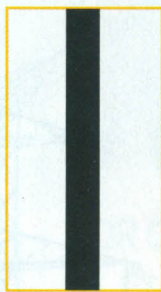


THE RISE OF THE INDIAPRE

FROM BUILDING A POSITIVE SENTIMENT AROUND THE INDIAN ECONOMY TO REVOLUTIONISING THE WORK CULTURE AND CHANGING THE NOTIONS OF CLASS AND WEALTH HIERARCHY, THE START-UP ENTREPRENEUR HAS TICKED ALL THE RIGHT BOXES IN 2015

By Y.P. Rajesh



In his 2008 bestseller *Imagining India*, the co-founder of software giant Infosys and former UIDAI head Nandan Nilekani recalls an incident from the early 1980s when Infosys had relocated to Bengaluru from Pune and had hired a “few bright young engineers from IIT-Madras”. Within a few weeks, Nilekani writes, one of them came to him and said he wanted to quit to join a public sector company in Bengaluru. His reason: a government company will never go under and the job I have will be for life. “The security of such employment was a very compelling argument in those years for an engineer from IIT,” wrote Nilekani, an IIT alumnus himself.

Bright young engineers from IITs, tech firms, public sector companies, jobs and security are still very much a part of our discourse 30-plus years later. But India has, within that realm, made a generational leap or two as far as mindsets are concerned. A couple of years back, Nitin Saluja, a young IIT-Bombay graduate, junked his high-profile consultancy job and decided to start a chain of ‘customised tea’ cafes. This time, it was his businessman father who was worried. Tea cafes? Why was the

NEUR



son 'stepping down' the ladder of professional prestige? What will people say? The young man, of course, didn't have any of these concerns and rightly so. Today, he is what you'd call a successful start-up entrepreneur with nearly 20 outlets of Chaayos (and counting) in major Indian cities and venture funding from the names that matter.

Indians have traditionally been thought of as risk-averse people but as the arc of entrepreneurship from Infosys to Chaayos shows, bands of young men and women with innovation on their mind and a fire in their belly have stepped out of the comfort zones and become part of a select global community that is, with its disruptive ideas, changing the way business is done. To be sure, it has not been a sudden volcanic eruption of ambition and ideas that has created what the jargon-filled sector calls the 'start-up ecosystem'. It has, in fact, gone through cycles of arrivals, booms, plateaus and even busts before coming together as a solid business trend that is here to stay. Many of the ideas may be copies of their successful models in the US but they have been customised to work and succeed in tough Indian conditions. And the result of risk meeting capital at the right turn has been the birth of a virtuous cycle of more and more Indians wanting to dream big and act on those dreams.

In that sense, 2015 marked the alignment of all the stars for India's start-up sector, both in terms of quality and quantity. For one, 1,200 start-ups were launched at last count in the technology space alone this year and that is 40 per cent more than 2014. And industry body Nasscom says three to four IT start-ups are born almost every day in the country, which means that the number 1,200 would have changed by the end of the year. India now has the third highest number of tech start-ups in the world at 4,200, behind the US and Britain but ahead of China and Israel.

But the rise of the Indian start-up entrepreneur is not just a story of the new tech venture, or adventure, if you will. The Indian start-up universe also includes companies that are

2015 THE YEAR OF THE ADVENTURE CAPITALISTS

In 2015, 1,200 technology start-ups were launched, 40 per cent more than 2014, says IT industry body Nasscom in a recent report.

That has taken the total number of recent technology start-ups to 4,200, placing India ahead of Israel and China, but behind the US and Britain.

Start-ups attracted \$5 billion-\$6.5 billion in funding in 2015.

2015 was special on the funding front. The number of active investors, including angel and private equity, grew from 220 in 2014 to 490 in 2015.

The number of incubators or accelerators grew to 110, as much as 40 per cent higher over previous year.

conducting educational workshops for school children on making gadgets, making solar-powered micro cold storage systems for farmers, developing products for restoring damaged teeth and organic fertiliser substitutes, to name just a few besides the tea-cafe chain. The start-up 'keeda' (bug), as some call it, is also not limited to those in their 20s or early 30s. Professionals in their late 30s and even early 40s are kicking secure jobs to follow their hearts and try something new before it is too late.

Recognition of this phenomena came in many forms in 2015. One of them encapsulated the story to a large extent. The 2015 Forbes list of Indian billionaires for the first time featured the co-founders of Flipkart, Sachin Bansal and Binny Bansal, a far cry from the days when the Shiv Nadars, Azim Premji and Narayana Murthy made it to the list and became national icons. Start-ups were in your face in the perception game too. E-commerce firm Paytm became the first start-up to win the title sponsorship of Indian cricket matches at home for four years from 2015 in a deal worth Rs 203.28 crore—20 per cent more than the minimum bid for 84 matches.

In the larger scheme of things though, the start-up surge comes at a critical juncture for the Indian economy. A year and a half after the BJP was voted to power on the promise of unshackling industry, reviving growth and unleashing the animal spirit of Indian businesses, we are still in a phase where the narrative centres around green shoots and political hurdles. If there is anyone who has bucked the trend and contributed in a big way to the positive sentiment bubbling under, it is the start-up entrepreneur. His latest and most sure-footed avatar has begun to revolutionise India's work ethos and culture and is inculcating a can-do spirit in a young nation whose demographic dividend potential is no longer news. As a truly bottom-up phenomena that is spreading with viral speed, it is also changing notions of class, wealth and hierarchy. For this, and more, the start-up entrepreneur is our newsmaker of 2015.

