
A CASE STUDY OF UNICORN STARTUPS IN INDIA: GROWTH, IMPACT, AND SUSTAINABILITY

Nidhi Bawashe¹, Dr. Annapurna Metta² and Dr. Satyendra Patnaik³

¹Research Scholar, Under the Guidance

²Assistant Professor, Amity Business School, Raipur, Chhattisgarh

³Professor, CEO – JSSATE – STEP, Noida, Dean (Management) – JSS University, Noida, Uttar Pradesh

ABSTRACT

This thesis presents an in-depth analysis of the emergence, evolution, and current landscape of unicorn startups in India—privately held companies with a valuation exceeding USD 1 billion. As of 2023, India ranks third globally in the number of unicorns, trailing only behind the United States and China. This remarkable growth reflects the dynamism of India's startup ecosystem, driven by a combination of favourable demographics, increasing smartphone and internet penetration, rising consumer demand, proactive government policies (such as *Startup India* and *Digital India*), and a surge in domestic and foreign venture capital investments.

The study aims to investigate the key drivers behind the rise of Indian unicorns, the common traits that define their rapid scale-up, and the challenges they face in sustaining long-term value. In particular, it examines the economic and social impact of these startups in reshaping traditional sectors, generating employment, digitizing services, and formalizing fragmented markets.

To offer grounded insights, the research focuses on three high-impact unicorns: **Ola**, a pioneer in India's ride-hailing and emerging electric mobility sector; **Nykaa**, a transformative force in online beauty and personal care retail; and **Udaan**, a B2B e-commerce platform digitizing wholesale trade across India's vast informal retail network. Each case study analyzes the startup's business model, funding trajectory, innovation strategy, competitive landscape, regulatory interactions, and growth challenges.

While these unicorns symbolize India's innovation potential and its attractiveness to global investors, the thesis critically addresses growing concerns around capital dependency, operational sustainability, profitability delays, corporate governance issues, and valuation corrections. Ultimately, this research argues that for Indian unicorns to transition from being valuation-driven ventures to impactful institutions, they must embrace sustainable business models, prioritize ethical governance, and align their growth objectives with inclusive national development goals.

INTRODUCTION

1.1 Background

India's economy is undergoing a transformative shift, driven by a confluence of digital innovation, rising entrepreneurial ambition, a youthful population, and a rapidly expanding middle class. At the forefront of this transformation is the country's burgeoning startup ecosystem. Once considered high-risk and rare, startups—particularly those achieving "unicorn" status—are now central players in India's economic narrative.

A *unicorn* refers to a privately held startup with a valuation exceeding USD 1 billion. While the term was coined in Silicon Valley, its implications are increasingly relevant to India. As of 2023, India boasts over 100 unicorns, making it the third-largest unicorn ecosystem globally, following only the United States and China. These startups span diverse industries such as financial technology (Fintech), logistics, education (EdTech), healthcare technology (HealthTech), Software as a Service (SaaS), e-commerce, mobility, and B2B trade platforms. Many of these companies are not just redefining their sectors but also democratizing access to essential services and improving efficiencies across urban and rural markets.

Several macroeconomic and policy-level developments have accelerated this growth:

- The Digital India initiative has improved digital infrastructure across the country.
- The Startup India campaign offers tax breaks, simplified compliance, and incubation support.
- The Unified Payments Interface (UPI) revolutionized fintech adoption.
- A rise in foreign direct investment (FDI) and domestic venture capital has made India one of the most attractive markets for startup funding.

However, the surge in unicorn numbers has brought with it growing scrutiny. Many unicorns operate on business models that prioritize hypergrowth over profitability, relying heavily on external funding while

running large operational losses. Additionally, concerns about corporate governance, employee welfare, data privacy, and regulatory compliance have begun to surface.

This thesis explores these tensions between rapid growth and long-term sustainability by focusing on case studies of three high-profile Indian unicorns—Ola, Nykaa, and Udaan—to analyze how they have scaled, what challenges they face, and what their stories reveal about the broader startup ecosystem in India.

