
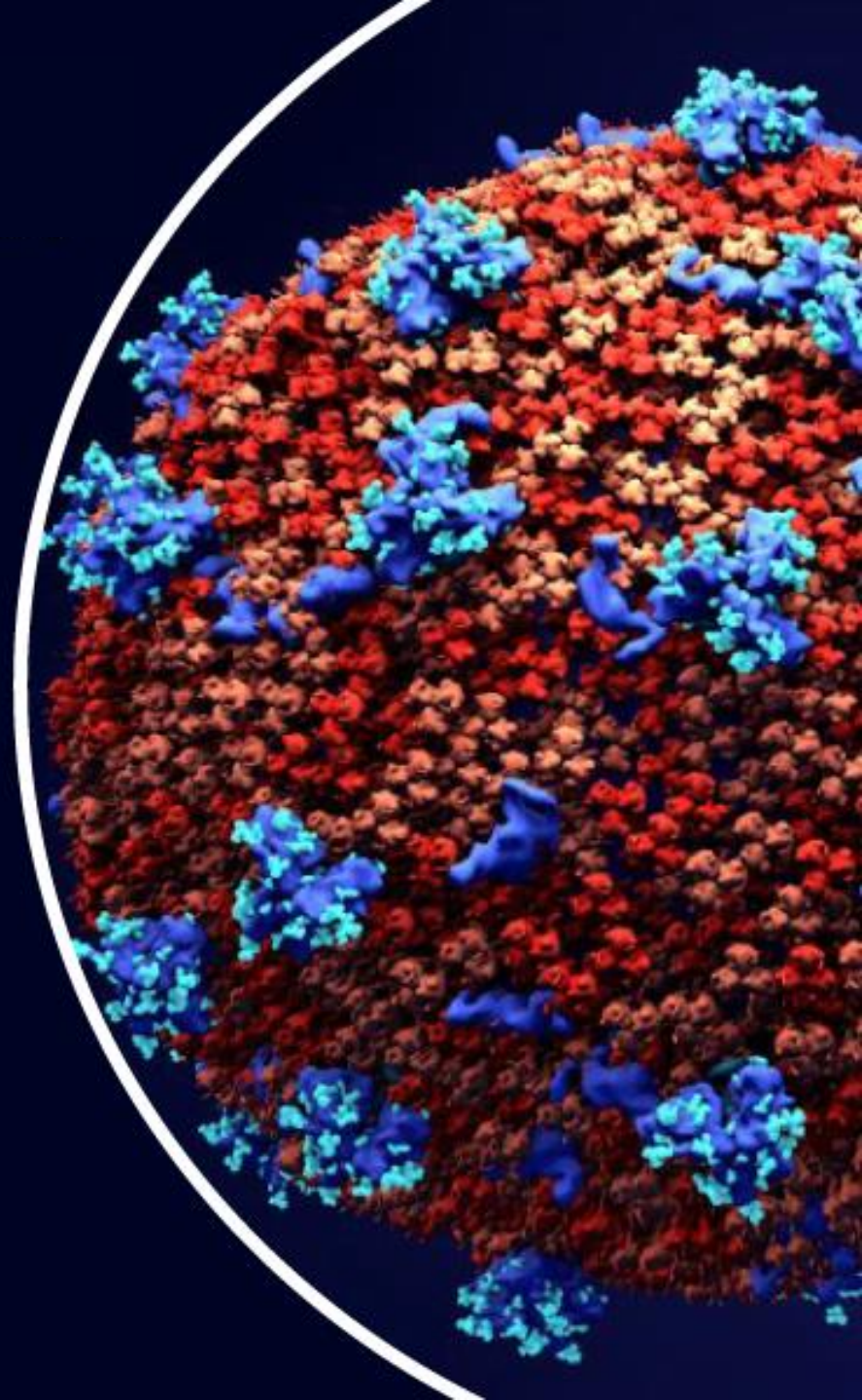


# Startup Sentiment Survey Report

## April 2020

Understanding the impact and measures taken by the startups to counter the slowdown triggered by the COVID 19

 Technology and Internet



# Current economic crisis is different in four ways



- **More intense/sudden**

- Sudden drop in business volumes and consumer confidence



- **More pervasive**

- Has started across countries, simultaneously
- Impacting industries and verticals



