state of
the Indian startup ecosystem

foreword

TV Mohandas Pai
chairman | **Aarin Capital Partners**

India has an enviable startup ecosystem — among the three largest in the world. Its size, reach, and impact has had a transformational effect on the country. The third-largest economy in the world (in PPP) is increasingly making its presence felt on the global stage. It has more than 4.5 Mn people employed in the tech sector, over 100,000 tech companies, $126 Bn in software exports, and over 250,000 highly-skilled engineers graduating every year.

Over the last four years, the Indian government has come out with sound policies to accelerate the growth of tech startups, which are contributing immensely to our economy. Many state governments, too, have put startup policies in place. We're now seeing a massive growth in startups in many cities across India, outside of Bengaluru, Delhi, and Mumbai. The country is witnessing an upsurge of young tech entrepreneurs, accelerating change, improving productivity, and leading growth.

The growth of startups is being aided by the rising penetration of Internet in the country. India enjoys a huge wireless network — with a high bandwidth — across the country. The costs of data plans are among the lowest in the world, enabling every citizen to be networked. The impact of the Internet, which is bringing our citizens online, coupled with 40,000 startups competing to offer them services and products, within such a short time, is unprecedented in human history!

Thanks to these factors, India has emerged as a role model for the world, demonstrating the power of technology and innovation through its startups. What is needed now is higher public investment in R&D at universities and more Indians participating in the startup ecosystem, especially through investments.

Until now, India lacked a comprehensive report on its startup ecosystem which would act as a valuable guide for various stakeholders — from investors and founders to the government and universities. Inc42 has filled in this gap with its State of the Indian Startup Ecosystem 2018 report, which showcases the ecosystem in its entirety, complete with rich, up-to-date data. Team Inc42 deserves to be lauded for this great effort and anyone who has an interest in the Indian startup ecosystem — personal or professional — should grab a copy of this report.

volume:

volume:

volume:

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49,000

Total number of startups launched in India till date

39,000

Total number of startups operational in India currently

$38.5 Bn

Total funding raised by Indian startups between January 2014—September 2018

3,713

Total deals in the Indian startup ecosystem between January 2014—September 2018

250+

Incubators & accelerators supporting Indian startups

$130 Bn

Total value created by Indian startups

200+

Coworking spaces in India

2,000+

Investors active in Indian startup ecosystem currently

495

Startups that have been acquired between January 2015—September 2018

26

Number of unicorns in India

31

Soonicorns that have the potential to attain unicorn status by 2020

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demographic
projections

	2017	2022
POPULATION	1,300	1,400
INTERNET USERS	500	900
SMARTPHONE USERS	337	491
MOBILE SUBSCRIBERS	1,168	1,400
INDIAN ECOMMERCE MARKET	$50,000	$72,000

IN MILLIONS

5,191

$51 Bn

● NUMBER OF DEALS / FUNDING AMOUNT (Bn)

IN BILLIONS

1,400
1,200
1,000
800
600
400
200
0

14
12
10
8
6
4
2
0

2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 oct-dec projected

looking through the sample the numbers
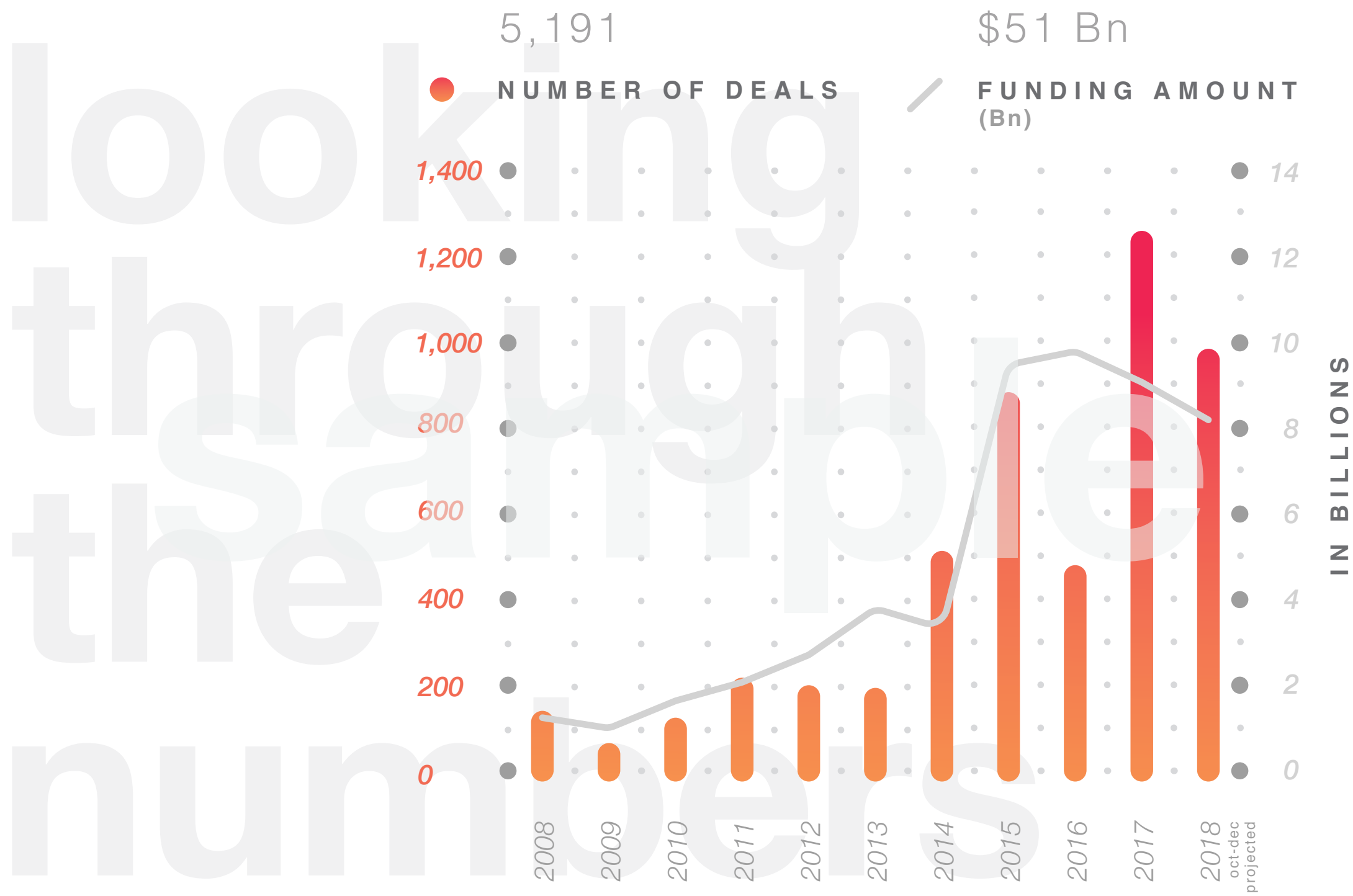
$73.49 Bn
combined valuation

