

82 unicorns, \$39bn funding & counting: Indian startups come of age

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New Delhi: As we celebrate the phenomenal rise of the Indian startups, especially in the last two years, a number of global macro-economic factors served as tailwinds to help achieve this feat.

The global pandemic resulted in a digital transformation and adoption of technology at a societal level. Moreover, tech sector regulatory changes/crackdowns in China, availability of large pools of private capital were all positive factors for the Indian startup ecosystem to grow and produce a record 40 unicorns in 2021 alone.

Today, India has 82 unicorns with a total funding of over \$38.4 billion (from 2014 till December 4, 2021), according to data provided by leading startups publication Inc42.

India emerged as the third largest startup ecosystem in the world this year, after the US and China, according to Hurun Research Institute.

In the third quarter (Q3) this year, Indian startups received record fundings, with investment totalling \$10.9 billion across 347 deals, according to the PwC India.

India's unicorns are currently worth more than \$168 billion.

The last two years witnessed the coming of age of the Indian startup ecosystem. The two seminal events that served as distinct markers of this were the IPOs of food delivery platform Zomato headed by Deepinder Goyal and software-as-a-service (SaaS) provider Freshworks run by Girish Mathrubootham.

"Another factor that contributed to making the Indian startup ecosystem click was startups truly turning into an asset class. This resulted in the sector attracting interest and capital from a larger and diverse pool of investors, including retail — the subscription levels of PolicyBazaar, Nykaa, et al stand testament to this," Sijo Kuruvilla George, Executive Director, Alliance of Digital India Foundation (ADIF), told IANS.

According to K.R. Sekar, Partner, Deloitte India, the demand and customer base for India is huge and an improved network and better telecom policy will further pave the way for the growth of startups.

"The IPO market is also booming in India and a lot of unicorns are planning for IPO, both in India and the US. The government has also addressed some of the teething challenges on direct tax on startups. However, the success of startups and growth is dependent not only on the market, but also on the policies of the government," Sekar said, adding that the government should further relax the regulatory compliances and make India more attractive for investment in startups.

Going forward, SaaS-based EV and Blockchain startups can herald further momentum for the ecosystem in 2022.

According to Kushal Nahata, CEO and Co-founder of SaaS startup FarEye, the firms have started adopting technologies like SaaS solutions that provide much-needed agility and speed to fulfil the ever-changing demands of the customers.

"SaaS has also become a hot category for investors so there is an availability of a lot of capital. This along with the pandemic-driven surge in e-commerce, the rapid shift of businesses to online and the need for innovation has caused the Indian startup ecosystem to explode," Nahata told IANS.

Over the past five years, the number of software-as-a-service (SaaS) firms have doubled in India and SaaS firms in the country are poised to reach \$30 billion in revenue by 2025.

India now has 13 SaaS unicorns and between seven and nine companies with over \$100 million in annual recurring revenue (ARR). The investments in Indian SaaS companies rose to \$4.5 billion in 2021 — an increase of 170 per cent from 2020, according to management consulting firm Bain & Company.

"Our aim is to empower businesses to provide Amazon Prime-like delivery experience and redefine how products are delivered across diverse logistics networks," said Nahata.

Niraj Singh, Founder and CEO of used car retailing platform Spinny that has become the youngest unicorn, said the pace of growth is at an all-time high with innovation and technology leading the way to find solutions for every problem and every smart idea is invested in today.

"This has grown significantly in the last couple of years, especially during the pandemic as, people seek better options to meet their needs and value purpose and quality service. There is a sea of opportunities with the ongoing momentum in the startup ecosystem in India," Singh told IANS.

Although massively under-penetrated when compared to the US and China, online penetration of food services market, especially e-grocery, in India is set to grow two times by 2025 with the right tailwinds — it is likely to clock a gross merchandise value (GMV) of \$13 billion, according to RedSeer.

Shan Kadavil, CEO and Co-founder, FreshToHome, told IANS that in the sub-segment of e-grocery, they have seen a huge shift in consumer behaviour who trust brands that give hygienic, direct from the source food products free of chemicals.

"Our business growth of nearly 5x in the last two years is a testimony to how the startup ecosystem has fared in India in the recent years," he said.

"The pandemic was a watershed moment in accelerating the shift towards online purchase habits and digitisation across all industries in India," he added.

Kunal Shah, Founder of CRED, said that for the next round of growth, one needs to work towards driving the participation of women in the workforce.

"The GDP expansion and building a robust startup ecosystem is much harder when half the population doesn't work. To make this happen, we need to introduce interventions across education, opportunities, and social/financial support for women to join the workforce," Shah emphasised.