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CII
Confederation of Indian Industry

M-commerce – The Next Generation Commerce

1 December 2016

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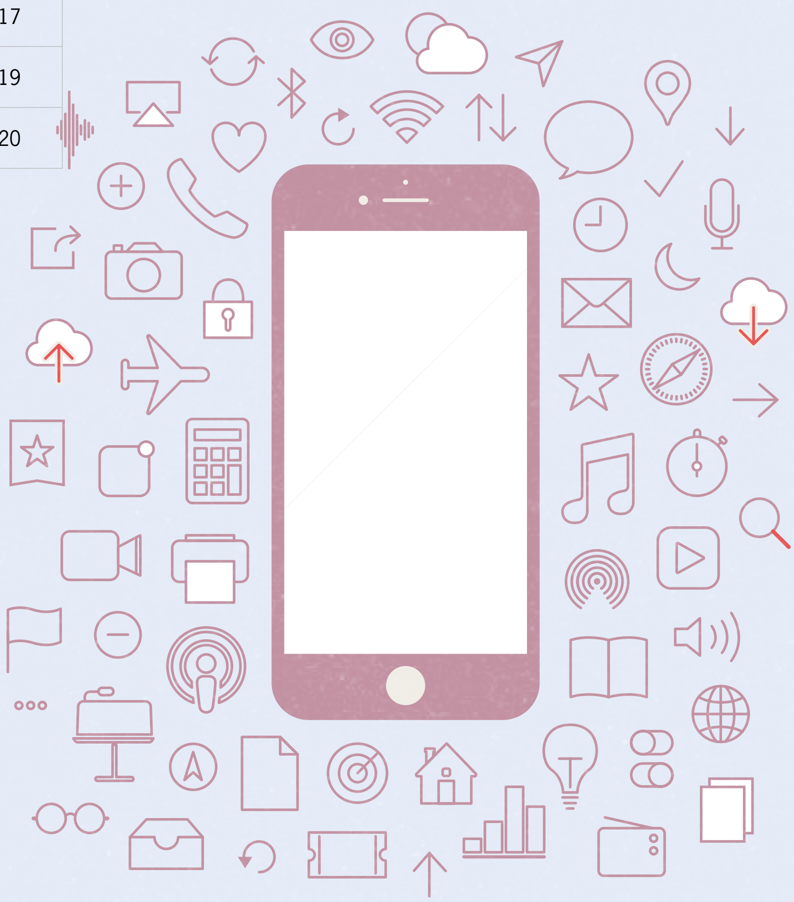


Foreword

Sudhir Mehta

Chairman, CII Western Region Membership Sub-Committee & Chairman & Managing Director, Pinnacle Industries Ltd

Harish HV

Partner

Grant Thornton India LLP

In the first week of November 2016, the Prime Minister Narendra Modi announced demonetisation of INR 500 and INR 1000 notes. While the objective has been curbing black money in the context of counterfeiting, tax evasion, corruption and terrorism, this development has brought to the forefront the need and the opportunity to become a "cashless" society in the near future.

M-Commerce is right in the middle of this transformation and has a pivotal role to play as a catalyst in the transformation to a "cashless" society. This period is the inflexion point for M-Commerce, which has already been making long strides on the back of increasing internet-enabled and affordable smartphone base and improving telecom infrastructure. The business community has also been alert to seize this opportunity by innovation and implementation of digital business ideas. We have seen quite a few successes in this space and India is just getting started on this path.

With the second largest consumer market and the stable economic indicators, India is expected to see a revolution in the way business is conducted in the coming years. Introduction of 4G services (which would increase the mobile internet penetration) , planned implementation of the GST in 2017 (which is expected to simplify indirect taxation), the recent demonetisation and the policy focus on financial inclusion and electronic payment systems are expected to facilitate the next level of growth of M-Commerce in future.

Government of India has proactively initiated several programs such as Digital India, Start-Up India, Jan Dhan Yojana, Innovation India, etc recognising the emergence of digital commerce in the economy. This direction is taken forward by RBI which is focussed on having an efficient electronic payment system in place on the back of Unified Payment Interface (UPI), payment banks and mobile wallets.

I congratulate CII and Grant Thornton in India for organising the 1st conference on m-commerce, 'M-Commerce – Potential and Challenges'. I would like to thank Grant Thornton in India for being the 'Technical Partner' and for this discussion paper.

We are pleased to present this report on M-Commerce with a focus on providing the reader an overview of the current space, the potential for growth, the challenges, the regulatory environment and the kind of deals that have been executed in the space.

We look forward to your feedback.

Smartphone usage has grown at an explosive pace in the recent past. We expect it to grow even faster with demonetisation and entry of new service providers such as Reliance Jio. This in turn will fuel the growth of m-commerce and we envisage that most of the retail commerce will shift to m-commerce in the foreseeable future.

In this context Grant Thornton in India is pleased to present this report is prepared in association with CII to highlight the emergence of m-commerce as a way of conducting business and to discuss the matters pertaining to growth and bottlenecks, scaling up operations, payments and security, and share new ideas that will expand the m-commerce industry.

Technology, lifestyle, regulation and funding have been the key drivers for the emergence of m-commerce – both the telecom infrastructure and smartphones. But the rate at which India has caught up with the technological developments has been impressive. As per IAMAI, the internet penetration is estimated at 462 mn users in 2016, whereas 371 mn users were mobile internet (and growing at > 50% y-o-y). While, urban India factors for 71 percent of the penetration, the rural India are catching up on the back of the affordable smartphones and the increasing 3G and 4G coverage. Similarly, due to availability of smartphones which are affordable and intuitive to use, India has become the second largest market, displacing US, after the largest market - China. The telecom infrastructure and smartphones facilitated the transition of Indian consumer to mobile computing bypassing the desktop/personal computing phase, which enabled E-Commerce.

Lifestyle changes where people are not only more demanding of products and services but also expect personalised preferences to be met coupled with lesser leisure time for shopping, traffic related hassles for physical commerce are the other drivers

The third driver is regulation which is mainly the demonetisation, but initiatives by the government to push e-governance, growth of telecom infrastructure, Jan Dhan Yojna, and other similar efforts.

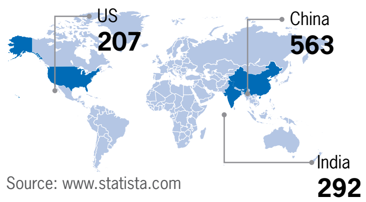
The fourth driver is Funding. The reach and scale of telecom and the affordability of smartphones resulted in either creating innovative businesses disrupting the market or made traditional businesses transition to online/digital businesses. PE/VCs have played a key role in funding and backing these businesses (US$ 4.21 bn in 2014 and US$ 6.16 bn in 2015). Hence, the Start-up ecosystem was vibrant (44 percent and 74 percent of the above investment values) and we witnessed several unicorns emerging.

I am thankful to all persons involved in preparing this report and I am hopeful that you will find the report insightful and useful. As always, we welcome your feedback/comments.

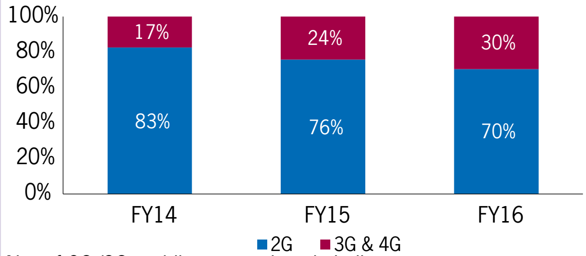
Key highlights

INFRASTRUCTURE

The current smartphone user base in India (in mn)
India has become the second largest market for smartphones by the end of 2015 by replacing US.

