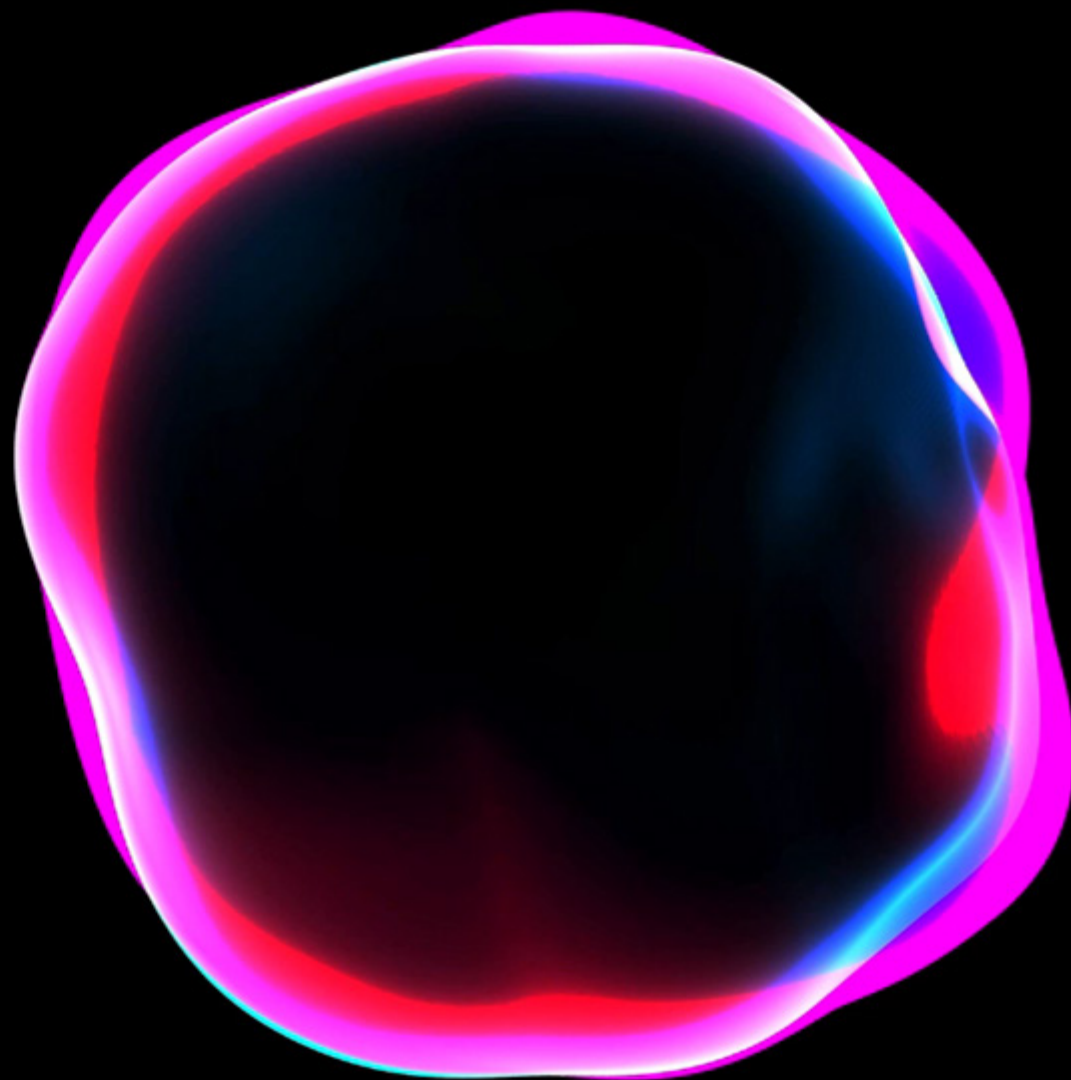


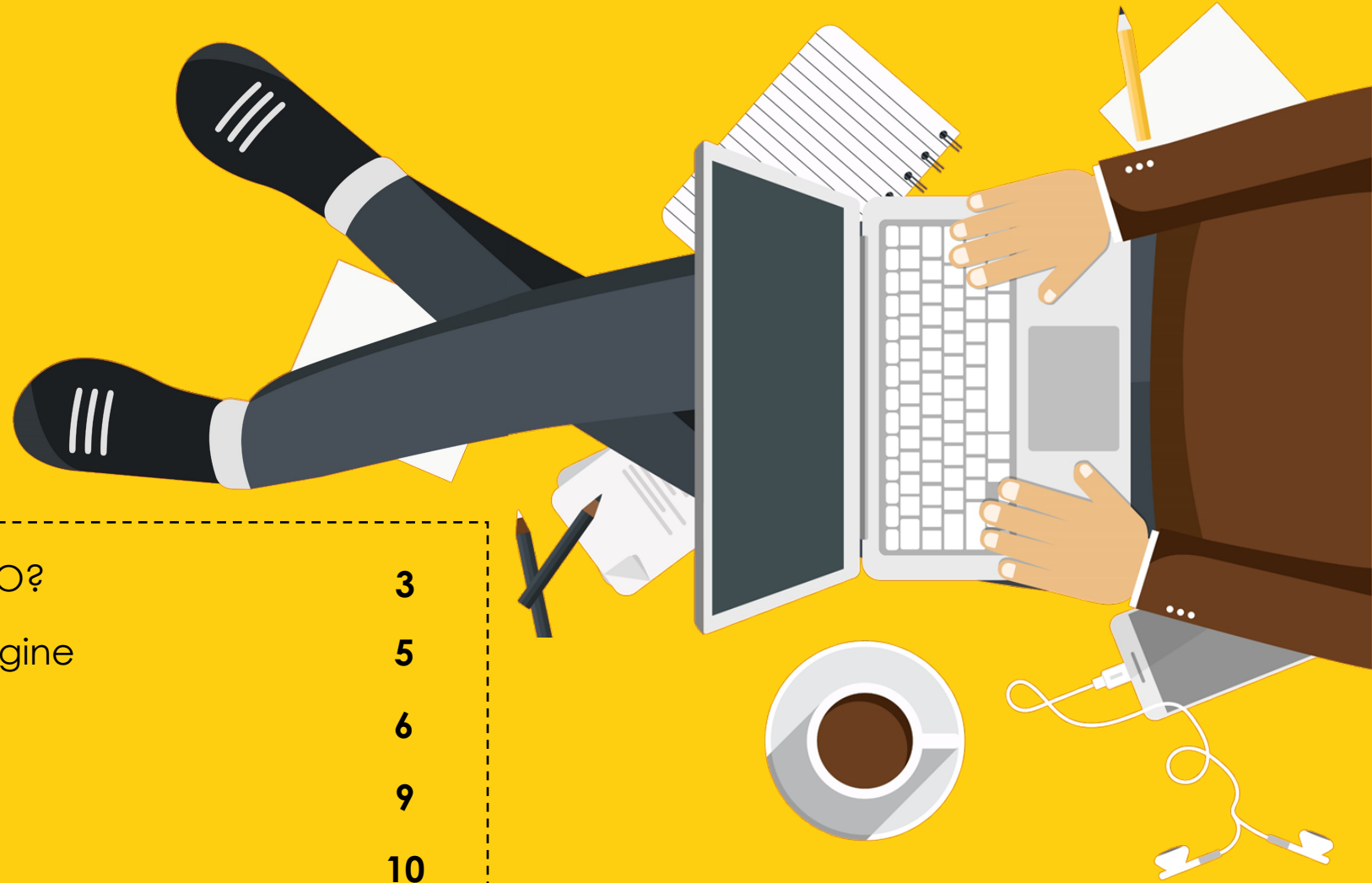
STARTUP
INDIAN

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THE STARTUP NEWSLETTER

JUL'21





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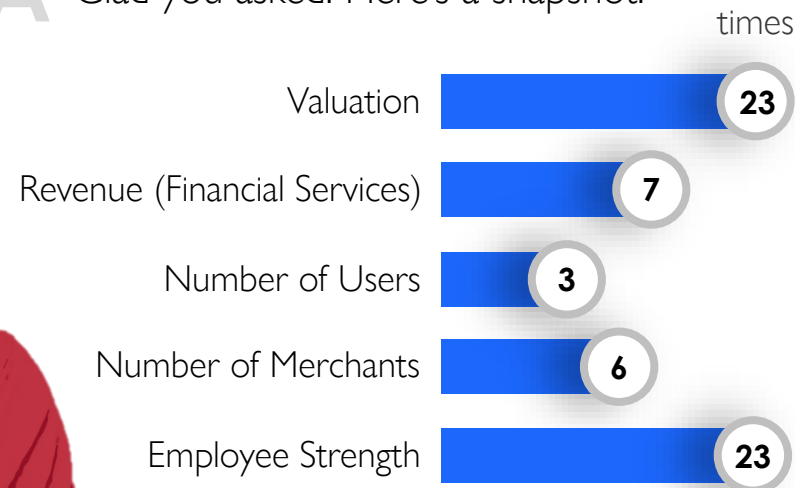
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WOULD YOU STICK WITH THE MOBIKWIK IPO?

If you asked us to explain what Mobikwik does, most certainly we would use Paytm as an example, and that's where all the irony begins. These 2 Fintech startups are like twin brothers, both having been launched in 2009. And as the old joke goes, the parents probably fed one of them twice and forgot to feed the other. And you know who's the latter. So let's ask:

Q How big is Paytm vis-à-vis Mobikwik?

A Glad you asked. Here's a snapshot:



Q But why are we comparing Mobikwik with its peer? Does it really matter?

A You ask good questions. You see Fintech in India still involves **heavy cash burn**, and most companies are still far from making profits. Mobikwik's peers Paytm and PhonePe are both backed by **deep pockets**, like Ant Financials, Softbank and Walmart, who have poured in billions in funding. Result? Both the peers have left Mobikwik far behind in terms of catalogue of service offerings and number of users and merchants.

Q Wait. Did you mention that Mobikwik is not even making profits?

