



SaaS BUZZ

Covid-19 could prove to be a catalyst for India's SaaS sector, which features an impressive bench strength of startups beyond the celebrated unicorns

By Venkat Ananth

Earlier this month, the Mumbai-based mobile and web application testing platform BrowserStack acquired Percy, a Silicon Valley-based company that offers visual testing as a service. This transaction came close on the heels of the April acquisition of US-based research startup Gemia by Mumbai-based Orbo AI, a company focussed on visual intelligence. In February, Freshworks acquired Seattle-based Answer IQ, which followed the same company's acquisition of California-based Natero the previous year.

While these acquisitions don't make much noise, the leapfrogging of Postman, founded in Bengaluru six years ago, into the vaunted unicorn club with a \$2 billion valuation in June, certainly grabbed attention.

Taken together, these represent a momentum gain for India's SaaS story, which holds out promise of a generation of Indian tech product companies that serve consumers around the world, and lean unicorns that delight investors with their low overheads and marketing spends. Postman, the company valued at \$2 billion earlier this year, for instance, employs about 125 people.

"All the companies in the first wave of SaaS in India were started by those who had a global experience — either by those who had worked in the US, had customers there, and knew how the market worked. So when they came back, they knew how to build for the global markets," said Shekhar Kirani, partner at Accel Partners, one of India's top tech investors. "In the last few years, enough new companies have come up in India that look and feel like global companies, which is a fundamental shift. It has now become possible."

The early SaaS flagbearers are Zoho, which provides a



Founded in 2011 by Ritesh Arora (CEO) and Nakul Aggarwal (CTO), roommates from their time at IIT-Bombay, BrowserStack has emerged as a leading global SaaS company in developer testing. The company traces its origins to the two founders working out of a coffee shop in its early days, with 10,000 beta users in three weeks, and \$20,000 monthly revenues in 4-5 months, and \$1 million annual recurring revenue by the end of its first year of existence. Four years later, that grew to \$20 million dollars of ARR with a 50-member team. All this while BrowserStack was bootstrapped. Today, it has 600 employees and its testing platform, used by developers globally, runs across 15 global data centres, powers over two million tests daily. It has over 25,000+ customers, in the US and Europe, including Microsoft, Twitter, Barclays and Expedia. In January 2018, seven years after it was

BrowserStack

Founded in: **2011, Mumbai**

Founders: **Nakul Aggarwal, Ritesh Arora (L)**

Investors: **Accel Partners**

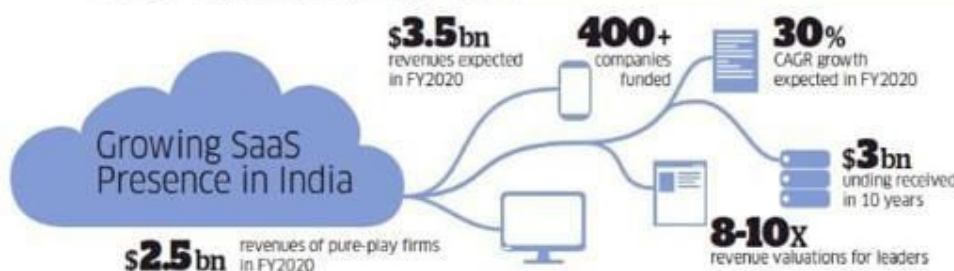
What the company does: **Built for developers, it enables on-demand testing of mobile and web applications on its platform**

Total funding: **\$50 million**

"I am so excited to see the thriving SaaS ecosystem in India. When we started BrowserStack, there were just a few players. Over the last few years, there has been an explosion of startups in the SaaS space. It is a testament to the talent here and the profitability of SaaS businesses, where gross margins are typically 80%+."

Ritesh Arora

Founded as a bootstrapped startup, the company secured \$50 million in its Series A funding round led by Accel Partners—by both its India and US-based funds. It now wants to be the "testing infrastructure of the Internet".