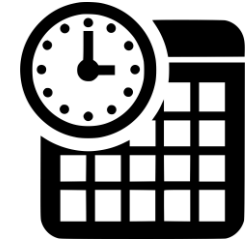
- **Very fragile**

- Difficult geo-political backdrop (escalating US-China trade war, US-Iran conflict, HK protests, Turkey/Europe refugee crisis, US elections)



- **De-globalization despite more global coordination**

- Exports of goods and services as % of GDP has grown from ~19% in 2001 to ~30% in 2018
- International tourist arrivals increased from 682M in 2000 to 1.4B in 2018
- But, rapidly growing unemployment, Brexit, diverging fiscal strengths in BRICS



**Startups  
need to  
endure the  
pain for  
longer**

**Local  
recovery**

## Key Learnings

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- 1 In the last 2 weeks, ~50% of startup CEOs faced operational challenges, drop in productivity and delay in payments
- 2 Over the next 3 months (Apr-Jun 2020), ~ 84% of CEOs believe fundraising environment will decline and 74% of CEOs believe growth will decline
- 3 The next 2-year outlook is positive for profitability (69% believe it will be better than FY20) and moderate for growth and fundraising
- 4 >50% Indian startup CEOs believe new business opportunities will start to appear after the initial 3 months (June 2020 onwards)
- 5 ~21% of startups have cash reserves of less than 6 months, 37% with 6-12 months, 21% with 12-24 months and 21% with more than 24 months of cash. While 52% of startups think they would require cash reserves of more than 12 months for business continuity.
- 6 ~50% of organizations have already cut marketing and discretionary costs, ~68% are not planning about any kind of downsizing
- 7 Top 3 focus areas for Indian startups apart from conserving cash: process standardization, expansion / growth planning, fundraising
- 8 Top recommendations by founders - Focus on managing/conserving cash by cutting costs but no layoffs

