



Early-Stage Investment Insights Report 2025

9th Edition

May 2025



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Survey Design

The Early-Stage Investment Insights Report provides a view on trends around **Pre-series A / Seed** stage investment activity. The report has been prepared by **InnoVen Capital** with inputs from reputed early-stage institutional investors. **Twenty-eight investors** participated in this edition of the report.





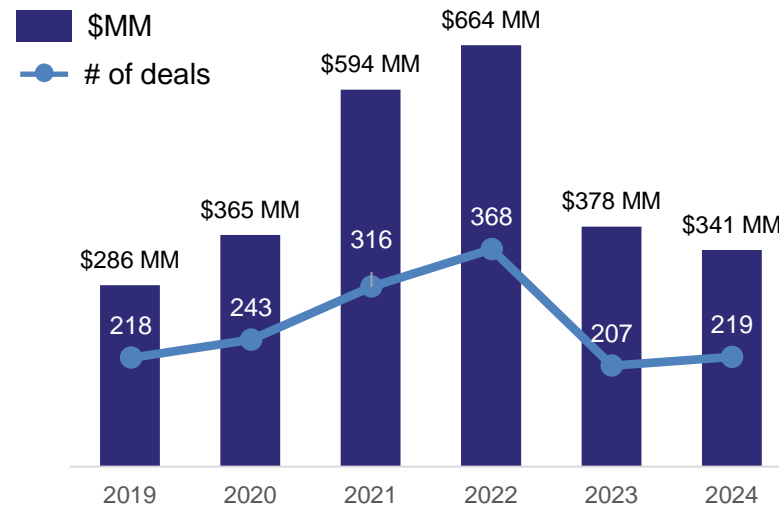
Key Highlights

- **2024** saw similar early-stage investment activity with higher cheque sizes but similar valuations as 2023
- **57%** of investors believe that early-stage deals had fair valuations in 2024, down from 64% in 2023
- **Top 3** sectors in 2024 (early-stage) were Consumer / D2C, Deep Tech, and B2B Platforms
- **64%** of investors expect higher deal momentum in 2025... focusing on Consumer / D2C, AI / Gen AI, and Deep Tech
- **50%** of investors are actively looking to invest in emerging sectors such as Gen AI
- **21%** of investors made over a third of their investments in repeat founders (vs. 27% in 2023)
- **39%** of investors believe that Tier 1 VC seed programs blur the lines between Seed and Series A investors
- **74%** of investors foresee secondary sale as a likely path of exit (vs. 68% in 2023), followed by strategic buyouts
- **50%** of investors attribute mispricing of IPO as a key reason for startups trading below IPO price
- **39%** of funds had 100% reliance on domestic LPs for their capital base (vs. 45% in 2023)



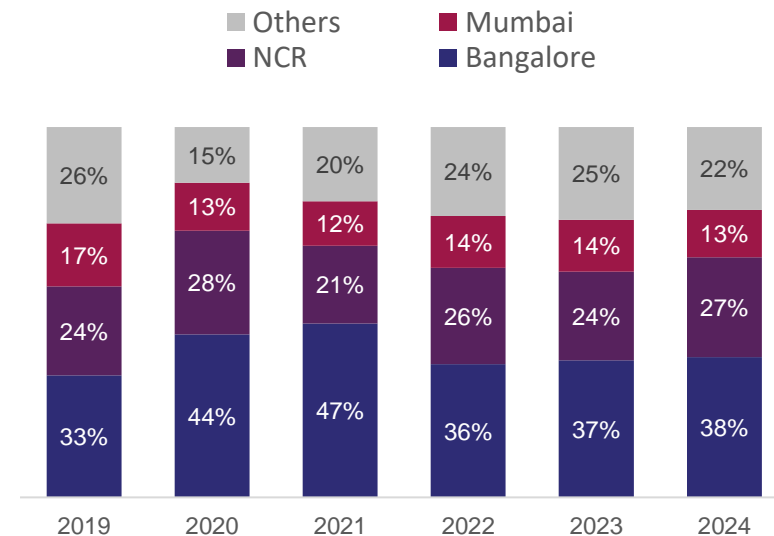
India early-stage investments activity¹

Total investments (\$ MM) and # of deals



- Early-stage deal flow in 2024 similar to 2023 levels
- Investment activity slower in the second-half of the year

Deals (#) by city



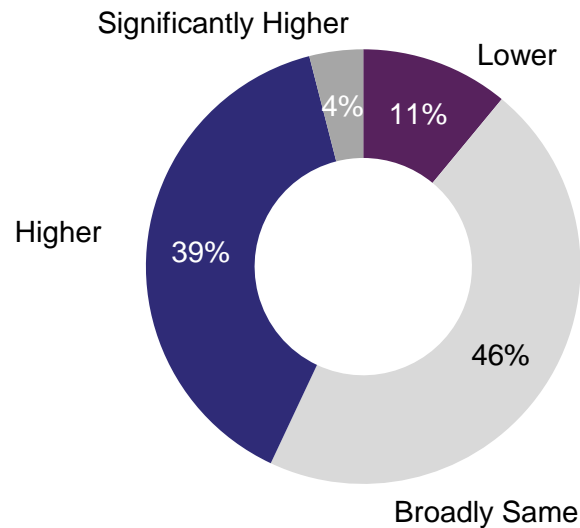
- Bangalore & NCR retain top cities for early-stage deal flow
- Others include Hyderabad (7%), Chennai & Kolkata (2% each)

1) Seed/Pre-Seed/Pre-A deals < \$5 Mn in primary infusion
Source: Venture Intelligence



Investment Trends – 2024 (1/2)

How was the investment activity in 2024 vs. 2023?

