

E-commerce and consumer internet sector

India Trendbook 2021

March 2021

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Forward

The COVID-19 pandemic has had a significant impact on the Indian economy, which saw one of the largest lockdowns globally. The Indian internet economy, which was one of the most attractive markets worldwide, saw a 90% decline in April 2020, crippled by the shutdowns.¹ The decline was a result of steep falls in business for e-commerce and travel, the largest sectors in the internet ecosystem. However, the pandemic helped accelerate growth for segments such as hyperlocal delivery, edtech, healthtech and online payments as Indian consumers moved online to fulfil their daily needs.

Despite a steep GMV fall in the initial months of the lockdown, India's internet economy is likely to be a net beneficiary in longer run, driven by multi-fold increase in digital interactions and adoption of digital platforms. The number of first time online users has witnessed an increase across segments, along with an increase in online activity from tier 2 and tier 3 cities, which indicates a strong opportunity for enterprises and start-ups to cater to these cohorts digitally as the new normal. What is also expected to drive growth for digitally native start-ups is rising adoption by small and medium businesses in the country. Small merchants across cities are now adopting mobile channels, implementing online payments and exploring collaborations with technology-driven start-ups.

In line with the change in consumer sentiment, Indian businesses are also exploring digitally-enabled operating models to build a resilient, future-ready firm. This is expected to drive B2B demand for start-ups in the internet and e-commerce segments as they gear up to enable the technology transformation for Indian Inc. Verticals that had been leveraging conventional operating models and delivery channels such as health care, agriculture and education are now leveraging digital channels to ensure business continuity. The last year has witnessed significant growth in emerging segments of online learning, telemedicine, agritech, logistics tech and online content streaming.

The growing scale and maturity of India's internet economy are creating increased investment opportunities for start-ups in the segment. Internet start-ups in the country are witnessing increased interest from both native and international investors. While 2020 saw muted investor activity as a result of the pandemic, segments such as edtech, hyperlocal and social commerce witnessed increased investments. The internet and e-commerce segments saw investments worth US\$8.1 billion across 440+ deals in 2020.²

Propelled by rising digital adoption, evolving consumption models, focused service solutions and strong backing by financial investors, the Indian start-up-driven internet economy has bounce back to normal at a faster rate than the national economy.



Preface



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The Indian internet and e-commerce sector has mushroomed to become one of the fastest growing sectors of the country, even in the pandemic-hit economy. The e-commerce market in India is expected to reach INR7 trillion in 2023, growing at a CAGR of 20% during 2019-23.³ While the current lockdown has led to an overall decline in consumer spending, this is being partially offset by a rise in online spending, as consumers increasingly use online channels from the safety of their homes. Technology enabled innovations across digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements are expected to drive growth in the sector.

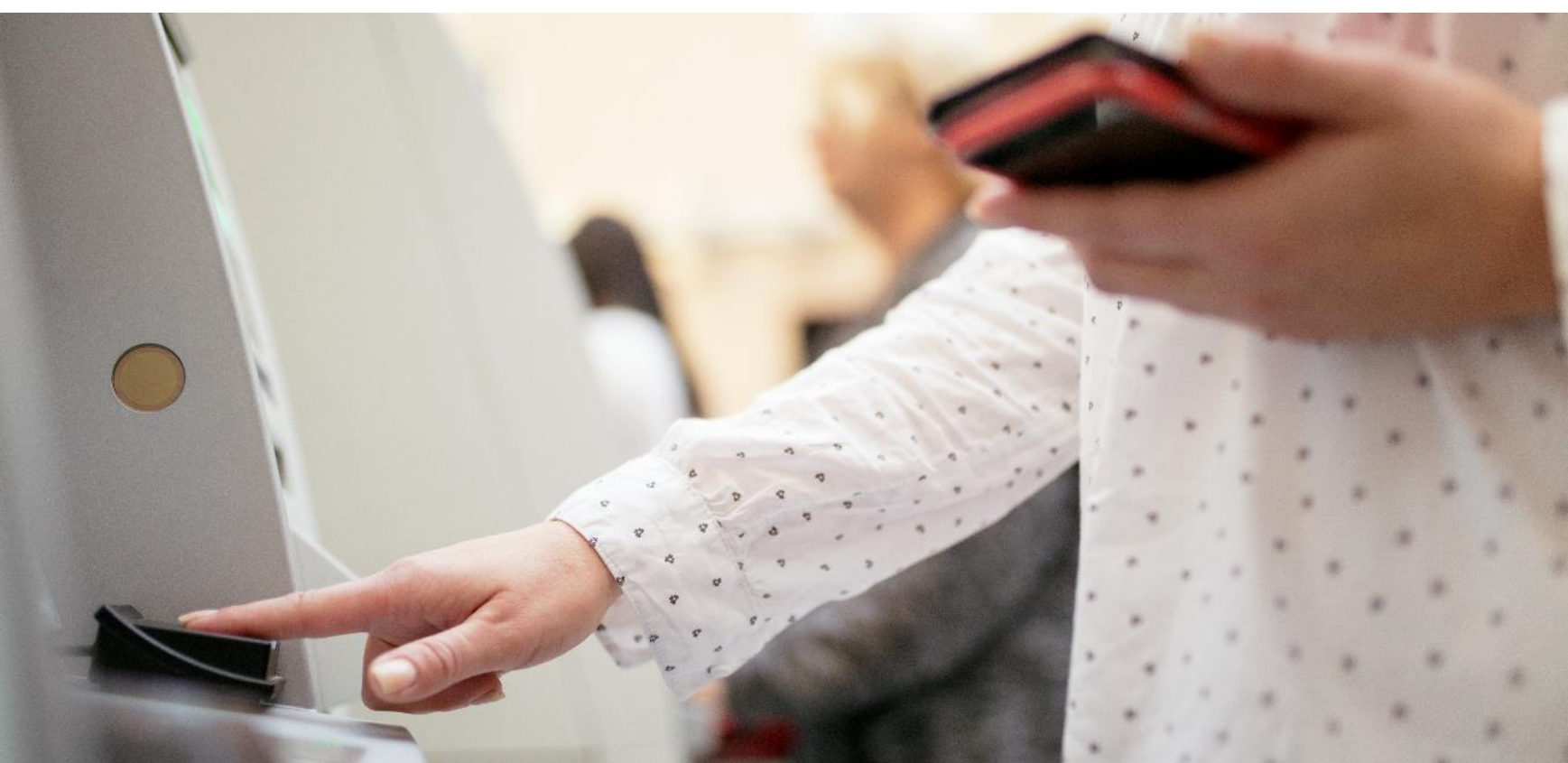
Favorable demographics such as rising number of working women who prefer to place food order online, millennials forming a majority of the population who prefer playing e-sports or other online games and increasing e-commerce sales in tier 2 and tier 3 cities due to rise in smartphone penetration are all adding up to promote e-commerce in the country.

Government's initiatives for cashless economy, broadband connectivity and regulatory changes such as the Consumer Protection Rules 2020 have helped build an ecosystem that supports e-commerce. Government is also supporting skill development as e-commerce brings in many job creation opportunities.

We are exploring some of the key trends which have been seen across the consumer internet and the e-commerce sector for the last 12 months hold the potential to take forward the growth of this upcoming sector in the future as well.

- **Government initiatives:** Government is embracing e-commerce digital platforms to transform and organize traditional offline markets. It is taking various initiatives to boost the e-commerce sector in the country such as Start-up India, Digital India, Skill India, Innovation Fund and BharatNet (to grow rural broadband penetration). Various regulatory reforms such as new draft e-commerce policy, the national retail policy and consumer protection rules 2020 showcase the government's inclination towards building this sector further.

- ▶ **Rise of the direct-to-consumer (D2C) model:** Direct-to-consumer selling has been growing among retailers across various categories including FMCG, electronics, furniture, apparel and luxury goods. Multiple Indian brands are focusing on the D2C strategy, selling and delivering merchandise directly to consumers without depending on intermediaries such as third party sellers, wholesalers and distributors and leveraging digital or online channels. A D2C model offers multiple opportunities to businesses to increase profit margins, enhance personalization and improve digital payment capabilities.
- ▶ **The industry goes omni-channel:** The changing mindset of consumers and greater competition from e-tailers is driving brick and mortar retailers to launch their omni-channel strategies and websites. With the onset of lockdowns, multiple small and medium businesses are also ramping up their online presence, Adoption of the omni-channel strategy can help the organized retailers and online players to connect with customers seamlessly through their channel of preference.
- ▶ **Increasing use of deep tech:** E-commerce players continue to invest in technology to cater to the growing number of customers. Cutting-edge technologies such as AI/ML, IoT and big data analytics, are helping in application of chatbots, image recognition and recommendation engines which are contributing towards better customer services. Voice/image enabled search is helping to tap the local masses who are not fluent in English language. Food delivery start-up Swiggy is leveraging data science to optimize its logistics and manage inventory through predictive demand forecasting to provide an enhanced experience to consumers.⁴
- ▶ **The emergence of super apps:** Leading internet players are looking to transform into super apps, by bringing multiple segments onto a single platform which acts as a gateway to consumers, encouraging consistent customer interaction with the platform throughout the day, by offering solutions to their daily needs. Indian super app space is being explored by global players, home-grown start-ups as well as established conglomerates such as the Tata Group and Reliance as they foray into multiple consumer segments including e-commerce, fintech, telemedicine and digital services.⁵
- ▶ **Continued consolidation:** Consolidation appears to be the theme running across e-commerce companies serving different sectors. Inorganic growth through partnerships, acquisitions and alliances have helped industry players plug digitization gaps, enter new markets, diversify their service offerings and acqui-hire for talent. The industry witnessed reduced M&A activity in 2020 due to the COVID-impacted corporate spending, however the B2C, edtech and healthtech segments saw rising traction.



Investments

In 2020, E-commerce and Consumer Internet companies raised over US\$8 billion in PE / VC capital spread over 400 deals, giving rise to 9 new unicorns. Edtech and hyperlocal segments led the investment activity, together accounting for over 40% of 2020 investments and witnessing 5x and 2x growth in funding value respectively over 2019. Fintech and social commerce continued to witness traction by investors as the pandemic significantly increased online transactions and interactions.⁶

Overall funding summary

*Excluding Jio investments

PE/VC Summary						
	2018		2019		2020*	
Sector	\$ of Funding	# of Deals	\$ of Funding	# of Deals	\$ of Funding	# of Deals
Edtech	742	18	325	28	1,833	59
Hyperlocal	1,637	15	617	23	1,642	30
FinTech	348	23	1,391	68	982	63
Social	200	14	481	41	565	53
Logistics Tech	78	10	984	24	463	23
B2C (Horizontal & Vertical)	1,002	32	1,241	45	360	36
Online classifieds and Services	236	11	426	34	417	18
Gaming	104	4	114	10	346	10
Wallets/Payments	564	8	1,275	15	334	21
Mobility	387	16	883	35	252	20
HealthTech	260	22	537	31	236	34
B2B	540	16	923	22	138	22
Travel & Hospitality	1,026	8	1,152	19	131	10
Agritech	41	1	156	14	49	17
Others	229	16	163	20	435	28
Total	6,652	196	10,341	401	8,183	444

At the height of the pandemic period (Apr-June '20) saw a considerable dip in terms of investments, the subsequent quarters saw a marked improvement especially in segments that witnessed double-digit growth rates and leading adoption. Following is an overview of investments across sub-segments

2020 - Quarter-wise break-down of investments

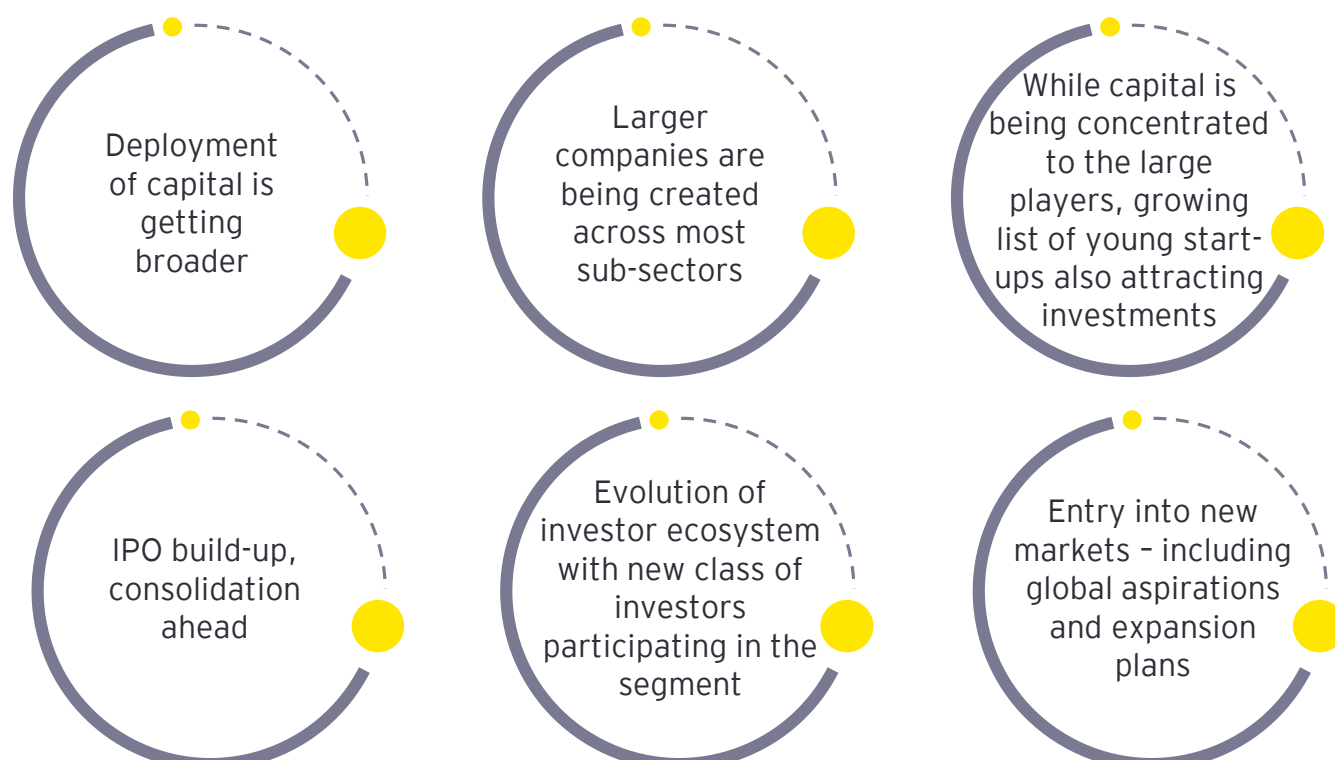
PE/VC Summary								
	Jan-Mar '20		Apr-June '20		July-Sept '20		Oct-Dec '20	
Sector	\$ of Funding	# of Deals	\$ of Funding	# of Deals	\$ of Funding	# of Deals	\$ of Funding	# of Deals
Edtech	544	14	32	8	989	22	269	15
Hyperlocal	279	5	135	10	254	10	974	5
FinTech	271	15	168	13	316	19	227	16
Social	17	7	72	13	170	17	306	16
Logistics Tech	6	3	37	8	1	1	419	11
B2C (Horizontal & Vertical)	75	7	66	6	146	11	74	12
Online classifieds and Services	30	6	175	6	1	1	212	5
Gaming	2	1	3	2	340	6	1	1
Wallets/Payments	130	6	90	9	3	2	111	4
Mobility	198	9	4	4	40	4	10	3
HealthTech	149	6	32	9	39	10	16	9
B2B	52	9	1	2	39	6	47	5
Travel & Hospitality	19	3	47	4	59	2	5	1
Agritech	3	1	29	3	8	6	9	7
Others	95	6	209	9	1	6	130	7
Total	1,869	98	1,100	106	2,404	123	2,810	117

The Indian e-commerce segment is witnessing increased activity in small size investments, giving impetus to young start-ups. Over 75% of the PE/VC deals over the past two years have been small-ticket investments, indicating an increase in early stage investments year-on-year. ⁷

Size of raise by companies across sub-segments

	2019				2020			
	0-15mn	15-50mn	50-100mn	100mn+	0-15mn	15-50mn	50-100mn	100mn+
Segment	Companies	Companies	Companies	Companies	Companies	Companies	Companies	Companies
Ed-Tech	13	2	-	1	40	3	-	3
HyperLocal	6	3	2	2	11	1	1	3
Fintech	28	12	4	4	38	11	5	1
Social	19	1	1	2	41	2	2	2
Logi-Tech	7	3	-	3	12	3	-	2
B2C (Horizontal & Vertical)	26	3	1	3	23	3	2	-
Online Classified	15	4	4	-	12	2	-	2
Gaming	6	1	1	-	7	1	1	1
Wallets / Payments	7	3	2	1	12	4	2	-
Mobility	7	3	1	3	13	3	1	-
HealthTech	14	6	1	1	27	3	0	1
B2B	12	4	1	1	16	3	0	-
Travel & Hospitality	6	2	2	2	8	1	1	-
Agritech	-	-	1	-	17	-	-	-
Others	9	3	-	-	20	2	2	1
Total	175	50	21	23	297	42	17	16

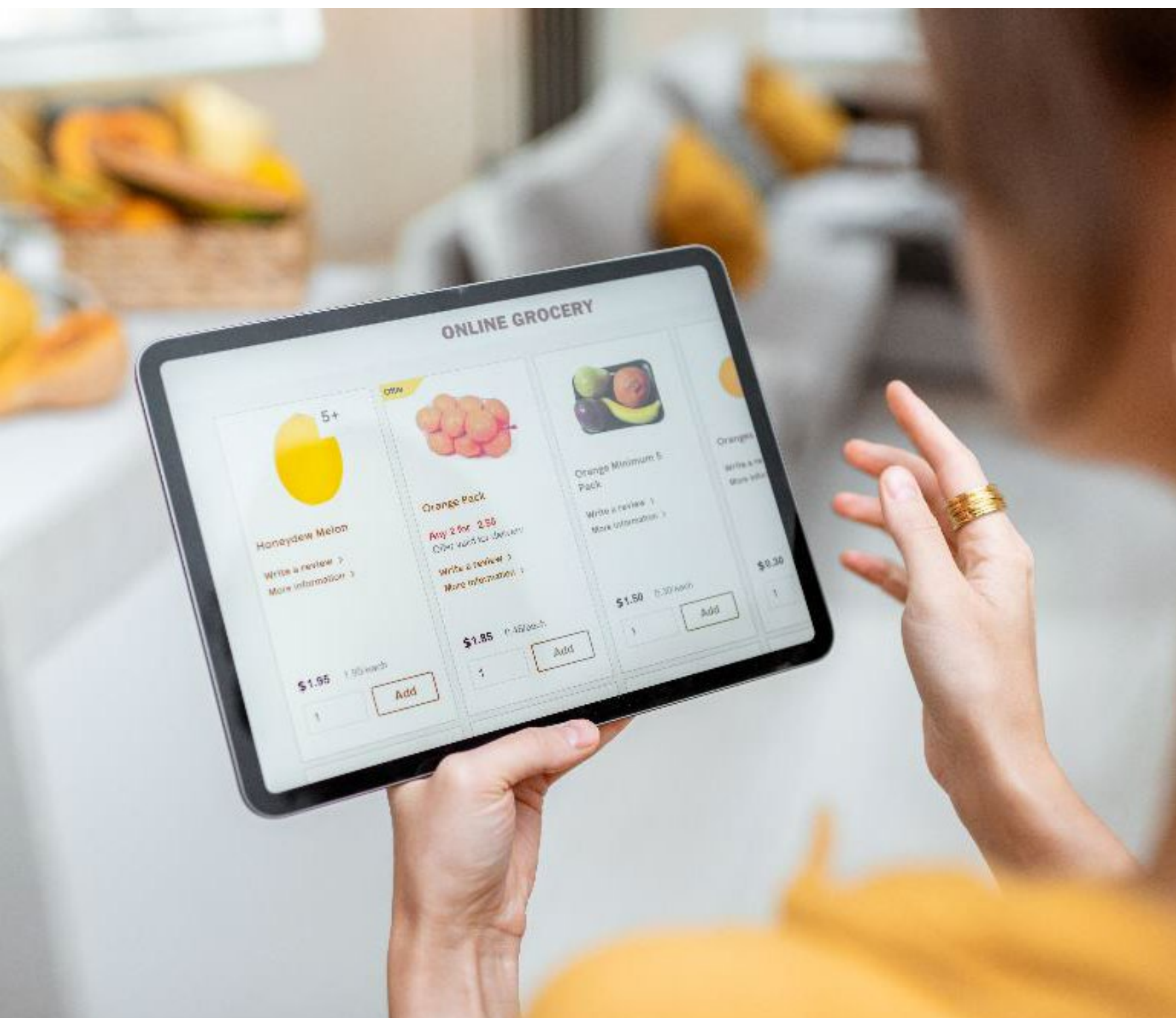
Emerging themes



Majority of funding is towards building supply chain; expanding into new segments; global expansion; acquisition or consolidation; bring innovative product offerings to the market.

The growth projected in the sector, certainly augurs well for not only companies but also investors. There is also a new class of angel investors comprising experienced professionals and successful entrepreneurs who are investing alongside institutional investors, which helps investee companies source talent, gain operational and strategic benefits. Looking at this space, execution of strategies for better operational management and unit economics as well as greater control on the cash burn are important; but companies also need to constantly innovate and engage consumers more effectively to continue on the journey of keeping them online.

As E-commerce and consumer internet companies explore newer sectors, leverage advanced technologies, and tap into unexplored talent pools; are poised to have a deep impact and play a crucial role in the future of consumerism.



EdTech

challenging the traditional

Education industry in India has developed significantly over the last few years. Now, however, it faces challenges such as shortfall of 1 million teachers and unequal distribution of current teaching staff. Nearly 0.4 million schools have less than 50 students each and a maximum of only 2 teachers. The EdTech sector, equipped with technology and innovative models, is creating new learning methods and extending the accessibility and reach of education system via online channels.



Start-ups such as Byju's, Udacity, Vedantu and Edureka are making use of deep tech such as AI, VR and analytics to come up with interactive, personalized and user-friendly one-stop knowledge banks

Increase in digitization, rapid growth in the start-up ecosystem, the ever evolving consumer base and the COVID-19 situation has given the EdTech sector a huge growth opportunity. With millions of students made to sit at home, their urgency in shifting towards online education was obvious and this is what led to the required boost for this sector. The impact is visible not only from the rise in EdTech adoption but also from the positive investor thrust foreseeing a huge market opportunity in the sector.

US\$2.8 billion
EdTech market size in India
2020⁸

37 million+
Paid EdTech users by
2025

Key product categories

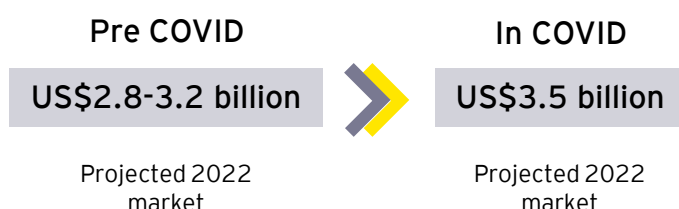
- ▶ **Primary and secondary supplemental education** - Courses offered currently act as supplements to classroom education
- ▶ **Test preparation** - focus on competitive exams
- ▶ **Re-skilling and online education** - designed for working professional
- ▶ **Higher education** - forms a part of the formal education system
- ▶ **Language and casual learning** - acts as a supplement and substitute to offline alternatives

COVID impact

The year 2020 might have been a tough year for startups across India, but it was the year of being at the right place at the right time for India's EdTech companies. Year 2020 saw India's EdTech startups raise over US\$2.2 billion in funding, with BYJU'S alone accounting for US\$1.4 billion. BYJU'S became the world's most valued EdTech startup, Unacademy joined the unicorn club with a valuation of over US\$2 billion.

