

Open Slice Flipkart MPL BrowserStack Oxyzo ElasticRun Spinny Swiggy
InMobi Cars24 FirstCry Groww Rivigo Purple Zeta Games24x7 XpressBees boAt
PhysicsWallah Eruditus Shiprocket Upstox Mamaearth NoBroker Upgrad Vedantu
Big Basket Share Chat CoinDCX Apna LEAD School Fractal Byju's
Lens Kart Acko Glance Paytm Mall Droom CarDekho Amagi
DailyHunt OfBusiness Cred BharatPe Pine Labs cure.fit
Livspace Pristyn Care DealShare
Ola



RIGHT NOW

THE STARTUP NEWSLETTER

WRAPPING UP 2022

MensaBrands Meesho Zetwerk
Blinkit Ola Electric Renew Power
Global Bees Rebel Foods Moglix
BlackBuck Tata 1mg
Mu Sigma Digit Insurance
Dream 11 Dhelivery
Darwinbox LeadSquared Zomato Zerodha Licious



A DIFFERENT PERSPECTIVE ON INDIAN UNICORNS

This image was created using a generative AI tool

IN THIS ISSUE

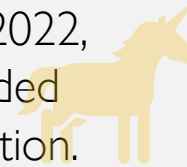
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INDIA'S 2022 UNICORN STORY IN NUMBERS

20

Only 20 Indian Startups turned Unicorn in 2022, half of 2021, taking the total to 88. They added \$25.66 Billion to accumulated Unicorn valuation.



**over
250,000**

People were employed by Indian Unicorns at the end of FY22.



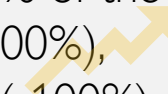
-49%

Listed Unicorns on an average lost 49% of their value in 2022, with Paytm leading at -60%.



**1
/6**

Only 1 out of 6 Unicorns are profitable. About 56% of the remaining Unicorns have a net margin of up to (-100%), while the remaining have a net margin lower than (-100%).



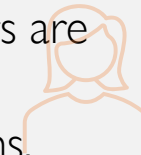
2

Only 2 Unicorns got listed in 2022, taking the total listed Unicorns to 6. While 4 others delayed/withdrew their IPO filings citing market conditions.



25

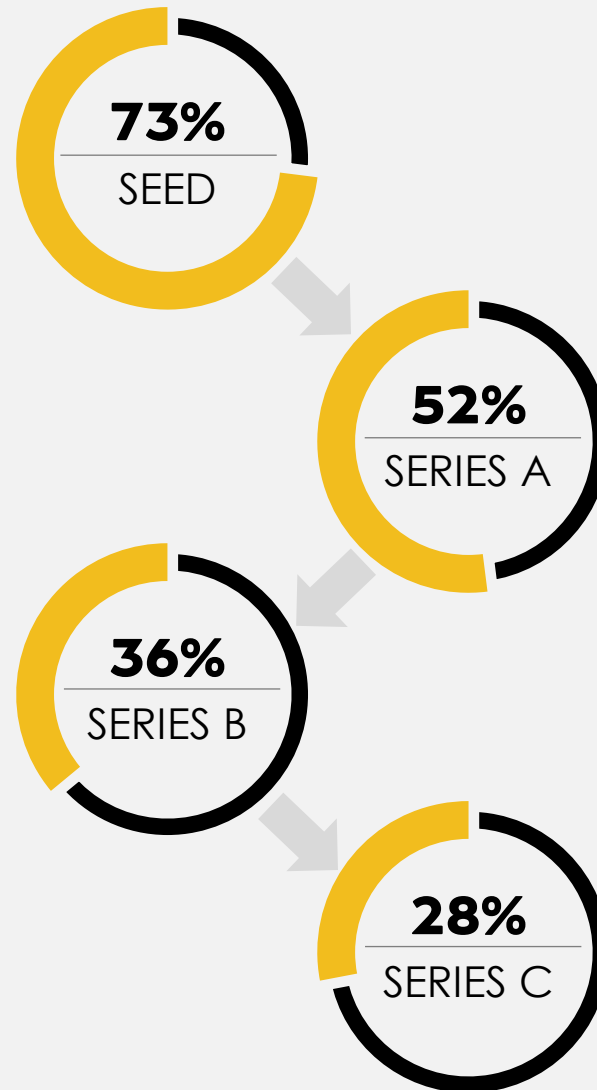
Only 25 co-founders are Women, having co-founded 22 Unicorns.



HOW MUCH STAKE SHOULD FOUNDERS RETAIN?

For entrepreneurs, there's a lot riding on the outcome of their negotiations with potential investors. The biggest trade off being between the funds they seek from the investors and the control that they're willing to give away in return. Here's what we found out by churning the data of India's 88 Unicorns:

- **Seed Stage** – At the end of the seed round of funding, the founders were collectively left with a median ownership stake of 73%. However, founders of MamaEarth, DealShare and boAt retained over 90% stakes in seed stage.
- **Series A** – At the end of Series A round, founders retained a median ownership stake of 52%. However, several Unicorns like OfBusiness, Upstox and Elastic Run had founders' share greater than 70% after Series A. Whereas the founders share in Xpressbees and PineLabs were less than 20%. Founders of boAt retained about 90% of their stakes in Series A round.
- **Series B** – At the end of Series B round,



founders retained a median ownership stake of 35%, diluting 17% from the last round. However, in some Unicorns like GlobalBees, Acko and Slice, founders' share was lower than 12%.

- **Series C** - At the end of Series C round founders were left with a median ownership stake of 28%. The founders of only 2 Unicorns - Pristyn Care and Upstox continued to own a majority stake (i.e. >50%) at the end of Series C.

