

VC investments jump 4 times to hit record \$28.8 billion in 2021

**In comparison, VC and start-up investments were hit hard in 2020, declining 38 per cent YoY**

Ashley Coutinho | Mumbai January 19, 2022 Last Updated at 01:04 IST



Calendar year 2021 turned out to be the best one so far for venture capital (VC)/start-up investments both in value and volume terms. Such investments rose four times to \$28.8 billion, compared with \$7.3 billion in 2020, according to a report by IVCA-EY. The number of deals rose 37 per cent year-on-year (YoY) to 858, the highest ever.

In comparison, VC and start-up investments were hit hard in 2020, declining 38 per cent YoY. "VC funds became more risk averse and refrained from investing in start-ups, which traditionally have high cash burn rates. However, as the pandemic progressed, there was an accelerated adoption of e-commerce/tech-enabled businesses globally as well as in India, driven by the ease of use and convenience it provided. The pandemic also accelerated the learning curve for technology adoption and online commerce among the less tech savvy and first-time users," the report said.

In 2021, however, there was a strong rebound in deal activity with average investments in each month of around \$2 billion, compared with \$600-800 million in the past couple of years. The average deal size in 2021 was \$34 million, twice that of the previous five years of around \$17 million.

The increase in investments were spread across sectors, with eight sectors recording over a \$1 billion of such investments. E-commerce received investments of \$8.8 billion across 143 deals, accounting for 31 per cent of VC investments in 2021, and 6.3x the \$1.4 billion received in 2020.

## VC/START-UP INVESTMENT TREND

■ Value (\$bn) ■ No. of deals



Source: EY analysis of VCCEdge data

This was followed by the financial services sector, which received \$6.9 billion across 142 deals, 4.9x more than the \$1.4 billion the previous year, while the technology

sector received \$3 billion across 180 deals. The education sector saw \$1.9 billion across 77 deals, 2x the investments in 2020.

"India is becoming the world's fastest-growing start-up ecosystem on the back of large and ever-increasing VC funding," the report said.

On the Hurun Research Institute's Global Unicorn Index 2021, India overtook the UK as the third largest ecosystem for start-ups, with over 80 unicorns, of which 44 were added in 2021. The US added 254 unicorns, and China added 74 in 2021.

The 44 unicorns that were added in 2021 had a total valuation of \$90.7 billion, a record year for the country. Bengaluru is India's unicorn capital with the highest number of such firms headquartered there, followed by Delhi-NCR and Mumbai. As of 2021 end, Flipkart and Byju's were the highest valued unicorns in India with valuation of over \$15 bn each.