

# Indus Valley Annual Report 2025

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&

Dhruv Trehan, Editorial Fellow



# Welcome to the *Indus Valley Annual Report 2025*

India's vibrant startup ecosystem, concentrated in the eastern suburbs of Bangalore, the satellite cities of Gurgaon and Noida in the Delhi National Capital Region (NCR), the districts of Lower Parel & the Andheri East – Powai belt in Mumbai, the Southern suburbs of Chennai, and in the various scattered pockets across many other cities such as Pune, Hyderabad, Chandigarh etc., has lacked a singular name.

At Blume, we like to use **Indus Valley** as a catch all moniker for the Indian startup ecosystem. It is a twist on the typical Silicon Wadi / Glen / Fen naming convention, as well as a reference to the Indus Valley Civilisation, one of the vibrant centres of the ancient world, and the ancestral civilisation of the Indian people.

Unlike Silicon Valley which has a geographical connotation, the term Indus Valley has no such overtone. It is instead a reference to the entire Indian startup ecosystem, spread throughout the nation. It is also an attitude, a mindset, one of invention, and '*jugaad*' and *chutzpah*.

The **Indus Valley Annual Report** published by Blume Ventures, celebrates the rise of Indus Valley, and its emergence as one of the centres of innovation and enterprise in the startup world. It gives us a chance to look back, and take stock of its evolution, and look ahead to what is coming. We welcome you to the fourth edition of the Indus Valley Annual Report! Our previous editions (2024, 2023, 2022) can be accessed at the website [indusvalleyreport.com](http://indusvalleyreport.com)

# India

## India - The Last Five Years

Pg 7

A macro-economic account of the Indian economy over the last five years, from the COVID-pandemic and bust, to the recent growth taper.

## Long-Term Structural Forces Pg 20

- Consumption and services dominate our GDP. (21)
- India is formalising, steadily. (29)
- India doesn't save enough. (33)
- Why land issues mean India hoards up on gold. (37)
- India doesn't invest in human capital. (41)
- India's manufacturing playbook is good, but not great. (48)
- How DPI made India a Digital Welfare State. (54)
- How India1's savings surplus spur an Equity and F&O boom. (58)

## Consumption

Pg 66

- India's consumption numbers look good on an overall basis, but not on a per capita basis.
- Why India under consumes.
- How India1, India's top 10%, drives the Indian economic engine.
- India1 is not widening as much as deepening.
- India1's high share of consumption shapes the India consumer market in many distinct ways.

# Indus Valley

## Indus Valley - Funding Trends Pg 95

Venture funding trends, and a deep dive, followed by a look at India's Unicorns, and the Venture Debt market.

## IPO Boom Pg 111

A deep dive into India's booming IPO market, as well as the SME IPO's rise, including what it implies for founders.

## Sector Deep Dives Pg 120

- Quick Commerce: Why it works in India, the implications of its rise, and is there irrational exuberance re QCom? (120)
- AI: Is India getting a foundational model soon? (148)

## Indus Valley Playbooks Pg 157

- The various India2 Playbooks. (157)
- How Indus Valley influenced Indian advertising. (165)
- Returns, and how Indian startups are addressing it. (170)
- Marketing framework for the Indian diaspora or India0. (179)

# How to read this report

Given we have sourced the data across various reports and datasets, consistency in data will always be a challenge. That said, while sometimes an occasional number or two may not match with the other, the broad direction or narrative of these is consistent and comparable.

We have used millions, billions, trillions (vs lacs, crores) where possible. When we use ₹ billion or ₹ trillion, it can sometimes be hard to translate it to \$. A shorthand for ₹ billion to \$ million is that ₹1 billion = ₹100 crores = \$12 million roughly. A shorthand for ₹ trillion to \$ billion is ₹1 trillion = \$12 billion roughly.

Despite all the charts and datasets we have listed, this is not a data book. We didn't create it to serve as an exhaustive repository of data or reportage on India. Rather, it is more a narrative, and less a dataguide. Or even better, you should see it as a source of perspective on the Indian startup ecosystem. And as with all perspectives, a lot depends on the vantage point of the observer. As the leading seed fund in India, we do think we have a unique perspective and insight into the Indian startup ecosystem, or Indus Valley, as we term it. And with *The Indus Valley Report*, we hope to get you, dear reader, to view the Indian economy through our lens. Do tell us how you see it. Compliments, criticism, feedback all welcome at [sp@blume.vc](mailto:sp@blume.vc) and / or [anurag@blume.vc](mailto:anurag@blume.vc)

# **Section I: India**



# India in one tweet

AI meets caste. Cutting-edge tech-advances in AI collide with that most ancient of Indian institutions, the caste system.



Sakayasin  
@dhammainvicta

⋮

I asked Chat-GPT what caste the characters from the Harry Potter series were

- **Harry Potter:** Rajput
- **Hermione Granger:** Brahmin
- **Ron Weasley:** Baniya
- **Severus Snape:** Kayastha
- **Rubeus Hagrid:** Jat
- **Draco Malfoy:** Rajput
- **Lord Voldemort:** Outcast/Asura
- **Albus Dumbledore:** Brahmin
- **Viktor Krum:** Bhumihar
- **Neville Longbottom:** Gujarat (Patel)
- **Ginny Weasley:** Baniya
- **Dobby (the house-elf):** [Redacted]



The associations in this tweet expose a clear bias. Many of these would be considered inappropriate in contemporary Indian discourse.

Yet, the AI completion offers a glimpse at how India's deeply rooted social structures continue to shape perspectives, even when filtered through modern technologies and global pop culture touchpoints.

5:31 PM · Jan 6, 2025 · 197.7K Views

# India

## India - The Last Five Years

Pg 7

A macro-economic account of the Indian economy over the last five years, since the COVID-pandemic and bust, to the recent growth taper.

## Long-term Structural Forces

Pg 20

## Consumption

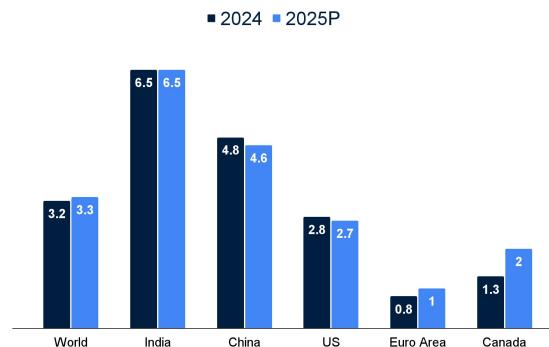
Pg 66

# India - The Last 5 Years

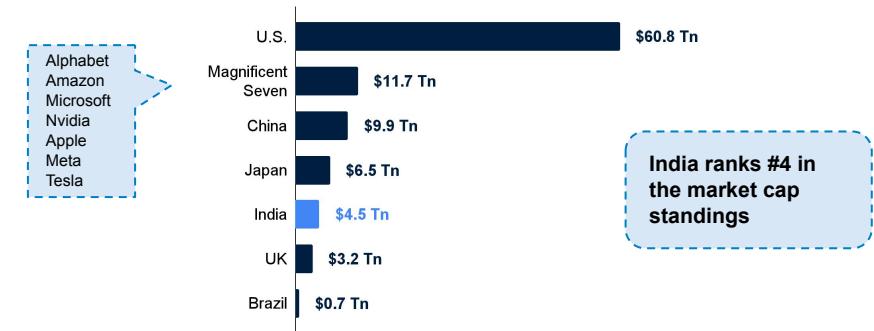
How we got here; a look at the events, trends, policies, and initiatives that shaped the Indian economy over the past five years through COVID, and after. We cover the economic downturn, government initiatives to spur recovery, subsequent boom, and inflationary growth, followed by RBI initiatives to control inflation, and finally the growth taper as consumption and government spends reduced.

# India vs the World: Where India stands, today

Real GDP Growth (in %)



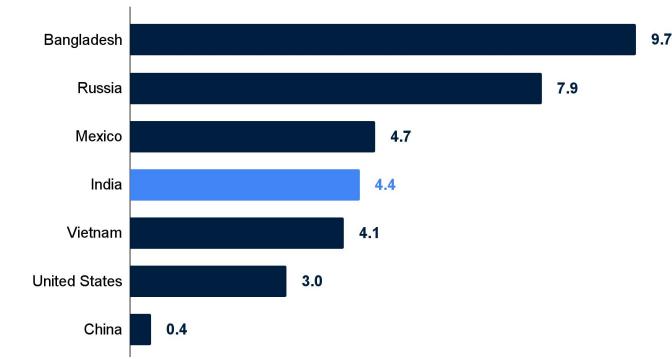
Market Cap (in USD trillion, as on 3 January 2025)



Per Capita Income (in USD thousands)



CPI Inflation 2024 (in %)



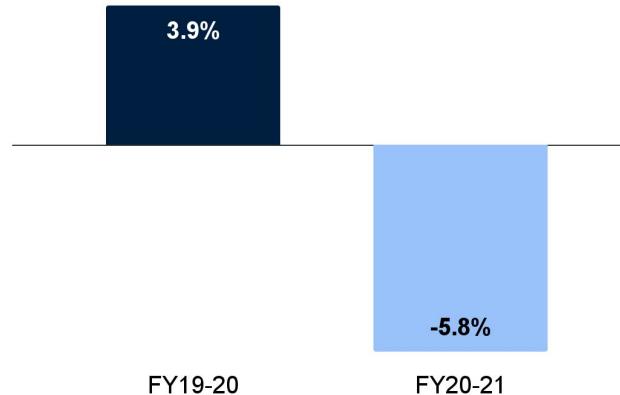
## **But how did we get here?**

The next few slides capture the journey the Indian Economy has been on in the last few years.

# COVID pandemic dealt India a severe economic shock

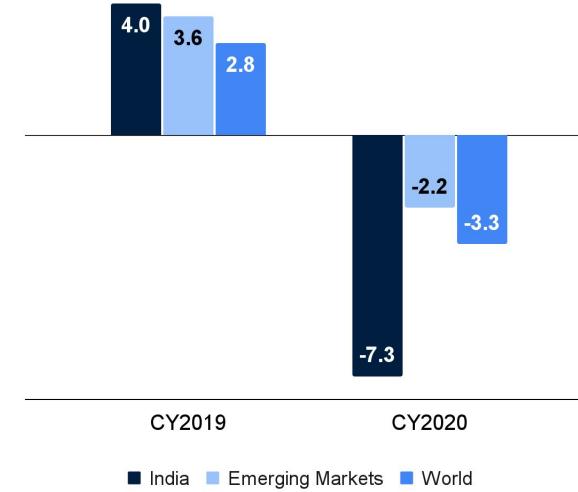
The COVID-19 pandemic triggered India's worst economic contraction in its post-independence history

India's GDP growth rate before and during COVID



India was significantly worse-off vs peers

India vs Peers GDP Growth Rate CY19-20 (in %)



# To combat the economic decline, a dual response

Aggressive government spending was coupled with historically low repo rates from RBI to push the economy forward

## Government's response

### Government Capex spends rise

Indian Government Capital Expenditure FY20-22 (in INR trillion)



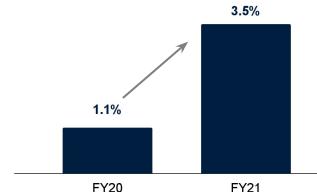
### Increase in Direct Benefit Transfers

Total Direct Benefit Transfers FY19-21 (in INR trillion)



### Subsidy surge

Central Government Subsidies (as a % of GDP)



## RBI's response

### Declining repo rates

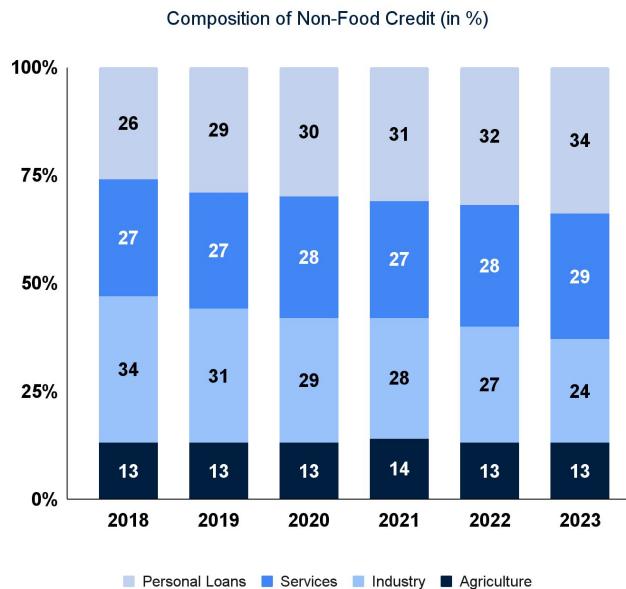


June 2018      June 2019      October 2019      March 2020      May 2020

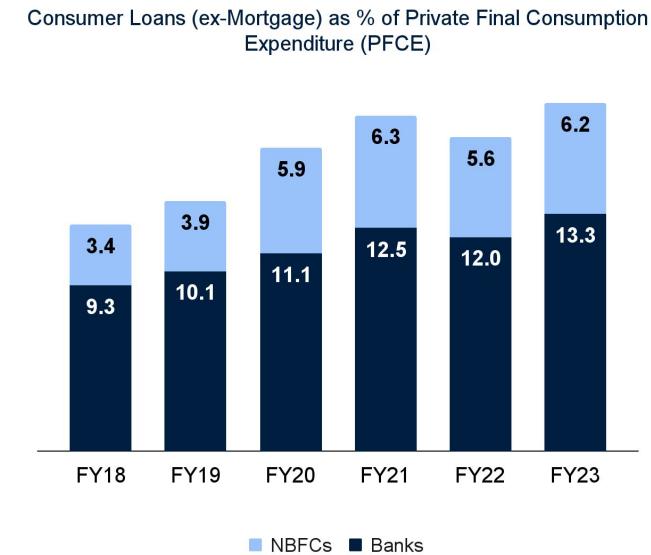
# Cheap money sparks a personal credit boom...

The RBI's extended low interest rate regime sparked an unprecedented surge in personal borrowing..

**Personal loans replace industry loans as biggest segment of non-food borrowings**

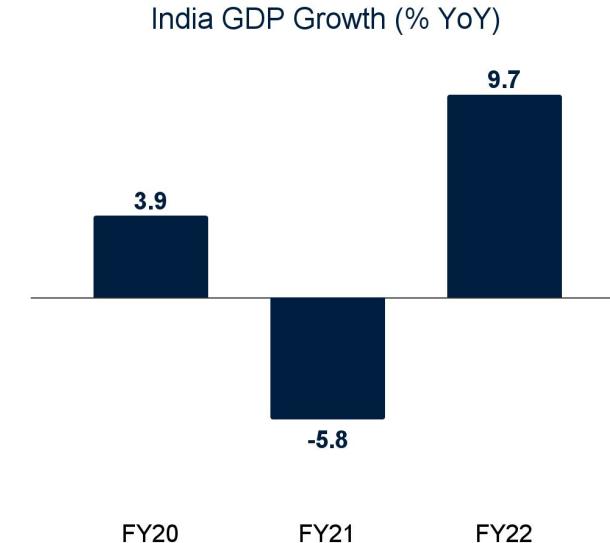
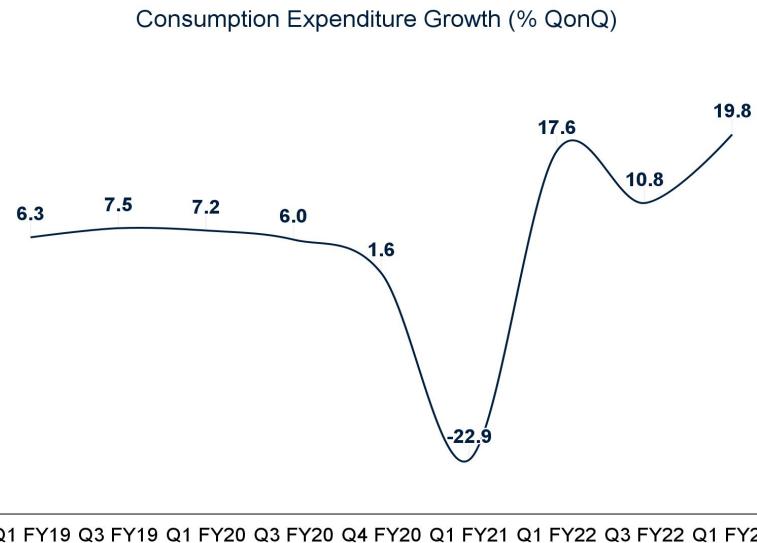


**In this period of 4% repo rates, consumer loans drive >18% of PFCE (from <10% in FY12)**



# ...leading to a consumption boom, sparking a V-shaped recovery

India engineered a remarkable recovery, with GDP growth rebounding from -5.8% in FY21 to 9.7% in FY22

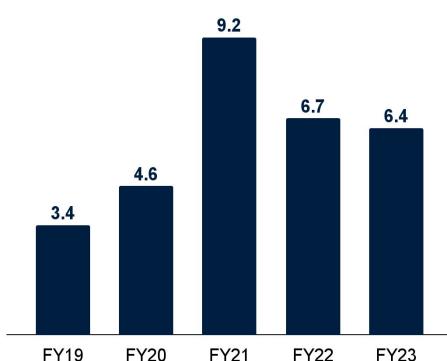


# The cost of recovery: soaring fiscal deficit, and rising inflation

The revival of the Indian economy was achieved through aggressive government spending, which doubled the fiscal deficit between FY20 and FY21, eventually resulting in a rise in money supply. The combination of expanded money supply, along with surging personal credit, and resurgent consumption pushed inflation steadily upward.

## Rising fiscal deficit

Central Govt Fiscal Deficit (% of GDP)



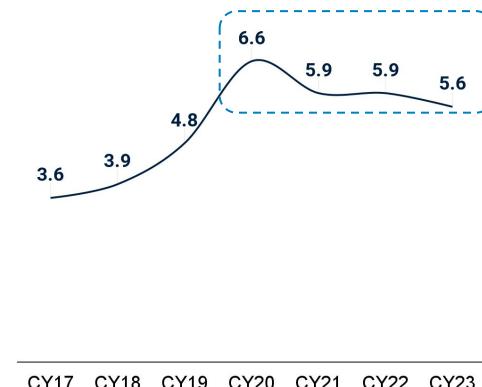
## Growing money supply

Money Supply (in INR trillion)



## Elevated inflation rates

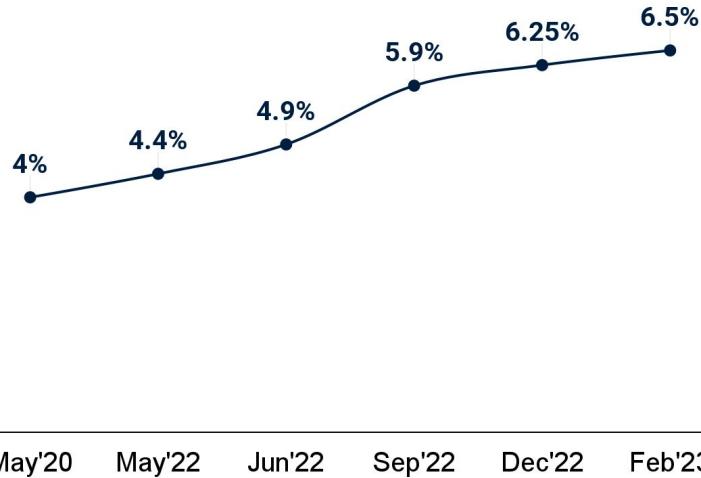
Annual Average Inflation Rate (in %)



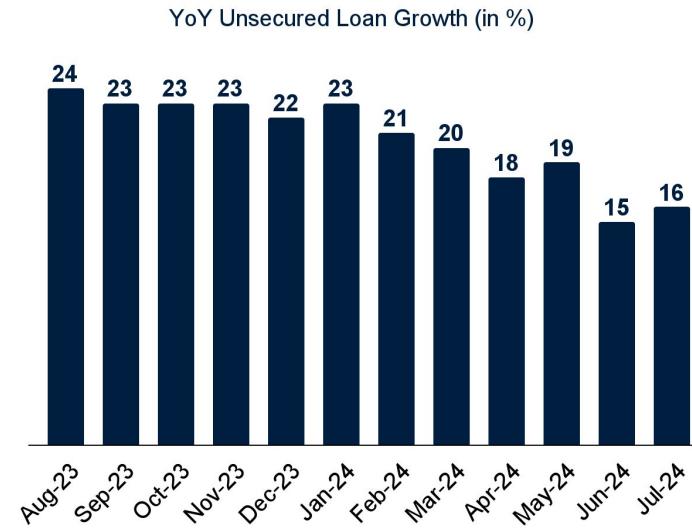
# A concerned RBI reins in the easy money policy

Seeing inflation rise, RBI began monetary tightening, steadily ramping up the repo rate (what banks borrow from RBI at) from 4 to 6.5%, thereby increasing cost of money, and impacting the growth in unsecured loans.

Repo Rates back up to 6.5%

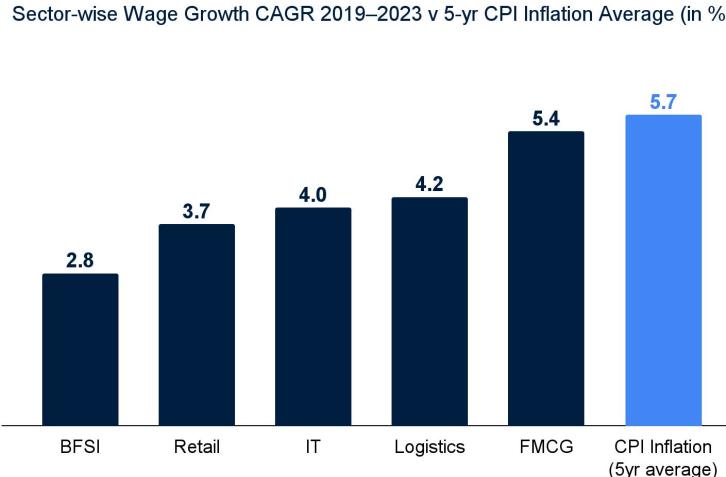


Unsecured loan growth slowdown

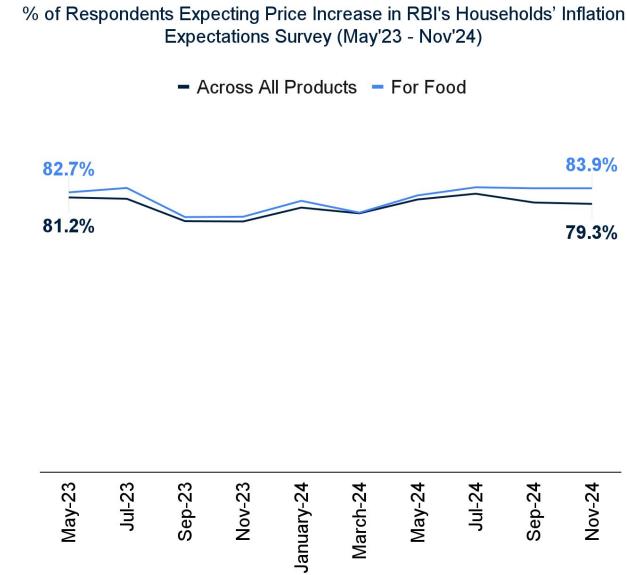


# Meanwhile slow wage growth and continuing inflationary expectations damped urban consumer sentiment...

## Wage growth below inflation across most industries

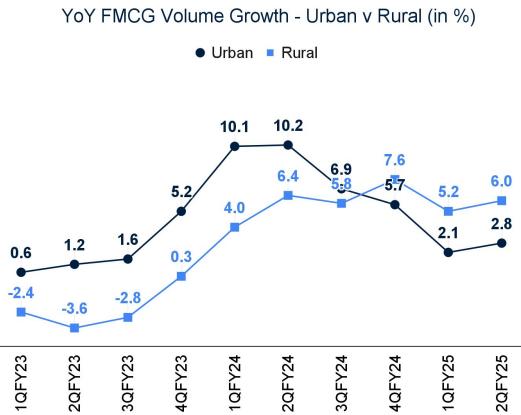


## Persistent high inflation expectations among households, post-COVID

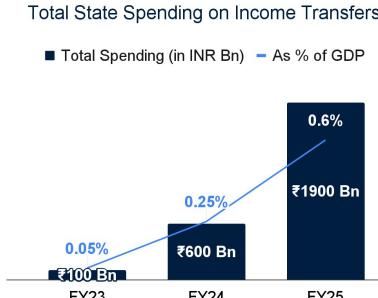


# ...even as the rural sector benefited from monsoon, higher MSP, increased handouts to women, and microfinance growth

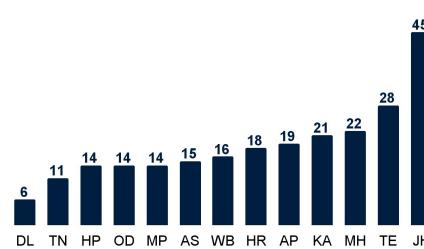
## Rural outperforming urban areas in FMCG sales in recent quarters



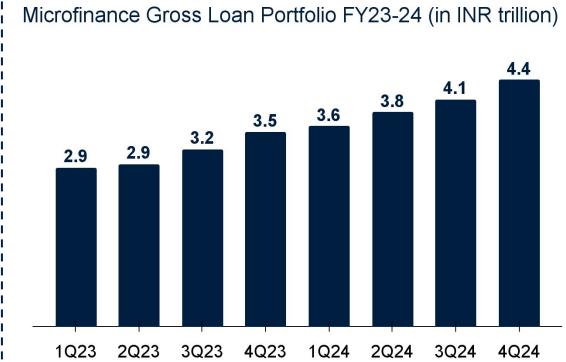
## ₹2Tn worth of income transfers contributing directly to household (HH) expenditure



Monthly Transfers as % of Monthly Household Expenditure  
(1st Income Decile), Various Indian States



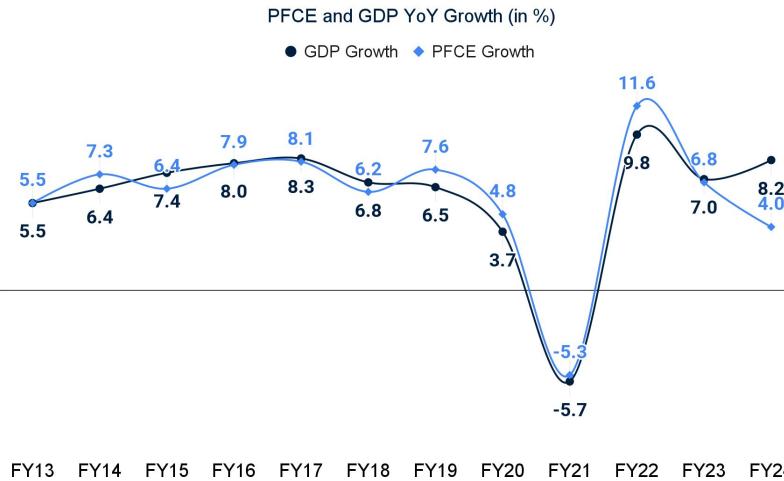
## Microfinance loan growth



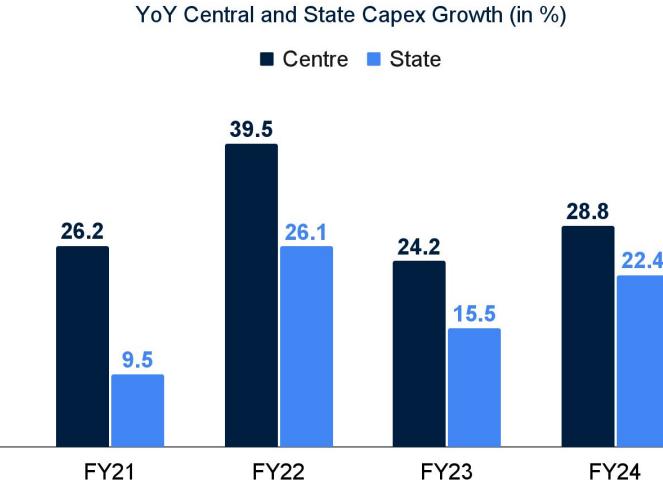
# Slowing consumption growth countered by heavy govt spends

GDP growth was sustained on the back of heavy government capex spends given election year.

**PFCE or Private Final Consumption Expenditure growth diverged from GDP growth for the first time in FY24**

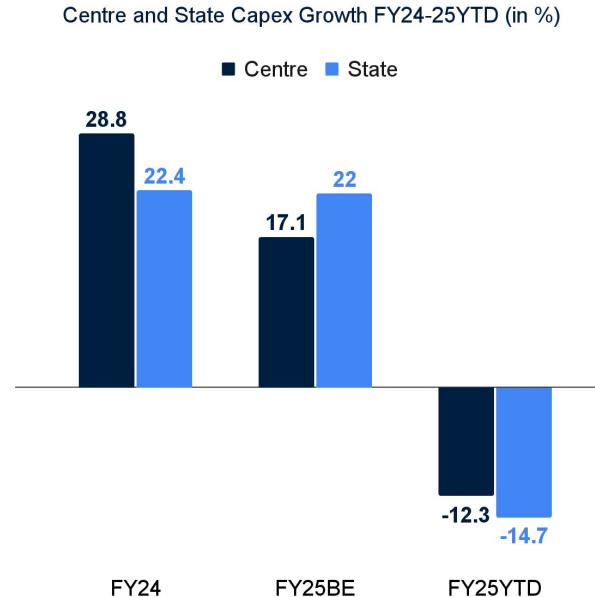


**Central and state capex growth stayed strong**



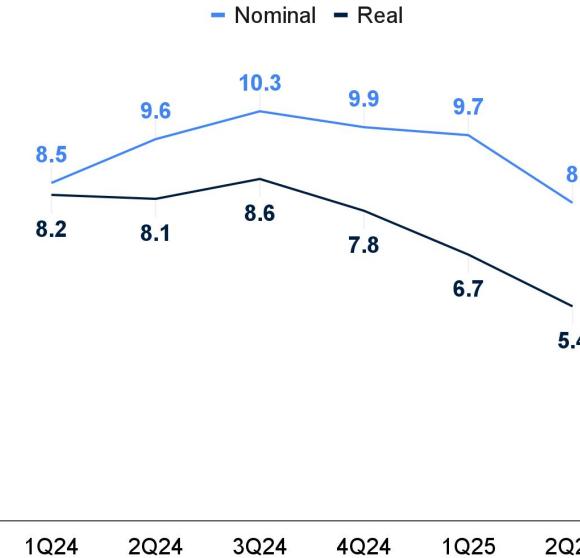
# Post-election spending cuts (to rein in fiscal deficit) meet consumer slowdown, leading to GDP growth tapering

## Government spend lagging in FY25



Thanks to slowing capex spends, on the back of already slowing consumption spends, GDP growth is tapering down

## Nominal and Real GDP Growth Rate FY24-2QFY25 (in %)



# India

India - The Last Five Years

Pg 7

## Long-Term Structural Forces

The Indian economy is shaped by the interaction between, and acting upon of several powerful long-term structural forces and trends. A closer look at these long-term structural forces!

Consumption

Pg 66

Consumption and services dominate our GDP.

India is formalising, steadily.

India doesn't save enough.

Why land issues mean India hoards up on gold.

India doesn't invest in human capital.

India's manufacturing playbook is good, but not great.

How DPI made India a Digital Welfare State.

How India's savings surplus spur an equity and F&O boom.

## Long-Term Structural Forces

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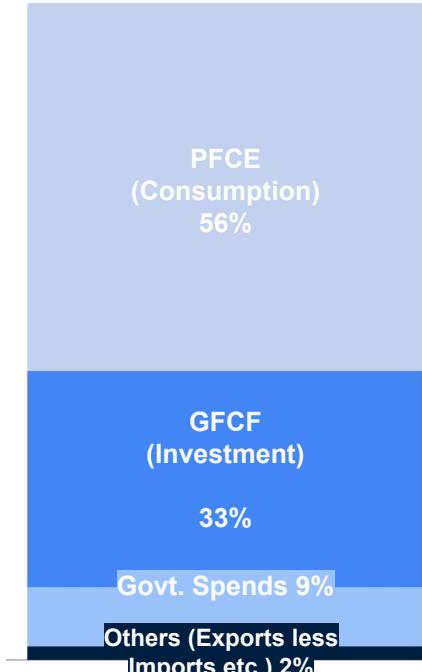
## Consumption and services dominate our GDP

Consumption and services drive the Indian economy, unlike say in China, where investments and manufacturing play a key role.

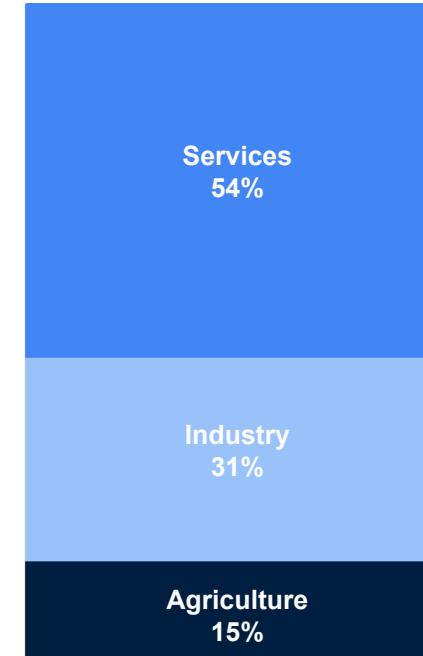
# Two ways to understand GDP

India's GDP \$3.6 trillion / ₹295.4 trillion (FY24)

India's GDP by expenditure components



India's GDP by sectoral split



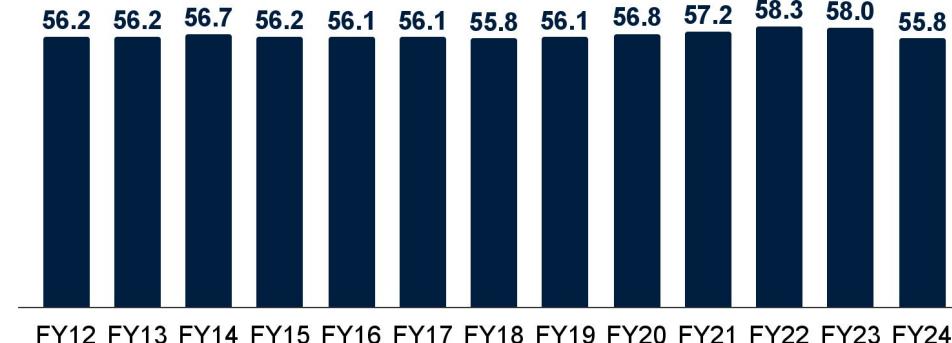
# India's GDP is heavily dependent on consumer spending

India's GDP by expenditure components



PFCE has consistently been at 55-60% of Indian GDP through the last decade

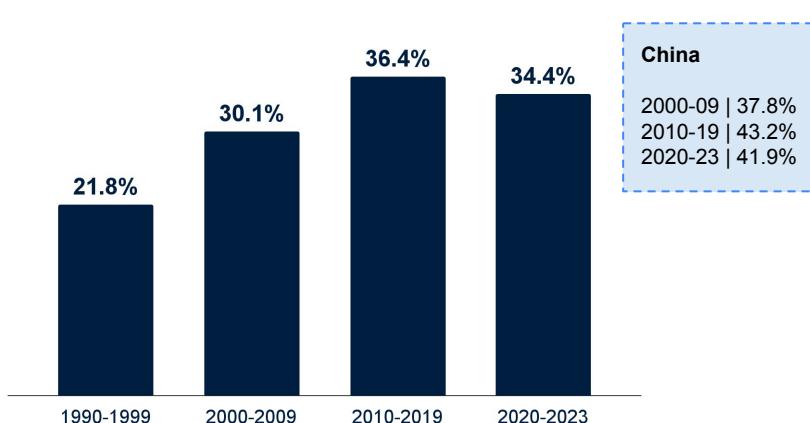
PFCE as % of India GDP FY12-24 (Constant Prices)



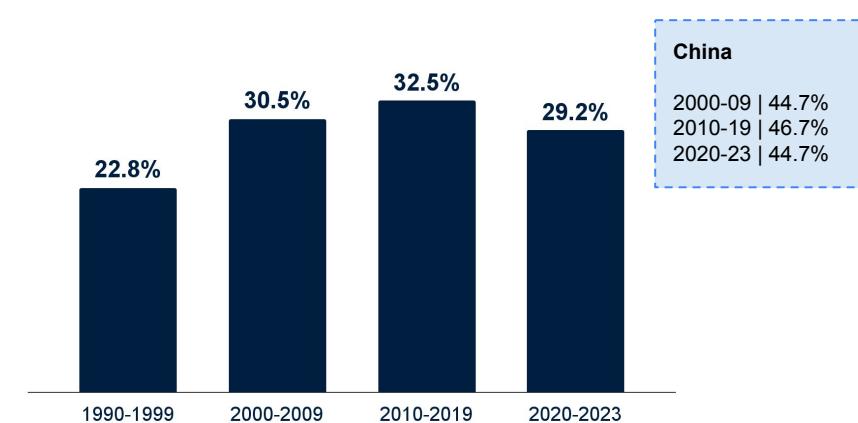
# Investment or Gross Fixed Capital Formation (GFCF) has been a much smaller contributor to GDP

A key reason is our middling savings rate and low FDI constricting investment in productive assets. India's FDI inflows for FY11-20 were \$512 billion while China's for 2011-20 were over 4x that at \$2.4 trillion.

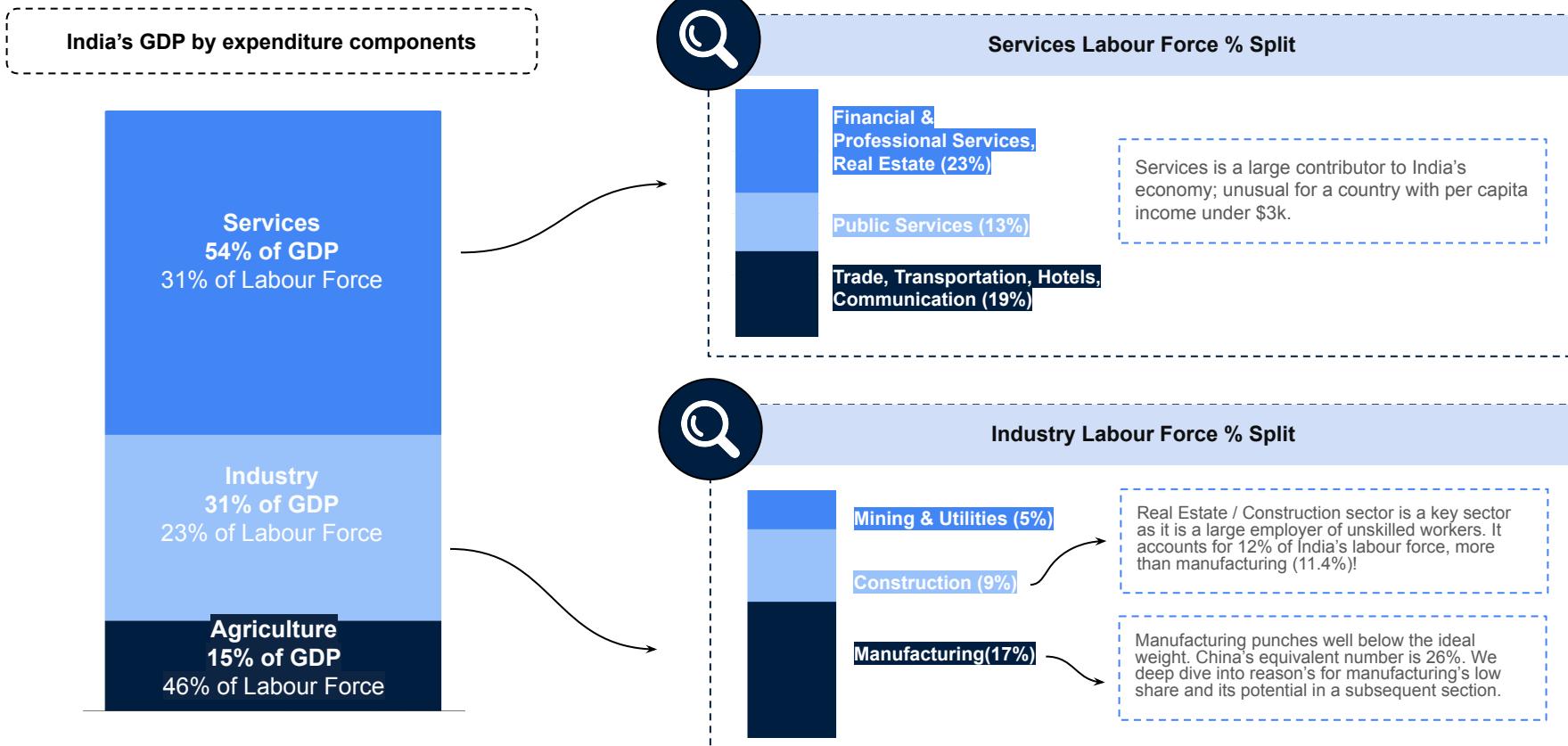
GFCF as % of GDP



Gross Savings Rate

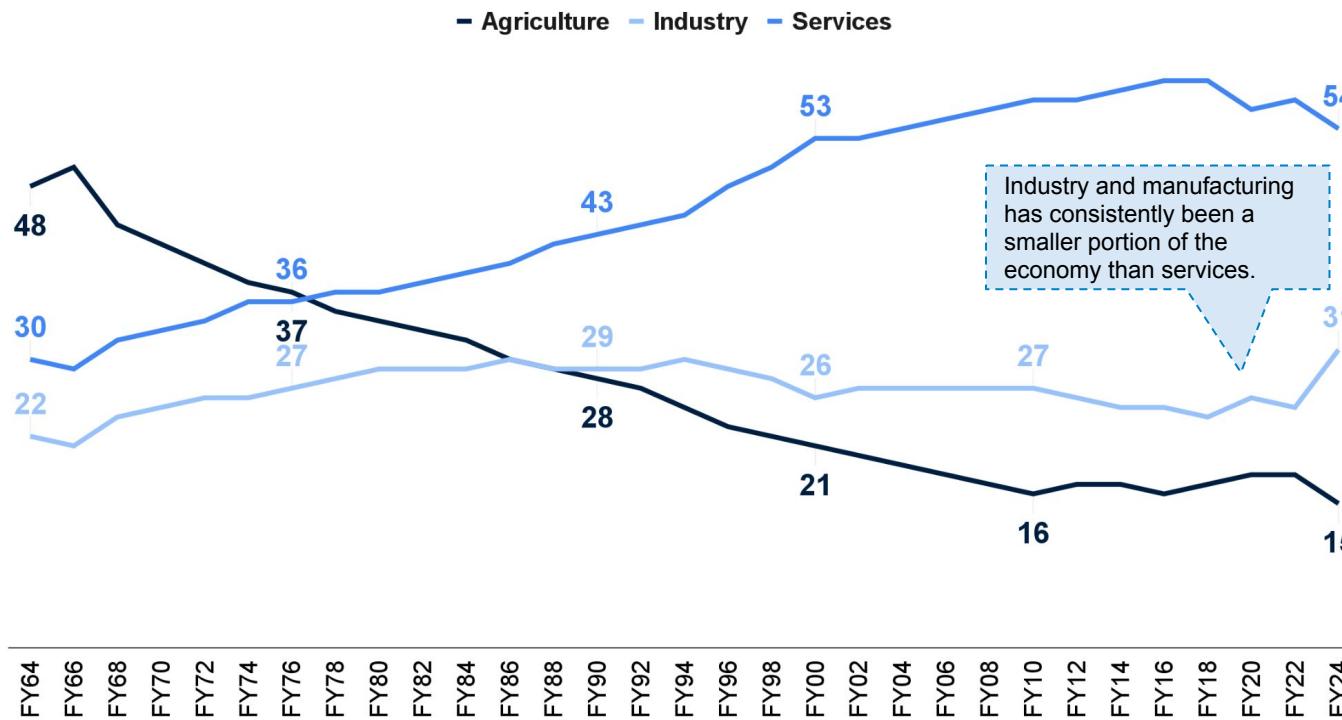


# Services sector dominates the Indian economy



# Services dominating Industry is not a new trend

% Share of Gross Value Added (GVA): Agriculture, Industry and Services FY64-FY24

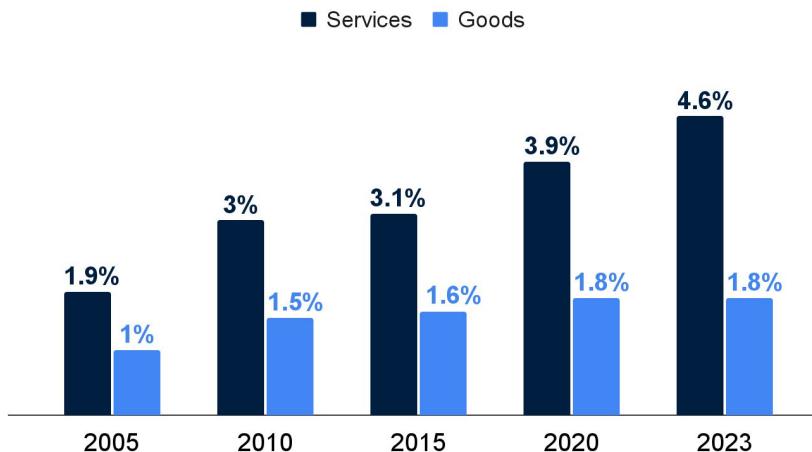


Industry and manufacturing has consistently been a smaller portion of the economy than services.