# In the last 2 weeks, ~50% of startup CEOs faced operational challenges, drop in productivity and delay in payments

## How have the last 2 weeks affected business?

% Indian startup founders / CEOs

**40-60%**



**Operational challenges**

**20-40%**



**Delay in receiving supplies /  
raw material**

**<20%**



**Fundraising discussion  
paused / delayed**



**Decline in people  
productivity**



**Shortage of Labour /  
Manpower**



**Suppliers / Service partners  
pausing contracts**



**Customers pausing  
contracts / renewals**



**Increase in customer  
signups**



**Increase in sales**

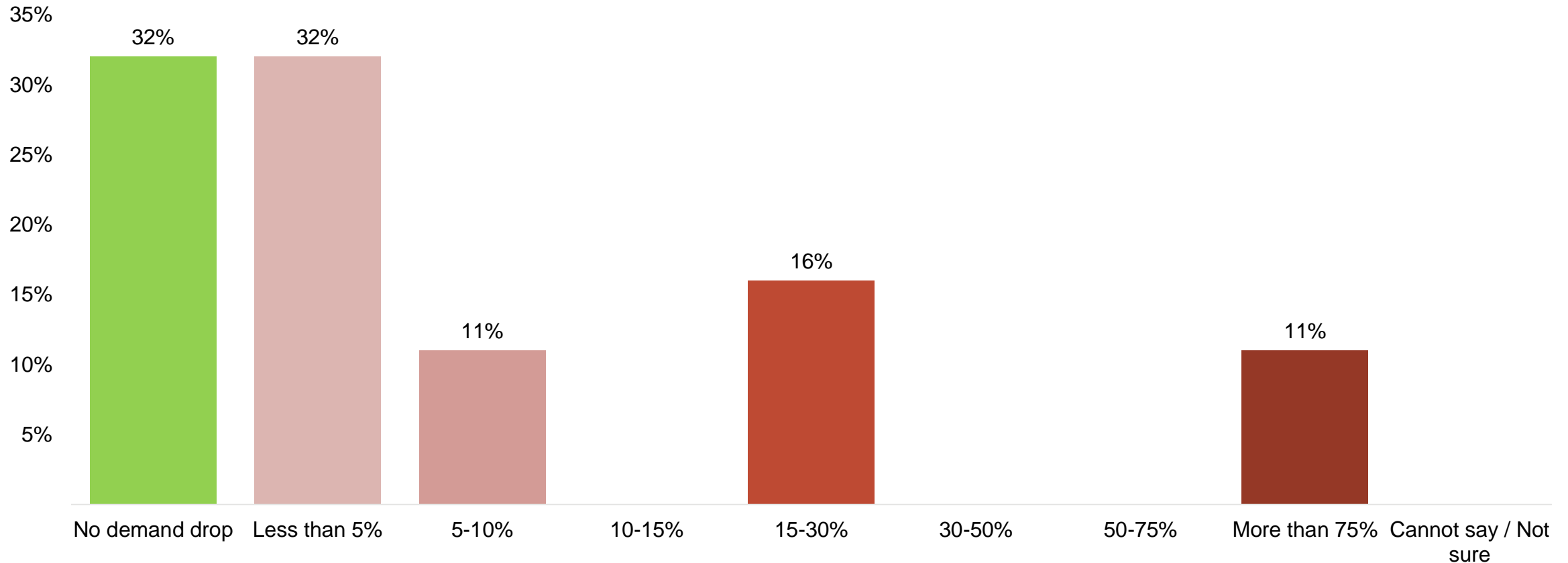


**Delay in payments**

# Before Lockdown: In 2 weeks, ~1/3<sup>rd</sup> of organizations did not see any drop in daily demand, while another 1/3<sup>rd</sup> of organizations faced less than 5% drop

Q. Before the lockdown, how much decline did your business see in terms of daily demand during the past 2 weeks?

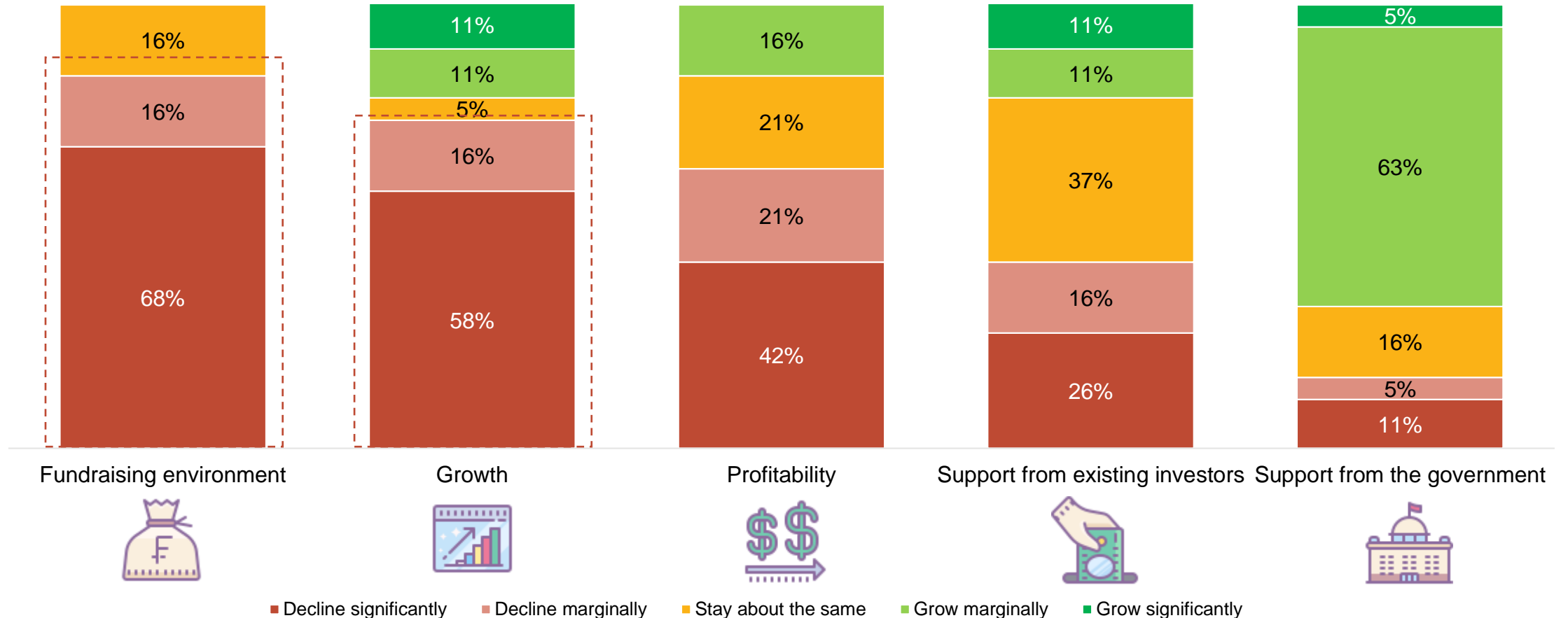
Decline before lockdown (% respondents)



