India’s next wave of technology giants will be SaaS companies

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Executive summary

India SaaS landscape overview

The Indian Software as a Service (SaaS) landscape continues to mature rapidly, with more companies reaching larger scale and driving heightened investor interest. Investment in SaaS has increased 170% over 2020 and is expected to reach $4.5B in 2021, comprising 8% of overall private equity and venture capital deal value in India. This interest spans both early-stage Indian SaaS companies, with an 85% increase in average value of seed rounds over 2019, and later-stage SaaS companies, with a 20 percentage point increase in share of Series D+ funding rounds over 2019.

This heightened interest across investment stages is explained by Indian SaaS companies that are maturing and have proven scalability. In 2021, more than 35 Indian SaaS companies had $20M+ annual recurring revenue (ARR)—a sevenfold increase over five years—with between seven and nine of these companies reaching the $100M ARR milestone (vs. one to two companies five years ago).

India's SaaS transformation is driving value creation in four ways:

1. **Growth in exits**: The number of Indian SaaS exits increased 100%, from 6 in 2018 to 12 in 2021, with the Freshworks initial public offering (IPO) initiating a new wave of exits.

2. **High capital efficiency**: Indian SaaS firms have excellent ARR-to-funding ratios, in line with global SaaS peers, with select Indian companies even outperforming their US counterparts.

3. **Creation of talent pools**: Indian SaaS companies are building a talent pool of professionals with SaaS-relevant skills and currently employ more than 62,000 people in India.

4. **Cascade effects**: More than 250 new Indian firms have been founded by former employees of Indian SaaS companies and now employ more than 5,000 people.

Horizontal business software remains the largest subsegment from an investment standpoint, accounting for more than half of all SaaS funding in India (with vertical business software and horizontal infrastructure software composing the remainder). Vertical business software has seen 100% year-over-year growth, with several Indian success stories emerging. Growth is primarily driven by an increased number of deals for vertical business software and larger deal sizes for horizontal business software.
Within these SaaS subsegments, we see numerous noteworthy themes, based on the presence of both mature and highly promising early-stage companies:

- **Horizontal business software**: enterprise collaboration, events tech, conversational artificial intelligence (AI), and Human Resources (HR) tech
- **Horizontal infrastructure software**: cybersecurity, DevOps and dev tools, and data management and observability
- **Vertical business software**: edtech, healthcare tech, logistics tech, and e-commerce enablement

This continued growth in Indian SaaS funding has attracted an increasingly diverse investor base. India has witnessed the emergence of SaaS-focused funds, combined with growing interest from new investor categories such as corporate venture capital (VC) and sovereign wealth funds. Investors are also increasingly active across investment stages, with traditionally early-stage investors now focusing on growth investments and later-stage investors participating in earlier rounds. As an example, Accel has invested in seed-stage start-ups like Airmeet and Zomentum, as well as Series C+ start-ups like Zinier and Mindtickle.

As the Indian SaaS landscape matures, founders have begun to expect greater involvement from investors. Investors are increasingly seeking to add value beyond simply providing capital and connections by providing operational support on go-to-market (GTM), product growth, expansion, and recruitment.

With a growing number of world-class founders and strong investor support, Indian SaaS companies are poised to reach $30 billion in revenue by 2025, capturing 8% to 9% share of the global SaaS market.

**Winning formula for Indian SaaS founders**

In our experience, winning SaaS companies exhibit a combination of the following key characteristics:

- **Vision and strategy**: Playing in a large, well-defined market and having a thoughtful, differentiated product vision
- **Winning approach**: Investing time in achieving the right product-market fit, designing pricing and GTM actions to support the product, and maintaining a strong focus on customer success
- **Enablers**: Setting up a global organisation with a culture of innovation and teamwork
We repeatedly encounter three business focus areas among Indian SaaS companies as they scale:

- **Pricing and packaging** that serves a broader range of customer segments and drives profit through suitable price meter and level
- **Entering adjacencies** across products and geographies to continue driving growth
- **Setting up effective channel sales** to expand into new geographies or customer segments and to improve efficiency at scale

Getting these winning business elements right can deliver tremendous business growth. HighRadius, for example, has exhibited several of these winning characteristics over the course of its journey. Before expansion to Europe and small and medium-sized businesses (SMBs), HighRadius focused on building a strong core product and achieving product market fit for North American enterprises. The company supported this growth through carefully curated packages and an outcome-based price meter. With scale, HighRadius started effectively engaging with channel partners for sales and implementation.

**Ecosystem enablement**

India has a thriving ecosystem of SaaS enablers, including domestic and global investors, numerous incubators and accelerators (such as xto10x and Upekkha), and events and initiatives sponsored by communities such as NASSCOM and SaaSBOOMi.

To further strengthen India's SaaS ecosystem, stakeholders can take several initiatives:

- **Government**: Train talent and simplify regulations related to taxation and IPOs
- **Investors**: Help founders by providing mentorship, funding, and access to founder and investor communities and publishing playbooks to help refine products, sales strategy, and hiring process
- **Founders**: Enable knowledge sharing and networking to help one another grow efficiently
- **Corporates**: Provide funds, training, and mentorship to Indian SaaS companies
- **Universities**: Incorporate vocational training to produce talent with relevant skills

Initiatives that focus on improving talent are especially critical, given that the talent demand-supply gap remains a key issue for Indian SaaS companies. To meet the growing demand for talent, India should focus on increasing the number of graduates with relevant skills while reskilling the existing talent pool to better equip them for an evolving workplace.
We have seen countries such as the US and Canada successfully implement initiatives across stakeholders to support SaaS growth. Israel has also developed a robust SaaS ecosystem, especially in cybersecurity, through targeted interventions from government and universities.

Going forward, India has the opportunity to develop a true niche in horizontal infrastructure software, vertical business software, and SMB-focussed SaaS companies. Although the Indian SaaS market is rapidly maturing, we believe ample growth still lies ahead.

**Glossary:** SaaS and Indian SaaS definitions used in this report

**Software as a service (SaaS)**

Delivery of software applications on the cloud as a service, classified into three distinct archetypes

- **Horizontal business applications** (e.g., Customer Relationship Management [CRM], Enterprise Resource Planning [ERP], Human Capital Management [HCM])
- **Horizontal infrastructure applications** (e.g., security, testing, data management)
- **Vertical-specific business applications** (e.g., healthcare applications, e-commerce enablement)

**Indian SaaS companies**

SaaS companies founded domestically by Indian founders (or founders of Indian origin) that have the majority of their workforce in India, serving both domestic and global customers

- Indian or Indian-origin founders
- Majority of employee workforce based in India

Sources: IDC; Gartner; Bain analysis
The Indian SaaS landscape is maturing rapidly, with the number of SaaS firms doubling, and 60+ SaaS firms having received Series C+ funding over the past five years.

Investment in Indian SaaS rose to $4.5B in 2021, an increase of 170% from 2020, with growth driven primarily by an increase in the number of $50M+ deals.

Increasingly mature companies with demonstrable scale are propelling greater investor interest across both early- and late-stage Indian SaaS companies. India now has 13 SaaS unicorns and between 7 and 9 companies with $100M+ ARR.

Indian SaaS is driving value creation in four key ways:
- 100% growth in exits in 2021 over 2018
- Strong ARR-to-funding ratio in line with global SaaS peers
- Creation of a strong talent pool with SaaS-relevant skill sets
- New companies founded by former employees of Indian SaaS companies

Indian SaaS can be classified into three distinct archetypes with several key themes:
1. **Horizontal business**: enterprise collaboration, events tech, conversational AI, and HR tech
2. **Horizontal infrastructure**: cybersecurity, DevOps and dev tools, and data management and observability
3. **Vertical business**: edtech, healthcare tech, logistics tech, and e-commerce enablement

With continued growth, the investor landscape has also diversified, and investors are increasingly investing outside of their traditional investment stages.

The top 10 investors’ share in total deal value across 2019–2021 was 30%–35%, with Tiger Global (by value) and Sequoia (by volume) being most active over 2020–2021.

