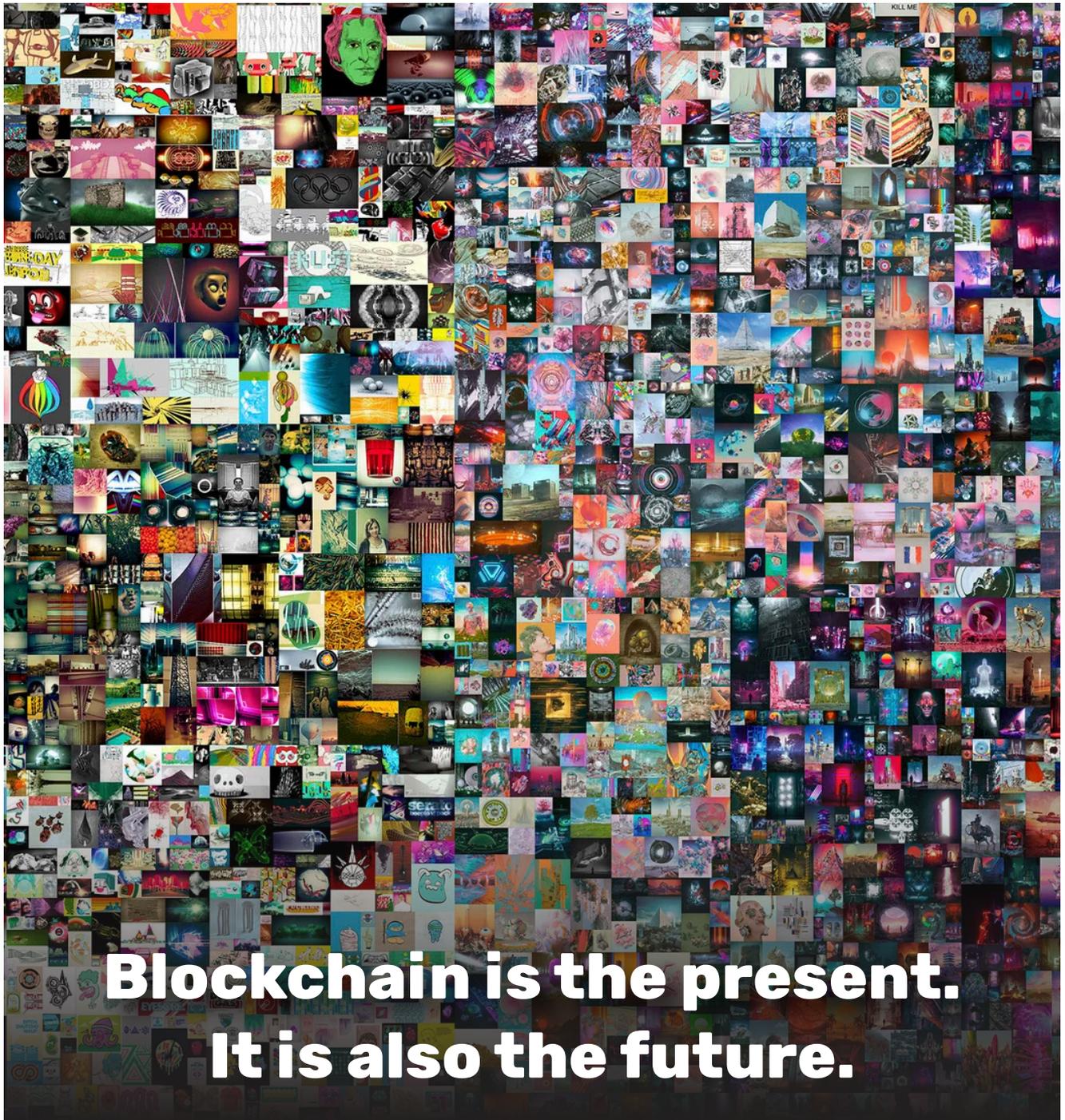


# CAPITAL CALL

by

*Nimesh Kampani*



**Blockchain is the present.  
It is also the future.**

April 20, 2022

It was only in 2018 that Warren Buffet – probably the most veteran investor today – called Bitcoin (the first cryptocurrency) “rat poison” on a television chat. At the time, his statement created a storm in the Blockchain world and even caused a dip in the value of Bitcoin. Over time, however, it seemed like the world was not taking Buffett's words too seriously. The market cap for crypto crossed \$3 trillion in November 2021, as per CoinGecko.

