

For third quarter in a row, startup funding crosses \$10 billion in Q1, creates 14 unicorns

Synopsis

This is the third consecutive quarter ending March 2022 when the fund inflows into the domestic start-ups ecosystem have grossed over USD 10 billion in fresh funding. The quarter also has seen as many as 14 startups becoming unicorns, the report said, adding the total fund inflow in Q1 stands at USD 10.8 billion.



ETech

Illustration: Rahul Awasthi

Mumbai: The [startup ecosystem](#) has created as many as [14 unicorns](#) in the first three months of 2022, and for the third consecutive quarter, they have received over [USD 10 billion](#) across [334 funding deals](#), says an industry report. Creation of 14 more unicorns takes the overall tally of startups with over USD 1 billion valuation in the country to 84 now, according to a [PwC India](#) report.

This is the third consecutive quarter ending March 2022 when the fund inflows into the domestic start-ups ecosystem have grossed over USD 10 billion in fresh funding. The quarter also has seen as many as 14 startups becoming unicorns, the report said, adding the total fund inflow in Q1 stands at USD 10.8 billion.

According to the agency, the quarter saw maximum funds flowing into software-as-a-service (SaaS) companies, grossing more than USD 3.5 billion.

Unicorn creation continued to flourish with 14 startups attaining the coveted status in Q1 with the SaaS sector accounting for the largest share creating five unicorns.

Amit Nawka, the startups leader at the consultancy, told PTI that despite uncertainties in the global economic environment, the domestic startups have continued to attract capital, particularly in the growth capital stage.

He further said as more startups mature, talks around corporate governance are now becoming mainstream and it will become increasingly important for the startups to design a corporate governance roadmap that is in sync with organisational growth aspirations.

The quantum of investments into SaaS ecosystem has a threefold increase in the last three years, he said, adding the pandemic has only boosted this ecosystem globally, given the rising importance of remote working, productivity and overall digital transformation.

The past year has seen the advent of 15 SaaS businesses in the unicorn category amongst in the country, including Darwinbox, Fractal, Uniphore, Hasura and Amagi Media Labs.

With Freshworks' blockbuster listing on the Nasdaq late 2021, mature SaaS players are increasingly considering public listing, he said.

The first quarter saw around 80 M&A transactions in the start-up ecosystem, driven primarily by roll-up e-commerce companies. And Curefoods, Mensa Brands, GlobalBees and MyGlamm, which have M&As as their core business strategy continued to be the top acquirers in Q1 as well and Upscalio and Evenflow are other roll-up e-commerce companies that have joined this bandwagon.

As much as 38 per cent of M&As in Q1 were in the e-commerce and direct-to-consumer space and 22 per cent of the deals are in the SaaS space.

Growth- and late-stage start-ups accounted for 89 per cent of the funding in Q1 in value terms, representing 44 per cent of the total deals in volume. Growth-stage funding totalled to USD 6.5-7 billion over the last three quarters, with average ticket size of USD 55-70 million, while early-stage funding saw around USD 761 million of inflows with average size of USD 4 million, accounting for 55 per cent of the volume, he said.