AN ANALYSIS OF RAPID GROWTH OF UNICORNS IN INDIA

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Abstract
The term ‘Unicorn’ was coined by a venture capitalist and a seed investor Aileen Lee. Unicorn is referred to a mythical animal and this term is largely used to uncommonness of those startups having a USD 1 billion value. The unicorn startup has number of features such as disruptive innovation, innovative technology and concentration on consumers. Around sixty thousand startups are present in India. India stands third in unicorn startups with 90 unicorn present in the country. At present every 13th unicorn in the world is established in India. Until last year, the third spot was held by Britain. USA acquires first position with 487 unicorns. Startups are coming up with new and innovative methods along with providing employment to youth. The present study is undertaken to analyze the features of unicorn startups. The article highlights the causes for growth of unicorns in recent times. The study analyzed the strategies and practices adopted by Unicorns in COVID pandemic and present the lessons to be learnt by new entrepreneurs from successful Unicorn Leaders. The research paper concludes with the fact that prioritizing the customer experience and adopting new trends will help the unicorns to survive in this tough time.

Keywords: Startups, unicorns, technology, ideas, innovation.

INTRODUCTION
A unicorn company is any private company that is valued at USD 1-Billion or more and is Venture Capital funded. Unicorn is referred to a mythical animal and this term is largely used to uncommonness of those startups having a USD 1 billion value. The unicorn startup has number of features such as disruptive innovation, innovative technology and concentration on consumers. Companies having a valuation of USD 10 billion are termed as Decacorn and companies having a valuation of USD 100 billion are termed as Hectocorn. A startup that has now become Publicly Listed (or) has been acquired by a Publicly Listed company is known as Graduated Unicorn. A startup that lost its Unicorn status due to a valuation degrading event is known as Former Unicorn. India is now the world’s fastest growing startup ecosystem having more than 80 unicorn startups in the year 2021. Therefore, India has been declared as the third top country having unicorn companies for the year 2021. Only USA and China are ahead of India in unicorn club.

PRESENT SCENARIO
Internet and other technologies played the major role in making India a start-up hub. Since its launch in 1995, the internet has changed the way business organizations operate and customers/people lead their daily lives. Even in times of COVID-19 startups have shown their strength on the front of investment and employment. As per the report of NASCOM and Genove, Indian startups have collected Rs 1.79 lakh crores in the year 2021. Approx. 2250 startups have started in 2021 which were 600 more from previous year. And out of that 42 startups have become unicorn. In startups, maximum direct foreign investment came from USA. Around sixty thousand startups are present in India. India stands third in unicorn startups with 90 unicorn present in the country. At present every 13th unicorn in the world is established in India. Until last year, the third spot was held by Britain. USA acquires first position with 487 unicorns. Startups are coming up with new and innovative methods along with providing employment to youth. According to NASCOM by 2025 startups will provide employment to 50000 youths. Out of which 11 lakh will be direct and 39 lakh will be indirect employment. In the next five years unicorn startups will play an important role in providing employment to young generation. In India, most unicorns are based in Bengaluru, followed by Mumbai, Pune, Thane, and Gurugram.
LIST OF UNICORN STARTUPS IN INDIA IN 2021

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<th>Acko</th>
<th>Cure.fit</th>
<th>Freshworks</th>
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<td>Pristyn Care</td>
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<td>OYO Rooms</td>
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RESEARCH METHODOLOGY

The present study has been undertaken to analyze the rapid growth of unicorns in India. The present study is related to whole India. We have taken the opinion of officials of various companies in Moradabad and Jaipur and their views form part of our study.

OBJECTIVES OF THE STUDY

The objectives of this study are:
1) To analyse the features of unicorn startups;
2) To highlight the reasons behind the rapid growth of unicorns in India
3) To know the strategies and practices adopted by Unicorns in COVID pandemic
4) To present the lessons to be learnt by new entrepreneurs from Unicorn Leaders

REASONS FOR THE UNICORN RUSH DURING 2021

The growth of digital businesses in India was fueled due to the culture of work from home during the pandemic. This leads to a unicorn growth in India. The important three factors have come along to motivate investors to invest in unicorns namely;
- flourishing extension of digital payments system,
- increase in smart phone users and
- digitally based business models.

