



INDIAN SaaS REVOLUTION RISING TRILLION DOLLAR GLOBAL OPPORTUNITY

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SUDHIR SETHI
FOUNDER AND CHAIRMAN
CHIRATAE VENTURES

The past 18 months have seen tremendous changes in the world and its people, a course of events, and trigger effects at a scale that none anticipated. In this pandemic, the relevance and the drivers of digital technologies have been further sharpened. Indeed, we observed massive growth in SaaS largely due to the flexibility it offers to businesses in functionality, scale, and remote productivity.

Globally, SaaS is quickly emerging as the gold standard for businesses, from traditional accounting firms to cutting-edge AI start-ups, and from small family-owned businesses to large multinational corporations. The usage of and demand for SaaS products have grown dramatically over the years, and we see this trend continuing in 2021 and beyond.

At Chiratae Ventures, we have cumulatively invested over \$150M in SaaS companies. We are fortunate to closely witness the growth and successes of multiple SaaS companies in India such as Uniphore, Manthan, Cropin, PyxisPM, HealthPlix, Unbxd, Deepfence, Hevo Data, Pando, Squadcast, and many more.

The Indian SaaS landscape is at an inflection point. Over the last five years, the number of SaaS companies has almost doubled, and the size of the industry has grown by five times, representing significant traction. There is no doubt in our mind that we, in India, are ushering in a new SaaS era as all the ingredients for a SaaS revolution are in place: unprecedented capital infusion, seasoned entrepreneurs, enormous tech talent, and a favorable regulatory environment. The Indian SaaS industry has evolved across three eras, from traditional legacy software companies that later transformed into SaaS, to eventually new-age SaaS companies that are serving novel use cases that have emerged due to the use of technology and cloud. Many of these Indian SaaS companies have already established a playbook for making a mark in the global market, and we expect many more to burgeon into large global enterprise businesses in the coming years.

To capture the development of SaaS in India and the emerging themes in the next five years, Chiratae presents the "Indian SaaS Revolution: Rising Trillion Dollar Global Opportunity" report, in collaboration with our knowledge partner, Zinnov, a global management consulting and strategy advisory firm. Zinnov provided us with the necessary insights, analyses, and perspectives that form the basis of Chiratae's recommendations.

Keeping in mind all the key stakeholders, this report offers valuable insights for both investors and tech entrepreneurs. For the investors, this report provides a snapshot of the SaaS journey in India so far and the promise this sector holds for private capital infusion in the coming decade. For entrepreneurs, we have consolidated some of the key learnings, emerging fast growing areas, challenges, and winning themes.

We hope that you enjoy reading the report and, as always, we look forward to your feedback and suggestions.



PARI NATRAJAN
CEO
ZINNOV

The Indian SaaS market is giving global companies a run for their money. To put things in perspective, the Indian SaaS market has grown ~5X in the last five years alone, with many SaaS start-ups becoming unicorns. In fact, the SaaS industry is well-positioned to overtake the established IT Services industry by 2030.

With Indian SaaS companies becoming forces to be reckoned with on the exponentially growing global SaaS market, they have all the ingredients to take the pole position – from creating globally competitive products and platforms to rising interest shown by global Venture Capital firms, to leveraging the conducive ecosystem enablers, and taking advantage of the digitally-skilled technology talent. Poised to fulfill 19% of the global SaaS demand by 2025, Indian SaaS companies are on an incredible bull run, with the ecosystem maturing at an accelerated pace.

The surging interest in the SaaS space from Venture Capital firms is another fillip to the Indian SaaS industry. In fact, VC investments in excess of \$6 B has been channelized into the Indian SaaS companies, with ~\$4 B invested in the last 3 years alone. With more than 600+ global VCs actively investing in Indian SaaS companies, the heightened interest in the space will be validated by many more unicorns being birthed from the subcontinent.

On the cusp of a transformation, the Indian SaaS industry is set to provide a major shot in the arm to the economy, as more and more companies will focus on creating global products from India. This will strengthen India's technological prowess, not only from a services perspective, but also from a product innovation perspective. This Chiratae Ventures – Zinnov report is a testament to the exponential growth of this industry in India and the effort of the entrepreneurs capitalizing on the opportunity to put India's SaaS prowess on the global stage.

ABOUT CHIRATAE VENTURES



Launched in 2006, Chiratae Ventures India Advisors (formerly IDG Ventures India) is India's leading technology Venture Capital funds advisor. The funds advised by Chiratae Ventures India Advisors collectively have close to \$900M under management and 100+ investee companies across Consumer Media & Tech, Cloud/Software, Health-tech, and Fin-tech.

Notable portfolio companies include Bounce, Cure.fit, FirstCry, Flipkart, Forus, GoMechanic, Lenskart, Manthan, Myntra (acquired by Flipkart), NestAway, Newgen (NSE: NEWGEN), PlaySimple, PolicyBazaar, Rentomojo, Unbxd, and Uniphore, among others. Till date, the fund has recorded 2 IPOs, 37 exits, and 4 unicorns.

For more information, visit: www.chiratae.com



~\$150 M

Total Capital Invested (in SaaS)



27

Total number of SaaS companies

MAJOR SAAS INVESTMENTS



NOTABLE SAAS EXITS

PORTFOLIO
COMPANY



ACQUIRER



IPO



A black and white photograph of a man in a suit walking up a long, wide staircase. He is seen from behind, carrying a briefcase. At the top of the stairs, a dense city skyline is visible. The image is partially obscured by a red circular graphic on the right side of the page.

TABLE OF CONTENTS

Indian SaaS Market 06-25

- Evolution of Indian SaaS industry
- Market landscape of India SaaS industry
- Growth differentiators for Indian SaaS companies

Global SaaS market and promising SaaS categories 26-55

- Growth of global SaaS companies
- Deep dive on promising SaaS categories
 - Cloud-Native App Development
 - Hyper Intelligent Automation
 - SaaSops Management
 - Cloud Security
 - Analytics and Business Intelligence

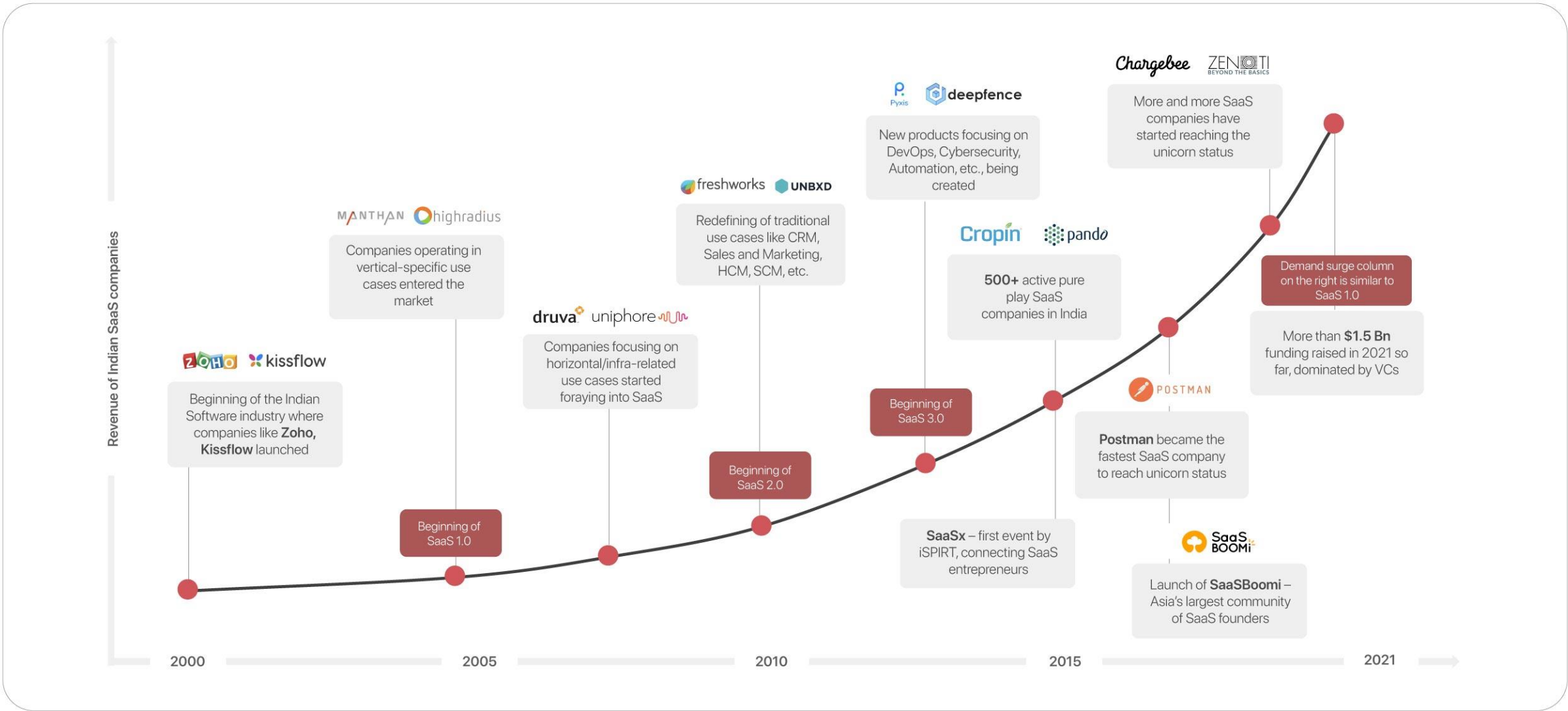
Approach to Value Creation 58-64

- Playbook to succeed in the SaaS market
- Learnings from the growth journey of unicorns
- Win themes in current times

