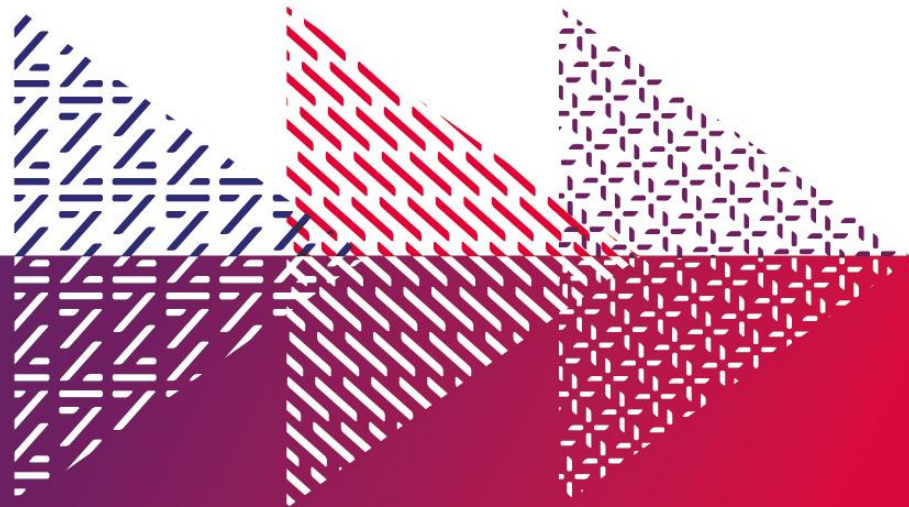




InnoVen Capital India: Startup Outlook Report - 2020

March 2020



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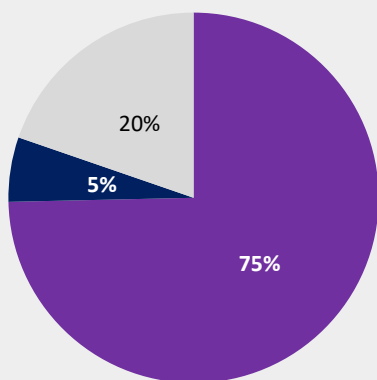
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Survey Highlights

- Founders expecting a **weaker venture funding environment** this year. While **75%** of founders had a **favorable** funding experience in 2019, almost **58%** of founders expect **fund-raising** to be **more challenging** in **2020**
- Continued bias on **growth v/s profitability**. **79% of founders** ranked **growth higher than profitability** as a focus area for 2020, slight decrease compared to **2019 (85%)**
- **57% of founders** believe that the most likely **exit** scenario will be through **M&A/Secondary Sale**. However more founders are now starting to look at **IPO's** as a viable exit option (**42% in 2020 v/s 38% in 2019**)
- **Private Equity & Hedge Fund** gain more importance for **growth/late stage** funding rounds; **~59%** of startups are looking to engage with PE/Hedge funds as part of their next fund raise (**v/s 45% in 2019**)
- **Hiring** good talent & managing **growth expectations** were identified as top two challenges for start-ups
- **75%** of startups expect a higher pace of hiring in 2020 v/s 2019. **Enterprise Tech, Fintech, Ecommerce and Media/Content** are the most bullish on hiring in 2020
- **74%** of start-ups had **< 20% of women in leadership roles**, which is lower than **69%** in 2019
- **47%** of founders open to possibility of a **professional CEO** running their business at the right stage **of maturity**
- Only **35%** of founders rated **government efforts to improve the start-up** ecosystem as **Good or Excellent**. Founders want a **stable regulatory environment** & better incentives for **domestic players** to compete against **global giants**
- **Fintech & AI** highlighted as the most **over hyped** sectors, while **Consumer brands** was voted as most **under-hyped** sector in 2019. Founders expect **Fintech** (largely Neo Banks) & **Enterprise Tech** to be **hot in 2020**.
- Respondents chose **Swiggy** as their most favourite Indian start-up, **Bhavish Aggarwal** as their most admired Indian founder. **Elon Musk** was chosen again as the most favourite global founder (**4th** year in a row)

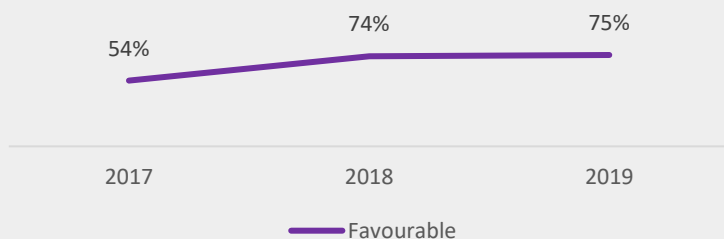
Fundraising (1/2)

How was your funding experience in the last 12 months?

