India's Next Unicorns

After Flipkart, Snapdeal et al, here's the next bunch of startups that appear set for a valuation of a billion dollars. Of course, there could be plenty a slip between the cup and the lip

:: Rahul Sachitanand, Malini Goyal & Rajiv Singh

Depending on who you ask, the amount of risk capital that was poured into Indian startups in 2015 is estimated at between $5 and $10 billion. Thousands of starry-eyed entrepreneurs have built seemingly bullet-proof business plans to try to attract seed and angel funding. Only a fraction of those have gone on to earn the faith of deep-pocketed venture capitalists. In this rarified group, too, the odds of scaling a business from being valued at a few million dollars to tens of millions, hundreds of millions and hopefully a billion – the exalted status of a startup unicorn – is increasingly minute. Despite all the excitement over startups, there are barely eight unicorns in India. Several once promising ideas have floundered as business plans have got stuck and funding taps turned off.

While the exclusive club led by Flipkart in India (valued at over $15 billion with its last round of funding) has remained rather cosy, a bunch of younger startups think they have what it takes to be added to this group. For example, Grofers, a hyperlocal grocery delivery venture, has seen its valuation grow 10-fold in 12 months. Budget accommodation upstart OYO Rooms is barely two years old, valued at around $400 million and a strong contender to make the leap to be valued at a billion dollars. Away from the startup arc lights in Bengaluru and Gurgaon, the founders of CarDekho in Jaipur have negotiated a crowded market to build an online automobile portal valued north of $300 million. Another company in this listing, ShopClues, endured a torrid 2013, with its chief executive and cofounder being arrested in the US, before bouncing back with a $100 million round of funding in January 2015, valuing the company reportedly at $300-350 million.

Despite these impressive sounding numbers, there are no guarantees of success in the fickle world of startups – which has resulted in the birth of the nemesis of the unicorn: the unicorpse, or former unicorns that are now valued below a billion dollars. Consider the case of housing.com, founded by a dozen IIT classmates barely three years ago, which sought to reimagine the way real estate was transacted online. While business bloomed in the beginning, growing tensions between investors and a maverick chief executive saw the company's fortunes nose-dive. Once listed as a strong candidate to make the leap to a startup unicorn, bankers and investors now say the company's valuation may be half or a third of what it was at its peak. As a startup valued at a billion dollars, ventures are no longer unstructured, wild ideas from a bright founder or team of founders. As companies seek to hit this unicorn status, they have to deal with dozens of investors and manage an increasingly complex business, even as they keep hunting for new ways to grow. Founders are acutely aware of these challenges, with some trying to play down the halo associated with this tag.

The tag does however confer a certain pedigree on your business. A billion-dollar valuation gives founders access to some of the biggest investors, an opportunity to build multi-billion businesses and at the end of the day bragging rights to have survived a bruising initial few years of starting up. In an effort to find the next big thing in India's startup ecosystem, *ET Magazine* reached out to some of the sharpest minds in venture investing (see *The Jury*) to curate a list of 15 companies we think will be the next entrants into this elite club. Read on for a profile of these white-hot upstarts in alphabetical order:

The Contenders

- **Azure Power**, a solar power generator
- **BigBasket**, an egrocer
- **Freshdesk**, a cloud-based helpdesk software provider
- **GirnarSoft**, an automobile e-ecosystem
- **GreyOrange**, a robotics and warehouse automation provider
- **Grofers**, a hyperlocal grocery firm
- **Lendingkart**, an online loan provider
- **LimeRoad**, a social shopping portal
- **MobiKwik**, a digital payments and mobile wallet
- **OYO**, an online budget room aggregator
- **Portea**, a home-focused healthcare firm
- **ShopClues**, an online marketplace
- **Swiggy**, an online food delivery firm
- **UrbanClap**, an online household services firm
- **Urban Ladder**, an online furniture and furnishings firm

The Jury

In the hypercompetitive startup world, picking winners is tough business – every entrepreneur believes he's got the next big billion-dollar idea. So we called in the experts for a bit of help in sifting through the clutter and then creating a shortlist of what could be the next billion-dollar breakouts. A caveat: Some of them admittedly plugged companies in their own portfolio, but then these are investors who have put their money where their mouth is

VANI KOLA: Serial-entrepreneur-turned-venture-capitalist Vani Kola has one Unicorn in the bag with Snapdeal and is a highly sought investor in the startup community. The founder is an early investor in Urban Ladder and other bets such as Zivame and YourStory too show promise

SANJEEV AGGARWAL: The cofounder and senior managing director of Helion Venture Partners earned his entrepreneurial stripes by cofounding Daksh in 2000, an early BPO services provider, before selling it to IBM in 2004. Since those heady days, Aggarwal has focused on building early stage investor Helion, with investments in Azure Power, BigBasket and ShopClues, amongst other ventures

K GANESH: Storied entrepreneur and investor, K Ganesh's entrepreneurial ambitions have included ventures and investments in BPO, education, healthcare and F&B. After getting his hands dirty, founding, scaling and profitably selling his ventures, he's now set up a family office to seed and invest in ideas

SASHA MIRCHANDANI: His family made its name in a different era with Onida TVs, but the cofounder of Mumbai Angels and Kae Capital has pivoted his focus to become a widely quoted votary for Indian startups. Previous investments in the likes of InMobi and Myntra have paid off and he's now raised a fresh $40 million fund to make his next bets

ANUPAM MITTAL: The founder of the People Group has turned aggressive angel investor over the last couple of years, with some 75 investments in startups. His most famous deal was back in 2011, when he invested ₹1 crore in Ola, which is today valued north of $5 billion

RAJESH SAWHNEY: Cofounder of GSF, a startup accelerator, and an investor in around 20 startups, including Little Eye Labs, a venture recently acquired by Facebook. Sawhney has been at the centre of both the private radio and internet revolutions, with Times FM and Indiatimes, and was a key player in the corporatisation of Bollywood

ANAND LUNIA
An early entrepreneur in the elearning space with BrainVisa and then in epublishing with Hurix, Lunia was also an executive director with Seedfund. He's the cofounder of India Quotient, an early-stage investor, which has backed a slew of fledgling ventures in markets as diverse as lingerie, pet products and beauty services

ALOK GOEL He's led two big M&A deals in India's ecommerce industry (RedBus and FreeCharge), before turning a VC with SAIF Partners, where he is now a managing director. The VC fund has previously backed winners such MakeMyTrip, Justdial and Paytm

Here Comes the Sun

Azure Power is a pioneer of sorts in solar power, but it now has to reckon with deep-pocketed competitors

ASHWANI NAGPAL

Inderpreet Wadhwa, founder
AZURE POWER,
focused on generating solar power
FOUNDED IN: 2008

NEXT UNICORN BECAUSE: It has an early-mover advantage in solar energy. Its ambitions align well with the government's plans to generate 1,00,000 MW of solar energy by 2022

Inderpreet Wadhwa, founder of Azure Power, comes with a compelling pedigree. Born and educated in India he moved to the US where he did his MBA from the University of California, Berkeley. He went on to hone his entrepreneurial skills in Silicon Valley, where he lived for a decade and worked at a raft of tech ventures.

It was in 2007, when on a personal trip to India, that the startup bug bit and solar fever struck. "Talking to government folks here made me feel there was enormous potential (in the solar energy sector)," he recalls. Even the challenges – both internal and external – were enormous. There was no regulatory framework for solar power in India then. Cost structures were steep. But the biggest challenge came from his father. "He was extremely skeptical and didn't want me to leave a cushy career in the US for the grind here," Wadhwa recalls.

Today, all that is history, thanks in a large part to India's well-structured national solar policy, which has set an aggressive target of 1,00,000 MW from solar power by 2022, from just 3,000 MW in December 2014. Wadhwa's ambitions are on a similar track. His pure-play startup is "one of the most successful and oldest players that has managed to get funding from reputed investors like International Finance Corporation," says Vinay Rustagi, managing director of consultancy firm Bridge to India. Azure has close to 250 MW of solar capacity and about 515 MW in the pipeline across 14 states, much of it in Punjab. As for his father, "after I won a contract I turned him around; he is now on board," says Wadhwa.

"I do not agree that bid prices are commercially unviable"

Investors look at Wadhwa as a pioneer in the sector. "He entered solar when it did not exist in India. Azure is well positioned to build 5 GW of solar in three to five years," says Sanjeev Aggarwal, cofounder of Helion Venture Partners, and an investor in Azure.

The renewable energy space is a \$250-billion investment opportunity in India, according to some estimates. With the Modi government backing renewable energy to the hilt, the sector can be expected to get plenty of policy support to smoothen the glitches. So, from beefing up the grid network and setting up solar parks, to regulating tariffs and working out mechanisms to insulate solar power producers from indebted electricity boards, a slew of initiatives are in the works. Further, with better solar technology and dipping costs, solar power is almost reaching grid parity, increasing its appeal.

Azure Power faces two big challenges, one of them being the winner's curse. What many call irrational exuberance, aggresive bidding is driving tariffs to unsustainable levels in the sector. The latest winning bid in Andhra Pradesh was at ₹4.63 per unit, which could raise viability concerns. "This concern has been there in every bid in the last three to four years," says Santosh Kamath, head of renewable energy, KPMG in India, seeking to allay such fears.

Two, the sector is seeing the arrival of big money, from the likes of SoftBank (with access to cheaper funds), which wants to invest \$20 billion in solar projects in India. So relatively smaller players like Azure will be up against it. Rustagi, for his part, reckons Azure will hold its own. "This is just the tip of the iceberg. I think different players will find their niches." Well networked in India, Azure will be equipped to bag and execute smaller projects that are unattractive to large players and also tap niches like rooftop projects, which it is eyeing aggressively.

Big Bigger Biggest

BigBasket has managed to become India's largest egrocer in a short span

For the founders of egrocer BigBasket, this is part II of their dotcom dreams. The first was in the 1990s when they started Fabmart.com, India's first online store that began by selling books and music. It was an idea ahead of its time. The founders struggled, persevered, and along the way pivoted the model and rebranded it Fabmall to include an offline component in the form of 210 stores. Eventually, they sold out to AV Birla Group's retail venture More in 2006. The cofounders then went their separate ways, taking up corporate jobs and chasing other dreams.

In 2011, they regrouped to start BigBasket. Expectedly, this time they were more seasoned, resilient, determined, meticulous and a lot more confident. BigBasket comes with a pedigree that few other egrocers in the country can lay claim to. And that's perhaps a reason for the startup managing to become the country's largest egrocer by revenues in a short span.

Cofounded by VS Sudhakar, Hari Menon, Vipul Parekh, VS Ramesh and Abhinay Choudhari, BigBasket has a bevy of top-notch investors including Bessemer Venture Partners, Helion Ventures, Zodius Capital, Ascent Capital, GrowthStory and LionRock Capital. It has raised ₹1,080 crore so far and claims a valuation of ₹2,500 crore. The startup which logged a turnover of ₹220 crore in 2014-15 hopes to achieve a top line of ₹1,000 crore in 2015-16.

From a staff count (direct and indirect) of over 7,000, Menon says it could cross 15,000 by next year end.

By 2017-18, BigBasket hopes to break even, even as it expands operations from 12 cities currently to 30 by then. "In three years, we will be among the top three grocery players in the country with a turnover of \$1.5-2 billion," says cofounder Hari Menon. It is audaciously hoping to touch a monthly revenue run rate of ₹1,000 crore by March 2018.

There are many reasons why BigBasket is so confident and ambitious. It operates in a space that has huge potential. India's retail industry is pegged at \$500 billion. Grocery is the biggest chunk pegged at \$350 billion. The segment is dominated by neighbourhood *kirana*

Hari Menon,
cofounder
BIGBASKET,
India's largest egrocer
FOUNDED IN: 2011

NEXT UNICORN BECAUSE:
Backed by a seasoned team of cofounders, it is attacking a large \$350-billion market dominated by *kirana* stores. With its tight supply chain control, it leads the pack in building an efficient and profitable business

"By 2017-18, we will be India's third largest grocer *with revenues of \$1.5-2 billion"*

stores, despite the decade-long presence of organised retail, which is under 10% of the total. Clearly, it is a large opportunity that the startup is chasing. Grocery shopping while necessary is universally considered a chore that most households would prefer not to spend time on.

"There is a need and a huge opportunity in the home delivery space," says Menon. Understandably, it is a crowded space with many online national-regional players like Grofers, ZopNow, PepperTap and MeraGrocer pulling out the stops. The big etailers like Amazon and Snapdeal too are entering the fray. Snapdeal offers products from Godrej Nature's Basket. "Like telecom, India will leapfrog. With online, we will bypass organised retail," says Sanjeev Aggarwal, cofounder, Helion Venture Partners, who is on board of BigBasket and one of the investors.

A few things differentiate BigBasket from the rest of the pack. This is the only inventory-led player that has invested heavily at both the back and front ends. "Grocery is a complex, process-driven sector that requires a deep understanding and a high execution focus to remain in business," says Menon. Adds Aggarwal: "They own the inventory. And by cutting out the middle men, they are the only online player with strong unit economics."

"Our biggest challenge is to break consumers' habits ***and get more Indians to buy online"***

BigBasket is further building on its strengths. Making its front end and back end more efficient is a top priority. For example, three years from now it is hoping to use robotics and warehousing automation tools that will make its backend more efficient. It has rolled out a new service called BB Express that assures delivery within 60 minutes of placing an order. In the next two months it hopes to take the service to eight of the 12 cities they are present in. Even their 12-city presence will go up to 27 by March.

To have a better grip on the last mile, BigBasket recently acquired Bengaluru-based delivery startup Delyver. The company is investing heavily in the supply chain and is setting up 16 collection centres close to farming centres. It is also building eight large warehouses in the big cities. To further improve its margins, the egrocer is laying a thrust on private labels, which today account for 32% of sales; Menon hopes to take it to 40% within a year.

BigBasket has signed up Shah Rukh Khan as its brand ambassador and has rolled out a high voltage ad campaigns to strengthen its brand. Investors are betting that BigBasket's hard work and Khan's magic will help BigBasket coast into the billion dollar league, not just in valuation but in something more tangible – revenues.

