



Indian Startups: A Roadmap towards Unicorn Revolution in India

Priyanka Yadav

Research Scholar

Department Of Commerce

CMP Degree College, University of Allahabad

Dr. Sunil Kant Mishra

Associate Professor

Department of Commerce

CMP Degree College, University of Allahabad

Abstract – India is a young country with great innovative minds which have the potential to develop entrepreneurship. The rapid adoption of new technologies and innovation with a strong commitment to the people, products, and vision symbolizes the 21st-century era. Unicorns are startups with a total valuation of 1 billion or more. Until December 2022, India has a whopping 108 startups that have gained the status of ‘unicorns,’ with many of them born during the last three to four years. Unicorns are charged by IT, a consumer-centric approach, and innovative disruption. The Indian startup landscape has witnessed a dramatic evolution. It is a sort of revolution with a \$ 106 billion valuation by 44 unicorns, in turn generating 1.4 million direct and indirect job opportunities, thus creating a conducive atmosphere that promotes entrepreneurial development in the country. The Indian Startup landscape is the conflux of a giant typhoon whose formation is catalyzed by numerous positive and negative factors. The study is mainly based on unicorn startups in India. An attempt is made to review the literature based on secondary data collected from various sources like websites, journals, blogs, articles, and related research papers.

Keywords – *Startup, Unicorn. Valuation, innovation, technology, decacorns.*

JEL Classification Code – M13

1. Introduction

Startup is the most comprehensive term used in the current era. People endowed with vibrant and creative minds are starting their businesses with optimum resources. Being the land of knowledge with lots of ancient universities like Nalanda and Taxila, Indians have been known for their inherited crafts and skill in commerce and trade. In an entrepreneurial context, in recent years, the Indian economy has been experiencing a boom phase in the context of

startup companies and also marching towards the unicorn revolution. India earned the reputation of being the “software hub of the world” at the end of the 20th century. It began a tech transformation resulting in the establishment of multiple new ventures involved in leading-edge technology. Soon few of these startups came to the list of unicorns, and today, India's position is third after USA and China.

The word “Unicorn” is derived from the Latin word unicornis, meaning having one horn, and is used as a metaphor; its meaning is quite interesting and unique. At present, unicorns are not just mythical creatures that exist in stories and look like white horses with one horn growing out of their forehead. Unicorn Startups is a proprietary firm with a market valuation of \$1 billion without being listed on the stock exchange. It implies new businesses which aim at offering innovative solutions to the problem and novel business models among the things. Unicorn startups are categorized into several types: fintech, B2B, and EdTech companies. InMobi, a mobile advertising platform, is considered India's first unicorn, with an aggregate market value of around \$ 340 billion.

Key traits of a Unicorn startup

1. Almost all unicorns have brought a disruptive invention in their respective field, thereby displacing the market leaders in that specific marketplace and transforming the industry; for instance, Amazon launched as an online bookstore in the mid of the 20th century. Uber's exceptional innovation in creating an online app in which the demand and supply of transportation services could be easily met signifies how a traditional industry can bring breakthrough innovation around the clock.
2. The business models are equipped with the latest development and run on technology.
3. They aim to provide ease to consumers and become part of their routine activities.
4. Many startups have achieved recognition as a ‘unicorn’ as they have ventured into a field unexplored before as a result being the pioneer in a specific industry has allowed them to edge against their rivals to ensure consistent business growth.

The Early Unicorn: Setting the pace -Unicorns are divided into two categories, early unicorns and the latest one, which is as follows; -

1. InMobi – InMobi, the Bangalore-based advertising and marketing platform, was formed in January 2007. In 2011, it became the first Indian unicorn startup with a total valuation of \$12 to 15\$ billion. The company was founded under the name mKhoj by Abhay Singhal, Amit Gupta, Naveen Tewari, and Mohit Saxena. The company is sponsored by Softbank, Kleiner Perkins Caufield & Byers, and Ram Shriram's Sherpalo Ventures.
2. Flipkart – Flipkart is an Indian e-commerce company aiming at a one-stop online shopping platform and was established in the year 2007 by Sachin Bansal and Binny Bansal. It is headquartered in Bengaluru. In August 2018, US-based retail chain Walmart acquired 77% of its controlling power with \$16 billion, appreciating its net worth to around \$20 billion.
3. PhonePe – It is a digital payment and fintech company that is owned by Flipkart. In March 2022, the company got recognition as a unicorn. For the first time in the history of digital payment, PhonePe has processed more than 100 million transactions in a single day, making a record worldwide.

