



InnoVen Capital India: Startup Outlook Report

April 2018



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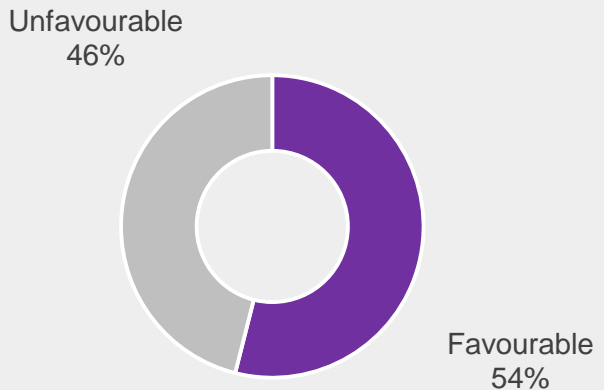
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Survey Highlights

- **Funding Environment improve: 54%** of respondents who attempted to fundraise in last 12 months had a favourable experience (up from 37% in 2016) but 56% feel that it will be challenging in 2018.
- **Buy-outs/M&A more likely Exit scenarios v/s IPO: 46%** of respondents (up from 30%) felt that M&A would be preferred mode for exit compared to 40% who believe IPO will be a preferable exit route.
- Respondents have consistently, for two annual surveys, rated emergence of start-ups with more **robust business models** and more **exit activity** as most likely to improve investor sentiment.
- The majority of early stage & late stage start-ups stated **Growth** as their primary focus area in 2018, while mid-stage start-ups are focusing more on **Profitability** v/s Growth.
- Raising **funding & talent management** continue to be the top challenges for respondents, third year in a row. **Customer acquisition/churn** also highlighted as a key challenge this year.
- **AI, Blockchain, AR/VR** and **Fintech** were highlighted as **over hyped** sectors and likely to be hot in 2018.
- **Agri-Tech, Logistics and Content** were voted as most **under-hyped** sectors.
- **45%** of all respondents had **women in leadership** positions at their start-ups, up from 42% in 2016 and 33% in 2015.
- Respondents believe that Government's support to **improve tax policies**, facilitate **cheaper financing** and increase investments in **digital infrastructure** will make the start-up eco-system more attractive.
- **GST** had net negative impact than positive but Logistics/Enterprise Tech start-ups saw benefits of GST.
- **Flipkart, SpaceX and Ola** emerge as favourite start-ups among Indian founders. Elon Musk was the respondent's favourite founder, followed by Jeff Bezos. Among Indian founders, **Mukesh Bansal & Vijay Shekhar Sharma** were voted the most admired founders.

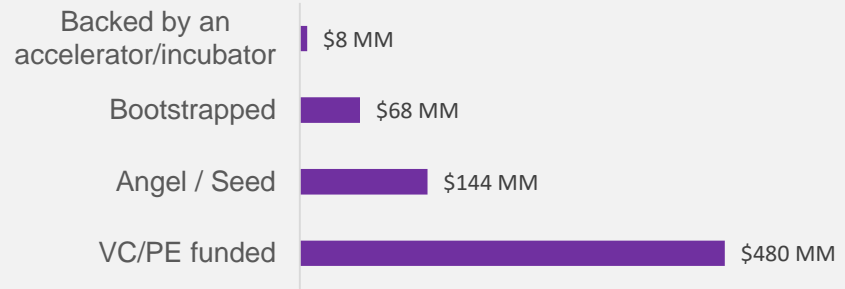
Fundraising

How was your funding experience in the last 12 months?



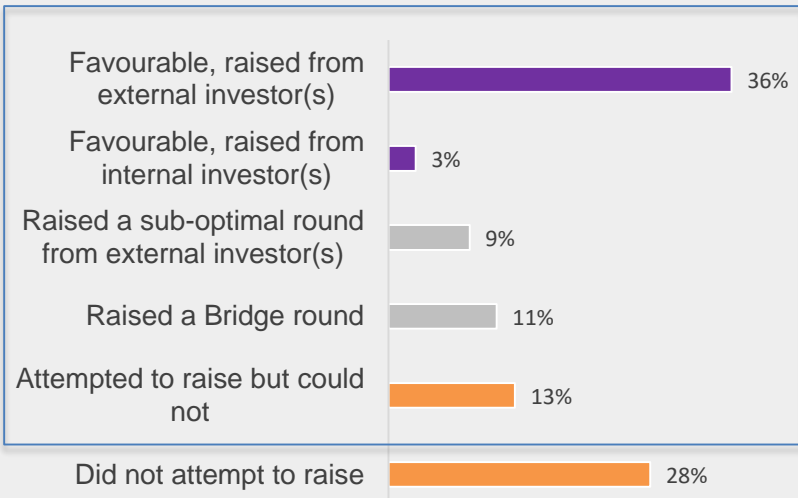
More favourable funding experience compared to 2016 (54% vs 37%)

How much funding are you looking to raise in the next 12 months?



