

START UP

INDIAN START-UP ECOSYSTEM MATURING

Edition 2016

Supported by
Google for Entrepreneurs



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FOREWORD



R Chandrashekhar
Chairman, NASSCOM



Pari Natarajan
CEO, Zinnov

India is maturing as a start-up hub with the number of new start-ups expected to grow by 8-10%. Investors and start-up founders are getting cautious and focusing on profitability, thus optimizing spends. Since 2011, there has been a noteworthy growth in the number of technology start-ups, with India expected to cross 4,750 by the end of 2016. Given this momentum, India may host over 10,500 start-ups by 2020, employing over 210,000 people.

Multiple indicators point to the fact that this ecosystem continues to remain attractive. The total funding is estimated to reach nearly USD 4 Bn in 2016. Initiatives taken by the Indian government, growth in academic incubators, rise in the number of start-ups funded in 2016, ongoing interest from investors, and growing digital consumer base will continue to drive the start-up landscape.

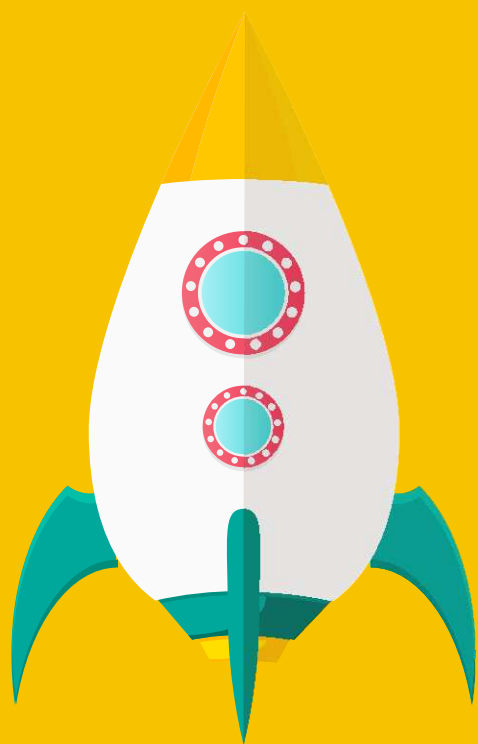
Several start-ups are leveraging emerging technologies such as Cloud, Big Data & Analytics, Internet of Things, and Machine Learning to establish some of the best in class technology start-ups. This maturing ecosystem is contributing to the Indian economy in multiple ways. In addition to employing 100,000 people and enhancing the lifestyle of citizens, start-ups are creating innovative technology solutions that address key problems that India as a country face-around education, healthcare, financial inclusion, energy/ utilities etc.

The third edition of NASSCOM-Zinnov report titled “Indian Start-up Ecosystem Maturing – 2016” is a compilation of facts, trends, and best practices on the Indian tech start-up ecosystem. This report identifies the current scenario and emerging trends that define the ecosystem, factors that are impacting its growth, and highlights the role played by investors, incubators/ accelerators, and the government.

We hope this report is useful to you and we welcome your feedback and comments at research@nasscom.in

Mr. Pari Natarajan
CEO, Zinnov

Mr. R Chandrashekhar
Chairman, NASSCOM



Acknowledgement

This report has been co-developed by NASSCOM and ZINNOV MANAGEMENT CONSULTING through a comprehensive four month study to understand the Technology Product & Digital Start-up Landscape in India.

The preparation of this report has been facilitated by a number of organizations and people who have extended great help to the research team. We wish to sincerely thank all of them for their valuable contributions without which this report would not have been possible. Mentioned below are the names of the research team members that developed this report.

NASSCOM

- Sangeeta Gupta
- Achyuta Ghosh
- Manishree Bhattacharya

ZINNOV MANAGEMENT CONSULTING

- Praveen Bhadada
- Rajat Kohli
- Mohit Gupta
- Sweta Shanker
- Rahul Katyal

Table of Content

Objective



This report analyzes

- Current scenario and emerging trends that define the **Indian start-up ecosystem**
- Gauge India's position as a global **start-up hub** that is becoming attractive for investors, start-ups, & corporates
- Role played by **Investors, Incubators/ Accelerators, Government of India**



What is a start-up as per our definition?



Start-ups: Intellectual Property (IP) backed technology product/ platform/ eCommerce/ aggregators using digital platform for customer engagement only considered

01



Companies incorporated/registered in **2011** and beyond

02



Founding members should be of **Indian origin**

03



Company headquartered in **India** or outside with product development centre largely in India

04

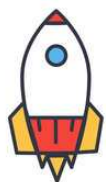


Intellectual Property backed **technology product** OR technology **platform** OR eCommerce OR Aggregators considered



India Start-up Landscape - 2016

Quick Facts



Total Tech Start-ups¹

4,750+

Up by 10-12% YoY

3rd Largest Start-up Ecosystem



New Tech Start-ups²

1400+

Up by 8-10% YoY

Linear Growth in 2016



Major Start-up Hubs²

Bengaluru, Delhi-NCR, Mumbai account for ~70% of start-ups

Up by 3-5 PP# YoY

Top 3 Metropolitan Cities Continue to Lead



Customer Segments²

B2B: 36-40%

B2C: 60-64%

B2B up by 2-4 PP# from last year

B2B Start-ups Gaining Prominence



Funding²

USD 3.8-4 Bn

Down by 20% to 30% YoY

~650 Start-ups Funded

Up by ~8% YoY

Cautious but Healthy Investment Scenario



Vertical Focus²

eCommerce start-ups

~USD 1.8+ Bn funding

Health-Tech, Fin-Tech, Edu-Tech

USD 400 Mn+ funding

Investors Looking Beyond eCommerce



Technology Focus²

750+

Cloud, Big Data & Analytics, IOT, ML/ AI Start-ups

Major Focus on Cloud and Analytics



Incubators/ Accelerators³

140+

Up by 40% YoY

Rise of Incubators/ Accelerators



of M&As³

80+

Up by ~23% YoY

Start-ups acquiring Start-ups for Inorganic Growth



Mortality Rate^{2,4*}

18-22%

(overall)

B2B: 12-16%

B2C: 20-25%

B2B Start-ups More Likely to Survive

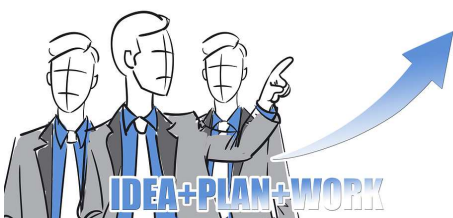
*Established, registered product technology start-ups only

Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Q2-2016 3 Extrapolated based on data recorded till Aug 2016, 4. Mortality rate spread across 5 years; Calculated based on tech start-ups founded from 2011 to 2015 ; Source: Zinnov Start-up Database; PP – Percentage Points

Executive Summary

Unstoppable Indian Entrepreneurs

In the midst of several debates and contentions over the bursting of start-up bubble, the Indian entrepreneurial spirit is ever rising, with the landscape evolving in a way like never before. Most people will say the environment is stochastic – the question is which industry is not? With ups and downs in funding, re-valuations and de-valuations, and emergence of new sectors, India is at a very crucial juncture, chalking out its own growth trajectory. **As thought leaders highlight,**



India is paving its own growth path - learning from its successes and failures. The global best practices and success KPIs are necessary, but important it is to adjust as per Indian landscape. We have unique and ever-changing market dynamics. Less than 10% of India lives in tier 1 cities. In fact, India has such huge discrepancies in income levels, it is fair to state that India is not 1 single market – but many markets (customer segments) put together. On the brighter side, we have one of the largest manpower; the government is growing strong on digital initiatives; our biometric system is the world's largest, and so on, which is prompting the Indian Tech Start-ups to foray in its own unique ways!

It will be fair to state that the ecosystem is maturing, and that the year of 2016, and the next 2-3 years henceforth, will be the years of rationalization, sustainability, and the unique evolution of the sector. How the industry is shaping-up, and where it is leading to – are some of the questions that we have been able to address in our 4-month NASSCOM-Zinnov rigorous study. The findings are exciting like never before.

Landscape Key Highlights (2016)

- Total start-up base to cross 4,750+, up by 10-12% YoY
- 3 main geographical clusters: the leaders (NCR, Bengaluru, and Mumbai), the emergents (Chennai, Pune, and Hyderabad), the aspirants (Kolkata, Kochi, Jaipur, Chandigarh, Indore etc.)
- Leaders harbour ~70% of start-ups; emergents ~20%; and aspirants ~8%

The Start-up Landscape

Standing at third globally, the Indian start-up base is expected to witness a YoY growth of 10-12%. But India is slightly behind on other indices such as the corporate tax rate (post 3 years), time taken to set up a new business, and the number of incubators/accelerators. However, important would be to note that the government is going aggressive in its start-up agenda (>13 states/ UTs already have established start-up policies), and the ecosystem is witnessing a 40% YoY growth in the number of incubators/accelerators. This implies that in the next couple of years, the focus would be to provide start-ups with adequate resources and know-how, to establish profitable, scalable and sustainable businesses.



Based on the maturity of the ecosystem, India has 3 main geographical clusters: the leaders (Delhi-NCR, Bengaluru, and Mumbai), the emergents (Chennai, Pune, and Hyderabad), and the aspirants (Kolkata, Kochi, Jaipur, Chandigarh, Indore etc.). Clearly, the leaders harbor ~70% of the total start-ups. Bengaluru leads both in the number of start-ups (1300+) and overall funding (~35% of total funding). The emergents (with 20% of start-ups) have a fair distribution of funding among themselves, yet are flourishing in their own unique ways. The aspiring cities, though small, are noteworthy, because a) B2B start-up numbers in these cities surpass the B2C numbers (indicating more business product start-ups); and b) they are able to thrive despite the not-so-supportive environment (sluggish internet, lack of incubators etc.). The tier 2 and tier 3 start-ups are relentless, trying to innovate in their own limited capacity.

Funding Key Highlights (2016)

- Total Funding - USD 3.8 - 4.0 Bn, down by 20-30% YoY
- Number of funded start-ups – 650, up by 8% YoY - change in VC's fund allocation strategy – more number of investments, diverse portfolio, lower ticket sizes
- B2B generates 1/4th of the total funding – its growth outpacing that of B2C
- Key VCs/Corporates raised more than USD 2 Bn funds for future disbursement
- Positive way forward for seed and early stage start-ups, occupying 85% of companies funded
- Successful exits - More than 70% of the acquirers are start-ups (including unicorns) themselves
- Mortality Rate: 18-22%, spread across 5 years
(only for established tech product start-ups incorporated 2011 to 2015)

Funding Trends

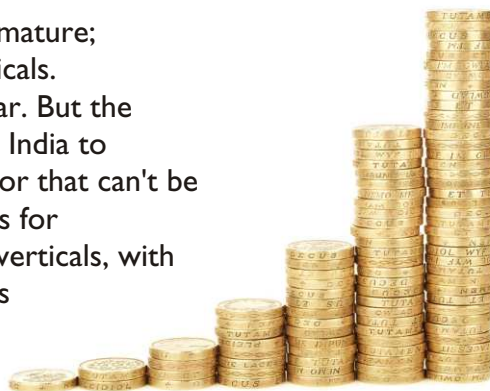


Overall funding has been a little sluggish. But that is just an iota of the entire story. Important is the change in the strategy of fund allocation for better ROI and risk diversification. Focus on B2B companies, more number of small ticket-size investments, mixed portfolio of companies – are the current key characteristics. So, while the total funding is expected to witness a 20-30% decline this year, the number of start-ups funded and the number of start-up deals are expected to rise by 6-8%. Angel investments are on the rise, with a 20% increase in the number of active investors this year.

B2B funding growth outpaces B2C's, generating 1/4th of the total funding. This segment has witnessed growth both in the funding amount, as well as the number of companies receiving funds - indicative that the ecosystem is expected to churn out several business-ready Hi-Tech products (Enterprise, Cloud, IoT, ML/AI, Robotics) in the next 2-3 years. Acquisition is also rampant this year, mostly directed towards increasing market share and building technological capabilities.

Growth Sectors

While eCommerce and Aggregators have become mature; Fintech, Edutech and Healthtech are emerging verticals. Ecommerce leads, with 180+ new additions this year. But the focus of Indian thought leaders is Fintech - enabling India to transact easily, and become financially agile – a sector that can't be ignored when incumbents like Goldman Sachs looks for investments. Edutech is one of the fastest growing verticals, with 3X YoY growth in funding. Focus is shifting towards providing quality education, with greater reach to tier 2, 3 cities.

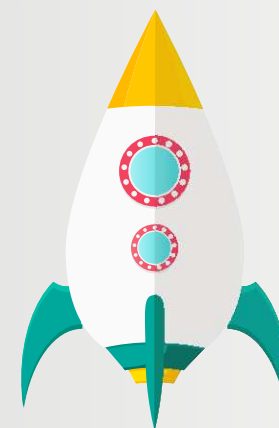


The healthtech start-ups, on the other hand, are relentless, with 100+ start-ups founded just in 2016 (more than edutech and fintech). Cost-effective solutions, preventive health, and home healthcare to drive the growth of this vertical, but is in need for solid government support and systematic data capture, for a successful foray.

Enabling Ecosystem

The number of incubators and accelerators have also witnessed a 40% YoY growth in 2016, with 35 new additions under the 'Start-up India Stand-up India' initiative. Tier 2/tier 3 cities are gaining traction, with 66% new incubators established. The incubators and accelerators are currently technology-driven, and do not seem to limit their focus to specific industries. While opportunities are many, some of the key hurdles faced are mismatch in expectations, limited time period for incubation, and the tedious/unstructured process of evaluating applications – something that the ecosystem is trying to mitigate. It will also be fair to say that the Central Government is proactive, with aggressive growth plans. Providing a funding corpus of USD 1.5 Bn, tax exemptions, and enabling environment, the government is providing significant fillip to the start-up ecosystem.

Last but not the least, talent environment is dynamic at the moment. The total talent base has risen by 18% YoY. We see emergence of student start-ups, experienced professionals starting up B2B businesses, marginal rise in women entrepreneurs, and overall changes in hiring trends.



Outlook

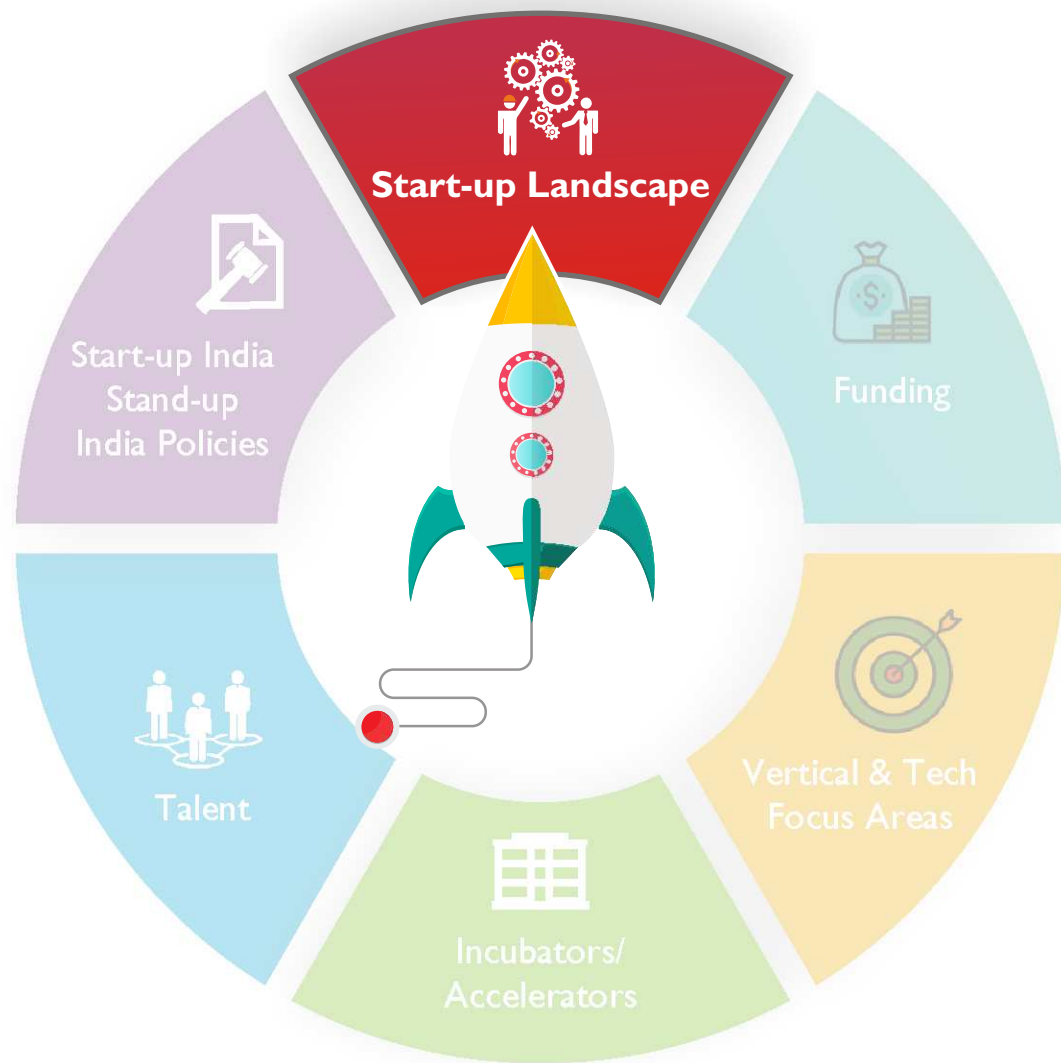
Overall, we are maturing and this year is the year of rationalization - defined by change in focus, realignment of funds, realignment of strategy, and development of clear road-maps, to establish a successful and sustainable start-up ecosystem. Future will be about pragmatic investments, profitability of businesses, rise of India models, and rise of tier 2/tier 3 start-ups embarking the journey to solve India-specific problems.