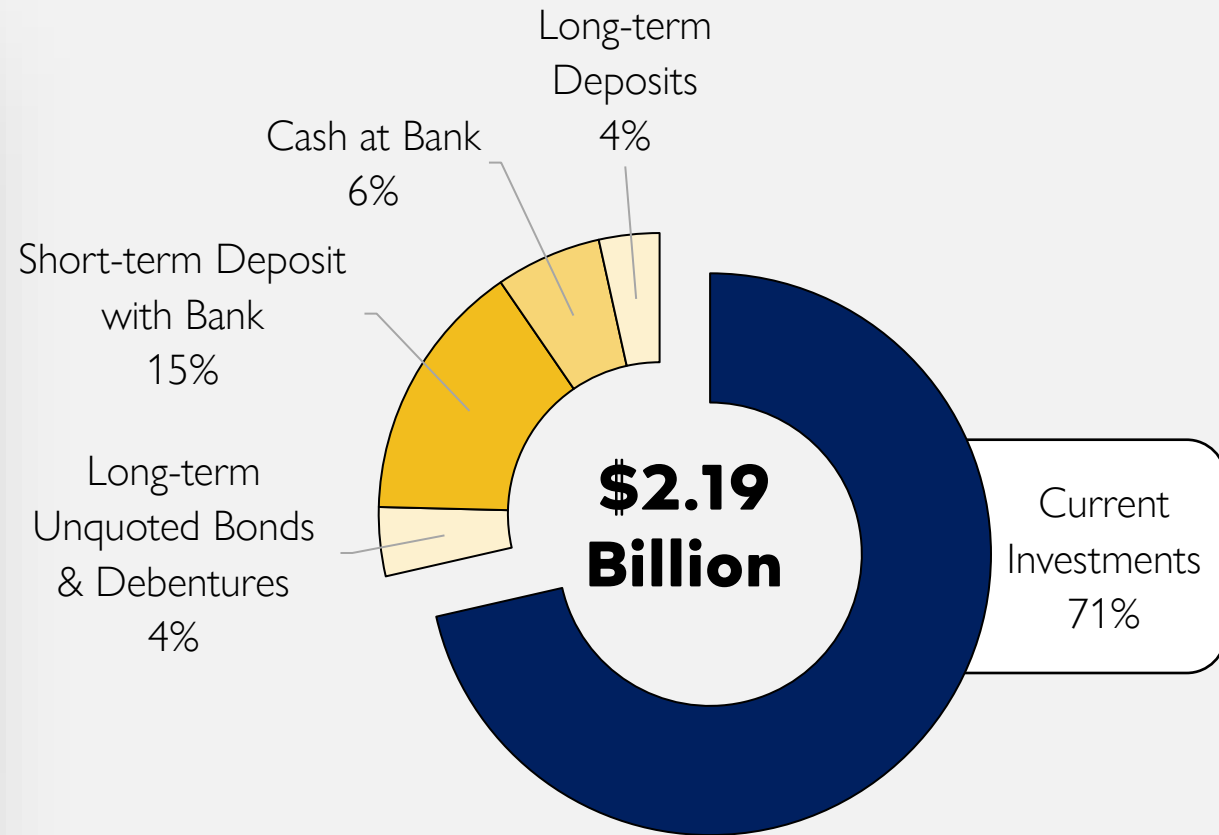
So now you have a robust benchmark to beat. If you're diluting less than 27% in the seed stage, for example, you know you're better than an average Unicorn. Now, on that note, let's revise this lesson from the book 'Venture Deals' by Brad Feld and Jason Mendelson –

*A few **compromises** are just a part of the game, but be sure you know exactly what you want when it comes to **money** and **influence**. Moreover, set your **own limits** and know when to **walk away** from the negotiation table.*

WHERE DO UNICORNS PARK IDLE FUNDS?

Time and again you must've heard in 2022 (42 times to be precise), that a Startup raised funds north of a **hundred million dollars**. Of course all the news about mammoth valuations took the limelight, but did you ever wonder where these Startups park these fat cheques until they actually want to use them?

We handpicked 5 Unicorns which were flushed with accumulated funds of **\$2.19 Billion** as at 31st March'22, and found out their **strategy of dealing with idle funds**. Here's what it all boils down to:



Here's how current investments were allocated among different kinds of instruments

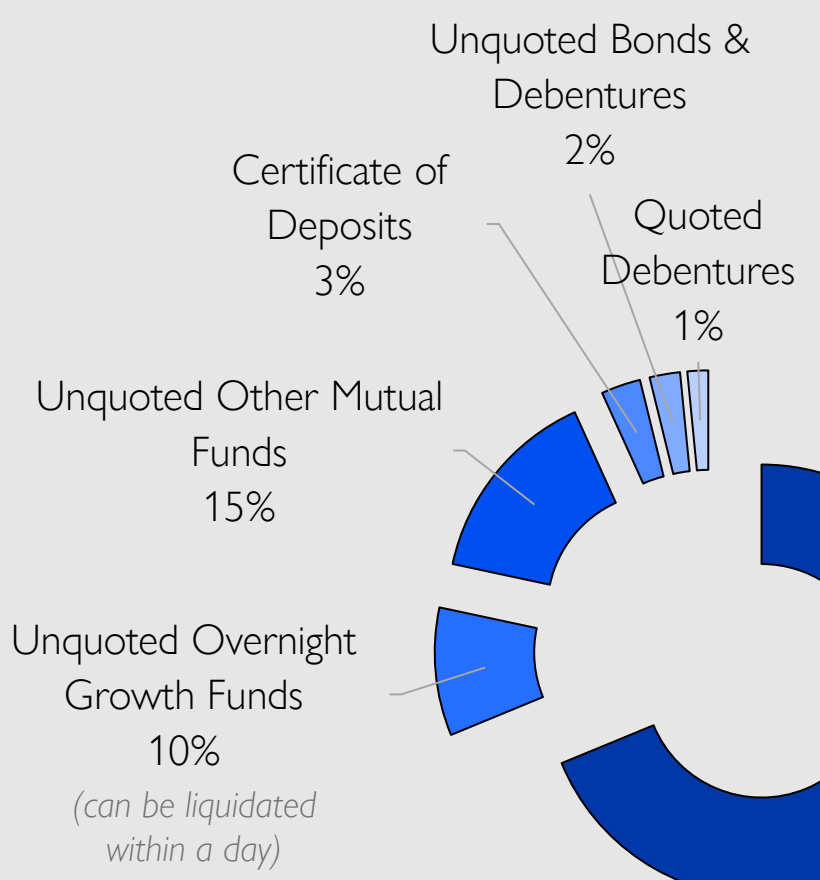
ng-term
deposits
4%



**\$2.19
Billion**

Current
Investments
71%

Here's how current investments were allocated among different kinds of instruments



Quoted Mutual
Funds
69%

HOW MUCH GAP DO UNICORNS HAVE BETWEEN EACH ROUND?

Have you ever found yourself stumped at the Subway counter, not knowing when to stop asking for more olives? Or is it just us?

