

# State of the Markets: India

SVB's Innovation Outlook for  
the World's Largest Nation

SEPTEMBER 2023



## Resilience Meets Innovation in the World's Largest Nation

2023 has been a year of milestones for India: surpassing China as the world's most populous country, hosting the G20 summit, and becoming the first nation to land a spacecraft on the moon's south pole. Global tech companies are doubling down on their commitments to the subcontinent; Google, Microsoft, Amazon, Apple and Meta are expanding office space, data centers and R&D hubs. Though India still has a long road ahead in terms of including its entire population in the progress, digital tools are helping it speed up the delivery of vital public and financial services. In 2022, the Unified Payments Interface (UPI)<sup>1</sup> reached \$1.5T in transactions.

In SVB's second issue of our State of the Markets India report, we delve into the startup ecosystem and global diaspora network — the world's largest. In 2022's report, we predicted India's funding wouldn't be as high as 2021 but would surpass all prior years. We also predicted digital infrastructure would become more strategic for India and that innovation would flourish beyond Tier-1 cities. Those predictions proved accurate and reflect SVB's commitment to this region since 2003. Twenty years ago, SVB brought a delegation of two dozen high-profile venture capitalists (VCs) to Bengaluru and Mumbai as part of a global trade mission. Since then, the team has developed deep roots facilitating cross-border transactions for the top Indian startups and has seen the market through multiple cycles.

That connectivity helps us understand real-time trends. While venture funding has cooled globally — and India is no exception — we may see less headline making deals. Despite this, Indian startups have not stopped innovating. Whether its fintech companies unlocking new markets for digital transactions and lending, or software-as-a-service (SaaS) companies gaining market share globally, there is plenty of promising activity and signs of growth.

**Andy Tsao**  
Managing Director  
Global Gateway  
Silicon Valley Bank

**Ella-Tamar Adhanan**  
Senior Vice President  
Global Gateway  
Silicon Valley Bank



**Andy Tsao**  
Managing Director, Global Gateway  
[atsao@svb.com](mailto:atsao@svb.com)



**Ella-Tamar Adhanan**  
Senior Vice President, Global Gateway  
[eadhanan@svb.com](mailto:eadhanan@svb.com)



## Contents

4 2023 and Beyond: Six Themes  
Accelerating India's Innovation Economy

---

5 Macro View: Economic Overview  
and Venture Capital Funding

---

9 Spotlights: SaaS, Unicorns,  
Exits and Diaspora

---

13 Authors



# 2023 and Beyond: Six Themes Accelerating India's Innovation Economy



## India's Global Profile Rises

From hosting the 2023 G20 Summit to Prime Minister Modi's state visit to the US, the world's most populous nation (1.4B and counting<sup>1</sup>) is turning heads on the world stage. India has signed, or is negotiating, free trade agreements with nearly half a dozen countries.



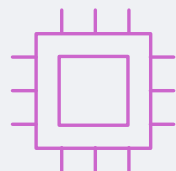
## The India Stack Exported

Digital public infrastructure developed in India is being adapted globally. For example, UPI developed by the National Payments Corporation of India (NPCI) has become the world's fifth-largest payment network behind only Visa, Alipay, WeChat Pay and Mastercard.<sup>5</sup> UPI is currently live in countries like Nepal, Bhutan, Singapore and UAE and is expected to double the next 12 to 18 months.<sup>6</sup>

"India's compelling growth prospects for the coming decade are not just reliant on its strong domestic consumer market and its role as a global services hub, but also upon how quickly it is evolving into a factory to the world."

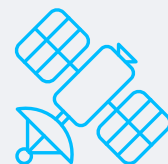
**Sanjay Nath**

Partner, Blume Ventures



## High-Tech Manufacturing

Smartphones, semiconductors, and electric vehicles will increasingly be stamped "Made in India." Apple set a target to manufacture 25% of all of its iPhones in India by 2025. India has announced a \$10B semiconductor manufacturing subsidy.<sup>2</sup> Tesla is in talks to build a factory and develop a \$24K electric car.



## Taking Up Space

The Chandrayaan-3 lunar landing on August 23<sup>rd</sup> made India the fourth nation to land a spacecraft on the moon, and the first to land on the moon's south pole. Out of the spotlight, India has built a reputation as a reliable and affordable satellite launch pad. In 2020, India opened the space sector to private companies and now allows them to use Indian Space Research Organisation (ISRO) launch facilities. Indian space tech startups have raised nearly \$294M, with \$37.6M in 2023 alone.

"India heritage SaaS companies are a fast growing flywheel of founders, investors and customers that support and reinforce each other and are collectively poised to deliver \$30-35B or ~7-8% of Global SaaS ARR by 2027."

**Kunal Bajaj**

Head of Capital Markets, Blume Ventures



## Still Room for Growth

India is predicted to remain the fastest-growing major economy in the next three years, with a growth rate of 6.7%.<sup>3</sup> This is driven by resilient consumption and investment. Demographics also point to favorable conditions for growth. India's median age is 28 compared to 38 in the US and 39 in China.<sup>4</sup>



## Indian SaaS Companies Unlock AI's Potential

Indian SaaS companies, both AI-native and AI-adaptive, are well positioned to integrate AI into workflows and development. India developers rank top in the world for plans to use AI (over 80%)<sup>7</sup> and contributions to open-sourced AI projects in 2022 (over 20%).<sup>8</sup>

"Our approach to AI is 'platform up' and not just 'application down.'"

**Rohit Chennamaneni**

Co-founder, Darwinbox

Notes: 1) Per UN announcement in April 2023 that India's population was to surpass China's by the end of April. 2) The India Semiconductor Mission (ISM) targets foreign and domestic entities seeking to establish "Silicon Semiconductor Fabs, Display Fabs, Compound Semiconductors/Silicon Photonics/Sensors (including MEMS) Fabs, Semiconductor Packaging (ATMP/OSAT), Semiconductor Design." 3) According to S&P Global. 4) According to The Pew Research Center. 5) India Stack. 6) NPCI. 7) Bessemer Venture Partners: The Rise of SaaS in India in 2023. 8) INDIA SaaSONOMICS: Navigating Growth and Efficiency by Chiratae Ventures and Zinnov.