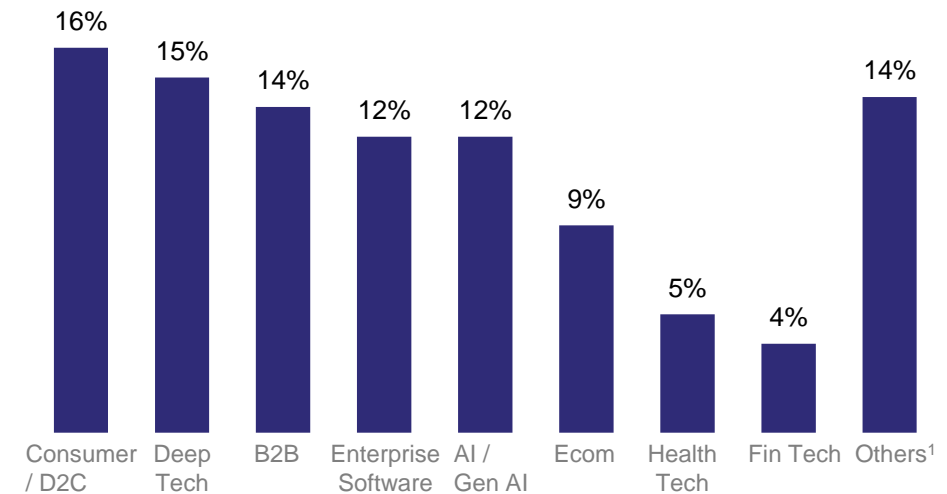


- 43% of investors made more investments in 2024 v/s 2023, up from 32% last year
- Only 11% of investors had lower deal activity in 2024 v/s 2023, down from 41% in last year's survey

1) Others include Logistics, Hyperlocal (Food Delivery / Commerce), Education, AgriTech, Gaming

Top sectors invested in 2024

Respondents picked up to 3 choices (total won't add to 100%)

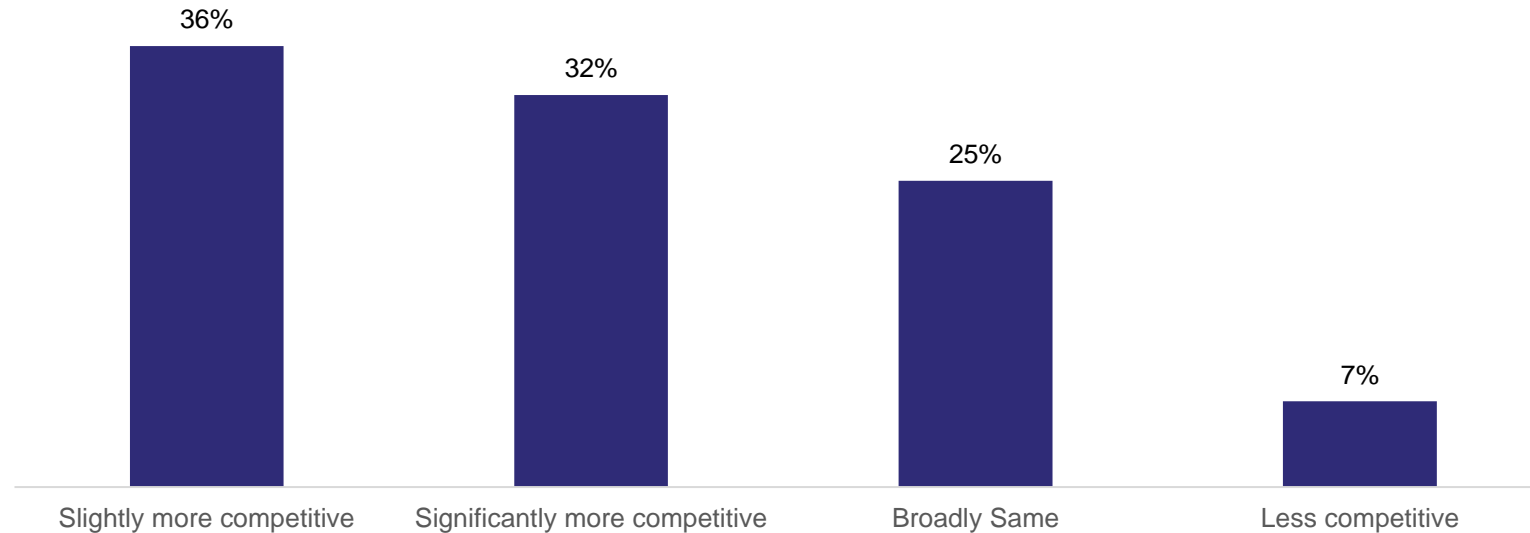


- Consumer/D2C, DeepTech and B2B platforms among top 3 sectors
- Gen AI and FinTech see lower deal flow compared to last year



Investment Trends – 2024 (2/2)

How would you describe the competitive dynamics in early-stage investing in 2024 vs. 2023?

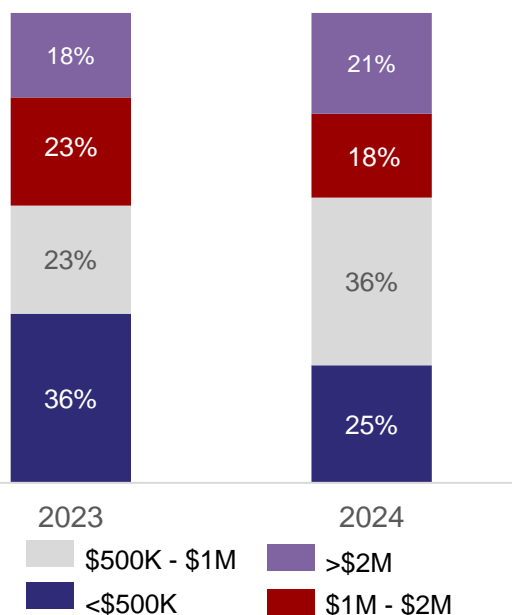


- Most investors (68%) felt the investment environment in 2024 was more competitive than 2023
- Only 7% felt it was less competitive, significant change from 18% in 2023; indicating a higher supply for quality deals

