

31st Regional Conference of WIRC



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Start-up India

Total Start-ups : 10000 (approx.)

Parameter	IT based	Non IT based
No of start-ups	4300	5700
Sector concentration	E-commerce: 33%	Engineering: 17%
	B2B: 24%	Construction: 13%
	Consumer internet: 12%	Agri products: 11%
	Mobile apps: 10%	Textile: 8%
	SaaS: 8%	Printing & packaging: 8%
	Other: 13%	Transport & logistics: 6%
		Outsourcing & support: 5%
		Other: 32%

Accelerators vs Incubators

Accelerator	Incubator
3- 4 month program	1-5 years
Extremely selective	Usually less selective
Take 6-8% equity stake	No equity stake taken
Offer small seed funding	Usually no seed funding
Industry led	Academic led
Larger mentor network	Smaller mentor network

Start-up Incubators in India

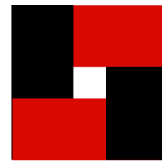
- Help start-ups in idea, development and developing prototypes
- What do they offer?
 - Academic incubators contribute more than 45% of the ecosystem
 - › Office space
 - › Library
 - › Alumni Support
 - › Research labs
 - › Start-up boot camps
 - › Mentorships

Startup Incubators in India

- **CIIE IIMA – Ahmedabad**
 - Engages with ventures across technology and impact areas like energy, environment, agriculture, healthcare and affordable technology
 - Offices in Pune and Jaipur
- **SINE – Mumbai**
 - Platform to support technology start ups founded by IIT Bombay
 - Can incubate 15-17 companies at a time
- **UnLtd India - Mumbai**
 - incubator for social entrepreneurs
 - Offer entrepreneurs a complete ecosystem of seed funding, incubation support and a peer network



Startup Incubators in India



CAPITAL

- **CIIE IIMA – Ahmedabad**
- **Amity Innovation Incubator – Noida**
- **AngelPrime – Bangalore**
- **IAN Incubator – Delhi**
- **ICreate – Ahmedabad**
- **Indavest – Bangalore**
- **Khosla Labs – Bangalore**
- **NSRCEL – Bangalore**
- **Seedfarm, Seedfund – Mumbai**
- **SINE – Mumbai**
- **Srijan Capital – Bangalore**
- **Startup Village – Kochi**
- **Technopark TBI – Kerala**
- **UnLtd India - Mumbai**
- **TBI, BITS Pilani - Pilani**
- **Wadhvani Centre For Entrepreneurship Development - Hyderabad**





Startup Accelerators in India



- ◆ Support in building prototypes
- ◆ Provide help for fundraising
- ◆ Brand building
- ◆ Customer growth
- ◆ What do they offer?
 - Shared resources
 - Client specific solution
 - Investor connect
 - Developer tools
 - Co-innovation
 - Business mentorship



Startup Accelerators in India



- ◆ **Zone Startups – Mumbai**

- ▣ Technology accelerator and investment arm of Ryerson University
- ▣ Launched “empower” – India’s 1st accelerator for women entrepreneurs

- ◆ **Venture Nursery – Mumbai**

- ▣ Uses a hybrid model that includes ‘Acceleration Program’ and ‘Parallel track’ mentoring
- ▣ Sweat equity of 5% to VN, upon admission into the program

- ◆ **Freemont Partners – Mumbai**

- ▣ Focused on disruptive online businesses that cater to today's EGeneration



Startup Accelerators in India



- **Catalyzer- Hyderabad**
- **Freemont Partners – Mumbai**
- **GSF Accelerator – Gurgaon**
- **Health Start – Hyderabad**
- **IAccelerator – Ahmedabad**
- **Kyron Accelerator – Bangalore**
- **Microsoft Accelerator - Bangalore**
- **Target Accelerator - Bangalore**
- **TLabs Accelerator – Noida**
- **The Startup Centre – Chennai**
- **Venture Nursery – Mumbai**
- **Zone Startups – Mumbai**
- **5Ideas – Gurgaon**
- **500 Startups - Mountain View, San Francisco, and Mexico City**



**Though not an Indian accelerator, but 500 Startups is quite active in the Indian startup space and has accelerated and invested in a good number of Indian startups over the past 2 years.



