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Transformations of MSMEs into future unicorns

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Abstract: The knowledge economy is driving growth in the 21st century and knowledge economies use drivers like information, innovation, human capital, intellectual property, research and development, and focused creation of new specializations to augment goods and services rapidly. Today, startups are leading the knowledge-economy surge and India, as the third-largest hub of startups received immense motivation and inspiration from the **Atmanirbhar** Bharat campaign. Startups created 590,000 jobs between the period 2018 and 2021 and has the potential to catalyze India's integration in global value chains and help increase the footprint in global markets.

The total count of Indian tech startups that have entered the unicorn club to date stands at 106. These unicorns have raised a total of \$94 Bn in funding to date and are valued at around \$343 Bn combined. Unicorns are characterized by strong executive leadership, cutting edge technology, and their consumer-centric orientation. They continue to benefit from the world's third largest startup ecosystem. The opportunities for these startup entrepreneurs are considerable and they are most likely to tap them successfully. India's rapidly expanding club of unicorns and soonicorns has proved beyond doubt that the country's startup ecosystem has established scale in today's knowledge economy-led growth vectors.

The objective of this paper is to discuss and explore the possibilities of transformation of MSMEs into future unicorns by enquiring into some key differences between them.

Index Terms: MSME, Knowledge economy, Unicorns, Start-ups, Losses, Funding, Net Worth ,

Introduction

The knowledge economy is driving growth in the 21st century. Material assets have characterized agricultural and industrial economies. However, knowledge economies use drivers like information, innovation, human capital, intellectual property, research and development, and focused creation of new specializations to augment goods and services rapidly. Winning growth strategies in the knowledge economy-led era leverage technology, the internet, data, network effects, and other forces like artificial intelligence (AI) to capture market share, replace incumbent institutions and methodologies, and reap disproportionate gains. Today, in India, just like everywhere else, startups are leading the knowledge-economy surge¹.

Enterprise technology is another standout vertical that is re-engineering how India does business. As Indian corporations scale, many startups are building SaaS (Software-as-a-service) platforms to support their organizational operations at the enterprise level (<https://www.saas-knowledge-base.com>). In this

space, India does not only rely on foreign enterprise tech companies, but also has robust homegrown solutions that design for India's needs. Companies such as Freshworks, Zoho, Darwinbox, BillDesk, Udaan, InMobi, and Betterplace have not only proven their value propositions in the country, but many of them are also global companies with diverse client bases across the world. The procurement of Indian tech is now much more extensive than initially assumed.

It stands to reason then that these sectors-e-commerce and consumer-brand, enterprise-tech, and fintech-lead in the number of unicorns, soonicorns, and combined sector valuations. Other fast-growing sectors include education-tech, agri-tech, logistics, and deep-tech. India's rapidly expanding club of unicorns and soonicorns has proved beyond doubt that the country's startup ecosystem has established scale in today's knowledge economy-led growth vectors².

Scale in the Knowledge Economy

With India pushing towards a knowledge-based and digital economy, the government is attempting to deploy ICT infrastructure and provide strategy support for enhanced e governance, investments, and technology innovation through research and higher education to support entrepreneurship and spike economic growth. Data suggests that the expansion in the startup ecosystem has largely been clustered in the large (Tier 1) cities and states with financial depth, and especially in IT enabled sectors including e-commerce, transport, and finance. According to Apart from these, Indian Internet space is developing at a very quick rate. Companies are drawing in high investment and fetching even higher valuation from the investors³. Numerous companies have attained the supposed Unicorn status of valuation over USD 1 Billion in a very brief time frame.

Micro, Small and Medium Enterprises (MSME)

After 14 years since the MSME Development Act came into existence in 2006, a revision in MSME definition was announced in the **Atmnirbhar Bharat package on 13th May, 2020**. As per this announcement, the definition of Micro manufacturing and services units was increased to Rs. 1 Crore of investment and Rs. 5 Crore of turnover. The limit of small unit was increased to Rs. 10 Crore of investment and Rs 50 Crore of turnover. Similarly, the limit of medium unit was increased to Rs. 20 Crore of investment and Rs. 100 Crore of turnover.

New MSME definition

The Government of India on 1st June, 2020 decided for further upward revision of the MSME definition. For medium Enterprises, now it will be Rs. 50 Crore of investment and Rs. 250 Crore of turnover. This new definition will pave way for strengthening and growth of the MSMEs, particularly, the provision of excluding the exports from counting of turnover will encourage the MSMEs to export more and more without fearing to loose the benefits of a MSME unit. This is expected to exponentially add to exports from the country leading to more growth and economic activity and creation of jobs. Ministry of MSME has reiterated that it has put in place a very strong handholding mechanism for MSMEs and new entrepreneurs in the name of Champions [www.champions.gov.in] which was recently launched by the Prime Minister for the benefit of interested enterprises and people⁴.

