

The Indian entrepreneurial odyssey

Democratisation of the start-up ecosystem in Bharat





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Foreword

The years 2020 and 2021 have brought about unexpected developments, some positive and some negative.



Just like the global economy, the Indian economy went through phases of contraction, and yet as 2021 came to an end, it stood tall on the international stage at a value of ~USD 2.8 trillion. Sound governance, timely reforms and overall resilience of its citizens have given India macroeconomic indicators which have been globally endorsed as the precursors for exponential future growth.

Investors have now shown increased trust in India, with many national and international entities directing their investments towards the economy. For FY 2021-22 (year to date), India received foreign direct investment (FDI) inflow of USD 82 billion, a 10% increase over the previous year. This growth was a result of the government's proactive approach to implement measures for doing business easier in India. From being ranked 142 on the ease of doing business scale in 2014, India quickly rose to a rank of 63 in 2020.

The changing perceptions around entrepreneurship, efficient access to funding and accelerated technological growth have made the start-up ecosystem boom across all sectors in the past decade. India has now become the third most preferred destination¹, after the US and China, for technology start-ups. The move from being a nation of job seekers to a nation of job creators has been possible through the establishment and convergence of multiple stakeholders, who have strived to create a transparent interface to promote entrepreneurship. Breaking stereotypes around the need for affluent gentry, family funds and qualifications from elite institutions has allowed entrepreneurship to become an aspirational goal for many in the country. It is no surprise that India proudly gave 43 unicorns to the world in 2021. This has effectively nurtured a democratisation of sorts between people from all backgrounds, in all parts of India.

With the launch of multiple angel networks, early-stage ventures have seamless access to the much-needed seed capital; scores of local angels in Tier II and Tier III cities are bolstering the establishment of a robust development ecosystem in these towns, which are heralded to be the future start-up hubs. There has been the fostering of a new India, which we all like to call Bharat, which promotes and encourages entrepreneurship in newer sectors, focuses on regional innovation and taps into newer talent pools. This report is a testament to this rapidly-advancing and evolving start-up ecosystem; it dives deep into the trends that have shaped this journey until now and establishes the expected direction for future growth.

We hope you find this report insightful.

Vicky Bahl
Partner, Growth
Grant Thornton Bharat

1. Nasscom 2019

Decades of growth

The unfolding of the Indian start-up ecosystem



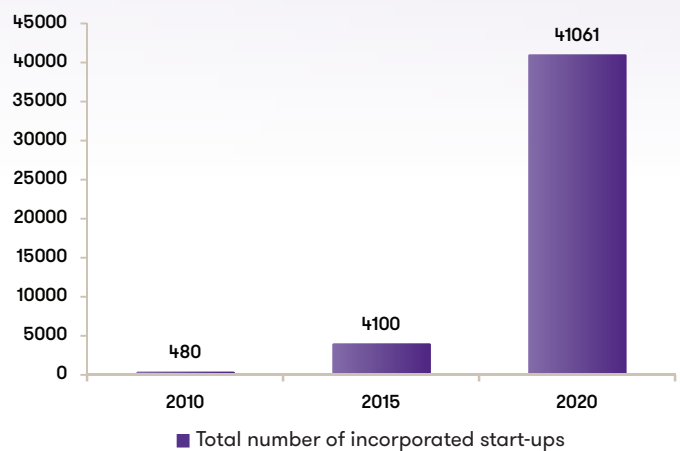
Entrepreneurship is embedded in India's economy and culture. From the post-independence era with a handful of family-controlled industries, until 2021 when India gave 43 unicorns to the world, the Indian start-up ecosystem has gained significant attention, thus making it one of the most coveted global markets. Every decade, emergence of unique business segments and activities have increased, owing to distinct regulatory, technological and economic interventions; a progression that has culminated with 79 unicorns and ~59,000 recognised start-ups until now.

Progressing towards a free-market economy: A paradigm shift through decades

With the economic reforms and the dismantling of the permit-driven 'License Raj' in 1991, domestic Indian businesses have continued to reinvent themselves over decades and have successfully established themselves as formidable global entities.

Modernisation of the start-up wave can be traced back to the establishment of Infosys, Wipro and TCS in the 80s - brands that not only put the Indian IT workforce on the global map, but also recognised India as a superior service provider of information technology. With continued privatisation and deregulation during the 90s, India witnessed a turning point with the establishment of Bharti Airtel .

Figure 1.1: India's start-up growth journey (2010 - 2020)



Source:
CII, NASSCOM, Start-up India Report

More than ever before, we are at the tipping point of a start-up and business economics evolution in India. After being toughened by the pandemic, our start-up ecosystem is fast emerging as one of the top-most, globally, driven by dynamic policy interventions, socio-economic shifts that support entrepreneurship and the spirited pool of investors who are keen to fund innovative ideas generating from Bharat. Successful entrepreneurs of India are transforming and ushering India into its next phase of unbridled growth.²

Dr. Apoorv Ranjan Sharma
Co - Founder,
Venture Catalysts and 9 Unicorns

A first-generation entrepreneurial venture, which grew to become the mobility behemoth it is today, the establishment of Bharti Airtel is considered as one of the major milestones towards the democratisation of entrepreneurial ventures in India. This fueled the formation and growth of various private companies during the 2000s. During this time, Indian businesses focused more on innovation and addressal of unique customer needs, which helped them achieve a distinctive brand identity. Some of these companies were PVR, MakeMyTrip, Myntra, Flipkart, etc. Establishment of new businesses, in the past decade, grew at a compounded annual growth rate (CAGR) of 56%; which set the pace for transformative growth in the country and culminated into one of the most glorious years for Indian start-ups.



2010-2020: The decade of change and transformation

Technological revolution, smartphone penetration, active policy initiatives and the availability of funding, had a profound impact on various sectors, along with the emergence of focused businesses. In 2015, the nation saw a rise in large format retail, supported by e-commerce businesses. Availability of affordable smartphones, access to cheap internet and data created a new class of digital-savvy consumers who became an attractive captive audience. The technology boom birthed various e-businesses, such as Oyo, Ola, Paytm, etc. These firms created a buzz in the market with innovative solutions to address the growing aspirations of the tech-savvy Indian buyer.

59,000+

Start-ups till date in India

79

Unicorns are based out of India

**USD
260 Bn**

Cumulative valuation of Indian unicorns

**USD
39 Bn**

Raised in 2021

~10,000

Start-ups added within the first six months of 2021

~170,000

Jobs created by start-ups in 2021

Source: NASSCOM, Start-up India Report, ICVA, Tracxn

2021: The year of rising unicorns

2021 started on a positive note with significant growth in the start-up space as a direct result of expeditious consolidation throughout the year. Through active mergers & acquisitions, the year 2020 saw roughly 86 deals to the value of ~USD 1.3 billion which grew to over 194 deals and a resultant deal volume of ~USD 3.8 billion.

Over the last seven years, Indian start-ups had received investments to the tune of USD 178 billion, across various stages of funding rounds,

which led to the genesis of 44 new unicorns. This is a feat that can be attributed to the resilience of the Indian entrepreneurial spirit, policy interventions and, most importantly, the availability of seed-stage funding to keep businesses buoyant and to ensure that no business 'deadpooled' in the need of capital. A rapid evolution of VC³ and angel networks, individual as well as institutional ones, such as Venture Catalysts, Accel Partners, Blume Ventures, Titan Capital, LetsVenture, Indian Angel Network and Ah! Ventures contributed to the funding of start-ups during the pandemic, which has been one of the biggest drivers for growth

3. VC - Venture Capital is a form of private equity funding that is generally provided by venture capital firms or funds to start-ups and companies at the nascent stage.

Key enablers

Evolution, innovation and democratisation
of the Indian entrepreneurial ecosystem



With a population of nearly 1.3 billion, along with a GDP of USD 2.7 trillion, India can be regarded as the posterchild of fast-growing markets in the world. The middle class, along with the highest percentage of youngsters (under the age of 25), has consistently fueled consumption to enable the

country to weather economic slowdowns, such as the one in 2020-21. Despite the pandemic, India saw the emergence of mini-ecosystems within sectors and geographies, which have enabled a sharp growth of new businesses in niche sectors, such as health-tech, ed-tech, agri-tech, insurance, gaming, etc.

‘The key to start-up growth can be attributed to the overall widening of the base of the entrepreneurial pyramid in India,’ said **Ashank Singh, Head, Portfolio Growth, Venture Catalysts**. ‘Though technology and rising consumption have played important roles in the growth of the start-up ecosystem, where we saw the creation of ~26,000 start-ups over the past two years, the biggest contributor to this growth has been the democratic access to seed funding, which was scarce until five years ago. We have strived to democratise funding through our network of 70 regional partners in 40+ Indian cities to ensure that innovative ideas receive the support they need to thrive.’²

The key enablers of a synergised democratic start-up sector in India that have created a level playing field for entrepreneurs are as follows:



Technology

Internet and smartphone availability

Incubators and accelerators

Regulatory support to fuel the entrepreneurial spirit, along with corporate, academic and private incubators and accelerators

Spurt in angel, VC and micro VC funding

Healthy growth in investment inflows from overseas; increased number of domestic angel investor networks and venture financing platforms

Shifting perceptions

Dismantling biases against education, location, age and entrepreneurship

2. Primary interactions

01

Radical transformation through technology and digital adoption

The availability of affordable mobile plans and smartphones with cheap and efficient data has ensured that start-ups, from ideation to launch, are no longer tethered to the geographical locations of their founders. Online meeting platforms (such as Zoom) and the ease of connectivity has enabled new businesses to be incubated, launched, receive funding and scale-up, all within the virtual setup; all one needs now is a smartphone and internet access.

