

EMERGING STARTUP INVESTMENT OPPORTUNITIES IN INDIA

AUGUST 2020

AL **CONSULTING**

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GLOSSARY

WORDS

MEANING

\$	United States Dollar
Bn	Billion
CAGR	Compound Annual Growth Rate
FDI	Foreign Direct Investments
FY	Financial Year
Mn	Million
NBFC	Non-Banking Financial Company
OTT	Over the top media platform
SaaS	Software as a Service
VC	Venture Capital
PE	Private Equity
H1	First Half

INTRODUCTION

インドには世界最大級のスタートアップ・エコシステムが存在しています。インドでは過去5年間でスタートアップの数が大幅に増加しています。これらスタートアップに対するPEやVC等の投資家からの投資も増加しており、各セクターにおける取引量や取引金額の増加に反映されています。

投資家からの注目が高まっている新興セクターには、Fintech、Edu-Tech、Health-Tech、E-Pharmacy、Online Gaming、Agri-Tech等があります。これらは、特にCOVID-19によるパンデミック下において、消費者のオンライン取引への依存度の高まりや企業のオンラインビジネス戦略の再構築の開始等を受け、重要性が増してきています。

また、投資家は、かかる状況下においては、テクノロジー、消費財（必需品、個人消費・ヘルスケア、食品加工・小売）、医薬品、医療サービス、電子商取引等のディフェンシブなセクターへの投資を好む傾向にあります。

パンデミックの影響はまだしばらく続くことが予想されますが、新たな投資機会、新興セクターの台頭、高いバリュエーションの魅力的企業等については、着目すべきでしょう。本資料では、インドのスタートアップ・エコシステム、インドにおけるPE・VCの投資動向、日印間のコラボレーション、アーリーステージにおける日本からインドへの投資状況、インドで急成長中のスタートアップ等の情報について、取り扱っています。

また、スタートアップ業界の現状、世界のスタートアップ業界におけるインドの立ち位置、トレンド、主要統計数値等の情報およびデータについても紹介しています。資料内の各数値は、様々な公開ソースから収集されたものであり、最終頁に各ソースについて、まとめてあります。

我々AL Consultingとしても、上記のようなスタートアップ・エコシステムの動向については大いに注目しており、インドの投資環境から見た潜在的な投資機会についての情報提供をさせて頂ければと思います、本資料を作成した次第です。是非ご一読頂き、少しでもお役に立てれば幸いです。

よろしく申し上げます。

AL Consulting team

STARTUP ECOSYSTEM IN INDIA

India's position

- Top 5 start-up ecosystems
- Number of startups: 80,000+
- Between 2012 and 2019:
 - number of start-ups increased by 17% each year
 - number of funded start-ups increased 19% CAGR
- Ranking for ease of doing business: 63 in 2019, improved from 130 in 2016
- Leading sectors in 2019: e-commerce, SaaS & Fintech

Emerging Sectors

- Health-Tech (pharma, life sciences)
- Ed-tech
- E-Commerce & Delivery Based Services
- OTT Platforms & Online Gaming
- SaaS & Remote Working Tools
- FinTech

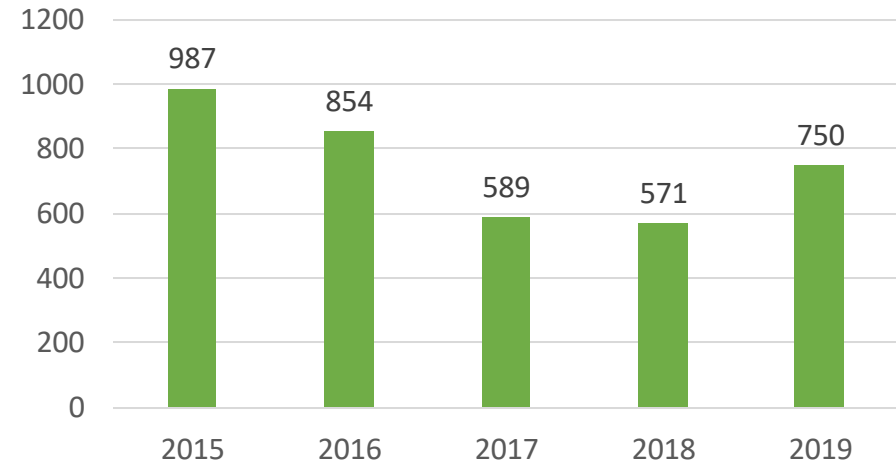
Key Details	Numbers as of 2019
Unicorns	20
Funded start-ups	6,400
Incubators & Accelerators	400+
Internet users	520 Mn
Engineering students	1 Mn +

