YOURSTORYRESEARCH

H1-2020 FUNDING REPORT

Indian Startup Ecosystem

H1 '20

An in-depth view of the state of funding activity and key trends in Indian startup ecosystem in H1 2020.

FOREWORD

Shradha Sharma
Founder & CEO, YourStory

If there was one word that aptly describes the situation arising as a result of the COVID-19 pandemic, it would be — unprecedented.

Over the past six months, or as I see it, 1,56,38,400 nail-biting seconds, the scale and impact of the challenges as a result of the pandemic has brought about the largest economic, social, and personal shock the world has experienced in decades.

Against the backdrop of this devastating pandemic, the global economy is projected to contract sharply by 3.2 percent this year, according to the United Nations World Economic Situation and Prospects (WESP) mid-2020 report. It also projects that global economic output will be slashed by $8.5 trillion over the next two years.

Are we facing the biggest crisis in our lives so far? Yes, absolutely! Has it impacted the world, economies, lives, and overall sentiment? Another resounding yes.

And when the macro gets severely impacted, the micro is even more so.

If you are reading this, chances are that you are in some way connected to the 'micro' via the startup ecosystem, which has undoubtedly been affected by the pandemic. At a time marked by significant economic uncertainty, containment measures and a significant drop in demand, startups become even more financially fragile.

But there's a silver lining. Even as the pandemic spelt unprecedented challenges for some, for others, particularly in edtech, healthcare, SaaS and remote working, OTT and gaming, it spelt an opportunity for unprecedented growth.

Despite the multiple challenges that abound, India's growth story and its potential remain a strong bet, with its thriving innovation-led entrepreneurial ecosystem poised to contribute significantly to the country's move to an Aatmanirbhar Bharat, or a self-reliant India. This was also reflected in the world of our startups that still saw investments flowing in amidst the cautious business environment.

COVID-19 has been hard for everyone, and we have to take it one step at a time. Still, the spate of innovations from the startup ecosystem, the way founders and investors have come together as a community to help each other, and the resilience of entrepreneurs in the face of a formidable enemy has been inspiring, and it is what, I'm sure, will help us weather the pandemic.

We've fought long and hard, and there is still a long way to go. Our report aims to touch and educate as many people as possible about the achievements of the ecosystem.

I'd also like to end on a hopeful note for all the entrepreneurs reading this. Over the past few months, as the world reeled under the impact of coronavirus, many investors I've interacted with have assured me that they have every intention of continuing their investments this year.

There's not just light at the end of the tunnel. There's also a financial runway for startups through it.

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.

YourStory Media Private Limited is India's leading digital platform for positive, inspirational stories of changemakers and entrepreneurs across India.

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INTRODUCTION

There is no doubt that 2020 will go down in the annals of history and will possibly emerge as one of the greatest case studies yet. One that unfurled right in front of our eyes.

The year didn't just mark the beginning of a new decade. It marked the beginning of a new dynamic, or as some would say — a tectonic shift.

There's a shift in the funding landscape as well. The average size of deals, deal volumes, and funding raised may be down, but the number of early and growth-stage deals are up.

Several startups came into existence during the lockdown to solve for the new normal, while others pivoted to provide services or products for it. More early-stage companies received funding in the first half of the year compared to growth and late-stage startups. From a year ago, the number of early-stage deals rose 5.7 percent, but the funding amount fell 26.4 percent to $519.4 million, signalling smaller deals for companies still in their infancy. Even though deal sizes have decreased, more companies in the early-stage bracket received funding as compared to last year, which is good news considering the number of startups that had to shut shop because of the coronavirus.

Not the least among the funding highpoints was BYJU'S emergence as a decacorn. Its valuation soared to $10.5 billion with the latest investment from Mary Meeker's BOND, joining the likes of OYO and Paytm. We also witnessed Noida-based fintech startup Pine Labs become India's first unicorn in 2020, with a single Mastercard swipe. The startup's valuation is now estimated to be around $1.5-1.6 billion after the funding.

Another highpoint was Indian-origin startup Postman joining the unicorn club after it raised $150 million in a Series C round led by US-based Insight Partners at a $2 billion valuation. Postman's plans to invest the capital in hiring new tech talent and doubling its team size in the coming year should have a positive outcome for the tech talent ecosystem.

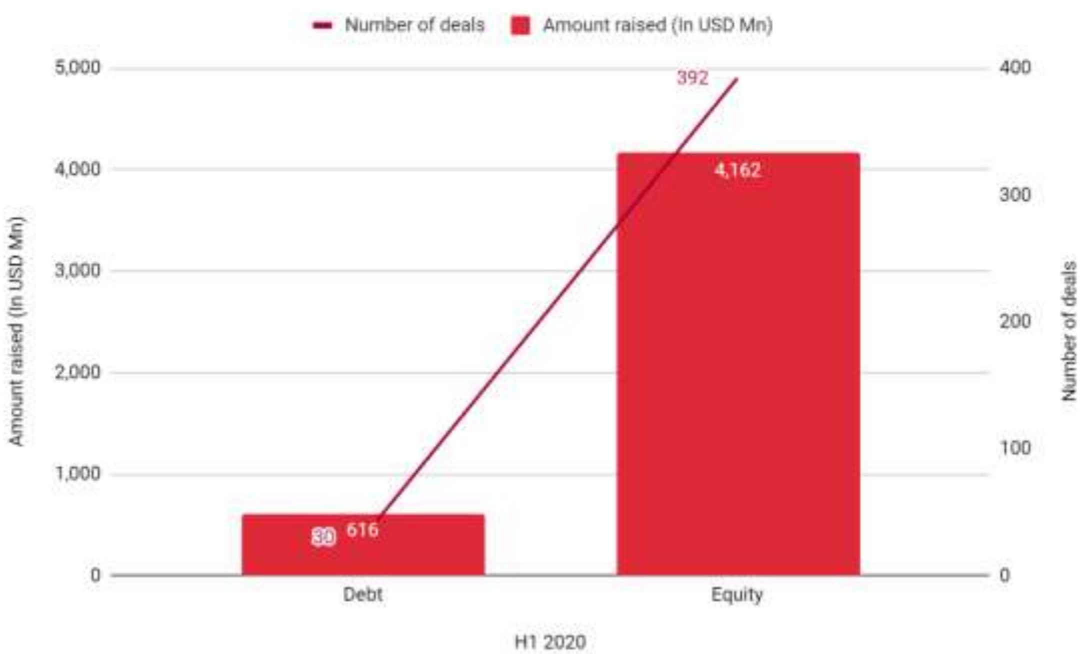
We also had the privilege of seeing a female entrepreneur break into the big boys' unicorn club. Online-beauty-turned-omnichannel-lifestyle-retailer Nykaa raised Rs 66.64 crore from its existing primary investor Steadview Capital and is now valued at $1.2 billion.

Finally, 2020 saw the emergence of a new breed of startups solving for the new normal, with healthtech, edtech, fintech, gaming, OTT and SaaS players emerging as headliners in the ecosystem.

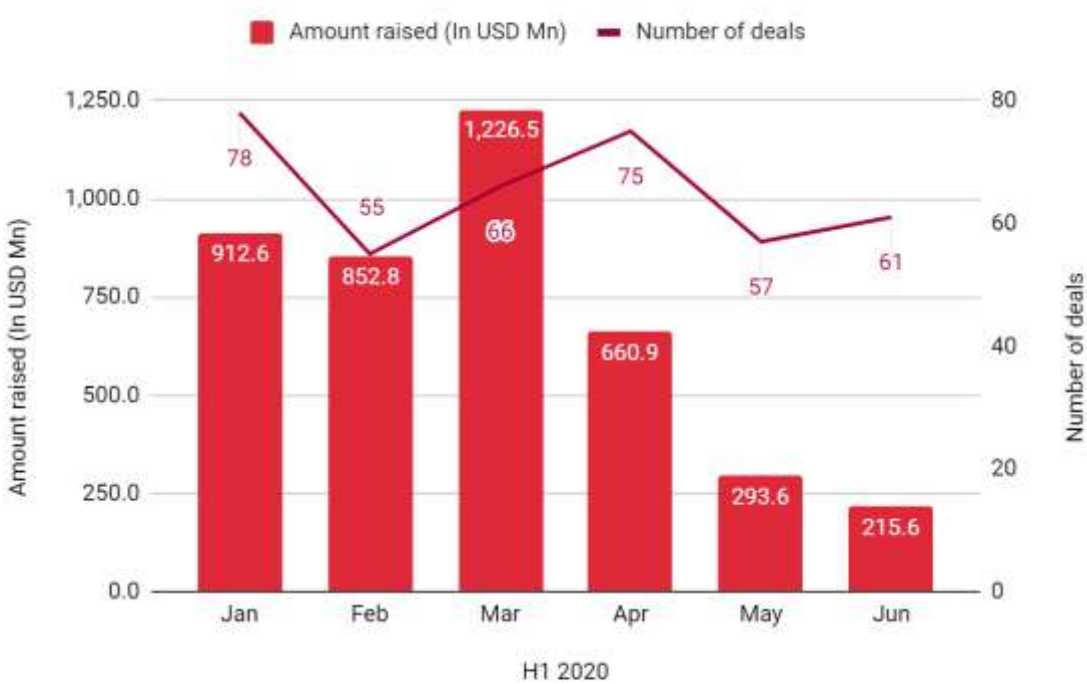
In the wake of the pandemic, the purpose is suddenly a superpower. Companies that have purpose-built into their bottom line are seen as the most likely to remain standing.

KEY NUMBERS AT A GLANCE

H1 2020 STARTUP FUNDING ACTIVITY: DEBT & EQUITY

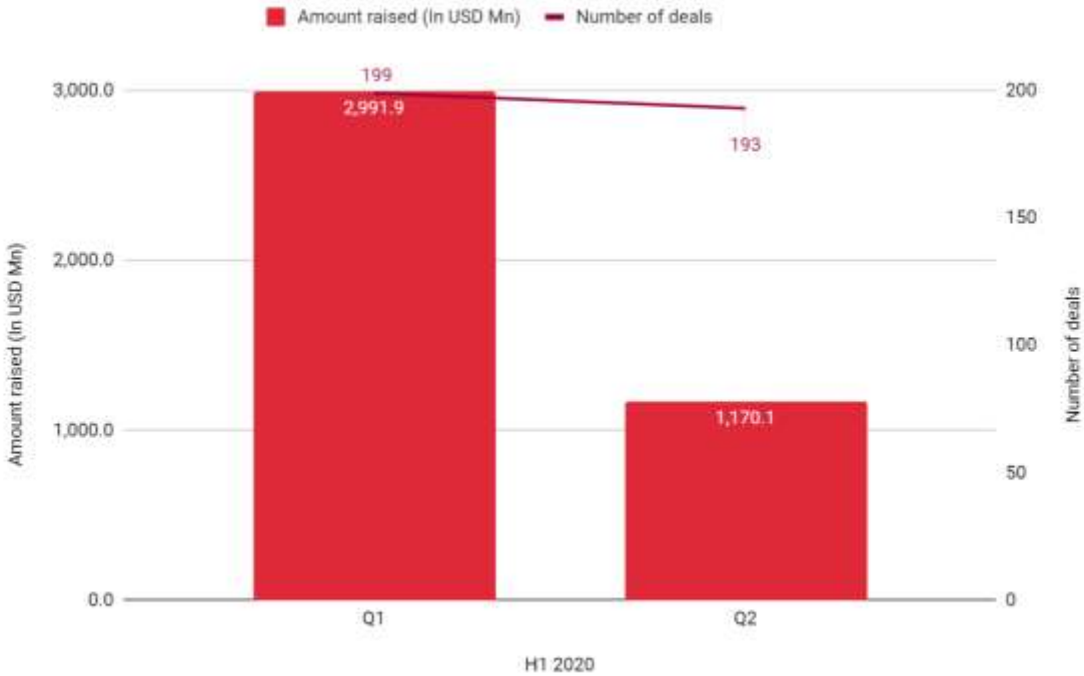


H1 2020 EQUITY FUNDING (JAN-JUNE)