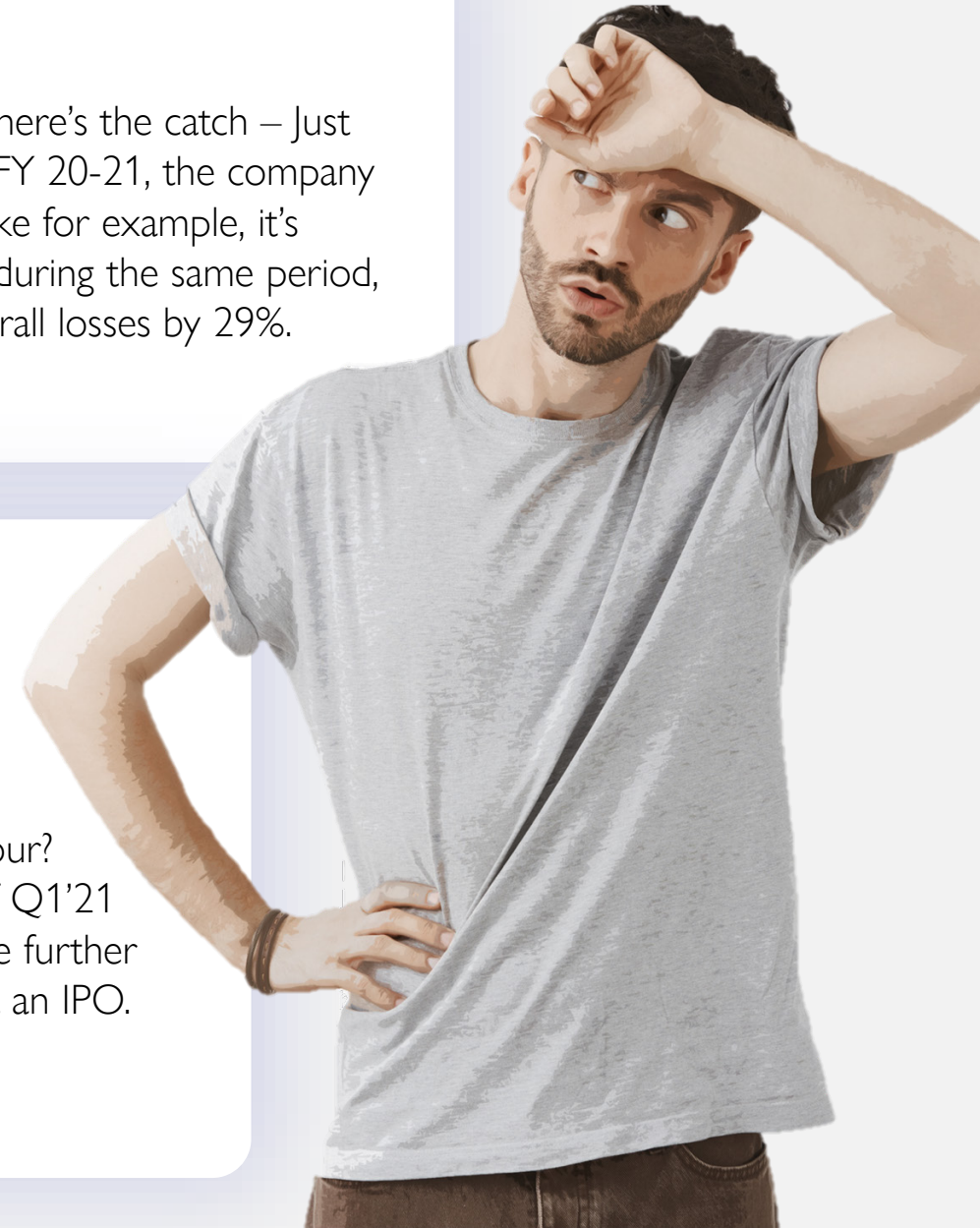
A Well, the company has been making **operating profits** since the past 2 years. But here's the catch – Just like our lives, Mobikwik's financials were significantly affected due to Covid-19. In FY 20-21, the company did not post any growth and in fact **deteriorated** both its top and bottom line. Like for example, its revenue deteriorated by 19% while its overall losses widened by 11%. Whereas, during the same period, Paytm increased its revenue from financial services by 11% and cut down its overall losses by 29%. Which means that the pandemic made **Paytm stronger** and **Mobikwik weaker**.

Q So WHYYYY are they coming with an IPO right now?

A Here are some things that probably makes sense:

- Tech IPOs have been selling like **hot cake** in India. 2 tech companies – Nazara and Zomato, have successfully raised IPO money this year, and are still in the green, despite making net losses. So why not list when the markets are in favour?
- Fintech Startups are raising unprecedented funds this year, comprising 20% of Q1'21 Startup Funding. Yet, The Morning Context writes, Mobikwik is unable to raise further funds from the private markets and VCs, hence they had **no other option** but an IPO.

HERE'S our deep dive into Mobikwik's IPO.



GLOBALBEES – THE NEW D2C GROWTH ENGINE

You know how we turn 21 and suddenly start feeling that we've seen enough? Well, 21st century has a notorious habit of reminding us that we've barely seen anything! This time, a **3-month-old** startup raised ₹ 1,100 Crore and we're like WHAATTTTTT???

