



INDIAN STARTUP FUNDING ANALYSIS Q1 2017





Q1 2017 REPORT

Where does the money go?

DEALS

Who all come together to create synergies?

M&A

Who are the catalysts behind the successful journey?

INVESTOR

Turning pages of the book deciding future of startups

RULEBOOK

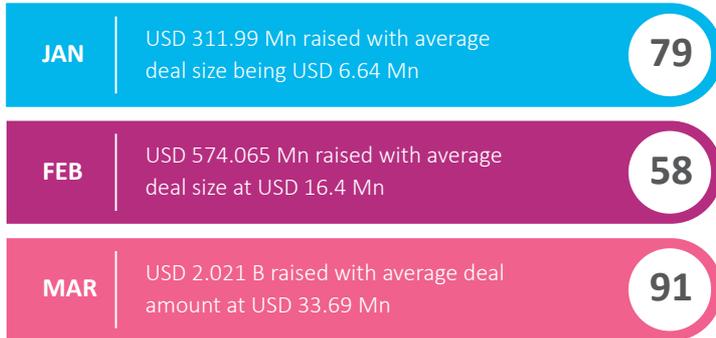
The things that went downhill

PREDICAMENT

The road ahead.....

FUTURE

Maximum deals being secured in March



Indian Startup Space in Q1'17

The onset of the year is marked by an air of optimism, with a whopping \$2.907 Bn of funds being infused into the Indian start-up Ecosystem. This exhibits a 3.5 fold increase from the last quarter of 2016. The investment in Flipkart remains the most prominent one of this quarter. The total number of deals at 228 is 6% less than the previous quarter.