Riding the SaaS Wave

An early mover in cloud-based customer support software, Freshdesk has so far had few problems in snaring customers as well as funding

"VCs always invest in good companies with solid metrics, *both in good as well as bad times"*

Can the shipment of a broken TV inspire somebody to start a company? Well, this is what happened to Girish Mathrubootham, cofounder of Freshdesk, a cloud-based helpdesk software company with offices in Silicon Valley, Chennai, London and Sydney.

In mid-2010, Mathrubootham was moving back to India from Texas and had shipped all his belongings back home. Two months later, when the shipment arrived in Chennai, he found the screen of his LCD TV broken. After trying in vain for six months to get compensation, Mathrubootham vented his angst online. It did wonders; Girish got his money back. "I saw the need for a better customer support solution," he recalls.

While the inspiration for Freshdesk was a nightmarish consumer experience, the trigger to take the entrepreneurial plunge was the news of an up to 300% hike in prices announced by Zendesk, a provider of cloud-based customer services based out of San Francisco. Mathrubootham, then vice-president of product management at Zoho, a suite of online productivity tools and SaaS (Software as a Service) applications, saw the potential to build a SaaS-based help desk software and sell it to customers globally. He roped in friend and colleague Shan Krishnasamy, and Freshdesk was born in October 2010.

Girish Mathrubootham,
cofounder
FRESHDESK,
a cloud-based helpdesk software provider

FOUNDED IN: October 2010

NEXT UNICORN BECAUSE: Well positioned to cater to a $4 billion annual market that is growing at over 10% every year

"A key transformational moment in my career is that I understood the importance of riding a wave," reckons Mathrubootham. The SaaS wave was just taking shape in India, venture capital investors were actively tracking the space and Mathrubootham knew that funds could be raised if he showed early momentum.

Freshdesk did achieve early traction, and it was in large measure due to carefully orchestrated product positioning – as good as Zendesk, but cheaper and more intuitive than its bigger rival. In November 2011, Freshdesk raised a Series-A round, its first, of $1 million from Accel Partners. In April next year, it raised its second round of funding of $5 million, and over the next eight months managed to get over 3,000 enterprise customers.

Five years down the line, Freshdesk has over 50,000 customers across 120 countries, an employee headcount of over 550, and has had five rounds of funding. It has raised $93 million from Accel Partners, Tiger Global and Google Capital, and has seen its valuation grow three times each year over the last three years.

The company is well poised to take the next big leap, with an eye on the massive and untapped international small & medium enterprises market. The startup has shown its aggressive growth streak by acquiring a series of companies over the last few months. While it bought Konotor, a mobile-first user engagement platform, in mid-December, it acquired video chat and cobrowsing platform 1CLICK and social recommendation app Frilp in August and October, respectively.

Ask Mathrubootham whether the startup has the unflinching support of the investors, and he sounds confident. "VCs always invest in good companies with solid metrics, both in good as well as bad times," he contends, adding that Freshdesk has been generating revenue since the first day and investors are extremely happy with its growth and sustainability.

Chalti ka Naam Gaadi

GirnarSoft, best known for CarDekho.com, is on overdrive establishing its presence in a host of auto-related areas

The year 2015 was all about the big horizontal etailers. They made headlines amid surging valuations, sharp scale-up and rising consumer traffic to their marketplaces. Now as valuations peak and they head into consolidation phase, the gaze is turning to sector-focused vertical etailers.

For any household, the two biggest buckets of spends are real estate and automobile. Understandably, those two segments are seeing lot of traction among investors in the online world. And that may be a reason for GirnarSoft and CarDekho.com figuring on this list.

A chance visit to the International Auto Expo in Delhi in the latter half of the 2000s led the promoters of GirnarSoft, a small IT firm then, to set up CarDekho.com in 2008. The initial aim was to offer a one-stop shop for new car buyers to do online research and assist them in their buying decision. Advertising on the platform and leads to dealers were the two main revenue streams then. Since then the startup has rapidly evolved.

Over the years GirnarSoft has built an entire ecosystem focused on the automobile sector – CarDekho.com (for sale of new cars), Gaadi.com (used cars), BikeDekho.com (two-wheelers), PriceDekho.com (a price comparison website), TrucksDekho.com and TyreDekho.com. An international arm, CarBay.com, is present in 26 countries across South East Asia, the Gulf and Latin America. For GirnarSoft, valued at roughly ₹2,500 crore, CarDekho.com is the flagship portal.

Amit Jain,
cofounder
GIRNARSOFT,
an automobile e-ecosystem

FOUNDED IN: 2008

NEXT UNICORN BECAUSE:
It is the largest player in the sector, has a first mover advantage and investors like its thrust on profitability

The company today has 2,400 employees, 1,900 new car dealers, 4,000 used car dealers and gets 33 million visitors a month (this includes traffic to Gaadi.com, which GirnarSoft acquired in 2014). With a tight control on expenses and a sharp thrust on growth, the company claims it is operationally profitable. "The money we lose is on TV ads. But that's for our long-term brand building," says cofounder Amit Jain. The business model clearly has had few problems attracting investors, from Sequoia Capital, Hillhouse Capital and Tybourne Capital, to Ratan Tata and HDFC Bank. According to news reports, Google Capital, a growth equity investment fund, which has been selective in its picks in India, may also invest.

India is among the top six automotive markets in the world (the largest in two-wheelers) and the government is betting on it to be the third largest by 2026. For a young nation, with the world's third largest internet base, online will play a critical role.

While online automobile sales are negligible today, portals like CarDekho have become important destinations for both consumers and automotive majors to seek and offer information. Thus they have a significant influence on purchase decisions. That influence can only evolve and extend to purchases themselves. Last year, Hero MotoCorp tied up with Snapdeal and in 10 months reportedly sold 3,00,000 motorcycles worth ₹1,500 crore.

For auto spares alone, the potential is enormous. In China, $613 million worth of spare parts were sold in 2014; that figure is expected to touch $4.48 billion by 2020. In India, at $27 million in 2014, spare part sales will likely touch $150 million by 2020, says Aswin Kumar P, programme manager at Frost & Sullivan India. About 10% of the advertising spend by the industry ($900 million annually) goes into digital media, and it's growing rapidly.

CarDekho's nearest rival is CarTrade.com, which acquired CarWale.com in November 2015. CarDekho too has been on an acquisition spree. Other than Gaadi.com, it acquired ZigWheels.com, an auto portal, in 2015. It is also adding products and service offerings – insurance, road-side assistance, car accessories – to make the model more robust. "We have a sound revenue and profit roadmap. We will be a unicorn within the next three years," says a confident Jain.

True Colours

Robot maker GreyOrange is the only Indian startup focused on solving etailers' supply chain problems

The best startups are those that are born out of passion. GreyOrange is one of them.

"We will have people joining us from different cultures and regions. ***Assimilating them will be a big challenge"***
Akash Gupta

When Akash Gupta and Samay Kohli were studying at Birla Institute of Technology & Science-Pilani, they developed what was perhaps India's first home-grown humanoid called AcYut. They travelled the world competing at and winning many robotics competitions at top universities including Stanford and UC Berkeley. After completing their engineering, instead of chasing a corporate career the duo started an education and training company in the robotics space. They soon decided to venture into industrial robot manufacturing. If their startup is called GreyOrange, it is for a reason: Grey is a proxy for experience and Orange for the fun quotient. "We are one of the very few companies in the world and the only one in India focused on solving etailers' supply chain problems," says Gupta.

A few broad thoughts shaped their startup. The founders wanted to build a hardware product capable of tackling a problem that had massive scale potential. "Representing India and competing at the international level gave us a very global approach to building our business," says Kohli. The duo looked at many industries from logistics to oil & gas before zeroing on the warehousing needs of etailers. Today, it builds robots – of three kinds, called Profiler, Sorter and Butler – that operate in the warehouses of etailers and logistics firms, helping them gain efficiencies and minimise errors. GreyOrange competes with global players like San Jose-based Fetch Robotics (in which SoftBank entered as an investor in mid-2015) and Kiva Systems, which was acquired by Amazon for $775 million.

Samay Kohli and Akash Gupta,
cofounders
GREYORANGE,
a robotics and warehouse automation provider

FOUNDED IN: 2014

NEXT UNICORN BECAUSE: It is tackling a large, global problem in ecommerce that will only get bigger. Focused on making proprietary products, it dominates in India with an over 90% share and has the competitive edge to go global

"Either be big or be zero. ***We do not believe in middle ground"***
Samay Kohli

GreyOrange has a staff strength of 300-odd employees, operates out of three cities in India and has two offices in Singapore and Hong Kong. It claims that it dominates the logistics automation business India with an over 90% market share and has 12 clients, 10 in India including Flipkart, Amazon, Jabong, Delhivery, Gojavas and DTDC. "They offer competitive solutions that are attuned to the Indian environment," says Abhishek Chakraborty, executive director, DTDC Express.

GreyOrange is now thinking big as it readies a world-class 1,200-seater R&D facility in Gurgaon equipped with a prototype centre. Having raised $35 million from investors like Tiger Global, Blume Ventures and a few angel investors since inception, it is initially looking to expand overseas into markets like Japan and China and later South East Asia, the Gulf and Europe. "Yes there are older and bigger robotic companies overseas. But our technology is much more on the cloud, and advanced. We are disrupting the market. It is easier for a new player to do it," says Kohli.

Developing and manufacturing products in India, GreyOrange will have some cost advantages – they claim they are five times cheaper than other providers in India and two-and-a-half times globally. But that's not what the founders are looking to exploit. "It is not the price but the technology that will give us the competitive edge," Kohli says.

As they plan to scale up from a headcount of 300 to over 500 in a year, people issues are their biggest challenges, they say. "We will have people joining us from different cultures and regions. As an organisation, we need to assimilate them and drive the team around the same vision. It is a big challenge," says Gupta.

Hyper Growth, but Profits?

Grofers' breakneck speed is doing wonders to its valuation, but the viability of grocery delivery has several question marks around it

In the 12 months till November 2015, the valuation of Grofers, a Gurgaon-based hyperlocal grocery delivery firm, has grown 10-fold to around $200 million. That was the month in which it closed its latest round of funding of $120 million from Softbank, Tiger Global, Russian billionaire Yuri Milner and Sequoia Capital. In those 12 months, the company which started as a B2B services provider for online grocers, before pivoting to its current hyperlocal focus, has expanded to 26 cities and works with 10,000 merchants. "We are in the habit-forming phase with consumers," says chief executive and cofounder Saurabh Kumar. "We have begun to replace the phone call to the local grocer or *kiranawalla*." Despite this sharp growth (Grofers has hired some 3,500 and plans to add several thousand more in the next 12 to 18 months), Kumar, a civil engineer from IIT-Bombay, believes the company has only laid the most preliminary building blocks for its business. "Of the overall market of $500 billion, roughly 70% is groceries and the amount that has moved online is minuscule," he contends.

Instead, Kumar and his team are working at breakneck speed to build a backend to keep pace with this growth. "The winner in this highly-competitive market is the one who is able to build this robust backend to support this growth... we are doing around 30,000 deliveries a day and anticipate in the next few months itself this will cross one lakh," he says.

It isn't just the delivery network that gives Kumar sleepless nights; he and the Grofers team are obsessed with expanding the assortment – range of products – available to browsers online. And, consumers appear to be biting. "We are overwhelmed with the way demand has grown," Kumar says. Average order size has increased from ₹400 to around ₹750, he adds.

Critics of the hyperlocal delivery business argue that businesses such as Grofers are building ventures mostly focused on sky-high valuations, with little focus on the bottomline. The economics don't work out, these doubters contend, since order sizes are too fractional to justify the cost of sourcing them (often from multiple local stores) and delivering them to customers. "Everyone was chasing growth at the cost of building systems to support this scale...there was and is a lot of froth in the industry, but that is settling down," says Kumar. As some local ventures have struggled, Grofers has grown as it has leaned on some old skills learnt as a B2B player. "We are the largest player in the market today and we think we also have the solid base required to grow this business into a billion-dollar entity," says Kumar.

Grofers doesn't expect to make the journey on its own steam entirely. In the last couple of months, it has made two acquihires of startups Townrush and SpoonJoy as it sought to fatten its management team and add local expertise. While growing and managing a hyperlocal business may be a part of Grofers' agenda, the other key requirement is convincing technology-averse grocers to come aboard. According to Kumar, Grofers adds around 10% incremental business every month, but thinks that as technology and systems improve this could go up significantly. "It used to be difficult in the beginning...but especially in this market your reputation is built on word-of-mouth marketing," Kumar says. "We are replacing an unreliable system with something more predictable and giving grocers incremental revenue for no cost to their own topline."

Saurabh Kumar,
cofounder
GROFERS,
a hyperlocal grocery firm

FOUNDED IN: 2013

NEXT UNICORN BECAUSE: It is the largest grocer in hyperlocal market place, is well-funded and there's plenty of headroom for hyperlocal grocery delivery

"Of the **overall market of $500 billion, roughly 70% is groceries** and the amount that has moved online is minuscule"

ASHWANI NAGPAL

Lend It Like Beckham

Lendingkart sees huge potential in providing credit to those who need it but just don't get it

What happens when a banker and a data scientist come together? Simple, the science of online lending gets simplified. This is what Harshvardhan Lunia did when he joined hands with his friend Mukul Sachan, a former Indian Space Research Organisation (ISRO) scientist, to roll out Lendingkart in April 2014. The Bengaluru-based online lending startup, which provides short-term working capital loans from ₹50,000 up to ₹1 crore, has so far disbursed loans in 75 cities across 22 states.

What made Lunia take a plunge into the financial technology segment was the realisation during his stint with a couple of big private sector and multinational banks that it was well-nigh impossible for countless small business owners to get loans despite being credit worthy. However, the inspiration for the startup was of course the poster boy of America's online lending ecosystem: Lendingclub, which is listed on the New York Stock Exchange and has a market value of roughly $4.15 billion.

"From being a startup that witnessed one of the worst economic phases in 2008 to going public last year, Lendingclub's journey has a lot to offer entrepreneurs like us," reckons Lunia. A year after their launch in 2008, when consumer lending was tedious and investor yields tanked, Lendingclub turned the tables, he adds.

Now Lunia is trying to put to use those learnings. "In India, we are looking at a ₹9 lakh crore deficit in financing. It's a huge and highly underserved market," he contends.