The report goes into the length and breadth of every aspect mentioned above, highlighting key take-aways, and best practices.

Section I: Indian Start-up Landscape

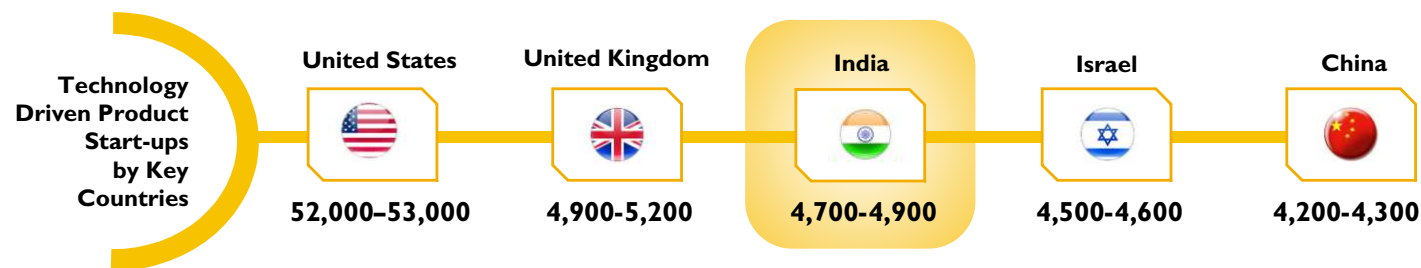
Key highlights

- India, the **3rd largest** start-up ecosystem globally
- **4750+** total tech start-ups in 2016
- **~1400** new tech start-ups incorporated this year
- **~100K** talent employed in start-ups
- Bengaluru, NCR, Mumbai account for **~70%** of the total start-ups
- **USD 3.8-4.0 Bn** funding¹ in 2016

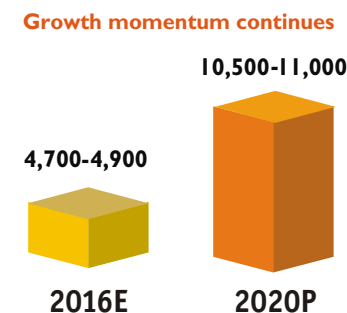


Indian Tech Start-up Ecosystem – An Overview

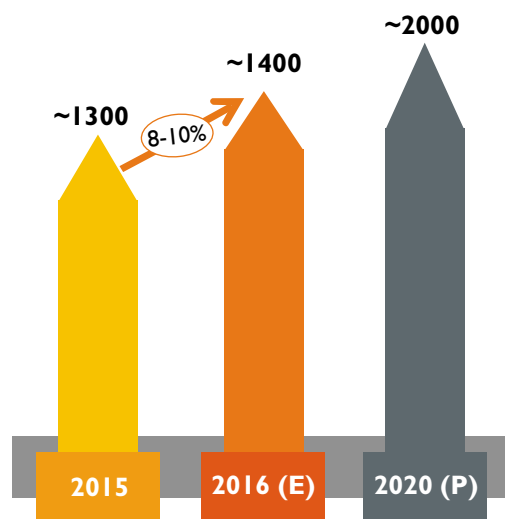
Indian start-up base, standing 3rd globally, expected to grow by 2.2X till 2020



Total Number of Indian Start-Ups

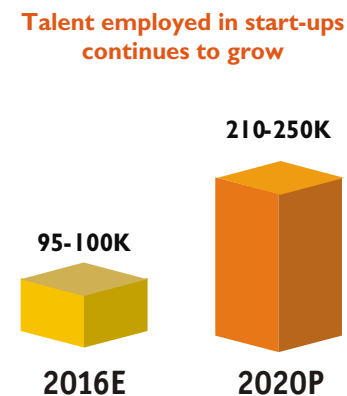


Number of Indian Start-ups Founded¹ - 2016



- Overall tech start-up base in India expected to cross **4750**, having grown at **10-12% YoY**
- 1400** new start-ups expected in 2016, up by **8-10%** from last year. Indian start-up ecosystem is becoming prudent with both investors and start-up founders focusing on profitability and optimizing the overall spend
- Fast maturing **ecosystem**, government initiatives, rise in funded start-ups & academic **incubators**, and growing digital consumer base, will continue to drive the start-up landscape in India

Total Talent in Indian Start-ups

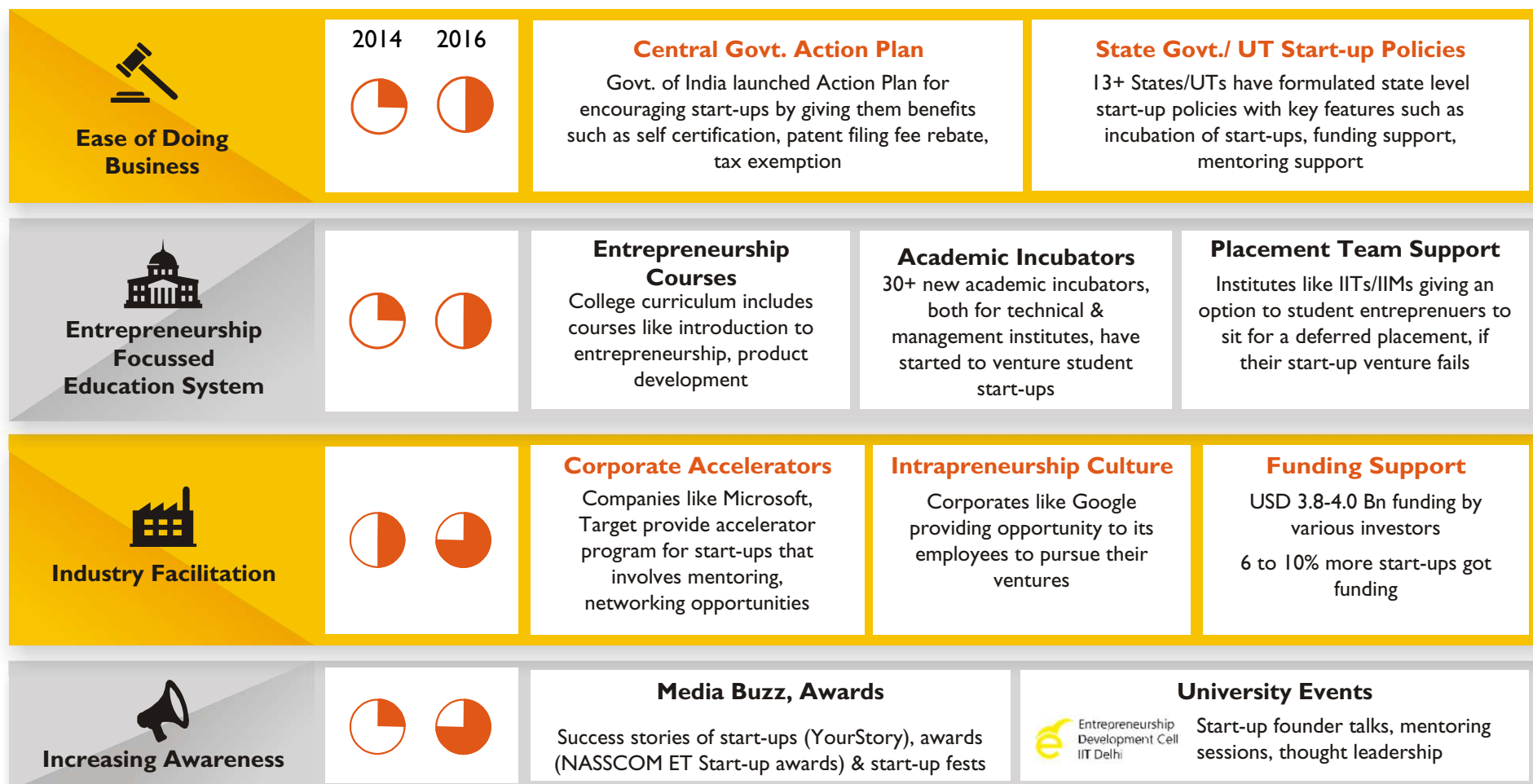


Note: P = Projected E = Estimated ; 1. Presented numbers for 2016 based on data from Jan-July 2016, 2. Global growth rate based on data for US, UK, India, Israel, and China.
Source: Zinnov Research & Analysis, Yourstory, CrunchBase, Angellist, Deal curvy

Factors Driving the Start-up Ecosystem

The Consorted effort of Industry, Academia, Government & Media to drive the ecosystem

DRIVERS FUELING THE GROWTH OF START-UPS IN INDIA

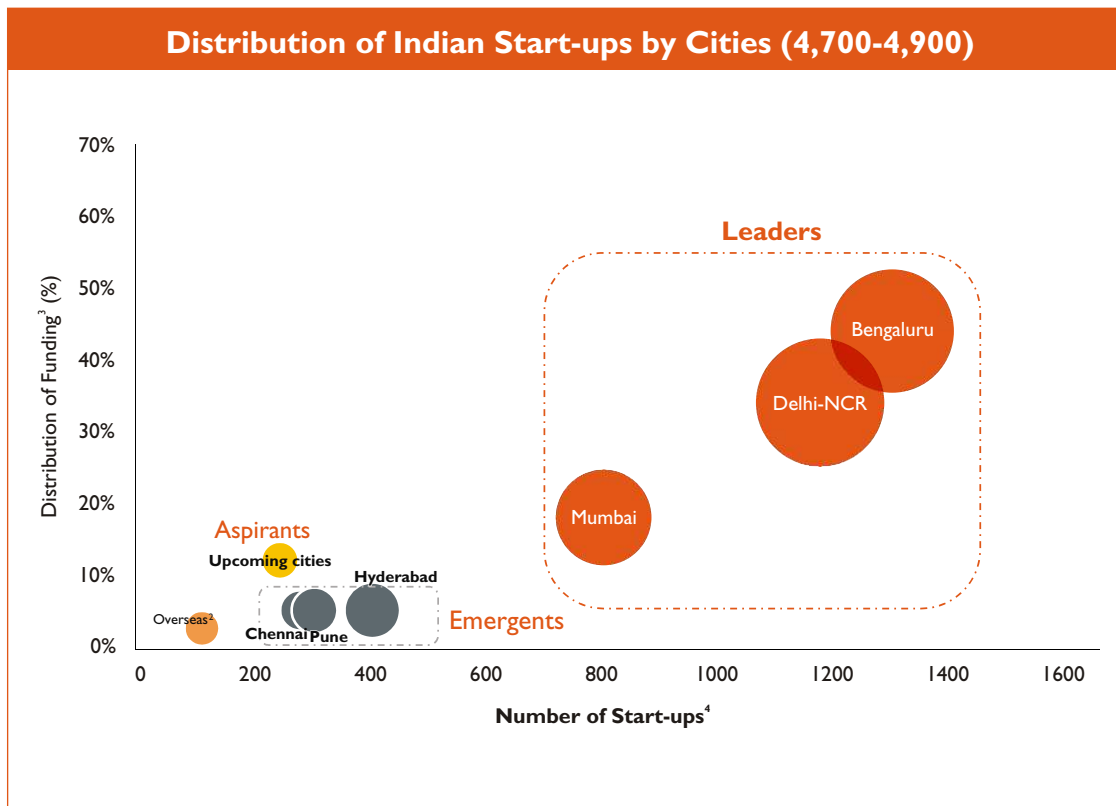


Notes: Deals worth USD 2.01 Bn already closed by end of Q2-2016
 Source: Zinnov Research & Analysis, Yourstory, CrunchBase, Angellist, Deal curry

Legend: Low Focus  → High Focus 

Start-up Geographical Clusters

Presence of three clusters – Leaders, Emergents, and Aspirants, with Leaders harboring ~70% of start-ups



LEADERS

Harbor ~70% of the total start-ups

- Financial Institutions (RBI), Stock Exchange (NSE, BSE)
- MNC/start-up headquarters
- Home to Angel Investors/VCS
- Top educational institutes like IIT, IIM
- Better connectivity – internet, rail, air



EMERGENTS

Harbor ~20% of the total start-ups

- Home to many IT firms, engineering, medical & management institutes like IIT-H, ISB, AFMC
- Leveraging the advantage of available talent
- Emerging as next major hub
- Presence of state-level initiatives/policies
- New incubators coming up



ASPIRANTS

Harbor 8% of the total start-ups

Although limited corporate/industry support, upcoming cities like Kochi, Kolkata, Jaipur etc. the advantage of low operational cost, cheaper workforce, along with the support from Central Govt., are aspiring towards developing their start-up ecosystem



Size Number of Start-up funding deals³

Notes:

1. Upcoming cities (Kochi, Kolkata, Jaipur, Chandigarh, Indore, Bhopal, & Kanpur, etc.), 2. Overseas start-ups ((USA, Canada, Singapore, Germany, etc.) include the ones founded by Indians and catering to the India market, 3. Presented data is based on funding received by start-ups in till Q2- 2016, 4. Estimated based on a sample of 1750+ companies formed from 2011-2016

Sources: Zinnov Research & Analysis, Yourstory, CrunchBase, Angellist, Deal curry

Start-up Geographical Clusters – The Leaders

While Delhi-NCR continues to be the eCommerce hub, Bengaluru – the Silicon Valley of India, and Mumbai – the emerging Fin-tech hub



Leaders



of Start-ups¹



■ B2B ■ B2C



Funding Amount² in 2016



Incubators/Accelerators²



Technology Focus Areas

Silicon Valley of India

- Biggest investment destination in 2016, accounts for more than 40% of overall funding

Bengaluru

1300+



35-40%

60-70%

USD 1,250-1,350 Mn

20-30



- Enterprise SaaS Solutions
- Big Data & Analytics
- Electronic Health Record (EHR)



eCommerce Hub

- More than 30% of total eCommerce start-ups are based in NCR

Delhi-NCR

1175+



25-35%

65-75%

USD 950 -1,050 Mn

15-20



- Big Data & Analytics
- Enterprise SaaS Solutions
- Supply Chain (Logistics)



Emerging Fin-tech

- More than 30% Fin-tech funding raised by Mumbai based start-ups

Mumbai

800+



30-40%

60-70%

USD 650-750 Mn

10-15



- Big Data & Analytics
- Machine Learning/ Artificial Intelligence



Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Aug 2016 ; Source: YourStory, Trak.in, Zinnov Analysis

Start-up Geographical Clusters – The Emergents

Receiving similar funds, while Hyderabad becomes Cyberabad, Pune – an emerging Health-Tech hub, and Chennai – the B2B storehouse



Emergents



of Start-ups¹



■ B2B ■ B2C



Funding Amount² in 2016



Incubators/Accelerators²



Technology Focus Areas

Infotech advantage - Cyberabad

- Presence of technology MNCs like Microsoft, Google, Facebook
- Largest incubation center T-Hub

Hyderabad

400+

NUKKAD SHOPS



35-45%

55-65%

Emerging Health-Tech hub

- 4 out of 10 funded start-ups are health-tech
- Several tech companies like Infosys and Syntel have their healthcare vertical headquartered

Pune

300+

ANANDKANDA



40-50%

50-60%

B2B dominance

- 55-60% start-ups are focusing on B2B with more than 45% product start-ups among them

