

JAN  
SEP  
'19

**YOURSTORY**RESEARCH

# FUNDING REPORT

Indian Startup Ecosystem

An indepth view of the state of the funding activity and key trends in the Indian startup ecosystem in Jan-Sep 2019

## ACKNOWLEDGEMENTS

**YourStory Research**, the research arm of YourStory Media, is the definitive source for data-led insights and analysis of trends impacting the Indian entrepreneurial and tech ecosystem. YourStory Research focuses on market research, market intelligence, startup discovery, and consulting in the startup ecosystem in India.

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# CONTENTS

- 11**    **FUNDING STEADY  
DESPITE FALL IN GDP  
GROWTH**
- 16**    **TRANSPORT,  
LOGISTICS STARTUPS  
IN THE DRIVER'S SEAT**
- 21**    **MORE \$100M-AND-  
ABOVE DEALS**
- 24**    **BENGALURU EMERGES  
ON TOP, AGAIN**
- 27**    **THE UNICORN CLUB  
WELCOMES MORE**
- 28**    **TOP ACTIVE  
INVESTORS**
- 31**    **FUNDING MATTERS**



# KEY TAKEAWAYS

1

Despite a slowdown in the economy, startups continue to hold their ground in terms of raising funds.

2

Auto sales down, but logistics and mobility startups notch up highest fund raises.

3

Fintech and financial service firms continue to get investor attention despite slight decline in the number of deals.

4

Ecommerce and marketplace firms occupy the third spot in terms of amount of funds raised.

5

No mega funding round yet of over \$500 million.

6

Bengaluru topped the list of Indian cities attracting startup funding. Delhi NCR, despite housing the highest number of startups, holds the second spot.

7

Eight startups became unicorns in this nine-month period.

8

Early stage deals up; late stage deals down.

9

Sequoia, Accel, and Blume are top three active investors.



# INTRODUCTION

There is no stopping Indian startups from raising funding, despite several challenges in the form of general election, economic slowdown, frequent regulatory skirmishes, and an unfavourable taxation system. These young firms have the attention of investors, who look beyond current political and economic climate to fund disruptive ideas, passionate founders, and the limitless potential the big Indian market offers.









The nine-month period ending September 30, 2019 was marked by events that may have had a detrimental effect on the funding activity in the Indian startup ecosystem, but startups have hurtled forward with investors backing their technological innovations. This bullish sentiment, despite being in a macro bearish environment, gives one an insight into the depth, maturity, and grit characterising this small but important ecosystem.

The third largest startup hub in the world held its ground despite a slowdown that has pushed India two spots behind in global GDP ranking, with the country now holding the seventh position (with GDP of \$2.72 trillion). But beyond these indicators of a sluggish economy, how have the startups managed to raise funding?









Experts say that funding for startups, not necessarily stalled by the current economic climate, is a telling marker of investor confidence in entrepreneurs and their continued interest in investing in disruptive innovation.

Additionally, deals may have been in the works for many months and come through at a time when the economy is suffering and other sectors are being more conservative with their spends.

# 2019: THE YEAR OF THE INDIAN UNICORNS

<b>DREAM11</b> Founding Year - 2012 Fantasy Sports	
<b>BIGBASKET</b> Founding Year - 2011 Grocery Retailer	
<b>DELHIVERY</b> Founding Year - 2011 Logistics	
<b>OLA ELECTRIC</b> Founding Year - 2017 Electric Vehicle	
<b>DRUVA</b> Founding Year - 2008 Cloud Data Services	
<b>ICERTIS</b> Founding Year - 2009 SaaS / Contract Mgmt.	
<b>RIVIGO</b> Founding Year - 2014 Logistics	
<b>CITIUSTECH</b> Founding Year - 2005 Healthcare	

## SOONICORNS OF THE INDIAN STARTUP ECOSYSTEM

STARTUP		FOUNDING YEAR	SECTOR
Livspace	 LIVSPACE.COM	2012	Online Home Design
Lenskart.com	 lenskart.com	2010	Eyewear Retailer
BookMyShow	bookmyshow	1999	Online Ticketing
FirstCry	 firstcry	2010	Babycare Retailer
GreyOrange	 GreyOrange	2011	Robotics
BlackBuck	 BLACKBUCK	2015	Logistics
Sharechat	 ShareChat	2015	Social Networking
Droom	 droom	2014	Automobile Marketplace
Urban Ladder	 Urban Ladder	2012	Online Furniture
CureFit	 cure.fit	2016	Health & Fitness
CarDekho	 CarDekho	2007	Automobile Classified
Practo	 practo	2008	Healthtech
Razorpay	 Razorpay	2014	Fintech
Dailyhunt	 dailyhunt	2009	News Aggregator
ClearTax	 cleartax	2011	Fintech

## FACTS & FIGURES

**\$7.67 BILLION**

Amount raised in Jan-Sept 2019

**603**

Deal volume

**\$12.7 MILLION**

Average size of deals

**21**

Number of deals worth > \$100 mn

**LOGISTICS & MOBILITY**

Sector with maximum amount raised

**FINTECH AND FINANCIAL SERVICES**

Sectors with most number of deals





## FACTS & FIGURES

**536**

Total number of companies that raised funds

**DELHIVERY**

Top company by deal size, volume

**8**

Number of new unicorns

**BENGALURU**

Top city by deal size, volume

**104**

Number of exits

**OYO**

Top acquirer by M&A deal size

**RELIANCE INDUSTRIES**

Top acquirer by M&A deal volume

**223**

Number of pre-series A deals

**\$186.6M**

Pre-Series A:  
amount raised

**125**

Number of series A  
and B deals

**\$1.54B**

Series A and B deals:  
amount raised

**76**

Number of Series C  
and beyond

**\$3.39B**

Series C and beyond:  
amount raised



## FUNDING STEADY DESPITE FALL IN GDP GROWTH

India's GDP growth fell to a 25-quarter low of five percent in the first quarter (April-June) of FY20. The GDP growth rate has now slowed for the fifth quarter in a row, with the previous low recorded at 4.3 percent in March 2013.

Though an overall macro factor has had an impact on startup operations much like any other industry, funding has not taken a hit, as a number of enterprising new founders as well as serial entrepreneurs were backed by marquee investors for disruptive solutions in fintech, foodtech, logistics, and other sectors. This trend has enabled more follow-on rounds, increased valuations, and many unicorns mushrooming in the startup ecosystem.

The mobility, transport, and fintech sectors have helped the startup ecosystem buck the overall macro slowdown trend. The demonetisation, despite its impact on the people and the economy, has also contributed to startups raising massive funding rounds.