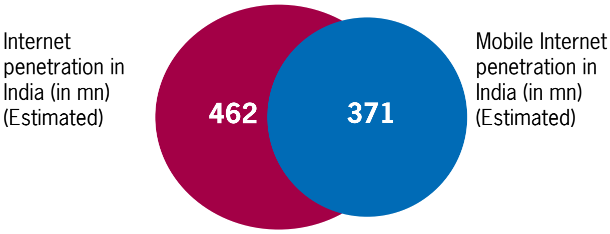


Source: www.statista.com



No. of 2G/3G mobile connections in India.
2G still accounts for 70 percent of mobile users in India. Introduction of 4G expected to increase mobile internet usage further.
Source: www.iamwire.com

Driven by the demand in urban and rural India, mobile internet has been rapidly increasing.



Source: Internetlivestats.com Source: Publicly available data

The growth prospects of the m-commerce industry looks promising considering robust growth in infrastructural touch points i.e. smartphones and internet penetration.

However, the challenges in terms of inconsistent internet connectivity and cyber security needs to be addressed.

Online shoppers in India

As per publicly available sources the current online shoppers are in the range of 80 to 100 mn and expected to increase 175 to 220 mn by 2020.

Shopping preference

INCLUSION/INITIATIVES

Digital India	Jan Dhan Yojana	Implementation of GST	Other initiatives • Start up India • Skill India • Innovation fund

Government of India has proactively initiated programmes towards financial inclusion.

Unified Payment Interface	**Payment Banks**	**Mobile Wallets**

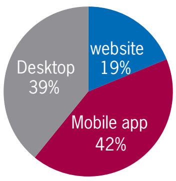
Reserve Bank of India has been working towards providing an efficient electronic payment system

While cash handling and cyber security is a matter of concern, government initiatives and technological advancement in securing electronic payment gateways will act as a key catalyst for transformation towards a more secure, cashless and on-the-go m-commerce. The recent demonetisation event could provide the required fillip to the industry. It has the potential to take the industry to the next level of growth.

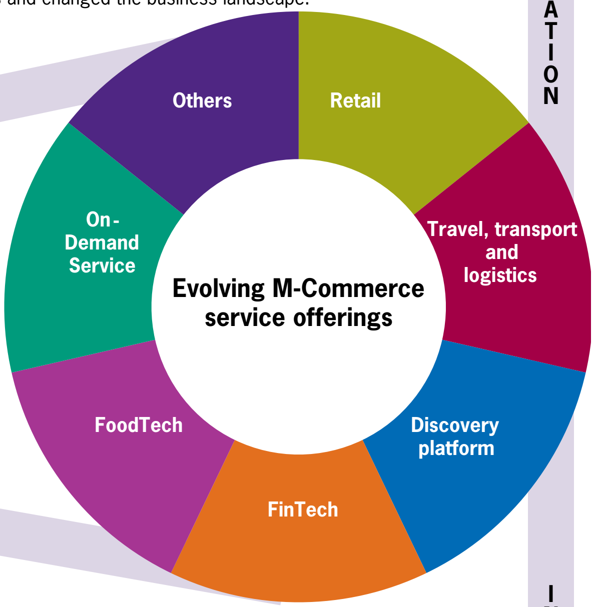
"The Prime Minister Narendra Modi has placed emphasis on use of mobiles for banking purposes, thereby giving a push to the country to go digital. During 'Mann Ki Baat' address on Sunday, 27 November 2016, he appealed to the people of India, particularly the youths, to embrace e-banking and mobile banking for cashless transactions."

INNOVATION

Many m-commerce companies came up with innovative online business models and changed the business landscape.



Source: www.dazeinfo.com



Segment wise % of total PE/ VC deal value in 2015 and 2016.

	2015	2016
Retail	39%	18%
TT&L	27%	18%
Discovery platform	9%	13%
FinTech	6%	7%
FoodTech	6%	4%
Others	9%	21%

INVESTMENTS

TT&L - Travel, transport and Logistics

Disruptive business innovations along with ease of use technology would act as an enabler in transforming traditional businesses to M-commerce.

The transition from traditional commerce to e-commerce and now to m-commerce has been driven by the retail segment followed by travel transport and logistics segment.

The emergence of of FinTech, FoodTech, HealthTech, entertainment and on-demand services will fully explore the potential of m-commerce business capabilities.

M-commerce businesses may need to make investments to develop lighter applications/mobile websites that load up quickly on the current telecom networks – 2G and 3G.

While online banking and even mobile banking have been around for a long time, mobile wallets – which hold your money digitally – have made it easier for consumers and have played their part as enablers to m-commerce growth.

PE/VCs have shown steady interest in online businesses due to the underlying key economic indicators. However, potential write down in investments, especially in digital commerce and high valuation expectations has limited the fund raising activity in 2016.

M-commerce, emergence of a new way of commerce

M-commerce is the next revolutionary way of doing business after e-commerce, which is set to change the landscape of businesses. The term m-commerce came into existence in 1997 when it was first used by Kevin Duffey at the launch of the Global Mobile Commerce Forum organised in the UK, to mean "the delivery of electronic commerce capabilities directly into the consumer's hand, anywhere, via wireless technology."

M-commerce has come a long way from the first service delivered in 1997 (mobile-phone enabled Coca Cola vending machines were installed in the Helsinki area in Finland where the machines accepted payment via SMS text messages) and is driven by a combination of the current trend of electronic commerce (e-commerce) and the emerging developments in personal computing, which has technologically leaped forward from desktops to smartphones; dawning a new era of anytime, anywhere commerce through on-the-go internet/wireless connectivity.

M-commerce is expected to surpass e-commerce as the preferred method for digital transactions as content delivery over wireless devices becomes more scalable, faster and most importantly secure.

As per publicly available sources the current online shoppers are in the range of 80 to 100 mn and expected to increase 175 to 220 mn by 2020.

Online shopping preferences in India

Desktop
39%

Mobile website
19%

Mobile app
42%

Source: www.dazeinfo.com

Characteristics of m-commerce

Mobility	users can carry their cell phones or other mobile devices easily
Reach	users can be contacted anywhere, any time
Accessibility	information can be accessed on real-time basis
Convenience	devices facilitate storage of data and has wireless connectivity
Personalisation	device owner has an exclusive access to the contents/services
Willingness	people seem willing to pay for mobile services
Varied users	kids to teenage to youth to middle aged to senior people
	business and personal
Targeted marketing	knowing what the user prefers and where the user is located at any given time

Key reasons for consumer preference for m-commerce

73%
Saves time

69%
on the go activity

55%
no long queues

69%
ease of locating deals

63%
can do multi-tasking

Source: www.targetingmantra.com

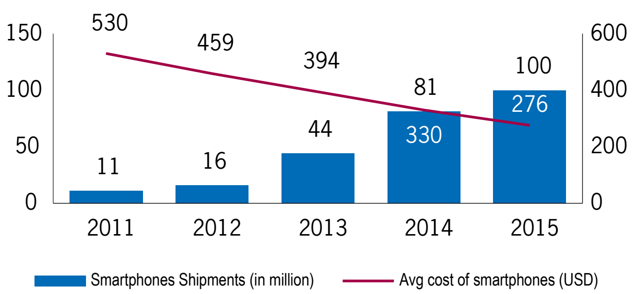
Technology and infrastructure are driving m-commerce growth

Businesses big and small are placing m-commerce at the centre of its strategy as they see immense growth potential from their investments in this space. Right from user research to product/service anytime and anywhere the investments are made to focus and develop m-commerce capabilities.

Mobile today is more than just a calling device as the internet enabled smartphones are an emerging point of commerce – it has become a host of retail outlets in the customer hands. As 9 out of 10 consumers research a product or service on their mobile, m-commerce accounts for nearly 60 percent of online sales in India; on the back of 30 percent to 50 percent growth in online transactions in the tier II and III cities.

M-commerce is fuelled by the availability of affordable smartphones along with affordable mobile data plans backed by the improving telecom infrastructure. Smartphones have caught the Indian market by storm with more than 45 percent of all mobile phones shipped being smartphones in Q1 2016.

