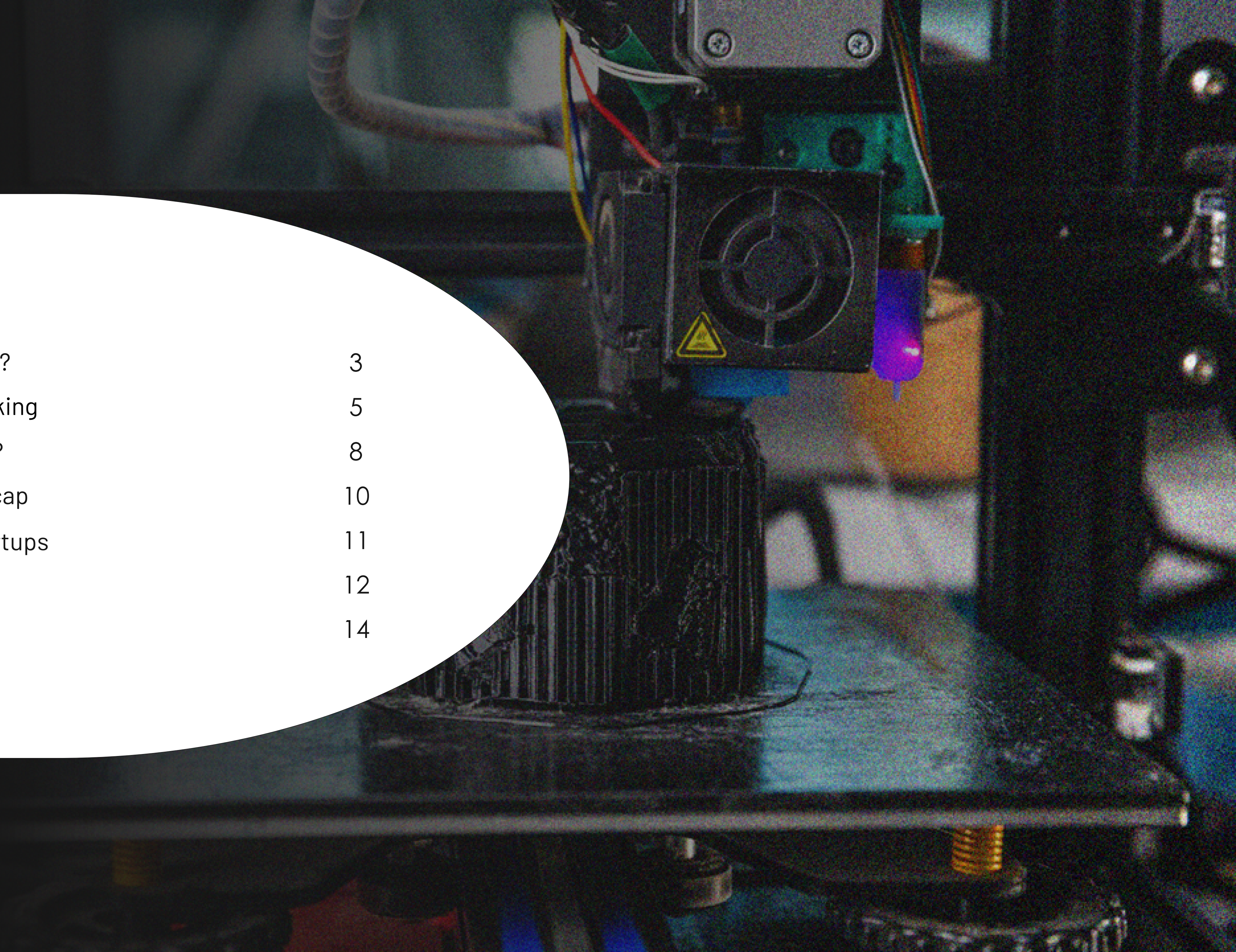

STARTUP INDIAN
RIGHT NOW
THE STARTUP NEWSLETTER
MAY'24
Here's taking a moment to celebrate the many firsts achieved by India's spacetech, with AgniKul's historic launch.
#milestogobeforewesleep

IN THIS ISSUE



IS THE IXIGO IPO WORTH YOUR MONEY?

