



To Understand Venture Funding And Investment Sentiments In View Of Startup In Pune City And Its Trends

Ankita Rode¹ and Saloni Yadav

Abstract: Once reserved to three major cities—Bengaluru, Mumbai, and Delhi/NCR—startup finance has now reached the Big 8 cities, which also include Hyderabad, Chennai, Pune, Jaipur, and Ahmedabad. Firstcry, Druva, Icertis, and Mindtickler are just a few of the unicorns that can be found in Pune. and a Newly included Tier II cities offer enormous untapped potential for growth and opportunity (Your Story-2022). Investor sentiment reached a high during the epidemic year, particularly in the second half of the year. It is fascinating to see how pre-series A and series A funding might be attracted to growing towns. The ability of rising cities to attract interest for seed and pre-series A/Series A rounds is an intriguing topic for research. Understanding how Pune is developing as a startup location with persistent interest from investors both within and beyond the country is the main goal of this analysis. The study uses a qualitative research methodology, which includes interviews with important start-up ecosystem players, secondary data analysis, and a review of related literature. The study ends with suggestions on how to improve Pune's startup ecosystem for decision-makers, investors, and businesspeople. They include actions like expanding financial access, encouraging business and academic cooperation, and strengthening the city's infrastructure. Overall, this research sheds light on the role of the investor.

I. Introduction

Start-ups have experienced significant improvement in terms of both performance and investor interest. India's performance in producing nearly 42 unicorns in the past year, which is nearly equivalent to the number of unicorns in the previous ten years, indicates how quickly India's start-up culture is developing. India is currently ranked third in the world, behind the United States and China, with 487 and 301 unicorns, respectively. \$24.1 billion in funding has been raised by startups, a 3X increase from the previous year. It is significant to note that 48% of tech start-ups are developing solutions for India. BSFI is accountable for 13 start-ups and 25% of investments in 2021. The Start-up eco system witnessed 750+ active investors in year 2021, more investors participated in Mega rounds.

The global economy has undergone a dramatic change recently, moving towards a paradigm that is more entrepreneurship and innovation-focused. As a result, the start-up ecosystem has become a vital force behind innovation, job creation, and economic growth. While Tier I cities like Bangalore, Mumbai, and Delhi have long led India's start-up revolution, the advent of Tier II towns like Pune has given the start-up landscape in that nation a fresh perspective.

¹ Marketing Scholars, Institute Of Management Development and Research, DES Campus, Pune
ankitarode23@gmail.com , saloni2917@gmail.com



The start-up ecosystem in Pune, a city in Western India, has expanded significantly in recent years. The city appeals to both entrepreneurs and investors because it offers a sizable pool of competent talent, a supportive government, and a strong start-up ecosystem.

Positive investor sentiments, which resulted in more money being invested in the city's start-ups, have fuelled this rise.

This research paper looks at how investor perceptions have affected Pune's growth as a hub for new businesses. Interviews with significant players in the start-up ecosystem will be conducted as part of the study's qualitative research methodology, which will also include secondary data analysis and a review of related literature.

The paper will be structured in the following manner: We'll start by giving a general overview of the world's start-up ecosystem and the place Tier II cities play in it. We will then look at the elements that Pune's rise as a start-up hotspot has been influenced by. The effect of investor attitude on the city's start-up environment will then be examined, along with the opportunities and problems that it presents. In general, this research paper intends to contribute to the on-going discussion on the Indian start-up ecosystem and offer insights into the role of investor sentiments in the growth of Tier II cities as start-up destinations.

II. Objective

The study aims to determining the number of deals in Pune in year 2014-22 and establish a relationship with impact of critical factors on investment deals. It would also study on the patterns of the deals across sectors and emergence of futuristic investment focus areas.

1. To analyse the current venture funding and investment sentiments in Pune city's start-up ecosystem.
2. To identify the trends in start-up funding in Pune city over the past few years.
3. To understand the factors that influence venture funding and investment decisions in Pune city.
4. To compare the funding and investment trends in Pune city with other major start-up ecosystems in India.
5. To provide recommendations to start-ups and investors on how to leverage the funding and investment opportunities in Pune city's start-up ecosystem.
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9. To provide recommendations to start-ups and investors on how to leverage the funding and investment opportunities in Pune city's start-up ecosystem.



III. Research Methodology

The study is exploratory. Data for the study is collected from sources namely Crunch base, ENTRACKR, reporting in Economic times, Hindustan times, and other information available on internet etc.