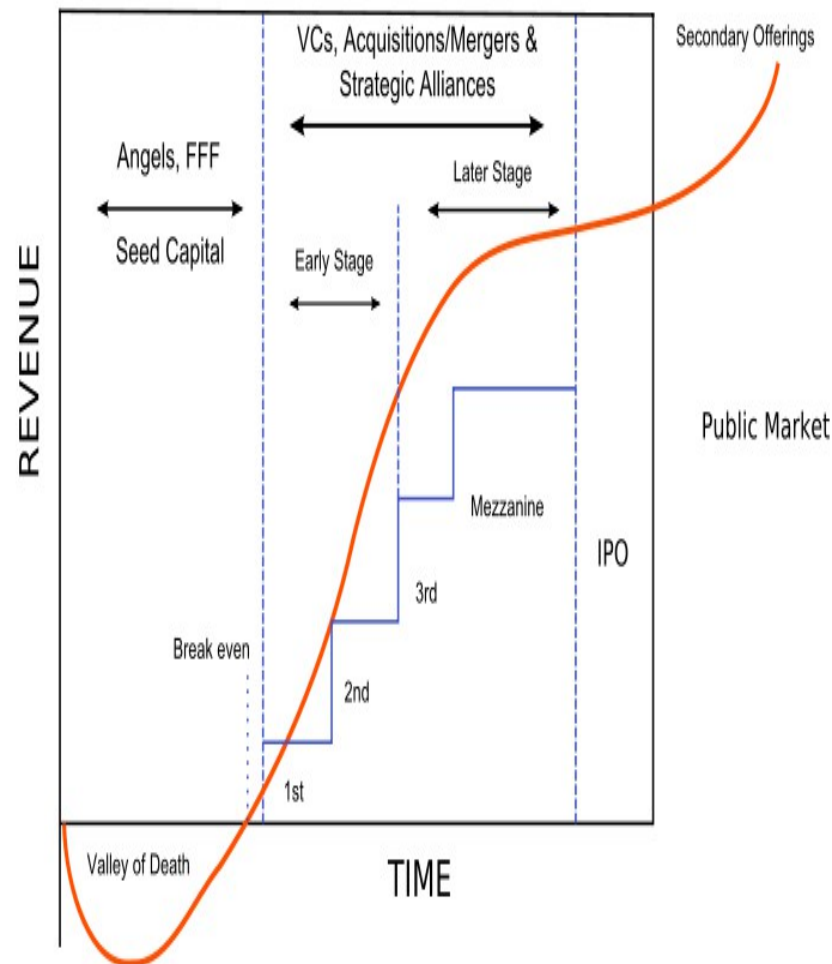
Stages of Funding a Startup



- ♦ **Pre-seed capital**
 - FFF (Fools, friends and family), Business angels, Accelerators
 - Idea Stage

- ♦ **Seed capital**
 - Crowd funding (“rewards based crowdfunding” or “equity based crowdfunding”), Syndicate investing
 - Prototype is ready, Proof of concept is established