To address rising expectations from founders beyond capital requirements and network, investors now also provide operational and advisory support for GTM, product growth, and recruitment.

With an increasing number of world-class founders and strong investor support, Indian SaaS companies are poised to reach $30 billion in revenue, capturing 8% to 9% share of the global SaaS market by 2025.
Figure 1: The Indian SaaS landscape has witnessed substantial growth over the past five years, with more companies as well as more and larger fundraising.

<table>
<thead>
<tr>
<th>SaaS companies founded have nearly doubled</th>
<th>5 years ago</th>
<th>2020</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>4K–5K companies</td>
<td>~700</td>
<td>~1.2K</td>
<td>~1.3K</td>
</tr>
<tr>
<td>7K–8K companies</td>
<td>~1.2K</td>
<td>~1.3K</td>
<td></td>
</tr>
<tr>
<td>8K–9K companies</td>
<td>~1.3K</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Late-stage funding refers to Series C and above where funding stage is known; number of companies calculated from end of 2016 to 30 September 2021.
Sources: Tracxn; Bain analysis.

Figure 2: Investment in Indian SaaS is well on its path to increase by 170% from 2020 to 2021, reaching a record $4.5B.

Indian SaaS investments ($B, annual)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment ($B)</th>
<th>Annualised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$0.8B</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$1.3B</td>
<td>$1.7B</td>
</tr>
<tr>
<td>2020</td>
<td>$1.7B</td>
<td>$4.5B</td>
</tr>
<tr>
<td>2021†</td>
<td></td>
<td>(+170%)</td>
</tr>
</tbody>
</table>

† Estimated based on 9 months data from 1 January 2021 to 30 September 2021.
Sources: Bain PE deals database; Tracxn; Crunchbase; PitchBook; Bain analysis.
Figure 3: Growth from H1 2020 to H1 2021 was primarily driven by an increase in the number of large deals ($50M+)

Investment evolution across deal sizes (H1 2020 to H1 2021, $B)

Figure 4: The top 15 deals constituted ~75% of total deal value in 2021, like prior years, with numerous large marquee deals that were greater than $80M

Investments by deal size ($B)
Figure 5: Early-stage interest in Indian SaaS has increased, with significant growth in average seed round value over the last two years

Average seed deal value ($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value ($M)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$0.69M</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$0.93M</td>
<td>(+85%)</td>
</tr>
<tr>
<td>2021</td>
<td>$1.27M</td>
<td></td>
</tr>
</tbody>
</table>

Examples of high deal value seed rounds in 2020–21

<table>
<thead>
<tr>
<th>Company</th>
<th>Deal value ($M)</th>
<th>Deal date</th>
<th>Lead investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lio</td>
<td>$5M</td>
<td>Sep 2021</td>
<td>Sequoia Capital, Lightspeed Venture Partners</td>
</tr>
<tr>
<td>Mesh</td>
<td>$5M</td>
<td>Jul 2021</td>
<td>Sequoia Capital, RTP Global</td>
</tr>
<tr>
<td>Qapita</td>
<td>$5M</td>
<td>Apr 2021</td>
<td>MassMutual Ventures Southeast Asia</td>
</tr>
<tr>
<td>Hubilo</td>
<td>$4.5M</td>
<td>Oct 2020</td>
<td>Lightspeed Venture Partners</td>
</tr>
</tbody>
</table>

1 Data for 2021 until 30 September 2021
Note: Average deal value is for deals with known values only
Sources: Bain PE deals database; Tracxn; Crunchbase; PitchBook; Bain analysis

Figure 6: Interest in late-stage investments (Series D+) is growing as more companies achieve product-market fit and increase focus on GTM

Deal volume split by company stage (Series A and above)

<table>
<thead>
<tr>
<th>Stage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>31%</td>
</tr>
<tr>
<td>Series B</td>
<td>32%</td>
</tr>
<tr>
<td>Series C</td>
<td>11%</td>
</tr>
<tr>
<td>Series D</td>
<td>26%</td>
</tr>
</tbody>
</table>

Series D: Postman, Shiprocket, Uniphore, Innovaccer, WhatFix, Zenoti
Series E: Mindtickle, Eightfold, FarEye
Series F: Gupshup (2 rounds), Icertis
Series H: Druva

1 Data for 2021 until 30 September 2021
Note: Deal volume is for deals with known values only
Sources: Bain PE deals database; Tracxn; Crunchbase; PitchBook; Bain analysis
Figure 7: Increased investor interest is supported by increasing Indian SaaS revenue maturity, with seven to nine companies now having reached $100M+ ARR

<table>
<thead>
<tr>
<th>Number of SaaS companies</th>
<th>5 years ago</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100M+</td>
<td>1–2</td>
<td>4–5</td>
<td>7–9</td>
</tr>
<tr>
<td>$50M–$100M</td>
<td>1–2</td>
<td>5–6</td>
<td>10–12</td>
</tr>
<tr>
<td>$20M–$50M</td>
<td>3–5</td>
<td>15–20</td>
<td>20–25</td>
</tr>
</tbody>
</table>

Notes: Based on latest available ARR data in 2020 or 2021; number of companies is directional
Sources: Tracxn; Crunchbase; Bain analysis; industry participant interviews

Figure 8: Indian SaaS has seen a rapid increase in the number of unicorns from 1 in 2018 to 13 in 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of SaaS unicorns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>7</td>
</tr>
<tr>
<td>2019</td>
<td>13</td>
</tr>
<tr>
<td>2020</td>
<td>4</td>
</tr>
</tbody>
</table>

Total funding

<table>
<thead>
<tr>
<th>Company</th>
<th>Total funding</th>
<th>Valuation</th>
<th>ARR</th>
</tr>
</thead>
<tbody>
<tr>
<td>BrowserStack</td>
<td>$250M</td>
<td>$4.0B</td>
<td>$100M+</td>
</tr>
<tr>
<td>Eightfold</td>
<td>$397M</td>
<td>$2.1B</td>
<td>$20M–$50M</td>
</tr>
<tr>
<td>Gupshup</td>
<td>$384M</td>
<td>$1.4B</td>
<td>$150M+</td>
</tr>
<tr>
<td>Chargebee</td>
<td>$218M</td>
<td>$1.4B</td>
<td>$50M–$100M</td>
</tr>
<tr>
<td>Innovaccer</td>
<td>$229M</td>
<td>$1.3B</td>
<td>$50M–$100M</td>
</tr>
<tr>
<td>Mindtickle</td>
<td>$281M</td>
<td>$1.2B</td>
<td>$30M–$40M</td>
</tr>
</tbody>
</table>

Sources: Tracxn; Crunchbase; company websites
Figure 9: Gupshup, for example, has exhibited tremendous growth in the last year, capitalising on its historic strengths in product innovation and customer centricity

- **ARR in FY21** growing at 80%
  - $150M

- **Valuation as of April 2021**
  - $1.4B

- **Share of India in total revenue**
  - 75%+

- **Brands using Gupshup**
  - 40K+

- **Messages per month on platform**
  - 6B+

### Product innovation
- Leads competition in terms of product innovation and invests in emerging technologies ahead of others:
  - Pioneer in India with regards to WhatsApp API for enterprises
  - Innovative products launched in partnership with original equipment manufacturers (OEMs) – Smart SMS (Xiaomi), automated message classification and visualisation (OnePlus)
  - Strong product pipeline with innovative offerings like digitised food ordering and one-click bill payment

### Customer focus
- Gupshup is well-positioned to cater to fast-paced digital natives, such as Ola and Myntra, through better cultural alignment and agility
- Vertical-specific sales teams for key domains such as banking, financial services and insurance (BFSI), retail/e-commerce, and edtech

### Customer success
- High Net Revenue Retention (NRR) with marquee logos across sectors such as BFSI and e-commerce driven by:
  - Ability to innovate and customise solutions as per customer requirements with dedicated customer success team
  - Cross/upsell new products and solutions to existing customers

Sources: Industry participant interviews; press releases; Sindhu Hariharan, “Gupshup Sixth Company to Get $1 Billion Valuation in a Week,” The Times of India, April 9, 2021