The surge in digital connectivity has also ensured increased activity around virtual incubation, which has been adopted by public and private sectors. The government incubator programme, '10,000 Start-ups' supports 400 businesses per year virtually. In 2020, Zone Start-ups India launched their first edition of the Virtual Start-up Incubation, in collaboration with Start-up India, with focus on tech-based innovations led by women entrepreneurs

10,000+

Total number of technology start-ups

With a total issue size of

USD 6.16 Bn

5 of the largest Indian IPOs in 2021 were tech unicorns

USD 31.8 Bn

Was invested in tech in 2021, across 85 mega deals*

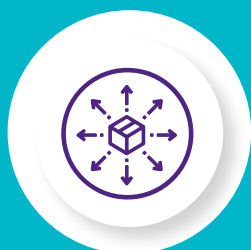
Source: DPIIT, VCCircle

Not just facilitating interaction and access, technological innovation also became an important equalising force with the availability of payment gateways such as Paytm, Bharat Pe, Mobiquik, etc. which gave buyers and sellers seamless end-to-end sale-purchase efficiencies. The current number of Internet users in India stands at ~624 million which consistently fuels the creation of innovative solutions around their needs for online shopping, education, medical care and much more.

According to Sairee Chahal, Founder of Sheroes (world's largest online ecosystem for women),

'The pandemic has heightened the role of disruptive technologies and enabled women entrepreneurs to expand into adjacent underserved markets in the most cost-efficient manner. This rapid pace of adoption resulted in the addition of ~1 million digital storefronts on Sheroes and an incremental ~50% user base within a short span of 12 months.'²

Sheroes currently has ~25 million users across India, Bangladesh and Sri Lanka; 70% of whom are based out of non-metro, Tier 2-3 and rural locations.



Technology has improved overall efficiency in start-up evaluation and investment sourcing, which supported the genesis of sector-specific, India-centric innovative businesses that were focused on solving problems prevailing in different regions, but still had applicability within other geographies. While traditional firms were focused on targeting the metro markets, indigenous technology led to some very unique innovations serving the population of Bharat. (Exhibit 1)

2. Primary interactions; *Investments with a value of over \$100 Million

Exhibit 1

Leveraging technology for the democratisation of sectoral innovation across Bharat



Agri-tech

Providing sustainable practices to farmers with an aim to increase efficiency and operational profitability through agri-technologies



Improved payout for farmers

Start-up in focus

DeHaat, a provider of end-to-end farming services, such as crop consultation, providing market linkages and technical advisory



Ed-tech

Implementing augmented reality (AR), internet, teleconferencing and artificial intelligence to increase accessibility to quality education and vocational studies



Bridging the knowledge gap by leveraging technology to shape inclusive, equitable future communities

Start-up in focus

Pariksha, the largest platform for providing vernacular training for government job entrance exams, is available in six languages to more than **65,000** aspirants in **11 states**, **98%** of whom live in rural and tribal areas.



Fin-tech

Utilising digital platforms and technology for insurance, loans, investments, stock market trading, healthcare, etc.



Financial inclusion of marginalised segments by enabling payments at smaller scales

Start-up in focus

Jai Kisan has developed Bharat Khata to help individuals and businesses get access to cheaper financing and ensuring effective utilisation of funds towards enablement of rural e-commerce and income generation.



D2C (direct to consumer)

Eliminating middlemen by adopting digital platforms to provide direct access to customers to increase brand reach by up to 300%



Location agnostic access to products and enablement of stronger retailer-manufacturer efficiencies

Start-up in focus

Pinbox, an insure-tech solution for micro-pension and micro-insurance, focuses on providing pension to over **~300 million** Indians across economically-stressed segments of the society.



SAAS (software as a service)

Creating value by providing increased homegrown deep-tech solutions to create impact across sectors such as healthcare, logistics, ecommerce, real estate, etc.



Far reaching implications for national economy, building enterprise-grade SaaS solutions for Indian and global markets

Start-up in focus

Agrigator, a one-stop solution that connects producers and buyers to make the agricultural supply chain more efficient and transparent, including services such as review and credit rating, price discovery and forecasting. It is currently servicing a network of **2,000+** truck drivers and **500+** traders.

LetsVenture

Leveraging technology to create value

From beta to 500+ transactions and USD 3 billion in portfolio value and growing

LetsVenture digitises private market investment and makes it accessible, transparent and easy by connecting founders with global angels, VCs, family offices and investors with start-ups across sectors through its technology platform. Launched in 2013, its aim is to make discovery easy for founders and investors. The firm has seen tremendous growth and has

expanded its offerings to back-end infrastructure for angel investing, garnering mentorship, legal and financial due diligence and education initiatives for new investors. The firm has raised funds from an international network of over 10,000 investors to support 500+ funding rounds in the past 8 years.

Technology integration to solve challenges

The crux of angel investing, apart from the socio-economic development of an economy and enabling the growth of entrepreneurship, rests on returns, profitability, and scale.



Enabling holistic development of the start-up ecosystem

Let's accelerate

Helping incubators and corporate accelerators to productise interventions and **build stronger innovation hubs**

LetsVenture's WIN - Women's Investor Network

A programme setup to bring more **women investors** to the angel investing table small towns and cities

LV Fuel - Founders fueling founders

An investment syndicate for the founders on LetsVenture to give back to the ecosystem **by guiding the next generation of entrepreneurs** by allocating at least **20% of the investments towards women entrepreneurs and founders from small towns and cities**

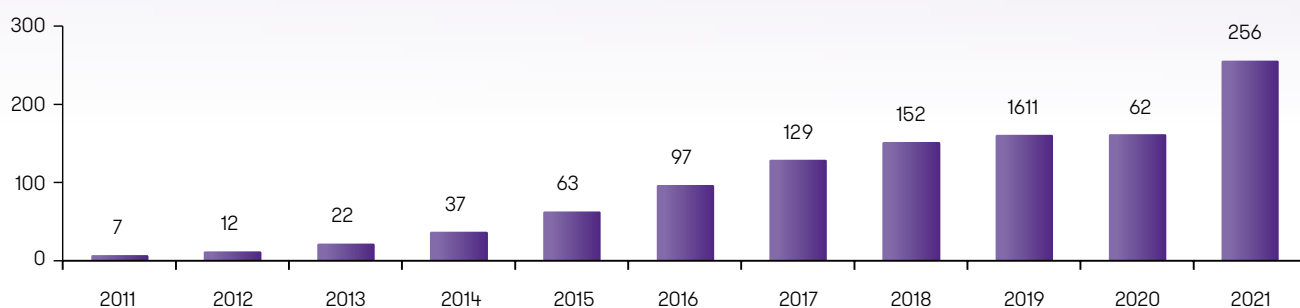
02

The role of incubators and accelerators

The increased geographical presence of angel networks, VCs, accelerators and incubators has resulted in the mounting support to thousands of start-ups with prototyping, brand building and handholding through launch and fundraising. The rapid growth in the number of incubators and accelerators is

a combined effort of academia, government and the private sector. India is currently home to a total of 350+ incubators and accelerators, out of which ~60% are based out of non-metro cities, which are now becoming the new hub of entrepreneurial growth in the country.

Fig 2.1: Growth of incubators in India



Source:

University Press (India) Private Limited

With PM Narendra Modi's initiative to make India self-reliant, government-backed incubators are focusing on technology commercialisation. Some of the key highlights of **government initiatives** to boost start-up growth in India are as follows

The Start-up India initiative's Atal Incubation Mission (AIM) with NITI Aayog

- 2,200+ start-ups incubated in the Atal Incubation Centres (AIC) creating over 30,200 jobs.
- 25 Atal Community Innovation Centres (ACIC) are being set up across the country where AIM would grant up to INR 2.5 crore to an ACIC, subject to a partner proving equal or greater matching funding.

SIDBI Start-up Mitra ⁴

- A digital initiative that addresses gaps in the start-up ecosystem by bringing together all stakeholders, including incubators, entrepreneurs and angel investors.
- The portal has 10,245+ start-ups, 118 incubators and 90 investors as registered members.

The Ministry of Micro, Small & Medium enterprises (MoMSME)

The Incubation Policy of the MoMSME, provides financial support to set up at least 100 business incubators to host thousands of micro and small enterprises.

Not only at the centre, but every state and union territory in India has also actively contributed to the growth of start-ups in India through various initiatives (refer: Annexure 1). Currently, 30 of the 36 states and union territories have a dedicated start-up policy, spread across 623 districts.

⁴. SIDBI- Small Industries Development Bank of India

Annexure 1

State government initiatives

Mentioned below are the major initiatives taken by some of the key states and union territories in the country.

State/ Union Territory	Policy initiatives
Jammu and Kashmir 297 - DPIIT recognised start-ups 89 - Women-led start-ups/Women entrepreneurs Key sector - Oil & gas transportation services	<ul style="list-style-type: none">• Co-working space• Monthly allowances• Product research & development/marketing/publicity• Energy assistance• International patent filing cost reimbursement
Punjab 587 - DPIIT recognised start-ups 289 - Women-led start-ups/Women entrepreneurs Key sector - Food processing	<ul style="list-style-type: none">• Capital subsidy• Recurring expense reimbursement• Mentoring and training• Start-up competition assistance
Himachal Pradesh 151 - DPIIT recognised start-ups 53 - Women-led start-ups/Women entrepreneurs Key sector - Food processing	<ul style="list-style-type: none">• Concessional land rates• Concession in stamp duty• Feasibility study cost subsidy• Concession in consent fee from H.P. Pollution Control Board• Interest subvention
Uttarakhand 490 - DPIIT recognised start-ups 224 - Women-led start-ups/Women entrepreneurs Key sector - Food processing	<ul style="list-style-type: none">• Monthly allowance• Marketing allowance• Patent (IP) reimbursement• Stamp duty reimbursement• State gst reimbursement
Haryana 3367 - DPIIT recognised start-ups 1571 - Women-led start-ups/Women entrepreneurs Key sector - Food processing	<ul style="list-style-type: none">• Lease rental subsidy• Patent cost reimbursement• Assistance for program/app development• Seed grant• Self certification
Uttar Pradesh 5472 - DPIIT recognised start-ups 2687 - Women-led start-ups/Women entrepreneurs Key sector - Application development	<ul style="list-style-type: none">• Sustenance allowance• Seed capital/Marketing assistance• Support to start-ups• Patent filing cost• Event participation
Rajasthan 1872 - DPIIT recognised start-ups 853 - Women-led start-ups/Women entrepreneurs Key sector - Business support	<ul style="list-style-type: none">• Monthly allowance• Marketing/Commercialisation assistance
Gujarat 3989 - DPIIT recognised start-ups 1780 - Women-led start-ups/Women entrepreneurs Key sector - Pharmaceutical	<ul style="list-style-type: none">• Sustenance allowance• Infrastructure assistance• Mentoring assistance• Marketing allowance
Maharashtra 11418 - DPIIT recognised start-ups 5509 - Women-led start-ups/Women entrepreneurs Key sector - Food processing	<ul style="list-style-type: none">• Self certification• Relaxing norms• Easier procurement norms• Tax holiday• Stamp duty & registration fees
Chhattisgarh 671 - DPIIT recognised start-ups 275 - Women-led start-ups/Women entrepreneurs Key sector - Agritech	<ul style="list-style-type: none">• Interest free loans

