About the Authors

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He heads the investments for the SaaS sector.

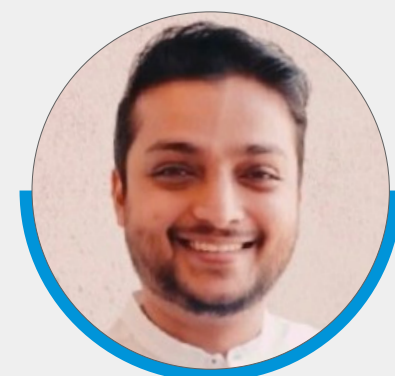**TARANG MITTAL** is a Senior Investment Associate at Chiratae Ventures.

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The Indian SaaS industry has been a testament to resilience and adaptability, overcoming challenges and outperforming the global market. As we present the 2023 edition of the SaaS report, **"India SaaSonomics: Navigating Growth and Efficiency,"** we celebrate the industry's remarkable evolution from its nascent beginnings to a thriving landscape of innovative start-ups and unicorns.

Chiratae Ventures has been privileged to be at the forefront of this journey, investing in visionary founders and supporting their growth. Through our advised funds, we have invested over $160M in over 35+ SaaS companies, supporting and nurturing notable names such as Pixis, Uniphore, Hevo Data, Healthplix, Pando and Deepfence to name a few, which have eventually gone on to raise more than ~$850M in follow on capital.

The resilience of the Indian SaaS industry was particularly evident during the previous year. Founders demonstrated determination and agility, embracing a sales-centric approach to expand their market share. This resilience, combined with optimistic revenue projections, showcases the confidence within the Indian SaaS ecosystem.

As the industry recovers and adapts to changing market dynamics, we remain optimistic about the future. India's position as a global player in the B2B SaaS market is stronger than ever, with Indian companies catering not only to the domestic market but also serving clients worldwide with cutting-edge solutions.

This edition of the report explores key sectors driving growth in the Indian SaaS market, such as DevOps, Cybersecurity, Vertical SaaS, among others. These domains hold immense potential for further consolidation of India's position in the global SaaS landscape.

Chiratae Ventures, in collaboration with our knowledge partner, Zinnov, has prepared this report to provide valuable insights and actionable recommendations for investors and SaaS founders. Together, we have taken into consideration the diverse needs of investors and SaaS founders, aiming to provide valuable insights and actionable recommendations.

We extend our gratitude to all the stakeholders who have contributed to the growth and success of the Indian SaaS industry. As we navigate the path to sustained growth and efficiency, we invite your feedback and suggestions. Together, let us harness the immense potential of the Indian SaaSonomics and shape the future of the industry.

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In the face of a challenging global economy, the Indian SaaS industry has been defying odds and attracting significant investments. The industry has shown remarkable resilience and growth potential, solidifying its position as a global SaaS powerhouse, with the number of funded start-ups rising by 2X in just the last four years – underscoring investor confidence. Not only are Indian SaaS companies continuing to deliver high-quality solutions at a competitive cost, but they are also on a fast-tracked path to shape the global technology landscape.

The Indian SaaS ecosystem ranks third in terms of SaaS unicorns, with 21 of them by the end of 2022, and a significant pipeline of potential unicorns in the offing. Additionally, the Indian SaaS space has witnessed an unprecedented surge in the last three years, with approximately 80% of the current SaaS unicorns earning their stripes during this period. This remarkable growth underscores the industry's ability to thrive even in challenging economic conditions, having secured 3X more funding in 2022 than in 2019, despite the widespread funding winter.

One of the key factors driving the success of Indian SaaS start-ups is their ability to create newer categories and leading players who provide competitive, high-quality software solutions at par with their global counterparts. And these solutions are catering to both domestic as well as global SaaS markets, making them truly **'built in India, for India and the world.'** Leveraging the country's supportive ecosystem and the 3Mn-strong pool of tech talent, these start-ups have disrupted traditional models by delivering cutting-edge products and services that have helped cement India's position as a global SaaS leader.

The 2023 edition of the Chiratae-Zinnov India SaaS report, **'India SaaSonomics: Navigating Growth and Efficiency,'** serves as a testament to the growing prowess of the Indian SaaS ecosystem. It provides valuable data and insights that are indispensable for investors seeking to explore technology-driven investment opportunities. The report also offers actionable steps for founders to redefine their business strategies, helping them navigate potential challenges and capitalize on the industry's exponential growth.

As the Indian SaaS industry continues to flourish, it is emerging as a formidable force in the global technology landscape. With its impressive track record and untapped potential, the Indian SaaS industry is set to redefine the rules of the game and shape the future of technology worldwide. Investors, entrepreneurs, and industry enthusiasts alike can no longer ignore the immense opportunities it presents in shaping the global SaaS narrative.

Although the Indian SaaS industry faced challenges in 2022, it remains resilient and well poised for a comeback.

➤ The Indian SaaS market is more adaptable to economic shocks compared to the global market and has performed better –
  • The decline in the EV/R multiples was less significant and is witnessing early signs of revival.
  • There has been faster revenue growth over the last 4 years and is expected to cross USD 26 Bn by 2026.
➤ The Indian SaaS market continued its growth trajectory, fuelled by increasing adoption of digital technologies and growing base of customers –
  • With 1650+ active funded firms, the number of funded SaaS start-ups in India has grown by 2X in the last 4 years.
  • The number of Indian SaaS unicorns is increasing, with 80% of B2B SaaS unicorns created in the last three years alone.
  • Seed and early-stage investments increased in 2022 compared to 2021, but late-stage investments decreased.

To navigate the rapidly evolving market dynamics and address the shifting customer needs and preferences, Indian SaaS players must adopt a prudent approach in 2023, balancing innovation with operational excellence and financial risk management.

➤ As customers are cautious about spending, founders face a challenge of delayed sales cycles. To overcome this challenge, founders are focusing on revenue generation from both existing and new customers by increasing the Sales & Marketing spends.
➤ Investors are of the opinion that the revenue multiples will hit pre-pandemic levels in the next 12-18 months, hence founders are advised to extend their runways up to 18 months.
➤ The overall outlook is optimistic as 93% of founders project their revenues to increase, and 55% of investors anticipate an increase in their deal activity in the next 12 months.

India's position as a leading player in the B2B SaaS market continues to be steadfast and promising.

➤ Founders and investors strongly agree that the robust talent pool and cost leverage provide a competitive advantage for Indian SaaS companies on the global stage.
➤ India has the second-highest talent pool after China and a better English-speaking population, making it well-positioned to service the global client base.
➤ Majority of investors believe that India has a cost leverage, with the cost of setting up software engineering teams in India being 2.8X to 3X lesser than in the US.
➤ The growth of communities and networks has nurtured the Indian SaaS ecosystem over the last decade.
➤ In the past three years, employees of 21 Indian SaaS unicorns have founded 185+ SaaS start-ups, with 60% of them originating during this period.

Source: Zinnov CoNXT Analysis

DevOps, Cybersecurity, Vertical SaaS, Generative AI, and Web 3 are the top opportunity areas that are driving innovation and growth in the market.

➤ DevOps tools are well-positioned for streamlining operations, and with 10% of the global developer base, India is well positioned to disrupt the DevOps market.

➤ VC funding in Cybersecurity is on the rise, with over USD 18 billion in VC funding in the sector in 2022 across 1,000+ deals.

➤ Vertical SaaS start-ups are expected to gain 80% investor favor, driving growth in 2023 as compared to previous years.

➤ Generative AI has seen a 10X growth in VC funding for start-ups in the last two years, reaching USD 50 Bn in 2022. India is leading AI product development, with approximately 16% of the global AI workforce housed in the country.

➤ Over the past five years, investment in the Web 3 sector has surged by 15X, and India has solidified its position as a dominant player in the global Web 3 market.

For the top 3 challenges faced by the industry, SaaS companies need to focus on –

➤ **Challenge 1 - Customer churn:** Companies should focus on implementing customer-centric strategies and tailored pricing for their existing customer base.

➤ **Challenge 2 - Customer demand slowdown and delayed sales cycles:** Companies should drive value-driven innovation, identify upselling and cross-selling opportunities, clearly define their ideal customer profile (ICP), and invest in a well-aligned go-to-market (GTM) strategy.

➤ **Challenge 3 - Downward pressures on cash flows caused by macro-economic headwinds:** Companies should streamline their General & Administrative and Sales & Marketing spends, improve the productivity of customer success teams, and diversify their financing strategy.

AGENDA

➤ **GLOBAL SaaS: GROWTH & VALUATION RECOVERY**

➤ INDIA SaaS 2022: NAVIGATING HEADWINDS WITH RESILIENCE

➤ INDIA SaaS 2023: CAUTIOUSLY OPTIMISTIC OUTLOOK

➤ INDIA MAINTAINS STRATEGIC ADVANTAGE

➤ UNVEILING KEY OPPORTUNITY AREAS

➤ PLAYBOOK FOR SUCCESS

Global SaaS revenues maintain a steady growth trajectory, driven by digital transformation needs

GLOBAL SaaS REVENUES IN USD Bn (Y-o-Y)

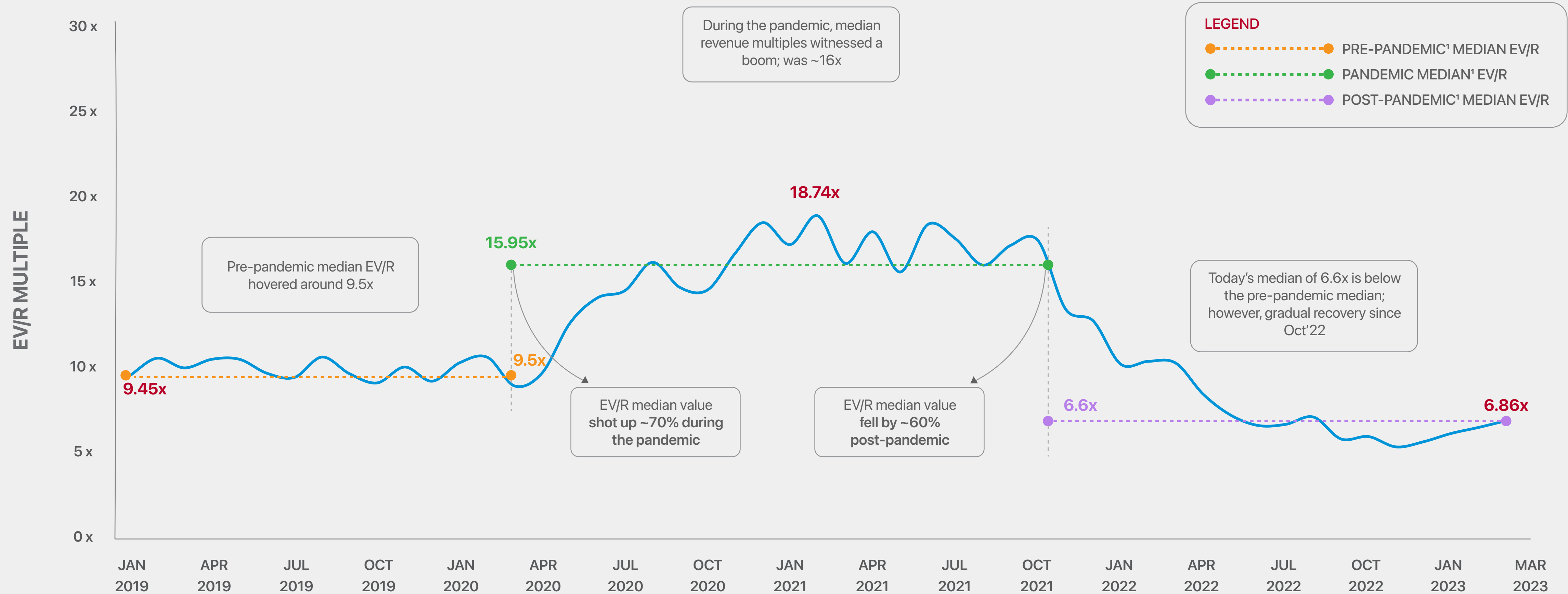| Year	Revenue (USD Bn)	Y-o-Y Growth
2019	94	
2020	103	8%
2021	146	42%
2022	167	14%
2023E	195	17%

Y-o-Y GROWTH
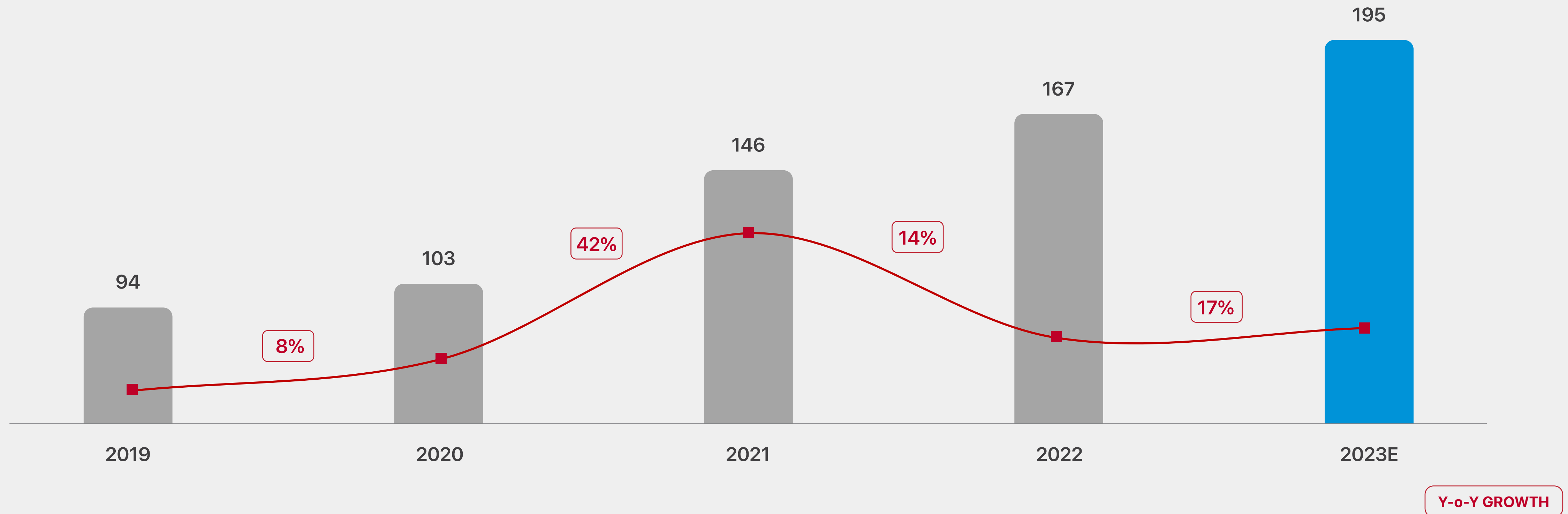
While growth rates have declined owing to Cloud spend optimization, the increased need for SMBs and large enterprises to digitize their operations continue to drive demand for SaaS:
- 1.8X growth in global SaaS revenues since 2019
- 8X growth in the average number of SaaS apps used globally per organization in the last 5 years

Pandemic-accelerated valuation multiples witnessed corrections in 2022 and are gradually recovering

MEDIAN ENTERPRISE VALUE-TO-REVENUE MULTIPLE (EV/R): PUBLIC CLOUD INDEX (Q-o-Q)

During the pandemic, median revenue multiples witnessed a boom; was ~16x

LEGEND
- PRE-PANDEMIC[1] MEDIAN EV/R
- PANDEMIC MEDIAN[1] EV/R
- POST-PANDEMIC[1] MEDIAN EV/R

18.74x

15.95x

Pre-pandemic median EV/R hovered around 9.5x

9.5x

9.45x

Today's median of 6.6x is below the pre-pandemic median; however, gradual recovery since Oct'22

EV/R median value **shot up ~70% during the pandemic**

EV/R median value **fell by ~60% post-pandemic**

6.6x

6.86x

EV/R MULTIPLE

| JAN 2019 | APR 2019 | JUL 2019 | OCT 2019 | JAN 2020 | APR 2020 | JUL 2020 | OCT 2020 | JAN 2021 | APR 2021 | JUL 2021 | OCT 2021 | JAN 2022 | APR 2022 | JUL 2022 | OCT 2022 | JAN 2023 | MAR 2023 |

Note: (1) Pre-pandemic: Jan 2019 – Mar 2020; Pandemic: Apr 2020 – Oct 2021; Post-pandemic: Nov 2021 – Mar 2023
Source: BVP EM Cloud Index, Zinnov CoNXT Analysis

However, even in the post-pandemic world, the top performers still command premium valuations

ENTERPRISE VALUE-TO-REVENUE MULTIPLE (EV/R): PUBLIC CLOUD INDEX

Legend: Median (grey), Top Quartile (blue)

EV/R MULTIPLE

Period	Median	Top Quartile
Pre-pandemic[1]	9.5x	14.58x
Pandemic[1]	15.95x	24.93x
Post-pandemic[1]	6.6x	9.4x
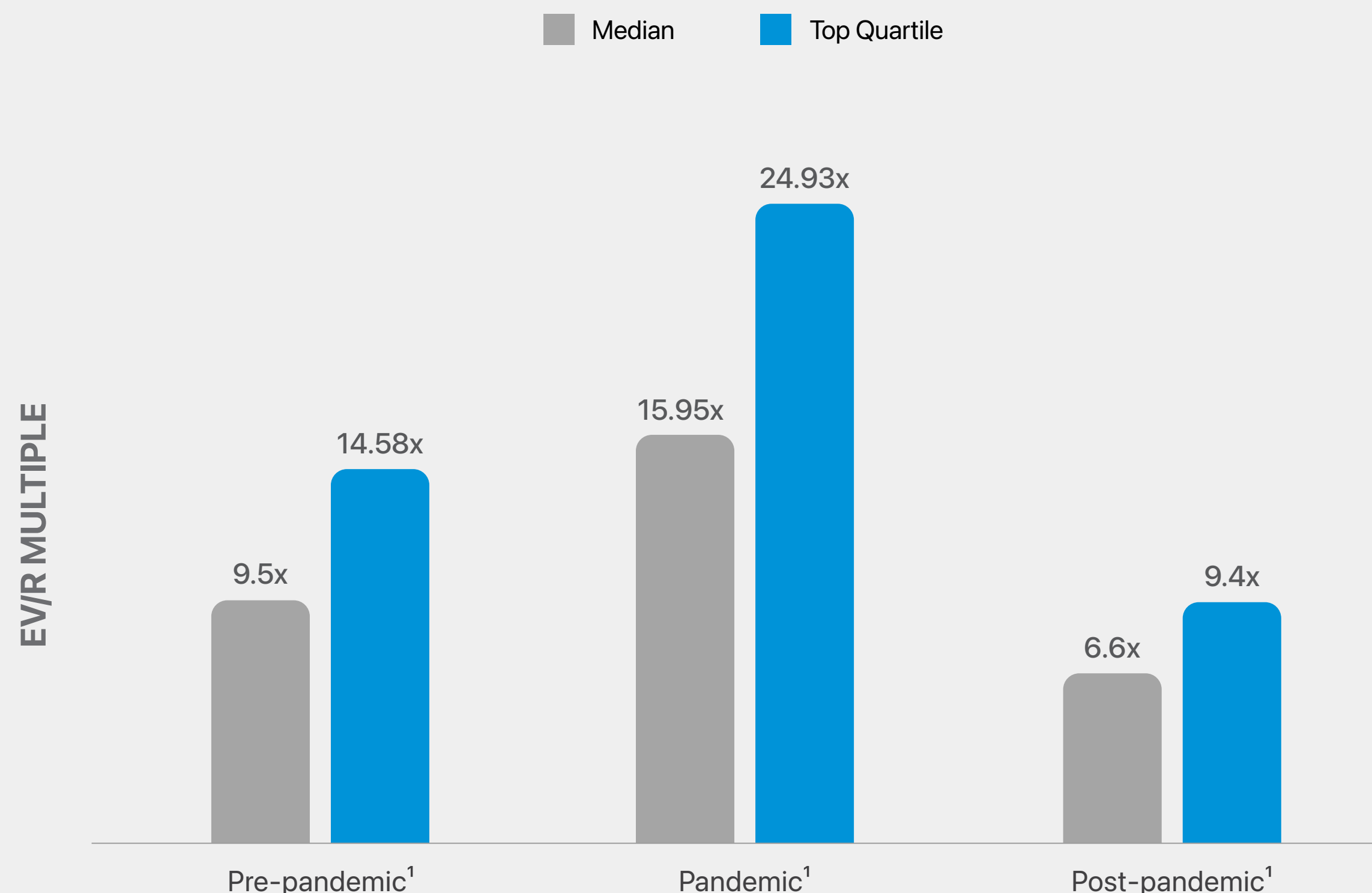
ILLUSTRATIVE TOP PERFORMERS AND THEIR KEY METRICS[2]

COMPANY	EV/R	EFFICIENCY SCORE[3]	GROSS MARGIN
snowflake	21.4x	75.6%	65.1%
DATADOG	13.9x	51.9%	79.3%
CROWDSTRIKE	11.5x	75.6%	72.5%
servicenow	10.7x	47.2%	79.1%
zscaler	10.4x	71.4%	77.5%

➤ Pre-pandemic, the focus was on growth metrics (TAM[4], ARR[5], ARR Growth Rate, etc.), but post-pandemic, the focus has shifted to efficiency metrics (Efficiency score, Burn Multiple, Gross Margins, etc.)

➤ Companies in the top quartile have diligently and consistently optimized these efficiency metrics and as a result continue to command premium valuations.

Note: (1) Pre-pandemic: Jan 2019 – Mar 2020; Pandemic: Apr 2020 – Oct 2021; Post-pandemic: Nov 2021 – Mar 2023; (2) Values for all the metrics have been considered as on date 31-Apr-2023; (3) Efficiency Score is calculated by dividing Net New Annual Recurring Revenue by Net Burn. (4) TAM Total Addressable Market; (5) ARR: Annual Recuring Revenue

Source: BVP EM Cloud Index, Zinnov CoNXT Analysis

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INDEX[1] OF GLOBAL vs INDIA SaaS EV/R MULTIPLES[2] (Y-o-Y)

Global Index — India Index
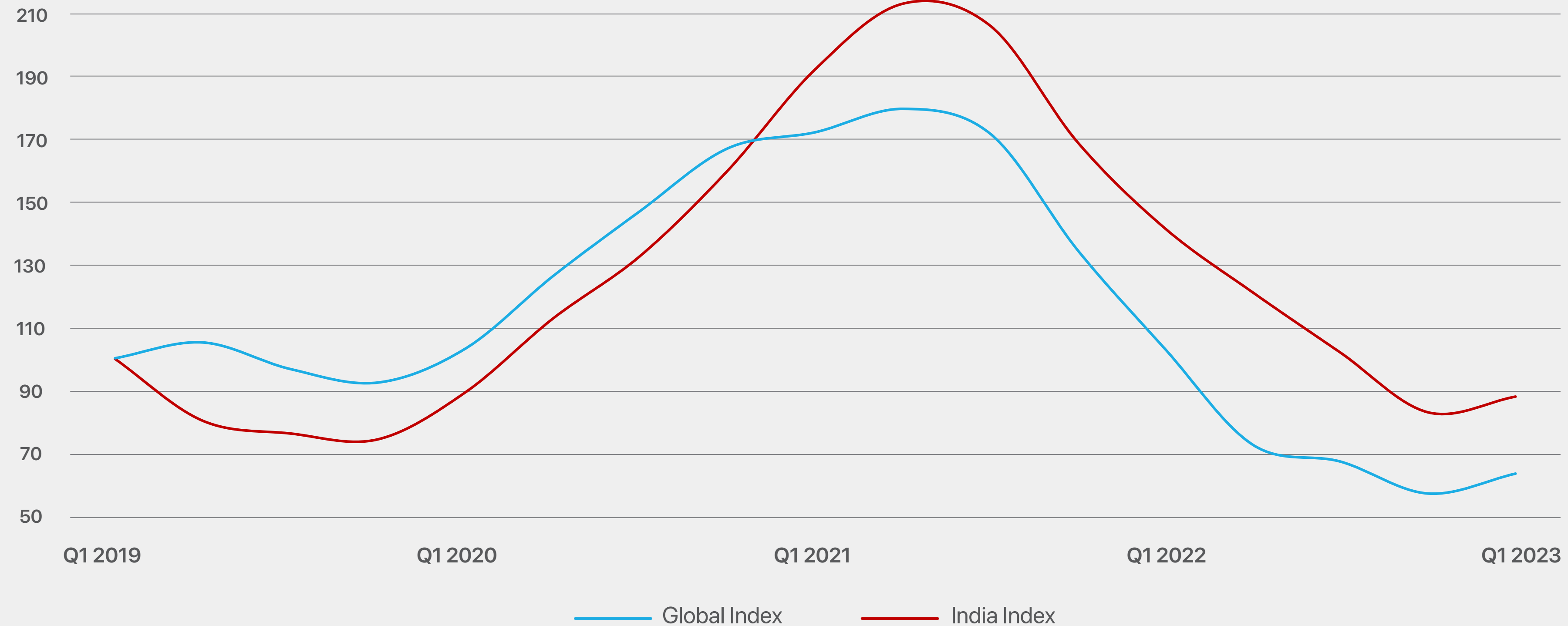
- As the Indian SaaS market is relatively nascent, it has great growth potential, as indicated by its less significant decline in EV/R multiples compared to mature markets (the US and EU).
- Overall, the Indian SaaS market is perceived to be more resilient to economic shocks compared to the global market due to its inherent advantages and opportunities.

Note: (1) An index serves as a relative measure that compares values to a base year or period (Q1 2019 in this case), rather than providing exact values; (2) SaaS start-ups that have raised equity funding from Q1 2019 to Q1 2023 have been considered while calculating the India SaaS EV/R Multiples.
Source: BVP Cloud Index, Zinnov CoNXT Analysis

Indian SaaS market is expected to grow ~2.5X in the next 4 years; to cross USD 26 Bn by 2026

INDIAN SaaS REVENUE (USD Bn)

| X% | Global market share percentage |

Revenue (USD Bn)

- 2020: 5.3 (~5%)
- 2022: 10.2 (~6%)
- 2026E: 26.4 (7.5% - 8%)

CAGR 39%
CAGR 25%-28%
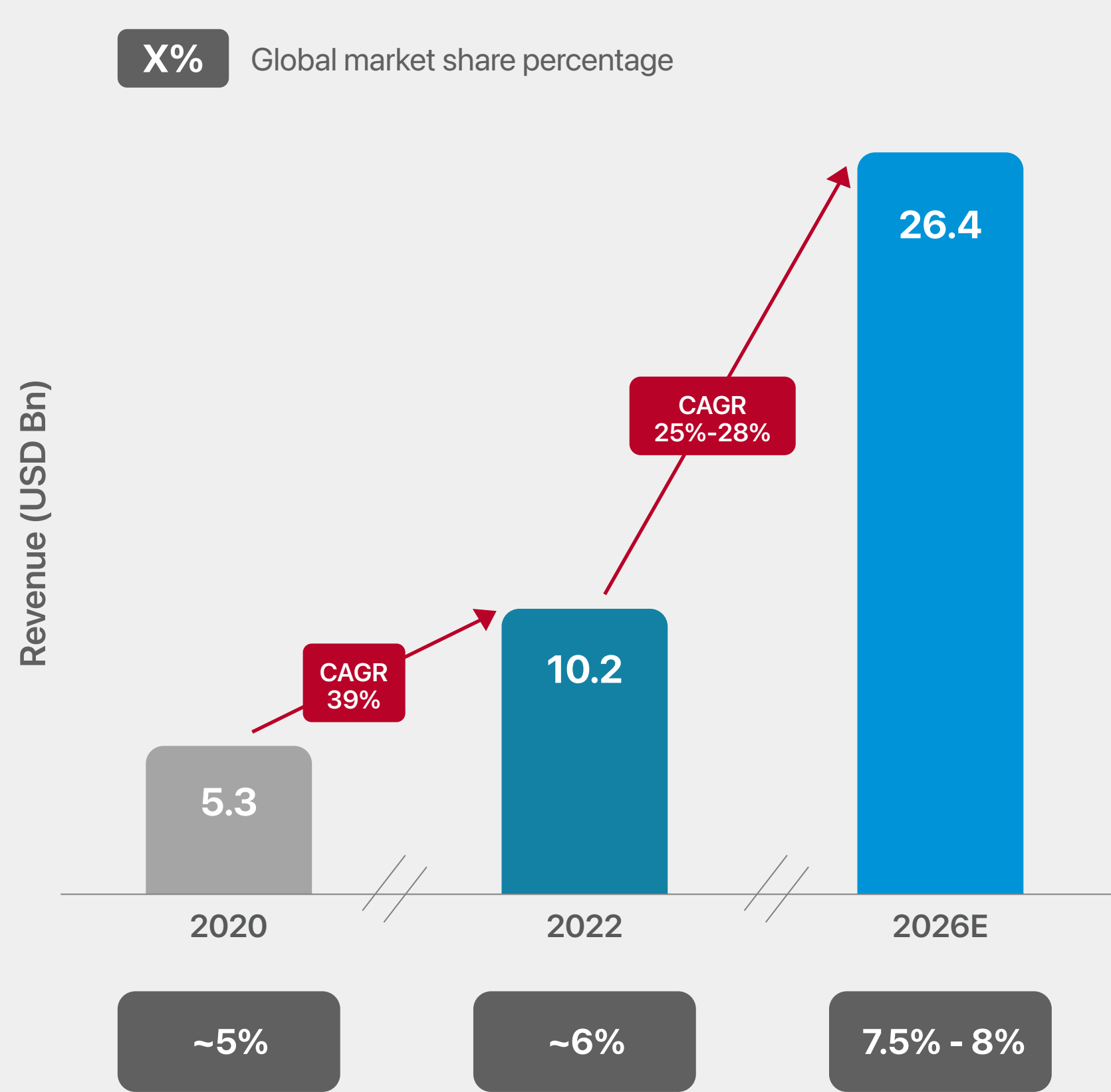
REVENUE DISTRIBUTION

ARR	2020 No. of companies	2021 No. of companies	2022 No. of companies	ILLUSTRATIVE LOGOS
>USD 100 Mn	5-8	8-10	10-12	Icertis highradius gupshup
USD 50 Mn - USD 100 Mn	7-12	13-15	11-13	uniphore innovaccer fractal
USD 10 Mn - USD 50 Mn	40-50	50-60	55-70	CleverTap Pixis darwinbox
USD 1 Mn - USD 10 Mn	150-170	180-200	230-280	Cropin HEVO pando
<USD 1 Mn	800+	1150+	1350+	Keploy Clientell TurboHire

