

Printed from

THE TIMES OF INDIA

Funding to deep tech startups doubles in 2021

TNN | Dec 24, 2021, 04.00 AM IST



CHENNAI: Despite a year marked by a funding frenzy for consumer tech ventures, deep tech startups managed to hold their ground and attracted more than double the investment as last year in 2021.

Venture capital (VC) funding in deep tech enterprises -businesses working on deep science and technology solutions stood at 133 investments worth over \$1.4 billion in 2021 (till Dec 15) up from 106 deals worth \$556 million in 2020 and 107 deals worth \$567 million in 2019, as per data from Venture Intelligence.

LOOKING UP

| Year | No. of Deals | Amount (\$ m) |
|-----------|--------------|---------------|
| 2021 YTD* | 133 | 1,417 |
| 2020 | 106 | 556 |
| 2019 | 107 | 564 |
| 2018 | 96 | 513 |
| 2017 | 74 | 184 |

(2017 - 2021 YTD*) Source: Venture Intelligence

Congratulations!

You have successfully cast your vote

Login to view result

The average deal size in the segment rose from \$5 million in 2020 to around \$11 million in 2021, data shows. However, deep tech investments made up only around 4.5% of the total funding pie in 2021 and have hovered around the 4% mark since 2018. Investors and industry watchers say while it is still early for deep tech investing to go mainstream in India, 2021 has seen a sharp rise in deal making and interest from investors with the pandemic's thrust on digitisation. While it did not enjoy the 'FOMO' style of investing seen by e-commerce, fintech or edtech, deep tech entrepreneurs were able to catch investor eye this year, they said.

"Deep tech as a sector is gaining momentum globally, and while it is true that it has been on the sidelines so far in India, we are currently seeing increased interest from non-traditional investors who want to explore the space for generating potentially non-linear benefits to their traditional businesses led by technology," Pratip Mazumdar, partner at Inflexor Ventures, said.

The deep tech-focused VC firm is seeing strong interest from large family offices with a wide variety of business backgrounds such as pharma, retail, automotive, etc.

Speciale Invest, another VC firm with a focus on investing in deep tech and engineering innovation, sees the year as an optimistic start of things to come. Vishesh Rajaram, co-founder, Speciale, said they regularly introduce their portfolio companies to other investors and response rates on such connections have almost tripled this year. Deep tech ventures need patient capital and large corporations getting into venture investing is a good sign for the segment, he added.

Manish Singhal, founder of early-stage deep tech fund pi Ventures, says such innovations do not require the millions that are needed by consumer tech ventures but despite that they saw huge amounts of international investor interest in 2021.

"A lot of our portfolio companies raised follow-on rounds this year and we have also done more deals than before," he said.

In segments like agriculture, agritech startups helped keep the entire agri supply chain afloat during the pandemic. Mark Kahn, managing partner, Omnivore says in FY2020-21, the need to enhance farming operations drove investment activity in the farm management software, IoT and other categories, which saw an 8x jump in funding and 2x growth in deal volume. Omnivore participated in three deals in agri deeptech in 2020 and 8 deals in 2021.

However, he added that almost all of the current venture investing in agritech focuses on digital technologies and innovations in agrifood life sciences remains neglected.