VC INVESTMENTS IN INDIA: A SNAPSHOT

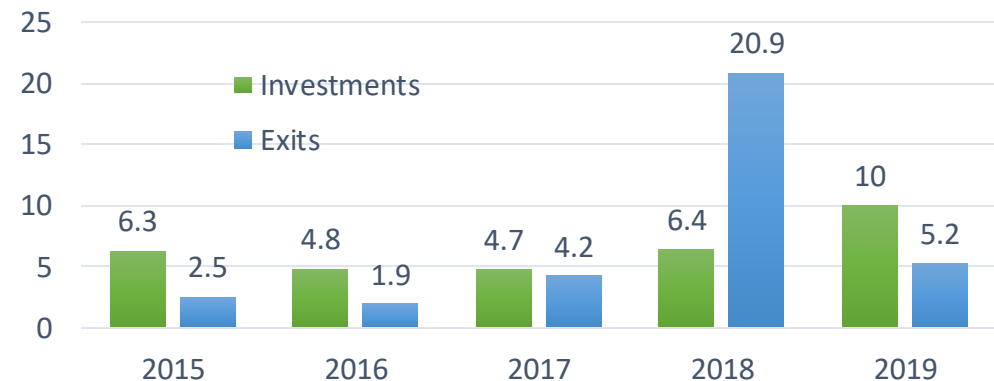
H1 of Calendar Year 2020

- Globally, VC backed companies raised \$61 Bn across 4,260 deals in Q1 of calendar year 2020
- PE & VC investments in Indian startups was recorded at \$20 Bn largely driven by significant investments in Reliance Jio (telecom)
- Major Sectors: Edu-tech, food delivery, Health-Tech and IT&ITES
- Top companies which attracted investments are: **Byju's** (edu-tech), **OYO** (hotel aggregator), **Swiggy** (food delivery), **Postman** (API development platform), **FreshToHome** (fresh food delivery), **Yellow Messenger** (Bots / conversational platform) and **iMerit** (IT services – AI).

Annual VC Deal Volume

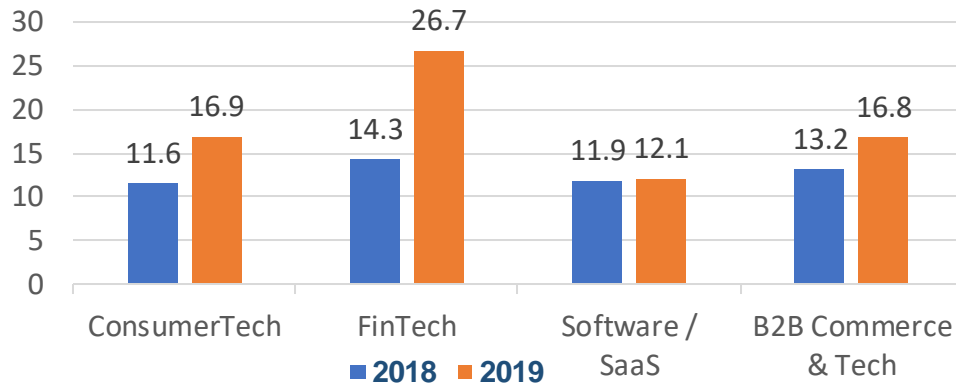


Annual VC Investments and Exits in India (Bn \$)

