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THE GREAT INDIAN STARTUP ECOSYSTEM PERIODIC TABLE



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The Indian startup ecosystem is changing faster than Francium (Fr). Zooming from 3100 startups in 2014 to an expected 11500 startups by 2020; it is expected to raise US\$ 3.5B funding in the first half of 2015 alone and surpass total number of deals done in 2014. The second fastest growing and 3rd largest start-up ecosystem of the world is indeed setting a frenetic pace.

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Over the last 3 years, Microsoft Ventures has evolved along with the startup ecosystem in India. Today, we are the platform which brings the VCs, mentors, entrepreneurs, evangelists and other stakeholders from the startup community together to build a stronger ecosystem.

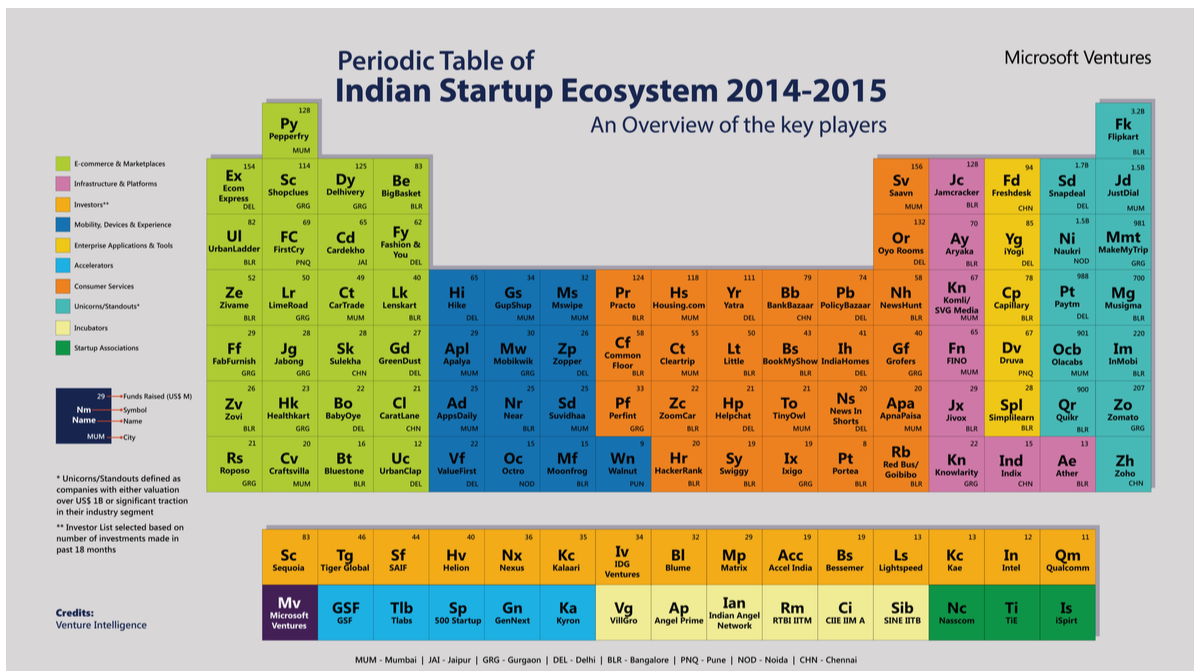
Given Microsoft Ventures' deep engagement with these interesting and exciting elements, we thought it would be a lot of fun to play Mendeleev and draw up a table of the most definitive players in this ecosystem for 2014-15.

The Approach, Methodology and Observations

We started with calling our friends from Venture Intelligence (<http://ventureintelligence.com/>) to help us with what they are best at – Startup Data! With a band of volunteers, we whittled down a list of thousands of exciting Indian startups, VCs and ecosystem players. The exercise spanned six weeks and we identified 88 'elements' which have impacted and inspired the entrepreneur community in 2014-15, and 30 more which have contributed to building a richer ecosystem for them.

In interest of keep it succinct and focused, for startups, we considered the funding raised as the primary parameter and kept a cutoff of US\$ 15M-20M, with a few exceptions. Unsurprisingly, the B2C startups dominate this table. A majority of the Indian Unicorns are also from the B2C segment. The investors we selected were based on their activity level in the last 12-18 months. The sheer quality of the work happening in India made the task even more challenging, but finally we were able to list down –

