Start-up Perspectives

India start-up deals tracker Q1 CY22

April 2022

pwc

01 Executive summary

Dear readers,

The Indian start-up ecosystem raised funding of more than USD 10 billion for the third consecutive quarter. Indian start-ups raised USD 10.8 billion across 334 deals during Q1 CY22. Additionally, 80 M&A transactions involving start-ups were recorded. Software as a service (SaaS) companies had the highest share of funding in Q1 CY22, totaling to more than USD 3.5 billion. Growth-stage companies attracted nearly 70% of the total funding in Q1 CY22 (USD 7.1 billion) with an average ticket size of USD 55 million.

The unicorn scenario continued to flourish as 14 start-ups in India attained the unicorn status in Q1 CY22 with the SaaS sector accounting for the largest share with five start-ups. As of March 2022, there are 82 privately held start-up unicorns in India. Globally, the total unicorn count has crossed 1,000 with maximum unicorns in Q1 CY22 operational in the SaaS sector followed by FinTech. The number of decacorns (start-ups valued at USD 10 billion) globally has reached 52, with ten new entrants in Q1 CY22.

Given the heightened deal activity in the SaaS space, in this edition, we have analysed the factors driving sectoral growth. Further, we have also highlighted the AgriTech and FemTech sectors.

As start-ups mature, conversations around corporate governance are becoming mainstream. We have shared our point of view on how start-ups can design a corporate governance road map synced with organisational growth aspirations.

I hope you find this edition to be a good and insightful read. Stay safe.

Regards,

Amit Nawka
Partner - Deals, and Start-ups Leader
PwC India

~USD 10.8 billion raised by Indian start-ups in Q1 CY22

>USD 10 billion per quarter raised for the third time in a row

SaaS, FinTech, Logi and AutoTech are the top invested sectors

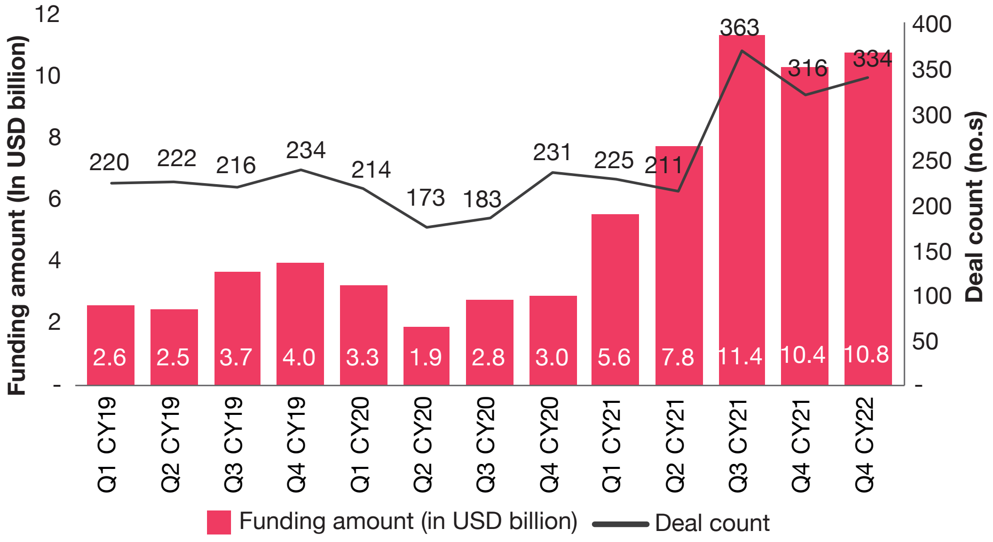
334 successful VC/PE deals closed in Q1 CY22

Growth- and late-stage deals comprise around 89% of the total funding

14 start-ups attained unicorn status in CY22 Q1 and the total unicorn count is more than 80

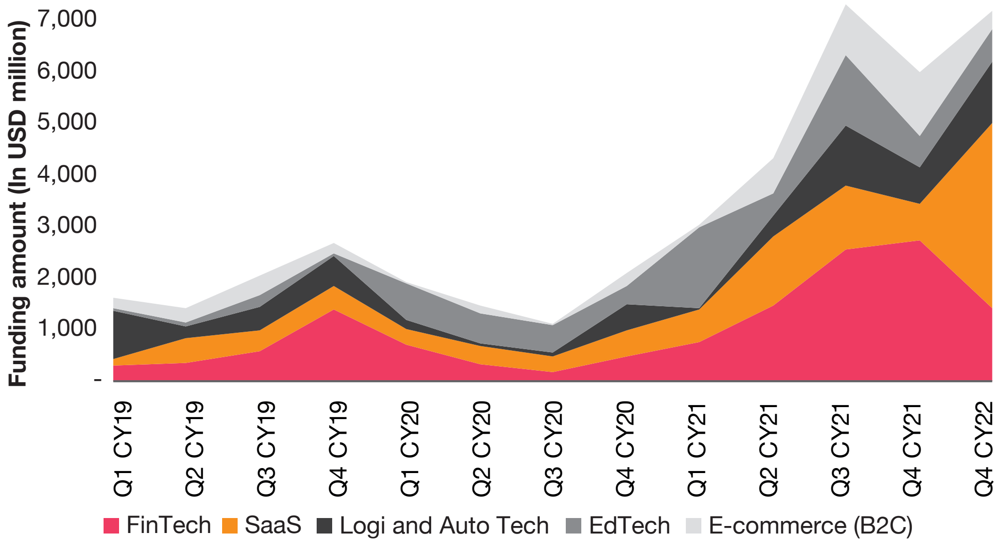
02 More than USD 10 billion has been raised by Indian start-ups across >300 deals consistently over the last three quarters with the top five funded sectors being FinTech, SaaS, Logi and AutoTech, EdTech and e-commerce (B2C)

Funding and deal count



Source: Venture Intelligence

Top five sectors (funding trends)



Source: Venture Intelligence

- Increasing trend noted in venture capital (VC) and private equity (PE) funding over the last few quarters.
- Indian start-ups have consistently raised more than USD 10 billion over the last three quarters. More than 300 deals have been closed in each of the last three quarters.
- Approximately 89% of the funding activity in Q1 CY22 was driven by growth-stage and late-stage deals, as detailed in the following sections.

