

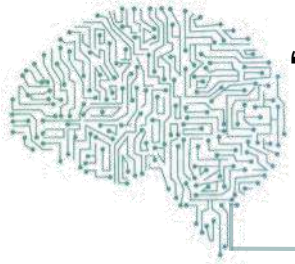


Artificial Intelligence (AI)

India Investment Outlook

December 2019

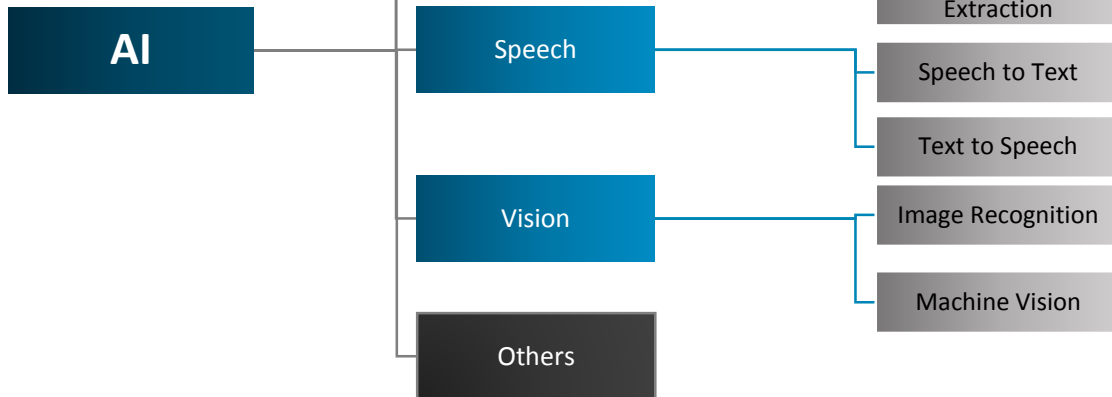
SECTOR OVERVIEW



“Artificial intelligence (AI) is the science and engineering of making intelligent machines, especially intelligent computer programs”
– John McCarthy, father of AI

