Private Investing in India – Venture Capital Focus

State of Sector Report

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Foreword

VC Ecosystem is the catalyst for growth and development of new innovative companies and forms an important part of the economy's growth

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India has an exciting start-up environment, with multiple firms operating across sectors in the country. The technology infrastructure available in the country and a growing culture of entrepreneurship have propelled many individuals to establish enterprises with innovative business models, enabled by technology. Where on the one hand, the growing number of start-ups have helped in generating employment, on the other hand they have promoted innovation and helped the Indian economy grow.

A key requirement for these start-ups is the availability of capital, both private equity and venture capital, to support their growth. India has been one of the fastest growing economies in the world with a young and growing population of 1.3 billion. This growing economy and supportive demographics provide the right business environment to attract capital investment from global private investors. However, most of this investment has gone into the private equity space, with the VC space receiving a lower share of investment.

While volatility in the regulatory regime has impacted the confidence of foreign LPs, Indian domestic LPs have remained wary of the VC industry, with only a few large domestic investors providing capital for investment into start-ups. Although regulations restrict some potential domestic LPs from investing in VC asset classes, domestic LPs are, in general, not comfortable with VCs, and prefer to invest in other asset classes. This has limited the capital availability, especially for new fund managers who do not have a past performance record.

Although the start-up environment is supportive, the VC eco-system has evolved in a way such that investments have gone into larger funds focussing on later stages of investment, and with a proven track record, or into funds focussed on smaller seed / angel stage investments. A funding gap is observed at the mid stages of investment, with a limited number of funds and LPs operating in this part of the value chain.

Exit scenarios in the Indian market have also contributed to low investor confidence. There have not been many companies that have provided cash exits to LPs, with the desired returns. Early stage angel / seed stage investor exits have been affected due to the missing investor class at the mid stages while the volatility of stock markets has affected open market exits at later stages. Recent exits secured by some VCs, from large technology start-ups in the Indian market have, however, helped in building investor confidence and attracting more investments into the Indian eco-system.

We believe that an opening-up of the investor class and bringing more domestic LPs into the eco-system will propel industry growth. Creating structures to bring in more domestic capital and involving different investor classes in the eco-system will provide fund managers with the required funds to invest in start-ups, ultimately leading to the development of more businesses and employment generation. Engaging with LPs through networking events and supporting new funds with risk capital are other potential ways to develop the eco-system. Improving cash exit opportunities and educating LPs and fund managers about this asset class are other initiatives which need to be taken up on priority, to develop the eco-system.

Executive Summary

India has been one of the fastest growing economies in the world and has been attracting investor interest over the last 2 decades. India's young and growing population of 1.3 billion and a diversified economy worth USD 2.7 trillion (2018) has driven capital formation (private investing) and consumption (companies entering India). The key element of the growth trajectory for India is consistent job generation for the growing young population, to truly unlock the potential of India's demographic dividend. This fundamentally requires entrepreneurship to be promoted in this land of vibrant colours and diverse markets. The Government of India has been supportive of the entrepreneurial agenda, and is working on removing the obstacles and bottlenecks in the path of an entrepreneur. One of the key obstacles for an entrepreneur is the availability of capital, and venture capital plays a critical role in filling this gap.

India has witnessed ~8% growth in GDP between 2008–18 and the economy is estimated to reach USD 4.7 tn by 2024 on back of structural reforms such as GST (Goods and Sales Tax), IBC (Insolvency and Bankruptcy Code), and recapitalization of banks, coupled with increased private investment, credit growth, reduced output gap, higher financial inclusion and digitization. Along with such structural changes, private investment has also played a central role in accelerating growth since the 1990s. India has a ~3% share in global private investments and the private investing to GDP ratio in India, at 0.6% (2017), was higher than its peer emerging economies such as China, Brazil and Indonesia. The private investing industry in India is transforming from a growth to maturity phase, with funds focusing on selective large ticket investments, with more controlling stake type investments coming into play.

Private investing in India can be categorized into two investor buckets based on investment size - venture capital and private equity. Venture capitalists are typically defined as investors investing in start-ups and early stage growth companies whereas investors investing in late stage growth are classified as private equity.

Private equity has received the lion's share of private investment in India and has grown over the past decade to evolve into a mature market. Growth momentum in the industry has been robust, with growing deal volume and deal value over the past 1-2 years. The average ticket size of investments has also grown, indicating the growing confidence of fund managers who are backing their companies with greater investment amounts. PE investments have been diversified across sectors, with the BFSI (Banking, Financial Services and Insurance) sector receiving the maximum share of investments in 2018. Exit momentum has also been strong, with 2017 and 2018 being the years with the maximum value of PE exits over the past decade. All these factors have helped in building confidence amongst LPs, leading to a strong fundraising environment; India-dedicated funds raised ~USD 34 billion in capital over 2008-18.

However, the venture capital asset class holds only a 17% share of private investments in India. Low capital flows towards venture capital can be attributed to three key factors:

- Cyclical interest - early experiences in India not being at par with global experience, other more lucrative investment opportunities like China
- A cautious approach - due to changing and shifting regulatory and tax structures in India - of international Limited Partners (LPs)
- A low base of domestic LPs – primarily due to them not fully understanding the VC asset class

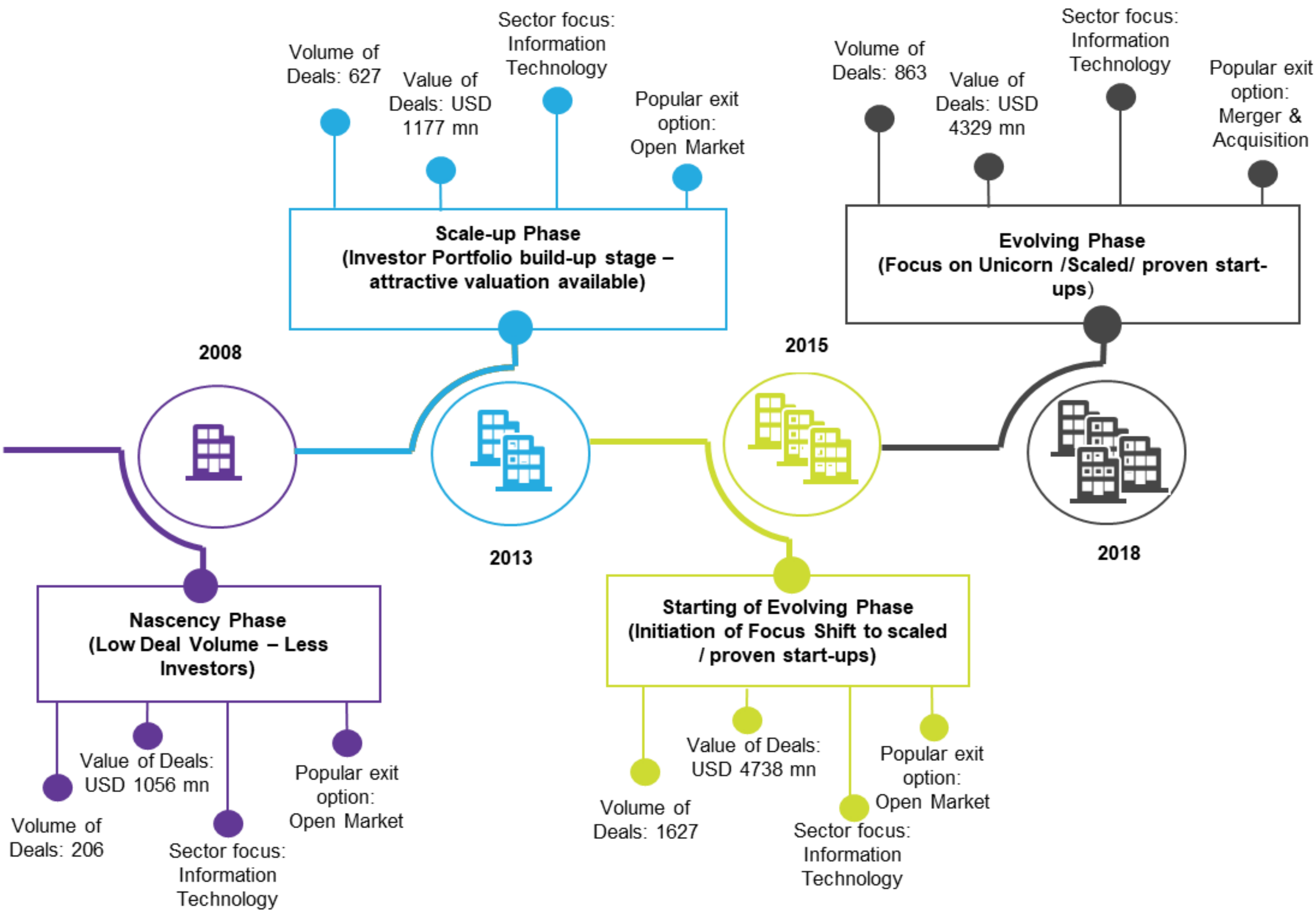
With a view to promote innovation, enterprise and scientific technology and knowledge-based ideas, it is, however important, to promote venture capital activity in India.

Post 2015, the VC industry in India has moved from a scale-up phase to an evolving phase, with firms effecting a fewer number of high ticket value investments. LPs and VCs have adopted a cautious approach and focused on already proven business models, leading to declining deal numbers but increasing average deal values, over this period. This investment philosophy has led to IT emerging as the largest sector in terms of deal volume and value, followed by consumer discretionary. An interesting trend to note however, is the diversification at later stages of investment. While angel / seed investments primarily go into technology and consumer discretionary sectors due to growing number of start-ups in these areas, many of these firms are not able to achieve scale to raise later stages of investments, leading to other sectors receiving VC investment at Series B or higher stages.

The latest trends in investment have also seen funds across stages shift towards traditional businesses which have technology as an enabler. Sectors such as healthcare, vernacular and natural language processing and e-tailing have thus come up and are receiving a higher share of VC investment.

VCs have focused on investing both at the angel / seed stage and at series A to E+ stages. The eco-system for angel / seed stage has evolved with a growing number of start-ups and an increasing number of funds and investments at the angel / seed stage, over the past 10 years. However, the eco-system for other stages of investment is still evolving. Although the number of start-ups has increased with improving founder quality, there is a funding gap at stages A to C due to a limited number of LPs in the Indian market with a capability to provide USD 10-30 mn funding to fund managers, for investment into start-ups. The primary reason for this gap has been a lack of LPs (Limited Partners) with capabilities to provide funding of USD 10-30 mn to VC funds leading to limited capital availability. Another key factor leading to this funding gap is the limited exit opportunities available with funds investing at these stages. Funds investing at these stages have experienced difficulties in exiting their investments at appropriate valuations and as per their time commitments to the LPs which has affected their performance and led to a funding gap. Opening up the investor class by allowing investors such as endowment funds, insurance funds and pension funds to invest in VC asset classes and educating eco-system partners such as managers and LPs on risk-return metrics from this asset class, can help bridge this gap. Developing the eco-system to provide start-ups access to debt funding by implementing measures to reduce the cost of debt funding may also help in bridging this funding gap.

Timeline of VC industry in India



VC funds have faced challenges in terms of exits in the Indian market. Although VCs in India can exit an investment through buyback, secondary sale, open market sale or merger & acquisition involving the portfolio company, the number of VC exits have declined over the years as M&A and secondary exits have not picked up. Factors such as the limited appetite of Indian businesses to invest in start-ups, funding gap and lack of LPs and funds at series A to C stages have led to a lower number of M&A and secondary exits and higher time to exit than most developed and developing countries. High regulatory and compliance costs have also impacted the growth trajectory of start-ups, leading to increased time to achieve scale and provide exits to VC funds. One potential solution is to improve exits by providing financial incentives to encourage Indian and foreign companies to invest in start-ups. Setting up a separate listing exchange for start-ups and fund managers can also help in providing cash exits to fund managers and improving the exit landscape in India.

The fundraising environment in India has been positive for angel / seed and series D or higher stage investments, although 70-75% of total capital was raised by the top 25 VCs, since LPs are generally confident about VCs having a proven historical track record. There is clearly a funding gap in India, with few LPs willing to invest in Series A to C stages. Domestic LPs such as Indian corporates, HNIs and family office investors are not comfortable with VCs as an asset class, and hence have invested in other asset classes. The regulatory structure in India has also hindered investments in the eco-system by placing certain restrictions on domestic institutional investors, in terms of investment amounts and permissible funds to invest in. Educating various stakeholders and opening of the investor class can help provide access to domestic funds and overcome the funding gaps in the system. Another potential solution can be to align the economic structure and hurdle rates of domestic funds with global markets to attract international LPs however, regulatory and compliance challenges are perceived as a hindrance by international investors who have preferred to invest in India through off-shore funds.

Indian Macroeconomic Environment

Indian Macroeconomic Environment

Indian Economy’s March towards USD 5 Trillion GDP

Indian economy has grown at a CAGR of ~8% for GDP over the last decade (2008 to 2018) and is estimated to reach USD 4.7 trillion by 2024, on back of the proposed structural reforms and favourable demographics

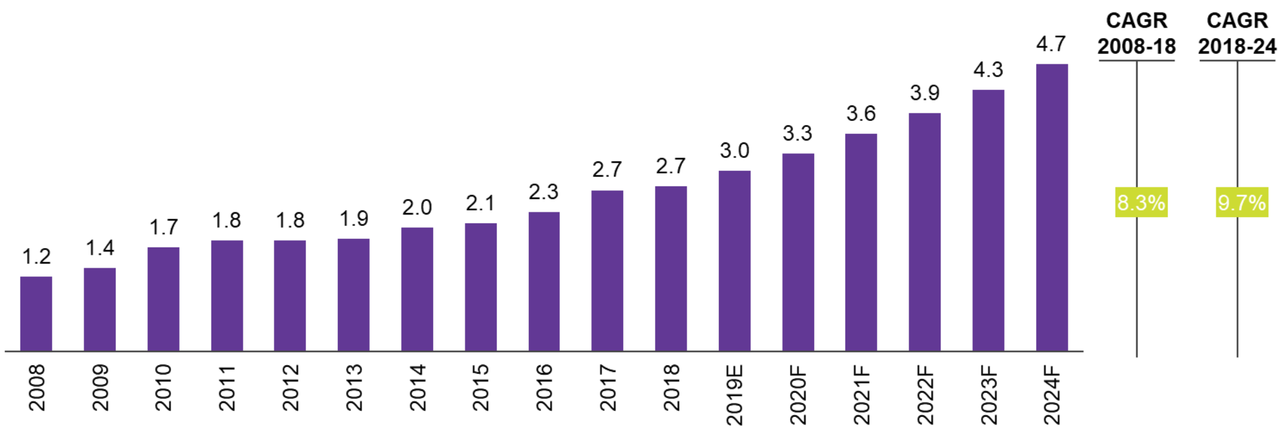
India is the fastest growing major economy in the world, with the annual average GDP growth rate during the last five years, being higher than the growth achieved since the beginning of economic reforms in 1991. From being the 11th largest economy in the world in 2013-14, India has graduated to being the 6th largest economy today and is sprinting towards the top 4 by mid 2020s.

India’s GDP growth accelerated over 2008-18 (*Figure: India’s GDP at Current Prices*) due to an upswing in consumption and investments. India’s GDP growth over the next five years is estimated to be on account of structural reforms such as GST (Goods and Sales Tax), IBC (Insolvency and Bankruptcy Code), and recapitalization of banks, coupled with increased private investments, credit growth, reduced output gap, higher financial inclusion and digitization.

India’s GDP is estimated to reach USD 4.7 trillion (INR 330 trillion) by 2024, with a nominal GDP CAGR of 9.7% (in INR terms 12%) over 2018-24. This GDP growth rate is estimated to be ahead[1] of other emerging markets like Brazil (4.7%), China (8%), Indonesia (7.8%) and South Korea (4.8%). India aspires to be USD 10 trillion economy within a decade (before 2030).

India’s GDP at Current Prices

2008-24E, trillion USD



Source: International Monetary Foundation, Trade Press, Analysis

A key driver of strong growth forecasts for India is its diverse economy. Unlike leading Asian economies which are export-oriented, and manufacturing led, India’s growth is propelled by various sectors and domestic consumption focused economic base (exports is 10% of GDP). Services contribute ~54.4% of the total GVA (Gross Value Added) output but employs only one third of the population, industry contributes ~29.7% and agriculture and allied sectors ~15.7%. Agriculture still continues to employ ~50% of India’s population. The low exports share is also an upside opportunity for India further crank the growth engine.

The improving of the external environment over the last decade has been buttressing growth - inflation remains under the target of 5%, the current account deficit has been reducing (reduced till 2017 to 2.1% of GDP, increased in 2018 to 2.5% of GDP but falling oil prices are expected to keep this low), foreign exchange reserves continue

[1] International Monetary Fund, PwC Analysis

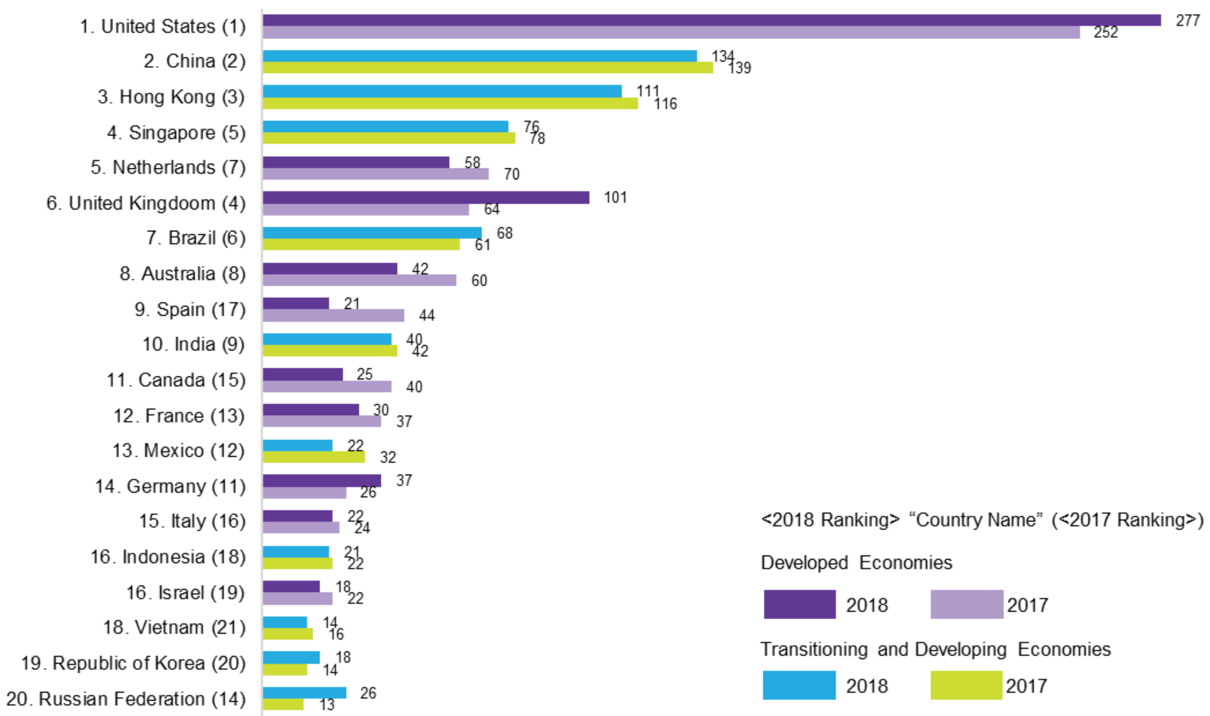
to swell (reached USD 414 billion in the week of 12 April 2019) and the Indian currency continues to show sign of stability in comparison with other closely competing emerging economies.

These factors have been contributing to improving FDI (Foreign Direct Investment) inflows. India has witnessed improvement in the investment scenario with investments across various sectors of the economy. India ranked 10th in FDI inflows with USD 42 billion worth of inflows in 2018[2] (*Figure: FDI Inflows for Top 20 host countries).* India ranked 11th in the Global FDI (Foreign Direct Investment) Confidence Index 2018[3], making it the 2nd highest ranked emerging market for FDI.

In 2018, India's overall M&A activity reached a record level of USD 129.4 billion[4] while private equity (PE) and venture capital (VC) investments touched USD 24 billion[5]. Cross border M&A reached USD 33 billion[6] in 2018 (up from USD 23 billion in 2017) primarily due to transactions in retail trade (USD 16 billion), which included e-commerce and telecommunication (USD 13 billion).

FDI Inflows for Top 20 host countries

2017-2018, billion USD



Source: World Investment Report 2018 - UNCTAD, Analysis

The attractive demographic profile of India continues to be a key draw for investment. India is the world's most populous country and largest democracy, with 1.35 billion people (2018). India is expected to surpass China to become the most populous country as early as 2024, as per the projections of United Nations population division. In addition to being large, the Indian population is young, with a median age of 28 years in 2020, compared to

[2] World Investment Report 2019 (UNCTAD)
[3] https://www.atkearney.com/foreign-direct-investment-confidence-index
[4] https://www.ibef.org/economy/domestic-investments
[5] VCC Edge database , Excludes Real estate deals
[6] World Investment Report 2019 (UNCTAD)

37 years for US and China, 45 years for Western Europe and 49 years for Japan. Currently one-third of India's population lives in cities but by 2050, half of the population will live in urban centres.[7]

The demographic dividend for India is expected to underpin GDP growth if India is also able to accelerate job creation for the 10-15 mn people entering the workforce annually, over next the two decades. The past growth experience of the US and the current progress of China have been underpinned by a mass flourishing of local entrepreneurs creating local businesses. India requires a similar entrepreneurial approach.

The efforts of the government to improve the business climate in India are bearing fruit as well. India has recorded a jump of 23 positions against its rank of 100 in 2017, to be placed 77th among the 190 countries in 2018.The leap of 23 ranks in Ease of Doing Business is significant, considering that in 2017 also India had improved its rank by 30 places. Hence, India has improved its rank by 53 positions in last two years and 65 positions in the last four years.[8] World Bank's 'Doing Business 2019' report indicates that India has been focusing on reforms that directly improve the private business environment and entrepreneurship in the economy. India has demonstrated an impressive reform agenda as the government took a carefully designed approach to reform, aiming to improve the business-regulatory environment over the course of several years[9]

10 Economies Improving the Most over three or more areas measured by Doing Business Index of World Bank Group

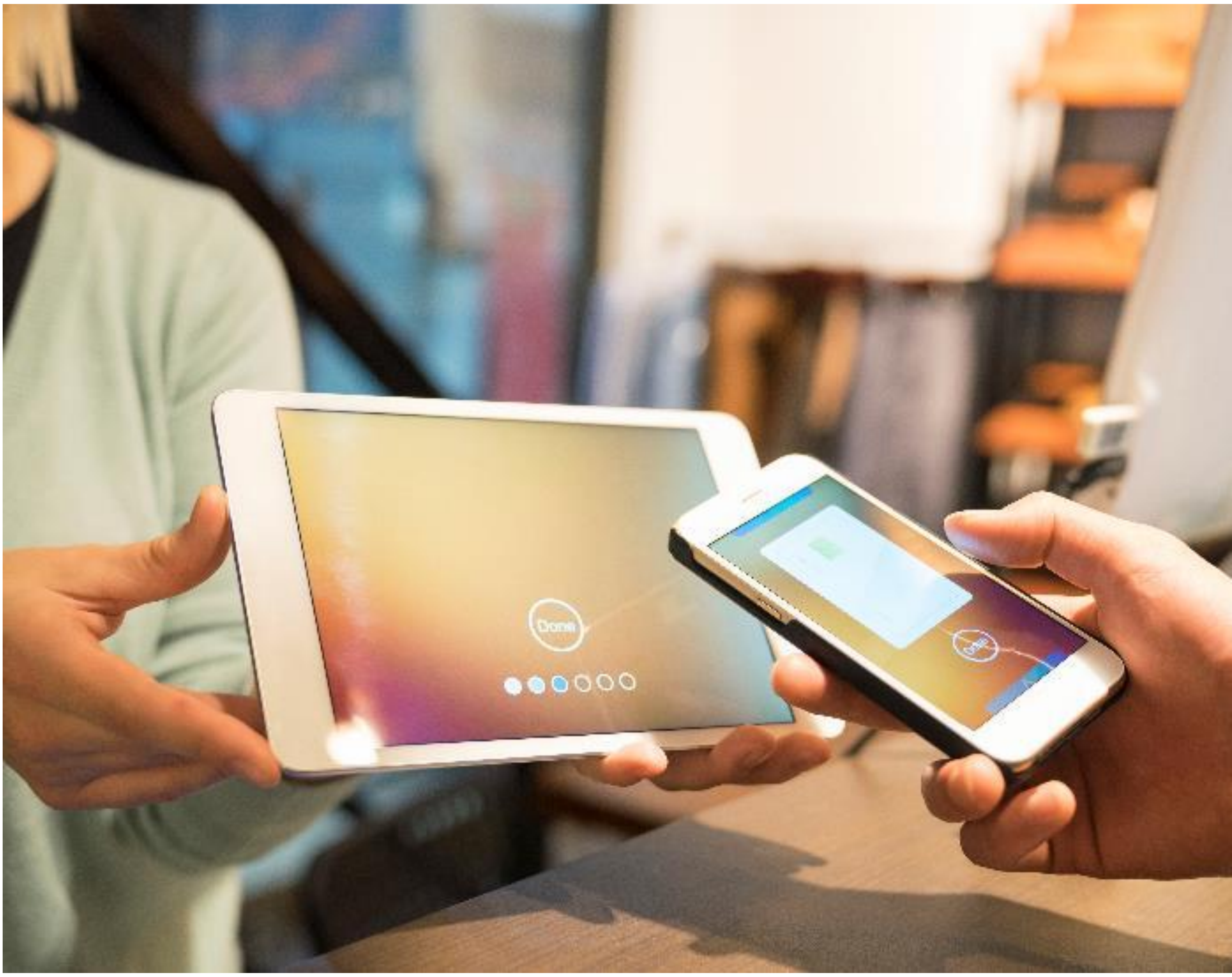
2017-2018

Economy	Ease of doing business rank (2018)	Change in ease of doing business score	Reforms making it easier to do business									
			Starting a business	Dealing with construction permits	Access to electricity	Registering property	Access to credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Afghanistan	167	+10.64	`				`	`	`		`	`
Djibouti	99	+8.87	`			`	`	`				`
China	46	+8.64	`	`	`	`		`	`	`		
Azerbaijan	25	+7.1		`	`	`	`	`	`	`		`
India	77	+6.63	`	`	`		`		`	`		
Togo	137	+6.32	`	`	`	`			`		`	
Kenya	61	+5.25				`	`	`	`			`
Cote d'Ivoire	122	+4.94	`	`			`		`	`	`	`
Turkey	43	+4.34	`	`			`		`	`	`	`
Rwanda	29	+4.15	`		`	`	`			`	`	`

Source: World Bank –Doing Business 2019 Report, Analysis

Historically, a high ease of doing business has directly be correlated with high GDP per capita in the long run, for other economies. With India moving in the right direction, the results are expected to be on similar lines[10].

[7] United Nations Department of Economic and Social Affairs, World Urbanization Prospects, 2014 Revision. (http://esa.un.org/unpd/wup/Highlights/WUP2014-Highlights.pdf)
[8] Press Information Bureau Government of India Ministry of Commerce & Industry. (http://pib.nic.in/newsite/PrintRelease.aspx?relid=184513)
[9] World Bank - Doing Business 2019
[10] World Bank - Doing Business 2019 report



Private Investing in India

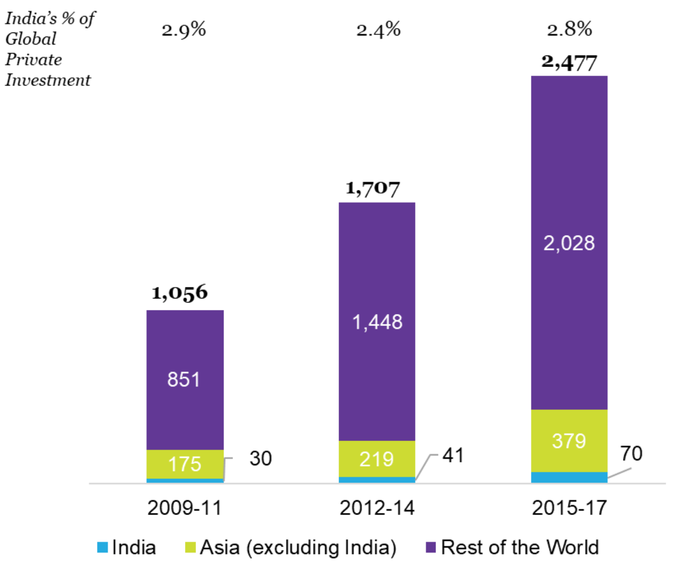
Private Investments in India

India's share of global private investing is ~3% and Asian private investing is ~15%.

India had ~3% share in global private investments over 2009-2017

Private Investments Worldwide[2]

2009-2017, billion USD



Note: Private Equity includes buyouts, private investing in public equity, expansion, turnaround, mezzanine-IPO(Initial Public Offering) and bridge loans

Source: VCC Edge, McKinsey Report on India Private Equity, Analysis

India had a ~3% share of global private investments over 2009-17 period. (*Figure: Private Investments Worldwide)*. Private investments in India have grown at a CAGR of ~11% between 2012-17. This is largely in line with Asia's average growth rate.

Although, India's share of the global private investment market dipped in 2012-14 due to multiple factors such as downgrading of India's economic outlook from stable to negative, on the account of large fiscal deficit, low GDP growth rate, high inflation and pessimism amongst foreign investors, it grew in 2015-17 to regain most of the lost market share.

The share of Asia (including India) in global private investments has declined marginally from 17% during 2009-11 to 15% during 2015-17, but India's share in the total Asian private investing market has marginally increased from 14.6% during 2009-11 to 15.6% during 2015-17.