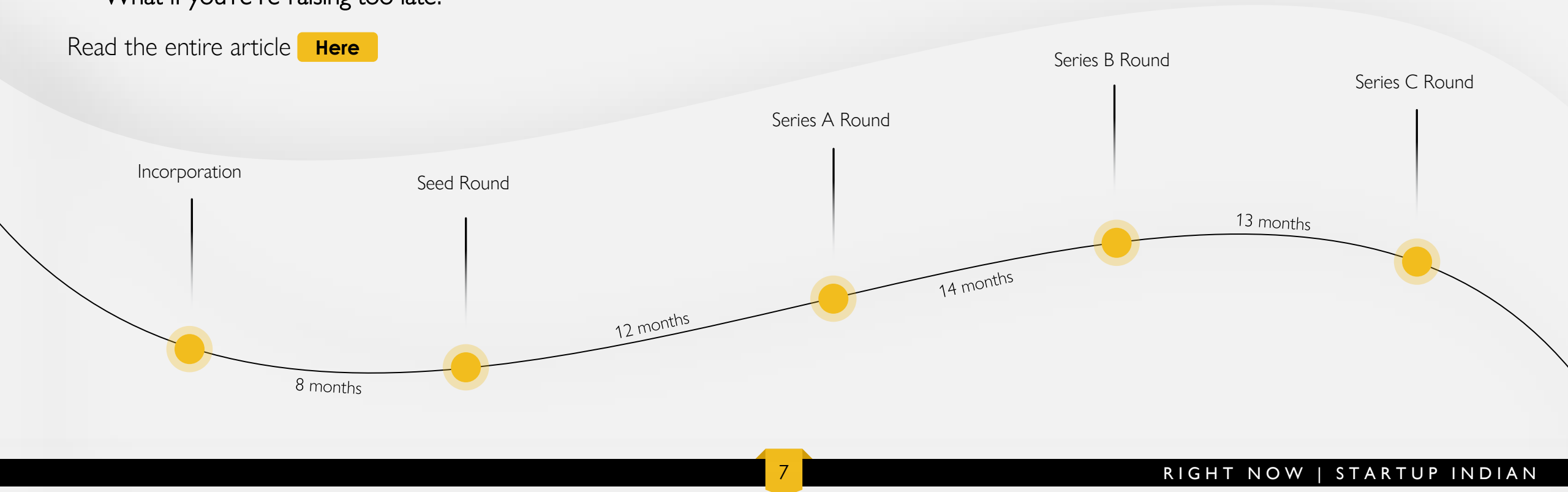
Guess, raising money for Startups comes closest to that. When is the right time to start raising? If you start too soon, they may go, “You don’t even have a pla !!”

And if you’re too late, welllll it might as well be too late!

So, we ran the numbers. We collated the timing of raising funds of 88 Indian Unicorns to figure out what’s the industry average for the usual interval between 2 rounds (refer image below). Interestingly, it turns out, the median interval across different series is quite consistent and it comes to around 12-14 months. Which means if you’re raising in Seed Round today, it’s apt to scale up at a pace such that your funds last for 12-14 months by which time you can target to raise in Series A round. And then giving another 12-14 months for Series B round and so on. That also makes us wonder:

- What if you’re re-raising with a higher valuation too early?
- What if you’re re-raising too late?

Read the entire article [Here](#)





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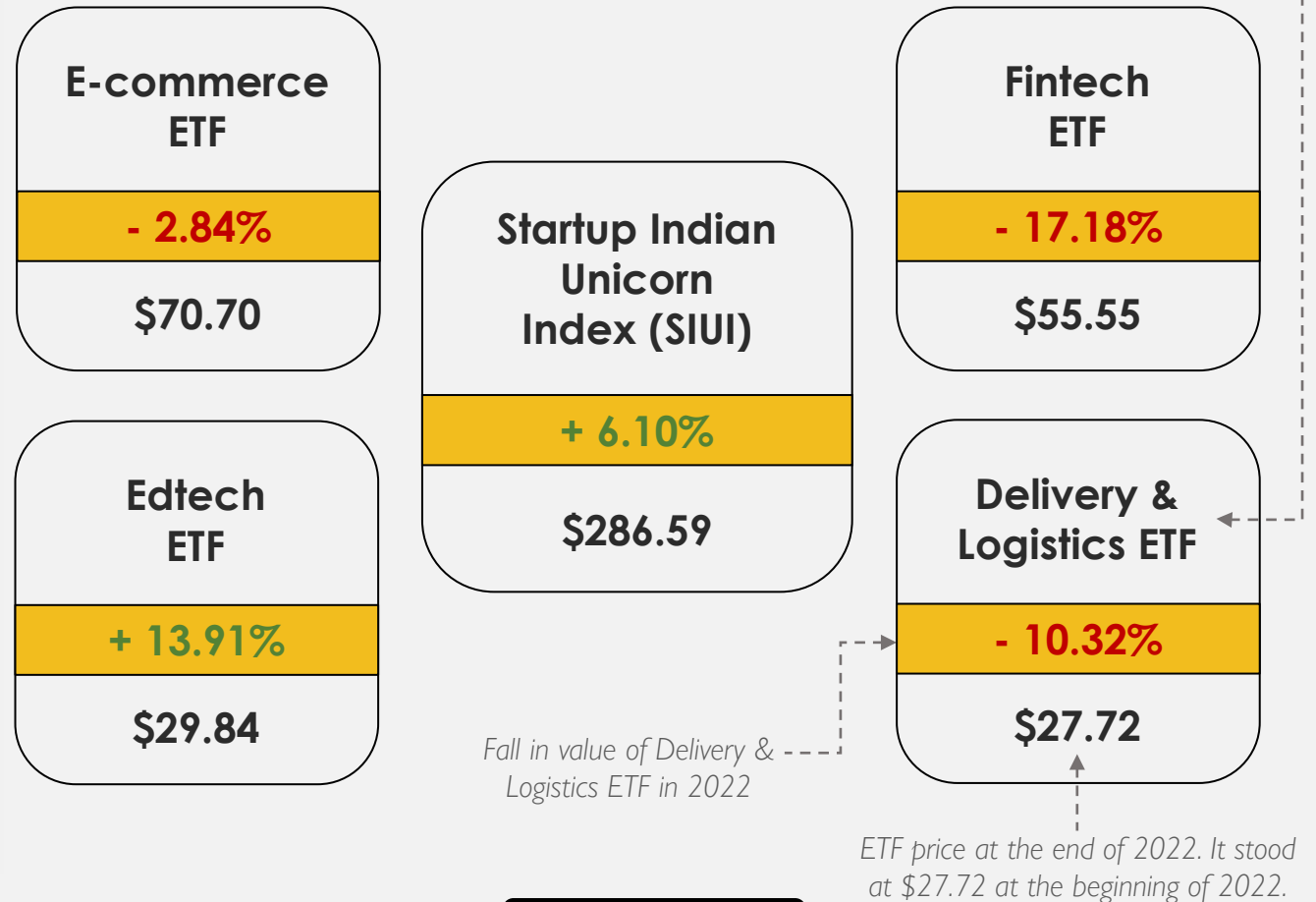


WHAT IF YOU HAD INVESTED IN INDIAN UNICORNS?

