



InnoVen Capital India: Startup Outlook Report - 2019

February 2019



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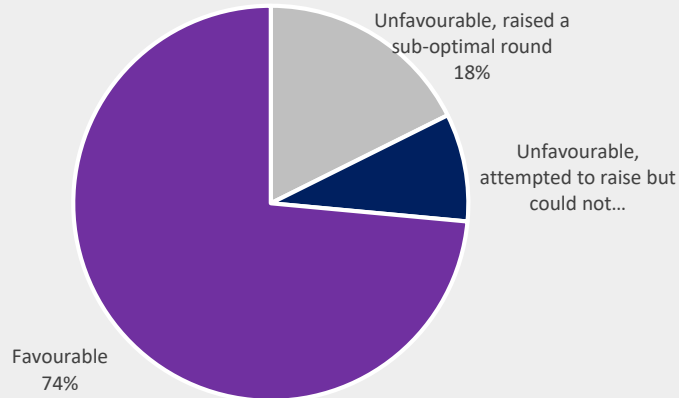
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Survey Highlights

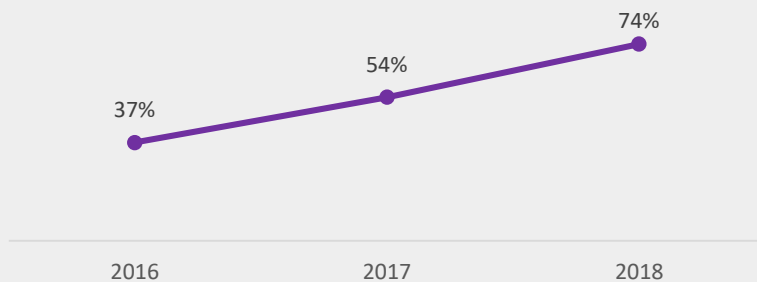
- **Significant improvement** in fund raising environment in 2018 ... **74%** respondents had a **favourable experience** (v/s 54% in 2017) but **46%** believe fund raising environment in 2019 will be **more challenging**
- **Japanese and Chinese investors** becoming an important pool of capital. > **50%** of early/growth stage start-ups actively engaged with them, in addition to traditional VC funds for their next fund raise
- Increased bias for **growth v/s profitability** ... **85% of respondents** ranked **growth higher than profitability** as a focus area for 2019 ... a significant increase over **2017 (53%)** and **2018 (56%)**
- **Buy-outs/M&A** chosen as most realistic exit scenarios **v/s IPO** ... **39%** of respondents (down from 46% last year) felt that M&A would be a likely mode for exit compared to **38%** who believe IPO most likely exit route
- **Driving high growth & talent management** were identified as top 2 challenges for start-ups
- **70%** of startups expect a higher pace of hiring in 2019 v/s 2018 ... **Logistics, Enterprise Tech and Media/Content** were most bullish on hiring in 2019
- **72%** of founders were open to a **professional CEO** running their business at the right stage **of maturity**
- **69%** of start-ups had < 20% of women in leadership roles
- Only **34%** of founders rated **government efforts to improve the start-up** ecosystem as **Good or Excellent**. Respondents believe that Government should **improve tax policies** and establish a **stable regulatory environment**
- **Blockchain** highlighted as the most **over hyped** sector while **Agri-Tech & Logistics** voted as most **under-hyped**
- Respondents chose **Swiggy** as the most favourite Indian start-up. **Bhavish Aggarwal** was identified as the most admired Indian founder. **Jeff Bezos** closely followed by **Elon Musk** chosen as the most favourite global founders.

Fundraising (1/2)

How was your funding experience in the last 12 months?

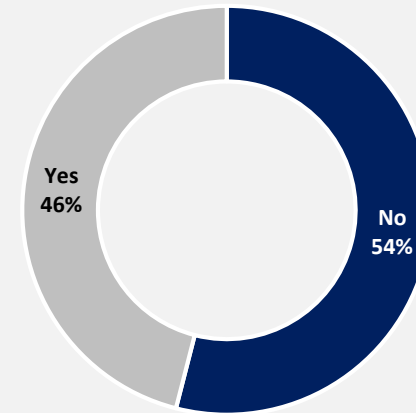


Funding experience over time (% favourable)

