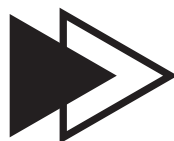


SaaS in India: From a Private Equity Perspective

Rishabh Mishra

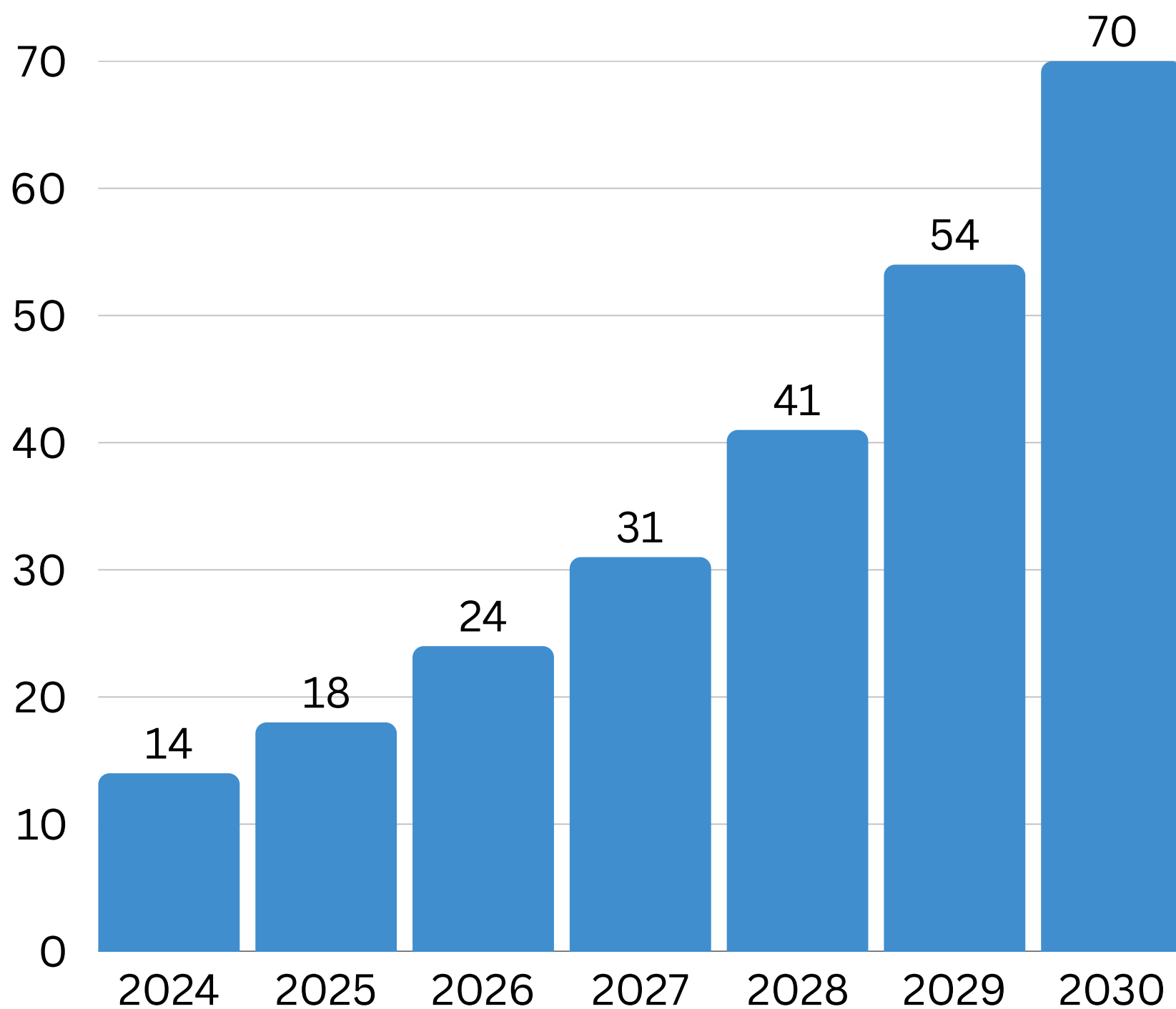
rishabhm0110@gmail.com
IIT Kharagpur





Overall SaaS market in India

● Market Size (in Bn)