4. Byju -Byju is an Indian multinational educational technology company headquartered in Bangalore and was founded by Byju Ravindran and Divya Gokul Nath in 2011. As of March 2022, Byju 's valuation is \$US 23 billion, and it claims to register over 115 million students.

5. Swiggy – Swiggy is an online ordering and delivery platform, founded in the year 2014 by Nandan Reddy, Sriharsha Majety, and Rahul Jamini; Swiggy has become the second fastest Indian company to reach 5.5 \$ billion in 4 years, thus becoming the unicorn and likely to become a decacorn in the coming years.

Recent business unicorns – The global COVID-19 pandemic, accompanied by strict lockdown and social distancing, has expedited the growth of digital startups. Some of the recent startups that entered the unicorn club are -

1. Darwinbox –Darwinbox is a leading cloud-based Human Resources Management software provider that serves HR needs across recruitment, onboarding, payroll, travel, and people analytics. It is headquartered in Hyderabad and was established in the year 2015 by Chaitanya Peddi, Jayant Paleti, and Rohit Chennamani.

2. DealShare- It is a social e-commerce marketplace targeting middle-class consumers. It was established in September 2018 by Vineet Rao, Sourjyendu Medde, Sanker Bora, and Rajat Shikhar. DealShare has procured around \$ 33 million in funding to date.

3. Nykaa- Nykaa is an online platform for beauty and personal care products, which was founded by Falguni Nayar in 2012. In the year 2020, Nykee became the first Indian unicorn startup owned and managed by a female entrepreneur.

4. MakeMyTrip – It is an online travel platform that was launched in 2008 by Nishant Patti. As per the report, EasyMyTrip is India 's latest entrant to the unicorn club with a \$ 1 billion market value.

5. Dream11- Dream 11 is an Indian fantasy sports platform that allows users to play fantasy cricket, hockey, football, kabaddi, handball, basketball, and other games. Dream11 was founded in the year 2008 by Harsh Jain and Bhavit Shaath, headquartered in Maharashtra. In April 2019, Dream11 became the first unicorn in the field of an Indian fantasy sports company to become a unicorn.

The factors enabling the rise of unicorns in India comprise -favorable demographics, availability of private equity funds and dependence on venture capital funds, Internet accessibility all over, online payment, supportive business environment, robust infrastructural facilities, sustainable business model, and rising pool of skilled workforce.

2. Review of literature – According to Anwar and Das (2016), cyberspace is growing at an unprecedented rate. Companies are captivating higher capital and procuring even high valuations from investors. Many companies have been recognized as unicorns with aggregate valuations of over USD 1 billion in a very short span of time. This paper reviews those unicorn startups that emphasize consumer space from a valuation model perspective. The traditional equity valuation models and methods are unsuitable as they neglect high future growth perspectives in these startups, high risk, and heavy deficits despite increasing income. This paper focuses on working on a comparative analysis of Indian unicorn startups attempting to determine a relationship between high valuation with references to their customers and other growth drivers., which heavily depends on internet space in the startup's function.

As Varadan (2017) mentioned in his article, vulnerabilities faced by startups include coordination among the teams, lack of employment, lack of consumer awareness, and paucity of funds and resources. He proposed some suggestions and strategies to cope with those challenges. According to the article "Challenges and opportunities for Indian Startups," which was published in financial express on January 27, 2017, the Indian government made every possible effort to provide effort to provide startups with the best opportunities to expand and shine in the market.

In his paper, B.V. Naidu (2017) stated the various challenges and achievements of how the Indian startup ecosystem fared in 2017. With a pool of young and dynamic entrepreneurs, the number of startups and incubators rose to 40% growth in 2016-17. Considering the macro environment of the startups, there are more benefits than the number of demerits, like an increase in the number of incubators and accelerators, the emergence of Tier 2 and Tier 3 cities, increasing government support, employee attrition, and technology as a boon.