Figure 10: Exit momentum has improved over the last three years across secondary transactions and M&A, with IPOs opening a new exit path for Indian SaaS companies

### Number of Indian SaaS exits

<table>
<thead>
<tr>
<th>Year</th>
<th>Secondary Sales</th>
<th>Mergers and Acquisitions (M&amp;A)</th>
<th>IPO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>12 Annualised</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Key examples of exits by Indian SaaS companies

- **Secondary Sales**
  - **Amagi**: Emerald Media sold its stake to new investors for 3x return in four years (2021)
  - **Uniphore**: YourNest sold stake to existing investors for 7x return in Series C (2020)
  - **Zenoti**: Norwest Venture Partners sold stake to Avaar Ventures (2019)

- **Mergers and Acquisitions (M&A)**
  - **Automate.io**: Acquired by Notion to expand its product integration suite (2021)
  - **CloudCherry**: Acquired by Cisco for $50M to improve Contact Center portfolio (2019)
  - **Minjar**: Acquired by Nutanix for $50M to strengthen Cloud optimisation offerings (2018)

#### Next wave of exits

- **Freshworks**: Raised ~$1B through Nasdaq listing in Sep 2021
- **Gupshup**: Expected to go public in the next 12–18 months

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1 Data for 2021 has been annualised post 30 September 2021; includes deals with unknown deal values

Sources: Tracxn; Crunchbase; VCCEdge; Venture Intelligence; AVCJ; Preqin; company websites; press releases
**Figure 11:** Indian SaaS companies are generating value in line with global SaaS peers, with a comparable ARR to funding ratio

<table>
<thead>
<tr>
<th>ARR to funding ratio for global and Indian SaaS companies</th>
<th>Top 5 SaaS ARR to funding ratios ($500M+ valuation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global SaaS companies</td>
<td>Funding ($M)</td>
</tr>
<tr>
<td>$0.08B</td>
<td>~480</td>
</tr>
<tr>
<td>Indian SaaS companies</td>
<td></td>
</tr>
<tr>
<td>$0.11B</td>
<td>~250</td>
</tr>
<tr>
<td>$0.17B</td>
<td>~380</td>
</tr>
<tr>
<td>$0.27B</td>
<td>~230</td>
</tr>
<tr>
<td>$0.15B</td>
<td>~230</td>
</tr>
</tbody>
</table>

**Notes:** Analysis excludes companies where valuation is unknown; Indian SaaS companies only includes companies with $500M+ valuation; Companies included in Global SaaS benchmark: ServiceNow, Salesforce, Atlassian, Smartsheet, Slack, Twilio, Zoom, Workday, Zendesk, and HubSpot; For global companies, historic data for ARR and funding is considered (ARR $50M–$300M); (1) Pre IPO funding

**Sources:** Tracxn; Crunchbase; company websites; annual reports; earnings releases; Securities and Exchange Commission (SEC) filings; Bain analysis; industry participant interviews

**Figure 12:** Select leading Indian SaaS companies are even outperforming US SaaS peers in terms of capital efficiency

**ARR to funding ratio**

**Notes:** US composite line includes ServiceNow, Salesforce, Atlassian, Smartsheet, Slack, Twilio, Zoom, Workday, Zendesk, and HubSpot; Series A and B data for US composite is extrapolated using Series C onwards; All curves are smoothed out; BrowserStack has not been considered due to lack of sufficient data points

**Sources:** Tracxn; Crunchbase; company websites; annual reports; earnings releases; SEC filings; Bain analysis; industry participant interviews
**Figure 13:** Indian SaaS companies have added 62K+ jobs in India, creating a strong SaaS talent pool for further growth

**Growth of jobs in SaaS companies in India**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees working in India for Indian SaaS companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>~42K</td>
</tr>
<tr>
<td>2020</td>
<td>~51K (+49%)</td>
</tr>
<tr>
<td>2021</td>
<td>~62K</td>
</tr>
</tbody>
</table>

**Professional SaaS talent pool in India**

- 18% of professionals are skilled in cloud
- 13% of professionals are skilled in artificial intelligence/machine learning (AI/ML)
- 26% of professionals are skilled in product management
- 20% of professionals are skilled in advanced analytics

**Notes:** For estimating the number of skilled professionals in a particular field, targeted keyword searches were used for employees' LinkedIn profiles – for cloud, “cloud”; for AI/ML, “artificial intelligence, AI, machine learning, ML”; for product management, “product management, product manager”; for advanced analytics, “data scientist, data architect, data engineer”

Sources: Tracxn; Crunchbase; company websites; LinkedIn

**Figure 14:** 5K+ new jobs have been created by companies founded by ex-employees of top Indian SaaS companies

**500+ ex-employees¹ from Indian SaaS companies are now founders**

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of former employees who founded new companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoho</td>
<td>133</td>
</tr>
<tr>
<td>Freshworks</td>
<td>108</td>
</tr>
<tr>
<td>HighRadius</td>
<td>36</td>
</tr>
<tr>
<td>Druva</td>
<td>36</td>
</tr>
<tr>
<td>Innovaccer</td>
<td>35</td>
</tr>
<tr>
<td>Icertis</td>
<td>31</td>
</tr>
<tr>
<td>Mindtickle</td>
<td>29</td>
</tr>
<tr>
<td>BrowserStack</td>
<td>23</td>
</tr>
<tr>
<td>Chargebee</td>
<td>14</td>
</tr>
<tr>
<td>Uniphore</td>
<td>13</td>
</tr>
<tr>
<td>FarEye</td>
<td>11</td>
</tr>
<tr>
<td>Eightfold</td>
<td>10</td>
</tr>
<tr>
<td>Gupshup</td>
<td>9</td>
</tr>
<tr>
<td>Zenoti</td>
<td>9</td>
</tr>
<tr>
<td>Postman</td>
<td>8</td>
</tr>
</tbody>
</table>

50% of founders, new companies, and resulting job opportunities are coming from emerging Indian SaaS companies

**250+ new companies² founded by these employees**

- Key Examples: Slintel (ex-Eightfold), Niki (ex-Innovaccer), Hippo Video (ex-Zoho)

**5K+ new job opportunities³ created by these companies**

¹ Considers ex-employees with “founder” or “co-founder” titles on LinkedIn, with the SaaS company name in “Past not current” filter
² Only companies with more than one employee and a recognised LinkedIn page have been considered; individual projects, collectives, and volunteer work have been excluded
³ Number of people employed excludes the employees of Freshworks and Chargebee, whose founders are ex-Zoho employees

Sources: LinkedIn; Bain analysis
Figure 15: SMB-focused India for India and enterprise-focused India for the world companies are attracting most of the funding, with 65%–70% deal volume share in 2021

<table>
<thead>
<tr>
<th>Customer scale</th>
<th>Enterprise</th>
<th>SMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer geography</td>
<td>India for India</td>
<td>India for the world</td>
</tr>
</tbody>
</table>

- **Replacing legacy processes with SaaS solutions driven by shift of workloads to cloud**
  - 10%–15%
  - Examples: Leena AI, Talview, CRMNext

- **Globally competitive product-led companies differentiated on tech; strong network effects driving bottom-up adoption**
  - 30%–35%
  - Examples: Postman, HighRadius, Chargebee

- **Rising software adoption by value-seeking SMBs in the increasingly digitised domestic market**
  - 30%–35%
  - Examples: Khatabook, Classplus, Shiprocket

- **Underpenetrated, fast-growing global SaaS SMB market; cost arbitrage vs. global peers through inside sales focus**
  - 15%–20%
  - Examples: Zenoti, Esper, Carestack

Notes: Companies have been classified as “India for the world” or “India for India” based on their share of revenue from outside India and inside India, respectively; Volume share only includes companies at Series A and above stages; Sources: Tracxn; Crunchbase; company websites; industry participant interviews; Bain analysis

Figure 16: Horizontal and vertical business software have grown at a rapid pace over the last two years