Global SaaS View

Market Value



As a % of Software Revenues



SOURCE: NASSCOM, SAA5000M

InVideo

Founded In: 2017, Mumbai

Founders (from left): Sanket Shah, Pankit Chheda, Harsh Vakharia

Investors: Sequoia Surge, Ryan Hoover (founder of Product Hunt), Haresh Chawla (ex-CEO of Network 18 and Viacom 18), Kunal Bahl (Snapdeal), Miten Sampat (ex-chief strategy officer, Times Internet)

What the company does: Helps prosumers create videos from content

Total funding: \$3.7 million

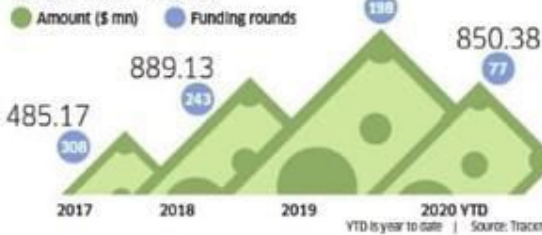


"Saas for the world will be built from India. The gaps with respect to engineering, design and product management are already blurring between India and the US. Days of Indian Saas competing on pricing are gone; that was a playbook. There will be a new playbook where we will innovate, charge a premium, and become category leaders"

Sanket Shah

One of India's rising "bottoms-up" prosumer (consumer who produces) SaaS companies, InVideo was launched in 2017 in Mumbai by Sanket Shah, Harsh Vakharia and Pankit Chheda. It offers a web-based editor that allows users to easily create videos for social media – using templates and stock content including videos, effects, and images and the ability to add voiceovers in local languages. It's to video what Canva is to images. Its most frequent use cases include video ads, promotional videos and social media ads. Its platform is used by over 500,000 customers from 150+ countries. The platform organically acquires thousands of customers daily, without a sales team. In February this year, it made it to Product Hunt, a hallowed community of the best technology products. Its customers include Microsoft, Reuters, AT&T, CNN, and CNBC, among others. In February, the company raised \$2.5 million from Sequoia Surge and angels investors such as Anand Chandrasekharan and Gokul Rajaram.

Buzz for SaaS



suite of productivity software, and Freshworks, a provider of customer relationship management solutions. These were the ones that first became unicorns and have since grown to become large global companies. Drupa, a provider of cloud-based back-up solutions, and Chargebee, a service that helps manage subscriptions, have received substantial investments and attention. Postman, of course, is the latest celebrity in this galaxy. And then there are the up and coming companies that look poised for a break-out moment somewhere down the line. We have featured five promising SaaS startups in this story.

SaaS companies typically serve the enterprise market and have products that run on the cloud (as opposed to the client's servers, as in the case of most enterprise software). The ubiquity of reliable bandwidth around the world and advances in cloud technology, both recent developments, are key to making these businesses possible. "Every venture capital fund is looking at B2B (business to business) now and many are coming to India with a focus on looking at these startups that are going global or even focused on the domestic market. So I think it's a great time for B2B and SaaS startups from India. I am really, really bullish," said Girish Mathrubootham, founder and CEO of Freshworks.

India has some 1,200 funded SaaS companies, as per the founder community SaaSBOOMI. In the last six months alone, SaaSBOOMI data showed, 60-80 SaaS companies have been founded in the country. The industry is currently

pegged at \$3.5 billion (global and domestic revenue), according to a recent Nasscom-SaaSBOOMI report. Of this, 75% is global revenue. Pure-play SaaS companies (excluding system integrators such as Infosys, which also has SaaS offerings) account for \$2.5 billion out of the \$3.5 billion as of March 2020, growing at 30-35% CAGR. The revenue opportunity, it added, will be 6x by 2025 at a CAGR of about 42-43%, which amounts to about \$13-15 billion.

For perspective on how this compares with the IT services industry, Tata Consultancy Services, India's largest IT firm by market capitalisation, clocked \$21 billion in revenue during 2019-20.

Developing products that are used around the world is a superpower that is worth acquiring over the years. Developing and running such successful products for businesses is the stepping stone to eventually developing products that are used by consumers around the world. Currently, such capabilities reside disproportionately in Silicon Valley.

Canva, an Australian company that runs a SaaS application in design, for end users as well as businesses, is a good example of such a bridge. In June, it was valued at \$6 billion.