Follow the writer on Twitter @yprajesh

THE NEW BIZ KIDS

THE START-UP SCENE IS BUZZING AS YOUNGSTERS UNDAUNTED BY THE RISK OF NEW BUSINESSES AND BACKED BY ANGEL INVESTORS ARE TAKING THE PLUNGE LIKE NEVER BEFORE

By M.G. Arun

In August 2015, New-Delhi based Shantanu Deshpande, 29, left his cushy job at consulting firm McKinsey India to launch his own company that plans to sell shaving products online. Shaving. That's right. The firm, Bombay Shaving Company, would at the click of a button, ship what Deshpande calls "an entire shaving regimen" comprising a razor, blades, scrub, cream and even a towel, to urban consumers, initially in Mumbai, Delhi and Bengaluru. The company he started with three others, including a school mate and a McKinsey colleague, has already procured \$2 million (about Rs 13.3 crore) in funding from a clutch of 23 angel investors, many of them top CEOs and private equity professionals.

"Nearly 25 crore people move to the cities from villages every year in India. That's our market," says a relaxed yet confident Deshpande, whose firm will market anywhere between 5,000 and 10,000 shaving kits from February 2016, sourced from contract manufacturers in



RAJWANT RAWAT

NAKUL KHANNA 24

HIS BIG IDEAS

Instago, ikustomizd

LAUNCH PAD New Delhi, 2015

THE VENTURE Instago is an aggregator app that lists all taxi services, ikustomizd makes customised T-shirts for clients

SUPPORT SYSTEM Self-funded

REVENUES ikustomizd in “seven digits” in 4 years, agreements on Instago done recently, so no revenues reflected on that so far

NAKUL KHANNA (RIGHT) WITH INSTAGO CO-FOUNDER ANMOL AHLAWAT

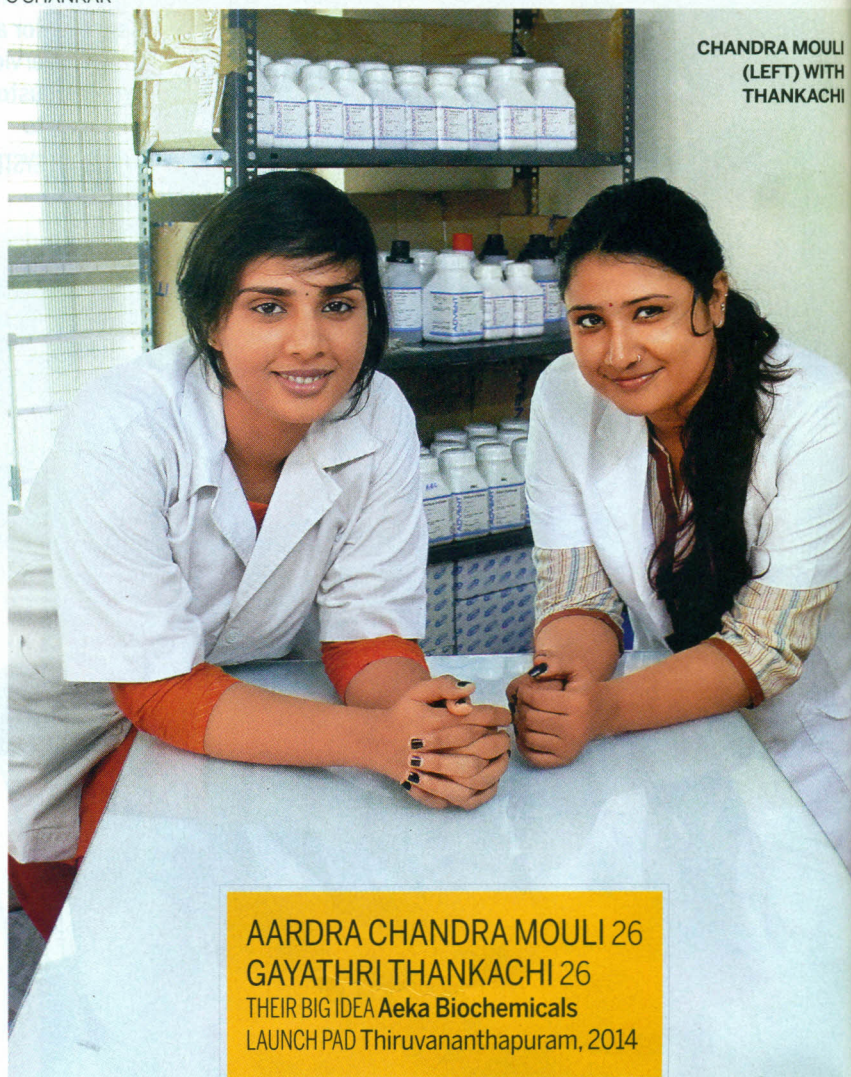


Mumbai and Bengaluru. "There is no product like this in India today, and we will use technology to keep replenishing them."

Deshpande represents a rising tribe of Indian entrepreneurs who have the passion to traverse uncharted territory and a killer instinct to turn traditional business models on their head. In India, the disdain and scepticism that came with the 'businessman' tag has been replaced with being 'cool' and inspiring. Propelling the economy through new ideas and jobs is no longer a suited-booted tycoon but a 20- or 30-something person who is largely unassuming, driven with the ambition to disrupt. They are not deterred by the fear of failure. A 'comfortable' life is not what the entrepreneur seeks but a crazy, breathless journey which leaves an indelible imprint behind. To them, the prospect or suggestion of taking up a stable job seems like a suffocating option, a waste of a life when one could have done a lot more. Deshpande, who doesn't mind walking into dinner parties in informal wear and a shoulder bag, says the number of people who left his former employer between January and June 2015 to set up new ventures was far more than those who left it two years before.

