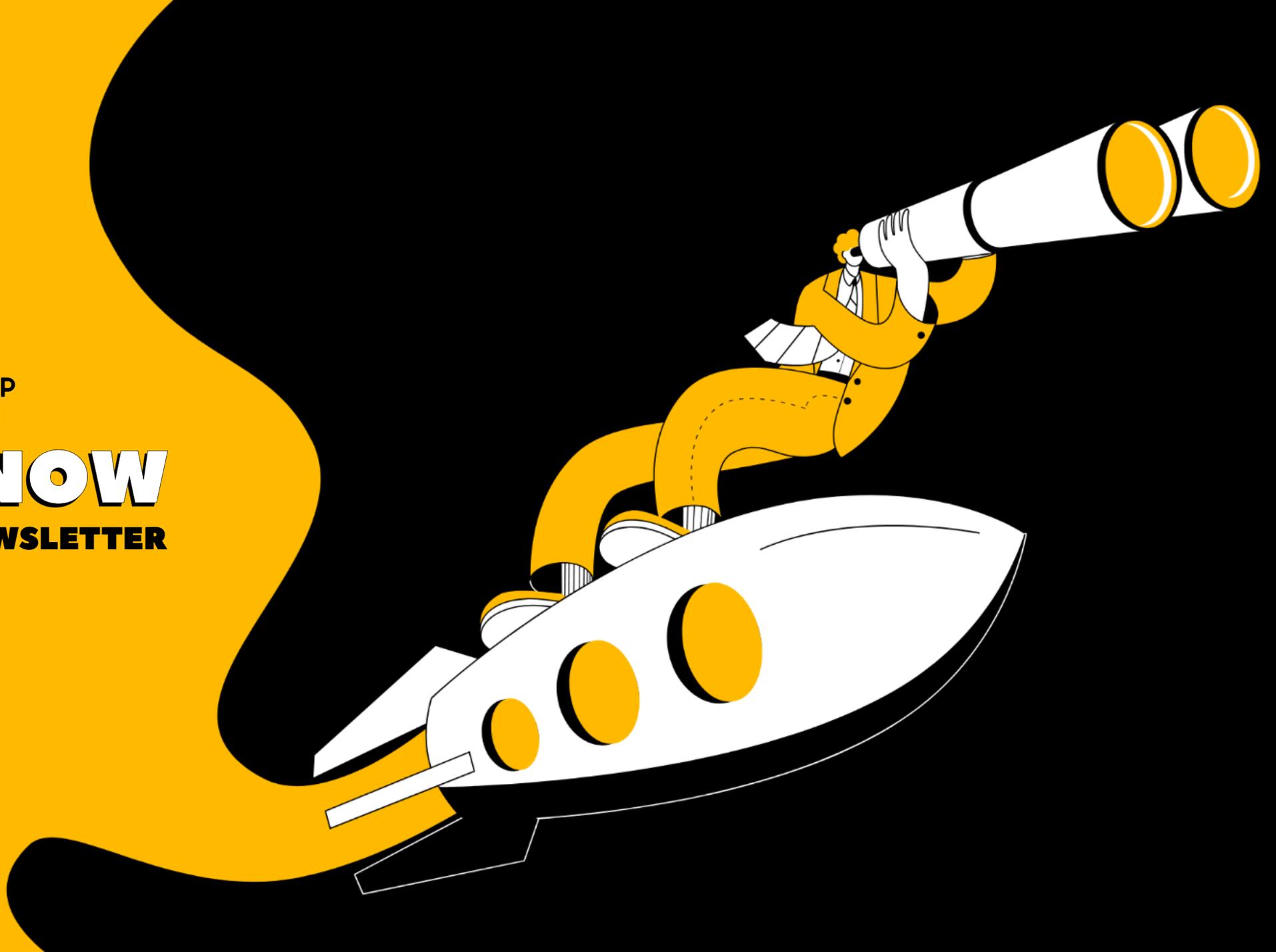


STARTUP
INDIAN

RIGHT NOW

THE STARTUP NEWSLETTER

MAR'24



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WHEN SHOULD YOUR BUSINESS BREAK-EVEN?

