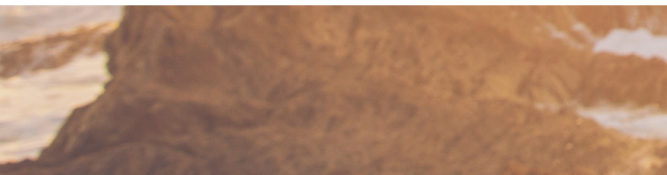


Start-up Perspectives

India start-up deals tracker Q3 CY21

October 2021



01

Executive summary

Dear readers,

There could not be a better time to release our first edition of the quarterly start-up deal tracker. For the first time, funding into privately held Indian start-ups has crossed USD 10 billion in a quarter (Q3 CY21) across approximately 350 deals.

This data may not come as a surprise as headlines prominently featured the news of newer start-ups disrupting the status quo. Start-ups have leveraged the accelerated digital adoption seen amongst businesses and individuals alike to create newer business models.

FinTech and EdTech were the top sectors attracting investments in the first three quarters of 2021. We note that investments in software as a service (SaaS) companies saw significant increase in the first three quarters of 2021 across 183 companies, which gives a good opportunity to such companies to leverage the tech talent in India and utilise it to tap into global markets.

Funding into start-ups has been at its peak globally as well. In the first three quarters of 2021, 371 new companies attained unicorn status. With the increased funding activity and rise in valuations, the global decacorn list is inching towards 40. These companies are largely headquartered out of the US and China/Hong Kong. So far, two privately held start-up companies in the decacorn list are from India.

I hope you find this newsletter an insightful read. Stay safe.

Regards,

Amit Nawka

Partner - Deals and Start-ups Leader

PwC India



USD 10.9 billion raised by Indian start-ups in Q3 CY21



Around 2x increase in funding noted in Q3 CY21 compared to Q3 CY20



FinTech, EdTech and software as a service (SaaS) are the top invested sectors



347 successful VC/PE deals closed in Q3 CY21



Growth and late-stage deals comprise around 85% of the total funding

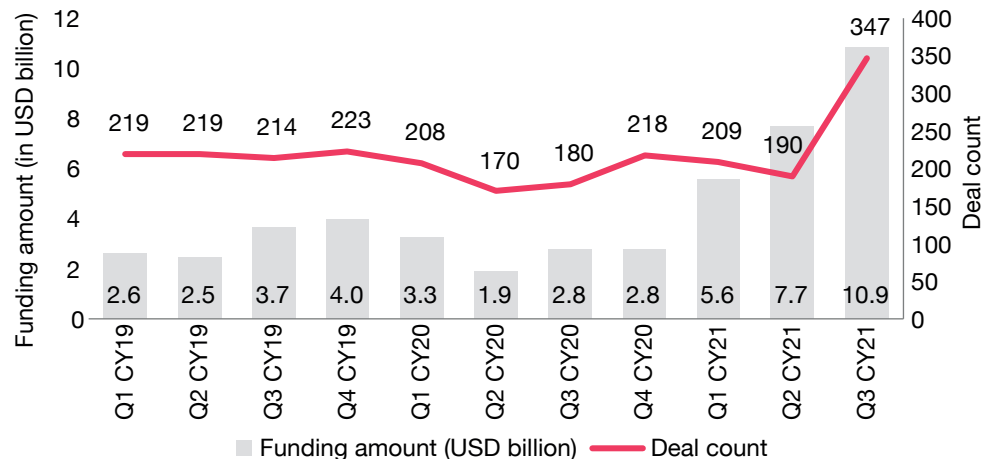


A record number of 29 Indian start-ups turned into unicorns in CY21

02

More than USD 10 billion raised by Indian start-ups in Q3 CY21, an approximate increase of 41% compared to Q2 CY21 that has largely been driven by three key sectors – FinTech, EdTech and SaaS