As a part of the new MSME promotion policy, Uttar Pradesh Government has taken a decision in September,2022, to identify 5 acres or more land in every village panchayat has been taken, in order to boost the MSMEs in villages. The identified land would be then transferred to the directorate of industry.

The policy suggested developing industrial belts on both the sides of expressways, the report said. Five acres or more land within five km or more area on both the sides of expressways under the policy to be identified and developed as industrial clusters to facilitate setting up of the MSMEs. Private sectors holding 10 acres or more land will also be encouraged to develop industrial parks etc.

Key differences between MSMEs and UNICORNS

Stark differences

The most visible difference between a valuable startup and an MSME is the people who govern these entities. While unicorns typically portray examples of highly qualified risk-taking individuals running the show, MSMEs are often run by people with limited knowledge who lack the means to realize their vision. This fundamentally creates a stark difference in consideration of an entity as a high-value business that is attractive enough for private equity funds to hold some stake.

Leveraging technologies

One does not need much effort to observe that all unicorns or high-value startups are hyper-focused on technology - the lack of which is a major demerit for MSMEs. It is only through leveraging technology that a business can expect to constantly achieve multifold growth in revenue year on year. Unicorns like Urban Company, Pharm Easy, and Policy Bazaar have demonstrated that it is possible to add significant value by building scalable business models revolving around activities that exist in traditional markets. Moreover, tools like data science, automation, and behavioral analytics allow bringing in efficiencies to businesses. MSMEs, most of which are focused on manufacturing, end up being a node in the supply chain and offering a solution to startups without gaining much.

Strategy and Innovations

The third difference is essentially the strategy and innovation through which present-day unicorns are on their way to tap significant market share in their industry. It is only through constant idea generation and problem-solving methodology that one can achieve a high-value sustainable model. On the contrary, MSMEs are run in a traditional manner with a limited scope of growth. Modern-day startups offer these merits which in turn become a value proposition to investors thus gaining their interest in terms of medium to long-term growth potential.

But there are a few differences that make it difficult to compare unicorns and MSMEs on a similar yardstick. One of these is the fact that most unicorns provide services by utilizing the potential of MSMEs e.g., e-commerce platforms like Flipkart, Snapdeal, ShopClues, and PayTM. Mall offer products manufactured by MSMEs such as handicrafts, textiles, cosmetics, food items, etc. This poses the argument that startups and MSMEs coexist in economic equilibrium.

Incubators

Incubation of MSMEs is also necessary so that potential high-value entities can get a Launchpad instead of always struggling to be financially healthy. The government can initiate one such programme in joint participation with private equity venture capital funds to adopt few MSMEs and provide them support.

A number of indigenous MSMEs produce goods and services that have supply limited to local geography only. These include food and food processing-related goods, ayurvedic medicines and supplements, handicrafts, etc. There is potential for creating markets for such products, both in and outside India. Initiatives like GeM (Government e-Marketplace) portal are a step in the right direction. This can fulfill the objective of demand discovery and the creation of new markets.

As per the **Economic Survey 2020-21**, Delhi has emerged as the start-up capital of India by adding 5,000 recognized start-ups during the year April 2019 to December 2021 and 4,514 start-ups were added to

Bengaluru during the period which was ranking 2nd. With a total of 11,308 start-ups, Maharashtra has the highest number of recognized startups. As many as 555 districts of India had one new start up in 2021.

Recently, increased involvement of **technology in Tier II & Tier III cities** opened the doors for connectivity and opportunities. Similarly, growing purchasing power parity and domestic demand provide a great potential for the start-ups in these smaller cities. There has been a significant increase in non-metro startups that are continuously working to uplift and empower lives in these places.

Startup India Seed Fund Scheme (SISFS)

The government has allocated Rs 283.5 crore for the Startup India Seed Fund Scheme in the Budget 2022-23, which is higher than the Revised Estimate of about Rs 100 crore. The government has also rolled out the Startup India Seed Fund Scheme (SISFS), which aims to provide financial assistance to start-ups for proof of concept, prototype development, product trials, market-entry, and commercialization. Similarly, the allocation for the Startup India programme has been increased to Rs 50 crore for 2022-23 from the Revised Estimate of Rs 32.83 crore in 2021-22⁵.