Indian SaaS market by 2030

3500

SaaS companies
in India

~350

Companies with
\$1mn to \$10mn ARR

Market on course to surpass **\$50 billion** in **annual recurring revenue** (ARR) - projected earnings by way of subscriptions - by 2030



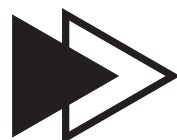
Growth Drivers

Gen AI in SaaS is expected to be **three times** faster than that of traditional SaaS in the software industry. Gen AI is likely to unlock an additional **\$200** billion in total addressable market (TAM) by 2027



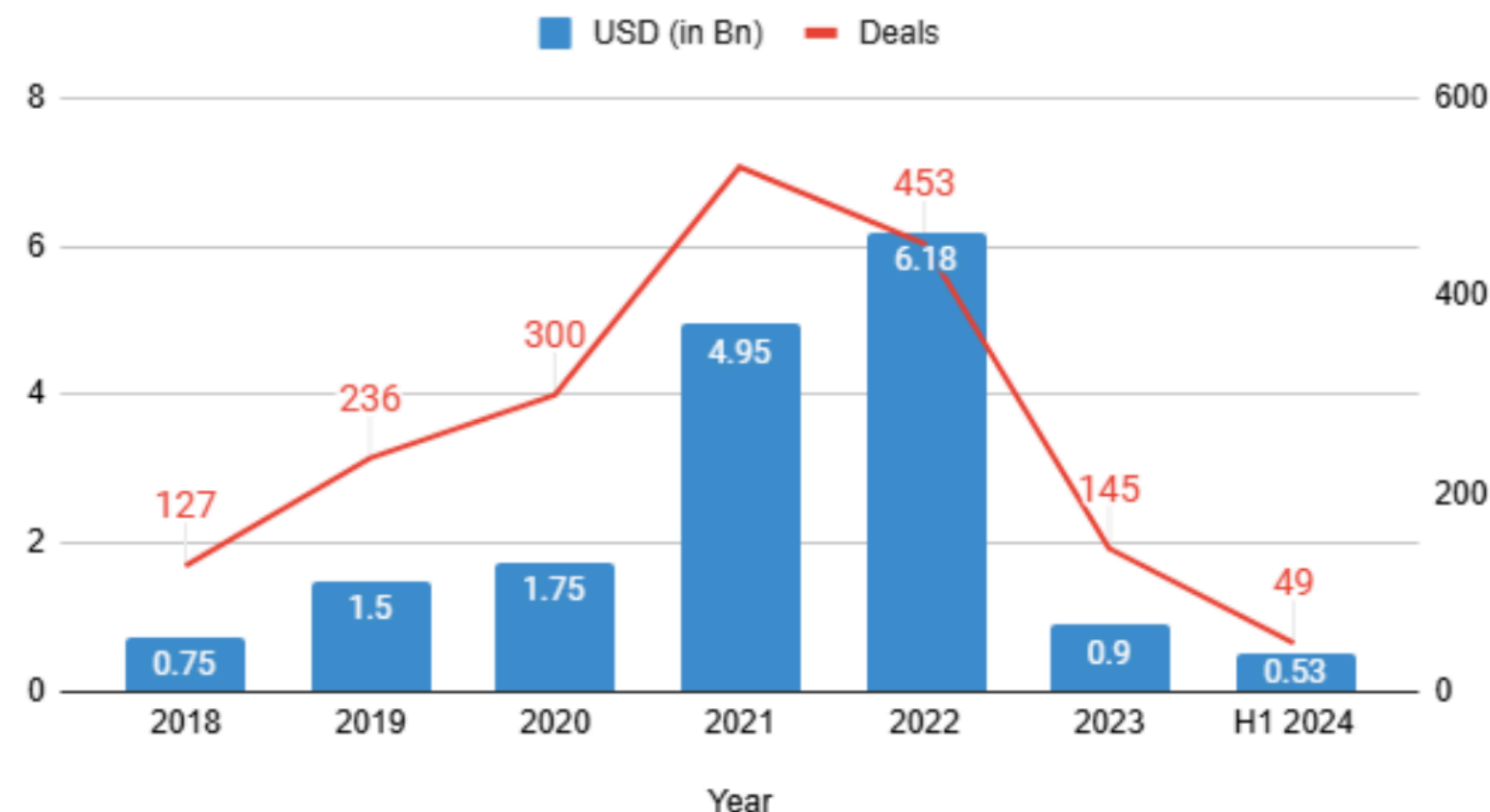
Investor interest in Indian SaaS startups has been dwindling for some time. It's because SaaS businesses without a clear go-to-market strategy in the US or those with a low annual contract value have struggled to reach scale