The number of funded SaaS start-ups in India has grown by 2X in the last 4 years

NUMBER OF ACTIVE INDIAN FUNDED SaaS START-UPS (Y-o-Y[1])

~800 — 2019[2]
~200 — 2020
~400 — 2021
250-350 — 2022
1650-1750 — Total SaaS start-ups
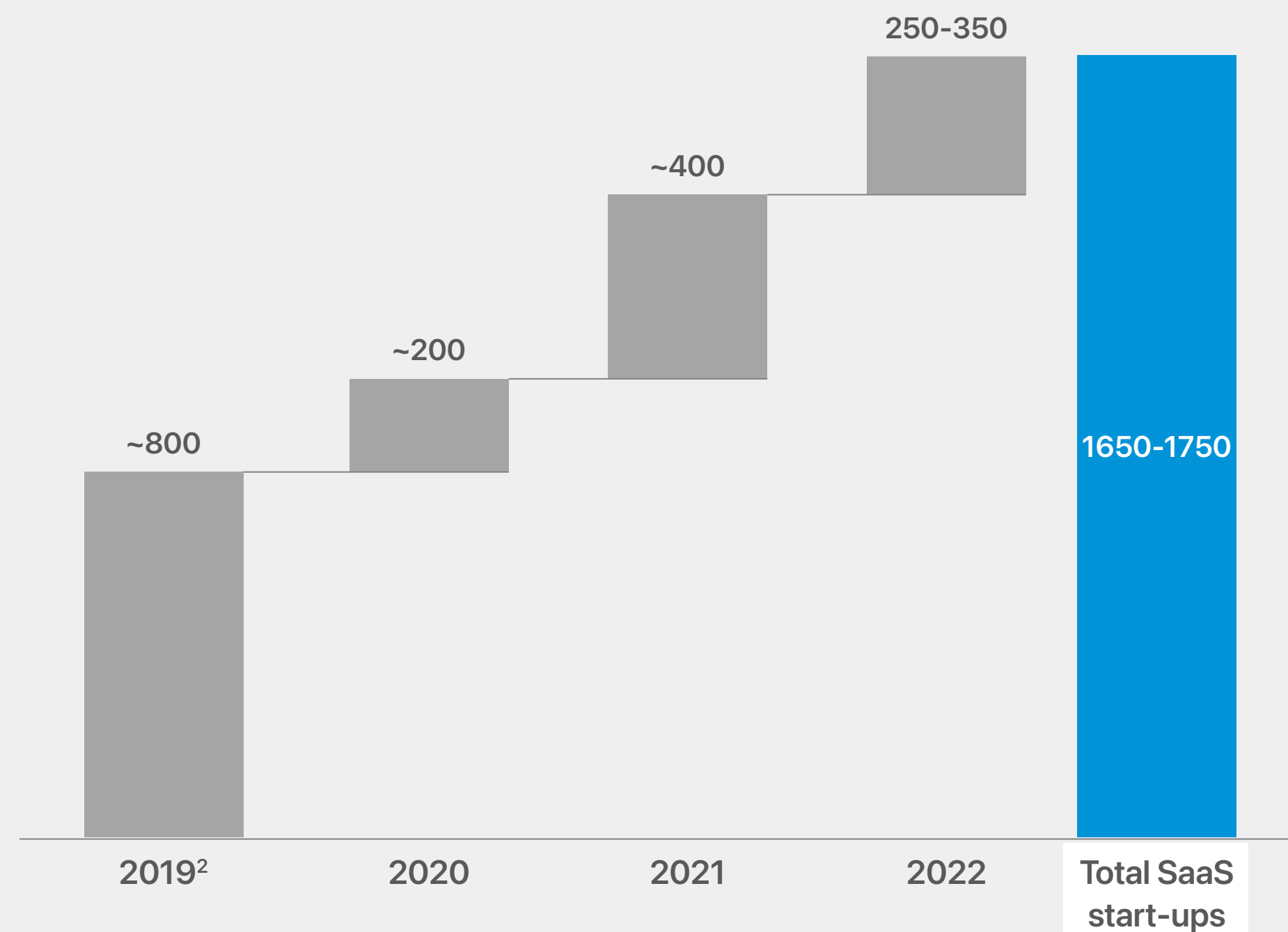
ACTIVE INDIAN FUNDED SaaS START-UPS (BY STAGE[3] & CATEGORY[4], AS OF 2022)

Stage: 84% | 13% | 3%
- Seed
- Early
- Late

Category: 58% | 31% | 11%
- Horizontal Business Applications (HBA)
- Vertical Specific Business Applications (VSBA)
- Horizontal Infrastructure Applications (HIA)
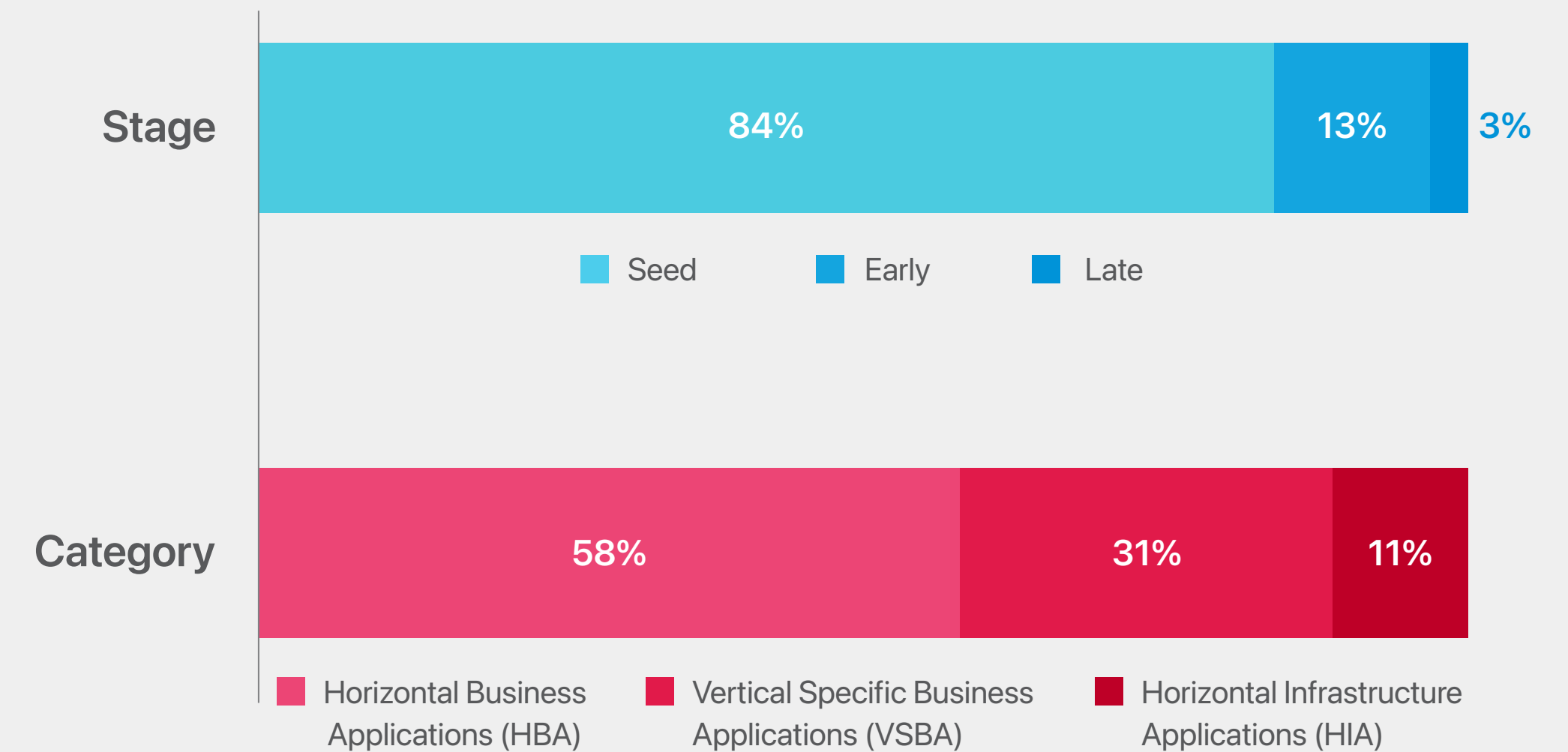
Note: (1) For each calendar year start-ups founded in a 10-year timeline are taken for analysis, for instance for CY 2022, start-ups founded between 2012-22 are considered for analysis; similarly, for CY 2021, start-ups founded between 2011-21 are considered.
(2) For 2019, 800 represents cumulative number of start-ups as of 2019. (3) Seed-stage includes Angel and Seed-stage rounds; Early-stage includes Series A and Series B funding rounds; Late-stage includes Series C and above rounds.
4) Category definitions are included in "Notes for Reader" section.
Source: Start-up database, Zinnov CoNXT Analysis

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India ranks third globally, in terms of SaaS unicorns and has a significant pipeline of potential unicorns
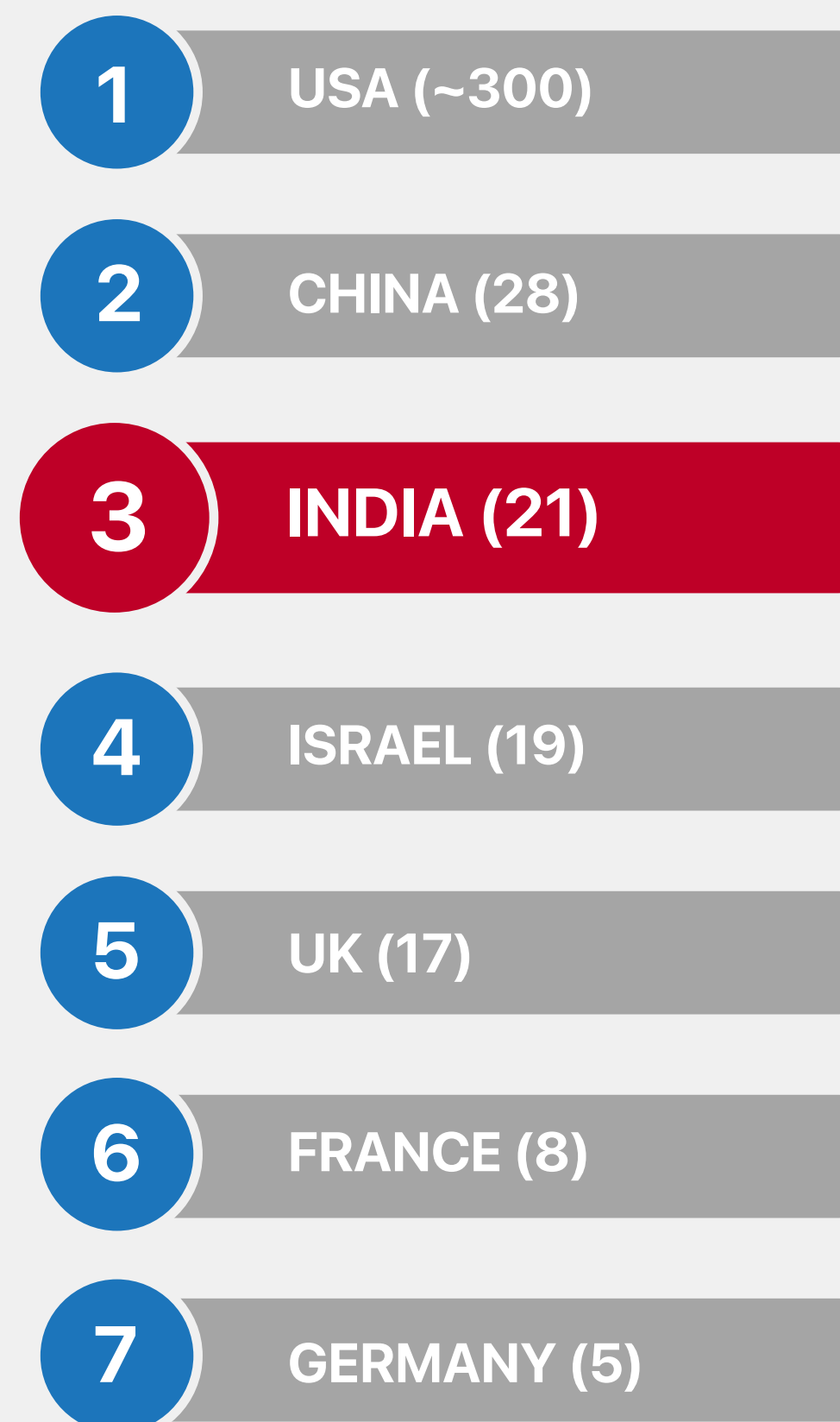
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SaaS UNICORNS[1] IN INDIA (Y-o-Y)

Year	Base of unicorn	New Additions
2018	1	1
2019	2	2
2020	4	4
2021	8	6
2022	14	7
Q1 2023	21	

Number of unicorns have grown 11X in 5 years (since 2018)

■ Base of unicorn ■ New Additions
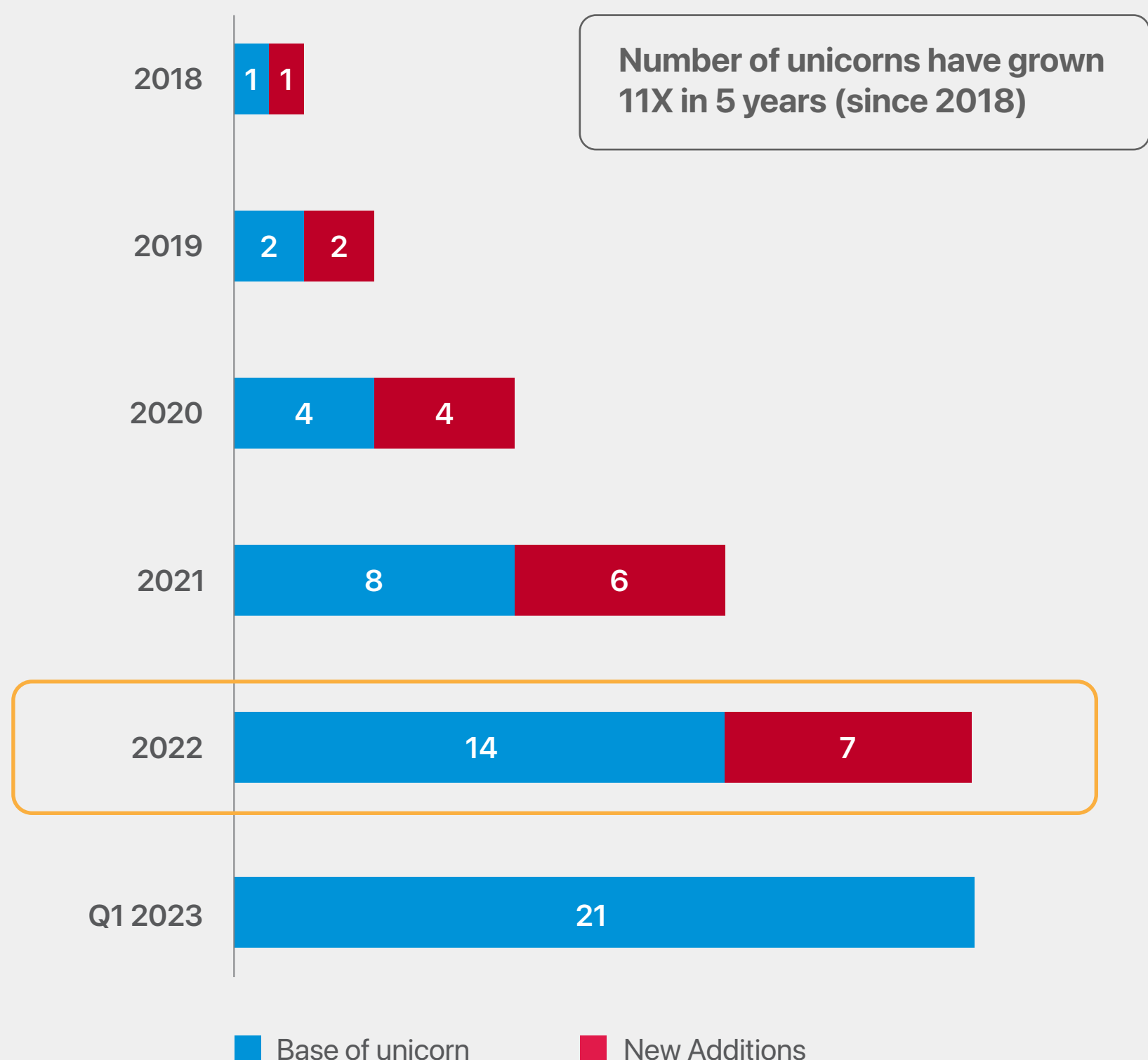
GLOBAL RANKINGS[2] (#UNICORNS)

1. USA (~300)
2. CHINA (28)
3. **INDIA (21)**
4. ISRAEL (19)
5. UK (17)
6. FRANCE (8)
7. GERMANY (5)

KEY HIGHLIGHTS

80% SaaS unicorns have been created in the last 3 years

3 SaaS unicorns valued at >USD 5 Bn

~USD 58 Bn Combined valuation of SaaS unicorns as of March 2023

**29** Number of SaaS potential unicorns[3]

Note: (1) Unicorns are entities with more than USD 1Bn valuation and incepted in or after 2000 (Zoho founded in 1996, is excluded), analysis as on date 31-Mar-2023. Please see "Notes for Reader" section for detailed list of unicorns. (2) Unicorn figures for countries other than India are estimates based on multiple sources. (3) Potential unicorns are start-ups founded between 2012-22 and with total funding of more than USD 50Mn+. Does not include start-ups that achieved unicorn status on or before 31-Mar-2023.
Source: Zinnov CoNXT Analysis

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96% of Indian SaaS unicorns and potential unicorns grew their headcount throughout 2022

PERCENT CHANGE IN HEADCOUNT OF MATURE SaaS START-UPS[1] IN 2022

Change in headcount (%)   #Mature SaaS start-ups

> 50% ▲	18
20% - 50% ▲	17
0% - 20% ▲	13
0% ◀▶	0
0% - 20% ▼	2
>20% ▼	0
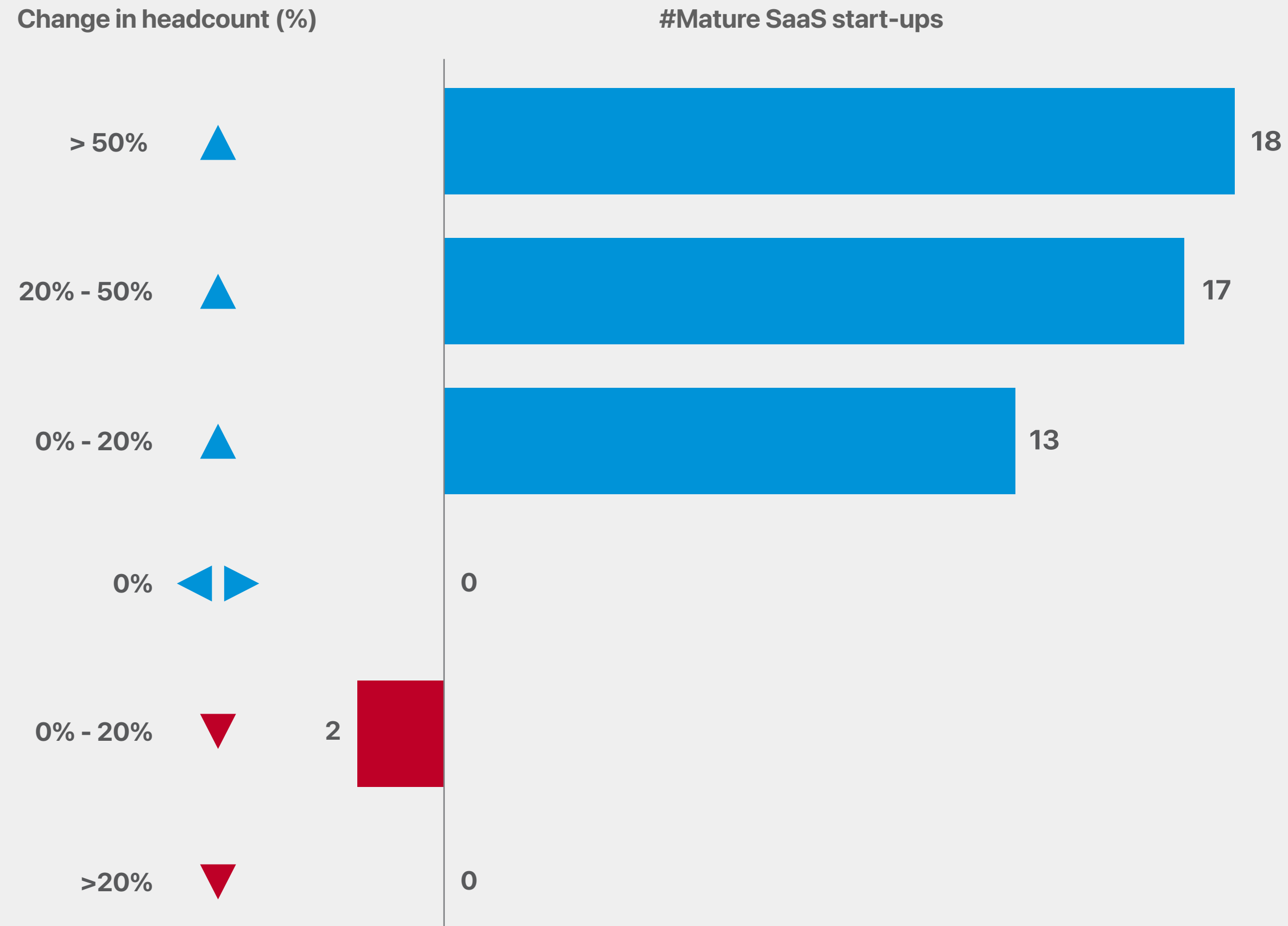
KEY HIGHLIGHTS

36% of mature SaaS start-ups[1] in India increased their headcount by more than 50% in 2022

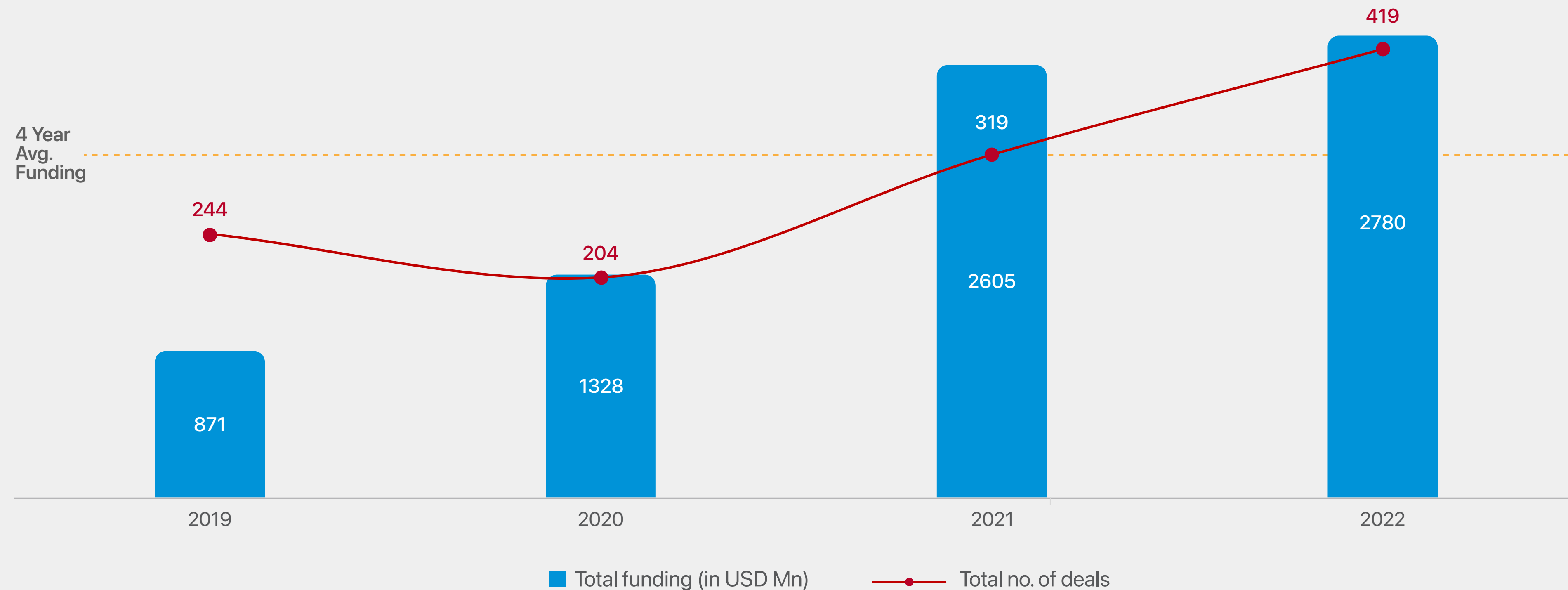**10%** India's share in global tech layoffs in 2022 compared to 26% in 2021

3X Higher layoffs announced by US tech start-ups than Indian tech start-ups between January 2022 and March 2023

Note: (1) SaaS Unicorns and Potential Unicorns are collectively referred as mature SaaS start-ups. Analysis is based on data of 50 unicorns and potential unicorns.
Source: LinkedIn, Layoffs.fyi, News articles, Zinnov CoNXT Analysis
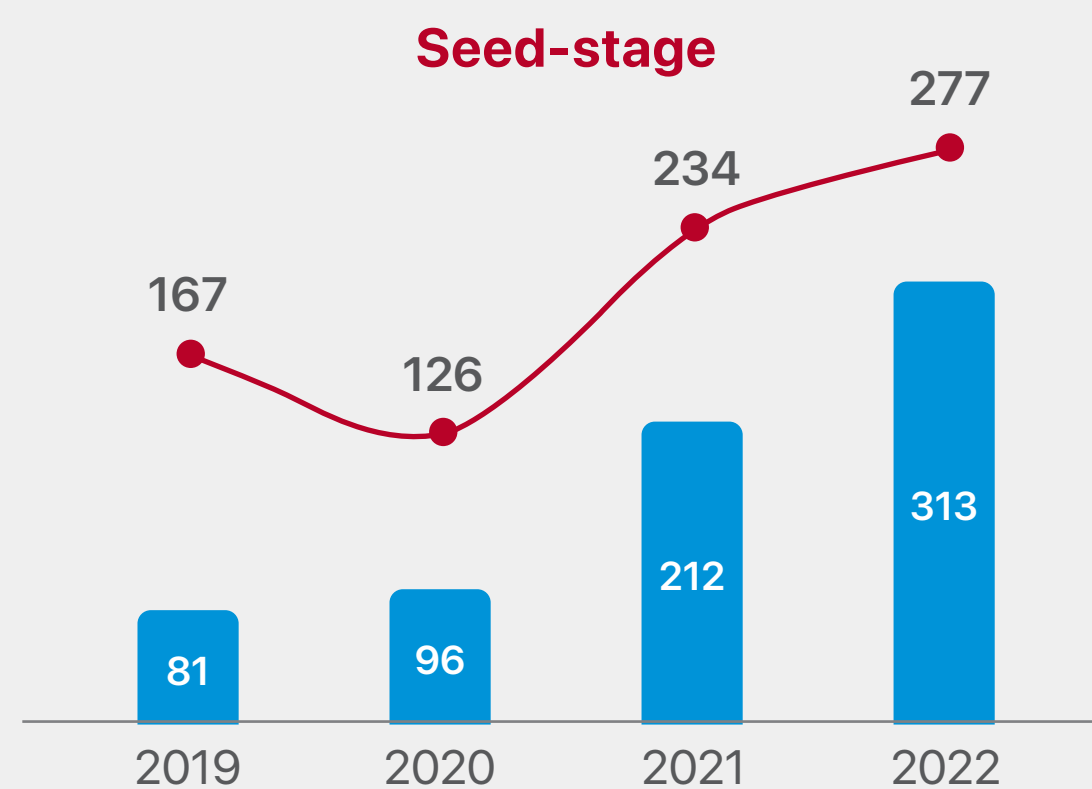
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Indian SaaS start-ups secured 3X more funding in 2022 than in 2019, despite the funding winter

INDIAN SaaS EQUITY FUNDING (USD Mn) (Y-o-Y[1])

4 Year Avg. Funding

	2019	2020	2021	2022
Total funding (in USD Mn)	871	1328	2605	2780
Total no. of deals	244	204	319	419

Legend: ■ Total funding (in USD Mn) —●— Total no. of deals

➤ Indian SaaS equity investments have been steadily growing at a CAGR of ~47% from 2019 to 2022

➤ Number of deals have increased by over 30% in 2022 when compared to 2021

Notes: (1) For each calendar year investment rounds of start-ups founded in a 10-year timeline are taken for analysis, for instance for CY 2022, investment rounds of start-ups founded between 2012-22 are considered for analysis; similarly, for CY 2021, investment rounds of start-ups founded between 2011-21 are considered.

