

**B2B AND ADVANCED TECH START-UPS LEADING THE GROWTH FOR THE INDIAN START-UP ECOSYSTEM**

- Maturing growth in healthtech, fintech, and ecommerce
- Addition of 1000+ start-ups in 2017; 5000+ total tech start-ups

Bengaluru, 02<sup>nd</sup> Nov. 2017: Strengthening its position as the third largest startup ecosystem across the world, amidst intensifying competition from countries like UK and Israel, India continues its momentum of being one of the most vibrant landscape for start-ups. Adding over 1000 tech start-ups in 2017, taking the total number of tech start-ups to 5000-5200, India is witnessing a rapid rise in the B2B tech start-up landscape, focused on verticals like healthtech, fintech, and ecommerce/aggregators. While Bengaluru, Delhi/NCR and Mumbai retained their position as the key start-up hubs in India, 20% of the start-ups emerged from tier II/III cities. These trends were discussed at the launch of the 2017 edition of the NASSCOM-Zinnov report on the '*Indian Start-up Ecosystem – Traversing the maturity cycle*', released on the sidelines of the of the annual flagship NASSCOM Product Conclave 2017.

Sharing his thoughts, Mr. Raman Roy, Chairman, NASSCOM, and CEO and MD, Quattrro Global Services, said, "*The Indian technology industry is renowned globally for its pioneering innovation and the start-ups arena is no different. India is one of the fastest growing start-up landscape in the world and every major accelerator, investor, angel group, is participating in becoming a part of this growth journey. Today, Indian ecosystem is flooded with innovative ideas and needs the right channel and guidance in terms of acceleration, scaling up and funding to continue to disrupt.*"

**ECOSYSTEM RIPE FOR HEALTHY GROWTH THROUGH VERTICALIZATION AND INNOVATIVE BUSINESS MODELS**

With 40% of startups in the B2B segment, B2B's share in the overall tech start-up funding is over 30%. Corporates are playing a vital role in supporting these with over 50+ collaboration programs, 20+ corporate accelerators (recording a 33% YoY growth), and 30-40 active corporate investors, thus increasing their role in the rise of the start-up ecosystem.

Fin-tech start-up base is estimated to be 360 in 2017 indicating at 31% YoY growth with over \$200 mn funding received in H1-2017, recording a growth of 135% since H1-2016. Sub-segments like digital payments and lending are maturing, while wealth management and insur-tech emerging as growth areas. Implementation of advanced technology also becoming prominent, with 33% of fintech funding towards advanced technologies such as Artificial Intelligence and Analytics.

Witnessing a 28% YoY growth in 2017, Health-tech vertical has an estimated total base of 320 start-ups. The vertical also garnered a total funding of \$160 mn in H1-2017, up by 129% since H1-2016. Areas like health information management, aggregator/ecommerce have continued to mature with growth in areas like anomaly detection, disease monitoring, and tele-health/tele-medicine. As for advanced technologies, 31% of health-tech funding went towards Artificial Intelligence, IoT, and Analytics.

With over 60% start-ups, the B2C tech start-up segment focused on creating innovative business models and taking the vertical approach, securing close to 70% of the overall tech start-up funding in H1 2017. Leading vertical in the B2C segment are travel and hospitality, food-tech, fin-tech, and health-tech.

**MATURING ECOSYSTEM - FROM QUANTITY TO QUALITY**

- Over 1000 start-ups added in 2017
- India continues to be the 3<sup>rd</sup> largest start-up hub globally
- Tier II/III accounting for 20% of the start-ups
- Almost 50% of 2017 incepted startups in the B2B segment
- Advanced tech startups growing at 30% CAGR
- YoY start-up growth in top verticals – Health-tech (28%), fin-tech (31%) and ecommerce (13%)
- Start-up talent:
  - Median age of founders: 32 years
  - ~550 female entrepreneurs
  - Over 450 student start-ups, driven by academic incubators
- 'Build for India' - Social impact startups building solutions for core India problems

Speaking on the occasion, Mr. R Chandrashekhar, President, NASSCOM, said, *"The Indian startup ecosystem is maturing, driven by young, diverse and inclusive entrepreneurial landscape. This is leading to emergence of focused domain solutions for verticals like healthcare, agriculture, and education. Findings of the report is a testimony to the potential of the start-up landscape and the scope of growth and opportunity that India presents. NASSCOM will continue its drive towards catalysing deep tech start-ups, build category leaders and support start-ups to create for India."*

## RISE OF NEW-AGE ADVANCED-TECH START-UPS

Growing at 5-year CAGR of 30%, advanced tech start-ups focused on creating solutions in segments like Artificial Intelligence, Analytics, Augmented Reality / Virtual reality, Blockchain and Internet of Things, among others. Enterprise and SMB-focused horizontal solutions start-ups, 90% of which is SaaS-based, are also witnessing significant inflow of funding.

## GROWING FROM STRENGTH-TO-STRENGTH: DRAMATIC RISE IN UNICORN FUNDING AND M&A

Unicorn funding took centerstage with big deals announced in the year. Investors from non-US countries expanded their investments in Indian startups. Indian unicorns in the B2C space continue to garner global funds and stir-up the competitive landscape. With a growth of 167%, the funding of entire Indian start-up ecosystem (led by unicorns) amounted to \$ 6.4 bn in H1-2017. The average funding for B2B tech start-ups in 2017 saw an increase of 5% while B2C tech start-up average funding saw a decline of 10%.

Driven by the need to enhance tech capabilities, expand markets and portfolio, global corporates are now drawn towards the Indian tech start-up arena. H1-2017 saw 50+ M&A deals, indicating at a growth of 25% since H1-2016. Over 325 start-ups emerging, with YoY growth of 18%, catering to social challenges in the areas of healthcare and education, and are thus building solutions for India, creating social impact.

## BUILDING A ROBUST WAY FORWARD FOR GROWTH

Continuing the 'By India, For India, Of India' movement, the Indian tech start-ups will continue to innovate enabled by technology and newer business models and will have a long-lasting impact in improving the quality of start-ups arising from India, in the coming years. NASSCOM will continue to catalyze and support deep tech Startups, and help build category leaders who can create solutions for India. The top priorities for the various other stakeholders will be as follows:

- For start-ups: Building products that address need-gaps and challenges, defining a full-bodied go-to-market strategy to scale-up, while building a team in the technology, domain, sales, and customer experience.
- For incubators / accelerators: Provide deep mentoring, help start-ups internalize organizational best practices, and help establish global connects
- For corporates: Accelerate start-up partnerships and help identify white spaces for innovation
- For Government: Enable ease of doing business by minimizing regulatory impediments, remove asymmetry in policies, provide access to government projects, and help secure early stage funding

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### About NASSCOM

NASSCOM® is the premier trade body and the chamber of commerce of the IT-BPM industries in India. NASSCOM is a global trade body with more than 2100 members, which include both Indian and multinational companies that have a presence in India. NASSCOM's member and associate member companies are broadly in the business of software development, software services, software products, consulting services, BPO services, e-commerce & web services, engineering services and animation and gaming. NASSCOM's membership base constitutes over 95% of the industry revenues in India and employs over 3.5 million professionals.

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