$23.72 Bn
total funding raised

unicorns

26

TOP SECTORS

6 *consumer services*

5 *ecommerce*

3 *logistics | enterprisetech*

TOP CITIES

13 *Delhi-NCR*

10 *Bengaluru*

2 *Chennai*

top 3 startup hubs

Bengaluru	*11,000*
Mumbai	*9,000*
Delhi NCR	*8,500*

Delhi-*NCR*

the fastest-emerging startup hub in India

02

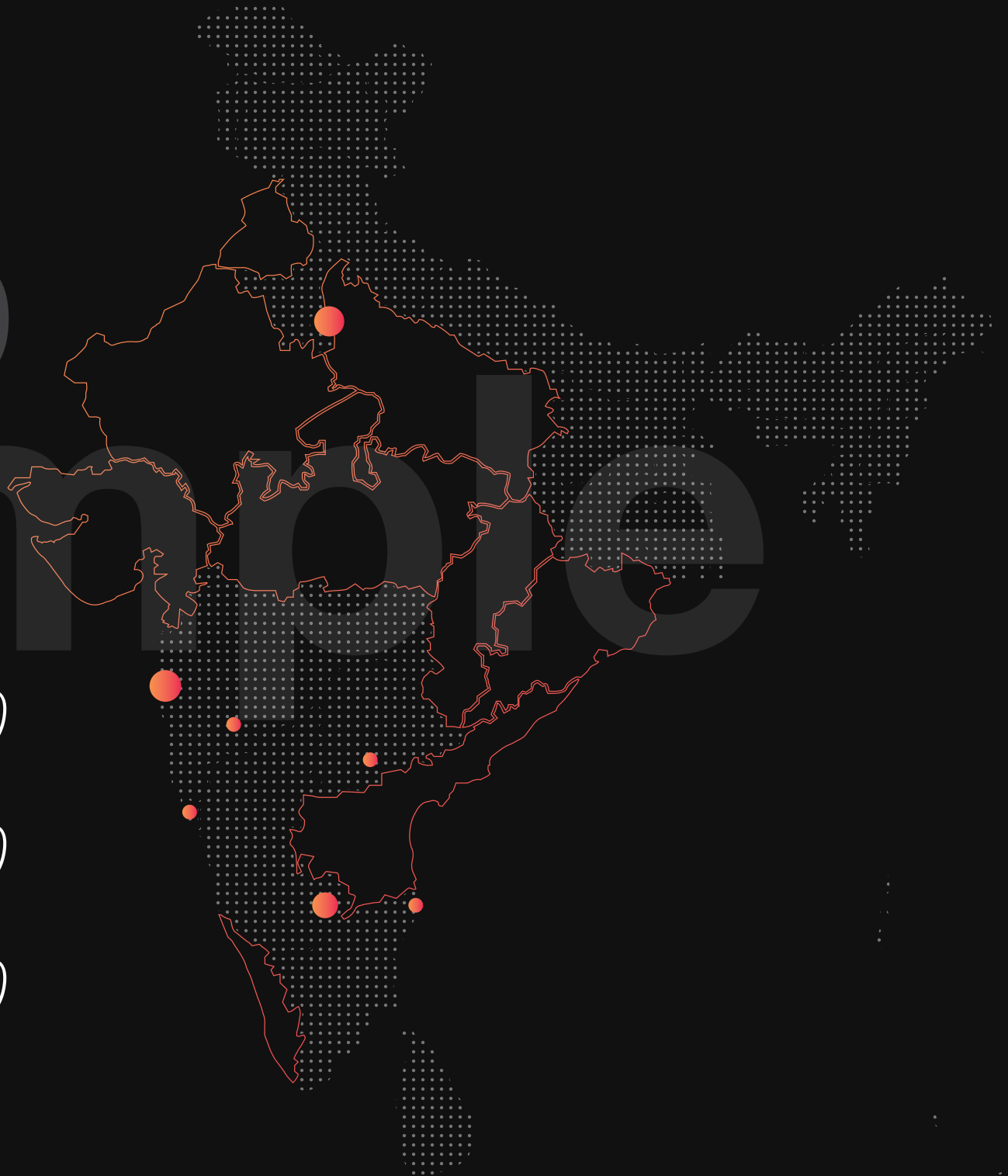|	
AREA	*54,984 sq km (CNCR)*
POPULATION	*46.07 Mn*
NUMBER OF ACTIVE STARTUPS	*8,500+*
NUMBER OF ACTIVE INVESTORS	*300+*
NUMBER OF INCUBATORS	*20+*
KEY SECTORS	*Ecommerce, consumer services, fintech*
CITY CLUSTERS	*Gurugram, Noida, Ghaziabad, Faridabad, Delhi*
PROS	*A cluster of 5-6 cities with great market potential; being the capital, Delhi benefits in terms of implementation of policies and infrastructure development*
CONS	*Heavy traffic; pollution; high cost of living; despite the NCRPB Act, there is a disconnect in terms of policies as the cluster cities are regulated as per their respective states*