Clearly, there is a massive opportunity and Lunia has been addressing it systematically. First, he identified the pain area: most of the new small businesses and small and medium-sized enterprises (SME) do not get loans from conventional channels like banks or NBFCs. Reason: inefficiencies in the SME lending space. The credit decisions in banks take months, any potential analysis gets hindered by lack or complete absence of data and information asymmetry is widespread.

Of the 700 towns and cities in India, barely 150 have direct access to credit, reckons Lunia. Moreover, 92.77% SME beneficiaries have no finance, 5.18% avail finance from institutional sources and 2.05% through non-institutional sources. "Banks and financial institutions don't cater to this loan segment making it a big opportunity," he says.

Lendingkart raised its seed funding from India Quotient, Ashish Goenka, Ash Lilani and Saama Capital in January 2015; that was followed by a Series A funding from Saama Capital, Mayfield Fund, Shailesh Mehta and Ashvin Chadha in July 2015.

"Our aim is to expand to every nook and corner of the country," asserts Lunia, who has been using technology to make lending as seamless as possible. Consider this: while Lendingkart took a week to evaluate and disburse loans in July 2014, today it takes less than 15 minutes to process an application, four hours to evaluate the process and between one and three days to disburse the loan.

"Use of technology and analytics has ensured that our cost of origination, distribution and delivery is much lower than that of conventional banks and financial institutions," he asserts.

Globally, financial technology has been a hot segment for investors. It's estimated that the amount of investment in the segment has grown by 176% in four years – from 2010 to 2014 – with companies like Google, Intel and Microsoft investing in this space, says Lunia. "In the long run, we aspire to be like Lendingclub." Of course, Lunia will also be aware that the online lending space needs regulation which may prove a stumbling block in the short to medium term. Eventually, though, any regulated business is more robust and viable than an unregulated one.

Harshvardhan Lunia,
cofounder,
LENDINGKART,
an online loan provider

FOUNDED IN: April 2014

NEXT UNICORN BECAUSE: Aiming to corner a huge slice of the highly under-served financial market

"In the long run, **we aspire to be like America's Lendingclub**"

ASHWANI NAGPAL

Suchi Mukherjee, founder
LIMEROAD,
a social shopping portal focused on women and fashion
FOUNDED IN: October 2012
NEXT UNICORN BECAUSE:
Sharply focused on women shoppers who account for over half of those shopping online

All Dressed Up

LimeRoad's unique social shopping thrust makes it a potential unicorn – as well as a potential acquisition target for an ecommerce horizontal

Founders will give you various reasons for starting up their ventures, but few will mention "utter frustration" as one of them. In 2010, while flipping through a glossy magazine after the birth of her second child in London, Suchi Mukherjee, one of the three cofounders of LimeRoad, glanced upon a piece of jewellery made by a small store in Mumbai. Enamoured, Mukherjee tried to buy it but couldn't as it was not accessible.

"I realised that there was no consumer technology play that made discovery of lovely products easy and entertaining," she recalls, adding that absence of a place from where one could access the vast array of products made in South East Asia left her exasperated. That's how LimeRoad, a social shopping portal focused on women and fashion was founded, says Mukherjee, along with Ankush Mehra and Prashant Malik.

> *"LimeRoad is the only player in Indian ecommerce to* ***grow 600% in the last one year"***

LimeRoad claims that there are 20,000 sellers on its platform, its gross merchandise has jumped 600% over the last 12 months, the scrapbooking community has increased from 30,000 to 75,000 over the past year and the 3 million style statements posted as scrapbooks amount to over 100 times growth in less than a year, and it has increased its headcount from 50 to 450 in three years.

Small wonder, the startup has managed to raise $50 million in three rounds of funding so far and counts Tiger Global, Matrix Partners and Lightspeed Venture Partners as its investors.

But is the business model scalable enough to make LimeRoad a potential unicorn? Mukherjee thinks so, since nearly half of online shoppers are women in India, and shopping is more of a behavioural attribute, she says. "LimeRoad, being a women's only discovery platform, is the only player in Indian ecommerce to have grown 600% in the last one year," she asserts.

The use of technology is what differentiates LimeRoad from other players in the market, she contends, as she rattles out the numbers. Consumers come back on an average 84 times a year on the app, with conversion rates to buying hovering at 8% per month. LimeRoad has always managed a super thin fixed cost structure, using technology to scale, she adds for good measure.

Another feature that differentiates LimeRoad from its rivals is user-generated content. Mukherjee believes that for women, lifestyle product access and discovery is a huge problem, particularly given the long tail in options across categories. LimeRoad, she claims, provides the most extensive discovery platform, where consumers come because they get to discover simply great products at affordable prices. "We do this by not merely loading products on a platform, like most old-school marketplaces, but by making them discoverable through user-generated content," she says.

What is more, Tiger Global, one of the investors in LimeRoad, is also a top investor in Flipkart. Does Mukherjee lose sleep over the prospect of being acquired or merged into another fashion startup at some stage, what with investors likely to consolidate their portfolio over the next few months? Mukherjee doesn't rule it out. "Everything is always a possibility – to be acquired or acquire a company. Our goal is to reach out to every single woman in this country and convert her into a LimeRoad user," she says.

Kwikening the Pace

After six years of sizing up the digital payments and mobile wallet market, MobiKwik is set to shift into higher gear

Bipin Preet Singh, founder
MOBIKWIK,
a digital payments and mobile wallet
FOUNDED IN: 2009
NEXT UNICORN BECAUSE: The company is an early investor in digital payments, which is now seeing strong backing from both investors and regulators

In the age of 12 and 18-month-old startups raising millions of dollars from venture capital investors and boasting about ambitious growth plans, MobiKwik comes across as the ponderous senior citizen. For one, the company was founded back in 2009 (many founders were yet in college then); for another, it hasn't been in a hurry to build an explosively growing startup. Instead, the founders of MobiKwik have brought the business to a slow boil, spending this time figuring out the digital payments and mobile wallets market and only raising their second round of funding in 2015, a good six years after getting off the ground.

Although the founders have only been sipping at their funding to drive growth, MobiKwik has some impressive numbers to offer sceptics. Today it has 25 million users and processes half a million transactions a day, across 50,000 merchants, with its mobile wallet. "People are using their mobile phones more than they use their cards and other electronic forms of payment," says founder Bipin Preet Singh.

India today has some six million credit card and some 40 million debit card holders – for a population of over a billion that's a tiny figure, according to Singh. He points out that there are some 200 million smartphone users in India, all of whom are potential MobiKwik users. While mobile wallet-based payments started with recharge for mobile services and DTH television and then graduated more recently to ecommerce, the next step will involve pushing offline companies to accept mobile wallets. Already, MobiKwik is pushing ahead with this plan, with companies such as Big Bazaar (which gets about 2% of its overall business from MobiKwik payments), Café Coffee Day, Sagar Ratna and WH Smith among a fast-growing list of merchants accepting this form of payment. "We want to reach a stage where you step out of home and should be able to pay anywhere for anything...you shouldn't need to carry cash or cards to pay the local grocer, taxi and any other product or service," says Singh.

ASHWANI NAGPAL

> ***"People are using their mobile phones** more than they use their cards and other electronic forms of payment"*

While MobiKwik may have been off to a slow start (Singh prefers to call it measured), it has gathered strong momentum in the past 12 to 18 months. For example, it had barely eight million users 12 months ago processed some 2,00,000 transactions and most tellingly had fewer than 4,000 merchants signed up. As companies have become more confident with MobiKwik's mobile wallet, they have eagerly signed on, with the promise of both quicker payments and to distance themselves from handling cash transactions. "Once we have people's trust, we can think of what we can do beyond our core business of mobile wallets," says Singh. "We want to make everything seamless for consumers...we want them to be able to manage their money without logging into bank accounts or signing a piece of paper," Singh claims. For the moment, MobiKwik wants to cross $1 billion in gross merchandise volume (GMV) in the next six to nine months and simultaneously unveil its plans to become a broader provider of financial services products – on the mobile phone. With another $100 million round of funding in the works, it is also ensuring it has the financial wherewithal to back its ambitious plans.

Room at the Top

Nobody thought about aggregating budget hotel rooms online, until a 17-year-old sniffed out the opportunity five years ago

Ritesh Agarwal, founder
OYO ROOMS, an online budget room aggregator

FOUNDED IN:
May 2013

NEXT UNICORN BECAUSE:
First mover with marquee investors, whose valuation has grown 15 times over a year

When a 22-year-old talks about his plans to build a billion dollar business, you'd be tempted to humour him. Till he lets on that his venture has raised $125 million, that its valuation has soared 15 times in a year and, well, that he is the proud founder of what has emerged as India's largest aggregator of online budget rooms, a business that didn't quite exist before OYO Rooms took shape in May 2013. For good measure, last month, OYO snapped up the second largest player in the segment, ZO Rooms.

"We have the world's leading investors (SoftBank, Lightspeed Ventures, Sequoia Capital and Greenoaks) backing our business model and management team," asserts Ritesh Agarwal, the 22-year-old in question. "Investors believe in the fundamentals of the business as we attempt to solve a real customer problem through experimentation, innovation and ambitious disruption of the market." The investors, Agarwal elaborates, also facilitate learnings from global startups.

The growth metrics of OYO so far show its intent to build a robust business. From one hotel in Gurgaon in May 2013 to 4,000 properties, from less than 100 employees a year ago to 2,000 employees now, and with an inventory of 40,000 rooms across 150 cities, OYO has been working hard to tap the market potential which is immense, contends Agarwal. It estimated that 1.8 million Indian rooms are in unbranded hotels, compared with 1,12,000 in the branded category.

"Only about 2% of this has been tapped so far. So there is plenty of headroom for growth," asserts Agarwal.

What made Agarwal realise the potential of the sector was when he travelled across India. "I was 17 and stayed in over 150 bed and breakfasts, guest houses and hotels across the country," he recalls, adding that he saw an opportunity to aggregate, list and promote little-or-lesser-known accommodation options to travellers. "From this idea, Oravel Stays was conceptualised in early 2012," he says.

However, as Agarwal got more entrenched in this business, he realised that on-ground experience was a major area of concern for travellers. Premium and chain hotels promised and delivered a largely standardised experience but there was no hotel that was doing this on any scale for the mass market, he contends. Upon booking a room at a budget hotel, a customer would be clueless about the kind of room and amenities he would get till he actually entered the hotel room. The real reason for the sluggish pace of growth in the budget hospitality sector was not discoverability of accommodation but rather lack of credibility around the offerings, he reckons.

"So I decided to pivot the business from a discovery marketplace to a managed marketplace for standardised hotels and launched OYO Rooms in May 2013," says Agarwal. The startup's twin strengths: an agile team and robust technology that are working in tandem to build a strong execution capability.

> ***"We have the world's leading investors** backing our business model and management team"*

ASHWANI NAGPAL

Fit as a Fiddle

Portea is counting on a full-blown boom in demand for home healthcare services

It didn't take much time for the Ganeshs to decide which sector to foray next after selling online education company TutorVista to UK publishing giant Pearson in early 2013 for $213 million. The husband-wife duo's choice was dictated by a personal experience.

In 2010, a member of Meena Ganesh's immediate family was diagnosed with cancer. "We experienced, first-hand, the difficulties in taking care of a terminally-ill person," recalls Meena, adding that it made her realise that there was a genuine dearth of options for medical care at home in India. Access to healthcare was a big pain point, and while India had world-class tertiary care facilities, any healthcare infra outside of corporate hospitals in metros was non-existent.

"There was simply no organised, branded, high quality and reliable home healthcare provider," she points out. Of the $80 billion healthcare industry in India, $40 billion is non-tertiary care and there are no credible players in this space, informs Ganesh. "While treatment can be carried at a hospital, healing happens best in a home environment," she adds.

Along with husband Ganesh Krishnan, Meena forayed into the healthcare segment with Portea in June 2013. Portea, which started from a small office, with a skeletal team and less than 50 customers across two cities, is now India's largest home healthcare company, asserts Meena, who dishes out numbers to show how quickly the company has grown.

From just two cities in 2013, Portea is now present across 24 cities in India and four cities in Malaysia; it has taken its headcount from 50 in 2013 to over 3,500; and from around 50 patients using its services per day in 2013, the numbers now stand at over 2,000. It is also betting big on the inorganic route: while in October 2015 Portea bought specialty pharmaceutical distributor Medybiz Pharma, it is set to close two more acquisitions in a few weeks, claims Meena, adding that the company also plans to expand to the entire South East Asia over the next two years.

Meena believes the company has barely scratched the surface. India is greying at a rapid rate and faces a major crisis in the paucity of options for geriatric care and managing the burden of chronic disease. At present, India's 100 million seniors constitute 8% of the population, and the figure is expected to touch 324 million by 2050 when seniors will account for 20% of the population. "Because of increasing longevity and the rise of nuclear families, the demand for elder care is increasing exponentially."

Add to this the explosion of non-communicable diseases. By 2050, of the 324 million over-60s, 200 million are likely to be suffering from chronic ailments, underscoring the multi-pronged nature of the problem confronting the country. "The industry in the next 10 years will grow to over $15 billion in India from $3 billion today," asserts Meena.

Meena Ganesh, cofounder
PORTEA, a home healthcare company

FOUNDED IN:
June 2013

NEXT UNICORN BECAUSE:
Early mover in a segment that is set to grow exponentially

> *"The size of the industry in the **next 10 years will grow to over $15 billion** in India"*

N NARASIMHA MURTHY

Not just Another Marketplace

ShopClues may be much smaller than the Flipkarts, Snapdeals and Paytms but it's also very different from them

At first blush, it is easy to be skeptical about ShopClues which, as an online marketplace, would tend to come to mind only after the Big Four – Flipkart, Snapdeal, Amazon and Paytm. Compared to the funding, buzz and headlines these etailers have generated, ShopClues would come a poor fifth. And to top it all ShopClues started on a bad note. In 2013, cofounder Sandeep Aggarwal – the man at the helm then – was charged in a case of insider trading in the US. Since, Sandeep has pleaded guilty and stepped down from ShopClues and has no active role in the startup.

So why then are investors still excited about the startup? In early 2015, for instance, Tiger Global – a big investor in Flipkart that has also funded Amazon – invested in ShopClues. And the buzz is that the startup is close to tying up another round of funding – this at a time when the ecommerce space looks distinctly crowded, overvalued and prime for consolidation.