Source: UN, S&P Global, The Indian Semiconductor Mission, India Stack, NPCI, Indian Space Association (ISPA), Bessemer Venture Partners, Chiratae Ventures and SVB analysis.





# Macro View:

Economic Overview and  
VC Funding



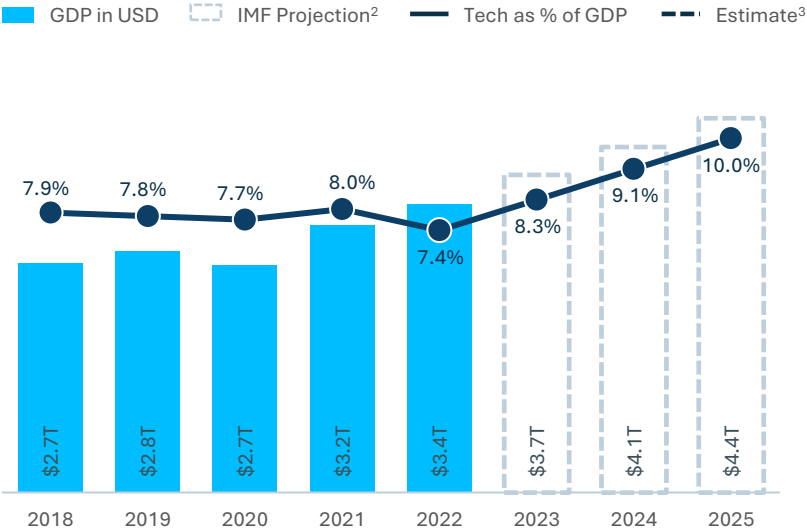
# Stacked in India's Favor

India is expected to become the third largest economy by 2031 according to estimates by S&P and Morgan Stanley. Digital infrastructure and technology manufacturing are expected to be key drivers of this coming growth. Technology is already one of India's largest sectors (accounting for 8% of its GDP) and its largest source of inbound foreign investment. While the country has long been a hub for IT support and programming, its technical workforce is becoming a growing force in innovation. For example, India has developed a novel approach to interconnected public technology infrastructure. The India Stack, initiated in 2009, is a series of open APIs that third parties can use to build software with access to government IDs, payment networks and data. Aadhaar, a digital ID tied to biometrics, covers 1.35 billion people (virtually the whole population), **UPI — now the fifth largest payment network — processed over \$1.5T transactions in 2022**. Achieving relevance and success beyond India, 11 countries including the Philippines, Morocco, Singapore and Jamaica have begun to develop their own versions.

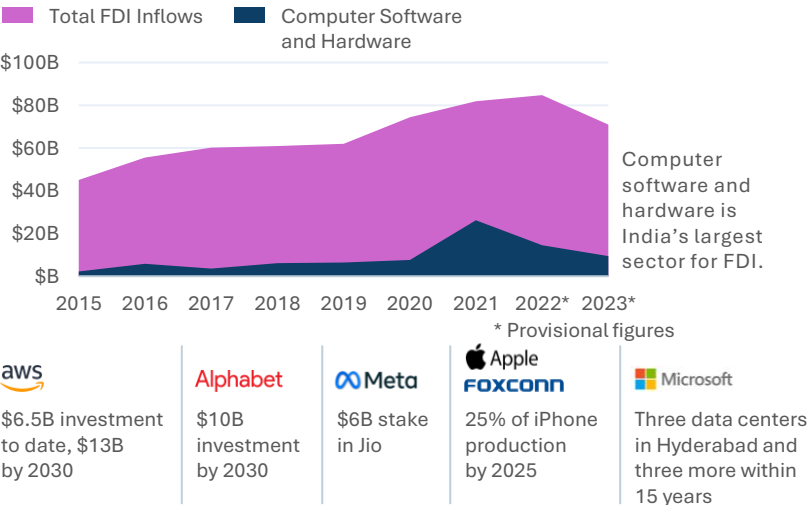
Manufacturing currently makes up about 13% of India's GDP according to the World Bank. The "Make in India" campaign aspires to grow this to 25% by 2025. The government is using a mix of production linked incentives and infrastructure investment, expanding rail, highway, and port capacity to make India more cost competitive. Smartphone manufacturing has been an area of success. Between Q1 2022 and Q1 2023, \$12B worth of smartphones were exported: 80% for Samsung, Xiaomi, and Apple contractors. That's a 10x increase from \$1.2B in 2018.<sup>9</sup>

Despite the optimism, slowdowns in global growth, rising interest rates and geopolitical turmoil have slowed foreign investment globally. India is no exception. Foreign Direct Investment (FDI) inflows fell 16% year over year. Global tech companies are still in it for the long term as seen in recent commitments by Amazon, Alphabet, Meta, Apple, and Microsoft.

## Technology<sup>1</sup> as a Percent of India's GDP



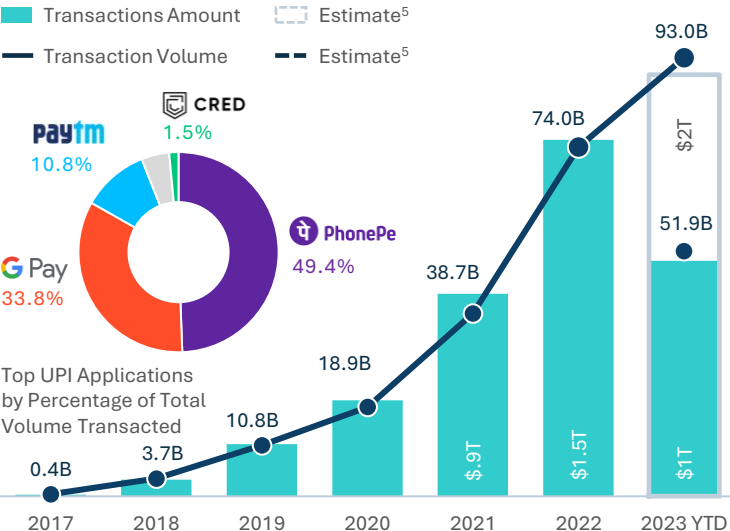
## FDI Inflows<sup>6</sup> and Select Commitments



