

THE PROPELLERS: UNVEILING THE DRIVERS OF INDIA'S ONLINE SPENDING SURGE

Consumer expenditure patterns evolve as the broader economy expands. Every country exhibits distinct consumer expenditure patterns linked to the respective nation's stage of economic development. As a population's average income rises, it becomes evident that the share of spending dedicated to discretionary items too goes up. On the flip side, the expenditure share allocated towards essential commodities subsequently diminishes. To illustrate, households with incomes less than \$750 annually tend to allocate approximately 50% of their budget to essentials, which significantly decreases to around 30% when incomes surpass the \$2,000 threshold, and contracts further to as low as 20% when the income level exceeds \$10,000. India, currently a \$2500 per capita GDP nation and the fastest-growing major economy, finds itself at a fascinating crossroads. Discretionary spending within the country is picking up speed, and we feel that certain sectors stand to benefit substantially from this shifting expenditure pattern. As per CLSA's prediction, the Other micro drivers that will play out by the end of the decade proportion of discretionary spending in India could potentially surge to a staggering 71% by 2030. This interesting correlation between expenditure trends and per capita GDP growth has been highlighted in an analysis by CLSA. An increase in discretionary spending leads to channel organization. Consumers tend to spend more in organized markets when it comes to discretionary spends. This naturally stems from the ease of access and information and standardization of systems that organized players tend to offer. Consumers tend to pay a premium for this convenience, and we can very well notice these trends play out with the incumbent marketplaces. The next generation of companies and marketplaces targeting these niche segments of consumer interest will spearhead this change further.

THE PLATFORM PROWESS: HOW MARKETPLACES HOLD THE KEY TO CAPTURING EXPONENTIAL VALUE

Over the past decade in India, marketplaces have redefined standards in industries and reshaped the way consumers purchase online - with companies like Amazon, Meesho, Swiggy, Urban Company, Spinny, NoBroker, and MakeMyTrip becoming fairly synonymous with their respective domains. This brings the question, how are marketplaces able to capture such disproportionate value? At the most fundamental level, marketplaces are platforms that connect the two sides of demand and supply in one space. While the nuances of each would be different, we can distill the reasons behind this business model's transformative ability as follows: Consolidation and Removing Asymmetry of Information. The growth of any industry invariably attracts a surge of new entrants, each vying to carve out their niche and differentiate themselves from the competition. And as the size grows, so too does the noise in the space, and the customers feel the brunt of not being able

to discover and compare these unique products. Marketplaces emerge as influential players in this equation that consolidate the supply, establish normative benchmarks, and thus provide more favorable market consolidations. Lean inventory helps rapid scale-up. Most marketplaces initially start out by generating access between the existing players in the industry. With trust and standards being the core proposition they offer, these fixed components help the marketplaces scale up across the breadth of offerings and demand pools at ease. Negative working capital cycles. Marketplaces that operate without the burden of inventory often benefit from lean cycles of capital flows. They serve as the hub for transactional cash collection, allowing them to accumulate surplus funds in their bank accounts. This surplus cash becomes readily available to support and sustain their ongoing operations. This is a key differentiator for marketplaces and has proven to be the foundation pillar for many large incumbents like Amazon, that although it ran into losses in its initial days, had sufficient liquidity in the system. HBR Review² has written an excellent article on this, and we will recommend you read that for more insights.

OUR MARKETPLACE FRAMEWORK: NEW MARKETPLACES WILL GET CREATED ON THE FOLLOWING AXES

Given the context on the current state of marketplaces and the positive outlook one can hold for the decade to come, below we capture our framework to build strong platforms, which centers on four key pillars - Unique Supply, New Target Audience, Better Experience and Innovative GTM.

Tech unicorns in India – name, latest valuation, founding year, year of turning unicorn