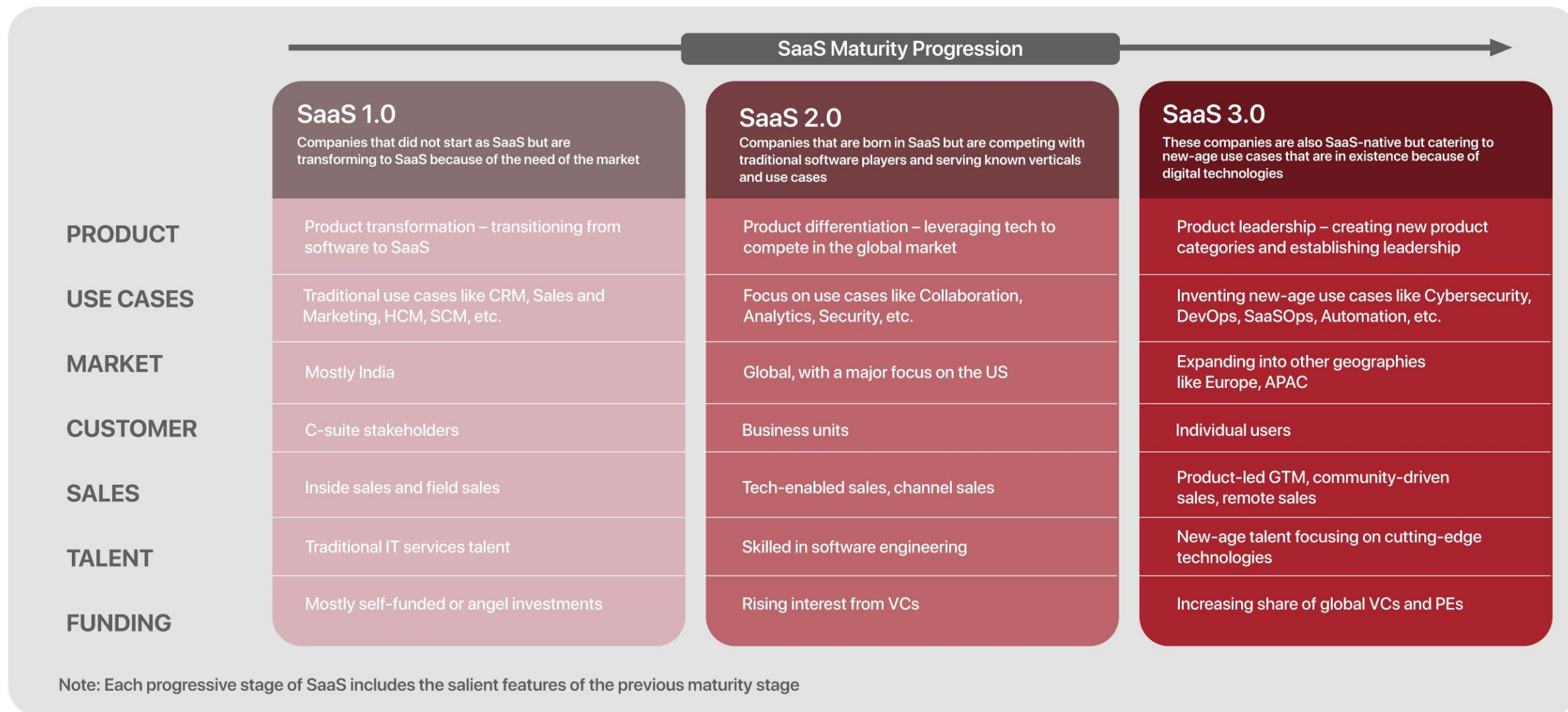
Indian SaaS Market



THE SaaS INDUSTRY IN INDIA HAS EVOLVED MULTIFOLD IN THE LAST TWO DECADES...

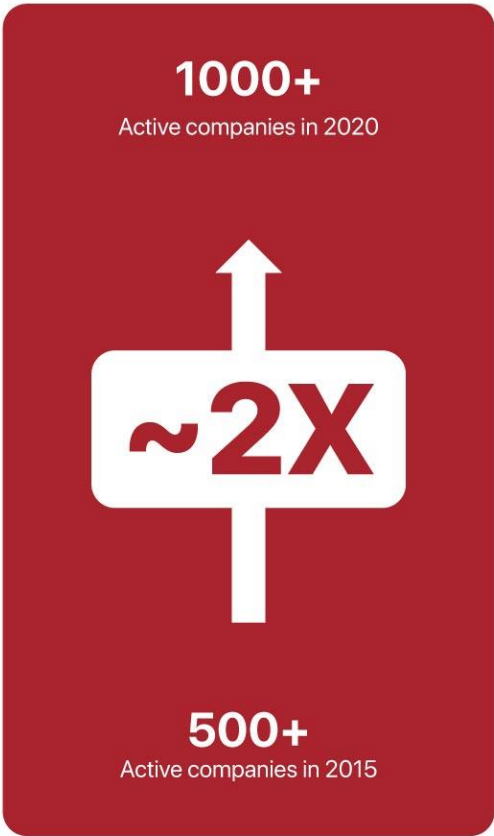


... AND IS BECOMING MORE MATURE, COMPETING WITH GLOBAL GIANTS



THE INDIAN SaaS INDUSTRY IS WITNESSING AN EXPLOSIVE GROWTH, WITH THE NUMBER OF SaaS COMPANIES DOUBLING...

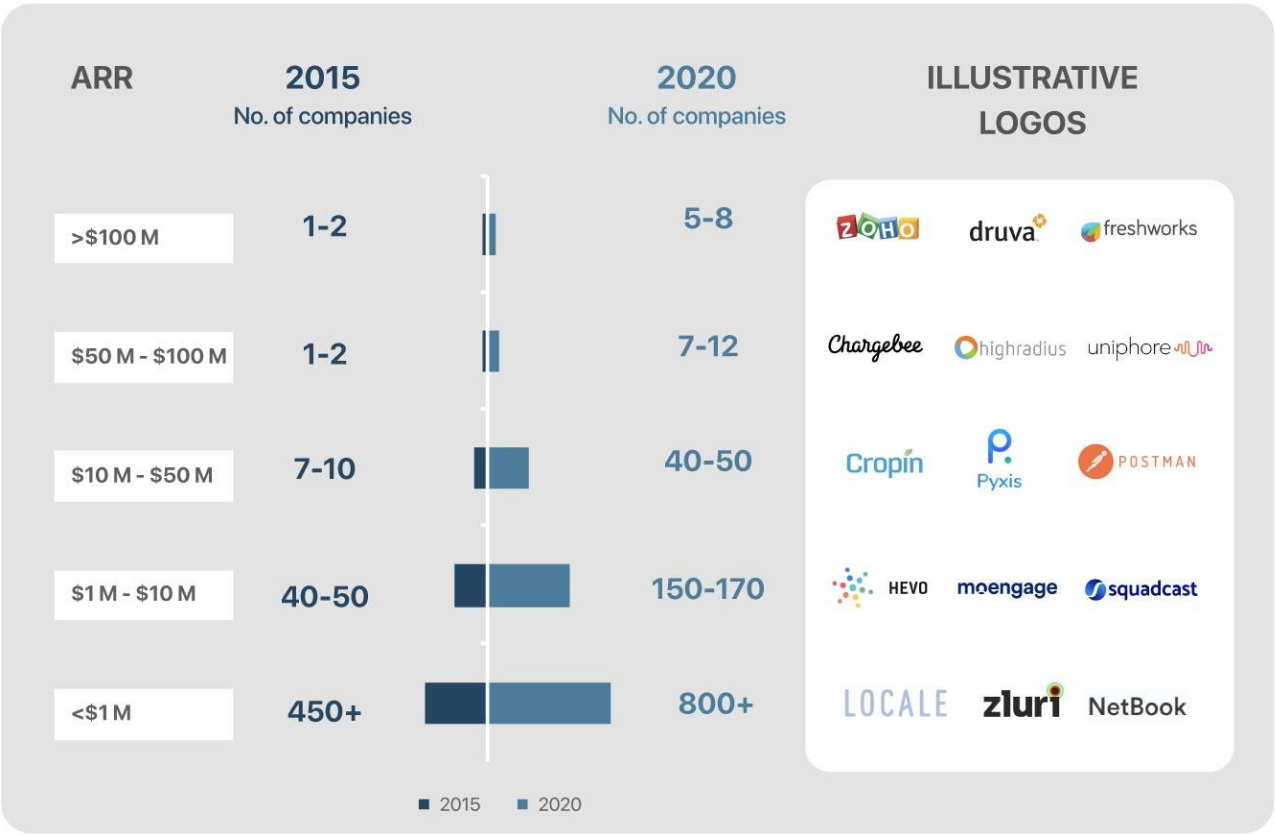
NO. OF COMPANIES



REVENUE GROWTH



REVENUE DISTRIBUTION



...AND REACHING THE UNICORN STATUS

UNICORNS



Latest Indian unicorn providing software testing platform raised \$200M and is valued at \$4 B



Founded in 2014, an API development collaboration platform, valued at \$2 B, having EV/Revenue multiple of ~45



Founded by Indian SaaS legend Girish Mathrubootham, became a unicorn in 2018 and currently valued at \$3.5 B

SOONICORNS



An AI-powered conversation automation platform, growing at ~300% YoY, raised a total \$311 M in funding



Founded in 2009, a Cloud-based field workforce management software, raised \$100 M in Series E

