



Early Stage Investment Insights Report: FY21

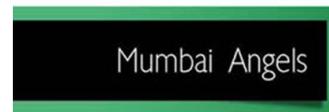
5th Edition of Annual “Early stage investment insights report – India”, based on market information and survey conducted with leading institutional early stage investors



SURVEY DESIGN

The 'Early Stage Investment Insights Report FY21' provides analysis and trends on pre-series A/Seed 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 – 3one4 Capital, Artha Ventures, Blume Ventures, First Cheque Ventures, Indian Angel Network, India Quotient, Inflection Point Ventures, Kae Capital, Mumbai Angels, Omnivore, Orios Venture Partners, Stanford Angels, Sauce.vc, Titan Capital, Waterbridge Ventures and YourNest Capital.

The 2019 edition of the Report can be read [here](#)





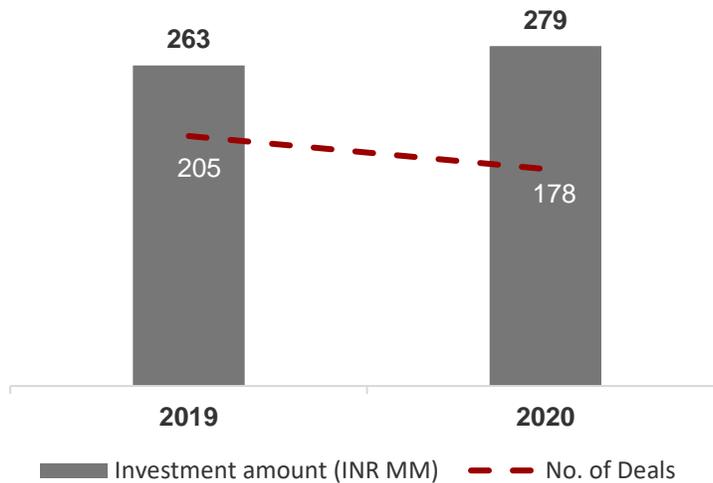
KEY HIGHLIGHTS

- Total Early stage (Seed/Pre-series A) funding amount was 6% higher than 2019 despite few months of limited activity post COVID. Total number of deals went down by 13% but the average deal size up 23% to \$1.6 MM (from \$1.3 MM in 2019)
- Over 80% of respondents surveyed invested more last year (v/s 2019), with majority of investments in the \$500K-\$2 MM range. Valuations of seed deals continue to go up, with 50% of deal being done with over \$5 MM valuation
- Respondents chose EdTech, B2B platforms and Consumer Tech as the top 3 sectors where they invested
- Investors continue to bet on experienced founders, with 75% of founders having 5-10 years experience
- While there was some slowdown in April-June quarter due to COVID, the funding activity picked up thereafter. COVID led to tailwinds for most, with 81% of respondents portfolio seeing positive impact on demand as well as unit economics
- 74% of investors expect that the funding activity this year will remain at same level or higher level than last year. The sectors which investors are most interested this year include Enterprise SaaS, HealthTech, FinTech and EdTech
- Most early stage investors feel that the emergence of Angel syndicates has been positive for the overall eco-system. However the higher activity levels in seed stage by large established VCs has increased competition and driven valuations higher
- Bangalore and NCR continue to be the start-up hubs and attract over two thirds of all seed investments



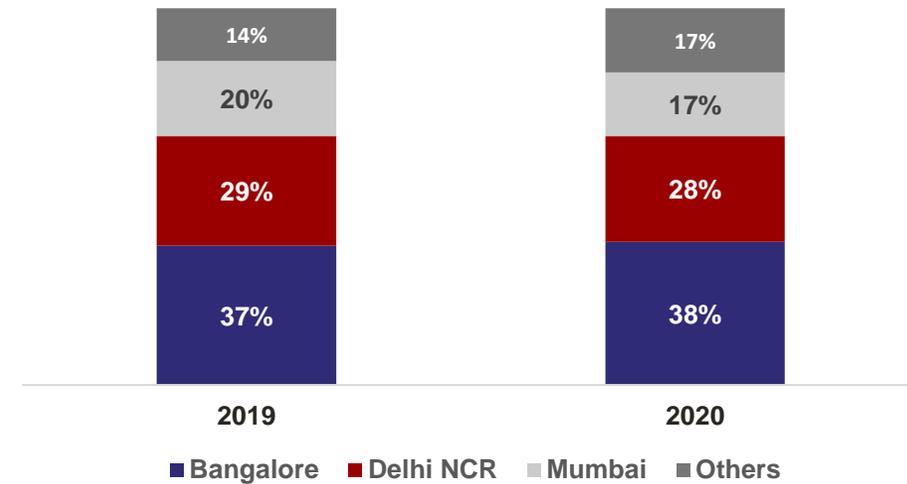
SEED INVESTMENTS ACTIVITY - TOTAL MARKET