Bala Subrahmanya (2017) stated in his paper that technological development entrepreneurship and a favorable ecosystem for tech-based startups are capturing the attention of policymakers and empirical researchers globally. In India, Bangalore is called the "epicenter of startups" in terms of incubating new firms and the quantum of funds these entities raise. A supportive and unique business environment adds to this status and recognition of Bangalore as India's undisputed hub for nurturing high-growth unicorns. On the contrary, in 2020, Bala Subrahmanya attempted to explore the structural gap that exists concerning the entrepreneurial ecosystem and how Bangalore has gained recognition at the global level and emerged as a Technology -hub due to its supportive and dynamic environment. A Delphi technique based on its stakeholders belonging to different components of the entrepreneurial ecosystem was conducted to collect data in the context of Bangalore.

Kaur and Sharma (2019) have argued that, in recent times, there has been a rapid increase in the number of startups in India. The startup ecosystem has bugged out, thus bringing about a startup revolution. To encourage and sustain revolution, the Government of India has attempted a few amendments and plans to make the startup ecosystem favorable to the growth of new startups. Startups promote any nation's economic development and allow the young population to work independently, creating employment opportunities and using technology to address consumer grievances. Considering the importance of startups in a developing country like India, which has a high rate of unemployment. The paper explores and examines one of the main problems of attracting and retaining talented manpower in startups. The paper uses literature-based analysis to investigate and evaluate the innovative total reward practices that are applied in top startups in India. Thus, the paper directs to reward practitioners and startup entrepreneurs in framing total reward methodologies that will assist in retaining and motivating their employees.

Sakthivel (2021) investigates the Indian unicorn ecosystem of the last ten years and the future implications that business incubators located in the country may have in the growth and development of such startups. This paper gives a quantitative analysis dependent on the 36 unicorn startups originating from India from the period ranging from 2011 and 2020 to assist in discovering the notable impacts of business incubators on unicorns regardless of the fact whether these incubators yield a significant part in the growth cycle of the unicorn startups in India.

3. Objective of the study –

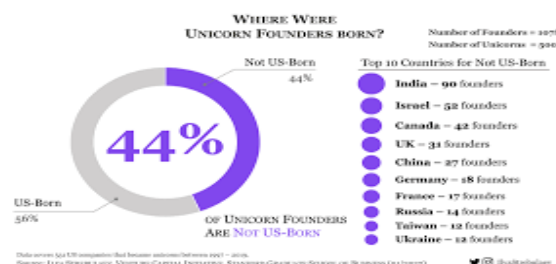
1. To provide some insights on emerging unicorns in India, as India is fast emerging as a center of investment.

2. To study various challenges that act as a hurdle in realizing the true potential of startups in India.

4. An Overview of Startups ecosystem and unicorns in India -India ranks third after the USA and China in terms of the favorable ecosystem in the world with over 77000 DPIIT-recognized startups in over 650 districts of the country as of the date, 29th August 2022. In 2016-17, the number of startups was 733, which rose to 14000 in 2021-22. Till 2021,83 startups achieved the status of a unicorn, most of which are in the service sector. Within the past two years, unicorns have been increasing exponentially. According to the Economic Survey report, as per the data mentioned in 2018, the number of unicorn startups was 7, which increased to 38 in the year 2020 and 71 in 2021. Few of these unicorn startups have raised more than 9 billion dollars to date.

Some of the successful Indian unicorns are – Lenskart, Meesho, CRED, Ola Cabs, and OYO are some successful Indian unicorn startups. FinTech Industry is undoubtedly the largest contributor to the unicorn hub in the financial service sector. BharatPe, Razor pay, CRED, and ZETA are some of the financial technologies additions to the unicorn list. Some of the online education techs, including BYJU, up Grad, Unacademy and Vedantu, got added to the list. Rapid growth in Unicorns has been possible due to the number of factors like strategic and conditional that triggered the Indian economy.

