

STARTUP
INDIAN

RIGHT NOW®

THE STARTUP NEWSLETTER

AUG'21





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CODE RED FOR HUMANITY

If you got goosebumps seeing the human race end in the movie 2012, you might want to hold on to something before you read this...A UN's panel of 234 scientists released their 3,949-page report that calls current climate change trends “a code red for humanity”.

Emphasizing on the unprecedented speed of climate change, the report has sounded all alarms, reminding us that if we don't act **RIGHT NOW**, it will be nearly impossible for us to keep global temperature from spiraling higher and beyond control.

In case you want more feed for the gooseys, here's how the Indian Subcontinent will be affected, as per the report:

- Surge in extreme rainfall and cyclonic events, leading to floods
- Increased frequency of heat extremes and drought events, necessitating climate-proofing of infrastructure
- As ice sheets melt faster, 28.6 Million people could be exposed to coastal flooding across six Indian port cities – Chennai, Kochi, Kolkata, Mumbai, Surat and Vizag.

I know you're panicking, and so are we. But the good news is that we may still have one last chance to do things the right way. And if we act immediately, we might as well live long enough to tell stories of our heroic deeds to our grandkids...



Okay, so step 1 – let's draw inspiration from these Indian Startups who've already started to do their bit:

Ola Electric – With the world's biggest EV manufacturing facility (planned), this 4-year-old Startup is all set to drive the EV wave that the world has been banking on.

One might say that EVs don't really reduce emission of greenhouse gases, as the power generation companies are bound to burn more coal to produce the extra electricity. But what needs to be kept in mind is that use of EVs will bring carbon emission at the end of consumers to zero. Meanwhile, the power generation companies can deploy all the resources at their end to achieve their net zero emission targets. It will also be easier for the Governments to frame and execute its policies when the focus shifts from the consumers to the businesses.

Nexus Power – Nexus power leverages nanotechnology to make biodegradable electric vehicle batteries from crop residue. The company uses unburnt crops - one of the major sources of air pollution (stubble burning) - and then by applying a unique extraction and filtration process, manufacture rechargeable energy storing cells. Multiple such cells go into making the Internet-of-Things (IoT) and AI-based sensor enabled battery pack which is later installed in electric vehicles.

Logic Ladder – This Startup is doing exactly what is required to tackle the problem of carbon emission by businesses – software solution to help enterprises with a data-led approach to going green – making net zero a reality for enterprises.

Carbonlites – Carbon Masters is a carbon management company that helps organizations reduce carbon impact by replacing fossil fuel consumption with innovative, clean energy solutions. Its bio-CNG product, sold to restaurants for commercial cooking displacing LPG, makes cooking 100% carbon neutral.



IS BYJU'S BUILDING AN EDTECH MONOPOLY?

As Mark Zuckerberg built and scaled Facebook, he had a bigger vision – Facebook shall one day sit at the helm of everything that's social media. So, later on it acquired WhatsApp and Instagram, which are today two of the biggest and most influential social media platforms.

Just about on the other side of the world, an entrepreneur, originally a teacher, naturally wiser looking and much less shrewd and very much Indian, carried a similar vision. But this one is about everything Edtech. **Byju Raveendran**, co-founder of India's biggest Startup and also the **world's biggest Edtech** Startup, likes to reiterate the company's motto to every new salesperson, which goes something like this – sooner or later everyone in Edtech will directly or indirectly work for the company. And rightly so, 10-year-old Byju's now has **16** other companies under its fold (7 in 2021 alone).

Fun Fact: Chan-Zuckerberg Initiative (CZI), founded by Mark Zuckerberg and his wife, is an early investor in Byju's. No wonder Zuckerberg finds similarity in Byju's vision!

Now before you get all angry about how Byju's is trying to bully other Edtech players, let's look at **3 WHYs** behind Byju's rampant acquisitions...



sixteen

Acquisitions made so far

\$2.6 Billion

Amount spent on acquisitions

82%

Proportion of funds raised since
2020 spent on acquisitions

1. Backed by deep pockets = Blitzscale!!

The prowess of the Edtech giant is such that equity fund houses from across the world have poured in a whopping \$4.05 Billion into it. Byju's has got itself into a very sweet spot, being one of the very few Unicorns in India which is profitable (Indian operations). Which means that the funding it gathers from its investors is not required to necessarily fuel its own business, which is being able to generate its own cash. So, it becomes a no brainer for it to use major portion of its funds to acquire new Startups and Blitzscale. **82%** of the funds raised by Byju's since 2020 was used to make acquisitions.