Source: Zinnov CoNXT Analysis

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INDIAN SaaS EQUITY FUNDING BY STAGE[1] (Y-o-Y[2])

Seed-stage

Year	2019	2020	2021	2022
Total funding (USD Mn)	81	96	212	313
Total no. of deals	167	126	234	277

18% increase in deal volume over 2021
47% increase in funding value over 2021

Early-stage

Year	2019	2020	2021	2022
Total funding (USD Mn)	623	579	901	1454
Total no. of deals	72	65	66	122
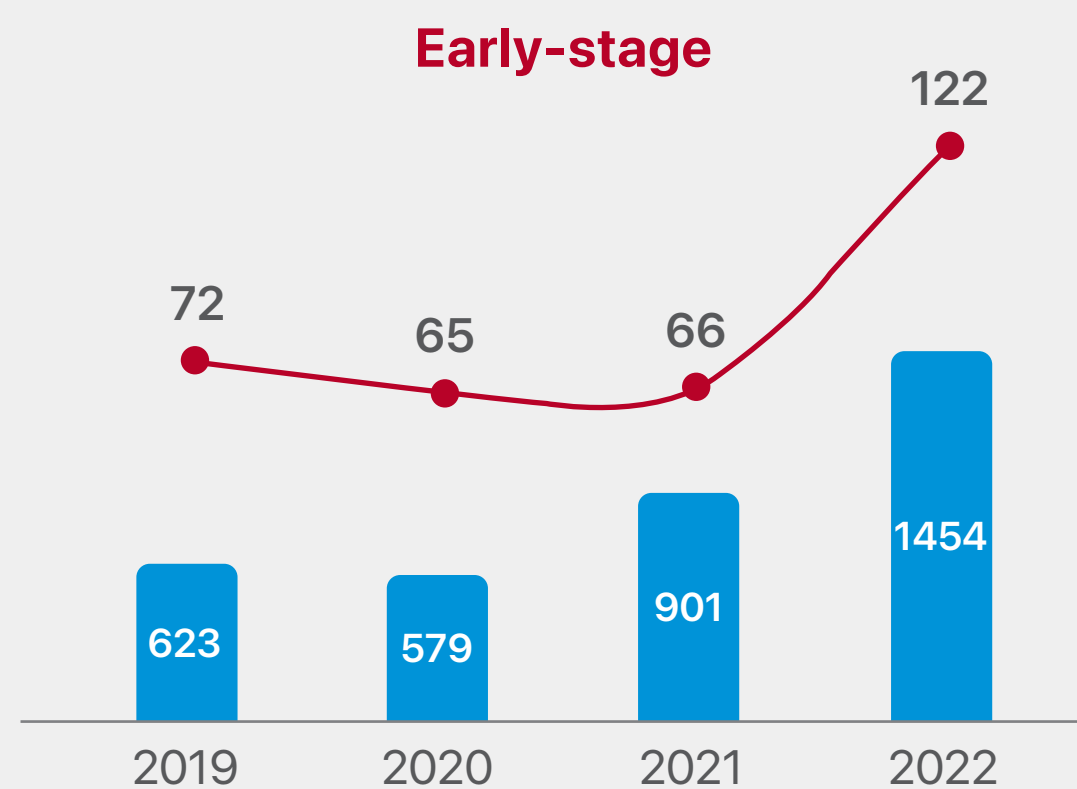
83% increase in deal volume over 2021
60% increase in funding value over 2021

Late-stage

Year	2019	2020	2021	2022
Total funding (USD Mn)	167	653	1491	1013
Total no. of deals	5	13	19	20

32% decline in late-stage funding value in 2022, with challenges faced by start-ups in justifying valuations, led to lower investor returns

■ Total funding (in USD Mn) —●— Total no. of deals

Note: (1) Seed-stage includes Angel and Seed-stage rounds; Early-stage includes Series A and Series B funding rounds; Late-stage includes Series C and above funding rounds. (2) For each calendar year investment rounds of start-ups founded in 10-year timeline are taken for analysis, for instance for CY 2022 , investment rounds of start-ups founded between 2012-22 are considered for analysis; similarly, for CY 2021, investment rounds of start-ups founded between 2011-21 are considered.
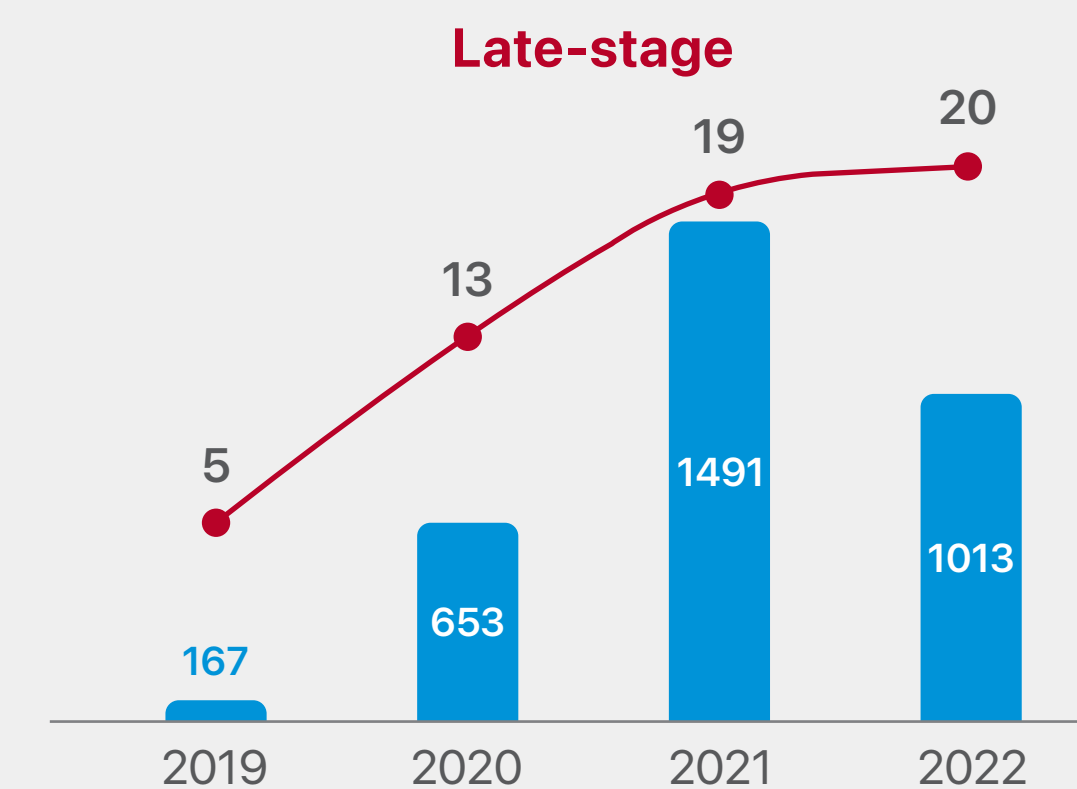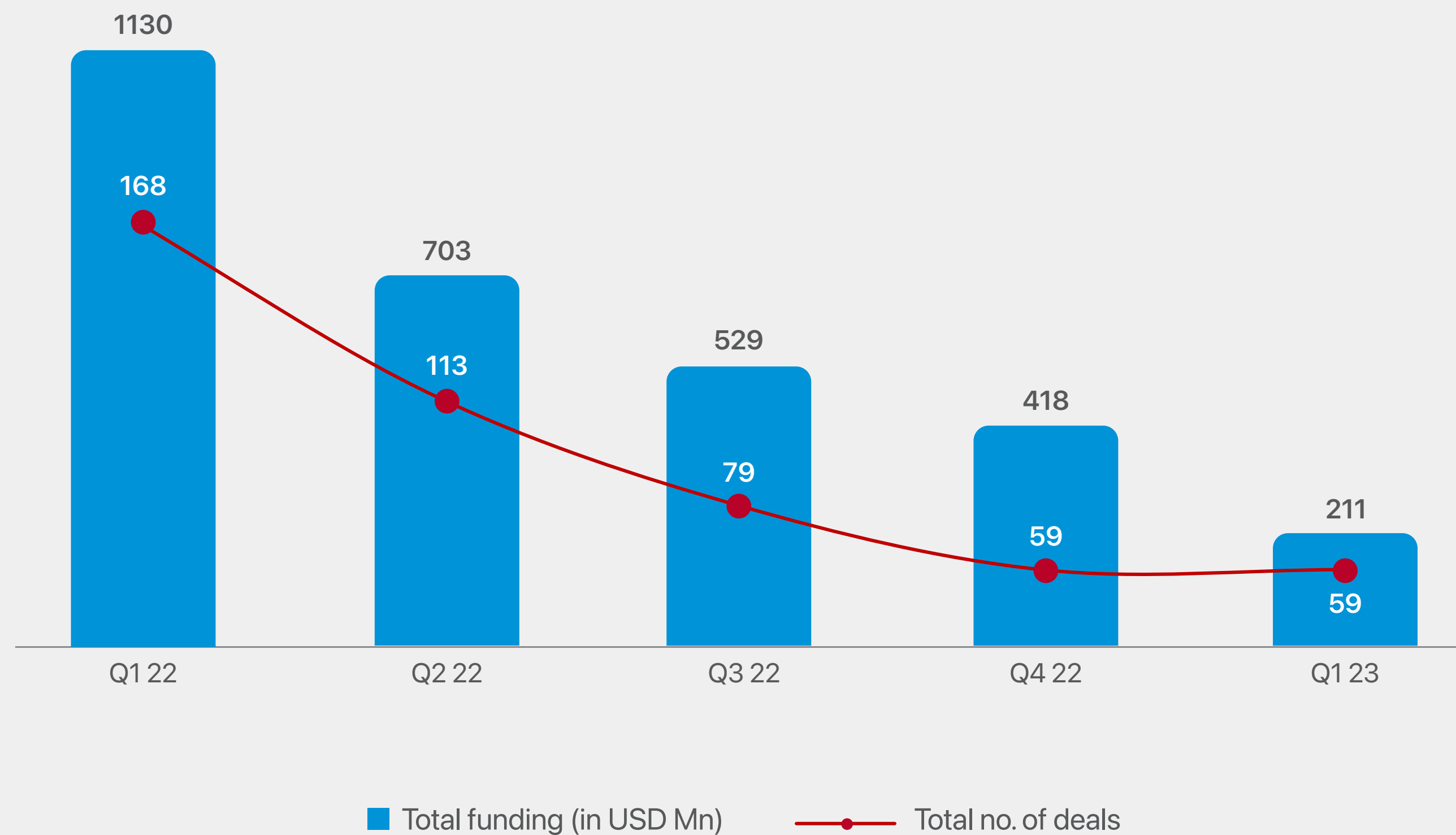
Source: Zinnov CoNXT Analysis

Corrections in valuation multiples, particularly for late-stage start-ups, impacted investments in 2022

INDIAN SaaS EQUITY FUNDING (USD Mn) (Q-o-Q[1])

Legend:
- ■ Total funding (in USD Mn)
- ●— Total no. of deals

Bar values (Total funding):
- Q1 22: 1130
- Q2 22: 703
- Q3 22: 529
- Q4 22: 418
- Q1 23: 211

Line values (Total no. of deals):
- Q1 22: 168
- Q2 22: 113
- Q3 22: 79
- Q4 22: 59
- Q1 23: 59

- ➤ The drop in SaaS company valuations in public markets greatly affected private markets, leading to an 80% decrease in funding from Q1 2022 to Q1 2023. This drop was primarily driven by a significant decline in late-stage funding valuations, while Early and Seed funding valuations remained relatively unaffected.

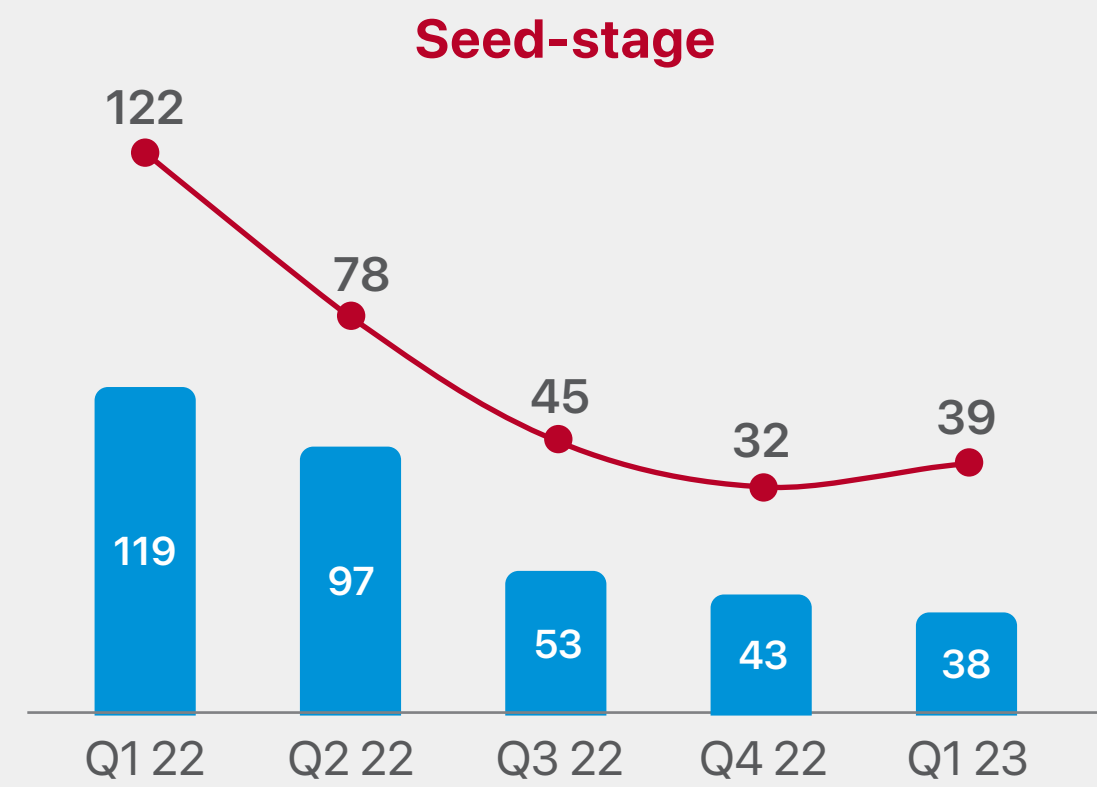**Change in median ticket-size, by stage**
(Q1 2023 vs Q1 2022[1])

Seed	Early	Late
▲ 2.3X	▲ 1.5X	▼ 2.2X

- ➤ Moreover, stable deal volumes in Q1 2023 suggest that the funding slowdown for Indian SaaS companies has bottomed out; gradual recovery expected in the near future.
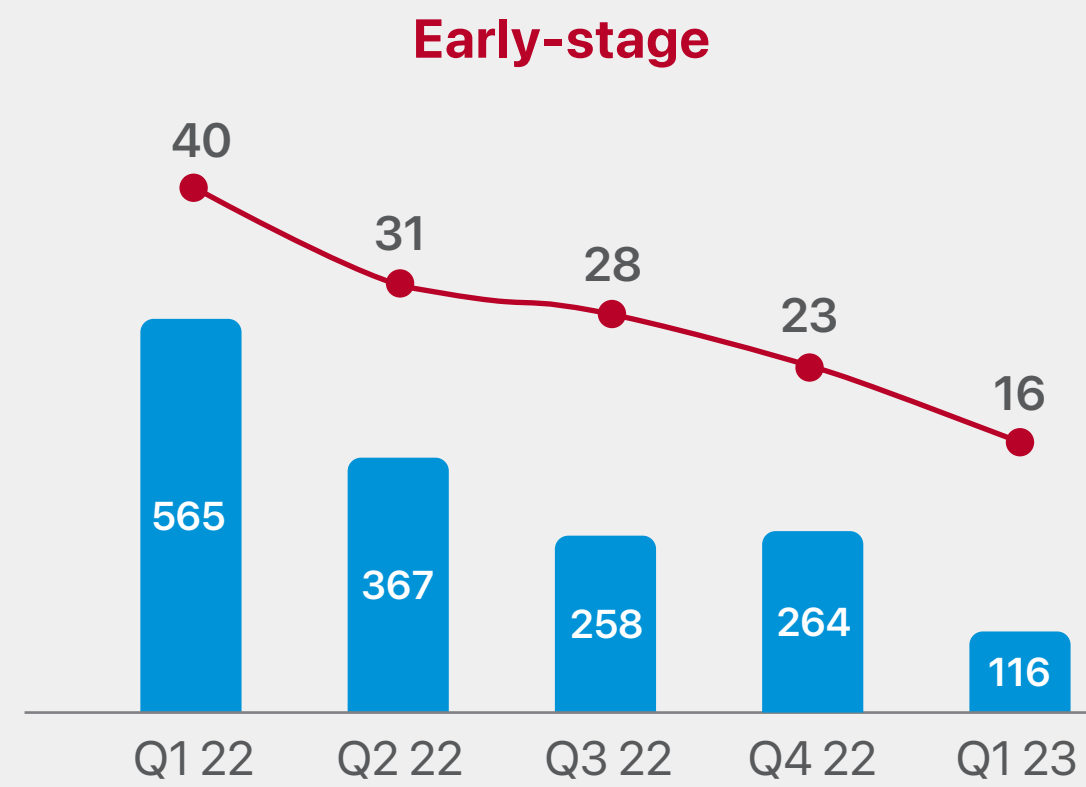
Notes: (1) For all quarters, start-ups founded between 2012-22 are considered for analysis.
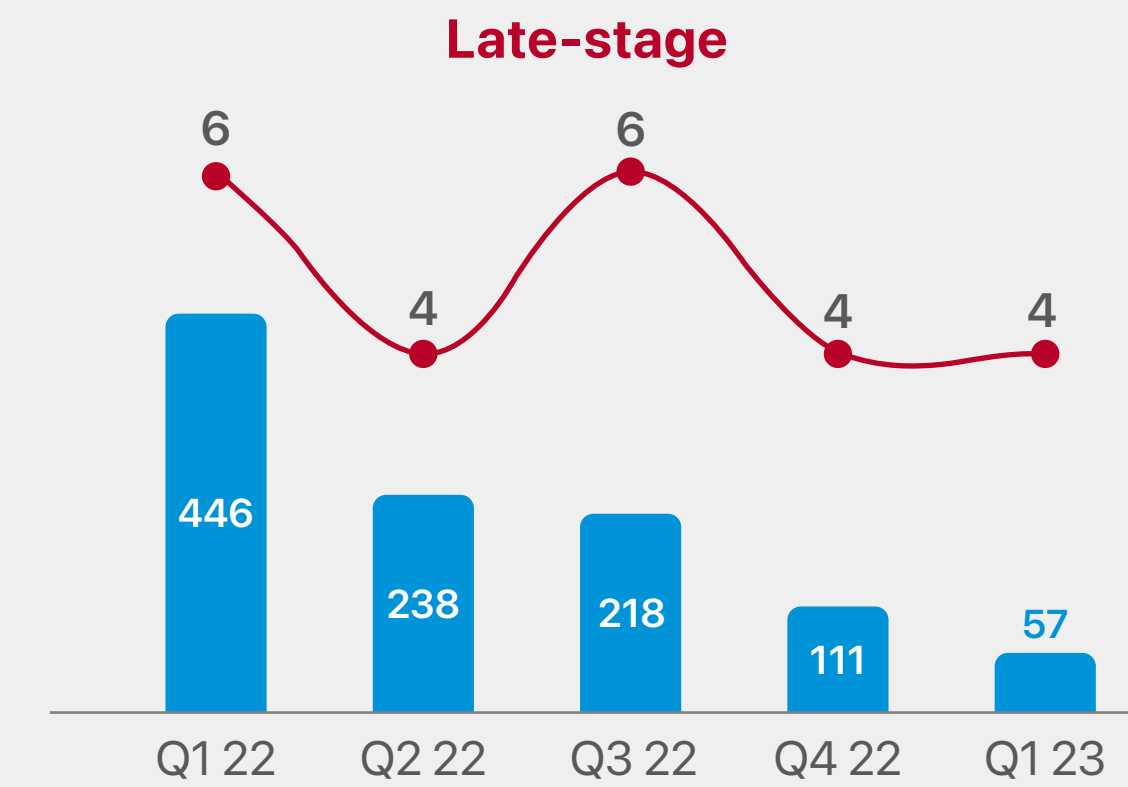
Source: Zinnov CoNXT Analysis

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INDIAN SaaS EQUITY FUNDING, BY STAGE (Q-o-Q[1])

Seed-stage

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Total no. of deals	122	78	45	32	39
Total funding (in USD Mn)	119	97	53	43	38

22% increase in number of deals over Q4 2022

70% dip in funding value since Q1 2022

Early-stage

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Total no. of deals	40	31	28	23	16
Total funding (in USD Mn)	565	367	258	264	116

80% dip in funding value since Q1 2022

Late-stage

	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Total no. of deals	6	4	6	4	4
Total funding (in USD Mn)	446	238	218	111	57

90% dip in funding value since Q1 2022

■ Total funding (in USD Mn) —•— Total no. of deals

Note: (1) For all quarters, start-ups founded between 2012-22 are considered for the analysis.

Source: Zinnov CoNXT Analysis

AGENDA

➤ GLOBAL SaaS: GROWTH & VALUATION RECOVERY

➤ INDIA SaaS 2022: NAVIGATING HEADWINDS WITH RESILIENCE

➤ **INDIA SaaS 2023: CAUTIOUSLY OPTIMISTIC OUTLOOK**

➤ INDIA MAINTAINS STRATEGIC ADVANTAGE

➤ UNVEILING KEY OPPORTUNITY AREAS

➤ PLAYBOOK FOR SUCCESS

INDIA SaaS OUTLOOK

What is the business and investment outlook like for SaaS start-ups in the next 12 months?

In March 2023, we surveyed 130+ SaaS founders and investors across various funding stages and product categories. From the data collected, we discovered that:

On the business front:

While founders are concerned about delayed sales cycles stemming from increased customer spending caution, the outlook for Indian SaaS is optimistic, with most founders projecting significant revenue growth in the next 12 months. Start-ups are adopting a sales-centric approach as they increase focus on acquiring new customers and increasing wallet share from existing customers and are hence, increasing Sales & Marketing budgets and expanding teams.

On the investment front:

Both founders and investors are optimistic about valuation multiples bouncing back to pre-pandemic levels in the next 12-18 months. However, investors are being more prudent with their investment decisions and have directed their focus towards investing in entities that exhibit efficiency and profitability in addition to growth. Despite this vigilant approach, investors anticipate an upsurge in both deal activity and exits over the next 12 months, attesting to a sustained interest in the space, with many seeing an opportunity to make astute investments in promising start-ups.

INDIA SaaS BUSINESS OUTLOOK

Delayed sales cycles is a key challenge for founders as customers spending caution increases

➤ Given the macro-economic outlook, customers are more cautious with their spends as they aim to optimize Cloud costs.

➤ Consequently, there is more consideration expected to be put into every purchase decision, leading to additional layers of approvals and elongated purchase cycles.
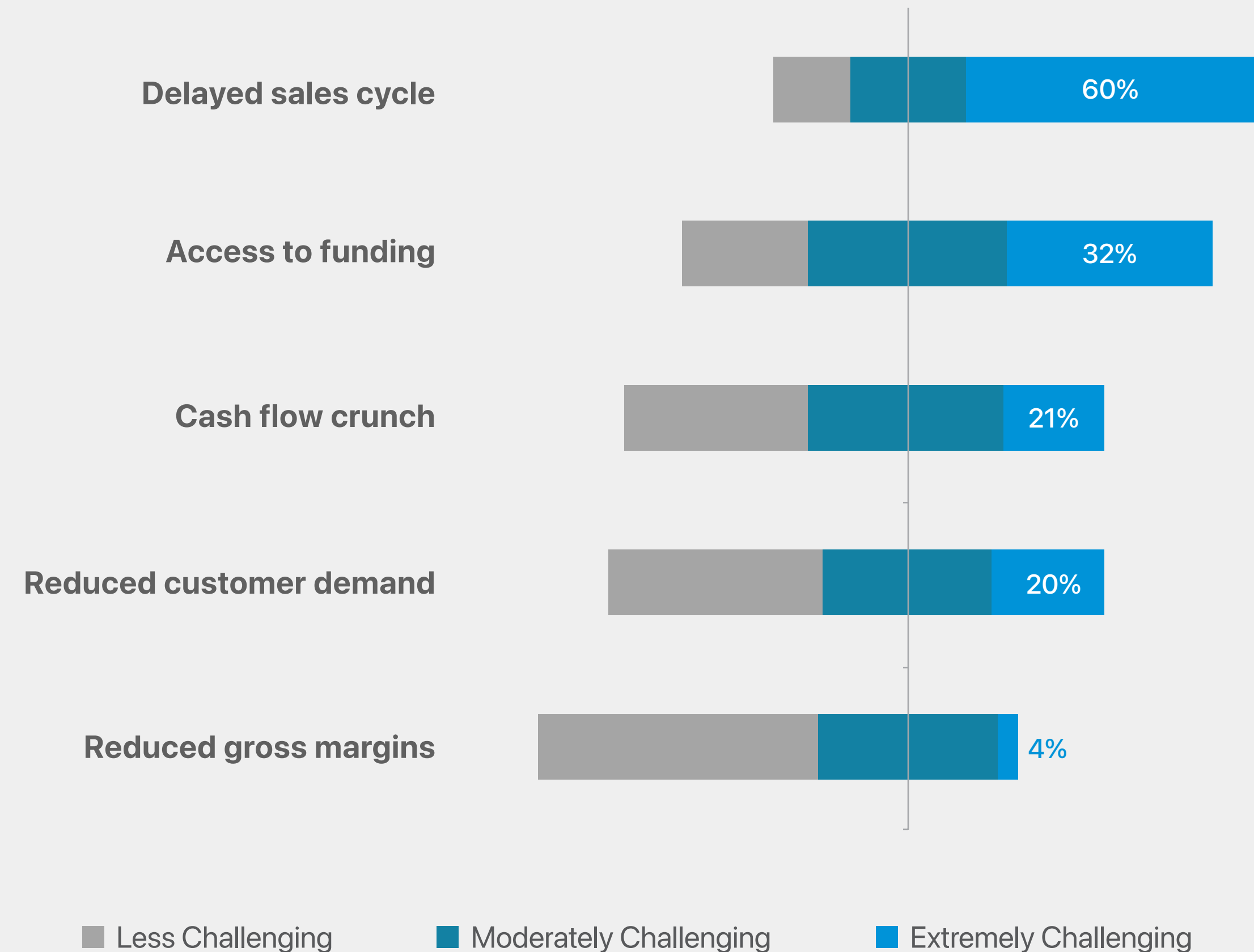
➤ Delays in the sales cycles is also expected to put additional pressure on their cash flows due to any gaps in revenue.

➤ Founders of unfunded start-ups indicated access to funding to be a key challenge in the next 12 months, as they believe that investors will exercise more caution while investing at a time of economic uncertainty.

WHAT ARE YOUR TOP 3 CHALLENGES CURRENTLY?

Delayed sales cycle — 60%

Access to funding — 32%

Cash flow crunch — 21%

Reduced customer demand — 20%

Reduced gross margins — 4%

■ Less Challenging   ■ Moderately Challenging   ■ Extremely Challenging

To overcome key challenges, founders are prioritizing revenue generation over the next 12 months

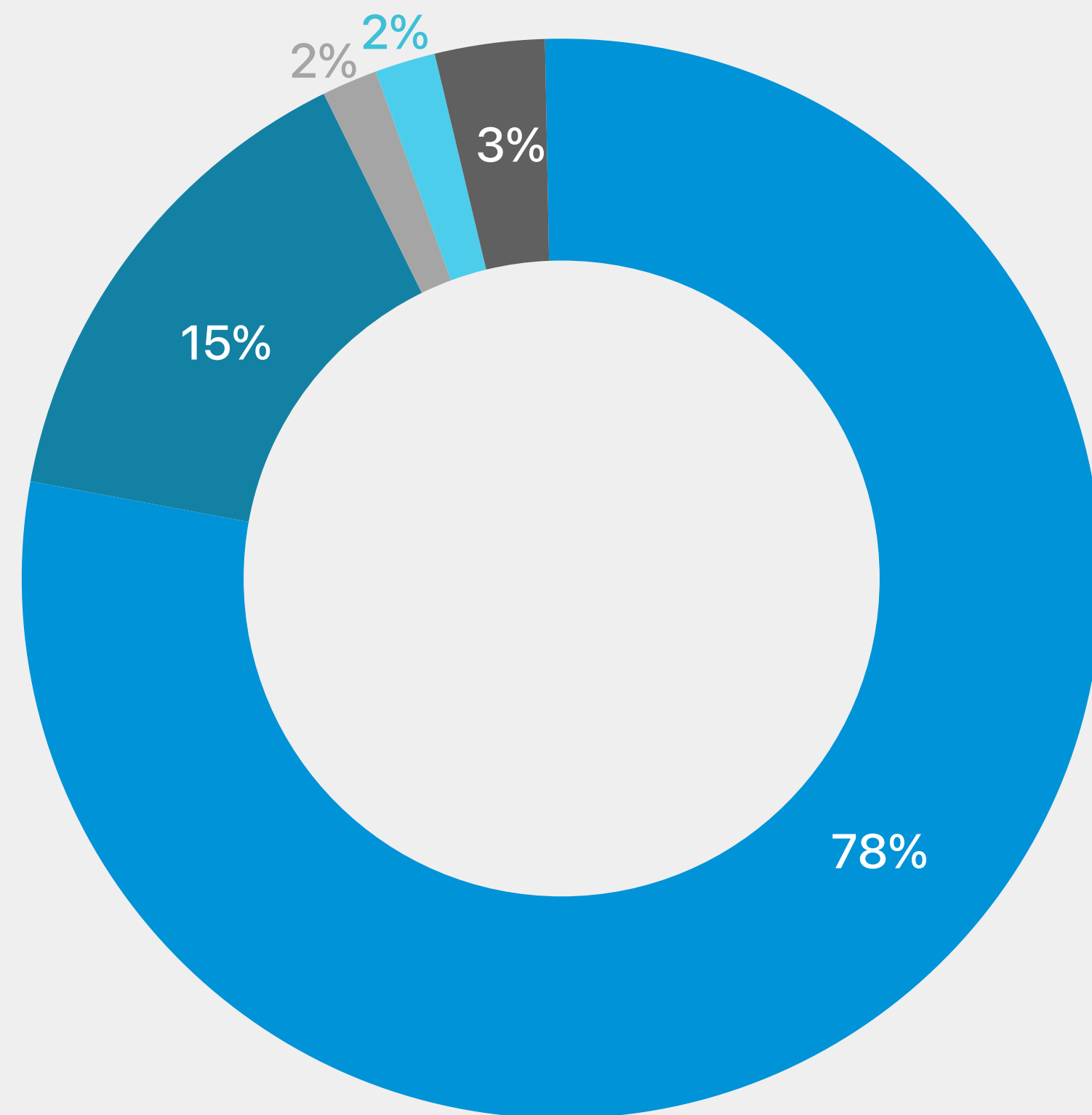## WHAT ARE YOUR KEY STRATEGIC PRIORITIES FOR THE NEXT 12 MONTHS? (RANK IN TERMS OF IMPORTANCE)

Priority	Rank 1	Rank 2	Rank 3
Revenue Generation	47%	32%	8%
Product Innovation	17%	27%	17%
Customer Success	10%	15%	25%
Operational Efficiency	7%	14%	20%
Team Size Optimization	2%	7%	10%
Fundraising	17%	5%	19%

■ Rank 1   ■ Rank 2   ■ Rank 3
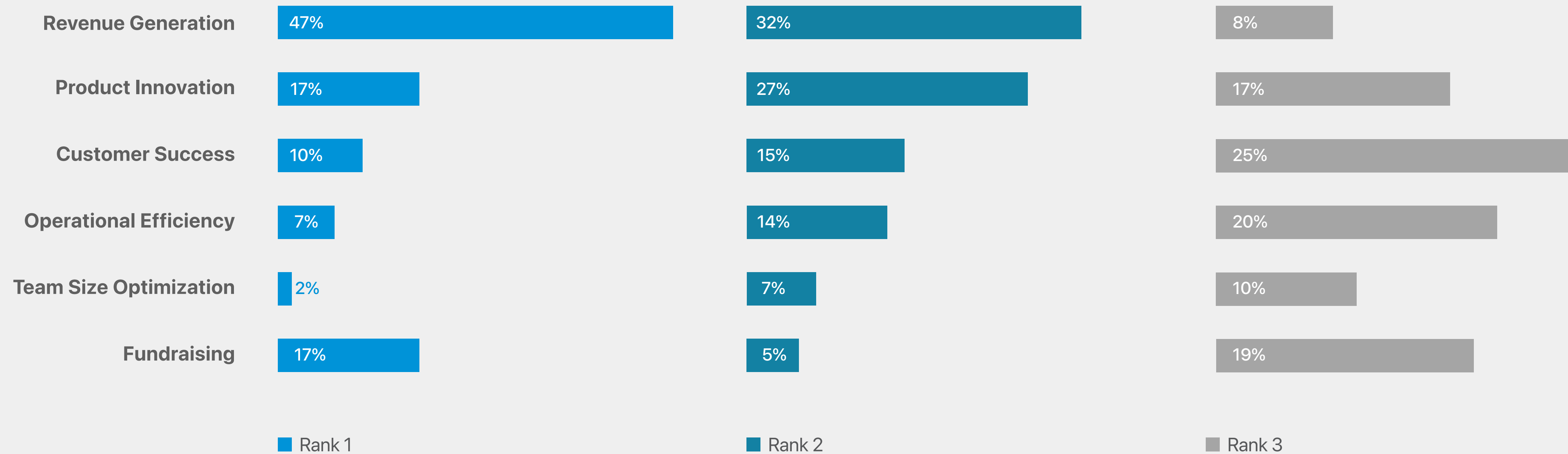
➤ Start-ups across stages plan to focus on revenue growth strategies to tackle delayed sales cycles, reduced customer demand, and resultant cash flow crunch.