Private Investing in India can be broadly categorized, based on investment size, into Private Equity and Venture Capital

Private Investment Categories in India

The private investment asset class includes venture capital, private equity, buyouts, and mezzanine investment activity. There are key differences between private equity and venture capital investments:

1. *Stage of company's growth*: Venture capital focuses on investing in private, young, fast growing companies while private equity players largely focus on companies that have reached a certain scale and are profitable. Private equity typically provides growth capital for the next level of scaling or a pivot of the business model or mezzanine/ bridge funding before accessing public markets

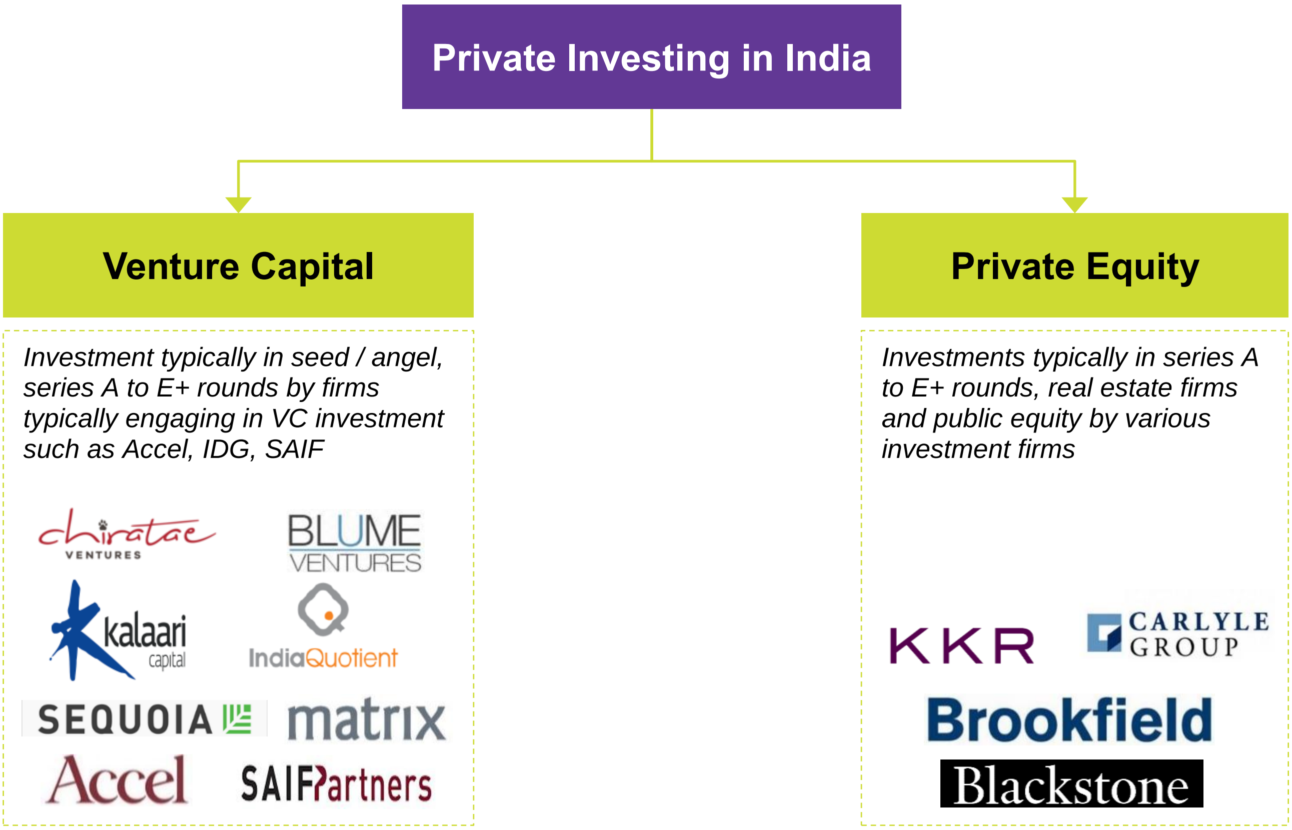
2. *Focus sectors / business models*: Venture capital typically focuses on technology and newer business models (untested and yet-to-scale) while private equity focuses on existing business models which have scaled

3. *Amount of investment*: Venture capital investment amounts are generally smaller than private equity and may involve acquisition of majority or minority stake. Of course, there are variations as observed from deal to deal

4. *Timeline for Investment*: While private equity invests with a 4-5 year view, venture capital typically is patient capital and invests with a longer investment horizon of 8-10 years

5. *Stake size*: Private equity usually aims to acquire a substantial (controlling, majority or significant minority) share in a company. The aim behind seeking more control is to maximize returns by improving decision-making ability, funding new initiatives, expanding working capital, or by other strategic roles. Venture capitalists, on the other hand, are usually limited to being financial investors, and usually take up non-strategic roles; however, this role also has been evolving as the Indian market moves up the investment maturity curve.

Private Investment categories in India



Source: VCC Edge, Trade Press, Analysis

Over 2009-17, private equity had a 47% the share of private investment market while venture capital had 17%

Over 2009-17, India attracted USD 137 billion worth of capital in total private investment across different sources (*Figure: Total Private Investment segment split in India).* Of the total investments, private equity had the largest share, and was ~2.5x the second largest segment, public equity (this refers to Private Investment in Public Equity – or PIPE).

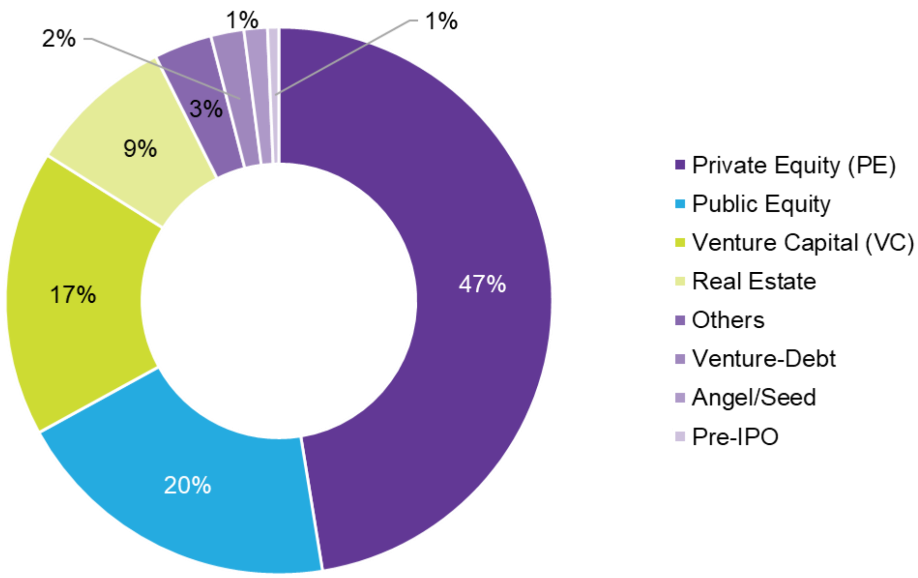
Private equity was 3x the value of venture capital investments in India over 2009-17. The ratio was similar in 2018, with PE investments being ~3.2x of VC investments. However, countries such as China (PE investment

~0.9x of VC investment in 2018), Indonesia (PE investment ~1.5x of VC investment in 2018) and South Korea (PE investment ~2x of VC investment in 2018) have a more evolved VC eco-system with higher share of investments going into VC asset classes to support new enterprises.

Compared to private equity, the venture capital eco-system in India has had a late start. Though theoretically, the financing of early stage companies commenced during the technology boom in the late 1990s, it was not until 2010-11 that VC investments began to scale up. The nascent industry was not helped by the global financial crisis and was even more severely impacted than private equity.

Total Private Investment segment split in India

2009-17, %



Note: Private Equity includes buyouts, private investing in public equity, expansion, turnaround, mezzanine-IPO and bridge loans

Source: VCC Edge, Analysis

The private investing to GDP ratio for India (~0.6% in 2017) has been higher than peer emerging economies such as China, Brazil and Indonesia but lower than South Korea

India ranks second, in terms of private investing as a percentage of GDP, among the competing economies of Brazil, China, Indonesia and South Korea *(Figure: Private Investments as a percentage of GDP)*. However, contrasting this with a mature market like US, where PE and VC deals alone (not including real estate deals) accounted for a total value of ~USD 850 bn in 2018, indicates significant headroom for growth for India's private investing market. US had a private investing (including only PE and VC) to GDP ratio of ~4% in 2018.

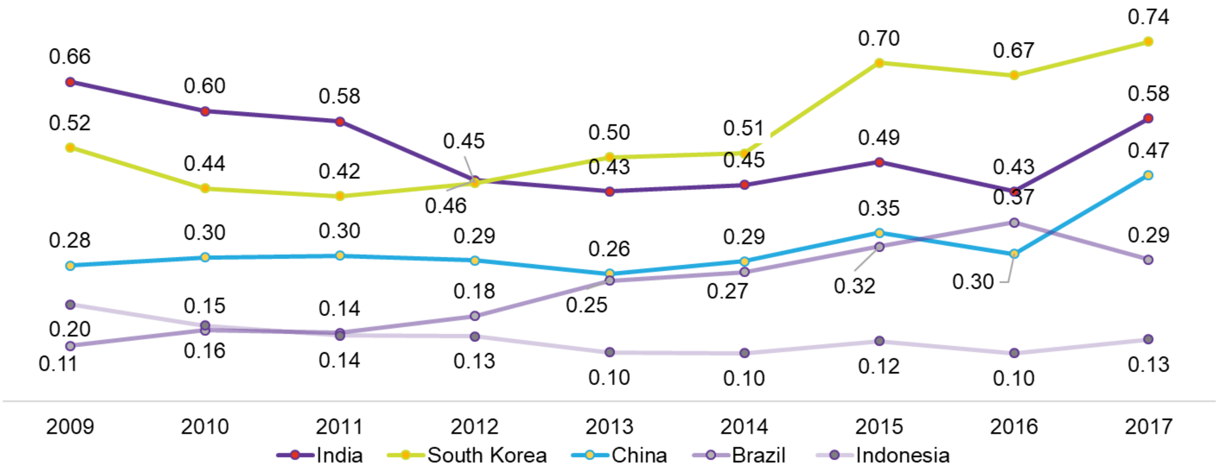
The Asian private investment market has evolved through two phases - a phase of constant decline till 2013, followed by a phase of turbulent growth. Between 2009 and 2013, three out of the four Asian economies saw a constant decline in the private investing to GDP ratio because of the absence of large deals and regional instability. This negatively impacted investor sentiment in Asian markets. However, from 2013 onwards, all the four economies turned the corner and started their ascent. Deal sizes started getting larger, investment was broader and large global investors became more active.

The private investing to GDP ratio is higher for South Korea at 0.7% for 2017 but its GDP size is only ~60% of India's, making India's private investing market larger in absolute value terms. While China has a larger absolute value of private investments than India, its private investing to GDP ratio at 0.3% (2017) trails that of India. One of the reasons for China's lower ratio can be attributed to a higher share (direct or indirect) of state enterprises in China's GDP (~60% direct and indirect, ~35% direct) and private investing is typically directed at only private enterprises. India has less than 1/4th of its GDP from State Owned Enterprises (SOEs).

Contrasting this to the market capitalization to nominal GDP ratio[11] for the countries like US, China, South Korea and India, we find that the buoyancy in public markets does impact the private investing market. One of the largest public markets, the US, also has the largest private investing market. US had a market capitalization to GDP ratio of 137% in 2007 (before dropping to ~79% in 2008, the year of the global crisis) and has surpassed 160% in 2017. The private investing story in the US has remained strong over the last decade as rebuilding happened in public markets after the global crisis and Sarbanes-Oxley Act of 2002 (SOX) came into play. The US has seen many cycles of boom and bust in private investing (pre-1980s, 1980s-90s era of leveraged buyouts), dot-com cycle (1990s-2000), post dot-com to global crisis (2000-2008). With the introduction of the Sarbanes-Oxley Act of 2002 (SOX), which was in part to prevent financially unhealthy and cash poor companies from getting to IPO stage as they had in the 1990s, the costs of reporting and governance associated with being a public firm grew significantly. Thus, businesses gravitated towards non-public sources of funding and private investing grew rapidly, including venture capital. The market capitalization to GDP ratio for South Korea has remained in 80-90% range over the last decade while for India it has been trending upwards from 55% in 2011 to ~88% in 2017 (high of 149% in 2007 but had turbulent times between 2007-11 before the rebuild started). China has a lower market capitalization to GDP ratio of 71% in 2017 and has a similar trend of rebuild from 2014 from levels of 40% (peak of 126% in 2007 and dropped to 45% in 2011).

Private Investments as a percentage of GDP

2009-17, %



Note: Private Investing includes Venture Capital (VC), Real Estate and Private Equity (private Equity) investments – Buyouts, Expansion, Pre-IPO, Mezzanine, Turnaround, but does not consider Public Equity

Source: VCC Edge, McKinsey Report on India Private Equity, Analysis

[11] CEIC data (www.ceicdata.com)

India’s affair with the private capital transalting into a solid commitment

The private investing industry in India has moved from a growth to the maturing phase, with funds increasing their breadth in the market and increasing the ticket sizes of their investments

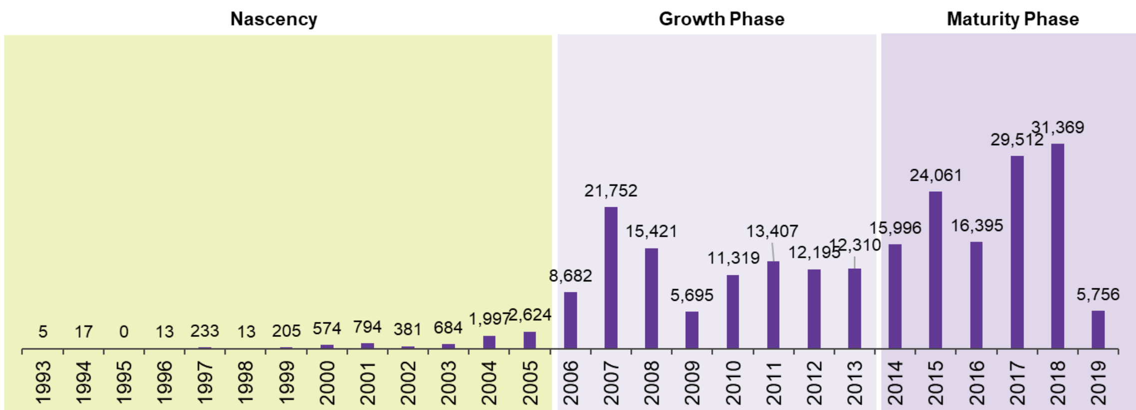
Private investments in India have progressed through three phases -

1. ***Nascency Phase (1990s-2005):*** *Characterized by the activation of capital and setting up of funds to leverage liberalization of the economy*

   In India, the period from the 1990s to 2005 can be considered as the nascent phase of the private investing market. Private investment witnessed slow growth from the 1990s to 2000, when India began liberalizing its economy. The early entrant General Partners (GPs) had to deal with the dual tough tasks of firstly, convincing Limited Partners (LPs) about the India opportunity and secondly, Indian entrepreneurs about private equity as an asset class and that it can work in the Indian context. During this phase, the value of deals and the number of deals were very low since the Indian market was untested. This, coupled with strict rules and regulation for foreign investments, translated to low confidence amongst LPs and fund managers. With India getting identified as part of the BRICS group in 2001, interest started building up towards 2004-05 as the economy started showing the results of liberalization, with the GDP growth rate rising, inflation declining and new markets opening up.

Private Investments in India

1990-2019[12], billion USD



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
No. of Deals	2	1	1	10	12	17	30	109	79	62	58	125	277	559	815	790	534	697	888	964	1,054	1,326	2,053	1,843	1,454	1,217	211
No. of Exits	0	0	0	10	12	17	2	8	0	10	18	39	82	90	156	113	200	289	234	254	286	335	331	287	291	239	30

Initial investment stage; phase characterised by activation of capital and setting up of funds to leverage the booming start-up environment

Phase of aggressive VC competition given proliferation of start-ups looking for funding

Focused investment strategies with fewer large ticket size deals

Note: Private Investing includes VC and private equity (including real estate) investments

Source: VCC Edge, Analysis

2. ***Growth Phase (2006-13)****: Defined by ease in fundraising and rapid growth in the number of GPs in India in the initial period, followed by a wave of caution in the last part of the period*

   Post 2005, private investing in India had witnessed growth, but remained susceptible to volatility. Globally, private investment growth was muted over 2000-04, due to the dot-com crisis, but picked up in 2005 as the

[12] Year to date

global economy slowly became more favourable and LPs and GPs became excited about emerging economies and the economic opportunities waiting to be tapped into. For private equity in India, the period between 2005 and 2007 was a rather favourable one as investments made in India during this period saw healthy returns mainly because of the fact that private equity players could invest in companies at cheaper valuations due to relatively low levels of competition. Also, post 2005, investment committees of Limited Partners (LPs) approved allocations to India, which led to an ease in raising capital for PEs. Fundraising for India-focused PEs reached an all-time high in 2008. The increase in capital flows also led to an increase in the number of General Partners (GPs) operating in the market, within a short period of time. The period leading up to the global financial crisis saw a large number of private equity vehicles raising monies for India-dedicated funds, including many first-timers. Estimates suggest that 100+ funds were raised during 2006-09[13].

The first major downturn was witnessed in 2008, post the global credit crisis. During this post-global crisis phase, valuations were still high and GPs struggled to deploy funds. PE portfolio companies did not deliver expected returns and India's overall macroeconomic indicators saw a dip. Since private investing performance did not meet performance expectations, this led to money being lost by GPs and LPs. Not surprisingly, foreign capital inflows reduced and India's share in global private investment fell to 1.8% in 2012-14, from 2.3% in 2009-11. The effect was a reduction in private investing in the Indian market and a lot of funds not being able to raise follow-on rounds.[14] This led to a period of consolidation in the Indian private equity industry. The period between 2011 and 2013 saw a similar downturn in the Indian private investing market due to a downgrading of the Indian economy from stable to negative by the leading rating agencies. The downgrade led to a wave of pessimism amongst LPs, coupled with a low GDP growth rate and a large fiscal deficit.

3. ***Maturity Phase (2014 onwards):*** *Defined by focused investment strategies with fewer large ticket size deals.*

India started experiencing maturity in its private investment market from 2014 onwards. The lessons learnt from the growth phase also started reflecting in the way GPs approached the market. The GPs started focusing on being more hands-on and working with the management to remain aligned on value creation initiatives, while keeping an eye on the route to exit. Interest started shifting towards significant minority and, in some cases, controlling stakes, to enable value creation through Board participation, influencing key management hiring and driving operational improvement. This translated to deal sizes getting larger and fund managers getting pickier. The investments broadened as fund managers evaluated more sectors and large global LPss started getting more active. The period also saw the introduction of several government initiatives, including infrastructure development, FDI reforms, initiatives for quick approvals and clearances, and the introduction of IBC and GST, which resulted in an economy uplift and renewed interest from global LPs. The maturity phase also saw the venture capital asset class emerging in the private investing landscape of India.

13 EMPEA: Private Equity in India, October 2015

14 Indian based fund managers raised only 2.3% of the total funds raised for private investing in India during 2012-2014 which was down 4.7% (2009-11) – India Private Equity, Coming of Age- McKinsey, November 2018

Private Equity in India

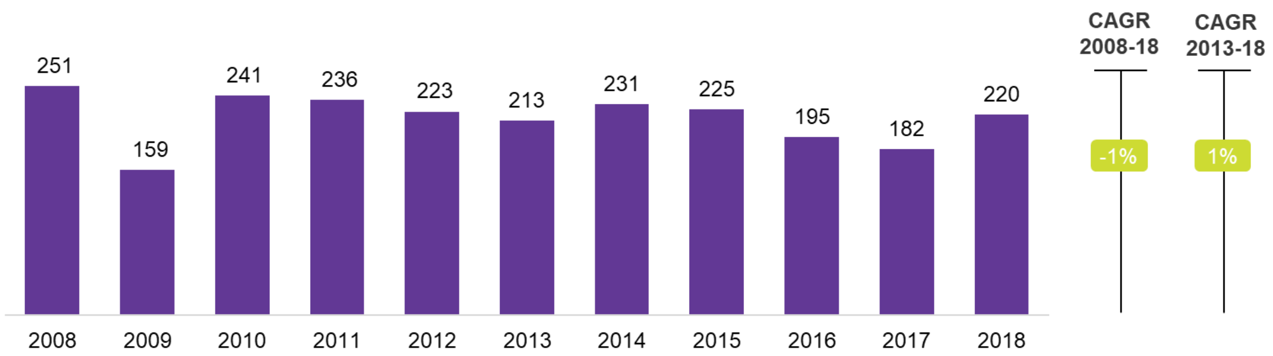
Private Equity in India

The private equity industry in India has grown over the past decade and evolved into a more mature market. Growth momentum in the industry has been robust, with growing deal volume and deal value over the past 1-2 years. Average deal size in the space has been increasing with funds putting in more capital into the companies to achieve greater scale. A key factor supporting this growth has been the strong exit momentum over the past 2-3 years. Although routes such as M&A and secondary sales are still evolving, open market exits have contributed to over 50% of the total exit value for 2018. This strong exit momentum, supported by a few large deals, have helped in building LPs confidence and attracting more investments into the eco-system.

Total PE Investment in India

PE Deal Volume in India

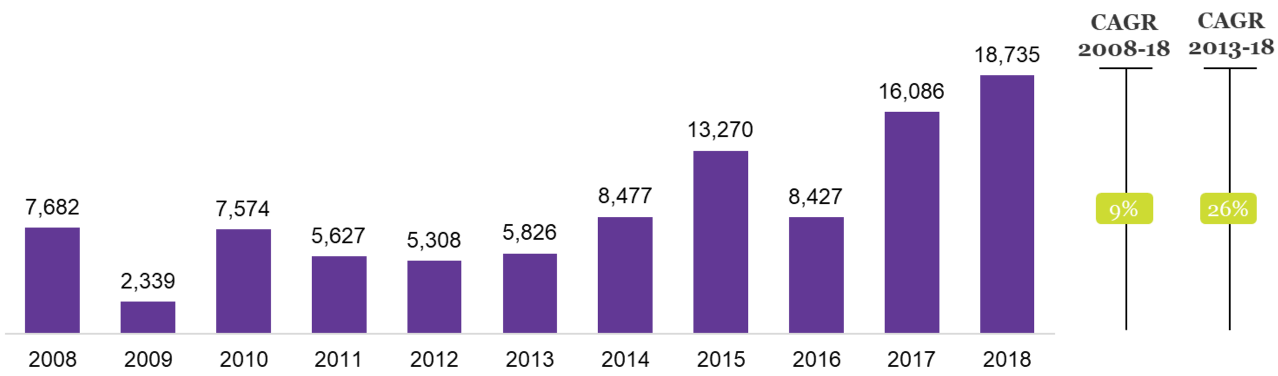
2008-18, Number of Deals



The private equity industry in India has evolved over the past two decades from a nascent level to a magnitude and scale that LPs find attractive. India has witnessed a robust momentum for growth, with the volume of PE deals in India remaining in the range of 190-250 per year, over the past decade, except in 2009 where the deal volume was lower due to the global financial crisis.

PE Deal Value in India

2008-18, USD million



Continued growth momentum has pushed the PE industry into a mature phase, backed with a steady stream of investments and record levels of exits. The private equity market in India saw a record year till date in 2017, with the highest amount of PE investments ever. The value of PE deals seen by companies across India in 2018 grew further and was at its highest level in a decade and accompanied by year-on-year growth the deal volume in 2018.

Over 2015-17, more than 75% of deal value was driven by deals of ticket sizes more than USD 100 million. The number of deals in this category grew, as did the size of the largest deals. Over 2015-17, eight deals were greater than USD 500 million in ticket size, compared with only four in the previous six-year period[15]. These statistics indicate a trend in fund manager focus and philosophy in the Indian eco-system.

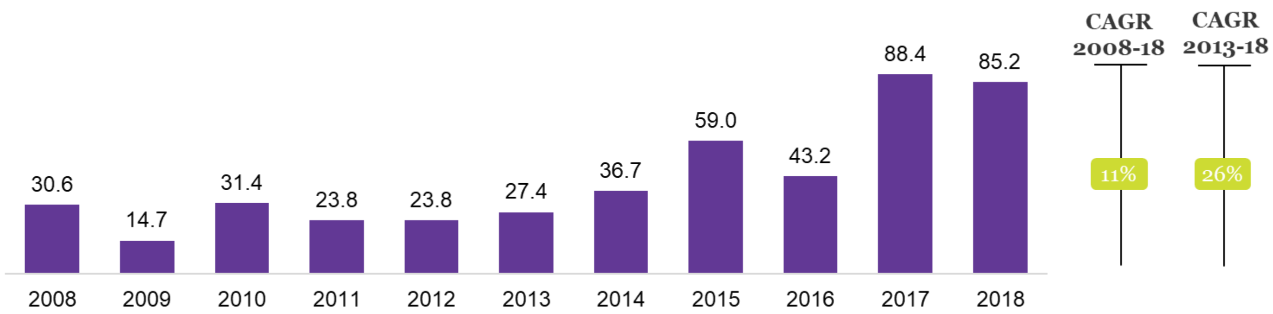
Investment philosophy of PE funds has changed over the years, with the focus shifting to selective high value deals owing to the fact that even though the Indian PE eco-system witnessed a fewer number of deals in 2017 compared to previous years, investment value reached its highest level since 2008.

This change in investment philosophy is also indicated by growing average deal sizes. The average deal size remained stable from 2011 to 2014 but peaked in 2017 owing to the mega-deals such as Softbank's USD 2.5 billion investment in Flipkart[16] and USD 1.4 billion investment in Paytm. The average deal size in 2018 marginally reduced primarily due to the absence of such high value deals.

Average Size of Deals in India

Average PE Deal value in India

2008-18, USD million



Given the success of companies such as Flipkart, the focus of LPs and PE fund managers has shifted to effecting a limited number of high value investments. These stakeholders have started backing firms with proven products and business models, who they have then provided greater capital to, to achieve scale. This philosophy, coupled with the exit momentum in the Indian market, has helped to generate greater returns and increased the attractiveness of the market.

Key sectors for PE deals in India

The Banking, Financial Services and Insurance (BFSI) sector continues to dominate PE deals in India, followed by the Consumer Discretionary sector. In 2018, these were the largest sectors for investments, accounting for ~45% of the total deal volume, and they have been the leading sectors in terms of deal value as well. Investments in the consumer discretionary space have, however, fluctuated over the years. Investments into internet and e-commerce companies increased over 2013-15, post which investments in this sector declined due to start-ups struggling to find right product for the market and struggling to attain profitability. However, the sector has shown signs of recovery over the last 1-2 years, wherein higher value deals are seen with LPs and GPs backing companies to scale further.

[15] Indian private equity: Coming of age- McKinsey & Company

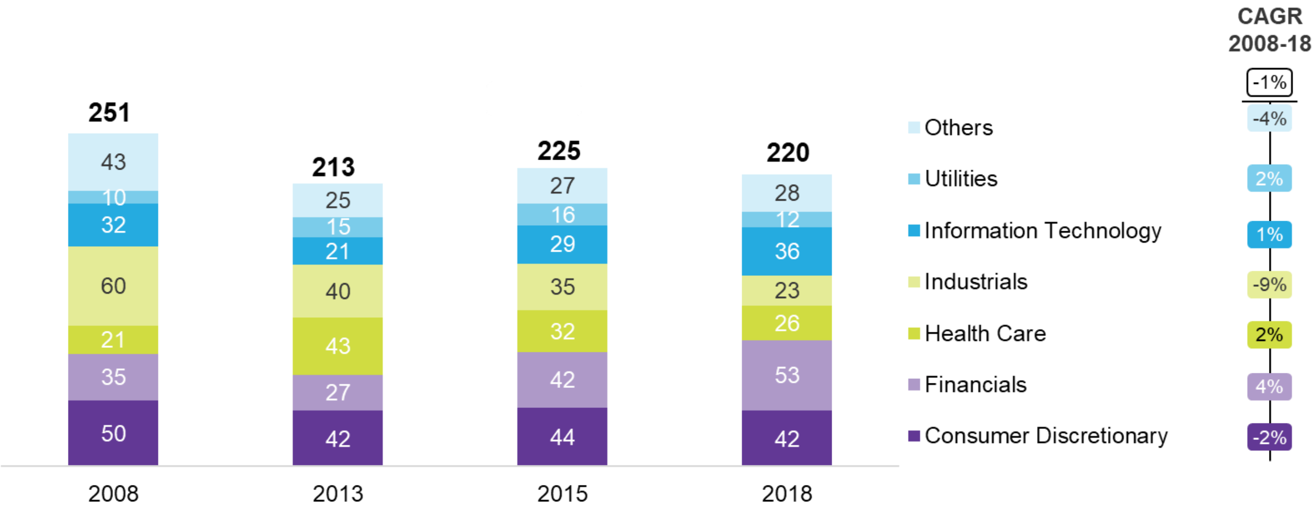
[16] https://economictimes.indiatimes.com/small-biz/money/softbank-takes-on-amazon-by-investing-2-5-billion-in-flipkart/articleshow/60027731.cms?from=mdr

BFSI has also remained a dominant sector with banks and NBFCs attracting investments. NBFCs have particularly attracted investments due to their strong business models targeting segments where banks are reluctant to enter. NBFC business models require heavy capital investments and LPs and GPs have shown an interest in high performing NBFCs, such as housing finance companies and microfinance institutions.

Healthcare and utilities are emerging sectors and have attracted investor interest in the recent past. Healthcare companies raised close to USD 1 billion in 2018 (versus USD 0.5 billion in 2017) and investment in the sector grew 2x over 2015-18. Utility companies, on the other hand, raised a total of USD 1.8 billion in 2018. Traditional businesses, with technology as a support function enabling ease of operations, have started to gain traction and investor interest. Companies in these sectors have targeted consumer needs for basic services and have used technology to ease the operations, thus growing demand significantly and generating investor interest. However, sectors such as manufacturing have access to debt capital due to the availability of physical assets and have traditionally relied on debt as a source of capital. Hence, these sectors have not attracted much interest from investors.