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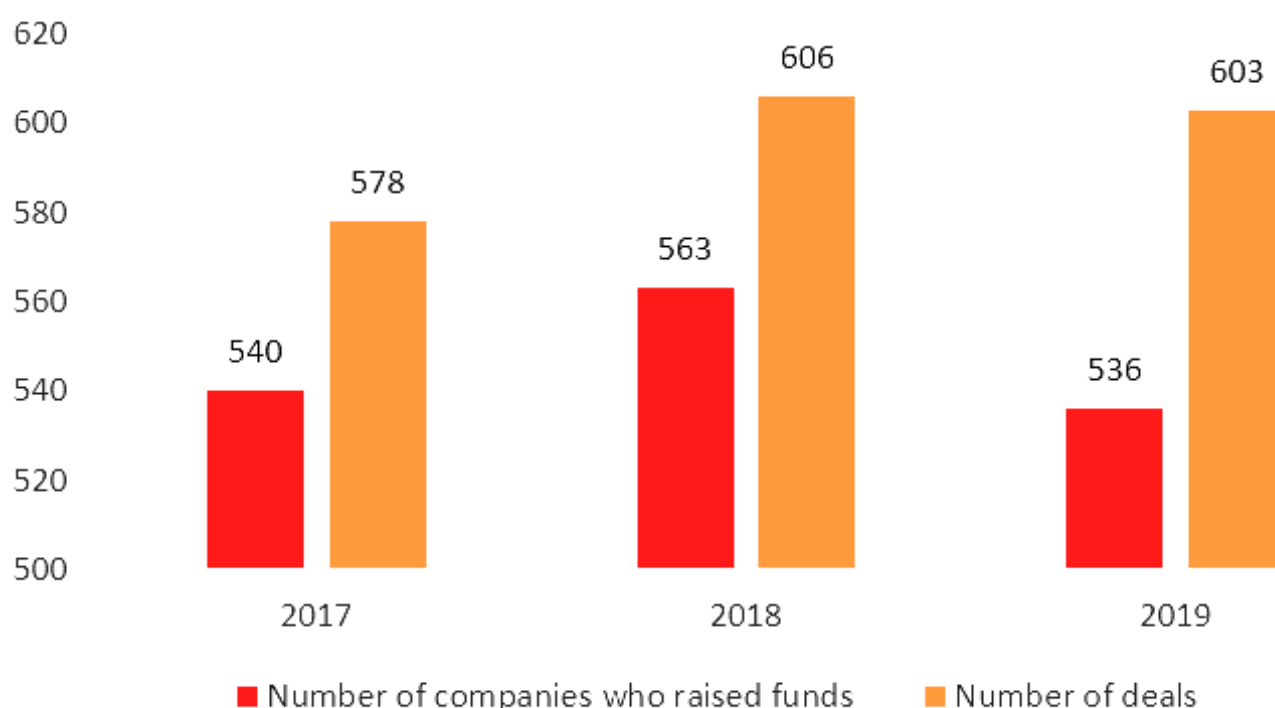
## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

Globally, Uber's stock may have fallen nearly 30 percent from its IPO price early this year, but homegrown urban-centric transport startups, from Ola and Bounce to Rapido, Shuttl, and Vogo, among many others, are garnering investor attention and have commuters rejoicing. Despite the government's huge investment in road infrastructure, it is the mobility startups and cab aggregators that are solving urban commuters woes.

Moreover, investments coming to data-heavy sectors like e-tail, fintech, hyperlocal and others is a proof that a new "data industry" has emerged. If data is the new oil, then investors want to ensure they are funding the fuel. The new "data rush" also comes at a time when government has been imposing new rules on cross-border data flow.

Despite the slowdown, the funding in the startup ecosystem in nine months of 2019 saw a marginal fall of four percent when compared to the corresponding period in 2018. During this period funding amounted to \$7.67 billion across 603 deals. And, much like last year, the trio of Sequoia Capital, Accel Partners, and Blume Ventures topped the chart of the most active investors in the Indian startup ecosystem.

### Funding status (Jan - Sept)



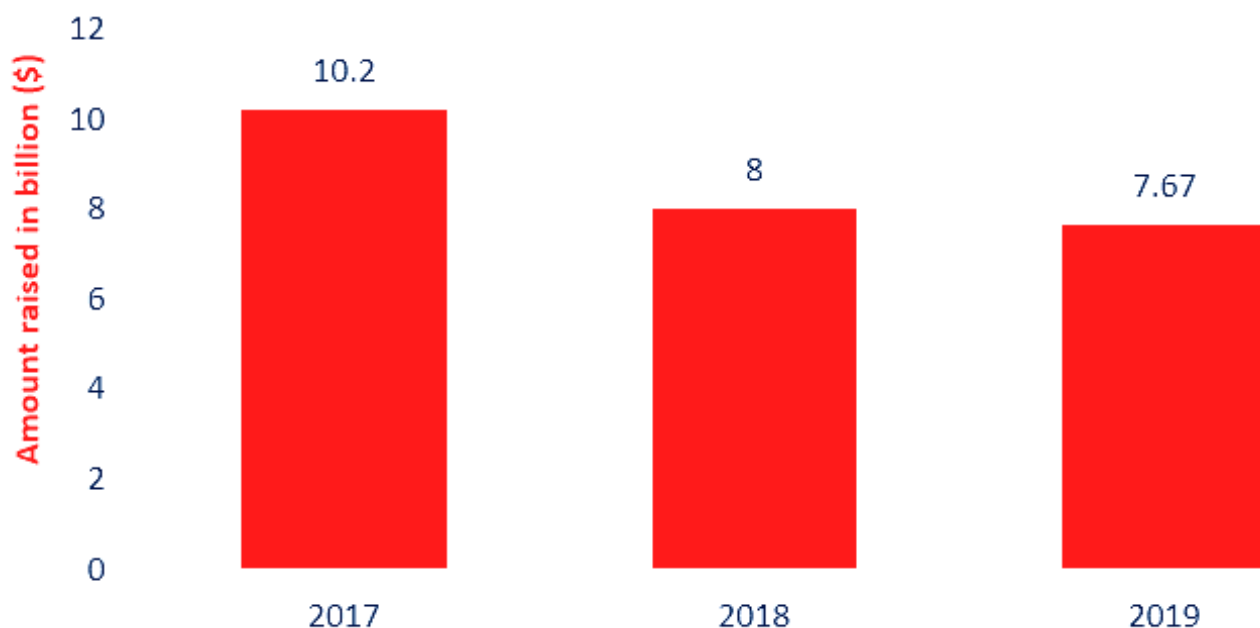
## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

The nine-month period of the year also saw a wide range of startups securing funding, from gaming and software-as-a-service (SaaS) to agritech and logistics, as well as the usual suspects like fintech and ecommerce.

