

# India Venture Capital Report 2021



Venture capital flows continue to be robust  
and play a pivotal role in the future of India's economy

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## Authors and acknowledgments

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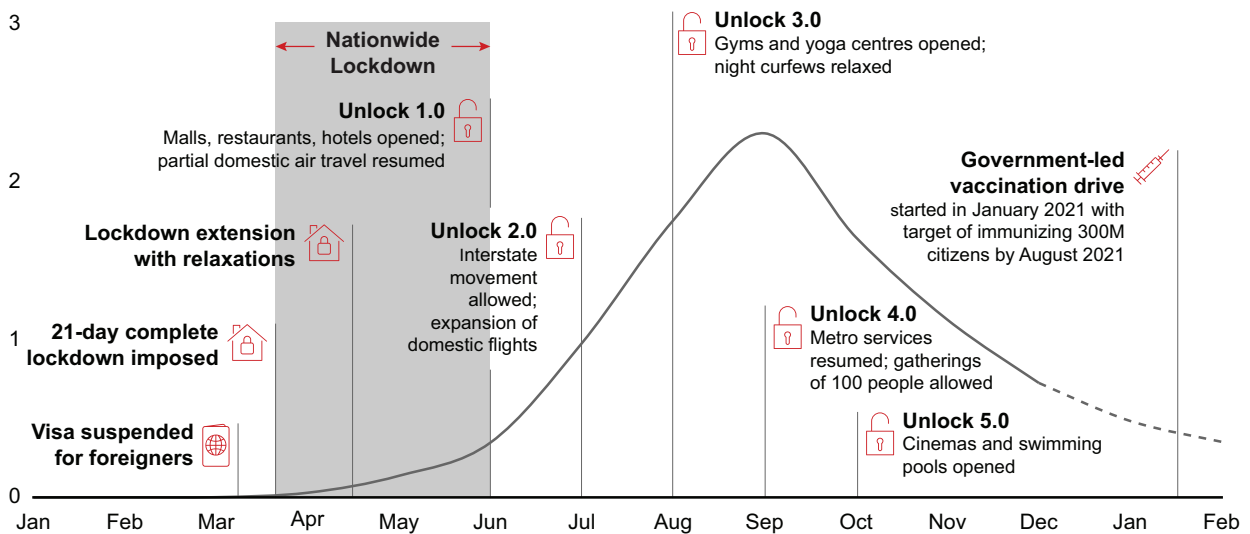
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## Executive summary

The year 2020 was truly extraordinary for India, with the significant impact of Covid-19 on the economy and healthcare systems in the country. GDP is expected to contract by 8% in 2020, with more than 65% of the Indian economy at halt during the full lockdown, which ended only in June 2020 (see Figures 1, 2). However, latest forecasts by the International Monetary Fund (IMF) expect strong rebound in 2021 with growth returning to the long-term trend of 7% to 8% over 2022 to 2025 (see Figure 3). Within the year itself, Covid-19 played an important role in accelerating digital trends across sectors dramatically, which is reflected in venture capital (VC) money flows and emergence of new, digitally founded business models across sectors.

**Figure 1:** India had multiple lockdowns during March–May due to Covid-19 and reopened in June in a phased manner; new case counts have been declining since September

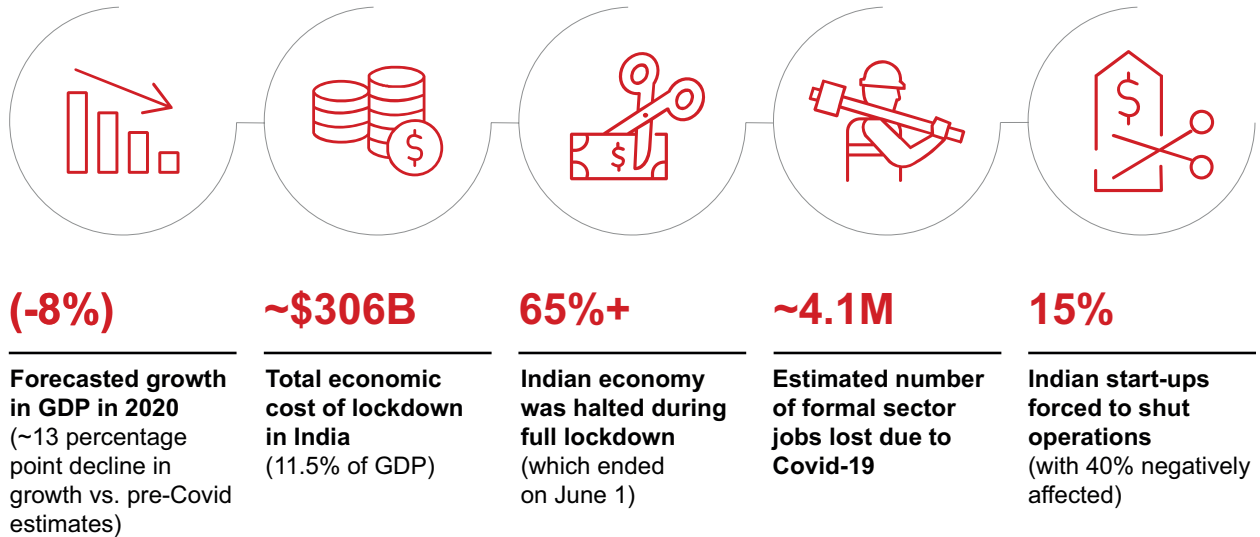
**Number of monthly new Covid cases (in million)**



Sources: Secondary search; Bain analysis

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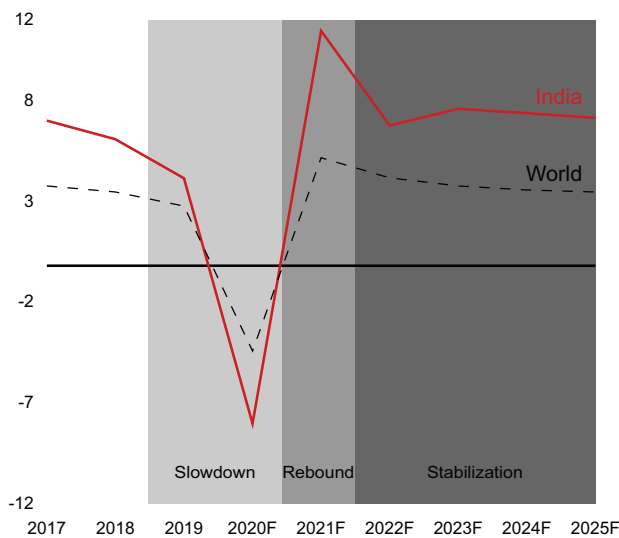
**Figure 2:** Covid-19 and the related lockdowns had a significant economic impact—India’s GDP is expected to contract by 8% in 2020



Sources: International Monetary Fund; as estimated by Barclays from projecting one week’s economic loss due to shutdown of key industries (e.g. manufacturing, utilities, mining); Tackling the COVID-19 youth employment crisis in Asia and the Pacific, International Labour Organization and Asian Development Bank, August 2020; Covid-19 and the Antifragility of India Start-up Ecosystem, TiE Delhi, Zinnov, October 2020; Bain analysis

**Figure 3:** However, the latest IMF forecasts expect a strong rebound in 2021 for the Indian economy, with growth returning to the long-term trend for 2022 to 2025

**Real GDP growth (annual % change)**  
**India, IMF world economic outlook, Jan 2021**



**2020 (-8.0%) India GDP growth**  
Covid-19 and resulting lockdowns drove sharp economic contraction in India  
India’s GDP growth was already on a downward trend before 2020  
Recovery in the later half of 2020 has been at a “faster pace than anticipated”

**2021 11.5% growth predicted**  
IMF forecast assumes governments will have Covid under control in 2021 via vaccines  
Rebound growth expected to break the previous downward trend

India, along with China (8.1%), expected to drive growth in the Asia-Pacific region

**2022–25 7%–8% growth forecast**  
Healthy growth of 7%–8% expected; structural shifts, such as remote working, are not expected to affect GDP growth  
Some likelihood that long-term economic scarring (e.g. bankruptcies, reduced labour force participation) could act as a drag on growth

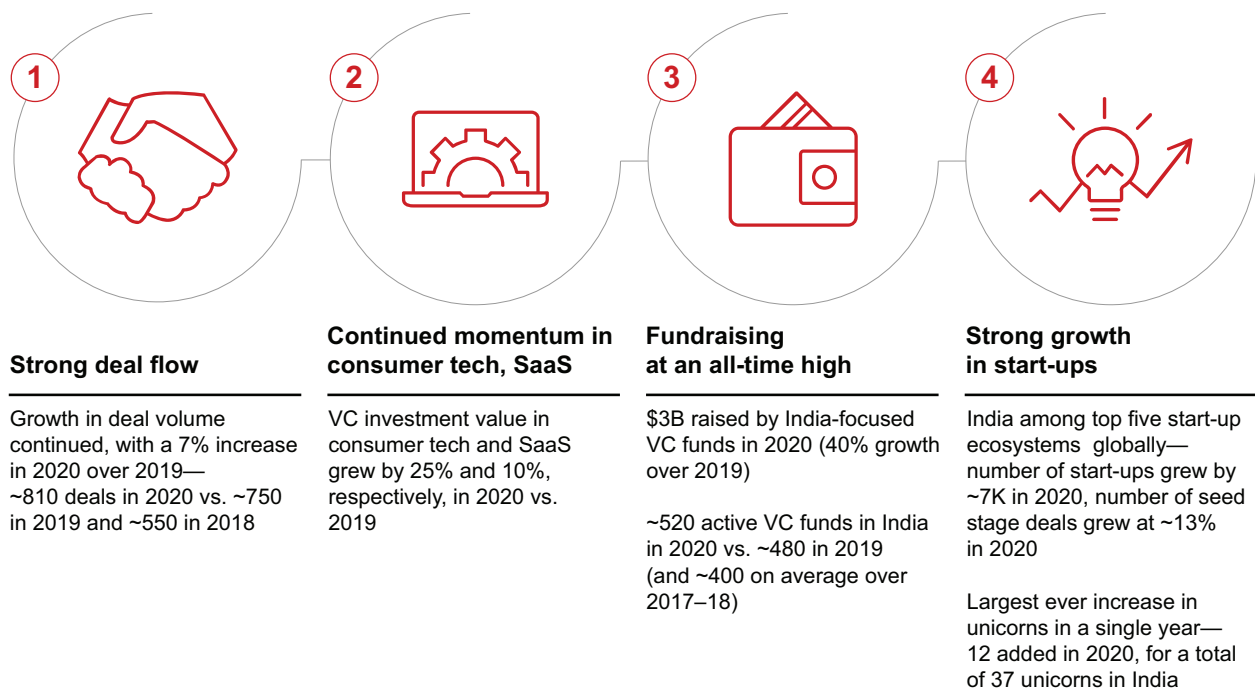
Source: IMF World Economic Outlook, January 2021

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Despite Covid-19, we saw a few investment themes continue from prior years (see Figure 4). These included

- Strong deal flow, with close to \$10 billion in VC investments—higher than in all previous years except 2019
- Continued momentum in consumer tech and software as a service (SaaS)
- Significant fundraising activity with \$3 billion raised by India-focused funds in 2020, 40% higher than in 2019—marquee funds including Sequoia, Elevation Partners, Falcon Edge, and Lightspeed, all closed new funds for India investments in 2020, despite the pandemic
- Growing number of start-ups (~7,000 new start-ups founded in 2020, with more than 10% growth in seed stage deals) and unicorns (12 added in 2020 vs. 8 in 2019, to take India’s total to 37 now)

**Figure 4:** Impact of Covid-19 on VC investments—trends that continued

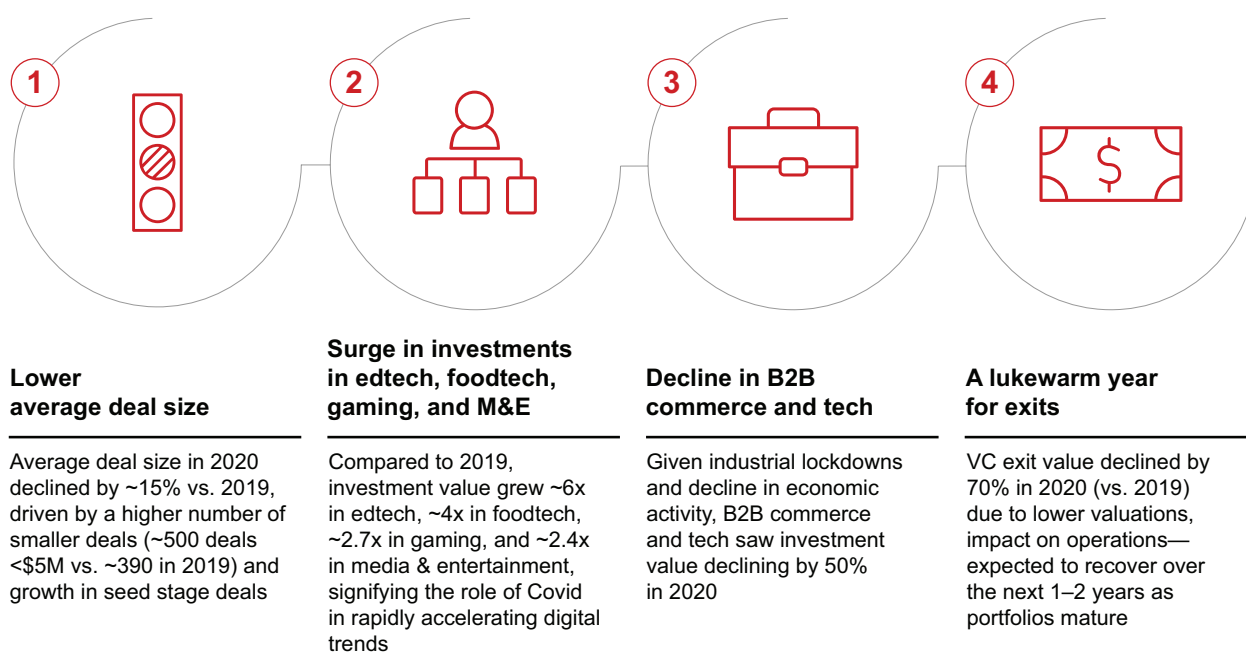


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At the same time, there were a few themes (see Figure 5) that were different—driven or accelerated by Covid-19—such as

- Decline in average deal size by 15% vs. 2019
- Surge in investment activity in a select set of sectors within consumer tech, including edtech, foodtech, gaming, and media and entertainment, with an average 4x increase in investment value over 2019
- Slowdown in exits (70% lower exit value in 2020 vs. 2019), likely led by depressed valuations and disruption to business models

**Figure 5:** Impact of Covid-19 on VC investments—things that were different



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In terms of key sectors receiving investments, consumer tech, SaaS, and fintech continued to lead the way, accounting for 75% of VC investments in 2020 vs. 65% in 2019, and 14 of 22 VC deals which were more than \$100 million in size. Key subsectors receiving investments included (a) edtech, foodtech, gaming, and media and entertainment in consumer tech; (b) verticalised solutions within SaaS; and (c) payments within fintech.