PE Deal volume in India

2008-18, Number of deals



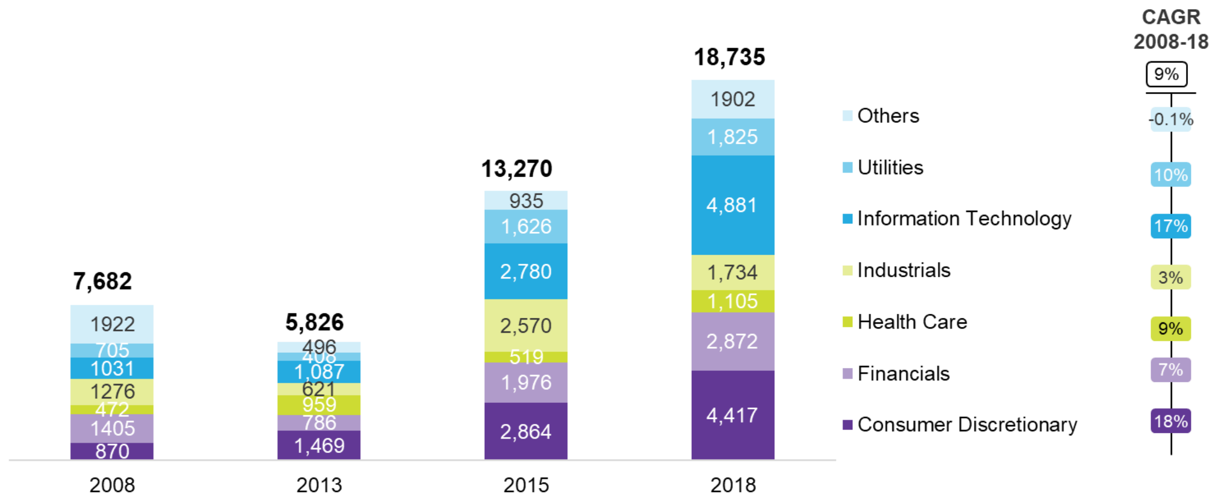
Note
(1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well as hardware and software services
(2) Deals reported as confidential are not included in this analysis
(3) Consumer discretionary includes goods desirable to consumers and include apparels, durable goods, entertainment, leisure; Financials includes banks and other financial service institutions; Health care includes firms in pharmaceutical, life sciences and healthcare equipment; Industrials includes companies providing industrial and commercial equipment and services, transportation; IT includes firms providing software & services, technology hardware equipment; Utilities includes firms providing Electric utilities and Independent Power producers; Others includes firms operating in other industries

Source: VCC Edge, Analysis

Value of Deals across Sectors in India

PE Deal value in India

2008-18, USD million



Note
(1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well as hardware and software services
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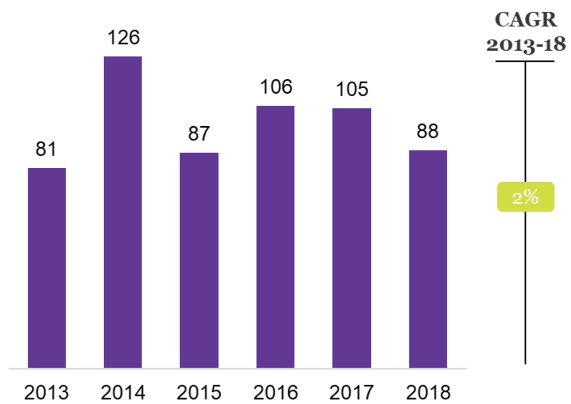
Source: VCC Edge, Analysis

PE Exits in India

A key driver of a strong PE eco-system is an investor's ability to exit their investment and make lucrative returns. The exit scenario has been positive in the Indian eco-system, with around half of private equity exits since 2003 taking place from 2015-17[17]. Exit value has been growing consistently over the past decade and 2018 experienced the highest exit value. Exit volume has also been growing, though at a slower pace, leading to high average exit value per deal. The change in investment philosophy by PE fund managers of investing higher amounts in select companies with a proven track record, has also positively impacted exits. The select firms receiving higher investments have been able to scale their businesses and attain higher exit multiples.

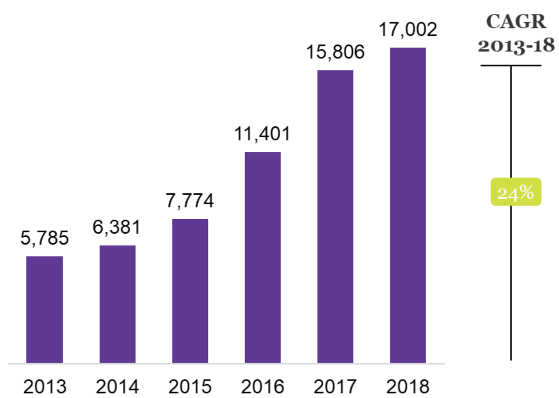
PE Exit volume in India

2008-18, Number of deals



PE Exit value in India

2008-18, USD mn



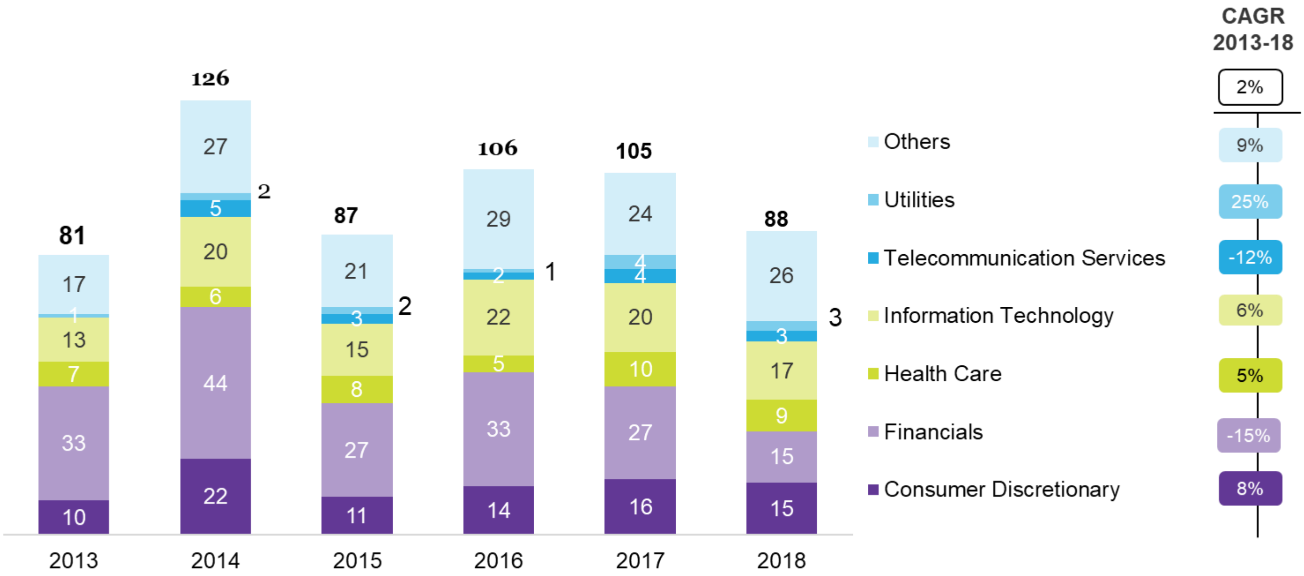
Note: Deals reported as confidential have not been considered for this analysis
Source: VCC Edge, Analysis

[17] Indian private equity: Coming of age- McKinsey & Company

Key Sectors Providing Exit Opportunity in India

PE Exit Volume in India by Sector

2008-18, Number of deals



Note: Deals reported as confidential have not been considered for this analysis, CAGR for 2014-2018 has been considered for Telecommunication Service
Source: VCC Edge, Analysis

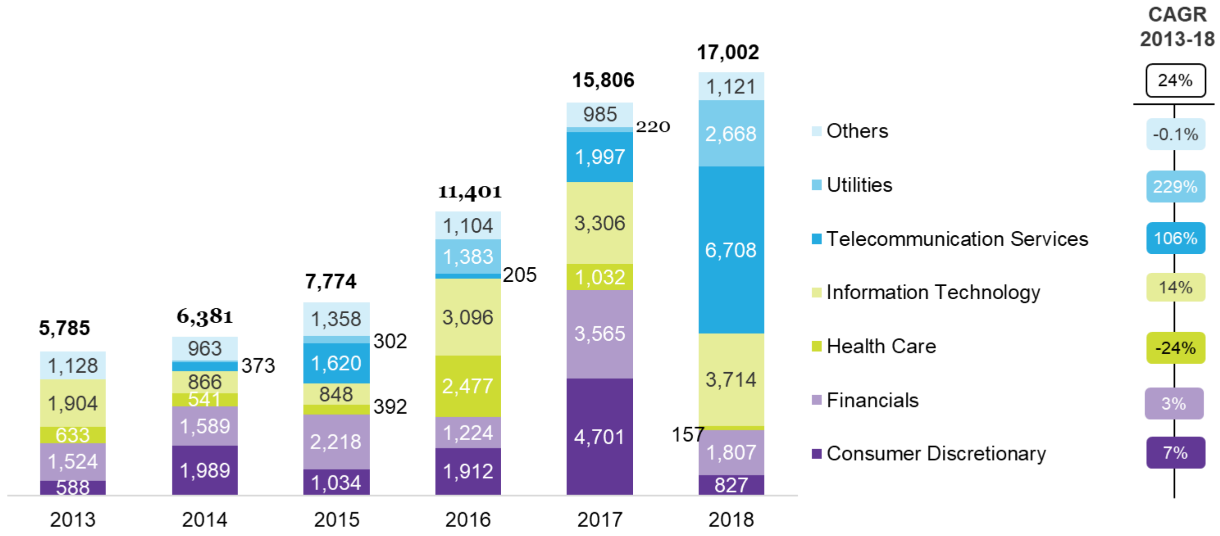
Between 2013-18, sectors such as Consumer Discretionary, BFSI and Information Technology (IT) recorded the highest exits by PE fund managers in India, together accounting for ~60% of all exits made during this period. The strong exit momentum in these sectors has led to confidence building amongst the LPs who are able to observe the performance and track records of companies operating within these sectors. Hence these sectors have also received the maximum investment over the past years

Although the volume of exits in 2018 was lower than 2017 levels, in terms of value, it was at its highest, indicating a healthy and strong exit market in India. The Telecommunications sector recorded the highest value of exit due to mega-deals such as Qatar Foundation Endowment's exit from Bharti Airtel Ltd. in an open market transaction, for USD 1.486 billion[18]. Due to such deal, the telecommunications sector witnessed a growth rate of 106% between 2014-18. However, between 2014-17 it had a CAGR of 75%.

[18] https://www.bain.com/insights/india-private-equity-report-2018/

PE Exit Value in India by Sector

2008-18, USD mn



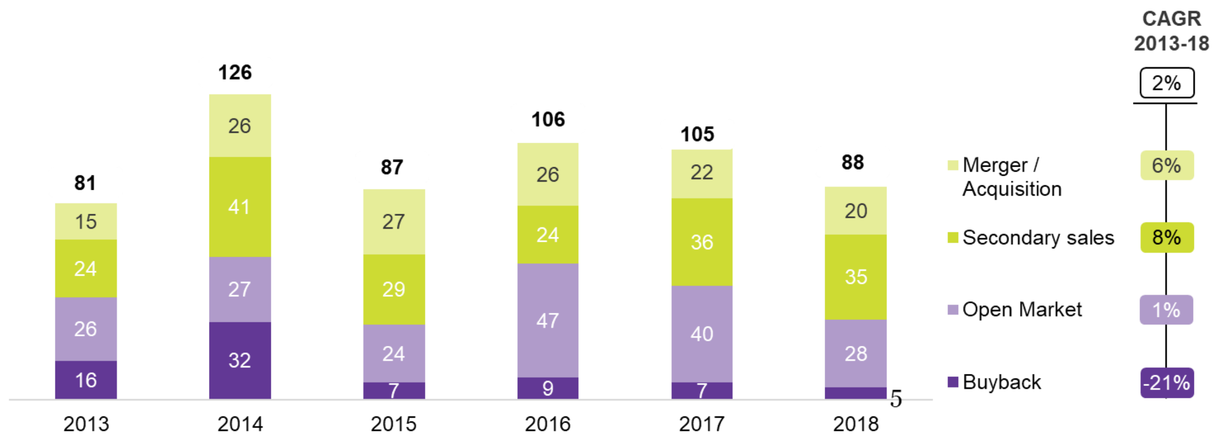
Note: Deals reported as confidential have not been considered for this analysis, CAGR for 2014-2018 has been considered for Telecommunication Service
Source: VCC Edge, Analysis

Key Exit Routes for PE in India

Exit opportunities in India are not as diverse as those in more mature markets. While M&A and secondary buyouts are key routes to exit in mature markets, the open market (IPOs) accounts for a smaller percentage of total exits. However, in India, the open market (IPOs) is considered the main exit route, followed by secondary buyouts. In 2017, the open market accounted for about ~40 per cent of total PE exits in India whereas M&A accounted for only 20 per cent.

PE Exit volume by routes in India

2008-18, Number of deals

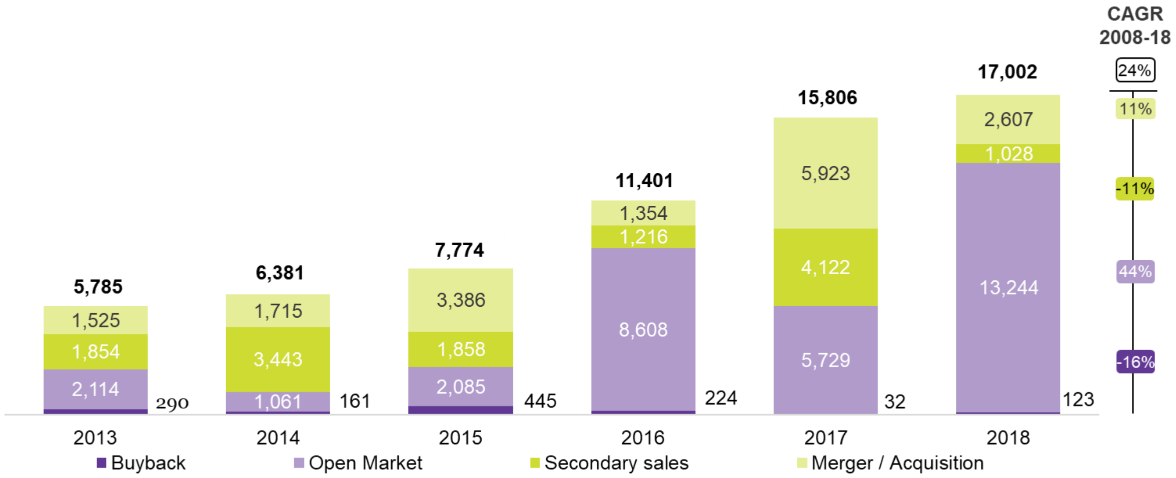


Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

PE Exit value by routes in India

2008-18, USD million



Note: Deals reported as confidential have not been considered for this analysis
CAGR for 2013-2017 has been considered for Buyback

Source: VCC Edge, Analysis

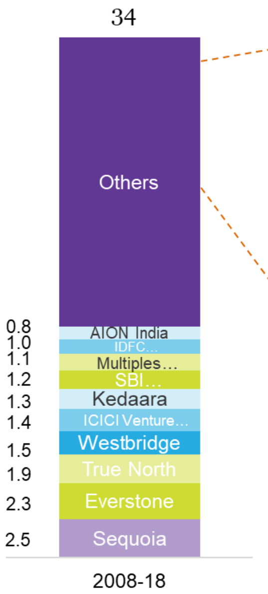
Private Investing Fund Raising in India

The fundraising environment in India has been positive, with fund managers having being able to raise a total of ~USD 34 billion since 2008 for India-dedicated funds. LPs looking for diversification have continued remaining interested in healthy, long term growth profile funds available in India and its neighbouring regions. The availability of India-focused dry powder further indicates the availability of capital in the eco-system to support quality start-ups. Asset classes such as distressed debt have grown, fuelled by government regulations and tax structures, further leading to growing investor interest in the economy.

Established larger VC and PE houses such as Sequoia , Everstone and True North have been the top funds raising the highest amount of capital. Fund raising has been relatively concentrated, with the top 20 fund houses raising ~60% of all capital. Although over 130 asset managers launched funds over 2008-18, 60 asset managers accounted for 90% of capital raised from 2008-18. This indicates a trend of LPs putting their confidence in larger fund houses with proven track records. Although capital is available for smaller funds, investors are looking at the performance of funds and have preferred those that have delivered results in the market.

Funds raised by PE and VCs in India

2008-18, USD billion



PE Name	Funds Raised in 2008-18 (USD mn)
Investcorp Private Equity	744
SAIF Advisors Pvt. Ltd.	700
ILandFS Investment Managers Ltd.	658
CX Capital Management Ltd.	655
IIFL Asset Management Ltd.	620
Tata Capital Advisors Pte. Ltd.	600
Edelweiss Alternative Asset Advisors Ltd.	542
Tata Capital Private Equity	528
Mope Investment Advisors Pvt. Ltd.	520
Lighthouse Advisors India Pvt. Ltd.	513
Remaining other players	12902

Source: VCC Edge, Analysis

Venture Capital in India

VC Investment Opportunity in India

VC opportunity scaling up in India

With improving economic conditions, the Indian economy is maturing, thus making it as an attractive investment market. The term "venture capital" refers to investment in relatively new, high growth companies or start-ups that have a potential to grow and develop into highly profitable ventures. VC investments are generally less than USD 100 million in ticket size, and typically in seed / angel, series A to E+ rounds.

Apart from being the fastest growing major economy in the world, India is also the 3rd (19) largest start-up eco-system in the world and one of its largest consumer markets, and thus, has high potential for venture capital investment.

Start-ups in India[20]: India is estimated to have a cumulative 52,000+ start-ups (2017), of which 42,000+ are technology based. The number of start-ups has been growing at a CAGR of 28%+ since 2013, from a base of 15,000. Technology start-ups had a dominant share of ~80%+ in 2017 (increased from ~65%+ in 2013), and the number of Technology start-ups in India have grown at a CAGR of 35% over 2013-17 to reach ~42,000+ in 2017) from a base of 12,500+ (2013). The share of technology start-ups in funded start-ups is slightly lower, at 75-77% (2,800 technology start-ups), compared to the share of technology startups in overall start-ups. In comparison, China had 4,800 funded technology start-ups growing at CAGR of 48% over 2013-17 and US has 20,100 (7x of India) funded technology start-ups growing at a CAGR of 19%. The number of incubators supporting the eco-system also show similar trends, with India at ~140, US at ~1,500 and China at ~2,400 incubators.

Even considering only start-ups incepted in the last 5 years (2013-18) which are active and have a prototype, the number of technology start-ups are opined to be in the 7,200-7,700[21] range. Against these, the number of unicorns are estimated to be 18 (China had 77 and US 126 unicorns). The average time taken to become a unicorn in India is slightly lower, at 5-7, years compared to 6-8 years in the US (China is at 4-6 years).

The availability of talent has been a significant contributor to the growth of the start-up eco-system in India. India has the largest global young (population in age group of 18 to 35 years) population of 440 million, with 50% of college graduates being from the STEM (Science, Technology, Engineering and Mathematics) and business streams, and 1 million+ annual engineering graduates. This has been supported by eco-system enablers like quality co-working spaces, multiple incubation programs across sectors / segments and emerging global partnerships with mature eco-systems like Israel, France, UK and South Korea.

The regulatory push in India to support the growth of the start-up eco-system is in the right direction. Multiple schemes and initiatives have been launched to give a boost to the start-up eco-system - such as Start-up India, SIDBI Fund of Funds and initiatives by NITI Aayog. Start-up India is the flagship initiative by the government of India to facilitate incubation centres, tax exemptions for start-ups and easier patent filing. SIDBI is supporting start-ups at different stages of their lifecycle – including incubation, seed funding and growth. SIDBI's INR 10,000 crore Fund of Funds, for deploying capital through VCs, is a significant effort to infuse domestic capital into the VC eco-system. The Securities and Exchange Board of India (SEBI) constituted a standing committee on 'Alternative Investment Policy Advisory Committee' (AIPAC) to help domestic financial institutions access appropriate investment opportunities to earn risk-adjusted returns.

[19] Start-up India national report (https://www.start-upindia.gov.in/content/dam/invest-india/compendium/Start-up%20India%20-%20National%20report_Final%20Version_web.pdf)
[20] Perspectives on Indian VC Eco-system, December 2018 – IVCA and Bain & Company.
[21] Nasscom Report on Indian Tech Start up Eco-system, 2018

Venture Capital in India

The oldest form of venture capital in India goes back more than 150 years when many of the managing agency houses (British businesses) acted as capitalists, providing both finance and management skills to risky projects. After the abolition of the managing agency system, the public sector term lending institutions met a part of venture capital requirements through seed capital and risk capital for hi-tech industries, which were not able to meet funding requirements through promoter contributions. However, all these institutions supported only proven and sound technology businesses, while technology development remained confined to government labs and academic institutions. Many hi-tech industries, thus, found it impossible to obtain financial assistance from banks and other financial institutions due to unproven technology, a conservative funding attitude and rigid security parameters.

The growth of the venture capital industry in India has followed a sequence of phases[22]:

- **Pre-1985:** The idea of venture capital financing was adopted at the instance of the central government and government–sponsored institutions. The need for venture capital financing was highlighted in 1972 by the Committee on Development of small and medium entrepreneurs (Bhatt Committee). It drew attention to the problems of new entrepreneurs and technologists in setting up industries. In 1975, venture capital financing was introduced in India with the inauguration of the Risk Capital Foundation (RCF) sponsored by Industrial Finance Corporation of India (IFCI), to supplement promoters' equity with a view to encourage technologists and professionals to promote new industries. In 1976, the seed capital scheme was introduced by the Industrial Development Bank of India (IDBI). In 1984, Industrial Credit and Investment Corporation of India (ICICI) decided to allocate funds for providing assistance in the form of venture capital to economic activities involving both risk and high profit potential. To popularize venture capital financing, the government announced the creation of a Venture Capital Fund (VCF) to provide equity capital for pilot projects attempting commercial applications of indigenous technology and for adapting previously imported technology for wider domestic applications.

- **1986-1995**: In 1986, ICICI launched a venture capital scheme to encourage new technocrats in the private sector in the emerging fields of high-risk technology. In August 1986, ICICI undertook the administration of the Programme for Advancement of Commercial Technology (PACT). This was akin to venture capital financing for specific needs of the corporate sector industrial units. IDBI started offering its venture capital fund scheme in March 1987. The origin of modern venture capital in India can be traced to the setting up of a Technology Development Fund (TDF) in the year 1987-88, through the levy of a cess on all technology import payments. In 1990, Gujarat Venture Finance Limited (GVFL) began operations with investments from the World Bank, the U.K. Commonwealth Development Fund, the Gujarat Industrial Investment Corporation, Industrial Development Bank of India, various banks, state corporations, and private firms. It was sufficiently successful and in 1995, launched its second fund. Then, in 1997, it raised a third fund to target the information technology sector. From the 1990 fund to the 1995 fund, there were fewer food and agriculture-related firms and a greater emphasis on information technology. The 1997 fund invested exclusively in information technology. This first stage had difficulties as management needed to develop experience and there were handicaps such as regulations regarding which sectors were eligible for investment, a deficient legal system, successive scandals in the capital markets, economic recession, and general difficulties in operating in the Indian regulatory environment.

- **1995–1999:** The success of Indian entrepreneurs in Silicon Valley that began in the 1980s became far more visible in the 1990s. This attracted the attention of venture capitalists both from

[22] Secondary articles

India and abroad. The amount of capital under management in India increased after 1995. Particularly important were venture capital funds raised from abroad during this period. Very often, Non Resident Indians (NRIs) were important LPs in these funds. The formalization of the Indian venture capital community began in 1993 with the establishment of the Indian Venture Capital Association (IVCA). In 1999, ~80 % of the total venture capital investments were derived from overseas firms. These foreign firms registered in Mauritius as a strategy to avoid the onerous regulations and taxes imposed by the Indian government. In 1999, IVCA had 21 VC firms registered, and 8 of these were in the public sector.

- **Nascency Phase (2000-2010):** This phase is characterized by an activation of capital and setting up of funds to leverage the start-up environment. VC funds started testing Indian waters with liberalization showing some early results and Indian firms becoming more successful in Silicon Valley
- **Scale-up Phase (2011-2014):** This phase is defined by aggressive VC competition due to growth in the number of start-ups looking for funding. VCs in India focused on effecting a larger number of deals and building an initial portfolio. The LP view on India macro-economic fundamentals was strong
- **Evolving Phase (2016 onwards):** This phase is defined by VCs focusing on effecting select deals. As early VC entrants like Sequoia, SAIF and Accel evolved, they started focusing on larger deals and this trend is reflected in the broader market as well.

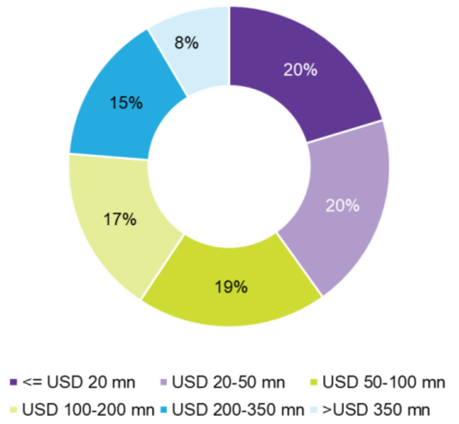
Growth of Venture Capital funds in India

At the end of 2018, there were 352 registered VC and angel / seed funds in India. Of these 12 funds have been liquidated or are no longer investing and 145 funds have not made any India investments since the start of 2017.

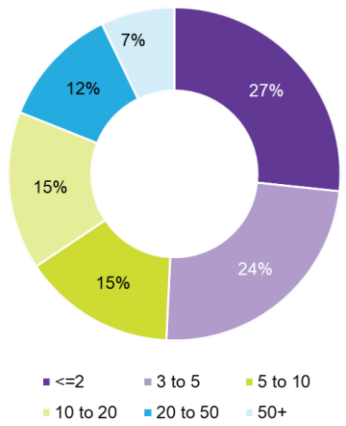
Thus, India currently has 195 (~55% of all registered funds in India) active funds, i.e., those funds that have made India investments since the start of 2017[23]. A majority of these active funds (~65%) have been launched in 2014 or thereafter.

Of the 195 active funds, 55% have fund sizes less than or equal to USD 100 million and 66% of the active funds have made 10 or fewer investments

Split by size of active funds



Split by number of investments by active funds



Note: Data as on 31 December 2018

Source: VCC Edge

In recent years, these active funds, on average, raised 25-30% of their capital from domestic sources, and the remaining from foreign sources; this is in contrast to a few years back, when the the domestic capital pool was generally less than 5%. Key international LPs have been HNIs and large sovereign / semi-sovereign LPs such as IFC and CDC. In the domestic market however, due to the absence of institutional LPs such as pension funds and university endowments, and restrictions placed by insurance companies and various DFIs on borrowed funds, LPs have included Indian HNIs, large family offices and leading institutional investors like SIDBI.

"The VC Industry in India has evolved over the past 5-8 years however the ecosystem has not developed fully with investors not having complete understanding of the asset class" - *Co-founder of an angel / seed fund in India*

"As compared to other countries such as China, VC investments in India are still in an evolving phase. Other countries have developed the eco-system and have investors that understand the VC asset class. However, ecosystem is still developing in India"

- *Managing Partner of a VC firm in India*

[23] VCC Edge

The top VCs raising funds between 2008-18 in terms of number of investments are shown in the table below. The top 5 VCs in India (by deal activity) have been Blume, Accel, Sequoia, Helion and SAIF Advisors, and have they have also been able to secure exits.

VCs with Maximum Investments

2008-18, Number of Investments

Rank	VC Name	VC type	Total investments (#)	Total exits (#)
1	Blume Venture Advisors Pvt Ltd	Indian	225	22
2	Accel India Management Co. Pvt Ltd	Global with India presence	202	15
3	Sequoia Capital India Advisors Pvt Ltd	Global with India presence	188	25
4	Helion Venture Partner LLC	Indian (Mauritius based)	103	14
5	SAIF Advisors Pvt Ltd	Global with India presence	100	12
6	Kalaari Capital Advisors Pvt Ltd	Indian	100	7
7	Matrix India Asset Advisors Pvt Ltd	Global with India presence	81	5
8	Capria Ventures LLC	Global	66	2
9	India Quotient Advisers LLP	Indian	64	6
10	KAE Capital Management	Indian	55	10
11	IDG Ventures India Management Co	Global with India presence	53	6
12	Seed Advisors Pvt Ltd	Indian	50	4
13	Aarin Asset Advisors LLP	Indian	43	5
14	Orios Venture Advisors Pvt Ltd	Indian	42	6
15	SIDBI Venture Capital Ltd	Indian	41	3

VCs such as Westbridge Capital Advisors LLP, ICICI Venture Funds, Multiple Alternate Asset Management and TVS Capital Funds have secured exits but have made relatively fewer investments in the Indian market.

VCs with Maximum Exits

2008-18, Number of Exits

Rank	VC Name	VC type	Total investments (#)	Total exits (#)
1	Westbridge Capital Advisors LLP	Global	5	26
2	Sequoia Capital India Advisors Pvt Ltd	Global with India presence	188	25
3	Blume Venture Advisors Pvt Ltd	Indian	225	22
4	ICICI Venture Funds Management Company Ltd	Indian	5	20
5	Multiples Alternate Asset Management	Indian	6	16
6	Accel India Management Co. Pvt Ltd	Global with India presence	202	15
7	Helion Venture Partner LLC	Indian	103	14
8	SAIF Advisors Pvt Ltd	Global with India presence	100	12
9	KAE Capital Management Pvt Ltd	Indian	55	10
10	TVS Capital Funds Pvt Ltd	Indian	8	10
11	Tata Capital Private Equity	Indian	21	9
12	CX Capital Management Ltd	Indian	1	9
13	IFCI Venture Capital Funds Ltd	Indian	10	9
14	PremjiInvest	Indian	11	9
15	Lighthouse Advisors India Pvt Ltd	Global with India presence	6	9

Fund of Fund for Start-ups (FFS)

SIDBI has been operating Fund of Funds programs, namely, All India Funds, Regional Funds, MSME-RCF, India Aspiration Fund (IAF), Fund of Funds for Start-ups (FFS) and ASPIRE Fund (AF) in which contributions are made to Alternative Investment Funds (AIFs) for investments in companies at different stages of business cycles such as seed, Series A, growth and so on.

While commitments under All India Funds, Regional Funds and MSME-RCF are under divestment / exit stage, commitments to AIFs are being considered under the FFS program. SIDBI is the implementing agency for FFS, which is a program of the Department for Promotion of Industry and Internal Trade -DPIIT, Ministry of Commerce and Industry.

Fund of Funds for Start-ups (FFS) was launched on January 16, 2016 in line with the Start-up India Action Plan. It has an approved corpus of INR 10,000 crores for contribution to various Alternative Investment Funds (AIFs) registered with SEBI. Introduced with a focused objective of supporting development and growth of innovation driven enterprises, FFS facilitates funding needs for start-ups through participation in capital of SEBI registered Alternative Investment Funds. The investments by these funds are harbingers for growth which propel economic activity, wealth creation and employment generation.

AIFs supported under FFS invest at least twice the contribution out of FFS in start-ups as defined by Government of India. The definition of start-ups has been widened from the earlier definition under the 'Start-up India, Stand-up India' scheme by DPIIT. In the new definition, an entity will be considered a start-up for up to 10 years from its incorporation date, if turnover for any of the financial years since its incorporation does not exceed INR 100 crore, as compared to 7 years and INR 25 crores respectively in the old definition of start-ups.