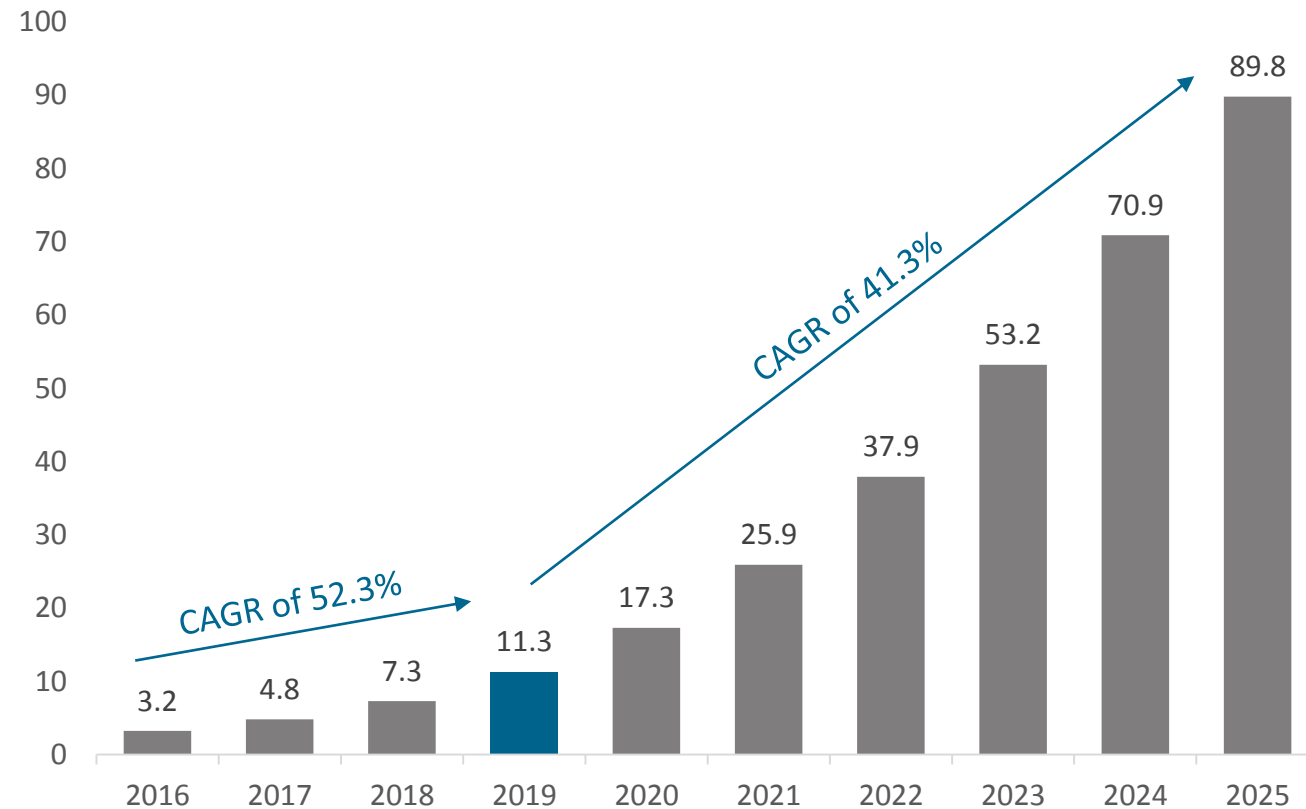
VARIOUS BRANCHES OF AI

Future lies in AI
(A billion dollar growing Market)