Everyday, three to four start-ups are born in India, but 2015 was significant for start-ups in more ways than one as the numbers from Nasscom (*see lead essay*) show. Experts say that start-ups have played a major role in the prosperity of the developed world since they collectively help create big opportunities for employment. India's unemployment rate grew from 6.8 per cent to 9.6 per cent in the decade to 2011, Census data released in 2015 revealed, and with manufacturing slowing down, new opportunities aren't going to be created in traditional segments. In that sense, the timing couldn't have been better. "India is, at present, treating start-ups as a value creation venture, but that will change. In the developed world, it is the start-ups that have created the middle class, and a large number of jobs," says Raman Roy, CMD of outsourcing firm Quattro and a pioneer in BPO start-ups. India is expected to employ 2.5

C SHANKAR



CHANDRA MOULI (LEFT) WITH THANKACHI

AARDRA CHANDRA MOULI 26
GAYATHRI THANKACHI 26
 THEIR BIG IDEA **Aeka Biochemicals**
 LAUNCH PAD Thiruvananthapuram, 2014

THE VENTURE **Manufacturing biochemicals that can substitute fertilisers and pesticides**
 SUPPORT SYSTEM **Internal resources,**

and loans from state government
 REVENUES **Not specified, products launched from October 2015 onwards**

lakh people in start-up companies by 2020, up from the current 80,000. The most talked about start-ups have been in e-commerce, led by the food delivery, fashion and retail segment. But there have been promising companies in technology, education, healthcare, media and entertainment, and a few in the brick and mortar space as well.

It is not as if 2015 was a year of new start-ups either. Several online and offline start-ups launched two or three years back tasted their initial success this year. BigChemist, an

online drug retailer set up in 2013 by Delhi-based Puneet Kapoor and his friends Anil Asrani and Arvind Yadav, gets 200 orders for medicines in a day, with an average order size of Rs 700. TechInnovance, a Pune-based firm that was launched in 2012 by MBA graduates Akshat Oswal, 25, and Prasad Gundecha, 25, helps integrate all electronic gadgets in large homes and has revenues of Rs 2 crore at present. GyanLab, a company incubated at the Manipal University, in 2011, by Priyadeep Sinha, that conducts

**SHANTANU
DESHPANDE 29**

HIS BIG IDEA Bombay Shaving
Company

LAUNCH PAD Delhi, 2015

THE VENTURE Online firm
selling shaving kits to
urban consumers

SUPPORT SYSTEM \$2 million
(around Rs 13 crore) from a
clutch of 23 angel investors

REVENUES Not applicable
since products to be
launched from February
2016 onwards



SHANTANU DESHPANDE AT HIS OFFICE IN NEW DELHI

workshops for schoolchildren on making gadgets—from metal detectors to vacuum cleaners—is valued around Rs 3-4 crore and funded by angel investors including Luis Miranda, former chairman of IDFC Private Equity.

THE CULTURE CHANGE

The culture shift that this has brought about is striking. Until a couple of decades ago, working in the public sector was the ultimate dream job for many. Later, private sector jobs became much

sought after, attracting professionals even from government jobs. However, it is the start-up world, although jolted by job cuts as some firms adjust to the changing realities of the marketplace, that is the current flavour. “When I started Spectramind, ‘start-up’ was a bad word. Today, people talk of being a start-up as a matter of pride,” says Roy, referring to the New Delhi BPO he started in 2000 and which was later acquired by Wipro. “The entire ecosystem is undergoing a change. Youngsters

have the ability to experiment, their families are backing them, and ventures are finding good valuations.”

IIT-Bombay is a green lung in the otherwise crowded and polluted metro. Tucked away inside the quiet, 550-acre campus is the Society for Innovation and Entrepreneurship (SINE) that incubates start-ups. SINE has several small workplaces that are let out to start-ups for a nominal rent. Innovision is one such, founded by Shyam Shah, 23 and Surabhi

RAJWANT RAWAT

① Obtain director identification number (DIN) online from the Ministry of Corporate Affairs portal
TIME TAKEN One day
COST **Rs 100**

② Obtain digital signature certificate online from private agency authorised by the Ministry of Corporate Affairs
TIME TAKEN Three days
COST **Rs 1,500**

③ Reserve the company name online with the Registrar of Companies (RoC)
TIME TAKEN Two days
COST **Rs 500**

④ Stamp the company documents at the state treasury or an authorised bank
TIME TAKEN One day
COST **Rs 1,300** (Rs 200 for Memorandum of Agreement + Rs 1,000 for Auditor of Accounts for every Rs 5 lakh of share capital or part thereof + Rs 100 for stamp paper for declaration Form 1)

⑤ Get the Certificate of Incorporation from the RoC, Ministry of Corporate Affairs
TIME TAKEN Five days
COST **Rs 14,133**

⑥ Make a seal (private)
TIME TAKEN One day
COST **Rs 350** (depends on the number of seals required and the time period for delivery)

