



# Upswing of unicorn startups in India - An analytical study

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## ABSTRACT

*We live in the era of fast – moving exponential change driven by the advanced technology and flooded by innovations in the market. The result is the landscape of young, nimble Unicorns playing a tremendous role in the new market .A unicorn is a young company that has valuation worth of \$ 1 billion or more from private investors and they represent a very large market opportunity. Most of the companies with unicorn status are in loss, yet they are attracting a good investment in every round of finance due to rigorous growth & opportunities. Big tech or large scale companies take benefit by investing or acquiring these startups, since they don't need to start from scratch and these startups get a good premium then it apparently gets in to unicorn status. This paper involves study relating to various statuses given to startups by venture capitalists based on their valuation. Familiarizing growth in sector wise extension of unicorn's in India as well as to Investigate on India's top unicorns based on their valuation and to scan over abnormal high valuation of unicorn startup in India.*

**Keywords:** Market, Startups, Status, Unicorn, Valuation.

## 1. INTRODUCTION

India is a developing country with expansion mode in current economic scenario. Government of India is showing great initiation to support the entrepreneurship & startups with various liberal policies and schemes like 'Make in India'. In recent days many startups emerged and got clicked in the market, leading to motivation of youths to go for entrepreneurship rather than a job. Currently India has 110 startups valued with surplus of \$1 billion, number of unicorns increased more than expected by researchers in 2022. Startups aroused in various sectors especially in the E-commerce due to Digital India concept. Competition among the companies, customer demand, opportunities, sustainability problem of companies, all these may force

companies to opt advanced technology to overcome complications. Those companies with additional finance in all rounds from venture capitalists enter the unicorn startup group.

A startup idea comes when there is a gap in any product or service. In recent days the government of India took several initiatives to support startups. And by interest of entrepreneurs many startups arose in India with the help of venture capital investors. Based on rigorous potential growth, expected development, valuation of startups is tagged with a particular status like unicorn and sub-categories under it. The term unicorn in finance is "Privately owned startup with a valuation of over \$1 billion". It was coined in 2013 by an U.S venture capital investor and founder of cowboy venture Aileen Lee by selecting the mythical animal to symbolize the statistical rarity of such victorious ventures. She first wrote about the unicorn startups in her article "Welcome to the Unicorn Club: Learning from Billion-Dollar Startups." considering all the unicorns are startups, their worth is determined by valuations of venture capitalists and who participated in the financing rounds of the companies. The circumstance of unicorn is controversial and some of the professionals believe that such companies are output of innovation, progress and technology. And others feel that increase in unicorn startups is sign of bubble in the industry.

## 2. REVIEW OF LITERATURE

**Illurivenkatanaryana (2016)** examined on startups by explaining on guidelines to startups by PM Narendramodi. He further studied the impact of startups on economy, key reasons for encouraging startup entrepreneurship and reasons for unsuccessful implementation of startups. He concluded that government campaign would help with employment in future. **Birton, Cowdon, Joshua Bendickson, Jerrica Bungcayao, Simona Womack (2020)** has studied on startups by explaining moral hazard and its relation to traditional venture capital. They further examined on proposition development of unicorn, why unicorns differ, agreeable moral hazard and its implications. **Sarika Sharma, mrinal raj, Tanya Gandhi (2020)** scrutinized on startups by narrating stages on startup life cycle, startup financial life cycle and the Indian startups path. Analyzed challenges faced by startups by categorizing them into marketing, finance and others. **Dr. Walter D'souza (2021)** investigated on startups by describing the government initiatives to support startups, opportunities, reasons for failure, issues and challenges faced by startup.

## 3. OBJECTIVES

1. To understand the different types of statuses given for startup's in venture capital industry.
2. To analyze the growth and sector wise extension of unicorn startups in India.
3. To investigate on India's top unicorn startups based on their valuation.
4. To scrutinize the purpose of uneven high valuation of unicorn startups.

#### 4. RESEARCH METHODOLOGY

The nature of this paper is both descriptive and analytical. The secondary data for the study is collected from different sources like journals, newspaper, websites etc. To analyze the collected data bar chart is used and interpreted the findings for the same.

