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Zoomcar has been exploring options to merge with its rivals.

Car rental startups juggle between revenue models to boost profit

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Leading vehicle rental firms Zoomcar and Drivezy have both cut short their on-going funding rounds

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Topics

Zoomcar

BENGALURU : Vehicle rental startups operating four-wheeler fleets have had a rough time in the last two years. The startups have been experimenting with several revenue models such as subscriptions and franchise, ever since their launch in India in 2012-13. Now, investor pressure mounts on car rental startups as they seek a sustainable revenue model, taking a toll on funding.

Leading vehicle rental firms Zoomcar and Drivezy have both cut short their on-going funding rounds, said three people aware of the development, asking not to be named. Zoomcar has also been exploring an option to merge with its competitors, according to reports.

In 2019, Drivezy held talks with SoftBank and Amazon but both talks fell through. Drivezy then cut short its funding round from the $100 million it was eyeing in early 2019 to less than half, according to one of the people cited above. The startup is now expected to raise just around $35-40 million at a $135 million valuation, the person said. Drivezy is currently valued at around $200 million.

Drivezy confirmed the developments in an emailed response. In February, digital news portal Entrackr reported that Zoomcar held similar merger talks with Gurgaon-based car rental startup Revv.

Revv and Zoomcar, however, denied holding talks.

Zoomcar, which was expected to raise up to $500 million for its Series D round, now has cut short the funding round to just $100 million, added two of the people. The startup recently said that it secured $30 million in a round led by Sony Innovation Fund, with plans to raise another $70 million soon.

A Zoomcar spokesperson, however, termed Sony’s investment as a “pre-Series" round and that it will raise more money and denied that it has cut short the funding.

Both Drivezy, and Zoomcar initially launched as an aggregator, buying vehicles directly on its balance sheet either through equity money or through financing options from banks and other lending institutions. However, as these companies began to scale, both firms pivoted to newer revenue models in order to bring down capital expenditure (capex) on procuring vehicles.

Zoomcar had unveiled its ‘Zoomcar Associate Program’ (ZAP) in April 2016, a model where private vehicle owners—individuals, fleet operators, dealers, etc.—could list their own cars onto the platform. With this, Zoomcar removed the cost of procuring vehicles.

Drivezy too unveiled a similar franchisee model in 2019, where it allowed private owners to list directly on the platform. However, the ZAP model hasn’t scaled as expected, said an investor in the mobility space who evaluated Zoomcar, asking not be named.

"For ZAP model to succeed on the supply side, you first need a lot of people who own cars to go and list on the platform at least during the weekend," the investor said.

To solve this problem, Zoomcar introduced a subscription option in 2018 wherein users could subscribe to a car for a period of 6, 12, 18, and 24 months.

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Zoomcar

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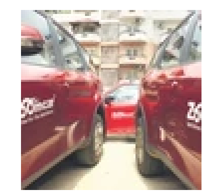

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