# Services strength is visible in increasing market share of global exports (unlike Goods exports)

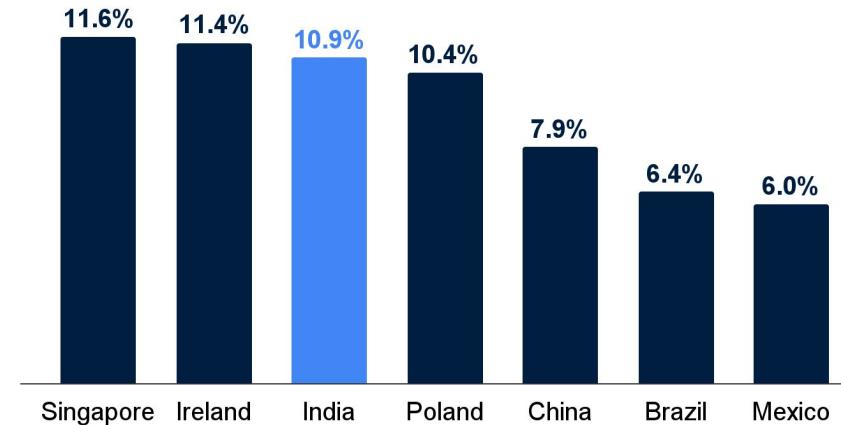
India's share of global services exports is up from 2% to nearly 5% of global trade over the past two decades

India's Share of Global Services and Goods Exports (in %)



India's services exports has grown nearly 2x relative to peers like Brazil and Mexico

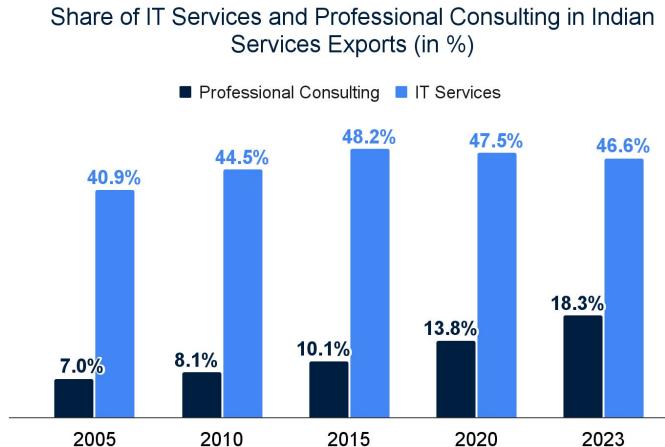
India v Peers: Services Exports CAGR FY05-23 (in %)



# IT Exports are the crown jewel of our services economy

And of late, Professional Consulting Services and GCCs stepping up too!

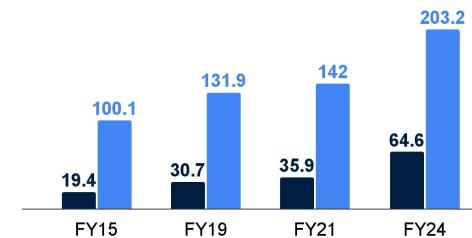
**Professional Consulting has been growing faster than IT Services, though from a lower base.**



**India is a global leader with 1,700 Global Capability Centres (GCCs). GCC headcount and revenue is growing faster than IT Services.**

India GCC and IT Services Revenue (in USD billion)

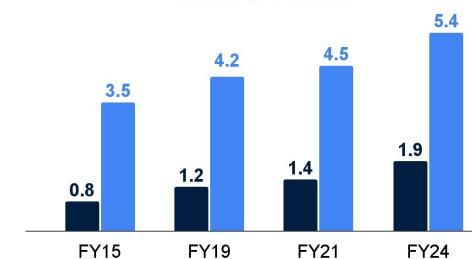
■ GCC Revenue ■ IT Services Revenue



From a fifth of the size of IT Services, GCCs are now a third of IT Services revenues; all this in under a decade.

India GCC and IT Services Headcount (in million)

■ GCC ■ IT Services



GCC headcount has more than doubled in under the last decade, albeit benefitting from a lower base.

## Long-Term Structural Forces

- Consumption and Services dominate our GDP.
- **India is formalising, steadily.**
- India doesn't save enough.
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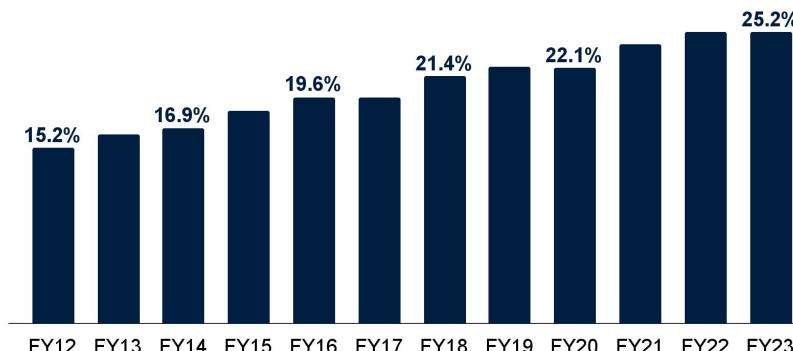
## India is formalising steadily

We are seeing a steady but firm shift to a organised, branded, formal market, from what was an unorganised, unbranded, and informal market.

# The Indian economy is formalising, shifting from unorganised to organised

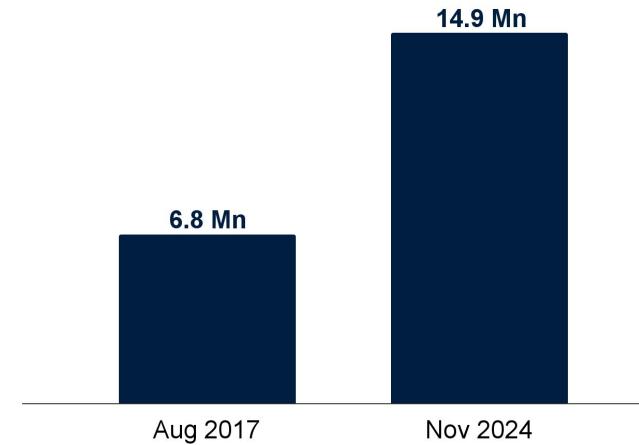
## Increasing share of income captured in direct tax filings

Gross Income of Individuals as % of GDP; per Tax Filings, FY12-23



## Growth in registered GST payees indicates a formal shift

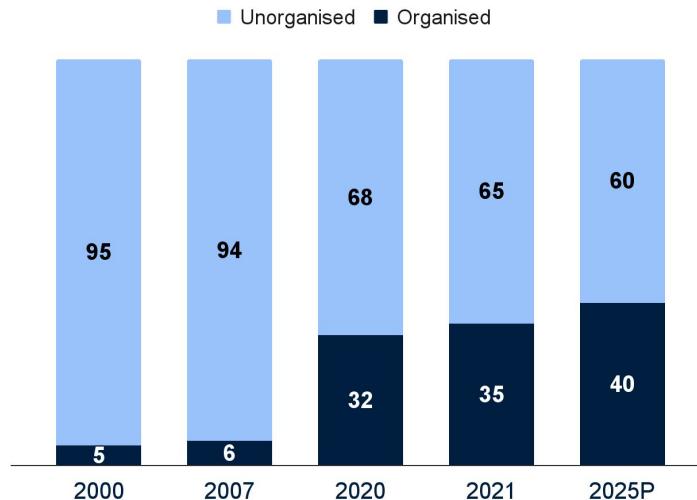
Registered GST Tax Payers (in millions)



# Signs of formalisation visible in the consumer economy too

## Jewellery market formalisation

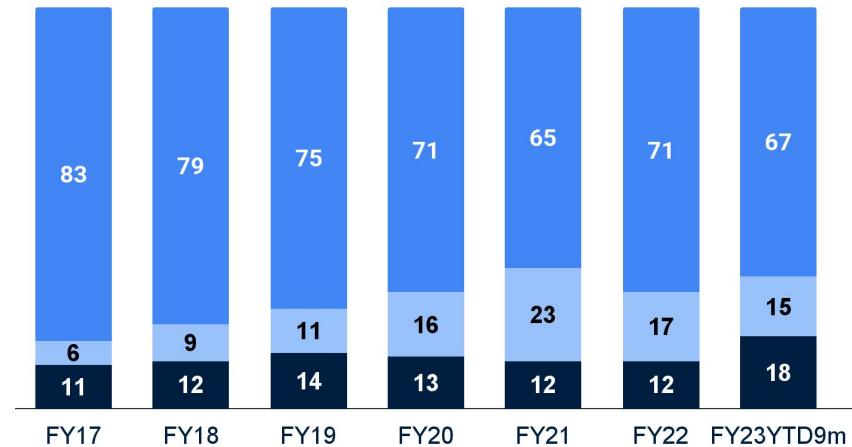
India Jewellery Market: Organised vs Unorganised Shares  
(in %)



## Real estate market formalisation

India Real Estate: Market Share of Builders / Developers

■ Others (%) ■ Listed Developers (%) ■ Leading Unlisted Developers (%)

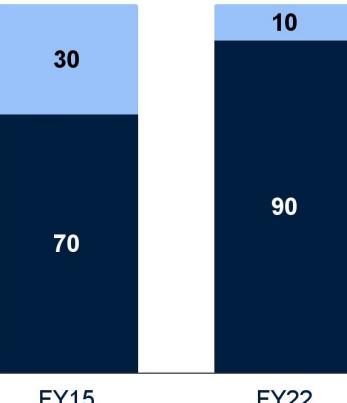


# From B2C to B2B we are seeing branded products gain market share

## Fans market shift

India Fans Market: Share of Branded and Unbranded Players (in %)

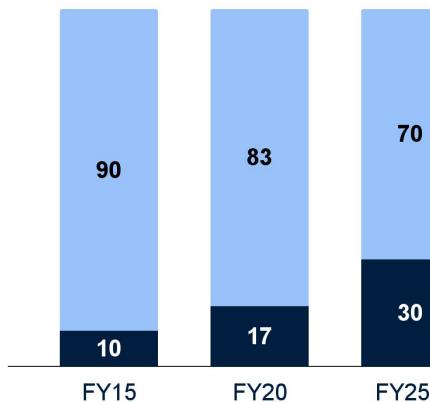
■ Unbranded ■ Branded



## Wedding and celebration-wear shift

India Wedding and Celebration Wear Market: Share of Branded and Unbranded Players (in %)

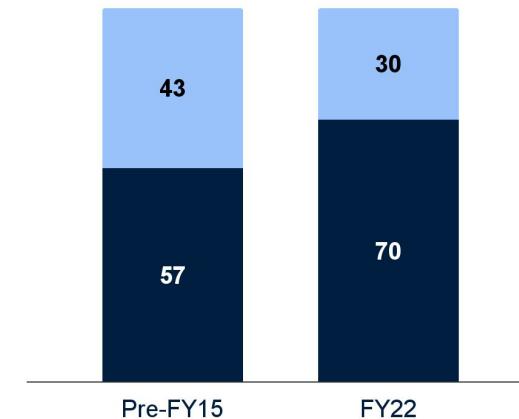
■ Unbranded ■ Branded



## Cables and wires shift

India Cables and Wires Market: Share of Branded and Unbranded Players (in %)

■ Unbranded ■ Branded



## Long-Term Structural Forces

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## India doesn't save enough

India's savings is good but not great. A high savings rate is necessary given low FDI rates. A deep dive into savings illustrates that the culprit is financial savings (as opposed to physical savings), and the reason is rise in financial liabilities, chiefly led by rising (unsecured) personal loans.

# India's overall savings rate looks ok, but is not

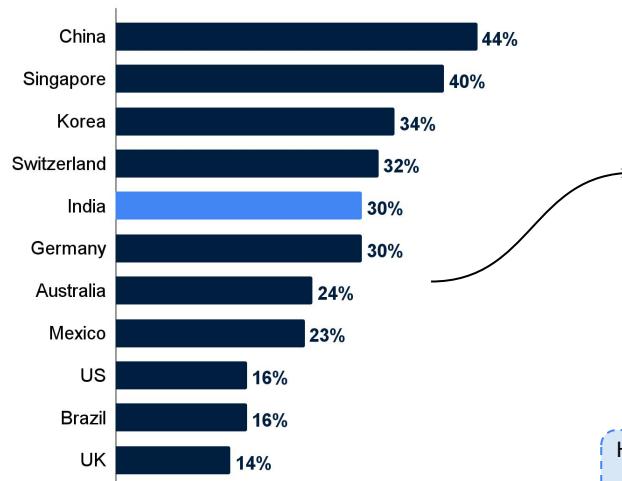
Worryingly, household savings, the biggest contributor, is seeing a declining share

India has a much lower savings rate than its Asian peers, especially China

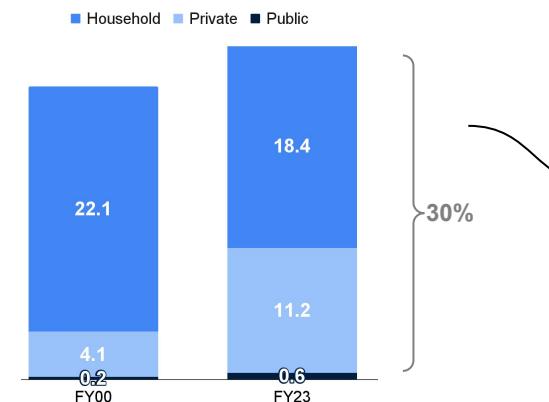
Household share of savings has dropped from 84% in FY00 to just 61% in FY23!

A key reason for household savings share dropping is the drop in financial savings

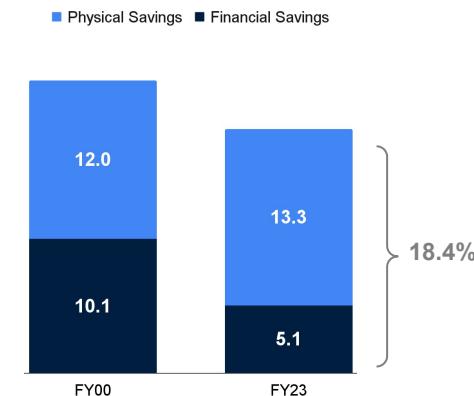
Country-wise Gross Savings as % of GDP, 2023



Savings as % of GDP by Type FY00 v FY23 (in %)



Split of Household Savings FY00 v FY23 (in %)

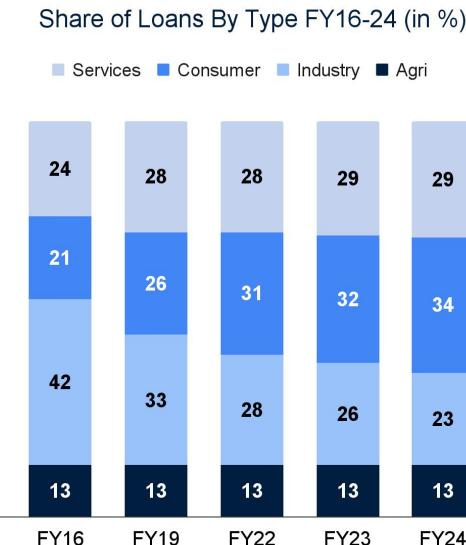


Household savings make up the majority of savings. They have been steadily declining (barring a pandemic-induced rise in '21)

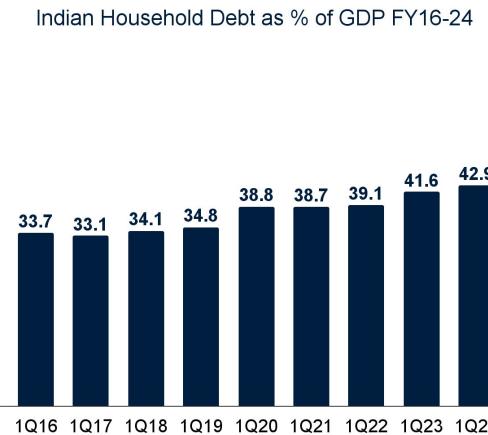
Household financial savings dropped from 10.1% to 5.1% primarily as a result of financial liabilities increasing from 2 to 5.8% in the same period.

# Sharp rise in indebtedness of the Indian household

Driven by the increasing share of consumer loans in credit market

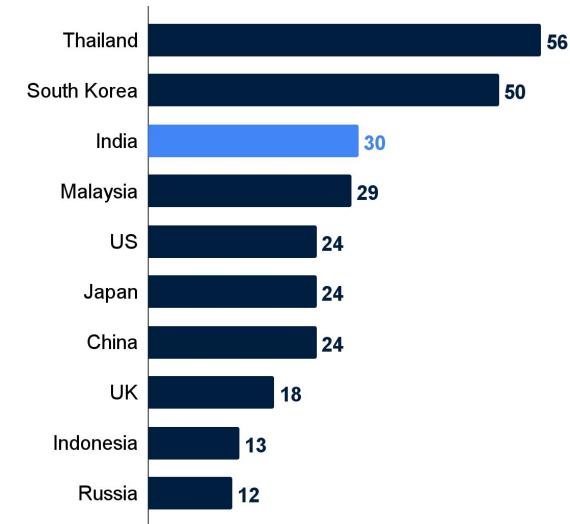


Meanwhile, household debt to GDP hits an all-time high



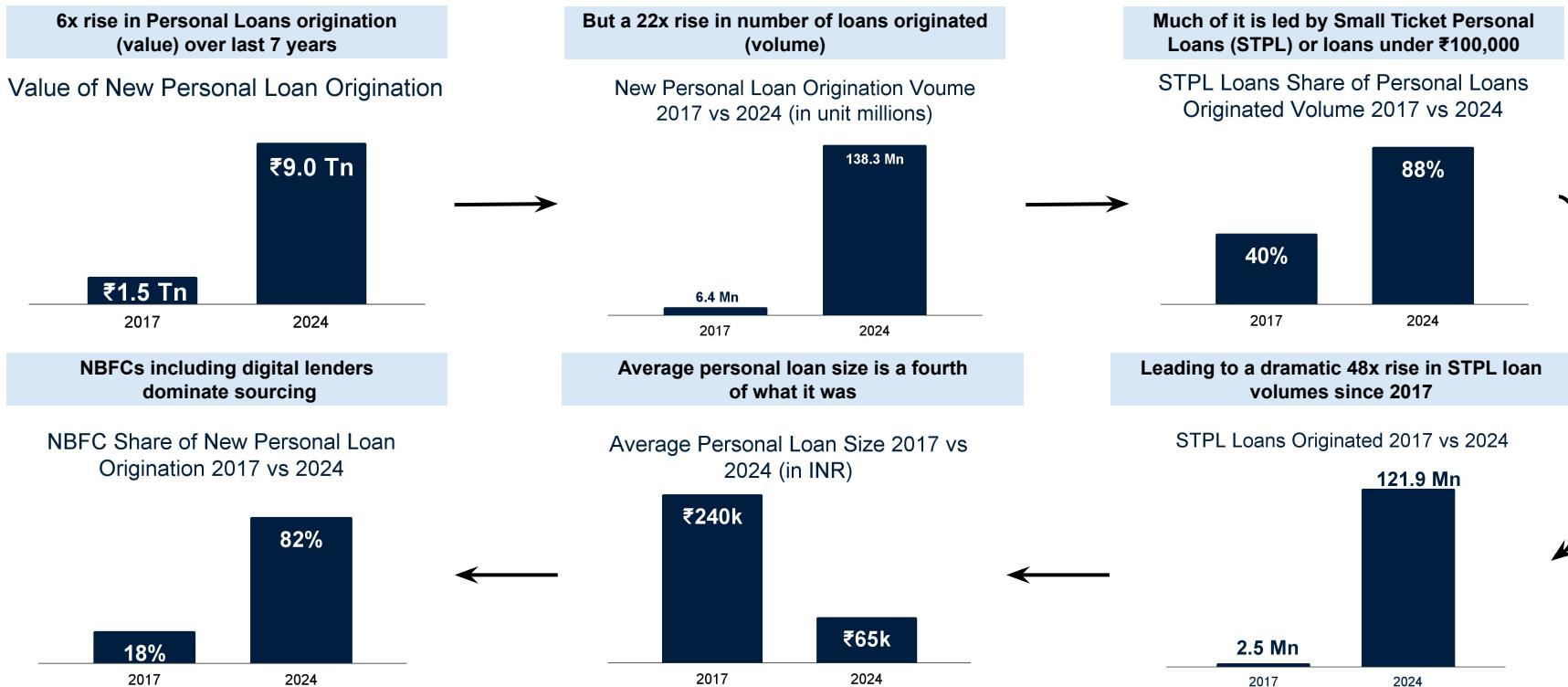
3/4th of household debt is non-housing debt which is high relative to others

Non-Mortgage Household Debt to GDP Ratio, Sep / Dec'23 (in %)



# Much of the indebtedness is due to the rise in Small Ticket Personal Loans (STPL)\*

Increasingly, NBFCs including fintechs and not banks lead the sourcing, typically digitally



## Long-Term Structural Forces

- Consumption and services dominate our GDP.
- India is formalising, steadily.
- India doesn't save enough.
- **Why land issues mean India hoards up on gold.**
- India doesn't invest in human capital.
- India's manufacturing playbook is good, but not great.
- How DPI made India a Digital Welfare State.
- How India1's savings surplus spur an Equity and F&O boom.

## Why land issues mean India hoards up on gold.

India is the world's second largest consumer of gold. Behind this are cultural factors, and economic factors, chiefly the poor land records, and the challenges in collateralising land. Gold is a far more convenient collateral as we see from these slides.

This section was authored by Joseph Sebastian, from Blume's Fintech team

# Indians have a special relationship with gold

India is the 2nd largest consumer of gold globally; and as Indians' preferred savings instrument, gold's impact is seen across our economy

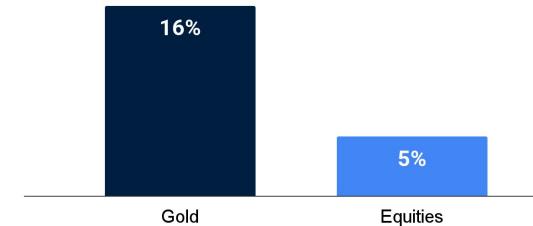
1 India is the second largest consumer of gold in the world

Gold Demand by Country 2024 (in tonnes)



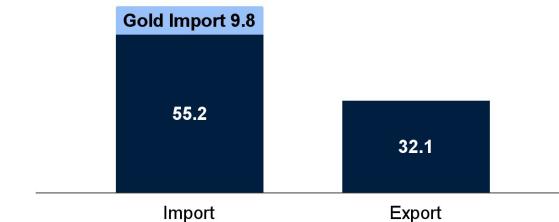
2 After property, gold accounts for the largest share in household assets

Gold vs Equity: Share of Household Asset Allocation 2023 (in %)



3 So much so that it has material impact on our current account deficit

India Imports vs Exports Nov'24, and Share of Gold (in USD billion)



India is the largest jewellery market in the world; thanks in part to India's wedding industry

By contrast, other nations typically keep just 2–3% of household wealth in gold vs India which keeps as much as 16%

Large gold imports significantly impact our Current Account Deficit (CAD), in turn influencing rupee strength and policy decisions

# Why is gold preferred? Not just because of its cultural significance but also because it is a great collateral

## In rural communities, gold is the primary way to save

### Fixed Deposit to Gold: Where people in villages are investing and why, reveals survey

Nearly 50% of people in rural India only want to save in safe products, reveals a survey

Written by [PE Desk](#)

Updated: March 22, 2023 17:09 IST



When it comes to savings, most of the people in rural India want to have their [money](#) invested in safe products only, according to a survey. Accordingly, most of them have savings in Government schemes such as PMJJBY, Saral Jeevan, [Pension Yojana](#), Subsidies, Farmer Insurance etc. This is followed by Gold ownership, Fixed Deposit/Recurring Deposits, Property and Public Provident Fund ([PPF](#)).

1

For farmers and traders, gold acted as a practical cash flow tool. They purchase gold during periods of surplus and use it as collateral for loans during times of cash requirements.

## Trusted collateral for lenders

### Gold Loans Surge: Boom or Burden?

Gold loan market's rapid expansion poses more questions than answers, especially for regulator RBI

By Manoj Sharma, Nov 12, 2024 6 min read



Indian households, which own 25,000 tonnes of gold, are mortgaging it for loans in large volumes. Thanks to the thriving gold loan segment, lenders have doubled down on efforts. Fast disbursement, lower interest rates and soaring gold prices make the business lucrative. Most demand is from the middle class, people engaged in agri, small businesses and the unorganised sector.

2

For lenders, gold-backed loans offer a significant advantage since the collateral is relatively simple to repossess if needed and It can be quickly sold in case of default.

## Accessible credit for borrowers

### Gold rush: Soaring prices drive consumers to pledge their assets

Gold holds a significant place in Indian culture, often being accumulated over generations. During times of financial needs like hospital expenses and college fees, individuals are more willing to pledge their gold holdings like jewellery to secure loans.

Written by [George Mathew](#) [Follow](#)

Updated: February 7, 2025 05:39 IST



The sustained rally in [gold prices](#) has led to a significant increase in gold loans issued by banks and financial institutions, as consumers leverage the rising value of their gold assets. Gold loan outstanding jumped by 68.3 per cent, or Rs 70,000 crore to Rs 1.72 lakh crore during the nine-month period ended December 2024 from Rs 1.02 lakh crore recorded in March-end of 2024, Reserve Bank of India data shows.

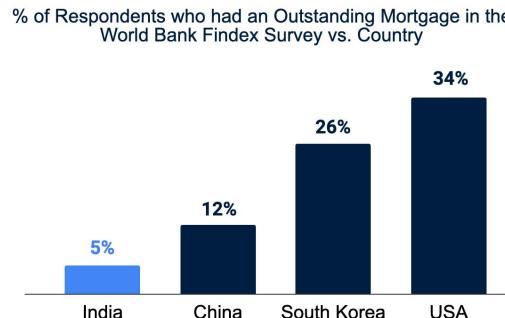
3

For borrowers, no credit history is required as gold is a secure product so they can get loans very easily.

# What makes gold even more attractive in India, is that land in India is not a good source of collateral

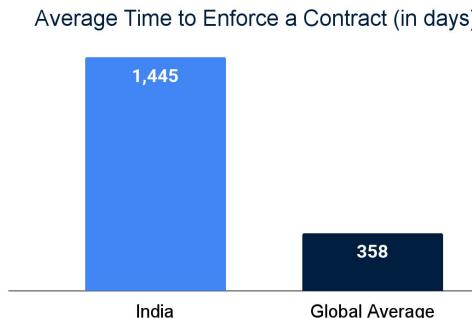
With one of the world's smallest housing loan market and lengthy contract enforcement (1,445 days), gold emerges as the practical collateral choice because land can't

**1** India has one of the smallest housing loan market



Economic growth stories in places like South Korea depended on credit creation through the mortgage industry. India's housing mortgage market is far lower than other countries because property is a more complex form of collateral compared to gold.

**2** One of the main reasons for that is India's dispute resolution / contract enforcement mechanism is broken



There are a whopping 47 million pending cases in the Indian courts. 66% of these are estimated to be linked to land as per Daksh India.

**3** Which makes India one of the lowest in the world in contract enforcement

#5	China
#17	United States
#58	Brazil
#68	Vietnam
#89	Kenya
<b>#136</b>	<b>India</b>
#190	

Weak contract enforcement reduces the confidence amongst lenders that property can be repossessed easily in the event default, thus making land an inefficient form of collateral

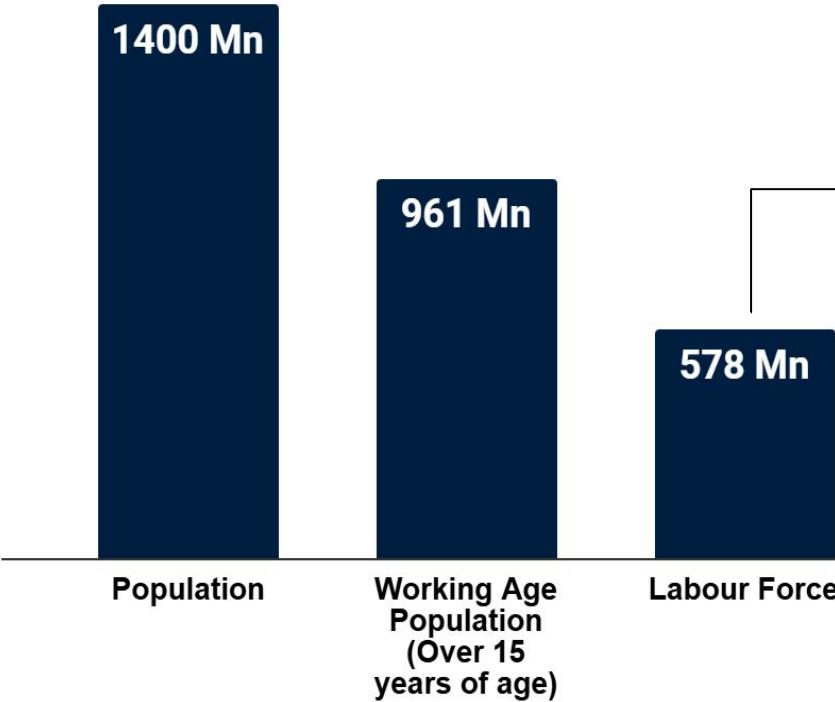
## Long-Term Structural Forces

- Consumption and Services dominate our GDP.
- India is formalising, steadily.
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- Why land issues mean India hoards up on gold.
- **India underinvests in human capital.**
- India's manufacturing playbook is good, but not great.
- How DPI made India a Digital Welfare State.
- How India's savings surplus spur an Equity and F&O boom.

## India underinvests in its human capital

Behind India's underinvestment in human capital, is a set of complex interlinked factors but chiefly path dependence from its decision post-1947 to invest in the tertiary education sphere over the primary and secondary education sphere (unlike the Asian Tigers and China which invested in primary and secondary education over tertiary) and developed a skilled labour force.

# India's Labour Landscape Snapshot



## Nuances of India's Workforce

- 18 Mn** 3.2% Unemployed
- 326.5 Mn** 58% Self-Employed  
(33% of self-employed are unpaid helpers in a household enterprise)
- 110.7 Mn** 20% Casual Workers
- 70.3 Mn** 13% Regular Salary Employees without job contract
- 51.0 Mn** 9% Regular Salary Employees with job contract

### Peers: % Regular Salary Employees in the Workforce

Russia	93%
Brazil	68%
China	54%
Bangladesh	42%

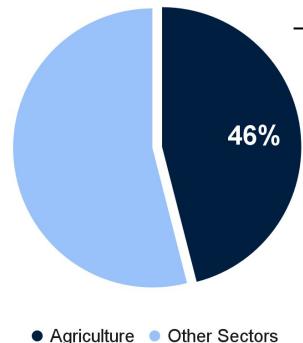
Source: Jefferies, PLFS (2023-24)

Unemployment Rate is per usual status , i.e. if a person worked 30 days in a year, they are considered as employed for the year

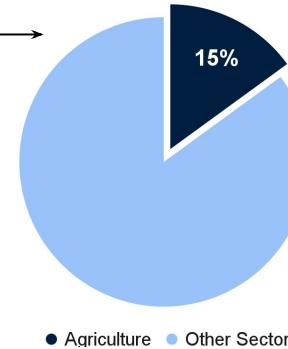
# India has a disguised unemployment problem and a jobless growth problem

## Disguised unemployment in agriculture

Agriculture Sector's Share of Total Employed (in %)



Agriculture Sector's Share of GDP (in %)



**Agriculture** accounts for 46%  
of jobs in India...

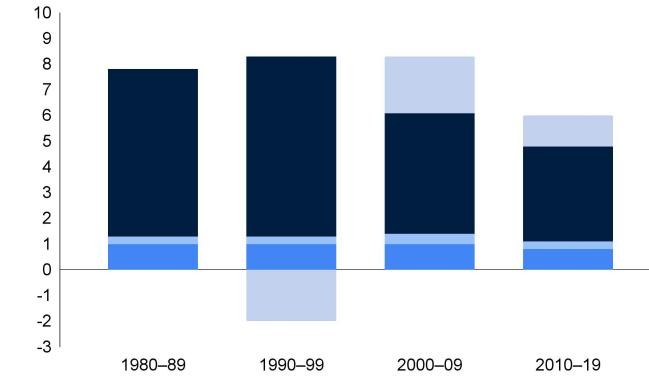
...but only contributes to **15% of GDP**

Indicating a problem of disguised unemployment.

## Jobless growth in manufacturing

Manufacturing Growth Decomposition

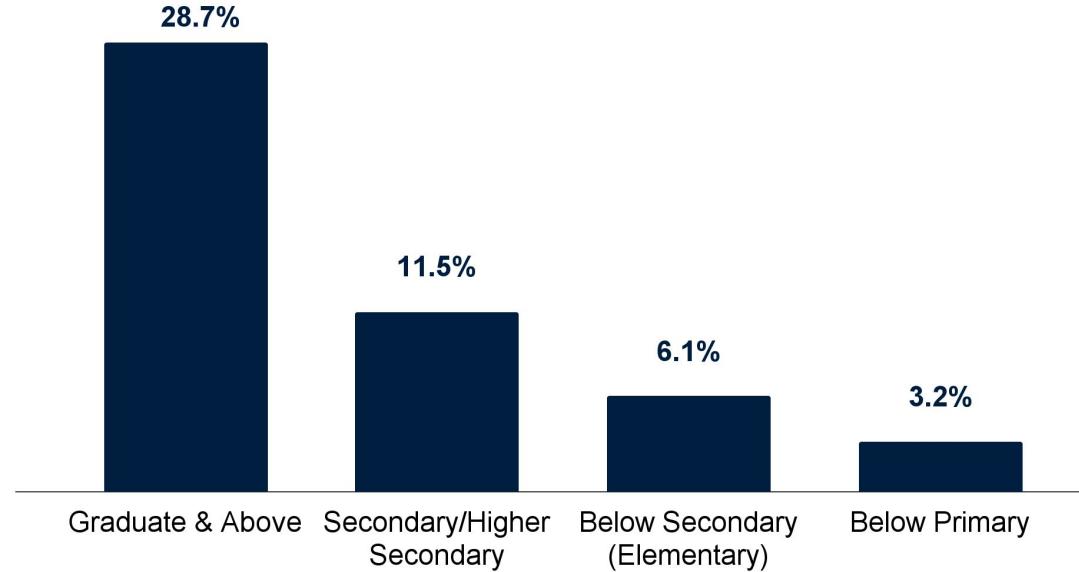
■ TFP VA ■ Capital ■ Human capital ■ Employment



Given manufacturing in India is more capital intensive than labour intensive, jobless growth is a likely scenario.

# But what's worrying is higher the education level, higher the unemployment rate

India's youth unemployment rate by level of education (%), 2022



# Because India's youth want 'AC' jobs or government jobs

## Employment (un)willingness



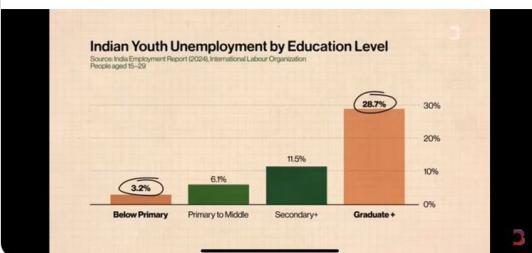
Its a government figure. Reality will be much more worse than this.

Its been more than a month. We couldn't hire 4 freshers. Their expectations are to get a 30K salary. Won't do field work. Principal/Dean of a reputed college in Ahmedabad said no students of our college will apply for sales job that requires them to do field work. Unless you're not offering good corporate setups, laptops & weekends off they will not apply.

No one is talking about skills. Looks like people are going to run their houses on degrees.

Manish R. Jain @mrjain · Sep 8, 2024

Ouch



1:24 PM · Sep 8, 2024 · 463.7K Views

## Everybody wants a government job



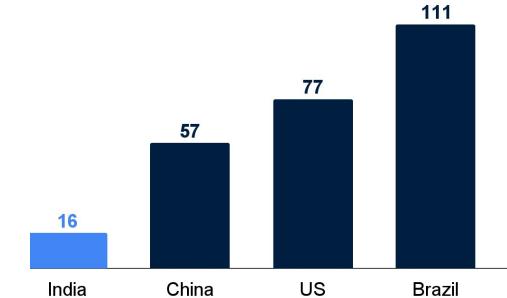
At 2 am, Kanpur Central Station is packed with job seekers, each inch is filled with hopefuls. With over five million youths vying for just 60k positions in the UP police, it showcases the challenging job market scenario. nn



7:52 AM · Feb 17, 2024 · 1.1M Views

## Why aren't there enough government jobs?

Number of Government Employees per 1000 Population



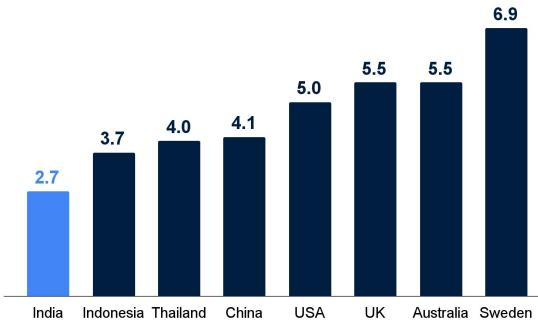
We have fewer government jobs than our peers but these are highly paid relative to the private sector.

Karthik Muralidharan in his book 'Accelerating India's Development' describes how government school teachers are paid 5-10 times more than private school teachers. The high pay and job security is a key reason for the high demand for government jobs and the many years invested in writing exams to break into these jobs.

# The underlying issue? India under invests in its human capital

## Education spending as a % of GDP (India vs Peers)

India v Peers: Spending on Education as % of GDP, 2023



## Focus on tertiary education while neglecting primary education

Paul Novosad ✅  
@paulnovosad

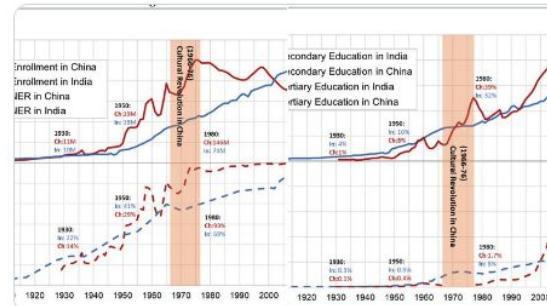


...

A new India-China fact (to me):

The Chinese state prioritized primary education over secondary/tertiary, while the Indian state did the opposite.

Chinese primary enrollment rate passed India in 1950, secondary 1975, and tertiary only in 2000!



6:47 PM · Nov 2, 2024 · 526.5K Views

## Focus on humanities and social sciences over technical areas

Paul Novosad ✅  
@paulnovosad

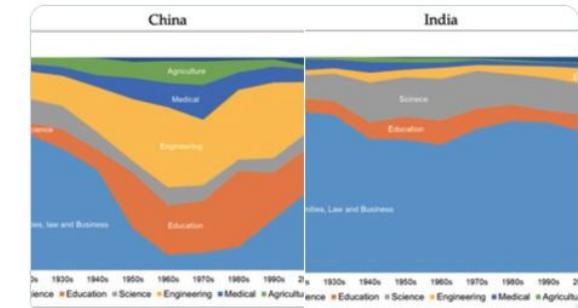


...