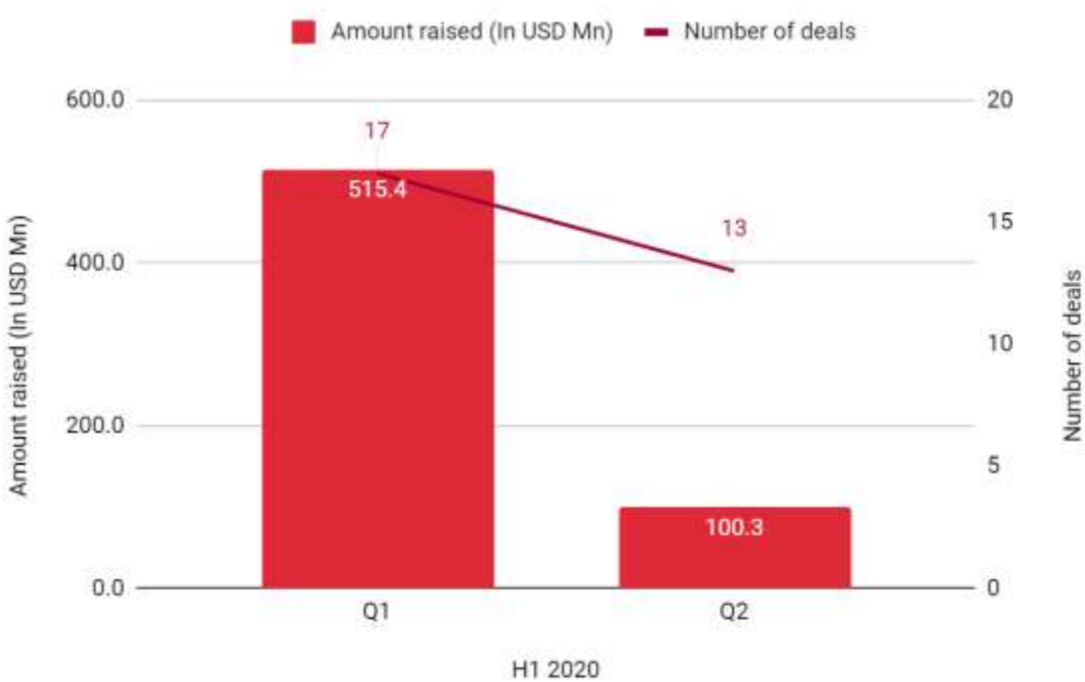
Source: YourStory Research

H1 2020 EQUITY FUNDING (BY QUARTER)



Source: YourStory Research

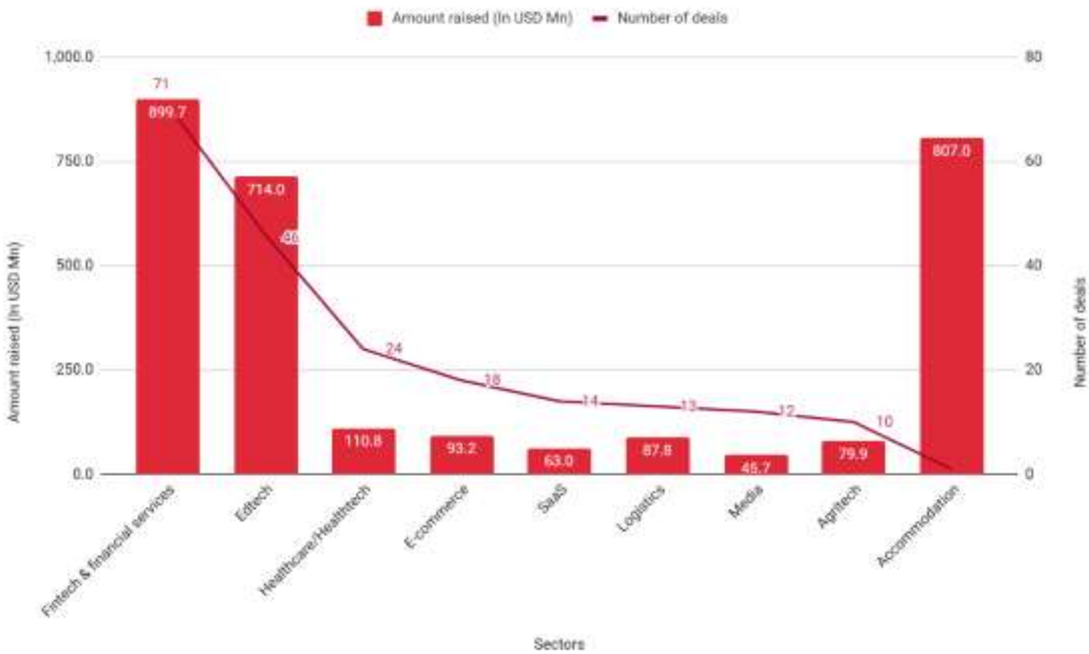
H1 2020 DEBT FUNDING (BY QUARTER)



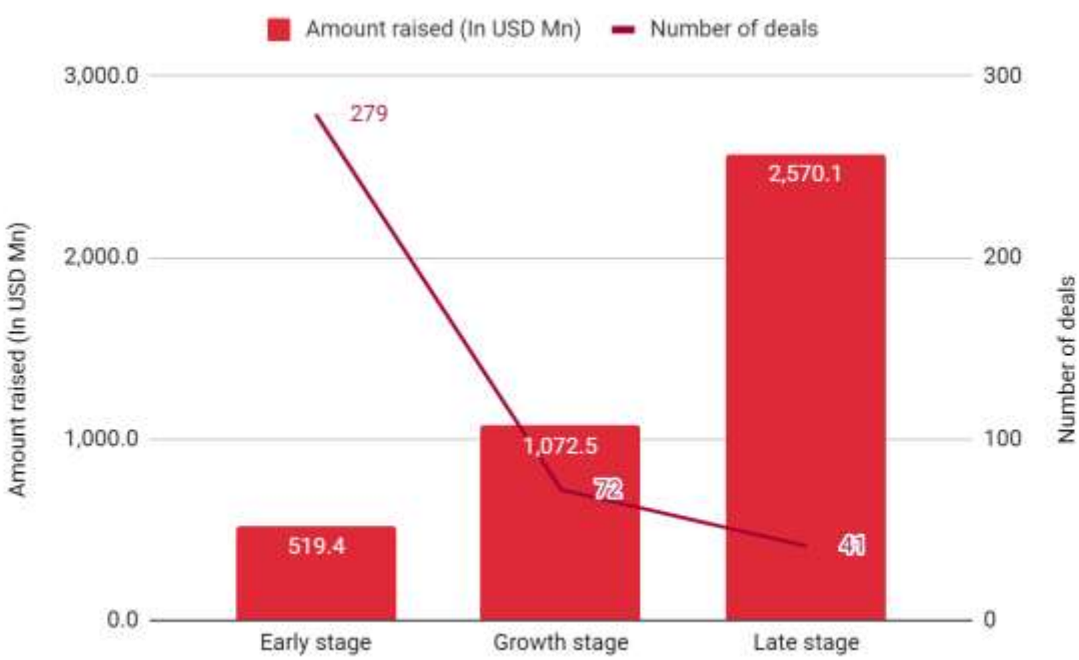
Source: YourStory Research

H1 2020 SECTOR-WISE FUNDING ACTIVITY

Fintech tops in number of deals and deal value; edtech ranks second, healthtech third in number of deals



H1 2020 STAGE-WISE FUNDING ACTIVITY



Source: YourStory Research

H1 2020 STAGE-WISE FUNDING (VS H1 2019)

Source: YourStory Research

KEY TAKEAWAYS: H1 2020 STARTUP FUNDING

- Venture capital and private equity funding declined system-wide in the first half of 2020 as the coronavirus pandemic forced investors to take risks off their portfolio and tighten their purse strings in order to better weather the downturn. Indian startups raised a total of $4.16 billion in equity funding in the first half of 2020, down 14.7 percent from a year ago
- The first three months of the year — i.e. January to March — saw a total of 199 equity deals that accounted for nearly 72 percent of the total funds raised in the first half. The second quarter, which ended on June 30, bore the full brunt of the COVID-19-induced lockdown, and deal activity slowed dramatically, making up only 28.1 percent of the total funds raised in the first half of 2020.
- 392 deals were struck during the period, up 3.2 percent from a year ago, indicating that, with the total funding size falling, the average deal size shrank. Even though more deals took place in 2020, the average ticket size fell versus a year ago.
- The average deal size slipped 17.2 percent in the first half of 2020, to $10.6 million as investors funded more deals, but took money off the table.
- Debt funding in 2020 increased 50 percent compared to last year, largely because a dearth of external investment forced companies to seek loans.
- More early-stage companies received funding in the first half of the year compared to growth and late-stage startups. From a year ago, the number of early-stage deals rose 5.7 percent, but the funding amount fell 26.4 percent to $519.4 million, signalling smaller deals for companies still in their infancy.
- Even though the deal size decreased, more companies in the early-stage bracket received funding than last year, which is good news considering the number of startups that had to shut shop because of the coronavirus.
- Financial services and fintech continued to remain a hot play in the first six months of 2020, buoyed by the digital revolution in India. E-payments have risen sharply thanks to no-contact norms, an increase in ecommerce activity for essentials, as well as for bill payments during the lockdown.
- The fintech and financial services sector raised $899.6 million, across 71 deals. Number of deals rose from a year ago, even as the funding amount fell — a clear sign investors remained cautious and preferred to invest small sums across more startups.