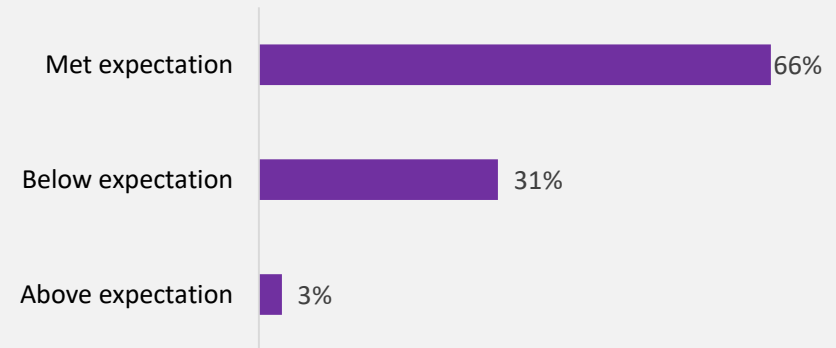


- **2018 best funding environment ... 74% founders had a favourable experience ... significant improvement over 2016 and 2017**

Will fund-raising be more challenging in 2019?



The Valuation offered in the last round was?



- **69% of founders felt that valuation met or exceeded their expectations. Almost 100% favorable response rate from late stage startups**

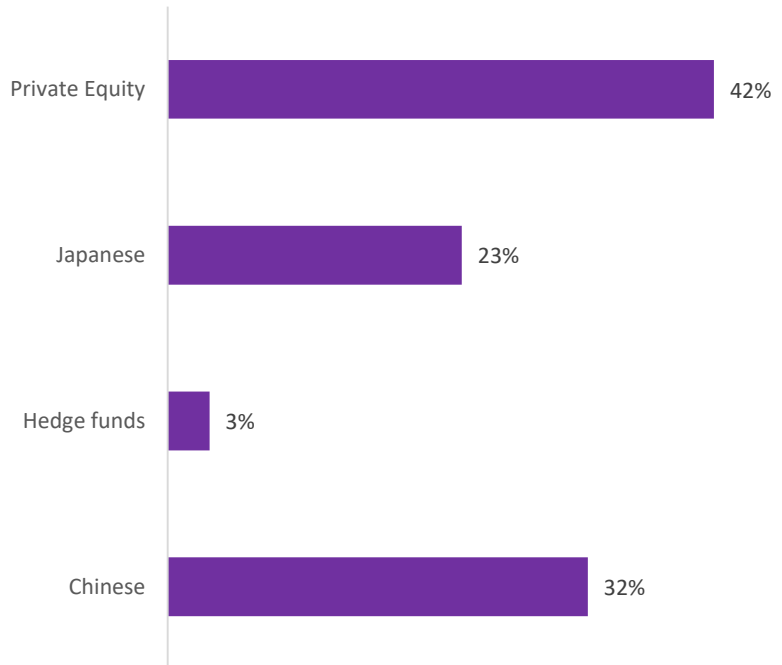
Fundraising (2/2)

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



- **Strategic fit & ability to do follow on funding** two most important factors
- For **growth/ late start-ups**, **ability to do follow on funding** was the single most important factor among respondents

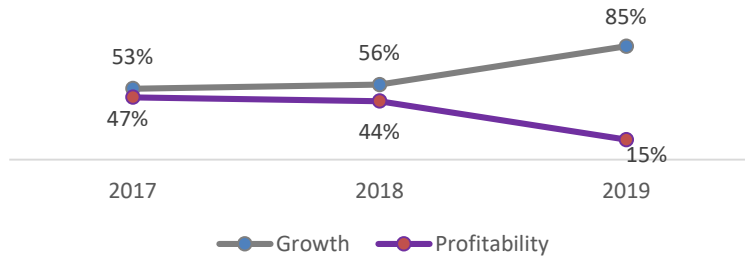
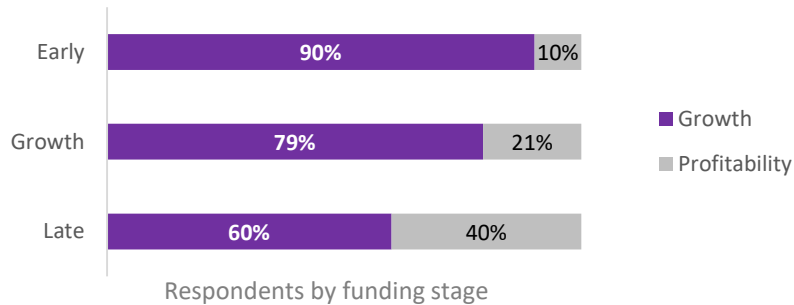
Apart from traditional VC funds, which other investor class are you actively engaged with for your next round?



- Importance of **Chinese & Japanese** investors go up ...~50% of founders engaged with them for part of their next fund raise
- **Early stage** start-ups engagement with Chinese/Japanese investors at 61%, growth stage 50% and late stage at 25%.

