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SaaS Shows the Way for Fund-Starved Indian Start-ups

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The funding winter for Indian start-ups has hung on longer than we had anticipated. The fund crunch is expected to continue for at least 12-18 months more, fuelled by headwinds like fears of global recession, the energy crisis in the UK and Eurozone and the slide in major currencies- GBP and Euro. Funding has tightened for growth-stage and mature start-ups. Money bags like Softbank and Tiger Global which once showed a huge appetite for the Indian start-up story, have turned circumspect. Their decision only stems from the lacklustre performance of the Indian start-up companies, especially the ones that got listed with much euphoria on the stock exchange but their scrip went downhill, eroding investor confidence.



Here, let's not miss the wood for the trees. **The start-ups whose stocks faced carnage after listing are the ones without robust business fundamentals, good governance and a defined trajectory for profitability. These ambitious start-ups insanely chased**

valuations when they should have focused on value addition. Moreover, they were high cash-burn start-ups. Once funding petered out, they found it challenging to sustain themselves.

Let's drift to the other side of the start-up ecosystem- the one populated by Software as a Service or SaaS companies. Unlike their overvalued peers, fundraising isn't a challenge for these firms. True, SaaS start-ups haven't minted too many unicorns. India has 1000+ SaaS start-ups and barely 10 of them have earned the unicorn tag. However, contrary to some well-capitalized tech start-ups that hit the 'product market misfit' situation, SaaS companies have found their feet and shown their feat too. A virulent pandemic reset the way people work. It spurred companies to fast-track their digitalization journey. And SaaS companies proved to be great enablers in this journey. With the availability of cloud platforms like AWS and access to better and cheaper internet connectivity, building new SaaS applications has become affordable. This is opposed to on-premise software deployment where clients need to pay steep upfront costs and worry about maintenance and updates. Today, a third of all software that the world uses is SaaS. And the frenetic pace of SaaS adoption is a pointer that the situation will reverse in a few years.



Today, India boasts of the third largest SaaS ecosystem globally, next only to US and China. A report titled 'Shaping India's SaaS Landscape' by SaaSBOOMi, in association with McKinsey projects a $1 trillion opportunity for Indian SaaS companies with the potential for half a million new jobs by 2030. The Indian SaaS success story is undeniable with companies such as Zenoti, Chargebee, MindTickle, and BrowserStack turning 'unicorns'. The success got SaaS-ier with the phenomenal listing of Chennai-based Freshworks on Nasdaq, the first

from India.

The Global SaaS market is about $150 billion and growing at a CAGR of 23 percent and according to Nasscom. Currently, Indian SaaS contributes one percent to the overall global market, which is expected to grow to four to five percent in the years ahead. Many SaaS startups are following Freshworks' business model, right down to its decision to go public. Due to India's substantial growth opportunities, many resourceful entrepreneurs are proving that they can build businesses with Indian customers and then expand into global markets. An incredible bull run has firmly anchored the Indian SaaS juggernaut on the global stage, as it experiences a ‘coming of age’ moment.

Many factors have contributed to the burgeoning SaaS success story. Smarter customization and implementation for a diverse customer base and the rise of deep-tech startups with their passion to innovate, and create new solutions leveraging the quality talent available have been the key drivers. On top of it, the expanding adoption of disruptive technologies like Artificial Intelligence (AI), Machine Learning (ML), Natural Language Processing (NLP) & IoT have kept the SaaS engine humming.



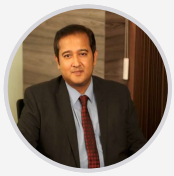
The SaaS model is flexible and fungible. Scalable too. Clients pay as they use, can change their usage plan anytime and can access it anywhere with network capabilities. Also, SaaS products are democratic as they are industry-agnostic and can be implemented across verticals and horizontals. SaaS offerings have enabled the smooth marriage of data and business processes.

The long funding winter has risked the future of some overvalued, high cash-burn start-ups. But SaaS companies have weathered the storm and are shaping a resilient story. More in this blog: https://t.co/NhgYrN5g5Z@SoftBank_Group @startupindia @FreshworksInc #SaaS @nasscom

— Priyadarshi Nanu Pany (@NanuPany) January 17, 2023

Apart from the profusion of opportunities brewing for them within the country, Indian SaaS start-ups are also meeting the changing business dynamics of global markets. The current breed of homegrown SaaS firms can take on their global counterparts and unlock a treasure trove for the future. As digitalization matures, every core business process will embed SaaS. **The more you are SaaS-ified, the more satisfied is your business. Your customers too.**

This blog was originally published in Priyadarshi Nanu Pany's Medium account, also available on his LinkedIn account.



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