At the inception of 2021 we started keeping track of the valuation of all Unicorns in India, subsequent funds raised and the hike in valuations, Startups that emerged as Unicorns during the year and those who lost the coveted status. To share our work with you in a fun and interactive way, we launched our own fantasy investing platform by the name of **SIVM**. Now that another year has come to a wrap, the numbers have come out beautifully – refer the cards to the right.

Here's a way to understand these cards: Movement in the **Nifty 50 index**, which gained 4.33% in 2022, is often considered as representative of how the Indian markets performed during the year. Similarly, we created the **Unicorn Index** that represents how the startups performed overall, while the **sectoral ETFs** show how the specific sectors performed in 2022. For eg, the Edtech ETF shows that the Startups in this sector grew by 13.91% in 2022.

The sector on which the ETF has been created.
Like this one comprises of Delhivery, Rivigo, Swiggy, Zomato, Blackbuck, Licious, Blinkit, Xpressbees and Shiprocket.



[EXPLORE SIVM](#)

BEST UNICORN 2022 – **ZERODHA** vs THE REST OF THEM

Big News: Zerodha posted its FY'22 numbers and ever since our minds have gone numb. But then again, it might be the winters, we're not sure.

The country's largest online brokerage house recorded an 82% rise in y-o-y revenue, reaching ₹4,963 Cr. (\$654 Mn) and a whopping ₹2,094 Cr. (\$276 Mn) in PROFITS.

To the uninitiated: Zerodha was founded by the Kamath Brothers (Nikhil and Nithin) back in 2010 with the mission to revolutionize the Indian stock brokerage industry.

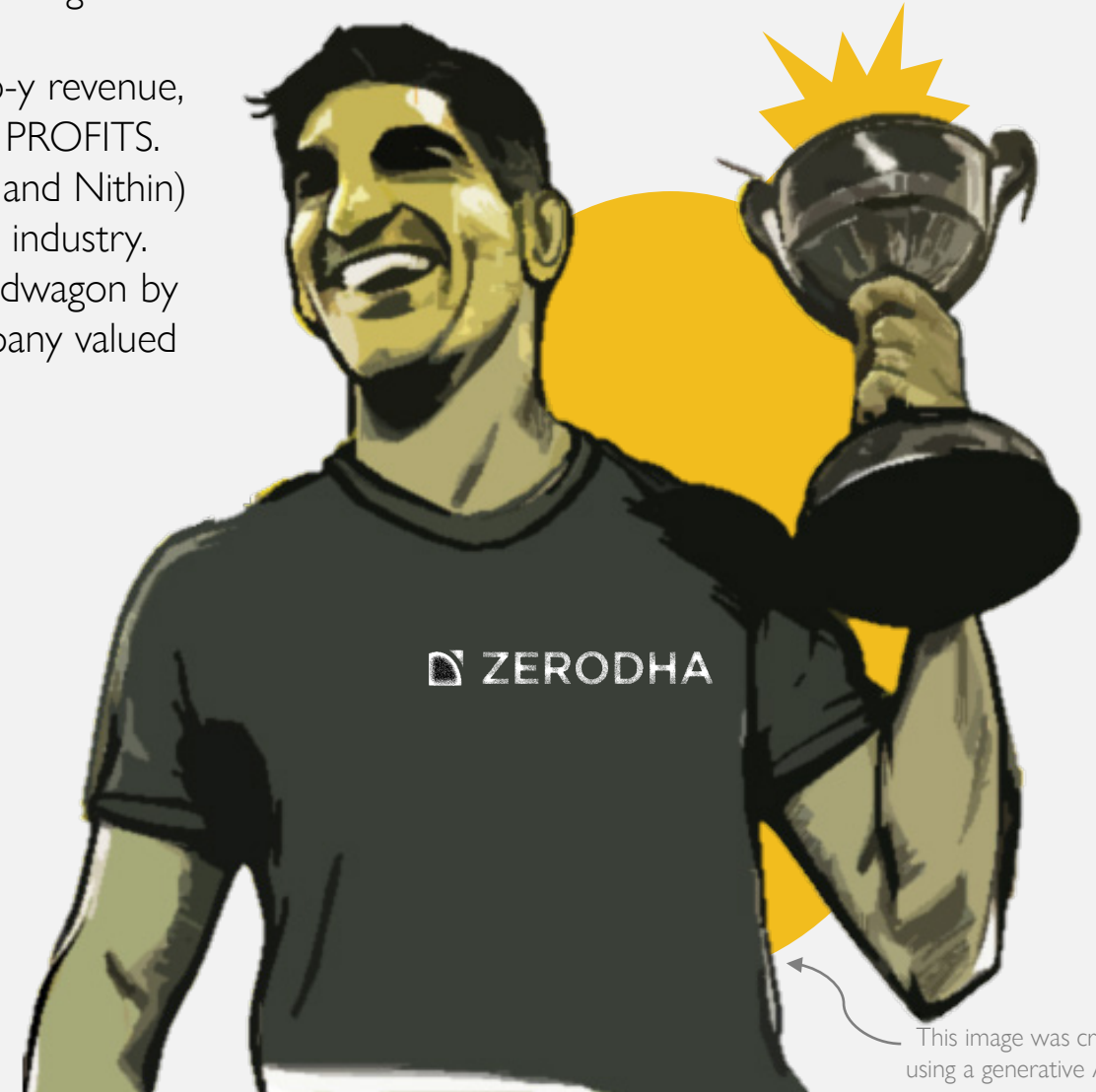
The company has never raised funds but still hopped on the Unicorn bandwagon by valuing itself at \$1Bn for ESOP buybacks in 2020. As of Nov'21, the company valued itself at \$2Bn, again for ESOP buybacks, per Nithin's tweet:



Nithin Kamath ✓
@Nithin0dha

The only reason why we do a valuation exercise at Zerodha every year is for our ESOP buyback. I keep getting asked why are we valuing ourselves at just \$2Billion currently when smaller players are raising money at far higher valuations. Here is why we're conservative 🙋 1/8

7:12 PM · Nov 27, 2021

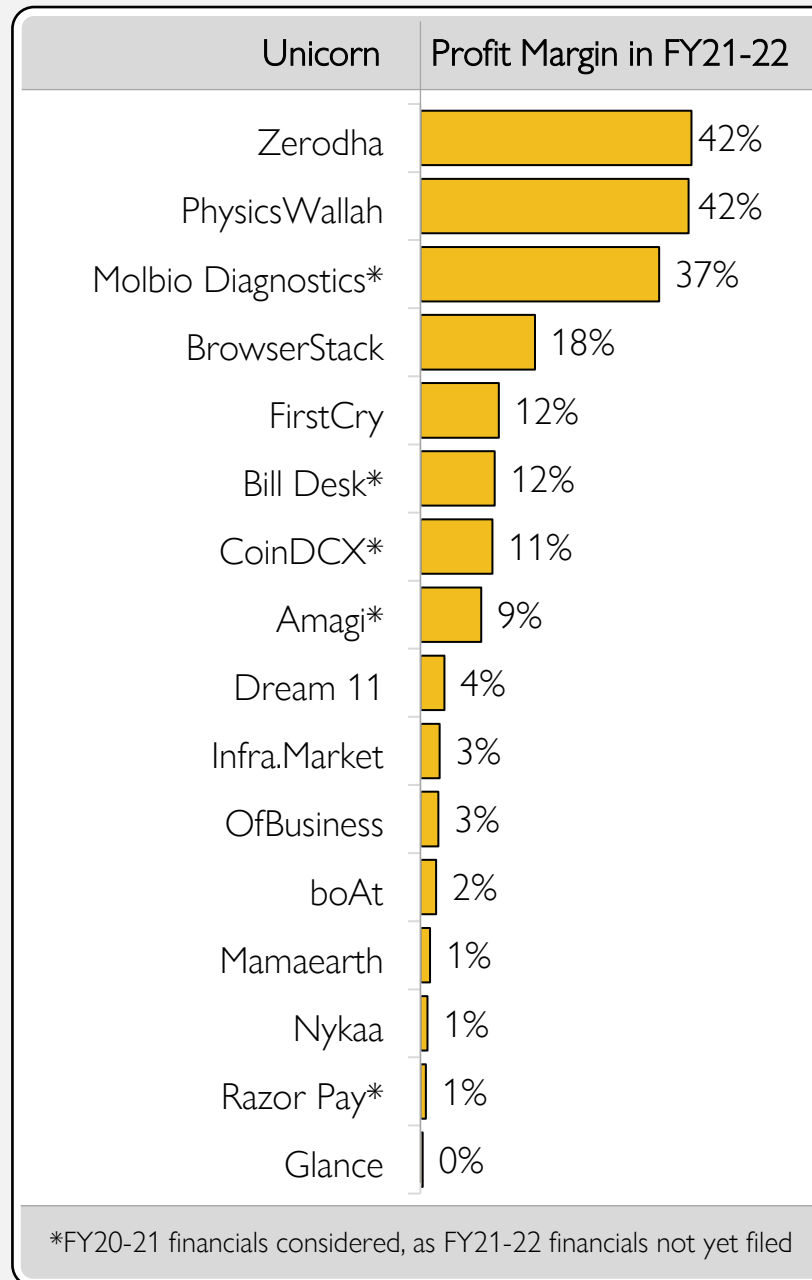


Zerodha's promising performance, got us wondering:

How strong is Zerodha vis-a-vis the VC backed Unicorn club of our country?

We collated the financial results of 84 Indian Unicorns for FY'22 (out of these 22 Unicorns are yet to post their FY'22 numbers. For the sake of comparison their FY'21 figures were considered).

- Only 16 Unicorns posted a profit. The rest of the Unicorns recorded a combined cash burn of over ₹70,000 Cr. (\$9.33Bn).
- Zerodha's profit of ₹2,094 Cr. is greater than the profit of the rest of the 15 profitable Unicorns COMBINED. You heard that right! These Unicorns, that includes the likes of **Infra.Market**, **Dream11**, **PhysicsWallah** and others, posted a combined profit of ₹1,791 Cr.
- Zerodha's closest peer, **Groww** (Est. 2016) recorded a net loss of ₹239 Cr. with -68% net margin. Ironically,



Groww is valued more than Zerodha at \$3Bn and has raised more than \$400Mn till date.

Food for thought:

Zerodha's net margin of 42% on sales is the **Proof of Concept** for the rest of the tech-Startup Ecosystem. Think about it, the biggest bait that tech companies offer to their investors are **high margins** at the back of **low incremental costs**. That is what introducing technology to conventional businesses was supposed to achieve in the first place. And yet, the majority of the ecosystem appears to be failing at just that. Amidst a funding winter and a global tech slowdown, Zerodha's numbers are a reminder to the rest of them that the winner in the end isn't the one who bags the highest investment but the one who brings home the **highest returns**.

SHOULD 'UNICORN' BE A MEASURE OF SUCCESS?

1. Is the Unicorn tag a mark of success?

First, let's look at some examples of Unicorns that failed to concentrate on the bigger picture and ultimately lost their prowess:

- The logistics Startup **Rivigo**, that turned Unicorn in Dec'19, ultimately sold off its B2B business arm (comprising of almost 50% of its sales) at \$30 Million in Nov'22, as it failed to create a mark with its unique relay-trucking-model.. [Read More](#)

2. What is it that entrepreneurs should rather pursue or aspire to achieve?

- a. **Positive Unit Economics over mindless Blitz scaling** – To understand this point, here's a perfect lesson from a Startup that lost its Unicorn status, but eventually picked itself back up – **Snapdeal**. Backed by marquee investors like SoftBank, Sequoia, Tamasek, Ant, eBay, etc., this ecommerce startup was valued at \$6.5 Billion at the peak of its fortunes. However, after a failed merger with Flipkart in 2017, its funds dried up and existing investors refused to infuse fresh funds.. [Read More](#)

