

CREATING  
VALUE FOR  
**1.3**  
BILLION

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# About the Authors



Established by industry professionals with a unified aim to drive forward India's Private Equity & Venture Capital industry, The IVCA (**Indian Private Equity & Venture Capital Association**) is India's apex body representing the interests of PE/VC industry for over a decade. IVCA is a non profit organization powered by it's members. The member firms comprise of influential firms from around the world, including Private Equity & Venture Capital Funds, Corporate Advisers, Lawyers and Institutional Advisors.



Founded in 2002, **Zinnov** is a leading global management and strategy consulting firm, with core expertise in Product Engineering, Digital Transformation, Innovation, and Outsourcing Advisory. Over the past 17 years, Zinnov has successfully consulted with over 250+ Fortune 500 customers to develop actionable insights that help them in their transformation journeys. Zinnov is committed to empowering leading technology companies drive meaningful business outcomes, leveraging a combination of consulting and platforms to deliver value.

# Preface



**Gopal Srinivasan**  
Chairman & MD  
TVS Capital

The start-up movement has had a clear positive impact on India's economic shift in the last decade. The system's most visible impact is in the innovation, energy and economic impact of the start-ups. It is the result, in equal measure, of the unequalled entrepreneurial founder talent, a supportive Government policy, a business ecosystem created by India's post-liberalization maturity, with venture capital funds providing capability as well as patient capital.

Scaling new heights with innovative ideas from the world market as well as transformative ideas that are made in India, these daring founders in a *jugalbandi* with their venture capital partners, have made a noteworthy breakthrough by democratizing wealth creation in this country. Gone are the days when ideas needed generational wealth for incubation, or a privileged network. At the core of this paradigm shift, risk-taking venture capitalists have given wings to those selected by talent and talent alone, to execute and metamorphose their dreams into reality. Hence the rise of *Meritocratic Capital* for the New India.

This report primarily highlights the fruits of this new *yugā* of entrepreneurship in Bhārat. Specifically, it studies the aspects of:

- Rapid job creation by start-ups and increase in employment;
- Wealth creation of start-up founders and employees, as well as fund investors.
- Rise of digital economy
- New entrepreneurial hub spots beyond cities of Bangalore, Delhi-NCR and Mumbai

The report is inspired by Dr. KV Subramanian, Chief Economic Advisor, Government of India, who initiated this study topic for the Economic Survey 2020.

Please join me in thanking IVCA's members who supported this, and our knowledge partner Zinnov and their team of professionals for producing this high-quality report in such a short time, making a very important contribution.

# Foreword



**Rajat Tandon**  
President, IVCA

The Venture Capital investing space in India has been constantly evolving and has gained significant traction over the past few years. The year 2019 witnessed nearly 500 deals in the VC stage amounting to approximately \$2.1 Bn, a 12% increase over 2018. We have seen several new VC funds coming up, old funds raising new rounds successfully which signifies the investors' confidence in the domestic market, quality of entrepreneurs and their innovations. Recent big-ticket exits have aptly highlighted the exit scenario and evinced interest from global players to scout the domestic market.

This report is a study on the important contribution and hard work of the VC fund managers over the last decade. The ecosystem has been developed and a substantial amount of wealth, job and developmental activities created. This is by no mean a small task, as it has brought about a change in mindset among the young population who venture out to explore new innovative ideas. Continuing with the pace and the support and interest from policymakers, we are surely headed for revolutionary times.



**Pari Natarajan**  
CEO, Zinnov

The current global business environment is volatile, dynamic, and constantly evolving. This necessitates a symbiotic public-private partnership to keep pace with the volatility and bring in a sense of stability. The start-up ecosystem is an archetype of such a symbiotic public-private partnership, where the State is working on solving the structural challenges, and the private sector is solving the operational challenges and bringing in efficiencies.

Venture Capital and Private Equity firms are an indelible part of our ecosystem. They are playing an increasingly vital role, not just as wealth creators in the traditional sense, but as orchestrators of value creation. The value that Venture Capital and Private Equity firms create by channelizing and sustaining growth, will impact and influence every player in the ecosystem; the entire nation wins, not just the investors. They will become drivers of growth, innovation, and value through exponential network effects created through start-ups.

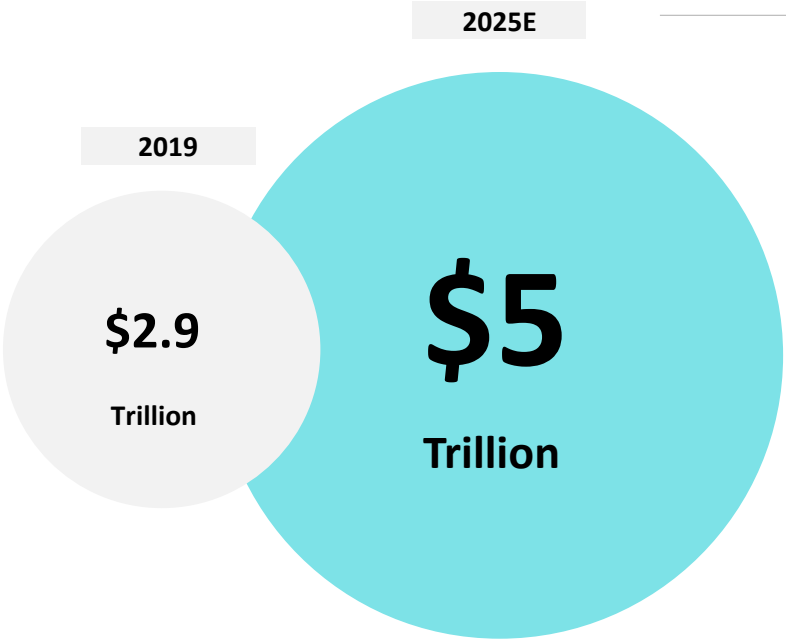
As more and more Venture Capital and Private Equity firms enter the fray, the network effects will multiply the value created, thereby achieving critical mass. It will be interesting to witness how Venture Capital and Private Equity firms will go on to create a complete support stack across technology, HR, operations to enable massive scale and value creation by bringing in efficiencies across the investment value chain.