Kamini Shivalkar, AVP Gemba Capital



Indian Funding Scenario

Total investment in Indian SaaS Startups

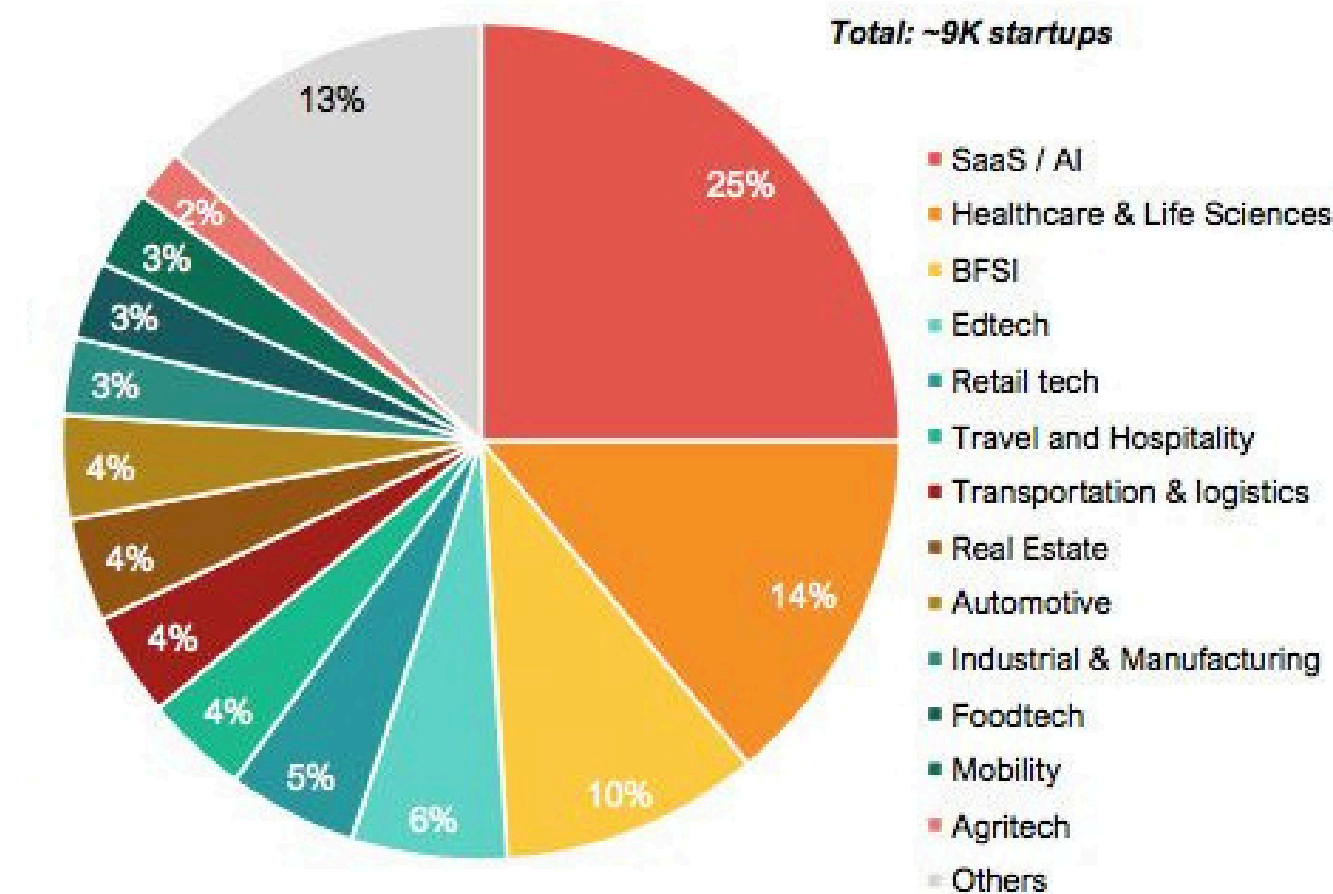


Since its 2021 peak, investments - both in SaaS and beyond—declined but are now regaining momentum

Investments in AI-backed startups increasing at a 25% CAGR since 2021

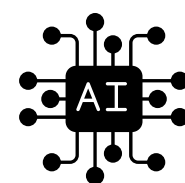
Source: [VC Funding Report](#)

Sector-wise split of startups (2014-2019)



SAAS / AI accounts for ~25% of the startup ecosystem of India

Sector with huge growth potential:

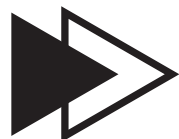


AI



Cybersecurity

- 90% early-stage software startups have integrated AI
- Government incentive for AI based startups and companies
- Nearly 99% Indian enterprises plan to increase their cyber budget
- India now hosts 10% of the global cybersecurity talent, up from 3% in 2021



Horizontal vs Vertical SaaS

Vertical SaaS is expected to see substantial growth in the Indian SaaS market, projected to increase by 37% by 2030

Vertical SaaS

Horizontal SaaS

Difference

Industry-specific SaaS solutions tailored for a particular sector.

Cater to a broad range of industries and business types.

Customer

Low CAC and easier customer retention

Higher CAC and harder customer retention due to alternatives

Deal Count