#### 5. DIFFERENT TYPES OF STATUS GIVEN FOR STARTUPS IN VENTURE CAPITAL INDUSTRY.

SL.NO	STARTUP STATUS	VALUATION ( \$)
1.	Minicorn	1 Million
2.	Soonicorn	Soon to reach 1 Billion
3.	Unicorn	1 Billion
4.	Decacorn	10 Billion
5.	Hectocorn	100 Billion

##### 5.1 MINICORN

Minicorns are the startups that are having a valuation over \$1 million and those are still on the upsurge to become unicorn companies. These are high growth stage ventures (Series A+).

Smallcase	Money View	Indifi	OneAssist	EarlySalary	StoreKing
Open (Neo Bank)	Scripbox	Advisory Mandi	Medi Assist	Dvara KGFS	Kredx
Loan Tap	Onsitego	Progcap	India Lends	Upstox	Credgenics
Vauld	Fi	InfrasoftTech	Eduvanz	CASHe	Happay
Sub-X	Leap Finance	Plum	Tookitaki	DiGiSPICE	Samco
ZipLoan	OnSurity	WishFin	Funds India	Instamojo	MyMoneyMantra

Research data by “Tracxn Technologies”

(Source: <https://tracxn.com/d/soonicorn-awards/top-startups-in-india-fintech-2021#Paytm>)

##### 5.2 SOONICORN

Soonicorns are the startups having a valuation close to \$1 billion, which are funded by and financed by venture capitalists or angel investors analyzing the future valuations of the entity. Sometimes a large firm may acquire the startup, leading to a good valuation more than their actual net worth. This acquisition may help the startup to tag as unicorn from soonicorn.

MobiKwiki	Lendingkart	Acko	InCred	KreditBee	KhataBook
FinoPaytech	Capital Float	Turtlemint	FSS	BankBazaar	Rupeek
Vivriti Capital	Mswipe	NeoGrowth	True Balance	RenewBuy	OkCredit
AGS Transact Tech	StashFin	Jupiter	ZestMoney	FlexiLoans	Cleartax
Perfios	Ezetap	Coverfox	Auxilo	Niyo	Slice Credit card

Research data by “Tracxn Technologies”

(Source: <https://tracxn.com/d/soonicorn-awards/top-startups-in-india-fintech-2021#Paytm>)

### 5.3 UNICORN

Unicorns are the startups that are funded and valued by venture capitalists with \$1 billion or more. It was coined in 2013 by a U.S venture capital investor and founder of cowboy venture Ms.Aileen Lee by choosing the mythical animal to denote the statistical rarity of such successful ventures. She first wrote about the unicorn startups in her article “Welcome to the Unicorn Club: Learning from Billion-Dollar Startups.”

<b>Paytm</b>	<b>BYJU’s</b>	<b>Swiggy</b>	<b>Paytm Mall</b>	<b>ReNew Power</b>	<b>Udaan</b>
<b>OYO Rooms</b>	<b>OLA cabs</b>	<b>Zomato</b>	<b>Zerodha</b>	<b>Big Basket</b>	

Research data by “Inc42”

(Source:<https://inc42.com/the-indian-unicorn-tracker/>)

### 5.4 DECACORN

Decacorn is coined with merge of two words, Deca(10)+Unicorn = Decacorn.

Decacorn startups are those companies with current valuation of over \$10 billion and are evolved version of Unicorn Company. The difference they possess is revenue model, business model and ratio. Decacorns get such kind of investment and even after having a valuation of more than \$10 billion they show world a substantial growth that other startups couldn't.