<table>
<thead>
<tr>
<th>India SaaS investments ($B)</th>
<th>CAGR H1 2019–H1 2021</th>
<th>Archetype</th>
<th>Description</th>
<th>Illustrative list of players</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2019 $0.7B</td>
<td>$0.8B</td>
<td>$2.3B</td>
<td>Vertical business</td>
<td>100%</td>
</tr>
<tr>
<td>Horizontal infrastructure</td>
<td>46%</td>
<td>Horizontal infrastructure software</td>
<td>Software used to build, run, and manage the tech stack of organisations</td>
<td>BrowserStack, LambdaTest, Postman, Hasura, Druva</td>
</tr>
<tr>
<td>Horizontal business</td>
<td>100%</td>
<td>Horizontal business software</td>
<td>Software used to support business processes in companies across verticals</td>
<td>Freshworks, Zoho, HighRadius, Gupshup, CleverTap, Whatfix</td>
</tr>
</tbody>
</table>

Note: Deal value is for deals with known values only
Sources: Bain PE deals database; Tracxn; Crunchbase; PitchBook; Bain analysis; IDC; Gartner
**Figure 17:** Vertical business software growth is driven by larger number of deals, while horizontal business software growth is due to higher average deal values

**India: Deal volume for SaaS subsegments**

Primarily driven by increased activity in verticals like edtech, healthcare tech, and logistics tech—owing to Indian companies’ propensity to invest in product and engineering to solve for all use cases

<table>
<thead>
<tr>
<th>Vertical business</th>
<th>Horizontal business</th>
<th>Horizontal infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2019</td>
<td>H1 2020</td>
<td>H1 2021</td>
</tr>
<tr>
<td>51</td>
<td>31</td>
<td>63</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
<td>+86%</td>
</tr>
<tr>
<td>13</td>
<td>10</td>
<td>+310%</td>
</tr>
</tbody>
</table>

**India: Average deal value for SaaS subsegments ($M)**

Primarily driven by a few large deals; seven $80M+ deals in the segment contribute to ~80% of total SaaS funding

<table>
<thead>
<tr>
<th>Vertical business</th>
<th>Horizontal business</th>
<th>Horizontal infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2019</td>
<td>H1 2020</td>
<td>H1 2021</td>
</tr>
<tr>
<td>6</td>
<td>14</td>
<td>21</td>
</tr>
<tr>
<td>30</td>
<td>29</td>
<td>+223%</td>
</tr>
<tr>
<td>13</td>
<td>15</td>
<td>+14%</td>
</tr>
<tr>
<td>12</td>
<td>13</td>
<td>+86%</td>
</tr>
</tbody>
</table>

Notes: Number of deals is directional; average deal value is only for deals with known value
Sources: Bain PE deals database; Tracxn; Crunchbase; PitchBook; Bain analysis; industry participant interviews

**Figure 18a:** Interest is growing in enterprise collaboration, events tech, conversational AI, and HR tech in horizontal business software

<table>
<thead>
<tr>
<th>Themes</th>
<th>Examples</th>
<th>Rationale for sentiment in 2021</th>
<th>Outlook to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise collaboration</td>
<td>Mesh (Seed), Keito (Seed), and BHyve (Angel)</td>
<td>Shift to remote work driving demand for tools to facilitate virtual communication, meetings, and collaboration</td>
<td>Switch to hybrid working model and increased focus on collaboration efficiency and employee productivity</td>
</tr>
<tr>
<td>Events tech</td>
<td>Hubilo (Series A), Airmeet (Series A), and Samaaro (Angel)</td>
<td>Increased reliance on virtual events owing to Covid-19 and shift to remote working</td>
<td>Shift to hybrid and virtual events due to cost effectiveness and larger reach along with new ways of interaction</td>
</tr>
<tr>
<td>Conversational AI</td>
<td>Gupshup (Series F), Yellow.ai (Series B), and Verloop.io (Series A)</td>
<td>New ways of offering customer experience and digital interaction along with opportunity to reduce employee costs</td>
<td>Increasing digitisation and smartphone usage along with adoption of new technologies in Natural Language Processing (NLP) and AI</td>
</tr>
<tr>
<td>HR tech</td>
<td>Eightfold (Series E), Darwinbox (Series C), and Kredily (Seed)</td>
<td>Increase in demand for employee life cycle management, inclusivity, and productivity tools to manage remote working</td>
<td>Introduction of alternate talent models, such as freelancing, gig economy, and hybrid work models</td>
</tr>
</tbody>
</table>

Sources: Industry participant interviews; Bain analysis
**Figure 18b:** In horizontal infrastructure software, cybersecurity, DevOps and dev tools, and data management and observability are emerging themes

<table>
<thead>
<tr>
<th>Themes</th>
<th>Examples</th>
<th>Rationale for sentiment in 2021</th>
<th>Outlook to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cybersecurity</strong></td>
<td>Druva (Series H), Seclore (Series B), and AccuKnox (Seed)</td>
<td>Increase in volume and severity of cyberattacks and concerns over confidentiality and data leaks due to remote working</td>
<td>Continuously evolving nature of cyberattacks and preference for SaaS to save traditional costs</td>
</tr>
<tr>
<td><strong>DevOps and dev tools</strong></td>
<td>Postman (Series D), Esper (Series B), and SigNoz (Seed)</td>
<td>Increase in digitisation, cloud migration, use of APIs for software development and emergence of opensource frameworks</td>
<td>Expected to grow in line with cloud adoption along with replacement of legacy development models</td>
</tr>
<tr>
<td><strong>Data management and observability</strong></td>
<td>Acceldata (Series B) and Atlan (Series A)</td>
<td>Driven by increasing digitisation of business processes and improvement in data quality across the industry</td>
<td>Increasing volume and complexity of data being generated, and high financial and operational cost of data downtime</td>
</tr>
</tbody>
</table>

Sources: Industry participant interviews; Bain analysis

**Figure 18c:** Edtech, healthcare tech, logistics tech, and e-commerce enablement are gaining traction in vertical business software

<table>
<thead>
<tr>
<th>Themes</th>
<th>Examples</th>
<th>Rationale for sentiment in 2021</th>
<th>Outlook to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Edtech</strong></td>
<td>Classplus (Series C), Teachmint (Series B) and Winuall (Seed)</td>
<td>Increased adoption of online learning driving demand for tutor, student, and parent collaboration/communication tools</td>
<td>Increase in penetration expected to sustain with long-term user stickiness due to easier access to quality content</td>
</tr>
<tr>
<td><strong>Healthcare tech</strong></td>
<td>Innovaccer (Series D), Carestack (Series C), and BestDoc (Seed)</td>
<td>Focus on Covid-19-driven process improvement and growing demand for support with data storage and analysis</td>
<td>Increased adoption of new technologies such as AI and edge computing with focus on cost-effective secure solutions</td>
</tr>
<tr>
<td><strong>Logistics tech</strong></td>
<td>FarEye (Series E), Locus (Series C), and Shipsy (Seed)</td>
<td>Rise in e-commerce volume and value along with innovations driven by increase in customer expectations</td>
<td>Potential for integrating technologies such as blockchain and drones and updating existing systems with innovative models</td>
</tr>
<tr>
<td><strong>E-commerce enablement</strong></td>
<td>ShopKirana (Series B), LoveLocal, and Avataar.me (Series A)</td>
<td>Rise in e-commerce penetration with higher digital adoption and pandemic-induced shift towards online shopping</td>
<td>Rapid growth in e-commerce expected to drive demand for specialised and end-to-end solutions</td>
</tr>
</tbody>
</table>

Sources: Industry participant interviews; Bain analysis
Figure 19: Indian SaaS has attracted a diverse group of investors in the last two years, with investors increasingly playing across investment stages.

Non-dilutive capital refers to an uncapped convertible amount of $250K, which will convert to equity only in the subsequent funding round.

Note: Mapping for funding rounds and stages is as Seed, Series A—Venture, Series B, Series C—Early Growth, Series D, Series E—Late Growth, Series F, G, H, Post Series H—Late.

Sources: Tracxn; Crunchbase; Venture Intelligence; press releases; industry participant interviews.

Figure 20: Top investors comprise ~35% of India SaaS investments by value from 2019 to 2021.

