



Next Wave for Enterprise SaaS in India

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TRANSJOVAN CAPITAL
BOARD ADVISORY | CORPORATE FINANCE | STRATEGY

ACKNOWLEDGEMENTS

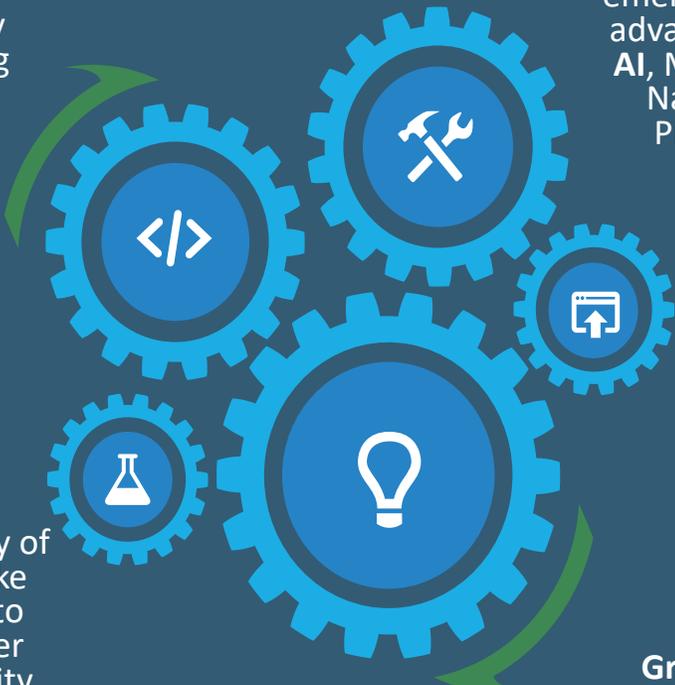
We deeply thank the following investors and partners for their counsel and thought partnership:



TRENDS & MARKET GROWTH IN THE INDIAN SAAS MARKET

DRIVERS OF GROWTH

Wider adoption by large enterprises shifting from legacy systems and moving from manual processes towards digitalization



The combinatorial power of other emerging technological advancements such as AI, Machine Learning, Natural Language Processing & IoT

Significantly lower-cost structure, depth and abundance of engineering talent and effective customer service

With the availability of cloud platforms like AWS, and access to better and cheaper internet connectivity, building new SaaS applications has become affordable

Greater requirement for tailored solutions to fulfill the needs of SMB's, (often underserved by tech)

	6 Years Ago	Currently
# of SaaS start-ups	3,000	10,000+
# of Annual Venture Rounds	< 50	150+
# of companies with Late-Stage funding (p.a.)	~ 10	40+
# Start-ups reaching \$20-\$50 Mn ARR	2-3	15-20

Seven out of India's 29 unicorns are in the SaaS business, with 6 having emerged in 2020

These trends have led to salience of world-class products built and managed by Indian founders across the globe, who are now serving large global bases. For instance, Freshworks has over 200K clients and Kissflow has expanded to over 150+ countries

GEOGRAPHICAL PRESENCE MATRIX

Domestic: Up to 2 Countries



Vertical



Horizontal



International: More than 2 countries

Majority of International Presence of Indian-SaaS companies is across US, Canada and Australia

WAVE 1 – HORIZONTAL BUSINESS PRODUCTS TARGETING SMBs GLOBALLY



Founder: Sridhar Vembu

Inception: 1996 (as AdventNet)

Focus: Software Development/ Cloud-Computing/ CRM

Valuation: Over \$1 Bn

Revenue in 2020: \$590 Mn



Founder: Manohar Chapalamadugu (2012)

Focus: Sales and Marketing/ CRM solution for SMBs

Total Raised: NA

Leveraged India's cost and talent advantage to target global small and medium-sized businesses (SMBs)

Description

- Rise of horizontal solutions, primarily ERP or CRM related
- Targeting global SMBs using cost arbitrage and benefiting from strong customer service talent



Founder: Krish Subramanian

Inception: 2011

Focus: Subscription & Billing

Funding Raised: \$105 Mn (Series F)