If equity funding deals saw a decrease by four percent, debt funding in the same period fell by nearly 32 percent from the corresponding period in 2018, after seeing a 6.6-percent increase from the corresponding period of 2017. This may be because founders are getting increasingly wary of debt servicing and how it is impacting their ability to achieve breakeven.










While the funding raised in the first nine months of the year pales in comparison to the same period in 2017 (which saw funding activity to the tune of nearly \$10.2 billion), one must note that 2017 was primarily a year of large deals: ecommerce biggie Flipkart raised \$1.4 billion from Tencent, eBay, and Microsoft, and fintech player Paytm raised \$1.4 billion.

### Funding raised by Indian startups (Jan - Sept)



## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

TOP COMPANIES BY NUMBER,  
SIZE OF DEALS DISCLOSED (JAN - SEPT 2019)

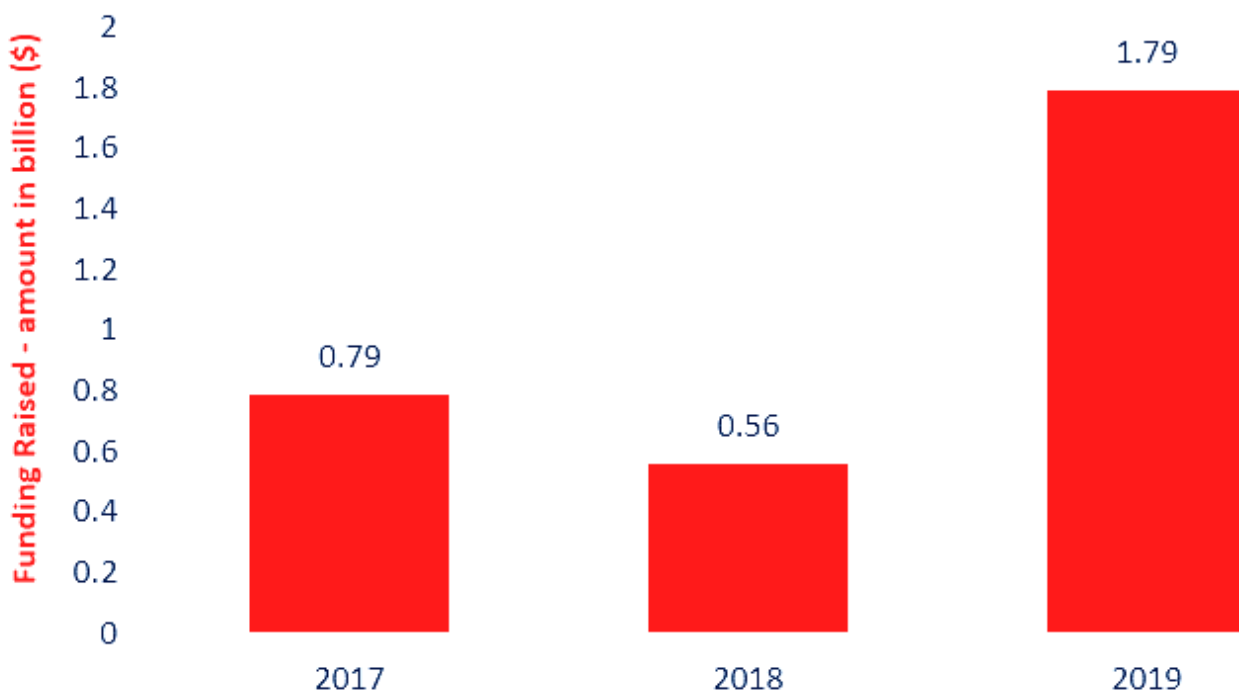
STARTUP		NUMBER OF DEALS	AMOUNT RAISED IN USD (MILLION)
Delhivery		2	528
Ola		6	514
Ola Electric		3	306
Udaan		1	300
DMI Group		1	230
Grofers		3	210
Byju's		3	193
FirstCry		1	150
BigBasket		2	150
BlackBuck		2	150
Zomato		2	145
Avaada Energy		1	144
Northern Arc		1	130
CarDekho		2	130
Rebel Foods		1	125
Meesho		2	125
CRED		2	124
CureFit		2	120

## TRANSPORT, LOGISTICS STARTUPS IN THE DRIVER'S SEAT

The transport and logistics sector has attracted the most amount of startup funding so far in 2019. The sector replaced fintech and financial services, which was the top performer last year. Transport and logistics startups raised \$1.79 billion in the nine-month period ending September, 2019, up by 3.1X when compared to corresponding period in 2018.

Transport and logistics firms comprised 6.9 percent of the total number of startups (603) that raised funds in this period. In the corresponding periods of 2017 and 2018, this number was 4.49 percent and 5.4 percent, respectively.

