

ONLY 4 OF THE 12 FIRMS CURRENTLY PROFITABLE

Over half of IPO-bound startups still in the red

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MORE THAN HALF of the startups looking to launch initial public offerings (IPOs) this year are still struggling to post profits.

Of the 12 startups which have either filed their draft red-herring prospectus (DRHP) with the Securities and Exchange Board of India (Sebi) or are looking to list this year, eight have incurred losses, showed latest annual filings by the companies. This includes unicorns such as FirstCry, MobiKwik and Ola Electric.

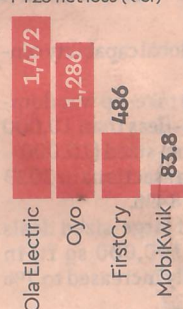
A back-of-the-envelope calculation shows that the combined loss of these eight startups stood at over ₹8,000 crore, largely led by Swiggy, Oyo and Ola Electric.

Besides these, health tech startup Portea Medical, flexible workspace provider Awfis, baby care retailer FirstCry, and fintechs

LISTING PLANS

Loss-making companies

FY23 net loss (₹ cr)



MobiKwik and PayMate have also reported losses in their latest annual filings.

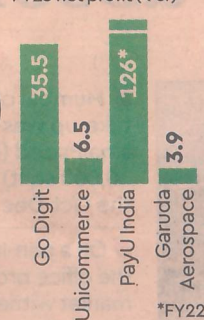
While it isn't mandatory for companies to report a net profit to list on the exchanges, National Stock Exchange (NSE) norms stipu-

late that they should have operating profit or earnings before interest, depreciation and tax for at least any two of the three financial years preceding the application.

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Profit-making companies

FY23 net profit (₹ cr)



*FY22

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"FOR THESE COMPANIES, investors will look at trends in operating profitability rather than the current profit after tax, since the investors tend to value companies on forward projections. These companies have build significantly large businesses in relatively less time, so trailing losses could also be a result of growth investments such as brand building and physical/technological infrastructure," said Sachin Dixit, internet research analyst at JM Financial. Oravel Stays, which operates hotel aggregator app Oyo, posted a narrower loss of ₹1,286 crore in FY23 with an adjusted earnings before interest, tax, depreciation and amortisation (Ebitda)

of ₹277 crore. However, it managed to turn its first-ever profit in Q2FY24. For the current fiscal, it expects adjusted Ebitda to nearly triple to ₹800 crore.

The country's first electric vehicle company to file for a public listing -- Ola Electric -- reported a wider net loss of ₹1,472 crore in FY23. For Swiggy, its largest investor Prosus had said the company's losses had widened 80% in FY23, indicating a loss of \$545 million. However, the company has reportedly narrowed its losses in the first half of FY24 to \$208 million.

Despite staggering losses, some of these startups have managed to post a remarkable

rise in sales in the last financial year. While Oyo posted a 14.3% rise in revenue from operations to ₹5,464 crore in FY23, Ola Electric's topline jumped nearly sixfold to ₹2,782 crore during the same period.

FirstCry's revenue from operations more than doubled to ₹5,632 crore in FY23, even as its net loss surged 6x to ₹486 crore.

Awfis' operating revenue jumped 112% year-on-year to ₹545.3 crore in FY23, while it slightly narrowed losses.

The surge in revenue indicates that the companies are focusing on scaling their operations prior to listing and choosing to invest heavily on growth, sometimes at the cost of profit.

However, among the IPO-bound startups general insurance firm Go Digit, e-commerce SaaS platform Unicommerce, fintech PayU and drone manufacturer Garuda Aerospace are currently profitable.

Go Digit recorded a profit after tax of ₹35.5 crore for FY23, it said in its IPO filing, compared with a loss of ₹296 crore a year ago, while Unicommerce's profit stood at ₹6.5 crore in FY23 and that of Garuda Aerospace at ₹3.9 crore.

While Go Digit, Oyo and FirstCry have filed their DRHP and are awaiting regulatory approval, as per information from primedatabase.com, PayU, Unicommerce, Swiggy and Garuda Aerospace have not filed their papers yet. MobiKwik, which had received Sebi approval in 2021 and then shelved the listing, is expected to file fresh IPO papers soon.