**Creating Value for 1.3 Billion**

# Entrepreneurship and innovation are critical to India's economic ambition and...

## Indian Government's Vision<sup>1</sup>



**50%** Contribution from SMBs

**2X** Per capita income

**90Mn** New jobs

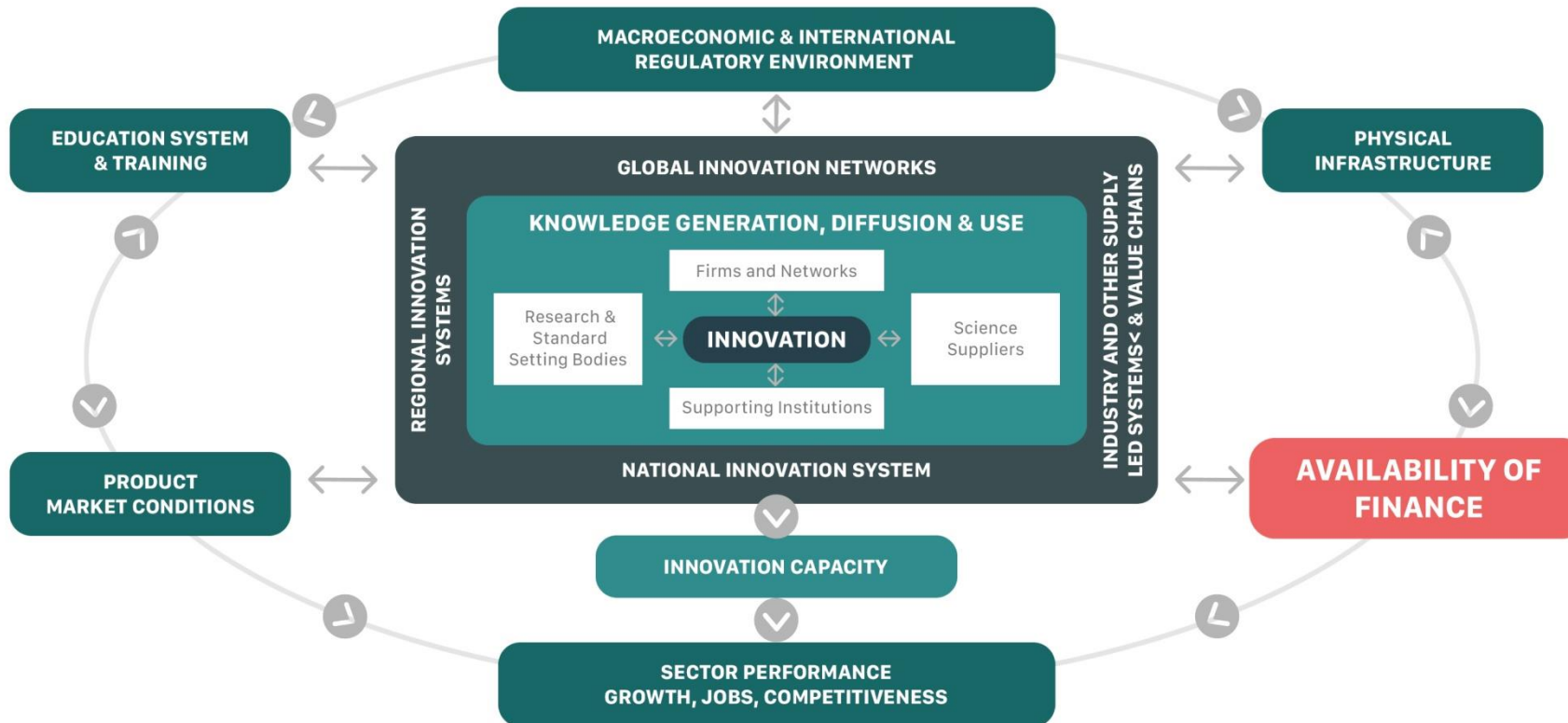
**\$1Tn** Digital Economy

## Key Levers for Growth<sup>2</sup>

- Digital Governance
- Ease of Living – inclusive growth
- Entrepreneurship
- Technology and Innovation
- Investments
- Reforms & Co-operative Federalism

Note: (1) (2) Indicative, not exhaustive | Source: Publications from Niti Aayog, MEiTY, Central Government of India and, other government bodies and agencies, Zinnov CoNXT research and analysis.

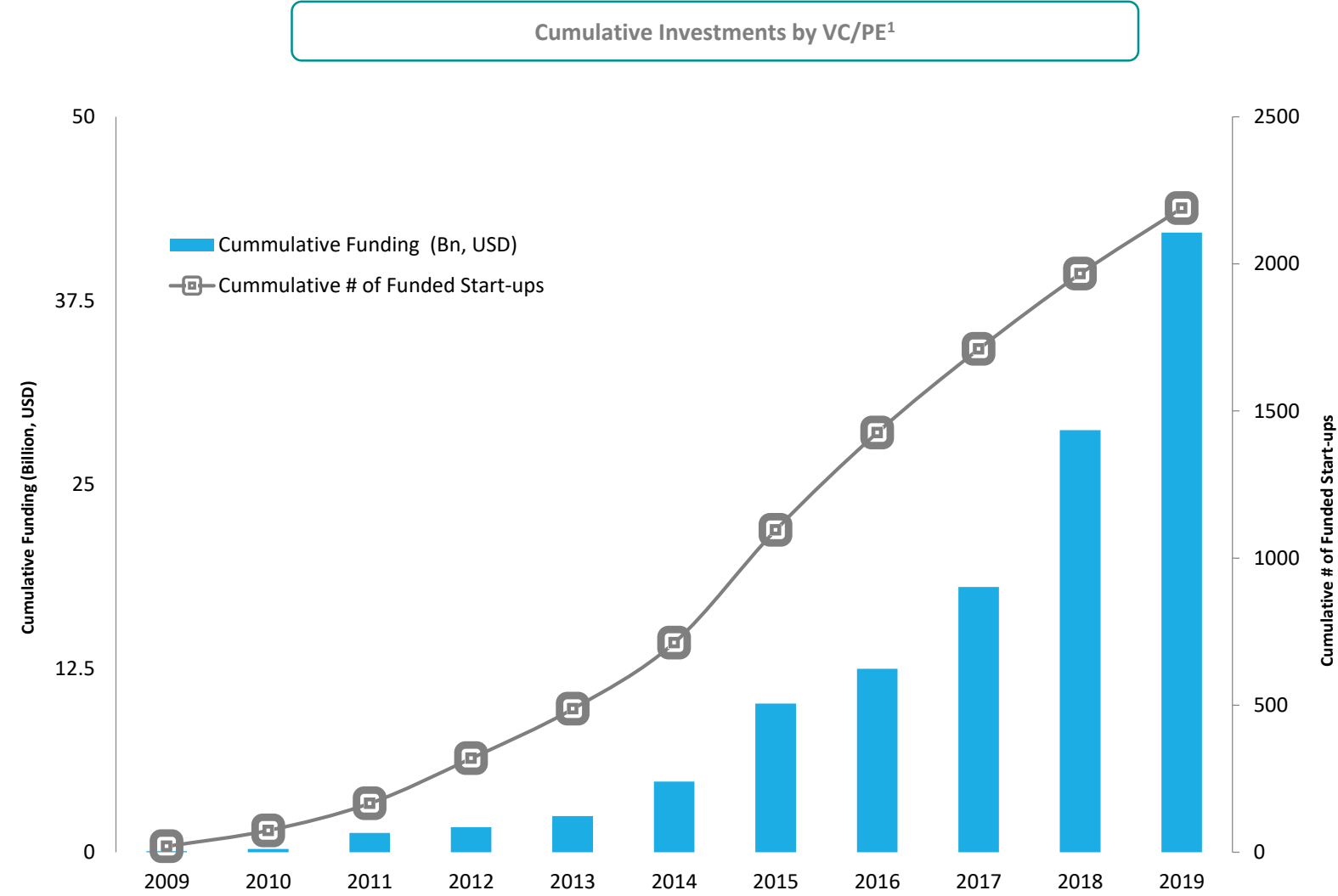
...success will be dependent on building a strong system of innovation





# Venture capital and private equity investors are already playing a critical role

- 42 Bn+ in cumulative investment<sup>1</sup> from VC/PE
- 2014 Year of Inflection Point
- 2150+ # of start-ups<sup>1</sup> funded by VC/PE



Note: (1) Analysis of technology and technology-enabled companies founded between 2009-19 and unicorns. Only active companies, excluding acquired or IPO, have been considered (2) Only start-ups that have raised funding from VC/PE have been considered | Source: Zinnov CoNEXT research and analysis.

# And are enabling value creation for the country across multiple dimensions



## Enabling Intrinsic Value Capture

Creation of wealth is no-longer just a function of salaries; individuals are capturing part of the value they are creating



