

Kerala's startup ecosystem loses sheen

Dearth of local investor support one of the resounding concerns voiced by the emerging entrepreneur community



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SINDHU JOSEPH,
Co-founder and CEO,
CongniCor Technologies

Rajesh Ravi

KERALA was the first off the starting block in India to start an IT park in Thiruvananthapuram way back in 1990. But, the state failed to capitalise on the early start as cities like Bengaluru and Hyderabad soon overtook it in terms of IT exports and employment. Four years after Kerala started its incubator Startup Village (SV) in 2012 to promote IT startups, things have definitely taken a positive spin. While the state's

proactive role in promoting startups with innovative ideas like Student Entrepreneurship Policy (SEP) has managed to build a momentum for an entrepreneurial culture in the state, the real challenge is to sustain this momentum, scale-up and become financially self-sustaining.

An investment outlook by the News-Corp Circle, India's leading publisher of startup and private equity news, reports that majority of the startups in Kerala still continue being at the seed or pre-seed funding stage. "Their ability to secure investments to scale up is

limited by the selective understanding of valuations, pitching methods and investment trends from the perspective of venture capitalists," it said.

The report adds that startups in Kerala have garnered 28 early stage funding deals amounting to \$18.5 million since 2011. Historically 2013 was the best year from a funding perspective, after which the two years that followed have been muted.

M Sivasankar, principal secretary, chairman (EC) of Kerala State IT Mission said at the Techcircle Start-up 2016 that the state has perhaps lost

about 3,000 potential startup ideas because there was no system in place to identify them. A severe dearth of local investor support was one of the resounding concerns voiced by the emerging entrepreneur community.

"It is true that there are no big funding players in the state, but that should not be a constraint as you can reach them effortlessly if you have a good product or service. I am optimistic that as we mature and gain traction we could see several startups in Kerala achieve Series A funding," Sindhu Joseph, co-founder and CEO of CongniCor Technologies told *FE*.

niCor Technologies told *FE*.

She feels that the most of the startups in Kerala are focusing on business innovation and not product innovation. "This is partly due to the fact we have a huge service industry culture in the country. We need a lot of innovative products for our domestic market and lots of youngsters are eager to work on products. They do sincerely believe in product startups and are willing to come to Kerala to work in product startups. In a short span of time we would be able to see product companies in Kerala," she added.

Sindhu's CogniCor has its offices in Spain, India and USA and she believes that the technical skills and dedication of the workforce is better than Europe. Attitude of the youngsters to put in extra hours and effort is unmatched and not found elsewhere, Sindhu said.

Anas Rahman Junaid, managing director and chief researcher, Hurun Report India said that the primary issue with investments in Kerala is that investors are stuck with the notion of generating y-o-y cash returns.

"I also believe that some of startups are trying their best to 'disrupt' the market. By way of disruption most of them fall into a trap of mimicking foreign startup success stories and eventually face the original 'role model' that's they attempted at aping. Flipkart, Zomato debacle is a good example. There is a lot of money to be made in any opportunity that taps into immature sectors in India such as capital markets, education and so on," he added.

Jayasankar Prasad, CEO of Kerala Startup Mission advised startups to work on sellable and scalable models so that they can graduate out of incubators faster. "Entrepreneurs should have a plan to face the real world, should not expect all the help and support to come to them," he said.

Sivasankar said that the state has been aggressively working on creating a healthy startup ecosystem to attract the abundance of talents in the state. "The majority of families in Kerala are well settled in terms of social security. Therefore, the time is right as most parents today are well positioned and willing to allow their kids to take entrepreneurial risks. The ecosystem is in place. The focus should now be on being competitive," he said.