



# Early Stage Investment Insights Report-2018

3rd Edition of Annual “Early stage investment insights report – India”, based on market information and survey conducted with 14 leading institutional early stage investors

Nov 2018



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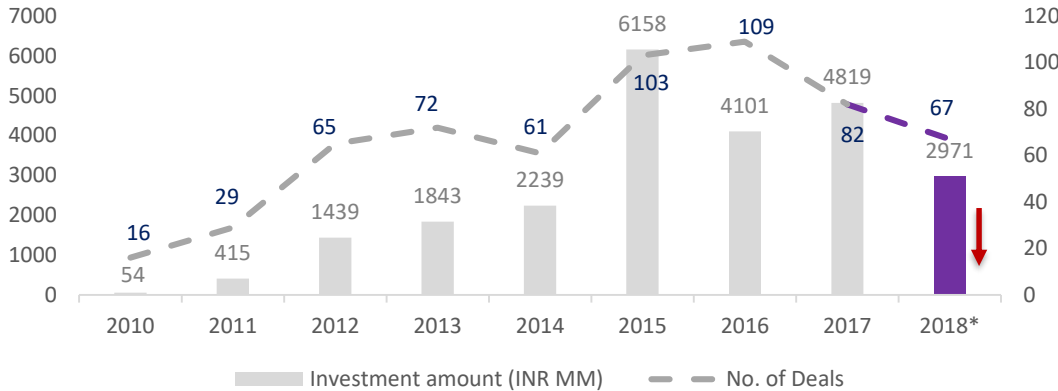
# Key Highlights

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- Number of early stage investments in 2018 flat v/s 2017, however, average deal size is down by 25% to INR 44 MM (vs average deal size of INR 58MM in 2017)
- Bengaluru & NCR continue to be the top 2 locations for new start-ups, however, Mumbai makes a comeback in 2018 with a 23%share( vs 6% in 2017, 15% in 2016)
- Seeing more experienced founders, 78% with >5 years experience (v/s 55% in 2017)
- Slight decline in start-ups with a female co-founder (17% in 2018 v/s 20% in 2017)
- Key qualities investors look for in founders are vision & founder's background
- Proportion of pre-revenue start-ups getting funded declined to 12% in 2018 (vs 27% in 2016), investors more inclined to see traction & monetization
- Biggest red-flags for investors : No Product Market Fit and Niche addressable market
- Credible references is the most effective way for founders to get attention from institutional investors. Networking at start-up events is least effective.

