India Venture Capital Report 2021

Venture capital flows continue to be robust
and play a pivotal role in the future of India's economy

Arpan Sheth, Sriwatsan Krishnan, Arjun Upmanyu

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Authors and acknowledgments

Arpan Sheth is a partner in Bain & Company's Mumbai office. He leads the firm's Asia-Pacific Technology, Vector and Advanced Analytics practices, as well as India Private Equity and Alternative Investor practice.

Sriwatsan Krishnan is a partner and a member of Bain & Company's Private Equity practice and is based out of Mumbai.

Arjun Upmanyu is an associate partner in Bain & Company's Private Equity practice and is based out of New Delhi.

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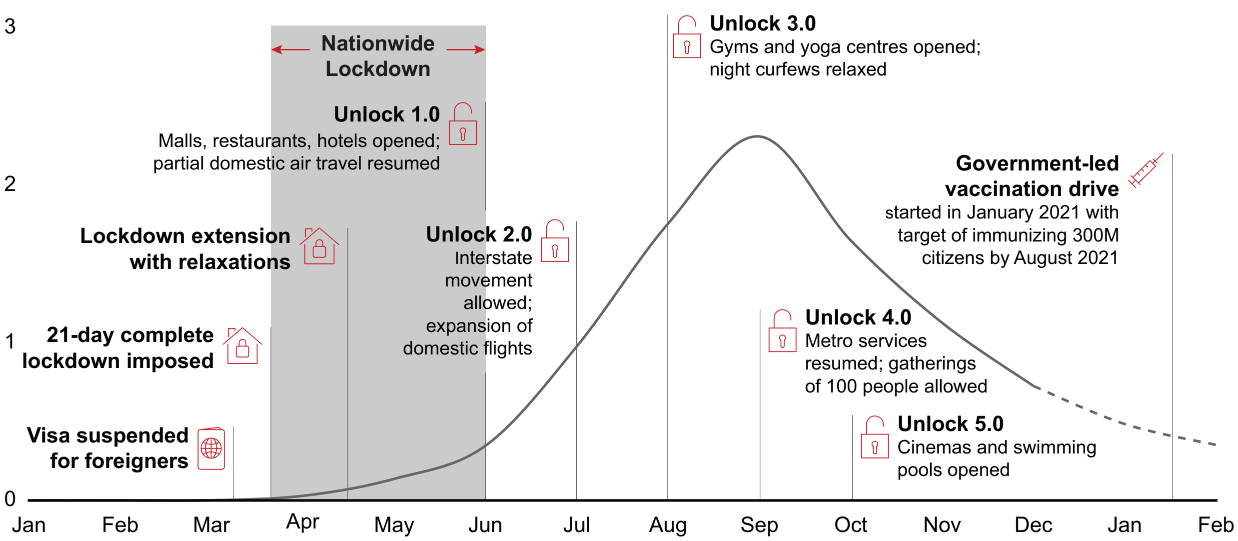
Executive summary

The year 2020 was truly extraordinary for India, with the significant impact of Covid-19 on the economy and healthcare systems in the country. GDP is expected to contract by 8% in 2020, with more than 65% of the Indian economy at halt during the full lockdown, which ended only in June 2020 *(see Figures 1, 2)*. However, latest forecasts by the International Monetary Fund (IMF) expect strong rebound in 2021 with growth returning to the long-term trend of 7% to 8% over 2022 to 2025 *(see Figure 3)*. Within the year itself, Covid-19 played an important role in accelerating digital trends across sectors dramatically, which is reflected in venture capital (VC) money flows and emergence of new, digitally founded business models across sectors.

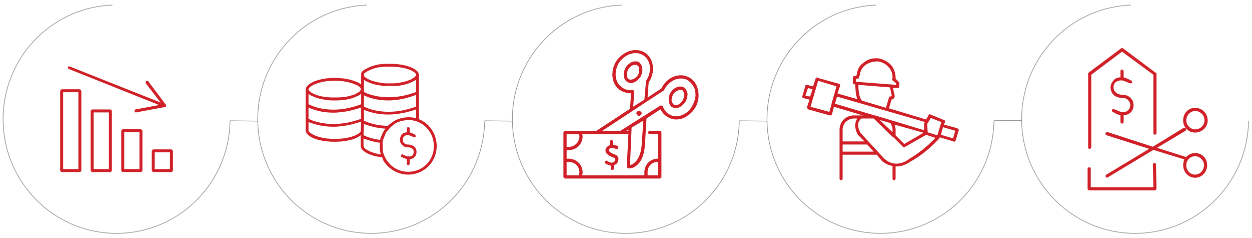
Figure 1: India had multiple lockdowns during March–May due to Covid-19 and reopened in June in a phased manner; new case counts have been declining since September

Number of monthly new Covid cases (in million)



Sources: Secondary search; Bain analysis

Figure 2: Covid-19 and the related lockdowns had a significant economic impact—India's GDP is expected to contract by 8% in 2020



(-8%)

Forecasted growth in GDP in 2020 (~13 percentage point decline in growth vs. pre-Covid estimates)

~$306B

Total economic cost of lockdown in India (11.5% of GDP)

65%+

Indian economy was halted during full lockdown (which ended on June 1)

~4.1M

Estimated number of formal sector jobs lost due to Covid-19

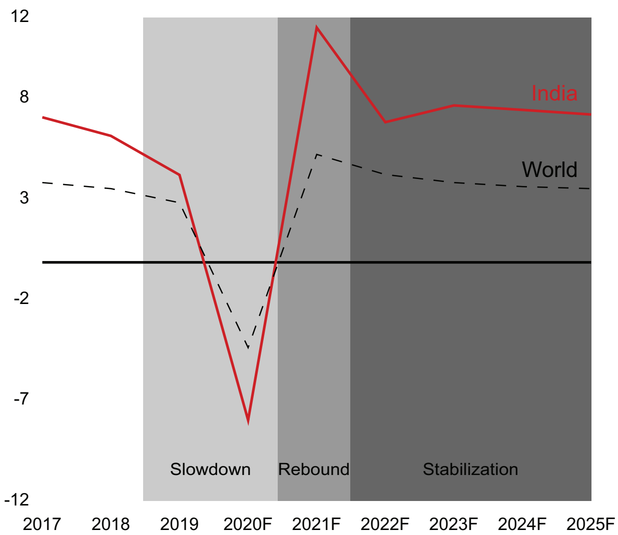
15%

Indian start-ups forced to shut operations (with 40% negatively affected)

Sources: International Monetary Fund; as estimated by Barclays from projecting one week's economic loss due to shutdown of key industries (e.g. manufacturing, utilities, mining); Tackling the COVID-19 youth employment crisis in Asia and the Pacific, International Labour Organization and Asian Development Bank, August 2020; Covid-19 and the Antifragility of India Start-up Ecosystem, TiE Delhi, Zinnov, October 2020; Bain analysis

Figure 3: However, the latest IMF forecasts expect a strong rebound in 2021 for the Indian economy, with growth returning to the long-term trend for 2022 to 2025

Real GDP growth (annual % change)
India, IMF world economic outlook, Jan 2021



2020 **(-8.0%) India GDP growth**

Covid-19 and resulting lockdowns drove sharp economic contraction in India

India's GDP growth was already on a downward trend before 2020

Recovery in the later half of 2020 has been at a "faster pace than anticipated"

2021 **11.5% growth predicted**

IMF forecast assumes governments will have Covid under control in 2021 via vaccines

Rebound growth expected to break the previous downward trend

India, along with China (8.1%), expected to drive growth in the Asia-Pacific region

2022–25 **7%–8% growth forecast**

Healthy growth of 7%–8% expected; structural shifts, such as remote working, are not expected to affect GDP growth

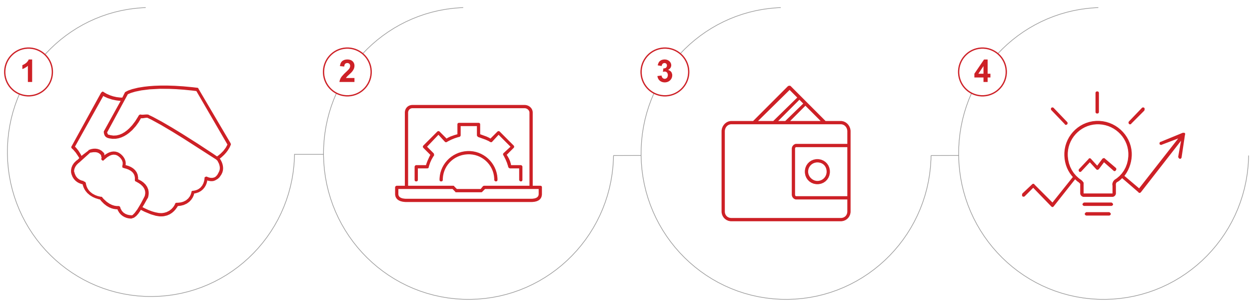
Some likelihood that long-term economic scarring (e.g. bankruptcies, reduced labour force participation) could act as a drag on growth

Source: IMF World Economic Outlook, January 2021

Despite Covid-19, we saw a few investment themes continue from prior years *(see Figure 4)*. These included

- Strong deal flow, with close to $10 billion in VC investments—higher than in all previous years except 2019
- Continued momentum in consumer tech and software as a service (SaaS)
- Significant fundraising activity with $3 billion raised by India-focused funds in 2020, 40% higher than in 2019—marquee funds including Sequoia, Elevation Partners, Falcon Edge, and Lightspeed, all closed new funds for India investments in 2020, despite the pandemic
- Growing number of start-ups (~7,000 new start-ups founded in 2020, with more than 10% growth in seed stage deals) and unicorns (12 added in 2020 vs. 8 in 2019, to take India's total to 37 now)

Figure 4: Impact of Covid-19 on VC investments—trends that continued



Strong deal flow

Growth in deal volume continued, with a 7% increase in 2020 over 2019—~810 deals in 2020 vs. ~750 in 2019 and ~550 in 2018

Continued momentum in consumer tech, SaaS

VC investment value in consumer tech and SaaS grew by 25% and 10%, respectively, in 2020 vs. 2019

Fundraising at an all-time high

$3B raised by India-focused VC funds in 2020 (40% growth over 2019)

~520 active VC funds in India in 2020 vs. ~480 in 2019 (and ~400 on average over 2017–18)

Strong growth in start-ups

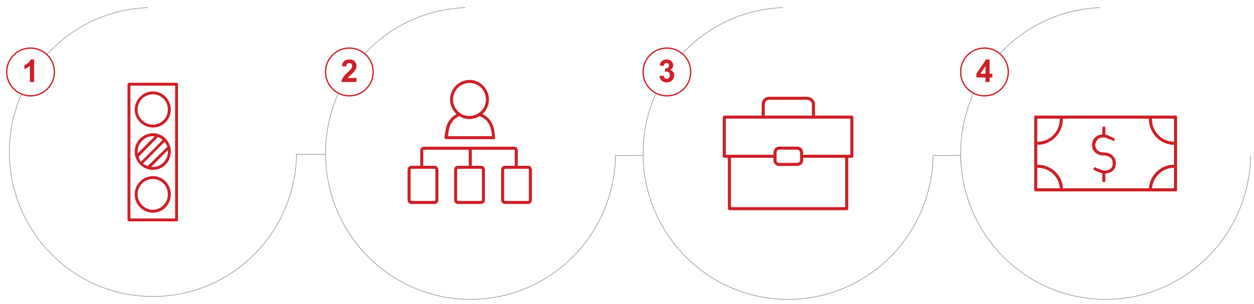
India among top five start-up ecosystems globally—number of start-ups grew by ~7K in 2020, number of seed stage deals grew at ~13% in 2020

Largest ever increase in unicorns in a single year—12 added in 2020, for a total of 37 unicorns in India

At the same time, there were a few themes *(see Figure 5)* that were different—driven or accelerated by Covid-19—such as

- Decline in average deal size by 15% vs. 2019
- Surge in investment activity in a select set of sectors within consumer tech, including edtech, foodtech, gaming, and media and entertainment, with an average 4x increase in investment value over 2019
- Slowdown in exits (70% lower exit value in 2020 vs. 2019), likely led by depressed valuations and disruption to business models

Figure 5: Impact of Covid-19 on VC investments—things that were different



Lower average deal size

Average deal size in 2020 declined by ~15% vs. 2019, driven by a higher number of smaller deals (~500 deals <$5M vs. ~390 in 2019) and growth in seed stage deals

Surge in investments in edtech, foodtech, gaming, and M&E

Compared to 2019, investment value grew ~6x in edtech, ~4x in foodtech, ~2.7x in gaming, and ~2.4x in media & entertainment, signifying the role of Covid in rapidly accelerating digital trends

Decline in B2B commerce and tech

Given industrial lockdowns and decline in economic activity, B2B commerce and tech saw investment value declining by 50% in 2020

A lukewarm year for exits

VC exit value declined by 70% in 2020 (vs. 2019) due to lower valuations, impact on operations—expected to recover over the next 1–2 years as portfolios mature

In terms of key sectors receiving investments, consumer tech, SaaS, and fintech continued to lead the way, accounting for 75% of VC investments in 2020 vs. 65% in 2019, and 14 of 22 VC deals which were more than $100 million in size. Key subsectors receiving investments included (a) edtech, foodtech, gaming, and media and entertainment in consumer tech; (b) verticalised solutions within SaaS; and (c) payments within fintech.

