Private capital flowing into semiconductor startups in India: Tessolve CEO

BS business-standard.com/technology/tech-news/private-capital-flowing-into-semiconductor-startups-in-india-tessolve-ceo-126060300932_1.html

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Tessolve CEO Srini Chinamilli says investor confidence in India's semiconductor ecosystem is improving, with venture capital, acquisitions and strategic funding beginning to support chip startups

Tessolve CEO Srini Chinamilli.

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The quantum of venture capital and private investment, especially in semiconductor startups, has increased over the last 12 months in India as investors have come to understand the sector better, Srini Chinamilli, the co-founder and chief executive officer (CEO) of Tessolve, said.

“More startups are being funded, not necessarily with hundreds of millions, but at least in the tens of millions. Investors are beginning to realise that semiconductor paybacks can be very strong,” Chinamilli said.

He is also hopeful that, with global companies such as Nvidia acquiring Groq and Cerebras successfully listing on US stock exchanges, there will be renewed attention to leading-edge semiconductor companies.

Tessolve, which raised $150 million from a clutch of investors earlier this year, will look to invest this money in upgrading the infrastructure of its laboratories in both Bengaluru and San Jose, he said.

“We are also exploring acquisitions. We are close to signing one related to reliability, validation, and qualification for high-power AI chips. Alongside this, we are ramping up our workforce organically and investing in R&D to develop

the methodologies and engineering skill sets needed to meet future semiconductor demand, both in IP development and in engineering capability building," Chinamilli said.

Late in 2024, Tessolve acquired Germany-based Dream Chip Technologies for 42.5 million euros (roughly Rs 400 crore). The company will continue looking for other investment opportunities, while being clear on its primary goal of providing "an end-to-end platform for anyone looking to architect, define, and make chips production-ready," he said.

For semiconductor startups, the funding should also come from large domestic industrial houses, which have the "patient capital" necessary to back the risks associated with the semiconductor industry, Chinamilli said.

"The second is government-backed public-private partnerships. The government could share investment risk alongside industrial houses or large funds. If investors know the government is willing to absorb some risk, it becomes easier to unlock private capital," he said, adding that the country's semiconductor sector could benefit from a dedicated $5 billion to $10 billion fund that focuses on aspects other than manufacturing.

Apart from supporting funding, the government should also streamline the screening process, especially for smaller startups and companies willing to be part of the India Semiconductor Mission, he said.

Though the process needs to be extremely thorough, which often makes it time-consuming, startups cannot afford to shut shop while waiting for approvals, Chinamilli said.

"Cash flow is critical. Salaries need to be paid, and operations sustained. If the process can be made faster and slightly more liberal, even if four or five out of 10 startups fail, the successful ones would justify the investment," he said.

First Published: Jun 03 2026 | 4:49 PM IST