Here's the deal:

On one side, we have the younger generation championing startups that disrupt businesses and make it large. Meanwhile, on the other side, Gen X is shocked at the massive amounts of cash these startups burn in pursuit of growth, coupled with the lofty valuations they command. This makes us wonder, is it standard practice for businesses to burn cash during their early

stages, or should they strive for profitability from day one?

We believe that the best way to answer this is to draw lessons from some of today's biggest tech companies from the West that were once mere Startups fueled by disruptive business models and a fervent dream of achieving greatness. **Here's what we found:**

	Facebook	Amazon	Google	Uber	Tesla	Nefflix	AirBnB
Found in	2004	1995	1998	2009	2003	1997	2008
Pioneered in	Social networking	E-commerce	Online search, digital marketing	Local commute	Mass adoption of electric vehicles	Online streaming	Peer-to-peer vacation rentals
Number of years taken to break-even	6	9	4	15	18	8	15
Revenue CAGR in the immediate 5 years upon break-even	74%	29%	123%	-	25%	38%	-
Revenue in 2023	\$134Bn	\$574Bn	\$307Bn	\$37Bn	\$97Bn	\$34Bn	\$10Bn

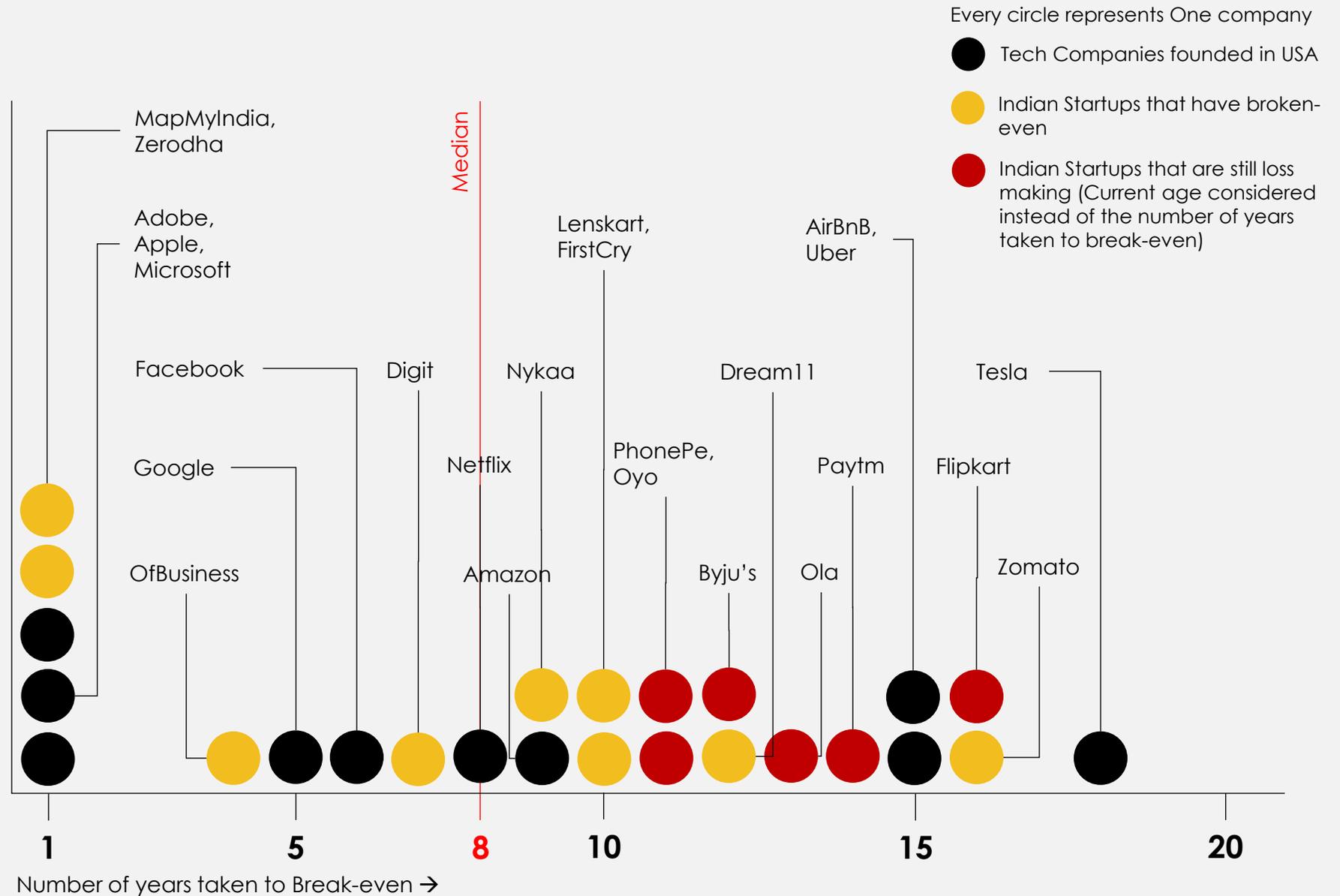
This tells us:

Each of these tech giants have been pioneers in their space. Their transformation from fledgling startups to industry behemoths underscores the notion that disrupting businesses, reshaping our perspectives, and influencing our behaviors and preferences come at a price. The most successful of them took anywhere from 4 to 18 years to break-even.

The statistics above also debunk a common myth among founders: the belief that achieving profitability requires scaling back growth estimates. Contrary to this notion, all the above tech companies experienced rapid expansion in the immediate 5 years upon breaking-even. Which means, the pursuit of profitability is not about adjusting your own pace, but more about identifying the optimal market, pricing strategy, and cost structure for your products.

Now let's look at where the Indian Startups stand:

For the sake of comparison, we considered the state of profitability of 15 of the biggest Startups here in India. We plotted all these companies in a chart, beside the West's behemoths. Here's how it looks:

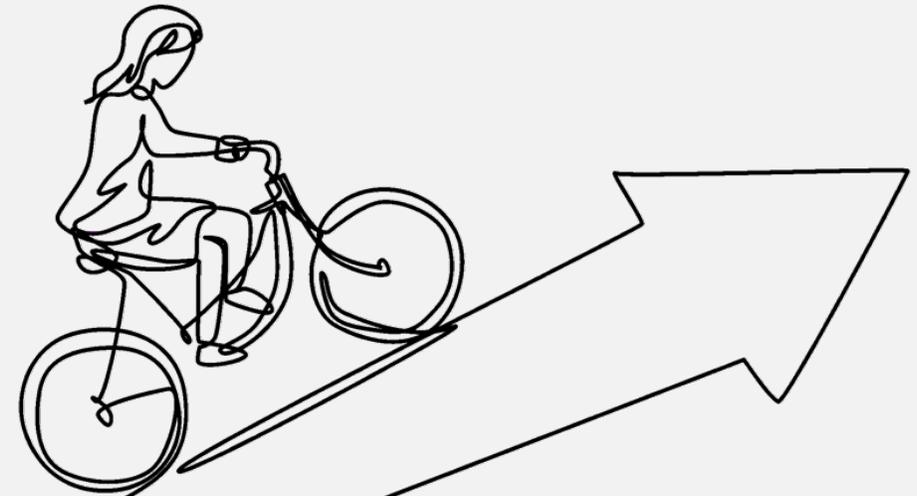


Key learnings

1. Within our sample set of 25 companies, the median break-even point stands at 8 years. However, before adopting this as a benchmark for your startup, consider that companies like Zerodha and Microsoft achieved profitability right from year one, whereas others such as Tesla or Uber took significantly longer to reach that milestone, probably due to their intrinsic industry constraints.
At its core, it's crucial to recognize that businesses exist to generate dividends for their shareholders. Therefore, it's best to set an upper threshold of 5 to 10 years as a sensible benchmark for breaking-even in your business.
2. E-commerce companies like Nykaa, Lenskart and FirstCry are right at the middle of the chart along with their western counterpart Amazon, having taken 9-10 years to break-even-- a healthy sign. Makes us wonder, what's wrong with Flipkart then (16 years and counting)? On the other hand, Ofbusiness- which is working in the B2B E-Commerce space has outperformed all its peers, taking only 4 years to break-even.
3. Startups like PhonePe, Oyo, Byju's, Ola and Paytm- all are out of time to break-even. While Oyo and Paytm have been working hard on their profitability, Ola and Byju's have shown worrying signs. No wonder, both of them are in the news off late for all the wrong reasons.