Total SaaS investment value split by top investors in India ($B)

Data for 2021 until 30 September 2021

Note: In case of multiple investors for a deal, deal value per investor was calculated assuming an equal split of investment across the investors.

Sources: Bain PE deals database; Tracxn; Crunchbase; PitchBook; Bain analysis.
**Figure 21:** Investors have launched several initiatives to strengthen their value proposition for the next generation of SaaS founders

| Fundraising | Support in fundraising through connections or a larger investment arm of the same holding company | Vertex Ventures, Temasek’s VC arm, brings in Temasek’s growth capital/PE funds to fund companies at later stages |
| Product refinement and product market fit | Provide playbooks for product refinement, customer identification, and programs to think through strategies on pricing, finding market fit, etc. | Y Combinator has a biannual program for helping founders refine ideas and better understand customers |
| Business relationships/partnerships | Access to founders and investors through closed meetings, conferences, and open communication channels to enable learning and partnerships | Iron Pillar Network (IPN), a group of 20+ CXOs, technologists, and entrepreneurs, provides curated advice and mentorship to its portfolio CEOs |
| Hiring and organisational restructuring | Offer specially designed programs/services for hiring, designing HR policies, organisational restructuring, etc. | Blume Ventures’ Passion Connect aims to reinvent hiring, employee retention, and employer branding |
| Building GTM strategies and operational expertise | Access to operational experts (including GTM specialists with prior experience) and in-house expertise Partner with consulting firms to advise start-ups’ management in key decisions/operational issues | Sequoia Capital and Accel have several operational excellence specialists (ex-founders, C-suite coaches, etc.) Lightspeed Venture Partners designs a custom program for each founder to help them identify and solve operational challenges |

Source: Industry participant interviews

**Figure 22:** In the future, Indian SaaS companies are expected to grow at ~30% CAGR over 2020–25 and double their share in the global market to 8%–9% by 2025

<table>
<thead>
<tr>
<th>Indian SaaS revenue ($B)</th>
<th>Growing share of Indian SaaS companies in global market</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7B–$8B</td>
<td>4%–5%</td>
</tr>
<tr>
<td>$25B–$30B</td>
<td>8%–9%</td>
</tr>
</tbody>
</table>

Note: India SaaS revenue includes SaaS revenues of both software and IT firms, such as Tally and Ramco, and for pure-play SaaS companies, such as Zoho and Freshworks.

Sources: NASSCOM reports, Riding the Storm Towards the Giant India SaaS Opportunity, July 2020; Indian SaaS—The Next Big Thing, March 2016; IDC Semi-annual Public Cloud Services Tracker; Bain analysis
Winning formula for Indian SaaS founders

- Successful SaaS companies showcase key strengths across three pillars:
  - **Vision and strategy**: Playing in a large well-defined market with enough headroom to grow
  - **Winning approach**: Investing time in achieving product market-fit and optimizing pricing and packaging with appropriate GTM strategies
  - **Enablers**: Setting up a global organization with an employee-centric culture focused on innovation and teamwork

- As SaaS companies grow, they should focus on three key commercial areas:
  - **Pricing and packaging** can drive increases in revenue and profit through suitable choices across price meter, discounts, and packages
  - **Entering adjacencies** enables companies to continue their growth trajectory by venturing into new geographies or product segments
  - **Setting up effective channel sales** can help improve efficiency and achieve scale as companies mature and supplement established direct sales channels

- Pricing and packaging strategy consists of three key components: Packages that offer the right coverage across customer segments, pricing levels that establish the correct market positioning, and price meters that drive value as usage grows.

- Product and geographic expansion choices are typically determined by three common factors: Market size and growth, competitive landscape, and regulatory environment. Companies should consider several nuances:
  - For **geographic expansion**, companies should focus on product-market fit and GTM, including price localisation in the target geography
  - For **product expansion**, companies should evaluate cross-sell opportunities and use case synergies

- Channel sales can be a powerful tool for SaaS companies to drive growth. However, no “one size fits all” approach to indirect sales exists. Designing a powerful channel sales strategy involves making the right decision across route-to-market (RTM) strategy, partner choice, program design, and coverage models based on product characteristics.
**Figure 23:** Leading SaaS companies exhibit a combination of key winning characteristics during their journey

**Vision and strategy**

- **Vision:** Have a differentiated product vision that can be rolled out in phases

- **Where to play: Core**
  - Play in a market with a large and growing Total Addressable Market (TAM) or moderate TAM with low penetration

- **Where to play: Expansion**
  - Scope adjacencies and geographies that can increase potential TAM

**How to win**

- **Go-to-market (GTM):**
  - Remote sales: Embrace tech-enabled selling for global markets
  - Enterprise sales: Have the right GTM organisation and motions for a global sales presence
  - Channel sales: Build a network of partners to diversify sales channels
  - Pricing and packaging: Employ usage-based pricing that unlocks revenue expansion
  - Marketing engine: Fine-tune the lead acquisition engine to be cost-effective

- **Product:**
  - Right to win: Build a moat through product differentiation or stickiness
  - Product-market fit: Iterate on the product with initial customers before scaling

- **Customer success:**
  - Customer centricity: Maintain relentless focus on incorporating the right customer feedback
  - Renewals: Identify the most critical renewal touchpoints for revenue expansion
  - Customer service: Build a thoughtful customer support organisation focused on customer delight

**Enablers**

- **Operating model:**
  - Global organisational structure: Set up organisation for success with clear decision making and protocols for building a globally dispersed workforce

- **Culture:**
  - Employee success and innovation: Foster a culture of innovation and employee success

**Focus area for Indian SaaS companies**

Sources: Bain’s India SaaS Report 2020; industry participant interviews; Bain analysis

**Figure 24:** SaaS companies typically have three commercial focus areas as they scale up

**Company stage**

- **Early growth (<$1M ARR):**
  - **Pricing and packaging:** Strong opportunity to drive profit through packaging, price meters, and discounts as every 1% improvement in price leads to ~3% earnings before interest and taxes (EBIT) increase

- **Why is it important?**
  - Although relevant from beginning, gains importance once companies establish product-market fit for one to two customer personas and aim to expand to broader range of customer segments

- **When does it become important?**
  - Relevant when companies have successfully established product-market fit for core product in base geography

- **Mature (>=$10M ARR):**
  - **Channel sales:** Helps companies expand into new geographies/customer segments and improve efficiency and scale

- **Why is it important?**
  - Typically, relevant once direct channel is mature and companies have achieved scale and a clear product-market fit

- **When does it become important?**
  - Typically, relevant once direct channel is mature and companies have achieved scale and a clear product-market fit

Sources: Industry participant interviews; Bain analysis
**Figure 25:** Within pricing, companies need to think carefully about packages, price level, and price meter—each of which has different levers attuned to pricing objectives

<table>
<thead>
<tr>
<th>Component</th>
<th>What to aim for</th>
<th>Example pricing levers</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Packages</td>
<td>Packages that are well differentiated and create a natural upgrade path</td>
<td>Offer free tier/trial with core features to create network effect and acquire new users</td>
<td>Airmeet allows free usage of its platform for up to 100 registrations per event</td>
</tr>
<tr>
<td>Price level and discounts</td>
<td>List price and discounting strategy that considers customer willingness to pay and competition benchmarking</td>
<td>Long-term agreements, such as Enterprise License Agreements (ELAs), with fixed and discounted price for revenue lock-in</td>
<td>Zoom provides an option for prepaid multiyear subscriptions</td>
</tr>
<tr>
<td>Price meter</td>
<td>Price meter that is easy to understand and track, is aligned with customer needs, and scales with cost structure</td>
<td>Differential charging for super users (users with special rights) and light users to drive viral adoption</td>
<td>Coda charges only for the “doc maker” in its plans, while all the other users get free access</td>
</tr>
</tbody>
</table>

Sources: Industry participant interviews; Bain analysis; company websites

**Figure 26:** While creating tiers, companies need to consider user satisfaction to differentiate between table stakes and good-to-have features