Number of smartphones (in mn) and average cost (US$) over the last five years

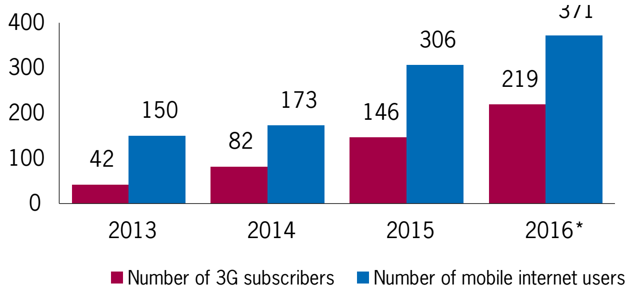


Source: Publicly available data

Moreover, during November 2015, India beat the US to become the second largest market after China, for smartphones. Currently India has 292 mn smartphone users.

Mobile internet spend has steadily increased despite the decline in the average monthly bill as the mobile internet penetration has been growing at a rapid pace making the environment competitive for the telecom operators.

Mobile internet user base (in mn) over the last four years



Source: Publicly available data

Mobile internet user base in India has increased to 371 mn in 2016. The user base is expected to annually grow by 50 mn till 2019 on the back of increasing 3G subscriber base.

While the telecom sector is technologically evolving in India, lack of stable telecom infrastructure (currently, 70 percent of the mobile users are on 2G) may limit the pace of growth due to connectivity issues. This would require m-commerce businesses to make investments to develop lighter apps/mobile websites that load up quickly on the current telecom networks.

With the key telecom players such as Airtel, Vodafone, Reliance Jio and Idea, introducing 4G services in India in 2016, mobile internet usage is expected to increase further. While, 3G share of data services revenue is expected to continue at similar levels in the immediate future, 4G data services are expected to replace 2G's share.

“As smartphone penetration in the country increases, vendors will be able to connect with more and more consumers instantly. This instant connect will create enormous opportunities to explore the potential of m-commerce. This would also mean huge business opportunities for technology providers and app developers. Physical stores will also benefit from the m-commerce platform as retailers leverage technology to entice consumers. Aided by technology, the consumer will have the best of both the physical in-store and the digital experience.”

Dhanraj Bhagat
Partner | Grant Thornton India LLP

Evolving m-commerce offerings

Others

Businesses engaged in mobile apps, digital entertainment, real estate, health tech etc.

Key firms include Bookmyshow, Hike, 1mg Technologies and Housing.com

Retail

Businesses engaged in retail, groceries, jewellery, etc.

Key companies include Flipkart, Amazon, Snapdeal, Shopclues, Myntra, Jabong, BigBasket, Urban Ladder and Pepperfry

Travel, Transport and Logistics

Businesses such as car rental aggregators, travel ventures, logistics, portal for hotels, etc.

Key companies include OLA Cabs, Uber, Delhivery, Oyo rooms, Ibibo, Cleartrip, makemytrip, etc.

On-demand Services

Businesses engaged in on demand home services, repairs, etc.

Key players include Urbanclap, House Joy, MyGlamm and TaskBob

Discovery Platform

Businesses engaged in classifieds, comparison sites, real estate marketplace, etc.

Key companies include Quikr, Olx, CarTrade, Just Dial and Voonik Technologies

FoodTech

Businesses engaged in Food ordering and delivery.

Key companies include Zomato, Swiggy, Holachef, Tiny Owl and Food Vista India

FinTech

Businesses engaged in digital and mobile payment services, mobile wallets, online finance provider, etc.

Key companies include Paytm, Mobikwik, Freecharge.in, PayUMoney, Mswipe, Citrus Payments, etc.

"The transition from traditional model of commerce to e-commerce and now to m-commerce was led by the retail segment. Industry sources indicate that digital commerce accounts for a fraction of the total sales of retail industry. This indicates there is a huge potential for m-commerce, which is yet to fully explore the segments, especially fintech, healthtech, entertainment and on-demand services."

Shanthi Vijetha
Director | Grant Thornton India LLP

The segments and the deal data presented in this section are based on Dealtracker publications 2014, 2015 and 2016 by Grant Thornton in India

M-payments, a key enabler for m-commerce

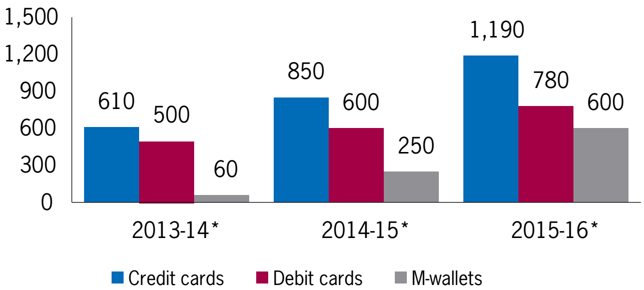
The major challenge for m-commerce in India has been that the users need to link one of their banking instruments such as the credit card, debit card, bank account to their online commerce accounts. The users have not been willing to share such information on the phone as there is a fear that the sensitive information may be comprised.

While online banking and even mobile banking has been around for a long time, mobile wallets have made it easier to shop. From grocery to cab rides to movie tickets to food deliveries to utility bills, almost anything can be bought and paid via simple mobile apps.

Mobile wallet companies operating in India are also offering attractive deals and incentives to attract new users. In recent years, mobile wallet companies have increasingly formed collaborations with service providers and financial institutions to offer a robust and seamless mobile wallet platform to the users.

Over the past four years, mobile wallet transactions have jumped from INR 10 bn (60 mn transactions) in 2012-13 to more than INR 490 bn (600 mn transactions) in the year 2015-16.

Number of transactions (in mn)



* Approximate
Source: http://scroll.in

Furthermore, government initiatives such as Digital India and Jan Dhan Yojna schemes have added significant number of debit cards (over 110 mn) thereby providing these customers access to electronic payments. These initiatives by the government are expected to act as key enablers of this m-commerce transformation.

On 19 August 2015, the Reserve Bank of India (RBI) gave "in-principle" licences to eleven entities to launch payment banks which include Aditya Birla Nuvo, Airtel m-commerce Services, Department of Posts, Reliance Industries, Paytm etc.

Recent update

On 23 November 2016, Airtel Payments Bank+ became the first payments bank in the country which has gone live and has rolled out a pilot project in Rajasthan offering 7.25 percent interest on savings bank accounts. By virtue of the payments bank, Airtel retail outlets will double as banking points by making Airtel mobile number as an account number and allowing cash withdrawals.

Payments banks are a new model of banks conceptualised by the RBI. The goal behind creating these payment banks is to bring about financial inclusion, by making it easier for anyone to get a bank account. The new payment banks will also make people less dependent on cash, even for small sums, and since a mobile wallet could be a bank account soon, this move could, over time, have a big impact on m-commerce.

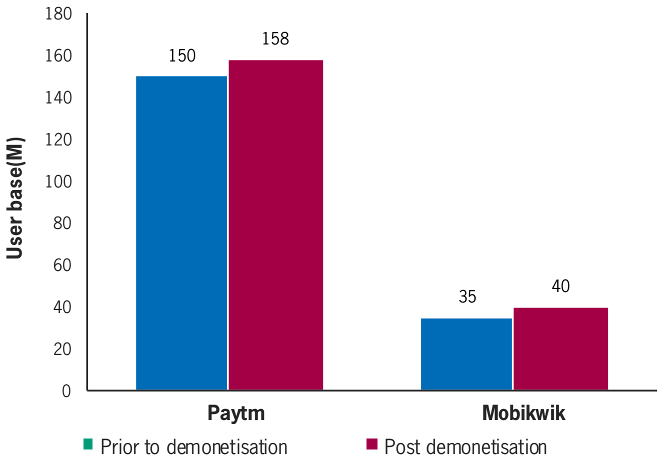
With ever-increasing internet and mobile penetration, increasing government support and the recent demonetisation event, India is all set to witness a massive surge in the adoption of digital payments in the recent future.

"With mobile wallets having specific vendor linkages, the consumers would have to plan their shopping platform preferences in advance. In order to attract a much larger and faster consumer acceptance, mobile wallets need to be independent of these linkages so as to be as flexible as physical cash. Further, continuous innovations in technology and offerings would be key to address the competition posed by other emerging payment systems."