Striking differences in what kind of bachelors degree people are getting from the Chinese and Indian education systems.

India: Humanities, Law and Business dominate, Science and Engineering are only recent.

China: Engineering, Engineering, and Engineering



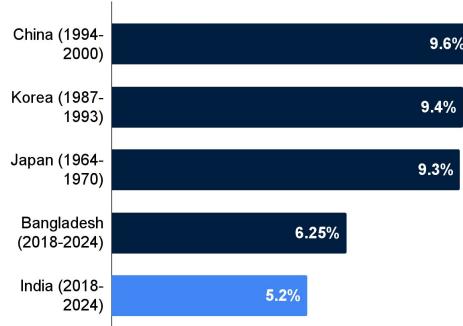
6:54 PM · Nov 2, 2024 · 108.5K Views

# India's demographic dividend is underway. To take advantage of it we have to focus on upskilling our workforce, and AI-proofing them!

Demographic dividend is the phase in which the proportion of working-age population (typically ages 15-64) increases rapidly compared to number of dependents (children and elderly). India's demographic dividend phase began in 2018 and will run till 2055. Japan's was 1964-2004 and so on.

## India v Peers, GDP growth in first 7 years of demographic dividend

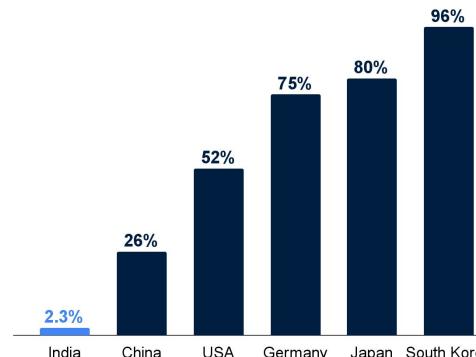
GDP Growth Rate for First Seven Years of Demographic Dividend (in %)



Unfair but relevant comparison - India was greatly impacted by COVID led GDP decline.

## India has far fewer population that has undergone formal skills training

India v Peers: Share of Workforce with Formal Skills Training (in %)



The above is from a 2019 Ministry of Skill Development report. It is very likely that India's number has increased today.

"India's reliance on services has made it a shining star in the emerging world. But AI is a howitzer aimed squarely at that prosperity. The effect AI will have on India will be profound. Too much has been written, said and marketed about India's demographic dividend...All it takes is \$29.95 a month to morph it into Demographic Debt. Or Demographic Dust."

- Shankar Sharma

## Long-Term Structural Forces

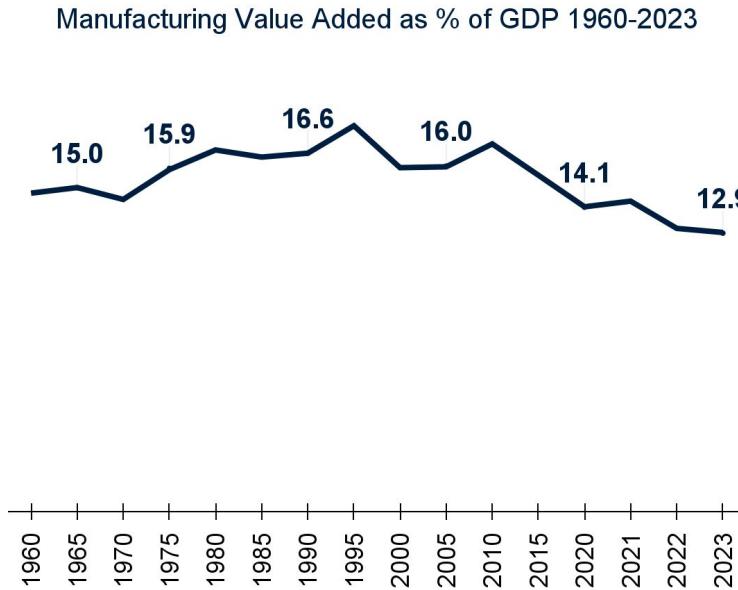
- Consumption and services dominate our GDP.
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- How India's savings surplus spur an Equity and F&O boom.

## India's manufacturing playbook is good, but not great.

India has struggled to grow its manufacturing sector historically, though it is making a spirited attempt now using important bans, tariffs, and production-linked incentives. The journey has been impressive but not as good as say Vietnam's.

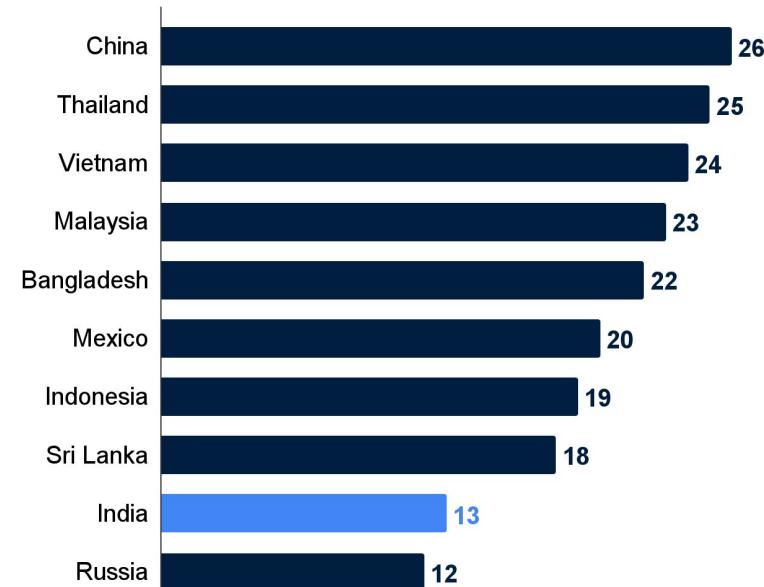
# India has historically underperformed on the manufacturing front

Indian manufacturing's share of GDP is at its lowest ever!



India also ranks well below its peers when comparing manufacturing's share of GDP

Manufacturing Value Added as % of GDP, India v Others, 2023

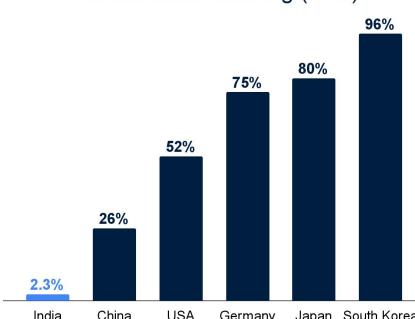


# Because of land, labour and capital

## Labour

**Low skill levels in the Indian labour force** mean that despite lower wages, the net impact is neutral as a lower-skilled workforce is less productive.

India v Peers: Share of Workforce with Formal Skills Training (in %)

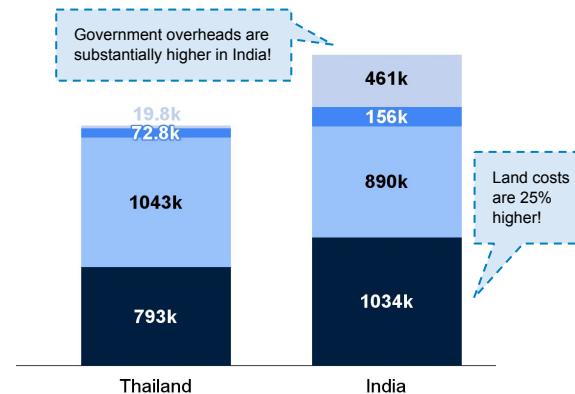


The above is from a 2019 Ministry of Skill Development report. It is very likely that India's number has increased today.

## Land

**Industrial land is expensive** in India vs other similar economies. Path dependence over history led by fragmentation of land parcels, unclear title rights etc., explain the higher cost of land acquisition. Below chart from a Bloomberg article by Andy Mukherjee.

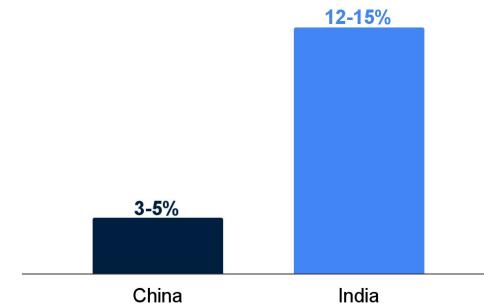
Cost comparison of setting up a small factory (in USD)



## Capital

**Lending rates are much higher in India vs other countries** - SME loans are at low double digit whereas Chinese companies get at 4%. Multiple reasons abound, but essentially India has higher cost of capital.

India v China SME Lending Rate (in %)



# India is looking to rework its trajectory by the use of bans, tariffs, and incentives

Import bans to promote making in India in defence, electronics. and durables



India plans laptop import curbs to boost local manufacturing, sources say



Air-conditioner imports banned



India banned drone imports to encourage local startups: Ram Mohan Naidu

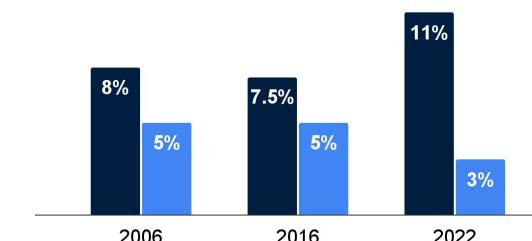


Ban on solar panel imports to help local mfg but increase panel prices

Higher tariffs than emerging market peers like Brazil, Vietnam and China

India vs China Trade Tariffs (in %)

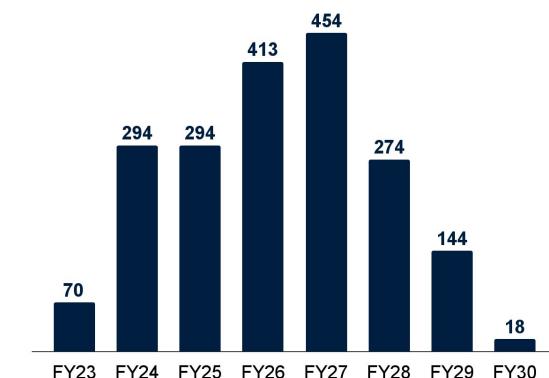
■ India ■ China



India tariffs at 11% higher than other Emerging Market peers such as **Brazil (9%)**, **Vietnam (5%)**, and **China at 3%**

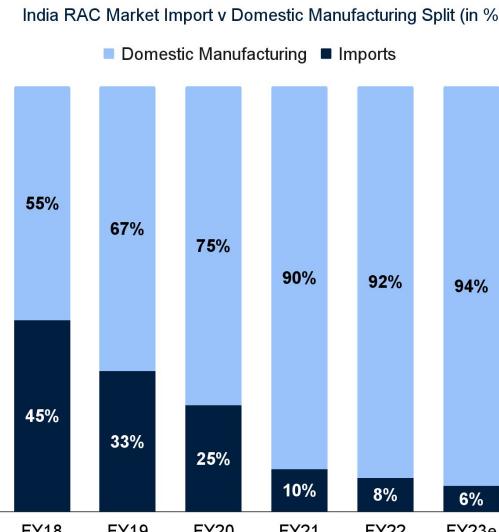
Production-Linked Incentives (PLIs) worth \$33bn over 5 years across 14 sectors

Estimated Timeline and PLI Incentives Planned (in INR billion)

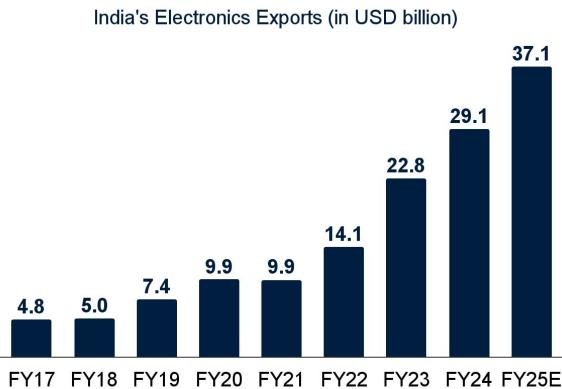


# And the effects are beginning to be seen in various industries

**Import bans have reduced home air conditioner imports from 45% to 5%**

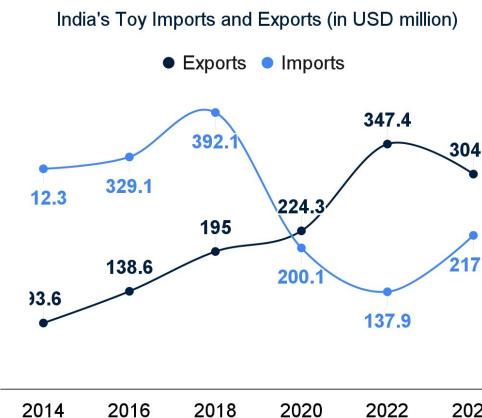


**Electronics industry supported by PLI scheme has seen exports take off**



"Electronic manufacturing sector is an example of the change that the scheme is bringing. Seven years ago we used to import mobile phones of approximately USD 8 billion. Today, we are exporting mobile phones worth USD 3 billion" - PM Narendra Modi, 15 August 2021 speech

**Tariffs played a huge part to make toys export possible**



From FY20 to FY24, India raised tariffs on imported toys from 20% to 70%, leading to India becoming a net exporter

# That said we are still in the early days of a manufacturing revival

**China has seen a drop of nearly \$100 billion in its exports to the U.S**

Goods Imported to the US from China (in USD billion)

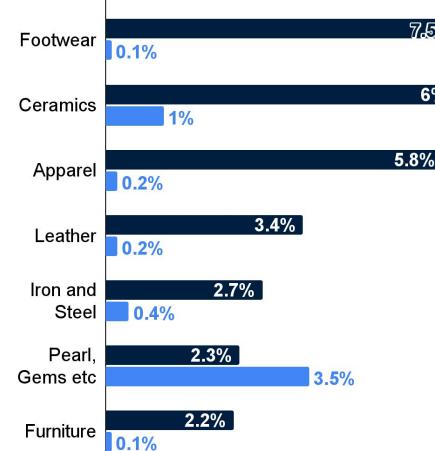
■ 2018 ■ 2024



**But we weren't the prime beneficiaries of China + 1; Vietnam very likely was!**

India v China: Gain and Loss of Market Share across Sectors (in %)

■ China's Loss ■ India's Gain



Goods Imported to the US from India and Vietnam (in USD billion)



While India's Import to US increased by 60%, Vietnam saw a ~3x jump as compared to India.

## Long-term Structural Forces

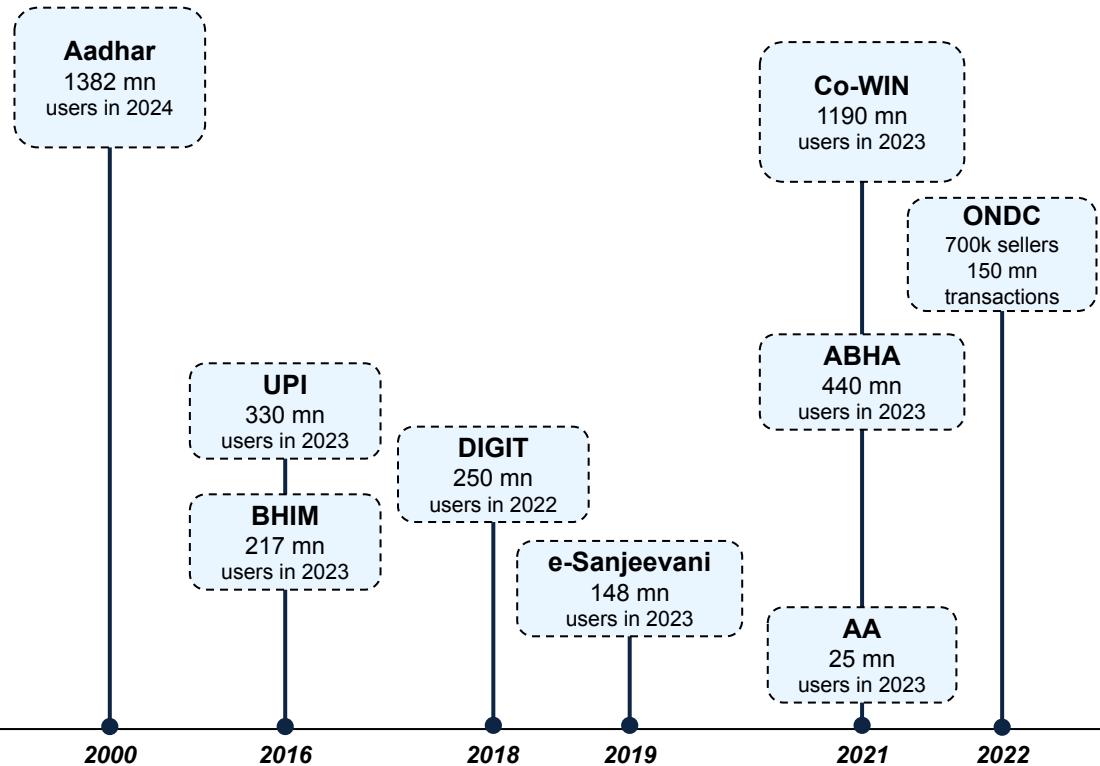
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## DPI has helped India become a 'Digital Welfare State'

A good way to understand India is as a Digital Welfare State, one that leverage DPI protocols to deliver cash and in-kind benefits directly to the end users. Not all DPI protocols necessarily succeed, and we are beginning to see second-order effects of DPI policies emerge!

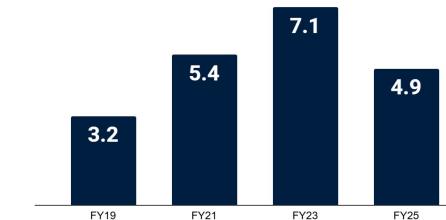
# Thanks to DPI, India is now a digital welfare state

Government has introduced a slew of DPIS...



...driving socio-economic impact through DBTs

Total Direct Benefit Transfers, FY19-25 (in ₹ trillions)



Aadhaar (Unique ID) + Mobile + Bank Account (Jan Dhan Account) has enabled direct benefit transfers and reduced leakages in the system.



People by WTF, Nikhil Kamath

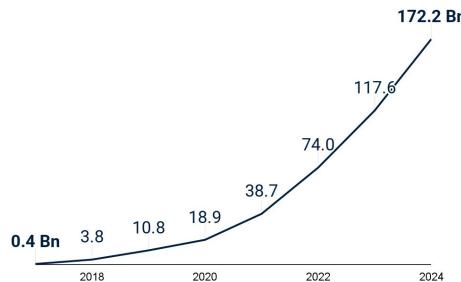
"Today, in just 30 seconds, I can directly transfer money into the accounts of 100 million farmers. Today, I can send subsidy to 130 million gas cylinder consumers with just one click, in 30 seconds. Billions that were being siphoned out due to corruption are now saved."

- PM Narendra Modi

# As DPI protocols flood the market, some find immediate success while others are yet to find their feet

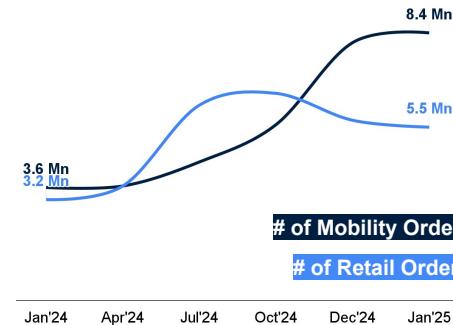
## UPI

UPI Transaction Volume



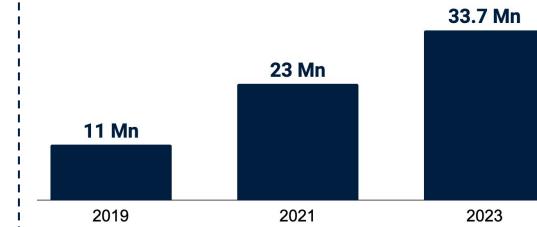
## ONDC

ONDC network orders by service



## MyGov

MyGov Registered Users



UPI is the **runaway hit** product of India Stack



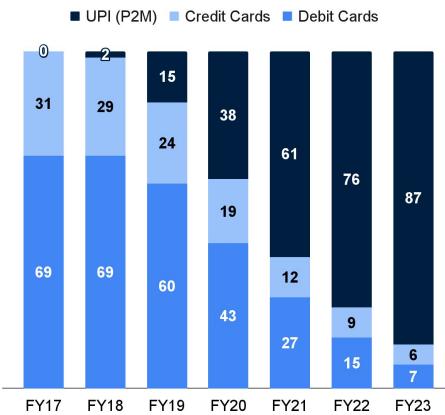
While mobility players on ONDC have seen success,  
retail is still finding its feet

Number of users on MyGov is on the rise, but the  
actual **penetration** is quite low at 2% of population

# As UPI hits maturity, we are seeing its second order effects

UPI winning market share from debit and credit cards

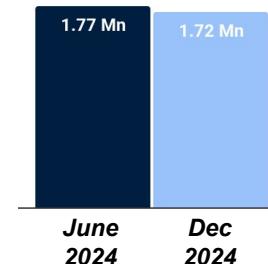
Market Share by Volume of Transactions across Payment Methods (in %)



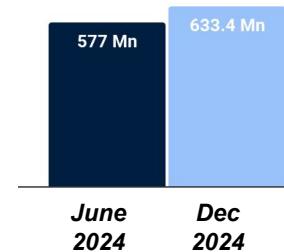
UPI processed 172 billion transactions worth over ₹ 245 tn (\$~3tn) in 2024. It accounted for 83% of all digital transactions in 2024, compared to just 34% five years ago.

...and is beginning to impact demand for cash amongst the upper income tier...

# of ATMS (in unit millions)



# of UPI QRs (in unit millions)



...but 0% MDR taking out profit pools for Payment Service Providers

Highest profit pool in payments lies with NPCI: PhonePe CEO Sameer Nigam

NPCI was established under the aegis of RBI as a non-profit to run a few payment systems such as Immediate Payment Service (IMPS), Unified Payments Interface (UPI), and Bharat Bill Payment System (BBPS). In FY22, NPCI posted a Rs 773 crore profit.

Potential Revenue Pool from 0.5% MDR on Non-P2P Transactions

\$4.1 Bn

Revenue Forgone by Indian PSPs (Assuming 0.5% Debit Card MDR)

NPCI, in March 2023, introduced an *interchange fee of 1.1% on P2M transactions >Rs.2000 made via prepaid instruments* like a mobile wallet or prepaid card. While this is a small portion of the revenue pool, it could signal the introduction of MDRs for other transaction types.

## Long-term Structural Forces

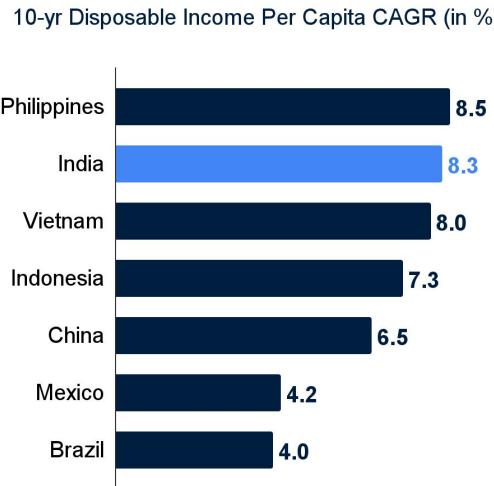
- Consumption and services dominate our GDP.
- India is formalising, steadily.
- India doesn't save enough.
- Why land issues mean India hoards up on gold.
- India doesn't invest in human capital.
- India's manufacturing playbook is good, but not great.
- How DPI made India a Digital Welfare State.
- **How India1's savings surplus spur an equity and F&O boom.**

## How India1's savings surplus spur an equity and F&O boom.

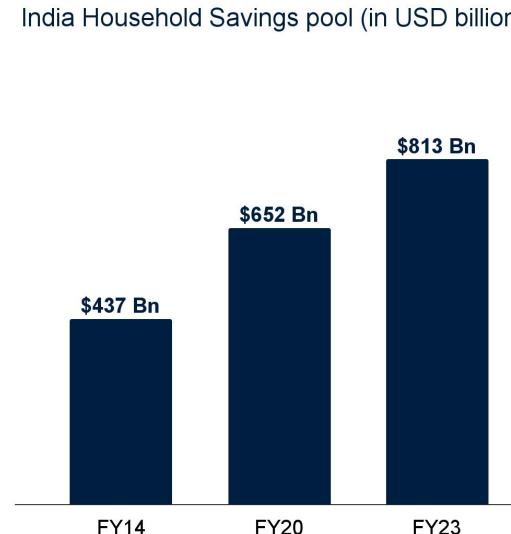
India1's surplus savings are finding their way into the equity market, creating the 4th largest equity market, and the biggest equity derivatives market (by volume). SEBI has come down hard on the equity derivatives market (effectively 'financial gambling') and the impact is visible.

# As disposable income increases, equity emerges as a new way to save for Indians

1 India's affluent class has seen rising disposable income and growth...

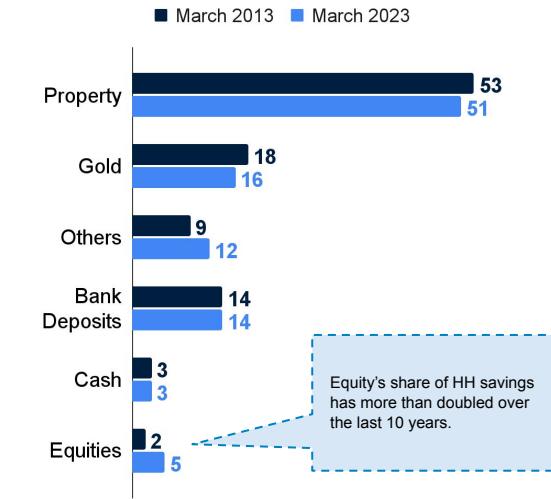


2 ...which over time this manifests in a sizeable savings pool...



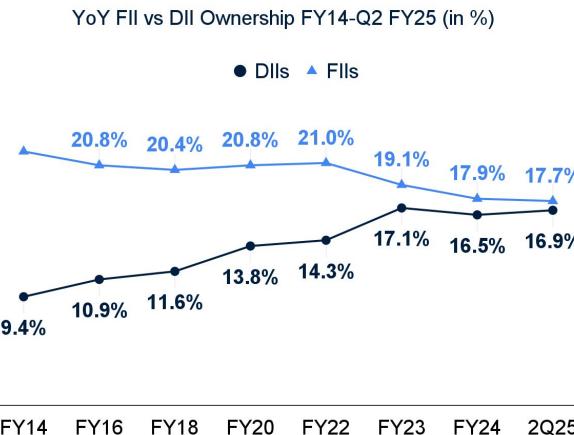
3 ...of which more and more is being invested in public markets.

Household Asset Allocation Split (in %)

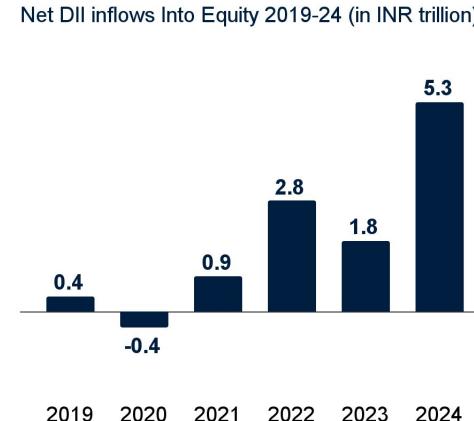


# Domestic capital is increasingly driving the Indian stock market

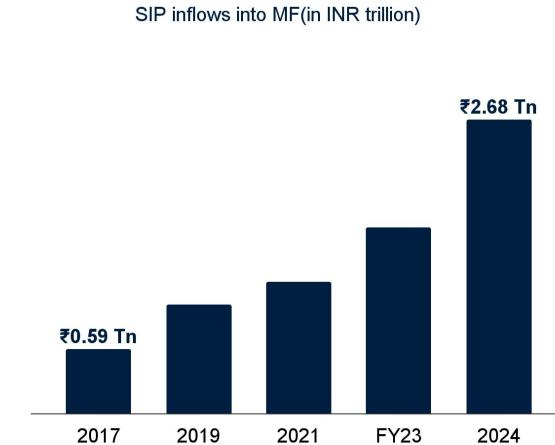
1 Domestic investor ownership of Indian stocks catching up steadily to Foreign investor ownership



2 Net DII inflows into Indian stock market at record levels...



3 ...with around half of those inflows coming from Mutual Fund SIPs



# But until when can domestic monies drive the market?

As equity returns drop and FII continue to sell how long can retail funds keep flowing!!

SIP cancellations to registrations have risen to 64% in Apr-Dec24. In FY24 it was at 52%

≡ Bloomberg



Markets

## Jefferies Warns of Slowing Equity Inflows From Indian Investors

By Chiranjivi Chakraborty

14 February 2025 at 09:44 GMT+5:30

Save

Translate ▾

1:15

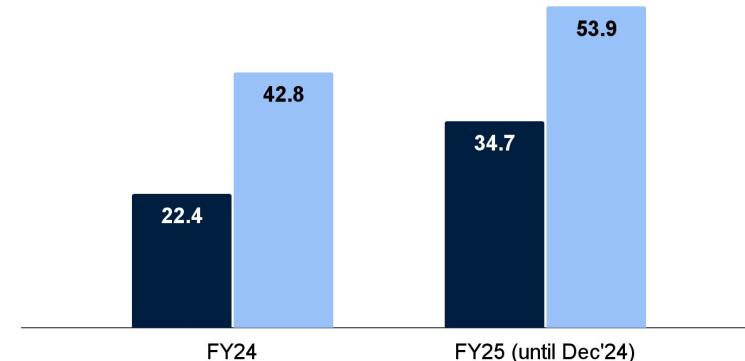
The torrent of retail funds flowing into India's equity mutual funds is at risk of abating as market returns decline, according to Jefferies Financial Group Inc.

A slowdown in households investments into local equities could further weigh on the outlook for Asia's fourth-largest equity market, which has been sliding since late September amid a deepening earnings slowdown and an exodus of global funds. Still, equity plans took in a net \$5.6 billion in January, marking the 47th straight month of inflows.

"We see the risk of this number coming off going forward as the trailing 12-month returns keep dropping," Mahesh Nandurkar, a strategist at Jefferies wrote in a Feb. 13 note. "For now, the strong January number was a relief."

New SIPs registered vs discontinued SIPs FY24-Dec FY25 (in million)

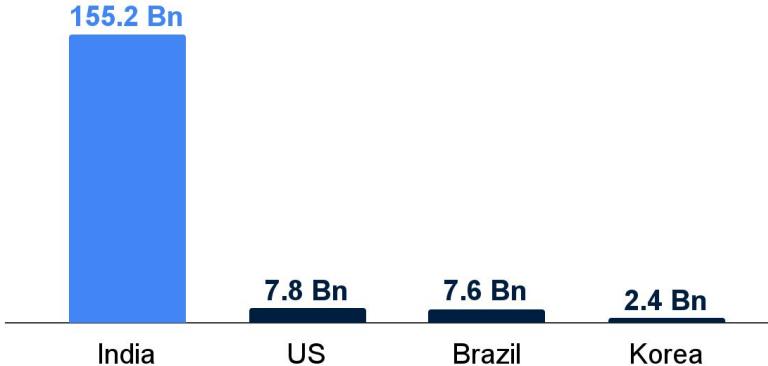
■ SIPs Discontinued / Tenure Completed ■ New SIPs Registered



# Did you know India is the largest derivative market in the world?

India is the largest derivatives contracts market globally

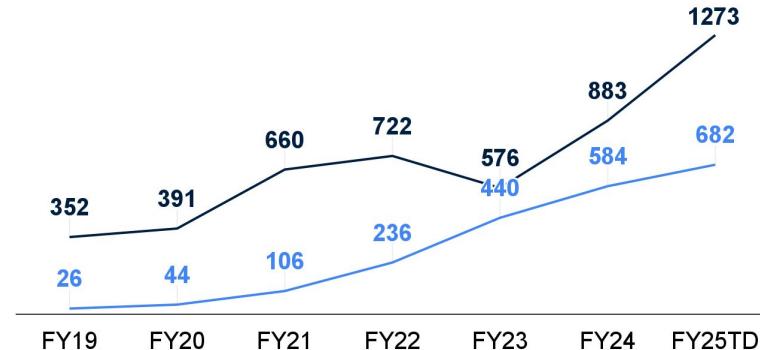
Total Number of F&O Contracts, 2024 (in billion)



This is on the back of index options (e.g., Nifty, Bank Nifty etc.) which has grown 26x over the last 6 years

Index Options Premium vs Cash Trade (Equity) Average Daily Turnover (in INR billion)

Cash (Equity) ADTO    Index Options Premium ADTO



ADTO above = Average Daily Turnover. This chart shows the average daily turnover of index options vs regular stock trading; while in FY19 index options was ~7% of regular stock trading, today it is over half!

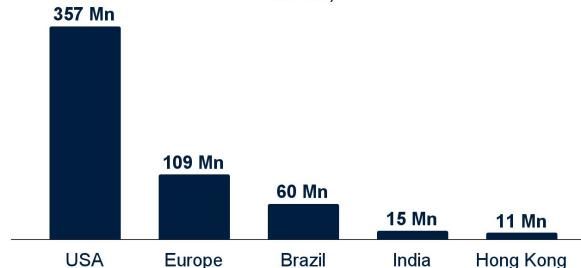
# Much of the volume is driven from short term speculative trades done by retail investors

Unlike U.S. where most option trades are held for longer periods (hence ‘outstanding’), India’s trades are short-term and hence settled fast.

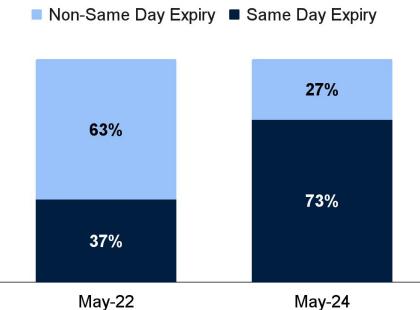
Because of low premiums, there has been a boom in very short-term contracts: 73% of (index option) trades occurred on the last day of expiry.

And this boom is mainly led by retail investors

Number of Outstanding Equity Options Contracts CY23 (in millions)



Index Options Trade Volume Split by Same-Day vs Non-Same Day Expiry (in %)



Additionally, 65% of all contracts were weekly rather than monthly in nature, i.e., held for a maximum of one week versus one month. Effectively derivatives are treated as quasi-gambling products by ‘investors’.



Rajesh Sawhney 🇮🇳 @rajeshsawhney · 11h

Our analyst just informed me that he makes more money on F&O than on salary.

This is his first job.



16



6



124

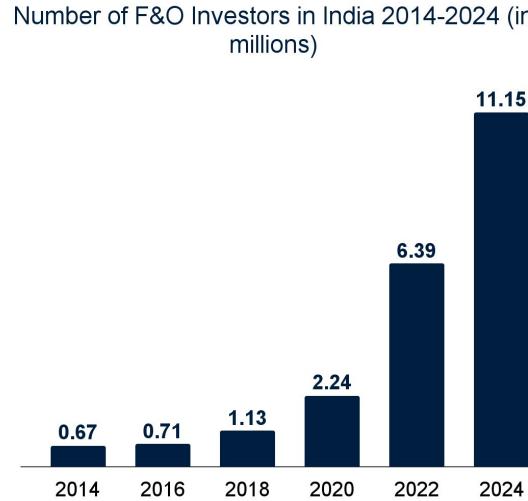


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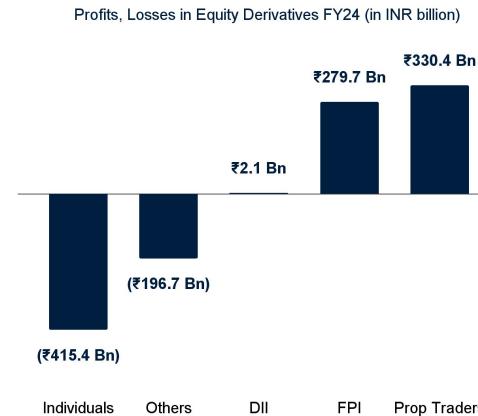
...

# Retail participation in F&O trades shoots up, but more than 90% of participants lose money!

Retail participation in the derivative market have grown exponentially, going from <1mn in 2017 to closer to 12mn in 2024



But most individual investors lose money



Above via a SEBI study on equity derivatives which concluded that in FY24, individuals lost ~ ₹41,000crs / ₹410 Bn and about 91.1% of them made net losses in F&O amounting to an average of ₹1.2 lakh / ₹120k loss per person

People are making losses to the tune of 10-15% of their income, says this tweet



Alok Jain ⚡  
@WeekendInvestng

My CA was visiting me today.  
He said he processed 300 returns this year for salaried folks between 20-50Lacs earning  
said 2 out of the 300 made any F&O profit  
Avg loss was around 10-15 pct of their incomes so 2-7 lacs approx.

in effect these punters lost about 30 pct to tax and 15% to F&O.. so take home was about 55% only

Sad state of gambling mindset.

3:30 PM · Aug 7, 2024 · 178.5K Views

83 79 932 97

# Leading to SEBI's intervention; and the impact can be seen!

SEBI has increased lot sizes, reduced weekly contracts, mandated upfront premium collection etc to curb speculative behaviour.

## Sebi tightens F&O rules to curb derivatives market frenzy, protect small investor

Tough measures include hike in futures and options contract size, need for buyers to make upfront option premium payment, and letting each exchange provide contract for only one benchmark index with weekly expiry

Written by Hitesh Vyas  
Mumbai | Updated: October 2, 2024 08:05 IST



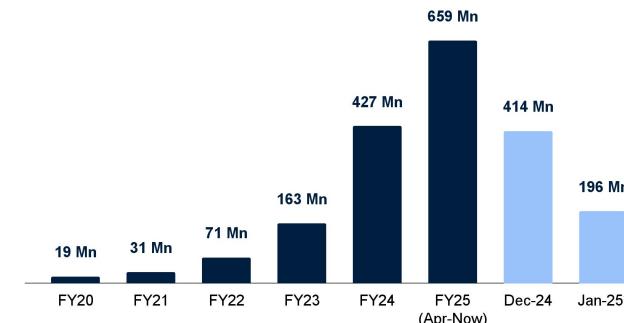
7 min read

The Securities and Exchange Board of India (SEBI) Tuesday tightened the norms for equity derivatives (F&Os or futures and options) trading by raising the entry barrier and making it more expensive for retail investors to trade in F&Os. The new rules will come into effect from November 20, 2024.

The market regulator announced a set of six measures which include increasing the contract size for index futures and index options to Rs 15 lakh from the present contract size between Rs 5 lakh and Rs 10 lakh, and rationalisation of weekly index derivatives products by allowing each exchange to provide contract for only one of its benchmark index with weekly

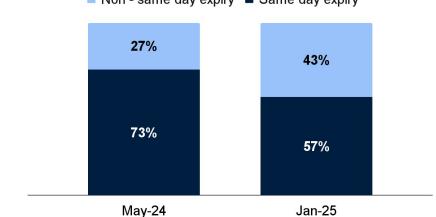
And the effects have starting to be seen with decreased volumes and lower expiry day trades

Volume of Average Daily Index Options Contracts



Same day expiry volumes have dropped to 57% vs 73%

Non - same day expiry    Same day expiry



Average daily Index option contracts declined 37% in Dec'24 and a further 52% in Jan'25

India - The Last Five Years

Pg 7

Long-Term Structural Forces

Pg 20

Consumption

Pg 66

A deep dive into India's consumption patterns, and the Indian consumer stack, including India1 and how it shapes the Indian consumer market.

## Consumption

India's consumption numbers look good on an overall basis, but not on a per capita basis. We take a look at why this is so. We look at how India1, India's top 10%, drives the Indian economic engine, and find that India1 is not widening as much as deepening. Finally, we show how India1's high share of consumption shapes the India consumer market in many distinct ways.



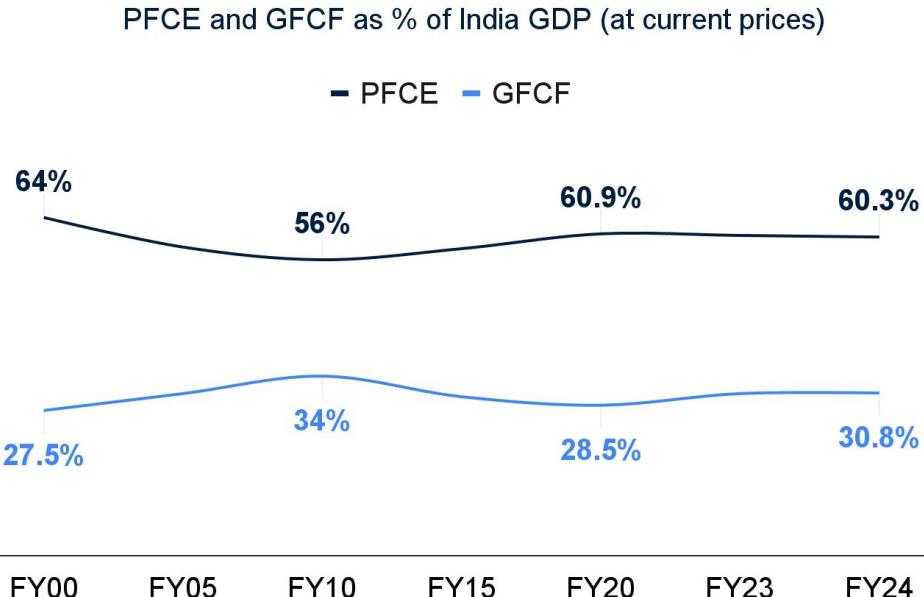
Vivek Raju ✅  
@vivekraju93

Last night, I dreamt that I was explaining India 1/2/3 segmentation to Modiji. I swear I am not kidding

1:08 PM · Mar 10, 2024 · 3,092 Views

# Consumption is the dominant driver of India's GDP

It has consistently been above 55% since '00; Investment / GFCF plays a far lesser role unlike in China



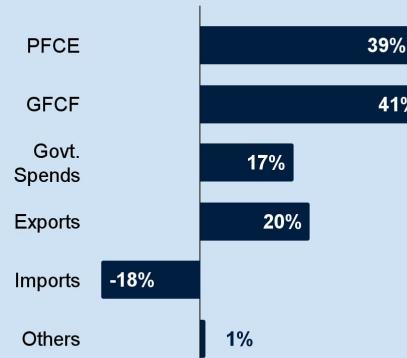
**Note:** PFCE at 60.3% differs from PFCE of 56% on [Slide #24](#); 60.3% is at current prices, while 56% was at constant prices (2011-12). It is hard to get long time-series data for constant prices.