Chennai

275+



55-60%

40-45%

USD 200 – 300 Mn

USD 100 – 200 Mn

USD 100 – 200 Mn

10-20



5-10



5-15



- Health-Tech Cloud Solutions(EHR)
- Inventory Management Solution



- Internet of Things (IoT)
- Health-Tech Cloud Solutions



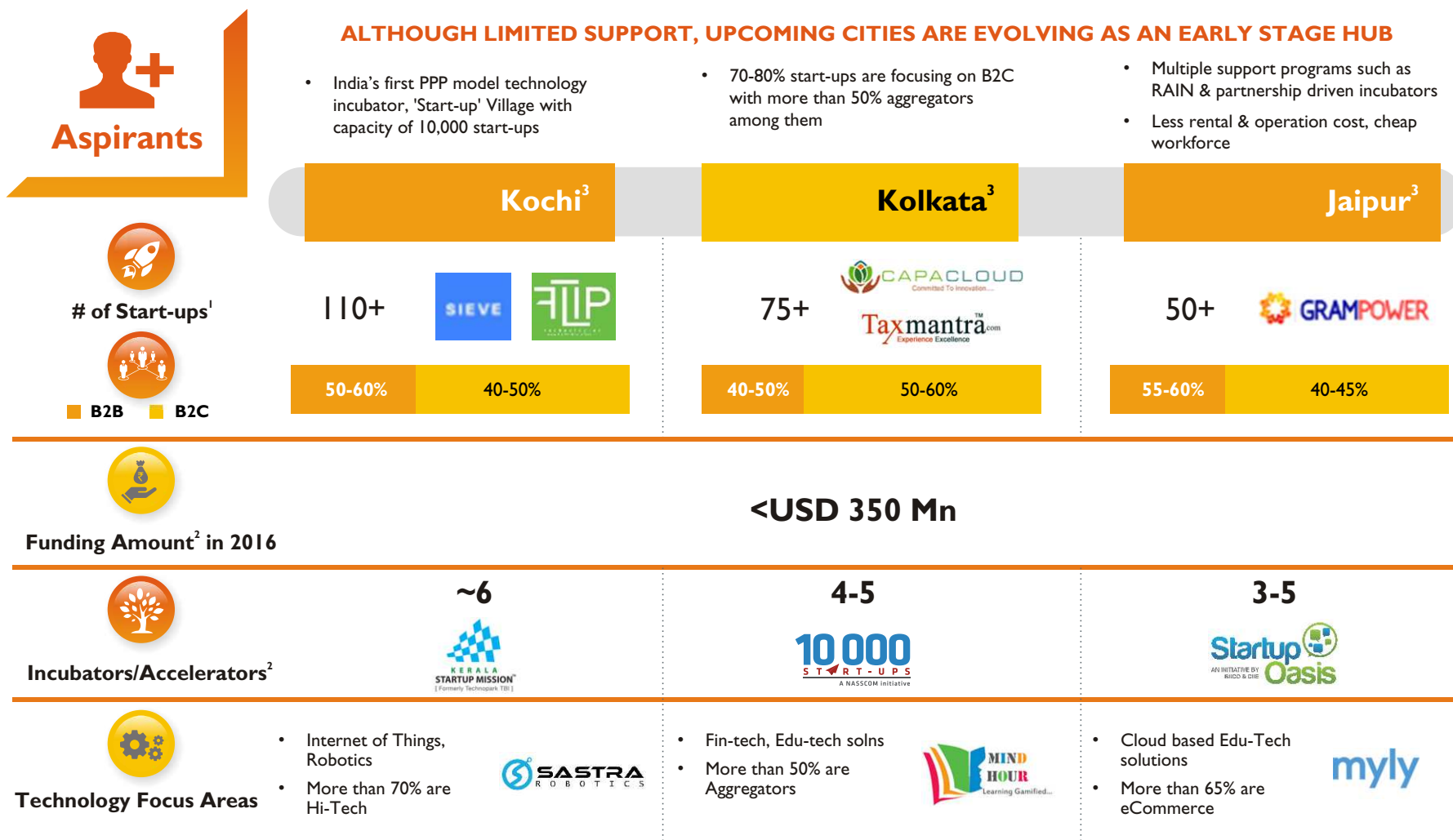
- SaaS Solutions
- Big Data Analytics



Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Aug 2016 ;3. Kolkata is also emerging as new start-up destinations, housing around 30-50 start-ups Source: YourStory, Trak.in, Zinnov Analysis

Start-up Geographical Clusters – The Aspirants

Harboring 8% of the start-ups, upcoming cities showcasing innovation, skills, and evolving as an early stage hub



Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Aug 2016 3. Kochi, Kolkata, Jaipur, Indore leading cities based on the overall start-up ecosystem in these cities (# of start-ups, funding deals, incubators/ accelerators, etc.); Source: YourStory, Trak.in, Zinnov Analysis

Section 2: Funding Trends

Key highlights



- ~8% **growth** in number of funded start-ups¹ in 2016
- **USD 3.8-4.0 Bn** funding¹ in 2016, down by **20-30% YoY**
- **25%** share of B2B fundings¹ in 2016, up from **18%** last year
- **USD 175 Mn** funding raised by Hike (highest funding raised in 2016²)



Notes: 1. Estimates based on average deal size and number of deals (extrapolated based on number of deals in first two quarters). Deals worth USD 2.01 Bn already closed by end of Q2-2016.,

2. Presented information is based on data available till Aug 2016

Start-up Funding Overview

Amidst subdued funding, a 6-10% YoY growth in the number of start-ups funded

Total Funding in Start-ups¹

USD 4.9 Bn

USD 3.8 Bn–4 Bn¹



2015



2016 (E)

Investors & Founders cautious; spending judiciously with focus on profitability

Number of Start-ups Funded²

600



2015



650



2016 (E)

Proportion of small ticket sized B2B funding increased as compared to B2C

Number of Funding Deals^{2,3}

650



2015



680



2016 (E)

Investors keen on funding companies with sustainable unit economics & scalable model

KEY TAKEAWAYS

Number of deals up, whereas ticket size reduced by 20-25%

- Indicative of the risk diversification appetite of investors
- Average ticket size reduced from USD 8 Mn to USD 6 Mn in 2016

More interest around seed investments

- Accel Partners, Reliance Jio, Kalaari Capital, Blume Ventures etc. raised ~USD 2 Bn corpus for deployment in seed and early-stage start-ups in 2016-17
- Investors are trying to mitigate risks by investing smaller amounts in multiple companies

B2B funding growth outpacing that of B2C

- B2B funding growing at 18-22%, whereas B2C witnessing a decline of 25-30%
- Average ticket size for B2B (~USD 4 Mn) remained unchanged; however, B2C (~USD 7 Mn) reduced by ~30%

Fin-Tech and Edu-tech Gaining Traction

- 70% of Fin-tech funding in B2B start-ups, highest across all verticals -majorly driven by financial lending & online payment start-ups
- Edu-tech start-ups to raise USD 170 Mn+ funding, up by 3X from 2015

"The decrease in funding doesn't mean that the interest has gone down but more of rationalization has set in. Overall, the interest will remain in the next couple of years."
- Investor Speak.

Notes: 1. Estimates based on average deal size and number of deals (extrapolated based on number of deals in first two quarters). Deals worth USD 2.01 Bn already closed by end of Q2-2016.

2. Extrapolated based on data recorded till Aug 2016. 3. Based on multiple rounds of funding in start-ups funded in H1-2016

Sources: Trak.in, YourStory, VCCircle, Zinnov Analysis

Investor Landscape

Indian start-ups continue to remain attractive among investors, raising more than USD 2 Bn corpus for future disbursement

Leading Investors in India, 2016¹

	Investors	Investments (USD Mn)		Key Verticals
Top VC Firms	Tencent	Hike (175)		Media-Tech, Health-Tech
	Sequoia	Byju (125)	Oyo (100)	eCommerce, Edu-Tech
	Tiger Global	Shopclues (100)		eCommerce, Media-Tech
	Abraaj Group	Big Basket (150)	-	eCommerce
	Harmony Partners	Swiggy (50)	-	eCommerce, Aggregators
Top Corporate VCs	Softbank	Oyo (100)	Housing (15)	Real Estate, Media-Tech
	Chan Zuckerberg (Facebook)	Byju (50)		Edu-Tech
	Microsoft Ventures	Helpshift (23)	-	Hi-Tech/ Core Technologies
	Micromax	Transerv (15)	-	Fin-Tech



Active Investors⁵

350+

up by 20% YoY

of Active Angel Investors (2016³)

25K-30K

Avg. amount per Active Angel (in USD)

180+

up by 15% YoY

of Active VCs (2016³)

4-5 Mn

Avg. amount per VC (in USD)

Key VCs/ Corporates raised more than USD 2 Bn funds² for future disbursement

SEQUOIA

USD 920 Mn



USD 750 Mn

ACCEL PARTNERS

USD 400-500 Mn

SUCCESS STORY

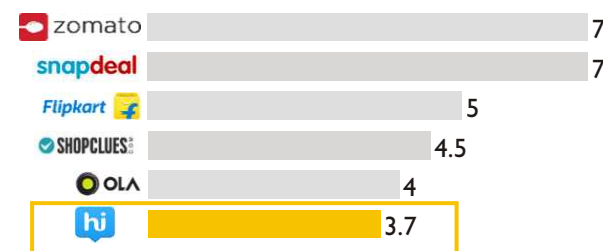
HIKE hi

(Messenger app offering services such as messaging, voice calls & stickers)

USD 1.4Bn
Valuation

>100 Mn Registered users
Users

Fastest Indian Start-up to become a Unicorn Time taken (Years)



Key Developments

- Launched in 8 local languages
- Plans to integrate payment platform
- Developing features based on AI, augmented & virtual reality
- Strategies to propel marketing, brand positioning & alliances

Notes: 1: highest single investments made by leading investor along with a group of investors, 2: Fund raised till September 2016; 3: Presented data is from Jan-Aug 2016;

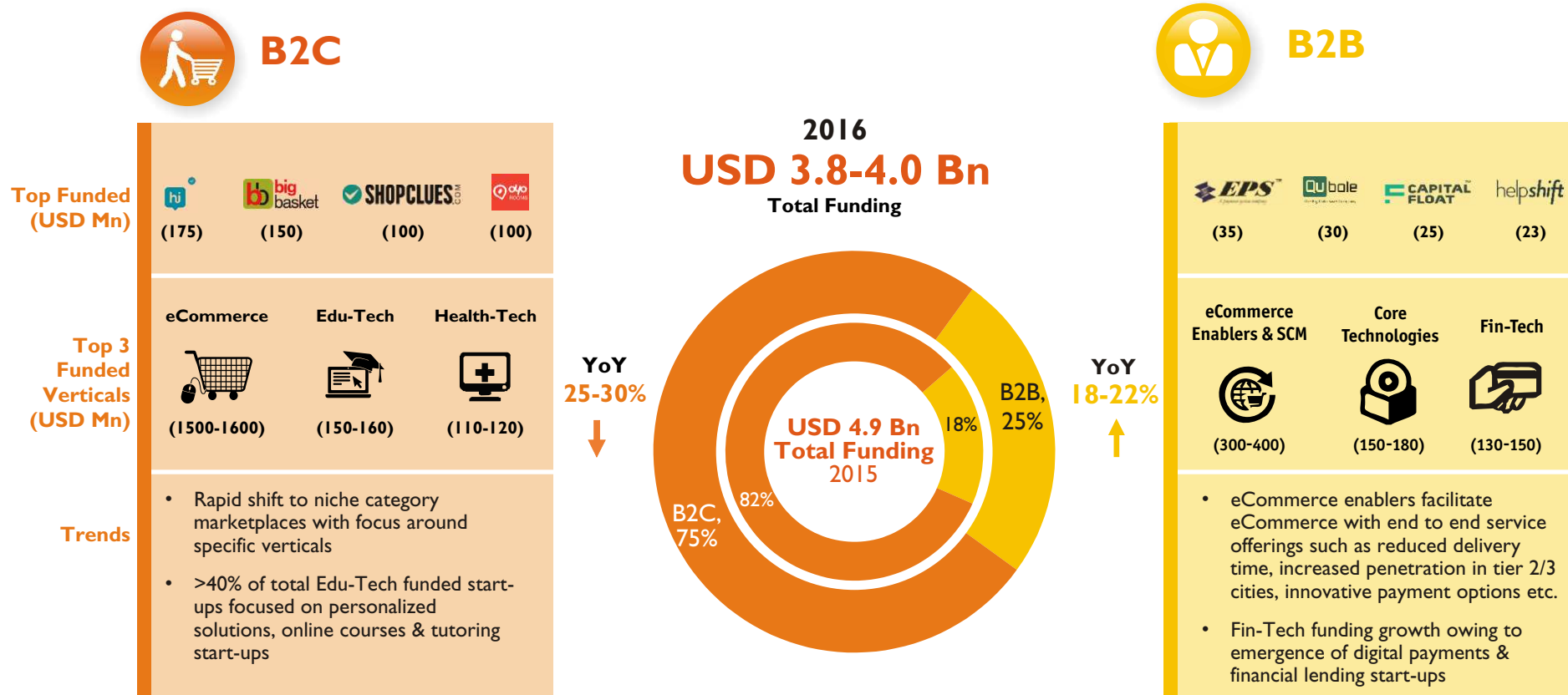
4: To calculate average investments, single investments worth >USD 100 Mn have not been considered

Sources: Deal curry, Yourstory, Trak.in, Zinnov Analysis

Funding by Customer Segment (B2B/ B2C)

B2B segment generates 1/4th of the total funding – its growth outpacing that of B2C

Funding Split by Customer Segment (B2C/ B2B)¹



B2B's YoY share increased from 18% → 25%

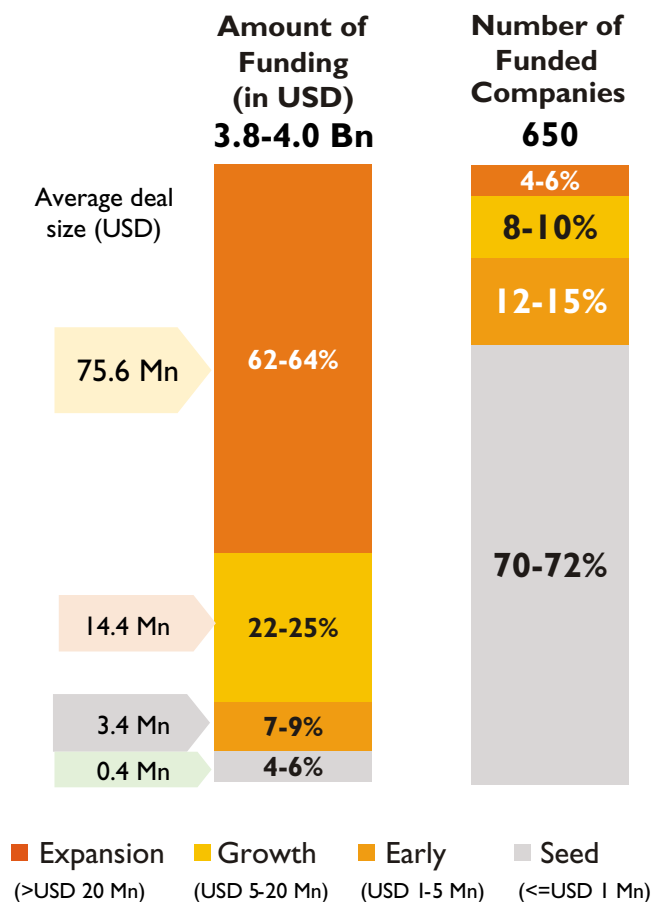
B2B requires less capital investments, low customer acquisition cost & product differentiation

Notes: Extrapolated on the basis of funds raised by end of Q2- 2016
Sources: Trak.in, DealCurry, VCCircle, Yourstory, Zinnov Analysis












Analysis by Funding Stages

Positive way forward for seed and early stage start-ups, occupying 85% of companies funded

Investments by Stages (2016)¹



KEY HIGHLIGHTS

Highest funding deal amount decreased (risk diversification)	2015	2016		
	 USD 950 Mn	 USD 500 Mn	 USD 175 Mn	 USD 150 Mn
Diversification of portfolio by reducing deal value	2015	Top 3 investments made in 2016 is 1/3 rd of highest investment in 2015		2016
	 USD 240 Mn	 USD 30 Mn	 USD 25 Mn	 USD 15 Mn
Focus shift towards seed investments	VC funds raised for seed stage investment, 2016			
	 USD 400 Mn	 USD 200 Mn	 USD 20 Mn	

“Ups and downs happen in every industry. India opportunity has not really shrunk. VCs are just readjusting their strategy. At the same time, angel and seed funding are going up big time. Focus on technology, stronger unit economics, significant addressable markets, and long-term business models - are what investors are seeking”

- Investor Speak

Notes: Extrapolated on the basis of funds raised by end of Q2- 2016
Sources: Trak.in, DealCurry, VCCircle, Yourstory, Zinnov Analysis

Alternate Funding Scenarios

Due to subdued funding, bootstrapping and crowdfunding gaining attractiveness among start-ups



Bootstrapping

Operate on a limited budget incurring optimal expenses

- **Avoiding unnecessary expenses**
Avoid office rent in beginning; utilize home space for meetings & discussions
- **Staying lean**
Try to do coding, product development, sales & marketing on your own
- **Look for free & low cost resources**
Take support from low cost freelancers
Find free marketing sources and techniques
Avail discounts for start-ups, free hosting services



Crowdfunding

Raise small amount of money from a large number of investors

- **Avoid accumulating debt or give up equity**
- **Free PR/ Marketing Tool**
Introduce start-up's overall mission and vision to the market
Easy way to reach various channels incl. media
- **Proof of concept**
Get market validation at an early stage
- **No hidden cost**
Minimal fee charged to raise funds. Easier than getting a bank loan or raising funds from VCs



Peer to Peer/ Business Lending

Verified borrowers can seek unsecured personal loans with competitive interest rates

- **Quick and easy application process with competitive interest rates**
- **Entire funding process is digitized and transparent**
Captures and processes over 200 parameters about borrowers digitally
- **Low late payment fees and no prepayment fees**

Illustrative Examples



- Indibni, 2013, Jaipur
- Design company
- Processed orders in 50+

- 2015, Bengaluru
- Auto repair & maintenance
- Revenue 5 lakh per month



Illustrative Examples



- 2011, Kerala and US
- Raised over USD 125K through crowdfunding
- IOT product, MAID

- 2015, Pune
- Online Visitor Registration App
- Raised money through crowdfunding

