India Venture Capital Report 2022

Reaching escape velocity

2021 was a record year for VC investments in India
as the start-up ecosystem reached an inflection point

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Executive summary

2021 was a pivotal year for the Indian venture capital (VC) investment landscape—a convergence of heady tailwinds coming together in a record growth year as VC funding reached $38.5B with several highlights:

- Investments in India grew 3.8x over 2020, faster than China's (1.3x)
- Share of VC funding in India accounted for greater than 50% of overall private equity (PE) and VC investments in the country in 2021
- 44 unicorns were minted in India, exceeding China's 42 unicorns in the year

Investing momentum was driven by a significant confluence of factors that were several years in the making: maturing digital infrastructure (Unified Payment Interface [UPI]-led payment rails, cheap and ubiquitous data access and Aadhar electronic Know Your Customer [eKYC]), increasing depth in the start-up ecosystem and reinvigorated investor confidence as long-held capital saw significant public and secondary exits, and a positive macroeconomic outlook for India. Further, as Chinese regulators tightened control over the local tech economy (fintech and edtech), capital deployment saw redirection to India.

"We believe that the Indian tech market has finally hit PMF—a perfect storm of talent, capital, infrastructure, depth in demand, and other enablers is brewing. The next decade is going to be growth."
Elevation Capital

Total deal value of $38.5B in 2021 was driven by dual impact of ~2x growth in number of deals (1,545 deals vs. base of 809 in 2020) as well as average deal size (expanding from $12.4M to $24.9M over 2020–21). Most significant, however, was the shift in shape of deal flow as global VCs led 90+ mega rounds of $100M+ (vs. ~20 in 2020), typically as follow-on rounds in market leaders such as Swiggy (online food delivery) and Dream11 (gaming). Similarly, early-stage deals saw a dramatic shift in pace and ticket size, with Series A rounds hitting the $10M+ mark in average deal size. Further, India minted 44 unicorns in the year, becoming the third largest home of unicorns, with 73 privately held active unicorns, after the US (~500) and China (~170).

Consumer technology, fintech, and software as a service (SaaS) continued to account for 75%+ of all VC investments by value (in line with 2020). These sectors continued to see a significant expansion in deal size, indicative of a maturing landscape. SaaS specifically saw deal size expansion as marquee Indian unicorns became category-defining leaders globally, such as Postman in API management or BrowserStack in automated testing. A few emerging sectors stood out:

1. Within consumer tech, several alternative formats of commerce saw significant funding, such as video commerce, direct-to-consumer (D2C) brand aggregator models, and short-form videos

2. Online business-to-business (B2B) marketplaces saw traction as four new unicorns were created—large opportunity size driven by the pandemic-led inflection in digital adoption within B2B supply chains

3. SaaS funding continued to see momentum as several category leaders emerged, addressing unique use cases

4. Within fintech's record funding in 2021, consumer and SMB-focused neobanks held a significant share

5. Web 3.0 and crypto-based start-ups saw explosive growth raising up to $500M+ in 2021

"We continue to be excited about several sub themes: enterprise SaaS across sales & support enablement, upskilling and life-long learning tech, cross-border commerce, and challenger banking services are key areas of interest. On the healthcare front, digital and consumer health, tech-enabled healthcare services, next generation manufacturing, and innovation are examples of focus themes."

Eight Roads Ventures

The active investor base in India also consequently saw a significant expansion, reaching 660+ from a base of 516 in 2020. Several seed funds and family offices debuted or raised funds for early-stage rounds, becoming more significant on the pre-seed to Series A landscape. Tiger Global and Sequoia Capital retained the top spots on the leaderboard in terms of deal volume and capital deployed, while SoftBank remained competitive on capital deployment, focusing selectively on large deals.

New investors made significant inroads into India in 2021: (a) several Tier 1 global VCs and crossover funds (e.g., Technology Crossover Ventures [TCV] and Dragoneer Investment Group) made large investments, (b) emerging domestic VCs gained presence (e.g., 3one4 Capital), and (c) global sovereign funds (e.g., Abu Dhabi Developmental Holding Company [ADQ], Qatar Investment Authority [QIA]) made direct investments. Sector-focused global and domestic funds doubled down (e.g., Ribbit Capital in fintech or DSG Consumer Partners in consumer tech). Further, traditional PE funds such as KKR or Warburg Pincus also demonstrated an increasing focus on growth equity deals. Most funds have also forayed into offering several portfolio advisory services spanning from recruitment to business development to help differentiate their capital.

2021 was also a defining year for exits. Total VC exits reached north of $14B across secondary transactions and initial public offerings (IPOs). Secondary transactions led 60% of the exit value, anchored by a few marquee deals (BillDesk acquisition by PayU at $4.7B, and partial exit by Kalaari in Dream11 at $400M). Further, companies with VC backing accounted for at least five high-profile IPOs in the year in a major shift as the Securities and Exchange Board of India (SEBI) relaxed norms for listing on the public bourses. Retail investor appetite for tech-led scrips further drove record levels of oversubscription for these IPOs (e.g., Zomato oversubscribed at 7.5x while Nykaa was oversubscribed at 12.2x for retail investors).

The Indian start-up ecosystem reached an inflection point in maturity in 2021, fuelled by VC investments. With $400B+ in valuation across a burgeoning ecosystem of 50K+ active start-ups, companies are looking to unlock significant economic value, addressing major pain points for consumers and small and medium businesses (SMBs). 2021 also saw significant wealth creation through employee stock ownership plan (ESOP) liquidation—30+ start-ups announced ESOP buybacks.

Global headwinds in early 2022 are likely to affect the funding outlook for the rest of the year. Although we expect investments in 2022 to remain in a similar range as 2021 (driven by existing dry powder), the pace and quality of deals is likely to shift. Investors are expected to double down more significantly on quality assets with larger rounds, and a more measured pace of dealmaking. Compressed multiples in global public markets will probably see a trickle-down impact, leading to rationalisation in valuations and a focus on unit economics. Exits via public listings may also see some moderation as IPOs in the pipeline may adopt a wait-and-watch stance given global headwinds in public markets. A few emergent sectors, however, will continue to see interest: Web 3.0 or crypto-based investments (especially with the Indian government's ruling on validity of digital assets), creator commerce, and core sectors, such as agritech and healthtech.

Some India-specific trends may further affect momentum over 2022: (a) stricter IPO norms are expected to be rolled out by SEBI, specifically focused on capping investor share offloading at IPO; (b) regulatory shifts are likely to continue to affect a few sectors such as online gaming, cryptocurrency, and fintech; and (c) talent attraction and retention will continue to remain top of mind for scaling start-ups.

"We expect tech valuations to be restrained this year, especially across growth and late-stage financings. On the early side, we believe deal activity in the industry will be muted compared to 2021 but still higher versus the previous years, given the fundamental consumer shifts driven by the Covid-19 lockdowns, and substantial dry powder in the market."

Lightspeed Venture Partners

Figure 1: 2021 was a pivotal year for the India VC investment landscape

Record 3.8x growth in India VC investments over 2020–21

India VC funding reached $38.5B in 2021, growing 3.8x over 2020—significantly faster than 2020–21 growth in VC funding in the global markets (1.9x) and China (1.3x)

2x growth in deal volume and average deal size

Deal volume doubled with 1500+ deals inked in 2021 vs. 809 in 2020; average deal size similarly doubled reaching $25M, up from $12M in 2020—high share of mega deals ($100M+) including multiple marquee deals (e.g., Swiggy, Dream11, Eruditus, etc.)

Web 3.0/crypto, online B2B marketplaces, short-form video exploded

Investment value grew exponentially in a few sectors—online B2B marketplaces surged 11x+, reaching $2.7B; short-form video (e.g., Moj and Josh) saw 4x growth; emergent interest in Web 3.0/crypto investments, with ~45 deals accounting for $500M+, up from <$20M in 2020

44 Indian unicorns minted in 2021—surpassing China

44 new unicorns were minted in 2021 as India surpassed China (42 unicorns) in terms of adding new unicorns for the first time, and moved up to third place globally in overall unicorn count after the US and China

Increasing competition across sectors

Most sectors saw frenetic deal activity with increasing competition as multiple players received funding (e.g., 6 BNPL players raised $40M+ each; 10 edtech players across subsegments raised $25M+ each, while 3 raised $400M+ rounds each—BYJU's, Unacademy, and Eruditus)

Traditional PEs demonstrated significant interest in growth equity deals

Traditional PEs stepped up focus on growth equity investing—a few marquee deals led by Warburg Pincus (Good Glamm Group), ChrysCapital (Dream11, FirstCry), KKR (Livspace)

Rapidly growing investor base—global funds and domestic family offices

Global crossover funds (e.g., Coatue and Alpha Wave Global) as well as sector-focused funds (e.g., Ribbit Capital and L Catterton) doubled down on India in 2021—further, base of seed funds expanded significantly, focusing on early-stage investments

Record year for VC exits—slew of IPOs drove momentum

Defining year for VC exits, with $14B+ in total exit value—5+ high-profile IPOs as regulatory relaxations enabled public listings for tech firms in India; several large secondary exits (Dream11, FirstCry)

ESOP buybacks went mainstream

30+ start-ups, such as Flipkart, Meesho, BrowserStack, and Swiggy, announced significant ESOP liquidation ($450M+) as wealth creation for employees became a focus for the ecosystem

Accelerating war on tech talent

Tech talent attraction and retention increasingly emerged as a key challenge for growing start-ups—increasing attrition (pegged at avg. ~25% across tech led firms) further led to ballooning salaries (10%–20% wage inflation) and other retention perks becoming table stakes

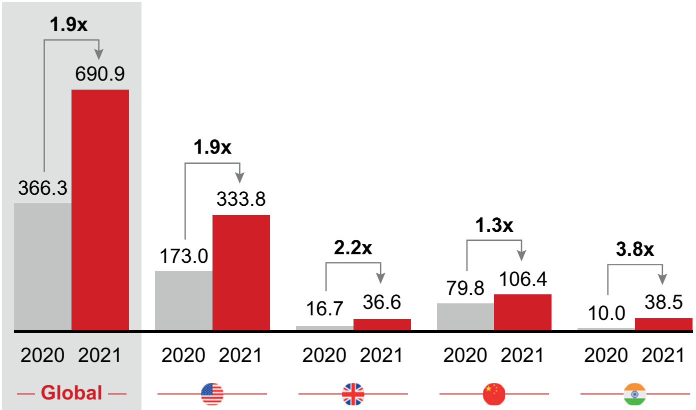
Source: Bain analysis

India VC deals landscape

- VC investments in India had a banner year in 2021, with a meteoric 3.8x growth over 2020, to reach $38.5B in capital deployed. Remarkably, share of VC deal value within overall PE-VC investments reached 50%+ for the first time
- India's VC investments grew significantly faster than global VC investments, which surged a record 1.9x over 2020, as well as behemoths US and China, which saw VC investments grow 1.9x and 1.3x, respectively. India's share of global VC funding almost doubled from less than 3% to 5.6% in 2021
- Investing momentum in India was driven by a pivotal convergence of tailwinds. Digital infrastructural fundamentals (e.g., cheap data access, UPI, eKYC via Aadhar) opened enormous economic opportunities that are increasingly being addressed by the deepening start-up ecosystem in India. Investor confidence was also reinvigorated by a record year of exits, especially as public listings gained momentum. Regulatory crackdowns in China on tech firms created further uncertainty, driving some degree of capital flight to India
- Investment growth was led by both deal volume growth (1,545 deals vs. base of 809—1.9x growth) and average deal size growth (from $12.4M to $24.9M) over 2020–21. 2021 also saw a record upswing in mega rounds of $100M+ occurring as global VCs led 92 large ticket size rounds (mostly follow-on growth equity investments), 7 of which were $500M+ rounds in major capital commitments in market leaders such as Swiggy (online food delivery), Dream11 (gaming), and Eruditus (edtech)
- Finally, scale rounds drove up valuations across the board. India minted 44 new unicorns in 2021. In a significant shift, this was the first year that India surpassed China in terms of annual number of unicorns (44 vs. 42), taking its overall active unicorn tally to 73 and moving India into third place globally in terms of overall number of active, privately held unicorns

Figure 2: 2021 was a record year for the global investment landscape—VC investments surged 1.9x globally, with India seeing significantly faster momentum

Overview of global VC investments ($B)



	Global 2020	Global 2021	US 2020	US 2021	UK 2020	UK 2021	China 2020	China 2021	India 2020	India 2021
Total PE-VC investment ($B)	1,303	2,005	544	883	100	171	152	187	36	73
Share of VC investment	28%	34%	32%	38%	17%	21%	53%	57%	28%	53%

India investments overview

2021 was a banner year for investments in India
PE-VC investments doubled over previous year

Share of VC investments grew significantly
Rose from <30% of private capital deployment in 2020 to 50%+ in 2021, at par with China

VC investments in India grew 3.8x over 2020 base
Faster than both VC investment growth globally (1.9x) and in China (1.3x)—India's share in global VC capital deployment doubled from <3% to 5.6%

Notes: PE-VC investments figures include real estate and infrastructure deals; investment value and volume excludes limited undisclosed deal value transactions; India investments in 2020 exclude Jio and Reliance Retail deals worth $26.5B
Sources: Bain PE & VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

