

Startup funding hits 2-year high in Q1 at \$4.2 billion

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BENGALURU: Indian startup investments have hit a two-year high. The first three months of 2021 saw capital flow of \$4.2 billion, data from Venture Intelligence shows. This is 40% higher than that in the first quarter of 2020, when it was \$3.5 billion. It even surpassed the investment of \$4.1 billion in the December quarter of 2019. The latest quarter figure is nearly 45% higher compared to that in the December quarter of 2020 (\$2.9 billion). Indian startups are clearly emerging strongly from the Covid-19 induced slump in the middle of last year.

Startup investments had come to a near halt in the June quarter last year. The latest quarter's figure was last matched in the September quarter of 2018.

Industry executives involved in these investments said this is also a ripple effect of the increased global liquidity with investors to make investments in technology companies in emerging markets.

“There is a lot of appetite among the investors to put money in India and in local startups. People who were sitting on the sidelines are also ready with cheques (of large size). Companies that would have raised \$50-\$100 million are now raising \$100-\$300 million,” said Mohan Kumar, founder and managing partner at software-focused Avatar Ventures. He added that global investors are looking for new investment avenues, beyond the expensive BigTech shares like Amazon and Apple.

“Globally, a lot of limited partners or LP (who invest in venture capital funds) and other origins of funds have seen low-cost capital flowing into funds. So, the LPs have been telling fund partners to go aggressive in both public and private bets in the tech space. In the private tech sector in India, it’s now clear to people that tech and the new economy are the places to bet,” a

senior investment banker said.

According to him, public market investors are also increasingly looking at internet startups, citing recent investments in companies like Zomato and Byju's.

The investments are also happening at a higher valuation than before, leading to certain startups attaining the unicorn status (startups valued at \$1 billion or more) sooner than expected. "Valuations have gone high definitely but it's also happening in early-to-mid stage startups. Having said that, the quality of startups has also improved," another venture capital investor said. So far, India has seen four unicorns this year officially, but multiple other startups are expected to enter the coveted club in the upcoming quarter.