Kuresh Khambati
Associate Director | Grant Thornton India LLP

M-payments, a key enabler to m-commerce

As per media reports, Mobile wallet companies have witnessed significant growth post demonetisation.



Source: www.bloombergquint.com

Per day limit

The RBI temporarily relaxed the limits of Mobile Wallets from Rs 10,000 to Rs 20,000, and allowed merchants to transfer Rs 50,000 per month from wallets to their banks.

Increase in number of transactions

The number of transactions done on Mobikwik's platform to pay for ride-hailing app Uber alone has increased from 20,000 to 1 lakh on a daily basis. Paytm's daily transactions have touched 5 million

Subscriber base of Paytm and MobiKwik increased by 15 mn post demonetisation.

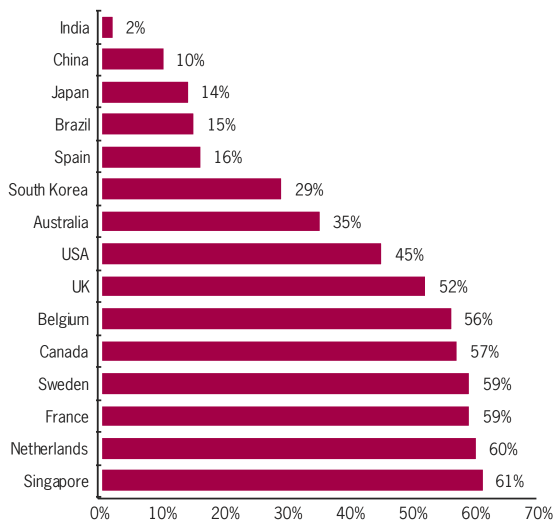
"Time has come for everyone, particularly my young friends, to embrace e-banking, mobile banking and more such technology," PM Modi said in a tweet before his 'Mann Ki Baat' radio address to the nation.

The Prime Minister suggested that mobile should be used for the banking purposes. "My mobile... My bank... My wallet," PM Modi said.

"M-Pesa showed how, combined with technology, a home grown idea can quickly and effectively transform the lives of excluded sections". PM Modi in Kenya in 2016

"Cashless" around the globe:

Countries that lead in cashless transactions and where India stands



Source: Mastercard Advisors

Summary of key government initiatives

Digital India

On 1 July 2015, the Government of India launched the Digital India programme with an objective of making all the government services electronically available to citizens by enhancing the internet connectivity and the online infrastructure. Industry players in India and abroad welcomed and supported the Digital India initiative by committing to invest a whopping US$ 68 bn towards the cause.

Through the Digital India package the Government of India aims to bring about the following different revolutions in the country:

1. to provide nationwide information infrastructure by March 2017 by laying national optical fibre network in all 2.5 lakh gram panchayats.
2. to enhance the processes and delivery of different government services through e-Governance with payment gateway, UIDAI, EDI and mobile platforms.
3. to provide internet services to almost 2.5 lakh villages by March 2017 and 1.5 lakh post offices in the coming two years.
4. to provide electronic services to people related with education, health, farmers, security, justice and financial inclusion through e-Kranti services.
5. to increase network penetration and mobile connectivity in all villages by 2018.
6. to focus on zero imports of electronics by setting up smart energy meters, mobile, micro ATMs, consumer and medical electronics
7. to establish Wi-Fi facilities in all universities across the nation and an aim to make e-mail the main mode of communication
8. to make all information easily available to the citizens through online hosting of data.
9. to establish BPO sectors in North-Eastern States. By 2020 the programme intends to train around 1 crore students from villages and small towns for the IT sector
10. the Government of India has set aside US$ 1.24 bn for creation of 100 smart cities

Payment and settlements

The Vision-2018 for Payment and Settlement Systems in India reiterates the commitment of the Reserve Bank of India to encourage greater use of electronic payments by all sections of society so as to achieve a “less-cash” society. The objective is to facilitate provision of a payment system for the future that combines the much-valued attributes of safety, security and universal reach with technological solutions which enable faster processing, enhanced convenience, and the extraction and use of valuable information that accompanies payments.

The broad contours of Vision-2018 revolve around the 5 Cs:

1. Coverage – by enabling wider access to a variety of electronic payment services
2. Convenience – by enhancing user experience through ease of use and of products and processes
3. Confidence – by promoting integrity of systems, security of operations and customer protection
4. Convergence – by ensuring interoperability across service providers
5. Cost – by making services cost effective for users as well as service providers

Vision-2018 focuses on four strategic initiatives viz., responsive regulation, robust infrastructure, effective supervision and customer centricity.

Unified Payments Interface (UPI)

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.

Understanding of UPI

1. UPI is a payment system that allows money transfer between any two bank accounts by using a smartphone.
2. UPI allows a customer to pay directly from a bank account to different merchants, both online and offline, without the hassle of typing credit card details, IFSC code, or net banking/wallet passwords.
3. UPI is safe as customers only share a virtual address and provide no other sensitive information.
4. Merchant payments, remittances and bill payments amongst others can be paid using UPI.
5. The limit per transaction is INR 100,000
6. Currently, there are 27 live members having UPI enabled mobile apps.

PE/VC funded digital commerce innovation

Online/digital businesses have raised significant investments over the years which accounted for 34 percent, 39 percent and 27 percent of total PE funding in 2014, 2015 and 2016 respectively.

PE/VCs have shown steady interest in online businesses due to the underlying key economic indicators – rising disposable income, growing middle class households, change in lifestyle preferences, opportunity to tap rural market.

The last two years have seen high level of funding activity in the Startups focussing on digital commerce (US$ 1,852mn in 2014, US$ 4,258 mn in 2015 and US$ 1,793 mn in 2016). The relatively older companies such as Flipkart, Snapdeal and OLA cabs have now matured to the PE stage and have attracted investors such as Alibaba and Softbank.

While m-commerce companies have been able to raise subsequent round of investments within the same year, certain deals are now taking months to close as investors have started to step back and question how consumer technology start-ups plan to turn profitable before investing significant amounts in them.

However according to investors, all start-ups, both big and new, will have to work harder to get funds and achieve higher valuations. This is visible in the value of investments till date in 2016 as large investments that took place in 2014 and 2015 did not repeat in 2016. Further some of the PE/VCs have written down the value of their investments in 2016.

The segments and the deal data presented in this section are based on Dealtracker publications of 2014, 2015 and 2016 by Grant Thornton

Summary of PE/VC deals

* January 2016 to October 2016

Segments	No. of deals			Deal value $M		
	2014	2015	2016*	2014	2015	2016*
Retail	43	121	77	2,933	2,414	859
Travel, transport and logistics	20	85	54	395	1,664	497
Discovery platforms	28	91	76	280	583	380
Fin tech	15	47	41	99	379	206
Food tech	6	46	25	151	373	123
On-demand services	4	55	47	7	173	105
Others	64	118	137	348	574	594
Total	**180**	**563**	**457**	**4,214**	**6,159**	**2,765**

Top deals (over US$ 200 mn) in 2014, 2015 and 2016*

Year	Description	$M	$M
2014	Multiple PE/VCs investment in Flipkart	Retail	1,962
	Softbank Corp's investment in Snapdeal	Retail	627
	Softbank Corp's investment in OLA Cabs	Travel, Transport and Logistics.	210
2015	Multiple PE/VCs investment in Flipkart	Retail	700
	Softbank Corp's investment in Snapdeal	Retail	500
	Multiple PE/VCs in OLA Cabs	Travel, Transport & Logistics	900

Number of deals and cumulative deal values in 2014, 2015 and 2016

Flipkart	Snapdeal	OLA Cabs	Big Basket
06	05	05	03
US$ 2,712 mn	US$ 1,434 mn	US$ 1,155 mn	US$ 233 mn

Value of deals · No. of deals

"PE and VC investments in digital commerce space has been very robust although we have witnessed moderation in deal making in 2016 given some of the valuation challenges and sharper focus on profitability and cash flow. However, given the growing digital payment eco-system and recent demonetisation move by the Government, digital payments and associated m-commerce players are expected to grow at a very fast pace which is likely to increase PE/VC investments and deal making in this sector in 2017."

