

# Start-ups unfazed by Flipkart's valuation markdown

Most companies see development as a correction than as the beginning of a bust

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Start-ups and smaller e-commerce companies are not concerned after Morgan Stanley lowered the valuation of domestic e-tailer giant Flipkart. While there was worry that the markdown valuation may have a cascading effect on the entire segment, most companies *BusinessLine* spoke to were of the opinion that this should be seen as a correction in the market, rather than a total bust.

Over two dozen start-ups, both early-stage and a few that have

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CEO & Co-Founder, LogiNext Solutions

raised Series A and above, said that it is ultimately the individual performance of each company, unit metrics, growth and traction that will dominate valuation discussions.

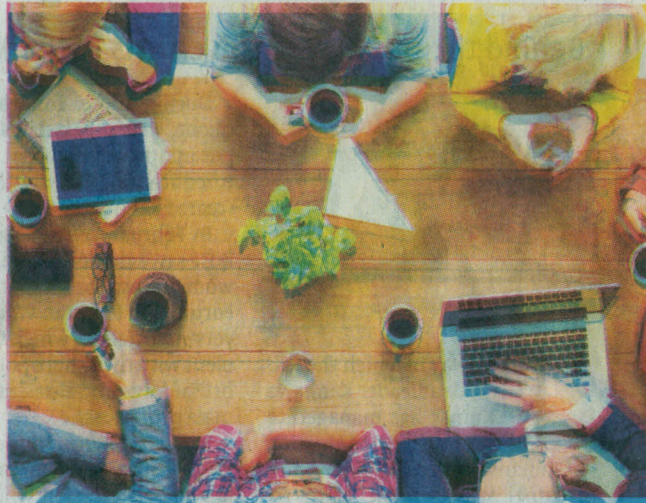
They also feel that Flipkart's markdown will not overly impact on the funding activity among the start-ups.

Swati Bhargava, founder of cashback start-up CashKaro.com said, "The valuation by Morgan Stanley is perhaps reflective of how investors are increasingly skittish over tech valuations nowadays and focusing more on revenue generation and profitability".

She added while this will definitely lead to consolidation with a few start-ups with high customer-acquisition costs or incurring losses even shutting down.

## Valuation slashed

In recent mutual-fund filings with the US capital market regulator Securities and Exchange



Commission, about three fund houses slashed Flipkart's valuation by 25 per cent while one maintained its value. Flipkart was valued at \$15 billion after it raised funds last June. Its valuation was also based on its gross merchandise value at \$4 billion then with a projection to reach \$8 billion by end of 2015.

While much of the markdown valuation is attributed to the negative economic sentiments

globally, a part of it also comes because of Flipkart's inability to post profits even after 10 years. The company is still burning huge amounts annually to expand its user base and compete with larger rivals Amazon and Snapdeal.

Dhruvil Sanghvi, CEO & Co-Founder of LogiNext Solutions said, "Most start-ups and companies have had ups and downs in their journeys. Over-valuation is

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usually a result of unrealistic expectations, incorrect market and consumer behaviours predictions or sometimes investor strategies."

Flipkart is one of the few Indian digital companies that went on to become a billion-dollar companies, or Unicorns, in just few years and created much hype among investors and the start-up community. This also put pressure on the company to post profits. "Companies with strong fundamentals, strong unit economics, accurate planning and lean execution will continue to survive and I strongly believe Flipkart is one of them," Sanghvi added.

Pankaj Vermani, CEO, Clovia.com was of the view that the sinusoidal curve of market sentiment is nothing new and that an event of this sort should be just looked at as a regular correction that the market goes through after every euphoria.

E-commerce in India and especially the growth of Flipkart has created enough buzz among investors that industrialists like Ratan Tata, who comes from traditional business like auto and steel manufacturing, has invested in over two dozen start-ups with 50 per cent of those are e-commerce startups.

"What we've seen in past is a slew of aggressive, sometime irrational, bets on the Indian e-commerce. In fact, events like these only help in discovery of stronger models/teams/businesses. So start-ups should do what they should be doing all along. Have a slick, lean model, focus on customer retention and focus on strengthening their unit economics. There wont be a better time to get discovered, if your business model and team is strong," Vermani added.