Status of SIDBI's Fund of Fund for start-ups

30th June, 2019

47	INR 3,123 Cr	INR 1,683 Cr	251
SIDBI's FFS has contributed to **47 AIFs** that are registered with SIDBI	SIDBI's FFS has **committed INR 3,123 Cr** to the 47 AIFs	**INR 1,683 Cr has been invested in start-ups** by the 47 AIFs under the FFS	A total of **251 startups have been supported** under the FFS

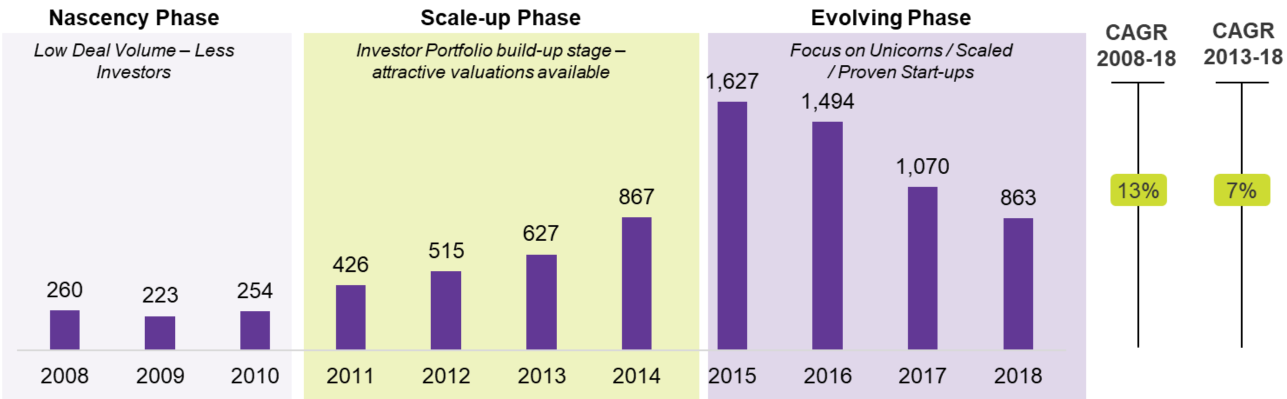
Total VC Investment in India

Number of Deals in India

The VC industry in India has moved from a scale-up phase to an evolving phase, with firms effecting selective deals over the past 3-4 years

USD <100 mn Deal Size Deal Volume in India

2008-18, Number of Deals



Note: (1) Deal volume does not include the deals that were reported as confidential

(2) Unicorn are companies valued at over USD 1 bn

Source: VCC Edge, Analysis

The venture capital industry in India has shown signs of evolution, with the focus turning towards quality of deals rather than only quantity. Over 2008-14, the industry witnessed a constant growth in the number of deals given the country's growing start-up environment. During this phase, the focus of VCs was on deal volumes and rapid portfolio expansion. Given the growing number of start-ups, VCs were aggressive in entering first / early in promising assets, at low valuations. Post 2015, the VC industry in India has moved from a scale-up phase to an evolving phase where the investment strategy has changed to placing bets on proven start-ups. LPs and GPs have grown cautious of investing in new business models and have preferred established companies that have delivered results – this has also led to reduced deal volume. In this phase, venture capitalists focused on doing select deals to holistically grow their portfolios.

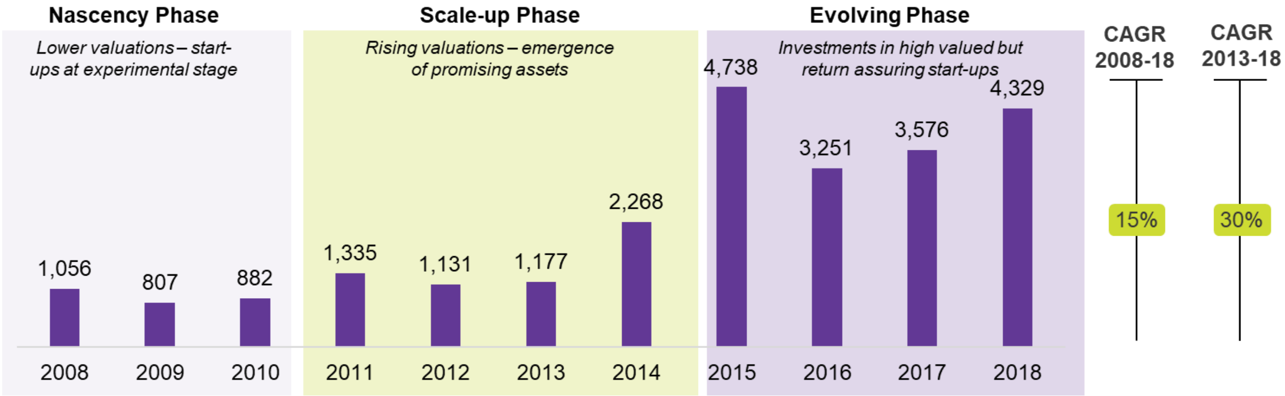
Value of Deals in India

With declining deal volumes post 2015, total deal value declined; however, it is now picking up as VCs have started effecting larger ticket deals

In the nascent and scale-up phases, the industry witnessed a growth in investment value. However, during this time, lower valuations and the recessionary impact contributed to lower capital deployment, leading to ups and downs in total deal value. Based on the graphs, we observe that in this phase there is a growth in the volume of deals but the deals had small ticket sizes. Post 2015, in an effort to square off non-performing legacy investments, fund managers have been focusing on proven high valued assets rather than placing bets on upcoming start-ups with unpredictable returns. Total deal value has picked up as VCs have started effecting larger ticket deals and investing greater amounts in firms with proven track records.

USD <100 mn Deal Size Deal Value in India

2008-18, million USD



Note: Deals with disclosed buyers and value have been considered for this analysis

Source: VCC Edge, Analysis

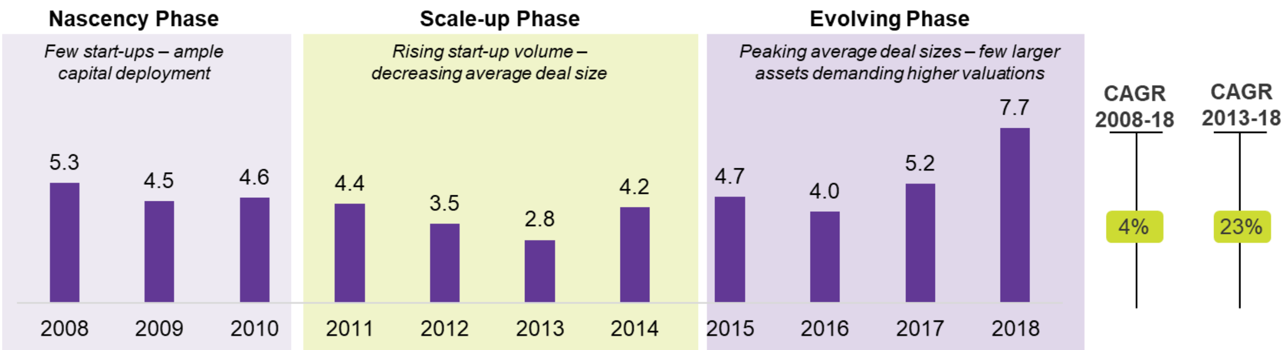
Average Size of Deals in India

Focus for VCs have shifted from making multiple smaller investments to making fewer number of high ticket investments

In the evolving phase, the focus of VCs has shifted from making multiple smaller investments to making a fewer number of high-ticket investments. This is in line with the trend in private equity in 2015-2018. From the graph below, it can be observed that despite the decreasing deal count in 2017 and 2018, the average deal value grew. This period witnessed high value deals such as that of Icertis Inc (~USD 50 mn by Eight Roads Venture and others) and Bundl Technologies (~USD 80 mn by Accel, Norwest, SAIF and others). However, between 2008-14, India's VC industry witnessed reducing deal sizes on account of increased focus by VC funds to undertake a larger number of deals and invest early in start-ups. Very few deals contributed to deal value spikes, with 2013 witnessing the highest 5-year overall volume but lowest average deal value.

Average VC Deal Size in India

2008-18, million USD



Note: Deals with disclosed buyers and value have been considered for this analysis

Source: VCC Edge, Analysis

VC investment deals in India

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2018	PremjiInvest, Bain Capital LLC, Menlo Ventures, American Express Ventures, IA Venture Strategies Fund II LP, Allegis Cyber	Signifyd Inc.	100	29/05/2019
	Accel India Management Co. Pvt. Ltd., Google Ventures, CapitalG, Sequoia Capital India Advisors Pvt. Ltd.	Freshworks Inc.	100	31/07/2018
	Temasek Holdings Pvt. Ltd., Daimler AG, Denso Corp., Wavemaker Partners LLC, GGV Capital, Nsitexe Inc., Singapore Innovate Pte. Ltd., SPARX Asset Management Co. Ltd.	Thincl Inc.	65	05/09/2018
2017	Ali Cloud Investment LLC, Private Equity Business	Just Buy Live Enterprise Pvt Ltd	100	24/08/2017
	PremjiInvest, MasterCard Inc., Accel India Management Co. Pvt. Ltd., Meritech Capital Partners LP	Yapstone Inc.	100	21/11/2017
	Doctus Software Solutions Pvt. Ltd.	Pi Data Centers Pvt Ltd	100	10/04/2017
2016	VentureNursery, DSG Consumer Partners I, Lightspeed Venture Partners IX LP, Sequoia Capital India IV Ltd., Greenoaks Capital Partners LLC, Softbank Group Corp.	Oravel Stays Pvt Ltd	90	12/07/2016
	Network18 Media and Investments Ltd., Accel India III LP, SAIF Partners India IV Ltd., Stripes Group LLC	Big Tree Entertainment Pvt. Ltd.	81	03/06/2016
	The Hongkong and Shanghai Banking Corporation Ltd., American Express Ventures,	Think and Learn Pvt. Ltd.	75	25/02/2016

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	CreditEase Fintech Investment Fund, Pavilion Capital Partners LLC			
2015	Nexus India Capital Advisors Pvt. Ltd., Tiger Global Management LLC, Helion Venture Partners LLC	Clues Network Pvt. Ltd.	100	19/01/2015
	Steadview Capital Master Fund Ltd., Tiger Global Management LLC, Bertelsmann Corporate Services India Pvt. Ltd., Liberty Media Corporation, Quilvest Group, Mousse	Saavn LLC	100	07/07/2015
	Lightspeed Venture Partners IX LP, Sequoia Capital India IV Ltd., Greenoaks Capital Partners LLC, Softbank Group Corp.,	Oravel Stays Pvt. Ltd.	100	25/07/2015
2014	Sequoia Capital India IV Ltd., Softbank Ventures Korea Corp.	PT Tokopedia	100	22/10/2014
	Qualcomm Ventures, Nexus Ventures III Ltd., DST Global, Falcon Edge Capital LLP, Softbank Group Corp., Digital Nirvana Fund Co. Ltd.	Locon Solutions Pvt. Ltd.	88	12/12/2014
	BSY Pte. Ltd., Tiger Global Private Investment Partners VIII L.P., Adam D'Angelo, Matt Mullenweg	Hike Pvt. Ltd.	66	22/08/2014
2013	Morgan Stanley Private Equity Asia IV LP, Citi Venture Capital International Growth Fund II, India Financial Inclusion Fund, Tata Capital Growth Fund I, QRG Enterprises Ltd.	Jana Small Finance Bank Ltd.	57	01/08/2013

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Info Edge India Ltd., Sequoia Capital India Growth Fund II LP	Zomato Media Pvt. Ltd.	37	25/10/2013
	IndoUS Venture Partners I LLC, Bessemer Venture Partners LP, Nexus India Capital II L.P., eBay Inc., Recruit Holdings Co. Ltd., Intel Capital, ru-Net, Saama Capital II Ltd., Anand Rajaraman, Hans Tung, Laurent Amouyal, Venky Harinarayan	Jasper Infotech Pvt. Ltd.	32	02/03/2013
2012	Draper Fisher Jurvetson India, Helion Venture Partners I LLC, Norwest Venture Partners, Western Technology Investment	Komli Media Inc.	39	12/06/2012
	India Infrastructure Development Fund, Ventureast Proactive Fund, Ventureast Life Fund III LLC, Draper Fisher Jurvetson India	Bharat Light and Power Group Pvt. Ltd.	37	22/10/2012
	Netherlands Development Finance Co., International Finance Corp., Sarva Capital LLC, Wolfensohn Capital Partners, Women World Banking Capital Partners L. P.	Ujjivan Financial Services Ltd.	34	31/01/2012
2011	New Silk Route PE Asia Fund LP	Varsity Education Management Pvt. Ltd.	55	21/03/2011
	The Xander Group Inc.	HCC Concessions Ltd.	47	09/08/2011
	Nexus India Capital II L.P., IndoUS Venture Partners I LLC, Bessemer Venture Partners LP	Jasper Infotech Pvt. Ltd.	40	06/07/2011
2010	Bain Capital, TPG Capital	Lilliput Kidswear Ltd.	86	06/03/2010

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Bessemer Venture Partners LP, Argonaut Ventures, New Silk Route PE Asia Fund	Kiran Energy Solar Power Pvt. Ltd.	43	02/04/2010
	IDFC Ltd.	TRIL Infopark Ltd.	33	27/09/2010
2009	Pan-African Infrastructure Development Fund	Essar Telecom Kenya Holdings Ltd.	93	30/06/2009
	India Value Fund III	Meru Travel Solutions Pvt. Ltd.	31	27/03/2009
	Technology Partners, BlueRun Ventures, New Enterprise, Draper Fisher Jurvetson India	Imergy Power Systems Inc.	30	05/05/2009
2008	SVB India Capital Partners I LP, Sandstone Capital LLC, Kismet Capital LLC	Bharat Financial Inclusion Ltd.	72	20/10/2008
	Tata Capital, Charles River Ventures, Norwest Venture	Vanu Inc.	32	04/09/2008
	FTV Management Company LP	Mu Sigma Inc.	30	24/09/2008

Key Observations for VC investment in India

Current Scenario, Gaps and Challenges

1. **Funding Gap at series A to C stages of investment:** Markets such as the US have 20-25% of deal volume coming from investments with value > USD 10 mn while in India, such deals accounted for ~14% of total deal volumes in 2018. The VC industry in India is still evolving, and has the potential to grow in both deal volume and value terms. International LPs, however, have low confidence on the Indian market due to changing and volatile regulatory and tax structures in the country. There are funds available at early stages of investment; however, the limited number of LPs and limited exit options have led to a funding gap at series A to C stages[24].

"The ecosystem started developing for angel / seed stage in 2006, with funds focused on this stage coming up. However there is a gap in series A to C stages with companies struggling to raise ~USD 10-15 mn funding"
~ Co-founder of a leading angel / seed fund in India

[24] Common theme arising from all the discussions with VC funds conducted during the study. Please refer methodology section for further details

2. **Lack of investor understanding:** Domestic LPs do not fully understand the VC asset class and have taken their capital to other asset classes, leading to a funding gap in the VC industry. Larger VCs and PE funds have grown cautious and invest only in companies with a proven track record, leading to limited investments typically at later stages

> "Larger VCs have grown cautious of the environment and seek companies with a proven track record and business model in Indian or other markets. This has led to limited funding options for Indian firms requiring higher investment amount"
> *- Managing Partner of a VC firm in India*

3. **Regulatory and Compliance challenges:** LPs and GPs face hurdles in the form of regulations and compliance issues such as tax structures, restrictions imposed on certain investor classes such as banks, insurance companies and pension funds, which leads to limited participation from these investors in the VC space. Volatility in the regulatory regime and requirements such as PAN card for foreign investors also create operational hurdles for foreign investors who prefer to invest from off-shore funds

Source: VCC Edge, PitchBook-NVCA Venture Monitor, Analysis

Key Investment Sectors for VC Investment

Number of Deals across Sectors in India

In India, IT has been the largest sector in terms of number of investments over the past decade, followed by the Consumer Discretionary sector.

While investments of large funds such as Sequoia, Accel, SAIF, and Kalaari are diversified across sectors, almost mirroring the market mix, all large funds have exposure to consumer technology / IT and this sector has been dominating the investments of large funds. Very few funds have focused their investments on one particular vertical.

Funds with Vertical Focus

Name of Fund	Number of Investments
HEALTH QUAD	8 investments in Healthcare
CURRAE HEALTHTECH FUND	15 investments in Healthcare
LOK CAPITAL	30 investments in BFSI
caspian	18 investments in BFSI
DSG CONSUMER PARTNERS	10+ investments in Consumer Goods
firesideventures	10 + investments in Consumer Goods

The consumer technology space has witnessed the introduction of new sub-segments such as HealthTech and EdTech, and the rapid expansion of existing sub-segments, namely FinTech, and e-commerce FinTech, resulting in a large number of companies requiring funds.

The significant uptrend in the e-commerce funding is largely driven by an increasing number of digital transactions, digital literacy, growing use of vernacular content, low mobile data tariffs and stimulus provided by government's Digital India programme and also programmes such as Start-up India and Make in India.

The Flipkart-Walmart deal announced in 2018 has also had positive ramifications for the Indian start-up industry and has caught the eye of a number of large, foreign strategic investors who have been evaluating India for a long time. Broader start-up funding is expected to go up, while the number of ventures starting out is also expected to rise, after witnessing two consecutive years of decline. The VC eco-system has also received a tremendous boost from this deal and this exit is expected to power the venture-capital business in India.

Consumer Tech Sub-Segments & Top

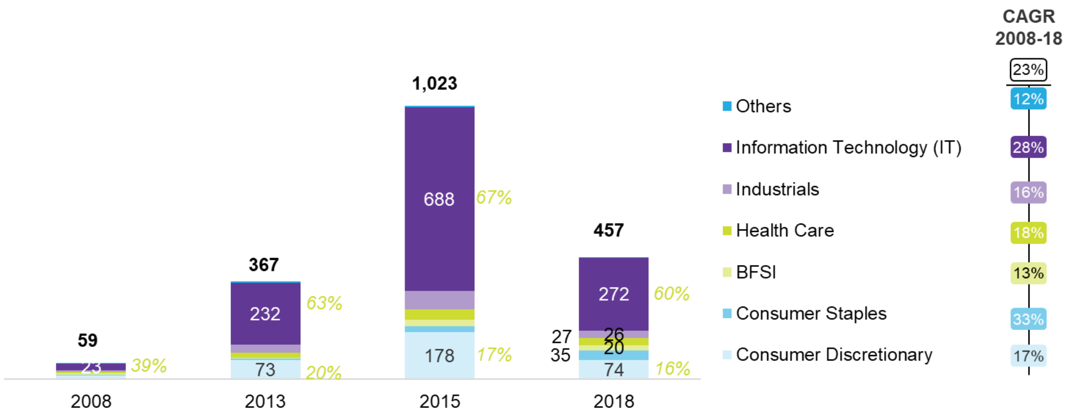
Sub-segments	Companies
EdTech	BYJU'S, unacademy, toppr
HealthTech	PORTEA, cure.fit
FoodTech	Swiggy, foodpanda, zomato
Fintech	freecharge, policybazaar, paytm
Verticalized e-tailing	Grofers, firstcry, Myntra, lenskart.com
Online Travel Aggregators	ixigo, yatra.com, oyo
Horizontal e-tailing	flipkart.com, snapdeal

On the other hand, FinTech has also emerged as one of the promising industries for investments in India. While M&A fuelled FinTech investments in both the US and Europe, venture capital deals continued to reign in Asia, including India. The primary areas of interest for LPs and GPs in India were payments and lending, driven by growth in digital payments in Tier 2 and Tier 3 towns. The Government is also pushing for digital payments through its RuPay card, which has managed to take a lead over its traditional rivals Visa and MasterCard. The BHIM app, another government initiative for digital payments, also continues to grow impressively.

IT is the largest sector in terms of deal volume, followed by consumer discretionary, for VC deals at the angel / seed stage

Sector-wise Angel / Seed Deal Volume in India

2008-18, Number of Deals



X% - indicates share of sector in total value

Notes:

(1) IT includes firms providing e-tailing, fintech, healthcare tech, ed-tech and similar technology products as well

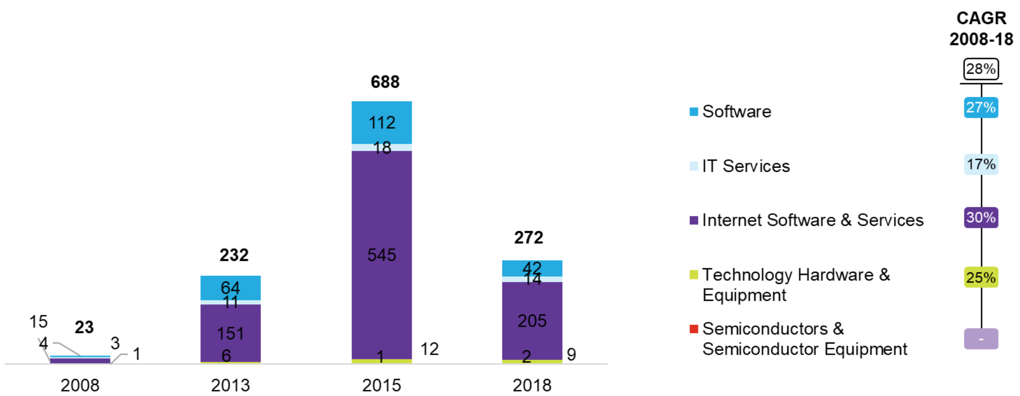
(2) Deals reported as confidential are not included in this analysis

(3) Consumer discretionary includes goods desirable to consumers and include apparels, durable goods, entertainment, leisure; Consumer staples includes goods essential to consumers such as food, non-durable household products; BFSI (Banking and Financial Sector Institutions) includes banks and other financial service institutions; Health care includes firms in pharmaceutical, life sciences and healthcare equipment; Industrials includes companies providing industrial and commercial equipment and services, transportation; IT includes firms providing technology hardware equipment, semiconductor & semiconductor equipment, IT services such as consulting and data process outsourcing, internet software and services such as online market places and software providers (application and system software); others includes firms operating in other industries

Source: VCC Edge, Analysis

IT Sector Angel / Seed Deal Volume in India

2008-18, Number of Deals



Note: Deals reported as confidential have not been considered for this analysis

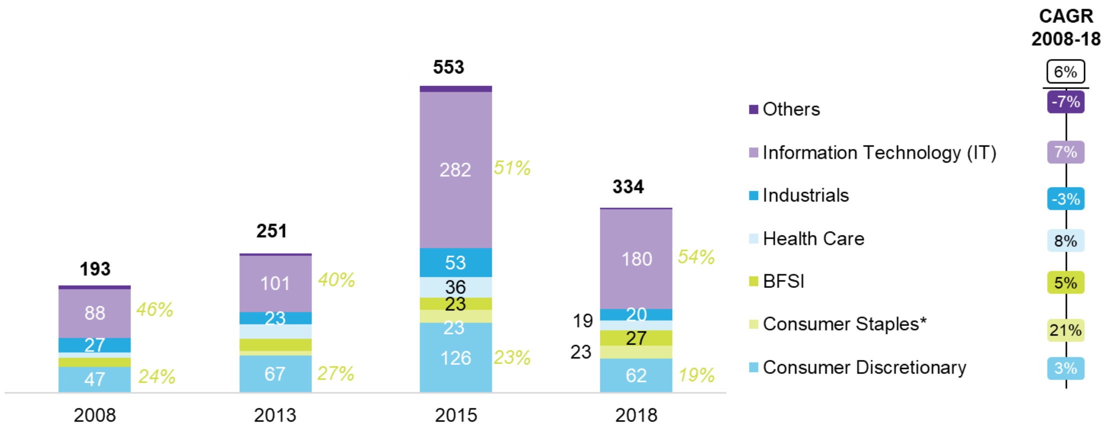
Source: VCC Edge, Analysis

IT and Consumer discretionary have been the sectors with the highest number of angel / seed investments over the past 5 years, with the two sectors comprising 76% of all deals in 2018. According to a survey of 200 angel investors[25], 1 out of 3 investors was sector agnostic, though 50% said they wanted to invest in technology, specifically in FinTech, e-commerce, HealthTech and Edtech.

Similar sector focus trends are observed for VC deals with value less than USD 20 mn at series A to E+ stages

Volume of Sector-wise Series A to E+ Deals with Value < USD 20mn in India

2008-18, Number of Deals



X% - indicates share of sector in total value

Note (1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well

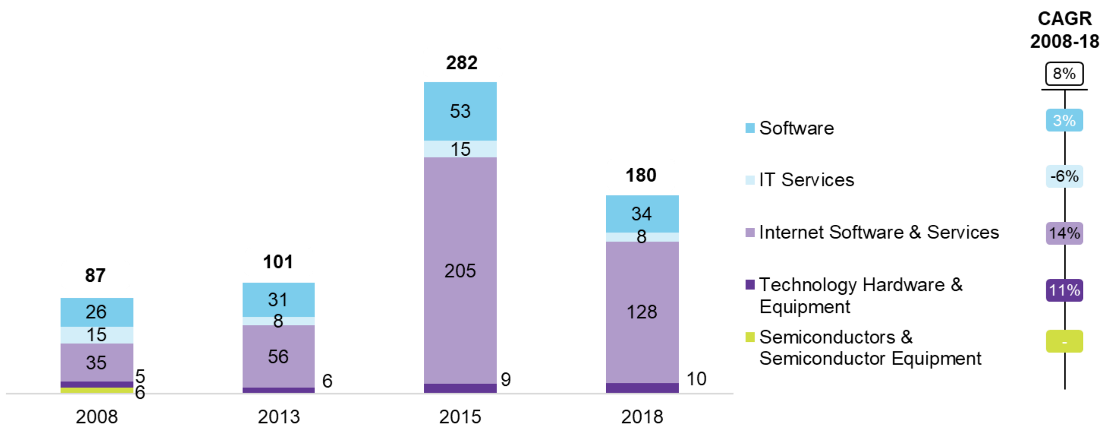
(2) Deals reported as confidential are not included in this analysis

(3) CAGR for Consumer staples is for 2013-18

Source: VCC Edge, Analysis

Volume of IT Sector Series A to E+ Deals with Value < USD 20 mn in India

2008-18, Number of Deals



Note: Deals reported as confidential have not been considered for this analysis

[25] Survey conducted by LetsVenture

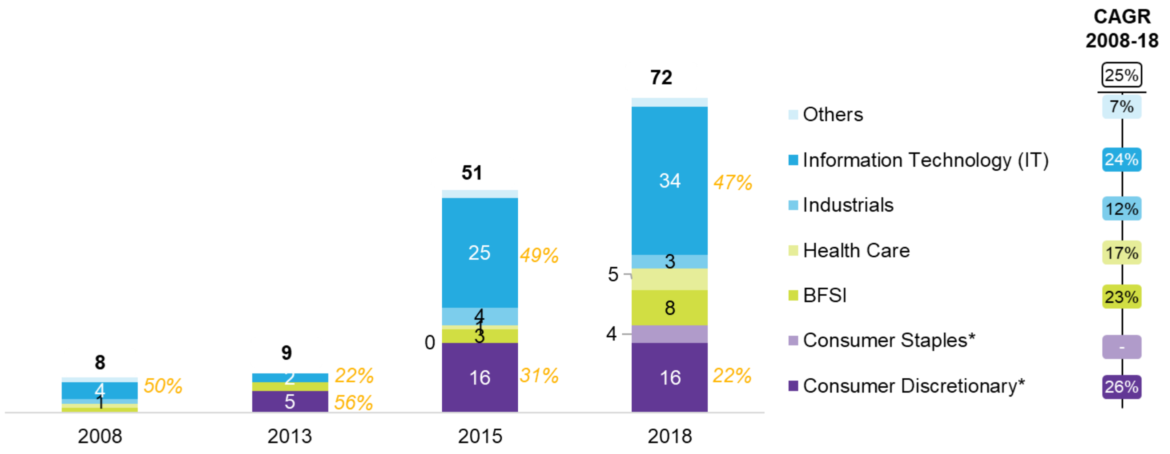
Source: VCC Edge, Analysis

IT and consumer discretionary have been the sectors with the highest number of Series A to E+ deals over the past 5 years, with the two sectors comprising 73% of all deals less than USD 20 mn in 2018, and all 69% of all deals worth >USD 20 mn in 2018.

Similar trends are also observed with VC deals with value > USD 20 mn (series A to E+); however, diversification has increased for such deals

Volume of Sector-wise Series A to E+ Deals with Value > USD 20 mn in India

2008-18, Number of Deals



X% - indicates share of sector in total value

Note (1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well

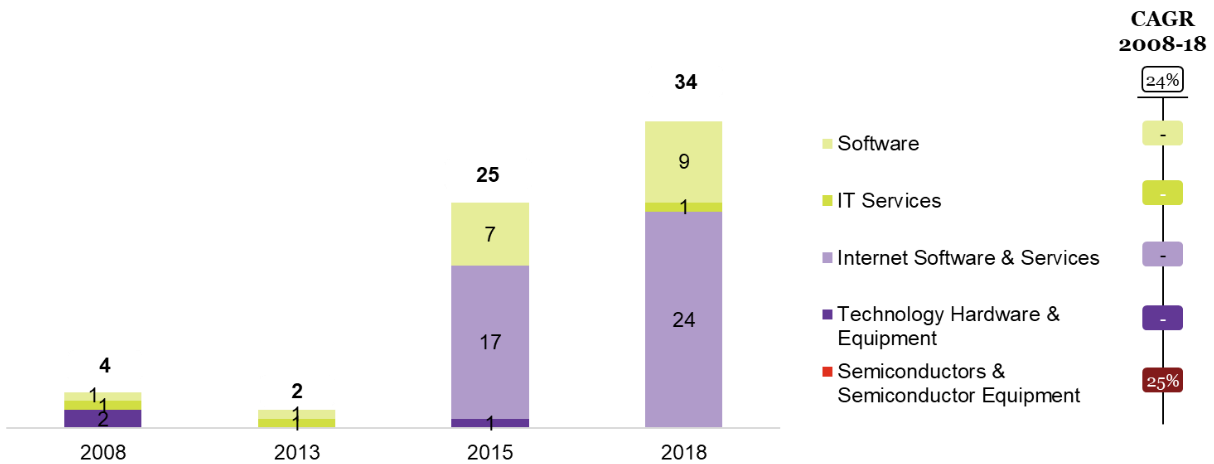
(2) Deals reported as confidential are not included in this analysis

(3) CAGR for Consumer staples is for 2013-18

Source: VCC Edge, Analysis

Volume of IT Series A to E+ Deals with Value > USD 20 mn in India

2008-18, Number of Deals



Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

Value of Deals across Sectors in India

FinTech and e-commerce have been the leading sectors in terms of deal value across all sectors in India. FinTech was the largest sector, in terms in of deal value, in 2018, raising around USD 2 bn across 120+ deals. In 2017, e-commerce was the largest sector in terms of deal value largely because of the USD 3.9 bn in funding raised by Flipkart. In 2018, e-commerce and marketplaces together raised USD 1.5 billion across 60 deals.

