

Startup Watch

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STARTUP POLICIES

Indian Government sets up advisory committee

source:Inc42

The Indian government has set up an experts advisory committee for the overall execution and monitoring of the Startup India Seed Fund Scheme. According to an office memorandum of the Department for Promotion of Industry and Internal Trade (DPIIT), the group will evaluate and select incubators for allotment of funds under the scheme, monitor progress and take all necessary measures for efficient utilisation of funds towards fulfilment of objectives of the scheme.

Will Private Provident Funds' Contributions To AIFs Give Startup Funding A Liftoff In India?

SOURCE:<https://inc42.com/features/what-investments-from-domestic-private-funds-in-aifs-will-mean-for-startups>

- The Finance Ministry has allowed domestic private provident funds to invest upto 5% of their surplus in Alternative Investment Funds (AIFs)
- The funds can only invest in AIFs with a minimum corpus of Rs 100 crore.
- The exposure to a single AIF should not exceed 10% of the particular AIF's total size, and up to 51% of category II AIF
- The sponsor of an AIF should not be the

promoter in the pension fund, and AIFs can not be managed by an investment manager who is directly or indirectly managed by that pension fund.

On 15th March, the finance ministry through a notification allowed domestic private provident funds to invest upto 5% of their surplus in Alternative Investment Funds (AIFs).

This development means that private provident funds, superannuation funds and gratuity funds will now be able to participate in the venture capital (VC) investment ecosystem. AIFs put money in sectors that are not traditional (for example, equities or fixed income). AIFs and industry stakeholders have welcomed the move as it will offer more capital to startups in India.

In the wake of developments in the country's Foreign Direct Investment (FDI) policy seeking to restrict Chinese investment in India's growing startup ecosystem, government and industry stakeholders have been exploring various ways to increase access to under-utilised asset classes within the country.

Building The Enabling Network For Startups In Uttarakhand

<https://inc42.com/infocus/indian-startup-hubs/>

When you're building something from ground up, both demand and supply channels have to be catalysed. Similar to how state government's startup incentives inspired many to take the en-

trepreneurship plunge. The enabling structures in Uttarakhand also put in work to create a native investment network backed by a range of incubators and mentoring bodies. “We had to develop our own angel investment network, which means we had to educate our HNIs on the potential of investing in startups. But, Uttarakhand is generally the state for ex-military officials to settle down, and thus most people here tend to be risk-averse. Given the risky nature of startup investments, it is one of the challenges that we have to deal with,” said Dr Ajit Nigam, associate dean — incubation, UPES University.

However, the state does have any private investors as of now and most startups depend on state government incentives for seed funds. The state government claims to be working on building the enablers network in the state.

The state government has formed a CM advisory group on startups innovation and entrepreneurship which comprises people who are pioneers in the startup ecosystem. Also, partnerships have been established with organizations such as Google, Amazon, Headstart Network Foundation, EChai Venture to support the local startup ecosystem in the Uttarakhand, noted S C Nautiyal, director industries, and nodal officer, Startup Uttarakhand, a state government body. Uttarakhand is also in the process of launching TiE Dehradun Chapter in the coming month to boost the activities in the ecosystem, he added. Other initiatives of the state government that have helped in building a startup culture in the state are Startup Yatra, Angel Investment Workshops and Startup Grand Challenge. Other than that, the state’s startup ecosystem is predominantly enable

Atal Innovation Mission, AWS collaborate to scale cloud skilling, and accelerate innovation with education technology start-ups in India

Press Information Bureau: March 19, 2021

The Atal Innovation Mission (AIM), NITI Aayog, and Amazon Web Services (AWS) today announced new initiatives to strengthen the innovation and entrepreneurship ecosystem in In-

dia, by empowering school students with cloud computing skills, and enabling entrepreneurs to build innovative education technology (EdTech) solutions on the cloud.

A Statement of Intent (Sol) was signed between NITI Aayog and Amazon Internet Services Private Limited (AISPL), which undertakes the resale and marketing of AWS Cloud services in India.

