Introduction

What’s the first thing that comes to mind when you think of startups in India? Some say it’s all hype – inexperienced entrepreneurs are reckless with money that doesn’t belong to them and then shrug off a failure as learning. Others call it a bubble: some it has burst, others maintain it will burst any time now. The truth lies somewhere in between. For the past decade, Indian startups have created an ecosystem that cannot be ignored. With 40,000 startups in the country – this is not a sector that you can ignore.

I believe the Indian startup ecosystem is here to stay because it has a track record and because technology has fundamentally changed the way we do things. Startups are using technology to come up with innovative solutions for India’s problems. When these solutions succeed in a market the size, scale and complexity of India, they can be duplicated in other large emerging markets too. There is also no dearth of Indian startups who command a solid client base outside the country.

India as a market is big enough to support new products and services because we consume at a scale that is rarely seen anywhere else (China is perhaps the only exception). We are also fortunate to have the right talent, both home-grown and in the form of those returning after stints abroad. Our economy is growing at a healthy rate, faster than most others. We are consuming more than ever, which means our purchasing power is also improving. But more than anything is our self-belief in what we are doing, and in the fact that we will succeed.
People will compare us to Silicon Valley and China – it’s like comparing apples and oranges. People will complain about how exits are few and far between. Well, we are a complex and nuanced market and things are coming together. And yet there’s Flipkart – not a flash in the pan. Its acquisition by Walmart is a milestone.

So many things are coming together now. You just have to see how cheque sizes continue to increase in late-stage deals. Early-stage investment is also on the right track. The gap lies in the middle – Pre-Series A to Series A and Series B to Series C. And that’s a challenge that most businesses face – how to scale without running out of money! But just see how entrepreneurs who have enjoyed successful exits are putting the money back into new ventures or backing other young entrepreneurs. Angel investment is on the rise like never before. In the coming years, we are also likely see an increase in the amount of Indian money that finds its way into the funds that VCs are raising.

The missing ingredient, I think, is participation from Indian corporates. Barring a stray acquisition or swooping in on a distress sale, Indian corporates have not yet taken the plunge; they are unsure of how to combine the innovation that a startup brings to the table with the scale and access that an older, more established company can provide. Here’s hoping that changes in the next couple of years. We hope to write about that in the next edition of this report.

As YourStory celebrates its tenth year of chronicling entrepreneurship stories, we have decided to bring out every quarter a status report on the ecosystem. This is the first edition. I look forward to your feedback.
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The evolution and transformation of entrepreneurship in India

T. N HARI

Historically, India had been a land of entrepreneurs. Whole communities, many of whom form a significant portion of the Indian diaspora, have entrepreneurship in their blood. However, some initial missteps post-Independence (1947) stifled a lot of the entrepreneurial spark. The government chose to take control of the so-called ‘commanding heights’ of the economy and the private sector was excluded from these strategic industries. Indeed, private enterprise began to be viewed with suspicion. Over a period of time, ‘profit’ became a bad word. The laws relating to business began getting increasingly opaque, open to interpretation, and difficult to comply with. This resulted in a license and inspector raj (rule). The relationship between those doing business and those regulating business became adversarial. Over the years, this took deep root and became a part of the DNA of the nation. The only entrepreneurs who benefited were those who knew how to manipulate the system.

1991: The turning point for the Indian economy

Undoing the outcomes of decades of such misplaced enthusiasm and pressing the reset button was not going to be easy. It needed an act of God to destroy this complex web and provide a clean slate once again. This act of God came in the form of a crisis in 1991, when the government was on the verge of bankruptcy. It forced a rethink of the government’s role in economic activity, following which the government began gradually giving up the ‘commanding heights’ of the economy and initiated disinvestment.

Turning points in history and major breakthroughs need many things to come together – some by chance and some by design. Y2K (a huge boost for the Indian IT services sector),
the enduring faith of the great Indian middle class in the power of English and education, India’s youth bulge, and developments in technology that could leverage the wage arbitrage between the West and India created what can be termed as the “great outsourced services opportunity”. The nature of decision-making in these contracts was transparent and needed no wheeling-dealing. It gave wings to a new generation of entrepreneurs who didn’t need the ‘skills’ required earlier to manipulate the system. Very soon, this industry grew to more than $150 billion, giving India respectability and stature on the global economic stage. It was the first big spike in entrepreneurship in India. Many companies scaled both in terms of revenues and market capitalization to match the best in the West. The country’s biggest IT services major Tata Consultancy Services (TCS) is now $100 billion in terms of market cap! Several of these ‘startups’ including Infosys, from that era effortlessly went public and continue to be board-managed.

The positive fallout of the success of the outsourced services industry, i.e. the availability of STEM talent, saw several MNCs move their R&D centres to India

The success of the outsourced services industry was a great boost to talent creation. Hundreds of institutions sprouted all over the country providing STEM studies. The positive fallout of this was that several multinational companies moved their R&D centres to India and began developing world-class products for a global market from India.

Developments in telecom and mobile technology spurred local entrepreneurs to capitalize on this opportunity and quickly build scale businesses. Entrepreneurs like Sunil Bharti Mittal, the founder of the Bharti group whose flagship company, Airtel, is one of the world’s largest telcos, emerged successful in the face of competition from more entrenched global telecom players. India leapfrogged on many fronts – mobile telephony being a great example. Being an accidental late-mover paid off handsomely for India. Other entrepreneurs collaborated with global behemoths to create successful JVs. After a while, some of them learned quickly and became independent by buying out the stakes of their JV partners.
Despite all these successes, one could argue that India had not yet arrived on the startup scene. To be certain, there were several successful companies that had started out around the first dot-com boom and not only survived but thrived. [See Page XX for more.] What was missing? Three things, to be precise:

a) the love for entrepreneurship was still not on a large scale. Young professionals who did not come from business families still shunned entrepreneurship,
b) risk capital was scarce,
c) first generation entrepreneurs were still loathe to solve India’s problems. They still solved problems for Western markets. While Western companies began setting up shop in India to exploit the growing Indian market, first-generation Indian entrepreneurs did not find it worth their while to solve Indian problems.

India made the big leap sometime in October 2007 when two young and intrepid individuals quit their cushy jobs at Amazon to set up Flipkart. The company was recently acquired by Walmart in the world’s biggest e-commerce acquisition to date, for USD 16 billion. [Read Why the Walmart-Flipkart deal is a validation of India’s internet economy on Page 5.] It was at about the same time a year later when another intrepid individual quit a cool job at CNBC to encourage entrepreneurs by telling their stories to the rest of India and fuelling the hibernating entrepreneurial spirit of India’s youth – yourstory.com.

The venture capital ecosystem in India also took shape rapidly at around the same time. The runaway success that Softbank and Tiger Global – and other hedge funds and venture capital funds – had experienced in China’s startup landscape, especially their investments in Alibaba and JD.com (Jingdong), led them to aggressively place bets on the Indian market. The size of the market was huge, internet penetration was growing, and prosperity levels were rising. It was only a matter of time that India would be the next China. This realization spread through the VC world like a wild fire and so did the FOMO mania!

When funding became a real possibility, young and bright individuals embraced entrepreneurship enthusiastically. Ideas came pouring out:

- e-Commerce
- Healthcare
- Hyperlocal
- Fintech
- Impact/Social
- Foodtech
- Aggregation (everything from cabs to hotel rooms)
- Social
- FMCG
- Local consumer brands
- Media

The list is quite endless.
Talent from the best engineering and business schools in India now aspires to join startups. Startups get Day 0 and Day 1 on the best campuses. It has become a movement.

**India’s current startup ecosystem**

Historically, industries have tended to form clusters in specific locations, like Detroit was the epicentre of the automobile industry and London/New York became epicentres for financial services. Similarly, over several decades, startups have clustered around Silicon Valley, Tel Aviv, London, Boston, Shenzhen, and Beijing. India has its own hubs: Bengaluru, Delhi and the National Capital Region, Mumbai and other cities have become the new startup hubs.

It is now getting increasingly clear that India’s startup ecosystem has become vibrant and mainstream in many ways – in terms of job creation, in terms of solving consumer problems, and in terms of creating products for the rest of the world. [These aspects are covered in greater detail later in this report.]

Global investors are realizing this and have made a beeline for India. The increasing ease of doing business is also bringing in investors in some much-needed but neglected areas. For instance, the focus on the Insolvency and Bankruptcy Code (IBC) has encouraged asset reconstruction companies (CDPQ from Canada and Encore Capital from the US) to invest in India.

The wheels of the government machinery too have begun cranking. Some initial moves of the government were confusing, but with time, it became evident that there was some method in the madness. While some of the method came through clear design thinking, some of it was also discovery and serendipity along the way. Good governance is always about a combination of the two. The big picture is slowly emerging, and the results are beginning to show.

The government is acting with speed and a sense of urgency. Every government has its political compulsions and this government too has some of these, but the point is that the focus on the bigger picture and efforts to drive transformation at double-speed are evident
and outweighing the negatives. It is not that the government did not falter along the way. There were some missteps, but the willingness to accept mistakes and make course corrections indicate an honesty of purpose.

The past 10 years have witnessed a tectonic shift in both the overall startup ecosystem in India as well as the ease of doing business. **We believe the Union government is doing all the right things, making all the right moves, and showing all the right intents.** A number of states have come up with their own startup policies and are putting their weight behind developing regional ecosystems. The lack of a legacy in technology is hardly an obstacle, with even natural-resource-rich states like Chhattisgarh setting up incubator programs. Other states and territories like Goa and Rajasthan are scrambling to create policies, tech parks and incubators to firm up their own startup stories.

There is a terrific sense of urgency, willingness to learn from mistakes, and flexibility in making mid-course corrections. The execution is of high quality. The outcomes can only be good.

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**About the author**

T.N. Hari is an advisor and mentor to numerous young entrepreneurs and start-ups. He is also a strategic advisor at Fundamentum, a one-of-a-kind scale-up platform committed to building enduring technology companies out of India. It was founded by Nandan Nilekani and Sanjeev Aggarwal, both of whom come with a stellar record in entrepreneurship and investing.

Hari also heads HR at BigBasket. He is an IIT–IIM alumnus and has worked at an executive level with multiple start-ups and scale-ups and has been through four successful exits in different industries. His passion is building organizations of scale through clear thinking and relentless execution. His writing reflects insights he has gained in this area. He is also the co-author of *Cut the Crap and Jargon: Lessons from the Start-up Trenches*, (Penguin Random House India) with Shradha Sharma, Founder & CEO of YourStory.
Investors are pouring big money into India

$33.62 BILLION

That’s how much investors have poured into the Indian startup ecosystem since 2014.

And almost half that amount was invested in 2017 ($13.7 billion) and the first quarter of 2018 ($2.26 billion).

The fund flow into startups has only increased annually, since 2014, barring the dip in 2016, when the euphoria settled to realistic levels. The subsequently rising fund flow is an illustration of the confidence investors—many of them global—have in Indian startups.

A boom in early-stage investing

As is the case everywhere, angel funding and Series A have accounted for the majority of deals in the past three years. However, this was not always the case. Around a decade ago, India did not have a significant angel ecosystem, not many knew about startups, and even high net-worth individuals (HNIs) were wary of investing in such companies. In fact, angel groups Indian Angel Network and Mumbai Angels were formed as recently as 2006.

Apart from these angel networks, there are platforms like Venture Catalysts and LetsVenture that connect investors with startups. There are also a number of active venture capital firms. Initially, most investors were Indian arms of US-based funds such as Accel Partners and Sequoia Capital. Indian funds with global limited partners (LPs) such as Helion Venture Partners also arrived around the same time. Over the next few years, other Indian funds came into being; among these was Blume Ventures, which was founded in 2010. If the past year is anything to go by, there is no dearth of new venture capital firms that have raised capital from domestic investors; these include Stellaris Venture Partners and Fireside Ventures.
Many crowdfunding and crowd-lending platforms have also emerged as new models for broader investment pools that allow individuals to gift, donate or invest in promising creative opportunities. These include RangDe, Wishberry, CashSuvidha, Ketto, FairCent, Catapoolt, FuelADream, BitGiving, Milaap, Impact Guru, Crowdera and i-Lend. For example, the electric bike Spero was developed thanks to crowdfunding support.

Accelerators launched by MNCs and Indian tech firms are also investing “smart money” – with a combination of outright cash grants or scale-stage services in exchange for equity. A growing number of government and academic institutes are also launching incubators, and recent government regulations favour allotment of CSR funds to such incubators. Combined with the rise of co-working spaces and makerspaces, the broader ecosystem is supporting the further growth of early-stage startups.