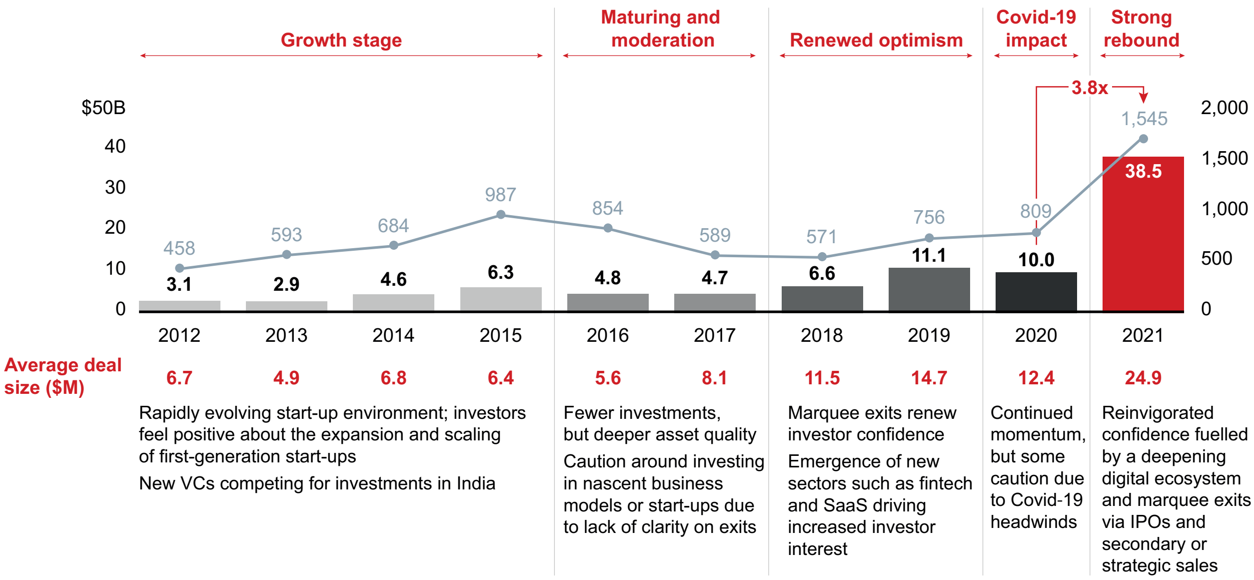
Figure 3: Investing momentum driven by a pivotal convergence of tailwinds

1	**Digital economy accelerators**	**Infrastructural fundamentals accelerating the digital economy** Infrastructural fundamentals laid in place over the last few years starting to unlock significant opportunities across sectors through a serendipitous "platformisation": a mix of access to cheap and ubiquitous data (e.g., Reliance's Jio services), UPI-led payment rails to reduce transaction friction, identity mapping and eKYC (via Aadhar), and other similar services have laid the foundations for a leapfrogging of digital adoption
2	**Increasing depth in digital innovation**	**Digital innovation in India for the world** Broadening investor opportunity as Indian start-ups look to address an interesting mix of innovative digital challenges across the spectrum from "Bharat-first" models focused on India-specific problems across B2B supply chains and so forth to "building in India for global scale" SaaS applications; increasing depth and maturity in the ecosystem, further reinforced by a growing digitally skilled talent base
3	**Exit momentum-driven investor confidence**	**Easing regulations and maturing portfolios driving exits** SEBI-led regulatory shifts allowed IPO listings of tech-first companies in India, and a spate of mergers and acquisitions (M&A) and secondary sales led to a record year of exits in India after several years of capital lock-in
4	**Redirection of capital from China**	**Investor apprehension over the regulatory uncertainty in China leading to diversion of funds** Regulatory crackdowns in China on tech firms (e.g., Chinese edtechs, Ant Financial and Tencent) continued to increase uncertainty for investors and led to some degree of capital flight to India

Sources: Telecom Regulatory Authority of India (TRAI); NASSCOM India technology supply demand analysis; Bain analysis

Figure 4: VC deal flow in India saw momentous growth in 2021, reaching a decadal high of $38.5B in invested capital

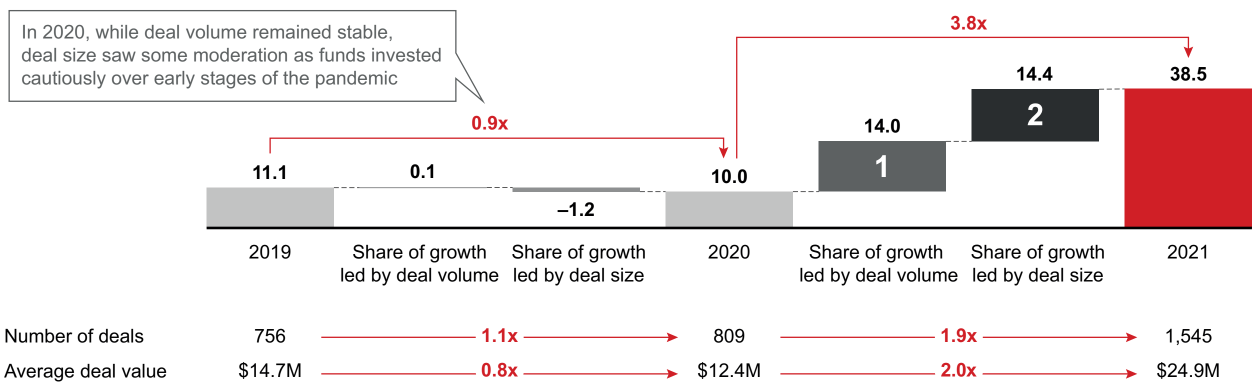
Annual VC investments in India ($B)



Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 5a: Deal flow saw significant growth in terms of both value (average deal size) and volume (number of deals) over 2020–21

Annual VC investments in India ($B)



1 Increased pace of dealmaking: 1.9x growth in deal volume

Dealmaking pace saw significant upswing across deal sizes and stages—4x+ mega deals of $100M+ relative to 2020 as funds doubled down on market leaders, and high pace of small ticket size deals (<$10M) with newer and smaller funds deploying capital aggressively in early-stage companies

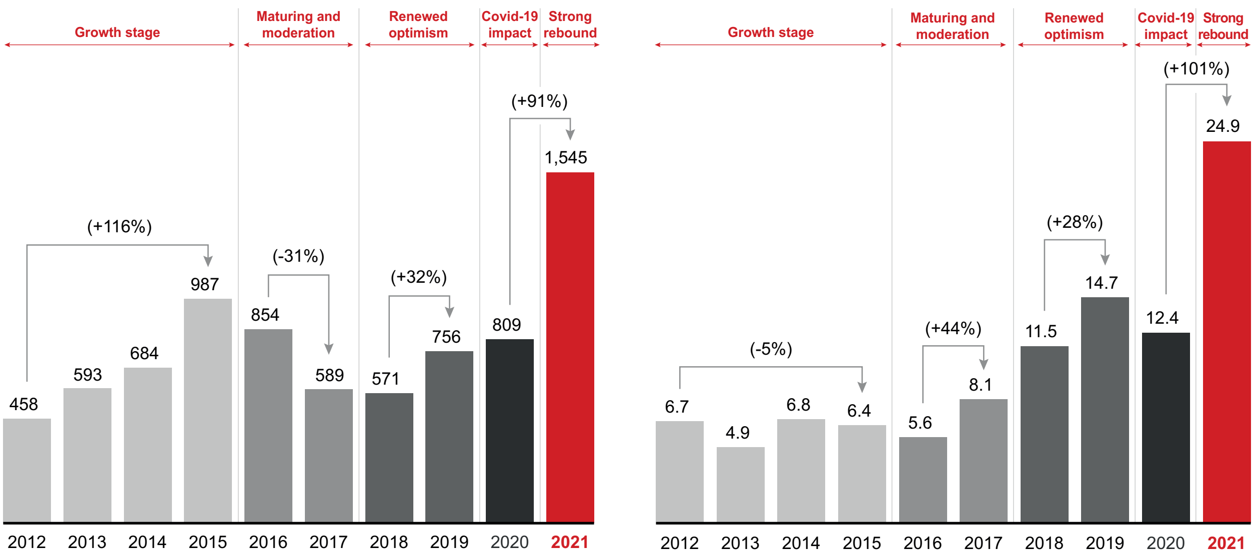
2 Expansion in deal size: 2.0x growth in average ticket size

Significant shift in shape of deal flow with expansion in mid- to late-stage deal size (2x across Series C+) led by multiple follow-on deals by existing investors, along with an increase in average deal size for early-stage deals (1.7x for Series A and 1.4x for Series B) driven by depth across sectors and higher capital availability

Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 5b: Across the last few years, deal volumes have fluctuated, but deal sizes have seen a steady expansion (apart from a marginal Covid-19-led drop in 2020)

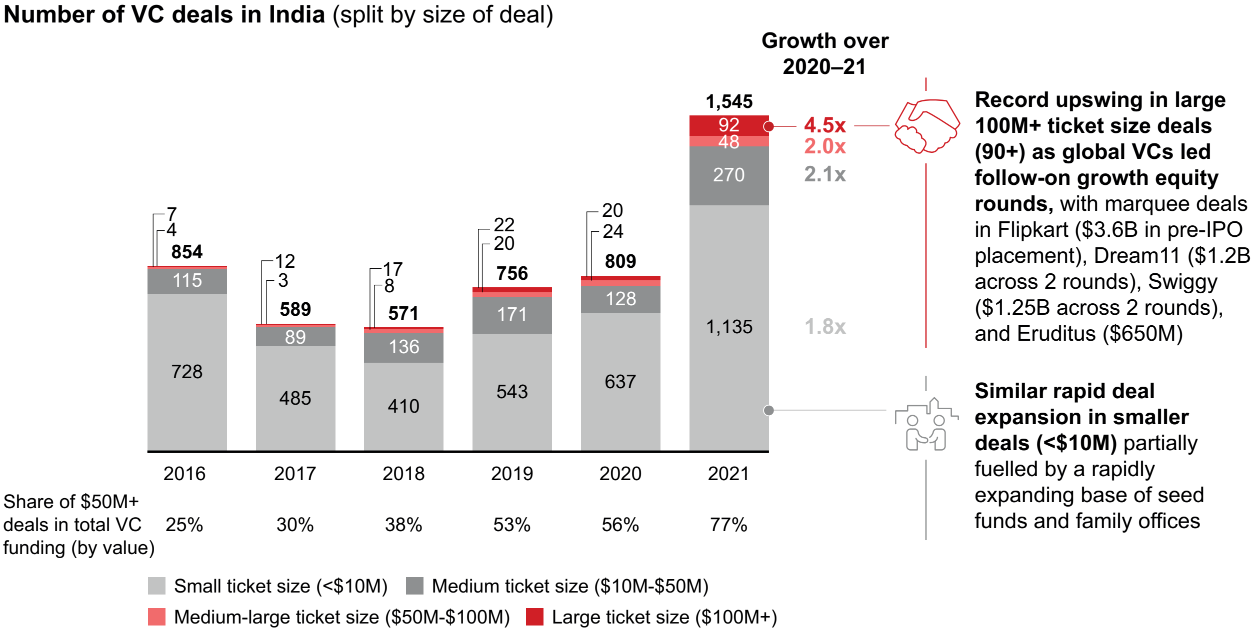
Number of VC deals in India **Average VC deal size in India (in $M)**



Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 6a: Along with growth in overall deal volume, shape of deal flow shifted significantly in 2021, with a record number of large ticket deals led by global VCs

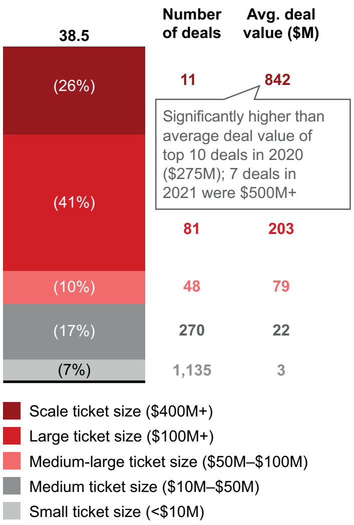
Number of VC deals in India (split by size of deal)



Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 6b: Of large ticket size deals, 11 were scale rounds of $400M+

VC investments in India
($B, split by size of deal)