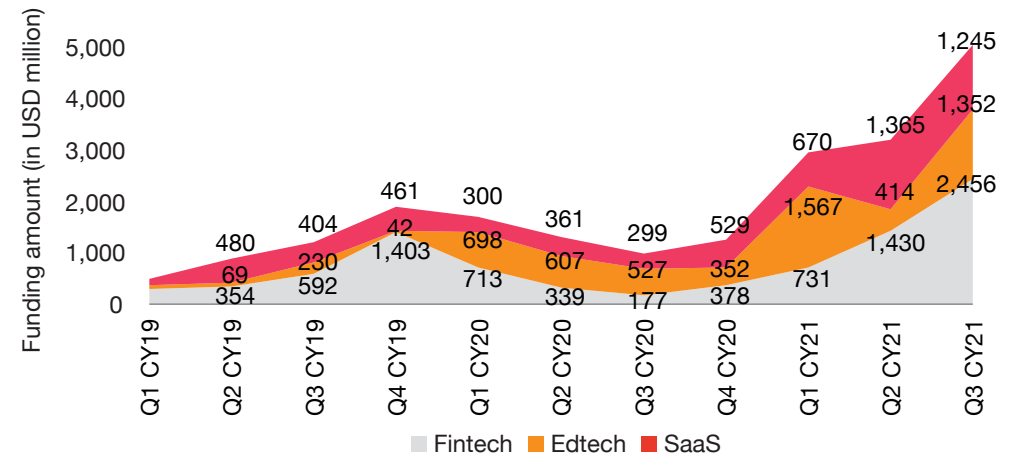
Funding and deal count



Source: Venture Intelligence

- Increasing trend noted in venture capital (VC)/private equity (PE) funding across all quarters in CY21.
- For the first time, privately held Indian start-ups raised more than USD 10 billion in a given quarter. The number of deals closed in Q3 CY21 increased by approximately 83% (count terms) and 41% (value terms) when compared to Q2 CY21.
- Approximately 84% of the funding activity was driven by growth-stage and late-stage deals, as detailed in the following sections.

Top three sectors (funding trends)



Source: Venture Intelligence

- FinTech, EdTech and SaaS are the top three invested sectors in CY21, together accounting for approximately 47% of the total funding activity.
- The significant fund raise across these sectors were in Pine Labs, OfBusiness, BharatPe and CRED in **FinTech**; Byju's, Eruditus and Unacademy in **EdTech**; and Gupshup, Postman and BrowserStack in **SaaS**. Around 16 start-ups emerged as unicorns across these three sectors in CY21.

Notes:

We have excluded investments into Flipkart post its acquisition by Walmart.

03

Increase in funding activity noted across all sectors, both in terms of value as well as volume

Funding value (USD million) – first three quarters of 2020 vs 2021

Deal count (numbers) – first three quarters of 2020 vs 2021

| | Funding amount (in USD million) | | Deal count (numbers) | |
|-------------------------|---------------------------------|------------|----------------------|------------|
| | CY20 (3Qs) | CY21 (3Qs) | CY20 (3Qs) | CY21 (3Qs) |
| FinTech | 1,229 | 4,617 | 85 | 128 |
| EdTech | 1,832 | 3,334 | 47 | 70 |
| SaaS | 960 | 3,279 | 121 | 183 |
| E-Commerce B2B | 126 | 1,937 | 19 | 31 |
| FoodTech | 1,030 | 1,876 | 17 | 9 |
| D2C | 270 | 1,705 | 65 | 80 |
| Media and entertainment | 273 | 1,581 | 25 | 28 |
| Logistics tech | 294 | 1,574 | 26 | 39 |
| E-Commerce B2C | 220 | 1,498 | 29 | 40 |
| HealthTech | 519 | 1,471 | 40 | 57 |
| Online gaming | 337 | 787 | 12 | 13 |
| Real estate tech | 754 | 251 | 16 | 15 |
| Others | 149 | 235 | 50 | 53 |

Source: Venture Intelligence

Sectoral snapshots

FinTech: A nearly fourfold increase in funds raised was witnessed in the first three quarters of CY21 when compared to the first three quarters of CY20. Six FinTech companies attained unicorn status. Further insights into FinTech deals can be found in section 10.

EdTech: The Indian EdTech market gained significant traction during pandemic. User base and engagement have increased significantly, leading to a concentrated base of companies raising additional capital.

SaaS: Indian SaaS start-ups in growth stage, such as Postman, ChargeBee, Innovaccer and WhatFix, have raised significant capital in CY21. Also, the number of deals in this sector has been high when compared to other sectors (high early-stage emerging SaaS start-ups raising small tickets).