⑦ Obtain a permanent account number (PAN) from an authorised franchise or an agent appointed by the National Securities Depository Ltd. (NSDL) or the Unit Trust of India (UTI) Investors Services Ltd., as outsourced by the Income Tax Department
TIME TAKEN A week
COST **Rs 67** (Rs 60 application fee + 12.36 per cent service tax + Rs 5 for application form, if not downloaded)



13 STEPS TO START A BUSINESS IN INDIA

Obtain a tax account number (TAN) for income taxes deducted at source from the assessing officer in the I-T Department
 TIME TAKEN A week
 COST **Rs 57** (Rs 50 application fee + 12.36 per cent service tax)

Register with the Shops and Establishment Inspectorate (state/municipal)
 TIME TAKEN Two days
 COST **Rs 6,500** (Rs 2,000 + three times registration fee as trade refuse charges)

Register for value-added tax (VAT) at the Commercial Tax Office (state)
 TIME TAKEN 12 days
 Cost **Rs 5,100** (registration fee Rs 5,000 + stamp duty Rs 100)

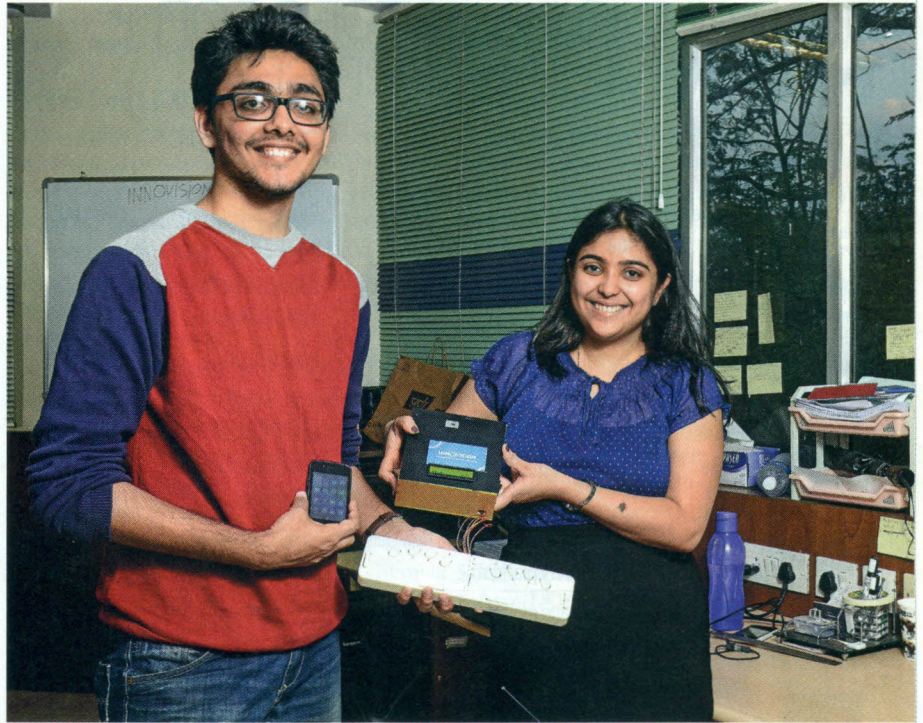
Register for professional tax at the Profession Tax Office (state)
 TIME TAKEN Two days
 COST **No cost**

Register with Employees' Provident Fund Organisation
 TIME TAKEN 12 days
 COST **No cost**

Register for medical insurance at the regional office of the Employees' State Insurance Corporation
 TIME TAKEN Nine days
 COST **No cost**

Courtesy: TRAK.IN

DANESH JASSAWALA



Srivastava, 24, both graduates from the IIT. They developed a low-cost electronic Braille device which can be paired with a smartphone or tablet. "The risk of taking such a plunge right out of college is far outweighed by the hands-on experience and steep learning that comes with working in a start-up," says Shah, whose company got Rs 20 lakh in seed funding from SINE. Their aim is to disrupt the existing market for such products, by pricing their product at a fraction of the prevailing price of \$2,500.

Some of these youngsters in the start-up world are what experts call 'career entrepreneurs', the twinkle-eyed, eager beavers, who dive right into risky businesses with no prior corporate experiences, while others leave well-paid, cushy jobs in top companies to venture into untested territory. Helping them fulfil their dream are hundreds of investors, opening their purse strings to ideas they feel are different, profitable and sustainable. The number of active investors, including angel and private equity, more than doubled from 220 in 2014 to 490 in 2015, while incubators or accelerators grew to 110, 40 per cent higher over last year. "The start-up scene is vibrant

SHYAM SHAH 23
SURABHI SRIVASTAVA 24
 THEIR BIG IDEA **Innovision**
 LAUNCH PAD Mumbai, 2015

THE VENTURE **Developing low-cost electronic Braille device, which can be paired with a smartphone or tablet, helping the visually impaired to read and write**
 SUPPORT SYSTEM **Rs 20 lakh seed funding from IIT-Bombay's SINE**
 REVENUES **N.A.**

and mature from a funding perspective. Good ideas are getting funded and great ideas are getting significant valuations," says Kris Gopalakrishnan, co-founder of Infosys and an active investor in domestic start-ups.