Overview of select scale investment rounds with $400M+ funding in India in 2021

Asset	Lead investors**	Sector	2021 Deal Value	Valuation†
Flipkart	GIC, CPPIB, SoftBank, Khazanah	B2C e-commerce	$3,600M	$37.8B
Dream11	Tiger Global, Alpha Wave Global, Technology Crossover Ventures (TCV)	Gaming	$840M (total $1,240M)	$8.0B
Swiggy	Alpha Wave Global, Prosus Ventures, Goldman Sachs	Online food delivery	$800M (total $1,250M)	$5.5B
Eruditus	Accel, CPPIB, SoftBank	Edtech	$650M	$3.2B
Meesho*	Fidelity, B Capital	B2C e-commerce	$570M (total $870M)	$4.9B
ShareChat*	Alkeon Capital, Lightspeed, Twitter Ventures, Tiger Global, Temasek	Social media and short-form videos	$502M (total $913M)	$3.7B
PharmEasy*	Prosus Ventures, TPG Growth	Healthtech	$500M (total ~$1,300M)	$5.6B
BYJU's*	Oxshott Capital, B Capital, ADQ, Prosus Ventures, MC Global Investment Holdings	Edtech	$460M (total $1,300M)	$21.0B
Cars24*	Alpha Wave Global, DST Global, SoftBank	Online car platform	$450M (total $850M)	$3.3B
Dailyhunt	B Capital, Sofina, QIA, Bay Capital, IIFL	Content, news aggregation and short form videos	$450M	$3.0B
Unacademy	Temasek, Tiger Global, Dragoneer, SoftBank	Edtech	$440M (total $490M)	$3.4B

| $500M+ deals | $400M–$500M deals

* Indicates firms that saw multiple rounds in 2021, with total investments in 2021 mentioned in parentheses
** Only lead investors in each round mentioned—list not exhaustive
† Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

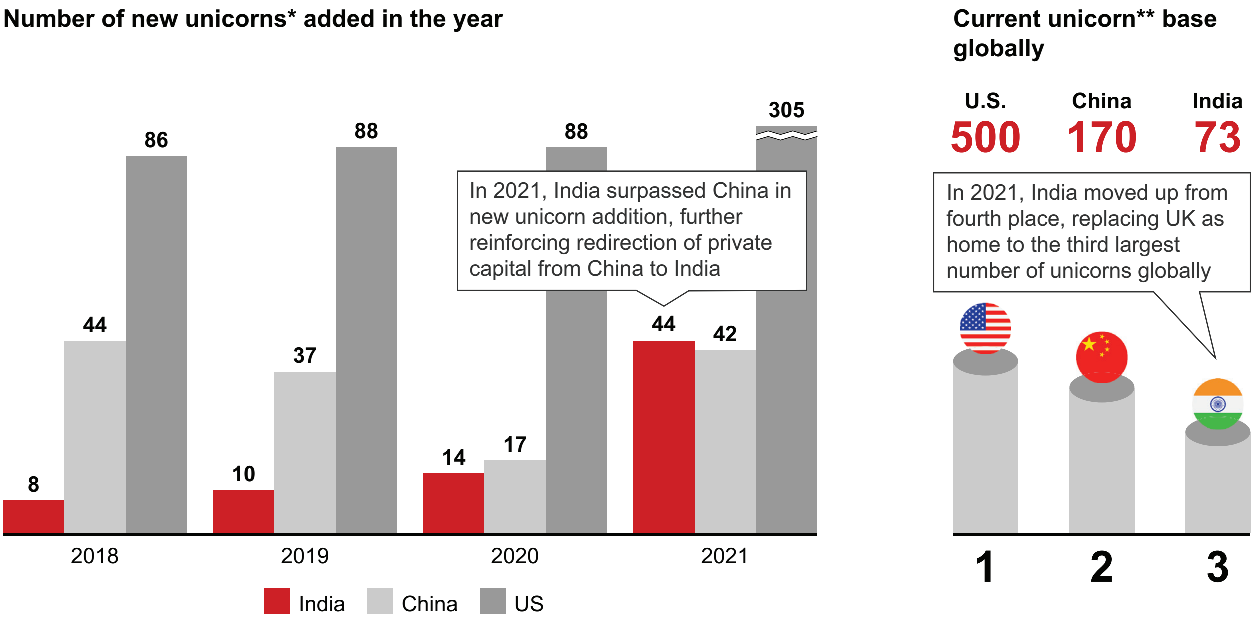
Figure 7: Further, mid- to late-stage deals (Series C+) also saw a 2x+ jump in average deal size

	Average VC deal value in India 2020	Average VC deal value in India 2021	Average deal value growth over 2020–21
Seed	~$1.65M (~525)	**~$1.75M** (~940)	**~1.1x**
Series A	~$6M (~125)	**~$10M** (~285)	**~1.7x**
Series B	~$18M (~60)	**~$26M** (~90)	**~1.4x**
Series C	~$29M (~45)	**~$57M** (~85)	**~2.0x**
Series D and above	~$75M (~50)	**~$174M** (~130)	**~2.3x**

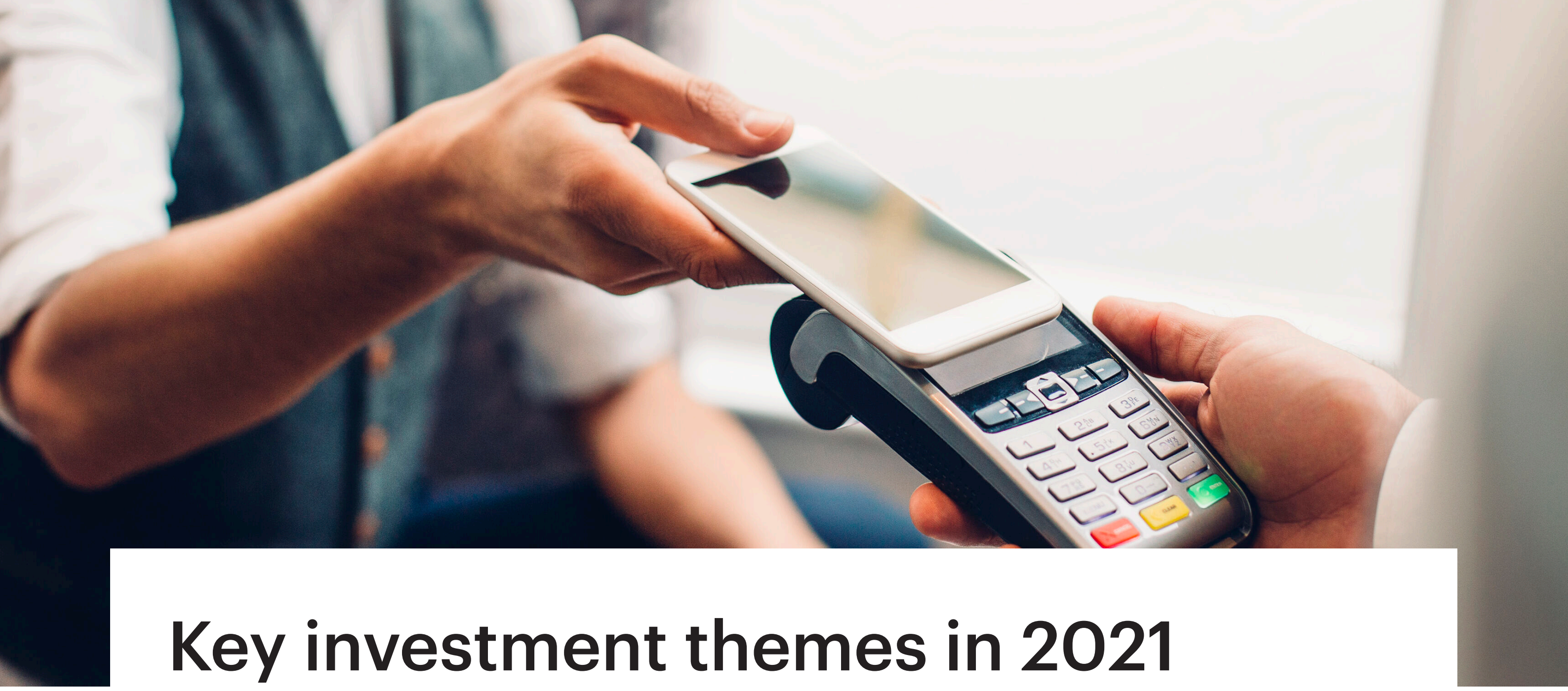
Expansion in mid- to late-stage deal size led by multiple follow-on deals by existing investors as well as back-to-back Series D+ funds raised by leading unicorns

Note: Series D and above includes Series D to Series J
Source: Pitchbook

Figure 8: Soaring valuations led to the addition of 44 unicorns in 2021—taking India to third place in terms of total unicorns globally



* In-year unicorns defined as private companies that were valued at $1B+ in the respective year; some unicorns included are either bootstrapped or listed in the US, while operating in India. ** Number of current unicorns excludes public, acquired or devalued companies
Sources: Tracxn; CB Insights; Bain analysis



Key investment themes in 2021

- Three sectors (consumer technology, fintech, and SaaS) continued to account for 75%+ of all VC investments by value, in line with 2020; however, 2021 was differentiated in terms of a sharp rise in investments in emerging technologies, such as B2B commerce and tech (6.6x growth over 2020) and Web 3.0 or crypto based start-ups (~28x growth over 2020 reaching $500M+ in investments)

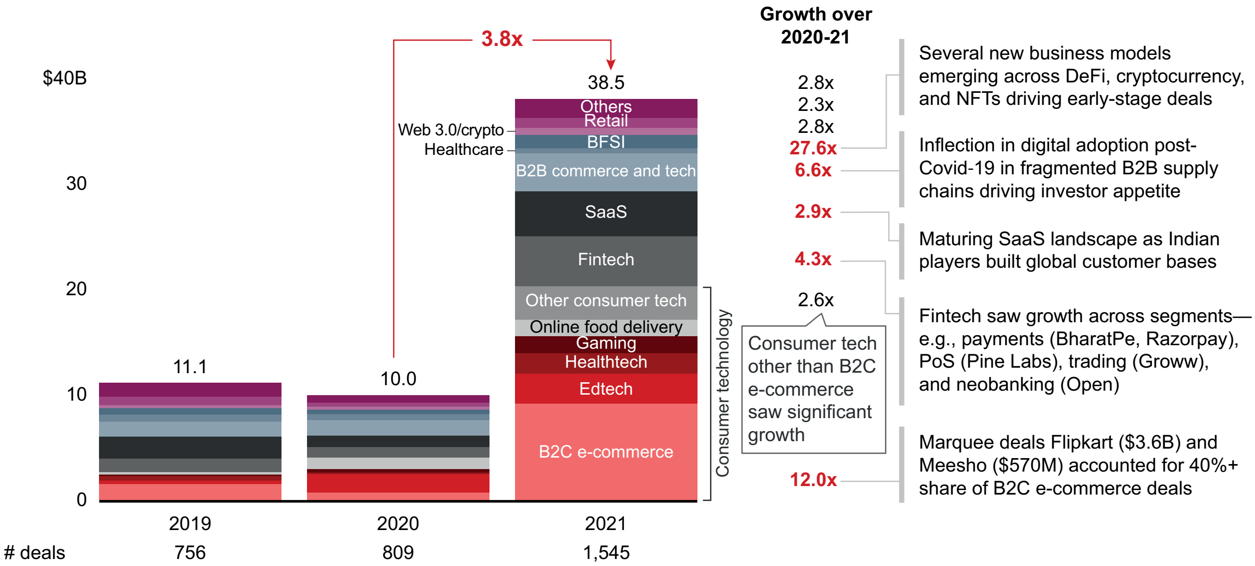
- E-commerce and SaaS mostly saw deal size expansion reflective of the maturity of the sectors, while fintech and other consumer tech sectors (edtech and gaming) saw both deal size and volume expansion. Conversely, sectors such as online B2B commerce and Web 3.0 saw a rapid pace of deal making

- Several investment themes emerged or continued to gain traction in 2021:

    - New e-commerce models (social commerce, video commerce)
    - D2C brand aggregators
    - Short-form video or social networking (focused on Tier 2+ consumers)
    - Consumer and SMB neobanks
    - SaaS
    - Online B2B marketplaces
    - Web 3.0 and crypto-based technologies

Figure 9: Consumer technology, fintech, and SaaS continue to dominate overall investment value (75%+ share); sharp rise in Web 3.0/crypto-focused investments

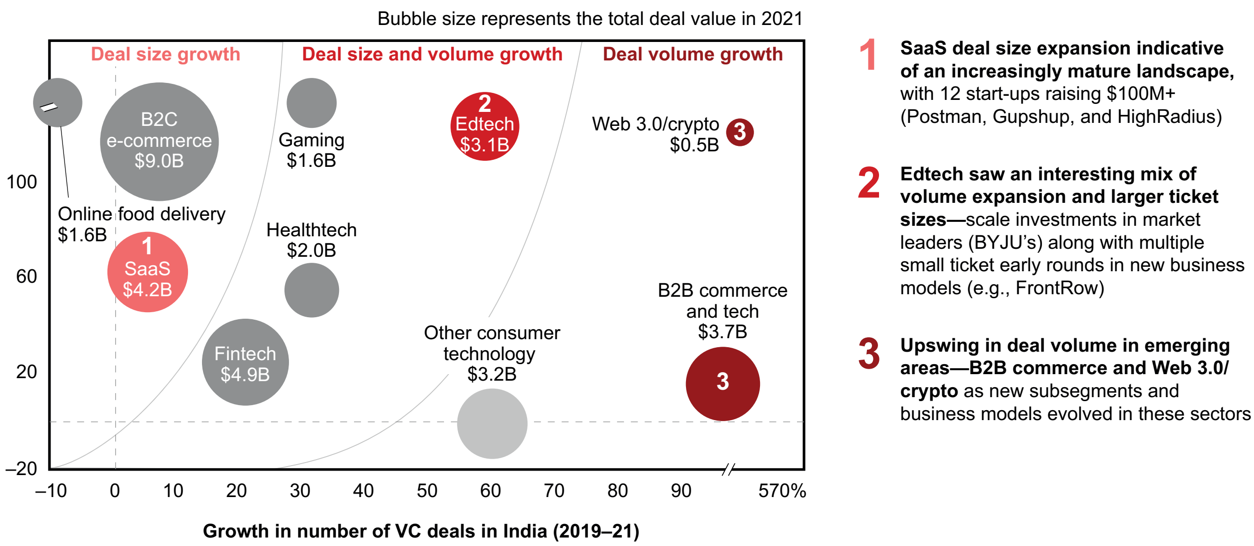
Annual VC investments in India ($B, split by sectors)