1.2 Scope of the Study

This study is focused on the unicorn startups ecosystem in India, particularly in the context of its growth trajectory, innovation dynamics, socio-economic contribution, and long-term sustainability. The scope includes:

- A macro-level analysis of India's unicorn boom: growth trends, enabling factors, and global comparisons.
- Sector-specific insights by analyzing three diverse unicorns:
 - Ola (MobilityTech) – representing the urban transport and electric mobility sector.
 - Nykaa (BeautyTech & E-commerce) – exemplifying D2C and online retail disruption.
 - Udaan (B2B E-commerce) – highlighting informal trade digitization in India.
- Examination of how these unicorns have impacted industry structures, consumer behaviour, employment generation, and rural-urban market linkages.
- Critical assessment of funding patterns, valuation metrics, and operational strategies.
- Discussion on policy implications and future directions for India's startup economy.

The study does not include a deep-dive into all Indian unicorns but rather selects representative cases to draw insights that can be generalized to other startups with similar characteristics.

1.3 Objectives of the Study

The key objectives of this research are as follows:

- To understand the rise of unicorns in India: Investigate macroeconomic trends, government interventions, and ecosystem support that have enabled rapid startup growth.
- To analyze new-age startups that have disrupted traditional industries: Explore how technology-enabled businesses have reshaped sectors like transport, commerce, and retail.
- To examine the business strategies of Ola, Nykaa, and Udaan: Study how these startups achieved scale, attracted funding, and built their customer base.
- To assess the economic, social, and policy impact of these unicorns: Evaluate their role in job creation, consumer empowerment, gender inclusion, and market formalization.
- To evaluate risks and outline recommendations for long-term sustainability: Address concerns related to profitability, valuation correction, governance, and market saturation; and suggest frameworks for responsible scaling.

LITERATURE REVIEW

2.1 Unicorns: A Global Perspective

The term “unicorn” was first coined by venture capitalist Aileen Lee (2013) to describe privately held startup companies valued at over USD 1 billion, highlighting their rarity at the time. These firms typically emerged from innovation hubs like Silicon Valley and were characterized by the integration of disruptive technology, rapid scalability, and high-risk, high-return investment models (Lee, 2013).

Authors such as Gornall and Strebulaev (2020) analyzed the valuation mechanics of unicorns and revealed that many of these firms may be overvalued due to preferential rights given to late-stage investors, suggesting a discrepancy between *headline valuations* and *true market value*. Similarly, Kenney and Zysman (2016) explored how platform-based unicorns like Uber and Airbnb not only introduced novel business models but also destabilized traditional regulatory frameworks, raising concerns about the governance of platform capitalism.

Studies by CB Insights (2022) and Crunchbase have shown that while the majority of global unicorns originated in the United States and China, other economies like India, the UK, and Germany have increasingly become fertile grounds for unicorn formation due to technology adoption, digital infrastructure, and funding inflows.

A common set of characteristics often defines global unicorns:

- **Disruptive innovation:** Challenging traditional incumbents through new digital models (e.g., Uber vs. taxis, Airbnb vs. hotels)
- **Aggressive growth orientation:** Prioritizing customer acquisition and scale over profitability
- **Investor-led expansion:** Significant involvement of venture capital and private equity firms
- **Global scalability:** Business models designed for international replication and rapid adoption

India's entry into the unicorn club marks the *localization* of these global traits, uniquely adapted to its socio-economic conditions.

2.2 India's Startup Ecosystem

India's startup ecosystem has grown exponentially over the past decade, becoming the third-largest in the world. According to NASSCOM (2022) and Invest India, several structural and policy-level enablers have contributed to this growth:

- The Startup India initiative (launched in 2016) provided tax exemptions, funding support (Fund of Funds for Startups - FFS), and simplification of compliance procedures (DPIIT, 2019).
- The Digital India campaign enhanced digital literacy and rural connectivity, helping even Tier-II and Tier-III cities participate in the startup ecosystem.
- The adoption of UPI and Aadhaar (India Stack) provided critical digital infrastructure for fintech and service-based startups.
- India's demographic dividend—a young, tech-savvy population—created fertile ground for mobile-first solutions and app-based business models.

Authors like Kumar and Choudhury (2020) argue that Indian startups have capitalized on *market asymmetries*, providing solutions where public services or legacy businesses failed. Aggarwal and Kapoor (2021) emphasize that platforms like Flipkart, Paytm, and Ola redefined user behavior and inspired a new generation of entrepreneurs.