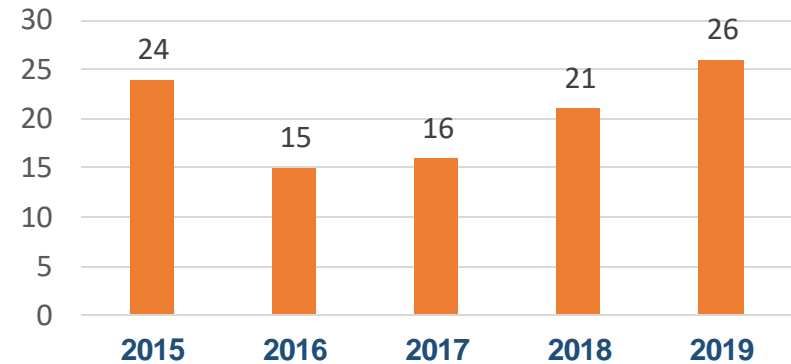


VC INVESTMENTS: TRENDS ACROSS SEGMENTS AND SECTORS

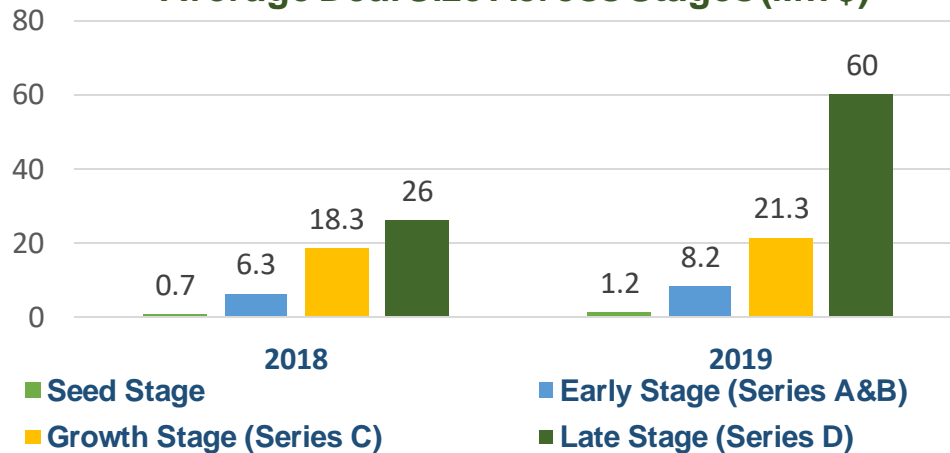
Average VC deal size across sectors (Mn \$)



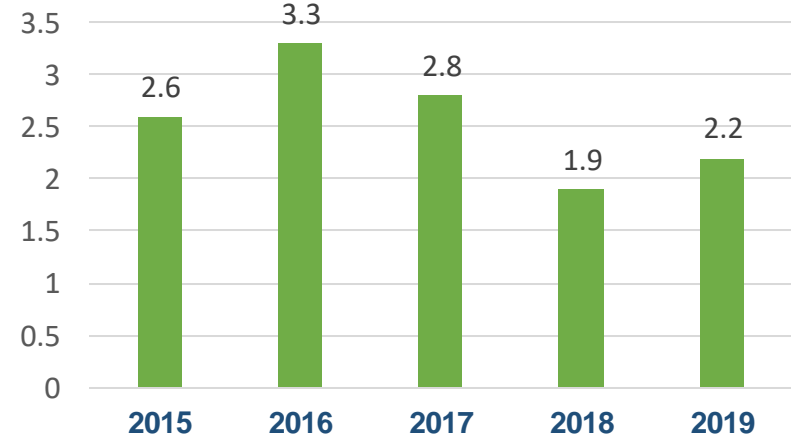
Average VC Investments Per Fund (Mn \$)



Average Deal Size Across Stages (Mn \$)



Average VC Deals Per Fund



JAPAN & INDIA: COLLABORATION BETWEEN THE TWO NATIONS

Relationship

- India is one of the largest recipient of Japanese official development assistance loans
- Japan is the 3rd largest investor in Indian economy
- Between 2000 to 2019: cumulative FDI inflows from Japan to India amounts to \$30.27 Bn

Trade between the two nations

Trade in FY 2018-2019	Amount in Bn \$
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Imports from Japan	12.77
Exports to Japan	4.88

- Value of trade from Japan to India is growing at a rate of 4%
- India's imports recorded a growth of 102.7% in the last 12 years
- Key imports from Japan include electrical machinery, iron and steel, organic chemicals, etc.

Japan – India Startup hub

- Set up in Bengaluru as part of joint initiative signed on 1 May 2018
- The start-up hub is an online platform to enable:
 - promotion of information exchange
 - business collaboration
 - investments between the startup ecosystems
- JETRO and NASSCOM are the nodal agencies responsible for executing the startup hub
- For more information on the Japan – India Start-up Hub, please visit the [link](#).