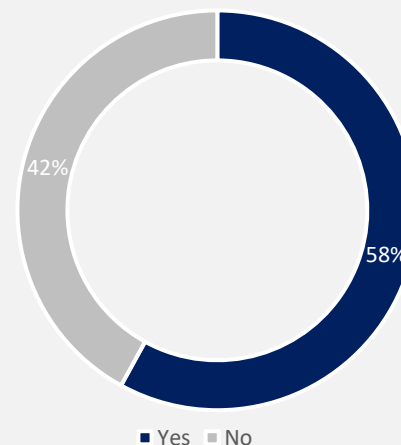


- Favourable
- Unfavourable, attempted to raise but could not
- Unfavourable, raised a sub-optimal round from external or internal investor(s)

Funding experience over time (% favourable)

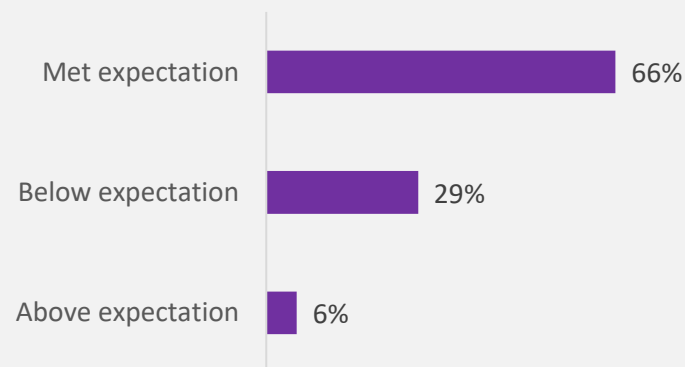


Will fund-raising be more challenging in 2020?



- Yes
- No

The Valuation offered in the last round was?



- **Back to Back years of strong funding environment; 75% had a favourable experience in fund raising**

- **58% of founders believe that fund raising will be more challenging in 2020**

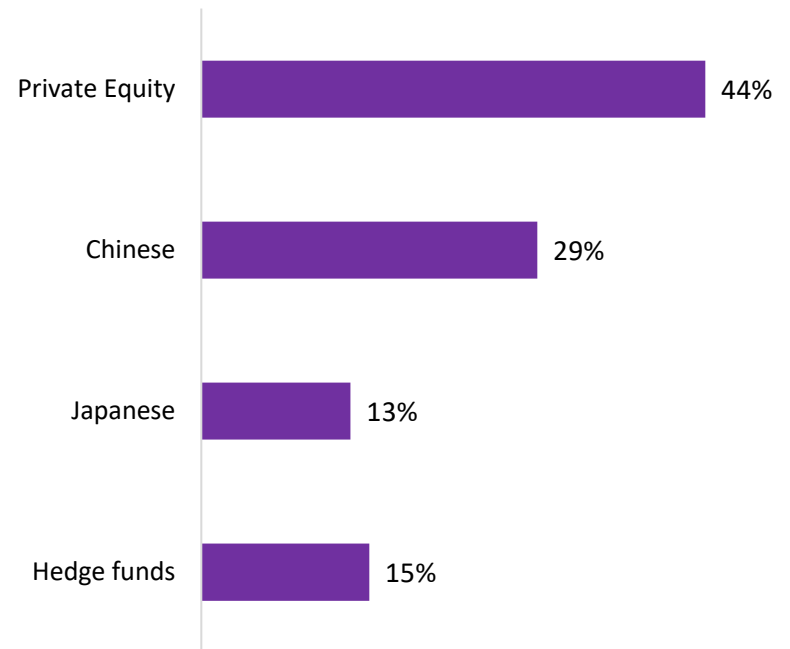
Fundraising (2/2)

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



- **Strategic fit** & **strength of institution brand** are two most important factors
- For growth/late start-ups, **strength of institutional brand** is the single most important factor

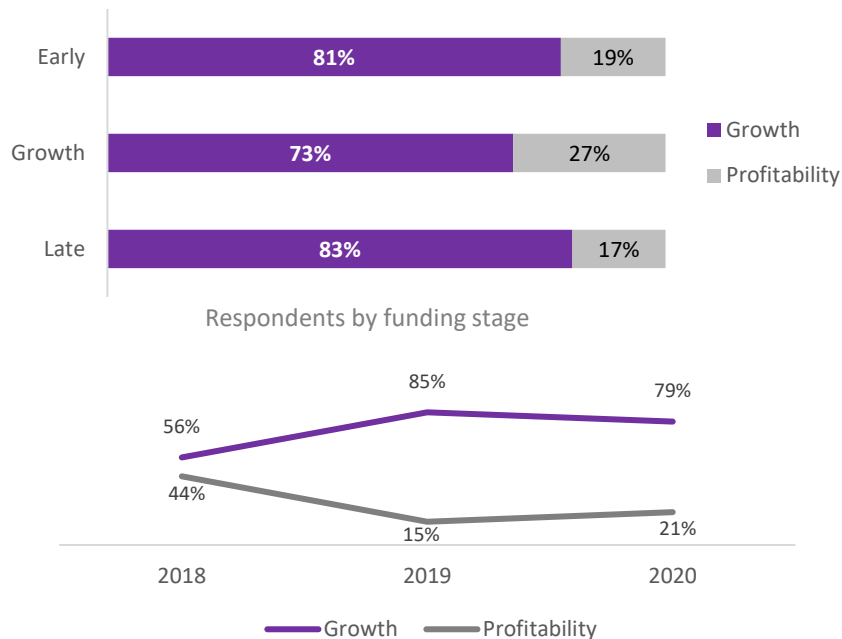
In addition to local VCs, which other investors are you targeting for next round of funding?