- The edtech sector saw a drastic increase in investments during the first half of 2020, with total funding jumping almost five times to $714 million, compared with last year, while the number of deals more than doubled. The stay-home order, which forced schools and colleges in India shut, was the reason behind the sudden investor interest in a sector that had otherwise been seeing sluggish growth over the last couple of years.
- More Pre-Series A fundings happened in the last six months than other funding rounds, the same as last year. But the funding amount jumped nearly 28 percent to $139.5 million. Several startups came into existence during the lockdown with the sole purpose of looking for solutions related to the coronavirus, while those that were in R&D or pre-launch stages reworked their timelines in case they had services or products that could be used to complement efforts to fight the virus.
- Among the 363 startups that raised funds during H1 2020, hospitality unicorn Oyo Rooms stood out with the highest investment sum raised. The company received a capital infusion of about $807 million from SoftBank and RA Holdings in March, as part of its ongoing $1.5 billion Series F funding round.
- After Oyo, edtech giant BYJU'S raised $400 million over two rounds against the backdrop of COVID-19, which forced students to continue their classes online.
- Noida-based merchant payments provider Pine Labs, cosmetics ecommerce company Nykaa, and SaaS company Postman turned unicorns in H1 2020.
- Delhi NCR-based startups saw the highest number of deals at 123 on total investments of $1.76 billion. Delhi made up about 43 percent of total investments in H1, followed by Bengaluru, with 121 deals at $1.68 billion. Ahmedabad moved to the top of the list with six deals in the period, as opposed to just two last year.
- Finance was the busiest sector in terms of M&A activity as companies consolidated to provide stronger offerings to a wider customer base.
- Edtech startup Unacademy made the most number of strategic acquisitions and deals during the period as it looked to bolster its solutions for online education.

OVERVIEW

2020 was going to be a rebound year for India. Rating agencies Fitch and Moody's had both revised India's GDP expectations for FY 2020-2021 at the end of the previous fiscal year and were bullish about the monetary and fiscal measures the country had been undertaking to counter the slowdown and boost consumption as well as foreign direct investment.

But March rolled around and brought with it a protracted, nationwide lockdown owing to the coronavirus pandemic, dealing a blow to the Indian economy, and diminishing exports, as well as inciting massive layoffs in the private sector, and denting demand and consumption.

The effect of the hit was felt in the startup sector too, which, in the first three months of 2020, had raised almost $3 billion, 8.4 percent more than the comparable period last year. Numbers compiled by *YourStory Research* indicate that private equity funding was off to a strong start in 2020 as investors extolled India's growth story but subsequently declined over the remaining three months due to the impending health crisis.

Overall funding in the first six months of 2020 fell 14.7 percent to $4.16 billion from a year ago, even as more startups got funded. Deal volume rose 3.2 percent to 392, but the average ticket size of those deals, across sectors, fell 17.2 percent to $10.6 million, which means more startups raised funding, but not as much as last year, on an average.

"Over the past few years, VC funding hasn't just served people at the top of the pyramid in India; it has also helped middle and lower-middle-income people. After COVID-19, the focus will further shift towards the needs of the lower-income population, and towards getting small businesses up and running," Roopa Kudva, Managing Director of Omidyar Network India, an investment firm focussed on social impact, said in an earlier interview with *YourStory*.

$4.16 BILLION ↓

Amount raised: H1'20 (down 14.7% YoY)

392 ↑

Number of deals (up 3.2% YoY)

$10.6 MILLION ↓

Average size of deals (down 17.2% YoY)

An important metric investors outlined in recent times for startups to focus on is the burn rate, i.e. the rate at which a company loses money. Higher burn rates are not favourable during crisis situations, and investors have said that being conservative with expenditure is what will ultimately help companies weather the pandemic.

In addition to saving money, it is also imperative that startups raise funds at least six months before they really need to go scrounging for funding especially since most VC firms do not have an appetite for too much risk right now, experts in the field have said.

“As an investor, the one thing I’ve been telling founders is that once the money leaves your bank account, it isn’t coming back. It is better to plan conservatively right now,” said Prayank Swaroop, a partner at Accel.

By month, March accounted for 30 percent of the total funds raised during the period. Nearly $1.23 billion in funding was dispensed over 66 deals, including Oyo Rooms’ $807 million capital infusion from SoftBank as part of its ongoing $1.5 billion Series F funding round, as well as CureFit’s $111 million Series D round.

January saw the highest number of deals by volume with 78 deals raising $912.6 million, versus 65 deals last year. Edtech platform BYJU’S $200 million raise from New York-based Tiger Global, at a valuation of $8 billion, happened in January, as did Zomato’s $150 million raise from Ant Financial.

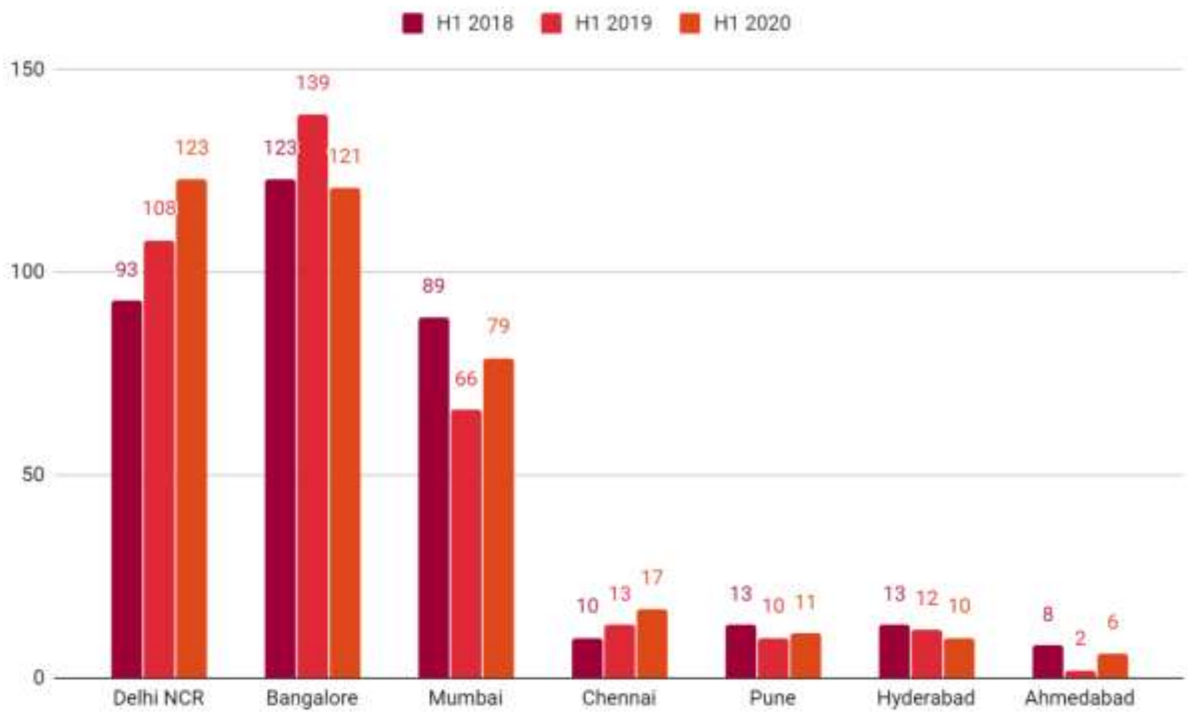
As opposed to the nearly $3 billion companies raised in the first three months, April to June saw only $1.17 billion in funding. Combined, the three months accounted for only 28.1 percent of the total funding in H1 2020 as suspension of activities due to the lockdown, coupled with a decrease in disposable income thanks to layoffs and pay cuts, depleted demand for non-essential items.

From April to June as the economy worsened, investors and others in the startup community sounded the foghorn on an increasingly diminishing cash pool for funding, given that a ‘risk-off’ sentiment — globally, and mostly due to the progression of the infection in Wuhan — had already set in.

Because of that, more startups this year had to seek out debt funding from venture debt firms, and via loans, debentures, etc. In H1 2020, 30 companies raised a total of $615.6 million, compared with 20 startups that amassed $436.5 million in the year-ago period. The biggest of these was renewable energy power producer ReNew Power, which raised $450 million through dollar bonds, followed by Bigbasket.

H1 2020 STARTUP FUNDING, BY CITY

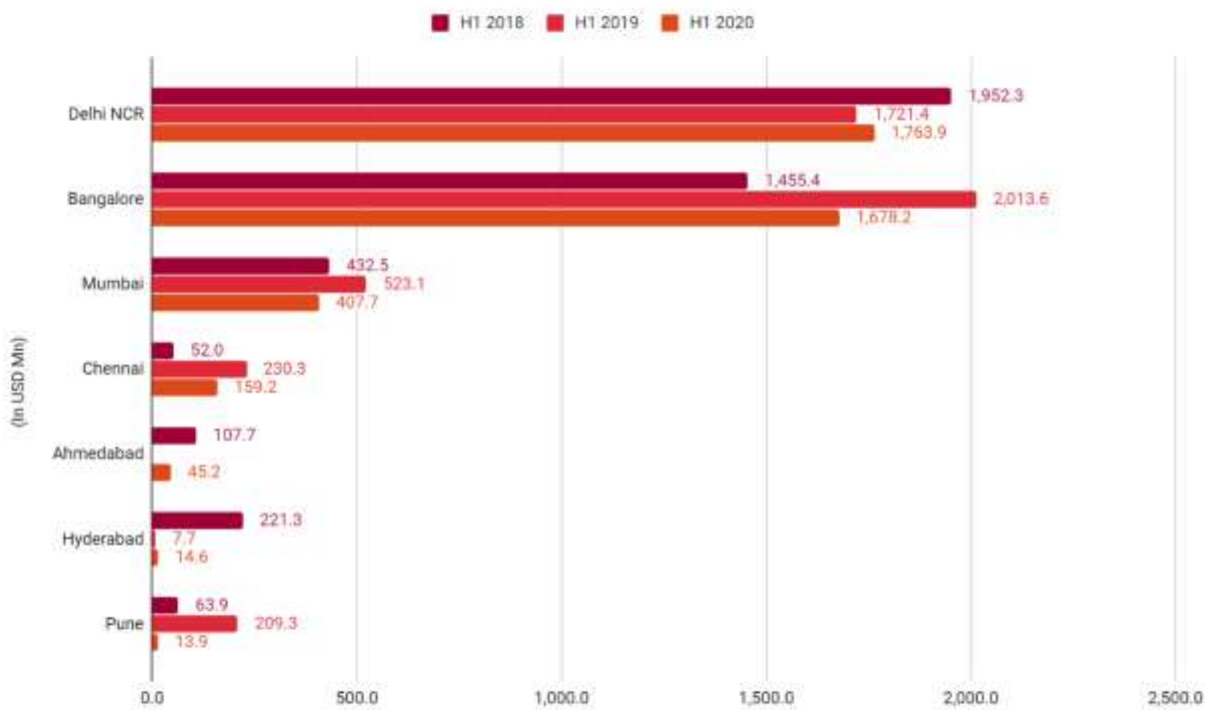
Number of deals, by city (H1’18-H1’20)



Source: YourStory Research

H1 2020 STARTUP FUNDING, BY CITY

Amount raised, by city (H1'18-H1'20)