Japan - India Fund of Funds

- Nippon India Digital Innovation AIF – Scheme 1, a fund of funds (FoF) set up with a mandate to invest in 15-20 India dedicated venture capital funds with investment portfolio of approximately 300+ startups
- The ticket size of investment by FoF: \$5-15 Mn
- Focus sectors: technology start-ups in AI, IoT, ML, fintech, healthcare, education & consumer robotics
- As per recent reports, Yokogawa Electric Corporation has agreed to invest in this FoF

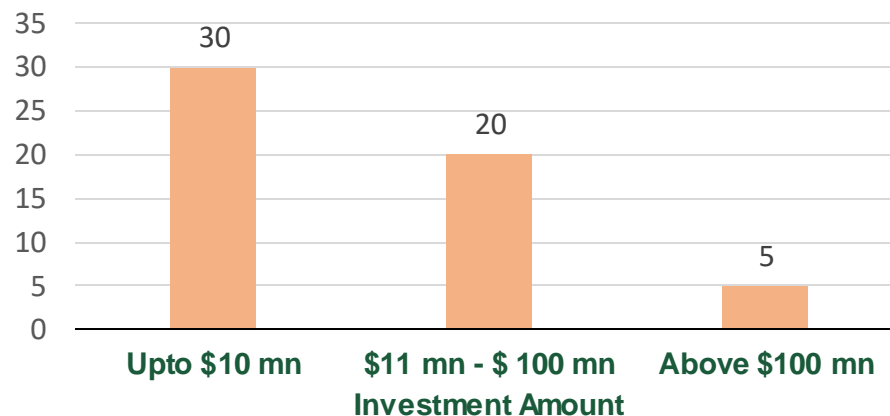
JAPANESE VC INVESTMENTS IN INDIA: OVERVIEW AND TRENDS

Japanese VC Investments	Details as of end of 2019
Active Japanese Investors in India	50+
Indian Start-ups backed by Japanese Investors	105+
Number of Unicorns invested by Japanese Investors	12
Deals participated in by Japanese investors	136+
Investment by Softbank in Indian Startups	\$10 Bn

Recent Trends

- 2015 to 2018: 2X surge in deal participation by Japanese investors
- Preferred funding stage: growth stage (Series A and Series B)
- Preferred sector: enterprise tech
- Active Japanese investors: Softbank, Strive, Beenos, Incubate Fund, SBI Holdings and individual investors like Hiro Mashita (M&S Partners)

Japanese VC Investor Trends



Driving factors for Japanese Investments in India

- Young population
- Rising income
- Fastest growing consumer market
- Increased foreign investors' confidence
- Increasing growth stage ecosystem
- Government support & initiatives

FIN-TECH: SECTOR OVERVIEW

India's position

- Fin-Tech adoption rate of 87%, higher than the global rate of 64%
- 2nd highest funded sector after e-commerce
- 3rd largest Fin-Tech ecosystem globally
- Factors driving growth: widespread identity formalization, banking penetration, increase smartphone penetration, growing disposable income, key government initiatives such as UPI and Digital India and middle-class expansion resulting in demand and growth

Components

Details

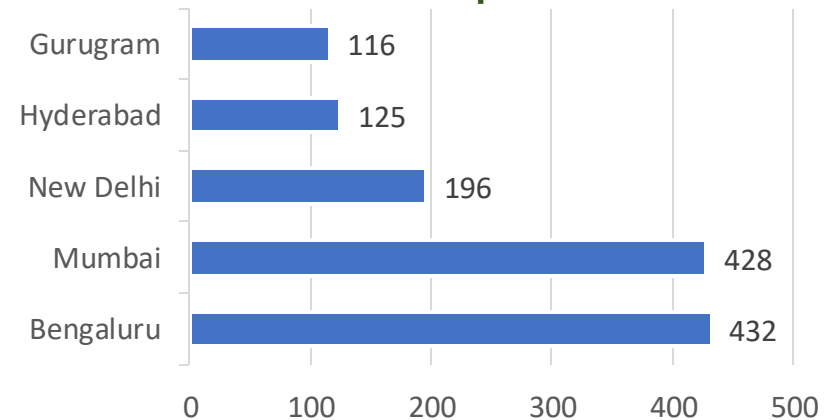
Segment	Payments, lending, insurance and wealth management
Investors	Alibaba, Berkshire Hathaway, SoftBank, Temasek Holdings, Visa, PayPal, MasterCard
Companies	PayTM, MobiKwik, PhonePe, PolicyBazaar, LendingKart, Freecharge, ETMoney, Mswipe

