

Growth of unicorn E-startups in India

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Abstract

A privately held business that is not listed on a stock exchange and has a market value of more than \$1 billion is known as a unicorn startup. Aileen Lee, a U.S. venture capitalist and the creator of the cowboy venture, came up with the term in 2013. Due to the numerous obstacles that exist in its startup ecosystem, India is sometimes characterized as a hard environment for startups but after that in terms of the total number of unicorns produced worldwide, India comes in third place, behind the United States (1,000 unicorns) and China (244 unicorns). However, this research revealed that more than 100 unicorn businesses operating in India. Indian unicorns are flourishing in the current dynamic and fast-paced market. In addition to creating cutting-edge technologies and solutions, these firms are creating a significant number of jobs.

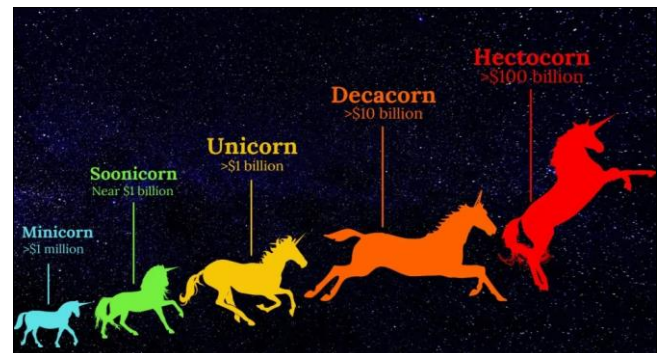
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Introduction

The Indian Prime Minister launched the Start-up India Initiative on January 16, 2016. People can become richer and more employable by giving their entrepreneurial spirits wings. This project, which the Department of Industrial Policy and Promotion views as a long-term endeavor, is still ongoing. Since the start-up India program's inception, over 69,000 start-ups nationwide have been recognized as of May 2, 2022. Thirteen percent of the 56 start-ups we identified were in the IT services sector, nine percent were in the healthcare and life sciences sector, five percent were in professional and commercial services, five percent were in agriculture, and five percent were in the food and beverage industry. Innovation in India is not limited to a select few sectors. Tanya Gandhi (2020) studied startups by outlining the Indian startup path, the startup finance life cycle, and the stages of the startup life cycle. categorized startup challenges into marketing, finance, and other categories. In his research on startups, Dr. Walter D'souza (2021) focused on government programs that assist entrepreneurs, opportunities, reasons why businesses fail, and issues and challenges that businesses face.

Start-ups: The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, has developed a definition for an organization to be classified as a start-up in order to guarantee uniformity in the designated enterprises. For a maximum of ten years following their creation, private limited companies, partnership firms, and limited liability partnerships in India are regarded as start-ups. In any of the fiscal years following its formation or registration, their annual revenue cannot surpass 100 crore rupees. The organization has a scalable business strategy that could provide jobs or income, or it seeks to invent, produce, or improve goods, procedures, or services. Minicorns are startups that have a \$1 million or greater valuation. These businesses have substantial worthwhile being relatively new to the market, which lends credence to the idea that they will eventually become unicorns. Any tech start-up wants to become a unicorn firm, which is a business valued at \$1 billion. The Indian startup ecosystem has grown in terms of

its ranking in the global startup ecosystem, moving up from 23rd in 2019 to 19th by 2022, according to the Global Startup Ecosystem Index (2022). examines the ways in which entrepreneurs are propelling a surge in employment expansion in many sectors. Their results highlight the significant role that startups play in creating jobs, especially for young, tech-savvy individuals. This not only promotes economic expansion but also tackles India's urgent unemployment problem.



Source: <https://www.linkedin.com/pulse/what-unicorn-decicorn-hectocorn-minicorn-soonicorn-startups-hossain-1n4bf>

Objectives of the study

- To examine the rise of unicorns in India by year and sector
- To examine the impact of unicorns on the Indian economy.

Research methodology

The study's is secondary data based by different sources like collected from blogs, the internet, and relevant research papers and publications by renowned scholars. During the exploratory phase, methods include reviewing the existing literature on the research and data sources will be used.

Unicorn startups phase in India (year and sector wise)

Indian unicorns are thriving in today's dynamic and fast-paced market. In addition to creating innovative goods and technologies, these businesses create a significant number of jobs. In general, 2021 saw an exponential rise in the number

of firms becoming members of the unicorn club. That says a lot about India's booming business community. Mobi became the first unicorn in India in 2011. After that, other businesses were valued at \$1 billion. A large increase in the start-up ecosystem can be linked to the period following 2016, when, aided by extensive digitalization, more than half of Indian enterprises achieved unicorn status within five years of their inception. When the count began, India had 11 unicorns, but by 2022, there would be 100, a significant increase. India's 100th unicorn is Open, a Bengaluru-based neobank platform. Up until the fiscal year 2016–17, the average number of unicorns added per year was one. This number has been rising quickly since FY 2017–18, with the number of new unicorns introduced annually increasing by an astounding 66% year over year.

