

# Startups Write a \$1.5-billion Twist in Winter's Tale

IN AUSTERE YEAR...

*Dec brings highest monthly fundraise of '23, though annual total lowest in 7 yrs*

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**Mumbai|New Delhi :** December has turned out to be the busiest month of 2023 for risk capital investors, who have announced more than \$1.5-billion funding till Tuesday. However, most industry watchers would be cautious about terming it the end of the funding winter.

This month's funding now tops January's \$1.4-billion raise, which was the highest for the year so far, data compiled until December 26 by Tracxn showed.

However, despite the last-month sprint, funding in India's startups in 2023 remained at a seven-year low of \$8.8 billion. Notably, the monthly funding counter had also not crossed the billion dollar mark since March this year.

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## Late-stage Deals

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In March, deals worth \$1.1 billion were announced.

Investors said the latest data pertain to deals that closed a few months ago, as the formal announcement comes with a lag.

According to the data, over 85% of the fund flows came into latestage deals during December, bucking the broader trend of a slowdown in growth and late-stage funding.

The surge is, thus, attributed to a few large deals, including the \$600-million fund infusion in ecommerce marketplace Flipkart by US-based retail major Walmart, as part of the Bengaluru-based firm's \$1-billion round that is yet to close. ET was the first to report this development on December 21. Other bigticket transactions announced during the month included business-to-business ecommerce marketplace Udaan's \$340-million fundraise, led by UK savings and investment firm M&G Prudential. A significant portion of Udaan's deal was conversion of its existing debt into equity, with the fresh capital coming in from M&G Prudential comprising a relatively smaller part.

Warehouse automation startup GreyOrange's \$135-million round led by Anthelion Capital capped off the deals beyond \$100 million in size. December's commitment was nearly double November's approximately \$800 million, and 15% higher than the \$1.3 billion recorded in the last month of 2022.

The data include primary and secondary deals, in addition to money raised through debt and convertible instruments.

"Closures have taken a lot longer than in the past decade. Some of these are announcements and closures (after) months of work," said Karthik Reddy, co-founder and partner, Blume Ventures, an early-stage venture capital firm. "What's interesting is that a booming IPO (initial public offering) market has given more tech IPOs the courage to list quickly and that the trickle-down effect of liquidity and value establishment gives more comparables around true valuations and increases secondary flows more aggressively." ET earlier reported how extensive investor due diligence had lengthened deal closure timelines this year, from the explosive pace of growth in 2021 and early 2022. This coincided with a number of corporate governance cases in the Indian startup ecosystem.

On whether there could be a sustained recovery in funding, Reddy said some of the secondary flow and impetus "automatically increases growth stage flow."

## **DATA DECODED**

In December, while late-stage deals led in terms of commitment size, early-stage investors were the most active by the number of deals announced.

Mumbai-based investor We Founder Circle announced six deals during the month, followed by Lightspeed Venture Partners and 3one4 Capital at five and three deals, respectively. There were 11 deals in the \$10-100 million range, including raises by startups such as Exponent Energy, Sarvam AI and VideoVerse.

While tech companies led the pack by the quantum of funds raised, aided by the larger deal sizes, consumer brands —including beauty and personal care brand Nat Habit, cloud kitchen Biryani By Kilo, dry fruits specialist Farmley, apparel brand Snitch and direct-to-consumer mattress brand The Sleep Company — also raised funds from the likes of Premji Invest, Alpha Wave, DSG Consumer Partners, Bertelsmann India Investments and SWC Global.

Ashish Sharma, managing partner at venture debt firm Innoven Capital, said he expects the funding environment to remain sluggish going into 2024, and that enterprise and fintech, in terms of sectors, would continue to attract the bulk of the financing.

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## Dec Stagewise Funding (\$ m)

**39** | **207** | **1,281**  
Seed | Early | Late

Note: Amounts include primary, secondary, debt and convertible deals.  
Source: Tracxn

## Monthly Funding Trends