**India startup funding: 2014-2018**

![Graph showing India startup funding from 2014 to 2018](image)

Source: YourStory Research

* Includes undisclosed amounts
The late-stage isn’t doing badly either

India now has the attention of global majors especially in the later stages, where the funnel narrows and only a few companies in the ecosystem raise funds. Investors like SoftBank, Alibaba, Tencent and others have backed numerous late-stage companies in the country. This has led to the emergence of multiple ‘Unicorns’, like Flipkart, Ola, Paytm and Zomato, and ‘soon-to-be unicorns’ such as online grocer BigBasket, food delivery service Swiggy, and hospitality chain OYO.

In 2017, the top 10 companies cornered 70 percent of all funding raised by the startup ecosystem.

It is in the middle—at the Series B and Series C levels—that there is a cash crunch. This is because there are few funds that cater to this segment. It is one of the reasons for the lopsided nature of Indian startup funding – the top 10 companies in terms of fund-raising account for a bulk of funding. In 2017, the top 10 companies cornered 70 percent of all funding raised by the startup ecosystem.

However, a handful of Indian funds that have been founded in recent years are now actively looking at Series B and C deals. One is Iron Pillar, set up by Nandan Nilekeni, co-founder of IT services firm Infosys, and Sanjeev Aggarwal, who previously launched Helion.

For Indian entrepreneurs, there has never been a better time to start up.

The Funding Story of Indian startups

2017 closed with a record $13.7 billion being invested into the Indian startup ecosystem across 820 deals. The value of investments was significantly higher compared to 2016 ($4.06 billion) and 2015 ($8.4 billion). However, both years saw a higher number of deals with 1,034 in 2016 and 913 in 2015.
However, these overall numbers only reveal a part of the picture. Dive into the details and the data uncovers a more complex scenario; a mere 10 companies cornered almost 70 percent of all the funding.

While companies like Flipkart, Ola and Paytm are not exactly startups in the strictest sense, they are still a very important part of the Indian startup ecosystem and so the funding these companies raised has been included in this report.

There was also an increase in Series C and D deals compared with 2015, but not quite matching the euphoric levels that were witnessed among the Top 10 startups. The drastic jump was seen at the private equity (PE) stage (there is a difference between the money raised via PE funding and the value of funds raised by the Top 10 companies; we have included debt financing in the latter). However, fewer early stage deals have happened this year, compared with the past two years.

While the euphoria of 2015 remains unmatched, many investors believe that this is a sign of maturity across the system, among investors and entrepreneurs alike.

Only 485 Series A and early-stage deals took place in 2017 worth around $542 million. In 2016, there were 795 early-stage deals worth $628 million, while 2015 had 716 such deals worth an impressive $1.39 billion.

Nevertheless, many investors believe that there is no cause for alarm. After all, Acko General Insurance raised $30 million in seed funding.

“It appears as a dip when compared to the exuberance of 2015-16. The current level of investment is a return to normalcy, as investors are deploying capital with greater caution and focussing on evaluating long-term sustainability of businesses. At the same time, startup founders are also being more cautious and mature with their fund-raising effort, which is great for our ecosystem,” says Vani Kola, Managing Director of Kalaari Capital.
Fintech continues to find favour

Fintech continued to find favour, initially buoyed by demonetisation in November 2016, which created a temporary cash shortage and saw millions of Indians adopt non-cash payment methods, primarily by way of e-wallets. But that wasn’t all. What stands out about Fintech is the spread of deals across early and later stages.

The many early-stage deals in Fintech (about 60 deals) show how the field is still wide open, despite the presence of a Goliath like Paytm. Also, the companies are quite diverse, with lending platforms, tech-enabled investment advisory and money management startups all raising early-stage funding. The Fintech space also saw a healthy number of later stage deals with companies like lending startup Capital Float, mobile payments service provider Mswipe, and digital payments venture MobiKwik all finding backers.

The rise of debt financing

The real good news for startups is the rise in debt financing. The traditional banking system, with its focus on collateral-based debt, has historically been unable to cater to the tech startup ecosystem. The rise of venture debt funds like Trifecta Capital, InnoVen, and IntelleGrow is now ensuring that startups do not have to resort only to equity finance to fulfil their capital requirements. It is not just specialised debt funds that are offering this type of capital. Banks too now view startups – primarily those that have scaled to a certain extent and raised a few rounds of venture capital – as worthy of being offered credit. For instance, health and fitness startup Curefit raised $10 million in debt funding from HDFC Bank and Axis Bank in Q1 2018.
## Top Companies by Funding – 2017

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Deals</th>
<th>Value of Funding</th>
<th>Top Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flipkart</td>
<td>4</td>
<td>$4.12 B</td>
<td>SoftBank, Tencent, Microsoft, eBay</td>
</tr>
<tr>
<td>Ola</td>
<td>6</td>
<td>$1.77 B</td>
<td>SoftBank, Tencent, Tekne Capital, Falcon Edge Capital, Ratan Tata fund</td>
</tr>
<tr>
<td>Paytm</td>
<td>1</td>
<td>$1.4 B</td>
<td>SoftBank</td>
</tr>
<tr>
<td>ReNew Power</td>
<td>4</td>
<td>$740 M</td>
<td>Piramal Capital, JERA</td>
</tr>
<tr>
<td>Spandana Sphoorty</td>
<td>3</td>
<td>$332 M</td>
<td>Kedaara Capital</td>
</tr>
<tr>
<td>MakeMyTrip</td>
<td>1</td>
<td>$330 M</td>
<td>Ctrip.com, Naspers</td>
</tr>
<tr>
<td>Name of Company</td>
<td>Deals</td>
<td>Value of Funding</td>
<td>Top Investors</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------</td>
<td>------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>OYO</td>
<td>2</td>
<td>$260 M</td>
<td>SoftBank, Lightspeed Venture Partners, Sequoia Capital, Greenoaks Capital, China Lodging Group</td>
</tr>
<tr>
<td>Paytm Mall</td>
<td>1</td>
<td>$200 M</td>
<td>Alibaba Group, SAIF Partners</td>
</tr>
<tr>
<td>Janalakshmi</td>
<td>1</td>
<td>$161 M</td>
<td>TPG (formerly Texas Pacific Group), QRG Enterprises, Treeline</td>
</tr>
<tr>
<td>Vini Cosmetics</td>
<td>1</td>
<td>$156 M</td>
<td>West-Bridge Capital Partners, Sequoia Capital</td>
</tr>
</tbody>
</table>

**Total**  
24 deals, $9.48 B

(Some deals include debt financing)  
(Source: YS Research)
The Indian startup ecosystem is more than just Bengaluru and NCR

For years, Bengaluru (India’s IT and outsourcing capital) was the undisputed leader when it came to startups. Given the technology talent pool and investor presence, several large startups moved to the southern city because that's where they felt they would find the support ecosystem to grow. It is home to some of India’s biggest startups, including Flipkart, Myntra, Ola, Swiggy, and BigBasket. Some, like Razorpay, even moved to Bengaluru because that is where the talent and investors were.

**Capital raised by city**

<table>
<thead>
<tr>
<th>City</th>
<th>Q1 2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>$ 643.07 M</td>
<td>$ 919.66 M</td>
</tr>
<tr>
<td>Delhi NCR</td>
<td>375.6</td>
<td>532.28</td>
</tr>
<tr>
<td>Mumbai</td>
<td>114.36</td>
<td>197.2</td>
</tr>
<tr>
<td>Chennai</td>
<td>13.91</td>
<td>100.04</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>2.4</td>
<td>87.39</td>
</tr>
<tr>
<td>Pune</td>
<td>10.37</td>
<td>57.62</td>
</tr>
</tbody>
</table>

Source: YourStory Research

Competition has now arrived from all the expected quarters – Delhi/NCR, a collective term for India’s capital and its surrounding urban clusters in other states. Gurugram,
which lies to the west of Delhi is home to many large IT and consumer brands as well as the biggest cluster of startups in the NCR. Delhi itself is next followed by Noida to the east. Among the big brands in the area are names like Snapdeal, Paytm, Grofers and Zomato.

In terms of investment, Bengaluru captured the most investments in 2017, with 255 deals and $7.3 billion in funding. Delhi-NCR had held the top spot in 2015 and 2016 in terms of number of deals. If we no longer consider the $4.12 billion raised by Flipkart and $1.77 billion raised by Ola, other Bengaluru-based companies collectively got $1.14 billion. Similarly, if we remove the $1.4 billion raised by Paytm and the $740 million raised by ReNew Power, other Delhi-NCR based companies together raised $1.84 billion in funding.

**Deals by city**

<table>
<thead>
<tr>
<th>City</th>
<th>Q1 2017 Value</th>
<th>Q1 2017 Deals</th>
<th>Q1 2018 Value</th>
<th>Q1 2018 Deals</th>
</tr>
</thead>
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<td>Bangalore</td>
<td>$643.07 M</td>
<td>68</td>
<td>$919.66 M</td>
<td>532.28</td>
</tr>
<tr>
<td>Delhi NCR</td>
<td>375.6</td>
<td>45</td>
<td>197.2</td>
<td>100.04</td>
</tr>
<tr>
<td>Mumbai</td>
<td>114.36</td>
<td>17</td>
<td>87.39</td>
<td>22</td>
</tr>
<tr>
<td>Chennai</td>
<td>13.91</td>
<td>5</td>
<td>100.04</td>
<td>25</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>2.4</td>
<td>2</td>
<td>87.39</td>
<td>3</td>
</tr>
<tr>
<td>Pune</td>
<td>10.37</td>
<td>4</td>
<td>57.62</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: YourStory Research

Bengaluru retained the top slot in Q1 2018 by deal value and volume. It tops the charts with 68 deals and around $920 million in funding (In Q1 2017 Bengaluru saw 55 deals worth around $358 million). Delhi-NCR follows with 45 deals (much lower than last year’s 58 during the same quarter) and deal value of around $532 million (much higher
than last year’s $376 million in the same quarter). Mumbai is third in the ranking both in terms of value and volume. Chennai and Pune round up the top five in terms of volume.

**Funding sources: Q1 2018**

- **Debt Financing**: $242 M
- **Pre-Series A**: 71
- **Series A**: 133
- **Series B**: 192
- **Series C**: 300
- **Series D**: 216
- **Series E**: 374
- **Series F**: 228
- **Series H**: 5
- **Series I**: 200
- **Venture**: 67

*Source: YourStory Research*

In Q1 2018 too, two deals accounted for just under half of the deal value in Bengaluru. BigBasket’s $300 million and Swiggy’s $100 million ensured a dramatic increase in value that city-based startups raised this year compared to Q1 of 2017. Zomato’s $200 million fund raise was the only deal over $100 million in Delhi-NCR during the first quarter. However, the National Capital Region had four deals of over $50 million.

*NOTE: For 2017, the numbers represent all disclosed deals until December 10, 2017. For the first quarter of 2018, the numbers represent all deals closed until March 31, 2018.*
Why the Walmart-Flipkart deal is a validation of India’s startup story

RADHIKA P. NAIR

There are a few myths and beliefs connected to the Indian startup ecosystem—one that it cannot produce large exits and another that a large population notwithstanding, India’s addressable consumer base is still small. Both these myths have been laid to rest by Flipkart, and specifically by Walmart’s recent acquisition of India’s largest ecommerce company headquartered in Bengaluru.

Walmart is betting on its belief that the future of retail in India is online because e-tail is growing 4x faster than overall retail.

The deal worth USD16 billion saw most of Flipkart’s investors exiting partly or completely, with good returns. For instance, one of the biggest and newest investors, SoftBank, has seen the value of its over 20 percent stake in Flipkart more than double in under a year. Flipkart’s Gross Merchandise Value (GMV) or value of the goods sold in FY 2018 was USD7.5 billion. Admittedly, this number pales in comparison with that of, say, Amazon — in 2017, the Seattle-based ecommerce giant’s revenue was at around USD178 billion.

But Walmart is betting on the future; the belief is that in India, the future of retail is online. India’s overall retail market is projected to cross the USD1 trillion mark by 2020. The retail market was at $680 billion in 2017, while the e-tail market was just USD17.8 billion in size. While online retail is still a tiny part of the larger retail industry, it is growing four times faster.

India is moving towards digital in multiple spheres of life, and not just shopping. The demonetisation drive in late 2016 was just one of the many reasons that saw Indians
taking to digital payment methods. A Credit Suisse report estimated that digital payments in India will grow to USD1 trillion in 2023 from the current $200 billion.