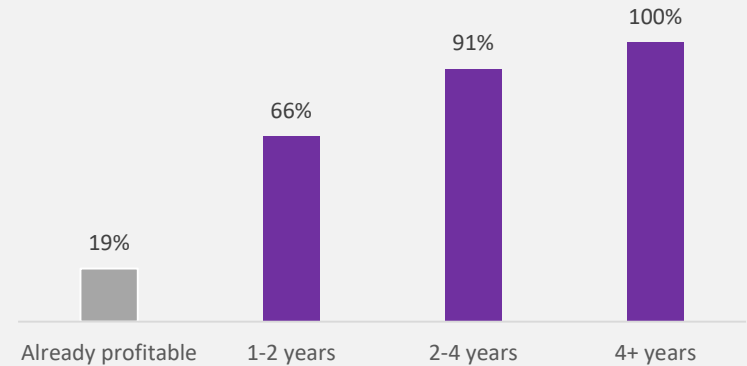
Profitability

While both growth & profitability are important, which one are you more focused on in 2019?

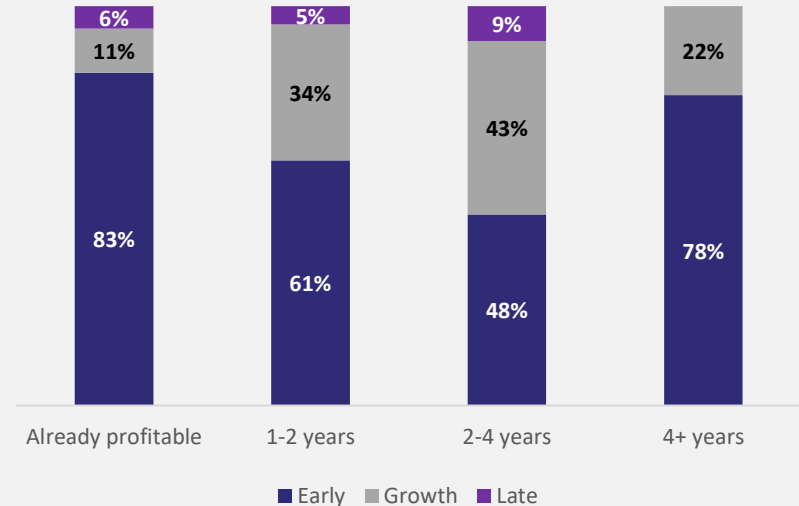


- **Increased focus on Growth ... 85% of founders have a bias for growth over profitability in 2019 ..much higher than prior years**
- **Late stage start-ups aim to become profitable in next 4 years**
- **45% of Enterprise Tech start-ups claim to be already profitable and the remaining expect to hit profitability in 1-2 years**
- **69% of Consumer-Brand start-ups expect profits in 1-2 years**

When do you expect to turn profitable?