Raja Lahiri
Partner | Grant Thornton India LLP

PE/VC investments by key segments

Others
21%
of 2016 deal value

High investments in 2015 and 2016 were on account of:

- 2015 - SAIF Partners and Mountain in Paytm (US$ 60 mn)
- 2016 - PEs/VCs in Hike (US$ 178 mn)
- 2016 - PEs/VCs in BookMyShow (US$ 82 mn)

On-demand services
4%
of 2016 deal value

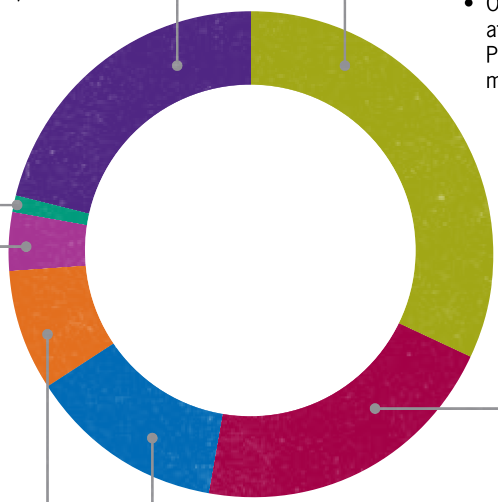
- High investments in 2015 were on account investments by multiple PE/VCs in Urbanclap (cumulative deal value US$ 40 mn) and in House Joy (US$ 26 mn)

Food Tech
4%
of 2016 deal value

- High investments in 2014 and 2015 were on account investments in Zomato (cumulative deal value US$ 120 mn) and in Foodpanda (cumulative deal value US$ 290 mn)

Fin Tech
7%
of 2016 deal value

- Investments in online payments and wallets attracted more than half the value of investments in 2016.
- MobiKwik, Freecharge, Mswipe, Ezetap and Citrus Payment attracted investments



Retail
31%
of 2016 deal value

- Online shopping continued to attract interest, with Flipkart (US$ 2,721 mn) and Snapdeal ($ 1,434mn) getting maximum investment in 2016.
- Online groceries were another segment which attracted interest with BigBasket (US$ 232.8 mn), Pepperfry (US$ 146 mn) and Peppertap (US$ 49 mn) leading the way.

Travel, Transport and Logistics
18%
of 2016 deal value

- Investments in 2014 and 2015 were primarily in OLA Cabs, Delhivery, and Grofers.
- Large investments were not witnessed in 2016. However, car rental attracted investments (~ 47 percent of the deal value), primarily by OLA cabs (US$ 1,155 mn).

Discovery Platform
14%
of 2016 deal value

- Classifieds attracted ~ 50 percent of the total deal value in 2016
- Quikr and CarTrade attracting maximum investment of US$ 379 mn and US$ 178 mn respectively.

The segments and the deal data presented in this section are based on Dealtracker publications of 2014, 2015 and 2016 by Grant Thornton

M&A deals in digital commerce

Value of M&A deals in 2014 and 2016 were high at US$ 918 mn and US$ 2,861 mn respectively due to consolidation by accomplished m-commerce companies to push for geographical customer reach and also expansion of product/service offerings. This space is expected to continue to see deals as in addition to consolidation, optimisation of resources, reduction of losses and rural market reach could be additional drivers.

If large transactions listed alongside are excluded, the total deal value witnessed gradually increased from US$ 270 mn in 2014 to US$ 622 mn in 2015 and later to US$ 731 mn:

- Flipkart acquiring 100 percent stake in Jabong (US$ 70 mn)
- Firstcry acquiring 100 percent stake in Babyoye.com (US$ 54 mn), and
- Titan acquiring majority stake (62 percent) in Caratlane.com (US$ 53M)

Summary of M&A Deals

Segments	No. of deals			Deal value $M		
	2014	2015	2016*	2014	2015	2016*
Retail	10	16	27	517	101	312
Discovery Platforms	9	22	18	69	147	272
Fin Tech	5	10	11	25	453	211
Travel, Transport & Logistics	3	18	13	15	293	1848
On-demand Services	4	7	20	4	25	93
Food Tech	6	8	5	30	76	25
Others	12	30	25	258	127	100
Total	**180**	**563**	**457**	**918**	**1,222**	**2,861**

Travel, Transport & Logistics 65% of 2016 deal value. The share is high in 2016 on the back of US$ 1,800 mn merger of Makemytrip and ibibo

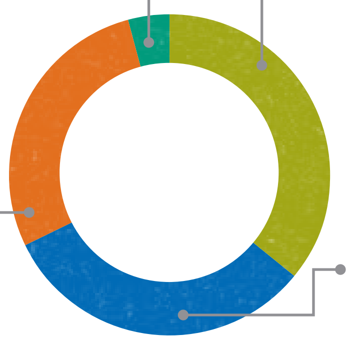
Year	Description	$M	$M
2014	Flipkart acquiring 100 percent stake in Myntra	Retail	340
	eBay increasing its stake in Snapdeal	Retail	134
	New Call Telecom acquiring majority stake (70 percent) in Nimbuzz	Others	175
2015	Olacabs.com acquiring 100 percent stake in TaxiForSure	Travel, Transport & Logistics	200
	Snapdeal acquiring 100% stake in Freecharge.com	FinTech	400
2016	Quikr acquiring 100 percent stake in Maxheap Technologies Pvt Ltd	Discovery Platforms	200
	PayUmoney acquiring 100 percent stake in Citrus Payment	FinTech	130
	Merger of MakeMyTrip with Ibibo	Travel, Transport & Logistics	1800

On-demand services

3%

of 2016 deal value

- Deal activity in 2014 and 2015 in this segment remained stable.
- Growth in 2016 was driven by deals in the Beauty and wellness sub-segment with Naturals Beauty Salon acquiring majority stake in Vyomo. (US$ 15 mn).



Retail

11%

of 2016 deal value

- Growth in 2016 was on account of deals in online retail (online shopping), especially due to Flipkart's acquisition of Global Fashion Group (US$ 70 mn).
- Flipkart has been active in the M&A space as it looks to augment its mobile platform by acquiring other Companies.

Fin Tech

7%

of 2016 deal value

- High deal activity primarily due to MakeSense's acquisition of a strategic stake in ETechAces (US$ 16 mn) and PayUmoney acquiring 100 percent stake in Citrus Payment (US$ 130 mn) and Net1 UEPS Technologies, Inc acquiring minority stake in Mobikwik ($40M)" after Citrus Payment ($130 mn)
- Deals in mobile payments were the most active in 2016.

Discovery Platform

10%

of 2016 deal value

- High deal value in 2014 was on account of News Corporation acquiring a strategic stake (25 percent) in PropTiger.com (US$ 30 mn)
- Growth in 2016 was on account of Quikr India Pvt. Ltd. acquiring 100 percent stake in Maxheap Technologies Pvt Ltd (US$ 200 mn)

The segments and the deal data presented in this section are based on Dealtracker publications of 2014, 2015 and 2016 by Grant Thornton

Potential fraud risks in digital commerce - perspective

Samir Paranjpe
Partner
Grant Thornton India LLP

It has been more than two weeks since the move to ban the erstwhile INR 500 and INR 1000 notes was announced. The demonetisation move was exactly the fillip the fledgling m-commerce ecosystem in India was looking for. Media articles indicated that Paytm had hit a record breaking 5 mn transactions a day less than a week after the demonetisation announcement. Mobikwik another mobile wallet also reported that its downloads doubled and that the provider was able to add 2,000 users daily. However, it must be noted that even before the demonetisation was announced, mobile transactions had tripled in the second quarter of the year 2016 as compared to the previous year.