Paytm	Oyo	BYJU’s
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(Source: <https://trak.in/tags/business/2020/06/29/woah-byjus-becomes-indias-3rd-decacorn-as-valuation-soars-to-10-billion/>)

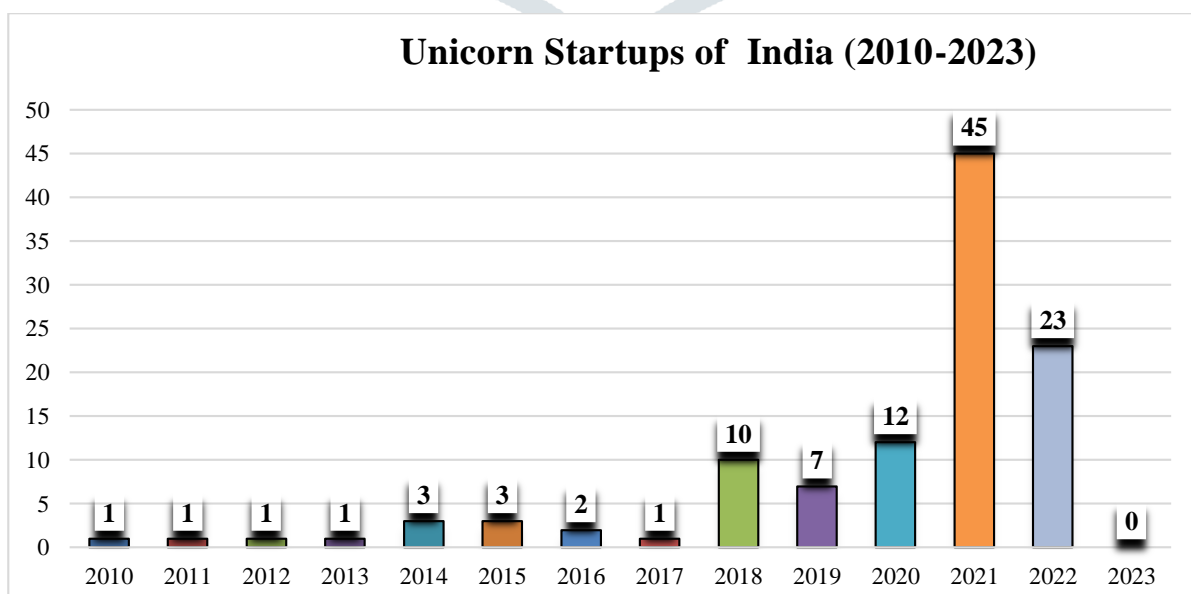
### 5.5 HECTOCORN

The tech company that exceeds the valuation of more than 100 billion is stated as Hectacorn or it's also known as ‘*Super Unicorn*’

Google	Apple	Microsoft	Facebook	Cisco	Oracle
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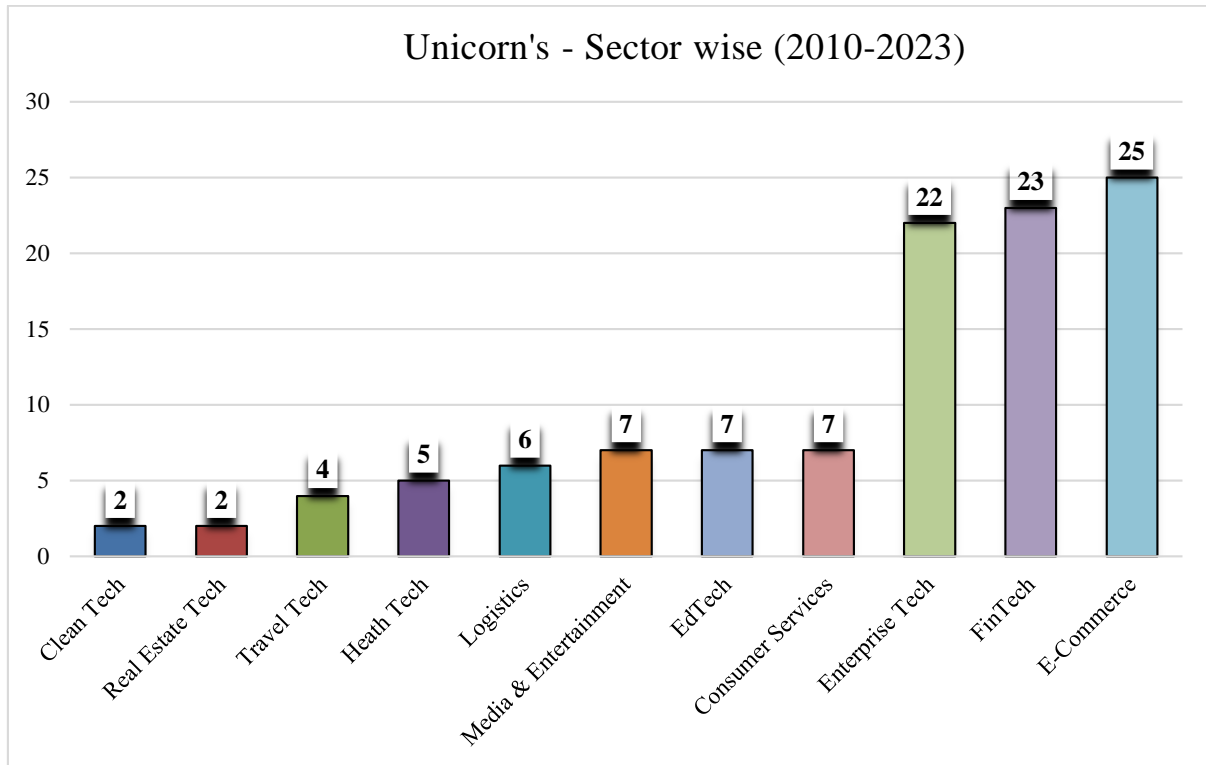
(Source:<https://finfan.vn/News/all-about-mincorn-soonicorn-unicorn-decacorn-hectocorn-startups-921>)

