

Early-stage startups least hit by '22 funding winter

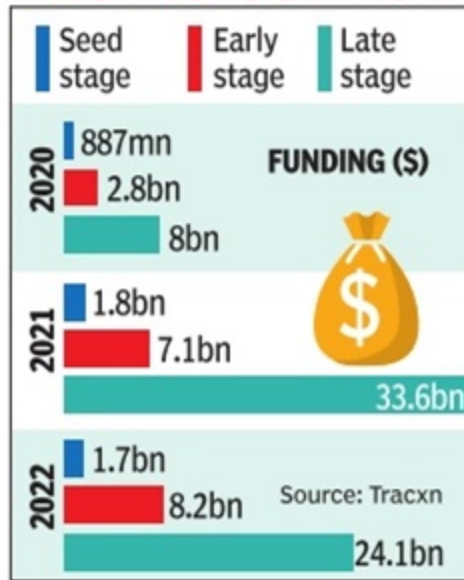
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Bengaluru: Contrary to the popular perception that 2022 was bad for startups, data shows funding was not that bad, especially for early- and seed-stage startups. In fact, startup data platform Tracxn finds that funding for early-stage startups increased marginally to \$8.2 billion in 2022, from \$7.1 billion in 2021. Seed-stage startups got a total of \$1.7 billion in 2022, compared to \$1.8 billion in the previous year.

The actual drop was for late-stage startups, which fell 28% to \$24.1 billion from \$33.6 billion.

Investors say that this drop was majorly due to valuations these companies could not justify. "Globally, some late-stage startups got listed. Many of them were sitting on valuations they could not justify. That led to

VALUATIONS GET HURT



a change in perception. But that did us well in India because we got to focused pitches, and casualness was out of the window," Unicorn India Ventures managing partner Bhaskar Majumdar said.

However, Anirudh Damani, managing partner at Artha Venture, which invests in early- and seed-stage startups, pointed out that

the funding in 2022 happened mostly in the first half of the year. Startups, he said, began feeling the pressure when investors became concerned about growth and return on investment when the era of low interest rates ended.

Damani expects the environment to improve as 2023 progresses. "The numbers might show up later, but investors are looking ahead. While valuations are down, deals are closing," Damani said.

Java Capital partner Bhargavi Vijayakumar said that funding did not stop because venture capitalists had funds that they raised during the pandemic. "There is a lot of dry powder left in the ecosystem. In 2021, VCs raised a lot of money. All that has to be deployed and that is why we will not slow," she said.