

Indian Tech Start-Ups Continue Focus on Improving Business Fundamentals And Profitability Despite A Weathered 2023 – nasscom Zinnov Indian Tech Start-Up Landscape Report 2023

New Delhi, January 04, 2024: nasscom in collaboration with Zinnov released the key findings of the Indian tech start-up ecosystem in its report titled, **Weathering The Challenges – The Indian Tech Start-up Landscape Report 2023** today. India remains the third largest tech start-up ecosystem globally, with over 950 tech start-ups founded in 2023, contributing to a total of more than 31,000 tech start-ups in the last 10 years. The cumulative funding for these tech start-ups from 2019 to 2023 has exceeded USD 70 billion.

Despite facing global challenges in 2023, including valuation issues, few IPOs, regulatory changes, and macroeconomic and geopolitical trends, Indian tech start-ups remained dedicated to enhancing their business fundamentals, profitability, and revenue pipeline through efficient sales strategies. According to the nasscom-Zinnov Tech Start-up Survey-2023, about 60% start-up founders reported increased revenue and profitability in 2023. Notably, a significant portion of unfunded tech start-up founders anticipate higher revenues in 2024 compared to their funded counterparts.

The use of Deep technologies is increasingly becoming mainstream. Indian start-ups are leveraging DeepTech to improve organization efficiency (59% of the surveyed tech start-ups), reduce operational costs (52% of the surveyed tech start-up), and automate internal operations (41% of the surveyed tech start-up).

Democratization of Tech in 2023 has led the Indian tech start-ups to diversify into Tier II and Tier III locations. The share of tech start-ups established in emerging hubs rose to 40% in 2023 reaffirming the depth of India's start-up proliferation. Business model innovations in core sectors witnessed improvement in the last 12 months; sectors such as Automotive, Industrial, and Manufacturing recorded stability with an increase in share of funding as compared to other sectors.

Despite the news on layoffs dominating the start-up sector in 2023, as per the survey of over 100 start-up founders, over 65% of them have done moderate hiring in 2023.

Trends that will shape 2024

As the Indian start-up landscape unfolds in 2024, opportunities and risks of the global environment will continue to create a shadow. Overcoming challenges, the ecosystem is likely to see improvement in funding,

Key 2023 Highlights:

- 950+ tech start-ups added
- 750+ Start-ups Funded; \$6 Billion Equity Funding; 72% of all funding in 2023 were seed-stage deals vis-à-vis 64% in 2022
- \$500+ Million DeepTech Funding
- Deal volumes at 824, down by 48% over last year
- Significant decline in late-stage funding owing to valuation cuts and shift in focus towards profitability
- Cash flow issues, funding availability and low customer demand – top 3 challenges by start-up founders.

2024 Outlook¹

- Growth - Over 60% of founders expect increase in revenues.
- Funding - 46% of founders expect a better funding environment in 2024. Late-stage investments may lag.
- DeepTech – 70% startups are investing in AI to enhance product capabilities and internal efficiencies.
- Talent - Jobs demand is likely to improve, majority taking a cautious approach to hiring.

¹ Based on nasscom-Zinnov Tech Start-up Survey 2023

impending IPOs taking place, and innovation across disruptive technologies and key sectors. Navigating 2024, tech Start-up founders expect to continue the revenue growth path with measured steps focusing on optimizing expenditure and maximizing profitability for B2B tech start-ups.

Investments in DeepTech will continue an upward trend in 2024. With Gen AI acceleration, 70% of start-up founders are embedding Artificial Intelligence in their solutions.

Sharing her thoughts on the tech start-up ecosystem in India, **Debjani Ghosh, President nasscom said**, “In 2023, despite facing global economic and regulatory challenges, Indian tech start-ups have prioritised the imperative of enhancing their business fundamentals, driving profitability and growth. India’s tech startup ecosystem has truly matured attracting more than USD 70 billion in cumulative funding between 2019 to 2023. This growth is now anchored in a strategic shift towards improving business metrics and revenue streams. DeepTech, a key innovation driver, accounts for just 14% of this funding, and needs an exponential acceleration to build India’s DeepTech ecosystem. The proliferation of tech start-ups in tier-II and III cities marks the ecosystem's resilience”.

[Pari Natarajan](#), CEO at [Zinnov](#), reflected, “Despite funding headwinds – including valuation corrections, selective capital allocation, and regulatory changes- India’s tech start-up ecosystem continues to grow at an impressive clip. 2023 saw the launch of 950+ new tech start-ups, bringing the total to over 31,000. The noteworthy expansion isn't just numerical; it signifies a resilient adaptation to macro-economic, business and technology changes. DeepTech, a burgeoning sector, is gaining prominence, and tier-II/III cities are transforming into new innovation hubs, decentralizing the start-up landscape. The India start-up story is no longer about just scale and innovation but also efficiency and adaptability - all building blocks of sustainable value.”

Recommendations

As AI acceleration has taken centre stage, a strategic focus on developing the DeepTech ecosystem is crucial. This includes identifying key sectors for DeepTech investment, fostering an integrated approach for innovation, market connections, and support in areas like testing, patent filing, certifications, and training. Prioritizing domestic capital through initiatives that nurture innovation, alongside co-investment programs, will bolster domestic VCs. Additionally, easing regulatory compliance by guiding start-ups through legislation like the DPDP bill, Angel tax, and adopting a pro-innovation, risk-based approach to AI regulation is essential.

About nasscom

nasscom represents the voice of the \$245 billion technology industry in India with the vision to establish the nation as the world’s leading technology ecosystem. Boasting a diverse and influential community of over 3000 member companies our network spans the entire spectrum of the industry from DeepTech and AI start-ups to multinationals and from products to services, Global Capability Centres to Engineering firms. Guided by our vision, our strategic imperatives are to accelerate skilling at scale for future-ready talent, strengthen the innovation quotient across industry verticals, create new market opportunities - both international and domestic, drive policy advocacy to advance innovation and ease of doing business, and build the industry narrative with a focus on Trust, and Innovation. And, in everything we do, we will continue to champion the need for diversity and equal opportunity.

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About Zinnov

Founded in 2002, Zinnov is a leading global management consulting and strategy advisory firm, with a presence in 10 global locations including Santa Clara, Houston, New York, Paris, Seattle, Gurgaon, Bangalore, Hyderabad, and Pune. In the last 20+ years, Zinnov has worked closely with Global Enterprises and Fortune 2000 companies across their value creation journeys and helped them develop actionable insights – across revenue, talent, innovation, scale, and optimization.

With core expertise in Innovation, Globalization Excellence, Product Engineering, Digital Transformation, and Outsourcing Advisory, Zinnov enables global companies to identify, accelerate, and outline a nuanced innovation strategy that is aligned with business priorities, yet agile enough to adapt to market signals. By leveraging custom innovation frameworks, maturity models, and playbooks, we help the world's leading businesses to unleash their innovation potential, to shape not just today, but define tomorrow.

Zinnov also enables companies to develop and optimize a global engineering footprint through center setups, and technology and functional Centers of Excellence (COEs), portfolio optimization, partnerships, and real-time data and insights – through its unique GCoE Accelerator Program (GAP) offering. This multi-lever approach helps Zinnov's customers be a part of an immersive and highly networked model, enabling them to achieve higher R&D efficiencies, innovation, and productivity. The company's expertise also extends to advising global PE firms in asset shortlisting and target evaluation, due diligence, and value creation, especially for their portfolio companies through a globalization lens.

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