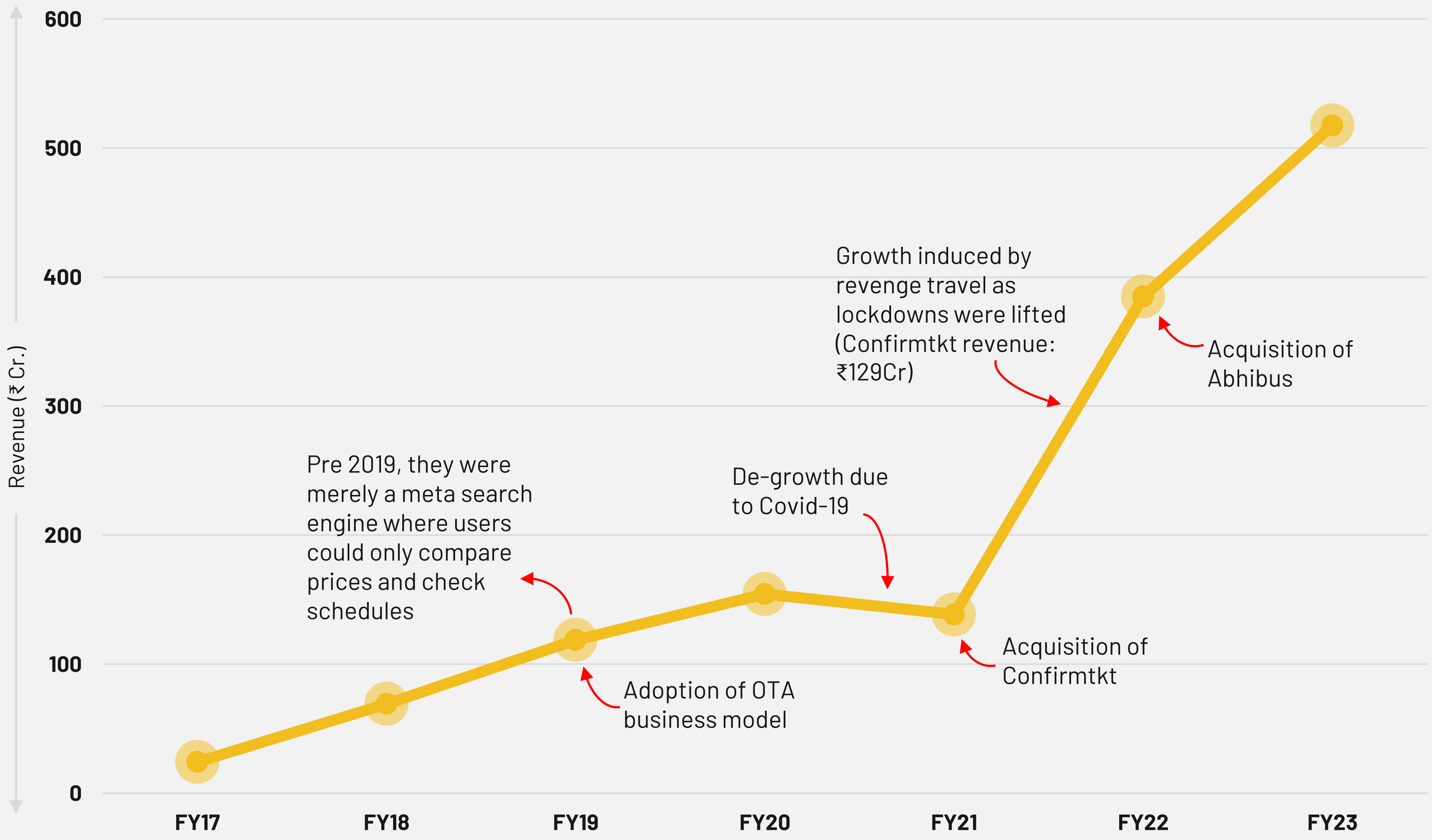
News flash: Online Travel agency (OTA) Ixigo finally booked a confirmed ticket on its IPO as it released its price band (₹88-93) and is going live on Monday, June 10th. Ixigo joins host of other players in the industry who have already listed like MakeMyTrip, Yatra and EaseMyTrip.

For the unintiated: Ixigo is an online platform that allows users to book train/bus/air tickets and provides other ancillary services. Founded in 2007 in Gurgaon, Haryana by **Rajnish Kumar** and **Aloke Bajpai**, distinguished alumni of **IIT Kanpur**, Ixigo has since emerged as a premier online travel hub in India.

The company took 12 years to reach ₹100 Cr topline and then only another 5 years to grow 5x times more to cross ₹500 Cr in FY 23. In the 9 months period ending Dec'23 the company reported topline of ₹491 Cr and a net profit of ₹66Cr.