FoodTech: Funding was largely dominated by Swiggy and Zomato deals, driving approximately 95% of PE funding activity in this sector. Specialist cloud kitchen players have seen good business traction and investor interest.

E-commerce (B2B): There has been an increase in funding by approximately seven times, driven by big amounts raised by key players in this segment in CY21 such as Udaan, Meesho, Zetwork, Infra.Market and Moglix.

D2C: A number of new players have seen success and received funding in the last 12–15 months, given the changing buyer behaviours.

Others: We have observed high deal activity and a large number of deals across all other sectors as well.

“ India is at the cusp of a really large digital revolution. Investors across the board are looking at long-term industry creation and hence making bets across various verticals. It’s the best time to be a digital entrepreneur in India. At Curefoods, we are looking to build and acquire digital native food brands.”

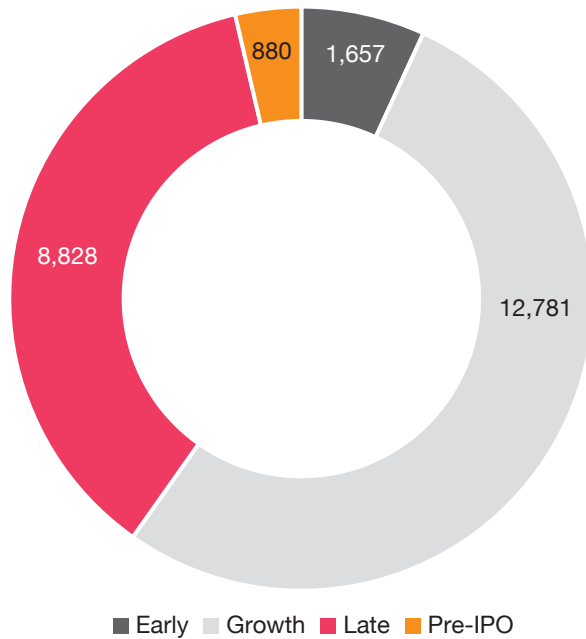
Ankit Nagori, Founder, Curefoods



04

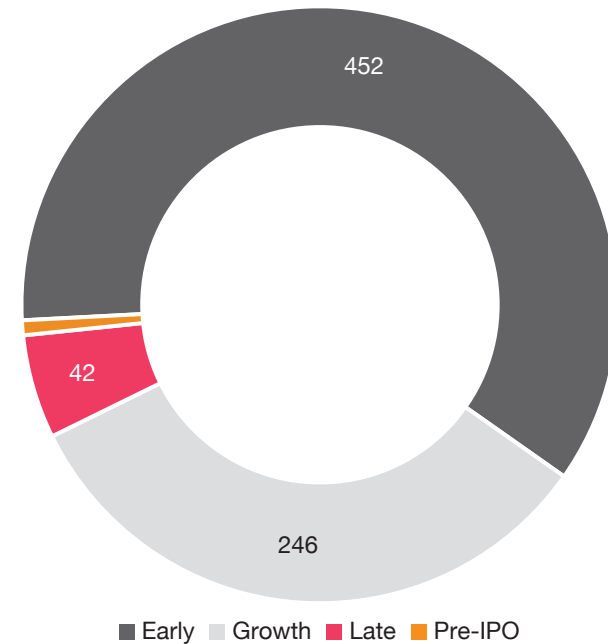
Stages of funding

Funding amount (in USD million) – stage wise in CY21 (3Qs)



Source: Venture Intelligence

Deal count – stage wise in CY21 (3Qs)