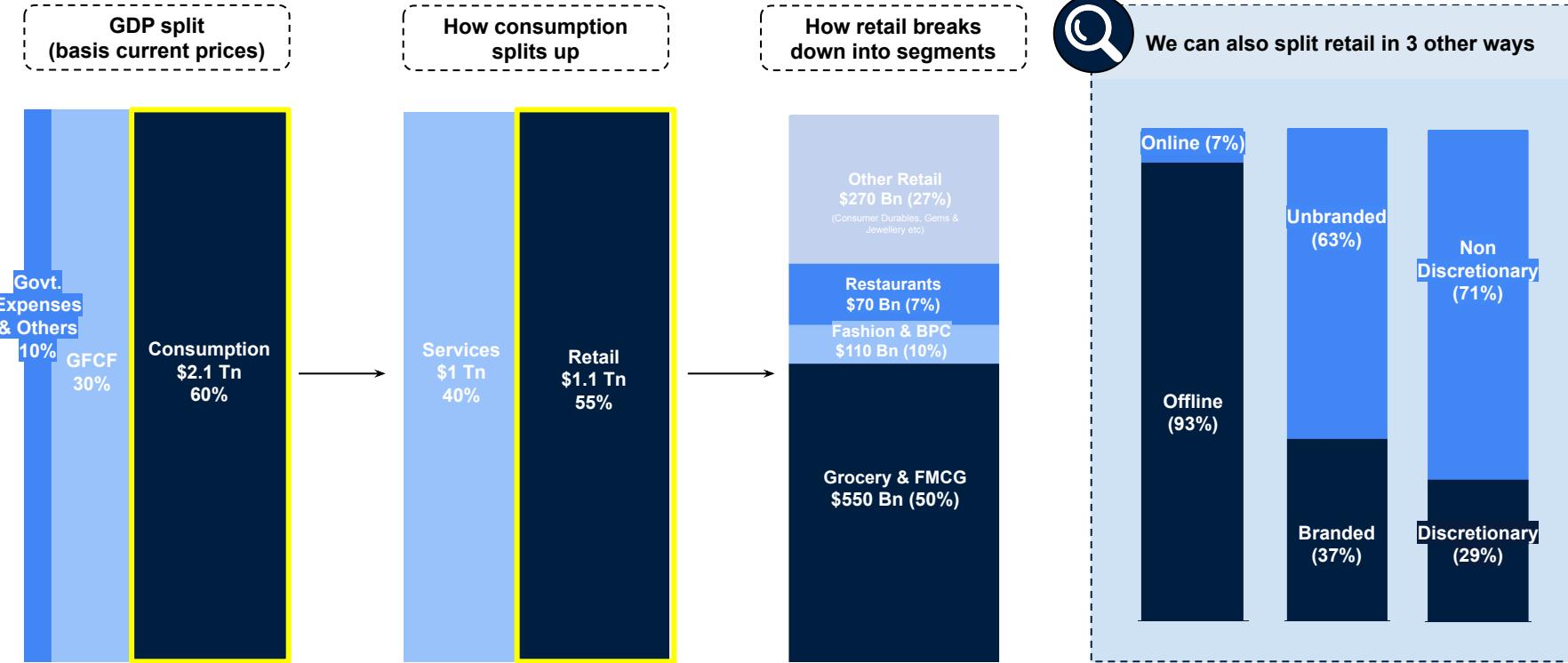
## How we stack up vis-a-vis China

GFCF is essentially creation of productive assets such as machinery, infrastructure. Unlike India, investment (GFCF) plays a larger role in China's GDP at 41% vs. India's 31%.

### China GDP Breakup 2023



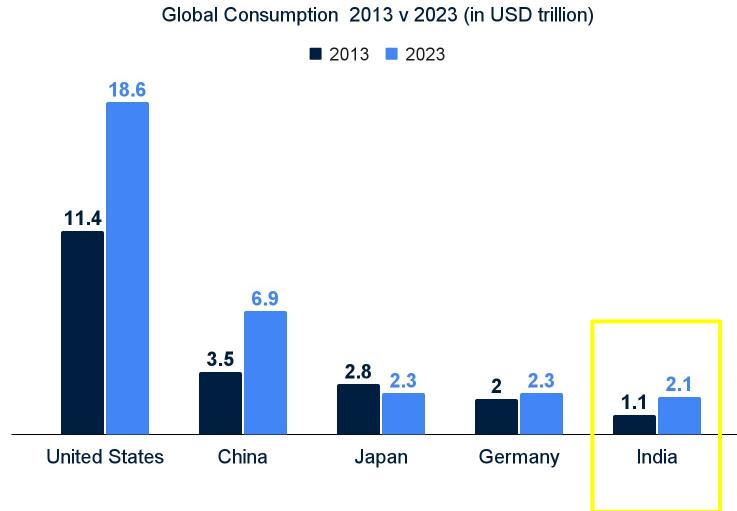
# This is how Indian Consumption stacks up



# ~60% of \$3.7 trillion makes for a sizeable consumption market

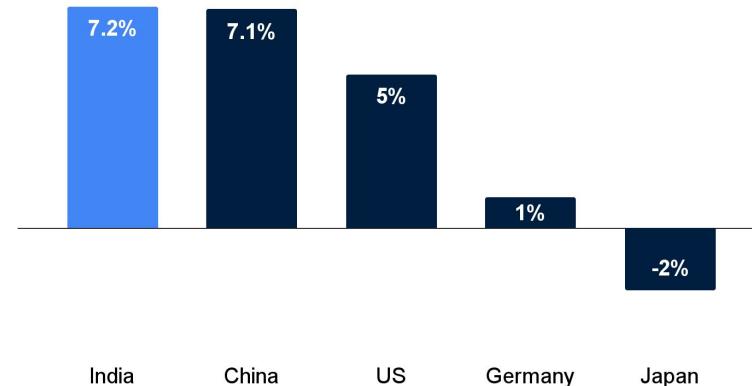
Relative to large economies, India's consumption growth is amongst the highest

India is the 5th largest consumption market globally



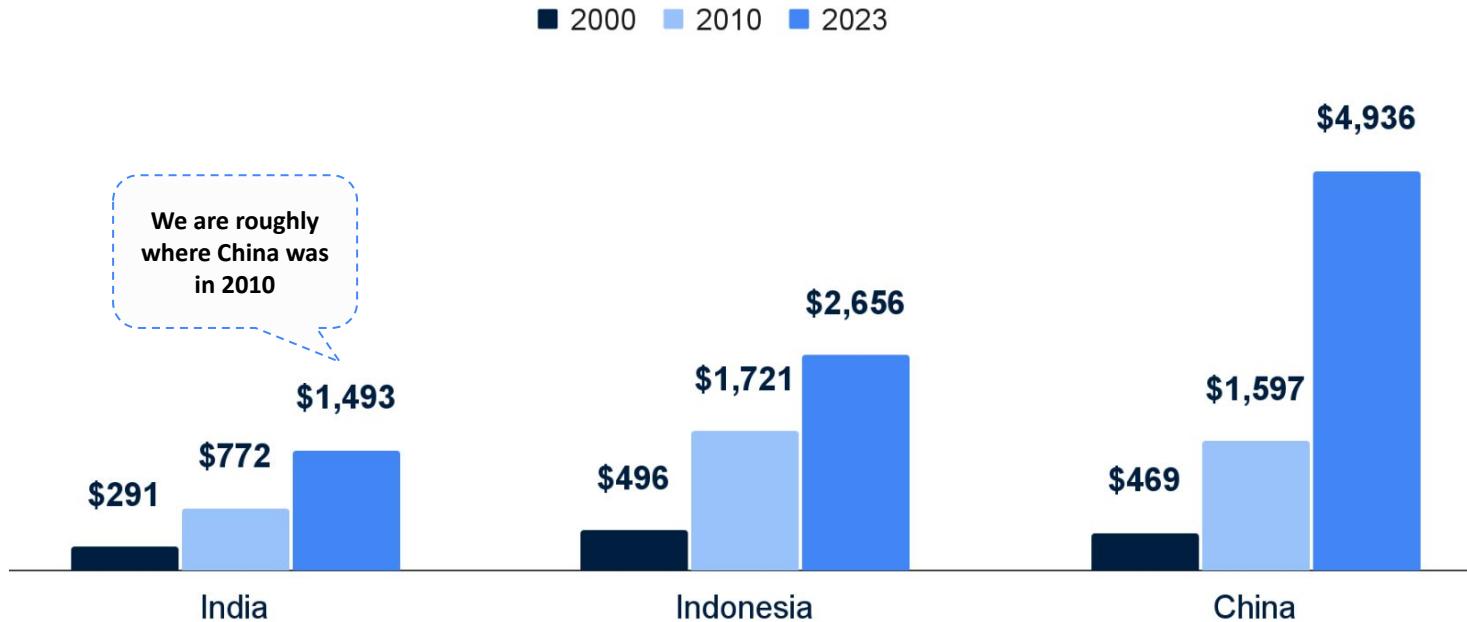
India's consumption growth outpaced major global economies

Last 10-yr Consumption CAGR 2023 (in %)



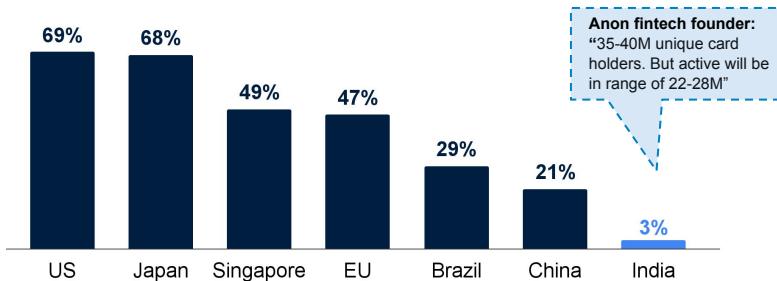
# On per capita basis though, India's consumption metrics look less impressive

India vs Indonesia vs China: Consumption Expenditure Per Capita (in USD)

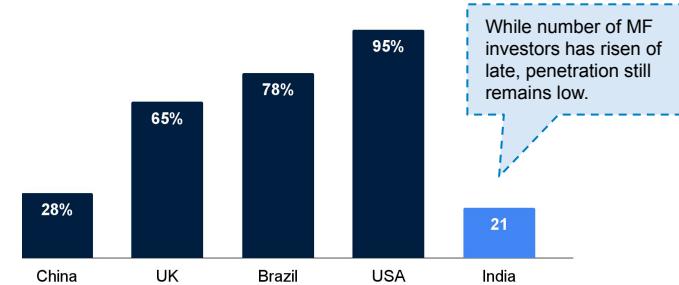


# Reflected in under penetration and under consumption across several categories, such as financial products...

India vs Peers: Credit Card Penetration 2023 (in %)



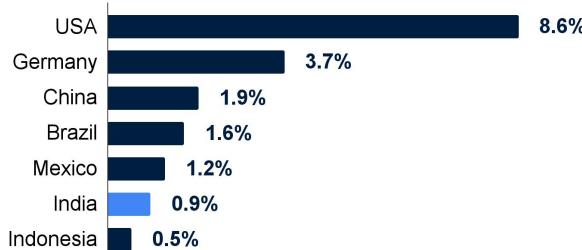
India vs Peers: Mutual Fund Penetration 2024 (in %)



Source: FT Partners

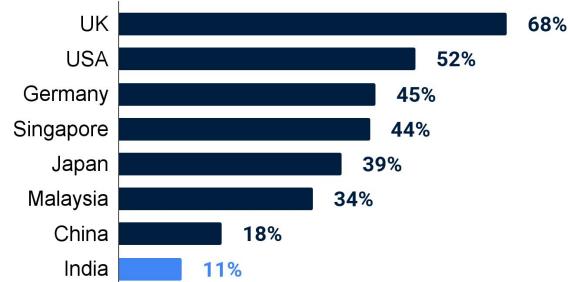
Source: BCG / Z47

General Insurance Premium as % of GDP,  
India vs Peers (2023)



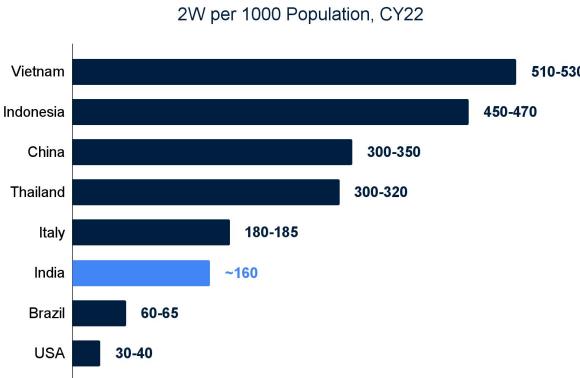
Source: CLSA

Mortgage as % of GDP, India vs Peers (2023)

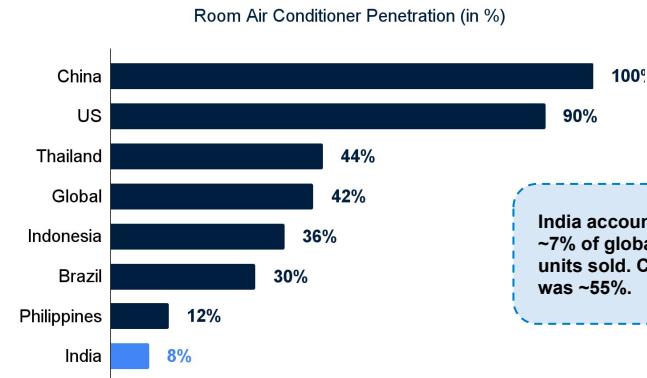


Source: Jefferies

# ...and 2 Wheelers, Air-Conditioners, FMCG, Footwear...

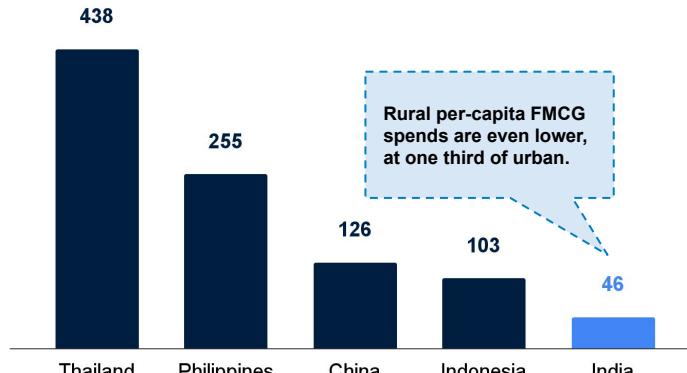


Source: Ola DRHP



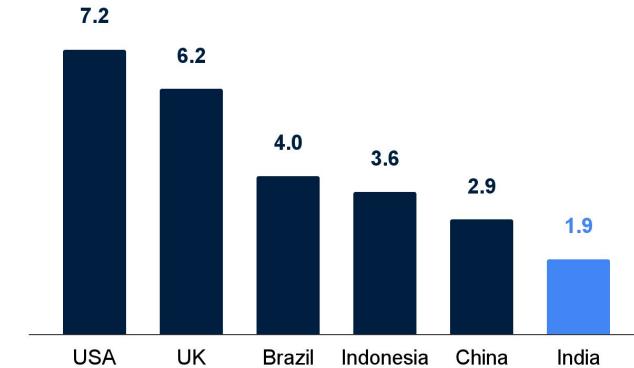
Source: Jefferies

Per-Capita FMCG Spends (in US\$)



Source: Jefferies

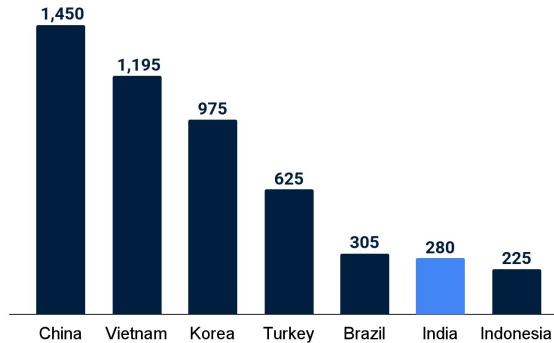
Per Capita Annual Footwear Consumption (in # of pairs sold)



Source: CLSA / Technopak

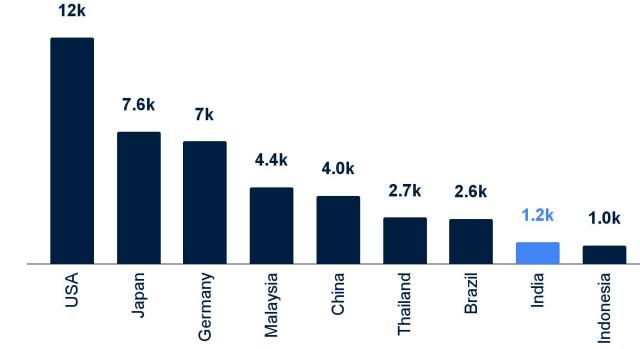
# ...and Cement, Electricity, Hotels, Tourism.

Per Capita Cement Consumption (in kgs)



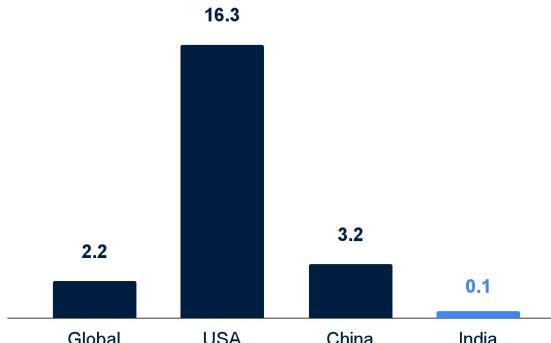
Source: Jefferies

Per Capita Electricity Consumption (in kwh / capita)



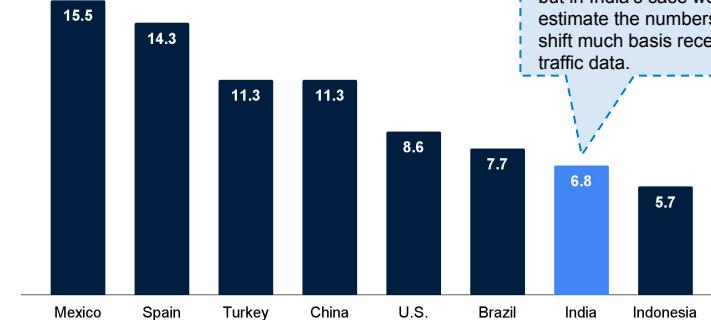
Source: CLSA

Branded Hotel Rooms 2022 (per 1000 people)



Source: Jefferies

Tourism as % of GDP 2019



Some of the data on the table will shift post COVID as numbers are updated, but in India's case we don't estimate the numbers to shift much basis recent traffic data.

Source: Jefferies, KPMG

## **Why does India consume so little? Why are penetration rates so low across so many categories?**

The answer likely lies in the nature of the consumer economy structure, or the Indian consumer stack as we term it.

# How Blume looks at the consumer stack

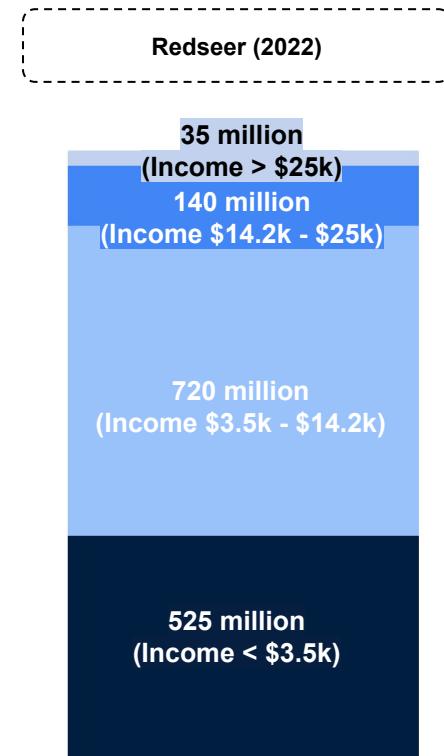
<b>India 1 'Mexico'</b>	<b>The Consuming Class</b>	~30m households ~140m people ~\$15K per person	India1 is the consuming class, and effectively constitutes the market for most startups. Also most startups start here and then expand to India2.
<b>India 2 'Indonesia'*</b>	<b>The Aspirant Class</b>	~70m households ~300m people ~\$3k per person	India2 is the emerging aspirant class. They are heavy consumers and reluctant payers. OTT / media, gaming, edtech and lending are relevant markets for them. UPI and AutoPay has unlocked small ticket spends and transactions from this group.
<b>India 3 'Sub-Saharan Africa'</b>	<b>Unmonetisable Users (&amp; Non-Users)</b>	~205Mn households ~1Bn people ~\$1k per person	India3 doesn't have the kind of incomes to be able to spend anything on discretionary goods. They are beyond the pale, as of now, for startups.



Some apps straddle different Indias e.g., Whatsapp, Youtube, Flipkart etc. A good way to understand the above is that all apps in India3 can be used by India2 and India1. Similarly India2 apps can be used by India1. The reverse isn't true. India1 apps are not used by India2 or India3.

\* Indonesia's per capita income is \$5k; strictly this is not the right country analogy for India2, but we couldn't get a country that has a population of ~300m with a per capita income of \$3k. So please bear with us for this.

# This undersized consuming class is reflected in other estimates too...

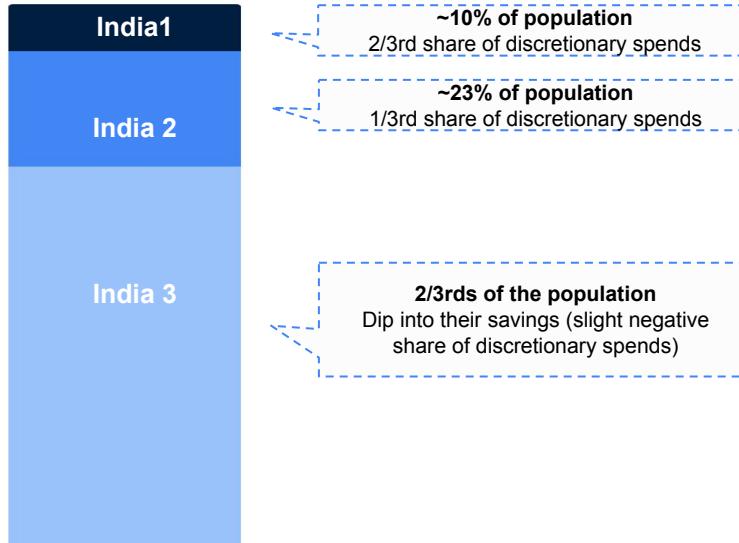


Note: UBS has estimated the above for 15+ population only

# India1 is the engine of the Indian consumer economy

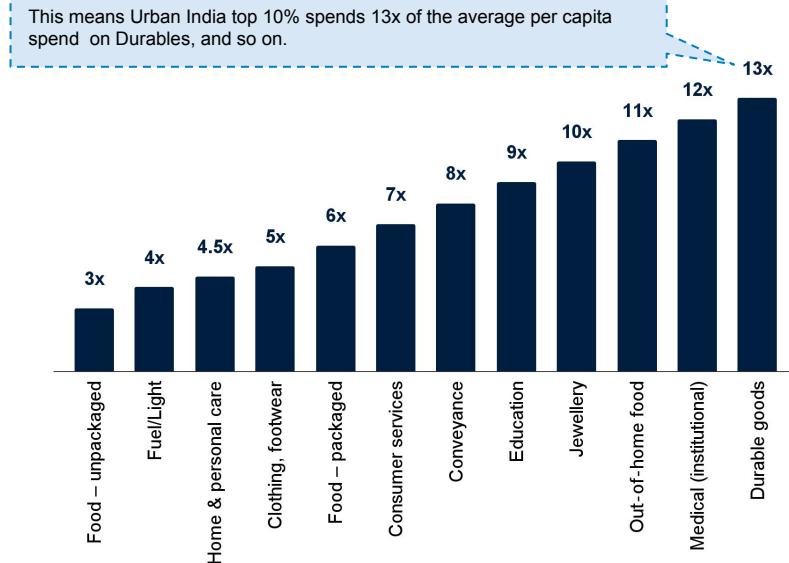
## Indian consumer stack by share of household discretionary spend

### Blume Consumer Stack



## How the urban top 10% over index on consumption

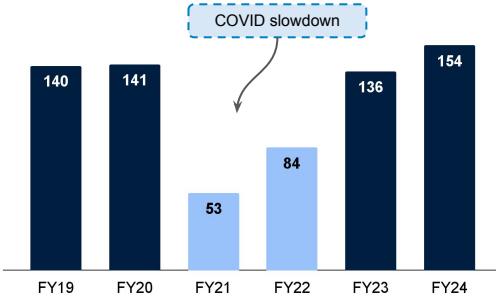
### India Urban Top 10% v Average Per Capita Expenditure by Category



# However, India1 is not widening...

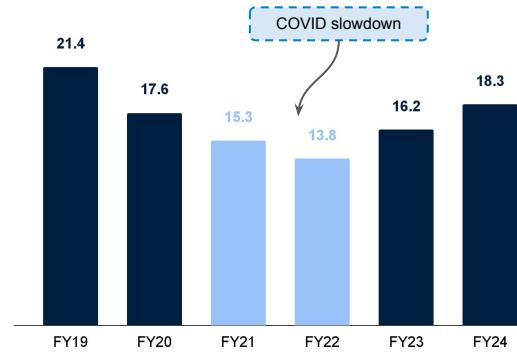
Domestic air passenger traffic has not grown much after FY21-22 COVID slowdown

Domestic Air Passenger Traffic (in million)



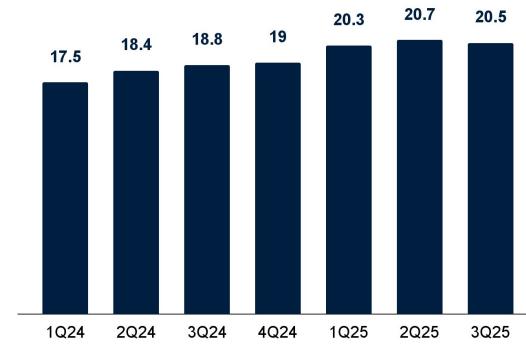
2W sales volumes have remained muted following FY21-22 COVID slowdown

Domestic 2W Sales Volumes (in million units)



Food ordering MAUs

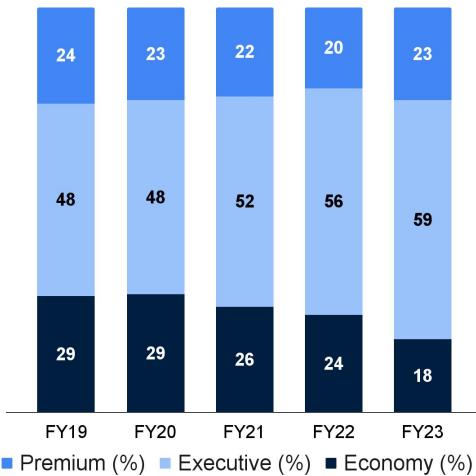
Zomato Food Delivery Average Monthly Transacting Users (in millions)



# ...as much as it is deepening.

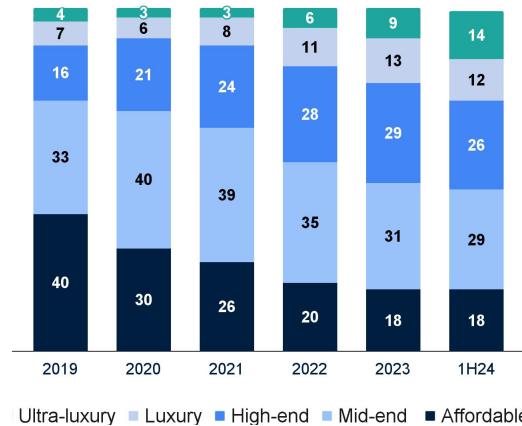
## Rising share of premium and executive segment motorcycles FY19 - FY23

India Motorcycle Market Share by Segment (%)



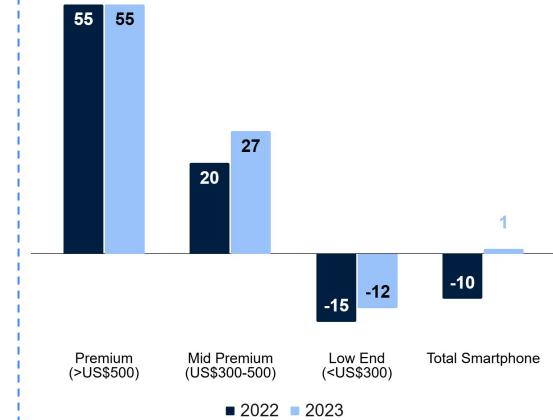
## Share of high-end to ultra-luxury housing has doubled in last five years

Residential Sales in Top 7 Indian Cities by Segment (%)



## Low-end smartphone sales contract as mid-premium segment expands

YoY Smartphone Sales Growth by Segment (%)

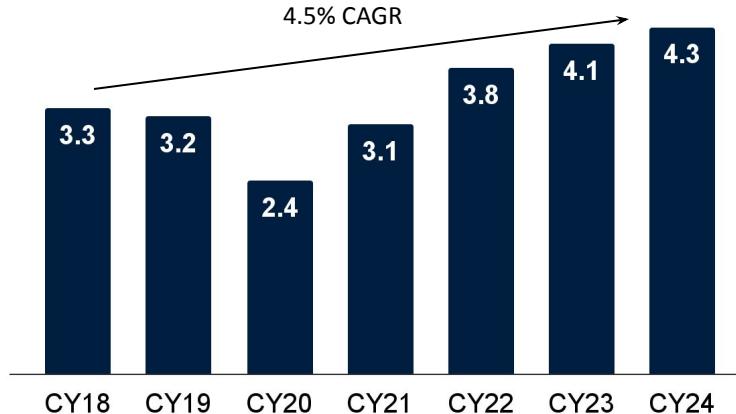


# Not widening as much as deepening: A look at car sales in India

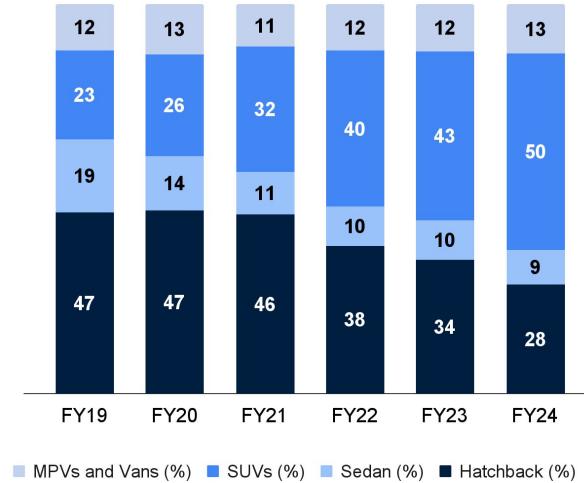
Slow-growing passenger vehicle market...

...with a sharp rise in premium segments

India's Car Sales Volumes (in million units)



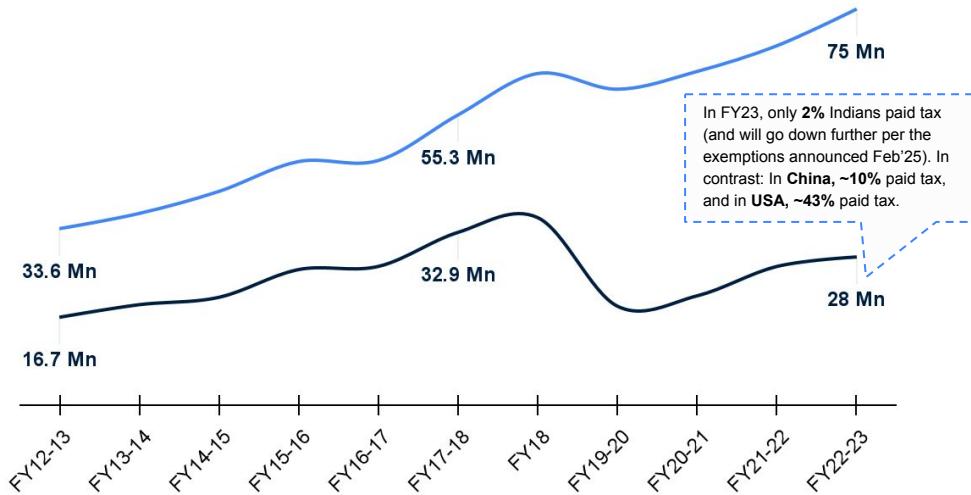
India Cars Segment-wise Market Share FY19-24 (in %)



# Not widening as much as deepening: A look at taxpayers in India

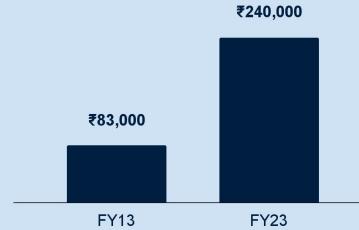
The gap between tax filers and tax payers is widening. The recent budget exemptions will further reduce the number of taxpayers.

— # of Tax Filers (in millions) — # of Tax Payers, paid > ₹0 tax (in millions)



A small number of taxpayers are shouldering the tax burden

Average Tax Paid by Each Payer

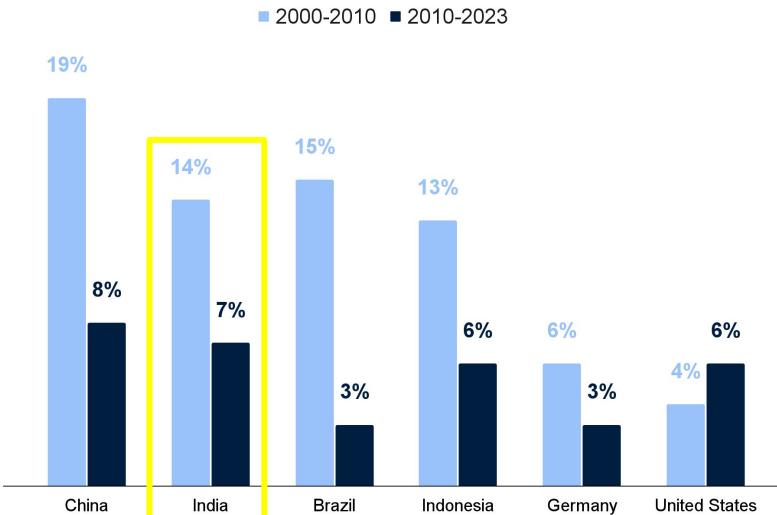


Tax Paid as % of GDP



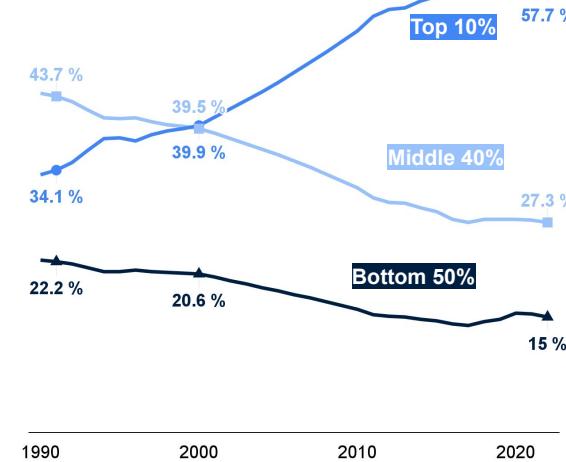
# Rising share of incomes, and presence atop wealth charts validate the India1 deepening story

Wealth Growth Rates Over Time (CAGR %), 2000-2023



India's wealth growth rates were the fifth highest globally

Per-adult, Pre-tax Share of National Income, 1990-2022 (%)

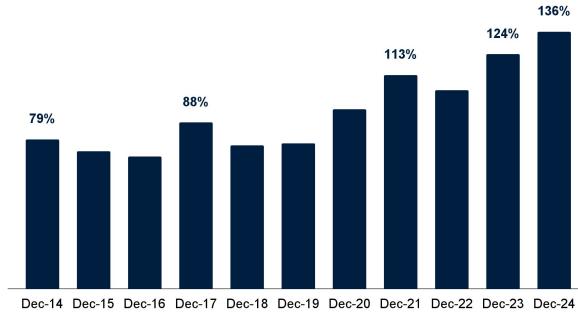


India1's share of national income has steadily increased

**India's high share of consumption shapes the Indian consumer market in many distinct ways.**

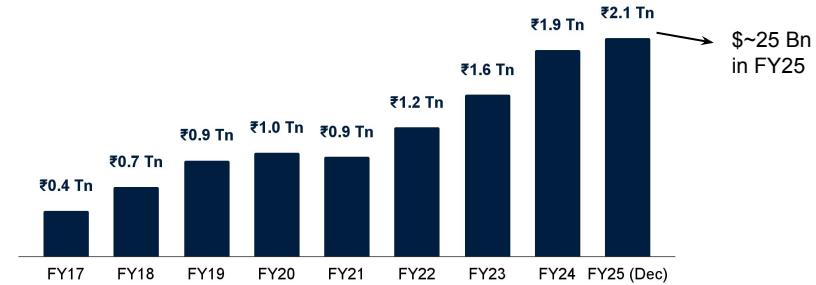
# India1 is helping spark a fast-growing equity market...

Market cap to GDP ratio touching all time highs (in %)



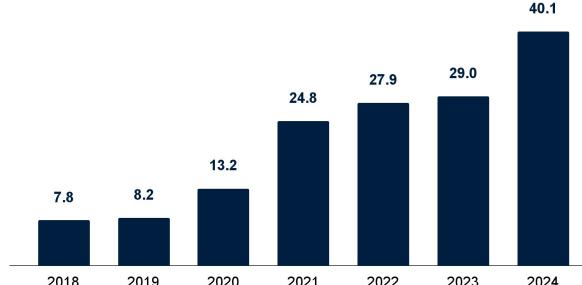
Source: CEIC

Annual SIP contributions are at all time high (in INR trillions)



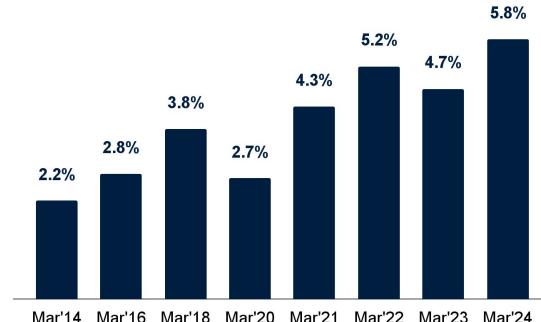
Source: AMFI

NSE investors (Equity + F&O) up 5x from 2019 (in millions)



Source: NSE Market Pulse

Equity share in household savings up 2.5x in a decade (in %)

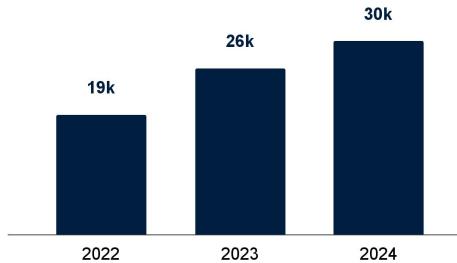


Source: Jefferies

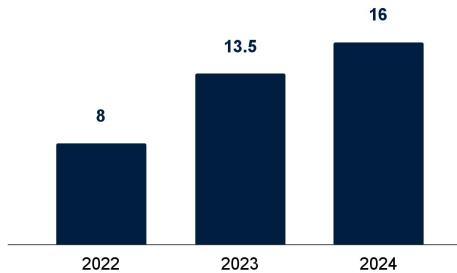
# ...as well as the rise of the experience economy...

## BookMyShow - Events and attendance

### Growth in number of events



### Growth in event attendance, (in millions)



## A frenzy for getting tickets for the recent Coldplay concerts



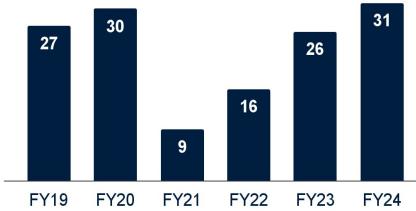
# ...a key aspect of which is travel...

Increased hotel consumption despite rising inflation

Average hotel booking transaction size on MakeMyTrip (in USD)



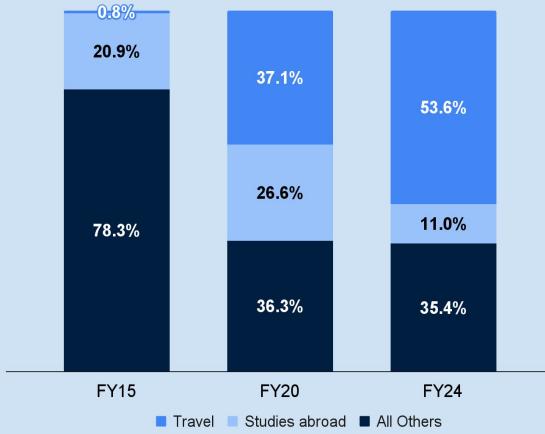
Number of hotel booking made on MakeMyTrip (in millions)



"When Oberoi Udaivilas opened two decades ago in Udaipur, **eight per cent** of the occupants were Indians, the rest foreigners. By 2018, the Indian occupancy at the luxury hotel was at **52%**. " - Atlas of Affluence

India1's travel mania is reflected in the sharp rise in travel remittances under LRS!

% Share of Travel and Education in Total Outward Remittances under LRS



Total remittance increased from \$1.3 Bn in FY15 to \$31.7 Bn in FY24. This means \$17 Bn is Travel-related remittances in FY24 (at 53.6% of total; incidentally this was ~\$7 Bn in FY20). This includes all credit card spends while abroad as well as travel agents booking holiday packages etc., which are classified by banks under LRS.

# ...and the creation of homegrown premium / luxury brands in several categories...

Leveraging traditional strengths in textiles and ayurveda, reinterpreting it for contemporary India.



Leveraging India's desire for world class products with an Indian soul and aesthetic sensibility.



Leveraging India as the 51st state of the US in tastes and aspirations, and using it as a springboard to launch globally.



# ...and increasingly how our cities are evolving

India1 prefers gated communities to the ‘Civil Lines’ / Cantonments of their parents



james crabtree  
@jamescrabtree

Tart but perceptive from @manujosephsan

[livemint.com/Leisure/y0Aktv...](http://livemint.com/Leisure/y0Aktv...)