- More founders looking at **Private Equity** as opposed to **Chinese & Japanese funds**
- **42%** of respondents targeting **Chinese/ Japanese funds** (compared to 55% in 2019)

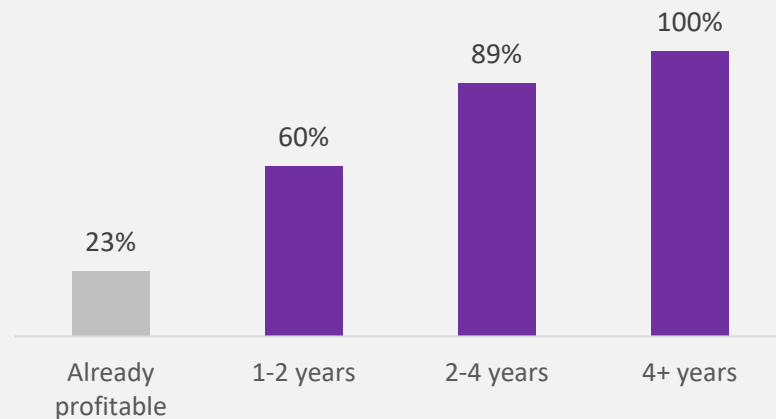
Growth / Profitability

While both growth & profitability are important, what is the bigger focus for you in 2020?

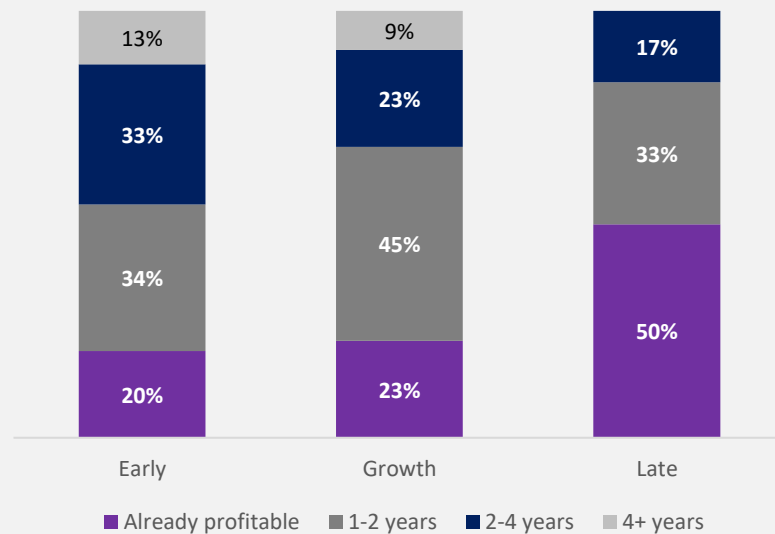


- **79% of start-ups have bias for Growth over profitability.**
- **All late stage start-ups & 91% growth stage start-ups aiming to become profitable in the next 4 years**
- **82% of Consumer brands & 53% of Fintech claim to be profitable/expect profitability in 1-2 years**

When do you expect to become net income profitable?