Challenges to startups

Still, many challenges exist before startups like (a). *Lack of financing*: Availability of sufficient finance is critical for start-ups, (b). *Infrastructure*: There is a lack of infrastructure like incubators, science and technology parks that play a significant role (c). *Regulatory bottlenecks*: The number of permissions required from government agencies to start a business is still a hurdle, (d). *Compliance*: Bureaucratic inefficiencies are a major challenge to start-ups (e). *Lower success*: Several start-ups have failed to capture the fundamentals of business, (f). *Lack of business innovation*: Indian start-ups are still behind when it comes to innovative models, (g). *Non-competitive Indian Markets*: Most startups serve only the fraction of Indians who live in urban India, (h). *Digital divide*: The majority of Indians who live in rural areas and small towns remain untouched by most startups, (i). *Behavioral changes*: Inducing changes is costly for new businesses since they must keep the clients interested throughout. The change in consumer behavior affects a startup both positively and negatively, (j). *Consumption of Services*: It appears that corporations and valuation experts assume exponential demand growth over longer periods which may be an over estimation⁶.

Government initiatives for helping start-ups

- A. **MUDRA Scheme**: Through this scheme, start-ups get loans from the banks to set up, grow and stabilize their businesses.
- B. **SETU (Self-Employment and Talent Utilization) Fund**: Government has allotted Rs 1,000 Cr to create opportunities for self-employment and new jobs mainly in technology-driven domains.
- C. **E-Biz Portal**: It is India's first government-to-business portal that integrates 14 regulatory permissions and licenses at one source.
- D. **Credit Guarantee Fund**: The Government of India launched this to make collateral-free credit available to the micro and small enterprise sector (MSME).
- E. **Fund of Funds for Start-ups (FFS)**: 10,000 Rs corpus fund established in line with the Start-up India action plan under SIDBI for extending support to Start-ups.
- F. **Tax Sops**: Tax exemption on Capital gain tax, Removal of Angel tax, Tax exemption for 3 years, and Tax exemption in investment above Fair Market Value⁷.

UNICORN

In the venture capital industry, the term unicorn refers to any startup that reaches the valuation of \$1 billion. The term was first coined by **Aileen Lee**, founder of Cowboy ventures when she referred to the 39 startups that had a valuation of over \$1 billion as unicorns. The term initially was used to lay emphasis on the rarity of such startups. The definition of a unicorn startup has remained unchanged since then. According to her, the first ever unicorns were established in the 1990s. Alphabet (GOOG)-then Google-she realized, was the dominant clear super-unicorn of the entire list with a valuation of more than \$100 billion. Numerous unicorns were born in the next decade, however, Facebook (FB) is the 2000's only super-unicorn.

India becomes the third largest startup ecosystem in the world after the US and China. Over the last year, India has added 44 unicorns taking the total count to 83, replacing UK's third position with the largest number of Unicorns in December, 2021. The US tops the list with 487 unicorns, while China is ranking second with 301, India's Unicorns (106) are currently worth \$343 billion⁸.

Atmanirbhar Bharat campaign

Apart from Unicorns, the number of future unicorns called '*gazelles*' and '*cheetahs*' are on rise in India. India, as the third-largest hub of startups received immense motivation and inspiration from the Atmanirbhar Bharat campaign. Startups created 590,000 jobs between the period 2018 and 2021 and has the potential to catalyze India's integration in global value chains and help increase the footprint in global markets.

KEY POINTS:

The city of Bengaluru, which currently has 33 unicorns, will receive 46 new additions, followed by Delhi NCR with 25, Mumbai with 16, Chennai with 5, and Pune with 3. Bengaluru currently has the most unicorns in the nation. It's anticipated that the remaining unicorns will appear in 20 additional cities. 'Tiger Global' has invested in 27 of these potential Unicorns, followed by the international venture capital firm 'Sequoia Capital', which has invested in 39 of them. The majority of these prospective unicorns were founded in 2015. The report of **Hurun Research Institute**, has divided would-be unicorns into two groups: *Gazelles*, which are startups with the greatest likelihood of becoming unicorns in the next two years, and *Cheetahs*, which are startups with the potential to become unicorns in the following four years. It claimed that the pandemic had sped up the rise of startups. Experts claim that a record 44 unicorns emerged in 2021, making India the third-largest startup ecosystem in the world. In addition, the experts noted that there are now 65 percent more unicorns, 51 percent more gazelles, and 71 percent more cheetahs in the nation.

Common features of unicorns

Disruptive innovation: Mostly, all the unicorns have brought a disruption in the field they belong to, for example, Uber transformed commuting.

Technology-driven: The business model is driven by the latest technological innovations and trends.

Consumer-focused: Their goal is to simplify things for consumers and be a part of their day-to-day life.

Affordability: Keeping things affordable is another key highlight of these startups.

Privately owned: Most of the unicorns are privately owned which gets their valuation bigger when an established company invests in it.

Software-based: A recent report suggests that 87% of the unicorns' products are software, 7% are hardware and the rest 6% are other products & services.

