India SaaS Report 2022

Remaining steady through turbulence

BAIN & COMPANY

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Acknowledgements

We sincerely thank the Bain India team, including Naveen Kumar Reddy, Devanshi Agarwal, Himanshu Sharma, and Saurabh Lahoti for their in-depth analysis and insight generation. We thank the OPEXEngine team, including Lauren Kelley and Dushyant Sharma, for their time and insights. We also wish to thank Sitara Achreja and Shelza Khan for their editorial support.

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Executive summary

The Indian Software-as-a-Service (SaaS) ecosystem continues to gather momentum despite prevailing market headwinds and has become a global leader behind only the US in scale and maturity. Whether measured in total annual recurring revenue (ARR) of $12 billion–$13 billion in 2022, up four times over the past 5 years; or investment (~$5 billion in 2022, up six times), Indian SaaS progress is irrefutable and its future trajectory promising. This momentum is driven by a mutually reinforcing flywheel of SaaS companies and investors, with a proliferation of new SaaS companies with proven growth models, supported by investors who are allocating increased capital to Indian SaaS across stages.

Indian SaaS companies are being founded in record numbers and are proving they have a right to win in the global market. Of the 1,600 Indian SaaS companies that have now been funded over the past five years, around 14 of them exceed $100 million in ARR (vs. around 5 in 2020) and are reaching this growth milestone as quickly as their US counterparts. Indian SaaS companies win using a variety of approaches, including product leadership, attractive pricing, and service quality—and emerge as globally best-in-class across numerous categories. While software buyer sentiment has softened in the second half of 2022, Indian SaaS companies play in categories that benefit from long-term, secular-demand tailwinds.

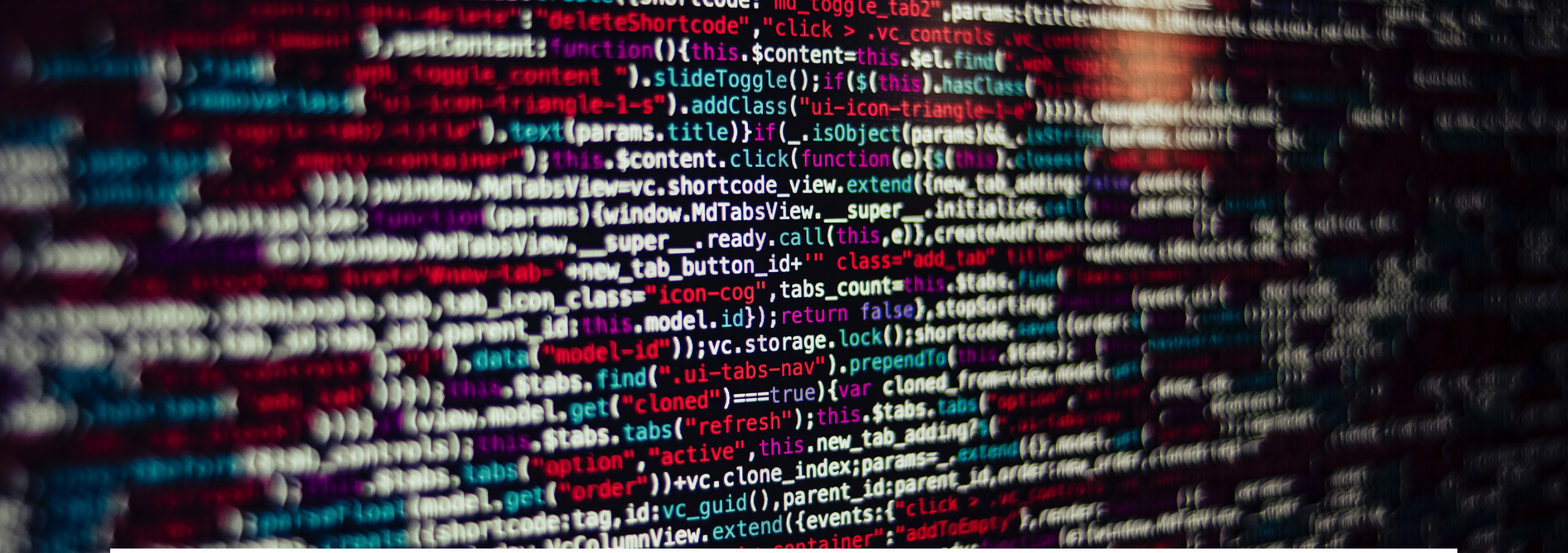
Encouraged by this growth, investment in Indian SaaS reached an all-time high of ~$5 billion in 2022, bolstered by a record $1 billion investment in Securonix. However, 2022 has been a game of two halves. While 2021's funding momentum carried over into a record first quarter, there has been a subsequent 40% year-on-year decline in investment across quarters two through four as global sentiment has softened. Behind this has been a decline in large deals as investor sentiment meets with scaled Indian SaaS companies that previously raised capital, benefit from supportive economics, and choose to stay out of the capital markets for now.

Despite this market slowdown, proven revenue growth combined with attractive margins has made SaaS a comparative bulwark for investors, with Indian SaaS venture capital (VC) investment up 10% over quarters one through three in 2022—while overall VC investments are down ~22% vs. 2021. Investors in Indian SaaS benefit from an opportunity to back a wide array of companies across sub-categories and have a clear path to realisation, with ~40 SaaS exits in 2022 (almost doubling year-on-year) across a variety of modes. As a result, more than 70% of investors expect to increase their investment in Indian SaaS going forward.

Growth remains at the top of the agenda for Indian SaaS companies, with new market entry enabled by effective enterprise go-to-market (GTM), a key priority. Selling into scaled SaaS markets such as the US (close to $150 billion in SaaS spending) is a strategic imperative, and today just around 20% of revenues for Indian SaaS companies are generated from India. Going global necessitates effective enterprise GTM playbooks that Indian SaaS companies are increasingly refining. However, Indian

SaaS companies are also being confronted with a new economic reality that emphasises efficiency, and cost and liquidity management now need to be part of any management team's toolkit.

Near-term turbulence aside, Indian SaaS remains in its early stages and has proven that it is building world-leading companies across categories. We expect that over the next 5 years, Indian SaaS companies will collectively reach ~$35 billion in ARR and capture ~8% of the global SaaS market.



Indian SaaS landscape

- The Indian SaaS landscape has matured rapidly over the past 5 years, expanding on every dimension from total ARR (a three- to four-times increase) to investment (about a six-times increase)—making it the second largest SaaS ecosystem globally.

- This maturity is driven by a robust company/investor flywheel where a proliferation of new SaaS companies with proven growth are driving investors to allocate increased capital across stages to Indian SaaS.

- Indian SaaS companies are proving they can be truly world-class, with 12–14 companies exceeding $100 million in ARR (vs. 1–2 companies 5 years ago) and tracking US peers on the time they take to reach this milestone.

- Indian SaaS companies are going after, and winning in, global SaaS end-markets through product and pricing leadership, enabled by increasingly mature GTM playbooks.

  — **Product leadership:** Numerous Indian SaaS companies have best-in-class product offerings, enabling them to price at premiums vs. global peers.

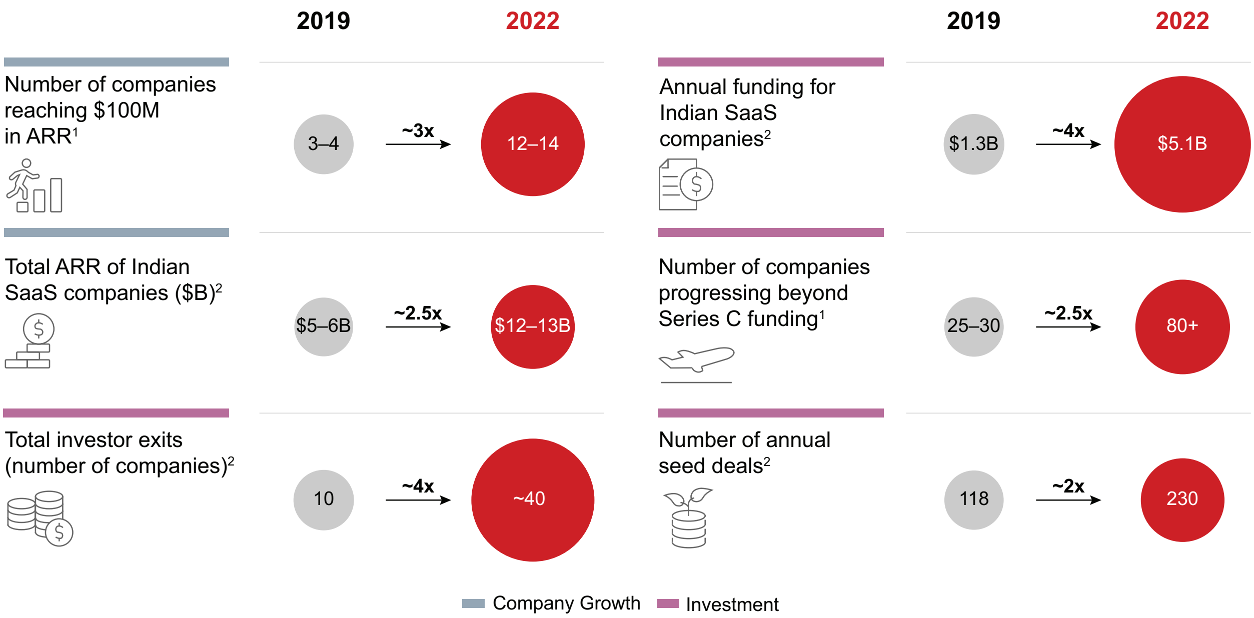
  — **Price leadership:** Other Indian SaaS companies focus on value, notably when serving the small and medium-sized business (SMB)/mid-market segments.

  — **GTM:** Indian SaaS leaders are building clear, US-centric GTM playbooks, spanning direct (field and virtual) sales and indirect/channel sales as well as customer success and support.

- Indian SaaS companies achieve this growth with larger employee bases (resulting in 30% to 50% lower ARR/full-time employees [FTE] vs. the US) as they draw from a less tenured talent pool (Indian SaaS engineers have half the work experience of US equivalents, on average). However, India's labour cost advantage nonetheless gives these companies equally attractive economics compared to US peers.

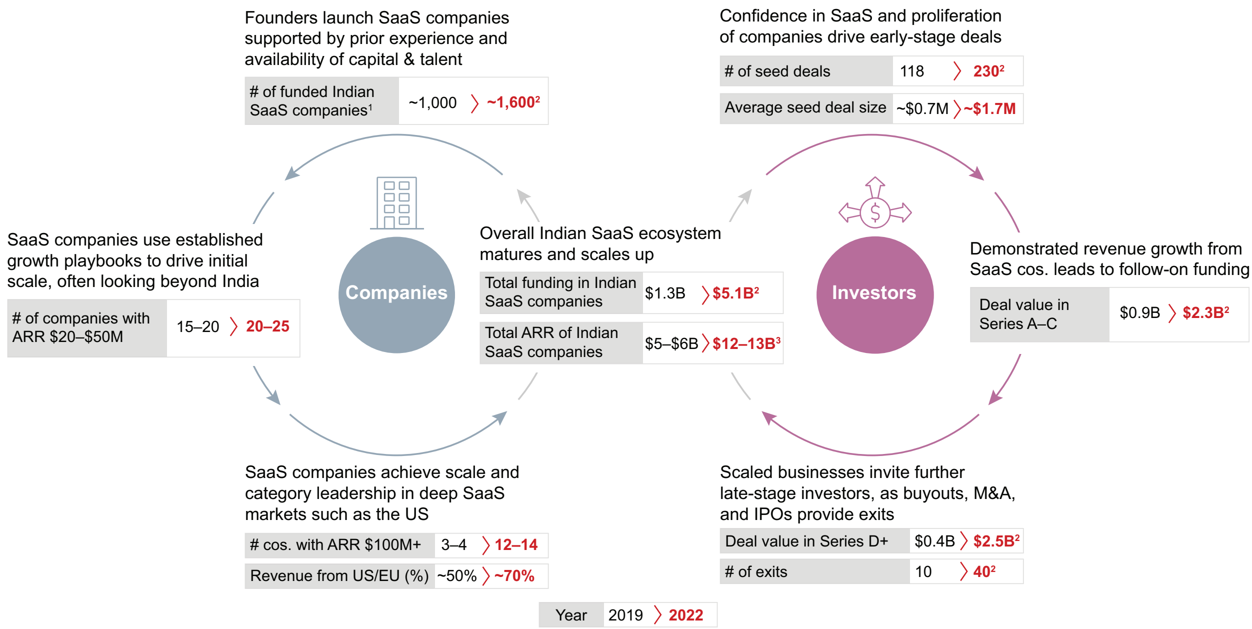
- In the future, buyer sentiment in SaaS will remain broadly positive, with approximately 65% of enterprise software decision makers expecting to increase their 2023 software budgets; however, sentiment has clearly softened since the second quarter of 2022 (when close to 80% of decision makers expected an increase).
- We see long-term tailwinds for Indian SaaS as companies continue to build winning product offerings and refine their growth playbooks while benefitting from a highly robust investor ecosystem. We expect Indian SaaS growth of 20% to 25% per annum over the next 5 years to reach close to $35 billion in ARR by 2027, with a nearly 8% share of the global SaaS market.