Set up in 2011, ShopClues has 950 employees and has raised $120 million so far (Flipkart in contrast has raised over $3 billion and was last valued at $15 billion in 2015). It has 3 lakh merchants on its platform across 6,000 categories and 2.5 crore stock keeping units (SKU), and ships 3 million orders every month.

But here's what differentiates ShopClues in a crowded space. It is tightly focused on the unstructured, often unbranded (or catering to local and regional brands) mass market segment, a notch lower than the segments Flipkart, Snapdeal, Amazon are looking at. About 70% of its orders come from smaller towns and cities, it says. "The marketplace is part of our DNA. And that is our USP," says Radhika Aggarwal, cofounder, ShopClues, comparing it with Taobao of the Alibaba group in China. Shunning the bruising deep-discount driven model, the startup is focused on smaller merchants where it has greater scope for margin negotiation.

In a world where gross merchandise volume (GMV), valuations and large marketing-branding budgets are normal, ShopClues says it prefers a more conservative approach. It has almost avoided mainstream media, leaning on economical and efficient social media and regional and vernacular outlets to reach out to its target segment. "We spend 1/10th the money that our bigger competitors do to generate similar returns on investment," claims cofounder Sanjay Sethi.

Sethi says ShopClues isn't focused just on consumers but also on enabling and empowering its merchants to grow its ecosystem. For example, as soon as a merchant signs up on its platform, ShopClues helps build a dedicated website for them and supports them with branding and marketing tools. Now it is helping them go hyperlocal. This shows up in the way it earns money – about 70% of its income comes from transactions, and the rest from non-transactional areas like support and services provided to the merchants. "Remember, non-transaction income is technology-based and scalable without incurring any cost. We would like to see that go up to 40%," says Sethi, who honed his skills as senior director, products, at eBay, California, before cofounding ShopClues.

ShopClues is confident it will make an operational cash profit by 2016 end. "They will never be the volume player. They have chosen to fight the profitability game. They have the best margin structure in the industry. Their cash burn is low," says Sanjeev Aggarwal, cofounder, Helion Venture Partners, one of ShopClues' investors.

Radhika Aggarwal and Sanjay Sethi,
cofounders
SHOPCLUES,
an online marketplace

FOUNDED IN: July 2011

NEXT UNICORN BECAUSE: Operating in the growing ecommerce space and focused on smaller towns, it has avoided the bruising deep discount game and says will make an operational cash profit in 2016

"We will be one of the first (etailers) to operationally **break even by 2016"**
Radhika Aggarwal

"We spend 1/10th the money that our bigger competitors do to generate similar returns on investment" Sanjay Sethi

ASHWANI NAGPAL

No Binge, no Purge

As rivals resort to layoffs, Swiggy eyes allied opportunities to flank the food ordering business

In the past few months Bengaluru-based food delivery venture Swiggy has watched its largest rivals wither. First TinyOwl announced it was laying off a couple of hundred employees and shuttering offices nationwide to slow down cash burn. And earlier this week Foodpanda reportedly laid off a little over 300 employees, roughly 15% of its workforce.

For Sriharsha Majety, these stories have offered a cautionary tale of greed for growth with little focus on building a stable business. He hopes to avoid these air pockets with his business, which raised its last round of $30 million in June 2015 from Norwest Venture Partners, SAIF and Accel Partners and is already in the market for its next tranche – reportedly in the region of $100 million. "We are only in eight cities and cover some 5,000 restaurants," he says. "We are taking time to build a scalable business, because we want to change the way India eats."

To try to build a meatier business, Swiggy says it wants customers to order off its platform as many as four times a day. "We see our business growing 50 or 60-fold in the next three or four years as we bring more restaurants online and people too get comfortable ordering a variety of food," says Majety. "We went from one city to eight cities in six months and proved that the model is highly scalable."

Now, it appears Swiggy is pausing and taking a breath, surveying the markets it is currently in and where it needs to go. "We are widely present in Bengaluru and Hyderabad, but scantily in other cities including Mumbai and Delhi, which present massive opportunities for us," he explains. "We need to make sure we get our strategy right."

Going forward, he may need to rethink Swiggy as a business. While food ordering may have been the way it got started, the future may hold a different opportunity for the company. For example, Swiggy is a night and weekend-heavy business, even as many restaurants they work with are trying to build all-day businesses. Second, popular chains may not have a physical presence close from where it gets a bulk of its orders. For the first challenge, Majety and Co want to work with a broader range of businesses (think of caterers, for example) to try and evolve food into something of a utility. "We eventually want breakfast to arrive automatically at a customer's doorstep like the newspaper and milk... it should become a pre-ordered set up, with little headache for the customer," he says. Then, Swiggy wants to use some part of the funding it has raised to jointly set up service-only kitchens for these joints to tap areas where they get plenty of orders from but are relatively geographically distant.

Majety believes Swiggy can use its growing base of customer orders and to build a personalised interface for individual customers and help them make informed choices. "Like music, movies and books, people usually have barely 30 minutes to eat a meal... people are happy to get help with their choices," says Majety. And the profit imperative? "Profitability is a goal post... it doesn't have to be immediate," he adds.

"We are only in eight cities and cover some 5,000 restaurants. We are **taking time to build a scalable business, because we want to change the way India eats"**

Sriharsha Majety,
cofounder
SWIGGY,
an online food delivery firm

FOUNDED IN: 2014

NEXT UNICORN BECAUSE: It has the potential to add thousands of disconnected restaurants, caterers and home chefs who can reach consumers on its platform

At Your Service

UrbanClap wants to provide what virtually every Indian looks for – reliable services

Three times a week, the founders of UrbanClap, a Delhi-based local services provider, say they receive requests from stricken rivals who want to be acquired. Backed by some $37 million in funding from the likes of Bessemer Venture Partners, SAIF and Accel, the company founded just two years ago has become the category's proverbial 800-pound gorilla. UrbanClap works with some 25,000 service providers in eight cities and its founders say it processes 4,000-5,000 customer requests daily. Rather than focus on just providing low-value, low-repeat services (think of the odd plumbing job), the startup has sought to fatten its business by providing a wider assortment of offerings. So, among its services providers are wedding photographers, interior designers and birthday party-planners. "We are trying to address a basic problem that millions of Indians face," says cofounder Abhiraj Bhal. "The access to high-quality, reliable service providers remains an unmet challenge." Along with groceries and budget hotels, Bhal believes services will form the next logical growth driver for India's thriving ecommerce market.

According to Bhal, the addressable market for their services is around 100 million Indian middle class folk across the top 25 cities. "We are six or seven times as large as our nearest competitor," he adds. "We will work with 2,00,000 service providers by the end of 2016 and we will handle 1,00,000 customer requests a day."

In some ways, UrbanClap is following the trends in the broader ecommerce market, where large players such as Flipkart are dominant (in apparel, for example, it does more business than its category-focused rivals), and the same holds true in the services market. "The vertical services providers are stuck with low-frequency, low-value offerings...in a difficult market, they will struggle," Bhal argues.

Bhal and the other cofounders are acutely aware of the challenges of starting up. Prior to UrbanClap, Bhal cofounded a company that aimed at providing video-on-demand services to long-range public transport. While the idea sounded promising and initial interest strong, the business struggled to gain enough customers and backers and ran aground. Another cofounder Raghav Chandra, who worked with Twitter in its infancy, too tried his hand at starting up an autorickshaw aggregation service, which folded. Fingers burnt, the cofounders have reset their ambitions. "We don't want to build a cute, lifestyle business...we want to construct a large impactful business in the next seven to 10 years," Bhal claims. "The challenge for us is to grow from say 2,50,000 service providers to say two million of them...we are already investing in skilling programmes ahead of our growth curve to ensure availability," he adds.

ASHWANI NAGPAL

Abhiraj Bhal,
cofounder
URBANCLAP,
a household services provider

FOUNDED IN: 2013

NEXT UNICORN BECAUSE:
There's an unmet need for high-quality local services by providing professionals across a host of categories

"We will work with 2,00,000 service providers by the end of 2016 ***and we will handle 1,00,000 customer requests a day"***

Home and Dry?

Urban Ladder is a rare startup that had to actually scale down before it scaled up

With seed capital secure before they launched and startup stars in their eyes, the founders of Urban Ladder decided to go for broke when they launched in July 2012. The company, initially backed by Kalaari Capital (it has since raised $77 million from the likes of Sequoia Capital, Steadview Capital and TR Capital), launched its services across the country, leaning on third-party logistics providers to make deliveries. Rather than plaudits, Urban Ladder was inundated by customer complaints. Realising its folly, the company did something unexpected – it went from a pan-India presence to operations in just one city. "As a young startup our only mantra was how to grow rapidly," says Ashish Goel, a cofounder of Urban Ladder. As it turned out, building an online furniture business was much more than warp-speed growth. "We operate in a trust-deficit market," he adds, "We want to stand out with a focus on product, supply chain and logistics, as we seek to build a large, stable and scalable business."

In the last couple of years, Urban Ladder appears to have made up for lost time, with the cofounders claiming that the company is 40-50% ahead of its own targets in terms of customer acquisition, revenues and catalogue. "We had projected 10,000 shipments per month by December 2015, whereas we do tens of thousands of shipments today...we are 18-24 months from what we call making a million homes beautiful," says Goel. The company has painstakingly built its own delivery network and supply chain to try to keep product quality high and today delivers to 17 cities.

According to industry estimates, the furniture market is worth $25 billion, with the organised segment accounting for barely 1% of this and online players an even smaller sliver. Goel says that Urban Ladder has had to build its market from scratch; furniture design and construction continues to be dominated by the unorganised sector and the packaging and delivery of these products continues to be a hit-and-miss affair.

Three years ago, when a fledgling Urban Ladder decided to shrink its services to one city, it gave up 70-75% of its business, when it encountered low quality logistics, with hundreds of delayed deliveries or broken products. Since then, the company has worked to rebuild its reputation and create its own delivery network. "You have to build service to delight (doubting) customers and create an intimate and delightful experience," says cofounder Rajiv Srivastava.

N NARASIMHA MURTHY

"This market *isn't about the standard stuff that ecommerce is linked with – deep discounts. It is instead about* ***cutting-edge design and trust of customers"***
Rajiv Srivastava

Ashish Goel (R) & Rajiv Srivastava,
cofounders
URBAN LADDER,
an online furniture and furnishings firm

FOUNDED IN: July 2012

NEXT UNICORN BECAUSE: It has reimagined online furniture, by creating its own products & logistics

"We want to stand out with a focus on product, supply chain and logistics, *as we seek to build a large, stable and scalable business"*
Ashish Goel

"Be Unreasonable, Think Freely"

The cofounder of Snapdeal, one of India's eight unicorns, describes what it takes to get into the haloed club – and stay there

:: **Kunal Bahl**

Rohit (Bansal) and I decided to leave our jobs and start a coupons business in 2007-2008 when the internet was still in its infancy in India. The business had strong initial momentum and, to seek investments, we started cold calling investors through different websites, as we weren't sure who would be interested in investing in our kind of business. We met (venture capitalist) Vani Kola through one of these calls – she was actually the last call we made – because we were worried a portfolio company of hers would conflict with us.

It, however, took one call and a meeting with her in perhaps the smallest and shabbiest office she's visited before we had a chance to present (and later be backed by) her fund.

"Don't try to solve a problem for three people; instead, ***start with a big problem, impacting millions of people"***

Changing Decrees

Entrepreneurs with dreams of building India's best unicorns need to be aware that the rules of the game have changed. Now, the cold calling has dropped one level lower to try to attract the attention of the burgeoning angel investing community. I get 25-30 proposals from wannabe entrepreneurs – some as young as 17 trying to build a business they dreamt of last night and others more seasoned professionals with a company even registered in their names. Getting the right angel backing you helps with strong introductions to the right venture capitalists.

When starting up, I'd say the most important first step is to always think big. Don't be constrained. Be unreasonable. Think freely. Let people laugh at you. The more ridiculous they think you are, the better it is. Don't try to solve a problem for three people; instead, start with a big problem, impacting millions of people – for instance, there are 40 billion utility payments made in India, of which over 39 billion are made manually.

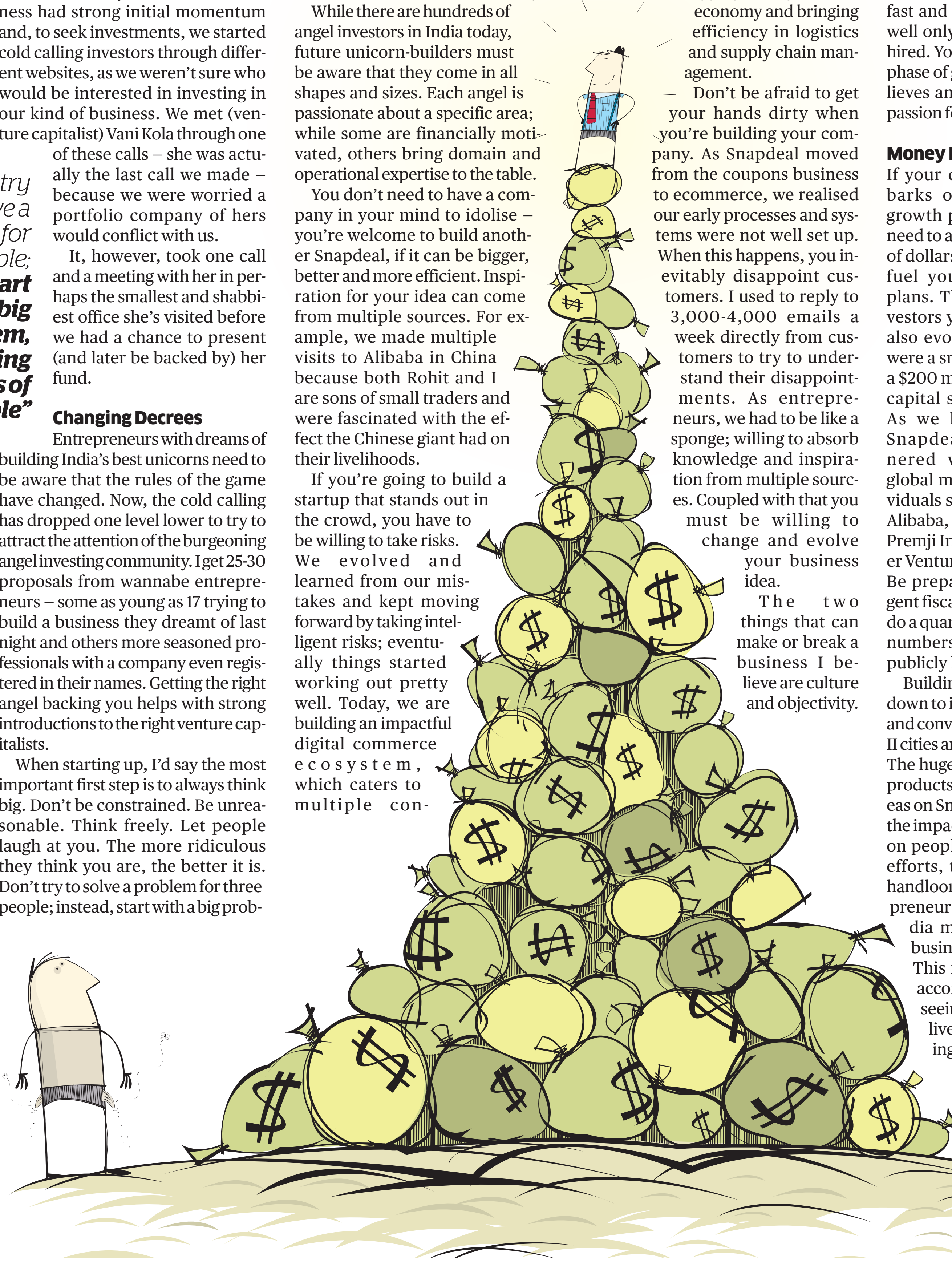
While there are hundreds of angel investors in India today, future unicorn-builders must be aware that they come in all shapes and sizes. Each angel is passionate about a specific area; while some are financially motivated, others bring domain and operational expertise to the table.

