For start-ups, it's a season of buyouts

■ M&A deals rise as start-ups under pressure from slowing funding, competition

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New Delhi, July 2

AFTER AN eventful year that was considered a watershed—reportedly as much as $9 billion worth of capital was pumped into the Indian start-up ecosystem in 2015, equal to the cumulative funding in the 2010-2014 period for start-ups — the industry is showing big signs of consolidation. Feeling the pressure from investors, who are demanding more accountability for their money, several start-ups are now shifting focus from growth to efficiency in their businesses or merging with larger entities to secure their future.

Consider these figures: If there were nine merger and acquisition (M&A)/buyout deals worth $38 million in January this year, the figure stood at 16 with a deal value of $61 million in May, as per data provided by Grant Thornton India, a professional services firm. "Infact, in May, start-ups (along with IT and ITeS) ruled the sector trends, contributing almost 45% of the total deal value across sectors," says Prashant Mehra, partner, Grant Thornton India.

Overall, the industry saw 47 M&A deals involving start-ups in 2016 (January to May), as compared with 23 in the same period a year ago (January to May, 2015), Grant Thornton India data reveals.

The pressure on start-ups to consider M&As is quite evident. After robust investments last year, fund managers are increasingly developing cold feet towards infusing large amounts of capital in the domestic market.

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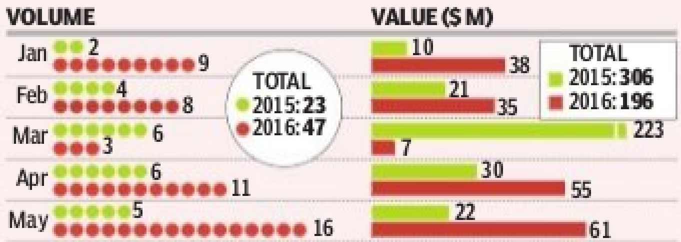
START-UP M&A DEALS



Note: Includes domestic as well as inbound transactions

Source: Grant Thornton India

Some major deals in 2016

JANUARY
- Real estate portal CommonFloor bought by online classifieds firm Quikr

FEBRUARY
- Craftsvilla acquires gourmet online food e-tailer PlaceOfOrigin; logistics start-up Sendd
- Home services provider Housejoy grabs fitness technology start-up Orobind and laundry service provider Mywash

APRIL
- Future Group acquires FabFurnish
- Craftsvilla acquires women's clothes rental F2SO4

JUNE
- Food ordering platform TinyOwl acquired by hyperlocal on-demand logistics start-up Roadrunnr
- Fashion aggregator Voonik acqui-hires Zohraa, Styl and Picksilk