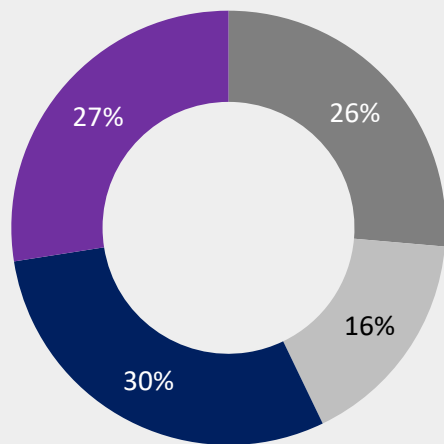
Time to profitability



Respondents by funding stage

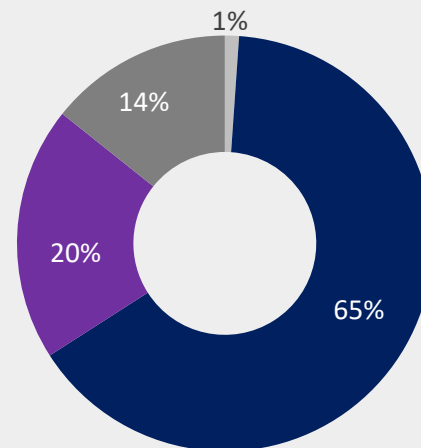
Exit expectations

Most likely path of exit

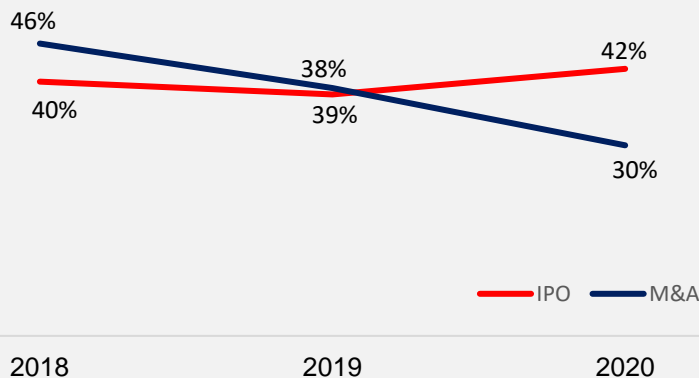


■ IPO (India) ■ IPO (Off-Shore) ■ M&A ■ Secondary Sale

Expected timeline of exit



■ 2020 ■ Between 3-5 years ■ Can't say ■ Next two years

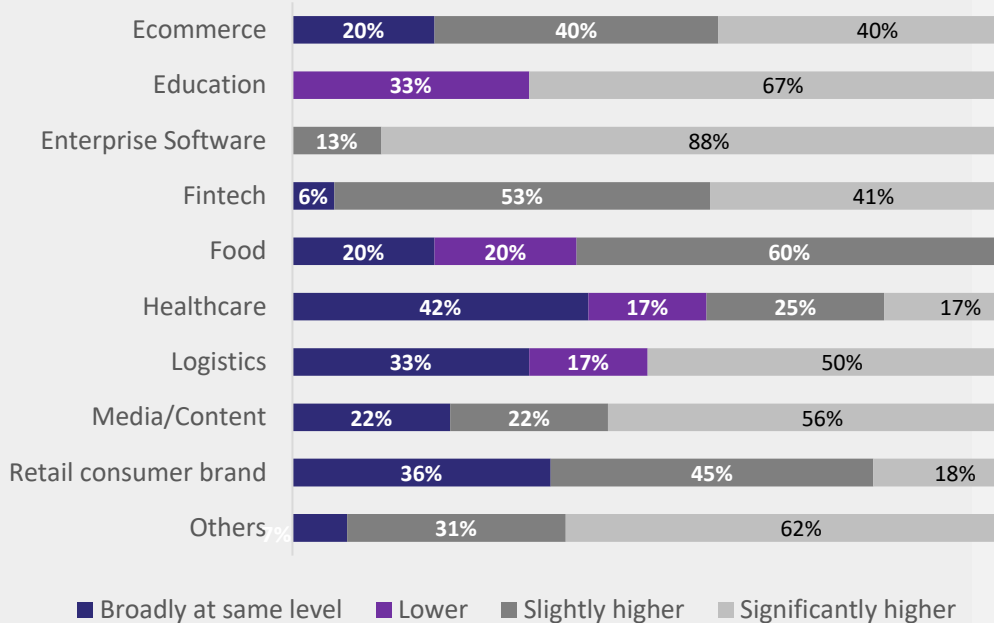
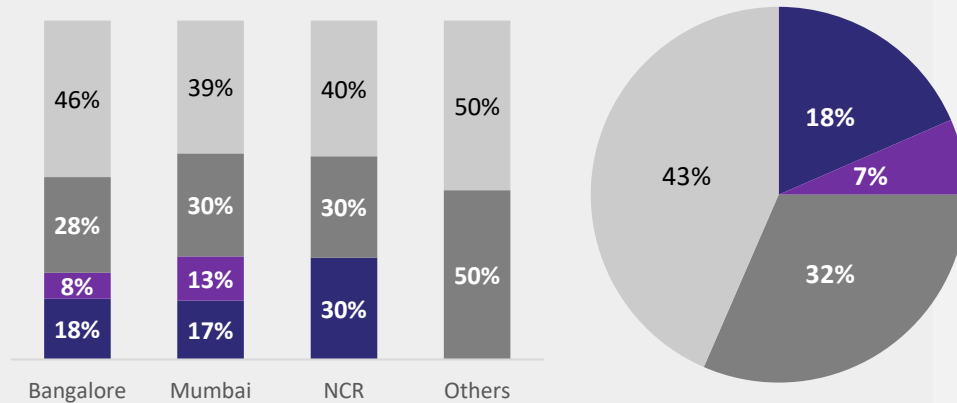


— IPO — M&A

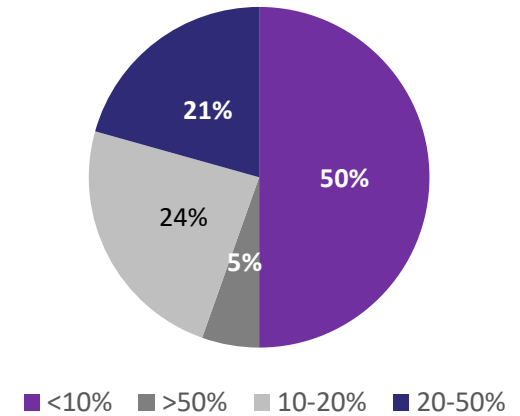
- **42% of founders** believe that **IPO** is the most likely path to provide exit to investors
- **54%** of growth /late stage start-ups expect an **exit within 5 years**, with **62%** choosing IPO as a likely exit.
- **60% of Ecommerce** start-ups believe secondary as the most likely exit path (most chose IPO last year)
- **64% of the Consumer Brand** start-ups feel M&A is the most likely mode of exit.
- **53% of Fintech** start-ups feel IPO is the most likely mode of exit.

