenue losses to the Government by way of large scale manipulations, bypassing the law and not filling the policy in its letter and spirit. How can the small retailers of the Country will compete with them who do not have enough resources and following the law and discharging due tax liability. In other words, it is a vicious circle of committing crime, gaining huge market share and valuation of the Company. Their business model is based on misplaced logics, funding negative cash flow through investors and monopolising the market.

It is an open and shut case for distorting Indian retail market to a large extent and damaging the basic fundamental principles of business and economy. Under the circumstances, we strongly urge you that as a first step order for the closure of the Flipkart e commerce business and constitute a high level committee of tax experts, chartered accountants and senior officials of the Government to make an in depth study of the balance sheet, income & expenditure account of the Flipkart, its parent company and other associate or related companies in a time bound manner.

We are sure that the vision and commitment of Hon'ble Prime Minister to establish honest and transparent trade & commerce in the Country will be carried and in accordance of the same necessary immediate steps will be taken by you to restore the confidence of the business community of India that under the Government led by by Hon'ble Prime Minister Mr. Narendra Modi no one whether big or small will be allowed to circumvent the law and the policy & law will have to be followed not only in letter but in spirit as well.

Thanking you. With kind regards

Yours truly

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