2. Synergy in Acquisitions

Byju's has a simple philosophy - purchase what you can't build. 14 out of the 16 acquisitions made by Byju's hail from the same segment that Byju's is in → K-12 learning ((K-12 means all standards from Kindergarten to 12th Grade). From Coding classes to Educational games, from 1:1 Tutoring to Doubt-solving, these 14 companies together add a dozen unique product offerings to Byju's portfolio. Some of them even have a large userbase in foreign countries. This gives each one of them the ability to cross sell their respective offerings and easily tap new markets.



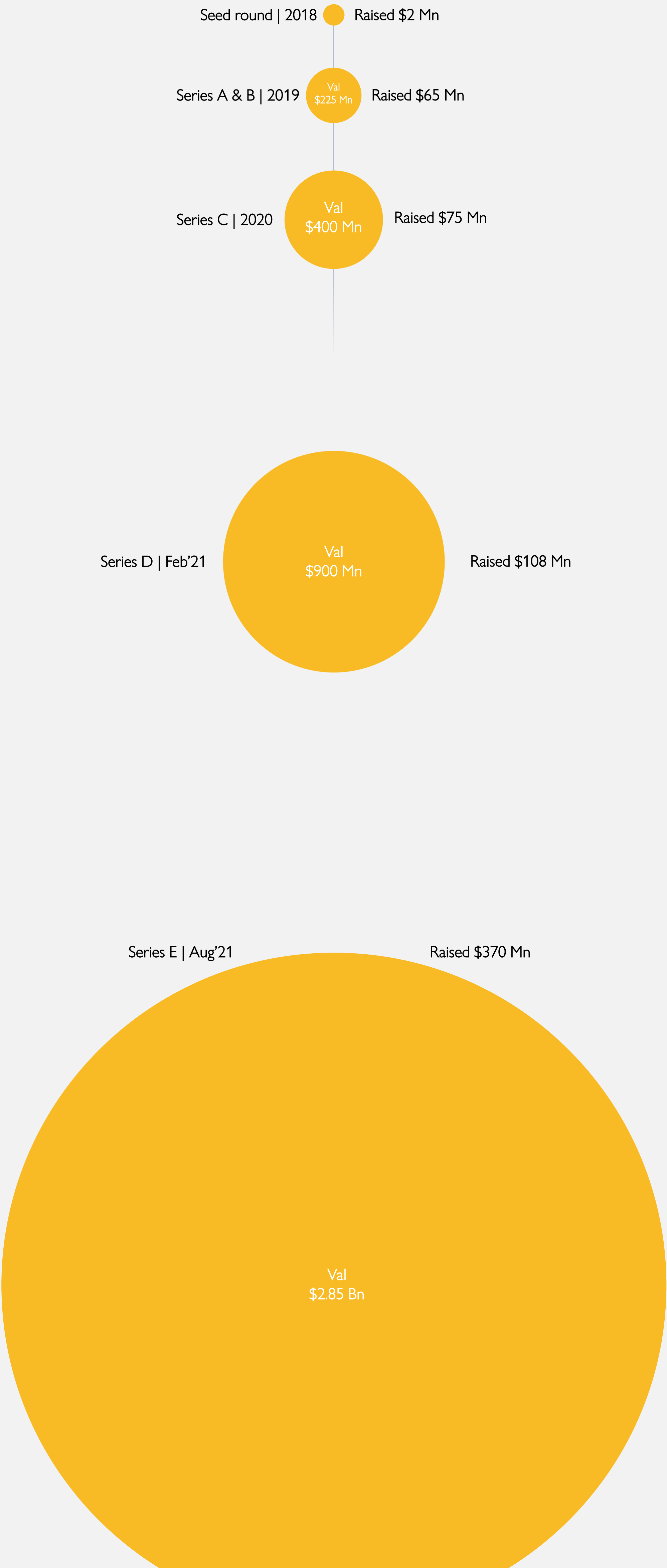
HERE'S

the 3rd WHY and our complete deep dive into Byju's acquisitions.

BHARATPE AND THE VALUATION CONUNDRUM

Remember how we dreamt of having a Startup as a college student? First, we'll get a good crazy idea that fits well in a ballooning sector... then we'll ask a corporate wizard- someone who has graduated from IIT AND IIM and has been an investment banker, to join as a co-founder... then we'll pitch this idea to an investor and get money to execute it (We might not have a buz. model from day 1 but we'll get there eventually)... and when we finally have a buz. model, we'll raise more money... and when we've found product-market fit, we'll raise some more... and EVERY time we feel we don't have enough money, we'll raise again...