On 19 July, Indian startup **GlobalBees** (let's call it GB) raised \$150 Million in Series A, the **highest ever** by an Indian Startup. Here's what it does:

GlobalBees is the Indian torchbearer of an idea that has caught fire across economies. It's dubbed as the **Thrasio-style**, getting its name from the US startup Thrasio that started this party back in 2018. So just like Thrasio, GB's plan is to acquire and partner with promising brands that are selling products online (Direct-to-Consumer or **D2C brands**) and then help these brands to scale up through integration, brand

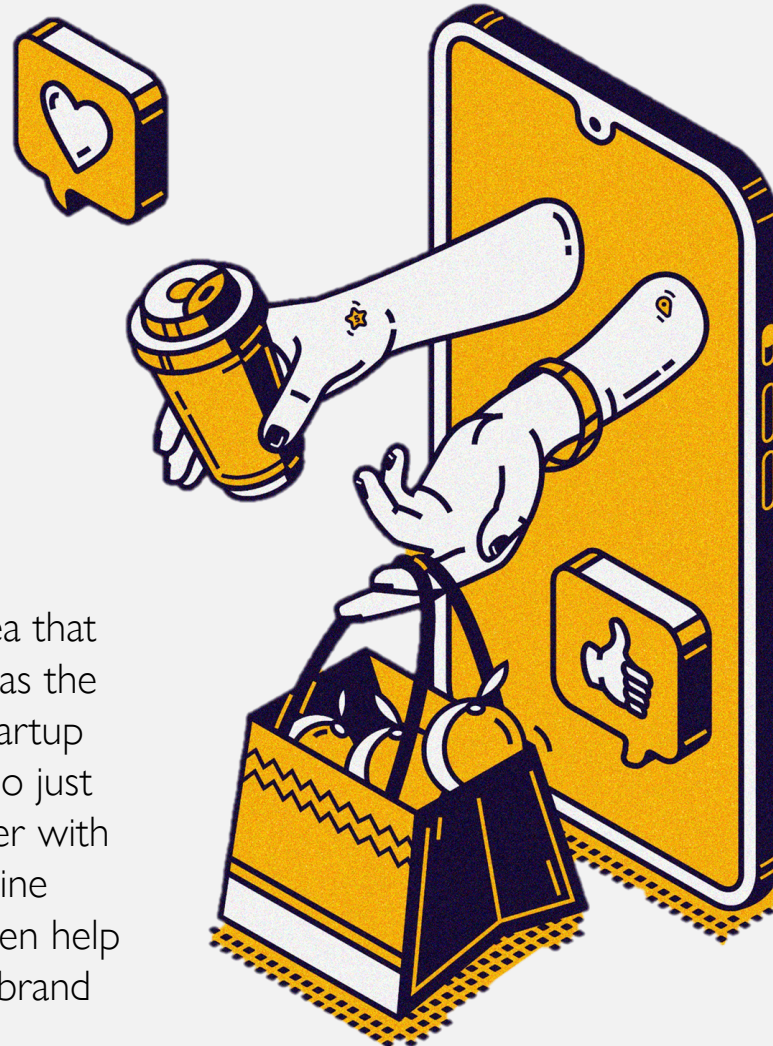


image optimization, operations and products development, performance analysis, SEO, growth marketing and other fancy stuff.

Basically, it's too intriguing for us to let go without a scratch. So, let's ask:

- Why does GlobalBees deserve this kind of **attention**?
- Why will online brands be interested to sell to/**partner** with GlobalBees?
- Is GlobalBees **alone** in this space?
- Is it all **rosy**?

Click [**HERE**](#) to get your questions answered.

Ps. **Ayushi**, founder of **Sippin'**, a one of its kind D2C cocktail-mix brand, shares her perspective on this development.

PAYTM IPO – 3 WHYS & 3 WHY NOTs

WHY

In the past 12 years, Paytm has built something sensational – India's biggest Startup, a one stop shop for **everything Fintech**, and a userbase bigger than America's population. They executed it so beautifully that marquee investors from across the world just couldn't ignore them. We're talking about China's Alibaba Group and Japan's Softbank. And if these names are not enough, you probably wouldn't wanna miss a stock that **Warren Buffet** (Berkshire Hathaway) picked up.