The Walmart-Flipkart deal by numbers

- **Overall deal size:** $16 billion
- **Walmart’s stake in Flipkart:** 77%
- **Fresh investment:** $2 billion
- **Flipkart valuation:** ~$22 billion
- **Flipkart GMV in FY2018:** $7.5 billion
- **Funding raised by Flipkart until Walmart acquisition:** over $7 billion

One of the reasons behind this positive outlook towards the digital economy is the large and growing base of internet users. India is set to reach the 500 million internet users mark in June 2018, according to a study by the Internet and Mobile Association of India (IAMAI) and Kantar IMRB. In December 2017, the Internet user base stood at 481 million. Internet penetration in urban India is at about 65 percent, while that in rural India is a mere 20.6 percent. Considering India’s population of 1.25 billion, there is plenty of room for growth.
Further, the population of active digital shoppers is still under 100 million. This shows that ecommerce has just scratched the surface, and if current trends hold, much of the growth will come from new users starting to shop online. It is yet another myth about India that residents of smaller towns do not have high disposable incomes. A report by advisory firm RedSeer Consulting estimates that 55 percent of all active online shoppers in India will be from small towns by 2020. A report by Kotak Wealth states that emerging cities and small towns account for 45 percent of India’s ultra-high net worth individual (HNI) population.

Finally, India continues to be the world’s fastest growing major economy, with GDP projected to grow at 7.3 percent in FY 2019, according to the Asian Development Bank. Consumption is expected to only increase. It is hardly surprising why Walmart and others want a toehold in India.
A brief history of Flipkart

Flipkart was founded by Sachin Bansal and Binny Bansal (not related) out of an apartment in an upscale suburb of Bengaluru in 2007. Having started life as an online bookstore, Flipkart soon expanded into consumer electronics, fashion and lifestyle products.

Like most Indian online retailers, Flipkart used heavily discounted pricing to acquire customers and fight Amazon. Its acquisition of online fashion stores Myntra (in 2014 for $310 million) and Jabong (in 2016 for $70 million) means it now controls close to 40 percent of India’s online retail segment.

It acquired the Indian operations of eBay in 2015 (in exchange for a USD500 million cash investment). In 2017, it made an offer to buy Indian rival Snapdeal for around USD700 million but was rejected after long drawn-out negotiations.

Flipkart has made several other acquisitions and picked up stakes in other Indian startups over the years. A significant one is in mobile payments startup, PhonePe.

Having ceded significant ground to deep-pocketed rival Amazon India in 2015-2016, Flipkart staged an admirable comeback under the stewardship of CEO Kalyan Krishnamurthy, formerly Managing Director at Tiger Global (an investor in the company). Krishnamurthy is staying on as CEO after the acquisition. Co-founder Sachin Bansal has exited.
Women in India’s startup ecosystem

Not too long ago, the mention of women entrepreneurship conjured up images of women working from the confines of their homes and mostly limited to baking and making jewellery or handcrafted products much on the lines of cottage industries. Or some ran family businesses whenever they were allowed to. Over time, though with limited examples, women have started and run businesses of their own across various sectors. While these efforts must be lauded, there is a lot more we need in terms of women’s participation as entrepreneurs.

Women-founded startups remain a small minority in India. The numbers prove that when it comes to establishing their presence in diverse sectors and procure funding, women were ignored and marginalised.

This year, only 4.5 percent of the funding deal volume went to startups with just women founders, while such companies got only around 3 percent of deal value. However, this does not reveal the full picture, as the largest round by a company with a woman founder was the $63 million debt round of financial services firm Spandana Sphoorty. When we remove the debt funding deals, startups with only women founders got a meagre 0.17 percent of all equity funding in Q1 2018.

The percentage thankfully increases when we include startups with at least one woman as a co-founder. Such startups, including those with all-woman founding teams, account for around 17 percent of all deal volume and around nine percent of all deal value. When debt finance is removed, such startups got five percent of all equity funding in Q1 2018.

The largest round raised by such a company (when Spandana Sphoorty’s debt finance deal raised is excluded) is the $50 million raised by Rivigo.
Last year was no different

Only two percent of all fund raising by startups in 2017 went to those with a woman founder. That two percent translates to $242.7 million of the $12 billion risk capital raised by private companies in 2017.

In 2016, around 9.2 percent of the funding went to startups with a woman founder, and in 2015 the number stood at 6 percent.

There is no research to show how much impact more women entrepreneurs can create in India, but a study by McKinsey Global Institute in 2015 showed India can increase its projected GDP in 2025 by between 16 percent and 60 percent just by getting women to participate on par with men in the economy. In the best-case scenario, about $2.9 trillion would be added to India’s GDP in 2025.

What the numbers are actually saying

- What is the state of women’s entrepreneurship in India?
- Why are fewer women starting up?
- Why is it difficult for women to raise funding?
- What are their biggest struggles as an entrepreneur?

In 2016, YourStory and Kstart completed a comprehensive survey of women entrepreneurs to understand the challenges of women entrepreneurs. The responses reflected some compelling trends, and centred on bringing about radical change, be it in mindsets, access to opportunities or, at a very basic level, access to information and practical assistance. Among a total of 505 respondents, 90 percent of them women. Here are some of the key findings:

- 79 percent of respondents felt that women entrepreneurs face a struggle that is very different from that of their male counterparts. Lack of investor confidence
topped the list, followed by challenge of balancing professional and personal commitments.

- Nearly 68 percent of respondents felt that within the startup ecosystem, traits typically displayed by men (self-confidence, risk-taking ability, leadership, ambition and aggression) are valued more than traits perceived as typically female
- 76 percent believed women are better at multi-tasking, while 44 percent felt women were better at resilience and bouncing back from adversity. Men were deemed to be better at risk-taking (60 percent) and raising capital (49 percent).
- When it comes to building a technology platform, the vote was split down the middle: 48 percent felt men did a better job. Another 48 percent felt that men and women were equally good at it. Only 4 percent believed women did a better job.
- 77 percent felt there weren’t enough platforms for women entrepreneurs in this country.
- More than half (56 percent) of the respondents voted for a re-organisation of culture and corporate values that emphasise female leadership as the most effective way to do so, followed by the need for networks and forums that support female entrepreneurs (52 percent), favourable government policy (36 percent) and a platform that encourages more dialogue and debate on the subject (29 percent).

**What’s working against women?**

So what’s working against women and their will to succeed? A conscious gender bias, a knowledge deficit, limited access to mentoring and guidance, raising funds, preconceived or an old-fashioned ecosystem?

Surely, all of the above. And also, individually, an inability to speak up, assert themselves and demand what is fair. The change, therefore, needs to work as a push and a pull. Women need to speak up more, and men need to listen with an open mind. Otherwise, it’s just a vicious circle that can repeat endlessly.
Investor confidence in women entrepreneurs is perceived to be low. This is a combination of gender bias (“women do better in fashion”, “women can’t do real tech”), not being taken seriously as being in it for the long haul (“priorities will change with marriage and kids”), and being openly questioned about their personal life (past, present and future). There is an immense thirst among women entrepreneurs for learning how to do things – bigger, better, more “and they need platforms not only to access funding opportunities but also business opportunities.
They want these platforms and networks to access the right mentors, seek out role models, share stories of successes (and more importantly, of failures).

Globally, things are not too promising either. A study released last week from the Boston Consulting Group and MassChallenge, a network of startup accelerators, found that of the 350 companies examined, the average woman-founded startup received $935,000 in funding. That's less than half of the $2.1 million awarded on average to the male-founded startups in the study.

**But there was one bright spot in the data:** The female-founded startups outperformed their male counterparts’ in terms of revenue, bringing in $730,000 over a five-year period versus $662,000 for the men. So there is hope! Women are just as strong, gutsy, resilient, and hardworking as the next guy (or girl). It’s time they found their voices and made sure people hear them. In the next edition of this report, we look forward to seeing the numbers bear this out.
The most active venture capital funds in India

<table>
<thead>
<tr>
<th>Alibaba.com</th>
<th>ACCEL PARTNERS</th>
<th>aarin INSPIRED CAPITAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkeley UNIVERSITY OF CALIFORNIA</td>
<td>BESSEMER VENTURE PARTNERS</td>
<td>BERTELSMANN</td>
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<tr>
<td>BLUME VENTURES</td>
<td>Endiya</td>
<td>firesideventures</td>
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<tr>
<td>FOXCONN</td>
<td>helion venture partners</td>
<td>IRON PILLAR</td>
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<tr>
<td>IDG</td>
<td>kalaari capital</td>
<td>LIGHTSPEED VENTURE PARTNERS</td>
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<tr>
<td>Matrix Partners</td>
<td>Microsoft Ventures</td>
<td>Naspers</td>
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</tr>
<tr>
<td>Nexus Venture Partners</td>
<td>Omidyar Network</td>
<td>Qualcomm Ventures</td>
</tr>
<tr>
<td>SAIF Partners</td>
<td>Stellaris</td>
<td>SoftBank</td>
</tr>
<tr>
<td>Sequoia Capital</td>
<td>Temasek</td>
<td>Tencent</td>
</tr>
<tr>
<td>3One4 Capital</td>
<td>Tiger Global</td>
<td>Unitus Seed Fund</td>
</tr>
</tbody>
</table>

NOTE: The list does not include angel investors/networks or private equity firms investing in startups.
Softbank makes big bets in India

“India is the best opportunity ahead of us...Young entrepreneurs in India are creating very unique models that can scale worldwide, which is exciting.”

- Masayoshi Son, Softbank CEO

Softbank has committed to investing at least $10 billion in India in the next 8 years via its $100 billion Vision Fund. It has already invested close to $7 billion in the country in the past four years and owns stakes in some of India’s biggest startups: including e-commerce marketplace Flipkart (sold to Walmart for $16 billion in May 2018), ride-hailing service Ola (ANI Technologies), payments platform Paytm (One97 Communications) and budget stays aggregator OYO (Oravel Stays).

It began investing in India with $200 million infusion into ad tech major InMobi. But it accelerated its investments only in late 2014 under then-Vice President Nikesh Arora. These investments of close to $2 billion went into consumer internet firms including e-commerce marketplace SnapDeal (Jasper Infotech), Ola, OYO, as well as grocery delivery service Grofers and property search platform Housing (sold in a disappointing exit to larger rival PropTiger for a reported $75 million in an all-stock deal; Softbank had invested $100 million). In 2017, it wrote out its largest cheques to date in India: Flipkart ($2.6 billion) and Paytm ($1.4 billion).

Globally, Softbank invested close to $35 billion over 100 deals from the Vision Fund, including in co-working player WeWork and ride-hailing service, Uber (the arch rival of its India investee, Ola). With only another couple of billion dollars to go before it invests the targeted $10 billion Softbank is confident it will achieve the milestone well before the 2025 deadline.
Slow and steady, Alibaba gains ground

Slow and steady is what best describes Alibaba’s foray into the Indian startup ecosystem. The Chinese consumer internet juggernaut and its subsidiary Ant Financial entered the Indian startup ecosystem in 2015 with a $575 million investment in Fintech bigwig Paytm. Since then, its investments in the country have climbed to $2 billion and intends to invest another $8 billion in the country over the next few years.

It has pumped in close to $1.2 billion across Paytm and its ecommerce arm Paytm Mall (which competes with the likes of Flipkart and Amazon) and another $200 million in BigBasket, which competes with Amazon Now in the groceries segment. It also put in $200 million into Zomato via Ant.

It is common knowledge that Alibaba is primarily focused on three segments: e-commerce, logistics (via an investment in the Chennai-based XpressBees) and payments.

Its Chinese rival Tencent entered India around the same time and invested significantly in similar categories, including stakes in Flipkart, Ola, Healthtech player Practo, Edtech startup BYJU’s and Hike Messenger.