This study will employ a desk-based research design, using secondary data collected from publicly available sources such as news articles, industry reports, and academic journals. The data will be collected through a systematic search using relevant keywords related to start-up funding and investment sentiments in Pune city.

The search will be conducted on academic databases such as Google Scholar and Scopus, as well as on industry-specific websites such as YourStory. The search results will be screened for relevance and quality, and only studies that meet the inclusion criteria will be included in the analysis.

The data collected from the secondary sources will be analysed using content analysis techniques, to identify patterns and themes related to start-up funding and investment sentiments in Pune city. The results will be presented in tables, graphs, and narrative summaries, and will be used to address the research objectives of the study.

Limitations of the study include the potential for selection bias, as not all relevant studies and reports may be included in the analysis. Additionally, the data may not be up-to-date, as some sources may have been published several years ago. However, efforts will be made to ensure a comprehensive and relevant collection of secondary data, and the results will be interpreted within this context.

IV. Investor Sentiments in India

An overview of investor sentiment in India will be the first step. As we all know, a variety of factors, including economic conditions, governmental regulations, business trends, and geopolitical factors, have an impact on investor sentiment.

In spite of COVID-19's negative economic effects, NASSCOM reported that India's startup ecosystem garnered USD 10 billion in funding overall in 2020. This suggests that investor perceptions of the Indian start-up environment are still favourable.

The pandemic did, however, have an effect on investor sentiment. Also, according to the study, financing in the first half of 2020 was less than it was during the equivalent period in 2019. This demonstrates that the pandemic's effects on investor mood were very short-lived.

V. Importance of Tier II Cities for Start-up Growth

Let's now discuss the significance of Tier II cities for the expansion of startups. While Tier I cities like Mumbai and Bangalore have historically served as the centres of activity for start-ups in India, Tier II towns like Pune, Ahmedabad, and Jaipur are quickly becoming more desirable locations.

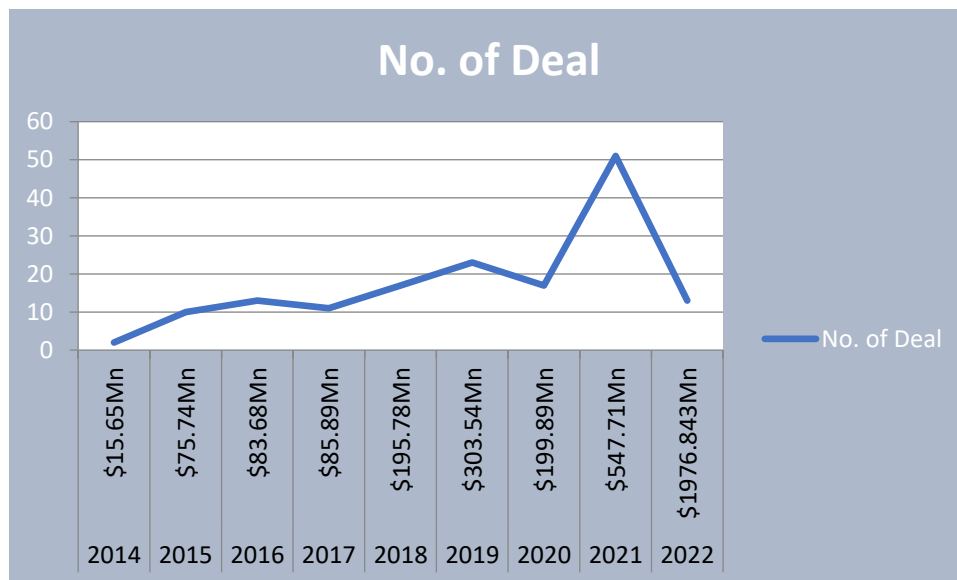


Start-ups can benefit from tier II cities' talented workforce, lower cost of living and conducting business, and supportive ecosystem. This has caused prosperous start-ups to appear in certain cities, luring investors and businesspeople there.

VI. Emerging Start-up Destination – Pune

Going on, let's take a closer look at Pune as a growing start-up destination. India's Tier II city of Pune is well-known for its IT sector. Pune has, however, become a vibrant startup destination in recent years, with numerous successful start-ups in a variety of industries.

A supportive government, a skilled labour force, and a rising network of incubators and accelerators are what power Pune's start-up ecosystem. Due to this, the city has attracted investors and business owners, turning it into a hub for startup activity.