Notes: DeFi = decentralised finance; NFT = non-fungible tokens; other consumer technology includes travel and transportation, media and entertainment, social networks, job portals, proptech, and others
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 10a: Higher deal size for SaaS investments indicative of a maturing landscape; edtech continued to see both deal size and volume momentum

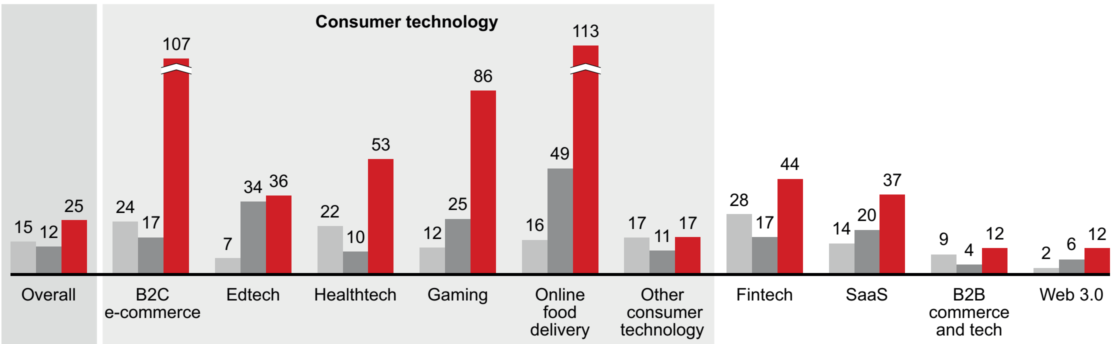
Growth in average VC deal value in India (2019–21)



Note: Other consumer technology investments includes travel and transportation, media and entertainment, social networks, job portals, proptech, and others
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 10b: Average deal value grew rapidly across consumer technology, fintech, and B2B commerce, with marquee deals in each of these sectors

Average VC deal value in India for key sectors ($M)



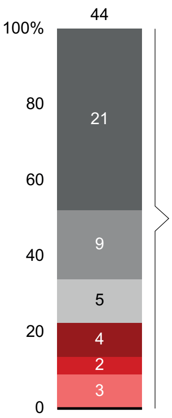
	Overall	B2C e-commerce	Edtech	Healthtech	Gaming	Online food delivery	Other consumer technology	Fintech	SaaS	B2B commerce and tech	Web 3.0
Avg.deal value growth 2020–21	2.0x	6.4x	1.1x	5.2x	3.4x	2.3x	1.6x	2.6x	1.8x	2.9x	1.9x
VC deal volume											
2019	756	68	34	22	11	17	77	76	104	79	1
2020	809	45	53	17	14	22	95	67	72	133	3
2021	1,545	85	85	38	19	14	199	111	115	303	44

2019 2020 2021

Note: Other consumer technology investments includes travel and transportation, media and entertainment, social networks, job portals, proptech, and others
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 11: Consumer technology and fintech further led the investment landscape in terms of total new unicorns added over 2021

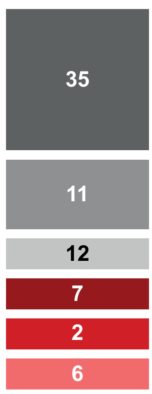
New unicorns added in India (2021)



Unicorns added in 2021

B2C e-commerce			Edtech	OFD*	Healthtech	Others
Meesho	GlobalBees	Spinny	Eruditus	Rebel Foods	cure.fit	ShareChat
Blinkit	Mensa Brands	Droom	upGrad	**Gaming**	PharmEasy	NoBroker
MyGlamm	Licious	Urban Company	Vedantu	Mobile Premier League		Apna
Mamaearth						Urban Company
BharatPe	CRED	Digit Insurance	Groww	MobiKwik	Acko	Zeta
Slice	Upstox					
BrowserStack	Chargebee	Gupshup	Inovaccer	Mindtickle		
Infra.Market	Moglix	OfBusiness	Zetwerk			
CoinDCX	CoinSwitch Kuber					
BlackBuck	Five Star Business Fin.	Pristyn Care				

 # privately held unicorns till date



Consumer technology Fintech SaaS B2B commerce and tech Web 3.0/crypto Others

Total **73**

* Online food delivery
Notes: In-year unicorns defined as private companies valued at $1B+ in the respective year; # of privately held unicorns till date includes only current unicorns (excludes public, acquired or devalued companies); others includes BFSI, Shipping & Logistics, Healthcare, and Energy
Sources: Tracxn; CBInsights; Bain analysis

Figure 12: Several investing themes continued to see traction, and a few new ones emerged across the broader funding landscape in 2021

VC investments in India ($B, 2021)

		VC funding growth over 2020–21	
New e-commerce models	↗	21x	21x growth in funding base over 2020 as innovative e-commerce models aimed at deepening adoption of digital commerce across retailers and Tier 2+ consumers, such as video commerce (e.g., Bulbul), or small grocery retailing (e.g., DealShare), gained traction
D2C brand aggregators	↑	30x	$1.2B of funding into globally popular D2C brand aggregation models (full stack D2C brand plays such as Good Glamm Group as well as house of brands plays such as Mensa Brands)—four unicorns minted in the year, with Mensa brands becoming the fastest unicorn in India
Short-form video or social networking	↗	4x	Breakout growth of domestic short-form video or social networking applications in 2021 as TikTok ban in India created significant opportunities for local players developing solutions to capture and engage the rapidly evolving audience from Tier 2+ as well as metro cities
Neobanks	↑	17x	Fintech's record funding in 2021 was headlined by significant share led by consumer and SMB-focused neobanks—customer pain points in terms of digital access, transparency, and credit are key factors of a massive opportunity for upcoming new-age banks
SaaS	↗	3x	SaaS funding grew 3x, continuing in momentum as Indian SaaS companies gained worldwide acceptance building from India for the world (headlined by the Freshworks IPO in 2021)—several category leaders emerging across sectors as players look to address specific use cases (e.g., Postman in API management, BrowserStack in software testing platform, or Chargebee in subscription revenue management)
B2B marketplaces	↑	11x	Four unicorns minted as inflection in digital adoption across B2B supply chains took hold post Covid-19—combination of fragmentation of suppliers and buyers and high channel margins (B2B sourcing) are key to massive opportunity creation in B2B marketplaces and tech enablers
Web 3.0/crypto	↑	28x	40+ early-stage deals crossing $500M+ in investment as start-ups focusing on NFT marketplaces, DeFi, scaling, and building infrastructure for decentralised applications are gaining traction beyond cryptocurrency trading platforms

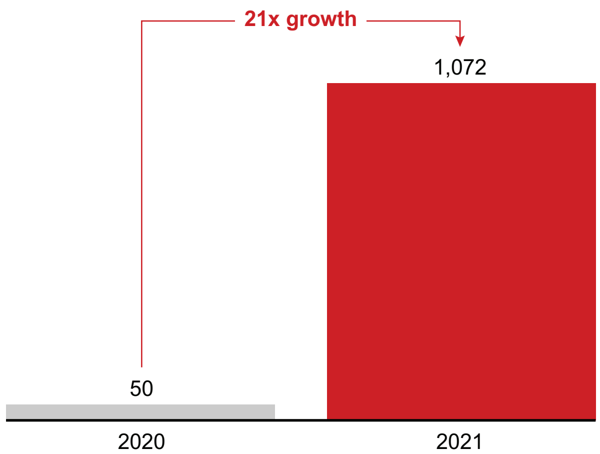
↑ Newly emerged sectors in 2021 ↗ Sectors with continued traction

Notes: Others includes shipping and logistics, energy, real estate, manufacturing, engineering and construction, and telecom; funding for Web 3.0 does not include token IPOs and token market caps
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 12a: New e-commerce models—innovative e-commerce models aimed at deepening digital adoption for Tier 2 consumers and retailers saw traction

Funding overview

VC funding for new e-commerce-focused start-ups ($M)



	2020	2021
Share of B2C e-commerce funding	**7%**	**11%**

Player landscape

Significant deals in 2021

- Meesho ($4.9B valuation)
- DealShare ($455M valuation)
- Trell ($120M valuation)

Emerging players

- GlowRoad
- Bulbul

Growth drivers

Less than 10% of the Indian population currently shops online despite over 40% internet users—scale opportunity for innovative commerce models to drive adoption, especially in Tier 2+ regions

New commerce models have focused on addressing Tier 2+ shopping needs or retailer needs (i.e., higher trust through reselling models, customised offerings, wider catalogue, cheaper products, and simplified discovery and purchase)

Scope to empower more than 40 million small retailers and businesses to leapfrog into online commerce

Emerging trends

Social reselling will continue to remain core to drive adoption in Tier 2+ customers; further innovation to enable easier access will continue to gain traction (voice and vernacular enablement)

Enablement of "creators" (i.e., creator commerce) likely to see interest, enabling independent creators to access audience in a frictionless fashion

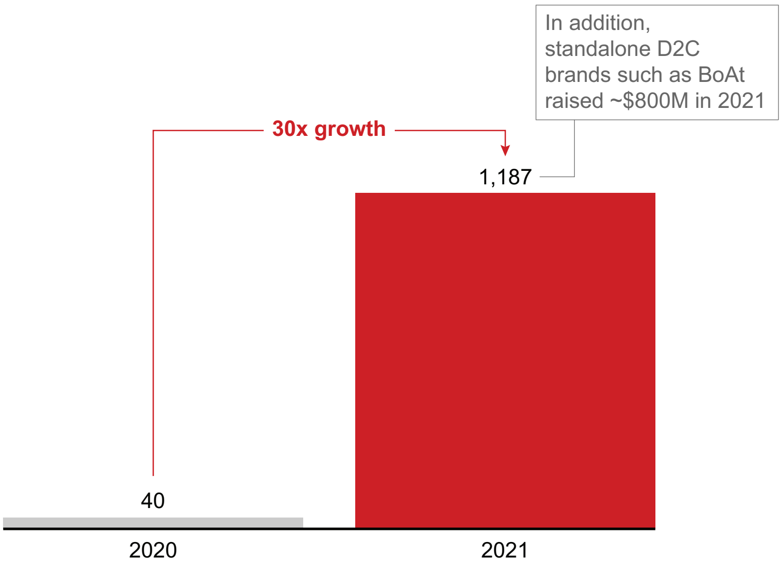
Video commerce providers will need to differentiate (vs. horizontals), innovate, and focus on monetisation opportunities

Note: Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; The Future of Commerce in India by Bain & Company

Figure 12b: D2C brand aggregators—2021 was a launchpad for the digital-first brand aggregation model in India, with a spate of D2C aggregators receiving funding

Funding overview

VC funding for brand D2C aggregators ($M)



Player landscape

Significant deals in 2021

- Mensa Brands ($1.2B valuation)
- Good Glamm Group ($1.2B valuation)
- GlobalBees ($1.1B valuation)

Emerging players

- Mamaearth
- G.O.A.T Brand Labs
- UpScalio
- Evenflow

Growth drivers

D2C brands witnessing exponential growth led by a dual demand and supply side push—increasing depth in online consumer purchasing preferences supported by growing ease of building an online presence or channels for the brand

Share gain in broader e-commerce market led by a customer-focused innovation funnel, better reach through an online first approach, and quick-to-market new launches

D2C brand aggregators gaining traction (globally and in India) through consolidation of scale across key functions such as digital marketing and brand development

Emerging trends

Two distinct business models evolving: (a) house of brands (e.g., Mensa Brands, GlobalBees) and (b) full stack content to commerce brand ownership (e.g., Good Glamm Group, Mamaearth)

Increasing consolidation and M&A play expected as brands roll up into aggregators or get acquired by full stack competitors

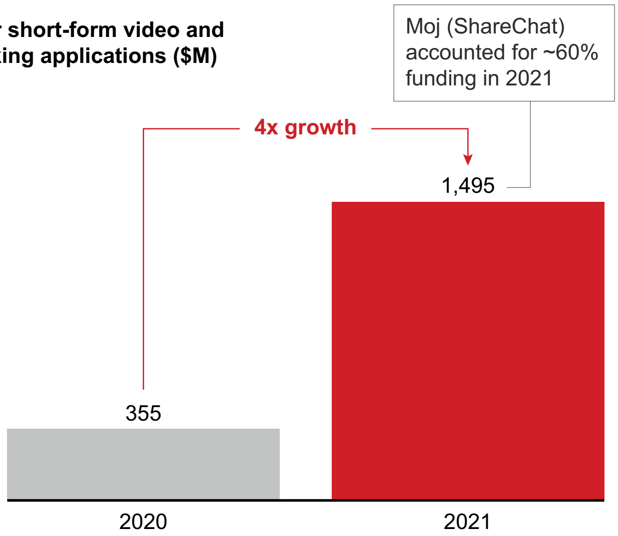
Increasing competition as global leaders such as Thrasio also look to India for growth