The very goal of the entire Indian upper class, in fact, is to escape India within India. Our pursuit of the good life is automatically the pursuit of islands. Affluent India is an archipelago of islands where people pay a premium not for quality but for the invisibility of Other Indians. Our residential colonies, schools, crèches, restaurants, resorts, cars and cinemas are in reality clubs where the other Indians can enter only as “servants”.

1:18 PM · Oct 1, 2018

...

≡ **Firstpost.** Q

Home / Opinion / Gated communities in India: The new walls 'dividing' middle class from the poor

## Gated communities in India: The new walls 'dividing' middle class from the poor

Pavan K Varma 🔗

August 25, 2023, 17:52:11 IST

*It appears that gated communities are becoming citadels where the middle class and the rich often feel that they are members of their own mini-Republics..*

# Gated Communities are concentrations of affluence

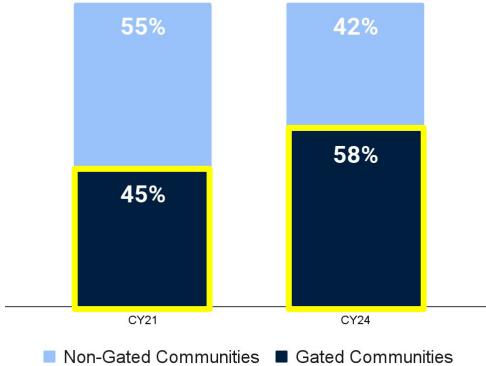
All data in the charts below courtesy



**Gated communities punch above their weight in Consumption expenditure**

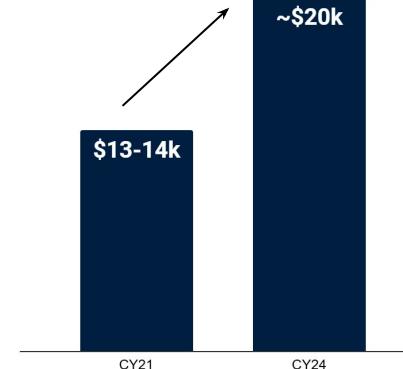
40% households in Top 50 cities are gated communities. The consumption and spend power of these households contributes to >50% of Consumption Expenditure

**Gated Communities and Non-Gated Communities Share of Consumption Expenditure**



**Per capita household spending of gated community households is on a steady rise**

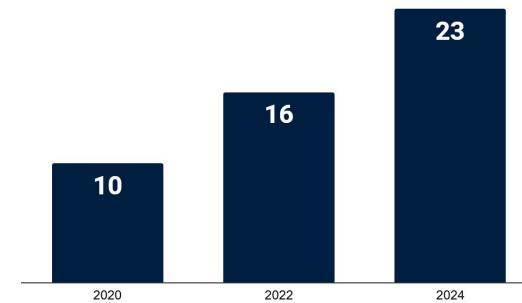
**Per capita Annual Household Consumption Spend, Gated Households (in USD)**



**Households in gated communities are savvy online shoppers**

According to MyGate, 26% of spending by these households is through online channels.

**# Deliveries per gated household per month**

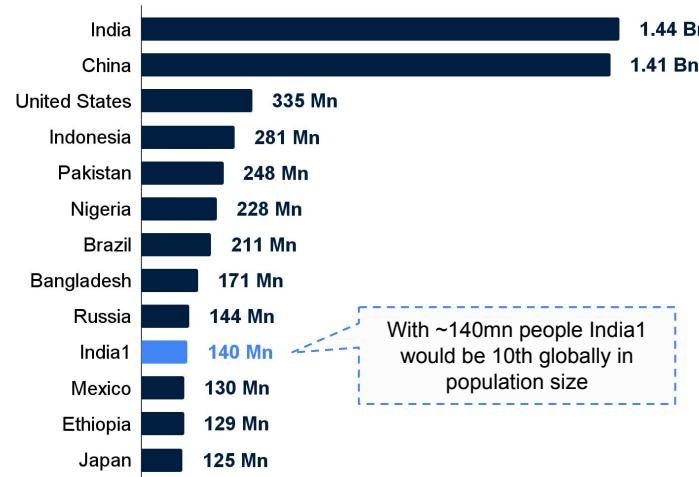


# India1 is a ‘high income’ country within a country

India1 will be an advanced economy well before India overall becomes a developed country

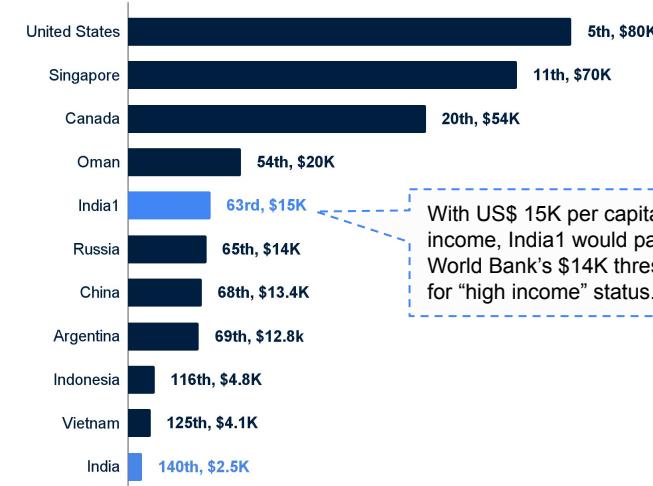
**India1 in population size would be the 10th most populous country**

Most populous nations, 2023



**Basis per capita income, India1 would be 63rd in the world, well ahead of India (ranked 140th)**

Nations by per capita income, 2023 (in US\$)



India1 is spread across urban and rural areas, not concentrated in specific regions (though there is less in East India). Given the dispersion, and the overall size of 10% of population, it has less direct political influence. Its influence is manifested in its consumption behaviour and social media voice, as well as how it helps India project soft power abroad. In the coming years, it will get richer, and the economic gap between it and India will widen. This will bring distinct challenges that we as a society will need to work together to overcome.



**Ritesh Banglani** ✅ @banglani · Jan 8

1. They want highly skilled people without immigration.
2. They are open to acquiring countries.

Ok hear me out

19

13

389

23K



**anmol maini** ✅

@anmolm\_

The "India is the 51st state" meme has gone too far 😱

12:28 PM · Jan 8, 2025 · 1,989 Views

1

1

50



# **Section II: Indus Valley**



# Indus Valley in one tweet

Ashish Sinha @cnha ...

Uber is now a SAAS platform.

The auto drivers mafia is way bigger than tech bros.

**Auto is Now Cash-Only: Updated Terms & Conditions**



1. Uber Auto now operates on a cash-only model  
2. Uber acts solely as a technology platform, connecting riders with independent Driver Partners and does not provide transportation services.  
3. Fares shown in the app are suggested, but you and the Driver Partner may agree on a different amount.  
4. All payments must be made directly to the Driver Partner, as Uber does not charge any commission or process or track payments. By continuing, you acknowledge and accept the terms.

Confirm

2:58 PM · Feb 19, 2025 · 1,760 Views

Uber was forced to make a change to its traditional revenue model (commission on the fare paid) for (3-wheeler) autos in India.

Namma Yatri, an Indian startup leveraged the open source Beckn protocol (part of India Stack / Digital Public Infra ) to build a mobility solution where the revenue model was to charge a daily (or monthly) fee for drivers for the app, and not take a slice of the fare paid. The success of this model has forced all the other mobility players (Rapido, Ola, and now Uber to follow suit).

The tweet shows how first-world revenue models have to adapt to the unique needs of the Indian market, the rise of DPI, and DPI-native revenue models.

# Indus Valley

## Indus Valley - Funding Trends

Venture funding trends, and a deep dive, followed by a look at India's unicorns, and the venture debt market.

IPO Boom

Pg 111

Sector Deep Dives

Pg 120

Indus Valley Playbooks

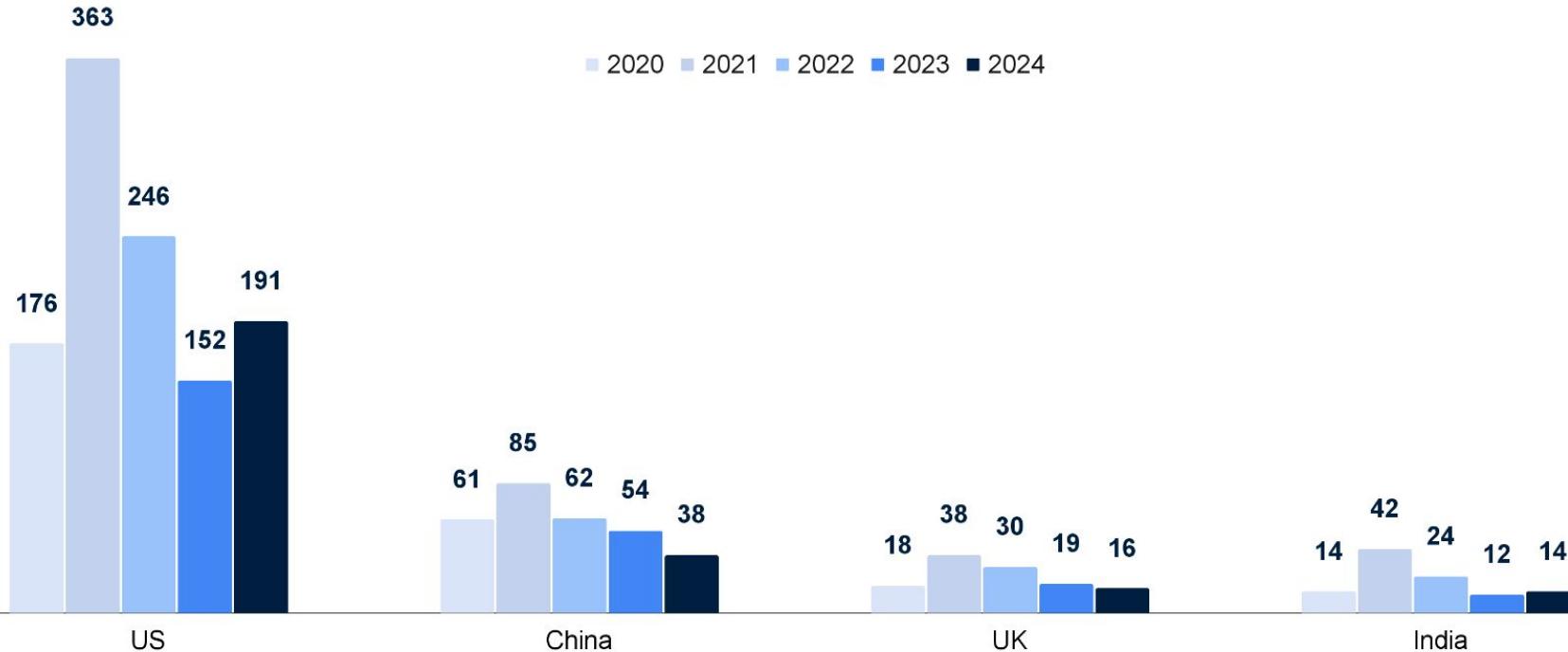
Pg 157

## Indus Valley - Funding Trends

A deep dive into the Indian venture market, including contrasts with China and USA, along with stage-wise funding analysis. We then do an analysis of unicorns, and attempt a count of the true number of unicorns. We wrap this with a look at startups flipping back to India, to list here, and finally, track the rise of venture debt.

# State of global venture market - US has bounced back strongly, India seeing signs of revival

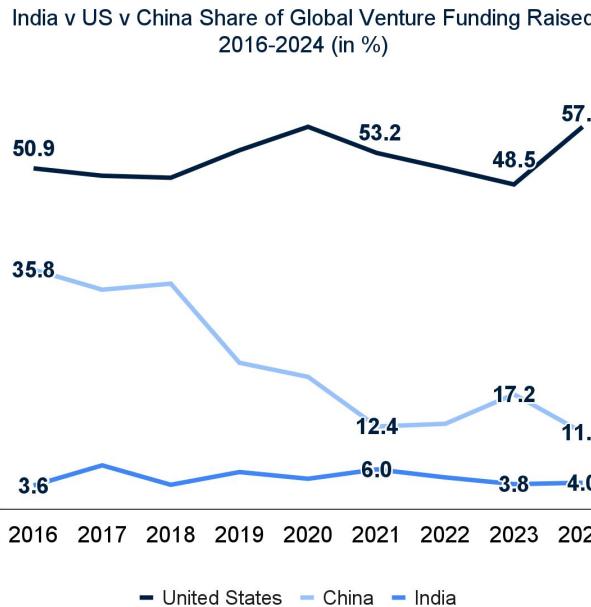
Venture Capital investments in startups over the last 5 years (in USD billion)



# While US saw large rounds thanks to AI, China was in a funk

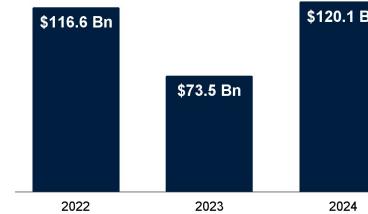
Remember, this was pre-DeepSeek China!

While US share of global funding went up, India and China remained muted



Large rounds back in the US, thanks to AI!

Total Value of \$100M+ Venture Rounds (in USD billion)



AI funding alone was a record \$97 Billion of this - making up to 80% of the total funds raised in large rounds.  
(Bloomberg)

China's venture funding trended downward (this was pre-DeepSeek!)

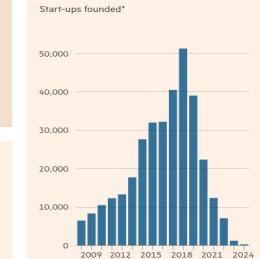


How China has 'throttled' its private sector

Venture capital finance has dried up amid political and economic pressures, prompting a dramatic fall in new company formation

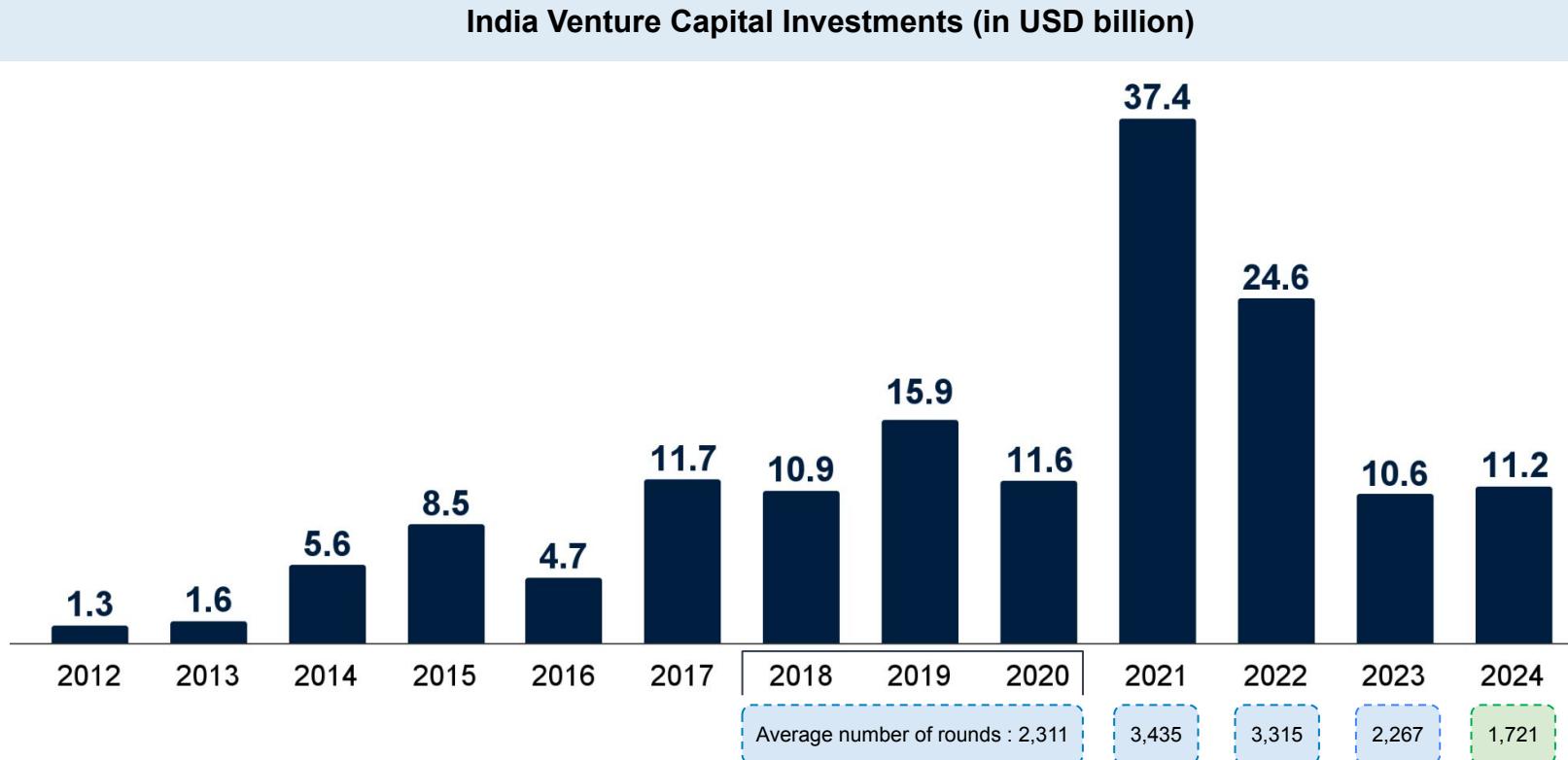
Chinese venture capitalists force failed founders onto debtor blacklist

Pursuit of entrepreneurs threatens start-up ecosystem as investors target personal assets to claw back funding



# India's VC market following 2023 trendlines broadly

Slight uptick in funding but nowhere near 2021, 2022 levels; in large part due to absence of late stage capital.



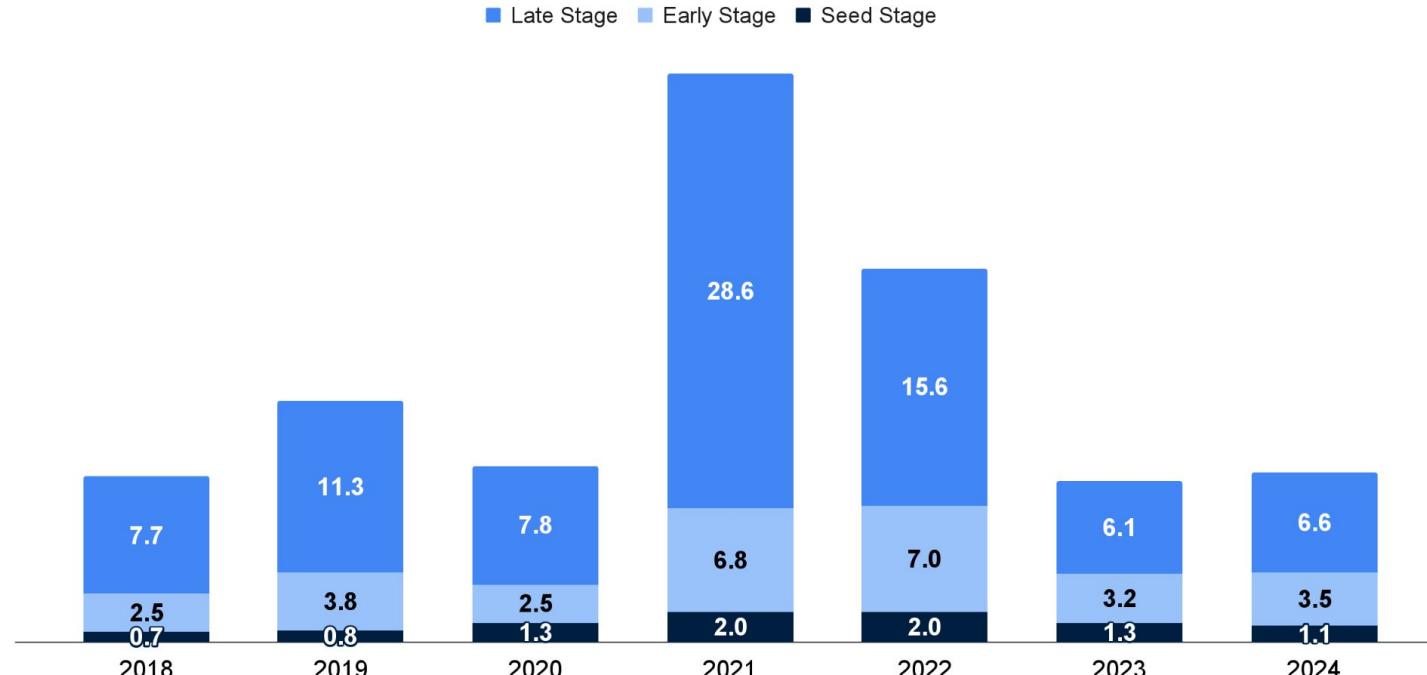
Source: Tracxn

Tracxn updates the database continuously and hence the 2024 number may change in the future; still this snapshot should give you a directional sense of funding trends. Pls do note that each database may present data differently depending on how they categorised certain transactions. You may see numbers differ from chart to chart depending on the database; that said the broad trendline should hold!

# A stage-wise analysis of India's VC Market

2024 mirrors 2023 patterns: Seed saw a small drop, Early and Late stages show modest gains but far below peak levels

How Seed, Early, and Late Stage financing stacks up (in USD billion)



# Seed funding continues on trendlines - fewer rounds, larger checks

Larger seed rounds or ‘mango seeds’ (>\$3M) now make up 50% of funding, while <\$1M rounds drop to one third of 2017 levels. This is led by second time founders, and elite operators, raising larger formation cheques.

Seed funding split by stages per year

Total Seed funding raised in India, split by round size (in USD million)

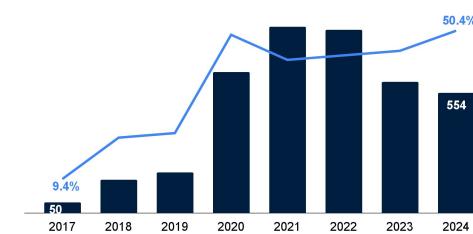
■ >\$3 Mn Rounds ■ \$1-3 Mn Rounds ■ <\$1 Mn Rounds



The average seed round is \$1 mn (~3x of what it was in 2017). The number of companies able to raise a seed round have been decreasing steadily since 2021. In 2021, about 2,513 raised a seed round while in 2024 only 1,078 raised. The biggest drop was in the <\$1 mn segment (37% down). \$1-3m saw a 22% drop.

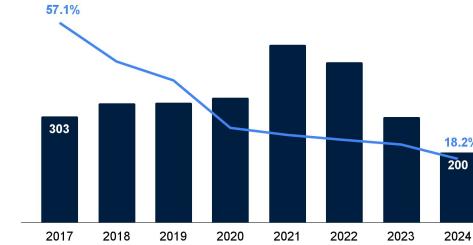
The ‘mango seed’ is here to stay  
From <10% to 50% of total funding (USD million)

■ Combined Value of >\$3 Mn rounds ■ Share of Total Seed Funding (in %)



<\$1mn seed rounds have decreased by a third from 2017

■ Combined Value of <\$1 Mn Rounds ■ Share of Total Seed Funding (in %)



# The Early-Stage funding gap is fueling the rise of MicroVCs

Between angels and choosy seed funds, a new stage (pre-seed), and backer (the MicroVC), is emerging

## MicroVCs have created their niche in early Seed stage

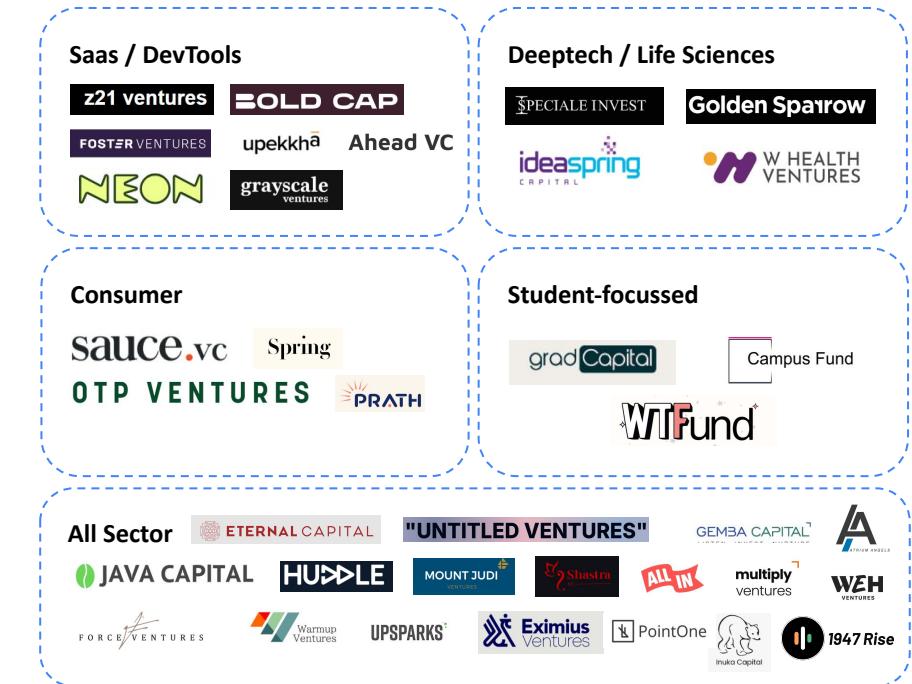
### What has led to the rise of MicroVCs?

As Seed / Multistage funds get choosy and prefer to focus on elite founders, a gap is opening up in funding for first-time founders, which is being filled by MicroVCs.

### How are MicroVCs different?

- Have a special focus or highly evolved thesis in a particular domain
- There are over 100 MicroVCs (many founded recently) typically investing \$100k-\$500k at seed / pre-seed stage. These funds invest at valuations of \$1M-\$8M, taking 3-8% stakes in startups, sometimes more.

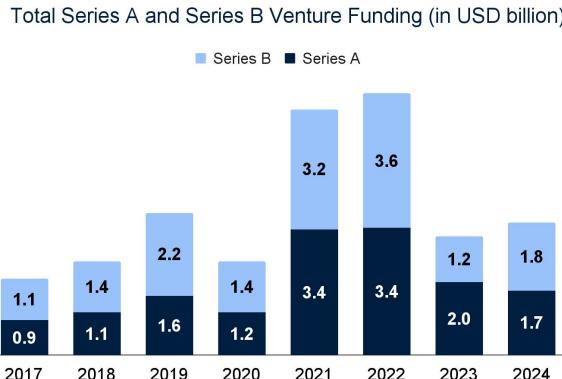
## Rise of Specialised MicroVCs



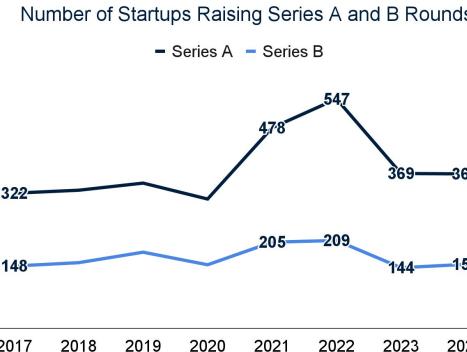
# Series A/B funding: Stable check sizes, fewer rounds, longer intervals

Early stage funding across A and B has halved from 21' & 22', but the average round size has stayed the same. Effectively the number of investments, and the number of companies graduating to A & B stages have halved.

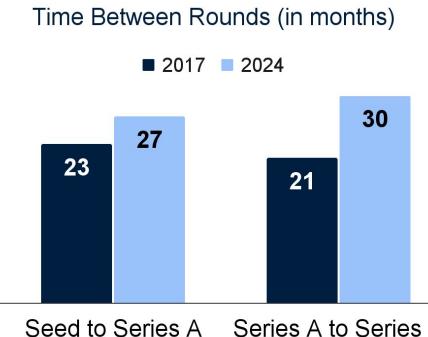
Slight uptick in funding but nowhere near 2021 / '22



Round sizes stay flat but the number of companies raising series A or B reduced by 30% (vs 2022)



Time between rounds is steadily rising



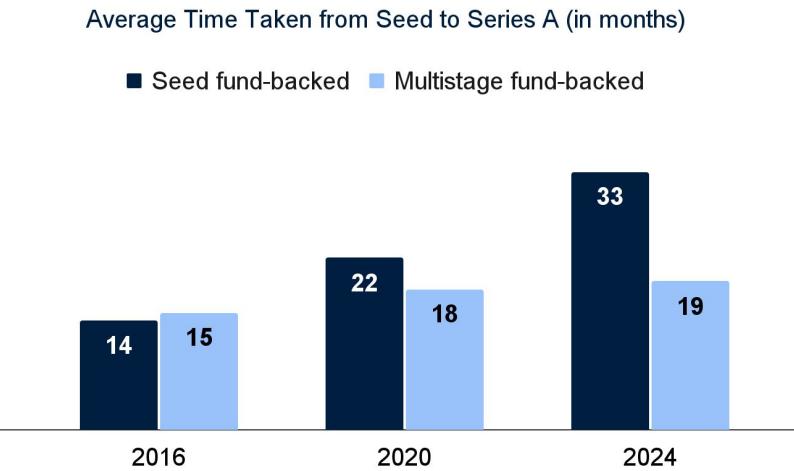
Startups raising Series A / B has reset to 2017-18 levels, showing a clear reversal of the 2021-22 surge

Time to fundraise has increased, especially for Series B rounds, which now take 9 months compared to 2017, while Series A rounds take 4 months longer

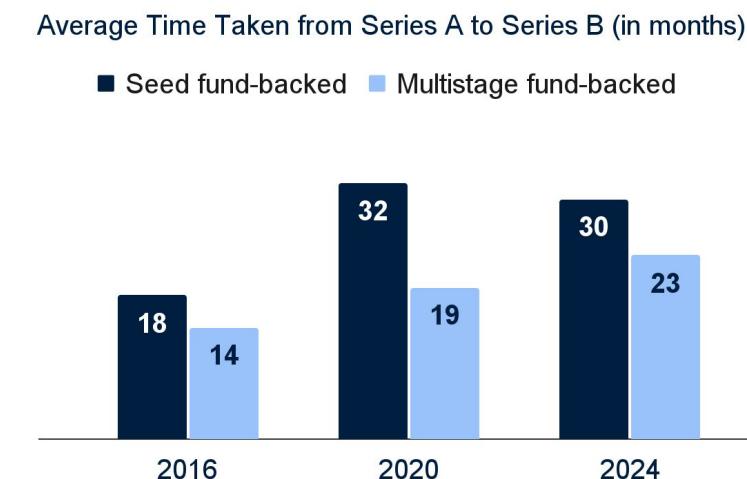
# Time between rounds: Seed vs multistage fund-backed startups

Startups backed by seed funds taking longer to raise follow-on rounds as compared to ones backed by multistage funds

Seed to Series A



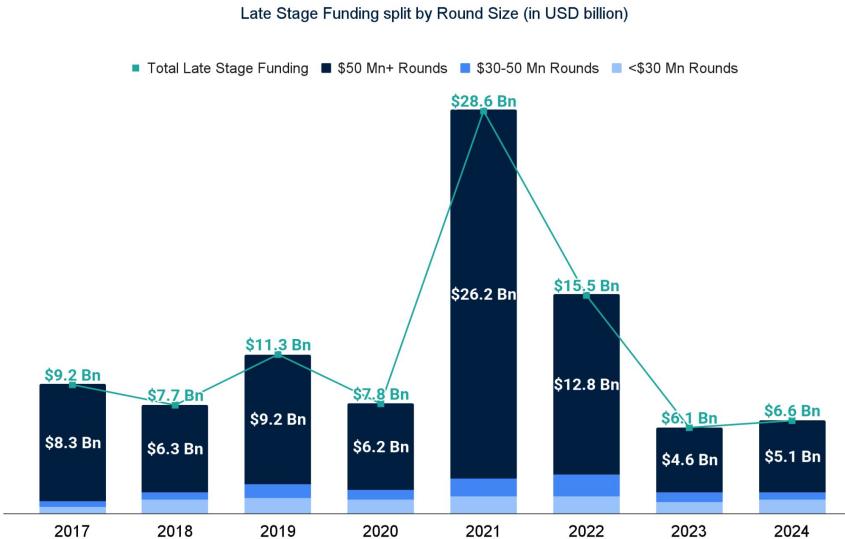
Series A to Series B



# Late Stage remains lacklustre

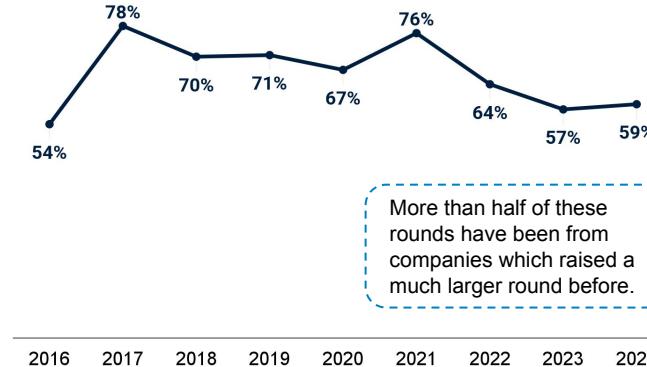
\$50m+ rounds remain subdued while overall late stage contribution drops to 59% of total funding

**\$50m+ rounds are still down from their '21 highs**



**Late Stage rounds as % of total funding is close to where it was in 2016**

Share of Late Stage Funding in Total Indian Startup Funding (in %)



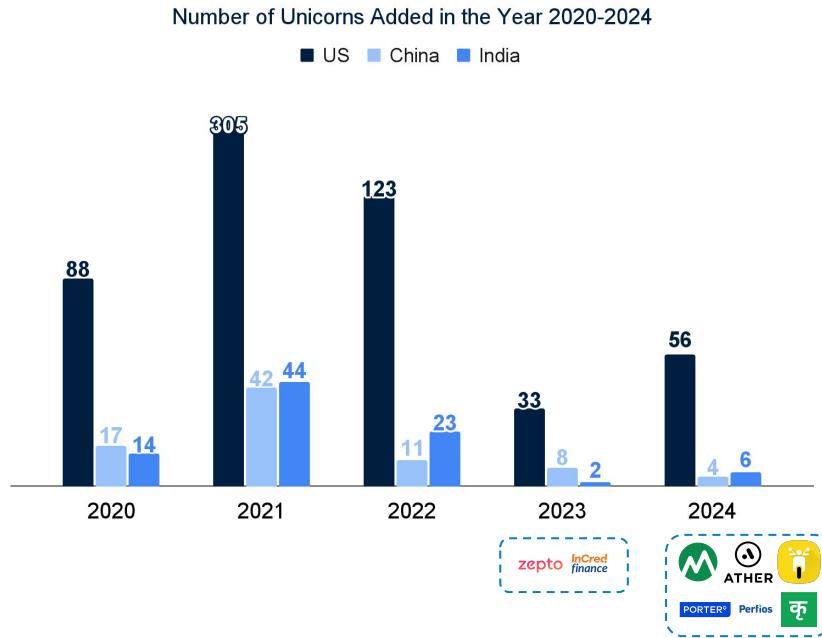
More than half of these rounds have been from companies which raised a much larger round before.

A thriving venture market like US has about 70/75% late stage funding as more companies keep growing and require more growth capital.

# India is the 3rd largest unicorn factory...

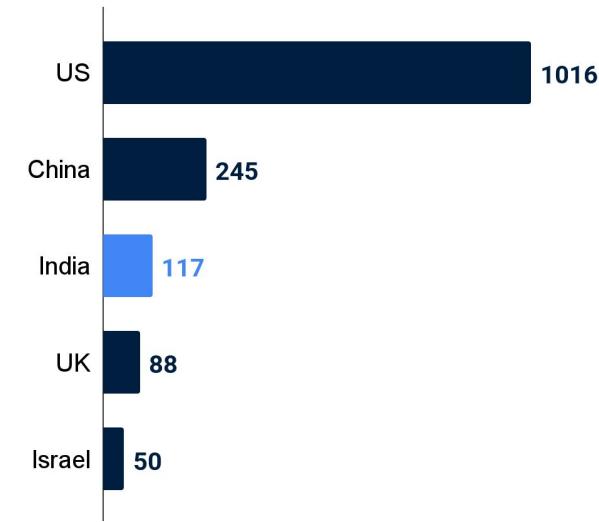
India added 6 unicorns in 2024, an improvement from last year's 2

**Slim pickings on the Unicorn-creation front, after the go-go years of 2020-22**



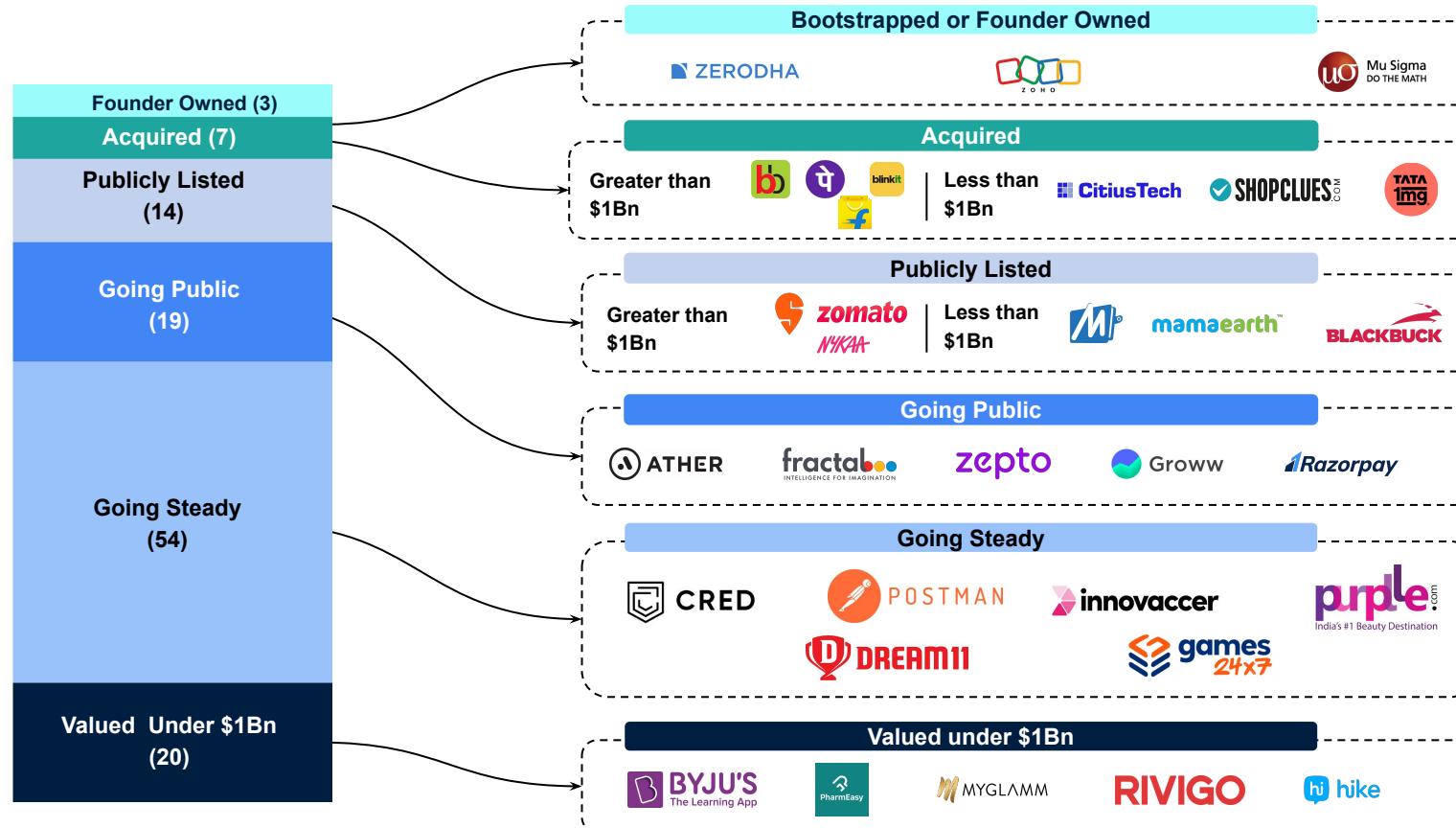
**India is the third largest in total unicorn count**

Countries with Highest Unicorn Count



# But do we really have 117 Unicorns?

Based on our analysis only 91 out of our 117 Unicorns are truly worth >\$1bn



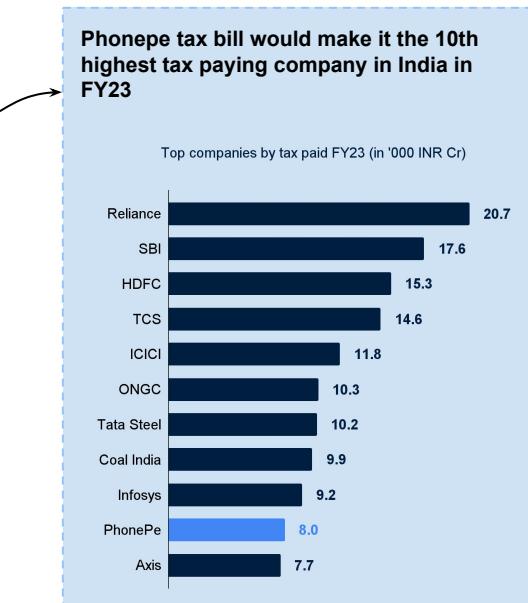
# An emerging trend with late stage startups has been the reverse flip back to India

Regulatory changes and strong public markets drive foreign-incorporated startups to return to India

Paying huge tax bills in order to do so

Company	Tax Paid
Phonepe	\$1 Bn
Groww	\$160 Mn
Razorpay	\$200 Mn
Zepto	Undisclosed

Even more are in the process of reshoring



But why?

- Indian companies want to list in the friendlier Indian public market

- Simpler tax norms and policies for them to operate.

- Industry regulations which favour Indian registered company (especially fintech and ecommerce companies)

# Why did they register abroad in the first place?

Difficulty in raising capital domestically

 **Anu Hariharan**  @anuhariharan · Oct 22, 2024

Replying to [@anuhariharan](#) [@mtrajan](#) and 2 others

No one from India was willing to fund their first round when they were getting started! Things of course improved as these companies scaled.