India is host to 107 unicorns, valued at a total of \$ 340.79 billion as of September 7, 2022. Out of the whole unicorn population, 21 unicorns and 44 unicorns, valued at a combined \$26.99 billion and \$93.00 billion, respectively, were born in 2022 and 2021, respectively. Although each business's path to unicorn status is different, the lowest and maximum times for a startup to achieve unicorn status are six months and twenty-six years, respectively. In just six months, Mensa Brands became one of Asia's quickest unicorns in 2021. In order to fulfill the development potential, Indian unicorns are also investigating the possibility of going public. Also the Ministry of Commerce and Industry's Press Information Bureau listed several significant programs designed specifically to encourage entrepreneurship among India's youth.

While numerous companies, including Delhivery, Mobikwik, and CarDekho, are already in line, some of the major unicorn names that offered an IPO are Zomato, Nykaa, PolicyBazaar, Paytm, and Freshworks. Currently, India is the birthplace of one out of every ten unicorns worldwide. Unicorns are divided into different sectors. E-commerce and Fintech are leading sectors. The E-commerce sector includes 25 unicorns, including Cars24, Flipkart, Lenskart, Mensa, Moglix, Nykaa, Snapdeal, etc. Acko, Bharat Pe, Billdesk, Chargebee, CoinDCX, Zerodha, Upstox, Groww, and others are among the 24 unicorns in fintech.

Enterprise tech has 22 unicorns: Sire, Amagi, Apna, Browser Stack, Druva, Freshwork, InMobi, Leadsquared, ZOHO, etc. Consumer Service has 8 unicorns: Big Basket, Blinkit, Quikr, Rebel Foods, etc. Media and Entertainment has 7 unicorns: Dream Sports, MPL, Games24, etc. EDtech has 7 unicorns: BYJU'S, Vedantu, Physics Walla, etc. Logistics has 6 unicorns: Delhivery, Rivigo Shiprocket, XpressBess, etc. Healthtech has 5 unicorns: Tata 1mg, Pharmeasy, Pristyn Care, etc. There are four unicorns in travel tech: Make My Trip, Ease My Trip, and so on. Livspace and No Broker are two unicorns in real estate technology. Ola Electric and Renew Power are two unicorns in Clean Tech.

AI Tech includes Krutrim which is India's first AI unicorn startup. The various e-startups convert in unicorn startups with valuation & year are InMobi Tech \$1.0 billion in 2014, Ola Transportation \$6.2 billion in 2014, Snapdeal Retail \$1.0 billion in 2016, Quikr Media \$1.0 billion in 2015, Hike Tech \$1.4 billion in 2016, Purpille \$1.25 billion in 2022, ShopClues Retail \$1.1 billion in 2016, Molbio Diagnostics \$1.6 billion in 2022, One97 (Paytm) Financial Services \$15.0 billion in 2017, Boat Lifestyle \$1.32 billion in 2022,

ReNew Power Energy \$1.8 billion in 2017, BillDesk Financial Services \$1.8 billion in 2018, Flipkart Retail \$22.0 billion in 2018, Freshworks Tech \$1.5 billion in 2018, Musigma Tech \$1.5 billion in 2018, OYO Hospitality \$10.0 billion in 2018, Pine Labs Financial Services \$1.0 billion in 2018, Physics Wallah 2.79 billion in 2022, Policy Bazaar Financial Services \$1.0 billion in 2018, Swiggy Transportation \$3.3 billion in 2018, Byju's Tech \$5.4 billion in 2018, Udaan Logistics \$2.3 billion in 2018, Zomato Transportation \$2.5 billion in 2018, Big Basket Retail \$1.2 billion in 2019 and Nykaa E-commerce \$2.3 billion in 2021 etc. In study it was also found that one female cofounder among the 18 Indian unicorns. Among them are startups like BYJU's Divya Gokulnath, Mamaearth's Ghazal Alagh, Nykaa's Falguni Nayyar, and Mobikwik's Upanasana Taku.