Unlike SoftBank, Alibaba operates as a strategic investor. This is the case especially with its investments in ecommerce. The company works closely with the teams within Paytm Mall and BigBasket to help scale up and there is very close knowledge and tech transfer, especially in areas like omni-channel retail and supply chain. The company can also potentially acquire the companies it is investing in India. However, Alibaba has not made any moves to buyout and run a business outright in India. It looks like it is still biding its time.
# India’s ‘Unicorns’

<table>
<thead>
<tr>
<th>Brand</th>
<th>Industry</th>
<th>Founded</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flipkart</strong></td>
<td>eCommerce marketplace</td>
<td>Oct 2007</td>
<td>$21 billion</td>
</tr>
<tr>
<td><strong>Paytm</strong></td>
<td>Fintech</td>
<td>Aug 2010</td>
<td>$10 billion</td>
</tr>
<tr>
<td><strong>OLA</strong></td>
<td>Transportation</td>
<td>Dec 2010</td>
<td>$5.5 billion</td>
</tr>
<tr>
<td><strong>Zomato</strong></td>
<td>Foodtech</td>
<td>Jun 2008</td>
<td>$2 billion</td>
</tr>
<tr>
<td><strong>InMobi</strong></td>
<td>Adtech</td>
<td>Jun 2007</td>
<td>$1 billion</td>
</tr>
<tr>
<td><strong>Swiggy</strong></td>
<td>Foodtech</td>
<td>Aug 2014</td>
<td>$1.2 billion</td>
</tr>
<tr>
<td><strong>BYJU'S</strong></td>
<td>Edtech</td>
<td>2008</td>
<td>$1 billion</td>
</tr>
<tr>
<td><strong>ReNew Power</strong></td>
<td>Renewable energy</td>
<td>Jun 2011</td>
<td>$2 billion</td>
</tr>
<tr>
<td><strong>Shopclues.com</strong></td>
<td>eCommerce marketplace</td>
<td>Jun 2011</td>
<td>$1.1 billion</td>
</tr>
<tr>
<td><strong>Quikr</strong></td>
<td>eCommerce marketplace</td>
<td>Jun 2008</td>
<td>$1 billion</td>
</tr>
<tr>
<td><strong>Hike</strong></td>
<td>Instant messaging service</td>
<td>Dec 2012</td>
<td>$1.4 billion</td>
</tr>
<tr>
<td><strong>Policybazaar.com</strong></td>
<td>Fintech</td>
<td>2008</td>
<td>$1 billion</td>
</tr>
</tbody>
</table>

Source: YourStory Research
Waiting to enter the $1 billion valuation club

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Founded Year</th>
<th>Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIVIGO</td>
<td>Logistics</td>
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<td>$980 million</td>
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<tr>
<td>bigbasket</td>
<td>Online grocery</td>
<td>2011</td>
<td>$950 million</td>
</tr>
<tr>
<td>OYO</td>
<td>Hospitality management</td>
<td>2011</td>
<td>$850 million</td>
</tr>
<tr>
<td>Delivery</td>
<td>Logistics</td>
<td>2011</td>
<td>$700 million</td>
</tr>
<tr>
<td>Freshworks</td>
<td>SaaS</td>
<td>2014</td>
<td>$700 million</td>
</tr>
<tr>
<td>BookMyShow</td>
<td>Online event ticketing</td>
<td>2007</td>
<td>$500 million</td>
</tr>
</tbody>
</table>
In India today, almost every Indian Institute of Technology (the famed IITs) and Indian Institute of Management (IIMs) has an incubator, as do the Indian School of Business (ISB) and the Indian Institute of Science (IISc) and a host of technology and business schools. The Indian STEP and Business Incubator Association estimates that there are over a hundred incubators and accelerators in India, as well as centres and institutes such as iCreate (International Centre for Entrepreneurship and Technology), AngelPrime, Startup Village, and Indavest.

In addition, there are a host of privately run incubators and accelerators, some home-grown, others set up and run in collaboration with partners from abroad. One trend gaining momentum is that of corporate accelerators. In the past 3-5 years, many large multinationals have set up incubator and accelerator programmes, seeking the latest in innovation and offering the technical expertise and mentoring that young startups need to take their solutions to the next level.

Accelerators typically take companies with working products and provide them with funding, mentoring and business development services over a fixed period of time.

Large global companies that have been running accelerator and incubator programmes in India include Microsoft, Walmart Labs, Target, NetApp, Qualcomm Technologies, SAP, SociteGenerale, Cisco, Airbus, Boeing, Pitney Bowes, Shell and Oracle.

Indian companies have also joined in across sectors with the likes of YES Bank, JioGenNext (part of the $130-billion Reliance Industries conglomerate), and BusinessWorld. The industry body of software companies, NASSCOM, also runs the 10,000 Startups incubation programme.
In addition, there are a large number of independent programmes run by privately funded accelerators and incubators such as Zone Startups, Axilor, T-Labs, Kyron, Social Alpha, Sigma, etc. The Silicon Valley-based GSV Accelerator launched in India in 2016.

**Multinational companies with accelerators in India**

Source: YourStory Research
There are several more that focus on specific sectors, including Internet of Things (IoT), social impact, Fintech, etc. Qualcomm’s Design in India Challenge, for instance, focuses on IoT and product/hardware startups, while NetApp’s Excellerator selects startups that work with data solutions. Several others, such as JioGenNext, are sector-agnostic.

Several MNCs have been running accelerator programs for specific sectors; more are waiting in the wings to discover the talent that India has to offer

A number of accelerator and incubator programmes located abroad have also been actively sourcing applications from India, including Founder’s Valley, Bayer, GIZ and leAD from Germany, K-Startup from South Korea, among others.

Incubators for Social Enterprises

In addition to for-profit incubators, there is also a growing range of incubators for social enterprises in India, over and above NGO-support funds and institutes. For example, Unltd, a social enterprise incubator launched by Pooja Taparia in 2007, has supported more than 110 social ventures in Maharashtra, impacting more than 600,000 people. The Dasra Executive Education programme has incubated Milaap, Educate Girls, Under the Mango Tree, and Mann Deshi. Through the Hubli Sandbox Ecosystem, Deshpande Foundation creates an environment to encourage innovative approaches addressing social challenges and has incubated AquaSafi and Next Drop. Khosla Labs supports social ventures in mobile payments and banking, retail efficiency, Big Data analytics and healthcare. IIT-Madras’ Rural Technology and Business Incubator (RTBI) has incubated Humble Paper, Box Tree, Mobil Train, and Invention Labs. Villgro offers facilities for prototyping and market research and a 12-month in-residence programme; they have mentored over 60 startups in the past decade. The Canadian Technology Accelerators (CTA) initiative has been rolled out in India as well, and recently picked six Indian startups from Bengaluru, Pune, Hyderabad, and Gurgaon.
A new way of working: how startups & co-working spaces are helping each other

The outcome of the elections in the southern Indian state of Karnataka created something close to a political crisis that spilled over into the streets of state capital Bengaluru in May 2018. In all the noise, it was easy to overlook the manifesto of the Bharatiya Janata Party (the key player in the government at the centre, led by Prime Minister Narendra Modi) which promised, among other things, the setting up of six “K Hubs” across the state. These K Hubs promise to be the biggest incubators and co-working spaces for startups in the country. The move can be seen as the direct outcome of the booming Indian startup ecosystem that have made terms like co-working de rigeur.

Of course, it wasn’t always this way. When the concept of a shared workspace was nascent, India had players like Regus (now called the International Workplace Group), but these were essentially business centres, unaffordable to freelancers and smaller businesses. During the 1990s, there were setups similar to co-working, but the term was formalised only in 2005, by Brad Neuberg. Unhappy with his job at a startup, Neuberg was looking for a new kind of work environment – one where he could work for himself while enjoying the sense of community a job would provide. He claims to have coined the term “co-working” in the context it is used now.

Today, the co-working landscape is booming worldwide and especially in India. Some studies have shown that in the decade following 2006, co-working spaces have roughly doubled every year. According to property consultant Jones Lang Lasalle (JLL), the co-working market in India could touch 16 million seats with an investment value of $400 million by the end of 2018.
investment value of $400 million by the end of this year itself. A thriving startup ecosystem and the gig economy have been key enablers on this journey. And it’s not just the freelancers who are seeking space; both large, established businesses and small upcoming enterprises are waking up to the advantages of co-working, which include productivity and convenience.

JLL also maintains that a seat in a co-working space costs anywhere between one-third to half of a ‘regular’ office. Businesses looking to cut costs may still be able to maintain headcount owing to this concept. It predicts that by 2025, 42 percent of India’s population will be working in urban centres, which will push up the demand for co-working.
A CBRE Group report projects that by 2020, the co-working space will cover 10 million square feet. Co-working spaces are also scrambling to add to the long list of facilities such as day-care centres, gyms, swimming pools, dining spaces, gaming zones and beer on tap to attract members.

One trend that bodes well for co-working spaces is the rise of the gig economy (see detailed section below).

In terms of both startups and freelance workers, India is probably second only to America, and the positive impact of the co-working space was inevitable. One example of a co-working space that has come up is 91Springboard (91 is the country code of India), which was launched in 2013.

Varun Chawla, Co-founder of 91springboard, says that informal chats with first-time entrepreneurs about their challenges led to the idea of creating a co-working space business.

Varun Chawla, Co-founder of 91springboard, one of the earliest players in India’s co-working space, says that a lot of first-time entrepreneurs were seeking his advice on topics ranging from how to get customers to pay their bills to where to find cheap office space. These informal chats sowed the seeds of the idea for 91springboard, which he founded alongside Pranay Gupta and Anand Vemuri.

Today, 91Springboard is spread across India, has a growing presence in eight cities with 11,000 seats across 17 facilities. It has raised at total of $20 million from private investors. Much like similar startup hubs across the world, it conducts a host of workshops, meetups and mentor hours with experts. It also runs an incubator programme approved by the Indian government’s Department of Science and Technology and can provide seed funding of around $20,000 in an early-stage company. And this is just one among many success stories.

Another large player in India is Awfis, which was launched in 2015 and claims to have more than 12,000 members in its community. Founded by architect Amit Ramani, who has
a master’s degree in real estate, last year, Awfis raised $20 million from Sequoia India. The Bengaluru-based BHIVE, with 10 centres in the city, has raised over $2 million in funding. Others include InstaOffice, Bombay Connect, Wired Hub, among others.

Then there’s CoWrks, which describes itself as a large format co-working space provider, backed by the real estate group RMZ Corp, which operates nine centres in the country spread across 1 million square feet of space.

Innov8 (backed by US seed accelerator Y Combinator) and Workbench Projects are other key players in this space. The latter also doubles up as a makerspace, and has been known to collaborate with schools, educational institutions and NGOs. With these home-grown spaces creating such a buzz, it was only a matter of time before the global players wanted in.

**Global brands check in**

The Paris-based NUMA accelerator programme entered India a couple of years ago, followed by global co-working giant WeWork. The latter has entered the market in partnership with the Embassy Group, one of the country’s best-known real estate developers.

Karan Virwani, Director at WeWork India, is gung-ho about co-working space in an era ruled by social media. “We believe no matter how much social media progresses, as humans, there is always a need for a physical interaction to really network and connect.”

Several of these large players are focusing on enterprise clients, not just startups, to scale and grow. In addition, there are a host of smaller, single-location co-working spaces that comfortably cater to early-stage entrepreneurs willing to eschew the free beer and gym for a good location, good infrastructure, good connectivity and an affordable rental. WeWork, for instance, houses large companies, both in India and abroad. 91springboard has a similar offering.
An Introduction to the Indian Startup Ecosystem

State governments open their doors

Coming back to the promised K Hubs – Karnataka has provided young businesses, not necessarily startups, with incubation spaces for over 20 years now. Other governments have too, but the focus is now firmly on startups. The desert state of Rajasthan has iStart Nest and is due to unveil the Bhamashah Techno Hub. Telangana in the southeast has T-Hub in Hyderabad. Chhattisgarh, often synonymous with Maoist violence, launched its incubation centre, 36Inc, in April 2018. Nineteen states out of 29 (plus 7 Union Territories) have implemented a startup policy. Where startups are, co-working spaces cannot be far behind.

Co-living also takes roots

Another offshoot of the gig economy and millennial lifestyle is the advent of co-living. According to a report in Forbes India magazine, about 600 million people, which is more than 50 percent of India’s population, are under the age of 25. This means more and more young people will be moving to cities in search of work. Some estimate that in the next 20 years, 30 Indians will move from a rural to an urban area every minute. According to The United Nations World Cities Report 2016, 9.6 million people would have moved only to New Delhi and the surrounding National Capital Region by 2030.

This means that there will be an increased demand for living spaces that cater to the needs of a tech-savvy millennial workforce. Enter shared living spaces, which take the concept of dorm-style living to a whole new level. These shared spaces come with all the advantages of WiFi connectivity, vetted roommates, utility management, and even the odd puppy. Some of the trendier spaces even offer access to gyms, swimming pools, and Zumba classes.

Key players include StayAbode, ZiffyHomes, CoLife and CoHo. With occupancy at 95-97 percent, according to Business Line, it’s no surprise that investor interest is high.
StayAbode has already received two rounds of funding, while CoLife raised $1 million in funding two years ago.

This trend has come as a boon not only for property developers, but even to individual home and apartment owners, who are looking to lease out their spaces.

**The future is flexible – India’s gig economy**

India, like many of the world’s more developing economies, is witnessing the rise of the gig economy. According to a recent report from PayPal, India contributes about 50 percent of global freelancers seeking jobs in software. This increase in popularity can be attributed to the increase in the working population, which itself is undergoing a paradigm shift.