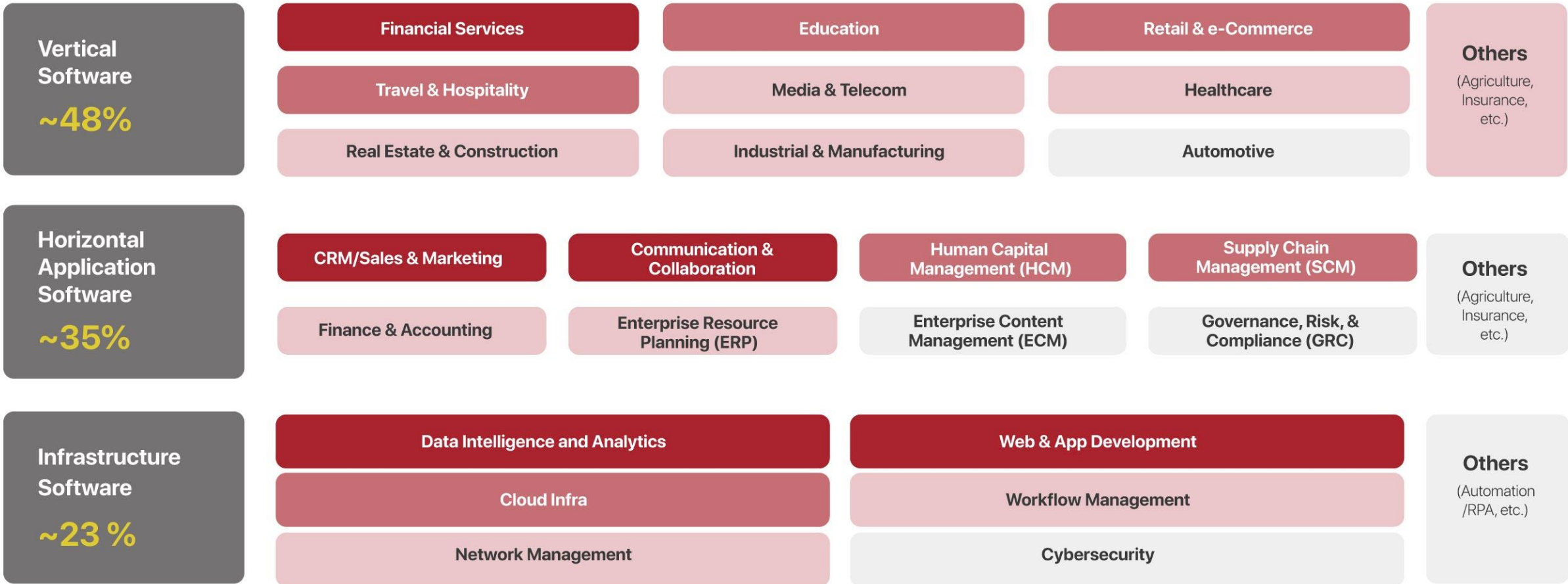


Sales management platform raised ~\$100 M in 2020, currently valued at \$480 M

OTHER NOTABLE PLAYERS



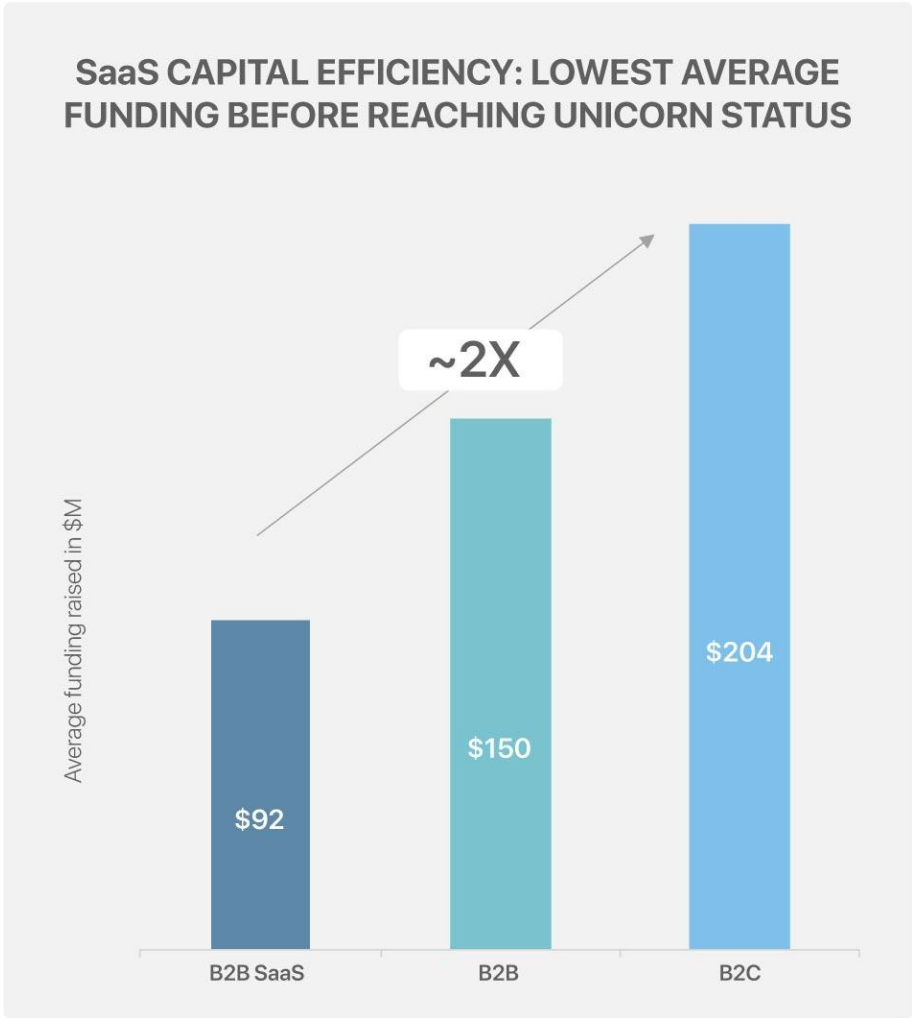
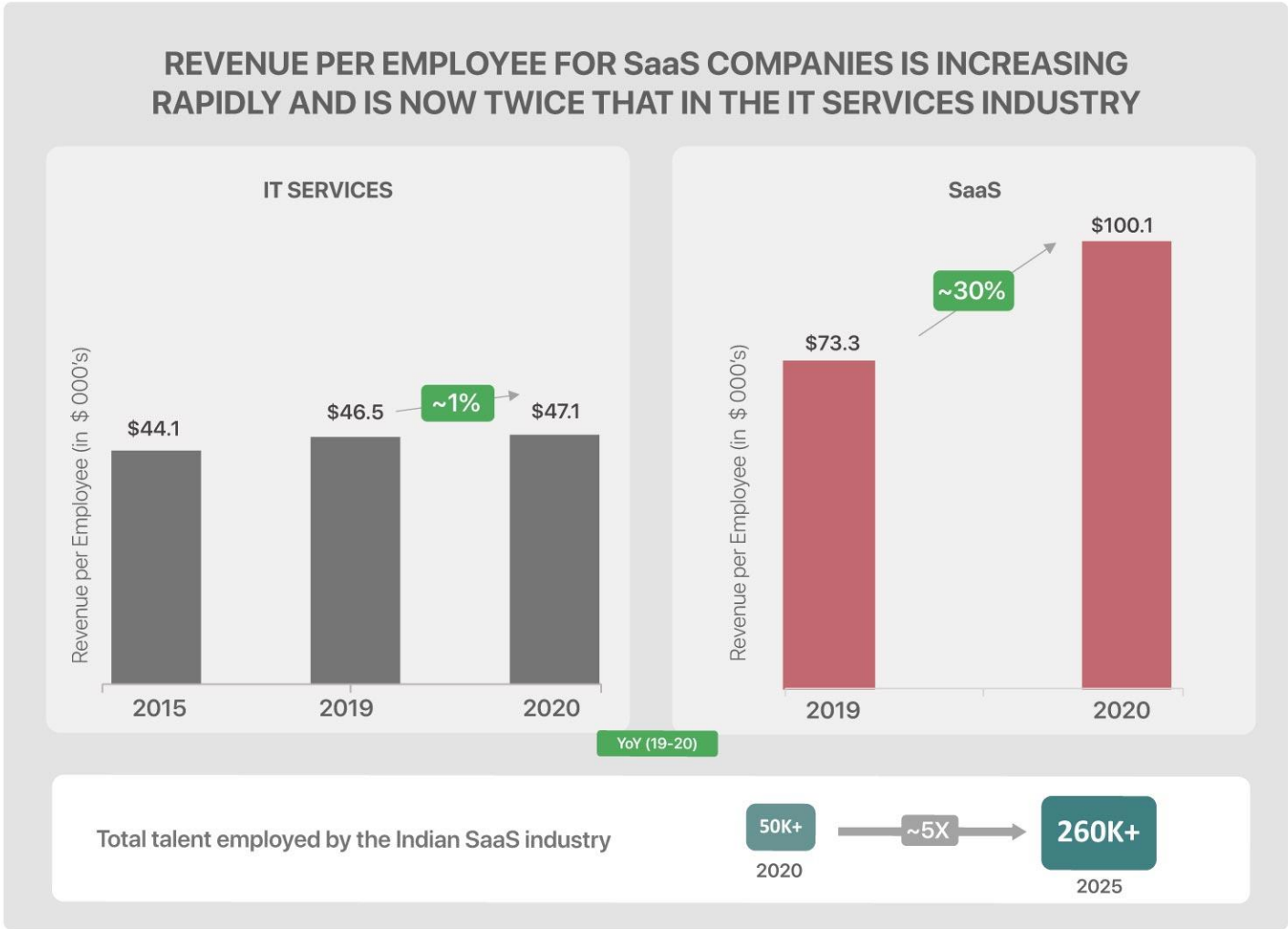
FINANCIAL SERVICES, CRM, AND DATA INTELLIGENCE & ANALYTICS ARE THE TOP SaaS CATEGORIES IN THE INDIA SaaS MARKET