Ghaziabad

Delhi

Gurugram

Noida

Faridabad

Constituted on March 28, 1985, the National Capital Region Planning Board (NCRPB) was formed under the provisions of the National Capital Region Planning Board Act, 1985. Amid Delhi's spiralling population and deathly pollution, precipitated by an increasing number of companies opening their offices in the national capital, the idea was to develop Delhi-like infrastructure and ecosystem in the nearby areas — a region of global excellence in business.

The Delhi Metropolitan Area (DMA), which earlier (2001 regional plan) included Ghaziabad, Noida, Faridabad, Gurugram, Bahadurgarh, and Kundli, has now been renamed as the 'Central National Capital Region' (CNCR) under the 2021 plan. The CNCR, commonly referred to as Delhi-NCR, covers about 2,000 sq km in addition to the 1,483 sq km of the National Capital Territory (NCT) of Delhi.

According to the 2018 edition of the Global Metro Monitor report, NCT Delhi has been ranked in the sixth place among the best-performing metropolitan economies in the world. The rest of the Indian cities in the report have been ranked much lower — Hyderabad (14), Mumbai (23), Bengaluru (46), etc.

The CNCR is home to some of India's best institutions — Delhi University, Jawaharlal Nehru University, IIT Delhi, AIIMS, MDI, IMT Ghaziabad and more. No wonder, despite the extreme climate, rising pollution, and increasing crime rate, the region remains one of the favourites of startups.

7% others
3% transport
4% logistics
4% real estate
6% enterprise services
6% online travel
6% edtech
7% healthtech
7% enterprise applications

ecommerce 19%
consumer services 13%
fintech 10%
entertainment tech 8%
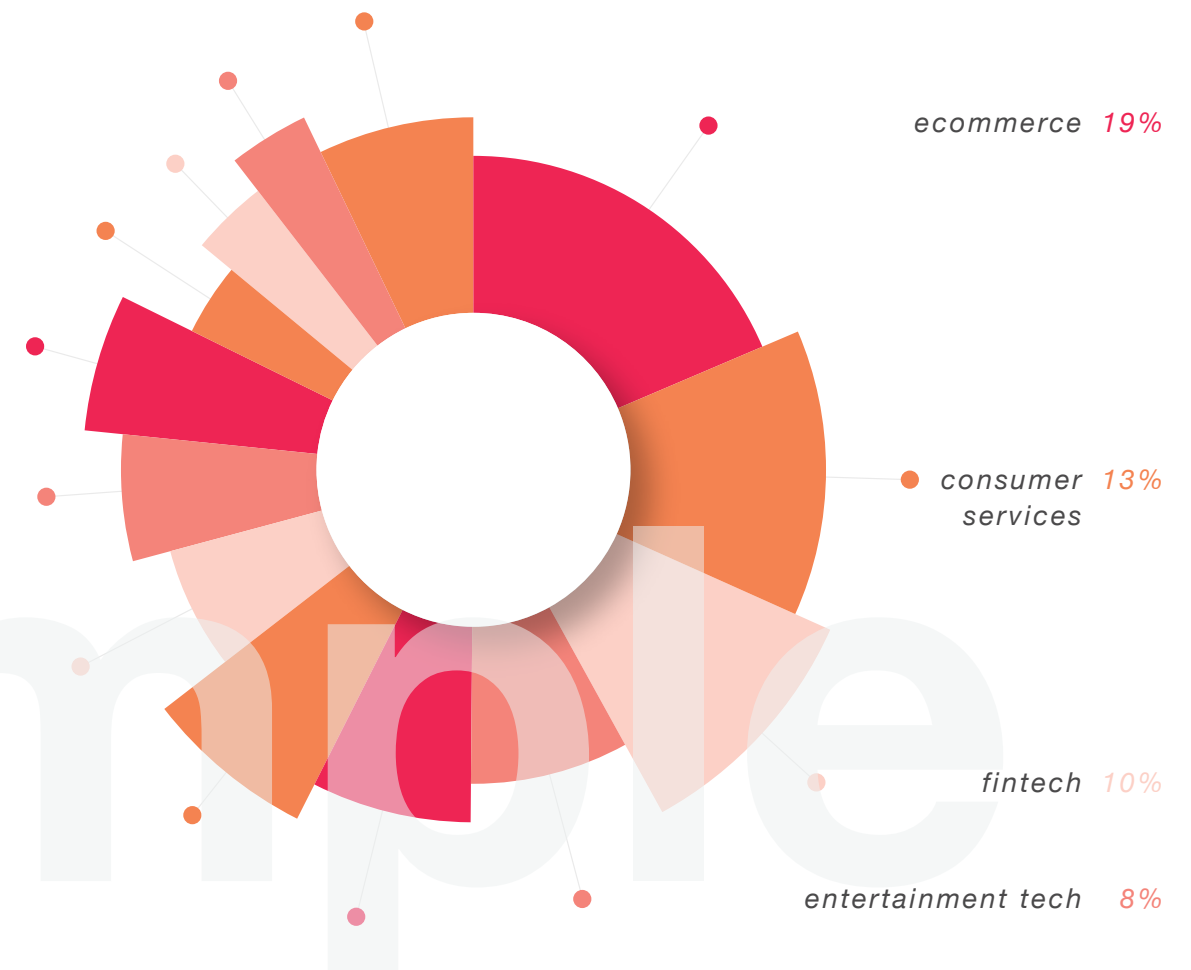
The CNCR also happens to be the power centre of the country. It is home to departments like the Department of Industrial Policy and Promotion (DIPP) and the Department of Science and Technology (DST), which are closely involved with the startup ecosystem. It is also the base of national investment promotion and facilitation agency Invest India and government think tank NITI Aayog, which actively participate in and organise a number of startup-related events. This is another reason for many startups dealing with e-governance and related services to chose the region as their base.

