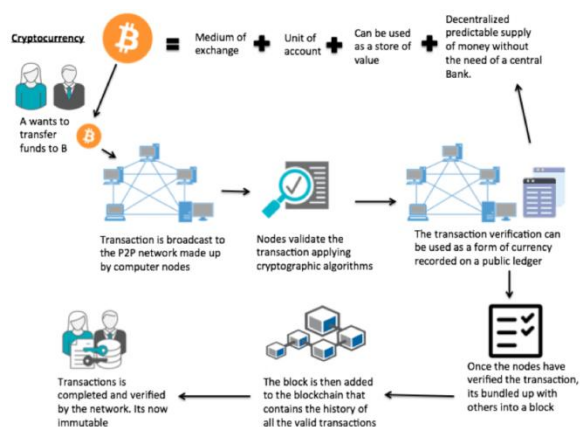


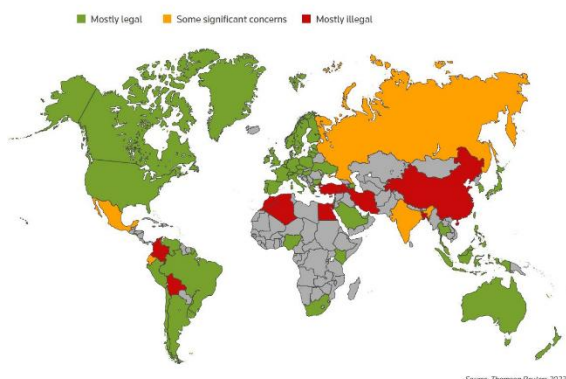
D&D Deep Dive - Crypto Market on a roller coaster ride in

Crypto Currencies: An Introduction

Crypto Currencies are intangible/abstract form of blockchain (alternate currency/tokens/digital assets) created using encrypted algorithms. It works through computer networks and is an accepted medium of currency exchange (in a few countries only) not reliant on any central authority like banks or government. The image (Source: Vervellogic, July 2022) shows in brief how a crypto transaction is executed.

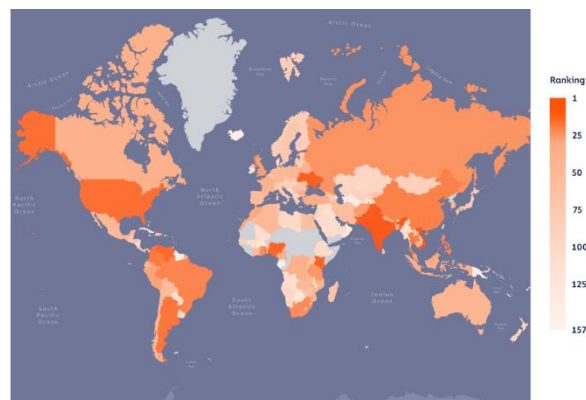


The image (Source: Thomson Reuters, July 2022) shows which countries in the world have accepted crypto as a legal asset class as of July 2022



Crypto as an asset class is riskier and more volatile than equity and yet it is estimated that 21% of the world's adult population

have traded using crypto. It is estimated that there are 81,408 bitcoin millionaires in the world with an average, per person holding of USD 1 million in Bitcoin as of April 2022 as per Global Crypto Currency Adoption Index which measures penetration and usage of crypto as an asset class for investments around the world (Source: Chainanalysis, June 2022)



It is fascinating to know that India (followed by Vietnam) has the highest number of crypto owners in the world at 10.7 crore despite legal ambiguity by its government. Approx. 7.3% of the total Indian population have investments in some crypto form with an estimated holding of USD 5.3 billion as of May 2022. Since then, the daily trading volumes as of June 2022 have reportedly dropped by 70%

Crypto: A roller coaster of an investment asset class

Price fluctuations of Crypto assets are dependent on various factors like Investor sentiment: During inflationary market trends as seen recently when US hiked rates to curb inflation, further, when geopolitical tensions heightened when Russia declared war on Ukraine, many investors moved away from Crypto considering it to be a much riskier asset class than equities and bonds. Hence a sell off was observed not

only in Crypto market but also in the stock market.

Just like the stock market, the crypto market is cyclical, and downturns are part of the journey. In 2017, after touching a then-record high of USD 19,000, the price of bitcoin fell to USD 4,000 in December 2018 and later climbed to a high of USD 64,000 in early 2021.

