

India Venture Capital Investment Market Assessment, By Sector [Software, Pharmaceutical, Media and Entertainment, IT, Consumer Goods and Recreation, Energy, Others], By Fund size [Under USD 50 Million, USD 50 Million to USD 100 Million, USD 100 Million to USD 250 Million, USD 250 Million to USD 500 Million, USD 500 Million to USD 1 Billion, Above USD 1 Billion], By Funding type [First-Time Venture Funding, Follow-on Venture Funding], By Region, Opportunities and Forecast, FY2018-FY2032

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Report description:

Venture capital is a form of private equity in which investors fund start-ups and small firms with strong long-term growth prospects. The venture capital market is primarily driven by the mutually beneficial interactions between investors seeking high returns and firms in need of funding. The venture capital fund market is distinguished by its high-risk tolerance, long investment horizon, and forward-thinking approach to support portfolio enterprises. The venture capital market contributes significantly to innovation and economic growth by providing financing for product development, business expansion, and job creation. Factors such as government incentives, technological advancement, a fast-growing economy, and a maturing startup ecosystem have contributed to the growth of India's venture capital investment market. However, venture capital funding in India decreased from USD 25.7 billion to USD 9.6 billion between 2022 and 2023, reflecting a caution.

In June 2024, Cloudphysician, an online healthcare and technology solutions provider, raised USD 10.5 million in a funding round that was led by Peak XV Partners.

Government Incentives to Boost Market Growth

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The government of India has announced several policies and initiatives that are fueling the growth of the venture capital market. Some of the key initiatives include production-linked incentive (PLI) schemes, which provide financial incentives to companies for domestic manufacturing and R&D, encouraging investment in high-potential sectors. The government has established a mechanism for listing technology companies on domestic stock exchanges. This made it easier for startups to get access to public markets and raise capital. It has developed sound public digital infrastructure in the form of a Unified Payments Interface (UPI) and an Aadhaar digital identity system, which have together helped the nation's digital economy expand and opened new paths for venture capital investment. These initiatives, coupled with tax incentives and regulatory reforms, have been instrumental in giving India one of the fastest-growing startup ecosystems in the world. Startups have attracted enormous venture capital investments and brought innovation across many sectors.

In 2024 the Government of India announced that investments by SEBI-registered venture capital funds in eligible startups can get exemptions from capital gains tax, encouraging more investors to invest in high-risk startups. This will be of special advantage to long-term investments, as it reduces the overall taxation from returns arising out of successful ventures.

Technological Advancement to Drive Market Growth

Technological innovation in FinTech, HealthTech, EdTech, and many other sectors have been the propeller of growth for a new wave of innovative startups in India, attracting huge interest from venture capital firms looking for investments with high growth potential. Over the last decade, the Indian startup ecosystem has grown in terms of the number of tech-driven companies across sectors. On the fintech front, disruptors are making a difference in financial services through their digital payment platforms, peer-to-peer lending solutions, and blockchain-based innovations. On the contrary, health tech startups are leveraging technology to drive healthcare accessibility and affordability through telemedicine services, AI-powered diagnostics, and personalized well-being programs. The EdTech industry has evolved incredibly, wherein startups are developing online learning platforms, adaptive education solutions, and skill development programs tailored to the evolving needs of students and professionals. This blend of technology, innovation, and entrepreneurship is attracting global venture capital.

In June 2024, GreyLabs AI, a speech analytics platform for financial institutions, closed over USD 1.5 million in its seed round led by Matrix Partners India as lead investors.

Software Segment to Dominate the Market

The Indian venture capital market has seen a shift towards software and related technology sectors. The software segment is expected to continue dominating the Indian venture capital landscape in the future. The rapid growth of the Indian startup ecosystem, backed by rapid development in digital infrastructure and government initiatives such as Startup India, has paved the way for technology-driven ventures. Sectors such as fintech, edtech, e-commerce, and SaaS have seen large investments from venture capitalists. Deep tech startups, specifically AI, ML, IoT, blockchain, and robotics, are drawing increased interest. Such a turn towards more science-driven and industrially focused startups indicates that the software segment is going to remain one of the main drivers of venture capital activity in India.

In May 2024, Ola founder Bhavish Aggarwal announced Krutrim AI, a large language model. It supports 10 Indian languages and can understand and generate any content in those languages. It aims to reflect India's cultural and linguistic diversity.

Follow-on Funding to Dominate Market

The follow-on funding segment is dominating the India venture capital investment market. It is credited to several key factors, such as maturity of the Indian startup ecosystem, wherein the market has seen leading companies emerge and raise multiple rounds of funding. These established startups, often referred as unicorns, attract large follow-on investments from the top venture capital firms worldwide. Investors know that that startups can scale and achieve key milestones, therefore they are willing to invest large sums of money to help sustain their growth. The entry of global venture capital firms in the Indian market has further boosted the follow-on funding market. Such seasoned investors have global networks that can be leveraged to create capital and provide strategic guidance for strengthening the market position of Indian startups.

In 2024, Pocket FM, an audio-based entertainment platform, closed its Series D funding round at USD 103 million. It was led by Lightspeed Ventures, with participation through the Stepstone Group.

Southern India Dominates the Venture Capital Investment Market

Southern India, particularly Bengaluru, Chennai, and Hyderabad, has grabbed the largest market share of the venture capital

investment market in India. One of the major drives behind this is a robust pool of talented individuals. The area features premier engineering and technology institutes such as the IITs and IIITs, providing a steady flow of talented individuals. This talent pool has nourished the growth of a vibrant startup ecosystem and attracted venture capital investments. Moreover, South India has good infrastructure through world-class technology parks, reliable power supply, and smooth transportation networks. It has been one of the appeals to domestic and global tech companies and has thereby driven venture capital investments. Cities like Bangalore have become the hub for successful tech startups, creating an entrepreneurial culture and supporting startups through experienced mentors, angel investors, and resources. Further enhancing the region's appeal for venture capital investors is enabling regulatory environment and other government initiatives such as the Karnataka Startup Policy and the Telangana T-Hub.

In March 2024, Cureskin, an AI-based dermatology platform in Bangalore, raised USD 20 million in Series B funding.

Future Market Scenario (FY2025 - FY2032)

- The Indian venture capital investment market is expected to grow at a fast pace. India's impressive GDP growth rate and being one of the fastest-growing economies make it very attractive to venture capital investors.
- India has a large pool of talented entrepreneurs that is stretching the boundaries of growth to contribute to the overall vibrancy of the venture capital market in India.
- AI and ML-based startups are expected to rise due to the large inflow of investment in these technologies. Moreover, FinTech startups involved in providing cutting-edge solutions to sectors such as payments, lending, and wealth management attract huge investments and are bound to further rise with the emergence of more startups.
- Venture capital firms are likely to spread through metropolitan areas and smaller towns. This is characterized by an increased focus on startups based in smaller cities that cater to local needs.

Key Players Landscape and Outlook

The Indian venture capital market has seen massive growth in the historic period. Key players play a significant role in driving innovation and growth within the startup ecosystem. Big firms have been at the forefront of providing financial support and strategic guidance while opening doors to valuable networks. These venture capital firms play a huge role by backing many startups that later attain Unicorn status.

In July 2024, Centriti, a B2B e-procurement platform for the hotel, restaurant, and catering (HoReCa) industry, raised USD 60 million in a funding round led by Emergent India Ventures.

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