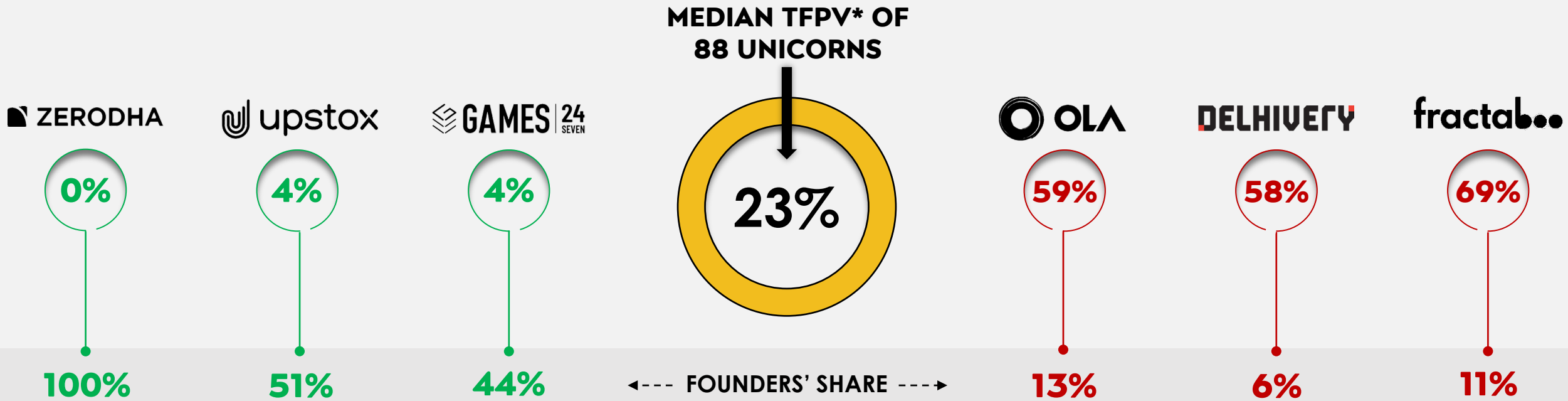
3. So what's a better metric to measure good fundamentals?

Let's do some math – When you read someone's valuation, here's what it basically means:

Startup's Headline Valuation = Value of future potential + Funds raised from Investors today

- For example, when **Fractal** raised \$360 Million at \$1 Billion valuation, it means that the **future potential** of the Startup is worth \$640 Million and its **present cash in hand** is worth \$360 Million which it gets from the investors.
- Now consider another example - A Startup **raises \$1.1 Billion** as soon as it is incorporated. Now this Startup's headline valuation will also be \$1.1 Billion, and it will also be called a Unicorn (going by the same formula). **But did it really create any value?**

This means, that a Startup is actually gaining in wealth only when its valuation rises more than the money that it gets from its investors. We got curious to find out how much of the valuation of Indian Unicorns is actually fueled by the cash pumped in by the investors. So, we derived the **Total Funding raised to the Present Valuation** (TFPV) ratio of each of the 88 Unicorns. Here's what we have:



The average ratio of 88 Unicorns comes to 23%. This means that if your Startup is valued at \$1 Billion, its normal to have raised funds of up to \$230 Million in the Company. The ratio is also found to have a strong **negative correlation with the Founders' shareholding** of the Startup. That means, in majority cases, the higher the TFPV ratio, the lower will be the founders' shareholding and vice versa.

A low TFPV ratio and high founders' shareholding are also a good indication of stronger fundamentals and greater stability. **Games24x7**, for example, has raised nearly \$110Mn of venture funds till date with the latest post money valuation coming to \$2.5Bn. Its founders hold

44% of the shares. It has also turned in a profit in 9 out of the last 10 years. **Ola**, on the other hand, is currently valued at **\$6.7Bn** out of which as much as **\$3.95Bn** is fuelled by cash pumped in by Investors like SoftBank, Tiger Global and Others. Despite being in operations for more than 12 years now, the company is still far from profitability. Both in FY'20 and FY'21 the cab aggregator recorded negative net margin of more than 70%.

These signs of poor fundamentals make it easier to understand why its co-founder Bhavish Aggarwal stepped down as CEO in April'22.

* Total Funds raised / Last known valuation

QUTSY 2023 STARTUP PREDICTIONS

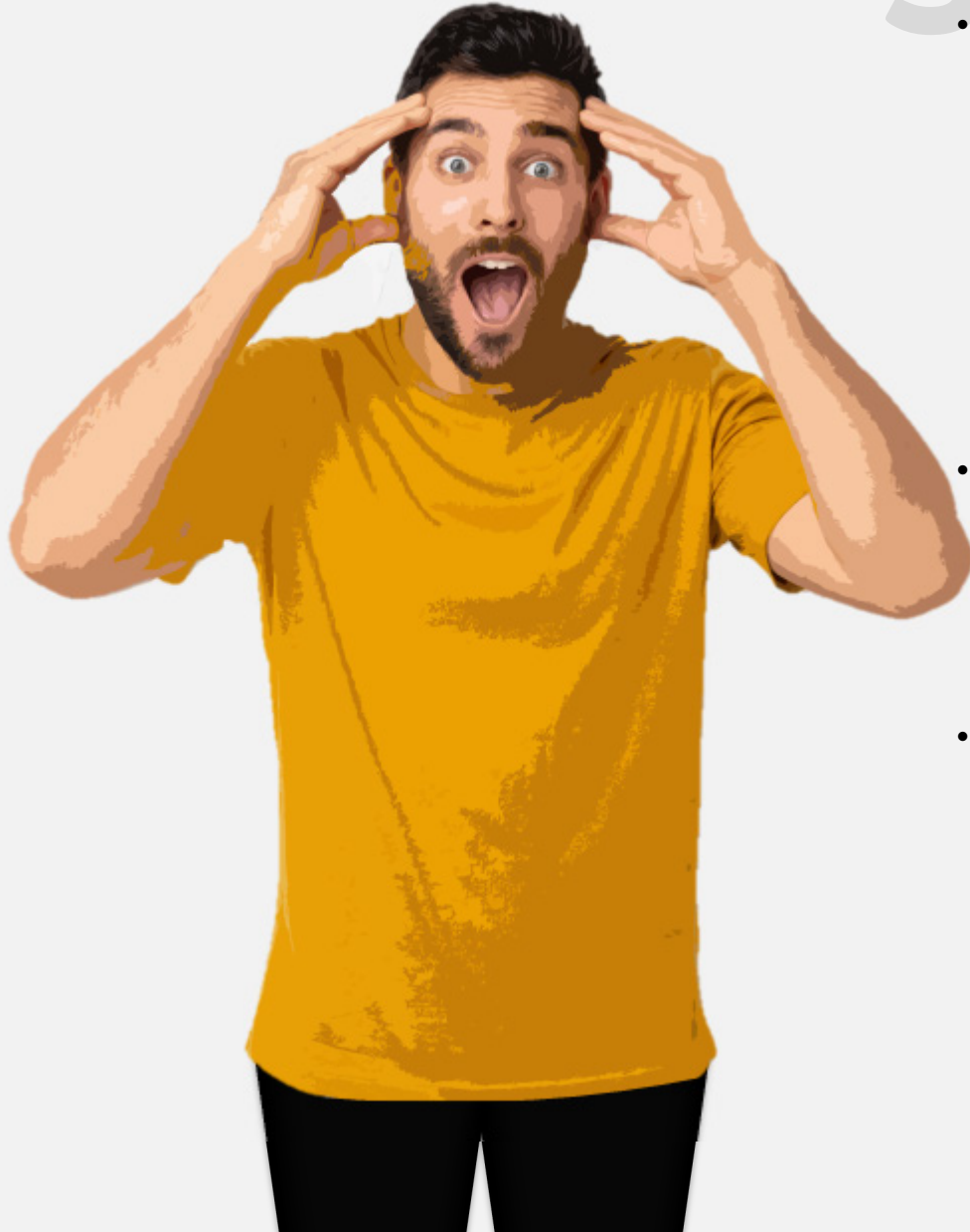
1 Agritech Unicorn – Despite the looming funding winter, Agritech startups raised over \$500 Million in 2022, which is 3 times of the amount raised in 2020. As internet and fintech penetrate deeper into rural India, Agritech solutions are becoming increasingly sought after, making the sector all the more attractive for investors. In the past 2 years, several promising soonicorns have emerged like NinjaCart (\$775M). WayCool (\$775M) and DeHaat (\$700M). As investors continue to bet big on the sector, we foresee emergence of at least **1 Agritech Unicorn in 2023**.

