

SoftBank's multibillion-dollar investment demonstrates lure of Indian market

Article

The news: SoftBank Group's CEO, Rajeev Misra, indicated that his fund invested \$3 billion in Indian ventures in 2021 and may allocate **\$5 billion to \$10 billion** to the country next year.

- This represents another aggressive move to invest in the nation's startups, which have raised upward of \$20 billion in 2021. Investment in the region has accelerated over the past year.
- It isn't just SoftBank eyeing India's investment scene: **Zomato** recently announced plans to devote \$1 billion to Indian startups in 2022 and 2023.
- Though India was once a region where it was difficult to get a return on investments, Misra said that's no longer the case. In Q3 2021, funding for Indian startups surpassed that of their Chinese counterparts for the second time in the past six quarters, per Crunchbase data.

The SoftBank effect: Some of the Japanese firm's most significant investments include hotel chain **Oyo** and **Paytm**, a payments provider. Both have filed for IPOs, with **Ola**, a ride-hailing service and another SoftBank investment, planning to follow.

- "There's a lot of pent-up demand for tech IPOs," Misra said.
- SoftBank has also backed Indian ecommerce giant **Flipkart**, which **Walmart** owns a majority stake in as of 2018.

Ecommerce on the rise: With the pandemic inspiring a surge in digital purchases, ecommerce is poised to make inroads.

- The market opportunity in India will reach **\$200 billion by 2026**, per the India Brand Equity Foundation (IBEF).
- Consumer interest in ecommerce is inspiring more direct-to-consumer (D2C) brands and digital retailers to enter the market.
- **Nykaa**, the largest Indian ecommerce player in the beauty and personal care category, saw its shares rise nearly 90% when it debuted on the market last Wednesday.
- Ecommerce aggregators, which acquire brands and optimize them, are also on the rise. **Evenflow Brands**, for example, has purchased three digitally native marketplace brands in the past three weeks.

Shopping apps ascendant: Consumers in India hit a record **113 million** mobile shopping app downloads in October 2021, per Sensor Tower.

- Social commerce app **Meesho** grew the most over the past year, becoming the most downloaded shopping app on Android in September 2021, up from No. 4 a year prior. On iPhones, it broke into the top five this year.

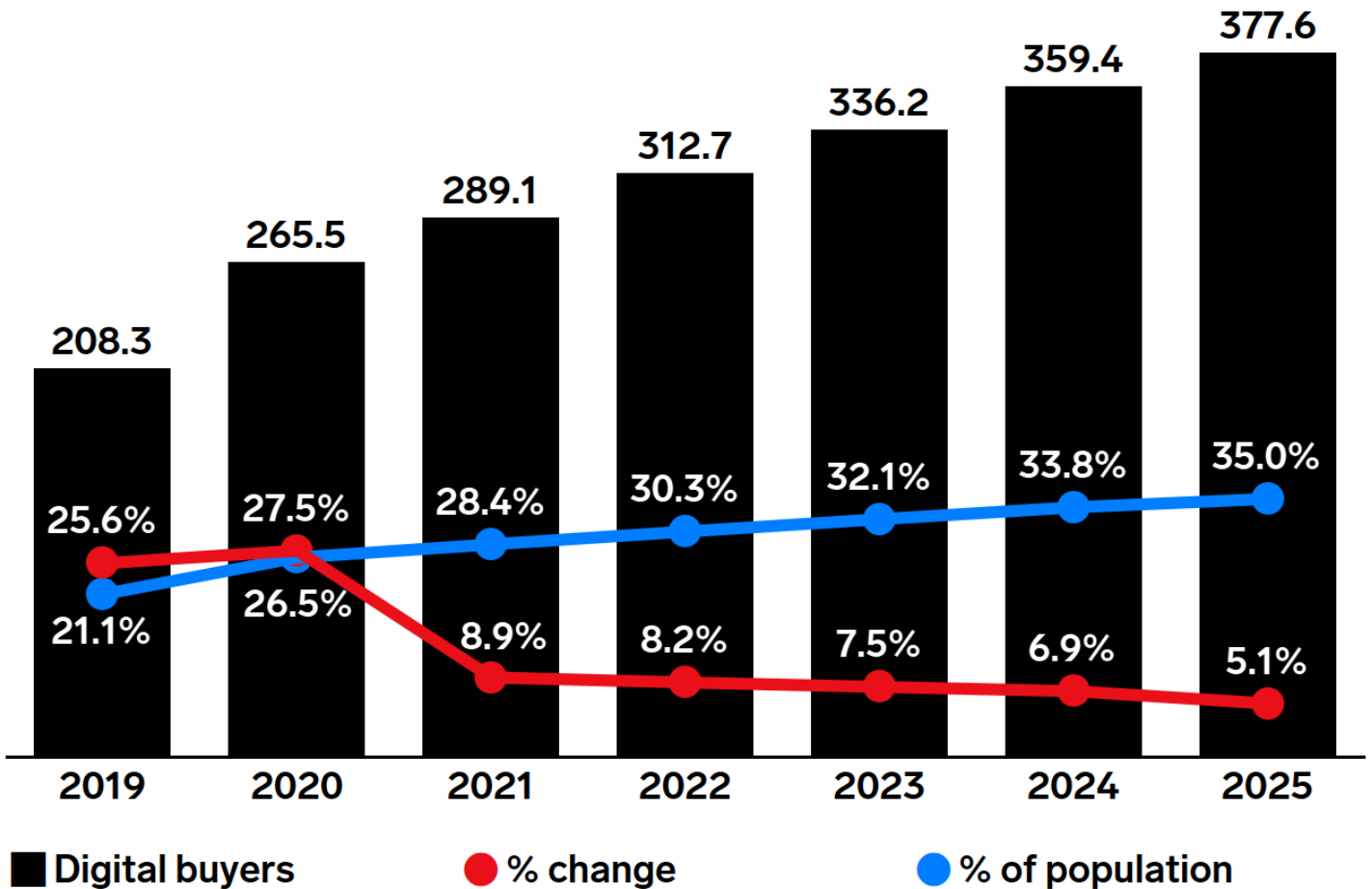
- Meesho, which Google may invest in, said its monthly transacting user base has grown by 2.8 times and its monthly orders, by 2.5 times.

Why now? India is attracting more investment, in part, due to the deceleration of funding in China from investors like SoftBank.

- This could be for many reasons, including the Chinese government becoming less business-friendly, as well as its tensions with the US.
- China's **digital buyer growth** is slowing and will drop to about **2%** for the next two years, per our forecast. By contrast, India's digital buyer growth will be about **8%** over the same time frame.
- Expanded 4G penetration, particularly in nonmetro areas, facilitates increased consumer ecommerce activity.
- India is also attractive to investors because of the huge potential upside in a largely unbanked country of over **1 billion consumers**. With digital payments already making up a majority of transactions in India, ecommerce growth in the region should continue to soar—and remain an intriguing market opportunity.

Digital Buyers in India, 2019-2025

millions, % change, and % of population



Note: ages 14+; internet users who have made at least one purchase via any digital channel during the calendar year, including online, mobile, and tablet purchases

Source: eMarketer, May 2021

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