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# **RIGHT NOW** ©

## **THE STARTUP NEWSLETTER**

**JUNE'20**

**CHUNDER KHATOR & ASSOCIATES**  
CREATING VALUE & CONFIDENCE  
KOLKATA | MUMBAI | CHENNAI | NCR



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Did you know? Infants below the age of 2 can travel without a ticket?

Wow That's great! We're just 7 months old!

Wait a minute. So you're saying that we can travel all the way to Texas, US and interview a co-founder of a *Shark Tank* starring *Startup*, who has also featured in *Forbes 30 Under 30*, without spending a buck? No kidding!

Without a beat, we're doing it!

In this edition of the Right Now Podcast, Kartikeyan and Abhimanyu talk to Kim Kaupe, co-founder of The Superfan Company, New York, United States.

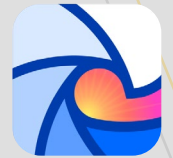
[The Superfan Company](#) focuses on Fan engagement. About 70% of their business is from Music, which ranges between individual groups and large music festivals. The remaining 30% is from anything else that has a 'Superfan' base. They work with celebrities Like Selena Gomez, Shawn Mendes & Taylor Swift! whom we tune on to everyday.

Our guest, [Kim Kaupe](#), calls herself an accidental entrepreneur, and yet has successfully led the company for almost a decade now.

From hearing about Startup straight from the horse's mouth, to diving deeper into the Startup ecosystem, there's a lot to learn from the co-founder of a 9-year-old Startup. You wish we had revealed more, but we want you to hear it yourself!

*If you're running a startup, be it the size of a full-grown tree or a seed that has just germinated, we're interested to have coffee with you (Giving a trailer of your hard work to the world, is something that we also do)*

### WHERE TO LISTEN



# WHAT DO REAL LIFE UNICORNS LOOK LIKE?

Humans are so obsessed with the concept of Unicorns that they eventually found a way to bring them to life. The term 'Unicorn Startups' was coined in 2013 by venture capitalist Aileen Lee.

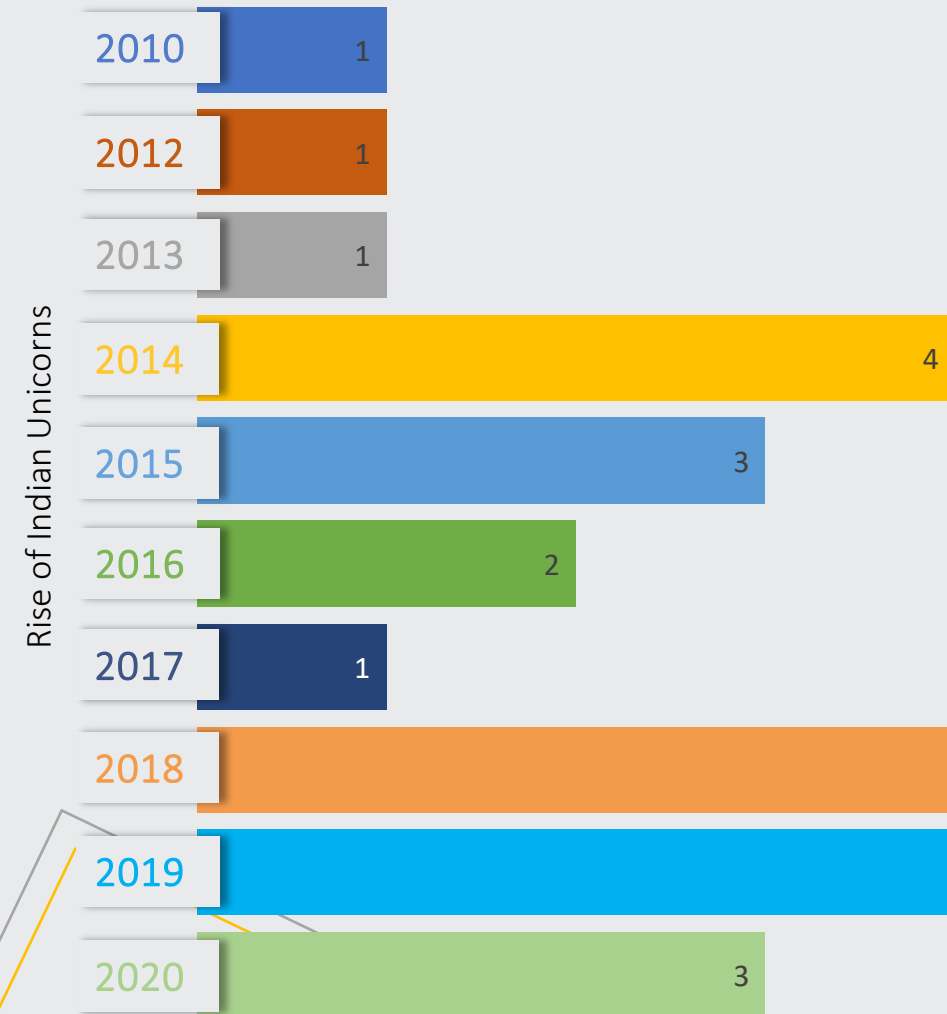
Rules of the game: To ensure that spotting unicorns remains a rare sight, only Startups valued at more than 1 Billion US Dollars can use the adorned tag. To put it in perspective, Indian startups having a valuation of more than ₹7,616 Crore appx. are called unicorn startups.