Source: YourStory Research

Stage-wise funding activity

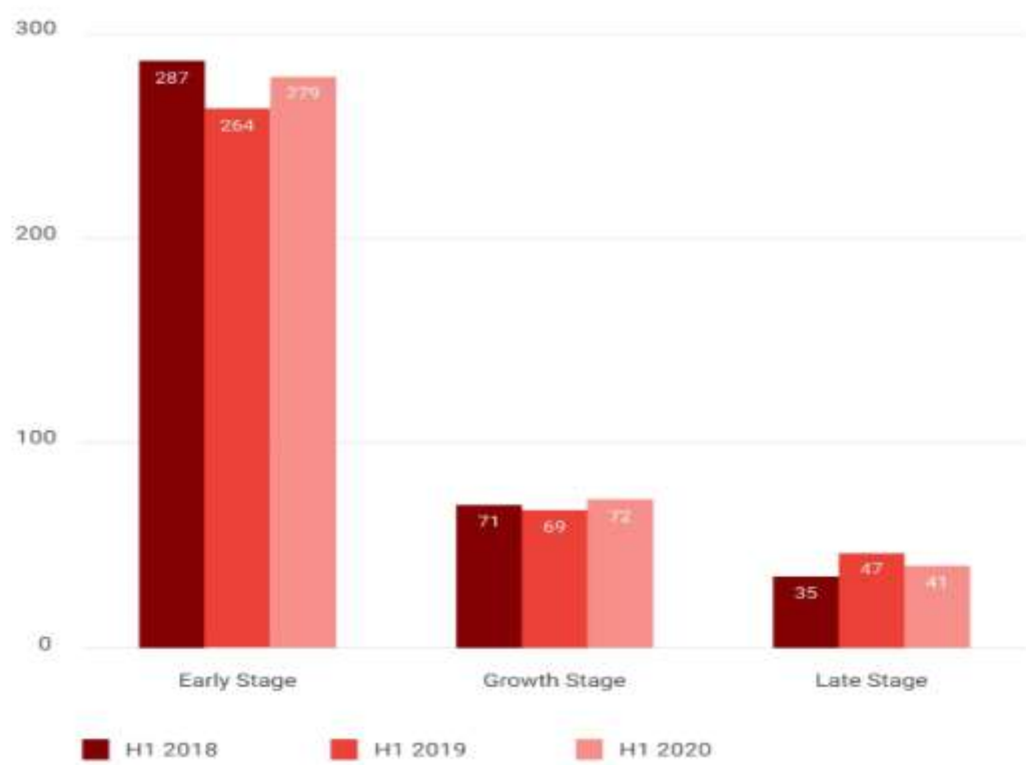
Funding activity was proportionate across all deal stages, even though early-stage startups raised lesser money in 2020 versus last year. The COVID-19 health emergency gave rise to a number of small startups that started producing items such as masks, PPE gears, hand sanitisers, among others, as well as launched various apps to measure social distance, find the nearest coronavirus treatment-equipped health centre, source plasma from donors, etc.

These startups got funded not just by private companies but also received government grants so they could ramp up production and scale more quickly to meet public demand.

As many as 279 early-stage startups, of the total 392 companies, received $519.4 million in venture capital and private equity funding in H1 2020, compared with 264 a year ago, which raised $705.7 million.

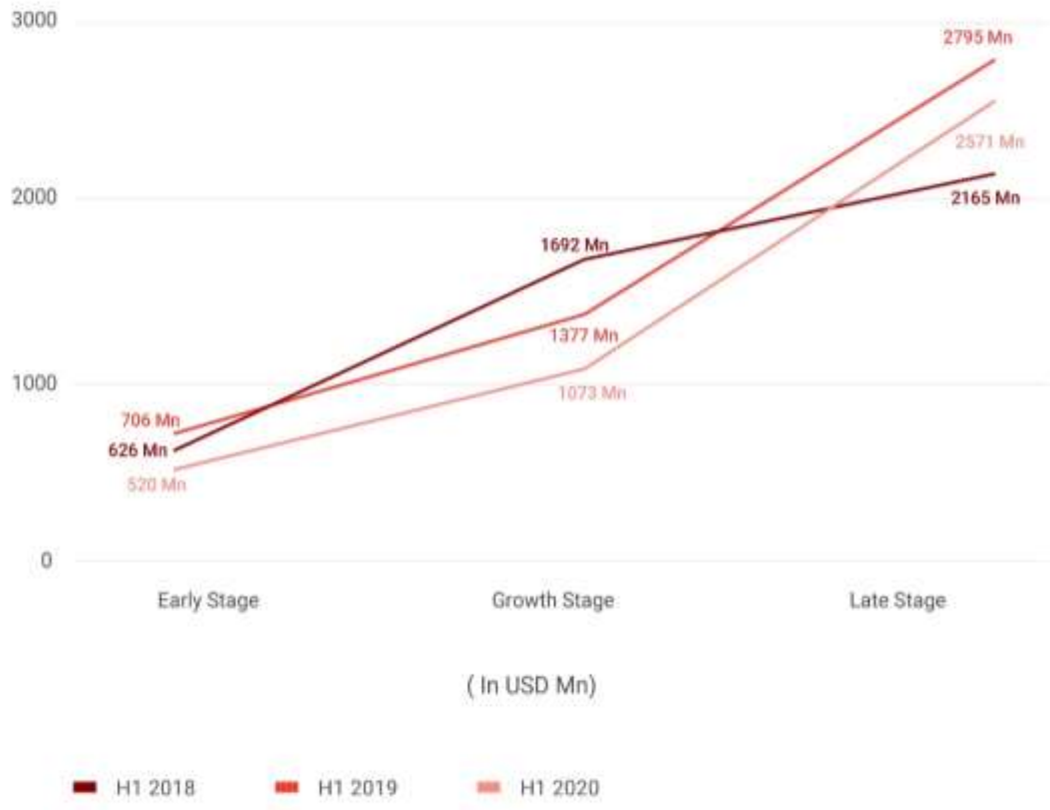
“Investors are saying that they are still open for business. However, everyone is super cautious and is waiting to see what happens post the lockdown – whether there will be a second wave or another lockdown. The good news is that there has been news about funding rounds happening,” said Anisha Singh, Founding Partner, She Capital.

STAGE-WISE ACTIVITY: NUMBER OF DEALS (H1’18-H1’20)



Source: YourStory Research

STAGE-WISE ACTIVITY: AMOUNT RAISED (H1'18-H1'20)



Source: YourStory Research

Late-stage startups raised the most funding in the period — around $2.6 billion, which was 8 percent lower than what they raised in 2019. Oyo's capital infusion, and BYJU'S fundraise were the top two in the category.

Within early-stage deals, Pre-Series A took the trophy home with 145 deals raising $139.5 million, versus 133 deals that raised $109 million a year ago. The top three Pre-Series A deals came from the fintech and financial services sector, with Sequoia participating in at least two of those.

Among late-stage deals, Series C saw a 40 percent decline in the value of investments, to $396 million, while the number of deals increased 18.2 percent, indicating that investors took fewer high-net risks, and the pandemic forced them to take money off the table for well-funded startups.

In lieu of late-stage deals, investors engaged with promising growth-stage startups such as Sleepy Owl, Doubtnut, KhataBook, Ola Electric, Mamaearth and Chaayos in H1 2020. Series A and B combined raised $675.9 million across 79 deals, compared with $697.2 million across 82 deals a year ago.

The only company to reach Series J was Zomato, which raised money at a $3.25 billion valuation, according to various media reports, rivalling Swiggy's $3.6 billion in February. The lockdown dented both the companies' topline as the number of orders fell, even though the two companies were delivering essentials throughout.

Fewer $100 million deals

The number of $100 million-equity funding deals fell to 8 in H1 2020, from 12, a year ago, totalling $1.81 billion, and accounting only for around 43.5 percent of the total investment value in H1 2020.

It's worth noting that most of these $100 million-plus deals were announced in the first three months of 2020 before the pandemic gripped the nation.

The rise in the number of smaller deals is significant for the Indian startup ecosystem as it indicates that investors are looking to germinate small companies with valuable ideas. For startups though, it means they have to part with more of their company — whether it's in terms of equity, percentage of their profit, or even royalties - and that deliberation between how much they give up, and at what cost, has to take a 360-degree view on what the startup's cash position is, what its runway is like, and what the broader industry outlook is for VC and PE investors.

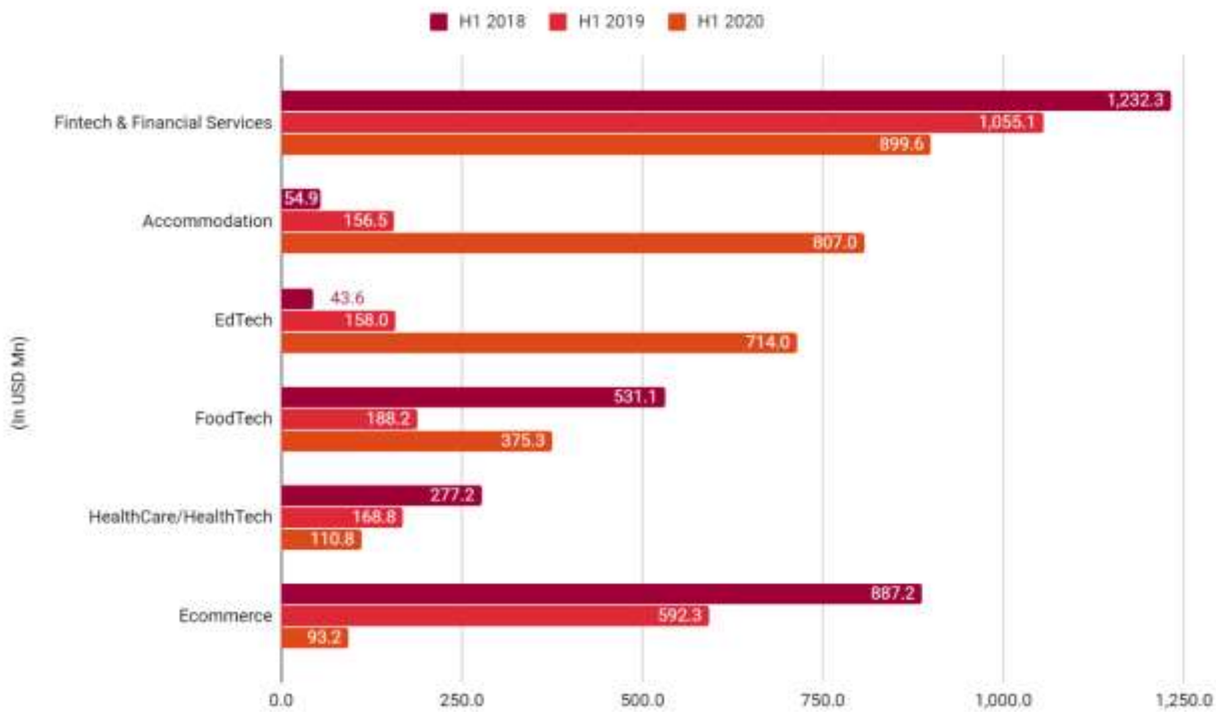
The biggest deal in terms of investment amount was Oyo Rooms', followed by BYJU'S, Swiggy and Zomato.

Sector-wise funding activity

The fintech and financial services sector saw the most number of investments in H1 2020.

In the first half of 2020, 71 fintech firms, including DMI Group, Digit Insurance, BharatPe, LendingKart, Ola Financial Services, and MobiKwik raised a total of $899.6 million. In H1 2019, only 59 startups raised funding, but the deal value was much higher at $1.06 billion.