State/ Union Territory	Policy initiatives
<p>Madhya Pradesh 1732 - DPIIT recognised start-ups 736 - Women-led start-ups/Women entrepreneurs Key sector - Construction & engineering</p>	<ul style="list-style-type: none"> • Capital assistance • Operational assistance • Stamp duty & registration
<p>Bihar 1007 - DPIIT recognised start-ups 429 - Women-led start-ups/Women entrepreneurs Key sector - Construction & engineering</p>	<ul style="list-style-type: none"> • Self-certification • Market preference to start-up • Reserved and free of cost space • Seed grant at validation stage • Valuation services at commercialisation stage
<p>Sikkim 7 - DPIIT recognised start-ups 1 - Women-led start-ups/Women entrepreneurs Key sector - Construction & engineering</p>	<ul style="list-style-type: none"> • GST reimbursement • Stamp duty reimbursement • Digital upgradation subsidy • Lease rental reimbursement • Power subsidy
<p>Assam 490 - DPIIT recognised start-ups 198 - Women-led start-ups/Women entrepreneurs Key sector - Food processing</p>	<ul style="list-style-type: none"> • GST reimbursement • Stamp duty reimbursement • Digital upgradation subsidy • Lease rental reimbursement • Power subsidy
<p>Nagaland 6 - DPIIT recognised start-ups 2 - Women-led start-ups/Women entrepreneurs Key sector - Integrated communication services</p>	<ul style="list-style-type: none"> • Stamp duty reimbursement • GST reimbursement • Digital upgradation subsidy • Broadband connectivity reimbursement • Power subsidy
<p>Mizoram 5472 - DPIIT recognised start-ups 2687 - Women-led start-ups/Women entrepreneurs Key sector - Application development</p>	<ul style="list-style-type: none"> • Entrepreneurship awareness programmes • Mizoram outstanding entrepreneurs award • Master trainer programme • Entrepreneurship cum skill development programme • Research funding
<p>Puducherry 60 - DPIIT recognised start-ups 25 - Women-led start-ups/Women entrepreneurs Key sector - Application development</p>	<ul style="list-style-type: none"> • Atal Innovation Mission • Atal Incubation Centre • Private sector incubators • Atal Tinkering Laboratories • Incubation centres
<p>West Bengal 1856 - DPIIT recognised start-ups 915 - Women-led start-ups/Women entrepreneurs Key sector - Business support services</p>	<ul style="list-style-type: none"> • Mentoring allowance • Infrastructure/Capital assistance
<p>Jharkhand 46 - DPIIT recognised start-ups 19 - Women-led start-ups/Women entrepreneurs Key sector - Skill development</p>	<ul style="list-style-type: none"> • Self-certification assistance • Patent incentives • Rental assistance • Utility bills reimbursement • Sustenance allowance



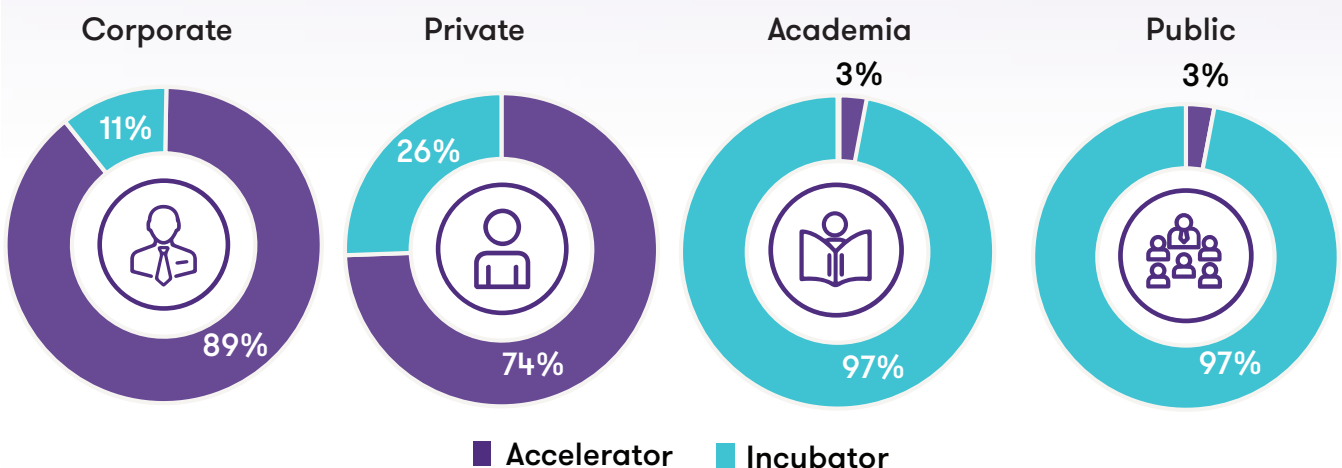
State/ Union Territory	Policy initiatives
<p>Odisha 1142 - DPIIT recognised start-ups 529 - Women-led start-ups/Women entrepreneurs Key sector – Food processing</p>	<ul style="list-style-type: none"> • Monthly allowance • Need based assistance • Product development and marketing/publicity assistance • Patent reimbursement
<p>Karnataka 6 - DPIIT recognised start-ups 2 - Women-led start-ups/Women entrepreneurs Key sector – Product development</p>	<ul style="list-style-type: none"> • Patent incentives • Marketing assistance • Tax incentives
<p>Goa 253 - DPIIT recognised start-ups 123 - Women-led start-ups/Women entrepreneurs Key sector – Product development</p>	<ul style="list-style-type: none"> • Self certification • Subsidized seat cost • Reimbursement of stamp duty • Interest subvention • Matching funding
<p>Andhra Pradesh 979 - DPIIT recognised start-ups 449 - Women-led start-ups/Women entrepreneurs Key sector – NA</p>	<ul style="list-style-type: none"> • Self-certification • Shift operations • Land allotment • Rebate on cost of land allotted
<p>Tamil Nadu 3265- DPIIT recognised start-ups 1592- Women-led start-ups/Women entrepreneurs Key sector – Product development</p>	<ul style="list-style-type: none"> • Mentoring allowance • Infrastructure/Capital assistance

Until a few years ago, India had very few incubators and accelerators, all concentrated in a handful of pedigree academic institutes, such as the IIMs and the IITs. Through increased efforts from central and state governments, many private institutions have established thriving incubation programmes, such as **Amity Innovation Incubator** (Noida), **BITS Pilani** and **ISB Mohali**. More than 96% of the top 50 technology institutes in India have a campus-based incubator programme and more than 35+ academic incubators were established in 2021.

Corporate participation has increased significantly with large enterprises investing, acquiring, and building commercial

partnerships with start-ups, which is a reflection of their growing confidence in the Indian start-up ecosystem. With a YoY growth rate of 12-15%, corporates are transacting and engaging through multiple approaches, such as direct investment in equity funding rounds, M&A and open innovation via structured accelerator programmes. Microsoft, Oracle, Cisco and Grant Thornton Bharat are corporate entities that run their accelerator programmes by providing capital and mentorship and elevating these companies to Innovation leaders. All incubators and accelerators are further backed by resilient VC and angel networks which provide crucial seed and early-stage capital to these businesses.

Fig 2.2: Split of accelerators and incubators run by various stakeholders in the ecosystem



Source: NASSCOM

Formation of private incubators has increased in the past few years, which enables democratic access for advising, networking, funding and mentorship to start-up founders. There are various sector-specific incubators, such as **Start-up Private Limited** for social ventures, **Technals IT Incubator** for tech start-ups and **RTBI5**, for supporting rural technology ventures



Venture Catalysts (VCats)

India's first integrated incubator was conceptualised in 2016 with the sole aim of providing mentorship to entrepreneurs and investors alike, creating a community driven democratised access to funding. VCats, since inception, has funded 300+ startups, and has helped founders ideate, seed, build and scale businesses. Simultaneously, the firm also manages a thriving angel investor network across multiple geographies; either directly or through alliances with regional entities. The formation of this efficient and geographically diverse system comprising of the entrepreneur, investor and the interface in the form of the integrated incubator, ensures sustained start-up growth. With some portfolio companies recording 197X returns, VCats has made 60+ successful exits and helped build household brand names such as Innov8, Fynd and Beardo.

Venture Catalysts and 9unicorns: Not just an investor, but a hyper-personalised integrated incubator

About the company

Mumbai-based Venture Catalysts Group, which operates an ecosystem — an integrated incubator (VCats), a SEBI-registered accelerator fund (9Unicorns), and a syndication platform for VCs backing Asia Pacific start-ups (9Syndicate), is the first Integrated Incubator of India and one of India's topmost investment platforms.

With its continued focus on bolstering democratic, transparent and equal opportunities, it has become an effective bridge between start-ups and investors across the globe, efficiently building a unique framework that has helped hundreds of entrepreneurs acquire funding and investors bag multi-million exits.