Figure 1: The Indian SaaS ecosystem has come a long way over the past three years



Notes: [1] 2022 figure refers to cumulative number of companies till October 2022; [2] Attribute annualised for 2022; ARR: Annual recurring revenue
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook; VCCEdge; Public filings; Venture Intelligence; Secondary research; Industry participant interviews; Bain analysis

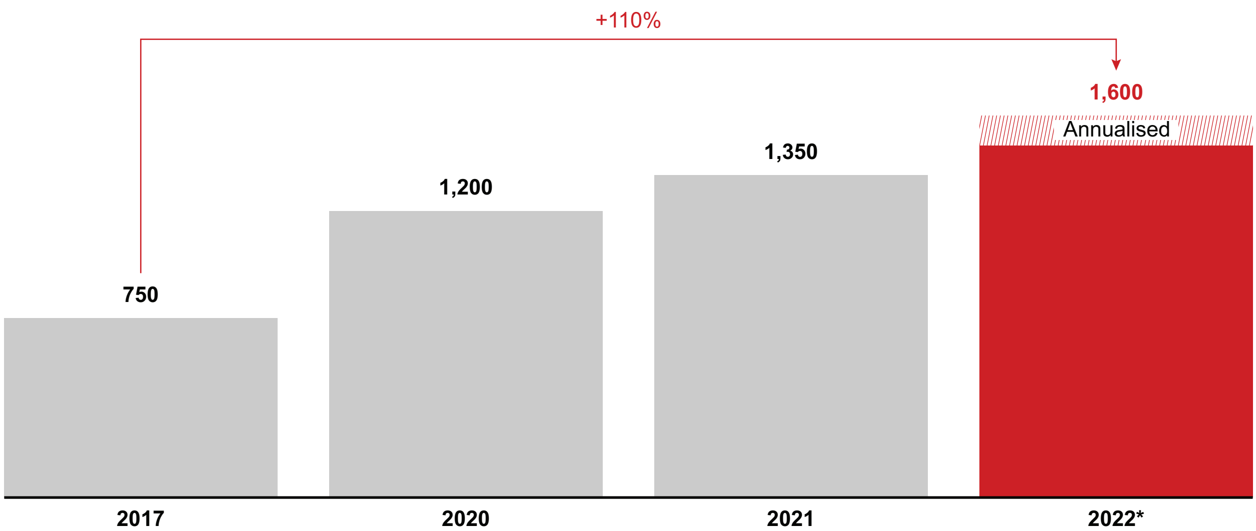
Figure 2: This momentum is self-reinforcing, as both companies and investors contribute to a rapidly growing Indian SaaS ecosystem



Notes: [1] Cumulative # of funded companies; [2] Annualised basis October 2022 year-to-date deal values excluding $1B Securonix deal; [3] Attribute annualised for 2022; ARR: Annual recurring revenue; M&A: Mergers and acquisitions; IPO: Initial public offering
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook; VCCEdge; Public filings; Venture Intelligence; Secondary research; Industry participant interviews; Bain analysis

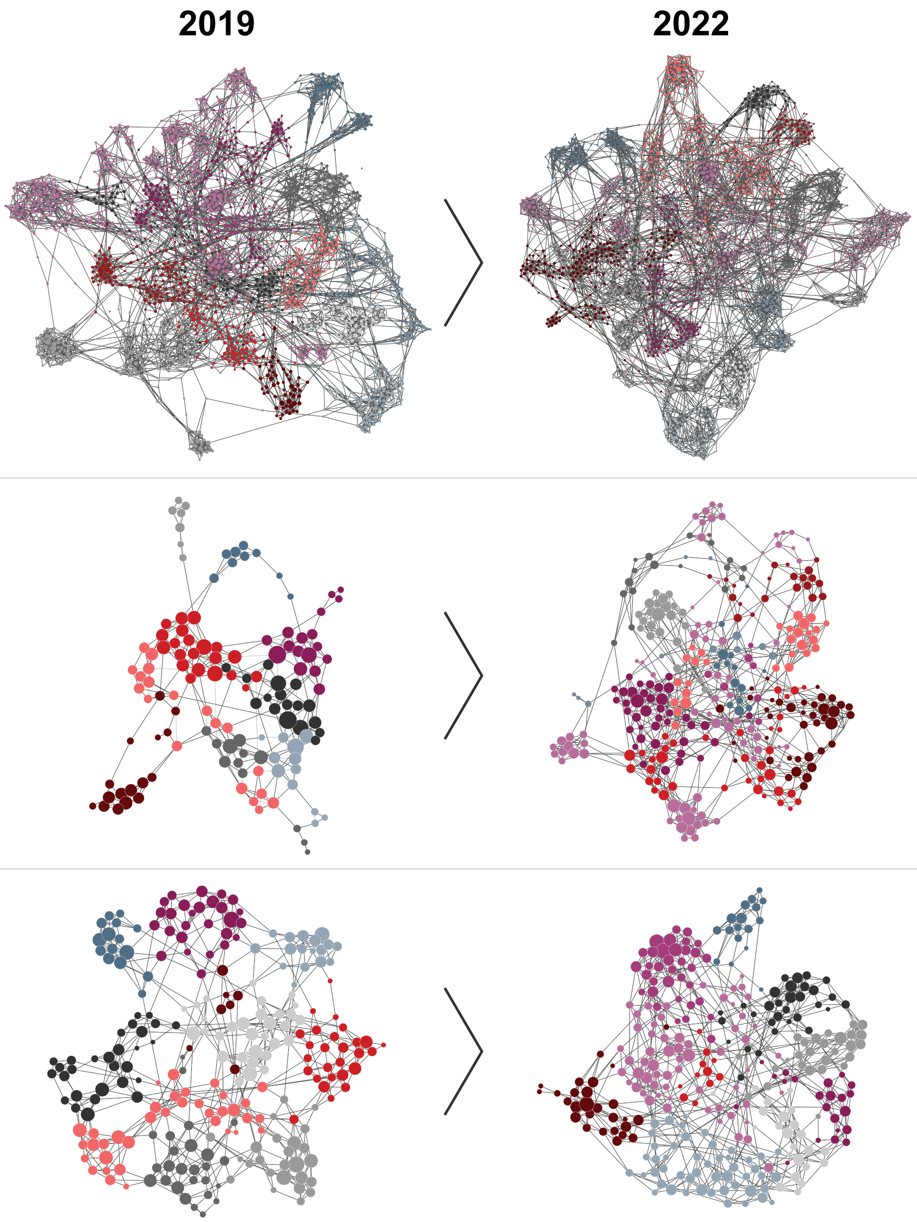
Figure 3: The number of SaaS companies being funded in India has doubled compared to five years ago

Cumulative number of funded SaaS companies in India



Notes: * Total SaaS companies in 2022 annualised based on H1'22; Companies that have raised funding have been considered for above analysis; number of companies listed above are directional
Sources: Tracxn; Crunchbase; Venture Intelligence; Pitchbook; Bain PE-VC deals database; Bain analysis

Figure 4: This rapid evolution has made India the second largest SaaS ecosystem after the US



The US SaaS ecosystem continues to be extensive, with a consistent proliferation of companies

The Indian SaaS ecosystem has gone from being nascent with concentration in certain categories to an increasingly mature one with presence across many subsectors

The UK SaaS ecosystem has seen moderate growth since 2019 and now lags behind India

Each node represents an SaaS company and each link represents a relationship between companies

Horizontal SaaS

CRM, ERP, Communication, BSFI tech, HCM, Marketing tech

Horizontal Infra SaaS

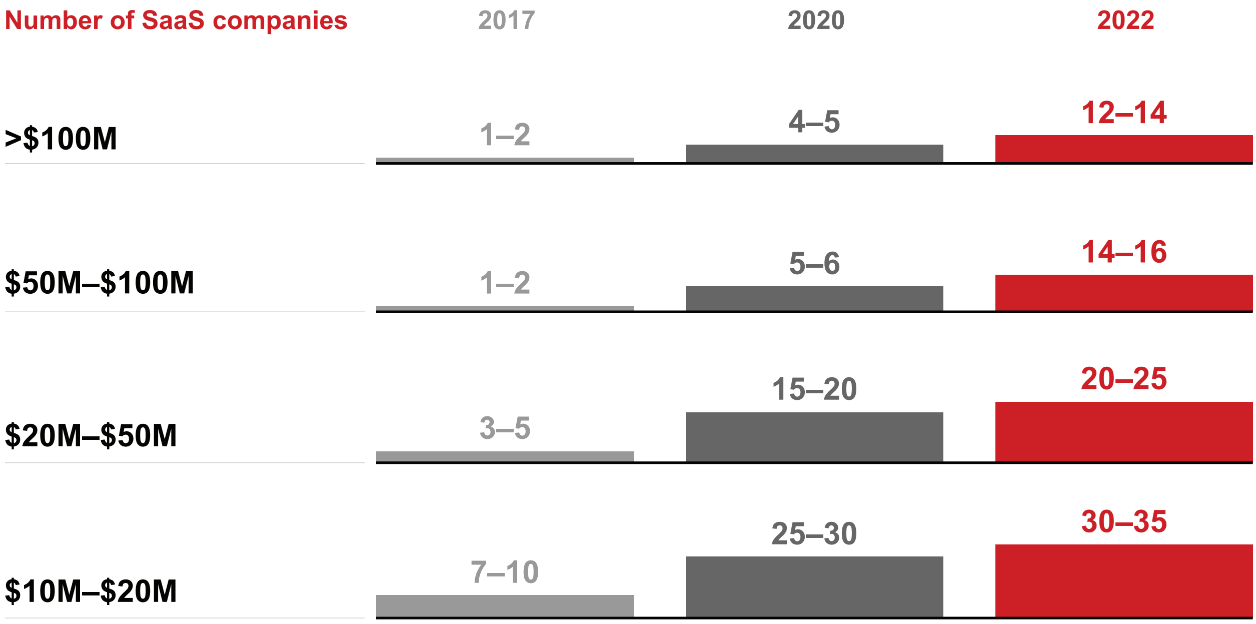
Cloud infrastructure, Data, analytics & BI, Cybersecurity, DevTools

Vertical SaaS

Real estate tech, Retail tech, SCM tech, Other

Notes: Quid analysis on public, India-focused data sources using SaaS as a Keyword; Each node represents a deal (or a unique company) in the respective time periods; Each link between the companies represents a shared story; Size of the node represents similarity with other nodes (i.e., number of connecting links); The Keywords used for above analysis on Quid were SaaS or Software as a Service; Other includes Hospitality Tech, Workflow Management, Edtech, Autotech, Mediatech, etc.; 2022 data refers to LTM September 2022; CRM: Customer Relationship Management; ERP: Enterprise Resource Planning; BSFI: Banking, Financial Services, and Insurance; HCM: Human Capital Management; BI: Business Intelligence; SCM: Supply Chain Management
Sources: Quid; Bain analysis

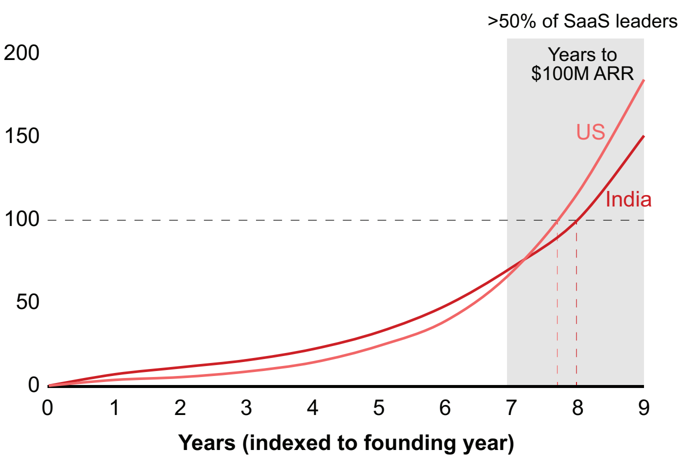
Figure 5: Indian SaaS companies are also scaling rapidly, with 12–14 SaaS companies now exceeding ~$100 million in ARR



Notes: Based on latest available ARR data in 2021 or 2022; ARR: Annual recurring revenue; number of companies is directional
Sources: CapIQ; VCCEdge; Public filings; Secondary Research; Bain analysis; Industry participant interviews

Figure 6: Indian SaaS leaders are tracking US peers on ARR growth, targeting global markets, supported by best-in-class GTM/product and scale investors

Average ARR of leading SaaS companies[1] ($M)



Key enablers

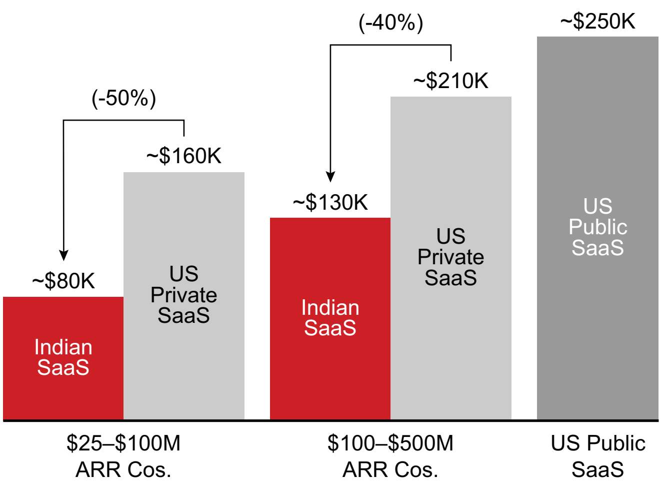
- Successful, globally focused GTM strategies enable access to large SaaS end-markets
- Repeatable GTM playbooks enable Indian SaaS companies to grow faster
  - New age[2] Indian SaaS companies like Innovaccer have reached $100 million ARR in just 6–7 years
  - Early entrants in Indian SaaS like Zoho have achieved more than $1 billion in ARR
- Established leadership across categories driven by distinct competencies/strategies, ranging from product leadership (e.g., Securonix) to competitive TCO (e.g., Freshworks)
- A strong investor ecosystem with deep access to funding across stages

Notes: [1] US SaaS leaders composite includes Atlassian, AvidXchange, Blackline, Coupa, Code42, Everbridge, HubSpot, Paycom, RingCentral, Salesforce, ServiceNow, Smartsheet, Semrush, Twillio, UiPath, Workday, Zendesk, Zoom, Zscaler, and Zuora; Indian composite includes: BrowserStack, Chargebee, Druva, Eightfold, Freshworks, Gupshup, Innovaccer, Icertis, Securonix, and Uniphore; Gupshup and Securonix revenues have been indexed to years when they pivoted to SaaS model (i.e., 2010 and 2017, respectively); All curves are smoothed out; ARRs have been extrapolated at certain stages due to lack of publicly available data; [2] New age refers to SaaS companies founded in the last 10 years; ARR: Annual recurring revenue; GTM: Go-to-market; TCO: total cost of ownership
Sources: S&P Capital IQ; VCCEdge; Bain analysis

Figure 7: This growth has been achieved with larger teams, driving lower revenue/FTE vs. US SaaS companies

As Indian cos. scale, ARR/FTE rises given scale benefits, but still lag behind best-in-class US peers on ARR/FTE

ARR/FTE for US and Indian SaaS cos. (in $K, 2022)



Notes: ARR: Annual recurring revenue; FTE: Full-time employees
Sources: OPEXEngine; Secondary research; Bain analysis

