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TN looks to breed more unicorns

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Chennai: It may be raining unicorns in India, but Tamil Nadu seems to be facing a drought when it comes to startups scaling up to cross the \$1 billion valuation. Of the 94 unicorns from India, only five are TN-based startups with two of them entrants to the coveted list in 2022.

Industrialised Tamil Nadu has a well-rounded business ecosystem spanning sectors, but it has to catch up with its neighbours Karnataka and Telangana when it comes to fostering new-age startups. TN also needs to match the strides made by Maharashtra and Delhi.

Entrepreneurs, investors, and startup ecosystem trackers TOI spoke to say that the unicorn tally is a vanity metric, and that TN's startups are more sustainable and profitable. But, they admit that startups find it difficult to scale up beyond a level and choose to shift base to greener talent pastures such as Bengaluru.

"Tamil Nadu now needs to move from TN to TNT (Tamil Nadu Technology-driven) and only an open and welcoming policy towards talent from everywhere will help achieve this," says Gopal Srinivasan, founder, TVS Capital Funds. The recent state budget proposal to set up a i-Tamil Nadu Technology (iTNT) hub is a step in the right direction, he adds.

Tamil Nadu's startups have either preferred to grow while staying bootstrapped like Zoho or expand by going public like Bharat Matrimony or LatentView. Before Freshworks' success in attracting global investments, venture capital was hardly there in the state. Arun Natarajan, founder and MD of research firm Venture Intelligence, says the unicorn phenomena has so far been B2C in India and Tamil Nadu's DNA leans towards B2B, SaaS and deep tech. "In 2022, the unicorn list has started to tilt towards these areas, and Chennai's Uniphore and CredAvenue turning unicorns this year is proof that the pipeline is strong," says Natarajan.

"We have hardly a handful of angel investment networks, and the outreach to the global PE-VC industry is quite inadequate. It's like going to a gunfight with a knife," says an entrepreneur in Chennai. Another investor said the "parochial and regional chauvinism" mindset of policy makers was a hindrance to attracting national talent.

Things are, however, changing. Data from Venture Intelligence shows that TN-based companies lapped up VC investment of more than \$980 million across 20 deals in 2022, up from \$968 million raised in the whole of 2021.

Chandu Nair, a startup mentor, says the state should build on its traditional strengths to catch national interest. "Startups should be promoted around manufacturing, BFSI and healthcare. Industry 4.0, fintech and healthtech are ripe for TN to disrupt," he says.

Venkat Subramanyam, founder, Veda Corporate Advisors, says there is no need to fundamentally alter the conservative DNA, which is working for the state. "But for the startups to scale up, they need experienced talent and that is an area where we lack," he says.

"The brain drain is real but getting arrested gradually as enough and more community efforts are happening to make startups exciting," says Prabhu Rangarajan, co-founder, M2P Fintech, which has been attracting global VC firms to Chennai. "Many large universities have started including entrepreneurship as a part of curriculum and this helps," he adds.

Nishanth Chandran, founder of Fresh meat and seafood startup TenderCuts, which will soon be one of Chennai's first D2C startups to turn unicorn, says it is just a matter of time before today's college graduates who have caught the entrepreneurial bug become tomorrow's unicorn founders. And then there are others who are happy that TN has missed the unicorn bus.

The fundamental rule of a business is to create value and generate revenue, but most of today's unicorns don't seem to be doing that, says Kumar Vembu, founder, GoFrugal. "TN has everything going for it. Five years from now, both TN and Karnataka will likely have the same number of surviving startups," he adds.