



Deepak Sharma

# Startup-Standup and its Challenges

A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty. The goal of the startup is to figure out the right thing to build (as quickly as possible) which customers want and are willing to pay for. Startup is an organization that has the potential to grow very rapidly, ultimately becoming a “real company”.

As rightly said by Steve Blank, Startups, when they begin, have no process, no culture, and no repeatable business model. All they know is that they have the potential to address a huge market if they can figure their business model out, and then scale quickly enough to stay ahead of the competition.

Startup entrepreneur first conceives an idea or the concept and then the idea is initially funded by family members and friends, to begin with. The risk taker when finds the visibility and scalability of business after half year, two or three, the requirement of capital comes into play. To take up business at a level of scale in terms of volume and reach, he needs fund for expansion.

These businesses being highly risky are funded by venture capital, angel investor and private equity players who assume a high risk appetite with quite plenty scale of growth.

## Present Scenario in India

In the past decade or in recent years the Indian startup ecosystem has really taken off and has come into its own driven by factors such as massive funding, consolidation activities, evolving technology and a burgeoning domestic market.

Between 2010 and 2014, the infusion of VC and PE increased from \$13 million to \$1,818 million. Angel

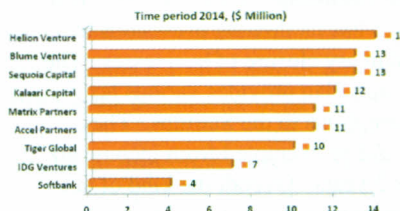
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investment too has multiplied almost 8 times from \$4.2 million to \$32.2 million. So, how did these startups raise their recent funds? How will this money help them grow? Let's look at a few examples.

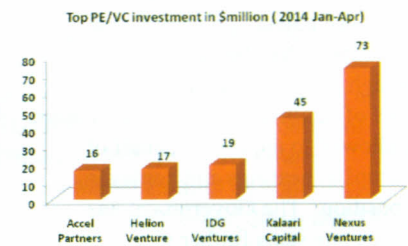
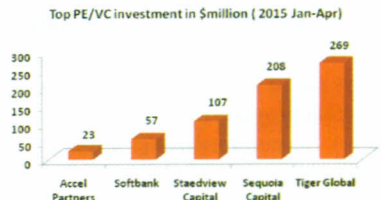
According to data compiled by YourStory, startups had raised \$1.7 billion in Q1 2015 alone. The number of deals in Q2 2015 has increase by 50% from the previous quarter. In the past two quarters, the ecosystem has attracted savvy investors of the world from Softbank to DST Global. The Indian ecosystem has matured and the promise of an Internet revolution is real not just multi-billion dollar valuations but also a billion dollar GMV is being built out of India.

## Active Investors in the Indian startup landscape

Based on data published by YourStory, in 2014, Helion Venture Partners was top of the investors list going by the total number of deals made, followed by Sequoia Capital, Blume Ventures, Kalaari Capital, and Accel Partners.



The market has witnessed a bit of a shakeup with Tiger Global taking the top spot in 2015 with cumulative investments of \$269 million (Ventura Intelligence) in 11 deals, followed by Sequoia Capital with \$208 million invested in 14 deals, and Steadview Capital with \$107 million with two deals.



## New Initiatives

### A. 'Start-Up' & 'Stand-Up' India

Prime Minister Narendra Modi announced a new campaign "Start-up India, Stand up India" to promote bank financing for start-ups and offer incentives to boost entrepreneurship and job creation. Addressing the nation on the 69th Independence Day, he said, "We are looking at systems for enabling start-ups. We must be number

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one in start-ups... Start-up India; Stand up India."The initiative, he said, will encourage entrepreneurship among the youth of India. Each of the 1.25 lakh bank branches should encourage at least one Dalit or tribal entrepreneur and at least one woman entrepreneur.

### **B. Skill Development Initiative for entrepreneurs**

Prime Minister Narendra Modi launched ambitious projects that aims to train over 40 crore people in India in different skills by 2022. The initiatives include National Skill Development Mission, National Policy for Skill Development and Entrepreneurship 2015, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) scheme and the Skill Loan scheme. The government's flagship scheme, PMKVY, will incentivise skill training by providing financial rewards to candidates who successfully complete approved skill training programmes.

The scheme aims to recognise and provide skill to 24 lakh youth who lack formal certification, such as workers in vast unorganised sector. Through an initiative known as 'Recognition of

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Prior Learning' (RPL), 10 lakh youth will be assessed and certified for the skills that they already possess. Under the Skill Loan scheme, loans ranging from Rs. 5,000-1.5 lakh will be made available to 34 lakh youth seeking to attend skill development programmes over the next five years.

Across India, special PMKVY mobilisation camps are being organised at 100 locations with Nehru Yuva Kendra Sangathan (NYKS). A national SMS campaign is being rolled out to build awareness of the program, reaching about 40 crore subscribers. Fresh PMKVY training was initiated in 1,000 centres across all States and Union Territories in India today, covering 50,000 youth in 100 job roles across 25 sectors.

### **C. Skill Development and Entrepreneurship Ministry**

The Skill Development and Entrepreneurship Ministry has been given the administrative control of two institutes that are providing training and developing programs for entrepreneurs, among other. These two institutes, the National Institute for Entrepreneurship and Small Business Development (Noida), and Indian Institute for Entrepreneurship (Guwahati), were under the MSME Ministry.