➤ Additionally, late-stage start-ups are also emphasizing on improving customer experience, reducing churn, and increasing customer retention.

➤ Start-ups with horizontal SaaS solutions are taking a more revenue-centric approach whereas those with verticalized solutions are more product-centric.

Majority of the founders are optimistic about their ARR growth projections over the next 12 months

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WHAT IS YOUR PROJECTED ARR CHANGE FOR THE NEXT 12 MONTHS?
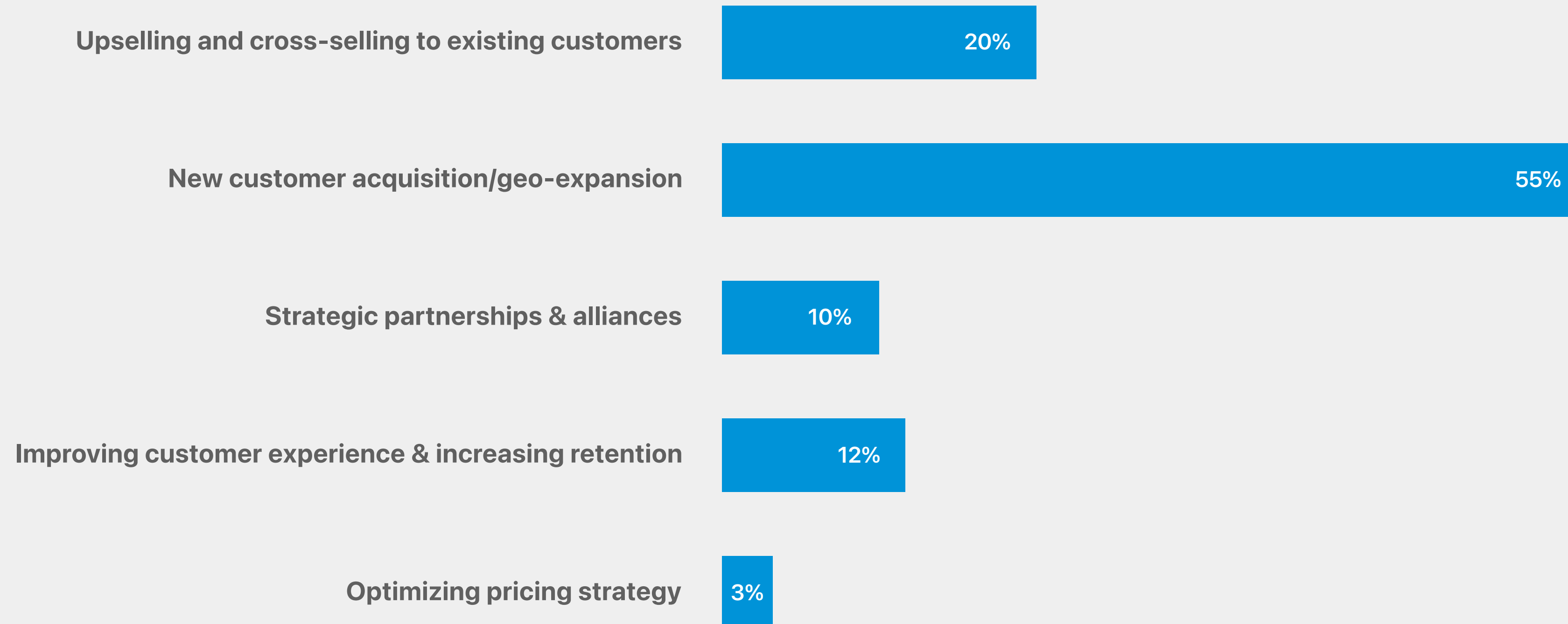
- 78%
- 15%
- 2%
- 2%
- 3%

93%

of founders project their revenues to increase in the next 12 months

- ■ Significantly increase
- ■ Slightly increase
- ■ Remain the same
- ■ Slightly decrease
- ■ Significantly decrease

To drive this ARR growth, founders plan to acquire new customers and increase wallet share from existing customers

WHAT IS YOUR PRIMARY LEVER TO INCREASE YOUR ARR IN THE NEXT 12 MONTHS?

| Lever	Percentage
Upselling and cross-selling to existing customers	20%
New customer acquisition/geo-expansion	55%
Strategic partnerships & alliances	10%
Improving customer experience & increasing retention	12%
Optimizing pricing strategy	3%

➤ Seed and Early-stage start-ups are focusing on acquiring new customers, whereas Late-stage start-ups are prioritizing upselling and cross-selling to their existing customers to drive ARR in the next 12 months.

As a result, they are increasing their Sales & Marketing budgets and expanding teams

HOW DO YOU ANTICIPATE THE COMPANY'S OPERATING EXPENSES TO SHIFT OVER THE NEXT 12 MONTHS?

Legend:
- General & Administrative
- Research & Development
- Sales & Marketing

Category	General & Administrative	Research & Development	Sales & Marketing
Decrease	36%	58%	6%
No Change	58%	26%	20%
Increase	6%	16%	74%
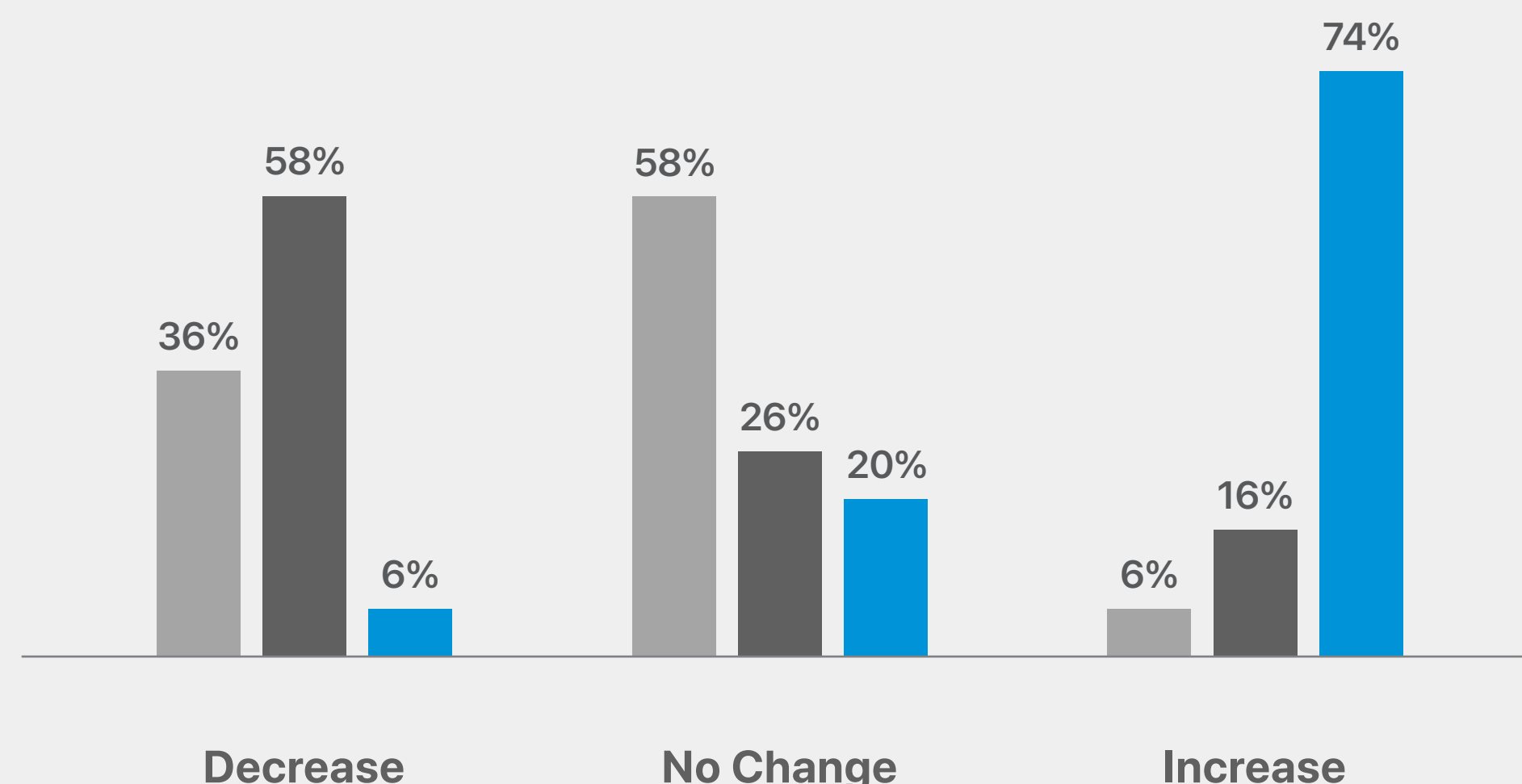
FOR WHICH OF THE FOLLOWING TEAMS DO YOU PLAN TO INCREASE HEADCOUNT IN NEXT 12 MONTHS?

Team	Percentage
Product	62%
Sales & Marketing	80%
Customer Succes	52%
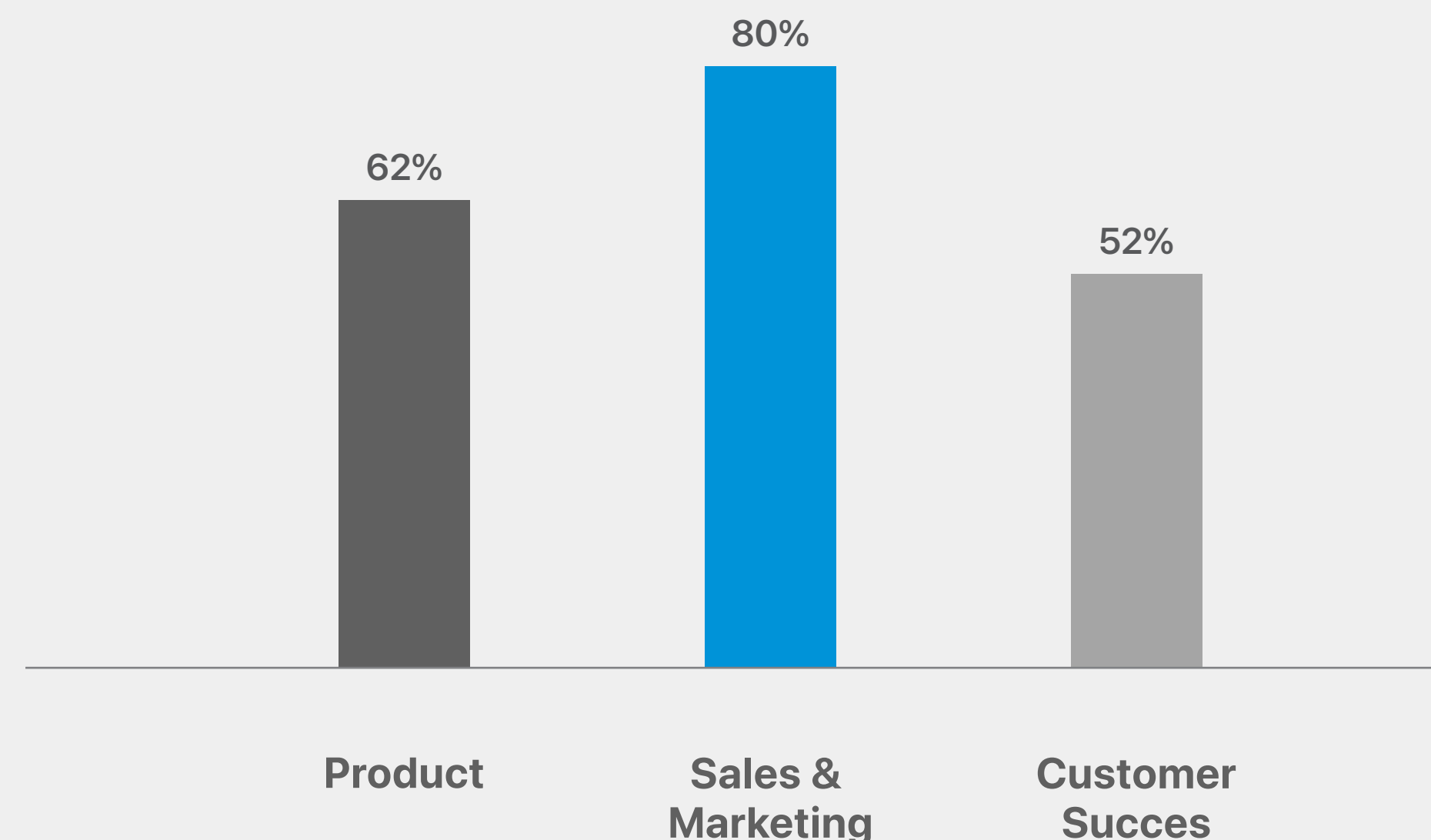
➤ Majority start-ups expect to increase their Sales & Marketing spends and consequently, decrease their Research & Development spends as they increase their outreach efforts to drive growth.
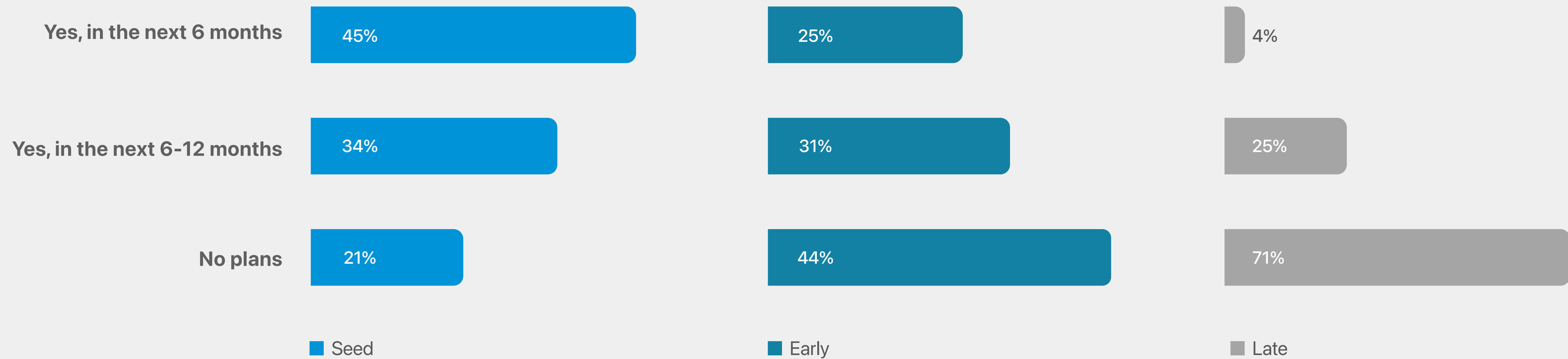
➤ As most start-ups adopt a revenue centric approach, they also intend to increase the headcount in the respective Sales and Marketing teams over the next 12 months.

INDIA SaaS INVESTMENT OUTLOOK

Over two-thirds of the founders are preparing to raise funding in the next 12 months

DO YOU PLAN TO RAISE FUNDS IN THE NEXT 12 MONTHS?

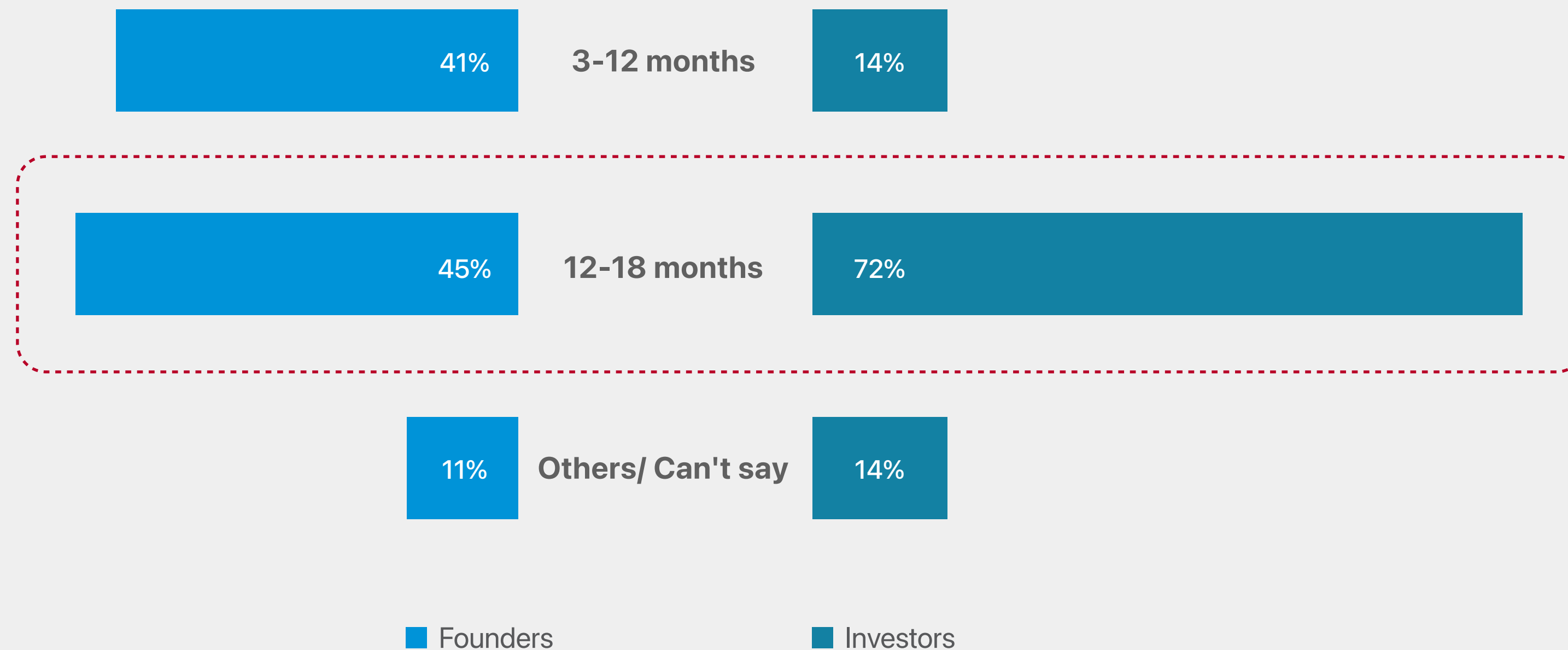|	Seed	Early	Late
Yes, in the next 6 months	45%	25%	4%
Yes, in the next 6-12 months	34%	31%	25%
No plans	21%	44%	71%

■ Seed ■ Early ■ Late

Seed-stage start-up founders are keen on their fundraising plans – almost 80% of them are planning to raise funding in the next 12 months

56% of early-stage start-up founders plan to raise funding in the next 12 months

Late-stage start-up founders plan to hold out on their current investments and delay their plans for their next round of funding

Valuations expected to rebound in 18 months; founders advised to extend runways accordingly

WHEN DO YOU ANTICIPATE THE VALUATION MULTIPLES TO RECOVER TO PRE-PANDEMIC LEVELS?

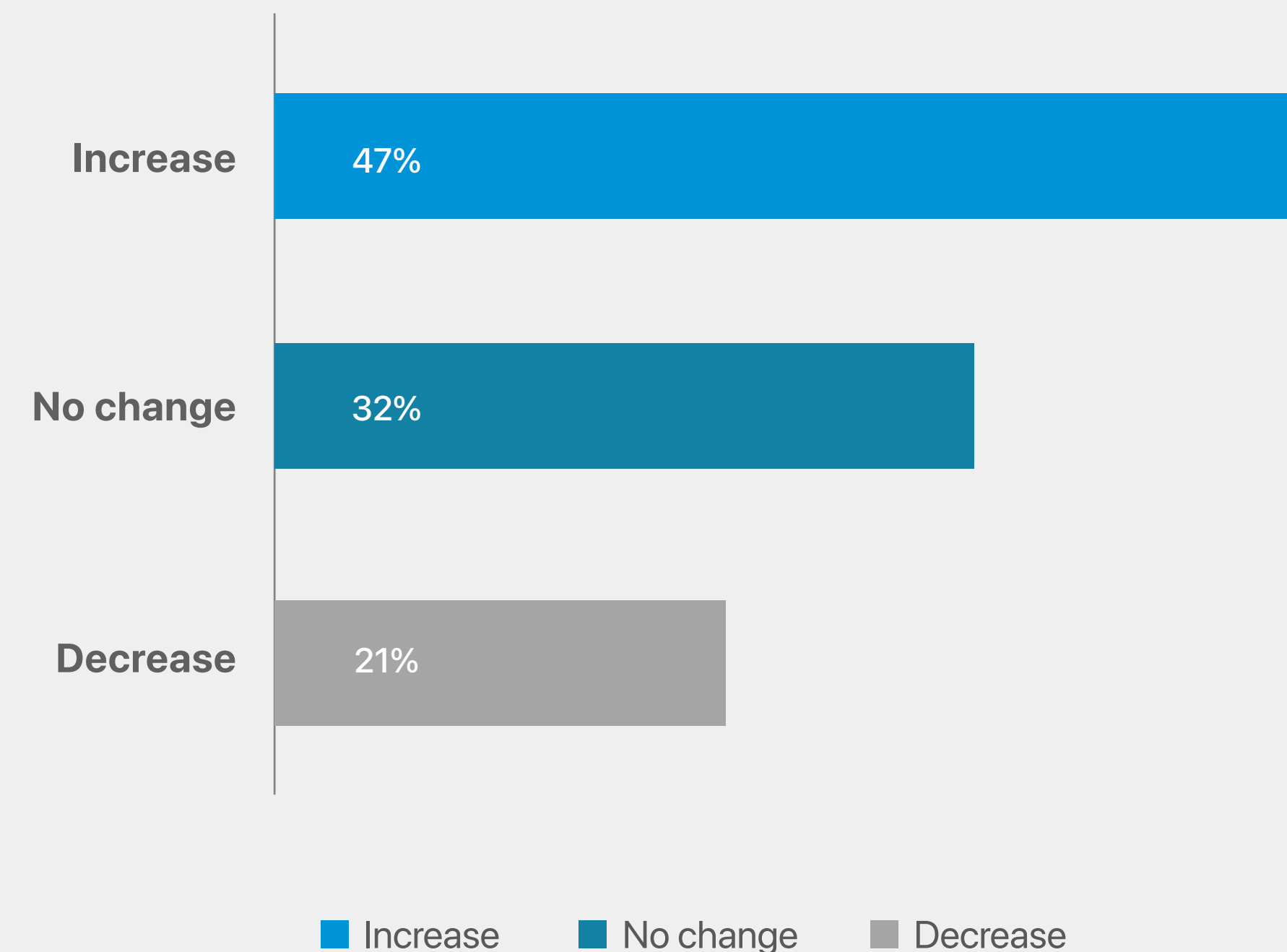|	Founders		Investors
3-12 months	41%		14%
12-18 months	45%		72%
Others/ Can't say	11%		14%

■ Founders   ■ Investors

➤ While founders are more optimistic than investors that valuation multiples will bounce back to the 2019 (pre-pandemic) levels within the next 3 to 12 months, they should prepare for investor caution and work based on a worst-case scenario for the next 18 months.

➤ With a greater focus on risk management, investors will require more evidence and thorough due diligence. Hence, founders should prioritize demonstrating a resilient business model and a clear growth strategy.

Investors anticipate both deal activity and exits to pick up pace over the next 12 months

HOW WILL YOUR DEAL ACTIVITY CHANGE IN NEXT 12 MONTHS?

- Increase — 55%
- No change — 24%
- Decrease — 21%

■ Increase   ■ No change   ■ Decrease
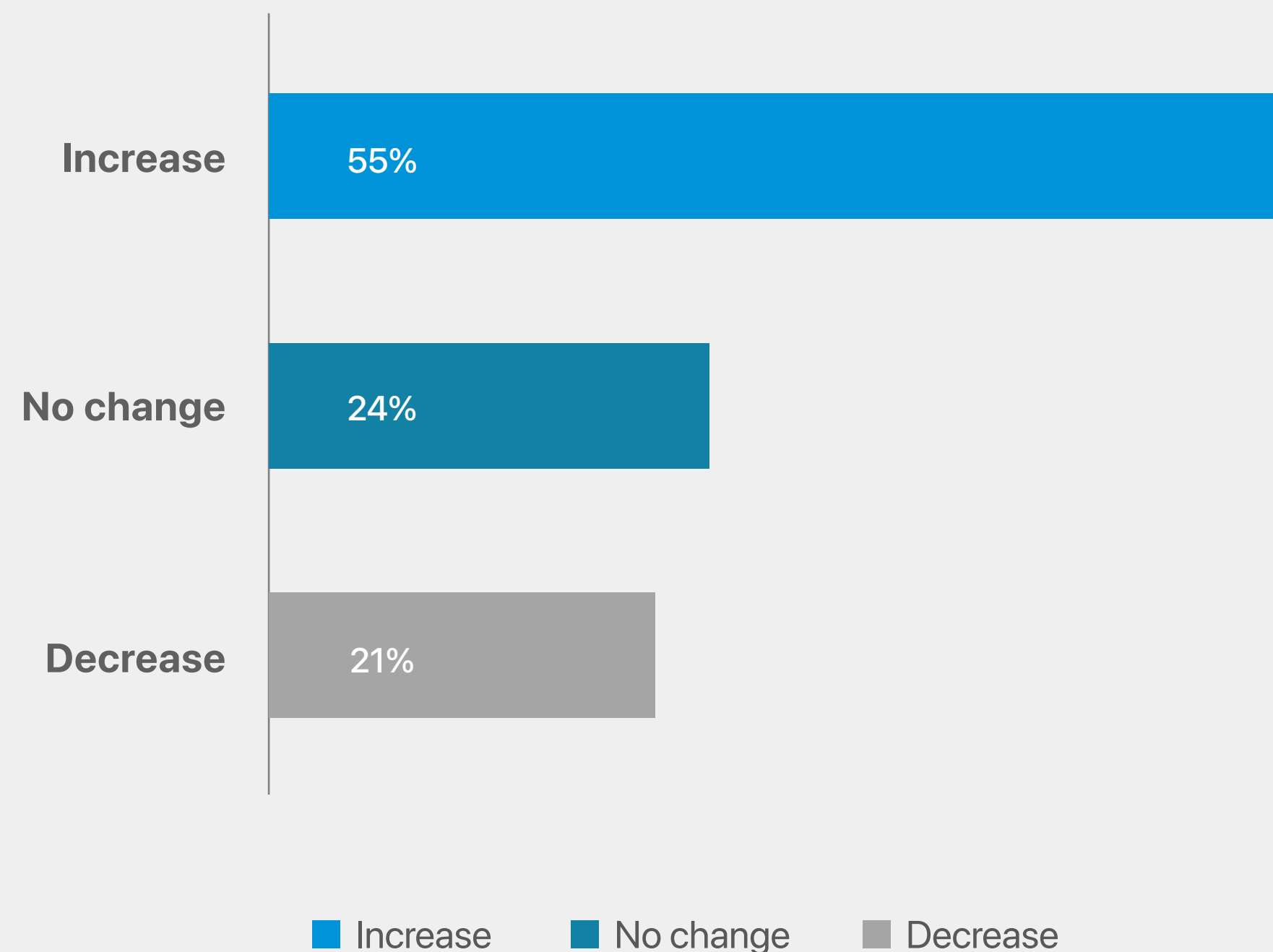
WHAT ARE YOUR EXPECTATIONS FOR EXITS IN INDIAN SaaS IN THE NEXT 12 MONTHS?