"India is the largest internet market today with an erudite population willing to pay over the internet," says Anupam Mittal, one of India's most successful angel investors, whose ventures include Shaadi.com, Makaan.com and Mauj Mobile and has invested in 40 start-ups. The number of mobile

IT'S RAINING INVESTORS FOR INNOVATIVE ENTERPRISES

BRIGHT IDEA	AREA OF OFFERING	BASE	CASH FLOW SOURCE	FUNDS (IN US\$)
 College Dekho	Online education information platform	Jaipur	GirnarSoft	1,000,000
 Wigzo	Personalised content for digital marketing	New Delhi	Aarin Capital Partners, T.V. Mohandas Pai	500,000
 ST JOHN OF GOD	Digital healthcare	New Delhi	Pankaj Gupta	2,000,000
 Rooms Tonight	Last-minute hotel booking app	Bengaluru	Lashit Sanghvi, Nikhil Vora, Venkat Vardhan and others	1,500,000
 EasyKhaana	Online food ordering and delivery platform	New Delhi	Undisclosed investors and seed funding	100,000
 e-applop	On-demand mobile app developer	Kolkata	GHV Accelerator	100,000
 CaRPM	Car maintenance and management mobile app	Gurgaon	GHV Accelerator	100,000
 Leaf Wearables	Smart safety wearable devices	New Delhi	Ajeet Khurana, Jinesh Shah, Vikram Chachra, Dr Aniruddha Malpani	250,000
 Coolshare	Cab sharing service mobile app	Mumbai	Gopal Aggarwal	100,000
 PropheSee	Digital analytics platform	New Delhi	Indian Angel Network, Stanford Angels, Entrepreneurs India	500,000
 i2e1	Internet network infrastructure services	New Delhi	growX Ventures	500,000
 Online RTI	Online RTI application services	Bengaluru	LetsVenture, T.V. Mohandas Pai	150,000
 Weddingz.in	Wedding venues and vendors marketplace	Mumbai	Rajan Anandan, Zoya Akhtar, Reema Kagti, Ruchi Narain and seed funding	1,000,000
 Cabsguru	Cab search comparison and booking platform	New Delhi	Prashanth Ranganathan	200,000
 Bluebirch	End-to-end reverse logistics solution platform	Bengaluru	Chicago Capital Ventures, Sanjay Mehta and others	2,000,000
 Ampere Vehicles	Electric bike manufacturers	Coimbatore	Kris Gopalakrishnan and seed funding	1,200,000
 CBREX	International hiring platform	Mumbai / New York	Prahlad Rao, Sundara Rajan, Vikram Chachra and seed funding	200,000

(Source: All transactions as of December 2015, Trak.in)

internet users in India is expected to rise to 314 million by 2017, nearly double the 159 million at the end of 2014, presenting a big boost to e-commerce start-ups. "Angel investing has become sexy, everybody wants to be an angel investor, trying to find the next unicorn," he adds.

While it is this increased appetite of investors to back Indian start-ups, especially in the first half of 2015, that led to their boom, the success of the so-called 'unicorns' or billion dollar start-ups such as Flipkart and Snapdeal has been an added inspiration. Kunal Bahl and Rohit Bansal of Snapdeal, Flipkart's Sachin Bansal and Binny Bansal, Naveen Tewari of InMobi, a mobile advertising platform, Vijay Shekhar Sharma of shopping website Paytm, and online taxi aggregator Ola Cabs founders Bhavish Aggarwal and Ankit Bhati, among others, are the poster boys of modern



ADITYA GANDHI 25
SAHIBA DHANDHANIA 23
 THEIR BIG IDEA Purple Squirrel
 LAUNCH PAD Mumbai, 2015

THE VENTURE An interactive platform for students to interact with industry for exposure and skill development

SUPPORT SYSTEM **Rs 20 lakh** from IIT-Bombay's SINE, **\$2 million (around Rs 13 crore)** from India Quotient and Matrix Partners

REVENUES Projected at **\$4 million (around Rs 26 crore)** in 2015-16

India and have inspired a new generation of youngsters to place their bets on start-ups.

The changes in the corporate world played a role too, with the financial meltdown in 2008 leading to mass job cuts at firms that were once the most attractive destinations. What was considered a secure, high-paying arena became a high-pressure, dog-eat-dog environment, and turned to be a huge put off for many. Simultaneously, new ideas around inclusiveness, eco-friendliness and sustainability, all-round welfare, and better work-life balance gained ground, prompting many to turn their sights to the start-up world. The result has been heightened experimentation, with young entrepreneurs wielding business blueprints that they claimed to be disruptive, and attacked traditional business methods with alacrity. Some of them fell by the way, withering off a few months

after inception while others have shown much resilience and promise.