Notes: Valuations dated as on 31 Dec 2021; 2020 funding for D2C aggregators includes funding for scale brands such as the erstwhile MyGlamm or Mamaearth (now pivoting to scale full stack brand play)
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 12c: Short-form videos and social networking—domestic players saw breakout growth post TikTok ban

Funding overview

VC funding for short-form video and social networking applications ($M)



Share of consumer technology funding	2020	2021
	5%	6%

Player landscape

Significant deals in 2021

- Moj (ShareChat) ($3.7B valuation)
- Josh (Dailyhunt) ($3.0B valuation)

Emerging players

- MX TakaTak (acquired by ShareChat)
- Roposo (Glance)

Growth drivers

Rapidly growing internet access with availability of cheap data, lower data consumption, and a high proportion of vernacular content aiding short-form video (SFV) scale-up—~600M projected users by 2025

Regulatory ban on Chinese apps in 2020 led to an opportunity for domestic players to grow—market is now occupied by a mix of specialist SFV apps and global social media or video giants

Robust tech stack, including optimised UI/UX, new platform features, and AI-enabled recommendation systems, driving higher engagement and stickiness, with average daily time spent projected to increase by ~50% to ~60 mins by 2025

Emerging trends

Increasing monetisation opportunities across vernacular ads, video commerce and microtransactions via partnerships with existing players (e.g. Flipkart)

Changing platform architectures aimed at better access and reach, with launch of lite applications (e.g., Moj Lite)

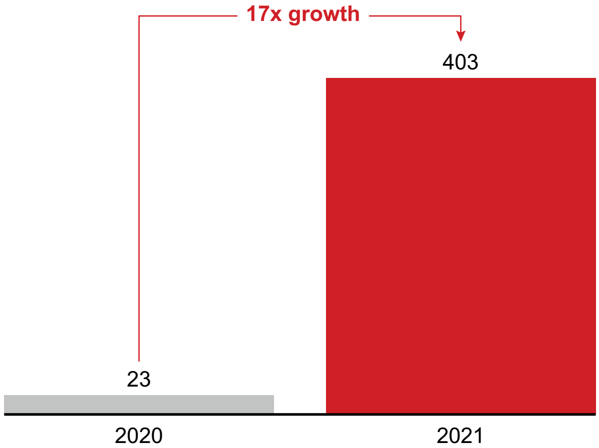
Consolidation plays as market matures (ShareChat acquiring MX Takatak)

Notes: Valuations dated as on 31 Dec 2021; Mitron TV raised undisclosed amount of funding from 9Unicorns in 2020; Trell funding is included in new ways of commerce
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; Bain report: Online videos in India

Figure 12d: Neobanks—financial services start-ups focused on neobanking solutions for consumers and SMBs were a key driver of growth within fintech

Funding overview

VC funding for neobanking-focused start-ups ($M)



Share of fintech funding	2020	2021
	2%	8%

Player landscape

Significant deals in 2021

- Consumer-focused neobanks
  - – Jupiter ($710M valuation)
  - – Fi.Money ($315M valuation)
- SMB-focused neobanks
  - – Razorpay ($7.5B valuation)*
  - – Open ($500M valuation)

Emerging players

- Uni
- NiyoX (DCB Bank)

Growth drivers

Indian SMBs are a material segment within the economy but typically underserved by conventional banks in terms of ease of credit access or value-added services, such as invoicing, presenting a huge potential target group for SMB-focused neobanks

Significant opportunity with digitally savvy Indian customers (more than 70% of Indians willing to shift to a digital/virtual bank) to offer easy-to-use, transparent, and digital financial services

Neobanks' ability to adapt to customer needs and roll out new features at a rapid pace is key to their positioning in both the customer and SMB spaces

Emerging trends

Both retail and SMB-focused neobanks likely to build on emerging customer products (e.g., BNPL offerings, prepaid cards)—likelihood of significant M&A play in the sector as market leaders scale by acquiring segment leaders in BNPL or credit solutions

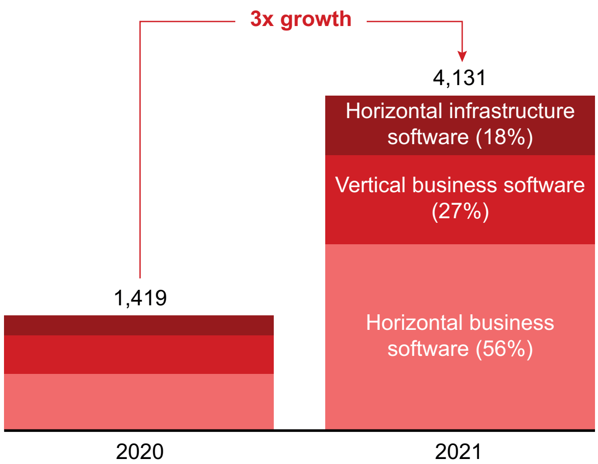
Lending and underwriting analytics solutions may see some activity as winners will need to build scaled lending or credit solutions for path to profit

* Funds raised by Razorpay include funding for SMB neobank, RazorpayX (not included in neobanks funding)
Note: Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge;

Figure 12e: SaaS—continued momentum with 3x growth in funding over 2020—several new category creators saw soaring valuations

Funding overview

VC funding for SaaS-focused start-ups ($M)



	2020	2021
Share of total VC funding	**14%**	**11%**

Player landscape

Significant deals in 2021

- Postman ($5.6B valuation)
- BrowserStack ($4B valuation)
- Innovaccer ($3.2B valuation)
- HighRadius ($3.1B valuation)
- Gupshup ($1.4B valuation)

Emerging players

- Hubilo
- Yellow.ai
- Esper
- Avataar.me
- Acceldata
- Khatabook

Growth drivers

Indian companies building innovative solutions in India for global clients, implying increased focus on globally distributed sales teams, globally coherent sales motion, and a deep enterprise-focused product strategy (e.g., Freshworks and Zenoti)

Rapid pace of innovation through creation of new categories (e.g., API management, testing platforms) and development of products addressing complexities for enterprises (e.g., security) as well as SMBs (e.g., accounting)

Distinct competitive advantages over global peers, including depth and abundance of skilled talent base built on the back of a large number of domestic engineering graduates and matured IT workforce as compared to developed counterparts

Emerging trends

DevOps tools expected to see continued traction supported by strong network effects and a large local developer base to build and test tools

Vertically focused solutions likely to sustain momentum in high growth sectors (e.g., Avataar.me in e-commerce enablement, FarEye in logistics)

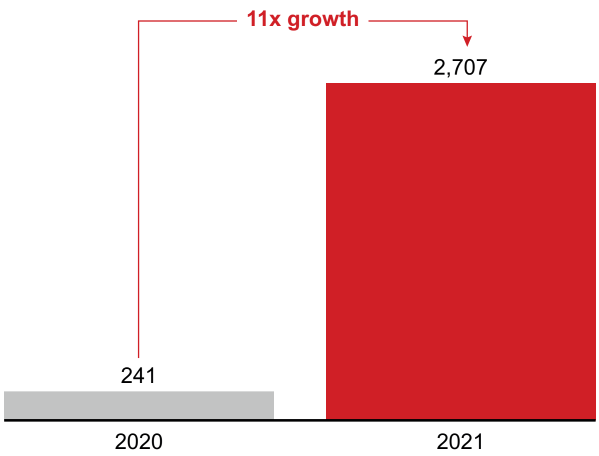
SMB-focused solutions may become salient with increasing digitisation post Covid-19 and higher willingness to adopt business tools

Note: Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 12f: B2B marketplaces—four online B2B marketplaces reached unicorn status in 2021, led by increasing tech adoption in B2B supply chains post Covid-19

Funding overview

VC funding for B2B marketplaces ($M)



	2020	2021
Share of B2B commerce & tech funding	**44%**	**75%**

Player landscape

Significant deals in 2021

- OfBusiness ($5.0B valuation)
- Zetwerk ($2.7B valuation)
- Infra.Market ($2.5B valuation)
- Moglix* ($1.0B valuation)

Emerging players

- Bijnis (Industrials)
- Fashinza (Fashion)

Growth drivers

Disruption of traditional supply chains owing to pandemic lockdowns is increasing pace of B2B supply chain digitalisation—higher margins in upstream B2B procurement presents enormous digitalisation opportunity (large TAM, hyper fragmentation of supply and demand, moderate-to-high channel margins)

Multiple strategies adopted by leading upstream B2B players (enterprise vs. SME focus), marketplace vs. private label, direct retail vs. sell to customers—while various players exist (e.g. OfBusiness, Infra.Market, Zetwerk, Moglix), nuanced strategic differences enable creation of compelling value propositions to different customer segments

Downstream B2B e-commerce penetration expected to increase with entry of larger players into the market (e.g., Reliance, Metro, Amazon) but economics need to be proven in a competitive market

Emerging trends

Specialist players are likely to see significant traction as digital adoption across B2B supply chains spikes (e.g., players focusing on specific industry needs such as apparel samples or electronics distribution)

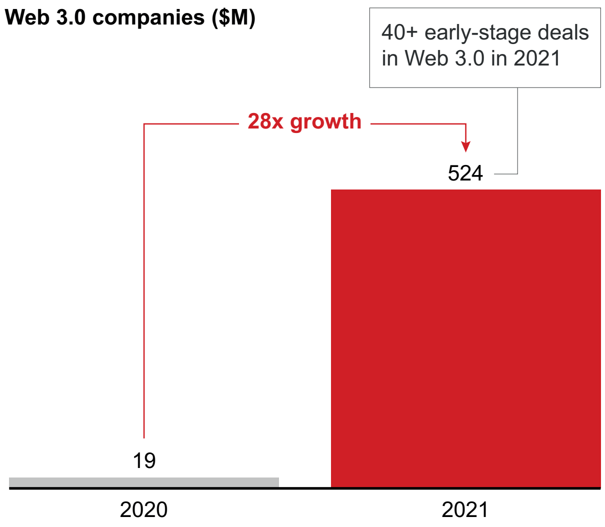
Newer segments beyond industrial goods supply likely to scale (e.g., agriproducts direct sourcing supply chain or pharma distribution)

* Moglix raised fresh funds in 2022 taking its valuation to $2.6B
Note: Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 12g: Web 3.0—several early-stage investments in newly emerging Web 3.0 segments such as cryptocurrency, DeFi and NFTs

Funding overview

VC funding for Web 3.0 companies ($M)



	2020	2021
Share of total VC funding	**0.2%**	**1.4%**

Player landscape

Significant deals in 2021

- Coinswitch Kuber ($1.9B valuation)
- Coin DCX ($1.1B valuation)

Emerging players

- Vauld
- Biconomy
- Instadapp
- GuardianLink

Growth drivers

Web 3.0 companies seeing significant opportunity in the development of new use cases across sectors such as fintech, gaming, storage, and social networking

Development of innovative solutions to existing issues of centralized internet monopolies, data privacy, security, and transparency

Increasing economically viable scaling of decentralized products (e.g., via Ethereum blockchain tech) expected to drive at-scale community adoption across diverse real-life applications

Emerging trends

Significant traction in emerging business models (e.g., DeFi ecosystem focused on areas such as dApp-chain interoperability, fraud prevention, play-to-earn gaming models like tokenised NFTs)

Regulatory uncertainty to remain a risk in the space (e.g., imminent crypto tax, issuance of central bank-led digital currencies gaining precedence or further shifts in blockchain or crypto policy framework in India)

Leading funds building out Web 3.0/crypto-focused teams to concentrate on burgeoning opportunity in India

Note: Valuations dated as on 31 Dec 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Investor base and fundraising overview

- India witnessed significant participation from several global and domestic investors in 2021, taking its active investor count to 665, from a base of 516 in 2020. Several seed funds raised significant funds in 2021 (<$30M fund sizes; e.g., Eximius Ventures, Atrium Angels). The fundraising landscape saw a marked shift as smaller funds raised a higher share of capital in 2021 relative to leading Tier 1 investors

- Share of investments by incumbent leaders remained stable at ~25% in 2021: Tiger Global and Sequoia Capital continued to retain the top spots in terms of investment value and volume, while SoftBank made few selective large deals, remaining on the leaderboard in terms of investment value

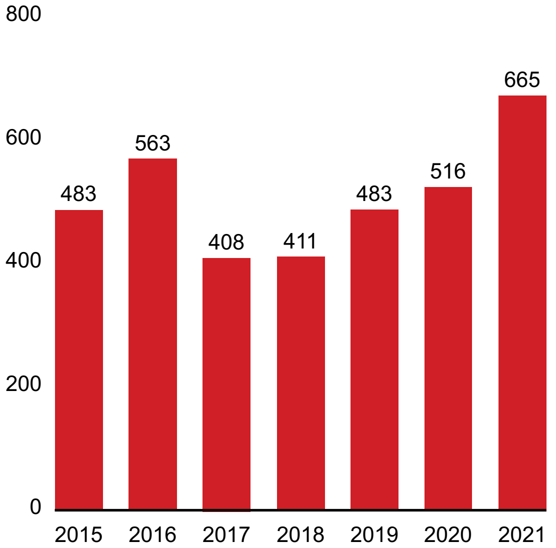
- The shape of the dealmaking landscape, however, underwent a dramatic shift as top investors such as Tiger, SoftBank, and Alpha Wave Global (erstwhile Falcon Edge Capital) had 60%+ of their deals in $50M+ size bracket. Traditionally VC-focused investors, Sequoia and Accel, continued participating actively in <$50M ticket size deals with 70%+ deal contribution