Segment

Figures

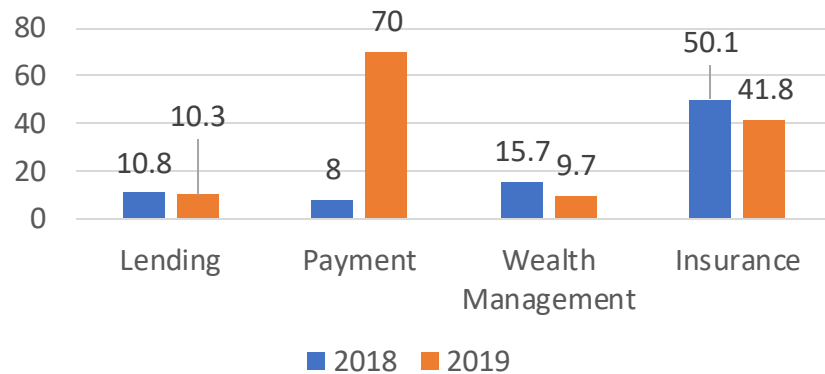
Fin-Tech software market as of July 2020	\$2.4 Bn
Digital payments market in 2019	\$65 Bn
Digital Payments market growth	At a CAGR of 20% till 2023
FDI investment in financial sector between April 2000 to March 2020	\$82 Bn
Number of WealthTech startups as of July 2020	440+

Major FinTech Hubs in India & Number of Start-ups

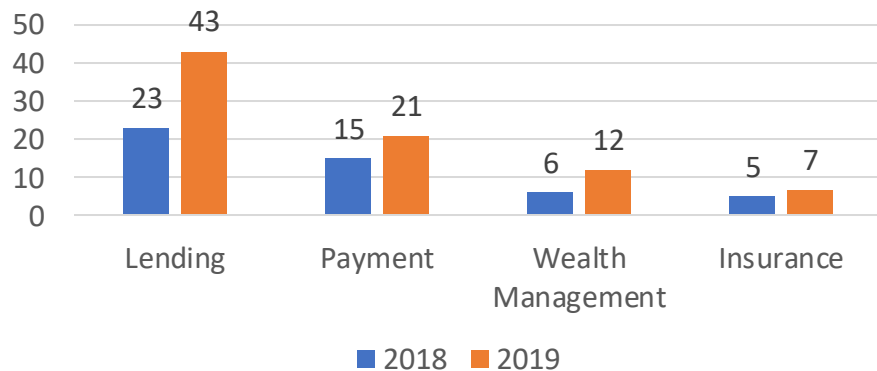


FIN-TECH: SECTOR OVERVIEW

Average VC deal size (Mn \$)



Number of Investments across different segments



Recent Deals

Target	Investors	Amount (in Mn \$)
ADJ Utility Apps (Khatabook)	Investors led by Facebook co-founder Eduardo Saverin's B Capital Group	60
LendingKart	Fullerton Financial Holdings, Bertelsmann India Investments, Sistema Asia Fund and India Quotient	42
Aye Finance	Investors led by CapitalG, the private equity arm of Google parent Alphabet	27.7
BrokenTusk Technologies (Setu)	Investors led by Lightspeed Venture Partners	15

- In Q1 FY20, Fin-Tech startups have attracted investments of \$330 Mn in comparison to China which has seen an investment of \$270 Mn

HEALTH-TECH: SECTOR OVERVIEW

India's position

- One of the largest sectors in terms of revenue and employment
- Competitive advantage: large pool of well-trained medical professionals and low cost
- By FY 2022
 - Healthcare industry expected to increase to \$372 Bn
 - Hospital industry expected to grow 16-17% CAGR to reach \$132.84 Bn

Focus Areas

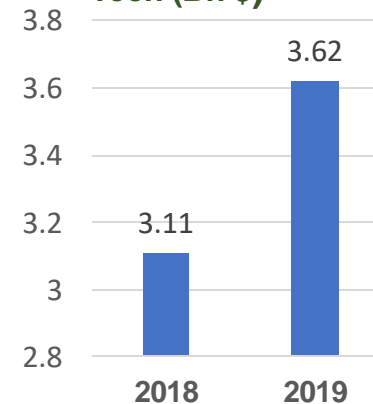
- Increase in accessibility to health care services
- Improvement in quality of care
- Use of cloud computing & IT solutions
- Enhancement of patient experience & continuous engagement
- Convenience in managing day to day healthcare & wellness needs

Key Statistics

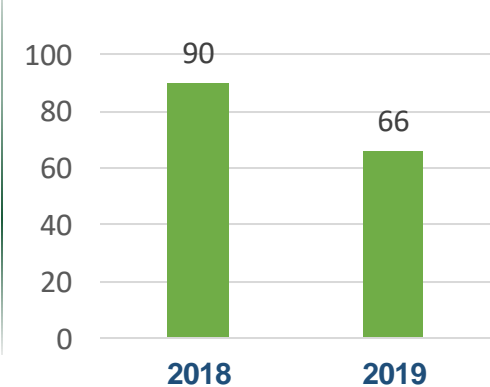
Details as of 2019

Number of Health-Tech startups	3000+
FDI inflows in hospitals and diagnostics between April 2000 to March 2020	\$6.7 Bn
Medical tourism market	\$7-8 Bn
Diagnostics industry	\$4 Bn
Primary care industry	\$13 Bn
Value of M&A in hospital sector in 2019	\$1.09 Bn