You don't need to have a company in your mind to idolise – you're welcome to build another Snapdeal, if it can be bigger, better and more efficient. Inspiration for your idea can come from multiple sources. For example, we made multiple visits to Alibaba in China because both Rohit and I are sons of small traders and were fascinated with the effect the Chinese giant had on their livelihoods.

If you're going to build a startup that stands out in the crowd, you have to be willing to take risks. We evolved and learned from our mistakes and kept moving forward by taking intelligent risks; eventually things started working out pretty well. Today, we are building an impactful digital commerce ecosystem, which caters to multiple consumption needs of consumers through a single user login. We are making goods and services accessible, plugging leakages in the economy and bringing efficiency in logistics and supply chain management.

Don't be afraid to get your hands dirty when you're building your company. As Snapdeal moved from the coupons business to ecommerce, we realised our early processes and systems were not well set up. When this happens, you inevitably disappoint customers. I used to reply to 3,000-4,000 emails a week directly from customers to try to understand their disappointments. As entrepreneurs, we had to be like a sponge; willing to absorb knowledge and inspiration from multiple sources. Coupled with that you must be willing to change and evolve your business idea.

The two things that can make or break a business I believe are culture and objectivity.



I feel culture determines the speed of growth of a non-traditional business like Snapdeal. Culture is determined by the people we hire. We have grown fast and have managed this growth well only because of the people we hired. You can leap ahead to the next phase of growth only if your team believes and shares your vision, your passion for the organisation.

Money Matters

If your company embarks on this high-growth path, you will need to attract millions of dollars of funding to fuel your ambitious plans. The type of investors you target will also evolve; when we were a small company, a $200 million venture capital seemed huge. As we have grown, Snapdeal has partnered with several global marquee investors and individuals such as SoftBank, Foxconn, Alibaba, BlackRock, Temasek, eBay, Premji Invest, Intel Capital, Bessemer Venture Partners, and Ratan Tata. Be prepared for much more stringent fiscal discipline and audits – we do a quarterly audit to make sure our numbers add up since we've some publicly listed backers.

"Don't be afraid to get your hands dirty. *If you're going to build a startup that stands out,* ***you have to be willing to take risks"***

Building India's next unicorn boils down to impact. We are giving choice and convenience to consumers in tier II cities and beyond like never before. The huge volume of orders of health products coming from non-urban areas on Snapdeal is a great example of the impact our marketplace is having on people's lifestyles. Through our efforts, traditional handicraft and handloom artisans, NGOs and homepreneurs are now accessing pan-India markets and growing their businesses by leaps and bounds. This makes me believe we have accomplished something big and seeing the impact on our sellers' lives has been the most fulfilling moments in this journey. ■

The writer is the cofounder of Snapdeal

startup special THE ECONOMIC TIMES magazine JANUARY 03-09, 2016 15

The Global Unicorn Club and its Desi Hue

Eight out of 144. Eight is the number of ventures from India with a valuation of $1 billion and over; and 144 are the total number of unicorns globally as of December 22 since 2011, according to data compiled by CB Insights, a venture capital and angel investment database that provides real-time information. Whilst well over half of these ventures were born in the United States – starting with Uber, Airbnb and Snapchat – some 20 of them are from China, with smartphone maker Xiaomi at No. 2 position. Here's a quick glance at the marquee names in the Unicorn club, when they entered the club, the top 10 by valuation and, of course, the Indian entrants:

Ten most valuable startups

Uber
$51 billion

Xiaomi
$46 billion

Airbnb
$25.5 billion

Palantir Technologies
$25 billion

Snapchat
$16 billion

Flipkart
$15 billion

Didi Kuaidi
$15 billion

China Internet Plus Holding
$15 billion

SpaceX
$12 billion

Pinterest
$11 billion

Indian Ventures that Crashed the Party

Whilst Flipkart was the first, and miles ahead of the rest of the pack with a $15 billion valuation, the latest to enter the club was classified advertising platform Quikr in mid-2015

Flipkart
Cofounder: SACHIN BANSAL
Valuation: **$15 bn**
Funding: **$3.15 bn***

*Source of funding figures is Tracxn

Snapdeal
Cofounder: KUNAL BAHL
Valuation: **$2.5 bn**
Funding: **$1.7 bn**

Mu Sigma
Founder: DHIRAJ C RAJARAM
Valuation: **$1.5 bn**
Funding: **$200 mn**

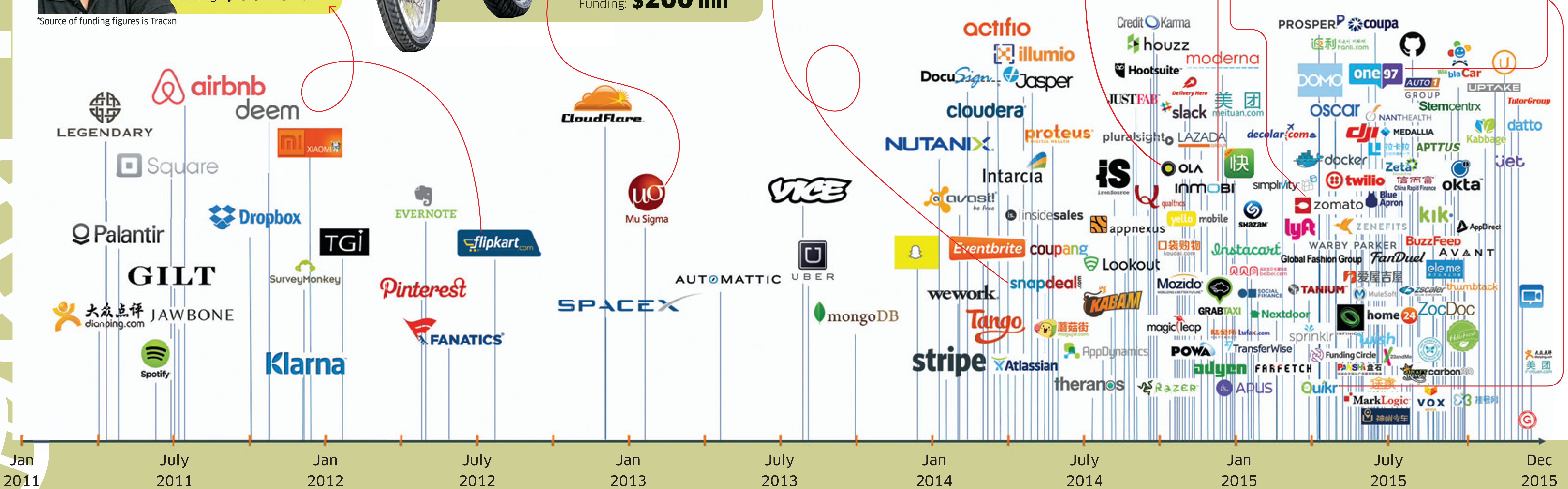
InMobi
Cofounder: NAVEEN TEWARI
Valuation: **$1 bn**
Funding: **$250 mn**

One97 Communications
Founder: VIJAY SHEKHAR SHARMA
Valuation: **$2 bn**
Funding: **$800 mn-$1 bn**

Olacabs
Cofounder: BHAVISH AGGARWAL
Valuation: **$5 bn**
Funding: **$900 mn**

Zomato
Founder: DEEPINDER GOYAL
Valuation: **$1 bn**
Funding: **$225 mn**

Quikr
Cofounder: PRANAY CHULET
Valuation: **$1 bn**
Funding: **$350 mn**



Month in which they hit $1billion valuation

Source: CB Insights

BUY BUY 2016

With valuations hitting the roof and investors becoming close-fisted, the New Year is set to witness a spree of buyouts and consolidation

:: Rajiv Singh

Amit Jain doesn't believe in prophecies, but the 39-year-old entrepreneur is tempted to turn soothsayer. "2016 will be an excellent time for buyouts," predicts Jain, cofounder of CarDekho – a Ratan Tata-backed auto classifieds portal that has raised $75 million so far.

"The big players will get bigger and the small startups will either die out or get merged into larger players," adds Jain, who counts Sequoia Capital and HDFC Bank as investors in his eight-year-old company. Jain's forecast is based on the reasoning that it would become increasingly difficult for startups to raise money as investors, stung by the profligacy of the entrepreneurs who burnt cash in their eagerness to scale rapidly, become close-fisted, and focus more on unit economics. Consequently, they would be left with two options, point out investors: while the fledgling ventures yet to get funded would shut down, those who have failed to go beyond the angel and seed rounds of funding would scout for buyers. Both scenarios present a tempting option for well-funded startups to buy a rival at a realistic valuation or for venture capitalists (VC) to consolidate their investment portfolio by pushing for mergers.

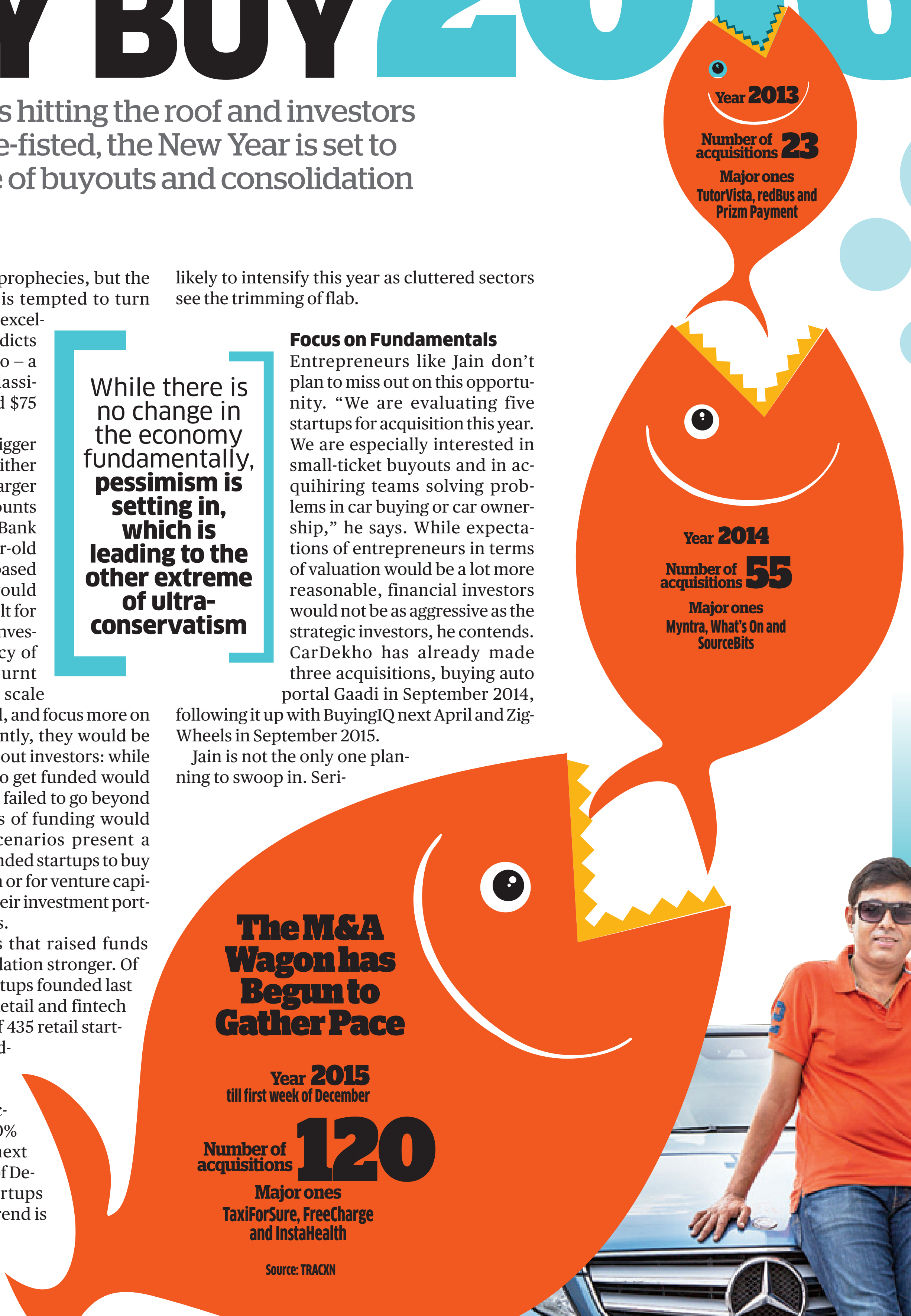
The number of startups that raised funds makes the case for consolidation stronger. Of the 388 enterprise tech startups founded last year, only 21 got funding. Retail and fintech fared worse. While 15 out of 435 retail startups founded in 2015 got funded, for fintech it's just eight out of 192 startups founded last year. The number of acquisitions jumped over 100% from 23 in 2013 to 55 the next year. And till the first week of December 2015, over 120 startups had already sold out. The trend is likely to intensify this year as cluttered sectors see the trimming of flab.