- Newer investors made significant inroads into the deal landscape in 2021: (a) Tier 1 global VCs, such as TCV and Dragoneer Investment Group, made several large investments; (b) domestic VCs scaled presence (e.g., 3one4 Capital, Gemba Capital, Together Fund); (c) sovereign funds, such as ADQ and QIA, also made direct investments into the market as late-stage investors; and (d) several sector-focused funds increasingly doubled down. Finally, traditional PE funds also stepped up focus on growth equity deals, with the marquee deals being the Warburg Pincus-led investment in The Good Glamm Group, ChrysCapital's investment round in Dream11, and the KKR-led investment in Lenskart

- With increasing capital availability and liquidity, investors are looking to differentiate themselves to build the right positioning in the market with focused portfolio advisory and support (e.g., recruiting support, strategic advisory)

Figure 13: Active VC funds in India have grown steadily over the last few years; growing participation from micro VCs, family offices

Number of active VC funds in India*



Fund base growing as micro VCs, family offices emerge

1 Micro VCs

- VCs with <$30M fund, mainly focused on early-stage investments in sunrise sectors
- 85+ micro VCs in India (10%–15% growth over 2021) with $500M+ investment
- Continued LP interest given smaller cheque sizes and scope for outsized returns

New micros VCs emerging in 2021:

- Atrium Angels
- Disruptors Capital
- Capital A
- Fair Angels
- Eximius Ventures

2 Family offices

- Family offices participated in a record 90+ deals with $400M+ investment in India
- 150+ offices in India, led by a new cohort of first generation HNI/UHNI founders and operators

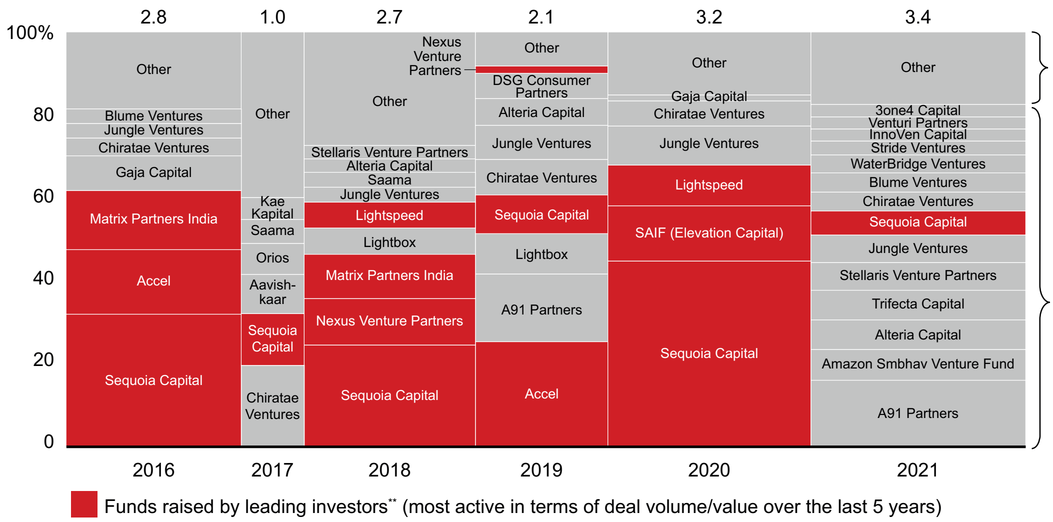
Indian family offices increasingly active in 2021:

- Sharrp Ventures (Mariwala family)
- Artha India (Damani family)

* Active investors defined as investors with atleast one investment in the year
Note: Examples on page are illustrative and not exhaustive
Sources: Venture Intelligence; Trica; Tracxn; Crunchbase; Bain analysis

Figure 14: The fundraising landscape saw a significant shift, with several smaller funds raising a higher share of capital relative to leading global investors in 2021

Total funds raised by VCs for investments in India* ($B, split by investors)



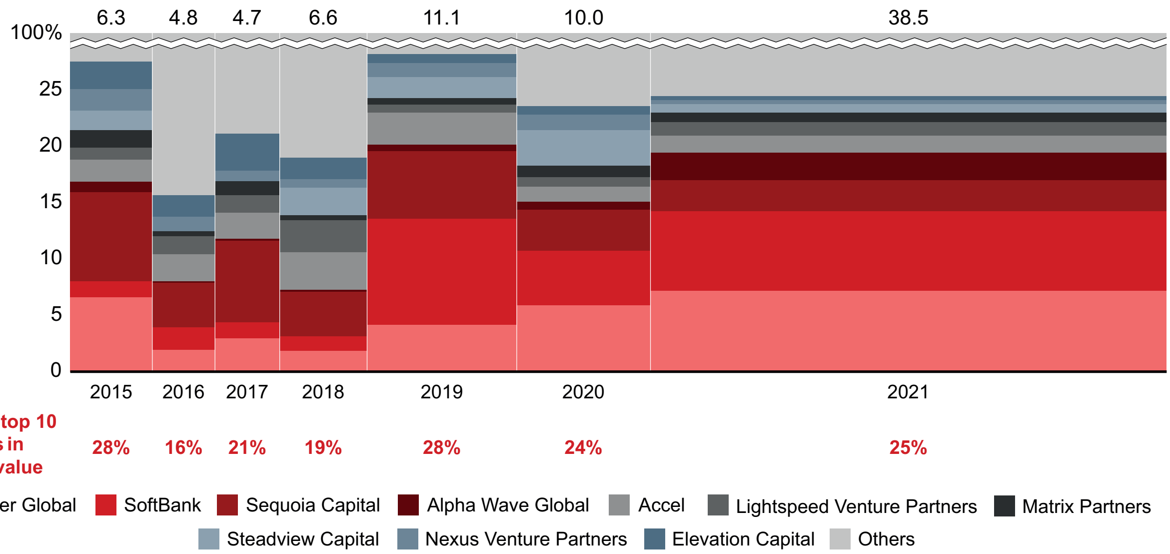
Significant funds raised by new micro VCs as well as additional microfunds raised by existing VCs (Speciale Invest, iSeed)

Shift in the fundraising landscape as several smaller funds raised significant India-focused capital over 2021

* Includes funds raised by global or domestic VCs that are exclusively earmarked for India; global or regional funds raised by investors such as Tiger Global are excluded
** Leading investors defined as those with significant capital deployed over the last 5 years
Note: In case of multiple investors for a deal, deal value per investor is calculated assuming equal split of investment across the investor
Source: Venture Intelligence

Figure 15: Further, share of investments by leading investors has remained stable; smaller funds, sovereigns deployed significant capital and new funds emerged

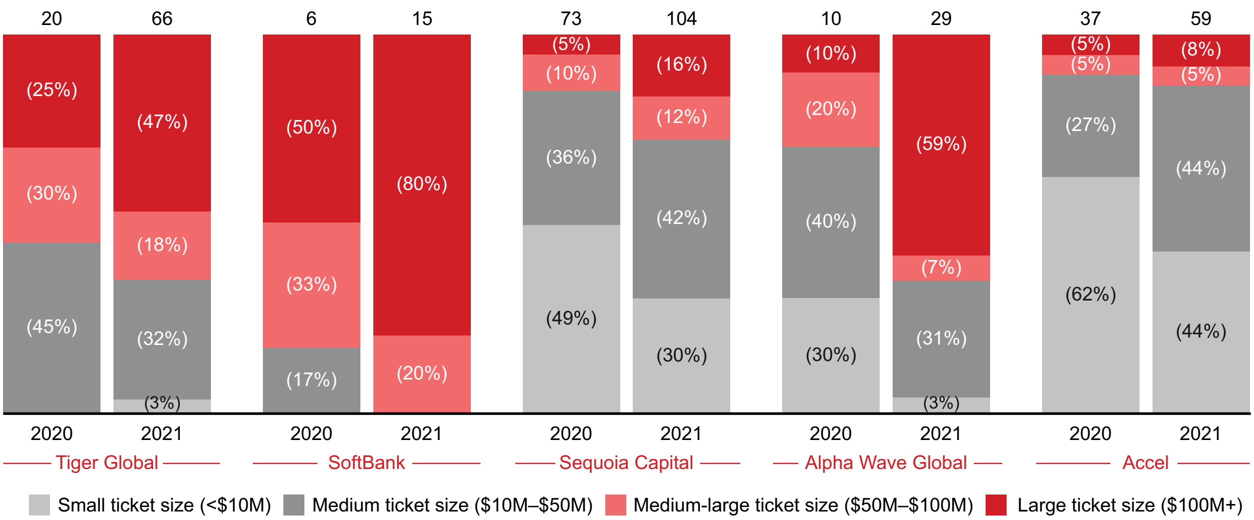
Annual VC investments in India ($B, split by leading India VCs)



Notes: Leading investors defined as those with significant capital deployed in India over the last 5 years; in case of multiple investors for a deal, deal value per investor is calculated assuming equal split of investment across the investors; Alpha Wave Global (erstwhile Falcon Edge Capital), rebranded in 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 15a: Shape of the dealmaking landscape shifted significantly—increasingly higher share of large ticket size or growth stage deals across funds

Number of VC deals for top investors* in India in 2021 (split by deal size)



* Top five investors based on deal value in 2021
Notes: In case of multiple investors for a deal, deal value per investor is calculated assuming equal split of investment across the investors; Alpha Wave Global (erstwhile Falcon Edge Capital), rebranded in 2021
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 16: Several investors beyond traditional leaders in India made significant inroads into the deal landscape over 2021

Growing activity beyond traditional leaders in India

Global VCs and crossover funds	Growing interest from global VCs and crossover funds driven by increasing depth in the ecosystem, positive exit momentum, and redirection of capital from China	Dragoneer Investment Group *(US):* BharatPe, Urban Company, Zomato, CRED Alpha Wave Global *(US):* Dream11, Cars24, Mensa Brands, OfBusiness TCV *(US):* Razorpay, FarEye
Domestic VCs	Emergence of several domestic funds along with micro VCs focused largely on seed and pre-seed investments as newer business models take hold	3one4 Capital *(early-stage VC fund):* Licious, Jupiter, Open Gemba Capital *(focused on early-stage tech investments):* Plum, Defy Together Fund *(SaaS-focused early-stage VC fund):* Toplyne, Spry
Sovereign funds	Direct investments from sovereign funds acting as scale late-stage investors driven by increasing confidence in the exit potential from large Indian tech start-ups	ADQ *(sovereign wealth fund of Abu Dhabi):* BYJU's, PharmEasy QIA *(sovereign wealth fund of the State of Qatar):* Swiggy, Rebel Foods
Corporate VCs or new models	Accelerator programs by leading corporates as well as bigger start-ups to assist early-stage companies with operational expertise	Flipkart Leap *(start-up accelerator program by Flipkart):* Fasal, Fashinza Salesforce Ventures *(corporate VC):* Yellow.ai, Darwinbox Antler *(tech-focused global early-stage VC):* PeakPerformer, Codedamn

Notes: Alpha Wave Global (erstwhile Falcon Edge Capital), rebranded in 2021; examples above are illustrative and not exhaustive
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 17: Further, dedicated sector-focused global and domestic funds are increasingly doubling down on presence in sectors such as fintech and Web 3.0

Fintech-focused funds

Ribbit Capital: Global fintech-focused fund, invested in Groww, BharatPe, and Razorpay in India

Fintech-focused domestic funds such as Varanium NextGen Fund and IIFL Fintech Fund (<$40M fund size)

Consumer-focused funds

Fireside Ventures: Domestic fund focused on early-stage consumer brands with investments such as Mamaearth and Design Café

DSG Consumer Partners: Asia-focused fund for early-stage con sumer businesses with investments in offline and D2C brands such as Chai Point and Sleepy Owl

SaaS-focused funds

Avataar Venture Partners: Domestic fund focused on SaaS and tech-led B2B with investments such as Amagi and CRMNext

Together Fund: India-based fund led by SaaS founders to invest in SaaS start-ups (e.g., Toplyne, Spry)

Web 3.0-focused funds

Coinbase Ventures: Investment arm of Coinbase; investing in early-stage blockchain or crypto start-ups such as Vauld and Biconomy

Pantera Capital: US-based crypto fund with investment in Indian companies such as Instadapp and Vauld

Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

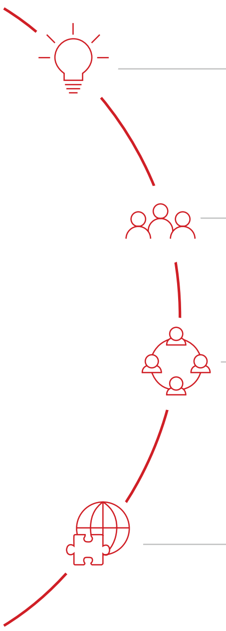
Figure 18: 2021 also saw significant participation from traditional PE funds in growth equity deals

Select VC deals with participation from traditional PE funds

Company	Investors	Sector	Deal value ($M)
VerSe Innovation *(Dailyhunt, Josh)*	**The Carlyle Group**, B Capital, Sofina, Baillie Gifford, QIA, IIFL VC, Bay Capital, Siguler Guff	Content, news aggregation, and short-form videos	450
Dream11	**ChrysCapital**, Steadview Capital, Tiger Global, TPG, Alpha Wave Global, TCV	Gaming	400
Firstcry	**ChrysCapital**, TPG Growth, Premji Invest	B2C e-commerce	315
Acko General Insurance	**Multiples PE**, General Atlantic, Munich Re Ventures, Intact Ventures, CPPIB, Lightspeed Venture Partners	Fintech	255
Simplilearn	**Blackstone**	Edtech	250
Good Glamm Group *(MyGlamm)*	**Warburg Pincus**, Amazon, Ascent Capital, Bessemer Venture Partner, L'Occitane International, Prosus Ventures, Alteria Capital, Stride Ventures	B2C e-commerce	150
Lenskart	**KKR**	B2C e-commerce	95
Purplle	**Kedaara Capital**, Blume Ventures, Sequoia Capital	B2C e-commerce	75

Notes: Few deals with smaller PE participation may not be included; examples above are illustrative and not exhaustive
Sources: Bain VC deals database; Pitchbook; Venture Intelligence; AVCJ; VCCEdge

Figure 19: As companies scale, investors are also helping founding teams with tech expertise, leadership recruiting, and their path to IPOs



Product refinement and product market fit

Access to playbooks for product refinement, customer identification, and programmes to think through strategies on pricing, finding market fit, etc.