Redefining investment options in tier II and tier III

An ever-growing network of angel investors and HNIs⁵

47 Indian cities | 450+ Investments

5,000+ Investors

USD 5 Billion+ Combined valuation of portfolio

- **Active investments made towards the education of high net-worth Indians (HNIs)**, many of whom are initiating their journeys as angel investors with a strong and robust investor network of over 5000, consisting of prominent angels and key family offices, the firm has successfully established startup investments as an attractive asset class.
- **Focus on tier II-III:** VCat's focus on identifying innovative business ideas at the grassroots level has ensured that ideas in Bharat get the requisite support through incubation, business planning, strategy support, networking and funding.

Some key portfolio VCats firms

Beardo

Supr Daily (formerly Supr)

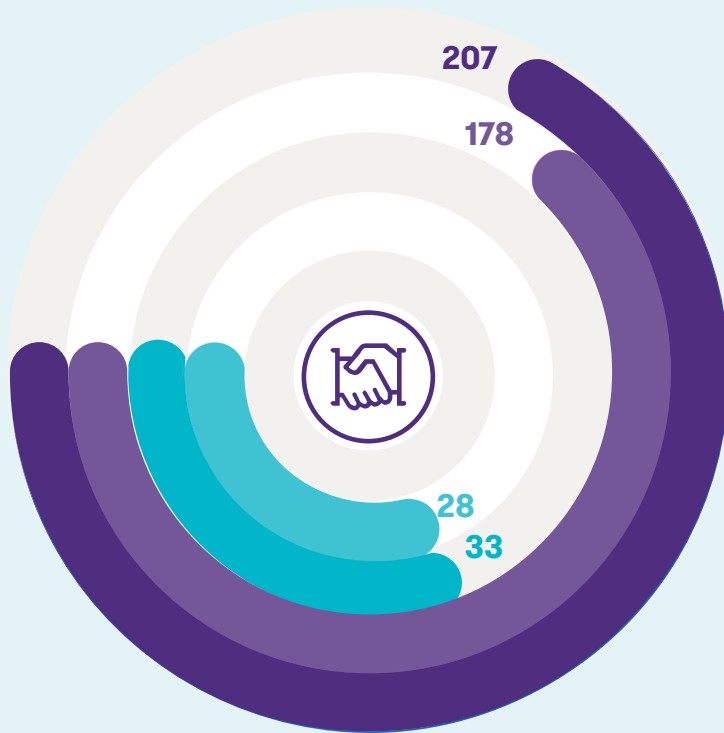
Dukaan

Coutloot

Router

BluSmart

Pee Safe



Most active Investor in 2021 (by number of deals)

USD 86

million invested (VCats+9Unicorns)

1,200+

New investors added

- Number of deals
- Number of unique start-ups
- Start-ups from tier II and III
- Women founders

Source: Nasscom

Not just an investor, but a hyper-personalised incubator

VCats has established itself as an incubator that efficiently provides real-time assistance to founders based on their immediate requirements, including funding, hiring, growth strategy as well as networking. They identify themselves as a founder-first investment firm where investments are based primarily on the founder's conviction of the business plan and secondarily on the business economics. This has enabled VCats to become a unique business incubation system where disruptive start-ups thrive and ideas take shape to become game-changers of tomorrow.

The vision to democratise the start-up ecosystem of India

Focusing on ideas that help in innovation, VCats has actively curated, incubated and led investing in a myriad of successful businesses originating from tier II-III-IV. They've rightly envisaged a blue-ocean opportunity in backing the entrepreneurial spirit of Bharat in the early stages, creating wealth and growth for all stakeholders.

Creating opportunity and impact

20%
female Founders

36,000+
jobs/ Micropreneurs
created*

35%
Tier II-III city
Founders

USD 20 Mn
crowd funding for underserved*

5 Mn+
SMBs empowered

USD 90 Mn
loans for underserved*

18 Mn+
people Impacted/
Customers

USD 100 Mn
housing loans enabled for
underserved*

* Venture Catalysts Annual Newsletter 2021 (through portfolio firms)



Growth in angel networks and access to funding

The VC and angel fund corpus grew from USD 10.7 billion in 2020 to USD 28.5 Bn in 2021, recording a 266% increase. India now has around 60 angel networks and 2021 saw an additional ~70% increase in first-time angel investors.

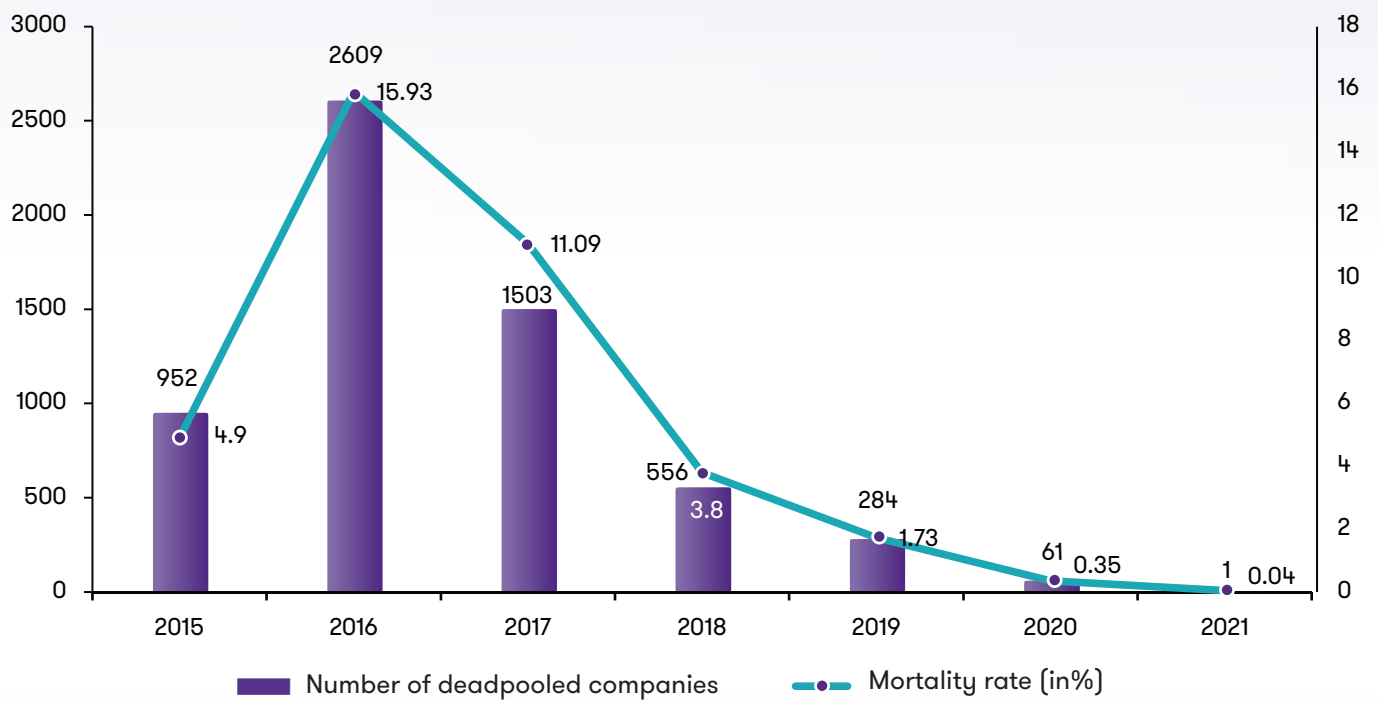
This surge in activity has partially been the result of India-specific innovation, which addresses one of the largest untapped markets in the world. The confluence of start-ups focused on addressing the needs of Bharat and the opening

up of this new market has further given an impetus to funding activity across various levels in the country. A remarkable reduction in the number of dead-pooled (start-ups which fail due to the unavailability of funds) businesses which brought the start-up mortality rate to under 1% in 2021 compared to ~16% is the biggest indicator that most start-ups received funding to launch and grow. In 2021, Indian start-ups have raised USD 39 billion, is a 255% rise from USD 11.8 billion in 2020. The strength of the angel investing network can be assessed by the fact that the volume of seed-stage deals dominated with nearly 396 deals aggregating to ~USD 706 million.

‘The vibrancy displayed by the new class of Indian entrepreneurs has accelerated a paradigm shift in the mind of individuals with investable funds all over the country. An Indian investor is now more open to diversifying their portfolios away from traditional asset classes, such as equity, bonds and real estate; and take a calculated risk in investments in start-ups, be it deeptech, gaming or AI. Add to this, family offices and HNIs are betting on not just receiving outsized returns but are also committing themselves to provide strategic inputs to innovative start-ups to help them grow,’² says **Amit Nanavati, Founding Partner, Akya ventures and Joint Venture Partner, Brenntag**. Amit who bought a stake at the Coimbatore based organic skincare brand, Juicy Chemistry, further adds that, ‘Every individual with funds to invest should have exposure into start-up investing in the country; this is a wave of unprecedented growth that we all need to ride on together.’