The COVID-19 pandemic has accelerated the growth of EdTech sector in India as the market size of EdTech in India is estimated to grow 3.7x in the next five years, from US\$2.8 billion in 2020 to US\$10.4 billion by 2025.

Market size projections (pre-COVID vs. during COVID) ⁹

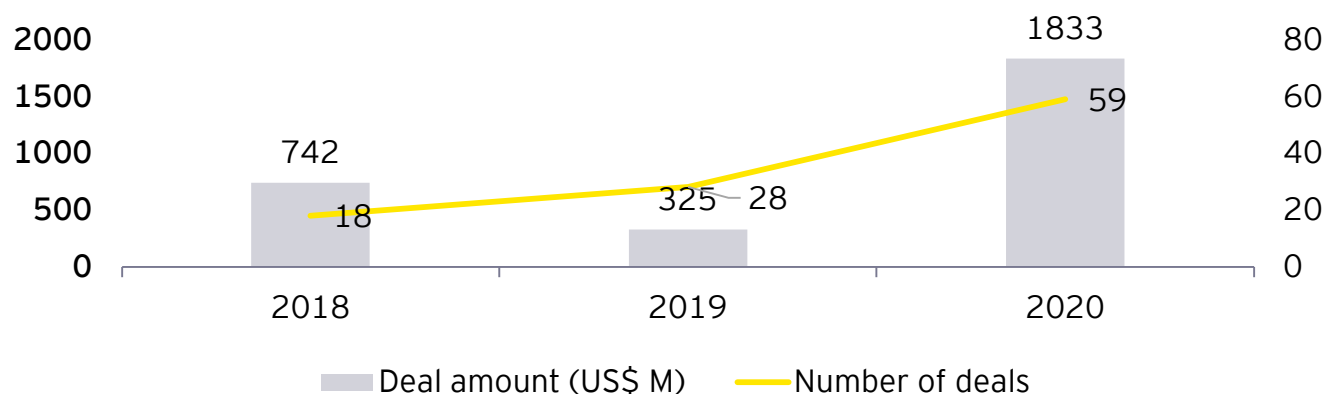


Rise in funding (pre-COVID vs. during COVID)



Transaction activity

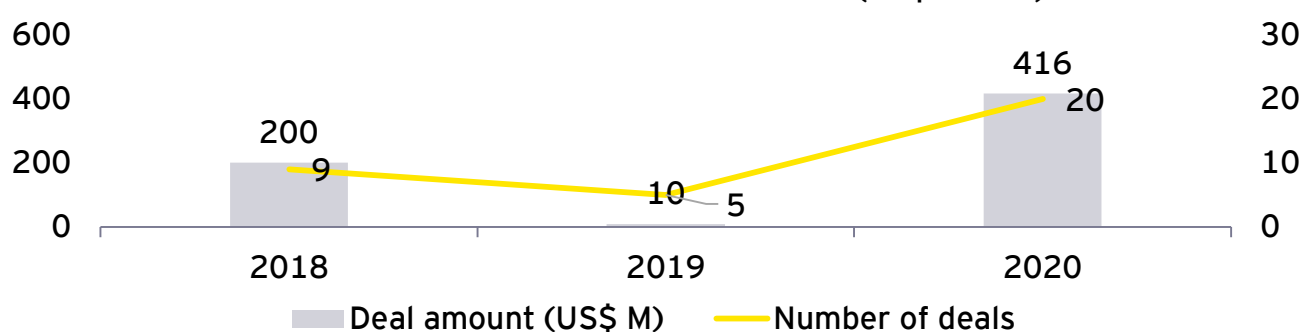
PE/VC investments in the EdTech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- Funding, a key factor contributing to EdTech growth also saw a substantial shift during COVID. Major portion of the funding in 2020 is accounted by Byju's, Unacademy and Vedantu
- Byju's raised approx. US\$1.2 billion in 2020 while Unacademy and Vedantu raised over US\$260 million and US\$100 million respectively in the year
- Key investors in the segment include, Tiger Global, Silver Lake Management, DST Global, Nexus Ventures, Sequoia Capital India, General Atlantic Pvt. Ltd., SoftBank Vision Fund 2 and Blume Venture Advisors

M&A in the EdTech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- The number of M&A deals rose to 20 in 2020, from 5 in 2019.
- The deal amount increased drastically as compared to 2019 due to two large deals: Byju's acquisition of WhiteHat Jr. and Sorting Hat tech's acquisition of Prepladder, showcasing the increasing trend towards inorganic route adopted by players to grow further.

New business models: EdTech players are strategizing and restructuring their business models to not only provide innovative solutions but also improve accessibility and adoption by catering to a vast and varied audience.

Catering to niche domains



Companies are focusing on specialized skills such as software coding. In Aug 2020, BYJU'S acquired coding platform WhiteHat Jr. in a US\$300 million deal to cater to the coding segment¹⁰

Cloud-based platforms



Integration of cloud with education is gaining popularity. Smart cloud-based platforms provide academic services such as online assessments, online classes, and homework solutions

B2B EdTech startups



The B2B EdTech startups and services, which enable teachers and educational institutions to take their work online, are gaining momentum as the schools and tuitions remained shut.

Emerging trends in Indian EdTech sector

Companies focusing on vernacular learning to expand user base

EdTech vernacular language learning continues to be one of the biggest trends in the market as only 10% of India's population can speak English¹¹. Vernacular incorporation is key to capturing a larger market. Leading edtech players are developing the majority of their learning modules in regional languages.

Personalized and adaptive learning

Adaptive learning provides study material based on the student's proficiency and their knowledge level to facilitate self-paced learning. This reduces standardization and commoditization of offerings, and provides customized experience to individual users.

Gamification to provide unique learning experience

EdTech space saw a rise in gamification technology adoption. Examples of such include incentive-based learning, level advancement badges, likes etc. as methods to drive engagement and enhance experience. Hyderabad based edtech start-up EduThrill uses AI/ML-based gamified assessment for competitive exams.¹²

Venturing outside K-12 to cater to other skill development domains

Startups are now providing platforms to teach, train and engage the working population. For instance, Suraasa, offering e-learning platforms to Indian teachers to upskill themselves. Mumbai-based online upskilling academy for kids caters to bridging the gap between school education and professional careers.

Adoption of experiential technologies such as VR/AR/AI classrooms

AI continues to transform ed-tech via the automation of learning resources such as online classes and assessments. Companies are also leveraging AR/VR technologies to give better learning experience to the students, while Big Data and AI are playing a significant role to create custom content.

Key PE/VC deals in Edtech sector in 2020

Target	Investors	Total funding (\$mn)
Think and Learn (Byju's)	General Atlantic Pvt. Ltd., Owl Ventures, Tiger Global Management LLC, Silver Lake Management, LLC, Alkeon Capital Management, LLC, BlackRock, Inc., Sands Capital Management LLC, T. Rowe Price Group Inc., DST Global	1,222.0
Sorting Hat Technologies (Unacademy)	Nexus Ventures IV Ltd., Sequoia Capital India V Ltd., Facebook Inc., General Atlantic Pvt. Ltd., SoftBank Vision Fund 2, Blume Venture Advisors Pvt. Ltd., Steadview Capital Master Fund Ltd, Facebook,	260.0
Vedantu Innovations Pvt. Ltd. (Vedantu)	Coatue, Tiger Global, GGV, Omidyar, Westbridge, Legend Capital, Omidyar Network	113.0
Toppr Technologies Pvt. Ltd. (Toppr)	Kaizen Private Equity II, Foundation Holdings	49.0
Cue Learn Pvt. Ltd. (Cuemaths)	CapitalG, Sequoia Capital India V Ltd., Manta Ray Ventures, Alpha Wave Incubation Fund, LGT Lightstone Aspada, Trifecta Capital	41.3

Key M&A/strategic investments in Edtech sector in 2020

Target	Investors	Total funding (\$mn)
WhiteHat Education Technology (Whitehat Jr.)	Think & Learn Pvt Ltd (Byju's)	300.0
Prepladder Pvt Ltd (Prepladder)	Sorting Hat Technologies Pvt Ltd (Unacademy)	50.0
TalentSprint (Talentsprint)	NSE Academy Limited	35.0
Applect Learning Sys (Meritnation)	Aakash Educ Svcs Ltd	7.0
Sunrise Mentors (Coding Ninjas)	Info Edge (India) Ltd	5.2

To the point

“ While digitized education offerings have around for a while, they have truly found their foothold amongst students and educational institutions both globally and in India during the pandemic. Digitizing learning content has been imperative, keeping in mind the affordability, accessibility, and inclusiveness of the large trainable youth population. Edtech saw growth in many disciplines, including primary and supplementary education, test preparation, reskilling and online certifications, and language learning.

EdTech has the power to create efficiencies, cut costs and enable new levels of standardization and democratized access. With a promising growth story aided by a significant uptake in Bharat. We expect the trend to continue especially in the B2B education space as educational institutions look to digitize and better engage students along with disrupting the traditional tutor market. It's important to remember there are many segments within the ed-tech space - test prep, coding, upskilling, reskilling, etc. and start-ups in the space will continue to gain traction as they are better placed in the post-pandemic world

”

FinTech

innovating for the next decade

Future of the Indian Fintech industry looks bright, on the back of rise of start-ups in this space, increasing penetration of smart phones, contiguous build-up of the digital infrastructure and over all streamlining of financial process in many industries.

As of March 2020, India and China accounted for the highest fintech adoption rate in the world's emerging market. India stood at an 87% adoption rate compared to the 64% global average.



UPI payments have skyrocketed with online banking becoming the new convention in the country. Around 1,000+ fintech start-ups in India spread across diverse areas such as digital lending, digital payments and wealth management are offering impressive emerging tech-based solutions. Investments industry category is also getting traction from users as retail investors are opting the new discount brokers for investments in IPOs, mutual funds and ETFs, etc.

Major players such as PayTM, PhonePe, Groww and Zerodha have witnessed exponential growth in user activity as people transitioned to digital solutions for their banking, payment and investing needs. Total investments in India's FinTech sector crossed the US\$10 billion¹⁴ mark over the last four and half years (CY16 to 1H20). Out of total 21 unicorns in India, around one-third are fintech companies, PayTM being the highest valued unicorn, at US\$16 billion.¹⁵

INR1.9 trillion

FinTech market size in India in 2019¹³

22.7% CAGR

Growth of FinTech during 2020-25

1,000+

FinTech startups in India

Key product categories

- ▶ **Lending** - offers loans to individuals and small businesses
- ▶ **Capital markets** - collaboration with investment banks to reduce structural costs and enable enhanced regulatory compliance.
- ▶ **Banking and insurtech** - alternative to traditional banking and online insurances etc.
- ▶ **Payments** - users can make peer-to-peer transfers using wallets and UPI
- ▶ **Investments** - platforms for retail investments such as trading

COVID impact

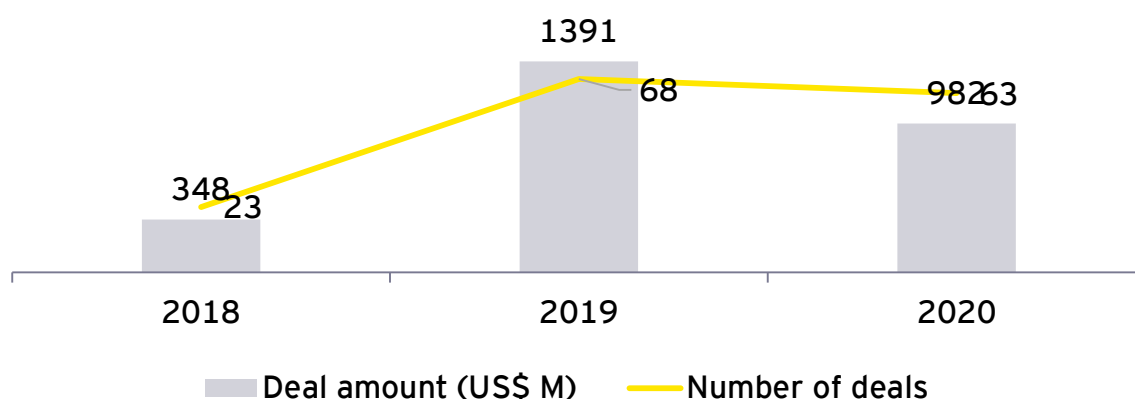
With the Indian government taking a number of measures and consumer sectors reviving from the COVID impact, Indian Fintech is poised for strong sustainable growth. While some Fintech subsectors such as MSME digital lending are facing temporary downturn, but other sectors such as digital payments and Insurtech have actually taken a boost driven by the Indian customer increasingly going digital amidst COVID.

India has emerged as Asia's biggest destination for FinTech deals, leaving behind China in the quarter ended June 2020. Amid COVID-19, India has seen a 60% YoY increase in fintech investments to US\$1.5 billion in 1H20. Indian FinTechs raised around US\$3.2 billion in equity funding in 2019-20 but the fundraising activity slowed after the spread of COVID.

Vertical ¹⁶	Growth since FY18	COVID Impact	Growth potential (Until FY22)
Mobile Payments	>200%	↑	~60%
Insurtech	>100%	↑	~70%
MSME Digital Lending	>70%	↓	~70%
Wealthtech	NA	↑	45%

Transaction activity

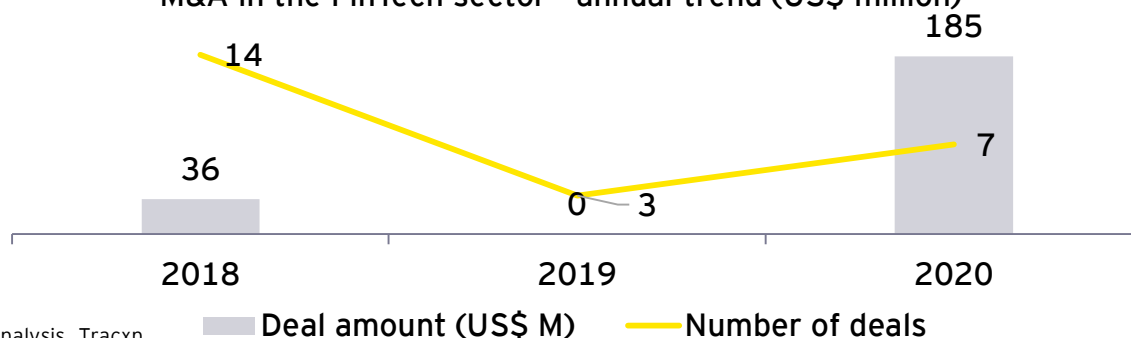
PE/VC investments in the FinTech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- Banks are investing in upgrading their technologies and are partnering with FinTechs to overcome the constraints faced by the legacy systems of these traditional institutions. November 2020 has seen a number of fintech investments which is a positive sign considering the ongoing pandemic situation.
- Key investments in 2020 were Policybazaar's funding of US\$130 million from Softbank, Godigit's US\$84 million funding from TVS Capital Funds Pvt. Ltd., Faering Capital Pvt. Ltd., A91 Emerging Fund I LLP and CRED's US\$80 million funding from Sequoia Capital India V Ltd., Ribbit Capital LP, Tiger Global Management LLC etc.

M&A in the FinTech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- The number of M&A deals rose to seven in 2020, from three in 2019. The deal amount increased as compared to 2019 due to two large deals: PayU's acquisition of Paysense Svcs India Pvt Ltd and IIFL Securities Ltd acquisition of Giskard Datatech Pvt Ltd.

As fintech segments matures, fintech start-ups are venturing into niche solutions and offerings to provide innovative solutions.

Emergence of neobanks



The year 2020 saw the advent of neobanks, financial service providers entirely digital with no branches

Growth of aggregators



Insurtech start-ups have set an example of aggregator model. These platforms provide the option to compare financial services offerings

Vertical specific solutions



FinTech startups are venturing into vertical-specific solutions. Rural insurtech platform provides insurance to farmers, a significantly underbanked population in the country

Emerging trends in Indian FinTech sector

Rising adoption of blockchain to enhance security

Given that financial transactions are subject to threats and attacks, the security shall continue to grow in importance. For instance, FinTech products utilizing blockchain can provide better credit risk analysis in the lending sector. As of now, 11 Indian banks have planned to introduce and execute a blockchain-based loan system for small and medium enterprises (SMEs) in India. ¹⁷

Voice-based commerce is providing ease of use of payment platforms

FinTech has seen the growing accessibility to newer technologies such as smart speakers, which has helped people access information with simple voice commands. Startup called ToneTag uses sound waves to enable offline, proximity-based contactless payments on any device.

AI and big data adoption for enhanced personalization

Fintech players are focused to improve the customized arrangement and administration to suit the customer experience. Companies are leveraging AI and Big Data in personalization for better risk identification, fraud reduction, automated trading process and secure payment process.

Collaboration between industry players to customize offerings

In the coming years there will be the time of smart collaboration, that is, the partnership between Fintech corporates and innovators where corporates invest in Fintech to purchase solutions. Banks are collaborating with FinTech to clear out irregularities and provide a frictionless customer experience such as online bank account opening and KYC, etc.

Emergence of micro-lending platforms

As business activity returns to regular and business owners rebuild their enterprises, there is an uptrend in micro-lending startups that work with banks to process personal loans efficiently and digitally. The quick processing time will help businesses get on track quicker, while digitizing loan applications.

Key PE/VC deals in Fintech sector in 2020

Target	Investors	Total funding (\$mn)
ETechAces Marketing and Consulting Pvt. Ltd.(Policy Bazaar)	Softbank	130.0
Go Digit General Insurance Ltd (Digit Insurance)	TVS Capital Funds Pvt. Ltd., Faering Capital Pvt. Ltd., A91 Emerging Fund I LLP	84.0
Dreamplug Technologies Pvt. Ltd. (Cred)	Sequoia Capital India V Ltd., Ribbit Capital LP, Tiger Global Management LLC, Hillhouse Capital Management Ltd., DST Global	80.0
MWYN Tech Pvt. Ltd. (ClearTax)	Megadelta Capital Advisors LLP, Prime Venture Partners, RTP Global Advisors, Sequoia Capital India Advisors Pvt. Ltd.	70.1
Khatabook Inc (Khatabook)	GGV Capital, RTP Ventures, Tencent Holdings Ltd., B Capital Fund L.P., DST Global, Falcon Edge India I LP, Hummingbird Ventures Comm. VA, Rocketship.vc, Sequoia Capital India Advisors Pvt. Ltd., Unilever Ventures Ltd., Kunal Naresh Shah, Kunal Bahl, Rohit Kumar Bansal, Kevin Weil	60.0

Key M&A/strategic investments in Fintech sector in 2020

Target	Investors	Total funding (\$mn)
Paysense Svcs India (Paysense)	PayU Global BV	185.0
A&A Dukaan Financial Services Pvt Ltd- Mutual Fund Distribution Business of Bank Bazaar	Choice Wealth Management Pvt Ltd	NA
Ant Creditex Technologies (Qbera)	Incred Management & Technology Services Pvt Ltd	NA
Etechaces Mktg & Consulting (PB Fintech)	Undisclosed Acquiror	NA
Giskard Datatech Pvt Ltd (Trendlyne)	IIFL Securities Ltd	NA

To the point

“ This investment magnet of a segment is growing from strength to strength and is charging ahead in terms of innovation and adoption. While we have seen a few companies grow in their primary segments of Fintech, the zest to expand into other segments is equally admirable, fintech companies in India are spread across various categories online lending, insurance tech, wealth management platforms, credit, and working capital lending, helping bring in greater transparency and quick access

A lot of companies today (even those not in the financial services map), are vying to penetrate and provide service offerings for participants in the ecosystem especially considering their rapid and sticky adoption. We have witnessed success stories and phenomenal valuations coming across in the sectors not just for unicorns but even mid-sized players. However, the penetration and play for the sector is just a scratch on the surface to begin a deep structural change that could be witnessed by India and the sector in the coming decade. ”

Gaming

Competition in the digital era

India's gaming industry is valued at US\$930 million and is ranked number one in the world. According to the All India Gaming Federation, online gaming grew 12% during the lockdown period, with a remarkable growth in online card games and digital sports.¹⁸

¹⁸ Gaming, Invest India website,
<https://www.investindia.gov.in/sector/media/gaming>



Mobile gaming makes the largest share of the gaming market because of access to affordable smartphones growing at 15% YoY for the past five years in India, high-speed 4G internet penetration and the world's lowest data tariffs. Together with the rise of mobile games, these factors feed into India's youth having a growing appetite for content.

At its peak, PUBG Mobile had an estimated 34 million Indians playing daily. Indians alone were responsible for downloading the battle royale genre title a whopping 175 million times.¹⁹

Homegrown game developers focus on customisation of content as they look to adapt to local languages. Some of the key mobile game developers in India include Red Apple Technologies, Octro, 99 Games and Games 2Win. To further push the Local game developers Delhi-based VC Lumikai launched its first fund (corpus undisclosed) in August 2020, and looks to invest in 15 to 20 early-stage gaming and interactive media startups in India.²⁰

US\$930 million

India gaming market size

628 million

Estimated gamers in
India in 2021

300+

Gaming startups in India

Key product categories

- ▶ **Console gaming** - this consists of an interactive computer and a display, using which games are played
- ▶ **Mobile gaming** - It comprises gaming applications that are played on mobile devices
- ▶ **PC and digital TV gaming** - PC games include browser PC games and downloaded/boxed PC games that are usually available on CDs, DVDs and online websites

COVID impact

Covid-19 has further pushed the growth of gaming industry in India as users latched on to online gaming platforms in absence of entertainment options during lockdown.

Most of the online and real money gaming platforms, including MPL, WinZO and Paytm First Games, reported a big jump in traffic, user base and time spent on gaming in 2020. Paytm First Games saw 200% growth in user base and a four-fold increase in gameplays in the first half of 2020.²¹

41%

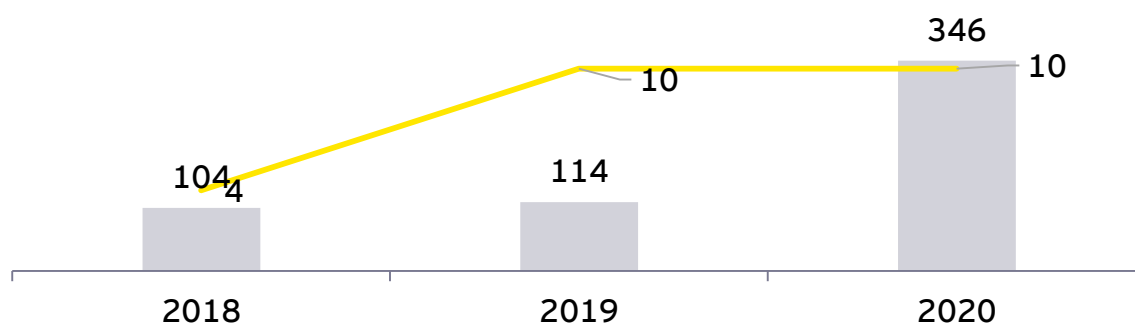
Increase in time spent by
Indian users on gaming

197
million

Mobile game downloads
in a single week

Transaction activity

PE/VC investments in the gaming sector - annual trend (US\$ million)

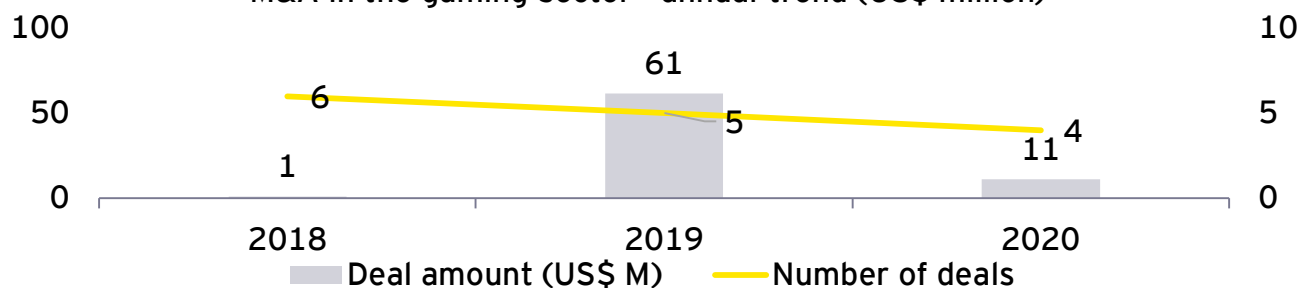


Source : EY analysis, Tracxn

■ Deal amount (US\$ M) — Number of deals

- ▶ The online gaming boom triggered by the coronavirus pandemic has channelled hundreds of millions of dollars into Indian gaming startups. There is equal interest from financial institutions as well as strategic capital looking for partnerships and acquisitions in India.
- ▶ Fantasy sports startup Dream 11 raised US\$225 million in September 2020. Mobile e-sports platform Mobile Premier League (MPL) raised US\$95 million, moving closer to the unicorn club with a valuation of US\$945 million. Some of the key investors in gaming sector were Tiger Global Management LLC, TPG Tech Adjacencies, L.P., ChrysCapital Investment Advisors India Pvt. Ltd., Footpath Ventures SPV I LP etc.