Total Investment (\$ MM) & No. of deals



- Average deal size up 22% to \$1.6 MM (\$1.3 MM in 2019)
- Number of deals down 6% to 178 (205 in 2019)

New Investments - by city (%)



- BLR / NCR constitute 2/3rd of funding activity
- Others primarily includes Pune, Chennai, Hyderabad

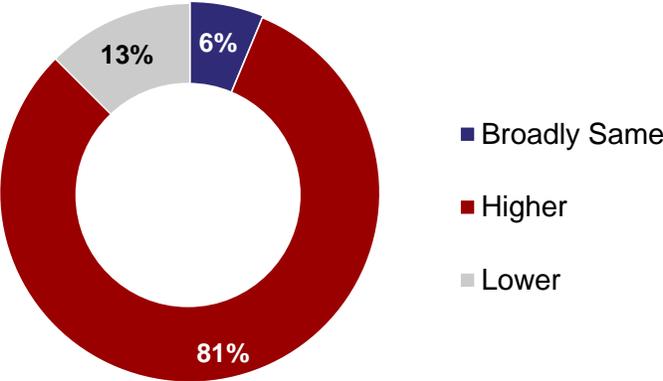
Source: Venture Intelligence. Only considered Seed/Pre Series A deals between \$250 K - \$5MM