**How many does the nation boast?** India has brought up **34** Unicorn startups till date which is **7%** of the world tally (According to cbinsights.com, there are 474 unicorns in total).

**Is it a good thing?**

Well, if it showed in their report-card then yes!

In reality, it's definitely a milestone, but not the end of the tunnel.



# IS THE UNICORN STATUS WORTH THE HYPE?

Time and again we've spoken about the 'clingy-red-bottom-line' of the startups that hide behind the façade of the 'Unicorn' tag. For an idea to be sustainable in the long-run, there must be signs of 'Positive Unit Economics'.

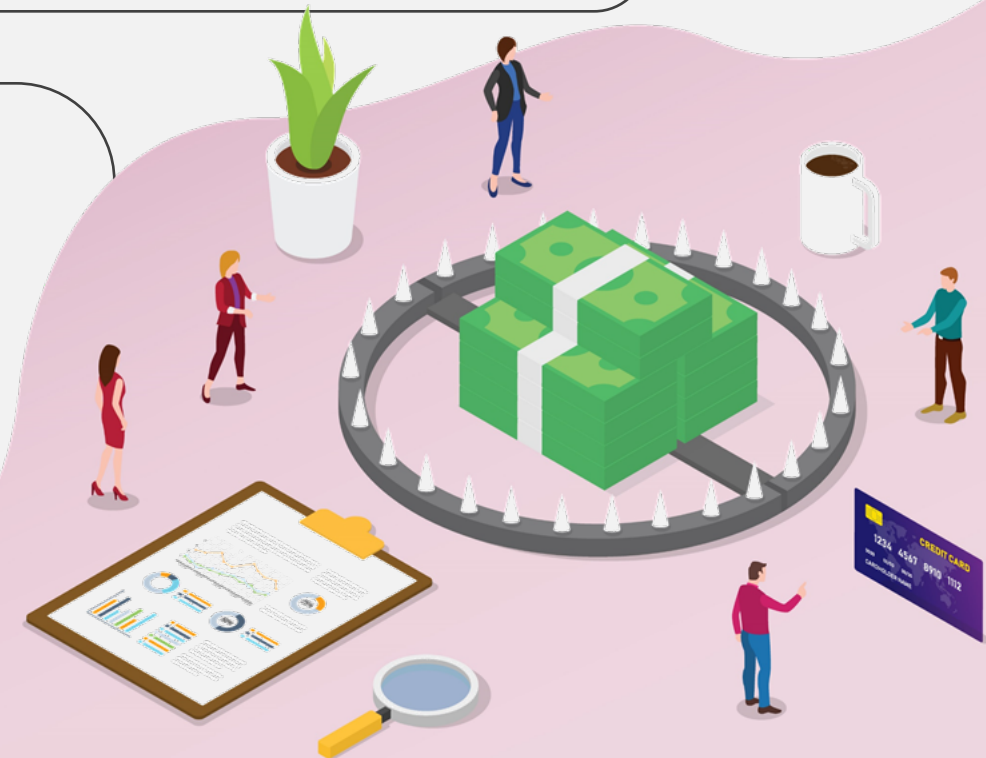
## 01 What is the significance of Positive Unit Economics?

Speaking in a session with Inc42, Snapdeal (Unicorn) founders Kunal Bahl and Rohit Bansal spoke about the importance of unit economics. "Positive unit economics means the consumer is allowing you as a company to **make money** while serving them. Negative unit economics means you are having to pay the consumer to use your service. Snapdeal's view for the last few years is that we made a lot of errors to get to this realization."

## 02 Should valuation be the only metric of performance?

With clauses like Guaranteed Minimum Returns, investments are virtually made riskless which automatically attract higher valuations. (To learn more, read our piece on [Are Startups Overvalued? Yes, But why & when?](#)).

In an interview with Inc42, co-founder of Dream11 (Unicorn) Harish Jain points out how different investors often come with **innovative voting rights** in order to get their returns. The truth is what we read are the headlines only. The detailed agreement often reveals more than what meets the eye.



## 03 Are Startups only a valuation game?

What we often forget is that the term 'stakeholders' has a much wider scope, as it gives equal importance to customers as much as it does to shareholders. An entrepreneur sets forth on the journey of entrepreneurship with the aim of finding realistic solutions to problems that we face in our day to day life and business. The business venture's objective should therefore be to return the highest possible value to all stakeholders and not just the equity holders.

In an interview with Inc42, BookMyShow (soon to be a unicorn) founder Ashish Hemrajani, says, "Unicorn club is a total fallacy... You must have a purpose in life and a purpose of business instead. Build a culture and integrity in the business. Valuation, money, cash are by-products and those will come. Entrepreneurs need to understand that — your job is to leave a legacy and enjoy the journey and the byproduct."