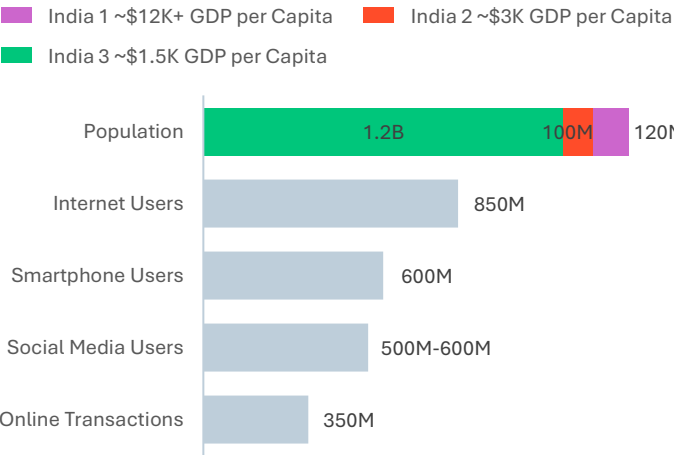
Notes: 1) Information technology and business process management sectors. 2) The IMF World Economic Outlook. 3) The National Association of Software and Service Companies (NASSCOM) predicts 10% of India's GDP will be derived from tech in 2025. 4) UPI data as of 07/30/2023. 5) SVB analysis. 6) Equity + re-invested earnings + other capital. 7) Blume Venture's breakdown of Indian consumers. 8) Blume Venture's Indus Valley Annual Report 2023 reflecting latest estimates available. 9) S&P Global Market Intelligence.

Source: International Monetary Fund (IMF), Invest India, World Bank, Ministry of Statistics and Programme Implementation (MoSPI), NASSCOM, NPCI, Department for Promotion of Industry and Internal Trade (DPIIT), Reserve Bank of India (RBI), Reuters, TechCrunch, S&P Global, Bloom Ventures and SVB analysis.

## UPI Transactions<sup>4</sup> and Applications



## India's Income Buckets<sup>7</sup> and Digital Funnel<sup>8</sup>



# In Leaner Times, Lean In

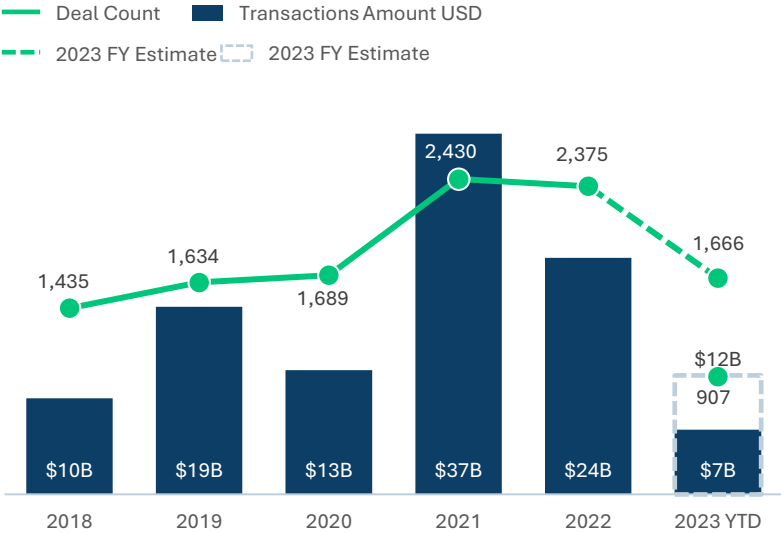
India is neck and neck with the UK in the running for third-largest recipient of VC funding — it depends on how you slice the data. India’s funding had a meteoric rise in the second half of 2020 to 2021, growing 120% only to feel the pinch when global investment begun to slow down in the second half of 2022, declining 70%. Rising interest rates in response to rapid inflation and geopolitical tension dampened public markets globally making it a tough environment for exits. Despite record dry powder, venture activity slowed globally:-

While prominent late-stage startups have faced valuation markdowns from investors, fintech has been a bright spot. As India moves toward a cashless society, payments companies have reaped the rewards. PhonePe spun out of Flipkart in early 2023 and immediately raised several tranches of funding amounting to \$750M from the likes of Walmart, General Atlantic, Tiger Global and Ribbit Capital.

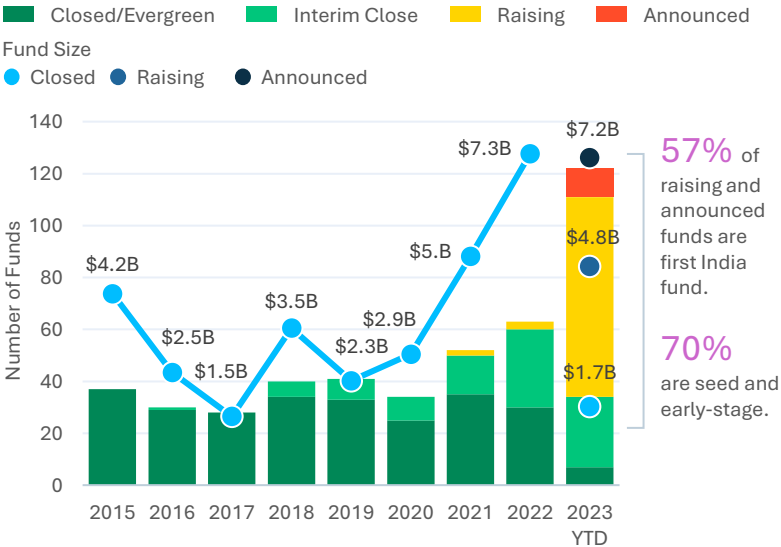
On the investor front, some major funds have stepped back. However, other funds buck this trend. Peak XV, fresh off its spinout from Sequoia, announced plans to open its first US office and hosted a major summit for founders. In 2023, we’ve seen an uptick in India-focused VC funds raising; however, many of these new funds are small, first-time funds.