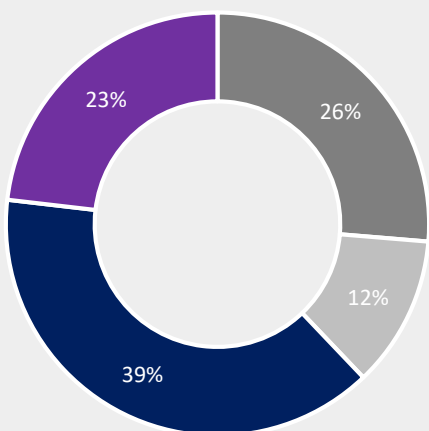
Time to profitability



Respondents by funding stage

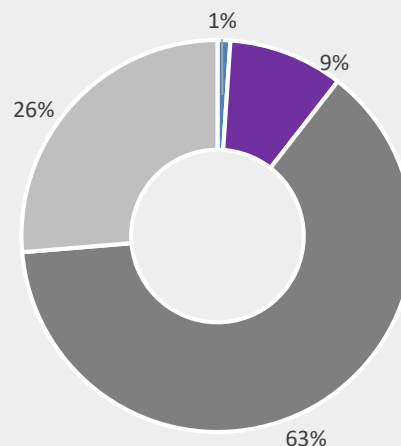
Exit expectations

Realistic mode of exit

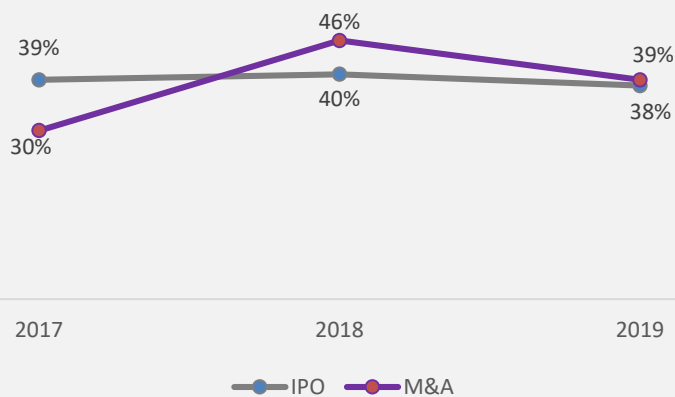


■ IPO (India) ■ IPO (Off-Shore) ■ M&A ■ Secondary Sale

Expected timeline of exit



■ 2019 ■ Next two years ■ Between 3-5 years ■ Can't say

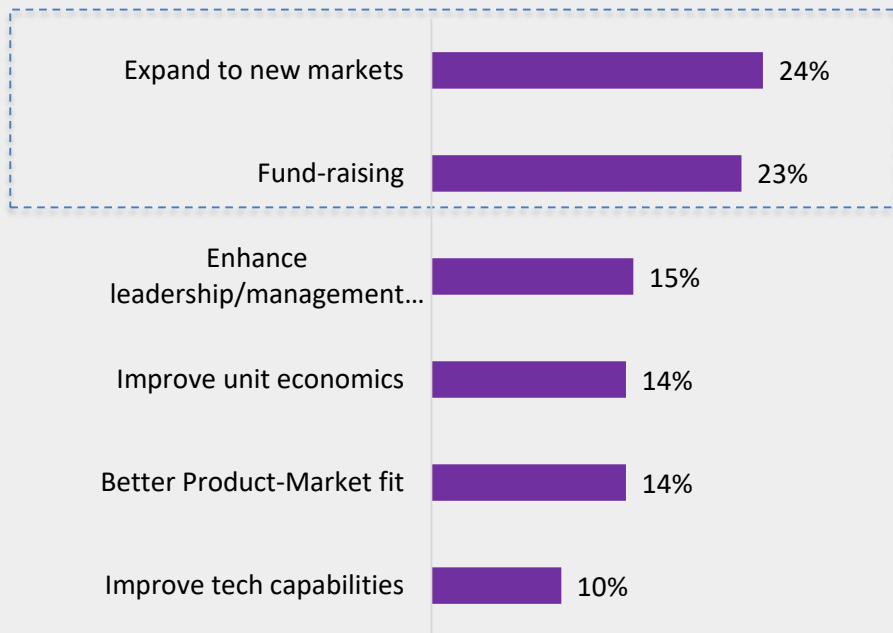


- **38% of founders** believe that **IPO** is the most likely path to provide exit to investors
- **85% of growth /late stage** start-ups expect to provide an exit within 5 years, with **62%** of choosing an IPO as a likely exit.
- **60% of Ecommerce** start-ups believe IPO most realistic exit path
- **70% of the Retail Consumer Brands** start-ups and **43% of Fintech** start-ups feel M&A is the most realistic mode of exit.

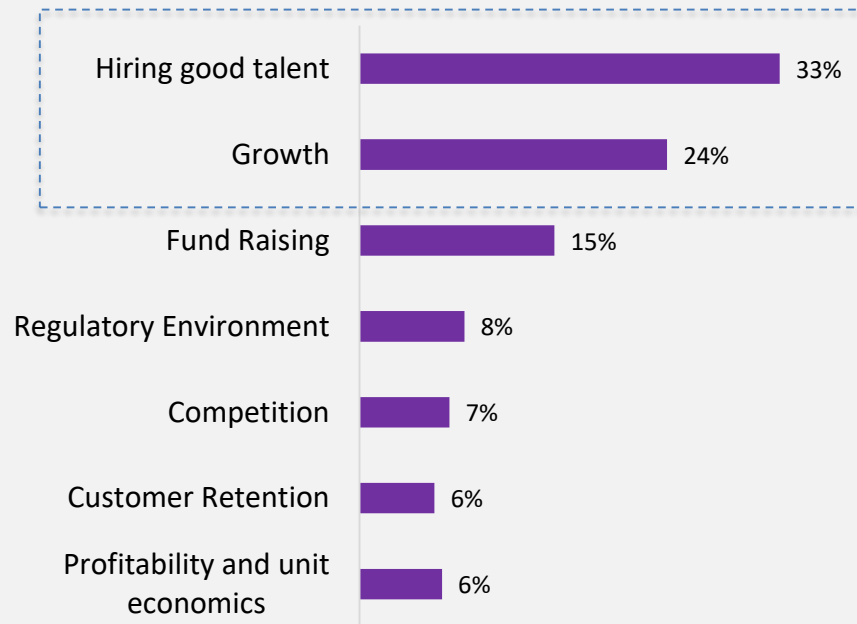
Business Priorities and Challenges

What are the top business priorities and challenges right now? Respondents answered this question with multiple choice