*Digital
Gorkha*

Example



A lending platform

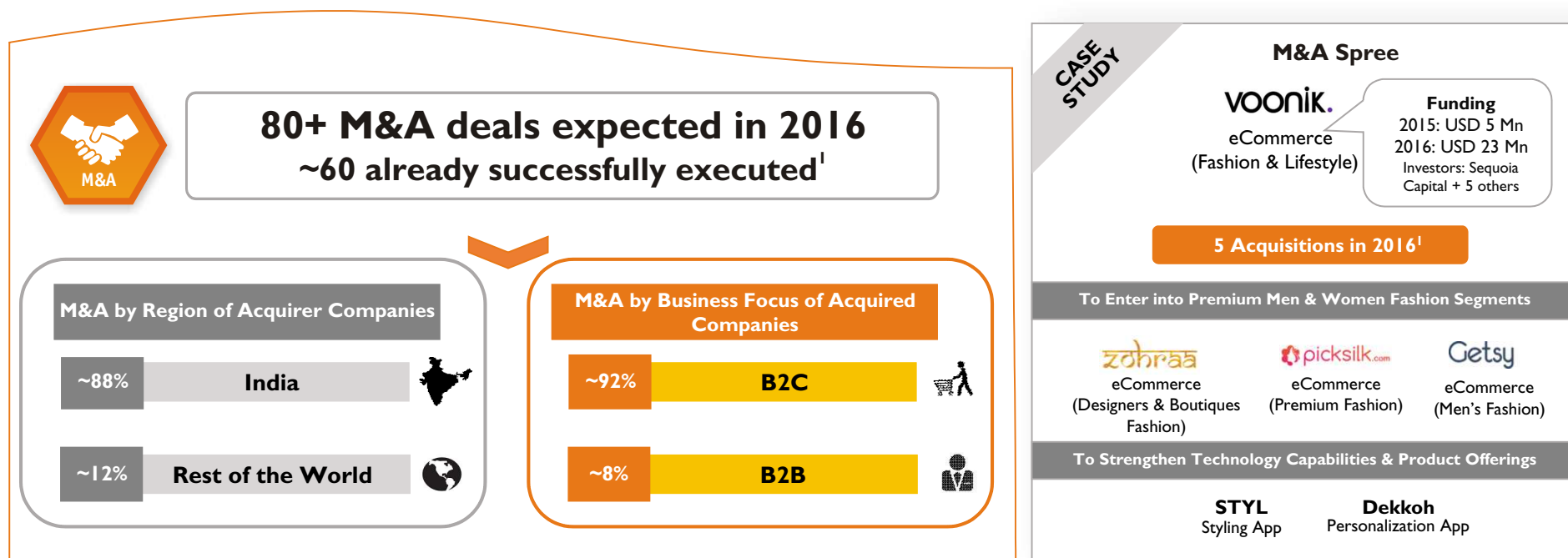
- 2013, NCR
- Nominal fee charges
- Over 6K lenders and 26K want to be borrowers

Faircent enables P2P lending to both individuals and businesses

Sources: YourStory, Zinnov Analysis

Mergers & Acquisitions (M&A) Landscape

Indian unicorns and start-ups on an acquisition spree – ~60 M&As already executed successfully in 2016¹



M&A TRENDS



"We definitely expect to see more consolidation this year driven by a few factors — acquisitions that are complementary and synergistic; consolidation to take out competition; consolidation of cap tables; and acqui-hires."

- Investor Speak

Source: Deal Curry, News Articles ; Notes: 1. Data presented is from Jan-Sep 2016

M&A – Break-up by Reasons

More than 50% of the M&As to increase market share and build technological capabilities

Acquirer + Acquiree

M&A Use-Cases (Illustrative Examples)

% of Acquisitions in 2016¹



Increase Market Share

40%



Strengthen its business in Delhi-NCR, Bengaluru, and expansion in tier-1 & 2 cities



Strengthen its fashion segment with addition of Jabong's 1500 global brands



Scale Quikr's consumer services business



Product Line Expansion

15%



Enters into premium boutique & designer fashion segment



Food delivery services expanded for sustainable revenue model



Expansion into various vertical specific consumer services



Transition from Offline to Online

10%



Leverage online platform & delivery model to integrating with offline Hometown business



Widen business horizon & online customer base



Build Technological Capabilities

17%



Build solutions in Machine Learning & Artificial Intelligence, "Conversation as a Platform"



Glimpse – Improve iOS Health app Tuplejump – build solutions in machine learning & artificial intelligence



Strengthen LogiNext's last mile delivery platform, Sprinter



Enhance Customer Experience

10%



Enhance consumer experience on Paytm platform



Improve customer targeting and interaction through personalized notifications



Provide cashless mobile payment feature using Unified Payments Interface (UPI)



Acqui-hire³

8%



Acquired for talent, to on board co-founders of Properji.com



Acquired for talent for experience across mobility & product offerings

Notes: 1. Data presented is till September 2016 2. Customer segment of the acquired company 3. Acqui-hire is buyout of a company for its talent pool
Source: Deal Curry, News Articles, Zinnov Start-up Database, Zinnov Analysis

M&A – Break-up by Acquirer Category

More than 70% of the acquisitions by Start-ups and Unicorns

Indian Start-ups Acquiring Indian Start-up

55%



Acquired a 2 year old start-up, within ~7 months of its own incorporation

- Strengthen market foothold by diversifying its vertical portfolio
- Acquired about 1,000 user base

Indian Corporates Acquiring Indian Start-up

24%



To leverage FabFurnish's online platform and delivery model for business expansion

- Merged offline Hometown (furniture retail unit) with online Fabfurnish
- Helps positioning of Future group in online retail business

Indian Unicorns Acquiring Indian Start-up

16%



To strengthen its online fashion & lifestyle business

- Addition of Jabong's 1,500 international brands, strengthening its fashion segment
- Continue its dominance in Indian eCommerce market

Global Corporates Acquiring Indian Start-up²

5%



To build solutions in Machine Learning & Artificial Intelligence, "Conversation as a Platform"

- To build technology capabilities on chat bots & intelligent agents
- Acqui-hire Wand labs team to develop Microsoft's engineering & platform group



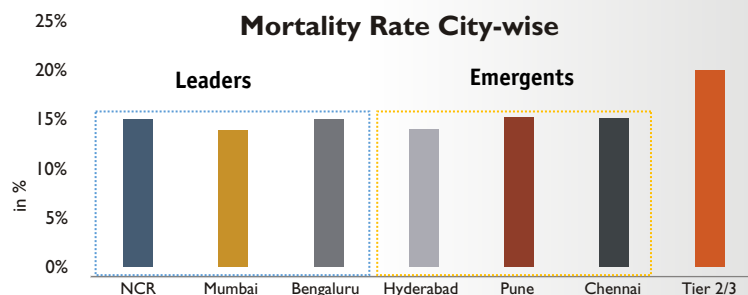
M&A Share¹

Notes: 1. Data presented till September 2016 2. Start-up founding team are Indians
Source: Deal Curry, News Articles, Zinnov Start-up Database, Zinnov Analysis

Start-ups Mortality Landscape

While overall mortality is an industry pain-point, B2B's mortality lower than that of B2C

Indian start-ups have an overall mortality rate of 18-22%*



Tier 2/3 cities have maximum mortality rate due to lack of VC funding, and incubation support, which leads to either shut down or relocation

“We had to go to Bengaluru at least thrice a month to meet VCs which is why we preferred to relocate to Bengaluru itself.”
- Start-up Founder Speak

No. of Failed Start-ups (with Founding Year)

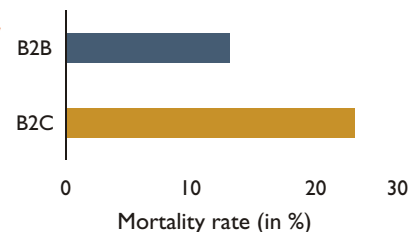
Founding Year (2011) ~140	Founding Year (2012) ~160
Founding Year (2013) ~300	Founding Year (2014) ~250
Founding Year (2015) ~120	

Key highlights



B2B start-ups have lower mortality than B2C

More stable due to better unit economics, less funding requirement, and increase in investor's interest



High discounts led to high cash burn; were not focussed on operations & logistics costs

Majority of Food-Tech start-ups facing stability issues

- Logistics is a low margin process which imposes burden on unit cost
- Lack of experienced talent leads to high growth, high risk phenomenon



Funding challenge for eCommerce firms

- Reduction in funding ticket size
- Cut throat competition from established unicorns like Flipkart, Amazon, Snapdeal, Shopclues

DONE BY NONE

A fashion eCommerce firm shuts down due to lack of funding

Sources: LinkedIn, Company Websites, YourStory, Zinnov Analysis

* Mortality rate spread across 5 years. Calculated on a sample of ~3000 tech product start-ups founded from 2011 to 2015

Section 3: Key Evolving Verticals and Technology Focus Areas

Key highlights

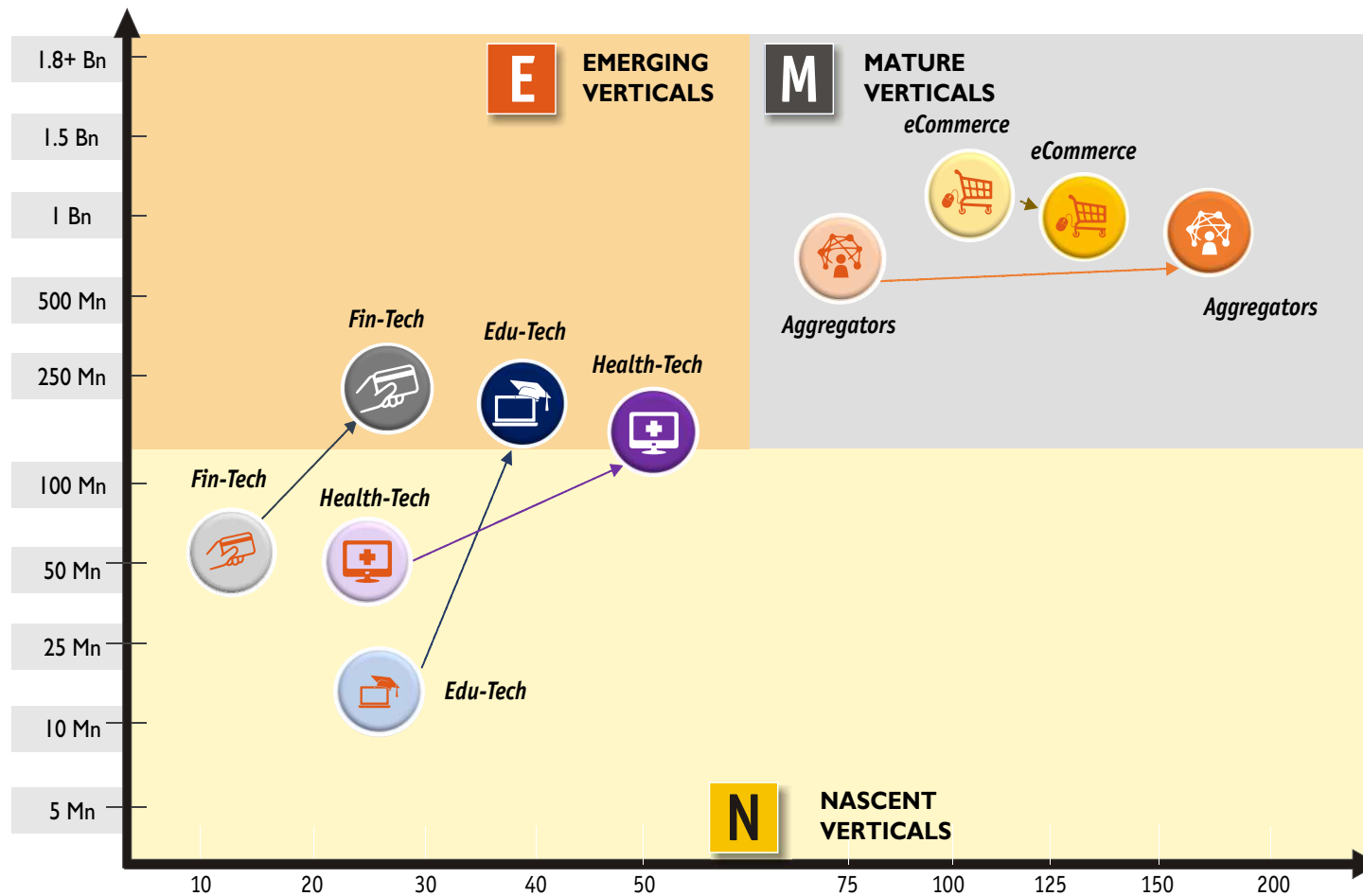
- eCommerce and Aggregators leading the space, more than 180+ new start-ups² in 2016
- Edu-Tech is the fastest growing vertical in terms of funding¹ with 3x YoY growth
- Significant disruption in Health-Tech and Edu-Tech with 100+ & 40+ new start-ups² respectively
- Cloud, IOT & ML/AI are the core technologies disrupting almost every vertical



Notes: 1. Estimates based on average deal size and number of deals (extrapolated based on number of deals in first two quarters). 2. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016

Vertical Comparison – 2016 over 2015

Fin-Tech and Edu-Tech, racing ahead with the promise of cashless economy and quality education



M MATURE VERTICALS

- Established start-ups that have been disrupting the market leaving limited scope for new entrants
- Companies backed by deep-pocketed investors

E EMERGING VERTICALS

- Start-ups already challenging the status quo and partnering with incumbents to offer future solutions
- High interest from investors
- Growth in the number of new start-ups in 2016

N NASCENT VERTICALS

- Start-ups that have started gaining traction

X-Axis: No. of Start-ups that received funding in 2016

Y-Axis: Start-up Funding Amount (in USD Mn)

Lighter color represents 2015 scenario



Notes: I. Based on the funding amount received by tech start-ups in 2016

eCommerce Start-ups – Quick Facts & Emerging Use Cases

Leading the start-up space; 85% of eCommerce companies offering B2C solutions

1. Total Start-ups¹

Total Start-ups Incorporated in 2016

1500+ **180+**

2. Customer Segments¹

B2C: 85% **B2B: 15%**

3. Funding²



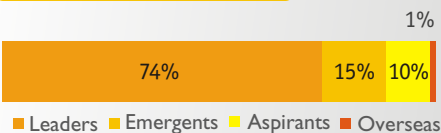
Total funding:
USD 1.8 Bn+ in 2016,
down by ~12% YoY

4. Top Investors²



Contribute over 20% of the overall funding

5. Start-up HQ^{1,3}



Fastest growing eCommerce market in the world in 2016

76%

Online shoppers belong to top 8 Indian metro cities

65%

eCommerce sales are generated by mobile/tablet

“Niche” categories are the key focus for start-ups as “Across” category hits a plateau

Categories	Illustrative Examples	Key highlights
Popular Niche Segments		
Fashion & Retail	MELORRA	Start-ups are forging exclusive partnerships with fashion brands, leveraging M&As to acquire technology to offer enhanced customer experience
Food and Grocery	SWIGGY	Though raised significant funding for growth, biggest challenge for this segment is to deal with low profit logistics/delivery of food
Travel & Hospitality	ovo	Using different strategies such as offering end-to-end tour customisations, travel audit services, or using fleet of electric vehicles
Home & Decor	infurnia FURLENCO	Emerging sub-segments within home & decor like furniture rentals, AR/VR ⁴ tech start-ups to get more funding opportunities
Nascent Niche Segments		
Healthcare	1mg	Key challenges Licensing, regulatory clearances, approvals to deliver medicine & get doctors on board High cost of acquiring customers & getting skilled workers
Consumer Services (Plumber, Electrician, etc.)	gearb.in	

Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Q2-2016 3. Leaders: Bengaluru, NCR, Mumbai; Emergents: Hyderabad, Chennai, Pune; Aspirants: Upcoming Cities/Tier-2/3 Cities, 4. AR = Augmented Reality, VR = Virtual Reality; Source: NASSCOM report, Zinnov Analysis

eCommerce Start-ups – Top Trends & Success Factors

Vertical defined by marked M&As, focus on ‘Niche’ markets, and increasing use of technology

KEY HIGHLIGHTS

Leveraging M&As For Business Expansion

- ✓ 50% of total M&As involved eCommerce firms
- ✓ Key reasons for M&As is to expand customer outreach and get access to better technology



LogiNext
Logistic Data
Analytic
Platform



YourGuy
Last Mile Delivery
Solution

**Strengthen
LogiNext's
last mile
delivery platform,
Sprintr**

SPINNY
eCommerce
(Used Car)



hop car
eCommerce
(Used Car)

**Strengthen its business in
Delhi-NCR, Bengaluru and
expand in tier-1 & 2 cities**

Movement Towards ‘Niche’ Markets

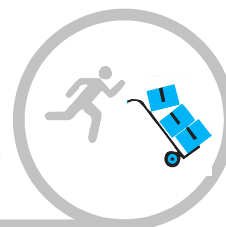
- ✓ eCommerce firms are focussing on more niche segments such as fashion, health, food, travel, consumer services

flatfurnish.com

**Living rooms,
bed rooms
furniture shop**

**Pink blue
a kids boutique India**

**Baby boys & girls
clothes shop**



Rise of eCommerce Enablers¹

- ✓ 60+ eCommerce enablers, majorly in logistics and customer engagement
- ✓ From customer targeting, logistics to Payments, eCommerce enablers are driving next level of ecosystem growth & gaining investor attention



browntape

**Multi channel
inventory
management**

REVERIE
Language Technologies

**Enables apps, processes,
content & portals to go
multilingual in real-time**

Reinventing Business Models

Solution for Staying Competitive

snapdeal

Cirrus-own private cloud platform

Benefits

- Caters to fast growing demand for crunching Big Data to build personalized experiences for consumers
- Cost effective than public cloud in long run

**“Snapdeal is putting Cirrus as core competitor
against AWS, Google cloud, Microsoft Azure”**

Snapdeal to spend USD 35 Mn on rebranding activities in 2016

Flipkart



exclusive licensing

- Flipkart is entering into exclusive licensing agreements with brands like Provogue, Swiss Military, Carlton London and Chemistry

SHOPCLUES

going rural

- Partnerships with Store King and Payworld to reach 300,000 offline, small stores in rural India
- Digitize merchants with mobile merchant banking, auto management solutions

Notes: 1. eCommerce Enablers support eCommerce players in business related operations like supply chain management, logistics, inventory management, predictive analytics, etc.

