



Early Stage Investment Insights Report-2019

4th Edition of Annual “Early stage investment insights report – India”, based on market information and survey conducted with 18 leading institutional early stage investors

Dec 2019



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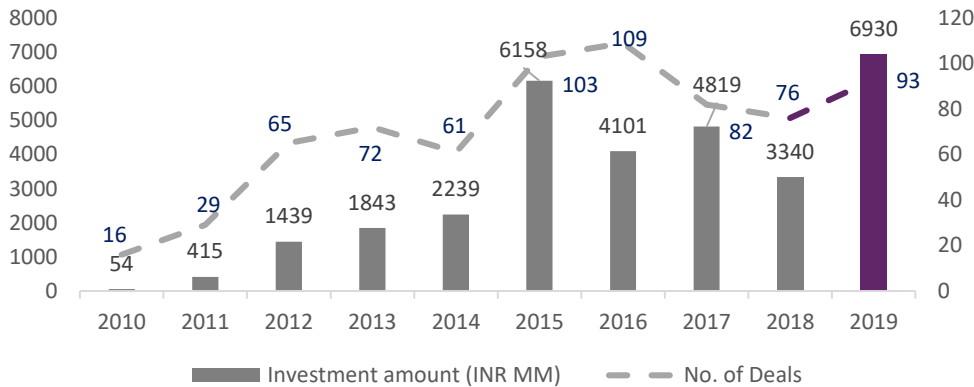
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Key Highlights

- Early stage (Angel/Pre-series A) investments in 2019 more than doubled v/s 2018, driven by a 22% increase in number of deals and a 70% increase in average deal size (INR 75MM v/s INR 44MM in 2018)
- Average valuation in early stage deals up 15% v/s 2018 ...at INR 179 MM (\$2.6 MM)
- 17% of funded start-ups were in pre-revenue stage in 2019 (v/s 12% in 2018). This is largely driven by investors backing concept stage ventures by serial entrepreneurs & experienced founders
- Investors continue to bet on experienced founders ... among funded start-ups, 82% of founders had experience more than 5 years. The majority of funded start-ups had 2 co-founders (89%)
- Almost 50% of early stage investors felt that the valuations in 2019 were on the higher side but majority (56%) foresee a slowdown/correction in the valuations in 2020
- Early stage investors expect to increase pace of investments in Enterprise Tech, AI & FinTech
- Decline in funded start-ups with at least 1 female co-founder (12% in 2019 v/s 17% in 2018)
- Biggest red-flags for investors : No Product Market Fit and Niche addressable market
- Most early stage investors feel that entry of established VCs in early stage has increased competition