In 2020, for the first time Paytm achieved unit economics. Which means that they finally stopped doing social service and started making some money – a **12.9%** overall **contribution margin** (up from -61.8% two years back).

Let's accept it. Even if we didn't tell you so much about their business, you would've applied for this IPO anyway. And why not...Tech IPOs have been selling like ripe bananas and this one will be the biggest so far, in India.

WHY NOT

When a business goes live with its IPO, it's not a kid anymore. Paytm's prospectus speaks a lot about all that it has achieved so far, but very little about how is it going to make its pursuits **sustainable**. This company may be 12 years old, yet a lot of its business arms are still in their initial stages – like Paytm Money's zero brokerage, Paytm First Games and Paytm Postpaid 2.0 were all launched in 2020. It takes YEARS for a Startup to even establish **proof of concept**.

The company still loses ₹1.5 in every ₹1 earned. Which means that it is far from creating **value** for its shareholders. Given the pace at which it has been burning cash, we computed its cash runway – it has **4-5 years** to prove itself. Do you have that much patience?

Paytm's IPO is priced at an extremely ambitious **EV/R** multiple of **67x** (a very common ratio used to value companies). We computed the EV/R of fintech companies across the world and arrived at a median of 17x. In short...it's highly **overvalued** as compared to the global norm.

If you're still not able to make up your mind about Paytm's IPO, here's our past analysis of two of its business arms:

**PAYTM's FINTECH
GAMEPLAN**

**PAYTM FIRST
GAMES VS MPL**





Your opinion is really very absolutely extremely important to us. So we made it simple for you. All you have to do is click on one of the options below and just come back and continue reading!

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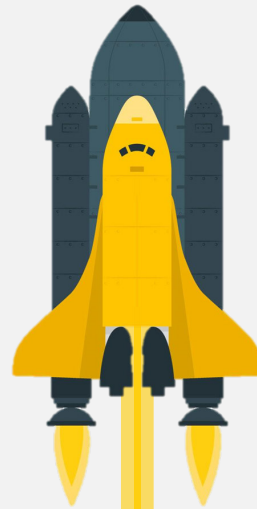
IS THE SPACE RACE ONLY FOR BILLIONAIRES?

Let's accept it, space travel is riskier than putting your money in crypto. So, Blue Origin and Virgin Galactic put their **founders** in their rocket and sent them to space for an hour – to showcase how safe their rockets are (we know it's easier to say on hindsight).

But, more importantly, the activities of these billionaire-led space companies (including Elon Musk's SpaceX) shout out to young space entrepreneurs that they can **dare to dream**. They can now develop products and supply to parties other than National Organizations like NASA in the US and ISRO in India.

Moreover, in India regulations around the space sector have for long been extremely restrictive, until the government decided to change the sector for good. In the past 1 year, the GOI has taken several steps to **open-up** the space sector for participation by **private companies**, who can now:

- **Collaborate** with ISRO on various science and interplanetary missions
- Use ISRO's **facilities** for their own **R&D**
- Build/develop their own **rockets** and **satellites**



- Provide **launching services** and also own **satellites**.

Within a few months of these policy changes, the government's new nodal agency received **26 proposals** ranging from building ground stations, setting up satellite constellations, to developing and launching satellites & launch vehicles. Here's a glimpse of how some upcoming Indian space-tech startups are benefiting from the burgeoning space economy:

- **Pixxel** aims to put a constellation of satellites in space to collect data for carbon emission mapping, climate monitoring, geospatial analysis, disaster management, etc.
- **Agnikul Cosmos** is building a 3D-printed rocket engine.
- **SatSure** wants to use data from satellite images for actionable intelligence for sectors including fisheries, agriculture and climate change mitigation.
- **Nopo** makes highly advanced material needed for spacecrafts.

AROUND THE WORLD IN A BLINK

What's happening in China?