Figure 2.3: Start-up mortality in India



Source: Tracxn

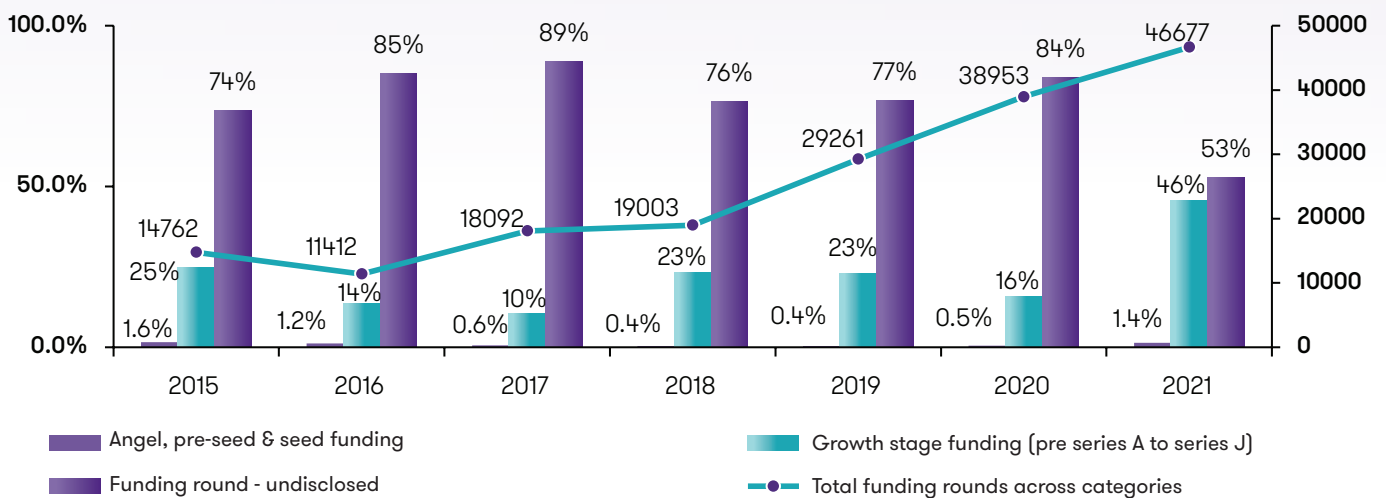


‘As the start-up investment ecosystem is maturing in India, it is natural that more investors are evaluating start-ups investments as a viable investment alternative. Lack of other investment alternatives are further driving the investors’ interest. Statistically start-up networks like IPV can generate better rate of returns for angel investors than the returns most can get by investing individually. Hence, the strong investor interest is leading to the growth of angel networks. However, pooling of capital alone will not be enough to succeed in this space and there has to be proactive pooling of knowledge, network and resource. For example, we at IPV are focused on building a large CXO platform that enables strong upfront due diligence and facilitates strong post investment support.’²

Ankur Mittal
Co-Founder,
Inflection Point Ventures.

While growth stage funding has seen a steady incline over the past seven years (~9.5%), angel and seed funding saw a rise and fall in the total value, with a shift towards increasing investments in the past two years.

Fig 2.4: Funding across stages in start-ups (USD million)



Source: Grant Thornton Analysis - Dealtracker

2. Primary interactions



Table 2.1: Funding rounds of leading Indian angel & VC funds (2015-2021)

Investor	Number of rounds
Venture Catalyst (VCats + 9Unicorns)	229
Blume Ventures	150
Indian Angel Network	140
LetsVenture	118
Kalaari Capital	115
Mumbai Angels Network	109
Nexus Ventures	90
Inflection Point (IP) Ventures	81
Titan Capital	76
Axilor Ventures	59

The steep incline in the availability of Indian investors over the years has led to the emergence of organised angel networks, VC firms and consortiums, with the pool of investors in the Indian start-up ecosystem only getting bigger. Backed by the investors' strong belief in the Indian entrepreneur's ability to solve grassroots issues and the economic appeal of these investments, there have been multiple India-centric scalable solutions which have been launched and scaled in recent years.

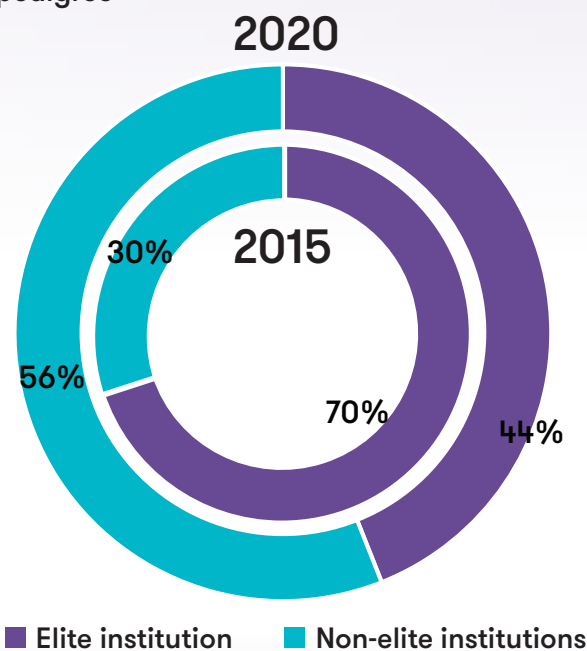
Shifting perceptions

Despite entrepreneurship being an age-old phenomenon in India, there was a time when being an entrepreneur was frowned upon; it was perceived as the last career choice, acceptable only if it was a family-run or inherited business. Even investors considered ideas coming out of a few marquee institutes to be worthy of scaling up.

Until 2015, ~70% of the top-funded companies in India had founders from either IITs or IIMs, a percentage that corrected to ~44% in 2020. The growing dissonance towards a ‘pedigree bias’ is also the result of efforts from angel platforms, incubators and accelerators who have consistently ensured that great ideas get the recognition and support they deserve.

The likes of **Ritesh Aggarwal (Oyo)**, **Rahul Yadav (Housing.com)**, **Azhar Iqbal (Inshorts)** and **Kunal Shah (Cred)** who either do not belong to the club of elite institutions of India or are dropouts have been exceptional role models to the new breed of entrepreneurs; and also supportive of new ventures through angel firms and family offices.

Fig 2.5: Start-up founders basis education pedigree



Source: Tracxn

Given that entrepreneurship was not taken up by many, **Karan Vir Singh, Founder** of the Pune-based ed-tech start-up Pariksha had interesting insights to share on the impact that education has on the socio-economic equalisation of India. He said, ‘The correlation between educational pedigree and success is a debunked myth now; with equal access to opportunities and quality education, we are witnessing a culture of meritocracy.’ Karan, who started Pariksha with the aim of providing affordable education further adds, ‘The country is moving towards a new system with unbiased selection mechanisms, which is not just limited to entrance exams or job screenings, but also to business ideas getting shortlisted and funded. There have been hundreds of instances where entrepreneurs with less than stellar college degrees or family names have been able to outperform peers in more ways than one. Becoming an entrepreneur is neither looked down upon nor is an unachievable dream anymore’²

Through decentralisation of resources and establishing presence across states, angel networks have successfully ensured that academic pedigree, background or geographical location is no more a precursor to qualifying for funding, but rather can be advantageous by way of giving access to a much larger consumer base. In December 2020, over USD 3 billion were invested in start-ups, out of which almost USD 70 million was channelised for start-ups in tier 2 and 3 cities, such as Pune, Ahmedabad, Jaipur and Belgaum - a trend that has given rise to the development of innovative solutions in Bharat for Bharat.

2. Primary interactions

The catalytic impact of funding start-ups in the growth of Bharat

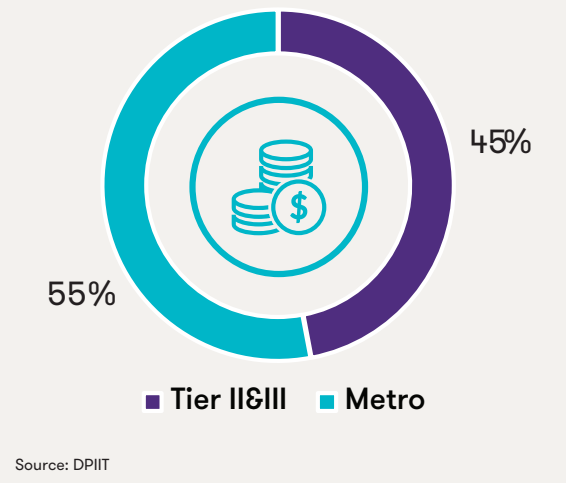


Looking beyond the golden helix of start-ups

Through the past decade, the Indian start-up activity has been primarily centered around Delhi, Mumbai and Bangalore, among the eight tier I cities in India, which received a disproportionate amount of funding over the years. This trend has started to shift since 2016 when non-metro cities and towns caught the fancy of entrepreneurs and investors.

City	Funding in USD millions (2015-2021)
Jaipur	USD 2056 Million
Kolhapur	USD 547 Million
Trivandrum	USD 371 Million
Thane	USD 295 Million
Mangalore	USD 260 Million
Bhubaneshwar	USD 252 Million
Solan	USD 204 Million
Ludhiana	USD 183 Million
Kanpur	USD 177 Million
Gandhinagar	USD 174 Million

Fig 3.1: New Start-ups incorporated



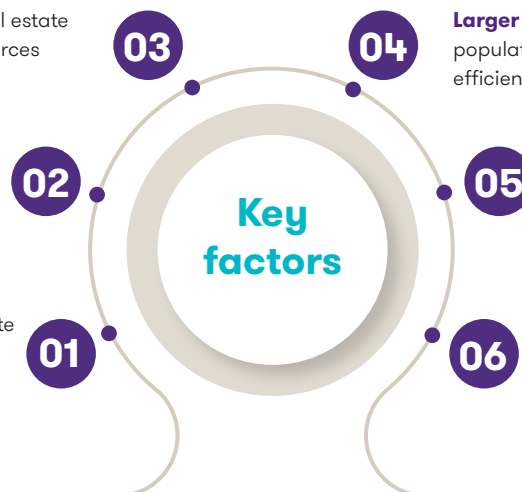
According to Startup India, more than 60% of start-up related queries they receive have been coming from tier II and tier III cities. Continuous deagglomeration resulted in the active formation of new start-ups in non-metro locations (Exhibit 2), such as Jaipur, Agra, Kochi and Coimbatore. Small towns have birthed unique businesses, which started off as regional players but have now grown to become recognisable brand names. A few of these are Eggos (Bihar), Annaxee (Indore), Cardexho (Jaipur), Robosoft (Udupi) and Mindgrep (Dharamshala).