SaaS in particular saw clear signs of maturity, with average deal size increasing dramatically in 2020 over 2019—$14 million in 2019, growing to $25 million in 2020. Going forward, we expect deal momentum in India to continue into 2021, with the second half of 2020 seeing deal activity recover to pre-Covid levels—VC investments totalled $3 billion in January to March, declined to $1.1 billion in April to June, and then recovered to ~$3 billion each in the next two quarters. Further, the number of active VC funds continued to grow in 2020 (~520 vs. ~480 in 2019), with multiple new funds investing such as Inflection Point, Avataar, Coatue, D1 Capital, amongst others.

On exits, while overall exit value declined by 70%, from $4.4 billion in 2019 to $1.3 billion in 2020. We expect recovery over the next 1–2 years as portfolios of top VC investors mature (most portfolios did not reach maturity in 2020, in addition to Covid-19 impacting exit valuations and disrupting business models across sectors).

Overall, the strength of India's VC ecosystem has driven real economic value for the country—VC investments have played a pivotal role in bolstering the start-up ecosystem in India—only behind US and China globally—and have created more than 3 million jobs directly or indirectly over the past eight years.

1

India VC deals landscape

- Indian VC industry has passed through four distinct phases over the last decade. Between 2011 and 2015, the industry saw a rapidly evolving start-up environment, with investors feeling optimistic about the expansion and scaling of first-generation start-ups. This period was followed by a phase of maturity and moderation between 2016 and 2017 with fewer but higher-quality investments. Over 2018 and 2019, marquee exits renewed investor confidence and saw emergence of sectors such as fintech and SaaS. This renewed optimism was expected to continue into 2020, but was disrupted with Covid-19. However, despite Covid-19, deal momentum continued from 2019, with some moderation in the size of deals and pace of exits.

- The year 2020 was a noteworthy year for the Indian VC industry, with some moderation over high growth seen in 2019. Total deal value declined slightly to $10.0 billion in 2020 from $11.1 billion in 2019 because of smaller average deal size, even though deal volume grew by 7% over 2019 with ~810 VC deals vs. ~755 seen in 2019.

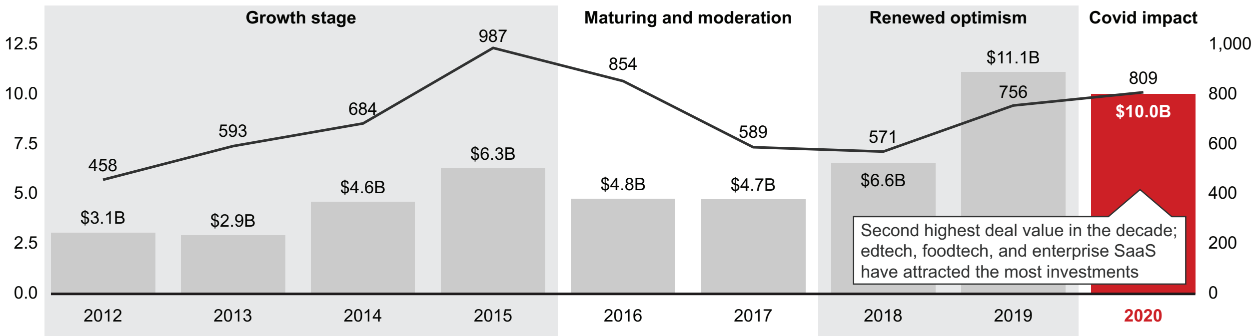
- Significant growth in number of small value deals in 2020 (~500 deals <$5 million in value in 2020 vs. ~390 in 2019) led to decline in average deal size to $12.4 million compared with $14.7 million in 2019. Decline in average deal size was seen across investment stages, while pace of deal making saw highest growth in late-stage deals (Series D+) along with seed stage deals, indicating increasing maturity in the VC landscape as well as renewed growth in new companies being founded and funded.

- In total, 22 start-ups raised over $100 million in 2020 from VC and growth equity investors, with the majority concentrated in consumer tech.

- Outlook for VC investments looks strong going forward with investment activity recovering to pre-Covid levels in the second half of the year, after a ~60% drop in deal value during April through June compared to January through March 2020.

Figure 6: Investment momentum continued in 2020 despite the pandemic, with some moderation over 2019

Total VC investments in India ($B) **Number of deals**



	2012	2013	2014	2015	2016	2017	2018	2019	2020
Average Deal Size ($M)	6.7	4.9	6.8	6.4	5.6	8.1	11.5	14.7	12.4

Growth stage:
- Rapidly evolving start-up environment; investors feel positive about the expansion and scaling of first-generation start-ups
- New VCs competing for investments in India

Maturing and moderation:
- Fewer investments, but higher quality
- Caution around investing in start-ups due to lack of clarity on exits

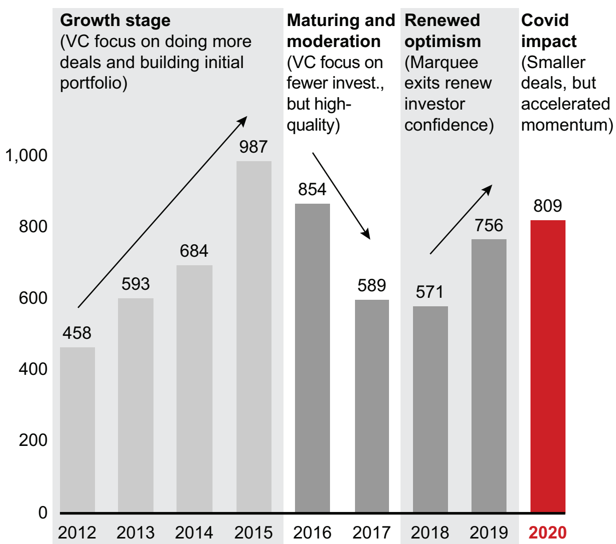
Renewed optimism:
- Marquee exits renew investor confidence
- Emergence of sectors such as fintech and SaaS increased investor interest

Covid impact:
- Continued momentum, but with some caution due to Covid-19

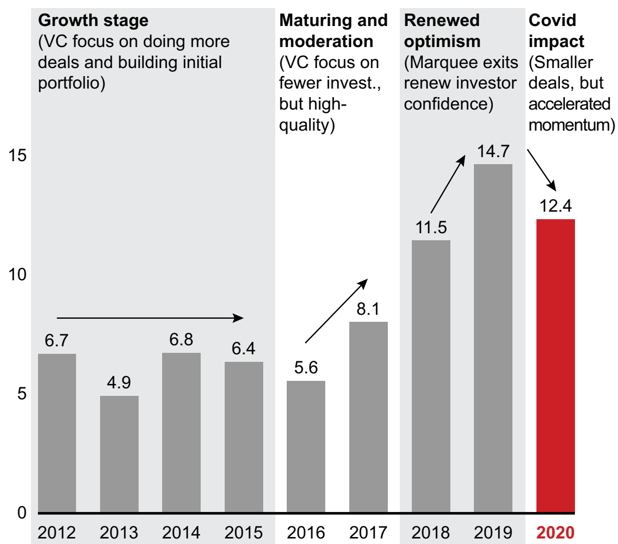
Note: VC investments exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge

Figure 7: Deal volumes have shown continued increase, while average deal size declined vs. 2019

Number of VC investments in India



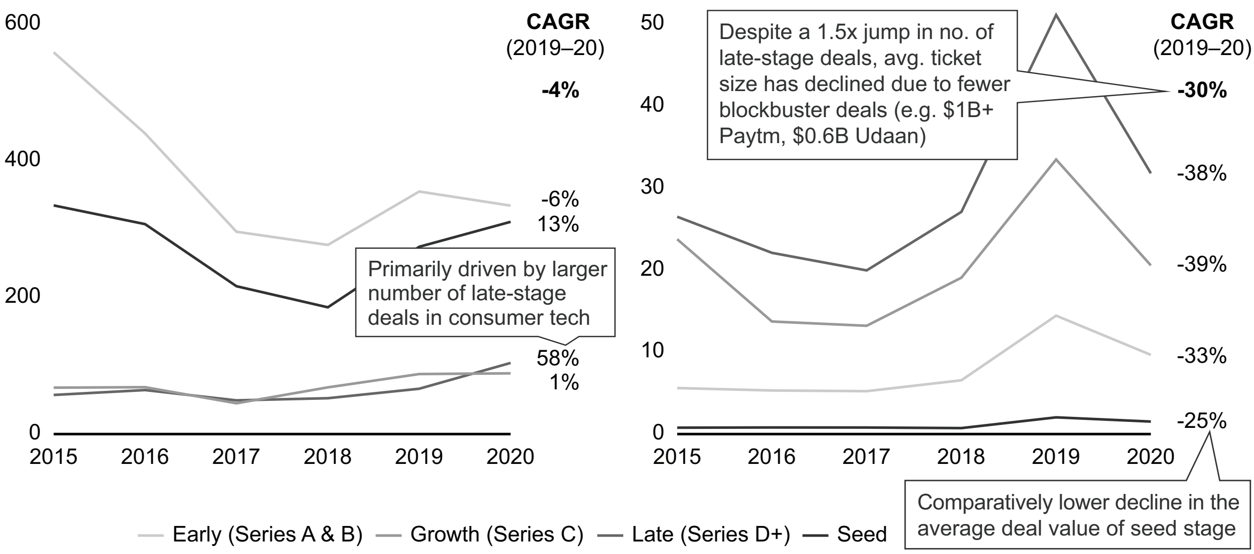
Average deal size (in $M)



Note: VC investments exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge

Figure 8: Deal volume grew fastest in late-stage (Series D+) deals, followed by seed (implying continued support for start-ups); average deal size declined across stages

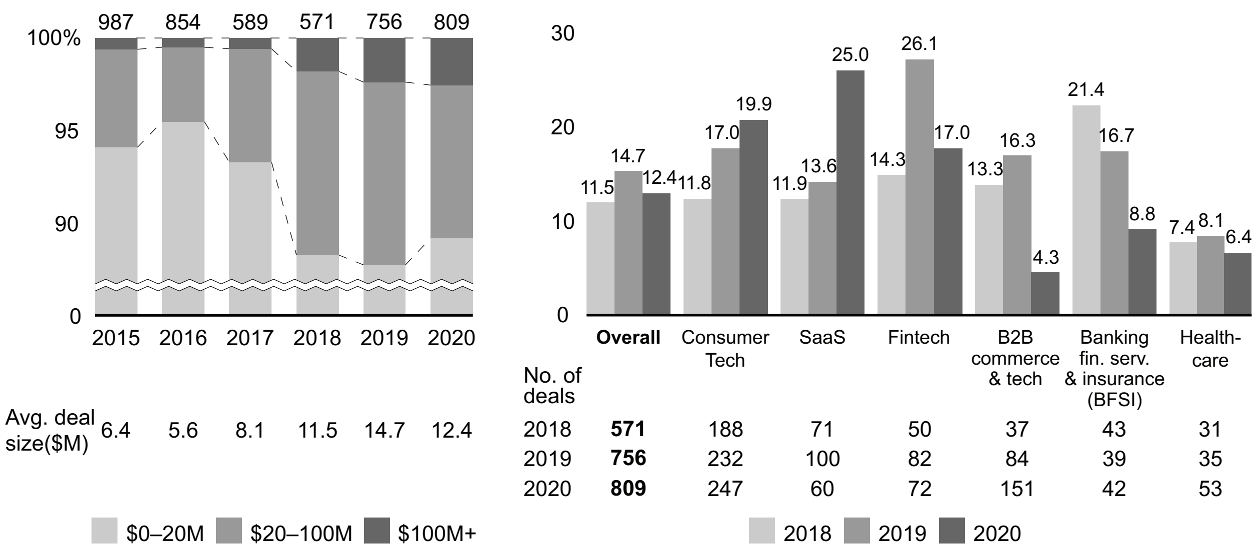
Number of VC deals in India by investment stage **Average VC deal size by investment stage ($M)**



Note: VC investments exclude transactions where deal value is unknown
Sources: Venture Intelligence; Bain Deals Database; Bain analysis

Figure 9: Decline in average deal size in 2020 driven by increase in share of small deals across all sectors, except consumer tech and SaaS

Split of VC investment by deal size (%) **Average VC deal size for key sectors ($M)**



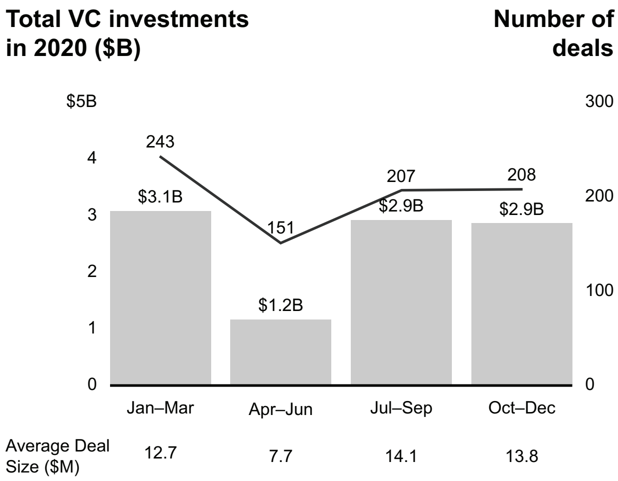
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 10: Top start-ups that received more than $100M funding in 2020