Some of the successful Indian unicorns are Lenskart, Cred, Meesho, PharmEasy, Licious, Grofers, etc. Fintech was arguably the biggest contributor to the unicorn universe. CRED, Groww, Zeta, BharatPe, Mobikwik, Upstox, Slice were the fintech additions to the unicorn list. Edtechs like Byju's, Eruditus, upGrad, and Vedantu also got added to the list.

India, in particular, has seen such rapid growth in unicorns due to several strategic as well as conditional reasons:

- 1.The pandemic accelerated the adoption of *digital services* by consumers helping start-ups and new-age ventures build tech-focused businesses for customers.
- 2.Many Indians moved to *online services* exploring a host of services ranging from food delivery and *Edu-tech to e-grocery*.
- 3.The *Work-from-home culture* helped increase the number of start-ups' user base and expedited their business expansion plans and attracting investors.
- 4.The growth of *digital payments* is another aspect that aided the unicorn the most.
- 5.The *GBF (Get Big Fast) strategy* is being pushed by several investors under which businesses strive to develop quickly by raising significant amounts of money and lowering prices to outperform their competitors in the market.
- 6.Many startups become unicorns as a result of buyouts from major public corporations that prefer to focus on acquisitions to grow their business rather than investing in internal growth.

Valuation model perspective

Traditional valuation methods are ineffective in case of these companies as they neglect to capture high future growth potential, high uncertainty and heavy losses in spite of developing revenues, some ordinary characteristics of such companies. A comparative analysis across Indian unicorns trying to discover a relationship is attempted to explain the high valuation with respect to their customers and other growth drivers, which depend on the space the business operates in.

The sharp rise of Unicorns in 2021 Six Indian start-ups raised \$1.55 bn to join the unicorn club during April 5-9, 2021, which is a record-setting week. In comparison, just 12 unicorns were born in all of 2020, which itself was the highest ever in a year in India^{9,8}.. However, 2021 has already seen birth of 10 unicorns¹⁰.

Executive leadership

Unicorns can be differentiated in a large crowd of startups not just by their rich valuations but also as disrupters. The key to success is maintaining the first mover advantage and exploiting every opportunity that comes their way. At the core of such unicorns is the executive leadership which makes or breaks the company. Another significant aspect of unicorns is that they are more consumer focused as compared to other enterprise startups.

Indian Startups That Entered The Unicorn Club In 2022

The total count of Indian tech startups that have entered the unicorn club to date stands at 107. These unicorns have raised a total of \$94 Bn in funding to date and are valued at around \$344 Bn combined. Following startups entered The Unicorn Club in 2022 ¹¹.

1.Fractal

It was founded in 2000 by a five-member team including IIM Ahmedabad alumni Srikanth Velamakanni and Pranay Agrawal, along with Nirmal Palaparathi, Pradeep Suryanarayan, and Ramakrishna Reddy. The 21-year-old startup provides artificial intelligence and advanced analytics solutions to Fortune 500 companies. Fractal Analytics is among a handful of companies that have taken over two decades to enter the unicorn club at a time when Indian startups are crossing the billion-dollar valuation in 6.6 years. AI and advanced analytics solutions startup, Fractal's latest round of funding made it the first entrant into the unicorn club in 2022. The Private Equity round saw \$360 Mn raised from TPG Capital Asia and secondary share purchase from funds advised by Apax Partners.

2.LEAD

LEAD is an edtech startup founded in 2012 by Sumeet Mehta and Smita Deorah. The company enables schools to combine technology, curriculum, and pedagogy into an integrated teaching and learning system. It is the country's sixth edtech unicorn after BYJU's, Unacademy, Eruditas, UpGrad, and Vedantu. LEAD claims to have more than 5,000 schools from across 500 Indian cities on board, serving more than 2 Mn students.

It was the first edtech startup to enter the Indian unicorn club in 2022. The company has raised \$100 Mn in a round led by WestBridge Capital and GSV Ventures in January positioning it at a valuation of \$1.1 Bn. LEAD School has raised a total of \$166 Mn in funding over 5 rounds. In 2021, edtech startups raised over \$4.7 Bn to emerge as the third-most funded Indian startup sector of 2021, with only ecommerce (\$10.7 Bn) and fintech sectors (\$8 Bn) attracting more investment.

3.Darwinbox

Hyderabad-headquartered Darwinbox raised \$72 Mn in a funding round led by Technology Crossover Ventures (TCV) in January this year making it the third Indian unicorn minted in 2022. Existing investors like Salesforce Ventures, Sequoia India, Lightspeed India, Endiya Partners, 3one4Capital, JGDEV and SCB 10X also participated in the round.