# Over the next 3 months (Apr-Jun 2020), ~ 84% of CEOs believe fundraising environment will decline and 74% of CEOs believe growth will decline

Q. What is your outlook for the next 3 months (Apr-Jun 2020)?

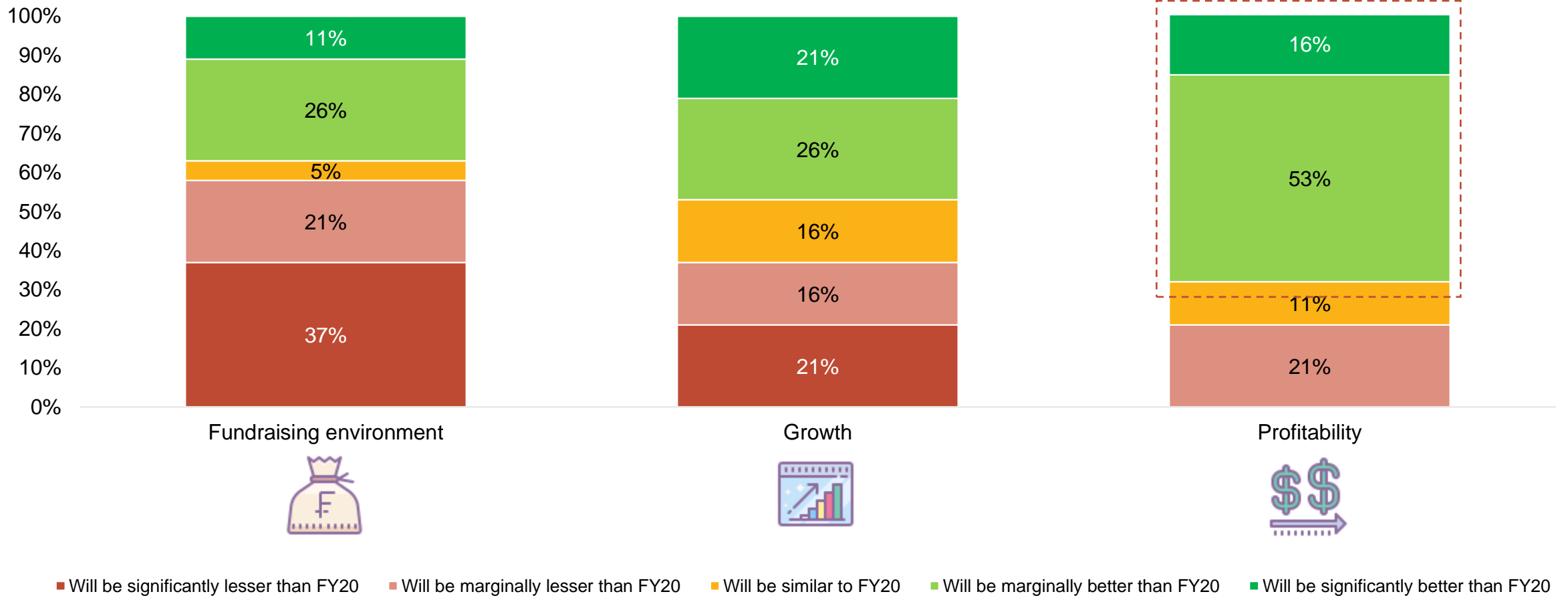
Outlook for next 3 months (% respondents)



# The next 2-year outlook is positive for profitability, 69% of CEOs believe it will be better than FY20

Q. What is your outlook for the next 2 years (Apr 2020-Mar 2022)?

Impact of Lockdown on business (% respondents)