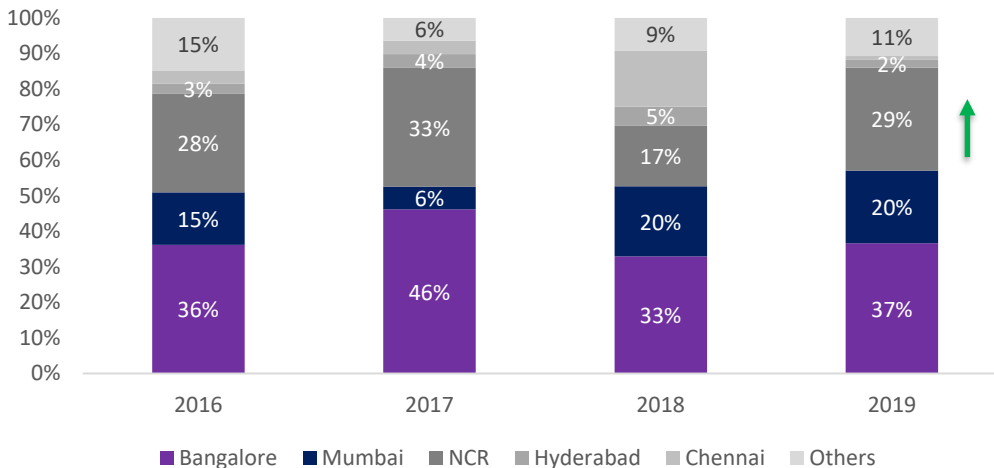
Investment Trends

Investment (INR MM) & No. of deals



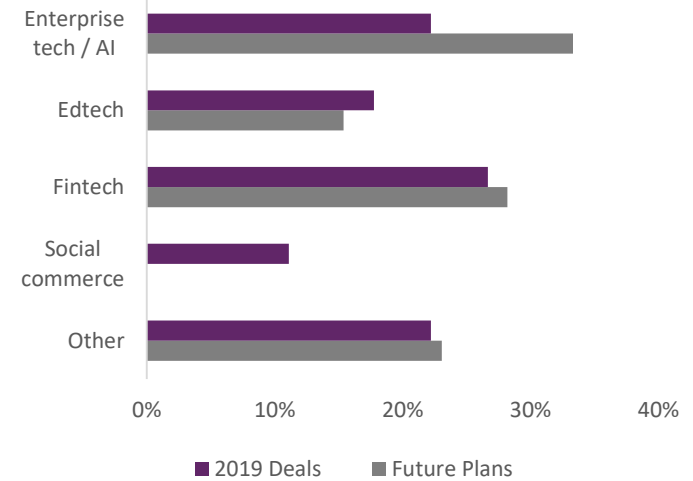
* Data till 12/12/2019 considered for 2019

Split of deals by City (%)



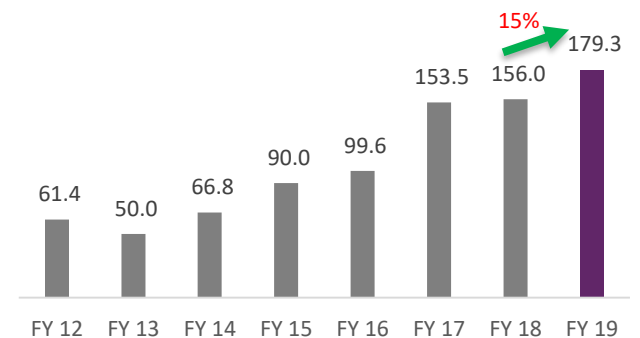
Source: Venture Intelligence, ESIR Survey

Sectors invested in 2019 and Future Plans



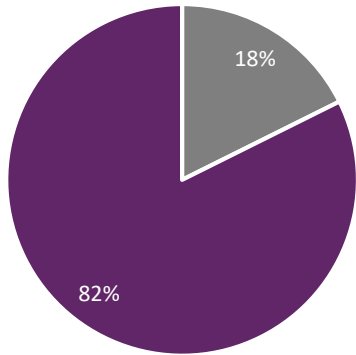
Source: Analysis based on ESIR Survey

Avg. Median valuations (INR MM)



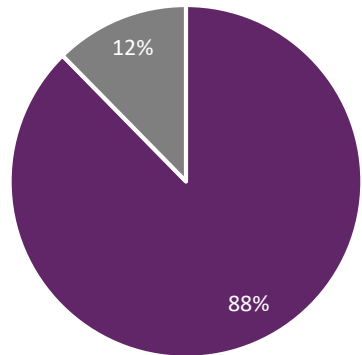
Founder demographics

Distribution of founders by start up experience



■ First time entrepreneur ■ Serial entrepreneur

Share of companies with a female co-founder



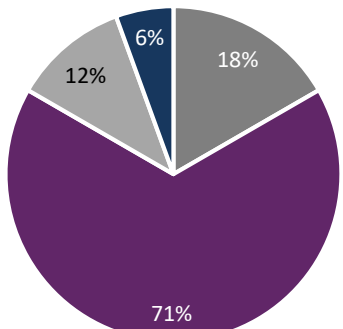
■ No female founder ■ Female founder

2018: 17%
2017: 20%
2016: 22%

A two member founding team was most successful in raising funds. 89% of the startups have 2 cofounders

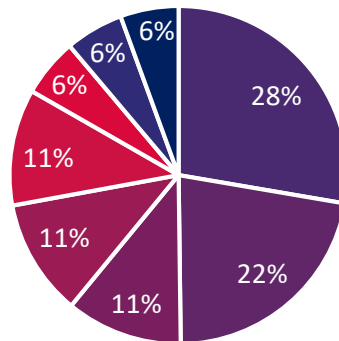


Distribution of founders by years of experience



■ < 5 years ■ 5-10 years
■ 10-20 years ■ > 20 years

Distribution of must have quality in a founder



- Vision
- Background
- Passion & Industry relevance
- Methodical hustle
- Clarity of thought around mkt size
- Mix of all
- Sales
- Ability to execute