Founded in 2015 by Chaitanya Peddi, Jayant Paleti and Rohit Chennamaneni, Darwinbox is a cloud-based HRtech startup that enables enterprises to automate the entire employee lifecycle in one HR platform. It caters to companies' HR needs across recruitment, onboarding, core transactions (leaves, attendance, directory), payroll, travel and people analytics among others. The company claims to have around 500 enterprises and large tech companies as clients in India and Southeast Asia, including the likes of Tokopedia, Indorama, Zilingo, Fave, Adani, Mahindra, Kotak, TVS, National Stock Exchange, Ujjivan Small Finance Bank, Swiggy, Bigbasket and others.

Last year in January, it had raised \$15 Mn in funding led by Salesforce Ventures. It had raised another \$15 Mn from Sequoia Capital in 2019 and \$4 Mn in a Series A round in 2017. To date, it has raised a total of \$107 Mn in funding over 7 rounds.

4.DealShare

It uses two ways to bring down the cost of essential products for the mass market segment directly sourcing household items of lesser-known brands and selling products via community sales. Founded in September 2018 by Vineet Rao, Sourjyendu Medda, Sankar Bora and Rajat Shikhar, DealShare is a social ecommerce marketplace. It enables first-time internet users to shop online, targeting the middle-class population. The startup sells grocery and household essential products through social media and messenger platforms like WhatsApp.

The Indian social commerce segment is poised to grow at a compound annual growth rate (CAGR) of 55%-60% to reach \$16 Bn-\$20 Bn gross merchandise value (GMV) by 2025. The segment's biggest milestone last year was Meesho's entry into the unicorn club. Dealshare entered the unicorn club at a valuation of \$1.62 Bn in 2022. The Bengaluru-based social commerce startup raised \$165 Mn in a Series E funding round. The round saw participation from existing investors, Tiger Global and Alpha Wave Incubation, alongside new investors, Kora Investment, DF International Partners and Twenty Nine Capital Partners. With the current round, DealShare has raised around \$330 Mn in August,2022. The startup's valuation has more than tripled since its last fundraise in July 2021. The startup's gross revenue has increased by 10X over the last year with an ARR of \$750 Mn for FY22.

5.ElasticRun

Pune-based ElasticRun was the first startup to enter the unicorn club in February,2022. The Kirana commerce startup raised \$300 Mn in a fresh round of funding led by Masayoshi Son's SoftBank. It also saw the participation of New York-based Goldman Sachs, Prosus Ventures (earlier known as Naspers Ventures), Innovent Capital, and Abu Dhabi's Chimera Investment, a subsidiary of Abu Dhabi's Royal Group.

Founded in 2016 by Sandeep Deshmukh, Saurabh Nigam and Shitiz Bansal, ElasticRun's tech platform acts as an extended arm of FMCG companies' direct distribution networks in rural areas and enables these businesses to reach small Kirana stores in the hinterland. The startup also engages with banks and financial institutions to give them access to underserved SME customers from its Kirana network. Through data analytics, the platform also helps Kirana businesses sharpen their marketing strategy. The round valued the startup at around \$400 Mn.

6.Livspace

The Bengaluru-based startup was founded in 2014 by Anuj Srivastava and Ramakant Sharma. Livspace is a curated marketplace that provides an end-to-end home design experience. The startup's online marketplace also offers software tools that can help designers and homeowners design interiors.

Home renovation and interiors platform, Livspace became the sixth unicorn of the year. The Series F round saw \$180 Mn raised from American investment giant KKR & Co, Swedish retail giant Ikea, Jungle Ventures, Venturi Partners and Peugeot Investments. Livspace has raised close to \$450 Mn across 10 funding rounds. This is the company's second major round in the past 15 months after it raised \$90 Mn in Series D in September 2020, led by Switzerland-based investment firm Kharis Capital and consumer space-focused Venturi Partners. Late last year also saw the French multinational giant Saint-Gobain acquiring a minority stake in the startup.

7.Xpressbees

Xpressbees currently has 100 hubs across India with over 10 lakh sq ft warehouse capacity and operates across 52 airports in the country. Firstcry also runs GlobalBees – a thrasio styled roll up company that entered the unicorn club last year. Founded in 2015 after being spun off from ecommerce giant FirstCry, Xpressbees is an ecommerce logistics company that offers express delivery services. It is present across 3,000 cities, serving over 20,000 pin codes, and delivers over 1.5 Mn packages per day.

