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EMERGING TRENDS & PERSPECTIVES

# Indian VC Survey 2025




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# Funding Trends

India's startup funding ecosystem has witnessed dramatic shifts over the past three to four years, undergoing what some investors might call a 'full market cycle'. The post-pandemic euphoria of 2021 fueled record-breaking investments, followed by sharp corrections in 2022 and a funding downturn in 2023. However, 2024 signaled a turning point, with signs of recovery offering relief to startup founders. Early data from 2025 appears promising, reinforcing the momentum that marked the end of 2024.

| Year | Funding Trend | Key Sectors | Activity |
|---|---|---|---|
| 2022 | $25.7B VC funding, 🔴 -33% YoY, as macro tightening and geopolitical risk weighed on risk capital. | Consumer tech, edtech, and D2C faced corrections. Fintech remained relatively stable, led by late-stage resilience. | Cautious pivot to early-stage deals; sharp decline in growth capital; investor selectivity rose. |
| 2023 | $9.6B VC funding, 🔴 -65% YoY drop, lowest in the cycle. Corrections deepened across most sectors. | Fintech impacted by regulatory headwinds; SaaS and core B2B held ground; capital shifted toward profitability. | Flight to quality; fewer but cleaner deals; late-stage nearly froze. |
| 2024 | $13.7B VC funding, 🟢 +43% YoY recovery. Market began to stabilize with renewed activity in growth-stage deals. | Consumer tech rebounded ($5.4B+), followed by SaaS and fintech. Quick commerce saw selective investor interest. | Sentiment rebounded, especially among domestic funds; uptick in Series A-B activity. |
| 2025 YTD | Early signs of sustained momentum - Q1 tracking higher than prior year. Investors returning across stages. | AI infra, vertical SaaS, deeptech, and profitable consumer brands gaining traction. | More distributed activity across pre-seed to growth stages; sector-specific conviction re-emerging. |

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# A cautious start to 2025

Early data from Q1 2025 signals a shift toward quality over quantity in India's startup funding landscape. While over $3.2B has been deployed YTD, capital is now flowing selectively - concentrated in AI, fintech, deeptech, and D2C, with increasing strategic and secondary activity. Early-stage funding has rebounded, driven by founder-led syndicates and sector-focused micro-VCs, but deal scrutiny is higher and cheque sizes leaner. Large growth rounds - like Meesho and Zolve - are limited to scale-ready or pre-IPO players, often backed by global investors.

**Key Trends:**

- AI and deeptech dominate with infra and enterprise use cases gaining traction
- Strategic and secondary funding account for >20% of capital deployed
- Late-stage funding is selective, with valuation rationalization ongoing
- Climate tech and robotics emerging as breakout themes for H2 2025

Outlook for the year remains cautiously optimistic, shaped by structural discipline, thematic precision, and a flight to defensibility.

**Sectors gaining momentum based on Q1 funding data**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| AI & Deeptech | 25+ | Fintech | 20+ | D2C & Consumer Brands | 30+ | Healthcare | 15+ |
| Food/Agritech | 10+ | Climate-tech | 12+ | SaaS & Enterprise Tech | 20+ | Robotics & Manufacturing | 10+ |

Early bets on hardtech and robotics indicate a rising interest in frontier tech, though funding remains fragmented and largely pre-commercial.

Astrogate LABS · OrbitAID · ANSCER ROBOTICS

Enterprise tech saw diverse interest; from research analytics to security and DevOps. Global scalability and capital efficiency remain central theses.

Bridgetown Research · TECHNODYSIS TRANSFORMATIVE TECHNOLOGY

MaxIQ · asper · EnCharge AI

From AI chips to applied agentic platforms capital is flowing toward foundational infrastructure and applied AI.

Health-conscious and clean-label brands are securing growth rounds, indicating a pivot to margin-led consumer models.

whole The Truth · NOTO · foxtale

Climate and energy plays are attracting mid-stage capital, as investor interest expands into hardware-driven decarbonization.