Talent and hiring

Hiring in 2020 compared to 2019



What percentage of your top leadership are women?

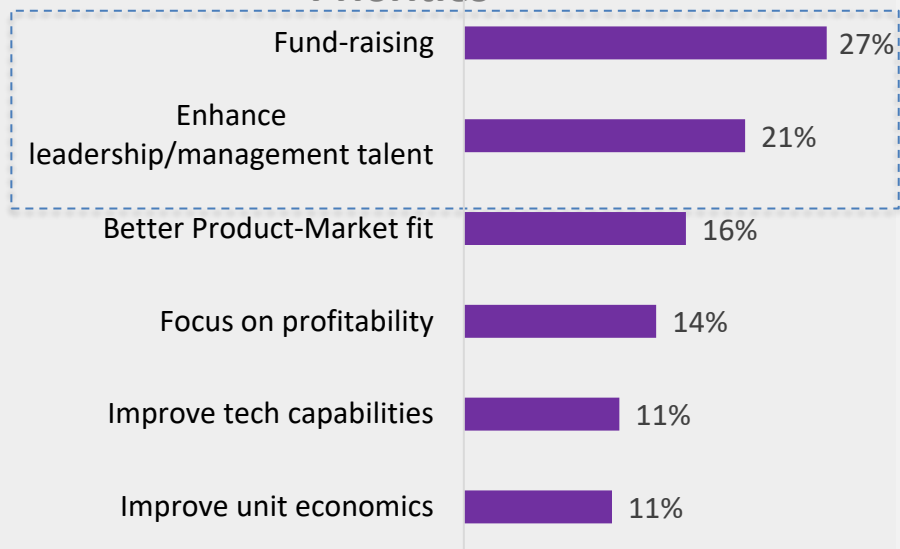


- **75% of start-ups expect to hire more in 2020 v/s 2019**
- **Enterprise tech & Fintech startups are the most bullish on hiring in 2020**
- **Media/Content & Ecommerce close 2nd**
- **50% start-ups had less than 10% women in leadership positions**

Business Priorities and Challenges

What are the top business priorities in the next 12 months? *Respondents answered this question with multiple choice*

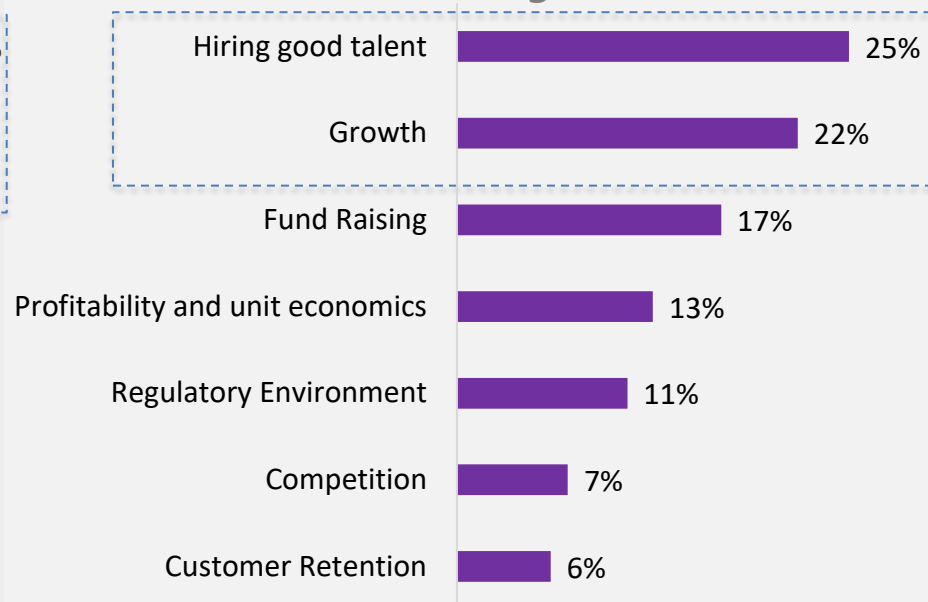
Priorities



- **Fund raising & Leadership/talent** are top 2 priorities
- **Better product market fit** #1 priority - **Enterprise Tech**
- **Focus on profitability** top priority for **Logistics & Consumer brands**
- **Early stage start-ups**, chose achieving a better **product market-fit** as a key priority