Technology startups which are now brands in every house is contributing to the unicorn growth in the country and this is due to android / smart phone reach to everyone. Besides Finance technology, grocery shopping from e-commerce website and Software-as-a-service are the main contributors towards the growth of unicorns in the country. As far as funding of startups is concerned, new alternatives are coming up such as loan from banks, crowd funding, venture capital, etc.
FEATURES OF A UNICORN STARTUP

Running a startup has its own challenges. In order to become a unicorn, a startup has to constantly focus on its objectives and finding the solutions of the problems and challenges which they are confronting. Although every unicorn startup is unique in nature but they are similar in some features such as:

1) Technology based: Technology is the main basis of many unicorns’ business model. Take an example of Paytm which offers payment channel to consumers for various utilities such as mobile and TV charges. Paytm has established a payment system which provides options for making payments.

2) Privately owned: When startups receive funding from Indian or global investors, their valuation grows and as a result privately owned startups have more chance of becoming a unicorn.

3) Focus on growth-driven Minimum Viable Product: Through their vision a unicorn commences with forming Minimum Viable Product and then proceeds to test, adjust and scale it continuously towards achieving the goals.

4) Pioneers in their role: Unicorn status is achieved by majority of startups because they have entered into a field not known before. Being the initiators in the particular field or industry they have gained an edge against the competitors.

5) Innovation is at the top for consumers: With the power of constant innovation and adopting new technology, many of the unicorns lead to industry disruption. If we take an example, OYO rooms have completely transformed the system persons used to reserve hotel rooms. Also, Paytm transformed the methods of payment.

CAUSES FOR SPEEDY GROWTH OF INDIAN UNICORNS

There are many reasons for making India a start-up hub. The major reasons which lead the rapid growth of unicorns in India are highlighted herein below:

1. Ease of technology access: In order to achieve the status of unicorn, most of the startups make use of new and innovative technologies. Startups are now increasing their capability far ahead their expectations due to easy access to tech-savvy consumers. In other words, we can say that technological innovations is considered a driving force behind the startups to become unicorn.

2. Investors’ push for Get Big Fast strategy: Many venture capital firms and other investors have adopted a strategy known as Get Big Fast strategy. By adopting Get Big Fast strategy, the startups attempts to develop at a higher rate with huge funding and price cuts to stay in the competitive market. This benefits all whether it is founder or investors or customers.

3. Company buyouts: Many startups focus on buyouts and mergers to strengthen their businesses instead of investing for further internal growth.

4. Hardly go to public for raising funds through IPO: They do not prefer the route of initial public offer because initial public offer sometimes reduce the valuation of the company if investors thinks it is worthless.

STRATEGIES AND PRACTICES ADOPTED BY UNICORNS IN COVID PANDEMIC

Not all unicorns have survived the pandemic; few of them have even closed down permanently. But those who survive this pandemic or we can say the successful unicorns have a combination of luck and smart business decisions working for them.

The strategies adopted by successful unicorns in this pandemic are highlighted below:

1) Rotating the Business Model: Startups have changed the business model during the current pandemic driving a few into the unicorn status. Startups like BYJU’s grew exponentially by offering free live classes and venturing into online coaching.

2) Investment in recent and Modern Solutions: The current pandemic forced most unicorns to go completely digitally but recent and modern solutions have also helped some unicorns to stay feasible and lucrative. Those unicorns have adopted modern solutions were able to survive but who failed to adopt were crushed.
3) Diversified Team: Unicorns are multi-cultural and multi-discipline organizations. As a result of which they gain from the diverse professional executives and this diversity is considered as strength when disruptive ideas is to be taken. Also, they are young companies that value creativity and talent.