Urban exodus: Factors that have contributed to the growth of start-ups in tier II-III-IV

Operational efficiencies: ~40% lower real estate costs, abundant access to talent and resources

Novel business ideas: Emergence of tier 2 and 3 as hubs for deep-tech, Artificial Intelligence, IoT (Internet of things), agritech; solving novel issues at grass-root levels

Semi-urban and rural initiatives: ~27 state governments launched specific initiatives, including boot camps, incubation networks and working space



Larger consumer base: ~70% of India's population in Tier 2 and 3, larger markets and efficient unit economics

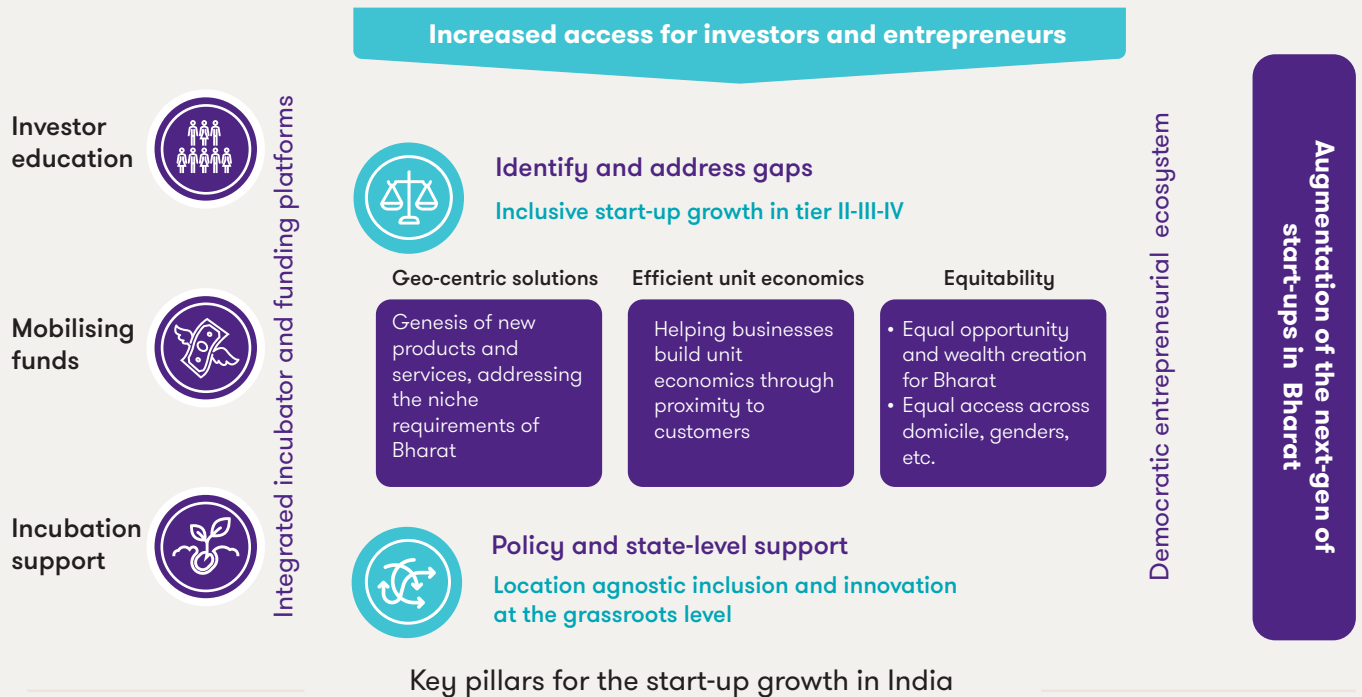
Internet penetration: 825 million Indians have access to low-cost efficient internet, hyper-fast data availability in ~650 towns all across

Angel investors and funds: Expanding geo-spatial reach of angel investors, angel funds, VCs and micro VCs, looking for growth beyond metros

Exhibit 2

Key funded start-ups in tier II-III in 2021

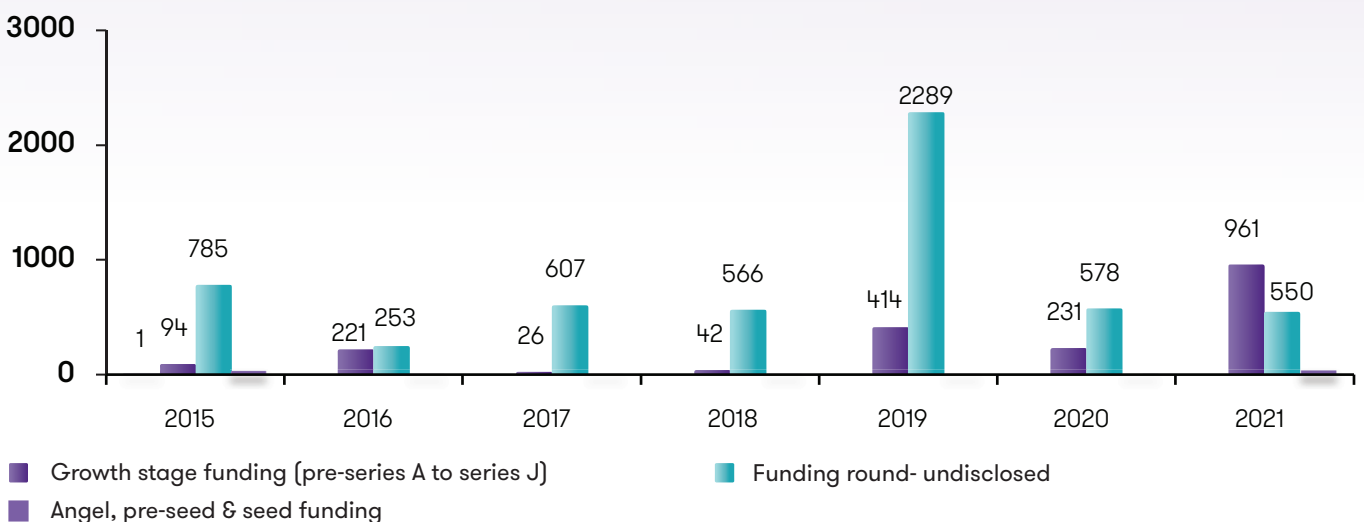




In the recent past, the burgeoning angel networks acknowledged the importance of collective wisdom, background and expertise of their members. These networks have leveraged it to enhance growth for businesses in tier II, tier III and rural areas of the country. Penetration of angel networks into the deeper pockets of India has channelised funds from all over, creating an inclusive ecosystem to support the growth of entrepreneurship in tier II-III-IV.

Angel investments in the earlier years have allowed many start-ups from smaller cities to later progress to growth funding rounds, giving the first-mover advantage to all stakeholders in the ecosystem. The deal volume in these cities has doubled in 2021 from 44 to 88 and a large surge in growth stage funding can be noted over the year, indicating a freshly renewed interest in going back to the roots to capture the tremendous opportunity that lies in these areas.

Fig 3.2: Stages of funding rounds (USD million) – tier II and tier III




Source: Grant Thornton Analysis - Dealtracker

Impact 1

Synergising investors and entrepreneurs in Bharat

Bharat has historically been underserved in the absence of an effective code that would help large firms to ensure unit-level efficiencies in cracking the vast potential of people living there. The magnitude of this untapped opportunity can be estimated through India's villages, which are more than 4,20,000 in number with ~10,000 residents under each.

Almost omnipresent, angel networks, in the last few years, have been able to create symbiotic interconnected platforms where investors and entrepreneurs from India are able to collaborate and thrive.



'The gap that existed in the market due to non-availability of VC funding at seed stage has now been filled through the formalisation of angel networks and the coming together of hundreds of angel investors from all walks of life. Geographical boundaries are dissolving and regional businesses are focused on addressing challenges that are also close to the heart of the angels. Over the next 10 years, IAN hopes to build over 500 start-ups in the country through the utilisation of USD 1 billion from our investors.'²

Padmaja Ruparel
Co-founder,
Indian Angel Network (IAN)

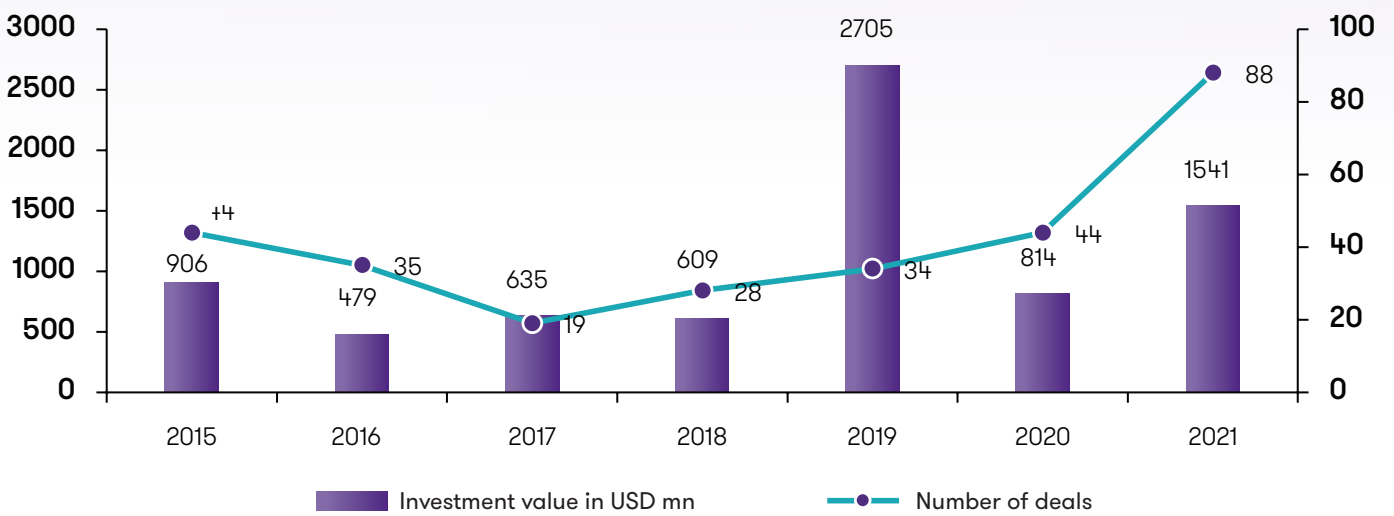


Indian Angel network (IAN) claims as of 2019, 12-15% of their member base comes from tier II and tier III cities. Over the years, there has been a paradigm shift in the start-up funding ecosystem, wherein many angel investors are coming from places beyond major cities such as Delhi/NCR, Bengaluru and Mumbai.

