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Highlights

- 63% of respondents who attempted to fundraise in 2016 did not have a favourable experience.
- 65% of respondents felt that the Indian start-up eco-system may be in a technology bubble.
- 94% of respondents would look to fundraise in 2017, though opinion was split evenly on whether fundraising would be easier this year than the last.
- Respondents rated the emergence of start-ups with more robust business models coupled with more exit activity as most likely to improve investor sentiment in 2017.
- The majority of respondents stated growth as their focus area in 2017; VC backed companies, however, rated achieving profitability in the next 1-2 years as the key objective.
- 70% of respondents were open to an exit, with 60% rating an IPO as the most preferred exit route.
- Raising equity, managing talent and market creation were voted top business challenges going into 2017.
- 42% of all respondents had women in leadership positions at their start-ups, up from 33% last year.
- Agri-tech, Artificial Intelligence and Logistics were voted as most underhyped sectors whereas Hyperlocal and Digital Payments as over hyped ones.
- Digital Payments and Artificial Intelligence were expected to be hot sectors in 2017.
- The Goods and Service Tax was rated the most helpful Government initiative.
- Respondents felt further Government policies to improve tax policies, facilitate cheaper financing and increase investments in digital infrastructure would most improve the start-up eco-system.
**Fundraising**

**How was your funding experience in 2016?**

- **Favourable** 37%
- **Unfavourable** 63%

*Start-ups pitched to ~6-7 investors before raising a round*

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favourable, raised from external investors</td>
<td>12%</td>
</tr>
<tr>
<td>Favourable, raised from existing investors</td>
<td>7%</td>
</tr>
<tr>
<td>Raised a Bridge round</td>
<td>7%</td>
</tr>
<tr>
<td>Raised a sub-optimal round from external</td>
<td>9%</td>
</tr>
<tr>
<td>Attempted to raise but could not</td>
<td>15%</td>
</tr>
<tr>
<td>Did not attempt to raise</td>
<td>50%</td>
</tr>
</tbody>
</table>

**How much funding will you look to raise in 2017?**

- **VC Funded**
  - Median per respondent $12.5 MM
- **Angel / Seed**
  - Median per respondent $2 MM
- **Bootstrapped**
  - Median per respondent $2 MM

*94% of respondents are looking to raise a total of ~$800 MM this year*

*4-5 months expected for closure*

**Will fund raising be more challenging in 2017?**

- **Yes** 50%
- **No** 50%

**Who will drive the eco-system in 2017?**

- **Entrepreneurs**, 74%
- **Investors**, 26%
**Fundraising**

What are the most important factors in choosing a lead investor?

- **Strategic fit**: 22%
- **Network**: 16%
- **Commercial terms of the deal**: 15%
- **Strength of institution brand**: 15%
- **Ability to do follow on funding**: 12%
- **Individual Partner sector expertise**: 11%
- **Personal Relationship**: 8%

*For VC backed start-ups, institutional strength of the investor and commercials are most important*

*For early stage start-ups, an investor’s strategic fit, network and personal relationships are key*

**Are we in a technology bubble?**

- **Yes, bursting soon**: 18%
- **No**: 35%
- **Maybe**: 32%
- **Yes, not bursting soon**: 15%

**What will improve investor sentiment in 2017?**

- **More cos with robust business models**: 35%
- **More exits**: 22%
- **More innovation**: 18%
- **More foreign investors setting up India / Asia focussed funds**: 15%
- **More domestic VCs**: 7%
- **Indian Unicorns raising more funds at a higher valuation**: 3%
What will you focus on in 2017?

- **Profitability**: 62%
- **Growth**: 38%

Respondents by revenue stage

**Was burn in 2016 higher or lower than in 2015?**

- **Higher**: 38%
- **Lower**: 34%
- **No change**: 28%

**When do you expect to turn profitable?**

- **Already profitable**: 11%
- **< 1 year**: 36%
- **1 - 2 years**: 80%
- **2 - 4 years**: 98%
- **4+ years**: 100%

**Time to profitability**

- 6% of the VC funded companies are currently profitable
- 67% of VC funded start-ups reduced burn in 2016 from 2015
- Interesting, **early stage start-ups** (angel funded and bootstrapped) are largely aiming for **profitability** in the next two years
Exit expectations

When do you expect to exit?