CAGR of deals at 6% and 67 deals in H1 2024

CAGR of deals at 3% and 24 deals in H1 2024

Scalability

Easier to scale due to specialisation

Harder to scale to different regions

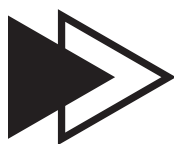
Sectors

AI-enabled SaaS, cybersecurity

No Specific sector

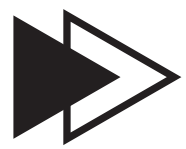
Top Companies





SaaS Companies in India

INFRA / FOUNDATION												
ENTERPRISE VERTICAL												
ENTERPRISE HORIZONTAL												



Investment Rationale

SaaS models inherently support scalable growth through cloud-based solutions and automated processes.

Horizontal SaaS



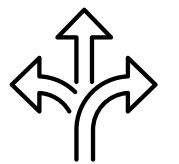
Market Size

Large addressable market with sustainable growth



Market Penetration

Strategies to capture significant market share across diverse sectors



Product Flexibility

Offering configurable solutions that meet the varied needs of different industries



Competitive Differentiation

Unique features or capabilities that set the product apart from competitors

Common Considerations



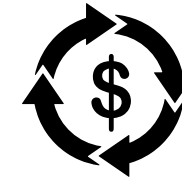
Scalability

Robust infrastructure supporting efficient user growth



Unit Economics

Favorable CAC vs. CLV ratio ensuring profitability



Revenue Model

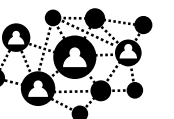
Recurring revenue streams with upsell potential