- FinTech, SaaS, EdTech, Logi and AutoTech, and e-commerce (B2C) have been the top five sectors across the last few quarters contributing nearly 60% of the total funding activity.
- Significant funding was noted across these sectors noted in Q1 CY22 – a) FinTech – Oxyzo, PineLabs and CredAvenue, b) SaaS – Polygon, Uniphore, Fractal and Chargebee c) Logi and AutoTech – ElasticRun and Xpressbees, d) EdTech – Byju's and LEAD, and e) e-commerce (B2C) – DealShare and BlueStone.

“ BlueStone is an omnichannel player with an offline presence. Even before the pandemic, our category was picking up well. Though we have seen a significant transformation in user behaviour in the last couple of years, the most important aspect that is picking up pace is people starting their jewellery-buying journey online. With the option of browsing a variety of over 10,000 jewellery designs online and completing their purchase at the stores – where one has the option of try-ons and checkouts – customers are now moving towards omnichannel brands. This improved market sentiment encouraged us to roll out stores at a faster rate. In 2018, we opened our flagship store at Pacific Mall, Delhi, and today, we are proud to operate 70+ stores. With business jumping to almost 20x in every catchment in which we open a store, we aim to reach 200–300 stores in two years.

This vision, the business model and range of our 8,000+ exquisite designs have created a sense of excitement for investors, and we are confident that growth will be positive and more aggressive in the coming years.

Gaurav Singh Kushwaha, CEO and Founder, Bluestone

In the latest round of funding, BlueStone has raised USD 30 million from Hero Enterprise at a valuation of USD 410 million.

03 Funding insights into key sectors

Funding value in USD million

	Q4 CY21	Q1 CY21	
SaaS	722	3,585	↑
FinTech	2,738	1,437	↓
Logi and AutoTech	703	1,210	↑
FoodTech	225	758	↑
D2C	827	684	↓
E-commerce (B2B)	936	644	↓
EdTech	611	633	↑
Media and entertainment	377	467	↑
HealthTech	761	399	↓
E-commerce (B2C)	1,243	343	↓
Online gaming	844	292	↓
Real Estate Tech	227	197	↓
Others	160	172	↑

Deal count

	Q4 CY21	Q1 CY21	
SaaS	74	112	↑
FinTech	53	53	
Logi and AutoTech	16	16	
FoodTech	5	4	↓
D2C	40	28	↓
E-commerce (B2B)	17	14	↓
EdTech	22	16	↓
Media and entertainment	11	15	↑
HealthTech	15	22	↑
E-commerce (B2C)	24	14	↓
Online gaming	4	14	↑
Real Estate Tech	7	6	↓
Others	28	20	↓

Source: Venture Intelligence

SaaS: Funding activity in the SaaS sector increased nearly fourfold in Q1 CY22 compared to Q4 CY21. Eight companies – Polygon, Uniphore, Fractal, Chargebee, Smartron, Minio, Absentia VR and Hasura – raised over USD 100 million in Q1 CY22. Five new SaaS companies attained unicorn status in this quarter. Q1 CY22 has witnessed the highest quarterly funding till date. Further insights into SaaS deals can be found in section 10.

FinTech: More than USD 1 billion was raised in the FinTech space across 50+ deals A higher number of small-ticket size deals was recorded in this quarter (nearly 30 companies raising less than USD 20 million each). CredAvenue and Oxyzo turned into unicorns in Q1 CY22. A decline in FinTech deals was observed in this quarter compared to Q4 CY21 when big tickets were raised by seven companies (>USD 150 million each) – RazorPay, CoinSwitch, Acko, CRED, Groww, Slice and OfBusiness).

Logi and AutoTech: This segment gained significant attraction in Q1 CY22 with four companies – ElasticRun, Xpressbees, Dunzo and Ola Electric – raising more than USD 200 million each. Two companies from these sectors turned into unicorns in Q1 CY22.

FoodTech: There was a threefold increase in funding in Q1 CY22 compared to Q4 CY21, largely driven by the approximately USD 700 million raised by Swiggy in this quarter.

D2C: FirstCry, Licious, Country Delight and Plum contributed to approximately 75% of the total funds raised in Q1 CY22. There was a decline in fundraising compared to Q4 CY21 when MyGlamm, Purplle and Mensa foods raised more than USD 120 million each.

E-commerce (B2B): Moglix and Udaan raised over USD 200 million each in Q1 CY22.

EdTech: Funding status for this sector remained almost the same as Q4 CY21. Big-ticket deals were closed by Byju's and LEAD for USD 400 million and USD 10 million respectively.

"It's an exciting time for D2C start-ups in India. From a consumer standpoint, the pandemic has meant accelerated adoption of the digital ecosystem.

The pandemic has also meant that people's priorities have changed, with health and well-being – both physical and mental – becoming key priorities. While countries across the world are slowly seeing their way out of the pandemic, certain consumer behaviours adopted during the last two years will stay. This in turn will guide investment decisions in the D2C world.

While we anticipate that consumers will continue to look for products that enhance their health and well-being, early signs also indicate that they are increasingly conscious about the impact of their behaviours on the planet and are holding the brands they purchase accountable too.

Trust, authentic and direct communication with the consumer are what will enable D2C brands to stand apart. We are super bullish about the growth that lies ahead.