Asset	Key investors	Stage of funding	Industry	Subsector	Month (2020)	Deal value (in $M)
Byju's*	Tiger Global, Alkeon, BlackRock, General Atlantic, Bond Capital, Silver Lake, Sands Capital, Owl Ventures	Late	Consumer tech	Edtech	Jan, July, and Sep	~720
Zomato	Fidelity, Kora Management, Luxor Capital, Mirae Asset, Tiger Global, Steadview, Temasek, D1 Capital	Late	Consumer tech	Foodtech	Dec	~660
FirstCry	SoftBank	Late	Consumer tech	Verticalised e-commerce	Feb	~300
Unacademy*	SoftBank, Nexus, Sequoia, General Atlantic	Late	Consumer tech	Edtech	Feb, Sep, and Nov	~260
Dream11	Tiger Global, TPG, ChrysCapital, Footpath Ventures	Late	Consumer tech	Gaming	Sep	~225
DailyHunt*	Google, Microsoft, Falcon Edge, Sofina Group	Late	Consumer tech	Media & entertainment	Apr and Dec	~165
Zenoti	Advent International, Tiger Global, Steadview Capital	Late	Enterprise software (SaaS)	Vertical-specific business software	Dec	~160
Swiggy*	Samsung Ventures, Korea Investment Partners, Naspers, Tencent, Mirae Asset, Meituan-Dianping	Late	Consumer tech	Foodtech	Apr and Feb	~155
Postman	Charles River, Insight, Nexus	Late	Enterprise software (SaaS)	Horizontal infra software	Jun	~150
Vedantu*	GGV Capital, Coatue Management, WestBridge, Omidyar Network, Tiger Global	Late	Consumer tech	Edtech	Feb and Jul	~145
Glance	Google, Mithril Capital	Late	Consumer tech	Media & entertainment	Dec	~145
FreshToHome	Iron Pillar, Investment Corporation of Dubai	Late	Consumer tech	Foodtech	Jul and Oct	~135
PolicyBazaar	SoftBank	Late	Fintech	Insurtech	Jul	~130
Eightfold	Capital One Growth Ventures, General Catalyst, Lightspeed	Late	Enterprise software (SaaS)	Horizontal business software	Nov	~125
HighRadius	Citi Ventures, ICONIQ Capital, Susquehanna Growth Equity	Late	Enterprise software (SaaS)	Horizontal business software	Jan	~125
Eruditus	Sequoia, Prosus Ventures, Chan Zuckerberg Initiative, Ved Capital, Leeds Illuminate	Late	Consumer tech	Edtech	Aug	~115
CureFit	Temasek, Accel, Epiq Capital Fund, Satyadharma Investments, Ascent, PraTithi, Chiratae	Late	Consumer tech	Healthtech	Mar	~110
Xpressbees	Gaja Capital Partners, Investcorp India, NVP India	Late	Shipping & logistics	–	Nov	~110
Bounce*	B Capital, Falcon Edge, Omidyar Network, Maverick, Qualcomm, Accel, Chiratae, Sequoia	Late	Consumer tech	Mobility	Jan and Mar	~110
MindTickle	Accel, Founder Fund, ICONIQ Capital, Qualcomm, SoftBank	Late	Enterprise software (SaaS)	Horizontal business software	Nov	~100
Razorpay	Tiger Global, Sequoia, Matrix, Ribbit Capital, Y Combinator	Late	Fintech	Payments	Oct	~100
Biofourmis	Sequoia, SoftBank, MassMutual, Openspace	Late	Consumer tech	Healthtech	Sep	~100

* Multiple VC deals in 2020, as indicated by the months
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 11: Strong outlook on VC investments going forward



Strong in-year recovery

- While there was a 65% drop in deal value for Apr–Jun vs. Jan–Mar, both deal volume and value bounced back, 1.4x and 2.5x respectively, in Jul–Sep and Oct–Dec to reach pre-pandemic levels
- Investor confidence remained strong for Oct–Dec, with 9 deals of $100M+; multiple new unicorns emerged—Cars24, Dailyhunt, and Glance (consumer tech); Zenoti (SaaS); and Razorpay (fintech)

Investment spike in steadily maturing sectors

- Pandemic drove a strong shift toward certain subsectors of consumer tech—steep rise in investments in 2020 across edtech (6.1x), foodtech (4.1x), gaming (2.7x), and media & entertainment (2.4x); SaaS investments grew as well

Continued growth in fundraising

- Highest ever fundraising in 2020—~$3B raised by India-focused funds vs. $2.1B in 2019

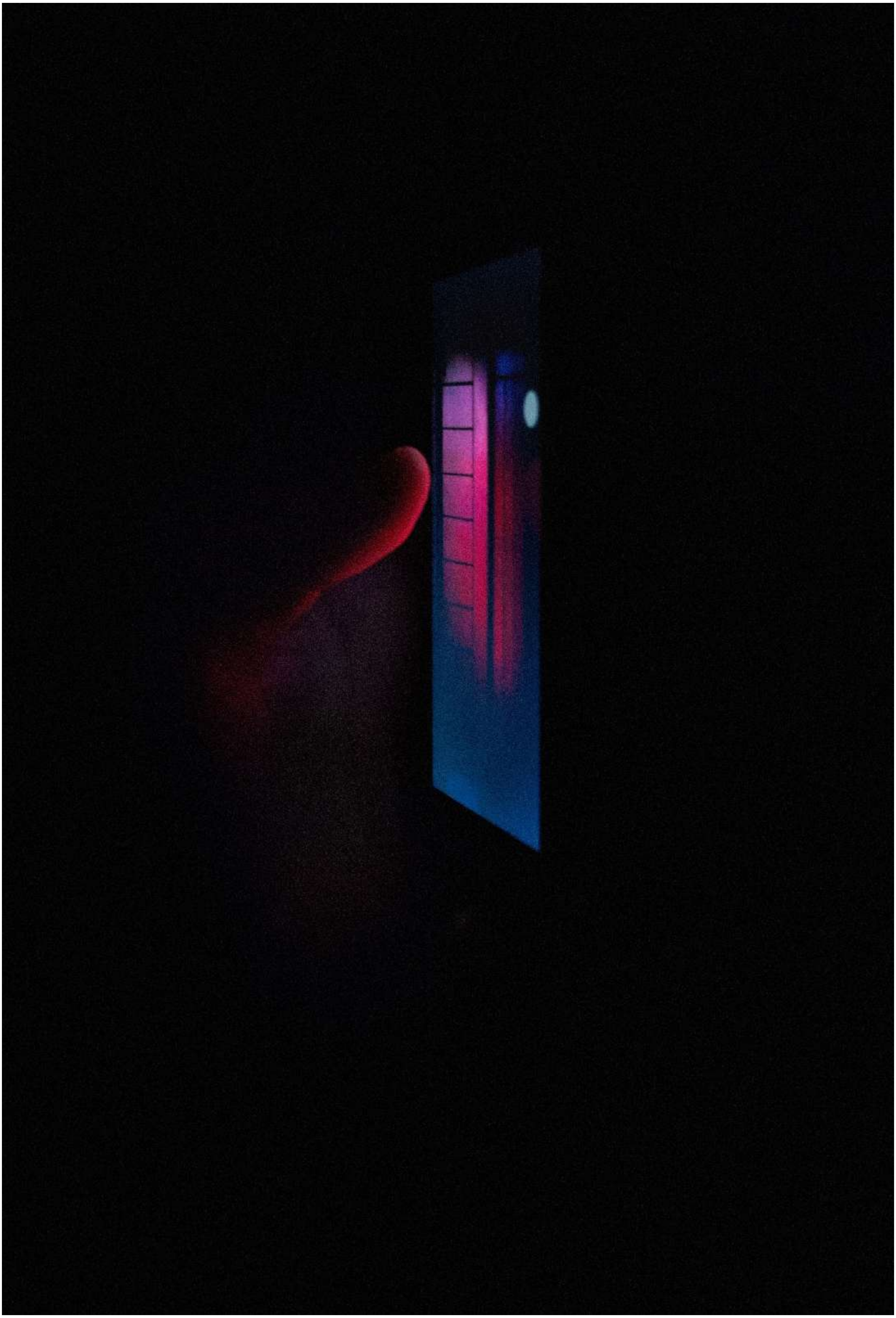
"*After the pandemic started, our time was spent in supporting portfolio companies as much as possible. The second half of the year saw businesses adapt to the new normal and there was increase in investing activity towards the end of the year.*"

Leading India-based VC

"*VC investors continue to be positive for India over the long term. Investing activity in 2020 shows that Covid-19 has not changed the long-term view on the country. In fact, technology adoption in both enterprises & consumers has leapfrogged a few years.*"

Leading India-based VC

Note: VC investments exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Shah, 2020 year in review: Risk investors pour $9.3 billion into Indian startups despite Covid-19 woes, The Economic Times, December 28, 2020



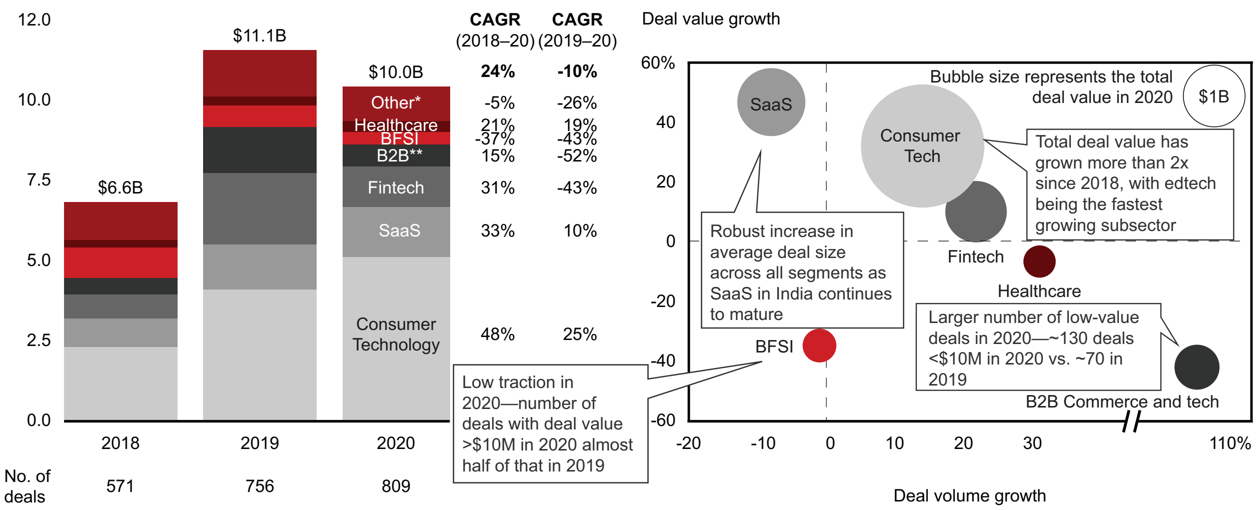
2

Sector-wise deep dive

- In 2020, the top three sectors—consumer tech, SaaS, and fintech—accounted for nearly 75% of all VC investments by value, with consumer tech attracting the maximum funding.
- Consumer tech investments grew 25% over 2019, with certain segments seeing massive increase in investments, accelerated by the pandemic, including edtech (6.1x), foodtech (4.1x), gaming (2.7x), and media and entertainment (2.4x).
- Edtech saw multiple high-valued deals such as Byju's, Unacademy, Eruditus, and Vedantu. Zomato's $660 million deal drove up average deal size in foodtech as compared to 2019, while large investments into Dream11 and MPL led to the surge seen in gaming.
- The Indian SaaS ecosystem continues to mature, accounting for the second-highest quantum of investments after consumer tech. Though investment value in SaaS increased marginally by ~10% in 2020 vs. 2019, average deal size grew significantly across all three segments: horizontal business software ($20 million), horizontal infra software ($35 million), and vertical specific business software ($37 million).
- Investments in vertical specific software have grown the fastest, clocking ~60% growth over 2019, driven by $160 million deal in Zenoti. Horizontal business software also witnessed many large deals including Eightfold AI ($125 million), HighRadius ($125 million), and MindTickle ($100 million), while Postman's $150 million deal was the biggest investment in horizontal infra software.
- Fintech investments grew slightly from $1.1 billion in 2019 (excluding Paytm's $1 billion funding) to $1.2 billion in 2020, with payments being the most sought-after segment. Payments saw large deals getting closed in Razorpay, CRED, and BharatPe.
- Investment in lending and insurtech increased in 2020 by 4% and 6%, respectively. While lending had gained traction over the last 2–3 years, the pandemic's impact on SMEs with low liquidity and higher levels of distressed assets slowed down VC activity in the space. However, bigger deals were seen in both lending as well as insurtech, including MoneyTap ($70 million) and Rupeek ($60 million) in lending, and PolicyBazaar ($130 million), Digit ($84 million) and Acko ($60 million) in insurtech.