But is it worth your money? Let's break it down:

Journey so far



1 **2nd IPO run:** Ixigo cancelled its 1st ticket to IPO back in 2021, possibly due to weak market sentiments. But so much has changed for the company since then:

- Two peers- Confirmtkt (used for train ticket bookings) and Abhibus (used for bus ticket bookings) were acquired
- Revenue has grown almost 5x
- Profit has increased 12x
- EBITDA margins have improved from 4.5% to 7%
- No external funds raised
- Funds being raised through IPO:

	2021 IPO	2024 IPO
Fresh Issue	₹750 Cr.	₹120 Cr.
Offer for Sale (OFS)	₹850 Cr.	₹620 Cr.

Interestingly, the OFS component was not released until June 5th, just 5 days before the IPO opens. What's also eye popping is that the fresh issue element has been reduced by more than 6 times. This indicates that this IPO majorly serves as an exit route for existing investors. ₹120 Cr of fresh issue barely adds to the company's capital given that its 9 months of net profit in FY 24 was ₹66 Cr. It is unlikely to fuel any substantial growth initiatives.

2 **Competitive moat:** While competitors like EaseMyTrip, Yatra, and MakeMyTrip concentrate mainly on flights and hotels, Ixigo has capitalised on the online railway ticket booking space and boasts a jaw dropping 52.4% market share in the segment. What's also remarkable to note is that a whopping 80% of all railway tickets in India are booked through online platforms today (Whereas online penetration for flight bookings is at 70% and for hotel bookings at 32%). So, to put it in simple terms, for every 100 railway tickets booked, roughly 80 of them are booked online, and of them, 42 are booked through Ixigo group platforms. With a low gross margin of 32% in the railway ticketing space, the game plan is to ride increasing volumes.

3 **Multi-app strategy:** While Ixigo has acquired Confirmtkt and Abhibus, it continues to maintain separate applications for all. It even has separate apps for its rail and flights & hotels bookings. The DRHP recognizes the efficacy of its multi-app strategy in catering to diverse traveler segments, from sophisticated Tier 1 travelers to emerging Tier 2 and smaller market segments. Confirmtkt for example specifically caters to non-Tier I cities while Ixigo rail app specifically caters to Tier I cities.

4 **Betting big on the Next Billion Internet Users (NBUs):** NBUs comprises of non-Tier 1, new-to-internet, and low to lower-middle-class consumers. As of FY23, NBUs are estimated to represent approximately 90% of the train and bus travel segment and between 50% - 55% of the flights and hotels segment, accounting for over 60%-65% of the overall travel market in 2023. Ixigo's DRHP makes repeated mention of the company's focus on this consumer segment.

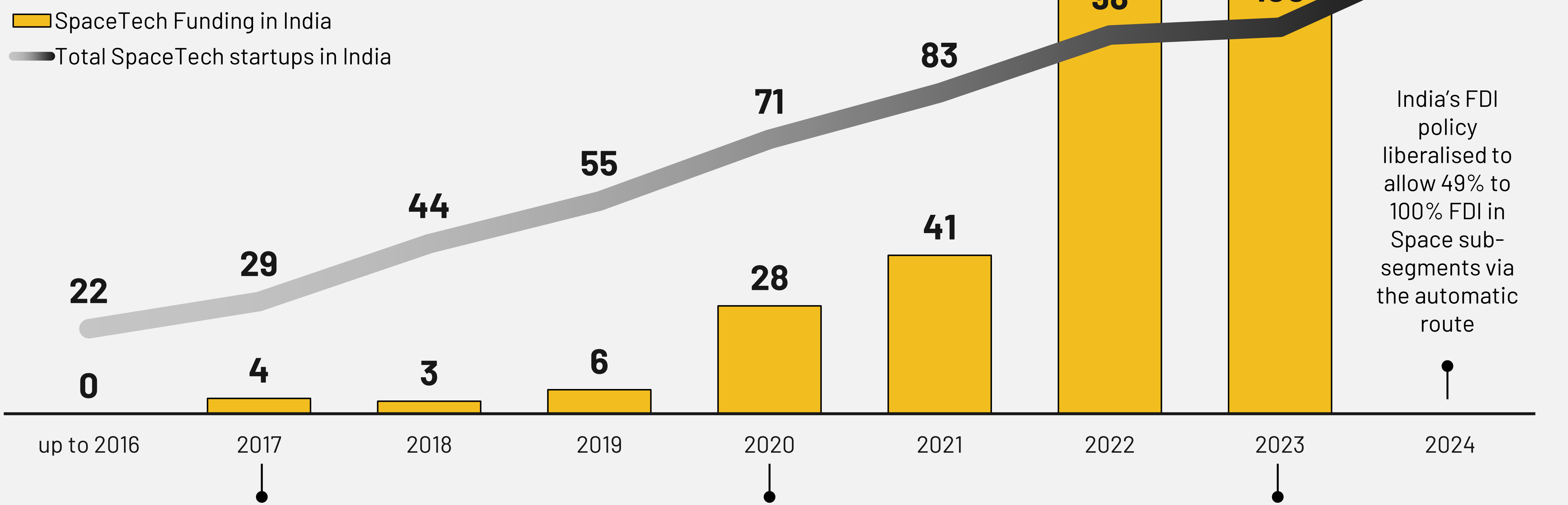
5 **The bus ticketing game plan:** Currently the bus ticketing space is thoroughly unorganized with a meagre 19% of all bus tickets being booked online. However, this penetration is expected to increase to 28% in the next 4 years. Combining this with record high capex ($29Bn for FY25) by GoI on transforming road infrastructure and very high margins on sale of bus tickets (@60% as per Ixigo's financials), the bus ticketing space is a hot spot for online players to capture. Ixigo's Abhibus is already showing promise in this space as revenue has zoomed by 4.5x to ₹97.5 Cr (for 9 months ending Dec'23) in just 3 years since acquisition.