## **Challenges for Indian Startups**

### **A. Building a team**

The common Indian mindset says that getting a job with a big brand improves career growth more than a startup. Also, job security plays a vital role in decision making. Working at larger organizations is more secure and socially valuable than working with startups. It is not uncommon to see people working in startups being pressured from home to take up better jobs with larger organizations.

### **B. Mentorship**

Doing a startup is perilous and often a lonely journey. You may have co-founders, but you may not necessarily possess the business acumen to succeed. Having a brilliant idea is different from making that idea a business success. For a startup, it is very important to have mentors who have been through a similar process of starting or have business experience. A great mentor is often what separates success from failure by providing valuable inputs. However, there is no formal mechanism to mentor startups in the country.

Every mentoring that happens is on an ad-hoc basis. A startup that has raised funds can count the investors for some form of mentoring, but honest, unbiased, good business mentors are far and few in between. For startups finding a good mentor is often an uphill task.

### **C. Funding**

Capital and access to capital has been a perennial problem for startups. While, of late angel investors, venture capital and private equity have brought succor



to some extent, a large number of startups still grapple to raise funds from institutional setup. Funding challenge is not merely limited to seed rounds, but also for vital Series A and B rounds. For a startup looking to scale, it is still very hard to raise rounds to scale as the number of investors that write larger cheques in India are very limited in number.

### **D. Selling is hard**

It is hard to break into the Indian market with a consumer product.

In past decade we have witnessed the rise in number of startups and these have inveigle the funding from angel investor, private equity and venture capital. Government is the single largest enabler for the entrepreneurial ecosystem. Its role in ease of doing business and helping companies start is vital to ensuring success.

People are substantially price-sensitive, and competition is fierce. Therefore, selling premium products becomes a hard task.

Moreover, when a startup aims to do a B2B sale, the decision making process to buy the product is very slow and may take several months. For example, for selling software to banks and government, or larger organizations, you may send the quote, keep following up for months, and then end up with a "no thanks." This primarily happens because of poor decision making processes in companies and a "playing it safe" attitude. Hence, the risk factor remains.



## E. Regulations

According to the latest tax policy, startup firms are mandated to pay income tax on the premium they have charged over their fair market, while selling shares to unregistered investors, including private equity and venture funds. Though this aims to stop money laundering, analysts say it will affect the investment scenario for startups. Moreover, to register your startup takes a minimum of two to six months.

The appetite from foreign investors for Indian tech startups has never been higher, a fact readily observed in the deal figures from Q1-Q2 2015.

**Concerns are now surfacing about stiff competition in crowded markets and the ability of startups to successfully scale into Tier 3 cities and beyond.** Serious talks about the introduction of GST are welcomed, as GST will deliver a fresh kicker to the startup ecosystem. Hints that TRAI or other market regulators in India will seek to regulate all over-the-top (OTT) players could sound a death knell to India's startup ecosystem, if they materialize. Foreign investors continue to hope for further rationalization of the FVCI, FDI, and FEMA frameworks that affect their investments.

## Inducing Entrepreneurship

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investor, private equity and venture capital. Government is the single largest enabler for the entrepreneurial ecosystem. Its role in ease of doing business and helping companies start is vital to ensuring success. Government has been very active and serious to facilitate startups through various initiatives and programs, skill development programs, financial inclusions are a few of them to highlight. India has a huge potential to grow. The time has come to lift the skilled and qualified youth through initiatives, schemes and encourage them towards entrepreneurship. This will create a good business opportunity, employment to large mass, support the prosperous self growth, increased productivity and ultimately this will thrive the economy at a large scale.

*Deepak Sharma is Group Managing Director, Sarthi Group*



## Saurabh Rai Accenture Analytical Applications Platform Lead joins overstock & re-commerce brand Surpluss.in as CEO

**I**n his new role, Saurabh will be responsible for driving and building the Ecommerce businesses for Surpluss.in B2C & B2B in India & overseas Markets

Country's fastest growing overstock & recommerce platform Surpluss.in has appointed its new CEO, Saurabh Rai who has joined from a multinational management consulting, technology services, and outsourcing company Accenture.

Rai, who was leading Sales for Accenture Digital - Analytics Applications Platform for Resources in APAC and Europe, has extensive experience in setting up resources Advanced Analytics and consulting practice and Leading charge in sales, M&A, competency development, business process management and implementing business strategies for large scale expansion. An innovative

thinker Saurabh has US patents to his credit.

In his new role as CEO, his primarily task would be to steer the brand to its next pedestal by integration of direct to customer and direct to retail business platforms. Launched an year back, Surpluss.in has emerged out as a category leader among recommerce players while attracting high number of visitors. The brand is exclusively catering to surplus and unboxed products market and today ranked as top trend setter in India.

Commenting on Saurabh's joining the surplus board, Tarun Bhardwaj, Executive Director said, "Surpluss.in is a young brand with the youth being our target, Mr. Rai's leadership and rich experience will surely accelerate the growth of this venture. Saurabh will allow us to more quickly take Surpluss.in & Surpluss B2B visionary status to the next level."