With a nominal GSDP, estimated at INR 6.86 Lakh Cr for 2017-18 and recording an annual growth of 8.1%, the economy of Delhi is the 13th largest among states and Union territories in India.

NCR: Gurugram
the unicorn hub

Situated in the remains of the Aravali Hills, Gurugram happens to have one of the best smart city infrastructures in India, something that has propelled it into becoming a unicorn hub.

Initially a base for BPOs in the post-IT/ITeS revolution in India, startup fever caught on in the city in early 2000 when Gurugram became a preferred base for new and upcoming online travel aggregators (OTAs). That year, MakeMyTrip, which was founded as an OTA, set up its office in Gurugram, followed by OTAs such as Cleartrip (2006) and Ibibo group (2007).

The year 2008 saw the founding of foodtech startup Zomato, which went on to change how people pick restaurants and order home delivery. The city later witnessed the startup stories of India's newly emerged unicorns — Policybazaar (2009), ShopClues (2011) Delhivery (2011), and Rivigo (2013).

Soon, Gurugram's Golf Course Road and Sector 44 became a favourite centre for startups. While Sector 44 is home to startups such as ShopClues, Cashkaro, and Rivigo, Golf Course Road was picked by WeWork, Ixigo, ReNew Power Ventures, and MakeMyTrip.

Many large companies such as Maruti Suzuki, Google, Samsung India, Micromax, and Chevrolet India, are also based out of Gurugram, providing much needed corporate support to startups.

The once-agricultural land (before the 1970s) of Gurugram, with its famous DLF Cyber City, great digital infrastructure, and metro network, is now a Millenium City in many aspects.

Noida
the media city

Another CNCR region worth mention is Gautam Buddha Nagar, popularly known as Noida, a city in the state of Uttar Pradesh, adjoining south Delhi. Noida, another hitech city in the CNCR, houses the headquarters and branch offices of a large number of companies including the likes of IBM, HCL, Wipro, Dell, Ericsson, and the NTPC.

One of the best realty destinations in India, Noida is also a media and entertainment hub with dozens of media companies, including news channels WION, Zee News, NDTV, TV Today group, Network 18, and newspaper companies such as Amar Ujala, Dainik Bhaskar, and The Times of India operate from Noida.

Noida is equally famous for being a higher education hub. This small city has more engineering and management institutes than a dozen states combined.

The city, thus, provides a good ecosystem for startups and is home to decacorn and unicorn Paytm and Paytm mall.

government initiatives and policies

The NCT Delhi government has not yet released any fully startup-centric policy. However, in 2016, it approved the State Incubation Policy.

It is worth noting that the NCT Delhi policies are limited to NCT Delhi only and do not apply to the entire CNCR region.

The Delhi Startup Policy

According to the draft Delhi Budget, during 2017-18, five new institutions were selected for establishment of incubation centres. A total of 11 incubation centres have been set up at technical and higher education institutions/colleges.