Food for thought

Interestingly, the median age of the top 50 loss-making Indian Unicorns is also 8 years. This suggests that India's ecosystem is coming of age and also explains why there's so much focus on profitability by VCs off late. However, if we don't witness improvement in these statistics over the next 2-4 years, it could signal concern for the ecosystem. Such a scenario would necessitate deeper introspection into how we evaluate promising startup opportunities and assess the serviceable obtainable market for these ventures.



INDIA AGRITECH PODCAST

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

The success of Agritech is critical for India. That's because the Agriculture sector of India is a source of livelihood for more than 50% of the Indian population and contributes over 15% to the GDP of the country. But the Agri scene is not all sunshine and monsoons. We're talking reducing productivity, weather tantrums, chemical overload, and a market more fragmented than a broken papad. So, we decided to dive headfirst into India's Agritech value chain to break down – what startup founders have been creating and how it's impacting Indian farmers, and of course to get more people talking about it.

In this episode, we dive deeper into the **Farm IoT** space with Shailendra, co-founder of one of India's first Farm IoT startup **Yuktix**, that has developed several IoT devices for Indian farms. **Shailendra** passionately talks about the need for such devices, the impact they can create on the ground, how their venture whipped up novel solutions, and where the sector is headed. So, grab a cup of coffee and dive right in...

Links:   

The graphic features the 'STARTUP INDIAN' logo at the top, followed by the title 'AGTECH OPPORTUNITY IN INDIA' and the subtitle 'Ep.2: Diving deeper into Farm IoT with Yuktix'. A central horizontal timeline contains 14 nodes, each with a label in a white rounded rectangle. The nodes are: Crop Biologicals, Smart Greenhouse, Farm Robotics, Farm IoT (highlighted in a yellow rounded rectangle), Farm Intelligence, Input Linkage, DroneTech, Alternate Farming, Satellite Imagery, Quality Testing, Output Linkage, Ag-Fintech, and B2B Supply Chain. The background is a blurred image of a green field with a weather station tower.

ARE EVs ANY GOOD FOR INDIA?

The biggest reason why EVs are lauded today is because it results in zero emission of smoke or carbon dioxide at the point of usage. But people often wonder whether EVs are actually beneficial to the environment, because more EVs → more consumption of electricity → more fossil fuels burnt to generate electricity. Well, here's some insight into how the entire status quo changes for good when EVs replace Internal Combustible Engine (ICE) Vehicles:

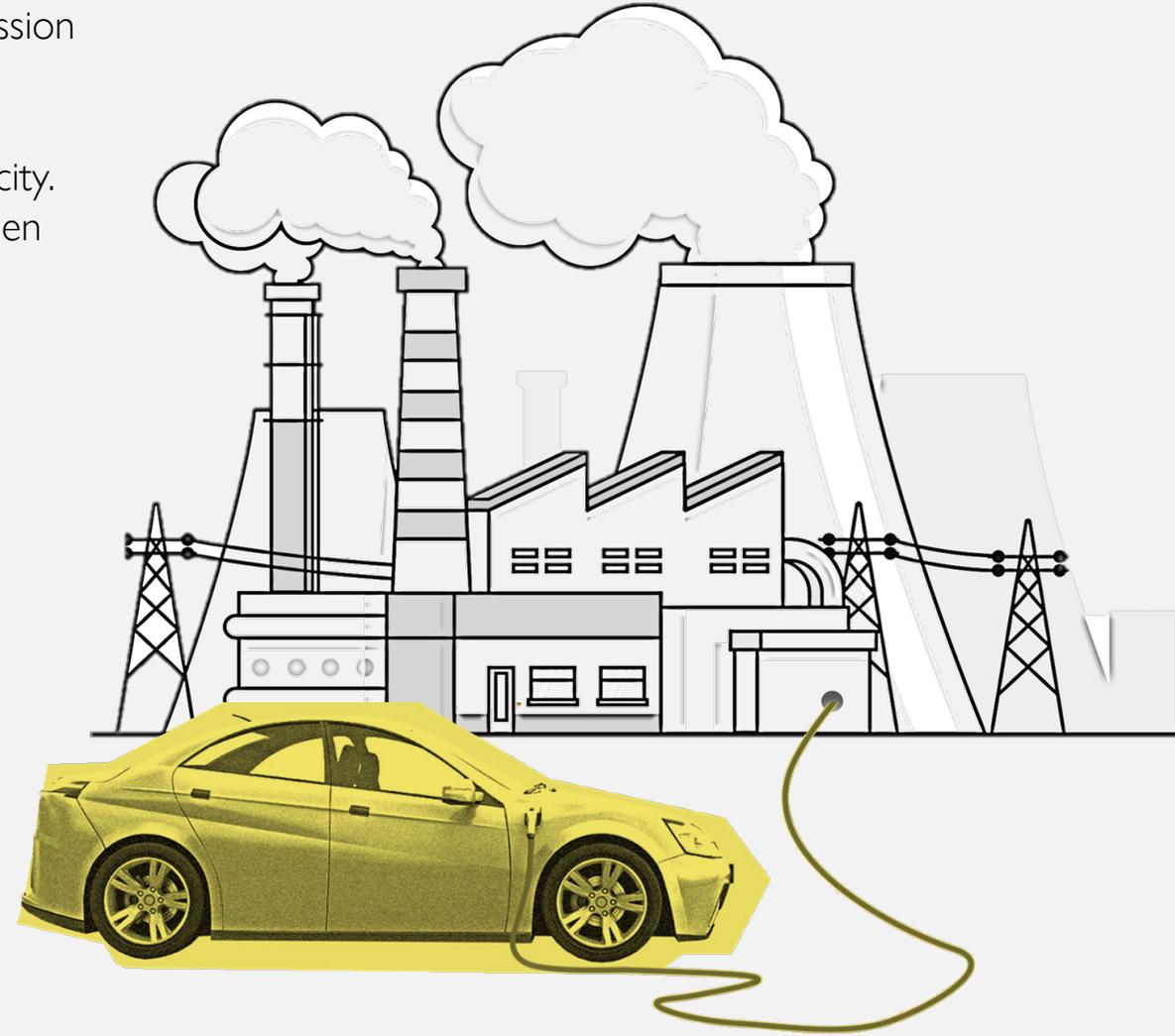
Government of India



GoI has taken innumerable measures in the past to reduce carbon footprint of citizens, but all in vain. Today India ranks 3rd amongst countries with the world's worst air quality. 13 North Indian cities are among 15 of the world's most polluted.



Replacing ICE vehicles with EVs will allow GoI to end its long-fought battle against air pollution in towns and cities. To give you an idea of the impact this will have – in pollution hotspots like Delhi, road transport alone contributes to 13-18% during peak pollution months.





By converting carbon emitting ICE vehicles to zero emission Electric Vehicles, the GoI will finally shift its focus from over 300 million vehicle owners to less than 1,000 power generation companies, on which it commands much more control.



Through policy framework, like strict emission norms and Energy Saving certificate requirements, GoI will keep check on pollution caused by thermal power plants.