- Increase — 47%
- No change — 32%
- Decrease — 21%

■ Increase   ■ No change   ■ Decrease
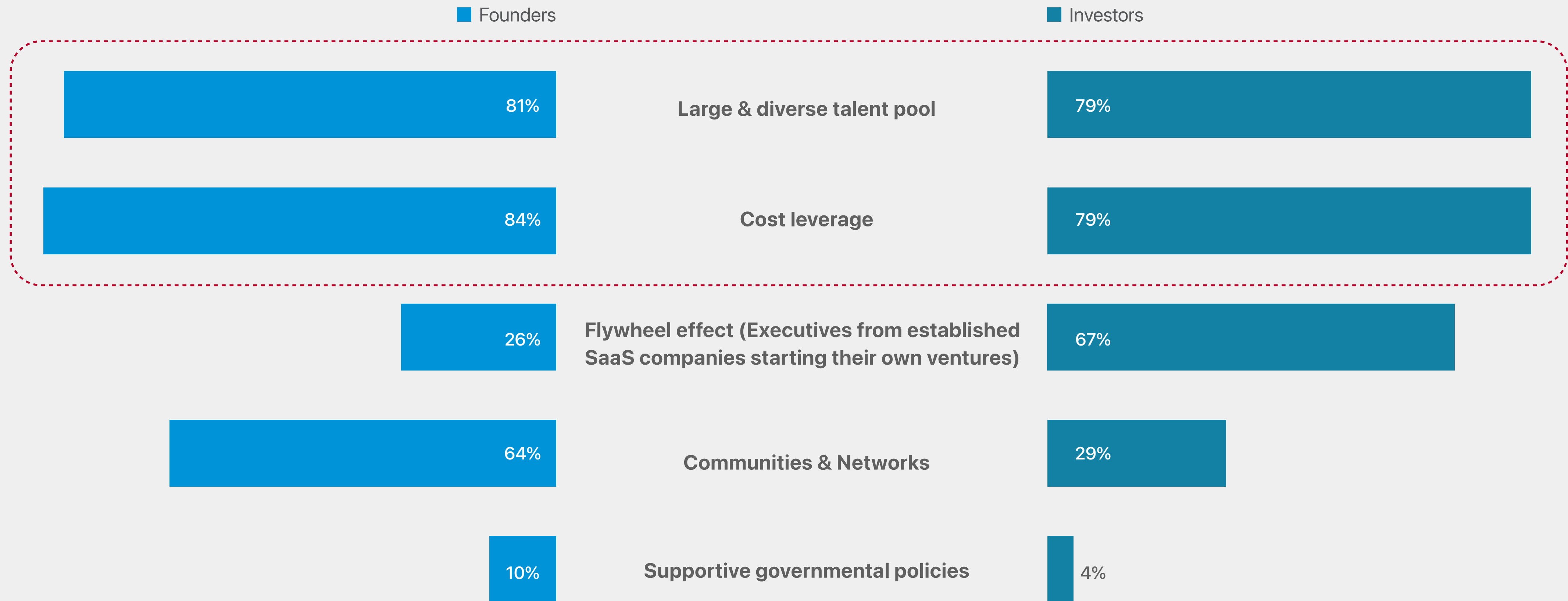
➤ Although investors are optimistic about a rise in exits, their attitude is not as strong as it is towards deal activity.
➤ Approximately one-third of investors do not expect any noteworthy changes in the next year regarding exits.

Source: Chiratae-Zinnov SaaS Investor Survey (30+ investors), March 2023

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➤ PLAYBOOK FOR SUCCESS

Our survey indicates that India's advantage for SaaS comes from its talent pool and cost leverage

WHAT ARE THE TOP 3 ADVANTAGES OF INDIAN SaaS COMPANIES OVER THEIR GLOBAL COUNTERPARTS?

■ Founders   ■ Investors

	Founders	Investors
Large & diverse talent pool	81%	79%
Cost leverage	84%	79%
Flywheel effect (Executives from established SaaS companies starting their own ventures)	26%	67%
Communities & Networks	64%	29%
Supportive governmental policies	10%	4%

9 out of 10 investors opine that India's quality tech talent provides a competitive advantage

DOES INDIA HAVE A COMPETITIVE ADVANTAGE WITH RESPECT TO THE TECH TALENT POOL?

88%

12%

■ Yes ■ No
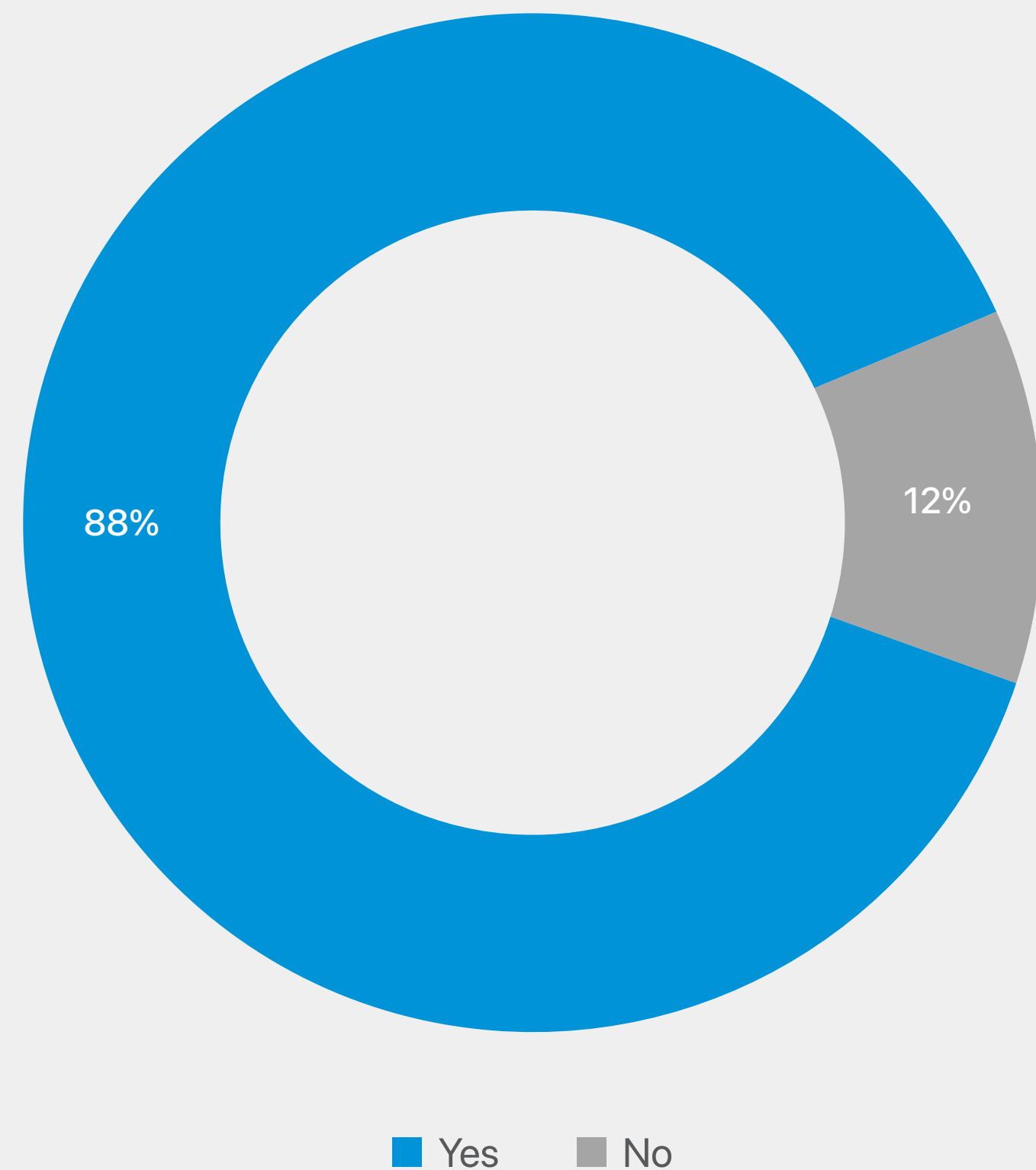
"
In India, the pool of mid-level professionals is really large. 80% of the tech workforce in a start-up (barring the really early-stage companies) will typically consist of professionals from this category."
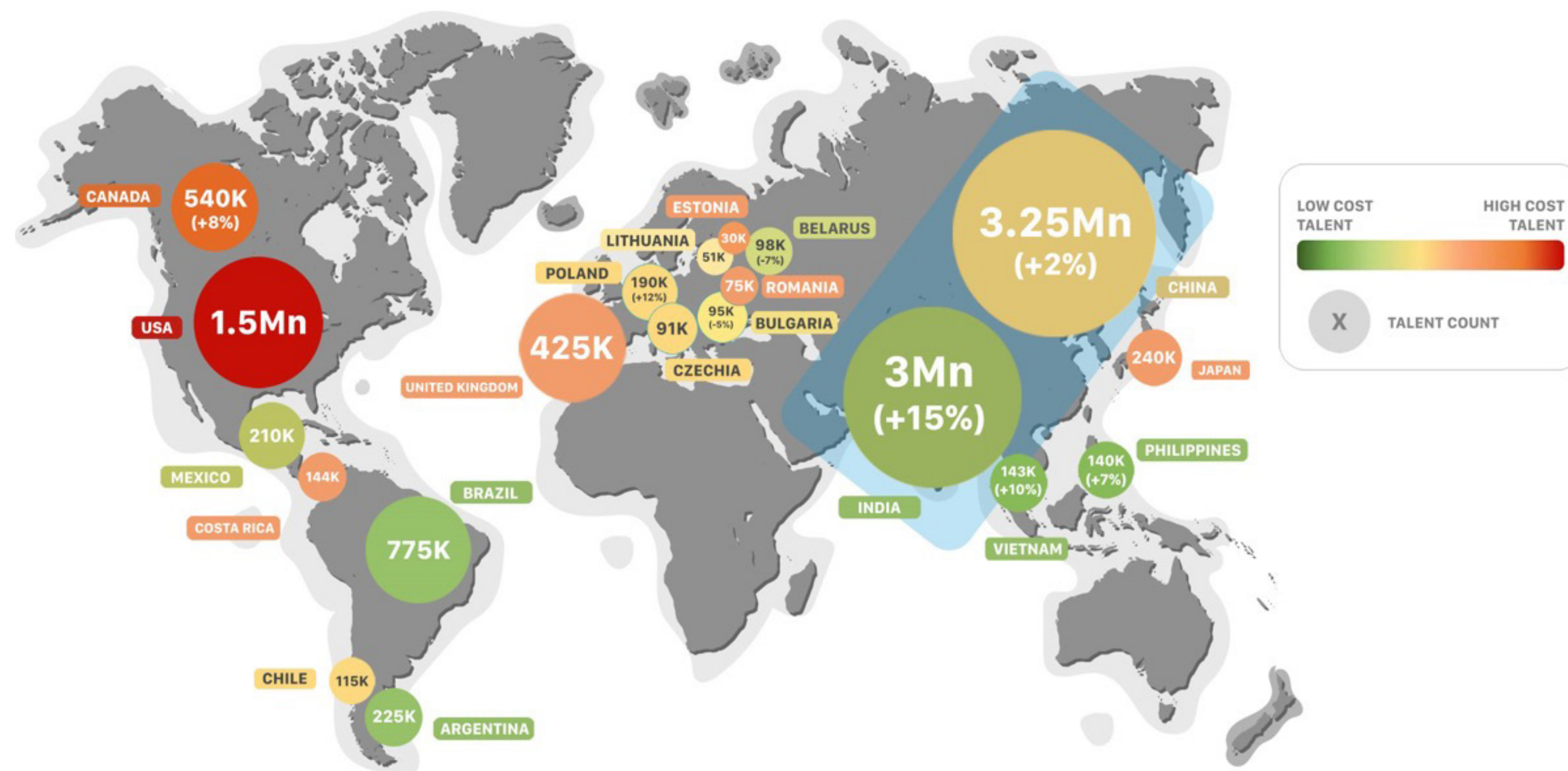
- Managing Partner of an early-stage tech-focused VC firm

"
Our talent pool is adept in building enterprise applications and have been doing this for decades together in the IT Services avatar. With the advent and adoption of cloud technologies it's these applications that are moving off-premise and getting productized, and naturally our talent pool is the best positioned to take advantage of this shift.

- Managing Partner of an enterprise SaaS VC fund

Source: Chiratae-Zinnov SaaS Investor Survey (30+ investors), March 2023

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India has a vast pool of digitally-skilled talent with the potential to build and scale SaaS...

CANADA **540K** (+8%)

USA **1.5Mn**

210K

MEXICO

144K

COSTA RICA

UNITED KINGDOM **425K**

BRAZIL **775K**

CHILE **115K**

225K ARGENTINA

ESTONIA

LITHUANIA **30K** BELARUS

POLAND **51K** **98K** (-7%)

190K (+12%) **75K** ROMANIA

91K **95K** (-5%) BULGARIA

CZECHIA

3.25Mn (+2%)

CHINA

3Mn (+15%)

INDIA

143K (+10%)

VIETNAM

140K (+7%) PHILIPPINES

240K JAPAN

LOW COST TALENT — HIGH COST TALENT

X TALENT COUNT

2nd — Largest talent pool after China, but has better English-speaking population

10% — Increase in the number of direct tech employees in 2022

9.75 Mn — Indian developers using GitHub

#1 — Contributor to global AI-related GitHub repositories

Source: Zinnov CoE Hotspots of the World Report 2023, GitHub, Zinnov CoNXT Analysis

...and a supportive ecosystem that has fueled faster growth of SaaS talent in India

SUPPORTIVE ECOSYSTEM FOR SaaS TALENT IN INDIA

ACADEMIA

44,000 Indian colleges as of 2022

1100 Indian universities as of 2022

2.3 Mn STEM graduates per year

12% of graduates have adequate skills to enter tech roles

GOVERNMENT

10 Mn+
Students to be trained in emerging tech under GOI's[1] Digital Skilling Program

PM Kaushal Vikas Yojana 4.0
To train lakhs of youth in skills relevant to Industry 4.0 such as AI, coding, mechatronics, drones, 3D printing, etc.

CORPORATES

3 Mn+
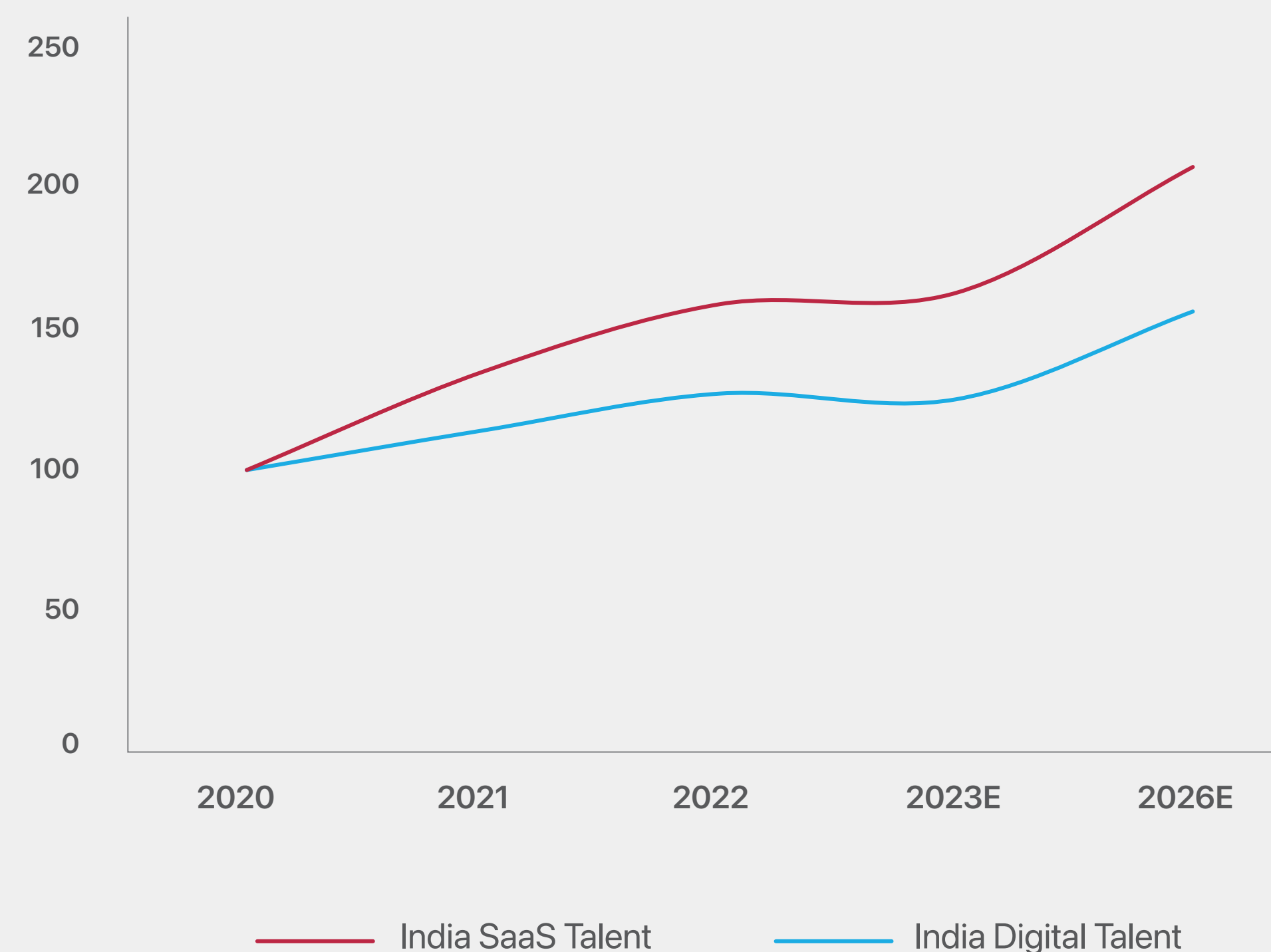Indians upskilled in digital tech by AWS, Microsoft & Google

1390+
ER&D MNCs in India

850+
IT MNCs in India

INDEX: DIGITAL TALENT[2] vs SaaS TALENT[2] GROWTH IN INDIA

— India SaaS Talent   — India Digital Talent

Note: (1) GOI – Government of India. (2) Digital talent refers to talent skilled in AI/ML, Big Data Analytics, Cloud Computing, Web & Mobile Development, Cybersecurity, RPA and Blockchain whereas for SaaS talent, headcount of SaaS unicorns and potential unicorns have been considered for the analysis.

Source: Ministry of Education, News articles, Zinnov CoNXT Analysis

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9 out of 10 investors say that India will maintain its cost leverage despite increasing talent cost

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VENTURES

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DOES INDIA STILL HAVE A COST ADVANTAGE DESPITE INCREASING TALENT COSTS?

92%   8%

■ Yes   ■ No
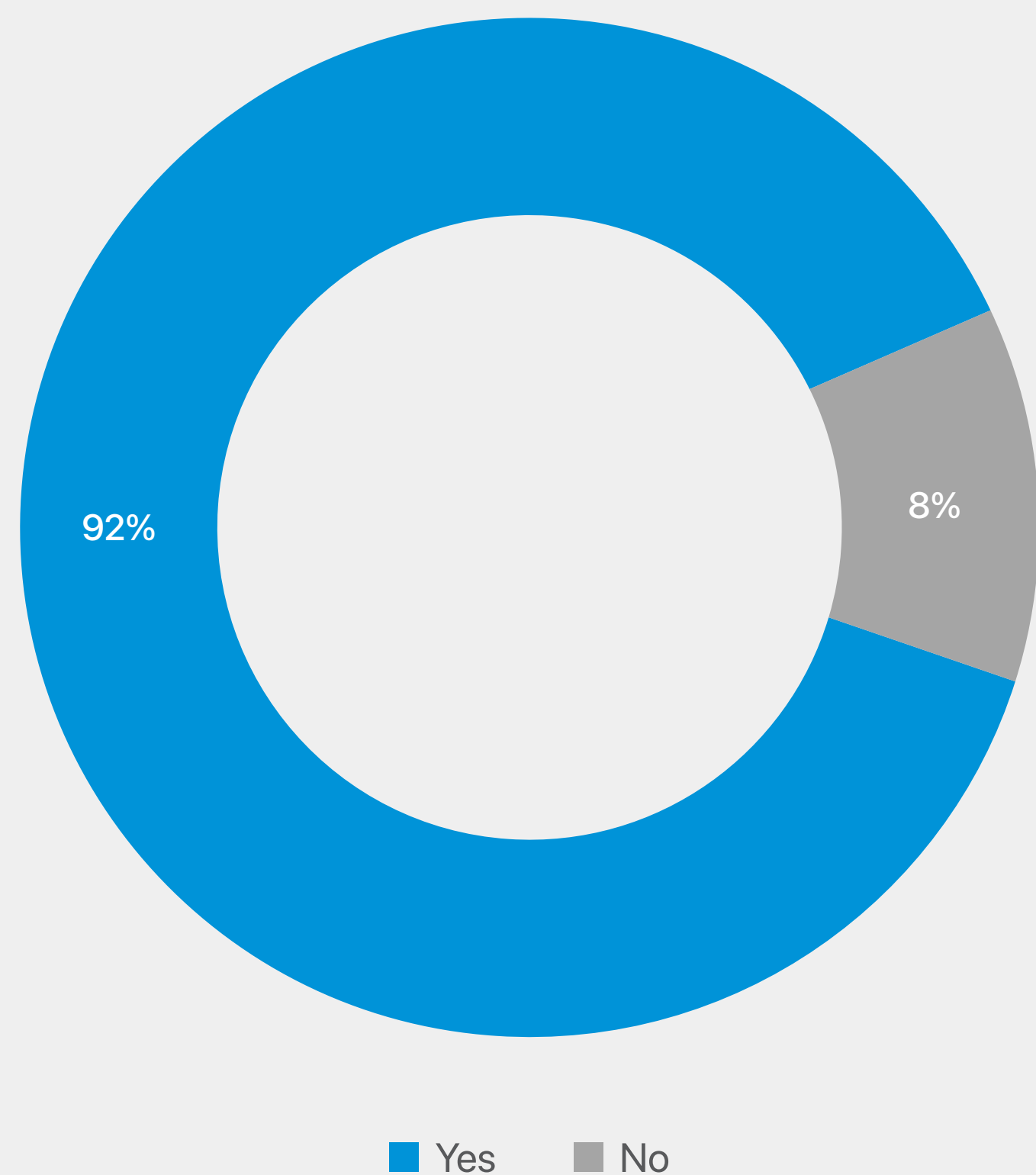
> "
Specifically for the right tech talent, we haven't reached the point of saturation in terms of compensation affordability. In many cases, in order to build talent at scale, India is the only option for global markets.

- Partner of an India focused VC firm

> "
Notwithstanding talent costs, product pricing is much lower than global peers. In the start-up context, this matters more than talent salaries, as most early growth companies are driven by top-line performance.
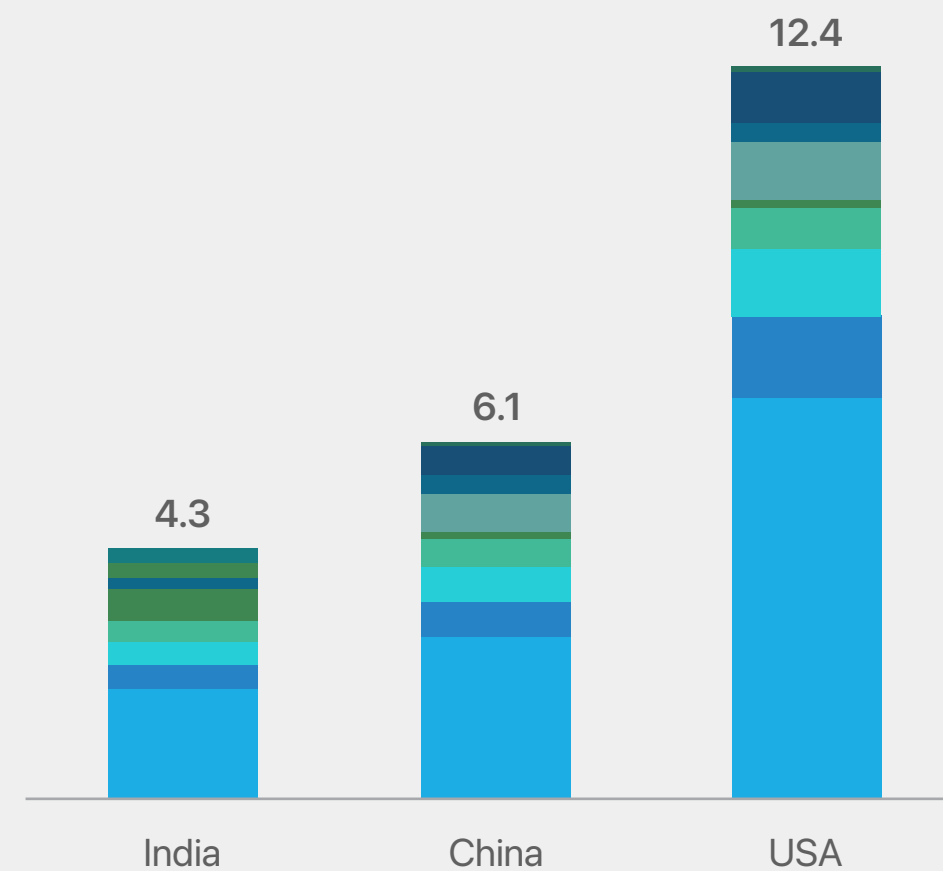
- Managing Partner of seed and early-stage SaaS-focused VC firm

Source: Chiratae-Zinnov SaaS Investor Survey (30+ investors), March 2023

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India still holds a significant cost advantage in building Engineering R&D teams at scale
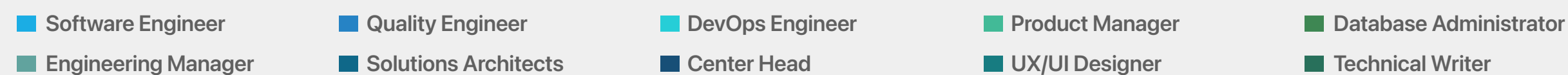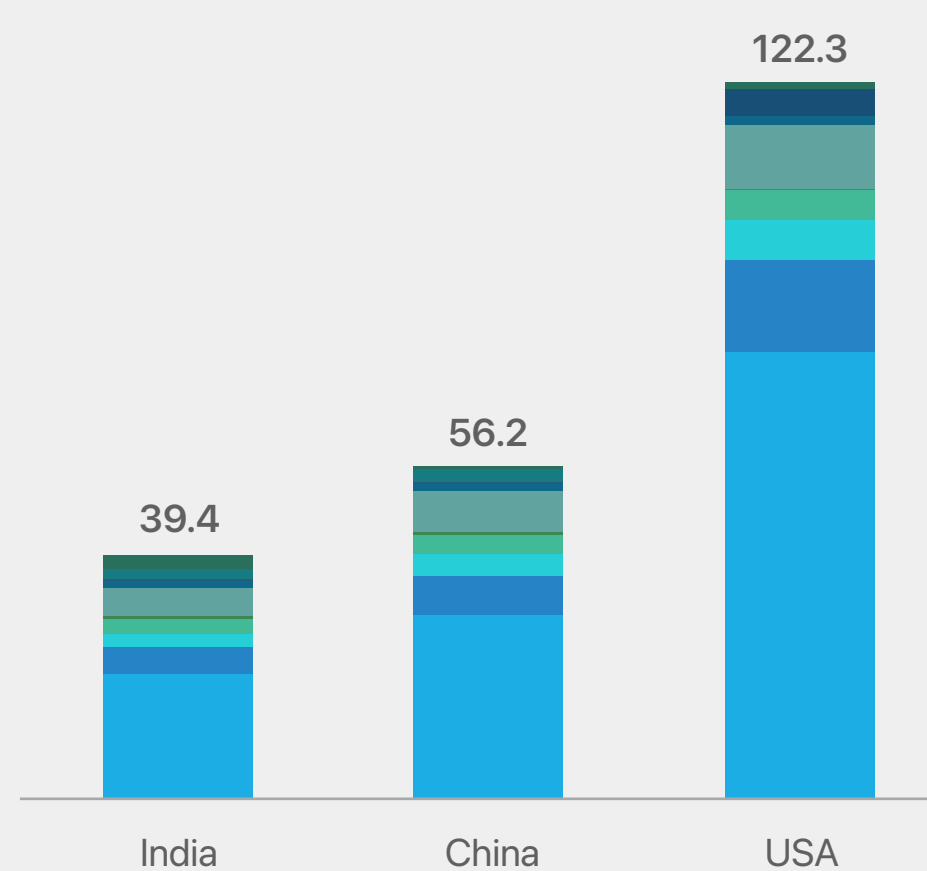
100-MEMBER TEAM COST ANALYSIS FOR 2022 (IN USD Mn)

~2.8X

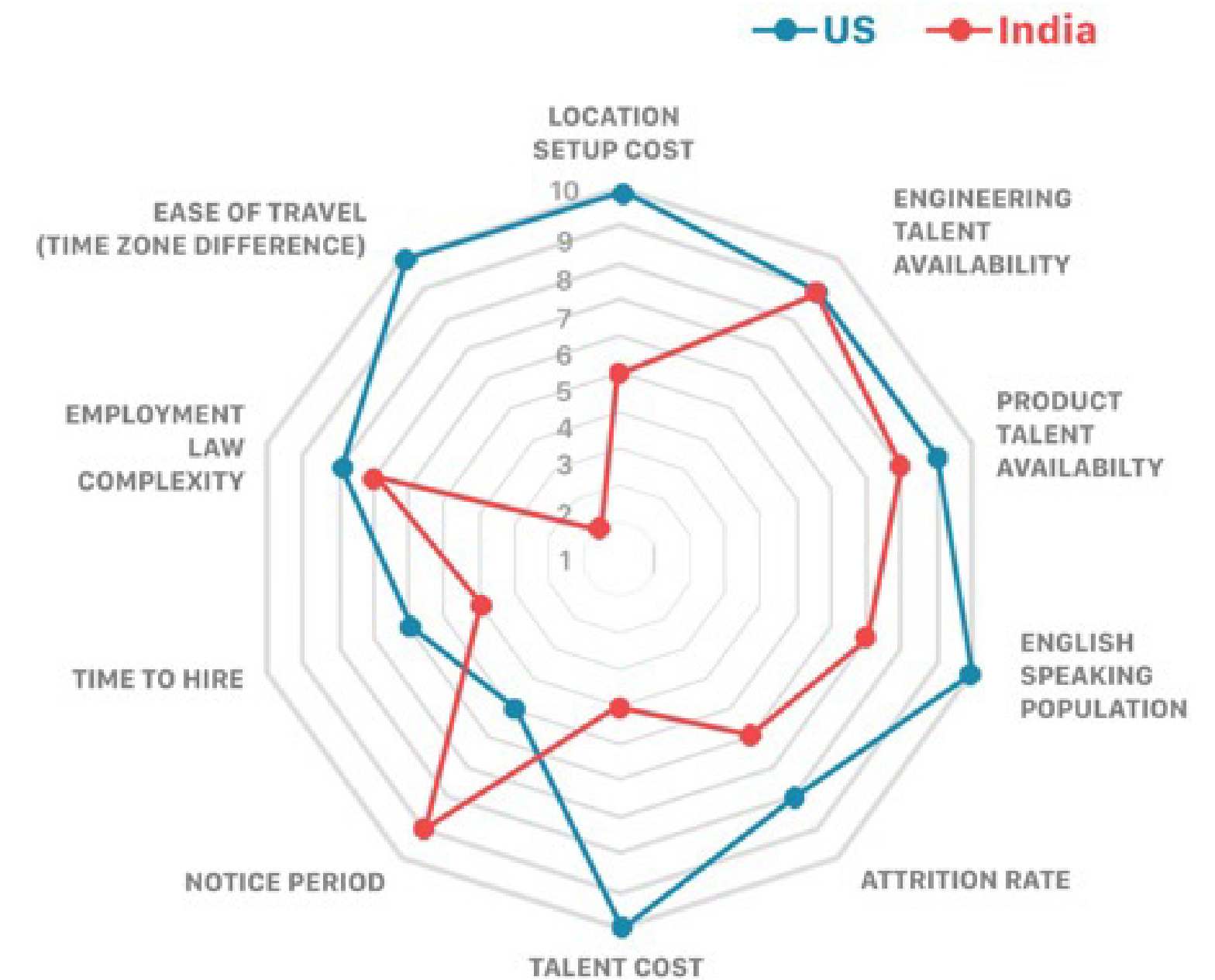higher cost of setting up a **100-member R&D team** in the US than in India