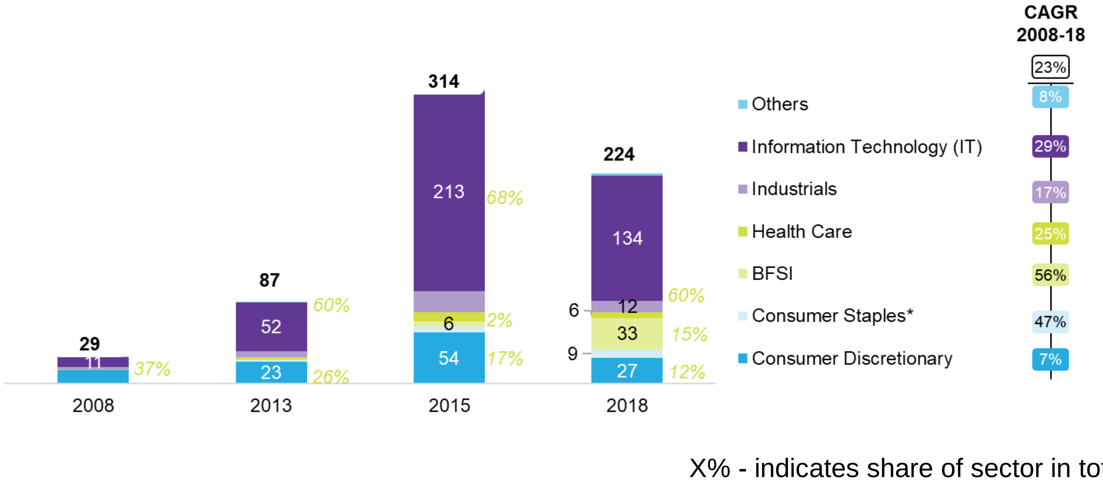
Sectors that were not on anyone’s radar in 2015 raised significant funding in 2018. Robotics and automation raised close to USD 230 mn (versus USD 30 mn in 2017). AI-based start-ups raised a total of USD 5.88 mn (13 deals) in 2017, but in 2018 that number skyrocketed to USD 294 mn (23 deals). The SaaS sector, too, doubled the funding raised to USD 387 million over 37 deals compared with USD 171 million (50 deals) in 2017.

The interest in healthcare declined to just USD 229 million (14 deals) in 2018 versus USD 383 mn (75 deals) in 2017. Logistics too had a dull year, in terms of funding, garnering only USD 194 mn (20 deals) in 2018 against USD 273 million across 17 deals in 2017.

IT is the largest sector in terms of deal value; BFSI and consumer discretionary are other key sectors receiving VC deals at angel / seed stage

Value of sector-wise Angel / Seed Deals in India

2008-18, million USD



Note (1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well

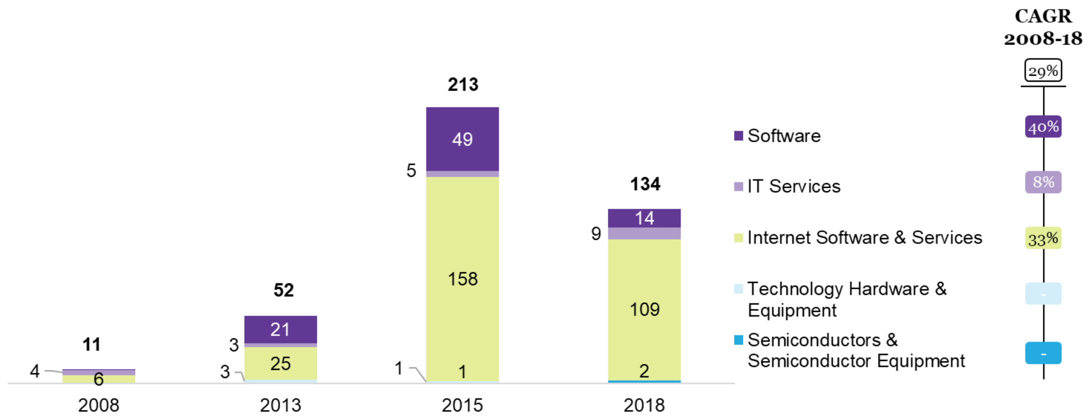
(2) Deals reported as confidential are not included in this analysis

(3) CAGR for Consumer staples is for 2013-18

Source: VCC Edge, Analysis

Value of IT sector Angel / Seed Deals in India

2008-18, million USD



Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

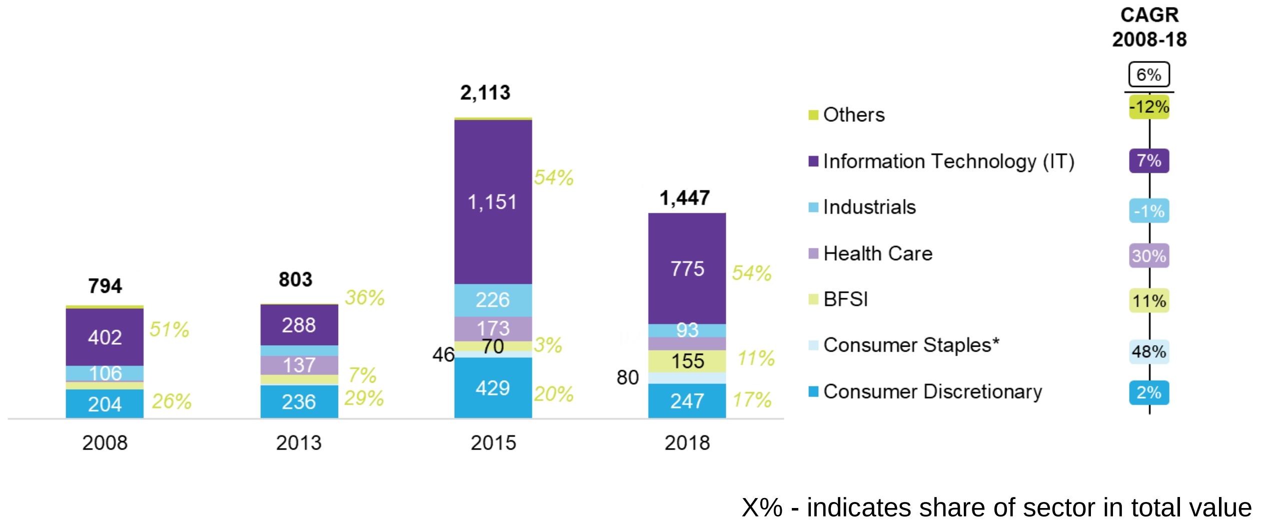
With multiple IT firms across domains such as e-tailing, FinTech, healthcare, EdTech coming up in past 4-5 years, there was a need of funds for this sector. LP and GP interest in e-commerce has also been high post the closure of the Flipkart-Walmart deal, which has added to the IT and consumer discretionary sectors receiving a higher number of investments.

The average deal size for sectors has increased over the years, although the average deal size for the BFSI sector is highest - leading to higher contribution in value terms (USD 0.31 mn to USD 0.49 mn for IT, USD 0.25 mn to USD 1.7 mn for BFSI and USD 0.3 to USD 0.36 mn for Consumer Discretionary).

Similar trends are observed for VC deals with value less than USD 20 mn at series A to E+ stages of investments

Value of Sector-wise Series A to E+ Deals with Value < USD 20 mn in India

2008-18, million USD



Note (1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well

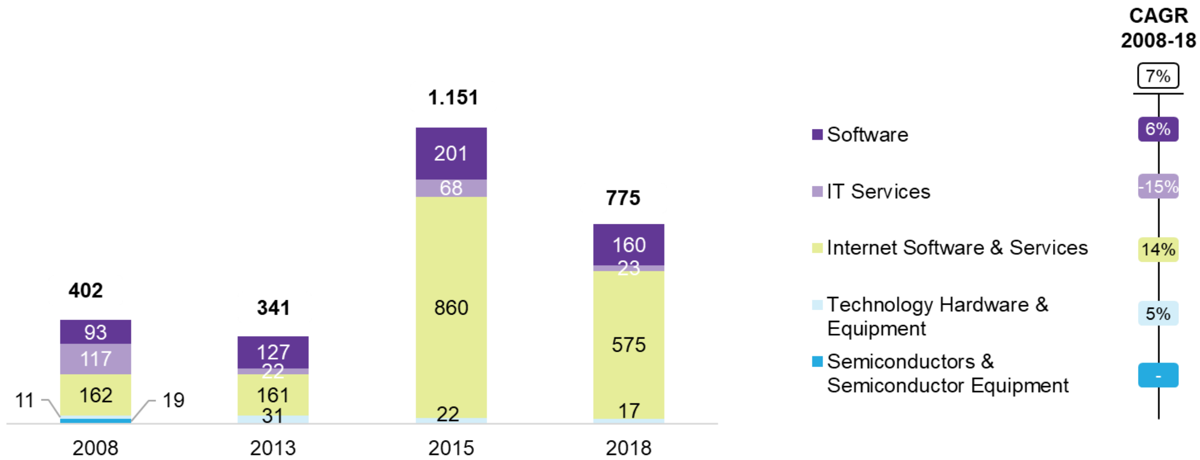
(2) Deals reported as confidential are not included in this analysis

(3) CAGR for Consumer staples is for 2013-18

Source: VCC Edge, Analysis

Value of IT Sector Series A to E+ Deals with Value < USD 20 mn in India

2008-18, million USD



Note: Deals reported as confidential have not been considered for this analysis

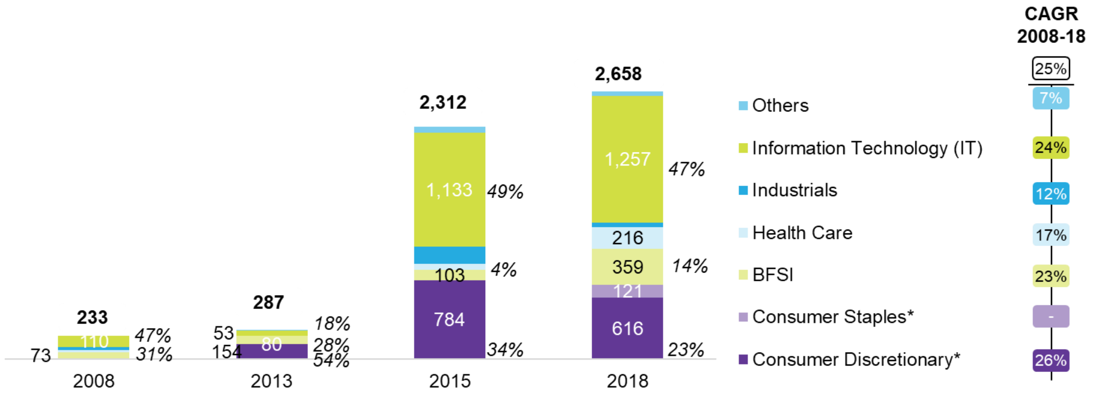
Source: VCC Edge, Analysis

As seen in the figure above, IT, BFSI, and consumer discretionary have been largest sectors in terms of deal value for series A-E+ deals, with deal value < USD 20mn, over the past 5 years. While the number deals in IT and consumer discretionary sectors has dropped from 2015 to 2018, the average deal size for the sectors has increased in the same period (USD 3.4 mn to USD 3.9 mn for IT, and USD 4 mn to USD 4.3 mn consumer discretionary. BFSI witnessed a slight growth in the number of such deals from 2015 to 2018 and a higher growth in average deal size from USD 3.1 mn to 5.7 mn).

Similar trends are also observed with VC deals with value > USD 20 mn (series A to E+)

Value of Sector-wise Series A to E+ Deals with Value > USD 20 mn in India

2008-18, million USD



X% - indicates share of sector in total value

Note (1) IT includes firms providing e-tailing, fintech, healthcare tech and ed-tech products as well

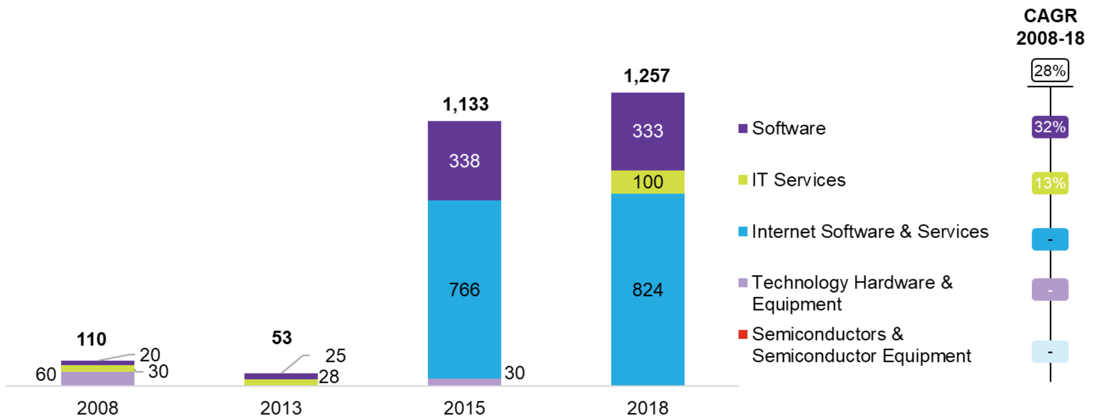
(2) Deals reported as confidential are not included in this analysis

(3) CAGR for Consumer staples and for Consumer Discretionary is for 2013-18

Source: VCC Edge, Analysis

Value of IT Sector Series A to E+ Deals with Value > USD 20 mn in India

2008-18, million USD



Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

As with the other types of deals, IT, BFSI, and consumer discretionary have been largest sectors in terms of deal value for series A to E deals, with value > USD 20 mn, over the past 5 years. As per figure above, the value of such deals in the BFSI and IT sectors has grown from 2015 to 2018, mainly due to the funding of late stage start-ups in these sectors in 2018.

These late-stage start-ups, many of which are ‘unicorns’, once again mopped up a huge chunk of the funding in 2018. This has been the pattern since 2015, except for one year (2016) when they raised only a minimal amount. There were no large funding rounds in 2018, as OYO’s USD 1 bn raise is the biggest compared to the multi-billion-dollar rounds raised by Flipkart in 2017. The money has mainly gone to well-established companies such as Paytm Mall (USD 350 mn), Zomato (USD 410 mn), Swiggy (USD 310 mn) and Udaan (USD 275 mn), each of which has acquired unicorn status. Together, the ‘unicorns’ raised USD 5.09 bn in 2018, about 40% of all equity funding raised. In 2017, the figure stood much higher at 57% because of the large funding rounds raised by Flipkart, Ola and Paytm.

Emerging focus sectors in VC investments

India is a preferred investment destination across the globe and the quantum of innovation and development happening in the start-up space is an attractive proposition for any investor. The latest trends in investment have seen LPs and fund managers shift towards unexplored segments that have a larger reach and have a high ROI. Some of the major new investment themes are as follows:

1. **Healthcare:** A prime area where investors are willing to invest is the underserved healthcare sector. Indian healthcare service providers have been historically concentrated in tier I and II cities, whereas nearly 60% of the population resides outside the top tier cities, which do not have proper medical infrastructure and medical practitioners. Start-ups focusing on telemedicine, integrated medical devices and connected infrastructure to reach and serve the population hold strong growth promises and are expected to attract a number of investments in the near future.

2. **Vernacular and Natural Language Processing (NLP):** This is one of the most promising trends being witnessed and has the possibility of getting the entire country online as it focused on the non-English speaking population; 90% of India’s population is non-English speaking. India, being a multi-lingual country, provides a vast opportunity for start-ups to develop deep tech in core NLP engines.

3. **Niche Consumer Brands:** The consumer space is opening up with new brands and new entrepreneurs, given the growing population and increasing demand for different brands. Fundamentals are all in favour of this becoming a separate class of investments. There are special funds focused on the consumer space only; investors say that rising demand for differentiated brands and improved access have created the opportunity for new brands to flourish.

4. **New Verticals in E-tailing:** Many categories within e-tailing that are sizeable globally are likely to see traction in India over the next few years. Some such categories include beauty, sports, toys and auto parts.

5. **New Verticals in Technology:** Investments in newer technology areas like blockchain, crypto currencies, e-sports, gaming and home automation have witnessed considerable growth in the last few quarters. Investors are now open to invest in start-ups who are looking at such previously unexplored segments.

Key observations for sectoral split of VC investment

Current Scenario, Gaps and Challenges

1. **Sector concentration:** In terms of sectoral split, we observe a greater diversification at higher stages of investment, with angel / seed investments primarily going into the technology and consumer discretionary sectors due to growing number of start-ups in these areas. IT and consumer discretionary sectors have gained popularity as the structure of VC investments, such as tax regime in the country is not conducive for investment into sectors such as manufacturing.

2. **Sector evolution:** There has been a shift in the nature of start-ups from largely technology driven to traditional businesses with technology as an enabler. Such businesses have gained popularity over the past 3-5 years, and have accounted for a greater share of investments.

3. **Emerging B2B focus:** Business-to-business focused start-ups are increasing and have been attracting investments as the space is evolving. Most VCs feel there will be significant investment in this space in near future, compared to the B2C space.

4. **Emerging traditional business model / efficiency focused start-ups:** A shifting focus to use technology to transform traditional supply chains is also an emerging opportunity area.

Key Investment Stages for VC Investment

Venture capital firms are the key drivers of innovation as they support the start-up / company they invest in, from the early stages, all the way to bridge or pre-IPO stage. In India, venture capitalists have been deploying both angel / seed and equity venture capital under various round of funding in start-ups.

Key VC deals by investment stage

Stage of Investment	Target Company Name	Buyer (s)	Sector	Round of Investment	Deal Value (USD)
Angel/Seed	SourceCode Media Pvt. Ltd.	Accel India IV LP, Blume Ventures India Fund II, Vijay Shekhar Sharma	Information Technology	Angel/Seed	<20mn
	Cyclops Medtech Pvt. Ltd.	IndiePitch Solutions Pvt. Ltd., Unitus Seed Fund II LP, Chandanmal Pukhraj Bothra	Health Care	Angel/Seed	>20 mn
Series A to E+ investment with value <USD 20 mn	Aye Finance Pvt. Ltd.	Maj Invest Financial Inclusion Fund II K/S	Financials	Series D	<20 mn
	Clues Network Pvt. Ltd.	GIC Pvt. Ltd., Unilazer Ventures Pvt. Ltd.	Consumer Discretionary	Series E+	<20 mn
Series A to E+ investment with value >USD 20 mn	ANI Technologies Pvt. Ltd.	Sailing Capital Advisors Hong Kong Ltd., China-Eurasian Economic Cooperation Fund	Information Technology	Series E+	>20 mn
	NetMeds Marketplace Ltd.	Tanncam Investment Company, Sistema Asia Fund Pte Ltd., Daun Penh Cambodia Group Co. Ltd.	Consumer Discretionary	Series C	>20 mn

The number of deals over 2008-18 grew at a CAGR of 13%, from 260 to 863. For most of the years, angel / seed investments made up for more than half the total number of deals, thus being the most common form of investment. This was followed by Series A to E+ investments with deal value < USD 20mn, hovering around the 30% mark for most of the years. The share of series A to E+ investment with value > USD 20mn has been increasing due to a shifting focus of VCs towards higher ticket size deals.

Conversely, angel / seed investments, in terms of value, have constantly remained under 10%, thus highlighting their low average deal size. During the first half of the decade, Series A to E+ investments with deal value <USD 20mn made up the dominant share, while the latter half saw deals with value >USD 20mn pick up the pace and form the majority. Overall, total deal value over the decade has grown at a CAGR of 15%. The average deal value in 2008 was USD 4.06 mn and this increased to USD 5.01 mn in 2018 (CAGR ~2%).

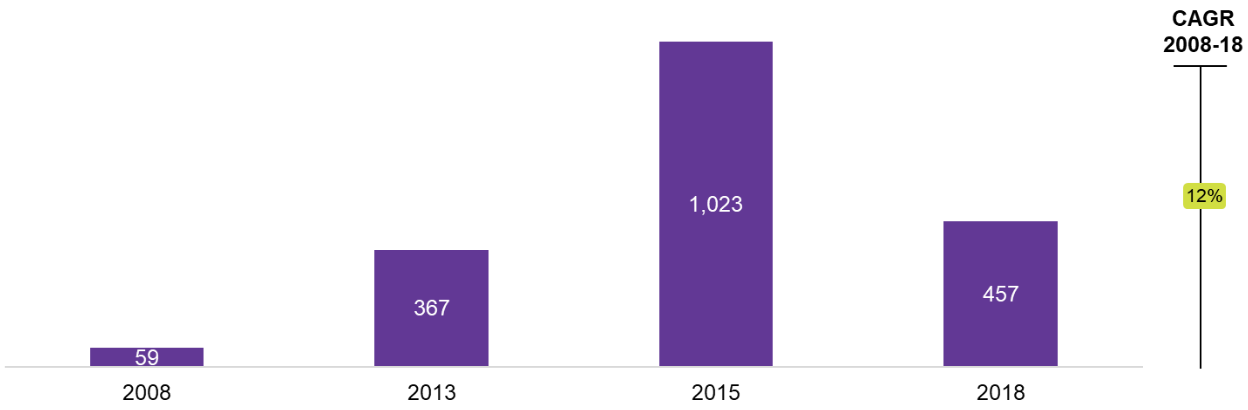
Angel / Seed Funding

Number of Deals in India

Number of investments at the angel / seed stage have increased over the past 10 years on the back of a growing number of eco-system players

Angel / Seed Deal - Volume in India

2008-18, Number of Deals



Source: VCC Edge, Analysis

The seed / angel stage round of funding is often made to companies that have a promising idea corroborated by key stakeholders, but have not yet achieved cash flow break-even. An initial seed / angel round by a venture capital firm often involves an investment of less than USD 5 million.

Angel investment in the country has seen an interesting trend in the last decade. The number of angel / seed deals have witnessed a sharp decrease from 1,023 in 2015 to 457 in 2018 (CAGR of -24%), even though the number of start-ups are increasing. Seed stage funding fell by 21% in 2018 and 50% in 2017[26], while a total of 8,625 start-ups were recognized in India as on 30th March 2018 and 2,711 start-ups were incorporated in the country in 2017[17]. This has primarily been because of the ongoing issue of "angel tax", where income tax is payable on capital raised by unlisted companies where the share price is seen in excess of the fair market value of the shares sold. Post-demonetization, angel investing has slowed down and the imposition of angel tax has also made the operating environment tough.

The risks of investing in this asset class are further highlighted by a survey[27] (70% of respondents had invested in the last 3-4 years as angel investors). According to the survey, about half of the angel investors in India see only 25% of their portfolio companies raising follow-on funding, and more than half of them have not seen any exits so far. Moreover, according to the survey, 1 in 3 angel investors see exits on only 20% of their portfolio companies. Overall, the lack of exits for angel investors, smaller angel funding rounds and high failure rate among start-ups continue to plague angel investors in the Indian start-up eco-system.

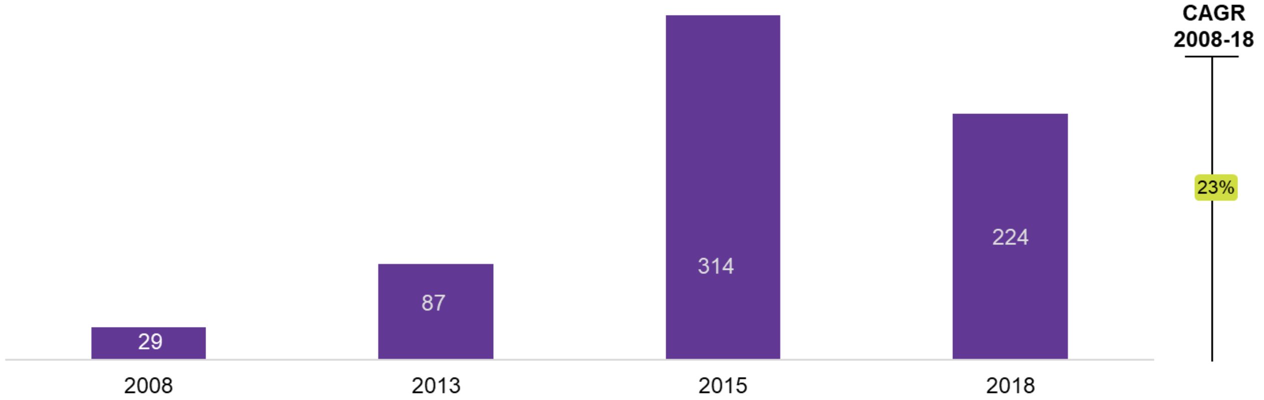
[15]https://economictimes.indiatimes.com/small-biz/start-ups/newsbuzz/seed-stage-funding-falls-20-late-stage-funding-grows-259-nasscom-start-up-report/articleshow/66361259.cms?from=mdr
[16] Survey conducted by LetsVenture
[17]As per survey conducted by Start-up India

Value of Deals in India

The value of deals at the angel / seed stage has also increased, with a growing number of deals; however, average deal size has remained at USD 0.2–0.5 mn

Angel / Seed Deal Value in India

2008-18, million USD



Source: VCC Edge, Analysis

Over a decade, angel / seed investments, in terms of value, have been 3-7% due to their low average deal size. The first half of the decade witnessed a constant increase in the value of deals. However, post 2015, there was a drastic fall in angel / seed investment deal value.

The fall in deal value post 2015, was primarily due to the changing mindset of VCs. VCs have evolved from investing smaller amounts across multiple firms to parking larger amounts of money in a limited number of firms. This aspect enables them to better monitor the performance of these start-ups and intervene in case of declining performance.

Top Angel/Seed investments in India

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2018	Steadview Capital Master Fund Ltd.	Finzoom Investment Advisors Pvt Ltd	30	03/05/2018
	Capria Ventures LLC, Prapti Ventures LLC, Amit Singhal, Krishna Bharat	Humble Mobile Solutions Pvt Ltd	3	20/02/2018
	RoundGlass Partners LLC	Limnea Technologies Pvt Ltd	3	16/05/2018
2017	General Atlantic Pvt. Ltd.	Absolute Barbeque Pvt. Ltd.	10	31/08/2017

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Bennett Coleman and Co. Ltd., Hemant Sapra	RealPro Realty Solutions Pvt. Ltd.	9	23/03/2017
	Classic Citi Investments Pvt. Ltd., Lemon Tree Hotels Ltd., Patanjali Govind Keswani, Aditya Kunjithapadam Rajaram, Dhairya Choudhrie, Gaurav Bhalla, Anil Lal Chopra	School of Hospitality India Pvt. Ltd.	7	25/07/2017
2016	Eight Roads Ventures India, F Prime Inc.	Eywa Pharma Pte. Ltd.	30	28/09/2016
	Quality Investment Pvt. Ltd., GI Global Health Fund LP, Sanjai Vohra	Cytecare Hospitals Pvt. Ltd.	24	07/03/2016
	Arpwood Capital Pvt. Ltd., SAIF Partners India IV Ltd., Accel India IV LP, Catamaran Ventures LLP, Accel India V LP, Dsp Hmk Holdings Pvt. Ltd., Techpro Ventures LLP, Senapathy Kris Gopalakrishnan, Subba Rao Telidevara, Venkatram Krishnan, Rajeev Gupta, Atul Kantilal Nishar, Hemendra Mathradas Kothari, Nagavara Ramarao Narayana Murthy	Acko Technology and Services Pvt. Ltd.	23	25/10/2016
2015	Accel India IV LP, Hon Hai Precision Industry Co. Ltd., Flipkart Pvt. Ltd., Delhivery Pvt. Ltd., Aarin Capital Fund I, Arun Seth, Ganesh Krishnan, Ganesh Natarajan, Kunal Naresh Shah, Mohandas Pai Tellicheery Venkataraman, Raghunandan Gangappa, Rajan Jei Anandan, Raman Roy	LeapMile Logistics Pvt. Ltd.	9	26/11//2015
	Tiger Global Management LLC, Flipkart Pvt. Ltd.	Cube26 Software Pvt. Ltd.	7	07/08/2015

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Accel India Management Co. Pvt. Ltd., The Valley Fund GP, LLC, Trinity Ventures	Simility Inc.	7	25/08/2015
2014	Endeavor Financial Investments, GI Global Health Fund LP, Arun Advani, Ashok Raj Koul, Kamini Arvind Rao, Kenneth Bijoy D Cruz, Sanjai Vohra, Tushar Patel, Vikram Belliappa, John Goodacre	Cytecare Hospitals Pvt. Ltd.	12	15/05/2014
	BITS Spark Angels	SolarTown Energy Solutions Pvt. Ltd.	11	26/03/2014
	Exhilway Global	YoTurf Social Networking App Pvt. Ltd.	6	25/07/2014
2013	Sequoia Capital India III LP, Sequoia Capital India Growth Fund II LP	Rebel Foods Pvt. Ltd.	3	23/01/2012
	Intel Capital, Sierra Ventures, Nexus India Capital Advisors Pvt. Ltd.	ElasticBox Inc.	3	26/06/2013
	Gray Matters Capital Inc.	Gray Matters India Pvt. Ltd.	3	20/09/2013
2012	500 Startups Management Co. LLC, IIG Advisors Pvt. Ltd., Rajan Jei Anandan, Pramod Bhasin, Shailesh Rao	247 Techies Pvt. Ltd.	6	06/11/2012
	Ascent India Fund III	iNurture Education Solutions Pvt. Ltd.	5	01/08/2012
	Qualcomm Ventures, Norwest Venture Partners, Redpoint Ventures, Kleiner Perkins Caufield and Byers, Gaurav Garg, Peter Wagner	Workspot Inc.	3	16/08/2012
2011	Mangrove Capital Partners	Style Genie Digital Pvt. Ltd.	4	31/03/2011

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Lightspeed Venture Partners VIII LP, Sequoia Capital India III LP	OneAssist Consumer Solutions Pvt. Ltd.	3	20/06/2011
	Ventureast Proactive Fund	Royal Images Catalogue Company Pvt. Ltd.	2	12/11/2011
	Cisco Corporate Development Fund, Allah Rakha Rahman, Nishith Desai	Qyuki Digital Media Pvt. Ltd.	6	18/11/2010
2010	Blue Sky Capital Corporation, Gautam Thapar	Azure Hospitality Pvt. Ltd.	4	13/07/2010
	Tuscan Ventures Fund	Cold Star Logistics Pvt. Ltd.	3	18/05/2010
	Gray Ghost Ventures	Indian School Finance Company Pvt. Ltd.	4	20/4/2009
2009	SME Technology Venture Fund	iNurture Education Solutions Pvt. Ltd.	2	24/11/2009
	Orde Management Pvt. Ltd., Sandeep Kohli, Narayanan Balakrishnan	Technology Frontiers India Pvt. Ltd.	1	11/06/2009
	Mindset Technologies Pvt. Ltd.	Avitel Post Studioz Ltd.	6	16/02/2008
2008	Draper Fisher Jurvetson India	Catura Broadband Systems Pvt. Ltd.	3	13/04/2008
	IDG Ventures India Fund	Aujas Networks Pvt. Ltd.	2	13/02/2008

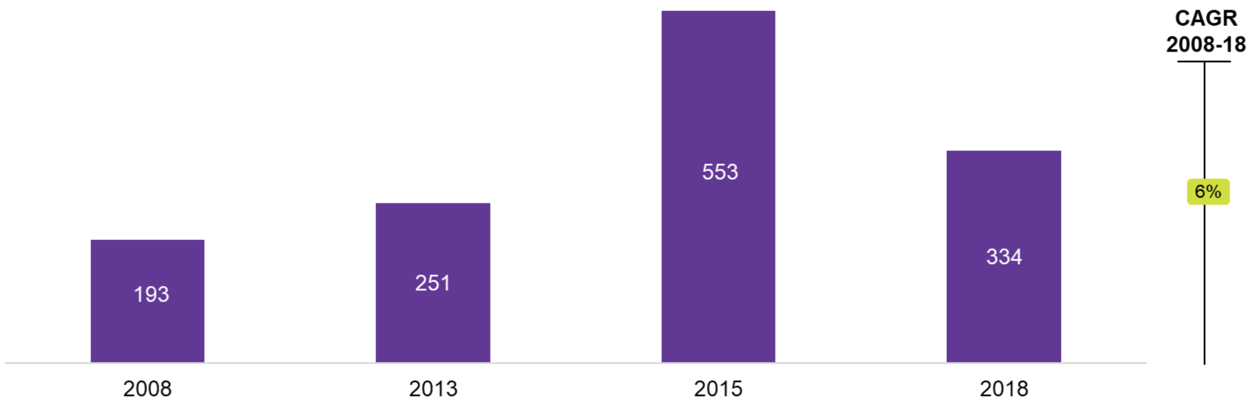
Upto USD 20 mn funding across Series A to E

Number of Deals in India

The number of deals at series A to E+ with value < USD 20 mn have grown over the past decade; however, a funding gap is observed at this stage due to a lack of LPs and limited exit options

Volume of Deals with Value < USD 2o mn in India

2008-18, Number of Deals



Source: VCC Edge, Analysis

Series A to E+ round of funding is typically made at the expansion stage of business. The main idea behind the funding at this stage is to scale the business and expand market share. The amount invested here can be significantly higher than the angel / seed stages.