SaaS in particular saw clear signs of maturity, with average deal size increasing dramatically in 2020 over 2019—\$14 million in 2019, growing to \$25 million in 2020. Going forward, we expect deal momentum in India to continue into 2021, with the second half of 2020 seeing deal activity recover to pre-Covid levels—VC investments totalled \$3 billion in January to March, declined to \$1.1 billion in April to June, and then recovered to ~\$3 billion each in the next two quarters. Further, the number of active VC funds continued to grow in 2020 (~520 vs. ~480 in 2019), with multiple new funds investing such as Inflection Point, Avataar, Coatue, D1 Capital, amongst others.

On exits, while overall exit value declined by 70%, from \$4.4 billion in 2019 to \$1.3 billion in 2020. We expect recovery over the next 1–2 years as portfolios of top VC investors mature (most portfolios did not reach maturity in 2020, in addition to Covid-19 impacting exit valuations and disrupting business models across sectors).

Overall, the strength of India's VC ecosystem has driven real economic value for the country—VC investments have played a pivotal role in bolstering the start-up ecosystem in India—only behind US and China globally—and have created more than 3 million jobs directly or indirectly over the past eight years.



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# 1

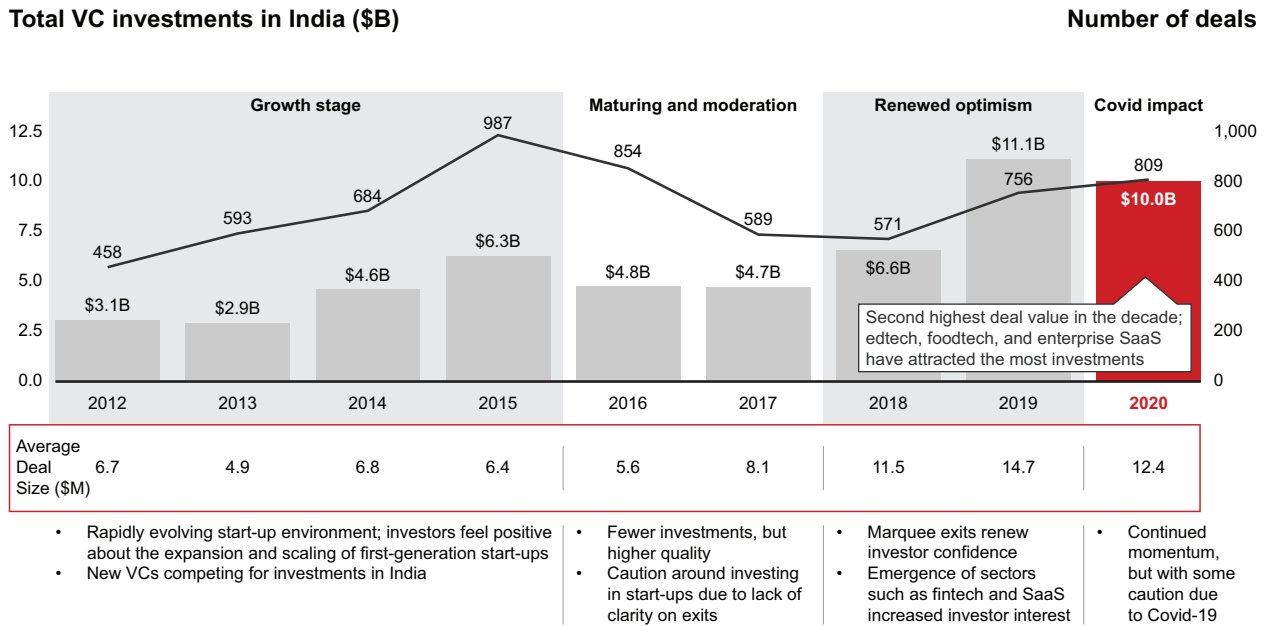
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## India VC deals landscape

- Indian VC industry has passed through four distinct phases over the last decade. Between 2011 and 2015, the industry saw a rapidly evolving start-up environment, with investors feeling optimistic about the expansion and scaling of first-generation start-ups. This period was followed by a phase of maturity and moderation between 2016 and 2017 with fewer but higher-quality investments. Over 2018 and 2019, marquee exits renewed investor confidence and saw emergence of sectors such as fintech and SaaS. This renewed optimism was expected to continue into 2020, but was disrupted with Covid-19. However, despite Covid-19, deal momentum continued from 2019, with some moderation in the size of deals and pace of exits.
- The year 2020 was a noteworthy year for the Indian VC industry, with some moderation over high growth seen in 2019. Total deal value declined slightly to \$10.0 billion in 2020 from \$11.1 billion in 2019 because of smaller average deal size, even though deal volume grew by 7% over 2019 with ~810 VC deals vs. ~755 seen in 2019.
- Significant growth in number of small value deals in 2020 (~500 deals <\$5 million in value in 2020 vs. ~390 in 2019) led to decline in average deal size to \$12.4 million compared with \$14.7 million in 2019. Decline in average deal size was seen across investment stages, while pace of deal making saw highest growth in late-stage deals (Series D+) along with seed stage deals, indicating increasing maturity in the VC landscape as well as renewed growth in new companies being founded and funded.
- In total, 22 start-ups raised over \$100 million in 2020 from VC and growth equity investors, with the majority concentrated in consumer tech.
- Outlook for VC investments looks strong going forward with investment activity recovering to pre-Covid levels in the second half of the year, after a ~60% drop in deal value during April through June compared to January through March 2020.

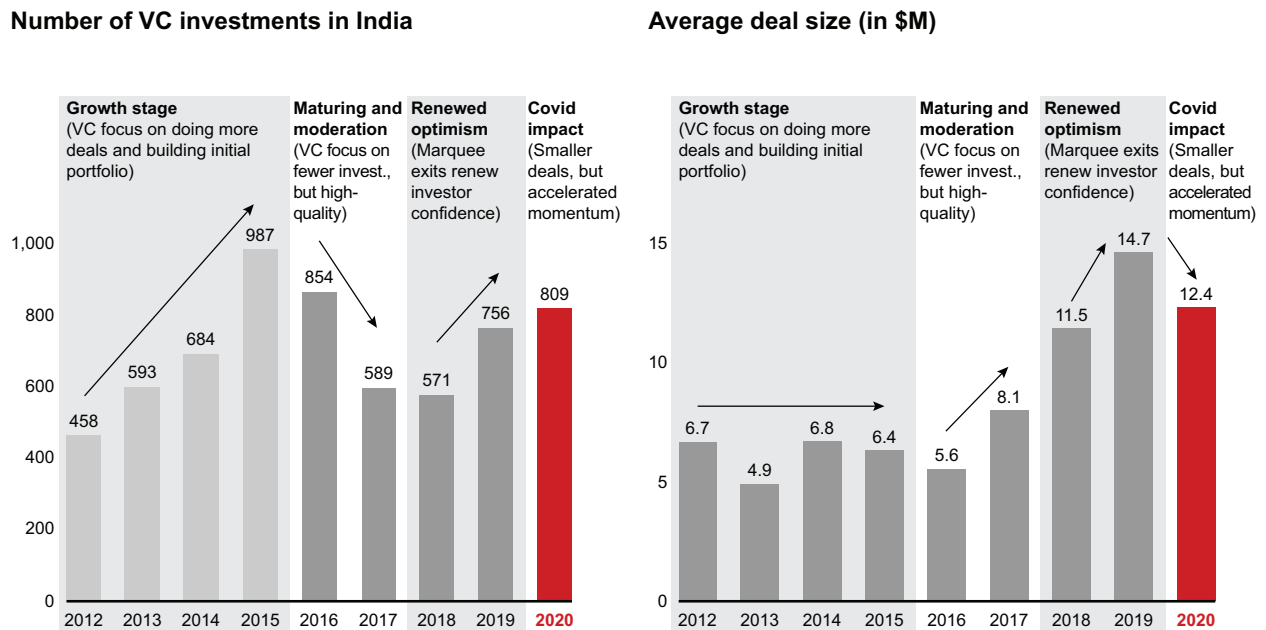
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**Figure 6:** Investment momentum continued in 2020 despite the pandemic, with some moderation over 2019



Note: VC investments exclude transactions where deal value is unknown  
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge

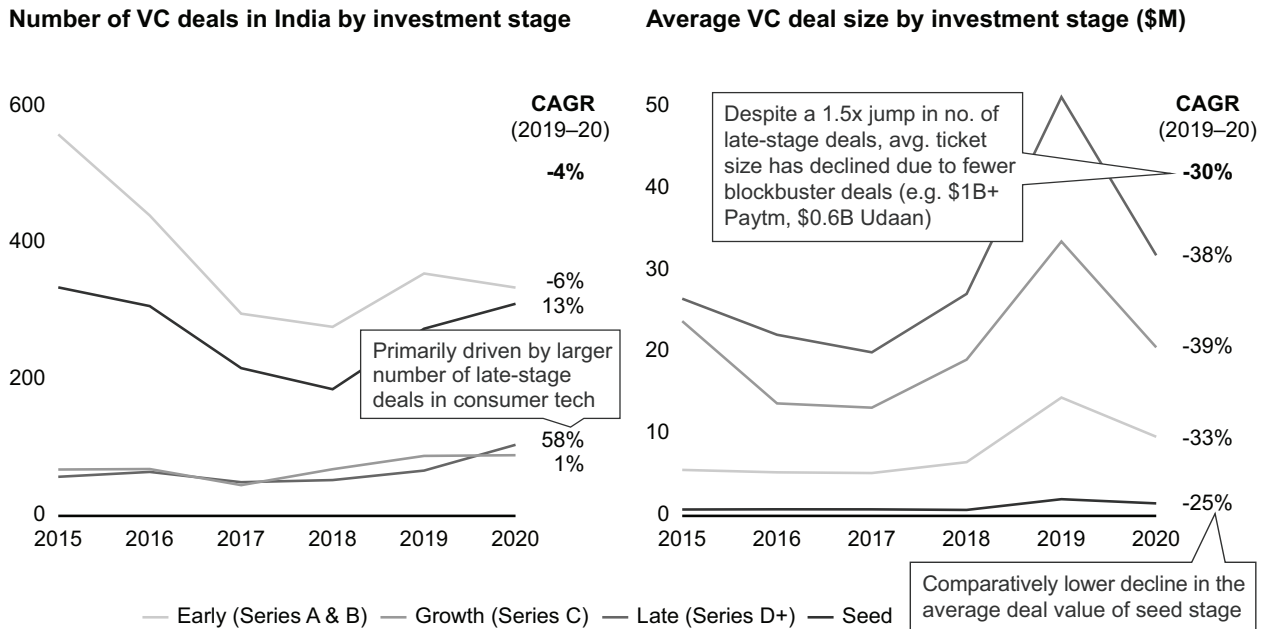
**Figure 7:** Deal volumes have shown continued increase, while average deal size declined vs. 2019



Note: VC investments exclude transactions where deal value is unknown  
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge

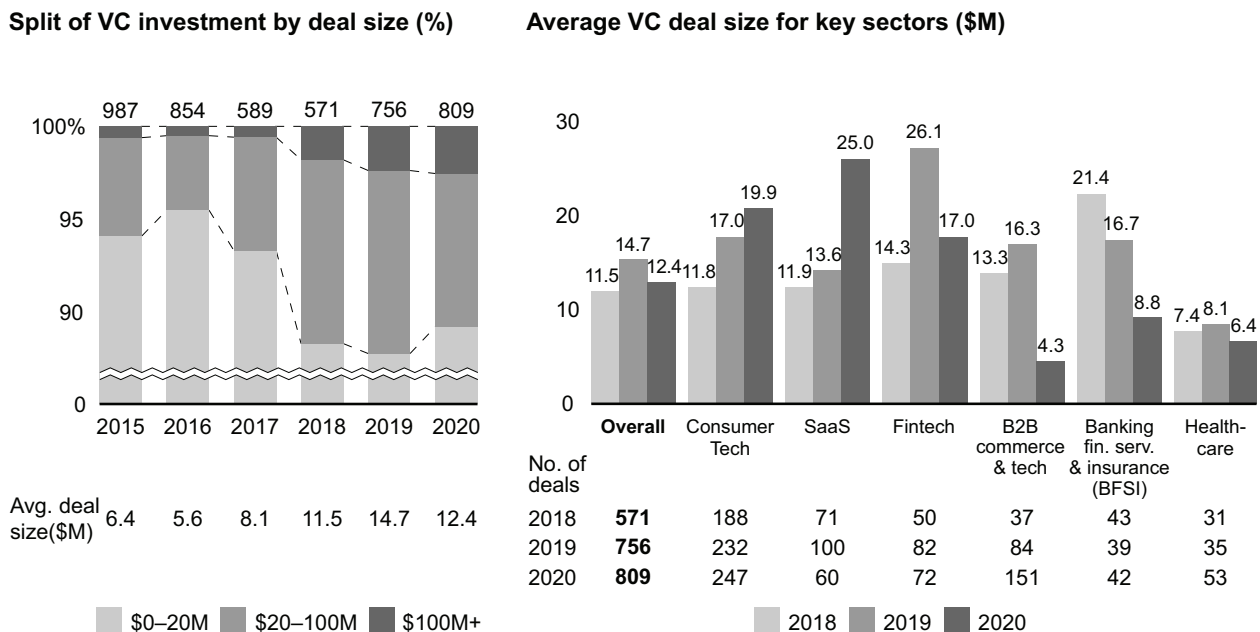
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**Figure 8:** Deal volume grew fastest in late-stage (Series D+) deals, followed by seed (implying continued support for start-ups); average deal size declined across stages



Note: VC investments exclude transactions where deal value is unknown  
Sources: Venture Intelligence; Bain Deals Database; Bain analysis

**Figure 9:** Decline in average deal size in 2020 driven by increase in share of small deals across all sectors, except consumer tech and SaaS



Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

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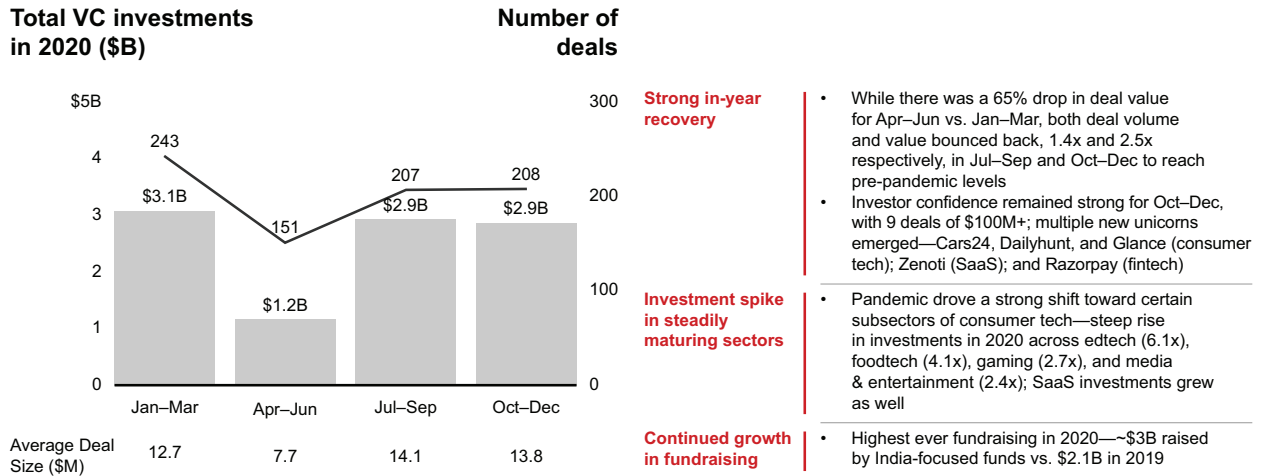
**Figure 10:** Top start-ups that received more than \$100M funding in 2020

Asset	Key investors	Stage of funding	Industry	Subsector	Month (2020)	Deal value (in \$M)
<b>Byju's*</b>	Tiger Global, Alkeon, BlackRock, General Atlantic, Bond Capital, Silver Lake, Sands Capital, Owl Ventures	Late	Consumer tech	Edtech	Jan, July, and Sep	~720
<b>Zomato</b>	Fidelity, Kora Management, Luxor Capital, Mirae Asset, Tiger Global, Steadview, Temasek, D1 Capital	Late	Consumer tech	Foodtech	Dec	~660
<b>FirstCry</b>	SoftBank	Late	Consumer tech	Verticalised e-commerce	Feb	~300
<b>Unacademy*</b>	SoftBank, Nexus, Sequoia, General Atlantic	Late	Consumer tech	Edtech	Feb, Sep, and Nov	~260
<b>Dream11</b>	Tiger Global, TPG, ChrysCapital, Footpath Ventures	Late	Consumer tech	Gaming	Sep	~225
<b>DailyHunt*</b>	Google, Microsoft, Falcon Edge, Sofina Group	Late	Consumer tech	Media & entertainment	Apr and Dec	~165
<b>Zenoti</b>	Advent International, Tiger Global, Steadview Capital	Late	Enterprise software (SaaS)	Vertical-specific business software	Dec	~160
<b>Swiggy*</b>	Samsung Ventures, Korea Investment Partners, Naspers, Tencent, Mirae Asset, Meituan-Dianping	Late	Consumer tech	Foodtech	Apr and Feb	~155
<b>Postman</b>	Charles River, Insight, Nexus	Late	Enterprise software (SaaS)	Horizontal infra software	Jun	~150
<b>Vedantu*</b>	GGV Capital, Coatue Management, WestBridge, Omidyar Network, Tiger Global	Late	Consumer tech	Edtech	Feb and Jul	~145
<b>Glance</b>	Google, Mithril Capital	Late	Consumer tech	Media & entertainment	Dec	~145
<b>FreshToHome</b>	Iron Pillar, Investment Corporation of Dubai	Late	Consumer tech	Foodtech	Jul and Oct	~135
<b>PolicyBazaar</b>	SoftBank	Late	Fintech	Insurtech	Jul	~130
<b>Eightfold</b>	Capital One Growth Ventures, General Catalyst, Lightspeed	Late	Enterprise software (SaaS)	Horizontal business software	Nov	~125
<b>HighRadius</b>	Citi Ventures, ICONIQ Capital, Susquehanna Growth Equity	Late	Enterprise software (SaaS)	Horizontal business software	Jan	~125
<b>Eruditus</b>	Sequoia, Prosus Ventures, Chan Zuckerberg Initiative, Ved Capital, Leeds Illuminate	Late	Consumer tech	Edtech	Aug	~115
<b>CureFit</b>	Temasek, Accel, Epiq Capital Fund, Satyadhama Investments, Ascent, PraTithi, Chiratae	Late	Consumer tech	Healthtech	Mar	~110
<b>Xpressbees</b>	Gaja Capital Partners, Investcorp India, NVP India	Late	Shipping & logistics	–	Nov	~110
<b>Bounce*</b>	B Capital, Falcon Edge, Omidyar Network, Maverick, Qualcomm, Accel, Chiratae, Sequoia	Late	Consumer tech	Mobility	Jan and Mar	~110
<b>MindTickle</b>	Accel, Founder Fund, ICONIQ Capital, Qualcomm, SoftBank	Late	Enterprise software (SaaS)	Horizontal business software	Nov	~100
<b>Razorpay</b>	Tiger Global, Sequoia, Matrix, Ribbit Capital, Y Combinator	Late	Fintech	Payments	Oct	~100
<b>Biofourmis</b>	Sequoia, SoftBank, MassMutual, Openspace	Late	Consumer tech	Healthtech	Sep	~100

\* Multiple VC deals in 2020, as indicated by the months  
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

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**Figure 11:** Strong outlook on VC investments going forward



“After the pandemic started, our time was spent in supporting portfolio companies as much as possible. The second half of the year saw businesses adapt to the new normal and there was increase in investing activity towards the end of the year.”

Leading India-based VC

“VC investors continue to be positive for India over the long term. Investing activity in 2020 shows that Covid-19 has not changed the long-term view on the country. In fact, technology adoption in both enterprises & consumers has leapfrogged a few years.”

Leading India-based VC

Note: VC investments exclude transactions where deal value is unknown

Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Shah, 2020 year in review: Risk investors pour \$9.3 billion into Indian startups despite Covid-19 woes, The Economic Times, December 28, 2020





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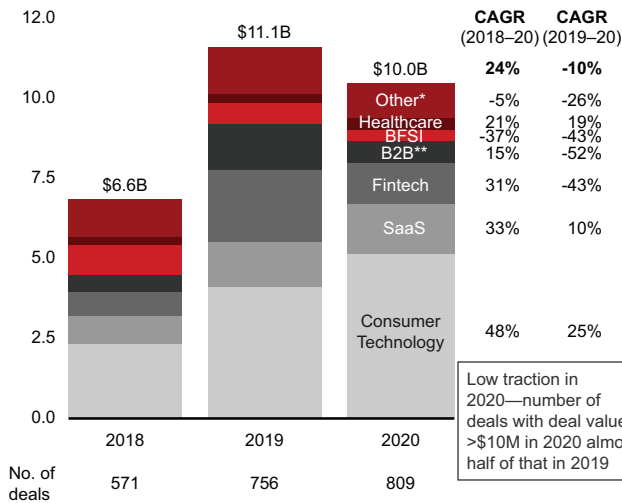
## Sector-wise deep dive

- In 2020, the top three sectors—consumer tech, SaaS, and fintech—accounted for nearly 75% of all VC investments by value, with consumer tech attracting the maximum funding.
- Consumer tech investments grew 25% over 2019, with certain segments seeing massive increase in investments, accelerated by the pandemic, including edtech (6.1x), foodtech (4.1x), gaming (2.7x), and media and entertainment (2.4x).
- Edtech saw multiple high-valued deals such as Byju’s, Unacademy, Eruditu, and Vedantu. Zomato’s \$660 million deal drove up average deal size in foodtech as compared to 2019, while large investments into Dream11 and MPL led to the surge seen in gaming.
- The Indian SaaS ecosystem continues to mature, accounting for the second-highest quantum of investments after consumer tech. Though investment value in SaaS increased marginally by ~10% in 2020 vs. 2019, average deal size grew significantly across all three segments: horizontal business software (\$20 million), horizontal infra software (\$35 million), and vertical specific business software (\$37 million).
- Investments in vertical specific software have grown the fastest, clocking ~60% growth over 2019, driven by \$160 million deal in Zenoti. Horizontal business software also witnessed many large deals including Eightfold AI (\$125 million), HighRadius (\$125 million), and MindTickle (\$100 million), while Postman’s \$150 million deal was the biggest investment in horizontal infra software.
- Fintech investments grew slightly from \$1.1 billion in 2019 (excluding Paytm’s \$1 billion funding) to \$1.2 billion in 2020, with payments being the most sought-after segment. Payments saw large deals getting closed in Razorpay, CRED, and BharatPe.
- Investment in lending and insurtech increased in 2020 by 4% and 6%, respectively. While lending had gained traction over the last 2–3 years, the pandemic’s impact on SMEs with low liquidity and higher levels of distressed assets slowed down VC activity in the space. However, bigger deals were seen in both lending as well as insurtech, including MoneyTap (\$70 million) and Rupeek (\$60 million) in lending, and PolicyBazaar (\$130 million), Digit (\$84 million) and Acko (\$60 million) in insurtech.

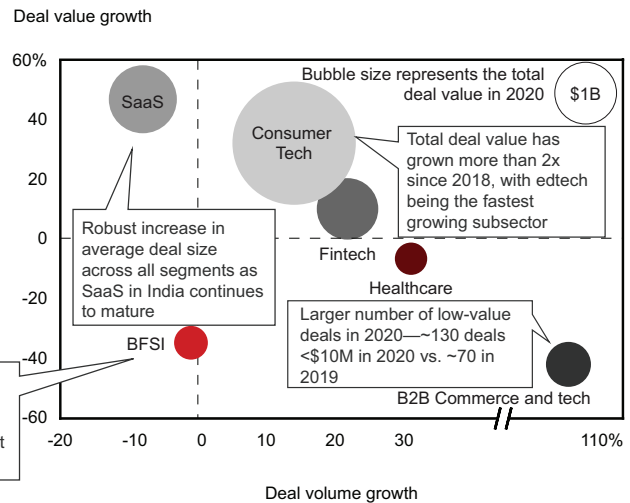
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**Figure 12:** In 2020, top three sectors received ~75% of VC investments; consumer tech continues to attract the maximum investment

**Split of VC investments by sector (\$B)**



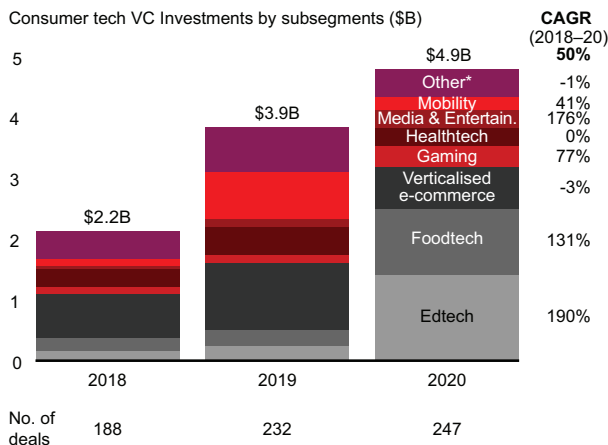
**Growth in deal size and deal volume (2018-20)**



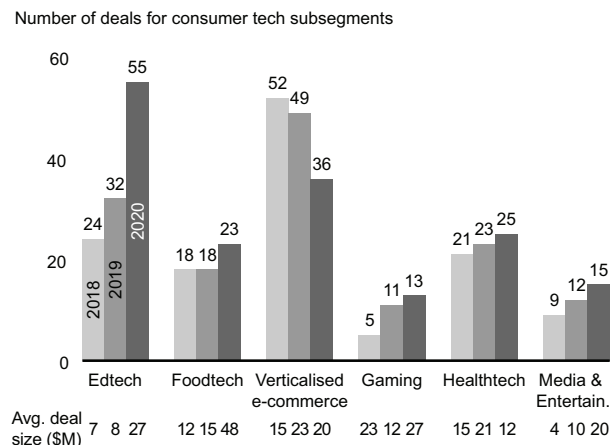
\* Other includes retail, shipping & logistics, energy, real estate, manufacturing, engineering & construction, and telecom  
 \*\* B2B includes B2B commerce and tech  
 Note: deals exclude transactions where deal value is unknown  
 Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

**Figure 13:** Within consumer tech, total deal value increased by ~25% in 2020 vs. 2019; edtech, foodtech, and gaming witnessed a steep rise in VC investments

**Edtech, foodtech, gaming saw a rise in investments...**



**... driven by increase in number of deals and higher deal sizes**





"The pandemic has played a critical role in accelerating the rate of technology adoption by consumers. This has provided significant tailwinds for start-ups across categories. The number of students using edtech products in India has doubled this year."

