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THE FOURTH HERBERT SMITH FREEHILLS AND NLU DELHI

# INTERNATIONAL NEGOTIATION COMPETITION

8 - 10 SEPTEMBER 2017

## IN THE DRIVING SEAT GENERAL BACKGROUND INFORMATION

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# GENERAL BACKGROUND INFORMATION

## The parties

### RideOn

RideOn Corporation ("**RideOn**") is a public company based in Furtherland, a country in Europe. Its shares are listed on the main market of the Furtherland Stock Exchange.

RideOn owns and operates an 'intermediary' mobile taxi app that connects riders with freelance licensed taxi drivers. Riders can use the app on their handheld smartphone devices to book and summon taxis to their location for on-the-spot pick-ups.

RideOn has a large international subscribership, with more than 28 million monthly riders worldwide and nearly 800,000 registered drivers, most of who are based in Europe and North America.

For many years, RideOn has tried to penetrate the Asian market by increasing its rider and driver numbers. RideOn's market research shows that India is a huge potential market because of high demand for reliable taxi services and relatively low costs of operation.

### Happy Taxi

Happy Taxi Company ("**Happy Taxi**") is a taxi service business based in Delhi, India, owned by Harish "Happy" Singh ("**Happy Singh**").

Happy Taxi started off as a small radio network of 400 freelance licensed taxi drivers in the South Delhi region, but it now operates taxi services for freelance licensed taxi drivers in various Indian cities, charging drivers on its network a monthly subscriber fee and a commission fee for each ride booked through the company. Its three largest operations are in Delhi, Mumbai and Bangalore.

A lot of Happy Taxi's business is conducted via phone and online bookings; however, Happy Taxi also has its own mobile app platform through which customers can book a taxi driver for scheduled and on-the-spot pick-ups.

Happy Taxi covers both corporate customers and individual riders, and holds various important and high-value corporate customer accounts, which make up a large percentage of its business.

## Background

RideOn launched in 2011 and has rapidly become one of the fastest growing taxi service apps. It has an international network of drivers and customers connected via their app platform. RideOn's success is mainly attributable to its cheap prices and ability to provide quick and easy access to taxis for users.

It has been widely publicised that RideOn is seeking to expand its presence in Asia to match its success in Europe and North America to date. In 2014, RideOn made the app available in Singapore and, in 2015, it was rolled out in some cities in Malaysia and Indonesia. While the Indonesian and Malaysian part of its business is performing well, RideOn's Singaporean business is reportedly struggling. This has mostly been attributed to poor uptake of the app because of criticism in the Singaporean press regarding the calibre of the taxi drivers using the RideOn service and a number of unforeseen temporary service suspensions. RideOn has also faced criticism in Europe for unseemly behaviour by some of the taxi drivers using its app. In December 2016,

RideOn's CEO Phil Freedly said at a press conference, "*The taxis that you find through our app are not owned and regulated by us, and we don't really know who the drivers are. We just provide an intermediary platform to connect the rider to the driver. Anything else is not our problem.*" This attracted widespread criticism in the media. Since then, RideOn has been working hard to better its public image by recasting itself as a socially responsible company.

RideOn noted in its annual report in 2016 that the next step in its Asia expansion strategy would be to explore India, among other territories. Ever since, there has been much speculation about the effect that entry by RideOn into India will have on the local taxi market. At present, there are many taxi service providers in the country which offer telephone, online and app-based services, but most of these only operate in one city. Commentators have said that while the market is far from saturated (indeed, demand for taxi services in India is at an all-time high), regulatory hurdles have made it difficult

## GENERAL BACKGROUND INFORMATION (CONTINUED)

for new operators to enter the market. Because of the prevailing pollution problem in many cities in India, the government has recently imposed new carbon dioxide emission restrictions. One of the new restrictions is that, by early 2018, all cars and light goods vehicles used in transportation services in the country, including taxi services, must have a certified low carbon dioxide emissions rating. Under the new rules, taxi service providers will need to monitor their network drivers' compliance with these standards and could face fines if drivers do not have appropriate vehicles.

RideOn has identified Happy Taxi as a potential acquisition target. RideOn believes that buying Happy Taxi would be a good strategic move in the context of its Indian growth plan given that Happy Taxi has good systems for monitoring compliance with regulatory standards and a sizeable share of the Indian taxi service market both in terms of riders and subscribed taxi drivers.

Happy Taxi has built its reputation as a safe, reliable and friendly taxi service and has a stringent policy of not allowing its drivers to subscribe unless they can demonstrate that they have obtained requisite licenses and insurances and are in compliance with applicable regulations in the country. Happy Taxi has credibility

amongst a large population of working professionals in major Indian cities. It has also been able to attract several key corporate customers who exclusively use Happy Taxi.

Around 18 months ago, Happy Taxi launched a relatively small car servicing business through a wholly owned subsidiary, GoTaxi Servicing ("**GoTaxi**"). While the key driver for entering into this business was to have readily available servicing capabilities for the taxis subscribed to its network, almost 30% of GoTaxi's customers are not associated with the Happy Taxi business.

Happy Singh is a prominent figure in the Indian business community and is best known for his corporate social responsibility (CSR) initiatives and philanthropic interests. The reputation of his businesses is of utmost importance to him and, in the past, he has declined to engage in discussions with prospective buyers for Happy Taxi, on the grounds that their business values and ideals have not aligned with his.

Happy Singh has agreed to commence discussions with Phil Wheely, RideOn's Head of Development in Asia, in relation to the potential sale of Happy Taxi.