## 6. GROWTH & SECTOR WISE EXTENSION OF UNICORN STARTUPS IN INDIA



(Source:Inc42 - <https://inc42.com/the-indian-unicorn-tracker/>)

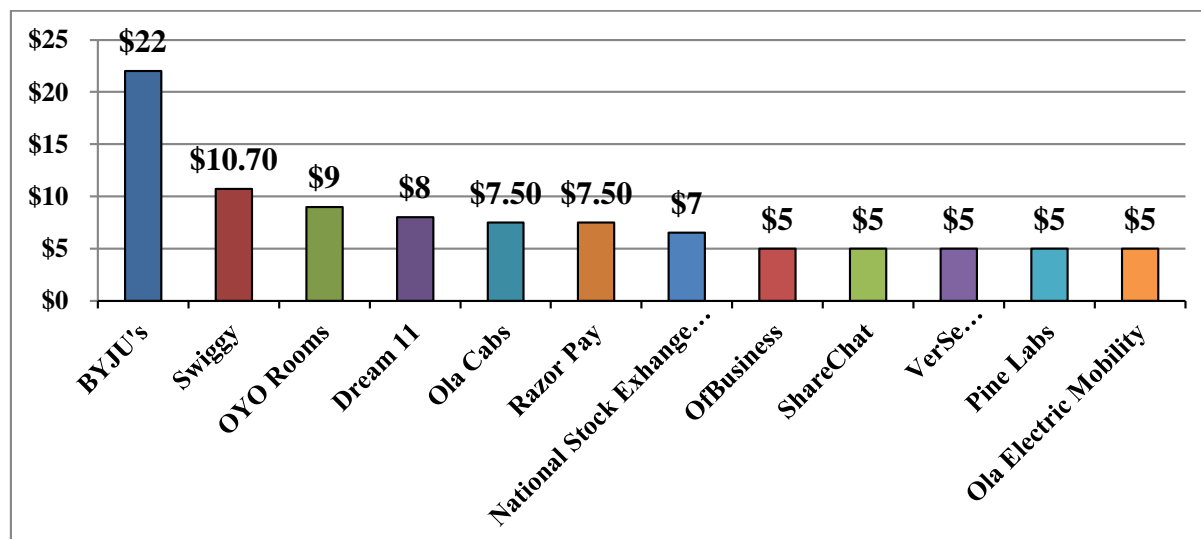
Each year from 2010 to 2013 only one startup entered into unicorn club. In 2014, 2015 unicorn startups increased from 1 to 3. In the year 2016 just 2 startups entered the zone and single company in 2017 whereas the year 2018 had 10 unicorn startups and 7 & 12 unicorns in 2019 and 2020 respectively. In comparison with 2020, Indian market witnesses an additional 33 startups joining the unicorn list in 2021, i.e. 45 numbers. In 2022 the numbers diminished to 23 and 2023 with nil on entry to unicorn status.