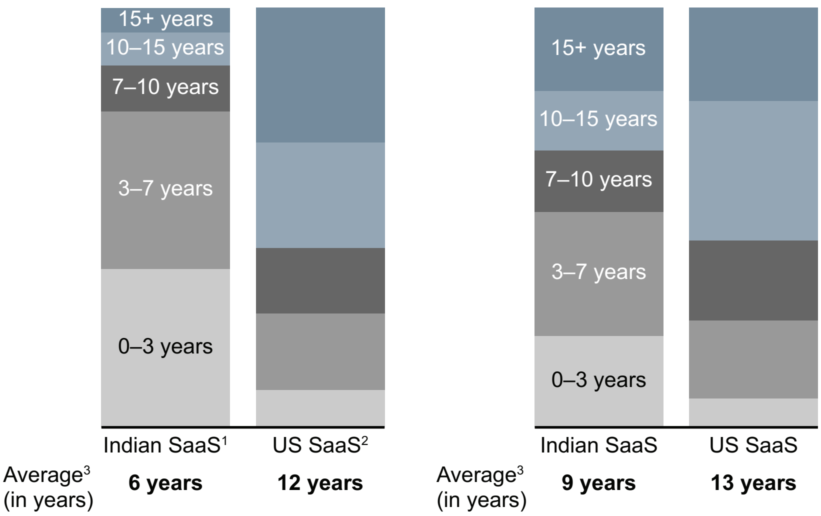
This differential is driven by lower like-for-like wage costs and less experienced talent bases

1. Indian SaaS companies have a 40%-50% lower ARR/FTE vs. US counterparts as a result of higher headcounts at similar scale
2. Higher headcount is driven by:
   - **Employee cost advantages in India:** 50%-70% lower like-for-like salaries compared to the US market (80% of Indian SaaS FTEs are in India vs. 10% for US counterparts)
   - **Less experienced talent:** ~6 years average experience for engineers in Indian SaaS cos. vs. ~12 years for US counterparts
3. Despite higher headcount, Indian cos. are able to maintain comparable growth and margin profiles to US peers

Figure 8: Indian SaaS companies hire more compared to US peers as they rely on less experienced talent across both sales and engineering

Average career experience in engineering (percentage of employees)

Average career experience in sales (percentage of employees)



1. India draws on large-scale access to highly skilled but lower-experience talent:
   - Access to large domestic talent supply, with ~700K graduating engineers per annum in India vs. ~200K in the US
   - ~95% of engineering FTEs in Indian SaaS cos. are based in India vs. ~15% for US peers
2. Average experience for sales is lower but is catching up with US counterparts:
   - Indian SaaS has greater reliance on India-based sales teams (60% of sales FTEs)
   - Indian SaaS companies face greater challenges finding experienced sales teams in India and the US

Notes: [1] Includes top 20 Indian SaaS companies by scale; [2] Includes top 20 US SaaS companies by scale; [3] Includes overall professional experience/tenure; FTE: Full-time employees
Sources: Secondary Research; LinkedIn; Bain analysis

Figure 9: Indian SaaS companies win using a variety of approaches, including best-in-class product, customer support, and attractive pricing

Indian SaaS companies are leaders across categories

	Company	G2	Capterra (vs. key peers)	Gartner
Horizontal business	HighRadius	4.3 (Leader 2022)	4.4 4.4 (Blackline)	Leader
	Freshworks	4.5 (Leader 2022)	4.6 4.4 (Zendesk)	Niche Player
	Zoho	4 (Leader 2022)	4.3 4.4 (Salesforce)	Niche Player
	Chargebee	4.6 (Leader 2022)	4.4 3.9 (Zuora)	–
	Icertis	4.3 (Leader 2022)	4.4 4.3 (DocuSign)	Leader
	SirionLabs	4.5 (Leader 2022)	–	Visionary
Horizontal infra business	Securonix	–	–	Leader
	Druva	4.5 (Leader 2022)	4.7 4.7 (Rubrik)	Visionary
	Postman	4.6 (Top 50 2022)	4.7 4.5 (SoapUI)	Visionary
	BrowserStack	4.5 (Leader 2022)	4.4 4.3 (Sauce Labs)	–

Advocacy High High-moderate Moderate-Low

Enabled by leadership across a variety of factors

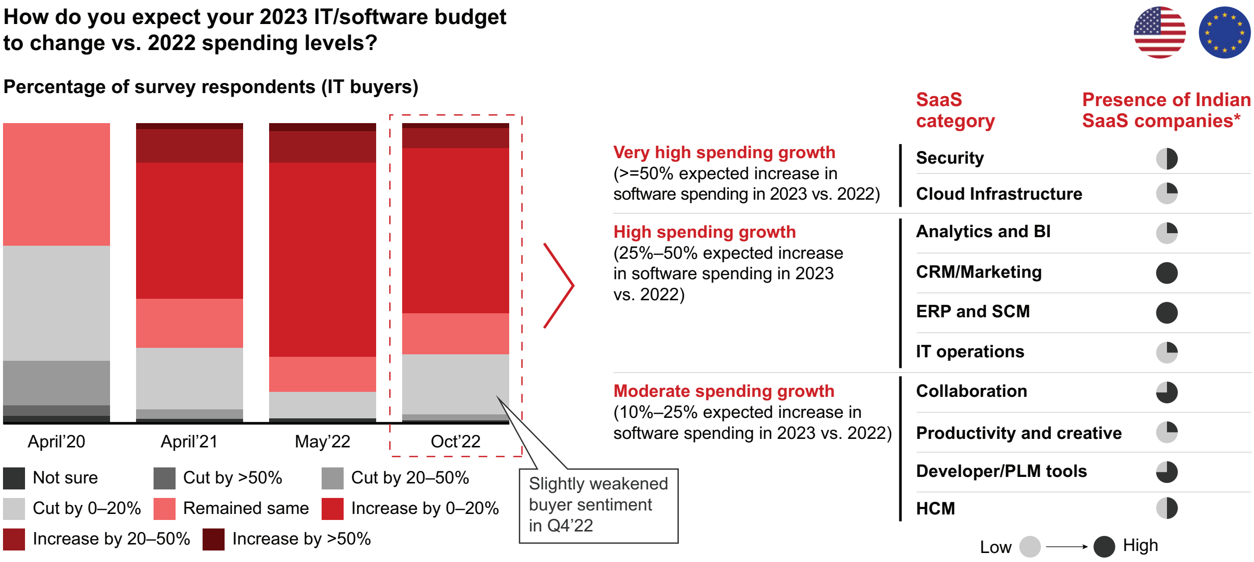
1. **Strong product:** Select Indian SaaS companies focus on product leadership, even pricing at a premium (e.g., HighRadius, BrowserStack)
2. **Better pricing:** Other Indian SaaS companies win by delivering value for money, notably when serving small and medium-sized businesses (e.g., Freshworks, Zoho)
3. **Quality service:** Indian SaaS companies frequently add a robust service layer, driving superior customer experience (e.g., Securonix)

Notes: Advocacy is [a] high if rating is >4.5/5 or rated competitive/better vs. peers or considered a leader/visionary, [b] high-moderate if rating is >4/5 and <4.5/5 or slightly low rated vs. peers, [c] moderate-low if rating is >3.5/5 and <4/5; Infra: Infrastructure
Sources: Gartner; IDC; Forrester; G2; Capterra; Bain analysis

Figure 10: While buyer sentiment has softened since Q2 2022, multiple categories where Indian SaaS companies are present are expected to see increased spending

How do you expect your 2023 IT/software budget to change vs. 2022 spending levels?

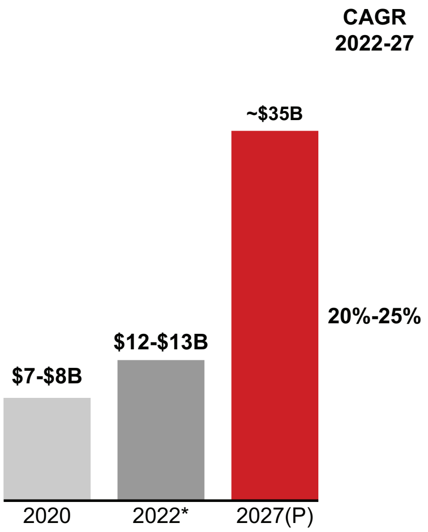
Percentage of survey respondents (IT buyers)



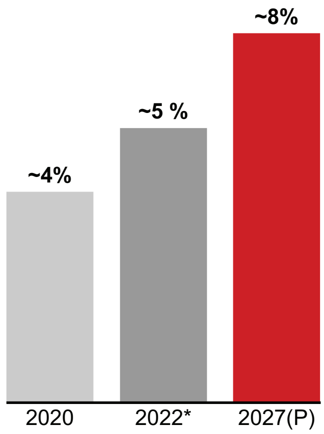
Note: * Salience of Indian SaaS play derived on the basis of cumulative assessment of three parameters: number of funded Indian SaaS companies in the category, amount of funding received in the category since 2019, and the number of Indian SaaS companies in the category with an ARR of more than $10 million. Parameters were classified on a four-point spectrum (limited play, low, medium, high); BI: Business Intelligence; CRM: Customer Relationship Management; ERP: Enterprise Resource Planning; HCM: Human Capital Management; SCM: Supply Chain Management; PLM: product lifecycle management
Sources: Bain COVID-19 B2B IT Software Survey (US N=96, EU N=92, April 26, 2021; US N=94, EU N=85, May 20, 2022; US N=227, EU N=115, Oct 4, 2022); Bain analysis; Tracxn; Crunchbase; Pitchbook

Figure 11: Going forward, we expect Indian SaaS companies to grow at 20%–25% CAGR over 2022–27 and further increase their global share to ~8% by 2027

Indian SaaS revenue ($B)



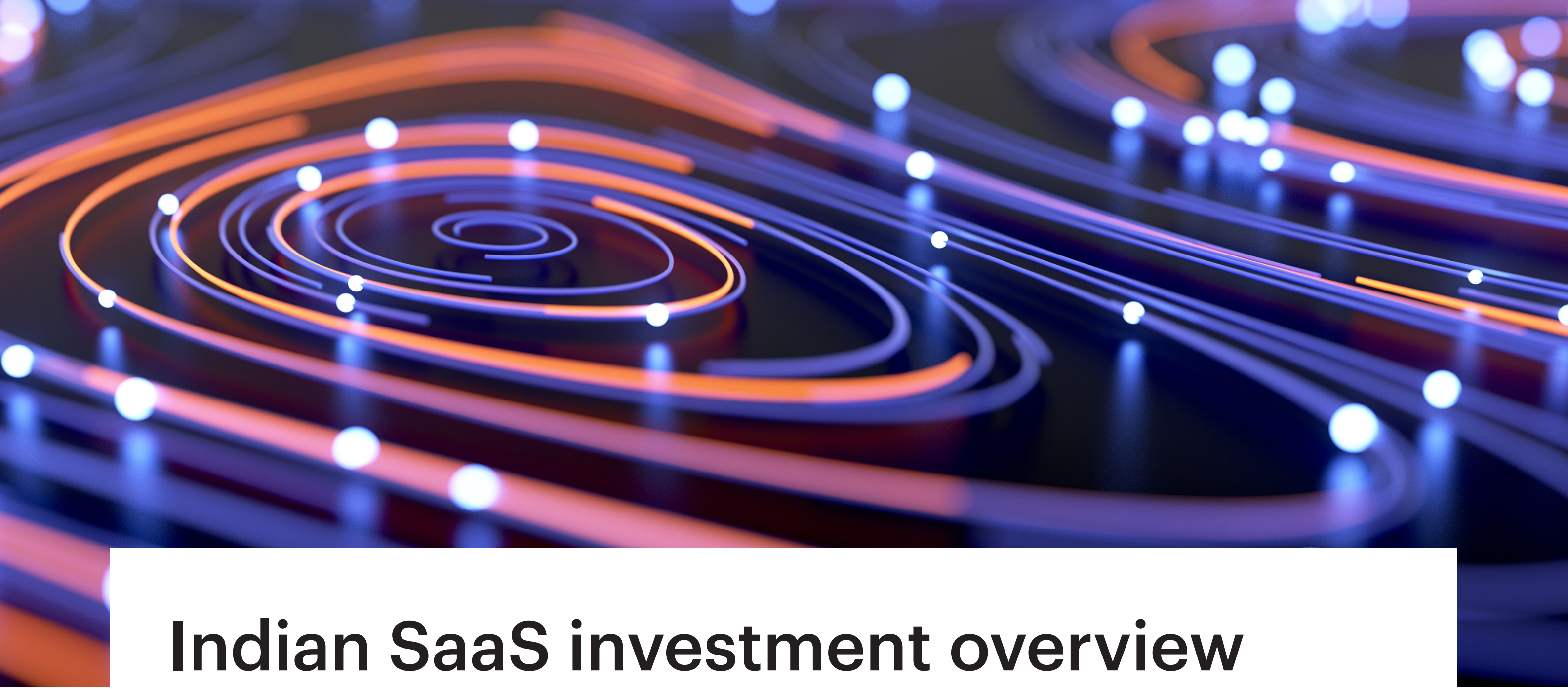
Growing share of Indian SaaS companies in global market



Factors driving growth for Indian SaaS

1. **Expansion across categories**, with a wide array of high-quality and innovative SaaS offerings (e.g., Avataar in 3D augmented reality)
2. **Leveraging established growth playbooks** from US SaaS, focusing on go-to-market, product, and customer support/success
3. **A strong investor ecosystem from seed to pre-initial public offering,** fueling the next phase of growth for Indian SaaS ecosystem

Notes: CAGR: compound annual growth rate; * Forecasted for 2022
Sources: IDC Worldwide Software as a service and Cloud forecast 2022; Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook; Venture Intelligence; Bain analysis