**Startups are increasingly seeking to fund other startups by launching corporate venture arms. Games24x7 Ventures, CarTrade Ventures, CoinSwitch Ventures and Ninjacart’s Agri Seed Fund have all launched in the past 24 months.**

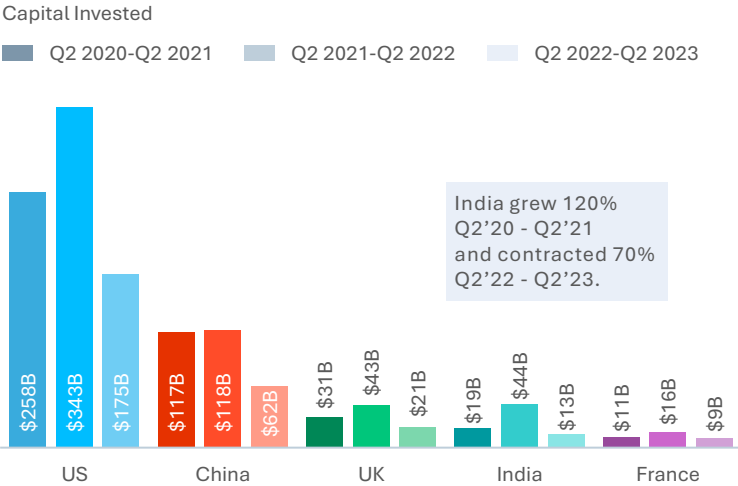
## Total VC Investment in India<sup>1</sup>



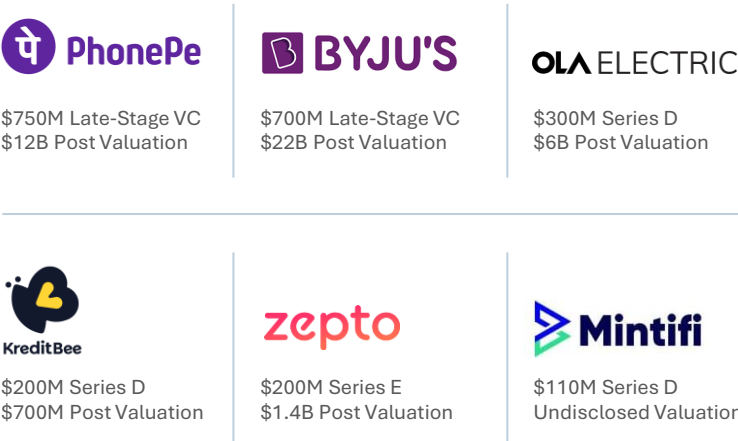
## VC Funds With an India Focus<sup>2</sup>



## Top Recipients of Global VC Investment Trailing Twelve Months<sup>1</sup>



## Notable VC Deals in India 2023

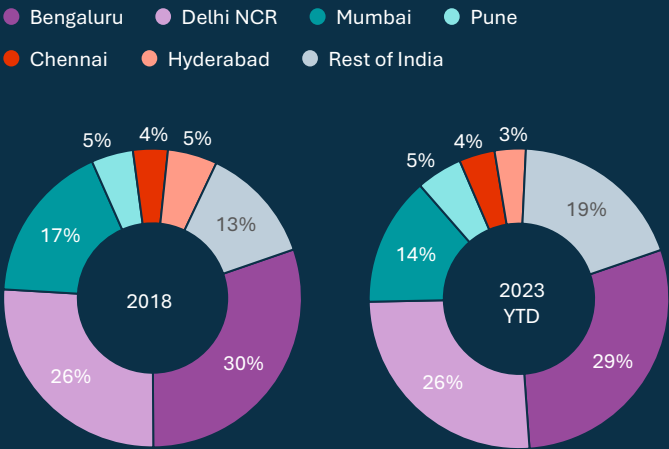


Notes: 1) PitchBook data as of 08/24/2023 all industries. 2) Prequin data as of 08/24/2023 Source: PitchBook, Prequin and SVB analysis.