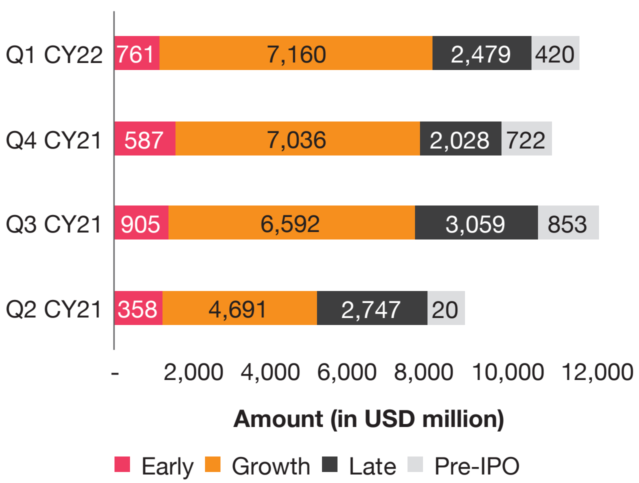
Shauravi and Meghana, Founders, SlurrpFarm

In the latest round of funding, SlurrpFarm has raised USD 7 million, led by Investment Corporation of Dubai (ICD) and with the participation of existing investor Fireside Ventures.

04 Stages of funding

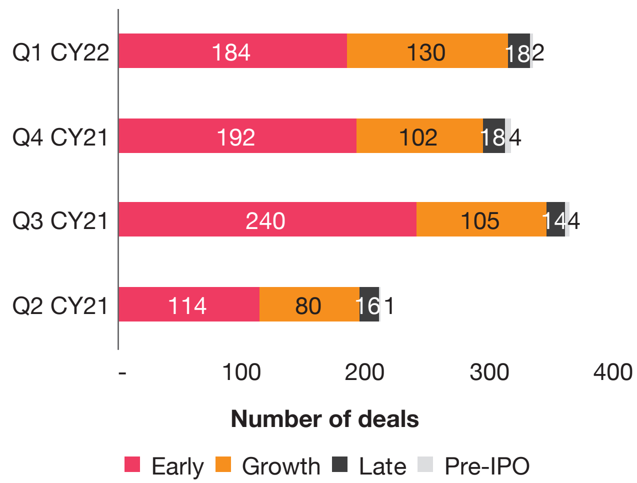
- Growth- and late-stage start-ups accounted for 89% of the funding activity in Q1 CY22 (value terms). These represented 44% of the total deal activity (count terms). **Growth-stage funding totaled to nearly USD 6.5–7 billion over the last three quarters, with an average deal ticket size of USD 55–70 million.**
- Early-stage funding rounds worth USD 761 million (average ticket size of USD 4 million per round) were recorded by early-stage/seed companies, accounting for 55% of the total deal activity.
- There has been a decline in the average ticket size of the late-stage deals recorded over the last two quarters. Q3 CY21 witnessed seven big ticket deals in the late stage (>USD 200 million each) – PineLabs, PharmEasy, Swiggy, Dailyhunt, Unacademy, Gupshup and Delhivery. However, in Q4 CY21 and Q1 CY22, there were only three and five companies respectively which raised >USD 200 million each.
- Byju's and Pine Labs raised pre-IPO round of funding worth USD 420 million in Q1 CY22.

Funding trends (in USD million)



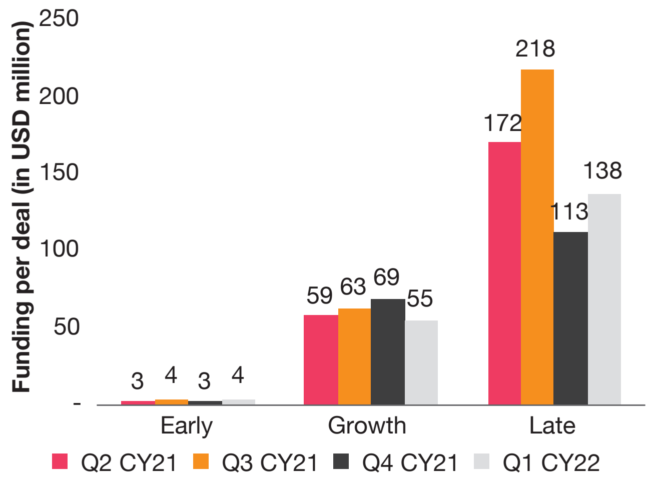
Source: Venture Intelligence

Number of deals (count)



Source: Venture Intelligence

Average ticket size per deal



Source: Venture Intelligence

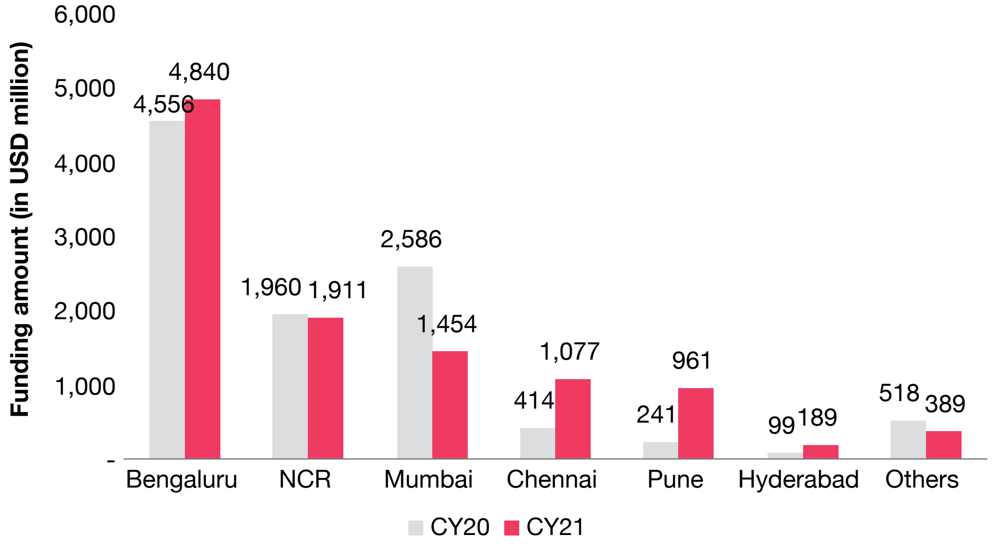
> India is one of the most underserved financial services markets amongst all major economies, with 300 million+ mid-market Indians still struggling to get access to good credit and non-credit financial products. Money View's mission is to provide financial services access to everyone with a smartphone.
>
> Our proprietary artificial intelligence (AI)/ML technology presents personalised and relevant offerings to consumers, delivered through a frictionless digital experience. In time to come, you will see Money View expand from a leading digital credit platform to a financial super app offering a full suite of credit, banking, savings and insurance products to the mass population across India.