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

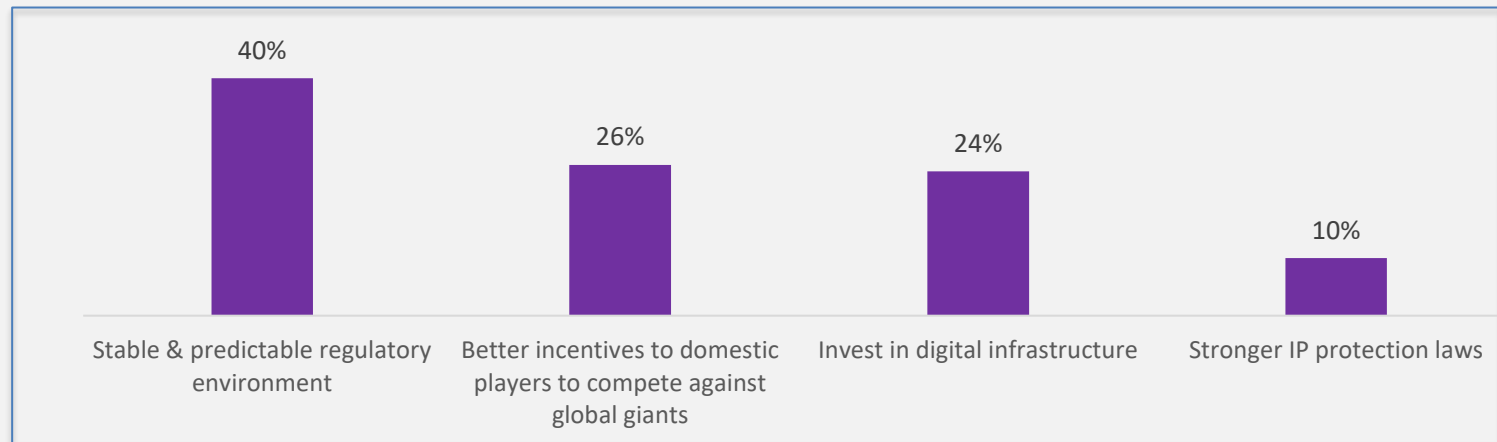
Challenges



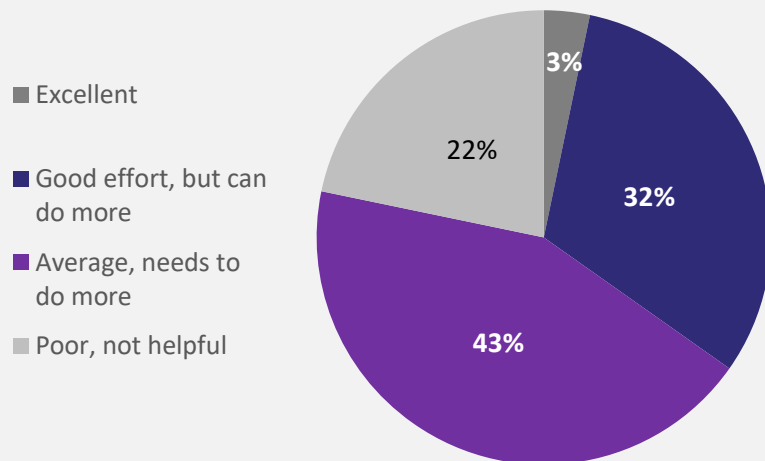
- Top 2 challenges for start-ups were **hiring good talent** & meeting **high growth** aspirations
- **37% of Enterprise Tech** start-ups rated **customer retention** as key business challenge
- **60% of Ecommerce & 50% of Healthcare** start-ups identified **Fund Raising** as a Key challenge

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

Respondents answered this question with multiple choice



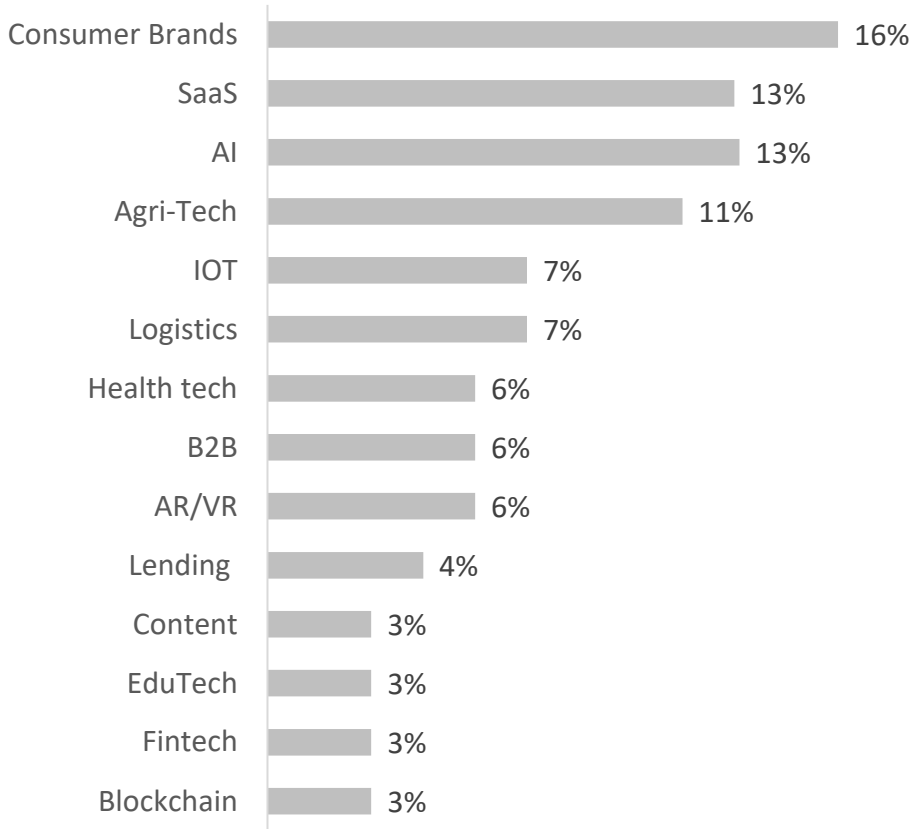
How will you rate government efforts to improve the start-up ecosystem?