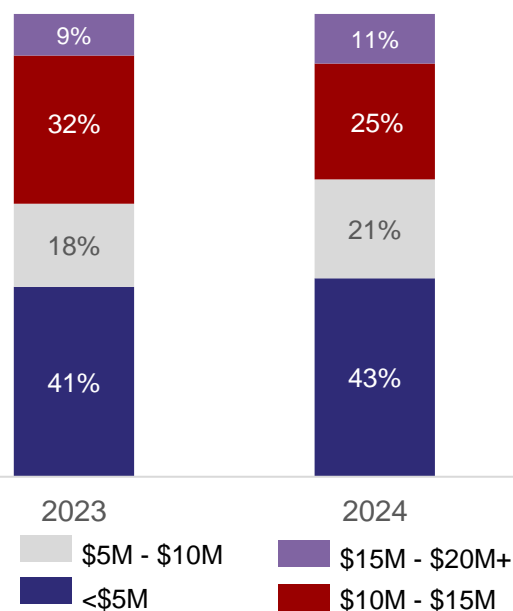


Deal Size and Valuations

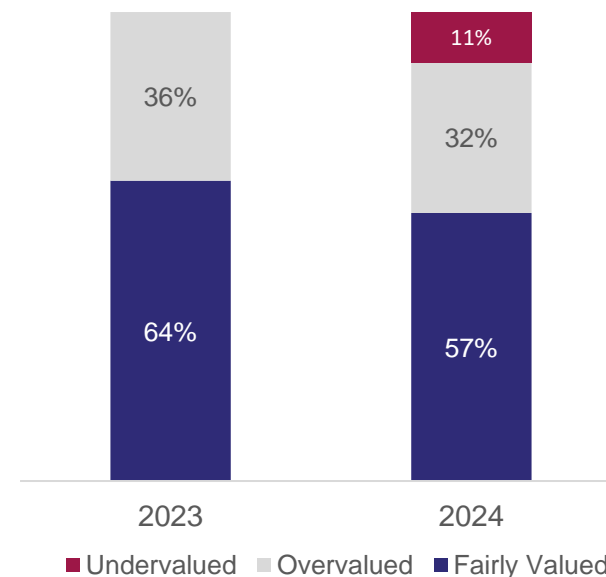
Investment amount per deal



Seed round valuations



Outlook on valuations



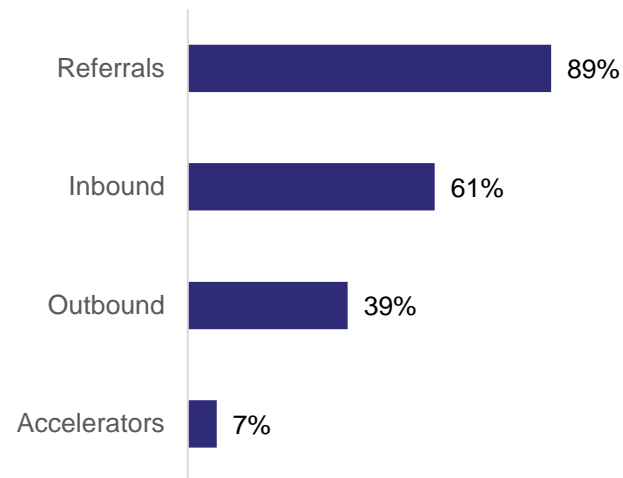
- 2024 saw higher ticket sizes vs. 2023, with more than half the deals between \$500K and \$2M
- Seed/Pre-A valuations in 2024 same as 2023; however, 11% of investors felt deals were undervalued in 2024



Deal Flow and Investment Criteria (1/2)

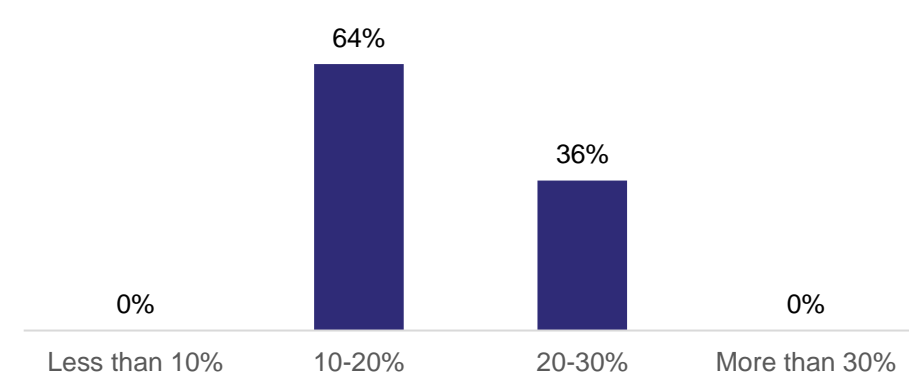
Sources of deal flow

Respondents picked up to 2 choices (total won't add to 100%)



- Referrals and inbound continue to be top sources of deal flow for investors
- Slight dip in inbound deal flow in 2024 (61% vs. 73% in 2023)

% Startups funded in 2024 at pre-revenue stage

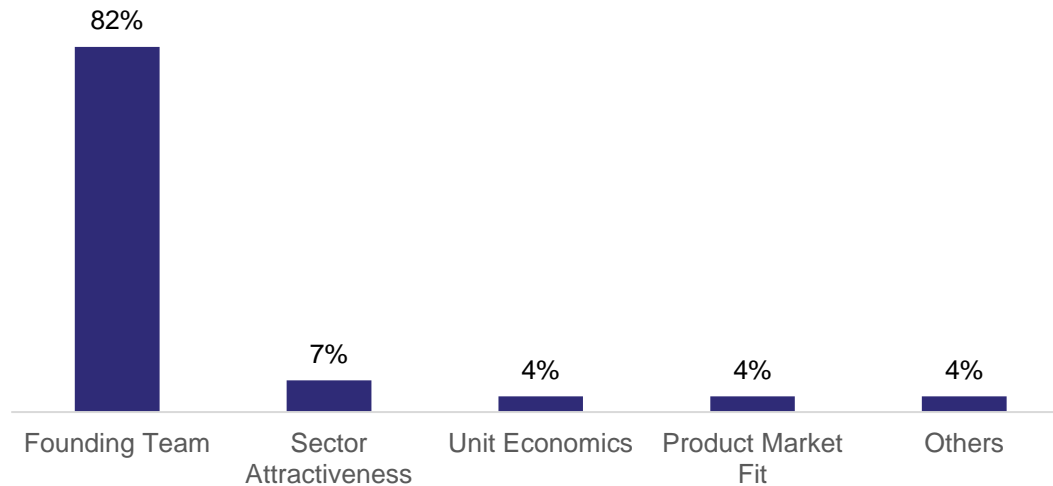


- Dip in pre-revenue deals - only 36% investors funded more than 20% pre-revenue companies (vs. 64% in 2023)
- Continued trend of lower pre-revenue bets by investors



