

The startup policy, to be announced by the government on January 16, is expected to further lift the sentiments of the entrepreneurs and enable the expansion of this ecosystem

PP Thimmaya

**T**HE anticipation and positive energy have heightened as the date comes closer for the government to announce a new policy for startups in the country. Prime Minister Narendra Modi's clarion call of "Stand up India, Startup India" has really set the ball rolling for unveiling the new framework on January 16 which is expected to further propel the entrepreneurial passion across the country.

The startup wave has really caught on across the country with a passionate drive to build something new with technology being the key enabler. This positive disruption has already resulted in the country becoming the third largest such hub across the globe with the presence of over 4,200 technology startups. Recognising the key role these startups are going to play in defining business models while also generating employment, the government's policy is expected

**“ In 10 years time we will have 100,000 startups with value creation of \$500 billion and generating employment for 3.5 million people. It is going to be the biggest game changer”**

TV MOHANDAS PAI,  
Chairman, Manipal  
Global Education



ILLUSTRATION: SHYAM

# Booster shot for Startup India

to roll out a slew of initiatives which will catalyse this sunrise sector.

In the last two-three years, the startup momentum has picked up pace as evident from the funding into this segment which has grown by 125% from \$2.2 billion in 2014 to \$4.9 billion in 2015, according to a report by Nasscom. This funding is much higher as compared to cumulative funding of \$3.2 billion over the 2010-14 period. The total number of active investors have also grown by 2.3x from 220 in 2014 to 490 in 2015.

However, there are also certain challenges which the startup segment is faced with on a daily basis and it

certainly would get a boost with a more clear cut policy. Nasscom president R Chandrashekhara said, "Policy regulations like ease of compliance, reliance on self-certification instead of audits, tax exemptions for startups will allow entrepreneurs to devote their time, energy and resources to build upon their innovative ideas."

The most heartening aspect of the startup wave is the average age of the entrepreneurs, which makes India as the youngest startup nation in the world. According to a Nasscom report, 72% of the founders are less than 35 years old. Added to this, there has been a 50% rise in share of female entrepreneurs in 2015 compared to previous year.

TV Mohandas Pai, chairman, Manipal Global Education, and a leading angel investor, said, the most important thing for the startups is the ease of doing business. According to him, around 70% of large successful startups have redomiciled out of the country and making India business a subsidiary. This actually results in the entire value creation being captured outside of the India be it capital transactions, exits or M&A.

Nasscom has also made a few suggestions to the government as part of its pre-budget recommendations on the tax front. Harmonise capital gains tax for resident investors with non-resident investors and tax rates for angel investors, allow propri-

etary domestic capital to set up an LLP as an investment vehicle, exemption of capital gains tax on income from sale of equity of a startup if the proceeds are reinvested in securities of new start-ups.

Today, the startup segment in India has already attracted investors from across the world as well as from the blue chip companies in India. Leading private equity and venture capital firms like Tiger Global, Sequoia Capital, Softbank, Warburg Pincus and Alibaba are among the top investors participating in deals worth more than \$500 million.

Similarly even the large technology companies such as Infosys, Wipro have set up dedicated fund to invest in startups. For now, they

**“ Policy regulations like ease of compliance, reliance on self-certification instead of audits, tax exemptions for startups will allow entrepreneurs to devote their time, energy and resources to build upon their innovative ideas”**

R CHANDRASHEKHAR,  
President, Nasscom



## Ready for action

- ▶ The new startup policy is expected to act as a catalyst to expand the ecosystem
- ▶ Startups are projected as the next big employment generator in the country
- ▶ Startups can play a key role in the delivery of various government programmes through the building of apps
- ▶ The biggest challenge for startups is on the ease of doing business as multiple regulations distract them from their core objective
- ▶ The current tax regime has forced many startups to register themselves overseas and in the process losing the value created in India
- ▶ A change in tax regulation can boost further investments into the startup segment

are investing in companies overseas but it would not be before long that they start to invest in India.

Startups are also at the cusp of exciting times as their innovative solution can ensure the deeper penetration of technology into the country. According to the Nasscom president, "With the number of tech start-ups in India growing over 40% over the last year; these startups can potentially develop innovative solutions to address the development needs of the country as startups focus on development solutions for health, infrastructure and energy amongst others."

It only going to get better for the startups in India. As Pai put it, "In 10 years time we will have 100,000 startups with value creation of \$500 billion and generating employment for 3.5 million people. It is going to be the biggest game changer."