The stark volatility of the world's most traded and largest crypto currencies is shown in the table here. Some of them have lost as much as 70% of their value in a 1 yr. time span (Source: Coinmarketcap, D&D Research)

Top 10 Crypto currencies in the world	Market Cap as on July 13, 2022 (USD billion)	9 yrs ago	8 yrs ago	7 yrs ago	6 yrs ago	5 yrs ago	4 yrs ago	3 yrs ago	2 yrs ago	1 yr ago	As on July 13, 2022	1 yr difference	Historical Price Chart
Bitcoin (BTC)	371.8	98.0	626.0	292.0	654.0	2358.0	6236.0	11392.0	9244.0	32702.0	19487.0	-40.4%	
Ethereum (ETH)	127.8				11.0	210.0	434.0	269.0	240.0	1940.0	1055.0	-45.6%	
Tether (USDT)	65.9			1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-0.1%	
USD Coin (USDC)	55.3											0.0%	
BNB (BNB)	36.5						12.0	32.0	18.0	309.0	224.0	-27.5%	
Binance USD (BUSD)	17.6											0.0%	
XRP (XRP)	15.1		0.0	0.0	0.0	0.2	0.4	0.3	0.2	0.6	0.3	-49.6%	
Cardano (ADA)	14.2						0.1	0.1	0.1	1.3	0.4	-66.8%	
Solana (SOL)	11.4								1.2	29.0	33.0	13.8%	
Dogecoin (DOGE)	8.0		0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	-69.7%	

Key reasons why Government of India does not encourage Crypto investments

- Difficult for common man to understand the fundamentals. Many Indians have been duped by crypto scammers for easy to make money schemes
- High risk, high volatility, and herd mentality of investors leading to more losses than gains

The biggest Crypto Scams reported in India

More than 10 Cr Indians have been defrauded by top fifteen pump-and-dump Ponzi schemes in the last three decades, leading to an average loss of INR 15.27 Lakhs per victim (Source: FIR complaints, inc.42, multiple media sources)

Ponzi Schemes	Key Accused	Scam Size	No. of People duped
	Divyesh Darji, Satish Kumbhani	INR 41,000 Cr+	NA
	Amit Bhardwaj, Ajay Bhardwaj, Vivek Bhardwaj	INR 20,000 Cr+	8,000+
	Nishad K	INR 1200 Cr	11 Lakh
	Divyesh Darji	INR 7,000 Cr	NA
	Divyesh Darji, Ranjeet Saxena	INR 1,000 Cr	NA
	Amit Lakhanpal	INR 500 Cr	15,810
	Sri Krishna Sriki	INR 400 Cr	NA
	Umesh Verma	INR 2 Cr	43
	Ranganath DS	NA	2,000
	Rjua Ignatova	\$10 Mn (\$265 Mn globally)	NA
	Nishid Wasnik	INR 500 Cr	5,000
	Subhashchand Jewria	INR 100 Cr	NA

To deter crypto transactions and investments, Govt. of India has levied several restrictive measurements like

- 30% tax is levied on income generated from crypto transactions
- As per tax rules, investors cannot deduct transactional cost, interest cost of borrowing, etc. while calculating income.
- 1% TDS (Tax Deducted at Source) is levied on crypto intra-traders
- Tax is to be paid by all those receiving VDAs (Virtual Digital Assets) as gifts
- All payments towards Virtual Digital Assets (VDAs) beyond INR 10,000 in a year will have to pay 1% TDS by the exchanges

According to Bloomberg, as of March 2022, due to such restrictive measures imposed by Govt. of India and ambiguous policies along with changing Crypto market dynamics, approximately 50 crypto players of Indian origin have either shut operations or moved to another country like Singapore and Dubai where crypto is more acceptable

and government policies are more transparent. (e.g., Crypto startups like Wazirx, Zeb pay and Vault moved to Singapore and CoinDCX moved to Dubai)

Key Developments in the Crypto world in H1FY23

- Vault (a firm providing a suite of products to crypto investors, including fixed deposits and asset-backed lending, and borrowing platforms) became one of the many crypto players to suspend operations in India mainly because it faced financial problems when customers started withdrawing significantly with the decline in crypto market triggered due to collapse of Terra-Luna stablecoin
- Dogecoin, a crypto asset, got its fame when famous Elon Musk entered into an agreement to buy a majority stake of social media platform Twitter. However, when Elon Musk considered not to continue with the Twitter deal, Dogecoin lost approx. 97% of its value
- TerraUSD and Luna crypto stablecoins lost approx. 99% of its value and wiped out over USD 40 billion out of the crypto market since it failed to bring back its peg to 1 USD. A Singapore - based hedge fund named Three Arrows Capital (3AC) which was heavily invested in these stablecoins defaulted on loans amounting to USD 670 million extended to it by Voyager Digital which led to a spillover effect causing Voyager to halt operations and 3AC to file for bankruptcy.