(Source: Inc42 - <https://inc42.com/the-indian-unicorn-tracker/>)

As per the data of Inc42.com from 2010 to 2023 gives information about sector wise number of unicorn companies in India. According to data, Clean Tech and Real Estate Tech got 2 unicorns added and next increasing to one fold to 4 in Travel Tech. 5 unicorns from Health Tech and 6 from Logistics. Subsequently Media & Entertainment, EdTech, Consumer Services have shared equal number i.e. 7 unicorns. Enterprise Tech, Fin Tech & E-Commerce witnessed an increasing numbers 22, 23, 25 respectively.

## 7. Leading unicorns in India as of January 2023, by market valuation (in billion U.S. dollars)



(Source: Statista.com - <https://www.statista.com/statistics/1094985/most-valuable-unicorns-in-india/>)

It is observed that the most valued India's unicorn out of all is BYJU's by valuation of \$22 Billion followed by Swiggy at second and OYO rooms with third position by valuation of \$10.70 & \$9 respectively. Fourth most valued startup is Dream11 having \$8 and fifth, sixth occupied by ola cabs & Razor Pay with equal value of \$7.50 billion. Seventh goes to National Stock Exchange by \$5 and next following companies like OfBusiness, ShareChat, VerSe, Pine Labs, Ola Electric Mobility are having valuation of \$5 Billion each.

## 8. UNEVEN HIGH VALUATION OF UNICORN STARTUPS

**8.1 Fast-growth strategy** – In today's situation venture capitalist anticipate mainly on high tech strategies for progress of the startups. Those strategies motivate to invest large sum of money in startups at all-round of financing to capture the large market share as early as possible and to put a stop to entry of vital competitors in the market place. On the account a unicorn company's worth increases drastically at broad spectrum of financing.

**8.2 Buyouts** – At trend, most of the developing startups are unable to meet the criteria for an IPO. Alternatively, big tech companies like google or apple acquire startups to diverge their business and to prevent the emerging of major competitors in the market. Large scale companies get advantage from acquisition because they have potentiality to take over developed technologies in spite of creating something usual from initial edge. Enormous competition among the big tech companies gives raise to offer a notable premium to startups that will magnify the valuation of target companies, leading to unicorns.

**8.3 Innovations** – Innovative technologies used by the startups helps them to have a revolutionary growth by strengthening the advanced technologies. To achieve herd production and to reach their customers with high speed in short duration these startups takes supremacy of new technology.

## 9. FINDINGS

1. Startups to enter the status given by venture capitalists, it need to streamline its technology as per the market trend to attract additional investment.
2. Startups when acquired by big tech giants, it valuation goes high automatically leading to join unicorn club.
3. Status given to startups is a ladder based valuation. Where companies reaching to any certain value more than \$1 Million+ (Plus) will be titled with different status.
4. Large scale companies invest or acquire unicorn startups to gain a grip over market share and stop the entry of rivalry. Acquiring startups reduces the scratch work of investing companyfor adoption of new technology, as everything is already setup perfectly.
5. Venture capitalists invest in unicorn startups based on the rigorous growth, potentiality, opportunities, high tech strategiesand future demands.
6. Most of the startups don't meet the criteria of IPO. Therefore big tech giants inhabit them to diverge their business.

## 10. CONCLUSION

Unicorn startups creates competitive environment, as the startup gets into unicorn group it further strives to reach next status like decacorn & hectocorn. Besides some of unicorns are in loss, but by funding or acquisition they sustain to be in that position. The Covid-19 pandemic has accelerated the pace of start-ups that are joining the 'unicorn' club in India. India is expected to have 500 unicorns by 2025 according to venture capital investors and experts. At present, there are 110 Indian start-ups valued at \$1 billion or more, and BYJU's is the most valuable start-up at \$22 billion, according to the data of Statista.com.

**Research Gap-** This paper mainly concentrated on secondary data and confined only to Indian unicorn startups. Further study can be done on other statuses next to unicorn (Decacorn & Hectocorn) with sector wise analysis of the unicorn's global wise.

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