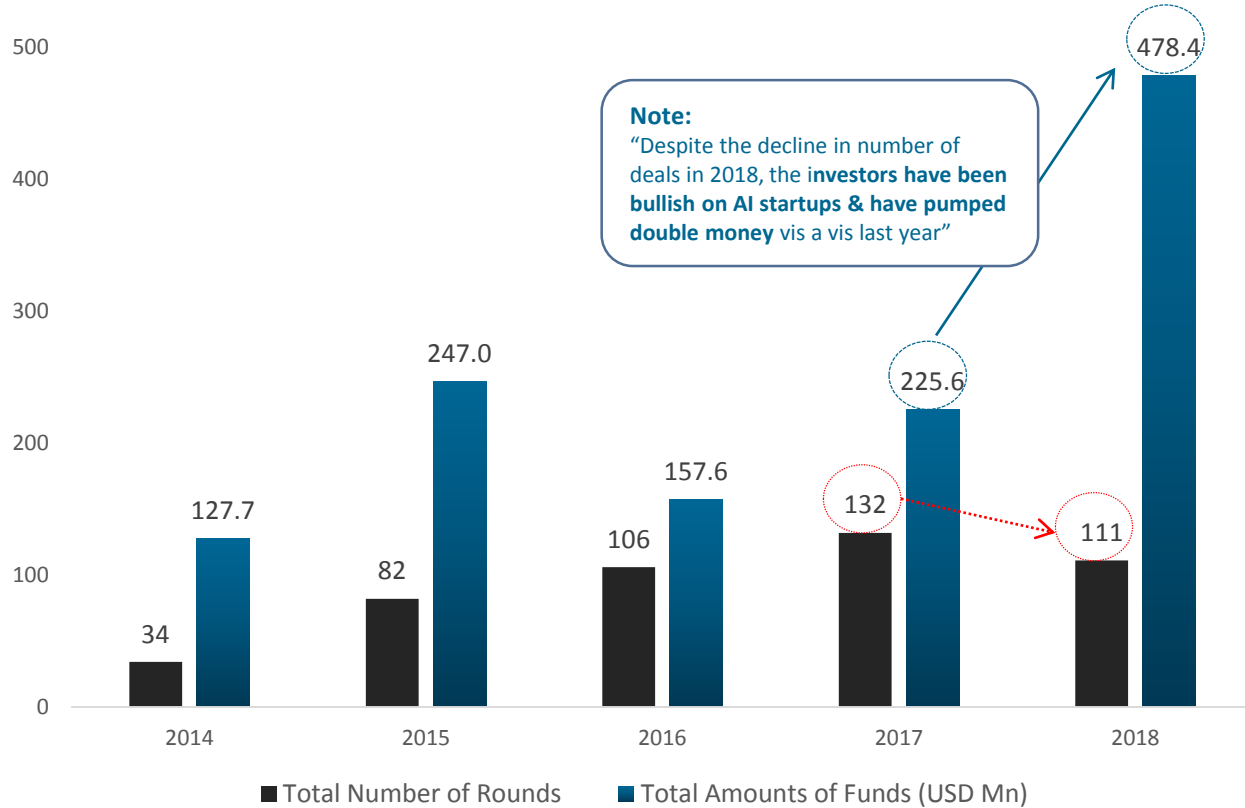
Source: Statista

MARKET SIZE OF AI IN INDIA (USD BN)



FUNDING SCENARIO & GROWTH DRIVERS

AI FUNDING SCENARIO IN INDIA



GROWTH DRIVERS

India has a pre-existing strong IT sector that increases the adoption rate of AI

Abundance of engineers, the core base of engineering is needed for AI development.

Government's push towards digitization & initiatives such as AI task force