Puneet Agarwal, Co-Founder, Money View

Money View has raised USD 75 million in a fresh round of funding from Tiger Global, Winter Capital, Evolvence India and Accel.

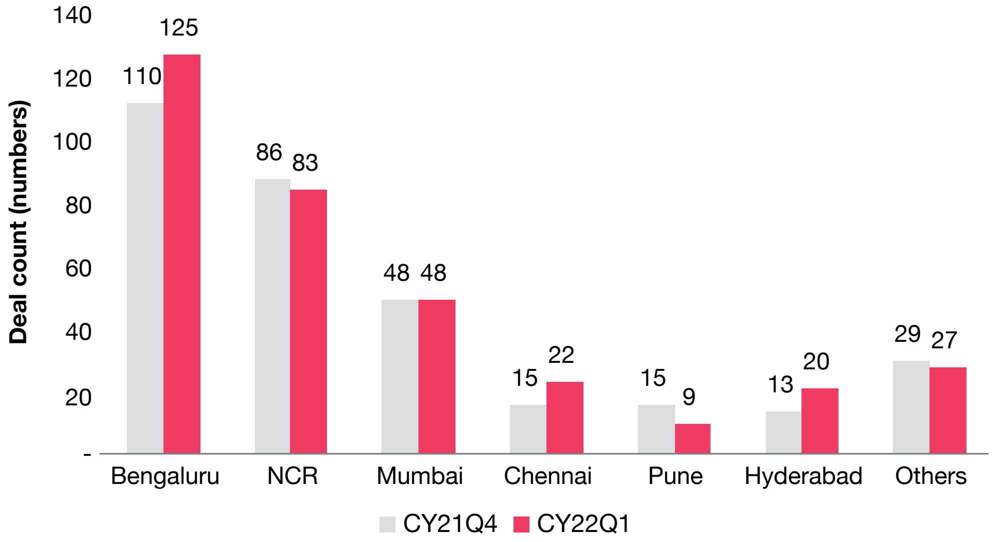
05 City-wise trends – Bengaluru and NCR continue to be the key start-up cities in India, representing around 65% of the total VC/PE funding activity in Q1 CY22; Chennai and Pune based start-ups raised big ticket deals in Q1 CY22

City wise trends – funding



Source: Venture Intelligence

City wise trends – deal count



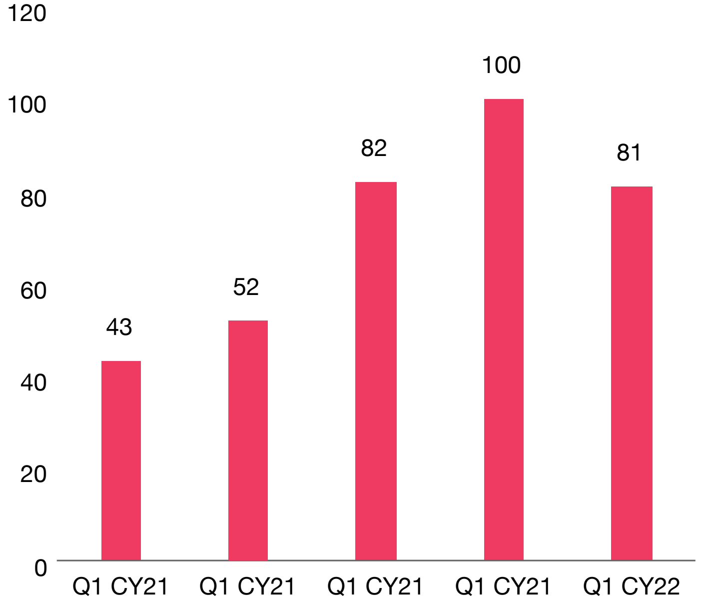
Source: Venture Intelligence

- **Bengaluru and NCR continue to be the key start-up cities in India**, together contributing around 65% of the total funding activity in Q1 CY22, followed by Mumbai, Chennai and Pune.
- **Bengaluru**: More than USD 100 million was raised by 14 companies each in Q1 CY22, majorly across the SaaS, FoodTech and Logi and AutoTech space.
- **NCR:** Four companies – Moglix, Oxyzo, Pine Labs and Zupee – raised more than USD 100 million each in Q1 CY22.
- **Significant increase in funding activity** noted in – **i) Chennai** – driven by big-ticket funds raised by Uniphore, Chargebee and CredAvenue, and **ii) Pune –** more than USD 200 million raised by three companies, namely ElasticRun, Xpressbees and FirstCry, in Q1 CY22.