- In 2017: 36%
- 2018-20: 31%
- 2021-23: 30%
- Can't say: 3%

What would be your preferred mode of exit?

- IPO (offshore): 13%
- IPO (India): 27%
- M&A: 30%
- Remain private: 30%

40% of respondents rated listing publicly as the most preferred exit option.

64% expect to achieve an exit within six years.
What are your greatest challenges currently?

- **Raising equity funding**: 26%
- **Difficulty recruiting employees/managing talent**: 16%
- **Market creation**: 16%
- **Customer acquisition / Customer churn**: 15%
- **Access to debt**: 11%
- **Revenue Growth**: 8%
- **Lack of inorganic growth opportunities**: 5%
- **Competition**: 4%
- **Lack of exit opportunities**: 0%

Fundraising and talent management were top challenges in 2016, as in 2015.

- **E-commerce** and **Healthcare** start-ups rated **fundraising** and **revenue growth** as top business challenges.
- **Enterprise** start-ups rated **customer acquisition** and churn as a significant challenge, as well as fundraising.
- **Artificial Intelligence** start-ups rated **revenue growth** and **talent management** as top two challenges.
• **Agriculture tech**, **Artificial Intelligence** and **Logistics** were voted as most **under hyped** sectors whereas **Hyperlocal** and **Digital Payments** were voted **over hyped** in 2016.

• **Digital Payments** and **Artificial Intelligence** were voted **likely to be hot** in 2017.
Talent and hiring

Would you prefer to relocate to another city?

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>73%</td>
</tr>
<tr>
<td>Yes</td>
<td>27%</td>
</tr>
<tr>
<td>Bangalore</td>
<td>36%</td>
</tr>
<tr>
<td>Mumbai</td>
<td>19%</td>
</tr>
<tr>
<td>NCR</td>
<td>21%</td>
</tr>
<tr>
<td>Other</td>
<td>17%</td>
</tr>
<tr>
<td>Offshore</td>
<td>6%</td>
</tr>
</tbody>
</table>

Which hire do you think is the hardest?

- **24%** Sales
- **23%** CTO
- **23%** CMO
- **9%** COO
- **6%** Design
- **6%** CEO
- **6%** CFO
- **3%** HR

Are women present in leadership roles at your start-up?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, not looking</td>
<td>25%</td>
</tr>
<tr>
<td>Yes, as a CXO</td>
<td>18%</td>
</tr>
<tr>
<td>Yes, on the Board</td>
<td>24%</td>
</tr>
<tr>
<td>No, not looking</td>
<td>25%</td>
</tr>
</tbody>
</table>

- **42%** start-ups reported women in leadership positions at their start-ups, up from 33% the year before

- Chief Technology Officers were rated the toughest hires by VC backed companies

- Sales heads and CMOs were rated the toughest hires by early stage start-ups
Which Government initiative was most helpful in 2016?

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST</td>
<td>23%</td>
</tr>
<tr>
<td>Standup India, Startup India</td>
<td>20%</td>
</tr>
<tr>
<td>Digital India Initiative</td>
<td>18%</td>
</tr>
<tr>
<td>Demonetization</td>
<td>15%</td>
</tr>
<tr>
<td>Relaxation of FDI norms</td>
<td>10%</td>
</tr>
<tr>
<td>Make in India</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>3%</td>
</tr>
</tbody>
</table>

What will be the short / long term impact of demonetisation?