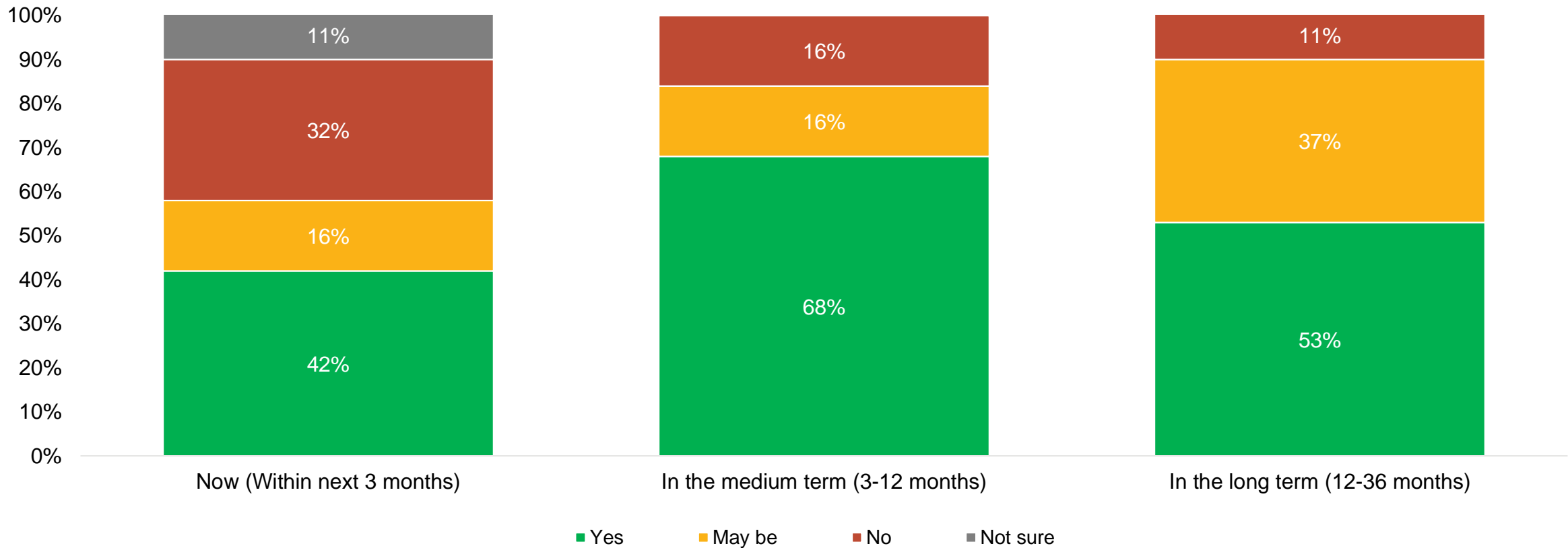




# >50% Indian startup CEOs believe new business opportunities will start to appear after the initial 3 months (June 2020 onwards)























Q. Does the current crisis create any business opportunity for you?

Business opportunity (% respondents)
















# OTT, eGroceries, EdTech and HealthTech are expected to benefit in Q1FY21; travel, tourism, hospitality and mobility will be worst hit from the slowdown

Industry	Impact (Q1FY21)	Description
 <b>eGroceries</b>		Demand spike with consumers trying to eat at home, avoiding going out. Some supply side disruptions including difficulties in warehousing and interstate truck movement.
 <b>OTT, video streaming and media tech</b>		Online video services growing due to people being confined at home. However, short-term plans being subscribed more.
 <b>HealthTech</b>		Major increase in the industry, with digital firms helping healthcare providers manage the pandemic. Sustained increase in telehealth adoption a possibility.
 <b>Software as a Service (SaaS)</b>		Most software related to enterprise software are seeing big jumps with companies shifting to work-from-home models.
 <b>EdTech and online education</b>		Several institutions including schools and colleges shifting to online teaching models, however considering them as short-term solutions.
 <b>Consumer tech</b>		Adverse impact on the industry due to fall in discretionary spending, however consumer tech cos still faring better than traditional cos.
 <b>E-commerce</b>		Fall in discretionary spending affecting categories such as fashion & beauty. Consumer electronics demand increase. Supply chain disruptions due to govt. restrictions.
 <b>FoodTech</b>		Fall in demand with most consumers staying indoors as well as lockdowns; supply disruptions with delivery agents staying home as well.
 <b>FinTech</b>		Lending cos affected & expecting further NPA increase due to borrowers conserving cash or being unable to repay their loans in economic difficulty.
 <b>Real estate and real estate tech</b>		Adverse impact on real estate due to spending conservatism as well as disruptions in construction activity; domino effect on real estate tech.
 <b>Travel, tourism, hospitality and mobility</b>		Large declines due to movement restrictions. International travel halted tremendously across the world. India put on lockdown till 15 <sup>th</sup> April.