M&A in the gaming sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

■ Deal amount (US\$ M) — Number of deals

- ▶ Key M&A deals in the gaming sector were: Acquisition of Mech Mocha Game Studio by Flipkart to increase the gaming userbase of its platform GameZone. Mech Mocha runs a regional language social gaming platform, Hello Play, which essentially builds for Bharat and not for urban users who typically consume global games.

Gaming platforms are moving from a model dependent on download volumes and advertisements to one with diversified revenue streams built on consumer engagement and elevated experience levels.

On-demand, subscription model



Gaming platforms are coming up with subscription model for casual gamers, keeping the prices so low that consumers don't want to take the pains to pirate the game.

Cross selling with apparels/merchandise



Some gaming companies are selling merchandise through their free games. They are also exploring partnerships with entertainment sector and creating specific games based on Bollywood /cricket etc.

Emerging trends in Indian gaming sector

Homegrown game developers creating localized games

Many homegrown game developers are introducing made-in-India localized games such as Teen Patti and Rummy, leading to a rise of homegrown games. Online gaming platform announced a launchpad to Indian gaming studios and developers who develop content with a special focus on Indian culture and folk tales.

Rise of esports in the country

E-sports has a huge potential in the Indian market because of the high youth population. The e-sports segment has online gaming has witnessed significant growth in India in the past few thanks to proliferation of high-end smartphone at affordable prices, as well as the rise of mobile games such as PUBG Mobile, Free Fire, Clash of Legends, Call of Duty Mobile among PC and console games. The aggregate revenue of e-sports startups and companies in India reached US\$68 million in FY2020 and is projected to grow by CAGR 36% over three years.²²

Casual gaming which is targeted at mass market audience sees an increase

There has been a huge growth for publishers who have produced innovative games such as Ludo King. Social competitive multiplayer games seem to have been well accepted and many companies are focusing on this format of casual games. Casual games in India are projected to account for 15% of the gaming industry in 2022²³

AR and VR based games gaining popularity

With the rise in market share of Xbox, PS4 and other gaming consoles in India, VR games are gaining traction. A leading consumer electronics firm announced its plans to launch Cloud-based virtual reality (VR) gaming service in India under which it will launch a wide range of VR games for head- mounted displays connected to its 5G network in partnership with other developers.

Real money gaming attracts more India users

Real money games are the ones wherein gamers have to put in some money in order to get a higher amount in return or cash back benefits The first wave of real money games in India was started with Adda 52, Rummy, Poker and then came the second wave of fantasy games driven by the likes of Dream 11, MPL etc.

Key PE/VC deals in gaming sector in 2020

Target	Investors	Total funding (\$mn)
Sporta Technologies Pvt. Ltd. (Dream11)	Tiger Global Management LLC, TPG Tech Adjacencies, L.P., ChrysCapital Investment Advisors India Pvt. Ltd., Footpath Ventures SPV I LP	225.0
Galactus Funware Technology Pvt. Ltd. (Mobile Premier League)	Pegasus Tech Ventures, Go Ventures, MDI Ventures, RTP Global Advisors, Sequoia Capital India V Ltd., SIG Global India Fund I, LLP, Base Partners	90.0
Tictok Skill Games Pvt. Ltd. (WinZO)	Kalaari Capital Partners III LLC, Courtside VC, FinAdvantage Consulting Pvt. Ltd., Makers Fund II Company Ltd.and others	18.0
Advergame Technologies Pvt. Ltd. (Gamezop)	F J Labs LLC, Survam Partners LLP, The Asian E-Commerce Alliance, Bitkraft Esports Ventures Management, LLC, Velo Partners	4.3
FJS Tech Pvt. Ltd. (Rheo)	Sequoia Capital Operations LLC, Lightspeed Management Company LLC, Gaurav Munjal, Phanindra Sama, Roman Saini, Hemesh Kumar Singh, Ranjit Radhakrishnan, Anushray Gupta, Dinesh Kumar Godara, Prashant Malik, Mahesh Narayanan	2.0

Key M&A/strategic investments in gaming sector in 2020

Target	Investors	Total funding (\$mn)
Livepools Pvt. Ltd.	i3 Interactive Inc.	8.0
Diode Gaming Solutions Pvt. Ltd	i3 Interactive Inc.	3.1
Mech Mocha Game Studios Pvt. Ltd.	Flipkart Internet Pvt Ltd.	NA
Score11 Fantasy India Pvt Ltd	Toyam Industries Ltd	NA
Livepools Pvt. Ltd.	i3 Interactive Inc.	8.0

To the point

“

2020 was a watershed moment for the online gaming segment as people turned to new entertainment avenues. The online gaming segment has also transformed into a new social space for people to engage in common interests. Live streaming games, e-sports, real-money gaming, and online fantasy sports have witnessed increased activity. As companies look to attract customers from length and breadth of the country, we could reasonably expect the localization of games to make games more relatable and improve engagement levels.

While regulations on the space have been up for debate, there is little doubt on the growth potential of the segment

”

B2C e-commerce

redefining retail

The rapid increase in the number of internet users has attracted a number of new budding entrepreneurs to set up establishments by flooding the market with innovative pricing and stocking practices (marketplace vs inventory) while traditional players (brick and mortar stores) are catching up. Availability of numerous choices in terms of brands, discount offers, reduced delivery time, personalization, cash on delivery, digital payment infrastructure and easy returns have been major factors for development of the B2C e-commerce.



Companies are creating an omni-channel presence, blending online shopping and offline retail to overcome trust issues of customers. Leading e-tailers in India are planning to open brick-and-mortar stores. Digital B2C companies have also invested in creation of brands which attract young millennial crowd comprising of a majority of the online shoppers who tend to be more brand conscious. These companies are forming innovative product bundles aligned with the needs of customers and thus ensuring greater customer engagement.

Through its Digital India campaign, the Government of India is aiming to create a trillion-dollar online economy by 2025. India e-commerce is expected to reach US\$99 billion by 2024, growing at a 27% CAGR over 2019-24, with grocery and fashion/apparel likely to be the key drivers of incremental growth. Online penetration of retail is expected to reach 10.7% by 2024, versus 4.7% in 2019, while online shoppers in India are expected to reach 220 million by 2025.²⁵

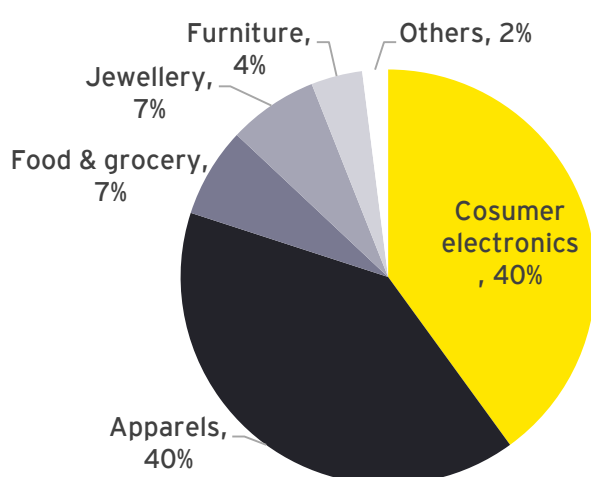
US\$99 billion

India e-commerce market size by 2024²⁴

27% CAGR

Growth rate during 2019-24

Shares of various segments in e-commerce retail by value (2020)



The online retail market in India is estimated to be 25% of the total organized retail market and is expected to reach 37% by 2030.²⁷

COVID impact

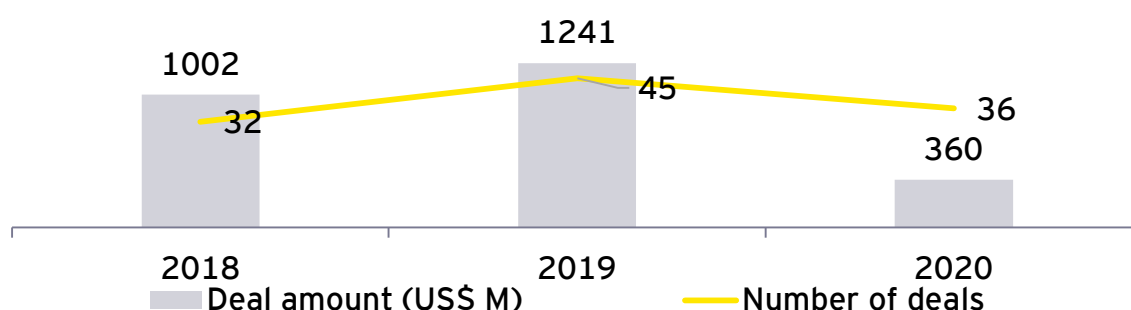
Pandemic has accelerated the e-commerce industry in India by a decade, revolutionizing the way brands operate, run, and grow their businesses, as well as how consumers choose to shop and pay.

As per Nielsen India's E-commerce consumer panel, there was a double rapid increase in average spend of online shoppers for various categories.

Vertical ¹⁶	Growth since FY18	COVID Impact
Electronics and accessories	39%	↑
Mobile and accessories	12%	↑
Apparel, footwear and accessories	10%	↑
Appliances such as TV and refrigerators	9%	↑

Transaction activity

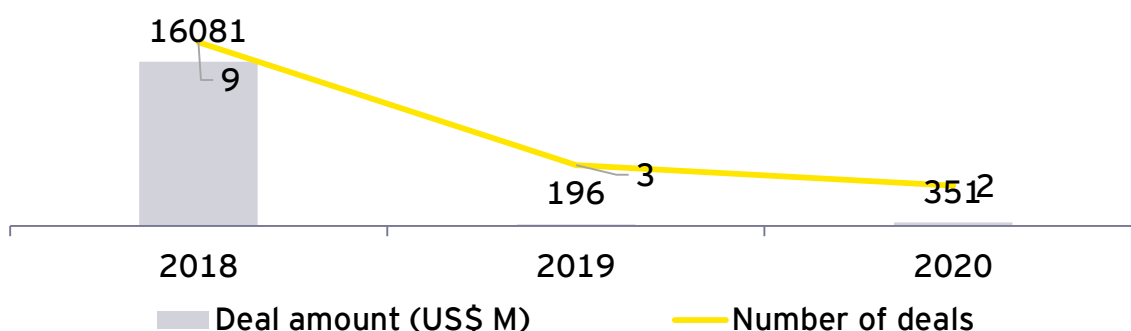
PE/VC investments in the B2C sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- Influx of capital in case of B2C has been primarily to support supply chain, expansion into new segments, global expansion, acquisition or consolidation, and to bring innovative product offerings to the market. The B2C e-commerce scenario is ripe and growing which is attracting a lot of attention from international companies as well
- Key investments in India's B2C sector were: US\$90 million investments in LiveSpace and US\$52 million investment in BigBasket. Key investors include Venturi Partners, Bessemer Venture Partners LP, Goldman Sachs, TPG Capital Inc., CDC Group Plc, Alibaba.com India E-Commerce Pvt. Ltd. Etc.

M&A in the B2C sector - annual trend (US\$ billion)



Source : EY analysis, Tracxn

- Key M&A deals in the B2C sector were: Acquisition of Uber Eats India by Zomato for US\$351 million to further increase its userbase and market share. Stake acquisition of Urban Ladder by Reliance Retail for US\$24 million, which will give access to Reliance in the B2C space.

Direct to consumer models



B2C companies are selling directly to consumers, through digital channels and subscription services, bypassing traditional distribution channels, driving growth in digital capabilities such as payments, analytics and personalization.

Entry into adjacent segments



With rising millennial population companies are offering services to cater to the demands of the next-gen consumer, for example Flipkart forayed into the media streaming and the hyperlocal segment, while Amazon has entered the food delivery space

Emerging trends in B2C sector

Focus to bring personalization for customized needs of customers using analytics

In India, 77% of consumers have chosen, recommended, or paid more for a brand that provides a personalized experience. By 2021, more than half of the customers will expect from online companies to anticipate their needs and make relevant suggestions before they make contact.²⁸ This has led companies to focus on personalization to customers shopping online through AI/ML technologies and marketing integration.

Companies are expanding product portfolio through M&A and partnerships

Industry players are leveraging collaboration to expand and enter into new markets. A leading Indian conglomerate is looking to tap the online furniture market and global e-tailer recently announced collaboration with energy company to enable customers to book and pay for their LPG cylinders until the delivery.

Omnichannel is helping to enhance consumers' experience across channels

As per survey, 73% of Indian respondents are willing to spend more on convenience.²⁹ This is also evidenced by a rise in adoption of online shopping, especially in non-traditional categories such as groceries/medicines. Among all categories, both fashion brands and retailers have been proactive in adopting omnichannel as a part of their strategy. "Ship from store" and "Exchange of online purchase at the offline store" has been particularly high in its adoption given that it falls under high preference factors for customers. Numerous retailers have also opted for the "Click and Collect" model in fashion.

Vertical players are emerging to cater niche segments

Vertical eCommerce firms in segments such as beauty and fashion, grocery and home furnishings are gaining traction. Leading online beauty products brand became profitable in FY2019, bucking trend of ecommerce firms reporting losses.

Partnership between ecommerce players and FinTechs for credit facility

Ecommerce companies are collaborating with Fintech players to provide credit access to consumers for seamless shopping experience. For instance, an Indian e-tailer recently tied up with financial players to offer credit options for consumers at a time leading up to the country's annual festive ecommerce shopping season to help bolster sales. It has announced collaboration with 17 NBFCs and fintech startups to provide credits to over 70 million consumers on its platform.

Key PE/VC deals in B2C sector in 2020

Target	Investors	Total funding (\$mn)
Home Interior Designs E-commerce (Livspace)	Venturi Partners, Bessemer Venture Partners LP, Goldman Sachs (Principal Investments), TPG Capital Inc., Ingka Investments, UC-RNT Fund, Kharis Capital Advisory AG, Foncière, Financière et de Participations, EDBI Pte. Ltd.	90.0
Supermarket Grocery Supplies (Bigbasket)	CDC Group Plc, Alibaba.com India E-Commerce Pvt. Ltd.	51.8
TrendSutra Platform Services (Pepperfry)	Pidilite Industries Ltd., Bertelsmann Corporate Services India Pvt. Ltd., Goldman Sachs Group Inc., Norwest Venture Partners, State Street Global Advisors Funds Distributors LLC	40.0
Hit the Mark (Hopscotch)	IIFL Seed Ventures Fund I, RPG Ventures Ltd., Techpro Ventures LLP, LionRock Capital Pte. Ltd., Rise Capital, EE Capital Pte Ltd.	25.0
Merabo Labs (Dealshare)	Omidyar Network India Advisors Pvt. Ltd., Matrix Partners India III, Westbridge Capital Partners LLC, Alpha Wave Incubation Fund, Z3Partners	21.0

Key M&A/strategic investments in B2C sector in 2020

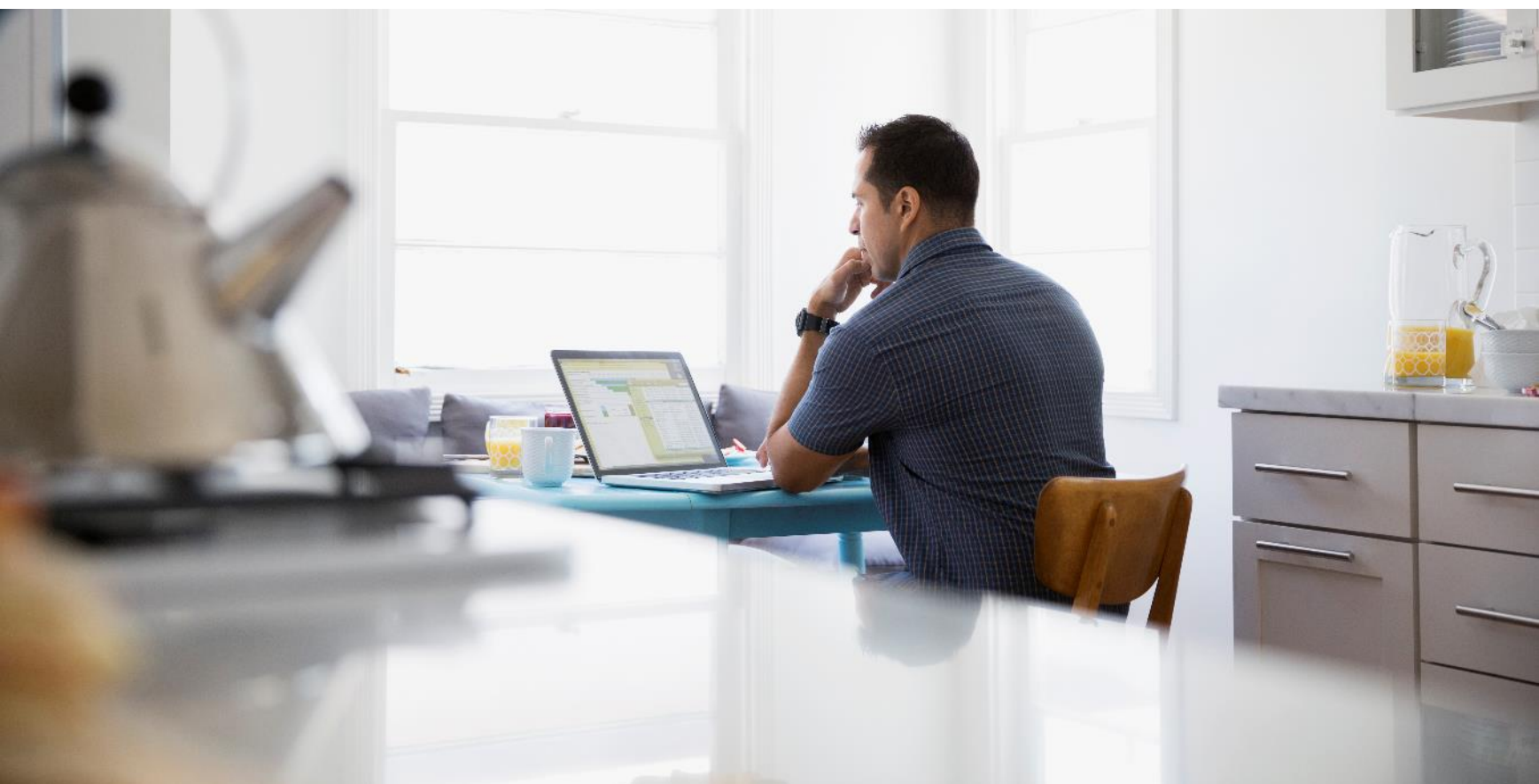
Target	Investors	Total funding (\$mn)
Flipkart Internet Pvt Ltd	Walmart Inc	1200.0
Uber Eats India	Zomato Media Pvt Ltd	351.0
63Ideas Infolabs Pvt Ltd (Ninjacart)	Walmart Inc.; Flipkart Internet Pvt Ltd.	30.0
Urban Ladder Home Decor Solutions Pvt Ltd	Reliance Retail Ventures Ltd	24.4
Getmeashop	Instamojo Tech Pvt Ltd	5.0

To the point

“ The year past by has opened the floodgates and it transforming traditional retail-like few others. D2C, omni-channel play, niche product categories, online stores, and offline experience stores are the key buzzword's that can be increasingly found in the vocabulary of online and offline B2C companies.

As one of the key segments to attract first-time buyers, players are also helping expand the ecosystem be it payments, digital supply chains, etc. Such an influx of new entrants is certainly causing increased competition and challenging unit economics, however, the lure of the segment continues with increased visibility and disappearing boundaries. We are in the midst of a gravitational shift as the segment continues to evolve and expand, and the trend of shoppers choosing online modes to shop moves from the outer boundaries to center stage.

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B2B e-commerce

bringing in efficiencies

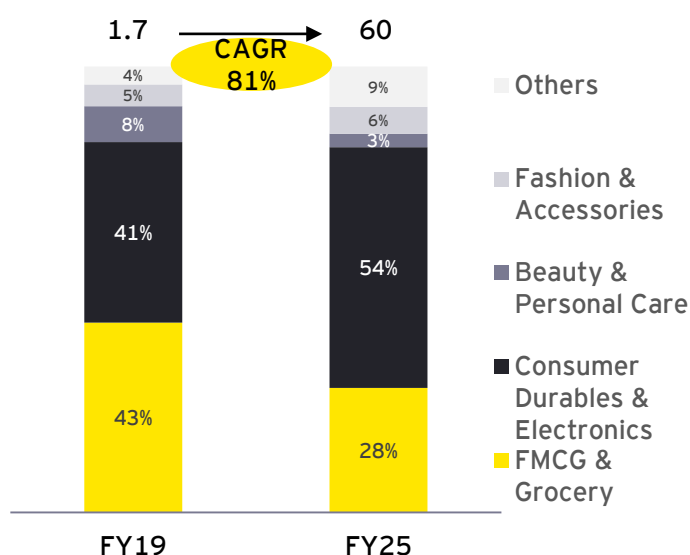
The traditional B2B commerce faces various challenges such as a long chain of intermediaries disrupting the supply-chain capabilities and end-user experience, shortage of supply chain financing and lack of credit facility for online deals. This is leading to rise of eB2B which offers higher capital efficiencies and effective digital supply chains. eB2B firms charge a small digital enablement and logistics fees and are bringing Flipkart and Amazon like experience to their trade by offering value-adds such as digital cataloguing, online payments and logistics which is leading to the growth of this model.



Government of India has allowed 100% FDI in B2B ecommerce in India, which has triggered the growth of the sector as global players are showing interest in the sector. Initiatives such as demonetization, goods and services tax (GST) and digital governance continue to act as tailwinds, encouraging the development and adoption of the digital economy framework. Though the back-to-back reforms turned out to be a road bump for a while for the business community, resulting into a tumbling economy. But, these policies came as a boon for the booming industry of e-commerce, particularly B2B e-commerce.

India is witnessing emergence of many B2B ecommerce players. Amazon Business is one of the largest B2B e-commerce platforms in India. There are other players such as Flipkart, Alibaba, Indiamart and Shopify. Over the last four to five years, several startups such as Udaan, ShopX, Ninjacart, Indiamart, Moglix, and Jumbotail have been trying to digitize the wholesale supply chain in India.