<table>
<thead>
<tr>
<th>Degree of delight</th>
<th>Attractive</th>
<th>Performance</th>
<th>Indifferent</th>
<th>Must-be</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unexpected features that inspire a positive user reaction—restrict to paid plans to drive upgrade</td>
<td>Features with user satisfaction directly proportional to quantum of feature—offer in free plan with constraints</td>
<td>Presence/absence of feature does not make a material difference to the user—inclusion/exclusion based on marginal cost to serve</td>
<td>Features considered to be table stakes by the user to get familiar/habituated with the product—expected as part of free package</td>
</tr>
<tr>
<td>Higher delight</td>
<td>Example: Chargebee offers a dedicated Customer Support Manager (CSM), priority support, and engineering consultation in paid plans only</td>
<td>Example: Postman limits the number of calls to Postman API to 1K in free tier</td>
<td></td>
<td>Example: Zoho Books offers sale and purchase orders, e-way bills, and reports in free tier</td>
</tr>
<tr>
<td>Lower delight</td>
<td></td>
<td></td>
<td>Example: Zoho Books offers sale and purchase orders, e-way bills, and reports in free tier</td>
<td></td>
</tr>
</tbody>
</table>

Critical for habit forming/getting familiar

Sources: Industry participant interviews; Bain analysis; company websites
**Figure 27:** Companies have multiple price meter options and can select the best suited one based on cost and customer preferences

<table>
<thead>
<tr>
<th>Possible price meter options</th>
<th>Scalability</th>
<th>Customer value alignment</th>
<th>Cost to serve</th>
<th>Auditability</th>
<th>Simplicity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Can the meter scale as customer’s use grows?</td>
<td>Does the meter align with customer value?</td>
<td>Does the meter scale with all variable costs of company to deliver that product?</td>
<td>Can the meter be tracked in a straightforward and fair way?</td>
<td>Is the meter easy to understand and use?</td>
</tr>
</tbody>
</table>

- **Price meter options**
  - **Per transaction/usage**: Charge based on extent of use (e.g., per API query, GB/TB storage)
  - **Per seat**: Charge per user license
  - **Per engaged/active user**: Charge full price for engaged/active users; lower price or free for inactive/light users
  - **Per outcome achieved**: Charge users based on KPIs (e.g., pipeline growth, revenue achieved)

- **Examples**
  - **Druva**: uses per TB of data stored (back-end TB) as price meter for data center
  - **Zoho**: has monthly/yearly charges per user for its CRM solution
  - **MURAL**: only charges for users who interact with the platform three or more times in a quarter
  - **Chargebee’s pricing**: varies with the customers’ annual revenue

**Sources:** Industry participant interviews; Bain analysis; company websites

**Figure 28:** Before expanding product portfolio or going to new geographies, companies need to evaluate market size, competition, and regulations

**Factors to consider for prioritisation of segments within product and geographic expansion**

1. **Market size and growth**
   - High growth and attractive TAM makes the segment attractive

2. **Competitive landscape**
   - While presence of legacy incumbents is not considered a threat, presence of insurgents/new-age players inhibits growth

3. **Regulatory environment**
   - Compliance with local regulations, including data protection and industry-specific laws
   - Ease of doing business (e.g., taxation and labour laws)

**Sources:** Industry participant interviews; Bain analysis
Figure 29: Success in a new geography is driven by suitability of product and price level along with a strong GTM motion

Geographical expansion

- Geo-specific tools such as HR/HCM, payments, and healthcare may require significant product modification to suit the needs of a new market
- Geo-agnostic solutions such as storage and marketing software usually require lower product modification

Zenoti modified its product prior to its launch in US and added features like tips at checkout, which isn’t common in India

Freshworks has both online inbound sales (for SMBs) and dedicated global sales teams (for mid-market/enterprises)

Zoho Books’ Standard Plan costs $151 in US vs. $101,2 in India owing to higher willingness to pay in US

1 Per organisation per month billed annually; 2 Assuming USD/INR = 75
Sources: Market participant interviews; Bain analysis; company websites

Figure 30: Opportunities for cross-selling, expanding to new customers, and bundling can help companies benefit from product expansion

Product expansion

Cross-selling opportunities
- Existing customer base can be leveraged for cross-selling
  - Reduces customer acquisition cost
  - Improves retention as customers prefer to have single platform for multiple use cases

Zenoh launched Zoho Analytics in 2018, which integrates seamlessly with existing solution Zoho CRM to pull data and create dashboards for sales teams

Innovaccer, whose initial focus was on providers, launched an Enterprise Data Platform for Payers in 2017

Freshworks offers a discounted bundle for omnichannel experience across ticketing, messaging, and phone at a discounted price to drive upsell

Sources: Industry participant interviews; Bain analysis; company websites

GTM strategy
- Self-serve/primarily digital sales: Enables smooth geographic expansion from a sales perspective
- Indirect sales: Requires a strong partner presence in target geography
- Direct sales: Success is dependent on ability to hire talent at target geography or implement remote sales

Product-market fit
- Value-based pricing needs to be implemented to account for customer preferences and customers’ willingness to pay

Price localisation
- Existing customer base can be leveraged for cross-selling
- New customer segments in core industry can be targeted through product expansion and modification
- Multiple products can be bundled together to increase customer value proposition and drive upsells
Figure 31: SaaS companies need to carefully consider build, buy, and partner options before entering any new geography or product segment

<table>
<thead>
<tr>
<th>Description</th>
<th>Build</th>
<th>Buy</th>
<th>Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Develop capabilities in-house with internal resources</td>
<td>• Leverage M&amp;A to add capabilities</td>
<td>• Partner with players that have presence/capabilities in target geography or product segment</td>
</tr>
<tr>
<td>Advantages</td>
<td>• Opportunity to develop differentiated products and services</td>
<td>• Potential for significant near-term impact on revenues and earnings</td>
<td>• Fastest time to market</td>
</tr>
<tr>
<td></td>
<td>• Ensures seamless integration with existing tech stack</td>
<td>• Relatively fast time to market</td>
<td>• Lower risk as capital/bandwidth requirement is low</td>
</tr>
<tr>
<td>Considerations</td>
<td>• Relatively longer time to reach meaningful earnings impact</td>
<td>• High upfront capital requirements</td>
<td>• Loss of cross-sell opportunities, leading to limited revenue upside</td>
</tr>
<tr>
<td></td>
<td>• Development risk depending on organisational capability</td>
<td>• Requires M&amp;A and post-merge integration expertise</td>
<td>• Difficult to differentiate from peers</td>
</tr>
<tr>
<td>Examples</td>
<td>• Zoho and HighRadius prefer build model to expand product portfolio</td>
<td>• Freshworks has completed 13+ acquisitions,¹ including Flint and AnsweriQ</td>
<td>• Icertis’ partners, Cognizant and Infosys, help drive enterprise Contract Lifecycle Management (CLM) adoption</td>
</tr>
</tbody>
</table>

¹As of 30 September 2021
Sources: Industry participant interviews; Bain analysis; company press releases

Figure 32: Channel sales is a natural evolution for SaaS companies with scale, driving more partners and their involvement over time

Stage 1 (Direct or resell focused)
Focus on driving initial growth through meaningful direct sales with early efforts in partner strategy largely focused on resellers

Stage 2 (Moderate channel sales)
Focus on establishing scale through effective implementation and upsell, supported by SI¹-led professional services and customer success

Stage 3 (Mature “sell with” channel)
Focus on leveraging channel partners’ ecosystems (SIs) and engaging in deep collaboration with key accounts as well as with smaller players through ISVs² and VARs³

Sources: Bain analysis; industry participant interviews; companies’ press releases
**India SaaS Report 2021**

**Figure 33:** SaaS companies can select the channel design based on the role that channel partners will serve

<table>
<thead>
<tr>
<th>Broadline reach</th>
<th>Specialised reach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typically used for geographic, financial, legal/regulatory requirements</td>
<td>Typically used for technical expertise, solutioning, and value-added services</td>
</tr>
</tbody>
</table>