Enablers

- Indian information technology (IT) giants (TCS, Infosys) developing customer service and engineering talent
- Setup of India operations by big tech companies (Google, Microsoft), gradual return of trained product managers



Founder: Girish Mathrubootham

Inception: 2010

Focus: Cloud-based suite for customer and employee engagement

Total Raised: \$400 Mn

Founder: Sudheer Koneru

Inception: 2011

Focus: SaaS Platform for Spas and Salons

Total Raised: \$251 Mn

Last Funding Round/ Type: \$160 million (Series D)

Total Raised: \$250 million



Founder: Karthik Bettadapura

Focus: Consumer/ Retailers

Total Raised: Undisclosed (Series A)



Founder: Nishith Rastogi

Inception: 2015

Focus: SaaS Platform for Smart Logistics

Last Funding Round/ Type: \$22 Mn (Series B)

Total Raised: \$29 Mn

WAVE 2 - VERTICAL SAAS BUSINESSES DISRUPTING UNDERSERVED MARKETS

Gradually, start-ups started penetrating in certain sectors, such as logistics and e-commerce, and began to take some form and market base in the industry

Description

- Companies disrupting underserved markets and verticals by replacing legacy processes

Enablers

- Rise of public cloud with entry and growth of Amazon Web Services, Google Cloud Platform and Azure



Founder: Abhinav Shashank

Inception: 2014

Focus: SaaS Platform for Big Data Healthcare

Last Funding Round/ Type: \$105 Mn (Series D)

Total Raised: \$225 Mn

WAVE 3: BROAD-BASED HORIZONTAL AND VERTICAL SOLUTIONS SERVING ENTERPRISES



Founder: Abhinav Asthana

Inception: 2014

Focus: API Development Tool

Last Funding Round/ Type: \$150 Mn (Series C)

Total Raised: \$208 Mn



yellowmessenger

CEO: Raghu Ravinutala

Focus: Omnichannel conversational AI tool

Total Raised: \$24 Mn (Series B)



Founder: Rohit Choudhary

Inception: 2018

Focus: Observability tools/ data management

Last Funding Round/ Type: \$8.5 Mn (Series A)

Total Raised: \$10.6 Mn



Founders: Tanmai Gopal

Inception: 2017

Focus: Real-time GraphQL APIs

Last Funding Round/ Type: \$25 Mn (Series B)

Total Raised: \$36.5 Mn

Even though Horizontal and Vertical penetration formed the core of the industry, several different archetypes of Indian SaaS companies have emerged in the last 5 years.

Description

- SaaS companies witnessing bottom-up adoption within enterprises and catering to infrastructure and application-layer driven verticals
- Building category leadership in emerging tech (e.g., APIs, GraphQL, cybersecurity)

Enablers

- Rise of trained SaaS talent from Wave 1 and Wave 2 SaaS companies
- Development of ecosystem and better access to capital

FUNDING OUTLOOK

Deals count in the Indian SaaS industry went up from just 24 in 2009 to 169 in 2019 with investment sizes hitting the high mark in 2019. The number of SaaS companies drawing Series C or later stage capital has quadrupled, representing significant traction. Indian SaaS firms are expected to record \$18-20 billion in revenue by 2022.

Increased large-scale investment is due to:



Successful Exits

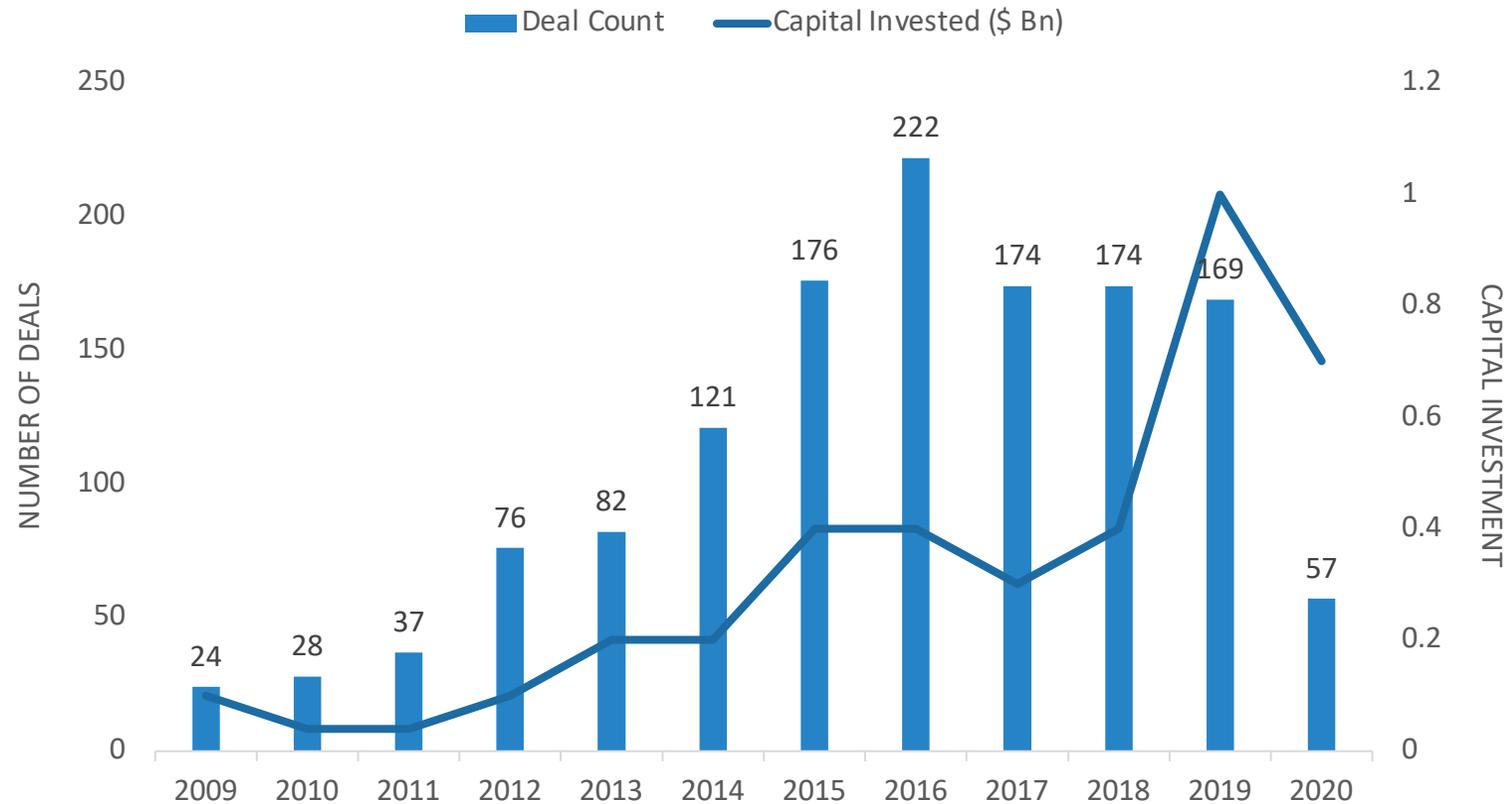


Quick Turnaround Time



Industry's Fast growth

VC INVESTMENT (2009 - 2020)



Essentially, as the global industry adapts to a post-Covid world defined by rapid digital adoption and heightened cost-consciousness, Indian SaaS companies are poised for titanic growth in the coming years