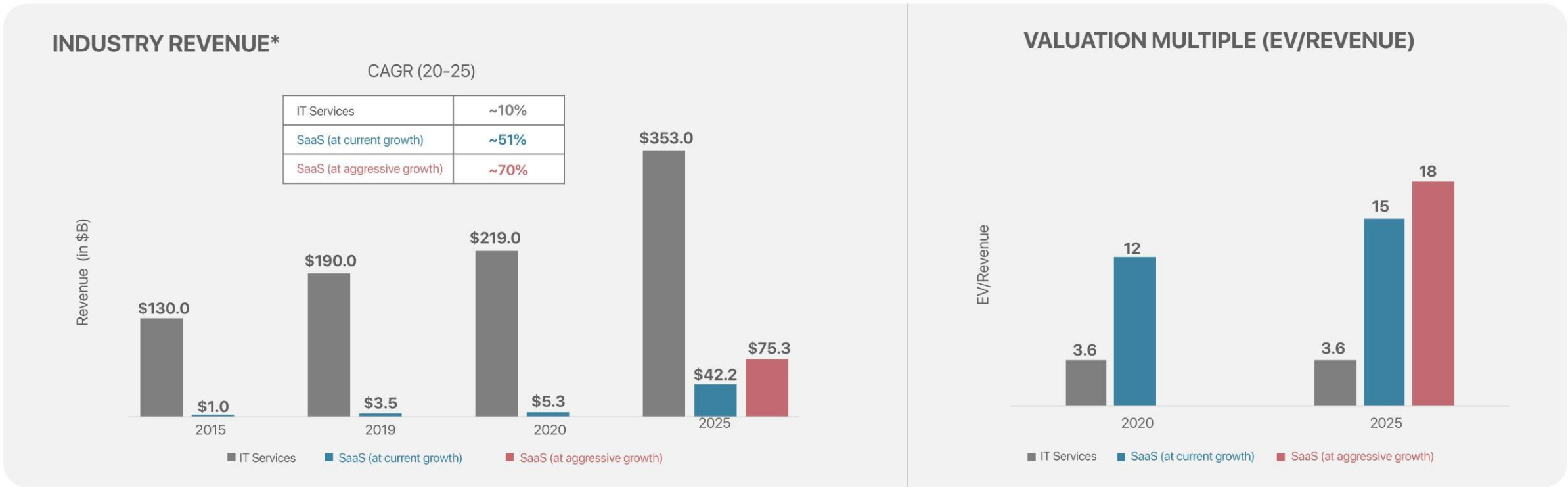
Note: Sum of percentages might be more than 100 due to overlap; based on the analysis of 500+ India-based Enterprise SaaS companies



SaaS INDUSTRY HAS PROVEN TO BE HIGHLY CAPITAL EFFICIENT AS COMPARED TO ANY OTHER INDUSTRY...



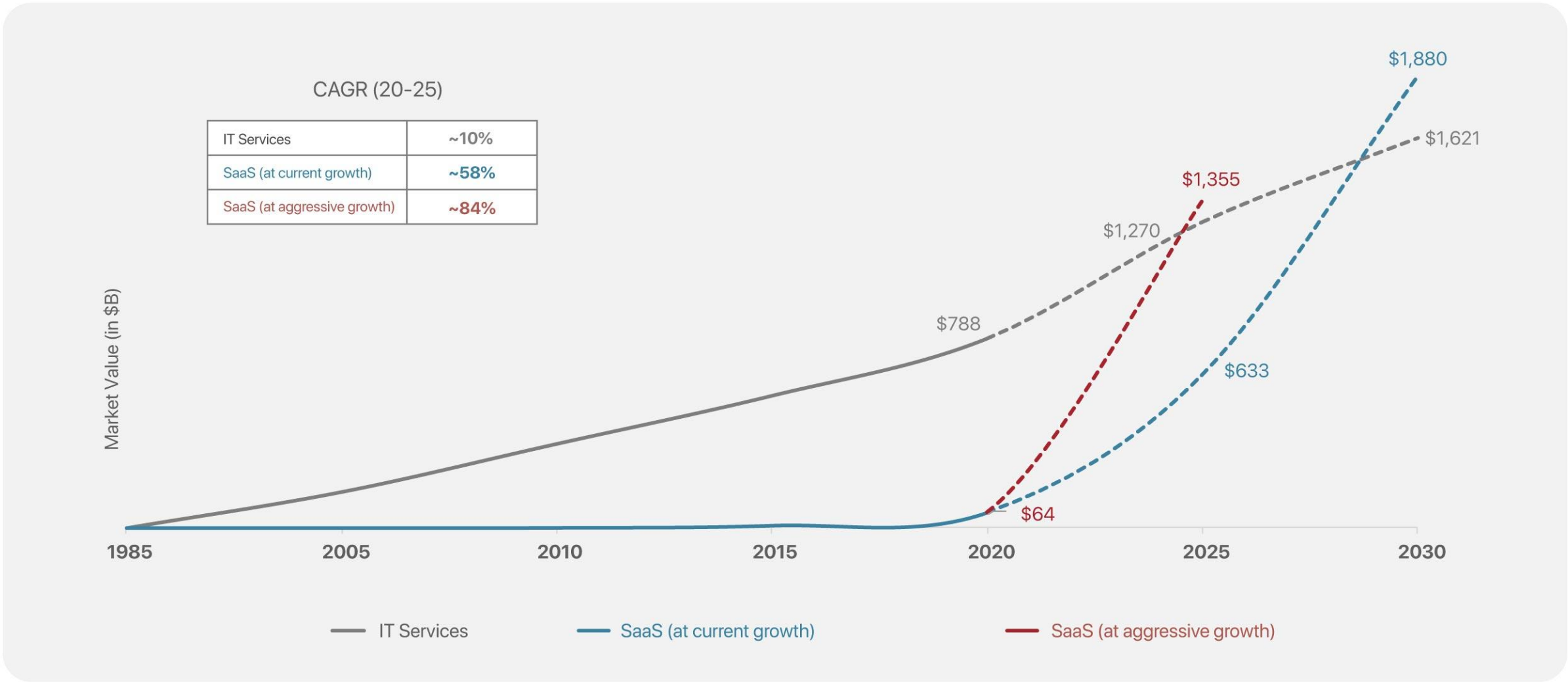
... AND IS EXPECTED TO GROW EXPONENTIALLY IN THE COMING YEARS



* - SaaS revenue includes SaaS revenue from IT services and traditional software companies

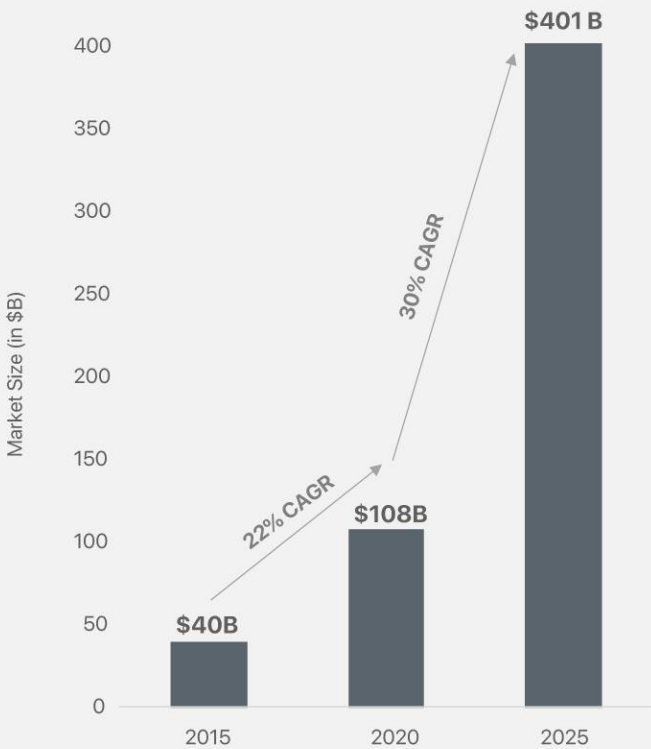
	Key Assumptions	
	Revenue	Valuation Multiple (EV/Revenue)
Base Case (at current growth)	Calculated based on the growth rate of Indian SaaS companies in the last two years	Indian SaaS multiple by 2025 is expected to reach current US SaaS multiple (2021)
Best Case (at aggressive growth)	Expected (potential) growth rate owing to the future market prospects and value drivers of the Indian SaaS ecosystem	Exponential growth of Indian SaaS companies may result in faster multiple expansion reaching the current PE/VC multiple in the US

MARKET VALUE OF SaaS IS EXPECTED TO SURPASS THAT OF IT SERVICES BY 2025-30

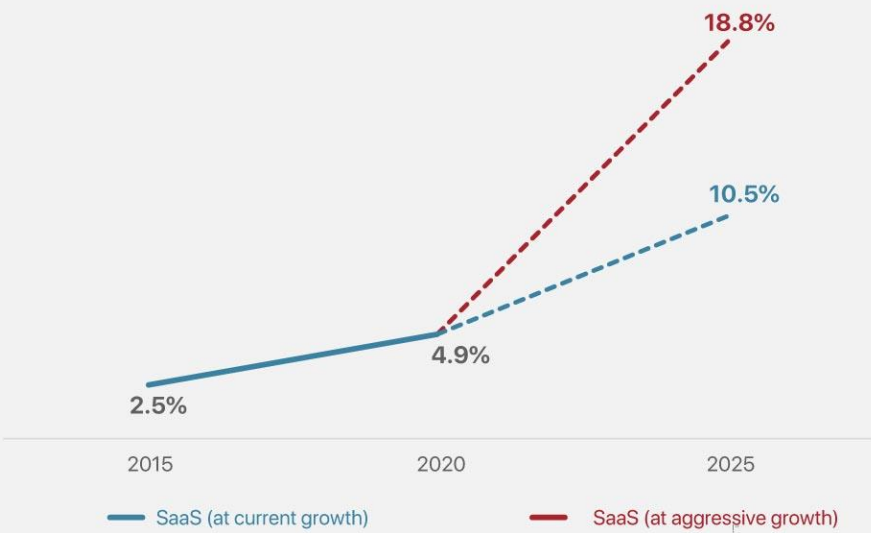


INDIAN SaaS COMPANIES ARE POISED TO FULFILL 19% OF THE GLOBAL SaaS DEMAND BY 2025...