Priorities



Challenges

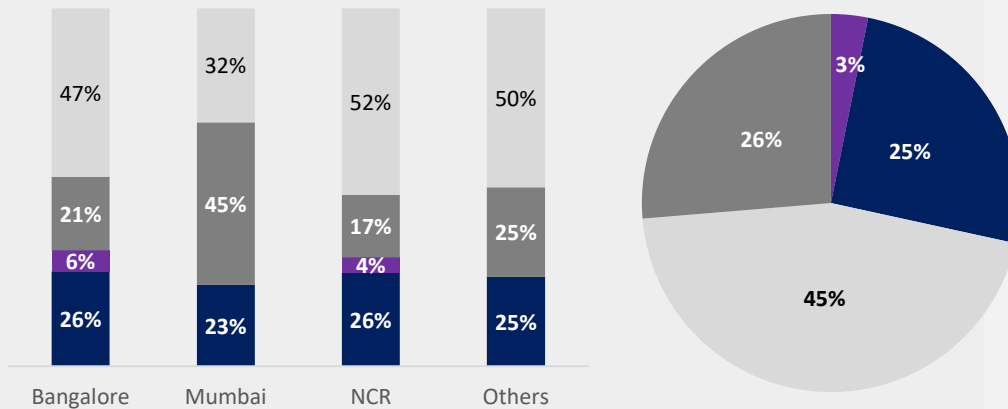


- **New market expansion & Fund raising** top 2 priorities
- *New markets #1 priority for Enterprise Tech & Consumer Brands*
- *For **early stage** start-ups, achieving a **better product market-fit** is also a key priority*
- ***E-commerce** start-ups rated **unit economics** as top priority*

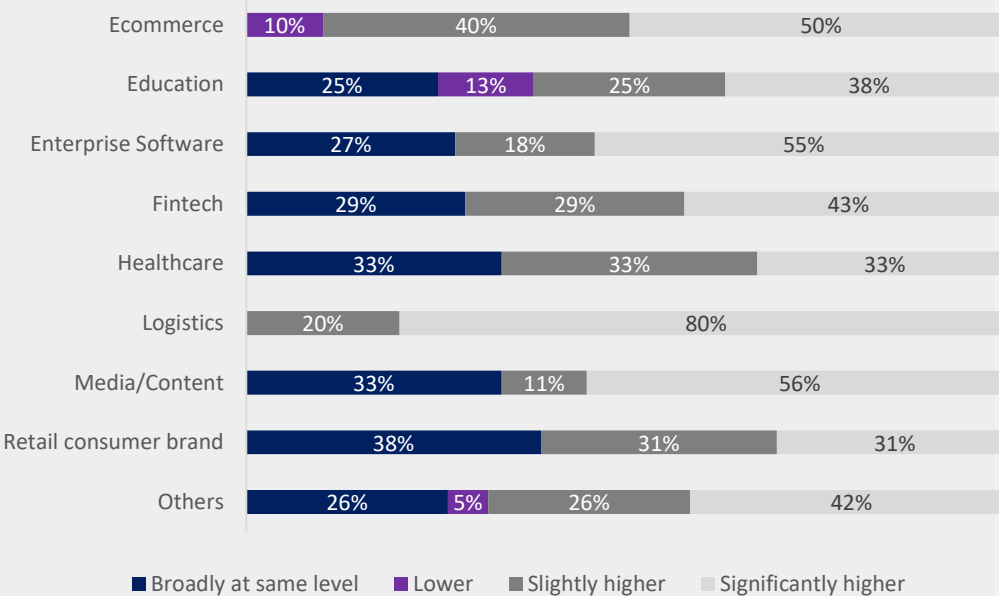
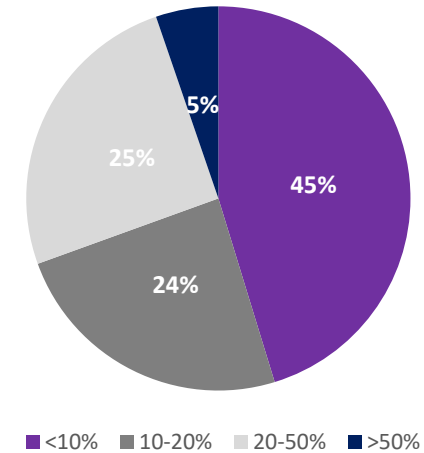
- *Top 2 challenges for start-ups were finding **good talent** & meeting high **growth aspirations***
- ***E-commerce** and **Enterprise Tech** start-ups rated **profitability** and **hiring good talent** are key business challenges*
- ***29% of FinTech** start-ups identified **Fund Raising** as a Key challenge*

Talent and hiring

Hiring in 2019 compared to 2018



What percentage of your top leadership are women?