> While there is no change in the economy fundamentally, **pessimism is setting in, which is leading to the other extreme of ultra-conservatism**

Focus on Fundamentals

Entrepreneurs like Jain don't plan to miss out on this opportunity. "We are evaluating five startups for acquisition this year. We are especially interested in small-ticket buyouts and in acquihiring teams solving problems in car buying or car ownership," he says. While expectations of entrepreneurs in terms of valuation would be a lot more reasonable, financial investors would not be as aggressive as the strategic investors, he contends. CarDekho has already made three acquisitions, buying auto portal Gaadi in September 2014, following it up with BuyingIQ next April and ZigWheels in September 2015.

Jain is not the only one planning to swoop in. Seri-



> **"2016 will be an excellent time for buyouts.** The big players will get bigger and the small startups will either die out or get merged into larger players"
>
> **Amit Jain,** cofounder, CarDekho

Sectors Ripe for *Consolidation*

(Number of Ventures)

Retail	Enterprise tech and SAAS	Food Tech	Health Tech	Local services
435	388	340	232	229

SOURCE: TRACXN. Paytm is included under both retail and fintech. Practo comes under health and SAAS

"Herd mentality will surely come to an end and investors will look at more creative ideas"

Neeraj Kumar Singal, veteran angel investor and director, Semco Group

al entrepreneur K Ganesh reckons 2016 would be a good year to grow inorganically, thanks to ample capital raised by his portfolio companies, the availability of good companies with great founders and reasonable valuations.

"We will see bloodbaths and companies shutting down as the funding environment becomes more challenging," says Ganesh, who is looking to close two acquisitions in the next four weeks. A partner at GrowthStory, an entrepreneurship platform that promotes startups such as FreshMenu, BigBasket, BlueStone and Portea, Ganesh is aggressively looking for potential acquisitions for Housejoy (a home services startup) and FreshMenu. Last year was particularly busy for Ganesh in terms of acquisitions. In June, BigBasket bought Delyver, a Bengaluru based hyperlocal delivery startup in which Ganesh is one of the investors; in September, online home furnishing solutions provider HomeLane acquired home decor visualisation startup Doowup and in November Portea bought speciality pharmaceutical distributor Medybiz.

Ganesh adds that he is surprised with the warnings of the naysayers about an impending bust. "The infant mortality rate among startups has always been very high," he asserts, with 80% or more shutting down in the first two years and another 10% in the subsequent period.

In 2016, entrepreneurs, angels and VCs will focus more on fundamentals and less on vanity metrics

That will not change significantly this year. But what would definitely happen in 2016, predicts Ganesh, is that some semblance of sanity would return to the startup ecosystem. Entrepreneurs, angel investors and VCs will start focusing more on fundamentals and less on vanity metrics, he says, adding that some differentiation between the men and the boys in the angel ecosystem would also take place. "During the last year, everyone's neighbour and aunt wanted to invest as an angel. That was dangerous as this asset class is extremely risky and illiquid," contends Ganesh. When the party stops, they would be badly hurt and never return. "These angels will run away to heaven in 2016."

Better Bargaining Power

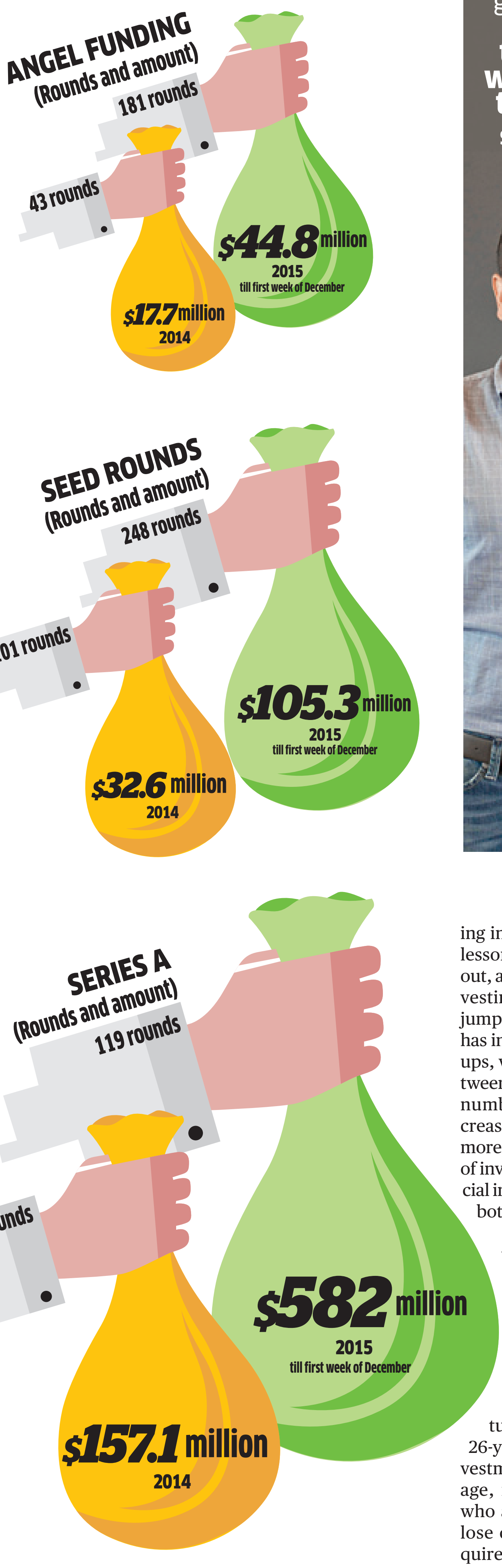
Neeraj Kumar Singal, a veteran angel investor, is not among those likely to make a dash for it. The director of the Semco Group did make his share of mistakes while investing in startups, but he has learnt his lessons. "Irrationality will be driven out, angels will become selective in investing and new investors will also jump into the fray," says Singal, who has invested over ₹2 crore in 20 startups, with an average ticket size of between ₹10 lakh and ₹20 lakh. While the number of angel investors will increase, the existing ones will become more careful, adds Singal whose focus of investments is on sectors like artificial intelligence, financial tech and robotics.

Angels also stand to gain from their bargaining clout in 2016. Due to the easy availability of capital over the last two years, startup founders usually didn't accept the valuations proposed by the angels. "The negotiation powers of angels would be restored," says doctor-turned investor Ritesh Malik. The 26-year-old, who has made angel investments in as many startups as his age, maintains that entrepreneurs who are building marketplaces will lose considerably as this model requires a lot of capital. In terms of investments, Malik plans to put his money in highly intellectual property-

"We are open to selling out...an investor would look at our failures as powerful experiences that can help us succeed"

Sabarish Nair, cofounder, Little1

Funding may have Peaked across Segments



SOURCE: Tracxn. All 2015 data is up to first week of December

"Funding is always going to be cyclical. It's just that we tend to forget it when we're at the top of the cycle"

Sid Talwar, cofounder & partner, Lightbox Ventures protected startups and social entrepreneurship. "Innovative startups will flourish," he reckons.

Innovation indeed is going to be the buzzword in 2016. "We'll see a lot of companies trying more innovative and capital-efficient ways of appealing to customers," says Sid Talwar, cofounder and partner of Mumbai-based Lightbox Ventures, a VC firm focussed on early-stage consumer technology businesses. And the companies that aren't able to manage this transition will have a hard time, he thinks, predicting that companies that will gain the most in 2016 will be the ones with enough cash in the bank to run their business on their own terms.

Little1, an online community of young parents founded in January 2013, is one of the startups that has run out of cash. "We are open to the idea of selling out," says cofounder Sabarish Nair, adding that the key offerings of Little1 – photo sharing and a micro social network – are something no other parenting space provides. Little1, which raised up to ₹2 crore in two angel rounds, managed to achieve some scale: 40,000 registered users, over 1 lakh pictures and 2.7 lakh Facebook fans, says Nair, adding that the cofounders failed in spite of pivoting thrice.

Companies that will gain the most in 2016 will be the ones with **enough cash in the bank to run their business on their own terms**

The Bengaluru-based startup started with a product called Baby Record Book, which allows parents to create a treasury of precious moments around childbirth. But it soon realised that parents were not yet ready for the concept. Then it pivoted into a listing site for parents but Nair realised that turning cash positive would prove to be a long-drawn affair, and "we did not have much money to burn for that long". The third transition to a personalised products site for parents didn't work out either. "We serviced over 250 pincodes but realised that logistically it's a nightmare," shrugs Nair. But what makes him think that a startup that has failed thrice and is struggling in its fourth avatar would even come up on the radar of investors? "We believe an investor would look at our failures as powerful experiences that can help us succeed," he contends.

Buyout or Bust

It's not only fund-starved startups that are putting themselves on the block. Consider AUTOnCAB, a mobile app that provides on-demand, ultra-budget last mile connectivity to urban commuters. The Gurgaon-based startup, which was founded in March 2014 and operates across six cities including Jaipur and Chandigarh, has raised $1 million, and claims to have over 62,000 customers, 1,500 registered drivers and over 50,000 transactions per month. The company even acquired hyperlocal delivery platform BigZop last September. "Our strong business model has not only helped us catch investor interest but has also been attracting potential acquirers who want to buy us out," says AUTOnCAB cofounder Vinti Doshi, quickly adding that she is yet to take a call. "We are a growing brand and open to all growth avenues," she says.

GrowthStory's Ganesh outlines three categories of startups that are most likely to struggle this year. The first are those that started during the boom phase and were looking to raise funding based on momentum, and which lacked a solid business model. The next are startups with business models that worked in China or the US but couldn't adapt to Indian conditions; and the last are the me-too startups.

Rajesh Raju, managing director of Kalaari Capital, an early-stage, technology-focused VC firm, agrees that many 'me-too' startups were funded over the last couple of years and there may now no longer be room for multiple players. "Only a couple of companies in each category will survive and investors will stop funding the ones lagging," asserts Raju, who counts Urban Ladder, Snapdeal, Zivame and BlueStone among his portfolio companies. He says that while there is no change in the market or economy fundamentally, pessimism is setting in, which is leading to the other extreme of ultra-conservatism. "We always encourage companies to grow organically, but sometimes inorganic opportunities may make sense," he adds.

But though startups are available at tempting valuations, one needs to ask if the acquisition is going to add value. "Mergers and Acquisitions (M&As) should always be strategic and not driven by opportunity, especially cost opportunity," says Avnish Bajaj, managing director of Matrix Partners, a venture capital firm. The trigger for an acquisition could be many – it could be to acquire a competitor to consolidate one's position or for a set of complementary skills, says Bajaj, whose current portfolio includes LimeRoad, Ola, Practo, Quikr and Stayzilla. He warns those looking to buy visibly distressed startups on the cheap with the adage that if you throw peanuts you will only get monkeys.

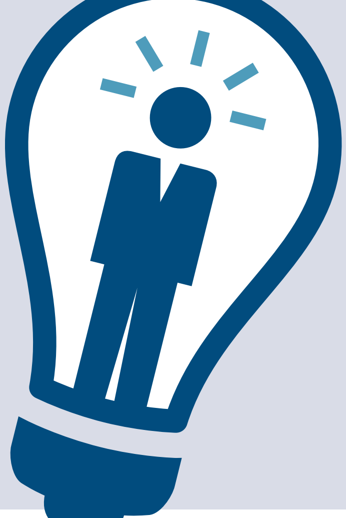
Semco Group's Singal points out that becoming an entrepreneur has become fashionable, but there is little understanding of the brutal reality of the business world. Failure is not a bad thing but mindlessly walking into a disaster makes little sense, he says, adding that raising money alone is not entrepreneurship. "Entrepreneurship is building a viable sustainable business."■

"Only a couple of companies in each category will survive **and investors will stop funding the lagging companies"**

Rajesh Raju, cofounder & partner, Lightbox Ventures

"You get monkeys for peanuts, so one has to be very cautious in terms of making the right choice when buying"

Avnish Bajaj, managing director, Matrix Partners



Year of the Startup

2015 was a momentous year for the space, with billions of dollars invested, but a sharp consolidation is around the corner

:: Rahul Sachitanand

Total Funding in the Indian startups in 2015

$7.3 billion

Top Investors of 2015 in the Tech Space

Tiger Global
Participated in funding rounds worth
$2.3 billion
Number of startups invested in **28**

Sequoia Capital
$1.1 billion
33

Accel Partners
$0.71 billion
32

SAIF Partners
$0.32 billion
19

Kalaari Capital
$0.2 billion
19

Source of domestic data: Tracxn

Top Three Funded Sectors in 2015...

Enterprise Tech
(Including SaaS)

Companies Funded	Number of Rounds
143	152

Total Funding
$890 mn

Out of 388 startups founded in 2015, only 21 got funding

Fintech*

Companies Funded	Number of Rounds
61	66

Total Funding
$1.2 bn

Out of 192 startups founded in 2015, only 8 got funding

*Companies such as Paytm are included in both the categories (Fintech and Retail) considering their business model

Retail

Companies Funded	Number of Rounds
92	104

Total Funding
$2.7 bn

Out of 435 startups founded in 2015, only 15 got funding

Top 5 Funding Rounds for the year 2015

Amount in $ million

Feb	Paytm	585	Investor: Alibaba Group
Apr	Ola Cabs	400	Investors: DST Global, Steadview Capital, Tiger Global, Accel Partners Falcon Edge
Jul	Flipkart	700	Investors: Steadview Capital, Tiger Global
Aug	Snapdeal	500	Investors: Foxconn, Alibaba Group
Sept	Paytm	305	Investor: Alibaba Group

The Global Picture

Total Funding in the Global Startup Space
$180+ billion

Most Popular Categories

Marketplaces	$16.8bn	209 rounds
Biotech	$5.6bn	162 rounds
Alternate Lending	$5.4bn	129 rounds

Biggest VC funding deals in global startups in 2015

Didi-Kuaidi	$3bn	Coatue Management, Tencent, Temasek and Ping An Ventures
Uber	$1.6bn	Goldman Sachs
Airbnb	$1.5bn	General Atlantic, Temasek, GGV Capital, Horizon Ventures, Baillie Gifford, T Rowe Price, Wellington Management, CBC Capital, Kleiner, Perkins, Caufield and Byers and Tiger Global
Uber	$1.2bn	Baidu
Uber	$1bn	Fidelity Investments, Wellington Management, Summit Partners, BlackRock, Kleiner, Perkins, Caufield and Byers, Menlo Ventures and Google Ventures
Coupang	$1bn	Softbank
SpaceX	$1bn	Google, Fidelity Investments, Draper Fisher Jurvetson (DFJ), Valor Equity Partners and Founders Fund

Most active investors (number of rounds)

Sequoia Capital	244
Accel Partners	176
New Enterprise Associates	152
500 Startups	136
Matrix Partners	131
Kleiner, Perkins, Caufield and Byers	121

Source: Companies, industry

Bengaluru and Beyond

Top cities as per the number of startups founded

NCR	1,060
Bengaluru	925
Mumbai	546
Hyderabad	243
Pune	171

Startups are a talent magnet...