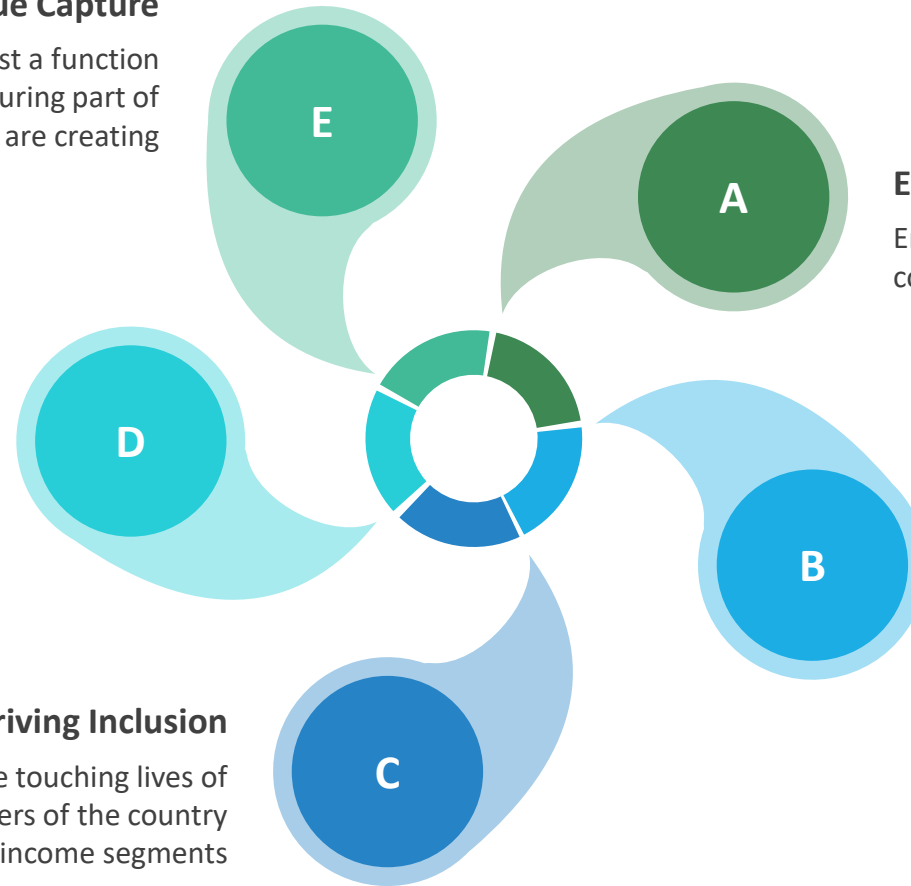
## Creating Direct And Indirect Jobs

Start-ups are creating new job segments and rapidly expanding employment opportunities



## Driving Inclusion

Technology-led solutions are touching lives of Indians in remotest corners of the country and across income segments

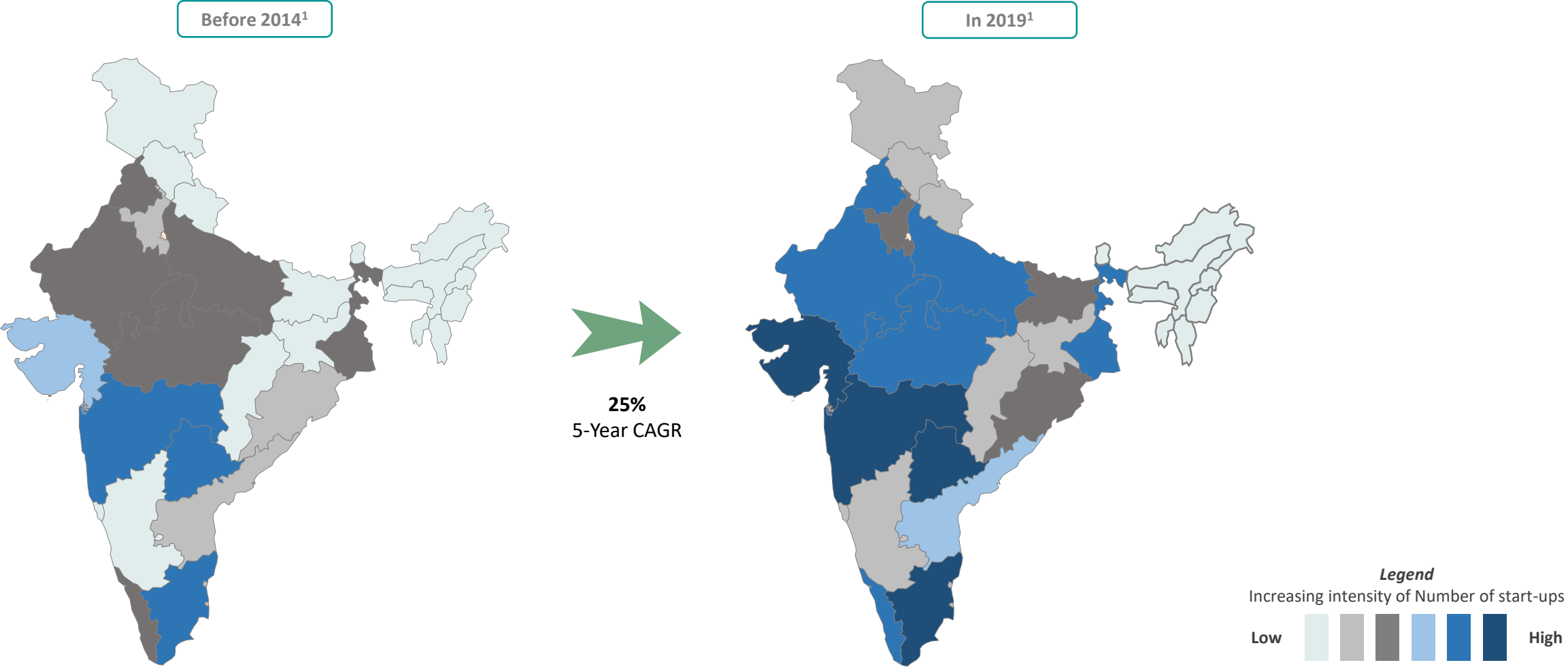


## Expanding Start-up Hubs

Entrepreneurship is truly diffusing across the country – location is not a limiting factor

# India is witnessing a consistent increase in number of start-up hubs

Start-up Hubs

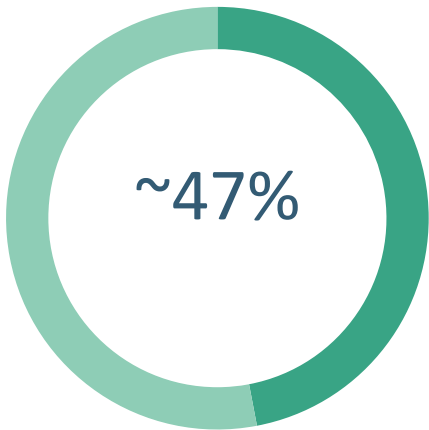


Note: (1) Technology or technology-enabled start-ups founded post 2009, excluding Bangalore, Delhi-NCR and Mumbai (2) Analysis of technology and technology-enabled companies founded between 2009-19 and unicorns. Only active companies, excluding acquired or IPO, have been considered | Source: NASSCOM Zinnov India Tech Landscape Report 2019, Zinnov CoNXT research and analysis.

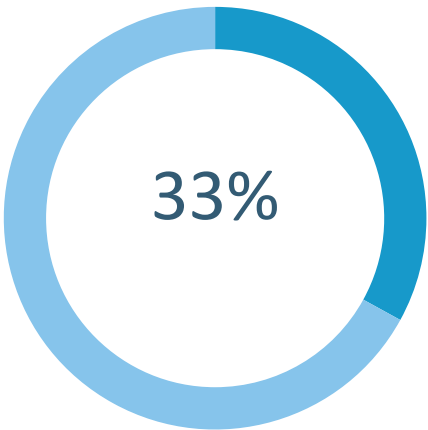
# A key growth driver is the improved access to VC/PE investments



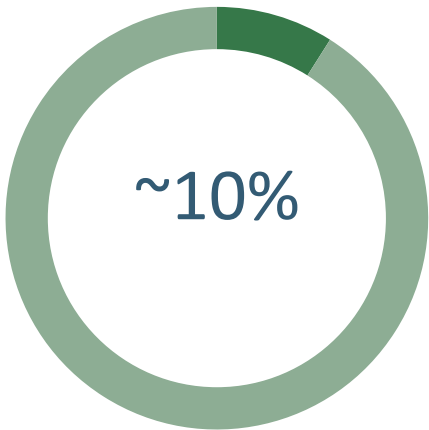
Start-up Hubs



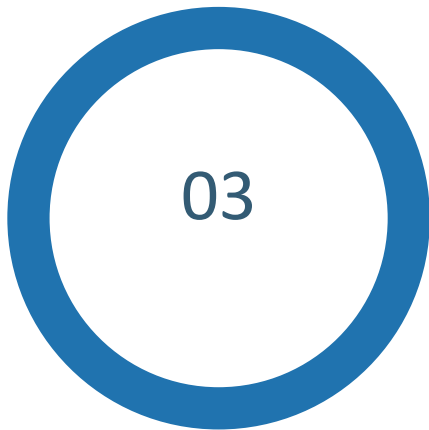
% of start-ups based outside of primary start-up hubs <sup>2</sup>



