

## **ZOMATO ACQUIRES UBER EATS IN INDIA: AN ANALYTICAL STUDY**

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### **ABSTRACT**

In India there are lot many companies done M&A last from many decades. This paper presents a study on why Zomato acquire Uber eats in India. This paper also includes that what kind of benefits Zomato and Uber eats have after doing this acquisition and what all steps they have to consider before going for Acquisition process. This paper also contains a causal loop structure which gives us clear idea about the benefits of Acquisition process. This loop structure means the factors and parameters that relate to Acquisition. From the literature review it is found out that there is no one study is done on this topic. From the data obtained it is found out that Zomato Acquire Uber Eats to increase its value and to increase its profit. This paper is totally based on secondary data covers from current news and experts views. In this paper researcher also include some findings, suggestions and conclusion.

**Key Words:** Acquisition, Zomato, UBER EATS

### **MEANING OF ACQUISITION**

An acquisition is when a company purchases (50% or more than 50% of shares) most or all of another company's shares to gain control of that company. In today's world acquisitions are very common in businesses. We mostly heard about acquisitions of large well-known companies in the news. In reality, mergers and acquisitions (M&A) occur more regularly between small- to medium-size firms than between large companies.

### **ACQUISITIONS: MOSTLY AMIABLE**

Friendly acquisitions occur when the target firm agrees to be acquired; its board of directors, employees, assets etc. for mutual benefits of the acquiring and target companies. Both companies develop strategies to ensure that the acquiring company purchases all the appropriate assets, and also review the financial statements and other valuations for any

obligations that may come with the assets. Once both the parties agree on the term and conditions than they meet for legal stipulations as well as for the purchase proceeds.

## **WHY COMPANIES MAKE ACQUISITION?**

Companies acquire other companies for various reasons:

- Economies of scale
- Diversification
- Greater market share
- Increased synergy
- Cost reductions, or new niche offerings.
- Others reasons :

### **As a Way to Enter into Foreign Market**

Every company want to expand its business into international level or across the boundaries that's why an existing company acquire that another company. This is the easiest way to enter into foreign market. The purchased business will already have its own personnel, a brand name, and other intangible assets, which could help to ensure that the acquiring company will start off in a new market with a solid base.

### **As a Growth Strategy**

Most well established companies might look for acquisition of young companies so that they can generate more revenue. Through this they also entered into new market to gain profit.

### **To Reduce Excess Capacity and Decrease Competition**

In real world there are lot many competition is available in the market that why companies may look for acquisitions to reduce excess capacity, eliminate the competition, and focus on the most productive providers.

### **To Gain New Technology**

Sometimes it can be more cost-efficient for a company to purchase another company that already has implemented a new technology successfully than to spend the time and money to develop the new technology itself.

## LIST OF FEW ACQUISITION MAKE BY COMPANIES IN INDIA

S.No.	List of Acquisitions
1	Zomato acquires Uber Eats in India in a Stock Deal and Uber Technologies to sell Uber Eats in India to rival Zomato in return for 9.9% stake in the startup 21 January, 2020
2	PE firm True North acquires gynaecology brands from Glenmark Unit 22 January, 2020
3	Siemens AG to acquire New Delhi based C&S Electric for euro 267 million 24 January, 2020
4	Patanjali Ayurved acquires Ruchi Soya through an insolvency process 18 December, 2019
5	McDonald's India enter tieup with Zomato for food delivery in North and East region,16 January, 2020
6	Advent International to acquire controlling stake in Crax maker DFM Foods 10 September, 2019
7	Haldiram Bhujawala to acquire Coffee Bean franchise from Everstone Capital 23 August, 2019
8	Groupe Lactalis to acquire diary business of Prabhat Dairy for Rs 1,700 cr 22 January, 2019
9	<u>Lotte Confectionery to acquire Havmor Ice Cream for Rs1,020 cr</u> 23 November 2017

SOURCE: Mergersindiainfo.com

## ABOUT UBER EATS

Uber entered into the food delivery business in year 2017. Swiggy and Zomato already capture the huge food-tech market. They had already roped major restaurants as exclusive partners. Uber gives heavily discounts and offers to acquire and retain customers

Uber Eats entered into the Indian market and scaled business into 41 cities with over 65,000 riders who deliver food from 26,000 restaurant partners. India's has hyper-competitive delivery market and due to steep discounts and low value orders, Uber eats has been drag losses on the company's financials.