2 Applications in Generative AI – This sector has lately seen heightened attention from VCs in the west, who have already pumped in billions into the sector. Indian startups have so far lagged behind their western counterparts, however, not for long. We are likely to witness at least **half a dozen VC-funded Indian startups building new applications using generative AI in 2023**.

3 Soonicorns in Spacetech – Liberalisation of the Indian space sector has resulted in a race among Indian startups trying to build indigenous solutions in this area. Taking cue from the success of SpaceX (valued at \$140 Billion), investors will back startups pursuing viable and scalable solutions. We foresee emergence of at least **2 spacetech startups in 2023 with \$500 Million + valuation**.

4 Startup IPOs – Not more than **2 unicorns will go public on Indian bourses in 2023**, largely owing to the heavy beating that new age tech stocks have taken in the Indian stock market and the overall pessimism around economic growth. However, up to **5 startups (other than unicorns) will list in 2023**, mainly the ones that are profitable.





5

Unicorns that will turn profitable in FY22-23:

- **Zetwerk:** This online B2B marketplace providing manufacturing services recorded a historic year in FY'22 as its topline grew by almost 6 times to ₹4,961 Cr. (\$661Mn) while its net margin improved from -4.97% to -1.2%. What's more, In Nov'22, Business Standard reported that Zetwerk claimed to be on track to crossing \$1Bn in revenue in this financial year and had an open order book of ₹9,750 Cr. The company also acquired its peer in the USA named Unimacts to expand its customer base in North America where it already has a growing presence. Zetwerk's competitor Unicorn OfBusiness that recorded a turnover of ₹7139 Cr. (\$951Mn) has been declaring profits since the last 3 years, which is another strong indication of prevailing positive unit economics in the sector.
- **XpressBees:** This Unicorn provides E-commerce fulfillment solutions to businesses. In the past 3 years, the company has seen its revenue grow by 2.53 times to ₹1930 Cr (\$257Mn) while its net margin has improved from -13.5% in FY'20 to -1.4% in FY'22. Its peer Shiprocket has reported profits in 2 out of the previous 4 years, again indicating prevailing positive unit economics in the sector.
- **Flipkart:** This bet is coming straight from our heart, but we may lose. One of India's first Unicorns, Flipkart is on the verge of breaking-even for the 1st time since its inception in 2007. The company exceeded ₹50,000 Cr. (\$6.8Bn) in sales in FY'22 while recording a negative gross margin of only 4.29%. Since the last 2 years, Flipkart has been leading the festive sales of Sep-Oct with a market share of over 60%, a key indicator of its market influence. As put into perspective by its holding company, Walmart International's CEO and president Judith McKenna when speaking at Baird 2022 Global Consumer, Technology & Services Conference in New York, "[Flipkart] has shown clear proof of value...and that we've been happy at every step of the way over the four years that we've made the investment. So, they've achieved our expectations, and they've delivered what they need to deliver."

AROUND THE WORLD IN A BLINK – TWITTER WARS

Unpopular Opinion: Netflix is struggling to make profits because Twitter has more drama. What's more- when Twitter felt that its grip was loosening, it offered itself as the premises as well as the premise of drama (Twitter's acquisition by Musk). We've handpicked our 3 favourite sagas that literally unveiled on Twitter:

1. 3 Tweet Bombs by Chanpeng Zhao (CEO and co-founder of world's biggest Crypto Exchange Binance) that knowingly, or unknowingly, SIGNIFICANTLY contributed to the collapse of Cryptoverse Billionaire Sam Bankman Fried and his company \$32Bn worth Crypto Exchange FTX.
2. Elon Musk's journey from being the most celebrated Twitter user to finally owning it and then (probably) breaking it.
3. Ashneer Grover and family dragging the entire C-suite with them after being kicked out of their own co-founded Unicorn Startup BharatPe.

Read the entire article [Here](#)

CZ **Binance**
@cz_binance

As part of Binance's exit from FTX equity last year, Binance received roughly \$2.1 billion USD equivalent in cash (BUSD and FTT). Due to recent revelations that have come to light, we have decided to liquidate any remaining FTT on our books. 1/4

9:17 PM · Nov 6, 2022

4,873 Retweets 3,034 Quote Tweets 23.8K Likes

Binance
@binance

As a result of corporate due diligence, as well as the latest news reports regarding mishandled customer funds and alleged US agency investigations, we have decided that we will not pursue the potential acquisition of [FTX.com](https://www.ftx.com).