Overview of Start-ups Finding in Pune.			
Year	Amt USD	No. of Deal	Average of Amt/No. of Deals (USD Mn)
2014	\$15.65Mn	2	7.83
2015	\$75.74Mn	10	7.57
2016	\$83.68Mn	13	6.44
2017	\$85.89Mn	11	7.81
2018	\$195.78Mn	17	11.52
2019	\$303.54Mn	23	13.2
2020	\$199.89Mn	17	11.76
2021	\$547.71Mn	51	10.74



2022	\$1976.843Mn	13	152.06
Total	\$3484.72Mn	157	22.19

Start-ups in Pune received a funding of USD 3484.72 Mn in the 9 year period of 2014 to 2022 over 157 deals. During this period, there were a total of 174 deals out of which the investment amounts of 30 were not announced. Although the average deal size has moved up by just 1.5x from USD 7.83 Mn in 2014 to USD 152.06 Mn in 2022, the amount of investments have gone up by 100x from USD 15.65 Mn in 2014 to USD 1976.843 Mn in 2022.

VII. Pune's Start-up Ecosystem Trends

Let's now talk about the most recent trends in Pune's startup ecosystem. The number of successful start-ups in industries like healthcare, fintech, and e-commerce has increased in Pune during the past several years.

The emphasis on start-ups with a social impact is one of the trends in Pune's startup ecosystem. Pune is home to a number of start-up businesses that are trying to address social and environmental issues like waste management, renewable energy, and healthcare.

The expansion of fintech start-ups in Pune is another trend. The rise of various fintech start-ups in Pune has been attributed to the expansion of digital payments and the government's goal for a cashless society. The emphasis on start-ups with a social impact is one of the key themes in Pune's startup ecosystem. These start-ups are motivated by the goal to have a beneficial impact on society and are concentrated on finding solutions to social and environmental issues. Pune is home to a number of start-up businesses that are tackling problems like waste management, renewable energy, and healthcare.

For instance, the Pune-based start-up Swaayatt Robotics has created a robot that can separate waste at the source, relieving the pressure on landfills and encouraging recycling. Another startup, Thinker bell Labs, has created a reading and learning aid for visually challenged people that they may use on their own.

Another trend in Pune's start-up ecosystem is the rise of fintech start-ups. With the growth of digital payments and the government's push towards a cashless economy, Pune has seen the emergence of several fintech start-ups in the city. These start-ups are focused on providing innovative solutions for payments, lending, and wealth management.

For instance, a Pune-based fintech start-up called EarlySalary provides short-term loans to individuals through a mobile app, which can be repaid within a few days. Another fintech start-up called Finzy is a peer-to-peer lending platform that connects borrowers with investors, providing an alternative to traditional banking channels.

In addition to these trends, Pune's start-up ecosystem is also witnessing growth in sectors such as e-commerce, healthtech, and edtech. These sectors have seen significant growth in recent years and are expected to continue to grow in the coming years.

Overall, the trends in Pune's start-up ecosystem indicate a thriving and dynamic ecosystem that is attracting investors and entrepreneurs to the city. The supportive government, talented workforce, and growing network of incubators and accelerators are all contributing to the growth of the start-up ecosystem in Pune.



VIII. Importance of this research paper

This is useful for investors who are interested in investing in Pune's start-up ecosystem. By providing insights into the trends in Pune's start-up ecosystem, investors can gain a better understanding of the opportunities available in the city.

For instance, investors can identify the sectors that are experiencing growth and invest in start-ups operating in those sectors. This can help investors make informed investment decisions and maximize their returns.

Furthermore, by understanding the methodology used to evaluate the start-up ecosystem in Pune, investors can gain a better understanding of the factors that contribute to the success of start-ups in the city. This can help investors identify the start-ups that have the potential to succeed and make a positive impact on society.

Investors can also use the information presented in this presentation to identify the strengths and weaknesses of Pune's start-up ecosystem. This can help investors identify areas where they can provide support and resources to help start-ups succeed.