We also compare revenue segmentation and market share of Ixigo with its competitors, and talk about P/E ratio, ROCE and so much more...

Here's the rest of our analysis.

INDIAN SPACETECH – A STORY IN MAKING

India's spacetech startup AgniKul recently made history as it launched its first rocket. Before we talk more about it, let's see what's propelling India's spacetech startups:



GoI tabled the Draft **Space Activities Bill**, 2017, which for the first time acknowledged growing participation of private sector in space technology and opened discussion about commercialising space activities

GoI allowed participation of private sector in the entire gamut of space activities and created the **IN-SPACe** as the single window interface between ISRO and the private sector to use ISRO's resources for advancing spacetech development

The Indian Space Policy, 2023, was approved by the Cabinet, which created a framework to further encourage greater private sector participation in the entire value chain of the Space Economy.
In Jul'23, GoI lowered **GST** from 18% to 0% on satellite services by private players.

Milestones achieved by Indian Spacetech startups:

- In Apr'22, Bengaluru based startup **Pixxel**, launched India's first privately made **satellite** into space carried by a SpaceX rocket. The company plans to make a constellation of 24 of world's most advanced hyperspectral imaging satellites, which will serve as a "health monitor" for the planet.
- Hyderabad based startup **Skyroot**, test launched India's first **private rocket** – the Vikram-S in Nov'22.
- In Nov'22, **AgniKul Cosmos,** that makes launch vehicles, unveiled India's first private space vehicle **launchpad** at Sriharikota, Andhra Pradesh.
- In Nov'22, Hyderabad based spacetech startup **DhruvaSpace**, that builds **nanosatellites**, launched India's first indigenously developed and privately owned satellite from Indian soil, on ISRO's rocket.
- In Jan'24, **Pixxel** inaugurated a state-of-the-art satellite **manufacturing facility** in Bengaluru, spread across 30,000 sq. ft.
- AgniKul Cosmos launched the indigenously designed and developed **world's** first rocket with a **single-piece 3D printed engine**, in May'24.

RIGHT NOW
68
UNICORNS
INDIA'S UNICORN STORY IN NUMBERS
38
169,000
10
20
5
HOW MUCH STAKE SHOULD YOU GIVE AWAY?
71%
48%
27%