Rapid digital adoption and a growing number of internet users in tier II and III regions of India are significantly contributing to this change. These regions are offering an untapped opportunity and fertile grounds for innovation. Entrepreneurs are, therefore, building local solutions and addressing the needs that are specific to a region. At the same, remote working is helping in discovering talent from these cities. Seeing such transformational growths, many angel investors are keen on investing in start-ups emerging from tier II and III cities. Start-up investments are now giving excellent returns and establishing themselves as an asset class, which has encouraged investors to build their angel portfolios.



Fig 3.3: Value of investments in tier II and tier III start-ups



Source: Grant Thornton Analysis - Dealtracker

‘The shift in the mindsets of investors who came to terms with the colossal opportunity in Bharat-based start-ups has resulted in the funding and growth of unique businesses addressing the needs of ‘Bharat,’²

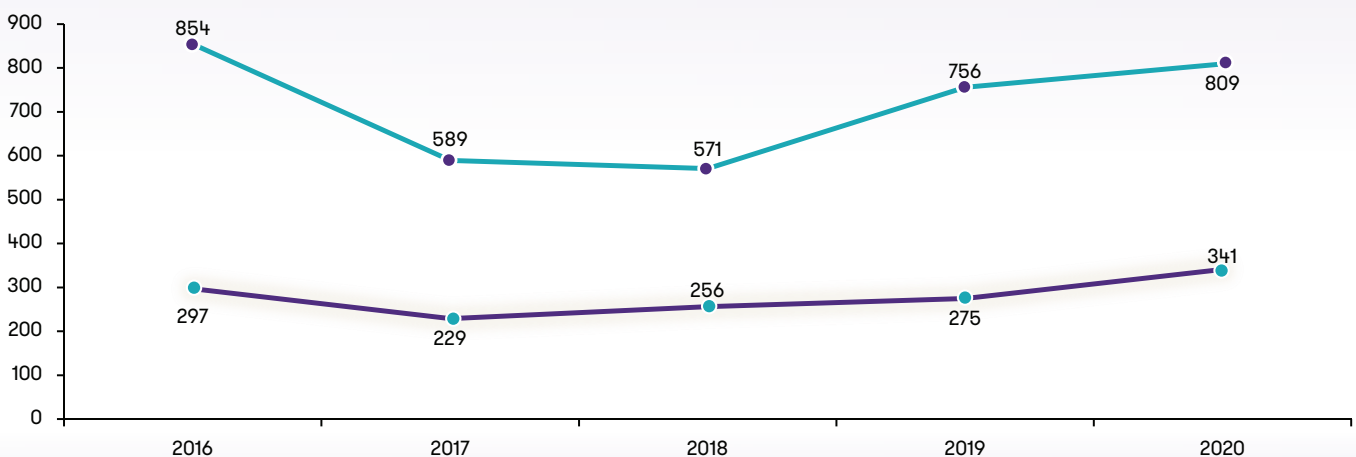
Vamsi Udayagiri

Founder and CEO,
Hesa Technologies

Hesa, (the Super App for Bharat) is redefining rural commerce by providing digital connect to ~13,000 Indian villages and serves upwards of 1.7 million semi-urban and rural customers. The unique concept appoints a ‘He-Saathi’ or a micro entrepreneur in each village who becomes the evangelist for understanding the needs of the consumers in the space, enabling connectivity to the providers of those products/services.

Integrated marketplaces, such as Hesa, are disrupting the economic structures through the connection of both ends of the buyer and seller segments, providing doorstep access to the millions of people living in Bharat in a sector agnostic manner.

Fig 3.4: Deal volume- five years



Source: Venture Intelligence; AVCJ, IVCA

2. Primary interactions

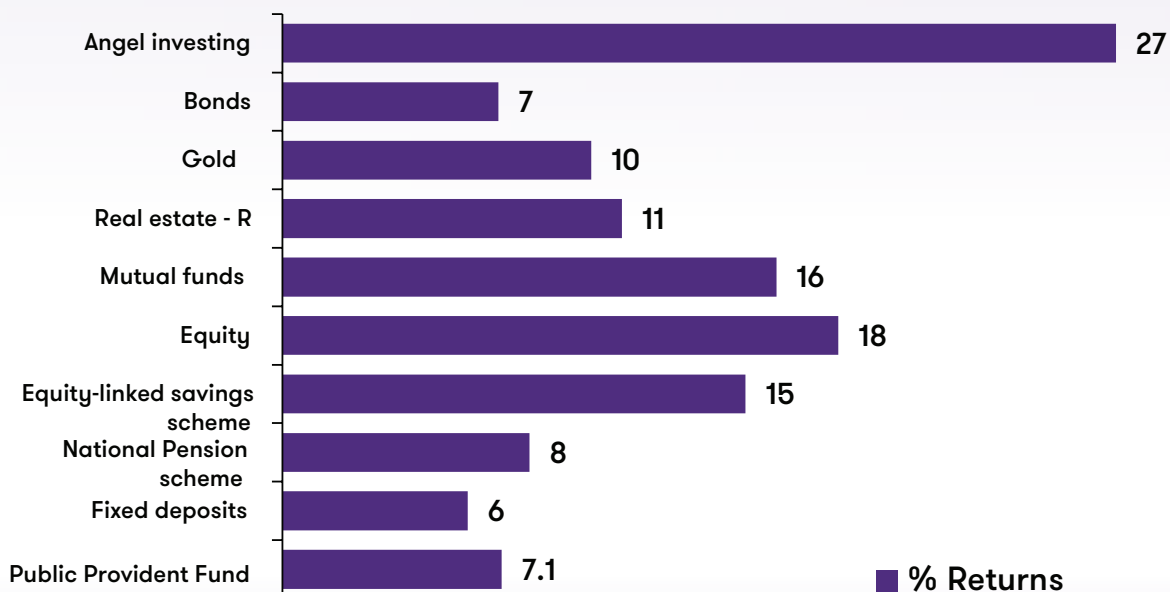


Angel funds and VCs: Conduits for mobilising wealth from Bharat


VC and angel firms have witnessed a change in profile of the investors with active participation from wealthy start-up employees, bankers, lawyers and salaried employees from corporates turning into angel investors.

Firms like Venture Catalysts and Indian Angel Network are further democratising start-up participation in smaller cities through reduced ticket sizes of INR 3-5 lakh to allow investors to contribute towards early-stage investments. There has been an active focus on continually educating these investors on this new asset class, its risks and rewards.


Fig 3.5: Returns on investments across asset classes- 2020-21



Source: GT analysis



‘Investing in private markets (start-ups) has gone mainstream and is no longer considered to be a niche concept for investors from metro cities, despite the associated risks. With start-ups raising larger rounds at higher valuations, going public, getting acquired, etc. the liquidity events in the ecosystem have increased manifold which has delivered stellar non-linear returns to their investors. This has propelled a higher level of interest from angel investors from tier II and III cities to invest in start-ups. COVID-19 has enabled entrepreneurs to build companies from anywhere in the country. Cities such as Coimbatore and Jaipur have become hubs for SaaS and consumer-focussed start-ups, some of them are on the verge of becoming unicorns. Investors from tier II and tier III cities, have a very deep understanding of business fundamentals and have a strong financial acumen. Even if they may not be able to understand all the nuances of technology, they are good evaluators of businesses.’²



Nakul Saxena
Co-founder,
Lets Venture

Indian Angel Network: Money, mentoring and expanded reach

About the company

Indian Angel Network is India's first and world's largest business angel network with 500 members across the world, including entrepreneurs, company leaders and well-known personalities.

With investors from 12 countries, IAN's presence spans seven locations, which includes cities in India and the UK. The network is sector-agnostic and has funded start-ups across 17 sectors in India and seven other countries with an ever-growing global footprint. With an excellent track record, IAN has been giving excellent cash exits year-on-year to its investor-members, for the last 11 years. Some of its marquee investee companies include Druva, Box8, Sapience Analytics, WOW Momos, Consure, Fareye amongst many others.

Niche Fund: An INR 375 crore fund, which was recently launched as a uniquely differentiated seed/early-stage fund with a goal to transform India's entrepreneurial landscape

Announcement date	Fund name	Amount raised
13 April 2017	Indian Angel Network Maiden Fund	INR 375 crore

The fund invests in innovative companies in sectors including healthcare and medical devices, VR, AI, software as a service, marketplaces, fin-tech, big data, artificial intelligence, agritech and hardware. With this, IAN has created the single largest platform for seed and early-stage investing, enabling entrepreneurs to raise from INR 25 lakh to INR 50 crore.

The network has one of the most diversified portfolios and is actively looking for innovative entrepreneurs solving local problems, especially those driven by data, analytics and IT. Their current investments are in the following sectors:

 Agriculture	 E-commerce	 Education	 Financial services
 Gaming	 Healthcare	 Hospitality	 IT
 Internet	 Lifestyle	 Manufacturing	 Mobile
 Retail	 Semiconductor	 Services	 Social impact


Impact 2

Empowerment through opportunity creation

A simultaneous constructionist impact of start-up funding in Bharat (tier II-III-IV) has been the creation of equitable opportunities around job and wealth creation while introducing gender parity.

Angel-funded start-ups have played a remarkable role in generating direct employment for skilled workers as well as indirect work opportunities in allied fields, such as sales, distribution, logistics, etc. According to Start-up India, almost 5,49,842 jobs have been reported so far, with an average number of 11 employees per start-up. In 2021 alone, around 1.7 lakh jobs were created by recognised start-ups.

Start-ups such as Women on Wheels are striving to break gender stereotypes by giving women the opportunity to enter the traditionally male-dominated industries to become financially independent. Insurance Samadhan, an insurance-tech start-up, which is actively working towards quicker resolution of insurance complaints and the avoidance of fraud, to enable equal healthcare access to the Indian population are just a few examples of how fostering innovation in the entrepreneurial setup of India has created societal uniformity.