Figure 12: In 2020, top three sectors received ~75% of VC investments; consumer tech continues to attract the maximum investment

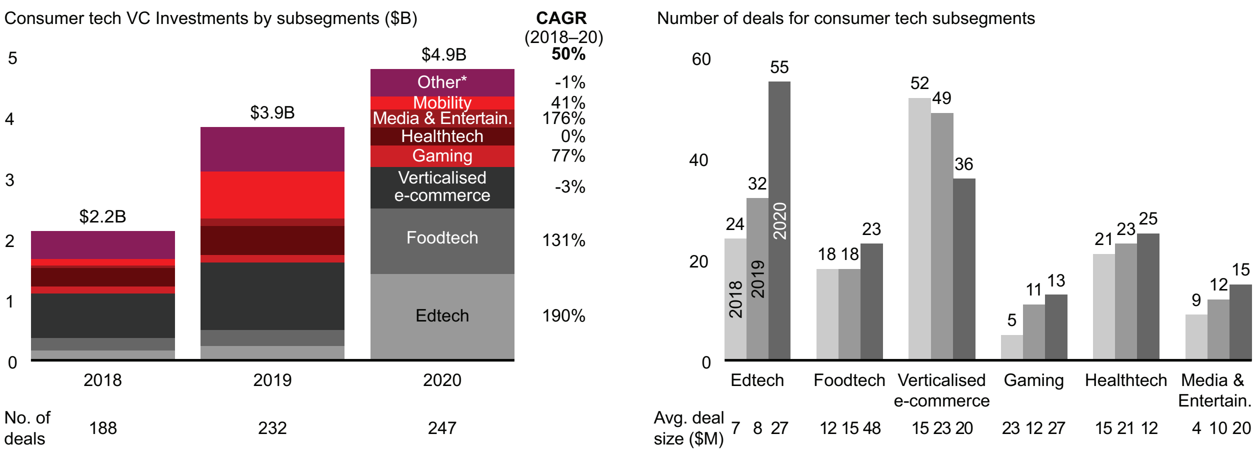
Split of VC investments by sector ($B) | **Growth in deal size and deal volume (2018–20)**



* Other includes retail, shipping & logistics, energy, real estate, manufacturing, engineering & construction, and telecom
** B2B includes B2B commerce and tech
Note: deals exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 13: Within consumer tech, total deal value increased by ~25% in 2020 vs. 2019; edtech, foodtech, and gaming witnessed a steep rise in VC investments

Edtech, foodtech, gaming saw a rise in investments... | **... driven by increase in number of deals and higher deal sizes**



"The pandemic has played a critical role in accelerating the rate of technology adoption by consumers. This has provided significant tailwinds for start-ups across categories. The number of students using edtech products in India has doubled this year."

Top VC

* Other includes media & entertainment, social network, real estate, logistics, horizontal e-commerce, travel and leisure, job portals, etc.
Note: Deals exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Anandan, 2021 to mark a new era for the Indian startupecosystem, Mint, Dec 2020; Bain analysis

Figure 14: Key investment trends witnessed in consumer tech subsegments

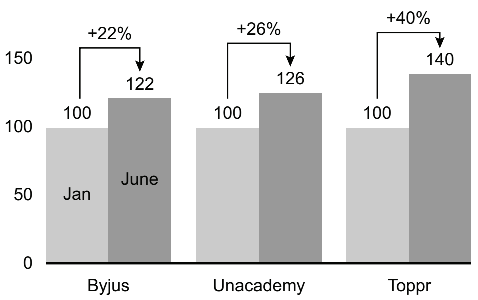
Subsegment	Key investment trends
Edtech	• **Online tutorials/test prep** (Byju's, Unacademy, Vedantu) and **executive education platforms** (Eruditus) continue to see VC investment traction • While investment momentum in edtech has been high in the last 2 years, investment in this space has been significantly fuelled in 2020 by a strong uptick in end user adoption because of lockdowns due to Covid-19; behaviour change is likely to drive user stickiness and long-term growth
Foodtech	• **~95% of ~$1.1B investment value** consolidated in **4 assets** in multiple, late-stage rounds (Zomato, Swiggy, Faasos, and FreshToHome) • In line with historical trends, VCs continue to invest in **cloud kitchens,** along with a reignited interest in **online food ordering** driven by a boost in end user adoption due to the pandemic
Gaming	• The **gaming industry saw sustained investment momentum** on the back of business growth fuelled by growth in enablers (i.e. mobile penetration and 4G adoption) and greater end user adoption and engagement during the pandemic, similar to that of video streaming platforms • **~90% of ~ $350M investment value** consolidated in **2 assets**—Dream 11 and Mobile Premier League (MPL)—as real money games continue to garner greater popularity vs. casual and e-sports
	Covered in the following figures
Media & entertainment	• **~85% of ~$300M investment value** consolidated in **3 assets**—Dailyhunt, Gaana.com, and Inshorts • Multiple investments in **short-video social networking apps,** including Josh (Dailyhunt) and Public (Inshorts), to fill the void left by TikTok's ban in India
Healthtech	• **Wellness** (Cure Fit), **online consultation** (Practo, Docs App), and **digital therapeutics** (Biofourmis) are the top segments attracting investments; e-pharmacies witnessed limited VC traction this year—given they scaled significantly in 2019, they are more conducive to private equity or strategics (e.g. Reliance acquisition of Netmeds)
Verticalised e-commerce	• Verticalised e-commerce saw a **decline in investments** compared to previous years, with the decline in 2020 vs. 2019 being in both deal volume and average deal size • **Baby merchandise** (FirstCry), **home decor and furniture** (Livspace, Pepperfry), **used cars** (Spinny, CarTrade), and **beauty** (Nykaa) brands attracted substantial investments

Source: Bain analysis

Figure 14a: Surge in usage of edtech platforms emerged as a positive outcome of the lockdowns due to the pandemic

Monthly user activity on leading learning apps increased from January to June of 2020

Monthly active users (indexed to Jan 2020)



- **Free access to courses** by key players (e.g. Byju's, Vedantu) during lockdown drove high traffic of new users to the platforms
- Schools/institutions expected to **increase adoption of school management technologies** (e.g. ClassPlus, Foradian) to increase connectedness with students post-pandemic
- **Hobby classes** (e.g. coding, painting) witnessed high adoption due to working professionals spending time at home

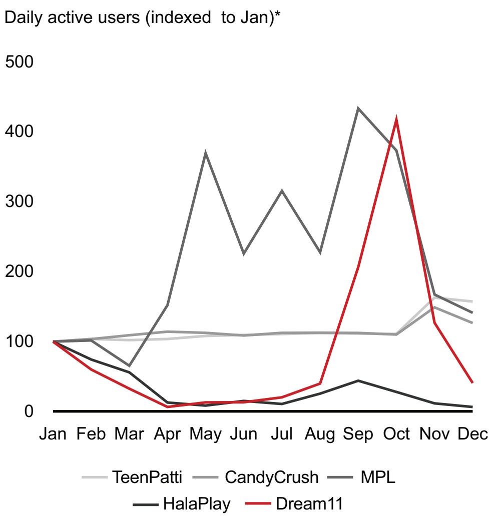
Adoption of edtech across segments is expected to sustain higher than pre-Covid levels due to high stickiness of users

Segment	Covid-19 impact
Digital learning platforms Platforms providing lessons, practice exercises, doubt solving, and other resources for self-learning (e.g. **Doubtnut**)	• Absence of in-class exercises pushed **teachers and students to use digital learning tools** • Continued impact in long-term is likely as **teachers become accustomed to digital platforms**, although reversion to traditional classroom-based learning is expected, especially in areas with poor network connectivity
Digital testing Online platforms for students to take practice or full-length graded quizzes and tests (e.g. **Gradeup**)	• **High adoption in the initial Covid-19 lockdown phase** due to **school closures** and uncertainty around resumption • **Ease of digital test delivery** will likely result in increased adoption; sustained long-term engagement depends on success of these tools in the short term
Digital tutoring Real-time tutoring in a virtual setting where teachers and learners participate from separate physical locations (e.g. **Unacademy, WhiteHat Jr**)	• **Uptick in interest in online tutoring platforms** because of at-home study during the pandemic • **Sustained adoption of remote digital tutoring is likely**, especially in areas with good network connectivity or limited access to physical centre

Sources: Bain analysis; SimilarWeb app transaction data

Figure 14b: Within gaming, daily fantasy sports (DFS) apps witnessed a decline in engagement due to cancellation of live sports; other apps offering casual games gained traction

Usage of fantasy sports apps decreased Jan–Aug, while usage of general gaming apps increased



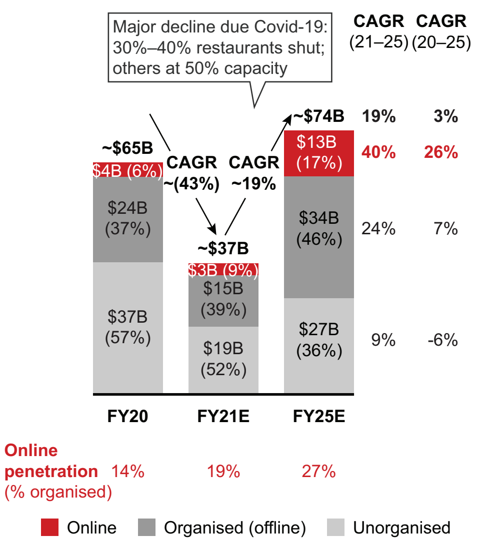
Decline in usage of DFS due to lack of live sports during lockdown; however, uptick seen post resumption

Non-fantasy sports gained traction post Covid	• **Increased time spent at home** by users caused an uptick in gaming because it was a key entertainment source in lockdown
DFS platforms saw decline owing to limited number of live sporting events	• Most DFS players (Dream11, HalaPlay) observed a **decline in engagement (~80%–90%) owing to cancellation of major sporting events globally** in the initial months of Covid-19 • Leading players **expanded coverage to include Tier III/Tier IV leagues** to drive user engagement and growth • However, select players like **MPL saw an increase** in user engagement in Apr–May due to **diversified games portfolio** (card games, chess etc.)
Spurt in demand with resumption of major leagues	• **Significant surge in user engagement for MPL and Dream11** with major sporting leagues, such as Indian Premier League resuming post lockdown

* Total visits used as a proxy for engagement metric for Dream11, HalaPlay, and MPL because these apps are not on Google Play
Sources: SimilarWeb app and web transaction data

Figure 14c: In foodtech, the food services market was hit hard by Covid-19; however, recovery is expected, primarily due to online delivery

Food service market revenue, India



Drivers of organised food services growth, especially online

Demand drivers	• **Rebound of discretionary spend of high-income* groups (~30% spend on entertainment/dining out)** – High-income groups represent ~35% of India consumption • **Increased preference for ordering food online** driven by increased convenience and social distancing – Gross merchandise value (GMV) already recovered to ~80% of pre-Covid levels by Oct 2020 • **Rising population share of millennials/Gen Z** (2–3 percentage points in FY20–25; 70% in FY20), who prefer non-home meals
Supply drivers	• **Sharp recovery in number of delivery executives** in operation from an initial ~70% dip in Mar–Apr 2020 • **Sustained expansion of international quick service restaurant (QSR) chains** – Pizza Hut to continue expansion in India despite Covid, opening 200+ outlets by FY22 • **Increasing entry of strictly dine-in players into online** – 5% of current base was strictly dine-in pre-Covid (e.g. ITC, Hyatt) • **Lower taxation bracket post GST rollout** (decrease from 18% to 5%) has made opening new registered restaurants more attractive

* Annual household income >$8,000
Sources: NRAI (2019) analyst reports; market participant interviews

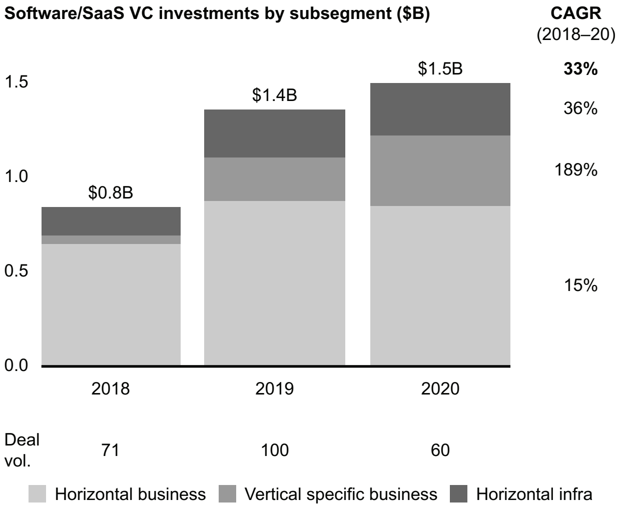
Figure 15: Indian SaaS companies have evolved from a few upstarts in the 2010s to a multibillion-dollar industry today