The covid -19 crisis induced the public to switch from a paper economy to a digital economy, leading to consumers' adoption of digital services, thus helping startups build technology-driven businesses for the customers. Some of the startups switched from offline mode to online food-delivery services, online educational classes, and e- grocery. The Work from Home culture inculcated innovative ideas among the people and accelerated their business diversification plans, thus attracting investors to invest in novel products, and increasing the startup base. The growth of digital payments aided in increasing the number of unicorns. Many startups turned into 'unicorns,' and many public corporations emphasized on business acquisition process rather than investing in their own businesses. Business unicorns are financed through venture capital and angel investors. The Top Cities of Unicorn headquarters are – Bengaluru, Delhi -NCR, and Mumbai. Some of the top business unicorns are serving as role models for motivating businesses. (Chawla,2021) stated in his paper that near about 86% of unicorn founders are IIT graduates. Figure (1) shows the top ten countries where unicorn founders are born; India leads the chessboard, followed by Israel, Canada, and other countries. 44% of the unicorn founders are not US born, and 56 % are US-born.



According to **Tracxn's** Annual funding Report, 46 companies were listed as unicorns last year. The United States of America chess the leaderboard in terms of the number of unicorns with 865 unicorns, which constitutes 53% of the total; followed by China with 224 unicorns, and India begged third position with 108 unicorns., UK with 66 unicorns. The maximum number of unicorns is in the FinTech sector, with 346 unicorns, followed by Auto Tech

(117), Health Tech (121), Cybersecurity (90), Life Sciences (58), logistics Tech (60), and Real estate and construction Tech (53)

5. Challenges to startups

Though startups are pivotal to the economic growth and development of the nation, they are still facing bottlenecks for their survival and development. Startups are facing many challenges, including lack of coordination, poor infrastructural facilities, building the right team, lack of expertise and information about the customer, strict government rules and regulations, unavailability of resources for the long term, and shortage of funds.

1. Shortage of funds – In the present market scenario, about 50 % of startups are forced to shut down their business because of the paucity of funds. One of the biggest challenges faced by angel investors is the procurement of funds from various sources. Therefore, before funding any startup, investors should spend some time evaluating its pros and cons.

2. Building the right team – According to the survey, finding the right team is one of the most important challenges faced by startups. Investors should spend considerable time recruiting talent who possess good communication skills, technical knowledge, good leadership traits, and a passion for facing risks and adapting them according to the dynamic world.

3. Lack of mentorship – One of the most significant benefits of business mentorship is the opportunity to collaborate with a diverse workforce throughout the span of careers. Building a long-term relationship with mentors can give a new business a new height and access to consistent guidance and resources. However, many entrepreneurs fail to execute their innovative ideas properly due to a lack of experience and a practical approach. Startups fail to succeed if they lack mentorship. Mentors have relationships with a comprehensive and vital organization of people who can assist startups with succeeding in remarkable bearings. Talent, tenacity, and tactics are the 3T 's to remember.