Top VC

\* Other includes media & entertainment, social network, real estate, logistics, horizontal e-commerce, travel and leisure, job portals, etc.  
 Note: Deals exclude transactions where deal value is unknown  
 Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Anandan, 2021 to mark a new era for the Indian startup ecosystem, Mint, Dec 2020; Bain analysis

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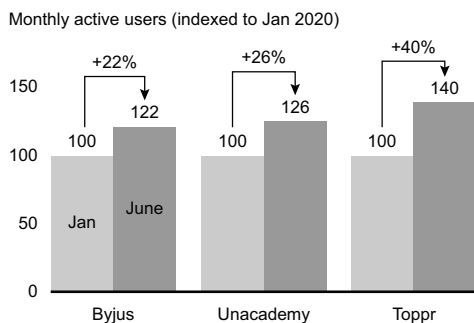
**Figure 14:** Key investment trends witnessed in consumer tech subsegments

<p><b>Edtech</b></p> 	<ul style="list-style-type: none"> <li>• <b>Online tutorials/test prep</b> (Byju's, Unacademy, Vedantu) and <b>executive education platforms</b> (Eruditus) continue to see VC investment traction</li> <li>• While investment momentum in edtech has been high in the last 2 years, investment in this space has been significantly fuelled in 2020 by a strong uptick in end user adoption because of lockdowns due to Covid-19; behaviour change is likely to drive user stickiness and long-term growth</li> </ul>
<p><b>Foodtech</b></p> 	<ul style="list-style-type: none"> <li>• <b>~95% of ~\$1.1B investment value</b> consolidated in <b>4 assets</b> in multiple, late-stage rounds (Zomato, Swiggy, Faasos, and FreshToHome)</li> <li>• In line with historical trends, VCs continue to invest in <b>cloud kitchens</b>, along with a reignited interest in <b>online food ordering</b> driven by a boost in end user adoption due to the pandemic</li> </ul>
<p><b>Gaming</b></p> 	<ul style="list-style-type: none"> <li>• The <b>gaming industry saw sustained investment momentum</b> on the back of business growth fuelled by growth in enablers (i.e. mobile penetration and 4G adoption) and greater end user adoption and engagement during the pandemic, similar to that of video streaming platforms</li> <li>• <b>~90% of ~\$350M investment value</b> consolidated in <b>2 assets</b>—Dream 11 and Mobile Premier League (MPL)—as real money games continue to garner greater popularity vs. casual and e-sports</li> </ul>
<b>Covered in the following figures</b>	
<p><b>Media &amp; entertainment</b></p> 	<ul style="list-style-type: none"> <li>• <b>~85% of ~\$300M investment value</b> consolidated in <b>3 assets</b>—Dailyhunt, Gaana.com, and Inshorts</li> <li>• Multiple investments in <b>short-video social networking apps</b>, including Josh (Dailyhunt) and Public (Inshorts), to fill the void left by TikTok's ban in India</li> </ul>
<p><b>Healthtech</b></p> 	<ul style="list-style-type: none"> <li>• <b>Wellness</b> (Cure Fit), <b>online consultation</b> (Practo, Docs App), and <b>digital therapeutics</b> (Biofourmis) are the top segments attracting investments; e-pharmacies witnessed limited VC traction this year—given they scaled significantly in 2019, they are more conducive to private equity or strategics (e.g. Reliance acquisition of Netmeds)</li> </ul>
<p><b>Verticalised e-commerce</b></p> 	<ul style="list-style-type: none"> <li>• Verticalised e-commerce saw a <b>decline in investments</b> compared to previous years, with the decline in 2020 vs. 2019 being in both deal volume and average deal size</li> <li>• <b>Baby merchandise</b> (FirstCry), <b>home decor and furniture</b> (Livspace, Pepperfry), <b>used cars</b> (Spinny, CarTrade), and <b>beauty</b> (Nykaa) brands attracted substantial investments</li> </ul>

Source: Bain analysis




**Figure 14a:** Surge in usage of edtech platforms emerged as a positive outcome of the lockdowns due to the pandemic

**Monthly user activity on leading learning apps increased from January to June of 2020**



- **Free access to courses** by key players (e.g. Byju's, Vedantu) during lockdown drove high traffic of new users to the platforms
- Schools/institutions expected to **increase adoption of school management technologies** (e.g. ClassPlus, Foradian) to increase connectedness with students post-pandemic
- **Hobby classes** (e.g. coding, painting) witnessed high adoption due to working professionals spending time at home

**Adoption of edtech across segments is expected to sustain higher than pre-Covid levels due to high stickiness of users**

Segment	Covid-19 impact
<p><b>Digital learning platforms</b> Platforms providing lessons, practice exercises, doubt solving, and other resources for self-learning (e.g. <b>Doubtnut</b>)</p> 	<ul style="list-style-type: none"> <li>• Absence of in-class exercises pushed <b>teachers and students to use digital learning tools</b></li> <li>• Continued impact in long-term is likely as <b>teachers become accustomed to digital platforms</b>, although reversion to traditional classroom-based learning is expected, especially in areas with poor network connectivity</li> </ul>
<p><b>Digital testing</b> Online platforms for students to take practice or full-length graded quizzes and tests (e.g. <b>Gradeup</b>)</p> 	<ul style="list-style-type: none"> <li>• <b>High adoption in the initial Covid-19 lockdown phase</b> due to <b>school closures</b> and uncertainty around resumption</li> <li>• <b>Ease of digital test delivery</b> will likely result in increased adoption; sustained long-term engagement depends on success of these tools in the short term</li> </ul>
<p><b>Digital tutoring</b> Real-time tutoring in a virtual setting where teachers and learners participate from separate physical locations (e.g. <b>Unacademy, WhiteHat Jr</b>)</p> 	<ul style="list-style-type: none"> <li>• <b>Uptick in interest in online tutoring platforms</b> because of at-home study during the pandemic</li> <li>• <b>Sustained adoption of remote digital tutoring is likely</b>, especially in areas with good network connectivity or limited access to physical centre</li> </ul>

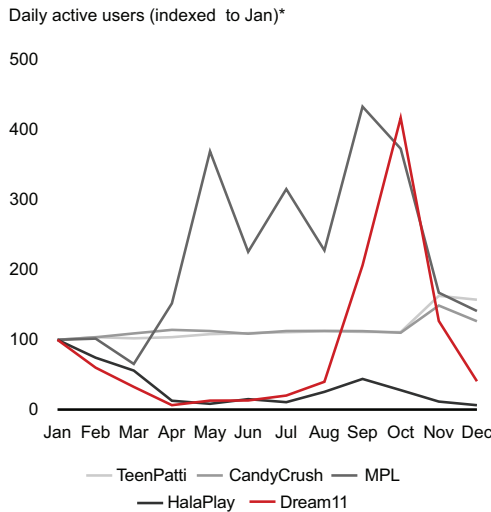
Sources: Bain analysis; SimilarWeb app transaction data

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**Figure 14b:** Within gaming, daily fantasy sports (DFS) apps witnessed a decline in engagement due to cancellation of live sports; other apps offering casual games gained traction

**Usage of fantasy sports apps decreased Jan–Aug, while usage of general gaming apps increased**

**Decline in usage of DFS due to lack of live sports during lockdown; however, uptick seen post resumption**



**Non-fantasy sports gained traction post Covid**

- Increased time spent at home by users caused an uptick in gaming because it was a key entertainment source in lockdown

**DFS platforms saw decline owing to limited number of live sporting events**

- Most DFS players (Dream11, HalaPlay) observed a decline in engagement (~80%–90%) owing to cancellation of major sporting events globally in the initial months of Covid-19
- Leading players expanded coverage to include Tier III/Tier IV leagues to drive user engagement and growth
- However, select players like MPL saw an increase in user engagement in Apr–May due to diversified games portfolio (card games, chess etc.)

**Spurt in demand with resumption of major leagues**

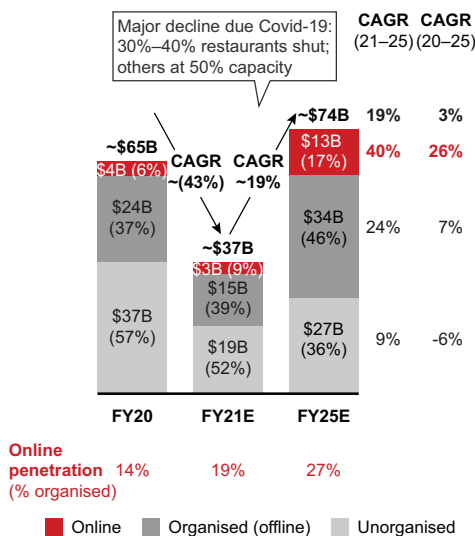
- Significant surge in user engagement for MPL and Dream11 with major sporting leagues, such as Indian Premier League resuming post lockdown

\* Total visits used as a proxy for engagement metric for Dream11, HalaPlay, and MPL because these apps are not on Google Play  
Sources: SimilarWeb app and web transaction data

**Figure 14c:** In foodtech, the food services market was hit hard by Covid-19; however, recovery is expected, primarily due to online delivery

**Food service market revenue, India**

**Drivers of organised food services growth, especially online**



**Demand drivers**

- Rebound of discretionary spend of high-income\* groups (~30% spend on entertainment/dining out)
  - High-income groups represent ~35% of India consumption
- Increased preference for ordering food online driven by increased convenience and social distancing
  - Gross merchandise value (GMV) already recovered to ~80% of pre-Covid levels by Oct 2020
- Rising population share of millennials/Gen Z (2–3 percentage points in FY20–25; 70% in FY20), who prefer non-home meals

**Supply drivers**

- Sharp recovery in number of delivery executives in operation from an initial ~70% dip in Mar–Apr 2020
- Sustained expansion of international quick service restaurant (QSR) chains
  - Pizza Hut to continue expansion in India despite Covid, opening 200+ outlets by FY22
- Increasing entry of strictly dine-in players into online
  - 5% of current base was strictly dine-in pre-Covid (e.g. ITC, Hyatt)
- Lower taxation bracket post GST rollout (decrease from 18% to 5%) has made opening new registered restaurants more attractive

\* Annual household income >\$8,000  
Sources: NRAI (2019) analyst reports; market participant interviews

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**Figure 15:** Indian SaaS companies have evolved from a few upstarts in the 2010s to a multibillion-dollar industry today

	<b>1</b> Horizontal business products targeting small & medium businesses (SMBs) globally (2011–present)	<b>2</b> Vertical SaaS businesses disrupting underserved markets (2015–present)	<b>3</b> Broad-based horizontal and vertical solutions serving enterprises and SMBs (2018–present)
<b>Description</b>	<ul style="list-style-type: none"> <li>Rise of horizontal solutions, primarily ERP or CRM related</li> <li>Targeting global SMBs using cost arbitrage and benefiting from strong customer service talent</li> </ul>	<ul style="list-style-type: none"> <li>Companies disrupting underserved markets and verticals by replacing legacy processes</li> </ul>	<ul style="list-style-type: none"> <li>SaaS companies witnessing bottom-up adoption within enterprises and catering to different verticals</li> <li>Building category leadership in emerging tech (e.g. APIs, GraphQL, cybersecurity)</li> </ul>
<b>Enablers</b>	<ul style="list-style-type: none"> <li>Indian IT giants (TCS, Infosys) developing customer service and engineering talent en masse</li> <li>Setup of India operations by big tech companies (Google, Microsoft), gradual return of trained product managers</li> </ul>	<ul style="list-style-type: none"> <li>Rise of public cloud with entry and growth of Amazon Web Services, Google Cloud Platform and Azure</li> </ul>	<ul style="list-style-type: none"> <li>Rise of trained SaaS talent from Wave 1 and Wave 2 SaaS companies</li> <li>Development of ecosystem and better access to capital</li> </ul>
<b>Examples</b>	Zoho, Kissflow, Freshworks, Chargebee, Agile CRM	Zenoti, Innovapptive, Innovaccer, CareStack, DataWeave, Tookitaki	Postman, Hasura, BrowserStack, Acceldata

