

# Start-ups have arrived, but seek policy support

Looking for traction in investments and vibrant ecosystem

## THE YEAR AHEAD

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Maher Daoudi, a techie from Houston, has decided to locate the development team for his start-up Skillvo.com in T-Hub, the incubator recently set up. Why India? "You get great, motivated talent that a start-up needs here. Cost of operations too is far lower," he says.

Skillvo, a LinkedIn-like service for blue-collar professionals, is planning to launch the product in the next few weeks.

Start-ups have finally arrived in 2015 as India emerged as the third biggest global hub for such fledgling firms, after the US and Israel. To put it in Mahesh Lingareddy, founder-president of the US-based semiconductor design start-up Soft Machines, the tide has finally turned in favour of start-up entrepreneurs in India.

Young grads are not turning down offers from start-ups as they did earlier. Parents have begun to appreciate the choice of their wards' to start or join start-ups.

### Investments jump

The start-up story has just begun. Numbers justify this. Investments into start-ups jumped to \$1.77 billion in 2015 against \$1.17 billion in the previous year.

Nasscom President R Chandrashekar is excited. "The start-up environment is swiftly growing driven by young, diverse and inclusive entrepreneurial landscape," he told *BusinessLine* asked for his comment on the prospects for start-ups in 2016.

Prime Minister Narendra Modi's announcement that the Centre would come out with a comprehensive Action Plan in the New Year to foster start-ups stands testimony to the promise the fledgling firms hold.

"Start-ups have been the game-changers of 2015 and evolved not just in numbers but also in terms of quality and innovations. They have played a major role in making IT an important aspect in



### VC Investments in India (2011-2015)

Year	No. of investments	Amount (\$ million)	Investments by industry (2015)		
			No. of deals	Amount (\$M)	
2011	242	1,127	IT & ITeS	306	1,186
2012	266	960	Healthcare	29	199
2013	264	869	Food & Beverages	14	57
2014*	308	1,170	Energy	10	30
2015	423	1,773	Shipping & Logistics	8	47
			Education	8	43
			Others	48	211

\*previous high

Source: Venture Intelligence

terms of employment generation and as an innovation hub," Chandrashekar says.

It is a hyper growth inflection point for the Indian start-up ecosystem and we strongly believe

2016 will carry this trend further. This is leading to emergence of focused domain solutions for verticals such as healthcare, agriculture, education and Internet of Things.

Mahesh Lingareddy, whose firm is likely to go for a public issue in 2018, says the country needs a cycle where at least 10 per cent of the start-ups moving up to the next level. "You need to have a constant feed, with some of them graduating to the next level," he says.

The ground is fertile for start-ups to take off with opportunities growing and access to capital and mentors becoming easy.

"If the landscape continues to evolve, India would have 11,500 start-ups providing jobs to over 2.50 lakh people," the Nasscom President said.

### Key challenge

It, however, doesn't mean that everything is rosy in the ecosystem. Poor policy support and prohibitive taxation are keeping the investors away.

The Nasscom President feels that India's potential is much higher. "We need simpler and easier processes for starting, operating and closing a business. Ease of doing business is necessary. If the government addresses these concerns, we expect a much more fa-

vourable ecosystem to emerge," he points out.

"While there was a downtick in the pace of investments in the last quarter of 2015, third quarter (Oct-Dec) was still the biggest ever fourth quarter for VC investments in India," Arun Natarajan, Founder of Venture Intelligence, points out.

### Course correction

"With many VC firms — including Kalaari Capital, IDG Ventures India — having mobilised India-dedicated funds recently, there is enough 'dry powder' with investors to be deployed in 2016 and beyond," he says.

The year also witnessed a course correction. Me-too kind of start-ups had to either shut up shop or slowdown their operations.

"Herd money has stopped chasing the run off the mill ideas. It is a kind of reality check. And the good thing is, the course correction had happened at the right time," Hyderabad Software Exporters' Association President and start-up evangelist Ramesh Loganathan says.