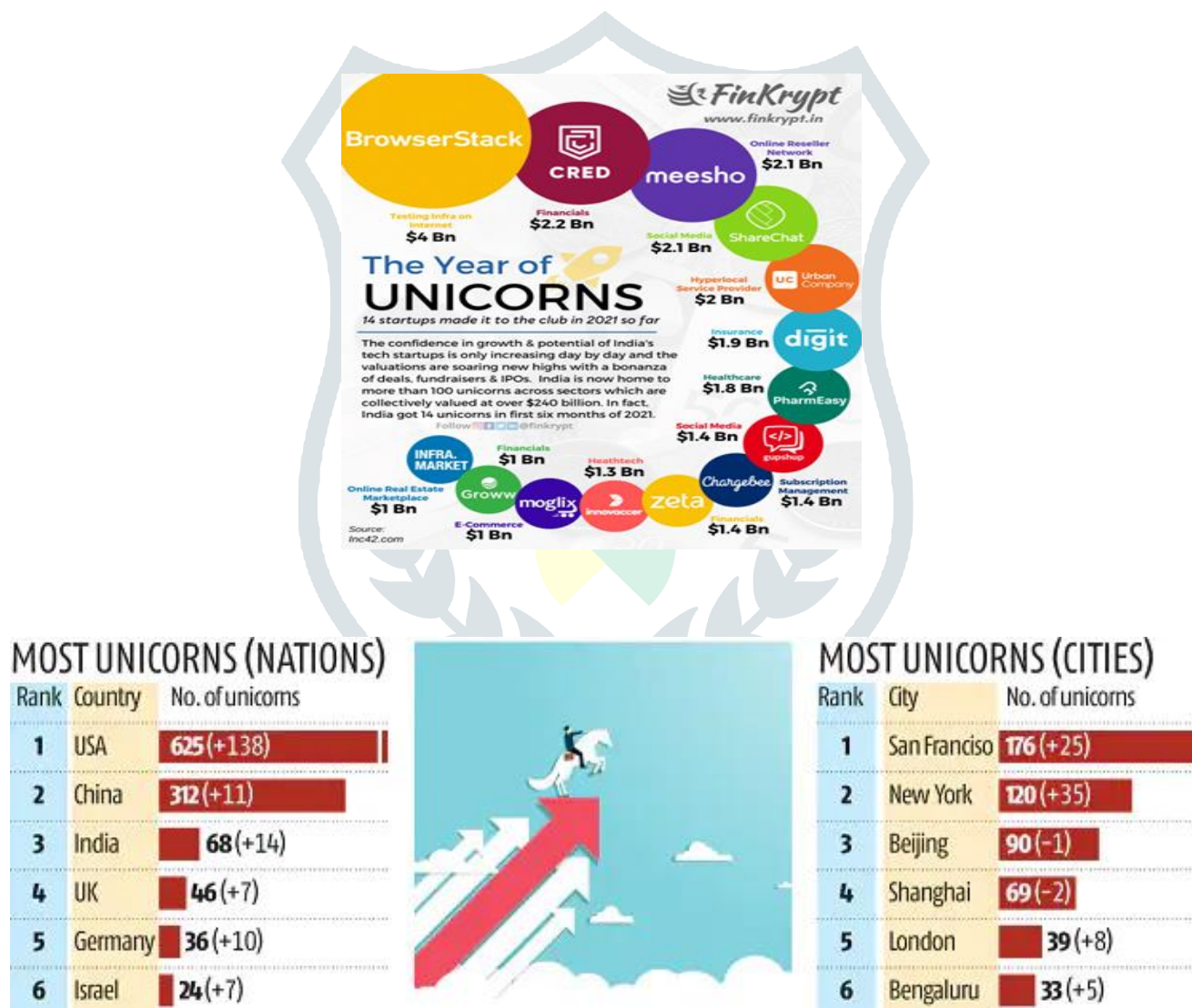
4. Lack of customer understanding – India is a kaleidoscope of cultures that includes umpteen variations in food, attire, language, music, religion, region, culture, rituals, and customs. For instance, what is sold in Maharashtra may remain untouched in Tamil Nadu. Before adventuring, proper and thorough information about regional and a practical market survey is of utmost importance. The location of the business plays a key role. Every startup has its flaws and cannot produce something innovative and revolutionary like iPods.

5. Strict government rules and regulations- Day to Day government interference in its working can hamper the decision-making process and thus delay policymaking. With time, things are becoming favorable on the regulation side, but still, there are several different legal matters which need to be addressed before setting up a new business-like registration of the company, regulations about labor laws, intellectual property rights, information technology, contract disputes, foreign investment, liquidation of the business, licensing business, taxation, and accounting laws.

6. Research Methodology – The research under study is a combination of qualitative research and exploratory research design. The study was done on secondary data, which has been collected through the internet, blogs, and related research papers and articles of eminent scholars. The exploratory will includes techniques like reviewing available literature concerning the study and data sources.

7. Current scenario of unicorn startups in India – In this ever-changing environment and economy, Indian unicorns is flourishing at an unprecedented rate. These startups are creating innovative solutions and technologies and generating employment opportunities on a large scale. Till the financial year 2016-17, One unicorn was added each year. Since 2017-18, this figure has been increasing at a gigantic rate of 66% year-on-year growth. As per the report, India is the abode of 107 unicorns with a valuation of \$340.79 billion, out of which 44 unicorns having an aggregate worth of \$93 billion were conceived in 2021, and 21 unicorns with an aggregate sum of \$26.99 billion were conceived in 2022.

Figure (2) illustrates that the year 2021 was undoubtedly the year of the unicorn for India's startup ecosystem as this decade developed into a stampede as 39 startups achieved billion-dollar valuations this year.

