

Knowledge Series - Top 20 Things an Investor Should Know Before Investing in Startups

Competitive Advantage

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A few years ago, a startup incubated at a national research lab developed a non-invasive glucose monitoring device using mid-infrared spectroscopy. Unlike conventional glucometers, which required finger pricks and test strips, this device scanned blood glucose levels through the skin using proprietary optics and algorithms.

The science was complex—but more importantly, the intellectual property was protected, the underlying tech was hard to replicate, and they had already filed multiple patents globally. While global players were still in R&D mode, this startup had working prototypes undergoing clinical trials in India.

They were not just building a product—they were building a technological moat, reinforced by core IP, scientific depth, regulatory know-how, and a head start in validation. Investors recognised that even well-funded competitors would struggle to match this blend of deep-tech expertise and early traction.

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This is what true competitive advantage looks like in the deep-tech space.

What is Competitive Advantage?

It is the unique edge that enables a startup to outperform competitors and retain market share over time. This advantage must be hard to copy and ideally grow stronger with scale. It can come from:

- a) Proprietary technology or protected IP
- b) Domain expertise and executional complexity
- c) Strong customer lock-in or switching costs
- d) Network effects or access to exclusive data
- e) Strategic regulatory or channel advantages

Some examples that stand out

AgniKul Cosmos

In a sector dominated by global aerospace giants, AgniKul Cosmos is pioneering customisable small satellite launch vehicles using 3D-printed rocket engines, produced as a single integrated piece. This innovation significantly reduces manufacturing complexity and time. With propulsion IP developed at IIT Madras and regulatory alignment with ISRO, AgniKul has built a strong moat based on technological depth, IP ownership, and early institutional validation.

Entuple E-Mobility

Operating in the fast-growing EV ecosystem, Entuple E-Mobility develops indigenously designed motor controllers and advanced thermal management systems optimised for Indian driving conditions. Their proprietary designs, system-level integration, and OEM partnerships form a defensible edge. By solving for India-specific variables like high ambient temperatures and erratic load cycles, Entuple has created a competitive advantage rooted in contextual innovation and engineering depth.

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How Investors Should Assess Competitive Advantage

- Is the technology or process protected and hard to reverse-engineer?
- Does the team have unique access to expertise, data, or partnerships?
- Can the advantage grow with scale (e.g., learning curves, brand, data flywheels)?
- What would it cost—time and capital—for a competitor to catch up?

Key Takeaway

In high-growth sectors, competition is inevitable—but startups that build defensible moats can sustain leadership despite it. Whether it is through deep tech, regulatory lead time, or compounding data advantages, competitive edge is what protects long-term value.

As an investor, look for startups that are not just ahead, but hard to catch.