06 Approximately 80 M&A transactions were executed in the start-up ecosystem in Q1 CY22, driven primarily by roll-up e-commerce companies

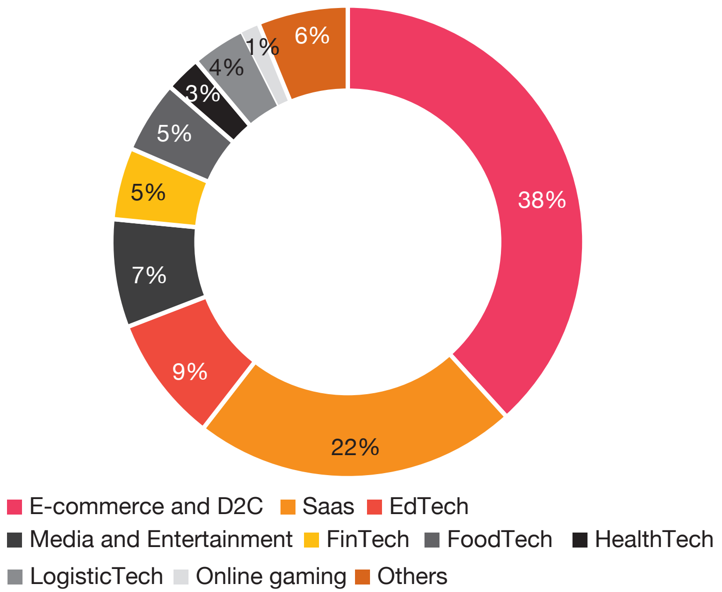
- Curefoods, Mensa Brands, GlobalBees and MyGlamm – start-ups that have M&A as their core business strategy – continued to be the top acquirers in Q1 CY22 as well. Upscalio and Evenflow are other roll-up e commerce companies that have joined this bandwagon.
- Reflecting on the above, 38% of the M&A deals in Q1 CY22 are in the e-commerce and direct-to-consumer (D2C) space and 22% are in the SaaS space.
- Amongst acquisitions by corporates, Reliance Retail's acquisitions of the majority stake in Addverb Technologies and Clovia for USD 132 million and USD 125 million respectively were the largest acquisitions by deal size in Q1 CY22. Acquisitions by other large corporates were not significant in the last quarter.
- Domestic deals account for 90% with the remaining few being outbound and inbound deals.

M&A deals in the last five quarters



Source: Venture Intelligence

Sector split for Q1 CY22 (deal count)



Source: Venture Intelligence

Top start-up acquirers in Q1 CY22 by deal count

Company	Number of acquisitions
Curefoods	7
UpScalio	5
Evenflow	4
Mensa Brands	4
GlobalBees	3
MyGlamm	3
Shiprocket	3
Reliance Retail	2

Source: Venture Intelligence

07 A total of 14 start-ups attained unicorn status in Q1 CY22; as of March 2022, there are 82 privately held start-up unicorns in India primarily from the FinTech, SaaS and E-commerce B2C sectors

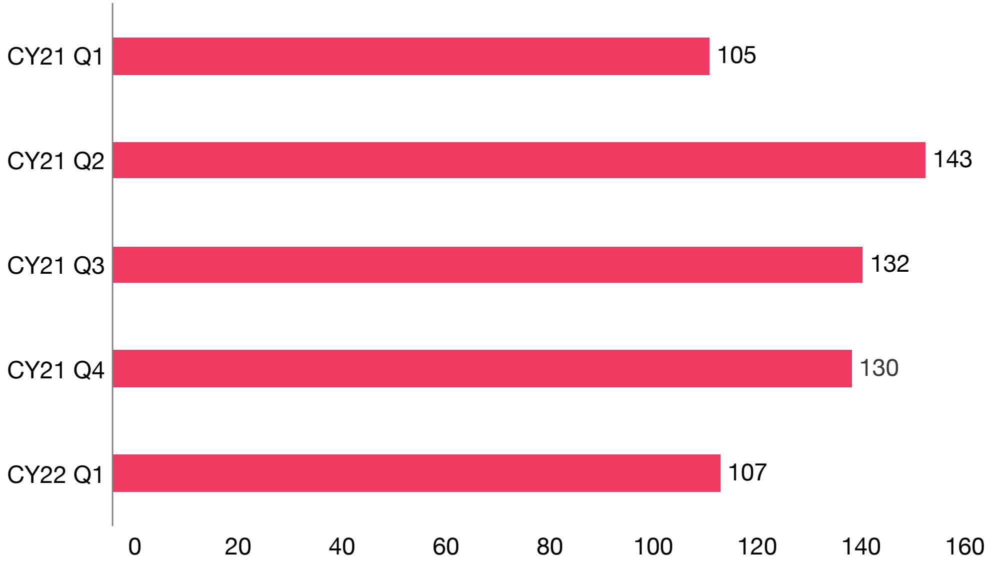
Unicorn count	<CY18	CY18	CY19	CY20	CY21	Q1 CY22	As of Mar-22
FinTech	-	2	-	3	11	2	18
SaaS	-	1	2	2	6	5	16
E-commerce (B2C)	-	-	-	1	6	1	8
Logi and AutoTech	1	-	3	-	1	2	7
EdTech	-	1	-	1	3	1	6
D2C	-	-	1	-	5	-	6
E-commerce B2B	-	1	-	-	4	-	5
Media and entertainment	1	-	-	2	1	1	5
HealthTech	-	-	-	-	3	-	3
Real Estate Tech	-	1	-	-	1	1	3
Online gaming	-	-	1	-	1	1	3
FoodTech	-	1	-	-	1	-	2
Total	**2**	**7**	**7**	**9**	**43**	**14**	**82**

Note:
The above list represents private start-ups. Hence, start-ups which are listed (e.g. Nykaa, Paytm and Zomato), acquired through M&As (e.g. Flipkart and Bigbasket), and have lost their unicorn status have been excluded.