FEW APPLICATIONS OF AI

Finance



Predictive Analytics, Chatbots, Automation of processes

Automotive



Driver Assist, Auto Pilot, Automation in Manufacturing

Agriculture



Robots, Predictive Analytics, Crop monitoring

Healthcare



Drug Discovery, Diagnosis, Neural Network for Clinical Trials

Logistics



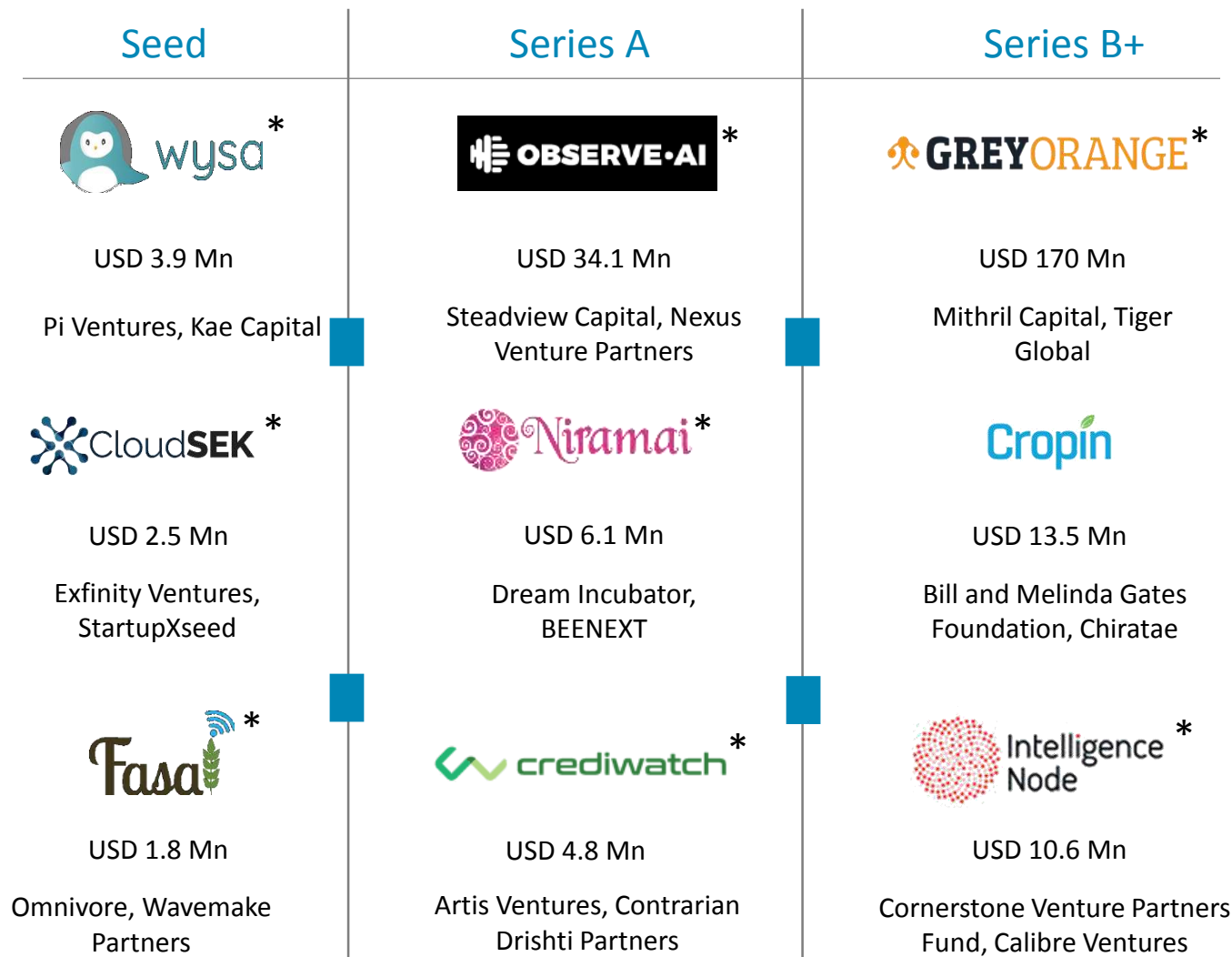
Warehouse Automation, Demand Prediction, Smart Roads