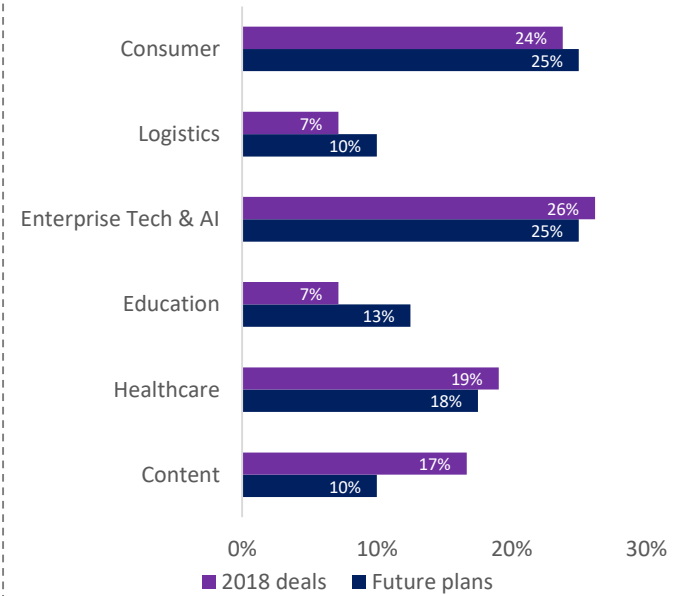
# Investment Trends

Investment (INR MM) & No. of deals



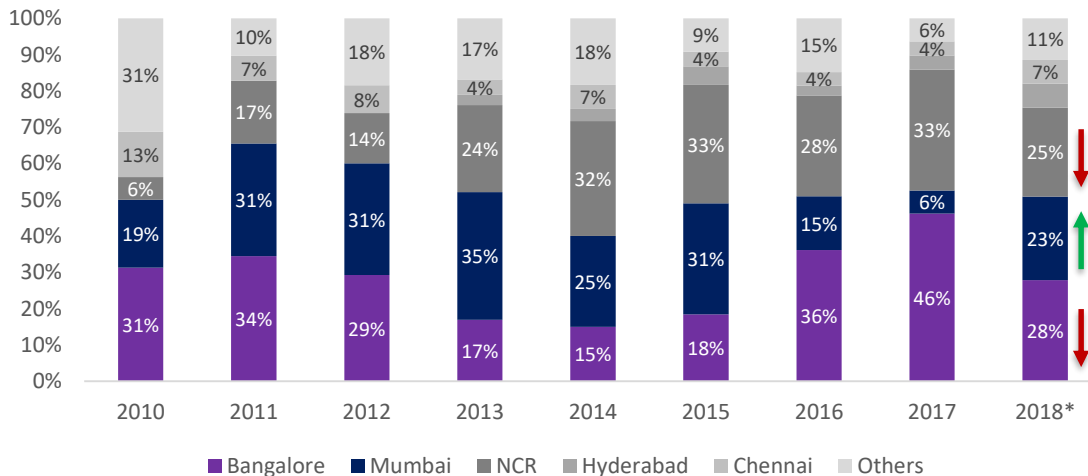
\* Only 10 months of 2018 are considered till Oct'18, funding amount % calculated on pro-rata basis

Deals in 2018 & future plans

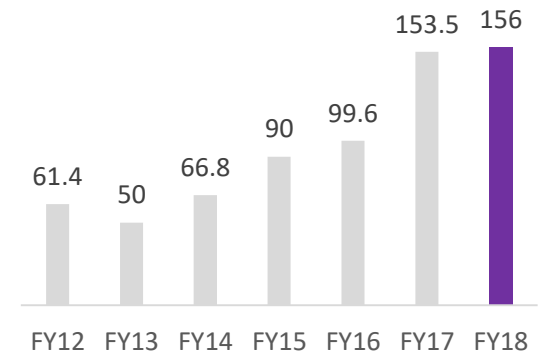


Source: Analysis based on IVC IPL Survey

City-wise no. of deals



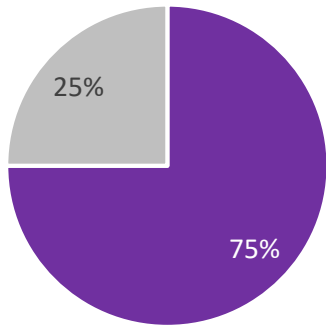
Avg. Median valuations (INR MM)



Source: Venture Intelligence, IVC IPL Survey

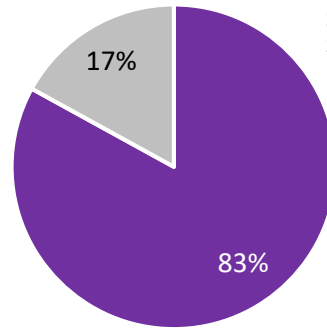
# Founder demographics

Distribution of founders by start up experience



- First time Entrepreneur
- Serial Entrepreneur

Share of companies with a female co-founder



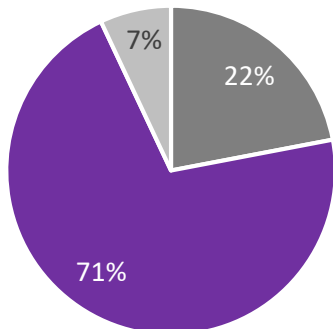
- No Female founder
- Female founder

2017: 20%  
2016: 22%

A two member founding team was most successful in raising funds. 92% of the startups have 2 cofounders

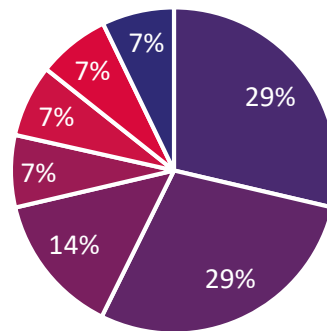


Distribution of founders by years of experience



- <5
- 5--10
- 10--20

Distribution of must have quality in a founder



- Vision
- Background
- Sales
- Customer insight and clarity of thought
- No one single imp factor
- Passion