GLOBAL SaaS MARKET IS EXPECTED TO REACH \$400 B BY 2025

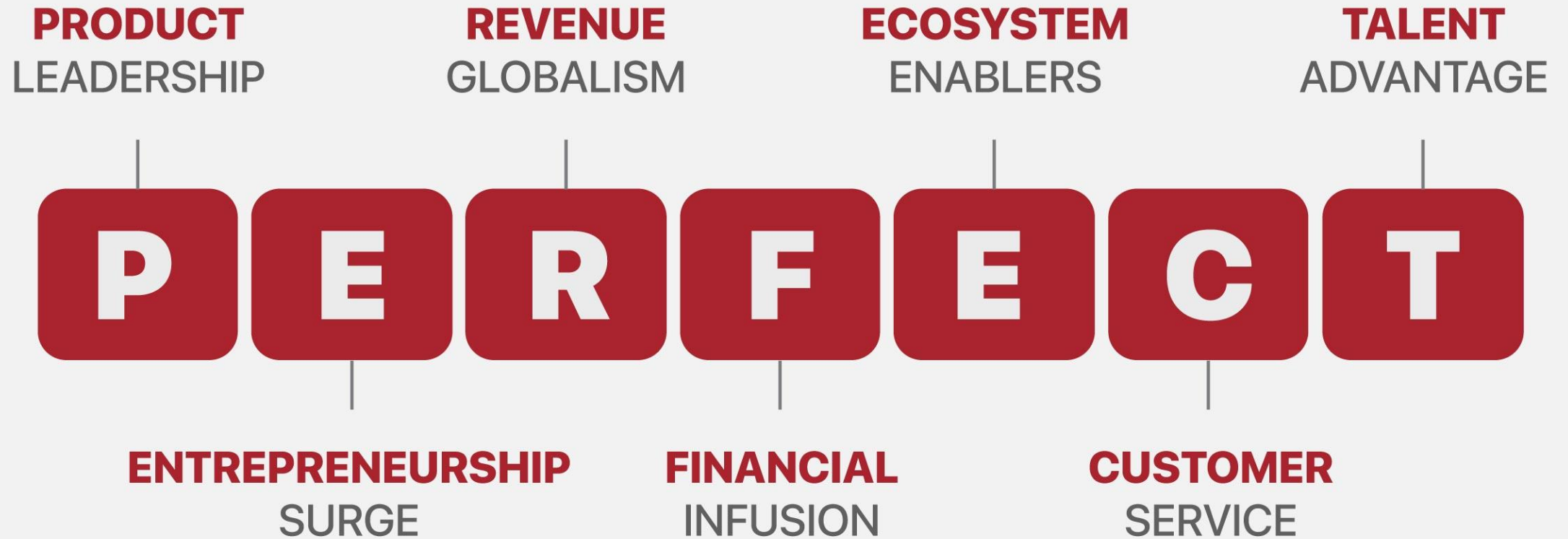


INDIA HAS THE POTENTIAL TO FULFILL ~19% OF THE GLOBAL DEMAND BY 2025



	2015	2020	2025
SaaS (at current growth)	\$1.0 B	\$5.3 B	\$42.2 B
SaaS (at aggressive growth)	NA	NA	\$75.3 B

... AND HAS A PERFECT STORM IN THE MAKING TO TAKE THE POLE POSITION

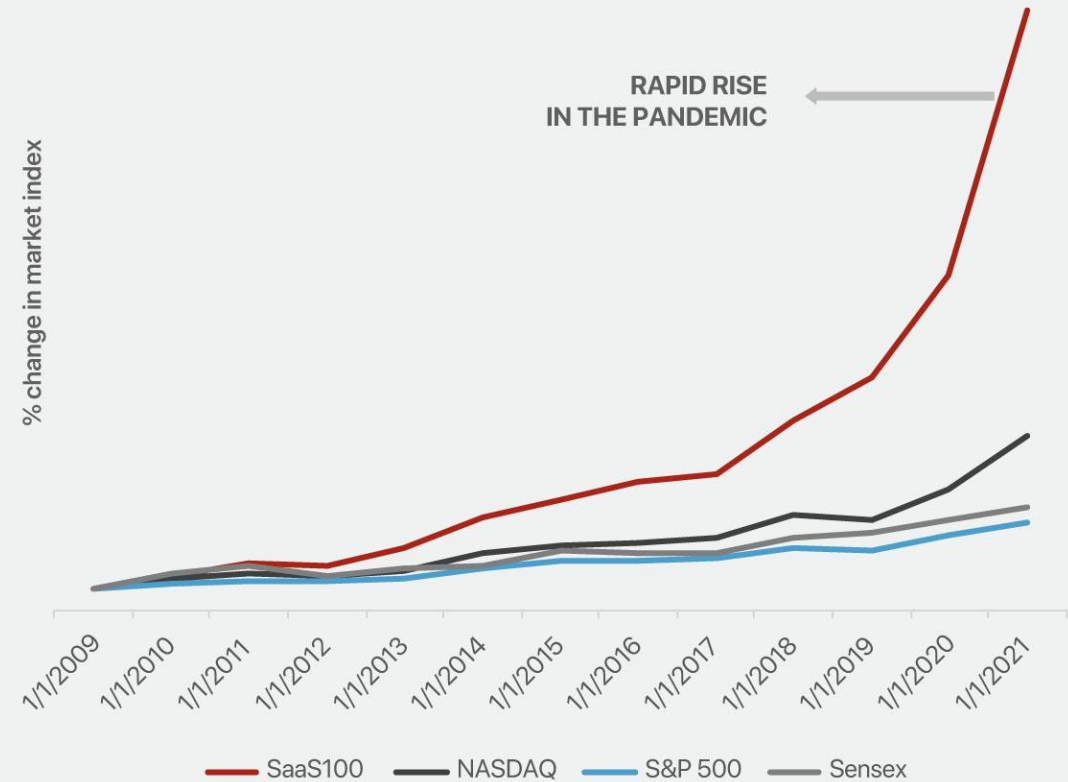


GLOBAL SaaS AND THE PROMISING CATEGORIES

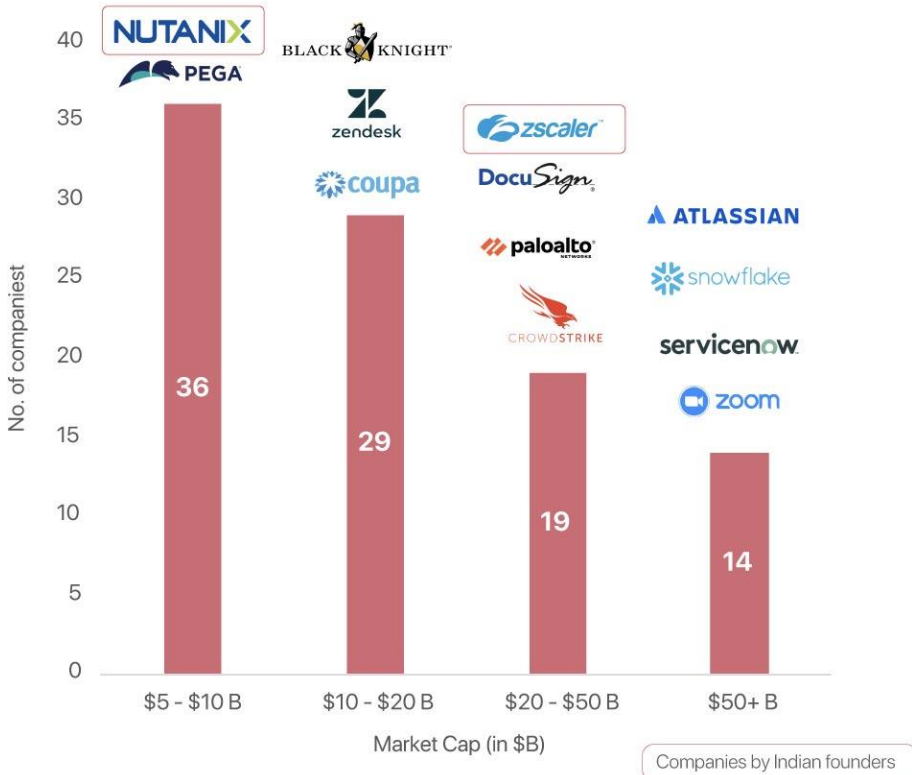
GLOBAL SaaS COMPANIES HAVE WITNESSED MASSIVE GROWTH IN THE PANDEMIC, LEADING TO SOARING VALUATIONS...