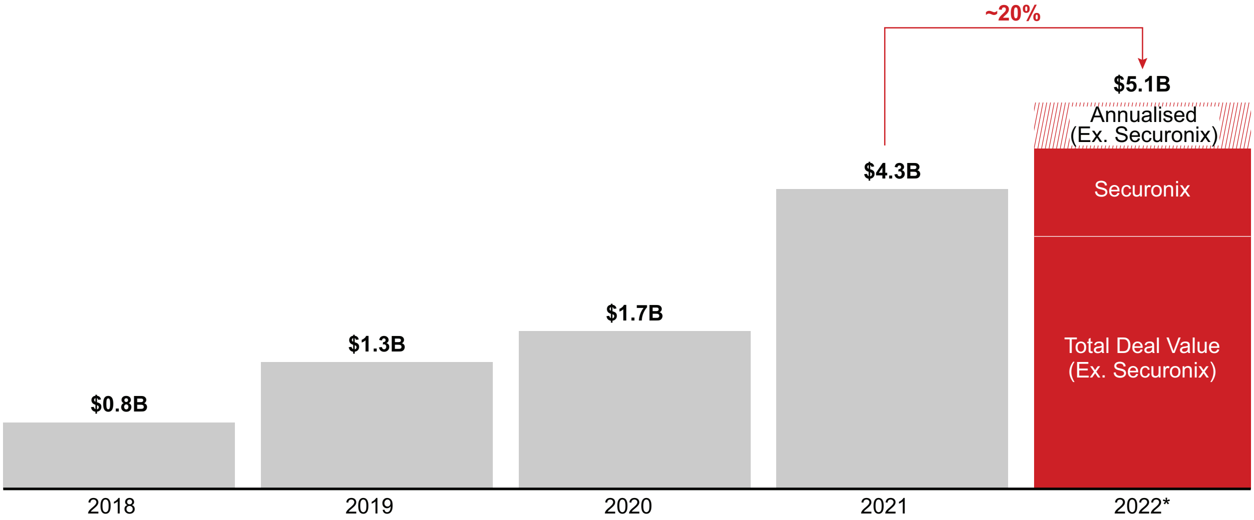


Indian SaaS investment overview

- 2022 was another record year for Indian SaaS investments, with investments reaching ~$5.1 billion in 2022, up ~20% vs. in 2021.
  - Growth has primarily been driven by increased interest in earlier-stage deals; there are more seed deals happening (+65% vs. 2021) that are larger ($1.7 million vs. $1.3 million average in 2021), while the number of Series A investments have nearly doubled (+90% vs. 2021) as a greater supply of companies meets more early-stage capital across existing and new investors.
  - Later-stage deals have become smaller (~$75 million average vs. ~$100 million in 2021) as some of the largest Indian SaaS companies choose not to raise in prevailing market conditions.
- Investment growth was primarily driven by a record $2.2 billion in investment in the first quarter of 2022 (~55% of the total year-to-date, excluding Securonix); from the second quarter onwards, there has been a substantial decline (-40%) in investments vs. 2021 as global investor sentiment has softened.
- Indian SaaS has seen a large increase in the breadth of investible companies, with funding concentration reduced in recent years. The top 15 deals for Indian SaaS accounted for just ~50% of deal value in 2022, down from 60% to 70% in prior years and below the ~70% observed in Indian tech.
- In an environment of softening investor sentiment, SaaS has emerged as a comparative bulwark for India-focused venture investors given proven revenue growth and attractive operating economics, becoming among the fastest-growing venture investment sectors and accounting for ~17% of total investments in the first 3 quarters of 2022, up from ~12% in the first three quarters of 2021.
- Indian SaaS is beginning to provide realised returns to investors, and the number of exits almost doubled in 2022, reaching ~40 exits across a variety of modes, including large-scale secondary transactions, strategic acquisitions, and public market exits/initial public offerings (IPOs).
  - Public markets offer a meaningful path to exit, and many Indian SaaS companies are already 'IPO Ready' based on their scale; however, deteriorating market conditions have led to muted IPO activity throughout 2022.

Figure 12: Indian SaaS investments increased by ~20% in 2022 vs 2021, boosted by a record ~$1 billion investment in Securonix

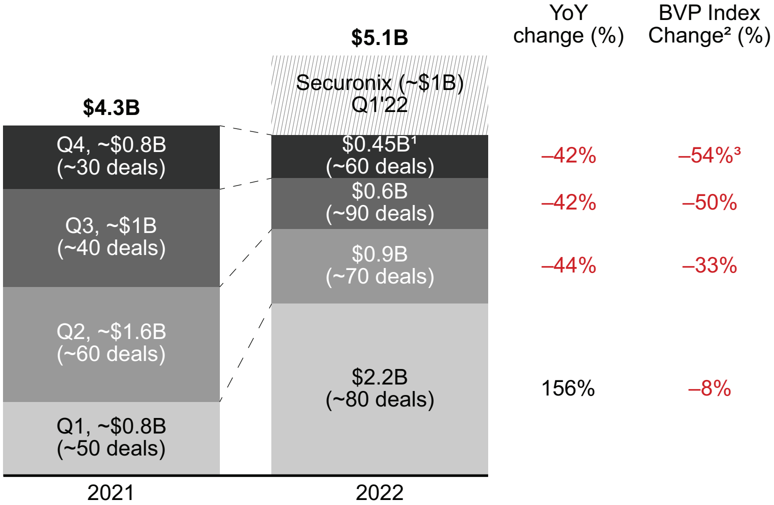
Indian SaaS investments ($B, annual)



Notes: Investment data based on deals with known funding amount; * 2022 data annualised basis addition of H1 2022 data and linear projection for H2 2022 using July–October 2022 data, excludes $1B Securonix deal, considering it as a one-time, high-value deal
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook; Venture Intelligence; Bain analysis

Figure 13: After a record ~150% year-on-year investment growth in Q1 2022, investment value has slowed down as market sentiment has softened

Indian SaaS investment value by quarter for 2022 vs. 2021 (Funding amount, $B)



1 **2022 started strong** with Q1 2022 investments of ~$2.2B[4]
- Driven by strong activity in large late-stage deals (~$1.5B in Series C+ deals in Q1 2022), higher traction in early-stage deals

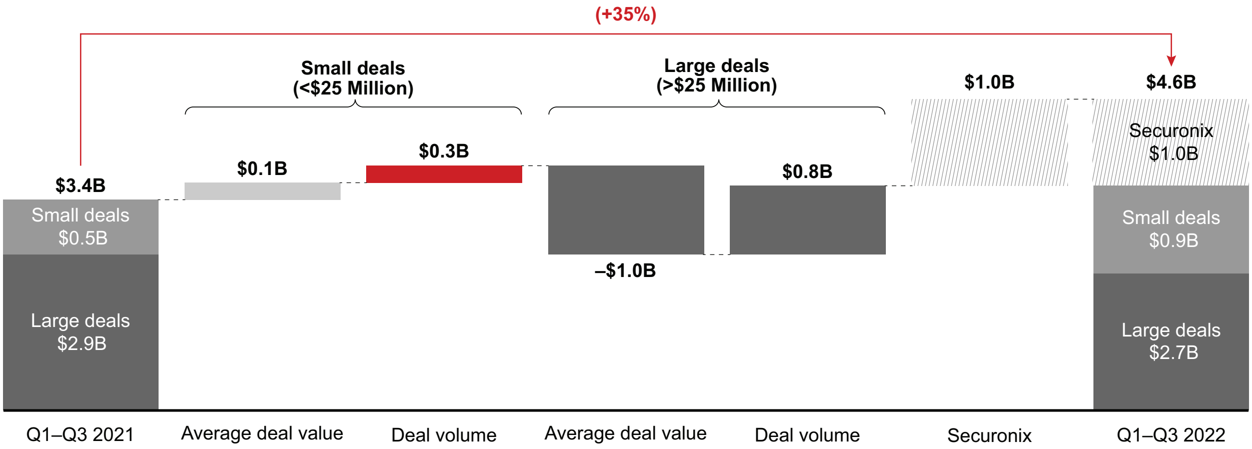
2 **Investments in Q2 and Q3 22 have dropped** by 40%–50% vs. 2021
- Driven by a slowdown in late-stage activity as large Indian SaaS companies that raised in 2021 chose to defer funding rounds

3 **Early-stage funding remains strong**
- Deal volumes have increased every quarter vs. 2021

Notes: Deal value and volume only for deals with known/available funding amount; [1] Q4 2022 projected basis July–October 2022 investment run-rate; [2] Percentage change in value of BVP Nasdaq Emerging Cloud Index, Quarterly value derived from basis average of opening and closing value of the quarter; [3] Value only for October 2022 vs. October 2021 index value change; [4] Excluding Securonix deal; YoY: year on year; BVP: Bessemer Venture Partners
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook; Venture Intelligence; Bain analysis

Figure 14a: Investment growth has been driven by an increase in early-stage deals while late-stage saw increase in deal volume but decline in average deal value

Investment evolution across deal sizes (Q1–Q3 2021 to Q1–Q3 2022, $B)

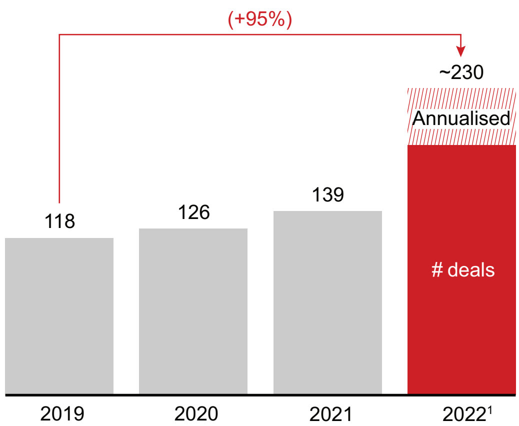


	Average deal value	Deal volume	Average deal value	Deal volume
Q1–Q3 2021	**$3.6M**	**136**	**$101M**	**29**
Q1–Q3 2022*	**$4.3M**	**204**	**$75M**	**37**

Notes: *Data excluding Securonix deal; Impact of change in average deal value/volumes are computed excluding Securonix; Deal volume and average deal value are for deals with known values only
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Venture intelligence; Pitchbook; Bain analysis

Figure 14b: Early-stage interest in Indian SaaS has increased, with significant growth in both the value and volume of seed deals over the last three years

Number of seed deals each year



	2019	2020	2021	2022[1]
Average seed deal value[2] (India)	**~$0.7M**	**~$0.9M**	**~$1.3M**	**~$1.7M**
Average seed deal value (US)	**~$1.5M**	**~$1.6M**	**~$2.0M**	**~$2.5M**

1 More seed deals are happening

- Increasing supply of SaaS companies: more second-generation SaaS founders
- Existing early-stage investors are doubling down (e.g., Nexus made 2X seed investments in H1 2022 vs. H1 2021)
- Emergence of SaaS-focused early-stage investors (e.g., Together Fund, with 4+ seed deals in H1 2022)
- Growing interest from incubators, angel networks, accelerators (e.g., Indian Angel Network invested in 3X deals in H1 2022 vs. H1 2021)

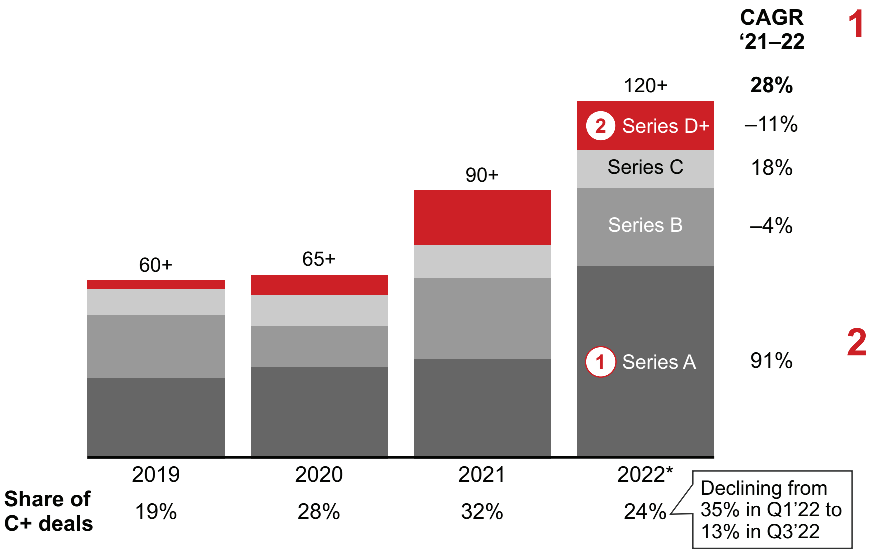
2 Seed rounds are getting larger

- Average number of investors per seed deal has been increasing (from ~2 to ~2.5 investors/deal)
- Investors are also increasing their average investment (~$0.6M in 2021 vs. ~$0.7M in 2022)
- Average Indian seed deals are closing the size gap with US SaaS (from 0.4X vs. US in 2019 to 0.7X in 2022)

Notes: [1] Data for 2022 is till 31 October 2022; includes 35 seed deals with undisclosed funding amount, annualised for comparison; 2022 data annualised by adding H1 2022 data and linear projection for H2 2022 using July–October 2022 data; [2] Average deal value is for deals with known values only
Sources: Tracxn; Crunchbase; Bain PE-VC deals database; Pitchbook; Venture intelligence; Bain analysis

Figure 14c: This trend has also led to a near-doubling of Series A deals; however, we have seen a notable slowdown in later-stage (Series B+) dealmaking

Deal volume split by company stage (Series A and above)



1 Early-stage (Series A) investments continue to grow

- Rise in seed funding has created a strong pipeline for Series A investors, with investors willing to back promising, pre-revenue businesses
- Aided by the emergence of new investors (40+ new post-seed investors in 2022) and increasing interest from existing investors (e.g., Sequoia made 4X Series A investments in 2022 vs. 2021)

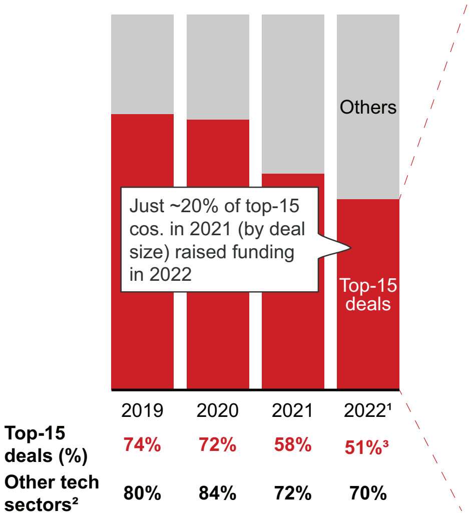
2 Late-stage investments (Series B+) have seen a decline

- Declining valuations have led companies with strong economics to defer fundraising
- Investors have become increasingly cautious about later-stage businesses with weaker economics

Notes: *Data for 2022 till 31 October 2022, annualised for comparison, 2022 data annualised by adding H1 2022 data and linear projection for H2 2022 using July–October 2022 data; Deal volume is for deals with known values only; CAGR: Compound annual growth rate
Sources: Bain PE-VC deals database; Venture Intelligence; Tracxn; Crunchbase; Pitchbook; Bain analysis

Figure 15: Funding concentration has reduced, with many scale Indian SaaS companies and well-capitalised companies funded in 2021 deferring fundraising

Investments by deal size ($B, %)