SECTOR-WISE: AMOUNT RAISED (H1'18-H1'20)



Source: YourStory Research

The fintech sector has seen exponential growth over the last couple of years due to an increase in smartphone and internet penetration, as well as a government impetus to use online, traceable methods of managing money. Most fintech startups cropping up now are either B2C oriented or looking to make finance easier for the MSME and SME sector.

B2C fintech companies are particularly profitable today as consumers are becoming more and more financially literate, and want to be responsible for managing their own money.

Around 2.5 times more companies in the edtech sector raised funding in H1 2020 compared with last year, buoyed by renewed investor interest in a sector thanks to the new normal that required millions of students across the country to rely on online learning as educational institutions remain closed even after the initial lockdown.

Top players in the field — BYJU’S, Unacademy, and Vedantu — all raised money in the first half of the year, fuelled by an increase in demand. 46 startups in the sector raised a total of $714 million in the first six months of 2020, up 351.9 percent at $158 million across 20 companies, a year ago.

New entrants to the unicorn club in 2020 included Noida-based merchant payments provider Pine Labs, cosmetics ecommerce company Nykaa, bootstrapped brokerage firm Zerodha, and Indian-origin SaaS company Postman. BYJU’S hit a valuation of over $10 billion, according to ***YourStory Research***.

Funding in foodtech companies stood at $375.3 million in the first half of 2020 as sector-leaders Swiggy and Zomato raised funding.

Foodtech companies played an important role for people during the lockdown as they helped with the delivery of essential items to households. Swiggy and Zomato beefed up their essential delivery services during the lockdown period in India — even starting alcohol deliveries in some places to encourage people to stay indoors.

STARTUPS IN THE NEW NORMAL

The Indian startup ecosystem has been rattled by the impact of the coronavirus pandemic and the subsequent lockdown. Here are some factors that will influence the funding outlook into startups for the rest of the year:

Conserve capital: This is the top priority for all startups given the very uncertain business environment due to COVID-19. The advice of investors to founders is to have a cash runway of at least 12 months, if not 18 months, to tide over the situation.

Efficient business model: 2020 is likely to see many startups fall by the wayside, as their business models will be unable to handle the crisis. Those startups having a superior business model and good operating metrics are likely to emerge stronger.

Deal flow: The deal flow is likely to remain muted throughout the year as investors have turned very cautious. It will be the small-sized deals which are likely to continue but large-sized transactions may be postponed until next year.

M&A to increase: The startup ecosystem is expected to see more mergers and acquisitions, with companies looking to combine their strengths to battle the business downturn and seek new opportunities.

Virtual collaboration: Given the remote working environment and the lack of full mobility, startups are now focused on virtual collaboration platforms, and solutions are likely to get better traction. However, a completely virtual environment is ruled out, with a hybrid model with physical aspects of working more likely to be adopted.

Top cities: Bengaluru, Delhi-NCR, and Mumbai are likely to dominate the startup ecosystem, both in terms of new companies emerging and the infusion of funds. Other locations will also receive investor interest but not as much as the top-tier destinations.

Edtech: With students going online, edtech has emerged as the hottest segment among startups, with revenues showing rapid growth and many catching investor interest. This trend is likely to continue for the rest of the year but they would face stiff competition from educational institutions that are expected to up their online quotient.

Ecommerce: This segment seems to be in the sweet spot as it is essential to safe and contactless delivery of goods in the COVID-19 environment. The grocery delivery element might get a big boost this year.

Mobility: The lack of people's movement has deeply impacted the mobility segment, but this could give rise to micro-mobility as consumers look to safer alternatives instead of public transport.

Agritech: This sector has seen advances in terms of deployment of technology in areas such as farm inputs, supply chain networks, and market linkages. This is expected to get a further boost during the year as the demand for quality agricultural produce such as grains, fruits, and vegetables is expected to rise. Also, the higher demand for online groceries in the COVID-19 environment will prove to be a boost for agritech startups.

EDTECH'S HOCKEY STICK CURVE

COVID-19 has served as an inflexion point for edtech globally, with startups in the sector hitting the proverbial hockey stick growth curve in the last few months. The industry reckons that the coronavirus pandemic is to edtech what demonetisation was to fintech.

In India, particularly, several startups, which had been struggling to attract consumers due to either high pricing or low awareness, have recorded robust growth in new users, traffic, engagement, renewal, and course completion rates.

In H1 2020, edtech was India's second-most funded sector after fintech and financial services, according to YourStory Research. Over $714 million in funding was raised by edtech startups across 46 deals compared to just $158 million across 20 deals in H1 2019. The 4.5X growth over the year-ago period was a result of rising demand for e-learning and online education triggered by the pandemic-induced lockdowns.

Top deals in the sector included BYJU'S raising $200 million from Tiger Global, followed by another $200 million fund infusion from General Atlantic, and a $100 million investment by Mary Meeker's BOND Capital — its first investment in India.

Other major deals in the sector involved Unacademy, which raised $110 million in a Series E round from Facebook, General Atlantic, Sequoia Capital India, Nexus Venture Partners, Steadview Capital, Blume Ventures, Flipkart's Kalyan Krishnamurthy, and Udaan's Sujeet Kumar. The latest funding pegged the startup's valuation at $510 million, lending it the 'soonicorn' status.

Further, Vedantu raised a Series C round in three tranches: $24 million from GGV Capital, followed by $12.56 million from Legend Capital and Omidyar's Ohana Holding; and $6.8 million from KB Global. Vedantu also invested $2 million in a Pre-Series A round in Instasolv.

Other top edtech deals in H1 2020 included:

- Surge startup Doubtnut raised $15 million in a Series A round from Tencent, Omidyar Network India, AET, Sequoia Capital India, and Curefit's Ankit Nagori.
- InterviewBit raised $20 million in a Series A round from Sequoia Capital India, Tiger Global, and Global Founders Capital. Reliance-owned Embibe raised $12.6 million, followed by $66 million, from the parent company.
- WhiteHat Jr raised $10 million in Series A funding led by existing investors Nexus Venture Partners and Omidyar Network India.
- Classplus raised $2.5 million in a Pre-Series A round from Blume Ventures, Sequoia Capital India, Kunal Shah, Alvin Tse, and Eric Kwan, followed by $9 million in a Series A round from RTP Global.
- Testbook raised $8.34 million in a Series B round from Iron Pillar, Matrix Partners India, Better Capital, AngelList India, and Reliance Jio's Vikas Choudhury.
- Lido Learning raised a Series B round in two tranches: $3 million from Alex Samwer's Picus Capital, Paytm's Madhur Deora, followed by $7.5 million from BAce Capital, along with participation from existing investors.

As per ***YourStory Research*** data, edtech startups accounted for 17.2 percent of all VC investments in H1 2020.

Top edtech sectoral trends

Edtech activity in H1 2020 has thrown up some key trends that are likely to define the sector in the short-to-medium-term.

- **Penetration into Bharat:** Online learning is gaining ground beyond India's top 10 cities, which were the quintessential early adopters. Not just in terms of user growth, but this trend is reflecting in VC investments too, with edtech startups from non-metro locations like Bhopal, Kochi, Surat, Chandigarh, and Ahmedabad, securing funding in H1 2020.

  To make the most of this widening demographic spread, market leader BYJU'S has announced that it would spend the next few months developing learning modules in regional languages. The startup already counts 65 percent of its users from non-metro cities.

  Also, to build brand awareness among users, startups are spending more on marketing activities. There has been a 128 percent growth in digital ad spends by edtech apps during the lockdown, as per a BARC-Nielsen report.

- **Consolidation/M&A:** H1 2020 has been one of the busiest periods when it comes to M&A activity in edtech. As competition intensifies and user demand peaks, several smaller startups are getting acquired by the bigger players — a trend expected to continue in H2 2020 as well. As several years of growth and innovation shrink due to the pandemic-led thirst for online learning, startups are increasingly tilting towards 'buy' in the perennial build-versus-buy debate.

  The top acquisitions in H1 2020 were done by Facebook-backed Unacademy, which acquired exam preparation platform Kreatryx in an undisclosed cash-and-stock deal; non-profit coding platform CodeChef; and medical entrance preparation startup PrepLadder (the deal was completed in July).

  Even BYJU'S is reportedly in talks with WhiteHat Jr for a $300 million acquisition. Both startups count Silicon Valley-based Owl Ventures, an education-focused investment firm, and China's Tencent Holdings as a common investor. BYJU'S is also in late-stage talks with Doubtnut for a $125 million acquisition. However, there is no official word on the development yet.

  Following the lockdown-led surge in edtech, even non-edtech players are entering the segment. In June, telecom major Bharti Airtel acquired a 10 percent stake in kids learning platform Lattu Kids through the Airtel Startup Accelerator Programme.

Further, Blackstone-backed test coaching institute Aakash Educational acquired a majority stake in Delhi-based K-12 platform Meritnation for Rs 50 crore. Additionally, skilling platform upGrad announced that it has earmarked Rs 50 crore to acquire two to three edtech firms in the current fiscal.

- **Increasing hiring:** Edtech might be one of the few sectors that is creating jobs through the pandemic. Startups in the sector are compelled to fill up new roles to manage the current surge. BYJU'S is looking to hire 4,000 people in the next six months in business development, content, and tech roles.

  Other edtech startups, which have job openings currently, include Unacademy, Toppr, Gradeup, Simplilearn, Cuemath, Great Learning, and so on.

- **Blended learning formats:** As soon as India went into a lockdown, several e-learning platforms, including BYJU'S, Vedantu, Unacademy, Toppr, PlanetSpark, and others, rolled out 'live classes' which replicates the periodic curriculum of schools, and ensures that students learn without any disruption.

  Most startups, in fact, made these live classes a free, synchronous offering to complement the on-demand, pre-recorded content, which is a part of the subscription packages. Live classes are open to all and have been instrumental in pushing user growth across the sector.

  BYJU'S believes that the innovations edtech has seen during the pandemic aren't short-term. "Some things will stay on the other side of the crisis too. We are likely to see a blended format of learning, which combines the best of both worlds — online and offline," Founder and CEO Byju Raveendran said.

  Already, edtech startups are adopting a data-driven approach to product and content, using AI-led personalisation, adaptive learning, gamification, and immersive technologies to engage users.

- **Uptick of skilling courses:** With daily life slowing down significantly in the pandemic, several people now have more hours than they can kill. Many of them are investing that time in upskilling themselves.

  There's been a significant uptick in free courses on top skilling platforms like Udemy, Coursera, upGrad, and others. 'Online free courses' is the top-searched term on skilling sites, according to SimilarWeb (website data tracker). Other popular search terms are 'python courses', 'digital marketing', 'data science', and 'machine learning'.

Outlook for the sector

VC investment in edtech is expected to remain robust in the long-term.

Global edtech expenditure is estimated to grow more than 12 percent CAGR to touch **$342 billion by 2025**, according to Barclays Research. Much of this **growth will be driven by Asia**, where a broader socio-economic need stands to intersect rapid innovation in teaching and learning methods.

In a report titled ***Education Technology: Out with the Old School***, Barclays notes, "The unprecedented events of recent weeks have put education technology in the spotlight like never before. Educational institutions have closed in 107 countries, affecting more than 860 million students and counting. The edtech sector has leapt to a prominent position, making it of particular interest to investors as it reshapes how we learn in real time. We expect to see governments around the world taking a more favourable view of online learning as a result of the disruption to standard education delivery caused by the COVID-19 pandemic."