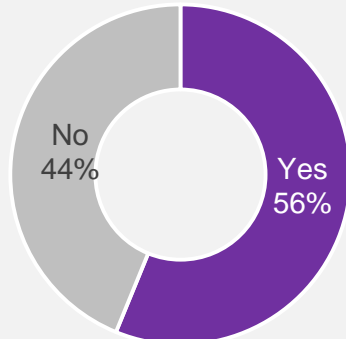
86% of respondents are looking to raise a total of ~\$700 MM in next 12 months

Start-ups pitched to ~6-10 investors before raising a round

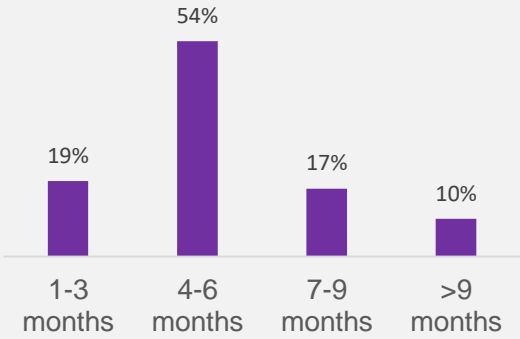


72% of respondents (vis-à-vis 50% in 2016) attempted to raise in last 12 months

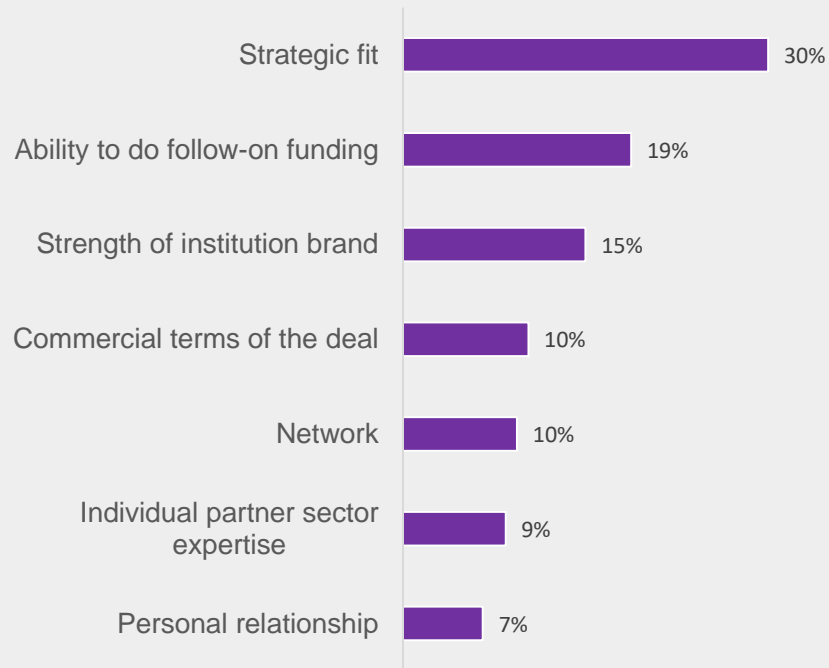
Will the fund-raising be more challenging in 2018?



How long do you think the fund raise process will take?