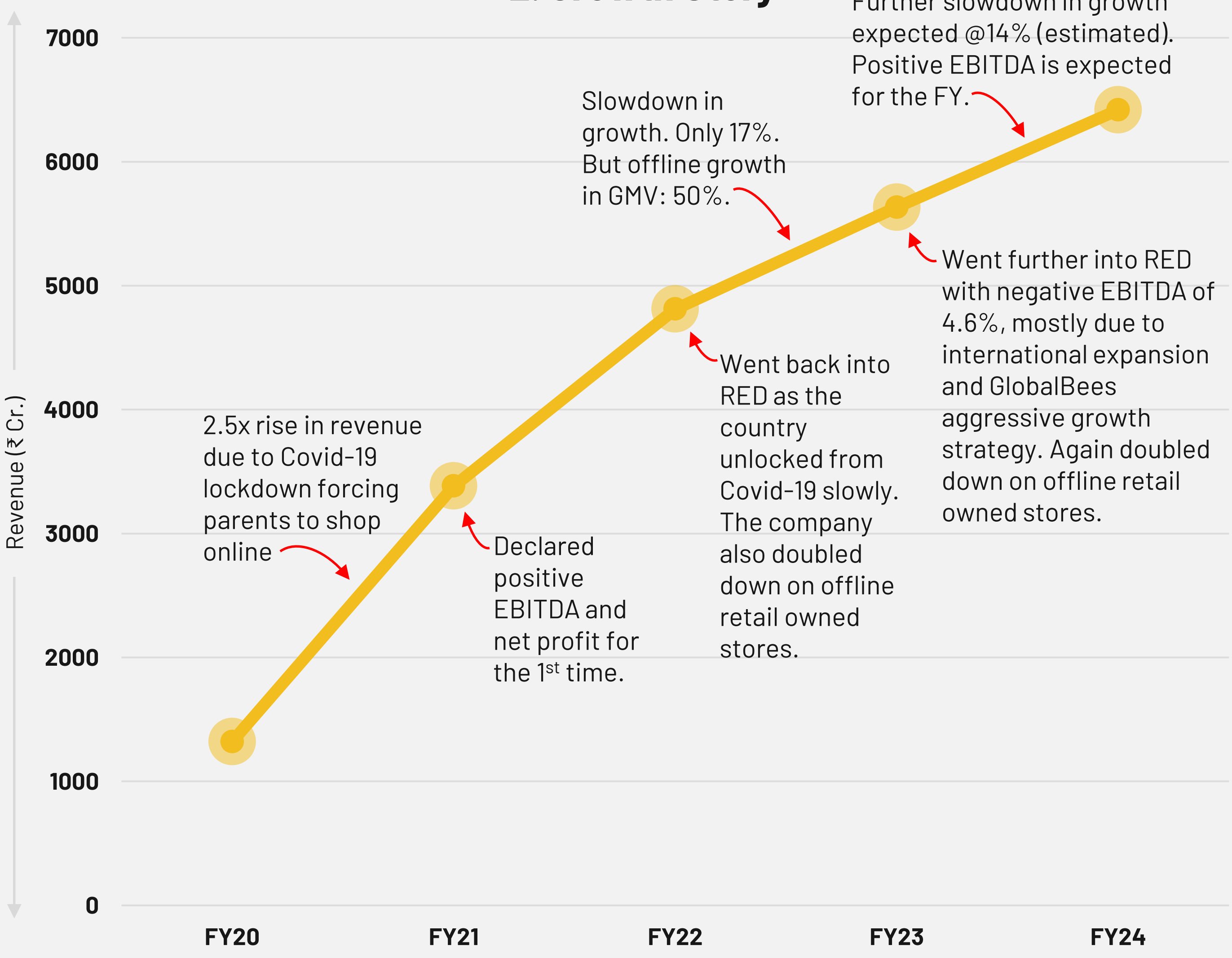
SHOULD YOU INVEST IN FIRSTCRY IPO?

Childcare products e-commerce Unicorn FirstCry.com has refiled its draft red herring prospectus (DRHP) in Apr'24 for its upcoming IPO (undated) after markets regulator Securities and Exchange Board of India (SEBI) demanded a revision citing gaps in the 1st DRHP filed back in Dec'23. The IPO offer, which comprises fresh issuance of shares worth ₹1,816 Cr and an offer-for-sale (OFS) component of 5.4 Cr equity shares, remains unchanged from the previous DRHP filed by the Pune based company.

Is it worth your money? Let's break it down:

1. **Early Days**
   - FirstCry was conceived back in 2010 by Supam Maheshwari (IIM-A grad) and Amitava Saha (IIM-L and IIT-V grad) as an e-commerce company acting as a one-stop-online shop for all childcare products catering to the needs of soon-to-be and new parents.
   - Back then more than 90% of the industry was unorganised and in the organised space also, there were no major players who were exclusively catering to the entire value chain of the childcare products market. For example, there was Gini & Jony selling apparels for kids while there were Huggies diapers available in a departmental store, but there was no single place where you could get all things childcare under 1 roof.
   - By capitalizing on the fragmented childcare market, the burgeoning Indian middle class and the .com boom in India, FirstCry blitz scaled, reaching ₹100 Cr in revenue in just 5 years, having raised close to $70M in the process.