### Funding in Logistics & Mobility sector



Source: YourStory Research

## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

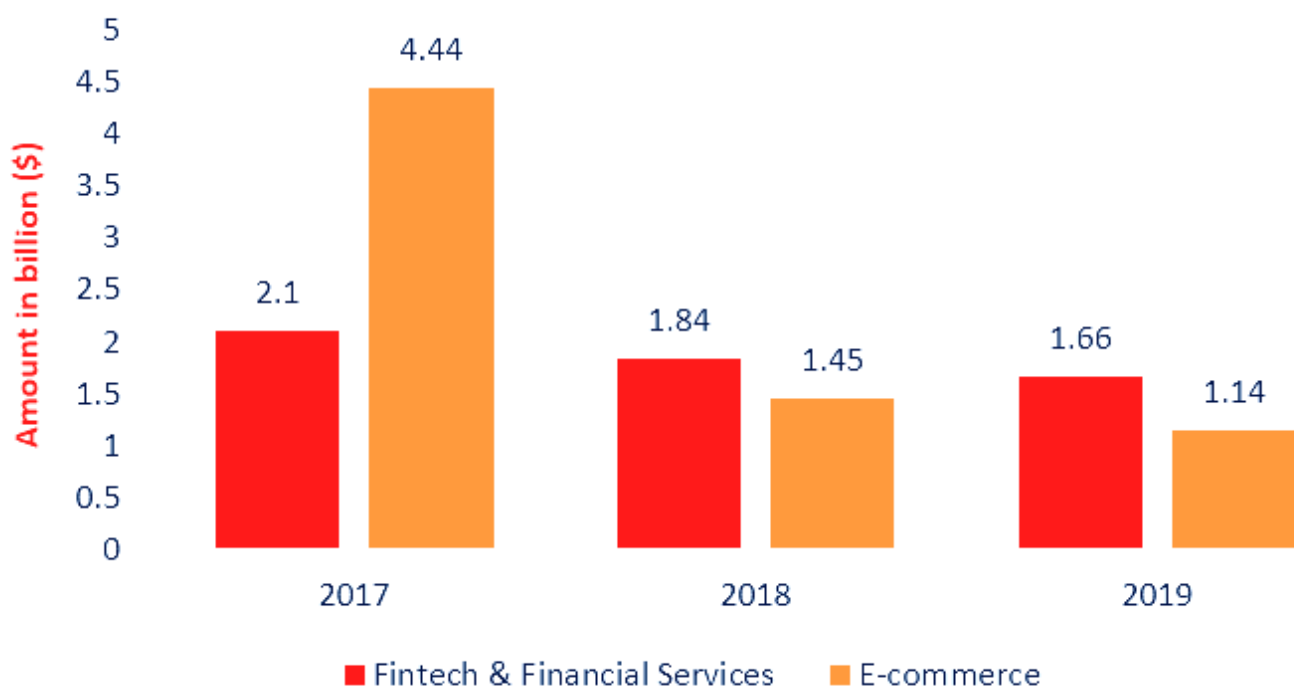
In terms of the value of funding, transport and logistics startups raised 23.3 percent of the total funding raised by startups in 2019 so far. The corresponding figures for 2017 and 2018 were 7.7 percent (\$793.8 million) and seven percent (\$562.6 million), respectively.

Next come fintech and financial services startups, which raised \$1.66 billion in the first nine months of 2019, compared to \$1.84 billion raised in the corresponding period of 2018, seeing a fall of 9.7 percent.

Fintech and financial services firms comprised 15.5 percent of the total number of startups that raised funds in this period. In the corresponding period of 2017 and 2018, it was 12.9 percent and 18.31 percent, respectively.

In terms of the value of the funding, fintech and financial services firms raised 21.6 percent (\$1.66 billion) of the total funding raised by startups in this period. The corresponding numbers for 2017 and 2018 were 20.54 percent (\$2.1 billion) and 22.9 percent (\$1.84 billion), respectively.

### Funding Raised (Jan - Sept)







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## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

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Ecommerce firms and marketplaces take the third spot, with startups from this sector making up 8.6 percent of the total number of startups that raised funds in this period. In the corresponding period of 2017 and 2018, this was 10.2 percent and 8.7 percent, respectively.

In terms of value of the funding, ecommerce and marketplaces firms raised 14.8 percent (\$1.14 billion) of the total funding amount raised by startups in the first nine months of 2019. The corresponding numbers for 2017 and 2018 were 43.5 percent (\$4.44 billion) and 18.1 percent (\$1.45 billion), respectively.

The large but fragmented logistics sector is emerging as the darling of investors. Thanks to the growing need for tech-enabled, innovation-driven solutions to transform the logistics and supply chain market, investor interest in startups in the space has already seen a notable spike. A windfall from the growing ecommerce industry is the push for logistics, as startups rushed to provide efficient business-to-consumer (B2C) supply chain solutions to online retailers.

## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

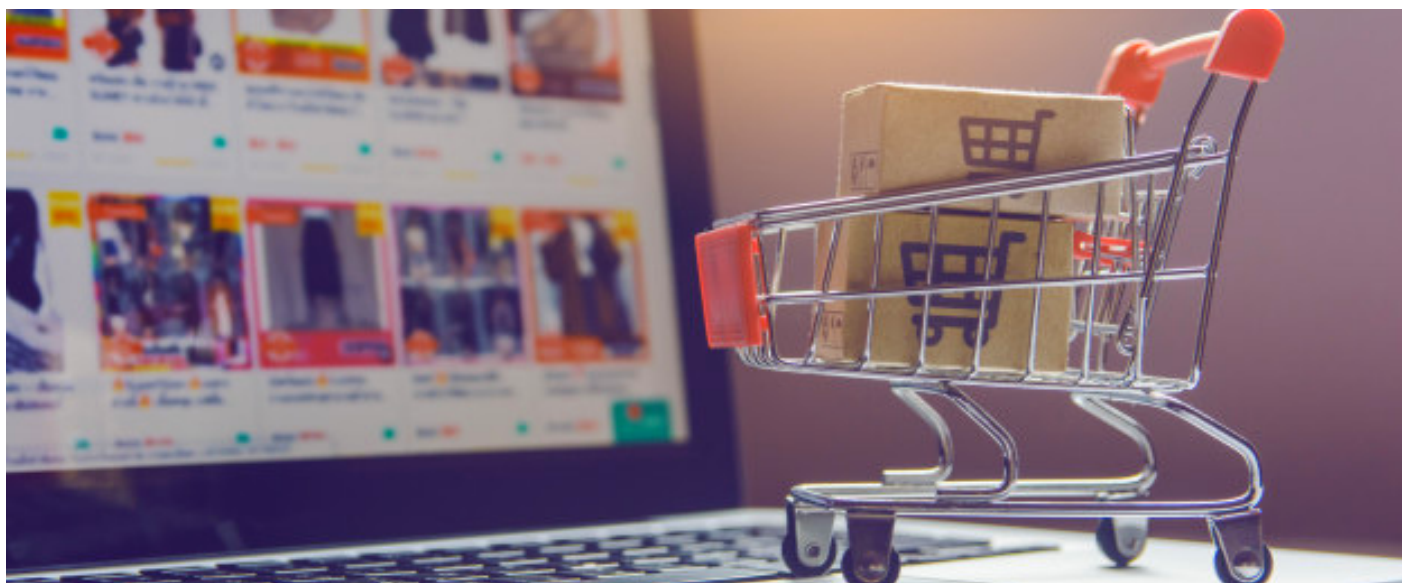
With the fall in the number of car ownerships and due to urban traffic challenges, investors are now betting big on the growth of mobility startups, which aim to fill the gaps existing in public transport infrastructure by offering unique services like car pool, bike taxis, and self-drive rentals.

A contributing factor to the meteoric rise of fintech and financial service startups is the increase in digital transactions: from 2.4 digital transactions per capita per annum in 2014, it has risen to about 22 in 2019. A report by the high-level committee constituted by the RBI for deepening of digital payments states that with the right enabling measures, this metric can grow by a factor of 10 in three years, ie, 220 by March 2021.