Startup Name	Industry	Founding Year	Unicorn Entry Year	Profit/Loss	Current Valuation	Acquisitions	Status
Netradyne	AI, SaaS, Fleet Management	2015	2025	-	\$1.34 Billion	-	Private
Moneyview	FinTech	2014	2024	\$19.4 Million	\$1.2 Billion	1	Private
Ather Energy	Electric Motor Vehicle	2013	2024	-\$102.9 Million	\$1.3 Billion	-	Private
Rapido	Manufacturing	2015	2024	-\$52.4 Million	\$1 Billion	2	Private
Porter	Transportation, Mobility Tech	2014	2024	-\$2.10 Million	\$1 Billion	-	Acquired/Merged
RateGain	Logistics	2004	2024	\$17.13	\$1 Billion	4	Public
Perfios	SaaS, Travel Tech	2008	2024	0.94 Million	\$1 Billion	3	Private
Krutrim	SaaS, Fintech	2023	2024	-	\$1 Billion	-	Private
Zepto	Research Services, AI	2021	2023	-\$47.1 Million	\$1.4 Billion	-	Private
Molbio Diagnostics	Quick Commerce	2010	2022	NA	\$1.5 Billion	1	Private
Tata 1mg	HealthTech, MedTech	2015	2022	-\$65 Million	\$1.25 Billion	-	Acquired
Shiprocket	HealthTech	2017	2022	-\$11.67 Million	\$1.3 Billion	5	Private
Sire	Logistics	2021	2022	NA	\$1.5 Billion	1	Private
OneCard	Fintech	2018	2022	-\$22.8 Million	\$1.4 Billion	0	Private
PhysicsWallah	Fintech	2016	2022	\$16.4 Million	\$1.1 Billion	6	Private
LeadSquared	Edtech	2011	2022	-\$7.7 Million	\$1 Billion	-	Private
ElasticRun	SaaS- CRM	2015	2022	-\$45.1 Million	\$1.5 Billion	-	Private
LEAD	E-commerce Logistics	2012	2022	-\$49.6 Million	\$1.1 Billion	2	Private
Purplle	Edtech	2012	2022	-\$25 Million	\$1.1 Billion	1	Private
DealShare	E-commerce Personal Care	2018	2022	-\$53.8 Million	\$1.7 Billion	0	Private
Xpressbees	E-commerce	2015	2022	-\$3.39 Million	\$1.2 Billion	1	Private
Open	E-commerce Logistics	2017	2022	-\$20.9 Million	\$1 Billion	2	Private
Games24x7	Fintech	2006	2022	-\$39 Million	\$2.5 Billion	0	Private
Amagi	Gaming	2008	2022	NA	\$1.4 Billion	1	Private
Fractal	Media, Advertising	2000	2022	-\$18.4 Billion	\$1 Billion	7	Private
Darwinbox	SaaS- Analytics	2015	2022	-\$7.6 Million	\$1 Billion	0	Private
	SaaS- HR						

Livspace	E-commerce Interior Design	2014	2022	-\$51 Million	\$1.2 Billion	4	Private
Uniphore	SaaS- Conversational Automation	2008	2022	NA	\$2.5 Billion	5	Private
Hasura	SaaS- Programming Tools	2017	2022	NA	\$1 Billion	0	Private
Yubi (Formerly CredAvenue)	Fintech	2017	2022	-\$7 million	\$1.5 Billion	3	Private
CommerceIQ	E-commerce Management Platform	2012	2022	NA	\$1 Billion	0	Private
Oxyzo	Fintech	2016	2022	\$8.6 Million	\$1 Billion	0	Private
Moglix	E-commerce	2015	2021	-\$2.5 Million	\$2.6 Billion	2	Private
NoBroker	PropTech	2014	2021	NA	\$1 Billion	1	Private
MobiKwik	Fintech	2009	2021	-\$16 Million	\$0.9 Billion	1	Private
Spinny	Automotive, E-commerce	2015	2021	-\$61.2 Million	\$1.75 Billion	3	Private
MPL	ESports	2018	2021	-\$56 Million	\$2.3 Billion	3	Private
Acko	Insurtech	2016	2021	-\$45.1 Million	\$1.1 Billion	2	Private
ShareChat	Media & Entertainment	2015	2021	-\$373 Million	\$5 Billion	6	Private
Eruditus	Edtech	2010	2021	-\$386.8 Million	\$3.2 Billion	1	Private
upGrad	Edtech	2015	2021	-\$78.3 Million	\$2.25 Billion	14	Private
Apna	Marketplace- Employment	2019	2021	-\$14 Million	\$1.1 Billion	0	Private
Urban Company	Home Services	2014	2021	-\$64 Million	\$2.8 Billion	3	Private
BharatPe	Fintech Payments	2018	2021	-\$702 Million	\$2.9 Billion	2	Private
CarDekho	E-commerce Automotives	2007	2021	-\$29 Million	\$1.2 Billion	3	Private
Licious	E-commerce Meat Products	2015	2021	-\$106 Million	\$1.5 Billion	0	Private
Zetwerk	Manufacturing	2018	2021	-\$10.4 Million	\$2.7 Billion	4	Private
Meesho	E-commerce	2015	2021	-\$406 Million	\$4.9 Billion	0	Private
Blinkit (ex-Grofers)	E-commerce- Groceries	2013	2021	-\$127 Million	\$0.568 Billion	-	Acquired
Pristyn Care	Healthtech	2018	2021	NA	\$1.4 Billion	1	Private
Vedantu	Edtech	2011	2021	-\$87 Million	\$1 Billion	3	Private
Upstox	Fintech	2010	2021	-\$55.5 Million	\$3.4 Billion	0	Private
Slice	Fintech	2016	2021	-\$31 Million	\$1.5 Billion	1	Private
CRED	Financial Technology	2018	2021	-\$160 Million	\$6.4 Billion	4	Private
Cult.fit	Healthtech	2016	2021	-\$85 Million	\$1.5 Billion	14	Private