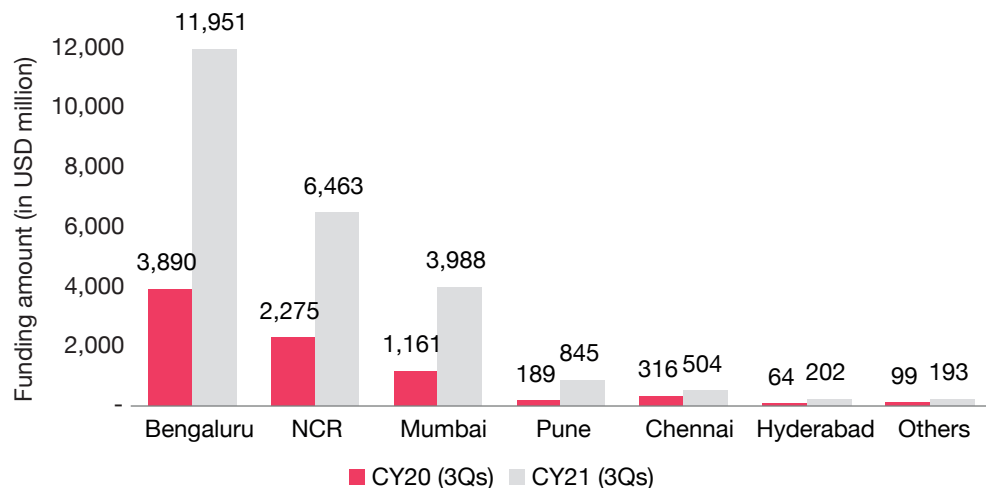
Source: Venture Intelligence

- 89% of funding activity in CY21 (value terms) was driven by growth- and late-stage companies. However, these represented 39% of the total deal activity (count terms).
- 61% of the total deal activity consisted of early-stage funding rounds for USD 1.6 billion (average ticket size per round USD 4 million) – early stage/seed companies.
- Pre-IPO round raised for USD 880 million in CY21 by companies nearing IPO - Ola Cabs, Droom, Pine Labs.

05

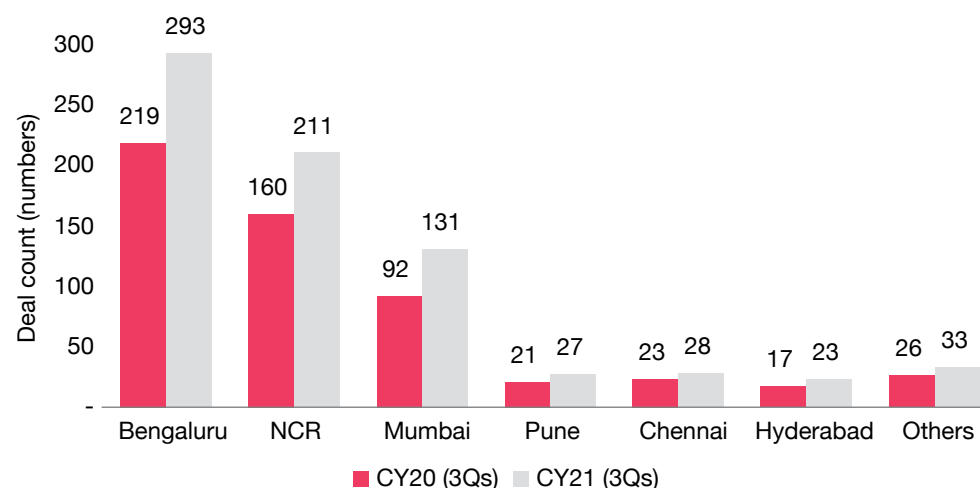
City-wise trends – Bengaluru and NCR continue to be the key start-up cities in India, representing around 76–78% of the total VC/PE funding activity

City-wise trends – funding



Source: Venture Intelligence

City-wise trends – deal count



Source: Venture Intelligence

Bengaluru and NCR continue to be the key start-up cities in India, together contributing around 76–78% of the total funding activity in the first three quarters of both CY20 and CY21, followed by Mumbai and Pune.

Increase in funding activity in Bengaluru in CY21 (Q1, Q2 and Q3) is driven by existing start-ups such as Byju’s, Swiggy, Meesho, Unacademy, and CRED raising big ticket sizes. EdTech, FinTech and media and entertainment are the key sectors attracting investments.

Increase in funding activity in NCR in CY21 (Q1, Q2 and Q3) is driven by start-ups such as Zomato, Pine Labs, BharatPe, OfBusiness and Delhivery. FinTech, FoodTech and E-commerce (B2C) are the key sectors attracting investments.

Mumbai attracted investments in the EdTech and HealthTech segments (Eruditus and PharmEasy being the key start-ups raising significant capital, followed by Dream11, Gupshup and Infra.Market).

“ Even though funding for the D2C sector has grown significantly, FMCG is still not considered the most attractive category. We expect that Licious’s unicorn status will change that. The fresh meats and seafood sector is still largely underserved and unorganised, with a vast opportunity of USD 40 billion. We will continue to build the category through investments in technology for supply chain excellence, product innovation, talent, and vendor partner upgrades.