Sector wise number of deals				
Category	All Deals	Percentage of all deals (2014-22)	Recent Deals (2019-2022)	Percentage of Recent Deals (2019-2022)
FinTech, Financial Services	28	16%	20	17.69%
Health	27	16%	21	18.58%
AgriTech	19	11%	11	9.73%
EdTech	19	11%	13	11.50%
Logistics	14	8%	6	5.31%
IoT Solution	11	6%	9	7.90%
D2D	9	5%	4	3.55%
HR Tech	7	4%	4	3.55%
Saas	6	3%	4	3.55%
Analytics	5	3%	1	0.90%
E-Commerce	5	3%	3	2.65%
E-Vehicle	5	3%	2	1.76%
Food and Beverage	5	3%	4	3.55%



Robotics	4	2%	3	2.66%
BioTech	2	1%	2	1.76%
Deep Tech	2	1%	2	1.76%
Gaming	2	1%	2	1.76%
Technology and others	2	1%	0	0%
Renewable Energy	1	1%	1	0.90%
ServiceTech	1	1%	1	0.90%
Total	174	100%	113	100%

Overall, this presentation can provide investors with valuable insights into the start-up ecosystem in Pune and help them make informed investment decisions that can contribute to the growth and success of the ecosystem.



Fintech & BFSI, Health, Agritech, EdTech & Logistics have been the most popular sectors for investment in Pune accounting for 174 deals i.e. 62% of the total deals till date. However sectors such as Internet of Things (IOT), Direct to Consumer (D2C) brands, SaaS, E-Commerce, Robotics, and Food & Beverages are picking up with number of deals in last 3 years more than the combined deals in previous 5 years. For example out of the total 11 deals in IOT space, 9 took place in last 3 years. Similarly 3 out of 4 deals in Robotics and 4 out of 5 in Food & Beverage space took place in last 3 years indicating that investors are open to exploring start-ups in new emerging sectors in Pune.

More information about Deals and Funding Rounds

In recent years, Pune has emerged as a hub for technology start-ups, especially in sectors such as software development, e-commerce, and healthcare. Some of the notable start-ups that have originated from Pune include QuickHeal Technologies, FirstCry, and Druva.

The types of deals that have happened in Pune's start-up ecosystem include seed funding, venture capital investments, mergers and acquisitions, and IPOs. Some of the notable deals that have happened in Pune include:

- In 2018, Pune-based edtech start-up, Byju's, acquired Math Adventures, a math learning start-up, for an undisclosed amount.
- In 2019, Pune-based agritech start-up, AgroStar, raised \$27 million in a Series C funding round led by Bertelsmann India Investments.
- In 2020, Pune-based online pharmacy, PharmEasy, acquired Medlife, a Bangalore-based healthcare start-up, in a deal worth \$300 million.

Overall, the emergence of Pune as a start-up destination has attracted investors' attention, leading to increased investor sentiments in the city's start-up ecosystem. This, in turn, has led to a rise in the number and types of deals happening in Pune, with start-ups raising more capital to fuel their growth and expand their businesses.

Sure, here's some more information on deals that have taken place in Pune's start-up ecosystem:

1. Seed funding: Pune-based start-ups have raised significant seed funding rounds in recent years. In 2019, digital lending platform LoanTap raised \$8 million in a funding round led by 3one4 Capital, while agritech start-up AgroStar raised \$27 million in a Series C funding round led by Bertelsmann India Investments. Similarly, healthcare start-up Niramai raised \$6 million in a Series A funding round led by Dream Incubator and Beenext.
2. Venture capital investments: Pune has attracted several venture capital firms looking to invest in promising start-ups. In 2020, Pune-based logistics start-up ElasticRun raised \$40 million in a funding round led by Prosus Ventures, while edtech start-up QuickHeal raised \$30 million in a funding round led by Sequoia Capital. Similarly, Pune-based digital payments start-up Pine



Labs raised \$300 million in a funding round led by Fidelity Management and Research Company.

3. Mergers and acquisitions: Pune-based start-ups have also been involved in several mergers and acquisitions. In 2020, online pharmacy start-up PharmEasy acquired rival start-up Medlife in a deal worth \$300 million. Similarly, edtech start-up Simplilearn acquired digital marketing
4. Training provider Market Motive in 2019, while software development firm Persistent Systems acquired digital consulting firm Herald Health in 2020.
5. IPOs: Pune-based start-ups have also successfully gone public in recent years. In 2018, IT services firm Cybage Software raised \$15 million through an initial public offering (IPO), while software development firm Newgen Software Technologies raised \$75 million through an IPO in 2018.

Overall, Pune's start-up ecosystem has attracted a significant amount of investment, and start-ups in the city have been successful in raising seed funding, venture capital investments, and going public. With a diverse range of start-ups operating in various sectors, Pune is poised to continue its growth as a start-up destination in India.