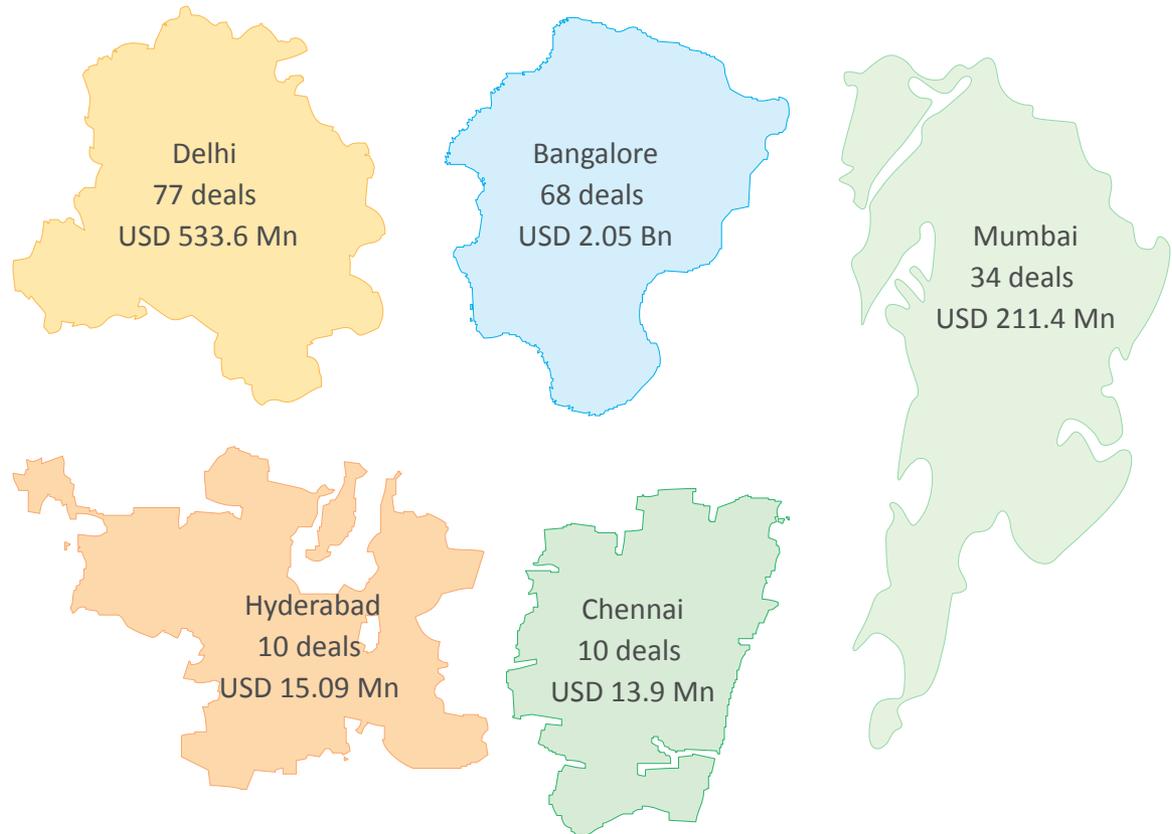
Top Deals



Delhi-NCR still getting maximum love from investors

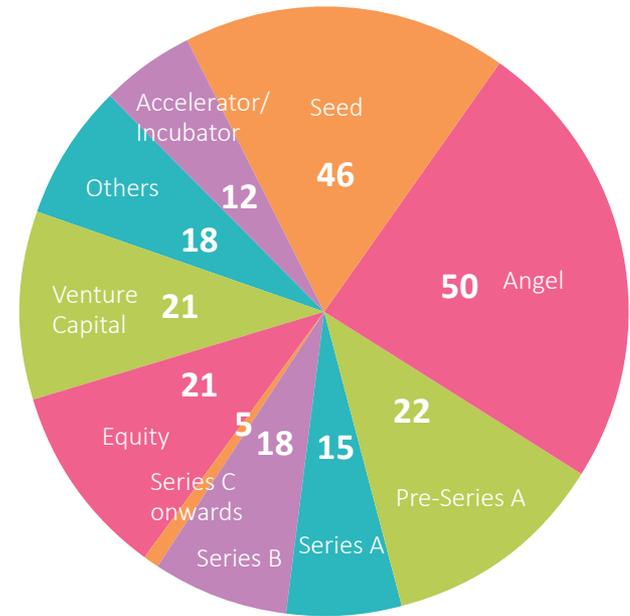
Delhi NCR has bagged the Top City title, with 77 deals this quarter, overtaking Bangalore yet again, which counted 68 deals. The two cities together made up 63% of the total deals for the quarter. However, quantum of deals has dipped in both cities in contrast to the latest quarter, along with Mumbai at 3rd position at 34 deals.

Even so, Bangalore wins the race of securing maximum fund amount, grossing a \$2.057 Bn this quarter, while Delhi-NCR stands way behind with \$ 533.6 Mn of funds. Bangalore owes much of this success to Flipkart that raised \$1.4 Bn, which is 68% of the total amount raised by Bangalore; with second largest deal also belonging to the Silicon Valley of India with Ola raising \$350 Mn.

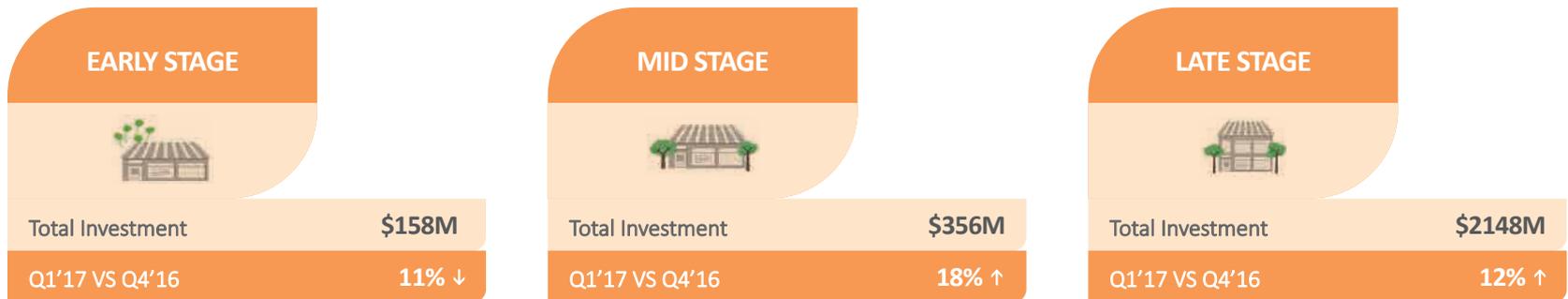


Early stage deals declines, late stage grows....

The ecosystem has witnessed a huge decline in Seed investment in this quarter, where it fell from 62 (Q4'16) to 46(Q1'17), while angel investment has declined marginally to 50 (Q1'17) from 56 (Q4'16). Overall early stage deals have declined in comparison to Q4'16 by 11%, while Mid and late stage deals have risen by 18% and 12% in comparison to Q4'16. This trend could suggest that investors could be now looking for more mature start-ups for their cheques. Also, shutdown among start-ups in 2016 could have made investors apprehensive about early stage deals and are playing safe by getting into late stage deals, even if that means larger ticket size.