WELCOME to BharatPe- a Startup that has been living the fantasy. The circles that you see below- they're a proportionate representation of the startup's net worth through different investment rounds...



HERE'S

a deeper insight into BharatPe's dream run

The Big Question

Isn't it perplexing? On one side we have BharatPe, a star-studded Startup that has the world to look forward to. And on the other side there's the fraud-hit PMC Bank that had to wait for almost 2 years to get a buy-out package. It was PMC Bank that held the SFB license and ran over 100 bank branches. It could accept deposits and issue secured loans which no startup could. And yet, this license got sold for a total of INR 900 Cr at the back of which BharatPe could raise INR 2,700 Cr.

This phenomenon is actually very common in the corporate world. Companies that have failed once or are hit by fraud are simply left at the mercy of relief packages by other corporates that often come at a paltry amount.

But Why? Which one do you think makes sense (just click on one of the options to share your opinion):

- a. It's because startup owners are able to sell their bright future to investors for big fat valuations while troubled companies which are often left in the hands of creditors are not in an appropriate place to sell a positive future of the Company?
OR
- b. It's because it's the Company offering to take over is simply leveraging its bargaining power and taking advantage of the Creditors' vulnerability?
~"We either pay you ₹5 for every ₹100 owed to you or its more wait leading to nothing, you choose!"
OR
- c. It's because Companies that have failed or defrauded the public deserve to be punished. So, selling them off at a throwaway price sets a right example for the industry. Even if it's often the creditors who bear the brunt of it.

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CRYPTO'S EUREKA MOMENT

Thanks to the Instagram and YouTube influencers, we all have considered holding cryptos in our portfolio at least once. But we also know that they fluctuate more than our WFH mood these days. So, Startup Investors found a smart way to ride the crypto growth but not really bear the risk of fluctuations – Invest in Cryptocurrency Exchange! 'Cause every time we make a transaction, it's the exchanges that earn brokerage. Resultantly, Indian crypto exchanges have witnessed over \$170 Mn of capital inflow.


Amidst all the hype, there's this one Crypto Exchange that got more footage than others: **CoinDCX**. Yes, the exchange that turned Unicorn in Aug'21 with a valuation of \$1.1 Bn in just 3 years of existence!

Here's what possibly made sense for CoinDCX:

- **USP:** While everyone was #working-from-home, CoinDCX said "let's bring it home". It differentiated itself from other players who provided one dimensional services like spot trading and margin trading, by bringing together all the financial instruments in one single platform, accessible through a single wallet. A one stop crypto shop.
- **Right place, right time:** In Mar'20, just before we were locked inside our homes, it committed \$1.3 Mn towards increasing awareness and adoption of crypto in India and pledged to introduce 50 Mn Indians to the world of crypto.

Love to stress over details? **HERE'S** our complete take on CoinDCX's Unicorn story.

WHAT'S YOUR TAKE?



John Paulson, the person who bet against the US housing markets preceding the 2008 economic crash, told Bloomberg, “Cryptocurrencies are a Bubble. I would describe them as a limited supply of nothing.” He added that, “Cryptocurrencies will eventually prove to be worthless. Once the exuberance wears off, or liquidity dries up, they will go to zero.”

Simply click on one of the options below and your response will be automatically submitted...

- a. John Paulson got lucky once. Not this time!
- b. The man's a legend. He cannot be wrong.
- c. He's right. But, I'll still invest in Crypto.

AROUND THE WORLD IN A BLINK

The Better use of Blockchain

Did you know? In developing countries, only 20% of the farmers have access to agricultural insurance coverage, and in sub-Saharan Africa this falls down further to just 3%!?

To add to this, climate vulnerability of crops is on the rise and unfortunately, traditional insurance is no good. It's expensive and there is little trust in the insurers due to histories of delayed or absent payouts. Result? It's a breeding ground for the startups to innovate and disrupt.