In India, a report by job search portal Indeed found that workers are ready to swap the standard benefits of a permanent job (employee provident fund, insurance, gratuity, etc.) for better flexibility that allows them a work-life balance where they can pursue more than one interest or specialisation. The report found that New Delhi and the adjoining National Capital Region accounted for 27.2 percent of all freelance/consultant workers in the country, followed by Bengaluru (12.9 percent) and Mumbai (12.4 percent).

The needs of businesses and startups have also changed with most employers preferring a model that focuses on a mobile workforce that delivers services and results effectively. It is what has become known as the gig economy – one that is dependent on technological architecture, and temporary and short-term contract positions. Gig-economy workers, in contrast to the traditional work force that comes into work five days a week, are often specialists and tend to have a sharper focus on performance and quality of output.

However, there are other reasons people are seeking flexi-job options. One is the scarcity of jobs matching their skill sets in the fixed job scenario. Additionally, after the initial, and sometimes irrational, exuberance, even startups are hiring more cautiously.
The plus side to this is that the gig economy is helping to stimulate entrepreneurship and more people are moving towards freelancing, attracted by the prospect of being their own boss. And taking the lead in providing these positions were startups, which accounted for 45 percent of such jobs in FY 2016-17, according to the survey by Indeed. Since then, consulting firms and large corporates have caught up and now account for 70 percent of projects. Strategy remains a key skill in demand across organisation types. [See chart below.]

**Freelance workers hired by different types of companies**

![Freelance workers hired by different types of companies](chart)

Data source: Indeed.com
Challenges of the gig economy

The gig economy is still in its nascent stage and workers get paid only after about two to four weeks of invoicing, sometimes a lot longer. It is also a highly competitive industry. Another human factor that is posing a challenge is that many gig economy workers have said they feel a greater sense of isolation compared to their peers in the general workforce. As with any new trend, stakeholders will find ways to overcome the challenges over time. The gig economy is here to stay, at least for the foreseeable future thanks to increasing automation, the wider adoption of technology, increasing internet penetration and mobile consumption, among other factors. It is buoyed by the rise of startups and incubation programmes, combined with microcredit support, government endeavours and schemes in the startup space and programmes like Skill India, Digital India, among others.
The Startup India programme and government assistance for startups

In January 2016, Prime Minister Narendra Modi launched the ambitious Startup India programme to empower youth and promote entrepreneurship. It got off to a slow start, mainly because several laws needed to be changed to allow the central government and its agencies to start funding startups.

So far, the Startup India programme and the Department of Industrial Policy and Promotion (DIPP) have recognised 6,096 as startups, which allows them to access a host of benefits, including incubation and mentorship and funding. A little over two years after it started, the government has managed to bring about several changes demanded by the ecosystem and stakeholders.

The Startup India Hub, which went live in April 2017, has been able to handle more than 77,000 queries and facilitate more than 450 startups by providing advice on business plans, pitching support, etc. According to the government, the hub has mentored more than 450 startups for incubation, funding support, on business plans, pitching support, etc. A Startup India Online Hub launched in June 2017 will serve as an online platform where all the stakeholders of the startup ecosystem can collaborate and synergise their efforts. More than 21,000 users have registered.

“Trademarks have seen a 3x growth in the past three years and this year by February, there were close to 11,500 patents filed.”

- PM Modi
  June 2018

Among other benefits, startups can now avail income tax exemption for three years in a block of seven years, if incorporated after 1 April 2016. A ‘fund of funds’ of Rs 10,000 crore is being managed by the Small Industries
Development Bank of India (SIDBI).

In June 2018, the Prime Minister said during an interaction with startups that once the 'fund of funds' achieves its target, Startup India would have catalysed over Rs 1 lakh crore of funding for startups. As before, most of the funds will be invested through SIDBI. However, according to the latest update on the Startup India website, Rs. 605.7 crore has been committed to 17 alternate investment funds (AIF) but as of September 2017, only 73 investments have been made across over 30 sectors, averaging barely two companies per sector.

"While SIDBI is a great initiative, the challenge is that SIDBI puts in some investment and, for the rest, startups need to seek investment from independent fund managers. The process also needs to be a little simpler. There is a need for more capital, and it would be great if SIDBI could partner with insurance companies, banks, pension funds, corporations, and there could be tax breaks for corporations," suggests Sanjay Anandaraman, mentor to startups.

**The Atal Innovation Mission**

*"If we are looking at close to 9 percent economic growth, it is important to change mindsets."*

- Amitabh Kant
  CEO, NITI Aayog

The Atal Innovation Mission (AIM) is a flagship initiative of the Indian Government under NITI Aayog to promote innovation, research and entrepreneurship in the country.

To ensure that education and research can work in tandem, AIM is setting up incubators in IITs and IIMs. So far, 19 incubators have been selected, while the target is to reach 50+ by the end of 2018.

AIM has also set up Atal Tinkering Labs (ATLs) in schools across the country. These workspaces house do-it-yourself (DIY) kits based on latest technologies like IoT devices, 3D printers, robotics, miniaturised electronics, etc. These labs
are established with support from the government for students of Classes 6-12 to learn and develop innovative solutions using these technologies.

With the Atal Innovation Mission, NITI Aayog CEO Amitabh Kant and his team focused on changing an age-old mindset from ‘getting the right job,’ to ‘creating the right job.’

“With the Atal Tinkering Labs, we want to ensure that the idea to build something arises from a younger age and right in schools,” Kant told YourStory. He believes that by bringing together entrepreneurs and having them, among others, mentor students, there will emerge a much stronger ecosystem that fosters entrepreneurship across the country.

AIM has also launched Mentor India, which will work as a strategic, nation-building initiative, where leaders can help guide and mentor school students in over 900 ATLS that have been established so far. By the end of 2018, the aim is to open ATLS in at least 2,000 schools. With more schools being added, it is important that students get the right kind of training and mentorship. Through Mentor India, AIM is looking to engage leaders from different walks and industry backgrounds, to dedicate close to two hours every week in one or more Tinkering Labs.

A press note from NITI Aayog stated that Mentor India has already received strong support from Corporate India. More than 30 of India’s top thought leaders have signed up as brand ambassadors for the initiative. AIM is actively looking to engage with more corporations/institutions to adopt ATLS and enable their employees to join Mentor India as volunteers. Furthermore, AIM has signed a statement of intent (SoI) with the All India Council for Technical Education (AICTE) to provide mentorship support of affiliated colleges for 366 ATLS.

NITI Aayog and its CEO believe that by creating an entrepreneurial mindset and bringing a shift towards creating jobs, everyone in the country thinks differently and looks at building something that will help the nation at large grow. Kant believes that with more entrepreneurs mentoring students, there will be a stronger ecosystem that builds efficient startups.
States and startups

Following the launch of the Startup India programme, state governments too began formulating startup policies. Several states had a startup policy even before the Union government announced the initiative. Karnataka, for instance, is a towering example, due to the existing startup culture in Bengaluru, already the IT capital of the country. However, Telangana, Rajasthan, Goa, Uttar Pradesh, Chhattisgarh, Gujarat and Kerala have also moved to encourage startups and create an ecosystem, with varying degrees of success. A total of 18 out of India’s 29 states and 7 Union Territories have announced policies for startups.

Startup India is on a roll. Young entrepreneurs have never had it so good. While the Centre tries to woo them, states are, in fact, serenading them.

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<th>Indian states with startup policies</th>
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Source: Startupindia.gov

Despite being somewhat bureaucratic in structure, Startup India certainly has more reach and can help states in a way that they can never finance such programmes and can empower those sitting even in remote areas with the magic wand of technology.
Under the policy, foreign VCs can invest in 10 sectors—including IT, poultry technology, dairy products, and nanotechnology—without RBI approval. If these sectors are focused on, a lot more startups will be eligible for Startup India funding.

A significant achievement of the Startup India programme is that it turned the spotlight on the startup ecosystem in the country and showed that startups are viable contributors to the economy. And it did a lot to raise awareness about startups in the mainstream consciousness, as well.

The DIPP is due to release its ranking of states based on their achievements in terms of supporting startups any day now and we will explore these in depth in our next edition. In the section below, we explore the currently known status of some key states that have begun implementing startup policies in earnest.

**A future-ready Karnataka**

Karnataka just got itself a new government. The last IT Minister, Priyank Kharge, had unveiled several initiatives to retain the state’s number one position as an ITeS exporter and Bengaluru’s global position as a startup city. With another Congress-backed government in the state, it remains to be seen in which direction the new minister, K J George, will take the startup ecosystem.

After the state announced Version 2.0 of its startup policy in late 2016, and pursued registrations, the number of startups registrations with the Karnataka Startup Cell went from 40 to 2,100. Eight startups in the tourism sector have already received Rs 1.93 crore in funding from the tourism department after a hackathon competition. Another round of funding is in the offing as the Department of Agriculture has set aside Rs 10.5 crore for sustainable ideas with social impact that would help the State’s farming community.

The State is also coming up with India’s first multi-sectoral startup fund worth Rs 400 crore and it also expects to raise this to Rs 2,000 crore in the next two years.
The Karnataka Startup Cell is targeting to support 20,000 startups in the next three years. Of these 6,000 are expected to be product startups. Interestingly, the State has eased several restrictions, including those receiving funds not necessarily having to sit at the State-sponsored incubation centres—they can opt to work from anywhere, including from the comfort of their homes.

The State also launched Centres of Excellence in aerospace, Big Data sciences, and cyber security. The focus has also now shifted to Tier II and III cities such as Mysuru, Mangaluru, Belgavi, Hubli-Dharwad, and Kalburgi.

Telangana: T-hub and beyond

Looking to improve Brand Hyderabad, which had carved a niche for itself before the State was divided into Telangana and Andhra Pradesh, the Telangana government has set up T-Hub, an ambitious project. T-Hub is a technology incubator with collaborative efforts from the Indian School of Business (ISB), International Institute of Information Technology (IIIT-Hyderabad) and NALSAR University of Law, besides various other organisations. The startup incubator has already tied up with 20 venture capitalists.

Telangana IT Minister KT Rama Rao told YourStory, “It will be spread over 300,000 sq. ft. and this phase alone costs Rs 150 crore. The T-Hub is looking at multiple investment and partnership models with the Centre’s support as well as PPP models. The Telangana government is also in discussions with MIT (Massachusetts Institute of Technology) Media Labs and University of Texas (Huston) to support T-Hub.”

According to Rao, the initial fund size for the project was Rs 10 crore, and it will eventually be scaled up to $100 million. T-Hub already supports 120 startups and organisations signed up to occupy seats and cabins, and another 200 are in the pipeline.
Rajasthan – technology blooms in the desert

Traditionally known for its tourism, hospitality, arts and crafts sectors, Rajasthan was behind the pack compared to other Indian states in terms of the development index. But since 2015, the government of this Western state has begun to change the image – from a tourism-oriented state to one where tech-driven entrepreneurship also thrives.

The state government has registered 700+ startups and introduced multiple policies and funds for their benefit. Incubated startups are housed free of cost at the iStart Nest incubation centres and provided dedicated, full-time onsite mentors to help startups progress. Startups are assessed every four months through the Qrate process to ensure their growth is on track and as planned. The government has also opened incubation centres beyond the capital city of Jaipur (itself considered a Tier 2 city) to Udaipur and Kota.

In 2015, it launched the Rajasthan Startup policy to improve ease of doing business for new startups. This provides a sustenance allowance of Rs 10,000 per month for one year to the startups at the idea/prototype stage, and marketing assistance of up to a maximum amount of Rs 10 lakh for startups to launch their products.

Most recently, in February, the state government launched a framework through which it would provide loans and equity funding from its Startup Fund of Rs 500 crore. Of this, Rs 100 crore has been earmarked for startups with women as founders/co-founders.

The state government also encourages investment by providing assistance of Rs 50 lakh to companies/venture capital funds and angel investors for setting up Incubation Centres that can provide workspaces, seed funding, mentoring, and training.
Beyond the sun and sand, Goa looks to startups

India’s smallest state Goa has long known for tourism, but the government is now pulling out all the stops to promote startups in the state.

The focus is on developing futuristic technologies such as Internet of Things (IoT), Data Science (including Big Data analytics), robotics, and 3D printing. With the new startup policy in place, we want to see at least 100 early-stage ventures succeed over the next five years through the benefits that it offers.

Some of the initiatives outlined in the policy include developing a dedicated 2 lakh sq. ft. hub for technological innovation and incubation.

- Incentivising startups with promising and viable products through a one-time grant of Rs 10 lakh
- Providing startups with a one-time loan of Rs 10 lakh from the state
- Reimbursing 25 percent of the salary of the local workforce employed by a startup if 60 percent of its staff is local
- Allowing startups registered in the state to operate 24×7

Supportive measures for startups in Goa now include schemes for IPR reimbursement, matching grants, R&D reimbursement, skill development, trademark reimbursement, incubation centres, seed capital, co-working space subsidy, and technology fellowship. A Startup Promotion Cell will also be formed as a nodal agency, along with infrastructure for incubators and accelerators.