% of funded start-ups based outside primary hubs



% of start-ups with \$50Mn+ in total funding outside primary hubs



# of Unicorns based outside primary hubs

Unicorns outside primary start-up hubs



**Location:** Pune  
**Total Funding:** \$330 Mn  
Cloud-based contract management platform



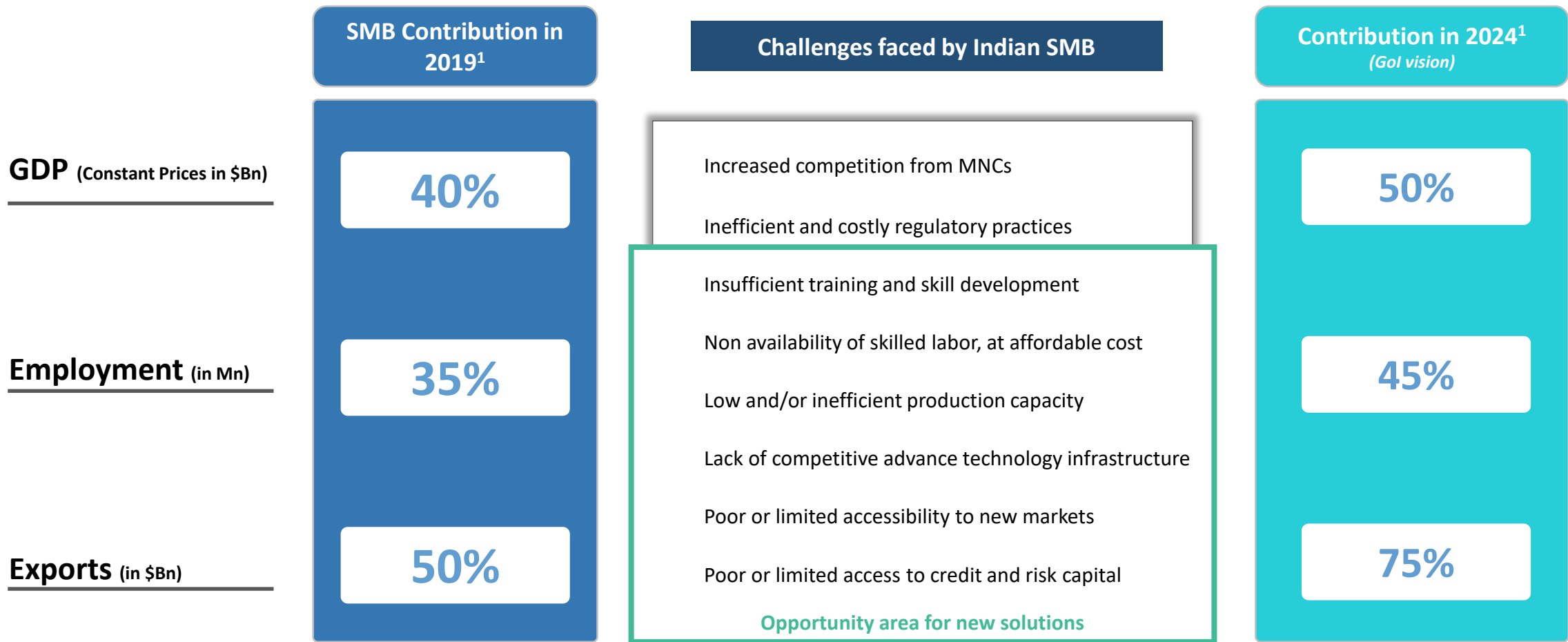
**Location:** Pune  
**Total Funding:** \$211 Mn  
Backup & data loss prevention solution for enterprises



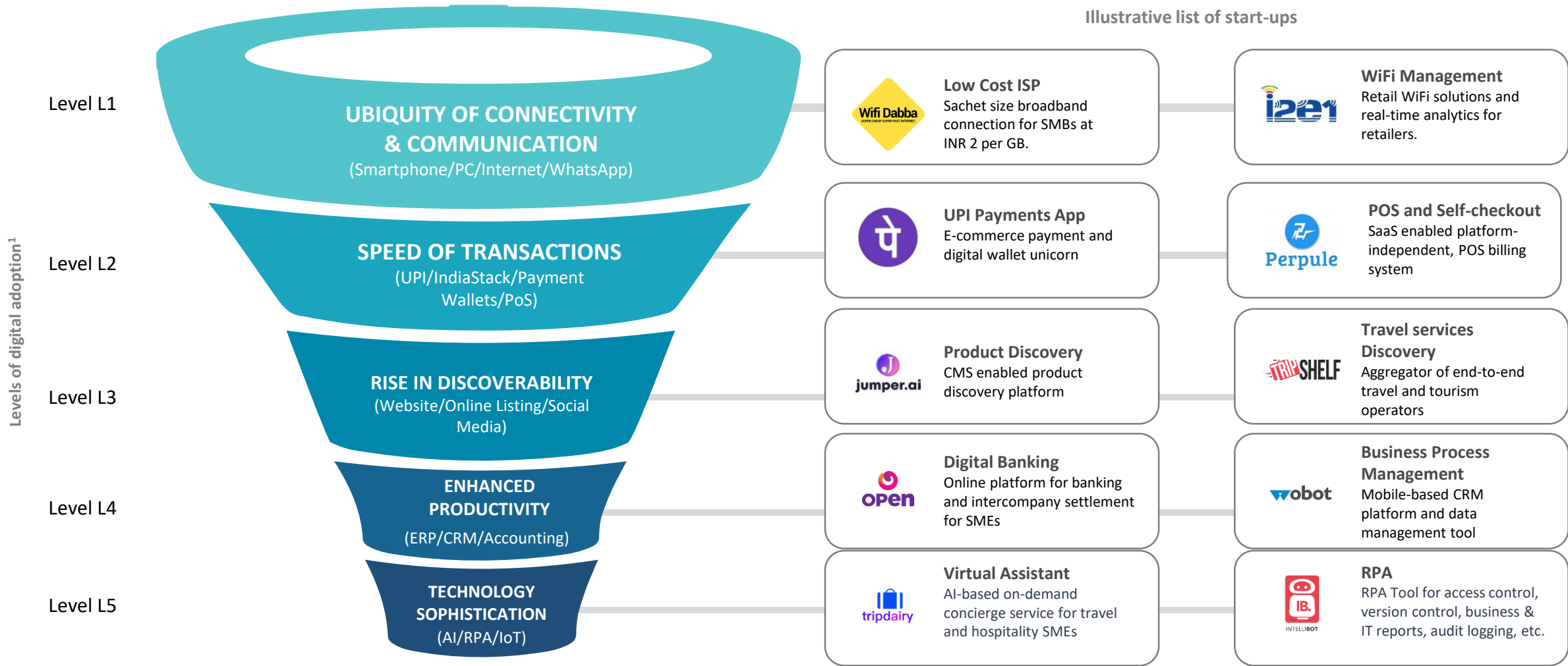
**Location:** Chennai  
**Total Funding:** \$400 Mn  
SaaS based productivity and customer engagement solutions

Note: (1) Analysis of technology and technology-enabled companies founded between 2009-19 and unicorns. Only active companies, excluding acquired or IPO, have been considered (2) Primary start-up hubs are Bangalore, Delhi-NCR and Mumbai | Source: NASSCOM Zinnov India Tech Landscape Report 2019, Zinnov CoNEXT research and analysis.