The budgetary allocation for the Incubation Policy in 2017-2018 was earmarked at INR 40 Cr with an aim to:

- Promote technology/expertise resourcing and incubating technology and business ideas
- Provide workspaces for startups
- Develop a mentor network of entrepreneurs, technology, and management experts
- Facilitate startup funding from venture capitalists, angels, banks, and NBFCs

The Rajiv Gandhi Swalamban Rozgar Yojana provides:

- Financial assistance in the form of loans of up to INR 3 Lakh
- 15% subsidy of the project cost subject with the ceiling of INR 7,500 per entrepreneur
- INR 36.06 Lakh has been disbursed to 14 beneficiaries during 2017-18
- Plans to provide financial assistance to 50 units during 2018-19
- Women Entrepreneurs' Cell set up to help women entrepreneurs in getting their cases cleared on priority

Some facts about the Foundation for Innovation and Technology Transfer, IIT-Delhi

- Set up in 1992 to foster and pave way for commercialisation of startups
- A TBI unit has been launched to promote new technology startups
- Runs an incubation programme and provides funding support to shortlisted startups
- Women Entrepreneurship and Empowerment has been set up to encourage women entrepreneurs — it has already trained 500 women in urban and 8,500 in rural India
- It has collaborated with TiE for TiE Young Entrepreneurs, a global programme for school students on entrepreneurship and various aspects of setting up and running a successful business venture

looking through the funding lens

Delhi and the National Capital Region, including Gurugram, Noida, and Ghaziabad, has observed a total of $14 Bn funding through 1119 deals in the period 2014 to September 2018. Funding has consistently fallen from Q1 2016 to Q4 2017 with an exception of Q2 2017 due to $1.4 Bn funding of Paytm. However, the trend has taken a positive turn in 2018 and have shown consistent growth throughout the year.

FUNDING AMOUNT

NUMBER OF DEALS

Delhi
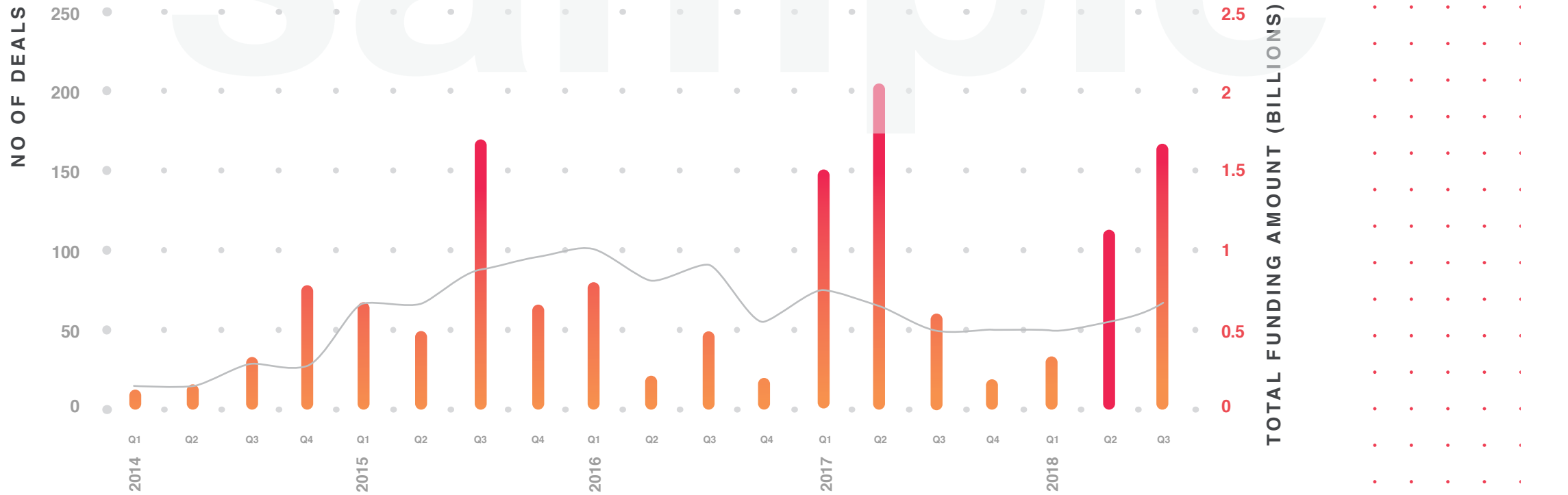
companies

Paytm

zomato

make my trip

TIMES INTERNET

G GROFERS

UC UrbanClap

OYO

indiamart.com

infoedge

ixigo.com

policybazaar.com
Compare. Buy. Save.

Delhivery
ENABLING ECOMMERCE

lenskart.com

people

Vijay Shekhar Sharma
Founder & CEO
Paytm

Rajesh Sawhney
Founder
GSF & Innerchef

Sanjeev Bikhchandani
Co-founder
Info Edge

Deep Kalra
Founder & CEO
MakeMyTrip

Sairee Chahal
Founder & CEO
Sheroes

Rajat Tandon
President
IVCA

Karan Mohla
Executive Director
Chiratae Ventures

Rajan Anandan
VP, Southeast Asia
& India
Google

Nakul Saxena
Director, Policy
iSPIRT

Digbijoy Shukla
Head, Startup Ecosystem
Amazon Internet Services

investors

Lightspeed

SAIFPartners

BII | Bertelsmann India Investments

enablers

INNOV8
THE COWORKING SPACE

GSF

TiE GLOBAL

INVESTOPAD

the world

&

Israel

India-Israel Innovation Bridge

- India-Israel Global Innovation Challenge 2017 introduced to fast track Israeli investments in India.

- 36 startups fecilitated, 18 on each side, under the innovation challenge.

India-Israel Industrial R&D and Technological Innovation Fund (I4F)

- Plans to invest $40 Mn for the next five years (up to 2022) and encourage academic and R&D institutions to participate as sub-contractors and partners with Indian companies.

- Six Israeli tech startups selected to develop, adapt, and commercialise their innovation in the Indian sub-continent.