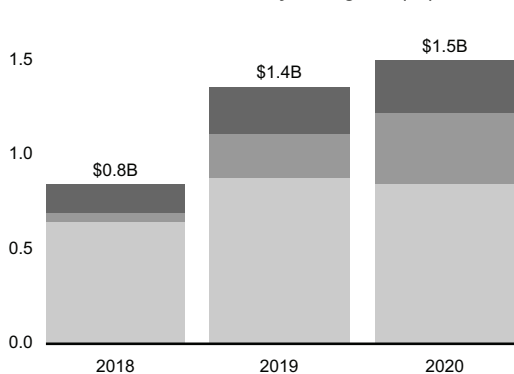
Note: Start-ups are placed in different waves based on their traction by funding (i.e., Series A/B funding date)  
Sources: Market participant interviews; Bain analysis

**Figure 16:** Investments in SaaS have grown by ~10% in 2020 vs. 2019 and average deal size continues to grow across all segments as the Indian SaaS ecosystem matures

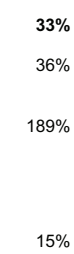
**Overall increase in investments despite lower deal volume vs. 2019 due to higher average deal size**

**Higher average deal size driven by large deals such as Postman, HighRadius, Eightfold AI, and MindTickle**

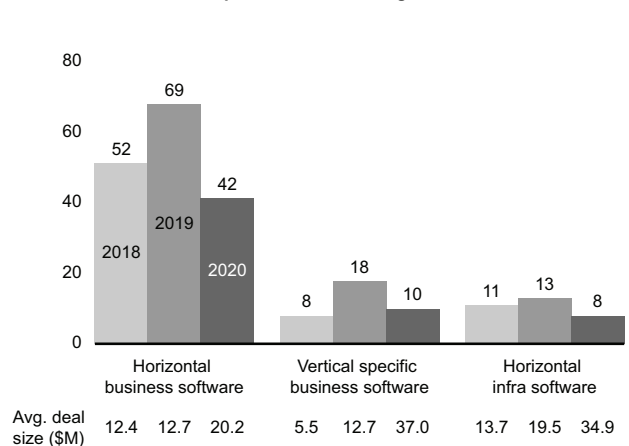
Software/SaaS VC investments by subsegment (\$B)



CAGR (2018–20)



Number of deals for enterprise software subsegments



Deal vol. 71 100 60  
 Horizontal business Vertical specific business Horizontal infra

Note: Deals exclude transactions where deal value is unknown  
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

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**Figure 17:** Investments in fintech have increased marginally in 2020 vs. 2019; payments emerges as the most attractive subsector

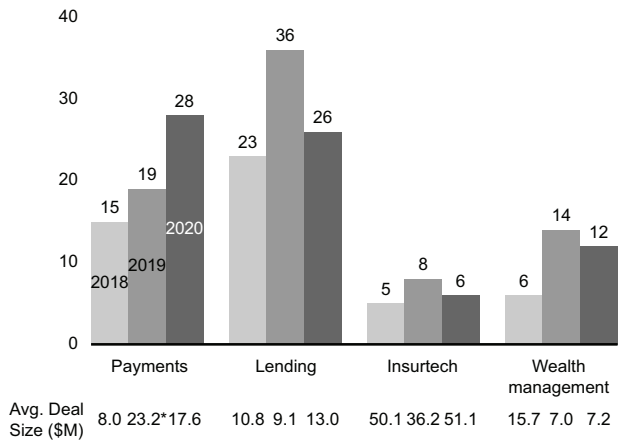
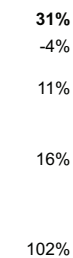
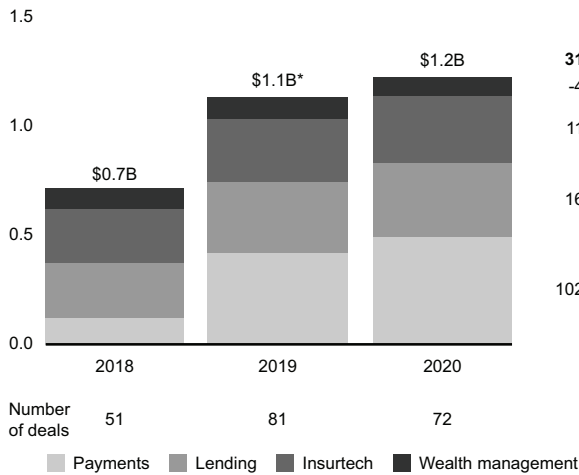
**Majority investment in lending occurred in Q1 2020, followed by smaller deals due to the pandemic**

**Increase in investments in payments driven by surge in digital payments during the pandemic**

Split of fintech VC investments by subsegment (\$B)

CAGR (2018–20)

Number of deals for key fintech subsegments



\* Doesn't include \$1B Paytm deal  
 Notes: Deals exclude transactions where deal value is unknown  
 Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

**Figure 18:** Key investment trends in fintech subsectors

- Payments**
  - VC activity in 2020 in digital payments grew by ~20% compared to 2019 (except for the \$1B Paytm deal of 2019), driven by large late-stage deals—Razorpay (\$100M), CRED (\$81M), and BharatPe (\$74M)
  - Unified Payment Interface (UPI) payments have witnessed steady increase in volume and value of transactions during the pandemic for both online and offline (QR scan) payments. UPI payments are expected to grow at 35% CAGR over next 5 years
- Lending**
  - Investment traction in lending increased by ~4% in 2020 vs. 2019, fuelled by the continued momentum from 2019 in Jan–Mar of 2020. 60% of the ~\$340M investment value in 2020 was during this period; however, the pandemic hit this segment hard—the next two quarters witnessed limited activity with a recovery in Oct–Dec that saw 30% of the investments
  - While SME and B2C lending had gained traction in the last 2–3 years due to increasing optimism around consumer finance, these slowed down in 2020 due to the pandemic's impact on business—low liquidity and higher levels of distressed assets
- Insurtech**
  - Insurtech increased by ~6% in 2020 vs. 2019 due to large deals such as PolicyBazaar, Digit, and Acko, constituting ~90% of the total deal value in 2020
  - Increased adoption for insurtech, driven by higher digital push and lower inclination for physical agent interaction amid the pandemic and tailwinds in personal insurance (e.g. health protection plans) due to increased user health consciousness post-Covid
- Wealth management**
  - VC investments in wealth management in 2020 are largely in line with 2019 in terms of both deal value and deal volume—this segment has been resilient to pandemic
  - Wealth management (Groww, Smallcase, INDwealth) continued to attract funding in 2020 as in 2019, on the back of business growth driven by increased adoption in the traditionally underpenetrated markets
    - Retail investors from across the country took to equities trading platforms, such as Groww, as low interest rates from fixed deposits (FD) and savings, as well as a dip in stock markets during the onset of the pandemic, presented several profit-making opportunities

Sources: Secondary search; Bain analysis

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# 3

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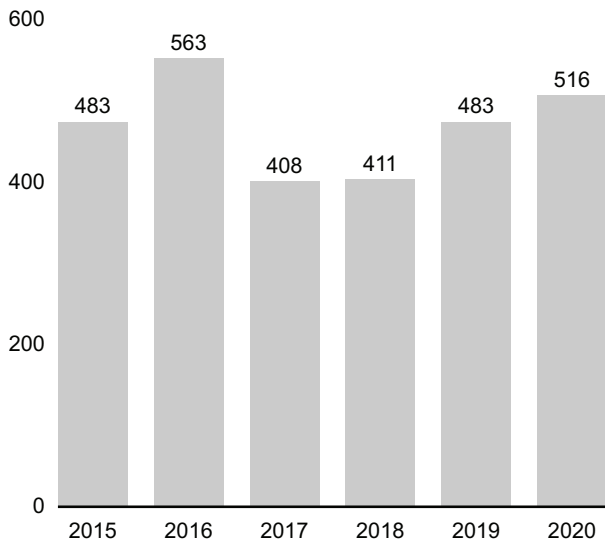
## Investors and fundraising landscape

- The number of active VCs in India reached ~520 in 2020, an increase of ~110 since 2018. Some new funds that started investing in Indian start-ups in 2020 include Inflection Point Ventures, Avataar Venture Partners, and Coatue Management, among others.
- VC fundraising for India-focused funds reached the highest levels ever in 2020—\$3 billion, growing by more than 40% compared to 2019. Most major funds closed in H1 2020, continuing from the strong momentum from 2019.
- The high level of fundraising was also fuelled by two major funds closed by Sequoia Capital: India Venture Fund VII (\$525 million) and India Growth Fund III (\$825 million), accounting for 40% of all funds raised in 2020 for India-focused VC investments. Sequoia Capital also invested in the highest number of start-ups in 2020, whereas Tiger Global was the most prominent investor in terms of deal value, participating in several deals of more than \$100 million each.
- Despite the record-breaking year for fundraising, India-focused dry powder has remained stable over the last four years, ending 2020 at \$6 billion. This indicates strong investment activity going forward into 2021 and beyond.

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**Figure 19:** The number of active VC funds in India has seen steady growth over the last four years; several new funds started investing in India in 2020

**Number of active VCs in India\***

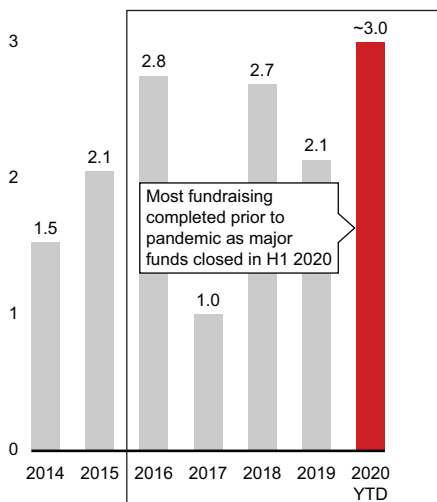


Top new VC investors in 2020	No. of investments	Top portfolio companies
Inflection Point Ventures	10	BluSmart, Milkbasket, TrulyMadly, Gully Network
Avataar Venture Partners	8	RateGain, ElasticRun, Appnomic
Coatue Management	6	BharatPe, Vedantu, Faasos
Beyond Next Ventures	5	DocsApp, BigHaat, GigIndia
Titan Capital	5	Credgenics, Able Jobs, Alphavector
Arkam Ventures	4	Smallcase, Signzy, Jai Kisan

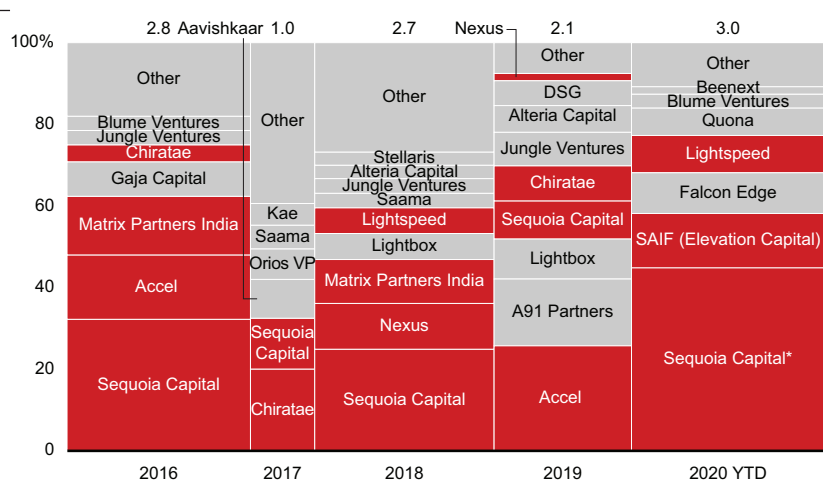
\* An investor is considered to be an active VC investor if investment(s) made in the current year  
Sources: Bain VC deals database; Crunchbase; IVCA; Bain analysis

**Figure 20:** Most of the top VC funds in India raised capital in 2019 and 2020; Sequoia and Accel have raised the most funds in the last two years

**Total funds raised by VCs for investments in India (\$B)**



**Total funds raised by VCs for India-based investments\* (% , \$B)**

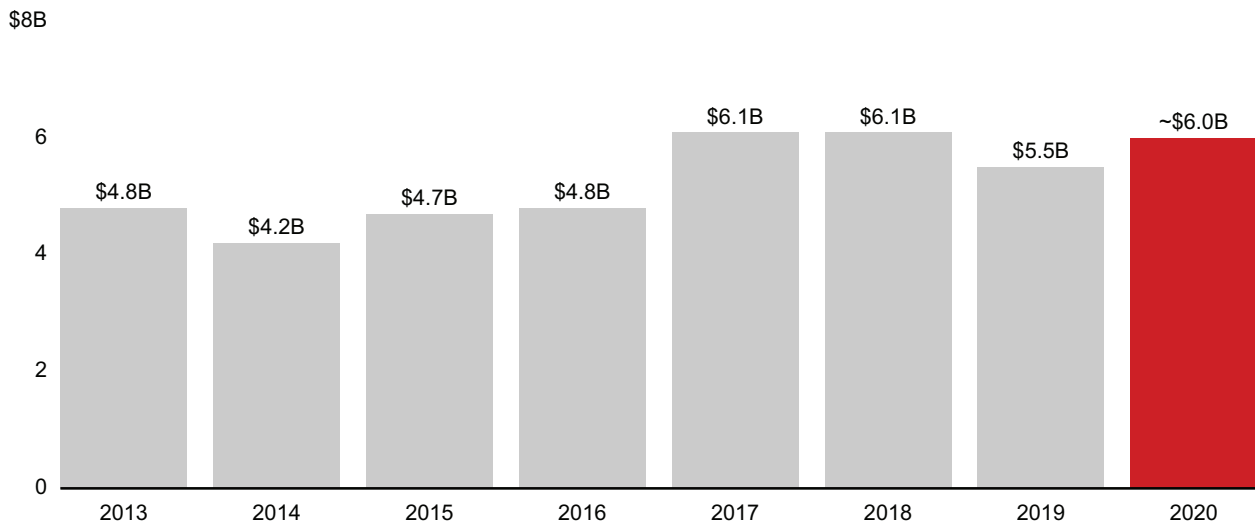


\* Includes only funds that are explicitly earmarked for India, raised by Indian or global VCs  
Notes: Sequoia raised \$1.35B combined for India and South-east Asia; red cells are VCs that have been the most active among those that raised funds for India investments in terms of deal volume/value over the last 5 years; 2020 YTD till last week of November  
Sources: Venture Intelligence; Bain analysis