Investment in Health-Tech (Bn \$)



Number of VC deals in Health-Tech



HEALTH-TECH: SECTOR OVERVIEW

Components

Details

Components of healthcare sector

Hospitals, medical devices, telemedicine, medical tourism, health insurance and medical equipment

Health-Tech segment

Telemedicine, wearables & devices, genomics, virtual reality, robotics and electronic medical records

Prominent startups

PharmEasy, CureFit, Practo, MedLife & CallHealth

Recent Deals

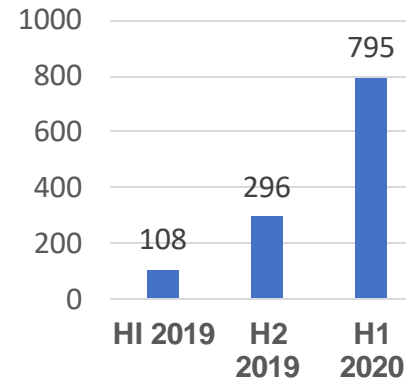
- Investment in Q1 of calendar year 2020: **0.4Bn\$**

Company	Investor	Amount (in Mn \$)
Innovaccer	Mubadala Investment, M12, WestBridge, Tiger Global and others	70
Religare Health Insurance	Kedaara Capital	56
CureFit	Temasek	114
HealthPlix Technologies	JSW Ventures, the venture capital arm of Sajjan Jindal-led JSW Group	6

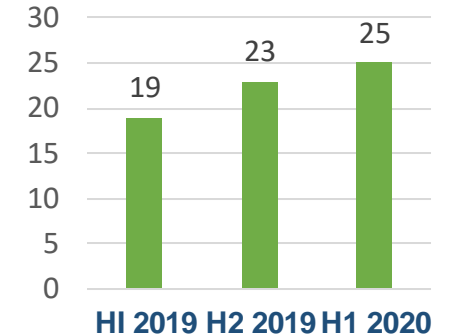
EDU-TECH: SECTOR OVERVIEW

Details	Figures
India's position	India has 2nd highest number of Edu-Tech companies
Segments	Test prep and online certification & skill development
Between 2014-2019	Investment of \$1.8 Bn
Expected market size by 2021	Online test preparation: \$515 Mn (prominent players: Byju's and Unacademy) Online certification & skill development: \$463 Mn (prominent players: Simplilearn, GreyCampus, Whitechat Jr, Quizizz)
Number of unique EdTech Startups which received funding in 2019	194+

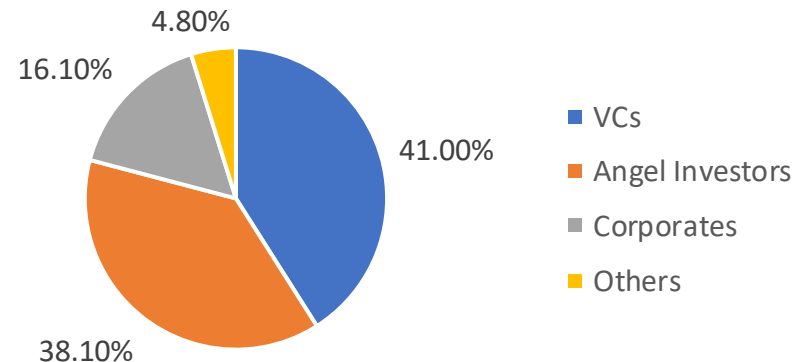
Investment (Mn \$)



Number of VC deals



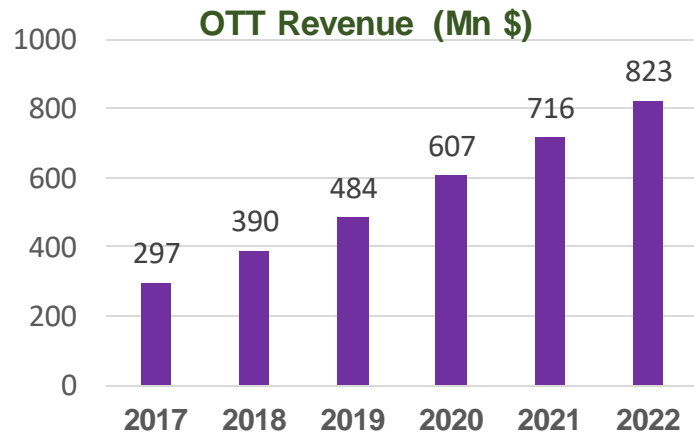
Investments in Edu-Tech in 2019



OTT: SECTOR OVERVIEW

India's position

- India will be 10th largest market for OTT media streaming in terms of revenue by 2022.
- Mobile Internet subscribers set to double from 406 Mn in 2017 to 805 Mn in 2022.
- Factors driving growth: Increased focus on localized content consumer content demand, lower internet prices, portability preference