# Potential of SMB's can be unlocked via digital adoption



# Start-ups are assisting SMB's across different levels of digital maturity



Note: (1) Levels of digital adoption with L5 being highest and L1 being lowest | Source: Zinnov Digital SMB Report 2019, Zinnov CoNXT research and analysis

# Institutional investors are enabling start-ups to make an impact, at scale

Digital Economy



Solution



Key Metrics



YOI: 2013  
Total Funding: \$149M

Provides credit-based financing products for SMBs in India. Recently, also expanded into consumer financing and expense management

- Serving **50,000** customers in **300+** cities
- **8500+ Cr** of Loans disbursed
- **40%** of SME loans co-originated



Udaan

YOI: 2016  
Total Funding: \$870M

B2B marketplace for wholesalers, traders and manufacturers

- **20,000** sellers across **200** cities
- **10 Lakh** trusted buyers across **900** cities



KhataBook

YOI: 2017  
Total Funding: \$29M

Helps SMBs manage business and personal ledgers using a multi-lingual mobile app

- Serving **10M+ business** in **300+** cities
- **\$200Bn+** transactions recorded
- Enabling businesses collect credit **3X** faster

Illustrative Start-ups  
enabling digital SMBs



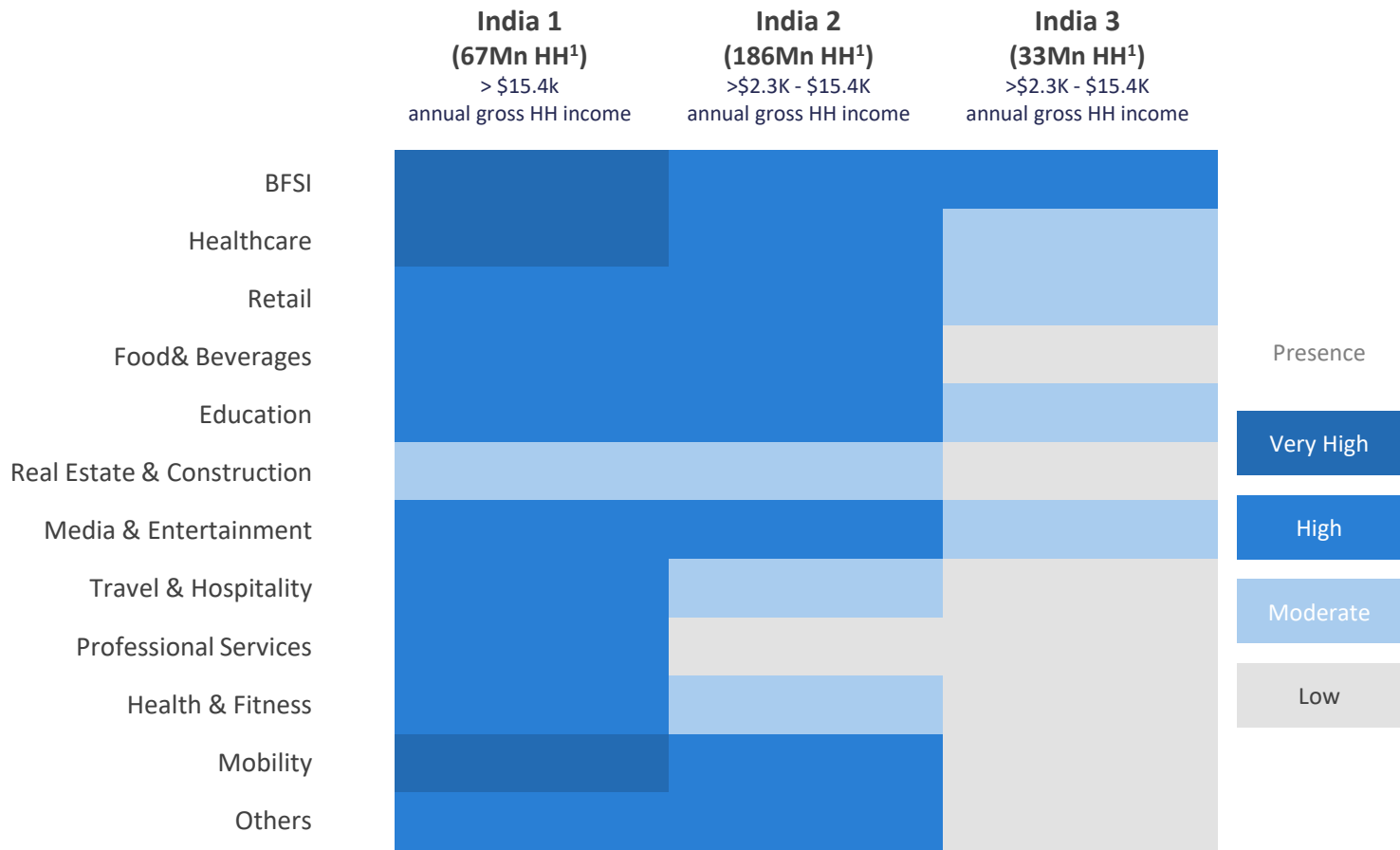
GROFERS



# Start-ups are building solutions for consumers across income segments and ...



Heatmap of start-ups building solutions for India, across verticals



- **54%** of all start-ups<sup>2</sup> are consumer focused
- **87% of all consumer** start-ups are serving India 2 & India 3
- **86% of all funded consumer** start-ups are focused on India 2 & India 3

Note: (1) BCG report, Going For Gold, 2019 (2) Extrapolation based on analysis 1200+ technology and technology-enabled companies founded between 2009-19 and unicorns. Only active companies, excluding acquired or IPO, have been considered | Source: NASSCOM Zinnov India Tech Landscape Report 2019, BCG, Zinnov CoNXT research and analysis.



# ... alternate investment funds too have a strong focus on Indian market

C

Technology & Inclusion



**Omidyar** Network, central thesis is focused on solutions for low-income and lower-middle-income populations. Portfolio includes start-ups in digital identity, emerging technology, education, financial inclusion, property rights, governance and citizen engagement.



**Omnivore**, a sector specific and stage agnostic fund, works with entrepreneurs building the future of agriculture and food systems. Portfolio includes rural insurance, precision agriculture, weather forecasting, marketplaces and farm-sourced snacks among others.



Focused on solving challenges for the masses, **Bharat Innovation Fund's** portfolio includes solutions for challenges around financial inclusion, skilling, livelihood, and healthcare amongst others. Fund engages with start-ups across maturity stages.



**Ankur Capital** provides early stage funding to start-ups capturing opportunities created by rising aspirations and digital access for the next billion Indians. Portfolio includes start-ups in agriculture, food, health and education.

## Illustrative list of funds with thesis for Indian market



# Enabling start-ups, to unlock access to services addressing primary needs

C

## Technology & Inclusion

### Inclusive technology

#### Removing language barrier



Dhee.ai provides multilingual platform for business to cater to native language speakers.

#### Technology assistant



Jiny is a mobile adoption assistant that makes apps friendly and easy to use.

### Re-thinking education

#### Eliminating language barrier



Guvi is a local vernacular based content platform that facilitates access to education

#### Overcoming affordability challenges



Dost empowers parents to promote early childhood development at home

### Improving farmer's income

#### Precision Agriculture



CropIn has a digital solution for farmers to monitor, analyse, predict and act efficiently.

#### Quality monitoring



AgNext provides platform for post-harvest monitoring and improving agriculture food quality.

#### Reseller Network



TartanSense provides deep-tech solution to reduce input costs for farmers.

### Better access to financial services

#### Access to credit



Kaarva provides low-income customer quick access to funds with easier payment options

#### Driving group savings



Kypot provides digital platform for savings

#### Rural insurance



Gramcover creates simple, affordable insurance products for rural markets

### Accessible and affordable healthcare

#### Affordable and quicker diagnosis



Nirmai is building a deep-tech early stage breast cancer screening solution.

#### Manage healthcare expenses



AffordPlan is a fintech platform for consumers better manage planned healthcare expense.