The Pune-based startup is the latest entrant to the Indian unicorn club of 2022. It raised \$300 Mn in its Series F funding round led by private equity funds Blackstone Growth, TPG Growth and ChrysCapital. Existing investors, Investcorp and Norwest Venture Partners also participated in this round. Xpressbees' total funding touched \$500 Mn, putting the company at a valuation close to \$1.2 Bn. India now has four logistics unicorns including Delhivery, Rivigo and BlackBuck. The investment comes almost two years after it had raised \$110 Mn in its Series E funding round from Investcorp, Norwest Venture Partners, and Gaja Capital. The round valued the startup at around \$400 Mn. This means that the latest round of funding has pushed Xpressbees valuation by 3X.

8.Uniphore

Uniphore became the 8th Indian startup to enter the unicorn club in 2022 after it raised \$400 Mn at a \$2.5 Bn valuation. The funding round was led by NEA and saw the participation of its existing investors. The conversational automation unicorn was founded by Ravi Saraogi and Umesh Sachdev in 2008. The startup has combined conversational AI, workflow automation, and RPA (Robotic Process Automation) in a single

integrated platform to transform and democratise customer experiences across industries. With the current round, the unicorn's total funding stands at \$610 Mn to date.

9.Hasura

Hasura became the 9th Indian startup to enter the unicorn club in 2022. The GraphQL developer Hasura raised \$100 Mn from Greenoaks Capital, Nexus Venture Partners, Lightspeed Venture Partners, and Vertex Ventures in its Series C round in February 2022. Founded in 2018 by Tanmai Gopal and Rajoshi Ghosh, the Indian startup provides data access and data flow tools and services via GraphQL APIs, a solution to accelerate product and data delivery. It has raised close to \$136.5 Mn in funding to date. It claims that its application has been downloaded more than 400 Mn times and has earned more than 25,000 GitHub stars since its introduction in 2018.

10.CredAvenue

Founded by Gaurav Kumar in 2017, CredAvenue is a debt platform that connects enterprises with lenders and investors. It offers five products catering to specific needs which include CredLoan, CredCoLend, Plutus, CredSCF and CredPool. The startup claims that it has over 2.3K corporates and over 750 lenders in its portfolio.

Chennai-based CredAvenue has become the 10th Indian startup to hit the \$1 Bn valuation. The fintech startup raised \$135 Mn in its Series B funding round led by New York-based Insight Partners. B Capital and Dragoner Investment Group were the new investors who participated in the round. The round also witnessed existing investors such as Sequoia Capital, Lightrock, Lightspeed Ventures, and TVS Capital.

In September,2021, the startup raised the second-largest Series A investment that the Indian startup ecosystem had witnessed with \$90 Mn. The round was led by Sequoia Capital, in participation with Lightrock, Lightspeed Ventures, Kunal Shah's Cred and Stride Ventures. The funding helped CredAvenue's valuation soar to \$410 Mn.

11.Amagi

Media-focused SaaS startup Amagi has become the 11th Indian startup to join the unicorn club after it raised \$95 Mn in a funding round led by Accel. Existing investors such as Norwest Venture Partners and Avataar Ventures also participated in the round. Amagi raised \$100 Mn September, 2021 from Accel, Avataar Ventures, Norwest Venture Partners, and existing investor Premji Invest. As part of the deal, the venture funds have bought out stakes held by Emerald Media (an investment platform backed by KKR) and Mayfield Fund, thus giving them an exit.

Founded in 2008 by Baskar Subramanian, Srinivasan KA and Srividhya Srinivasan, Amagi offers cloud broadcast and targeted advertising solutions to broadcast and streaming TV platforms. The startup claims to enable content owners to launch, distribute and monetise live linear channels on free-ad-supported TV and video services platforms.

12.Oxyzo

Oxyzo, the financial arm of the B2B commerce marketplace OfBusiness has hit a billion-dollar valuation by raising one of the largest Series A rounds. The startup raised \$200 Mn from Alpha Wave, Tiger Global, Norwest Venture Partners, Matrix Partners and Creation Investments. This is Oxyzo's first institutional funding round.

Launched in 2016 by OfBusiness founders Asish Mohapatra and Ruchi Kalra, it is a lending platform that provides cash flow and matches working capital financing for buying new materials for SMEs in the manufacturing and contracting sectors. The startup claims to have \$350 Mn assets under management, growing 100% on a year-on-year basis. Oxyzo is currently serving 2,500+ SMEs across India, disbursing loans worth INR 4,000 Cr per annum. Some of its features include the facility to pay interest for the period of the usage of credit lines, low documentation, interest rates as low as 18% per annum and raw material priority from OfBusiness.

13.Games24x7

Games24x7 has become the 13th Indian unicorn of 2022 after it raised \$75 Mn in its recent round led by Malabar India Fund. Other participants included its existing investor, US-based hedge fund Tiger Global. The startup will receive the investment in two tranches — with the first tranche including an investment worth \$32 Mn and the rest coming in from the same clutch of investors.