UK

UK Rocketship Programme

- One of the prizes of the Tech Rocketship awards (held during London Tech Week) is a paid-for tailored programme for startups. Entrepreneurs can win a paid trip to the UK, with a designated programme to meet partners, VCs, and gain the exposure needed to take their startup to the next level.

- More than 300 applications were received for the fourth edition of the Tech Rocketship Awards, which was announced in October 2017. Of these, 15 of the best tech startups across sectors like cybersecurity and AI were selected for the live pitching round.

The Mayor of London's IE 20

- Select startups will receive help in expanding their business in London along with an opportunity to benefit from discounted rates and expert advice on marketing, access to finance, and local market analysis.

- Twenty of India's fastest-growing startups have been selected

Manchester-India Partnership (MIP)

- "The MIP promotes 'Make in India, Innovate with Manchester',
a public-private initiative encompassing the full scope of country-to-city ties, including trade, investment, science and innovation, connectivity and culture.
Aims at connecting Indian companies with northern England"

- As part of the MIP, MIDAS has launched a programme that selects five startups and enterprises from Deloitte's Fast 50 programme every year
Twenty of India's fastest-growing startups have been selected.

Estonia

E-Residency Programme

- The e-Residency programe — a 'Make in India and Sell in Europe' idea — offers Indian startups access to a government-issued digital ID, thus enabling them to open a global EU company online. Indian startups can access Estonia's advanced and secured digital infrastructure along with all the tools required to grow globally.

- The programme aims to enroll over 200 startups in 2018

consumer services

Consumer services have developed around B2C hyperlocal services such as digital discovery and online ordering of products for daily use/need. The sector not only includes online services in the areas of food and groceries and local discovery but also dating and event management. The Indian consumer services industry addresses most of our daily needs digitally.

STARTUPS | **FUNDED STARTUPS**

4,544 | 367

ACQUISITIONS

14

STARTUPS CLOSED

3,137

THE TORCHBEARERS

Swiggy

Zomato

Grofers

BigBasket

UrbanClap

TOP HUBS

Bengaluru

Delhi-NCR

Mumbai

3.7% *dating*

8.6% *recruitments*

12.4% *events*

9.1% *discovery*

4.6% *online gifting*

social 4.6%

online grocery 22.8%

local services 18.5%

food tech 15.8%
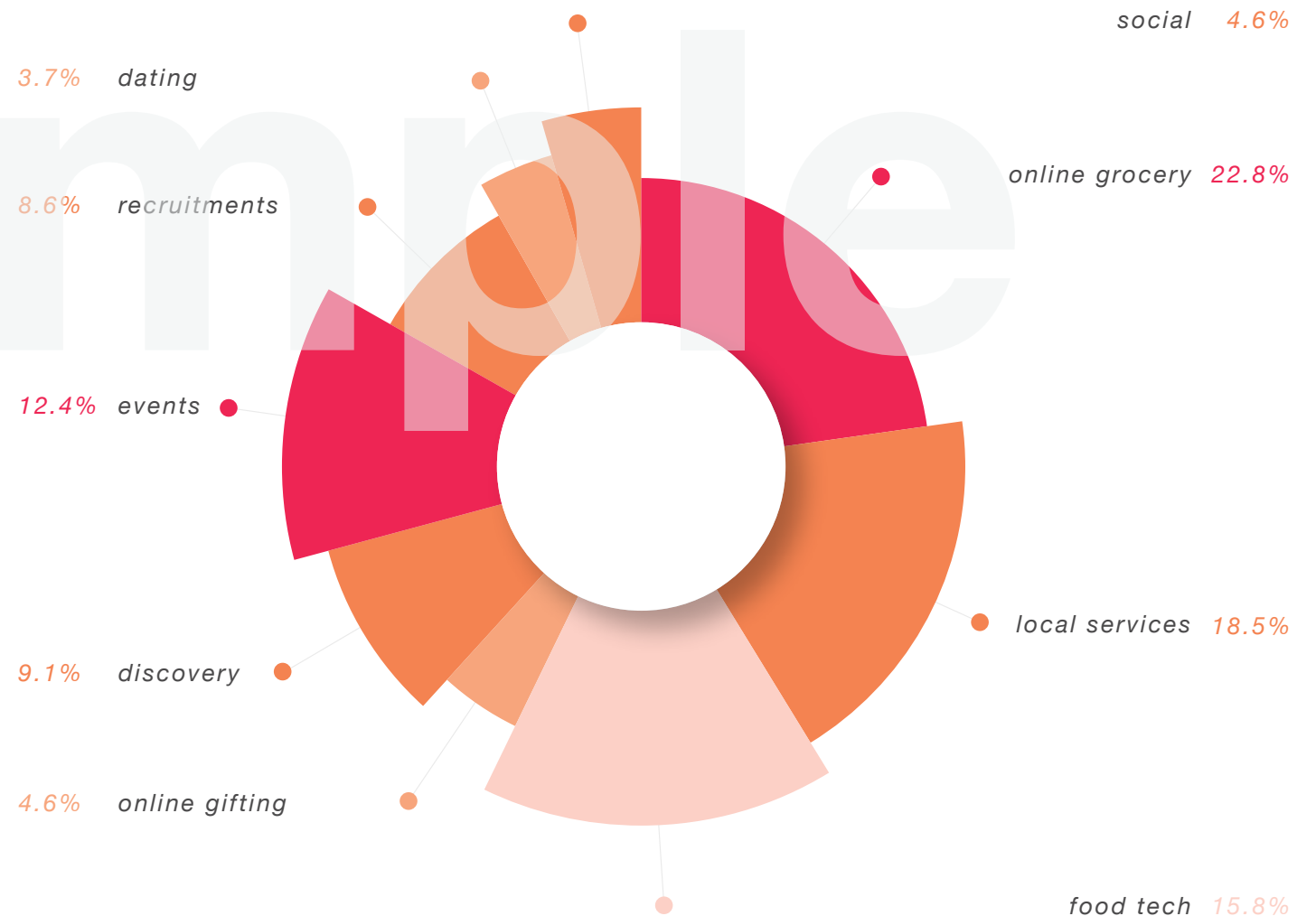
FUNDING AMOUNT
(in millions)