- **Only 35%** of the respondents rated government efforts to improve the start-up ecosystem as **Excellent or Good**
- **Stable & Predictable regulatory environment** is perceived as a key concern by start-ups
- **82%** of **Fintech** start-ups & **66%** of **Media/Content** start-ups identified need for a **Stable & predictable regulatory environment** as most important

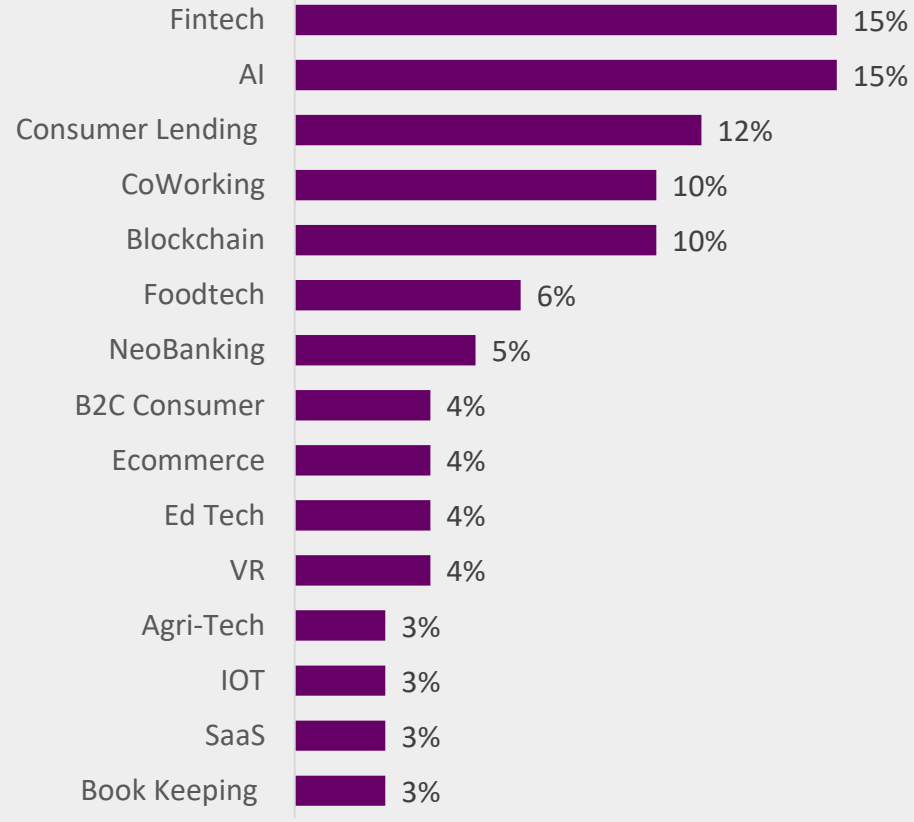
Over and under hyped sectors

Under Hyped



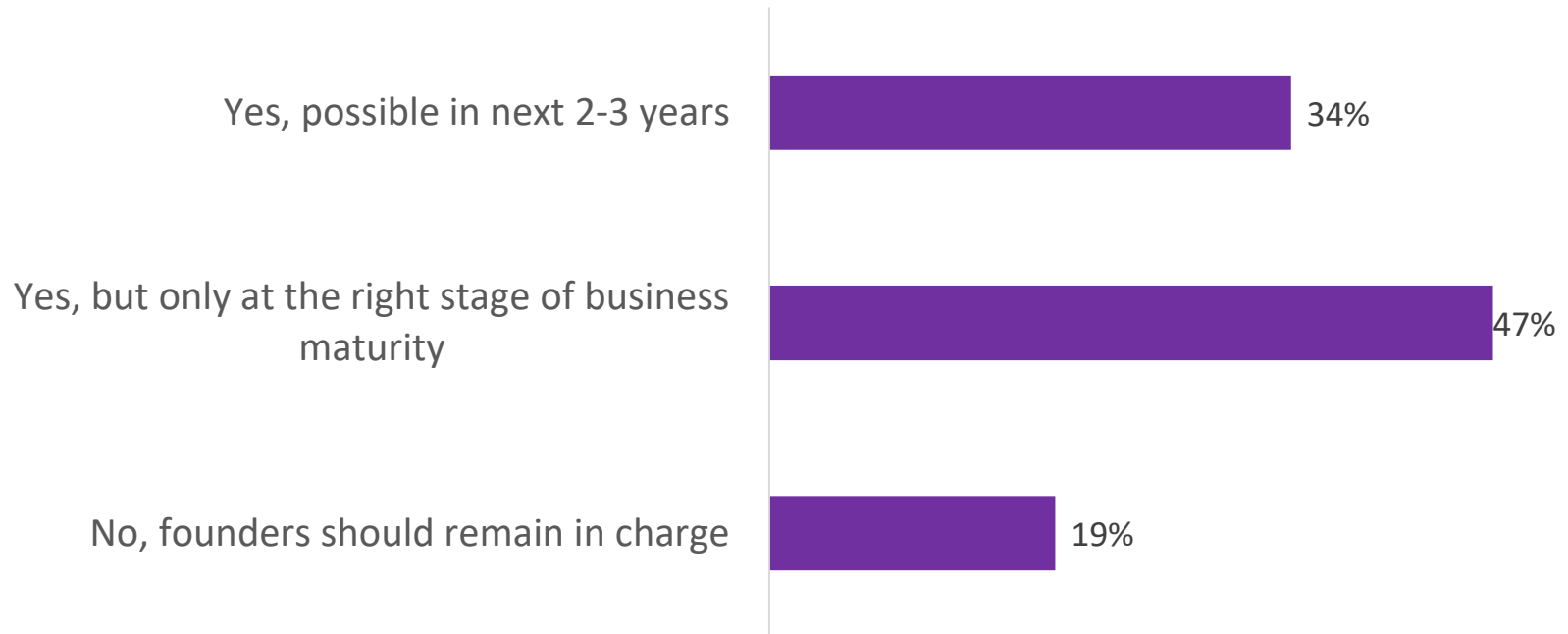
• **Consumer Brands** rated as most **under hyped** sector. **AgriTech** was rated the most Under-Hyped sector in 2019 and 2018

Over Hyped



• **Fintech, AI** rated as most **over hyped** sector. **Blockchain and AR.VR** was rated the most over-Hyped sector in 2019

Professional CEO running business in the future



- **81%** of the founders open to a professional CEO running their business, while 19% believe that the founder should always remain in charge
- **36%** of **growth/late stage start-ups** open to a professional CEO running business in next 2-3 years.

Favourite start-ups and founders