1000-MEMBER TEAM COST ANALYSIS FOR 2022 (IN USD Mn)

~3X

higher cost of setting up a **1000-member R&D team** in the US than in India

100-member team chart values: India 4.3, China 6.1, USA 12.4

1000-member team chart values: India 39.4, China 56.2, USA 122.3

Legend:
- Software Engineer
- Quality Engineer
- DevOps Engineer
- Product Manager
- Database Administrator
- Engineering Manager
- Solutions Architects
- Center Head
- UX/UI Designer
- Technical Writer

COMPARATIVE LOCATION INDEX: US & INDIA

Spider chart axes: LOCATION SETUP COST, ENGINEERING TALENT AVAILABILITY, PRODUCT TALENT AVAILABILTY, ENGLISH SPEAKING POPULATION, ATTRITION RATE, TALENT COST, NOTICE PERIOD, TIME TO HIRE, EMPLOYMENT LAW COMPLEXITY, EASE OF TRAVEL (TIME ZONE DIFFERENCE)
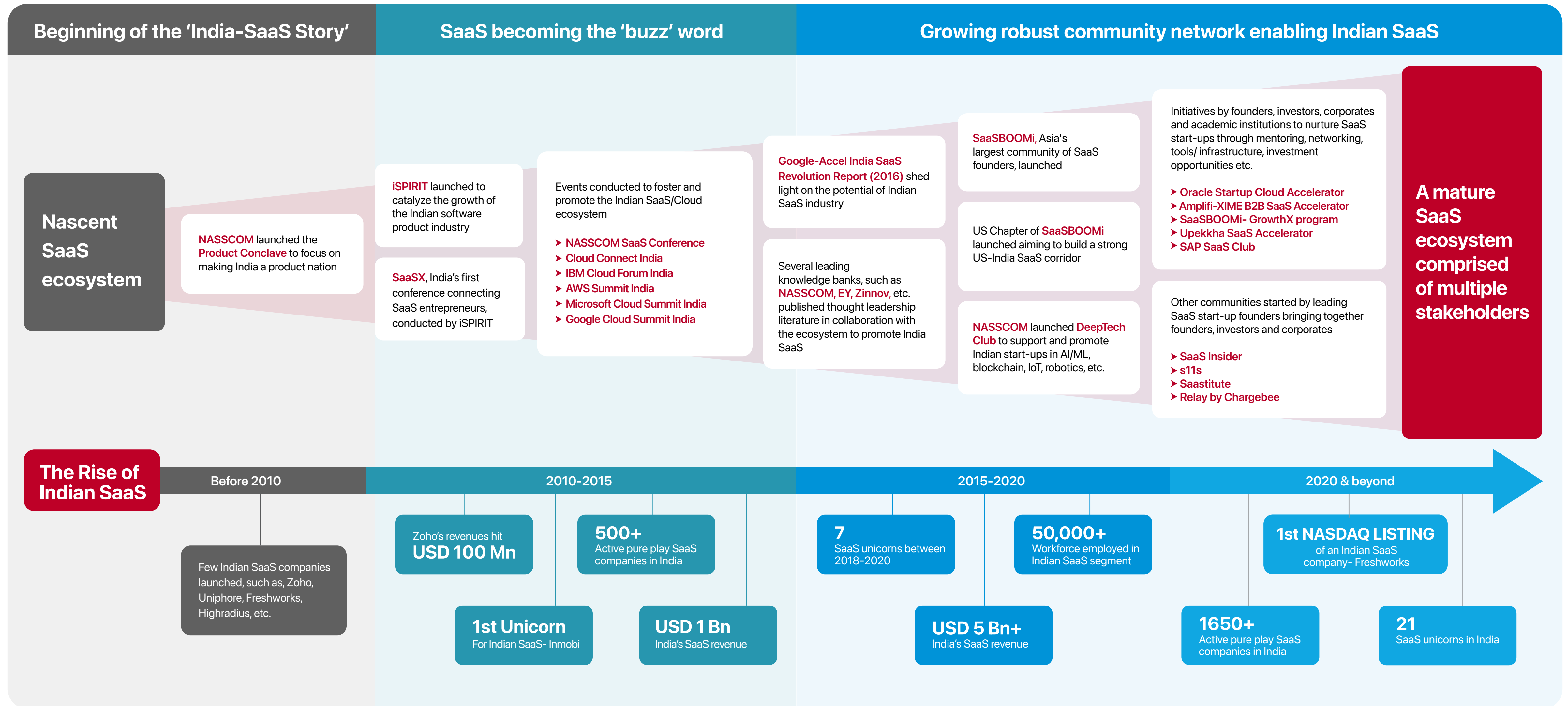
Series: US, India

A lower score in the spider chart implies a lower value for the specified parameter and vice versa

Source: Zinnov COE Hotspots of the World Report 2023, Zinnov CoNXT Analysis

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Community growth and networks nurtured the Indian SaaS ecosystem over the last decade...

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Beginning of the 'India-SaaS Story'	SaaS becoming the 'buzz' word	Growing robust community network enabling Indian SaaS

Nascent SaaS ecosystem

NASSCOM launched the **Product Conclave** to focus on making India a product nation

SaaSX, India's first conference connecting SaaS entrepreneurs, conducted by iSPIRIT

iSPIRIT launched to catalyze the growth of the Indian software product industry

Events conducted to foster and promote the Indian SaaS/Cloud ecosystem
➤ **NASSCOM SaaS Conference**
➤ **Cloud Connect India**
➤ **IBM Cloud Forum India**
➤ **AWS Summit India**
➤ **Microsoft Cloud Summit India**
➤ **Google Cloud Summit India**

Google-Accel India SaaS Revolution Report (2016) shed light on the potential of Indian SaaS industry

Several leading knowledge banks, such as **NASSCOM, EY, Zinnov**, etc. published thought leadership literature in collaboration with the ecosystem to promote India SaaS

SaaSBOOMi, Asia's largest community of SaaS founders, launched

US Chapter of **SaaSBOOMi** launched aiming to build a strong US-India SaaS corridor

NASSCOM launched **DeepTech Club** to support and promote Indian start-ups in AI/ML, blockchain, IoT, robotics, etc.

Initiatives by founders, investors, corporates and academic institutions to nurture SaaS start-ups through mentoring, networking, tools/ infrastructure, investment opportunities etc.
➤ **Oracle Startup Cloud Accelerator**
➤ **Amplifi-XIME B2B SaaS Accelerator**
➤ **SaaSBOOMi- GrowthX program**
➤ **Upekkha SaaS Accelerator**
➤ **SAP SaaS Club**

Other communities started by leading SaaS start-up founders bringing together founders, investors and corporates
➤ **SaaS Insider**
➤ **s11s**
➤ **Saastitute**
➤ **Relay by Chargebee**

A mature SaaS ecosystem comprised of multiple stakeholders

The Rise of Indian SaaS

Before 2010	2010-2015	2015-2020	2020 & beyond

Few Indian SaaS companies launched, such as, Zoho, Uniphore, Freshworks, Highradius, etc.

Zoho's revenues hit **USD 100 Mn**

500+ Active pure play SaaS companies in India

1st Unicorn For Indian SaaS- Inmobi

USD 1 Bn India's SaaS revenue

7 SaaS unicorns between 2018-2020

50,000+ Workforce employed in Indian SaaS segment

USD 5 Bn+ India's SaaS revenue

1st NASDAQ LISTING of an Indian SaaS company- Freshworks

1650+ Active pure play SaaS companies in India

21 SaaS unicorns in India

Source: News articles, Zinnov CoNXT Analysis

...as key ecosystem stakeholders came forth to provide support to fellow Indian SaaS start-ups

FOUNDERS

Building SaaS communities comprising founders, investors, and experts for sharing knowledge, best practices and actionable insights

SaaS BOOMi

Community of 3000+ founders providing robust support through industry connects, personalized mentorship, and playbooks from peers

SI | SaaS Insider

India's largest B2B SaaS community offering a knowledge repository for SaaS professionals and fostering collaboration

INVESTORS

Guiding start-ups to build efficient businesses and providing access to capital and industry connects

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Runs a Seed investment program- SONIC, for early stage tech start-ups (SaaS, DeepTech, etc.) offering funding up to USD 2 Mn with a 48-hour turnaround on investment decisions

upekkha

Has a 6-month accelerator program and an early-stage fund to enable founders craft Value SaaS businesses; Over 240 founders mentored to date

CORPORATES

Providing support through structured programs for co-innovation and partnerships

ORACLE

Oracles' Startup Cloud Accelerator provides start-ups with Cloud infrastructure, mentorship, and support for rapid growth and revenue scaling

SAP

Launched SaaS club to drive co-innovation, strategic partnerships and networking amongst SAP and larger SaaS community

KNOWLEDGE BANKS

Serving as knowledge partners in creating leading thought leadership pieces on Indian SaaS landscape and its underlying opportunities and challenges

zinnov   **chiratae VENTURES**

Publishes an annual report on India's SaaS landscape with actionable playbooks for start-ups

nasscom

Launched report titled "Riding the storm - towards the giant India SaaS opportunity" highlighting USD 15 Bn revenue opportunity in Indian SaaS by 2025

Source: News articles, Company websites, Zinnov CoNXT Analysis

Employees from 21 Indian SaaS unicorns alone have produced 185+ new SaaS companies; 60% founded in the last 3 years

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21 SaaS unicorns in India ➡ **185+** Number of SaaS start-ups founded by former employees of these unicorns

ILLUSTRATIVE UNICORNS

amagi

BrowserStack

darwinbox

druva

fractal

freshworks

Icertis

innovaccer

INMOBI

mindtickle

CATEGORY[1]

ILLUSTRATIVE COMPANIES

Horizontal Business Application (HBA)	Vertical Specific Business Applications (VSBA)	Horizontal Infrastructure Application (HIA)
acceldata	facilio	kombai.io
OBSERVE·AI	qure.ai	LAMBDATEST
REVENUEHERO	shopflo	privado
Toplyne		testsigma

45% Of these start-ups are funded

USD 1.4 Bn Total equity funding raised by these start-ups

10 #Potential unicorns in this pool

Note: (1) Category definitions are included in "Notes for Reader" section.

This flywheel momentum extends beyond SaaS unicorns to the wider Indian ecosystem

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LEGACY SOFTWARE

ORACLE
Adobe
SAP
IBM

Ankit Sobti
Ex- Adobe,
Founder & CTO,
Postman

POSTMAN — HIA
Cloud API development and collaboration platform for developers

Manisha Raisinghani
Ex- IBM,
Co-founder & CTO,
Loginext

LOGINEXT — VSBA
Cloud and AI-based logistics management software company

Vinay Jaasti
Ex- Oracle,
Co-founder & CTO,
Airmeet

Airmeet — HBA
Cloud-based virtual event management software provider

GLOBAL BIG TECH

Microsoft
amazon
Apple
Google

Sunil Thomas
Ex-Microsoft,
Co-founder,
CleverTap

CleverTap — HBA
AI-based customer engagement platform with real-time app analytics
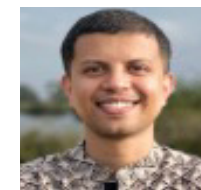
Satej Sirur
Ex- Amazon,
Ex- Microsoft,
Founder,
Rocketium

Rocketium — HBA
Creative production, operations and analytics platform for faster marketing

Guru Hariharan
Ex- Amazon,
Founder & CEO,
CommerceIQ

CommerceIQ — VSBA
Omnichannel management platform to maximize e-Commerce performance

GLOBAL IT SERVICES

Capgemini
accenture
cognizant
DELL

Krish Subramanian
Ex-Cognizant,
Co-founder & CEO,
Chargebee

Chargebee — HBA
Subscription billing and revenue management platform

Ankur Handa
Ex- Capgemini,
Co-founder,
Lentra

lentra — VSBA
AI-enabled loan life cycle management solution for banks and lenders

INDIAN IT SERVICES

tcs
wipro
Infosys
HCL

Sandeep Gupta
Ex- TCS,
Co-founder & COO,
Innovacer

innovaccer — VSBA
Offers a Cloud-based healthcare data activation platform

Raghav Viswanathan
Ex- HCL,
Founder & CEO,
Freightify

freightify — VSBA
Offers freight rate & quotations management and tracking solutions

BIG 3 & BIG 4

McKinsey & Company
BCG
pwc
EY

Somnath Chatterjee
Ex-Mc Kinsey,
Co-founder & CEO,
Prismforce

Prismforce — VSBA
AI-based talent supply chain management platform for tech services

Chaitanya Peddi
Ex- Ernst & Young,
Co-founder &
Product Head,
Darwinbox

darwinbox — VSBA
Provider of cloud-based disruptive end-to-end, agile HRMS suite

Source: LinkedIn, Zinnov CoNXT Analysis

Mature Indian SaaS companies have strong global presence and are leaders across product categories

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MATURE INDIAN SaaS START-UPS[1] RECEIVE HIGH TRACTION[2] FROM ACROSS THE GLOBE...

NORTH AMERICA
59%

EMEA
20%

INDIA
12%

APAC[3]
5%

LATAM
4%
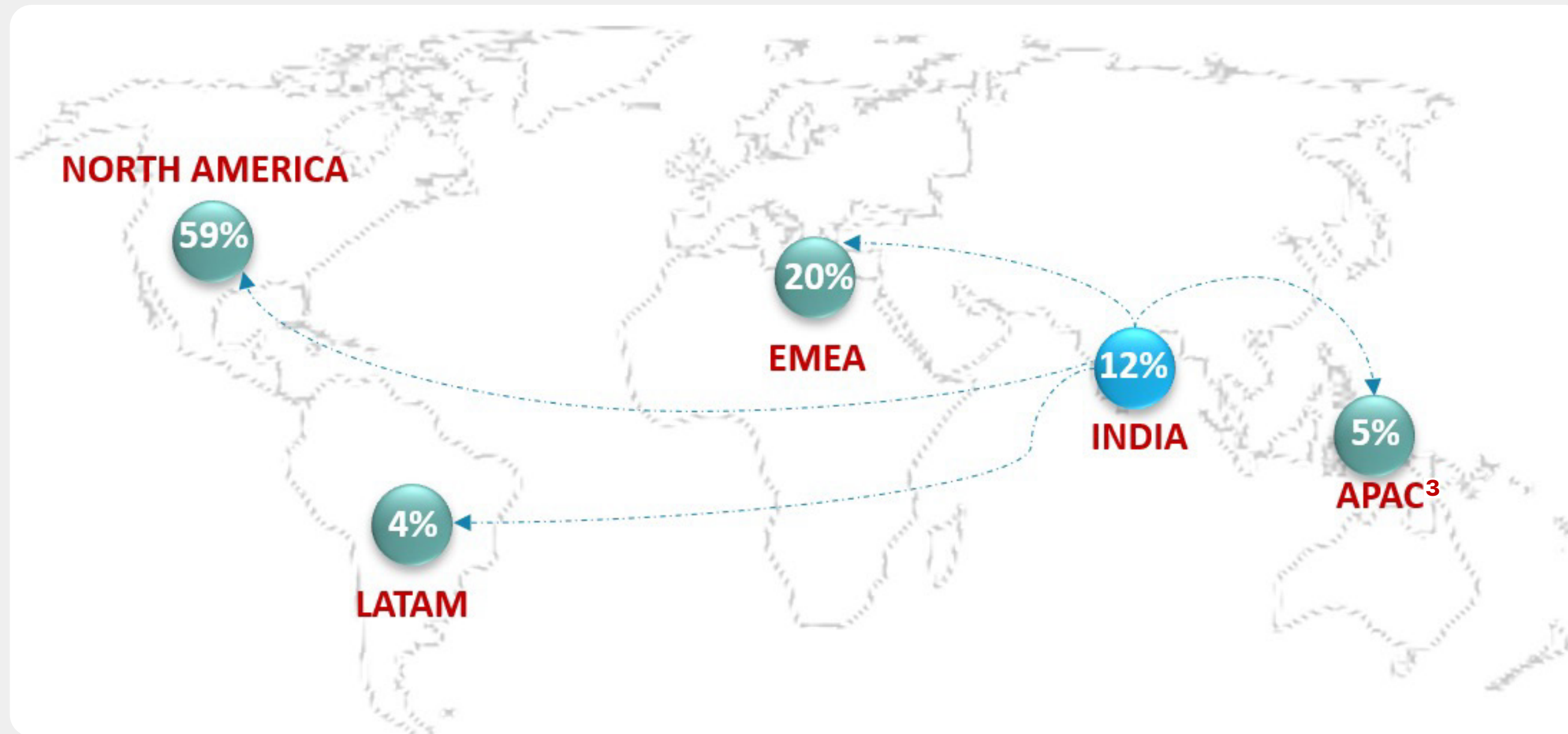
88% Of the traction for mature SaaS start-ups in India is from outside the country

66% Of mature Indian SaaS start-ups are headquartered outside India; 62% are in the US alone

...AND ARE GLOBAL LEADERS ACROSS CATEGORIES

Horizontal Business Applications

Icertis — Enterprise contract management platform that has handled over **10 Mn contracts across 90+ countries**

Chargebee | uniphore | gupshup | Pixis

Vertical Specific Business Applications

qure.ai — AI-based diagnostic imaging tool deployed globally at over **1,400 health centers across 75+ countries**

innovaccer | zenoti | Vue.ai | pando

Horizontal Infrastructure Solutions

BrowserStack — Cloud-based application testing for developers with **50,000+ customers such as Amazon, Spotify, Adidas**

POSTMAN | HASURA | atlan | HEVO

Note: (1) SaaS unicorns and potential unicorns are collectively referred as mature SaaS start-ups. (2) Geographical traction is calculated basis revenue analysis, primary interviews and triangulation from website traffic of 40 Indian SaaS unicorns & potential unicorns.
(3) APAC excludes India.
Source: Primary research, Zinnov CoNXT Analysis

44

India's core strengths position it perfectly to build and scale best-in-class SaaS products for the globe

Chiratae VENTURES   **zinnov**

INDIA HAS A STRONG MACRO OUTLOOK

7%
GDP growth rate for FY23

2X
Real GDP growth rate compared to the world for FY23

28 years
Population median age
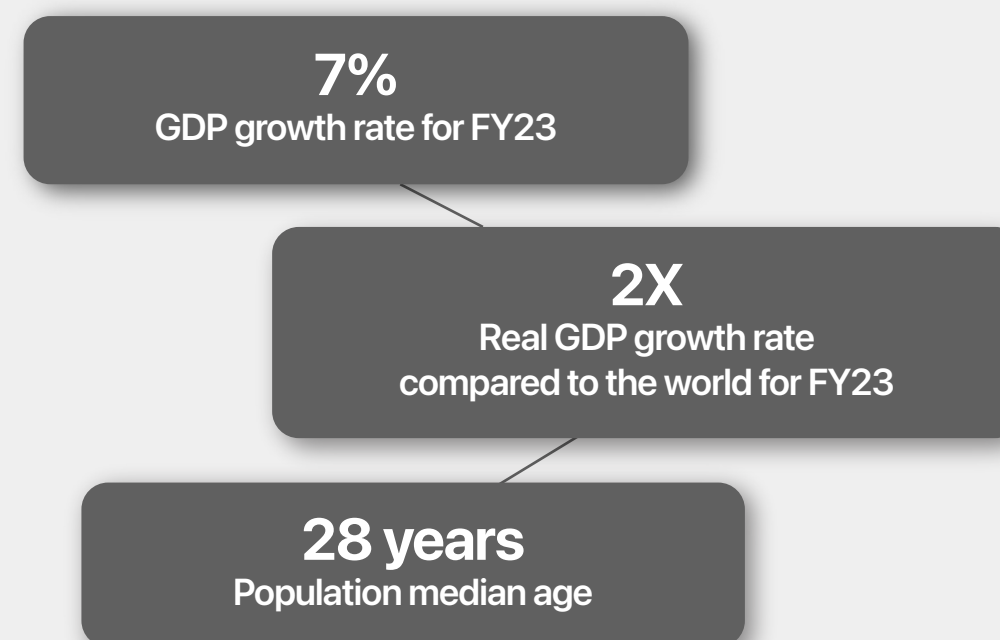
A STRONG TECH ECOSYSTEM AT ITS CORE

3 Mn
Software Engineering Talent

3X
Lower R&D team's cost than in the US

1820+ BPM GCCs with **546K+** employees

1.55 Mn+
GCC talent

1390+ ER&D GCCs with **600K+** employees

1480+ IT GCCs with **401K+** employees
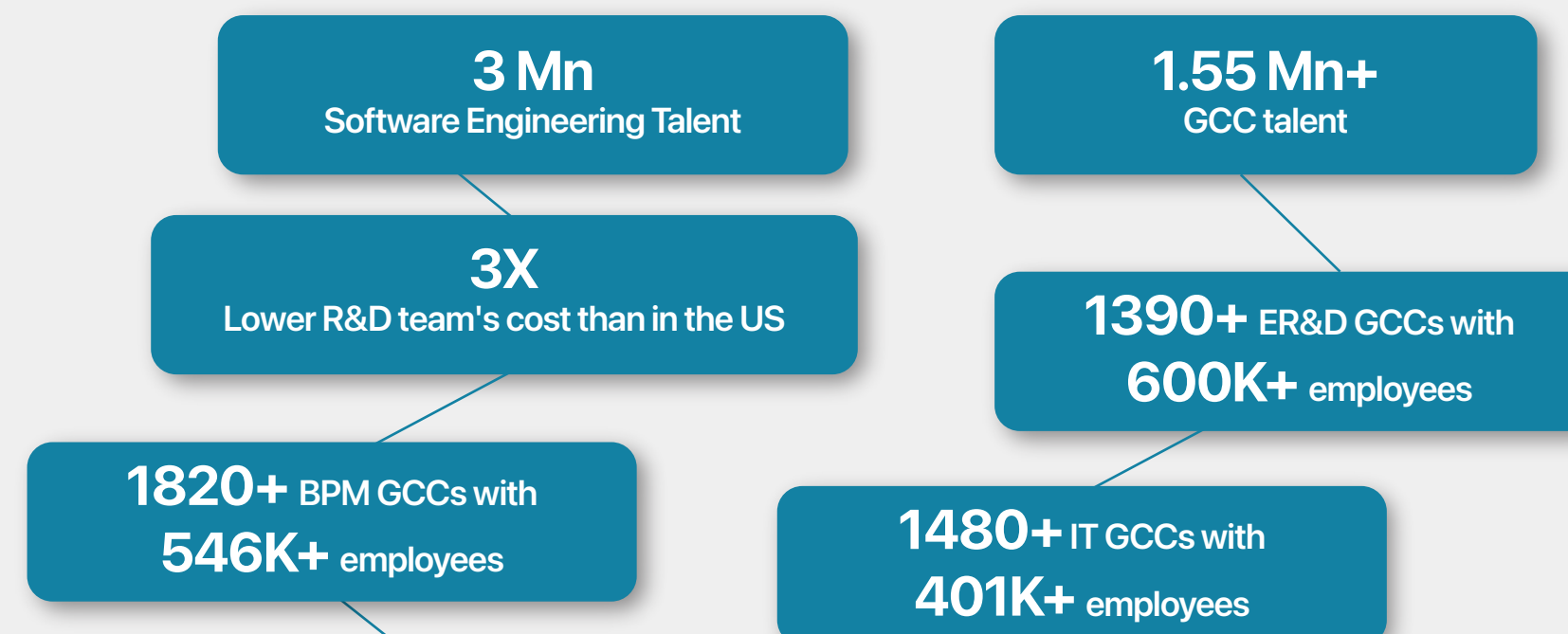
PROVEN SUCCESS IN SCALING SaaS PRODUCTS GLOBALLY

50
SaaS unicorns and potential unicorns

50,000+
Employees in SaaS unicorns & potential unicorns

3X
Growth in SaaS funding since 2019

3rd Highest
Number of SaaS unicorns in the world

185+
SaaS start-ups founded by former employees of SaaS unicorns
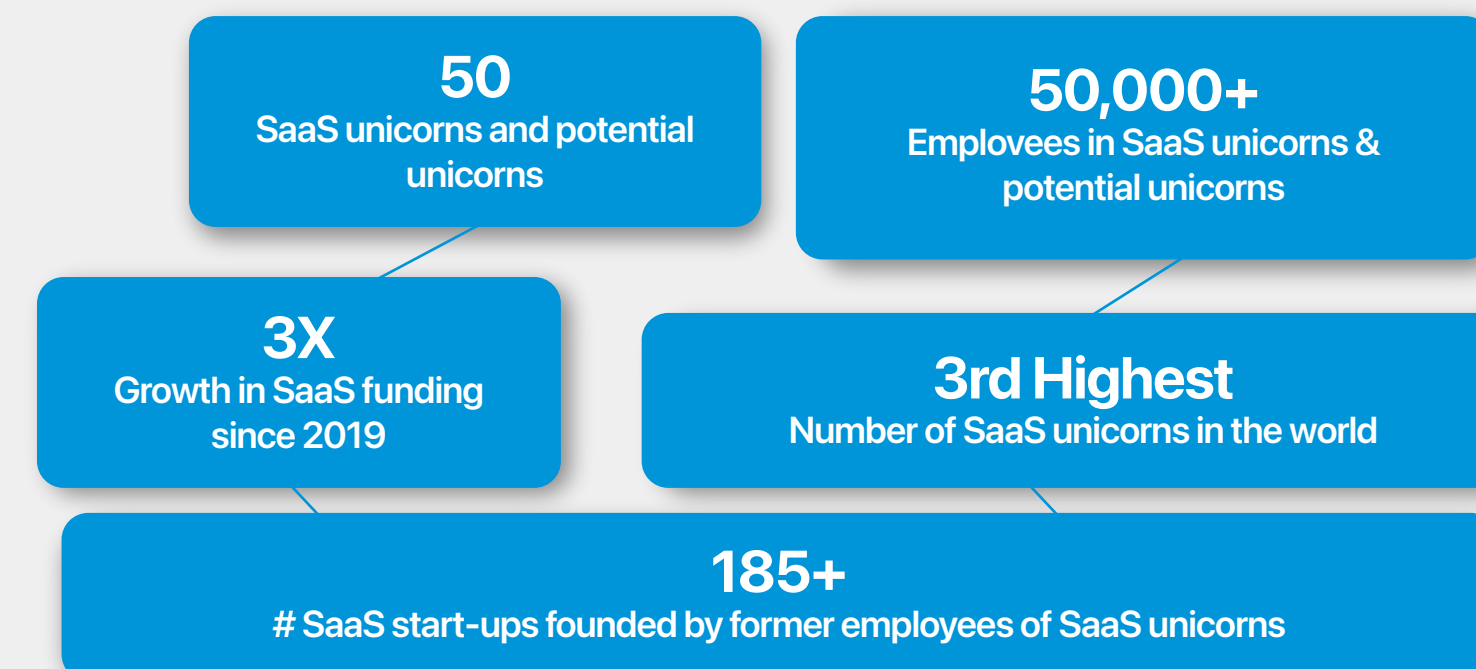
INDIA IS A GLOBAL HOTSPOT FOR TECHNOLOGY AND INNOVATION THAT ENABLE GLOBAL SaaS

2nd Largest
English speaking population

~700 Mn
internet users

2nd fastest growing
Digital economy

USD 1 Tn
Digital economy by 2026

~32%
India's share of total STEM graduates in the world

25,000-27,000
Active tech start-ups

USD 18.2 Bn
Equity investments in tech start-ups in 2022

89
Active tech Unicorns

20,000+
Product managers

3rd Largest
Start-up ecosystem globally

25%
Growth in funded tech start-ups from 2021

73
Global Unicorns' GCCs

9.75 Mn
Indian Developers using GitHub

66%
Of SaaS unicorns & potential unicorns headquartered outside India

Asia's largest
SaaS community in India- SaaSBOOMi

88%
of traction is global for SaaS unicorns & potential unicorns

500+
tech events tentatively planned for 2023

AGENDA

➤ GLOBAL SaaS: GROWTH & VALUATION RECOVERY

➤ INDIA SaaS 2022: NAVIGATING HEADWINDS WITH RESILIENCE

➤ INDIA SaaS 2023: CAUTIOUSLY OPTIMISTIC OUTLOOK

➤ INDIA MAINTAINS STRATEGIC ADVANTAGE

➤ **UNVEILING KEY OPPORTUNITY AREAS**

➤ PLAYBOOK FOR SUCCESS

DevOps, Cybersecurity, and Vertical SaaS: Thriving SaaS categories with promising future potential

SaaS Trends Assessment and Rating Matrix (STAR Matrix[1]): For Categories

Vertical SaaS adoption to grow significantly with increased demand for customized functionality and faster time-to-value

DevOps and Cybersecurity gain momentum as the need for strengthened software delivery and protection against evolving threats rises

Future Potential Index (vertical axis: High / Low)

Current Attractiveness Index (horizontal axis: Low / High)