Vision & founder background most important qualities in a founder

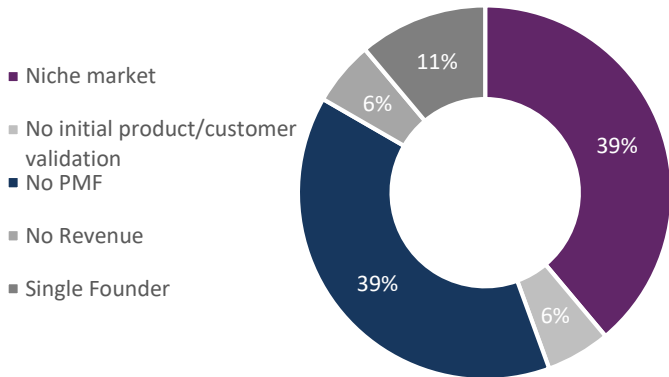
Passion, relevant industry experience, clarity of thinking form some other important criteria sought after

Source: InnoVen analysis based on ESIIR Survey

Investment Criteria

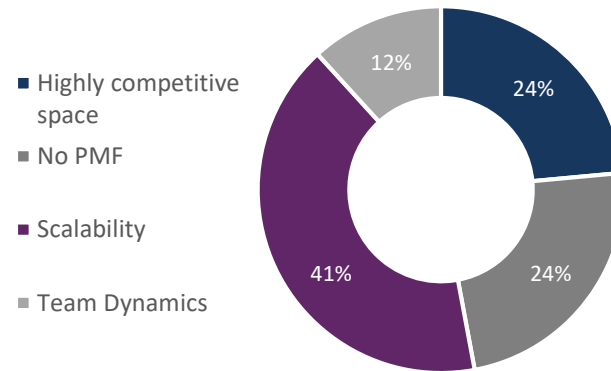
What do institutional early-stage investors look for while evaluating deals

Red flag criteria in deal evaluation (%)



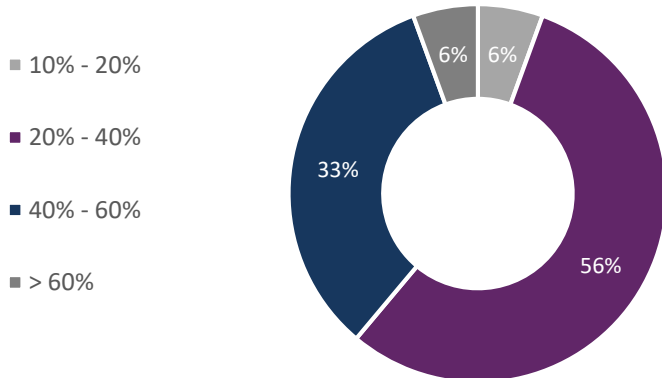
Niche market and no PMF remain the key red flags while fund raising

Reasons for failure to raise a follow on round (%)



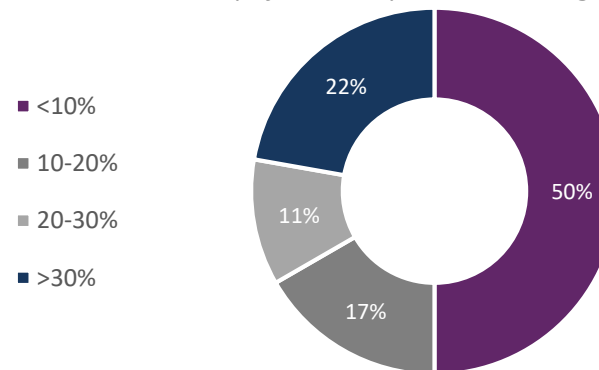
Scalability is the major reason for failure of startups to raise follow on round

Startups able to raise follow on round (%)



Good no. of the early stage invested startup are able to raise follow-on round

Startups funded at pre-revenue stage (%)