Sources: YourStory, Zinnov Start-up Database, Zinnov Analysis

Fin-Tech Start-ups – Quick Facts & Emerging Use Cases

Continues to grow strong with expansion into tier 2/3 cities; 70+ start-ups founded in 2016

1. Total Start-ups¹

Total Start-ups Incorporated in 2016

250+ **70+**

2. Customer Segments¹

B2C: 49.6% **B2B: 50.4%**

3. Funding²



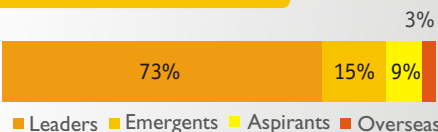
Total funding:
USD 170 Mn+ in 2016,
up by ~16% YoY

4. Top Investors²

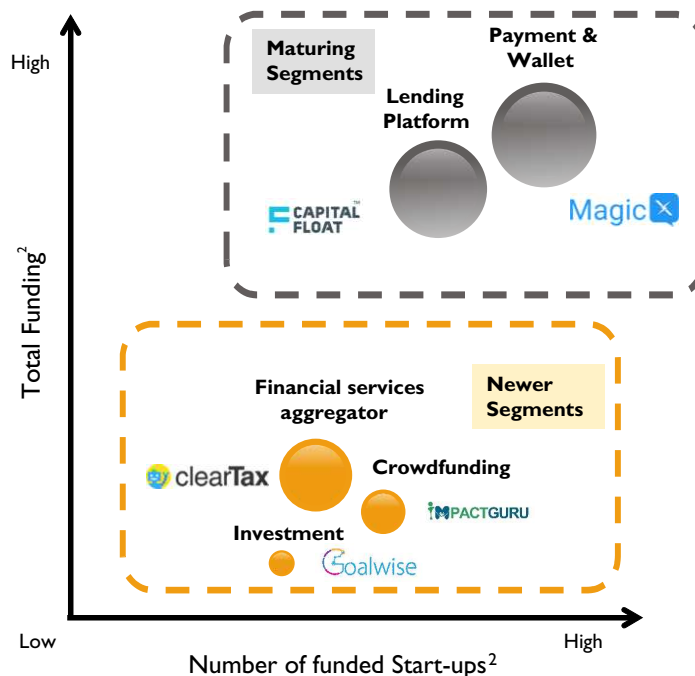
SEQUOIA ACCEL PARTNERS apis | partners

Contributed over **65%** of the overall funding

5. Start-up HQ^{1,3}



Emerging Use Cases – Focus Areas of Indian Fin-Tech Start-ups



Size of the bubble represents the number of start-ups

Mature segments expanding businesses

Geographical penetration

- Expansion into tier 2/3 cities - creating new user awareness
- Tailored go-to-market models - simple user interface, content in local language

Further Technology Disruption

- Newer technologies/concepts using India Stack (Aadhaar-enabled payments)
- Refining/recreating existing technologies (risk profiling of lending platforms, joint payment models etc.)

Newer segments developing business and tech infrastructure

- AI/robotics-enabled financial advisory start-ups working towards developing full-proof algorithms.
- Crowdfunding creating awareness and user-base

Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Q2-2016 3. Leaders: Bengaluru, NCR, Mumbai; Emergents: Hyderabad, Chennai, Pune; Aspirants: Upcoming Cities/Tier-2/3 Cities; Source: NASSCOM report, Zinnov Analysis

Fin-Tech Start-ups – Top Trends & White Spaces

Enabling India to transact easily, and become financially agile – a whole new era of paperless, and cashless economy

KEY HIGHLIGHTS

Collaborative Approach



- ✓ Start-ups are collaborating with technology companies, accelerators and financial institutions for co innovation purpose



Companies



Cognizant

Financial institutions



State Bank of India

Accelerators



Rainmatter

“You need the right set of talent to develop end-to-end robust solutions. Initial products launched in the Fin-Tech space had been quite simple. The next generation products will be enabled by AI, machine learning, AR/VR, and requires good tech infrastructure.”

- Start-up Founder Speak

Dominating B2B Space

~70% funding received by start-ups offering B2B solutions



- ✓ Received a funding of USD 25 Mn in Jan'16
- ✓ Provides ATM services to large banks in the country



Rural Financial Support

- ✓ Start-ups are working on financial inclusion with the help of partner banks to provide services to low income groups in unbanked rural areas
- ✓ Leverage payment, wallet service while using Big Data & Cloud technology



Promoting Financial Inclusion

Tablet banking platform



Use mobile wallet for transactions

OPPORTUNITIES

- Developing product and services, closely aligned with government's vision and support system like Aadhaar enabled payments
- Customized value added offering for rural areas –Microfinance, lending etc.
- Robo-advisory & Blockchain could gain prominence over the next couple of years

- Address data security/cyber security, and regulatory compliance policies
- Generating user base/awareness

CHALLENGES

Sources: YourStory, Zinnov Start-up Database, Zinnov Analysis

Health-Tech Start-ups – Quick Facts & Emerging Use Cases

Helping India in delivering better health services - with 100+ start-ups founded in 2016

1. Total Start-ups¹

Total Start-ups
250+

Incorporated in 2016
100+

2. Customer Segments¹

B2C: 76%

B2B: 25%

3. Funding²



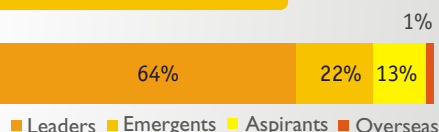
Total funding:
USD 130 Mn in 2016,
up by ~60% YoY

4. Top Investors²

SEQUOIA **M** **IDG** **Ventures Vietnam**

Contributed over **40%** of the
overall funding

5. Start-up HQ^{1,3}



Highest number of deaths during
child birth



60% Deaths in India are due to chronic
diseases



Rank 112 Among 190 countries in healthcare
ranking

India's healthcare
expenditure

4%
of GDP

1.2%
of GDP












Global Median

5.2%
of GDP



Dual burden of communicable and
chronic diseases, lack of adequate
health infrastructure, and ageing
population create huge opportunity in
the healthcare space

Start-ups are setting up platforms and addressing the pain points of the industry

Key Categories of start-ups	Examples	What they enable
 Online discovery & remote consultation Finding doctors online, and conducting remote consultation (telemedicine)	 	Cater to lack of infrastructure, and lack of access to timely healthcare
 Health eCommerce Order medicine, book medical services through eCommerce websites		Easy access to health products & services
 Tech-enabled diagnostics/devices Using technology to develop better diagnostics/ devices and remote monitoring	 	Technologies for rural areas, cheaper devices, home care, personalized treatments
 EHR/EMR/HIS Digitise medical records, patient profiles etc.	 	Centralized repository of patient data to enable quicker and personalized services in future

● Size of the bubble represents the number of start-ups and colour shades represent amount of funding raised

Notes: 1 Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Q2-2016 3 Leaders: Bengaluru, NCR, Mumbai; Emergents: Hyderabad, Chennai, Pune; Aspirants: Upcoming cities/Tier-2/3 Cities; Source: Zinnov Analysis, WHO's Global Healthcare Expenditure Database

Health-Tech Start-ups – Top Trends & White Spaces

Cost-effective solutions, preventive health, and home healthcare to drive growth of start-ups

KEY HIGHLIGHTS

Key Focus Among Academia



- 60%+ Academic incubators have Health-Tech product start-ups as one of the prime focus area
- 10+ Student Health-Tech start-ups have been incubated

medprime

- Venture started by IIT-B student
- Portable product that can be used on field for healthcare diagnostics, stores data in digital format, and allows real-time sharing

“Investment will continue to happen as the fundamentals of the sector are very strong.”

- Blume Ventures

OPPORTUNITIES

- Blue ocean in providing rural healthcare access
- Academic partnership can drive research in product development
- Home healthcare
- High investor support

Emphasis On Low-Cost Products, Especially For Rural India and Developing World

SIG{.}TUPLE

Product that automatically analyses images of blood, reduce travel cost & improve rural accessibility

- Start-ups are targeting affordable products, catering to the rural population of India



Movement Towards Preventive Mindset



- Start-ups are offering personalised preventive healthcare solutions to clients while using genetic assessment
- Companies like Xcode Life are going a step ahead in decoding genetics, and providing personalized offerings

AllizHealth
Making Health A Priority

Identifies patient's health risks through health records, and provides personalized preventive care

- Highly regulated market
- Capital & research intensive
- Funding currently eCommerce focused, need more traction in other innovative areas
- Lack of systematic data capture

CHALLENGES

“Though challenges are there, people in the industry are working hard to get through them.”

- Investor Speak

Sources: YourStory, Zinnov Start-up Database, Zinnov Analysis

Edu-Tech Start-ups – Quick Facts & Emerging Use Cases

One of the fastest growing verticals, with 3X growth in funding

1. Total Start-ups¹

Total Start-ups Incorporated in 2016

180+ **40+**

2. Customer Segments¹

B2C: 75% **B2B: 25%**

3. Funding²



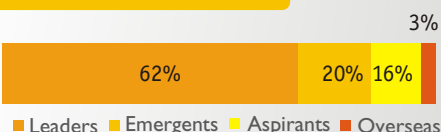
Total funding:
USD 170 Mn+ in 2016,
up by 200% YoY

4. Top Investors²

SEQUOIA **SOFINA**

Contributed over **50%** of the
overall funding

5. Start-up HQ^{1,3}



24%

Gross enrolment ratio, higher education (%)

400 Mn

Citizens to be provided skill trainings by 2022

Emerging Use Cases – Focus Areas of Indian Edu-Tech Start-ups

Proportion of Edu-Tech Start-ups	Key Technology Used	Challenges/Opportunities	Illustrative Examples
eLearning (~42%) K12, Online Courses, eCertifications	Cloud, Big Data/ Analytics	K12 eLearning is saturated Opportunity in online certifications	BYJU'S simplilearn
Test Prep (~25%) Competition Prep like JEE, CAT	Big Data/Analytics	Offline Incumbents such as FIITJEE, TIME dominate this market	toppr embibe
Marketplace (~18%) School/ Coaching Centre Aggregator	Analytics	Differentiation & localisation of services needed for growth	Vedantu EduKart
Edu ERP Systems (~10%) Student Database Management, School ERP System	-	Large number of schools and other educational institutions represent significant B2B opportunity	CloudEMS penpencileraser
eMentoring (~5%) Career Counselling, I-on-I Mentoring	ML/AI, Cloud	ML/AI being leveraged by a few players, representing a whitespace	Professional Knowledge & Career Guidance

“The Indian Edu-Tech market is highly fragmented, with not a single provider owning more than 2-3% of the market”



“We face dual challenge, first competition from offline rivals and second availability of free online content”

Start-up Founders Speak

Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Q2-2016; Amount contributed by lead investors alongwith a group of other investors 3. Leaders: Bengaluru, NCR, Mumbai, Emergents: Hyderabad, Chennai, Pune, Aspirants: Upcoming/Tier-2/3 Cities 4. To be trained under the PM's 'Kaushal Bharat, Kushal Bharat' initiative; Source: NASSCOM report, Zinnov Analysis

Edu-Tech Start-ups – Top Trends & White Spaces

Focus is to provide quality education, with rural and semi-urban accessibility

KEY HIGHLIGHTS



Quality eLearning Through Partnerships

30%+

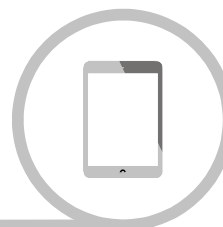
E-Learning start-ups are partnering with national, international universities & industries

UpGrad partnered with IIT Bengaluru and **GENPACT** to offer Analytics course

Adopting PC Tablet and Mobile Way 15%+

mobile offers eLearning modules around Maths, English and other subjects on tablets

Focussing on tablet and mobile based solutions to cater students and working professionals



Rural Accessibility

Start-ups are leveraging technology & solar power to create online content in local language, thus, benefitting students in rural areas

ConnectEd Technologies provides e-learning platforms to offer vocational training & quality education in rural Maharashtra

Expansion In Tier 2 Cities 16%+

arivanza, based out of Coimbatore provides Edu-Tech platform to build courses online

Edu-Tech start-ups are based out of Tier 2 cities like Coimbatore, Vidyanagar, Nagpur etc. But Tier 2 is still a blue ocean for Edu-Tech, as none of tier 2 has emerged as a hub



Success Story

BYJU'S

Largest Edu-Tech start-up in India
USD 125 Mn funding in 2016

2011

Founded Byju's

Offline model with focus on test prep mainly CAT

2013

Online & Offline model

Started K12, GRE, GMAT offerings, outreached few thousand students

2015

Mobile app based model

Leapfrogged to next level through mobile platform, reaching about 2 Mn students

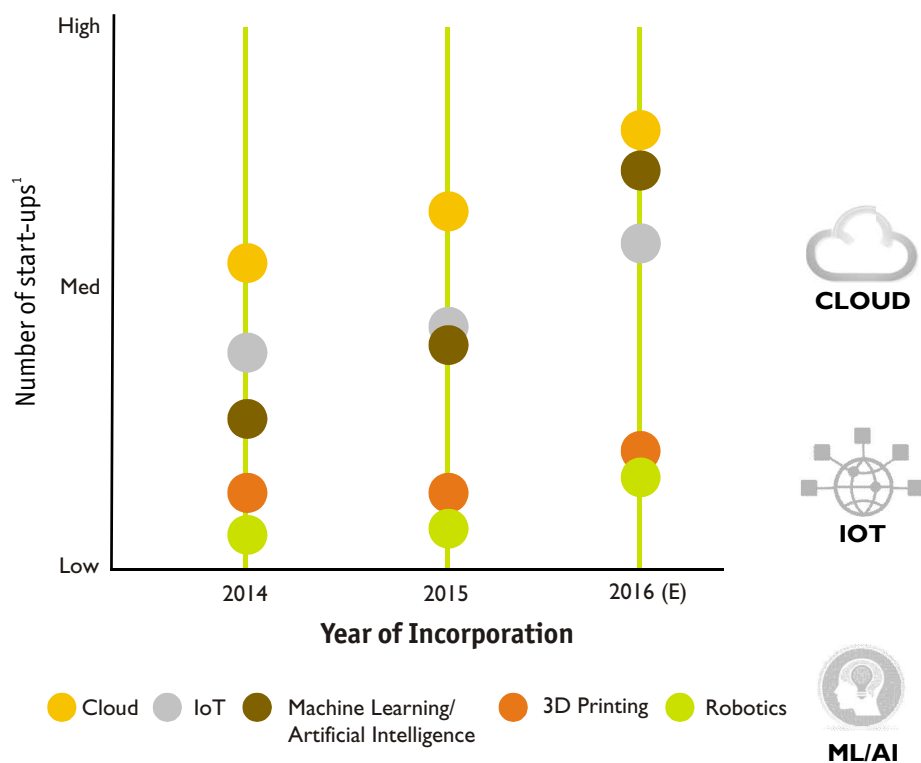
"They are a content company and have a chance to leverage that through teacher-assisted video learning. It's a more scalable model now."