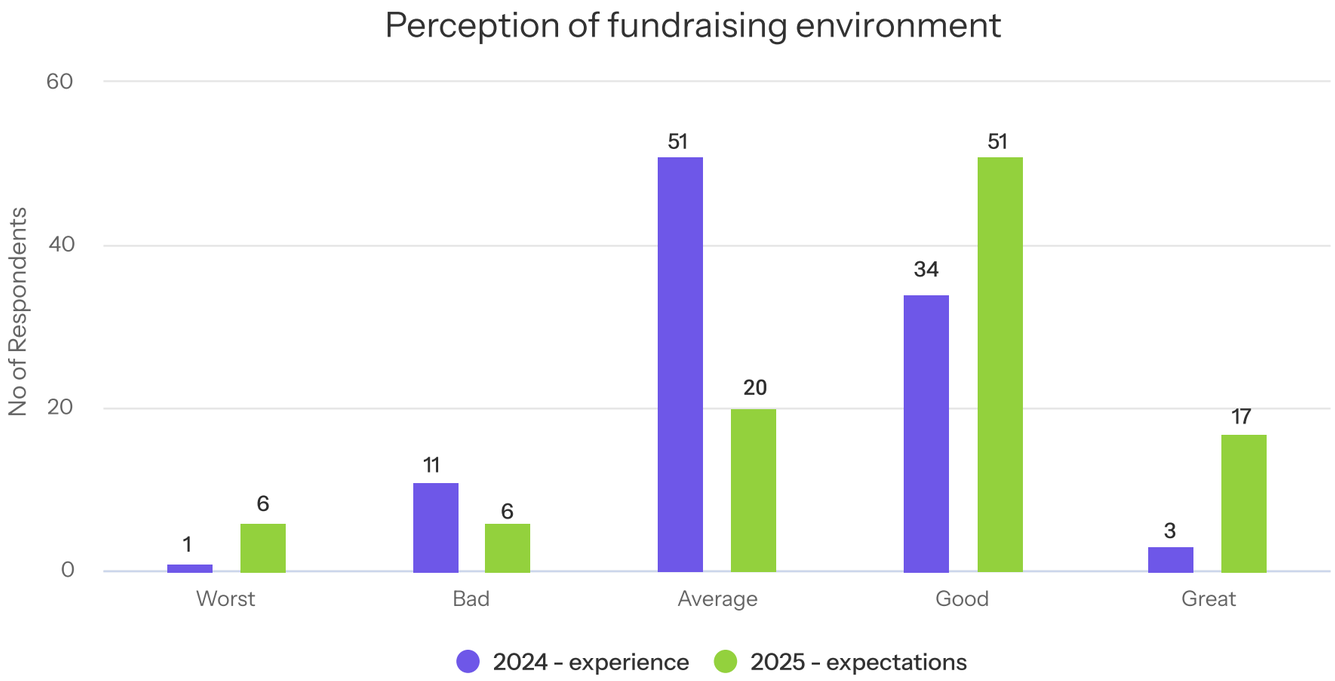
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# Perception of the fundraising environment






As per the survey conducted, the fundraising environment for Indian startups in 2024 was seen as average, with 68% of investors anticipating some level of improvement in 2025; 51% expect slight improvement, and 17% foresee stronger recovery. However, 12% of VCs predict a downturn.

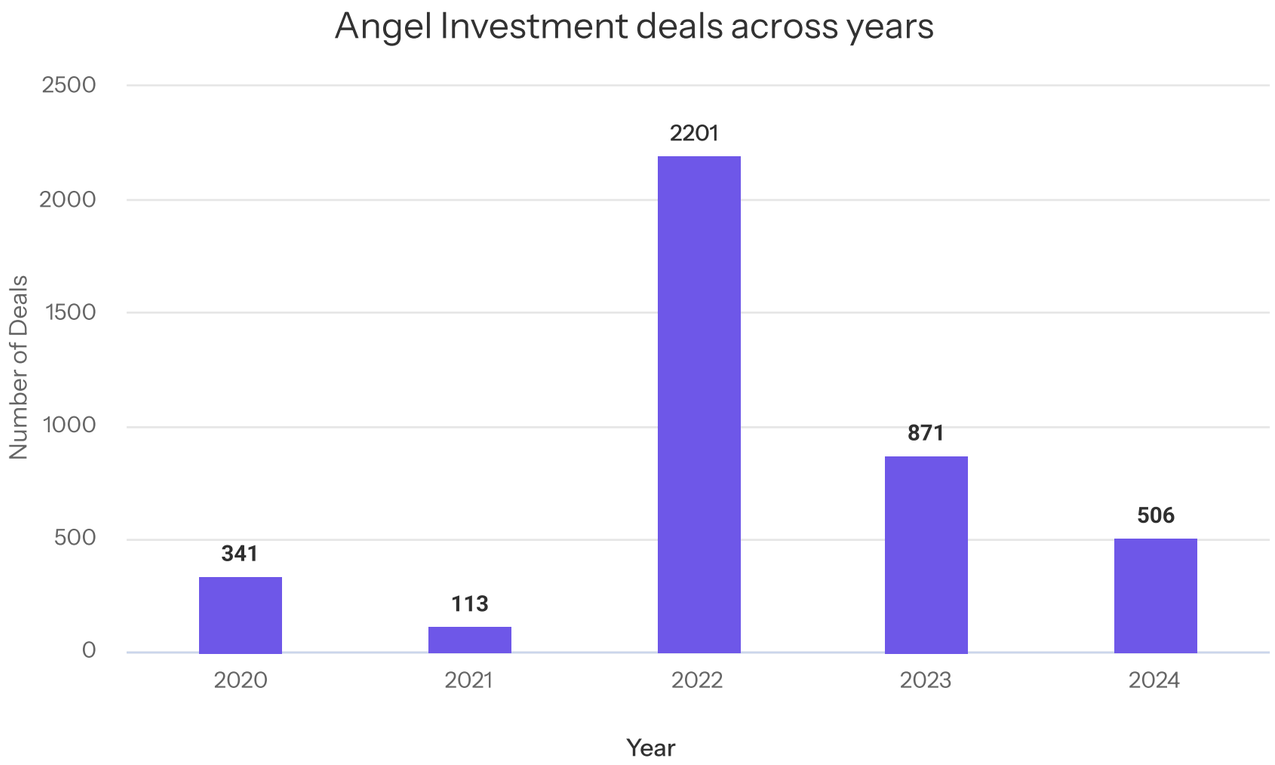
Challenges for Indian startups in 2025 stem from global economic slowdown, rising interest rates, and geopolitical instability, which have led to a more risk-averse investor sentiment. Additionally, protectionist policies are limiting market access and increasing costs.