The demonetisation announcement has only accelerated the move towards m-commerce that was well under way. However, during these times of exponential growth, we must also bear in mind the various challenges and threats that the m-commerce ecosystem faces. One such threat is the threat of fraud. Typically, fraud risks to the m-commerce industry can be classified into three major categories - people, processes and technology.

The determinants towards frauds and risks are entwined under the categories of people and processes, wherein, people/stakeholders in this sector - whether they be the service providers/third parties associated with the service providers or users or regulatory authorities – are the ones who drive the processes. The service providers/third parties associated with the service provider may supply counterfeit products/inferior quality of services against payments received thereby hampering the brand image of the service provider as well as the brand of the product itself. The customer on the other hand may keep the products/services and may not pay for it or may extract a refund. Not to forget is the risk of theft of inventory on the way or cash collected from customers by logistics service providers themselves. Sellers at times, buy their own inventory online in order to benefit from the cash back process. There have been various media articles which have attested to the frauds that have taken place in this sector and thus have highlighted the fraud risks that this sector faces.

A news article reports an instance wherein a customer from Hyderabad purchased goods worth INR 2 mn and then replaced them with fake items and then returned the same to the e-commerce portal and obtained refunds.

Another news article reports an instance wherein a buyer purchased cosmetic products of a leading consumer products company online. However, the packaging looked different and so he sent it to the company for testing which confirmed that the products were fake.

There were instances wherein drivers ply for both the leading taxi aggregators and at times book and accept rides in their own cabs cross using both the apps so as to complete the minimum requirement of trips for them to obtain incentives.

Restaurants too book orders with their own establishments and later on cancel them to pocket cash incentives offered by food tech companies for meeting targets on orders.

So the fraud risks relating to people and/or processes are a part and parcel of each and every sector – the variations across sectors is in the way it is executed. However, the big variable in m-commerce which is rapidly changing and evolving every day is technology. In m-commerce, security is the key concern across service providers/third parties associated with service providers, customers as well as regulatory authorities. It is crucial that the technology deployed in the hand held devices and the various applications is safe and secure. To add to that, from an adoption to technology perspective, a large segment of the Indian users are relatively lesser aware about the presence and usage of technology available on their mobile devices and hence the technology related fraud risks become all the more magnified.

Lapses on the technology front could lead to phishing/pharming, wherein an unsuspected user may be directed to another fraudulent website on his hand held device from wherein his personal details may be stolen leading to a case of Identity Theft. These personal details would then be used to make fraudulent purchases using stolen account and card details. The customer could also be tricked into making m-commerce payments to the wrong people. Hackers may gain access into networks to obtain the huge amounts of personal details stored onto a mobile device and could misuse those.

Software glitches could lead to multiple payments being made or payments being made, however the transaction being interrupted. This in turn destroys the brand's image wherein a customer once defrauded is unlikely to use the same service provider again.

From a fraud risk mitigation standpoint, m-commerce poses other challenges wherein fraud detection tools used in the e-commerce space towards risk management are not so effective for detecting frauds in the m-commerce industry. An example would be the usage of geo- location detection wherein transactions are marked out as red flags in case the user's location is different from its usual location in the case of e-commerce transactions. However, in case of m-commerce transactions, it is quite natural that a user could be at any place considering the transactions are taking place through a portable hand held device.

While the m-commerce field is relatively new and is still growing and evolving on the basis of newer technologies, it will be imperative to have a holistic risk management approach to be able to adapt to the every changing environment.

However, m-commerce companies are also looking at innovative solutions to manage fraud risk. One such solution is carrying out Device ID Fingerprinting which aims to capture details of the device used while carrying out transactions.

Another way is the innovative use of data analytics to identify potentially fraudulent profiles or transactions. The customer profile database is maintained and scrutinised in detail to identify red flags. Transaction risk assessment solutions use advanced data mining and analytical methods in order to identify issues in transactions. Automated transaction scoring, real time transaction tracking, transaction verification and rule based filters helps understand and categorise the nature of transactions based on pre-defined rules and risk assessments. The data points to be looked at, pertain to customer's personal details, address, phone number, transactions in terms of customer behaviours and purchase patterns. This would definitely help identify outliers for a deep dive review and assist in controlling frauds. The real test would be applying these analytical procedures in a way so as to keep false positives to a minimum.

From a pure-play technological solutions perspective, the authentication of transactions via 3D Secure aim to verify the transaction at each stage of the transaction beginning from the merchant, the bank which receives the collections, the bank whose card was used and other intermediary software providers. Periodic reviews are also performed to ascertain the existence or probability of introduction of browser malware into the systems or any other forms of system attacks.

There are also detective mechanisms available towards addressing fraud issues which involve performing mystery shopping procedures on a periodic basis to detect unscrupulous stakeholders. Many such aggregators blacklist suppliers at the time they detect that any of those had been involved in any malpractices.

Having clear procedures and policies in place is also important to have an effective fraud management approach. All stakeholders need to be continuously made aware of the risks and best practices to follow so as to avoid being duped. A leading e-commerce major issued a notification on fraudulent sites and fake offers so as to safeguard its customers, just prior to its annual sale day.

Last but not the least, having a fraud response mechanism is vital towards ensuring that even in case of an occurrence of an unfavourable incident, the damage is contained and a resolution arrived at in a short period of time.

The key thing is that all the fraud management strategies will need to be innovative, easy to adopt and flexible to be able to mitigate fraud in a fast changing world of m-commerce.

Regulatory framework – changing landscape

Riaz Thingna
Director
Grant Thornton Advisory Private Limited

The digital era has transformed the conventional methods of doing trade, business or commerce for goods and services. Technology and innovation have erased the boundaries between various countries and transactions are effected virtually by a 'single click' over desktops and mobile phones. With cheaper handsets and a variety of internet data plans, the accessibility to the market for customers has eased significantly.

While intra-country transactions could pose limited tax and regulatory challenges, inter-country transactions could give rise to issues requiring detailed analysis in order to ensure that the tax leakages arising on account of such transactions are plugged.

Broadly, the key tax issues faced by the e-commerce/m-commerce players can be classified into two categories:

- Characterisation of Income
- Existence of a Permanent Establishment

1. Characterisation of Income

Taxability of income in India is based on the characterisation of income. Active income is classified as business income and passive income is characterised as Fees for Technical services (FTS), Royalty, Interest, Dividend etc.

The Income tax Act, 1961 ('the Act') has widened the ambit of the term 'royalty' vis-à-vis the definition recognised in tax treaties globally. This has resulted in various Appellate Authorities/Courts expressing divergent views relating to the characterisation/taxability of income as Royalty/FTS. At times, the courts have also rendered judgments relying upon the domestic tax provisions, and deviated from internationally accepted provisions in the tax treaties.

While the OECD has issued guidelines on various aspects such as business to consumer (B2C) electronic commerce, given that fact that mobile service is ubiquitous, it is important to address the tax issues by drafting policy/guidelines for mobile commerce.

It is also imperative for legislators to introduce the tax framework for the sector given that 'virtual vs. physical presence' is influencing several tax issues owing to digital economy.

2. Existence of a Permanent Establishment

Business Income earned by Non-residents is taxable in India provided they constitute a permanent establishment (PE) in India. In the absence of a PE, such income is not taxable in India, based on the principle, 'No PE No Tax'.

As per the existing test laid down in the Double Taxation Avoidance Agreements (DTAA), a fixed base is one of the essential requisites to form a PE in India. The intangible nature of mobile commerce transactions makes it difficult to determine the existence of a fixed base in India.

While there are certain premises based on which entities are said to have constituted a PE in India, entities often take advantage of the absence of a fixed base and do not pay any tax in India, circumventing the tax net.

Considering the surge in digital transactions, the Government is at a risk of a significant loss of revenue especially for companies operating in the virtual space.

While the Base Erosion Profit Shifting programme does offer respite, measures to plug the loopholes in the existing tax treaties is imperative. Existing treaties rely upon geographical connect, as they were not entered in the mobile commerce era. Hence, countries have started taxing such digital transactions autonomously, leading to inconsistency, and at times hardship to the genuine tax payers.