Investor Speak

Sources: YourStory, Zinnov Start-up Database, Zinnov Analysis

Core Technologies – Quick Facts & Emerging Use Cases

Cloud, IOT, and ML/ AI start-ups foray successfully in the Indian terrain



Reasons for growth of core technologies

Reducing price, scalability, offer customised solutions, effective customer targeting, improve process efficiency

- Cloud market in India is expected to reach **USD 10 Bn by 2020**, growing at a CAGR of **35%**
- Over 80% of the 250+ cloud start-ups offer SaaS solution and ~95% of funding to cloud start-ups was received by those providing SaaS solutions²

- The IOT market in India is expected to reach USD 15 Bn by 2020
- Out of nearly 150+ IOT start-ups, 60%¹ have emerged during the last three years
- Healthcare and manufacturing are the two key verticals using IOT solutions

- Artificial Intelligence market is estimated to reach USD 5 Bn by 2020, growing at a CAGR of 54% between 2015 and 2020
- Out of nearly 135+ ML/AI start-ups, over 50% have emerged in the last two years

CLOUD
Highest Number of
Start-ups (250+)

ML/AI
Highest YoY growth
(125%)

3D Printing & Robotics

- More than 90% of 3D printing start-ups have emerged in the last three years

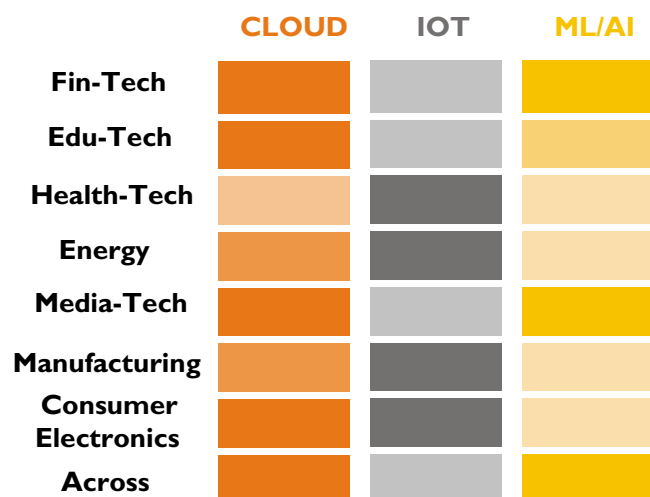
- Manufacturing is the key vertical using Robotics. More than 30% of the Robotics start-ups focused on manufacturing vertical

Notes: 1. Extrapolated based on data for ~1750 start-ups recorded till Aug 2016; 2. Extrapolated based on data recorded till Q2-2016; Source: NASSCOM report, Zinnov Analysis

Core Technologies – Top Trends & White Spaces

Manufacturing, Energy, and Fin-tech witnessing significant technology disruption

Most prominent new technology focus areas-2016



- Manufacturing and Energy are the early adopters of new technologies
- Followed by Fin-Tech, Health-Tech & Edu-Tech verticals

% of start-ups using technology



A cloud-based platform for community learning and study material exchange



Real time dashboards using cloud platform for measuring flow, temperature etc.



Cloud based SaaS applications to efficiently manage loan portfolios

"India's competitive advantages will help Indian SaaS companies see strong growth and create USD 50 Bn in value over the next 10 years," *Investor Speak*



Industrial IOT product for manufacturing and remote monitoring



Product for visually impaired while integrating smart phone & camera



Integrated wearable android connected device for health monitoring

The commitment from our investors validates the belief in the growth story of Altizon as a leading innovator in the Industrial IoT space." *Start-up cofounder*



AI platform for Contextual Text Mining, Social Media Monitoring



Natural Language Processing powered Intelligent Chat Bot Platform for Banks



Algorithm driven semi-automated career planner planning & mentoring













"As robotics and artificial intelligence continue to improve, in the future bots will surely replace most conventional jobs." *Start-up cofounder*

Sources: YourStory, Zinnov Start-up Database, Zinnov Analysis

Start-ups Solving India Centric Problems

Start-ups are leveraging technology to address decade old India centric problems

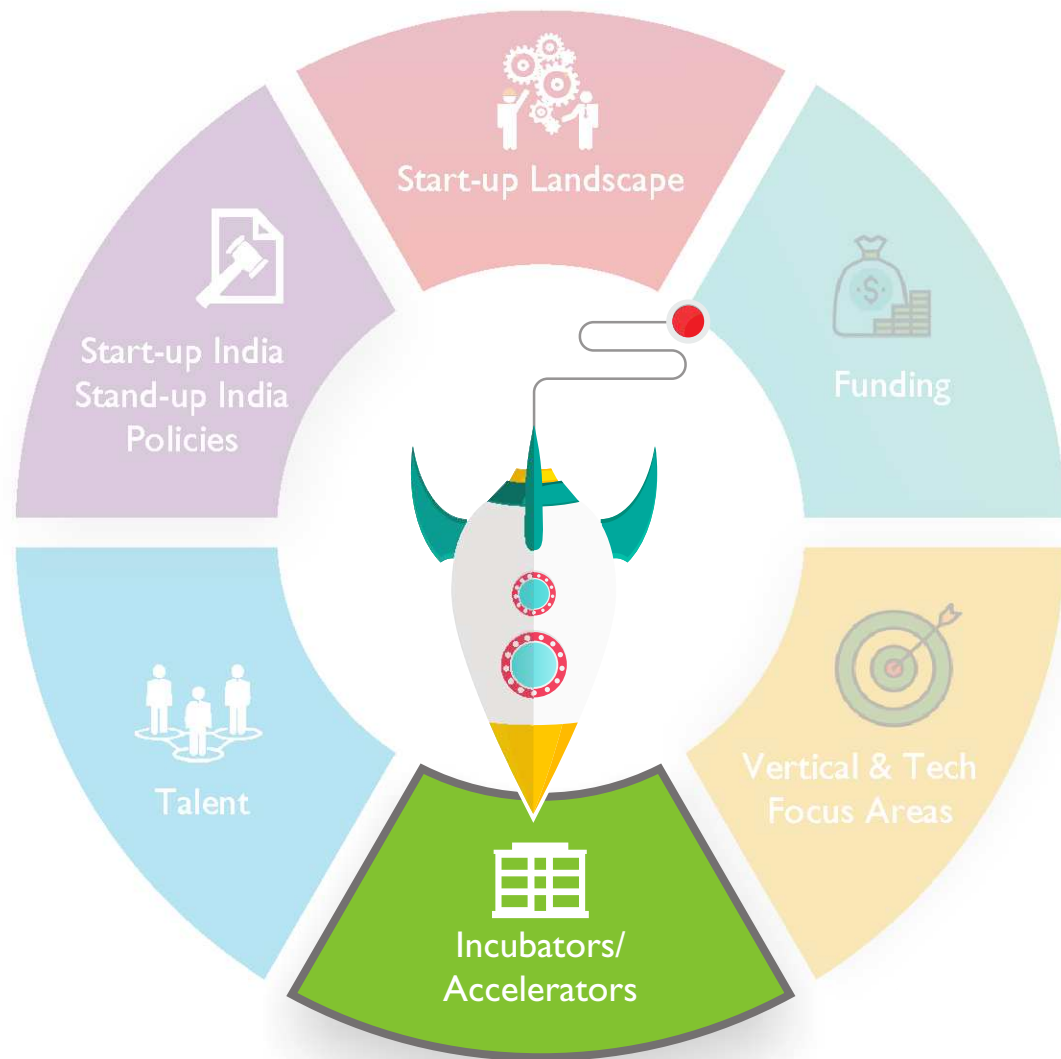
Start-ups are targeting different India specific problems by leveraging technology and innovative approach

					
Solving Energy Problems	Providing Quality Education	Improving Health Access	Making India Cashless	Financial Inclusion	Easy Loan Accessibility
Smart monitoring, energy analytics platforms, smart transportation, solar energy	Online education platforms, mentoring, rural accessibility	Access to healthcare, affordable diagnostics solutions	Digital payments, wallets for transactions	Inclined with Pradhan Mantri Jan-DhanYojana scheme for comprehensive financial inclusion	Alternate lending, financing
					
Provide IOT solution for clean energy	K12, competition coaching like CAT, GMAT	Portable product that can be used on field for healthcare diagnostics	Mobile platform for cashless transactions for micro merchants	Provides prepaid payment solutions with Yes Bank	Online SMB lending platform
Impact	Impact	Impact	Impact	Impact	Impact
Cloud solutions for operational efficiency, predictive maintenance, smart grid and connected health industries	Providing tablet-based quality education to 2Mn+ students	Portable product that can be used on field for healthcare diagnostics, stores data in digital format, and allows real-time sharing	Enabled 2,000+ merchants	Served 3,00,000 customers per month and each remits an average of INR 4,000 by EZdhan service	Disbursed INR 500 crore in 2 years Plans: INR 2,000 crore in 2016

Section 4: Incubators and Accelerators

Key highlights

- 140+ incubator & Accelerators across India
- Over 40% YoY growth over 2015 with 40 new additions this year
- Corporate Accelerators continue to enter Indian market to leverage talent



Incubators and Accelerators – Quick Facts

With impetus from Government and Corporates, witnessing 40% YoY growth

140+

Accelerators/ Incubators
(Over 40% YoY growth in
2016)



~30 new academic incubators
established under the 'Start-up
India Stand-up India' initiative



Bengaluru, NCR, and Mumbai
continue to be the leading hubs,
with **40%+** incubators/
accelerators located



Tier 2/Tier 3 cities seeing
traction, with **66%** of new
incubators established



Corporate Accelerators also
seeing growth (**~35% YoY**)



Incubators/Accelerators have a
technology (Cloud, Big
Data/Analysis, and ML/AI) focus,
and not particularly verticals.











Notes: Incubators provide seed funding, incubate ideas, help in product development whereas Accelerators help start-ups having at least one version of the product in scaling up the business.
Source: Zinnov Research & Analysis

Key Characteristics of the Incubator/ Accelerator Ecosystem

Academic incubators contribute more than 45% of the ecosystem, propelling more student entrepreneurs

Incubator/ Accelerator Ecosystem in India







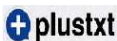















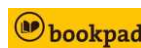


	Corporate	Independent	Academic	Govt. Supported								
Incubators		 	  									
Accelerators	   	 										
Key Aspects	Accelerator focused <ul style="list-style-type: none">Company focusedTypical duration of 15 weeks to 6 months <table><tr><td>Key Technology Focus Areas</td><td>Key Verticals</td></tr><tr><td><ul style="list-style-type: none">ML/AIBig Data/ AnalyticsCloud</td><td><ul style="list-style-type: none">Edu-TechFin-TechHealth-TechAd-TechRetail</td></tr></table>		Key Technology Focus Areas	Key Verticals	<ul style="list-style-type: none">ML/AIBig Data/ AnalyticsCloud	<ul style="list-style-type: none">Edu-TechFin-TechHealth-TechAd-TechRetail	Incubator focussed <ul style="list-style-type: none">Idea focusedTypical duration of 6 months to 3 years <table><tr><td>Key Technology Focus Areas</td><td>Key Verticals</td></tr><tr><td><ul style="list-style-type: none">Analytics3d PrintingInternet of Things (IOT)</td><td><ul style="list-style-type: none">ML/AIManufacturingHi-TechHealth-TechEnergy</td></tr></table>		Key Technology Focus Areas	Key Verticals	<ul style="list-style-type: none">Analytics3d PrintingInternet of Things (IOT)	<ul style="list-style-type: none">ML/AIManufacturingHi-TechHealth-TechEnergy
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Key Technology Focus Areas	Key Verticals											
<ul style="list-style-type: none">Analytics3d PrintingInternet of Things (IOT)	<ul style="list-style-type: none">ML/AIManufacturingHi-TechHealth-TechEnergy											
Key Offerings	<ul style="list-style-type: none">Shared resources, developer toolsCo-creation/co-innovationClient-specific solutionInvestor connect/ VC SessionsBusiness mentorship		<ul style="list-style-type: none">Office space, research labs, libraryStart-up boot camps/ e-summitsAlumni supportFaculty & industry mentorships									

Notes: Incubators provide seed funding, incubate ideas, help in product development whereas Accelerators help start-ups having at least one version of the product in scaling up the business.

Source: Zinnov Research & Analysis

Key Characteristics of the Ecosystem - Deep Dive

Incubators/Accelerators differ in the type of support and mentorship provided

	 Founded & Location	 Physical Infrastructure support	 Mentoring & Assistance			 Notable Start-ups	 Focus Areas		
		Office Space	Tools/ Software	Business Assistance	Networking	Funding			
Corporate	 Microsoft Ventures	2012 Bengaluru	No working space provided	Cloud storage, developer tool, software	CEO coaching, team culture development	Microsoft alumni program, VC connect	Do Not disclose	 plus.txt  NOW FLOATS™  FRROLE Social Intelligence  EXPLARA	Technology: Cloud, Big Data, ML/ AI Vertical: Fin-tech, Hi-Tech, eCommerce, Health-tech
Independent	 GSF	2012 Gurgaon	Co working space provided in Delhi-NCR	Inter GSF tools, software's, shared resources	International mentorship	Local & global VC firms and angel investors connect	USD 30K-60K	 little eye labs  PLAYCEZ ...EXPLORE PLAYERS & FUN HOPE!  SilverPush  h	Technology: Cloud, Big Data, IOT Vertical: eCommerce, M&E, Edu-Tech
Academic	 c je	2002 Ahmedabad	Office, 24 x7 power supply, internet	Library, software resources	400 mentors, IIM A alumni, tech development, design and legal support	Industries, faculty investors networking	USD 10K-800K	 ecolibrum  ridlr  innOZ  RECONNECT ENERGY	Technology: ML/ AI, Analytics/ Big Data, IOT Vertical: Energy, Health-tech, Hi-tech
Govt. supported	 10 000 START-UPS A NASSCOM INITIATIVE	2013 Bengaluru	Quality infrastructure with AC, chair & other logistics	10 Mbps broadband, software kit (cloud credits)	Frequent visit of mentors, one on one investor meetings	50+ start-up events, annual awards, Silicon valley road show	USD 35K – 300K	 Hiree  bookpad making digital content accessible  english dust  MOMOE	Technology: Big Data/ Analytics, Cloud, IOT Vertical: Across

Source: News Articles, Company Websites

Challenges and Opportunities

The ecosystem enablers are industry agnostic, with more focus on technological innovation

Opportunities

Technology is the Core Focus

Major Focus on Big Data/ Analytics and Cloud, followed by Core technology such as Internet of things (IOT), 3D manufacturing, ML/AI

Although Industry Agnostic, Focus More on BFSI

Most prominent industry vertical among the incubators, followed by Retail, Media and Entertainment, Edu-tech, Manufacturing

Co-innovation/ Co-product – An Opportunity Area

Incubators / Corporate Accelerators collaborate for co-innovation and co-product development that can help in solving customers' problems

Challenges



Mismatch in Expectations

Differences observed in business ideas/ models as compared to on-field execution - increasing challenges for incubators/ accelerators

Limited Time Period for Incubation/ Acceleration

3-4 months to incubate/ accelerate start-ups – time period not sufficient for a start-up to scale operations

Evaluating Start-ups is a big challenge

Volume of start-up applications quite high - making the process tedious and time consuming as compared to the US where benchmarks are well defined



Opportunities

Source: News Articles, Company Websites

Section 5: Rising Talent

Key highlights

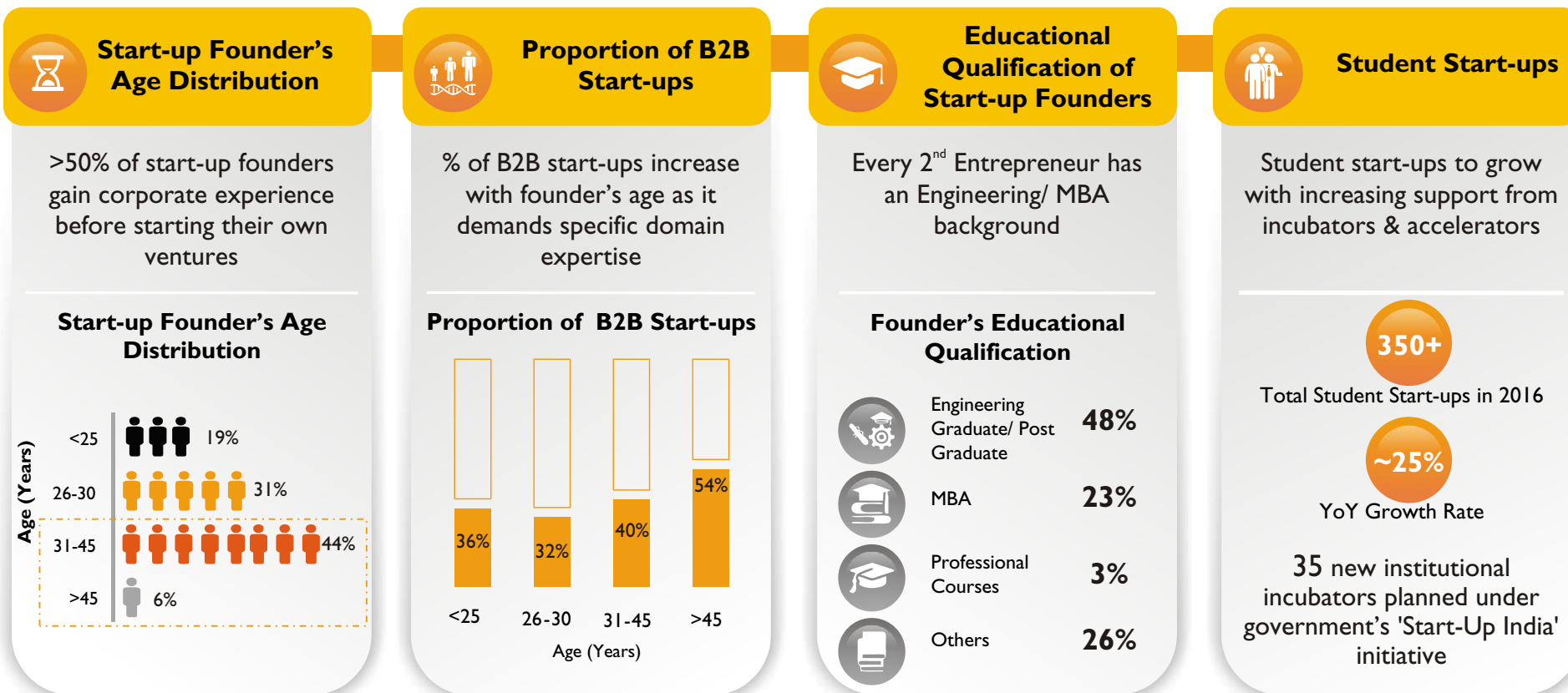
- Proportion of B2B founders increase with age - have at least 6-7 years of industry experience
- 1 in every 10 entrepreneurs is a woman
- Start-up ecosystem continues to attract talent from start-ups, traditional industry & investors