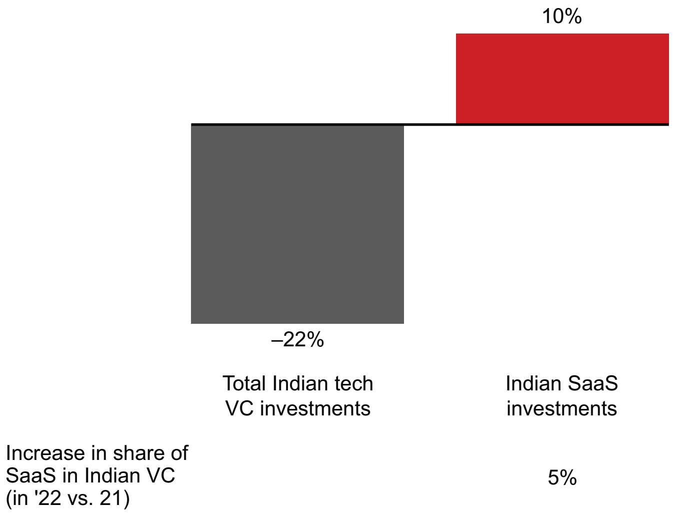


Company	Type of SaaS	Lead investor(s)	Deal value ($M)
Uniphore	Horizontal Business	New Enterprise Associates	400
Chargebee	Horizontal Business	Sequoia, Tiger Global	250
LeadSquared	Horizontal Business	Westbridge Capital	153
Observe.ai	Horizontal Business	Softbank Vision Fund	125
CommerceIQ	Horizontal Business	Softbank Vision Fund	115
CleverTap	Horizontal Business	CDPQ, Tiger Global, Sequoia capital	105
Builder.ai	Horizontal Infrastructure	Insight Venture Partners	100
Hasura	Horizontal Infrastructure	Greenoaks	100
Pixis	Horizontal Business	Softbank Vision Fund	100
Amagi	Vertical Business	Accel	95
SirionLabs	Horizontal Business	Partners Group	85
MoEngage	Horizontal Business	B Capital Group, Goldman Sachs	77
Darwinbox	Horizontal Business	TCV	72
Servify	Horizontal Business	Singularity Growth Opportunity Fund	65
Classplus	Vertical Business	Alpha Wave Global, Tiger Global	62

Notes: [1] Annualised for comparison, 2022 data annualised by adding H1 2022 data and linear projection for H2 2022 using July–October 2022 data, excludes $1B Securonix deal; [2] Other tech sectors include edtech, fintech, B2B commerce and tech; [3] Top-15 deals contribution to total funding has been calculated excluding Securonix deal; Deal value is for deals with known values only
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook Venture intelligence; Bain analysis

Figure 16: SaaS has emerged as one of the few growth areas in an otherwise slowing Indian VC market, driven by proven revenue growth and robust economics

Year-on-year Indian VC investments[1] growth ('21–22, Q1–Q3)



1 SaaS continues to see investor appetite given proven growth and attractive economics

- **ARRs continue to grow** ~50% YoY, even for scale players
- **Attractive economics,** with ~60%–80% gross margins in SaaS vs. ~10%–15% for e-commerce
- **Capital efficiency** with revenue scale achieved with comparatively lower funding

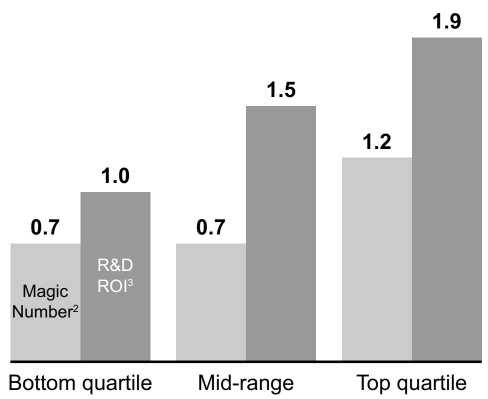
2 Other tech categories have seen cooling investor interest

- **Evolving revenue models:** Many B2C sectors are developing paths to monetisation as they pivot business models post-pandemic
- **Growth-first economics:** Growth-focused categories are still moving towards establishing positive unit economics

Note: VC: venture capital; ARR: Annual recurring revenue; [1] VC investments are defined as investments in companies headquartered in India or that have majority workforce in India, with deal value less than $20 million or where deal value is above $20 million, a VC fund is the lead investor or accounts for majority of investment; Includes deal values for deals with known values only.
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Venture intelligence; Pitchbook; Bain analysis

Figure 17: SaaS companies that grow efficiently, balancing S&M/R&D investments with revenue growth, attract higher valuations

Key efficiency metrics (November 2022)



	Bottom quartile	Mid-range	Top quartile
Valuation/ revenue multiple	**2.9X**	**7.0X**	**19.0X**
EBITDA margin	**–15%**	**–14%**	**2%**

1 Markets reward growth efficiency;[1] companies with high R&D and sales efficiency enjoy higher valuations

- While growth remains a focus area for SaaS investors, with softening market sentiment investors also value efficiency in key spending categories, including R&D and S&M
- While S&M efficiency, as measured by Magic Number, has a clear correlation with valuation, we have found that R&D ROI is a stronger predictor of valuation

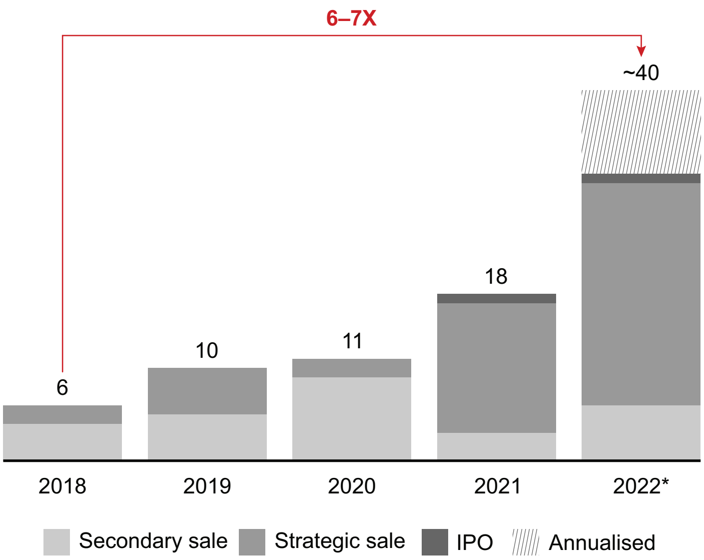
2 To drive efficiencies, SaaS companies should benchmark the underlying levers of S&M and R&D

- Comparison with peers facilitates the identification of areas of operational strengths and weaknesses

Note: [1] Efficiency is defined as every $ earned in response to each $ spent; [2] Ratio of ARR growth to S&M spending, calculated as (last quarter recurring revenue – preceding quarter recurring revenue)*3) / S&M spending from previous quarter; [3] Ratio of growth in revenue to R&D spend; calculated as (Current year revenue – preceding year) / R&D spending last year; S&M: Sales and marketing; R&D: Research and development; ROI: Return on investment;
Sources: OPEXEngine; Secondary research; CapIQ; Bain analysis

Figure 18: SaaS exits are increasing & span a variety of modes; M&A/secondaries are likely to be nearer-term options, however many Indian SaaS cos. are IPO-ready

Number of Indian SaaS exits



1 Indian SaaS companies are becoming more acquisitive

- Rapid rise in acquisitions in the last 5 years: Top 10 Indian SaaS companies made 8+ acquisitions in H1 2022 vs. 1 in 2018
- Indian SaaS companies with significant scale are making acquisitions primarily to drive capability/product extensions

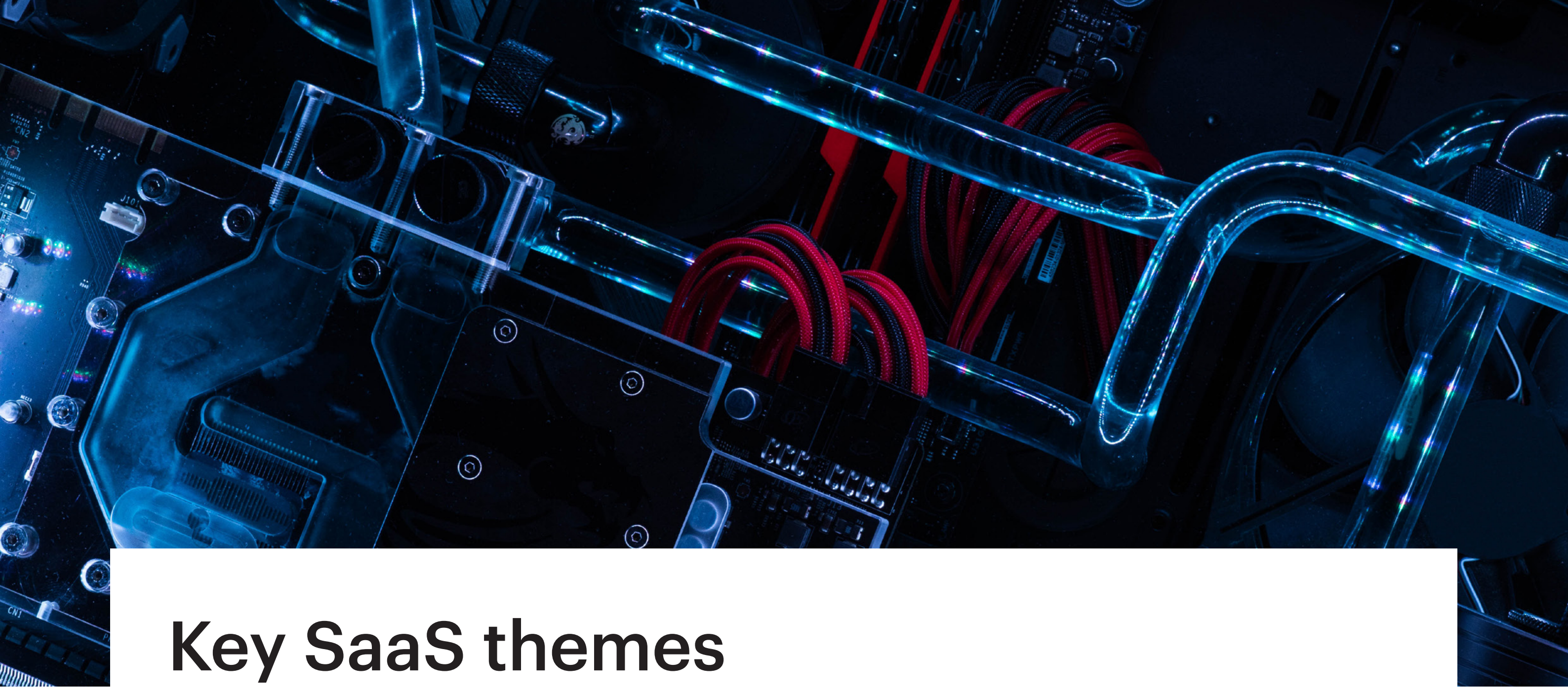
2 Mega-scale deals providing exits for investors that took early bets

- Vista Equity's $1 billion investment in Securonix in March 2022 is the largest private deal in Indian SaaS

3 Indian SaaS companies are getting increasingly 'IPO ready'

- As they reach meaningful scale, Indian SaaS companies like Gupshup, Capillary Technologies are announcing their plans for IPO
- IPO plans have been deferred given weak market sentiment and the macroeconomic slowdown

Notes: * Data for 2022 has been annualised post-30 September 2022; includes deals with unknown deal values; 2021—Freshworks IPO, 2022—Tracxn IPO; M&A: Mergers and acquisitions; IPO: Initial public offering
Sources: Tracxn; Crunchbase; VCCEdge; Secondary Research; Public releases



Key SaaS themes

- Indian investors continue to back a range of companies across horizontal business, horizontal infrastructure, and vertical SaaS. When we look at investments in these sectors, excluding the Securonix deal:

  — **Horizontal business:** Largest investment category (nearly 70% of 2022 investments), driven by large end-markets (more than $140 billion for top-5 horizontal categories) and numerous proof-points of >$100 million ARR companies (~70% of top-20 Indian SaaS companies are horizontal business).

  — **Horizontal infrastructure:** Around 15% of 2022 investments, with numerous global leaders emerging out of India in DevTools in particular (e.g., Postman, BrowserStack) given India's extensive developer base (~10% of global total) and rapid, product-led growth.

  — **Vertical:** Around 15% of 2022 investments, with smaller end-markets (~$30 billion) compared to horizontal business. Vertical SaaS is typically high-retention, with India's notable healthcare and wellness and logistics companies seeing rapid growth.

- An increasingly mature Indian SaaS ecosystem provides investors with an opportunity to back companies across a variety of sub-sectors within horizontal and vertical SaaS:

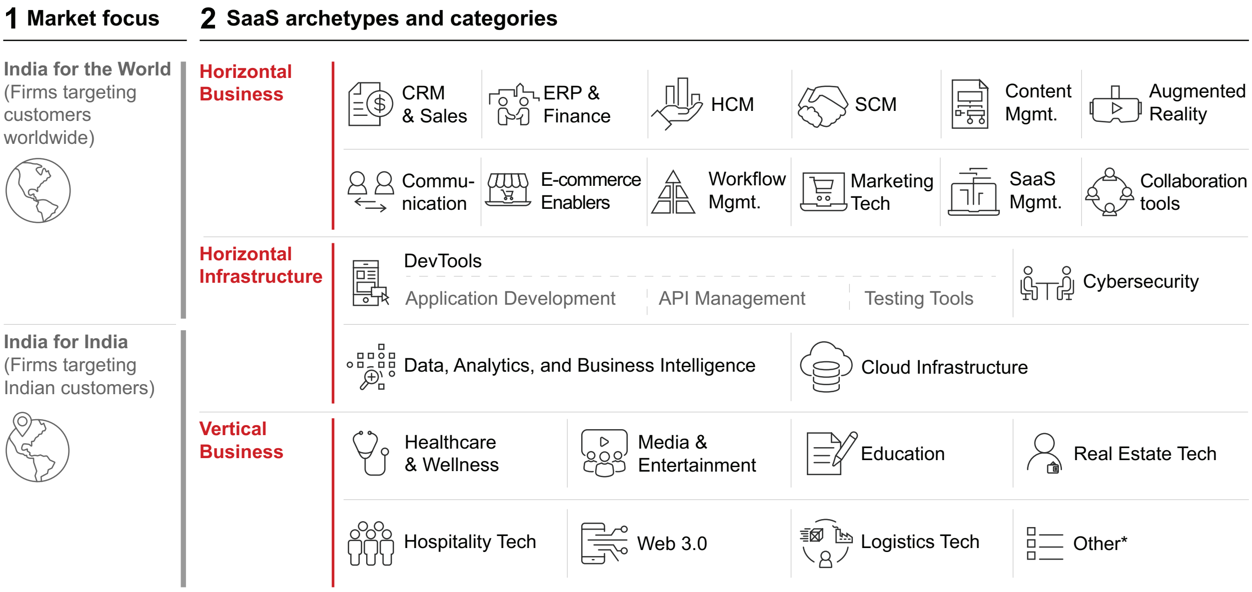
  — Indian SaaS companies often bring a unique approach to these sub-sectors (e.g., mobile-first solutions in MarTech and underserved geographies/verticals/employment models in human capital management).