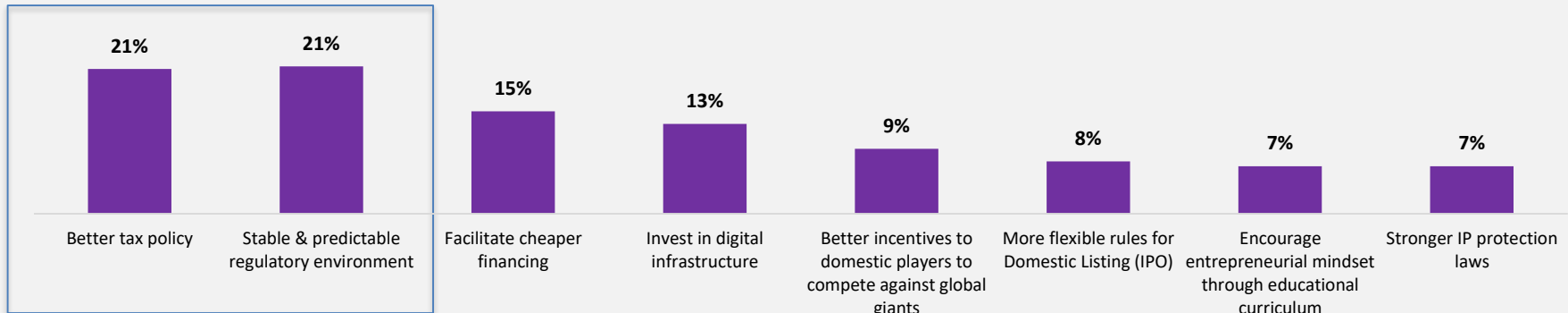


- **71%** of start-ups expect to **hire more** in 2019 v/s 2018
- **Logistics** startups most bullish on hiring in 2019
- **Enterprise Tech and Media/Content** came close 2nd
- **45%** start-ups reported **less than 10%** women in leadership positions

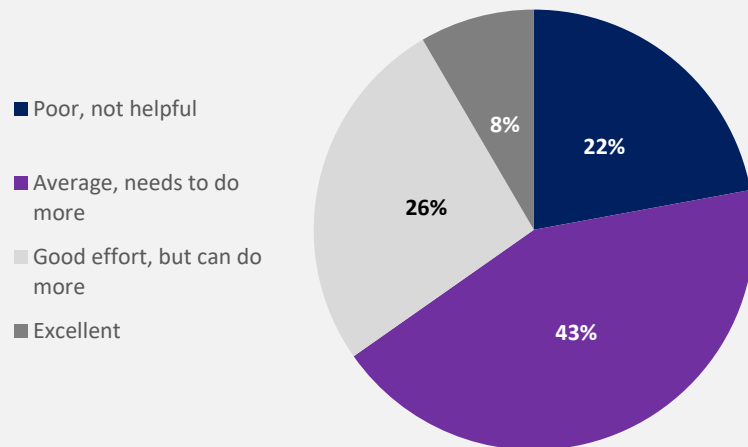
Government policy

What should the government do to make India more appealing for startups?