India's digital transaction volume in FY19 stood at around 24 billion, led by UPI, debit cards, and payments wallets, up from close to 15 billion in FY18 led by wallets and debit cards, the report said.







## MORE \$100M-AND-ABOVE DEALS

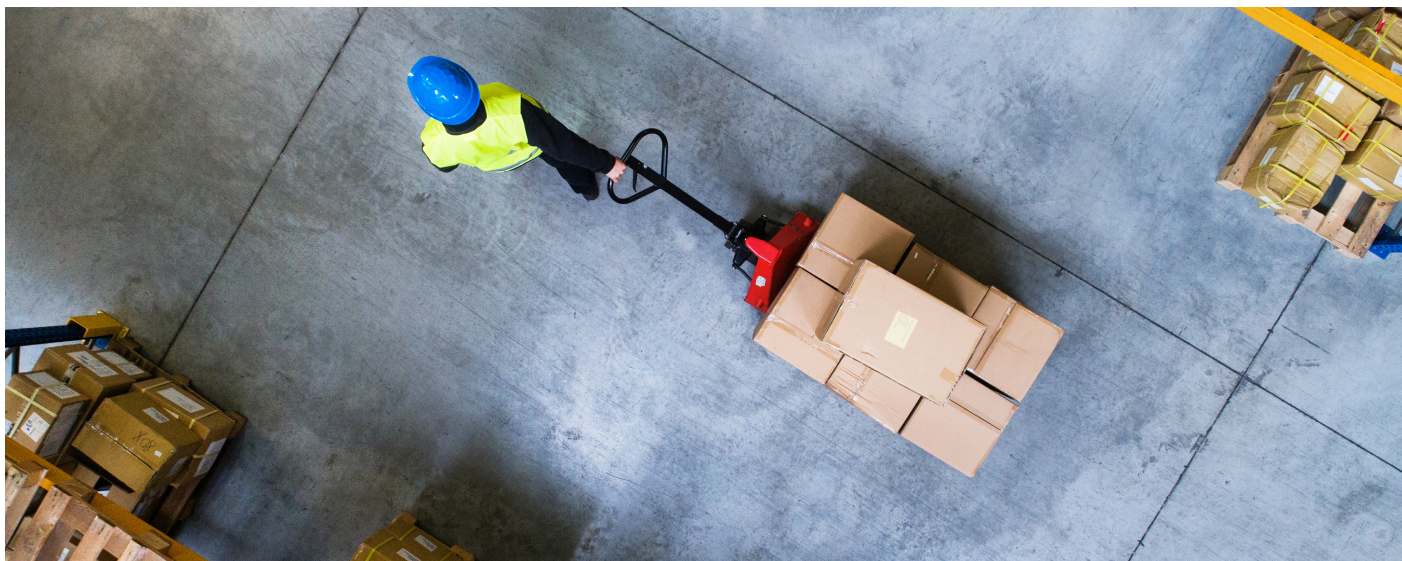
The ecosystem hasn't yet seen any mega funding rounds of over \$500 million this year.

Ola, which raised \$514 million in the nine months of 2019, did so through six deals for its Series J round and other rounds, while Delhivery, which raised \$528 million in the same period of 2019 made it through two deals. So, there was no single mega round of \$500 million and above in the nine months ending September, 2019, but a few are expected in the fourth quarter.

Twenty-one firms secured more than \$100 million in funding in the nine months. It was across 41 deals and contributed more than half (about \$4.07 billion) of the total funding raised (\$7.6 billion). The corresponding figures for 2018 and 2017 were 20 and 13, respectively.

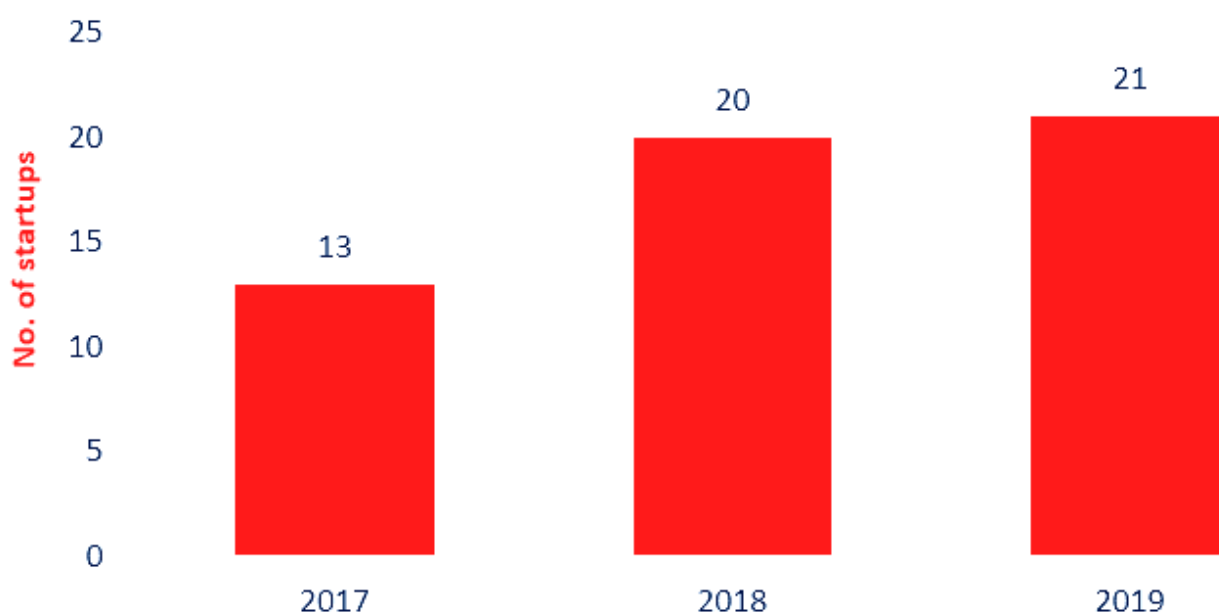
This increase too is indicative of the fact that investors are betting strong on the Indian economy—despite the temporary lull—to enable smooth, lucrative exits.

## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING



Gurugram-based logistics startup Delhivery topped the chart by securing \$528 million, closely followed by ride hailing giant Ola, which secured \$514 million in 2019 so far. Other startups that raised \$100 million and above were DMI Group, Udaan, Ola Electric, Grofers, FirstCry, BigBasket, BlackBuck, Zomato, Avaada Energy, Northern Arc, CureFit, CarDekho, OYO Rooms, Ninjacart, Meesho, Cred, ShareChat, Rebel Foods, and Byju's.

