

India's year of the unicorn: Startups in spotlight of 2021 tech boom

December 31 2021, by Nivrita Ganguly



Workers at a poultry shop with a QR code for digital payment platform Paytm on display.

Sumit Gupta has had a big year—turning 30, getting married and seeing his startup become one of India's newest tech unicorns.

Hampered by the coronavirus pandemic and too busy expanding and getting funding for his cryptocurrency platform CoinDCX, his team finally grabbed a few days on the beach in Goa to celebrate recently.

"That was very delightful to everyone," Gupta told AFP. "It's been a very, very exciting journey. I've learned a lot... The future of India is very bright."

This year 44 Indian unicorns—privately held startups valued at more than \$1 billion—were minted as investors piled money into a country long overlooked despite its vast potential.

Overseas funds put more than \$35 billion into Indian startups in 2021—a tripling from 2020, according to data compiled by Tracxn—buying into everything from fintech and health to gaming.

Foreign investors have long preferred China, another Asian country with more than a billion people.

But Beijing's clampdown on runaway growth in China's powerful internet sector, and reining in of big businesses, have spooked investors and wiped billions off giants such as Baidu, Alibaba and Tencent.

In the startup space, investors this year sank \$54.5 billion into Chinese firms, down from \$73 billion in 2020, analysis by GlobalData showed.

India by contrast became more attractive, with its large pool of well-educated entrepreneurs upending how many businesses work using a fast-developing digital infrastructure.



'I believe in the future of India,' Softbank founder Masayoshi Son said.

"India really is that final frontier where businesses can attract a sixth of the world's population," said Siddharth Mehta, founder of investment firm Bay Capital Partners.

"I think India is about 13-14 years behind China in terms of size and scale of the market. India's overall digital marketplace is about sub-\$100 billion today but that number can easily be a trillion or \$2 trillion over the next 10 to 15 years."

'India will be great'

Among those attracted are Japan's Softbank, which invested \$3 billion in India this year, as well as China's Jack Ma and Tencent, and US-based Sequoia Capital and Tiger Global.

"I believe in the future of India. I believe in the passion of young entrepreneurs in India. India will be great," Softbank's founder Masayoshi Son said earlier this month.

Indian tech also saw a record number of initial public offerings this year.

Companies going public included food delivery app Zomato and beauty products platform Nykaa, listing at huge premiums to their IPO prices and making billionaires of their founders.

At their October high, Indian stocks had rallied more than 125 percent from their April 2020 low, becoming one of the world's best-performing equities markets.



Beauty products platform Nykaa listed at a huge premium to its IPO price.

No profits

But some experts warn that many of these firms may be grossly overvalued.

For instance, local fintech giant Paytm, the biggest IPO of the year, is yet to make a profit and its share price is some 40 percent down from its IPO valuation.

India's bumper year for startups also masks serious problems for an economy struggling to provide jobs for the 10 million young people entering the workforce every year.

Desperate for employment, many take low-wage "gig economy" jobs, earning as little as 300 rupees (\$4) a day with little to no job security.

But for white-collar workers in the startup sector, demand for qualified workers has outstripped supply this year.

Flush with cash, companies are competing to recruit and retain top talent, offering cash, stock and even motorcycles and tickets to cricket matches as incentives.

"Recruiters reach out to us all the time," one tech employee told AFP on condition of anonymity.

"Salaries have inflated in the last year and it feels like everybody is

hiring. People are changing their jobs constantly."

CoinDCX's Gupta, fresh from his beach holiday, was bullish.

"If you remain persistent, it's very possible to create a unicorn, especially if you're living in a country like India, which is full of opportunities," he said.

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Citation: India's year of the unicorn: Startups in spotlight of 2021 tech boom (2021, December 31) retrieved 3 May 2024 from <https://techxplore.com/news/2021-12-india-year-unicorn-startups-spotlight-1.html>

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