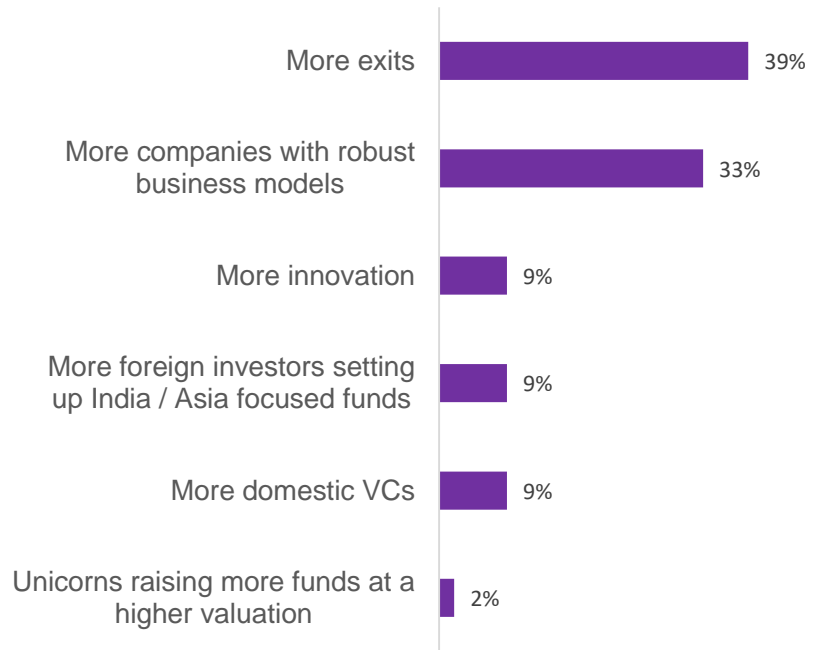
What is the most important factor in choosing a lead investor?



For VC backed start-ups, ability to do follow-on funding, strength of institution brand and strategic fit are most important

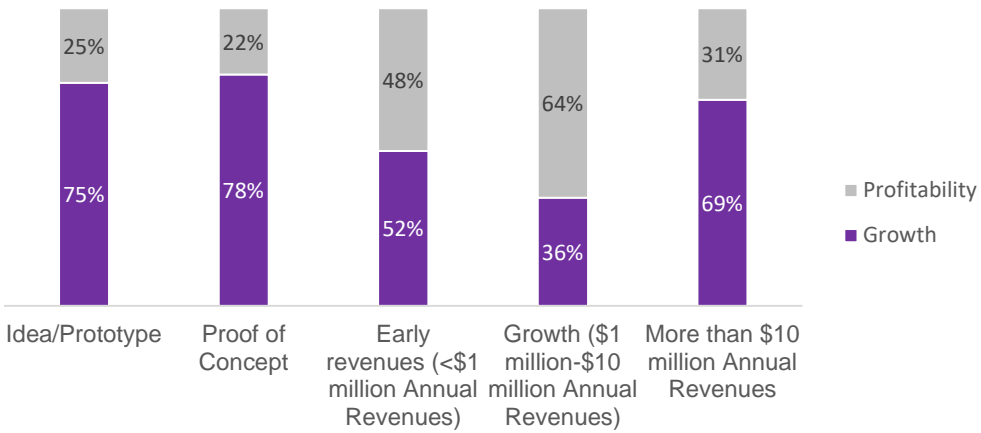
For early stage start-ups, network also becomes a key consideration apart from ability to do follow on funding, strength of institution and strategic fit

What event is most likely to improve investor sentiment in India?



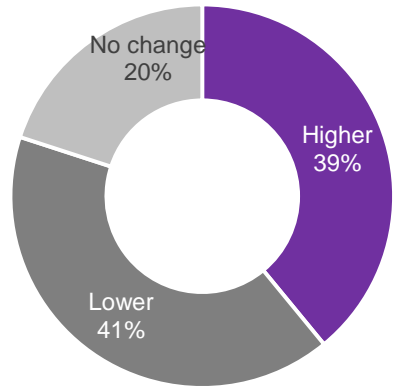
Profitability

While both growth & profitability are important, which one would you focus more on?



Respondents by revenue stage

Current burn rate higher or lower than in 2016?



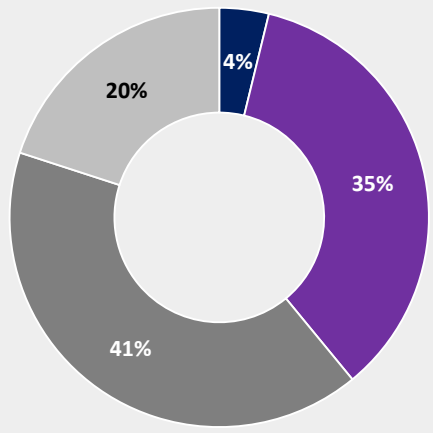
When do you expect to turn profitable?