  — While select categories are comparatively mature, there are clear white-space opportunities for existing and new Indian SaaS companies (e.g., pricing management, workflow automation, identity and access management).

- Indian SaaS investors consistently back companies in larger and more mature sub-sectors such as Customer Relationship Management & Sales and Enterprise Resource Planning. An increased diversity of companies has enabled Indian SaaS investors to begin developing sub-sector specialisation for the first time (e.g., Nexus in DevTools).

- The outlook for Indian SaaS investment remains broadly positive over the next 12 months, with ~90% expecting to increase or maintain their capital allocation to SaaS driven by strong business economics, path to scale, and successful exit trends.
- Investors count dev tools, CRM, and logistics tech among the most exciting sub-sectors, while portfolio priorities are product market fit and GTM for early-stage companies, and talent management/acquisition and overseas GTM for late-stage companies.

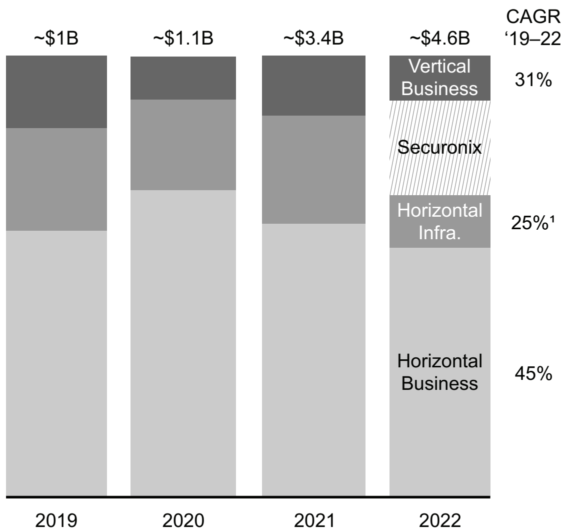
Figure 19: Indian SaaS investors can choose to back companies across an array of end-market focus areas and archetypes/categories



Notes: HCM: Human Capital Management; SCM: Supply Chain Management; ERP: Enterprise Resource Planning, includes Finance and Accounting, GRC software, etc.; CRM: Customer Relationship Management; API: Application Programming Interface; * Other vertical businesses include Agritech, Content Management, Retail Tech, Cleantech, Banking, Financial services and Insurance, Tech, Automotive, Utilities; archetypes listed are not exhaustive
Source: Bain analysis

Figure 20a: Horizontal business continues to attract the most capital given large end-markets, while India's developer base makes horizontal infra highly attractive

Indian SaaS investments ($B)
Q1–Q3 cumulative investments for each year

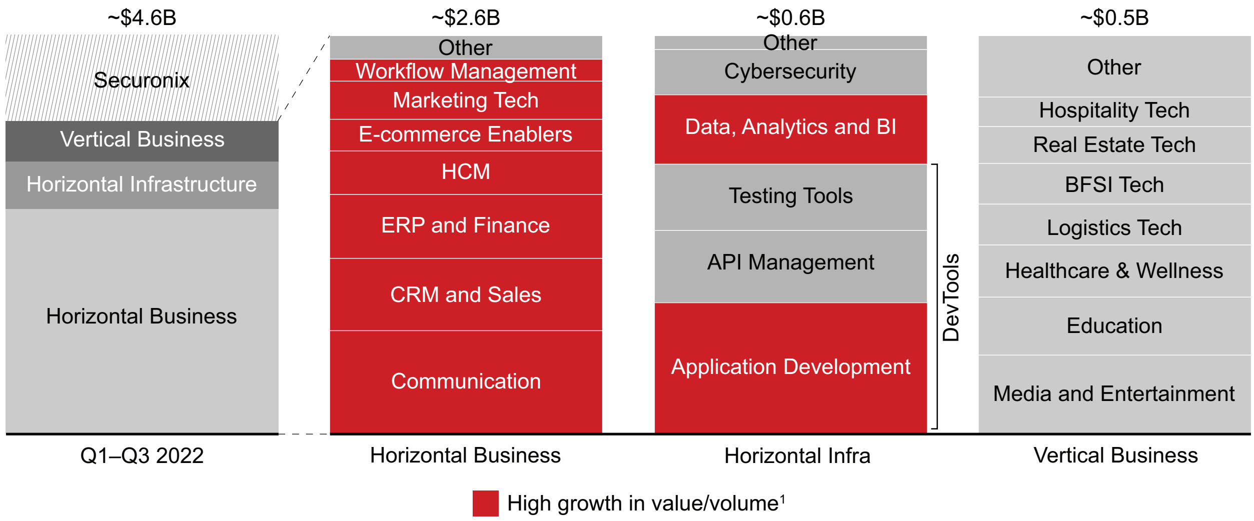


Archetype	Key trends
Horizontal business applications	• Growth in horizontal SaaS funding led by late-stage deals, 40%+ growth over H1 2021–2022 • Horizontal applications address large end-markets ($140B+ market for top-5 horizontal SaaS categories) • Indian horizontal-business SaaS companies have demonstrated scale (13 out of top-20 Indian SaaS companies by ARR are horizontal-business focused)
Horizontal infrastructure applications	• 8 million developers in India (~10% of the world's total), making it an attractive supplier and demand generator for developer tools • Frequent reliance on product-led growth enables rapid, low-cost growth in numerous markets
Vertical-specific business applications	• Vertical businesses serve relatively smaller end-markets (vertical SaaS market size constituted $30B+ in 2021), but given limited competition, businesses are known to have high customer stickiness • Key Indian SaaS verticals (healthcare & wellness, logistics tech) saw rapid growth during Covid-19

Notes: Deal value is for deals with known values only; [1] Includes $1 billion investment in cybersecurity firm Securonix; 'Shift left' paradigm is an approach to software testing and system testing in which testing is performed earlier in the life cycle; ARR: Annual recurring revenue; CAGR: Compound annual growth rate; Infra: infrastructure
Sources: Bain PE-VC deals database; Tracxn; Crunchbase; Pitchbook; Venture intelligence; Bain analysis; IDC; Gartner

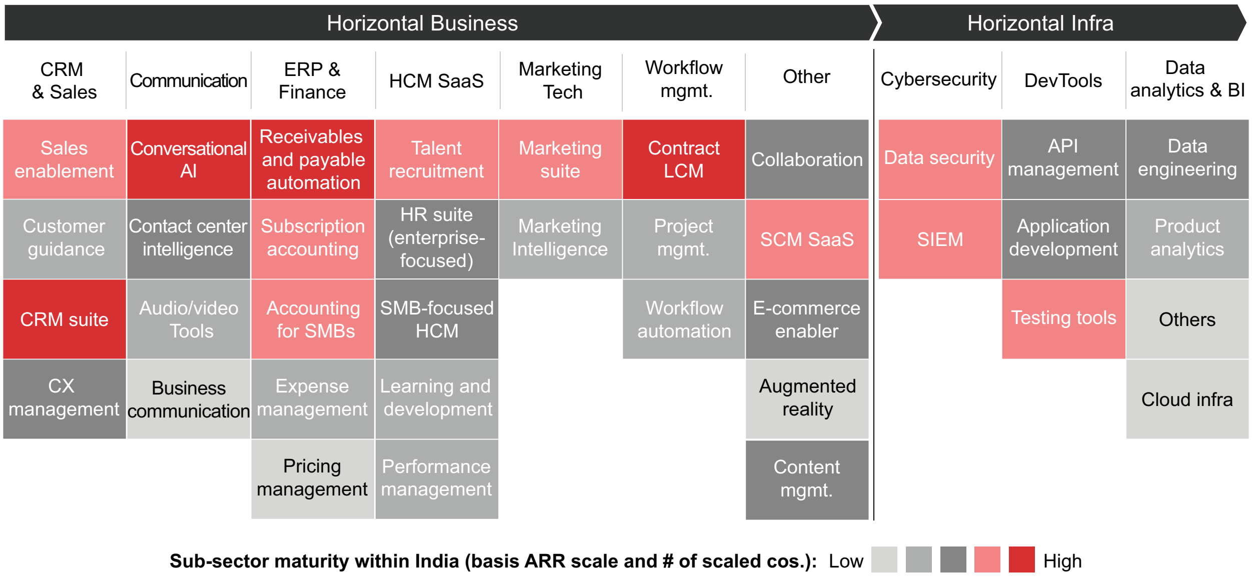
Figure 20b: Within horizontal and infra businesses, numerous sub-categories are seeing accelerating investor interest

Indian SaaS investments ($B)



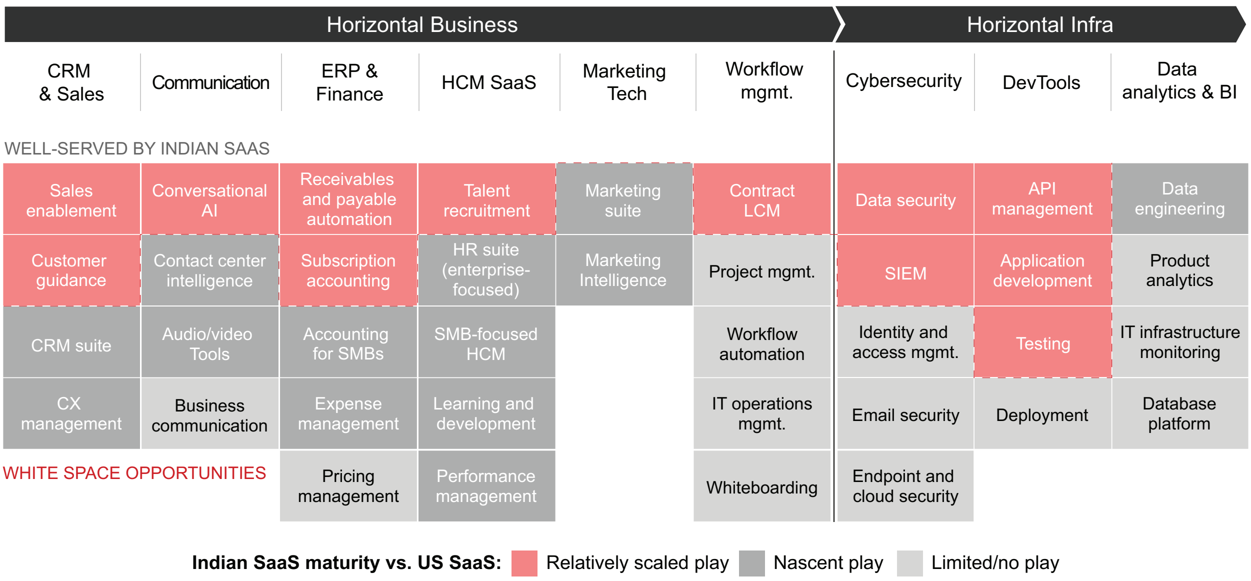
Note: The $1 billion Securonix deal is excluded in split of horizontal infrastructure; [1] High growth refers to more than 50% growth in value or volume (with at least 3 deals) in Q1–Q3 2022 vs. Q1–Q3 2021; API: Application Programming Interface; CRM: Customer Relationship Management; HCM: Human Capital Management; ERP: Enterprise Resource Planning; BFSI: Banking, Financial services, and Insurance, BI: Business Intelligence
Sources: Tracxn; Venture Intelligence; Crunchbase; Pitchbook; Bain PE-VC deals database; Bain analysis

Figure 21a: Indian SaaS has begun to see depth in numerous horizontal SaaS sub-sectors



Notes: Heat map based on the scale of companies present in each sub-category; Vertical-focused SaaS categories have not been considered for the analysis; API: Application programming interface; ARR: Annual recurring revenue; AI: Artificial intelligence; BI: Business intelligence; CRM: Customer relationship management; CX: Customer experience; ERP: Enterprise resource planning; HCM: Human capital management; LCM: Life cycle management; SIEM: Security information and event management; SCM: Supply chain management; SMB: Small and medium-sized business; sectors listed are not exhaustive
Sources: Tracxn; Crunchbase; Secondary research; Bain analysis

Figure 21b: When compared to mature markets like the US, there are clear white space growth opportunities for existing and new Indian SaaS companies

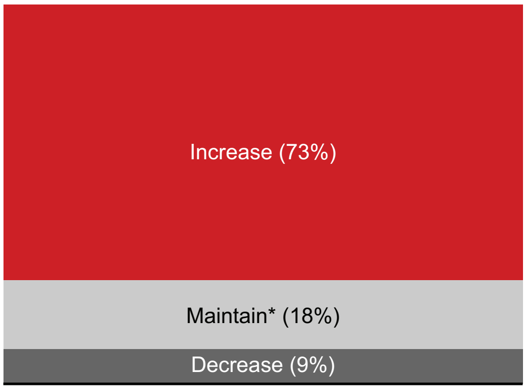


Notes: Maturity based on scale and number of Indian players present across each category and sub-category; Vertical-focused SaaS categories have not been considered for the analysis; AI: Artificial Intelligence; API: Application programming interface; BI: Business intelligence; CRM: Customer relationship management; CX: Customer experience; ERP: Enterprise resource planning; HCM: Human capital management; LCM: Life cycle management, SIEM: Security information and Event management; SMB: Small and medium-sized business; Categories listed are not exhaustive
Sources: Tracxn; Crunchbase; Secondary Research; Bain analysis

Figure 22: Investors in Indian SaaS remain positive and are likely to increase Indian SaaS investments, driven by strong fundamentals and maturing exit opportunities

What is your outlook for Indian SaaS investing for the next 12 months and are you expecting to increase/maintain/decrease capital deployment?

