E commerce valuations unrealistic kusha

Business, E-Commerce

There are expectations of a $100 billion firm In the e-commerce Industry. The valuation bar has only been raised with every round of funding in e-commerce. A firm that is valued at $1 bin in November 2013, reaches a valuation of $ within four months, it jumps to $ figure again four months after that? Nothing surprising there given the potential of the sector. But all this rush of money into the system, in a short span of time is what worries one. Investors like Holdings . LTD, Black Rock Inc. Government of Singapore Investment Corp.. Capital Management LLC, etc. Have made the valuations of a lot of firms In e-commerce to reach skyrocketing. Are these valuations really justified? According to an estimate, the 1 3, 800-core (or $2. 3-billion .) Indian e- tailing market is expected to account for 3% of Indian's overall retail market and will touch 1. 92 lake core (or $32 billion) by 2020. This means that more Investment will come Into the country's e-commerce business but what has surprised many Is he eye-popping valuations that companies are enjoying In the span of a year.

In May, acquired Mantra in a deal valued at around Six months on, Amazon is speculated to be making its first acquisition in India, of fashion portal , at around 6000-7200 core which is over three times the amount that paid for Mantra. Is itself seeking Its third round of funding of funding. Interestingly, It Isn't the marquee names alone but Niche players such as Bazaar (clothing), Pretty Secrets), Fashion and You, First Cry that re making the valuation cut in the e-commerce business.

In the coming years, we will see more such niche players growing at a staggering rate due to this. Gathering all the relevant details of the companies, one will not be able to understand the basis of these valuations.

It does not carry any logic. While looking the future growth and potential for e-commerce is fine but valuations have to be sane. Looking at the market there is a lot of untapped potential for internet access and goods and services in tier and tier three cities.

It would mean that valuations in the short term will go up as It Is the demand and supply mismatch that Is making these levels to rise up. Eventually, because of less supply of e-commerce companies and more demand for services these valuations are pushed up. Now the major question are these valuations true. Does these have any kind of backup of data to prove them to be correct or it's Just another bubble in the making.