GROWTH COMPARISON OF GLOBAL SaaS 100¹ vs OTHER MARKET INDICES



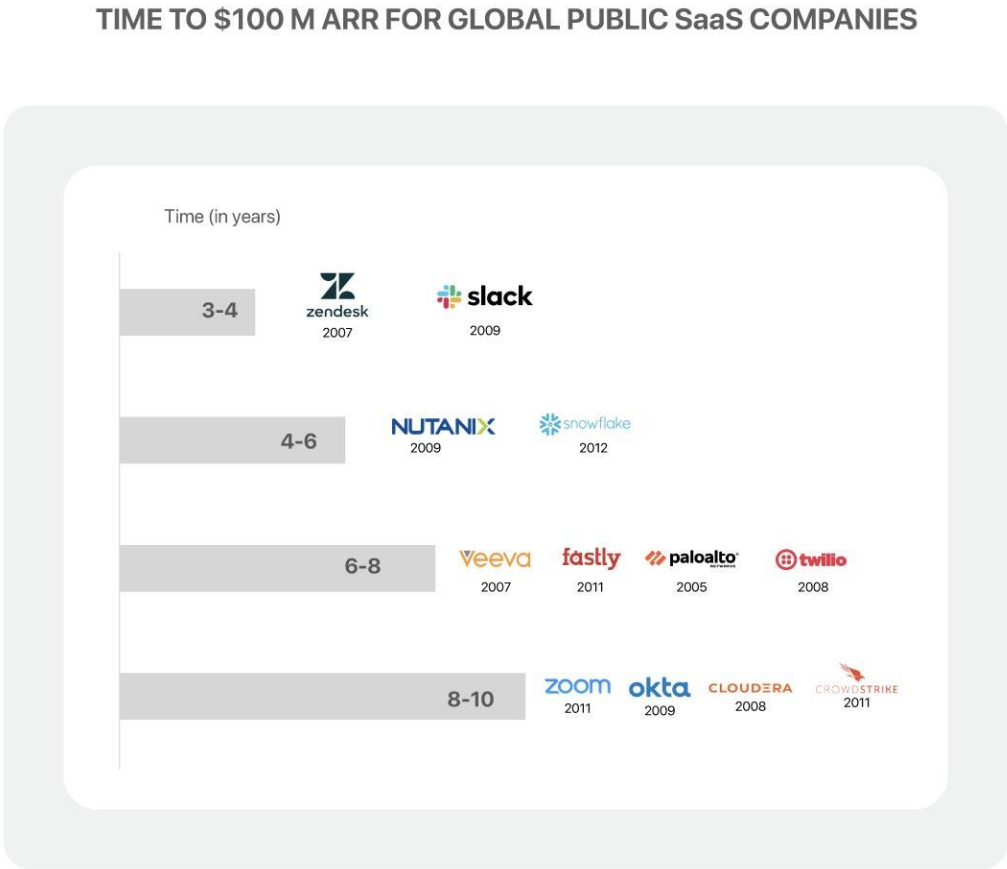
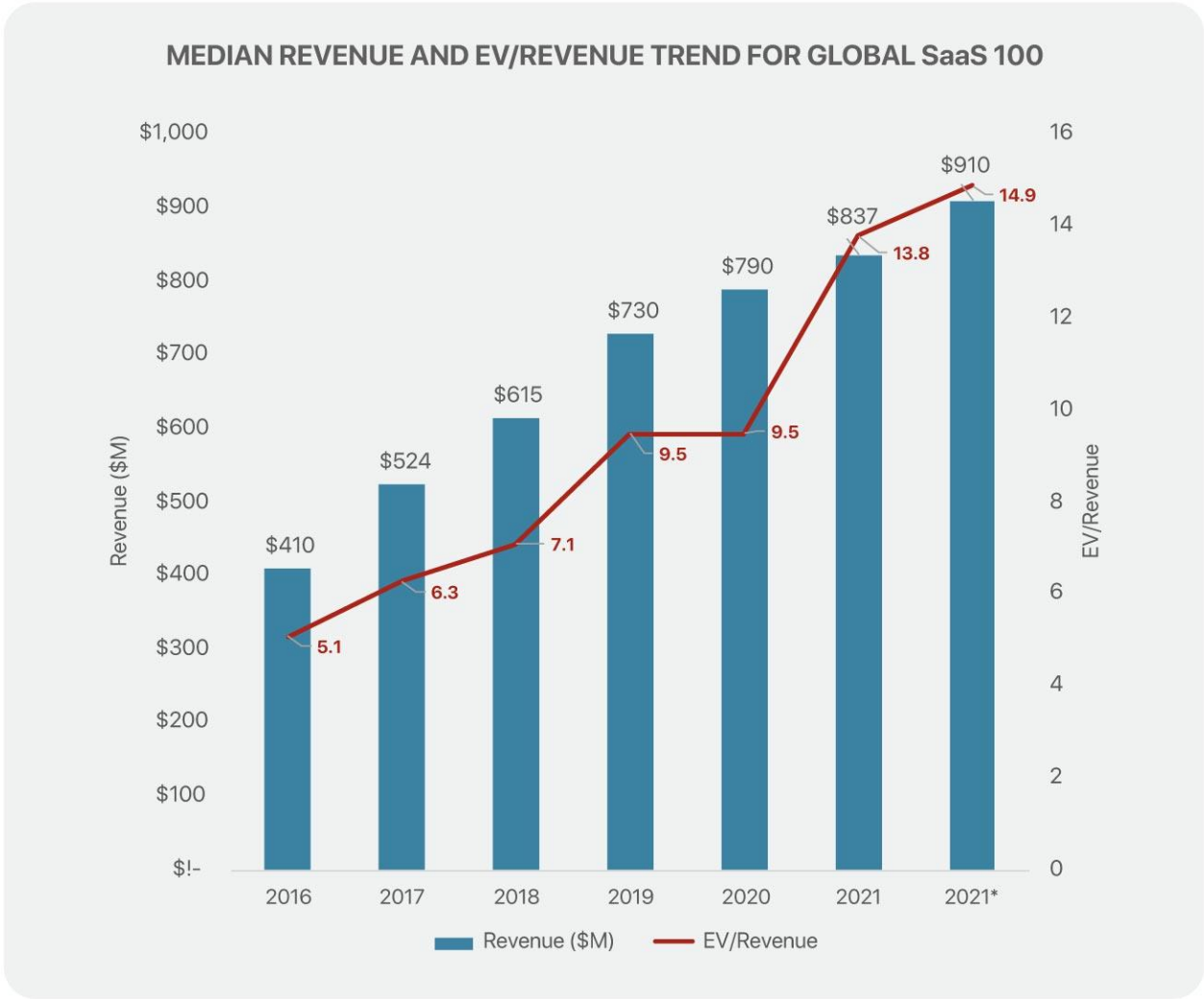
30% COMPANIES HAVING \$20 B+ VALUATION²



1 – SaaS 100 companies defined by Zinnov constitutes the top 100 global public SaaS companies by market cap

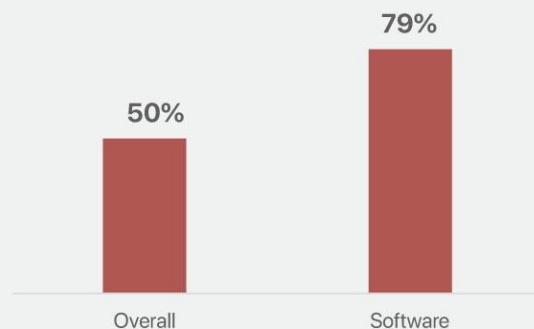
2 – Valuation as of 04 Jun 2021

... AS THE MEDIAN REVENUE HAS DOUBLED, AND VALUATION MULTIPLE HAS TRIPLED
IN THE LAST 5 YEARS

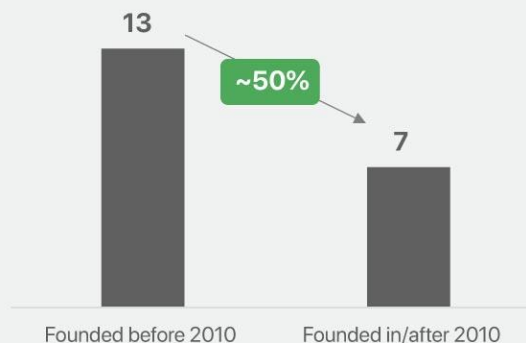


VC-BACKED IPOs ARE PREDOMINANT IN THE SaaS WORLD, LEADING TO HIGHER VALUATIONS, LESS TIME TO IPO...

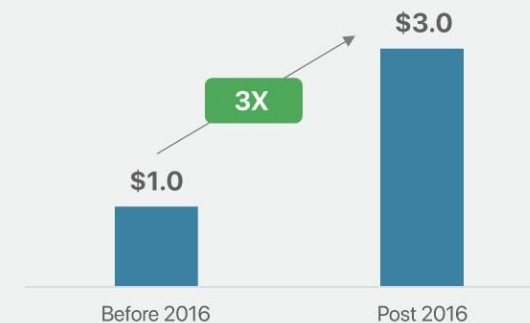
SHARE OF VC-BACKED IPOs



AVERAGE TIME TO IPOs FOR SaaS 100



AVERAGE IPO VALUATION FOR SaaS 100 (In \$B)



MAJOR IPO EXITS (since 2016)

2020



Data warehousing software raised \$3.3 B in IPO, valuing the company at over \$30 B



Data Analytics software raised \$2.6 B in IPO, valuing the company at over \$20 B

2019



Cybersecurity software provider raised \$612 M at a valuation of \$6.7 B



Cloud monitoring solution provider raised \$687 M at a valuation of \$7.8 B

2018



Cloud and application infrastructure provider went public at a valuation of \$3.9 B



Cybersecurity software provider raised \$192 M at a valuation of \$1.9 B

2017



Software for data management raised \$225 M at a valuation of \$1.9 B



Identity management solution provider raised \$187 M at a valuation of \$1.5 B

2016



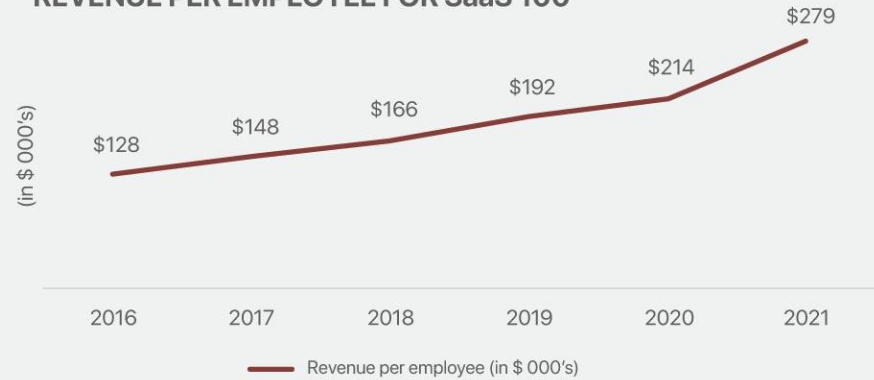
Cloud infrastructure provider raised \$237 M at a valuation of \$2.2 B