Deal Flow and Investment Criteria (2/2)

Top attributes of investible startups



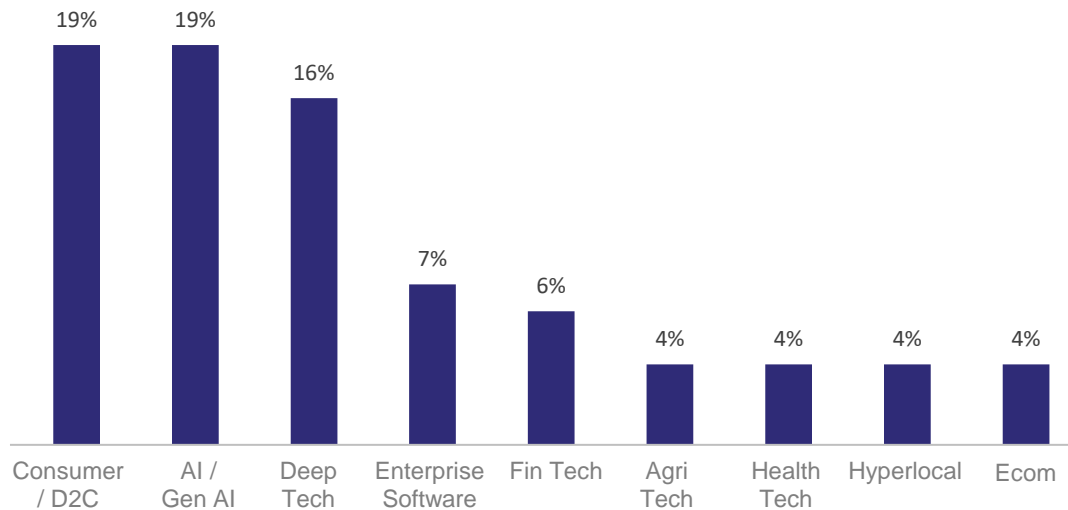
- Importance of founding team retains position as top factor for early-stage investors when evaluating a company
- Sound unit economics emerges as a key factor for investors
- Product market fit not as important (4% in 2024 vs. 9% in 2023), suggesting comfort of early-stage investors in backing good founding teams before full PMF achieved



Investment Outlook for 2025

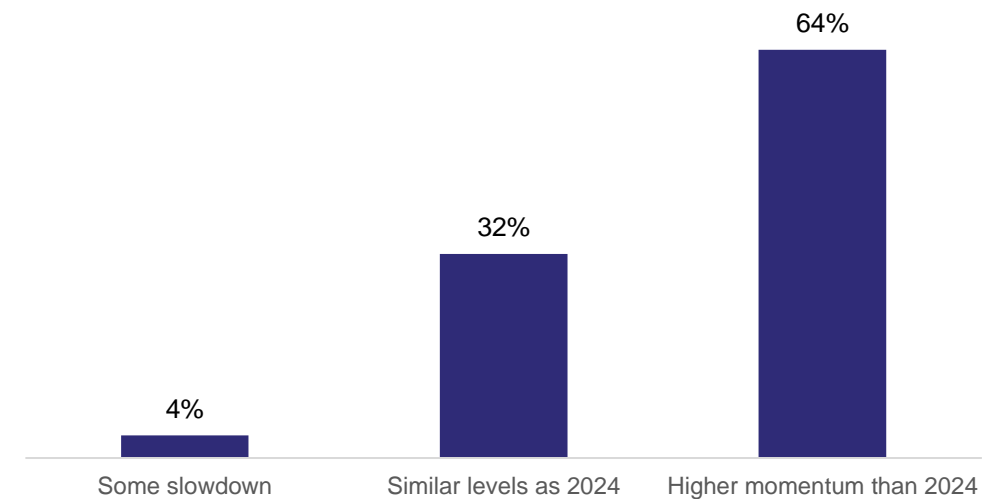
Investor focus - top 3 sectors for 2025

Respondents picked up to 3 choices (total won't add to 100%)



- Consumer, AI and DeepTech top sectors for 2025
- FinTech and Enterprise SaaS down to 6% (vs. 32% in 2024) and 7% (vs. 32% in 2024)

How will the funding environment be in 2025?

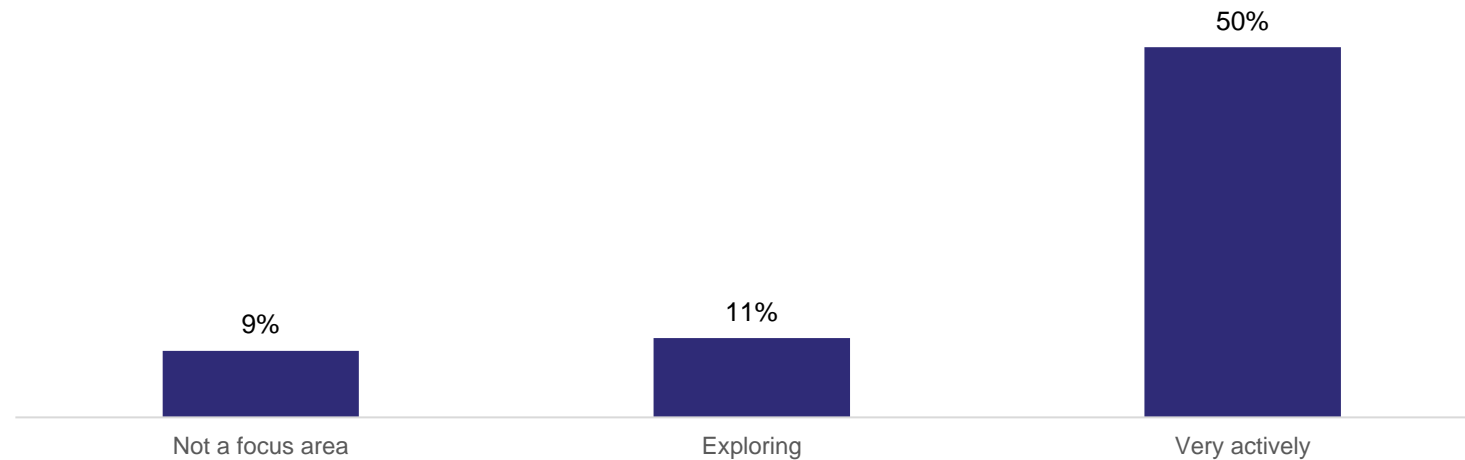


- Majority investors expect higher funding activity in 2025
- Only 4% of investors expect slowdown in funding activity in 2025, despite the turbulence caused by macro / tariffs