India eB2B retail market (US\$ billion)³⁰



Key product categories

- ▶ **FMCG and grocery** - local sourcing and efficient supply chain are expected to drive future growth
- ▶ **Consumer durables and electronics** - high penetration and acceptance of online channel in eB2C are expected to have a domino effect on eB2B
- ▶ **Beauty and personal care**: expected to slightly lag other segments on growth rates due to the lesser number of players operating in the market
- ▶ **Beauty and personal care**: increasing penetration in tier 2+ cities is expected to drive growth

COVID impact

B2B marketplaces are amongst the worst hit as most of their supplies are dependent on exports as well as imports. Industrial, safety and MRO supplies are severely affected, with most of the production lines for them based out of China. In the aftermath of the Coronavirus outbreak, factories aren't operating to their full capacity resulting in reduced production and contributing to the supply-demand inequity.

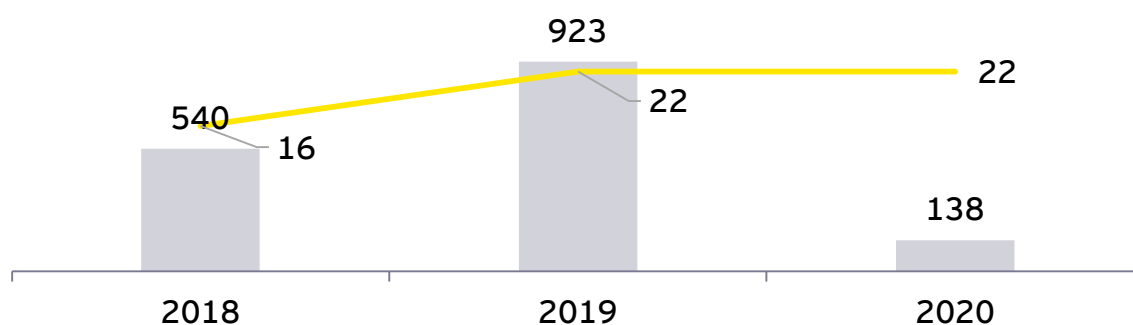
COVID had led grocery stores in India to accept payments and adopt various B2B platforms to replenish stocks during the lockdown. For instance, MaxWholesale, which operates largely in Delhi-NCR, saw kirana registrations double during the lockdown. It also added several warehouses during the lockdown. The number of stores registered on the platform has doubled to 20,000 in Aug 2020.³¹

COVID-19 fuels growth

- ▶ B2B e-commerce slowly gaining ground in India, For example, **post-COVID-19, ShopX**, a Bengaluru-based B2B start-up saw **two-times** increase in the signup of retailers on its app. ShopX was also able to increase its average order size by **40% per retailer from April to July 2020**.³²

Transaction activity

PE/VC investments in the B2B sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

■ Deal amount (US\$ M)

— Number of deals

- ▶ PE/VC investment in the B2B stage has been rising since this sector is still new, with potential to grow big in the future.
- ▶ The number of deals increased from 22 in 2019 to 23 in 2020. Recently Udaan raised US\$280 million from new investors Moonstone Capital Partners and Octahedron Capital, besides existing investors Lightspeed Venture Partners, DST Global, GGV Capita etc.
- ▶ Other key investments in the sector were US\$30 million funding of Bizongo by Schroder Adveq (Swiz Investor), others and US\$21 million funding of Zetwerk by Sequoia Capital India V Ltd., Accel India V LP, KAE Capital Fund II, Greenoaks Capital Partners LLC, Lightspeed India Partners II LLC.

B2B start-ups are exploring new streams of revenues to drive growth and build a sustainable business model.

B2B start-ups venturing into new categories



India's B2B e-commerce segment is also expanding into various categories such as consumer durables, mobile accessories, apparels, home furnishings and healthcare. Niche categories such as construction and industrial supplies, are expected to achieve exponential growth in upcoming years due to the increased contribution of this segment to overall GDP.

Entry of established retailers in the space



Leading Indian conglomerate has announced its entry in the B2B e-commerce space through its e-commerce venture. Online retailers are also jumping into the fray through acquisitions and organic growth. Flipkart launched its B2B operations under a new digital marketplace called Flipkart Wholesale and has started selling products in fashion and grocery categories.³³

Emerging trends in B2B sector

Companies are focused on digitization and efficiency of supply chain

To fulfil the orders in time and in cost efficient manner, companies are adopting agile supply chain solutions. A B2B e-commerce platform has developed a unique just in time inventory (JIT) management system that boosts efficiency and reduces wastage of goods received. The company is driven by solid technology and knowhow of the retail space and has created a B2B2C model which is enabled via its tech-based solution. B2B e-commerce players offer a full stack solution to retailers as they aggregate orders as well as operate the warehousing and logistics for fulfilment.

B2B platforms embracing AI and big data for data-driven processes

Companies are adopting AI, Big Data and Blockchain technologies for real time tracking of orders and reduce the overall cost of operations. For example, MaxWholesale is a data driven platform based on distributed micro-app architecture. AI enables its ground staff to be much more productive and efficient as compared to a traditional business and used in automation of inventory management and purchase order generation.

Increased use of AI for automation and B2B marketing

Artificial Intelligence continues to make inroads in B2B marketing. AI serves to automate a series of tasks including engaging visitors through chatbots, create data-driven content and scale up your content outreach strategy. However, it is in data analysis that AI is expected to play the most prominent role. Making sense of the enormous data available with organizations can help them put their customers in a better perspective and enable them to make better decisions suitable to their needs.

Rise of mobile commerce

As more and more transactions happen on mobile devices and mobile commerce continues to increase its share of the e-commerce pie, there is a huge opportunity to be seized in the B2B mobile commerce space. Globally, about two-thirds of B2B companies have mobile websites. B2B companies can leverage mobile apps as their primary marketing tactics by optimizing their content for mobile to attract the right kind of customers to their sites and leveraging user data analytics to improve customer engagement.

Key PE/VC deals in B2B sector in 2020

Target	Investors	Total funding (\$mn)
Smartpaddle Technology (Bizongo.com)	Schroder Adveq (Swiz Investor), others	30.0
Zetwerk Manufacturing Businesses (Zetwerk)	Sequoia Capital India V Ltd., Accel India V LP, KAE Capital Fund II, Greenoaks Capital Partners LLC, Lightspeed India Partners II LLC	21.0
Hella Infra Market Ltd. (Infra.Market)	Evolve India Fund III Ltd., Accel India V LP, Tiger Global Management LLC, Nexus Ventures V Ltd., Fundamental GmbH, Sistema Asia Fund Pte Ltd.	20.0
Jumbotail Technologies (Jumbotail)	Nexus Ventures IV Ltd., Heron Rock Fund LP, Kalaari Capital Partners III LLC, Science Engineering and the Environment LLC, E Analytics Partners India Pvt. Ltd., Siddhi Capital LLC, Bhago Mobility Solutions Pvt. Ltd.	11.0
Bizcrum Infotech (Shoekconnect)	Info Edge India Ltd., Waterbridge Ventures, Sequoia Capital India Advisors Pvt. Ltd., Matrix India Asset Advisors Pvt. Ltd.	10.0

To the point

“ Rise in B2B startups has been attributed to the digital transformation of businesses including enterprises, financial institutions, hospitals, small businesses, government, etc. Brings to front the opportunity to bring efficiencies into the B2B supply chain via richer data and automated processes (payments, logistics).

The demand for startups or rather solutions in the B2B space will continue to grow as their area of impact is much larger and we have only scratched the surface of our capabilities. Startups that ultimately provide solutions that enable faster, better, and more effective ways to adapt to the varying dynamics of the marketplace to help businesses reach and understand their end-consumers will continue to drive demand - areas such as logistics, supply chain efficiencies, analytics, automation are segments that have a wide range of applications across segments.

The biggest development in the supply chain, involving a highly interconnected and interdependent set of tasks, is a trade where even minor errors have multiplier effects on costs, revenues and business outcomes

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Logistics tech

end to end optimization

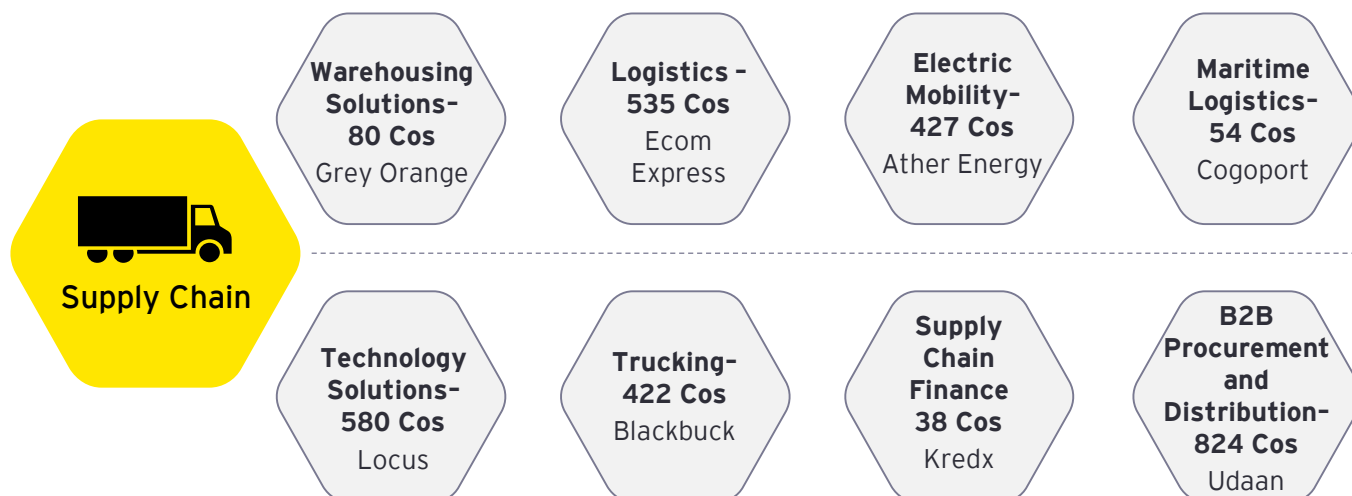
Traditionally, the Indian logistics industry has been highly fragmented and unorganized with some estimates putting the share of the organized players at approximately 10% of the total market share. With the advent of rising internet, logistics tech has been growing as it enables customers to book logistics services as per their convenience.

India's logistics sector is supported by government reforms and expenditure on investment in logistics is expected to reach US\$500 billion annually by 2025 according to the Ministry of Commerce & Industry. With growing retail and e-commerce sales, last-mile delivery is an especially attractive and underserved opportunity. B2B logistics startups are offering technologies and solutions to meet the needs of large supply chain and logistics organisations, from warehousing operations to demand forecasting, highlighting a wide scope for technological disruption.



Start-ups in this segment are developing solutions aimed at improving multiple facets such as productivity, transparency, visibility and operational and cost effectiveness. While majority of the start-ups in this space are aggregators of third-party truckers that provide full stack solutions to customers, a few of them like Rivigo owns a portion of their fleet.

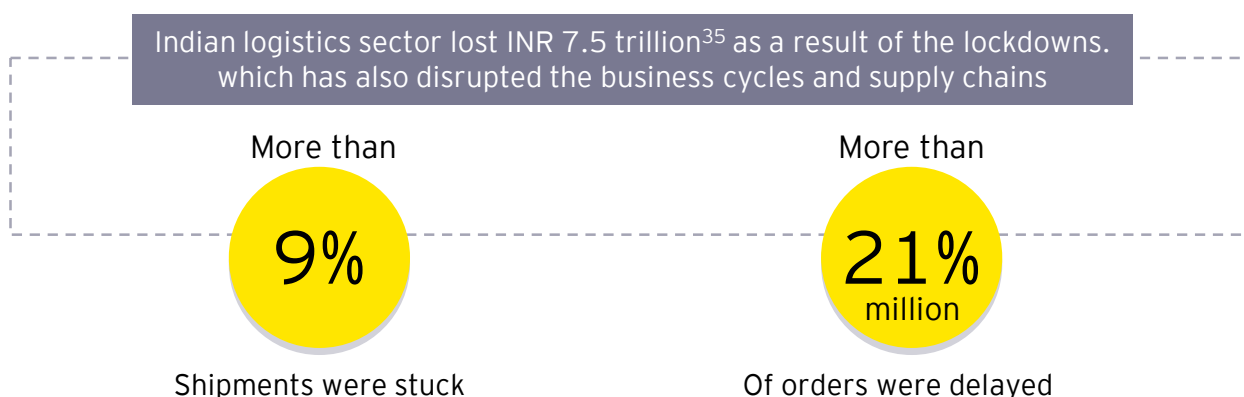
India logistics tech ecosystem: No. of companies and most funded companies in each domain³⁴



COVID impact

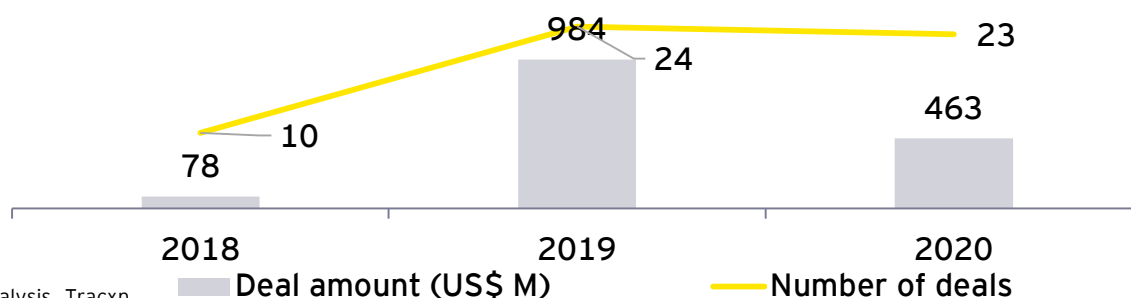
India's supply chain sector was severely impacted due to COVID led disruptions but tech-enabled logistics companies began to gain pace to deliver essentials during lockdown.

Traditional business were severely impacted while tech driven logistics start-ups were better placed to run their operations. For example, in the freight forwarding Industry, traditional freight forwarders on an average had been operating at 30-40% capacity on an average whereas a digital player such as Freightwalla could operate at 60-70% percent capacity of volumes.



Transaction activity

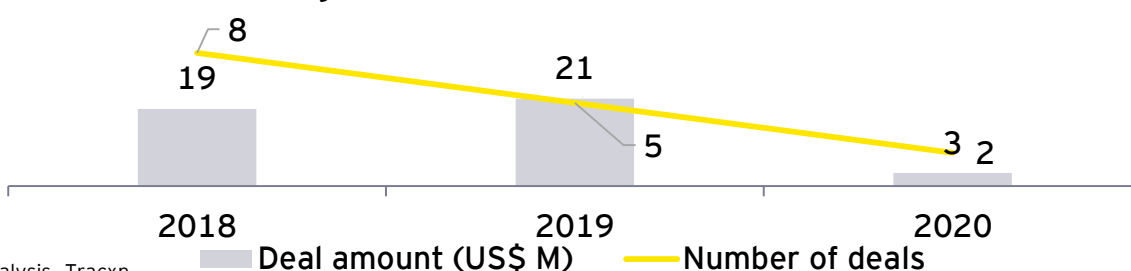
PE/VC investments in the logistics tech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- Logistics tech start-ups found more customers as well as investors as a result of the COVID-19 pandemic. These startups have helped the companies to reach out to customers even during the lockdowns.
- Key deals were US\$250 million funding of Ecom Express, US\$110 million funding of Busybees and US\$25 million funding of Delhivery. Key investors included Partners Group AG, Norwest Venture Partners, Gaja Advisors Pvt. Ltd., Investcorp Private Equity and Steadview Capital Management LLC etc.

M&A in the logistics tech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- The logistics tech sector recorded 15 M&A deals in the period 2018-2020 aggregating US\$42.6 million. M&A activity in the logistics tech space has been limited with most of the deals happening in 2019.
- Key M&A deals in the B2C sector were: Acquisition of Semicab Inc by Sonata Software N America Inc and Dependo Logistics Solutions by Bubble Motion Research & Development India Pvt Ltd.

Indian logistics tech firms are exploring innovative operating models to improve the efficiency and productivity of logistics in the country and solve the challenges put up by the unstructured nature of the industry.

On-demand intra-city logistics services



Hiring trucks for intra-city freight at affordable price-point is a big pain for businesses. To solve the issue companies such as Porter are offering online on-demand logistics services to consumers and businesses. These start-ups aim to improve efficiency in the current unorganized intra-city market by leveraging technology

Optimization reducing the cost and delivery time



Industry players are looking to reduce costs by consolidating loads to convert partial truck load to full truck load movement. Using this model companies are able to provide offerings such as same-day delivery, time-window/slotted delivery, multiple payment options, streamlined return logistics and 24x7 visibility

Emerging trends in Indian logistics tech sector

Growth of third-party logistics sector with e-commerce

Leading e-commerce companies are adopting third-party logistics to simplify supply chain solutions, ensure timely delivery of products and monitor issues regarding tracking, shipping, warehousing, and inventory worldwide. Big players such as Flipkart have diversified into logistics with Ekart and partnerships with MapmyIndia and Blackbuck, Snapdeal has acquired Gojavas and Amazon runs with support from BASIX.

Rise of sustainable logistics with introduction of electric fleets

Companies are embracing electric fleets for delivery to achieve sustainability goals. Flipkart has partnered with Hero Electric, Mahindra Electric and Piaggio to add 25,000 electric vehicles to its logistics fleet by 2023⁶⁴. Amazon India is working with several Indian OEMs to build a fleet of vehicles that ensure sustainable and safe deliveries of customer orders.

Predictive logistics

Logistics tech space is witnessing emergence of predictive logistics companies. FarEye uses machine-learning-based predictive logistics platform for businesses to execute, track, collaborate, predict, and optimize the movement of goods.

Internet of things making the fleets more efficient and safe

Indian start-ups are offering tech solutions to prevent accidents, leveraging IoT and analytics to monitor driver behaviour and vehicle location in real-time. A computer vision start-up uses dashboard cameras to detect conditions such as drowsiness, fatigue, and distracted driving. The system then alerts the driver with audio warnings to stay attentive and also notifies the fleet manager in such instances.

Companies are enabling decision making with add on services such as contract signing

As logistics tech grows, supply chain and logistics security is a top priority for enterprises. Few Indian startups are working to promote blockchain adaption in the Indian logistics sector. A Bangalore based start-up operates a digital contract platform, which enables digital drafting and signing of legal contracts in order to increase compliance and security during third party supplier interactions.

Key PE/VC deals in Logistics Tech sector in 2020

Target	Investors	Total funding (\$mn)
Ecom Express (Ecom Express)	Partners Group AG	250.0
Busybees Logistics Solutions (Xpressbees)	Norwest Venture Partners, Gaja Advisors Pvt. Ltd., Investcorp Private Equity	110.0
Delhivery Pvt. Ltd. (Delhivery)	Steadview Capital Management LLC	25.0
SmartShift Logistics Solutions (Porter)	Lightstone Fund S.A.	18.4
LoadShare Networks (Loadshare)	Matrix Partners India II LLC, Stellaris Venture Partners India I, Beenext Pte. Ltd., CDC Group Plc	12.3

To the point

“ The need for digitization in the logistics space has never been more evident, as the transportation sector faced severe disruption in services due to various levels of lockdown and brought out inefficiencies plaguing the sector to the forefront.

The logistic industry is facing digital disruption along its entire value chain - from freight forwarding, brokerage, and long-distance transportation, to warehousing, contract logistics, and last-mile delivery. Agile, innovative start-ups are capitalizing on the high number of transactions and large amounts of data being handled and generated by logistics players to develop an expanding range of technology-driven solutions

There is a growing need for tech-enabled, innovation-driven solutions to transform the logistics and supply chain market. Adoption of logistics tech solutions will continue to rise with both industries and investors placing big bets on the space, along with the marked increase in digital retail will lead to further growth in the space

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Online classifieds and services

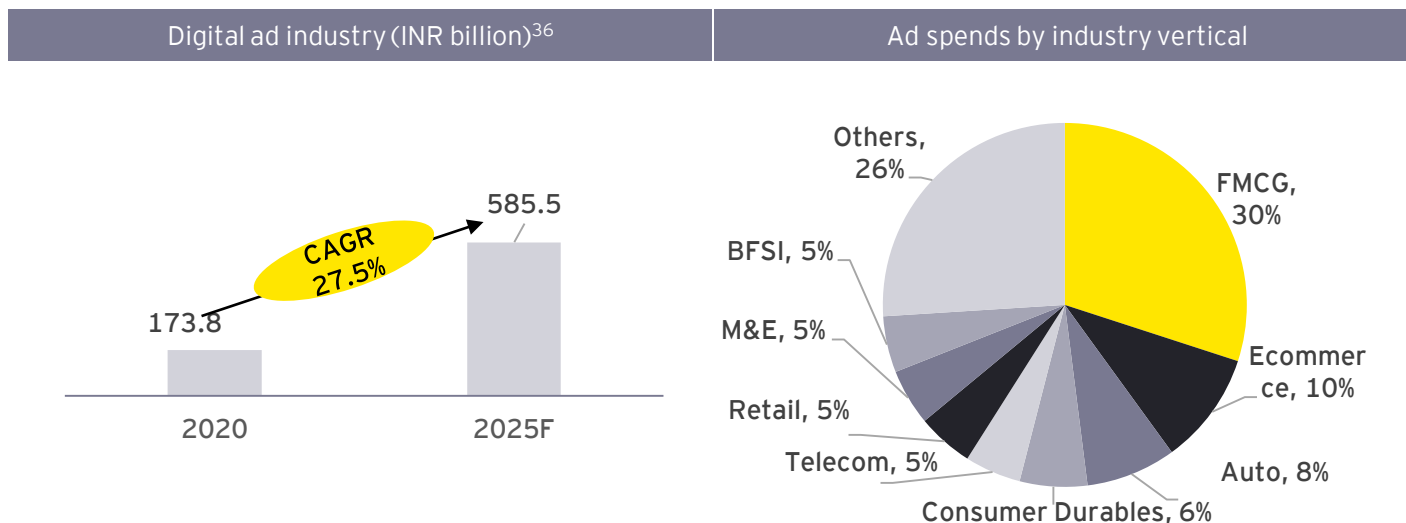
ReCommerce in demand

The Indian online classified industry has seen a rapid growth amidst major structural changes, introduction of new categories/offerings, evolving business models, entry of multiple players and changing consumer behaviour.

The current market is dominated by C2B, B2C, C2C classifieds, online real estate, online matrimony, online recruitment and online automobile classified market. While the large players are grappling with issues such as low profitability, higher customer acquisition cost, fake products and spam and fraudulent transactions, they are able to maintain traffic through extensive advertising by enabling brand recall, differentiated technology and unmatched user experience.



The digital classified industry has shown an enormous growth in the last couple of years and grew to INR173.8 billion in 2020. Companies such as Quikr and Olx have historically dominated the online classified sector in India but there has been an advent of focused vertical players especially in cars, property, jobs, etc. that have changed the paradigm significantly.



COVID impact

Due to the implementation of travel restrictions caused as a result of COVID-19, home isolation has changed the consumption pattern of procuring goods of consumers. People started shopping their everyday need products and luxury items from groceries to electronic products online.

