

Startup India: just an evening of exuberance?

Will the campaign go beyond a euphoric event and create true magic?

CHITRA NARAYANAN

One event, one policy, two contrary reactions. One buoyant and optimistic, the other weary and cynical. One echoes the wave of euphoria that filled the halls of Vigyan Bhawan where over a thousand entrepreneurs turned up to cheer the government's Start-up India, Stand-up India campaign. The other, a mature, questioning voice inured to the "unease" of doing business in India.

"It is a well rounded policy. It covers not just the investors but the investees as well. There were true efforts to 'unblock'," says Nidhi Agarwal, Founder and CEO, KAARYAH, a woman's non-casual fashion brand, backed by Ratan Tata and Mohandas Pai, among others.

"I was happy when Mr Modi spoke, he's a great orator. I was depressed when I read the 40 page Action Plan," says Ravi Kiran, the blunt speaking co-founder of Venture Nursery, an angel-backed start-up accelerator out of whose platform young whiz-kid Ritesh Agarwal's OYO rooms emerged.

Now that the hype of the great Indian start-up jamboree of January 16 has died down, people are analysing the event, reading the fine print of the 40-page Action Plan and debating its merits and demerits. Their ruling: some of it is good; some of it is bad; and the rest is plain confusing.

Great show, but...

Selfies, stirring slogans, and a stand out crowd — as events go, this was one heck of a show with palpable energy and patriotic euphoria that could match any Independence Day turnout. There was hustle, there was bustle as technocrat Amitabh Kant, secretary at the Department of Industrial Policy and Promotion conducted the show with the elan of a showbiz entertainer. But was

it a show only for app economy VC-funded enterprises? Many brick and mortar new enterprises complained that they felt left out although amidst the new economy speakers, it was good to see Hector Beverages' co-founder Neeraj Kakkar outlining his big dreams and the Paperboat brand's journey. But his presence only added to the confusion.

Daffy definition?

At the end of the show, when the policy was unveiled, the confusion on the definition of start-ups persisted. How are start-ups different from MSMEs? Would only tech-driven companies be eligible to avail of the tax and other benefits?

The government's policy document defined start-ups as "a unit with a turnover of not more than ₹25 crore, not more than five years old, working towards innovation and driven by technology or IP". Now, who will be the judge and validator of whether the enterprise is working towards innovation? Apparently the DIPP.

As Ravi Kiran says, "Like most government definitions, it's restrictive and inadequate. But I empathise with our babus - they have this onerous task of having to define everything - even the undefinable...What the GOI babu's have done is mix two



Action Plan and Action Points

Cheer worthy

Single point registration for start-ups through an app and a portal. All clearances through this

Relaxation on Capital Gains if investor re-invests in fund of funds

Patent fees to be slashed by 80%

No interference and inspection for 3 years

Special focus on women entrepreneurs

Credit guarantee fund for lending to start-ups

Removal of start-up tax

Easier norms for winding up. Exit possible within 90 days

Scheme called NIDHI (National Initiative for Developing and Harnessing Innovations) that will award ₹10 lakh to 20 student innovations

Needs more clarity

Definition of start-ups rather ambiguous.

Income-tax exemption for 3 years -- do start-ups really make money in first 3 years? Instead a service tax exemption for 3 years might have been more useful

₹10,000 crore fund of funds - the conditions that the fund will only participate in SEBI registered VCs is a dampener. Also the very need of State funding.

Sector specific incubators - visualised as PP2Ps. How will these work? Will they be restricted to B-schools?

Seven research parks modelled on IIT-Chennai

Relaxed procurement norms - Start-ups in manufacturing sector with a corpus of ₹500 crore per year for 4 years will be exempt from prior experience and turnover clauses with some conditionalities.

What about services space? Is quota system a good idea - how will it work?



definitions — small business and innovation and voila! To them, that's a start-up!

Since everybody is questioning this, hopefully some clarifications will ensue. Since then, Amitabh Kant has said that there will be no definitions, but clearly one has to wait and watch to see who is eligible and who is not.

One of the catchiest slogans on stage was "We unobstacle". But, isn't the best way of doing that not to interfere at all? As Ravi Kiran points out, "The PM made a comment about 'what the government should NOT do' which is a continuation of his 'minimum government, maximum governance' announcement of 2014. But if you read the plans it is trying to do too many things instead of getting out of the way."

But others felt there were true efforts to "unblock". Nidhi Agarwal felt that the rebates on knowledge protection, promise of no interference and inspection for three years and one stop registration were enablers.

"Having said that, we are curious to see how these policies are operationalised and whether implementation truly "unblocks", she adds.

The juicy carrots

Some of the new policies including tax holiday for start-ups, patent fees reduction, self-certification, funding for innovative companies, tax exemption for Capital gains, Innovation awards, etc. will definitely make a huge change and it will become visible in the next few years, says Rohit Aggarwal, Founder, CEO, Koenig Solutions, an off-shore IT training start-up.

A start-up app that would allow a company to be registered in one single day certainly sounds like a dream come true. Other items that have cheered

up the entrepreneur and investor community are the credit guarantee for lending to start-ups, collateral free loans for women entrepreneurs, easier exit, removal of start-up tax (a very strange tax that hit at angel investment), and lower procurement norms from government for start-ups.

The confusing bits

The ₹10,000 crore fund has come in for some questioning. Should the government get into VC type funding of start-ups? Isn't that risky?

While everybody loves the thought of more capital, the rate at which start-ups have been at-

tracting funds, it does not seem to be such a big issue. In the last two years alone, new age start-ups got over \$9 billion in funding and the number of investors grew from 220 to 490.

According to a Nasscom-Zinnov Report, there was a 100 per cent growth in the number of angel investors, private equity and venture capitalists.

The role of government funded incubators and research parks which, according to the policy, will play no small part in fostering start-ups too has come in for some questioning.

Says Ravi Kiran, "I feel angry that under the garb of fostering innovation, the government is planning to pump more money into incubators, 99 per cent of which run like PSUs, have outlived their purpose and have near zero accountability."

When 'Uber became Kuber' Travis Kalanick spoke, we cheered. The cheers were loudest when he came up with his "always jugaading" line.

Let's not always be jugaading

But in retrospect is jugaad such a good thing? Shouldn't innovation be accompanied by attention to detail rather than just ingenious tweaks?

And finally, the big question - will the big dream of stopping our entrepreneurs from rushing to Singapore and instead making India the start-up destination happen? Ravi Kiran says no, "an evening of exuberance is just an evening of exuberance."

Hopefully, he will be proved wrong and we will in the words of Kalanick be able to "Create Magic" out of Start-up India. The dream is to create 300,000 start-ups. Even if 30,000 are created, a start would have been made.

Emerging trend

- Number of new-age tech start-ups in India: 4,200
- Funds flowing to these start-ups: \$5 billion in 2015 up from \$2.2 billion in 2014
- Startup India target: 300,000 in next 3 years
- % of women entrepreneurs: Only 9% of start-ups led by women. But 50% rise in share of female entrepreneurs in 2015 from 2014