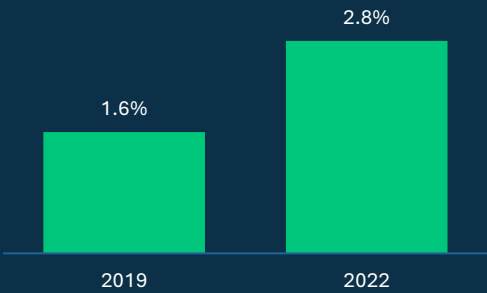


# Hub Spotting: India's Tech Hotspots

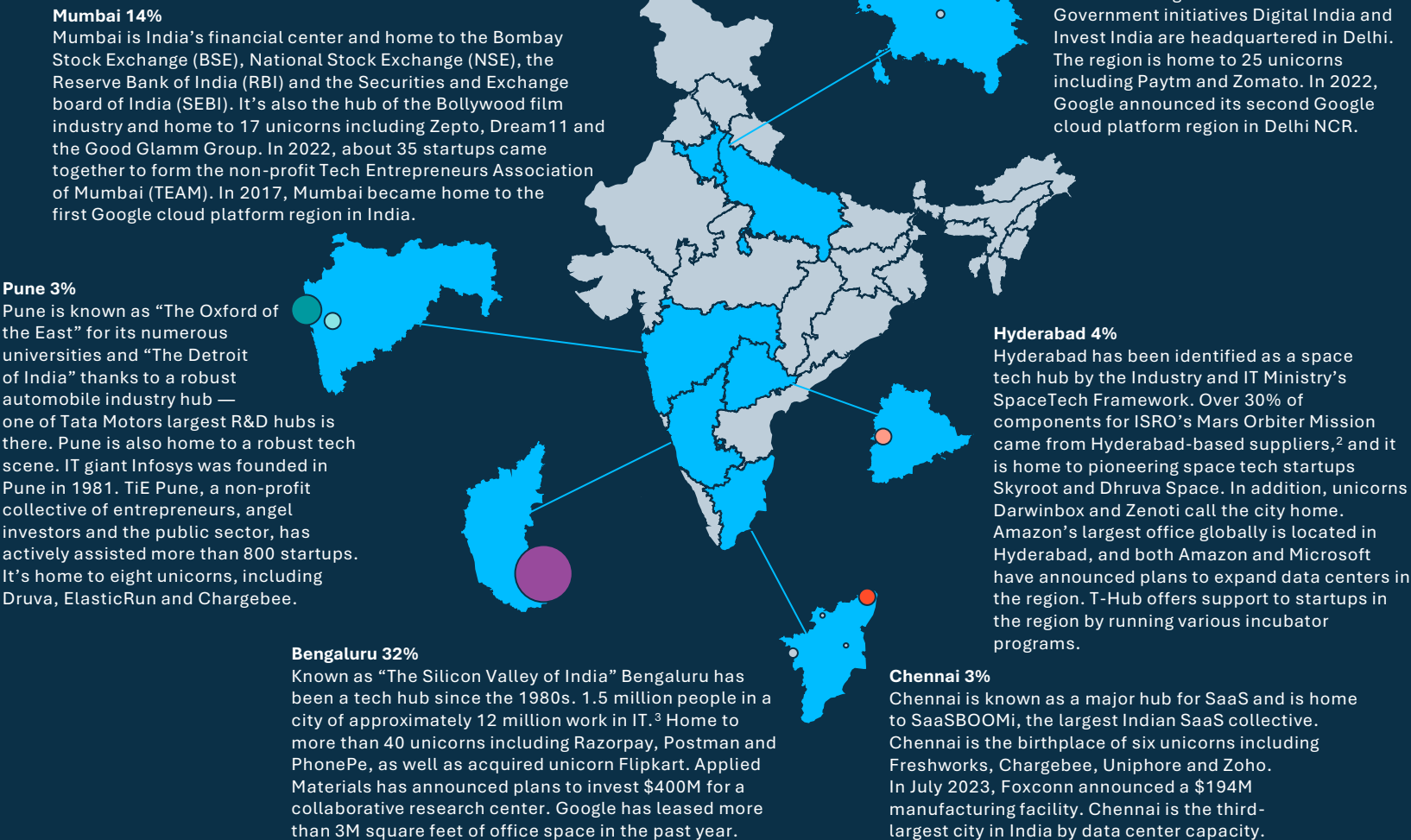
Share of VC Deals by Metro 2018 vs. 2023 YTD<sup>1</sup>



Share of Deals in Non-Metro-Based Startups



Top Cities for VC-Funded Startup Formation 2021-2023 YTD<sup>1</sup>



Notes: 1) PitchBook data as of 08/24/2023 all industries. 2) Department of Information Technology Electronics & Communications Telangana. 3) Business Insider. Source: Tracxn, PitchBook, Blume Ventures, New York Times, The Hindu, Data Center Dynamics, Department of Information Technology Electronics & Communications Telangana Reuters, w.media, The Tech Portal, Google, SVB analysis.





# Spotlights:

SaaS, Unicorns, Exits and  
Diaspora



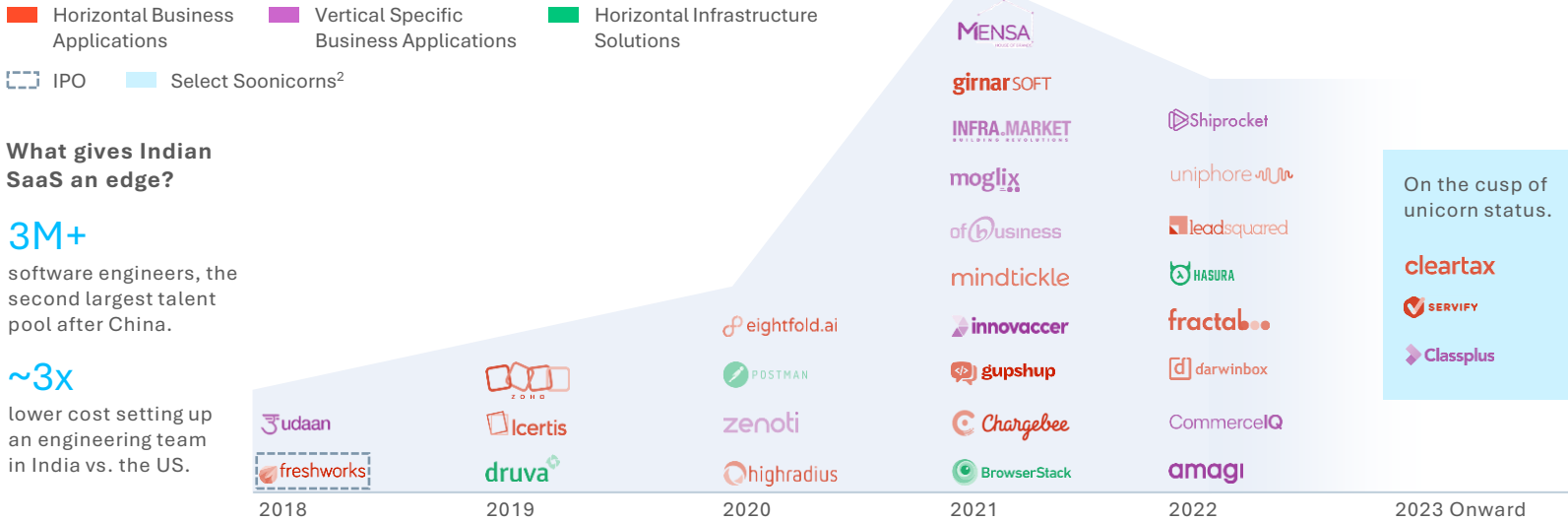
# SaaS Boom Bah!

India's share of the global SaaS market has doubled from 4% to 8% during 2020-2022, and it shows no signs of slowing down.<sup>4</sup> Globally, SaaS is a \$3T market expected to reach \$10T by 2030.<sup>5</sup> India's advantage is that it has one of the world's largest pools of software engineering talent (more than 3 million software engineers) and is a cost effective place to start a business with India being 3x cheaper than the US. Most Indian SaaS companies aim to compete globally from day one. However, there is a growing need for SaaS solutions tailored specifically for domestic companies.