Mamaearth	E-commerce Personal Care	2016	2021	\$2.8 Million	\$1.2 Billion	4	Private
Infra.Market	B2B E-commerce	2016	2021	\$28.3 Million	\$2.5 Billion	3	Private
Five Star Business Finance	Financial Services	1984	2021	-	\$1.4 Billion	0	Listed
OfBusiness	Building Materials	2015	2021	\$34.4 Million	\$4.8 Billion	1	Private
CoinSwitch Kuber	Cryptocurrencies	2017	2021	NA	\$1.9 Billion	0	Private
CoinDCX	Cryptocurrency Exchange	2018	2021	\$5.1 Million	\$2.15 Billion	0	Private
BlackBuck	Logistics	2015	2021	-\$35 Million	\$1.02 Billion	0	Private
Droom	Marketplace- Automotives	2014	2021	-\$17 Million	\$1.2 Billion	1	Private
PharmEasy	Online Pharmacy	2015	2021	NA	\$5.6 Billion	3	Private
MyGlamm (Good Glamm Group)	Personal Care Marketplace	2015	2021	-\$36 Million	\$1.2 Billion	7	Private
Digit Insurance	Insurance	2016	2021	NA	\$4 Billion	1	Private
Innovaccer	Healthcare	2014	2021	NA	\$3.2 Billion	0	Private
Groww	Fintech	2017	2021	-\$29.5	\$3 Billion	1	Private
Gupshup	Enterprisetech	2004	2021	\$7.06 Million	\$1.4 Billion	5	Private
Chargebee	Financial Services	2011	2021	\$3.9 Million	\$3.5 Billion	3	Private
Zeta	Fintech	2015	2021	NA	\$1.5 Billion	0	Private
BrowserStack	Cloud Infrastructure and Software	2011	2021	\$12.5 Million	\$4 Billion	3	Private
Mohalla Tech (Moj)	Software	2015	2021	NA	\$5 Billion	6	Private
Polygon (Formerly Matic Network)	Blockchain	2018	2021	NA	\$10 Billion	3	Private
MindTickle	Saas- Enterprise Software	2011	2021	\$3.5 Million	\$1.2 Billion	1	Private
Rebel Foods	E-commerce Food Delivery	2011	2021	-\$66.7 Million	\$1.4 Billion	1	Private
Mensa Brands	Ecommerce, Financial Services	2021	2021	-\$12 Million	\$1.2 Billion	20	Private
GlobalBees	E-commerce Retail	2021	2021	-\$4.4 Million	\$1.1 Billion	11	Private
DailyHunt	Media & Entertainment	2007	2020	-	\$5 Billion	2	Private
Unacademy	Edtech	2015	2020	-\$357 Million	\$3.4 Billion	12	Private
Cars24	B2C E-commerce	2015	2020	-\$31 Million	\$3.3 Billion	0	Private
Glance, Inmobi	Mobile Technology	2019	2020	NA	\$1.7 Billion	2	Private