As per the Sol, AIM will leverage AWS Educate, Amazon’s global program that provides resources for students and educators to accelerate cloud-related learning. This program will introduce the fundamentals of cloud computing such as cloud storage, virtual compute power, web hosting, artificial intelligence (AI), machine learning (ML), and virtual reality (VR), to students at more than 7000 Atal Tinkering Labs (ATLs) in India. AWS will also conduct Faculty Development Programs (FDPs) for the personnel in-charge at the ATLs and provide resources and tools at each ATL to expedite student learning and enable them to create and build solutions on the cloud.

AIM will also adopt AWS EdStart, a virtual startup accelerator program that enables EdTech start-ups to develop innovative teaching and learning solutions on AWS. EdTech start-up entrepreneurs and founders in more than 80 Atal Incubation Centres (AICs) and Atal Community Innovation Centres (ACICs), will be able to apply for AWS EdStart program benefits, such as AWS Promotional Credits, mentorship, and technical trainings, to help speed their growth.

Mission Director –Atal Innovation Mission, R. Ramanan said the collaboration with AWS will equip the talented youth of the country with digital and web-based tools that can enhance their creative and innovative capabilities, in turn helping the nation to grow manifold in its innovation and entrepreneurship network. “The education and tools will establish a strong foundation in cloud computing for students of ATLs across India, while the support of AWS EdStart for start-ups from AICs and ACICs will accelerate their productization and potential commercialization,” he said.

President, Public Sector – AISPL, AWS India and South Asia, Mr. Rahul Sharma asserted that India will need nine times as many digital skilled

workers by 2025, according to the report *Unlocking APAC's Digital Potential: Changing Digital Skill Needs and Policy Approaches*, prepared by strategy and economics consulting firm AlphaBeta, and commissioned by AWS. "AWS is committed to bridging the digital skills gap in cloud computing, and empowering entrepreneurs to build innovative products and services on the cloud. We are focused on helping customers deliver transformational change and experiential learning at scale. It is a privilege to team up with Atal Innovation Mission to foster ideation, curiosity, and innovation among India's students and youth," he added.

Other areas of collaboration between AIM and AWS include joint workshops, tech marathons, and national challenges to develop solutions on the cloud, while solving local community problems, or sustainable development goals (SDGs).

STARTUP STORIES

In 2020, India saw venture capital investments worth US\$ 10 billion: Report

IBEF: March 18, 2021

According to a report, venture capital investments in India reached US\$ 10 billion in 2020, and as many as 7,000 new start-ups were founded over the same period.

According to the Bain & Company's latest India Venture Capital report, consumer tech, SaaS, and fintech contribute to approximately 75% of VC (Venture Capital) investments by value, with consumer tech bringing the most funding.

According to the report, which was prepared in collaboration with the Indian Private Equity & Venture Capital Association (IVCA), COVID-19 had a massive impact on boosting digital trends, as evidenced by VC money flows and the emergence of various and digitally founded business strategies across sectors.

Total deal value stood at US\$ 10 billion in 2020. The deal volume increased by 7% YoY, at ~ 810 VC deals in 2020 compared to 755 in 2019. Deal volume growth highlighted strong foundations for India's start-up ecosystem, with innovative products keeping pace with the challenges observed in 2020.

As per the report, India held its leading position as one of the top five start-up ecosystems in the world, with 7,000 new start-ups established in 2020.

It also stated that the country's start-up ecosystem is strong, with 12 more companies achieving 'unicorn' status in 2020, placing India's unicorn tribe at 37.

At present, ~ 9% of India's more than 110,000 start-ups are funded, indicating significant room for additional investment.

Mr. Sriwatsan Krishnan, Bain & Company partner and a co-author of the report, said, "2020 recorded US\$ 10 billion in VC investments, and there were a few themes that play out differently, particularly in terms of smaller deals on average compared to the multiple mega-deals seen in 2019."

The number of active VC funds in the country, which has been steadily increasing over the last four years, reached around 520 in 2020.

VC exists stood at US\$ 1.3 billion in 2020. According to the report, one-third of the exit value came from EdTech and about 20% from food-tech, both of which recorded an increase in end-user adoption and funding activities in the pandemic.

How can India be the leading EV manufacturer in the world?