Twilio, a cloud communication company, went for IPO at a valuation of \$2 B

...AND BECOMING MORE CAPITAL EFFICIENT, GENERATING MASSIVE RETURNS

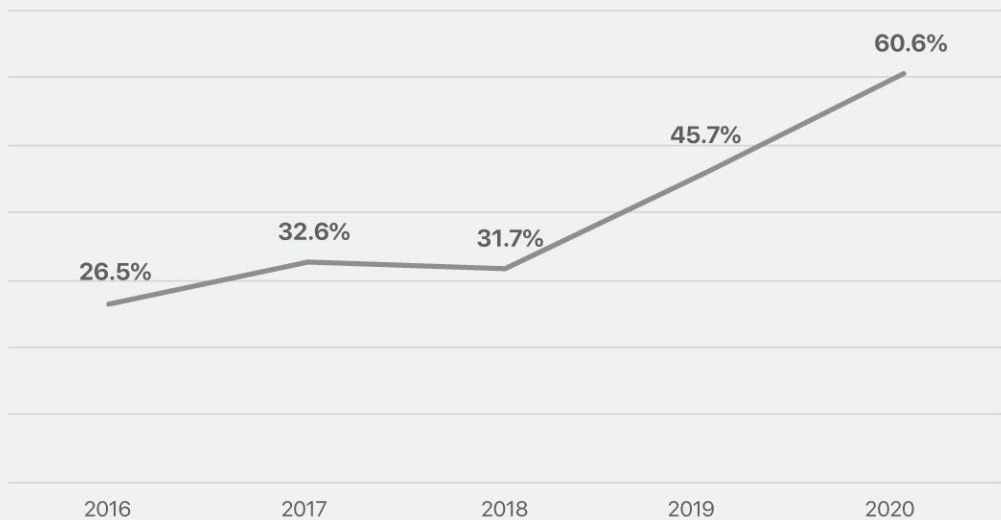
REVENUE PER EMPLOYEE FOR SaaS 100



MEDIAN REVENUE AND CAPITAL RAISED PRE-IPO



IRR ON TOP SaaS 100 COMPANIES¹



All values in \$ B

Year	2016	2017	2018	2019	2020
List Value	762	796	1,102	1,250	1,798
Current Market Value*	2,376	2,462	2,537	2,652	2,888 ²

1 – The list of SaaS 100 companies constituted by 100 performers by market cap in that year
2 – For IRR calculation purposes, the current market value has been taken as of 4th Mar 2021

Analysis of Enterprise SaaS Segment

TECHNOLOGY

Artificial Intelligence

- AI has become a key element for SaaS feature enhancement and personalization.
- AI penetration in SaaS expected to rise from **2.7% in 2019 to 3.7% in 2021** (AlaaS as a % of SaaS).

Serverless Computing & Microservices

- Serverless computing has emerged as a new and compelling paradigm for Cloud application deployment.
- This is driven by the recent shift of application architectures to containers and microservices.

Robotic Process Automation

- The need to improve value proposition to enterprises has driven ISVs to develop RPA capabilities.
- Global Hyper Intelligent Automation spend to grow from **\$14-16 Bn in 2021 to \$110-120 Bn by 2026¹**.

BUSINESS MODEL

API-based Business Models

- ISVs are building API-first products which are more extensible, easier to integrate, and can foster a greater community around use cases.

Unbundling of SaaS

- Instead of a full featured product, ISVs are packaging their core services as an API, or a suite of small tools.
- Focus on unbundling, to offer tailored but rich, user-friendly services.

Micro-SaaS

- Rise of micro-SaaS businesses or products, focused on solving problems in niche markets.
- Act as complementary add-ons to improve a missing feature or tool to dominate their niche.

CONSUMPTION

Demand for Automation Capabilities

- Increasing demand from enterprises for Automation capabilities in niche use cases.
- Some of the upcoming use cases include testing automation, contact center automation, etc.

Demand for Mobile-first Solutions

- High demand from emerging markets for mobile-first products that are simple, intuitive, and feature-rich.
- Mobile-first solutions give flexibility to work remotely and improve employee productivity.

Addressing Skill Gap with Citizen Development

- To address IT talent shortage, application development in enterprises is being democratized to 'non-tech' citizen developers.
- This has led to a rise of Low Code/No Code platforms.

MARKETS & ECOSYSTEM

Huge Funding from VCs and PEs

- Sticky recurring revenues and scalable business models have fostered huge investor interest.
- **\$121 B** invested by PE firms and **\$42.4 B²** invested by VC firms in the US Enterprise Software market in 2019.

Every Company is a Software Company

- The market is facing huge competition as non-tech companies from BFSI, Healthcare, Energy are developing software IPs.
- IT Services Providers too are developing their own proprietary software solutions.

Incubators and Venture Catalysts

- Multiple venture firms and enterprises are running incubators and accelerator programs to help entrepreneurs build and scale.

1. HIA spend estimates based on a total of Use Case Discovery (Task Mining & Process Mining), IDP, RPA & Intelligent Automation; 2. Includes add-on acquisitions

... AND GIVING RISE TO SEVERAL PROMISING SaaS CATEGORIES



Cloud-Native Enablers

"Cloud-Native" is an approach to building and running applications that fully exploit the advantages of a Cloud-based delivery model

KEY CATEGORIES

OBSERVABILITY
& ANALYSIS

APPLICATION DEVELOPMENT
& REPOSITORIES

ORCHESTRATION
& MANAGEMENT

RUNTIME

SECURITY
& PROVISIONING



Hyper Intelligent Automation

"Hyper Intelligent Automation" is the new avatar of Automation, wherein enterprises are demanding end-to-end solutions for Automation

KEY CATEGORIES

USE CASE DISCOVERY

INTELLIGENT DOCUMENT
PROCESSING [IDP]

iBPMS

BUSINESS PROCESS AUTOMATION

IT AUTOMATION

WORKFLOW AUTOMATION



SaaSops

"SaaSops" is a practice referring to how SaaS applications are discovered, managed, and secured through centralized and automated operations

KEY CATEGORIES

SaaS DISCOVERY

SaaS MANAGEMENT

SaaS SECURITY

AUTOMATION



Cloud Security

"Cloud Security" software is a set of technologies and policies to protect information, data applications, and infrastructure associated with Cloud computing

KEY CATEGORIES

CLOUD ACCESS SECURITY
BROKER (CASB)

CLOUD SECURITY POSTURE
MANAGEMENT (CSPM)

CLOUD-BASED SECURE
WEB GATEWAYS (SWG)

CLOUD WORKLOAD
PROTECTION PLATFORMS

SERVERLESS SECURITY

CONTINUOUS SECURITY
MONITORING



Analytics & BI

"Analytics & Business Intelligence" is an umbrella term that includes the applications, infrastructure, and tools that enable access to and analysis of information to improve and optimize decisions and performance