**Short Term**
- Favourable: 47%
- Adverse: 22%
- No impact: 31%

**Long Term**
- Favourable: 44%
- Adverse: 52%
- No impact: 4%

- **Start-ups in the ecommerce, consumer and logistics sectors** rated GST as the most helpful initiative.
- **Media and content** start-ups rated the **Digital India Initiative** as most helpful.
- **Fintech** start-ups were appreciative of policies promoting Digital Payment as well as new tools like the Unified Payments Interface.
- **70%** of Fintech startups also felt Demonetisation was the most helpful Government initiative of 2016.
Government policy

What can the Government do to make starting up in India more attractive?

- Better tax policy: 20%
- Facilitate cheaper financing: 19%
- Invest in digital infrastructure: 16%
- Promote entrepreneurship through education: 10%
- Relax foreign investment norms: 9%
- Incentives to domestic players to compete against global giants: 9%
- Stronger IP protection laws: 8%
- Allow loss making companies to list: 5%
- Other: 4%

Interestingly, taxation was perceived as a major challenge in 2016 – 40% of these respondents also welcomed the GST as the most helpful government initiative.

34% of respondents who rated availability of cheaper financing options as a challenge had an unfavorable fundraising experience in 2016.

Only 9% of respondents felt better incentives were needed for domestic players to compete against global majors.
Favourite start-ups and founders

Which is your favourite start-up?

- UBER
- GOOGLE
- AIRBNB
- AMAZON
- PAYTM
- OYO
- INMobi
- FREECHARGE
- ZOHO
- SPACEX
- BYJU'S
- OLA
- ALIBABA
- LENSKART
- ZOMATO
- TESCO
- FLIPKART
- FRESHDESK
- TESLA
- BOOKMYSHOW

Who is your favourite founder?

- VIJAY.SHEKHAR.SHARMA
- KUNAL.SHAH
- KUNAL.BAHL
- BRIAN.CHESKY
- MARK.ZUCKERBERG
- DEEPA.INDRAJIT
- TRAVIS.KALANICK
- JACK.MA
- AROKIASWAMY
- VELUMANI
- GIRISH.MATHRUBOOTHAM
- BHAVISH.AGGARWAL
- ASHISH.HEMRAJANI
- SRIDHAR.VEMBU
- BINNY.BANSAL
- JEFF.BEZOS
- STEVE.JOBS
- RITESH.AGARWAL
- SACHIN.BANSAL
Respondent demographics

Respondent distribution by revenue stage

- More than $10 million Annual Revenues: 5%
- Growth (>$1 million Annual Revenues): 10%
- Early revenues (<$1 million Annual Revenues): 57%
- Idea / Proof of concept: 29%

Respondent distribution by funding stage

- Bootstrapped: 49%
- Angel funded: 25%
- Backed by an incubator or accelerator: 8%
- VC funded (Series A / Series B): 14%
- VC funded (Series C or higher): 4%
About InnoVen Capital

InnoVen Capital is Asia’s leading venture lending platform providing debt capital to high growth ventures. Started in 2008 as the first dedicated venture debt provider in India, the platform offers multiple debt capital solutions, including venture debt, acquisition finance, growth loans, and syndication. Till date, InnoVen Capital India has provided 140 loans to more than 90 startups across stages, including Swiggy, Yatra, Byju’s, Snapdeal, Freecharge, Myntra, Oyo, Practo, Portea, and Voonik amongst others. For more information, please visit www.innovencapital.com and follow us at @InnoVenCap_IN.

The survey captures responses from over 170 start-up leaders across bootstrapped as well as funded ventures. Data and figures herein may represent the whole or part of a set of responses to a given question to account for data completion matters.

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The 2016 edition of the report can be read here: India Startup Outlook Report 2016

Groups contributing to the study

- 91 springboard
- Amplifi B2B SaaS accelerator
- Axilor Ventures
- BHIVE Workspace
- Blume Ventures
- Bold Kiln
- CIIE
- Indian Angel Network
- Infuse Ventures
- IIT M Incubation Cell
- Kae Capital
- LetsVenture
- Microsoft accelerator
- Mumbai Angels
- NODD
- Rise accelerator
- Sheroes
- Techstars
- The Chennai Angels
- Tlabs
- Tracxn
- Zone startups
- ZNation Lab

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