Business development support

Access to enterprise customers or operational advisors, in addition to a broader investor and founder community

Hiring and organisational restructuring

Offer specially designed programmes or services for hiring, designing HR policies, organisational restructuring, etc.

Building go-to-market (GTM) strategies and operational expertise

Access to operational experts (including GTM specialists with prior experience) and in-house expertise

Partner with consulting firms to advise start-ups' management in key decisions or operational issues

> *In today's environment, capital is commodity. At Elevation, we are focused on partnering with founders very early and working with them in the trenches in their zero-to-one journey—and this includes bolstering our portfolio services including talent/org building, future fundraising or even functional expertise like marketing, GTM, and technology.*
>
> **Elevation Capital**

> *We like to think of ourselves as true partners who provide value beyond capital to our founders. With Indian founders having more global ambitions, we leverage our global venture partner network with more than 35 experts from various industries to help our companies scale and go global.*
>
> **Eight Roads Ventures**

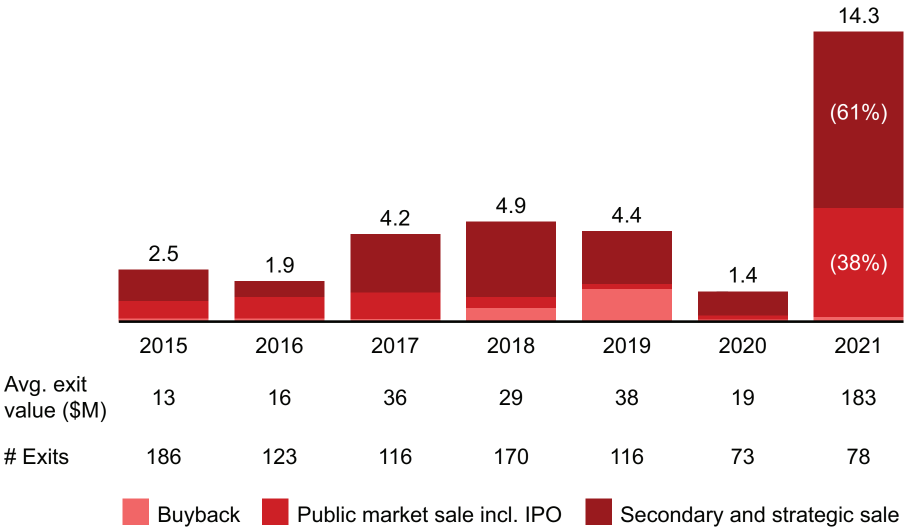
Sources: Market participant interviews; Bain analysis

Perspectives on the exits landscape

- VC exits witnessed a defining change, reaching $14B+ in total exit value:
  - Three marquee exits accounted for nearly 60% of total exit value: (1) BillDesk's acquisition by PayU ($4.7B), (2) Paytm IPO ($2.5B), and (3) Zomato IPO ($1.3B)
  - VC exit IPOs accounted for a robust 40% of the overall exit value in 2021, while secondary sales were anchored by a few large deals
- Secondary and strategic sales continued to be the mainstay for exiting VCs, with more than 60 deals amounting to $8.7B or 60% share in overall VC exit value. Growing interest from global investors and PEs in growth stage deals was a key driver of the buoyant secondary market
- Five high-profile IPOs in 2021, accounting for $5.3B (of total IPOs value of $16.1B), had VC exits. IPO momentum was largely driven by shifting regulatory climate on tech IPOs in India and public markets being at an all-time high, whetting retail investor appetite for tech listings in India

Figure 20: VC exits in India had a record year in 2021, reaching ~$14B in total exit value, IPOs accounted for 40% of the exit value

Value of VC exits in India ($B, split by mode of exit)



2020

2020 was a lukewarm year for exits driven by the uncertain outlook due to the pandemic, subdued public markets, and holding periods yet to reach maturity

2021

2021 was a record year as VC exits reached $14B—three key exits accounted for 60% of the total value (BillDesk acquisition by PayU, Paytm IPO, and Zomato IPO), and IPOs overall accounted for an exceptional 40% of the exit value

Notes: Exits with undisclosed deal amounts have not been included; Walmart-Flipkart deal excluded from 2018 deal value and volume; exit volume and value do not include companies listed outside of India (i.e., Freshworks or ReNew Power)
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; VI; Preqin

Figure 21: Exits momentum peaked in 2021, driven by a number of favourable factors

Growing interest from global investors and PE firms

Growing interest from global investors or crossover funds in maturing growth stage companies as well as traditionally late-stage PE funds in growth equity deals created a ripe environment for secondary transactions (e.g., Simplilearn investment by Blackstone)

Shifting regulatory climate on tech IPOs in India

SEBI's shift in stance on allowing loss-making companies the flexibility to list on public exchanges with limited restriction on investor exits post listing drove a flurry of VC-led companies listing on Indian exchanges

Growing retail investor appetite for tech listing in a bull market

Improved liquidity in public markets owing to low interest rates across developed markets (Fed interest rates at historic lows in 2020–21) along with increasing appetite of Indian retail investors for tech portfolios—reflected in significantly oversubscribed tech IPOs

Ongoing M&A momentum in select sectors

Competitive sectors such as B2C commerce and edtech continued to see acquisitive moves as market leaders consolidated their positions

Sources: MOSPI, Government of India; market participant interviews; Bain analysis

Figure 22a: Secondary sales and strategic exits saw an exceptional $8.7B+ in exit value across 60+ deals

Leading secondary and strategic deals with VC exits in 2021

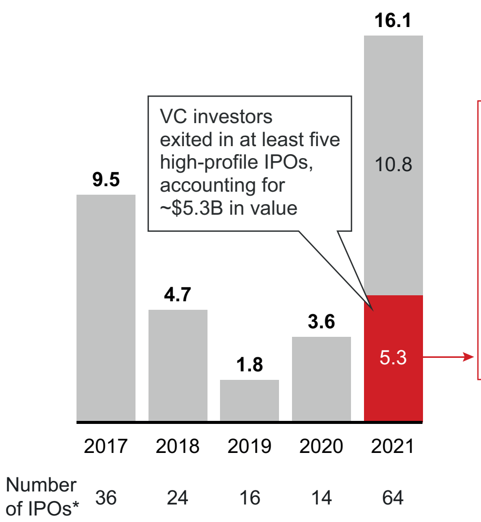
Asset	Key exiting investors	Buyers	Sector	Exit value
BillDesk	Clearstone Venture Partners, General Atlantic, TA Associates, Temasek, Visa	PayU	Fintech	$4,700M
Dream11	Kalaari Capital, Multiples Alternate Asset Management	TCV, Tiger Global, ChrysCapital, TPG Growth, Steadview Capital, Foothpath Ventures	Gaming	$400M
PlaySimple Games	Elevation Capital, Chiratae Ventures	Modern Times Group (MTG)	Gaming	$360M
FirstCry	Elevation Capital, Vertex Venture, MegaDelta Capital Advisors	TPG, ChrysCapital, Premji Invest	B2C e-commerce	$315M
Simplilearn	Kalaari Capital, Mayfield, Helion Ventures	Blackstone	Edtech	$250M
Pine Labs	Sequoia Capital	Treeline Asia Master Fund, Neuberger Berman, Blackrock, Ishana Capital	Fintech	$230M
OfBusiness	Matrix Partners, Creation Investments Capital Management, Zodius Capital	Alpha Wave Global, Tiger Global, Softbank	B2B marketplace	$140M
Lenskart	TPG Growth, TR capital	KKR	B2C e-commerce	$95M

Strategic sale   Secondary sale

Notes: Deals shown above are illustrative and not exhaustive; Tata group's acquisition of majority stake in BigBasket and subsequent exit of investors such as Actis Capital, Alibaba Group, and Ascent Capital is classified as a PE exit and not included above
Sources: Bain VC deals database; Venture Intelligence; VCCEdge; AVCJ; VI; Preqin

Figure 22b: Further, 2021 was an unprecedented year as several VCs saw exits via IPOs on Indian exchanges

Value of IPOs on Indian exchanges ($B)



Leading Indian IPOs with VC Exits in 2021 (not exhaustive)

Company	IPO size	IPO subscription** (Retail IPO subscription)
Paytm	~$2460M	1.9x (1.7x)
Zomato†	~$1250M	38.3x (7.5x)
Policybazaar	~$750M	16.6x (3.3x)
Nykaa	~$710M	81.8x (12.2x)
Indigo Paints	~$155M	117.0x (15.9x)

Leading players have IPOs in the pipeline—some moderation expected given weak public markets and global geopolitical uncertainty

PharmEasy	**Swiggy**	**Navi**	**Tracxn**
Delhivery	**ixigo**	**Droom**	**Ola**

* Includes mainboard IPOs on NSE and BSE (minimum post-issue paid-up capital of INR 10 crore)
** Across investor categories—qualified institutional buyers, non-institutional buyers, retail individual investors, and employees
† Several investors exited partially or completely in pre-IPO secondary transactions
Sources: Bain VC deals database; Venture Intelligence; VCCEdge; Venture Intelligence; AVCJ; Raquin; CapIQ

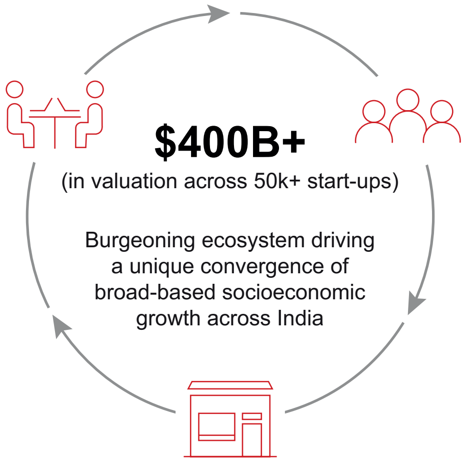
2022 and beyond: India investment outlook

- We believe that the VC-funded Indian start-up ecosystem has reached escape velocity with a robust value creation flywheel
- 2021 was remarkable with ESOP liquidity events across the start-up ecosystem—more than 30 start-ups announced ESOP buybacks, likely to fuel a newer generation of founder operators with higher risk appetite and expertise, further increasing the depth of opportunities in the ecosystem
- While the first quarter of 2022 continues to see robust traction, public market trends indicate some headwinds for VC investments in 2022, augured by a spate of multiples compressions in publicly listed tech companies on global exchanges. We expect continued funding momentum given dry powder availability and depth in the ecosystem; however, a few shifts in the pace and quality of deals are likely. Focus will probably shift to larger rounds in quality assets as dealmaking returns to a more measured pace. A few new sectors will probably see emergent growth (crypto- and blockchain-based technologies, healthtech, and agritech). Further, anticipated tech listings in the pipeline may have to adopt a wait-and-watch approach for the markets to rebound
- A couple of watchouts may continue to affect the ecosystem for a while: stricter IPO norms are expected from SEBI, regulatory uncertainty for a few sectors is likely to continue (e.g., online gaming and fintech), and a competitive talent market will continue to strain the ecosystem

Figure 23: The Indian VC ecosystem is enabling a virtuous cycle of value creation across stakeholders, acting as a propellent for the broader economy

Employees

Mushrooming start-up ecosystem has driven significant direct and indirect employment, further deepening tech talent base, while **increasingly liquid ESOPs have led to significant value creation for employees** via buybacks—$450M+ of ESOP buybacks announced in 2021



Consumers

VC fuelled start-up ecosystem is **addressing significant consumer pain points** like convenient, cost-effective shopping across categories, digital entertainment, internet banking, wealth management, digital education etc.