*2018 onwards is projected data

Details	Figures
Number of OTT players as of November 2019	35+
Current online subscribers	53.1 Mn
Expected market size by FY 2023	Grow at 21.8% CAGR to INR 11,976 bn
Estimated online subscribers by FY 2023	500 Mn +
Prominent International OTT players	Netflix, EROS Now, Amazon
Prominent domestic OTT players	Zee5, Disney-Hotstar, Netflix and MX player

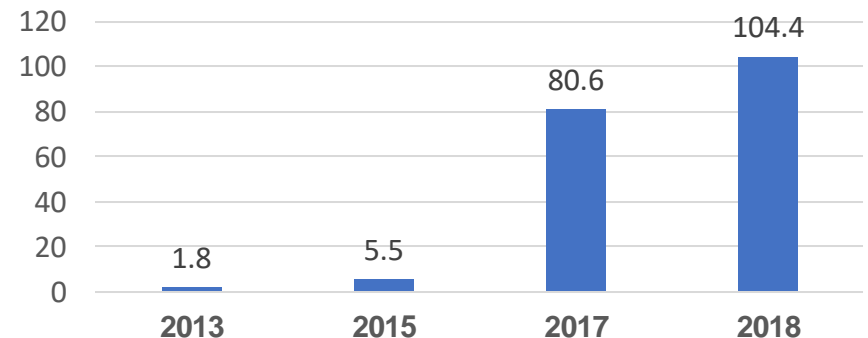
ONLINE GAMING: SECTOR OVERVIEW

Details	Figures
India's position	2 nd largest market worldwide for app download
Growth rate	22% CAGR
Value of online gaming industry by 2024	\$3,750 Mn
Investment between 2014-2019	\$350 Mn
Number of online gaming startups	400+
Largest Section	Mobile gaming, constituting 85% of online gaming
Emerging platforms	Games2Win, WinZo Games, Hitwicket, Gamerji and Rummy

Sector's Future

- Projected Growth in Social Gaming revenue from 2017 to 2022 is \$1988 Mn
- Game Developing Firms in India have increased ten-fold from 25 in 2010 to 250 in 2018
- Factors for growth: Continuous upgradation for bigger and better experiences,, increased smart-phone penetration, development of e-sports into legitimate competitions

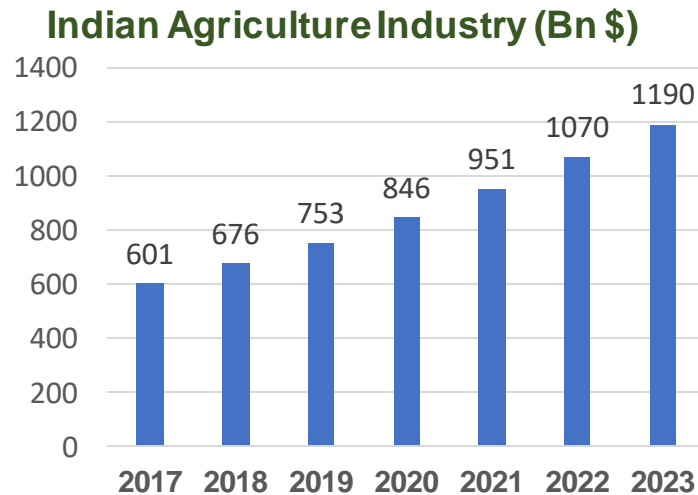
PE & VC Investments in Digital Gaming Sector (Mn \$)



AGRI-TECH: SECTOR OVERVIEW

India's position

- India is home to more than 450 AgriTech startups.
- Agritech startups growing at a rate of 25% year-on-year.
- Close to 100 Mn small and independent farmers
- Factors driving growth: Increasing smart-phone penetration, easing of regulations, increasing organization of farmers