Further, UNESCO estimates that improved access to quality education can increase a country's GDP per capita by 23 percent in the next 40 years. It will also help power — what is being dubbed as — the "fourth industrial revolution" across the globe.

BYJU'S: SOARING IN A PANDEMIC

The rise of BYJU'S in the first half of 2020 mirrors the growth of edtech globally. With nearly 1.5 billion students grounded almost overnight after the closing of educational institutions due to coronavirus lockdowns, online learning hit hitherto unseen peaks.

Like most good businesses, BYJU'S — the world's most valued edtech startup — was agile in responding to the crisis.

As soon as India went into lockdown in late March, BYJU'S made all its content free. It also launched 'Live Classes' on the app — a feature aimed to replicate the classroom-like environment and periodic curriculum of schools. It resulted in unprecedented growth in users, sessions, and engagement for the learning platform.

The homegrown startup has added 13.5 million new users in two months following the lockdown. The average time spent on its app has gone up from 70 minutes pre-lockdown to 91 minutes post it. BYJU'S also recorded its best month in April clocking revenues of Rs 350 crore.

Founder and CEO Byju Raveendran told *YourStory*, "We finished our best month in April despite being free. We're expecting to double that in the next three to four months. We are fortunate to be in a business that has a positive relevance now. The monetisation has improved because this is a clear inflexion point [in edtech]. Good companies in the sector will skip a few years in their growth."

As per company statements, BYJU'S reaches 57 million students across 1,700 cities; almost 65 percent of its users come from outside India's top 10 cities. The learning app counts 3.5 million paid subscribers, with annual renewal rates of 85 percent.

For the financial year ended March 31, 2020, BYJU'S revenue stood at Rs 2,800 crore, up nearly 96 percent from Rs 1,430 crore in the year-ago period. The startup is currently in the process of developing learning modules in vernacular languages to expand to the remote corners of the country.

In April, Byju Raveendran became India's youngest billionaire. The 39-year-old debuted in the Forbes Billionaires List this year with an estimated net worth of $1.8 billion. He is one of the dozen new entrants in the billionaires' club.

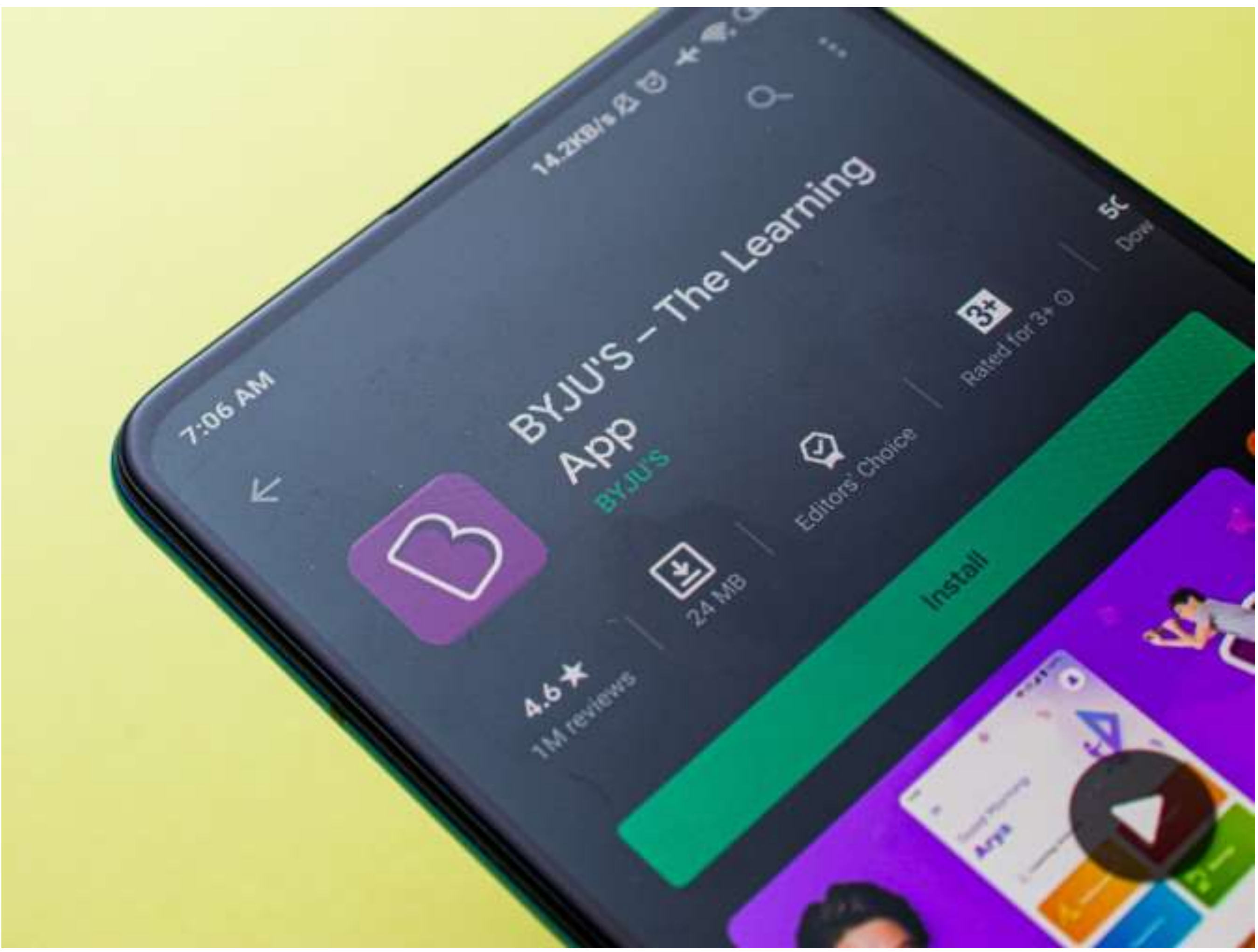
User and revenue growth aside, H1 2020 has been eventful on the funding front too.

The Bengaluru-headquartered startup began the year with a $200 million fund infusion from Tiger Global, valuing it at $8 billion. A month later, BYJU'S raised another $200 million from General Atlantic at a reported valuation of $8.2 billion.

Its latest funding came from Mary Meeker's BOND Capital in June. BYJU'S raised $100 million at an estimated valuation of $10.5 billion — becoming a decacorn and India's second most-valued startup after Paytm ($16 billion). The latest fund infusion also increased Founder Byju's net worth to $2.3 billion on the Forbes Billionaires List.

Talking about its first India investment, BOND Capital General Partner Mary Meeker stated, "Endorsed by millions of students, BYJU'S has emerged as a clear leader in education technology. We are excited to support a visionary like Byju and his team in their quest to continue to innovate and shape the future of education."

Byju said of the BOND investment, "This partnership is a testament to the role that BYJU'S is playing in helping students learn better by customising our platform to their abilities. It also demonstrates the rising global interest in education technology as digital learning becomes increasingly accepted and embraced."



The decacorn is one of the world's most well-funded startups after raising close to $1.5 billion across 15 funding rounds. Besides the aforementioned investors, it is also backed by marquee names like Sequoia Capital India, Chan Zuckerberg Initiative, Tencent Holdings, Naspers, Qatar Investment Authority, Canadian Pension Plan Investment Board, Lightspeed Venture Partners, Verlinvest, and others.

BYJU'S also earned the distinction of being one of the world's top 10 learning apps downloaded in the lockdown, according to app analytics provider Sensor Tower. It is the only Indian app in a list topped by Google Classroom and YouTube Kids.

Byju and co-founder Divya Gokulnath are bullish about the future of edtech in a post-pandemic world. However, they also believe that learning formats will change, thus opening up the edtech market for disruption and innovation.

The founder shared with *YourStory*, "Some of the things will stay on the other side of the crisis too. We are likely to see a blended format of learning, which combines the best of both worlds — online and offline. These are still early days in what tech can do to improve teaching and learning. Students are adapting easily because they are digital natives. But the teachers are struggling to use tools like Zoom, Google Classroom, and others. So, simpler tools have to be created. More institutions have to open up to this blended form of learning. There will be many opportunities in B2B."

BYJU'S is also ramping up its hiring as the demand for online education soars. Over the next six months, the startup is looking to add 4,000 jobs across business, content and product development roles.

With the global edtech sector projected to touch $562 billion by 2022 (data: market research firm Technavio), BYJU'S, which plans to scale abroad, is only getting started.

THE NEW NORMAL AND THE FUTURE OF WORK

COVID-19 disrupted the workplace as we knew it. By the second week of March, employers across India began advising their employees to work from home to prevent the spread of the novel coronavirus.

However, not everyone can work remotely, and soon, the economy hit its lowest point in over a decade. Experts believe that the current slowdown is impacting the economy worse than the Great Recession of 2008.

According to the Centre for Monitoring Indian Economy, the unemployment rate shot up by 27.1 percent in the week that ended on May 3, 2020. The unemployment rate in April was 23.5 percent. While the lockdown initially affected only the unorganised sectors, the layoff wave soon hit the Indian startup ecosystem as well. The report also suggested that 23 percent of entrepreneurs reported a loss of jobs.

With the number of active coronavirus cases increasing, it is evident that it will take us a long time to get back to our desks and meeting rooms.

However, this disruption has brought in opportunities for startups to leverage technology and create products to increase the efficiency of working remotely. Several startups are now offering cloud-based solutions, enabling remote working, and even organising mental health programmes for the well-being of employees, even collaborating to tackle this ‘new normal’.

So, how does the ‘new normal’ look like and what lies ahead in the future of work?

A hybrid model

Earlier executives across the board shunned the idea of working from home, believing it would hamper productivity. However, COVID-19 has shown us that no commute time and fewer coffee breaks have actually resulted in increased productivity among employees.

Companies have realised two things — most meetings can be just emails or a call, and renting an office is one of the biggest expenses, making working from home also economically viable for the company.

Many believe that even after the pandemic is over, not everyone will rush back to their offices.

Anant Maheshwari, President of Microsoft India, in an earlier conversation with Shradha Sharma, Founder and CEO of *YourStory*, said, “IT services companies will definitely have a ‘new normal’ of a hybrid workplace.”

A hybrid workplace would essentially result in a flexible culture where employees can choose to work remotely or from the office. It could also mean one part of the workforce in the office, while the other works from home.

Rise of video conferencing platforms

As boardrooms across the world struggled to function online, video conferencing platforms became one of the biggest gainers of the pandemic.

In fact, Silicon Valley video conferencing startup Zoom was hailed as the “King of the Quarantine Economy”. In the initial days of the nationwide lockdown, it also saw rapid growth in India, becoming the top app on the Play Store. However, Zoom soon faced backlash amidst security and privacy concerns.

But, several companies realised the business opportunity in the space. Google Meet was made free for all users while Cisco began offering free Webex licences. Then, multiple new players emerged in the market, offering video conferencing platforms and making the most of this ‘new normal’.

These included Boston’s GoToMeeting, Bengaluru’s Airmeet and MeetFox, among others. Most recently, Reliance launched JioMeet, a video conferring app with unlimited free calling.