Favourite Indian Start-up



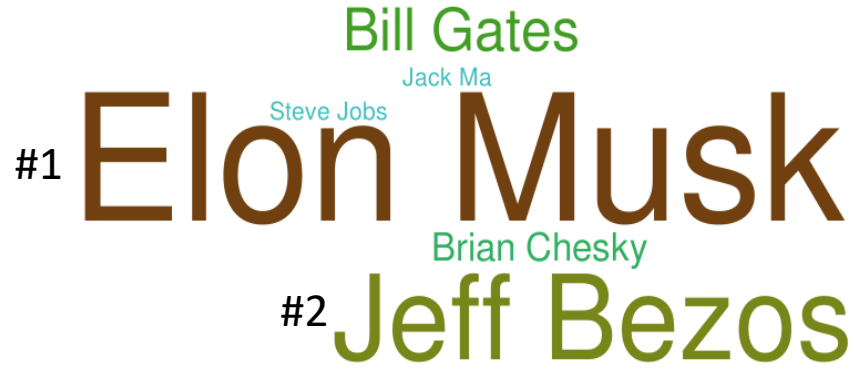
#2 Vijay Shekhar Sharma

Byju Raveendran
Sanjeev Bikhchandani

Favourite Indian Founder

#1 Bhavish Aggarwal

#2 Sachin Bansal
Ritesh Agarwal
Girish Mathrubootham



Favourite international founder

About InnoVen Capital

InnoVen Capital is Asia's leading venture lending platform with offices in India, China and Singapore. It provides structured 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 working capital support. Some of the prominent current & past investments include Swiggy, Byju's, Oyo Rooms, CureFit, Snapdeal, FirstCry, Blackbuck, Rivigo, Myntra, Quikr, Dailyhunt, Pepperfry, Eruditus, PharmEasy, GreyOrange, Ather & Bounce. 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 (& few senior leaders) from a broad cross-section of companies (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. This is the 5th Start-up outlook report and 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:

contact@innovencapital.com

The 2019 edition of the report can be read here: [Startup Outlook Report 2019](#)