Startup Financing Cycle





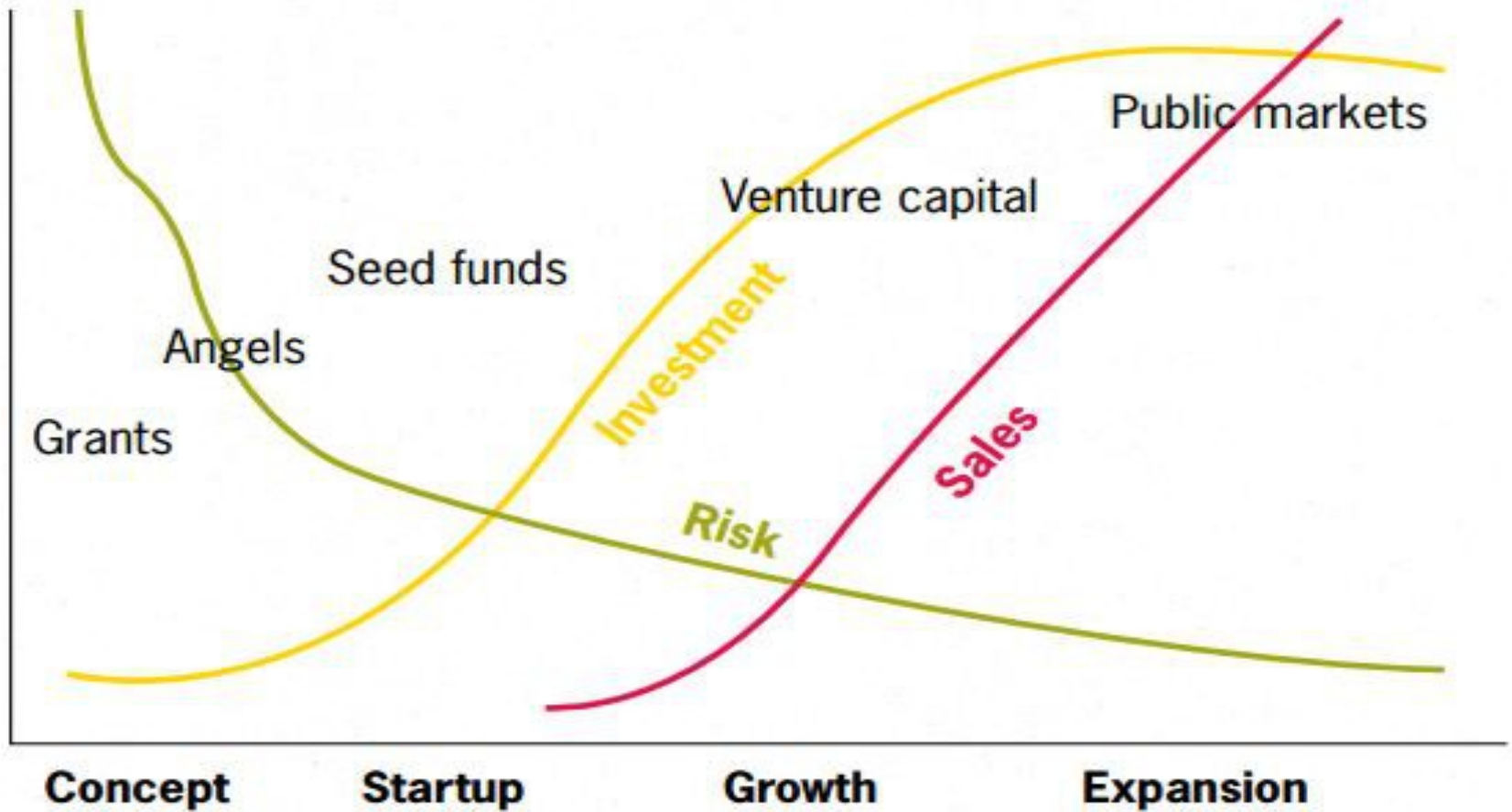
Stages of Funding a Startup



- **Series A**
 - Product/ service to offer is known
 - Market size is known
 - Scale up capital is required
 - Tweaking of distribution systems or business model maybe required
- **Series B**
 - Capital for scale up
 - Has an established user base & an established business model
- **Series C and following Rounds**
 - Fully mature - Business model is working, user base is expanding



Funding process



Source: Grant Thornton startups report – Startups India (An Overview)



Role of CA's



Capital
Investments
regulatory
compliance

Advisory
Management
/Mentor
Making the startup investor ready

limited company
Human Resources
Business Development
Corporate planning



Role of CA's



Fund raising

How much to raise

Compliance

Mode of fund raising



Policy initiatives



- ◆ **Make in India**

- ▣ Increased the FDI limits for most of the sectors
- ▣ Protection of the IP rights of innovators & creators by upgrading infrastructure, and using state-of-the-art technology

- ◆ **Standup India**

- ▣ Loans under the scheme would be given for greenfield projects in the non-farm sector
- ▣ The scheme is expected to benefit at least 250,000 borrowers in 36 months from the launch of the Scheme

- ◆ **Digital India**

- ▣ Connect rural areas by developing their digital infrastructure
- ▣ Every year more than 800 tech startups are being set up in India.



Policy initiatives



- ◆ **Financial assistance**
 - ▣ India Aspiration Fund to encourage the startup ecosystem and allocated INR 400 cr. to various venture funds
- ◆ **Start Up India Campaign**
 - ▣ Freedom from Capital Gain Tax & tax in profits for 3 years
 - ▣ 80% reduction in patent registration fee
- ◆ **Startup exchange**
- ◆ **Self-utilization and Talent Utilization (SETU)**



Equity As Currency

- ♦ Equity is the most commonly used alternative currency by startups as
 - ▣ No cash money
 - ▣ No asset/receivable/ cash flow available to charge for debt financing
- ♦ The startups use equity currencies for retaining talents (ESOPS), get advisors on board
- ♦ Extraordinarily rewarding – as it has “hold up” cost