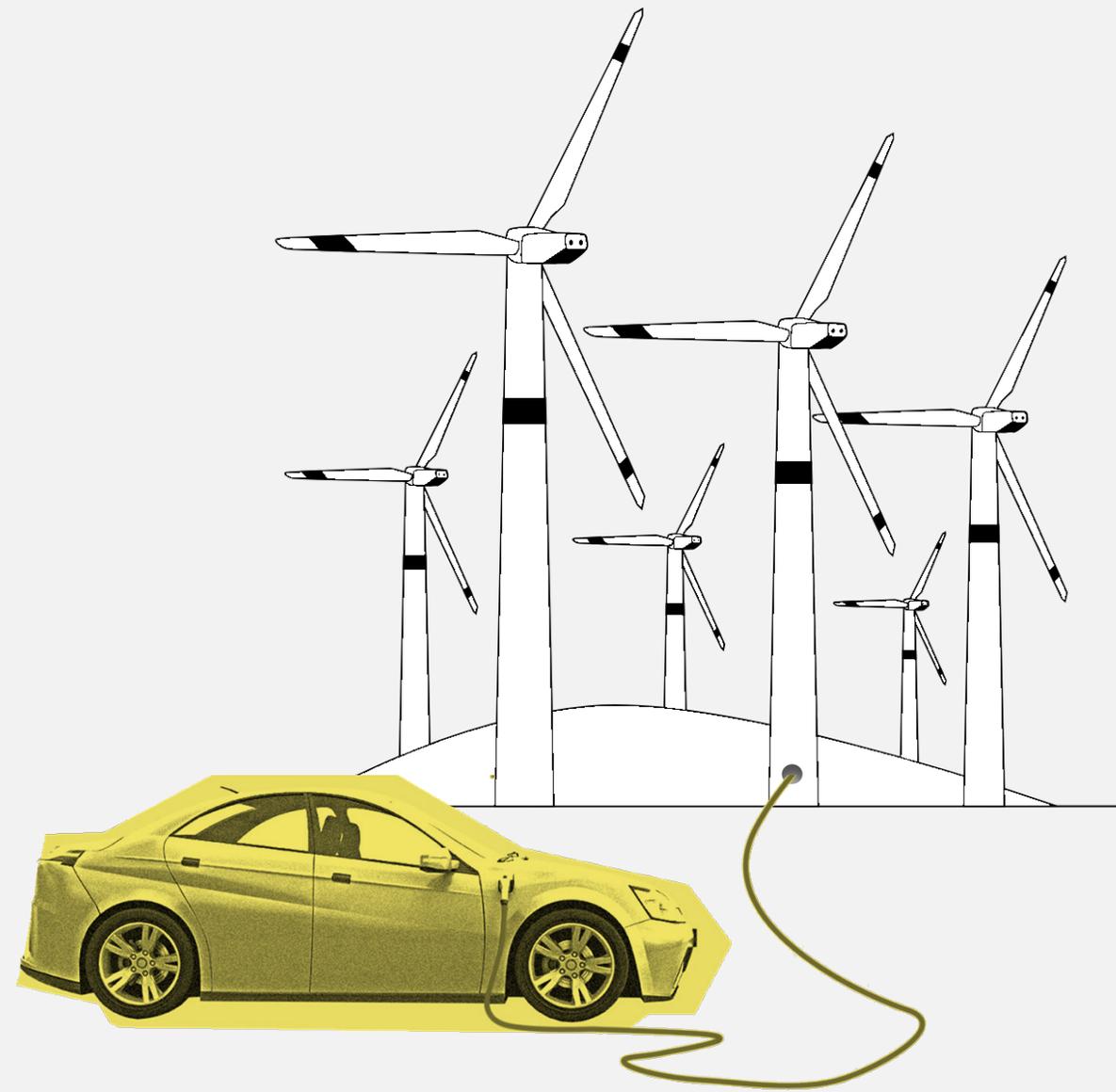
Production Linked Incentive



Through policy framework, like Tax Holiday and PLI scheme, GoI will incentivise companies to convert/set-up renewable energy capacity to achieve its target of 50% power generation capacity from renewable sources by 2030 (currently 44%). Once achieved, every incremental unit of electricity produced will be more from sources that result in zero carbon emission. Win Win!

HERE'S

our deep dive into how the adoption of EVs will have a ripple effect in India's fight against climate change





RIGHT NOW IN YOUR MAILBOX

Be the first to read our latest stories, analysis, and deep-dives on India's Startup Ecosystem. Sign up for our monthly newsletter today.

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IS EV ANOTHER PLASTIC LIKE DISASTER?

When plastic found its way to mainstream commercial applications in early 1900s, it was lauded for its properties, low cost and the fact that it helped save natural resources (mainly wood). Fast forward to 2022, plastic waste is one of our biggest environmental concerns because humans failed to dispose it responsibly. So much so, that we are now shifting to alternatives of plastic, one of which is paper, which is where we started from.

We did not write this to give you a lecture on how to save the environment, but to tell you that we're at the genesis of another plastic-like revolution – **EV batteries.**

EVs significantly reduce carbon emission, but there's a flip side to this. Each EV battery has a life of only 3-5 years, after which it has to be replaced with a new battery. Now if the old battery ends up in a landfill, its cells can release dangerous toxins, including heavy metals, that can seep into the groundwater. By 2030, India would have over 50 Million EVs on road. When 50 million batteries reach the end of their life, imagine the scale of the problem!