Deals By Type



Deal by industry



Enterprise based Applications new hot segment for investors

The enterprise application space is seen to have dethroned eCommerce as the top industry, number of deals experiencing a 30% hike from last quarter. Deals in eCommerce and Fintech, which garnered highest investor interest in 2016, have suffered a decline this quarter, but the amount of funding has grown in both. To all appearances, investors are now transcending their fascination with eCommerce and Fintech, and are looking to invest only in mid and late stages, which explains the increase in amount.

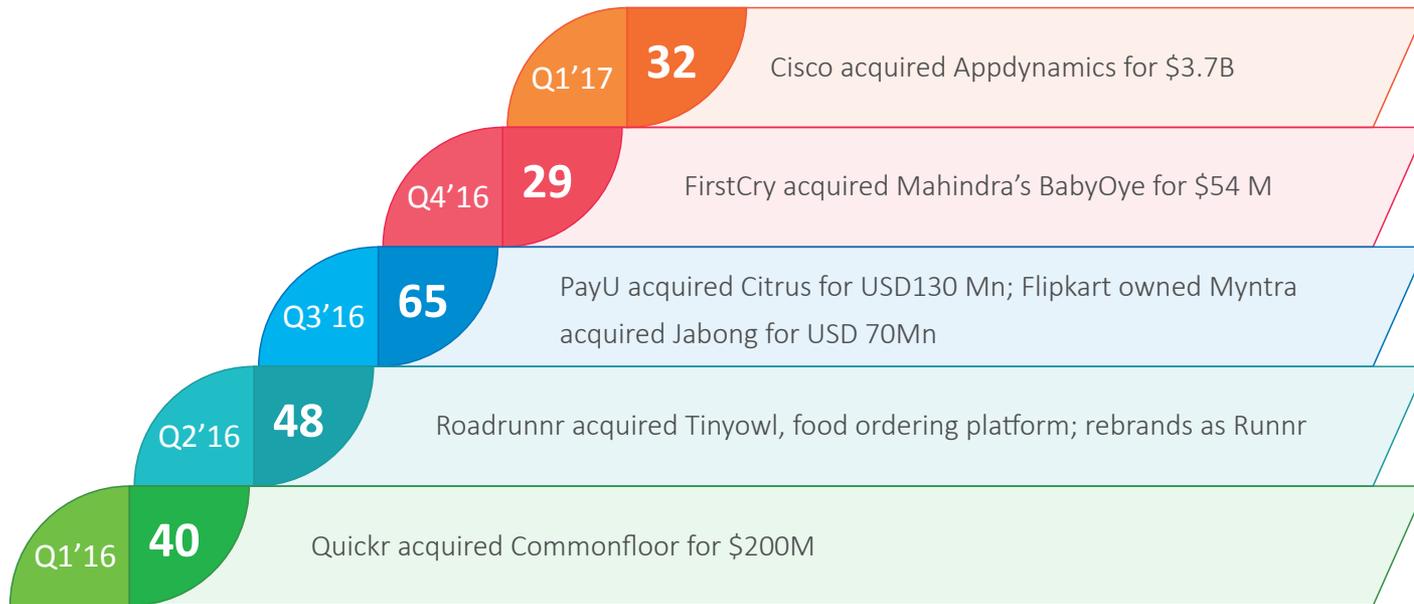
Quarter Wise Top M&A

In the first 3 quarters of 2016 the number of M&A deals were on the rise. However, since then consolidation sentiment has not been optimistic as this number drastically came down by 56%, from Q3'16 to Q4'16 and the dry spell has continued in this year.

Comparing the first quarters of '16 and '17 M&A deals fell by 20%. But we see a significant rise in the ticket size of the largest deal. In Q1' 2016 the top acquisition was made by Allgo for \$30M where as the counterpart deal for this quarter was Cisco acquiring AppDynamics for a massive \$3.7B.

Hindsight suggests an upsurge in the coming quarters.

Quarter Comparison



SaaS retains the top spot, Consumer Services follows again

The highest number of M&A deals have been observed in the Enterprise Application domain, all of these belonging to the SaaS segment. This also encompasses the largest ticket size deals of the quarter.

Consumer Services industry shares the top position, also having 6 deals.

This is followed by Fintech and Entertainment Tech with 4 deals each.