# FoodTech, e-commerce and fintech are expected to have faster recovery compared to real estate and travel sectors

Industry	Q1 – FY21	Q2 – FY21	Q3 – FY21	Q4 – FY21	Q1 – FY22	Q2 – FY22	Q3 – FY22	Q4 – FY22
 eGroceries	↑↑	↑↑	↑↑	↑↑	↑↑	↑↑	↑↑	↑↑
 OTT, video streaming and media tech	↑↑	↑↑	↑	↑	↑	↑	↑	↑
 HealthTech	↑	↑	↑	↑	↑	↑	↑	↑
 Software as a Service (SaaS)	↑	↑	↑	↑	↑	↑	↑	↑
 EdTech and online education	↑	↑	↑↑	↑↑	↑	↑	↑	↑
 Consumer tech	↓	↓	↓	↓	—	—	↑	↑
 E-commerce	↓	↓	—	—	↑	↑	↑	↑↑
 FoodTech	↓	↓	—	—	—	↑	↑	↑↑
 FinTech	↓	↓	↓	—	—	↑	↑	↑
 Real estate and real estate tech	↓↓	↓↓	↓↓	↓	↓	—	—	↑
 Travel, tourism, hospitality and mobility	↓↓	↓↓	↓↓	↓	↓	—	↑	↑



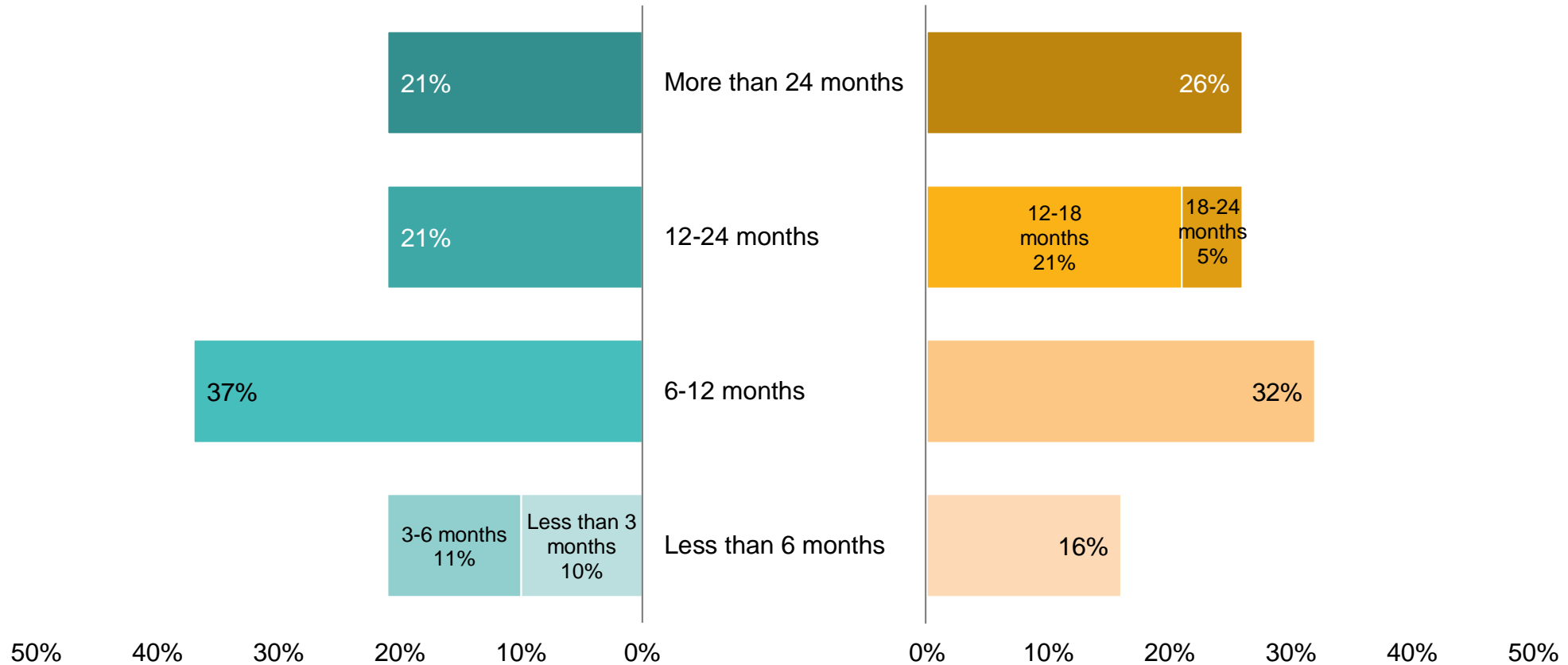
# ~21% of startups have cash reserves of <6 months and 37% with 6-12 months; For business continuity, 52% startups think they would need cash reserves of >12 months