Source: <https://inc42.com/resources/how-can-india-be-the-leading-ev-manufacturer-in-the-world>

- **The road to large scale EV manufacturing goes through focus on import substitution, localization and self-reliance over the next decade**
- **India still needs a manufacturing, supply chain and infrastructure ecosystem for mass manufacturing of EVs**
- **The push towards indigenizing EV technology will help bring down the cost of ownership and increase adoption of electric vehicles**

The EV boom is already in progress and the transition to electric is inevitable for India. The electric vehicle industry is still at a nascent stage in the country and the next two-three years will see faster growth and more adoption. We are likely to see a rapid change in

2021 as forces converge to align public policy, industry investment, and consumer demand to move EVs supply towards an elusive inflection point.

While India has taken pragmatic steps to drive higher consumption of EVs, there is a need for a thriving manufacturing, supply chain and infrastructure ecosystem which currently deters the pace of mass adoption. When we speak of EV manufacturing, the industry demands a more focused approach towards R&D and localisation to create sustained growth. The EV market in India is likely to be an Rs 50,000-crore opportunity by 2025, having already registered a 20 percent year-on-year increase in sales in FY20 (e-rickshaws excluded) as per Society of Manufacturers of Electric Vehicles (SMEV).

STARTUP FUNDING

Seven recently launched VC funds aimed at boosting tech startups in India

Source: <https://yourstory.com/2021/03/seven-recently-launched-vc-funds-boosting-tech-startups-india>

In 2020, despite facing many challenges due to the pandemic, Indian startups continued to battle hard with resilience and empathy. According to YourStory Research, Indian startups raised \$9.9 billion across 881 deals from around 1,476 active investors in the ecosystem. While the funding amount had dropped by almost 17 percent as compared to 2019, the number of deals received a setback of just around two percent. This indicates that in 2020, investors maintained a diversified approach while testing waters in uncharted territories, and even kept the sentiment high with seed-stage and follow-on funding rounds.

Blume Venture Partners: In January 2021, early-stage sector-agnostic fund Blume Venture Partners announced the launch of its founder network initiative – Blume Founders Fund. A carve-out programme, it aims to utilise one to two percent of the investment firm's core investment funds to build long-term relationships with founders and extend Blume's platform and network to these founders. The fund aims to invest \$25,000 to \$100,000 in each startup, depending

on the size of the round, strength of the relationship, etc. A statement shared by the investment firm said the programme will not be reserving capital to invest beyond the first cheque. Blume expects to invest in 12-15 founders through this programme.

Stakeboat Capital: Stakeboat Capital had launched its second fund of Rs 1,000 crore in January 2021. The fund will continue to invest in small and medium enterprises (SMEs) that have revenues between Rs 50 crore and Rs 250 crore in the form of both primary and secondary transactions. Fund II will look at deals in healthcare and life sciences, B2B technologies, and businesses and services that include value-added industrials and manufacturing. Stakeboat received SEBI approval for Fund II in early November 2020.

LetsVenture: LetsVenture, an early-stage investment firm, announced the launch of its revenue-based growth capital firm N+1 Capital in January 2021. According to a statement, the firm has received a go-ahead from SEBI to raise its first Cat-II AIF of \$100 million in India (\$75 million + \$25 million greenshoe). Rahul Chowdhury, Managing Partner, N+1 Capital said the vision of the fund is to provide over 100+ entrepreneurs an average of \$1 million each to grow their businesses profitably and sustainably through their growth stage. "N+1 is sector agnostic, and the qualifying criteria are actually steady-state, as well as growing startups and MSEs with minimum monthly revenue of Rs 50 lakh, and at least 30 percent gross margin. Having said that, the fund is currently working with SaaS startups and some Direct-to-Consumer (D2C) startups," said Rahul in a conversation with YourStory.

Startup India Seed Fund : Earlier, on January 16, 2021, Prime Minister Narendra Modi had announced the launch of Rs 1,000-crore 'Startup India Seed Fund' to support startups and help budding entrepreneurs pursue innovative ideas. The fund will be operational from April 1, 2021, to 2025, as the government looks to boost the ecosystem, providing the crucial capital for young companies. The scheme will be implemented by the Department for Promotion of Industry and Internal Trade (DPIIT). In a gazette notification, the government announced that

Startup India Seed Fund Scheme will provide financial assistance to startups that have been recognised by the DPIIT and incorporated not more than two years ago at the time of application. This money will be disbursed through selected incubators across India. The Startup India Seed Fund Scheme is sector-agnostic, and will have a centralised common application on Startup India's portal for startups and incubators on an ongoing basis. Kisho Capital In the first week of February 2021, Delhi-based early-stage venture capital fund Kisho Capital launched a rolling fund that will support about 20 startups annually, investing up to Rs 1 crore in each entity.