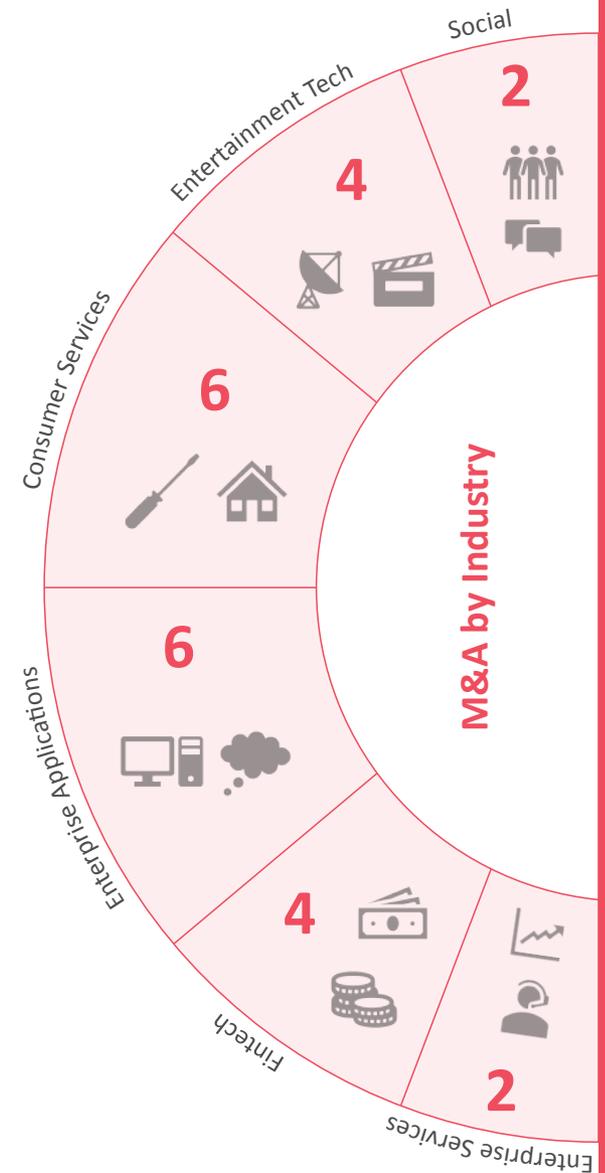
Domestic Deals grab major chunk of the lot

The startup space saw 4 outbound deals wherein the largest deal remains the acquisition of Singapore based GolfGreedy by GolfLan.

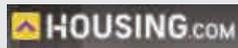
There were 21 domestic deals, with the most sizeable deal being the acquisition of Pipemunk by customer support software firm Freshdesk.

The remaining 7 were inbound M&A's, the biggest among them was the acquisition of SaaS startup AppDynamics by Cisco.

In the battle for the top city, Mumbai leads with 6 M&As, closely followed by Bangalore having 5 deals



Top Mergers



Housing



PropTiger



MakeMyTrip



ibibo Group



HAWKR



BeatRoute

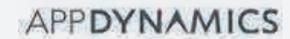
Top Acquisitions

ACQUIRER

ACQUIREE



CISCO



AppDynamics



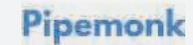
NANCE



mCarbon



Freshdesk



Pipemonk

Leading Investors

Angels

Venture Capitals



New Venture Capital Funds Launched in Q1'17



Investor Departures - Are they reaping the profits?



CIO Angel Network exited from Instasafe for an undisclosed amount.



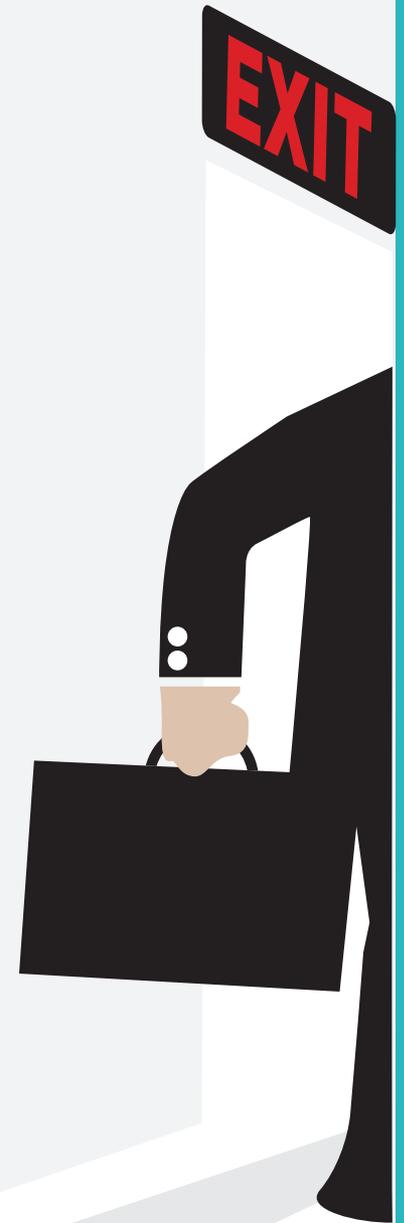
SAIF PARTNERS made an exit from Makemytrip for \$400M



Reliance Capital, Saama Capital and SAP Ventures exited from Paytm



Helion Ventures exited healthcare startup Today's Healthare for an undisclosed amount



Government Sentiments

PENSION, INSURANCE REGULATORS TO FUND STARTUP

Pension and insurance fund regulators to invest in the start-up eco-system in order to open more avenues for upcoming entrepreneurs for accessing capital.