Source: Venture Intelligence

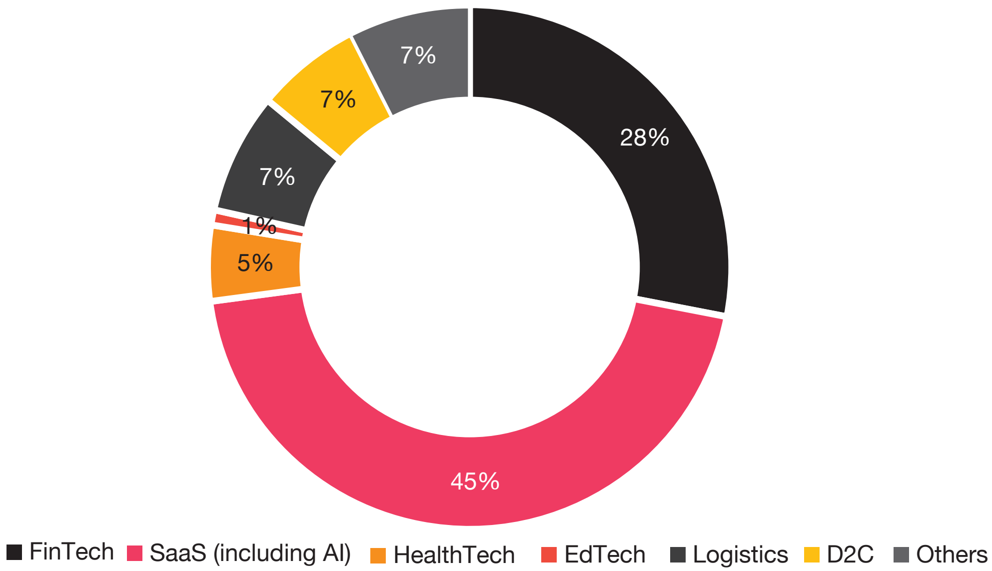
08 Globally, the overall count of unicorns has crossed 1,000 with the highest number of unicorns belonging to the SaaS space in Q1 CY22; India continues to rank second in terms of new unicorn additions over the last three quarters

Trends for the last five quarters



Source: CB Insights (as of 29 March 2022)

Sectoral distribution of unicorns in Q1 CY22



Source: CB Insights (as of 29 March 2022)

- Globally, Q1 CY22 saw the emergence of 110 unicorns, with the total unicorn count crossing 1,000.
- The pace of unicorn addition in Q1 CY22 continued to be one per day. However, in terms of percentage, we noticed a decrease by approximately 20% from the previous quarter.
- More than 56% of the new unicorns are from the US, with India ranking second at 12%.
- SaaS has dominated this quarter with approximately 43% of the new unicorns emerging from the sector. The trend in India is similar with a fourfold increase in funding activity in the SaaS sector in Q1 CY22 compared to Q4 CY21.

09

A total of 52 private start-ups are globally recognised as 'decacorns' worth USD 10 billion, with ten new entrants in Q1 CY22; Swiggy became a part of the global decacorn list in Q1 CY22

Global decacorn list

No.	Name	Valuation (in USD billion)	Country	Sector
1	Bytedance	140	China	Artificial intelligence
2	SpaceX	100	United States	SpaceTech
3	Stripe	95	United States	FinTech
4	Klarna	45	Sweden	FinTech
5	Epic Games	42	United States	Gaming
6	Checkout.com	40	United Kingdom	FinTech
7	Canva	40	Australia	Internet software and services
8	A Logistics Tech company	39	United States	Logistics Tech
9	Databricks	38	United States	Data management and analytics
10	Revolut	33	United Kingdom	FinTech
11	FTX	32	Bahamas	FinTech
12	Fanatics	27	United States	E-commerce and D2C
13	Chime	25	United States	FinTech
14	Byju's	22	India	EdTech
15	J&T Express	20	Indonesia	Logistics Tech

No.	Name	Valuation (in USD billion)	Country	Sector
16	Xiaohongshu	20	China	E-commerce and D2C
17	Miro	17	United States	SaaS
18	Yuanfudao	15	China	EdTech
19	Gopuff	15	United States	E-commerce and D2C
20	Yuanqi Senlin	15	China	E-commerce and D2C
21	Ripple	15	United States	FinTech
22	Shein	15	China	E-commerce and D2C
23	Discord	15	United States	Internet software and services
24	DJI Innovations	15	China	Hardware
25	Plaid	13	United States	FinTech
26	OpenSea	13	United States	E-commerce and D2C
27	Grammarly	13	United States	Internet software and services
28	Devoted Health	12	United States	Health
29	Faire	12	United States	Artificial intelligence
30	Brex	12	United States	FinTech

Source: CB Insights (as of 29 March 2022)

New decacorn entrants in Q1 CY22

Global decacorn list

No.	Name	Valuation (in USD billion)	Country	Sector
31	GoodLeap	12	United States	Internet software and services
32	Xingsheng Selected	140	China	E-commerce and D2C
33	Biosplice Therapeutics	100	United States	Health
34	Bitmain Technologies	95	China	Hardware
35	Juul Labs	45	United States	E-commerce and D2C
36	Getir	42	Turkey	E-commerce and D2C
37	Airtable	40	United States	SaaS
38	ZongMu Technology	40	China	Auto and transportation
39	Global Switch	38	United Kingdom	Hardware
40	Bolt	33	United States	FinTech
41	Celonis	32	Germany	Data management and analytics
42	Weilong	27	China	E-commerce and D2C
43	Swiggy	25	India	FoodTech
44	Alchemy	22	United States	FinTech
45	Digital Currency Group	20	United States	FinTech
46	Thrasio	20	United States	Other
47	Figma	17	United States	Internet software and services
48	Notion Labs	15	United States	Internet software and services
49	Lalamove	15	Hong Kong	Logistics Tech
50	Talkdesk	15	United States	Internet software and services
51	Reddit	15	United States	Internet software and services
52	Chehaoduo	15	China	E-commerce and D2C
53	Gusto	15	United States	FinTech

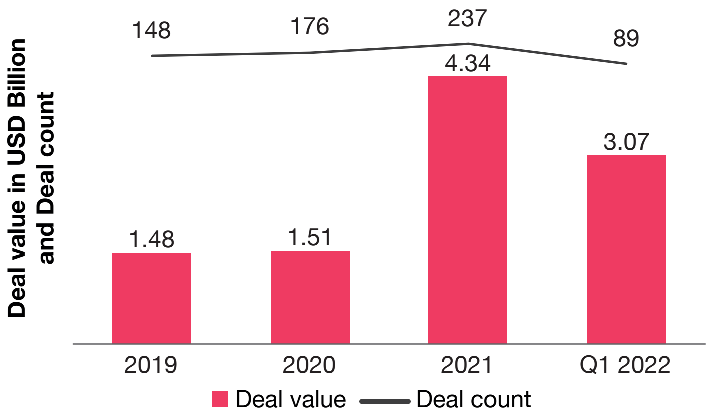
New decacorn entrants in Q1 CY22

Source: CB Insights (as of 29 March 2022)