## 04 If not valuation, then what?

If Investors are in this for the volume game, what really matters in startups is its topline. Startups that are able to achieve impressive topline growth are indeed worthy of the celebrity tags.

Dream11 (Unicorn) cofounder Harish Jain emphasized on the need for "revenue-corns" in the Indian startup ecosystem. Jain defined revenue-corns as companies with \$1 Bn revenue, instead of simply going by valuation on paper.





# NEW MEMBERS OF THE UNICORN CLUB

JAN  
2020

## HighRadius

Industry  
**Fintech**

Founded in  
**2006**

Founder  
**Sashi Narahari**

Headquarters  
**Hyderabad**

Employee strength  
**1,000+**

Total funding  
**\$175 Mil**

Key Investors  
**Susquehanna  
Growth  
Equity,  
ICONIQ  
Capital, Citi  
Ventures**

What does it do?

HighRadius is working on **automating payments and receivables**. It automates financial processes and improves them through ongoing machine learning and predictive insights, and even provides a virtual assistant to expedite your day-to-day operations.

Customer Base  
**Over 400 customers, including  
over 200 of the Forbes Global  
2000** such as Walmart, Nike and P&G.

What's so special?

**Bootstrapped for 11 years  
& first raised funding in  
2017.**

Latest Funding round  
**Series B- \$125 Mil**

FY'19 Topline  
**₹1530 Cr**

Valuation  
**\$1 Billion**

EV/Revenue  
**5 times**



## NEW MEMBERS OF THE UNICORN CLUB (contd)

FEB  
2020

**FirstCry**

Industry  
**Ecommerce**

Founded in  
**2010**

Founders  
**Supam  
Maheshwari,  
Amitava Saha**

Employee strength  
**1,400+**

Total funding  
**\$396 Mil**

Key Investors  
**SoftBank,  
SAIF Partners,  
Ratan Tata,  
IDG Ventures  
India, Valiant  
Capital,  
Vertex  
Venture, NEA**

What does it do?

FirstCry offers different categories of baby and kids products from clothing to school essentials. It claims to offer 2 Lakh baby and kids products across 2,000 brands.

Customer Base

FirstCry has expanded its user base to over 4 Mn and has a retail footprint of over 300 stores spread across 125 cities.

Headquarters  
**Pune**

Latest Funding round  
**Series E- \$296 Mil**

FY'19 Topline  
**₹535 Cr**

Valuation  
**\$1.2 Billion**

EV/Revenue  
**17 times**

## NEW MEMBERS OF THE UNICORN CLUB (contd)

**JUN  
2020**

### Postman

Industry

**Enterprise Tech**

Founded in  
**2014**

Founders

**Abhinav Asthana,  
Abhijit Kane, &  
Ankit Sobti**

Employee strength  
**250**

Total funding

**\$205 Mil**

Key Investors

**Nexus  
Venture  
Partners,  
Insight  
Partners, CRV**

Headquarters

**Bengaluru**

Customer Base

**Postman caters to over 11 Mn developers and 500K corporate clients. It is now offering its API development and collaboration platform to clients like Microsoft, Spotify and Twitter.**

What does it do?

Postman helps developers and companies supercharge their application processing interface (API) workflow. Its extension on Chrome is the most efficient way to test, develop, and document APIs. The startup also helps to create complex requests, go back in time, and view results easily.

Latest Funding round

**Series C- \$150 Mil**

FY'19 Topline

**₹300 Cr**

Valuation

**\$2 Billion**

EV/Revenue

**50 times**

→ 01

Out of 90+ key investors that have invested in 34 Indian Unicorns, a whopping **83%** are foreign investors. And more than **50%** of the investors are based out of the USA.