Investment Outlook - Emerging Sectors

Interest in emerging sectors – GenAI, AI

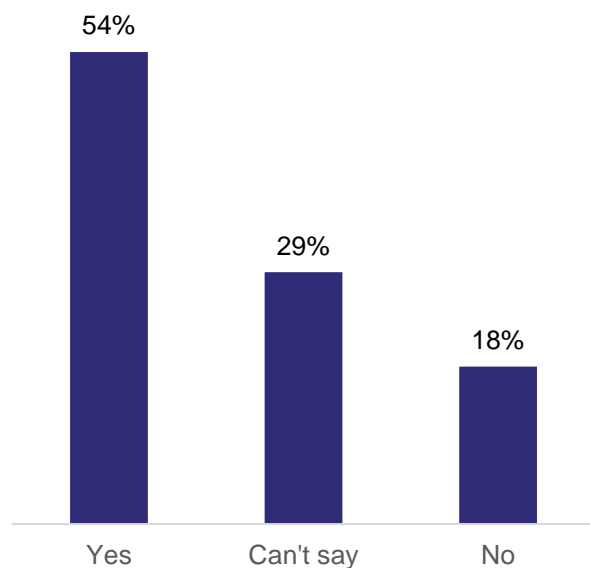


- 70% of investors are looking at the Gen AI space, with 50% actively seeking deals
- 11% of investors are still exploring themes in this space and not yet actively investing



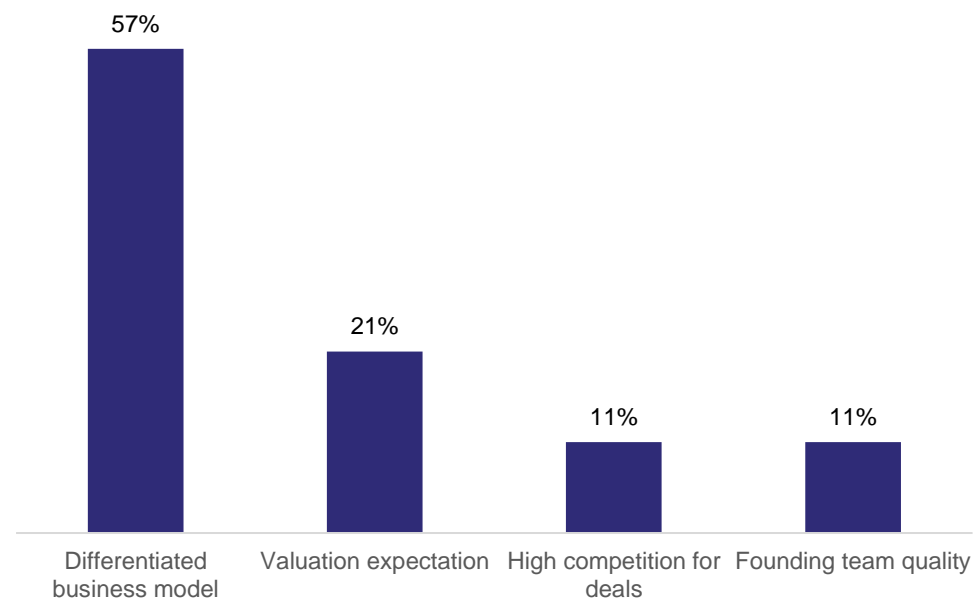
Investment Outlook for 2025

Do you feel there is excess dry powder in the market?



- 54% of investors believe that there is excess dry powder, down from 84% last year
- Only 18% believe that there is no excess capital in early stage

Challenges in finding investable opportunities



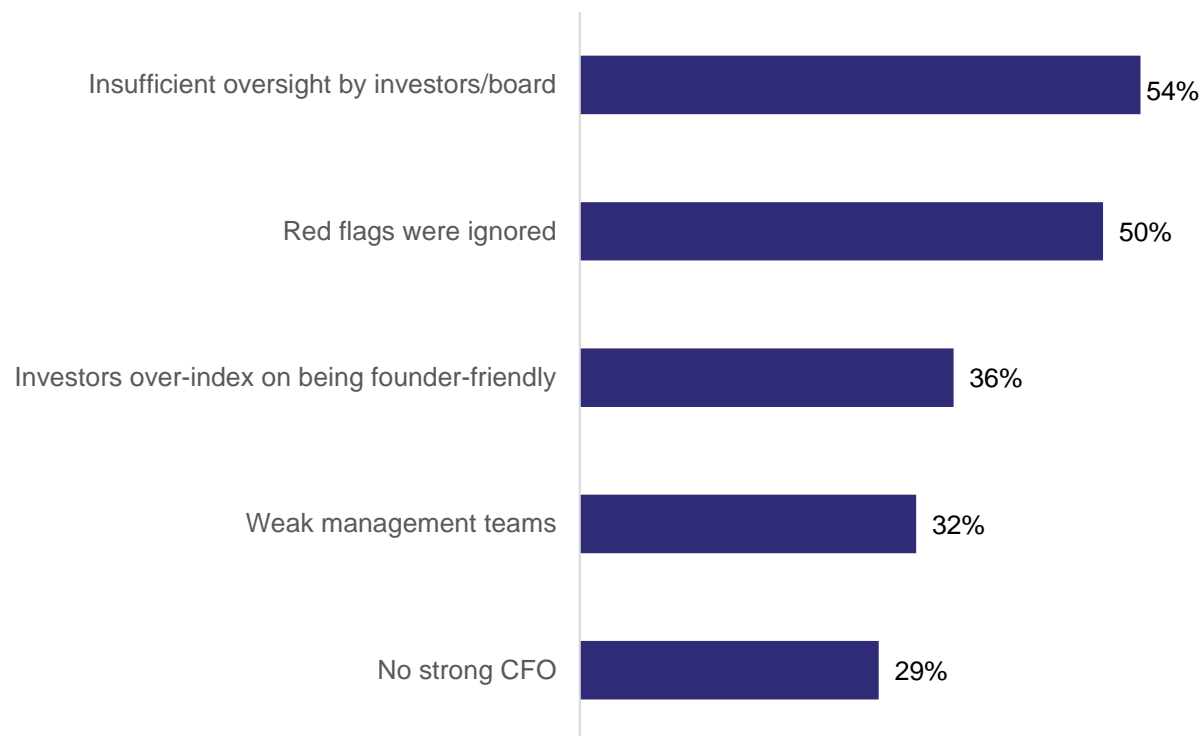
- Finding truly differentiated business model continues to be #1 challenge for investors
- Valuation expectations & deal competition emerge as key challenges