2:30 AM · Nov 10, 2022

17.9K Retweets 6,955 Quote Tweets 63.4K Likes

Elon Musk
@elonmusk · Follow

Taking Twitter private at \$54.20 should be up to shareholders, not the board

Yes	83.5%
No	16.5%

2,859,034 votes · Final results

1:42 AM · Apr 15, 2022

201.5K Reply Share

Parag Agrawal
@paraga · Follow

Replying to @paraga

Unfortunately, we don't believe that this specific estimation can be performed externally, given the critical need to use both public and private information (which we can't share). Externally, it's not even possible to know which accounts are counted as mDAUs on any given day.

Elon Musk
@elonmusk · Follow

10:33 PM · May 16, 2022

53.5K Reply Share

Elon Musk
@elonmusk · Follow

Should I step down as head of Twitter? I will abide by the results of this poll.

Yes	57.5%
No	42.5%

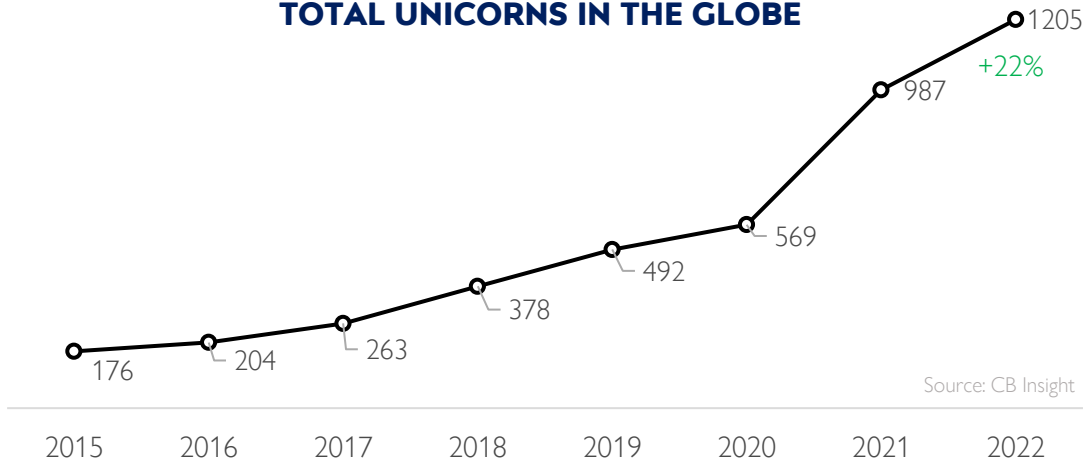
17,502,391 votes · Final results

4:50 AM · Dec 19, 2022

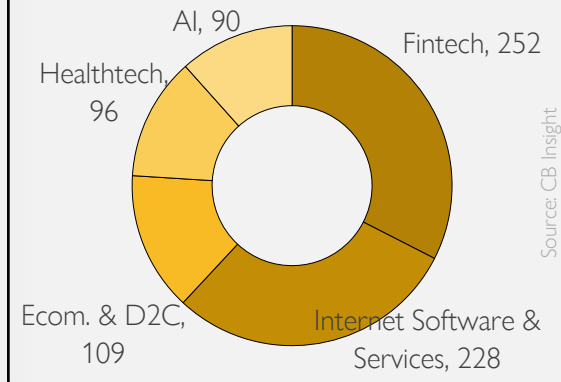
613.4K Reply Share this Tweet

WORLD'S 2022 UNICORN STORY IN NUMBERS

TOTAL UNICORNS IN THE GLOBE



MAJOR SECTORS OF GLOBAL UNICORNS



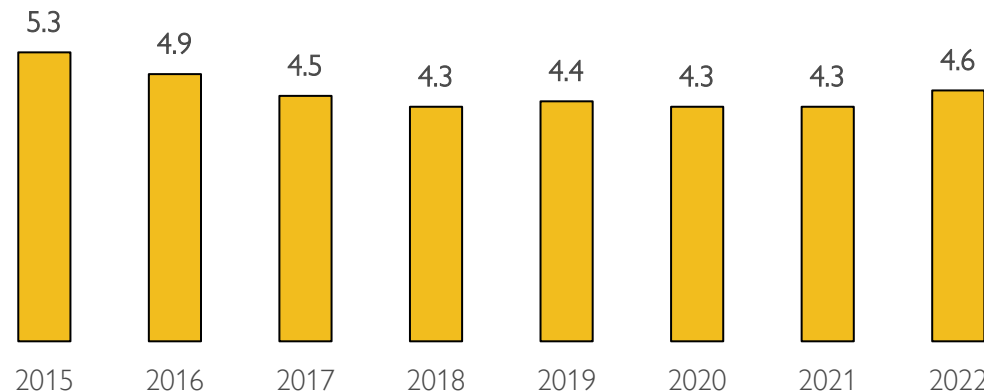
TOP 5 NATIONS BY NUMBER OF UNICORNS

1. USA – 651
2. CHINA – 172
3. INDIA – 88
4. UK – 49
5. Germany - 29

5 MOST VALUED UNICORNS IN THE WORLD

1. Byte Dance, China – \$425B
2. SpaceX, USA – \$140B
3. Shein, China – \$100B
4. Stripe, USA – \$63B
5. Canva, Australia - \$40B

MEDIAN TIME FROM FIRST FUNDING TO UNICORN (in years)



TOP 5 UNICORN INVESTORS IN 2022

1. Andreessen Horowitz (American VC) - 19 (no. of investments)
2. Sequoia Capital (American VC) - 16
3. Tiger Global Management (American VC) - 14
4. Insight Partners (American VC) - 13
5. Accel (American VC) - 13

Source: CB Insight



PREVIOUS ISSUES



CREATORS AT STARTUP INDIAN

Born and brought up in one of the world's fastest growing economies, we witnessed that CHANGE is the only thing that has been constant in our young India. With that new road, that new policy, that first e-commerce site, that first app-based cab ride, the world around us kept shrinking right up to the size of our palm. Moved by this wave, we started wondering where does it all start? What are those little things that add up to the big change? What does it take to lead a change? The more we dug deeper, the more excited we became to share with you the beauty there is, in every new dent in the universe. So here we are, a bunch of 4 enthusiasts, reading books, news, financials and reports, to tell you all that is worth your time:



 Ritwik



 Dhruvik



 Abhimanyu



 Kartik-K

Wow! This is **Uber Cool!** You made it to the end!

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about our Newsletter 🤔

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