RazorPay	Fintech	2014	2020	\$1.14 Million	\$7.5 Billion	7	Private
Zerodha	Stockbroker	2010	2020	\$349.9 Million	\$2 Billion	0	Private
PhonePe	Fintech	2015	2020	-\$251.6 Million	\$12 Billion	6	Acquired by Flipkart
FirstCry	E-commerce	2010	2020	\$6.39 Million	\$3 Billion	2	Public
Nykaa	E-commerce	2012	2020	\$4.96 Million	\$4.44 Billion	6	Public
Pine Labs	Fintech	1998	2020	NA	\$5 Billion	6	Private
HighRadius	Fintech	2006	2020	NA	\$3.1 Billion	0	Private
Verse Innovation	Media & Entertainment	2007	2020	-\$320 Million	\$5 Billion	3	Private
Zenoti	Saas- Spa and Salon Services	2010	2020	NA	\$1.5 Billion	1	Private
Postman	Saas- API Development and Testing	2014	2020	NA	\$5.6 Billion	0	Private
Delhivery	E-commerce Logistics Services	2011	2019	-\$128 Million	\$3.27 Billion	5	Listed
Icertis	Saas- Contract Management	2009	2019	NA	\$5 Billion	0	Private
Ola Electric	Automotive	2017	2019	NA	\$5 Billion	1	Private
Druva	Saas- Data Management	2008	2019	NA	\$2 Billion	3	Acquired
BigBasket	E-commerce- Groceries	2011	2019	-\$100 Million	\$3.2 Billion	6	Acquired
Rivigo	Logistics	2014	2019	-\$21 Million	\$1.05 Billion	0	Private
Lenskart	E-commerce- Eyewear	2010	2019	-\$13.4 Million	\$4.5 Billion	2	Private
Dream11	Fantasy Sports	2008	2019	\$37.8 Million	\$8 Billion	0	Private
CitiusTech	Healthcare Technology	2005	2019	NA	\$2.4 Billion	3	Private
Freshworks	SaaS - CRM	2010	2018	-\$220 Million	\$4.53 Billion	13	Listed
Udaan	E-commerce	2016	2018	-\$220.9 Million	\$3.1 Billion	0	Private
OYO	Travel Tech, Hospitality	2013	2018	-\$263 Million	\$10 Billion	8	IPO-Bound
Paytm Mall	E-commerce	2017	2018	-\$65.6 Million	-	0	Private
Swiggy	Foodtech	2014	2018	-\$453 Million	\$5.5 Billion	6	Private
BYJU'S	Edtech	2011	2018	NA	\$5.1 Billion	19	Private
Policybazaar	Insurance company	2008	2018	-\$104 Billion	\$3.38 Billion	0	Listed
Billdesk	Fintech	2000	2018	\$27 Million	\$2 Billion	0	Private
ReNew Power	Renewable Energy	2011	2017	NA	\$8 Billion	3	Listed
OLA	Transport Tech	2010	2015	NA	\$7.4 Billion	8	IPO-Bound

Zomato	Foodtech	2008	2015	-\$153 Million	\$5.4 Billion	15	Public
Paytm	E-commerce Finance	2010	2015	-\$214 Million	\$16 Billion	12	Listed
Mu Sigma	SaaS- Analytics	2004	2013	NA	\$1.5 Billion	1	Unlisted
Flipkart	E-commerce	2007	2012	-\$307 Million	\$37.6 Billion	18	Unlisted
InMobi	Adtech	2007	2011	-\$9 Million	\$1 Billion	10	Unlisted
MakeMyTrip	Online Travel	2000	2010	-\$56 Million	\$2.52 Billion	9	Listed

Table source: <https://startuptalky.com/top-unicorn-startups-india/>

HARNESSING UNIQUE SUPPLY AND NEW AUDIENCES

In February 2023, Wall Street observers opened their dailies to a remarkable announcement: "Airbnb posts a record \$1.9 billion in profits." Scrolling back 15 years to 2008, Brian Chesky embarked on a remarkable journey that would forever change the landscape of the accommodation industry and marketplaces as we understand them today. It all began with a simple idea: subletting his third bedroom to a handful of conference attendees, a creative solution to offset his exorbitant monthly rent of \$1,150 in San Francisco. His friend and now co-founder, Joe, had three air mattresses that they could share while Brian arranged for breakfasts. Thus, 'Air Bed and Breakfast' or Airbnb was born. AIRBNB: Allows people to sublet their homes to temporary residents A simple yet unique solution, Airbnb addressed a genuine need that consumers couldn't access at scale before. By allowing individuals to rent out their spare rooms, 2000 Bookings (mn) Gross booking value \$1893mn apartments, or even entire homes, Airbnb created a vast supply of unique and varied options for travelers. Airbnb's offerings in various geographies encompassed a wide spectrum of prices, ranging from modest rooms with basic amenities to luxurious private villas situated near scenic destinations. This unprecedented range of options revolutionized travel, making it accessible to leisure backpackers and even destination hunters - target groups not catered to by the incumbents. Airbnb's success can be attributed to the convergence of unique supply and the identification of new target groups (TGs), the first two elements of the foundational axes of our framework. Unique Supply Better Experience New Target Audience Innovative GTM 1000 0-1000 Net income-2000-3000-4000-5000 272 115 140 300 193 393 (\$70mn) (\$17mn) (\$674mn) (\$352mn) (\$5425mn) 2017 \$21B 2018 \$29B 2019 \$38B 2020 \$24B 2021 \$47B 2022 \$63B Airbnb posted net profit of \$1.9 Bn

in the year 2022 at a net profitability of 22%. Source: Airbnb 11 MARKETPLACES UNLEASHED - PART 02 Nykaa has focused on exclusive launches to give users better access, from Estee Lauder (2016) to recent ones like Kay Beauty.