**RTM strategy**
- Two-tier centric (i.e., two partners between company and customer)
- Broad-line distributors with variety of accounts and tools (e.g., Tech Data)
- Traditional partners (e.g., direct marketing resellers, VARs like CDW, Computacenter)
- Lower incentives needed to drive partner loyalty
- Managed through company’s account managers and specialists
- Inside partner account managers (iPAMs) provide inside support for one or more partners, driving sell-through

**Specialised reach**
- One-tier centric (i.e., one partner between company and customer)
- Value-add distributors (e.g., security specialist distributors like Secureworks)
- Next-gen partners (e.g., SIs [Deloitte], vertical focused VARs, ISVs [AWS])
- Higher incentives needed to drive partner loyalty
- Tight external partner account manager (PAM) coverage
- Onsite vendor reps (OVRs) assist the partners on-site as their employees but are paid for by OEMs/ISVs
- Specialists provide designated support on certain products

**Partner capacity and recruitment**
- Traditional partners (e.g., direct marketing resellers, VARs like CDW, Computacenter)
- Lower incentives needed to drive partner loyalty
- Limited certification needed
- Managed through company’s account managers and specialists
- Inside partner account managers (iPAMs) provide inside support for one or more partners, driving sell-through

**Program design**
- Next-gen partners (e.g., SIs [Deloitte], vertical focused VARs, ISVs [AWS])
- Higher incentives needed to drive partner loyalty
- Greater specialisation required
- ⁵

**Partner coverage**
- Traditional partners (e.g., direct marketing resellers, VARs like CDW, Computacenter)
- Lower incentives needed to drive partner loyalty
- Limited certification needed
- Managed through company’s account managers and specialists
- Inside partner account managers (iPAMs) provide inside support for one or more partners, driving sell-through

Sources: Industry participant interviews; Bain analysis

**Figure 34:** HighRadius has scaled meaningfully with a high-quality product, strong sales engine, and effective pricing

**Success story**

| Category leader in accounts receivable and treasury process automation | $150M+ ARR in 2021 with 50%+ ARR growth | $3.1B valuation¹ with $475M funding | 600+ customers (200+ Forbes Global 2000²) |

**Winning formula for HighRadius**

**Pricing and packaging**
- Three well-differentiated packages—Autonomous, Enterprise, and Standard—to capture needs of multiple customer segments
- Charges a premium price owing to its category leadership
- Business outcome-based price meter (e.g., revenue leakage reduction)

**Geographical and product expansion**
- Focused on building a strong core product and achieving product market fit in primary geography and products
- Built for North America’s enterprises before expanding to mid-market and Europe’s enterprises
- Expanded product offerings to serve all needs/pain points of one buyer persona (i.e., CFO’s office)
- Preference for organic expansion to sustain a culture of innovation and long-term growth

**Channel sales**
- Partners with SIs and managed service providers such as Genpact, Accenture, TCS, and Deloitte for sales, service, and implementation of solutions
- Timed launch of channel sales to align with scale and demand for solutions

¹ As of March 2021
² Forbes Global 2000 is an annual list of the world’s 2,000 largest publicly listed corporations

Sources: Industry participant interviews; Bain analysis
Ecosystem enablement

- The Indian start-up ecosystem remains robust, with a strong base of funded start-ups and unicorns. An increase in engineering graduates and internet users is expected to further support the growth of this ecosystem.

- Specifically, for SaaS, India has a thriving ecosystem comprising 400+ SaaS investors, 500+ incubators and accelerators, and numerous communities and government initiatives to foster the ecosystem.

- To further strengthen growth of SaaS in India, the following initiatives are required across stakeholders:
  - **Government**: Focus on talent skilling and demand generation along with simplification of tax and IPO regulations
  - **Investors**: Provide mentorship and publish playbooks along with ongoing fundraising assistance
  - **Founders**: Build communities for knowledge sharing and learning
  - **Corporates**: Support through funding and partnerships with SaaS companies
  - **Universities**: Incorporate vocational training in curriculum to produce graduates with SaaS-relevant skills

- The talent demand-supply gap is a key constraint for future growth, with SaaS-specific talent demand expected to grow two to three times in the next 5 years. To bridge this gap, India can increase the supply in two ways:
  - **Increase the base of employable graduates** through changes in university curriculum, introducing standardised certification courses and government initiatives for digital employment
  - **Reskill the existing talent pool** through trainings, courses, and mentorship programs by founders, corporates, and the government

- India has begun to develop pockets of strength in SaaS, specifically in horizontal infrastructure, vertical business, and SMB-focused SaaS. Its position can be further strengthened through ecosystem development, along the lines of other countries’ successful initiatives:
  - The US and Canada have spurred SaaS growth through demand generation by governments, funding from corporates, and by developing communities for knowledge sharing
  - Israel has successfully developed category expertise in cybersecurity through a strong talent pool with military backgrounds, strong engineering knowledge, and entrepreneurial mindsets, as well as government and university initiatives, including tax incentives and university-affiliated VC funds
Figure 35: India has one of the top five start-up ecosystems in the world

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>China</th>
<th>India</th>
<th>UK</th>
<th>Israel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of unicorns</td>
<td>426</td>
<td>175</td>
<td>69</td>
<td>36</td>
<td>70</td>
</tr>
<tr>
<td>Total number of funded start-ups</td>
<td>131K</td>
<td>27K</td>
<td>18K</td>
<td>25K</td>
<td>4.5K</td>
</tr>
<tr>
<td>Total engineering graduates per year</td>
<td>0.26M</td>
<td>4.9M</td>
<td>1.5M</td>
<td>0.07M</td>
<td>0.01M</td>
</tr>
<tr>
<td>Total number of Internet users</td>
<td>300M</td>
<td>990M</td>
<td>630M</td>
<td>65M</td>
<td>8M</td>
</tr>
<tr>
<td>Total number of incubators and accelerators</td>
<td>1.7K</td>
<td>12K</td>
<td>535</td>
<td>345</td>
<td>110</td>
</tr>
<tr>
<td>Ease of doing business rank, World Bank 2020</td>
<td>6</td>
<td>31</td>
<td>63</td>
<td>8</td>
<td>35</td>
</tr>
</tbody>
</table>

Sources: Euromonitor; Tracxn; Venture Intelligence; World Bank; Bain analysis; IAMAI-Kantar Cube Report; media reports

Figure 36: India has a robust ecosystem of enablers to support entrepreneurs in their journey—VCs, active angel community, incubators, community development initiatives, etc.

<table>
<thead>
<tr>
<th>Incubators &amp; venture catalysts (400+ start-up incubators and accelerators [e.g., Accel SaaS Founder Stack, xto10x, Upekkha])</th>
<th>SaaS community development—events and initiatives (e.g., SaaSBOOMi, NASSCOM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global VCs with strong SaaS focus (e.g., Tiger Global, Lightspeed, Accel)</td>
<td>Government impetus to foster software ecosystem</td>
</tr>
<tr>
<td>VC/growth investors 400+ active players¹ with $7B+ dry powder</td>
<td>National policy for software products provides access to national public procurement portal (GeM²), ~$700M fund for software product companies</td>
</tr>
<tr>
<td>Domestic VCs with strong SaaS focus (e.g., Nexus, Blume, Iron Pillar Fund)</td>
<td></td>
</tr>
<tr>
<td>SaaS-focused funds launched in India (e.g., Avataar Ventures, Basis Vectors, Together Fund)</td>
<td></td>
</tr>
<tr>
<td>Venture arms of tech firms with India focus (e.g., M12 [Microsoft] recently set up their India office, CapitalG [Alphabet])</td>
<td></td>
</tr>
<tr>
<td>Active angel community (100+ angel investors with four or more SaaS investments)</td>
<td></td>
</tr>
<tr>
<td>Co-working spaces (~200K seats)</td>
<td></td>
</tr>
</tbody>
</table>

¹ An active player is any investment entity that has made an investment in India since 2019
² Government e-Marketplace
Sources: AVCJ; Venture Intelligence; Tracxn; Preqin; industry participant interviews
**India SaaS Report 2021**

**Figure 37:** To further strengthen the Indian SaaS ecosystem, numerous key initiatives need to be taken by various stakeholders