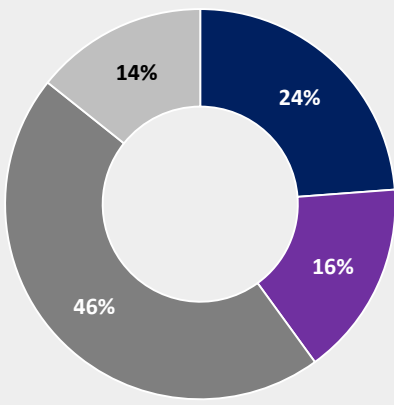
- The majority of early stage & late stage start-ups stated **Growth** as their primary focus area for 2018, whereas mid-stage start-ups are focusing more on **Profitability** v/s Growth.
- **41%** of VC funded start-ups reduced burn in 2017 compared to 2016 vis-à-vis **67%** in the previous year.
- **Close to 50% early stage start-ups** (angel funded and bootstrapped) are aiming for **profitability** in the next two years

Exit expectations

When do you expect to exit?



What would be your preferred mode of exit?



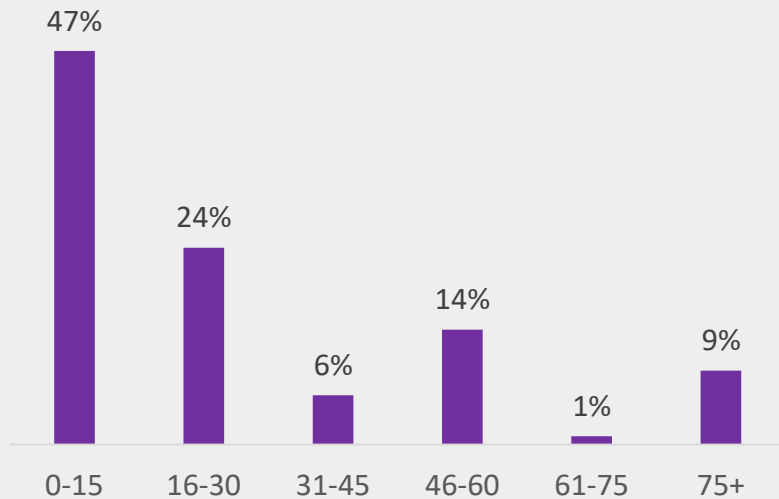
■ 2018 ■ Between 2019 and 2021 ■ Between 2022 and 2024 ■ Can't say ■ IPO (India) ■ IPO (offshore) ■ M&A ■ Remain Private

40% of respondents rated listing publicly as the **most preferred exit** option (same as previous year)

80% (up from 64% previous year) expect to achieve an exit within **six years**

Talent and hiring

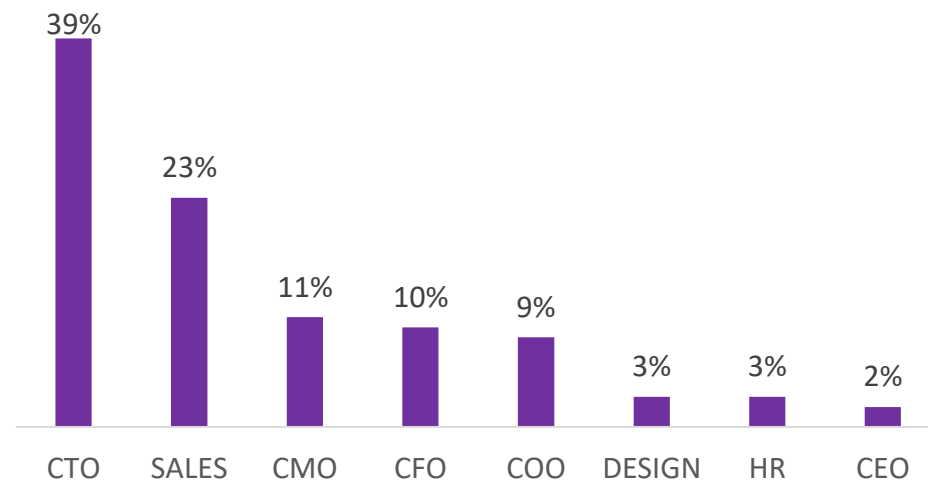
What would be approximate net addition of employees in 2018 compared to 2017?



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



Which hire do you think is the hardest?