#### Caring for mothers



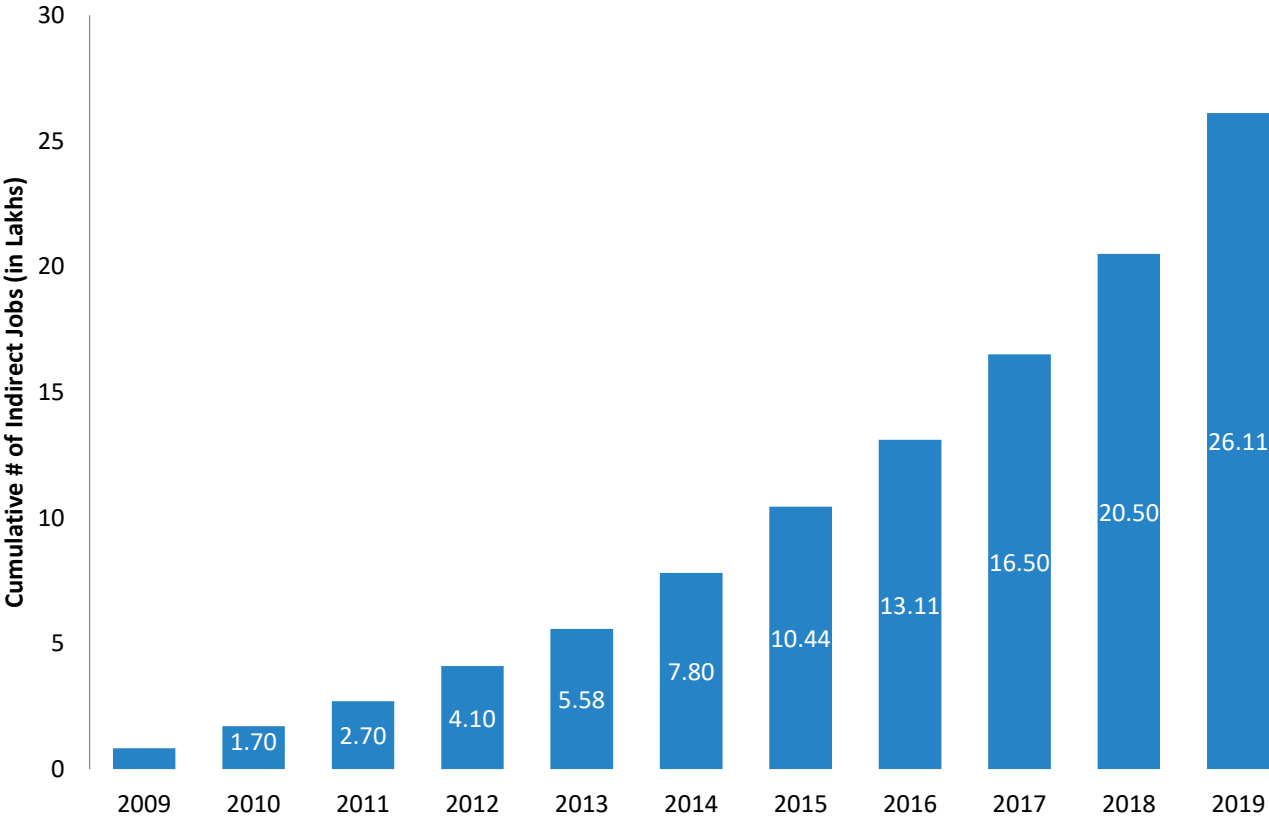
Healofy offers pregnancy-parenting social network in local languages.

# Start-ups are creating new fast-growing job segments

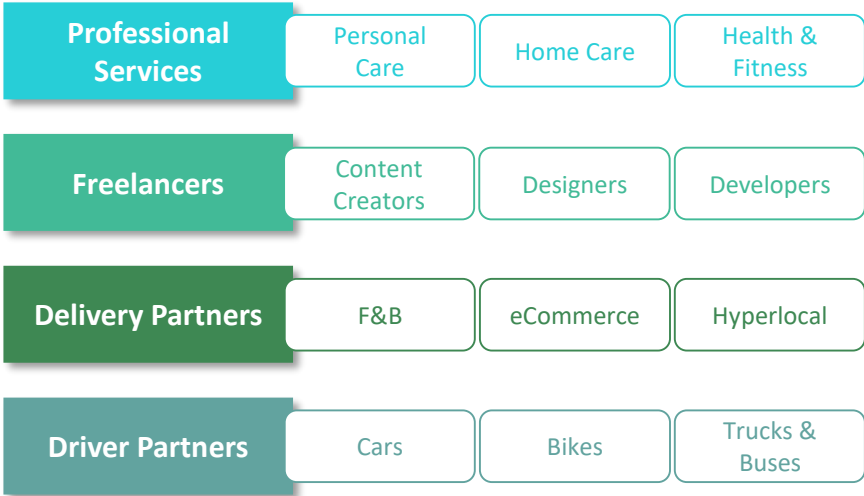


Job Creation

Indirect Job Creation<sup>1</sup>



Emerging Job Segments (illustrative)



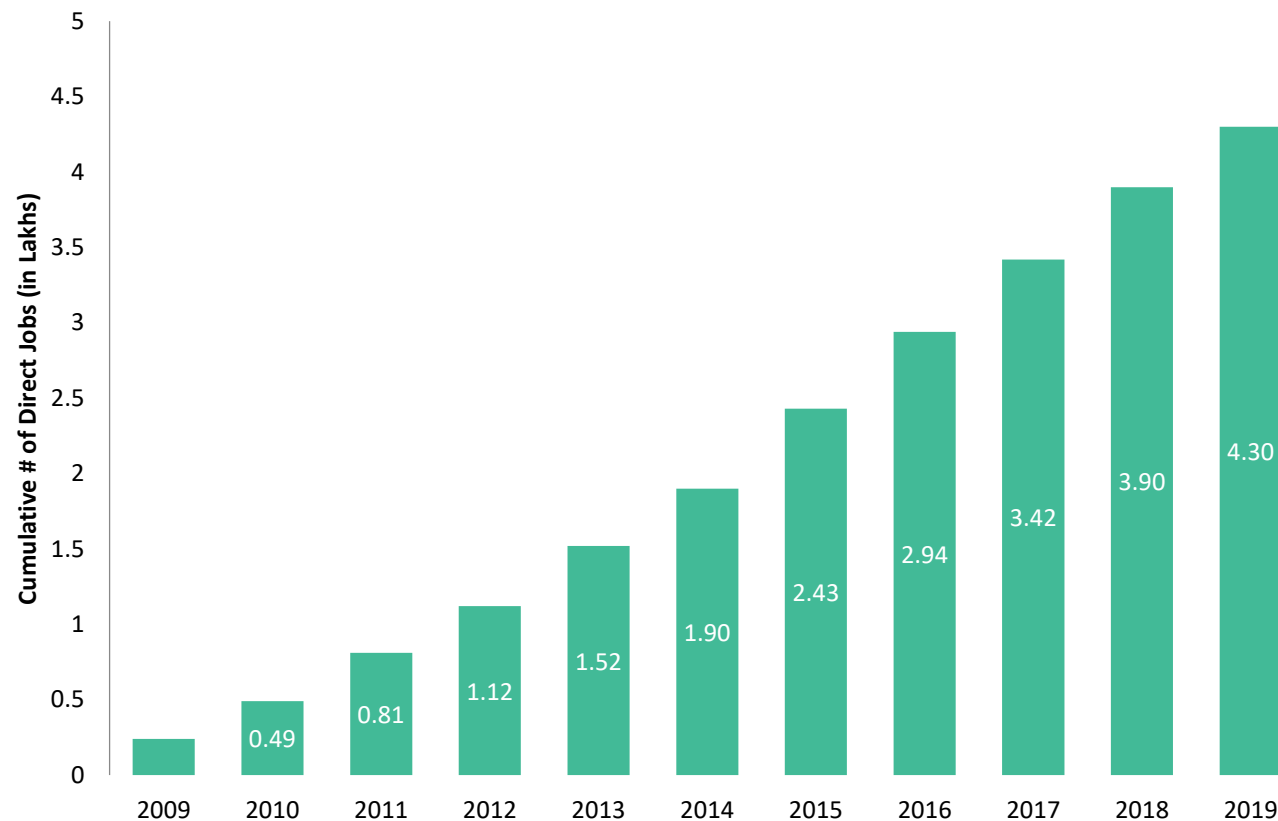
Note: (1) Analysis of technology or technology-enabled companies founded in 2009-2019 (+ all Unicorns) which are still active and have not been acquired (or IPO) as on date | Source: NASSCOM Zinnov India Tech Landscape Report 2019, Zinnov CoNXT research and analysis