	1 Horizontal business products targeting small & medium businesses (SMBs) globally (2011–present)	**2** Vertical SaaS businesses disrupting underserved markets (2015–present)	**3** Broad-based horizontal and vertical solutions serving enterprises and SMBs (2018–present)
Description	• Rise of horizontal solutions, primarily ERP or CRM related • Targeting global SMBs using cost arbitrage and benefiting from strong customer service talent	• Companies disrupting underserved markets and verticals by replacing legacy processes	• SaaS companies witnessing bottom-up adoption within enterprises and catering to different verticals • Building category leadership in emerging tech (e.g. APIs, GraphQL, cybersecurity)
Enablers	• Indian IT giants (TCS, Infosys) developing customer service and engineering talent en masse • Setup of India operations by big tech companies (Google, Microsoft), gradual return of trained product managers	• Rise of public cloud with entry and growth of Amazon Web Services, Google Cloud Platform and Azure	• Rise of trained SaaS talent from Wave 1 and Wave 2 SaaS companies • Development of ecosystem and better access to capital
Examples	Zoho, Kissflow, Freshworks, Chargebee, Agile CRM	Zenoti, Innovapptive, Innovaccer, CareStack, DataWeave, Tookitaki	Postman, Hasura, BrowserStack, Acceldata

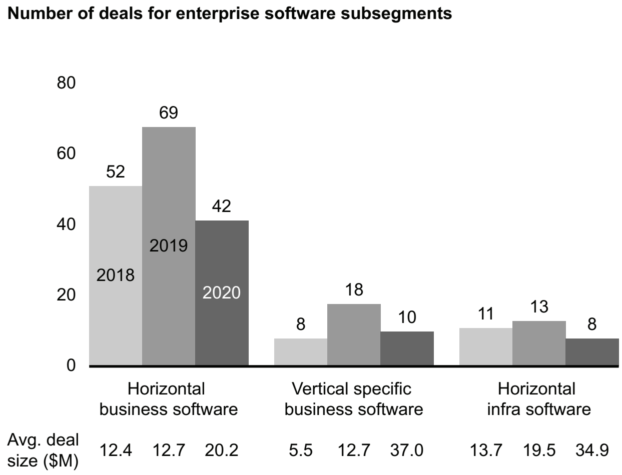
Note: Start-ups are placed in different waves based on their traction by funding (i.e., Series A/B funding date)
Sources: Market participant interviews; Bain analysis

Figure 16: Investments in SaaS have grown by ~10% in 2020 vs. 2019 and average deal size continues to grow across all segments as the Indian SaaS ecosystem matures

Overall increase in investments despite lower deal volume vs. 2019 due to higher average deal size



Higher average deal size driven by large deals such as Postman, HighRadius, Eightfold AI, and MindTickle

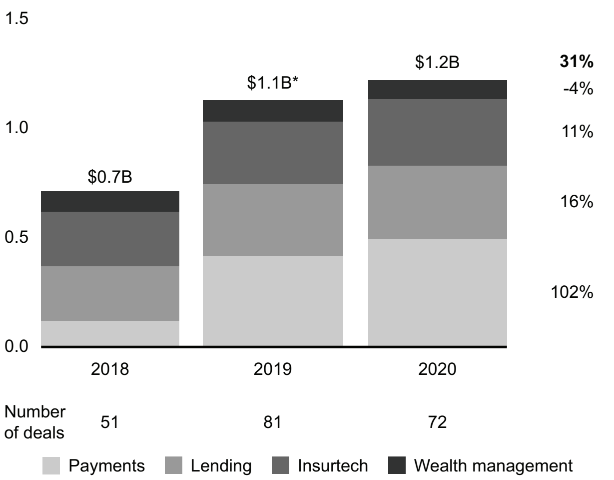


Note: Deals exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 17: Investments in fintech have increased marginally in 2020 vs. 2019; payments emerges as the most attractive subsector

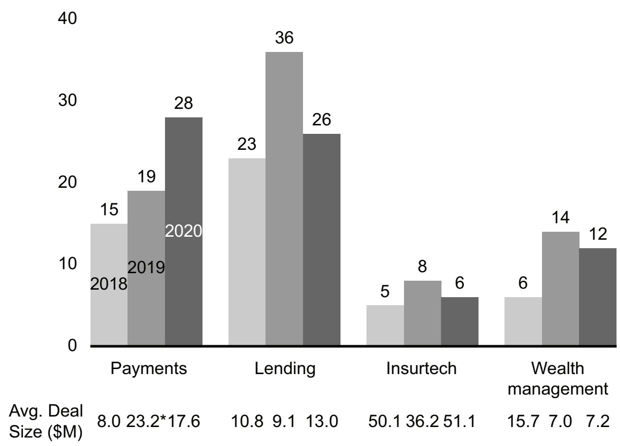
Majority investment in lending occurred in Q1 2020, followed by smaller deals due to the pandemic

Split of fintech VC investments by subsegment ($B)



Increase in investments in payments driven by surge in digital payments during the pandemic

Number of deals for key fintech subsegments



* Doesn't include $1B Paytm deal
Notes: Deals exclude transactions where deal value is unknown
Sources: Bain VC deals database; Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 18: Key investment trends in fintech subsectors

Payments

- VC activity in 2020 in digital payments grew by ~20% compared to 2019 (except for the $1B Paytm deal of 2019), driven by large late-stage deals—Razorpay ($100M), CRED ($81M), and BharatPe ($74M)
- Unified Payment Interface (UPI) payments have witnessed steady increase in volume and value of transactions during the pandemic for both online and offline (QR scan) payments. UPI payments are expected to grow at 35% CAGR over next 5 years

Lending

- Investment traction in lending increased by ~4% in 2020 vs. 2019, fuelled by the continued momentum from 2019 in Jan–Mar of 2020. 60% of the ~$340M investment value in 2020 was during this period; however, the pandemic hit this segment hard—the next two quarters witnessed limited activity with a recovery in Oct–Dec that saw 30% of the investments
- While SME and B2C lending had gained traction in the last 2–3 years due to increasing optimism around consumer finance, these slowed down in 2020 due to the pandemic's impact on business—low liquidity and higher levels of distressed assets

Insurtech

- Insurtech increased by ~6% in 2020 vs. 2019 due to large deals such as PolicyBazaar, Digit, and Acko, constituting ~90% of the total deal value in 2020
- Increased adoption for insurtech, driven by higher digital push and lower inclination for physical agent interaction amid the pandemic and tailwinds in personal insurance (e.g. health protection plans) due to increased user health consciousness post-Covid

Wealth management

- VC investments in wealth management in 2020 are largely in line with 2019 in terms of both deal value and deal volume—this segment has been resilient to pandemic
- Wealth management (Groww, Smallcase, INDwealth) continued to attract funding in 2020 as in 2019, on the back of business growth driven by increased adoption in the traditionally underpenetrated markets
  - Retail investors from across the country took to equities trading platforms, such as Groww, as low interest rates from fixed deposits (FD) and savings, as well as a dip in stock markets during the onset of the pandemic, presented several profit-making opportunities

Sources: Secondary search; Bain analysis

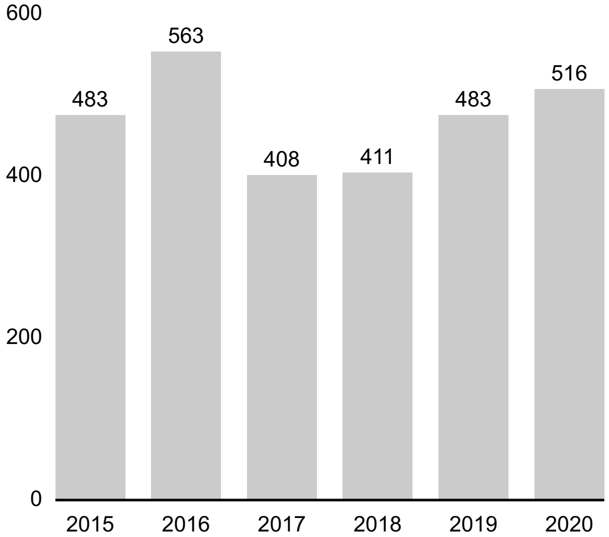
3

Investors and fundraising landscape

- The number of active VCs in India reached ~520 in 2020, an increase of ~110 since 2018. Some new funds that started investing in Indian start-ups in 2020 include Inflection Point Ventures, Avataar Venture Partners, and Coatue Management, among others.
- VC fundraising for India-focused funds reached the highest levels ever in 2020—$3 billion, growing by more than 40% compared to 2019. Most major funds closed in H1 2020, continuing from the strong momentum from 2019.
- The high level of fundraising was also fuelled by two major funds closed by Sequoia Capital: India Venture Fund VII ($525 million) and India Growth Fund III ($825 million), accounting for 40% of all funds raised in 2020 for India-focused VC investments. Sequoia Capital also invested in the highest number of start-ups in 2020, whereas Tiger Global was the most prominent investor in terms of deal value, participating in several deals of more than $100 million each.
- Despite the record-breaking year for fundraising, India-focused dry powder has remained stable over the last four years, ending 2020 at $6 billion. This indicates strong investment activity going forward into 2021 and beyond.

Figure 19: The number of active VC funds in India has seen steady growth over the last four years; several new funds started investing in India in 2020

Number of active VCs in India*



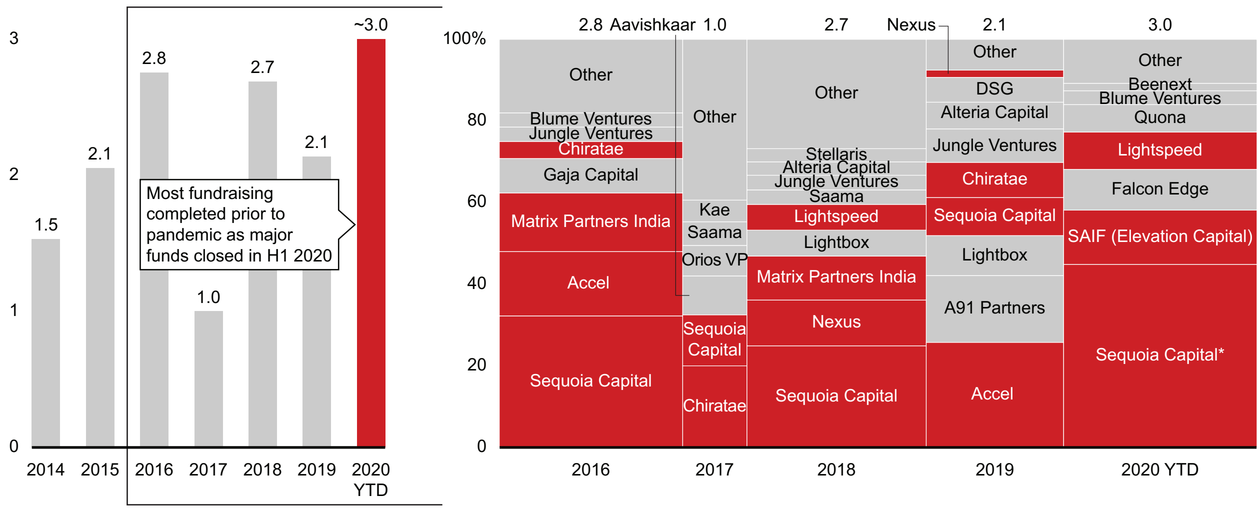
Top new VC investors in 2020	No. of investments	Top portfolio companies
Inflection Point Ventures	**10**	BluSmart, Milkbasket, TrulyMadly, Gully Network
Avataar Venture Partners	**8**	RateGain, ElasticRun, Appnomic
Coatue Management	**6**	BharatPe, Vedantu, Faasos
Beyond Next Ventures	**5**	DocsApp, BigHaat, GigIndia
Titan Capital	**5**	Credgenics, Able Jobs, Alphavector
Arkam Ventures	**4**	Smallcase, Signzy, Jai Kisan

* An investor is considered to be an active VC investor if investment(s) made in the current year
Sources: Bain VC deals database; Crunchbase; IVCA; Bain analysis

Figure 20: Most of the top VC funds in India raised capital in 2019 and 2020; Sequoia and Accel have raised the most funds in the last two years

Total funds raised by VCs for investments in India ($B)