Categories plotted:
- DevOps (Key Opportunity Area)
- Cybersecurity (Key Opportunity Area)
- Healthcare (Key Opportunity Area)
- BFSI (Key Opportunity Area)
- Automotive (Key Opportunity Area)
- Retail (Key Opportunity Area)
- Industrial & Manufacturing (Key Opportunity Area)
- Sales, Marketing & CRM (HBA)
- Governance, Risk & Compliance (HBA)
- Productivity & Collaboration (HBA)
- Cloud Infrastructure (HIA)
- Real Estate & Construction (VSBA)
- Supply Chain Management (HBA)
- Human Capital Management (HBA)
- Finance & Accounting (HBA)
- Data Analytics & BI (HBA)

Legend: ● HBA ● VSBA ● HIA ⭐ Key Opportunity Areas

CURRENT ATTRACTIVENESS INDEX

Customer awareness and adoption:
Awareness and adoption among B2B customers

Competition intensity:
Level of rivalry among SaaS providers

Market dynamics:
Market size, historical growth, and niche characteristics of the market

Google search volumes:
Popularity and interest based on Google searches

FUTURE POTENTIAL INDEX

Growth potential / future growth of the trend:
Potential for future growth and expansion

Disruption potential:
Potential to disrupt and transform SaaS market

Nascency of the idea:
Degree of novelty and potential for groundbreaking innovation

Generative AI and Web 3: Immense potential to transform industries and markets

SaaS Trends Assessment and Rating Matrix (STAR Matrix[1]): For Technologies
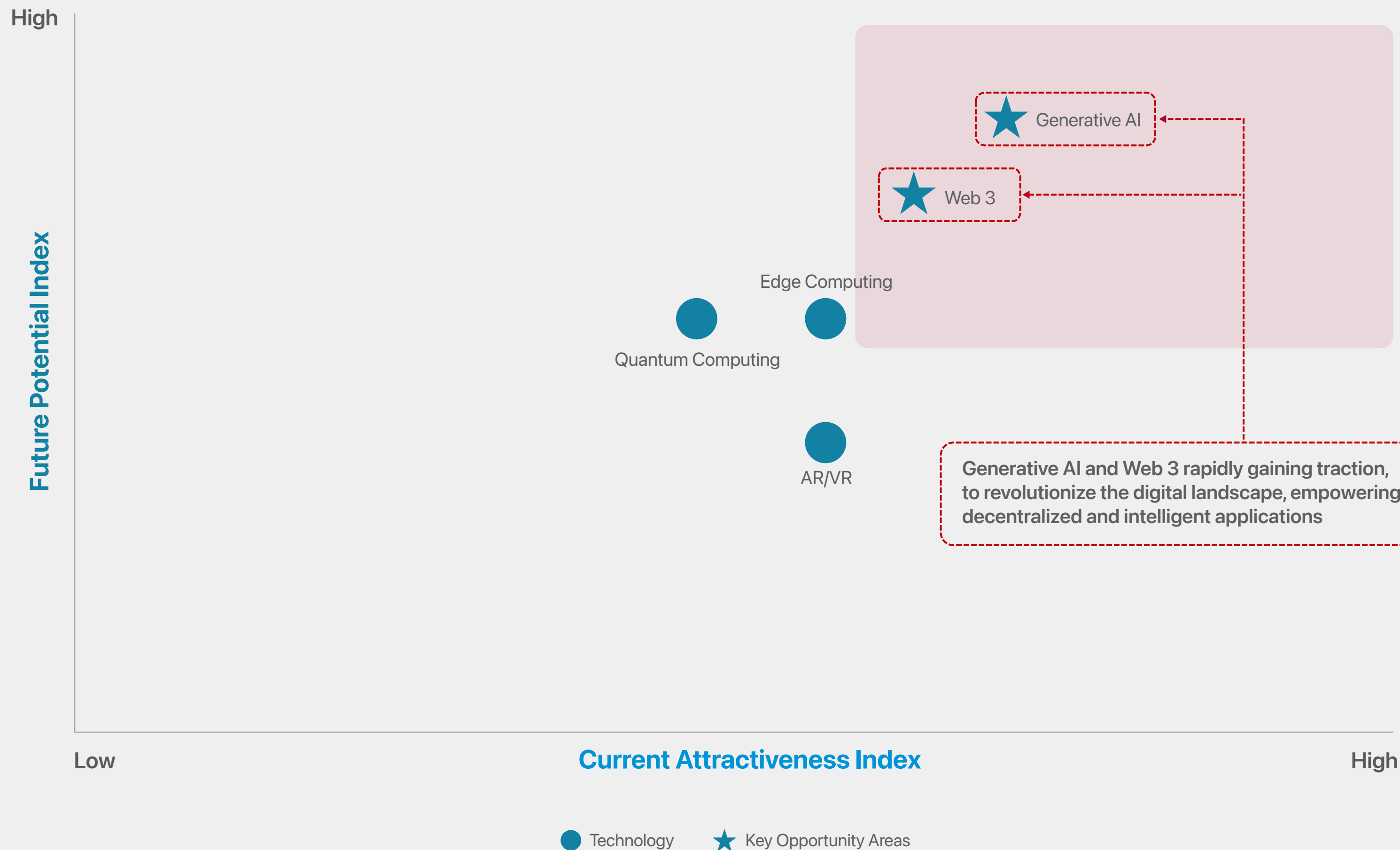
Future Potential Index (y-axis), ranging from Low to High

Current Attractiveness Index (x-axis), ranging from Low to High

- ★ Generative AI
- ★ Web 3
- ● Edge Computing
- ● Quantum Computing
- ● AR/VR

Generative AI and Web 3 rapidly gaining traction, to revolutionize the digital landscape, empowering decentralized and intelligent applications

● Technology   ★ Key Opportunity Areas

CURRENT ATTRACTIVENESS INDEX

Customer awareness and adoption:
Awareness and adoption among B2B customers

Competition intensity:
Level of rivalry among SaaS providers

Market dynamics:
Market size, historical growth, and niche characteristics of the market

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FUTURE POTENTIAL INDEX

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Potential to disrupt and transform SaaS market

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Degree of novelty and potential for groundbreaking innovation

Note: (1) In the STAR Matrix, scores for the 5 technology trends are relative to one another. All 5 trends exhibit high levels of attractiveness and potential compared with other topics not shown in the matrix above.

Source: Primary interviews, Zinnov Digital Transformation 2.0 Report, Google Trends, Chiratae & Zinnov CoNXT Analysis

DevOps tools to streamline operations in a USD 600 Mn global software development market by 2026

CURRENT ATTRACTIVENESS

Low= 1   High= 5
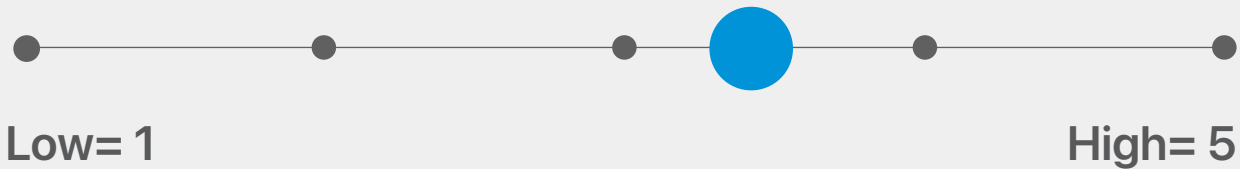
USD 150 Bn
Global market size for developer platforms and data infrastructure products

20.5 Mn
Number of new developers who joined GitHub in 2022 **(27% Y-o-Y growth)**

85 Mn+
Number of new projects that were started globally on GitHub in 2022

FUTURE POTENTIAL

Low= 1   High= 5
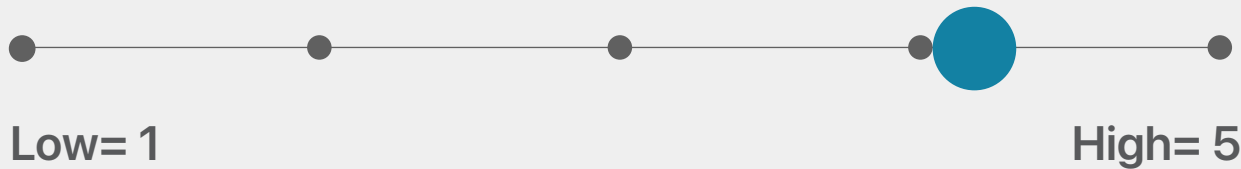
70%
Share of new application development that will leverage Low Code/No Code by 2025 (vs <25% in 2020)

20%
CAGR of global DevOps market till 2030

INDUSTRY LEADERS ON DEVOPS

"

Despite hurdles presented by the ongoing pandemic, including cultural shifts, all remote and hybrid team collaboration, and challenges surrounding hiring and retention, teams are releasing new applications faster than ever. We'll see an ongoing focus on speed, security, and compliance as organizations continue to consolidate their DevOps toolchains and processes.

David DeSanto
Chief Product Officer
GitLab

India is disrupting DevOps globally; #1 contributor to global AI-related GitHub repositories

KEY DRIVERS OF DEVOPS MARKET GROWTH

Augmented Proficiencies

➤ **Faster development: Up to 90%** reduction in development time due to Low Code/No Code applications.

➤ **Faster deployment: ~2X** increase in deployment speed reported by ~60% of developers according to an industry survey

➤ **Reduced resolution time: <1 day** to fix configuration issues reported by ~75% of companies with automated infrastructure as-code security testing according to a survey by Sync.

Security Concerns

➤ A GitHub survey of 5000 professionals reveals that security is the #1 benefit and reason to implement a DevOps platform. Hence, DevSecOps emerges as a key theme.

WHY INDIA FOR DEVOPS?

10% Of the global developer base is in India, growing at the fastest rate

#1 Contributor to global AI-related GitHub repositories

85% Of India's Internet runs on free or open-source software

KEY INVESTORS¹ IN INDIA'S DEVOPS LANDSCAPE

International investors

ANTLER | INSIGHT PARTNERS | Accel | nexus venture partners

Domestic investors

chiratae VENTURES | Stellaris VENTURE PARTNERS

INDUSTRY LEADERS ON DEVOPS

"

India's potential for DevOps is further amplified by its thriving developer community and growing demand for open-source technologies. With proven success stories, India has all the ingredients to become a global leader in DevOps.

- Partner, Early-stage investment firm

CONCERNS IN SCALING DEVOPS

➤ Incompatibility between legacy systems and infrastructure still used by some organizations and DevOps

➤ Over-reliance on automated testing/reviews when this tech scales

➤ Misalignment between security and development teams

➤ Job security concerns for employees with highly automatable workflows

Note: (1) The list of key investors is illustrative and not exhaustive.

Source: Bessemer Venture Partners; A maturing DevSecOps landscape, GitLab, May 4, 2021; Forrester Analytics Business Technographics Developer Survey, 2020; Infrastructure as code security insights, Snyk, 2021; Primary interviews; Chiratae & Zinnov CoNXT Analysis   50

These top trends are shaping the Indian DevOps market in 2023

DEV TOOLS

appsmith_   devtron

- Project Management/Collaboration
- Code Development/Management
- Productivity/Enablement
- CI/CD
- API Management

DATA/AI

HEVO   truefoundry

- MLOps
- Data Infra/Data Ops
- Database
- Large Language Models

SECURITY & PRIVACY

privado   deepfence

- Privacy
- Cloud Security
- Authorization/Access Control
- Compliance

INFRASTRUCTURE

opslyft   Space Cloud

- Cloud Management
- Deployment
- Productivity/Enablement

TESTING

Keploy   BrowserStack

- Autonomous Testing
- Test Automation
- Test Execution

OBSERVABILITY

SuperOps.ai   vunet

- Application Performance Monitoring (APM
- Reliability Engineering

CASE-IN-POINT: HEVO DATA

HEVO

Core Solution: No-code data pipeline platform
Offers an automated data pipeline platform enabling users to collect and transfer data from multiple sources to their preferred data warehouse, run transformations for analytics, and deliver operational intelligence to business tools. Hevo is serving thousands of customers in more than 40 countries and across 5+ sectors.

Note: The above does not cover all the use cases that are part of this study, it is only an illustrative representation of key use cases.

VC funding in Cybersecurity surges to USD 18 Bn amidst rising cybercrime expenses

Chiratae VENTURES

zinnov

CURRENT ATTRACTIVENESS

Low= 1   High= 5
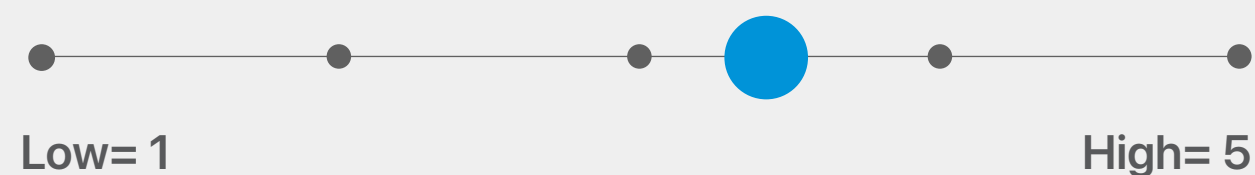
USD 18 Bn +
Global VC funding in the Cybersecurity sector in 2022 across **1000+ total deals**

110
Number of Cybersecurity unicorns and 'soon'icorns minted in 2022 globally

3.5 Mn
Number of unfilled Cybersecurity jobs worldwide as of Q1 2023

FUTURE POTENTIAL

Low= 1   High= 5
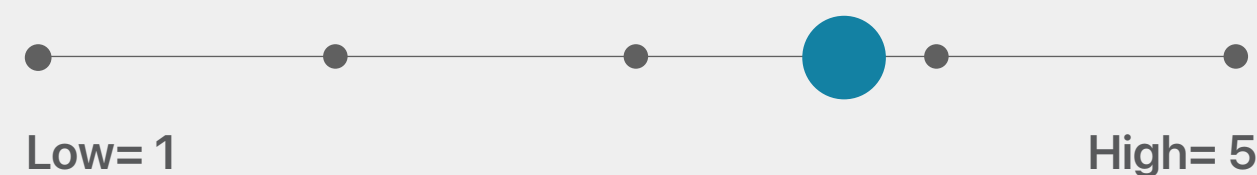
USD 500 Bn
Expected Cybersecurity market size in 2030, growing at a **~12.5% CAGR**

USD 10.5 Tn
Estimated cost of cybercrime to the world in 2025

90%
Reduction in incident cost for companies adopting security infrastructure by 2024

INDUSTRY LEADERS ON CYBERSECURITY

"

Every industry has an ongoing focus on Cybersecurity, understanding the threat actors, their motivations and methods they use to ensure we are adequately prepared and protected, and we continue to invest in security and tools as well as in education for our customers.

Shemara Wikramanayake
MD & CEO
Macquarie Group

With 900 Mn+ estimated internet users in India by 2025, the need for Cybersecurity in the country is increasing

KEY DRIVERS OF CYBERSECURITY MARKET GROWTH

Digital Transformation
➤ The Digital Transformation market is growing at a CAGR of ~24%, but is creating new vulnerabilities and threats, that are driving the growth of innovative Cybersecurity solutions

Regulatory Push
➤ The Indian Government's Reasonable Security Practices and Procedures and Sensitive Personal Data or Information Rules, RBI Cyber Security Framework, National Cyber Security Policy, PCI DSS, etc. emphasise Cybersecurity

Increasing Awareness
➤ As more and more businesses in India become aware of the risks associated with cyber attacks and data breaches, they are taking proactive steps to protect themselves

INDUSTRY LEADERS ON CYBERSECURITY

"

Start-ups are developing innovative Cybersecurity solutions that address the evolving threat landscape. The demand for effective Cybersecurity measures is only set to grow, providing ample opportunities for Cybersecurity start-ups in the country.

-Founder, Late-stage start-up

WHY INDIA FOR CYBERSECURITY?

900 Mn
Estimated number of Internet users in India in 2025 (vs ~700 Mn in 2022) directly impacting the need for Cybersecurity infrastructure

USD 76 Mn+
Amount allocated in the Union Budget 2023 to improve India's Cybersecurity infrastructure

CONCERNS IN SCALING CYBERSECURITY

➤ As the threat landscape continues to evolve, it becomes more difficult to find skilled Cybersecurity professionals

➤ Adapting to the new threats that evolve in the industry will always require heavy investments into R&D

➤ The Cybersecurity industry is subject to a variety of regulations and compliance requirements, which can be difficult for businesses to navigate

KEY INVESTORS[1] IN INDIA'S CYBERSECURITY LANDSCAPE

International Investors

SORENSON CAPITAL

SAIFPartners®

SEQUOIA

Domestic Investors

chiratae VENTURES

3ONE4 CAPITAL

Note: (1) The list of key investors is illustrative and not exhaustive.

Source: Primary interviews, News articles, Chiratae & Zinnov CoNXT Analysis

Essential components of a Cybersecurity tech stack: Indian companies are offering solutions for customer's security layer

Chiratae VENTURES

zinnov

CUSTOMER'S SECURITY LAYER

Responsible for security in the Cloud

Application Security
appknox
Checkmarx

End-point Security
Quick Heal
SEQRITE

Data Security
druva
Acronis

Risk Management
Scrut Automation
LACEWORK

Identity Management
ilantus
CYBERARK®

Threat Management
deepfence
CloudSEK

CLOUD PROVIDER'S SECURITY LAYER

Responsible for the security of the Cloud (managed by Hyperscalers)

Software

Compute

Storage

Database

Networking

Hardware

Edge Locations

Regions

Availability Zones

CASE-IN-POINT: DEEPFENCE

deepfence

Core Solution: Cloud Security Observability

A security observability platform for Cloud and container environments offering open source and enterprise solutions to protect modern applications. It can identify vulnerabilities in container images, Kubernetes manifests and can also in third-party libraries and dependencies. It reduces non-critical security alerts by 90% and has over 10K stars on GitHub.

Note: The above does not cover all the use cases that are part of this study, it is only an illustrative representation of key use cases..

Source: Chiratae & Zinnov CoNXT Analysis

Vertical SaaS start-ups are expected to gain 80% investor favor, driving growth in 2023

Chiratae VENTURES   *zinnov*

CURRENT ATTRACTIVENESS

Low= 1   High= 5

3X — Increase in global market size for vertical SaaS solutions in the last decade

10%-15% — Lesser decline in median valuation multiples[1] and efficiency score[2] amidst market downturn as compared to horizontal SaaS

40% — Increase in the number of vertical SaaS unicorns globally from Oct 2021 to Oct 2022

FUTURE POTENTIAL

Low= 1   High= 5
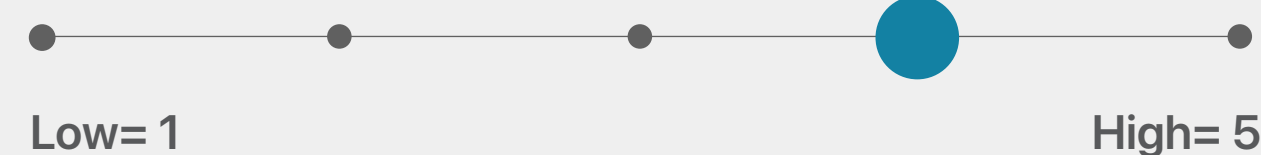
80% — Of the 30+ Indian investors surveyed, are more likely to invest in vertical SaaS solutions in 2023 as compared to 2022

89% — Of the 383 global executives and IT leaders surveyed, agree that vertical SaaS is the way of the future

INDUSTRY LEADERS ON VERTICAL SaaS

"

What [investors] missed is that you can capture significant market share in [a] vertical much more so than in any horizontal industry....I think the opportunities and the breadth of opportunities for vertical software companies is just as large as it is for any horizontal SaaS company today. There's no real difference.

Talia Goldberg
Partner
Bessemer Venture Partners

With 70 Mn+ SMBs in India, Vertical SaaS players have a lucrative opportunity in the Indian market

KEY DRIVERS OF VERTICAL SaaS MARKET GROWTH

Perks over Horizontal SaaS

➤ **Lower cost and higher capital efficiency:** 8X lower CAC[1] and 45% less cash to IPO than horizontal peers

➤ Lower competitor volume and higher retention

Increased Digitalization

➤ Major industries such as Construction, Hospitality, Healthcare are still low on digitalization, creating numerous opportunities for verticalized solutions

SMB Adoption

➤ 400 Mn SMBs worldwide to drive demand for vertical SaaS as they lack integration capabilities and are more likely to adopt an "all in one" solution

WHY INDIA FOR VERTICAL SaaS ?

80% Of Vertical SaaS unicorns from India are building products for global markets (Ex: CommerceIQ, Zenoti, etc.)

70 Mn+ Number of SMBs in India, of which 75% are digitalized

KEY INVESTORS[2] IN INDIA'S VERTICAL SaaS LANDSCAPE

International Investors

Bessemer Venture Partners   B Capital Group   TIGERGLOBAL

Domestic Investors

chiratae VENTURES   BLUME   kae capital

INDUSTRY LEADERS ON VERTICAL SaaS

"
Vertical SaaS is gaining popularity in India due to its ability to provide targeted, industry-specific software solutions that offer scalability and agility. In India, it will grow rapidly in the coming years, driven by increasing demand from SMEs and start-ups.

- Managing Partner, Global VC Fund

CONCERNS IN SCALING VERTICAL SaaS

➤ Smaller lead pool for niche industries and consequent customer acquisitions

➤ Transforming legacy/old business processes and navigating industry regulations

Certain industries are more likely to be impacted by Indian Vertical SaaS companies than others

TOP INDUSTRIES FOR VERTICAL SaaS

BFSI

fego | FinBox

Wealth Management	Digital Banking
Fraud Management	Document Digitization

Retail

ace turtle | Browntape sell everywhere

Build Marketplace	e-Commerce Fulfilment
Sales Enablement	Customer Management

Healthcare

HealthPlix | qure.ai

Telemedicine	Record Management
Preventive Diagnosis	Compliance Security

EMERGING INDUSTRIES FOR VERTICAL SaaS

Automotive

TEKION | autorox

Dealer Management	Inventory Management
Financial Management	Claim Management

Industrial & Manufacturing

GreyOrange | HUVIAiR

Production Management	Material Management
Maintenance Planning	Device Monitoring

SCM & Logistics

pando | FarEye

Order Management	Inventory Management
Vehicle & Route Management	Load management

CASE-IN-POINT: INNOVACER

innovaccer

Core Solution: Cloud-based Data Activation Platform
Provides a holistic healthcare technology suite featuring a Data Activation Platform for unified patient records, developer tools, and an Intelligent Application Suite empowering healthcare organizations to integrate and analyze data from diverse sources, enhancing decision-making, operational efficiency, and patient care. Their solutions are used by over 96,000 providers across 1600+ locations, generating over USD 1 Bn in cost savings.

Notes: The above does not cover all the use cases that are part of this study, it is only an illustrative representation of key use cases.

Generative AI for SaaS is a transformative market, with 10X growth in VC funding since 2020 and a projected market size of USD 110 Bn by 2030

CURRENT ATTRACTIVENESS

Low= 1　　　　　　　　High= 5
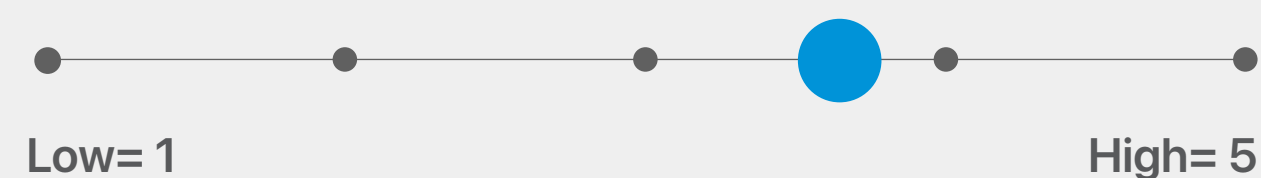
10X — Growth in global VC funding for Generative AI start-ups in the last 2 years, reaching **USD 50 Bn** in 2022
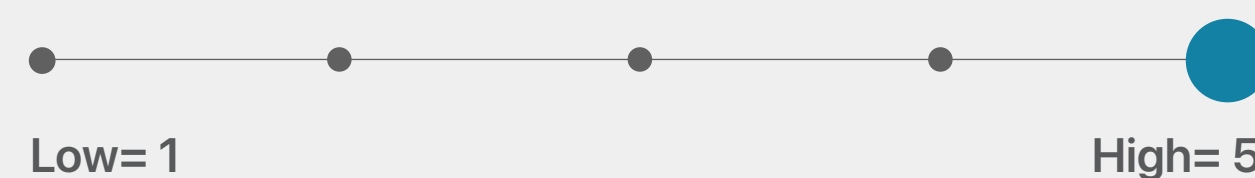
75% — Of the 250+ new patents filed in the Generative AI domain since 2021 were granted

8500+ — Number of companies building Generative AI specific-applications worldwide

FUTURE POTENTIAL

Low= 1　　　　　　　　High= 5

36% — CAGR of the global Generative AI market till 2030 reaching **USD 110 Bn+**

10% — Of India's target **USD 5 Tn** GDP to be added by AI by 2025

42% — Of internal marketing will be managed by Generative AI by 2024

INDUSTRY LEADERS ON GENERATIVE AI

"

If you think of many markets and professions, Generative AI is going to make things more efficient. At the same time, it's going to present many cases of additional value being created through those. I do think this part would suggest that this is not a three-year or a five-year phenomenon. This is a generation-wide phenomenon that we will all be living through for the next 20, 30 years.

Rahul Kapoor
David W. Hauck Professor
Wharton

India leads in AI product development with ~16% of the global AI workforce housed in the country

CHIRATAE VENTURES **zinnov**

KEY DRIVERS OF GENERATIVE AI MARKET GROWTH

Rise in Content Creation

➤ As content creation and personalization rises, it will be harder for humans to produce content at the required scale and speed. 10%-12% of all data will be produced by Generative AI in the next 2 years

Regulatory Push

➤ The Indian government's National AI Strategy aims to create a USD 1 Tn AI industry in the country by 2035. This includes the establishment of a National AI Research Institute and the creation of a regulatory framework for AI

Focus on Customer Experience

➤ Start-ups are increasingly focusing on providing superior assistants to generate descriptions, marketing campaigns, etc., to enhance customer experience

WHY INDIA FOR GENERATIVE AI?

16% Of the global AI talent is in India, showing high focus on AI product development in the country

800+ Number of Indian start-ups focusing on Generative AI

KEY INVESTORS[1] IN INDIA'S GENERATIVE AI LANDSCAPE

International Investors

TIGERGLOBAL   GENERAL ATLANTIC

Domestic Investors

chiratae VENTURES   matrix PARTNERS

INDUSTRY LEADERS ON GENERATIVE AI

"

With a growing pool of talented researchers and developers, India can become a leader in developing and deploying Generative AI. It can transform industries like Healthcare, Education, Entertainment, etc., creating economic growth and job opportunities.

- Founder, Late-stage start-up

CONCERNS IN SCALING GENERATIVE AI

➤ Could perpetuate or amplify existing biases, leading to unfair treatment of certain groups or individuals

➤ Risk of job displacement is very high, particularly in industries that are susceptible to automation

➤ Vulnerable to data breaches and privacy violations, and there is a risk that Generative AI could be used to manipulate or exploit individuals

Note: (1) The list of key investors is illustrative and not exhaustive.

Source: Zinnov Tech Trends Report 2023, Zinnov 'Unlocking Business Value for Enterprises with Generative AI' Report, Industry reports, Primary interviews, Chiratae & Zinnov CoNXT Analysis

Global SaaS start-ups aim to expand Generative AI capabilities for driving growth

Chiratae VENTURES **zinnov**

END-USER APPLICATIONS

TEXT GENERATION
AlphaSense
LONGSHOT

CODE GENERATION
DhiWise
FluidAI

SPEECH GENERATION
Listnr.fm
MURFAI

IMAGE GENERATION
HEXO
Instoried

VIDEO GENERATION
invideo
kroop AI

INSIGHT GENERATION
Pixis
vPhrase

LLM[1] DEVELOPMENT TOOLS

API[2] FRAMEWORKS
FIXIE
Humanloop

DATA-CENTRIC TOOLS
HumanFirst.ai
snorkel

FOUNDATION MODELS AND HUBS

FOUNDATION LLM
OpenAI
GooseAI
cohere
AI21labs

CASE-IN-POINT: PIXIS

Pixis

Core Solution: Codeless AI infrastructure for marketing teams

A Generative AI infrastructure company that provides predictive analytics, audience segmentation, consumer behavior analysis, campaign performance management, and personalized content recommendations, thereby enabling marketers to reduce CAC by 30% with 70% faster creative TAT leading to a 28% average boost in ROI.

Note: (1) LLM stands for Large Language Model. (2) API stands for Application Programming Interface.; The above does not cover all the use cases that are part of this study, it is only an illustrative representation of key use cases.

Source: Zinnov Unlocking Business Value for Enterprises with Generative AI Report- 2023, Industry reports, Chiratae & Zinnov CoNXT Analysis

With a potential for a 43% market CAGR and a 15X increase in VC funding, Web 3 will present attractive opportunities for SaaS

chiratae VENTURES **zinnov**

CURRENT ATTRACTIVENESS

Low= 1   High= 5

15X — Growth in VC funding for Web 3 start-ups since 2017, that reached **USD 21.5 Bn** in 2022

10,000+ — Reports covering niche topics within Web 3

450+ — Total number of Web 3 start-ups in India as of H1 2022, of which 49% have a B2B model

FUTURE POTENTIAL

Low= 1   High= 5

43% — CAGR of global Web 3 market till 2030

73% — Of the 1280 global senior executives surveyed fear losing competitive advantage by not adopting Blockchain and digital assets

USD 1.1 Tn — Web 3's economic value-add to India's GDP by 2032

INDUSTRY LEADERS ON WEB 3

"

The values of self-custody, transparency through open-source code, and access to financial opportunity are uniquely enabled by decentralization. While there is still much more to build and need for broader education/exposure, the future is bright for our industry.

Nathan Cha
Marketing Lead
dYdX

India has emerged as a leading global player in the Web 3 market, with a competitive talent pool and high rates of decentralized solutions adoption

KEY DRIVERS OF WEB 3 MARKET GROWTH

Demography

➤ ~50% of the global 425 Mn+ cryptocurrency users are 18-34 years old

➤ Early interest in Web 3 is being led by decentralized finance (DeFi) and non-fungible tokens (NFTs)

Regulatory Push

➤ RFIA – USA, Virtual Asset, Regulation Law – UAE, MICA –Europe, Payment Services Act 2021 – Singapore are positive on digital assets

Tech Adoption

➤ A NASSCOM survey of global enterprises reveals that 90%+ of the most mature digital enterprises expect to increase their investments across Blockchain, AI/ML, IoT, AR/VR, and Edge

WHY INDIA FOR WEB 3?