- **45%** start-ups reported **women in leadership** positions at their start-ups, up from 42% the year before and 33% in 2015
- **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

What are your greatest challenges currently? Respondents answered this question with multiple choice



Fundraising and talent management were top challenges currently, as in 2016

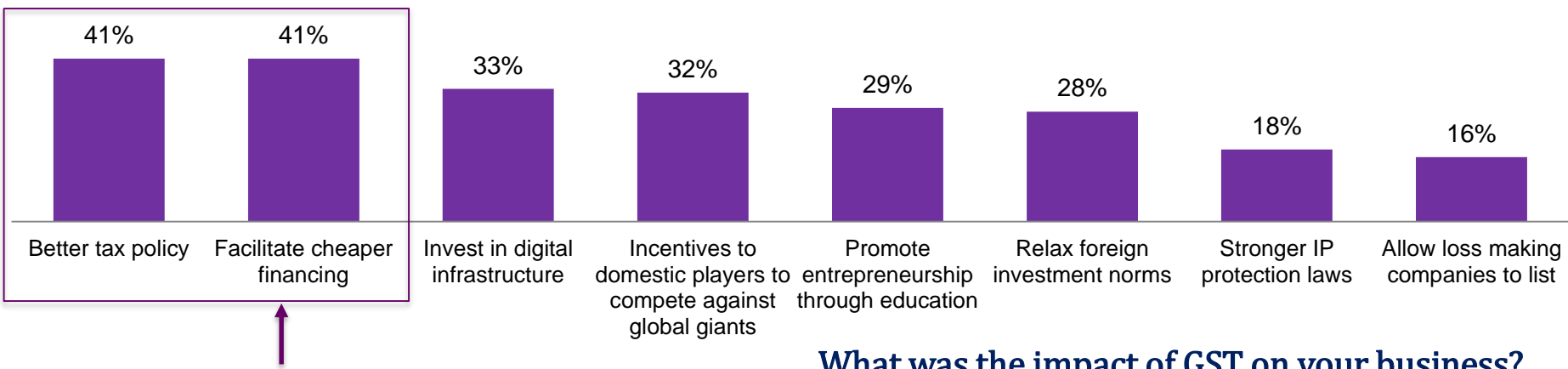
***E-commerce and Fintech** start-ups rated **fundraising** as top challenge faced*

Enterprise** start-ups rated **customer acquisition** and **churn** as a significant challenge, as well as **talent management

***Healthcare** and **Logistics** start-ups rated **market creation** and **talent management** as top two challenges*

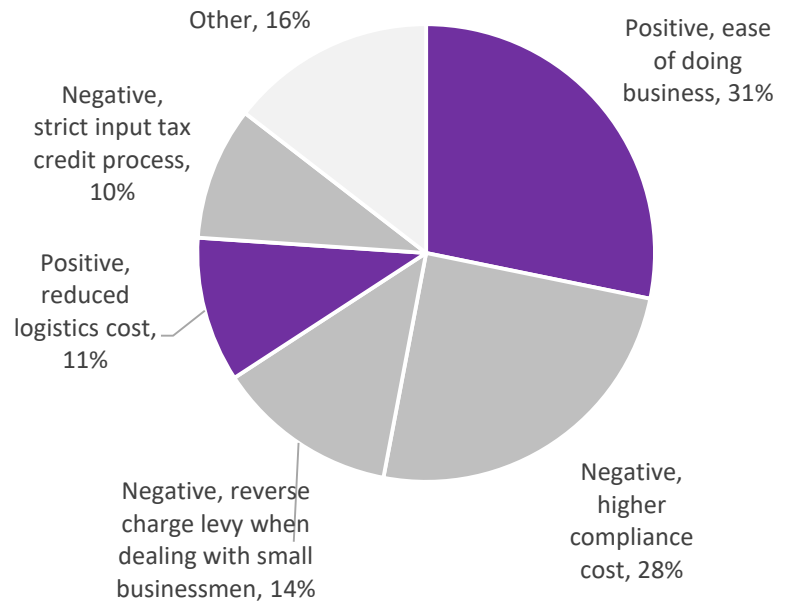
Government policy

What can the Government do to make starting up in India more attractive? Respondents answered this question with multiple choice