MARKETPLACES WITH UNIQUE SUPPLY UNLOCKS HAVE CREATED LARGE OUTCOMES

To have a unique supply is to house products or services on the marketplace that other platforms do not have access to yet. Think AliExpress opening up the availability of products manufactured in China in the early 2010s or OLX giving access to a wide library of pre-used products that were earlier not discoverable. These are a few classic examples of marketplaces being built on unique supply as an axis. Gaining a thorough understanding of consumers' needs and pain points from the ground up often serves as a valuable indicator for identifying such opportunities. Unique supply can serve as a powerful differentiating factor, enabling companies to enter the market with a solid advantage over established players. However, we have also observed cases where companies have strategically leveraged this element during their journey to strengthen their existing pipeline of offerings. Closer to home, we can see this play out in detail in two companies that have become fairly synonymous with their respective categories - Nykaa and Urban Company. 12

MARKETPLACES UNLEASHED - PART 02 Nykaa:

Making Imported Cosmetics Available In India And Eventually Becoming A Destination For Beauty The Indian beauty landscape was at an inflection point in 2013. Falguni Nayar was wanting to return home from London and start a company of her own and be a part of a legacy after having taken multiple companies public as an Investment Banker at Kotak Mahindra. After vying over multiple ideas, she identified an opportunity in the category of beauty. According to Falguni Nayar, beauty for Indian women meant only two products: red lipstick and black kajal. The vast majority of the consumers were unexposed to products outside of these basics, and there was a lack of awareness to the swathe of products that was available to her in London. A growing generation of internet-first audiences wanted to get their hands on these products but could not purchase from the incumbent horizontals, for they were laden with counterfeit products. She realized that if she could introduce Indian women to this new realm of beauty and educate them on their use cases, it would unlock a successful venture. Thus, Nykaa was

born. Over countless iterations, Nykaa perfected its value propositions for customers, and curation was its silver bullet. Nykaa partnered with international brands like Estée Lauder that had not set foot in India yet through Amazon and Flipkart in an inventory-led model. This operating model allowed Nykaa to establish initial trust with the brands since it bore the risk of the inventory and trust with the customers who now have access to these brands and know that the products shipped are legitimate. This created differentiation in its early days and is an approach Nykaa has kept alive even to this day by launching new brands, such as Kay Beauty, exclusively on its platform - taking it to the 30% market share it holds today within the space.. Nykaa has 30% market share within India Online BPC Market (2022) 30% Urban Company: Creating high quality professionals through in-house training and increasing their incomes At Elevation Capital, we have been fortunate to witness the birth of this unicorn and followed its journey from the ringside since its inception. Local services have always been a large opportunity with mediocre customer experience and, therefore, in dire need of a platform such as Urban Company. Global equivalents have largely addressed this issue as a classifieds model, but there is a catch - there was a natural limit to the number of service professionals that one could bring to the platform in a particular geography. This can either be through access constraints or due to the lack of talent. To keep their growth going and make supply ever stronger, Urban Company had invested in the training of new service professionals, bringing alive a supply that did not previously exist. This turned out to be a win-win proposition, as these professionals in their previous avatar had largely gotten meager wages of Rs 10,000 a month and could now be a part of an organized community of service professionals, earning in multiples of the earlier values. We have covered the complete journey of our partnership with Urban Company on this page³. By taking care of training for a first-time home services workforce, Urban Company broadened the market.

MARKETPLACES UNLEASHED - PART 02

13SHEIN: Building A Gen-z Platform Multiple marketplaces have tapped into a new target audience that previously seemed underserved by incumbents. Their interest could be better addressed by building differentiated supply, product features, and experience that is geared towards the core behavior of this audience. In this section, we will dive deeper into the marketplace that dethroned Amazon as the most downloaded shopping app in the United States - Shein. Building around the apparel shopping needs of Gen-Z, Shein innovated across pillars of supply as well as user experience to rise to prominence in the US market. 72% Shein draws in 72% of traffic through its native app vs 25% for Zara and H&M

26% 25% Shein Zara H&M Shein built around Gen-Z with a focus on quickly changing trends and better discovery— combining daily fresh drops with an app-based experience. They added 45x more SKUs vs Zara; and 70x more SKUs vs H&M during the same period in 2022. Shein started out in