India's unicorns also reflect sectoral diversity. Early unicorns were largely consumer-focused (e.g., e-commerce), but recent ones logistics (Delhivery), SaaS (Zoho), B2B commerce (Udaan), and fintech (Razorpay), demonstrating ecosystem maturity.

In many cases, these startups are formalizing traditionally informal sectors, such as street-level retail, transportation, and education. Their platforms are enabling better documentation, data trails, and digital payments—laying the foundation for scalable governance and innovation.

CONCLUSION OF LITERATURE REVIEW

The literature suggests that while unicorns represent economic dynamism and innovation, they are not without flaws. The Indian startup ecosystem's success is contingent on balancing speed with sustainability, scaling with ethics, and innovation with accountability. This thesis contributes to the literature by examining select Indian unicorns not only from a growth perspective but also through the lenses of sustainability, governance, and long-term socio-economic impact.

RESEARCH METHODOLOGY

3.1 Approach

This research adopts a qualitative case study approach, analysing:

- Business models
- Growth strategies
- Funding patterns
- Impact metrics

3.2 Data Collection

Sources:

- Startup databases (CB Insights, Inc42)

- Financial reports and IPO filings
- Interviews, press releases, and secondary research
- YourStory, Inc42, Economic Times, TechCrunch

3.3 Selection Criteria

Selected unicorns are from diverse industries:

- **Ola** – Disruption in transportation
- **Nykaa** – Tech-enabled beauty/e-commerce platform
- **Udaan** – B2B trade and distribution across Bharat (non-metro India)

Case Studies

4.1 Case Study 1: Ola (ANI Technologies Pvt. Ltd.)

Founded: 2010 by Bhavish Aggarwal and Ankit Bhati

Sector: Ride-hailing and MobilityTech

Unicorn Since: 2014

Valuation Peak: \$7.3 billion

Business Model:

- Aggregates taxis, autos, and bikes via app
- Expanded into electric vehicles (Ola Electric)
- Monetizes via commissions and dynamic pricing

Growth Drivers:

- Smartphone penetration
- Urban transportation inefficiencies
- Absence of legacy taxi infrastructure

Challenges:

- Regulatory battles with local transport authorities
- Driver dissatisfaction and strikes
- Losses due to competition and discounts
- Fleet maintenance and scaling of EV infrastructure

4.2 Case Study 2: Nykaa

Founded: 2012 by Falguni Nayar

Sector: Beauty & Lifestyle E-commerce

Unicorn Status: 2020

IPO: Successfully listed in 2021

Valuation at IPO: ~\$13 billion (briefly)

Business Model:

- Omnichannel platform selling beauty, fashion, and wellness products
- Focuses on curated content, influencer marketing, and education
- Direct partnerships with premium global brands

Strengths:

- Strong logistics and warehouse management
- Personalized content and engagement
- Trust and loyalty among women consumers

Challenges:

- Post-IPO valuation correction
- Margin pressure from offline competition
- Scalability of private label products

4.3 Case Study 3: Udaan

Founded: 2016 by former Flipkart executives

Sector: B2B E-commerce

Unicorn Since: 2018

Valuation: ~\$3.1 billion

Business Model:

- Enables retailers, wholesalers, and traders to buy/sell goods across India
- Credit financing and logistics built-in
- Focus on Tier-2 and Tier-3 India

Impact:

- Digitized informal retail supply chain
- Helped local shops access inventory efficiently
- Created value in FMCG, electronics, and pharma trade

Challenges:

- High logistics costs
- Difficulty in credit recovery
- Fragmented retail ecosystem
- Capital-intensive model

ANALYSIS AND DISCUSSION**5.1 Shared Success Drivers**

The rapid ascent of Ola, Nykaa, and Udaan to unicorn status can be attributed to a combination of strategic, technological, and market-specific success factors. While these startups operate in different industries—mobility, e-commerce, and B2B distribution respectively—they share common enablers that have fuelled their growth.

5.1.1 Strong Use of Data and Tech Platforms

Each of these startups has leveraged **data analytics**, **AI-driven algorithms**, and **cloud-based infrastructure** to optimize operations and personalize user experiences.

- **Ola** uses real-time geolocation data and demand prediction models to optimize fleet allocation, reduce wait times, and implement surge pricing.
- **Nykaa** utilizes recommendation engines based on browsing and purchase behavior, enabling targeted marketing and higher conversion rates.
- **Udaan** applies inventory analytics and credit risk modeling to assess buyer reliability and streamline logistics.