10 Sector in focus – SaaS

- Given the rapid growth of the SaaS ecosystem in India, the **quantum of funding has seen a threefold increase in the last three years.**
- The COVID-19 **pandemic has boosted** the SaaS ecosystem globally, given the rising importance of remote working, productivity and overall digital transformation. The past year has seen the advent of **15 SaaS businesses in the unicorn category** amongst Indian start-ups, including Darwinbox, Fractal, Uniphore, Hasura and Amagi Media Labs. With **Freshworks' blockbuster listing on Nasdaq in 2021**, mature SaaS players are increasingly considering public listing.

Number of deals and deal value in the Indian SaaS market (in USD billion from 2019–Q1 CY22)



Source: Venture Intelligence

Indian SaaS companies have attracted investor attention for the following reasons:

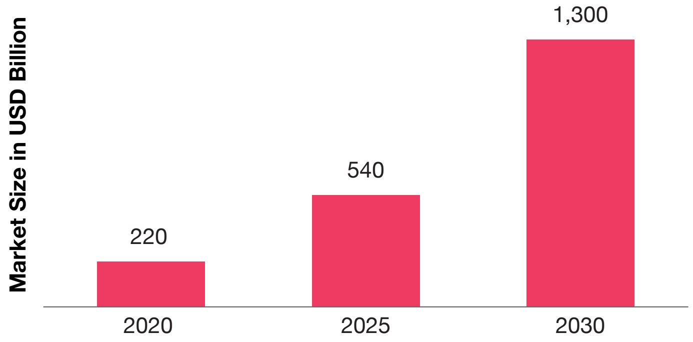
- The Indian SaaS landscape benefits from the **large-scale availability of a tech talent pool:**
  - As per a recent NASSCOM study, India has the third-highest number of cloud professionals globally at approximately 600,000. It is estimated to rise to around 1.5 million cloud professionals by 2025 at a CAGR of 24%.[1]
  - A **relative talent-cost advantage** in India compared to developed markets further helps India-based SaaS businesses become successful.
- Even though they specialise in core industry and product development skills, Indian SaaS companies are also increasingly demonstrating **front-end capabilities** with disruptive value propositions to cater to customers in wider markets such as the US and Europe.
- Indian SaaS companies **are poised for maturity across key parameters** such as improved customer acquisition cost (CAC), retention ratios and customer engagement. Strategic and financial investors will be looking for further value-unlocking opportunities across portfolios, and front-end synergies to build truly world-class businesses.
- Even as the global markets provide a significant headroom for growth of India-based SaaS companies, around **20–30%[2] of their revenues are India based (and growing). The future points to the growing demand for SaaS value propositions in India** for large as well as micro, small and medium (MSME) enterprises. For example, Mindtickle, a sales enablement platform which recently turned into a unicorn, started with its focus on US-based clients but has now found traction in the Indian market as well.

1. *https://community.nasscom.in/communities/cloud-computing/cloud-skills-powering-indias-digital-dna*
2. *https://www.motilaloswal.com/site/rreports/637818945099426018.pdf*

Market size and key trends

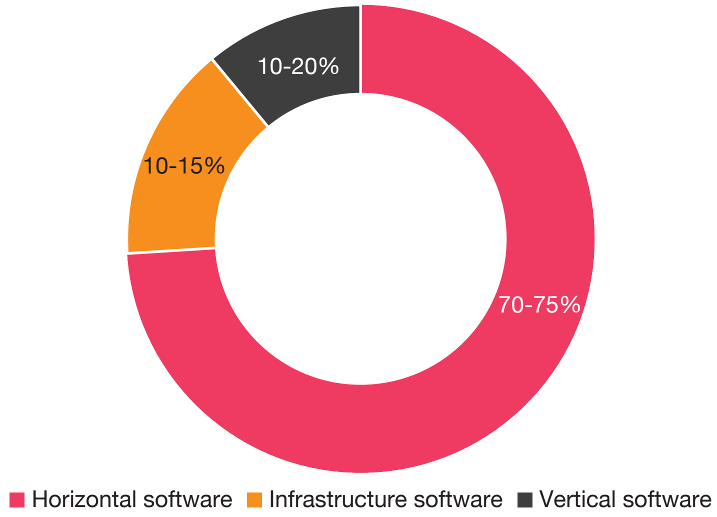
- Given the healthy growth of players, the Indian SaaS market was estimated to be **approximately 1–2% of the global SaaS market in 2020** and is now poised to grow to nearly **3–4% of the global market in 2025.**[3]
- **Increasing adoption of cloud and byte-sized pricing** to suit the needs of small and medium businesses, and technology-driven solutions to address major business issues in real time are some of the key drivers for the rising SaaS adoption in India.
- Horizontal software (e.g. enterprise resource planning, process automation, enterprise collaboration and others) **is expected to drive 70–75% of the market**, infrastructure software (e.g. application infra, DevOps, security software and others) **is expected to account for 10–15% and vertical software (FinTech, EdTech and other verticals) will comprise the rest.**
- SaaS players across all the three categories are **increasingly developing their pricing models based on business outcomes** rather than a one-size-fits-all approach (e.g. pricing based on metrics like quantum of effort reduction, margin improvement and others).
- There is an **active adoption of capabilities such as analytics, machine learning (ML) and automation across SaaS applications** in order to improve user experience and business outcomes. For example, new-age HRTech players offer on-demand analytics-driven dashboards for HR leaders which reduce the need for dedicated visualisation and analytics platforms.
- The SaaS ecosystem in India is **increasingly becoming globalised with Indian start-ups gaining traction in the global market** (e.g. HighRadius and Whatfix) and global SaaS giants making inroads into the Indian market (e.g. Anaplan and Automation Anywhere).