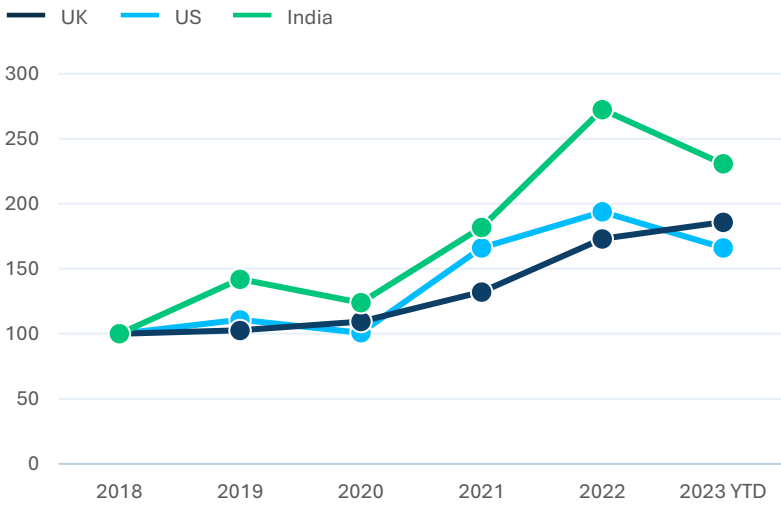
There is a flywheel effect. In the past three years, employees of 21 Indian SaaS unicorns have founded 185+ SaaS startups, with 60% of them founded during this period. Founded in 1996, Zoho has seeded a deep bench of talent. More than 20 companies have been started by former employees including SaaS heavyweights Freshworks and Chargebee. Alumni from Freshworks, the first Indian tech company to go public on a US exchange, has created at least 16 other companies.

The growth in generative AI-native SaaS companies has exploded. **Currently, there are about 60 generative AI-native startups in India, compared to just 18 in 2021. Established SaaS companies are looking for ways to enhance their product offerings with generative AI.** Examples include: Pixis, Drivetrain.ai, and Salesken.ai (the first two were founded in Bengaluru but are now headquartered in Northern California). Freshworks announced the firm will make significant investments to integrate AI, especially generative AI, into its operations. Zoho also announced the launch of 13 generative AI application extensions and integrations, powered by ChatGPT.

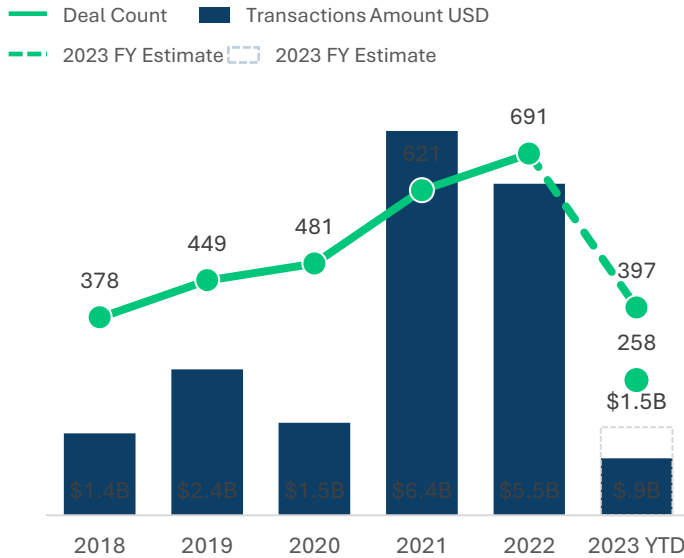
## Enterprise Unicorns<sup>1</sup> by Unicorn Deal Year



## Index: Median Post-Money SaaS Valuations (100=2018 values)<sup>3</sup>



## VC Investment in India SaaS<sup>3</sup>



Notes: 1) As categorized by Tracxn, companies are either founded in India, or have a founder of Indian origin. 2) Companies that exhibit high valuation and other promising characteristics to become a unicorn within a short period. 3) PitchBook data as of 08/25/2023. 4) Bain and Company. 5) McKinsey & Company. Source: PitchBook, Tracxn, SaaSBoomi, Bain and Company, McKinsey & Company, Bessemer Venture Partners, India SaaSonomics: Navigating Growth and Efficiency and SVB analysis.

# Hunting for unicorns and exit signs

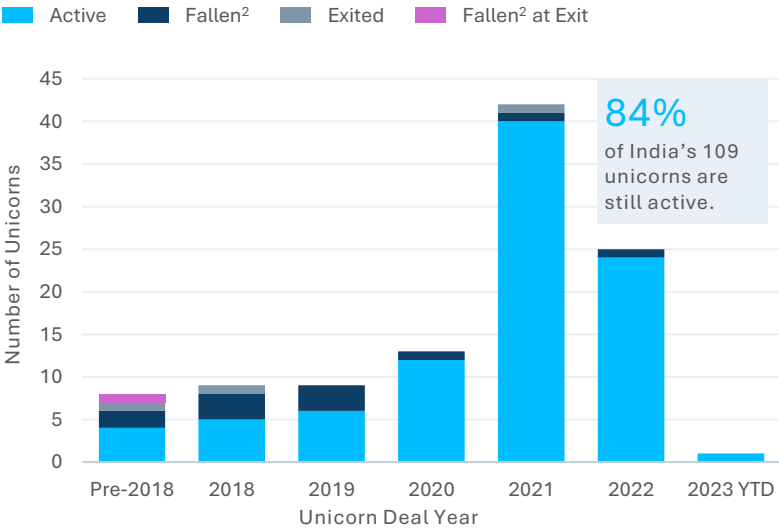
Where have the unicorns gone? 2022 and 2021 were big years for unicorns in India, as you recall in May 2022, India marked its 100<sup>th</sup> unicorn. 2023 has seen one new added to the herd. Just as we were about to go to press, grocery delivery startup Zepto raised \$200M at a \$1.4B valuation. We’ve also seen only two funded technology companies go public in 2023 year to date.

Venture-backed Indian tech companies that went public in 2021 and 2022 have underperformed relative to the rest of the market. Globally in 2022, tech stocks were hit hard thanks to rising interest rates and inflation. Even as markets are beginning to bounce back, we are seeing these factors contribute to a dry spell of both IPO and M&A activity.