Marketing

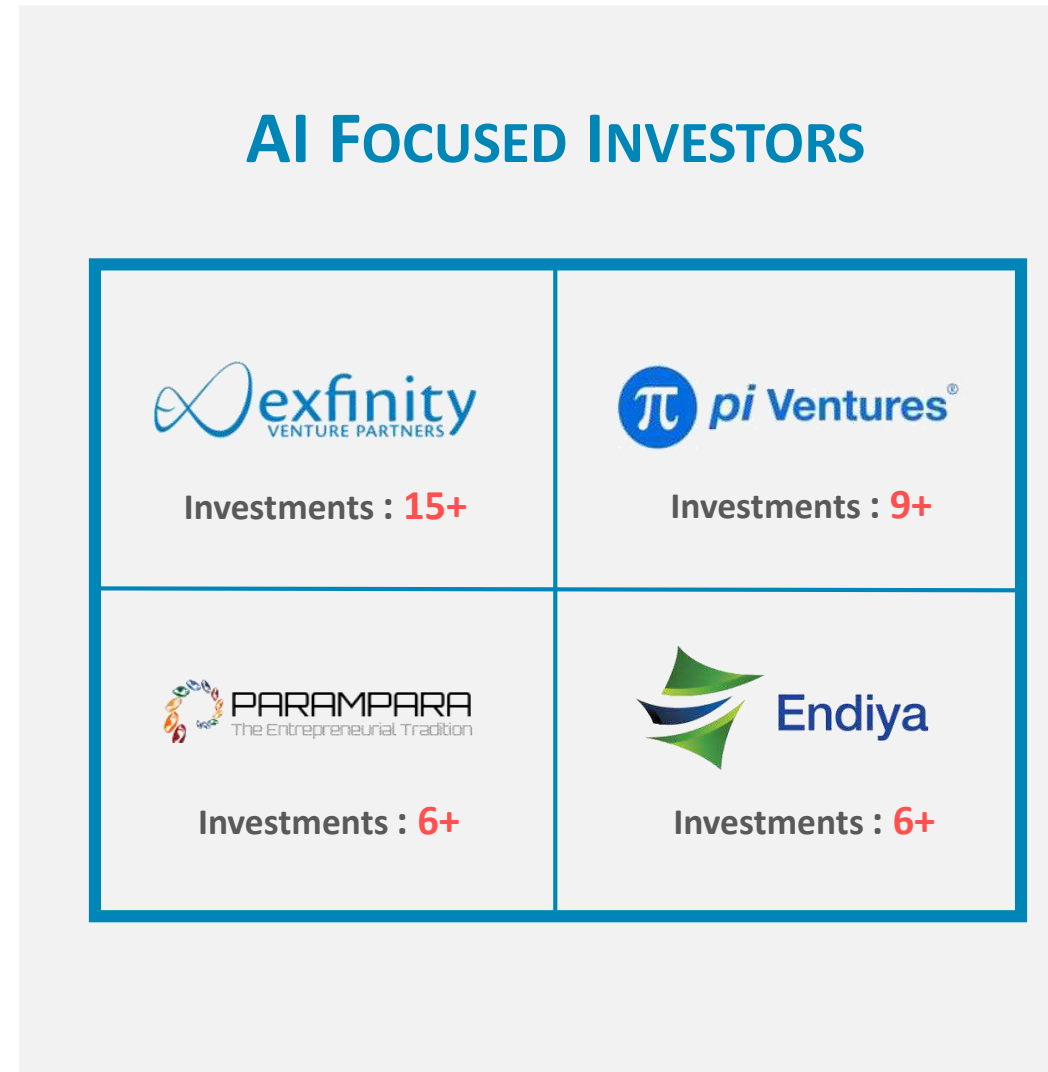


Data Filtering & Analysis, Predictive Analysis, Chatbots

INVESTMENT LANDSCAPE



























*The last funding round for these startups was in 2019, Observe.AI is registered in US
Source: Crunchbase, Company website, News Articles



MAJOR ACQUISITIONS

Most of the acquisitions in the space were led by conglomerates or well funded startups to streamline their operations

Target				
Acquired by	 <p>Capabiliti a SaaS platform was acquired by PeopleStrong in 2018</p>	 <p>AblePlus an IoT tech company was acquired by OYO in 2018</p>	 <p>Liv.Ai a text to speech based AI company was acquired by Flipkart in 2018</p>	 <p>Haptik chatbot based AI company was acquired by Reliance in 2019</p>
Target				
Acquired by	 <p>Aetlo Tech a blockchain based company was acquired by Page Solutions in 2018</p>	 <p>PhotograpAi an image analytics AI company was acquired by ZestMoney in 2018</p>	 <p>Tapzo a personal assistant platform was acquired by Amazon in 2018</p>	 <p>Kint.io a video based AI company was acquired by Amazon in 2019</p>
Target				
Acquired by	 <p>Cube26 a gesture recognition AI company was acquired by Paytm in 2018</p>	 <p>Kogentix a big data company was acquired by Accenture in 2018</p>	 <p>Sigmoid Analytics big data company was acquired by Google in 2018</p>	 <p>Int.AI a data analytics company was acquired by Walmart Labs in 2018</p>

Source: Economic Times, Crunchbase

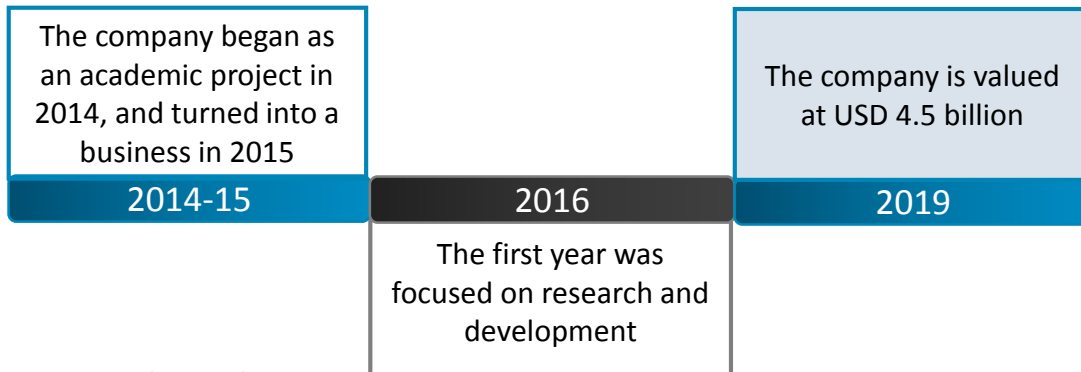
GLOBAL SUCCESS STORY



Company Description

- SenseTime is the world's most valuable AI company.
- The company has a client portfolio of more than 700 companies, such as Qualcomm, Honda, Alibaba.
- Their AI technology has been deployed in healthcare, finance, online entertainment, education, retail, security, smart cities, smart phones.
- The company major focus area is surveillance and security