Since 2011, a big jump in series A and series B funding has been recorded; the eco-system witnessed a spike in 2015, and then came the market correction in 2016. Post this trough, series A and B deals have occurred at a higher rate than the pre-2015 times. Series A, as a percentage of total deals, has remained somewhat steady since 2016, accounting for 10% of all deals in 2016, 11% in 2017% and 12% in 2018. Series B has had a bit of a bumpy road, contributing 5% of all deals in 2016, 11% in 2017 and then back down to 7% in 2018.

Series C stage funding deals have significantly increased over the past 5 years, as LPs and GPs are willing to bet money on proven business models, having climbed from just 2 percent of total deals in 2016, to 3 percent in 2017 and doubling to 6 percent in 2018.

The bnumber of deals in the Series A to E+ round whose value is up to 20 million dominates this stage of funding. As per the trend in 2018, the number of deals in Series A to E+ with a deal value < USD 20mn accounted for about 82% of the total Series A to E+ funding while remaining 18% was contributed by bridge facilities.

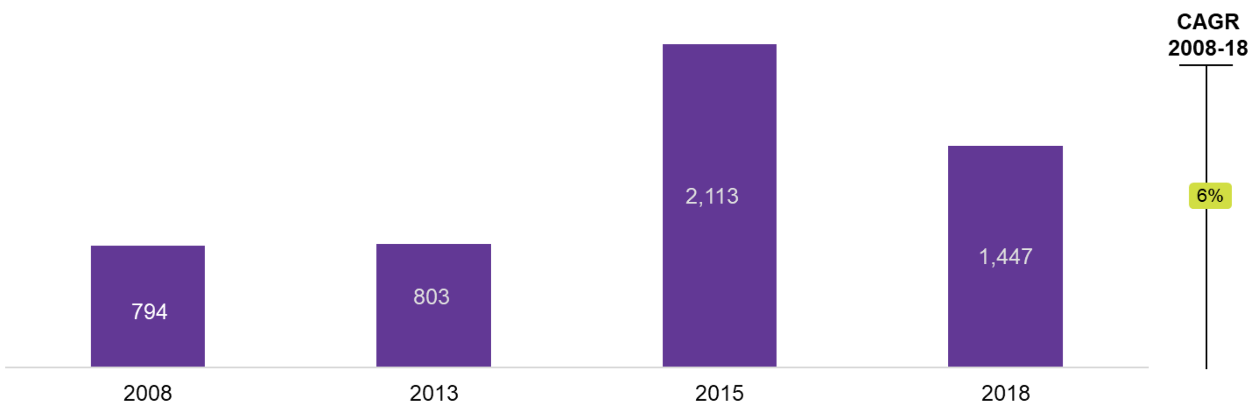
A funding gap is, however, observed at this stage with few LPs willing to invest in Indian start-ups. The primary reasons for this have been low investor confidence and a weak exit environment. VCs investing in this stage struggle to find exit options meeting their required criteria as larger VCs investing higher amounts of money have grown cautious and invest only in proven companies and business models, leading to limited exit options. This has led to a weak exit environment and hampered investor confidence. Another reason has been the limited number of LPs in the Indian market with the capability to provide patient capital for investments of USD 10-20 mn in Indian start-ups. The investor class is limited, with existing domestic investors such as HNIs and family offices having limited understanding of the asset class. Foreign investors have also grown cautious of the Indian market due to the volatility in the regulatory regime and structures, and have preferred to invest through offshore funds. Both these factors have led to a funding gap at this stage of investment.

Value of Deals in India

The value of deals has also grown by ~6%, with the average deal size being ~USD 4 mn over the past 3-4 years

Value of Deals with Value < USD 2o mn in India

2008-18, million USD



Source: VCC Edge, Analysis

Series A to E+ investments with a deal value < USD 20mn made up the dominant share, in terms of value. However, a constant declining trend has been observed, in percentage terms. In 2008, Series A to E+ investments with deal value < USD 20mn comprised 75% of the total amount invested by VCs in India, and this declined to 33% in 2018. A contrast is the US market, which had ~39% of deals with value <USD 25mn in 2018. This implies a significant headroom for India to grow deal value in this stage.

Top VC deals worth < USD 20 mn

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2018	Sequoia Capital, Spark Capital Advisors India Pvt. Ltd.	Zum Services Inc.	19	13/3/2018
	Inventus Capital Partners Fund II, Blume Ventures India Fund II, IDG Ventures India Fund, NB Ventures Ltd., Sistema Asia Fund Pte Ltd., Dream Incubator Inc., Atlas Asset Management Pte. Ltd., Samsung NEXT	HealthifyMe Wellness Products and Services Pvt. Ltd.	18	09/02/2018

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Accel India Management Co. Pvt. Ltd., Insight Venture Management LLC, Tiger Global Management LLC	Chargebee Inc.	18	20/03/2018
2017	Lightbox India Advisors Pvt. Ltd., Beenos Asia Pte. Ltd., Beenext Pte. Ltd., DG Incubation Inc., Integrated Asset Management Plc	Minio Inc.	20	05/07/2017
	Dell Technologies Capital, General Catalyst Partners, Nexus India Capital Advisors Pvt. Ltd., AME Cloud Ventures, Intel Capital, Steve Singh	Capillary Technologies Pvt. Ltd.	20	19/09/2017
	Sequoia Capital India Advisors Pvt. Ltd., Warburg Pincus India Pvt. Ltd.	Suminter India Organics Pvt. Ltd.	20	22/12/2017
2016	Omidyar Network India Advisors Pvt. Ltd., Ribbit Capital LP, PayU Payments Pvt. Ltd., Xiaomi Technology India Pvt. Ltd.	Chalk Farm Ventures Pvt. Ltd.	19	07/12/2016
	Saama Capital III Ltd., Mayfield Fund LLC, Bertelsmann Corporate Services India Pvt. Ltd., India Quotient Fund II	Lendingkart Technologies Pvt. Ltd.	19	09/06/2016
	Hillhouse Capital Management Ltd., CapitalG	Girnar Software Pvt. Ltd.	18	16/03/2016
2015	Sequoia Capital India Advisors Pvt. Ltd.	Nearbuy India Pvt. Ltd.	20	11/03/2015
	Tiger Global Management LLC	ADA News in Shorts Pvt. Ltd.	20	20/05/2015
	Sequoia Capital India Advisors Pvt. Ltd.	MedGenome Labs Ltd.	20	23/07/2015

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2014	Digital Nirvana Fund Co. Ltd., Tiger Global Management LLC	Solvy Tech Solutions Pvt. Ltd.	20	13/12/2014
	Intel Capital, Bessemer Venture Partners LP	Hungama.com Pvt. Ltd.	19	11/06/2014
	Saama Capital II Ltd., Helion Venture Partners II LLC, Frontier Investments Group, Elevar Advisors Pvt. Ltd., India Business Excellence Fund-I	Shubham Housing Development Finance Company Ltd.	19	30/07/2014
2013	Qualcomm Ventures, IndusAge Technology Venture Fund I, Cisco Investments	Ineda System Inc	19	04/12/2013
	Tiger Global Management LLC, Matrix Partners India II LLC	ANI Technologies Pvt. Ltd.	19	03/07/2013
	Sequoia Capital India Growth Fund II LP, Sequoia Capital India Growth Fund I LP	Stovekraft Ltd.	17	13/09/2013
2012	Matrix Partners India I LLC, Avigo Capital Partners Pvt. Ltd.	Maharana Infrastructure and Professional Services Ltd.	18	27/12/2012
	Accel India III LP	Big Tree Entertainment Pvt. Ltd.	18	21/08/2012
	Catamaran Ventures LLP, Nexus India Capital II L.P., Eight Roads Ventures India, Qualcomm Ventures	Big Shoe Bazaar India Pvt. Ltd.	17	25/06/2012
2011	Tiger Global Management LLC, Macquarie Investment Management, Ashish Gupta	Flipkart Online Services Pvt. Ltd.	19	03/03/2011
	Bessemer Venture Partners LP	Helios Powrtech Ltd.	17	27/04/2011
	Gaja Capital Fund I Ltd.	Carnation Auto India Pvt. Ltd.	16	25/11/2011

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2010	Intel Capital, Prakash Bhalerao	Verismo Networks Inc.	17	16/11/2010
	International Finance Corp., Foundation Capital, Helion Venture Partners II LLC	Azure Power India Pvt. Ltd.	16	25/02/2010
	Canaan Advisors Pvt. Ltd., Sapphire Ventures LLC, SVB India Capital Partners I LP, Draper Fisher Jurvetson India	iYogi Technical Services Pvt. Ltd.	15	06/01/2010
2009	Bharat Financial Inclusion Ltd.	Sequoia Capital India Growth Fund I LP, SVB India Capital Partners I LP	19	29/07/2009
	Pearson India Education Services Pvt. Ltd.	Lightspeed Venture Partners VII LP, Manipal Education and Medical Group India Pvt. Ltd., Pearson Plc	18	27/4/2009
	SeedWorks International Pvt. Ltd.	Wand Partners Inc.	17	14/05/2009
2008	Credit Suisse Private Equity	Shree Ganesh Jewellery House India Ltd.	19	07/03/2008
	Kleiner Perkins Caufield and Byers, Sherpalo India Advisors Pvt. Ltd., Mahindra and Mahindra Ltd., Draper Fisher Jurvetson India	Cleartrip Pvt. Ltd.	18	27/02/2008
	DE Shaw Composite Investments (Mauritius) Ltd., Olympus Capital Holdings Asia	Quatrro Global Services Pvt. Ltd.	17	19/05/2008

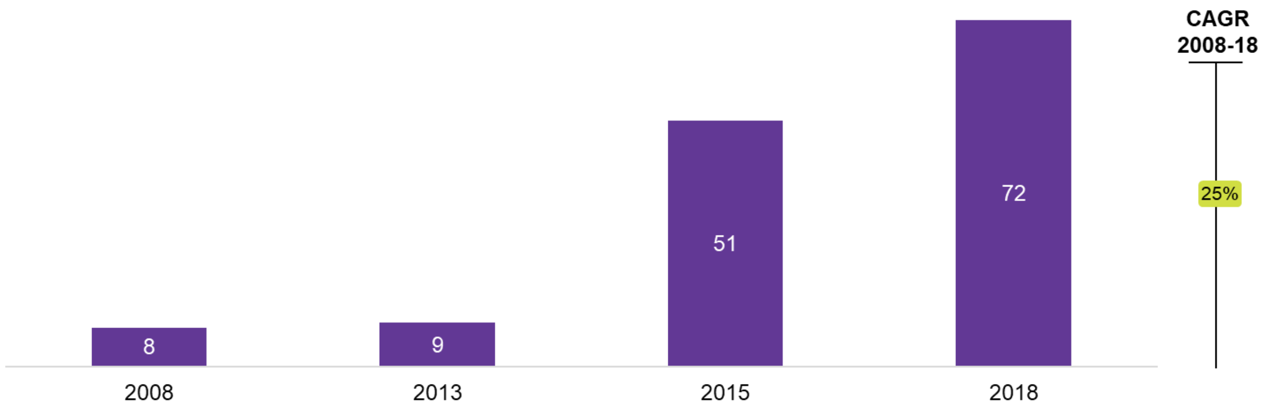
USD 20-100 mn funding across Series A to E+

Number of Deals in India

The number of deals at this stage accounted for ~8% in 2018, indicating a gap in funding; lack of exit options is hampering investor confidence

Volume of Deals with Value > USD 20 mn in India

2008-18, Number of Deals



Source: VCC Edge, Analysis

Series A to E+ deals with a value between USD 20-100 mn accounted for ~8% of total deal volumes in the Indian VC market, whereas deals with USD 25 mn or higher accounted for ~13% in the US market in 2018 - indicating headroom for growth in the Indian market. Despite the lower deal number, this is however the only stage which has experienced consistent growth in investments over a decade (CAGR of 25%). LPs and GPs have been focusing on proven high valued assets rather than placing bets on start-ups with new business models and unpredictable returns. A major focus of VCs is towards quality of deals rather than quantity.

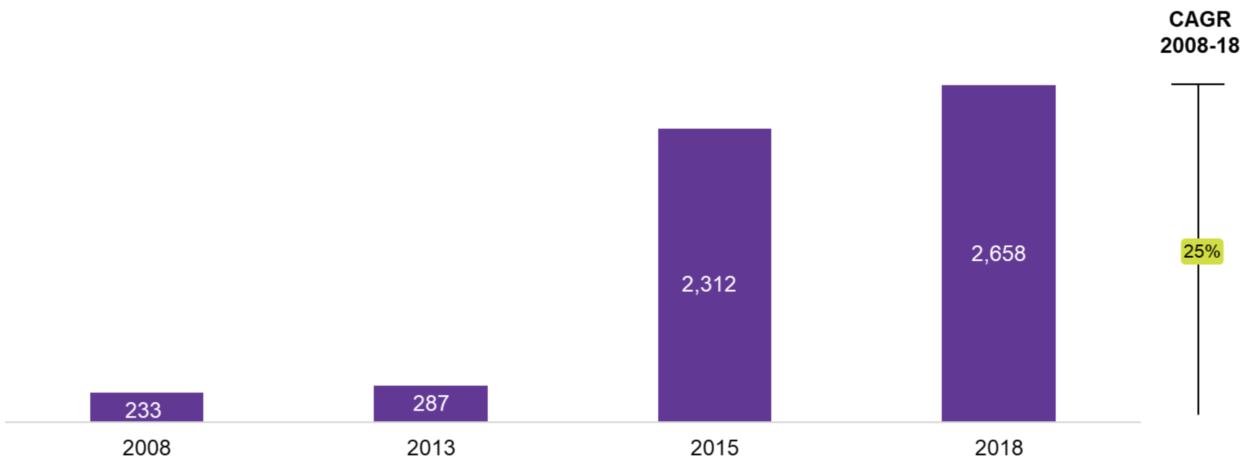
A funding gap is observed at this stage as was for VC deals with value < USD 20 mn. Low LP interest was primarily due to limited exit opportunities. VCs investing at this stage would require the start-up to attain higher valuation (~USD 200 mn for 5x return on an investment of USD 40 mn), but such valuations have not been attained by firms in India often. This limited past performance record has hampered LP confidence in the Indian market, leading to lower capital allocation for investment in this stage. Another key factor has also been a limited number of LPs in the Indian eco-system with the capability to provide patient capital to the tune of USD 20-30 mn. Domestic investors such as HNIs and family offices have limited understanding of the asset class while international investors have shied away from Indian funds due to the volatility in the regulatory regime / structure, and have preferred offshore funds. However, a key point to note is the availability of large fund houses with investment capability of USD 40-45 mn and higher. These funds have been able to raise India-focused capital for deployment. With deals such as Flipkart, which provided a total exit value of USD 16 bn to investors, such funds have attracted greater interest from investors and even shown greater interest in the Indian market, leading to an availability of funds and no funding gap for investment in this stage.

Value of Deals in India

The average deal size has been in the range of USD 35–45mn for the past 3-4 years at this stage

Value of Deals with Value > USD 20mn in India

2008-18, million USD



Source: VCC Edge, Analysis

During the first half of the decade, Series A to E+ investments with deal value < USD 20mn made up the dominant share, while the latter half saw deals with value > USD 20mn pick up pace and form the majority. The share of series A to E+ investments with value > USD 20 mn has been increasing in value terms due to a shifting focus of VCs towards higher ticket size deals. Larger funds have also shifted their focus to later rounds of funding with higher ticket sizes, while smaller funds have undertaken more angel / seed or earlier rounds of investments with lower deal value.

"While we have seen growth over the last decade, there are still challenges that plague early stage start-ups and angels. Some are market driven—such as lack of good exit opportunities, mismatch of valuation and expected valuation and others. Others are purely regulatory and tax issues—Angel tax, FDI receipt filings or intimation, enhanced regulatory requirements compared to developed markets."

~Gearing up for a favourable investment climate

Deal value grew more than 10x in the past 10 years and touched USD 2,658 mn in 2018 (25% CAGR) due to VCs chasing fewer but more valuable start-up deals.

Top VC deals worth > 20 mn in India

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2018	Cisco Corporate Development Fund, DAG Ventures LLC, Greylock Partners, Menlo Ventures, Lightspeed Management Company LLC	Avi Networks Inc.	60	06/06/2018
	Composite Capital Management HK Ltd.	Defmacro Software Pvt. Ltd.	54	23/10/2018
	Shunwei Capital Partners, Y Combinator Continuity Fund	Meesho Inc.	50	19/10/2018

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	I LP, SAIF Partners, Venture Highway LLP, Sequoia Capital India Advisors Pvt. Ltd., DST Global, RPS Investment Fund			
2017	Accel India IV LP, Harmony Partners, Norwest Venture Partners VII LP, Bessemer Venture Partners LP, Naspers Ventures, SAIF Partners India V	Bundl Technologies Pvt. Ltd.	80	23/05/2017
	Info Edge India Ltd., Tiger Global Management LLC, Temasek Holdings Advisors India Pvt. Ltd., True North Managers LLP, IDG Ventures India Management Co. Ltd., Wellington Management Company LLP, PremjiInvest	ETechAces Marketing and Consulting Pvt. Ltd.	79	13/10/2017
	Sequoia Capital India IV Ltd., Creation Investments Capital Management LLC, SAIF Partners India IV Ltd., Ribbit Capital LP, Amazon.com NV Investment Holdings LLC	Capfloat Financial Services Pvt. Ltd.	67	10/08/2017
2016	The Hongkong and Shanghai Banking Corporation Ltd., American Express Ventures, CreditEase Fintech Investment Fund, Pavilion Capital Partners LLC	Tradeshift Inc.	75	09/06/2016
	Alpha Capital Advisors Pvt. Ltd., IDFC Private Equity Fund IV, Gaurav Dalmia, Anshuman Jain	Incred Management & Technology Services Pvt. Ltd.	75	22/08/2016
	International Finance Corp., Sands Capital Management LLC, Accel India IV LP, Flipkart Pvt. Ltd., DST Global, Tiger Global Management LLC, Sanjiv Rangrass, Rahul Mehta	Zinka Logistics Solutions Pvt. Ltd.	70	13/12/2016

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
2015	Bertelsmann Corporate Services India Pvt. Ltd., Norwest Venture Partners, Goldman Sachs Group Inc., Zodius Technology Fund II, Manipal Education and Medical Group India	TrendSutra Platform Services Pvt. Ltd.	100	27/07/2015
	Tencent Holdings Ltd., CapitalG, Matrix India Asset Advisors Pvt. Ltd., Sequoia Capital India III LP, Altimeter Capital Management, Sofina SA	Practo Technologies Pvt. Ltd.	90	06/08/2015
	PremjiInvest, Salesforce.com Inc., Shasta Ventures Management LLC, Granite Ventures LLC, Baillie Gifford and Company, Sands Capital Management LLC, Coatue Management LLC, Harmony Partners, Draper Fisher Jurvetson, Founders Circle Capital LP , Meritech Capital Partners	Anaplan Inc.	89	31/12/2015
2014	Kleiner Perkins Caufield and Byers, Sequoia Capital India Advisors Pvt. Ltd.	True Software Scandinavia AB	60	08/10/2014
	Info Edge India Ltd., Sequoia Capital India Growth Fund I LP, Vy Capital Management Company Ltd.	Zomato Media Pvt. Ltd.	59	14/11/2014
	ChrysCapital IV LLC	LiquidHub Inc.	53	26/03/2014
2013	Fouriertransform AB	TitanX Engine Cooling AB	31	12/03/2013
	Draper Fisher Jurvetson India, Helion Venture Partners I LLC, Nexus India Capital I L.P., Norwest Venture Partners, Peepul Capital Fund III	Komli Media Inc.	30	24/10/2013
	SVB India Capital Partners I LP, Madison India Capital Advisors Pvt. Ltd., Sequoia Capital India Advisors Pvt.	iYogi Technical Services Pvt. Ltd.	28	18/12/2013

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	Ltd., Sapphire Ventures LLC, Draper Fisher Jurvetson India, Canaan Advisors Pvt. Ltd., Axon Partners Group			
2012	eBay Inc., Matrix Partners India I LLC, Warburg Pincus India Pvt. Ltd., Norwest Venture Partners X LP	Quikr India Pvt. Ltd.	32	22/05/2012
	Mitsui Global Investment Ltd., Sequoia Capital India Advisors Pvt. Ltd., Artiman Capital India Pvt. Ltd., Globespan Capital Partners	Virident Systems Inc.	26	18/09/2012
	Accel India Venture Fund II LP, IDG Ventures India Fund, Tiger Global Management LLC	Myntra Designs Pvt. Ltd.	25	11/05/2012
2011	Canaan VIII LP, Helion Venture Partners I LLC, Sequoia Capital India Growth Fund I LP	UnitedLex BPO Pvt. Ltd.	40	23/06/2011
	Norwest Venture Partners VII LP, Sequoia Capital India III LP, Intel Capital, Nokia Growth Partners	Goldsquare Sales India Pvt. Ltd.	35	20/10/2011
	Tree Line Asia Master Fund Singapore Pvt. Ltd., Citi Venture Capital International Growth Fund II, GAWA Microfinance Fund, India Financial Inclusion Fund	Jana Small Finance Bank Ltd.	32	01/06/2011
2010	India Equity Partners Fund I, Mayfield Fund I	Fourcee Infrastructure Equipment Pvt. Ltd.	30	06/03/2010
	Canaan Advisors Pvt. Ltd., Sapphire Ventures LLC, SVB India Capital Partners I LP, Draper Fisher Jurvetson India, Sequoia Capital India Advisors Pvt. Ltd.	iYogi Technical Services Pvt. Ltd.	30	13/12/2010
	Tara India Fund III LLC	The Mobilestore Services Ltd.	20	23/02/2010
2009	Fung Capital	Future Supply Chain Solutions Ltd.	28	20/07/2009

Year	Buyer Name	Target Name	Deal Value (USD mn)	Deal Date
	India Advantage Fund Series III	Star Health and Allied Insurance Co. Ltd.	27	24/09/2009
	Deutsche Telekom AG, Telecom Ventures LLC, Columbia Capital LLC	Devas Multimedia Pvt. Ltd.	24	29/09/2009
2008	New Atlantic Ventures, New Enterprise Associates Inc., WestBridge Ventures II LLC	GlobalLogic Inc.	29	01/02/2008
	Reliance Venture Asset Management Ltd.	Sequans Communications S.A.	28	11/02/2008
	Biotechnology Venture Fund	Itero Biopharmaceuticals Inc.	21	24/06/2008

Key observations for stages of VC investments

Current Scenario, Gaps and Challenges

1. **Gap in funding at mid stages of investment**: Deal volume and deal value at the angel / seed stage has grown as an eco-system with LPs and funds providing capital have developed, allowing start-ups to raise early stage capital. LPs and fund managers working in this stage understand the space, and the challenges that entrepreneurs face, and have developed capabilities to help start-ups navigate through this stage and provide capital to start-ups. However, there is a gap in funding at mid stages of investments, leading to a lower number and value of investments.

Way Forward

1. **Opening up new investor class:** Many countries such as the US have allowed university endowment funds to invest in the VC asset class. Opening up the investor class by monitoring the regulatory landscape and allowing investors such as endowment funds, insurance funds, pension funds and other investors to invest in the VC asset class can help bridge this gap.

> "While start-ups are able to raise capital at early stage, there is limited capital available at later stages as firms prefer to invest in only proven companies. This has led to low innovation in the market"
>
> *~ Managing Partner of a VC firm in India*

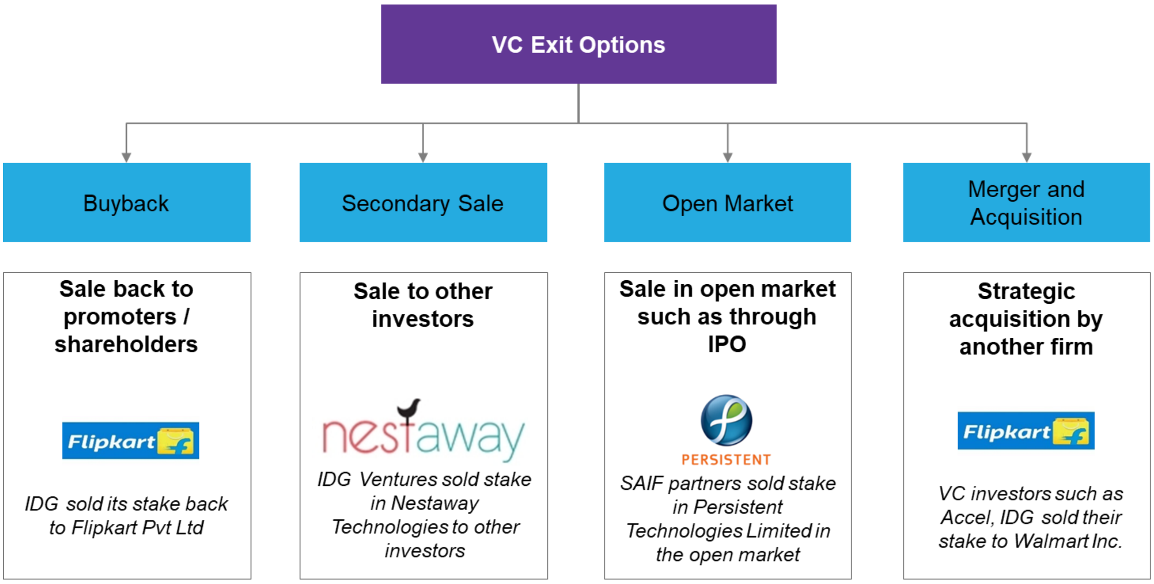
2. **Educating eco-system players:** Educating the eco-system partners such as managers and investors on risk return metrics from this asset class and developing an eco-system to support new business models can help in garnering more investments at these stages. Currently, investors are not fully aware of risk-return metrics and time to exit. This leads to investors taking their capital to other asset classes, thus leading to funding gap for VCs. Educating investors about this asset class can help bring in more capital into the system and bridge the funding gap.

VC Exit Landscape in India

VC Exit Routes in India

VCs in India can exit an investment through buyback, secondary sale, open market sale or M&A of target firm with another firm

Venture capital funds, after a certain period, have to exit the investment to recover their investment as well as realise a return on their investments. They primarily invest with an exit in mind after a few years. Exit is the last and final stage of the venture capital funding cycle and it can be in the form of a disinvestment / liquidation. The four key types of exit routes used by venture capitalists to divest their portfolio companies are: buyback, secondary sale, open market and M&A of target firm with another firm. These exit routes have different impacts on the market structure and incentives for the parties involved.



Source: VCC Edge, Analysis

1. **Buyback:** In this method, the promoter / management "buys back" the investment share from the venture capitalist. This is a potential exit option for both the LPs and the fund managers.

2. **Secondary Sales:** In a secondary sale, the venture capitalist sells their stake in the company / start-up to another institutional investor (e.g. another VC). For example, in 2017, Sequoia Capital had concluded a USD 180-million[28] secondary stake sale in eight of its portfolio companies to Madison Capital.

3. **Open Market:** One of the common ways for VCs to come out of the investment is an Initial Public Offering (IPO) of the company. This allows them to subsequently sell their portion of shares at the market price as a part of the IPO to the public. IPO exits are considered the most successful venture capital exits. For example, SAIF Partners sold stake in "Persistent Technologies Limited in the open market.

4. **Merger and Acquisition:** The most common way for venture-backed companies to exit is through M&A. In this exit route, the company that the VC has invested in, is sold to another company, and then the VC takes their share from the sale value.

[28] https://timesofindia.indiati85mes.com/venture-capital/sequoia-nets-180-million-in-secondary-sale-exits-micromax-snapdeal/articleshow/5827193170.cms

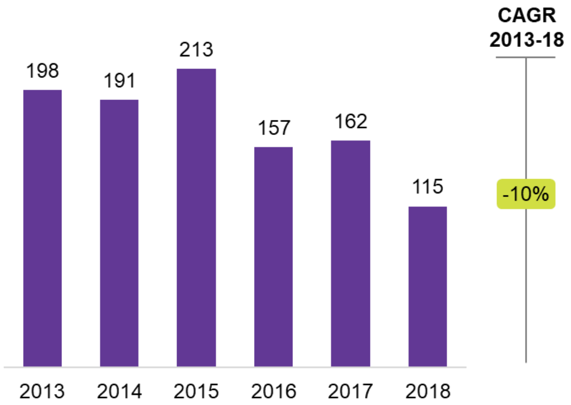
VC Exits in India

Number of VC Exits in India

The number of VC exits has declined over the years as M&A and secondary exits have not picked up in the Indian market

VC Exit Volume in India

2013-18, Number of Exits



Exits have not been able to pick up in India due to limited M&A transactions undertaken by local corporates and larger sized VCs / PEs being cautious of investing in start-ups.