Start-up Founders – Demographic Insights

Experienced professionals exploring the B2B space, while younger generation more drawn to B2C businesses

Demographic Overview



Median age of start-up founders has reduced marginally from 32 years in 2015² to 31 years in 2016²

Notes: Analysis based on a sample size of >1750 Start-ups Sources: LinkedIn, YourStory, Zinnov Analysis ; 2. Median age for 2015 calculated on the sample of 700 start-ups and for 2016 calculated on the sample of 4000 start-ups

Women Led Start-up Ecosystem

Share of Women Entrepreneurs up by 1%, backed by dedicated accelerators and investors



Key Highlights-Women Entrepreneur Ecosystem



Women Entrepreneur Share

1

Women Entrepreneurs in Start-up Landscape¹ 2016

1 in 10
entrepreneurs
is a woman



Women Targeted Initiatives

3



empoWer
1st Indian Women Start-up Accelerator Program

15
Tech Start-ups Incubated

Other Accelerators

CWE
Catalyst for Women Entrepreneurs



Top Focus Areas

2

~50%

eCommerce predominantly into Fashion and Lifestyle, Food & Grocery & Consumer Services

~25%

of women based start-ups present in Health-Tech, Media-Tech & Hi-Tech Verticals



Dedicated Investors

4

SAHA FUND India's 1st VC Fund focused on Women Entrepreneurs-2015)



Total Corpus

USD 15 Mn

India Angel Network invested ~USD 1 Mn in 4 women based start-ups
Info Edge (India) Ltd invested ~USD 2 Mn in 2 women based start-ups

Successful Women Entrepreneur



Meena Ganesh,
Co-founder & CEO



Home Healthcare Services,
1000+ employees across 18 Indian cities

ET Women Entrepreneur Award Winner-2016

2000

Co-Founder; Customer Asset Call Centre
(Funded by Softbank & NewsCorp)

2003

CEO, Tesco, Head of India Operations

2008

CEO, Edurite Technologies

2013

Co-founder and CEO, Portea Medical

Other Illustrative Examples



Arpita Kapoor



Falguni Nayar



Swati Bhargava

Key Challenges



Work-Life Imbalance



Demands Frequent Travelling & Networking



Lack of Investors Focus

Notes: Analysis based on a sample size of >1250 Start-ups, 1. % of start-ups with women as founder or co-founder, 2. includes 'Others include graduate, science post graduate etc., Professional Courses includes Doctors, Journalist, CA etc. ; Source: Zinnov Product/Digital Start-up Database

Start-up Talent- Hiring Trends

While eCommerce employs over 65% talent, emerging verticals are catching up

START-UP HIRING TRENDS

Hiring Shifts from B2C to B2B

- Employee base in less labour intensive B2B start-ups expected to grow by ~30%¹ in 2016, while overall start-up talent expected to grow by ~18% YoY in 2016
- New hirings by eCommerce companies expected to reduce by 50%¹ due to resource optimization & increasing cautiousness among founders

Demand of Non-Technical Professionals

- Start-ups in search for seasoned professional for HR, Finance, Corporate Affairs & Legal functions

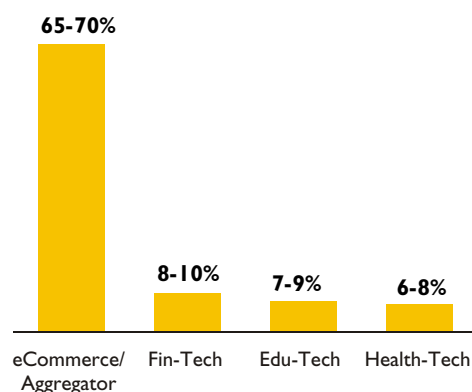
"New-age employees require a lot of new-age practices and the key for these practices is sustainability. There is a need for matured and adoptable professionals in all facets of a start-up, including finance and HR"

Shikha Taneja, Senior HR Director, ShopClues.

Mode of Recruitment

- >70% hiring through internal referrals & employee networks
- Required skills include innovative mindset, risk taking attitude, cross-functional expertise & flexible to working hours

% Employee Share by Vertical



Talent from all Industrial Facets contribute significantly to the Ecosystem



Senior start-up executives striding entrepreneurial path



Ankit Nagori
Founder
Former Chief Business Officer- Flipkart

Curefit



Founders arising from traditional professions



Dr. Charit
Founder
DM Cardiology

tricog



Investors turned founders



Rajesh Sawhney
Co-Founder
Founder- GSF Accelerator



Industry veterans joining start-ups



Nitin Seth
Chief Administrative Officer
Former Director - McKinsey Knowledge Centre

Flipkart

Senior Executives, Experts, Investors & Industry Veterans are developing strong start-up ecosystem with rich technical & business acumen

Source: 'Belong (Bengaluru)', Data recorded during Nov, 2015 to April, 2016

Section 6: Start-up India Stand-up India Policies

Key highlights

- Action Plan declares 19 guidelines such as self certification, tax exemption, patent fee rebate
- 13+ states have developed start-up policies to develop state level ecosystem



Start-up India Stand-up India – A Central Government Action Plan

Funding corpus of USD 1.5 Bn; tax exemptions coupled with other initiatives to boost the start-up ecosystem

To meet the objectives of “**Start-up India**” initiative, Central Government announced an Action Plan that addresses all aspects of the Start-up ecosystem



Specified **19** guidelines for start-ups

“I see start-ups, technology and innovation as exciting and effective instruments for India’s transformation.”

Shri Narendra Modi
Prime Minister of India

Simplification and Handholding

1 Self-certification for compliance with Labour & Environment laws	2 Start-up Hub India to act as a Single Point of Contact
3 Register through App in One Day	4 80% Rebate on Patent Filing Fee
5 Relaxation in Public Procurement	6 Faster Exit (<i>90 days to exit business</i>)

Funding Support and Incentives

7 Funding Support through a Fund of Funds with a Corpus of USD 1.5 Bn (INR 10,000 crore) spread over of 4 years	
8 Credit Guarantee Fund	9 Tax Exemption on Capital Gains
10 No Income Tax on Profit for 3 Years	11 Tax Exemption on Investments Above Market Value

Industry-Academia Partnership and Incubation

12 Organizing Start-up Fests	13 500 Tinkering Labs with 3D Printers in Universities
14 35 Public Private Incubators	15 31 Innovation Centres
16 7 New Research Park Setup	17 Biotechnology Sector Start-ups
18 Annual Incubator Grand Challenge	19 Focused Programs for Students

To foster innovation and to promote start-up ecosystem, NITI Aayog plans to set up 100 incubation centres across the country



New Atal Incubation Centres

Area of incubation
Manufacturing, transport, energy, health, education, agriculture, water and sanitation

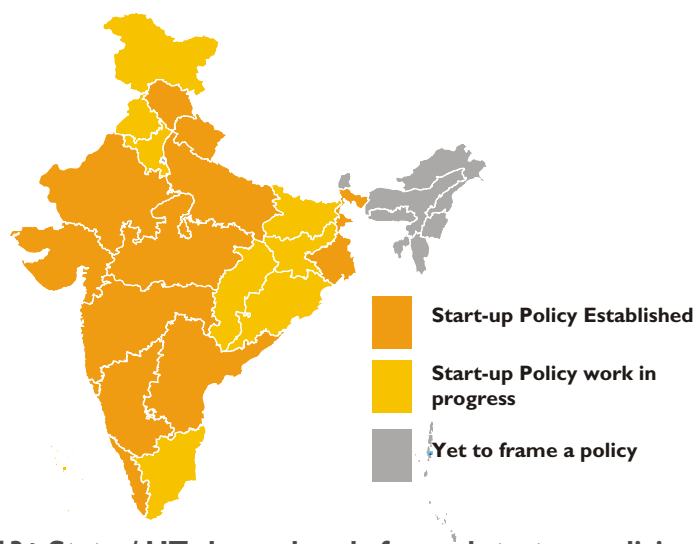
Funding
USD 1.5 Mn (INR 10 crore) will be provided to set up a new center over a period of five years

Source: Action Plan start-up India report

Start-up Policies – By States/ UTs

>13 states/ UTs with already established start-up policies - the ecosystem grows at grassroots level

States are aligning with Central Government's Start-up India mission and formulating dedicated state level Start-up policies

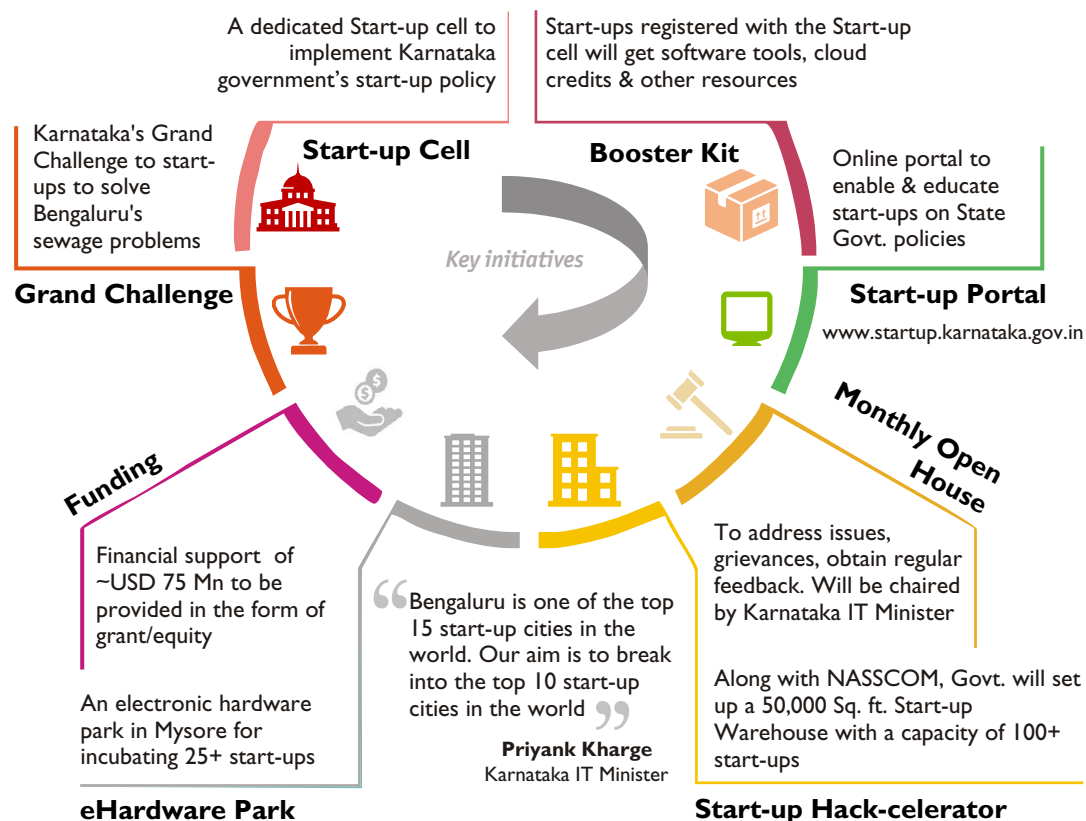


13+ States/ UTs have already formed start-up policies

Follow up Initiative

Govt. organised first states conference in which states like Gujarat, Telangana, Karnataka, Rajasthan and Kerala have been called to present the work they have done on the start-up ecosystem, so that other states can follow

Karnataka Government is leading the wave of Indian start-up ecosystem



“” – Funding is for incubation support and start-ups



STARTUP

NASSCOM 10,000 Start-ups Program

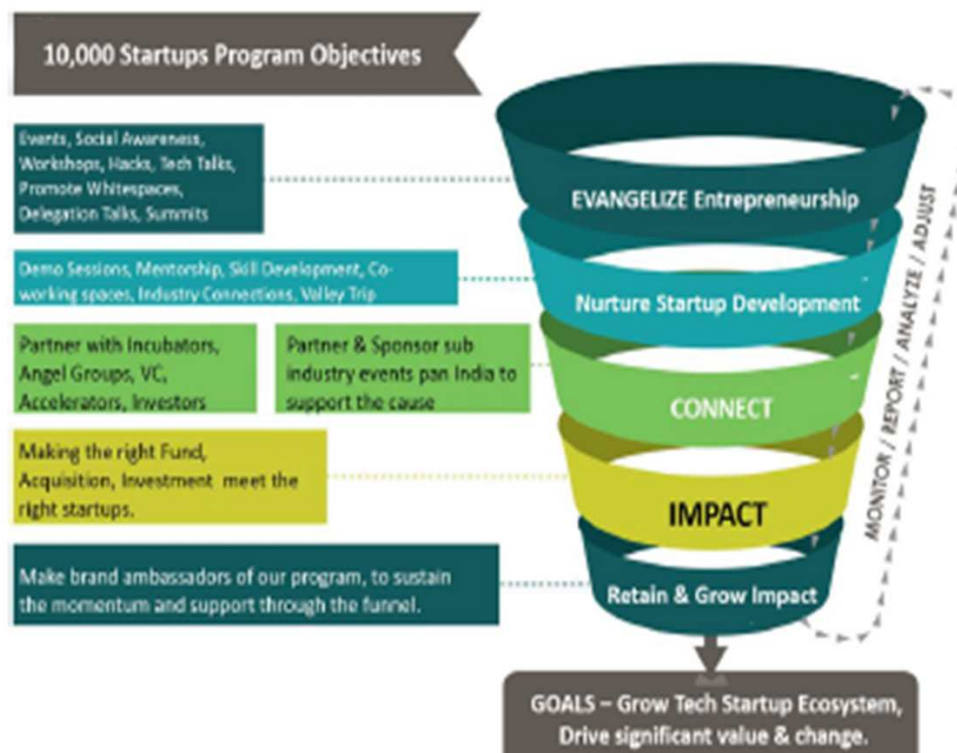
About 10,000 Start-ups

10,000 Start-ups is an initiative by India's premier IT industry body NASSCOM to scale up the start-up ecosystem in India by 10x through incubation, funding and support for 10,000 technology start-ups in India over the next ten years. The program's vision is to:

Foster entrepreneurship and build entrepreneurial capabilities at scale

Strengthen support system for tech startups

Impact 10,000 tech Start-ups on F.A.M.E. model by 2023



To meet these objectives, the program brings together key stakeholders of the ecosystem including start-up incubators / accelerators, angel investors, venture capitalists, start-up support groups, mentors and technology corporations. We operate as the knowledge base of start-ups' working models, vertical interest etc. From 15 partners initially, we've grown to a network of 70 partners today. The program is supported by foundation grants and corporate partnerships.

Our Four Pillars



Our F.A.M.E Model

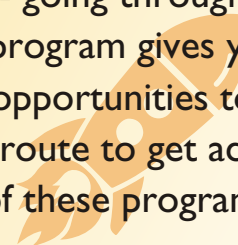
FUNDING

From seed capital to growth capital, the 10,000 Startups program helps the startups shortlisted in its program to raise money from a wide range of investors- angels, micro VCs and Government funds.



ACCELERATION

By applying to the 10,000 Start-ups program, startups can work with the top accelerator programs - going through the 10,000 startups program gives you a wider selection of opportunities to choose from and a quicker route to get accepted into any of these programs.



MENTORING

We conduct focused group workshops for the shortlisted companies on Product Management, Go-to-Market Strategy, Pitching and Industry Insights from the experts.



ENTERPRISE CONNECT

Shortlisted startups under the program get opportunities to showcase their product to top executives of India Inc across industries and explore strategic partnerships, alliances, M&As or just pure business.



NASSCOM Incubation Network (Start-up Warehouses)

Start-up Warehouses are designed for start-ups ecosystem creation and enhance support for technology start-ups in various states of India. The warehouses offer space for dozens of technology start-ups at a highly subsidized cost, in the heart of the city.

The co-working space allow technology start-ups to work for 6-12 months during which it will facilitate demos and pitches by start-ups to investors, large corporates, other accelerators/incubators and individual mentors. It also provides a large event place for hackathons, regular talks and workshops to sharpen the skills of start-ups on go to market, scaling up, global technology trends, and other learning & development needs.