Looking ahead, there is cautious optimism. Key sectors like AI, deep tech, climate tech, fintech, and healthcare are expected to drive growth. With significant dry powder and a ₹10,000 crore Fund of Funds initiative by the government, investor confidence is poised to improve.

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# Downward Trend in Angel Investment Deals




Angel investing should slow down a little in 2025. In 2023, 25% of all early stage capital came from angel investors and this was spread across 60+ Angel platforms and 1,000+ HNIs. Such a marketplace model doesn't provide startups with dedicated, patient capital to grow with value add & mentorship. Moreover, governance and best practices require angel investing & institutional investing to go hand in hand bringing the right balance of both operator driven network as well as institutional practices.



**Pearl Agarwal**
Founder at Eximius Ventures

There's a growing interest amongst investors to back proven founders and revenue generating startups instead of moonshot ideas. Additionally, there's a clear declining trend amongst first-time founders getting adequately funded due to lower cheque sizes from angels & micro-funds. While this slowdown hurts experimentation, it forces startups to build more capital-efficient businesses.



**Abhinav Mahipal**
Investment Associate at Pentathlon Ventures

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# Challenges faced by startups

WHAT INVESTORS THINK

### Profitability is no longer optional

Startups that raised in the ZIRP era (zero interest regime) are being forced to pivot - growth at all costs is out. Investors want real businesses now: operating profit, clear unit economics, and sustainable growth. Founders need to align quickly or risk being left behind.

### Capital is harder, benchmarks are higher

Fundraising expectations have reset. A Series A that used to close at $1M ARR now needs $5M ARR. VCs are more cautious, and startups are navigating a new normal where capital movement is slower and it's more demanding.

### The missing middle in growth capital

Seed money still exists, but the gap is real when it comes to growth and scale. Domestic growth stage capital is limited, and without enough secondary activity or M&A, companies are stalling between Series A and C.

### AI is eating everything

Founders are under pressure to rethink their moats. Everyone's adding AI layers, and those who don't risk becoming irrelevant. But there's also a concern around how AI disrupts legacy models and whether there's real defensibility in commoditized stacks.

### Hiring remains painful

Founders continue to struggle with building high-quality teams. It's harder to attract top talent without the funding cushion of previous years, and compensation alone isn't enough.

### Demand is soft, and it's harder to sell

Consumption growth isn't what it used to be. Startups are facing demand slowdowns and a ceiling on how big certain consumer plays can really get. TAM is being scrutinized more closely.



### Me-too won't cut it anymore

Seed money still exists, but the gap is real when it comes to growth and scale. Domestic growth stage capital is limited, and without enough secondary activity or M&A, companies are stalling between Series A and C.