# While, simultaneously, increasing direct employment opportunities

D

Job Creation

Direct Job Creation<sup>1</sup>



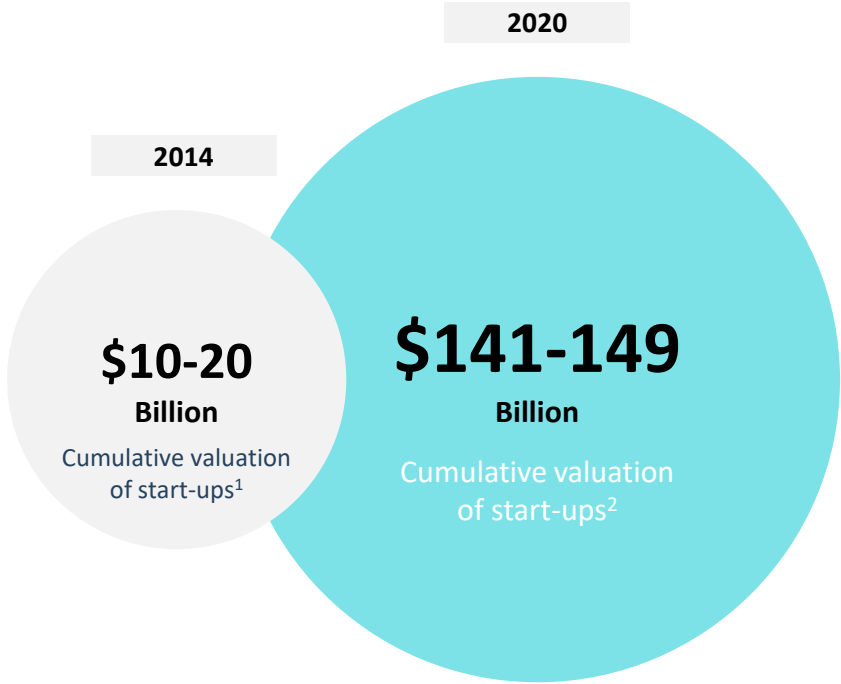
- Indian start-ups have been creating jobs at **34% CAGR**, since 2009
- Employee base in top funded<sup>2</sup> start-ups has grown by **1.5X in past 2 years**
- Start-ups employee an est. **20% of niche talent base**, with expertise in technologies like AI and IoT

# Cumulative valuation of the start-up ecosystem has expanded significantly

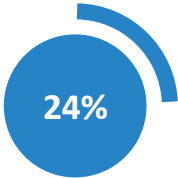
Wealth Creation

26 Unicorns

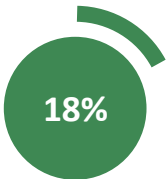
120+ # of start-ups with \$50Mn+ in total fundraise (excluding unicorns)



Est. Share of Unicorns



Est. Share of start-ups at Series C+ funding stage (excluding Unicorns)



Est. Share of start-ups at Series A and/or Series B funding stage



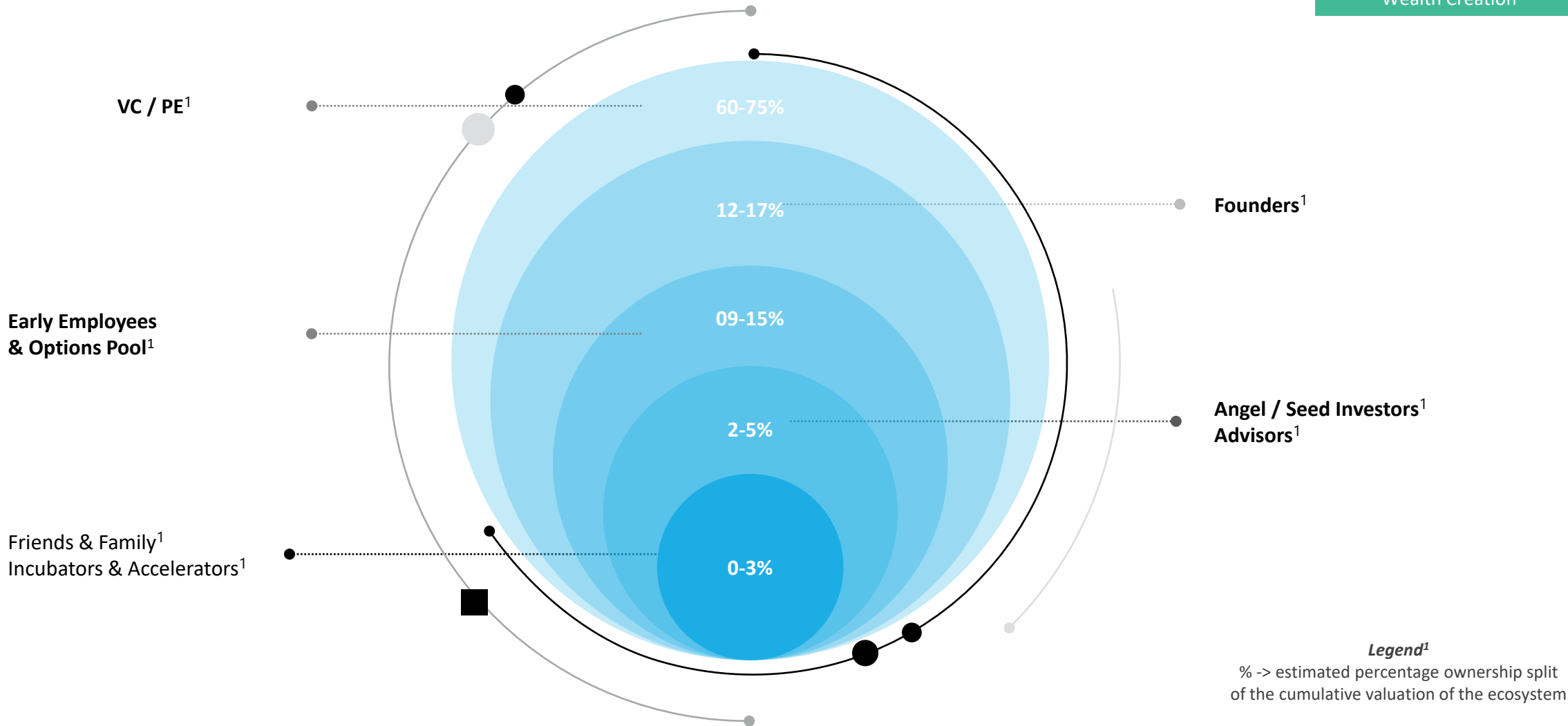
Est. Share of angel or seed funding stage start-ups

Note: (1) Estimate based on analysis of companies founded between 2009-14. Estimated numbers as on Dec 2014. Includes Flipkart in Unicorns. (2) Estimate based on analysis of companies founded between 2009-19 + all active unicorns, does not included any start-up that has been acquired | Source: NASSCOM Zinnov India Tech Landscape Report 2019, Zinnov CoNEXT research and analysis

# The intrinsic value is distributed amongst all the stakeholders involved



Wealth Creation



Note: (1) Percentage split is based on weighted average of ownership in funded start-ups across different stages. From seed-stage till unicorn, of active technology and technology enabled companies founded between 2009-19 and unicorns. | Source: Zinnov CoNXT research and analysis