Share of Indian SaaS investors (%)



Expected capital deployment towards Indian SaaS over the next 12 months

Improved sentiment given strong unit economics and path to scale displayed by SaaS companies along with proven exits

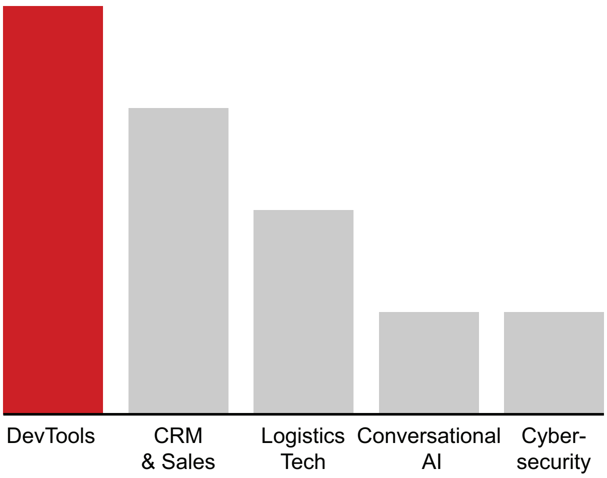
Attractive economics	60%–80% gross margins for top Indian SaaS companies[1]
Path to scale	~$100M in ARR in 6–7 years for top Indian SaaS companies
Proven exits	~40 exits in 2022, up 2x vs. 2021
High valuations	Indian SaaS companies command high valuations given rapid growth

Notes: * Implies that spending will remain flat (0% growth in spending); [1] top companies by valuations and ARR; ARR: Annual recurring revenue; M&A: Mergers ad acquisitions; IPO: Initial public offering
Source: Industry participant interviews

Figure 23: India SaaS investors are most excited about DevTools, and are currently focused on GTM and talent management for their portfolio companies

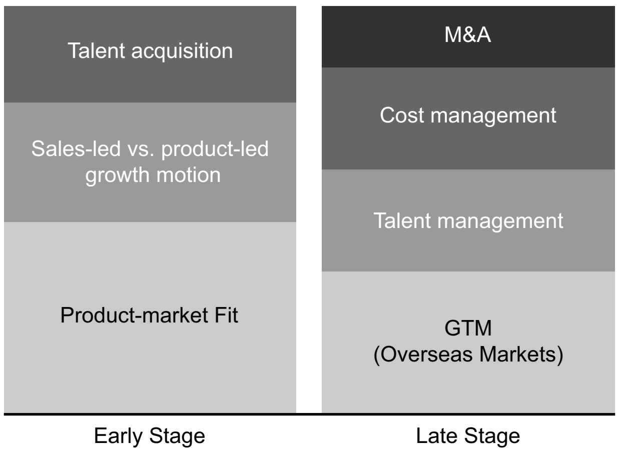
DevTools, CRM & Sales, and Logistics Tech are the most exciting themes among the top SaaS investors

Emerging themes for investors in Indian SaaS
(number of mentions in investor interviews)



Product-market fit, GTM (early stage) & Overseas GTM, and Talent (late stage) are the key focus areas

Key portfolio focus areas
(percentage mentions based on investor interviews)



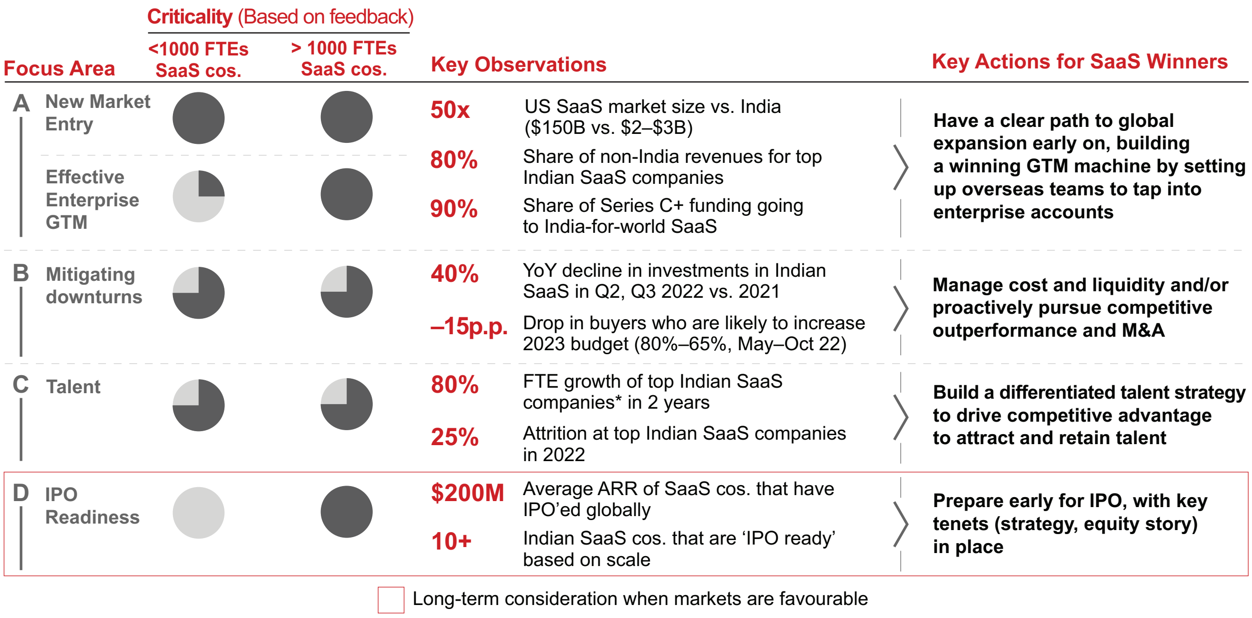
Notes: AI: Artificial intelligence; GTM: Go to market; CRM: Customer relationship management; M&A: Mergers and acquisitions
Source: Industry participant interviews

Focus areas for Indian SaaS companies

- Bain's experience shows that focus areas for Indian SaaS companies vary by scale but centre on several key themes:
  - **Smaller companies** (less than 1,000 FTEs) are primarily focused on entry into new markets, managing downturns, and talent acquisition and retention as they look to scale.
  - **Larger companies** (more than 1,000 FTEs) additionally focus on enhancing their GTM model and are maintaining a long-term view towards IPO readiness.
- Global markets are a key step for Indian SaaS companies looking to achieve substantial scale (more than $100 million ARR). Developing a clear overseas market growth playbook is a strategic imperative for most companies that involves:
  - **Market opportunity**: India remains a comparatively smaller market opportunity (~$2–3 billion) when compared to the US (~$150 billion). The majority of Indian SaaS companies looking to achieve meaningful scale build an overseas focus, with the US alone comprising ~50% of top-20 Indian SaaS company revenues.
  - **Growth model:** The US SaaS market is highly competitive, and Indian companies that succeed do so through a combination of product excellence, competitive pricing, and a focus on distinct/underserved market segments combined with a clear GTM playbook.
- Downturn management is becoming increasingly critical for Indian SaaS companies. Cost and liquidity management are essential toolkits for management teams, while downturns are an opportunity for well-capitalised companies to "play offense" and engage in tactical mergers and acquisitions.

- Building winning talent models is critical to maintain growth and a competitive edge.
  - **High demand and long-term attrition:** Talent demand from Indian SaaS companies is increasing rapidly (more than 80% headcount growth over 2020–2022), and Indian SaaS companies compete for talent from similar sources.
  - **Winning talent models:** Talent outperformers have more than 10 percentage points lower annual attrition. Building winning talent strategies involves focusing on key interventions across priority areas for employees, namely culture and values, compensation and benefits, and leadership engagement.
- Numerous Indian SaaS companies are at an IPO-ready scale (more than $100 million ARR). Going forward, as capital markets recover, going public will require a well-defined pre- and post-IPO strategy, a compelling equity story, thoughtful timing, and technical readiness.

Figure 24: Indian SaaS companies have largely similar priorities; however, as they scale, enterprise GTM is critical while mitigating downturns is increasingly crucial



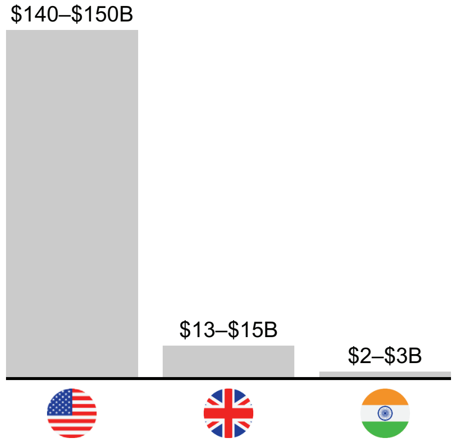
Note: *Includes top 20 Indian SaaS companies by scale: Freshworks, Zoho, Securonix, Postman, Druva, HighRadius, Chargebee, Eightfold, Gupshup, Innovaccer, Zenoti, Mindtickle, Observe.ai, Amagi, BrowserStack, Icertis, LeadSquared, CommerceIQ, Hubilo; GTM: Go to market; FTE: Full-time employees; IPO: Initial public offering; YoY: Year on year; M&A: Mergers and acquisitions; p.p: percentage points

Sources: Bain analysis; LinkedIn; Founder interviews

Figure 25a: The US SaaS market presents a substantially larger ($140–$150B) opportunity for Indian SaaS companies, driven by multiple structural factors

US SaaS market is large compared to UK and India, but Indian market is growing faster

SaaS Market ($B, 2021)



CAGR (2017–21)	15%–20%	20%–25%	30%–35%

Buyer maturity and presence of scale enterprises makes the US SaaS market attractive

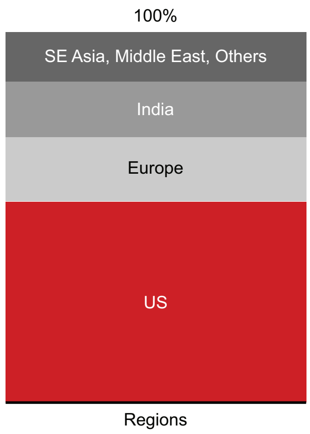
Higher willingness to pay	• High employee costs in US drive higher adoption of substitution/automated solutions (e.g., average developer salary in US is ~4X that of Indian developers) • US enterprises have large IT and software budgets • Leveraging higher digital adoption and large budgets, SaaS companies employ higher prices in US vs. other geos (Zoho Books standard plan costs $15 in US vs. $10* in India)
Bigger pool of scale enterprises	• High number of large enterprises (>$1B revenue) allow SaaS companies to scale large individual accounts (2,500+ companies with $1B+ revenue in US vs. 200–300 in India)
Higher maturity of SaaS buyers	• US enterprises and SMBs are ahead in terms of digital journey – US SaaS penetration is ~35% in 2021 vs. <10% for newer markets like India – Large number of US enterprises are tech-oriented and faster to adopt digital solutions (vs. legacy companies in India)

Note: SaaS market size includes system infrastructure software SaaS; * Per organisation per month billed annually and assuming USD/INR = 75;
CAGR: Compound annual growth rate; SMB: Small and medium-sized business
Sources: IDC; CapIQ; Glassdoor; Secondary research

Figure 25b: Going into new markets (primarily the US) has been a critical element of scale for the majority of Indian SaaS companies

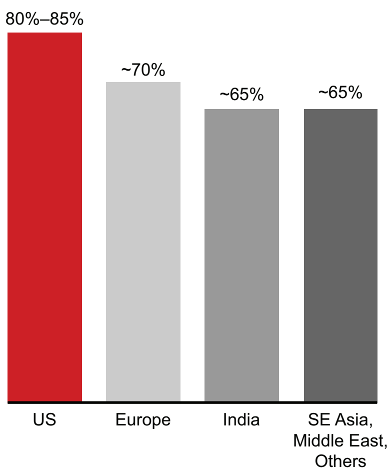
Currently, ~60% of revenues for top* Indian SaaS companies are from the US market

Revenue split of top 20 Indian SaaS companies across regions (%)



~85% of top* Indian SaaS companies have expanded to the US market

Percentage of top 20 Indian SaaS cos. with presence in region (i.e., >5% revenue)



Most companies expand to US/EU or nearshore, while only a few scale in India

Indian market as initial focus

- Most companies utilise Indian market as a test bed before expanding overseas (e.g., Whatfix, Zuper)
- Others with core Indian focus largely target SMB/MSME customers with value-focused SaaS solutions

Southeast Asia/Middle East market acts as natural expansion outside of India

- Expansion to Southeast Asia/Middle East driven by similar market conditions (i.e., presence of large number of SMBs and legacy enterprises) and limited presence of established global peers (e.g., Darwinbox, MoEngage)

US/EU to drive rapid growth via large number of enterprise accounts

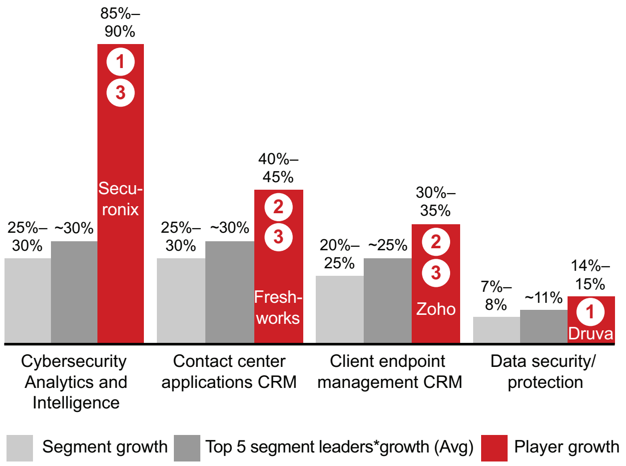
- Select Indian SaaS companies put US market as core focus (e.g., Innovaccer, CleverTap)
- Companies enter scale markets like US/EU primarily targeting large enterprises offering them deep-tech products (e.g., cyberthreat analytics) or niche/point solutions (e.g., HCM solutions for new talent models)

Notes: Top by amount of total funding received; SMB: Small and medium-sized business; HCM: Human capital management; SE Asia: South East Asia;
MSME: Micro, Small and Medium Enterprises
Sources: Company press releases; MCA filings; VCCircle; Forbes; IDC; Market participant interviews; Bain analysis

Figure 25c: Indian SaaS companies often find themselves competing with incumbents in these markets but are able to win across a range of dimensions

Leading Indian SaaS firms competing with incumbents in US have grown 1.5–3X vs. the segments they play in

Indian SaaS cos. business growth in US compared to segment and leading peers' growth (CAGR 2018–21)



3 key strengths have given them a right to win

Strength	Descrption	Example
1 **Product excellence**	World-class product development	Securonix is a "market leader" in cybersecurity; Druva and Postman recognized as "visionary" for their product excellence by Gartner
2 **Competitive pricing**	Significantly lower personnel costs enable quality products at lower prices	Zoho recognized by Gartner for offering value for money (e.g., Zoho Desk is 40%–50% cheaper vs. Zendesk)
3 **GTM strategy tapping niches**	Focus on untapped/ unserved segments, enabling higher chances of winning	Freshworks targeted mid-market players as an affordable alternative to existing solutions

