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Sector Outlook for 2017



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Will Startups Survive the wrath of Demonetisation?

An outlook for 2017

As we prepare to cherish the final days of 2016, and celebrate the festivities of the season, the chilled weather and the glowing festive lights, creates the perfect ambience to bid the year a final good bye. In the midst of pomp and joy of the last leg of 2016, we await 2017 with great expectations and apprehensions. India is riding high on the start-up wave since the last few years, and we expect the trend to continue for many more years. The present year has been progressive for the start-up industry; the funding deals in the start-ups have increased by 27% in 2016, this year start-ups in India were able to close more than 800 deals across different segments. However, the picture is not as rosy as it looks, as we have witnessed a substantial amount of dip in the total amount of the funds received by the start-ups. The increase in the number of investors will help to end the year on a high note, and it will gain momentum as the years pass. Furthermore, SEBI and the Indian government are collectively working to ease the norms for foreign investment in India; hence, the number of foreign investors will grow enabling the higher funding for the start-ups. India's GDP growth is expected to increase to 7.8% from 7.7% in 2016. However, it is a small percentage of growth; it will help the start-ups to accelerate their growth.

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Fintech

One sector which is slated to boom in 2017 is the finance tech sector. Fintech is just not going cashless as many of us see it, it is much more. In India, our sheer population has propelled the growth of banking & financial services. The banking system will need radical technology to keep up with the new born demand. We have many things which need improvement, for example quick account opening, ability to see all account details digitally. The most prominent trend will be Blockchain, which results in common ledger, decentralised transparent transaction, low cost of operations and increased transaction speed. We will see blockchain being increasingly adapted and used for Payments. In the new year we will see a lot of traditional firms partnering up with tech enabled firms to provide a gamut of solutions for their backend and consumer systems alike. The fintech sector is expected to garner a huge momentum in the next year. The global fintech industry is expected to reach \$45 billion by 2020, Indian start-ups are not lagging behind as they will reap the fruits of the growing global business.

IoT, SoT & Networking

According to a Capgemini report nearly \$6 Trillion USD will be spent on IoT devices in the next 5 years. The big Digital India Push by the government will lead to rapid growth of technology enabled devices and systems across Industries, this poses a grave threat of malware attacks. With more devices accessing the 3G/4G network in India, DDoS attacks will be a leverage point for attackers. Cybersecurity startups and innovations will be able to capitalise on this, they just need to remain ahead of the curve, immense network protection opportunities will be available going forward, we will see Security Solutions of Things emerging soon. The new year will also see a push towards Smart Industries, with rising input costs, many factories will turn to technology to reduce costs and be more production efficient. Thirdly IoT products with service built around them will continue to thrive, for example a bunch of sensors monitoring something are just sensors, but backed by a software and analysed data, it becomes a powerful tool for the user. Finally, big data and data collection will continue to migrate to cloud, this trend will continue in the coming year as well.



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Artificial Intelligence, Machine Learning & Chatbots

AI will continue to dominate the minds of Financial Services Companies, Insurance Companies who will keep on exploring options on how AI Technology will help make customers make transactions, engage transactional customers on social media. On the other hand cybersecurity companies and big data companies will continue to scout for Machine learning.

Companies need AI to learn from their consumers' trends and patterns, build automation for better effectiveness, and help teams be more intelligent in their work. AI, which can be taught by human professionals, and human specialists that can be taught by AI, is what the focus will be on. Chatbots are AI & Machine Learning backed automated services that interact with and offer information to humans, especially consumers, through a chat interface. In the new year there will be a many platforms opening up to adapt to chatbots, in India we would be seeing a couple of players as emerging the leaders in this sector

Healthcare

The amalgamation of healthcare and technology has proved to be exceptional for the Indian start-ups. Riding high on \$154.5 million funding in 2016, although, it is more than \$100 million lesser than the funding received by health-tech companies in 2015; the market is poised to get back on track in 2017 due to the dismal state of healthcare facilities in India. Healthcare has a very long way to go in India, and very limited companies have been even able to scratch the surface. More government initiatives are desirable in this sector to boost startups

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Education

The education sector hasn't kept itself untouched from the wave of digitalization. The education industry has moved away from the traditional methods of learning and is adopting the digitalized approach. According to a research, in 2017 the edu-tech sector is expected to gain 12% more funds than in 2016. 2017 is shaping up to be an immense success for the sector.

However, there are many factors which may affect these predictions. The influence of the recent US elections can play a vital role in the funding of the start-ups, especially from the US investors. The global investors are viewing India as the next investment hub and their outlook is expected to gain more muscle in 2017.

Closing Comments

A lot of entrepreneurs have experienced first hand that business ideas and plans have to be thought through, while it is easy to raise the first round of angel funding, the future rounds are tougher, as entrepreneurs ideas are more scrutinised along with unit level economics, scalability, originality are judged with more vigour by investors, most startups were pushed towards the valley of death in 2016. In 2017 we will see entrepreneurs who survived, back with more established execution skills, positive unit economics and an approach to run a more frugal organisation. With conglomerates like L&T downsizing on account of redundancies, technology and so on, startups will make their process, business' more efficient, we have already seen introspection within organisations in 2016, in the new year we will see action on this introspection and some companies will survive a tough Indian Economy which will perform poorly due to demonetization sentiment. The entrepreneurs, who survived 2016 without much money, and those who survive 2017 with a moderate to negative consumer approach, are very much likely to succeed in 2018!

We wish you a very happy holidays & a successful 2017! - Research Team @ White Unicorn Ventures

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