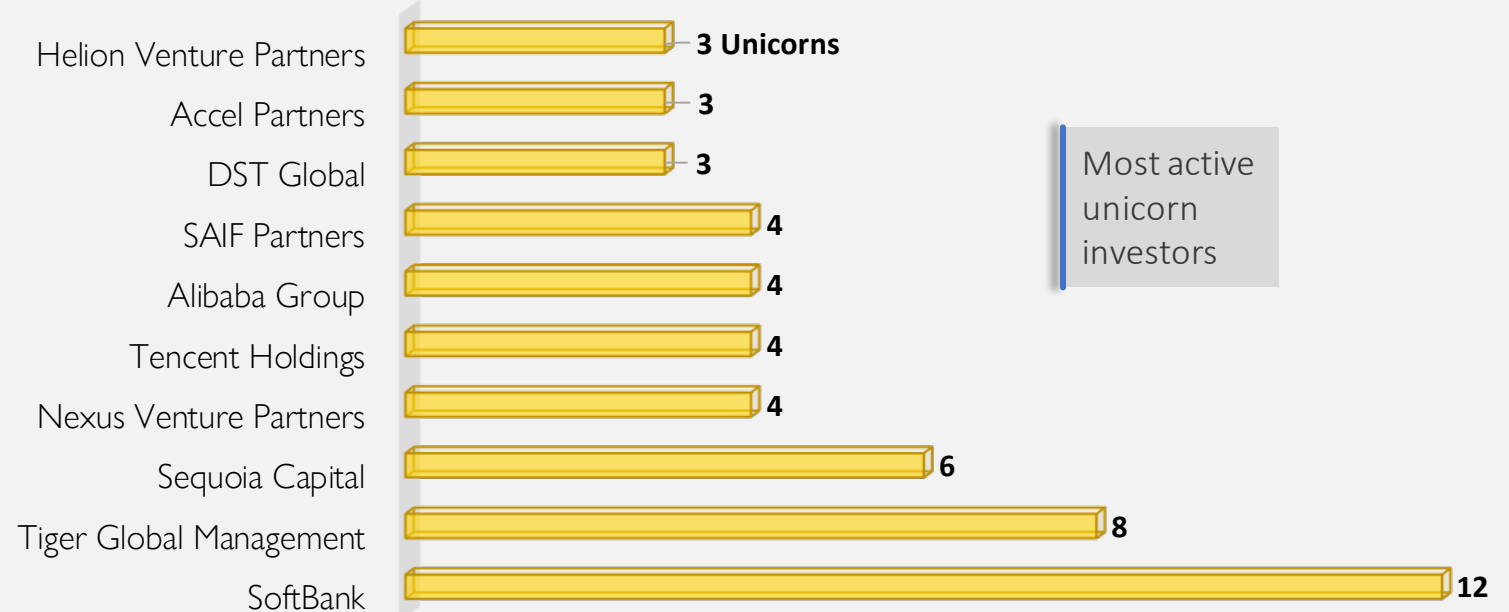
What does it mean? In the short run, Indian Startups have been largely successful in bringing scores of foreign investment in the country. However, in the long run, it may have adverse impacts.

→ 02

Most of these investors are eying for IPOs as their strategic exit route and majority of the unicorns are expected to get listed by the end of the decade. Exiting with huge surplus would mean \$ outflow back to their country, unless the investors continue to find fiscal sense in reinvesting.

→ 03

In an annual event hosted by Tiecon in Jan'20, T V Mohandas Pai (former director of Infosys) said only 1/10th of the \$60 Billion invested into Indian Startups since 2014 have come from domestic investors. Pai warned we risk the prospect of turning into a **digital colony** by 2025.



34 unicorns have raised  
close to

30

Billion Dollars till date.

The most heavily  
invested Unicorns are  
Flipkart (by Walmart & others)  
Ola (by Softbank & others)  
Paytm (by Alibaba & others)

MakeMyTrip  
Flipkart  
Paytm  
are the only

3

Decacorns  
in the country  
(valuation > \$10 Billion)

OYO

valuation reportedly fell  
from \$10 Billion to \$6  
Billion amidst the ensuing  
pandemic.

The median investment  
in Indian Unicorns is

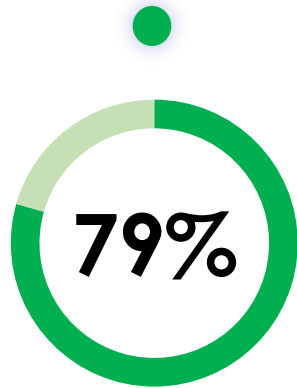
371

Million Dollars.

India has only

1

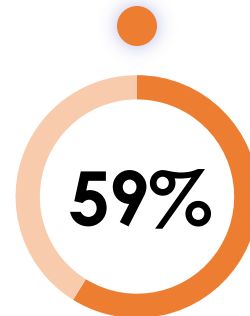
'Revenue-corn' (startup  
with revenue > \$1 Billion  
p.a.), which is Flipkart



**27/34** unicorns are headquartered in **Delhi NCR**; or **Bengaluru**.

Implying that these 2 places are good breeding grounds for companies that start small but are dreaming big.

Shopclues that was once a promising unicorn got finally sold off to Singapore based Qoo10 @**80-100 million** dollars only, in Nov'19.