Founded in 2006 by Bhavin Pandya and Trivikraman Thampy, Games24x7 is a gaming startup that houses popular brands such as RummyCircle, an online card game and a sports fantasy game, My11 Circle. The gaming platform claims RummyCircle has more than 30 Mn registered users and adds 50K new users on a daily basis. Its cricket fantasy gaming product My11Circle has had total downloads of 6 Mn since inception.

The Mumbai-based startup's valuation soared by 3X from \$692 Mn in June 2021 to \$2.1 Bn. The new investment comes almost a year after it had raised \$18 Mn from Frederick Emmer Pollock, Jonathan Sawyer, among others.

14.Open

Bengaluru-based neobanking startup Open becomes the country's 100th unicorn after raising \$50 Mn from IIFL. The round also saw participation from its existing investors including Singapore's sovereign wealth fund Temasek, US hedge fund Tiger Global, and 3one4 Capital. The latest funding helped Open's valuation soar past the \$1 Bn mark.

Founded in 2017 by Anish Achuthan, Ajeesh Achuthan, Mabel Chacko, and Deena Jacob, Open offers business banking, payments and expense management services to SMBs across the country. The newly minted unicorn states that it has increased its customer base to 2.3 Mn in the past 12 months and plans to reach 5 Mn globally in the next one year. The startup further intends to utilise the capital to strengthen its leadership team and increase employee headcount from 500 to 1,000 in the next one year.

15.PhysicsWallah

The edtech startup, PhysicsWallah, also known as PW, has become India's 101st Indian startup to hit the billion-dollar valuation. This news comes more than a month after the country witnessed its 100th unicorn.

The Noida-based edtech startup raised \$100 Mn in a Series A funding round from Westbridge and GSV Ventures. This round pushed PW's post-money valuation to \$1.1 Bn, making it India's seventh edtech unicorn. It plans to deploy the incoming funds for business expansion, branding, introducing more courses and opening more learning centres across India.

The Indian startup was founded by Alakh Pandey and Prateek Maheshwari in 2020. It focuses on providing competitive exam prep for NEET and IIT/JEE. Started as a Youtube channel in 2016, it eventually scaled its platform to an app and a website in 2020. The edtech startup claims that more than 10,000 of its students have cracked NEET and JEE in 2020 and 2021.

16.Purple

The newly minted unicorn plans to use the cash infusion to scale its private brands and focus on tech investments in the country. With five D2C brands under its house of brands, it competes with the likes of Nykaa, SUGAR Cosmetics, Plum and WOW Skin Science.

Nykaa rival, beauty ecommerce startup Purple entered the billion-dollar valuation club in June 2022 with its Series E funding round. Paramak Ventures, Premji Invest, Blume Ventures, and Kedaara infused \$33 Mn in the Indian startup, which pushed its valuation to \$1.1 Bn.

Started by Manish Taneja and Rahul Dash in 2012, Purple is an online marketplace for beauty products and appliances. It claims to host more than 1,000 brands on its platform, including Lakme, Plum, WOW Skin Science, mCaffeine, Maybelline, SUGAR Cosmetics, among others.

17.LeadSquared

LeadSquared has become the latest startup to achieve unicorn status after raising \$153 Mn in a Series C funding round from WestBridge. This comes more than a year after it raised \$32 Mn from Gaja Capital. This makes the sales automation platform India's 21st enterprisetech and SaaS unicorn, joining the ranks of Amagi, Browserstack, and Zoho.

The Bengaluru-based startup was founded in 2011 by Nilesh Singh, Sudhakar Gorti and Prashant Singh, with Sukhbir Kalsi joining as a founding member. The company provides end-to-end sales, marketing, and onboarding automation solutions, as well as field sales management and merchant management. The SaaS startup claims to have over 2,000 enterprises across 40 countries, with more than 150K mobile users. Its product offerings are available to a wide range of sectors such as edtech, healthcare, BFSI, real estate, and hospitality, among others. LeadSquared's client base includes unicorns such as BYJU'S, Dunzo, Zoomcar and Cars24.

18.OneCard

Pune-based OneCard has become India's 104th unicorn after it raised \$100 Mn in what seems to be its Series D round. The round, which pushed the startup's valuation to around \$1.25 Bn, saw participation from existing investors such as Sequoia Capital, QED Holdings, Matrix Partners, and Hummingbird, among others.

Founded in 2018 by Anurag Sinha, Rupesh Kumar, Vibhav Hathi, the fintech startup launched the mobile-first metal credit card 'OneCard' in 2020. The newly minted unicorn also offers Visa credit cards in partnership with banks such as IDFC Bank, South Indian Bank, Federal Bank, Bank of Baroda Financial, and SMB Bank.