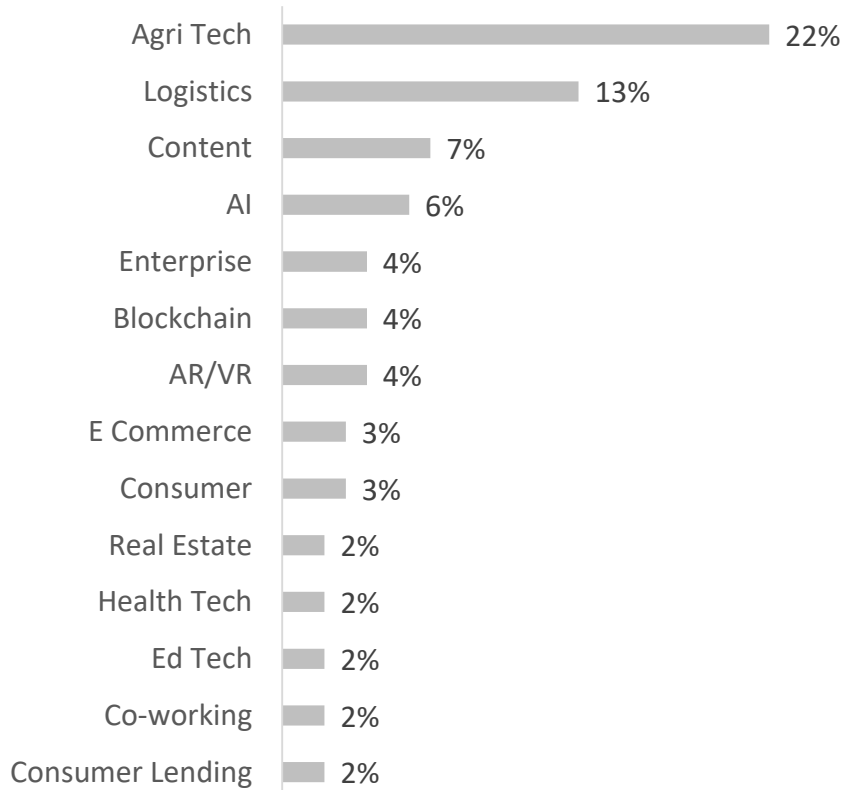
- **Taxation and availability of cheaper financing options** continue to be perceived as major hurdles this year as well.
- **32%** of the respondents felt better incentives were needed for domestic players to compete against global majors as compared to 19% in 2016.
- Overall respondents from **Logistics and Enterprise Tech** recorded a positive impact of GST on their business.
- Respondents from **Media/Content, Fin Tech, Healthcare and Food** felt that GST had a net negative impact on their business.

What was the impact of GST on your business?

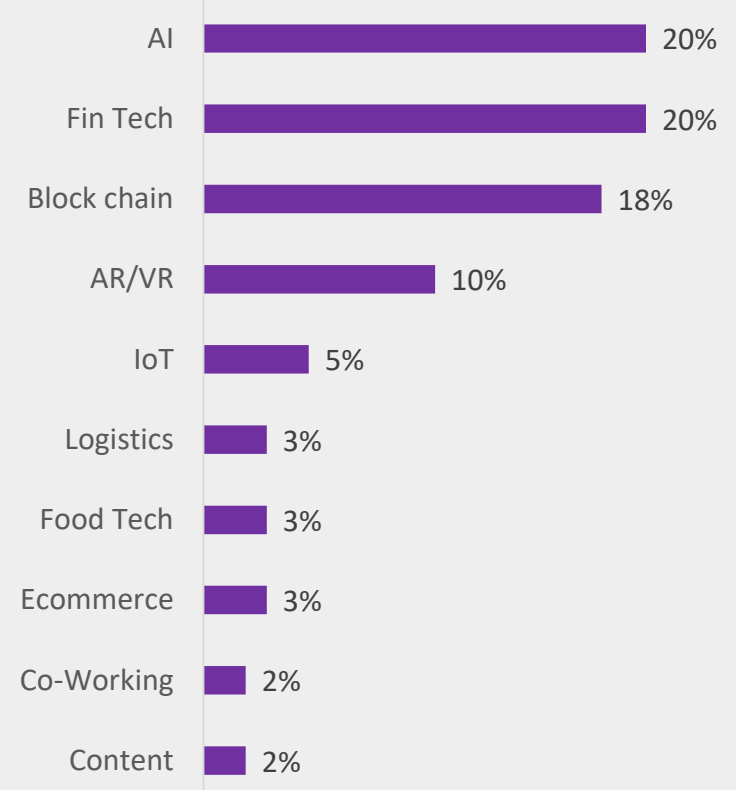


Over and under hyped sectors

Under Hyped



Over Hyped



- **Agriculture tech, Logistics and Content** were voted as most **under hyped** sectors whereas **Artificial Intelligence, Fin Tech and Block chain** were voted **over hyped** in 2017
- **Artificial Intelligence, Block chain and Logistics** were voted **likely to be hot** in 2018.