Vision & founder background most important qualities in a founder

Sales & Business Development capability also an important criteria

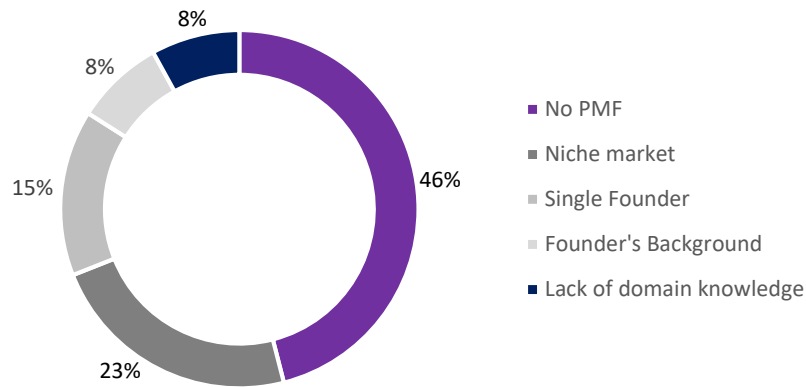
Source: InnoVen analysis based on data collected from pre series A/early stage investors

# Investment Criteria

## What do institutional early-stage investors look for while evaluating deals

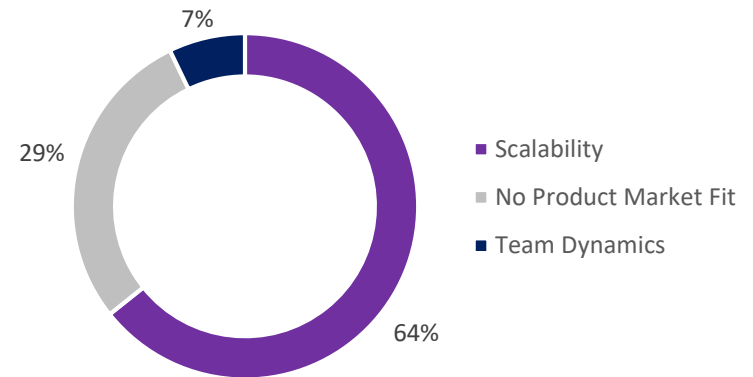
No Product-Market Fit (PMF) and Niche Market are the main reasons for failure to obtain funding

*Distribution of red flag criteria in deal evaluation*



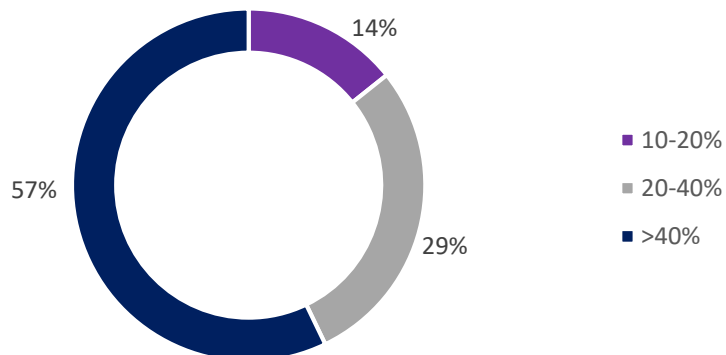
Scalability is the major reason for failure of startups to raise follow on round

*Distribution of reasons to raise a follow on round*



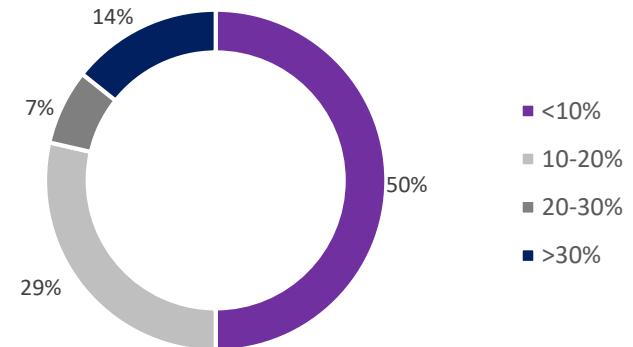
Good no. of the early stage invested startup are able to raise follow-on round

*Distribution of startups by ability to raise follow on*



Majority of startups which raised funding were revenue generating

*Distribution of startups funded at pre-revenue stage*

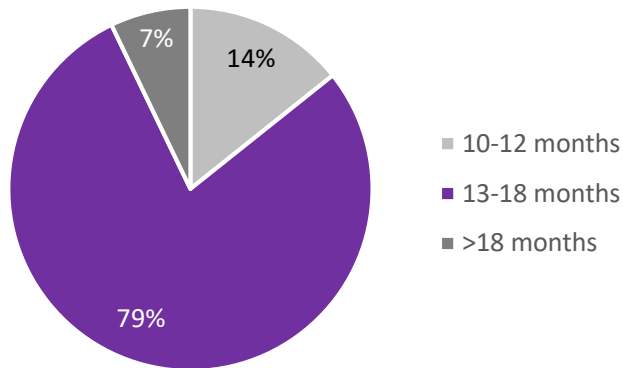


Source: InnoVen analysis based on data collected from pre series A/early stage investors