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**Figure 21:** VC dry powder has remained stable for the past four years

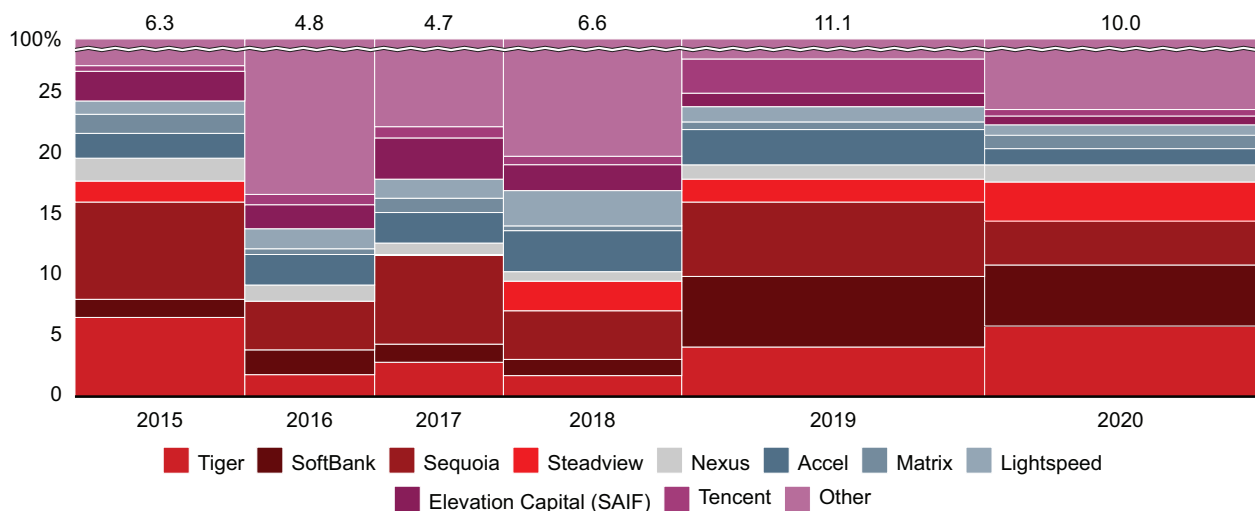
**India-focused dry powder by global and domestic VC funds (\$B)**



Notes: Includes only the funds that separately raise capital specifically for Indian investments, not those that have a single fund for both global and Indian investments; excludes real estate and infrastructure dry powder  
Source: Preqin

**Figure 22:** Top 10 VCs (including large growth equity investors, such as Tiger, Softbank, and Steadview) contributed 25% of deal value, slightly lower than in 2019

**Total VC investment split by top investors in 2020 (\$B)**



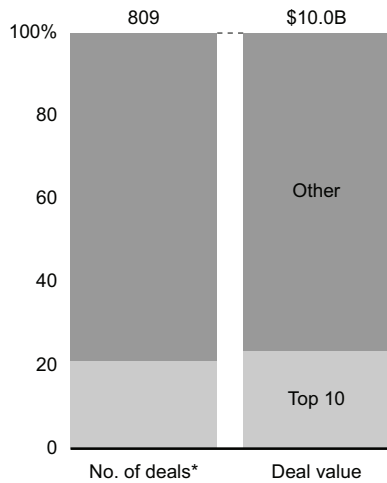
← Top VCs are the investors that are most active in terms of deal volume/value over the last 5 years →

Note: In case of multiple investors for a deal, deal value per investor was calculated assuming equal split of investment across the investors  
Sources: Bain VC Deal's Database; Bain analysis

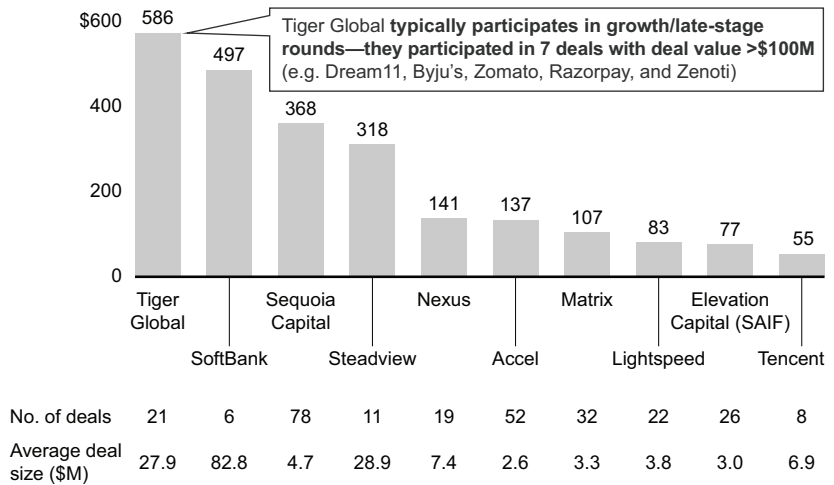
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**Figure 23:** Top 10 investors participated in ~20% of the VC deals in 2020; Tiger Global leads in deal value, and Sequoia leads in deal volume

**Total VC deal value and volume split by top investors in 2020**



**Total VC deal value per investor in 2020 (\$M)**



\* Deal is counted only once as a top VC deal, even if multiple top VCs participated in the same deal

Notes: Excludes transactions where deal value is unknown; top VCs are the most active in terms of deal volume/value over the last 5 years; deal volumes are not additive because deals with multiple investors may be counted more than once across top 10 funds; in case of multiple investors for a deal, deal value per investor was calculated assuming equal split among the investors

Sources: Bain VC Deals Database; Bain analysis

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# 4

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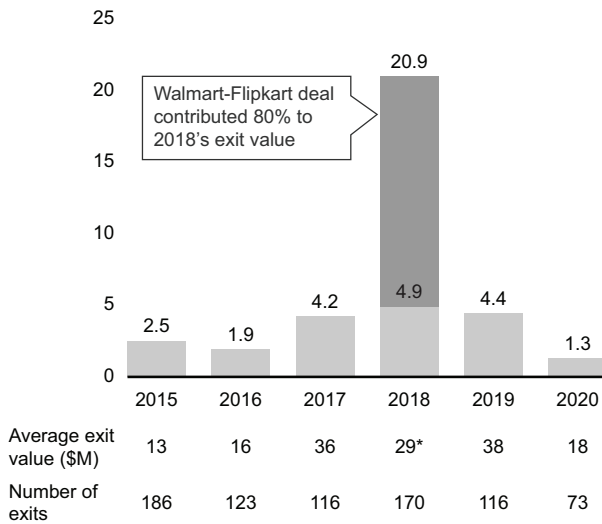
## Exit landscape

- VC exits declined to \$1.3 billion in 2020 from \$4.4 billion in 2019, to the extent of 70%. Muted exits were driven by the impact of the pandemic on businesses, potentially reducing their valuations and therefore making it an unfavourable time for investors to cash in on their investments.
- One-third of the exit value came from edtech and ~20% from foodtech—sectors that also saw a spike in end user adoption and funding activities during the pandemic.
- However, the exit outlook remains positive for the next few years as most of the top VC funds' portfolio is yet to reach maturity—2020 saw a gap of 1–2 years on average between the funds' average holding period and portfolio age today. This, along with improved economic climate post-pandemic, will likely lead to recovery in exits going forward.

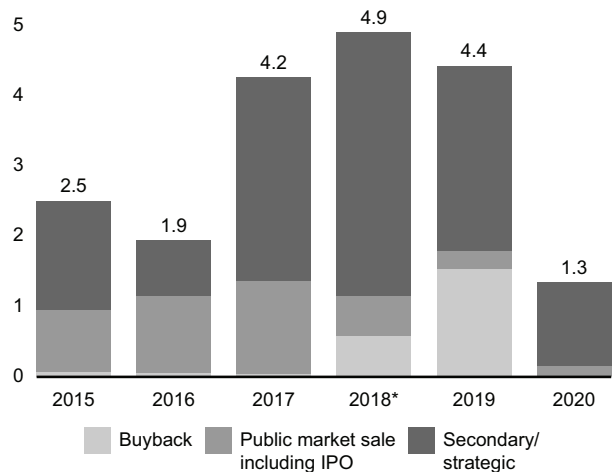
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**Figure 24:** VC exits have declined by ~70% in 2020 vs. 2019 due to the adverse impact of the pandemic on businesses & VC portfolios not reaching maturity in 2020

**Total VC exits value in India (\$B)**



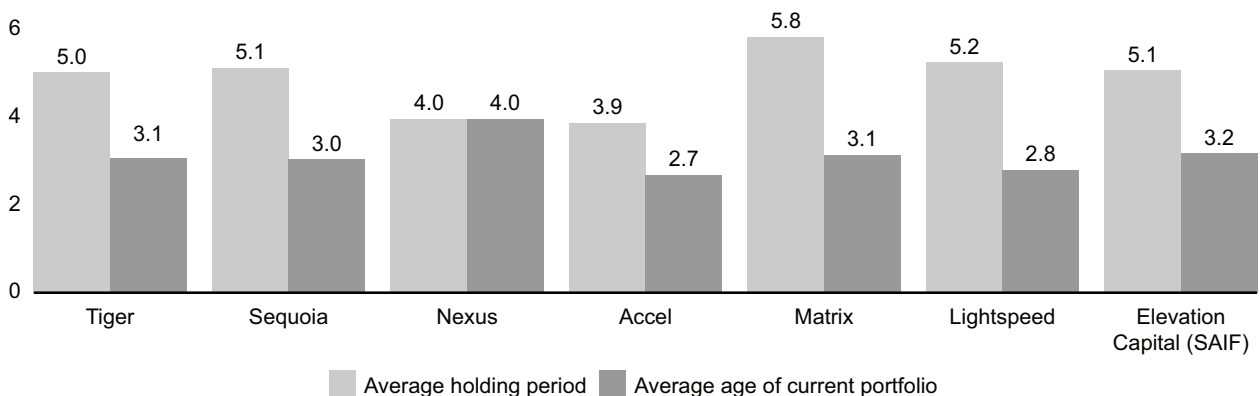
**VC exits in India by mode of exit (\$B)**



\* Excluding Flipkart  
 Note: Exits with undisclosed deal amounts have not been included  
 Sources: Venture Intelligence; AVCJ; VCCEdge; Bain analysis

**Figure 25:** Most top funds' portfolios did not reach maturity in 2020; exit momentum is expected to improve over the next one to two years

**Average holding period and portfolio age of top VC funds (in years)**



*"2021 will mark the dawn of the IPO era for our ecosystem, providing more exits, as growth accelerates across segments and an increasing number of companies start to hit scale. This trend will accelerate significantly as the ecosystem matures and some of the large companies move towards profitability."*

Top VC

Notes: Averages calculated using simple average; exit portfolio based on select major deals 2012–20; top VCs are the most active in terms of deal volume/value over the last 5 years; excludes SoftBank, Steadview, and Tencent because they have very few exits  
 Sources: Bain VC Deals Database; Anandan, 2021 to mark a new era for the Indian startup ecosystem, Mint, Dec 2020; Bain analysis



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**Figure 26:** The top 10 exits in 2020 included several exits of more than \$100 million

<b>Asset</b>	<b>Key exiting VC investors</b>	<b>Exit mode</b>	<b>Exit value (\$M)</b>
<b>Whitehat Jr.</b>	Omidyar Network India, Owl Ventures, Nexus	Strategic sale to Byju's	~300
<b>Swiggy</b>	SAIF Partners, Accel, Norwest Partners, RB Investments, Bessemer	Secondary sale	~220
<b>PolicyBazaar.com</b>	Inventus Capital, Ribbit Capital, Tiger Global, Tencent	Secondary sale	~130
<b>Byju's</b>	IFC, Sequoia, Lightspeed, Verlinvest, Sofina	Secondary sale	~100
<b>Home First Finance</b>	TrueNorth, Bessemer	Secondary sale	~95
<b>Richcore Lifesciences</b>	Eight Roads, Ventureast	Strategic sale to Laurus Labs	~35
<b>XpressBees</b>	Elevation Capital, Chiratae, Valiant, Vertex, Paytm	Secondary sale	~30
<b>Delhivery</b>	Tiger Global, Nexus Venture Partners, Multiples PE	Secondary sale	~25
<b>UrbanLadder.com</b>	Elevation Capital, Sequoia, Kalaari, Steadview, Ratan Tata	Strategic sale to Reliance Retail	~25
<b>Indian Energy Exchange (IEX)</b>	Lightspeed	Public market sale	~20

Sources: Bain VC Deals Database; Bain analysis

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**Figure 27:** More than 50% of top funds' portfolio companies went on to raise further funding between 2015 and 2020