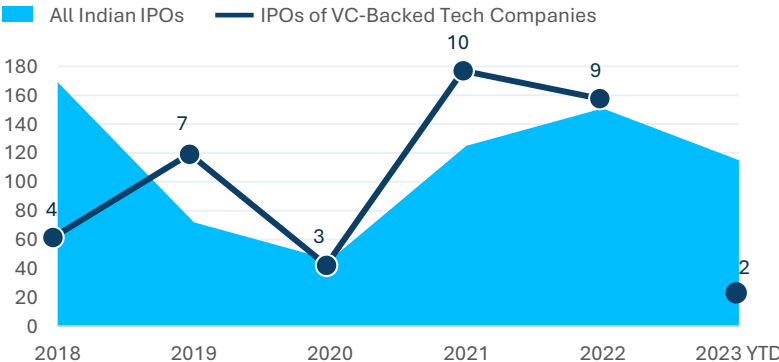
Despite the slowdown, there is a backlog of IPOs and soon to be unicorns, or Soonicorns.<sup>1</sup> Twenty-eight companies have reached this status year to date in 2023, including MobiKwik (payments) and Oxyzo (business lending), both with recent valuations just shy of \$1B.

There hasn’t been an IPO of an Indian tech company on a US exchange since Freshworks (FRESH) went public in 2021 on the Nasdaq. IT giants Infosys and Wipro trade as American Depositary Receipts (ADRs). **There is now an abundance of capital available in India; for many, it’s not worth the extra work and regulatory legwork to list on US exchanges.** Indian companies cannot go public on US exchanges unless they establish a presence in the US. The SEBI has also made listing on Indian exchanges — such as the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) — easier. In 2021, they changed regulations to allow loss-making companies to list, and they have continued to eliminate red tape and streamline the process.

## India’s Unicorns: Where Are They Now?



## Indian IPOs 2018-2023 YTD



The IPO backlog builds



Pre-filed IPO in March 2023; initially filed in October 2021

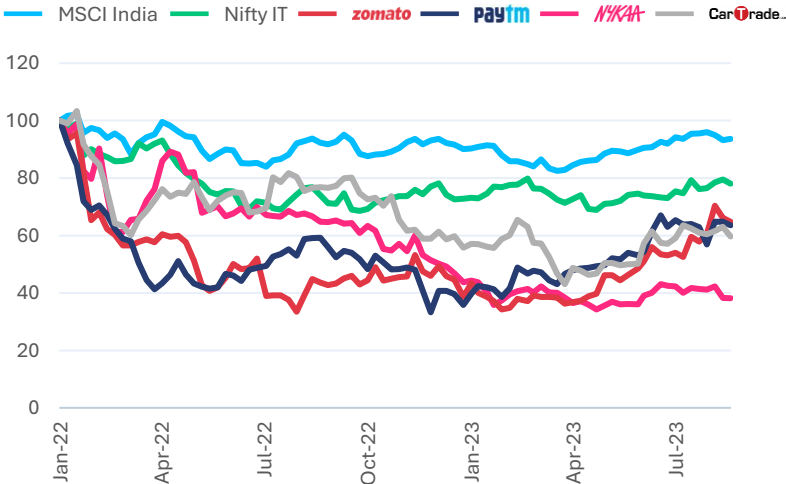


Initially filed for IPO in December 2021 but deferred and raised \$45M in Series D funding

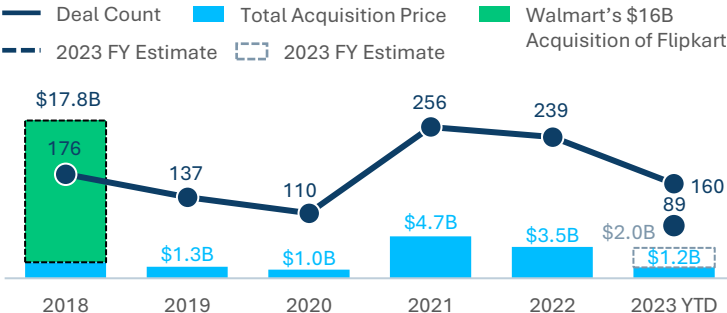


Filed for IPO in January 2023 after receiving approval from RBI to operate as an online payment aggregator.

## Public Market Performance of Exited Unicorns vs. Benchmarks Indexed



## VC-Backed Tech Acquisitions 2018-2023 YTD



2022-2023 YTD Top Tech Acquirers



6 Acquisitions Including MyFitness and MensXP



5 Acquisitions Including Pickrr and Wigzo



5 Acquisitions Including NestAway and HelloWorld

Notes: 1) Companies that exhibit high valuation and other promising characteristics to become a Unicorn within a short period. 2) Fallen refers to unicorns who have either gone out of business or their private valuation has dipped below \$1B. Source: Tracxn, PitchBook, Yahoo Finance, Chittorgarh, SEBI, Inc42, TechCrunch, SVB analysis



# From India, to Infinity and Beyond

What do the president of the World Bank, Britain's Prime Minister, big tech company CEO's and politicians across the US political spectrum all have in common?

They are members of the Indian diaspora. The world's most populous nation also has the largest diaspora population.

About

**32M**

people are considered Non-Resident Indians (NRIs) and People of Indian Origin (PIOs)

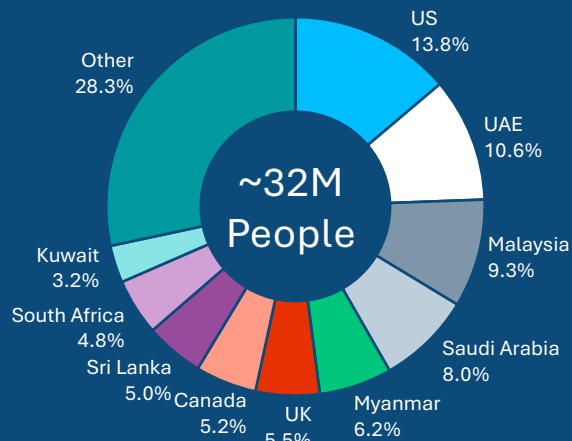
living abroad according to India's Minister of External Affairs.

