

GETTING A JUMP-START

'Silicon Valley spirit' guides policymakers, start-ups look for a deal

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Start-ups have little doubt that this Union Budget will deliver. But they are keeping their fingers crossed for much more; they hope their freedom is not curtailed by reams of policy.

Setting the tone, Prime Minister Narendra Modi had decisively looked at Finance Minister Arun Jaitley at Vigyan Bhavan while announcing the start-up action plan before a

line-up of international and domestic entrepreneurs on January 16 — to usher in the 'Silicon Valley spirit'. Budgets in the past have mostly left out entrepreneurs while doling out goodies, perhaps because entrepreneurs are expected to move up without government hand-holding. In fact, as Flipkart founder Sachin Bansal had earlier told *Business Standard*, start-ups hardly find support from families, either.

However, things now are changing a little, with start-ups going up the glamour quotient. In sync, this Budget, too, is expected to be different. Internet-based businesses — from food to fashion, health to

education, and travel to payment platforms — have all taken the centrestage lately. While marquee investors like SoftBank, Tiger Global and Sequoia regularly open their pursestrings to fund start-ups — mostly loss-making ones — those like former Tata Sons chairman Ratan Tata, Wipro Chairman Azim Premji and Infosys co-founder N R Narayana Murthy have, by investing in start-up, sufficiently signalled this is truly the season of entrepreneurs.

The government is unlikely to let this "season" go waste. To ensure the bubble does not burst like it did around 15 years ago — when the internet economy saw its first boom and then a crash

— the prime minister has already announced setting up of a ₹10,000-crore fund to encourage start-ups in the country. Tax breaks, including exemption from capital gains tax and income-tax holiday for three years, have also been promised. Additionally, tax exemptions on incubation, investments, partnerships with academia, seed funding and research parks are in the offing. Measures to rationalise service



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tax rules for the sector are likely, too. Of course, the fine print of the Budget document will show how much of the promise translates into reality.

Steps enabling easier exits for start-ups, one of the top items on the wish list for the sector, though, are still fuzzy. The

action plan promised exits would be simpler and faster for those who did not wish to continue. An exit clause might be included in the Insolvency and Bankruptcy Bill, 2015, to make getting out of a business possible within 90 days.

The Reserve Bank of India's

A HEADSTART FOR START-UPS

Set for rollout

- Details of a ₹10,000-crore fund announced by the Prime Minister in January
- Tax exemption on capital gains, incubation
- Income tax holiday for three years
- Rationalisation of service tax rules

Bucket list

- Easier exit for investors
- Simpler listing norms
- High bandwidth
- Cheaper smartphones
- Better access to power, credit
- Easy patent filing

Sources: Government, industry

(RBI) policy on February 2, however, partly carried on from where the PM had left last month. RBI allowed foreign investors to sell their stakes in Indian start-ups to local companies. In effect, this will allow foreign venture capital funds an easier exit route. Rules for share-

transfer transactions for start-ups have also been made simpler, besides steps to allow access to rupee loans from eligible lenders under the external commercial borrowing (ECB) framework.

Meanwhile, the industry has had time to sober down from the euphoric mood on January 16, when Modi charmed them in Delhi's Vigyan Bhavan by calling them the most "energetic" crowd he had ever seen. Minutes later, Paytm founder & Chief Executive Vijay Shekhar Sharma, who had shared the dais with the PM, had said this was a "policy on steroids".

More than a month later, Shankar Nath, senior vice-president of Paytm, told *Business Standard*: "We expect the Budget to invest significantly in strengthening the digital infra of the country." Nath's wish list is long: High bandwidth, tax breaks on budget smartphones supporting vernacular languages, simpler know-your-customer norms, improved access to electricity and credit, and so on.

Even as many stakeholders are getting real about the government's role, the overall mood continues to be defined by hope. Sandeep Aggarwal,

founder of ShopClues and Droom, talks of getting back the innovation that India had many centuries ago. Along with that, India's contribution to global gross domestic product (GDP) could also go up significantly, he said. "India can account for 15-25 per cent of global GDP by 2020, against four per cent now, if the country gets back its innovative edge and start-ups play a big role in that."

Innovative internet revolution could help India reach there, Aggarwal suggested. "Make capital more accessible and cheaper, enable easier patent filing, give research & development credits, include entrepreneurship in the curriculum, allow easier exits and repatriation of money, and simplify listing norms." Only then can India's internet-led industry touch (a size of) \$250 billion by 2020, against \$30 billion now.

By comparison, the size of the US internet business could grow from \$2.4 trillion to \$3.5 trillion, and China's from \$700 billion to \$1.5 trillion, according to estimates.

Start-ups want the best deal from the government but they also fear control. "Do not define us, do not regulate us, let us remain free," says a founder.