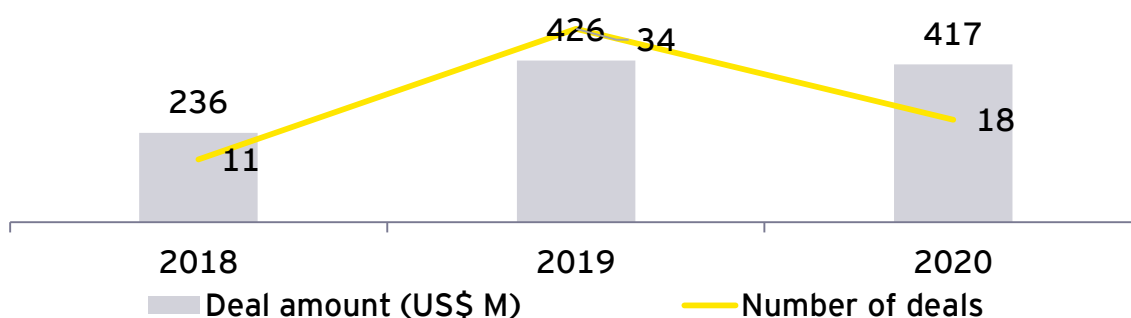
With the change from physical mode of shopping to online, various industries have started using the digital space to advertise their products instead of placing the classifieds in print media. Additionally, fear among consumers for touching physical copies of newspaper, newspaper vendors prohibited entries in certain residential areas, withdrawal of ads from various companies has led to shift in classifieds from traditional medium to online space.

Initially the traffic went down by 60-70% during the first two weeks of lockdown on olx platform. Business started to get on track as customers had more time to spend for both buying and selling activities. Categories such as electronics, mobile and furniture witnessed more growth as compared to cars and real estate after the lockdowns.

For Quikrbazaar, there was an increase in demand for electronics and appliances by 32% as compared to pre-Covid times in January and 96% increase in the demand for furniture.

Transaction activity

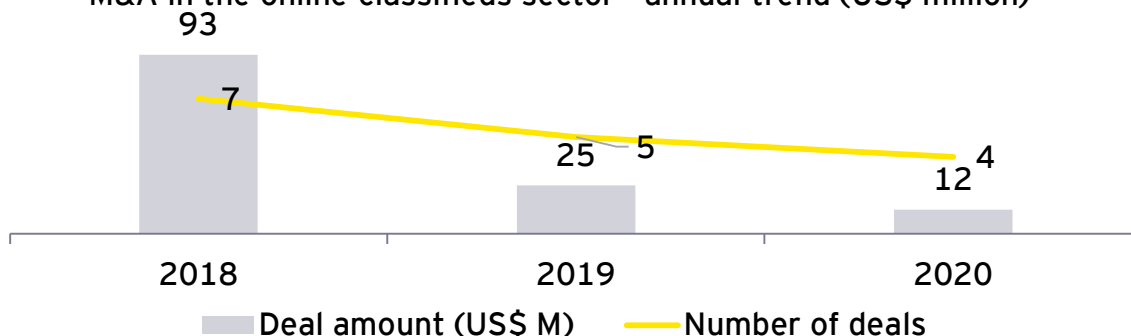
PE/VC investments in the online classifieds sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- Rise in demand from Tier II and III cities and growth of digital payments have led to the growth of online classifieds segment in India.
- Cars24 raised approx. US\$200 million in 2020 while OxfordCaps and Interviewbit raised over US\$125 million and US\$20 million respectively in the year.
- Key investors in the segment include, DST Global, Moore Capital Management, Unbound, Exor N.V., Cerestra Advisors, Sequoia Capital India, Tiger Global Management, GFC Global Founders Capital.

M&A in the online classifieds sector - annual trend (US\$ million)



- The online classifieds sector recorded 16 M&A deals in the period 2018-2020 aggregating US\$130 million.
- Key M&A deals in the sector in 2020 were: Acquisition of 30% stake of PT Carbay Services Indonesia by CarDekho, acquisition of Fifth Gear Ventures by Mahindra First Choice and Chatpay Commerce (Pistop) by Acko Technology & Service.

With the increasing demand from customers, there is an emergence of new business models such as reCommerce and C2B to cater to changing market dynamics.

Rise of reCommerce



India is witnessing the unprecedented growth of reCommerce. Both millennials and Generation Z are embracing the concept of purchasing second-hand goods. For instance, Kiabza. Launched in 2017, deals in buying and selling of pre-owned branded apparel. The company follows a channel of C2B2C (Consumer to Business to Consumer), i.e., the products come from the consignor/seller, are bought by Kiabza and sold back to consumers

Growth of C2B (consumer to business) model



A movement towards C2B where consumers offer products for sale to the business, is expected to create opportunities for the online classified segment in future, driven by rise in used goods markets. Average phone life has reduced from twelve months earlier to six months which means more and more used smartphones are coming to market and consumers are using mediums such as OLX to sell their used phones.

Emerging trends in Indian online classifieds sector

Online classified companies are generating revenue from subscription based services

As people are moving to digital channels to avail the various services, companies have started subscription based services for service providers on its platform. For instance, online classifieds platform charges subscription fees from the service providers listed on its platform. This ranges from INR10,000-INR20,000, depending on the duration of association.

Increased use of technologies by platform for enhanced customer experience

Digital classified companies are leveraging artificial intelligence and machine learning to understand consumer requirements and to help service providers deliver an enhanced user experience. These help the company zero-down on services for which users are ready to pay a premium and close the demand-supply gap in markets where it operates.

Emergence of mobile marketing

Mobile advertising has emerged as the fastest growing digital medium due to increased penetration of internet, reduced data prices and improved 3G and 4G infrastructure. The use of mobile phones, as a smarter variant for extensive searches and social media interactions, as well as to access various apps on mobile phones has increased significantly in the country. Mobile internet user base in India reached 629.2 million in January 2020 driven by low cost smartphones, faster connectivity and affordable services. Mobile ad spend is expected to grow from US\$1.1 billion in 2019 to US\$2.8 billion by 2024.³⁷

Rise of programmatic advertising

Programmatic advertising, the automated buying and selling of advertisements is gaining prominence as it makes transactions more effective while consolidating the online advertising process. These are placed using AI and real-time bidding for online display and social media advertising among others. It is becoming a popular medium in India and is gaining demand from SMEs and large business organizations. For instance, Swiggy, Flipkart and traditional brands such as L'Oreal use advanced programmatic tools to reach the target audience with customized messages.

Key PE/VC deals in online classifieds & services sector in 2020

Target	Investors	Total funding (\$mn)
Cars24 Services Pvt. Ltd. (Cars24)	DST Global, Moore Capital Management LP, Unbound, Exor N.V.	200.0
Oxfordcaps JV (OxfordCaps)	Cerestra Advisors	125.0
Interviewbit Software Services LLP (Interviewbit)	Sequoia Capital India Advisors Pvt. Ltd., Tiger Global Management LLC, GFC Global Founders Capital GmbH	20.0
Multi-Living Technologies (Multiliving)	Lodha Ventures	6.0
Strata Property Management (Strataprop)	SAIF Partners, Mayfield Fund LLC, Propstack Services Pvt. Ltd.	1.5

Key M&A/strategic investments in online classifieds & services sector in 2020

Target	Investors	Total funding (\$mn)
PT Carbay Services Indonesia (30% Stake)	CarDekho.com	7.0
Fifth Gear Ventures Ltd	Mahindra First Choice	4.3
Chatpay Commerce Pvt Ltd (Pitstop)	Acko Technology & Services Pvt Ltd	1.2
Four Wheel Grp (India) Pvt	Shriram Automall India Ltd	-
PT Carbay Services Indonesia (30% Stake)	CarDekho.com	7.0

To the point

“ The demand for marketplaces for used-products have witnessed a jump in demand in certain segments such as two and four wheelers, property listing, etc. aided by most people uncomfortable using public transportation at the time of the pandemic or looking for the better housing for a work-from-home requirements

Adoption of online marketplaces for pre-owned goods is expected to continue. It's rise as listing services gain greater visibility

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Agritech

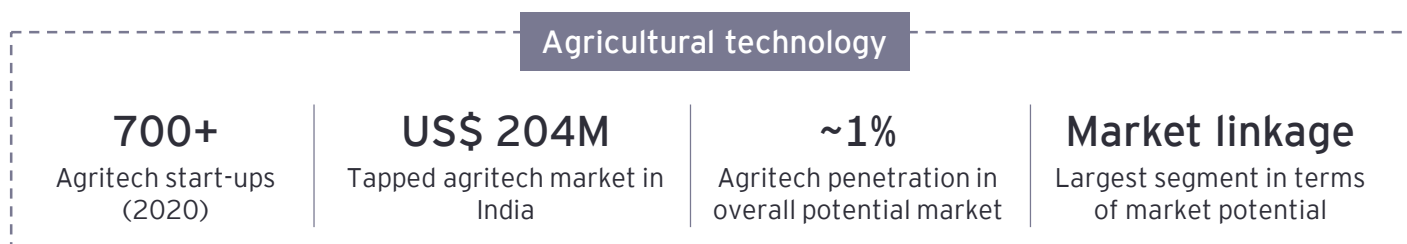
a change in the landscape

Contributing 16% to the GDP of India and offering employment to almost half the population, the agriculture sector continues to be loss-making for majority of farmers due to small landholdings and limited access to technology, credit and the market.

In recent years, Agritech start-ups have come up aiming to fix these issues, leveraging technology and innovative models. In the last five years, India's Agritech start-ups have been mushrooming in spaces such as crop advisory solutions, B2B Agri marketplaces, rural fintech enterprises and farm-to-fork platforms.



With the digital ecosystem in India witnessing tailwinds such as affordability and availability of high speed internet, there exist myriad opportunities for innovation in agricultural ecosystem, wherein market players are leveraging next-gen technology such as data digitization and data platforms, data analytics, AI, ML, the IoT and Software as a Service (SaaS) to disrupt the status quo.



Source : EY, Tracxn

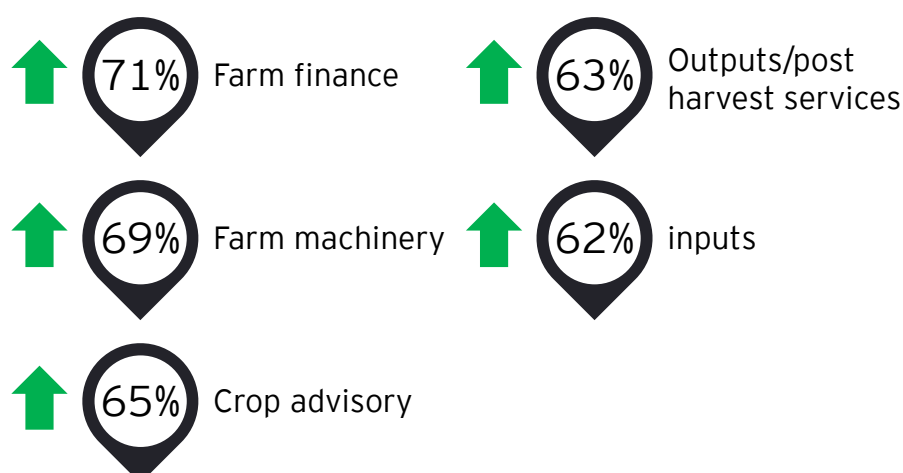
Key product categories

- ▶ **Market linkage** - digital marketplace and physical infrastructure to link farmers to inputs
- ▶ **Precision agriculture and farm management** - use of geospatial/weather data, IOT, sensors, robotics to improve productivity; farm management solutions for resource and field management, etc.
- ▶ **Quality management and traceability** - post-harvest produce handling, quality check
- ▶ **Farm mechanization** - industrial automation using machinery, tools and robots in the farm

COVID impact

As a result of the coronavirus outbreak, food supply chains froze, agri-logistics and transport systems broke down, crippling the traditional agribusiness supply chain. With limited access to the marketplaces, farmers struggled to purchase inputs right ahead of the harvest season, and agricultural traders and SMEs were unable to conduct business.

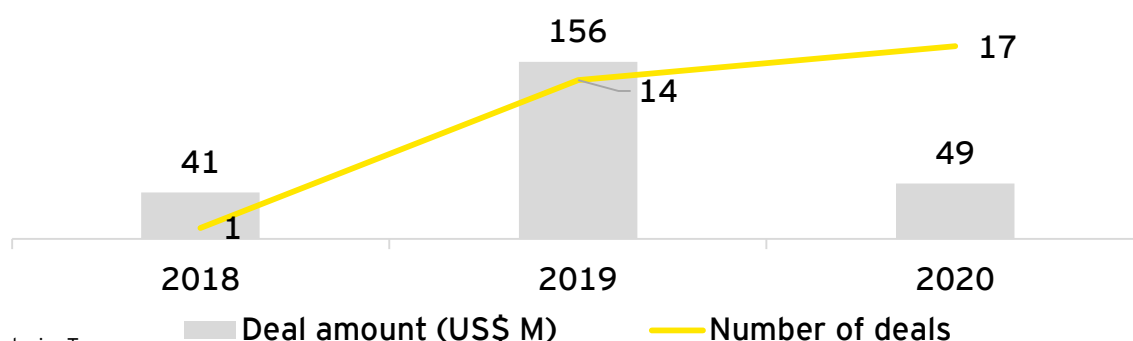
All these challenges emphasized the need for a shift across the agribusiness value chain, away from traditional, informal and unstructured markets towards innovative, organized and digital ones. Agri-tech start-ups became a major element in driving this transformation by improving market linkages, connecting buyers and sellers through digital channels, automating farm operations and maximizing farm output. Agri-tech segments across the value chain witnessed impressive growth. About 85% of Indian Agri-tech start-ups recorded a spike in demand for their products and services during the lockdown³⁸.



Source : Accel-Omnivore research

Transaction activity

PE/VC investments in the agritech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- Deal activity in Agritech start-ups was impacted in 2020 because of the widespread disruptions caused by the COVID-19 pandemic and the subsequent impact on capital investments.
- Bijak and Dehaat, with funding of US\$12 million each were among the notable investments of the year.
- Key Agritech investors include Omnivore, Sequoia, Accel, Tiger Global, Agfunder and Mayfield.

With growing investor interest in the segment, agritech start-ups are exploring innovative business models to expand their offerings and market reach by approaches such as vertical integration and venturing into adjacent segments. Many players have been exploring collaborations with segments such as e-commerce and retail to deliver effectively to the new-age consumers.

End-to-end agritech players



Agritech players are looking to own the end-to-end relationship with the farmer, right from input selection and delivery to crop management using precision agriculture to quality grading and procurement of produce. Players can also leverage data across these stages of the value chain to offer financial services to farmers.

Social Commerce integration



Agritech firms are exploring integration with e-commerce platforms. Agritech start-up Crofarm has launched a social commerce venture Otipy, to build a scalable, demand-driven and tech-enabled supply chain for fresh produce, aiming to help three key stakeholders - farmers, resellers and consumers.

Emerging trends in Indian agritech

Growth in the farm-to-consumer (F2C) segment

Increased health awareness among the Indian consumers has led to a high demand for fresh food brands and safe and traceable products. Brands like Country Delight, Clover and Orinko that have managed their supply chain, down to the last mile.

Entry of large retailers into agritech

Faced with the perennial challenge of razor-thin margins, large retailers and e-commerce are looking to drive efficiencies through vertical integration of their supply chains to procure produce at lower costs, minimize losses from wastage and bring technology-led efficiencies. They are looking to propel the next leg of growth by engaging in farm-to-fork models. Reliance Retail, for instance, has partnered with technology players and payment platforms to expand into the Agritech domain.

Increased adoption of precision agriculture

Rising smartphone and internet penetration in India gave a boost to several Agritech start-ups to automate data collection and digitise farm operations. They have found increasing buyers among the farming community for their solutions. Indian start-up, which remotely collects farm level data for farm financiers, recorded a 128% growth in leads and a 37% increase in deals closed online, and crop advisory firm recorded a 38% growth in demand for its crop-specific data from regions where it had no presence before the pandemic.

Rise in industry collaborations

Indian agriculture, that has for long been following a traditional and unstructured model, is now witnessing increased interest from the industry as corporates, SMES, FPOs and start-ups come together to solve challenges by combining their expertise. Corporates such as Bayer, Godrej, Olam and SMEs like FIL Industries, Star Agri, Netafim are actively exploring ways to engage with start-ups.

Entry of food processing companies in the segment

Entry of food processing companies is expected as they usually don't have pricing power and look for cost-efficient ways procurement strategies. Such companies could play a greater role in agritech by offering solutions such as precision agriculture and farm management software to the farmers from whom they procure. Further, introducing rapid quality management technology could help ensure consistent quality.

Key PE/VC deals in Agritech sector in 2020

Target	Investors	Total funding (\$mn)
Green Agrevolution (Dehaat)	AgFunder Inc., Omnivore Partners India Fund 2, Sequoia Capital India Advisors Pvt. Ltd., Netherlands Development Finance Co.	12.0
Krishiacharya Technologies (Bijak)	Omnivore Capital Management Advisors Pvt. Ltd., Omidyar Network India Advisors Pvt. Ltd., Sequoia Capital Operations LLC, AL Fund, RTP Global Advisors, Tempo Ventures	11.9
Ergos Business Solutions (Ergos)	Aavishkaar India II Co. Ltd.	4.7
Agstack Technologies (Gramophone)	Asha Impact Advisory Services Pvt. Ltd., Info Edge India Ltd., Better Inc., Siana Capital Management LLP	3.4
IDS Kisan Network (Kisannetwork)	FundersClub Inc., Venture Highway LLP, Y Combinator, Lynett Capital, Atsushi Taira	3.0

To the point

“ The agri value chain ripe for digital disruption and is set to be transformed through technology intervention. Digital is helping transform the way farmers derive value from their output and solving the “information asymmetry” in the sector. There is more acceptance of new-age agri-tech solutions as scalable businesses. With the expected trends in the space playing themselves out, expect greater integration of deep-tech solutions such as AI, IoT, smart farming techniques and application of predictive technologies to be deeply integrated with agriculture soon.

Agri-prenuers are helping lack of information on farm inputs, unorganized credit, and absence of market linkages. There is a dire need to bring inefficiencies and help farmers access markets

While still relatively nascent, the segment has vast potential, use cases, and large addressable market size, has witnessed in a marked increase from investors, and we expect this interest to ramp up in the near as the segment leaps into the growth phase ”



Hyperlocal

on demand, here and now

The hyperlocal market in India has been driven by rising number of start-ups and on-demand delivery preference of the consumers. Collaboration with merchants and customers through a flexible application acts a business model for Hyperlocal firms. The market has witnessed significant competition in terms of emergence of various firms such as Dunzo, Grofers, Ubereats and others.



At present, only ~10% of the 700+ million internet users in India use online marketplaces.³⁹ This indicates a lack of trust and serves as a launchpad for hyperlocal e-commerce that encourages purchases from neighbourhood stores. Technologies such as Geolocation and contextual targeting tools have effectively driven the e-commerce sector into hyper-localism. Hyperlocal players continue to use AI/ML capabilities to focus on solving key issues like route planning, estimating optimum time slots and overall servicing costs.

1.2% or US\$10.5b

Of India's grocery sales to be online by 2023

US\$13b

Estimated market size for India's online food delivery

Key product categories

- **Grocery delivery** - tie-ups with local grocery and general stores for delivery of essential items
- **Food delivery** - last-mile delivery of food from local restaurants as well as large food chains
- **Services delivery** - provision of services such as beauty and wellness, hospitality, home repairs, utility and maintenance, etc.
- **Others** - online discovery services, package delivery, logistics, etc.

Source : Medium, India retailing

COVID impact

Hyperlocal delivery platforms such as Swiggy and Zomato faced reduced demands initially as a result of COVID-19, with restaurants shut down and consumers refraining from outside food. They cut down on delivery staff and downsized operations to manage costs. However, segments such as grocery and essentials delivery grew, enabling consumers to access products and services from the safety of their home and the relevance of hyperlocal model grew. Multiple platform players across payments, e-commerce and mobility entered the hyperlocal delivery space to tap the market opportunity and offset COVID-related business declines.

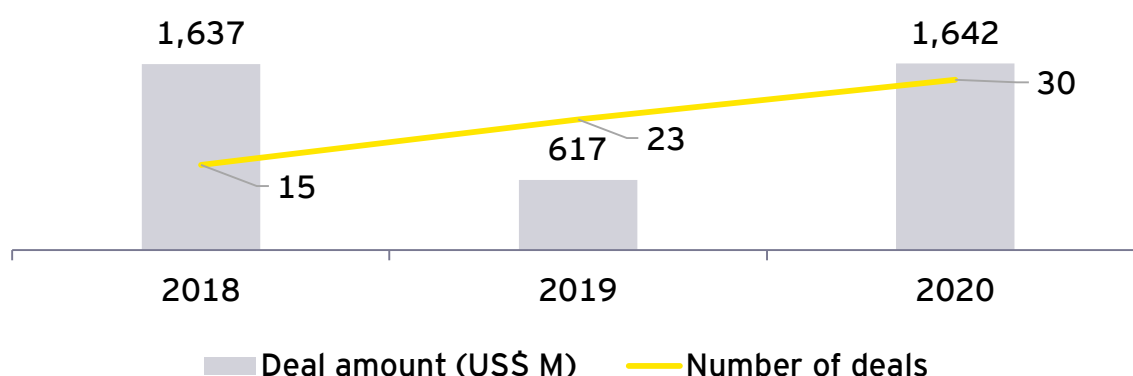
Hyperlocal start-up Grofers saw a 45% spike in orders and 18% growth in order value with the onset of lockdown. Amazon and Bigbasket also registered similar growth. The growth is not limited to just groceries, but was seen across services. Urban Company witnessed a 2.5x growth over pre-COVID times, around 80% of the growth coming from first time users.⁴⁰

Business impact of COVID on select start-ups

Swiggy	Recovered 80-85% of pre-COVID order value in Oct 20; saw FY20 revenue growth of 127%
Zomato	GMV increased from 20% of pre Covid levels in March 2020 to 125% of in Dec-2020
Dunzo	Increased the no. of merchants from 600 in January to 15,000 in September 2020
Urban Company	Registered 30% growth in deliveries from April - November 2020

Transaction activity

PE/VC investments in the hyperlocal sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- ▶ Key investors in the segment include Tiger Global, Kora Management, Fidelity, along with corporate giants such as Google and Tencent.
- ▶ In April 2020, Swiggy raised an additional US\$43 million as part of its ongoing Series I funding round.
- ▶ FreshToHome, an Indian e-commerce startup, raised US\$121 million in a Series C funding round.

While the hyperlocal segment has a large ground to cover in the Indian market, increasing interest from both corporate and equity partners are driving the adoption of new business models in the segment. Along with accelerated digitization efforts, hyperlocal start-ups are expanding into other segments of fintech, healthtech and mobility.

Rise of cloud/ghost kitchens



While the cloud kitchen (delivery only model) market took a dip of 30-35% initially during lockdown, the segment is witnessing an increase in new users coupled with an increase in order value.¹⁹ As the pandemic continues into 2021, more and more restaurants are likely to explore the model to maximize revenue.

Disruption through super apps



The entry of e-commerce players into the hyperlocal segment is paving way for a revolution led by super-apps or multi-platform applications that act as one-stop shop for customer offering services across online retail, payments, healthcare and logistics services in one integrated experience.

Emerging trends in Indian hyperlocal segment

Last-mile delivery to go electric

Many hyperlocal delivery start-ups like BigBasket, Grofers, Swiggy, Zomato, etc. are seen to slowly yet steadily switch to electric mobility. E-commerce players such as Amazon, Flipkart, etc. who witness a large volume of orders and need larger delivery fleets, are also moving towards an electric-enabled fleet from ICE vehicles. This shift is fuelled by the low cost to rent and maintain e-vehicles compared to their ICE counterparts, along with the promotional measures by the government to develop electric mobility.

Entry of other platform players into the segment

E-commerce firms are focusing on a hyperlocal strategy, leveraging a network of thousands of small stores for faster deliveries across cities and extending their reach into smaller towns. Flipkart launched Flipkart Quick, their supply chain infrastructure and a new location mapping technology framework to deliver products within 90 minutes. Other platform players across payments, ride-hailing etc. also increased their focus on the segment, to offset reduced demands in their core business and leverage the hyperlocal opportunity.

