

Uber rape case fallout: Ola Cabs and TaxiForSure looking to buy radio taxi operators

Aditi Shrivastava, ET Bureau Dec 22, 2014, 03.08AM IST

BENGALURU: For taxi aggregators such as [Ola Cabs](#) and [TaxiForSure](#), acquisitions could be the shortest way to get out of the woods they find themselves in. Flush with funds from investors, but lacking the seal of government approval, these technology-based companies are in talks to buy radio taxi operators which have what it takes to run the service — a licence!

Bengaluru-based companies — [Ola Cabs](#) and [TaxiForSure](#) —are talking to a couple of licensed operators in Delhi and Gurgaon, including [gCabs](#) and [Supercabz](#), according to three people familiar with the developments. Both taxi aggregators are also planning to adopt similar acquisition strategies in other states once the current deal closes, two sources confirmed.



"We have been approached by both these players for our licence and the deal is likely to close in a week," said CV Kumar, CEO, Subercabz. ET could not ascertain the value of the deal. Earlier this month, after an [Uber](#) driver allegedly raped a 27-year-old passenger, the [Delhi Transport Department](#) issued a public notice banning Uber and all web app-based taxi services such as [Ola Cabs](#) and [TaxiForSure](#), saying their services are illegal till they get a licence.

In the wake of the notice, all aggregators, including [Ola](#) and [TaxiFor-Sure](#), could either stop operations till they got themselves licensed or lobby with the government to allow them to resume operations till the time regulations are framed. According to sources, these two venture-backed companies decided that it is probably cheaper, and faster, to buy out a company with a radio taxi licence, rather than apply for a fresh one which typically takes at least two-three months. Waiting for a new regulation could take even longer —six to twelve months.

"This is a standard practice adopted in the telecom sector in the past and makes the most strategic sense," says Vaibhav Parikh, partner at law firm Nishith Desai Associates. "Getting a fresh licence takes much more time, and in this case, saving up on time is most crucial." While Uber is still not operating in Delhi, [Ola](#) and [Taxi-ForSure](#) have resumed operations even as they look to get licences for authorised radio taxis. "We have been asked to remove all stickers indicating the company we work for so that the Delhi traffic police does not fine us," said a Delhi-based [Ola](#) driver. Taxi-hailing app Uber is not looking at the licensing model currently, but it is actively in talks with the government and police to understand the regulatory framework of the country. According to experts, this is the best time for smaller players to cash out too by selling their radio taxi licence.

"Most of the licensed taxi operators have not been able to sustain and expand their operations. They have either closed down or are running at lower levels owing to shortage of funds," said an industry consultant. "This makes maximum sense right now. Aggregators are losing out on large revenues, about 70-80 per cent in some cases," an investor in [Ola](#) said. The Indian taxi market is pegged anywhere between \$6 billion (Rs 36,000 crore) and \$9 billion (Rs 54,000 crore), of which only 4-6 per cent is organised. It has seen exponential growth in the past couple of months, with [Ola](#), [TaxiForSure](#) and [Uber](#), all trying to race to the top. Interestingly, these aggregators do not operate their own taxis, but provide the technology platform that links taxi owners and operators with passengers.