Retailers and SMBs

Start-ups are acting as enablers, digitalising a wave of unorganised retailers and SMBs, **creating unprecedented opportunities in terms of consumer and geographic reach, infrastructure access, and credit support**, from neobanking solutions to “dukaan-tech”

Source: Bain analysis

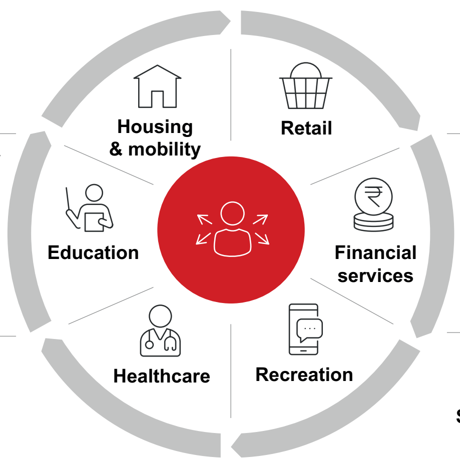
Figure 23a: The Indian start-up ecosystem is revolutionising digital adoption across primary and secondary needs, unlocking significant value for retail consumers

Digital platforms emerging to address universe of consumer needs

Simplifying conventionally multistep and cumbersome processes such as buying or renting homes, buying or selling used cars, and commuting through online platforms — **Bounce**, **NoBroker**

Revolutionising the learning process and upskilling millions of users across diverse fields with improved digital access to content and connecting learners with teachers — **Unacademy**, **BYJU's**

Providing tech-led solutions for online pharmacy and a broader healthcare play (with a focus on chronic customers) across diagnostics, health insurance, and digital medical records — **PharmEasy**, **1mg**



Flipkart, **Meesho** — Enabling customers in Tier 2+ cities to transact online and become more digitally savvy through emerging e-commerce models

PhonePe, **Groww** — Simplifying banking experience, improving retail participation in investing, and providing easy access to credit and insurance

Swiggy/ Zomato, **ShareChat**, **Dream11** — Improving lifestyle through higher convenience (e.g., online food delivery) and innovative offerings for leisure activities (e.g., gaming and entertainment)

Note: Examples above are illustrative and not exhaustive
Source: Bain analysis

Figure 23b: Further, VC funded start-ups are adding tremendous value to SMBs and retailers

Value created for retailers and SMBs

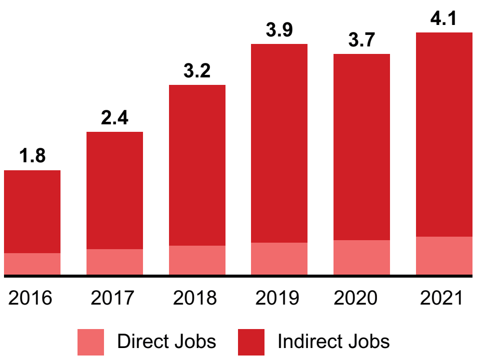
Digital enablement	Enabling businesses to set up and grow a full-fledged e-commerce offering along with providing solutions for improving efficiencies such as streamlined shipping	Bikayi Dukaan
Financial access, payments, and credit	Offering access to financial services such as business accounts, loans, automated payments, and payroll management to traditionally underbanked segments—SMEs, freelancers, and gig workers	Khatabook Pine Labs PhonePe
Operational efficiency	Improving supply chain efficiencies through solutions enabling simpler sourcing, inventory management, wider reach with lower cost to serve, better price discovery, higher buyer data visibility, and improved working capital	OfBusiness Zetwork
Enterprise tech	Improving productivity of existing business functions such as marketing, CRM, and HR through automated workflows and providing innovative solutions to elevate experience of businesses and end users through offerings such as conversational AI, virtual events, and collaboration tools	Gupshup

Note: Examples above are illustrative and not exhaustive
Sources: Market participant interviews; Bain analysis

Figure 23c: The ecosystem is further enabling wealth generation through ESOPs buybacks at successful start-ups

Start-ups in India now employ ~4.1M people through direct and indirect jobs

Cumulative number of people employed by Indian start-ups* (in M)



Further, increasing wealth generation through ESOP buybacks helps spawn new start-ups

ESOP buybacks announced**

$450M+

30+ start-ups announced ESOP buyback programmes in 2021

- Flipkart ($81M)
- BrowserStack ($50M)
- upGrad ($30M)
- Several others, such as Udaan, Swiggy, Razorpay, Meesho

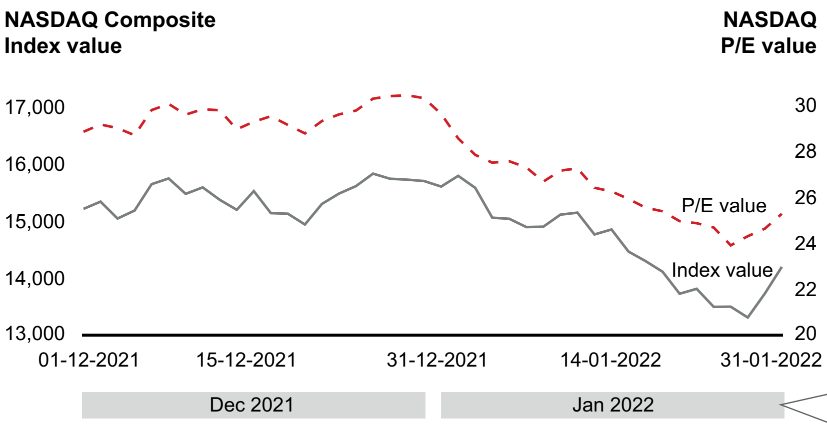
Large ESOP pools in leading IPOs in 2021

Company	ESOP valuation at IPO†
Zomato	~$1,500 M
Freshdesk	~$1,350 M
Paytm	~$900 M
Policybazaar	~$450 M

Growing talent pools and experienced operators spawning a new generation of start-ups, further deepening the ecosystem

* For employment analysis, only technology or technology-enabled companies founded in 2011–21 that are still active and have not been acquired (or IPO) are considered
** Collated across publicly disclosed announcements; number likely to be higher with undisclosed buybacks
Sources: NASSCOM-Zinnov report: India Tech Start-up Ecosystem; VCCircle; Inc42; Bain analysis

Figure 24: In the future, early trends in the global public markets indicate a few headwinds for the VC funding landscape



NASDAQ shed ~10% in Jan 2022 driven by strong signals from US Fed to hike interest rates multiple times over 2022 to control high inflation

Companies across sectors expected to witness P/E compression in 2022

	Average P/E contraction in 2022 (projected)*
SaaS	15%–20%
Consumer technology	10%–15%
Fintech	5%–10%

Asset reallocation by crossover funds
Global hedge funds leading private VC investments over 2020–21 likely to reprioritise public markets or other public assets

Compression of valuation multiples
Trickle-down impact of compressed public P/E multiples into private market—few renegotiations observed already

IPO listing caution
Volatile public market may hit the brakes on IPO listing plans of tech start-ups due to low investor confidence

* Estimated as weighted average of % decline in P/E ratios of top 10 listed US companies within each cohort (by market cap)
Notes: P/E= price-to-earnings ratio; graph indicates trailing 12-month P/E values
Sources: Nasdaq.com; secondary sources; Bain analysis

Figure 25: We expect funding momentum to continue given drypowder raised over 2020–21 and depth in the ecosystem, but with shifts in pace and quality of deals

Flight to quality in dealmaking	Slower pace of deals; moderated valuations	New emergent sectors may see traction	Increased focus on better unit economics	Moderate exits momentum
Investors likely to double down on market leaders driving up round sizes and potentially seeing significantly more late-stage deals—early rounds will likely see more bets on experienced founders or operators	Trickle-down impact of valuation multiple compressions in the US public markets expected (especially in globally serving sectors such as SaaS)—dealmaking likely to be more measured, and valuation multiples will see some degree of rationalisation	Growing interest in segments such as Web 3.0/crypto and creator commerce, further fuelled by regulatory recognition of digital assets via crypto tax; renewed interest in core sectors such as healthtech and agritech	Companies are likely to focus on better unit economics and monetisation approaches against purely growth metrics with start-ups with leaner business models likely to see more interest	IPO momentum expected to moderate; pipeline of 15+ tech-led start-ups considering listing will likely adopt a wait-and-watch approach depending on public markets recovery; consolidation across sectors such as SaaS, edtech, and fintech to drive spate of secondary exits

Key watchouts

Stricter IPO norms	Regulatory shifts	Talent challenges
SEBI expected to review IPO listing norms primarily around capping share offloading, etc.	Sectors such as online gaming, cryptocurrency, and fintech at some regulatory risk	Expected to remain as companies look to scale supported by skilled tech and engineering talent

Source: Bain analysis

Glossary

Definition of India VC used in the report

VC classification

1 Geography

Headquartered in India

OR

Majority workforce in India

2 Deal size

Deal value less than $20M

OR

Deal value greater than $20M where a VC fund is lead investor or accounts for majority of investment

Source: Bain analysis

Investment deal stages used in the report

Classification based on deal size

1	**Small ticket size** Deal value less than **$10M**
2	**Medium ticket size** Deal value between **$10M** and **$50M**
3	**Medium-large ticket size** Deal value between **$50M** and **$100M**
4	**Large ticket size** Deal value higher than **$100M**

Classification based on deal series*

Seed	Initial financing for a new enterprise that is in the earliest stages of development
Series A/B/C	Early-stage round of financing by a venture capital** firm in a company
Series D & above	Includes late-stage financing by a venture capital firm into a company from Series D to Series Z+

* As classified by Pitchbook
** Defined as an investor that specialises in financing new businesses or turnaround ventures that usually combine risk with the potential for high return
Source: Pitchbook

Select terms used in the report

INDUSTRY CLASSIFICATION	**Consumer technology**	B2C or consumer internet products and services, including B2C commerce, edtech, online food delivery, gaming, healthtech, and other similar segments
	Fintech	Financial services companies leveraging technology, including payment providers, lending solution providers, neobanks, and other similar players
	Enterprise tech (SaaS)	B2B software delivered on cloud as a service, including horizontal business software, vertical business software, and horizontal infra software
	B2B commerce and tech	B2B platforms or offerings, including B2B marketplaces, agritech solution, IT and ITeS providers, and other similar players
	BFSI (banking, financial services, and insurance)	Financial products and services, including banks, insurance providers, NBFCs, and other similar players
	Retail	B2C products and service providers across categories, including groceries, fashion, food, beverages, beauty, and others
	Web 3.0	Decentralization of internet, including cryptocurrency platforms, DeFi platforms, NFT application providers, and other blockchain application providers
	Others	Healthcare, telecom, media, real estate, manufacturing, engineering and construction, and shipping and logistics
OTHER TERMS	**Active investors**	Investors with at least one investment in the year
	CRM (customer relationship management)	Refers to all strategies, techniques, tools, and technologies used by enterprises for developing, retaining, and acquiring customers
	CVC (corporate venture capital)	The investment of corporate funds directly in external start-up companies
	SFV (short-form video)	Online content uploaded in the form of short length videos with duration between 15 seconds and 2 minutes
	DeFi (decentralized finance)	Emerging technology offering financial instruments using smart contracts on a blockchain without relying on intermediaries (brokerages, exchanges, banks)
	BNPL (buy now, pay later)	A type of short-term financing that allows consumers to make purchases and pay for them at a future date, often interest-free
	D2C (direct to consumer)	Selling products directly to customers, bypassing any third-party retailers, wholesalers, or any other intermediaries
	ESOP (employee stock ownership plan)	An employee benefit plan that allows companies to offer ownership interest in the organisation to employees—employers can repurchase the vested shares of the employees through ESOP buyback programs
	Indirect jobs	Related job opportunities (e.g., delivery partners in online food delivery or logistics partners for e-commerce platforms)
	Active investors	Investors with at least one investment in the year
	Micro VC	Companies with small size private investment funds focused exclusively on making small ticket seed-stage investments
	NBFC (nonbanking financial company)	Financial institution that does not have a full banking license or is not supervised by a national or international banking regulatory agency
	NFTs (non-fungible tokens)	A noninterchangeable unit of data stored on a blockchain, a form of digital ledger
	SEBI (Securities and Exchange Board of India)	Regulatory body for securities and commodity market in India under the ownership of Ministry of Finance, Government of India
	SMB or SME (small and medium-sized business or enterprise)	The threshold for investment in small enterprises ranges between INR 1–10 crores, while that of turnover ranges between INR 5–50 crores; in medium enterprises, the threshold of investment ranges between INR 10–50 crores, while that of turnover ranges between INR 50–100 crores
	Leading investors	Investors leading on deal value (with $900M+ deal value and 30+ deals in last 5 years) or deal volume (with 90+ deals and $500M+ deal value in last 5 years)

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Due diligence. We help support better deal decisions by performing integrated due diligence, assessing revenue growth and cost-reduction opportunities to determine a target's full potential, and providing a post-acquisition agenda.

Immediate post-acquisition. After an acquisition, we support the pursuit of rapid returns by developing strategic blueprints for acquired companies, leading workshops that align management with strategic priorities, and directing focused initiatives.

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