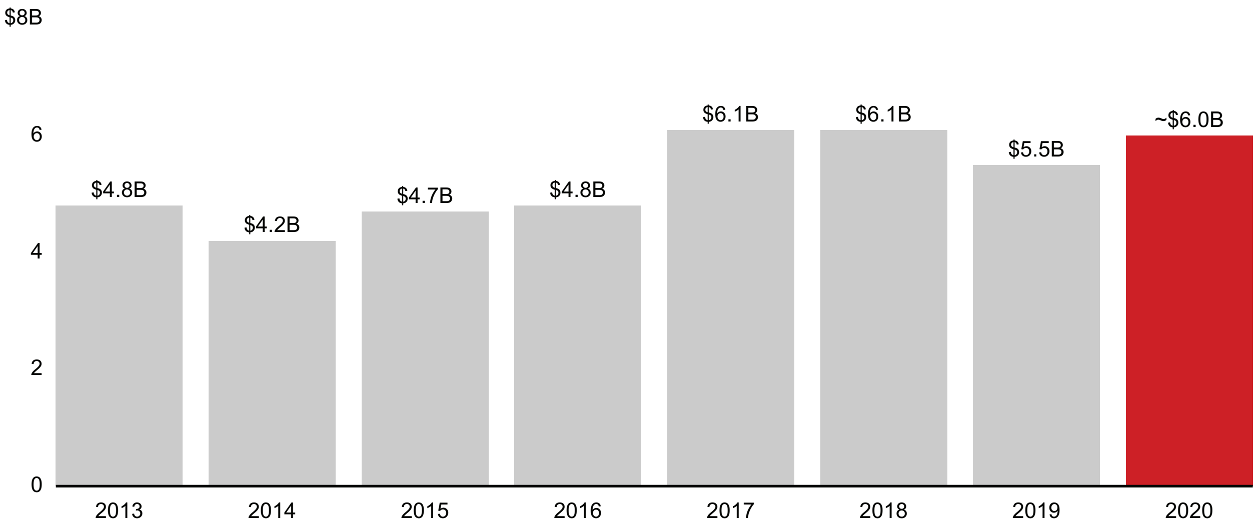
Total funds raised by VCs for India-based investments* (%, $B)



* Includes only funds that are explicitly earmarked for India, raised by Indian or global VCs
Notes: Sequoia raised $1.35B combined for India and South-east Asia; red cells are VCs that have been the most active among those that raised funds for India investments in terms of deal volume/value over the last 5 years; 2020 YTD till last week of November
Sources: Venture Intelligence; Bain analysis

Figure 21: VC dry powder has remained stable for the past four years

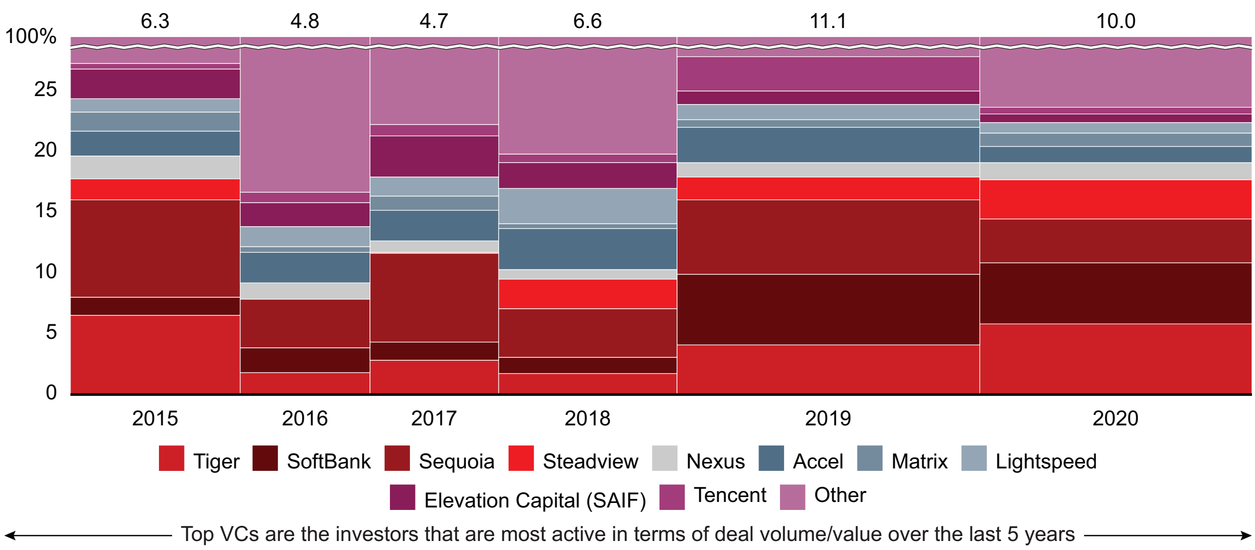
India-focused dry powder by global and domestic VC funds ($B)



Notes: Includes only the funds that separately raise capital specifically for Indian investments, not those that have a single fund for both global and Indian investments; excludes real estate and infrastructure dry powder
Source: Preqin

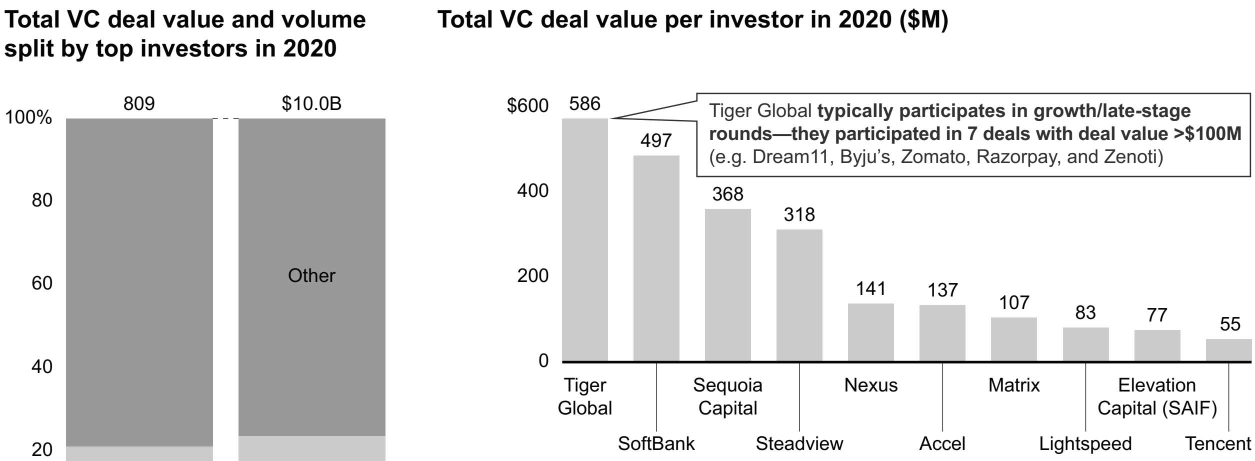
Figure 22: Top 10 VCs (including large growth equity investors, such as Tiger, Softbank, and Steadview) contributed 25% of deal value, slightly lower than in 2019

Total VC investment split by top investors in 2020 ($B)



Note: In case of multiple investors for a deal, deal value per investor was calculated assuming equal split of investment across the investors
Sources: Bain VC Deal's Database; Bain analysis

Figure 23: Top 10 investors participated in ~20% of the VC deals in 2020; Tiger Global leads in deal value, and Sequoia leads in deal volume



	Tiger Global	SoftBank	Sequoia Capital	Steadview	Nexus	Accel	Matrix	Lightspeed	Elevation Capital (SAIF)	Tencent
No. of deals	21	6	78	11	19	52	32	22	26	8
Average deal size ($M)	27.9	82.8	4.7	28.9	7.4	2.6	3.3	3.8	3.0	6.9

* Deal is counted only once as a top VC deal, even if multiple top VCs participated in the same deal
Notes: Excludes transactions where deal value is unknown; top VCs are the most active in terms of deal volume/value over the last 5 years; deal volumes are not additive because deals with multiple investors may be counted more than once across top 10 funds; in case of multiple investors for a deal, deal value per investor was calculated assuming equal split among the investors
Sources: Bain VC Deals Database; Bain analysis

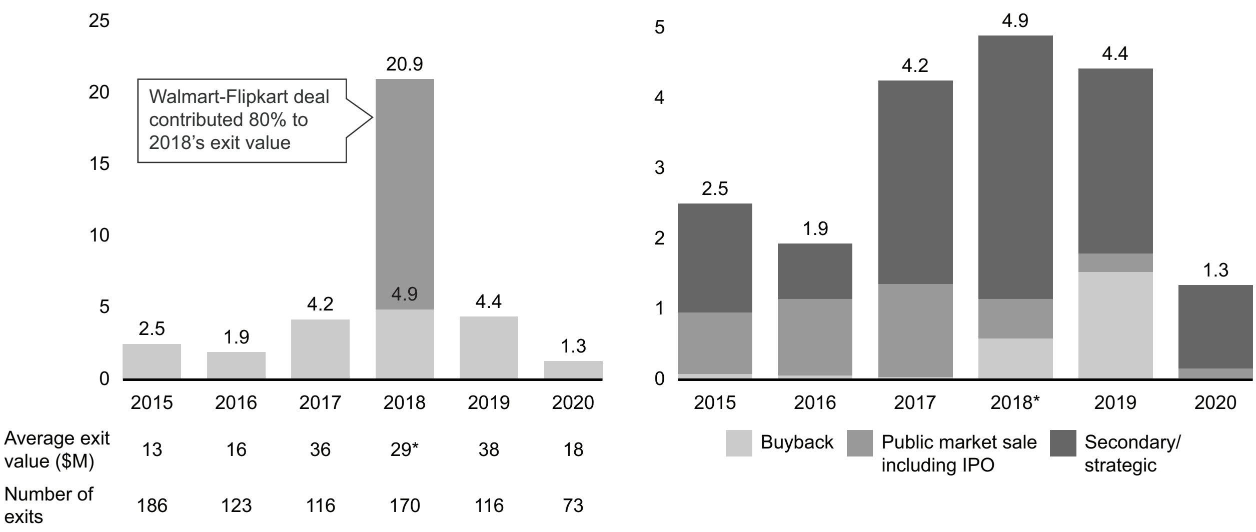
4

Exit landscape

- VC exits declined to $1.3 billion in 2020 from $4.4 billion in 2019, to the extent of 70%. Muted exits were driven by the impact of the pandemic on businesses, potentially reducing their valuations and therefore making it an unfavourable time for investors to cash in on their investments.
- One-third of the exit value came from edtech and ~20% from foodtech—sectors that also saw a spike in end user adoption and funding activities during the pandemic.
- However, the exit outlook remains positive for the next few years as most of the top VC funds' portfolio is yet to reach maturity—2020 saw a gap of 1–2 years on average between the funds' average holding period and portfolio age today. This, along with improved economic climate post-pandemic, will likely lead to recovery in exits going forward.

Figure 24: VC exits have declined by ~70% in 2020 vs. 2019 due to the adverse impact of the pandemic on businesses & VC portfolios not reaching maturity in 2020

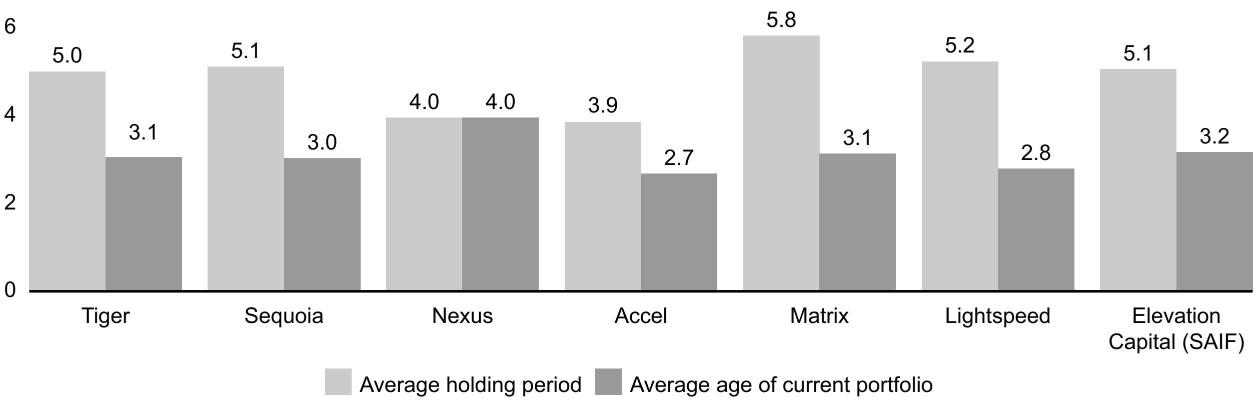
Total VC exits value in India ($B) | **VC exits in India by mode of exit ($B)**



* Excluding Flipkart
Note: Exits with undisclosed deal amounts have not been included
Sources: Venture Intelligence; AVCJ; VCCEdge; Bain analysis

Figure 25: Most top funds' portfolios did not reach maturity in 2020; exit momentum is expected to improve over the next one to two years

Average holding period and portfolio age of top VC funds (in years)



"2021 will mark the dawn of the IPO era for our ecosystem, providing more exits, as growth accelerates across segments and an increasing number of companies start to hit scale. This trend will accelerate significantly as the ecosystem matures and some of the large companies move towards profitability."