Sprout Insure, based out of sub-Saharan Africa, has devised a blockchain based climate risk crop insurance scheme wherein

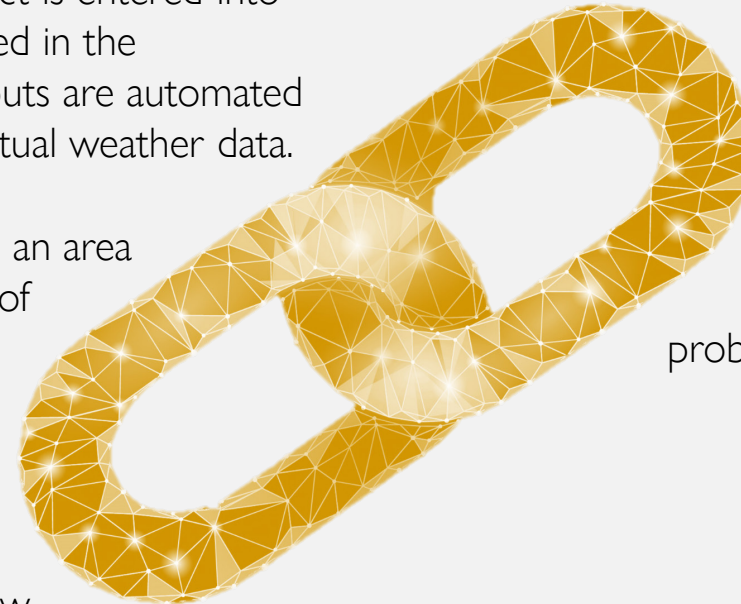
crop insurance policies are plugged into smart contracts on a blockchain and indexed to the local weather.

The process goes like this: Based on predictive data analysis of the weather the insurance premium is fixed for each type of crop. Next, a smart contract is entered into with the farmer that is saved in the blockchain where the payouts are automated by plugging them to the actual weather data. That's all.

So, say for eg. to grow rice an area needs at least 100-120cm of rainfall and in a particular crop cycle only 80cm of rainfall is recorded, naturally the crop yield will suffer, affecting the income of the farmers. Now in ordinary circumstances he/she would claim insurance by filing papers and doing the

rounds to the office. With a blockchain linked insurance scheme, an auto payout is triggered because of reduced rainfall being recorded. Since the contract is on blockchain, no one can really change it until the farmer himself gives the consent to.

Farmers' access to Crop Insurance and timely settlement of claims is a problem in India as well. Can the same idea solve this problem here in India?



WHAT ELSE IS BUZZING?

- **India lends the P2P way:** This month, we saw two unicorn startups - CRED and BharatPe entering the Peer-to-Peer lending space. This matchmaking between borrowers and lenders not only provides excess liquidity for borrowers, but also helps lenders earn extra money as interest.
- **Make way for Ola EV:** After successfully launching the Ola Electric Scooters, founder Bhavishh Aggarwal announced that Ola Electric is gearing to produce electric cars and is likely to launch as early as 2023. Ola Electric has also been the talk of the town, eyeing a potential fundraise at a valuation of \$2.5 Billion.
- **Microsoft sees potential in Oyo** – Oyo raised \$5 Million from Microsoft at a valuation of \$9.6 Billion ahead of its IPO.
- **Something cooking for India Inc.** – Paytm and HDFC Bank entered into a strategic partnership to launch digital payments, lending, and PoS-related products, in semi-urban and rural India.
- **Amazon enters Indian Fintech** – The US tech major has made its maiden investment in India's wealth management sector as it participated in a \$40 Million round of Fintech startup Smallcase.
- **2 new Edtech Unicorns** – India saw 2 new Edtech unicorn, viz. Eruditus and upGrad. Even Unacademy raised \$440 Million at a valuation of \$3.4 Billion. Byju's is still 5 times bigger than the next big Edtech.
- **Raining Unicorns:** Other Startups which turned Unicorn this month were B2B contract manufacturer Zetwerk, Fintech - BharatPe, Crypto Exchange - CoinDCX, and SaaS firm Mindtickle.
- **Startup IPO:** Nykaa files its draft prospectus with SEBI to join the list of other companies from the Indian Startup Ecosystem who are going public, viz. Paytm, MobiKwik, Cartrade, and PolicyBazaar. Ola is also expected to announce its IPO soon.
- In one of the largest Indian Fintech deals, **PayU acquires BillDesk** at \$4.7 Billion.



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

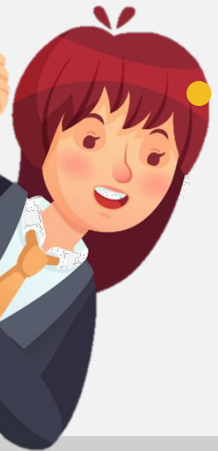


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PREVIOUS ISSUES




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



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about our Newsletter 🤔

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