The Government of India released the Battery Waste Management Rules in 2022 that mandates producers and importers of batteries for the collection and recycling or refurbishment of waste batteries. Several startups have sprung up to recycle EV batteries or give them a second life. But can these solutions grow faster than the pace of growth of the EV industry? Have we learnt from our mistakes, or are we headed for another plastic-like disaster?

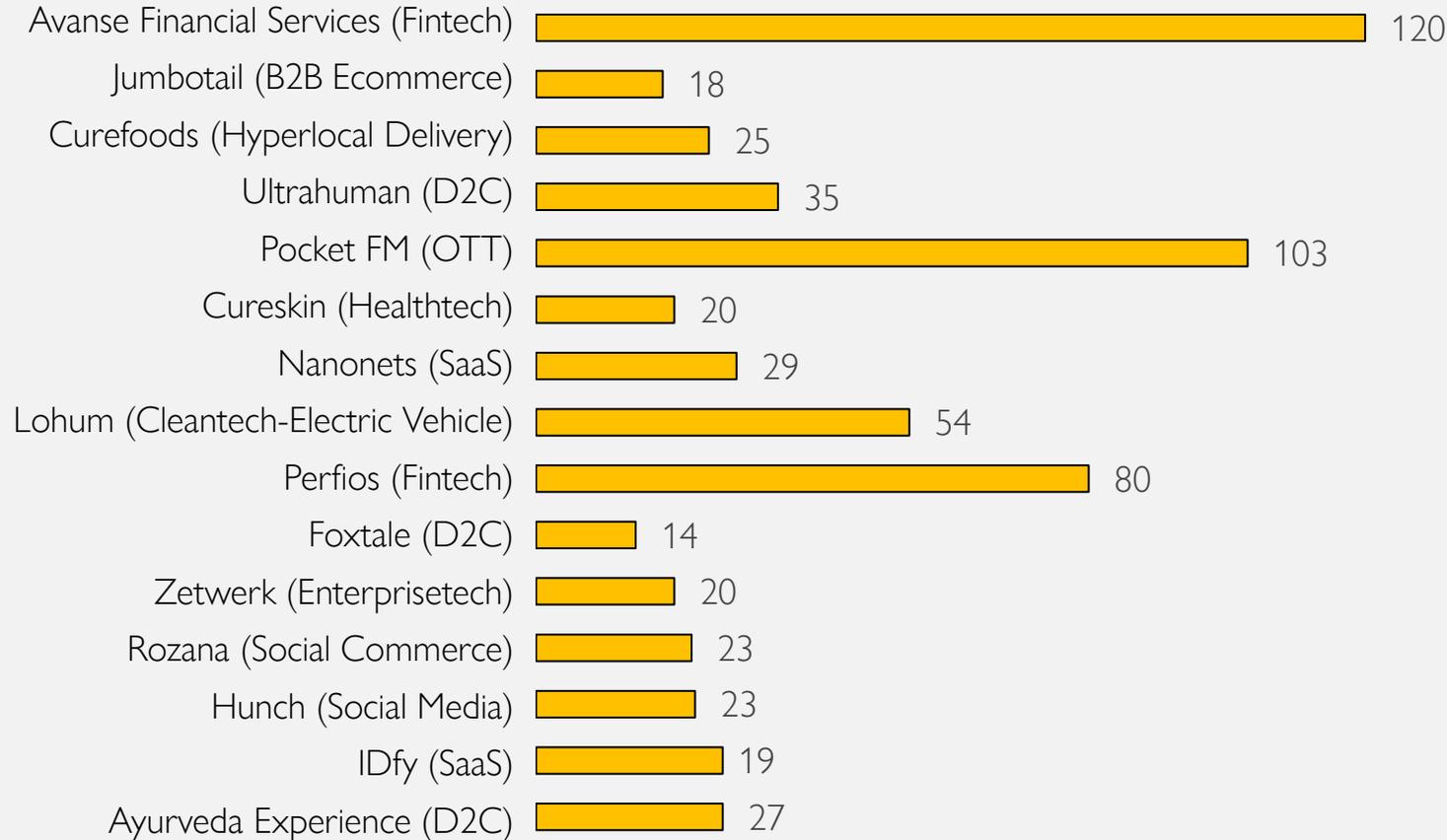


"Though people shift to EVs to benefit the environment, it is imperative to know how improper management of old batteries could have an inverse impact on the environment"
~Kunal Gupta, cofounder and CEO of EMotorad