The strategic deployment of technology has enabled these firms to scale efficiently, optimize costs, and create intelligent decision-making systems in fast-changing markets.

5.1.2 Scalability via Mobile Platforms

India is predominantly a mobile-first internet economy. All three companies have built mobile-optimized platforms that cater to users across urban and semi-urban regions.

- Ola's app interfaces seamlessly with Android and iOS users, and even works in low-bandwidth environments.

- Nykaa's mobile app supports regional language integration and personalized dashboards.
- Udaan's mobile-first B2B marketplace allows small retailers to order stock, track delivery, and access credit—all through their smartphones.

This app-centric strategy has provided them with deep market penetration, especially in Tier II and Tier III cities where desktop internet access is minimal.

5.1.3 Localization of Services

A defining trait of successful Indian unicorns is their ability to adapt services to local market conditions, consumer behavior, and regulatory frameworks.

- Ola launched services like Ola Auto, Ola Bike, and Ola Rentals to meet region-specific mobility needs.
- Nykaa localized beauty offerings with regional brands, skin tone-specific products, and vernacular content to build consumer trust.
- Udaan tailored its product categories to the demands of kirana stores, chemists, and mom-and-pop retailers, integrating regional logistics providers for timely delivery.

This **hyper-localization** strategy enabled these companies to serve India's fragmented and culturally diverse markets more effectively than international competitors.

5.1.4 Access to Global Venture Capital and Strategic Partnerships

Ola, Nykaa, and Udaan have all attracted significant capital from some of the world's most influential investors:

- **Ola:** SoftBank, Tiger Global, Tencent
- **Nykaa:** TPG Capital, Fidelity, and multiple family offices
- **Udaan:** Lightspeed Venture Partners, DST Global, Altimeter Capital

These funding rounds allowed them to burn capital for market capture, expand infrastructure, and invest in R&D. Strategic partnerships also brought in operational expertise and international best practices.

Future Outlook

6.1 Emerging Trends

- **Green mobility** (Ola Electric)
- **Ecommerce and creator economy** (Nykaa's influencer strategy)
- **Formalization of unorganized retail** (Udaan's core market)

6.2 Policy & Market Recommendations

- Support innovation but introduce sector-specific regulations
- Encourage domestic capital flows into startups
- Build public infrastructure (logistics, EVs, credit) to support scale
- Foster startup IPOs to ensure financial transparency

CONCLUSION

India's unicorn journey is a testament to the transformative power of entrepreneurship, digital innovation, and market disruption within one of the world's most complex and diverse economies. The remarkable trajectories of Ola, Nykaa, and Udaan showcase how startups can challenge and redefine traditional industries—urban mobility, beauty retail, and wholesale trade—by leveraging technology, deep localization, and new business models tailored to India's unique socio-economic fabric.

These success stories underscore several important themes. First, the democratization of technology and capital has enabled businesses to scale rapidly and reach underserved customer segments across geographies and income groups. Second, the Indian startup ecosystem benefits from a youthful population and increasing internet penetration, factors that startups have skillfully harnessed to disrupt entrenched incumbents. Third, access to global venture capital and strategic partnerships has fueled ambitious growth and expansion.

However, this journey also exposes critical challenges that lie ahead. The longevity and true impact of India's unicorns will hinge on their ability to move beyond short-term valuation milestones and fund-raising triumphs towards building robust governance structures, delivering genuine customer value, and adopting sustainable

operational practices. Many of these startups currently operate on high cash burn rates, face regulatory uncertainties, and encounter intense competitive pressures, which could undermine profitability and stakeholder confidence over time.

Moreover, ethical considerations such as employee welfare, data privacy, and environmental sustainability must be integrated into business strategies to align with global standards and social expectations. As India's unicorns mature, their evolution into responsible, value-driven enterprises will be essential—not only for securing their own future but also for ensuring that their growth translates into meaningful economic development, job creation, and societal progress.

In conclusion, India's unicorn ecosystem symbolizes a powerful shift in how innovation can drive inclusive growth in emerging markets. The path forward requires a delicate balance between aggressive innovation and prudent management. If nurtured with foresight and responsibility, India's unicorn startups have the potential to become global leaders and catalysts for sustainable transformation in the decades to come.

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