Goa has a lot going for it when it comes to augmenting its quality of life with quality of innovation ecosystem. As larger Indian cities choke up with infrastructure and lifestyle problems, Goa could well craft its own unique startup story soon.
Start up in India’s most populous state: Uttar Pradesh

The state of Uttar Pradesh, which has seen IT take rapid strides in Noida, as it is part of the NCR, has come out with an IT policy to benefit the whole state.

Uttar Pradesh hosted a StartUP event in November 2016. Among other things, it triggered the entrepreneurial instincts of college students and aspiring entrepreneurs. It has tied up with Kochi’s Startup Village (SV.CO), which has started many programmes that other state governments can ride on that UP has taken full advantage of.

Startup Village’s SV.CO Digital Platform Private Limited (SV.CO) claims to be the world’s first digital incubator for student startups. It aims to add to its flagship Silicon Valley #StartinCollege programme that aims to build world-class startups in an academic set-up, backed by industry mentors and experts. It offers top startup teams from India the opportunity to nurture their business idea, learn from industry experts, build a prototype and launch to early customers in six months.

The state has plans to set up incubation hubs and has tied up with major engineering and management colleges such as IIT-BHU, KNIT-Sultanur, IIM-Lucknow (Noida) campus for establishing incubation centres under the Startup Policy 2016 with small grants. The state-based incubator, IT UPVAN, at Shreetron India Limited, is the prime incubation centre in Uttar Pradesh for registration of startups that are selected for “#StartInCollege - Silicon Valley Program.”

Maharashtra joins the startup fray

Maharashtra, home to India’s commercial and financial capital, Mumbai, announced plans for a Rs 5,000 crore plan under the ambitious “Maharashtra State Innovation and Start-Up Policy,” which also encompasses setting up incubators in order to foster an overall conducive environment for the startup ecosystem.
The policy, prepared by the Government of Maharashtra’s Skill Development and Entrepreneurship department, and announced in April 2018, states that the amount will be dispensed fully by 2022, in the hope of establishing 10,000 startups, thus generating 500,000 direct and indirect jobs.

While half the amount, i.e. Rs 2,500 crore, will be set aside in the state budget to foster entrepreneurship with a special bent towards startups, the other half of the amount will be used for venture capital funding for startups units. The government calls upon financial institutions to lend to startups, and even intends to stand guarantee for a part of the loans issued. At least 15 startup incubators will be set up across the state.

**Maharashtra’s areas of focus for startups**

- Construction
- Production and manufacturing
- Textile
- Automotive
- Hospitality
- Healthcare
- Banking, finance and insurance
- Organised retail
- Pharmaceutical and chemical
- Information technology and enabled services
- Agro-processing
- Biotechnology

Source: Maharashtra Startup Policy
Looking East: the new direction for Indian startups raising funds

SHRADHA SHARMA

It was during the euphoria of 2015 that the Chinese made their presence felt among Indian startups. Alibaba participated in the $500 million round raised by Snapdeal and in the $700 million that Paytm raised with Ant Financial that same year. This was pocket change for a company that racked up $14 billion in sales in just one day.

Over late 2015 and into 2016, even as other investors tightened their purse strings, the Chinese remained undeterred. Didi Chuxing backed ride-hailing player Ola in its $500 million Series F round. Over the next year, the likes of Tencent, Shunewei Capital, Fenqile and Plum Ventures and even smartphone maker Xiaomi tested the waters and came back for more. Most of these deals were Series C and beyond though there were a few early-stage investments too. Two of the Chinese investor troika of BAT (Baidu-Alibaba-Tencent) are already in India.

By all accounts, the Chinese are here to stay. Indian government figures state that investments from Chinese entities totalled just $1.7 billion in the 17 years ending March 2017. However, market data estimates put the figure at about $2 billion in 2017 alone, up 3x from the year before. Which means there is definite momentum, given that these investments form 15 percent of the $13.7 billion that investors poured into Indian startups over the year.

What do the Chinese fancy?

According to YourStory Research, Chinese investments in India have mainly been in ecommerce and fintech, with five deals in each sector since 2015. Healthtech and Transportation clocked three deals each in the same period.
Not surprisingly, the Chinese aren't taking too many risks. In terms of investments, the biggest deals that they have been a part of were in late-stage ecommerce; the smallest was the $200 million round in Paytm Mall from Alibaba and SAIF Partners (2017). The biggest, of course, was the $1.4 billion that Tencent, Microsoft and eBay put into Flipkart (also 2017).

**Chinese investments in India, sector-wise (since 2014)**

- **Ecommerce** $ 2850 M
- **Transportation** 1615
- **FinTech** 693
- **Travel** 430
- **FoodTech** 200
- **Social Media** 175
- **HealthTech** 143
- **Entertainment** 140
- **Media** 14.3
- **Logistics** 35
- **Social Network** 18.2
- **Mobile App** 7
- **Gaming** 5
- **Automotive** 3
Within FinTech, the story is a little more diverse. The biggest rounds came from Alibaba and Ant Financial for Paytm. The remaining $13 million came from six investors, four of which are Chinese (Fenqile, Xiaomi, Plum Ventures and Shunwei Capital) and it all went into the Bengaluru-based micro-lender KrazyBee.

Indian startups aren't welcoming Chinese investors only because they have deep pockets. It's also because they bring knowledge and expertise that helps young startups save time and effort in building something from scratch. The investors are more hands-on, providing tangible non-financial benefits. What's more, India as a market is more similar to China in terms of scale and complexity than the West.

**From copycat to copy that**

China, long talked about for its copycat (“shanzai”) approach to proven products and solutions, has slowly evolved to create an innovation ecosystem that is unique in many ways. In a phenomenon that some have dubbed “reverse shanzai”, Chinese companies have moved from simply copying big brands to building an ecosystem of collaboration and product building. Companies are focusing largely on innovation and market adaption for its products. These little incremental innovations on top of existing solutions create new business models that work well on a large scale to enable mass consumption. The biggest example is probably Tencent’s WeChat, initially just a messenger app when it was launched in 2011. Seven years down the line, it is what many call a "super app" that has social media, payments, dating, cab booking, and other facilities all built in. In fact, some of the new features that its Western counterparts have rolled out are those that WeChat already has – a clear example of innovative ideas flowing in reverse.

Implementing this demands extreme agility to cater to changing market requirements and a new base of customers such as India's new internet users who deal with low internet speeds and need super-affordable data plans to stay online. It is a philosophy which, if implemented, would work very well in the Indian market too. And it's what Indian entrepreneurs want a crash course in.
Number of Chinese investments per sector

- FinTech: 5
- Ecommerce: 5
- Transportation: 3
- HealthTech: 3
- Travel: 2
- Mobile App: 2
- Media: 2
- Entertainment: 2
- Social Network: 1
- Social Media: 1
- Logistics: 1
- Gaming: 1
- FoodTech: 1
- EdTech: 1
- Automotive: 1

Source for investment data: YourStory Research
What's more, having a Chinese investor also means that a startup can expect to learn how to achieve scale at a faster rate. This is because many investors began as startups that have themselves achieved tremendous scale in their home market. More than anything, I believe that for Indian entrepreneurs, Chinese investors bring a taste of what scale really means.

On a trip to China a couple of years back, I was awestruck by the sheer number of users that every successful consumer internet startup had racked up. Millions may seem impressive in India; in China, the talk was always in hundreds of millions.

**Why India? Why now?**

Until 2015, the Chinese – especially Tencent – were big investors in US-based technology companies. According to CB Insights, in just two years (2013-2015) the Chinese made 188 investments in US tech startups. “However, this investment has slowed as regulation has picked up and technology has advanced around the world. In particular, there have been a declining number of US investments by China’s largest internet giants, Alibaba and Tencent,” the report says.

Back home in China too, the environment had changed; foreign exchange reservees fell steeply, putting the brakes on large overseas investments. A slowing economy has also meant that investment opportunities within the country has been declining, whereas India continues to provide new options to explore. Large Chinese conglomerates like the Fosun Group are also looking to invest in traditional industries. Fosun Pharma paid $1.1 billion for a 74 percent stake in the Hyderabad-based Gland Pharma. The Fosun group was also part of a $15 million investment with Sequoia Capital in the Gurugram-based travel startup ixigo. It is also reportedly exploring large investments in real estate.

Others are waiting in the wings, exploring and evaluating opportunities. Says Meng Cheng, Chairman of the Board at Shanghai Longtue Capital Management, which is looking into opportunities in online shopping, internet, gaming and TMT (telecommunications, media, and technology), “We see many opportunities for growth. India also has the opportunity to learn simultaneously from many other markets (like the) US and China, especially China. Because
the Indian and Chinese markets are very similar (population size, etc.) Indian companies have very broad views and perspectives, and hence we are interested in looking at these startups. With better infrastructure and facilities, these startups can grow bigger and can have better outcomes."

Kevin Xu, President at Ruijiang Group, is exploring both B2B and B2C businesses in India, which he describes as a good market because of its size. “In India, there are so many young people (who) want to be successful. So there is lot of opportunity. In China, there are so many investors, so there is a global opportunity for Chinese investors (to invest) in Indian companies,” he says, adding that India’s comfort with English is a bonus.

On the other side of the border, Pranav Pai, Managing Partner at 3one4 Capital, who was in China recently, says they have been seeing significant interest from China into India over the last three years. “Our first exposure to the Chinese investment push into India was with ZoomCar, where we helped put the Series B together with the founding team. Since then, we have evaluated several companies in spaces such as fintech - specifically lending and financing business models, social + news, media and entertainment, and travel with Chinese interest but we have not closed anything significant yet,” he explains.

Nevertheless, the Chinese come prepared to deal with high growth and scale, says Pranav, adding, “They have large ambitions for the companies that they are evaluating. It is refreshing to see scale in India being appreciated for its true potential.” He believes that aspects such as preconceptions about difficulties in financial flows need to change as these have been remedied over the last four years, as has the tendency to prefer investing in familiar models that have been replicated from the Chinese ecosystem.

“We are already seeing these issues changing for the better,
with Chinese investors understanding capital flows into and out of India much better and them taking for-India approaches more seriously into consideration,” Pranav says.

**What’s in store**

The momentum gained so far shows no signs of slowing down. According to Lucy Meiihan Lin, an independent consultant who advises Chinese investors interested in India, there are many more big players waiting to come to India.

“The China (ecommerce) market is stable as Alibaba, JD.com control the market - so for new entrants there aren’t many good opportunities,” Richard Chen, CEO of Yuanbaopu, who is also associated with a venture capital firm in China, told YourStory.

Baidu (often called China's Google) and e-commerce giant JD.com are exploring investments in deep tech and logistics. Also waiting in the wings are mobile internet giant Cheetah Mobile, blockchain heavyweight Xunlei and information aggregator Jinri Toutiao. Earlier this year, Xiaomi declared that it was going to invest Rs 6,000-7,000 crore in 100 Indian startups over the next five years. MD and Vice President of Xiaomi India Manu Jain said the company was looking to invest in mobile software tech side which will help strengthen hardware and software ecosystem. This was soon followed by a similar announcement by Tencent, which said it was looking to invest $5-15 million in early-stage startups, a marked departure from its earlier investments in established, late-stage startups.

And let’s not forget what Jack Ma, Founder and Executive Chairman of e-commerce bigwig Alibaba said at his May 2015 meeting with Prime Minister Narendra Modi in Shanghai, “We are excited about India. We are excited about Make in India and Digital India.”

Such enthusiasm will hopefully result in some solid momentum in Chinese investments in Indian startups in the coming months.
What drives the Indian startup ecosystem

With 40,000 startups in the country, the ecosystem in India is riding two waves – the boom of consumerism and the digital explosion, specifically via smartphones. Then there’s a favourable demographic dividend, a growing middle class and a huge domestic consumer market. Add to this a big talent base in engineering, complex problems waiting to be solved at massive scale and an expanding pool of risk capital (both domestic and foreign) and you have all the right ingredients that a startup ecosystem needs to grow and thrive.

The Internet and Mobile Association of India (IAMAI) predicts that the country will have close to 500 million active internet users by June 2018. India is also the second-largest market in the world for social media giants like Facebook and LinkedIn.