SKY'S THE LIMIT

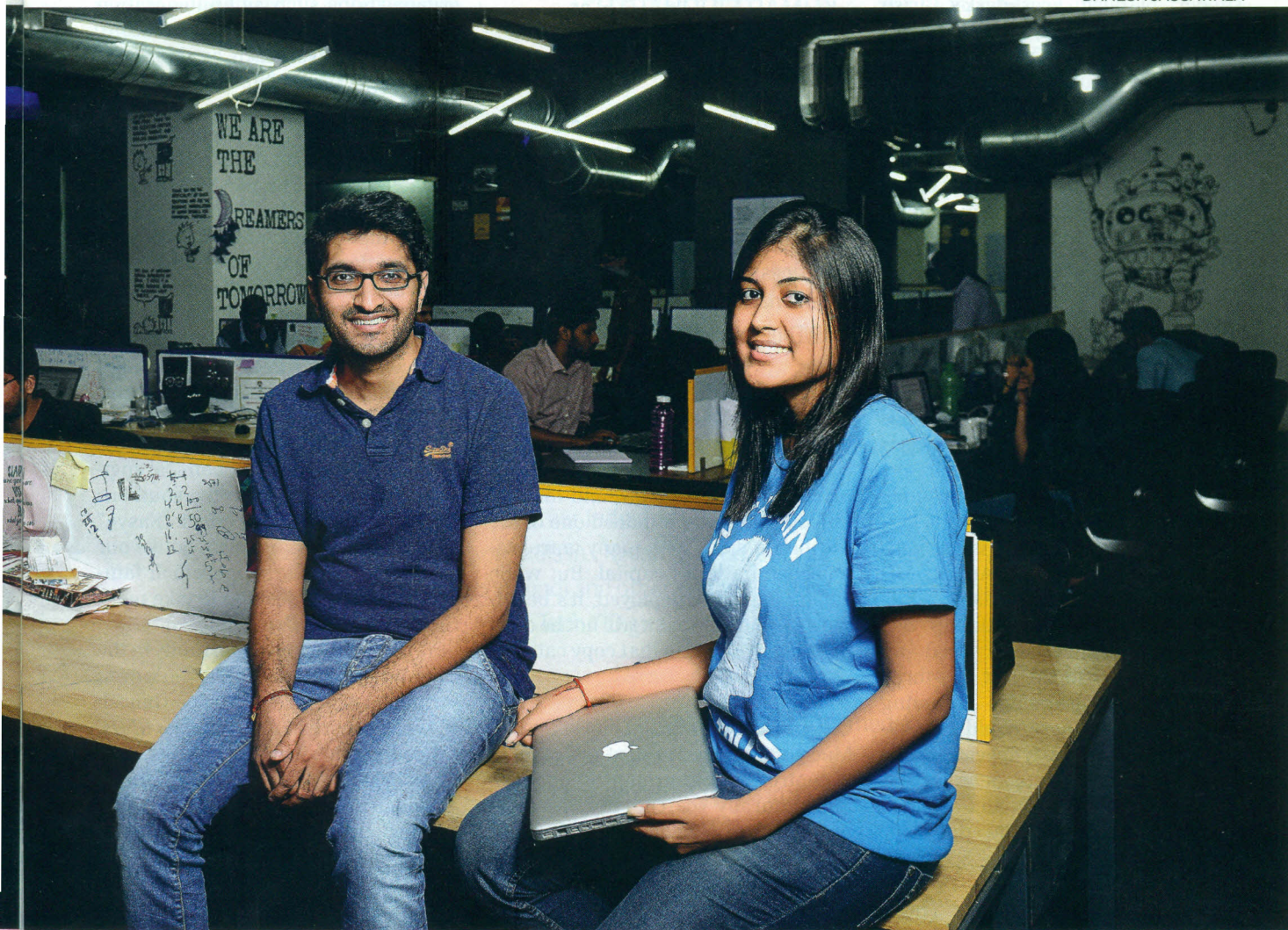
Nakul Khanna, 24, left a job at Google, ranked a top employer in several manpower surveys, in August this year to focus on two of his start-ups—Instago, an aggregator app that lists taxi services and ikustomizd that makes customised T-shirts. “I had to withstand pressure from family and friends, but I know in the long run that the risk will pay off,” says Khanna, who graduated in business studies from Delhi University. Moreover, he is learning on the job each day, be it handling logistics, finance, or other operations.

Youngsters such as Khanna cite many reasons for the start-up fever that has gripped the nation. First, career growth in large companies can be time-consuming. Second, technology has pervaded into everyday life like

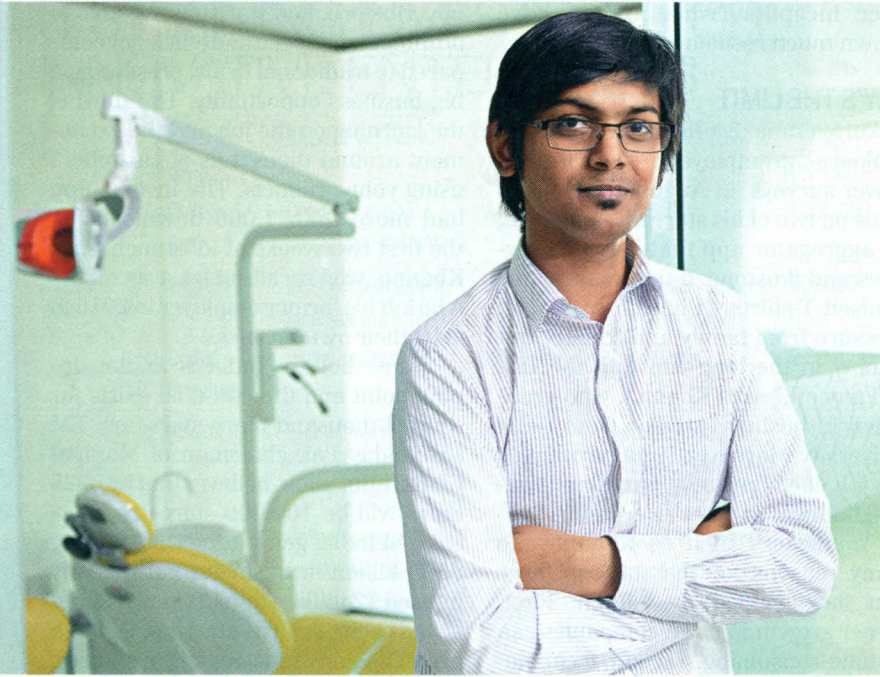
never before, and start-ups are able to do things with speed and efficiency compared to traditional firms, presenting a big business opportunity. The third is the learning on the job and the excitement around thousands of customers using your products. The Instago app had more than 1,000 downloads in the first two weeks of its launch, says Khanna, who recalls at least six others who left his former employer in 2015 to start their own business.