Q. How many months of cash (based on cash burn per month) does your business currently have?

Q. For business continuity, how many months of cash reserves are you planning for?

# months worth available cash reserves (% respondents)

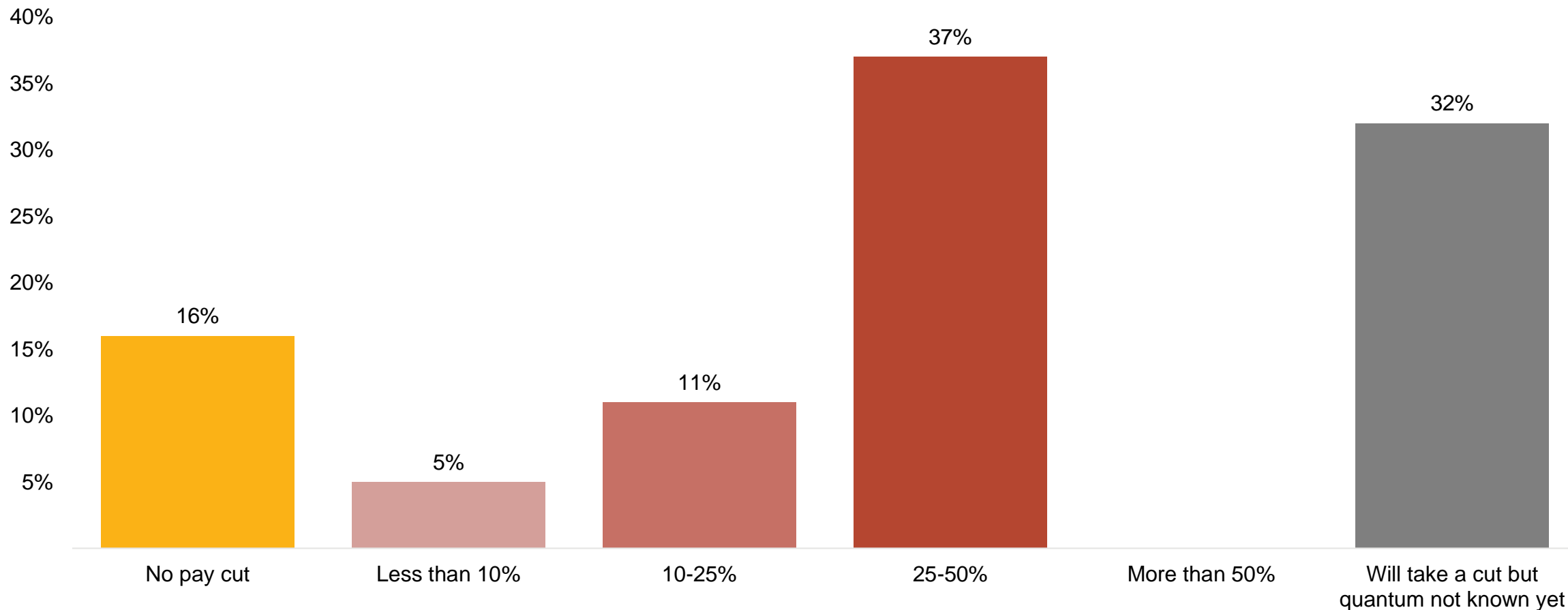
# months worth required cash reserves (% respondents)



# ~37% of startups are planning to take 25-50% of pay cut at senior management level, while 32% are yet to decide on quantum of pay cut

