

In India's start-up scene, unicorns abound but investments still lag

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India is the third largest ecosystem in the world, just after the US and China, in terms of the number of unicorns it has spawned. However, the country has a long way to go to break into the global start-up rankings based on overall investment activity.

Data from research firm PitchBook's recent start-up hub rankings — which compare global cities based on the size and maturity of their start-up ecosystems — features no Indian cities in the global top 25. Bengaluru, at the 28th spot with an overall score of 41.5 is India's biggest start-up hub. Mumbai is in the 33rd spot, Gurugram 39th and New Delhi follows far behind at 70th rank. The southern cities of Hyderabad and Chennai are at the rear end of the list at 93rd and 94th positions respectively.

DATA FOCUS.

PitchBook's rankings are based on the size, maturity and growth rates of the location's VC ecosystem.

Emphasis is placed on the ability of start-ups based in the city to secure capital, grow and create exits. This is judged using PitchBook's proprietary data around funding deals and exit action.

For instance, at 28th rank, Bengaluru recorded 150 deals worth around \$14.5 billion between September 2018 and June 2024. The city saw 202 start-up exits valued at \$20.7 billion.

In comparison, the top three global start-up cities — San Francisco, New York and Los Angeles — recorded venture capital deals that were several times higher than Bengaluru in the same period.

Exit activity (number of exit deals) was also 10X, 5X and 4X higher than India's top-ranked Bengaluru.

TOP HUBS

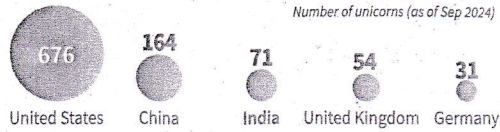
"Outside of China, Seoul, Tokyo and Singapore are the main challengers for VC activity in Asia," PitchBook analysts wrote in the note. However the report is also optimistic about India.

"India has the third-highest number of unicorns and capital invested stands at \$118.4 billion, ranking

The India start-up story

India has the third largest number of unicorns globally...

Number of unicorns (as of Sep 2024)



...but the country's start-up hubs still rank low in global rankings

Venture capital deal values and deal counts of cities during Q3 2018 to Q2 2024

Rank	City	Overall score*	Fundraising value (in \$ b)	Fundraising count	Exit value (in \$ b)	Exit count
28	Bengaluru	41.5	14.5	150	20.7	202
33	Mumbai	40.3	17.6	193	10.8	87
39	Gurugram	38.4	3.8	38	12.3	64
70	New Delhi	28.4	2.6	60	8.7	52
75	Noida	27.5	2.3	11	18.0	31
93	Hyderabad	21.1	0.9	21	0.5	23
94	Chennai	20.9	0.2	14	0.6	22

American and Chinese cities remain top start-up hubs of the world as of June 2024

Venture capital deal values and deal counts of cities during Q3 2018 to Q2 2024

Rank	City	Overall score*	Fundraising value (in \$ b)	Fundraising count	Exit value (in \$ b)	Exit count
1	San Francisco (US)	79.6	676.2	4,405	673.6	1,995
2	New York (US)	70.1	232.9	2,193	174.9	1,150
3	Los Angeles (US)	61.6	52.9	920	175.3	810
4	Boston (US)	61.0	149.1	1,200	168.8	664
5	Shanghai (China)	57.7	194.0	2,166	174.2	232
6	London (UK)	57.5	111.8	915	68.3	677
7	Tokyo (Japan)	56.9	200.8	783	26.4	428
8	Singapore	55.3	26.9	409	39.3	190
9	Beijing (China)	54.6	306.7	2,790	278.4	295
10	Shenzhen (China)	53.8	103.4	1,416	72.9	129

*Overall score is arrived as a combination of development score and growth score. Development score denotes established ecosystems that have been built over several years. Growth scores denote recent developments and oscillate based on recent large deals
Source: CB Insights, Pitchbook's Global VC Ecosystem rankings June 2024

fourth for deployment among our top nations. Both metrics are positive signs for India as it looks to capitalise on its vast technical IT talent and convert it into entrepreneurial VC ecosystems," it added.

While cities based in the US make up four out of the top 10 locations, Chinese cities of Shanghai (5), Beijing (9), and Shenzhen (10) also feature among top hubs.

While larger populations tend to result in higher-ranking VC ecosystems, this is not always the case.

For instance, the UK, with a population of just around 67 million, is also in the top 10.

Professor Thillai Rajan A, Head of Centre for Research on Start-ups and Risk Financing (CREST), IIT Madras,

said for a start-up, the primary needs are capital and markets, and the city's network of investing community largely determines the success of its start-ups.

"All things being equal, investors prefer to invest in start-ups that have geographical proximity," he said. "The city's propensity to create the initial market for the start-up, in terms of people's appetite to try out innovative products, also contributes to the growth," he added.

With respect to India's position in global ranks, Rajan notes that in countries like the US, Israel, or China, the various stakeholders — the government, investors, universities and others — act in tandem supporting each other, and the same is needed in Indian cities.