Governance

Primary reasons for governance issues in the last couple of years

Respondents picked up to 2 choices (total won't add to 100%)

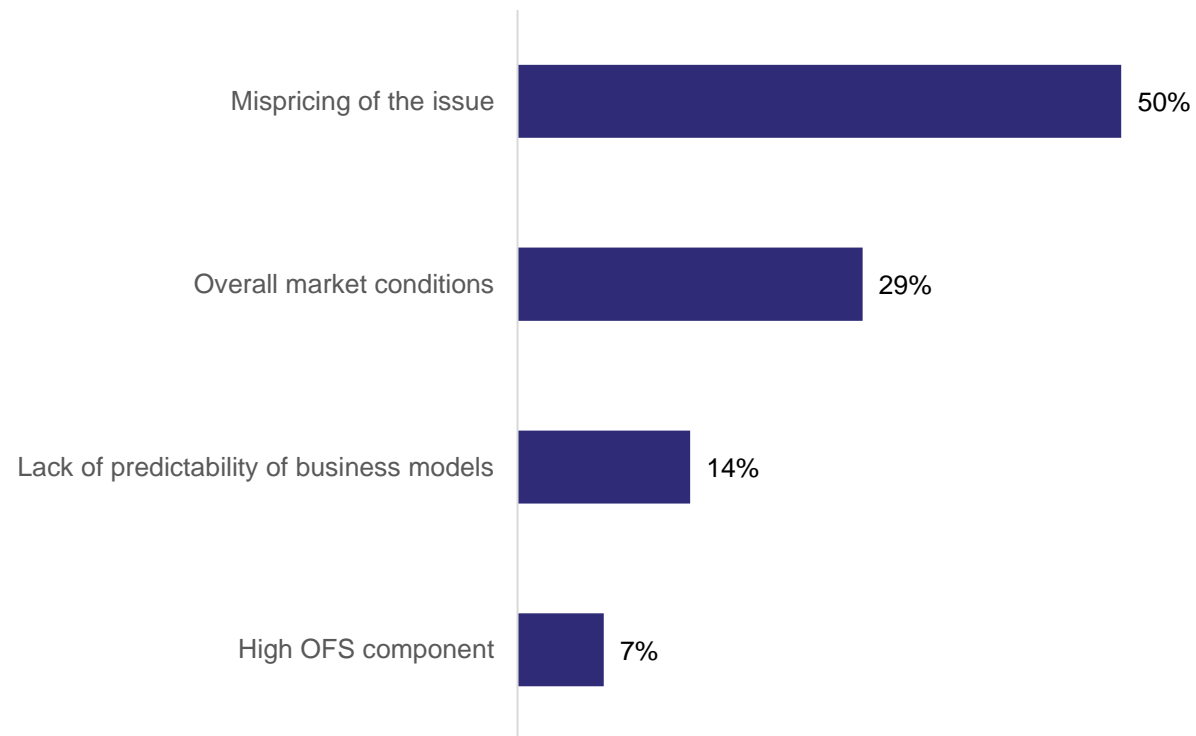


- Insufficient board oversight highlighted as the key reason for some of the governance lapses
- Ignorance of warning signs / red flags emerges as a #2 reason (vs. #3 last year)
- Weak management teams were also highlighted as a key reason for compliance/controllership issues... 32% this year vs. 23% last year



Startup IPOs

Primary drivers for many public startups trading below their IPO price

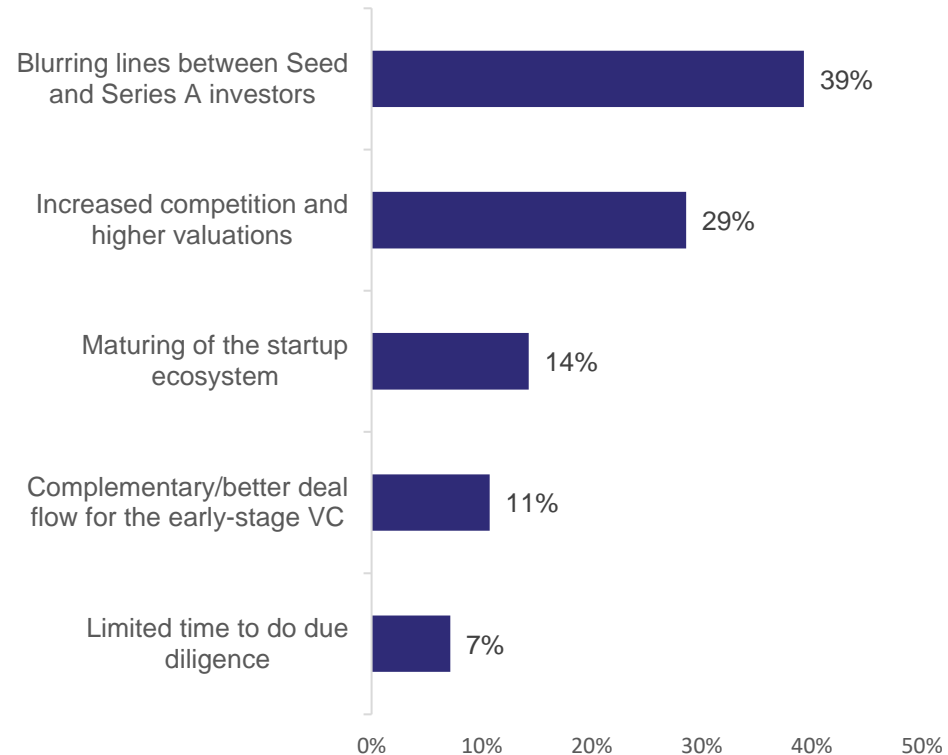


- Majority investors (50%) feel that aggressive IPO pricing is a key reason for many startups trading below IPO price
- Market volatility and uncertainty of business model emerge as other key reasons