### No. of startups that secured \$100M in funding (Jan - Sept)





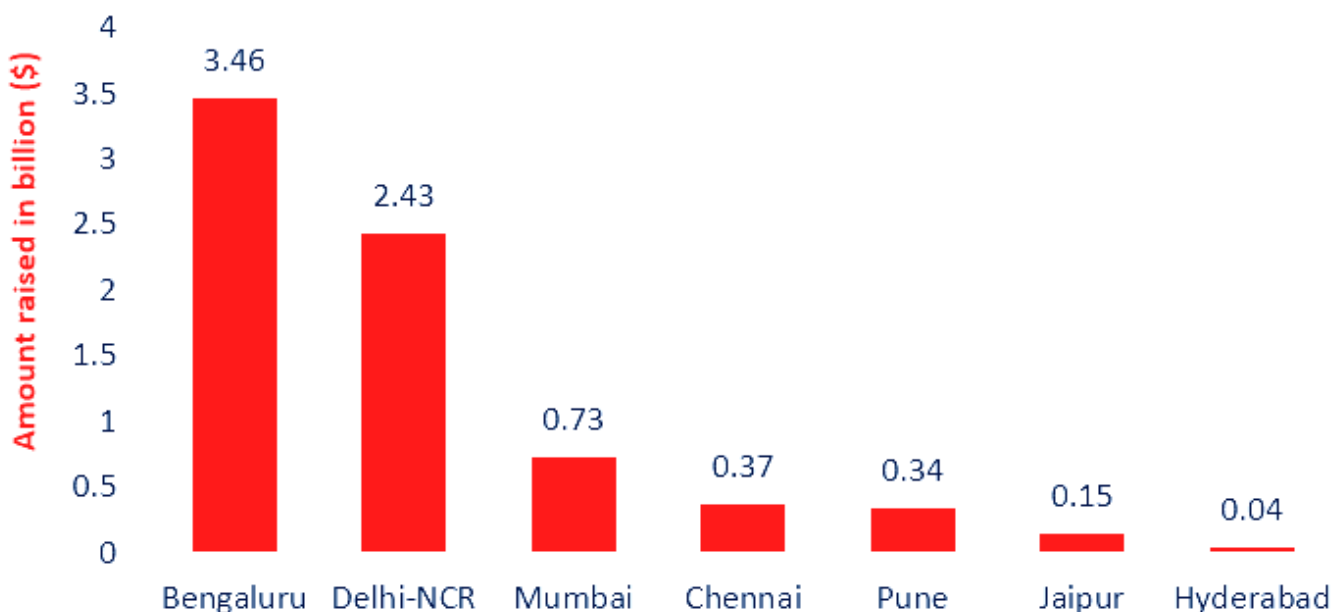
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## BENGALURU EMERGES ON TOP, AGAIN

According to recent reports, the Delhi-NCR region hosts more startups and unicorns than startup mecca Bengaluru and corporate hub Mumbai. It is home to 10 unicorns, with at least one added each year since 2013, as opposed to the nine and two unicorns that Bengaluru and Mumbai house, respectively. Despite this, Bengaluru has managed to beat Delhi-NCR in terms of both number of deals and the amount of funding raised.

After losing out to Delhi-NCR in the first nine months of 2017, Bengaluru topped the list of Indian cities attracting startup funding for the same period in 2018 and 2019. While the 'Silicon Valley of India' secured 190 deals in nine months of 2018, the city saw 204 deals totalling \$3.46 billion in the same period of 2019.

### Total Funding (city-wise from Jan - Sept 2019)



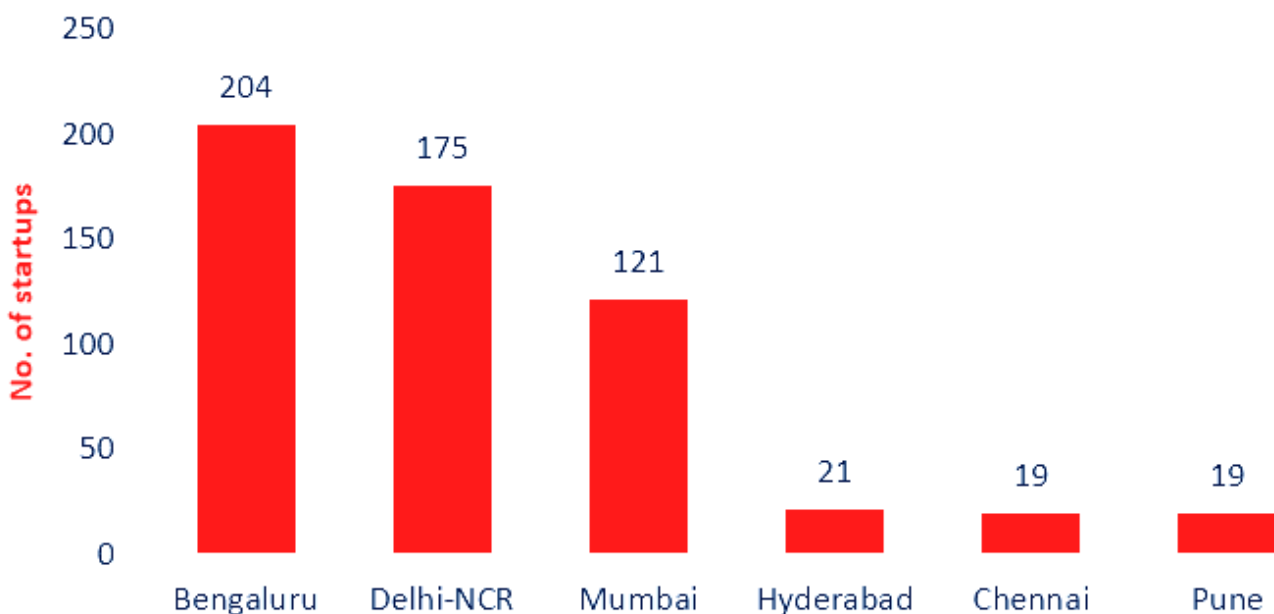
Source: YourStory Research

## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

Delhi-NCR followed closely, with 175 deals totalling \$2.43 billion. Mumbai occupied the third spot with the city seeing 121 deals raising \$726 million. Hyderabad, with its 21 deals raising \$44.1 million, stood at a distant fourth position. Chennai and Pune (19 deals each) held the joint fifth position in this period, posting \$372 million and 344 million in fund raise, respectively. Jaipur raised \$145 million, placing the Pink City fifth on the basis of amount of funds raised.

As far as large deal sizes of \$100 million-and-above go, they were spread across the cities of Bengaluru, Gurgaon, Pune, Chennai, Mumbai, and Jaipur.