Favourite start-ups and founders



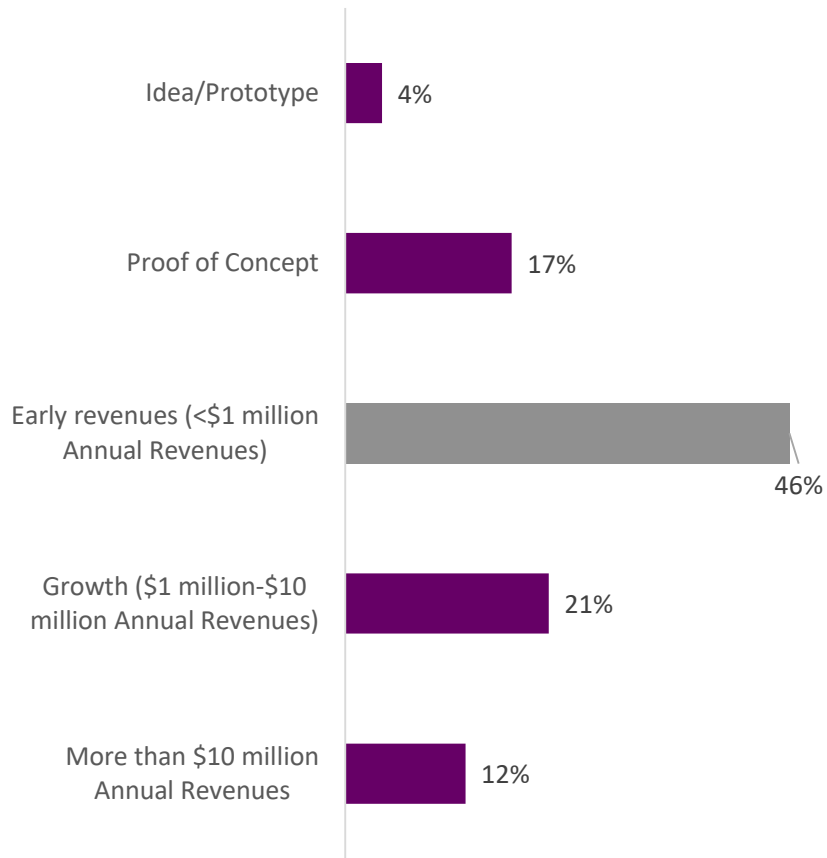
Which is your favourite start-up?

Who is your favourite founder?

