

GenAI, fintech, EVs hot bets for investors in 2024

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Bengaluru, 2 January

Generative artificial intelligence (GenAI), climate tech, and fintech are some of the hot bets founders and investors at the world's largest venture capital firms are expected to pursue this year.

Other such areas include electric vehicles (EVs), space-tech, cybersecurity, logistics, and supply chain.

GenAI is a type of artificial-intelligence technology that can produce various kinds of content, including text, imagery, audio, and synthetic data. It is expected to disrupt industries, such as health care, finance, transportation, manufacturing, entertainment, and retail.

"We are looking for companies that are using AI innovatively for core business applications as well as firms that are building development tools for the AI ecosystem," said Prayank Swaroop, partner, Accel.

It's just been a little over a year since ChatGPT, an AI chatbot that uses natural



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**GAURAV SHARMA,
HEAD, PRIVATE EQUITY
(INDIA), INVESTCORP**

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INTO THE FUTURE

■ **Companies experimenting** with AI in marketing, sales, design, communication

■ **\$15.7 trn** contribution by GenAI in global economy by 2030, according to PwC

■ **India's software-as-a-service market** projected to reach \$50 bn by 2030, according to Bessemer Venture Partners

language processing to create humanlike conversational dialogue, was released by OpenAI. Accel is seeing a massive user adoption. Companies are experimenting heavily with AI in areas such as marketing, sales, design, and communication.

Accel invested in Effectiv earlier this year, a real-time platform that enables financial institutions and fintechs to prevent fraud and reduce risk.

The year 2023 brought a mix of highs and lows. Many companies worked to reduce their expenses and stretch their capital further. However, founders continued to start companies in new areas like GenAI, according to Dev Khare, partner, Lightspeed. Lightspeed has backed many companies in this area in the US, Europe, Israel, Southeast Asia, and India.

"We capitalised on this trend with

investment in promising companies like Sarvam, Thena, Portkey, and Gushwork in the AI domain," said Khare.

Experts said about \$25 billion had been invested in building GenAI globally. But a lot of that has not yet come to India, opening up huge opportunities for startups in the country.

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GenAI leading the charge, according to Gaurav Sharma, head of private equity, (India), Investcorp. He said the potential of AI to contribute significantly to the global economy was immense, with consulting firm PwC estimating a \$15.7 trillion addition by 2030.

"In India, the GenAI startup ecosystem is unfolding with remarkable speed, signalling a new era of technological advancement and investment opportunities," said Sharma. "The growth and potential of these startups are substantial, driven by a unique blend of innovation, talent, and entrepreneurial spirit."

Additionally, Khare said Lightspeed's investment focus would continue to be directed towards core segments. These include consumer, fintech, enterprise, and e-commerce. It would also explore emerging sectors that show promise such as climate, electric vehicles, enterprise, consumer supply chain, space-tech, and business-to-business spaces.

Another big opportunity is India's software-as-a-service market. A report by Bessemer Venture Partners forecasts an impressive growth trajectory, projected to reach \$50 billion by 2030.

Rethinking strategies

Also, 2023 was a wakeup call for India's tech scene, according to Sheetal Bahl, partner, Merak Ventures. In this evolving landscape, Bahl said GenAI stood out as a wildcard for 2024. He said its rapid evolution turned every prediction into a gamble. Yet it's this very unpredictability that spells enormous opportunity for the bold and the prepared.

Simultaneously, the venture capital (VC) world is poised for a recalibration. Bahl said the days of mega funds might be numbered, giving way to more strategically sized investment. This means some funds will need to adapt, streamline, or even cease operations. "It's a natural evolution towards a more effective and sustainable VC environment, aligning perfectly with our ethos at Merak: To invest wisely and for the long haul," said Bahl.

One such Indian startup is Sarvam AI, founded by Vivek Raghavan and Pratyush Kumar. It recently raised \$41 million in the Series A round. This funding, led by Lightspeed and supported by Peak XV Partners and Khosla Ventures, represents the largest raise at this stage for an Indian AI startup.