In the coming years, you will see Licious work towards building a sustainable, responsible business that will reimagine the animal protein category in India through an optimal mix of global influence and products curated for the Indian palate. But most of all, you will see us championing the cause of the fresh meats and seafood sector as we continue to put it in the front row of consumer businesses in India.”

Vivek Gupta and Abhay Hanjura, Co-Founders, Licious



06

A significant number of Indian start-ups (29) attained unicorn status during the first three quarters of CY21, largely across the SaaS, FinTech and EdTech sectors

| No. | Name | Sector |
|-----|--------------|---------|
| 1 | Apna.co | SaaS |
| 2 | CoinDCX | SaaS |
| 3 | Mindtickle | SaaS |
| 4 | BrowserStack | SaaS |
| 5 | Chargebee | SaaS |
| 6 | Gupshup | SaaS |
| 7 | Innovaccer | SaaS |
| 8 | BharatPe | FinTech |
| 9 | OfBusiness | FinTech |
| 10 | Zeta | FinTech |
| 11 | Groww | FinTech |
| 12 | CRED | FinTech |
| 13 | Digit | FinTech |
| 14 | Vedantu | EdTech |
| 15 | Eruditus | EdTech |

| No. | Name | Sector |
|-----|-----------------------|-------------------------|
| 16 | upGrad | EdTech |
| 17 | Zetwerk | E-commerce B2B |
| 18 | Moglix | E-commerce B2B |
| 19 | Meesho | E-commerce B2B |
| 20 | Infra.Market | E-commerce B2B |
| 21 | Grofers | E-commerce B2C |
| 22 | Droom | E-commerce B2C |
| 23 | Urban Company | E-commerce B2C |
| 24 | Licious | D2C |
| 25 | FirstCry | D2C |
| 26 | PharmEasy | HealthTech |
| 27 | BlackBuck | Logistics Tech |
| 28 | ShareChat | Media and entertainment |
| 29 | Mobile Premier League | Online gaming |

Source: Venture Intelligence

07

Top transactions and active PE/VC investors in Q3 CY 21

Key transactions/funding rounds

| Name | Sector | Amount raised (in USD million) |
|--------------|-------------------------|--------------------------------|
| Pine Labs | FinTech | 700 |
| Eruditus | EdTech | 650 |
| Meesho | E-commerce B2B | 570 |
| Ola Cabs | LogisticsTech | 500 |
| PharmEasy | HealthTech | 500 |
| Swiggy | FoodTech | 450 |
| Dailyhunt | Media and entertainment | 450 |
| Unacademy | EdTech | 440 |
| BharatPe | FinTech | 370 |
| OfBusiness | FinTech | 367 |
| CARS24 | E-commerce B2C | 259 |
| Gupshup | SaaS | 240 |
| Postman | SaaS | 225 |
| Digit | FinTech | 216 |
| Ola Electric | LogisticsTech | 200 |

Source: Venture Intelligence

Active investors

| Name | Number of deals | Segment |
|------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sequoia Capital | 45 | FinTech-13, SaaS-8, D2C-6, E-commerce B2B -3, AgriTech-2, HealthTech-2, Media and entertainment -2, E-commerce B2C -1, EdTech-1, Logistics Tech -1, Online gaming-1, Real Estate Tech-1 and Others-4 |
| Accel | 16 | HealthTech-3, Media and entertainment-3, FinTech-2, SaaS-2, E-commerce B2B-1, D2C-1, Online gaming-1, Real Estate Tech-1 and Others-2 |
| Matrix Partners | 14 | FinTech-4, SaaS-3, E-commerce B2B -2, D2C-2, Online gaming-1, EdTech-1 and Others-1 |
| Blume Ventures | 13 | FinTech-5, SaaS-4, HealthTech-1, AgriTech-1, Logistics Tech-1 and others-1 |
| Elevation Capital | 13 | FinTech-4, EdTech-3, SaaS-1, Media and entertainment-1, E-commerce B2B-1, D2C-1 and Others-2 |
| Lightspeed Ventures | 13 | SaaS-6, EdTech-3, E-commerce B2B-2, FinTech-1 and E-commerce B2C-1 |
| Nexus Venture Partners | 13 | SaaS-5, Logistics Tech-1, HealthTech-1, Online gaming-1, FinTech-1 and Others-3 |
| 3one4 Capital | 11 | FinTech-4, HealthTech-4, SaaS-1, Logistics Tech-1 and Others-1 |
| IIFL VC | 11 | D2C-2, FinTech-2, Logistics Tech-2, Real Estate Tech-1, Media and entertainment-1, EdTech-1 and Others-2 |
| Tiger Global | 11 | FinTech-3, EdTech-2, E-commerce B2B-1, E-commerce B2C-1, SaaS-1 and Others-3 |