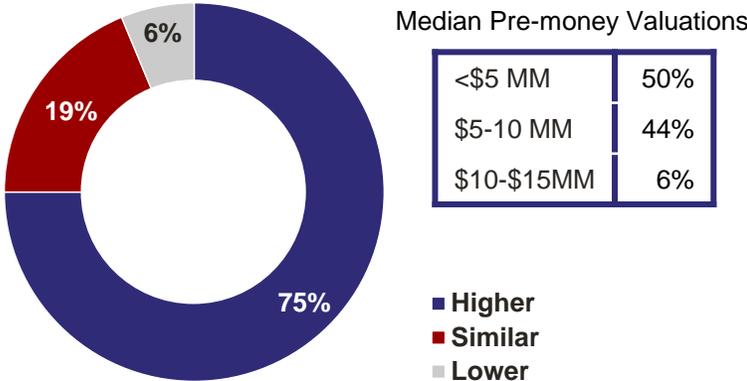


INVESTMENT TRENDS

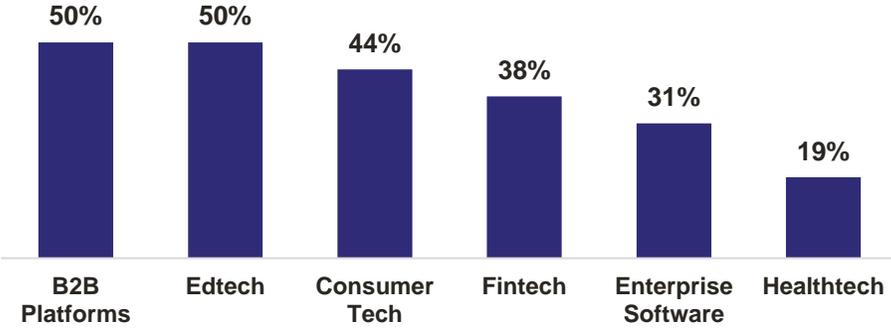
Startups funded in FY21 vs FY20



Valuations (FY21) v/s FY20

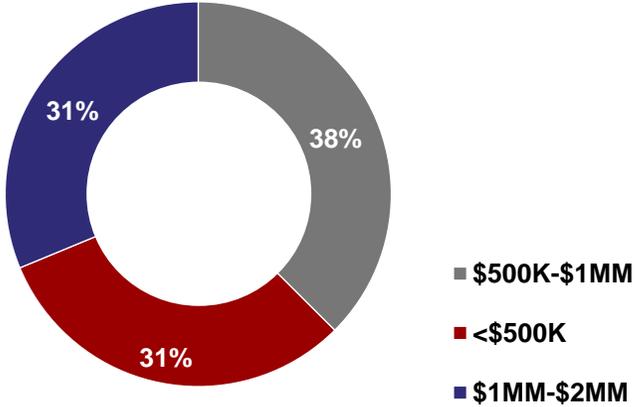


Sectors invested by VC's-a)



(a- Total will not add to 100% as each respondent chose multiple sectors)

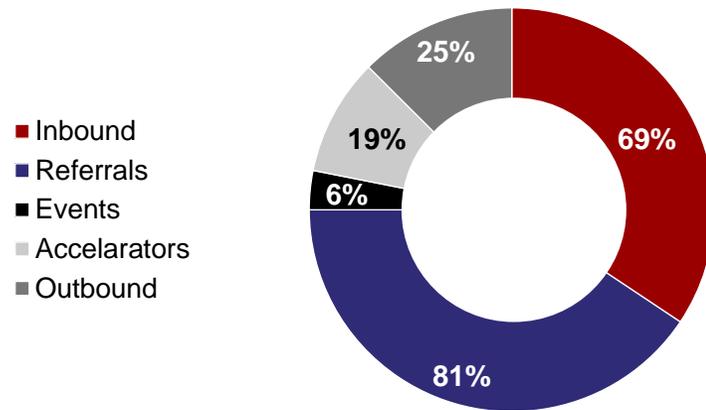
Average amount invested per deal



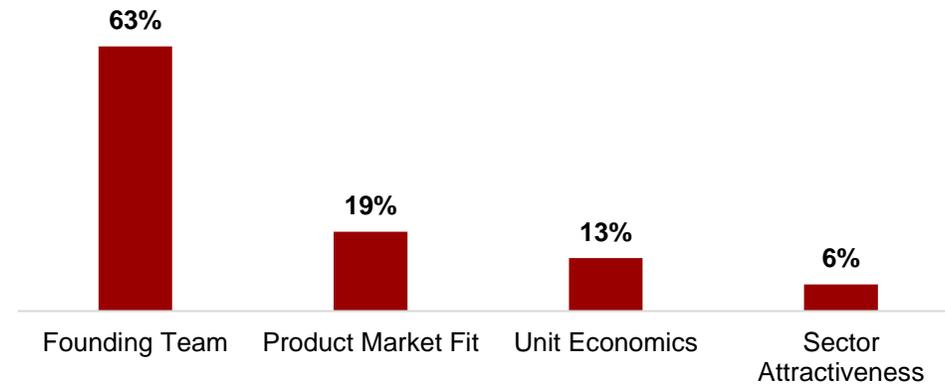


DEAL FLOW & INVESTMENT CRITERIA

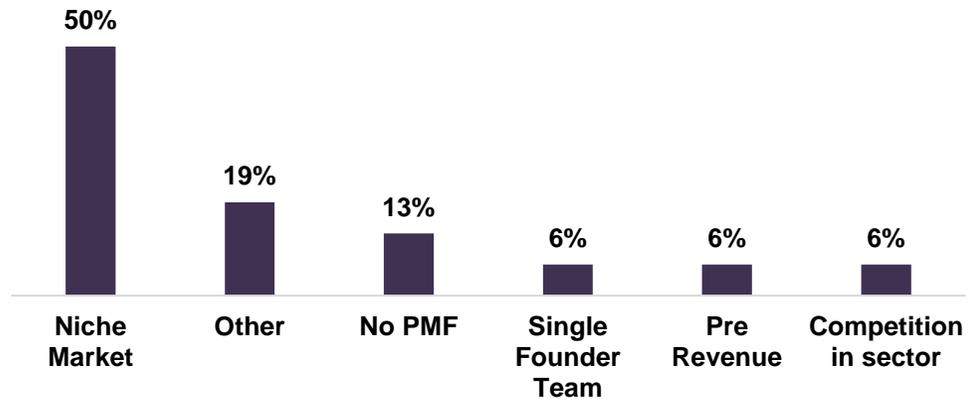
Top 2 Sources for deal flow -a)