<table>
<thead>
<tr>
<th>Government</th>
<th>Investors</th>
<th>Founders</th>
<th>Corporates</th>
<th>Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilling talent through dedicated schemes and training centers</td>
<td>SaaS-specific accelerators to support early-stage companies through education, mentorship, and financing (e.g., Upekkha, Accel Atoms)</td>
<td>Communities for knowledge sharing and networking (e.g., SaaSOOMi, which is an Indian SaaS founders’ community)</td>
<td>Corporate VCs to fund early-stage start-ups (e.g., M12, Microsoft’s venture fund, has invested in Innovaccer and FarEye)</td>
<td>University-backed funds to help provide early-stage companies with resources and connections</td>
</tr>
<tr>
<td>Tax and surcharge reduction on private investments and simplification of IPO process</td>
<td>Publish playbooks to help SaaS companies think through sales, marketing, hiring, product, expansion (e.g., SeedToScale by Accel)</td>
<td>Platforms to assist early-stage start-ups scale with efficiency across business design, people, culture, and operational (e.g., xto10x)</td>
<td>Focus on vocational education in areas of Product Management (PM), engineering, and AI to ensure graduates have relevant skills to be employed by SaaS companies</td>
<td></td>
</tr>
<tr>
<td>Direct demand generation through procurement of SaaS tools for government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Industry participant interviews; Bain analysis

**Figure 38:** Talent demand in India for digital and SaaS-specific roles is expected to grow by three times from 2021 to 2025 with a lower increase in talent supply

**Talent demand-supply mismatch exists across digital roles¹, such as cloud, AI, Internet of Things (IoT), data**

<table>
<thead>
<tr>
<th>Year</th>
<th>Fresh supply of digital talent</th>
<th>Entry-level openings in digital talent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>375K</td>
<td>50K</td>
</tr>
<tr>
<td>2025 (E)</td>
<td>1,240K</td>
<td>65K</td>
</tr>
</tbody>
</table>

**Demand for SaaS talent is expected to increase**

<table>
<thead>
<tr>
<th>Role</th>
<th>Demand growth from 2021 to 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>SaaS GTM² talent</td>
<td>~3X</td>
</tr>
<tr>
<td>SaaS PM</td>
<td>~2X</td>
</tr>
<tr>
<td>SaaS engineering</td>
<td>~2X</td>
</tr>
</tbody>
</table>

¹ Digital roles refer to talent having digital talent skills (AI and big data analytics, IoT, cloud computing, cybersecurity, Robotic Process Automation [RPA], blockchain, Augmented Reality and Virtual Reality [AR/VR], 3D printing)
² GTM includes sales and marketing

Sources: NASSCOM FutureSkills Talent Report 2020; LinkedIn; industry participant interviews; Bain analysis
**Figure 39:** India can bridge this talent demand-supply gap by increasing the number of relevant graduates and reskilling the existing talent pool

- **Increase number of relevant graduates**
  - University curriculum changes to focus on vocational education in areas of product management, AI, etc.
  - Standardised certification courses to establish industry benchmarks (e.g., Project Management Professional [PMP])
  - Government initiatives to promote digital education and career opportunities (e.g., National Careers Service Portal by Ministry of Labour and Employment)

- **Reskill existing talent pool**
  - Corporate-led training programs to help develop relevant skills (e.g., Freshworks Academy and Zoho Schools)
  - Government training centers for reskilling (e.g., software/web developer as part of PMKVY¹ by MSDE² and NSDC³)
  - Founder/senior personnel-led mentorship and knowledge sharing programs (e.g., People Matters' BeNext, GrowthX)

¹ Pradhan Mantri Kaushal Vikas Yojana  
² Ministry of Skill Development and Entrepreneurship  
³ National Skill Development Corporation  
Sources: Industry participant interviews; Bain analysis

**Figure 40:** North America, as an example, has successfully implemented initiatives across stakeholders to support SaaS growth

- **Government: Canada’s Cloud Adoption Strategy**
  - Initiative to build a world-class digital government through cloud adoption, thereby creating demand for SaaS tools
  - 90%+ Canadian organisations have adopted SaaS as of Jan 2021

- **Investors: Scaleworks**
  - B2B SaaS fund operating under Venture Equity (acquiring controlling stakes in companies and operating them for high growth)
  - Cross-company collaboration via centralised common operations like admin, finance, and HR
  - SaaS playbooks across sales, marketing, pricing, and hiring to help SaaS start-ups

- **Corporates: Salesforce Ventures**
  - Investment arm of Salesforce, which provides the portfolio companies with access to its own product teams, executive leadership, and customers
  - Invested in 400+ enterprise cloud companies across 24 countries, with more than 20 IPOs

- **Founders: SaaStr**
  - Community of SaaS executives, founders, and entrepreneurs
  - Annual event with 10K+ SaaS executives, founders, and VCs
  - $90M+ venture fund for seed and late seed companies

Sources: Industry participant interviews; Bain analysis
Figure 41: Israel, through ecosystem development by government initiatives, talent pool, and universities, has been able to establish category expertise in cybersecurity

- **Advanced Technologies Park**: A PPP¹ to support Research and Development (R&D) for tech companies
- **Yozma**: Tax incentives, downside insurance, and support through government funds to attract foreign VC investments
  - VC investment in Israel increased from ~$440M in 1997 to ~$986 in 2021
- **Military background talent** with strong engineering knowledge and entrepreneurial mindset
- **Tel Aviv University**: Research institute and leader in AI, engineering, and sciences
  - 50% of entrepreneurs in Israel have studied at TAU
- **TAU Ventures**: VC fund affiliated with Tel Aviv University, for investing in early-stage cutting-edge technologies, establishing connections with industry and academia, and providing co-working spaces, research facilities, etc.
  - $20M+ funds raised from Limited Partners (LPs) in Canada, US, and Japan; invested in 17+ companies

Israel’s share in global cybersecurity SaaS companies
7%* (vs. 2%* Israel’s share in Global SaaS)

Share of cybersecurity funding in Israeli SaaS
~30%*

Figure 42: India is also beginning to develop its own pockets of strength, specifically in horizontal infrastructure and vertical business and SMB-focused SaaS

<table>
<thead>
<tr>
<th>Potential category expertise areas for India</th>
<th>Why India is well positioned to succeed</th>
<th>Success story so far</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Horizontal infrastructure</strong></td>
<td>• Second largest developer base globally makes India well-positioned to build and test DevOps tools from India for the world</td>
<td>• 3 unicorns (Postman, Druva, Browserstack) from total of 13 unicorns in Indian SaaS</td>
</tr>
<tr>
<td></td>
<td>• 3 unicorns (Postman, Druva, Browserstack) from total of 13 unicorns in Indian SaaS</td>
<td>• ~20% of Indian SaaS funding in last two years</td>
</tr>
<tr>
<td><strong>Vertical business</strong></td>
<td>• Availability of engineering and developer resources allows India to build robust solutions catering to all use cases</td>
<td>• 2 unicorns Zenoti (beauty and wellness) and Innovaccer (Healthcare Tech)</td>
</tr>
<tr>
<td></td>
<td>• High domestic growth in sectors such as e-commerce supports rise of logistics tech and online education supporting edtech</td>
<td>• ~25% of Indian SaaS funding in last two years</td>
</tr>
<tr>
<td><strong>SMB focused</strong></td>
<td>• Increasing digitisation post-Covid is driving SaaS adoption in smaller businesses globally</td>
<td>• ~50% deal volume¹ in Indian SaaS in 2021*</td>
</tr>
<tr>
<td></td>
<td>• Highest global share in MSMEs² and ~45% willingness to adopt² business applications, such as CRM tools</td>
<td>• Success stories globally (e.g., Zenoti, CareStack) and in India (e.g., Classplus, Khatabook)</td>
</tr>
</tbody>
</table>

¹ International Finance Corporation World Bank
² Tally and Kantar Survey: ~45% of MSMEs willing to adopt business applications such as financial applications and CRM solutions over the next 2–3 years
³ Only for Series A and higher rounds
4 Data for 2021 until 30 September 2021

Sources: Tracxn; industry participant interviews; Bain analysis
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