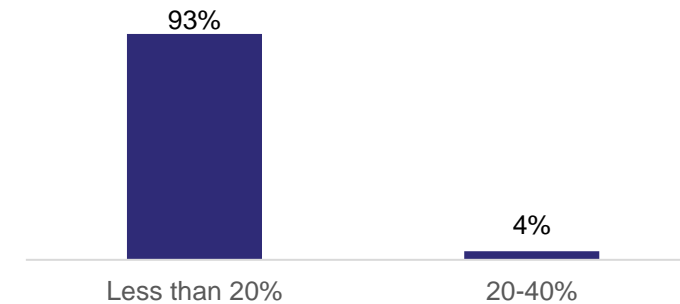


Competitive Landscape – Tier 1 VC Seed Programs

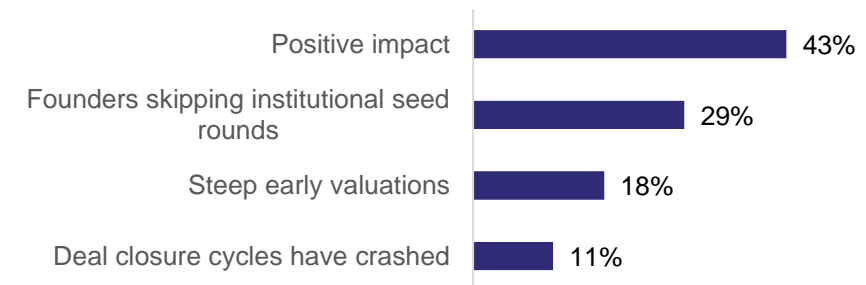
Impact of tier 1 VC seed programs



Deals lost to tier 1 VC seed programs



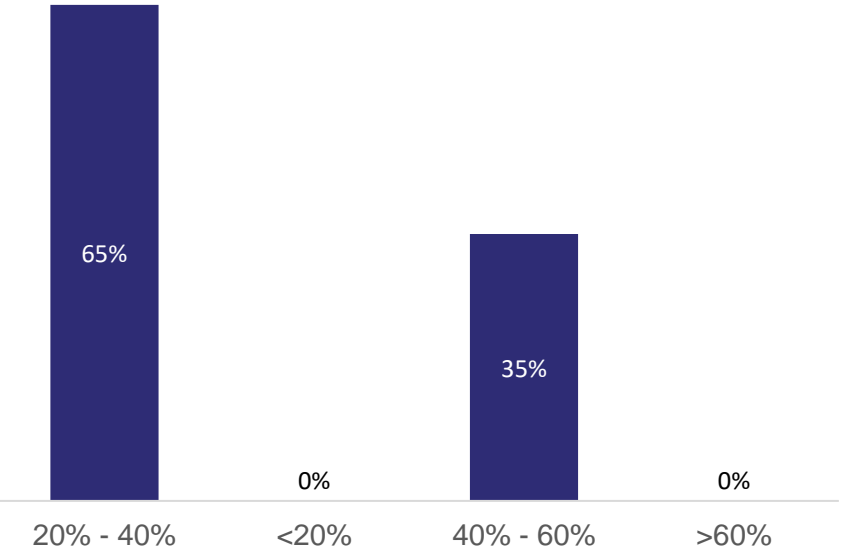
Impact of deepening angel syndicates activity



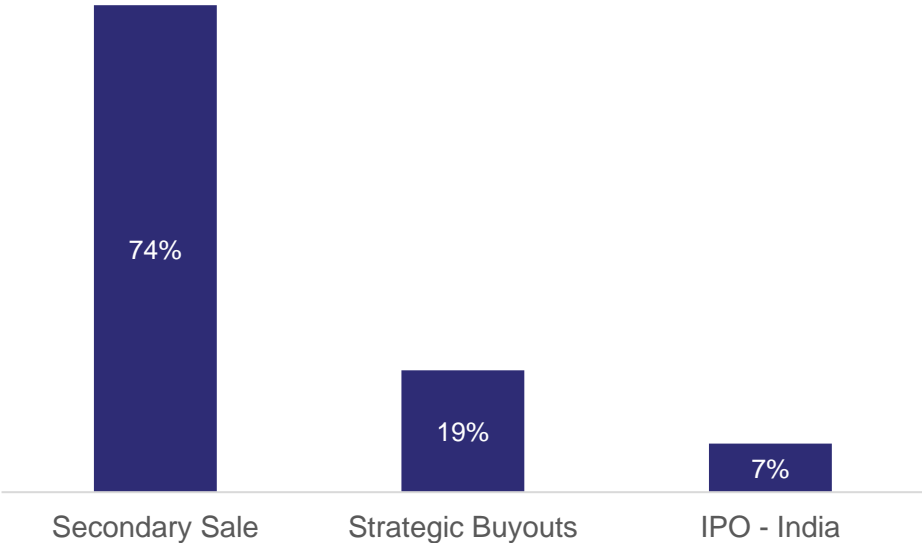


Follow on Funding and Exit Paths

% of portfolio companies funded in the last 18 months that raised follow on rounds