In fact, in February 2022, Buffet made headlines again in the cryptocurrency world – this time, when his firm Berkshire Hathaway made a whopping \$1 billion investment in Nubank, a digital bank which enables customers to transact on Bitcoin ETFs.

It looks like whether you like it or not, blockchain and cryptocurrency is here to stay, and for good reason. Blockchain technology powers Web3 – which is all about decentralisation of data, empowering every internet user with more security, transparency, and accountability.

After Web1 which popularised browsing and passive content consumption, and Web2 which democratised online content, Web3 feels like a natural next step – and an important one at that.

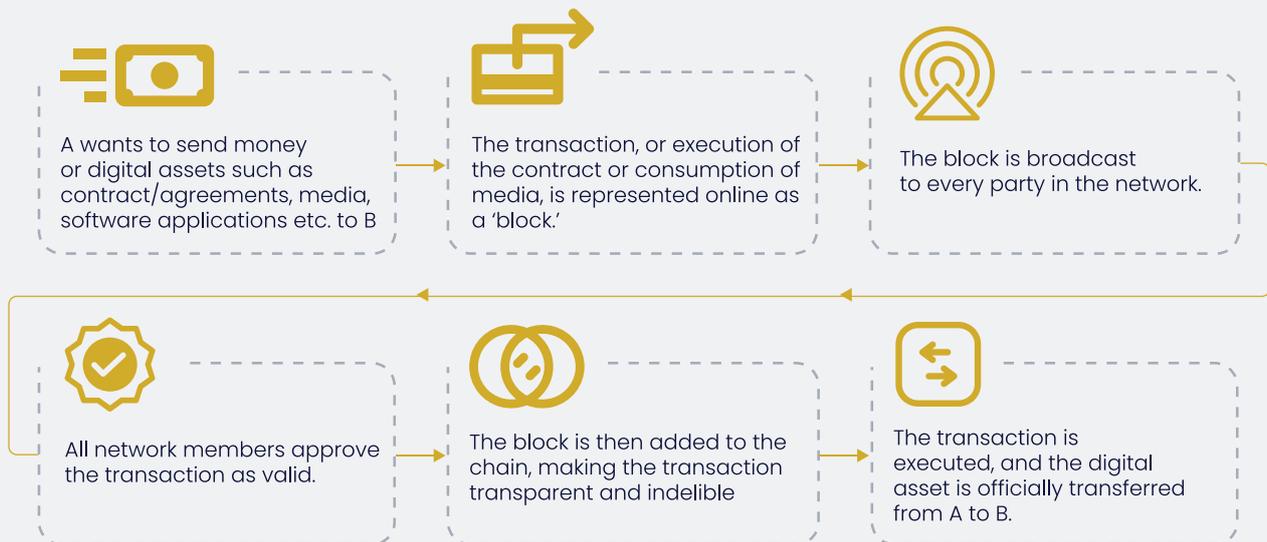
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***Blockchain has ushered in a new era of organising data and keeping record of every transaction in such a way that anyone can access it without breaching its security. The decentralisation of blockchain is so concrete that even the identity of the inventor of Bitcoin, which threw light on blockchain technology's possibilities, remains unknown behind the pseudonym Satoshi Nakamoto.***

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A blockchain is a set of blocks linked to each other. Each block contains details of transactions, hash of the previous block, timestamp, etc. Data and transactions executed over the network are stored in the ledger in a decentralised manner over a peer-to-peer network. Transactions are validated and verified through consensus across nodes of the blockchain network.

## How Blockchain Technology works



Courtesy : WEF

Blockchain eliminates the need for a central entity to validate transactions, and provides better security than a centralised system. It can guarantee a fool-proof voting system (as each vote is verifiable), build customer loyalty in retail (by giving cryptocurrency as reward), and secure IoT networks. Blockchain also enables protection of copyright, as digital copyright data is stored in blocks.

Blockchain has a multitude of applications across sectors – cryptocurrency, healthcare, insurance, education, governance, financial services, real estate, sharing economy, logistics and supply chain among them. In fact, the business value generated by blockchain is estimated to be worth \$176 billion by 2025 and \$3.1 trillion by 2030 as per a Gartner research.