Product Stickiness

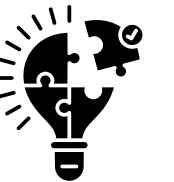
High retention rates, low churn, and deep integrations

Vertical SaaS



Market Size

Limited TAM should be viewed as a feature rather than a drawback



Tailored Solutions

Providing specialized features and functionalities designed for a particular industry



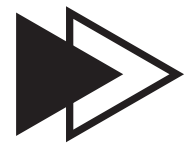
Industry Expertise

Deep understanding of specific industry needs and pain points










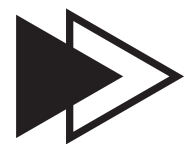
Regulatory & Integration Readiness

Meets industry regulations while integrating seamlessly with essential tools



Prospect Companies

Company	Sector	Description	Funding	Team	Revenue	Growth Drivers
	HR Tech	Recruitment marketplace that connects employers	\$5M	16	\$800k	Automated hiring and AI adoption
	Fintech	SMB billing and accounting software	\$44M	40	\$4.7M	Growth in e-commerce logistics
	Fintech	Invoice discounting and cash flow management.	\$30M	100	\$5M	Increased demand for invoice financing; processed over \$1 billion in invoices
	e-Commerce	Omnichannel payments and commerce platform.	\$30M	450	\$6.78M	Surge in online shopping due to COVID-19; processed over 1 million transactions
	B2B Commerce	B2B platform for factory digitization.	\$30M	500	\$8.04M	Growth of small businesses online
	Business Software	AI-powered video intelligence platform	\$20M	100	\$1.1M	Growth of video intelligence due to adoption of AI
	Cybersecurity	Cloud-native security and compliance platform.	\$650k	16	\$250k	Increase in cyber spending and global talent



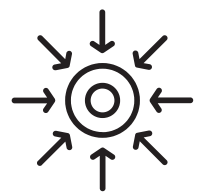
Key Risks



• **High Valuations and Capital Dependency:** Indian SaaS companies have enjoyed high growth rates, leading to elevated valuations. If growth slows, investors may face downside risk.



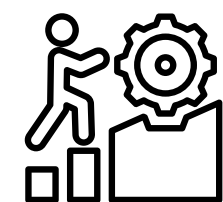
• **Talent Scarcity:** The competition for skilled talent in the tech sector is fierce. High attrition or difficulty in recruiting experienced teams can limit the ability to scale.



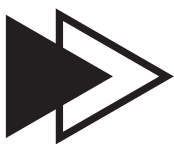
• **Customer Concentration:** A heavy reliance on a few accounts can expose companies to significant revenue volatility



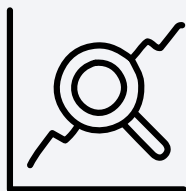
• **Regulatory and data privacy risks:** Indian SaaS companies must comply with diverse global regulations like GDPR, DPDP Act in India.



• **Operational Challenges:** Scaling a SaaS business requires robust operational processes. Issues such as managing distributed teams, and maintaining service quality across geographies pose significant challenges.



Conclusion



Market Overview

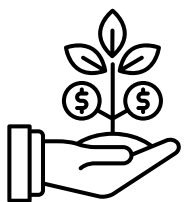
The Indian SaaS sector continues to demonstrate robust growth despite the recent funding slowdown, presenting a strategic investment window for PE funds looking to capitalize on market recovery



Vertical SaaS Opportunity

Vertical SaaS solutions are outperforming horizontal SaaS products, revealing an underserved market segment with significant growth potential and lower competition

Key Investment Thesis



Market timing is optimal as funding shows signs of recovery from the 2021-2022 peak downturn, offering attractive entry valuations and growth potential.

Strategic Advantage



The increasing technology adoption rates in India, combined with the current market dynamics, create a unique opportunity for PE investments in specialized SaaS solutions targeting specific industries