10 START-UP WAREHOUSES

- Bangalore
- Hyderabad
- Kolkata
- Vizag
- Chennai
- Mumbai
- Pune
- Gurgaon/Noida
- Kochi

- 211 start-ups have been incubated across warehouses with more than \$20 mn funding raised.
- Over 250 events conducted across warehouses including investor and industry connects, workshops and hackathons

Top Gun Start-ups from 10,000 Start-up Warehouse

Admission Table, SlideRule Labs Inc, AdNabu, Eclinic247, Urbanpiper software india pvt. ltd, EnglishDost - BlueHat, TechBoulder Technology solutions Pvt Ltd, Gigatable Technologies Private Limited, Uncanny Vision, Medikoe, Vidgyor Media Technologies Pvt. Ltd., CooeY Technologies Pvt Ltd, Stelae Technologies, LIMITLESS, Changer Mints, Eazycoach, Seenit, IManageMyHotel, Zophop, Shoppinpal, Bookpad, Ridingo, Bakfy, Findulum Techlabs Pvt Ltd, Abhiman Technologies Private Limited, NativeBeta, OptimizedBits, SmartPocket, Applop

NASSCOM 10,000 Start-ups Programs

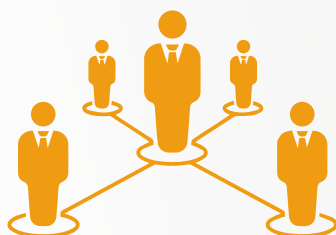
Start-up Konnect Program



10,000 Start-up Konnect aims to bring together funding partners, mentors, enterprise tech industry network and 10,000 shortlisted start-ups for the purpose of win-win partnerships. These connect events enable start-ups to interact with bigger contemporaries and pitch their idea and products.

The Indian start-up ecosystem witnessed the largest Start-up Konnect session with over 200 shortlisted startups engaging with over 100 investors, 150 accelerators/incubators partners and industry experts across 6 cities earlier this year.

NASSCOM Industry Partner Program (NIPP)



NIPP focuses on market validation and early customer development for start-ups. The program on innovative mature technology ventures to test their solution, pricing model, and marketing strategy, also do a proof of concept for sustained engagement between large corporates. NIPP member companies include Societe Generale, All State, CA Technologies, Wipro, HDFC, SAP, Sony, Walmart Labs, Hitachi, Accenture, Axis Bank, UBS, ICICI Dell, Motorola, Goldman Sachs, Swiss Re, Citrus Pay, Banca Sella, DB, Ford, Fidelity, Payoneer, Unilever.

Some of our impacted startups from this program are CustomerXPS, VuNet Systems, WhatFix, Implantaire, CRMNext, Mobiotics, Vymo & Uniphore, Imagineate, The Decision Labs, Lets Endorse, Uniken Lightmetrics, Uncanny Vision

Innotrek

Innotrek – It's a global connect access program, that gives the brightest tech start-ups a chance to go to Silicon Valley, get access to global VCs and connect with some of the biggest and most renowned tech giants of the world.

Hosted by NASSCOM 10,000 Startups, the third edition of Innotrek 2016 commenced on May 02, 2016. It showcased 39 promising startups working through diverse domains like consumer tech, e-commerce, IOT & Cloud, Fintech, Mobile, Multimedia etc.

The week long immersive program provided an opportunity to the tech startups to engage and interact with global giants and encouraged them to gain disruptive knowledge from the top entrepreneurs, besides learning the ropes to scale up globally and forming alliances for competitive advantage.

In a bid to provide maximum exposure and knowledge-sharing, the program kicked off with workshops and discussions by industry experts covering topics such as legal, fund raising, term-sheet hacks, biz dev and sales, product management among others. Some of the speakers included Julie Zhou, Facebook; Geoff Baum, Startup Advisor; Anil Advani, Inventus Law; Sumit Gupta, Piazza Venture Labs; Dinesh Katiyar, Accel Ventures; Ashish Gupta, Helion VC; Ash Lilani, Saama Capital; Ankur Jain, Inclusive Capital; Vera Shokina, Managing Director, Silicon Valley Bank; David Emerson, Harvard Angels; Jim Connors, SandHill Angels; Indus Khaitan, Sequoia.

With NASSCOM Product Conclave organised for a day, the startups were exposed to potent sessions with Valley investors and corporate executives. The highlight of Innotrek 2016 came in the form of campus visits to tech industry powerhouses - Apple, Google, Facebook, Amazon, IBM and Microsoft where the startups met the product leadership and development teams, and gained insight on platform capabilities.

With over 46 speakers, 19 sessions, 7 panel talks, 39 startups over 7 days, Innotrek 2016 ended on a high note.

Events & Impact

Our events facilitate start-ups with connects



We conduct events where our network of investors and enterprises come to hear our companies pitch. These events have been attended by over 200 investors and press from leading publications like Economic Times, Times of India, Business Standard, Financial Express and more. Prior to each Konnect session, our staff and mentors work with each start-up extensively to refine their pitches. Throughout the session we provide access to numerous top-tier investors, angels, corporate representatives, and press. This is essential for fundraising, publicity, and corporate partnerships.

Impacting Startup Landscape



Started in April 2013, 10,000 Start-ups now has 10 warehouses across India. It has successfully organized 800+ high impact events in 22 cities which were attended by 35,000 attendees. It has impacted 1350 start-ups out of 2276 shortlisted startups from 13,800+ applicants. Out of the impacted start-ups, 300 start-ups have received funding while others have received mentorship from influencers, accelerated and enterprise connected.

Our program is supported by our partners Google for Entrepreneurs, Amazon Web Services, Microsoft Ventures, Kotak Mahindra Bank, IBM, Digital Ocean and Facebook.



APPENDIX

Global Start-up Ecosystem Comparison

Quick Facts

Parameters	India	United States	United Kingdom	Israel	China
Global Innovation Index¹	33.61	61.40	61.93	52.28	50.57
Total Number of Start-ups	4,600-5,000	52,000-53,000	4,800-5,400	4,500-4,600	4,200-4,300
Time taken to set-up a new business (days)	15-30	4-8	4-6	10-15	30-40
Corporate Tax Rate	34% (3 years' exemption for Indian start-ups)	39%	20%	26%	25%
Number of VC Firms	300+	800+	NA	200+	NA
Number of Angel Investors	1,800	300,000	18,000	600+	NA
Number of Incubators/ Accelerators	140+	1,500+	50+	130+	2400+ (1600 in the last 2 years)
Number of Unicorns	9	95+	7+	2	30+

Total # of start-ups highest across the United States with 52,000 to 53,000 start-ups.

Nearly 5,000 new start-ups incorporated in 2016

United States also has the highest number of angel investors – 300,000. Nearly about USD 24.1 Billion was invested last year with ~80% of this funding invested in seed and early stage start-ups

China ranks #1 in number of incubators and accelerators across the world due to government driven initiatives.

Source: 1. The Global Innovation Index ranks the innovation performance of 128 countries and economies around the world, based on 82 indicators. This edition explores the impact of innovation-oriented policies on economic growth and development.

Other Verticals

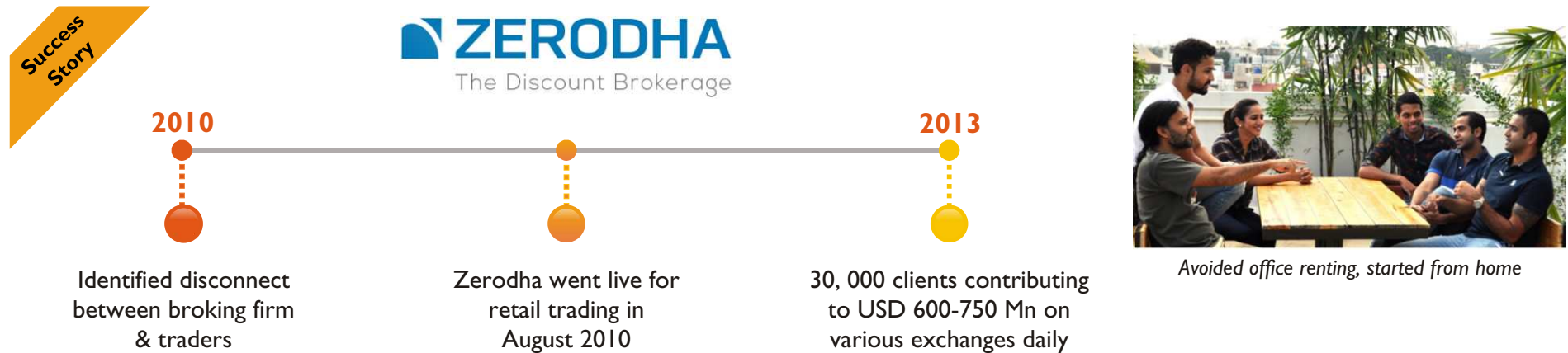
Quick Snapshot

	Total Start-ups	Incorporated in 2016	B2B vs B2C Proportion	Funding (in USD Mn)	Top Investors	HQ split
Media Tech	150-200	75-90	25-30% 70-75%	40-60	Tiger Global, IDG, Unilazer Fund	Leaders: 74% Emergents: 10% Aspirants: 16%
Core Technologies/ Hi-Tech	700-800	150-200	75-85% 15-25%	240-270	Omidyar Network, Stanford Angels, Accel Partners, Kalaari Capital, Inventus Capital	Leaders: 55% Emergents: 20% Aspirants: 25%
SCM & Logistics	150-170	15-25	60-70% 30-40%	100-150	Alpha Capital, Sherpa Capital, Nyca Partners, Thomvest Ventures	Leaders: 82% Emergents: 8% Aspirants: 10%
Food Tech	300-400	50-60	5-10% 90-95%	600-700	Harmony Partners, RB Investments, Abraaj Group, Zodius Capital, Lightspeed Venture Partners	Leaders: 70% Emergents: 12% Aspirants: 18%
Manufacturing	110-140	15-25	70-75% 90-95%	15-25	Matrix Partners India, Idein Ventures	Leaders: 54% Emergents: 20% Aspirants: 24%

Notes: 1 Based on startups funded in 2016 and overall number of startups.2. Presented data for funding and number of start-ups funded from Jan-July 2016 3. Leaders: Mumbai, NCR, Bengaluru, Emergents: Hyderabad, Pune, Chennai; Aspirants: Tier-2 Cities. ; Sources: Zinnov Start-up Database, Yourstory, Vccircle, Trak.in

Successful Bootstrapped Start-up

Case Study – Zerodha



Strategy (2010-2013)

- Zero money spent on advertisement, newspaper inserts, google ads etc.
- Focused on product development for both desktop & mobile (customer centric solutions)
- Prioritised client satisfaction, got the advantage of word-of-mouth advertising by our clients



Strategy (2010-2013)

The company made a profit of **~USD 9 Mn** on revenue of about **~USD 17 Mn** in 2015-16

Winner Bootstrap champ



“As a low cost broking business, it was imperative that we kept our operational costs low.”

Zerodha Team

Sources: YourStory, Zinnov Analysis

Project Scope and Research Methodology

An amalgamation of secondary research, and in consultation with industry thought-leaders - to decode the Indian Start-up Ecosystem

Introduction

The start-up report evaluates the current scenario of Indian start-up ecosystem and gauges India's position as a global start-up hub. This report analyzes emergence of new verticals such as Fin-Tech, Health-Tech & Edu-Tech along with the adoption of technologies like Cloud, Big Data/ Analytics, Machine Learning/ Artificial Intelligence, IoT etc. and recent investment trends.



**Technology Product/
Digital Start-up
Landscape in India**



**Investment
trends**



**Vertical & Technology
Focus Areas & Whitespaces**



**Incubators/
Accelerators**



**Growing start-up
talent**



**Start-up Policies &
Support Ecosystem
in India**

The report will help Indian as well as global stakeholders (start-ups founders & employees, investors, government, regulatory bodies, incubators, accelerators, students) in identifying key growth areas, drivers, policies and start-up support ecosystem

List of Data Sources

Public Sources:

- NASSCOM 10,000 Start-up Database
- YourStory
- CrunchBase
- Angel List
- LinkedIn
- VCCircle
- Start-up Websites
- Trak.in
- Investor Websites
- Media Articles

Zinnov Repository:

- Zinnov tech product start-up database

Expert Discussions:

- 30+ Technology product companies/ start-ups
- 20+ Interactions with VCs, Angel Investors, and Incubators/ Accelerators

Definitions I/2

Start-ups, Investors, and Incubators/ Accelerators

Start ups

Intellectual Property (IP) backed technology product/ platform/ eCommerce/ aggregators using digital platform for customer engagement only considered

- Incorporation Year: Companies incorporated in 2011 and beyond
- Founder: Founding members should be of Indian origin
- Headquarters: Company headquartered in India OR outside with product development centre largely in India
- Product: Intellectual Property backed technology product OR technology platform OR eCommerce OR Aggregators considered

Investors

- Investment by firms such as Venture Capitalist (VC) Firms, Corporate VCs
- Angel Investments by individuals in their personal capacity
- Investments by incubators & accelerators

Incubators/ Accelerators

- Incubators help start-ups in idea development, developing prototypes.

They typically offer:

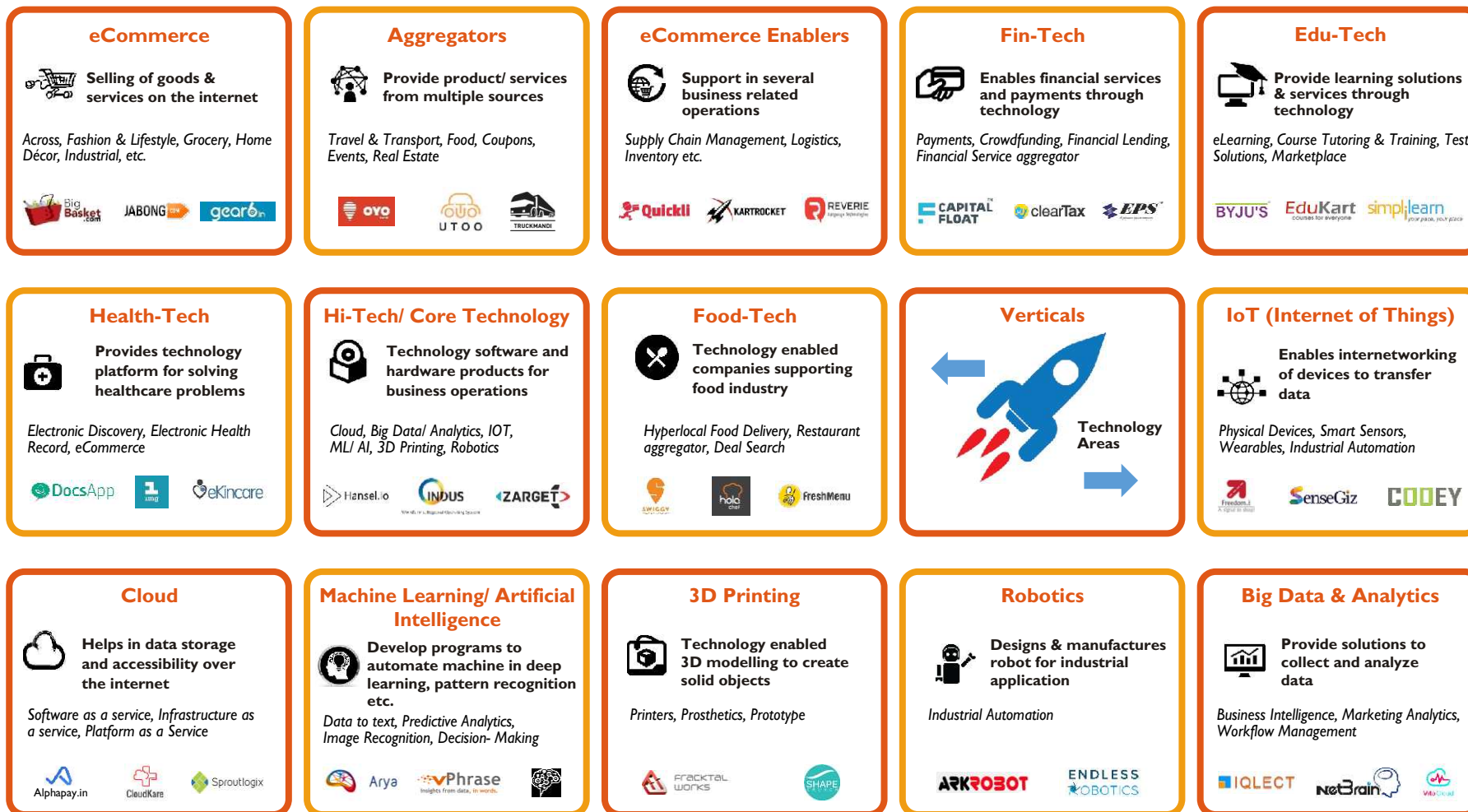
- ✓ Office space
- ✓ Research Labs
- ✓ Library
- ✓ Start-up boot camps/ e-summits
- ✓ Alumni Support
- ✓ Faculty & Industry Mentorships

- Accelerators support start-ups in building prototypes, scaling by providing help for fundraising, brand building, customer growth. They typically offer:

- ✓ Shared resources
- ✓ Developer tools
- ✓ Co-creation/co-innovation
- ✓ Client-specific solution
- ✓ Investor Connect/ VC Sessions
- ✓ Business Mentorship

Definitions 2/2

Verticals and Technology Focus Areas



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