# Investor tips for early stage founders

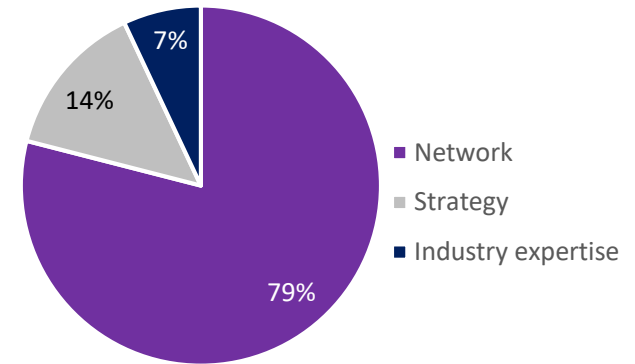
**While raising a pre-series A round, founders should budget for 13-18 months runway before new funding**

*Distribution of ideal runway while raising Angel round*



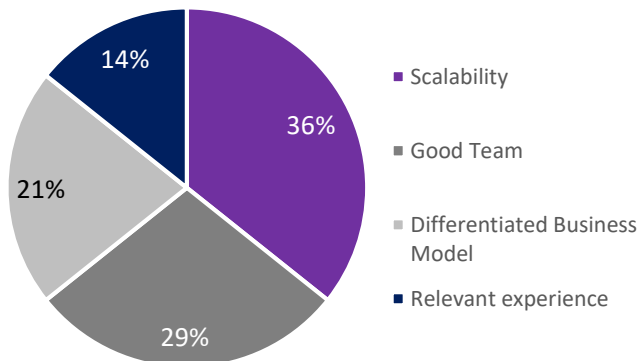
**Access to Investor's Network is the main value add which an Investor brings to the table for founders**

*Non-financial value add by investors for founders*



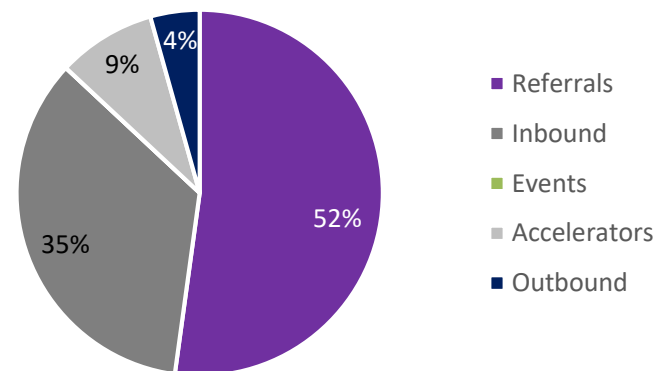
**Scalability is the biggest challenge in finding a good investable opportunity**

*Distribution of challenges in finding a right investable startup*



**Credible Referral - key way to get attention from Investors**

*Top deal sourcing channels for Angels*



Source: InnoVen analysis based on data collected from pre series A/early stage investors



# Appendix





# About InnoVen Capital

## About the Report

The 'Early Stage Investment Insights Report-2018' provides analysis and trends on pre-series A/angel investment activity. The report has been prepared by InnoVen Capital India Private Limited ("InnoVen Capital") with inputs from reputed early stage institutional investors. The following investors participated in this edition of the report – Mumbai Angels, Indian Angel Network, Chennai Angels, Hyderabad Angels, Stanford Angels, LetsVenture, Axilor Ventures, Blume Ventures, Kae Capital, Weh Ventures, Waterbridge Ventures, Artha Ventures, India Quotient, Hyderabad Angels and Yournest.

The 2017 edition of the Report can be read [here](#)

## About us

**InnoVen Capital India** is the leading venture debt & structured finance platform in Asia and provides funding to high growth start-ups backed by top venture capital investors. The platform offers multiple debt capital solutions, including venture term debt, acquisition finance, growth loans, and project finance and syndication. InnoVen Capital is jointly backed by Temasek Holdings and United Overseas Bank. For more information, please visit [www.innovencapital.com](http://www.innovencapital.com) and follow us [@InnoVenCap\\_IN](#).

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## Study Contributors