### Deeptech hasn't cracked follow-ons

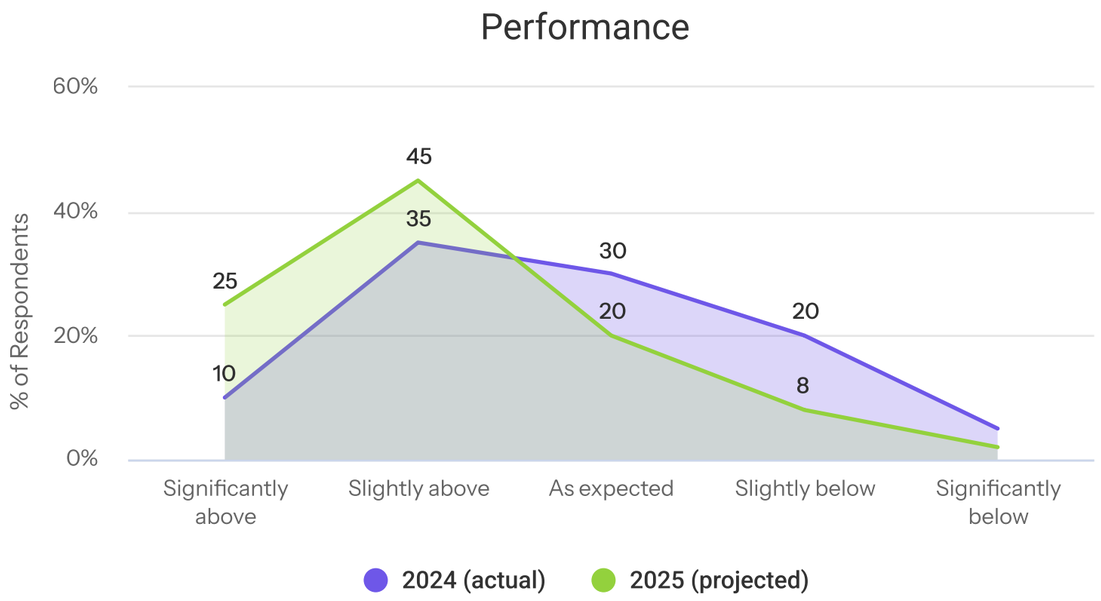
In Deeptech, foreign VCs are still hesitant, and domestic capital hasn't stepped up. Raising a follow-on round here remains one of the toughest asks in the ecosystem.

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# Portfolio Performance

In 2024, 45% of respondents reported their portfolio companies performed above expectations, while 24% saw underperformance. In contrast, 70% now expect their portfolios to outperform in 2025, with 24% projecting significant outperformance - triple the share from last year. Just 8% foresee underperformance. While this signals rising confidence, it's important to note that respondents are by nature forward-leaning and optimistic. The outlook reflects optimism around operational resets, improving capital discipline, and strong momentum in AI, fintech infra, and consumption-led sectors. Still, delivery will be key - expectations have risen faster than evidence, and macro risks and funding cycles remain critical swing factors.




## CHALLENGES FACED BY PORTFOLIO COMPANIES

**~39%**

respondents believe

**Capital Access is the Primary Bottleneck**

**~52%**

respondents believe

**Rising Customer Acquisition Cost (CAC) and Low Retention is a Major Challenge**

**~30%**

respondents believe

**Regulatory and Talent Constraints Continue to Drag**

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# Challenges faced by VC Funds

Survey data reflects a structurally bifurcated risk profile within India's venture capital ecosystem, with constraints concentrated at both ends of the capital stack: exit realization at the top, and fund capital formation at the base.

## MUTED EXIT ENVIRONMENT

The exit environment remains the single most material constraint, cited by over 68% of respondents.

This is a function of suppressed IPO activity, limited secondary market depth, and subdued strategic M&A appetite - all of which have collectively extended holding periods and deferred liquidity realization across fund vintages.

Late-stage funds, in particular, face valuation overhangs stemming from the 2021–22 deployment cycle, with marked-to-market unrealized gains diverging sharply from current market-clearing prices. In several cases, follow-on capital deployment has stalled - not due to lack of conviction, but due to impaired capital structures and unclear exit timing.

## DIFFICULTY FUNDRAISING

There exists is a clear deterioration in fundraising velocity, especially across emerging and sector-specialist funds.

Approximately 45% of respondents identified fundraising the next vehicle and the absence of a reliable domestic LP base as critical impediments.

India's private LP market remains underdeveloped, characterized by shallow ticket sizes, inconsistent re-ups, and low institutionalization. As a result, fund pacing has slowed, reserve strategies have become constrained, and new vehicle formation is increasingly reliant on opportunistic capital rather than programmatic LP relationships.

Fee pressure and rising LP compliance expectations are compounding operational complexity, especially for sub-$100M vehicles.

## PORTFOLIO PERFORMANCE

Portfolio company performance, though not the top-cited issue, is an amplifying factor across both of these challenges mentioned.

Slower-than-expected revenue scale, tightening gross margins, and delayed path-to-profitability narratives are eroding investor confidence in realizability.

Moreover, elevated entry valuations have compressed forward IRRs, limiting follow-on appetite and increasing sensitivity to down-round optics.

While macro volatility, geopolitical risk, and regulatory ambiguity (e.g., in fintech and cross-border SaaS) were noted by a smaller subset of respondents, they are perceived as secondary risks—amplifiers rather than primary disruptors.