According to reports, India has more than 200 startups working in blockchain technology across verticals, including two unicorns.

***Tracxn data states that in 2021, Indian blockchain startups received \$638 million across 48 deals while \$24.86 billion flowed into blockchain startups across the globe.***

I hope that this is only the beginning of better things to come – because with the right amount of capital and an already-existing pool of talent, Indian startups can create miracles in this sector.

## 10 Top-funded Indian blockchain startups

| Startup       | What they do   | Founding year | Investors   | Total funding | Latest funding round |
|---------------|--|---------------|---|---------------|----------------------|
| Signzy        | Provider of AI-based digital onboarding and back-office solutions                          | 2015          | Vertex Ventures, T-Hub, SAP, Kalaari capital, Arkam ventures                            | \$12.7 M      | Series A             |
| Insta Dapp    | Provider of crosschain for DeFi  | 2018          | Pantera Capital, IDEO CoLab, Robot Ventures, Coinbase, Stable Node                      | \$12.4 M      | Series A             |
| Koine Arth    | Supply chain solution for optimal asset sharing between governments, citizens & industries | 2018          | YourNest, Inventus Capital India, NetApp Excellerator, Lumis Partners, SupplyChain Labs | \$1.8 M       | Seed                 |
| Unbound       | HSM-grade security solutions for digital assets  | 2014          | Innovation Endeavors, Citi Ventures, Goldman Sachs,                                     | \$40 M        | Series B             |
| Coin DCX      | App-based exchange platform for cryptocurrency   | 2018          | Bain Capital Ventures, Jump Capital, Polychain, B Capital Group, Uncorrelated Ventures  | \$112 M       | Series C             |
| Strip Finance | Collateralized and liquidity protocol for NFT and liquidity                                | 2020          | Shima Capital, Lancer Capital, Block0, Tenzer Capital, Nothing Research                 | \$40.5 M      | Seed                 |
| Biconomy      | Blockchain-based application development platform  | 2019          | True Ventures, Bain Capital, NFX, Outlier Ventures, Creative Destructive Lab            | \$10.5 M      | Series A             |
| CoinSwitch    | App-based platform for trading in cryptocurrency   | 2017          | Ribbit Capital, Tiger Global Management, Sequoia Capital, Paradigm, Andreessen Horowitz | \$302 M       | Series C             |
| Bulliverse    | Online gaming platform   | 2021          | C2 Ventures, Roark Capital Group, Genblock Capital, Mintable, LD Capital                | \$4 M         | Series A             |

Courtesy : tracxn

## The Indian Landscape of Blockchain startups

Cryptocurrency exchanges are among the most lucrative options in blockchain-related applications. Unsurprisingly, most of the Indian startups working in blockchain-related products belong to that category. CoinDCX and Coinswitch Kuber, the two cryptocurrency unicorns from India, are both crypto exchanges.

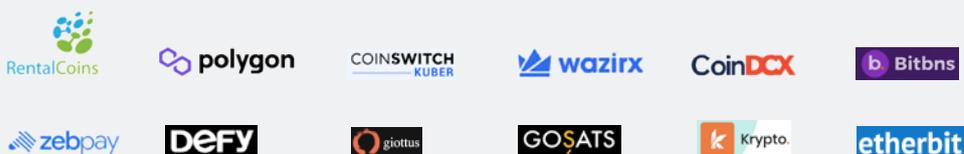
Financial services like lending, loan-facilitating, trading etc. are also adopting blockchain. With decentralised financing, startups like Vault and Skeps prevent fraud and enable 'smart contracts' which are automated as well as easy to verify and enforce.

The healthcare sector also benefits from blockchain technology, as it enables secure transfer of patient records and drugs' supply chain. Logistics and supply chain sectors are also seeing increasing adoption of blockchain technology since it can track, trace, and keep operations error free. Invoicing and payment transactions can also be done securely.

Blockchain technology can also ensure safety and transparency in ESOP management. Our product trica Equity uses blockchain, which stores all equity transaction data to ensure data integrity. Any changes done in the shareholding records are held in a private blockchain. The tamper-proof ledger ensures that any modification is verifiable, unlike in a regular database where modifications are not traceable.