- **Snapdeal** To double its 7,000 headcount
- **Flipkart** Directly and indirectly create 2 million jobs, double size of tech team
- **Grofers** Hire 12,000 people, primarily for delivery
- **Quikr** Planned to hire 500-600 people
- **Paytm** 3,000 people for its new payment banking business

...but a course-correction could be imminent, beginning largely with food technology

Layoffs*

Housing	Zomato	TinyOwl
600	300	200-300

*Source: Companies

Deep **Impact**

For long confused with NGOs, social enterprises are increasingly getting more capital, from impact and venture capital funds

GoCoop is a marketplace selling products directly from weavers and weaver cooperatives, *and boasts of 250 cooperatives on its ecommerce platform*

Siva Devireddy, founder, GoCoop

:: Indulekha Aravind

I didn't have to be 600 km from Bhubaneswar to source my products – I could have got it from Chikpet (a wholesale market in Bengaluru)," laughs Siva Devireddy, founder of GoCoop, on the phone from Odisha. GoCoop is a Bengaluru-headquartered marketplace selling products directly from weavers and weaver cooperatives, in the process eliminating the notorious middleman. It was the misery of the weavers in his parents' village in Andhra Pradesh, who were "effectively, a kind of bonded labour", that pushed Devireddy to quit his job at Accenture, where he was a director, and set up the online marketplace that would connect rural artisans to buyers in India and abroad directly, ending their exploitation.

GoCoop now has 250 cooperatives on its ecommerce platform and B2B customers include the likes of Levi's and Reliance Retail. While Devireddy used his savings of 10 years and funds from his colleagues to get his dream project off the ground, the startup later raised seed funding and is currently in the process of closing its Series A round of funds, both from impact investors. He might be running a social enterprise but investors' expectations from his company are no different compared to "regular" startups, he says.

There might still be a lack of clarity over the term social enterprises, which are for-profit ventures looking to make a meaningful impact on the bottom-of-the-pyramid segment. But the sector is now seeing increased interest from investors, with more capital coming in from both impact funds and venture capital (VC) funds. "Investors are aware of the opportunities at the bottom-of-the-pyramid. Capital will never be a constraint," says P Pradeep, partner and executive director of Aavishkaar, one of the earliest and largest impact funds in India. Set up in 2001, Aavishkaar has a kitty of $200 million across five funds and has made 54 exits so far. All the exits, apart from six, have been profitable, says Pradeep. He adds that even the term "social enterprise" is used only by the external community, with entrepreneurs themselves thinking of it as an enterprise first.

"GIVEN THE OPPORTUNITY, I DON'T SEE WHY A SCALED-UP BUSINESS CANNOT GIVE MARKET RETURNS. THE CHALLENGE LIES IN THE EXECUTION"

P Pradeep, partner and executive director, Aavishkaar

Operational Simplicity

Srikrishna Ramamoorthy of Unitus Seed Fund, an impact fund with $23 million, says they have stayed away from using the term "social enterprise". "People then assume there are no returns or that returns will be low. And that's not what we are about," he says. Unitus has invested in 20 companies so far, and is also the only seed impact fund to attract domestic capital. The fund's premise is to "pick entrepreneurs who build scalable, sustainable businesses...it's about returns but it's equally about building a better India," says Ramamoorthy. As these businesses serving the rural communities and economically weaker segments scale up and head towards profitability, the impact will also grow in scale, he adds.

Gayathri Vasudevan, founder of LabourNet, which trains blue-collar workers and helps them find employment, says her company is treated like any other venture by investors. "Investors mainly look for simplicity in revenue model, which in turn comes from operational simplicity. But they expect market rate of returns – probably not the astronomical returns of tech companies, but on a par with

Money Wise

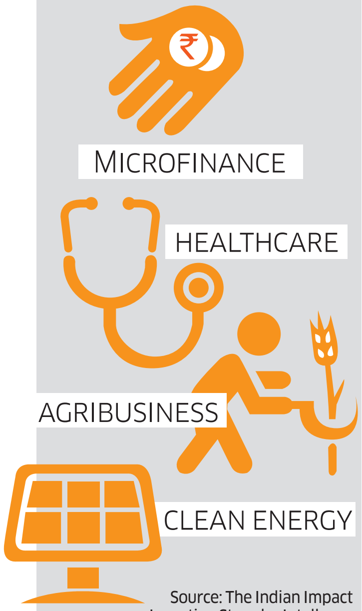
Figures for 2000-2014 period

$1.6 BILLION
Capital invested, in 220 impact enterprises

$435 MILLION
Investments by impact funds in impact enterprises

$906 MILLION
PE and VC investments in impact enterprises

Leading sectors attracting investment



Source: The Indian Impact Investing Story by Intellecap

"The revenue model was obvious from the beginning. *We are for-profit and we are also serving the community"*

K Chandrasekhar, founder, Forus Health

other sectors like manufacturing," she says.

Aavishkaar's Pradeep describes the opportunities in the segment as "incredibly large". "We have invested in these sectors because of the huge potential – for instance, there is a huge demand-supply gap in healthcare between a tier I city and tier III town." One validation of the bottom-of-the-pyramid model has been the growing interest of traditional commercial capital to the sector, points out Ajit Mahadevan, country director of Acumen India, a global impact fund which raises its corpus from philanthropic capital and invests in social enterprises. According to a report by Intellecap, which is working to build the impact investing and social enterprises sectors, of the $1.6 billion invested in impact enterprises in 2014, $906 million was from private equity and VC investments. "Given the opportunity, I don't see why a scaled-up business cannot give market returns. The challenge lies in the execution," says Pradeep.

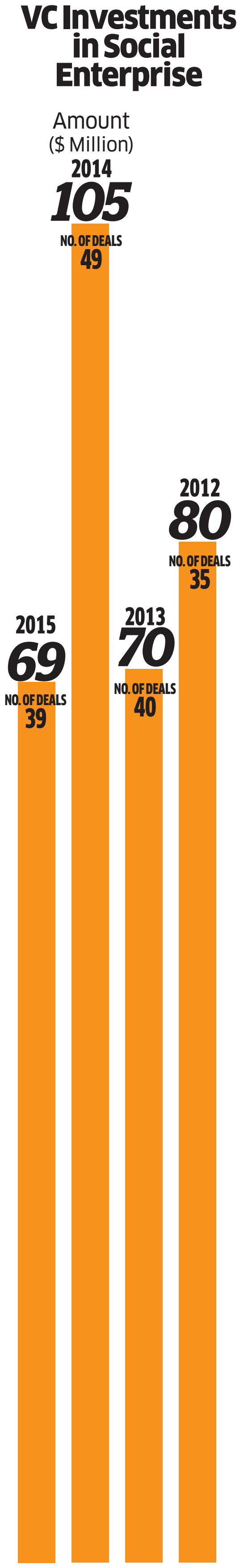
"SOME OF THE BUSINESSES WE INVEST IN HAVE A LONGER GESTATION PERIOD INHERENTLY BECAUSE THEY ARE SOLVING HARD PROBLEMS"

Srikrishna Ramamoorthy, partner, Unitus Seed Fund

Forus Health is one of the beneficiaries of this increasing interest. A healthcare venture whose flagship product is an affordable, portable eye-screening device called 3nethra – which makes mass, low-cost screening possible – the start-up has mainstream, commercial investors, which includes Accel Partners and IDG Ventures. One reason, says founder K Chandrasekhar, was that they were clear their product could work in multiple areas. "The revenue model was obvious from the beginning, with money coming from the sale of the device. We are for-profit and we are also serving the community," he says. Accel Partners also invested in another social enterprise last September, Indifi Technologies, which connects small businesses with formal lending institutions. Other VC investments in social enterprises include Matrix Partners' investments in Waterlife India, which sets up mini water purification plants in rural India; Five Star Business Credits, a non-banking finance company which lends to micro, small and medium enterprises; and Helion Venture Partners' investment in EyeQ, which runs a chain of eyecare hospitals providing affordable treatment in small towns, among others.

"Grant funds helped us in establishing our model. ***In the market we are in, it's difficult to show proof of concept"***

Gayathri Vasudevan, founder, LabourNet



Source: Venture Intelligence

One significant difference between impact funds and VC funds would be their investment horizons, with impact funds typically staying invested for longer periods. "We are a 10-year fund, which is very unusual for India. Some of the businesses we invest in have a longer gestation period inherently because they are solving hard problems. We also invest fairly early," says Unitus' Ramamoorthy. This is also why impact investments are referred to as "patient capital". Additionally, Intellecap's 2014 report, 'The Indian Impact Investing Story', notes that "...mainstream investors invest in impact enterprises that can absorb larger amount of capital and are geographically closer to the fund's physical location while impact investors have been investing in difficult and remote geographies and in smaller quantum." The report then adds, "Increasingly though, the obligation is on impact funds to articulate and present their differentiation better."

Validation over Innovation

Sometimes, social enterprises also need a leg up and impact and VC funds alone might not be adequate. Though LabourNet was able to raise funding from impact funds, Vasudevan says it was an initial round of grant funding that helped the company take its model forward. "That's also why I think blended capital might work best for social enterprises. Grant funds helped us a lot in establishing the model. In the market we are in, it's difficult to show proof of concept," she says.

This is particularly true of social enterprises in the health sector, says Unitus' Ramamoorthy. "When we were scouting for healthcare entrepreneurs, we found there was a lot of innovation but we wanted to see more validation. However, when we went back to the entrepreneur after six months, we would find that either things have not progressed or the entrepreneur has gone on to do other things," he says. To address this, Unitus has launched a programme titled "Start Health", whereby they extend capital with a conditional term sheet, stating that Unitus would provide seed money if the start-up achieved certain milestones. "We also have partners like Manipal Hospitals that help with validation," he adds.

A few entrepreneurs have also burnt their fingers with impact funds. A Delhi-based social entrepreneur who had set up a micro pension venture that had attracted investment from an impact fund and a foreign government's foundation says he was edged out of his own company by the impact fund. "During the second round of funding, they wanted a shareholders' agreement stating that I could be fired at any point. I refused," says the entrepreneur, who requested not to be named. He was later forced to exit with what he says was a sixth of what his shares were worth. "I would rather get a venture capital fund like Sequoia than those posing as impact investors," he says.

Source: Venture Intelligence

GoCoop's Devireddy says his biggest crib has been that social enterprises in India that are just starting out are treated as established companies when they seek funding, though they work in remote areas and are usually trying to solve complex problems. "I felt that approach is very counter-intuitive," he says.

Acumen's Mahadevan feels social enterprises need more grant funding and local philanthropic capital (at present, much of the capital in impact investing is from abroad). "There's a tremendous opportunity here, and it's an emerging opportunity." There are other issues as well: Intellecap found that 60% of all impact investments in 2014 happened in just 15 out of the 220 enterprises and 70% of total investment was in the microfinance and financial inclusion sector.

Ramamoorthy says impact investing also needs to be understood by prospective investors in funds as an alternative asset class and changes in policy-making could help. "Investing in us does not qualify as corporate social responsibility (CSR). Maybe if it was, it would make corporates invest in us," he says. But for now, he welcomes the increased interest in the segment, particularly from "non-impact capital in subsequent rounds of fund-raising". ■

You Beauty!

How a clutch of online beauty services ventures is attempting to draw users away from brick-and-mortar salons

ASHWANI NAGPAL

Pragya Upadhyay, cofounder

:: Rahul Sachitanand

When Renu Bisht was preparing to get married a couple of years ago, she came up against a problem that gives brides-in-waiting plenty of headaches. The hunt to find a skilled beautician for her nuptials turned out to be far more painful than she'd anticipated. The really good ones were either booked or too expensive, and experiments with cheaper professionals didn't meet her quality requirements. It was only after several calls and help from friends and family that someone was finally located and signed up. Bisht, a consultant who'd worked with KPMG and Wipro, decided to channel her frustrations with this search to turn entrepreneur and cofounded VanityCube, an online curated beauty services platform aimed at fixing a lopsided market for beauty services.

"India's beauty services market has expensive, large branded players and very small players of low quality," says Bisht. "What is worse, if you go from one salon or parlour to the other, you're charged varying rates for the same service." In addition, the beauty services business is also hobbled by polarisation of work – weekends and holidays see a flood of orders, while other times see centres (and professionals) vastly under-utilised. "The people who run this industry – beauticians and other freelance professionals – are not organised and there's no consistency on services they deliver," she adds. Since its inception, she and her cofounder Pragya Upadhyay have sought to grow VanityCube rapidly, by providing services not just at home, but even in offices and corporate parks with express offerings to women at work. Spreading VanityCube's services will be key to growing the business – the firm services 100-150 bookings a day currently – and expects that to increase to 2,000 to 3,000 in the next 12 months.