JAN 31 2017

TAX RELIEF FOR MSMES.

MSMEs with annual turnover or gross receipts upto INR 50Cr (\$7.6Mn) a five percent rebate on corporate tax from 30% to 25%

FEB 7 2017

JAN 9 2017

KARNATAKA GOVT DECLARES RIDE SHARING SERVICE ILLEGAL

The Karnataka transport department has instructed cab aggregators Ola and Uber to halt their ride-sharing services Ola Share and UberPOOL. To offer ride-sharing services, the two companies would require a stage carriage permit that allows pick-ups and drops along a particular route. This permit is only given to Bangalore Metropolitan Transport Corporation.

FEB 2 2017

RBI ISSUES WARNING AGAINST BITCOIN.

RBI warns those investing in virtual currencies like Bitcoins are exposing themselves to potential financial, legal and security related risks

NPCI LAUNCHES BHARAT QR CODE

National Payments Corporation of India (NPCI) in association with Visa and Mastercard has launched BharatQR code- a quick response (QR) code. The BharatQR code is mandated by the government to enable digital payments without card swiping machines

NASSCOM SIGNS MOU WITH ITAC JAPAN

The organisations will work together for various activities like exchanging statistics and dynamic practices related to the respective IoT industries and will look at facilitating exchange programs for association members. Further, both NASSCOM and ITAC will share information on the ecosystem, new practices and technological developments.

INDIAN GOVT LAUNCHES OPEN FORGE.

Open Forge is a government of India's platform for open collaborative software development of e-governance applications based on open data and open standards.

MAR 20 2017

FEB 21 2017

FEB 22 2017

MAR 7 2017

SBI NOTICES TO SNAPDEAL SELLERS.

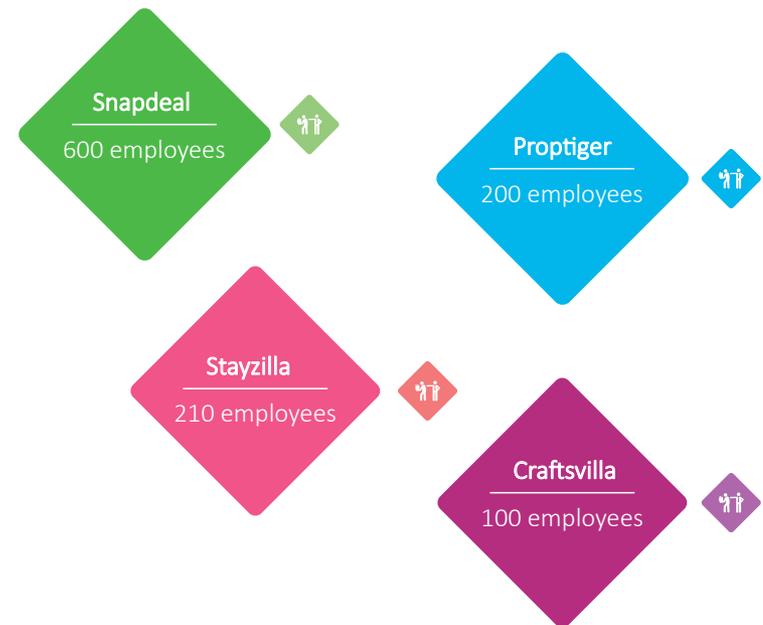
The bank has asked the sellers to resolve the issue by immediate repayment of outstanding loans above their drawing power as bank witnessed the decrease in the sales. The evaluation of loans given by Snapdeal's Capital Assist programme is done on the basis of seller sales.