*2020 onwards is projected data

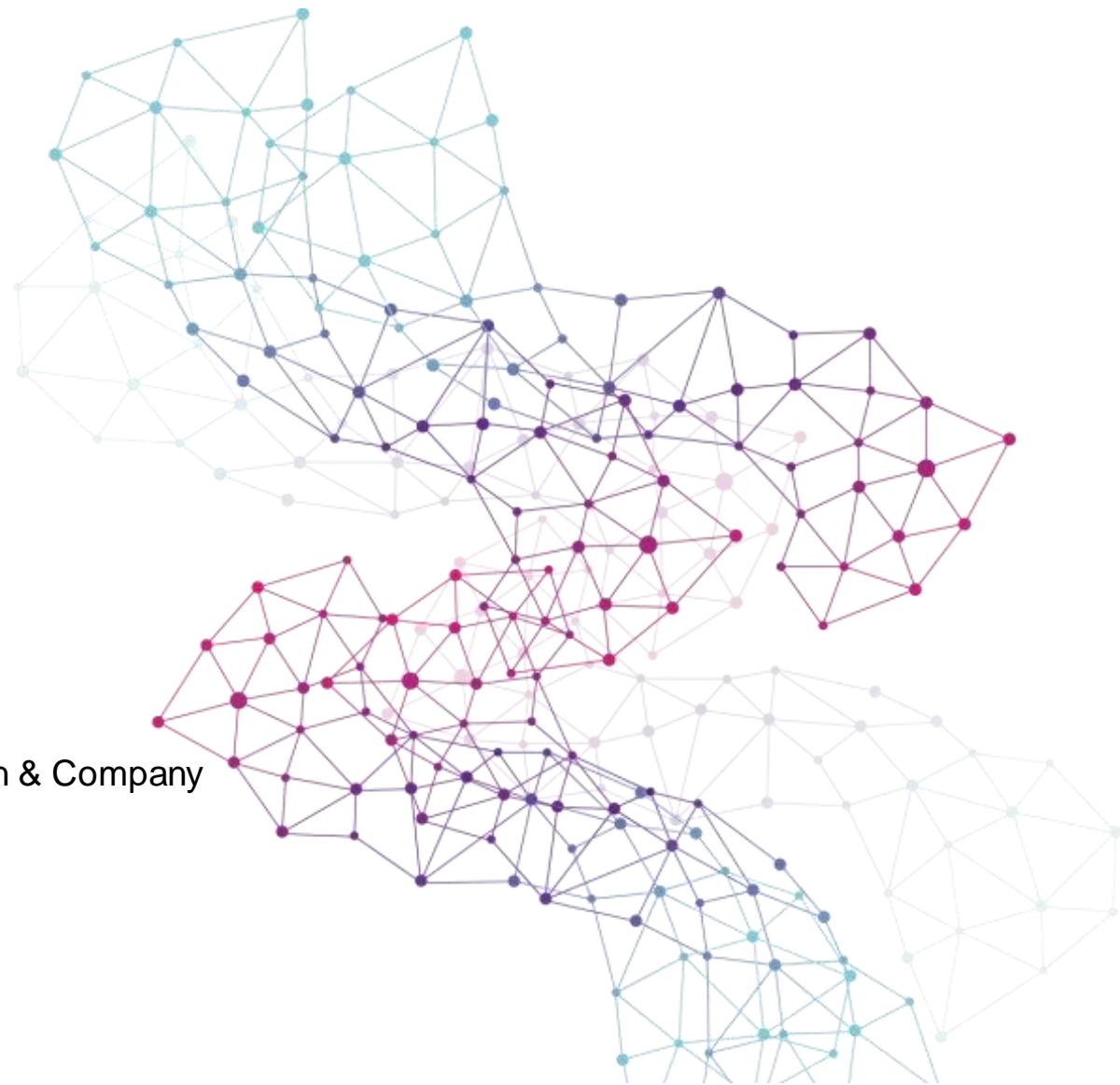
Details

Figures

Total funding until June 2019	\$248 Mn, increased by 350% from 2018
FDI inflow between 2000-2019 (agriculture and allied industries)	\$ 9.98 Bn
Number of AgriTech startups	450+
Prominent players	Ninjacart, Agrostar, Stellops, Cropin, and Jumbotail
Prominent investors	Omnivore, Accel and Ankur Capital
Market opportunities	Supply chain & digital agriculture and production & financing

SOURCES

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THANK YOU !

If you need any further information or clarification relating to information and data presented in this note or if you need an in-depth analysis or understanding of any of the sectors or segments as set out in this note, please feel free to contact:

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