RECENT VC FUNDING

Date	Funding Stage	Company	Location	Type	Investor	Investment
11/06/2020	Series C Funding	Postman	San Francisco, US	Horizontal - API Development SaaS Platform	Insight Partners	\$150M
27/07/2020	Series H Funding	Freshworks	Chennai, India	Horizontal - SaaS Platform	Sequoia Capital, Capital AG, Accel	\$85M
15/12/2020	Series D Funding	Zenoti	Hyderabad, India	Vertical - Beauty and Wellness SaaS	Advent International, Tiger Global, Steadview Partners	\$160M
12/03/2021	Series F Funding	Icertris	Pune, India	Vertical - Management enterprise SaaS	B Capital Group	\$80M
31/03/2021	Series D Funding	Uniphore	Chennai, India	AI SAAS platform	Sorensen Capital Partners, Serena Capital and Sanabil Investments	\$140M
24/03/2021	Pre-Series A	Rupifi	Bangalore, India	SaaS B2B Commerce Transaction- linked credit	Quona Capital, Ankur Capital	\$4.1M
07/04/2021	Series E Funding	PharmEasy	Mumbai, India	Vertical - SaaS solutions for pharmacies	Prosus Ventures and TPG Growth	\$350M
20/04/2021	Series D Funding*	Whatfix	Bangalore, India	Digital Adoption - SaaS	SoftBank Vision Fund II	\$80- 90M
20/04/2021	Series G Funding	Chargebee	Chennai, India	Billing/ Subscription/ Revenue Operations SAAS platform	Sapphire Ventures, Tiger Global, Insight Venture Partners	\$125M
27/04/2021	Series C Funding	CareStack	Thiruvananthapuram and Florida-based	Cloud Dental SaaS Platform	Steadview Capital, Delta Dental of California, Accel Partners, Eight Roads and F-Prime Capital	\$22.5M
24/05/2021	Series D Funding	Zeta	Bangalore, India	Omni Stack for Modern Financial Institutions	Softbank, Sodexo	\$250M

*Transaction in process

TCAL Analysis on Capital Infusion

Investing in product design and engineering around the world; aims to become the single provider for API

Creating a more cohesive SaaS platform for all key business verticals —sales, support and customer success.

Expanding to additional categories such as grooming - serving gyms and fitness centres.

Expanding its geographic footprint and partner network, in addition to investments in product development

Extending technology and market leadership in AI, Automation and Machine learning across the enterprise.

Expanding its product offerings, partnerships and scaling its team

Deepening its market engagement to over 100K pharmacies and 20M patients and increasing services

Considering making its second SaaS investment in the Indian SaaS market in a growing digital adoption platform

Expanding its suite of products and work on new capabilities to help enterprises in even more ways.

Expanding its operations, double its team size and grow its annual revenue by four times

To expand to financial institutions across the world with its current existing partnerships globally

RECENT M&A DEALS AROSS THE INDIAN SAAS SECTOR

	20 th March'21	23 rd Feb'21	09 th July'20	9 th June'20
Acquirer/ Investor	 KhataBook	 DeHaat Seeds to Market	 freshworks	 BrowserStack
Acquired Fully / Minority Stake	 Biz Analyst	 FarmGuide	 flint	 percy
Deal Value	\$10 Mn	Undisclosed	Undisclosed	Undisclosed
TCAL Analysis on Synergy Created	Will provide Khatabook's MSME's customer base of over 10 million monthly active merchants an opportunity to scale up their businesses by utilizing premium value-added services offered by Biz Analyst	FarmGuide's SaaS-based platform provide data-driven crop advisory to farmers based on satellite imagery. This acquisition will help DeHaat, one of the fastest growing Agri-Tech start-ups, build a full stack platform for agribusiness.	Freshworks further bolstered its IT services portfolio as this buyout enables it to provide greater visibility for IT teams to better manage hybrid infrastructure, optimize spend and automate employee workflows.	By acquiring this 5-year-old start-up, BrowserStack expanded its product suite to automating visual testing for applications.

Leapfrogging into the next phase of growth

INVESTORS' OUTLOOK



“The Indian market has come in leaps and bounds, from horizontal and vertical SaaS dominating the ground for the larger part to **new gambits such as infrastructure, productivity and application-driven models** gaining more traction in recent years. Indian SaaS still seems nascent as a market when it comes to vertical penetration – a range of sectors are still growing, and we expect more fintech, e-commerce and logistics solutions to evolve.

As a B2B early-stage fund, we look for models that showcase **strong demand aggregation**. Amongst other factors, we look for **visionary teams** who can time their **market entry** and capture the **user sentiment** well. Apart from our previous investments such as **‘ShiedSquare’** (acquired by Radware) and **‘Darwinbox’**, some of our recent investments, such as **‘Qapita’**, demonstrate our commitment towards accelerating the growth of the founders we believe in. The Indian SaaS market is bound to escalate with its scale velocity as the valuation of current start-ups are going to surge.”