C-Level Exits

- 01 Binny Bansal**
CEO, Flipkart
- 02 Samardeep Subandh**
CMO, Flipkart
- 03 Raghuvesh Sarup**
CMO, Ola
- 04 Rajiv Bansal**
CFO, Ola
- 05 Govind Rajan**
CEO, FreeCharge
- 06 Jason Kothari**
CEO, Housing.com
- 07 Nishant Rao**
COO, FreshDesk
- 08 Pranay Jivrajka**
COO, Ola

Layoff, top management exodus and shutdown

Prominent eCommerce startups, like Snapdeal, Craftsvilla and Yepme among others, recently undertook massive layoffs, calling it a scheme for staying afloat in the tougher times. Also, Nexus and Matrix backed Stayzilla shut shop laying the blame on absence of a sustainable business model and prevalent discount driven growth model in Travel industry. Startups such as Taskbob, Genie and Yappily also experienced the same fate as Stayzilla.



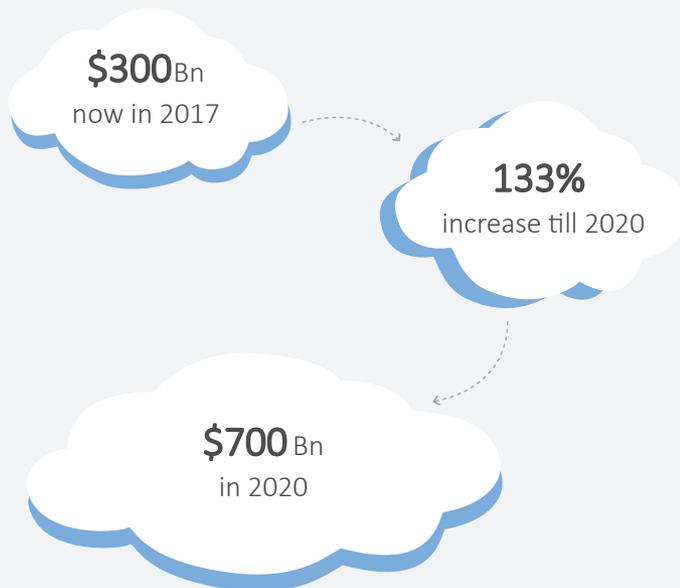
B2B: Upcoming Prominent Sector

Over the past five years, Indian startup ecosystem has witnessed a flood of tech ventures across all sectors such as finance, health, ecommerce, enterprise services, food etc. and B2B, in specific has gained a lot of traction in investment community and created a healthy interconnected system.

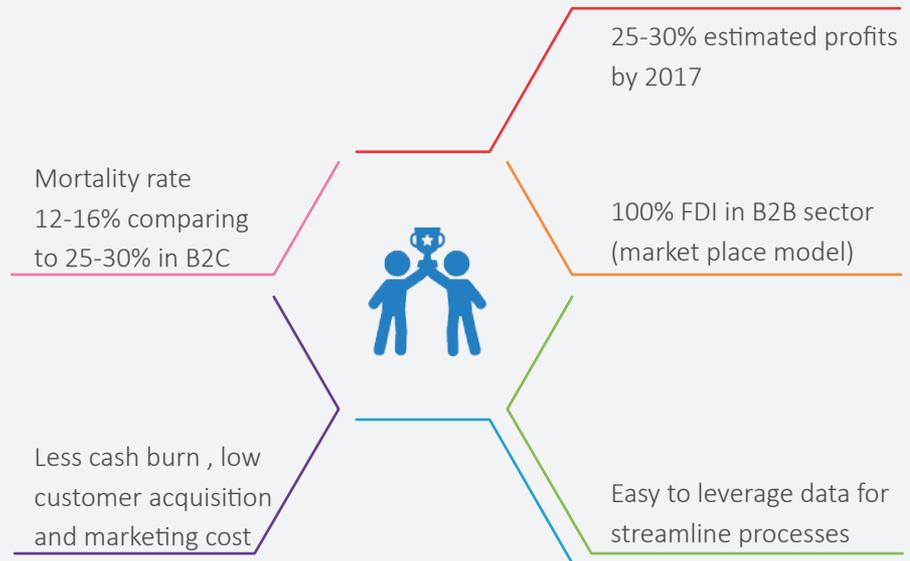
■ B2B is Big

6X times of B2C in India

■ And it's going to be humongous



■ B2B - A lucrative deal



A simpler taxation system

Cascading of taxes at different stages will be replaced by an integrated and more simpler tax regime.