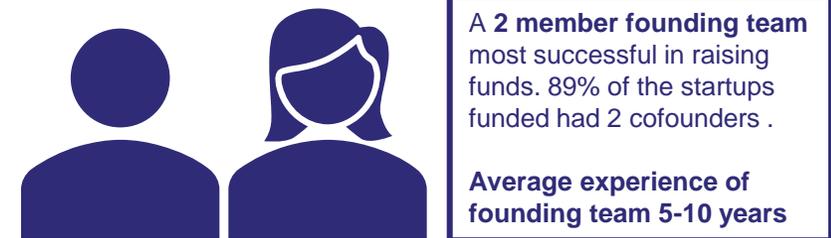
Investing Decision – Most Important Attribute



Most frequent factor for passing on a deal



Average size of founding teams



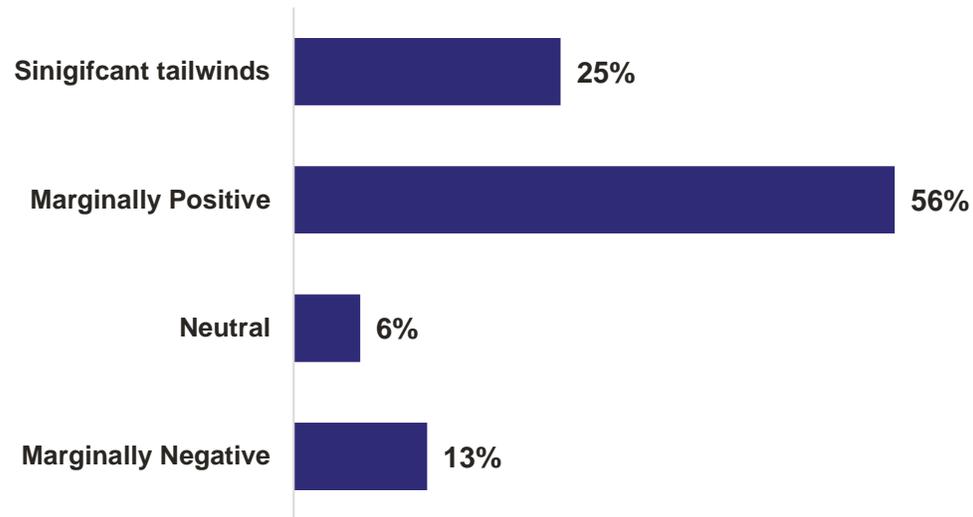
(a- Total will add to 200% as each respondent chose top 2 sources