Continued focus on private labels

Grocery delivery players such as Bigbasket and Grofers continue to focus on private labels to compete sustainably on low prices with established grocery retailers, while building a distinctive brand. Generating over 38% of its revenues from private labels, Bigbasket is planning to expand its private label business by increasing private label SKUs by 25,000.¹⁸

Increasing adoption of data and analytics for personalization

Start-ups in the hyperlocal space are increasingly leveraging digital technologies such as data science and machine learning to enhance customer experience, improve delivery logistics, managing inventory and forecasting demand. Swiggy has built a platform based on its large data lake to accumulate data with respect to food preparation, delivery and transactions to derive actionable insights from it.

Surge in contact-less delivery options

With the increase in safety norms due to the pandemic, big QSR players and hyperlocal delivery services, alike are providing contact-less delivery. Hyperlocal players such as Zomato, Swiggy and Big Basket have incorporated "Contact-less" methods in their services. Moving into 2021, with no signs of the pandemic slowing down, contact-less is a trend which is here to stay in the new normal.

Key PE/VC deals in hyperlocal sector in 2020

Target	Investors	Total funding (\$mn)
Zomato	Tiger Global, Kora, Luxor, Fidelity (FMR), D1 Capital, Baillie Gifford, Mirae, Steadview, Alibaba, Steadview Capital Management LLC, Mirae Asset Venture Investment Co. Ltd., Luxor Capital Group, LP, Bow Wave Capital Management, LP	1178.1
Bundl Technologies (Swiggy)	Naspers Ventures, Meituan-Dianping, Wellington Management Company LLP, Tencent, Korea Investment Partners, Samsung Ventures and Mirae Asset Capital Markets	157.6
Freshtohome Foods Pvt. Ltd. (Freshtohome)	Ascent Capital Advisors India Pvt. Ltd., Allansons Pvt. Ltd., Investment Corporation of Dubai, Iron Pillar India Fund I, Investcorp Private Equity, U. S. International Development Finance Corporation	156.0
Rebel foods Pvt Ltd (Faaso's)	Coatue Management LLC	50.1
Dunzo Digital Pvt. Ltd. (Dunzo)	3L Capital Management, LLC, Lightbox Ventures III, Pivot Ventures LLP, Google Ventures, LGT Lightstone Aspada	28.3

To the point

“ The hyperlocal services space saw strong adoption and growth trends during the pandemic as people were confined to their homes. Groceries, meat, and food delivery startups are reaching mainstay, and on-demand home services are on the rise have continued to feed investor appetite for the segment. The plan to increasingly leverage Kirana shops (mom-and-pop stores) to help reach pin codes across cities has led to increased digitization which is expected to help expand the footprint of services without the capital intensive outlay

While unit economics continue to be a challenge, that hasn't deterred the expansion plans for companies operating in the segment. With competition heating up, the space is ripe for consolidation play as companies continue to grow their portfolio of services and meet the burgeoning demand

”



Health-Tech

meeting the challenge

In India, the doctor-to-patient ratio in the healthcare sector stands at 1:1596 (1:1400 WHO standard), which shows the enormous potential lying in front of HealthTech start-ups in the country.⁴⁰ Currently, the healthcare situation comprises hospitals operating in its full capacity and overworked doctors. This is making it difficult for people to get primary care when needed. In this scenario, utilizing technology-based solutions such as telemedicine, AI/ML-based predictive and diagnostic analysis and digital health records can play a crucial role in speeding up India's fragmented public healthcare system.



Homegrown health tech start-ups led the development in Indian healthcare infrastructure in the telemedicine and online pharmacy wave. In terms of outlook, telemedicine is expected to remain at the top with a CAGR of 31% to reach a market of US\$ 5.5b by 2025.⁴¹

US\$ 21b

Indian Health-Tech market
opportunity by 2025

US\$ 170b

Indian preventive healthcare
market opportunity by 2025

Source : Inc42

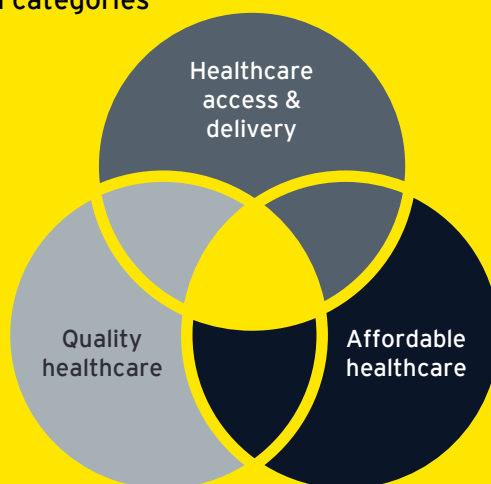
Key facts

Key focus areas and healthtech categories

Virtual health

Disease
management
through technology

Biometric wearables



Telemedicine

Online consultations

Mental health
solutions

AI-enabled
diagnostics

COVID impact

The sudden lockdown imposed in the wake of the COVID-19 posed both difficulty and opportunity for India's healthcare start-ups. Restricted access to diagnostic centres meant more patients embraced online consults and solutions. A report by Practo reveals that at least 50 million Indians opted for online healthcare between 1 March and 31 May 2020, during the national lockdown, recording a 500% growth in online healthcare consultations by people above 50 years. Moreover, 80% of them were first-time telemedicine users and 44% were from non-metro cities.⁴²

During the lockdown, gyms and fitness studios were left with no other choice than to increase their digital presence. Many started offering virtual classes, allowing members to access services from the comfort of their homes.⁴ Home fitness apps are also witnessing growth due to COVID. Between Q1 and Q2 2020 health and fitness app downloads grew by 46% worldwide and 157% in India. Likewise, daily active users for these apps grew by 84% in India during the same period.⁴³

32%

Decrease in physical
medical consultations

3X

Increase in online
consultations

84%

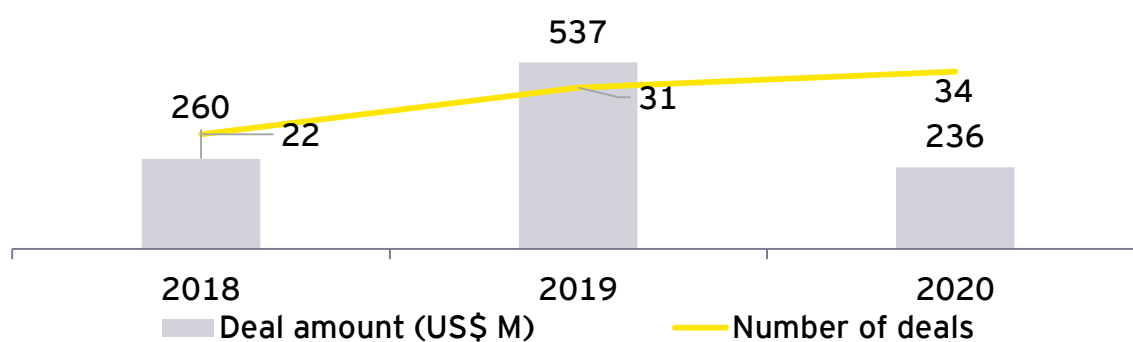
Growth in daily active
users of health and
fitness apps

157%

Increase in
downloads of health
and fitness apps

Transaction activity

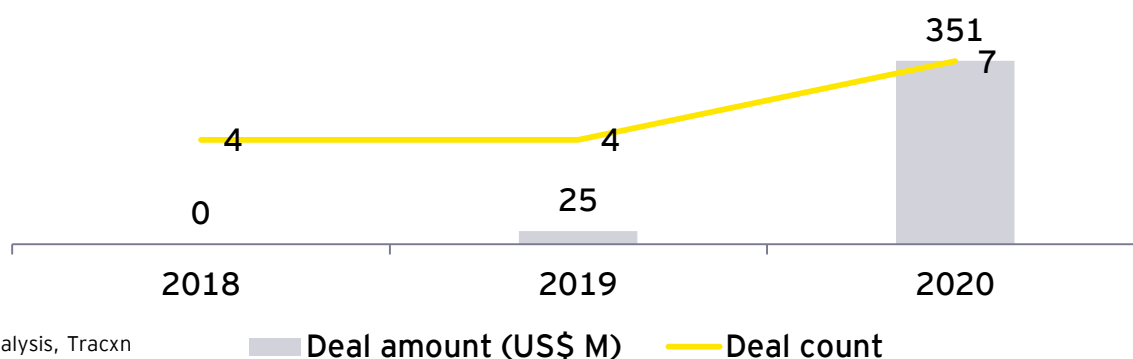
PE/VC investments in the Health-tech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- ▶ Indian health care technology startups have gained 'significant momentum' over the last five years, fueled by a government push towards digitization, the uptake of technological advances and a spurt in health care apps.
- ▶ Key investors in the segment include Accel, Sofina, Sequoia Capital and Matrix India
- ▶ Health and Fitness startup CureFit raised US\$110 million in its second Series D funding round led by Singapore-based Temasek Holding.

M&A in the health-tech sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- ▶ There has been a boom in aggregate deal-making activity in the Indian health-tech start-up segment.
- ▶ Reliance retail venture's acquisition of a majority stake in Netmeds has been one of the most notable deals of the segment. It was an all-cash deal of US\$80 million.
- ▶ Doctor consultation platform DocsApp merged with the digital consumer health business of MediBuddy. DocApps received US\$20 million as part of the deal.

Healthtech firms are focusing on technology and digital adoption for more secure, efficient and inter-operable data management, improved diagnosis and personalized healthcare. They are also leveraging disruptive operating models to solve challenges in the conventional ways of operations and to tap into new market segments.

Cloud-enabled test labs



In India, HPE launched four cloud-enabled COVID-19 test labs and OPD centres to enable quick and clean testing and to reduce stress on the healthcare infrastructure. Such initiatives are likely to gain traction in the coming year, especially with schools eventually re-opening and an increased need for mass testing.

Mental health solutions



Depression, anxiety, and stress coupled with social isolation during COVID have given digital mental health solutions a fresh relevance. Mental health AI-enabled app Wysa saw a 77% YoY increase in new users in February and March 2020, and as of April 2020, had 100,000 users opting for its Health Anxiety and Social distancing tool packs.⁴⁴

Emerging trends in Indian healthtech

Increasing traction for telemedicine

An increasing number of people are consulting with doctors remotely through consumer-facing solutions. Online Indian healthcare platform recorded 600% growth in online consultations between March and August 2020, and in December 2020 reported a 250% increase over a period of six months in its telemedicine subscription plans. Many physicians, including specialists have started to offer remote consultations.

Shift from reactive to proactive healthcare

The healthcare culture has started to transform from reactive to proactive or preventive wellness, as consumers become more aware. This has resulted in the growth of segments such as wearables, fitness at home, and health and wellness solutions.

Digitization of patient records and big data

India is in the nascent stage of adoption of digitizing patient records. Some large and specialty hospitals have also adopted the practice. Big data closely works on addressing multitude of challenges once patient health records are digitized, offering better patient care. Data can be used for data mining and analysis to identify causes of illnesses. It is also critical for revenue growth by identifying value that drives better patient outcomes for long-term savings.

Key PE/VC deals in Healthtech sector in 2020

Target	Investors	Total funding (\$mn)
CureFit Healthcare (Curefit)	Temasek Holdings Pvt. Ltd., Accel Growth Fund IV L.P., Epiq Capital Fund, Chiratae Ventures Fund III, Satyadharma Investments and Trading Co. Pvt. Ltd., Ascent Private Equity Fund, PraTithi Organic Foods Pvt. Ltd.	111.5
MedPlus Health Services (Medplus)	PI Opportunities Fund I	36.7
Practo Technologies (Practo)	Sequoia Capital India III LP, Matrix India Asset Advisors Pvt. Ltd., Tencent Holdings Ltd., CapitalG, Sofina SA, RTP Global Advisors, AIA Company Ltd.	32.0
Phasorz Technologies (Docsapp)	Milliways Ventures, Bessemer Venture Partners LP, Rebright Partners II Investment Partnership, JAFco Asia Technology Fund II, FinSight Ventures	17.5
HealthPlix Technologies (HealthPlix)	Kalaari Capital Partners III LLC, Chiratae Ventures Fund III, JSW Ventures	6.0

Key M&A/strategic investments in Healthtech sector in 2020

Target	Investors	Total funding (\$mn)
Medlife International Pvt Ltd (Medlife)	Axelia Solutions Pvt Ltd	235.0
Netmeds Marketplace Ltd (Netmeds)	Reliance Retail Ventures Limited	83.0
Phasorz Technologies Ltd (Docsapp)	Medi Assist Healthcare Services Pvt Ltd	20.0
1mg Technologies Pvt Ltd (1mg)	Bill & Melinda Gates	10.0
Medcords Healthcare Solutions (Medcords)	Info Edge (India) Ltd	0.9

To the point

“

Amid the pandemic, the need to access health services across the country was severely disrupted. The breadth and variety of services, products, and offerings make healthcare one of the most challenging aspects of the economy and this is reflected in the glacial pace of development when you look at each vertical within healthcare.

The integration of healthcare with technology is blurring the divide and improving patient care services, declining cost margins, and leading to efficient operational performance. From telemedicine, health & wellness, wearable technology, diagnostics, and e-pharma witness a steep rise in adoption as people turned to online startups to meet their needs in today's digital world. The advent of smart health will help improve quality, increase access, affordability, and lower costs. Digitization will lead to quality patient care and promote personalized healthcare services

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Social commerce

redefining engagement

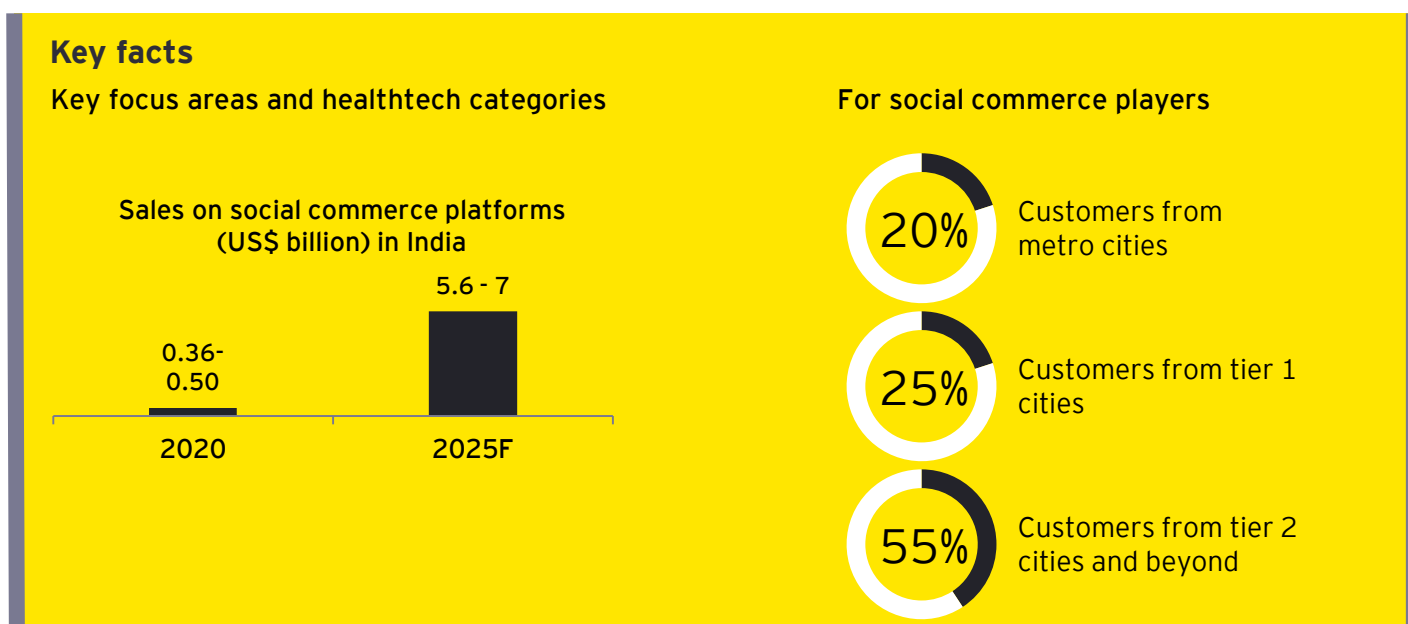
Rising penetration of smartphones and internet has brought millions of Indians online in recent years, turning social platforms into powerful distribution channels for many businesses, who are leapfrogging web and going digital with social-first models.

E-commerce has been dominated by a few large players over the years, but the rise of social commerce is now paving the way for a more distributed model that is built on community, connection and trust. Social-led models will help redefine the landscape for smaller players over the next few years.



Unstructured, long-tail categories make up the bulk of this social commerce sector. Fashion is the most popular social category, followed by beauty and personal care and food and grocery.

One of the major trends witnessed among social media users is the increasing preference for consumption of short-form video content. Resulting in greater traffic on popular short-form video-based content such as Snapchat and Instagram. These platforms have thus become the primary contributors to the success of social commerce.⁴⁵



Source : Economic times

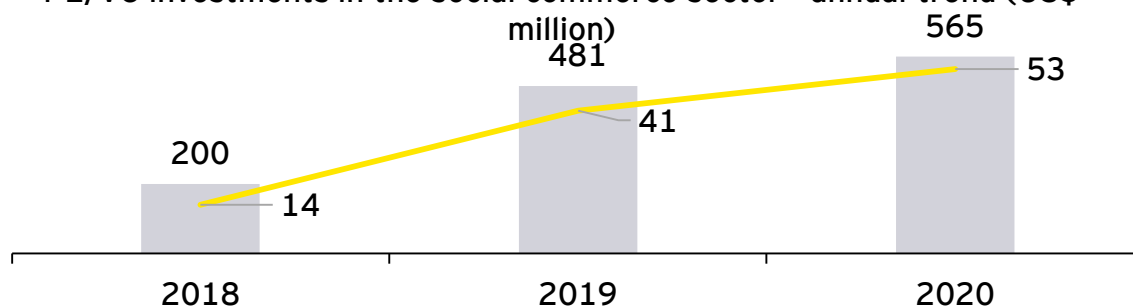
COVID impact

Social commerce platforms are emerging as facilitators to ease the process of transition and growth for India's offline retail businesses amid the coronavirus lockdown. The year 2020 saw a lot of tectonic shifts for the Indian ecommerce industry, driven primarily due to the pandemic. There was a change in consumer behaviour, resulting in more than 30% growth in new shoppers in the online marketplace. 4Q20 saw e-commerce order volume growing by 36% in India with tier 2 and 3 cities accounted for a 90% YoY incremental volume and value growth.⁴⁶

COVID has also acted as a catalyst for offline retail to shift online, and social commerce platforms are emerging as facilitators to ease the process of transition and growth for India's burgeoning offline retail businesses. While such platforms were growing in India for a while, the customer base of social commerce was more restricted to lifestyle sellers and new businesses with no access to resources or expertise for ecommerce. Amid the coronavirus crisis, more grassroots businesses are coming on to social commerce platforms. Instead of forcing traditional businesses to adopt completely modern practices, social commerce platforms are integrating certain buyer-seller behaviours of offline retailers.

Transaction activity

PE/VC investments in the social commerce sector - annual trend (US\$ million)

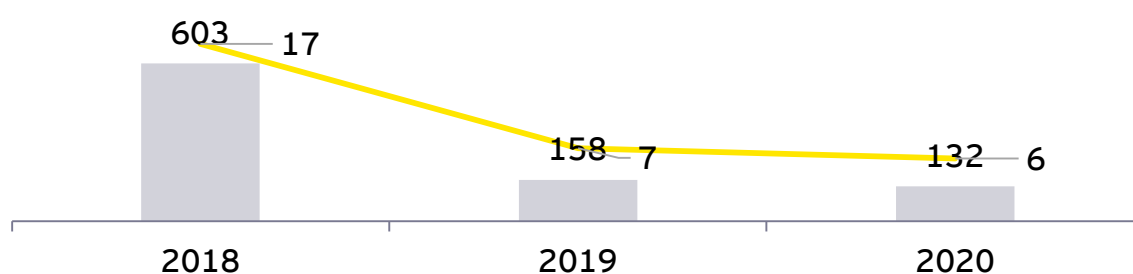


Source : EY analysis, Tracxn

■ Deal amount (US\$ M) — Number of deals

- ▶ Top VCs such as Accel Partners, SAIF Partners,, Sequoia Capital, and Go-Ventures led the investments in the sector.
- ▶ Music streaming service Gaana raised US\$50 m in debt funding from existing shareholders Tencent and Times Internet

M&A activity in the social commerce sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

■ Deal amount (US\$ M) — Number of deals

- ▶ The Covid-19 outbreak means that social commerce M&A market is very uncertain in 2020 - with retailers dealing with drops in spending and consumption, as consumer eschew non-essentials in a cratering and movement-restricted economy.
- ▶ JetSynthesys Pvt. Ltd, raised INR300 crore (approximately US\$40 million) led by Adar Poonawalla and Infosys co-founder Kris Gopalakrishnan. It will use the capital it has raised to further develop its suite of digital products and games

Social commerce players are strategizing their business models to not only provide innovative solutions but also improve accessibility and adoption by catering to a varied audience.

Reselling model



Companies are leveraging reselling model where the user can browse products listed by sellers on the app, and market them in their community as resellers, using WhatsApp or other platforms, adding their profit margin to the product. The buyer can place an order to the reseller, who will in turn place an order to the seller through the reselling platforms such as Meesho.

Digital shops by Facebook



Facebook Shops are free to setup. When setting up a Shop, businesses can choose the products they want to feature from their catalogue, and can customise the look of their shop with a cover image and accent colours. As consumers, Shops can be found on businesses' Facebook pages and Instagram profiles. Customers can browse the full store collection, save products they're interested in and place an order – either on the business' website or the Facebook app

Emerging trends in Indian social commerce

Rise of video-based commerce

The industry has been witnessing a rise in video-based commerce as established players enter the space and upcoming start-ups continue to receive investor interest. Flipkart launched its social commerce venture, 2GUD aiming to lead a video-based social experience curating content from influencers on fashion, gadgets and more.

Gaining traction in tier 2 and 3 cities and hinge on local influencers

While social commerce is taking off among mass market and Tier 2 and 3 city consumers, adoption is lower among more affluent, urban consumers. Unlocking social commerce for this segment is a big opportunity. In order to drive demand aggregation, select resellers are being given training to become local influencers. DealShare, for example, plans to pick influencers from its exciting pool of customers and also recruit from social commerce and marketing platforms such as Meesho. Glowroad is banking on its network of 10 million registered resellers, about 60% in Tier III cities and lower, to drive sales.⁴⁷

Increasing role of conversational commerce

There is an increasing trend of leveraging messaging apps such as WhatsApp for e-commerce. Over 1 million sellers are using WhatsApp for business in the country. Shopify's data from March 16 2020 to July 1 2020, shows an increase of 72% in conversations happening on Shopify Ping. Shoppers who chatted with a merchant online were 70% more likely to convert and sales attributed to chat interactions increased by 185%.⁴⁸

Supply chain technology

Over the years, social commerce marketplaces have started providing supply-chain solutions leverage artificial intelligence/machine learning algorithms to help them find them the right logistic partner on the basis of multiple factors such as delivery cost, return management, payment options.