Journey so far



Source: Company website, Forbes

Headquarters



Funding



Technology developed by SenseTime

- Face and body analysis
- Identifying and tracking of 3 dimensional/plane objects
- Accurate identification of clothing in pictures, videos
- Robotic automation, AI for vehicles
- Extracting information from videos such as type and brand of clothing, increasing the resolution of videos and images
- Medical image analysis

Major funding details

Round	Funds Raised (USD mn)	Lead by	Date
Series D	1,000	SoftBank	September, 2018
Series C	620	Fidelity International	May, 2018
Series C	600	Alibaba Group	April, 2018
Series B	410	CDH investments	July, 2017
Series A	10	StarVC	November, 2015

WHAT AI CENTRIC TECH INVESTORS SAY ABOUT THIS SPACE?



“There has been significant progress made by large companies like Google, IBM and Microsoft to build robust AI platforms. So now it makes more sense to leverage these AI platforms to come up with vertical applications. Today, most startups should focus on vertical solutions which require business specialization, identify problems/opportunities in their domain which can be solved through Artificial Intelligence.

As demands for AI computing rise exponentially we will see disruption in the computing hardware. Evolution of Software & Hardware industry follows a lead-lag curve in every 5-10 years. There are two main factors regarding AI which will give rise to disruption in the hardware industry. Firstly, with the increase in AI computing, there will be a need to create AI-based efficient & powerful AI hardware. Secondly, due to the emergence of Edge Computing, there will be an increase in applications for AI on the edge.

We believe that AI will play a big role in solving India specific problems. For example, Vernacular Languages. Many big companies have built deep expertise in speech-to-text and text-to-speech for English & one major local language but Indian Startups will start building AI models for multiple different regional languages”



“We believe that the use cases prevalent and being discussed in the industry are just the tip of the iceberg. As companies start incorporating AI and ML in their product/growth strategy, wider use cases will emerge.

Some sectors where AI/ML may have not been explored to their full potential include supply chain & logistics, healthcare, retail and BFSI.

Though countries like China, Israel and USA are ahead in terms of building products incorporating AI and ML (sectors like robotics, enterprise software), India is steadily catching up both in terms of the talent pool quality as well as the founder background in building tech products.”



“We see that most of the AI-based startups are catering to B2B spaces and particular use cases in which enterprise tech is the leading segment followed by healthcare and fin-tech. AI has a lot of growth potential as we do not see any company that is built on AI and has scaled. Hence, we expect a lot of investments in this space for the coming years.

When we invest in a company in AI we look at 3 factors: Team which is given the highest weight should be highly skilled in technology, Product that should be difficult to replicate, and the Market.

When compared with the US, the lack of funds for product development is what puts India at a disadvantage, but in the US, the government is strict about the private data usage, and a few large companies employ the majority of the AI specialists creating a scarcity of talent pool for smaller companies.”



“AI is disrupting every industry in which it is entering, Specially in Healthcare, Fin-Tech, Enterprise tech. Even the business model of a tech company has evolved to AI being the core operations from a side business.

We invest in very early stages of a company, so we do not look at revenue traction, we consider the application of AI which should add a significant value to the customer, the market to which the company is catering, the team that is to be highly skilled in core AI, and lastly the technology developed should be patentable in the future.

We do expect an uptrend in the AI sector in US, China, and India, but there is a higher penetration of AI in US and China when compared with India where AI is yet to reach many verticals, and the market is mature in US and China, where the volume of funding, follow on rounds, value, exits if not more would be at least 10X of India.”