BENEFICIARIES: Sellers and Online Marketplaces Beneficiaries

Reduction in logistics cost

Elimination of state level sales and VAT will expedite documentation process, and improve the logistics efficiency

BENEFICIARIES: Flipkart, Amazon, Ola, Uber, Rivigo, Blackbuck, and new entrants in logistics sector



Higher tax exemptions for small businesses

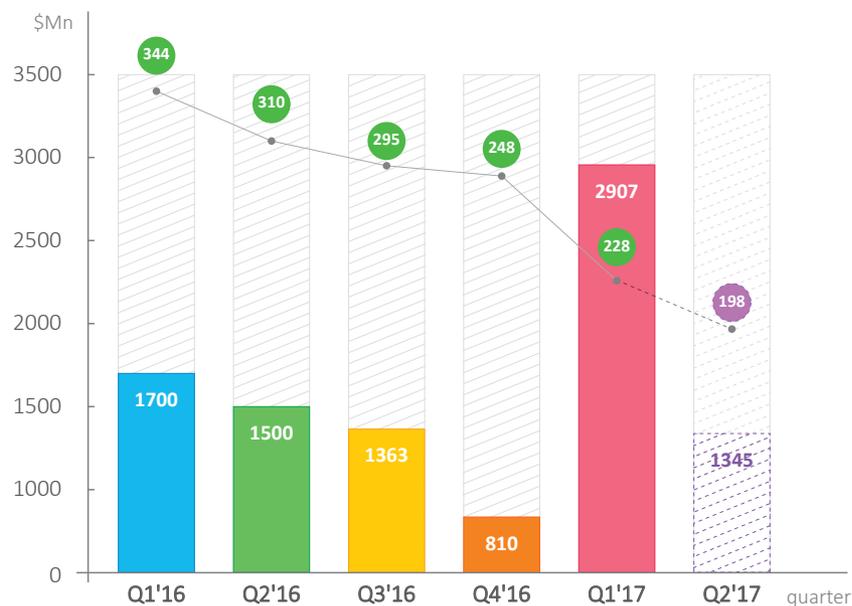
Relaxation in VAT, for startups generating revenue till 10 lakhs earlier it was 5 lakhs

BENEFICIARIES: New entrants in market

Ease of doing business

Centralized registration will foster easy expansion plans for smaller businesses in other states.

BENEFICIARIES: SMEs, Services, Manufacturing based startups



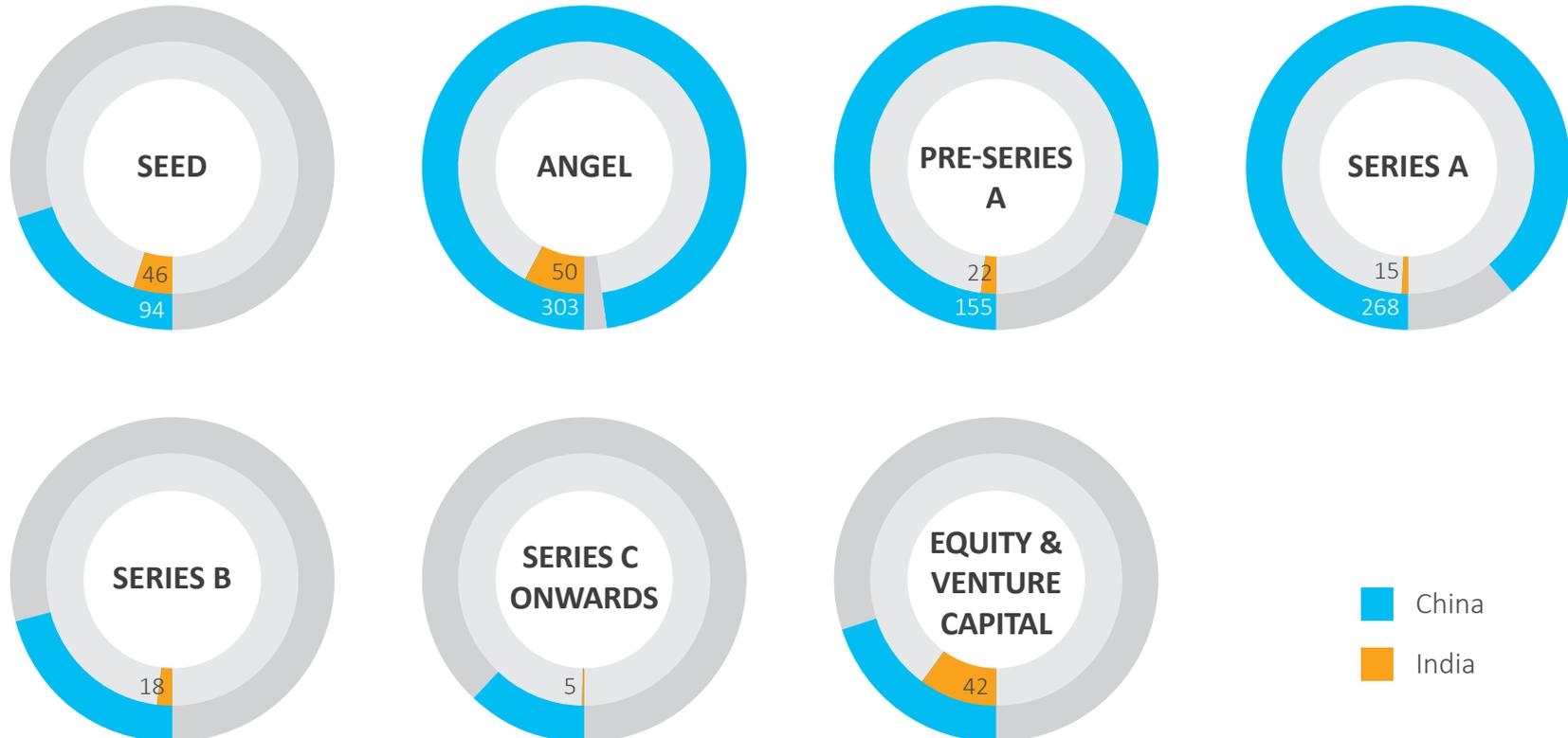
Quarter	Amount (in \$ Mn)	Deals
Q1'16	1700	344
Q2'16	1500	310
Q3'16	1363	295
Q4'16	810	248
Q1'17	2907	228
Q2'17	1345	198