Source: YourStory Research

In 2013, the Internet contributed USD 60 billion or 2.7 per cent of India’s GDP – larger than the contribution of healthcare (2.5 per cent) and military (2.5 per cent), but less than agriculture (14 per cent). By 2020, the Internet is estimated to grow over 4 per cent of India’s GDP. E-commerce will cross $17 billion in 2018; eight million SMEs (out of 13 million SMEs) and 200 million individuals will transact online. The Indian government recently announced that it was looking to make the Internet economy in India worth $1 trillion over the next few years. Given the current momentum, many agree that it is a realistic goal.
**Consumer boom + digital diffusion**

In the next decade, India may add another India to itself in terms of GDP, according to Rama Bijapurkar, author of 'A Never-Before World: Tracking the Evolution of Consumer India.' 55-65 per cent of India’s GDP is accounted for by domestic consumption. Rural India has 70 per cent of India’s population and 12 per cent of the world’s population.

“More angel investors have started investing in startups. These are mature business people who turned into angel investors and have decided to support the ecosystem. Young startup founders who have seen successful exits have also started to put their money back into the startup ecosystem.”

- Angela de Giacomo
  Investment Manager
  Bissell Family Office

Urban-rural aspirations and behaviours are blurring, and a middle band called ‘rurban’ has emerged in townships which are now classified as urban (at least 75 percent of the eligible male population is not engaged in agriculture). Per capita rural GDP of India has grown faster than urban GDP since 2000. Half of well-off India lives in rural India, but most of poor India also lives in rural India.

The retail industry in India is expected to reach US$ 1.3 trillion by the end of 2020; it accounts for 20% of the national GDP and is ranked among the top five global retail. India also has a massive youth dividend, which bodes well for the future of digital entrepreneurship.

The median age of India is 26.7 years. India has 600 million citizens below the age of 25, raised in a heady environment of rising incomes, aspirations, freedom of thought and speech, and an overactive media. They see themselves as destination driven, not destiny driven. The sky is their limit and the globe is their playground.

BCG classifies Internet users in India into the following segments:
• active aspirers
• professional pros
• social shoppers
• entertainment enthusiasts
• novel networkers
• late learners
• data discoverers

Active aspirers or early adopters are largely made up of youth users; entertainment enthusiasts are among the heaviest users of the Internet; late learners include groups like elders; and data discoverers are early-stage users of the Internet.

In the section below, we look at the startups working in 10 sectors, all of which are influenced in the way that India has begun to consume products and services.

**India’s e-commerce story**

For a long time, startups in India were synonymous with e-commerce because that’s where the earliest players were, including the 1990s-vintage MakeMyTrip and the 2006-founded redBus, which revolutionised inter-city bus bookings. (redBus was sold to the Ibibo group, a subsidiary of Tencent and the South Africa-based Naspers, in 2013 for $138 million.) Statista predicts that Indian e-commerce would be worth $25 billion by the end of 2018.

The game-changer for e-commerce in India was the offer of paying by cash on delivery, further boosted by easy exchange policies. (Till then, returning or exchanging a product in India had been a function of how well you knew the store owner and how much they valued your business.) Reliance Jio pretty much commoditised high-speed Internet and made 4G LTE affordable to large swathes of the population via low-cost smartphones, thus opening up a whole new base of consumers online.
The sector has also been in the media spotlight because that's where some of the biggest developments and investments have occurred. Some of the highlights include the mighty battle between Flipkart and Amazon (including the latter's steep investments into India), Snapdeal’s failed exit, the emergence of grocery (BigBasket, Grofers, Zopnow, etc.), and the growing competition in areas such as jewellery (Voylla, BlueStone, Caratlane [in which the TATA Group acquired a majority stake]), furniture (Urban Ladder, Pepperfry) and beauty (Nykaa, Purplle).

**The e-commerce landscape**

According to eMarketer.com, India is the fifth-largest e-commerce market in the world, after China, Japan, Germany, and the US. An estimated 75 percent of India’s e-commerce users are below the age of 35 and are avid social media users. India’s online market is also the fastest-growing among the BRIC countries.

While it is often tempting to compare the US and China with India, some important differences need to be kept in mind. Much of the Chinese Internet traffic and social media ecosystem is closed to outsiders as compared to the US and India -- and in the US, e-commerce leaders had to take on established offline retail heavyweights, but this incumbent factor did not exist in India (where offline shopping is still dominated by small-time corner stores).

Startups in sectors across the board will continue to mushroom, and investors have their work cut out for them in assessing their pitches. The Indian Angel Network, for instance, evaluates thousands of startup pitches each year. Entrants to the e-commerce pool include DeliveryOnCall, KhaugaliDeals.com, LocalBanya.com and eBagsFull.com.

The pressure is on e-commerce startups to deliver on a range of metrics: number of new account signups, number of habitual customers, number of repeat purchases, margins on high and low-ticket items, number of referrals, growth in new urban/rural markets, reduction in logistics overheads, competitive positioning, and brand recall. More acquisitions may take place within competitive sectors or across complementarity lines. Major offline players will
have lots of room to explore and expand in the online space as well. The market still has huge headroom for growth. The market in India is still wide open and it is too soon to declare anyone the winner.

Mobile & IoT: (A connected) India on the move

IAMAI’s prediction of India having close to 500 million active internet users by June 2018 augurs well for mobile startups. InMobi is one of the highest profile startups to have emerged in India’s booming mobile market. India is the world’s second-largest mobile subscriber market, and home to one of the largest IT/ITES developer bases on the planet. Put the two together, and the mix is ripe for a huge boom in mobile startups and entrepreneurship in India, especially powered by the ‘Jio’ effect of more affordable mobile broadband.

Mobile phones have become such a necessity and reality in just over a decade, that it is sometimes easy to forget what life was like in the pre-mobile era. Today, mobile Internet traffic has already surpassed desktop Internet traffic, and India has over 950 million telecom users. India also constitutes the second-largest market in the world for social media giants like Facebook and LinkedIn. Emerging opportunities in mobile also include IoT and wearables.

Mobile startups in India choose to launch with either local offerings or a global audience in mind. The domains include local language content and tools, apps for corporate productivity, bank alerts, smart device enablers, mobile payment, games, travel information, agricultural data, mobile ads, messaging, film songs and even auto-rickshaw bookings. They take advantage of the full spectrum of impacts that the mobile phone is having in India and continue to push the envelope in innovative ways.
Notable startups include AdTech unicorn InMobi, Reverie Language Technologies, Haptik, Scandid, AppVirality, MobiKwik, mGaadi, NextDrop and CropIn. Emerging opportunities include Internet of Things (IoT) and wearables.

The Internet of things (IoT)

The power of wireless communication is not just in connecting people via mobiles but also in connecting devices embedded with smart chips. The age of connected devices with ubiquitous sensors and mobile networks has been coming upon us for years now, in its earlier phases of smart machines and M2M (machine to machine connectivity) — and now the Internet of Things (IoT). Other related terms used by industry giants are Internet of Everything (IoE) by Cisco, Industrial Internet by GE, and Smart Planet by IBM. IoT takes the internet out of our PCs and phones and into other devices around us.

Forums such as the IoT Special Interest Group (SIG) have been launched by the Bengaluru chapter of The Indus Entrepreneurs to examine the opportunity for Indian IT players and startups. According to Machina Research, the global market for IoT in 2020 will be worth $373 billion in revenue, with $194 billion from hardware and $179 billion from software. India will account for $10-12 billion of this total revenue – but this figure can be much higher if proactive steps are taken right now.

Though the ESDM (Electronics System Design and Manufacturing) sector is projected to cross $400 billion in 2020, the government of India and the India Electronics and Semiconductor Association have teamed to set up the first brownfield Electronics Manufacturing Cluster (EMC) at Bengaluru for $13 million.

India’s National Policy on Electronics (NPE) aims at investing about $100 billion in the electronics industry by 2020 and providing employment to around 28 million people by 2020.
This includes achieving a turnover of $55 billion of chip design and embedded software, $80 billion of exports in the sector, and over 200 EMCS by 2020.

Learning and education

The Internet has deeply impacted the ‘4L’s of Learning’ -- Lecture, Library, Laboratory and Life, according to Prof. S. Sadagopan of IIIT-Bangalore (in NetChakra: 15 years of Internet in India). India has more than 2,000 colleges graduating nearly half a million engineering graduates every year. Edupreneurs, as they are often referred to, are leveraging technologies to transform education and corporate training. A range of startups in India are addressing educational transformation, e.g. via gamification, cloud solutions, interactive e-books, test preparation, and integration of classroom material. Emerging frontiers include horizontal marketplaces and local language educational content.

The Indian higher education system comprises of about 700 universities and over 35,500 colleges. More than 85 percent of these students are enrolled in bachelor’s degree programmes and about one-sixth of all Indian students are enrolled in engineering/technology degree programmes. To increase the percentage of students going for higher education to 30 percent by 2020, India will need 800 more universities and another 35,000 colleges, according to the Ministry of Human Resource Development (Source: IBEF).

By 2020, India will have the world’s largest tertiary-age population, and second-largest graduate talent pipeline globally. Higher education contributes 59.7 per cent of the market size, school education 38.1 percent and the pre-school segment about 1.6 percent. From 2000-2014, the education sector in India attracted FDI equity to the tune of $964 million.

Trends that have changed the field include integrated e-learning suites (with technology, content and support services), platforms supporting multiple learning styles (classroom, live online groups, self-paced), outsourcing (of teaching, learner management), and innovation...
(content creation/repurposing, gamification, mobile learning). For school leaders, teachers and administrators, the challenges of digital learning include shifts in effective pedagogical approaches, student safety and well-being, managing classrooms impacted by the proliferation of mobile devices, and the development of appropriate policies that keep pace with such changes.

Test prep and upskilling are the two most robust sub-sectors within Edtech, led by BYJU's. Other notable startups in this space include Toppr, Unacademy, Upgrad, CultureAlley, Cue Learn, Learnix, EdCast, Pocket Science, MentMo, E-GMAT, and iNurture.

Healthcare

Healthcare has become one of India’s largest sectors - both in terms of revenue and employment, according to IBEF. The industry comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare industry is projected to continue its rapid expansion, with an estimated market value of 280 billion by 2020. The diagnostic market is the fastest-growing segment of India’s healthcare industry, according to PricewaterhouseCoopers (PwC), with the segment forecasted to grow to $17 billion by 2021.

According to Frost and Sullivan, India's healthcare IT market is expected to hit $1.45 billion in 2018, more than 3x the $381.3 million reached in 2012. Rising incomes, easier access to high-quality healthcare facilities, greater awareness of personal health and hygiene and adoption of mobiles and the Internet are good signs for digital startups. Entrepreneurs in this sector have launched doctor-patient platforms, online access to genomic tests, eye scanning devices, and hygiene awareness sites.

Startups in India are addressing the wide range of opportunities covered above with a range of offerings and price points. These include doctor-patient platforms, online access to
genomic tests, home care solutions for discharged patients, eye scanning devices, menstrual hygiene awareness sites, hospital information portals, maternal health awareness campaigns, preventive care alert services, diet calorie counters, cloud solutions for medical records, e-commerce marketplaces for medical services, fitness apps and wearables.

Notable startups in this space include Practo, Mapmygenome, BioQuest, CredihealthLunaCycle, Medyog, Orobind, GetActive, HealthifyMe, and Medypal.

The payments market

The Internet and mobile phones are transforming India’s banking, finance, insurance, payment and commerce sectors in unprecedented ways, and opening up a range of opportunities for startups in payment, advisory and content services. Mobile payments could become one of India’s fastest growing payments opportunities; smart cards and mobile phones are providing new channels for reaching unbanked rural and urban households. Cab wallets, e-commerce wallets, phone recharge wallets, and cashless payments are ushering in the promise of a cash-less (or at least less-cash) society in India.

Financial inclusion is among the topmost priorities of the Indian government. Exclusion of a large number of people from access to financial services affects the growth of the country. Prime Minister Narendra Modi launched the Pradhan Mantri Jan Dhan Yojana in August 2014.

The bulk of startup activity in this space seems to be in mobile payment, ranging from POS devices to mobile wallets. Other startups are offering comparison services and tools for banking and insurance.

Notable startups in the space include Paytm, PhonePe, MobiKwik, Ezetap, mPay, iKaaz, Oxigen, Momoe, Oxigen, ePaisa, CCAvenue, BankBazaar.com, Heckyl, PolicyBazaar and
TaxSutra; consolidation is expected as players match off their strengths and complementarities.

Work-life services

Digital media is transforming not just the way we learn, work or shop – but also the way we dwell, dine and date! This sector includes real estate, food-tech, car rentals, travel, entertainment, skilling and matchmaking.