## Indian startups across Blockchain verticals

### Cryptocurrency



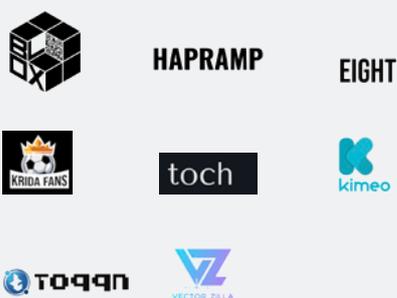
### Banking



### Financial services



### Media



### Healthcare



### Logistics & Supply chain



### IT solutions



Another curious application of blockchain is the NFT (Non-Fungible Tokens), which are crypto-assets that record ownership of digital files – like video, images, audio, memes etc. Startups like Kalamint, Guardian Link, and even Wazirx NFT Marketplace are creating new business models which let more people pursue creative assets.

As a technology that guarantees secure transactions, blockchain has seen a high adoption rate in the Finance and Insurance sectors. In fact, the Insurance industry – which has to jump through multiple hoops for verification processes – has found it easier to onboard clients with blockchain. Globally, startups in this space have been able to automate claims submission and have designed smart insurance contracts using blockchain technology. I'm sure Indian counterparts will do the same in no time; Mohali-based Vitraya Technologies already caters to the health insurance sector using blockchain.

Sharing economy is another sector I find great potential in. This sector's safety concerns can be addressed by blockchain. It ensures identity verification and background checking for service providers, and can eliminate intermediaries. Blockchain also guarantees security using an in-app rating system that is censorship-resistant.



## Investment Inflow

A few weeks ago, Ethereum scaling project Polygon (co-founded by Indian entrepreneurs but registered abroad) raised \$450 million in its first major VC financing round led by Sequoia Capital India, with participation from Tiger Global, SoftBank, Galaxy Digital, Republic Capital, Makers Fund, Steadview Capital, and others. The Web3 startup's market cap was \$14.4 billion at the time, as per a YourStory report. This is one of the largest fundraises by any blockchain startup, and I bet this is not the last of it.

Global trends show that investors are attracted to cryptocurrency startups when it comes to large cheques. Indian blockchain unicorns have attracted global investors like Coinbase and a16z already. Andreessen Horowitz Mega Fund of \$2.2 billion for crypto, crypto VC firm Paradigm's \$2.5 billion fund, and UAE-based Cypher Capital's \$100 million Blockchain fund (out of which 40% targets Indian startups) are all optimistic signs of the investment inflow.

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***VC funds investing in blockchain startups include ConsenSys Labs, Coinbase Ventures, Ethereum Foundation, Binance, and Blockchain Capital.***

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Of course, we can't talk about investments without talking about startup valuations. One of the many extraordinary things about blockchain startups is the factors that investors need to watch out for.

### **Investors' check-list for blockchain startups**

- Proof of concept & MVP
- Blockchain test network (run with beta testers)
- Tokenomics: how cryptocurrency works within the broader ecosystem
- Team must include token economy designer, cryptographer, distributed systems engineer, smart contract engineer
- Long term vision should include how the users will adopt the product
- Decentralisation test: Scams are nearly impossible if there is higher adoption
- Business model: how will they create value and increase adoption?

Most blockchain startups use An Initial Coin Offering (ICO) to raise funds. If IPO sells a share of ownership of the company, ICO sells a share of ownership from the project. With ICO, the startups decide the value of their token and attract buyers through an underwriter in contrast to IPO firms.

So far, not only were ICOs able to raise large amounts, but many also generated significant returns for investors. For example, San Francisco-based blockchain firm Solana gave one of the most profitable returns to date: if you had invested \$100 in SOL in 2020, your return would be \$250,000 in 2021.

But don't forget: there is always a high risk of the project being discarded, since there is no regulation making the founder liable to deliver. Ideally, an investor should research the project well and understand the project's technicalities.

