

# Start-up investment down 18% this year

However, more start-ups getting funds this year, says Nasscom report, pointing to other encouraging trends

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The funding spree in Indian start-ups has slowed this year, with less of big-size investments, says a Nasscom-Zinnov report for 2016 on the sector.

Indian start-ups could attract \$4 billion (₹26,700 crore) of investment this year, an 18 per cent decrease from last year's \$4.9 bn.

"Funding in quantum of money has decreased but the investment scenario is healthy," said R Chandrashekhar, president of Nasscom, the information technology (IT) sector's apex association. "There has been an eight per cent increase in the number of start-ups that got funded this year, as a result of increased number of funding deals."

About 650 start-ups were funded this year by various venture capital and private equity entities.

And, a 20-25 per cent increase in the number of exits; more of business to consumer (B2C) start-ups closing than business to business (B2B) ones.

"Funding is not necessarily the only reason (for this). There could be other internal reasons or the company was not able to reach the product in the right time," said Chandrashekhar.

"The increased mortality rate (esti-

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mated at 18-22 per cent) is part of an evolving eco-system. Typically, a start-up dies when it run out of cash or they are not in a position to get funding even after spending some years for developing a product," said Ravi Gururaj, chairman, Nasscom Product Council.

Nasscom's annual report said the year is expected to close with about 1,400 start-ups taking birth, up eight to 10 per cent from 2015. The number of tech start-ups is expected to grow by 10-12 per cent to about 4,750 in 2016. Women entrepreneurs account for about a tenth of the total.

The report predicts this figure to grow

## TALKING NUMBERS

**20% Increase in number** of active angel investors, which is more than 350

**2x Growth of core technology start-ups** such as in IoT, machine learning/artificial intelligence, robotics

**70% The total share of start-ups** in Bengaluru, NCR and Mumbai

**100,000 Estimate number of employees** in the Indian start-up space

**25% Increase in number of student start-ups**

**680 Number of start-up funding deals**

**\$6 mn is the average deal size reduction** in 2016 from \$ 8 mn in 2015

2.2 times to 10,500 start-ups by 2020, employing 210,000.

The IT industry lobby says lack of 'ease of doing business' in India and faster growth of the start-up sector in Israel and China are bigger threats. While India continues to retain its third position in terms of numbers of start-ups, China has improved on the qualitative front.