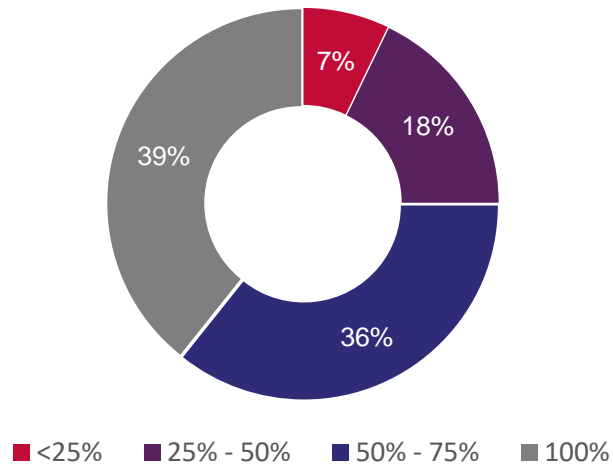
Most likely path of exit for invested startups





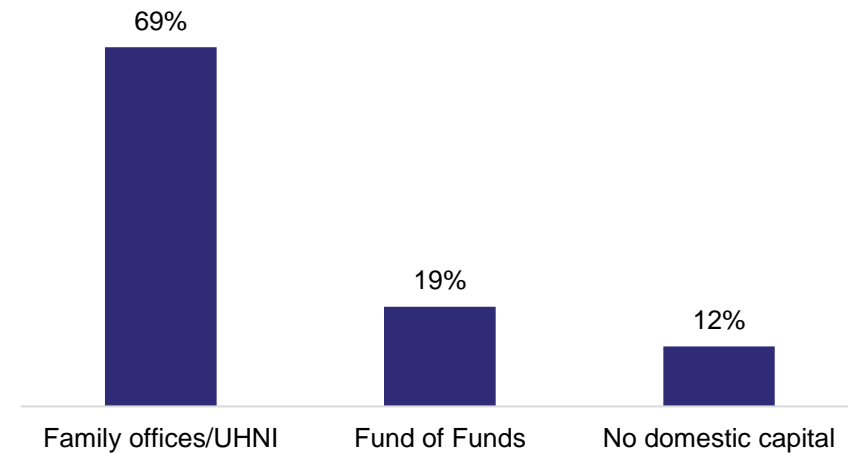
Sources of Funding – Early-Stage Funds

Share of domestic capital in LP¹ base



- 39% of Funds had 100% domestic capital base in 2024 (vs. 45% in 2023 and 20% in 2022)
- Mix of LP base evolving, reliance on overseas LPs continues to be low

Sources of domestic capital



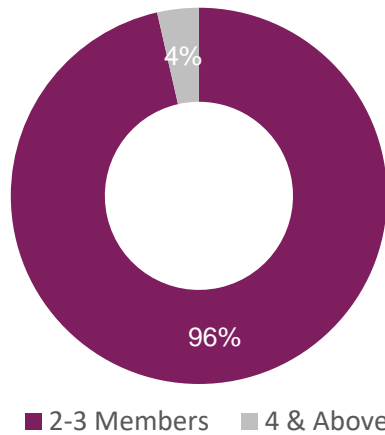
- Family offices/UHNI continue to be top sources of domestic capital, at 69% this year vs. 41% in 2023
- Fund of funds (SIDBI etc.), emerge as #2 vs. #3 last year

1) Limited Partners who invest in funds

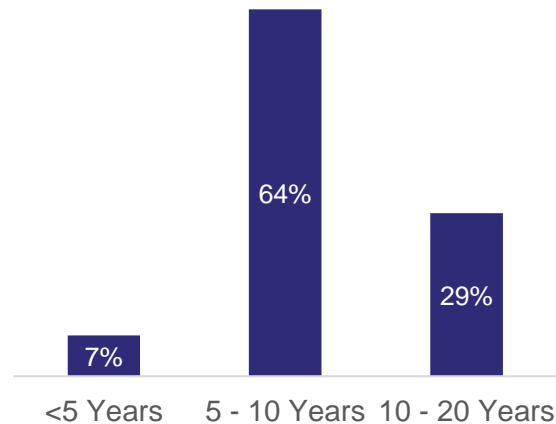


New Investments: Founding Team Demographics

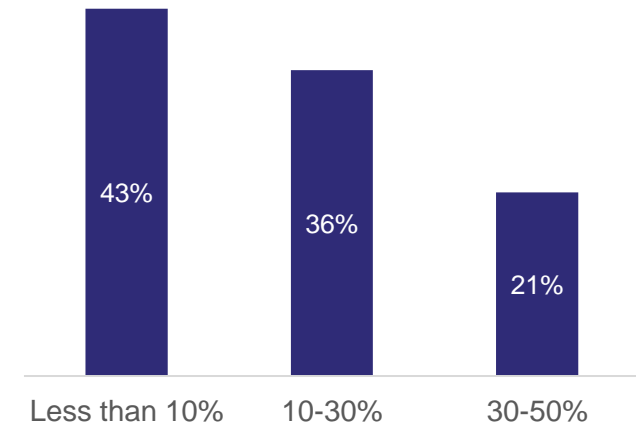
Average size of founding team



Average work experience of founders



Share of repeat founders funded in 2024



- Investors continue to bet on more experienced founding teams; founders with <5 years work experience further dips to 7% vs. 18% last year
- 21% of investors made over 30% of investments in companies led by repeat founders vs. 27% in 2023 and 20% in 2022

About InnoVen Capital

InnoVen Capital is Asia's leading venture/growth debt platform with offices in India, China and Singapore. It provides debt capital to high growth ventures. InnoVen offers multiple debt capital solutions, including venture debt, acquisition finance, growth debt, working capital etc. To date, InnoVen Capital India has executed over 400 transactions, and been a partner to more than 225 start-ups, including 35 unicorns. Past and present portfolio companies include Swiggy, boAt, Infra.Market, Ather, Bluestone, Blinkit, Eruditus, OfBusiness, CureFit, Dailyhunt, Oyo, Licious, Perfios, BharatPe, XpressBees, Shiprocket, Elasticrun, Shadowfax, Zetwerk, Moglix, Firstcry, Blackbuck, Awfis, Porter, Rebel Foods, Cars24, Spinny, Slice, Upstox, Chaayos, Purple, Pharomeasy, 1mg and many more.

For more information, please visit www.innovencapital.com

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