Source: Venture Intelligence

“

Over the last two years most people have been at home and realised that if I am going to be spending a lot of time at home, why not invest in it? We all have also started trusting the digital ecosystem – this is in part contributing greatly to the tailwinds we are seeing as a digital-first home interior solutions brand – from customers and investors alike.

Investors are forward-looking and see that in three to five years or so, millennials who will be homeowners will definitely want to work with a digital-first company like ours that prioritises their convenience and offers a simple one-stop digital-first platform for home interiors.

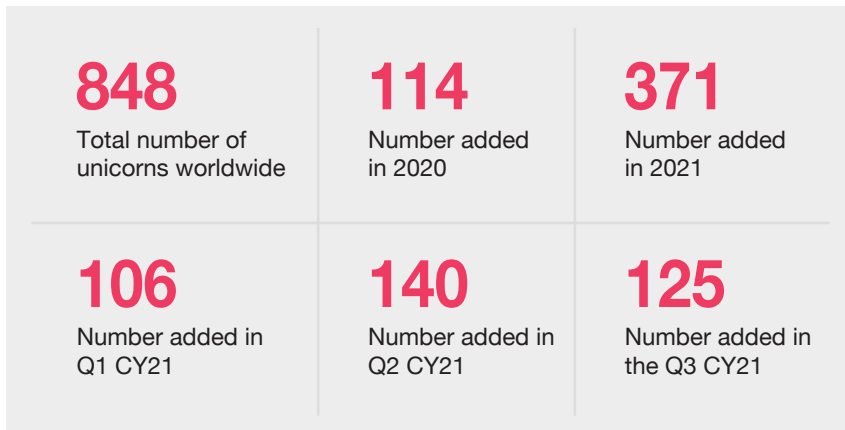
Shezaan Bhojani, CEO and Co-Founder, Design Cafe



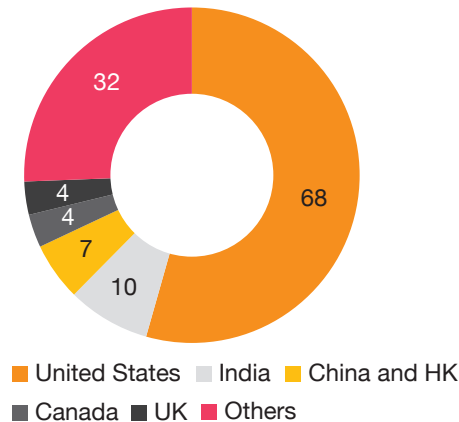
08

Global unicorns in 2021 – In the first three quarters of CY21, we saw 371 new unicorns added globally as compared to 114 new unicorns in CY20

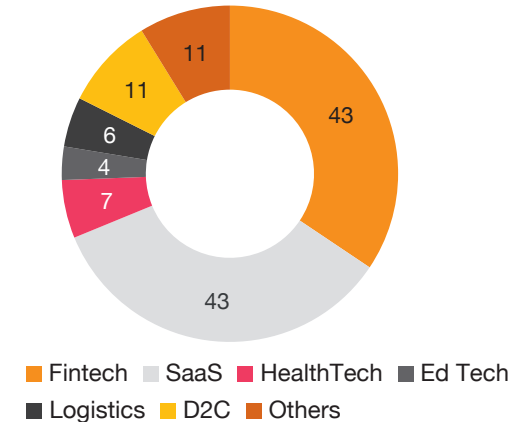
Unicorns – pace of addition



Geographical distribution of new unicorns added in Q3 CY21



Sectoral distribution of new unicorns added in Q3 CY21



Source: CB Insights

- A total of 114 start-ups became unicorns in 2020. The number increased significantly in 2021 as 371 start-ups have already become unicorns as of 30 September 2021.
- Geographically, the maximum number of unicorns in Q3 CY21 have come from the US, with India in the second position.
- FinTech and SaaS are the most represented sectors in Q3 CY21.