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# Structurally constrained exit regime

DIGGING DEEPER

**TL;DR**
India's venture capital ecosystem continues to face structural constraints in achieving scaled liquidity, with exit channels - particularly M&A and IPOs -proving unreliable for most portfolio companies. Based on the survey, the majority of stakeholders flagged significant friction across all major exit routes. The path forward will require GPs to recalibrate exit strategies; prioritizing structured secondaries, sponsor-led recapitalizations, and longer hold periods, while engaging with potential acquirers earlier in the portfolio lifecycle. In this environment, exit planning must be embedded upstream - it is no longer a downstream outcome of growth.

## 41% respondents mention M&A infrastructure remains underdeveloped

The single most cited challenge is the underdeveloped M&A market. Respondents noted that acquisition activity remains largely founder-led, ad hoc, and price-sensitive, lacking the institutional buyers and integration infrastructure required for scaled and repeatable exits. This significantly weakens M&A's role as a reliable realization channel, particularly for mid-stage or non-core assets.

## 18% respondents point toward regulatory and structural frictions

Approximately 13.7% of mentions pointed to regulatory barriers ranging from FDI restrictions and sector-specific approvals to long execution timelines as significant bottlenecks. An additional 2.8% (combined) highlighted overvalued cap tables and the lack of R&D acquirer appetite as growing concerns, particularly in innovation-heavy sectors.

## 30% respondents cite a scarcity of large-ticket strategic buyers

India's exit funnel is constrained at the top. Domestic corporates remain hesitant to acquire venture-backed businesses, particularly in deeptech and IP-intensive sectors, leading to extended hold periods, valuation stagnation, and sluggish capital recycling.

## 8% respondents believe IPO pathway is narrow and selective

Just 8.2% of respondents cited IPO-related liquidity concerns, yet the underlying sentiment points from other reference points of the survey indicate a high threshold for public exits. While regulatory norms have evolved, investor appetite for high-burn or loss-making companies remains muted. The IPO window is effectively limited to a small cohort of profitable, category-defining players, excluding a majority of the venture-backed ecosystem.

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# Woes of VCs



**Ujwal Sataria**
Founder and GP, TDV Partners

TDV Partners

The challenges for micro VC funds are quite a few. On the LP side, raising capital is tough, options are limited to solo founders, HNIs, or Ultra HNIs. Most family offices in India aren't backing micro VCs right now, especially after the 2021–22 phase of exuberance where many invested heavily but haven't seen returns. The investor pool itself is quite shallow, and since there's limited awareness about the asset class, the conversion rate drops significantly. Very few people both understand this space and aren't already over-allocated. On the startup side, having a focused thesis like investing at sub-$5M valuations helps attract solid founders, including repeat ones. But sometimes bigger players come in, cut large cheques, and overfund startups at that stage, and we lose out on those deals. Bigger challenge is still on the LP side, I would say.



**Vinod Shankar**
Founding Partner at Java Capital

JAVA CAPITAL

Most VCs in the SaaS space have shifted their focus toward AI and deeptech. The rapid rise of LLMs has disrupted many of the original investment theses these funds were built around, forcing them to reevaluate and reshape their strategies.



**Abhinav Mahipal**
Investment Associate at Pentathlon Ventures

PENTATHLON ventures

Securing exits remain the biggest challenge for any investor but SME IPO is becoming an important avenue. Additionally, late-stage funding remains sluggish; however at early stages a lot of founders are still asking for higher valuations. As a result, there is significant multiple compression as the company scales up.



**Debraj Banerjee**
Setting up, Ex-SIDBI Venture Cap

With exit optionality constrained, capital formation slowing, and return profiles diverging, venture funds face a moment of reckoning. Yet many continue to lean on fee-and-carry mechanics, projecting multi-bagger narratives without the scaffolding of technical depth or capital structure acumen. When investors defer all execution to founders, they underwrite ambition without accountability. In complex tech, that's a recipe for misfire. Real value requires partnership, not just placement



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# Woes of VCs



**Radhesh Kanumury**
Managing Partner at Suvan Ventures

In my view, there is a lot of opaqueness in the LP market space in India. At one end of the spectrum, we have family offices and HNIs who have invested in two or more funds, while at the other end, we have family offices and HNIs who do not yet understand venture capital as an investment option. We need education and awareness on VC as a different class with its pros and cons to potential LPs who have the capital.