2 11 617

 **Anu Hariharan**  @anuhariharan · Oct 22, 2024

Replying to [@mtrajan](#) [@gokulr](#) and  [@\\_groww](#)

Yes they did know that but had to create HQ in US because no one from India funded them! And US investors were willing to fund them but not in a company HQ'ed in India. The complexities are a lot more than I can explain in a Twitter thread

3 16 3.1K

Planned to list on the US public market

 **Rehan Yar Khan** · 2nd  
Managing Partner, Orios Venture Partners  
2yr • Edited • 

+ Follow ...

Freshworks is a cautionary tale of why Indian founders should incorporate in India and look to list in India.

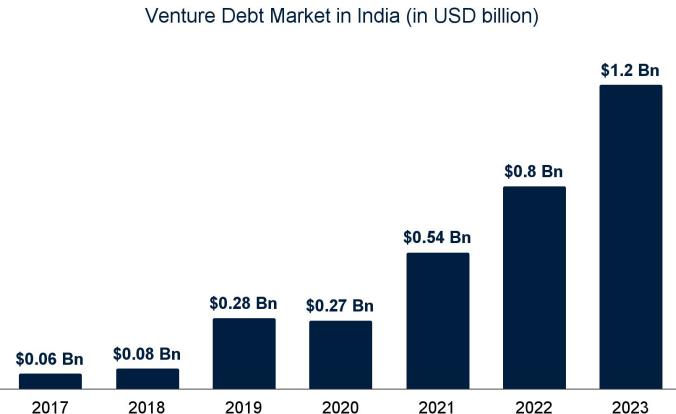
Freshworks is down from its listing listing price of \$43 to \$12, having lost nearly 75% of its marketcap. Further it's now facing a lawsuit for having misled IPO investors.

Taken in by the "glamour" of overseas incorporation whereby founders believe, those are easier operating environments, that customers (for SaaS) will be more attracted to them, they will be able to raise more capital and they will IPO there to do much better than in India.

# Venture Debt becomes more common as equity funding tightens up

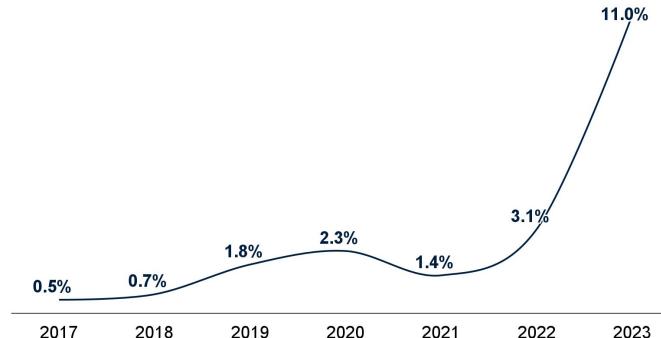
Longer fundraising cycles and tighter equity markets are making startups tap into venture debt

Venture Debt has picked up sharply over the last 7 years



Venture Debt has grown from <1% of venture funding to 11%

Share of Venture Debt in Total Venture Funding (in %)



## Implication of raising Venture Debt:

- Higher Liquidation Preference: Venture debt typically comes with priority claims on company assets and cash flows, over equity holders
- Equity-Dependent Credit Lines: Available venture debt limits are often tied to equity reserves, creating potential downward spirals if equity positions weaken
- Risk of Negative Cycle: As equity funding becomes harder to secure, venture debt capacity may shrink exactly when companies need it most.

# Sometimes the best investment is in people, not the company

Westbridge investment in WACA (Westbridge Anand Chess Academy) has put Indian chess on the world map. WACA ‘facilitates mentorship to emerging and established chess players in India’ with the hope of creating more world champions.

**Behind Indian Chess champions is Westbridge's WACA initiative**



Sandeep Singhal · 2nd

Co-founder and Managing Partner at WestBridge Capital In...

4mo · Edited

+ Follow

...

Best investments are serendipitous.. when WACA (Westbridge Anand Chess Academy) was set up, Anand and I thought that success will be if in the next ten years, India wins chess Olympiad and/or we have an Indian world champion contender. Both happened in less than five. And by the year end, we may be in store for more. There is something about India of today that small beginnings can turn into great outcomes !

Super Proud of Vaishali, Gukesh and Pragg - our three unassuming world beaters with an average age of less than 20 years...

Sumir Chadha Nitish Mittsain Sudhir Sitapati Deepak Jayaraman Manish Sabharwal Kalyan Krishnamurthy Sujeev Kumar Virendra Gupta Zishaan Hayath Pankaj Rai (He/Him/His) Sharat Khurana WestBridge Capital Neeraj Aggarwal Chhavi Moodgal Maria Cheeran Alakh Pandey (PhysicsWallah)



CCO Rajiv Bishnoi,CFA and 4,831 others

157 comments · 28 reposts

**Westbridge partnered with Vishy Anand to create initiative**



The man who is quietly changing the face of Indian chess with Vishy Anand - Sandeep Singhal



2.54M subscribers

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102



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Indus Valley - Funding Trends Pg 95

## IPO Boom

A deep dive into India's booming IPO market, as well as the SME IPO's rise, including what it implies for founders.

Sector Deep Dives

Pg 120

Indus Valley Playbooks

Pg 157

## IPO Boom

A deep-dive into India's record-breaking IPO market, looking at the performance of IPOs, exploring how barriers to list are coming down, as well as the rise of the SME IPO Market.

# 2024: A record-breaking year for Indian IPOs

Both the number of IPOs and issue sizes reach record levels

1

India saw its best year in equity funding raised via IPOs

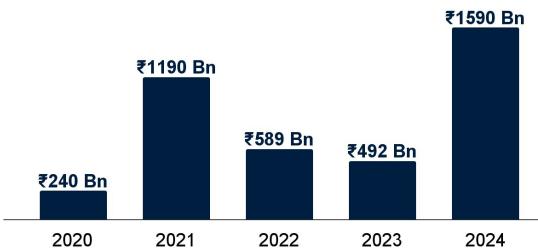
2

India led in IPO activity globally, with a 23% share of total listings...

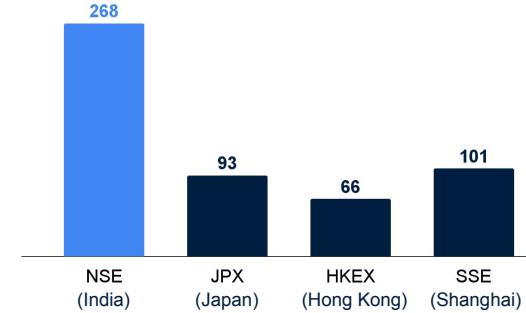
3

...as well as the highest capital raised via IPOs across the world

Equity Raised via Mainboard IPOs 2020-24 (in INR billions)



Number of IPOs in Major Asian Exchanges 2024



Amount Raised via IPOs in Major Exchanges 2024 (in USD billion)



Of the 268 IPOs on NSE in India, 90 of them were Mainboard listing vs 178 SME (NSE Emerge) IPOs

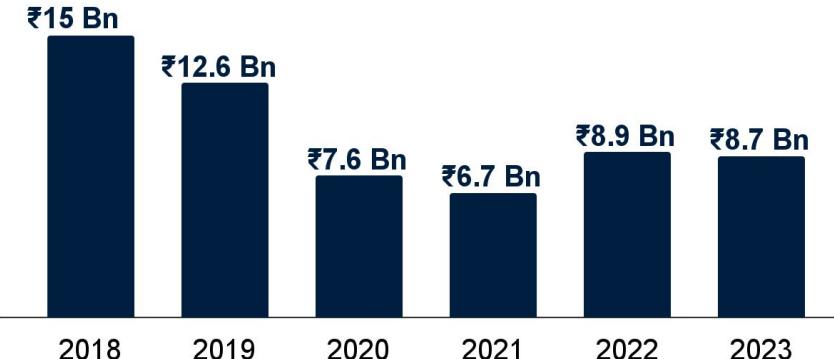
Hyundai Motor India was the largest-ever IPO in India, raising ₹27,870 crore (US\$~3bn). It was also the second-largest IPO globally in 2024.

# Indian public markets: Becoming more accessible, earlier

Companies are going public earlier; with 42% lower revenue and 37% lower market cap compared to 2018 levels

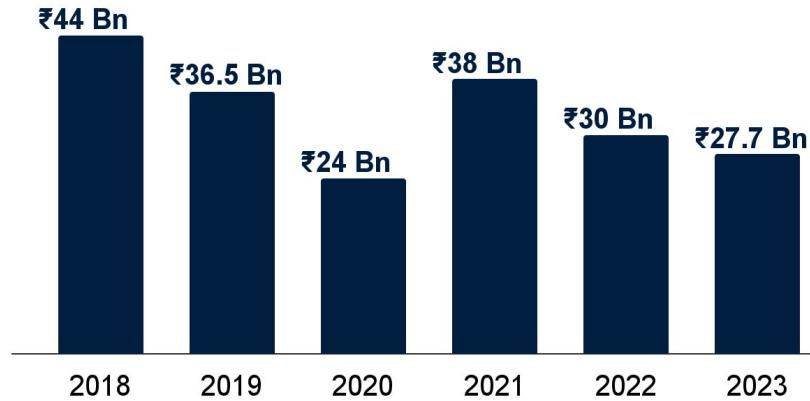
Median revenue at listing has decreased 42% since 2018

Median Revenue at Listing, 2018-23



Median market cap at listing has reduced 37% since 2018

Median Market Cap at Listing, 2018-23



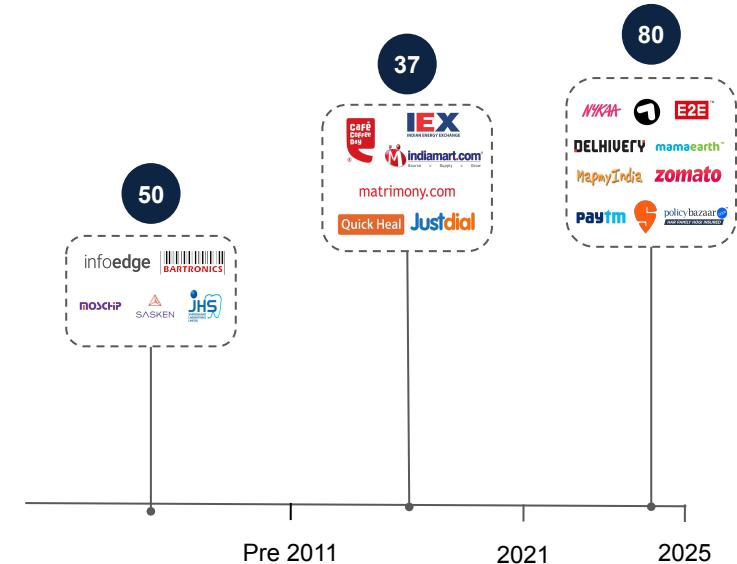
# India has a long history of venture-funded IPOs

Over 160 venture-backed companies have gone public thus far, with post-2021 IPOs raising more than double the capital of all previous listings

VC-funded companies that have gone IPO, pre and post '21

There has been a history of VC backed IPOs!

Number of Venture-Funded IPOs and Market Cap (as on 17 January 2025)



Market cap data as on 17th January 2025 via NSE. The number of venture funded IPOs here includes post-IPO VC funding. The number includes 3 VC funded companies listed abroad - Freshworks, ReNew, and MakeMyTrip. The IPO list was taken from Tracxn. This number includes a total of 14 VC funded SME IPOs.

# Venture funded companies that IPO'd 2021 to 2024: A status check

Smaller IPOs (<\$1 Bn) dominate with 2/3rd of listings; they have also performed relatively better while larger listings show mixed performance; Swiggy signals renewed appetite for big tech offerings

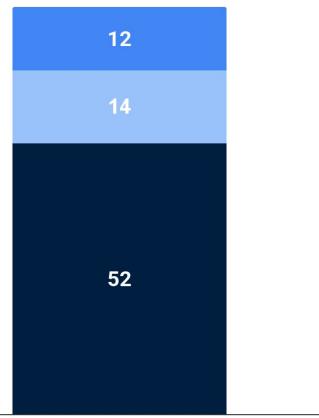
1 2/3rds of IPOs in last four years have been of companies with <\$1 Bn Mcap

2 Large listings made a comeback in 2024 thanks to Swiggy

3 Venture-funded co market caps dropped ~5% (since IPO day), but <\$1Bn market cap companies saw a gain of 25%

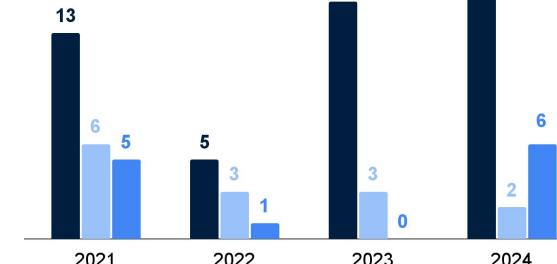
IPO Count Basis Market Cap at Listing

■ >\$3 Bn ■ \$1-3 Bn ■ < \$1 Bn



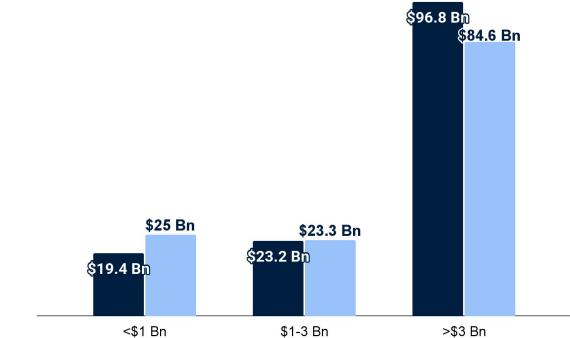
IPOs Split by Market Cap at Listing, 2021-24

■ <\$1 Bn ■ \$1-3 Bn ■ >\$3 Bn



Market Cap at Listing v Current Day (as on 22 January 2025)

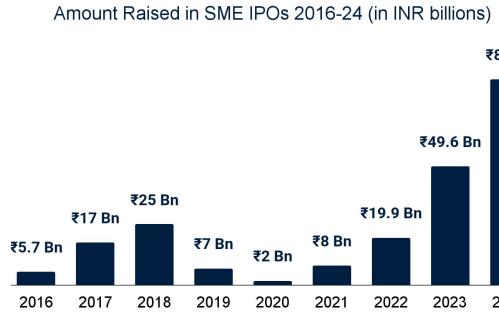
■ At IPO Listing ■ Current Day



# SME IPO is a potential exit route companies for well-performing companies that don't get late stage venture love!

SME IPO market outperforms Sensex IPO index by 5x, driving record issues, raise and retail participation

1 SME IPOs saw their biggest year in issues and raises

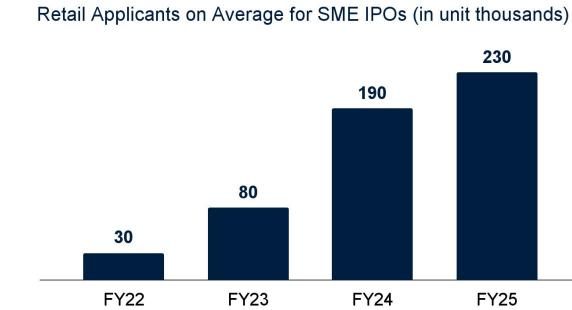


The number of issues have grown from 68 in 2016 to 236 (includes both BSE SME and NSE Emerge) in 2024

2 SME IPO Index returned 5x over the BSE IPO Index



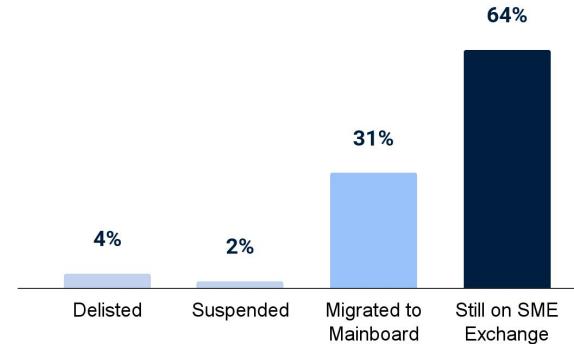
3 Driving a lot of retail demand



# SME IPOs: An untapped opportunity for VC-backed companies

With 1 in 3 SME IPO-listed companies graduating to the Mainboard, SME platform demonstrates strong outcomes, putting a very strong case forward for more VC-backed companies to go this route.

Of 1,053 companies that listed on SME board, 31% have migrated to Mainboard

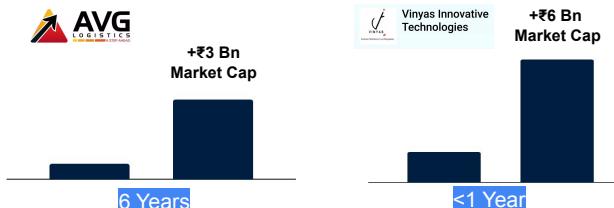


VC-funded SME IPOs have impressed post listing!

14 VC funded companies have IPO'd on the SME board with a total mcap of ~₹50 Bn; about 1.5% of total mcap of the SME board



Blume was a seed investor and the only institutional investor at IPO in both E2E and Infollion!



## How has the SME IPO market evolved

- Since 2012, the median SME IPO market cap has jumped 4.5x to ~₹1 Bn (2024) whereas median revenue at IPO grew 3x to ~₹700 Mn (2024)
- The median offer size has grown 3x from ~₹80 Mn a decade back to ~₹250 Mn now
- Of the total capital raised, 90% has been through fresh offer / primary capital

Note: Market Cap calculations for the 14 Venture Funded SME IPOs in India do not include 3 that have migrated to the mainboard (E2E, AVG, Deccan Healthcare)

Source: Blume - Learnings from Indian SME IPOs, BSE SME Board website, NSE Emerge website, Tracxn

# From SME bourse to AI leader: E2E Networks growth story shows tech and VC potential on the SME boards

## About E2E Network

- E2E is a hyperscaling cloud provider also enabling access to Nvidia GPUs, focused on the Indian market.
- It was listed on the NSE Emerge (SME) board in May 2018 and migrated to the mainboard in April 2022. Blume was the only institutional investor on the cap table.
- In the last 2-3 years, it has been able to capitalise on the AI trend by having exclusive access to the latest hardware.

**E2E's market cap is up 65x from the time of listing.**

E2E Networks Market Cap Post Listing in 2018



## IndiaAI mission: Yotta, E2E, Jio among bidders shortlisted

*As part of the empanelment requirements, companies must install a minimum of 1,000 AI compute units within six months of signing the agreement.*



L&T to acquire upto 21% stake in E2E Networks for Rs 1,407 crore

## MARKET NEWS



**This AI stock has given a whopping 2,900% returns;**

# Guideline for founders mulling over an SME IPO

## What needs to be kept in mind for the SME IPO?

### A long-Term lens

Public markets are a marathon, not a sprint; you need to have a decade-long time horizon when you think about going public.

### Predictability

What public markets expect is predictability; they don't want any surprises, so your business has to have stability and you should have clear revenue foresight.

### Why wait for a billion-Dollar IPO?

You can continue to compound in public markets - if you grow 20-25%, public markets would value you more than private markets.

### Clarity on 'use of funds'

In private markets, it's fine if the capital you raise isn't used exactly as stated, but in public markets, you need to be very precise about how the capital will be used since this will be audited

## What is the eligibility criteria?

### Common criteria for NSE Emerge & BSE SME

- 3+ years existence
- Max post-issue paid-up capital: ₹25 Mn
- Positive EBITDA: 2 out of last 3 FYs

### Exchange-specific criteria

- NSE Emerge: Requires positive net worth & FCF to equity
- BSE SME: Minimum net worth ₹10 Mn & net tangible assets ₹30 Mn

Indus Valley - Funding Trends Pg 95

IPO Boom Pg 111

## Sector Deep Dives

- Quick Commerce: Why it works in India, the implications of its rise, and is there irrational exuberance re Quick Commerce?
- AI: Is India getting a foundational model soon?

Indus Valley Playbooks Pg 157

## Quick Commerce

A detailed analysis of the Quick Commerce market, its growth, why it works in India, what the vectors of its growth are, the implications of its rise, and whether there is 'irrational exuberance' about its prospects?

# The 'Quick India Movement'



**Harsh Punjabi** @technolobeYT · Jan 8

Hey @albinder please start an ATM like service on Blinkit. Users will pay via UPI and you can deliver cash at doorstep in under 10 minutes. Will be super helpful.

266

285

5.1K

257K

Bookmark Up



**Vaibhav Domkundwar** ✅

@vaibhavbetter

Quick India Movement ... there's no reverse gear here.

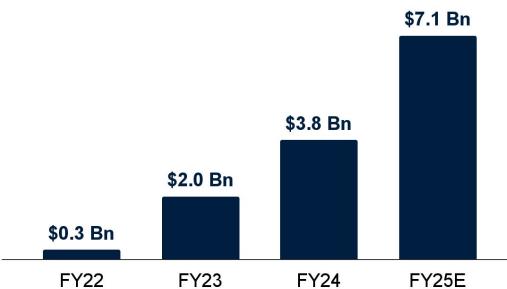
7:38 AM · Jan 9, 2025 · 5,378 Views

# Quick Commerce is India's fastest growing industry segment ever!

With 24x growth in order value since FY22 and user base doubling YoY, Quick Commerce is redefining India's retail landscape

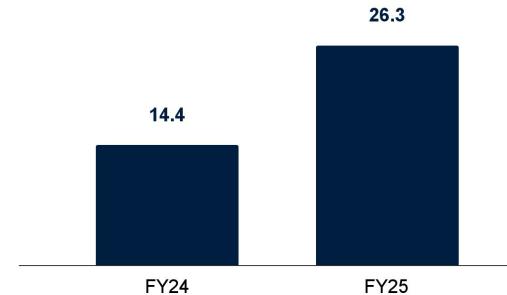
**24x rise in Gross Order Value in 3 years!**

India Quick Commerce Market Size (in USD billion)



**Rapid rise in MTUs or monthly transacting users)\***

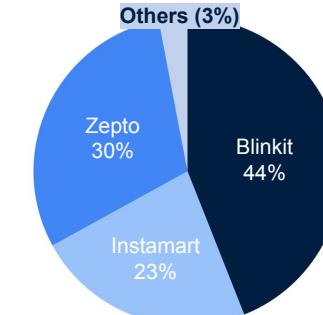
India Quick Commerce MTUs (monthly transacting users) (in million)



FY25 food delivery MTUs for Swiggy and Zomato (both of whom have been operating over a decade) together are expected to be **40.8Mn**. Quick Commerce MTUs are two-thirds of this in three years.

**Blinkit, Zepto, Instamart dominate this space, but competition is brewing.**

Market share of Quick Commerce players FY25 (in %)



\* MTU numbers stated here are not unique; a user using multiple platforms will be double counted.

Source: CLSA, JP Morgan, Business Standard |

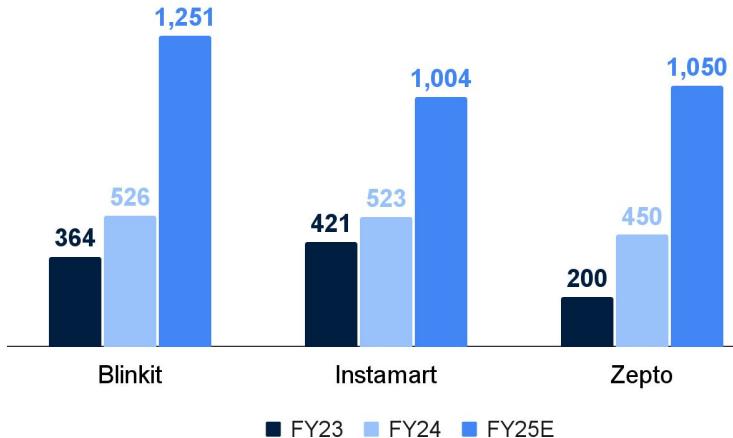
# “Zomato is India’s Capex Story”\*

Quick commerce players are aggressively expanding dark store network and geographical presence, with Blinkit leading in both metrics

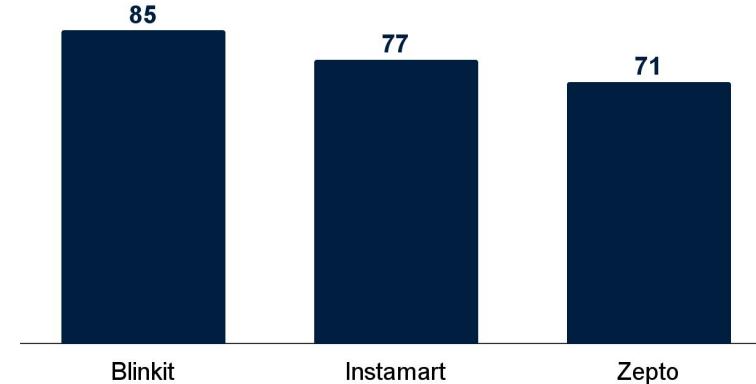
Dark store growth has been explosive, with nearly 2,000 stores added this financial year...

...and expanding into more and more cities.

Dark Store Count by QCom Operators FY23 - FY25E



City Presence for QCom Operators

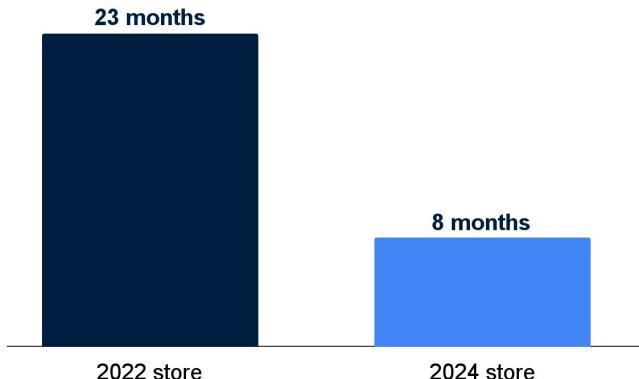


Expansion beyond metros: Recent launches in Tier 2 cities including Bathinda, Haridwar, Jammu, Kochi, Rajkot, and Bhopal

# Thanks to scale efficiencies, unit economics has rapidly improved!

**Zepto is hitting store breakeven faster per the founder**

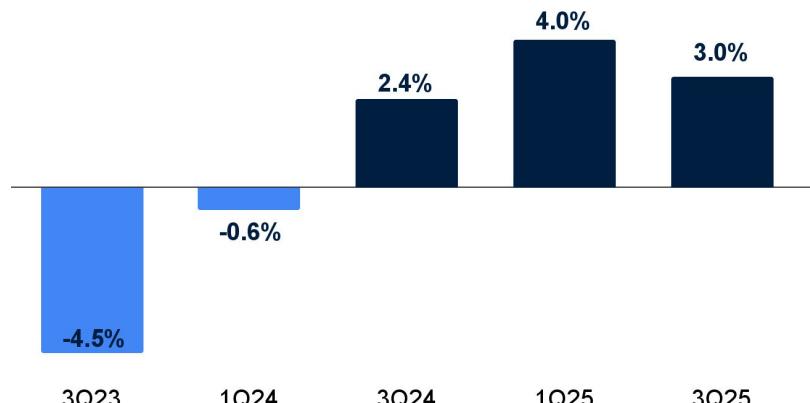
Time to EBITDA-breakeven Per Dark Store (in months)



A 2022 store took 23 months to turn EBITDA-positive with 4cr spent on capex, while a 2024 store turned EBITDA-positive in 8 months with 1.5cr in capex

**Blinkit: Contribution Margins turn positive despite rapid expansion and competitive pressures**

Blinkit Contribution Margin as % of Gross Order Value (in %)



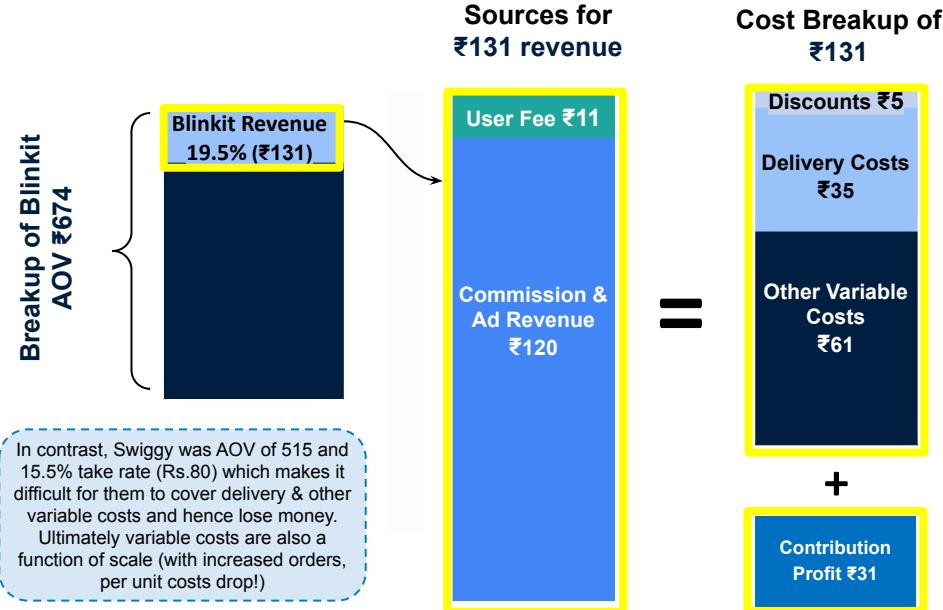
# Contribution margin is built on two key pillars: AOV and take rate

## Key Blinkit metrics

Metrics	FY25E
GOV	₹27,867 Cr
% yoy	123.50%
Average MTUs	9.6 Mn
AOV	₹674
Orders	413 Mn
Implied Take Rates	19.50%
Adjusted Revenue	₹5,420 Cr
<b>Contribution Margin (as % of GOV)</b>	<b>4.00%</b>
Adjusted EBITDA	(₹33 Cr)
% margin on GOV	(0.10%)



## Unit economics of a single Blinkit order



# Quick Commerce works because India is a poor market for Modern Retail

India seems to be leapfrogging Modern Retail and going directly to quick commerce

**India has only 6% modern retail share vs China at 32%, and US/UK ~80% per this tweet**

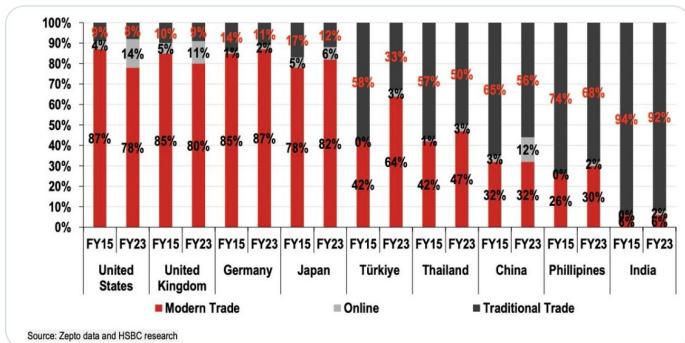


Manish Singh



...

HSBC: "We believe India is likely to graduate directly from unorganised retail (Kirana stores) to QC (quick commerce), while Modern Retail penetration will likely remain low."



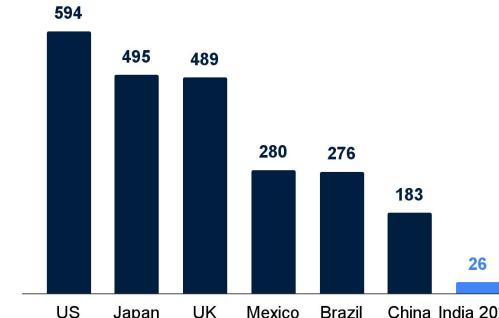
Source: Zepeto data and HSBC research

4:20 PM · Apr 16, 2024 · 101.1K Views

Why?

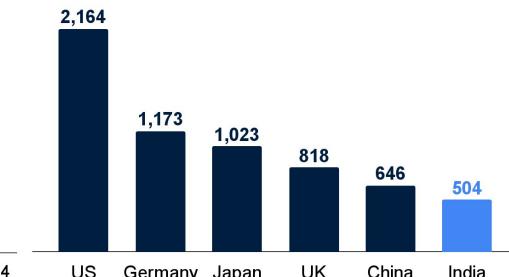
India has low car ownership

India and Peers: Number of Cars per 1000 People 2021



Houses are smaller than in other nations

India and Peers: Average House Size 2024 (in sqft)



With lack of cars and small houses (lesser storage) - people prefer to shop locally as they cannot go long distance and also not stock up on items

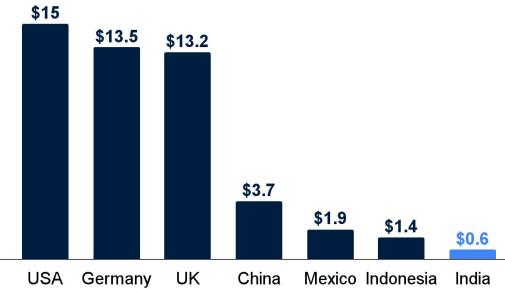
# Why Quick Commerce works in India

Combination of low labour cost along with high density cities make quick commerce unit economics work for India

1

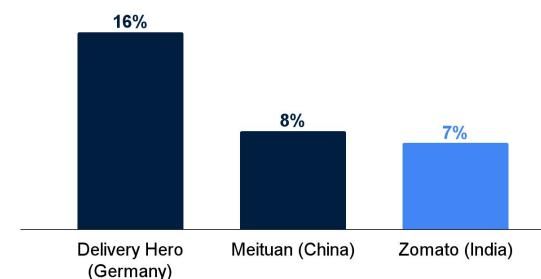
**Low labour cost**

India vs Peers: Minimum Wage (in USD / hr)



2 India has amongst the lowest rider cost to Gross Order Value

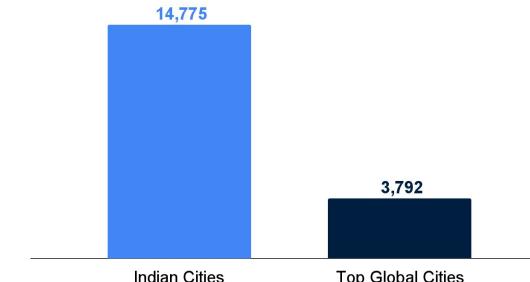
Rider Cost as % of Gross Order Value (GOV) (in %)



3

**High population density\***

Average City Density: Top Indian Cities v Top Global Cities



"One reason the quick commerce model has had a greater impact in India is the lower labour cost as a proportion to cart size. Our sample suggests that the minimum wage-to-cart size ratio is 10-12% in India compared with 35-40% in China and 40-50% on average in Western countries." - CLSA

Top Indian Cities counted include Delhi, Mumbai, Kolkata, Bengaluru, Hyderabad.

Global cities counted include Tokyo, São Paulo, New York City, Los Angeles, Paris

Source: CLSA, Goldman Sachs | \*

# Quick Commerce - Faster, cheaper, and a wider selection

1

**Instant gratification**



Sajcasm

[@sajcasm\\_](#)

...

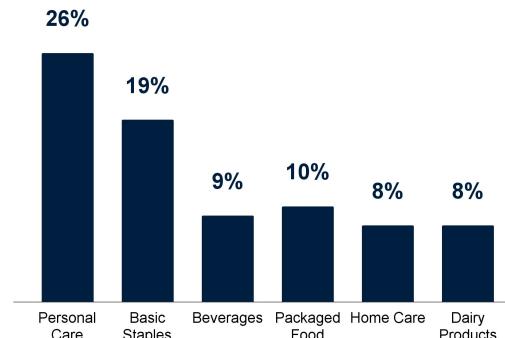


Last edited 7:02 PM · May 25, 2023 · 128.7K Views

2

**Cheaper, thanks to discounts**

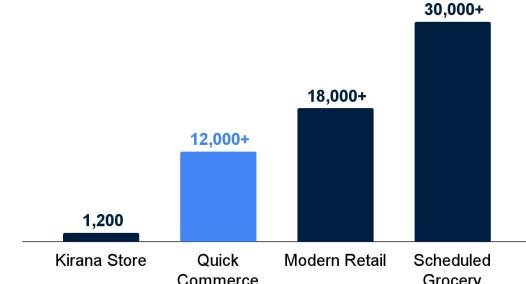
Average Discount Rates Across Categories (in %)



3

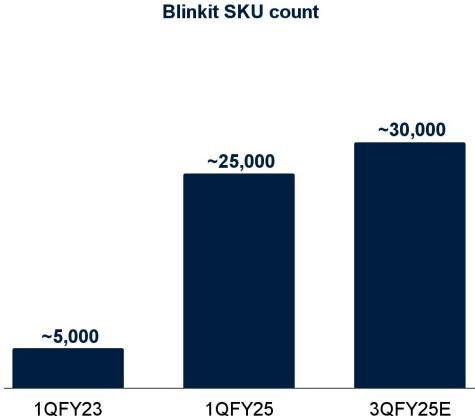
**Rapidly expanding SKU count**

SKU Count Across Retail Channels

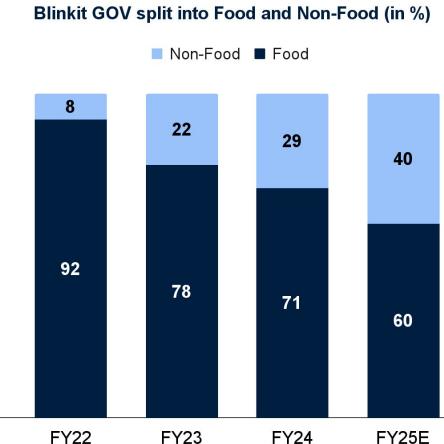


# Quick Commerce is moving beyond grocery to become the new 'everything store'

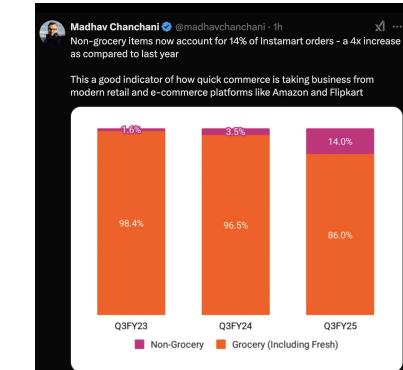
1 Blinkit, in particular, has been aggressively expanding SKU count



2 Non-food categories account for 40% of Blinkit's GOV



3 Swiggy is behind the curve, but is also seeing non-food categories grow



Most stores have ~10k SKUs with a select few stores with 25k+ SKUs

# As SKU counts expand and QCommerce (QCom) goes beyond grocery, QCom operators rethink Qcom beyond just delivery

Returns and refunds, and the post-purchase experience matters too!

“It is now time to take the customer experience and growth to the next level by launching **10-minute returns** and exchanges.”



Audit Palicha · 2nd  
Co-Founder & CEO - Zepto  
5d ·

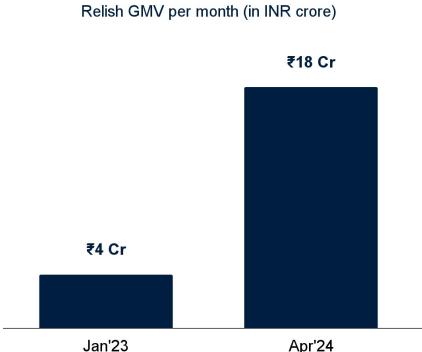
After launching these new categories last year, Electronics, Apparel, Beauty, Toys, and General Merchandise have grown to thousands of crores of annualized sales on Zepto.

It's now time to take the customer experience and growth to the next level by launching **10-minute returns and exchanges**. Click a button on your order history page and get a product you didn't like on Zepto picked up and returned instantly!



# To drive margin expansion, Zepto and Instamart have introduced private labels

**Zepto's private label meat brand Relish has seen great traction thanks to its distribution muscle**



Rahul Mathur @Rahul\_J\_Mathur

Zepto's meat brand Relish is already larger than Licious on quick commerce — Relish was launched in Oct'23 whereas Licious was launched in Oct '15.

Zepto last reported ~ ₹30 crore in monthly Sales from Relish (excluding eggs — which would add ~₹10 crore extra per month). As usual, distribution trumps product (to some extent).

Data: Licious does ~20% of its ~₹750 crore of Sales via QC & other 3P online channels.

As a regular Licious customer, I personally found this data quite contradictory so I decided to dig into the Zepto private label strategy:

10:20 AM · Feb 5, 2025 · 123.1K Views

**Swiggy too has started selling its private label brands on Instamart**

**Supreme Harvest**



**Truly Good Food**



# ...and higher margin prepared food products!

These 10-min food delivery services mostly leverage their existing store infra

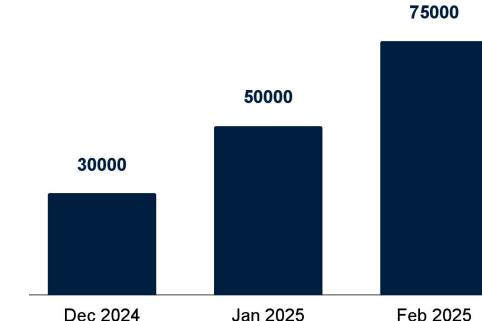
The top 3 quick commerce players have all forayed into in-house food delivery services



Operating via cloud kitchens situated within dark stores allows them to increase their Average Order Value and margins while utilizing their existing infrastructure and avoiding commission payments to intermediaries.

Zepto cafe has gone from 30K to 75K orders/day in just two months

Zepto Cafe Orders/Day Trendline



Audit Palicha, CEO at Zepto, says that Cafe's run rate is at 10% of Domino's last quarter revenue.

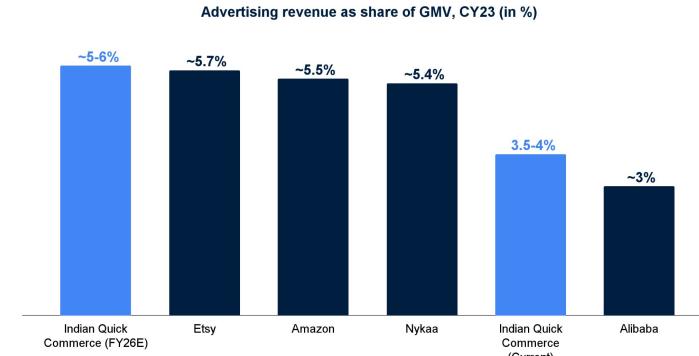
In Nov'24 Zepto Cafe was present in 15% of its dark stores, whereas now it is available in more than 50% of dark stores.

# Revenue from ads become a key growth lever for QCom players

Quick commerce ad revenues are growing fast...



...and are contributing meaningfully to the bottom-line



**From BofA :** “We estimate ad revenues of QC platforms to be around 3-3.5% (of GMV). We see this improving to 5-5.5% in coming years for select platforms as they leverage data analytics to extract more from brands by adding value. This is a ~90% EBITDA margin business.”