***Every cryptotoken project must have a unique functionality compared to other cryptocurrencies: like how Ethereum enables developers to write smart contracts better than Bitcoin.***

## 10 Highest-valued Blockchain companies in the world

| Company        | What it does                      | Founding year | Latest valuation (\$Bn) |
|----------------|-----------------------------------|---------------|-------------------------|
| Binance        | Cryptocurrency Exchange           | 2017          | \$100 B                 |
| Coinbase       | Cryptocurrency Exchange           | 2012          | \$52 B                  |
| FTX Exchange   | Cryptocurrency Exchange           | 2012          | \$32 B                  |
| Ripple         | Payments                          | 2012          | \$10 B                  |
| Bullish        | Cryptocurrency Exchange           | 2021          | \$9.1 B                 |
| Circle         | Payments                          | 2013          | \$9 B                   |
| Fireblocks     | Blockchain Security Service       | 2018          | \$8 B                   |
| Gemini         | Cryptocurrency Exchange           | 2014          | \$7.1 B                 |
| NYDIG          | Bitcoin company                   | 2017          | \$7 B                   |
| Blockchain.com | Cryptocurrency Financial Services | 2011          | \$5.2 B                 |

Courtesy : Startusinsights

In the blockchain world, assets, trusts, ownership, money, identity and contracts (ATOMIC) are all programmable. The business model is created based on which one of these is monetised, what is subsidised and how dollars flow through the business. Since cryptocurrency is extremely volatile due to the regulatory conundrums, supply-demand imbalance, or even PR hype, only a well-thought-out tokenomics can assure the tokens' value in the long term.

I suggest you also check out the media coverage and their social media, Discord and Github activity to see their development progress. Projects like WINGS and ICONOMI help protect ICO investors and assist blockchain entrepreneurs adhere to best practices.



## The future is here

Of the world's 10 largest publicly traded companies, eight are blockchain bulls according to last year's Forbes Annual Global 2000 list of the largest publicly traded companies globally. The number one company on the list is the Chinese government-owned Industrial and Commercial Bank of China, which now has 30 blockchain applications tracing health-care coverage, philanthropic donations, etc.

The Indian government is also taking blockchain seriously. The RBI is already working on a digital version of Rupee.

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***Government welfare programmes can be improved by blockchain since it can reduce fraud and operational costs as well as provide quicker disbursement digitally.***

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The union government's National Strategy on Blockchain Technology Report 2021 points to the benefits of using blockchain in the educational system too. Student's certificates, scholarship details etc., can be stored in a blockchain network, and stakeholders such as educational institutions, different departments entrusted with disbursement of scholarships and respective administrative boards can become partners and have student's records stored on consensus basis.

I am positive that tech solutions providers with blockchain power will soon be catering to governmental agencies. With the Blockchain-as-a-Service paradigm, the report adds, revenue generation models can be evolved for offering various services (G2C, G2G, B2B etc.).

Adoption of bitcoin technology among the masses may take time; but there are encouraging signs. Notably, Crypto-gadget store Etherbit's founders have stated that their traction comes from not just major cities but also Tier II and Tier III towns in India. Media reports say that the crypto space in India has seen customers grow from 3 million to 20 million in the last two years. CoinDCX has more than four million customers already. Like most B2B tech platforms, Blockchain startups have global scalability as well.

The regulatory framework has a long way to go in clarity and startup-friendliness for sure, but I am confident that it will happen sooner than later.



**Nimesh Kampani**  
Co-founder and CEO, trica

Nimesh Kampani is the co-founder & CEO of trica, a unified technology solution for equity management and transactions. He is an alumnus of Harvard Business School and a Chartered Accountant with more than 18 years of experience in banking and financial services. Prior to beginning the journey at trica, Nimesh led the Investor Relations function at Kotak Mahindra Bank, and was part of the strategy team that planned new initiatives, alliances, partnerships and inorganic opportunities for Kotak Group. He also co-founded Svasti Microfinance in Mumbai, with which he was associated for a couple of years. Earlier, he has worked with ICICI Bank in their Finance department. Nimesh believes that strong and accomplished leaders do not create followers – they create more leaders. Now an investor, entrepreneur, and mentor, Nimesh has been recognised in the list of top 40 angel investors in India. He has invested in more than 50 startups. An avid reader and coin collector, Nimesh is always in pursuit of new cuisines and is a self-confessed coffeeholic. Outside work, his favourite thing to do is spending time with his family and socialising with people he finds inspiring.

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trica's investors include Accel, Lighthouse Canton, Secocha Ventures and marquee angels and family offices.

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