**20/34** unicorns have achieved the unicorn tag in the last 3 years.

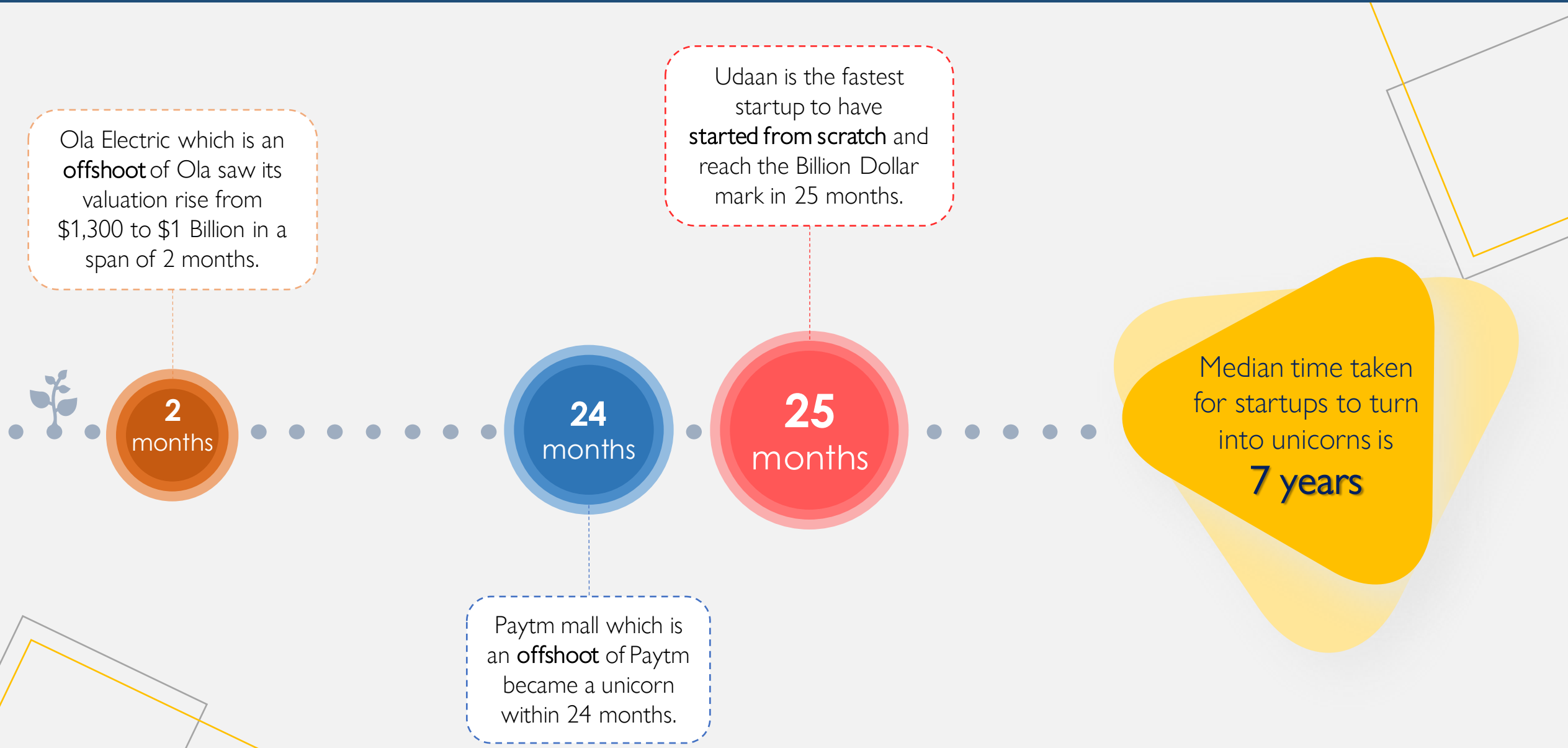
According to Data Labs by Inc42, India is poised to get

# 100

Unicorns by 2025.

Quikr is the **only** unicorn that has been downgraded to below Billion dollars valuation by its own existing investor. (by Kinnevik in Feb'20 to \$570 million, done after internal fraud being reported).

# IN DEPTH ANALYSIS – TIME TAKEN TO TURN UNICORN



## IN DEPTH ANALYSIS – REVENUE & VALUATION

3750  
times

453  
times

396  
times

214  
times

**Ola  
Electric**  
(revenue  
<₹50 Cr.)

**Udaan**  
(revenue  
<₹50 Cr.)

**Hike**

**PhonePe**

Unicorns with exceptionally high EV/R Ratio

- We calculated the **Equity Value-to-Revenue Multiple (EV/R)** of all the unicorns which revealed some astonishing numbers. Before we dive deeper into it, it is important to note that the ratio is often used as a valuation guide and is considered to be **the lower the better**.
- To give you some perspective on what numbers can be considered realistic, let us consider EV/R ratio of some renowned startups that are now publicly traded:

Reliance Jio 14 times

Peleton Fitness 15

Amazon 5

Uber 4

Tesla 8

Paypal 11

Alibaba 11

*\*EV/R ratios are  
based on last known  
valuation and  
Revenue of FY'19*



- One may say that it is indeed obvious that in the early days, this ratio will be inflated. Therefore, we also considered the median ratio of 34 Unicorns which comes to **20 times**. Considering this, even you'll agree that the numbers of the above 4 Unicorns are rather **unfair**.
- What these figures tell us is that the Investors are:
  - ✓ Chasing **massive volume** that India has to offer.
  - ✓ Betting extremely positively on the Indian growth story.
- Then why isn't that reflected in the topline?
  - ✓ Startups showcase products that are rather unconventional and thus require huge cash burn on product advertisement and company branding to win customers. India being a developing country where above 60% of the population is still living in the villages, it makes the task even tougher.
  - ✓ Achieving volume has never created too much problem and most of these Unicorns have shown astonishing growth in volumes to attract the VCs. What is rather difficult in the Indian landscape is to get a fair price for the product offering. Once that starts coming, the revenue figures will fall into place.