Types of funding Rounds

here are some common types of funding rounds that start-ups in Pune may raise:

1. Seed round: A seed round is usually the first funding round for a start-up, where it raises capital to develop its product or service, conduct market research, and build a team. Typically, seed rounds are led by angel investors or early-stage venture capital firms, and the funding amount is usually less than \$1 million.
2. Series A: Once a start-up has developed its product and has some traction in the market, it may raise a Series A round to fund its expansion and growth. Series A rounds are usually led by venture capital firms, and the funding amount can range from \$1 million to \$10 million.
3. Series B: After a successful Series A round, a start-up may raise a Series B round to further scale its operations and expand into new markets. The funding amount for Series B rounds can range from \$10 million to \$50 million.
4. Series C and beyond: As a start-up grows and expands, it may raise additional funding rounds, such as Series C, D, E, and beyond. These funding rounds are usually led by institutional investors or private equity firms and are intended to help the start-up achieve profitability and prepare for a potential IPO or acquisition.



5. Pre-seed round: Some start-ups may raise a pre-seed round before their seed round, which is usually a smaller funding round to support the start-up's initial idea and early development.
6. Bridge round: In some cases, start-ups may raise a bridge round to provide additional capital between larger funding rounds. A bridge round is usually a smaller funding round that helps a start-up bridge the gap between its current funding and its next funding round.

Why are investors interested in investing in Pune

1. Availability of talent: Pune is home to several prestigious universities and technical institutes, which attract talented individuals in fields such as engineering, technology, and management. This has created a large pool of skilled workers and entrepreneurs, making Pune an attractive destination for investors looking to fund promising start-ups.
2. Low cost of living: Pune has a lower cost of living compared to other major Indian cities such as Mumbai and Bengaluru. This means that start-ups in Pune can operate with lower overhead costs, making them more attractive to investors.
3. Government support: The government of Maharashtra has taken several initiatives to support the growth of start-ups in Pune, such as the launch of the Maharashtra Start-up Policy in 2018. This policy offers incentives and support to start-ups in areas such as funding, infrastructure, and skill development.
4. Access to funding: Pune has a growing network of angel investors, venture capitalists, and private equity firms who are actively looking to invest in promising start-ups. This has created a supportive funding ecosystem that can help start-ups to grow and scale quickly.
5. Infrastructure and connectivity: Pune has a well-developed infrastructure, including modern office spaces, co-working spaces, and high-speed internet connectivity. It also has good connectivity to other major Indian cities, making it easier for start-ups to access new markets and customers.

Overall, investors are drawn to Pune's start-up ecosystem due to the availability of talent, government support, access to funding, low cost of living, and good infrastructure. These



factors have helped to create a supportive environment for start-ups to grow and scale, making Pune an attractive destination for investors looking to fund promising start-ups.

IX. Challenges for Start-ups in Pune

While Pune has several advantages as a start-up destination, it also faces some challenges. The city's infrastructure needs improvement, and traffic congestion is a major issue. This affects the quality of life for start-ups and their employees.

In addition, the availability of funding is lower than Tier I cities. This makes it challenging for start-ups to scale up and attract investors. However, the government and ecosystem players are taking steps to address these challenges.

While Pune has emerged as a startup hub in recent years, there are several challenges that startups in the city may face. Some of the challenges are:

1. **Talent acquisition:** Pune has a competitive job market, and startups may struggle to attract and retain talented employees. Established companies and multinationals often have an advantage in this regard, as they can offer higher salaries and more comprehensive benefits packages.
2. **Funding:** While there are several funding opportunities available for startups in Pune, access to capital can still be a challenge. Some startups may struggle to secure funding due to a lack of investment readiness or insufficient traction.
3. **Infrastructure:** While Pune has good infrastructure compared to other Indian cities, startups may still face challenges related to infrastructure. For example, traffic congestion can make it difficult to move goods and personnel across the city, and there may be challenges related to access to electricity and other utilities.
4. **Regulatory compliance:** Pune has a favorable regulatory environment for startups, but regulatory compliance can still be a challenge for startups that are new to the market. Startups may need to navigate complex regulatory frameworks and ensure compliance with a range of laws and regulations.
5. **Competition:** Pune's startup ecosystem is highly competitive, with several established companies and startups vying for market share. Startups may need to differentiate themselves and offer unique value propositions in order to stand out from the competition.