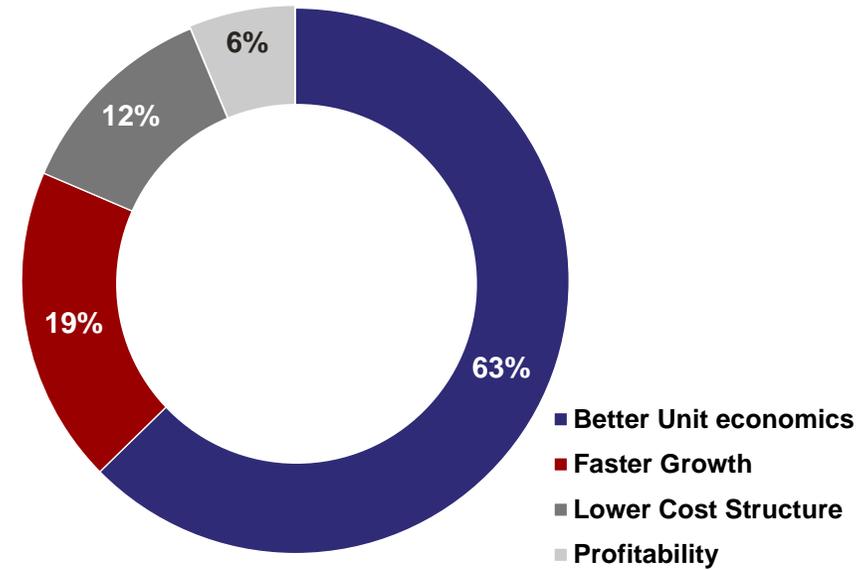


COVID IMPACT

What has been Impact of Covid on your portfolio



Focus area for your portfolio companies post covid



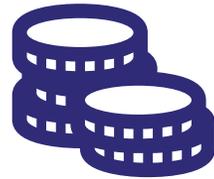
- 81% of portfolio companies experienced marginally positive or significant positive impact post COVID19
- Most portfolio companies focused on better unit economics and were also able to drive growth



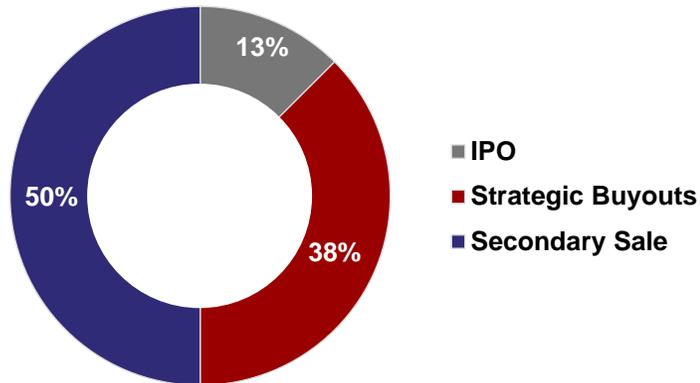
FOLLOW-ON FUNDING / EXITS

% of portfolio (last 2 years) that raised a follow on round

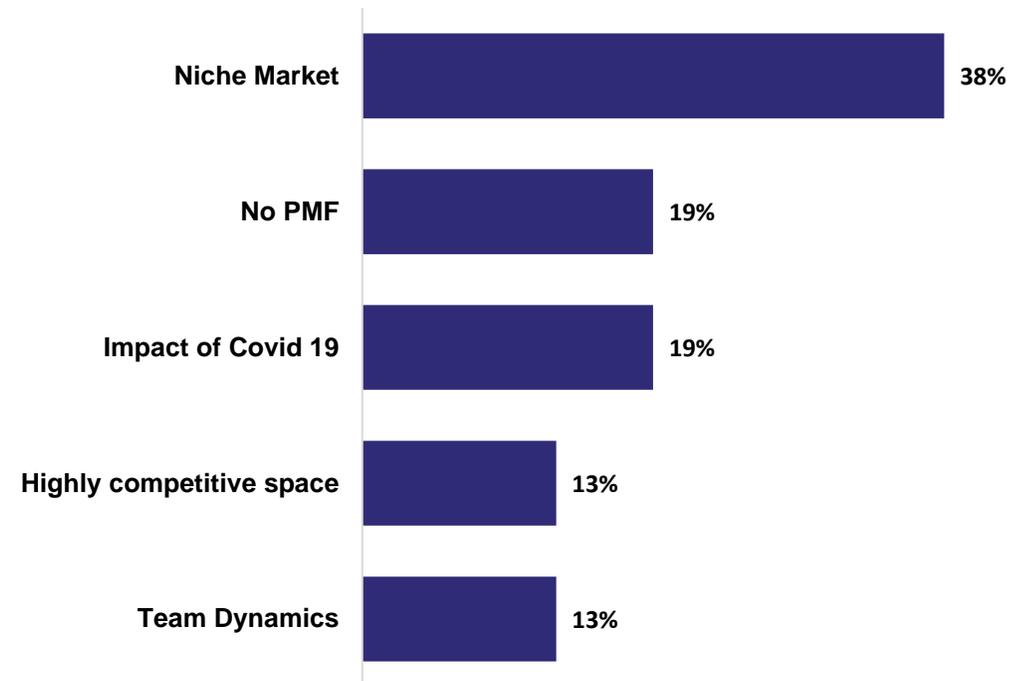
41% of investments made in last 2 years have raised a follow on round