# 'Quick' expands to services and verticals too!

## Quick Commerce for Home Services



**Snabbit**  
House help in minutes



## Quick Commerce for Fashion



**Slikk**  
60-Min Fashion delivery



## Quick Commerce for Food Delivery



**Swish**  
10-Min Food delivery



# From Quick Commerce to Quickish Commerce

As Quick Commerce's success inspires larger horizontal and vertical ecommerce players to start their experiments, we are likely to see a speeding up of delivery times in India across most types of deliveries. We will be a Quickish Commerce country.

## 1 Flipkart has entered Quick Commerce



@rajeshsawhney

Flipkart has entered quick commerce with 10% cheaper price than Blinkit

"Do or Die" moment for Flipkart.

Thoughts?

**Figure 5: Comparison of prices of a sample list of products across Flipkart and Blinkit**

	Blinkit	Flipkart	Difference
Amul Sweet Lassi - 250ml	25	24	-4%
Nivea Deodorant	214	214	0%
Nescafe Classic Instant Cafe	385	332	-14%
Green Kiwi - 3 pieces	139	105	-24%
Britannia Milk Bread	50	38	-24%
Onion - 2Kg	114	106	-7%
Lays Chips	20	19	-5%
Fortune Chakki Fresh Atta - 5 KG	268	262	-2%
<b>Total</b>	<b>1215</b>	<b>1100</b>	<b>-9%</b>
 Delivery fee	16	0	NM
Platform fee	0	5	NM
Handling charge	4	0	NM
<b>Total amount</b>	<b>1235</b>	<b>1105</b>	<b>-11%</b>

Source: UBS Research

12:12 PM · Aug 20, 2024 · 22K Views

## 2 Amazon has plans to follow



@refsrc

Amazon says it has started a pilot of its quick commerce offering in India "to give our customers a choice to get their everyday essentials in 15 min or less" - statement

## 3 Other players are taking notice too

### Nykaa, Licious amp up quick commerce game as consumers demand instant gratification

Pranav Mukul and Digbijay Mishra

6-8 minutes

Beauty retailer [Nykaa](#) has launched a 10-minute delivery pilot in Borivali, Mumbai, as the rapid growth of [quick commerce](#) starts disrupting multiple product categories, pushing vertical players to find ways to drastically speed up deliveries.

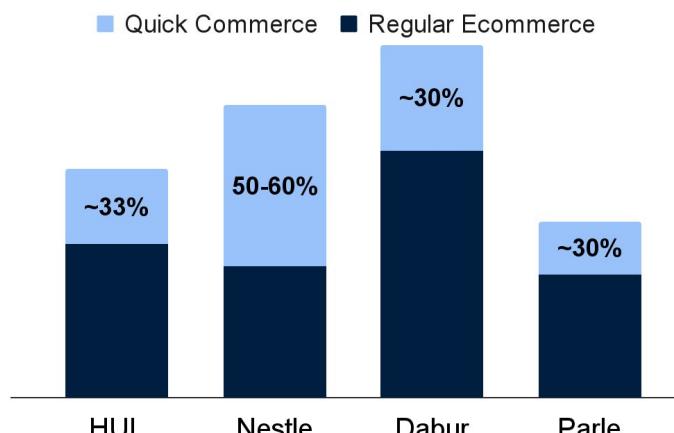
Direct-to-consumer meat brand [Licious](#) is piloting deliveries of ready-to-eat food items in certain locations in Gurgaon in about 15 minutes though its promise remains half-an-hour delivery, while top [fashion](#) platform [Myntra](#) is piloting a 4-hour delivery plan in four cities, including New Delhi and Bengaluru.

# FMCG Brands love Quick Commerce

In just three years, Quick commerce has started contributing 30-60% of ecommerce sales for major FMCG players, driving new packaging, distribution strategies.

**QCom is becoming the fastest growing channel for FMCG brands...**

Quick Commerce's share of Ecommerce sales, FY24 (in %)



10% of all ice creams sold by HUL are sold on quick commerce channels.

Dabur stated that quick commerce makes up >30% of its overall beverage sales.

**...influencing them to rethink packaging and pricing for the SKUs sold in Quick Commerce channels**

[Home](#) / [Industry](#) / [News](#) / FMCG brands adopt new packaging strategy for q-commerce and kirana stores

## FMCG brands adopt new packaging strategy for q-commerce and kirana stores

*Quick commerce has become the fastest-growing sales channel for FMCG companies, prompting them to adopt new packaging strategies to protect traditional retail channels*

Md Zakariya Khan | [New Delhi](#)

3 min read Last Updated : Jan 17 2025 | 1:05 PM IST



The familiar Rs 10 pack of Parle-G biscuits you toss into your cart on quick-commerce apps may soon be a thing of the past. Consumer goods companies, facing the dual challenge of supporting neighbourhood stores while addressing shifting shopping habits, are rolling out new packaging designed exclusively for online platforms.

Leading this transformation, brands like Hindustan Unilever, ITC, Parle Products, and Adani Wilmar are reimagining product sizes and pricing for apps that promise groceries and essentials delivered within minutes, reports The Economic Times. These adjustments aim to cater to the rapidly growing segment of e-commerce shoppers while safeguarding traditional retail channels.

However, local kirana stores have raised concerns about alleged predatory pricing by quick-commerce platforms, accusing them of undercutting traditional markets in a bid for dominance.

# In the long run, Quick Commerce may be more frenemy than friend to FMCG players



Arindam Paul @arindam\_paul



If I take a long term ( 5 plus years) view, the sector which I am most bearish about is FMCG

- a) The top 2-3 percent of India will move to new age premium brands, which give genuinely better products. These consumers consumed all the products which typically were high gross margin for brands
- b) India till date has been a GT dominated distribution. When you have lakhs of small retailers and kiranas selling, the margin power lies with the brand. With the advent of e-com and now Q-com, a lot of distribution will get concentrated. And when distribution gets concentrated, the margin power moves away from the brand. The cost of doing business with Blinkit will anyday be higher than that of doing business in General Trade
- c) Media is getting fragmented. Attention spans are reducing. Content clutter is rampant. The cost of building and maintaining brand awareness will only increase from here on. 10 years before, a monthly frequency of 5 would have worked wonders. Today, if you don't see something 4-5 times a week, you won't even notice it

d) The bottom of the pyramid isn't improving as quickly as it should. So there will always be consumption and pricing pressures there

e) With rapid increase of e-com and q-com, the pressure from private labels will increase significantly. And i don't think Zepto or Blinkit will stop at basic private labels. They will come after most categories

So, most established FMCG brands in long run will face both topline and bottomline pressure

And their biggest worry won't be the smaller D2C brands, but the large e-com and quick-com players who most likely will control a big chunk of distribution in the years to come

And Indian FMCG brands will likely start trading at similar multiples like their counterparts in US ( where Walmart and other organized trade control good chunk of distribution)

Will revisit this in few years

11:37 PM · Oct 23, 2024 · 97.5K Views

# Quick Commerce levels the playing field for D2C

Quick commerce eliminates traditional distribution moats, creating a level playing field between D2C and FMCG brands

1 QCom is the fastest growing channel for D2C brands today...

Ganesh Sonawane  @ganeshunwired

frido's quick commerce revenue rate has surpassed frido's flipkart revenue rate 😊

3:54 PM · Dec 3, 2024 · 20.3K Views

2 ...getting these brands access to customers they never had before...

**How new-age digital brands are riding the quick commerce boom**

Direct-to-consumer companies share their success stories on Q-comm, a rapidly growing sector projected to attain a market size of \$5.5 billion in India by 2025

Sonal Khetarpal  
UPDATED: Nov 5, 2024 18:00 IST  
Edited By: Ashish Mukherjee

New-age direct-to-consumer (D2C) brands are experiencing higher growth on quick commerce (Q-comm) platforms than through traditional e-commerce platforms as instant delivery services expand their networks beyond metros into Tier-2 cities.

Chirag Gupta, founder and CEO of gourmet snacking brand 4700BC, credits quick commerce for driving "monumental growth" and significantly expanding the company's reach, particularly in Tier-1 and Tier-2 cities where traditional supply chains have limited access.

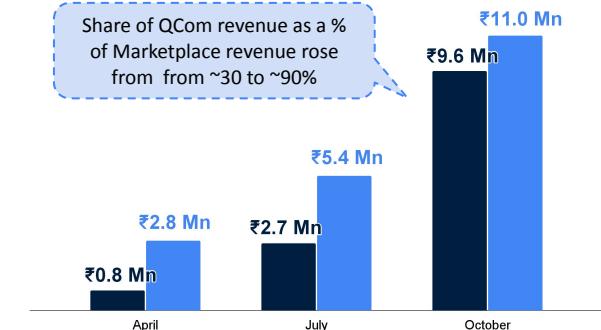
3 ...and quickly catching up to online marketplaces.

**SALTY**

Salty Monthly Revenue from Quick Commerce vs Salty Monthly Revenue from Marketplace

■ Quick Commerce Revenue ■ Traditional Marketplace Revenue

Share of QCom revenue as a % of Marketplace revenue rose from ~30 to ~90%



Ganesh Sonawane  @ganeshunwired

Zepto is fastest growing channel for frido pillows in last few weeks 🚀🚀

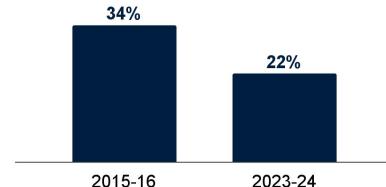
1:38 PM · Dec 8, 2024 · 8,441 Views

# The urban consumer is shifting their buying behaviour away from Kirana stores

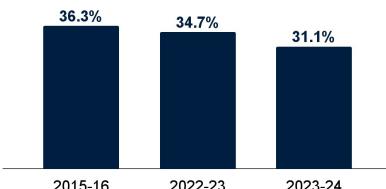
1

## Visible impact on Kirana stores

Kirana Stores' Share of Gross Value Added of Trade Sector (in %)



Share of Kirana Stores in Total Unincorporated Enterprises (in %)



2

## Urban shoppers prefer Quick Commerce

**mint**  
31% of urban Indians use quick commerce for primary grocery shopping: report

The NIQ Shopper Trends 2024 report, based on a survey of 4,500 customers in 16 cities, said this trend is driving significant growth in the grocery sector and that FMCG companies must adapt to changes in consumer expectations.

*For one Bengaluru-based engineer, his response to a recent craving for a soft drink made him realise just how much quick commerce had reshaped his behaviour. "I randomly order some juice because I have access," he says. "Earlier, I used to open the fridge. Now, I open Instamart, which is like an evolved version of checking the fridge."*

QUICK COMMERCE

10-Minute Dopamine Rush: How quick commerce is rewiring your brain

Pawan Balakrishnan

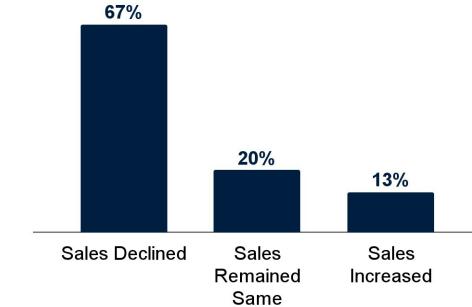
January 16, 2024 | 11 Min Read



3

## Kirana owners are clearly worried

Datum Intell Survey Results re Impact on Kirana Store Sales due to QComm (in %)



**3/4ths of survey respondents felt that Quick Commerce poses a long-term threat to the viability of Kirana stores**

# Case Study: Kirana Store owner in Bangalore facing both demand and supply side impact



Insights are from an interview with a shop owner who has been in business for 30 years, currently operating in a middle-class neighborhood of urban Bangalore.

## Drop in revenue, even with rising prices

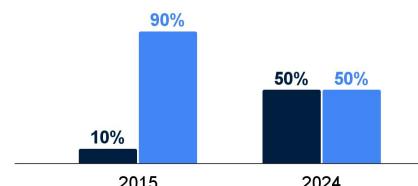
Total Monthly Revenue of the Store (in INR lakhs)



## Delivery orders have practically vanished

Share of Walk-in sales vs Home delivery (in %)

■ Walk-ins ■ Home delivery



Kirana stores don't have enough options (SKUs) for brand conscious customers. And with free delivery as well as the discounts that QCom offers, online works out cheaper.

## Supply is equally impacted

- 1 Trade promotions by FMCG players are absent.

Previously, retailers could earn major incentives like washing machines for meeting targets - these volume-based rewards are now rare.

- 2 Margins on branded products have dropped significantly.

For instance, biscuit category margins have fallen from 22% to 7-8%, severely impacting retailer profits.

- 3 Weakened demand has forced retailers to abandon bulk purchasing in favor of smaller, frequent orders.

This shift further reduces margins as they lose bulk buying benefits.

# Quick Commerce operators have power, and they are not afraid to wield it too

Brands find it hard to list on Quick Commerce platforms

**The humble category manager is now a quick-commerce overlord**

Nuha Bubere



"Is your brand VC-funded?"

*Before the 40-year-old owner of a food brand could connect the dots between the question and his ask, came another curveball: "If you're funded, you'll be able to spend on ads and marketing, won't you?"*

Dark patterns have started to emerge on the apps

Prem Pradeep  
@Prem\_Pradeep21

What the hell @ZeptoNow this is robbery in daylight!

Why do I have to opt in for free delivery when I had already paid for the pass? That too hidden inside the bill summary. I don't even know how many times I missed this already.

Dark patterns are this common now?

 A screenshot of a Twitter post by Prem Pradeep (@Prem\_Pradeep21). The post includes a screenshot of a bill summary from the ZeptoNow app. The bill summary shows the following breakdown:
 

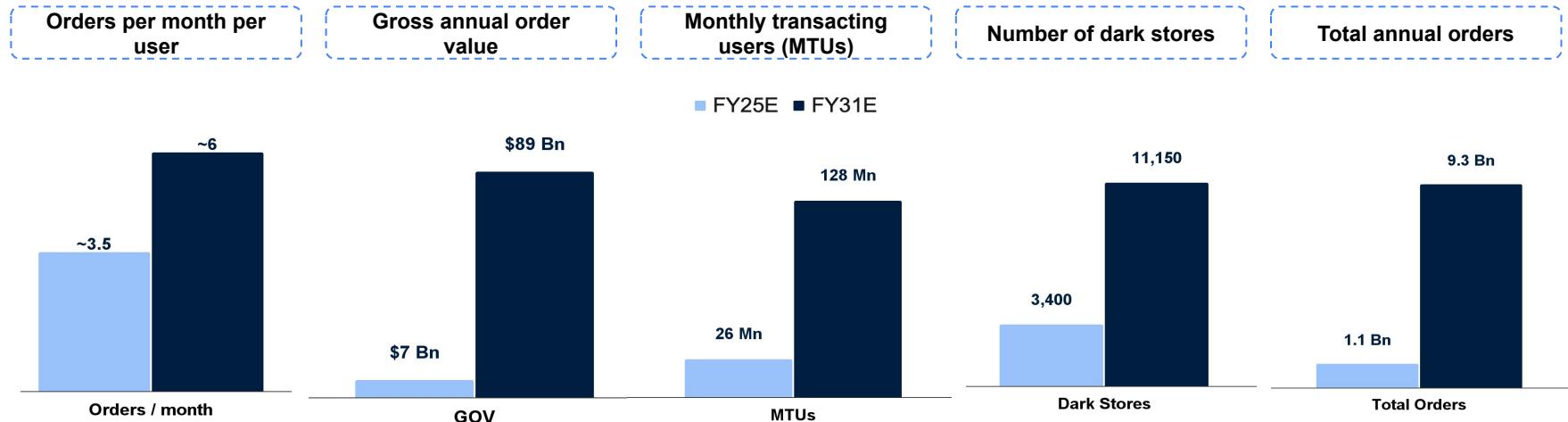
Item	Amount
Item Total & GST	₹193.66
Handling Charge	₹9.99
Convenience Fee	₹19
Delivery Fee	₹27
Free Delivery on this order	
<b>To Pay</b>	<b>₹249.65</b>

 The 'To Pay' amount is highlighted in red. Below the bill summary, there is a note: "Incl. all taxes and charges". At the bottom of the screenshot, it says "SAVING ₹0".

10:33 AM · Jul 22, 2024 · 273.8K Views

# Irrational exuberance about Quick Commerce?

A slew of analyst reports have projected heady numbers for Quick Commerce; for instance an equity research report from a leading brokerage house projects the Industry to hit \$89b in FY31 (FY25E of \$7.1bn). How realistic is this?

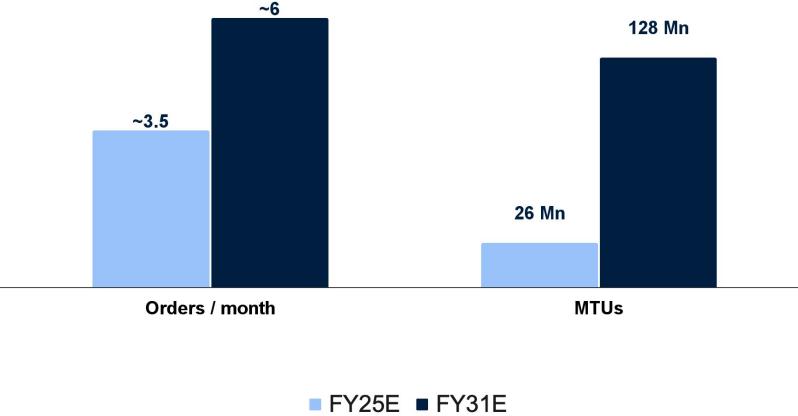


Let us examine two of these above estimates: Monthly transacting users (MTUs), as well as Dark Stores, closely.

# How realistic is the Monthly Transacting User number?

Growth projections to 128 million monthly transacting users (MTUs) look ambitious when India1 itself is not widening fast

How Quick Commerce is projected to grow



This misses out on the true upper bound of the Indian consuming class



Kunal Shah

@kunalb11

10 million customers of India probably contribute to nearly 75% of GMV across eCommerce, food delivery and quick commerce.

12:49 PM · Oct 24, 2024 · 55.9K Views

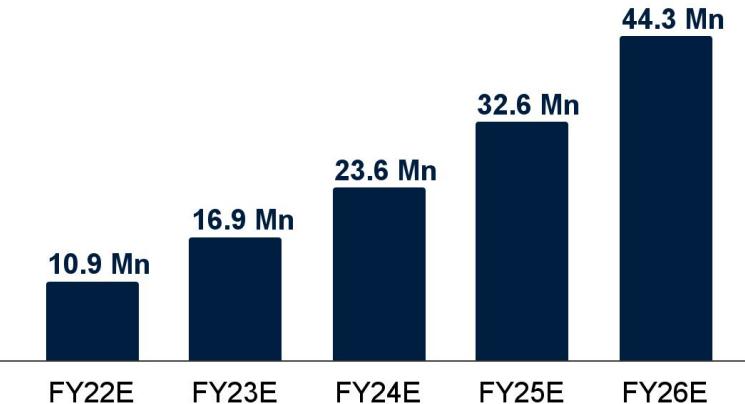
Much of India's consumption is led by India1, and within that there is a subset we call India1 Alpha, which is about 8-10 million households large who are true super consumers. This class is growing slowly, and as we saw in the Consumption section, has deepened than widened. The growth in MTUs will thus attract marginal users not power users, and thus orders nearly doubling will be challenging.

# We have been here before

July 2021 estimates by Jefferies projected 32.6M users for Zomato by FY25, but current trajectory points to 20.6M users in FY25 - a reminder about user growth forecasts in consumer internet consistently fall short

Jefferies estimate of Zomato's Monthly Transacting Users (MTUs) in Jul'21

Estimates of Zomato MTU Numbers (in millions)



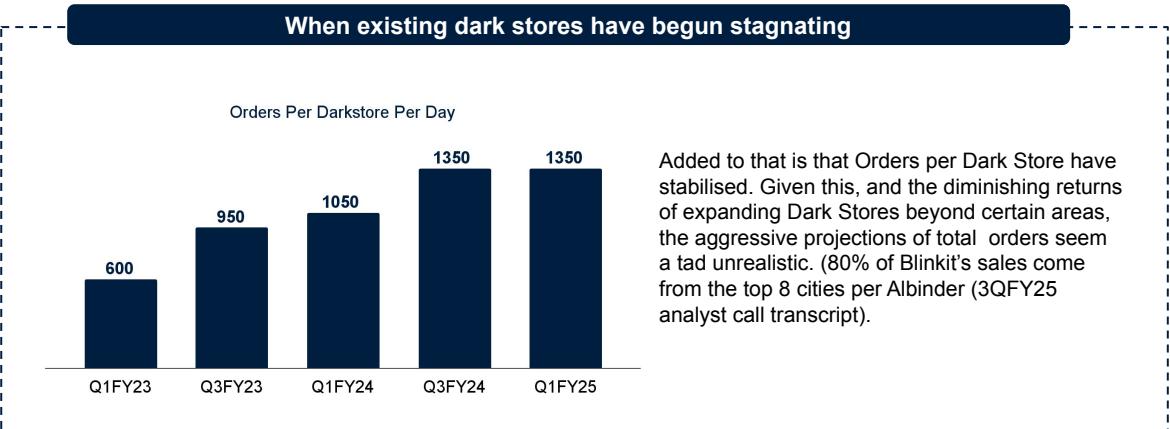
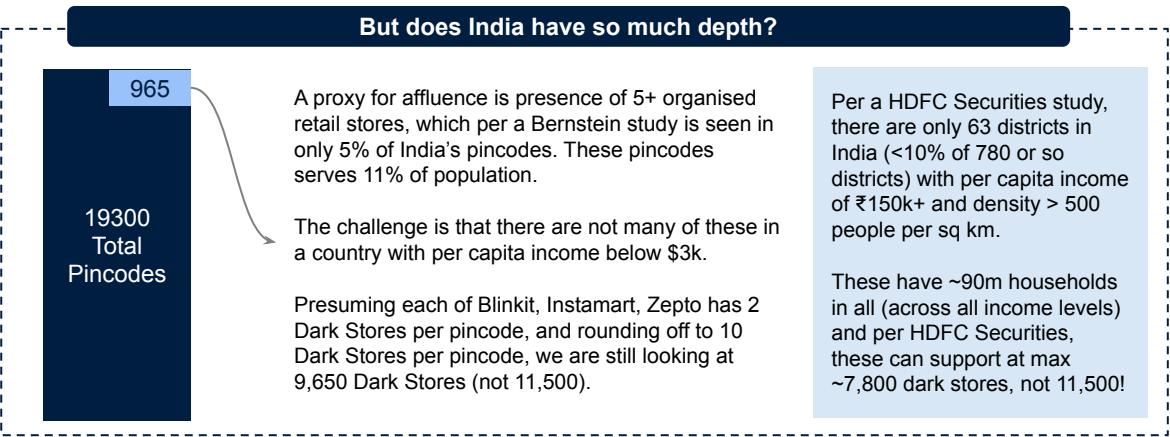
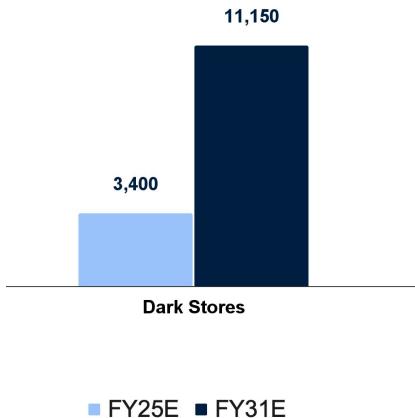
In reality, Zomato has not come anywhere near those projections. It is at 2/3rd of those numbers.

Actual Zomato MTU Numbers (in millions)



# How realistic is the Dark Stores number?

The dark store number is projected to grow from 3400 to 11500 over 6 years



# TL;DR

- Quick Commerce is not immune to the gravitational pull of low TAM (given India's low per capita income) and the power law of a tiny percentage of superconsumers
- Like rideshare, food delivery, and even ecommerce, we will see MTU growth tapering - it is unlikely that Quick Commerce is immune to this.
- ECommerce players have already started reacting, and while it is not guaranteed they will be able to counter Quick Commerce players, the increased competition will have some impact on the Quick Commerce industry profit pool.
- It is the case that we are moving to almost every ecommerce platform speeding up their delivery. India will become a Quickish Commerce country, especially because of the superconsumers are in high density areas amenable to rapid delivery.
- As Quick Commerce expands, and the toll on Kiranas becomes more visible, we may see more visible debates and measures to check Quick Commerce's growth.



Soumya ✅

@bytesofnews

a friend in gurgaon tells me tens of kids in her nephew's school showed up dressed as the exact same ghost for a halloween-themed fancy dress competition

me: what? why? how?

her: arre it was the only halloween costume selling on [@letsblinkit](#) in the area

11:36 AM · Oct 27, 2024 · 53.4K Views

# Indus Valley

Indus Valley - Funding Trends Pg 95

IPO Boom Pg 111

## Sector Deep Dives

- Quick Commerce: Why it works in India, the implications of its rise, and is there irrational exuberance re QCom?
- AI: Is India getting a foundational model soon?

Indus Valley Playbooks Pg 157

## AI: Is India getting a foundational model soon?

Why China, not India had a DeepSeek moment, and whether the recent enthusiasm and initiatives could spur the creation of a foundational model?

# An Indian company was present at the birth of OpenAI

Infosys was one of the founding donors of OpenAI, then structured as a non-profit.

Subsequently due to Vishal Sikka's exit, there was no link with OpenAI, and it missed the opportunity to be an investor when OpenAI restructured itself and spun off a for-profit entity in 2019.

This was the entity that Microsoft, Khosla Ventures invested.



openai.com/index/introducing-openai/ 

December 11, 2015 Company

## Introducing OpenAI

OpenAI's research director is Ilya Sutskever, one of the world experts in machine learning. Our CTO is Greg Brockman, formerly the CTO of Stripe. The group's other founding members are world-class research engineers and scientists: Trevor Blackwell, Vicki Cheung, Andrej Karpathy, Durk Kingma, John Schulman, Pamela Vagata, and Wojciech Zaremba. Pieter Abbeel, Yoshua Bengio, Alan Kay, Sergey Levine, and Vishal Sikka are advisors to the group. OpenAI's co-chairs are Sam Altman and Elon Musk.

Sam, Greg, Elon, Reid Hoffman, Jessica Livingston, Peter Thiel, Amazon Web Services (AWS), Infosys, and YC Research are donating to support OpenAI. In total, these funders have committed \$1 billion, although we expect to only spend a tiny fraction of this in the next few years.

# Broad vibe till late 2024

## Pre-DeepSeek default mode



Chandra R. Srikanth ✅ @chandrarsrikant · Oct 23, 2024

Nandan Nilekani at Meta Build with AI summit  
@NandanNilekani

"Our goal should not be to build one more LLM. Let the big boys in the valley do it spending billions of dollars"

"India should become the use case capital of the world. Build small models quickly"

"We don't want a  
Show more



106

234

595

280K



## Indian-founded startups building in AI

### Services



Deccan AI  
Tiger Analytics

TREDENCE  
Beyond Possible

### Applications

Contlo



LAMBDA TEST

Spyne

presentations

invideo AI

atomicwork

SiftHub

yellow.ai

### Middleware



portkey  
pipeshift



maxim



Kombai

Simplismart

### Foundation Models

sarvam.ai

KRUTRIM

smallest.ai

### Cloud Platforms



E2E Cloud



YOTTA



JIO CLOUD



NxtGen<sup>1</sup>  
Infinite Datacenter



neysa



Web Werks

### Computer Hardware



Saankhya Labs



INCORE  
Semiconductors

# Vibeshift!



**Aravind Srinivas**   
@AravSrinivas

Re India training its foundation models debate: I feel like India fell into the same trap I did while running Perplexity. Thinking models are going to cost a shit ton of money to train. But India must show the world that it's capable of ISRO-like feet for AI. Elon Musk appreciated ISRO (not even Blue Origin) because he respects when people can get stuff done by not spending a lot. That's how he operates. I think that's possible for AI, given the recent achievements of DeepSeek. So, I hope India changes its stance from wanting to reuse models from open-source and instead trying to build muscle to train their models that are not just good for Indic languages but are globally competitive on all benchmarks. I'm not in a position to run a DeepSeek-like company for India, but I'm happy to help anyone obsessed enough to do it and open-source the models.

2:15 PM · Jan 21, 2025 · 1.4M Views



**Paras Chopra**   
@paraschopra

I'm starting something soon.

Join me in making state-of-the-art AI models for the world from 🇮🇳 India.

## Build a highly-efficient reasoning model from 🇮🇳 India

Hello, I'm Paras Chopra, [recently exited Wingify for \\$200mn](#) and now hugely motivated to create a foundational AI lab from India that produces SOTA models and algorithms for the world.

I'm assembling a team to put a proposal for [India's AI mission](#). If you're interested in joining



**Sridhar Vembu**   
@svembu

A new chapter begins today.

In view of the various challenges and opportunities facing us, including recent major developments in AI, it has been decided that it is best that I should focus full time on R&D initiatives, along with pursuing my personal rural development mission.

I will step down as CEO of Zoho Corp and take a new role as Chief Scientist, responsible for deep R&D initiatives. Our co-founder Shailesh

# Why didn't India do DeepSeek?



Sadanand Dhume ✅ @dhume · Jan 28

For those who follow the Indian tech scene, what's the best explanation of why China is able to birth DeepSeek and India is not? Thanks.

470

221

832

230K



GDP ✅

@bookwormengr

Writing this as an Indian who works on AI in leadership role for one of the largest companies in the world (though strictly my personal opinion, but based on verifiable data).

...

It is for the same reason India does not have Google or Facebook of its own.

You need to able to walk before you can run.

There is no protected market to practice your craft in early days. You will get replaced by American service providers as they are cheaper and better every single time. That is not the case with Chinese player. They have a protected market and leadership who treats this skillset as existential due to geopolitics.

So, even if Chinese models are not good in early days they will continue to get funding from their conglomerates as well as provincial governments. Darwinian competition ensures best rise to the top.

Recall DeepSeek took 2 years to get here without much revenue. They were funded by their parent. Also, most of their engineers are not PhDs.

There is nothing that engineers who built Ola/Swiggy/Flipkart cannot build. Remember these services are second to none when you compare them to their Bay Area counterparts. Also, don't trivialize those services; there is brilliant engineering to make them work at the price points at which they work.

## The forcing functions that created DeepSeek

1

China being the base for 1/8th of World's top AI researchers (India has none)

2

China has been continuously investing in and improving in AI. The Australian Strategic Policy Institute identified that China led in just three of 64 critical technologies in the years from 2003 to 2007, but is the leading country in 57 of 64 technologies over the past five years from 2019 to 2023.

3

Constraints breed creativity - the challenges in accessing GPUs led them to approaches and tech minimising GPU use

4

Crackdown on the finance industry leading to the hedge fund High-Flyer deciding to redirect its attention towards AI tech, away from Finance. They also managed to access capital (Govt support?) to undertake the \$1.6b+ investment to develop the same (\$1.6b via Semi Analysis)



Anmol Maini ✅ @anmolm\_ · Mar 12, 2024

7% of top AI researchers are Indian, none work in India



Sheel Mohnot ✅ @pitdesi · Mar 12, 2024

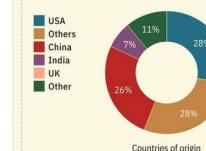
Skilled immigration is so good for the US

Over half of the top Chinese and nearly all of the top Indian AI researchers left home & mostly came to the US.

...

Show more

## Where are the top-tier AI researchers?



"Top-tier" is defined as authors of papers selected in 2022 for Oral Presentations at NeurIPS. Country of origin is based on undergraduate degree.  
Chart: Helen Li/Semafor • Source: MacroPolo

SEMAFOR

12

23

216

25K



# Can India build its own foundational model? We will find out soon!

'AI Sovereignty'



Vinod Khosla [@vkhosla](#)  
Would any reasonably sized country bet on a foreign country's AI (which can be revoked by sanctions!) for its national security? We invested in [@SarvamAI](#) for India and [@SakanaAllabs](#) for Japan. And each country needs to encourage and train its own regional talent through incentivized development of technology.

Rian Darius Pandole [@RDPandole](#) · Feb 11, 2024

Replying to @AravSrinivas and @vkhosla

Does India need its own LLM though? Broad based enough LLMs like ChatGPT or LLaMA, ie ones with enough data, can reason around cultural differences given the correct context . Given that this diversity is possible within any singular LLM itself, I believe it means that countries

[Show more](#)

₹20bn (\$240m) allocation in the Indian budget; access to 18k GPUs at 40% below market rates to spur India's homegrown LLMs.



Ashwini Vaishnaw [@AshwiniVaishnaw](#)

1. India is building **foundational AI models** using **18,000+ high-end GPUs** and **large non-personal datasets**. Startups have already begun work following the government's call for proposals.



3:34 PM · Feb 4, 2025 · 21.6K Views



Pillars

IndiaAI Portal

Resources

Ecosystem

Secto



**IndiaAI**

**Call for Proposals for  
Building India's Foundational  
AI Models**

**Blume Perspective:** We do think we will have home grown foundational models emerging in the coming 12-18 months given the Government support, as well as the emergence of teams keen to build India's first foundational model. There is too much momentum behind this, and enough confidence that it can be built (post DeepSeek) for it to not happen.

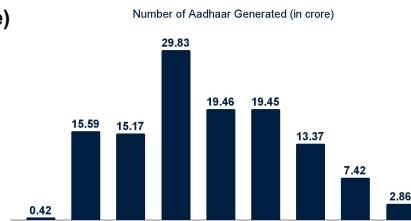
DPI and ISRO, both examples of frugal innovation, and also examples of public-private partnerships, show a potential path forward for AI foundational models.

# The success of Digital Public Infra and ISRO / Space Missions are two great examples of frugal innovation. Could AI models be the third?

## The UPI Story

### Expenditure on Aadhaar (in INR crore)

Year	Amount
2009-10	₹26.2 Cr
2010-11	₹268.4 Cr
2011-12	₹1,187.5 Cr
2012-13	₹1,338.7 Cr
2013-14	₹1,544.4 Cr
2014-15	₹1,615.3 Cr
2015-16	₹1680.4 Cr
2016-17	₹1132.8 Cr



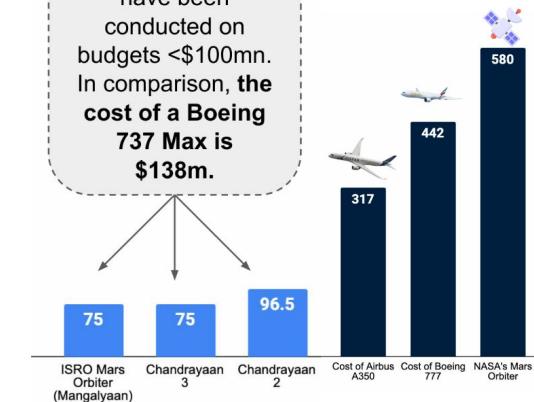
**World Bank heaps praise on Aadhaar, says India saves about \$1 billion a year**

businessline.

With just over \$1b spend, India had onboarded a billion people to the Aadhar identity initiative; resulting in annual savings of over a billion!

## The ISRO Story

India's hallmark space missions have been conducted on budgets <\$100mn. In comparison, the cost of a Boeing 737 Max is \$138m.



ISRO is consistently cited as having pioneered the frugal approach to space exploration, cheaper than Hollywood space movies even!

# India has the talent (even if our best talent is in the US) and now we are getting the GPUs!

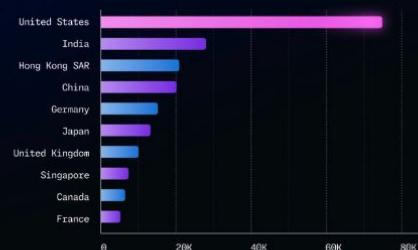
## We have the talent

Thomas Dohmke  @ashptom · 10h  
India's developers have gone a leap further: they're increasingly using AI to build AI. India has the second-highest number of contributors to public generative AI projects.

This makes it evermore likely the next great AI multinational is borne on the continent.

### Top 10 global communities with the most contributors to generative AI projects on GitHub in 2024

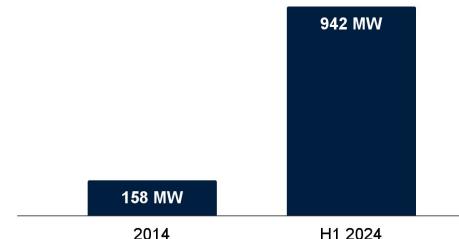
CALCULATED BASED ON CONTRIBUTORS BY REGION TO GENERATIVE AI PROJECTS ON GITHUB.



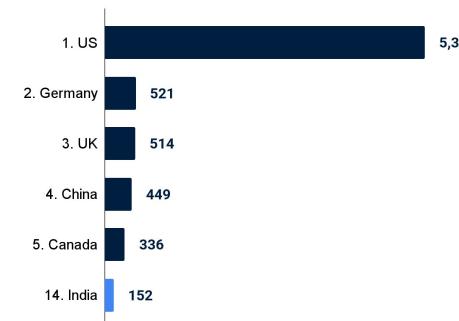
1 23 110 4.9K

## We are getting the data centres

Data Centre Capacity in India 2014 v H1 2024 (in MW)

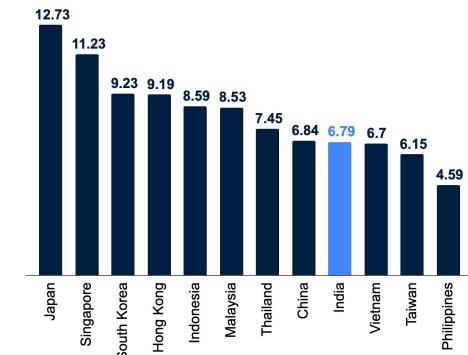


India and Peers: Ranked by Number of Data Centres, March 2024



## We can build cheaper than our peers

India and APAC Peers: Median Price of Constructing a Data Center per MW of Capacity (In USD million)



India turns 2nd fastest-growing data center market in Asia-Pacific with 28% growth in capacity

Mumbai has 12 submarine cables live, connecting directly with Europe, the Middle East, Africa, and the Asia Pacific. Five more cables will be added by 2026

moneycontrol

# Meanwhile there are impressive Consumer AI stories emerging from India as well!



**invideo AI**

Video generation via prompts leveraging OpenAI

"4 million MAUs creating 7 million videos a month" - OpenAI



**Ben Lang** ✅ @benln · Feb 12

Tiny teams are the future:

- Cursor: 0 to \$100M ARR in 21 months w/ 20 people
- Bolt: 0 to \$20M ARR in 2 months w/ 15 people
- Lovable: 0 to \$10M ARR in 2 months w/ 15 people
- Mercor: 0 to \$50M ARR in 2 years w/ 30 people
- ElevenLabs: 0 to \$100M ARR in 2 years w/ 50 people

107

512

4.1K

1.2M



**Sanket Shah** ✅

@\_sankyy

invideo - 0 to 61M ARR in 16 months w/80 people



**presentations.ai**

Create presentations leveraging AI.

Hit 1 million users in <3 months and then hit \$1 million revenue in 12 months (by Jun'24), and founder writes has grown 'leaps and bounds' since then to hit "5 million users, 112 countries, millions in profits"



**Sumanth Raghavendra**

@sumanthr

1/9 🚀 Want to hear a story about the fastest growing productivity app of all time?

1 million users in 84 days.

That's 2x faster than any productivity app in history. But here's the kicker: we did it with \$0 in marketing. Our secret? We killed PowerPoint's biggest pain point.

7:29 PM · Sep 27, 2024 · 8,936 Views

# Indus Valley

Indus Valley - Funding Trends Pg 95

IPO Boom Pg 111

Sector Deep Dives Pg 120

## Indus Valley Playbooks

- **The various India2 Playbooks.**
- How Indus Valley influenced Indian advertising.
- Returns, and how Indian startups are addressing it.
- Marketing framework for the Indian diaspora or India0.

## The various India2 Playbooks.

Historic playbooks contrasted with the Evolved and Emerging playbooks, followed by case studies of STAGE, Kaleidofin, and Voice Club. Why voice, and microtransactions are two killer features of the Emerging playbook.

# The India2 playbook is evolving

2015 - 2020

## Historic OG Playbook

Launch a proven western product to suit Indian tastes and language preferences.



2020 Onwards

## Evolved Playbook

Re-engineer the product for Indian context and user behaviour, and margins(!) benefitting from Jio & UPI boost.



## Emerging Playbook

Rethink the product around the fundamental need to be solved (or job-to-be-done / JTBD)



Conversations with the opposite sex, not dates.

Astrological counselling as therapy sessions.

Driver subs, and not user charges as the revenue model

# Evolved Playbook: Re-engineer the product, and price it affordably, for India2



- Here the product is re-engineered to suit India2's language, taste, and price preferences.  
***"Our users are happier to pay ₹10 every day for a month than pay ₹300 upfront"***  
 - Harsh Jain of Dream11 (during a conversation with Blume portfolio founders)
- These products have superior unit economics thanks to being rethought from the grounds up for India2; as opposed to being worked downward from an India1 product.

# How STAGE engineers ultra low-cost content

- Standardized set of story tropes and templates re-scripted for different languages, designed for low-cost shooting (e.g., mostly small sets scripted into storyline).
- Work with local content creators who don't have access to other mainstream outlets willing to work for low costs.
- Significant amount of pre-planning prior to shoot enabling quick turnarounds.

**Lower Budgets Per Film**



**Faster Shoots Per Film**



**Highly Rated**



ARR vs Cumulative Content Cost (in INR million)



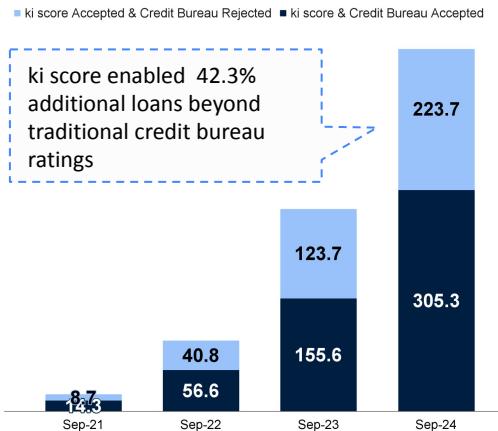
# How Kaleidofin reengineered the credit rating product for India2 / India3



**ki score** is an inclusive supervised AI/ML score developed by Kaleidofin, and used for Credit Decisioning and Risk Management through all stages of the loan lifecycle. It is designed to reduce risk while significantly increasing access to traditionally underserved customers. It is built on datasets with dimensions including credit history, demographics, customer behaviour and alternate data. It is a powerful tool for increasing access to appropriate credit beyond a credit bureau score.”

ki score has increased loans disbursed by 73%

Cumulative Number of Loans Enabled by ki score for a Representative Partner, Sep 2021-24 (in unit thousands)

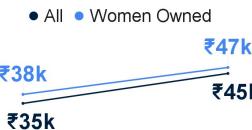


PAR 90% data validates ki score's accuracy and inclusiveness

PAR 90% measures borrowers defaulting on principal for over 90 days. Customers approved by ki score but rejected by credit bureaus have lower default rates compared to those rejected by ki score but approved by credit bureaus (cb hereafter).