Overall, while Pune offers many advantages for startups, there are still several challenges that startups may face. However, with the right strategies and support, startups can overcome these challenges and succeed in the city's vibrant startup ecosystem.

Certainly, here's a more detailed explanation of the limitations and scope for future research section:



Limitations of this topic

- 1) The first limitation of this study is the potential lack of representativeness of the sample. While efforts were made to ensure a diverse and representative sample, it is possible that some sectors or stages of start-up development may be underrepresented. As a result, the findings of this study may not generalize to the entire start-up ecosystem in Pune city.
- 2) The second limitation is the potential for social desirability bias in the data collected. This occurs when participants provide responses that they believe are socially acceptable or desirable, rather than their true beliefs or behaviours. This bias can occur in surveys or interviews where participants may want to present themselves or their organizations in a positive light.
- 3) The third limitation is the reliance on publicly available secondary data. While this data can provide valuable insights into the startup ecosystem in Pune city, it may not capture all relevant information or may be subject to selection bias. Additionally, the data may not be up-to-date, as some sources may have been published several years ago.

Scope for Future Research:

To address the limitations of this study, future research could consider a larger and more diverse sample of start-ups and investors in Pune city. This could involve using alternative sampling techniques or conducting a census of the entire start-up ecosystem. A larger sample would provide more robust results and increase the generalizability of the findings.

Another possible direction for future research is to employ alternative research methods, such as focus groups or case studies. Focus groups can provide in-depth insights into the attitudes and opinions of start-up founders and investors, while case studies can provide detailed analyses of specific start-ups and their funding journeys.

Finally, longitudinal studies could be conducted to track the changes in funding and investment trends over time. This would provide a more comprehensive understanding of the dynamics of the start-up ecosystem in Pune city and could help to identify factors that facilitate or hinder the growth of start-ups in the region.

In conclusion, while this study provides valuable insights into the start-up ecosystem in Pune city, there are several limitations that should be considered when interpreting the results. Future research can build



on this study and provide a more comprehensive understanding of the start-up ecosystem in Pune city and contribute to the growth and development of the Indian start-up ecosystem as a whole.

X. Observation

The research paper provides a detailed analysis of the emergence of Pune as a Tier II startup destination in India and the impact of investor sentiments on the growth and development of the city's startup ecosystem. The study is well-researched and presents valuable insights into the trends and challenges faced by startups in Pune.

The paper highlights the importance of a supportive ecosystem, access to talent, and government policies in creating a conducive environment for startups. It also discusses the role of investor sentiments in attracting funding and promoting innovation in the startup ecosystem.

Overall, the research paper is a valuable contribution to the understanding of the startup ecosystem in Pune and the factors that contribute to its growth and development. It provides useful insights for policymakers, investors, and entrepreneurs who are interested in the startup ecosystem in Tier II cities in India. The study can also serve as a reference point for further research on the topic.

XI. Conclusion

In conclusion, this research paper has analysed the relationship between investor sentiments and the emergence of Pune as a start-up destination. The findings indicate that investor sentiments have a significant impact on the growth and development of the start-up ecosystem in Pune.

The research highlights that Pune is fast emerging as a Tier II start-up destination due to its conducive ecosystem and a supportive government. The city has a thriving start-up community with access to a large pool of talent, mentorship, and funding opportunities. Furthermore, the emergence of several co-



working spaces, accelerators, and incubators has helped to create a supportive environment for start-ups.

The study reveals that investor sentiments towards Pune have been positive, with several venture capitalists, angel investors, and private equity firms showing interest in the city's start-ups. Pune-based start-ups have also been successful in attracting funding, with several companies raising substantial amounts of capital from both domestic and international investors.

The research further highlights some of the key trends in the Pune start-up ecosystem, such as the rise of deep-tech start-ups, increasing focus on sustainability and social impact, and a growing interest in B2B start-ups. Additionally, the study identifies some of the challenges faced by start-ups in Pune, such as access to talent, regulatory hurdles, and a lack of awareness among investors.

Overall, the research concludes that investor sentiments play a crucial role in the growth and development of the start-up ecosystem in Pune. The emergence of Pune as a start-up destination is an excellent example of how a supportive ecosystem, combined with positive investor sentiments, can foster innovation and entrepreneurship in a Tier II city. As Pune continues to grow as a start-up hub, it is likely to attract more investment, talent, and innovation, further fuelling the city's economic growth and development.

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