The company also has OneScore – a no-spam, digital credit score platform offering free credit score checks to its users. OneCard has become India's 22nd fintech startup joining the ranks of Slice, Groww, Razorpay, Zeta and Open. The startup claims to have disbursed over 2.5 Lakh cards to its customers so far.

19.5ire

5ire, a 5th generation Layer-1 (L1) blockchain network, is the second startup to join the unicorn club in July, 2022 having raised \$100 Mn in a Series A funding round. This round included participation from UK-based conglomerate SRAM & MRAM, raising the startup's valuation to \$1.5 Bn. The blockchain network plans to use equity-based funding for talent acquisition, technology development, and sales and marketing.

With plans to be adopted by Fortune 500 companies and governments, Sire intends to launch the Sirechain testnet in a month, followed by the mainnet in November of this year. Founded in August 2021 by Pratik Gauri and Prateek Dwivedi along with web3 financier Vilma Mattila, the company initially sought to file for an IPO earlier this year after securing a \$100 Mn capital commitment from GEM Global Yield LLC SCS (GGY). Instead, the startup chose to raise the Series A round. The blockchain network claims to be not only faster than other conventional blockchains, but also the most sustainable blockchain due to its use of Proof-of-Benefit methodology.

20. Shiprocket

Shiprocket, a third-party logistics (3PL) service provider, has become the latest startup to enter the unicorn club, with a valuation of \$1.2 Bn, according to Inc42 calculations. The startup raised \$33.5 Mn in a Series E2 round led by Lightrock India. Singapore's sovereign fund Temasek, Bertelsmann, Moore Strategic Ventures, PayPal, March Capital, and Huddle also participated in the round. This round comes almost 10 months after Shiprocket raised \$185 Mn led by Zomato and Lightrock India.

The Zomato-backed startup has become the sixth logistics unicorn, joining the ranks of Delhivery, Xpressbees, BlackBuck, among others. Founded in 2017 by Saahil Goel, Vishesh Khurana, Gautam Kapoor, and Akshay Gulati, Shiprocket claims to serve the logistics demands of 2.5 Lakh sellers. The Delhi NCR-based startup states that it ships to more than 70 Mn consumers annually. It also reported that it clocked \$49.7 Mn in revenue in FY21.

CB Insights (www.cbinsight.com) identified 1,170 unicorns worldwide as todate ("The Complete List Of Unicorn Companies". CB Insights. Retrieved 2022-07-01). Unicorns with over \$10 billion in valuation have been designated as "**decacorn**" companies ("What Is A Decacorn? The Era Of Decacorn Companies". FourWeekMBA. 2019-01-25. Retrieved 2021-08-29). For private companies valued over 100 billion, such as SpaceX as of late 2021, the terms "**centicorn**" and "**hectocorn**" have been used (Sheetz, Michael, 2019, "Elon Musk's SpaceX hits \$100 billion valuation after secondary share sale". CNBC. Retrieved, 2022).

21. Tata 1mg

Tata 1mg, an epharmacy and telemedicine startup, has become the year's 21st unicorn, with a valuation of \$1.09 Bn. The startup raised close to \$40 Mn in a funding round led by Tata Digital. Other investors in the round included KWE Beteiligungen AG and HBM Healthcare Investments, among others. Founded in 2015 by Prashant Tandon, Gaurav Agarwal, and Vikas Chauhan, Tata 1MG offers medicine delivery, health and wellness products, B2B distribution of medicines and other healthcare products, diagnostics services as well as telemedicine services.

The Gurugram-based startup claims to have a supply chain that spans over 20,000 postal codes. The platform also launched 60-minute delivery of medicines in select cities, including the Delhi-NCR region, last year. Tata 1mg, India's fifth healthtech startup, has joined the ranks of Cure.Fit, Innovaccer, Pharmeasy, and Pristyn Care.

Conclusion

The Indian economy is in expansion mode and the start-ups are slowly gaining their footing all across the country. The unicorns are the best examples of how to capture the consumer base effectively for longer periods. More start-ups can become unicorns if the right lessons are learned and implemented. More consumer-centric models need to be innovated to capture a larger population base. The target shouldn't be limited to urban areas but to reach rural India too, hence addressing the digital divide in the process. Proper branding and strategy, use of deep technology, consumer acquisition strategy execution will lead to attracting venture capitalists and more investments which are the bedrock of any startup.

The Indian government's policies like Make in India, Digital India, Atmanirbhar Bharat, etc show the enthusiasm to attract talents that should be taken advantage of by early-stage startups. "Innovation and economic growth depend on being able to produce excellent individuals with the right skills and attitudes to be entrepreneurial in their professional lives."

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