VC name	India-focused funds raised 2015–20	Number of deals participated 2015–20	Est. capital deployed by investor 2015–20	% of portfolio companies that raised further funding 2015–20*	% of portfolio companies with total funding >\$100M	Exits** 2015–20
<b>Tiger Global</b>	N/A***	~110	~\$1.8B	~55%	~30%	<ul style="list-style-type: none"> <li>~20 exits in last 5 years; total exit value of ~\$2.5B****</li> <li>Top 3 exits in 2015–20 include Flipkart, Ola, and Asian Genco</li> </ul>
<b>Sequoia</b>	~\$3.5B	~350	~\$2.3B	~55%	~20%	<ul style="list-style-type: none"> <li>~60 exits in last 5 years; total exit value of ~\$4.6B</li> <li>Top 3 exits in 2015–20 include Oyo, Star Health Insurance, and Freecharge</li> </ul>
<b>Nexus</b>	~\$0.8B	~100	~\$0.5B	~55%	~10%	<ul style="list-style-type: none"> <li>~20 exits in last 5 years; total exit value of ~0.6B</li> <li>Top 3 exits in 2015–20 include Whitehat Jr., Mezi.com, and Delhivery</li> </ul>
<b>Accel</b>	~\$1.3B	~250	~\$1B	~50%	~10%	<ul style="list-style-type: none"> <li>~25 exits in last 5 years; total exit value of ~1.4B****</li> <li>Top 3 exits in 2015–20 include Flipkart, Ola, and Swiggy</li> </ul>
<b>Matrix</b>	~\$0.7B	~110	~\$0.4B	~50%	~10%	<ul style="list-style-type: none"> <li>~15 exits in last 5 years; total exit value of ~\$0.4B</li> <li>Top 3 exits in 2015–20 include ItzCash Card, TCNS Clothing, and Quikr</li> </ul>
<b>Lightspeed</b>	~\$0.6B	~70	~\$0.6B	~50%	~15%	<ul style="list-style-type: none"> <li>~10 exits in last 5 years; total exit value of ~\$1.8B</li> <li>Top 3 exits in 2015–20 include Oyo, Itz Cash Card, and IEX</li> </ul>
<b>Elevation Capital (SAIF)</b>	~\$0.8B	~130	~\$0.7B	~55%	~30%	<ul style="list-style-type: none"> <li>~25 exits in last 5 years; total exit value of ~\$1.3B</li> <li>Top 3 exits in 2015–20 include One97 (Paytm), MakeMyTrip, and Swiggy</li> </ul>

\* Further funding includes subsequent rounds participated by any investor

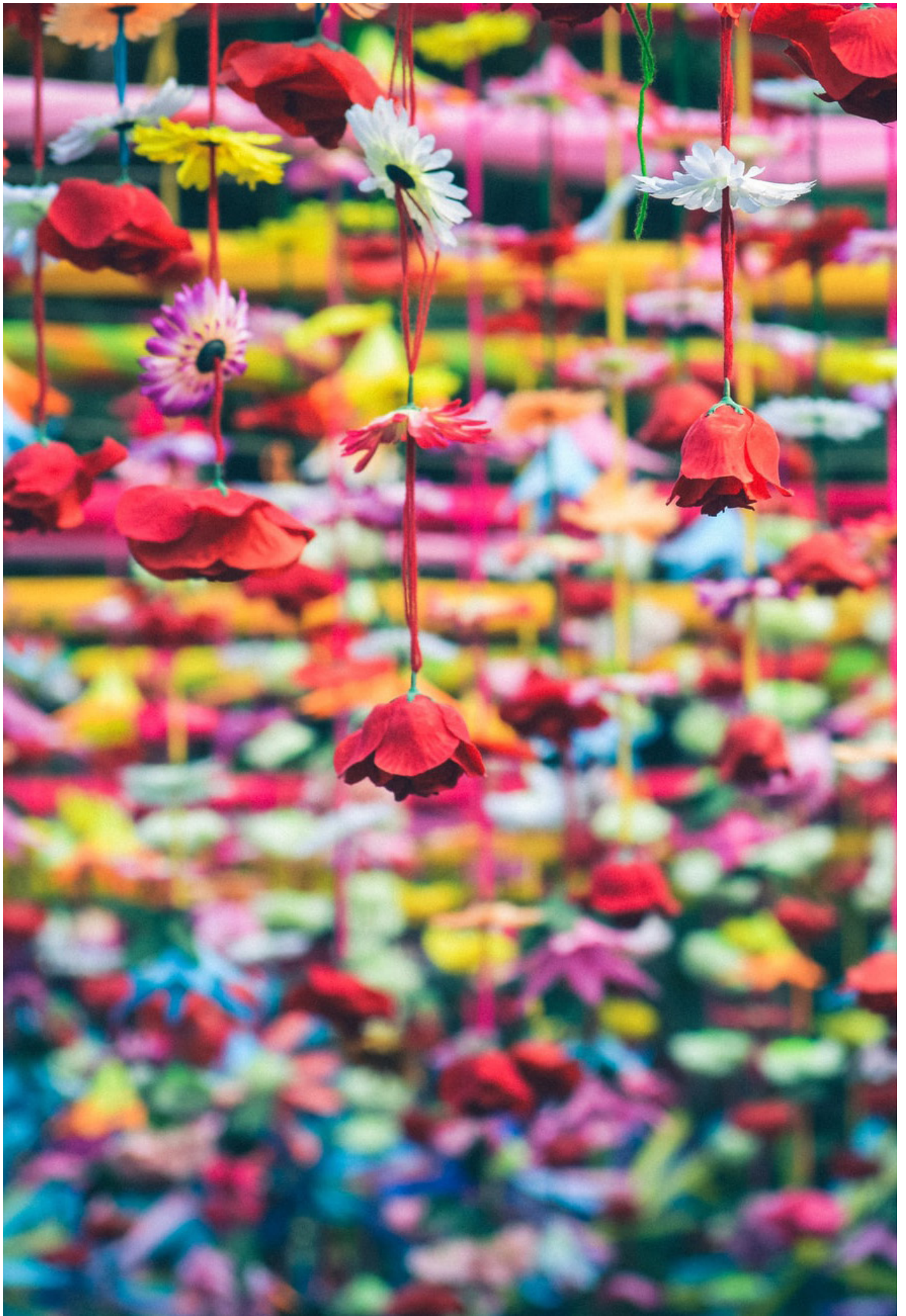
\*\* Total exit value includes combined exit value for all participating firms and top 3 exits are by total exit value

\*\*\* Tiger Global doesn't have any India-focused funds

\*\*\*\* Flipkart's \$16B acquisition excluded from total exit value

Sources: Venture Intelligence; Bain VC Deals Database; Bain analysis

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# 5







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## Start-up ecosystem in India

- The start-up ecosystem in India remains robust and is rapidly growing. Between 2012 and 2020, the number of start-ups in India increased by 17% each year, while funded start-ups increased at a similar rate of 16% CAGR. Currently, of almost 110,000+ start-ups in India, about 9% are funded, implying significant room for further investments. While Delhi, Bangalore, and Mumbai continue to be the start-up capitals of India, other cities such as Hyderabad, Pune, and Chennai have emerged as hubs witnessing a lot of recent start-up activity as well.
- Despite the pandemic, the start-up ecosystem in India remains strong—among the top five globally, with 12 additional companies achieving ‘unicorn’ status in 2020, taking India’s unicorn tribe to a total of 37 (behind only the US and China globally).
- Continued growth in the start-up ecosystem in India has led to creation of more than three million direct and indirect jobs over the last eight years.

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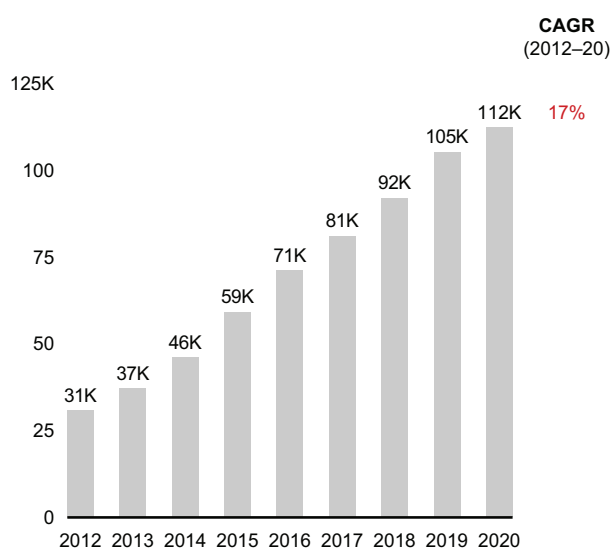
**Figure 28:** India has one of the top five start-up ecosystems in the world

	US	China	India	UK	Israel
 <b>Total number of unicorns</b>	299	166	37	35	17
 <b>Total number of funded start-ups</b>	65K	16K	10.2K	13K	2.7K
 <b>Total engineering graduates per year</b>	0.26M	4.61M	1.5M	0.07M	0.01M
 <b>Total number of Internet users</b>	297M	854M	560M	64M	7M
 <b>Total number of incubators and accelerators</b>	1.5K	14K	450	400	100
 <b>Ease of doing business rank, World Bank 2020 (2019)</b>	6 (8)	31 (46)	63 (77)	8 (9)	35 (49)

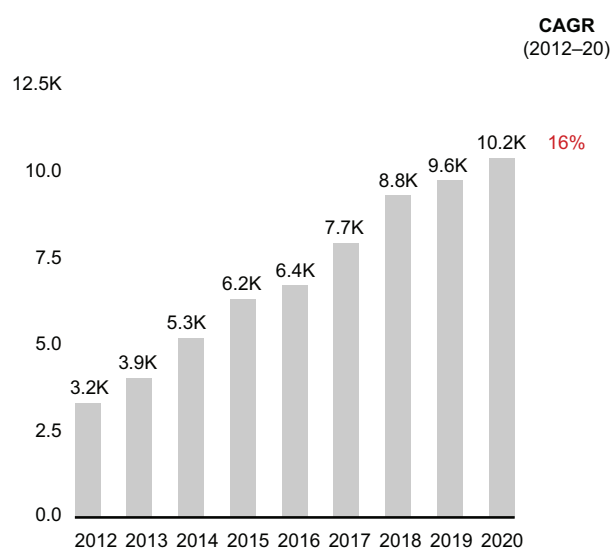
Sources: Tracxn; World Bank; Bain analysis

**Figure 29:** The start-up ecosystem in India continues to grow rapidly, with 112,000 start-ups at present (7,000 added in 2020), of which ~9% are funded

**Number of cumulative start-ups in India (2012–20)**



**Number of funded start-ups in India (2012–20)**

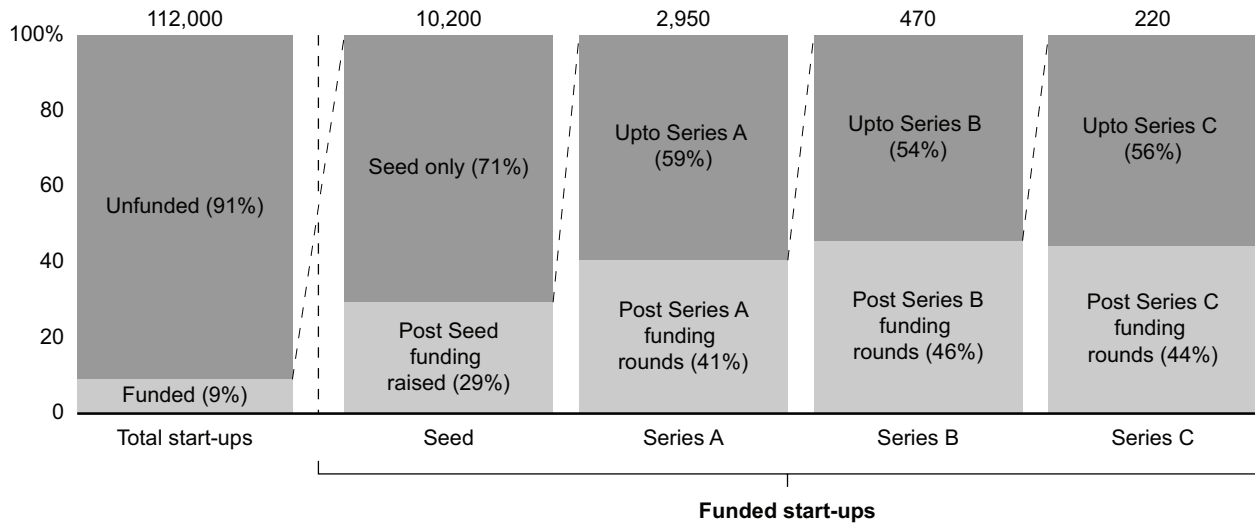


Notes: Start-ups are companies founded post 2000; public, acquired and deadpooled start-ups are excluded  
Sources: Tracxn; Bain analysis

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**Figure 30:** Among funded start-ups in India, typically ~30% go on to raise subsequent rounds

**Number of start-ups in India till date**



Notes: Start-ups are companies founded post 2000; classification of rounds as Seed, Series A, Series B, and Series C as per investment announcements as reported by Tracxn; public, acquired, and deadpooled start-ups are excluded  
Sources: Tracxn, Bain analysis