Notes: * Top 5 basis segment revenue, 3-year data unavailable for leader Microsoft in cybersecurity; Top 5 players data thus excludes Microsoft; CAGR: Compound annual growth rate; CRM: Customer relationship management; GTM: Go to market
Sources: Industry participant interviews; Gartner; IDC

Figure 25d: India-for-the-world enterprise focused SaaS companies have begun to develop clear GTM playbooks as they scale overseas

	ARR Scale:	Up to $5M	$5M–$20M	$20M–$50M	$50M–$100M
Geographic presence	**Typical Founder Team location**		CTO/ Product; CEO/ Commercial	CTO/ Product; CEO/ Commercial	CTO/ Product; CEO/ Commercial
Direct GTM & Support	**Sales team size[1]** (of which AEs)	**10–12** (3–5)	**20–25** (4–6)	**50–60** (12–15)	**80+** (20–25)
	Overseas sales team	<5	8–10	25–30	50+
	CSS[2] team size	5–7	10–12	30–40	50+
	Direct sales overview	Founder-led GTM using strategic advisory boards Small-scale sales teams (incl. inside sales) acquire initial accounts	Appointment of CRO/CCO to support leadership team on GTM Build-out of formalised, on-shore field AE teams, but with limited customer segmentation Build-out of supporting functions such as pre-sales, customer success, and BDR/SDRs		Emerging tiering and segmentation of accounts, Sales org increasingly mapped to account segments (verticals/tiers)
Indirect Channel	**# of channel partners[3]**	None	2–5	10–15	30–40
	Channel overview	Focused on direct sales, with limited emphasis on partnerships		Initial partner ecosystem build-out, including appointment of dedicated partner teams	Development of scale partnerships and increasing emphasis on "sell with"

Note: [1] Sales team includes account executives (AEs) and sales support teams such as pre-sales, SDR/BDRs, renewal team; Core sales team here is the number of account executives; [2] CSS: Customer success and support; [3] Indirect channel partners usually involve IT service firms, technology consulting companies, other companies in different stages of value chain; GTM: Go to market; ARR: Annual recurring revenue; CTO: Chief Technology Officer; CRO: Chief Revenue Officer; CCO: Chief Commercial Officer; SDR: Sales Development Reps; BDR: Business Development Reps
Sources: Industry participant interviews; LinkedIn; Bain analysis

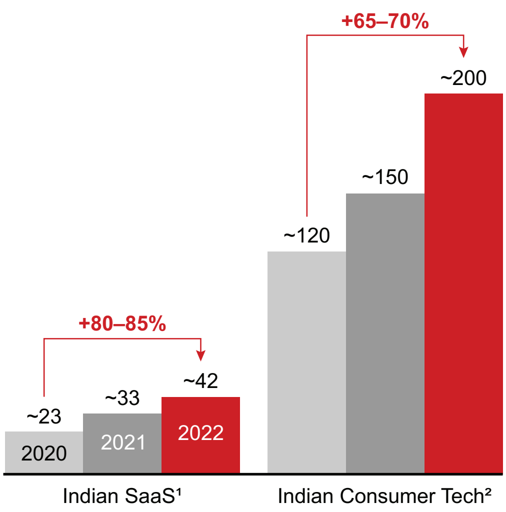
Figure 26: Successfully navigating downturns involves both defensively managing costs and liquidity, while also playing offense where required

Lever	Details	Notable examples of winning companies
Restructure costs	Restructure costs before the downturn without cutting muscle	Zoom is controlling its subscription management costs in 2022 by optimising usage across the public cloud and increasing number of co-located data centers to share cost of managing facilities Zoho substantially cut down on ad spending in response to the pandemic
Manage Liquidity	Put the financial house in order: diligently manage liquidity and balance sheet	Elastic has accelerated cash collection cycles by offering early payment discounts to select customers
Play Offense	Play offense by reinvesting selectively for competitive outperformance	HubSpot has increased its R&D investment in 2022 and is focusing on product innovation to enhance its marketing automation offering: Marketing Hub, a complete CRM platform (all marketing and data tools are integrated on a single platform)
Identify M&A targets early	Pursue a proactive M&A pipeline to get acquisitions at good value	ServiceNow has been building out a pipeline of acquisition targets to strengthen its current offering in response to the 2022 slowdown, starting with acquisitions of Era Software (to deliver unified observability solution at scale)

Notes: M&A: Mergers and acquisitions; R&D: Research and development
Sources: Secondary Research; Bain IP

Figure 27a: Talent demand from Indian SaaS companies is increasing rapidly, with high competition for top technical and GTM talent

Headcount (in 000s)



Rapid growth in Indian SaaS talent
- Headcount at top Indian SaaS companies has grown at 80%+ during 2020–2022, faster than consumer tech (65%–70%)
- Demand for talent is driven by growth in sales (+140% b/w 2020–22) and engineering (+90% b/w 2020–22) functions

Rise in demand for specialised talent
- Specialised functions like sales and product marketing are seeing high growth at companies with significant enterprise sales focus

Competition for top tech talent
- SaaS companies compete with each other as well as consumer tech for top tech talent (30%–40% overlap in sources of engineering talent)
- In order to attract and retain tech talent, SaaS companies were paying 20%[3] above market average salaries

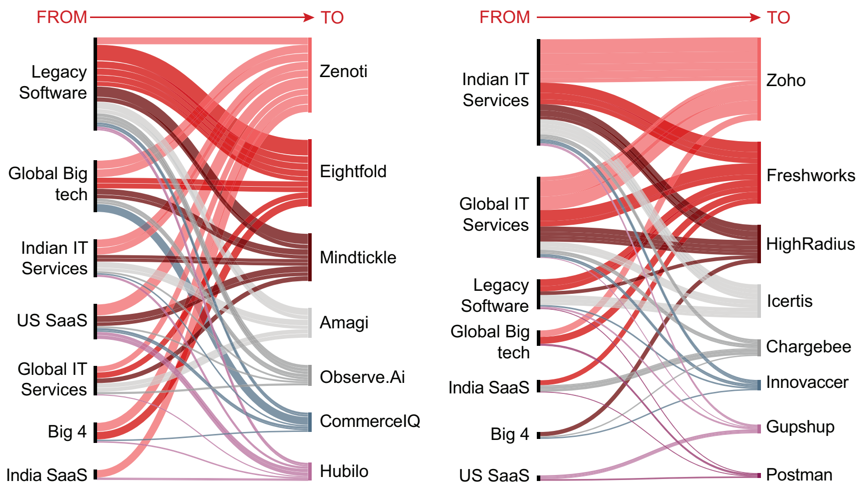
Increased overseas hiring
- Indian SaaS companies are going overseas to set up on-ground sales teams in enterprise markets like US/EMEA (~40% of sales FTEs are based in international locations)
- Indian SaaS companies are also outsourcing work to captive teams in competitive engineering/ nearshore bases

Notes: [1] Includes top 20 Indian SaaS companies by scale: Freshworks, Zoho, Securonix, Postman, Druva, HighRadius, Chargebee, Eightfold, Gupshup, Innovaccer, Zenoti, Mindtickle, Observe.ai, Amagi, BrowserStack, Icertis, LeadSquared, CommerceIQ, Hubilo; [2] Includes top 20 Indian consumer tech cos. Including edtech, online food delivery, e-commerce, etc.; [3] Glassdoor average salaries comparison; GTM: Go to market; EMEA: Europe, the Middle East, and Africa; FTE: Full-time employees
Sources: Bain analysis; LinkedIn; Glassdoor

Figure 27b: Sources of talent for Indian SaaS varies by scale; however, Indian SaaS companies typically compete with each other to get talent from the same sources

Talent inflow in Indian SaaS cos. with less than 1,000 FTEs

Talent inflow in Indian SaaS cos. with more than 1,000 FTEs



1 Talent sources vary by scale of companies:
- Smaller SaaS cos. meet their talent needs by sourcing from software/product companies
- Large Indian SaaS cos. look to larger pools of talent like IT services to meet demand

2 Indian SaaS cos. source talent from the same locations:
- IT services companies such as Cognizant, Accenture, etc. are key sources of talent for scale companies

3 Given the competition for talent, attrition has been high in Indian SaaS cos. (~25% between Q1–Q3 2022*, dropping to ~15% in Q3)

Notes: * Attrition annualised to facilitate comparison; Legacy Software includes large software companies with majority on-premise, like Oracle, ADP, etc.; Global Big Tech companies include Microsoft, Google, and other large organisations; Big 4: Deloitte, KPMG, EY, PWC; Indian IT Services refers to IT companies headquartered in India (e.g., Infosys, Wipro); Global IT services includes Accenture, CTS, etc.; Talent inflow assessed since the company's inception;
FTE: Full-time employees
Sources: Bain analysis; LinkedIn

Figure 27c: Retaining top talent requires a winning talent strategy – involves assessment of key employee focus areas and building best practices

Culture & compensation most important for Indian SaaS employees

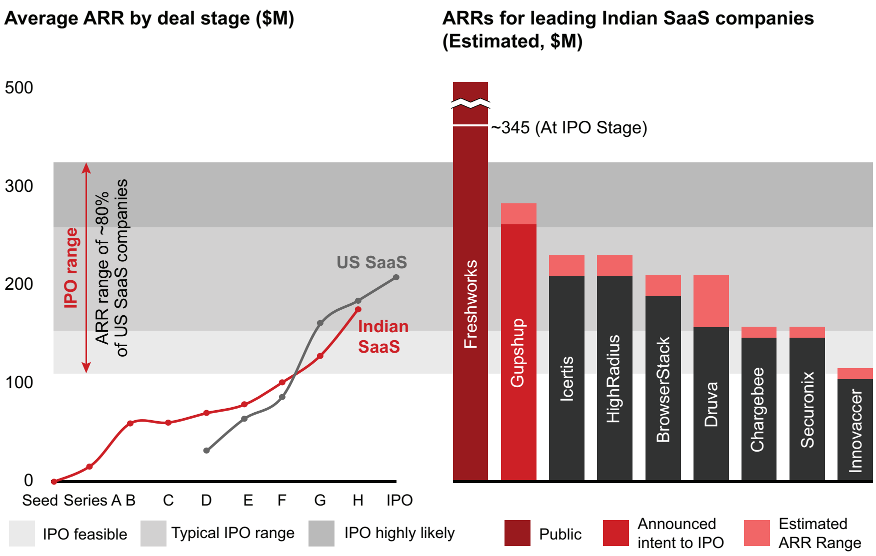
Most important factors for employees (number of mentions[1])

Continuous assessment and building best practices around employee focus areas critical for talent strategy

Key parameters	Top Performers[2]	Best practices of top performers based on Bain experience
• **eNPS** • **Employee Engagement** (Glassdoor ratings)	• Global: **HubSpot** (4.7) • India: **Zoho** (4.6)	• Consistently implemented 360-degree feedback mechanism (monthly/quarterly pulse checks from employees) • Community building across teams (especially among developers/engineers of all levels), networking events with senior executives, and affinity/interest groups
• **Salaries vs. top competitors** • **Percentage of variable in total CTC**	• Global: **Salesforce** (4.5) • India: **LambdaTest** (4.7)	• Healthy balance between fixed and variable compensation (e.g., 60:40 fixed to variable is the Indian tech industry standard for sales roles, 80:20 for non-sales) • Comprehensive benefits include must-haves (insurance for self/ family, stock options as bonus),routine essentials (exclusive discounts on daily apps), back-to-office perks (travel allowances, recreational facilities, food, etc.)
• **Percentage of positions filled internally** • **Leadership engagement rate[3]**	• Global: **Asana** (4.5) • India: **Postman** (4.3)	• Involvement in key decision making for employees at all levels in the org (e.g., impromptu multi-day workshops to solve company's most pressing problems) • Multi-level mentorship programs with team managers, peer mentors and external coaches

Notes: [1] Sum of mentions on Glassdoor across six key criteria, N=~16,000 mentions by SaaS employees in India; [2] Glassdoor ratings among top global SaaS companies by scale; [3] Number of times leadership engages with employees, including town halls, surveys, workshops, etc. in a defined time period;
CTC: Cost to company
Sources: LinkedIn; Glassdoor; Bain analysis

Figure 28a: Indian SaaS leaders are tracking US peers on their growth paths, with a growing pipeline of companies ready for IPO subject to favourable market conditions



1 Leading Indian SaaS companies are following similar revenue trajectories of US peers by stages

2 Leading US SaaS companies typically filed for an IPO within $100M–$300M ARR range; several Indian companies are churning similar ARRs—ready for IPO subject to favourable market conditions

3 Profitability has not historically been key, with just ~20% of US SaaS cos. profitable at IPO

4 SaaS companies like Gupshup and Capillary Technologies have announced IPO plans; however, their IPOs plans are deferred as they wait for favourable market conditions

Notes: US composite includes Atlassian, AvidXchange, Blackline, Coupa, Everbridge, HubSpot, Paycom, RingCentral, Salesforce, Semrush, ServiceNow, Smartsheet, Twilio, UiPath, Workday, Zendesk, Zoom, Zscaler, Zuora; Indian composite includes Freshworks, Gupshup, Chargebee, Innovaccer, HighRadius, BrowserStack, Icertis, Securonix, and Druva; ARR range at IPO stage for US public SaaS companies is derived considering standard deviation around mean ARR; All curves are smoothed out; ARRs have been extrapolated at certain stages due to lack of publicly available data; ARR: Annual recurring revenue; IPO: Initial public offering; companies listed are not exhaustive
Sources: Tracxn; Crunchbase; Bain PE-VC deals database; Venture intelligence; Pitchbook; Secondary research; Annual reports; Earnings releases; SEC filings; Bain analysis; Industry participant interviews

Figure 28b: As capital markets revert to trace upward momentum, companies targeting successful initial public offering (IPO) listings will require getting four key areas right

Full potential strategy for the IPO and after

- Lay out full potential strategy and future business growth plan
- Articulate future stock market positions to set investor expectations
- Delineate clear value creation path through IPO proceeds deployment

Equity story

- Communicate credible investment case, teeing up with attractive valuation level
- Demonstrate track record of strong/improving results (profit & loss, cash flow, balance sheet)

IPO timing

- Monitor stock market development closely to tap macro sentiment and investment momentum (e.g., number of IPOs, valuation multiples, indices)
- Follow IPO pipeline of other companies and position IPO date strategically

Technical capabilities and IPO structuring

- Ensure set-up of technical capabilities required for the IPO process
- Decide early on IPO offer details, e.g., listing location, free float, greenshoe
- Check guardrails and parameters with shareholders

Source: Bain analysis

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