KEY CATEGORIES

DATA DISCOVERY &
VISUALIZATION

DATA PREPARATION

ADVANCED ANALYTICS

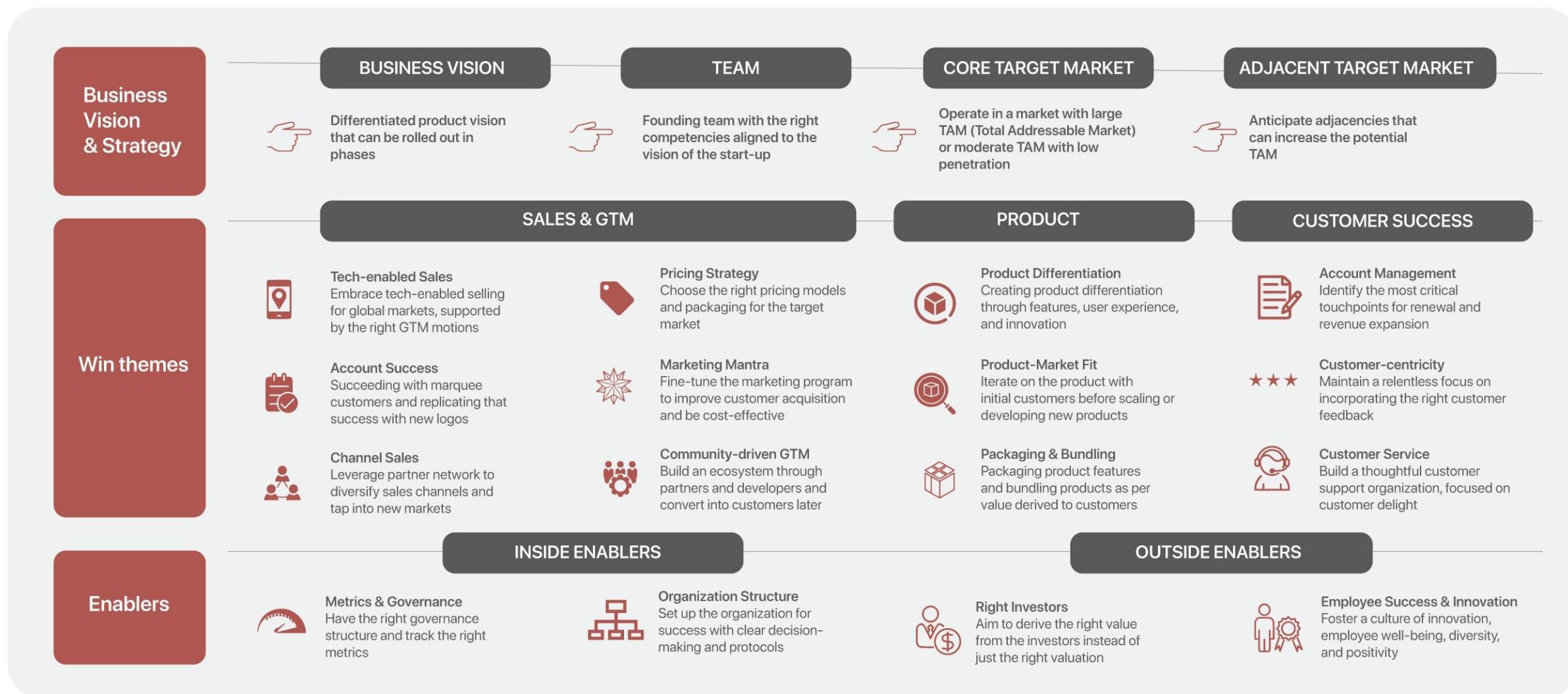
USE CASE-SPECIFIC ANALYTICS

VERTICAL-SPECIFIC ANALYTICS

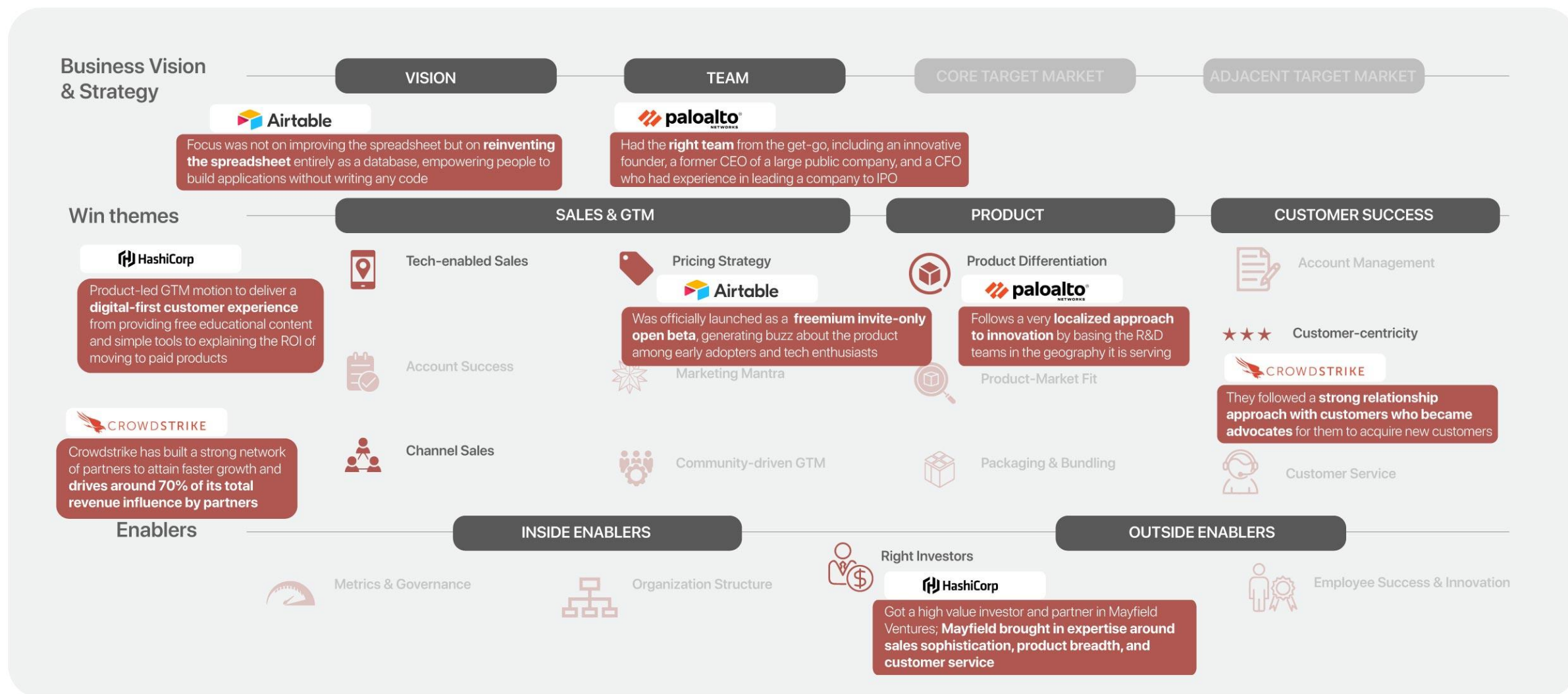
APPROACH TO VALUE CREATION



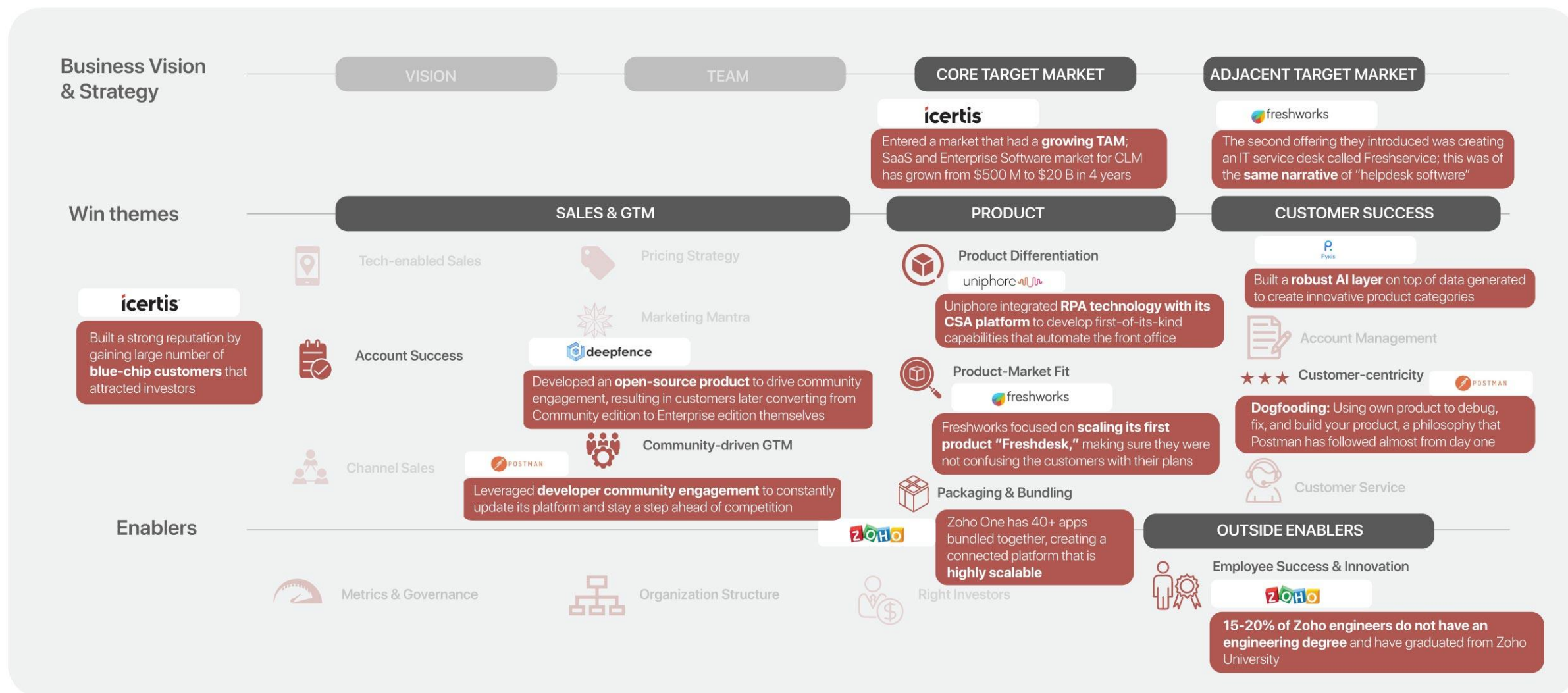
APPROACH FOR SUCCEEDING IN THE SaaS MARKET



SUCCESSFUL GLOBAL UNICORNS HAVE EXHIBITED A COMBINATION OF THESE STRATEGIES



AND THE SAME IS EVIDENT IN INDIAN SaaS COMPANIES





Product-Market Fit

Iterate on the product with initial customers before scaling or developing new products

Target a specific problem

Stay focused on the key problem you are solving for customers and don't deviate from this problem in the early days

Early customer wins and its replication

Aim to get early customer wins and demonstrate that success to win more customers through referrals

Evolve with changing demands

Don't be too rigid and be open to adapting to customer demands and expectations

Build a minimum viable product

Focus on speed and trials instead of taking long to create prototypes and have the right team and partners



Enterprise Sales & Global GTM

Concentrated effort to set up a global GTM for enterprise sales

Scale and optimize

Ramp up teams in sync with product teams and develop renewal and retention strategies

Map out account strategy

Plan account coverage by plotting each account's wallet share and corresponding addressable opportunity

Have a global vision

Assess global markets based on size, growth, whitespace, competition, and talent

Have a defined sales organization

Clearly define sales roles and motions; hire an experienced sales leader to champion the sales effort



Product-led GTM

Relying on product as the main vehicle to acquire, activate, and retain customers



Metric-driven Organization

Having a robust mechanism to periodically track relevant metrics and take decisions based on them

Abandoned paywalls

Offer freemium models; abandon barriers to entry and allow users to try before buying

Amplify product experience

Improve online user experience and minimize human intervention in deploying products

Organization cross alignment

Developing common product benchmarks and KPIs alongside business metrics internally

Intuitive products

Creating products that can help businesses self-educate than learn from a sales representative

Engagement metrics

CSAT, churn rate, retention rate, open rate, digital marketing metrics

Efficiency metrics

Lead conversion rate, win rate, utilization rates, pipeline value, sales cycle

Growth metrics

ARR, revenue growth, ASP, net-new accounts penetrated, new leads created, net revenue retention

Cost metrics

Customer acquisition cost, customer support cost, gross and net margins, cost per employee





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Founded in 2002, Zinnov is a global management and strategy consulting firm, with presence in Santa Clara, Houston, Bangalore, Gurgaon, and Paris. With a team of experienced consultants, subject matter experts, and research professionals, Zinnov assists Software companies, Global System Integrators, Enterprises, and Private Equity firms in developing actionable insights that help them create value – across dimensions of both revenue growth and cost transformation.

Over the past 19 years, Zinnov has successfully consulted with over 250+ Fortune 500 companies across multiple industry verticals in geographies like US, Europe, Japan, and India.

For more information, visit: www.zinnov.com



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VAIBHAV GUPTA
PRINCIPAL,
PRIVATE EQUITY



ABHI JAIN
PROJECT LEAD,
PRIVATE EQUITY



THANK YOU