Top VC

Notes: Averages calculated using simple average; exit portfolio based on select major deals 2012–20; top VCs are the most active in terms of deal volume/value over the last 5 years; excludes SoftBank, Steadview, and Tencent because they have very few exits
Sources: Bain VC Deals Database; Anandan, 2021 to mark a new era for the Indian startupecosystem, Mint, Dec 2020; Bain analysis

Figure 26: The top 10 exits in 2020 included several exits of more than $100 million

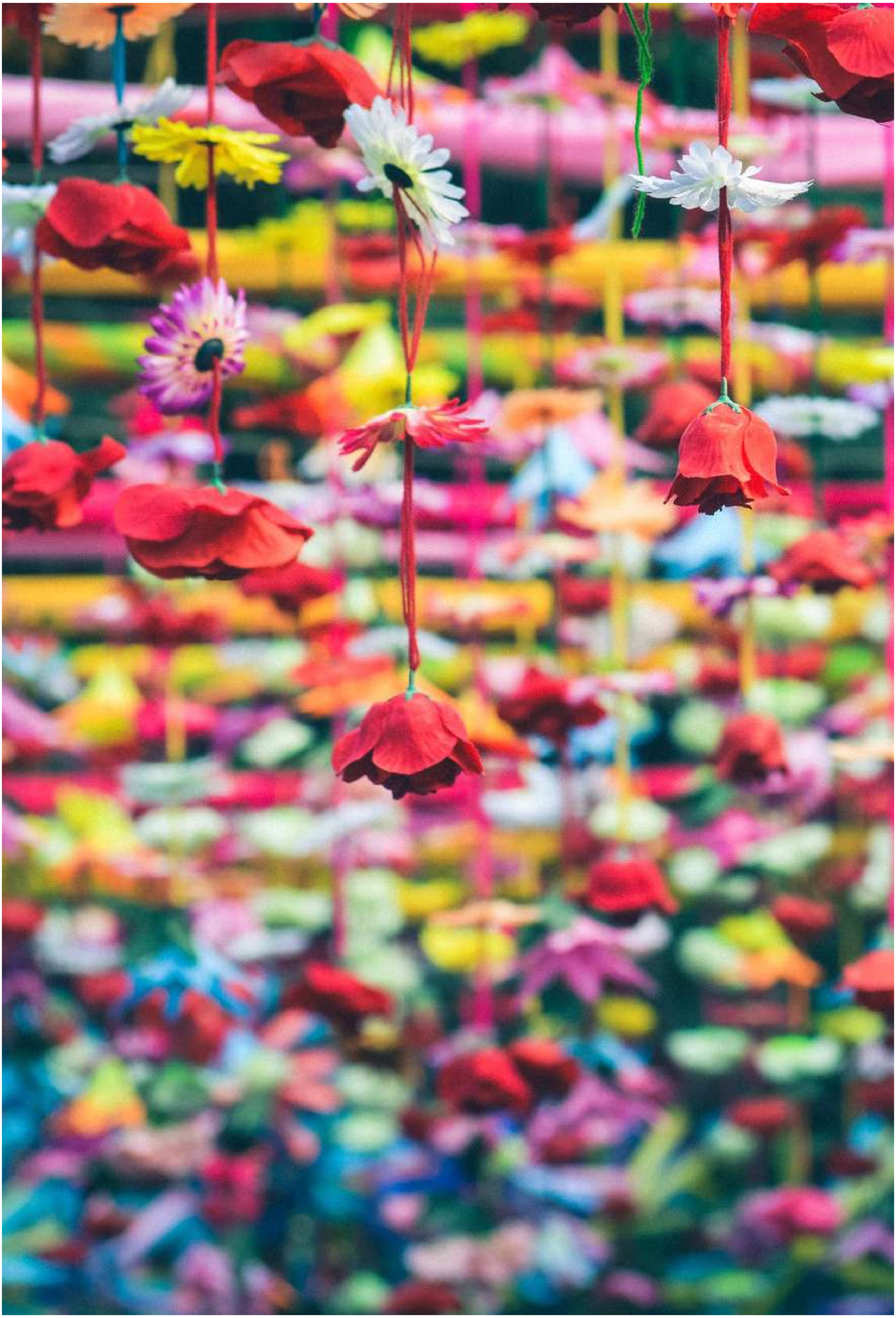
Asset	Key exiting VC investors	Exit mode	Exit value ($M)
Whitehat Jr.	Omidyar Network India, Owl Ventures, Nexus	Strategic sale to Byju's	~300
Swiggy	SAIF Partners, Accel, Norwest Partners, RB Investments, Bessemer	Secondary sale	~220
PolicyBazaar.com	Inventus Capital, Ribbit Capital, Tiger Global, Tencent	Secondary sale	~130
Byju's	IFC, Sequoia, Lightspeed, Verlinvest, Sofina	Secondary sale	~100
Home First Finance	TrueNorth, Bessemer	Secondary sale	~95
Richcore Lifesciences	Eight Roads, Ventureast	Strategic sale to Laurus Labs	~35
XpressBees	Elevation Capital, Chiratae, Valiant, Vertex, Paytm	Secondary sale	~30
Delhivery	Tiger Global, Nexus Venture Partners, Multiples PE	Secondary sale	~25
UrbanLadder.com	Elevation Capital, Sequoia, Kalaari, Steadview, Ratan Tata	Strategic sale to Reliance Retail	~25
Indian Energy Exchange (IEX)	Lightspeed	Public market sale	~20

Sources: Bain VC Deals Database; Bain analysis

Figure 27: More than 50% of top funds' portfolio companies went on to raise further funding between 2015 and 2020

VC name	India-focused funds raised 2015–20	Number of deals participated 2015–20	Est. capital deployed by investor 2015–20	% of portfolio companies that raised further funding 2015–20*	% of portfolio companies with total funding >$100M	Exits** 2015–20
Tiger Global	N/A***	~110	~$1.8B	~55%	~30%	• ~20 exits in last 5 years; total exit value of ~$2.5B*** • Top 3 exits in 2015–20 include Flipkart, Ola, and Asian Genco
Sequoia	~$3.5B	~350	~$2.3B	~55%	~20%	• ~60 exits in last 5 years; total exit value of ~$4.6B • Top 3 exits in 2015–20 include Oyo, Star Health Insurance, and Freecharge
Nexus	~$0.8B	~100	~$0.5B	~55%	~10%	• ~20 exits in last 5 years; total exit value of ~0.6B • Top 3 exits in 2015–20 include Whitehat Jr., Mezi.com, and Delhivery
Accel	~$1.3B	~250	~$1B	~50%	~10%	• ~25 exits in last 5 years; total exit value of ~1.4B**** • Top 3 exits in 2015–20 include Flipkart, Ola, and Swiggy
Matrix	~$0.7B	~110	~$0.4B	~50%	~10%	• ~15 exits in last 5 years; total exit value of ~$0.4B • Top 3 exits in 2015–20 include ItzCash Card, TCNS Clothing, and Quikr
Lightspeed	~$0.6B	~70	~$0.6B	~50%	~15%	• ~10 exits in last 5 years; total exit value of ~$1.8B • Top 3 exits in 2015–20 include Oyo, Itz Cash Card, and IEX
Elevation Capital (SAIF)	~$0.8B	~130	~$0.7B	~55%	~30%	• ~25 exits in last 5 years; total exit value of ~$1.3B • Top 3 exits in 2015–20 include One97 (Paytm), MakeMyTrip, and Swiggy

* Further funding includes subsequent rounds participated by any investor
** Total exit value includes combined exit value for all participating firms and top 3 exits are by total exit value
*** Tiger Global doesn't have any India-focused funds
**** Flipkart's $16B acquisition excluded from total exit value
Sources: Venture Intelligence; Bain VC Deals Database; Bain analysis



5

Start-up ecosystem in India

- The start-up ecosystem in India remains robust and is rapidly growing. Between 2012 and 2020, the number of start-ups in India increased by 17% each year, while funded start-ups increased at a similar rate of 16% CAGR. Currently, of almost 110,000+ start-ups in India, about 9% are funded, implying significant room for further investments. While Delhi, Bangalore, and Mumbai continue to be the start-up capitals of India, other cities such as Hyderabad, Pune, and Chennai have emerged as hubs witnessing a lot of recent start-up activity as well.

- Despite the pandemic, the start-up ecosystem in India remains strong—among the top five globally, with 12 additional companies achieving 'unicorn' status in 2020, taking India's unicorn tribe to a total of 37 (behind only the US and China globally).

- Continued growth in the start-up ecosystem in India has led to creation of more than three million direct and indirect jobs over the last eight years.

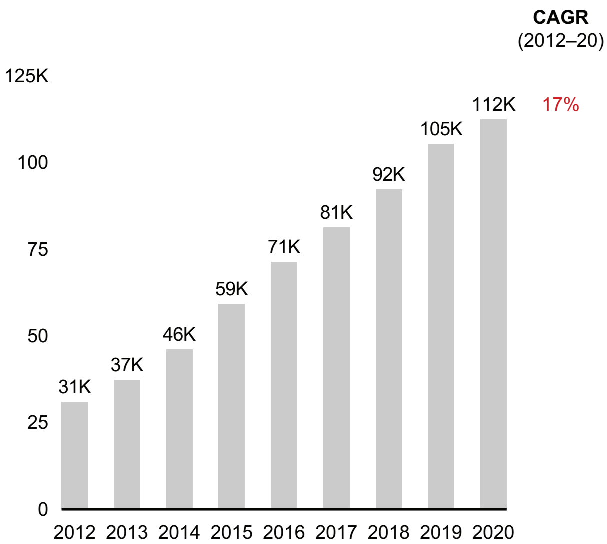
Figure 28: India has one of the top five start-up ecosystems in the world

	US	China	India	UK	Israel
Total number of unicorns	299	166	37	35	17
Total number of funded start-ups	65K	16K	10.2K	13K	2.7K
Total engineering graduates per year	0.26M	4.61M	1.5M	0.07M	0.01M
Total number of Internet users	297M	854M	560M	64M	7M
Total number of incubators and accelerators	1.5K	14K	450	400	100
Ease of doing business rank, World Bank 2020 (2019)	6 (8)	31 (46)	63 (77)	8 (9)	35 (49)

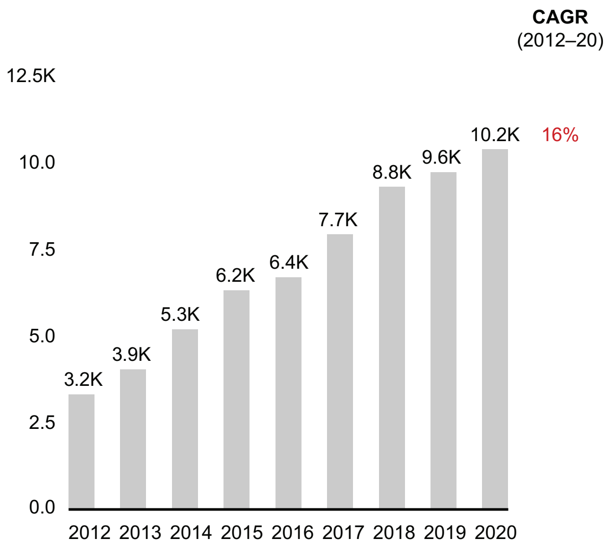
Sources: Tracxn; World Bank; Bain analysis

Figure 29: The start-up ecosystem in India continues to grow rapidly, with 112,000 start-ups at present (7,000 added in 2020), of which ~9% are funded

Number of cumulative start-ups in India (2012–20)

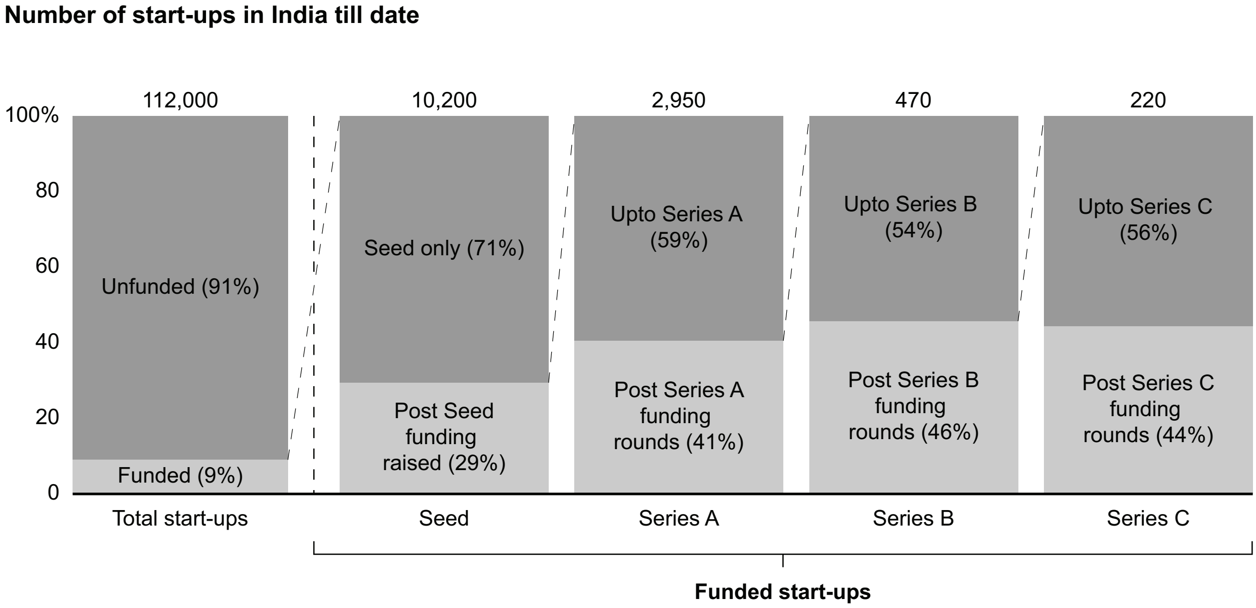


Number of funded start-ups in India (2012–20)