“We are seeing horizontal-SaaS models play a more a dominant role in the market as they are expanding their offerings. In terms of the M&A landscape, we are seeing mature players looking to consolidate to **expand their horizontal coverage**. There has been an influx of capital and a massive increase in valuation of start-ups, which shows that the definition of the ‘mid-market’ is shifting as SaaS models are starting to mature earlier.

As a sector-agnostic fund, we have backed early-stage models driven by the marketplace. We have largely focused on scaling ecosystem, with a majority of seed and pre-Series A funding rounds focused on early-stage and growing targets. Our investment approach has been driven by factors such as **‘product reach’ and ‘pricing’**. We are expecting newer frameworks and solutions to emerge in the coming years that can drive better decision-making and improve productivity across multiple focus areas.”

“We’ve seen a slew of acquisitions (50+) in 2019 and 2020 by larger Enterprise SaaS companies across segments. A clear trend we’ve seen is that Vertical SaaS companies have mainly **acquired companies for adding “depth” / IP to their product**. Whereas Horizontal SaaS companies have made acquisitions primarily for **adding “width” to their product** suite by adding complimentary solutions via upstreaming / down streaming integrations. We expect this trend to continue, whereby large volume of **small acquisitions will take place to increase capabilities and coverage**.

From CSVP Fund-I, we are pre-dominantly investing in India and Singapore with a focus towards **enabling these companies to enter new geographies**. We measure these subscription-based business models by their scalability, efficiency, and retentivity. Going forward, we see a strong adoption of Serviced SaaS models and most likely catching up to the hyper-growth rates of Self-serve SaaS over the next few quarters.”

PREFERENCE CRITERIA FOR FUNDING

Fund-raising is another important focus area for founders. Drawing upon our research and active interactions with the VCs in the SaaS Enterprise space, there are a range of characteristics that are critical for founders looking to pitch:



Play in a large and growing market, with a strong consumer sentiment and a well-defined target market



Have a clear right to win with a sharp thesis on differentiation – product-led, distribution-led or pricing-led



Design a strong business model that ties revenue expansion to customer growth



Have a capable founding team with complementary skill sets



Demonstrate a clear understanding of critical assumptions and challenges behind the expansion plan



In mid/ late stages, have a strong LTV/CAC ratio and a growing NRR & conversion rate, while a churn rate at the low end are all preferable

These winning characteristics vary based on the geography and scale of the target customer segment. To cater to global SMBs, it is critical to have an inside sales edge and an effective self-serve model. To serve enterprises effectively, it is important to build a robust enterprise sales engine with the right coverage plan and a focus on prompt customer service.

CONCLUDING REMARKS

- With distinct competitive advantages enhanced by a level playing field around the world, Indian- heritage SaaS companies are well poised to reach \$18 billion to \$20 billion in revenue and capture 7% to 9% share of the global SaaS market by 2022. India now has a thriving ecosystem of enablers comprising domestic and global SaaS investors, with over a hundred SaaS angels with four or more investments, incubators and accelerators.
- Most SaaS giants have been sleek, industry-agnostic platforms designed in a consumer-oriented way. The likes of Freshworks created an entrepreneurship cascade of more than 25 companies.
- The next wave of adoption has been specialized organizations using SaaS products in verticals like healthcare and logistics. Our research indicates that future growth will be driven by vertically focused SaaS companies that can build products unique to specific industries, which remain untapped.
- The boom in API (Postman/Setu), productivity and infrastructure management (Hasura/ LambdaTest) business models will continue to proliferate.
- Intelligent automation of business processes, such as those seen in 'Yellow Messenger' and 'Vernacular.ai', are expected close larger, global-sized contracts by targeting marquee customers in the Indian market and this theme is expected to become more salient going forward.
- Amongst other factors, SaaS companies looking to raise funding should exhibit a differentiated product vision in a well-defined market, with clear pricing and GTM approach and a strong focus on customer success and growth metrics.

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>

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