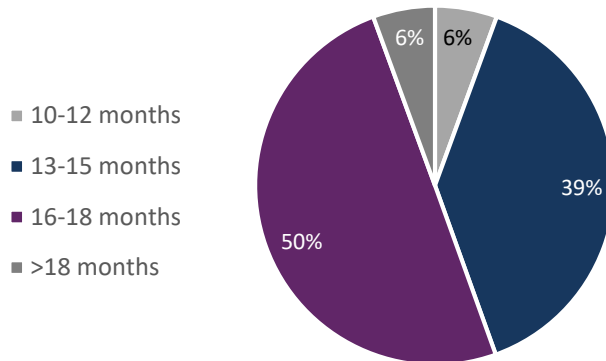


Majority of startups which raised funding were revenue generating

Source: InnoVen analysis based on ESIIR Survey

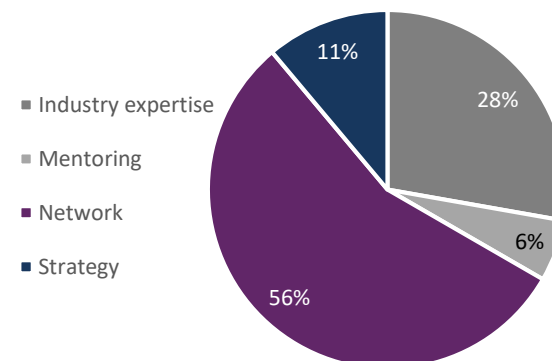
Investor tips for early stage founders

Ideal runway while raising Pre-Series A round (%)



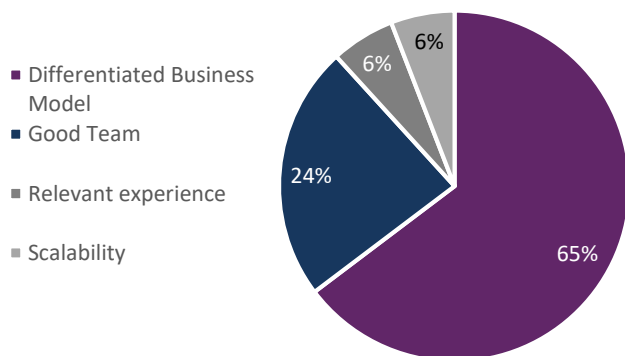
While raising a pre-series A round, founders should budget for 16-18 months runway before new funding

Areas of value add by investors (%)



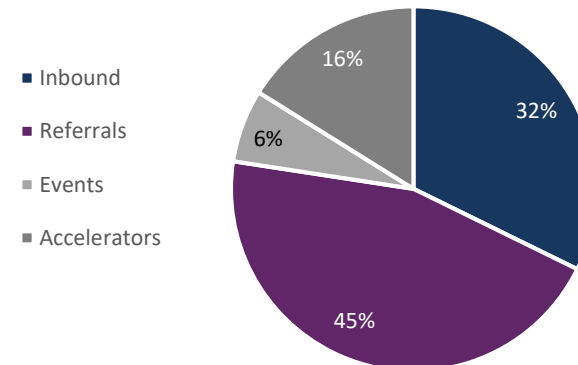
Access to Investor's Network is the main value add which an Investor brings to the table for founders

Challenges in finding a right investable startup (%)



Differentiated business model is the biggest challenge in finding a good investable opportunity

Deal flow – Top sources for Investors (%)



Credible Referral - key to get attention from Investors

Source: InnoVen analysis based on ESIIR Survey

Appendix



About InnoVen Capital

About the Report

The 'Early Stage Investment Insights Report-2019' provides analysis and trends on pre-series A/angel investment activity. The report has been prepared by InnoVen Capital India Private Limited ("InnoVen Capital") with inputs from reputed early stage institutional investors. The following investors participated in this edition of the report – Mumbai Angels, Indian Angel Network, Chennai Angels, Hyderabad Angels, LetsVenture, Axilor Ventures, Blume Ventures, Kae Capital, KStart, Waterbridge Ventures, Artha Ventures, India Quotient, Seedfund, Venture Catalysts, AngelCo, Dream Incubator, Lead Angels and Sauce.vc.

The 2018 edition of the Report can be read [here](#)

About us

InnoVen Capital India is the leading venture debt & structured finance platform in Asia and provides funding to high growth start-ups backed by top venture capital investors. The platform offers multiple debt capital solutions, including venture term debt, acquisition finance, growth loans, and working capital loans. InnoVen Capital is jointly backed by Temasek Holdings and United Overseas Bank. For more information, please visit www.innovencapital.com and follow us [@InnoVenCap_IN](https://twitter.com/InnoVenCap_IN).

For more information on the report please contact:
Ujwal@innovencapital.com

Study Contributors