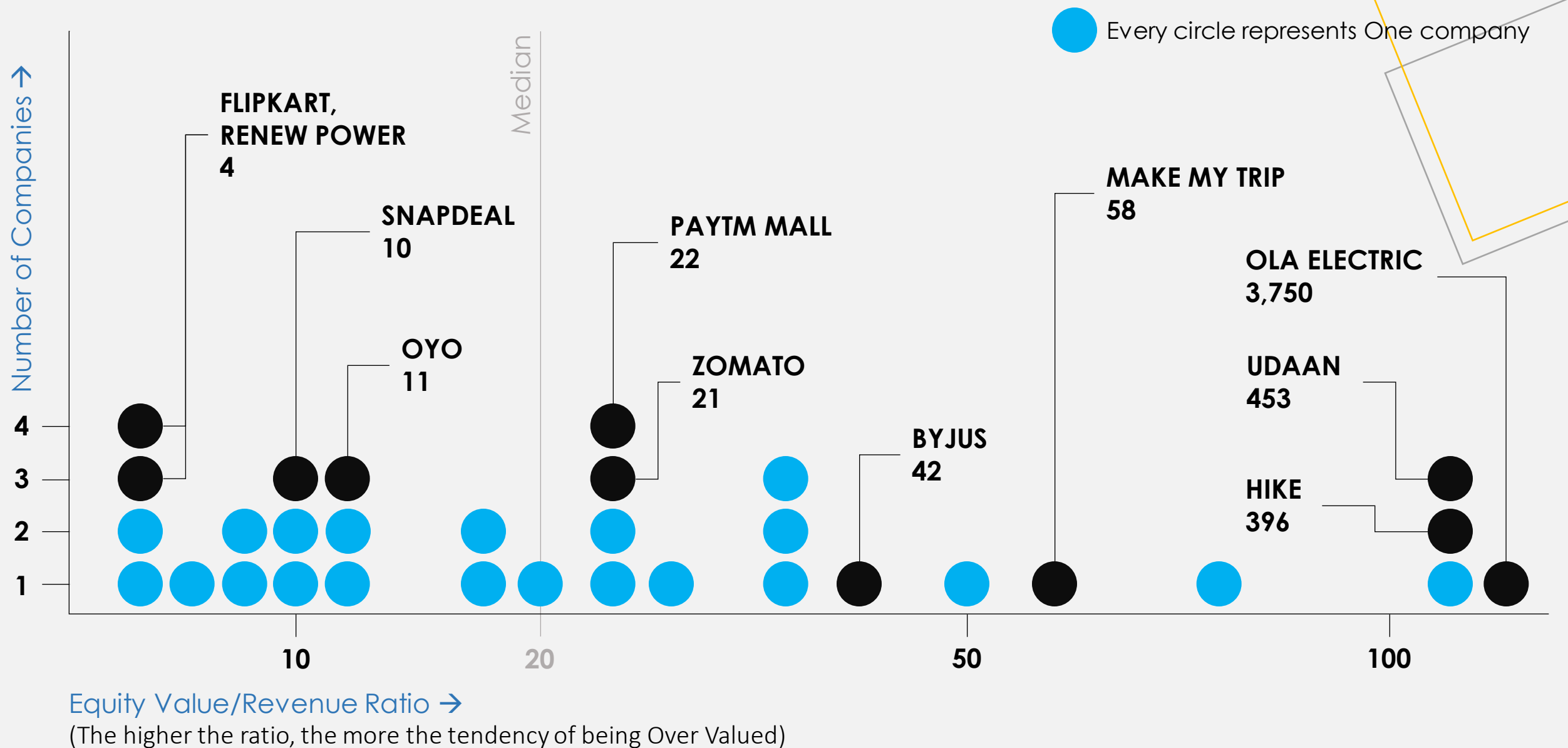
Median EV/R Ratio  
of Indian Unicorns

Some startups that show impressive EV/R ratio are:

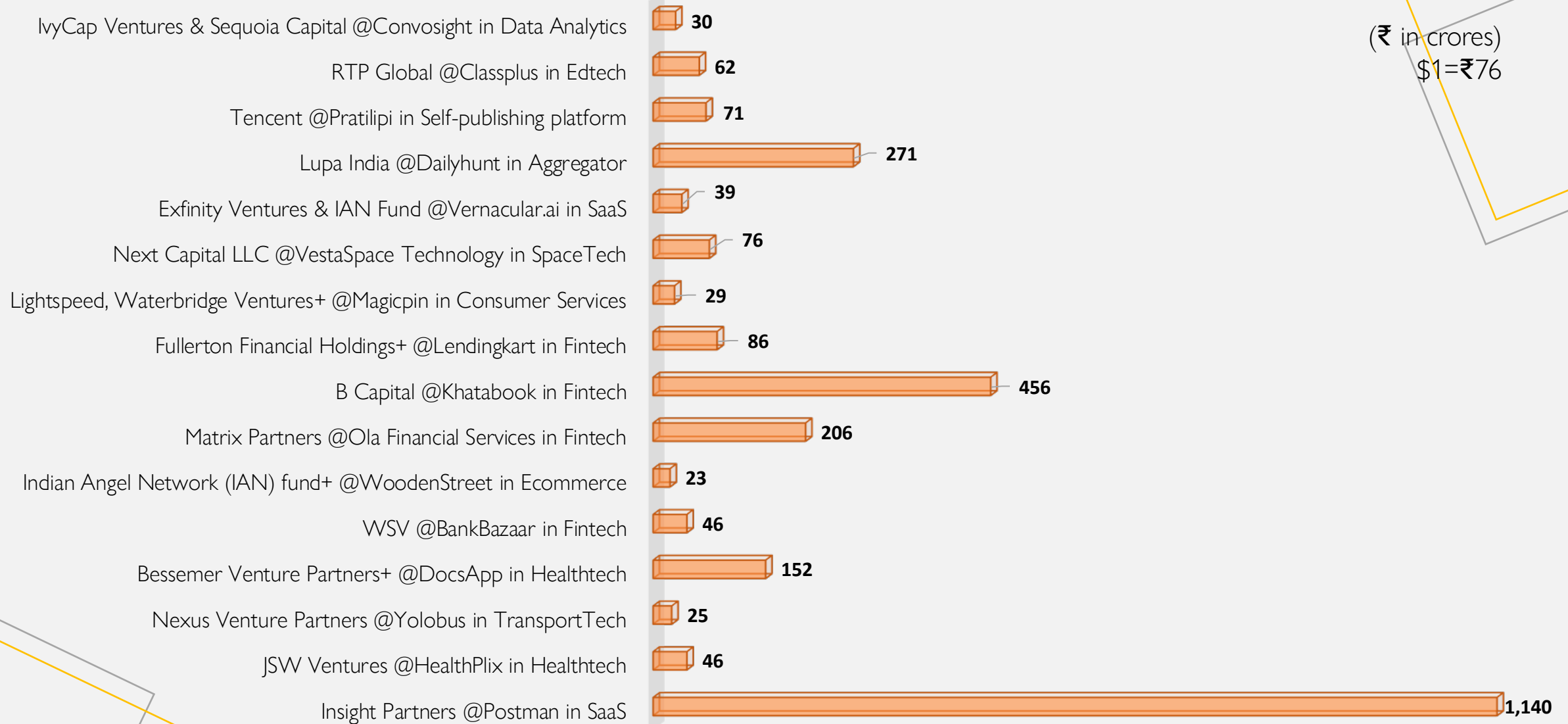
- Flipkart - 4 times
- BigBasket - 4 times
- Shopclues - 4 times
- Renew Power - 4 times

An important thing to consider is that all these startups are **9+ years old**.

# IN DEPTH ANALYSIS – EV/R SPREAD OF THE INDIAN UNICORN CLUB



# RECENT STAKE GRABS IN INDIAN STARTUPS



# AROUND THE WORLD IN A BLINK



## Taipei, Taiwan

Taiwan Tech Arena is doing an outstanding job of promoting and supporting their entrepreneurs, and the Taipei startup ecosystem progress is proof of that.

Notable Unicorns and Startups:

- **Appier** uses AI to facilitate marketing decision.
- **AetherAI** is a medical image AI company that focuses on improving digital pathology.

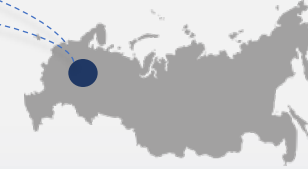


## Kyoto, Japan

Jetro Kyoto and Kyoto Prefecture have shown us the bright future of Japan. It's inspiring to see the public sector in Kyoto doing what's needed to adjust course and claim their city's rightful place as an innovation global hub.

Notable Unicorns and Startups:

- **Hacarus-** provides lightweight AI tools for medical and manufacturing fields.
- **Kyoto Startup Visa-** launched in April 2020 by Kyoto Prefecture, it enables foreign entrepreneurs who wish to set up their business in Kyoto with an expedited visa.



## Moscow, Russia

Moscow Agency of Innovations is doing its best to show talent to the world. They know the future of their ecosystem is much more secure if it's a well-connected global hub instead of a domestic market-based regional hub, and we salute them for that.

Notable Unicorns and Startups:

- **Moscow Seed Fund-** Loans of up to 530,000 RUB (\$7,600) for innovations at seed and pre-seed stages.
- **Genotek-** delivers genetic tests that improve health, save lives, and help in family planning.