Pepperfry, founded in 2012, is an online furniture retailer that has shipped products to 1,000 plus cities and towns across the country. Over 65 percent of the orders are placed over the weekend, says Ashish Shah, COO and co-founder. Pepperfry raised $15 million from Bertelsmann India Investments and Norwest Venture Partners, while UrbanLadder raised $21 million in Series B funding from Steadview Capital, SAIF Partners and Kalaari Capital in July 2014.

HomeLane.com is a home design and set-up company started in 2014 by serial entrepreneur Srikanth Iyer and Rama Harinath. It is targeting the $10 billion Indian home design and furnishing market and has raised $4.5 million in Series A funding led by Sequoia Capital with participation from Mohandas Pai’s Aarin Capital. HomeLane had previously raised seed funding from serial entrepreneur duo Meena and K. Ganesh at its inception. Targeted towards the mid-income Indian market, which looks at owning and furnishing a house in the Rs 50 lakhs to the Rs 1.5 crore range, HomeLane is employing a marketplace model.

Other key areas include

- food-tech (Zomato, Swiggy, FreshMenu)
- car sales and rentals, transportation, including the ubiquitous Indian three-wheeled vehicle, the autorickshaw (Ola, mGaadi)
travel and tourism (iTraveller, Holiday IQ)
- entertainment (BookMyShow)
- skills and jobs (VakilSearch, MyNoticePeriod, Simplilearn)
- dating, weddings and parenting (Aisle.co, BabyChakra, Woo, Shaadisaga).

Saying hello to hardware

While India’s prowess in software services is world renowned and its software products are gathering steam, most of the consumer electronics and IT hardware products in India are dominated by foreign brands. Indeed, this is widely regarded as India’s ‘Achilles heel,’ especially in comparison with other countries such as China. India imports $45 billion worth of mobile phones, computers and telecom hardware; by 2020, this is projected to cross $300 billion and exceed the oil import bill. Nonetheless, entrepreneurs are exploring new frontiers in the hardware space in India.

A number of startups in India are entering the consumer and B2B gadgets space. These include wearables, drones, 3D printing, home entertainment, water testing, datacom solutions, and robotics.

While startups are foraying into cutting-edge digital products, a more concerted effort will be needed to build a robust hardware industry of sub-continental and global scale. The government plays a big part in boosting this ecosystem (critics actually joke that all the government has to do is ‘get out of the way’). The ecosystem includes support for R&D labs, skills development, and taxation laws.

India’s new budget is expected to provide incentives for manufacturing of electronic hardware including mobile phones and laptops as part of the ‘Make in India’ campaign; these sectors are still dominated by foreign brands and imported components. A number of startups in India are entering the consumer and B2B gadgets space via wearables, drones,
3D printing, home entertainment, water testing, datacom solutions and robotics. These include Nimble, GoQii, Skylark Drones, NiAmos, Augrav, TeeWe and Caddisfly.

**Governance**

India’s National Taskforce on Information Technology and Software Development made extensive recommendations on how authorities could use ICTs to improve governance. The National e-Governance Plan (NeGP) has spelt out e-government and m-government infrastructure, application development and human/institutional capacity building. The Digital India programme seeks to take this forward at a much larger scale, according to Amit Prakash, head of the Centre for IT and Public Policy.

A number of software startups have developed products for use by government officials in urban planning and public awareness campaigns. A range of NGOs and social entrepreneurs (identified and awarded by the Digital Empowerment Foundation’s annual Manthan, mBillionth and eNGO awards) are offering Web and mobile solutions for water management, citizen reporting, consumer protection, RTI applications, voter record tracking during elections, petitioning for change and leveraging analytics for social causes. New opportunities are also emerging on the Aadhaar platform.

The Digital India programme seeks to take forward the e-governance agenda at a large scale and fast pace. A number of software startups have developed products for use by government officials in urban planning and public awareness campaigns. A range of NGOs and social entrepreneurs are offering Web and mobile solutions for water management, citizen reporting, consumer protection, RTI applications, voter record tracking during elections, petitioning for change and leveraging analytics for social causes. New opportunities are also emerging on the Aadhaar platform.
While revenue models and profit streams may be harder to come by in the case of for-profit startups, the e-governance sector will continue to attract social entrepreneurs and committed NGO leaders in India.

Notable startups in the sector include I Change My City, MyNeta, RTI Nation, SocialCops, and NextDrop.

Digital media grows by leaps and bounds

India has a colossal media industry comprising traditional broadcast and print media as well as advertising – digital media are transforming these companies, creating a digital support system, and spawning a new generation of digital-only pure-play startups. This chapter covers the breadth of India’s traditional and digital media industries, profiles business opportunities for promising startups and identifies emerging trends and outlooks.

Digital media is transforming India’s traditional media giants, creating a digital support system, and spawning a new generation of digital-only pure-play startups. Media entrepreneurs in India are addressing the full spectrum of the digital media space: from comics and cricket to marketing and messaging. The rise of digital ad spends is good for digital content startups as well as entrepreneurs in mobile and online advertising.

Digital ad revenues in India are less than TV and print but greater than radio, OOH and cinema. The online advertising market in India will touch Rs 7,000 crore in 2015, and will be about seven percent of the overall advertising pie as compared to the global average of 15.5 percent, according to the Indian e-Retail report. Advertisers in India are spending 5-10 percent of their advertising budgets on the Net, which along with print media is in growth mode. 76 percent of the online advertising market is captured by online travel, followed by eight percent each by financial services transactions and e-retailing.
The rise of such digital ad spends is good for digital content startups as well as entrepreneurs in mobile and online advertising. There is still a major language gap in the digital world: India has less than 150 million English literates, but over 56 percent of the Web is in English. While concerned citizens have been agonising over lack of Indian language content on the Net for years, the rise of the mobile Internet will be the tipping point.

Notable startups in this sector include ZipDial, Quikr, Octro, Hitwicket, Citizen Matters, Magzter, Newshunt, News in Shorts, Sokrati, Twaang, and Perdix.

**Enterprise products**

Significant transformations are occurring in the organisational world and business ecosystem, which open up opportunities for startups in B2B (business to business), B2E (business to employee) and B2B2C (business to business to customers/consumers) products. SMAC technologies (social, mobile, analytics, cloud), AI, and ML are disrupting big business and enabling agile strategies for a new generation of enterprises and small and medium-sized businesses though these are early days still for blockchain.

Notable startups in the space include Freshworks, MuSigma, Capillary Technologies (Facebook’s first acquisition in India), myNoticePeriod.com, Wingify, Fareye, Ramyam Intelligence Labs, Flutura, AirWoot, Druva, Dexetra and kPoint.

Bengaluru is now acknowledged as the ‘SMAC Valley’ of the east, like Silicon Valley.
CHALLENGES FACED BY INDIAN STARTUPS

Entrepreneurship remains a rocky road

To outsiders, the startup ecosystem appears to be a land of great opportunity, but a peek inside will show it is that and so much more, not all of which is hunky dory. Startups face myriad challenges from all quarters – government regulations, fund raising, lack of mentoring, scaling correctly, managing cashflow and even finding the right employees. In forthcoming issues, we will discuss each of these challenges in greater detail. Here is an overview.

Lack of funding

The bedrock of any business is money – one needs money to set up, to make a marketable product and even to take that product to the market. Therein lies the biggest challenge for all startups – funding. Those with a minimum viable product are definitely better off in terms of raising funding as they have something that can be tested, or one the market is showing signs of accepting and paying for. Those whose product is yet untested by the market and is only at the concept stage find the going even tougher. A case in point is deep tech startups. Until very recently, they struggled to find investors because investors were looking at shorter time frames to generate revenues (and returns). Deep tech, by its very nature, requires years of R&D because it is fundamentally disruptive.

Further, sectors often come into favour and fall out of favour with investors. When they tighten purse strings for any reason, it is not uncommon to see even solid startups get turned down for the next round that they were counting on to keep them going. Lack of funding remains one of the biggest reasons why startups wind up operations or get acquired by larger rivals.
**Cash burn to revenue**

Very few startups, even the larger, better-known ones, have posted profits. This is a phenomenon that not only ails Indian startups, but those the world over. In fact, many rely on a high cash burn rate to achieve traction in the market. Most startups have a high cash burn rate as they try to create a market, educate customers and get them accustomed to their offering to capture a good share of the market. The management of this burn rate is crucial for any company. The biggest challenge for companies is a transition from a high cash burn rate to a revenue rate; in short, a situation where they start earning money, not necessarily make profits, but reach a point where people would pay to use their product or service and keep coming back for more.

**Finding the right people**

Getting a key hire wrong is a massive setback for a startup, more than it might be at a large company that has enough robust processes to cushion the blow. In a startup, there are no fall-back mechanisms, no back-ups. As T N Hari writes, "In large firms, the cost of a wrong hire could be 2-3 years of salary, but in a startup, it could very well decide whether the startup gets to the next stage of growth seamlessly or falters irretrievably."

Beyond key roles too, talent is always hard to find because many are sceptical about their future at a startup. After all, 9 out of 10 startups do fail within two years of setting up for a multitude of reasons, ranging from the inability to scale, lack of funding and government regulations. The situation is changing, but slowly. Until then, finding the right candidates (and keeping them) remains a major pain-point for many startups.

**Lack of regulations**

The regulatory framework continues to evolve at its own pace, and in many cases, government regulations are unable to keep up with new innovations and ideas that startups come up with. In such cases, even as the official machinery works to incorporate new regulations keeping in mind
the benefit to society at large and creating an enabling environment for entrepreneurs, the period of limbo in between can be one of the largest challenges that startups face. For instance, the tax on angel investments received much flak from startups and investors alike. While the Income Tax Department sought to plug a perceived avenue for tax evasion at first, the ecosystem sought an exemption on such investments because they believed it could not be treated as an income of any kind. The issue has hence been resolved with the government making these investments exempt from tax.

Another example for government regulations catching up with startup ideas are those around ride sharing and self-drive car rentals. Cab aggregators Ola and Uber went against regulations to continue and expand operations while the issue simmered. Zoomcar and Rapido too faced challenges with regulations as there were no established guidelines for their respective offerings when they launched.
Lack of clear strategy

Many startups also suffer from an unclear, or the complete lack of strategy, be it about their solution or their brand. The inability to communicate with the market has resulted in many companies not reaching the right audiences. Startups in India, and for that matter anywhere in the world, operate in a dynamic environment and need to constantly alter their offerings to meet customer demand and expectations. While this works for some founders, there are many who find this constant change a challenge as they may be unable to stick to their initial core offering that had actually formed the foundation of their startup.

Lack of mentorship

Many startups, in their early stages, struggle to find mentorship, both technical and entrepreneurial. In fact, many founders start up with only an idea, and have little or no experience in running a business. Lack of mentorship at this stage can result in potentially disastrous business decisions. Mentoring is inherently an informal construct. A startup founder would be fortunate to get one mentor, let alone the multiple mentors they need at different stages of their entrepreneurial journey. To have someone to call in times of a crisis or have someone who can spot trouble a mile away is critical and yet not available.

Fighting perceptions

Failure is no longer taboo, and startups have played a big role in making that happen. There is no shame in failure, only learning – that’s a mantra that is being increasingly popularised. As such, entrepreneurs too are increasingly open to changing not only their product and offerings but also their core idea to suit the market. There are enough success stories that have resulted from such pivots to help convince entrepreneurs to consider pivoting without having to worry over perception. However, the change is slow. Indians as a people are not very acceptable, or even kind, to failure and the need to re-invent and often, societal pressures continue to present a major challenge for founders.
The road ahead

In 2017, India jumped 30 points to reach the 100th spot in the World Bank’s ease of doing business global rankings. It was reason to celebrate, especially since a number of Indian startups have chosen to register abroad because of restrictions with respect to foreign ownership and investment in different sectors.

Corporate leaders, investors, entrepreneurs, and industry experts have all repeatedly voiced the need for the government to help entrepreneurship flourish in order to create jobs for the ever-increasing number of youth. Without jobs or the option to set up a business, India’s demographic dividend could well turn out to be a demographic detriment.

Indian startups can operate at a broad range of price points and user bases, according to Sharad Sharma, co-founder of iSPIRT Foundation. “Indian startups are good at targeting local consumer space and international enterprise markets but have yet to get good traction in the Indian government and public-sector organisations,” cautioned Sharma, while speaking at a CII Knowledge Summit. In areas like telecom networks, there are no industrial products from India, and that is the 'kryptonite' in India’s success story.

With one of the largest populations and consumer bases in the world, India has enough potential to be both producer and consumer, which means that Indian startups have a wide range of consumer classes, products and services, and business models to choose from.

In the next quarter, we hope to update the report with new data, funding information, emerging trends, opinions and more to give you a clear picture of what the Indian startup ecosystem is all about.
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