09

The era of decacorns

Decacorn distribution worldwide



Source: CB Insights

- A decacorn is a company that is valued at more than USD 10 billion. At present, 38 private start-up companies (4% of the total number of unicorns) attained decacorn status. Most decacorns are from the FinTech sector. ByteDance is the only private company considered to be a hectocorn, worth over USD 100 billion.
- Three decacorns were added in 2021 and all of them are from China and Hong Kong.
- Currently, India has two decacorns in the private market sector, namely Byju's and Paytm.



The Indian start-up ecosystem has started maturing at a really fast pace over the last 18–24 months. Digital content start-ups across verticals such as Dream11 in gaming, Dailyhunt in digital news, Hotstar in OTT, Pratilipi in online literature and Sharechat in social media are showing that it is now possible to monetise Indian users at scale via a variety of different revenue models (subscription, advertising, brand partnerships and micro-payments).

I think the question that investors ask has started shifting towards how do you scale and retain a large base of users vs whether it would be possible to monetise these users.”

Ranjeet Pratap Singh, Co-Founder and CEO, Pratilipi



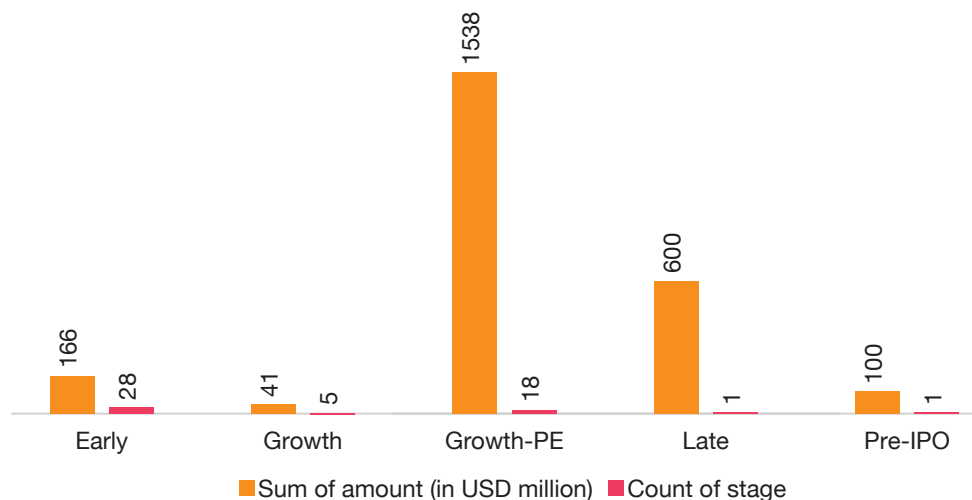
10

Sector in focus – FinTech

Indian FinTech investments and deals¹

FinTech investments in India in 2021 have grown exponentially. In the first three quarters of 2021, investments worth USD 4.6 billion were recorded in the FinTech space, an increase of approximately 296% from USD 1.6 billion in 2020. Investments worth USD 2.4 billion for 53 closed deals were recorded in Q3 CY21 alone across various stages of investment.

Number of FinTech deals and their value across stages in Q3 CY21 in India



Source: Venture Intelligence

1. Venture Intelligence data and PwC analysis

2. Ibid.

Indian FinTech deals insights² (Q3 CY21)

1. The FinTech ecosystem saw investments across the spectrum of business with investors showing renewed interest in companies operating in the segments of InsurTech, WealthTech, neobanks and financial technology enablers. Top FinTech investments (USD 100+ million rounds) of Q3 CY21 include Pine Labs' USD 600 million, BharatPe's USD 370 million, OfBusiness's USD 207 and USD 160 million, Digit Insurance's USD 217 million, Khatabook's USD 100 million, and consumer internet group Prosus's payment arm PayU's acquisition of the Indian payment gateway service provider BillDesk for USD 4.7 billion.
2. Sequoia Capital, Tiger Global, Softbank, Falcon Edge, IIFL VC and 3one4 Capital were some of the active investors in late-/growth-stage investments (USD 30+ million rounds), and Blume Ventures, Elevation Capital and Matrix Partners India were most prominent in early-stage (<USD 30 million rounds) FinTech deal activity.
3. InsurTech as an area saw increasing investor interest as the pandemic pushed up the demand for both health and life insurance policies and products. Several InsurTechs raised mid-sized VC or PE funding rounds, including Digit Insurance (approximately USD 217 million led by IIFL VC, Faering Capital, TVS Capital and Sequoia Capital India, among others), Onsurety (USD 16 million led by Whiteboard Capital, Quona Capital, Nexus Venture Partners and others) and RenewBuy (USD 10 million led by Evolvece).