Monthly household income growth for nano-entrepreneurs shows ki score's impact

Monthly Household Income (in INR thousands)



Category	PAR 90 %
ki score accept + cb accept	1.53%
ki score accept + cb reject	2.51%
ki score reject + cb accept	4.44%
ki score reject + cb reject	7.68%

Findings from a pool of ki scored nano-entrepreneurs shows the impact that access to timely credit may have on customer resilience and well-being and the ki score acts as a key enabler here. “We see an average increase of 26% in monthly HH income, 47% in annual business turnover, and 52% in monthly business profits.”

# Emerging Playbook: Rethink the product for the specific job to be done (JTBD) to fit India2's context

Here, founders understand the core Job-To-Be-Done (JTBD) in the context of the India2 user, including how prevalent cultural practices will support adoption, and use this to rethink the product itself.

## India 1



### JTBD

Help me start dating



## India 2

### JTBD

Before I can think of dating, I need to speak to members of the opposite sex. So the product is to enable better conversations, via gamified formats.



### JTBD

I need easy, reliable access to high quality mental healthcare.



### JTBD

I don't think there is anything wrong with me that I need 'therapy' (it is not socially acceptable in my context). Astrology counselling is a safe socially acceptable space for me to unburden myself and get some emotional relief.

# Two other core features of the Emerging India2 Playbook: Voice and microtransactions

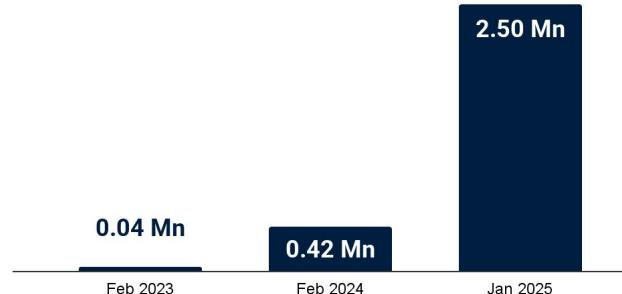


VoiceClub

which enables 1:1 counselling conversations, is an example of a company that exemplifies these features.

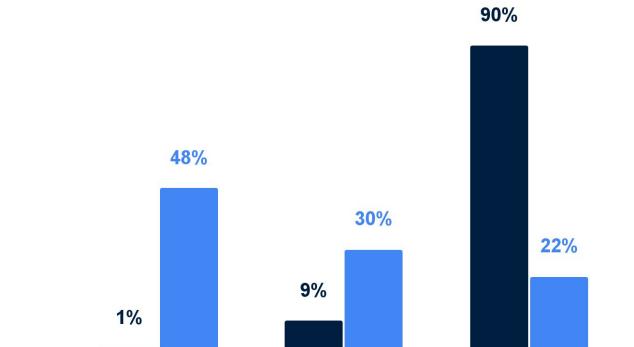
**Heavy on voice, with 1:1 conversations as a key revenue driver**

Monthly minutes consumed by users



**Microtransactions-led revenue model (prefilled wallet used for gifting) leading to whale + tail model**

■ Share of Payers ■ Share of Revenue



FRND, AstroTalk, InstaAstro, Clarity all have 1:1 voice as a key revenue model. India2 (and many India1) users are willing to pay to talk to a stranger (expert or member of the opposite sex). The success of this model is attracting apps with a tangential interest in the space (e.g., Lokal) to explore this revenue opportunity.

# Sometimes it flips, and you have a India1 offering for what was a India2 product!

## Inside Elite Kumbh—no crowds, no chaos, only VIP Sangam, 5-star spirituality

The Uttar Pradesh administration has turned Kumbh from a rural, bottom-of-the-pyramid phenomenon into an elite experience. Even the deadly 29 January stampede hasn't dulled the sheen.

KRISHAN MURARI 31 January, 2025 09:04 am IST



ITDC hired Zenith Hospitality to set up luxury tents in Sector 25 of the Kumbh area in Prayagraj | Photo: Krishan Murari | ThePrint

# Indus Valley

Indus Valley - Funding Trends Pg 95

IPO Boom Pg 111

Sector Deep Dives Pg 120

## Indus Valley Playbooks

- The various India2 Playbooks.
- **How Indus Valley influenced Indian advertising.**
- Returns, and how Indian startups are addressing it.
- Marketing framework for the Indian diaspora or India0.

## How Indus Valley influenced Indian advertising.

How Indus Valley rethought the celebrity ad to generate shock value, and how it has shaped the Indian advertising market. We also look at the currency of trust-building is diverging between India1 and India2 resulting in distinct communication templates.

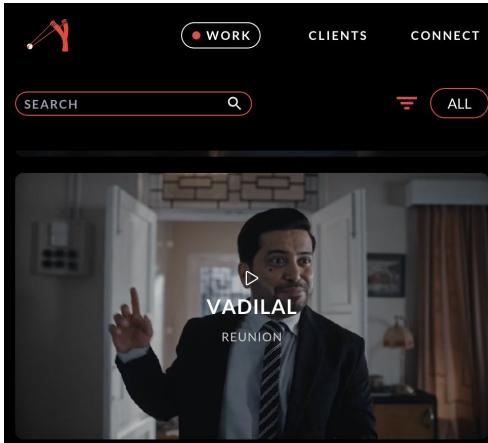
# How Indus Valley pioneered a new ad trope

Humanising celebrities, making fun of them, was a new addition to the Indian ad oeuvre. Legacy brands historically kept the celebrity on a near pedestal (with some exceptions).



- What is common to these ads is that their makers are ex-members of AIB (All India Bakchod) a comedy collective that melted down in the 2018 #metoo wave. Key members include Tanmay Bhatt, Devaiah Bopanna, Vishal Dayama etc. [Tanmay + Devaiah also work together as Moonshot.]
- They pitched legacy brands who hesitated to sign them given their lack of big agency experience; Startups however found a perfect match in them especially given the comedians' ability to create attention and shock value by depicting celebrities in a never before light, cutting through clutter.

# As the 'ComAdians' went up market, Big Ad stepped down to partner with startups



Moonshot now works with the likes of Vadilal, Rungta Steel etc.

Daftar, a smaller creative shop does work for Pepsi...

Meanwhile a couple of glimpses of how mainstream ad agencies are working with scaling startups.



**82.5 Communications Bangalore Wins the Creative mandate for Slice**

by MN4 Bureau — January 18, 2021 In Featured, Advertising Reading Time: 2 mins read



**slice**

Dream11 ropes in Tilt Brand Solutions to create their biggest advertising campaign yet

afaqs! news bureau and afaqs!, New Delhi

14 Mar 2019 16:11 IST

Updated On 19 Mar 2019 00:13 IST



# Meanwhile, Indus Valley likes full stack brand-building

Zomato inspired the trend of startups setting up agencies. That trend has continued to gather strength.

ET The Economic Times

## More and more new-age firms are setting up in-house creative teams

4 May 2019 — Today, up to 12 new-age brands — such as Paperboat, Bookmyshow, Swiggy and Byju's — have put together internal creative units, following a ...

Storyboard18

<https://www.storyboard18.com> › advertising › how-muc... :

## New-age firms' in-house creative talent paid 30 percent ...

24 Jun 2024 — The recent rise in the trend of establishing in-house creative teams has led to talent jumping from ad agencies to client brands.

Founders are building personal brands to canvass for their startups, or sometimes just to build personal brands.



# The currency of trust-building is also diverging between India1 and India2

How trust is mediated through communication is diverging between India1 and India2.



Highlighting ingredients, clever copy, and use of content are ways to build trust for India1 products.



In the case of India2, trust is mediated through the credibility associated with a celebrity. While celebs are also used for India1 advertising, they are used more to cut through clutter (e.g., Bold Care, Cred) and less to reinforce or borrow credibility from.

Indus Valley - Funding Trends Pg 95

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Sector Deep Dives Pg 120

## Indus Valley Playbooks

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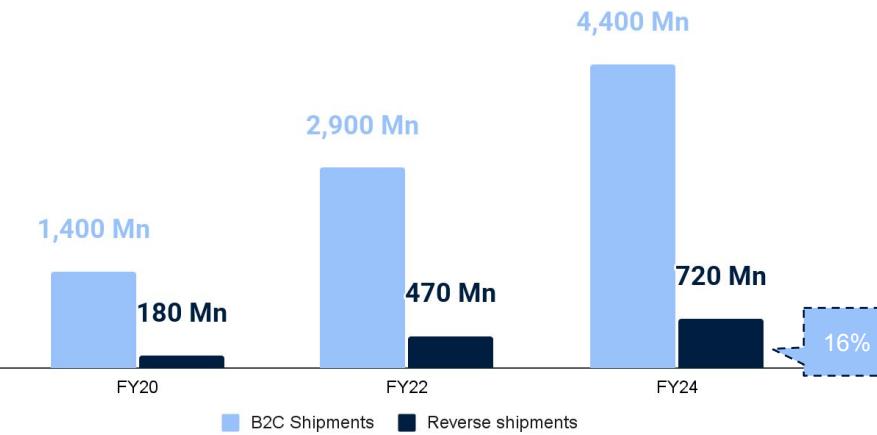
## Returns, and how Indian startups are addressing it.

Indian startups in the consumer space, especially apparel and footwear brands, have a returns issue. We analyse trends and suggest playbooks that Brands are adopting / can adopt to overcome these challenges.

# High Return rates are a key concern area for Indian online sellers

Around a sixth of ecommerce shipment volumes get returned

B2C Shipments & Reverse Shipments



- Returns can be even higher on marketplaces

Returns % on marketplaces is 26.3% vs for 6.2% on brand's own website, per Unicommerce.

- Returns are higher for Cash-on-Delivery orders

vs prepaid orders. COD or Cash on Delivery order returns are 20.9% (vs 5.8% for prepaid orders), per Unicommerce.

- Returns are highest for fashion & footwear

Apparel return rates as high as 30-35% per Return Prime.

- For COD orders of fashion brands on marketplaces, returns are thus in the 45-55% range!

# Understanding Returns

## Two types of Returns

### Return to Origin (RTO)

Customer not at home or order not delivered

### Return to Vendor (RTV)

Customer collects and returns due to wrong item, damages, or fit issues

A high return rate increases logistics cost, leads to more spoilage due to the back-and-forth thereby increasing cost of goods sold. In the process of collection, repair, and clean up it also reduces the inventory available for sale. Returns thereby have a corrosive impact on unit economics.



## How returns stack up for a fashion brand\*

	Own Website	Marketplaces
RTO	10%	9%
RTV	14%	39%
Total Returns	24%	<b>48%</b>

Marketplaces encourage returns (to reduce purchase friction), and customer is frequently encouraged to bracket, i.e., buying multiple sizes and then returning several back.

# Reducing RTO or Return to Origin

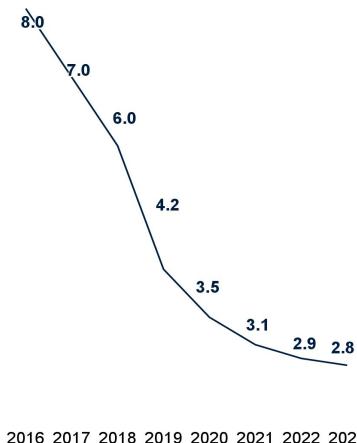
Ajith Pai, COO, Delhivery: "There are two factors that determine the extent of RTO

- 1/ Speed of fulfillment : faster the delivery, the lower the likelihood of doorstep rejections
- 2/ COD vs Prepaid: the higher the Prepaid share of orders, the lower the RTO."

## Speed of Fulfillment

Successfully increased speed of delivery

Average days taken for eCommerce Delivery  
2016-23

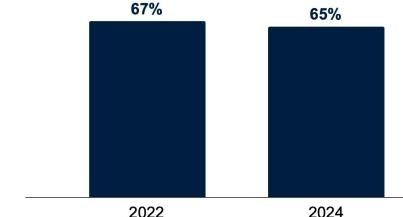


## COD vs Prepaid

This has been trickier. Regular customers do graduate from COD to Prepaid, but as ecommerce expands to Tier 3 towns / India2, there is a rise in customers who prefer COD. So overall COD has only slightly moved down to 65%.



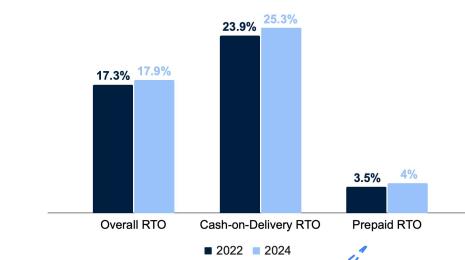
Cash-on-Delivery Share of Total Shipments 2022 v 2024 (in %)



35% of this COD is UPI at doorstep. This is higher than Delhivery's peers (at 5-10%), and is largely a function of their focus in bringing down cash handling.

2024's avg shipment value of COD is ₹660 and prepaid is ₹1,850. Clearly richer customers pay in advance. Prepaid shipment value has increased over the years, but COD shipment value is stable.

Return-to-Origin Rates split by Payment Type 2022 v 2024



RTOs drop sharply with prepaid orders! COD order RTOs are 6x more likely than Prepaid order RTOs!

# Consumer Brands (and marketplaces) are nudging buyers to prepay

Introducing friction, creating commitments for COD are ways to nudge customers slowly into prepaid orders

1

Levying a 'handling fee'

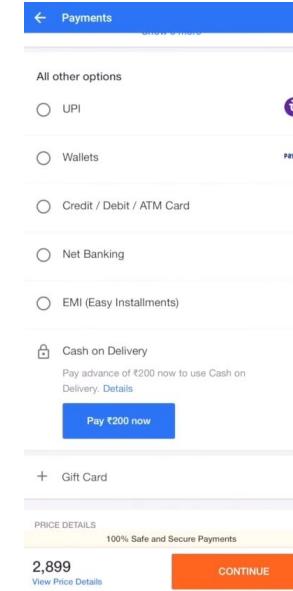


RECOMMENDED



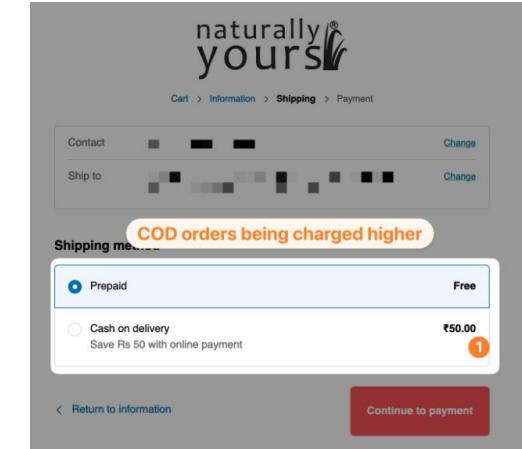
2

Making customers pay a small advance



3

Nudging customers to pay in advance by charging more for COD

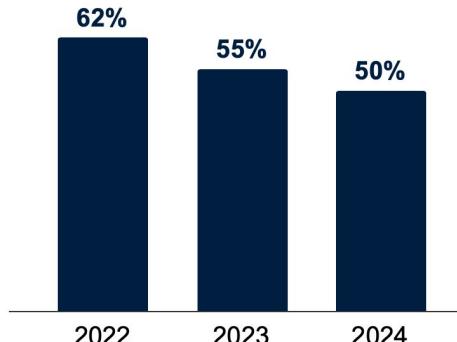


# D2C / Consumer Brands beginning to see the impact of these nudges

 **GoKwik®**, an eCommerce enabler brand providing smart checkout and COD-enabler solutions shared data on how COD is trending downwards for the brands they support.

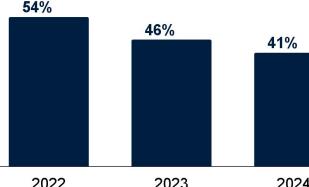
COD orders trending down

% of Cash-on-Delivery Orders 2022-24

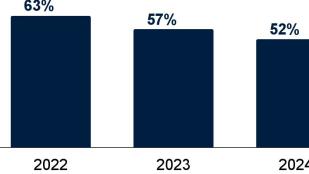


Remember this was 65% for Delhivery!

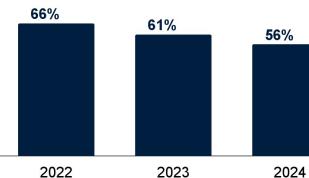
Tier 1 Cities COD Orders %



Tier 2 Cities COD Orders %



Tier 3 Cities COD Orders %



As we see here, the higher the city tier, the lower the COD share of orders!

An interesting data point shared by GoKwik team was on the rise of Credit as a payment option at checkout. From <1% in '22 it is at ~5.5% in '24.

# Playbooks to reduce RTOs: better address management

## A tale of 2 cities. Why are Indian addresses so long?

GC & Accel's Bay Area office addresses vs Bangalore, clipped from their websites.



San Francisco

75 Hawthorne Street  
20th Floor  
San Francisco, CA 94105

Bengaluru

6, 23 Indiquebe-Leela  
Galleria, Hal 2nd Stage,  
Old Airport Road Kodihalli  
Village, Varthur Hobli,  
Bengaluru, Bengaluru  
Urban, Karnataka, 560008



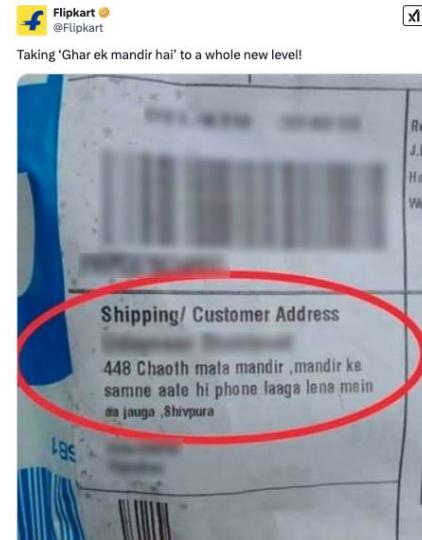
Palo Alto

500 University Avenue  
Palo Alto, CA 94301  
+1 650 614 4800

Bangalore

886/A, Confident Electra  
17th E Main Road, opposite  
Koramangala club, 6th Block,  
Koramangala 560095 Bengaluru,  
Karnataka, India

## And so hard to locate?



## And they cost us money!

**"Poor addresses cost India \$10 - 14 billion annually, ~0.5% of the GDP."**

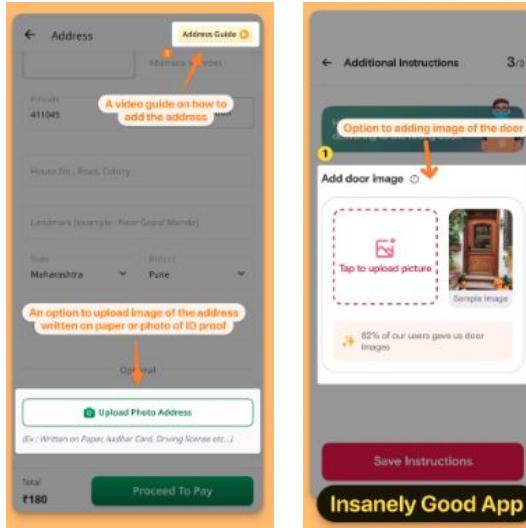
- Dr Santanu Bhattacharya, MIT Media Lab

# How startups are ‘addressing’ RTOs :)

## Customer-end solution

These are 2 interesting demand-side solutions that tackle the problem on the customer's end (as compiled by Dharmesh Ba)

- Add a video guide (Bharat Agri)
- Add a pic of your front door (Swiggy)



## Supply-side solution

There are 2 supply-side innovations to drive down RTOs

- RTO predictor by Delhivery (below, left image)
- GoKwik's offering to reduce RTO (below right)

**Save on shipping costs with  
RTO Predictor**

**EXCLUSIVE FREE ACCESS TILL 15TH APRIL\***

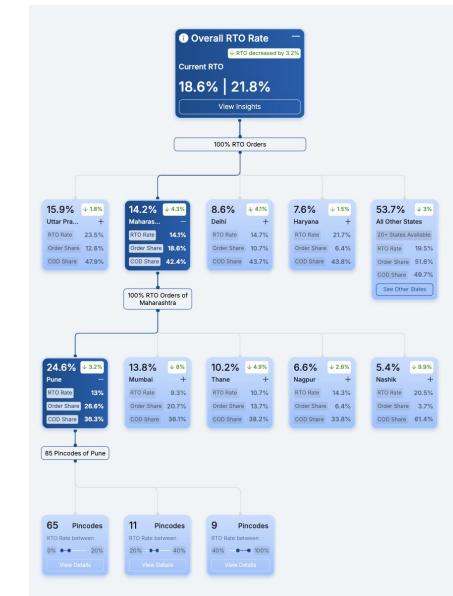
This is a promotional landing page for the RTO Predictor service. It features a large banner with the text "EXCLUSIVE FREE ACCESS TILL 15TH APRIL\*". Below the banner is a central icon of a delivery box with a red circle on it. To the left of the box, there is a piggy bank icon and the text "Reduce shipping costs by avoiding High RTO Orders". To the right of the box, there is a smartphone icon and the text "Better utilise your inventory for low return risk orders". At the bottom, there is a "Sync RTO risk with your Shopify account by connecting the channel" button.

See how it works. By Activating you agree to the terms and conditions.

This subscription is free till 15th April. RTO score calculated post 15th April will be billed. You can cancel your subscription anytime from the Services page. You will only be billed for the COD Orders that are predicted as Low and High Risk.

**AFTER APRIL 15**  
Get this for just **₹2.49** for Low and High Risk predicted COD Orders

**Activate RTO Predictor**



# How brands are attacking RTV (Return to Vendor)

Ultimately the only way to address this is through better fits (the biggest reason for RTB). However, two interesting playbooks are shown below

## Promote exchanges over refunds

Encourage exchanges instead of refunds

Offer store credit / gift cards instead of cash back, enhancing friction to avoid lazy 'bracketing'.

Above via



This reason is applicable for

Return

Exchange

Reason name

Received damage

Refund mode for Prepaid/Online paid orders

- Store credit (Via Discount code/Gift card)
- Bank transfer
- Pay to actual source
- Others

Applies for

All products

Refund mode for Manually paid orders (E.g., Bank Transfer, Cheque Payment, COD etc.)

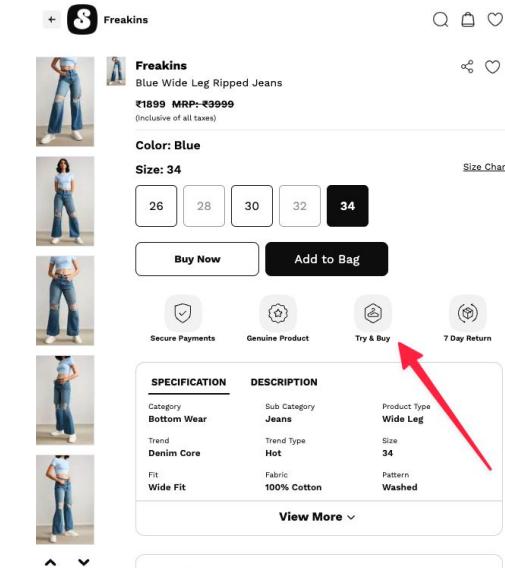
- Store credit (Via Discount code/Gift card)
- Bank transfer
- Others

## Try & Buy

Slikk, a qCom apparel player offers a "Try & Buy" option, to reduce the chances of a misfit.

~20% of orders are via "Try & Buy" - says Slikk cofounder Akshay Gulati.

Above via



Indus Valley - Funding Trends Pg 95

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Sector Deep Dives Pg 120

## Indus Valley Playbooks

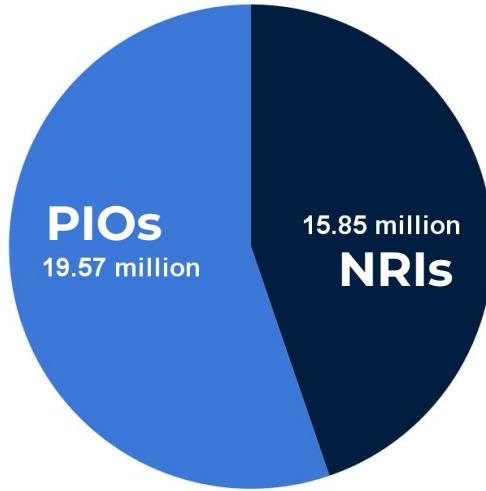
- The various India2 Playbooks.
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- **Marketing framework for the Indian diaspora or India0.**

## Marketing framework for the Indian diaspora or India0.

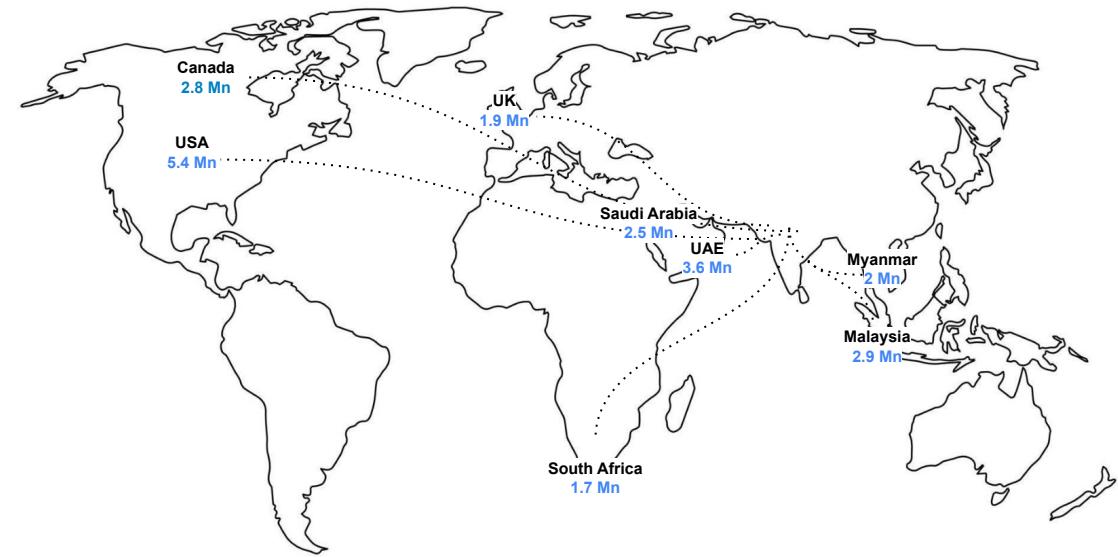
No report is complete without a 2x2. Here is our framework for how brands can position themselves for the Indian diaspora (or India0) basis affluence and affiliation (or affinity). We give example of strategies / playbooks for three of the four quadrants.

# Indian Diaspora, and India0

How large is the Indian Diaspora?



The Indian Diaspora is well spread out across different continents and geographies



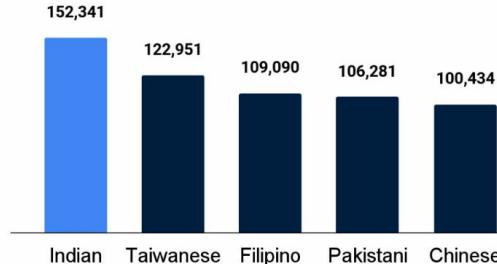
As of May 2024, the total number of overseas Indians worldwide is approximately **35.42 million**.

The Indian Diaspora is affluent and influential. Their economic power is reflected in high remittance flows into India - the highest in the world (**\$107 Bn** in 2023-24) and interestingly greater than FDI flows into India (**\$70.9 Bn** in 2023-24). At Blume, we like to use the term India0 as a moniker for this economically ascendant community.

# India0 punches above its population weight class

India0 are the highest earners in most host countries

Median household income by ancestry (in \$)



In the US, the Indian community ranks highest in median household income.

Indian Diaspora makes up 1.5% of the US population, and this group accounts for 5-6% of all US taxes.

Indian culture is breaking out into the global mainstream

The Economic Times  
Squid Games 2 gets Hanumankind rap anthem, track breaks internet. Watch here

Netflix India releases Squid Game Season 2 anthem. Indian artists Hanumankind, Kalmi, and Parimal Shais created the song.

1 month ago

THE HINDU

Satya Nadella, Shantanu Narayen among investors in first U.S. T20 league

Indian-American CEOs of Microsoft and Adobe, Satya Nadella and Shantanu Narayen, will fund Major League Cricket, the new T20 league in the U.S.

Never Have I Ever

2020 · Drama · 4 seasons ·



Global players are waking up to the spending power of this diaspora

Financial Express

Walmart launches dedicated page for Indian sellers on its US marketplace Walmart.com

Indian sellers on the US marketplace can list their goods in home textile, bath, home décor, apparel, jewelry, toys and beauty categories.

17 Apr 2024

TRADER JOE'S



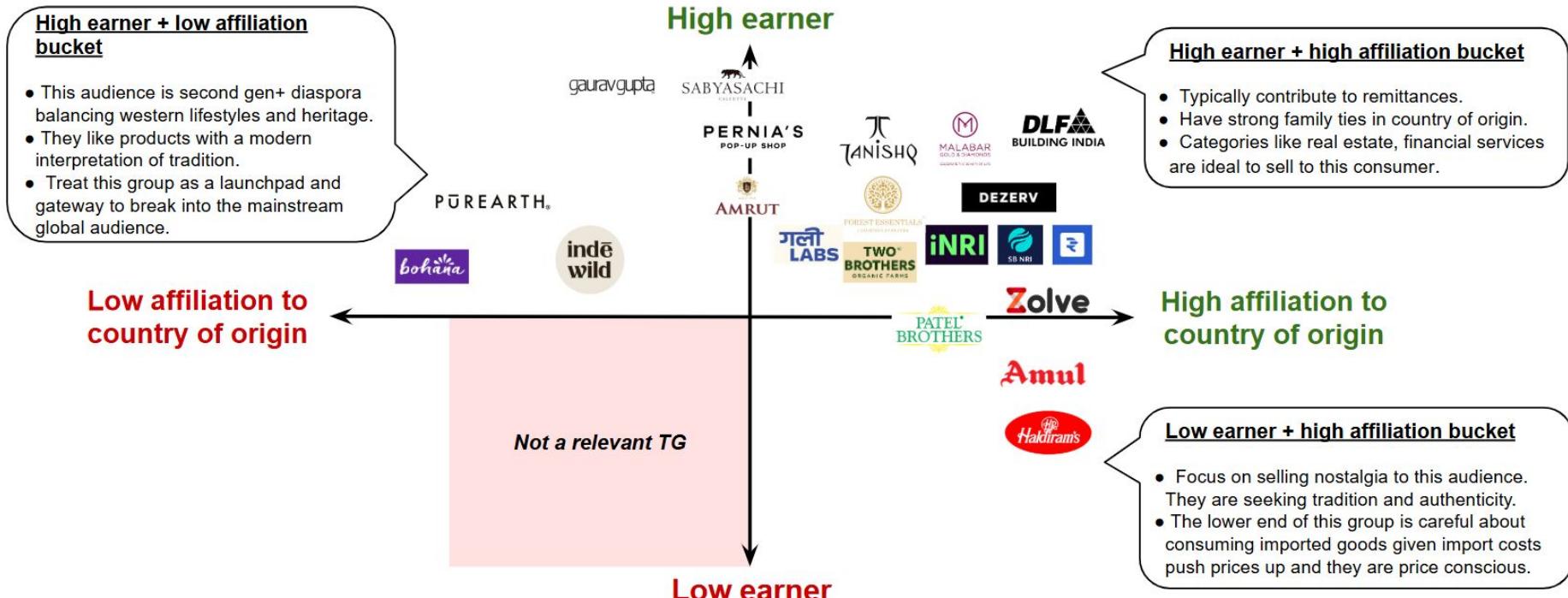
Dating.com Group acquires Dil Mil app for South Asian expats as dating apps consolidate | TechCrunch

25 Nov 2019

TechCrunch

# Blume's Diaspora Marketing Framework

The following framework maps out different brands and the diaspora personas they are catering to. We have categorised the diaspora personas based on their income levels (high or low earners) and their level of affiliation to their country of origin (high or low affiliation).



# Diaspora marketing: case studies

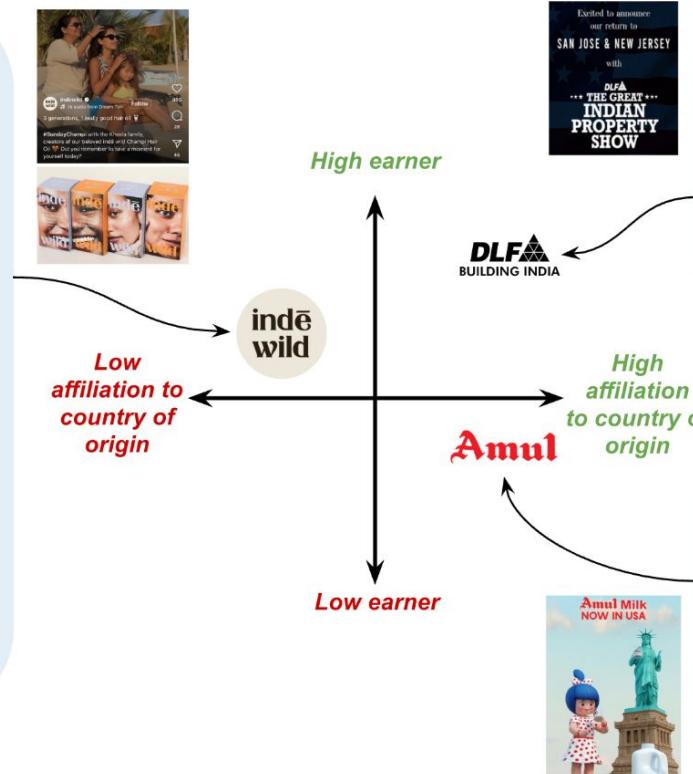
## Indē Wild's diaspora marketing approach:

- i) **Modern interpretation** of ayurveda for the next generation of desis around the world.
- ii) **Capitalize on what's already trending** and use it to boost product sales.

#a) They rode the wave of hair slugging on TikTok to bolster their hair oil products and brought the tradition of Champi to the mainstream.

#b) Brought on Ishaan Khatter - an Indian actor who shot to international fame after starring alongside Nicole Kidman in the global netflix hit show -> The Perfect Couple.

- iii) **Represent diaspora in all messaging** From packaging to content the brand maintains authenticity in representing its diaspora audience.



i) In FY24, **23% of DLF's total sales came from NRI purchases.**

ii) To serve the NRI market, DLF has a **dedicated NRI-cell** that handles pre to post launch services.

iii) They also **host roadshows and large scale events** in other countries to interact with NRI communities.

i) Amul launched its product catalogue in the US in **partnership with the Michigan Milk Cooperative**.

ii) Distribution is via **South-asian retail stores -> Patel Brothers**.

iv) Amul is looking to the US for **TAM expansion**. The aim is to focus on selling only to diaspora households which itself can bring about sales of 300-400k litres of milk.

# How Indē Wild broke into the global mainstream

1

Brand started out as an influencer brand on the back of founder Diipa Büller-Khosla's following

2

From here, brand expanded to multicultural audiences across four key geos - US, UK, Canada and India

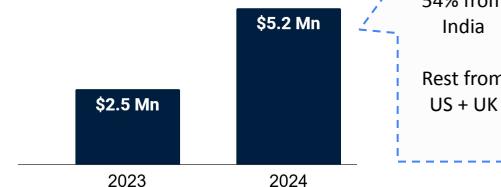
3

From here they made their foray into the mainstream

The founder, is a global-Indian influencer. She leveraged her community of 2m+ individuals to curate test groups across 4 geographies and identify unaddressed gaps in the skincare market.



Gross Sales (in USD millions)



We are so proud to announce that we have been selected as one of BeautyMatter's FUTURE50 2025, an exclusive list spotlighting the top 50 global beauty brands shaping the future of the industry.



G Glossy

Influencer Diipa Büller-Khosla launches Indē Wild, blending Ayurvedic ingredients and modern chemistry

Diipa Büller-Khosla doesn't call herself an influencer. On Instagram, her title is "entrepreneur," and in her bio, she describes herself as...

4 Oct 2021

V Vogue India

Exclusive with Diipa Büller-Khosla: indē wild is finally arriving in India – first Indian beauty brand to launch in 4 countries within 9 months

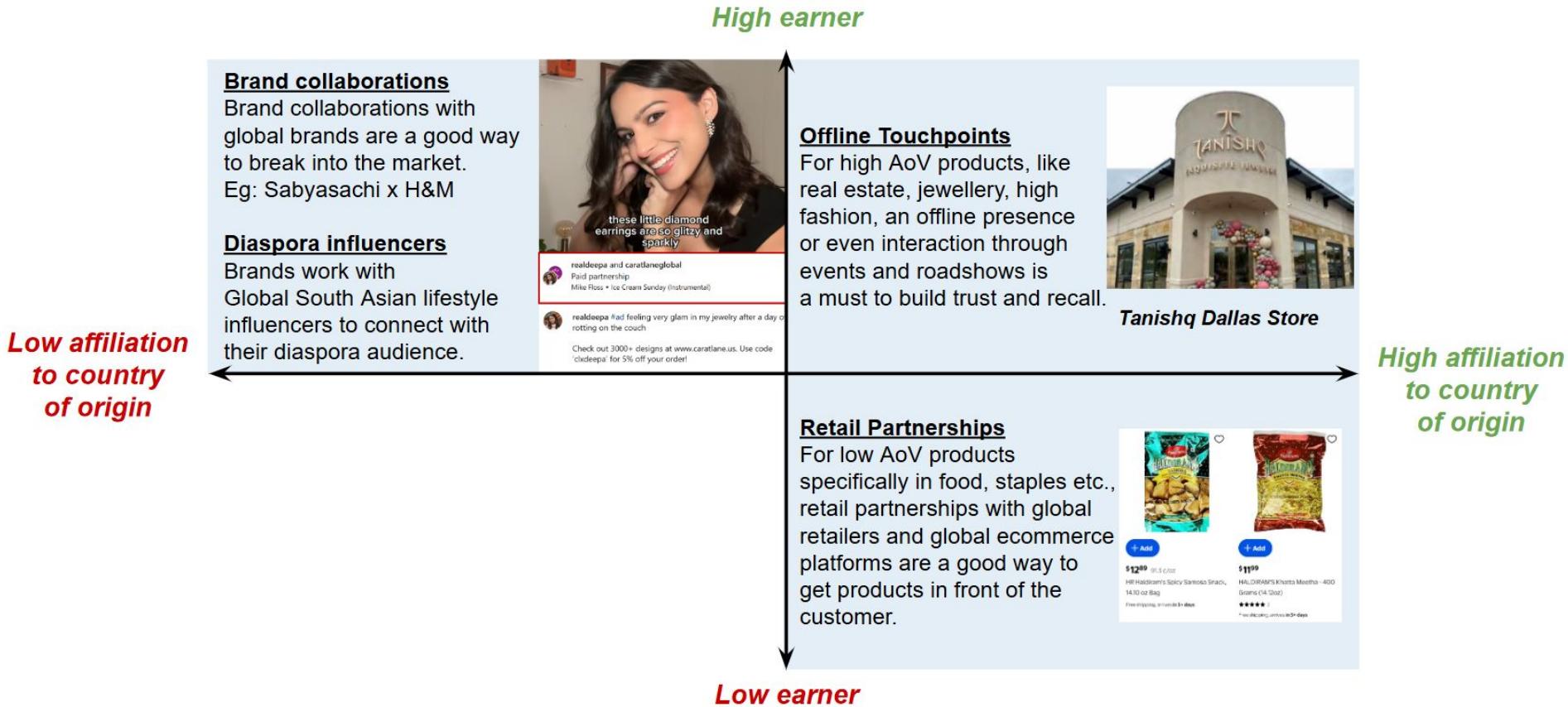
IN TheIndustry.beauty

Indē Wild names Sephora as exclusive UK retailer

Indē Wild, the beauty brand founded by South Asian entrepreneur and influencer Diipa Büller-Khosla, has announced it will be..

13 Sept 2024

# Diaspora marketing channels



## Acknowledgements

As with all reports, this too rests on the labour of several analysts, researchers and writers whose work we used to build on. We stand on the shoulders of giants. We have acknowledged the sources and their contributions on each of the pages; in particular, a shout out to Jefferies, Bernstein, Goldman, Redseer, UBS, CRIF, Barclays, Nuvama, CLSA, Tracxn, for their regular reports enabling greater access to data, and enhancing our understanding of the Indian startup ecosystem. We also acknowledge the inputs and insights of Rahul Mathur, Dharmesh Ba, Arindam Paul and other astute observers of the Indian startup ecosystem - thank you for your openness in explaining the world from your perspective, and sharing insights that inform this report. This time we also had the participation of several startups such as Delhivery, GoKwik, MyGate, Stage, Kaleidofin, Salty, Inde Wild, VoiceClub etc., who helped us with their proprietary data sets that we were able to analyse and draw insights from. We thank them profusely for this support!

Finally, we would also like to thank the wider Blume team, especially Joseph Sebastian, for their inputs.

Am sure I have possibly left out a lot more names! Apologies in advance for the same!

- Sajith, Anurag, Nachammai & Dhruv

## About Blume Ventures

Blume Ventures is an early stage venture firm based across Mumbai, Bangalore, Delhi and San Francisco, that provides ‘conviction capital’ to founders across India consumer internet as well as software & enterprise technology.

We add value through a platform approach – over 85 specialists across shared CFO services, legal advisory, talent acquisition, capital raising, GTM enablement, operations support – who focus entirely on supporting portfolio companies and helping founders learn, thereby greatly improving their chances of success. Our value-added approach has helped us retain board representation in the vast majority of our top companies; with an overall Asset under Management (AUM) upwards of \$650M.

You can read more about us at [blume.vc](http://blume.vc)

# The End