What it indicates

- Next quarter is likely to see more money pumped in startups with a more robust business models, aiming for profitability within 2-3 years from the time of its inception.
- AI, Business Analytics, Logistics, Digital Payments and Healthtech will be the more sought after sectors in Indian startup ecosystem for both entrepreneurs and investors
- Digital developments in India are paving the way for upcoming entrepreneurs with the ultimate aim of increasing the consumption of more data/technology driven products.
- Although long term prospects of Indian startup ecosystem look good, however the large deals look bleak in the wake of lower valuations of startups. But the early stage deals in startup space are likely to continue and more angel investors will join the community to support the ecosystem.

An overview of Chinese Startup Ecosystem in Q1'17

The red dragon's startup ecosystem is counted amongst the most thriving ones on the globe. It's government is actively promoting its startups by all means, and this can clearly be justified by our statistics. While India just witnessed 228 deals this quarter, China saw a mammoth 1089 deals. China raced ahead in the Merger and Acquisition scenario too, with double the number of deals in India. Angel investment is the leading deal type in China at 303, while the corresponding number for India remains 50. Likewise, Seed type of investment in China is double that of India.



What India could take off from its Chinese counterparts ???

It is well acknowledged that China stands fairly ahead of India in many regards. Ecommerce sector has already matured in China, whereas in India it is still developing. The enterprise applications domain is trending in both ecosystems, but the figures for the same are starkly different. India saw 46 deals in contrast to 273 in China in this space, rendering a huge scope for expansion for Indian markets.

Plenty of government initiatives have been taken for the growth of the economy. This quarter alone saw the launch of 5 government endorsed funds, juxtaposed with the scenario in India that has only one such fund, viz. Startup India, Standup India. Albeit many state level funds have been launched lately, they are still in nascent phase. China also launched new industry focused for entertainment, AI, big data, technology augmentation etc.

The Chinese consumer industry has already reached maturity, but the Tech space is still on steadfast rise. This has given birth to the concept of bicycle sharing, among many others. 10 startups belonging to this realm, raised 800 M in this quarter. The other trending sectors include AI, entertainment, healthtech and more. On the other hand, India is expecting more startups and funding coming in AI, Healthtech, AR/VR etc.

CHINA

	1089
	66
	Enterprise Applications Entertainment Healthcare Fintech eCommerce
	Matrix Partners Zhen Fund Tencent Sequoia Capital IDG Ventures

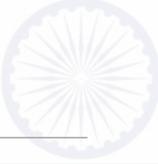
 **Total Deal**

 **M&A**

 **Top Funded Industries**

 **Major Investors**

INDIA

	228
	32
	Enterprise Applications eCommerce Healthtech Consumer Services Fintech
	IDG Ventures Sequoia Capital Blume Ventures Kalaari Capital



AUTHORS

Zdream Ventures Analyst Team

Himanshi Taneja Sushant Kumar Akshat Saxena Tripti Jawa
Jim Mathai Mithun Kumar Kamal Malav Weikun Dang

WE MADE IT!!



📍 ZDream Ventures, 16th Floor, PalmSpring Plaza,
Sector-53, Golf Course Road, Gurgaon 122002

☎ +91 9599 383588

✉ admin@zhudao.in

<http://www.zdream.in/>