The Mighty Fall

Vault is not the only crypto company that has shut its operations due to financial crunch and liquidity pressures, many players in the past have flourished and have seen a sudden demise due to the highly volatile nature of the crypto market. A major crypto broker named Voyager Digital and

crypto lenders named Celsius Network LLC, Babel Finance had also suspended trading and withdrawals. In 2018, govt. of India banned all regulated Indian banks from holding and facilitating crypto transactions because of which crypto exchanges were struggling to get a bank account in India, due to this struggle, Zebpay shut its operations in India

As on end of June 2022, the market value of all traded cryptocurrencies has tumbled from a peak of USD 3.2 trillion from November 2021 to below USD 1 trillion as on end of June 2022. Several major crypto currencies losing as much as 50%-90% of their value

Crypto: The shining Star for VC investors

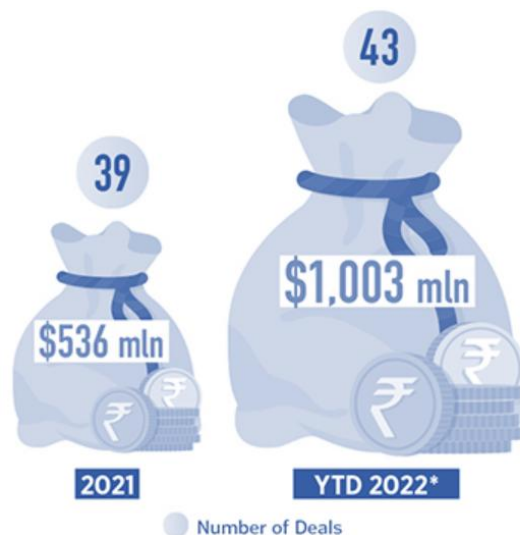
Over USD 34 billion was raised by crypto companies worldwide in 2021 — higher than the amount from all prior years combined (PWC report)

And despite the mayhem in crypto markets in FY2023, Indian Web3 and Crypto startups are attractive for funding. In H1FY2023, they have raised more than USD 1 billion in funding across 43 deals in comparison to USD 536 million funding from 39 deals in FY2022 (Source: Venture Intelligence, July 2022)

In H1FY2023, several VC firms have announced a dedicated fund to invest in budding Crypto, Blockchain and Web.3 focused startups globally as compiled in the table given below (Source: D&D research)

Type of Corporation	Base Country	Name of Corporation	Size of fund
VC firm	USA	Andressen Horowitz	USD 4.5 bn
VC firm	USA	Bessemer Venture Partners	USD 250 mn
VC firm	USA	Union Square Ventures	USD 625 mn
Venture arm of company	India	CoinDCX	USD 12.9 mn

One of the major reasons why VCs still prefer investments in Web3 and crypto startups despite the market downturn is because their investments made in 2021 have already doubled during 1st week of June 2022 in value terms (Source: Venture intelligence)



Further, India has more than 20,000 active crypto and Web3 developers meaning that India has the right talent to build the future unicorns in Crypto space. Since the crypto market is completely built on technology and India has quality tech developers, they can build on top of the blockchain technology to drive better adoption

Crypto: Game changing investment avenue of the future

Even though crypto is a young asset class (a decade old only), investors have lived at least 2 cycles of roller coaster returns by Crypto. It has made 9 billionaires in 2021 around the world. Considering the timeline of investment required to generate such a return in any asset class, crypto is definitely a significant investment avenue that cannot be ignored for long. It is a highly misunderstood product and yet one of the

most brilliant financial innovations of the decade.

Team Dawn & Dusk Advisors:

We, at Dawn & Dusk Advisors cheer the new age startups who tread into the crypto and Web3 space and aim to provide a complete hand-held advisory service to assist them prosper in their journey.

We work with investment banks, venture capitalists, private equities, family offices, and other institutional investors and remotely provide end-to-end deal execution support. to such Crypto and web3 startups. Our core work areas include creating financial models, pitch decks, Information memorandums, Valuations, financial due diligence, review of deal documentation and other deal closure support.

For further information and support, please write to our founder,

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