Regulatory

M-commerce like e-commerce is regulated in India by various legislations. The RBI has established a framework to regulate and supervise participants like online business entrepreneurs, operators of payment systems, persons issuing pre-paid payment instruments etc. ensuring development of these segments in a cautious and customer friendly manner.

Various legislations have been enacted to regulate the electronic mode of market covering m-commerce serving policy and guidelines prescribing eligibility criteria for payment system operators in the issuance of prepaid payment instruments in India.

a. The Payment and Settlement Systems Act, 2007 governs transactions in the payment system operator market. The key features are:

 — Protection of customer funds, timely payments to merchants, rights & duties of the service provider, procedure for settlement of disputes and the penalties thereof
 — Policy guidelines on Issuance & Operation of prepaid payment instruments in India, eligibility norms, capital adequacy norms with respect to the minimum paid up capital, net worth, KYC norms vis-à-vis the transaction value, the permissible credits and debits etc.
 — Payment intermediary guidelines for collection of monies received from the customers, maintaining nodal accounts, subsequent transfer to the merchants within the time period prescribed under the Act and other permissible credits and debit etc.

Capitalisation requirements

The RBI prescribes capital adequacy requirements for persons seeking authorisation to issue prepaid payment instruments.

It further classifies the type of prepaid payment instruments that can be issued based on the customer due diligence i.e. KYC norms fulfilled by customers.

b. Payment Intermediary Guidelines

The direction by RBI prescribes that all persons who facilitate delivery of goods/services immediately/ simultaneously (e.g. Travel tickets/movie tickets etc) on the completion of payment by the customer shall not fall within the definition of the expression "intermediaries".

Thus, transactions in the nature of 'Delivery vs. Payment' will continue to be governed by the contracts between merchants and such intermediaries.

The banks maintain internal accounts that are opened and maintained by the intermediaries to facilitate collection of payments from customers of merchants. The direction from RBI also prescribed the permissible debits and credits from such accounts.

c. Online payment Gateway Service Provider Guidelines

The RBI has released a directive to allow the AD category-I banks to offer facility of payment for imports by entering into standing arrangements with the Online Payment Gateway Service Providers ('OPGSP').

The banks are directed to report details of such arrangement before entering the same and lay down sets of instructions to be followed by such banks.

The direction also prescribes conditions for any foreign entity wiling to operate as OPGSP in India and further lists down the criteria's for import and export transactions.

d. Card Regulations

The RBI mandates to confirm user's identity by utilising a combination of 2 factors known as 2 Factor Authentication ('2FA'). In case of online payment, say using a CVV number of the credit or debit card and one-time password ('OTP') generated by the bank to verify the authenticity of the payer.

RBI also noted that contact less cards should necessarily be chip cards adhering to the EMV payment standard.

e. Money Transfer Service Scheme

Money transfer saving scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.

The RBI in its directive has laid down guidelines to be adhered by the overseas principle and Indian agents who form part of the scheme.

f. Apart from these specific regulations, other general regulations having an impact on m-commerce are as follows:

- The Prevention of Money Laundering Act and Rules regulated by the Reserve Bank of India (RBI) deal with money laundering activities and know your customer norms.
- Foreign Exchange Management Act (FEMA) also regulated by the RBI cover the cross border transactions including guidelines for foreign investment in India.
- The Companies Act, 2013 governed by the Ministry of Corporate Affairs deal with requirements of incorporating an entity in India and it's administrative and legal functions.
- The Telecom Regulatory Authority of India also provides regulations for mobile based transactions.
- The Information Technology Act permits the use of electronic agreements, digital signatures etc. to facilitate completion of the legal formalities involved in a transaction.

Potential impact of GST on digital businesses

Biren Vyas
Director
Grant Thornton India LLP

As various announcements from the Governments setup new prospects for the industries and citizens in India, one such big announcement is the proposed new tax reform i.e. The Goods and Services Tax (GST). The proposed introduction of GST has triggered seriousness among industries operating in India. More specifically with the regard to the approach and implementation perspective which has a wider impact on industries and consumer and in turn on the economy at large.

Introduction of GST would provide a platform to both – government and industry, for a structured approach and productive focus on business growth contrary to ambiguous and cost inefficient approach.

In India while there are multiple emerging sectors resulting from globalisation and liberlisation of FDI policies, m-commerce is one of such area which has emerged as an entrant in recent years and is in a galloping mode. In a short time span with the technology support, m-commerce industry has spread in multi-functions such as trader, agent/ intermediary, aggregator and online platform supporter. Thus, it has grown in B2C – inventory based model, B2C-market placed based model, B2C aggregator model, B2B and C2C m-commerce model. However, the plethora of indirect tax complexities has been more of an obstacle than driver for growth. It is surrounded with multiple challenges including key issue like:

- Cumbersome interstate movement of goods on account of various compliance barriers like road permits, waybills, entry tax, other statutory forms
- Increasing tax cost in absence of cross credit mechanism between VAT, CST and service tax
- State specific tax structure creates challenges in pricing and valuation of product
- Limitation arising due to ambiguity in levying tax by state authorities

GST implementation would need to be a planned and meticulous approach by industries, including m-commerce to ensure alignment with the business goals, to keep pace with the new tax environment and also to ensure commercial feasible business model. Thus, it would be provide an opportunity to revamp the business model to enable management to focus on core business activities.

While various industry players would have different approach suitable to sector in which they are, for m-commerce, analysis and evaluation of following points would help for solution driven approach.

Business decision driven:

- Work-out a competitive price model and valuation considering 'one India' tax structure
- Price re-negotiation with supplier basis positive or adverse impact of GST on vendor's sectors
- Possibility of credit claim efficient model considering subsuming of taxes on entry of goods and availability of credit across
- Evaluation of possibility of credit distribution model i.e. input service distribution ('ISD')
- Impact on working capital in view of possibility of levying creditable GST on interstate stock transfers
- Maintain robust inventory level considering standardisation in tax rate and compliance with e-platform support from Government would help in efficient monitoring and maintaining of inventory
- Approach to free supplies to be worked out considering it could be taxable under GST
- Evaluate re-structuring of bundled supplies which could be taxed differently under GST

Compliance driven:

- Identification of locations for registration and payment of tax, basis business model to be implemented/continued under GST regime
- Smooth handling of new tax and compliance proposed under GST i.e. TCS on e-commerce, as this may push industry towards tax costlier model
- Implementation of robust logistic support, considering scrapping of state specific road permit/waybills requirements and also support of standardised e-platform from government
- Establish compliance efficient model considering standardisation of compliance across India

On an overall basis, evaluating the possibilities and building operation efficiency under proposed GST regime looks one time considerable investment for an industry including m-commerce where challenges under current regime are more, however would give results also accordingly.

Online business - evolution and challenges

Retail

Flipkart	
Head Quarters	**Presence**
Bangalore, Karnataka	Pan India

September 2007
Launched operations by selling books

2008
Established 24 x 7 customer support

2010
Launched music, movies and mobiles and cash on delivery

2011
Launched dedicated logistics for faster delivery and

30-day replacement policy

2012
Launched lifestyle and fashion portfolio

2013
Sold one lakh books in a single day

2014
Raised funding from Tiger Global Management, Naspers, Accel Partners and Morgan Stanley Investment Management and acquired Myntra

2015
Launched experience zones to enable customers to walk into their nearest collection centre to collect their shipment and launched flipkart lite (a version of an app or website for the slower networks)

2016
First Indian App to cross 100 mn registered customers

Snapdeal	
Head Quarters	**Presence**
New Delhi	Pan India

February 2010
Started Operations

January 2011
Raised funding of from Nexus Venture Partners and Indo-US Venture Partners.

June 2011
Acquired Bengaluru-based group buying site, Grabbon.com.