11% Of the global Web 3 talent is in India, growing at the fastest rate

#1 Global adopter of DeFi in terms of value received on-chain, adjusted for PPP[1]

KEY INVESTORS[2] IN INDIA'S WEB 3 LANDSCAPE

International Investors

animoca BRANDS | coinbase Ventures | Lightspeed

Domestic Investors

chiratae VENTURES | ELEVATION | WOODSTOCK

INDUSTRY LEADERS ON WEB 3

"

India's rapid adoption of newage technologies, its growing start-up ecosystem, and the large-scale digitally skilled talent potential are all the right building blocks for India to emerge as a key player in the global Web 3 landscape.

-Sangeeta Gupta, Sr. VP, NASSCOM

CONCERNS IN SCALING WEB 3

➤ Absence of regulatory clarity and comprehensive regulatory framework

➤ Absence of institutional upskilling resources and centers

➤ Negative social image created by focus on cryptocurrency trading

➤ Absence of awareness about the benefits of Web 3

India Web 3 Market Map: Start-ups are serving the industry with solutions across the stack

Chiratae VENTURES   zinnov

APPLICATIONS LAYER

User interface that combines business logic and customer interactions

DeFi[1]
PredictRAM

Olive
Formerly polysynth

DAO[2]
3bewte

superteam

NFT
GUARDIANLINK

INFRASTRUCTURE LAYER

Interoperable building blocks that are highly reliable at doing one task; can be combined to create applications

Storage	Privacy	Security	Identification

Communication	Developer Tools	Data Analytics

Biconomy   arcana   LIGHTHOUSE   zeeve   Spheron

PROTOCOL LAYER

Underlying main Blockchain architecture

L1 Blockchain
Shardeum

Scaling Solutions
polygon

CASE-IN-POINT: ARCANA

arcana

Core Solution: Decentralized Storage, Data Sovereignty & Privacy for dApps

A Web 3 infrastructure solution that offers user onboarding options and decentralized data storage for developers. Its user authentication framework supports traditional and Web 3 user credential methods, while its decentralized data storage protects against single-point-of-failure or geography-specific threats. The network has 1000+ SDKs (Software Development Kits) downloads and has onboarded 40+ apps till date.

Notes: (1) DeFi: Decentralized Finance; (2) DAO: Decentralized Autonomous Organizations; Other Web 3 applications such as Metaverse, Wallets/Exchanges, Gaming & Entertainment have not been considered due to their B2C orientation;
The above does not cover all the use cases that are part of this study, it is only an illustrative representation of key use cases.

Source: NASSCOM India Web 3 Startup Landscape Report, 2022, Chiratae & Zinnov CoNXT Analysis

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AGENDA

➤ GLOBAL SaaS: GROWTH & VALUATION RECOVERY

➤ INDIA SaaS 2022: NAVIGATING HEADWINDS WITH RESILIENCE

➤ INDIA SaaS 2023: CAUTIOUSLY OPTIMISTIC OUTLOOK

➤ INDIA MAINTAINS STRATEGIC ADVANTAGE

➤ UNVEILING KEY OPPORTUNITY AREAS

➤ **PLAYBOOK FOR SUCCESS**

SaaS start-ups today need to double down on growth while ensuring efficiency

	CHALLENGES	RECOMMENDED ACTION ITEMS	
GROWTH	Tackle customer churn and contract non-renewal to preserve existing revenue streams	1	Adopt customer-centric strategies that directly drive renewals and retention
		2	Develop an account-by-account pricing strategy for existing customers
	Overcome the impact of a customer demand slowdown and delayed sales cycles to generate new revenue streams	3	Define and relentlessly focus on your Ideal Customer Profile (ICP)
		4	Find and invest in your best-fit GTM strategy
		5	Devise strategies to expand existing accounts through upselling and cross-selling
		6	Invest in Research & Development or strategic partnerships to drive value-driven product innovation for customers
EFFICIENCY	Downward pressures on cash flows and margins caused by macro-economic headwinds, adding concerns about runway	7	Streamline and optimize General & Administrative (G&A) expenses to improve cash flows
		8	Continuously monitor, improve and iterate Sales & Marketing spends for better returns
		9	Optimize major technology spends, primarily Cloud
		10	Improve the productivity of your customer success teams
		11	Modify the pricing strategy to improve the volume of cash flows
		12	Diversify the financing strategy by exploring non-equity funding options

Source: Primary interviews, Chiratae & Zinnov CoNXT Analysis

Address customer churn and non-renewal through customer centricity and tailored pricing

1 Adopt customer-centric strategies that directly drive renewals and retention

RECOMMENDED STRATEGIES

- ➤ Start renewal process early; typically, 90 days before a customer's subscription is due to expire
- ➤ Identify customers with high risk of churn
  - Look for signs such as unresolved support tickets, decreased number of logins, fewer referrals, product underutilization, etc.
- ➤ Map customer journey across different touchpoints like social media, ads, website, trial phase, onboarding and support. Address their pain points across all these
- ➤ Build robust customer success teams and equip them with sufficient data
- ➤ Leverage Customer Analytics platforms to monitor customer behavior and key KPIs

TIME TO IMPACT

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VOICES OF THE ECOSYSTEM

"By monitoring touchpoints, identifying red flags (e.g., unresolved issues, decreased activity, underutilization), and intervening early, businesses can address customer pain points, improve their experience, and reduce churn.
-Founder, Late-stage start-up

2 Develop an account-by-account pricing strategy for existing customers

RECOMMENDED STRATEGIES

- ➤ Opt for tiered pricing by segmenting customers based on demographics, behavior, usage, or outcomes to gauge their perceived product value and willingness to pay
  - Choose right value metrics to understand customer's value perception such as number of users, projects, storage, transactions, or results for specific customers
- ➤ Offer discounted pricing for those who reach certain usage thresholds or refer new customers to the business
- ➤ Evaluate impact of price changes on revenue, churn, NPS & referrals for different customers
  - Be cautious of increasing prices for customers with a high churn-risk
- ➤ Ensure clear and timely communication and justification of any price change

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VOICES OF THE ECOSYSTEM

"By tailoring pricing plans to each customer's usage patterns, businesses can provide a value-based experience that encourages customer loyalty. Additionally, offer them incentives and build long-term partnerships for even better retention.
- Founder, Early-stage start-up

Invest and focus on your Ideal Customer Profile (ICP) and best-fit GTM strategy to drive revenues

3 Define and relentlessly focus on your Ideal Customer Profile (ICP)

RECOMMENDED STRATEGIES

➤ Upon reaching product-market fit, closely analyze the existing customer base
- Create buyer personas by identifying common traits such as industry, company size, location, job title, and purchasing behavior

➤ Identify patterns with deals that were successes (or losses)
- Find out what prospects have/do not have high conversion rate

➤ Once crystallized, ICP should shape the GTM strategy to improve lead qualification
- Make the best sales representatives pick up tier-1 ICP opportunities and deprioritize low-converting prospects

➤ Refine the ICP by accounting for factors such as your offerings, company goals, competition, and emerging market trends

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VOICES OF THE ECOSYSTEM

" While it's tempting to pursue every lead at the earliest stages of your start-up, improving lead qualification requires you to align your GTM rhythm around ICP and saying 'no' to leads that don't align with your target audience.
- Founder, Late-stage start-up

4 Find and invest in your best-fit GTM strategy

RECOMMENDED STRATEGIES

➤ Once product-market fit is achieved, discover and start investing in your primary GTM motion as early as possible to achieve repeat sales

➤ Let the ICP dictate the GTM motion
- For horizontal business/infra-SaaS, use a Product-Led Growth (PLG) approach with some sales-led elements while opt for Sales-Led Growth (SLG) approach for vertical SaaS solutions as they sell best through field sales

➤ Be flexible with the GTM strategy, as a particular strategy may have limitations as a company scales, necessitating newer channel exploration

➤ Quickly acquire the first 100 customers without worrying much about price or ACV[1] as these will help the company to refine its product and get referrals to scale further

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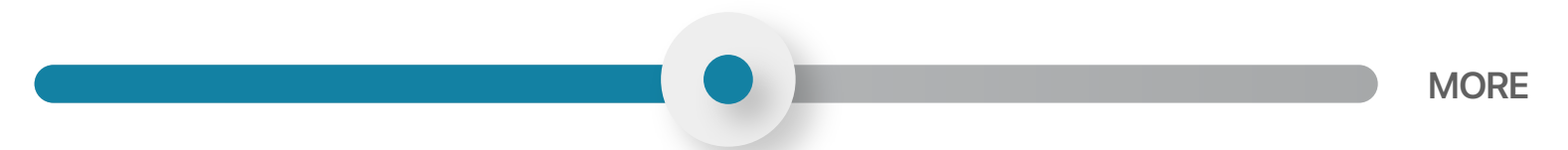
VOICES OF THE ECOSYSTEM

" Product-market fit is just the beginning. To truly scale a SaaS business, one must invest in their GTM strategy early on. Repeat sales are the lifeblood of a successful SaaS company, so don't wait too long to start building your sales and marketing engine.
- Managing Partner, Enterprise SaaS VC

Expand accounts through upsell and cross-sell and invest in value-driven driving product innovation

5 | Devise strategies to expand existing accounts through upselling and cross-selling

RECOMMENDED STRATEGIES

➤ Put systems/tools in place to measure customer expansion readiness
  • Account for factors like usage intent, contract consumption, market conditions, interest in higher-tier features, customers reaching license limits, etc.
➤ Tailor the offering and marketing efforts such as promotions, discounts, add-ons, access to exclusive content to meet specific customers' need
➤ Timing is key- Don't aggressively go after your customers; let them realize they need additional features/products through current plan limitation warnings
➤ Train the customer success team to leverage customer data and relationships when going after upsell and cross-sell opportunities

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VOICES OF THE ECOSYSTEM

" Having a dedicated strategy for upselling and cross-selling is crucial because it ensures that we are not just pushing more products or services onto our customers, but instead, we are offering them solutions that meet their specific needs.
- Founder, Early- stage start-up

6 | Invest in Research & Development or strategic partnerships to drive value-driven product innovation for customers

RECOMMENDED STRATEGIES

➤ Adjust R&D investment in a slow-growth environment while remaining competitive
  • Analyze evolving customer purchase behavior, reassess product priorities, and shift investment towards more profitable growth opportunities
  • Focus spending on high value and low complexity R&D projects and defer spending on experimental projects which have low value and high complexity
➤ Evaluate 'build vs buy' decisions and strategic partnership opportunities
  • Make sure the buyer persona and the ICP overlap between the SaaS company's and their partners' business to ensure mutual growth
  • Leverage feedback from partners' customers to identify areas of improvement, both for the SaaS company and their partners

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VOICES OF THE ECOSYSTEM

" In current recessionary times, mapping R&D to strategic priorities is crucial. Start-ups should prioritize investing into customer driven product enhancements and products add-ons to ensure regulatory compliance and to remain competitive and relevant.
- Partner, Early-stage investment firm

Source Primary interviews, Chiratae & Zinnov CoNXT Analysis

Monitor and optimize General & Administrative and Sales & Marketing spends

7 | **Streamline and optimize General & Administrative (G&A) expenses to improve cash flows**

RECOMMENDED STRATEGIES

➤ Reduce subscription licence wastage
  - Gain visibility into usage metrics that enables redistribution of current licenses and make informed decisions about future licensing requirements
  - Eliminate redundant functions and duplicate applications to establish a process for future purchases
➤ Use industry benchmarking to renegotiate subscriptions and optimize vendor spends
➤ Optimize office space and reduce costs through remote work, downsizing, subleasing or lease negotiation
➤ Consider outsourcing recruitment and work with the agencies on contingency basis

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VOICES OF THE ECOSYSTEM

" During this economic slowdown, start-ups are facing challenges in covering their expenses. Hence, optimizing G&A costs can help start-ups reduce their cash burn rate and extend runway, giving them more time to weather the economic storm.
- Co-Founder, Late-stage start-up

8 | **Continuously monitor, improve and iterate Sales & Marketing spends for better returns**

RECOMMENDED STRATEGIES

➤ Prioritize sales efforts for driving revenues through upsell and cross-sell opportunities for quick wins before targeting new leads/accounts
➤ Implement a standardized process-driven sales approach to align outreach efforts by different sales representatives with the company's overall strategic positioning
  - Do not rely on the efforts of individual sales representatives
➤ As average cost-per-click for advertising on Google, Facebook and other social channels have decreased by ~30% compared to 2021, accelerate marketing efforts
➤ Reconsider marketing spend where it is difficult to calculate the ROI, such as, PR, brand marketing, and in-person marketing

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VOICES OF THE ECOSYSTEM

" Relying on individual sales representatives won't bring uniformity in critical aspects of the sales process. A standardized framework can reduce errors, streamline operations, and ease performance measurement.
- CMO, Late-stage start-up

Source Primary interviews, Chiratae & Zinnov CoNXT Analysis

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Improve cash flows by optimizing technology spends and increasing productivity of the customer success team

9 | Optimize major technology spends, primarily Cloud

RECOMMENDED STRATEGIES

➤ Negotiate better pricing and terms with the hosting providers
  - Consider opting for models such as reserved instances, pre-purchase programs, and multi-year contracts to avail discounts
➤ Supervise and fine-tune Cloud utilization patterns & adjust subscriptions accordingly
  - Appoint dedicated stakeholders to monitor spend, redundancy, access control, and usage
  - Consider using Cloud cost management tools such as Datadog, nOps, Zesty, etc.
➤ Review code to identify the most resource-intensive components (in terms of compute, network, or storage)
  - Explore code refactoring and utilize suitable instance and strategic caching

TIME TO IMPACT

LESS ———————————●——————————— MORE

VOICES OF THE ECOSYSTEM

"It's important to engage in timely negotiations with hosting providers for better pricing and favorable terms. Be sure to research your options, compare prices and features, and clearly communicate your needs and budget to secure the best deal.
- Founder, Late-stage start-up

10 | Improve the productivity of your customer success teams

RECOMMENDED STRATEGIES

➤ Assess the performance of Customer Success Managers (CSM) based on their contribution to Annual Recurring Revenue (ARR)
  - Benchmark ARR per CSM based on the company's target customer segments: high for enterprise customers, low for SMBs
  - Reconsider existing CSM headcount and hiring plans based on the assessment
➤ Reduce customer support load through timely and contextual self-serve support
  - Leverage self-serve motions like AI chatbots, user forums, in-app toolkits, etc.
➤ Invest in right automation tools, platforms, and recommendation engines to boost representative productivity and sales effectiveness

TIME TO IMPACT

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VOICES OF THE ECOSYSTEM

"By providing customers with self-service options such as comprehensive knowledge bases, FAQs, and user forums, you can empower them to find answers to common questions and issues on their own, without having to contact support.
- Founder, Early-stage start-up

Extend runways by modifying pricing and diversifying financing strategy

11 Modify the pricing strategy to improve the volume of cash flows

RECOMMENDED STRATEGIES

- ➤ Experiment with paid-trials to offset the costs of acquiring and supporting new customers
- ➤ Implement prepaid plans and/or offer discounts to customers for upfront payments
- ➤ Promote annual or multi-year contracts through discounts and premium support, ensuring higher Customer Lifetime Value and improve cash flow predictability
- ➤ Carefully consider price increase decisions aimed at improving cash flows
  - If ARR is growing more than 60% Y-o-Y, risk of losing customers and referrals owing to price increase will be higher than the additional revenue to the company

TIME TO IMPACT

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VOICES OF THE ECOSYSTEM

" Providing discounts for upfront payments incentivizes early payment and boosts cash flow. Prepaid plans and long-term contracts reduce late payment risk, ensuring a steady revenue stream and aiding income forecasting for future growth.
- Founder, Seed-stage start-up

12 Diversify the financing strategy by exploring non-equity funding options

RECOMMENDED STRATEGIES

- ➤ Consider raising debt as it provides quick and dilution-free access to funding
- ➤ Leverage crowdfunding as it provides a platform to pitch the business to a wider network of potential investors, including angel investors and venture capitalists
- ➤ Apply for grants that are provided by governmental agencies, non-profit organizations, corporate foundations, and venture philanthropy organizations as they also serve as validation and credibility boosters for the start-up
- ➤ Participate in pitch competitions, accelerator programs, hackathons, and start-up challenges which often provide access to investors, mentors, networking opportunities, and can offer cash prizes and different types of funding as rewards

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VOICES OF THE ECOSYSTEM

" With the current funding winter scenario, diversifying the financing strategy is the key to reduce reliance on traditional equity funding. Exploring options like debt financing can be viable for companies with a solid credit history and steady cash flow
- Managing Partner, Seed-stage investment firm

Source Primary interviews, Chiratae & Zinnov CoNXT Analysis

To succeed in the current times, start-ups must prioritize and enhance the right business metrics

Our survey data indicates a recent shift in the priorities of investors and founders, with a heightened focus on the following metrics

GROWTH METRICS	Rule of 40	ARR[1] Growth Rate	ACV[2] Growth Rate	NRR[3]

EFFICIENCY METRICS	Operational Efficiency		Capital Efficiency	Customer Acquisition Efficiency
	Gross Margin	SaaS Magic Number	Burn Multiple	CAC[5] Payback Period
	Pipeline Conversion Rate (Sales, trials, etc.)		ARR/FTE[4]	CLTV[6]/CAC[5]

VOICES OF THE ECOSYSTEM

"In recent times, the focus has shifted from growth to profitability and customer retention metrics. This shift has affected the valuation multiples, as start-ups are now being evaluated based on solid business fundamentals. Emphasizing these metrics enables us to identify SaaS start-ups with sustainable growth models and strong market positioning.
- Assistant Vice President, Tech-focused PE firm

"We have always been focused on Burn Multiples, Gross Margins and CAC Payback periods among other SaaS metrics. Given market dynamics and heightened competition in the SaaS landscape, we believe that these have become even more important now. Together, they offer a holistic view of a SaaS start-up's financial health, operational efficiency, and growth potential.
- General Partner, Enterprise SaaS VC firm

NOTE
FOR THE
READERS

Dear reader,

The India SaaSonomics: Navigating Growth and Efficiency report offers a blueprint for investors, start-ups, corporates, incubators, accelerators, and the government. It provides insights on the performance of the Indian B2B SaaS ecosystem in 2022 and discusses the country's cautious but optimistic approach towards becoming a global SaaS powerhouse.

To ensure clarity, we would like to provide some important notes for your reference:

➤ **Our definition of start-ups** encompasses entities founded in the last ten years, with their origins or core product development in India, and those that are at least at a prototype stage.

➤ This report solely focuses on B2B SaaS start-ups in India.

➤ **Our SaaS start-up database** only comprises entities that derive a significant portion of their revenue by selling software. Therefore, entities operating in e-Commerce, marketplace, social platforms, payments, software/game development, and services domains have not been classified as SaaS in the report.

➤ The report's analysis is based on Zinnov's database of start-ups, pulse surveys from over 130+ founders and investors, in-depth conversations with 50+ ecosystem players, and various secondary sources.

We hope that this report will provide you with valuable insights into the Indian B2B SaaS ecosystem.

Warm regards,
The Report Authors

Methodology

This report has been co-developed by ZINNOV and CHIRATAE VENTURES through a comprehensive study to understand the state of B2B SaaS start-ups in India.

This report analyzes the following –
- ➤ Current scenario and emerging trends that define the SaaS start-up ecosystem and broader SaaS landscape in India
- ➤ SaaS founders and investors' outlook for 2023
- ➤ Key drivers and opportunity areas for Indian SaaS
- ➤ Playbook for success of SaaS start-ups

Data aggregation	Interviews / Discussions
Zinnov Data	**Surveys and interviews with:** ➤ 120+ start-up founders (20+ unfunded founders, 60+ Seed-stage founders, 40+ Early and Late-stage founders) ➤ **60+ SaaS investors across stages and industry experts**

Secondary Sources

- ➤ CBInsights
- ➤ Crunchbase
- ➤ Pitchbook
- ➤ Venture Intelligence
- ➤ LinkedIn
- ➤ Inc42
- ➤ YourStory
- ➤ Economic Times
- ➤ Financial Times
- ➤ Livemint
- ➤ Forbes
- ➤ Medium
- ➤ Bessemer Venture Partners Cloud Index
- ➤ Investor blogs (Investor websites)

Definition of a start-up

START-UP: An entity working towards innovation, development, deployment, and commercialization of new products, processes, or services, driven or enabled by technology or intellectual property.

The start-up must meet the following criteria -

01 **Age: <10 Years**
Active technology or technology-enabled product/platform company incepted in the last 10 years (in 2012 or later)

02 **Origin: India**
Founders of Indian origin, with HQ or core product development in India

03 **Funding: PE/VC Ecosystem**
Are PE/VC-funded or can be considered for PE/VC funding in the future

04 **Stage: Prototype+**
The start-up must have at least a prototype or MVP; Idea-stage start-ups are not considered

B2B SaaS Start-up

Start-ups deriving major portions of their revenue by selling software to businesses have been considered B2B SaaS.

The following categories have been excluded from the definition of SaaS-

➤ e-Commerce start-ups
➤ Social Platforms
➤ Software/Game Development start-ups
➤ Start-ups offering only services
➤ Marketplaces
➤ Payment Platforms

Other Definitions

Product Categories

Horizontal Business Applications

Software products catering to multiple industries. Examples include Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), and Human Capital Management (HCM).

Vertical-specific Business Applications

Software products catering to a particular market or industry. Examples include Healthcare and Financial Services applications.

Horizontal Infrastructure Applications

Includes essential infrastructure and components for enterprise application development, deployment, and management. Examples include DevTools (Application Development, API Management, and Testing Tools), and Cybersecurity.

Unicorn

Unicorns are entities with a valuation of over USD 1 Bn and incepted in or after 2000 (Zoho founded in 1996, is excluded), analysis as on date 31-Mar-2023.

Potential Unicorn

Potential unicorns are start-ups founded between 2012-22, with a total funding of more than USD 50 Mn+. This does not include start-ups that became unicorns on or before 31-Mar-2023.

Funding Rounds

Seed-stage
Seed and Angel funding rounds raised by an Indian SaaS company

Early-stage
Series A and B funding rounds raised by an Indian SaaS company

Late-stage
Series C and beyond funding rounds raised by an Indian SaaS company

List of B2B SaaS Unicorns

01	Amagi Media Labs
02	BrowserStack
03	Chargebee
04	CommerceIQ
05	Darwinbox
06	Druva
07	Fractal
08	Freshworks
09	Gupshup
10	Hasura
11	Highradius

12	Icertis
13	InMobi
14	Innovaccer
15	LeadSquared
16	Mindtickle
17	Postman
18	Tekion
19	Turing
20	Uniphore Software Systems
21	Zenoti

Sources for data points used under "From India for the Globe" section

Data Point	Source
7% GDP growth rate for FY23	Ministry of Statistics and Programme Implementation
2X real GDP growth rate compared to the world for FY23	International Monetary Fund (IMF)
28 years population median age	Zinnov CoE Hotspots of the World Report 2023
2nd largest English-speaking population	Zinnov CoE Hotspots of the World Report 2023
~700 Mn internet users (as of December 2022)	Nielsen's India Internet Report 2023
2nd fastest-growing digital economy	India Brand Equity Foundation (IBEF)
USD 1 Tn digital economy by 2026	News articles
3 Mn Software Engineering Talent	Zinnov's COE Hotspots of the World Report 2023
1.55 Mn+ GCC talent	Zinnov's GCoE India Landscape Report 2022
3X Lower R&D team cost than USA	Zinnov's COE Hotspots of the World Report 2023
1390+ ER&D GCCs with 600K+ employees	Zinnov's GCoE India Landscape Report 2022
1820+ BPM GCCs with 546K+ employees	Zinnov's GCoE India Landscape Report 2022
1480+ IT GCCs with 401K+ employees	Zinnov's GCoE India Landscape Report 2022
~32% India's share of total STEM graduates in the world	News articles
20,000+ Product Managers (as of 2020)	News articles
3rd Largest Start-up ecosystem globally	Zinnov-NASSCOM Tech Start-up Report 2022
25,000-27,000 active tech start-ups	Zinnov-NASSCOM Tech Start-up Report 2022

Data Point	Source
USD 18.2 Bn equity investments in tech start-ups in 2022	Zinnov-NASSCOM Tech Start-up Report 2022
25% growth in funded tech start-ups from 2021	Zinnov-NASSCOM Tech Start-up Report 2022
89 active tech unicorns	Zinnov-NASSCOM Tech Start-up Report 2022
73 Global unicorns' GCCs	Zinnov CoNXT Analysis
50 SaaS unicorns and potential unicorns	Zinnov CoNXT Analysis
50,000+ employees in SaaS unicorns and potential unicorns	Zinnov CoNXT Analysis
3X Growth in SaaS funding since 2019	Zinnov CoNXT Analysis
3rd Highest Number of SaaS unicorns	Zinnov CoNXT Analysis
185+ SaaS start-ups founded by former employees of SaaS unicorns	LinkedIn, Zinnov CoNXT Analysis
9.75 Mn Indian developers using GitHub	GitHub
66% Of SaaS unicorns and potential unicorns headquartered outside India	Zinnov CoNXT Analysis
Asia's largest SaaS community in India- SaaSBOOMi	SaaSBOOMi
500+ tech events tentatively planned for 2023	Eventbrite
88% of traction is global for SaaS unicorns and potential unicorns (analysis done on a sample of 40 unicorns and potential unicorns)	Zinnov CoNXT Analysis

Definitions of key SaaS metrics

Sr. No.	Metric	Description	Formula
1	Rule of 40	When the growth rate + profit margin of a business exceeds 40%, it is a healthy business	Y-o-Y Revenue growth + EBITDA
2	ARR Growth Rate	Percentage change in Annual Recurring Revenue over a given time period	(Sum(ARR end of period) – Sum(ARR beginning of period))/ Sum(ARR beginning of period)
3	ACV Growth Rate	Percentage change in Annual Contract Value over a given time period	(Sum(ACV end of period) – Sum(ACV beginning of period))/ Sum(ACV beginning of period)
4	NRR	Measures the ability to retain and expand customers	([(MRR[1] + expansion revenue) - Revenue lost from downgrades and churn]/ MRR[1]) * 100
5	Gross Margin	Amount of money a company retains after incurring direct costs associated with producing the product	Gross Profit / Revenue
6	SaaS Magic Number	A ratio showing yearly recurring revenue growth gained for every sales and marketing dollar spent	(Current Quarter ARR - Last Quarter ARR) / Last Quarter Sales & Marketing Spend
7	Pipeline Conversion Rate	Percentage of potential and existing buyers that moved from one stage of the sales pipeline to the next one	(Total Conversions / Total Leads in funnel) *100
8	Burn Multiple	Measures how much a startup is burning in order to generate each incremental dollar of ARR	Net Burn / Net New ARR
9	ARR/FTE	Average revenue per employee	ARR / Number of Full-Time Employees
10	CAC Payback Period	Time period in which the customer generates revenue equal to the cost of their acquisition for the business	Sales & Marketing Expense / (New MRR X Gross Margin)
11	CLTV/CAC	Ratio of the total revenue generated by a customer to the cost of their acqusition	Total Amount a Customers pays / Cost of Acquiring them

Note: (1) MRR: Monthly Recurring Revenue

ACKNOWLEDGING THE IMMENSE CONTRIBUTION OF THE SaaS ECOSYSTEM TOWARDS THE PREPARATION OF THIS REPORT

SaaS FOUNDERS

... and many others

INVESTOR COMMUNITY

About Chiratae Ventures

chiratae VENTURES

Chiratae Ventures is a 16-year-old Indian technology venture capital fund advisor, having advised funds that collectively (across 6 funds) have USD 1.1 Bn AUM, 130+ investments, 48 exits, 8 Unicorns, 3 IPOs and, a track record of having returned capital to LPs in each of the last 12 years. The funds advised by Chiratae Ventures have investments across sectors such as Consumer-Tech, SaaS, Fintech, and Healthtech and have been early backers of companies such as Bizongo, Fibe, FirstCry, Flipkart, Hevo Data, Lenskart, Myntra, Pixis, PolicyBazaar, and Uniphore, amongst many others.

For more information, visit: **https://www.chiratae.com/**

~USD 165 Mn
Total capital invested (in SaaS)

38
Total number of SaaS companies

Major SaaS Investments

Pixis · uniphore · HEVO · HealthPlix

SquadStack · deepfence · squadcast · pando

CLOUDCHERRY · UNBXD · MANTHAN · Cropin

NOTABLE SaaS EXITS

PORTFOLIO COMPANY	MANTHAN	CLOUDCHERRY	newgen	INFISECURE	hansel.io	UNBXD
ACQUIRER	TEMASEK	CISCO	IPO	Barracuda	Netcore	Netcore

About Zinnov

Founded in 2002, Zinnov is a global management and strategy consulting firm, with presence in New York, Santa Clara, Houston, Seattle, Bangalore, Gurgaon, Pune, Japan, and Paris. Over the past 21 years, Zinnov has successfully consulted with over 250+ Fortune 500 enterprises to develop actionable insights to help them accelerate their technology journeys to create value – across dimensions of revenue, transformation, and optimization. With core expertise in Digital Engineering Talent, Digital Transformation, Innovation, and Outsourcing Advisory, Zinnov assists clients by:

- Enabling global companies to develop and optimize a global engineering talent footprint through center setups and accelerators - in an as-a-service model, as well as optimizing their global portfolios, to achieve higher R&D efficiencies, innovation, and productivity;

- Advising global PE firms in asset shortlisting and target evaluation, commercial due diligence, and value creation;

- Growing revenue for companies' products and services in newer markets through account intelligence, market entry, and market expansion advisory;

- Helping global companies outline and drive their open innovation programs, design and operate accelerator programs, and enable collaboration with start-ups across specific use cases and predefined outcomes;

- Structuring and implementing Digital Transformation levers enabled by technologies like AI/ML, Intelligent Automation, Cloud, IOT, etc.

With their team of experienced consultants, subject matter experts, and research professionals, Zinnov serves clients from across multiple industry verticals including Enterprise Software, BFSI, Healthcare, Automotive, Retail, and Telecom in the US, Europe, Japan, and India.

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