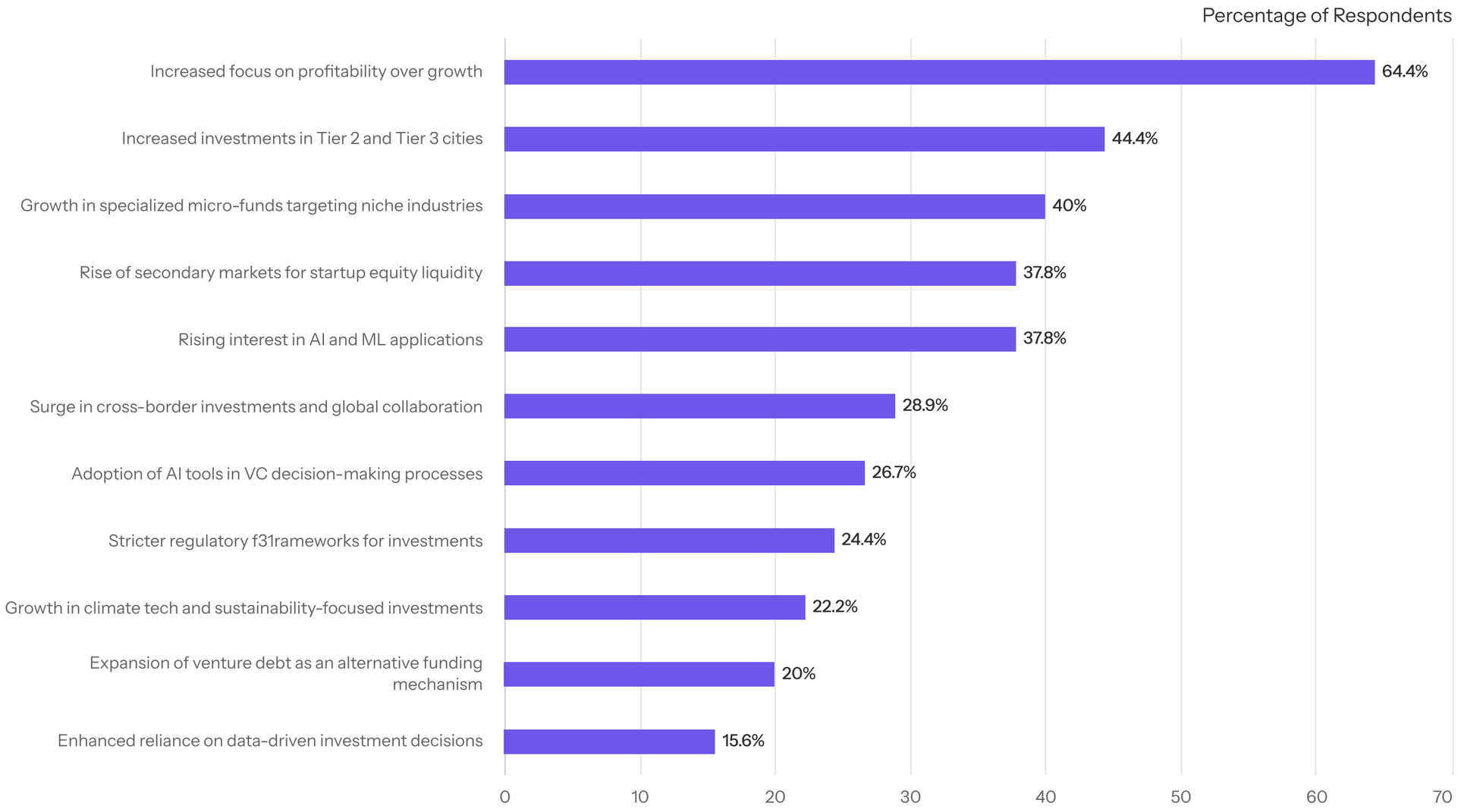
**Avik Ashar**
Principal at Artha Venture Fund

If India truly wants to fund real innovation and technology, not just more delivery apps and QSR chains then we need to incentivize LPs to back VC funds. Bring the tax down to 5%, or scrap it entirely. With AIF registration and DPIIT recognition, there are already enough safeguards to ensure the capital flows into legitimate startups. The rest is solvable - we've got the talent, the ambition, and the companies. Now we just need policy to catch up.