What is the most likely path of exit in your portfolio



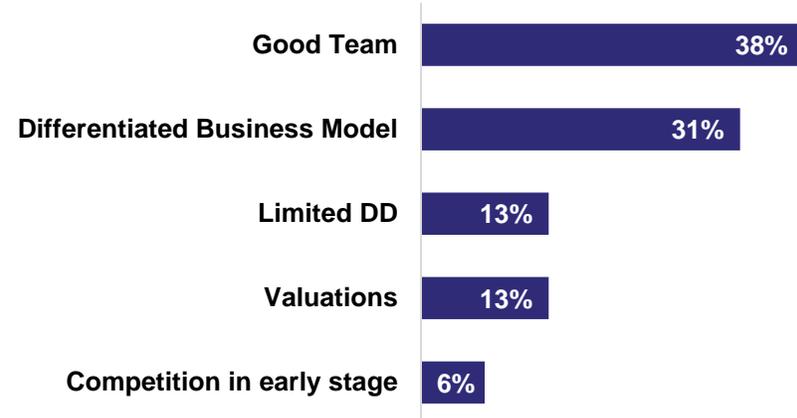
Primary reason for portfolio companies failing to raise a follow on round



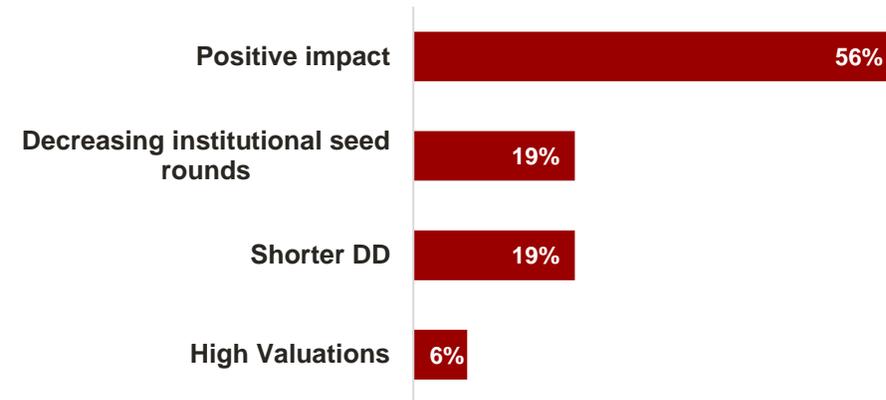


COMPETITIVE INTENSITY INCREASING FOR EARLY STAGE INVESTORS

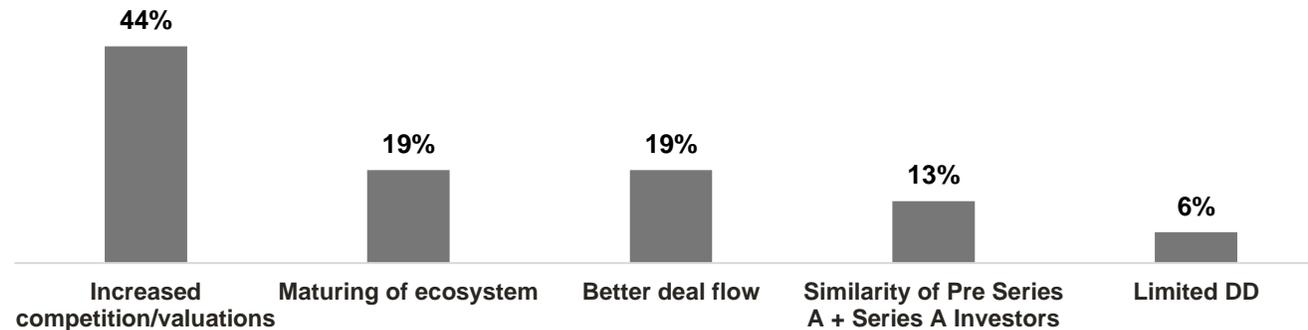
Biggest challenge in finding a good investable opportunity