**Figure 31:** 12 new unicorns expanded India’s unicorn tribe to 37 in 2020 (25 in 2019)

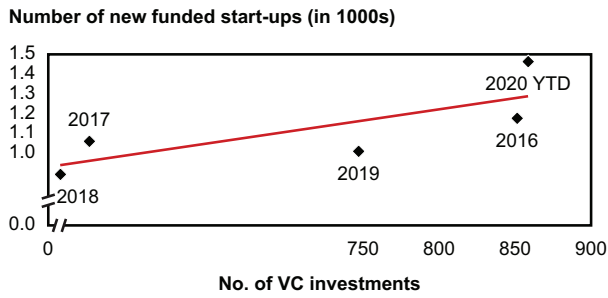
	Company	Subsector		Company	Subsector	
<b>Consumer Tech</b>	InMobi	Advertisements	<b>SaaS</b>	ThoughtSpot	Horizontal business software	
	BYJU's	Edtech		Freshworks	Horizontal business software	
	<b>Unacademy</b>	Edtech		Icertis	Horizontal business software	
	Swiggy	Foodtech		<b>HighRadius</b>	Horizontal business software	
	Zomato	Foodtech		Druva	Horizontal infra software	
	Dream11	Gaming		<b>Postman</b>	Horizontal infra software	
	Snapdeal	Horizontal e-commerce		<b>Zenoti</b>	Vertical specific business software	
	Paytm Mall	Horizontal e-commerce		<b>Fintech</b>	PolicyBazaar	Insurtech
	<b>Dailyhunt</b>	Media & entertainment			Paytm	Payments
	<b>Glance</b>	Media & entertainment			<b>Pine Labs</b>	Payments
	Ola	Mobility			BillDesk	Payments
	Ola Electric	Mobility			<b>Razorpay</b>	Payments
	Oyo	Hospitality			<b>Zerodha</b>	Wealth management
	BigBasket	Verticalised e-commerce			<b>Shipping</b>	Delhivery
	<b>FirstCry</b>	Verticalised e-commerce		BlackBuck		Shipping & logistics
	Lenskart	Verticalised e-commerce		Rivigo		Shipping & logistics
	<b>Cars24</b>	Verticalised e-commerce		<b>Other</b>	Greenko Group	Energy
<b>Nykaa</b>	Verticalised e-commerce	ReNew Power	Energy			
		Udaan	B2B marketplace			

Sources: Tracxn; Venture Intelligence; CB Insights; Bain analysis

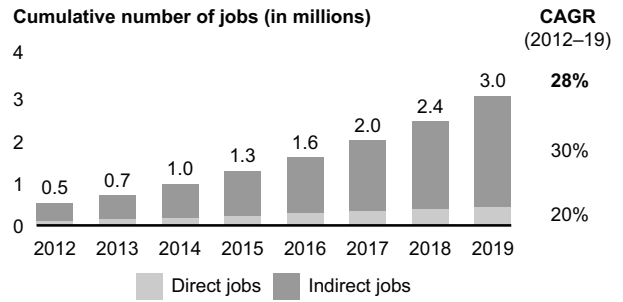
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**Figure 32:** VC investments have fuelled growth in funded start-ups, which have, in turn, created more than 3 million jobs over the last eight years

**VC investments have led to an increase in the number of funded start-ups**



**Start-ups have increasingly contributed to the creation of direct and indirect jobs**



VC investing has led to disruption in numerous industries:

- **Edtech.** Enabling education through digital means, especially during Covid-19 (Byju's and Unacademy)
- **Healthtech.** Making healthcare accessible to all (Pharmany, DocsApp, Cure.fit)
- **Fintech.** Increasing online payments, lending, and wealth management penetration (PayTM, Razorpay, etc.)

- Start-ups in India currently employ **~0.5 million direct employees**
- Each direct job created by a start-up leads to the **creation of multiple indirect jobs** (e.g. delivery partners for foodtech and e-commerce companies)
  - Indirect employment has grown faster than direct employment, implying more indirect jobs being created per direct job
- Hence, investments in Indian start-ups have helped create more than **3 million jobs**

Note: Start-ups are defined as companies founded after 2000; for employment analysis, only technology or technology-enabled companies founded in 2009–19 that are still active and have not been acquired (or IPO) are considered  
Sources: IVCA; Zinnov; Tracxn; Bain analysis



India Venture Capital Report 2021



# 6

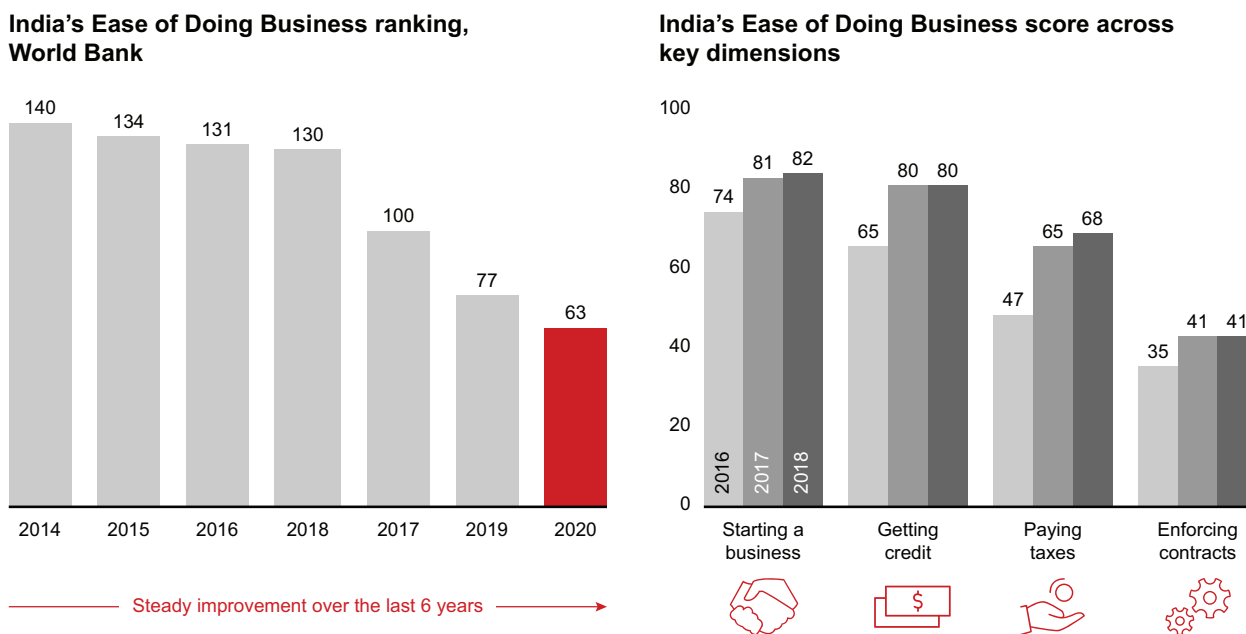
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## Regulatory landscape

- Overall, we see continued improvement on the policy and regulatory front, with the Indian government having introduced several programmes to boost the start-up ecosystem. Flagship initiatives such as AtmaNirbhar Bharat, Startup India, Digital India, and the Alternative Investment Policy Advisory Committee (AIPAC) continue to improve the environment for investors and start-ups.
- Focus on creating a favourable and nurturing environment for start-ups through a wide array of government schemes and initiatives has led to significant improvement in the World Bank's Ease of Doing Business rankings for India over the last four years as well—a jump of 68 places from 131 in 2016 to 63 in 2020.
- In the wake of the pandemic, several initiatives and policies from the government aimed at improving the health of businesses post-lockdowns such as AtmaNirbhar Bharat and Startup India have ensured availability of funding and easier compliance requirements for start-ups in India.
- While multiple new policy initiatives were introduced to bolster start-ups across industries, some sector-specific decisions helped turbocharge high-priority segments.
  - The new National Education Policy (NEP) 2020 reimagines education in India with a core focus on bridging the digital divide, providing a sizeable thrust to edtech.
  - Regulations for telemedicine and National Digital Health Mission (NDHM) will likely play an essential part in bolstering healthtech in India.
- The government of India also introduced several new policy initiatives to improve ease of operating alternate investment funds (AIFs) in India in 2020.

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**Figure 33:** Ease of doing business has improved in India in the last six years



Source: World Bank

**Figure 34:** Several government-led initiatives have ensured continued growth and availability of funding to start-ups in India amid the pandemic

<b>AtmaNirbhar Bharat</b>	<ul style="list-style-type: none"> <li>In the wake of Covid-19, a special economic package of INR 20 lakh crore has been introduced for Micro, Small and Medium Enterprises (MSMEs) and start-ups to create liquidity and enable them to continue to innovate and expand capacity</li> </ul>
<b>Startup India</b>	<ul style="list-style-type: none"> <li>Flagship initiative to nurture innovation by simplifying processes for start-ups, allowing them to focus on their core and keep compliance costs low while enabling easy access to funding; ~40k start-ups have been recognized by Department for Promotion of Industry and Internal Trade (DPIIT) till now</li> <li>Budget 2020 has proposed taxation of Employee Stock Ownership Plan (ESOP) at the time of sale of shares instead of issue, creating a favorable ecosystem for start-ups</li> </ul>
<b>Digital India</b>	<ul style="list-style-type: none"> <li>Launched to transform India into a digitally empowered nation by ensuring electronic availability of government services through improved infrastructure and increased internet connectivity; ~23% increase in budget to promote electronic manufacturing</li> <li>Mobile apps, such as Aarogya Setu and ePathshala, developed to promote digital health mission, edtech, and agritech</li> </ul>
<b>Alternate Investment Policy Advisory Committee (AIPAC)</b>	<ul style="list-style-type: none"> <li>Security &amp; Exchange Board of India's (SEBI) AIPAC eases financial regulations for AIFs under the chairmanship of N. R. Narayan Murthy; the committee also includes market experts and partners from top PE and VC firms</li> <li>Employed tax benefits, such as pass-through and Tax Deducted at Source (TDS) waivers for VC funds, and less stringent angel fund regulations</li> </ul>
<b>Atal Innovation Mission</b>	<ul style="list-style-type: none"> <li>Launched by NITI Aayog to foster sectoral innovation and solve problems in key sectors via collaborative platforms, incubators and labs</li> </ul>
<b>Small Industries Development Bank of India (SIDBI)</b>	<ul style="list-style-type: none"> <li>Aimed at promoting growth of MSMEs and start-ups in India through a variety of initiatives such as Fund of Funds for Startups with a corpus of INR 10,000 crore, MSME lending through SMILE Fund, and Covid-19 Startup Assistance Scheme to provide working capital loans for stressed start-ups</li> </ul>

Source: Government websites

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**Figure 35:** Key policy recommendations address foreign VCs' concerns

<b>Reduction in taxation and surcharges (Central Board of Direct Taxes)</b>	<ul style="list-style-type: none"> <li>• Reduce taxation and surcharges on private investments to create a level playing field for public and private markets, rolled out in phases (only for broad-based AIF 1 and AIF 2)                             <ul style="list-style-type: none"> <li>– Holding period for unlisted shares be reduced to one year for it to qualify as long-term capital gains (LTCG) to be at par with listed shares</li> <li>– LTCG tax on unlisted shares be reduced to 10% without indexation or 20% with indexation at the option of the taxpayer</li> <li>– Consider a one-time exemption from LTCG tax for investments made in Indian companies for a period of 3 years</li> <li>– Parity can also be achieved by levying of Securities Transaction Tax (STT) on sales of unlisted shares by AIFs that are long-term in nature</li> <li>– Enhanced surcharge should be rolled back (to be capped at 15%) as it is currently for listed shares</li> </ul> </li> </ul>
<b>Relax GST on offshore management fees (GST Council)</b>	<ul style="list-style-type: none"> <li>• Extend deemed export status for services rendered to AIFs                             <ul style="list-style-type: none"> <li>– By virtue of the deemed export status, the services provided by the Indian Fund Manager can be viewed to be effectively received by the underlying investors (i.e. overseas and domestic investors) in the AIF, which is the pooling vehicle to the extent of foreign investors</li> </ul> </li> </ul>
<b>Extend AIF status to additional investment instruments</b>	<ul style="list-style-type: none"> <li>• Bring pension funds and insurance funds into AIFs                             <ul style="list-style-type: none"> <li>– India needs &gt;2.5% of GDP to come in the form of VC/PE investments for the \$5 trillion target (i.e. around \$125B or INR 8.75 lakh crore)</li> <li>– In addition, domestic capital will benefit from the returns and value creation, the surplus of which can be retained and recycled within the country</li> </ul> </li> </ul>
<b>Facilitate offshore listing of Indian companies (SEBI)</b>	<ul style="list-style-type: none"> <li>• Make global capital available to Indian start-ups by facilitating listing on international exchanges to produce global enterprises, exempting Indian companies from additional filing requirements on meeting prescribed criteria, lifting end use restrictions on offshore funds raised, and clarifying taxation laws</li> </ul>
<b>Single window clearance for institutional investors</b>	<ul style="list-style-type: none"> <li>• Set up a single window clearance system to discuss issues of large funds, both domestic and international                             <ul style="list-style-type: none"> <li>– Institute strong standard operating procedures (SOPs) and governance for clearance (i.e. pre-clearances/parallel approval from ministries and government, timelines for clearances, better support system and discussion portals for taxation and regulatory issues, and closer coordination between government departments)</li> </ul> </li> </ul>
<b>Hybrid instruments under the Foreign Direct Investment (FDI) route</b>	<ul style="list-style-type: none"> <li>• Permit FDI investors to hold hybrid securities in Indian companies subject to restrictions                             <ul style="list-style-type: none"> <li>– Compliance with restrictions on entry routes, sectoral caps, investment limits, and other conditions applicable to equity instruments issued to a nonresident in terms of the Foreign Exchange Management (non-debt Instruments) Rules, 2019 (Non-debt Instrument Rules)</li> <li>– Lock-in period of 1 year on redemption of Optionally Convertible Debentures (OCDs)/Optionally Convertible Preference Shares (OCPS); coupon on the OCDs/OCPS capped at a prescribed rate</li> </ul> </li> </ul>

Source: IVCA



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With leading VC/PE firms, institutional investors, banks, corporate advisers, accountants, lawyers and other service providers as members, it serves as a powerful platform for all stakeholders to interact with each other. Being the face of the Industry, it helps establish high standards of governance, ethics, business conduct and professional competence.

With a prime motive to support the ecosystem, it facilitates contact with policy makers, research institutions, universities, trade associations and other relevant organisations. Thus support entrepreneurial activity, innovation and job creation.

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