Remittances eclipse FDI in 2022 totaling over

**\$100B**

— a testament to both the sheer size and success of the diaspora. This means Indian entrepreneurs looking to reach global markets have warm introductions globally as they look to launch. TiE, founded in Pune, has 59 global chapters. SaaSBoomi, based out of Chennai, tours the world hosting summits globally. IIT alumni and IIM alumni regularly host events globally.

## India's Diaspora<sup>1</sup> by the Numbers



**3%**  
of Fortune  
500 CEOs<sup>2</sup>



representing  
**14%** of  
market cap.



**90**  
US Unicorn  
Founders<sup>3</sup>



**21%**  
of Cloud  
100 CEOs<sup>2</sup>



**14%**  
of Midas  
List<sup>2</sup>

“The buzz in and about India is palpable. With the largest rising middle class, population under 21 and a leadership committed to supporting entrepreneurship in technology and AI, TiE Silicon Valley is excited about the opportunities for the TiE ecosystem in the Indo-US corridor.”

**Anita Manwani**

President, TiE Silicon Valley

## Cross-Border Organizations Supporting Indian Innovation

Public and Private Sector Organizations:



Incubators and Accelerators:



# Authors

## Lead Authors



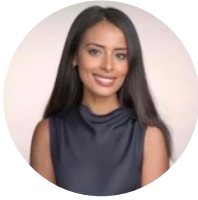
**Andy Tsao**  
Managing Director  
Global Gateway  
[atsao@svb.com](mailto:atsao@svb.com)

Andy Tsao is a Managing Director and leads SVB's Global Gateway, which assists innovation companies in the emerging markets with their US and international market expansion. He brings more than 20 years of experience banking dynamic companies in technology industries worldwide.

Previously, Tsao led and helped found SVB's U.K.-based operation, SVB Financial Group UK Ltd, which was established in 2004. For six years, he was responsible for building senior debt relationships with high-growth technology, life sciences and clean technology companies in the U.K. and Europe.

Before endeavoring to open the U.K. office for SVB Financial Group, Tsao was a Senior Vice President in Silicon Valley Bank's Boston office, where he served as a technology lender and senior relationship manager focused on New England's technology industry.

Tsao earned a bachelor's degree from Colgate University and an MBA from Boston University.



**Ella-Tamar Adhanan**  
Senior Vice President  
Global Gateway  
[eadhanan@svb.com](mailto:eadhanan@svb.com)

Ella-Tamar Adhanan is a senior vice president at Silicon Valley Bank and focuses on international business development and market expansion. Currently, she leads the India and Israel market teams and collaborates with premier venture capital (VC) firms and founders to deliver tailored financial solutions and drive impactful growth.

Previously, Ella was part of the Global Fund Banking team at SVB, focusing on banking and lending services to VC and private equity (PE) firms in New York. Her experience also includes a pivotal tenure at Morgan Stanley where she served as a fixed-income securities advisor to an array of institutional investors.

Ella's experience extends to diplomatic relations and is marked by her service as an advisor to the head of Diplomatic Affairs at the Embassy of Israel in Washington, D.C. She collaborated with US government officials and foreign embassies, enhancing Israel's strategic alliance. Furthermore, she was a foreign relations liaison in the office of the Prime Minister of Israel.

Ella is also a member of the Executive Leadership Council at African Diaspora Network, a global leader in diaspora philanthropy and investment, advancing business and economic development across Africa and beyond.

## Market Insights Team Author



**Liz Cahill**  
Senior Researcher  
Market Insights  
[lcahill@svb.com](mailto:lcahill@svb.com)

Liz Cahill is a senior technology researcher at Silicon Valley Bank, she uses data to uncover actionable insights for the startup ecosystem. She holds a BA in Finance from Drexel University.

A Philly native based in San Francisco, in her spare time Liz works to enable music and arts in the Bay Area.



## Disclaimers

The views expressed in this report are solely those of the authors and do not necessarily reflect the views of SVB.

This material, including without limitation to the statistical information herein, is provided for informational purposes only. The material is based in part on information from third-party sources that we believe to be reliable but which has not been independently verified by us, and, as such, we do not represent the information is accurate or complete. The information should not be viewed as tax, accounting, investment, legal or other advice, nor is it to be relied on in making an investment or other decision. You should obtain relevant and specific professional advice before making any investment decision. Nothing relating to the material should be construed as a solicitation, offer or recommendation to acquire or dispose of any investment, or to engage in any other transaction.

All non-SVB named companies listed throughout this document, as represented with the various statistical, thoughts, analysis and insights shared in this document, are independent third parties and are not affiliated with Silicon Valley Bank or First Citizen Bank. Any predictions are based on subjective assessments and assumptions. Accordingly, any predictions, projections or analysis should not be viewed as factual and should not be relied upon as an accurate prediction of future results.

Investment Products :

Are not insured by the FDIC or any other federal government agency	Are not deposits of or guaranteed by a bank	May lose value
--	---	----------------

©2023 First-Citizens Bank & Trust Company. Silicon Valley Bank, a division of First-Citizens Bank & Trust Company. Member FDIC. 3003 Tasman Drive, Santa Clara, CA 95054



## About Silicon Valley Bank

Silicon Valley Bank (SVB), a division of First Citizens Bank, is the bank of some of the world's most innovative companies and investors. SVB provides commercial and private banking to individuals and companies in the technology, life science and healthcare, private equity, venture capital and premium wine industries. SVB operates in centers of innovation throughout the United States, serving the unique needs of its dynamic clients with deep sector expertise, insights and connections. SVB's parent company, First Citizens BancShares, Inc. (NASDAQ: [FCNCA](#)), is a top 20 U.S. financial institution with more than \$200 billion in assets. First Citizens Bank, Member FDIC. Learn more at [svb.com](#).

# #SVBGlobalGateway

in Silicon Valley Bank

 [www.svb.com](#)

See complete disclaimers on previous page.

©2023 First-Citizens Bank & Trust Company. Silicon Valley Bank, a division of First-Citizens Bank & Trust Company. Member FDIC. 3003 Tasman Drive, Santa Clara, CA 95054