‘The obvious success of creation and growth of a new business or a start-up is when a problem faced by the end user is being solved and the demand is being met. In this process, through various growth cycles, each start-up has immense capacity to not just create direct employment but also through secondary service providers, create micro-entrepreneurs as well as creating aspirations between their team members to become entrepreneurs. This is a far-reaching implication, crucial in the growth of enterprises, impacting not just the customers or the immediate team, but takes into its fold a larger unskilled workforce, irrespective of their background and gender, creating a much larger network with socio-economic equalization of epic proportions.’

Anuj Golecha
Co-Founder,
Venture Catalysts and 9Unicorns



‘PinBox is the only global pension-tech committed exclusively to digital micro-pension inclusion in Africa and Asia. The ability to build sustainable and scalable models for delivering affordable pension, savings and insurance solutions to help lower income groups and women manage lifecycle risks provides further confidence and support for the democratisation of financial services. This combination, of an inclusive ecosystem, product and process innovation and easy access to resources for scale can not only help everyday Indians to solve their old age poverty risk, but also help generate a gigantic pool of new household savings that can fund infrastructure, economic growth and employment. I see this as the beginning of a powerful and hugely exciting virtuous cycle.’

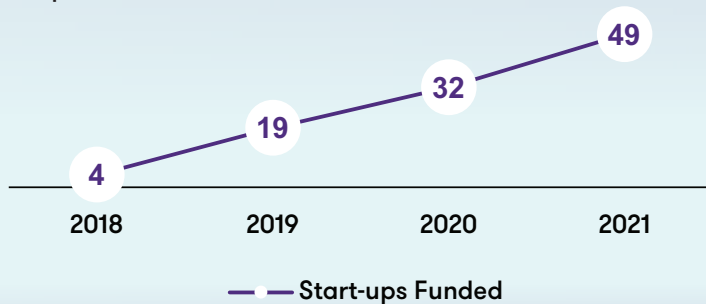
Parul Seth Khanna
Co-Founder and Director,
Pinbox Solutions

Inflection Point Ventures

Making startup funding an affordable asset class

Inflection Point Ventures (IPV) is an initiative of accomplished CXOs & Angel Investors who believe that ‘Everyone can Grow with Startups’. It is an angel investing firm which supports new-age entrepreneurs, providing them monetary & experiential capital by connecting them with a diverse group of investors.

Start-ups Funded



Founded in 2018, IPV has invested over **USD 41 Million** across **104 startups** with **15** successful exits. IPV’s investors’ base, currently at over **6,000 investors**, is seeing a massive influx of highly proficient CXOs and HNIs, looking to invest in startups with rational valuation and sustainable business models.

Since its launch earlier this year, its SEBI registered Category-1 Alternative Investment fund has also seen consistent growth in contributed capital & investments through the year.

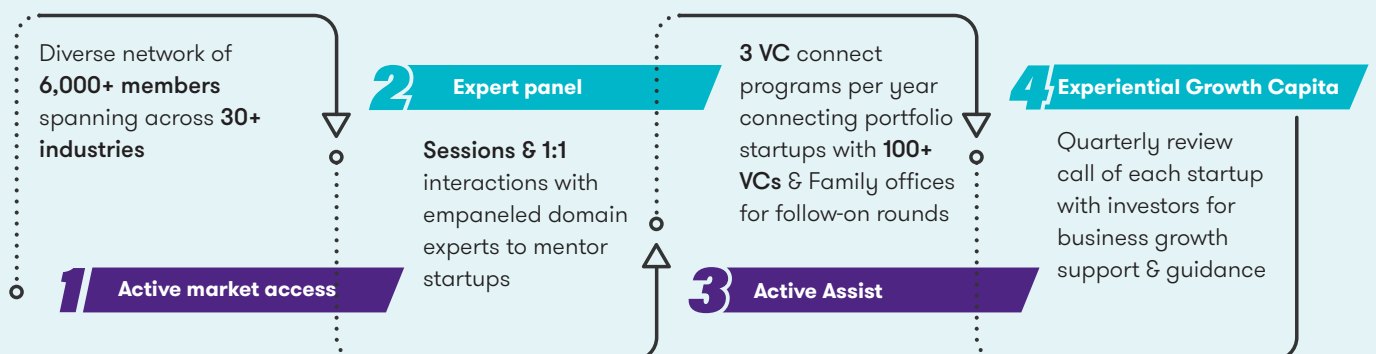
Making start-up funding accessible to everyone:

C-Suite individuals, CXOs, HNIs and Family offices invest in start-ups under a common banner of Inflection Point Ventures. A new investor can start with a small investment and still make a meaningful value proposition for the startup with combined funding from various members. This facilitates Start-ups to gain funding along with access to a wide variety of newer markets, customer-base, mentorship and guidance.

The company serves its angel investors with a low membership fee, lowest investment ticket size per investor when compared with the rest of the market (as low as Rs. 2.5 Lakh per startup) and a transparent investment process with direct due-diligence from industry experts & IPV’s network.

Strategic partner for Start-ups:

IPV invests first in the Founders, later in the Startup! With its wide reach across the nation through its influential investor network and strategic partnerships, IPV connects startups with the most relevant stakeholders making a deep meaningful impact in their ventures thus enabling rapid scalability. IPV provides active post-investment support to its startups:



The leap ahead



If the developments seen in 2021 are indicators for the future, Indian start-ups seem to be progressing on the right track of technological breakthroughs for the creation of innovative solutions to Bharat-centric problems. With continuous strengthening of the digital infrastructure, simplified availability of funding and the increasing spending capacity of the consumers, the future for entrepreneurship in India seems bright.

With immense potential to generate wealth at a national as well as individual level, employment creation and enabling financial independence for millions, India seems to be becoming Atmanirbhar in 2022 and the near future. Multiple start-ups in healthcare, education, farmtech, manufacturing, have received national recognition and importance and in turn will prove to be the biggest contributors towards the country's aspirations of becoming a USD 10 trillion economy by 2030.

Until date, the presence of 81 unicorns in India has set the bar even higher for innovative ideas and entrepreneurs, and it is already expected that India will soon be home to an additional 75 unicorns by the end of 2022. Interestingly, with an overwhelming availability and deployment of domestic funds from angel investors and VCs, the Indian start-up ecosystem has continued to create and scale credible businesses year after year.

Grant Thornton Bharat believes that deal volume and the number of investment rounds in seed stage and growth stage start-ups will continue to grow with a special focus on sectors such as agritech, infrastructure, energy, ecommerce and direct to consumer.

Despite continued and sustained growth in the start-up sector in the country, there are challenges that need to be addressed at different levels.

Even after concerted efforts from policy makers, ease of doing business in India remains a bit of a complexity. Further simplification of processes will go a long way in making sure that business owners are able to focus on the growth and profitability of their enterprises.

India has invested actively in infrastructure development and policies have been announced to this effect; a more robust infrastructure with improved logistics, internet availability, electricity and access to credit will all ensure lesser number of start-ups going through failures and will enhance visibility for up-and-coming businesses to a larger addressable market spread over tier II and III cities.

A further focus on sector specific policies to allow access to the general population in sectors which have been out of bounds for everyone until now. Defense and spacetechnology, which have historically been government controlled could do with the involvement of the private sector.

In conclusion

India is on the right track to development. A lot still needs to be done and there are a lot of exciting developments coming our way in 2022.

If the developments seen in 2021 are indicators for the future, Indian start-ups seem to be progressing on the right tracks of technological breakthroughs for the creation of innovative solutions to Bharat-centric problems. With continuous strengthening of the digital infrastructure, simplified availability of funding and the increasing spending capacity of consumers, the future for entrepreneurship in India seems bright.

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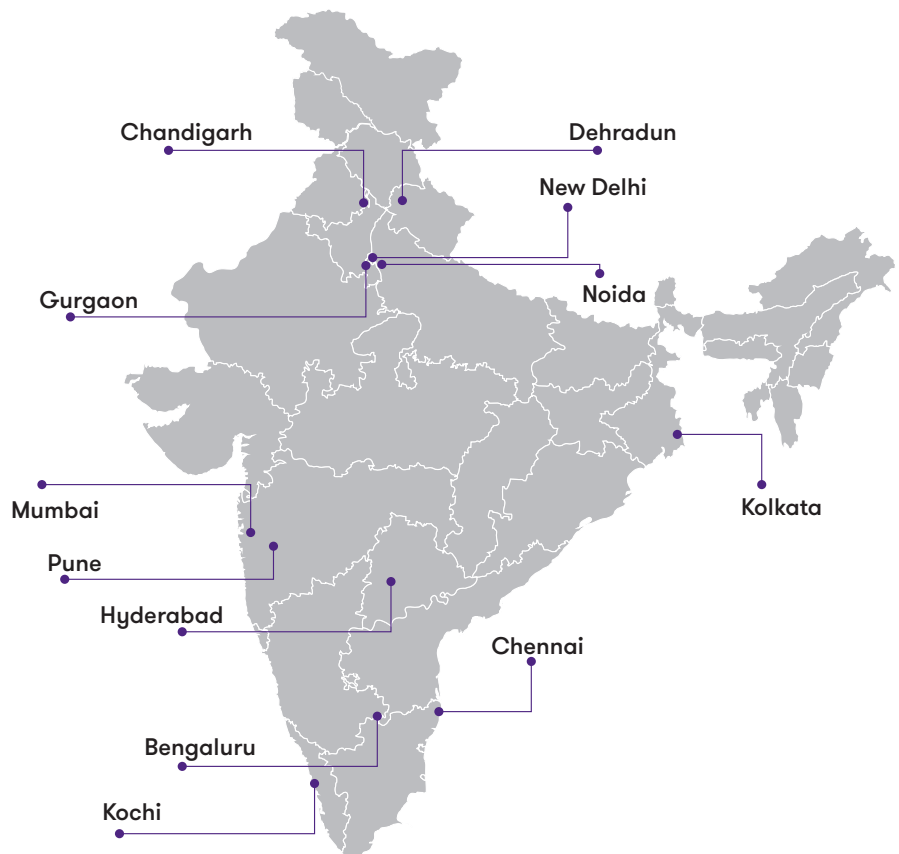
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