A global outlook from the get go is essential for success in the space, as 80-90% of revenues of most Indian SaaS companies from the US and European markets, said Alok Goyal, partner at Stellaris Venture Partners. "India is a laggard market. For successful software companies to

Zenoti

Founded In: 2010, Hyderabad

Founders: Sudheer Koneru

Investors: Accel, Norwest Venture Partners, Accel India, Tiger Global Management, Steadview Capital

What the company does: Cloud-based CRM platform gives services and solutions for health and wellness industries, particularly salons and spas

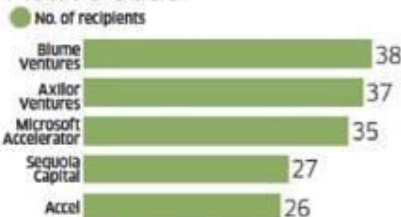
Total funding: \$91 million

Sudheer Koneru, a serial entrepreneur from Hyderabad, stumbled upon the idea for his current venture Zenoti when he was running a high-end health club brand – Latitudes Pro and a high-end spa and salon chain – Tangerine. It was there that he first recognised the lack of software to manage these businesses. That's how Zenoti happened in 2010. Initially focused on the Indian market for the first two or three years of its existence, Zenoti moved to Seattle upon fundraising and investor advice to target the spa and salon market in the US. Today, the US contributes to nearly 60-70% of its business, while the rest comes from the domestic Indian market. Zenoti offers cloud-based solutions software (earlier called ManageMySpa) to spas, salons, med-spas, fitness facilities and cosmetology clinics – to optimise bookings, payments and customer relationship management.

"India is moving from providing software services to providing Software As A Service. This shift is increasing the value and visibility of Indian firms as international software powerhouses. There is an interesting dynamic at play between horizontal & vertical SaaS. While horizontal SaaS automates a function, vertical SaaS operates on understanding a particular industry"



Active SaaS



Fertile Ground

Why India has the ecosystem to be a global hub for SaaS



\$190 bn software & services industry; presence of global tech leaders



450+ Incubator and accelerator



9,000+ tech startups & 1,600+ deep-tech startups

4 SaaS firms with revenues of \$100 mn+

38 SaaS firms with revenues of \$10 mn+

Easy availability of skilled talent

Source: Nasscom, SaaSBOOMI

Giant Global Opportunity

Digital acceleration due to Covid-19



19%

is growth forecast of public cloud services in 2020

13%

is growth forecast of team collaboration software market in 2020



1.5X

times growth seen in as-a-service tech contracts in the last 3 years

Addressable opportunity (by 2025)



4X growth in market

\$340 bn business from core markets

\$50-60 bn business from emerging markets

New contributors to business (by 2025)

\$5-10 bn from small and medium businesses

\$15-20 bn from new verticals such as legal, government and energy

\$20-25 bn from new geographies such as Asia Pacific, India and West Asia

Source: Nasscom, SaaSboom

Whatfix

Founded in: **2014, Bengaluru**

Founders: **Khadim Batti, Vara Kumar (R)**

Investors: **Stellaris Venture Partners, Helion Ventures, 8 Roads Ventures, Cisco Investments, F-Prime Capital, Sequoia**

What the company does: **Digital adoption platform simplifies the process of learning and using complex software**

Total funding: **\$49.8 million**



"The last decade has been an amazing growth story for the Indian SaaS landscape. There are many factors, but one of the largest is the huge talent pool we have access to. We've seen highly skilled professionals cross over from services and traditional software MNCs to the SaaS industry"

Launched in 2013, the Bengaluru and San Jose-based Whatfix began as a digital adoption platform, which helps simplify the process of learning and training complex software—handholding users or any software, with a step-by-step guide. This is offered to large enterprises for seamless onboarding across functions. With offices in global cities

including Bengaluru, San Jose, Atlanta, Melbourne and Cambridge, Whatfix counts 500 of its clients among Fortune 1,000 companies. Some of them include Wipro, Manpower Group, Cisco, Bausch+Lomb, and Cardinal Health, among others. It has raised \$49 million in all, with initial funding from angels such as Girish Mathrubootham, Dilip Khandelwal, Aneesh

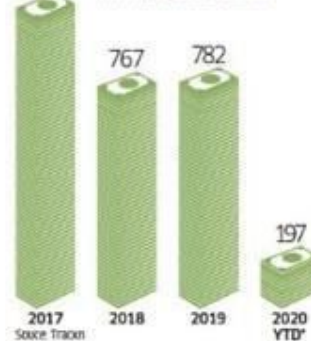
Reddy and Gokul Rajaram, while being accelerated by GSF Accelerator. Subsequently, its Series A round was funded by Stellaris Venture Partners and Helion Ventures, while it added Cisco Investments, F Prime Ventures and Eight Roads Capital as part of its Series B round. In February, it raised \$32 million from Sequoia Capital as part of its Series C round.

come out of India, they need to target global markets, which are early adopters. I don't think you can build a successful SaaS company without being successful in the US," he added.