Notes: Start-ups are companies founded post 2000; public, acquired and deadpooled start-ups are excluded
Sources: Tracxn; Bain analysis

Figure 30: Among funded start-ups in India, typically ~30% go on to raise subsequent rounds



Notes: Start-ups are companies founded post 2000; classification of rounds as Seed, Series A, Series B, and Series C as per investment announcements as reported by Tracxn; public, acquired, and deadpooled start-ups are excluded
Sources: Tracxn, Bain analysis

Figure 31: 12 new unicorns expanded India's unicorn tribe to 37 in 2020 (25 in 2019)

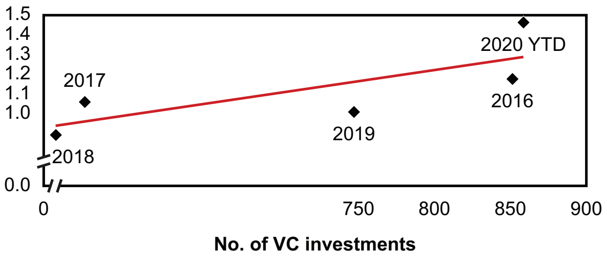
	Company	Subsector
Consumer Tech	InMobi	Advertisements
	BYJU's	Edtech
	Unacademy	Edtech
	Swiggy	Foodtech
	Zomato	Foodtech
	Dream11	Gaming
	Snapdeal	Horizontal e-commerce
	Paytm Mall	Horizontal e-commerce
	Dailyhunt	Media & entertainment
	Glance	Media & entertainment
	Ola	Mobility
	Ola Electric	Mobility
	Oyo	Hospitality
	BigBasket	Verticalised e-commerce
	FirstCry	Verticalised e-commerce
	Lenskart	Verticalised e-commerce
	Cars24	Verticalised e-commerce
	Nykaa	Verticalised e-commerce

	Company	Subsector
SaaS	ThoughtSpot	Horizontal business software
	Freshworks	Horizontal business software
	Icertis	Horizontal business software
	HighRadius	Horizontal business software
	Druva	Horizontal infra software
	Postman	Horizontal infra software
	Zenoti	Vertical specific business software
Fintech	PolicyBazaar	Insurtech
	Paytm	Payments
	Pine Labs	Payments
	BillDesk	Payments
	Razorpay	Payments
	Zerodha	Wealth management
Shipping	Delhivery	Shipping & logistics
	BlackBuck	Shipping & logistics
	Rivigo	Shipping & logistics
Other	Greenko Group	Energy
	ReNew Power	Energy
	Udaan	B2B marketplace

Sources: Tracxn; Venture Intelligence; CB Insights; Bain analysis

Figure 32: VC investments have fuelled growth in funded start-ups, which have, in turn, created more than 3 million jobs over the last eight years

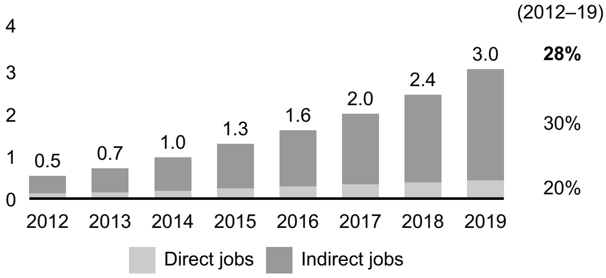
VC investments have led to an increase in the number of funded start-ups



VC investing has led to disruption in numerous industries:

- **Edtech.** Enabling education through digital means, especially during Covid-19 (Byju's and Unacademy)
- **Healthtech.** Making healthcare accessible to all (Pharmeasy, DocsApp, Cure.fit)
- **Fintech.** Increasing online payments, lending, and wealth management penetration (PayTM, Razorpay, etc.)

Start-ups have increasingly contributed to the creation of direct and indirect jobs



- Start-ups in India currently employ **~0.5 million direct employees**
- Each direct job created by a start-up leads to the **creation of multiple indirect jobs** (e.g. delivery partners for foodtech and e-commerce companies)
  - Indirect employment has grown faster than direct employment, implying more indirect jobs being created per direct job
- Hence, investments in Indian start-ups have helped create more than **3 million jobs**

Note: Start-ups are defined as companies founded after 2000; for employment analysis, only technology or technology-enabled companies founded in 2009–19 that are still active and have not been acquired (or IPO) are considered
Sources: IVCA; Zinnov; Tracxn; Bain analysis


8

6

Regulatory landscape

- Overall, we see continued improvement on the policy and regulatory front, with the Indian government having introduced several programmes to boost the start-up ecosystem. Flagship initiatives such as AtmaNirbhar Bharat, Startup India, Digital India, and the Alternative Investment Policy Advisory Committee (AIPAC) continue to improve the environment for investors and start-ups.

- Focus on creating a favourable and nurturing environment for start-ups through a wide array of government schemes and initiatives has led to significant improvement in the World Bank's Ease of Doing Business rankings for India over the last four years as well—a jump of 68 places from 131 in 2016 to 63 in 2020.

- In the wake of the pandemic, several initiatives and policies from the government aimed at improving the health of businesses post-lockdowns such as AtmaNirbhar Bharat and Startup India have ensured availability of funding and easier compliance requirements for start-ups in India.

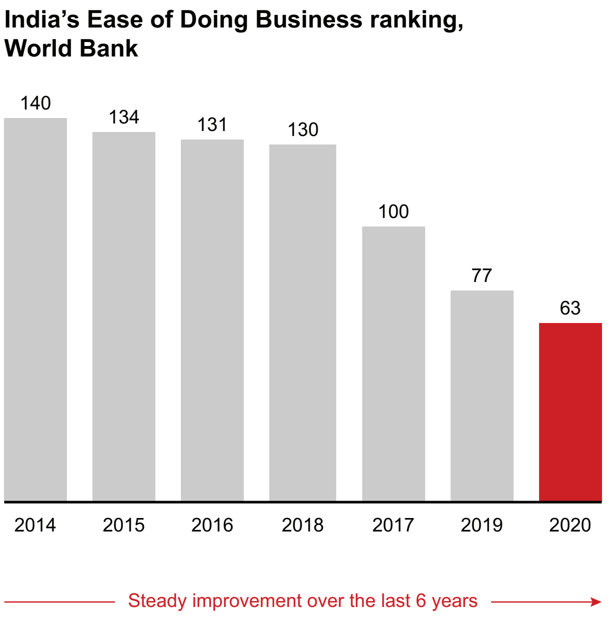
- While multiple new policy initiatives were introduced to bolster start-ups across industries, some sector-specific decisions helped turbocharge high-priority segments.

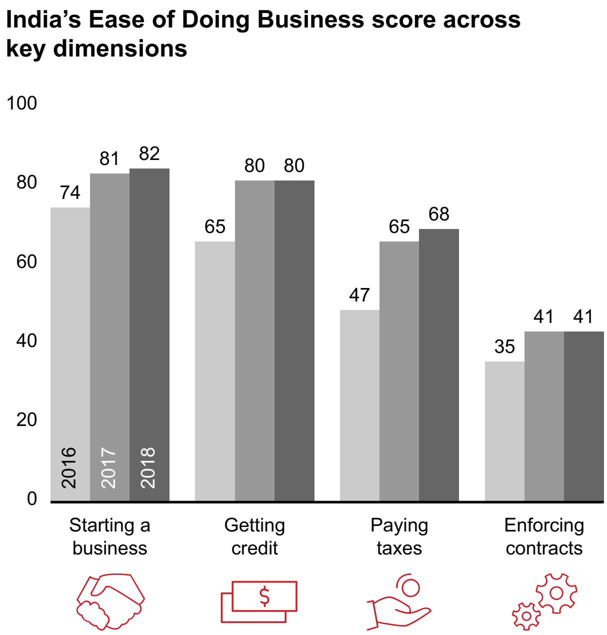
  - The new National Education Policy (NEP) 2020 reimagines education in India with a core focus on bridging the digital divide, providing a sizeable thrust to edtech.

  - Regulations for telemedicine and National Digital Health Mission (NDHM) will likely play an essential part in bolstering healthtech in India.

- The government of India also introduced several new policy initiatives to improve ease of operating alternate investment funds (AIFs) in India in 2020.

Figure 33: Ease of doing business has improved in India in the last six years





Source: World Bank

Figure 34: Several government-led initiatives have ensured continued growth and availability of funding to start-ups in India amid the pandemic

AtmaNirbhar Bharat	• In the wake of Covid-19, a special economic package of INR 20 lakh crore has been introduced for Micro, Small and Medium Enterprises (MSMEs) and start-ups to create liquidity and enable them to continue to innovate and expand capacity
Startup India	• Flagship initiative to nurture innovation by simplifying processes for start-ups, allowing them to focus on their core and keep compliance costs low while enabling easy access to funding; ~40k start-ups have been recognized by Department for Promotion of Industry and Internal Trade (DPIIT) till now • Budget 2020 has proposed taxation of Employee Stock Ownership Plan (ESOP) at the time of sale of shares instead of issue, creating a favorable ecosystem for start-ups
Digital India	• Launched to transform India into a digitally empowered nation by ensuring electronic availability of government services through improved infrastructure and increased internet connectivity; ~23% increase in budget to promote electronic manufacturing • Mobile apps, such as Aarogya Setu and ePathshala, developed to promote digital health mission, edtech, and agritech
Alternate Investment Policy Advisory Committee (AIPAC)	• Security & Exchange Board of India's (SEBI) AIPAC eases financial regulations for AIFs under the chairmanship of N. R. Narayan Murthy; the committee also includes market experts and partners from top PE and VC firms • Employed tax benefits, such as pass-through and Tax Deducted at Source (TDS) waivers for VC funds, and less stringent angel fund regulations
Atal Innovation Mission	• Launched by NITI Aayog to foster sectoral innovation and solve problems in key sectors via collaborative platforms, incubators and labs
Small Industries Development Bank of India (SIDBI)	• Aimed at promoting growth of MSMEs and start-ups in India through a variety of initiatives such as Fund of Funds for Startups with a corpus of INR 10,000 crore, MSME lending through SMILE Fund, and Covid-19 Startup Assistance Scheme to provide working capital loans for stressed start-ups

Source: Government websites

Figure 35: Key policy recommendations address foreign VCs' concerns

Reduction in taxation and surcharges (Central Board of Direct Taxes)	• Reduce taxation and surcharges on private investments to create a level playing field for public and private markets, rolled out in phases (only for broad-based AIF 1 and AIF 2) – Holding period for unlisted shares be reduced to one year for it to qualify as long-term capital gains (LTCG) to be at par with listed shares – LTCG tax on unlisted shares be reduced to 10% without indexation or 20% with indexation at the option of the taxpayer – Consider a one-time exemption from LTCG tax for investments made in Indian companies for a period of 3 years – Parity can also be achieved by levying of Securities Transaction Tax (STT) on sales of unlisted shares by AIFs that are long-term in nature – Enhanced surcharge should be rolled back (to be capped at 15%) as it is currently for listed shares
Relax GST on offshore management fees (GST Council)	• Extend deemed export status for services rendered to AIFs – By virtue of the deemed export status, the services provided by the Indian Fund Manager can be viewed to be effectively received by the underlying investors (i.e. overseas and domestic investors) in the AIF, which is the pooling vehicle to the extent of foreign investors
Extend AIF status to additional investment instruments	• Bring pension funds and insurance funds into AIFs – India needs >2.5% of GDP to come in the form of VC/PE investments for the $5 trillion target (i.e. around $125B or INR 8.75 lakh crore) – In addition, domestic capital will benefit from the returns and value creation, the surplus of which can be retained and recycled within the country
Facilitate offshore listing of Indian companies (SEBI)	• Make global capital available to Indian start-ups by facilitating listing on international exchanges to produce global enterprises, exempting Indian companies from additional filing requirements on meeting prescribed criteria, lifting end use restrictions on offshore funds raised, and clarifying taxation laws
Single window clearance for institutional investors	• Set up a single window clearance system to discuss issues of large funds, both domestic and international – Institute strong standard operating procedures (SOPs) and governance for clearance (i.e. pre-clearances/parallel approval from ministries and government, timelines for clearances, better support system and discussion portals for taxation and regulatory issues, and closer coordination between government departments)
Hybrid instruments under the Foreign Direct Investment (FDI) route	• Permit FDI investors to hold hybrid securities in Indian companies subject to restrictions – Compliance with restrictions on entry routes, sectoral caps, investment limits, and other conditions applicable to equity instruments issued to a nonresident in terms of the Foreign Exchange Management (non-debt Instruments) Rules, 2019 (Non-debt Instrument Rules) – Lock-in period of 1 year on redemption of Optionally Convertible Debentures (OCDs)/Optionally Convertible Preference Shares (OCPS); coupon on the OCDs/OCPS capped at a prescribed rate

Source: IVCA