Professionals at Service

Five months after they raised an angel round of funding to kickstart their beauty services platform StayGlad, the founders Kavish Desai, Shashank Gupta and Prateek Jain (IIT-Kharagpur classmates) netted an undisclosed amount in a series A tranche from investors; these included storied venture capital (VC) fund Bessemer Venture Partners and Anil Chopra, the former chief executive of Lakme Lever which runs a pan-India chain of salons for women. "There is a great opportunity to disrupt the FMCG-like beauty services model by devising an asset-light premium salon experience," says Jain. Rather than have their target audience (women in the age group of 18-40 primarily) visit salons, these ventures want to bring professionals to their homes. While some startups aggregate freelance beauty

Renu Bisht
COFOUNDER, VANITYCUBE

Founded: **August 2014**

Focus: **Online beauty services aggregator**

Investors: **Claims to have raised funding from angel investors**

Status/plans: **Wants to grow from 100-150 orders a day to 2,000-3,000 and expand services from one location (NCR) to two more cities**

*"**Beauty is a crowded, yet lopsided market, with good service mostly at the premium end,** and most others struggling with quality and pricing of services and products"*

Gaurav Maheshwari
COFOUNDER, GETLOOK

Founded in: **June 2015**

Focus: **Beauty services aggregator**

Investors: **Undisclosed, from a group of angel investors**

Status/plans: **Has 150-200 beauty services providers in two cities, with pilots underway in three more; wants to be in three more cities by mid-2016**

*"**There will be consolidation in this space in the next six months** as investors begin to back the top players and look to enter the beauty services market"*

Ronak Sharda (left), Vatsala Kothari, cofounders

Beauty and Wellness is Big Business...

in ₹ crore

2012/13 **41,224**

2017/18* **80,370**

...and a Massive Employment Opportunity...

(figures in million)

2013 **3.4**

2022* **12.1**

* projected | Source: KPMG

...but the Model is Broken...

On average beauty professionals' **utilisation is barely 30%**

They are overworked on holidays and weekends and under-utilised otherwise

Professionals are poorly paid, **with starting salaries as low as ₹5,000 a month**

People working in the industry **only get initial training,** with no further skill enhancements

Unless you're a branded player, attracting high-value, **repeat customers is a challenge**

...how Startups are Recasting the Market...

Double earnings of freelance professionals

Focus on upselling services to convert a cheap eyebrow threading (₹100 or lower) into a high value service using products such as HD Box

Improve utilisation from 30% to at least 75%

Move from a planned visit for beauty services to more impulse purchases

Reduce the pain of going to a salon by bringing most services to consumers' doorsteps

...and How the Old Guard is Sprucing up

HUL's Lakme salons are being overhauled, with more premium services and remodelled units to attract high-end customers

VLCC has added some 15-20 new salons in 2015, with more in the pipeline

Mumbai-based Enrich **plans to add 30 salons to its inventory every year**

CavinKare's Green Trends salon business **is in the midst of a pan-India expansion**

Naturals plans to have 3,000 salons in three years and is moving from a south India focus to being a pan-India player

Entrepreneurs say that there is an opportunity to at least **double the earnings of freelancers and help smaller salons upgrade their services**

professionals, others have their own dedicated personnel, while some go halfway – with a limited marketplace or curated list.

Unlike many other local services, where ticket sizes are as little as ₹300, beauty service startup founders say their orders range from ₹1,000 to ₹1,500. What's more, since these services are typically ordered home, they want its purchase to move from a planned one (monthly waxing) to an impulse buy. "Average order value is high, stickiness strong and spends are going to increase as disposable incomes with women increase," says Jain. His venture may be just getting started; it executes 150-200 orders a day. StayGlad plans to now expand to two or three cities, says Jain, as it brings more beauticians on its platform. Even in Bengaluru, its headquarters, the firm has barely made a dent – according to some industry estimates, there are some 20,000 beauty pros in the city and under 1,000 of them are on any of these platforms.

Well-funded local services providers say they can't be discounted in this market. For example, Timesaverz has over 100 beauticians registered on its hyperlocal marketplace, while local services provider Urban-Clap sees beauty in the top 10 offerings it provides, both by value and volume of orders. As these companies seek to focus on higher value orders and improve their profitability, beauty services (where order sizes are double or more of their current average billing) will be a major focus area.

Customers, primarily women, say that the services on offer at existing salons are spotty and booking appointments at convenient times remains a challenge. "I have no use for an appointment at 4 pm on a Wednesday, when I am at work," says Kavita, a 25-year-old banker in Mumbai. "The other option is an unlikely slot on Saturday evening, which means dealing with a packed salon and rushed attendants." Instead, she's experimented with professionals coming home and says for someone with a 50-60 hour work week, this emerging business model offers many pluses. "I control both the time and quality of these services and, over the last two or three months, quality and range of services have both improved," she adds.

NITIN SONAWANE

"The key to success in this business is making sure your services are spot on... this is the only way to build repeatability of services"

Darpan Sanghvi
FOUNDER, MYGLAMM

Founded in: **July 2015**

Focus: **Beauty services provider**

Investors: **Tano Capital**

Status/plans: **300 services a day in Mumbai and Pune, with plans to be in three more cities in 2016, hope to hit 4,000-5,000 services day by June-July 2016**

Field Days

The Bengaluru market may form a small slice of the opportunity in India. According to industry estimates, in the top 35 cities, there are some 85,000 salons (four-chair, two-bed units) in operation. According to some rough estimates, there are as many as 1,80,000-2,00,000 beauty professionals across India, with 50,000-60,000 of them being freelancers. Entrepreneurs in this market say that there is an opportunity to at least double the earnings of these freelancers and also help smaller salons streamline and upgrade their services.

While improving the lot of freelancers may sound altruistic, company executives say that this requires them to be intensively re-trained (several ventures have their own academies for this) and provided with the right products to make a mark. Done right, the business can look impressive. On *karva chauth*, for example, beauticians at Vyomo,

***"Capacity utilisation at salons and for beauty services professionals is barely 30%** and the existing business model needs to be urgently recast"*

a company backed initially by the likes of cricketer Yuvraj Singh's YouWeCan and TaxiForSure founder Apremeya Radhakrishna, worked from 6:30 am to 2 am the next day in the Capital, racing to meet an explosion of orders.

These orders may not come from home, alone. As the target demographic (women aged 18-40 is the sweet spot) go to work more and get more mobile, companies need to chase after them – rather than the other way around. Bisht and Upadhyay, the founders of VanityCube, spoke to nearly 300 women consumers to understand their beauty needs before getting started. Uniformly, the need was not just for on-demand services, but to get them anywhere. Companies like VanityCube, then, can't remain just "home salon" providers, but need to expand to suit the changing needs of its customers – the firm has express services at the offices of Snapdeal for instance – and is pushing more B2B engagements to expand.

Plans to Branch Out

Darpan Sanghvi has almost 100 salons either operational or in various stages of construction (and has raised $10 million from Tano Capital), but thinks the really big opportunity may lie online. His venture MyGlamm, started in July 2015, provides 300 services a day in Mumbai and Pune and now wants to expand to two or three more cities. Sanghvi claims that his online venture will soon raise some $10 million in fresh funding and has got a host of VCs and high net worth individuals interested. "The key to success in this business is making sure your services are spot on…this is the only way to build repeatability," says Sanghvi. The other aspect that is key to the success, in the business of beauty services, is cross-selling and upselling, which MyGlamm is expected to focus on strongly. For example, new offerings such as NovaLash Eyelash Extensions, from the US, and HD Brows from the UK (high definition eyebrows) will be only available on MyGlamm. "The idea is to take a cheaper service and transform it into a much higher value one, providing better margins for the business," adds Sanghvi.

The company isn't relying on its own platform to grow. Instead, it is leaning on other ecommerce ventures such as Quikr, Nykaa (a women's fashion venture) and TrulyMadly (a dating app) to try to net a larger audience for MyGlamm's services. "Our goal has always been to create a brand that consumers feel confident about and relate to with credible beauty services, and build a differentiated service portfolio with exclusive services," contends Sanghvi. Based on this strategy, MyGlamm will leverage the distribution networks of other established ecommerce players, because their consumers identify MyGlamm as an influencer in beauty services.

Investors seem interested in backing business plans that offer something new in an industry filled with plenty of similar sounding ideas. "We are keen to back asset-light, tech-driven models that can be standardised and scaled up rapidly," says Vikram Gupta, chief of IvyCap, an early stage investment firm. He believes that vanilla-listing models, for example, aren't sticky and viable in the long term. "This is a highly-fragmented and unorganised market and is waiting for a business to disrupt it…it is an opportunity to build a billion-dollar business," he adds.

Prettifying the Profile

Following the lead of hotel aggregators such as OYO Rooms (which saw its valuation grow 10-fold in 12 months), Manish Taneja and Rahul Dash want to build a similar offering in the beauty services business. Their brand Purplle on the one hand acts as an intermediary between salons and consumers, but they also want to build their own label. Rather than build its own salons, Purplle today focuses on helping single salons (or small chains), which are often passed up by consumers with quality and hygiene concerns. "Capacity utilisation at salons and for beauty services professionals is barely 30% and the existing business model needs to be urgently recast," Taneja says. Purplle offers to cobrand these salons, upskill their staff and offer higher-value products and services to boost its profile. It has cobranded 26 such salons so far and Taneja says it will overhaul 1,000 salons in Delhi and Mumbai in 2016. The startup works on a revenue share model with these salons (it gets a fifth of receipts) and makes small investments in branding.

In 18 months, Abhinav Khare, the founder of Bengaluru-based Vyomo, claims to have created an industry-

NITIN SONAWANE

Manish Taneja
COFOUNDER, PURPLLE

Founded in: **sale of products online in 2011, pivoted to services focus in February 2015**

Focus: **Online beauty services provider and cobrands smaller salons to improve footfalls**

Investors: **Blume Ventures, IvyCap and Mumbai Angels**

Status/plans: **Has 5,000 service providers on its platform and 26 cobranded salons; wants to have 1,000 cobranded salons in 12 months**

***"There is a great opportunity to disrupt the FMCG-like beauty services model,** by devising an asset-light model that provides a premium salon experience"*

N NARASIMHA MURTHY

Shashank Gupta (left) and Kavish Desai, cofounders

Prateek Jain
COFOUNDER, STAYGLAD

Founded in: **May 2015**

Focus: **Beauty services aggregator**

Investors: **Bessemer Venture Partners and Anil Chopra, a former Lakme Lever managing director**

Status/plans: **Gets 150-200 requests a day in Bengaluru alone; plans to expand to two or three more cities**

Being an aggregator (as opposed to having one's own staff) allows a startup to **scale business faster and lets consumers pick a service provider based on personal preferences**

*"Beauty services is a highly specialised field and **hyperlocal startups don't have the skills on their own to be successful in this space**"*

N NARASIMHA MURTHY

Abhinav Khare
FOUNDER, VYOMO

Founded in: **June 2014**

Focus: **On-demand beauty services**

Investors: **Rocket Internet**

Status/plans: **Currently working in five cities, undertaking 600-800 orders daily; wants to be in 15 cities providing 10,000 orders a day in 12-18 months**

Company executives agree that these **new beauty ventures won't take over the industry completely**. While some services can be delivered more comfortably or conveniently at home or at work, there are **those which require the customer to turn up at a salon**

leading online beauty services marketplace. While the competition takes up some 100-150 services a day, Khare claims that Vyomo has already hit 600-800, and also provides a far larger bouquet of services to consumers. As broader horizontal home services firms such as Housejoy, LocalOye and Timesaverz edge their way into the market, he isn't impressed. "This isn't the same as a blue collar job...I have people who have studied and trained in the US and UK and earn more than many MBA grads on my platform," he says. "Beauty services is a highly specialised field and hyperlocal startups don't have the skills on their own to be successful in this space."

While these horizontal local services players are keen to add higher-value services to their business (in this case beauty services), Khare says their approach lacks focus and repeatability. Vyomo, he adds, is focused on the sweet spot of women in the age group of 18-40 and, in November 2015, it had a repeat rate of 82%. "We are operational in five cities with some 1,500 stylists (15% of them exclusive to Vyomo), and in the last five months we have delivered 50,000 services," says Khare. "We see ourselves operational in 15 cities, delivering 10,000 services a day in the next 12 to 18 months." To support these ambitious plans, Vyomo says it will close a Series A round of funding in the next few weeks.

Being an aggregator (as opposed to having your own staff) allows you to scale your business faster and lets consumers pick a service provider based on personal preferences, says Gaurav Maheshwari, an IIT-Kharagpur alum who set up GetLook in June 2015. Since then, the company has added some 200 people to its platform and fulfills 2,000 orders a month. While home salon services have been delivered for at least the last five or six years now, Maheshwari says quality (of providers and products) has dogged the nascent industry.

GetLook's beauticians, he claims, will carry a branded kit, use the products specified in a services (and not undercut a consumer with local/ cheaper alternatives), to try to stand out in a cutthroat industry.

In six months, GetLook has expanded its services to two cities and will add another three cities to its roster (where pilots are underway). With plans to close its first round of VC funding in the next month, the startup may have the required fuel to power its ambitious plans. As consumers vote with their feet, Maheshwari says the first signs of a shakeout are already imminent. "There will be consolidation in this space in the next six months as investors begin to back top players and other companies (either large traditional ecommerce companies or newer hyperlocal ventures on an expansion spree) look to enter the beauty services market," says Maheshwari.

NITIN SONAWANE

*"**We are not just a like Yellow Pages service for the beauty industry...**we want to control quality on our platform"*

Akshay Jain
COFOUNDER, BELITA

Founded in: **September 2011**

Focus: **Beauty services provider**

Investors: **LetsVenture and Lead Angels**

Status/plans: **Has 100 service providers; undertaking 130 bookings or 450 services a day; adding 25 service providers a month**

A Buoyant Outlook

The husband-wife duo of Akshay and Garima Jain, founders of home salon business Belita, perhaps the oldest of the ventures in this space (it was founded in September 2011), deny their business will be first to fall. For the past couple of years, the company's been scouting for its first round of venture funding and has thus far raised only a small amount from angel investors to keep its business going. Akshay Jain hotly denies the business is in trouble, instead claiming Belita recently pivoted from an offline home services provider to a controlled online market place.

In the process, Belita has spent the last few months refining its services delivery and by March 2017 the company wants to be in two cities. "We are not just a Yellow Pages like service for the beauty industry...we want to control quality on our platform," says Jain. Belita, he adds, has 100 service providers fulfilling 130 bookings or 450 services daily and business has tripled in the last four months. The company is adding 25-30 service providers a month and its average ticket size is ₹1,200 and climbing.

Company executives agree that these new beauty ventures won't take over the industry completely. While some services can be delivered more comfortably or conveniently at home or at work, there are those which require customer to turn up at a salon. "These platforms are redefining the industry, but it is too early yet to foretell the demise of the old guard," says Sanghvi of MyGlamm. ■