Exits have also been a challenge as the companies have taken longer time to achieve the desired scale and provide with adequate returns on investments. This has hampered LP confidence and created a challenge for VCs to exit assets.

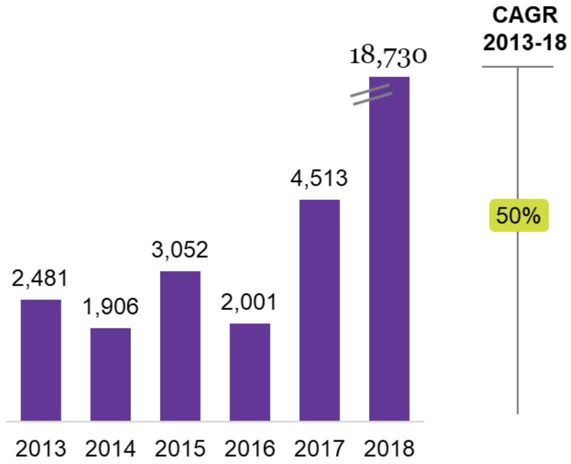
Note: Deals reported as confidential have not been considered for this analysis
Source: VCC Edge, Analysis

Value of VC Exits in India

However, exit value has increased over the years, driven by increasing transaction value per deal

VC Exit Value in India

2013-18, million USD



2018 was considered a good year for exits, with VC exits increasing by ~400% compared to 2017. This skyrocketed exit value was mainly on account of a single large deal that saw Walmart acquire a controlling stake in Flipkart for USD 16 billion from a group of investors including Softbank, Tiger Global and others. It comprises 80% of the total exit value and it is the largest deal in the Indian VC market ever. A high transaction value per deal has driven higher total VC exit value, even as the number of annual exits has remained stable.

Note: Deals reported as confidential have not been considered for this analysis
Source: VCC Edge, Analysis

Top VC Exits in India

VC Name[29]	No. of deals (2014- 18)	Total deal value	Portfolio of a companies	Exit Value
Sequoia	190	$5 billion	15-16%	40-50 ($3 billion)
Accel	150	$4 billion	6-7%	20 ($2 billion)
Nexus	85	$1 billion	5-6%	10-12 ($200 million)
Matrix	70	$1 billion	10-11%	15-16 ($400 million)
IDG Ventures India (now Chiratae Ventures)	90	$1 billion	6-7%	16 ($1.2 billion)
SAIF Partners	100	$1 billion	11-12%	15 ($1 billion)
Kalaari Capital	90	$1 billion	4-5%	7-8 ($300 million)
Lightspeed	40	$2 billion	13-14%	3-4 ($300 million)

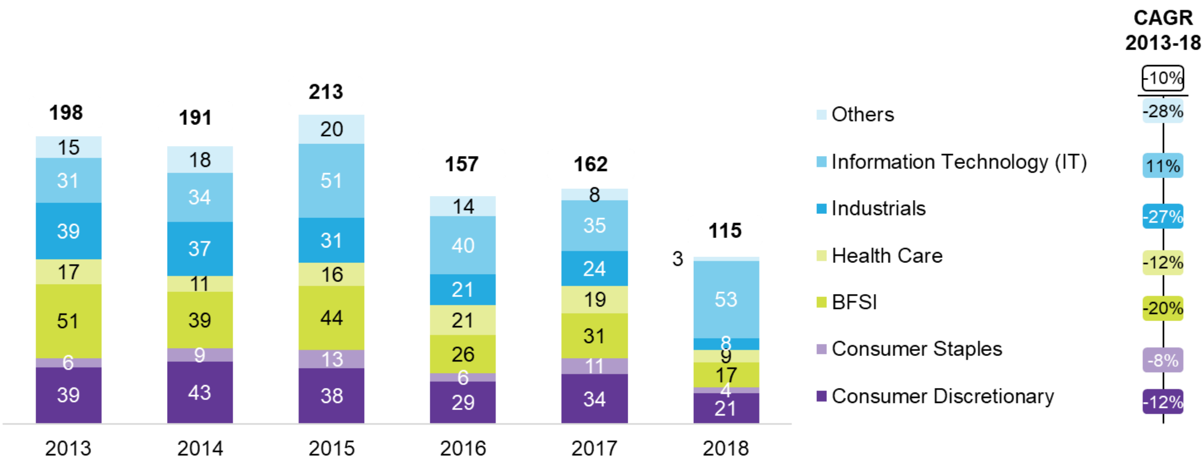
Key Sectors Providing Exit Opportunity in India

Number of VC Exits per Sector

IT, consumer discretionary and BFSI accounted for >60% of number of exits between 2013-18

Sector-wise VC Exits - Volume in India

2013-18, Number of Exits



Note: Deals reported as confidential have not been considered for this analysis

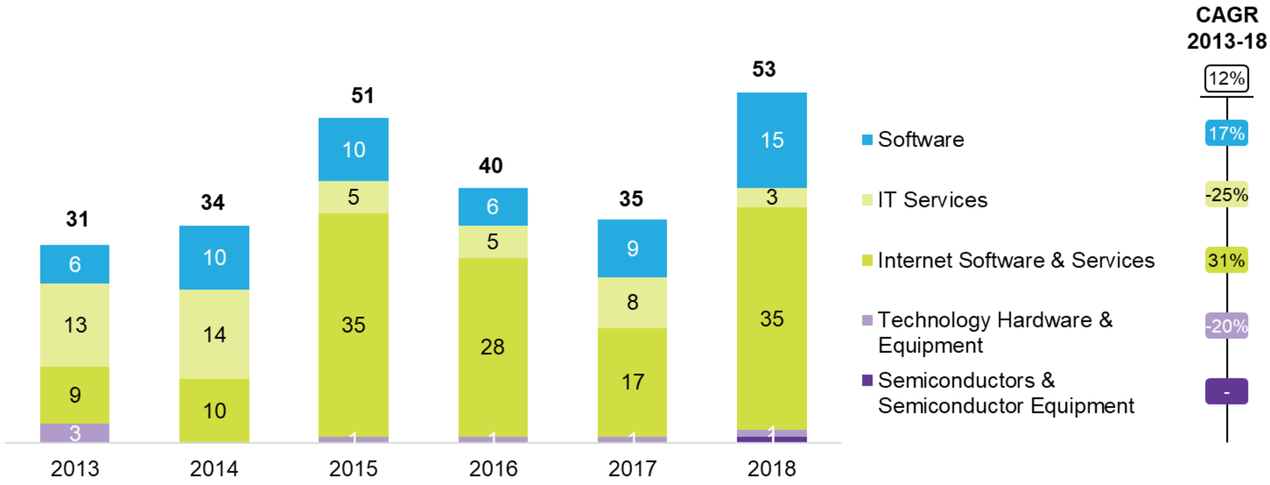
Source: VCC Edge, Analysis

[29] https://qz.com/india/1490981/vcs-are-investing-more-money-in-fewer-indian-startups/

Between 2013-18, sectors like information technology (IT), consumer Discretionary and BFSI recorded the highest exits by VC funds in India, together accounting for more than 60% of all exits made during this period. IT has been able to provide exits to VCs given its popularity amongst other investors (such as private equity funds) that enter at later stages of investments and offer exits to VC funds. The volume of VC exits in the IT sector is growing at a CAGR of ~3%, which is being followed by the healthcare sector with a ~2% CAGR. Apart from these two sectors, other sectors have shown negative growth over the last 5 years.

IT Sector Exit Volume in India

2013-18, Number of Exits



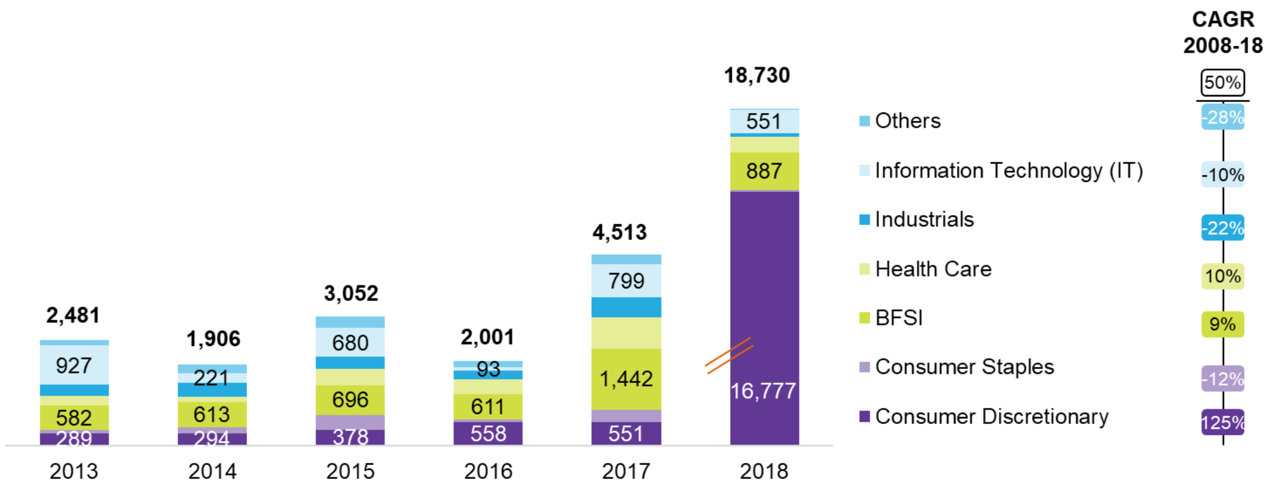
Source: VCC Edge, Analysis

Value of VC Exits per Sector

Similar trends are observed in value terms; however, exit value has declined for IT (2013-18) due to reducing average transaction value per deal

Sector-wise VC Exit Value in India

2013-18, million USD

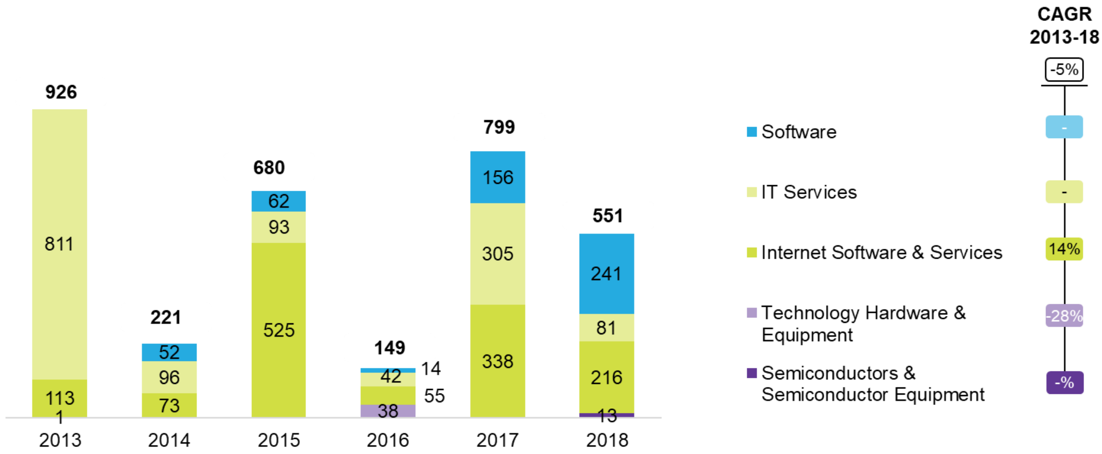


Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

IT Sector VC Exit Value in India

2013-18, million USD



Source: VCC Edge, Analysis

All the major sectors recorded a significant increase in the value of exits in 2018 compared to the previous year, except for information technology, which recorded a decline due to declining open market exits in the sector that resulted in lower average transaction value per deal.

Apart from IT, sectors such as consumer discretionary, BFSI and healthcare saw good exit value growth rates over 2013-18. On account of the Flipkart-Walmart deal, the consumer discretionary sector saw a growth rate of 126% over 2013-18. However, between 2013 and 2017, it had a CAGR of 18% only.

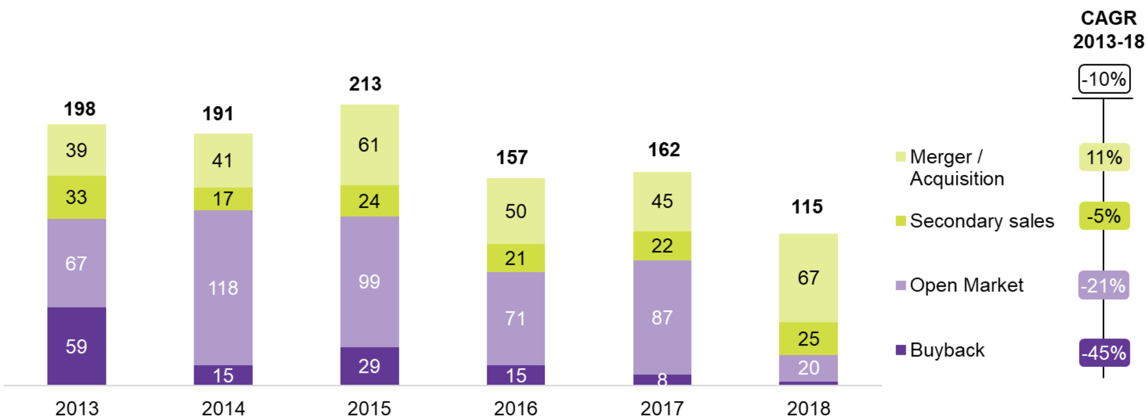
Key Exit Routes for VC in India

Number of VC Exits per Route

The number of open market exits reduced in 2018 due to stock market volatility and increasing number of exits from IT

Volume of Exits per Exit Route in India

2013-18, Number of Exits



Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

Exit opportunities in India are not as diverse as those in developed countries like US. In the US, the most common exit route for VCs is through strategic sales, i.e. M&A and secondary buyouts, while the open market (IPOs) accounts for a smaller per cent of total exits. However, in India, the open market (IPOs) are considered as the main exit route, followed by strategic sales and secondary buyouts.

In India, exits through M&A in 2018 constituted about ~45 per cent of total exits and exits via IPOs comprised another 26 per cent. However, as per the past few years' trends, open market exits have recorded significant declines due to the volatility in stock markets and an increasing number of exits from IT. This decline was, however, more than compensated by the increase in M&A and secondary deals with a growing percentage of M&A exits, driven by a higher number of exits from consumer technology deals (~25% of all exits in 2018 versus 1% in 2013).

Value of VC Exits per Route

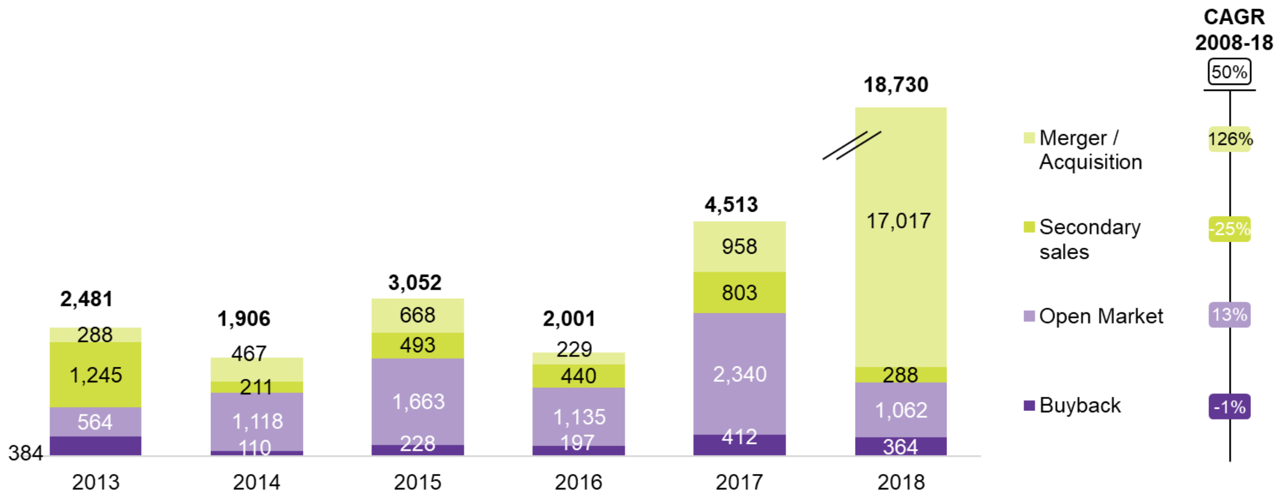
Open market exits also accounted for >50% of exit value from 2014-17; M&A and secondary sale are other popular options

As with the overall exit trend, the open market exit route accounted for >50% of exit value from 2014-17, followed by secondary sales and M&A. A high transaction value per deal has driven VC exit value, although the number of exits during 2016-17 were in the range of 150-170.

In 2018, India's VC industry witnessed some different trends as compared to previous years. There was a significant decline in open market exits. 2018 recorded USD 1,062 million in open market exits across 20 deals compared to open market exits valued at USD 2,340 million across 87 deals in 2017 (i.e. more than 50% drop in terms of value and a 75% drop in terms of volume). However, a rapid increase in strategic and M&A exits (USD 17,017 million across 67 deals in 2018) was observed, with the deal value being ~17x the value recorded in 2017. This was mainly on account of single deal of USD 16 billion between Walmart and Flipkart. This deal accounted for ~80% of the total deal value and ~95% of the M&A deal value in 2018, thus pushing up the deal value in 2018.

Value of VC Exits per Exit Route in India

2013-18, million USD



Note: Deals reported as confidential have not been considered for this analysis

Source: VCC Edge, Analysis

Key observations for VC exits in India

Current Scenario, Gaps and Challenges

1. **Long time to exit:** Time to exit in India is higher than in most developed and developing countries. It is challenging for Indian companies to achieve scale and grow in Indian markets given the regulatory and compliance challenges that lead to extra costs. These challenges have led to higher time to exit for most Indian start-ups, and leads to lower returns on investments, which affects LP confidence

2. **Lack of M&A exits:** Indian corporates have not shown an appetite for M&A of start-ups / growing companies, leading to limited VC exits from this route. While M&A accounted for 20-30% exits in the Indian market by volume (2013-17) similar to M&A in China (20-30% exits by volume in 2018), acquisitions accounted for over 60% by volume in VC exits. The only option left for fund managers in this scenario is to approach international companies for providing cash exits. However, these companies do not have confidence in Indian market due to volatile tax and regulatory structures, and hence M&A as an exit route has not picked up in the Indian market

3. **Lack of secondary sales:** Larger VCs and private equity funds have been cautious in their investments and have preferred companies and business models that have a proven track record. Secondary sales transactions in India accounted for ~22% in 2018 while those for China were over 50%. On the one hand where this has led to low innovation in India, on the other hand this has also affected exits from companies which are experimenting with new business models and require further work to achieve the required scale. With the lack of exit opportunities, LPs have preferred not to invest in such companies, leading to limited secondary sales

Way Forward

1. **Financial incentives to encourage investment:** A potential solution to improve cash exits and encourage Indian and foreign companies to invest into start-ups is by providing financial incentives such as tax incentives. Financial incentives can encourage Indian and foreign companies to acquire start-ups and provide cash exits to VCs, thus improving overall investor confidence

2. **Enhancing investor class:** A potential solution to improve VC exits in India is to grow the investor class. Many countries have allowed insurance funds, pension funds and university endowment funds to invest into the VC asset class. These are relatively larger LPs which can provide capital for investment into later stages and provide exit to early stage VC funds. Setting up a focused fund of funds to provide capital for investment into later stages is another potential solution to improve the VC exit landscape in India

3. **Listing exchange for start-ups:** Another potential solution to improve exit landscape is to set up a separate listing exchange for start-ups. Current listing exchanges such as the SME platform of NSE have been facing liquidity issues, with trade volume being low. Exchanges such as the BSE start-up exchange, specifically designed for start-ups which allows fund managers, insurance funds, pension funds, retail investors and other similar investors to gain financial information and an understanding on relative performance of start-ups to help with identifying potential investment options can help in providing cash exits to VCs at various stages

VC Fund Raising in India

Fund Raising Routes in India

In India, VCs can raise funds from either domestic or foreign Limited Partners (LPs):

1. **Domestic LPs:** In India, there are only a limited number of HNIs and family office investors who are comfortable with VCs as an asset class. Also, the long-term sources of capital, including pension funds, insurance companies, and banks, have not yet effected significant VC investments, and if they have, they do so with some level of restrictions on the funds provided. There are funds of funds which invest in VCs as an asset class, of which SIDBI's fund of funds is the most prominent; SIDBI manages the Ministry of MSME's ASPIRE Fund with corpus of INR 310 crores to support various AIFs

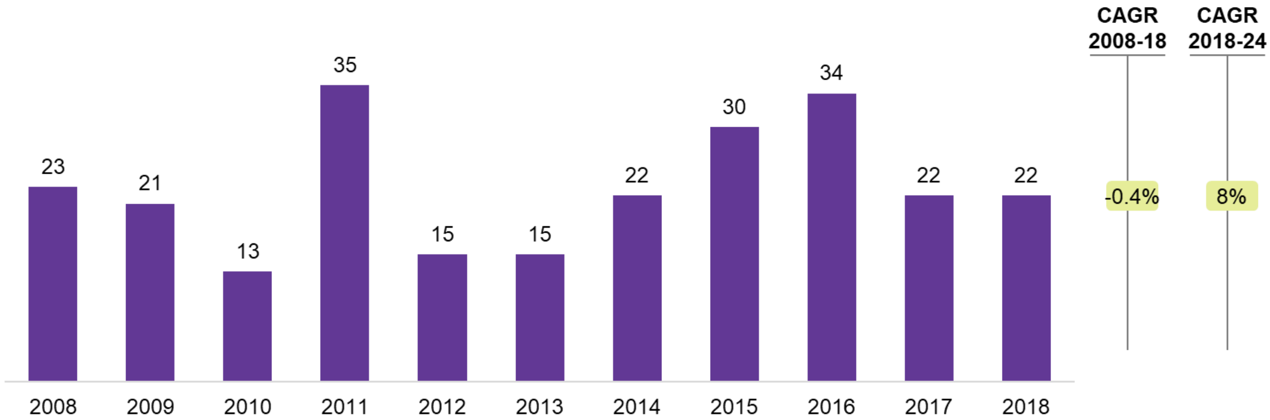
2. **International LPs:** VCs in India also raise funds via international LPs, which are mainly government institutions, HNIs, and large corporations such as IFC and CDC

Total Funds Raised by VC in India

Number of Funds

Number of funds raised

2008-18, million USD



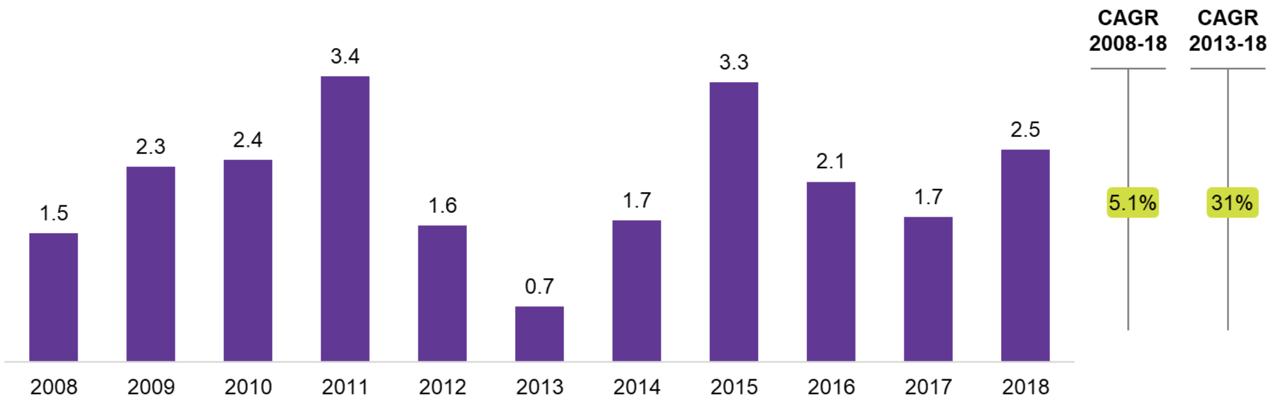
Source: VCC Edge, Analysis

The fundraising environment in India has been positive, with 252 funds incorporated between 2008 and 2018. There was a significant drop in the number of funds established in 2017 from the year before due to limited number of investments in 2017, leading to higher dry powder availability with fund managers and limited fund raising in 2017.

Value of Funds

Value of funds raised

2008-18, billion USD



Source: VCC Edge, Analysis

Overall, VCs in India have raised funds valued at ~ USD 23 bn between 2008-18. Approximately 70% of the total capital was raised by the 25 largest VCs, while the rest has been raised by smaller VCs. Fundraising by smaller VCs such as Prime Venture Partners, Pi Ventures and Fireside - that primarily focus on seed / early stage investing - has increased significantly over the last 4-5 years. This has been the reason for a decrease in value raised per fund in the same period.

Funds Raised by Key VCs in India

The top 25 VCs accounted for 70% of funds raised for India-focused VC funds over 2008-18

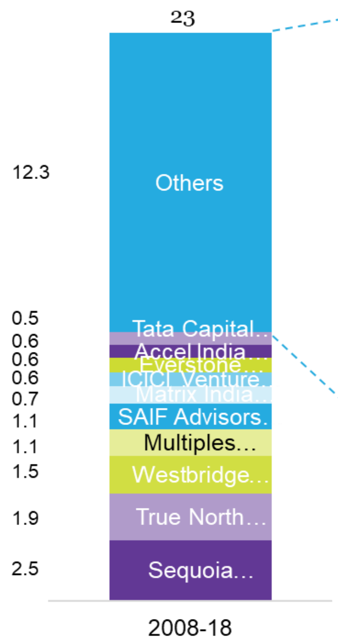
Over 2008-18, the top 10 VCs, such as Sequoia, Multiples Alternate Asset Management, Westbridge, True North, SAIF partners, ICICI Venture, Matrix, CX Capital, Everstone, and Accel have raised USD 10.55 bn (see figure below) in capital; this accounts for ~45% of the total USD 23 bn that has been raised by VCs in India.

Over the last few years, significant fundraising activity has also been undertaken by smaller, seed / Series A focused VCs; for 2018, ‘others’ includes, smaller, domestic funds raised by VCs such as Prime Venture Partners, Pi ventures and Fireside that primarily focus on seed / early stage start-ups.

In 2017, multiple smaller Series A / seed stage focused funds raised capital while participation of larger VCs in fund-raising was limited due to the availability of dry powder with fund managers given the reduced investment volume and value in the year.