Some believe India is at the tipping point and the potential exists for several thousand more start-ups. T.V. Mohandas Pai, chairman of Manipal Global Education, believes that by 2025 there will be 100,000 start-ups operating in India, generating a staggering \$500 billion in business. Pai recently infused \$2 million into Uniken, a Pune-based cyber security start-up, through his technology fund Exfinity Ventures. Pai, along with Wipro director

DANESH JASSAWALA



NILOTPAL BARUAH



Rishad Premji, cloud-based customer support platform Freshdesk's Girish Mathrubootham, and Snapdeal's co-founders have co-invested in LetsVenture, an online angel funding platform which has raised \$17 million for 53 start-ups so far.

Experts say India is witnessing the third wave of start-ups. The first phase between 1999 and 2001 saw the rise of internet, technology, and BPO services companies. This was the time of the first-generation IT companies, promoted by entrepreneurs in their late 40s or early 50s, having worked with multinational corporations and travelled the world. The period between 2006 and 2008 saw the rise of not just IT, BPO and KPO services but also financial and consumer services, employing tens of thousands of youngsters.

"But the true change is happening now," says Sateesh Andra, MD of Endiya Partners, an early stage capital fund. Entrepreneurship was earlier seen as a career, a social and monetary risk. "In the last two-three years, we see graduates becoming entrepreneurs. There could be several co-founders, each specialising in an area. They are young, fearless and want aggressive growth and are able to build good products," he adds.

KUMAR SIDDHARTH 26
HIS BIG IDEA **Dental Innovations**
LAUNCH PAD Manipal, Karnataka, 2014

THE VENTURE **Develops products for restoring damaged teeth, mobile dental chair**

SUPPORT SYSTEM **Rs 3 lakh from Manipal University Technology Business Incubator and personal funds**

REVENUES **Not disclosed**

The Indian entrepreneurial ecosystem too has come along, and venture capitalist funding is gaining as compared to the established model of private equity funding. Fund managers say that India is indeed one of the few bright spots with many entrepreneurs and a lot of capital. But while capital is getting deployed, it's beginning to get clear that it will not be done frivolously, and also that copy cats will not get money.

CAULDRONS OF HOPE

Much of the action in start-ups in India is centred in and around Bengaluru, and naturally so. The city, after all, was the nurturing ground for some of

India's finest IT companies, including Infosys and Wipro, and several other outsourcing firms that bloomed in the early 1990s. When call centre businesses in Bengaluru, a critical part of the outsourcing sector in the beginning, began to whittle, it was but natural for several technology enthusiasts to shift their focus to start-ups. Others, smitten by the entrepreneurial bug, left their tech jobs with IT and retail majors, and floated their own firms. They are getting big support from uber-rich IT professionals or angels, and in the later stages of growth, from a plethora of overseas investors including Ant Financial (part of the Alibaba Group), Tiger Global, Accel Partners, Japan's SoftBank and Taiwan device maker Foxconn, among others.

Buttressing the ecosystem for start-ups are the various business accelerators and incubators, be it at the premier engineering and management institutes, or with industry organisations such as Confederation of Indian Industry (CII) and Nasscom, private initiatives such as the Start-up Village in Kochi, and the central government's call to boost the start-up culture through its programme—Start-up India, Stand up India. Aardra Chandra Mouli, 26, co-founder of Aeka Biochemicals, a Thiruvananthapuram-based start-up that has developed a biotech product that can substitute fertilisers and pesticides, says it was the fulfilment of a dream from college days. "Large biotech companies rarely visit campuses in Kerala for recruitment, so we wanted to create something on our own," she says. She and Gayathri Thankachi, 26, both biotech and biochemical engineering graduates from the southern city, launched their product "Sasya" in October this year. "Also, unlike our parents who had to support their families, we are in a position to take more risks," says Chandra Mouli.

"There is a huge opportunity in the start-up space, and we haven't even scratched the surface," says Ganesh V., who authored *The Underage CEOs*, a book on the wave of youth entrepreneurship sweeping across India. Although action in the segment is centred in Bengaluru, it is also seeping into






other cities such as Kochi, Coimbatore, Hubballi and Kolkata, he adds.

A recent report by US-based Compass, a research firm, indicated that Bengaluru ranked second only to Berlin in the Global Start-up Ecosystem Growth Index. Right from delivering the freshest cuisines to foodies through the e-retail model to supplying middleware for vehicle-to-vehicle communication to enable self-driving cars, the Bengaluru start-up ecosystem is vibrant and robust.

BEYOND BENGALURU

If Bengaluru is providing the right ecosystem in terms of infrastructure, financing and talent, other cities in Karnataka such as Hubballi and Manipal also support several start-ups. Amitkumar Vernekar and Sarah D'souza, both 23, incubated Biosyl Technologies, a biotech company, at the Center for Technological Entrepreneurship, B.V. Bhoomaraddi College of Engineering & Technology in Hubballi. The Manipal University Technology Business Incubator (MUTBI) has incubated 15 start-ups

TECH START-UPS: THE NUMBERS GAME

	UNITED STATES 47,000-48,000
	BRITAIN 4,500-5,000
	INDIA 4,200-4,400
	ISRAEL 3,900-4,100
	CHINA 3,300-3,500

WHO'S FUNDING THE IDEA

Active venture capitalists or
private equity firms **156**

Active angels **292**

Incubators/accelerators **110**

(Source: Figures are for 2015, Nasscom)

since its inception in 2010. Being in a small city like Hubballi has its advantages. "Real estate, logistics, labour and other infrastructure are available at a fraction of the cost when compared to bigger cities," says Vernekar.