Source: <https://inc42.com/buzz/indian-startups-are-becoming-unicorn-one-year-faster-in-2021/>

Chart 1: Unicorn startups name year wise

Challenges faced by unicorns

Finding suitable investors with identical development and exit strategy goals is the most challenging obstacle facing Indian startups. Global money is currently chasing successful businesses in a frenetic rush, but the recession and geopolitical conflicts could turn the tide. Many of these global investors are speed-obsessed and seek unicorns with exponential growth rates. As a result, money is quickly spent in an effort to gain market share. The accuracy of market values for these unicorns is another important concern. Nondisclosure is advantageous to private companies, and the lack of liquidity in their shares causes value fluctuations. Moreover, irrational enthusiasm among entrepreneurs and investors raises valuations. The business plan and projected profitability plans do not support these valuations. As a result, unicorns must demonstrate their market potential over time and not merely be classified as "paper unicorns" protected by hopeful private markets. When it comes to going public, unicorns with exaggerated valuations will have to face the harsh truth.

The Business Times Research Bureau estimates that in 2022, investing in businesses such as Paytm, Policy Bazar, and Zomato will cost investors anywhere from 9% to 71% of their total wealth. Entrepreneurs must comply with investor demands for "favorable terms" like liquidation privileges in order to secure the crucial latter stage investment. Employees are the biggest losers in the deal, because it reduces the value of their common shares. It is

often known that innovation is essential to any company's success, but it's especially important for unicorns. Big ideas don't just appear in the minds of entrepreneurs. Benefits will gradually accumulate as long as an innovative culture is maintained across the board. Additionally, it entails coordinating the goals of all stakeholder groups with varying priorities. The risk involved in investing in technological breakthroughs is sometimes referred to as VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). All things considered, the development of India's startup scene is a prime example of a broader narrative of resilience and growth propelled by innovation. As startups keep expanding and succeeding, they not only reimagine conventional business ideas but also spark a disruptive wave of change that engulfs entire industries and advances progress in multiple directions. These dynamic companies stand out as rays of creativity in a world full with opportunities and difficulties, advancing India toward a future characterized by creativity, inclusion, and sustainable development.

This makes it very hard to foresee how an inventive endeavor will turn out, and even if it does, the implementation might not last long due to the disruptive inventions that are crashing on the Unicorn coast. It will be necessary for unicorns to create an environment that is favourable to technological adaptation. Before the pandemic, technology-based enterprises faced significant opposition. Since many consumers are still supporting the online companies, they depended on during the outbreak, things have improved. When instructors and students switched to online instruction during the epidemic, the edutech industry made a huge breakthrough. The 2022 global inflation rate, as estimated by Bloomberg Economics, was 9.8%. It has resulted in major layoffs and cost reductions on the one hand, and issues like unemployment, the rising cost of living, and challenges for policymakers on the other. Unicorns face significant challenges in attracting, training, and keeping the best staff. Obstacles include low employee engagement, demands for larger compensation packages, and attrition. The majority of startups only serve customers in urban areas of India; they have not yet reached most rural and small-town clients. An additional obstacle to the development and expansion of unicorns is a regulatory bottleneck. To make complying with regulations easier, the government is taking action. India has improved from 142 in 2014 to 63 in 2022 in terms of ease of doing business, according to a World Bank analysis.

Unicorns face additional obstacles due to other issues like lawsuits, disputes, and bad press. Scandals such as the Paytm data privacy issue, the failed merger negotiations between Flipkart and Snapdeal, the resignation of Sachin Bansal and Binny Bansal from Flipkart in 2018, and the recent lawsuit brought by Kotak Mahindra Bank against Ashneer Grover, a cofounder of Bharatpe, are evidence of businesses attempting to grow too quickly.

Conclusion

The success story of Indian startups is exemplified by their quick expansion and important role in the growth of the Indian economy. Before they reach maturity, startups go through multiple growth phases, starting with a small, innovative idea. Through its many policies and initiatives, the Indian government also creates an environment that is

favourable for these new companies. In India, startups are expanding quickly, but the distribution is uneven across different sectors and geographical areas. IT, Professional and Commercial Services, Healthcare, Education, Agriculture, Food and Beverage, Construction, and Financial Technology are the sectors with the highest growth rates for startups. The remarkable growth in a small number of regions, cities, and industries has stimulated and boosted the Indian economy, making it the world's third-largest startup ecosystem. Although startups are still in their infancy in India, they could be considered revolutionary when they expand to tier 2 and tier 3 cities, rural areas, and other sectors of our economy. They will assist in achieving the proper levels of development and economic growth. The Indian economy is about to undergo a significant transformation due to the startup revolution. Due to this increase, a number of international investors are considering investing in up-and-coming Indian firms. The annual rise in unicorns has caused a shift in the entrepreneurial mindset of the millennial age as more young people are drawn to innovation and enterprise. A nationwide startup revolution has been sparked by these circumstances. In communities where startups are established and thrive, job possibilities are created for locals. As a result, this increase in employment boosts consumer spending on goods and services, increasing government income and boosting the economy. Additionally, when there are several startups in a certain location, the demand for different goods and services is increased, which spurs market expansion.

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