4) Priority of the Customer: Successful unicorns had adopted a strategy which focuses on consumers. In other words, we can say that they think of consumers at the time of thinking of an idea or manufacturing or at the time of after sales service. They have one thing in mind i.e. user experience is the main element. Few years back product is considered as most important but nowadays buying experience is similarly or more important.

5) Downsizing the Staff: Unicorns engaged in logistics, fitness, transportation, recruiting and aerospace took a very unfavourable decision to layoff most of their staff to stay buoyant during the pandemic. Unicorns had layoff approx 20% to 50% of their staff during this pandemic. Though this step is more cut-throat as compared to above, it gives unicorns a survival chance to re-evaluate their business strategy and expenditure pattern.

BUDGET PROVISIONS AND STARTUPS

1) **Provisions of Budget 2021 regarding Startups:** A one person company can be converted into a public or private company anytime. In this case a waiting period of two years was removed. Non Resident Indians will be able to incorporate one person company in India, which previously was not allowed. The provisions also reduced the residency period for NRIs from 182 days to 120 days. This will definitely motivates the establishment of businesses in India. Previously, the paid up capital of Rs. Fifty Lakh and average annual turnover of Rs Two Crore was the prerequisite for one Person Company. In budget 2021, the limitation of paid up capital and turnover was removed.

2) **Provisions of Budget 2022 regarding Startups:** In budget presented by Finance Minister Mrs. Nirmala Sitharaman on February 1, 2022 an extension of one year for the tax incentives is provided to the startups. In view of the pandemic, tax incentives for startups increased from three years to four years of incorporation. Startups have emerged as a growth driver for the Indian economy.

LESSONS TO BE LEARNT BY NEW ENTREPRENEURS FROM UNICORN LEADERS

By studying the stories of successful leaders of unicorn business, an early-stage entrepreneurs can learn lot of new business and management lessons to build a unicorn startup. The important ones are:

1) Identify and solve a Problem: Innovative business idea comes when a person is attempting to solve his or her own problem. The lesson is that a good business idea is mostly a solution to a problem which we are experiencing in our own life.

2) Make Well Calculated Moves: It is essential to move ahead cautiously and make well calculated moves. Whether starting our own business or acquiring a firm or a competitor’s business is to be well decided.

3) Build a Mission-Driven Company Culture: The Company’s culture should be in line with its mission and vision. The culture should be imbued in the company in such a way that it holds good to its target customer.

4) Finding the New Market Problem before it expands: Having a new and innovative idea is excellent but knowing how to execute it correctly is more important. Many startups came up with new ideas but they miserably fails because of poor execution.

5) Have World-Changing Ambitions: A new idea does not come easily. But whatever new idea is thought off and executed will definitely must have ambition which can change the world and it should be beneficial to the customers and should bring something new to the customers.

6) Look for a Niche Market: When entrepreneurs find large consumer base, they jump in without analyzing the competition in that market. Instead of going in this direction, an entrepreneur must search for a niche with small customer base but low competition.
CONCLUSION

When the Indian government announced the demonetization on November 8, 2016, it gives a boost to the start-ups, particularly the Fintechs. Although Fintechs were booming, demonetization acted as a channel and accelerated their growth. Besides Fintech, other varieties of start-ups also benefitted. ‘Atamnirbhar Bharat’ and ‘Make in India’ initiatives encouraged local entrepreneurs to take a jump and think big. Also, India’s ranking on the ‘Ease of Doing Business’ has improved drastically in the last few years and this motivated the startups to flourish in the years to come. Achieving the milestone was once considered doubtful. But India has shown that the term unicorn no longer holds the same credence as before. As it rained unicorns, it has also been the year of startup IPOs. The listing of Zomato, Nykaa, PolicyBazaar and Paytm were a big boost to the startup environment as it showed that India can give an exit path to investors.

We can see that prioritizing the customer experience and adopting new trends will help the unicorns to survive in this tough time.

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