Q. How much pay cut are you planning to take at the senior management level?

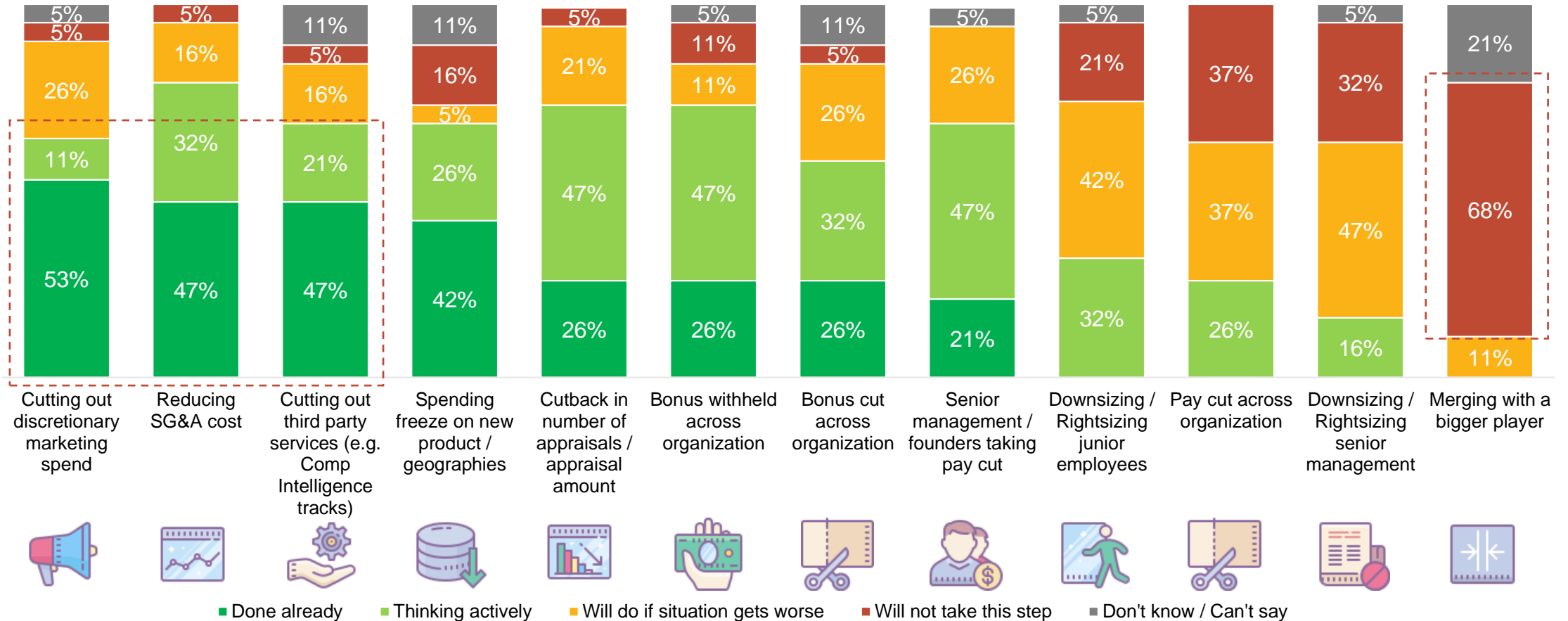
Senior management pay cut (% respondents)



# Most organizations (~65%) have already or are planning to cut operational and discretionary costs; ~68% are not planning about any kind of downsizing

Q. What measures have you taken/are taking to deal with the crisis?

Crisis response measures (% respondents)



# Top 3 focus areas for Indian startups: process standardization, expansion / growth planning, fundraising

Currently, what are the areas your business is focussed upon?

% Indian startup founders / CEOs

**50-70%**



**Processes and SOPs**

**40-50%**



**Expansion / Growth plans**

**30-40%**



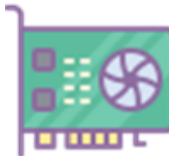
**Fundraising**



**Unit economics**



**Employee training**



**Technology**

# Recommendations for other fellow entrepreneurs



## Cash flow & Unit economics

*“Manage cash and employee morale while managing your anxieties”*

*“Extend runway to 24-27 months. Reduce burn by 50-60% and move to success-based salary”*

*“Conserve cash, make it last longer. Focus on employees, make it easier for them to work from home.”*

*“Prepare for 6-9 months of economic impact. Take senior management pay cuts”*

*“Ask for pause in long term software contracts instead of cancellation”*

*“Increase liquidity, prepare for the worst”*



## Fundraising & Growth

*“Explore opportunities of raising debt. Partner with other startups. Don't give stress to your family”*

*“This is an opportunity to learn new ways of selling. Newer ideas and opportunities may emerge. Look out for them”*

*“Engage with the ecosystem to explore partner opportunities”*

*“Take advantage of situation to focus on things outside of BAU. E.g. Long-term plans. Involve all stakeholders (incl investors) in decision making, particularly on how to deal with current challenges”*



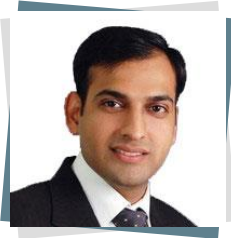
## Downsizing

*“Cut costs (and may be salaries too) but consider no layoffs (esp people who are good contributors). Difficult to recruit again”*

*“Discuss with employees on pay restructuring rather than firing them outright and defer new joiners rather than withdrawing offers”*



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# Connect with us - We will be happy to share perspectives

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