February 2012
eRetailer of the Year & Best Advertising campaign of the year - Indian eRetail awards 2012 organised by Franchise India

August 2015
Raised funding from Alibaba Group, Foxconn and SoftBank

Dec 2015
Focused on reducing delivery timer

Shopclues

Head Quarters	Presence
Gurgaon	Pan India

July 2011
Started Operations

2012
Raised series A funding of US$ 4 mn from Nexus Venture Partners

2013
Awarded Best E-Commerce Site of the Year' by Global Youth Marketing Forum

2015
Invested in real-time shopping-assistant app HeyBiz

July 2015
Acquired mobile payments startup Momoe Technologies

Challenges with traditional business	How the environment changed	Challenges with M-commerce business in this segment
• Accessibility – a physical presence required • Scope of business limited to particular area • No uniform platform for exchange of information • One way marketing • Transactions are manually processed • Low inventory stocking • Limited space under management	• Home delivery • Large variety • Accessibility 24 x 7 • Large geographical reach • Screen-to-face: Indirect customer interaction • One-to-one marketing	• Wavering customer loyalty – large budgets for client acquisition and retention • Earning customer trust is difficult • Goods cannot be physically inspected, hence limited appeal for customer • Logistic challenges • High share of cash on delivery

Travel

Ola

Head Quarters	Presence
Bangalore, Karnataka	100+ cities in India

January 2011
Started operations founded by Bhavish Aggarwal and Ankit Bhati

May 2011
Angel funding from Anupam Mittal and Rehan Yar Khan

April 2011
Series A funding from Tiger Global

July 2013
Bags mBbnth Award South Asia for its unique mobile application that addresses on-ground uncertainties faced by most

November 2013
Raised Series B Matrix and funding from Tiger Global

December 2013
Best startup of the year by India Digital Awards

July 2014
Raised Series C from Steadview Capital and Sequoia Capital

March 2015
Reached 1 mn trips per day and acquired Taxi for Sure

Challenges with private operators	How the environment changed	Challenges with M-commerce business in this segment
• Refusal of service, unionised approach hence relatively expensive • Long waiting time • Only cash	• Instant availability of cabs • Economical options available • Faster redressal of customer complaints • Promoted entrepreneurship in drivers	• State regulations which may differ across states • Issues relating to surge pricing • Retention of driver/cabs • Investments to be made in own fleet

Fintech

Paytm	
Head Quarters	**Presence**
Noida	26 cities in India

2010
Started operations

January 2015
Morphed into ecommerce market space to compete Amazon and Flipkart

August 2015
Cross 100M users

September 2015
Chinese E commerce giant Alibaba group invests

November 2016
Government asks Paytm to digitize rural cash for transfer of money given through welfare schemes

Challenges faced for making payments in cash/online	How the environment changed	Challenges with M-commerce business in this segment
• Visit a store for recharge or bill payment • Long queues • Time consuming • Use of cash/cheque for payment • Security concerns for the payment to be made • Customer education was low	• Returns and refund facility available • Convenient tracking of payment using mobile app • Omnipresent, available on various Commerce such as Uber, zomato, Swiggy, Big basket etc and E-commerce platforms such as Amazon, Flipkart etc. • Cashback and rewards available • Use of Paytm wallets to exchange funds • Reduction of cash usage in economy	• Security risk, if mobile device is lost • Blockage of funds with no returns • Transfer only through bank accounts • Vendor linkages restrict usage

Foodtech

Zomato	
Head Quarters	**Presence**
Gurgaon, Haryana	India + 22 countries

2008
Started as a restaurant listing site Foodiebay.com by Deepinder Goyal and Pankaj Chaddah

August 2010
Received first funding from Info Edge (India)

November 2010
Renamed as Zomato

September 2012
Launched operations in Dubai and UAE

January 2014
Acquired New Zealand's Menu -maia

Q1 2015
No of listed restaurants increased to over 350,000

February 2016
Achieved breakeven in 6 countries out of 23

August 2016
Reaches 1 M orders per month

Challenges with traditional mode of calling up restaurants and placing an order	How the environment changed	Challenges with M-commerce business in this segment
• Lack of information about new restaurants • No pubic reviews available • No tracking of ordered food • Difficulty in ordering food if restaurant does not deliver food • Difficulty in booking a table • No portal to provide information about the kind of food the restaurant offers and opening and closing hours • Overview of dining budget	• Availability of information about the restaurants at the click of a button • Menu cards for restaurants available • Information of new and trending restaurants • Tracking of order placed • Card and wallet payment options • Booking a table online • Online reviews available • Pictures on food and restaurant available	• Restaurants may try to fake reviews • Not able to search for top restaurants for a specific dish • Validity and updation of data • Danger to sustainability as excessive discounts offered to customers • Large advertising expense • Sustainability of fares is low

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Credits and Acknowledgement

Grant Thornton

Authors
Shanthi Vijetha
Kuresh Khambati
Mehernosh Bharucha
Shruti Khanna

Editorial and review
Samridhi Jamwal

Design
Mrityunjay Gautam

For further information, please contact:

Raja Lahiri
Partner
Grant Thornton India LLP
M: +91 98860 56465 | **E:** Raja.Lahiri@IN.GT.COM

About Confederation of Indian Industry (CII)

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organisation, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 8000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 240 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialised services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

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The CII theme for 2016-17, **Building National Competitiveness**, emphasizes Industry's role in partnering Government to accelerate competitiveness across sectors, with sustained global competitiveness as the goal. The focus is on six key enablers: Human Development; Corporate Integrity and Good Citizenship; Ease of Doing Business; Innovation and Technical Capability; Sustainability; and Integration with the World.

With 66 offices, including 9 Centres of Excellence, in India, and 9 overseas offices in Australia, Bahrain, China, Egypt, France, Germany, Singapore, UK, and USA, as well as institutional partnerships with 320 counterpart organisations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 45771000 / 24629994-7 • **F:** 91 11 24626149
E: info@cii.in • **W:** www.cii.in

Reach us via our Membership Helpline:
00-91-124-4592966 / 00-91-99104 46244

CII Helpline Toll free No: 1800-103-1244

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- "http://www.npci.org.in"

Contact us

To know more, please visit **www.grantthornton.in** or contact any of our offices as mentioned below:

NEW DELHI
National Office
Outer Circle
L 41 Connaught Circus
New Delhi 110001
T +91 11 4278 7070

AHMEDABAD
BSQUARE Managed Offices
7th Floor, Shree Krishna Centre
Nr. Mithakali Six Roads
Navrangpura
Ahmedabad 380009
T +91 76000 01620

BENGALURU
5th Floor, 65/2, Block A,
Bagmane Tridib, Bagmane Tech Park,
C V Raman Nagar,
Bengaluru - 560093
T +91 80 4243 0700

CHANDIGARH
B-406A, 4th Floor
L&T Elante Office Building
Industrial Area Phase I
Chandigarh 160002
T +91 172 4338 000

CHENNAI
7th Floor, Prestige Polygon
471, Anna Salai, Teynampet
Chennai - 600 018
T +91 44 4294 0000

GURGAON
21st Floor, DLF Square
Jacaranda Marg
DLF Phase II
Gurgaon 122002
T +91 124 462 8000

HYDERABAD
7th Floor, Block III
White House
Kundan Bagh, Begumpet
Hyderabad 500016
T +91 40 6630 8200

KOCHI
7th Floor, Modayil Centre point
Warriam road junction
M. G. Road
Kochi 682016
T +91 484 406 4541

KOLKATA
10C Hungerford Street
5th Floor
Kolkata 700017
T +91 33 4050 8000

MUMBAI
16th Floor, Tower II
Indiabulls Finance Centre
SB Marg, Elphinstone (W)
Mumbai 400013
T +91 22 6626 2600

MUMBAI
9th Floor, Classic Pentagon
Nr Bisleri factory, Western Express Highway
Andheri (E)
Mumbai 400099
T +91 22 6176 7800

NOIDA
Plot No. 19A, 7th Floor
Sector – 16A
Noida 201301
T +91 120 7109 001

PUNE
3rd Floor, Unit No 309 to 312
West Wing, Nyati Unitree
Nagar Road, Yerwada
Pune- 411006
T +91 20 67448800

For more information or for any queries, write to us at **contact@in.gt.com**

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