

VCs warm up to startups in traditional industrial sectors

S SHANTHI
Bengaluru, November 3

VENTURE CAPITAL FUNDING is steadily shifting towards startups operating in traditional industrial sectors. Business models which are gaining traction include contract manufacturing, renewable energy infrastructure, EV manufacturing and charging networks, and defence ancillaries.

According to data from Tracxn, startups in these high-growth industrial segments raised \$534.05 million in funding so far this year, compared with \$443.82 million in 2024. Speciality chemical firms such as Scimplify, Elchemy, and Mstack, and textile manufacturing startup Fantail are among those that have secured new rounds of funding over the past year.

Many of these startups are

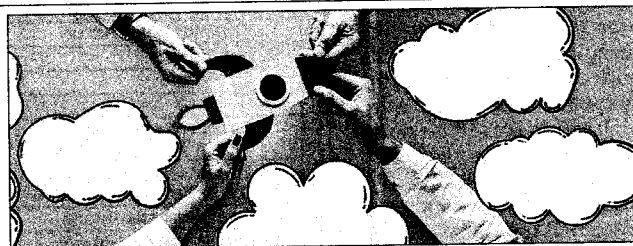
building sensors, control systems, and AI-driven systems that help modernise legacy industries without requiring the establishment of new plants. Their ability to combine hardware intellectual property with software intelligence has made them particularly attractive to investors looking for defensible and high-margin businesses.

"For a decade, venture capital chased consumer and fintech scale — bytes over atoms. Now, capital is following necessity, not novelty," Manu Iyer, co-founder and managing partner, Bluehill VC, told *FE*. The firm, which invests in defence, aerospace, energy, and advanced manufacturing, counts Raptee Energy and EtherealX among its portfolio companies. "Our lens is simple: if the technology fundamentally changes physics-to-economics

STRUCTURAL REALIGNMENT

■ Startups in industrial segments raised
\$534.05 mn
in funding so far this year, compared with
\$443.82 mn

in 2024



■ Experts attribute the renewed investor interest to stronger policy support and growing capacity

■ Production-linked incentive schemes and rising defence budgets fuelling the shift, experts say

■ Shift reflects structural realignment rather than short-term funding trend

■ Investors say these startups differ from consumer-tech models that prioritised growth over profitability

equations, better energy density, lighter materials, faster compute, we are interested," he added.

Industry experts attribute the renewed investor interest to stronger policy support and

growing domestic capacity in the industrial ecosystem. "These aren't abstract bets anymore, they are grounded in clear policy signals and visible demand," Somdutta Singh, serial entrepreneur and founder-

CEO, Assiduus Global, said, pointing towards various production-linked incentive (PLI) schemes. "Defence budgets are rising too, with 75% of capital spending now reserved for domestic suppliers. Add to that

the 18.5 GW of solar manufacturing capacity enabled under the PLI scheme this year, and you can see why VCs are eyeing manufacturing, energy, and deeptech with fresh optimism," she said.

According to analysts, this shift reflects a structural realignment rather than a short-term funding trend, supported by stable policy frameworks, improving supply chains, and visible exit pathways. The listings of IdeaForge in 2023 and Ather in 2025 have strengthened investor confidence, while several defence-tech firms are attracting acquisition interest from Indian conglomerates and global defence majors.

"Once the flywheel of funding, scaling, and exits starts spinning, it sustains itself. Founders see proof points, LPs

(limited partners) see returns, and the ecosystem compounds," Iyer said.

Referring to businesses in traditional industrial sectors such as manufacturing, advanced materials, chemicals, water, renewable energy, defence and aerospace, Krushant Pandya, vice-president, investments, BlackSoil, said, "These businesses are asset-backed, have strong order visibility, and cater to both domestic and export markets".

The venture debt firm has backed Wardwizard Innovations, Neuron Energy, IdeaForge, and Cellector, among others.

Investors say these startups differ from earlier consumer-tech models that prioritised growth over profitability. They are cash-flow driven, capital-efficient, and aligned with the country's long-term industrial and energy priorities.

Kolkata