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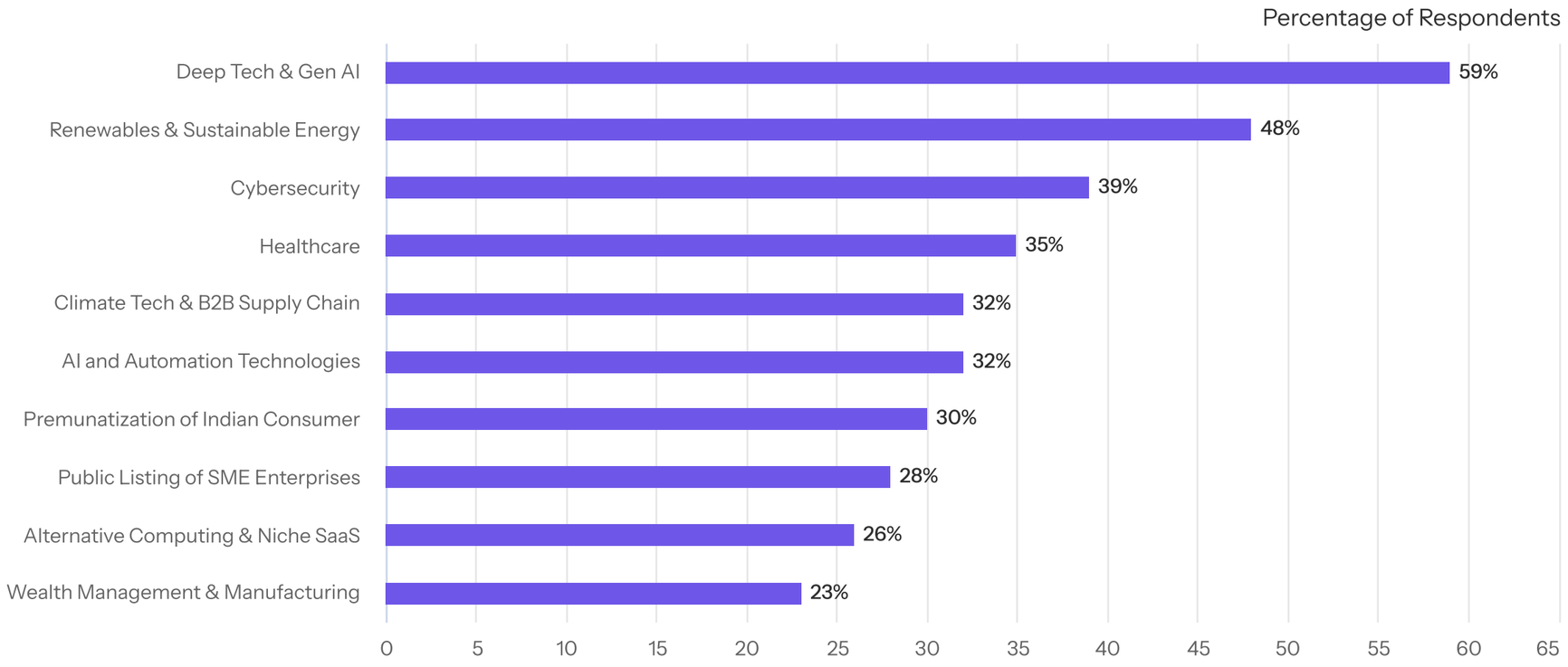
# Emerging Trends




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# Trending sectors




## Key Insights

**Deep Tech & Gen AI (58%)** dominates investor enthusiasm, signalling a strong bet on long-horizon technologies with foundational impact—ranging from AI infrastructure to quantum and frontier computing.

**Renewables & Sustainable Energy (45%)** reflects increasing alignment with ESG mandates and climate imperatives, as clean tech ventures gain commercial viability and policy tailwinds.

**Cybersecurity (39%)** remains critical in an age of data proliferation and digital risk, seen as essential infrastructure across verticals.

**Healthcare (35%)** and **AI-driven automation (32%)** also emerge as scalable, defensible sectors benefiting from rising digitization, especially in diagnostics, wellness, and industrial efficiency.

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# Majority of VCs Now Prioritizing AI-Driven Startups

## Key Insights

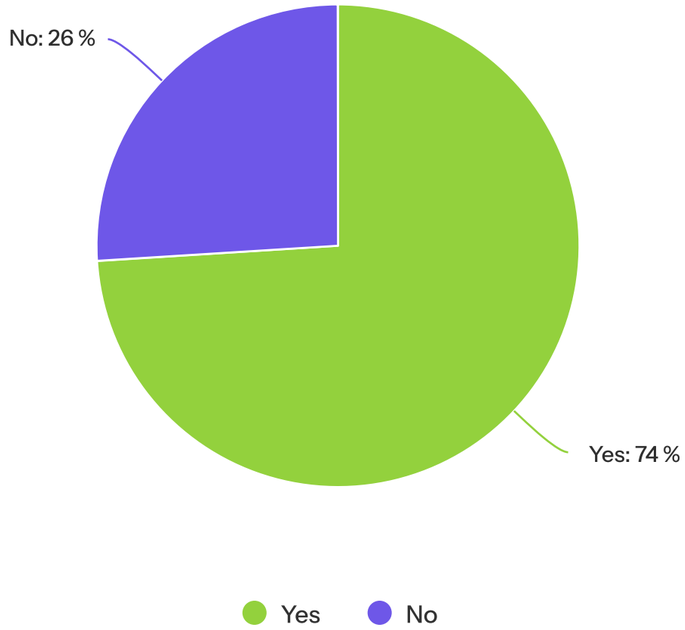
The VC community is clearly aligning around AI as a core investment thesis, with 74% of respondents confirming AI startups are a key area of focus.