2. Growth Story



Note: On the chart above, the trailing revenue figures have been adjusted to include numbers of Digital Age Retail Pvt. Ltd. that FirstCry acquired in May'22. The Company's DRHP reveals, "Prior to the acquisition, our online platform was operated by Digital Age, pursuant to a platform sharing agreement. Further, certain of our physical stores were franchised to Digital Age" therefore for meaningful comparison with later years, we have considered Digital Age's revenues too in all years.
Bizarre: Digital Age's standalone financials reveal a revenue of ₹3,010 Cr in FY 23. The company was acquired for a miniscule consideration of ₹240 Cr.

- The company tasted overnight exponential growth in FY 21 when the pandemic hit us. As parents found themselves homebound with their tiny tots, FirstCry's online channels saw a massive surge in demand. In-house brands stepped up to fill the gap left by out-of-stock international labels. Smart supply chain moves like circumventing China early on gave them an edge over rattled rivals. As evident in the chart above, the company's revenue zoomed 2.5x in FY 21. In comparison Flipkart's business grew by only 26% in FY 21.
- The real test for FirstCry's lasting legacy was FY 22 as India slowly unlocked from Covid-19 and experts predicted that e-commerce companies may report flat growth. However, FirstCry added to its mettle by going deeper into the value chain by launching ancillary services like Intellitots Play School and FirstCry Parenting app, thereby significantly increasing engagement levels of the customers with the brand. While Intellitots imparted experiential childhood education to kids, the Parenting app dispensed a daily dose of baby Tips & Tricks to overwhelmed new parents. The company clocked an impressive 42% growth in the topline during the year. In comparison Flipkart's revenue grew by 20% that year.
- Ever since the company's growth has significantly slowed down (see chart above), possibly due to increased emphasis on profitability in its race to IPO. The company has also since shifted its focus to expanding its offline business through its owned stores (especially of its home-grown brand BabyHug) and its international business in Dubai and Saudi Arabia. Out of the total IPO proceeds of ₹1,182Cr, 68% is budgeted towards opening of new offline stores and warehouses in and outside India.

3. Profitability

- The Pune-based startup posted a consolidated net loss of ₹486 Cr in the full financial year FY23.
- In the 9 months ending Dec'23, the company reported EBITDA margin of 0.78% at the group level. However, if we study its segment results closely, we find that the company's core business in India has a strong EBITDA margin of 9%. It is only the company's international business that continues to be EBITDA negative (-20%), possibly due to its aggressive growth strategy in this domain. To give you an idea, in the 9 months ending Dec'23:
  - FirstCry recorded 88% growth in Gross Merchandise Value (GMV) from its international business.
  - International business contributed 12% to the retail proceeds.
  - The average order value (AOV) from international business was almost 4 times of its Indian business @₹8,613.
- Ad and sales promotion expenses as a % of topline has come down to 7.58% in FY 24 from 11% FY 22. The high advertisement costs are because more than 3/4th of FirstCry's topline comes from online sales. The % is likely to further reduce going forward as the company enjoys improved brand awareness, and revenue base increases.
- Since the company does not have a stable track record of profitability, it is not worthwhile to comment on the its return on capital employed (ROCE).

We've also talked about FristCry's competition, cash burn, business strategies and more...

Here's our complete analysis.

INDIA AGRITECH PODCAST

We're not just talking about crops, we're cultivating conversations!

In case you missed listening to our podcast series on India Agritech, here's where to find them:

Ep.1 – Diving deeper into Crop Biologicals with MiklensBio

Listen

Ep.2 – Diving deeper into Farm IoT with Yuktix

Listen

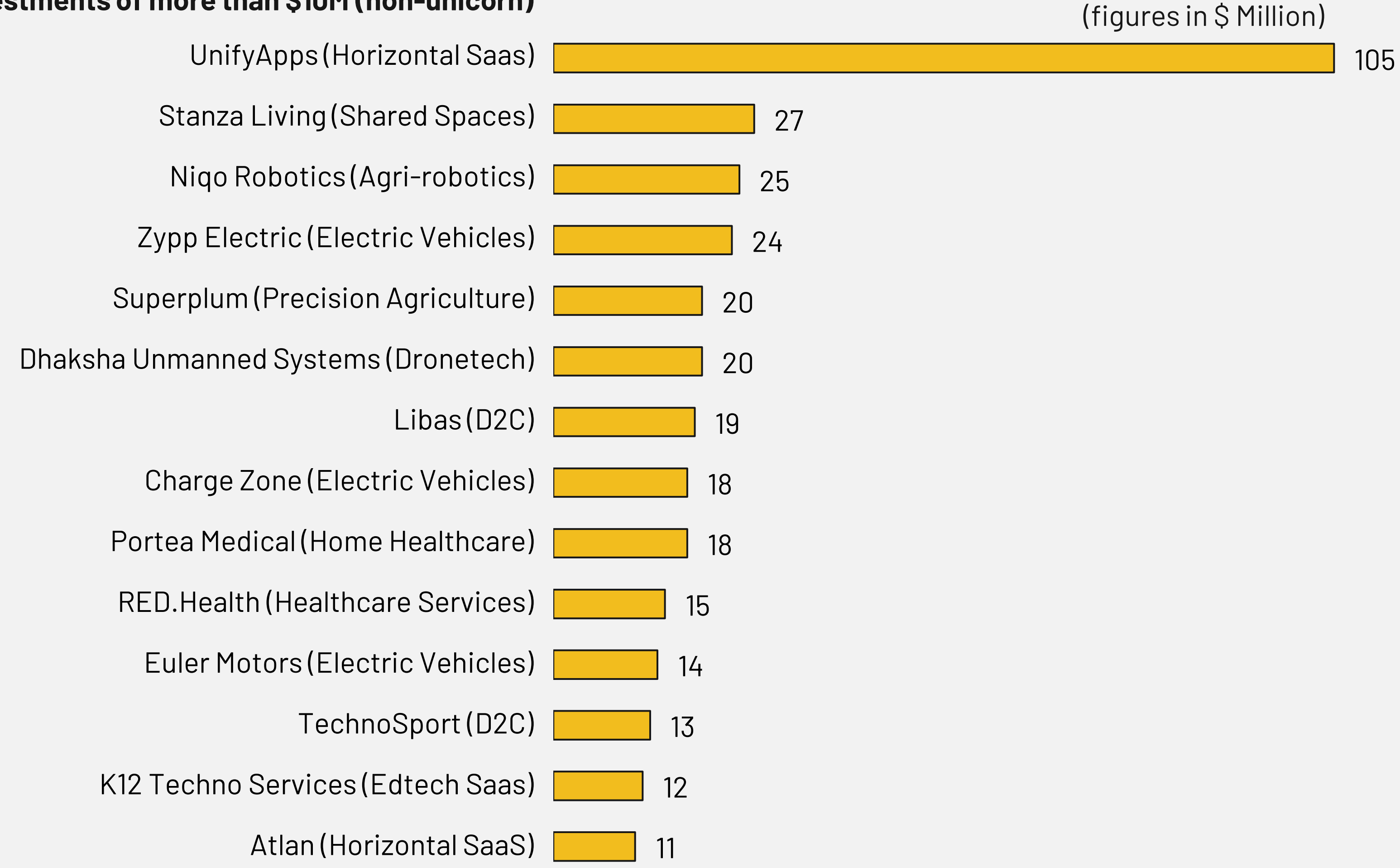
Ep.3 – Diving deeper into Greenhouse-in-a-box with Kheyti

Listen

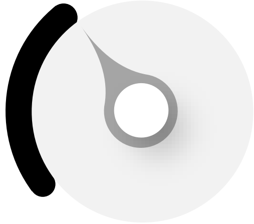
RECENT STAKE GRABS IN INDIAN STARTUPS

May'24

Investments of more than $10M (non-unicorn)



112 Deals in total



36%
of deals in E-commerce and Fintech

$777M Total funds raised in Equity

$143M Invested in Series C Rounds

43%
Early-stage funding

(source: Inc42)

WHAT ELSE IS BUZZING

Zomato is democratizing real time weather data for all
We all hate it when we step out and it suddenly starts raining, imagine the problem faced by 200K+ delivery partners of Zomato. That's why the food delivery Unicorn launched a platform that shares localized weather data of 60+ cities of India. It gives 12 real time weather parameters including humidity, rainfall, wind speed and temperature. Best part is that this data is available to others free of cost. Businesses in logistics, travel, real estate and insurance can make smarter business decisions from this, as their operations can be significantly disrupted by sudden weather changes.

