Has the Competition Commission Dealt the Biggest Legal Blow Yet to India's Start-up Story?

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In a recently delivered decision, the Competition Commission dealt the first legal blow to the practice of discounting and pricing-below-cost, ordering an investigation into Ola's practices on the basis of information given by Fast Track, an incumbent in the radio taxi space. The potential for impact on industry is tremendous considering that such practices have been adopted by thousands of other start-ups. Growth, adoption and market share; these three words form the basis of the business strategies of millions of start-ups around the world including thousands in India. Profitability is almost a profanity in the start-up world; investors often advise start-ups to have a single-minded dedication to growth and to not worry about profits. Consequently, start-ups in India have been able to enter with a big bang offering goods and services at a price range that was unthinkable only a few years ago. Their strategies have included bumper discounts, large-scale marketing and possibly even pricing below cost. Some of these pricing strategies have been in play in the automotive aggregator space where players such as Ola and Uber have adopted very aggressive pricing and marketing strategies that have even driven out competitors like Taxi For Sure out of the market. Thus far, the sustainability of these pricing practices and the valuations of these companies has only been debated amongst industry experts ad nauseam even as more and more companies obtain millions of dollars of VC funding on the basis of the same model. *Authored by Aditya Gupta. This article was published on Legal 500.*