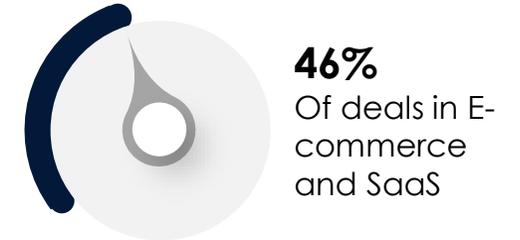
RECENT **STAKE GRABS** IN INDIAN STARTUPS

Investments of more than \$10 million

(figures in \$ Million)

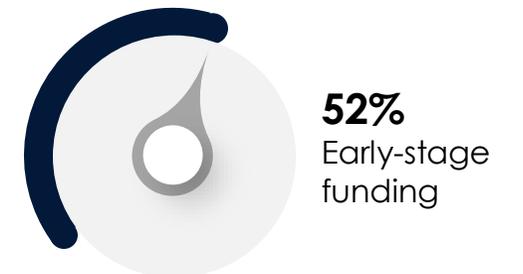


33% ▼ Fall in funding in Q4 (y-o-y)



\$746Mn Total funds raised

65 Deals in total



(source: Inc42)

WHAT ELSE IS BUZZING

EV fires may be due to “Indian jugaad” 🙄

Speaking with MoneyControl, dutch semiconductor design company NXP’s chief technology officer (CTO) Lars Reger blamed the use of “cheap” laptop chips in complex battery management systems (BMS) of EVs that have been responsible for the EV fires in India during the peak summer season. He said this is being done to overcome the issue of paper-thin profit margins in the Indian EV space.

Byju’s gives a 2nd chance to its disgruntled investors 🙄

Earlier this year, Byju’s declared a rights issue of \$200Mn at a 99% haircut in valuation. A faction of the investors decided to stage a protest for myriad reasons, by not subscribing to the issue. However, this would lead to virtually complete erosion of their shareholding in the Company. In a bid to regain their confidence, Byju has proposed to re-offer the renounced shares to the disgruntled investors.

Swiggy cuts losses but still in RED 📉

10 years old startup Swiggy, reported a loss of \$207Mn in the 9 months period Apr-Dec’23 as against a loss \$500Mn recorded in the whole of FY 22-23. Meanwhile, revenue soared to \$1Bn in the 9 months period. Swiggy is looking to raise \$1Bn in its upcoming IPO. Its listed counterpart Zomato has been profitable since the beginning of FY 23-24.

Zetwerk bags big order 🤝

B2B contract manufacturing Unicorn Zetwerk bags order from Indian Oil to

set up 1,400 EV chargers in their existing network of oil and gas stations.

Myntra turns EBITDA positive finally!! 🎓

17 years old Fashion e-commerce major Myntra.com turned EBITDA positive in Q4, FY 2023, as per a statement released by the company. The company recorded MAU of 60Mn users by the end of 2023, by expanding its focus to non-metro cities.

IRDAI sets the stage for the much-awaited Online Insurance Marketplace 🙄

IRDAI has cleared all the steps for the establishment of Bima Sugam- Online Insurance Marketplace- which aims for the universalization and democratization of insurance products to achieve the vision of “Insurance for all by 2047”. It will act as a one-stop-shop for all insurance stakeholders, including customers, insurers, intermediaries and agents.

The Global GenAI race is heating up 🔥

Amazon has invested a whopping \$4Bn (its largest external investment since inception) in Anthropic’s GenAI- Claude which is a competitor to ChatGPT. The company has raised more than \$10Bn till date.

FTX’s celebrated founder gets 25 years jail time 🚔

Sam Bankman-Fried (SBF) has been sentenced to 25 years in jail for the fraud committed by once world’s 2nd largest crypto exchange FTX that saw losses of \$8Bn for customers, \$1.7Bn for investors and \$1.3Bn for lenders.



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.



 Ritwik

 Kartik-K

 Abhimanyu

Wow! This is **Uber Cool!** You made it to the end!



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about our Newsletter 🤔

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