OUR CONCLUDING REMARKS

- ❑ Till 2018, the startups who have been applying AI to verticals such as Finance, Supply chain, Healthcare and Energy got high funding from the leading VC firms. Also, deep tech AI startups in Automaton, Enterprise AI, and Big data are getting good interest from the Valley Investors.
- ❑ In 2018, the most attractive funding stage was Series A that received the highest funding proportion of 38.2% followed by Seed funding (28.6%) followed by Series B (19.1%). Though, big deals happened at later stages but early & seed stage startups fetched the greater amount of funding. Considering the fact that India is a big market & still lots of things are to be digitized, a lot more funding can happen at early & seed stage. Though, we can expect little spike in Series B onwards rounds also.
- ❑ Year 2018 witnessed couple of strategic M&A deals also. Majority of the acquisitions were carried out by conglomerates or well funded companies like Reliance, Swiggy, PayTM, Flipkart, Oyo etc. to smooth line their operations or make an enter into different verticals. We can expect more strategic investment/M&A transactions in coming years by big players.
- ❑ In 2018, Bangalore receiving the most funding at USD 113 Mn followed by Chennai at USD 35 Mn, followed by Gurgaon at USD 29.5 Mn, followed by Mumbai at USD 6 Mn and Delhi at USD 1.7 Mn. Considering, Bangalore being the hub of tech companies & tech focused Investors, we can expect more emerging AI startups from the region & more funding to early stage tech startups in coming years.
- ❑ We believe that the funding in the sector will also witness participation by investors outside of India specially from US, China & Japan based VCs because of their development of understanding on tech companies & successfully creating lots of successful companies in last 5-8 years like, Sensetime, Palantir, Vacasa, etc.
- ❑ We also expect the scarcity of skilled personnel in AI sector in India to increase over the coming years inspite of increase in the supply of skilled personnel; the demand will still outmatch it.

ABOUT TRANSJOVAN CAPITAL

TRANSJOVAN CAPITAL is a premier new-age Board Advisory firm, focused on providing advice to clients pertaining to Corporate Strategy, Mergers & Acquisitions (M&A), Joint Ventures (JV), Capital-raising (Equity & Debt) and Organization Development.

With offices in New Delhi and Mumbai, the Firm is a preferred Board-advisor to emerging as well as established corporates. The Firm's team has advised clients spread across SMEs, large Indian Conglomerates, Institutional Investors, Fortune 500 Corporations, Government Authorities and New Ventures.

The Firm has received top industry recognition, some of them being:

'Fastest growing BFSI Companies in India' - 2016

'Most Promising M&A Advisory Companies in India' - 2015

'Most Promising Financial Consulting Companies in India' - 2014

Select Team Credentials:

- ✓ Advised on 100+ assignments for clients in the areas of corporate strategy and finance.
- ✓ Collective deal experience of USD 1+ Bn in the transaction advisory space.
- ✓ Access to 200+ PE/VC/Corporate investors
- ✓ Advised 4 of the top 10 largest Indian conglomerates in the areas of M&A advisory and business strategy.
- ✓ Advised across various geographies in India (i.e., Metros, Tier-II & Tier-III locations, etc.).
- ✓ Advised on India entry strategy and JV advisory to various MNCs.
- ✓ Extensive relationships with major Financial Institutions, Private Equity funds and various Institutional Investors - in India and globally.

For more info about the company, you may refer to: <http://www.transjovancap.com>

For any business inquiries, you may email at: info@transjovancap.com

Contact Us

TRANSJOVAN CAPITAL ADVISORS LLP
Level-2, Elegance Tower
Mathura Road
Jasola
New Delhi – 110 025
India
Website: www.transjovancap.com
Ph: 1800 102 5700

Transaction Team:

Should you require any clarifications, do feel free to get in touch with:

Gaurav Asthana	Managing Partner	gaurava@transjovancap.com
Bharat Mishra	Associate Vice President	bharatm@transjovancap.com
Rachit Kapoor	Associate	rachitk@transjovancap.com
Ananya Ranka	Analyst	ananyak@transjovancap.com