Rethinking office spaces

The coronavirus pandemic and the subsequent nationwide lockdown had a southward effect on office spaces business. For a hybrid model to persist, workspaces have to be designed keeping ‘new normal’ norms in mind.

A report by CBRE on COVID-19 implications for Flexible Space states, “While further short-term pain is likely in the coming months, the sector’s long-term fundamentals remain sound, supported by several major structural shifts.”

This means coworking spaces and design startups have to take into account hygiene and sanitation, social distancing, and contactless automation.

Commercial interior design startups are leveraging the opportunity to provide home office solutions to employees who are uncertain about returning to their offices.

Tech-enabled commercial interior design startup Flipspaces pivoted its business model to persist the pandemic. It launched REBOOTSPACES to offer services for the next generation of commercial spaces. The Mumbai-based startup also launched home office solutions addressing the need for remote working experience.

Additionally, Bengaluru-based Workshaala launched a Homescape initiative, providing furniture necessary for people working from home.

The space is also seeing some traction with coworking space provider 91springboard raising Rs 45 crore recently from its existing investors. The company also reopened 14 of its 27 coworking spaces across the country.

Coworking unicorn WeWork also committed $100 million investment in its India operation.

Aggressive use of AI

The new normal has also given rise to the rapid adoption of emerging and new technologies, across markets and industries. Artificial intelligence (AI) will benefit the new workplace by improving the productivity of employees. Mundane and repetitive work will be automated with the help of AI.

One example is the use of AI-powered chatbots. Even before the pandemic, consumer-facing companies adopted AI-powered chatbots to interact with their customers.

This will be further accelerated to reduce administrative tasks and make processes more efficient. Thus, employees will be required to evolve their roles and learn to co-exist with AI.

Promoting wellness

Working from home may initially seem more of a boon than a bane. But, challenges are bound to arise with time. Employees with larger families, children in the house, and not enough space to set up an office will face productivity challenges.

Uncertainty of jobs, limited social interactions, and work deadlines while keeping up with personal duties at home will also become emerging concerns for mental well-being. During an unprecedented time like this, companies are also having to prioritise human concerns.

In India, conversations around mental health are considered a general taboo, and seeking professional help for mental wellness has always been an expensive affair.

However, startups have begun providing counselling and mental awareness programmes to their employees. They are tying up with mental health experts or wellness platforms to ensure that their employees are able to maintain the work-life balance while the lines continue to blur.

For example, foodtech giant Swiggy launched ‘Built around You’ initiative to support its employees and their families with unlimited tele and video consultation sessions with experts.

Additionally, Mumbai-based CredR partnered with experts from Harvard University to conduct counselling sessions for its employees.

Upskilling and reskilling

Rampant job losses and an economic slowdown mean that the job market is getting more competitive. One of the most effective ways of standing out is by adding more skills to one’s resume or getting better at the existing ones.

A report by NASSCOM estimates that more than 40 percent of India's workforce needs to reskill by 2022.

Edtech platforms are launching new courses and making existing ones more easily available to help users upgrade their professional skills.

IntelliPaat, a skill building startup, has been providing more than 150 courses on data science, AI, web technologies, and cloud computing, among others.

Similarly, TalentSprint has tied up with educational institutions including IIT Hyderabad and Kanpur, and IIM Calcutta to offer courses on AI, machine learning (ML), blockchain, quantum computing, cybersecurity and fintech for students, preparing them for the corporate world.

HEALTHTECH IN THE NEW NORMAL

The digitisation of healthcare has been under way for some time but the COVID-19 pandemic has accelerated adoption. Amid restrictions, telemedicine services and online consultations are becoming the new normal in India.

The healthcare industry has been in the frontline this year amid the COVID-19 pandemic and the consequent lockdown. The global health crisis has led to a tectonic shift in the sector and accelerated adoption of digitisation. As people stay home to stay safe, telemedicine and online diagnosis have become the "new normal" in the healthcare space.

"Digitisation in healthcare has been underway since the last three to four years, but has shifted gears in the last four months. COVID-19 has broken the illusion of irreplaceability of face-to-face medical consultation, a hurdle that digitisation was struggling to cross in the last few years. From its humble beginnings in discovering, selecting, and booking healthcare providers, digitisation in healthcare has now graduated to owning a major chunk of the consultation process," says Pratika Khandelwal, Co-founder and CEO of Felicity, a Jaipur-based online counselling and therapy service provider.

The Indian startup ecosystem is also playing a major role in supporting the healthcare sector during this unprecedented time.

Several healthtech and medtech startups have come together to help people connect with doctors and healthcare professionals digitally for diagnosis and consultations. Startups from other sectors have pivoted their business models to manufacture PPE gears to deal with the supply shortage. Several biotech, robotics, and other startups have come up with innovations to keep surfaces and areas disinfected and curb the spread of COVID-19.

While startups are working to resolve the global crisis, the healthtech and healthcare space has seen funding drop 34.4 percent in the last six months. According to *YourStory Research* data, the healthtech/healthcare sector received $110.8 million in funding across 24 startups.

Accelerated digitisation in the Indian healthcare sector

The coronavirus pandemic and the subsequent lockdown confined people to their homes and forced them to rely on digital and ecommerce services. The fear of coming in contact with infected patients at clinics and hospitals also led many to opt for online and telephonic consultations.

Speaking to *YourStory*, Ashwin Amarapur, Founder and CEO of AIkenist, a Bengaluru-based startup that provides AI-based solutions for faster scanning and detection of health problems, explains that the coronavirus pandemic has divided healthcare into two segments: COVID-19 care and non-COVID-19 care (regular healthcare).

“Since the number of patients will increase and both sections will need to be addressed simultaneously, technology will help in addressing the problem better. Technology helps in connecting doctors to patients in a contactless way for disease/patient analysis,” he adds.

According to Sharmila Devadoss, Founder and Managing Director of healthcare startup MedIoTek Health Systems, COVID-19 has proved to be a turning point for the healthcare sector in the country. “The pandemic has led to behavioural change across markets as stakeholders realise the value of easy data collection and operational efficiencies.”

Accelerated digitisation due to COVID-19 has also opened up a dialogue on the need for digitising personal healthcare data.

Pankaj Sharma, Co-founder of nanotechnology startup LeadInvent, says: “Digitisation of healthcare in India has been extremely poor so far. A chunk of the Indian population has been outside the ambit of health insurance and personal healthcare data is just not available, neither with patients or doctors nor with the healthcare system. This makes it extremely difficult in pandemic situations for the government or states to understand how many people in their states are in a high-risk zone.” says.

Stakeholders say healthtech is enabling contactless healthcare amid the pandemic via telemedicine, teleradiology, and disease/patient analysis using AI/ML.

The influence of telemedicine and deeptech

The coronavirus-led lockdown and subsequent restrictions played an important role in upping the game for telemedicine services.

Telemedicine services let users to consult with verified doctors 24x7, from anywhere in the country online or via phone. This allows users to consult healthcare professionals at a lower cost instead of self-medicating or delaying treatment.

A recent report by healthtech startup Practo revealed that five crore Indians accessed online healthcare during March to May, a 500 percent growth in online healthcare consultations. The report also revealed that 80 percent of the total users were first-time telemedicine users. As many as 44 percent of users were from non-metro cities.

According to Dr Alexander Kuruvilla, Chief Healthcare Strategy Officer of Practo, there is only one doctor for every 1,445 people in the country, making it almost impossible for people to get access to proper medical attention.

“Amid COVID-19, telemedicine has been playing a frontline role. Access, quality, and affordability are three key issues facing healthcare today, and telemedicine fits in well to solve for all three. While its first usage in India dates back to a couple of decades ago, it’s really only in recent months that India has truly experienced its full potential. Telemedicine can act as a strong first line of defence, and we see it becoming mainstream soon,” Dr Alexander says.

Speaking about the future, Pillalamarri Sridhar and Sundararajan Srinivasan, Co-founders of telemedicine startup Ubiqare Health, said traditionally healthcare services concentrated in hospitals will now be delivered to remote points using hybrid virtual-physical models.

“Telemedicine will influence a large portion of the healthcare value chain, from diagnostics through treatment to rehabilitation or terminal care, giving rise to an alternative industry of Tele-Medicine-enabled-Services in Healthcare (TMesH),” they added.

They also explained that telemedicine technology will also evolve with time to incorporate other digital technologies such as VR/AR/MR, AI/ML, 5G, Imaging, Storage Networks, Wearables and UX.

According to Anand Madanagopal, Founder of Bengaluru-based Cardiac Design Labs, there is a need for inclusion of AI and machine learning in the healthcare space as with more patients needing monitoring and observation, there is a serious lack of personnel to meet the demand.

The same point was highlighted by Ashwin. “AI and ML helps in analysis of diseases and healthcare delivery. Track, Trace, and Test will be followed in every disease, and it is impossible to accomplish this without deep tech. Continuous innovation associated with deeptech will bring effective solutions for disease tracking and treatment. AI and ML applications in radiomics (radiology), pathomics (pathology), and genomics are key aspects in this,” he adds.

Trends and outlook

The pandemic outbreak and lockdown has put the spotlight on the importance of mental health. Confined to their homes for two months, people have begun focusing on solving mental health issues, including depression, loneliness, stress, and anxiety among others.

“While mental health had moved a few inches from the fringe of public discourse in the last few years, it was still a distant candidate for mainstream healthcare. COVID-19 has, in a short span of time, lent mental health the legitimacy that it deserved in mainstream healthcare. It has shed light on the lack of access to credible practitioners and under-utilisation of counselling as a line of treatment,” Pratika says.

She claims that Felicity recorded large numbers of registrations from all over the country since its early days. The online counselling service provider was launched in November 2019.

Experts agree that the coronavirus pandemic is a watershed moment in India's healthcare evolution.

Dr Alexander, of Practo, explained that the last three months have radically changed people's lifestyles, leading to an impressive increase in the number of online consultations that have taken place through Practo.

Ashwin says COVID-19 has brought healthtech to the Indian masses at a faster pace. "Traditional care required patients to come to hospitals. New medical practices use technology as an effective tool to deliver quality care to more patients at a lower cost. This [pandemic situation] will become an Uberisation moment where healthtech is used by doctors to connect with patients and provide diagnosis faster and safer," he adds.

On the outlook for the Indian healthcare space, Ayush Mishra, Founder and CEO, Tattvan E-Clinics, says, "The future of the healthcare space is rapidly moving towards full-fledged digitisation and technical transformation across levels. This will not only enhance the delivery of healthcare, but how data is stored, accessed, and diagnosed, and treatments and consultations for billions of people."

According to a 2019 report by McKinsey Global Institute titled, Digital India: Technology to transform a connected nation, the country can save up to $10 billion by 2025 if telemedicine services replace 30 to 40 percent of in-person consultations in India and the industry sees digitisation.

Ashwin says, "Healthtech is going to change clinical response, patient convenience, and resource utilisation. Apart from this drug discovery, early detection of diseases, value care delivery and disease treatment are some of the areas where healthtech is going to bring big differences. In terms of healthcare systems like hospitals, clinics, and diagnostic centres, resource utilisation using healthtech will play an important role in optimising the cost of healthcare delivery.