- **Unicorns (12):** We all talk about them, but very few know that Indian Unicorns now account for nearly 10% of the global Unicorn club and we know that this list is only going to get longer.
- **Ecommerce & Marketplaces (25):** 2014-15 will be marked as the time when the era of marketplaces finally arrived in India, offering everything from fashion, grocery, baby products, to Logistics, and Classifieds. A Goldman Sachs report estimates that online retail will be an \$18-billion industry in India in 2018 and e-commerce logistics will be a \$2-billion industry on its own by 2019. This is estimated to grow into a \$220 bn market by 2030.
- **Mobility, Devices & Experiences (13):** Being in a mobile first country has its perks. Segments like utility and payments underwent a massive transformation. Myntra made headlines by shutting down its website and moving to a mobile only platform, which quickly became an industry norm. The mobility startups in India like Hike, GupShup, Mobikwik, mSwipe have attracted more than \$2 bn in investments in 2014-15.
- **Consumer Services (25):** Hyperlocal was another concept which found firm ground in the ecosystem this year. The consumer services providers like Saavn, Oyo and Practo in segments such as Entertainment, Stay, Healthcare, Travel, Financial, and Hyperlocal became household names. In 2014-2015, consumer services startups have raised nearly \$2 bn in funding. On demand services are tipped as the next big space with consumers and investor interest at an all-time high.
- **Infrastructure & Platforms (8):** These included B2B startups selling to enterprises such as Jamcracker and Aryaka
- **Enterprise Applications & Tools (5):** These include B2B startups selling to enterprises like Freshdesk and Druva
- The 4 categories of ecosystem players, **Investors, Accelerators, Incubators** and **Startup Associations (30)** continued with their mission to enrich entrepreneurship in the country. Investors like Sequoia, Helion, Tiger, Accel among others, were involved in more than 15 deals each in just the first half of this 2015. During this period, angel investors and venture capitalists have pumped in more than \$3.5bn in the Indian startup space. Every evolving startup ecosystem needs guiding hands that help brilliant ideas turn into great businesses. This is where the role of incubators, accelerators and mentors like NASSCOM, iSPIRT, TiE and others step in. Their contribution to the Indian startup space has been invaluable.



The Periodic Table of Indian Startup Ecosystem

WHAT DO WE SEE?

- Deep Tech vs. Ecommerce:** Ecommerce and Consumer Services lead the pack, but are also the largest customers to the deep tech startups. For instance, WagMob (<http://www.wagmob.com/>) & Webyclip (<http://www.webyclip.com/>) have Snapdeal as a customer, Canvasflip (<http://www.canvasflip.com/>)'s clientele includes Paytm and Makemytrip. Flipkart and various others have acqui-hired a series of deep tech startups in 2014-15 to make their businesses stronger. In last 5+ years, these startups have created a larger pool of Product & Marketing talent of international standards within India. Due to their experience in startups, and ease of finding a tech or marketing cofounder to fill the gap, it is more natural for them to move out and create technologies of the next level, thus accelerating the ecosystem.
- Innovating in India:** While many of our startups started off aggregating demand & supply, and providing marketplace efficiencies, they have had to make many innovative product/service level changes to survive and thrive in the Indian market. The consumer services market is seeing true innovation – from an Akosha/HelpChat to a JustDial, or Oyo rooms, they're delivering services that are category leaders, and disrupting existing markets. In the enterprise segment, HackerRank, Capillary, Druva, Inmobi have delivered category defining innovation across the world. However, world class enterprise products and platforms originating from India are still in low supply. Until now, many of them have been focusing on customers in the Western markets rather than on Indian customers. The large holes in our infrastructure with the large available are enabling pockets of innovation that are unthinkable elsewhere. Once this transformation reaches a critical mass, we are positive that the startups will innovate further to solve efficiency issues.
- Bangalore – First among equals:** More than a quarter of the startups featured in the list are based out of Bangalore. While that does not come as a surprise, Bangalore gets pipped to the post by the National Capital Region comprising Delhi, Gurgaon and Noida, which are home to more than 30

startups. Chennai, Mumbai and Pune are have also created their niche as emerging hubs for SaaS, FinTech & AdTech startups respectively. To accelerate this and make India one of the top startup destinations in the world, we need,

1. **An Evolved Investor Pool:** We need more angels who are savvy, honest and forward-thinking and can guide the entrepreneurs through the early days. The VC and PE community also need to become more sophisticated in their processes to encourage more startups to consider investments. Quite a few in the system still think US focused startups are a better bet, which is not just a misconception but also a strong deterrent. The ecosystem has evolved, so should they.
2. **More Local Buyers:** We are building world class technology products, and selling it to the world, but unfortunately, the enterprise startups do not have enough customers in India! We need to shift from an India that had low-cost as primary buying principle, to an India that is thirsty for innovation and ready to pay for value. These companies will drive & tap into a fundamental shift towards a value-driven economy.
3. **Better Regulatory Structures:** The success of any startup ecosystem can be directly linked to the friendliness of policies enforced on them. The Indian government has taken the first step towards creating a startup friendly environment where entrepreneurs can thrive. This calls for serious deliberation on how we look at the startups, and how, through tax reforms, investments and ease of doing business in the country.

A special shout out to the our friend, Krishnan Narayanan (<https://in.linkedin.com/in/nkrishy>), MV's Abhishek Bajaj (<https://twitter.com/betamarketer>) and the rest of the team for making this happen. The whole exercise of preparing India's first and definitive Periodic Table of Startup Ecosystem was fun. A few things we are sure of – many more galloping Unicorns and red-hot startups are in the future.

(Note: Things in the system have changed while you were reading this. We will be coming up with an updated periodic table soon. Tweet us (@MSA_IND (https://twitter.com/MSA_IND)) your suggestions with #IndianStartupElements

The periodic table was published in Mint, titled – The Indian start-up ecosystem: a periodic table (<http://www.livemint.com/Companies/jAulMFv31QvI5vT386I21N/The-Indian-startup-ecosystem-a-periodic-table.html>)

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