Shallesh Lakhani, MD of Sequoia India, said: "Lots of things can go wrong but it all centers on us building enough capabilities in companies. There is less concern on having quality engineers, but the rest of the skills required to build a SaaS company are still in short supply. We need to continue to build capability in the product and go to market functions in startups, as these are already limiting the growth of the ecosystem."

The Covid-19 pandemic could be a boon for the sector, triggering behavioural changes on both sides of the marketplace. On one hand, companies—both enterprise and small and medium businesses—that were seeking to undertake digital transformation by moving their services to the cloud, and integrate other software to their businesses (either CRM or billing or inventory management etc) over a staggered, two-year period, have now been compelled to do it overnight.

SaaS Startups



SaaS Landscape in India

Based on annual recurring revenue, key metric used by SaaS or subscription businesses

ARR (\$)	Number of companies
> 100 mn	5
> 50-100 mn	3
> 25-50 mn	5
> 5-25 mn	30
> 1-2 mn	95
> 100k-1 mn	200+
< 100k	425+

Source: SaaSboom

FarEye

Founded in: **2013, Bhubaneswar**

Founders (from left): **Gautam Kumar, Gaurav Srivastava, Kushal Nahata**

Investors: **Indian Angel Network, SAIF Partners, Eight Roads Ventures India, Honeywell Venture Capital, M12 (Microsoft's venture fund), 23i Pvt Ltd.**

What the company does: **Helps ecommerce companies manage, track and monitor delivery logistics operations**

Total funding: **\$37.8 million**



Funding source: Crunchbase

Seven years ago, FarEye was founded by Kushal Nahata and two of his batchmates from engineering school—Gautam Kumar and Gaurav Srivastava. An incident from Nahata's childhood—where anxiety about his examination admit card's arrival by post—led to what today is a SaaS-based predictive visibility platform, that enables both B2B and B2C logistics and ecommerce companies to "orchestrate, track and optimise their logistics processes." Now headquartered in Noida, the company counts companies such as Blue Dart, DHL, Walmart, Wayfair and Amway as its clients, besides domestic manufacturing companies such as Tata Steel, Hilti and JK Lakshmi Cement. Its global offices are located in Chicago, Dubai, London and Singapore. Its investors include Indian Angel Network, SAIF Partners, 23i Pvt Ltd, M12, Eight Roads Ventures and Honeywell Ventures. It is now looking to tap into the global opportunity to save \$1,000 billion on offer due to logistical inefficiencies, besides expanding geographically and going deeper into industry verticals.

"India is riding a high wave in terms of the SaaS boom. The sheer number of SaaS businesses and the growing tribe of SaaS entrepreneurs is like an economic renaissance of sorts. SaaS companies definitely have a lot more agility to pivot and shapeshift quickly which is the most crucial factor in today's context"

"We are seeing an increase in digital transformation in all companies because companies realise that when employees are working from anywhere, customers are not coming into the stores, how do you continue the business. This is forcing companies to adopt digital transformation to go into the cloud so that it is easy for people to work online," Mathrubootham said.

For SaaS companies, the last four months have been a mass trial of sorts, of their ability to sell to enterprises remotely—be it via telephone or video. While demand from some industries has been slack, medium and large businesses are accelerating their tech spends and many SaaS companies are benefitting. The next 24 months could be pivotal for Indian SaaS companies, as the market opens up and digital adoption continues to accelerate. The unprecedented \$20 billion fund raise by Jio Platforms has also helped attract greater attention to India's product development abilities. This could send more investors to India in search of the right product companies to back.

"The SaaS wave is an even bigger opportunity (than the IT services wave), in terms of soft power as a country. You look at Amazon, Google and WhatsApp—the way they control how Indians buy, search, and communicate online. That sort of softpower will emerge as more and more Indian companies start building technology products for the world," Mathrubootham added.

venkat.ananth@timesgroup.com