CarDekho forays into Agri space through TractorDekho
The car search Unicorn launched a new vertical that connects buyers, sellers, dealers, and service centers of Tractors for the farming community. This vertical is in direct competition with Agri startups like Tractor Junction and KhetiGaadi that have been in this space for quite sometime.

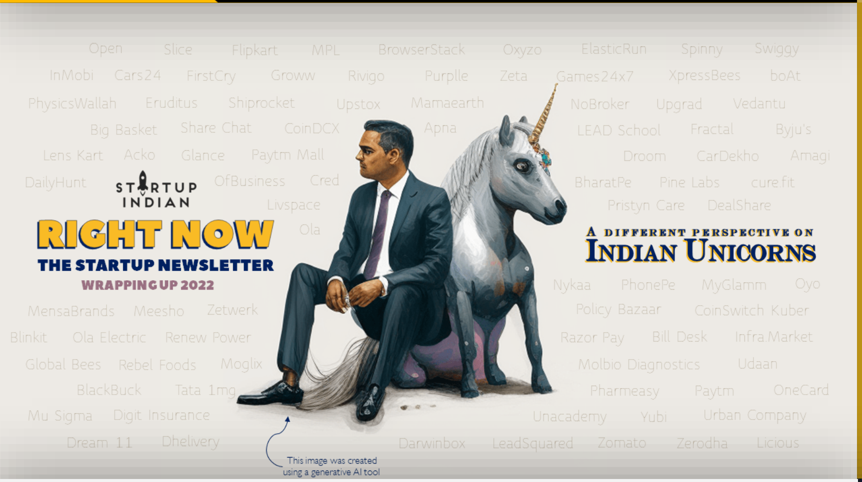
Tesla is already in India and we didn't know it
A Gurugram based company called Tesla Power is selling vehicle led acid batteries in India since 2020 by the name of 'Tesla Power and Tesla Power USA'. Not surprisingly, the US based EV giant filed a complaint with the Delhi High Court, asserting trademark infringement, saying that people are reaching out to them with their customer complaints. Tesla also alleged that Tesla Power is using their name to launch EVs in India. However, Tesla Power argued that it has never been and has no plans to launch EVs or EV batteries. But, are we so stupid to believe that they named their batteries 'Tesla Power USA' for no reason?

NPCI's UPI can take emerging countries from 0 to 10 real quick
NPCI's international arm recently signed an agreement with Namibia to develop a UPI like payment interface for the African nation. Earlier, NPCI announced a similar model with the central bank of Peru. NPCI is actively pursuing central banks of several nations to develop a UPI like digital payment infra that will tremendously benefit these nations where large population is still underbanked.

Zoho steps out of Software – forays into semiconductor
India's software major Zoho unveiled its plans to join the semi-conductor race through its investment of $200mn in a new chip making facility. Before this, big corps like Tata and Vedanta have also made big announcements to capitalize on this burgeoning opportunity, backed by GoI's schemes and incentives and rising global demand.

OYO becomes profitable (as claimed by Ritesh)
Founder of Oyo, Ritesh Agarwal took to X.com to announce that OYO has apparently reported its 1st net profit for the entire financial year, FY 24 of ₹100Cr. If that's so then it is truly admirable. Why you ask? We'll tell you at length in our next issue.
Ps. There are also reports that they're looking to raise $80-90mn from family offices at a $3-4bn valuation (70% haircut on its peak valuation of $10bn that it had touched in 2019).

The stark similarities between Ola Electric and Tesla IPOs
Ola electric will be going public in 2024, which is about 7 years from its incorporation. Tesla also went public after 7 years from its incorporation. Tesla was a loss-making company at the time of its IPO (-33% net margin), and so is Ola Electric (as per its DRHP, -21%). And today Tesla is one of the most valued companies in the world, so you might want to think twice before writing off Ola Electric's IPO just because its loss making! We'll share more about our take on their IPO on our next issue.



PREVIOUS ISSUES

CREATORS AT STARTUP INDIAN

Born and brought up in one of the world's fastest growing economies, we experienced change as the only constant in our young India. With that new road, that new policy, that first e-commerce site, that first app-based cab ride, the world around us kept evolving at a breakneck speed. Moved by this wave, we started wondering what are those little things that add up to the big change? Who are the change enablers? And how can we contribute to their cause?
So here we are, a team of finance enthusiasts, researching, developing, designing and counselling to make financing and finance a tad bit easier for **visionary entrepreneurs** and **courageous investors**.

STARTUP INDIAN

Wow! This is Uber Cool!

You made it to the end!

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