# Distribution of wealth across stakeholders is building a virtuous cycle strengthening the Indian start-up ecosystem

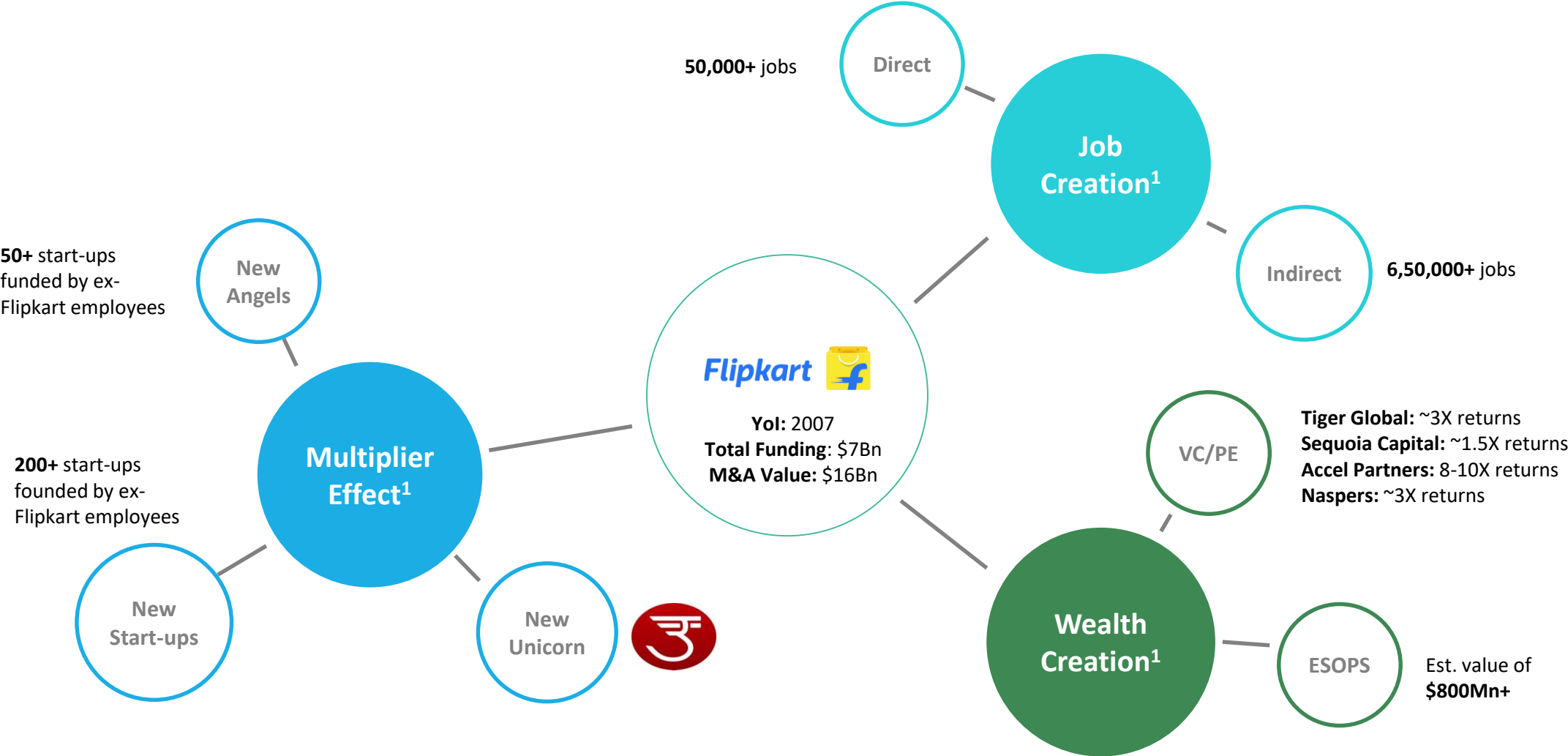


Key to an ecosystem's growth is an intricate network of institutions which facilitate the **production, dissemination, and adoption** of new economically-relevant knowledge

# Case-in-point: Flipkart has been a significant win for the country



Wealth Creation





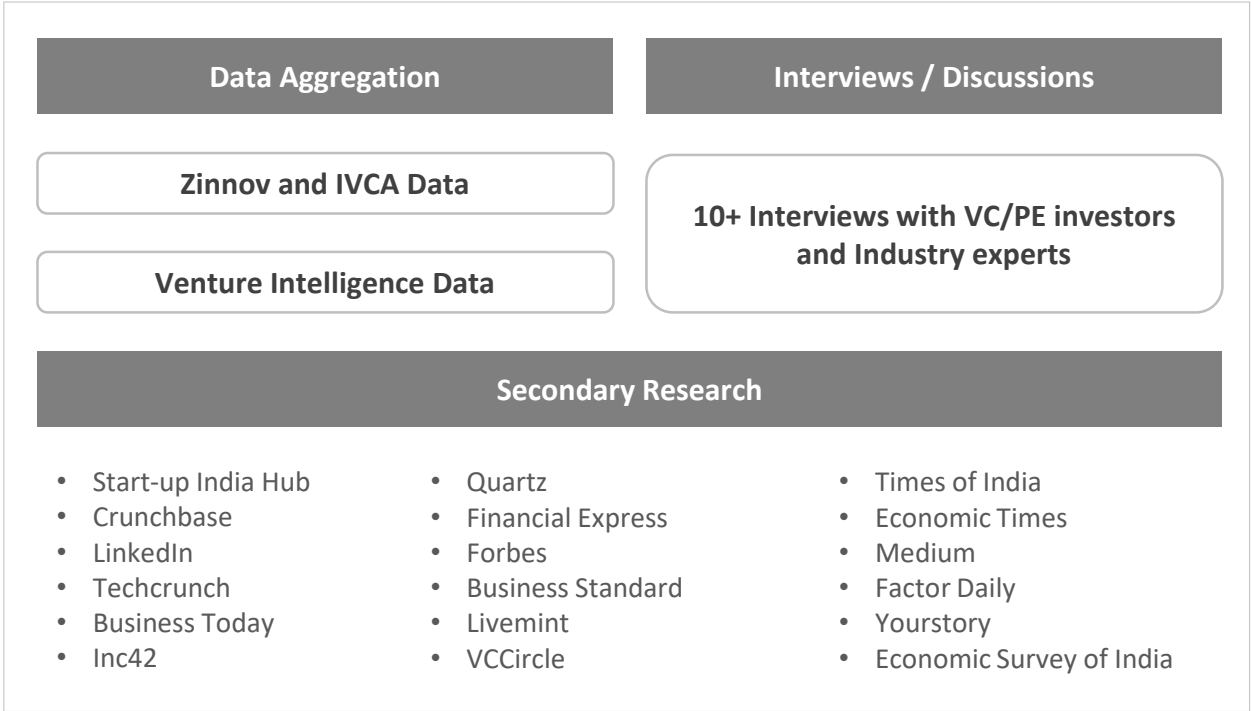
# Note for Reader

# Methodology

This report has been co-developed by **IVCA** and **Zinnov Management Consulting** through a comprehensive study to understand the value created by venture capital and private equity investors, via technology and technology-enabled start-ups, in India.

This report analyses following aspects:

- What is the role of venture capital and private equity (VC/PE) investors?
- What are the dimensions in which VC/PE are creating value for the country?
- Specifically, what is the impact on job creation and wealth creation in India?



# Start-up Definition

<p><b>Age:</b></p> <p><b>&lt; 10 YEARS</b></p> <hr/>	<p><b>Origin:</b></p> <p><b>INDIA</b></p> <hr/>	<p><b>Status:</b></p> <p><b>ACTIVE</b></p> <hr/>	<p><b>Stage:</b></p> <p><b>PROTOTYPE +</b></p> <hr/>
<p>Technology and technology-enabled companies inception in the last 10 years (+ all Unicorns)</p>	<p>Founders of Indian origin, with HQ or core product development in India</p>	<p>Current working status of the company is active</p>	<p>The start-up must have at least a prototype or MVP; Idea stage start-ups not considered</p>