4. Another key theme in Q3 CY21 was SME enablement and allied accounting products and services. In growth-stage deals, Khatabook raised USD 100 million (round led by Moore Strategic Ventures, Tribe Capital, B Capital, RTP Global, Sequoia Capital India and others) and FloBiz raised USD 31 million (round led by Whiteboard Capital, Think Investments, Sequoia Capital India, Elevation cap, among others). In early-stage deals, Chqbook raised USD 5.4 million (round led by Earlsfield Capital and Aavishkaar).
5. FinTech leaders in India are looking to seize new market opportunities, accelerate transformation and acquire capabilities to embrace both VC deals and mergers and acquisition (M&A). In one of the first marquee FinTech deals involving the acquiring of an incumbent, Groww, a full-stack wealth management service provider, acquired Indiabulls AMC in May 2021 for USD 23.3 million (approximately INR 175 crore).³
3. B2B services and capabilities for banking technology such as customer onboarding, credit evaluation, financial products issuance and distribution, and risk monitoring should become stronger. The impetus for both new-age consumer-technology platforms and incumbent service providers to make user experience seamless and ease the integration of financial services in user journeys and availability at point of sale (PoS) should prevail and adoption of embedded finance services is likely to gain traction.
4. Partnerships will be embraced by BigTechs as critical means of expanding their service offerings and leveraging their vast incumbent customer base. Recently in India, Amazon invested in Smallcase⁴ and Google entered into a partnership with Equitas Small Finance Bank for fixed deposit offerings.⁵
5. The unbanked and underbanked sections of society are significant areas of opportunity. For example, a number of FinTech unicorns are working to become core players between individuals, micro, small and medium enterprises (MSMEs) and banking, insurance or wealth management offerings by innovating their customer acquisition strategies, enhancing last-mile reach and providing value-added banking services.

Multi-decade opportunity and trends to notice

Investors are taking a keen look at India to ensure their presence in the country's rapidly growing consumer economy which is supported by enabling policies that are geared towards ease of doing business and boosting investments. FinTech is not only a standalone sector that is lucrative considering the opportunity for 'financialisation' in India, but also addresses the larger issue of consumer internet platforms, which are digitising and formalising a fragmented and unorganised economy.

The India growth story has been decades in the making and some of the trends and development to watch out for would be:

1. Exits in India may increase, both in terms of IPOs and acquisitions.
2. M&A activity is likely to grow considerably as corporates look to expand their capabilities and offerings and FinTechs look to scale up. Cross-border activity is also likely to be robust as FinTechs look to become global or regional leaders.

3. <https://www.thehindubusinessline.com/markets/stock-markets/groww-owner-gets-cci-nod-to-acquire-indiabulls-amc/article36387998.ece>

4. <https://techcrunch.com/2021/08/18/amazon-backs-indian-wealth-management-service-smallcase-in-40-million-funding>

5. <https://www.moneycontrol.com/news/opinion/equitas-google-pay-deal-reflects-confluence-of-banking-fintech-7499181.html>

“ Indian debt markets are at an inflection point today – in terms of availability of credit to the right customers as well as adoption of technology to deliver that debt. The market is enormous with favourable demographics as well as a proliferation of differentiated lending models.

CredAvenue is building the market infrastructure to unlock the full potential of this accelerating market. Our platform enables any enterprise in the country to borrow any kind of debt based on business needs. This is a unique debt marketplace with no peer across the globe. This has enabled us to garner a significant market share within the short span of our existence.

Investors are excited by the vision, team and the lead already built by us in this market as well as the ability to port our infrastructure to large international markets.”

Gaurav Kumar, Founder and CEO, CredAvenue



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