### Number of funding deals (city-wise from Jan - Sept 2019)



Source: YourStory Research



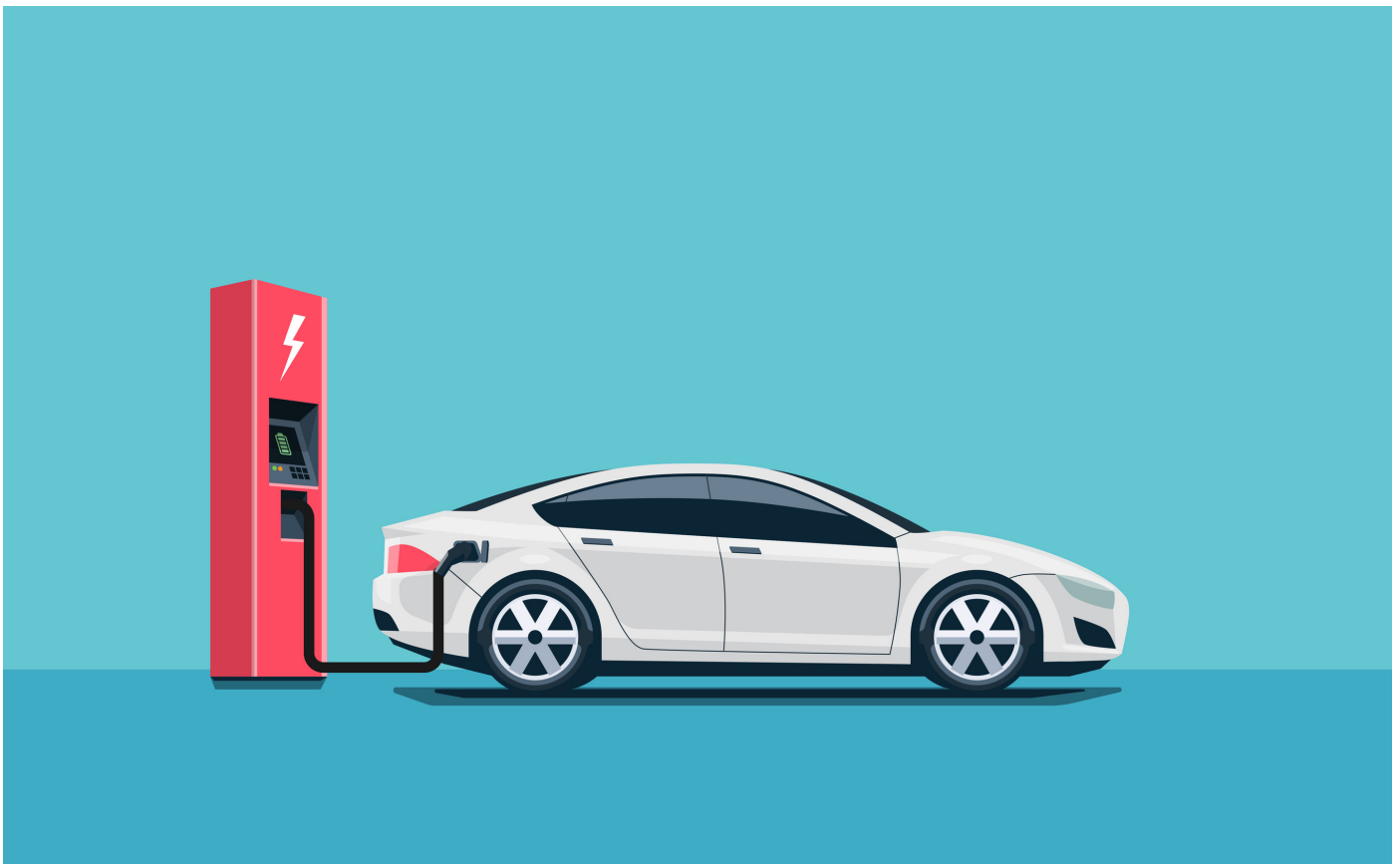
# THE RISE OF UNICORNS



## THE UNICORN CLUB WELCOMES MORE

Eight startups became unicorns in the first nine months of the year. These include BigBasket, Delhivery, Ola Electric, US-based SaaS firm Druva Software, US-headquartered cloud-based software developer Icertis Software, gaming startup Dream11, healthcare startup CitiusTech, and logistics startup Rivigo.

Investors expect India's next batch of unicorns to emerge from the pool of B2B startups building global solutions and attracting marquee investors like Tiger Global due to their scalability and market opportunity.



## TOP ACTIVE INVESTORS

*The top 10 VCs list contains several familiar names from last year, while Tiger Global, Lightspeed, and IAN made their entry in this year's period ending September.*

Cumulatively, the investments made (in amount and diversity of startups alike) by top 10 VCs are also higher this year, compared to the corresponding period of last year – substantiating the fact that the Indian startup ecosystem is brimming with new and innovative ideas that continue to attract investors.

The top 10 active VC investors participated in 186 deals of the total 1,606 deals made in the first nine months of 2019. Readers shouldn't get confused by the number of funding deals: a single startup may have raised funds from five investors, but from the investors' side, the total number of deals would be five.

The total number of deals for the corresponding period of 2018 was 1,478 and the top 10 investors contributed 147 deals.

Tiger Global, Flipkart's early backer, which had decided to take a step back from making fresh investments for about 2-3 years, has come back with a roar this year.





## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

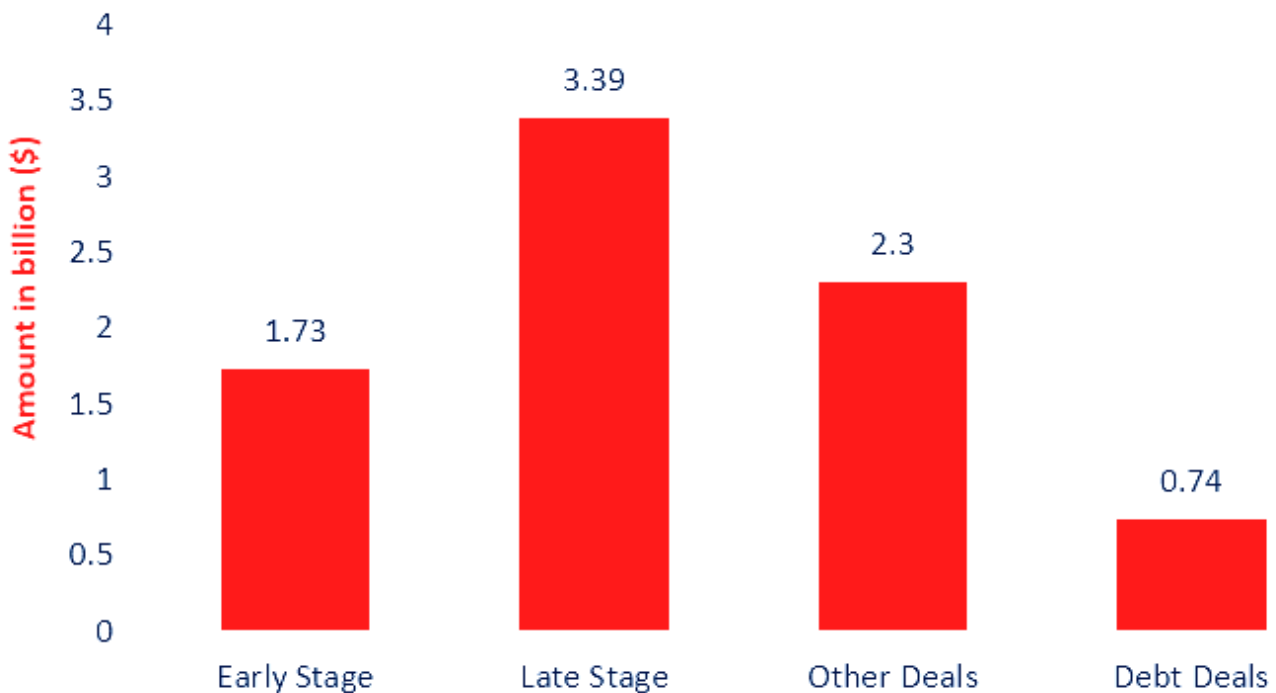
The criteria for choosing the most active VC firms were the number of publicly disclosed deals and in which of them these firms participated (individually or in syndication).

### Stage-wise funding

While there was a remarkable increase in the amount of fund raised by the early-stage startups, funding for late-stage deals saw a fall between January and September this year, when compared to the corresponding period of 2018.

There were 349 early-stage deals contributing \$1.73 billion to the total funding amount raised during this period. The corresponding figure for 2018 was \$984 million.

### Funding Amount (Jan - Sept 2019)



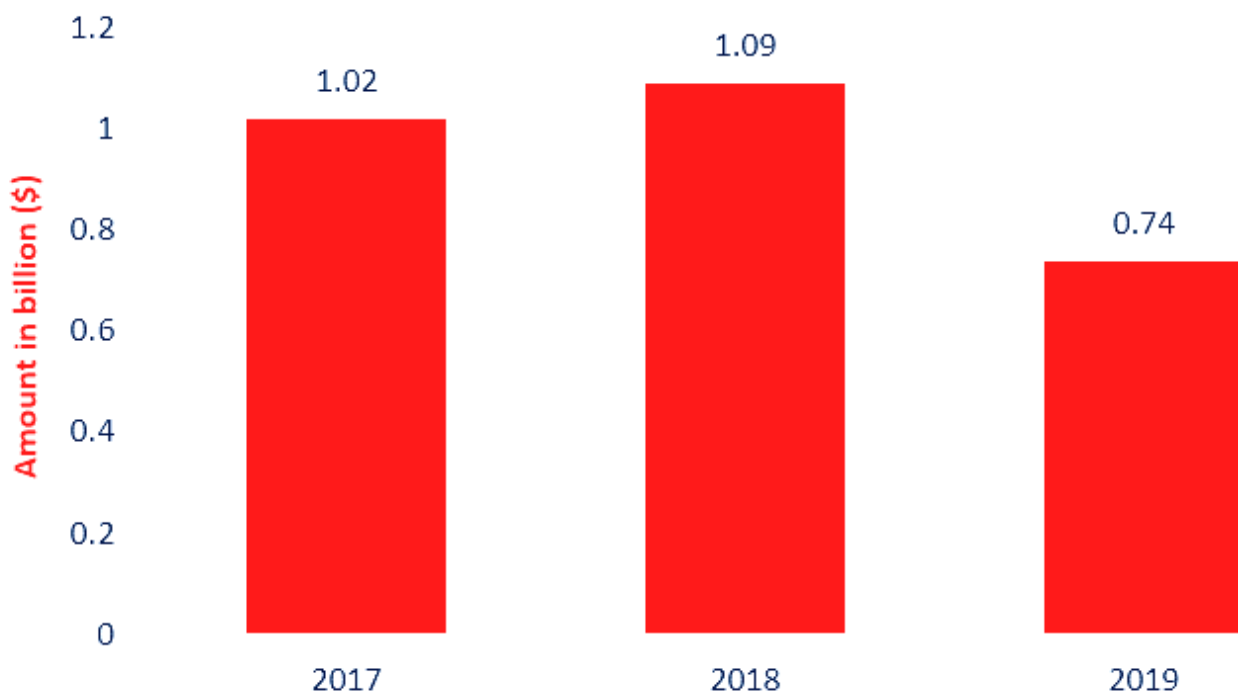
Source: YourStory Research

## INDIAN STARTUP ECOSYSTEM: JAN - SEPT 2019 FUNDING

Seventy-six late-stage deals (Stage C and above) made up \$3.39 billion of the total funding of \$7.67 billion raised. This was \$2.91 billion in January-September 2018.

Other deals made up 169 of the total 603 deals raising \$2.3 billion. Last year, startups raised \$2.8 billion in other deals for the corresponding period.

### Debt Funding (Jan - Sept)



Source: YourStory Research

## FUNDING MATTERS

Having a promising startup ecosystem in its arsenal is a boon for any government to realise its economic goals. Today, the Indian government's goal of becoming a \$5 trillion economy will be achieved through a mix of both the old and new guards of the economy. Till recently, the growth was based on traditional and legacy industries and sectors. Now, startups - from AI, big data, robotics, cloud and cleantech to fintech, agritech, ecommerce, and others - too are poised to turbocharge the Indian growth engine.

Assuming an average annual startup funding of \$10 billion-\$12 billion, this comes to about 0.36-0.44 percent of India's annual GDP. This may sound like a negligible amount but the technologies and disruptions that these startups bring, and the funds help nurture, are force multipliers for the economy.

And these tech startups solving for a vast country like India are all propped up by the ever-important data. The McKinsey Global Institute's (MGI) recent report, Digital India: Technology to Transform a Connected Nation, shows Indians consumed 100 times more data in 2018 than they did four years ago. The report also says that the data economy can contribute \$150 billion to the GDP, if its full potential is realised by 2025.



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