"Kisho Capital's funding model is oriented towards startups in the seed/pre-Series A rounds, which are technologically advanced with initial traction, especially those that use AI and ML for personalisation and automation," a statement said. Kisho Capital will invest in home automation, healthtech, social community, B2B SaaS, and fintech companies, it added.

India Quotient: India Quotient, an early-stage venture capital firm, in February 2021 announced the launch of its fourth fund with a target corpus of \$80 million, where it aims to support around 35-40 startups which are at early stages, and can grow into paper stage entities. This VC firm primarily focuses on startups in SaaS, social media, D2C, edtech, and fintech. "We will back founders when nobody understands them, and we will back them again and again. But it's mandatory that they aim very high, can take on large incumbents, and want to build companies that go on to IPO," said Anand Lunia, Founding Partner, India Quotient.

Ankur Capital: Early-stage VC firm Ankur Capital, in March 2021, announced that it has received more than Rs 330 crore for its second fund from both domestic and overseas investors. The firm expects to close the final round in a couple of months, and the quantum raised is likely to exceed Rs 330 crore. With Fund II, it is looking to invest in 16 to 18 startups. It has already invested in four startups – with cheque sizes in the range of \$0.5 million to \$5 million. According to Co-founder and Managing Partner Ritu Verma, "Ankur Capital will strive to invest in startups that are leveraging disruptive tech-

nology to solve the challenges of the billion-plus population. Fund II will focus on areas such as agritech, healthtech, fintech, edtech, local language technologies, and deeptech."

STARTUP ACQUISITIONS

KhataBook Makes First Move Towards Monetisation With SaaS Acquisition

Inc42

Digital ledger startup Khatabook has acquired a software-as-a-service (SaaS) accounting software Biz Analyst for \$10 million in a mix of cash and equity. This is Khatabook's first acquisition since its inception in 2018. The acquisition will help the company offer premium subscription services such as automatic reconciliation and digital invoicing capabilities to its 8.5 million monthly active merchant partners.

Wealthtech firm CashRich acquires WealthApp MF distribution business in an all-cash deal

Source: <https://yourstory.com/2021/03/wealthtech-firm-cashrich-acquires-wealthapp-investment>

Wealthtech firm CashRich announced the acquisition of WealthApp mutual fund distribution business in an all-cash deal. According to the official statement, this deal is expected to strengthen CashRich's position as a prominent investment app in India. However, the company did not disclose the acquisition amount. CashRich had raised equity funding from three existing UK-based investors to finance this acquisition, it stated. Speaking about the new development, Sougata Basu, Founder, CashRich said, "We are pleased to welcome and onboard all WealthApp users and will provide them with the best possible service. We are continuously improving our technology to help our users build and preserve their long-term wealth." He further added, "The fintech ecosystem in India is thriving because of the collaborative efforts of several stakeholders. We are grateful to our industry partners for their help in ensuring a smooth transition for WealthApp users. After the acquisition, CashRich's user base will reach around 200,000.

STARTUP EVENTS >> UPCOMING


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STARTUP FAQs**1. What kind of business structure should I choose for my startup?**

The most preferred business structures for a startup are Private Limited companies and LLPs. A Private Limited company is legally recognized and generally favoured by investors. However, it has stricter compliance and may have a higher cost of incorporation. Whereas incorporation cost is lower for LLPs and they tend to have relaxed compliance in comparison to Pvt. Ltd. Co. In addition to that, LLPs have limited liabilities and are equally recognised by investors and all over the world.

2. What is the difference between an accelerator and an incubator?

Startup incubators are typically institutions that help entrepreneurs by developing their business, especially in the initial stages. Incubation function is usually carried out by institutions who have experience in the business and the tech world. Startup accelerators support early-stage, growth-driven companies. These programmes usually have a timeframe in which individual companies spend anywhere between a few weeks and a few months working with a group of mentors who are educated and may also provide financial help

source:<https://cleartax.in/s/7-steps-to-register-your-startup-in-startup-india#faq>

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