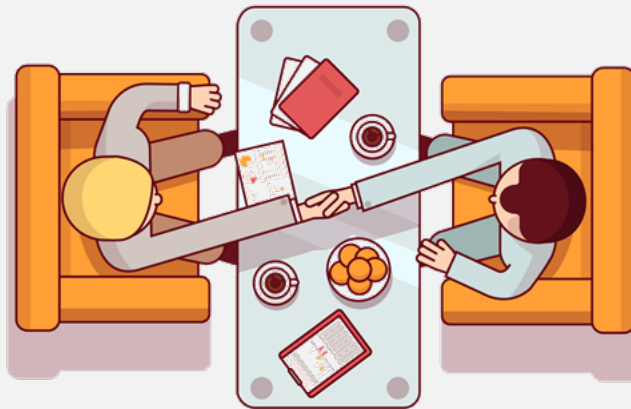
# LEARNING FROM THE BEST: THE ART OF NEGOTIATION

As an entrepreneur, there's a lot riding on the outcome of your negotiations with potential investors. Here are a few tips that will help you avoid some of the most common blunders:

**First**, know what you really want. Make sure that you can clearly articulate the things that really matter to you – and these should include the questions about the amount of money that will be invested as well as control of the business. Don't get stuck in the details. A few compromises are just part of the game but be sure that you know exactly what you want when it comes to money and influence. Moreover, set your own limits and know when to walk away from the negotiation table.

**Second**, knowing the VC's targets and limitations helps you to develop a more nuanced strategy. Study your negotiating partners in order to recognize and respond to their styles.

**Third**, don't trick your investors, transparency is key! These early negotiations are the foundation for long-lasting business relations, so both parties should ensure a positive outcome for everyone.



**Fourth**, discuss the possibility of investing with multiple potential investors. You can gain the upper hand by piquing the interest of several investors and letting them know there's competition. However, never divulge the names of competing investors or the term sheets they've drafted. Doing so could allow

them to collaborate and force you into a bad deal.

**Fifth**, if you don't know what to do or say, then wait for them to act first. When you enter negotiations, no one knows exactly what the other wants, and it's better to let the person on the other side of the table reveal her hand first. For example, always let the investor be the first to draft the term sheet. It's possible that she might offer you something better than you might have realistically offered yourself, so let her play the hand first.

~ Excerpts from *Venture Deals*  
by Brad Feld & Jason Mendelson

# CONSULTANCY SERVICES TO STARTUPS

## Previous issues

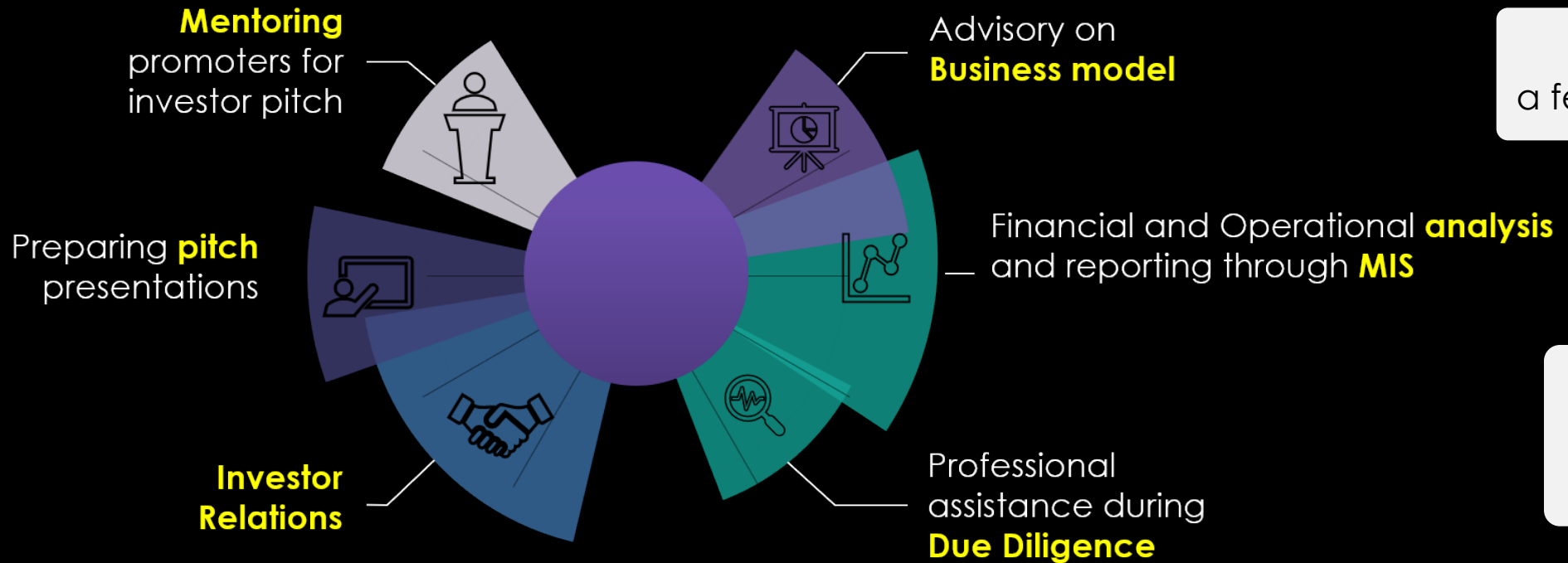
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Note: All the facts and figures have been accumulated from inc42, Crunchbase, the Mint and Economic Times

**We thank Abhimanyu, Ritwik and Kartikeyan for their contributions.**

Our services are  
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the professional  
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of our clients

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