In India, young entrepreneurs often look at the country's regulations as a hurdle. But China's increasing clampdown on its successful tech startups is a constant reminder that we're still better off. In the past 1 year, several regulatory overhauls by the Chinese Government have reminded its tech entrepreneurs who's the **real boss**.

The latest overhaul being in the private education space of China, as late in July, its government released new regulations banning Edtech companies that teach school curriculums from making any profits, raising foreign capital or going public.

Zoom Out: Global investors from Singapore's Temasek to US's Tiger Global Management have poured in huge amounts of capital in the Edtech space of China. The big question is that if the government can turn a lucrative tech space like Edtech (valued at over \$100 Billion) non-profitable overnight, then are the investments made in China even safe? Since the

country does not have a free economy, meaning the government can overhaul any sector at its will, is the country even worth investing in?

How bad is it? Tencent Holdings Ltd. a technology giant in China and a recent victim of the authority's clamp down over data security concerns, lost \$170 Bn in market cap in the month of July alone. Bloomberg reported that it's the fast evaporation of shareholder wealth recorded worldwide. The Chinese tech companies, taken together, wiped off their entire market gains of 2021 in just 4 days! That's how bad. While we're here: Last year, the

regulators stopped the IPO of Ant Financials (the Fintech behemoth founded by Jack Ma) just before it was about to go live over concerns of its group structure. In June this year the Chinese regulators pulled off the app of Didi Chuxing (China's ride hailing app) from the app store only 2 days after it listed its shares in US stock exchange, alleging the company of illegally collecting personal data of users.

So, **we ask**, was Jack Ma wrong to say that "Chinese regulators stifle innovation"?

WHAT ELSE IS BUZZING?

- **Byju's travels to the US, again** – The Indian edtech behemoth acquired US based edtech firm Epic, a digital reading platform, which focuses on kids under 12. The company's collection of 40,000 good quality books from 250 publishers across the Globe will now also be available in India.
- **Byju's is on a shopping spree** – The firm also acquired its Edtech competitors Toppr and Great Learning. It has acquired 12 edtech companies now, which makes us think..how come the Competition Commission of India is silent about it?
- **Betting big on Crypto** – India crypto exchange CoinSwitch Kuber has raised \$25 Mn in a Series B funding round from Tiger Global Management, the latter making its first investment in an Indian cryptocurrency company.
- Just as Zomato raised \$1.26 Bn from its IPO, Swiggy raised \$1.25 Bn from SoftBank and others, pushing its valuation to \$5.5 Bn. What does the CEO think about it? "Our biggest investments will be in our **non-food** businesses that have witnessed tremendous consumer love and growth in a short span, especially in the past 15 months of the pandemic".
- **Protest against Food Aggregators** – Speaking of food delivery, the restaurant association of India has started #OrderDirect campaign as an alternative model to food aggregators.
- **Making India Proud** – Success story of India's UPI continues as Bhutan becomes the second country to adopt the state-of-the-art payments system, after Singapore.
- **It's raining Startup IPO** – Paytm and Mobikwik, both Fintech startups, filed their

IPO papers in July. Looking ahead – Nykaa, the D2C unicorn and Oyo, the hotel aggregator are also planning to file for IPO.

- **Oyo gets a breather** – Speaking of Oyo, the company raised debt financing to the tune of \$0.66 Bn from global institutional investors. It is also set to raise fresh funds from Microsoft at a valuation of \$9 Bn.



THE CREATORS AT STARTUP INDIAN

Born and brought up in one of the world's fastest growing economies, we witnessed that change is the only thing that has been 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 shrinking right up to the size of our palm. Moved by this wave, we started wondering where does it all start? What are those little things that add up to the big change? What does it take to lead a change?

The more we dug deeper, the more excited we became to share with you the beauty there is, in every new dent in the universe. So here we are, a bunch of 4 enthusiasts, reading books, news, financials and reports, to tell you all that is worth your time:



 Ritwik



 Dhruvik



 Abhimanyu



 Kartik-K

PREVIOUS ISSUES




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