Value of Funds Raised by VCs for India Focussed Funds

2014-18, billion USD



VC Name	Funds Raised in 2008-18 (USD mn)
CX Capital Management Ltd	515
Lighthouse Advisors India Pvt Ltd	505
Helion Venture Partner LLC	465
Kalaari Capital Advisors Pvt Ltd	440
Lightbox India Advisors Pvt Ltd	370
Invascent Advisory Services India Pvt Ltd	355
Peepul Capital LLC	350
Ascent capital Advisors India Pvt Ltd	350
Lightspeed Management Company LLC	310
SIDBI Venture Capital Ltd	246
DMI Alternatives Pvt Ltd	240
Madison India Capital Advisors Pvt Ltd	230
Mayfield Fund LLC	219
UTI Capital Pvt Ltd	214
Others	6,970

Source: VCC Edge, Analysis

Key Observations for VCs in raising funds

Current Scenario

1. LPs are limited in India, with SIDBI's fund of fund and a handful of family offices considered to be the main domestic LPs available. There are few large foundations, university endowments and pension funds in India who invest in VCs (asset insurance companies that do so have restrictions such as not allowing the funds to be invested in companies outside India) which limits the funds available for investment

2. For domestic VCs, it is a challenge to raise new funds mainly because international LPs have shied away from Indian VCs due to volatility in regulatory structures. Indian VCs also do not have access to international pools of money and international LPs and need to go through connections, resulting in an elongated fundraising cycle which can take as long as 12 months for an India domiciled VC, whereas internationally-connected VCs can raise funds in 3-6 months

Gaps & Challenges

1. **Restrictive nature of Non-SIDBI fund of funds & insurance companies:** Though there are non-SIDBI players like NABARD and Electronic Development Fund (EDF) that have created fund of funds, they have a lot of restrictions. NABARD usually specifies that a certain percentage of funds must be deployed in a particular sector, while EDF provides capital to companies developing new technologies in the area of electronics, nano-electronics and information technology only. This is also the case with bank-run fund of funds, like that of Canara bank. Insurance companies that provide funds also have restrictions such as not allowing the funds to be invested in companies outside India, and hence these are not attractive. From a VC's perspective, investments are for the long term and funds take 18-24 months to completely deploy the

capitalraised. During this period, the VC eco-system, overall market, and economy, evolve and thus VCs prefer remaining sector-agnostic and tweak their model as they go ahead. Thus, VCs find such pools of money restrictive and hence only few VCs raise capital from them

2. **Structural challenges with SIDBI fund of funds:** SIDBI has launched a fund of funds to help grow the eco-system and has committed INR 10,000 crores to it. However, there is a cap of SIDBI contribution and VC funds are permitted to raise a maximum of 35% of total funds to be raised through all government funds. First-time funds face challenges in raising the other 65% of money from other investors. Moreover, SIDBI's fund of funds requires VC funds to share the invested company's operational data which many funds are not very comfortable to share, and hence they do not prefer raising funds from SIDBI

3. **AIF KYC Norms:** The AIF structure introduced by the government requires LPs and GPs that are putting money into the AIF to complete KYC norms, such as providing PAN card details. International LPs who do not have any sort of domicile in India do not want to go through the hassle of getting a PAN card just to be able to invest India. This scares away LPs, and reduces the potential foreign investment pool in India

4. **Lack of Timely Exits:** India requires more patient capital than most developed countries, some developing countries, and even China. In India the amount of time required by companies to scale up, prove themselves and give exits is higher as compared to other comparable economies. If exits remain a challenge, it creates issues in terms of a new pool of funds to be created. Typically, international LPs would invest in a certain class, get returns and redeploy the money. However, in India, VCs raise repeat funds without providing returns on the initial investment, leading to apprehension amongst LPs to provide more funds. Thus, VCs need to keep finding new sets of LPs to go to, which becomes a long-drawn process and poses a challenge

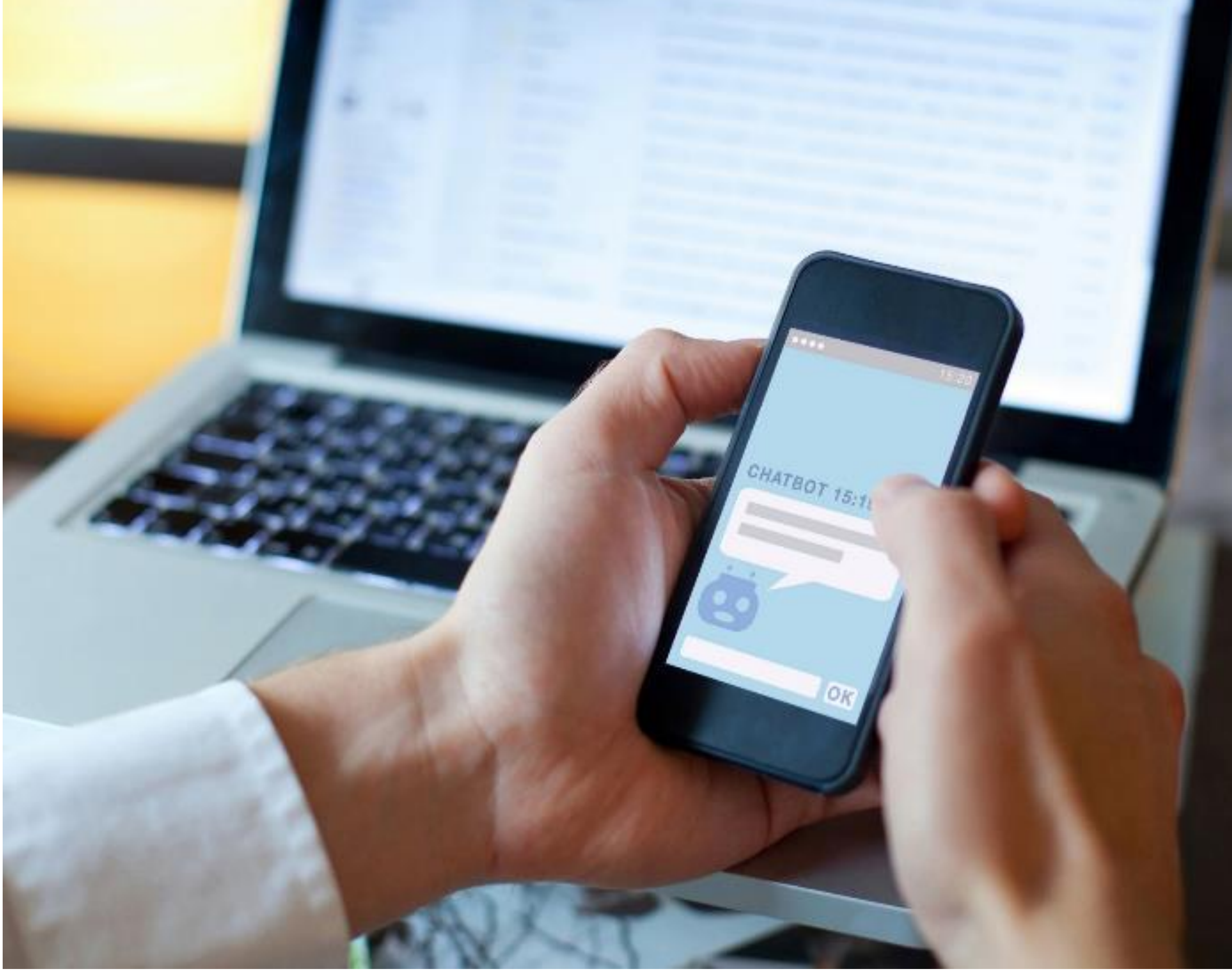
Way Forward

1. Domestic fund of funds / LPs should align with economic structures and hurdle rates of the global market to ensue that VCs in India are not penalized for different expectations and that the VC eco-system functions more efficiently

2. A potential way for domestic LPs like SIDBI can be to have more than one fund of funds of smaller sizes, in the short term, till the domestic LP market strengthens, and have a . This would allow first-time funds to raise a sizeable portion of their funds from SIDBI, with limited dependence on other LPs

Glossary

Term	Remarks	Term	Remarks
AI	Artificial intelligence	**M&A**	Merger and Acquisition
AIFs	Alternative Investment Funds	**Mn**	Million
ASPIRE	A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship	**MSME**	Micro, Small & Medium Enterprises
BFSI	Banking, financial services and insurance	**NABARD**	National Bank for Agriculture and Rural Development
Bn	Billion	**NLP**	Natural Language Processing
CAGR	Compounded average growth rate	**NPA**	Non-performing assets
E- commerce	Electronic Commerce	**NSE**	National stock Exchange
EDF	Electronic Development Fund	**PE**	Private Equity
EdTech	Education Technology	**ROI**	Return on Investment
E-tailing	Electronic retailing	**SaaS**	Software as a service
FDI	Foreign direct investment	**SEBI**	Securities and Exchange Board of India
FFS	Fund of Funds for Startups	**SIDBI**	Small Industries Development Bank of India
FinTech	Financial Technology	**SME**	Small and medium scale enterprises
FoodTech	Food Technology	**tn**	Trillion
GDP	Gross Domestic product	**USD**	United States dollar
GST	Goods and Services Tax	**VC**	Venture Capital
HealthTech	Health Technology		
HNIs	High Net-worth Individuals		
IBC	Insolvency and Bankruptcy Code		
IFC	International Finance Corporation		
IPO	Initial Public Offering		
IT	Information Technology		
KYC	Know your customer		
LP	Limited Partners		



Key Contacts

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For more information on SIDBI's Fund of Fund operations, please visit http://www.sidbivcf.in/

Appendix

Top Angel/Seed deals by sectors

Year	Sector	Buyer	Target	Deal Value (USD mn)
2018	IT	Steadview Capital Master Fund Ltd.	Finzoom Investment Advisors Pvt. Ltd.	30
	Consumer Discretionary	Sequoia Capital India V Ltd., Saama Capital IV Ltd.	DailyNinja Delivery Services Pvt. Ltd.	3
	Consumer Staples	Apar Corporation Pvt. Ltd., Roots Ventures Trust, Naval Bir Kumar, Sunil Agarwal, Ketan Jasubhai Shah, Chaitanya Narendra Desai, Kushal Narendra Desai	EM and EM Personal Care Pvt. Ltd.	1.36
	BFSI	IIFL India Private Equity Fund	Kadaieshwar Homefin Pvt. Ltd.	13.56
	Healthcare	Hyperplane Venture Capital	Elucidata Corp.	1.7
	Industrials	Guerrilla Infra Solutions Pvt. Ltd.	Credence Family Office LLP	4
2017	IT	Accel India Management Co. Pvt. Ltd., Exfinity Venture Partners LLP, Partech Ventures	PrimaryIO Inc.	5.6
	Consumer Discretionary	General Atlantic Pvt. Ltd.	Absolute Barbeque Pvt. Ltd.	10.93
	Consumer Staples	Farmlink Agri Distribution and Market Linkage Pvt. Ltd.	Pioneering Ventures, Syngenta International AG	3
	BFSI	Bennett Coleman and Co. Ltd., Hemant Sapra	RealPro Realty Solutions Pvt. Ltd.	9
	Healthcare	Organosyn Life Sciences Pvt. Ltd.	Evertogen Life Sciences Ltd.	5
	Industrials	Tricolor Cleantech Capital LLC	Supremus Developers Pvt. Ltd.	5
2016	IT	Qualcomm Ventures, Accel India IV LP, M and S Partners Pte. Ltd., NRJN Family Trust, Mistletoe Inc., Rohini Nandan Nilekani	63Ideas Infolabs Pvt. Ltd.	24.34

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Consumer Discretionary	Rainmaker Ventures Fund I, Sudhir Vijayaraghav Menon, Subodh Vijayaraghava Menon, Atul Jeevandharkumar Hegde	Yaap Digital Pvt. Ltd.	5
	Consumer Staples	Pioneering Ventures, Schreiber Foods Inc.	MilkLane Dairy Services Pvt. Ltd	4.04
	BFSI	Arpwood Capital Pvt. Ltd., SAIF Partners India IV Ltd., Accel India IV LP, Catamaran Ventures LLP, Accel India V LP, Dsp Hmk Holdings Pvt. Ltd., Techpro Ventures LLP, Senapathy Kris Gopalakrishnan, Subba Rao Telidevara, Venkatram Krishnan, Rajeev Gupta, Atul Kantilal Nishar, Hemendra Mathradas Kothari, Nagavara Ramarao Narayana Murthy	Acko Technology and Services Pvt. Ltd.	23.75
	Healthcare	Eight Roads Ventures India, F Prime Inc.	Eywa Pharma Pte. Ltd.	30
	Industrials	Asius Ventures I LLC, Tamarind Family Private Trust, Moksha Capital	JMS Logistics and Express Pvt. Ltd.	2.16
2015	IT	Tiger Global Management LLC, Flipkart Pvt. Ltd.	Cube26 Software Pvt. Ltd.	7.21
	Consumer Discretionary	Lightbox Ventures II	August Jewellery Pvt. Ltd.	5.19
	Consumer Staples	Samridhi Fund	Natureland Organic Foods Pvt. Ltd.	2.41
	BFSI	Loglabs Ventures Pvt. Ltd., Ashok Agarwal, Ayan Agarwal, Umang Saxena, Ashish Agarwal, Kiran Shetty	Social Worth Technologies Pvt. Ltd.	1.5
	Healthcare	RoundGlass Partners LLC, Parekh Marketing Ltd., Singapore Angel Network Pte Ltd., Binny Bansal, Sachin Bansal, Anand Kumar Ladsariya, Kaushal Kumar Aggarwal, Lakshmi Narayanan, Nitin Agarwal, Sanjay Mehta	Wrig Nanosystems Pvt. Ltd.	2.19

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Industrials	Accel India IV LP, Hon Hai Precision Industry Co. Ltd., Flipkart Pvt. Ltd., Delhivery Pvt. Ltd., Aarin Capital Fund I, Arun Seth, Ganesh Krishnan, Ganesh Natarajan, Kunal Naresh Shah, Mohandas Pai Tellicheery Venkataraman, Raghunandan Gangappa, Rajan Jei Anandan, Raman Roy, Ratan Naval Tata	LeapMile Logistics Pvt. Ltd.	9.03
2014	IT	BITS Spark Angels	SolarTown Energy Solutions Pvt. Ltd.	11.58
	Consumer Discretionary	King Abdulaziz City for Science and Technology	Smartron India Pvt. Ltd.	2.09
	Consumer Staples	RPG Ventures Ltd., Shripad Shrikrishna Nadkarni, Piyush Pandey, Vikram Praveen Singh	White Owl Brewery Pvt. Ltd.	0.96
	BFSI	Aspada Investment Advisors Pvt. Ltd., SAIF Partners India IV Ltd.	Capfloat Financial Services Pvt. Ltd.	3.03
	Healthcare	Endeavor Financial Investments, GI Global Health Fund LP, Arun Advani, Ashok Raj Koul, Kamini Arvind Rao, Kenneth Bijoy D Cruz, Sanjai Vohra, Tushar Patel, Vikram Belliappa, John Goodacre	Cytecare Hospitals Pvt. Ltd.	12.9
	Industrials	Matrix Partners India II LLC	Sarvaloka Services On Call Pvt. Ltd.	2.5
2013	IT	Intel Capital, Sierra Ventures, Nexus India Capital Advisors Pvt. Ltd.	ElasticBox Inc.	3.40
	Consumer Discretionary	Sequoia Capital India III LP, Sequoia Capital India Growth Fund II LP	Rebel Foods Pvt. Ltd.	3.72
	Consumer Staples	DSG Consumer Partners I, Manish Gupta, Prasad Parackal Krishnankutty, Rajeev Agrawal	Tierra Food India Pvt. Ltd.	0.96
	BFSI	ACCION Technical Advisors India, LGT Venture Philanthropy Foundation, Elevar Advisors Pvt. Ltd.	Thirumeni Finance Pvt. Ltd.	0.64

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Healthcare	Amarante Shipping Pte Ltd.	InterpretOmics India Pvt. Ltd.	1.63
	Industrials	First Round Capital	Zendrive Inc.	1.5
2012	IT	500 Startups Management Co. LLC, IIG Advisors Pvt. Ltd., Rajan Jei Anandan, Pramod Bhasin, Shailesh Rao	247 Techies Pvt. Ltd.	6
	Consumer Discretionary	Ascent India Fund III	iNurture Education Solutions Pvt. Ltd.	5.76
	Consumer Staples	DSG Consumer Partners I, Yukti Securities Pvt. Ltd.	Veeba Food Services Pvt. Ltd.	1.08
	BFSI	Dia Vikas Capital Pvt. Ltd.	RGVN North East Microfinance Ltd.	1.09
	Healthcare	Prime Surgical Centers Pvt. Ltd.	Indian Seamless Enterprises Ltd.	2.74
	Industrials	Khosla Ventures	Bidgely Inc.	3
2011	IT	Nexus India Capital Advisors Pvt. Ltd., Ganesh Krishnan, Geoff Entress, Pradeep Rathinam, Vishal Gondal	Indix Corp.	1.39
	Consumer Discretionary	Mangrove Capital Partners	Style Genie Digital Pvt. Ltd.	4
	Consumer Staples	Catamaran Ventures LLP, Footprint Ventures, Kanwaljit Singh, Naresh Somdatt Malhotra, Shripad Shrikrishna Nadkarni	Hector Beverages Pvt. Ltd.	1.62
	BFSI	Dia Vikas Capital Pvt. Ltd.	RGVN North East Microfinance Ltd.	1.31
	Healthcare	Seedfund II	Jeevanti Healthcare Pvt. Ltd.	2.27
	Industrials	Hyderabad Angels Forum for Entrepreneurship Development, Sashi Reddi Investment Capital Fund, Bodanapu Venkat Ramamohan Mohan Reddy,	Green India Building Systems and Services Pvt. Ltd.	1.01

Year	Sector	Buyer	Target	Deal Value (USD mn)
		Chandrakiran Mallarapu, Jakkampudi Adiseshaiah Chowdary, Murali Bukkapatnam, Pradeep Kumar Mittal, Snehil Saraf, Kranti Reddy, Suman Kumar Saraf		
2010	IT	Inventus Advisory Services India Pvt. Ltd., Quest Venture Partners	Genwi Inc.	1
	Consumer Discretionary	Cisco Corporate Development Fund, Allah Rakha Rahman, Nishith Desai	Azure Hospitality Pvt. Ltd.	6
	Consumer Staples	Catamaran Ventures LLP, Footprint Ventures, Kanwaljit Singh, Naresh Somdatt Malhotra, Shripad Shrikrishna Nadkarni	Hector Beverages Pvt. Ltd.	1.31
	BFSI	Kotak Mahindra Investments Ltd., Mumbai Angels, Michael and Susan Dell Foundation, Indovest Holdings Pvt. Ltd., Anand Kumar Ladsariya, Lakshmi Rao, Naresh Rajendra Shah, Nitin Agarwal, Rajiv Indur Dadlani, Somasekhar Sundaresan, Harshad Ajit Lahoti, N Gautam, Somasekhar Sundaresan, Vivek Trilokinath, Sajid Fazalbhoy, Vikas Chhariya	Svasti Microfinance Pvt. Ltd.	1.16
	Healthcare	Agnus Capital LLP	Skanray Technologies Pvt. Ltd.	2.78
	Industrials	Tuscan Ventures Fund	Cold Star Logistics Pvt. Ltd.	3.15
2009	IT	Orde Management Pvt. Ltd., Sandeep Kohli, Narayanan Balakrishnan	Technology Frontiers India Pvt. Ltd.	1.79
	Consumer Discretionary	SME Technology Venture Fund	iNurture Education Solutions Pvt. Ltd.	2.35
	Consumer Staples	Jayanta Kumar Basu, Shrinivas V. Dempo, Sadeesh Raghavan, Rahul Basu, Shrikant Jayawant Patil, Sharad Hegde	Agave Industries India Pvt. Ltd.	0.82

Year	Sector	Buyer	Target	Deal Value (USD mn)
	BFSI	Gray Ghost Ventures	Indian School Finance Company Pvt. Ltd.	4.7
	Healthcare	ROI Capital Advisors Pvt. Ltd.	Davita Care India Pvt. Ltd.	0.57
	Industrials	Ganesh Krishnan, Sreenivasan Ramakrishnan, Vaidyanathan Shankar	Innov Lite India Pvt. Ltd.	1.14
2008	IT	IDG Ventures India Fund	Aujas Networks Pvt. Ltd.	2.99
	Consumer Discretionary	Mindset Technologies Pvt. Ltd.	Avitel Post Studioz Ltd.	6.34
	Consumer Staples	NA	NA	NA
	BFSI	Bellwether Microfinance Fund	Sahayata Microfinance Pvt. Ltd.	0.25
	Healthcare	Indian Angel Network Services Pvt. Ltd., Avinash Singh, Sanjay Vatsa	Karmic Labs Pvt. Ltd.	0.43
	Industrials	Aavishkaar Goodwell India Microfinance Development Co. Ltd., Small Industries Development Bank of India	Equitas Holdings Ltd.	1.98

Top VC deals by sectors

Year	Sector	Buyer	Target	Deal Value (USD mn)
2018	IT	PremjiInvest, Bain Capital LLC, Menlo Ventures, American Express Ventures, IA Venture Strategies Fund II LP, Allegis Cyber, Resolute Ventures	Signifyd Inc.	100
	Consumer Discretionary	TPG Growth IV LP, Accel India III LP, SAIF Partners India IV Ltd., Stripes Group LLC, Network18 Media and Investments Ltd.	Big Tree Entertainment Pvt. Ltd.	100

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Consumer Staples	Sofina SA, Sequoia Capital India V Ltd., Rajesh Mannalal Agrawal, Ravi Modi, Yogesh Agrawal Mannalal, Alok Chandra Misra, Jitendra Bajrang Lal Gupta, Nishant Mittal, Saurabh N. Agarwal, Shantanu Rastogi, Gautam Kumra, Manish Santoshkumar Kejriwal, Vishal Chaudhary, Arjun Juneja, Rajeev Juneja, Sheetal Arora, Jaideep Hansraj, Nihar Kothari, Siddharth Kothari, Hitesh Desai, Harish Pravinchandra Shah	B9 Beverages Pvt. Ltd.	50
	BFSI	Fullerton Financial Holdings Pte Ltd., Bertelsmann Corporate Services India Pvt. Ltd., India Quotient Fund, Mayfield Fund LLC, Saama Capital Management Ltd., Sistema Asia Fund Pte Ltd.	Lendingkart Technologies Pvt. Ltd.	87.77
	Healthcare	Strides Pharma Science Ltd., GMS Holdings Ltd.	Stelis Biopharma Pvt. Ltd.	100
	Industrials	Georgian Partners Inc., Constellation Energy Resources LLC, Khosla Ventures, Innogy SE, E.ON SE	Bidgely Inc.	27
2017	IT	Ali Cloud Investment LLC, Private Equity Business	Just Buy Live Enterprise Pvt. Ltd.	100
	Consumer Discretionary	Accel India IV LP, Harmony Partners, Norwest Venture Partners VII LP, Bessemer Venture Partners LP, Naspers Ventures, SAIF Partners India V Ltd.	Bundl Technologies Pvt. Ltd.	80.45
	Consumer Staples	PI Opportunities Fund I	iD Fresh Food India Pvt. Ltd.	25

Year	Sector	Buyer	Target	Deal Value (USD mn)
	BFSI	Eight Roads Ventures India, Apis Growth Fund I LP, Oasis Fund S.C.A.	Greenlight Planet Inc.	60
	Healthcare	Sequoia Capital India Advisors Pvt. Ltd., Zodius Capital Advisors, Sofina SA, HDFC Asset Management Co. Ltd., HDFC Life Insurance Co. Ltd., Housing Development Finance Corporation Ltd., Lakshmi Narayanan, Senapathy Kris Gopalakrishnan, Mahesh Pratapneni, Rajesh Mannalal Agrawal, Yogesh Agrawal Mannalal	MedGenome Labs Ltd.	40
	Industrials	Eight Roads Ventures India, Apis Growth Fund I LP, Oasis Fund S.C.A.	Greenlight Planet Inc.	60
2016	IT	VentureNursery, DSG Consumer Partners I, Lightspeed Venture Partners IX LP, Sequoia Capital India IV Ltd., Greenoaks Capital Partners LLC, Softbank Group Corp.	Oravel Stays Pvt. Ltd.	90
	Consumer Discretionary	Network18 Media and Investments Ltd., Accel India III LP, SAIF Partners India IV Ltd., Stripes Group LLC	Big Tree Entertainment Pvt. Ltd.	81.7
	Consumer Staples	Sequoia Capital India IV Ltd., Sequoia Capital India V Ltd., Saurabh Kumar, Akriti Chopra, Thomas Murphy, Shantanu Rastogi, Richard Gold, Nitin Bahl, Ashish Dhawan, Alok Chandra Misra, Akhil Dhawan	B9 Beverages Pvt. Ltd.	15.71
	BFSI	RBL Bank Ltd., Shriram Life Insurance Co. Ltd., ICICI Prudential Life Insurance Company Ltd., HDFC ERGO General Insurance Company Ltd.,	Utkarsh Micro Finance Ltd.	59.08

Year	Sector	Buyer	Target	Deal Value (USD mn)
		HDFC Life Insurance Co. Ltd., Small Industries Development Bank of India, Arpwood Capital Pvt. Ltd., Faering Capital India Evolving Fund II		
	Healthcare	ADV Opportunities Fund I LP	Dr. Agarwal's Health Care Ltd.	45
	Industrials	Nanoholdings LLC	Innonano Research Pvt. Ltd.	18
2015	IT	Lightspeed Venture Partners IX LP, Sequoia Capital India IV Ltd., Greenoaks Capital Partners LLC, Softbank Group Corp., Lightspeed India Partners I LLC	Oravel Stays Pvt. Ltd.	100
	Consumer Discretionary	Nexus India Capital Advisors Pvt. Ltd., Tiger Global Management LLC, Helion Venture Partners LLC	Clues Network Pvt. Ltd.	100
	Consumer Staples	Sequoia Capital India IV Ltd., Alok Chandra Misra, Nishant Mittal, Shantanu Rastogi, Ashvin Chadha, Sandeep Achyut Naik, Ashish Dhawan, Deepinder Goyal, Kunal Bahl, Mayank Singhal, Nitin Bahl, Richard Gold, Rohit Kumar Bansal, Sameer Brij Verma, Sameer Mahandru, Saurabh N. Agarwal, Shashwat Diesh, Thomas Murphy, Akhil Dhawan, Jaideep Ravela, Poyan Rajamand	B9 Beverages Pvt. Ltd.	6
	BFSI	Nexus Ventures III Ltd., Westbridge Capital Partners LLC, Sequoia Capital India Growth Fund I LP	India Shelter Finance Corporation Ltd.	54.74
	Healthcare	True North Fund V LLP	Kids Clinic India Pvt. Ltd.	60.14

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Industrials	Times Internet Ltd., Nexus Ventures III Ltd., Tiger Global Management LLC, Multiples Private Equity Fund, Nexus Opportunity Fund Ltd.	Delhivery Pvt. Ltd.	79.34
2014	IT	Qualcomm Ventures, Nexus Ventures III Ltd., DST Global, Falcon Edge Capital LLP, Softbank Group Corp., Digital Nirvana Fund Co. Ltd.	Locon Solutions Pvt. Ltd.	88.07
	Consumer Discretionary	Info Edge India Ltd., Sequoia Capital India Growth Fund I LP, Vy Capital Management Company Ltd.	Zomato Media Pvt. Ltd.	59.92
	Consumer Staples	Eight Roads Ventures India, Aavishkaar India II Co. Ltd.	Milk Mantra Dairy Pvt. Ltd.	13.10
	BFSI	Saama Capital II Ltd., Omidyar Network India Advisors Pvt. Ltd., Elevar Advisors Pvt. Ltd., Westbridge Crossover Fund LLC	Vistaar Financial Services Pvt. Ltd.	25.65
	Healthcare	Sequoia Capital India IV Ltd., Softbank Ventures Korea Corp.	PT Tokopedia	100
	Industrials	Nexus Ventures III Ltd., Times Internet Ltd., Multiples Private Equity Fund	Delhivery Pvt. Ltd.	34.53
2013	IT	SVB India Capital Partners I LP, Madison India Capital Advisors Pvt. Ltd., Sequoia Capital India Advisors Pvt. Ltd., Sapphire Ventures LLC, Draper Fisher Jurvetson India, Canaan Advisors Pvt. Ltd., Axon Partners Group	iYogi Technical Services Pvt. Ltd.	28
	Consumer Discretionary	Info Edge India Ltd., Sequoia Capital India Growth Fund II LP	Zomato Media Pvt. Ltd.	37.15

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Consumer Staples	Sequoia Capital India Growth Fund II LP, Sequoia Capital India IV Ltd.	Prataap Snacks Ltd.	5.49
	BFSI	Morgan Stanley Private Equity Asia IV LP, Citi Venture Capital International Growth Fund II, India Financial Inclusion Fund, Tata Capital Growth Fund I, QRG Enterprises Ltd.	Jana Small Finance Bank Ltd.	57.06
	Healthcare	Matrix India Asset Advisors Pvt. Ltd., Sequoia Capital India Growth Fund II LP	Kids Clinic India Pvt. Ltd.	16.86
	Industrials	Zephyr Peacock Management India Pvt. Ltd.	20Cube Logistics Pte. Ltd.	17
2012	IT	eBay Inc., Matrix Partners India I LLC, Warburg Pincus India Pvt. Ltd., Norwest Venture Partners X LP	Quikr India Pvt. Ltd.	32
	Consumer Discretionary	Draper Fisher Jurvetson India, Helion Venture Partners I LLC, Norwest Venture Partners, Western Technology Investment	Komli Media Inc.	39
	Consumer Staples	Catamaran Ventures LLP, Footprint Ventures, Sequoia Capital India Growth Fund II LP, Nadir Burjor Godrej, Naresh Somdatt Malhotra, Shripad Shrikrishna Nadkarni, Kanwaljit Singh	Hector Beverages Pvt. Ltd.	8.16
	BFSI	Netherlands Development Finance Co., International Finance Corp., Sarva Capital LLC, Wolfensohn Capital Partners, Women World Banking Capital Partners L. P.	Ujjivan Financial Services Ltd.	34.5

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Healthcare	Norwest Venture Partners X LP, Accel India Venture Fund, IDG Ventures India Fund	Perfint Healthcare Pvt. Ltd.	13.16
	Industrials	Matrix Partners India I LLC, Avigo Capital Partners Pvt. Ltd.	Maharana Infrastructure and Professional Services Ltd.	18.15
2011	IT	Canaan VIII LP, Intel Capital	Happiest Minds Technologies Pvt. Ltd.	30.04
	Consumer Discretionary	New Silk Route PE Asia Fund LP	Varsity Education Management Pvt. Ltd.	55.22
	Consumer Staples	Sequoia Capital India Growth Fund II LP, Sequoia Capital India IV Ltd.	Prataap Snacks Ltd.	30
	BFSI	Tree Line Asia Master Fund Singapore Pvt. Ltd., Citi Venture Capital International Growth Fund II, GAWA Microfinance Fund, India Financial Inclusion Fund	Jana Small Finance Bank Ltd.	32.11
	Healthcare	Evolvence India Life Sciences Fund	Dr. Agarwal's Health Care Ltd.	12.93
	Industrials	The Xander Group Inc.	HCC Concessions Ltd.	47.15
2010	IT	Canaan Advisors Pvt. Ltd., Sapphire Ventures LLC, SVB India Capital Partners I LP, Draper Fisher Jurvetson India, Sequoia Capital India Advisors Pvt. Ltd.	iYogi Technical Services Pvt. Ltd.	30
	Consumer Discretionary	Bain Capital LLC, TPG Capital Inc.	Lilliput Kidswear Ltd.	86.51

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Consumer Staples	Brand Equity Treaties Ltd., Dharmayug Investments Ltd.	Tunip Agro Ltd.	1.47
	BFSI	IDFC Ltd.	TRIL Infopark Ltd.	33.22
	Healthcare	TVS Shriram Growth Fund-IA, ePlanet Capital	Maxivision Eye Hospitals Pvt. Ltd.	12.57
	Industrials	India Equity Partners Fund I, Mayfield Fund I	Fourcee Infrastructure Equipment Pvt. Ltd.	30.7
2009	IT	Deutsche Telekom AG, Telecom Ventures LLC, Columbia Capital LLC	Devas Multimedia Pvt. Ltd.	24.7
	Consumer Discretionary	Lightspeed Venture Partners VII LP, Manipal Education and Medical Group India Pvt. Ltd., Pearson Plc	Pearson India Education Services Pvt. Ltd.	18.67
	Consumer Staples	Wand Partners Inc.	SeedWorks International Pvt. Ltd.	17.03
	BFSI	India Advantage Fund Series III	Star Health and Allied Insurance Co. Ltd.	27.51
	Healthcare	WestBridge Ventures II LLC, Sequoia Capital India III LP	Vasan HealthCare Pvt. Ltd.	20.11
	Industrials	India Value Fund III	Meru Travel Solutions Pvt. Ltd.	31.76
2008	IT	Tata Capital Private Equity, Charles River Ventures, Norwest Venture Partners	Vanu Inc.	32

Year	Sector	Buyer	Target	Deal Value (USD mn)
	Consumer Discretionary	Credit Suisse Private Equity	Shree Ganesh Jewellery House India Ltd.	19.85
	Consumer Staples	NA	NA	NA
	BFSI	SVB India Capital Partners I LP, Sandstone Capital LLC, Kismet Capital LLC	Bharat Financial Inclusion Ltd.	72.72
	Healthcare	Biotechnology Venture Fund	Itero Biopharmaceuticals Inc.	21
	Industrials	FTV Management Company LP	Mu Sigma Inc.	30

Acknowledgements

We are grateful for the support we received from all the SIDBI Members, The World Bank Group (WBG) Members and industry participants in the publication of this report (developed under the SIDBI-WBG program). In particular, we would like to thank the fund managers and other individuals for sharing their valuable inputs and expertise on this subject. A number of firms and managers agreed to speak with us. We would also like to thank all of them for sharing their insights and views with us. Ankur Capital, Bharat Innovation Fund, Blume Ventures, Chiratae Trust (erstwhile IDG Ventures), Endiya Partners , India Angel Network Fund, India Quotient, Inventus III India Fund, JM Financial India Fund, Mega Delta Fund, Omnivore Partners , Pi Ventures, Saha Fund , Saif Partners, Unicorn India Ventures, Yournest India VC Fund and Zephyr Peacock India Growth Fund have been very helpful in sharing their views.

We would also like to thank the PwC team consisting of Ranen Banerjee, Sankalpa Bhattacharjya, Manpreet Kaur Dhanoa, Ajit Agarwal, Akshat Kumar, Arnav Chaube, Garvit Gupta and Malvika Sharma for supporting us in preparing and publishing this report.

Thank you