Uber also deals with rides in India.

## **ABOUT ZOMATO**

Zomato is an Indian restaurant aggregator and food delivery start up founded by Mr. Deepinder Goyal in 2008. Zomato provides information, menus and user-reviews of restaurants, and also has food delivery options from partner restaurants in selected cities.

As of 2019, the service is available in 24 countries and in more than 10,000 cities. Zomato was founded as Foodiebay in 2008. It was renamed Zomato in 2010.

## **REASON WHY UPER EATS SHUT DOWN**

Uber eats has underperformed in the market. Uber eats has been shuttering or downsizing its loss-making units (cash burn of \$20 million per month in India) and geographies. This business was among the low-priority ones for the company.

Last year, Uber said in its quarterly results announcement that the Indian food delivery business has been a drag for it.

According to regulatory disclosures made in India, Uber had projected an operating loss of Rs 2,197 crore in its food delivery business for the five months through December 2019.

This loss was larger than what was expected to be incurred by its core ride-hailing business, which was Rs 1,645 crore (according to a valuation report prepared by KPMG affiliate BSR and released in November).

In February last year 2019, Uber had come close to selling the business to Swiggy but the deal fell through. In fact, since early last year, the company had started its cutbacks. It had halved its annual cash allocation to the food-delivery business in India to \$90-120 million, which took a direct impact on the order numbers. At the same time, Uber's India rival Ola too had pulled its focus away from its food-delivery business, Food panda, and started to sell private brands on marketplaces.

## **WHY ZOMATO ACQUIRE UBER EATS**

The acquisition signals a positive shift in the market. The acquisition makes the Indian food-tech and food delivery market a two-horse race — Zomato and Swiggy. Zomato take over Uber Eats's business in 38 cities across India.

Zomato acquired Uber's food delivery business in India on 21 January 2020 in an all stock transaction, which gives the ride hailing major a 9.99% ownership in the Gurugram-headquartered company. Uber Eats will, continue to operate in Sri Lanka and Bangladesh.

"This year we are going to be tested on how well we execute and retain our market leadership in terms of customer service, operating efficiency and in terms of size of our business, in that order," Deepinder Goyal, founder and CEO, Zomato.

"Over the last one year, Uber Eats has been a very marginal player in the whole game, with Swiggy and Zomato dominating 90% of the market," said Anurag Katriar, president, NRAI.

Zomato is, incentivising Uber Eats customers with a 50% discount on their next three orders in a bid to convert those customers into transacting users, which will lead to a spike in volumes. After this acquisition, India is expected that Zomato corner more than 50-55% market in terms of the number and value of orders. It is one less competition for the company to deal with.

"In parts of Tamil Nadu, Kerala, and Madhya Pradesh, Uber Eats has a stronger foothold compared to Zomato with an about 30% market share. The acquisition, therefore, will give increased access to Zomato in certain micro-markets.

### **Zomato acquires Uber Eats business in India to consolidate position**

- Zomato's deal gives Uber a 9.99% ownership in Zomato.
- Uber Eats in India will discontinue operations and direct restaurants, delivery partners, and users of the Uber Eats apps to the Zomato platform

"This acquisition significantly strengthens our position in the category. With Uber Eats, Zomato will now collectively have a 55% share of the food delivery market and compete largely with home-grown Swiggy. Zomato delivers to over 550 cities in India. Delivery partners, who were earlier associated with Uber Eats India, will on-board Zomato's fleet.

Close to 245 Uber Eats employees will be affected by this deal. These employees will not be absorbed by Zomato as part of the transaction.

