

MERU CABS LAUNCHES FRESH CCI CASE AGAINST OLA AND UBER.

Softbank's major \$10 billion investment in Uber along with its plans to invest billions in additional funds for Ola, have impelled a fresh CCI complaint against Ola and Uber by Meru Cabs. Ola has raised \$1.1 billion in a new round of funding from Tencent Holdings and Softbank Group. Ola raised about \$36 Mn (INR 231 Cr) funding round from New York-based hedge fund Tekne Private Ventures. The funding was raised through an issue of preference shares. Since November 2016, Ola has raised close to \$404 Mn, as per disclosures made with the RoC. The funding round of \$350 Mn raised in February 2017 took its valuation to about \$3.5 Bn. Later in June, the cab booking platform reportedly picked up about \$50 Mn funding from hedge fund Tekne Capital Management, as an extension of its ongoing round.

Meru Cabs alleges that Uber and Ola are abusing their dominance in four different cities by burning vast sums of investor funds to distort the market. In an earlier CCI ruling in July this year, Meru's case against Ola and Uber had failed as it could not prove abuse of dominance by the two rivals. But the fresh infusion of massive funds into Ola and Uber is likely to change that scenario, Meru feels.

The key contention of Meru is that due to the foreign capital backing, Ola and Uber sell below cost, add more cars on the platform. When they add more cars, customers get the benefit of less waiting time. Consequently Ola and Uber attract more drivers who flock to them for more trips. Entities without similarly high foreign funding would have to raise prices, do with less profits, offer more waiting time and ultimately decline in the number of customers. Competitors like Meru cannot offer huge subsidies to drivers, impractical discounts to consumers which Ola and Uber are giving away with far greater ease due to the high foreign capital infusion.

Ola emerged in 2012 and Uber debuted in India in 2014. Before Ola and Uber arrived Meru was the leading fleet taxi operator in India. However, as Ola expanded its network of cabs to 110 cities, Meru's fleet services only 24 cities. Uber boasts of high presence in more than 30 cities. Ola is also planning to start operations in foreign countries. Quite clearly, Meru is unsettled by the rise of its rivals in the domestic taxi market. Lack of venture funds and poor rider-traction has propelled Meru to cry foul.

Fresh round of antitrust litigation will intensify the showdown between ride-hailing firms and local players in India's \$12 billion taxi market. Ola incurred a consolidated loss before tax of \$360 Mn (INR 2,313.66 Cr) in FY16, as per regulatory filings with the Ministry of Corporate Affairs. A year earlier, the company's losses were about \$123.9 Mn (INR 796 Cr).

As per regulatory filings, the consolidated revenue for ANI Technologies Pvt. Ltd (Ola's parent company) was about \$117.9 Mn (INR 758 Cr) for the year ended March 2016. The revenue is inclusive of subsidiaries such as Ola Fleet Technologies and Taxi For Sure parent Serendipity Infolabs. In the previous year, this number was about \$16.1 Mn (INR 103.8 Cr).

While Ola has been dealing with increasing losses to compete with Uber, the US-based company is crumbling at the edges too. Uber's CEO Travis Kalanick resigned under pressure from investors. Later in July, Uber called it quits in the Russian market. The cab aggregator announced a \$3.7 Bn merger deal with Russian rival Yandex. Taxi, which is owned and operated by Baltic search engine giant Yandex. Last year in August, Uber decided to sell its China arm to rival DidiChuxing. In India too, the company was plagued by driver protests over reduced incentives. Another setback was the Delhi government's proposed ban on ride-sharing services like Ola Share and Uber POOL under the Motor Vehicles Act, 1988.

It has been reported that Silicon Valley VC firm Benchmark Capital, one of the earliest investors in Uber, has filed a suit against ex-CEO Travis Kalanick accusing him of fraud, breach of contract and breach of fiduciary duty.

In the Indian market, the Government of India is also looking to enter the online cab aggregator market. With its sights set on entering the neighboring markets of Bangladesh and Sri Lanka, Ola will automatically be pitted against Uber. Currently, Uber is already facing significant anti-monopoly concerns in neighboring China, where the commerce ministry last year began investigating its deal with DidiChuxing that created a roughly \$35 billion giant dominating the China car-hailing market. In India Ola's reach is far more than Uber. Ola is present in 110 cities and claims to offer over 700K vehicles. As of now, Ola is eyeing expansion in neighboring countries like Sri Lanka and Bangladesh.