Respondents answered this question with multiple choice



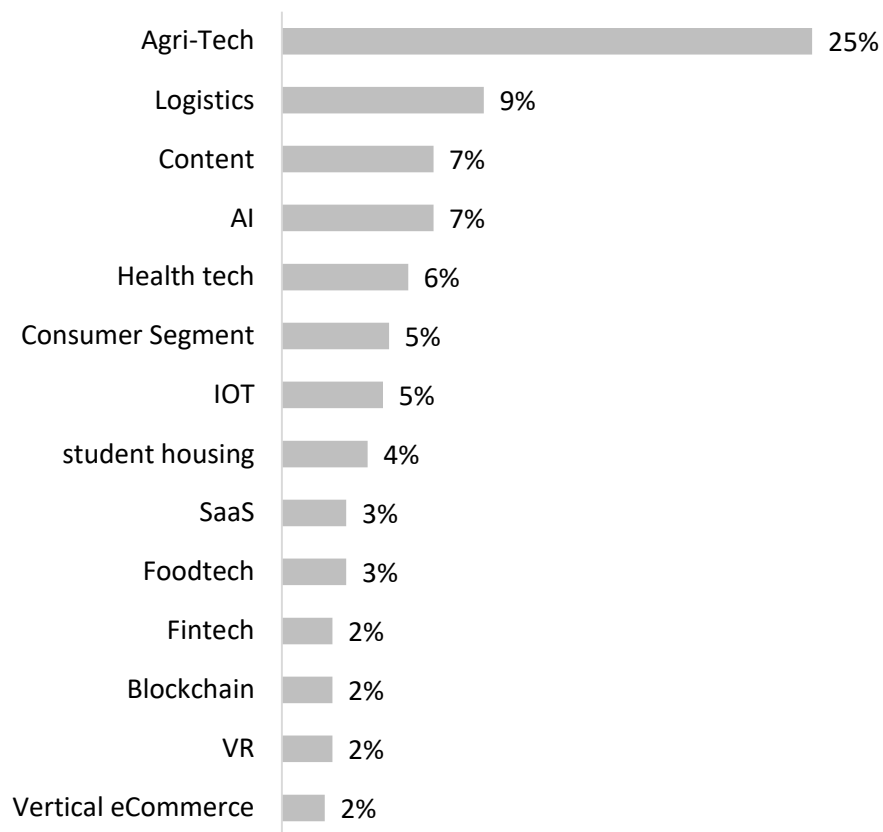
How will you rate government efforts to improve the start-up ecosystem?



- **65%** of the respondents rated government efforts to improve the start-up ecosystem as **Average to Poor**
- **Taxation and Predictable regulatory environment** are perceived as key concerns by start-ups
- **80%** of **Ecommerce** start-ups identified need for a **Stable & predictable regulatory environment** as most important