Similarly, SINE has incubated 73 companies since its inception in 2004, and at present is supporting 25 companies in its IIT-Bombay campus. Some of the companies that have moved out of the incubator have set up offices in and around Powai in Mumbai, making it a start-up hub, housing over 50 such firms. Failures are not taboo here. Milind D. Atrey, professor-in-charge at SINE, says that even if any entrepreneur fails, they are allowed to appear for campus interviews the next year. "Companies sometimes prefer such people due to their experience, even if they have failed," he says.

Amid all the race in the e-commerce space, start-ups in the manufacturing space form a rarity. Pune-based Ecozen Solutions, which has developed a low-cost cold storage system that helps farmers reduce farm product wastage from 30 per cent to just two per cent,

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got an initial Rs 15 lakh funding from IIT-Kharagpur and later Rs 60 lakh from Villgro Innovations Foundation, a Chennai-based social enterprise incubator. "In the early days, we used to attend competitions and pump in the prize money into the business," says Vivek Pandey, 26, its founder. Funded \$1 million by Omnivore Partners, it employs 50 and clocked Rs 3 crore in revenues in 2015.

POLICY PUSH











In his 2015 Independence Day speech, Prime Minister Narendra Modi announced a new policy, 'Start-up India, Stand up India', to promote financing for start-ups and extend incentives to encourage entrepreneurship and job creation. The Department of Industrial Policy and Promotion has been working on policy measures to provide a launch pad for start-ups. One of the measures, reportedly, is a simplification of several compliance rules in The Companies Act, 2013 into a two-page Start-up Act. SoftBank President Nikesh Arora, Kunal Bahl, Oyo Rooms founder Ritesh Agarwal and Mohandas Pai are helping the government frame the new policy. Moreover, Andhra Pradesh and Rajasthan have announced their policies on start-ups, and Uttar Pradesh, Telangana, Tamil Nadu and West Bengal are expected to frame theirs soon. West Bengal has roped in Pai as an advisor to draft their policy.

Despite all the excitement around, challenges exist. One of the key hindrances for a start-up is the sheer volume of regulatory and procedural work needed to get started. "The rules and requirements aren't very clear and they keep changing without notice," says Ashwin Suresh, co-founder at Pocket Aces Pictures, a Mumbai-based digital entertainment start-up. So, despite having chartered accountants help them with incorporation and the applications for various services, start-ups still end up spending an inordinate amount of time on documentation and red-tape.

The other is the fear of taking risks. "Our start-up ecosystem is still fragile. While there will be a few big wins, there will be a number of failures and some of

BIG PLAYERS RAKE IN MOOLAH

PRIME START-UPS CONTINUE TO ATTRACT HUGE FUNDING IN 2015

	COMPANY	INDUSTRY/VERTICAL	FUNDS
	Paytm	Mobile commerce	\$890 million
	Flipkart	Retail	\$750 million
	Snapdeal	Retail	\$500 million
	Pepperfry	Furniture	\$100 million
	Shopclues	Online marketplace	\$100 million
	Yepme	Fashion	\$87 million
	Homelane	Interior design	\$54.5 million
	Urban Ladder	Furniture	\$50 million
	Zivame	Lingerie	\$40 million
	Firstcry	Kids e-store	\$36 million

(Source: TechInAsia.com)

them will be painful," says Rajesh Sawhney, founder of GSF Accelerator, an angel network that supports start-ups. "We need to become accustomed to failures," he adds.

For the first time in the current wave, a string of bad news has hit the headlines, tempering to an extent the exuberance in the segment. A few well-known start-ups in the food technology space have either curtailed operations, laid off staff or have erred on their promise to deliver goods, thereby inviting customer wrath. "Failures are part of the start-up ecosystem," says Gopalakrishnan. However, the problem is that India does not have a culture to accept these as part of the learning, as yet. Since start-ups are funded by risk capital, they do not affect the mainstream banking system or financial system. "For the new generation, failure is not a stigma," says Mittal of Shaadi.com. "Investors like me encourage failures. If we don't have enough failures, it means we aren't taking enough risks." In the Silicon Valley, for instance, a first-time failed entrepreneur will inevitably get more respect and support. Israel, for

instance, has about 85 exits a year. India, meanwhile, is about to reach a stage of one a year.

An ecosystem takes time to build. While mindsets have changed, doing business is still hard. "We spend a lot of time working with the bureaucratic process," says Ramesh Gupta, Founder, Loudcell, a New Delhi-based technology start-up providing energy monitoring and analysis of diesel generators and electrical loads. "In the US they expect you to comply with the rules and conduct checks randomly, but in India, the government is constantly monitoring you."

All said and done, the start-up ecosystem in India promises to be the most vibrant in recent history. Policymakers, investors and entrepreneurs should pool their minds to create an ideal system for the segment to grow and prosper and ensure that it does not end up being another flash in the pan.

with Aravind Gowda and Shweta Punj

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