An investor beyond capital



- ♦ A Mentor
- ♦ Leverages his networks
- ♦ Keeps the checks & balances
- ♦ Provides comfort to the other investors
- ♦ A believer of the story
- ♦ A Motivator
- ♦ Goal setter
- ♦ Patience



An attractive Start Up



- ♦ **Founders**

- Focused & motivated
- Good relationship builder
- Listens to feedback
- Integrity

- ♦ **Firm**

- Revenue vs. a non revenue company (Healthcare / ecommerce)
- Innovative product & service with a market potential
- Patents, Copyrights
- The team dynamics, esp. amongst the co-founders

Start-up to Stand-up Stories

INFOSYS

- A symbol of India's information technology glory.
- Started in 1981 as consulting and IT services company with a capital of USD 250.
- Today, It is a US\$ 9.75 bn company with a market cap of approx. US\$ 41.0 bn.
- Pioneered the Global Delivery Model
- First IT company from India to be listed on NASDAQ
- Their ESOP program created some of India's first salaried



Global start-up ecosystem



	India	China	Israel	US
Total no of startups	10,000	10,000	4,750	83,000
Tech based start-ups	4,300	3,400	4,000	48,500
Non Tech based start-ups	5,700	6,600	750	34,500
Set up a new business (Days)	30-60	30	13	4
Corporate tax rate	34%	25%	26%	39%
Bank lending rate	10.3%	5.6%	3.9%	3.3%
R&D spending % of GDP (Est. 2014)	0.85%	1.90%	4.2%	2.8%

Source: Grant Thornton startups report – Startups India (An Overview)



Global tech start-up ecosystem



	US	UK	India	Israel	China
Global Innovation Index	61.40	61.93	33.61	52.28	50.57
Total number of start-ups	52000	4800	4600	4500	4200
VC firms	800+	NA	300+	200+	NA
Angel Investors	3,00,000	18,000	1800	600+	NA
Incubators/ Accelerators	1500+	50+	140+	130+	2400+
Unicorns	95+	7+	9	2	30+



Investment trends (\$ M)



Early

Seed

1

1



India's start-up ecosystem trends



- Witnessed over 877 deals with combined amount of \$3.9 Bn (till October 2016)
- Number of deals has increased by 5.3% and total funding amount has come down by almost 10%
- About 537 startups grossed \$161.5 mn in Seed funding
- More than 50% of the deals were less than \$0.5 mn in ticket size
- Healthtech and ecommerce have been the most favored sector for investment followed by SaaS, Fintech, Ed tech and Hyperlocal
- 1,200 unique investors have been actively involved in Seed rounds
- B2B funding growth outpaces B2C's, generating 1/4th of the total funding

Source: Inc42 seed funding report india 2015-2016, NASSCOM



World's Largest Angel Groups



Most Active Venture Investors, 2015

Global Ranking	Deals	USA Ranking	Deals
1. Sequoia	169	1. NEA	127
2. 500 Startups	150	2. Keiretsu	89
3. NEA	141	3. 500 Startups	81
4. Accel	133	4. Accel	76
5. Keiretsu	123	5. Andreessen	74
6. Social Starts	79	6. Social Starts	70
7. Andreessen	78	7. GV	69
8. KPCB	75	8. KPCB	66
9. GV	74	9. First Round	64
10. Intel Capital	74	10. Sequoia	63

Largest US Angel Groups, 2015

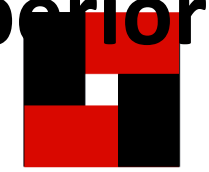
USA Angel Group Rankings





1. Keiretsu Forum & Capital
2. Tech Coast Angels
3. Central Texas Angel Network
4. Houston Angel Network
5. Alliance of Angels
6. New York Angels
7. Wisconsin Invest. Partners
8. Hyde Park Angels
9. Maine Angels
10. Sand Hill Angels + 2

Source: Keiretsu Forum Analysis



Angel Performance : Consistent, Superior Returns



	Multiple	Hold	IRR	<1X	10% of exits to \$
2016 	2.5X	4.5yrs	22%	70%	85%
2007 	2.6	3.5	27%	52%	90%
2009 	2.2	3.6	22%	56%	80%
 Early stage VC '05-'11	2.1		29%		

Gross TVPI & includes carried value

KEIRETSU



CAPITAL

KEIRETSU



FORUM

THANK YOU

Mr. Mahinder Chugh