NUMBER OF DEALS

FUNDING AMOUNT
(in millions)

deals

funding

2014-2018

456     $2.3 Bn

300
250
200
150
100
50
0

48
40
32
32
16
8
0

Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3

2014   2015   2016   2017   2018

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05

Overview

One of the most significant trends in Indian retail is the hyperlocal model (which provides the basis for most consumer services startups), which first garnered mainstream attention around 2010 and experienced massive popularity during 2015-2016. With increasing Internet penetration, the growing demand for instant services, and the negligible inventory costs involved, the hyperlocal model became almost the fashion for startups. Innovations in groceries, restaurants, transport services, and anything else that can be delivered on-demand continue to spring up in rapid succession.

The origin of consumer services lies in the age-old practice of patronising local kirana stores, with whom households already had a relationship based on trust. Companies adopting the hyperlocal model started building on established trade links, thereby reducing logistics costs, eliminating the need for inventories, and bringing down delivery time as well.

Among the first to recognise and capture the potential of the consumer services market were players like JustDial, Zomato, BookMyShow, Naukri, and more. Gradually, more entrepreneurs hopped on the consumer services bandwagon and started offering solutions to Internet users. Be it UrbanClap, a doorstep service provider backed by Accel and Saif Partners, or Grofers and BigBasket, which offer grocery delivery, or dating and social media apps — every sub-segment in consumer services is growing at a massive rate in India.

The year 2015 was a golden year for consumer services — the sector registered a 41% jump in overall revenue over the previous year and more than 50% of the consumer startups received funding. Investors were confident and startups like Grofers, BigBasket, and TinyOwl were cruising successfully along on their multimillion-dollar funding. All seemed well.

By 2016, however, it was clear that consumer services was more complicated than envisaged. Startups operating in sub-segments like grocery delivery, coceirge, and local services witnessed a massive slowdown, leading many to shut shop. In 2016, the number of new startups witnessed a 93% drop from the previous year. Moreover, of the 64 startups that received funding that year, 27% bagged 51% of the total deal value, all of which were late-stage startups. Clearly, investor optimism had taken a downturn.

A key factor for the failure of hyperlocal startups was excessive competition. Flushed by the success of an initial handful of startups and backed by investor enthusiasm, entrepreneurs flooded the market with "me-too" offerings. In addition, these business models failed to reach non-metro cities as effectively as expected. Since 2014, of the 380 deals made in these two sub-segments, only 57 were made in cities other than Delhi, Bengaluru, and Mumbai.

Today, consumer services startups are popular as the Internet becomes ubiquitous throughout rural/semi-urban India. Several startups have chosen to tackle the market in collaboration, such as Ola and Foodpanda, while foreign players are also entering India – most prominently, global taxi behemoth Uber and its food delivery service Uber Eats. There remains tremendous potential in providing services to Tier II and Tier III cities. Competition, however, will only intensify as mega-players like Flipkart enter the hyperlocal scene. As new startups plan to adopt the hyperlocal model, therefore, it is essential that they first develop robust business models so that they can meet demands, face the competition and stay afloat without relying solely on external funding.

incubators & accelerators

In India, the terms incubator and accelerator are often used interchangeably, since the role played by both is to support the growth of startups. However, they're a bit different. To put it simply, incubators help germinate ideas that have the potential to become sustainable businesses in the future while accelerators provide momentum to the growth of an existing startup.

From India's first incubator, the Society for Innovation and Entrepreneurship (SINE), launched in 2004 as a pilot, to the first accelerator, Morpheus, launched in 2008, the number of incubators and accelerators has been on an upward swing.

Today, startups comprise a large part of the Indian economy and can't be ignored. Therefore, for India to become a secure global startup hub, it is imperative that accelerators and incubators grow in line with the number of startups.

Thanks to the initiatives of the government, corporates, international organisations, academia, and others, India, at the moment, is home to more than 250 incubators and accelerators. Out of this, 26% incubators and accelerators have a major focus on technology, with the other sunrise segments being fintech, hardware/IoT, and healthtech. It has also been noticed that corporate and independent agencies tend to lean towards an accelerator model while the academia and the government seem to prefer an incubator approach.

A noteworthy trend is that sector-specific and partnership-driven incubators and accelerators are gaining more traction in the Indian startup ecosystem, and Tier II and Tier III cities and towns are increasingly becoming important destinations for them to set up base.

For Incubators, India also has the Atal Innovation Mission (AIM), which was launched with the intent of fostering innovation to boost the Startup India Action Plan. Under the initiative, an amount of $14.8K (INR 10 Lakh) is to be provided to each Atal Tinkering Lab (ATL) over a maximum period of five years. Over 2,441 schools have already been selected for ATL Grants.