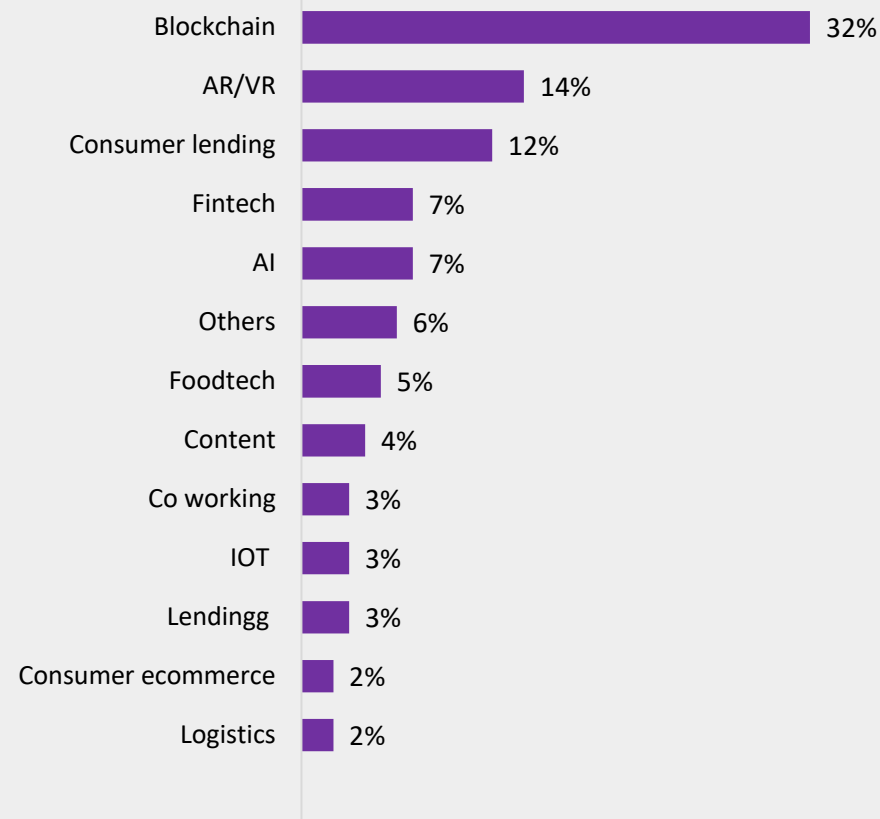
Over and under hyped sectors

Under Hyped



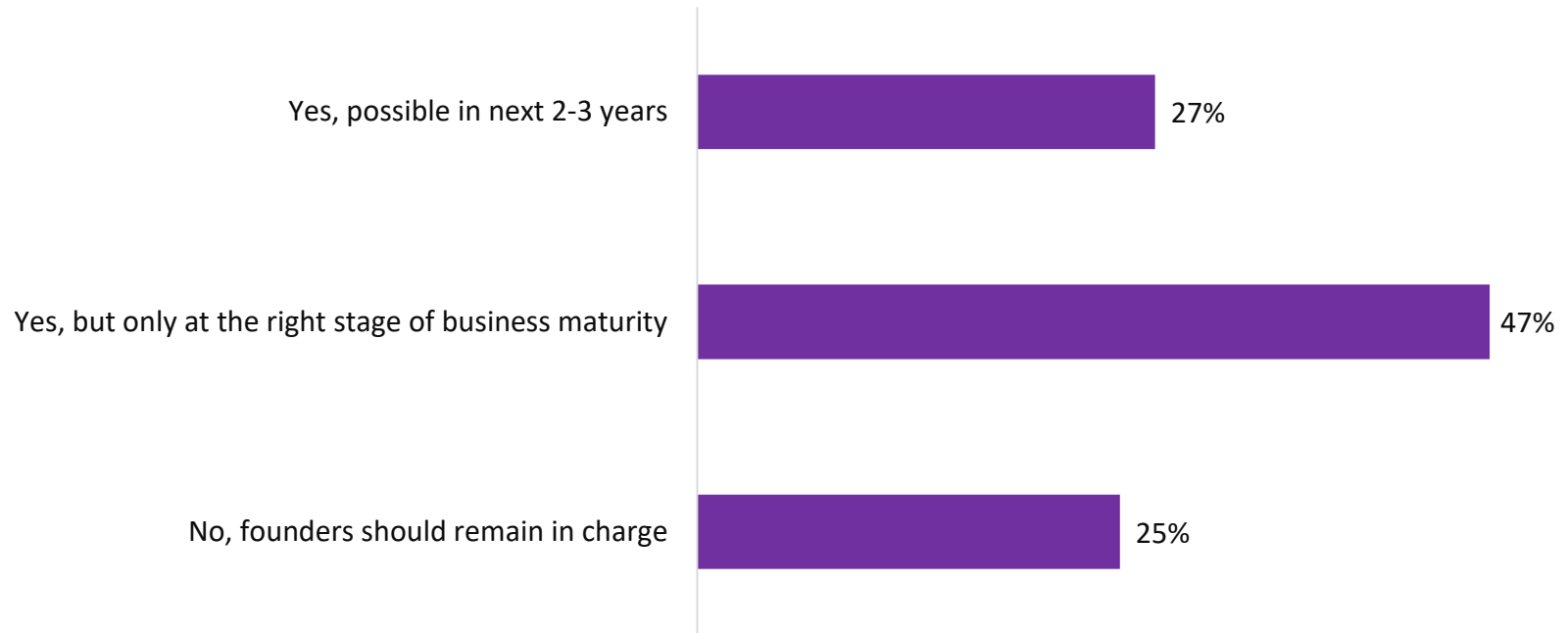
- **AgriTech** rated the most Under-Hyped sector ... same as 2018 when 22% rated it as most under-hyped

Over Hyped



- **Blockchain & AR/VR** rated the most Over-Hyped sectors
- **FinTech & AI** not as over-hyped as 2018 when 40% respondents identified these 2 sectors as over-hyped

Professional CEO running business in the future



- *72% of the founders open to a professional CEO running their business, while 25% of founders felt that only founders should remain in charge.*
- *80% of the **late stage start-ups** open to possibility of a professional CEO running their business **in next 2-3 years**.*

Favourite start-ups and founders

Favourite Indian Start-up



Favourite Indian Founder



Favourite international founder



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. Some of the prominent current & past investments include Swiggy, Oyo Rooms, Byju's, Yatra, Myntra, Quikr, FirstCry, Blackbuck, Pepperfry, Shaadi.com, Practo, Snapdeal, Manthan, GreyOrange, Eruditus & Capillary Technologies. For more information, please visit www.innovencapital.com and follow us at [@InnoVenCap_IN](https://twitter.com/InnoVenCap_IN).

About the report

The Start-up Outlook report is an annual report published by InnoVen Capital India & provides an outlook on the sentiment prevailing in the start-up eco-system through the eyes of founders. The survey is administered to founders & senior leaders and covers a broad cross-section of companies from early-stage, growth stage and late stage. It covers wide ranging topics around funding environment, exits, focus areas, challenges and other aspects that are on the mind of founders.. The 4th Start-up outlook report was based on a survey conducted with 100 start-up leaders.

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:

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The 2018 edition of the report can be read here: [Startup Outlook Report 2018](#)