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# India Ranks higher (23) than China (11) for the second time in a row for the number of unicorns created in 2022: IVCA-Bain & Co. Report

## 2022 saw record fund-raising with many investors raising their largest ever India-focused funds: IVCA-Bain & Co. Report

## SaaS and Fintech maintained deal value over 2021–22 while consumer tech declined

**New Delhi, March 15, 2023** – 2022 saw a recalibration in venture capital (VC) investments in India as increasing macroeconomic uncertainty and recessionary fears affected investment momentum, as per the latest edition of Bain & Company's annual India Venture Capital Report 2023 written in collaboration with Indian Venture and Alternate Capital Association (IVCA). Deal value in India saw a compression of 33% from $38.5 billion to $25.7 billion over 2021–22. Decline in funding was largely over the second half (H2) of 2022 as macro headwinds intensified in the latter part of the year. Despite compression, early-stage continued to see sustained momentum buoying deal volume to 1600+ VC deals in 2022, leading a slight expansion in deal volume.

Further, in 2022, India continued to outpace China for the second year in a row in terms of new unicorns created. Funding to start-ups in non-metros grew to 18% share and 9 out of 23 unicorns added in the year emerged from cities outside of the top 3 metros indicating a shift to more democratic funding geographically.

**Arpan Sheth, Partner at Bain & Company**, commented, "Overall funding saw a drop in 2022—led by a drop in late-stage large deals. The ecosystem faced foundational shifts as VCs pivoted focus to unit economics and start-ups faced a challenging year with multiple regulatory challenges, lay-offs and corporate governance issues surfacing. Despite the overall softening, a few areas continue to offer hope—SaaS funding remained in line with 2021 highs and early-stage deal making saw sustained momentum. Going forward, while macro headwinds will continue to impact India—we believe 2023 may lead to the emergence of a more resilient ecosystem in India."

**Rajat Tandon, President, IVCA**, said, "Over the years, the alternative investment asset class has demonstrated remarkable resilience. While 2022 marked a year which heralded PE/VCs to adapt in the face of unprecedented challenges; it also went on to witness record fund-raising and all-time high available dry powder. This only reinforces global investors' confidence in India to be one of the few bright spots of growth. We remain optimistic about the long-term growth prospects of the industry and its ability to navigate uncertainty, identify opportunities, and support India's dynamic entrepreneurial ecosystem."

Software-as-a-service (SaaS) and Fintech continued to see momentum relative to 2021, growing in salience from ~25% to ~35% of total funding in 2022. Funding grew 1.0x in SaaS, led by increasing depth in assets, and 0.9x in fintech, led by innovation in emergent segment. A few emergent sectors were in the spotlight, especially in the second half of 2022:

- EV witnessed 2.4x growth in overall investment value due to policy led cost competitiveness, growth in adoption led by innovative business models, and broader interest across the value chain.
- Agritech saw one of the highest funding years in 2022 as total investments crossed $500 million led by a few large players demonstrating innovation & scalability. Further, emergent deep tech segments, such as generative AI, space tech and climate tech gained momentum led by global megatrends.

The report further notes that investor landscape has broadened—while the share of leading funds reduced to <20% from 25% as activity from global crossovers and hedge funds slowed down, traditional PE funds continued to demonstrate interest in select growth equity deals and participated in several $100 million+ megadeals, deepening the pool of growth capital available. Micro VCs grew in salience over 2022, increasingly playing a critical role in the ecosystem by bridging funding gaps at pre-seed and seed rounds.

Commenting on the 2023 outlook, **Sriwatsan Krishnan, Partner at Bain & Company**, said, "2023 will likely see emergence of a more resilient ecosystem as stakeholders remain cautiously optimistic. Investors are expected to double down on early-stage deal making – innovation in emergent spaces such as gaming (hyper casual games, e-sports), health-tech, EV and AI-led use-cases likely to see interest. SaaS and Fintech will remain significant – while regulatory oversight may have some impact on Fintech, focus on globalization of the India Stack (cross-border UPI, identity, cross border commerce) is likely to open up new avenues. Participation from a wider investor base (micro-VCs, family offices, global funds foraying in India) is likely to sustain."

While global headwinds will impact India, 2023 will likely see a stronger and more resilient ecosystem emerge. Solid macro-fundamentals, a large consumption opportunity, sizeable workforce entering the formal economy, digitally enabled population and a deepening innovation ecosystem will remain key foundational drivers underlying India's promise in the next decade.

**About Bain & Company**

Bain & Company is a global consultancy that helps the world's most ambitious change makers define the future.

Across 65 cities in 40 countries, we work alongside our clients as one team with a shared ambition to achieve extraordinary results, outperform the competition, and redefine industries. We complement our tailored, integrated expertise with a vibrant ecosystem of digital innovators to deliver better, faster, and more enduring outcomes. Our 10-year commitment to invest more than $1 billion in pro bono services brings our talent, expertise, and insight to organizations tackling today's urgent challenges in education, racial equity, social justice, economic development, and the environment. Since our founding in 1973, we have measured our success by the success of our clients, and we proudly maintain the highest level of client advocacy in the industry.

**About IVCA:**

Indian Venture and Alternate Capital Association (IVCA) is a not-for-profit, apex industry body promoting the alternate capital industry and fostering a vibrant investing ecosystem in India. IVCA is committed to support the ecosystem by facilitating advocacy discussions with the Government of India, policymakers and regulators, resulting in the rise of entrepreneurial activity, innovation and job creation in India and contributing towards the development of India as a leading fund management hub. IVCA members are the most active domestic and global VCs, PEs, funds for Infrastructure, Real Estate, Credit funds, Limited Partners, Investment Companies, Family offices, Corporate VCs and Knowledge Partners. These funds invest into emerging companies, venture growth, buyout, special situations, distressed assets, credit & venture debt among others.

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