Key PE/VC deals in social sector in 2020

Target	Investors	Total funding (\$mn)
Verse Innovation (Dailyhunt)	Sofina SA, Lupa India Systems Holdings LLC, Microsoft Corp., Google India Pvt. Ltd., Alpha Wave Incubation Fund, Advent International Corp., Bytedance Inc., Goldman Sachs (Principal Investments)	133.4
Glance Digital Experience (Glance)	Mithril Capital Management LLC, Google India Pvt. Ltd.	145.0
Mohalla Tech (Share Chat)	Lightspeed Venture Partners, Saif Partners, Twitter, TrustBridge Partners, India Quotient and Shunwei Capital, Lightspeed India Partners I LLC	80.0
Gamma Gaana (Ganna.com)	Tencent & Others	50.7
Merabo Labs (Dealshare)	Omidyar Network India Advisors Pvt. Ltd., Matrix Partners India III, Westbridge Capital Partners LLC, Alpha Wave Incubation Fund, Z3Partners	21.0

Key M&A/strategic investments in social sector in 2020

Target	Investors	Total funding (\$mn)
Saavn Media Pvt Ltd	Reliance Industries Ltd	91.4
JetSynthesys Pvt Ltd	Investor Group	40.1
Circle Internet Tech Pvt Ltd	Mohalla Tech Pvt Ltd	-
Guiding Media Pvt Ltd	Padre Media	-
The Times Of Esports	Knocksense Media Services Pvt Ltd	-

To the point

“ Social commerce has been on the rise for some time now, and its adoption has been accelerated due to the current scenario. A lot of firms are looking to capitalize on the trend of people increasingly spending time on their mobile phones for all their entertainment and shopping needs and social commerce appeals to both.

With companies witnessing double-digit growth in user base by introducing social engagement features especially those who provide local language features, there are bound to be more companies entering the field. There is also the added advantage of rising social media influencers who can earn significant revenues with the right platform and content

Social Commerce and eCommerce Platforms will integrate more reimagining high-value categories by building social-first models where a community-based product could lower the trust deficit. The segment is going to be increasingly relevant in terms of outreach and influencing customers purchase decisions

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Travel & hospitality

from global to local

The number of international tourists in India has been witnessing a considerable rise in recent years. The growth in inbound tourism can be attributed to the rising number of travellers visiting India for international and domestic businesses, leisure, and sports trips. Apart from business travels, the tourism industry in India is also growing at a rapid pace, led by the improving infrastructure for air, rail, and road connectivity to cities in India and the growing number of government initiatives to promote tourism in the country.

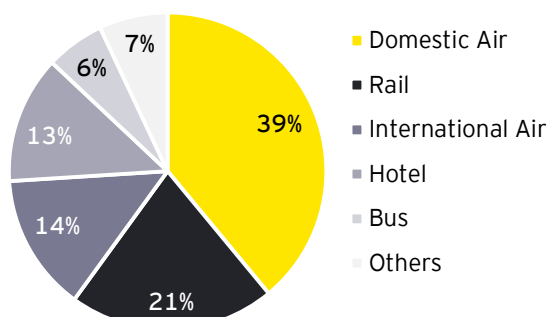
With the rise in technology, travel and hospitality industry has embraced e-commerce. Companies are increasingly leveraging digital technologies such as AI, ML, AR/VR, IoT and Big Data analytics to enhance customer experience by providing personalised and customised travel services.



Social media is playing a significant role to influence the growing number of millennials as Facebook and Instagram posts are acting as trigger point for potential travellers in their decision making about travel-related aspects such as destination, transportation and accommodation.

Online travel market in India US\$ 22B

Product-wise segmentation



Source : Business standard

Key product categories

- **Hotel bookings:** Resorts and hotel bookings services
- **Ticketing:** Ticket booking services for airways, railways, buses etc.
- **Homestays:** Visitors sharing a residence with a local of the city
- **Packages:** Prepaid trips that combine two or more travel components like airfare, airport transfer, stays and other services

COVID impact

Of all the affected industries in the Covid-19 pandemic, the tourism industry has taken the hardest hit across the globe, impacting various associated sectors, such as, hospitality, travel agencies and tour operators along with many more. Therefore, it comes as no surprise that tourism in India has witnessed a significant decline post COVID in 2020.

The global travel and tourism industry is estimated to lose US\$2.7 tn in 2020 with 100 million jobs at risk. While India travel and tourism industry is facing an overall loss of US\$16.7 B with up to 50 million jobs at risk. India's aviation sector is anticipating at an estimated loss of US\$11.2 B and its hotel industry has estimated loss of US\$6.3 B for 2020. But with domestic flights resuming in a staggered manner, online travel aggregators (OTA) in India are seeing a 30-40% rise in demand with some selling more than 5,000 tickets a day. However, flight cancellations are affecting revenues of OTAs.⁴⁹

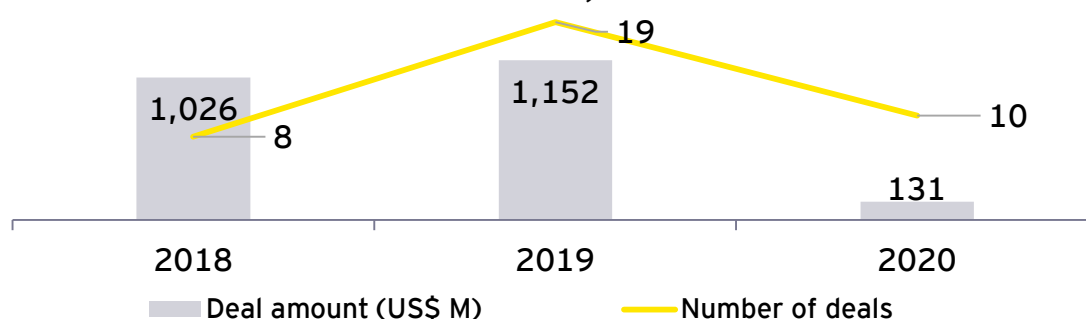
Industry players focus on managing costs

- In July 2020, OYO terminated lease contracts for two Gurugram-based corporate offices as it strives to cut costs in amid uncertain times. In April 2020, it announced pay cuts and "leave with limited benefits" options for its India staff
- In April 2020, MakeMyTrip's co-founders Deep Kalra and Rajesh Magow have announced that they will be taking zero salaries from April. Further, the leadership team at MakeMyTrip will be taking a 50% salary cut. The company has started reviewing their expenses and has been sharply reducing variable costs like advertising and marketing

Source : Business today

Transaction activity

PE/VC investments in the travel & hospitality sector - annual trend (US\$ million)

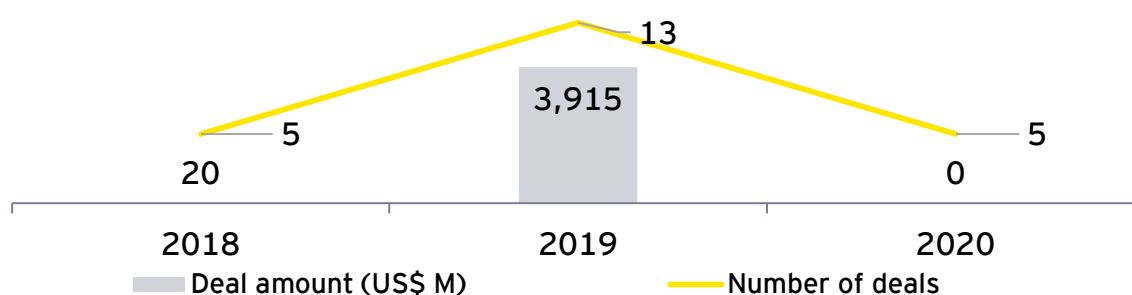


Source : EY analysis, Tracxn

- ▶ While the overall funding activity witnessed a huge decline due to COVID, a few start-ups were successful in attracting investors' attention.
- ▶ Investcorp, Nexus Venture Partners, Mirae Assets, Trifecta Capital and General Atlantic among others were the major investors in the segment.
- ▶ In July 2020, Bengaluru-based co-living start-up Zolostays (Zolo) raised Series C funding of US\$56 million led by Investcorp.

Source : Economic times, YourStory research

M&A activity in the travel & hospitality sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- ▶ 2020 did see a few M&A deals in the sector, however the deal amounts were undisclosed.
- ▶ SpiceJet acqui-hired the team and technology platform of Bengaluru-based airline technology company Travenues. The employees of the company are recruited rather than gaining the control of its products/services.
- ▶ Home rental network platform NestAway Technologies Pvt. Ltd has acquired ApnaComplex, a start-up focusing on apartment management and security solutions.

Travel & hospitality providers are venturing into other segments to cope with the changing market dynamics and almost non-existent demand for their traditional services to maintain their revenue stream

Firms tapping new revenue areas



MakeMyTrip is offering chartered flight services on its platform due to a huge decline in airline ticket and hotel bookings. On the revenue side, they are earning ~5% commission on chartered bookings.⁵⁰

Likewise, Thomas Cook has partnered Indian Council of Medical Research-accredited labs to offer Covid-19 certification, while Yatra is looking to offer digital services platform for skill development training and sourcing solutions to corporates.

OYO, in partnership with Apollo Hospital, is offering sanitized beds and facilities at certain COVID-19 exclusive hotels. OYO will also be delivering food but their services will be limited to deliver of only ready-to-serve foods or frozen foods.

Emerging trends in Indian online travel and hospitality

Robot room service

Many hotel brands in India have already adopted robotics to transform room cleaning and room service operations. The rise of service robots has ushered in a new era of guest hospitality. Guests are excited to take services from these robots who are here to assure utmost safety, hygiene and comfort. 2021 will have a new brigade of robot butlers delivering your snacks, toiletries or other amenities to guest rooms.

Short-distance tours, staycations and the rise of “bleisure”, (hybrid of business + leisure)

With remote-working becoming a norm and certain travel restrictions still in place, people are now preferring staycations over long holidays and short distance tours over long journeys. As per a recent survey conducted by Booking.com, 59% of Indian travellers would want to take more shorter breaks in 2021 than they did in 2019.⁵¹ As travellers emerge from the pandemic and explore travel options in a safe and sanitized manner, seeking larger spaces resorts and VacationRental industry is expected to witness strong demand, outpacing hotels on the pandemic recovery front.

Mobile check-in

Contactless check-in has become the new norm of hospitality and guests are willing to skip front desk for check-in and other room related queries. These contactless technologies are not only offering ease and safety to consumers but also helping hoteliers' weather operational disruptions. Chatbots are being used to resolve any guest query and virtual tours are also gaining traction.

Focus on B2B customers

OTAs are now shifting their focus from only B2C to B2B consumers. OTAs such as MakeMyTrip and Cleartrip are introducing travel packages customized for corporate travel. MakeMyTrip launched myPartner, focusing on B2B business with an offering the OTA's huge inventory of over 110,000 hotels and alternative accommodations, which goes up to 500,000 properties when one considers the international inventory.⁵²

Key PE/VC deals in travel & hospitality sector in 2020

Target	Investors	Total funding (\$mn)
ZoloStays Property Solutions Pvt. Ltd. (Zolo Stays)	Nexus Ventures IV Ltd., Investcorp Private Equity Fund II, Mirae Asset-Naver Asia Growth Fund, Trifecta Capital Advisors LLP	56.0
Itilite Technologies Pvt. Ltd. (Itilite)	Greenoaks Capital Partners LLC, Vy Capital Management Company Ltd., Matrix Partners India II LLC, Ashish Gupta	13.0
Casa2 Stays Pvt. Ltd. (Fabhotels)	Accel India IV LP, RB Investments Pte Ltd., Global Private Opportunities Partners II LP	5.5
Yolo Traveltech Pvt. Ltd. (Yolo)	Nexus India Capital Advisors Pvt. Ltd., India Quotient Advisers LLP	3.3
Mystifly Consulting India Pvt. Ltd. (MyFareBox)	RSI I Fund LLC	3.3

Key M&A/Strategic investments in travel & hospitality sector in 2020

Target	Investors	Total funding (\$mn)
Eukleia Technologies Pvt Ltd	Nestaway Technologies Pvt Ltd	-
iTraveller Technologies Pvt Ltd	lastminute.com N.V. (SWX:LMN)	-
Super Highway Labs Pvt Ltd	Sojitz Corp	-
Travenues Innovations Pvt Ltd	SpiceJet Ltd	-
YourShell	DTwelve Spaces Pvt Ltd (Stanza Living)	-

To the point

“With overseas online travel & hospitality segment coming to a grinding halt, the focus of start-ups in the space has shifted to propping local experience offerings - short drivable vacation spots, accommodation at homestays and villas, long term stays, etc this will lead to further penetration into Bharat

The segment is dependent on a lot of external factors, and changing consumer trends such as corporate travel which will certainly take some time to come back to pre-COVID levels. We expect the segment to bounce back in the long term

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Mobility

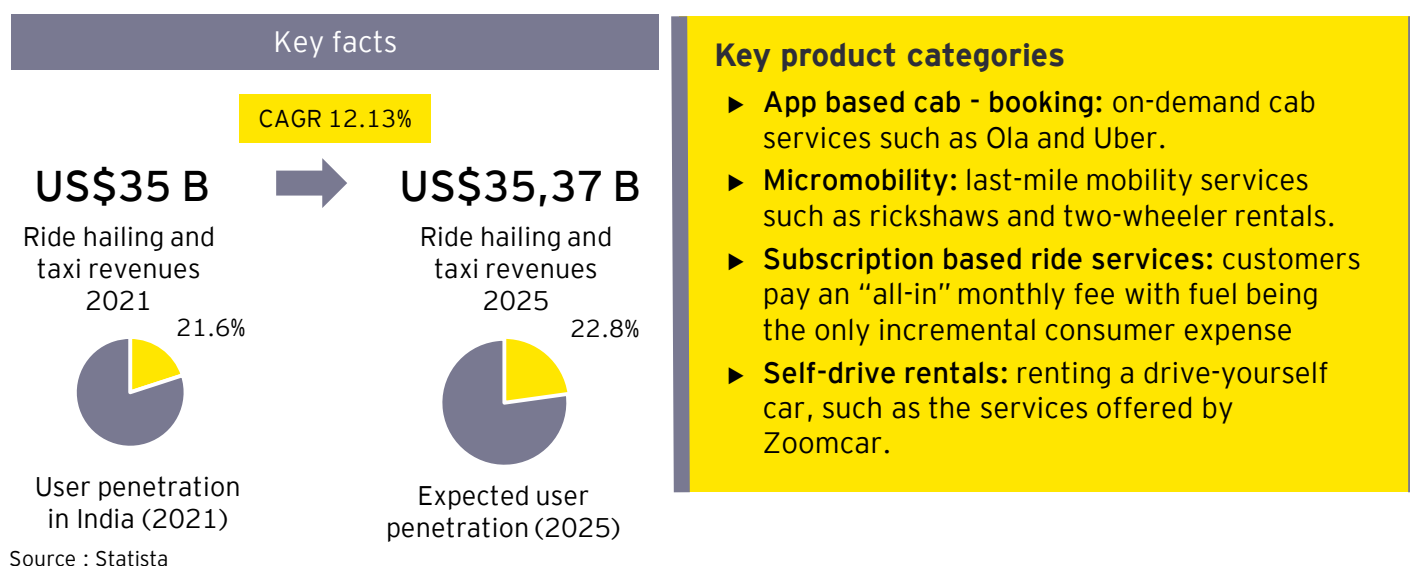
last mile going electric

Indian commuters today face issues of rising pollution levels, traffic congestions in urban areas, parking shortages, last mile connectivity and increasing fuel prices. These have resulted in a subtle shift in vehicle ownership trends, as millennials move towards shared transport rather than investing in personal vehicles. Challenges faced by the traditional mobility, along with changing market dynamics have led to the rise of alternate new mobility platforms which include traditional carsharing, peer to peer (P2P) carsharing, corporate sharing, dynamic shuttle, mobility-as-a-service and more.



India offers all the right ingredients to be one of the largest shared mobility markets in the world as it has large population clusters, a young demographic that is well connected to the internet and rising real incomes.

COVID has certainly impacted few segments of the market such as app-based cab services, but other segments such as subscription based mobility have seen a surge in demand.



COVID impact

The lockdown put a sudden halt on the services offered by mobility platforms such as Ola and Uber. Ola for instance, witnessed a 95% decline in its revenue during April and May 2020 while Uber also suffered a similar hit.⁵³ Companies had to opt for cash saving strategies such as lay-offs and office closures.

In May 2020, Ola reduced its staff strength by 1,400 people, similarly, Uber had to lay-off nearly 600 employees in India and 6,700 worldwide.⁵⁴

Limited inter-city travel services coupled with a reluctance to use public transport, there has been a surge in inter-state and inter-city car rental bookings observed in select parts of the country like Bangalore.

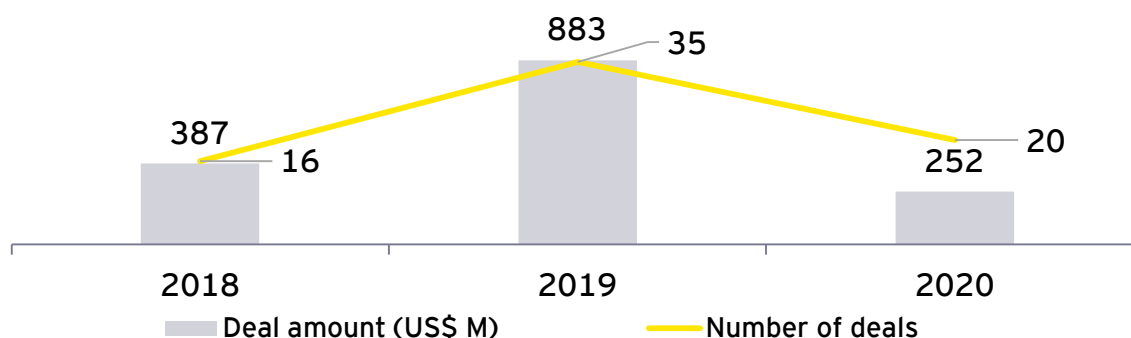
Majors such as Uber are expanding into other adjacent segments such as B2C and C2C logistics services to drive their revenue stream.

	Jan 2020	Sept 2020	% change
Cabs (millions)	~70	~15	-78.6%
Bikes (millions)	~20	8	-60%
Autos (millions)	~25	~12	-52%
Total (millions)	115	35	-69.5%

Source : Financial Express

Transaction activity

PE/VC investments in the mobility sector - annual trend (US\$ million)



Source : EY analysis, Tracxn

- ▶ While the funding activity witnessed an overall decline, segments such as e-mobility and self-drive were successful in attracting investors' attention.
- ▶ Accel Partners B Capital Group were part of notable deals in the segment.
- ▶ Shared mobility start-up Bounce, raised US\$105 million in a series D funding round led by Accel Partners.
- ▶ Zoomcar raised US\$30 million in series D funding led by Sony Innovation Fund.

Source : Economic times, YourStory research

Mobility players are providing innovative solutions and also venturing into new segments to cope with the changing market dynamics post COVID

Subscription based model



With the sales of passenger vehicles expected to decline in FY21 due to lockdown measures and a sharp drop in affordability car makers have been looking at ways to reduce the cost of ownership of vehicles for prospective consumers.

In July 2020, Maruti Suzuki tied up with ORIX Auto Infrastructure Services to launch a vehicle leasing service for the Indian market.

Delivery tie-ups



With the advent of the lockdown, industry players explored new segments for revenue generation. Uber partnered with e-commerce majors such as BigBasket, Flipkart and others to provide last mile delivery services of essential items. Similarly, Rapido launched Rapido Box, an on-demand delivery service where customers can request pick and drop of food, groceries and medicines on the app, from or to another customer.

Emerging trends in Indian mobility

Expected growth in the car leasing market

With the COVID scare keeping people away from public transport, self-drive and rental car companies are seeing a sharp jump in enquiries and subscriptions. Zoomcar has seen a 400% rise in demand in the past few months⁵⁵, similarly Revv witnessed a 30 - 40% increase in its subscription service.⁵⁶

Electric mobility integration

Mobility service providers were among the worst hit as demand has been muted since the covid-19 outbreak. However, the companies are aiming to accelerate some of their larger plans to take the green route as they expect strong recovery in electric vehicle segments once the restrictions are lifted. Uber India plans to have 3,000 electric vehicles (EV) in its fleet by the end of 2021,⁵⁷ while mobility start-up Bounce is looking to transition to a 100% EV fleet by 3Q 2022.⁵⁸

Rebirth of the used car market

Valued at US\$24.24 Bn in 2019, the Indian pre-owned car market was expected to grow at a CAGR of 15.12%.⁵⁹ Social distancing norms and muted public transportation has changed the travel and commuting behaviour in city dwellers. The post lockdown scenario is expected to encourage more and more people to avoid public transport thus the used-car market is expected to grow, considering the price sensitive Indian consumer. A CRISIL market research predicts a jump in customers preferring to commute by their own vehicles. As per the research most commuters were inclined towards using own cars, and substantial numbers were planning to buy a pre-owned car if they didn't have one

Key PE/VC deals in mobility sector in 2020

Target	Investors	Total funding (\$mn)
Zoomcar Inc. (Zoomcar)	Sony Innovation Fund	100.0
Yellow Drive Technologies (Spinny)	Accel India Management Co. Pvt. Ltd., Alteria Capital India Fund I, Fundamentum Partnership Fund, General Catalyst Partners, KB Financial Group Inc., SAIF Advisors Pvt. Ltd.	43.7
MXC Solutions (CarTrade)	Warburg Pincus, Temasek and others	42.5
Vogo Automotive (Vogo)	LGT Lightstone Aspada	35.0
A S Justride Tours and Travels (Drivezy)	Shell, Middle East fund	30.0

To the point

“ While the mobility segment was adversely impacted due to the pandemic as the transportation segment came to a standstill, with a few of the companies temporarily pivoting to partnerships with hyperlocal delivery start-ups to deliver products to customers and continue to sweat their assets.

The temporary halt in services has allowed for companies to innovate and explore new business models and services - from subscription-based ownership to the surge in introduction of electric vehicles in their fleet. The latter is a trend we expect to play out significantly in the mass transport market further aided by the push from government initiatives and regulations.

Last-mile connectivity continues to be a challenge in major cities, and the demand for bike taxis is expected to increase its share in the mobility segment. An added advantage for the bike taxi market is that it's easy to pivot to or partner with intracity logistics networks.

We expect the segment to make a recovery in the near term, and continue to innovate and disrupt the mass transportation market. ”

Payment and wallets

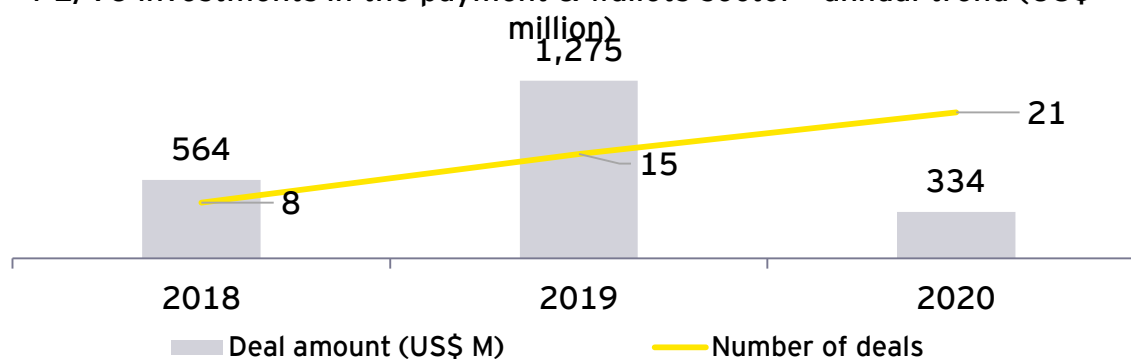
surging ahead

While India has traditionally been a cash-driven economy, increasing digital penetration, consistent growth in retail electronic payment systems, such as National Electronic Fund Transfer (NEFT), mobile banking, and development of payment acceptance infrastructure have resulted in a significant uptick in digital payment transactions.