SAAS THROUGH ZOHO & FRESHWORKS LENS

The coronavirus pandemic has forced business, both big and small, to take a relook at their strategies and adapt to the ‘new normal’.

India’s SaaS poster boys – **Zoho and Freshworks** – have not been immune to the COVID-19 crisis. While they believe the Software as a Service (SaaS) industry is resilient to the pandemic, they expect consolidation, and are working to save costs.

India’s SaaS behemoth Zoho, which has over 400,000 paying customers, believes the future of SaaS depends on trends like profitability and consolidation, among others.

According to Raju Vegesna, Chief Evangelist, Zoho, some of the trends they believe will work during the time of the crisis include:

1) **Profitability**: SaaS is a low-margin business, and not many SaaS companies are profitable. This can be attributed to high marketing costs and low renewal rates. Hence, the percentage of profitable companies in the SaaS market is surprisingly low. Businesses that can prove they can turn the corner towards profitability will make themselves visible and relevant for the future. If they can’t, then they will be part of someone else’s consolidation story.

2) **Rise of the suites**: In a bubble, SaaS features tend to masquerade as products, and products tend to masquerade as companies. During recession/depression, this reverses because products become features and categories consolidate. This gives rise to product suites, which are either built ground up or assembled through acquisition.

3) **Consolidation**: The SaaS industry, which has tens of thousands of companies, is unsustainable. Raju says: “How many CRM companies do we need? 10? 20? 50? We have over 5,000 companies at present. And this means a lot of them are going to be consolidated in multiple areas.” Oversupply, combined with the rise of the suites, means consolidation is inevitable.

4) **Differentiation:** A majority of SaaS companies today are built on top of the big three players - Zoho, Freshworks and Salesforce. Hence, it could be a matter of time before the big players start bubbling up to the application layer from the infrastructure layer. There will be a time when SaaS vendors will have to show the real differentiation. It is similar to the hundreds of calculators and flashlight apps we saw on smartphones during the early days, which disappeared later.

“Same is likely to occur in the SaaS industry. When that happens, how will SaaS players differentiate themselves? That could determine the survival for many companies,” says Raju.

5) **Mobile first**: As several developing countries start making investments in their connectivity, a majority of them are going to be mobile-first markets. Now, the question is, will SaaS companies pivot to mobile first? This will determine their success in the developing countries.

India has 40 million laptops and desktops, but it has over 400 million smartphones. SaaS companies have to pivot to this mobile-first world to be relevant.

However, Zoho's rival Freshworks has commissioned a new report with research and advisory firm Forrester. The study - **"The Total Economic Impact of Freshdesk: Cost Savings and Business Benefits Enabled by Freshworks"** lays down some facts about the COVID-19 slowdown, and showcases some SaaS trends.

According to the company, the purpose of the study was to provide readers with a framework to evaluate the potential financial impact of its customer support software Freshdesk on their organisations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed four customers who have used Freshdesk for several years. According to the company, some of the benefits of using SaaS include:

1) **Quantified benefits**: Among the organisations surveyed, the report found there were cost savings of $895,451 through deflection to self-service channels. Freshdesk offers several features to support and scale a self service experience for customers – **including an AI-powered chatbot, a help widget, and a knowledge base of frequently asked questions**.

With Freshdesk, the composite organisation will be able to steadily increase the proportion of tickets resolved with self-service at a rate of 40 percent annually. During a three-year period, this accounts for more than one million support tickets that are deflected to self-service channels, translating into a cost saving of $895,451 for the composite organisation.

2) Shift to lower-cost channels: Freshdesk's ability to **provide omnichannel support gives organisations the flexibility** to encourage its customers to utilise lower-cost channels that are more efficient, and can handle higher volumes of contacts, simultaneously.

With Freshdesk, the composite organisation is able to reduce the volume of calls on phone channels by 15 percent annually. While some of these calls deflect to self-service channels, a large portion shift to low-cost, web-based channels like live chat and email. By doing this, the composite organisation can save $2.88 million over three years.

3) Improved agent productivity and efficiency: Freshdesk provides features to support and empower agents during customer interactions. Auto-assigned rules and visibility into a customers' context enable agents to serve customers faster and be more proactive during each interaction.

With Freshdesk, the composite organisation is able to reduce the average handling time per phone ticket by 25 percent. This results in a capacity improvement of more than 65,000 hours, which is equal to a reduced agent headcount of 32 FTEs over three years. Through improved agent productivity and efficiency, the composite organisation can save $1.29 million over three years.

4) Avoiding administrative tasks: With Freshdesk's automation and reporting capabilities, organisations reported they were able to eliminate manual-based processes centred around repetitive work tasks and report generation. The composite organisation is able to reduce the amount of time agents spend on repetitive, manual tasks, and reporting by more than 54 hours per agent per year. This has resulted in saving $609,448 over three years.

FUNDING IN WOMEN-LED/FOUNDED STARTUPS

Key highlights

- Funding for women-founded and co-founded startups fell 44.7 percent to $269.5 million in the first six months of 2020 as compared to $487.2 million in the first half of 2019.
- Women-founded and led startups contributed only 6.5 percent to the total funding raised in the Indian startup ecosystem H1 2020.
- The total number of funding deals involving women-led startups fell 14.7 percent to 58 deals in H1 2020, compared to 68 deals in the year-ago period.
- There was a consistent decline in funding across all three stages – early, growth, and late in H1 2020 when compared to H1 2019.
- The edtech segment received the highest quantum of funding at $93.6 million over seven deals, followed by healthcare at $34.7 million.
- Bengaluru retained its position as the leading destination for women-led startups with a total funding of $104.3 million in H1 2020, across 15 deals. Delhi-NCR tops the list for the most deals though with 22; startups in the region raised $65.2 million.

COVID-19 impact and state of women-led startups

The coronavirus pandemic, the subsequent lockdown, and the severe restrictions on business have sounded the death knell for numerous businesses around the world. The global health crisis has hit women entrepreneurs harder, with many struggling to keep their businesses afloat.

Sofia Sprechmann, Secretary-General, Care International, in an article said COVID-19 was "the biggest setback to gender equality in a decade" and was having a "disproportionate impact" on women entrepreneurs.

Discussing COVID-19's impact on women entrepreneurs, Cherie Blair, Founder of Cherie Blair Foundation for Women, wrote that pre-existing barriers to business women founders face "are compounded by the virus and its knock-on effects: a lack of access to finance, lack of networks and mentors, competing gendered priorities such as providing care and domestic labour, and many more intersecting issues".

The impact of coronavirus is being clearly seen in India's startup ecosystem as funding dries up – especially for women-led startups.

Overall funding into the startup ecosystem declined in the first half of the current year, but this drop accelerated in the second quarter of 2020.

Startups founded by women founders or part of the teams received $269.5 million in venture capital investments in the first six months of 2020 as compared to $487.2 million in the same period in 2019 - a decline of 44.7 percent.

The percentage of funding for women-led startups from the overall investment received in the first six months of 2020 stood at mere 6.5 percent. The remaining 93.5 percent – $3.8 billion – went to startups headlined by male founders.

The top women-led startups in terms of funding in the first six months of 2020 include Embibe, Nykaa, Leap India, and iMerit Technology.

The participation of women founders in the Indian startup ecosystem has gained prominence over the years. Successful women founders such as Falguni Nayar of Nykaa (on the verge of unicorn status), Upasana Taku of MobiKwik, and Aditi Avasthi of Embibe have become role models for aspiring women entrepreneurs.

This decline in funding does not bode well for the entrepreneurial ecosystem.

At a meet organised by TiE-Delhi-NCR on the challenges faced by women entrepreneurs, Ankita Vashishtha, Co-Founder and CEO of SAHA Fund, said the core issue was lack of access to network, capital, and opportunity.

“Platforms for women entrepreneurs need to be more disciplined and focused on results like onboarding clients, driving business, or infusing institutional money. All funds should be mandated to have equal representation in their portfolio,” Ankita said.

The muted sentiment for women-led startups was also reflected in the various stages of deal making, be it early, growth or late. In all three stages, funding in the first six months of 2020 was lower when compared to 2019.

According to a report by Boston Consulting Group, businesses founded by women deliver higher revenue, in fact twice as much, per dollar invested than those founded by men. The study also suggested that if both men and women around the world participate equally as entrepreneurs, global GDP can rise to six percent from the current three percent.

A *Harvard Business Review* report said women performed better over time, generating 10 percent higher cumulative revenue over a five-year period: $730,000 by women as compared to $662,000 by men.

However, they still continue to lag when it comes to funding.

In the first half of 2020, when it comes to women-led startups, the edtech segment witnessed the highest funding — $94 million across seven deals — followed by healthcare, which garnered $35 million across three deals. Embibe, which was acquired by Reliance Industries, was the largest transaction at $78.5 million, followed by Nykaa at $25 million.

Bengaluru retained the top spot as the leading destination for women-led startups, with a total funding of $104 million cutting across 15 deals in the first half of 2020. However, it was much lesser than the $193 million invested in the same period in 2019. Delhi-NCR came in at second spot, with total funding of $65 million and 22 deals.

Over the last three years, the maximum funding for women-led startups has been in three locations – Bengaluru, Mumbai, and Delhi-NCR. There were a sprinkling of deals from other locations, but they were few and far between.

It is clear that COVID-19 is a roadblock that women entrepreneurs will have to work around to continue on the path to success along with other challenges.

CONCLUSION

Locked down, but not locked out

There has been a reset in the venture capital ecosystem this year as we come out of two strong years in funding. However, the reset is not as dramatic as we might have expected, as the report shows.

When Prime Minister Narendra Modi announced the need to become 'vocal for local', he put a spotlight on Indian entrepreneurs who will be crucial in making *'Atmanirbhar Bharat'* a success.

Today, with a digital population of more than 600 million, India is ranked the world's second-largest online market. India is also the third-largest startup ecosystem in the world with more than 30,000 startups, at least 27 tech unicorns and three decacorns. Over 100 Indian cities have at least one incubator or accelerator programme.

However, challenges exist alongside the opportunity. Understandably, startups in India have to deal with challenges their contemporaries in other countries are not facing. For instance, comprehending the sheer size of the country, its cultural diversity and the lack of a skilled talent pool, among others,

India has been ranked 40th out of 53 countries on a global intellectual property index 2020 after being placed at the 36th position among 50 countries in 2019.

India today is also in a prime position to not only join the global technology elite, but also lead them. While the global population is ageing rapidly, India, with one of the youngest populations in the world, is at a strategic advantage with regards to the demographic dividend. However, almost three-fourths of our population is unskilled. The World Economic Forum's Global Talent Risk report cautions that while India has moved up on a global index of talent competitiveness, it remains a laggard among the BRICS nations. There is a wide gap between the skills required in industry and those provided by the education system.

As the rhetoric goes, these very challenges also manifest themselves as opportunities for innovation and entrepreneurship. The startup sector, therefore, finds itself on the precipice of a new era. Solving for the new dynamic has magnified the scope for innovative business models to address real and pressing Indian problems. This makes entrepreneurship and startups more sustainable on their home ground.

We are locked down. But certainly not locked out.

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