LAUNCHED IN 2017
35

LAUNCHED IN 2018
6

RUN BY CORPORATES
40

KEY HUBS

Delhi-NCR, Bengaluru, Mumbai, Hyderabad, Pune, Ahmedabad, Chennai, Kolkata

POPULAR VERTICALS

fintech

hardware & IoT

healthtech

250+
ACCELERATORS
70+
INCUBATORS
170+

	name	launched in	location	sectors	facilities	notable startups
1	Amrita TBI, Amrita VishwaVidhyapeetham	2008	Kollam	Big data and analytics, cloud, consumer web, blockchain, AI, aardware, semi-conductors, mobile, cyber security	Funding, coworking locations, VC network, discounted services, internship pool, GST exemption, mentorship	Miqasa, Nextsky, Acceleron Labs, Hug Innovations, Studyowl Technologies
2	DLabs, Indian School of Business (ISB)	2014	Hyderabad	Sector agnostic	Coworking, mentorship, investor connects, access to workshops	NA
3	IIT Hyderabad, Technology Business Incubator	2008	Hyderabad	Medtech, tech4social, visual informatics, data engineering, machine learning, language technologies, gaming, robotics	Mentoring, infrastructure, management services, seed support, angel support	Lemon Flip Solutions, PuREnergy, WiSig Networks, OSure Care
4	Amity Innovation Incubator	2008	Noida	Sector agnostic	Business planning, company formation, legal & IPR assistance, managerial support, technology support, funding support	ApnaCircle.com, Anduril Technologies, GVC Microsystems, ITCons e solutions, Circuitsutra Technologies, RITSAN Media ventures, Biziga Solutions, Heuristics
5	Centre for Innovation Incubation and Entrepreneurship (CIIE)	2007	Ahmedabad, Pune	Sector agnostic	Technology support, business support, funding support, mentorship	Ridlr, Banyan Nation, Zuvvu, Mobident, MedCall, InSolare, Agricx
6	Dream Incubator	2000	Mumbai	Technology, media, telecommunications, industrial goods, healthcare	Funding support, growth strategy implementation support, management base development support	Instamojo, Myra, HealthifyMe, 99 Games, Active.ai
7	Bhamashah Techno Hub	2018	Jaipur	Sector agnostic	Infrastructure, technology, angel funding, access to venture capitalists, mentorship, exposure to national and international organisations & experts, coworking	NA
8	ZDream Labs	2017	Gurugram	Content & media, education, logistics & warehousing	Mentorship, training, access to capital, direct investment	NA
9	Indian Angel Network (IAN) Incubator	2010	New Delhi	IT/ITES, telecom, mobile VAS, gaming & animation, internet/Web, media & entertainment, education technology, Healthcare technology, manufacturing products, alternative energy, cleantech, cloud computing, retail technology	Business planning, seed funding, team building, providing strategic & operational guidance, marketing and promotion, advisories on IP & investment	NA
10	Kerala Startup Mission	2006	Thiruvananthapuram	Sector agnostic	Access to the sector experts & business mentors, Tailor made workshops, Industry & investor networks of KSUM circles, access to state & central govt. schemes, grants	Codesap Technologies, Axen Software, Eatabhi, Kappian
11	Society for Innovation and Entrepreneurship (SINE) IIT Bombay	2004	Mumbai	Sector agnostic	Infrastructure support, virtual incubation, access to business networks, organises events and workshops, pre-incubation	IdeaForge, Mysuz, Voyager Infotech, Eisodus Networks, Collcraft Technology
12	IIM-Udaipur Incubation Center	2016	Udaipur	Distribution, logistics, financial inclusion, hyperlocal food delivery, agritech, cleantech, renewable energy	Mentoring, networking, investor connect	NA
13	Sardar Patel Technology Business Incubation Center(SP-TBI)	2015	Mumbai	Technology	office spaces, advanced tech hub, seed funding, Access to talent, training, mentorship	BitGenie, eBZaar, Mobigic, PODS Ventures, TroPlay
14	Indigram Labs	2016	New Delhi	Agribusiness, technology, education, healthcare	Commectivity, networking, funding support, access to resources, functional competencies	New Leaf Dynamic Technologies , Intello Labs Pvt Ltd., Sainhun Ventures, INCEVE Electronics
13	PlugIn	2016	Mumbai, Bengaluru	Hardware, systems	Financial support, infrastructure & technical support, Mentoring, Product development and manufacturing	Linkeddots Engineering Solutions, Bharati Robotic Systems (India), Epocare Pvt. Ltd., Ayata Intelligence, Redcherry Analytics
14	AutoNebula	2016	Pune	Connected transport, LIDAR, RADAR, cybersecurity, AI, IoT, autonomous vehicles	Seed funding, workshops conducted by global experts, mentorship, networking	Trackyo, Streak Helmet, Wiper, Raksha Safedrive, NEARPARK

venture capital & private equity funds

TOTAL NUMBER OF **VC AND PE FUNDS** IN INDIA

195

LAUNCHED IN 2017

25

LAUNCHED IN 2018

3

INTERNATIONAL FUNDS OPERATIONAL IN INDIA

235

NUMBER OF **EARLY-STAGE** FUNDS

136

NUMBER OF **GROWTH-STAGE** FUNDS

25

NUMBER OF **LATE-STAGE** FUNDS

2

STAGE-AGONISTIC FUNDS

76