Transaction activity

PE/VC investments in the payment & wallets sector - annual trend (US\$ million)

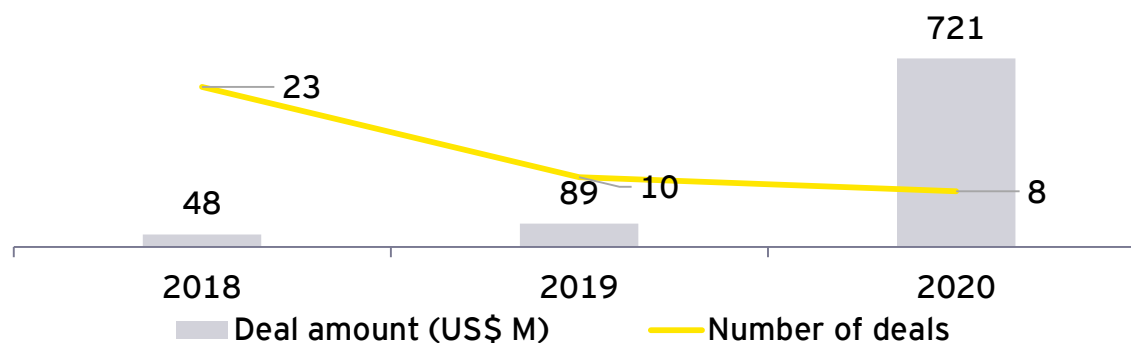


Source : EY analysis, Tracxn

- ▶ While the overall funding activity witnessed a decline due to COVID, start-ups such as Bharatpe were successful in attracting investors' attention.
- ▶ GIC, Sequoia India and Coatue Management were among the major investors in the segment.
- ▶ In Oct 2020, Razorpay raised US\$100 m in a series D funding round.
- ▶ In Feb 2020, Bharatpe raised US\$75 m in a series C funding round.

Source : Economic times, YourStory research

M&A activity in the Payment & Wallets sector - annual trend (US\$ million)



- ▶ 2020 saw a big jump from 2019 in-terms of value of M&A transaction.
- ▶ Walmart's US\$700 m investment in PhonePe was the largest deal of the year..
- ▶ Infibeam Avenues invested US\$2.4 m in So Hum Bharat Digital Payment Limited.

Payments and wallets providers are providing a variety of services and also venturing into adjacent segments to cope with the changing market dynamics, during and post COVID

Payments bank



Major industry players such as PayTM, along with others such as Airtel are also entering the payments bank segment to capitalize on changing consumer behaviour. A payments bank can carry out most banking operations but can't advance loans or issue credit cards. Wallets and payment companies are expected to tap into the opportunity to grow their customer base and generate new revenue streams.

Integrated service offerings



Leading digital wallet providers such as PayTM, PhonePe and Google pay are transforming into integrated financial services solution providers by adding services such as lending, insurtech, wealthtech along with EDC terminals and more.

In 2020, PayTM launched stock broking services on its PayTM Money app. With more than 6 million users on its platform, PayTM Money has investors from 98% of pin codes of India.⁶²

Emerging trends in Indian mobility

Voice payments

With the success of Alexa, financial institutions and FinTechs are in the process of making voice payment the next big thing. Already, many financial institutions in lending are using voice technology through bots to serve the customers. The same will be used to transfer the payments. Digital payment provider such as Amazon Pay, Google Pay, and Apple Pay are in the process of integrating Voice Payments.

Face recognition

Until now most of the payment technologies were weaved around smartphone. But face recognition payment technology is designed to make payments without mobile phones. China has already adopted this payment option. With Aadhaar incorporating face and iris data of the card holders, it can be a great advantage as and when Indian Payment companies start adopting face recognition payments. Further, the Government of India is now booking to mandate an additional layer of security in the form of facial recognition, Iris scan and checking the location to ensure security of digital payments.

Focus on cybersecurity and Robotic Process Automation (RPA)

As digital payments go mainstream, financial institutions are straining hard to continuously reduce their exposure to financial crimes. RPA will continue to impact migration activities, data security & governance, and compliance management, especially in the wake of the recent and ensuing PSU bank consolidations. RPAs-led intelligent automation in the field of financial fraud will gain grounds in helping banks and digital payments firms to earn consumer trust

Rise of pay later

In the aftermath of the lockdown, when personal consumption and discretionary expenditure plummeted, affordability has become a central theme. In turn, this has led to businesses and consumers welcoming Buy Now Pay Later (BNPL) options in digital payments, injecting speed, flexibility and convenience in paying. The coming year will witness the explosion of mass affordability solutions, triggered by the flexibility and benefits of BNPL options, which are expected to further trigger growth among both merchants and consumers.

Key PE/VC deals in online payments and wallets sector in 2020

Target	Investors	Total funding (US\$m)
Razorpay Software (Razorpay)	Ribbit Capital LP, Tiger Global Management LLC, Matrix India Asset Advisors Pvt. Ltd., Y Combinator, Sequoia Capital India Advisors Pvt. Ltd., GIC Pvt. Ltd.	100.0
Resilient Innovations (BharatPe)	Amplo, Coatue Management LLC, Steadview Capital Management LLC, Ribbit Capital LP, Insight Venture Management LLC	75.0
One Mobikwik Systems (MobiKwik)	MK SPV IX	30.5
Ola Financial Services (Zip Cash)	Matrix Partners India III, Falcon Edge India I LP, Sarin Family India LLC, Yuri Milner	28.7
Juspay Technologies (Juspay)	Accel India IV LP, Wellington Management Company LLP, Vostok Emerging Finance Ltd.	21.6

Key M&A/strategic investments in online payments and wallets sector in 2020

Target	Investors	Total funding (US\$m)
PhonePe Private Limited (13% Stake)	A group of investors led by Walmart Inc.	700.0
Transerv Pvt Ltd	Indiabulls Consumer Finance Ltd	10.0
iServeU Technology Pvt Ltd	Niyogin Fintech Ltd	8.1
So Hum Bharat Digital Payments Pvt Ltd	Infibeam Avenues Ltd	2.4
Instant Global Paytech Pvt	Infibeam Avenues Ltd	1.0

To the point

“ The digital payments and wallets space has witnessed a sharp rise, and we are adopting this technology in record numbers. Not only on the consumer front but also acceptance from a business front. In a market where cash is still king, digital payments are quickly gaining ground as India's populace with a surge in usage of online services - from shopping, gaming, Edtech, OTT platforms to name a few

With investments made in building robust payments infrastructure to meet the ever-expanding demand has been key in unlocking the segment. Systems being built to operate more seamlessly with each other, the aim seems to be to reinvigorate innovation and push digital payments even deeper into the country

The technology is not only attractive to homegrown companies but also international players wanting to get into the mix. This should bode well for both companies capitalizing on the growing need to enable online payments, as well as investors in the space ”

Consolidation play

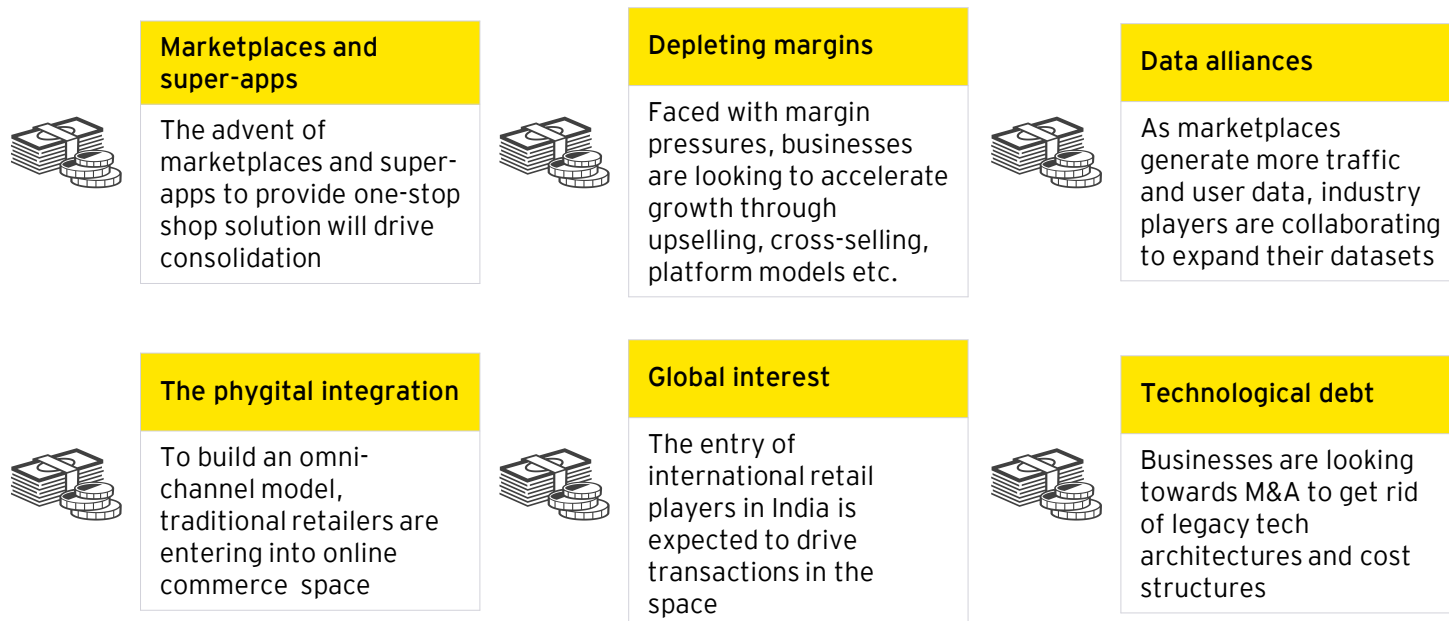
in a bid to occupy the center of the screen

Even before the COVID-19 pandemic, one could see the consolidation trends playing out in the e-commerce space. VCs are currently more cautious in handing out big cheques as a result of their learnings from the perilous journey of high-profile valuations being humbled when attempting to go public, along with shift in approach from 'growth-at-all-costs' funding to increased focus on unit economics and path to profitability. This has further accelerated the M&A trend and brought it to the forefront, as small, niche start-ups struggle to stay afloat in these testing times along with new entrants taking inorganic route to market. The year 2020 saw over 90 M&A deals in the Indian internet and e-commerce segment, amounting to US\$3.6 billion, led by the B2C e-commerce, fintech and payments vertical, that together accounted for over 70% of the total deal value. Edtech and healthtech segments saw strong growth in M&A activity, as the larger players leveraged inorganic expansion to capitalize on the growth opportunities created by the pandemic.



A pattern is starting to emerge where leaders of the pack along with the key players in the chase are seeking strategic purchases or alliances to become a more dominant force in the space making them more attractive to both VCs and consumers. There is substantial value to be unlocked when a collaboration/acquisition is done right - help in accelerating growth, improving margins, access to bigger markets and shorten the sprint to profitability. There are a number of factors influencing this accelerated trend brought about both by caution in investors and high-growth companies leaping to a higher plane.

Factors driving industry consolidation



Consolidation has in fact been the mechanism by which the big players in China have integrated themselves in the lives of their customers, both as the primary source of online purchases and the go-to everyday payments device (both on-line and off-). Companies have been able to shape the preferences of consumers in China by consolidating the shopping process from end-to-end, relying on innovative features like s-commerce and massive, market-commanding presences in payments-adjacent areas to keep buyers within their respective ecosystems

The consolidation of services in e-commerce carries several critical caveats though which should interest any firm looking to grow. Firstly, the exact same consolidated payments service for a given e-commerce platform can succeed in a wide-open market or flop in a saturated one. Second, bigger players (and more of them) means competition is the new normal. Third, increased competition has led many players to operate at a loss in exchange for market share.

Synergy analysis, integration planning, change management, and strong leadership can significantly increase chances of success. Consolidation does not come without risk but if executed effectively it can lead to creation of significant shareholder value. At a time like this, consolidation may not be a luxury but a necessity to survive and possibly thrive.

Consequently, it goes without saying that investors will pick and choose from new investment opportunities even as they would prefer to remain focused on existing portfolio companies rather than betting on new businesses. But this doesn't mean good investible companies wouldn't find backers. On the other hand, earlier if investors gave start-ups a runway of around five years to become profitable, now they would look to expedite it, bringing the profitability metric to the forefront instead of Gross Merchandise Value (GMV), Monthly Active Users (MAU) etc.

IPOs

The year 2021, is expected to be a landmark year for ecommerce firms attempting to list in public markets. As per various reports more than a dozen companies are gearing up their leadership teams and setting up processes while preparing for the next giant leap.

Much of this IPO excitement comes from the impact of these ecommerce companies in our daily lives, which have seen their valuations shoot up as the pandemic created massive demand for video conferencing, food delivery, online shopping, and other digital tools that make hunkering down more bearable. Technology commands the richest valuations and produces massive profits in the US and Chinese stock markets and it's time these riches reach Indian shores.



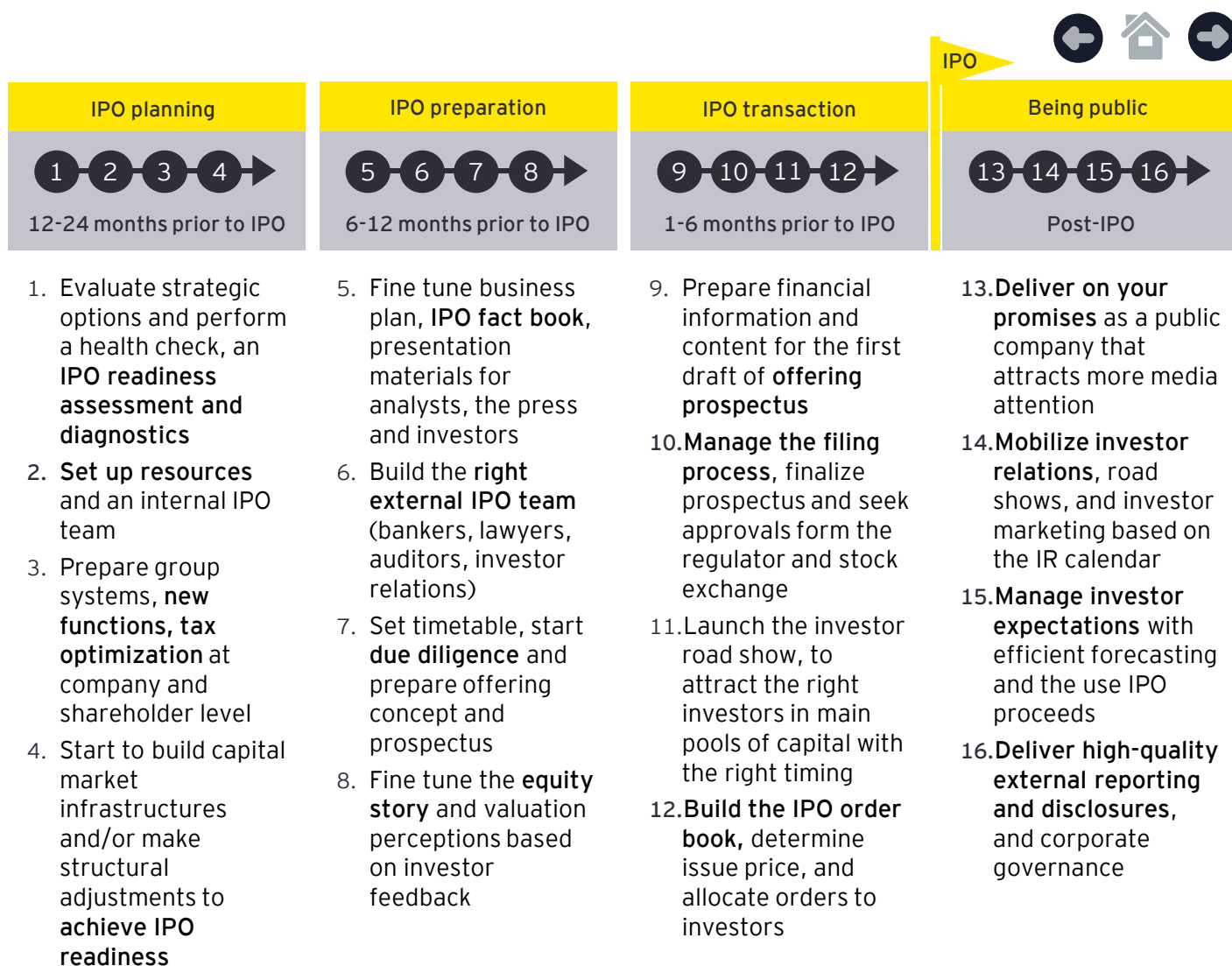
A successful listing can help a company unlock access to financing to complete a strategic acquisition, create opportunities to expand into new markets or provide an exit opportunity. In addition, it can also improve perceptions of the business and brand with customers, suppliers and employees.

The new norms announced by the SEBI 65 such as easier migration to the main board, decreased holding period, and special rights have made IPO more lucrative. Industry experts believe that the rising stock market, booming e-commerce and digital services as a result of the pandemic and government incentives will drive Indian start-ups towards IPOs, buoyed by the successful Silicon Valley IPOs.

IPO readiness is the next step in the maturity curve, which a lot of ecommerce companies are eager to prove. This will truly be a litmus test for e-commerce companies and help with the validation of the start-up growth story. Retail Investors will be able to participate in an increasingly relevant and futuristic segment of India's economy, – one that is touted to be the future, and can one that can create global giants.

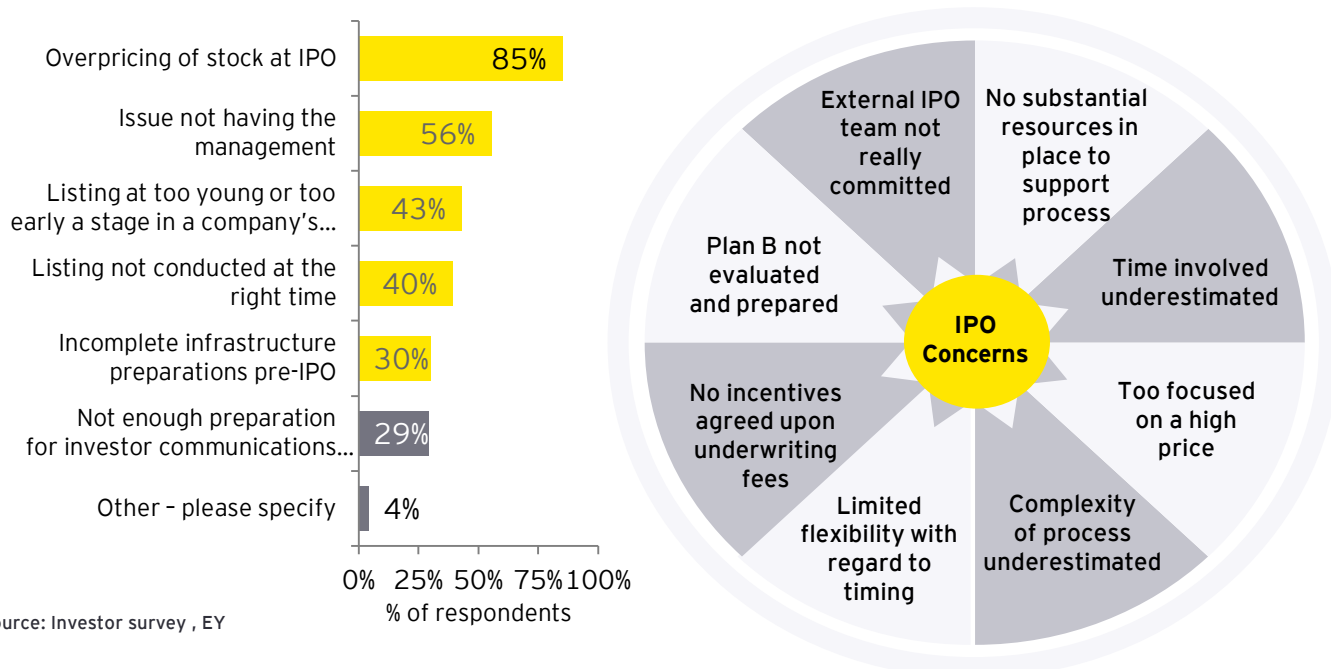
Getting IPO readiness right means implementing change throughout the business, organization and the corporate culture. Successful businesses start to prepare typically 12 to 24 months before going public – in many cases with an IPO readiness assessment.





A successful initial public offering (IPO) involves intensive planning and effort, both before and after the IPO date. It is essential for businesses to identify the critical risk factors for an IPO to build a mitigation plan early in the IPO value journey. The pricing, timing of the IPO, IPO readiness and the team structure are some of the key success factors for an IPO.

What are the key concerns for IPO candidates?



The start-up ecosystem has created considerable wealth not only for the Indian economy but also for participants in the ecosystem - founders, employees and investors; many former executives who have exited from these successful start-ups have continued onto their second ventures and have become angel investors of some repute bringing their experience and cheques to help grow the burgeoning ecosystem to help create the next unicorn.

Outlook

The consumer internet and e-commerce sector in India continues to grow in spite of several challenges such as lack of trust among buyers for the quality of products sold online, concerns around security of online payments, regulatory uncertainty and most recently, the COVID-19 pandemic that crippled operations and drastically reduced demands in the initial months. E-commerce players are consistently evolving and transforming their operating models to cater to ever changing consumer needs and the market dynamics. They are expanding avenues to tap tier II and tier III cities and are now targeting global level expansion as well. India is reaching the required maturity level to harness the upcoming global opportunities and plans to partner at the global level to grow e-commerce beyond the domestic domains.

E-commerce companies in the country are taking steps to scale their operations as they decipher hyper growth in the coming times. Innovation and capital will play an important part for the growth of this sector and hence VC/PE ecosystem will continue to be relevant. India is a bright spot on the world map as it offers enticing opportunities to do business. Suitable government policies, regulatory reforms and rising demand for digital services is creating India into a favourable destination for influx of funds from global investors.

New-age technologies such as AI/ML and data analytics will help e-commerce vendors analyze consumer data to understand their preferences and drive e-commerce sales in the future. Rise of social media will also boost e-commerce as millennials which constitute majority of India's population are increasingly using Facebook, Instagram and other social media sites to make retail decisions.

India is at an inflection point, with digital transformation is expected to witness mass adoption. The e-commerce and digital services space is likely to witness strong growth, driven by strong government support and a robust start-up ecosystem. Despite COVID, India recorded a 13% growth in Foreign Direct Investment (FDI), in 2020 at a time when fund flows declined most strongly in major economies such as the UK, the US and Russia.⁶³ The growth was largely attributed to investments in the digital sector. The positive investment activity showcases the global community's confidence in India's start-ups and highlights India's ability to be a game changer in the E-commerce and Consumer Internet sector.



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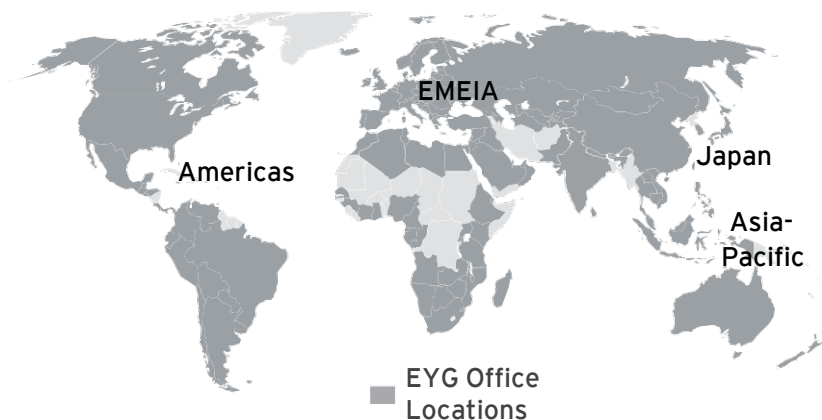
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- ▶ People
- ▶ Clients; and
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