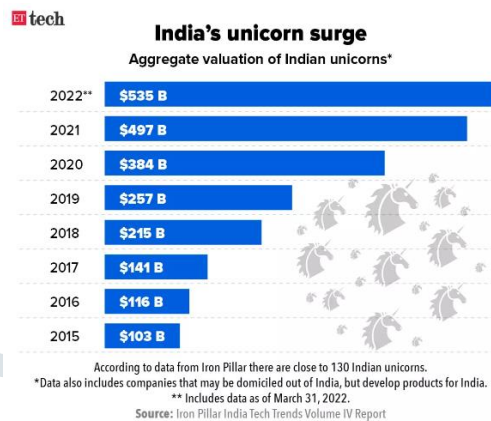


Source: <file:///C:/Users/HP/Downloads/1662570911-9311.webp>

Figure (3) shows that in the first half of 2022, the US chess the leaderboard by adding 138 unicorns, and India edged post-China by adding 14 new unicorns with a market valuation of \$1 billion or more. On the other hand, China added

only 11 unicorns; as per the data shown from the Hurun Global Unicorn Index 2022, India has 3rd highest number of unicorn startups in the world.

Figure (4) shows the aggregate value of Indian startups from the period 2015 to 2022. According to the data from Iron Pillar, there are close to 130 Indian Startups, including Startups that are domiciled out of India.



According to the report, India strengthened its position on third with 68 unicorn startups, followed by online education platform BYJU, whose valuation is \$22 billion, followed by online food delivery platform Swiggy (\$11 billion), and fantasy sports platform and travel-stay finder Dream11 (\$8 billion). India scored 56 unicorn startups established by Indian co-founders overseas. Thus, the number of unicorn startups rose to 124, founded by Indian entrepreneurs globally.

There is a total of 168 fintech unicorn startups in the world. At present, 24% of them are payment technology-related unicorn startups. The most valuable Fintech unicorns are Ant -Group (US \$ 120 billion), followed by payment platform, Stripe (US \$ 62 billion), and WeBank (US 33 billion). Fintech ranks first position with US \$ 742 billion or 17.6% of the total value of all unicorns.

Sequoia, a venture capital firm, ranked first in terms of successful unicorn investors in the world, having 234 unicorns, followed by Softbank, with 180 unicorns in its portfolio.

Between 2015 and 2021, the Indian startup ecosystem witnessed nine times increment in the investment sector and a seven-time increment in the funding process. India is marching from the age of unicorns to the age of decacorns. A company whose market valuation is more than \$ 10 billion is known as a decacorn. As of May 2022, 47 businesses globally had attained the status of decacorn. The decacorns startups, as per the present period, include four startups from India: Flipkart, BYJU, Nykee, and Swiggy.

8. Future Prospects of unicorns in India- A successful startup ecosystem requires individual and collective role models. It involves attracting the best capitalists who invest capital, provide advice, and bring long-term experience, and even young, energetic mind plays a key role. Entrepreneurship is contagious, and cities that have lots of young and innovative youth are likely to attract the best and brightest young entrepreneurs, which will have a roll-on effect. It becomes a self-fulfilling prophecy. Unicorn Startups are considered a benchmark of a world-class startup ecosystem. The more the unicorn, the better the startup position it has. According to the ASK Wealth Hurun India Future Unicorn Index 2022, India will have 122 new unicorn startups in the coming two to four years. With huge

domestic consumption and world-class manufacturing skills, India can become the most attractive global hub for the chemical industry and petrochemical manufacturers after China. India 's chemical industry is expected to reach US\$304 billion by 2025, with an annual growth rate of over 15%, thus contributing to over 30% of the total manufacturing GDP of US\$ 1 trillion expected by 2025. The Indian startup ecosystem has a long-term potential to produce numerous unicorns in every sector of the economy.

Conclusion -Technology has significantly impacted every segment of markets; whether it is a startup or a multinational company, all businesses require technology to achieve a competitive advantage in domestic and foreign markets. Indian unicorns are considered the torchbearers of the Indian economy. A spiral effect is at work in India as more unicorns are produced. India's changing reforms and government policies toward entrepreneurial development and various government initiatives have mounted startups to a great height. Considering the focus on creating Aatmanirbhar Bharat, policymakers, funding agencies, and venture capitalists need to develop a supportive climate for ensuring easy availability of domestic capital and foreign inflow like FDI and FPI. It is essential to maintain a balance between the present socio-economic drivers and the need to stay integrated with the global market so that India can create a truly innovative and resilient economy.

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