The surge in interest is driven by both foundational technology shifts (e.g., Gen AI, LLMs) and cross-sector AI applications in healthcare, enterprise productivity, cybersecurity, and consumer tech.

However, 26% of VCs remain cautious, citing concerns around monetization, overhype, and lack of scalable, proven models in many AI-first startups.

AI has moved from a thematic trend to a strategic priority for most VCs—but investors are becoming more discerning, backing startups with clear use cases, proprietary data, and defensible AI IP.

Are AI startups becoming a key area of focus for VCs? (%)




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# WHAT'S THE NEXT BIG THING?

Of all the segments that are of interest to the Indian venture capital ecosystem, the most interesting should be the **manufacturing space** considering how underserved the space currently is. However, this appears to be changing with interest coming in for both the deep tech and the manufacturing space. We believe for the country to progress. It's essential that venture investing should happen in the manufacturing space.



**Vignesh Shankar**
Managing Partner at Artha99

The past two decades of India's startup growth have largely been about adapting successful models from the West and China, localizing them for Indian users, and building strong distribution networks. But as we move toward 2047, the next phase of India's startup journey will be fundamentally different— driven by **solving uniquely Indian problems** with deeply nuanced solutions.



**Jai Sumer Singh**
Co-founder and Partner at Riverwalk Holdings

India's consumer landscape is entering a phase of systematic brand creation. We're particularly excited about the emergence of **multi-category D2C and food brands**—segments where agile, venture-funded teams consistently outperform incumbents on speed and relevance. As GDP per capita rises and discretionary spend deepens, this segment is primed for sustained M&A activity.



**Karthik Reddy**
Co-founder & Managing Partner, Blume Ventures



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India is stepping up defence R&D, but still trails global giants. I'm bullish on cost-effective, home-grown **technologies to modernise defence** — e.g., cybersecurity solutions, off-network navigation, and automated surveillance.



Ashima Setia
Principal at Sorin Investments

A large delta AI is making, is in how robots perceive, reason, and adapt. With **AI-powered** perception and dexterous manipulation, **robots** are no longer just executing commands, they're learning in real time. This is the watershed moment where AI escapes the screen and takes physical form.



Rahul Gupta
Investor at Day Zero Ventures

With **LLMs and AI making learning loops extremely fast** and nuanced, we should be looking at **breakthroughs in hardtech**. Think of repurposing a pain medicine to help slow AIzheimer's, or finding ways to make efficient, faster, better chips by discovering novel layouts, or even automating a million painstakingly manual tasks to be completed within the hour. All of this will directly improve global productivity which is the need of the hour.



Siddharth Shah
Senior Associate at Siana Capital

The next wave is **alternative computing tech**—like photonics. Specialized, energy-efficient chips will be crucial to bringing down compute costs



Apurva Kedia
Investment Analyst, Synapses VC

**Climate Tech + AI** would be the new buzz word in the VC streets. We are Deeptech so would be interested in seeing startups innovating in fields like **robotics and AI**.



Kunal Bhalerao
Associate-Innovations and Investments at
Baldota Group



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I'm deeply bullish on India's **deep-tech** momentum. Geopolitical shifts are driving demand for tech sovereignty, and India is emerging as a key strategic player. With $10B+ in semiconductor incentives, national AI missions, and PLI schemes, the policy landscape is now aligned with long-horizon innovation, which was very much needed. What excites me most is the shift from software scale to core tech defensibility - world-class talent is now solving in **quantum, robotics, and chip design**. Capital is beginning to follow.



Anurag Ramdasan
Partner at 3one4 Capital

**Industrial robotics** represents the convergence of automation, AI, and precision engineering - an inflection point where machines not only augment labor but redefine the very nature of productivity. In the next economic cycle, value won't just be created by scale, but by systems that can scale themselves.



Ishan Goenka
Head of Private Market Investing at Radiant
Single Family Office

The real opportunity is in building **infrastructure and datastack for GenAI applications**.



Siddhartha Ahluwalia
Managing Partener at Neon Fund

I am particularly excited about trustless systems and quantum-secure infrastructure. **Quantum cryptography** stands out as a strategic necessity. It aligns with where the world is headed: decentralized, adversarial, and increasingly dependent on provable security. The founders building in this space today will be state-critical.



Amit Chand
Setting up, Investor in 30+ startups



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