

Indian [blockchain](#) startups raised over \$5.3 million between January 2016 and April this year, either from venture capital (VC) funds, individual investors and institutions, or through initial coin offerings (ICOs). Globally, [blockchain](#) start-ups raised around \$1.3 billion from VC funds last year.

Several companies, particularly in the banking and finance industry, have initiated [blockchain](#) proof-of-concepts (POCs) to improve operations. Blockchain projects are being deployed for both private-internal use as well as to improve global operations, in the case of inter-bank transactions, for example.

“Blockchain is another hotbed of investment right now as the sector is seeing continued backing of investors due to a variety of solutions that have come to the fore in recent days. There are solutions like signed consent, document fraud detection, cross border transactions and remittances which are being taken up,” said Vivek Belgavi, partner and fintech leader, PWC.

The table above lists some of the top start-ups in the blockchain space that have raised funds from investors and VCs.

“There has been phenomenal interest in blockchain companies with VC participation, but they’ve been slightly circumspect about the viability of some of these start-ups,” said Vidhya Shankar, partner at Grant Thornton India LLP.

The most recent start-up to raise funds is Elemential Labs, a platform which allows developers to build and manage blockchain applications at scale. It recently raised \$720,000 from Matrix India Asset Advisors, Eight Innovate Ventures and Investopad, among others.

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When VCs or [angel investors](#) /institutions invest money in a startup, there is a fair amount of equity dilution to the promoter/founder shareholding, while the VC fund or investor gains a board seat and has a significant decision making power.

To circumvent the traditional funding route, many blockchain start-ups, in the country and globally, have opted to raise funds through ICOs.

However, due to the government and Reserve Bank of India’s (RBI’s) apprehension towards crypto currencies, start-ups are offering ICOs in countries with friendly policies like Switzerland, Bulgaria, Estonia, Singapore or Japan.

“Many Indian start-ups, I know, raised funds from ICOs abroad. Therefore, the data

(\$ 5.3 million) cited is actually a lower estimate,” said Akash Gaurav, CEO of the Auxesis Group, a blockchain and distributed ledger solutions provider.

Auxesis has been a purely bootstrapped firm without any seed funding from VCs but it recently launched an ICO for its flagship product ‘AuxLedger’ and plans to reach its target of \$20 million by the end of September.

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An ICO is like an initial public offering, where, instead of a draft Red Herring prospectus, which lists and explains the business history, operational aspects of the company and plans for the future, there is a white paper explaining the technology behind their product.

“In a security or asset, there is an expectation of an increase in value or returns, whereas for majority of the ICOs there is nothing of that sort. Some do have an underlying business proposition; these could be called utility tokens,” Shankar said.

Gaurav added that VCs look at the company’s valuation and plan while investing but it’s not the same for ICO-based companies.

VC AND ANGEL EQUITY INVESTMENTS IN BLOCKCHAIN START-UPS

Target Company	Total deal value (\$ mn)	Buyer(s)
Elemential	0.9	Eight Innovate Ventures, Matrix India Asset Advisors Pvt Ltd, Investopad,
ZPX Pte	1.3	SeedPlus Singapore LP, Milliways Ventures, Gokul Rajaram
Shaya Biochain Pvt Ltd	0.04	Venture Catalysts Pvt Ltd, Amit Gajendra Kumar Patni
Artivatic Data Labs Pvt Ltd	0.07	Spark10 Accelerator Pvt Ltd, Rahul Sood, Saral Talwar
Signzy Technologies Pvt Ltd	0.9	Kstart Capital, Innoeye Software Technologies Pvt. Ltd., Contrarian Opportunities Fund I, Sapphire Ventures LLC
Unocoin	1.5	Boost VC, Bank To The Future Ltd, Digital Currency Group Inc, FundersClub Inc, Blume Venture Advisors Pvt Ltd, Mumbai Angels, AH Ventures India Pvt Ltd, Bitcoin Opportunity Corp
Space-0 Technologies	0.48	
Coinsecure	1.2	

Source: NewsCorp VCC Circle

“But in the case of companies like ours, ‘token-nomics’ is what matters. That is, how the tokens will be governed over time,” he said.

Sumet Singh, co-founder and chief financial officer at DIRO Labs, told Business Standard that blockchain start-ups need to be strategic in their plans to scale up. The company has developed a blockchain for users to store their identification (cards) details in a secured manner.

Instead of dealing with one bank at a time, DIRO approached the Financial Action Task Force (FATF), an intergovernmental organisation which liaises with central banks around the world on anti-money

laundering and know-your-customer norms.

The hope is to get FATF approval for DIRO's platform before the technology platform is deployed en masse.

Recently, the spate of fraudulent ICOs have caught reputable investors off-guard, with experts estimating that around 80 per cent of new ICOs are fake. Therefore, understanding the fundamentals of assets and business proposition of a blockchain company is important before investing, said experts.