Impact of deepening angel syndicates activity



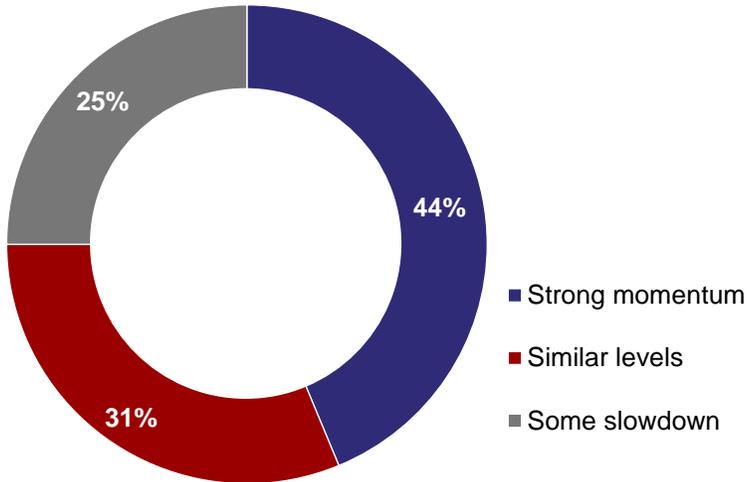
Impact of large VCs increasing pace of seed investments



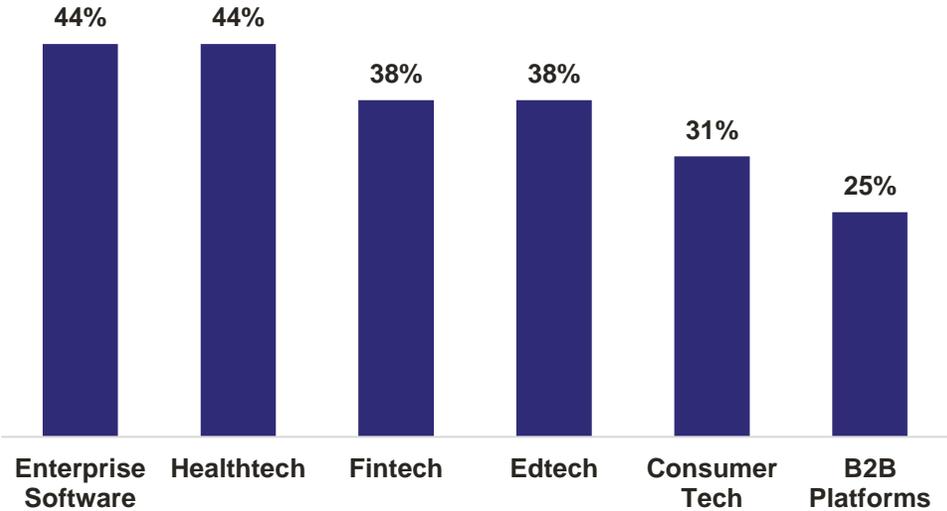


INVESTMENT OUTLOOK – 2021

Outlook of funding activity this year



Which sectors do you intend to invest this year^{a)}



- 74% of respondents expect that funding activity will remain at same or higher level than last year
- Investors most interested in Enterprise SaaS, HealthTech, FinTech and EdTech this year

(a- Total will not add to 100% as each respondent chose multiple sectors)



ABOUT INNOVEN CAPITAL

InnoVen Capital is Asia's leading venture lending firm with offices in India, China and Singapore. It provides debt capital to high growth venture capital backed startups. 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, working capital etc.

To date, InnoVen Capital India has partnered with more than 180 start-ups, including market leading companies such as Byjus, Swiggy, Eruditus, Oyo Rooms, Infra.Market, Dailyhunt, PharmEasy, CureFit, Firstcry, boAt, Moglix, Licious, Blackbuck, BharatPe, Pepperfry, Zetwerk, ElasticRun, DealShare, Snapdeal, Rebel Foods, Myntra and many more. For more information, please visit www.innovencapital.com and follow us at [@InnoVenCap_IN](https://twitter.com/InnoVenCap_IN).

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