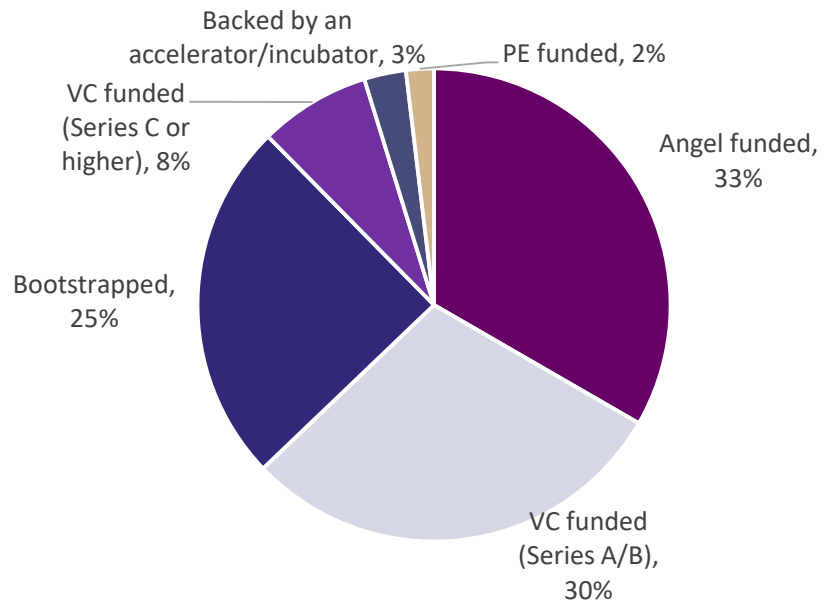


Respondent demographics

Respondent distribution by revenue stage

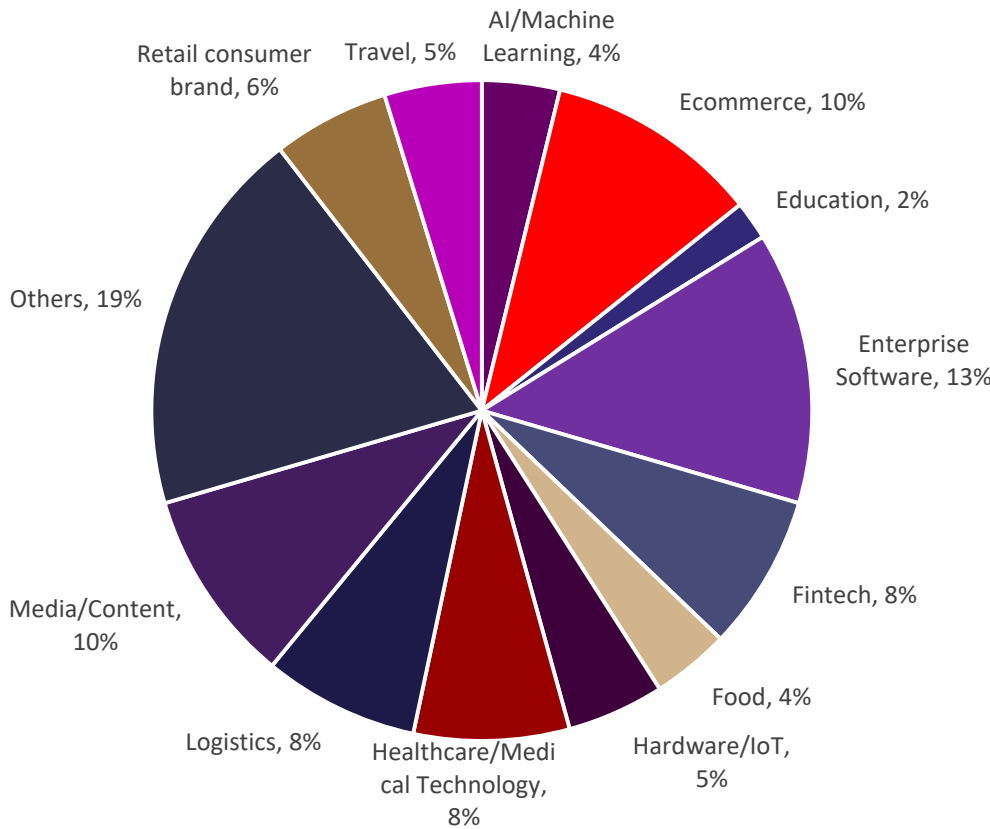


Respondent distribution by funding stage

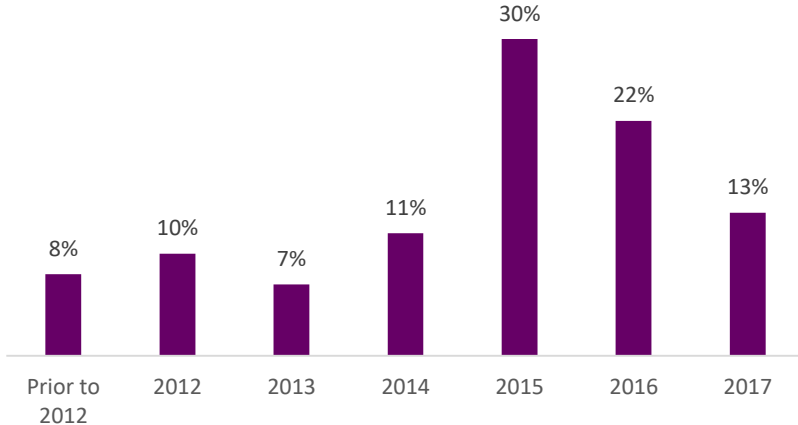


Respondent demographics

Respondent distribution by sector



Respondent distribution by founding year



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 200+ loans to more than 115 startups across stages, including Yatra, Byju's, Swiggy, Oyo, Firstcry, Blackbuck, Practo, Power2SME, Pepperfry, Snapdeal and Mswipe amongst others. For more information, please visit www.innovencapital.com and follow us at [@InnoVenCap_IN](https://twitter.com/InnoVenCap_IN).

The survey captures responses from over 100+ 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.

For more information on the report, please contact:

contact@innovencapital.com

The 2017 edition of the report can be read here: [Startup Outlook Report 2017](#)

Groups contributing to the study

- Amplifi B2B SaaS accelerator
- Blume Ventures
- Calcutta Angels
- Kae Capital
- Microsoft accelerator
- Mumbai Angels
- Oracle Startup Accelerator
- Stanford Angels
- Startup Bootcamp
- The Chennai Angels
- Tracxn
- Village Capital
- ZNation Lab

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