Global SaaS market size (in USD billion from 2020–2030 [E])



Source: Motilal Oswal Financial Services Limited and SaaSBOOMi report

Indian SaaS market split by categories (2021)



Source: Motilal Oswal Financial Services Limited, SaaSBOOMi report and Chiratae Zinnov SaaS report

3. *https://www.motilaloswal.com/site/rreports/637818945099426018.pdf*

11 Other key sectors: Highlights

AgriTech

- **AgriTech primarily refers to an ecosystem of companies and start-up enterprises** that are capitalising on technological advancements to deliver products or services for increasing yield, efficiency – both in terms of time and cost – and profitability for farmers across the agricultural value chain.
- India's AgriTech market is rapidly growing due to the **rise of digital infrastructure,** increased internet penetration in rural areas and enhanced ease of access to farmer inputs.
- The AgriTech ecosystem has attracted several start-ups in India offering **technology-based solutions** like offtake marketplaces, storage and transportation services, and agronomy advisory services, while large traditional players seek to reduce operational costs and manage scale more efficiently.
- There are more than 1,300 AgriTech start-ups operating in India. As per Venture Intelligence, **more than approximately USD 600 million has been raised in the AgriTech space over the last three years.** Top companies that have raised money include WayCool, DeHaat and AgroStar. Key investors in this space include Prosus Ventures, AgFunder, Sequoia Capital, Redwood Equity Partners and Lightbox.
- **The Government of India has decided to set up a dedicated fund for AgriTech start-ups,** as declared by Union Finance Minister Nirmala Sitharaman during her Budget 2022–23 speech. A fund with blended capital, raised under the co-investment model, will be facilitated through the National Bank for Agriculture and Rural Development (NABARD). This is to finance start-ups in the agriculture and rural enterprises spaces, relevant for the farm-produce value chain.

Source: Venture Intelligence and secondary research

FemTech

- **FemTech is a term used for a specific category of products and services that use technology to focus on and improve women's health.** Female healthcare is gradually becoming mainstream, with FemTechs leading the transformation of women healthcare in India.
- Women account for nearly half of India's population. **The concept of FemTech, though still in its nascent stage, is gaining traction in the country.** Increased awareness on women's health has resulted in the founding of start-ups that provide related products and services.
- There are less than 50 FemTech start-ups in Southeast Asia and more than half of them are in Singapore. **The imbalanced development landscape of FemTech in India has highlighted both opportunities and challenges for FemTech entrepreneurs** to close the gaps and help many underserved women at the bottom of the pyramid.
- **FemTech start-ups in India have raised nearly USD 100 million till date** with key companies in the space being Pee Safe, Nua, PeeBuddy, Gynoveda, etc. Active investors in the FemTech segment include Kae Capital, Lightbox, Alkemi Growth Fund, Titan Capital, Fireside Ventures, etc.

Source: Venture Intelligence and secondary research

12 Our point of view on corporate governance in start-ups

Overview

Simply put, corporate governance is the system by which companies are directed and controlled. Corporate governance has two dimensions. The more prominent and simpler side is a set of policies, processes and practices. The more difficult side, however, is the value aspect. While policies and process can be documented, it is the in-spirit implementation of these that distinguishes well-governed companies from others.

Good corporate governance in an organisation gives confidence to investors that its financial performance is real and sustainable and that the company can therefore command better market valuations.

Start-up organisations have a relentless focus on growth, customer acquisition and product development. These are usually small-sized organisations with founders who are responsible for developing strategy and overseeing operations. Due to the lack of quality talent in the market, they are short of resources as well as bandwidth to provide adequate oversight. As a result, very often, corporate governance takes a backseat, or it does not evolve as per the maturity of the organisation. This strategy can backfire since lack of corporate governance can impact culture, drain assets, badly damage a company's reputation and shake investor confidence.

Irrespective of the size of an organisation, it is advisable to address governance as early as possible and to continue to make it a focus to ensure the successful running of the business and protect the long-term interest of various stakeholders.

While practices of good corporate governance may differ from company to company, these are primarily built upon the corporate structure, with checks and balances to protect the interests of all stakeholders. There is little argument that potential investors, employees and others will seek out and reward a well-managed company, which will ultimately put it in a better position for future financing and growth.

How can start-ups strengthen their corporate governance?

It is important for start-ups to identify must-have and good-to-have corporate governance practices and accordingly invest adequate resources ahead of time for must-haves. They should sync the corporate governance road map with their growth aspirations. Below are some of the essential components of a robust corporate governance framework:

I. Board

- Define a board charter that clearly lays out the roles, responsibilities and authority of the board.
- Identify the skills and expertise required on the board.
- Consider onboarding independent directors ahead of time for transparency and objectivity.

II. Financial governance

- Clearly define delegation of authority between board and management.
- Define policies around financial and operational areas.
- Subsequently define detailed SOPs across business processes.

III. Human resources

- Define the tone at the top.
- Implement an ethics framework, including a whistle-blower mechanism and policies related to anti-bribery, anti-corruption and code of conduct.

IV. Technology

- Invest adequately in an enterprise resource planning (ERP)/accounting system.
- Perform a cyber security assessment and implement a robust data privacy framework (this is critical as most start-ups have home-grown technology platforms).
- Use data analytics so frauds can be detected/prevented despite a high volume of transactions.

V. Internal audit

- Define a charter for the internal audit function.
- Perform risk assessment to identify the key focus areas for audit.
- Implement continuous controls monitoring.

In conclusion, a bright idea, good intent and fire in one’s belly are by themselves not sufficient to ensure the success of a start-up. An essential ingredient for start-ups to reach the mark is good corporate governance, which brings in the necessary transparency and oversight into the ecosystem.

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