Uber Eats as a brand will not exist in India going forward in food-tech market, but the brand will continue operations in neighboring countries of Bangladesh, and Sri Lanka. Uber Eats, as an app, was first piloted in 2014 in Los Angeles.

## **THE BIG WINS FOR ZOMATO**

Currently the battle in the foodtech business is about who has more delivery partners, as that ensures greater reach. The consumer today wants food delivered in the quickest possible time, and that means there need to be more people on the street, not just one delivery person doing more than one delivery,” explains an early-stage investor. “The biggest benefit will be gaining the delivery partners.

Currently, Zomato has partnered with 1.5 million restaurants across 24 countries and serves more than 70 million users every month. This will be a little more than Swiggy's 1.5 lakh delivery partners.

## **UBER CONTINUE WITH LOCAL RIDES AND UBER EATS AFTER THIS DEAL**

Uber will continue to focus on building its ride-hailing business in India where it competes with rival Ola.

“India remains an exceptionally important market to Uber, and we will continue to invest in growing our local Rides business, which is already the clear category leader.

## **IMPORTANT STEPS TAKEN BY UBER EATS AFTER ACQUISITION**

In India, Uber Eats has close to 80-100 employees full time on its India payroll. The company has offered these executives salary till March 3, along with one month of severance for each year spent in the firm. In addition, also paying a one month notice period, and shares vested till March 3. On top of this, since the firm acknowledges a performance review cycle was due in two months, they will also offer employees 2 months of salary as closure bonus plus leave encashment.

## **RESEARCH METHODOLOGY:**

### **OBJECTIVE:**

- To study the fact figures of this acquisition

### **NEED & SIGNIFICANCE:**

This research is needed to identify why Zomato acquire Uber eats in India. This research is beneficial for the academicians, Ph.D scholars, Students etc. Other studies can also be done that will be untouched in this study.

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## **SCOPE:**

This research study is helpful to understand the facts behind this acquisition.

## **DATA COLLECTION:**

This research study is basically based on secondary data that was collected from newspapers, magazines etc.

## **LIMITATIONS:**

This research has been limited to the above topic that is Zomato acquire Uber eats in India.

## **FINDINGS**

Zomato acquires Uber Eats for Rs 2,485 crore; over 100 employees face uncertainty, while Swiggy is little ahead of Zomato in the food delivery space, Uber Eats coming onboard with Zomato will surely give it more firepower to stake on Swiggy as the new entity will automatically capture 50-55% market in food delivery business. Zomato acquired Uber Eats in a \$350 Mn deal, which saw Uber get a 9.99% stake in Zomato.

According to the Ministry of Corporate Affairs Filings, Uber Eats was expected to post a loss of INR 762.5 Cr (\$107.6 Mn) between August 2019 and December 2019. For the same five-month period, Uber also projected higher operating losses valuing at INR 2,197 Cr (\$309.6 Mn) for its food delivery business.

Uber's India food delivery business saw a decline which is said to have negatively impacted the global numbers. Uber CFO, Nelson Chai, in a meeting with analysts, said that Uber Eats' India business dragged down the food delivery arm's average net revenue. "Without India, the adjusted net revenue (ANR) would have been 11.1%. Now, it is 10.7%,"

Smaller restaurant owners, who were exclusively on Uber Eats, complained about the app being abruptly shut down with no prior communication.

## **CONCLUSION**

Foodtech is the fast-growing ecosystem at all over the world. Zomato acquiring Uber Eats would definitely be a win-win situation for both the companies and would make the industry a duopoly with Swiggy and Zomato becoming the major players in the online food delivery industry in India.

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“With multiple giants like Amazon, Ola and Flipkart experimenting in the food space, India is definitely a large market offers scope for all the players to flourish. From the consumers’ point of view, this acquisition would lessen their decision fatigue with a consolidated offering,”

*“Most Corporate name changes are the results of M&A.  
But these tend to be Unimaginative” (James Surowiecki)*

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