

# Startup Watch

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## STARTUP POLICIES

### Govt recognised startups jump 85X in 4 years even as YoY growth rate contracts

*SOURCE: <https://www.financialexpress.com/industry/sme/pm-modis-startup-india-govt-recognised-startups-jump-85x-in-4-years-even-as-yoy-growth-rate-contracts>*

The latest overall tally of recognised startups as of February 17, 2021, has crossed the 44,000-mark. The annual number of such startups scaled to 5,420 in 2017 followed by 8,946 startups in 2018, 11,683 startups in 2019, and 14,778 startups in 2020.

The number of government-recognized startups, under the Startup India initiative launched in January 2016, has grown nearly 85X. Registered with the Department for Promotion of Industry and Internal Trade (DPIIT), the number of startups has increased from 504 in 2016 to overall 42,733 startups in 2020, according to the Commerce Ministry's data. The annual number of recognised startups scaled to 5,420 in 2017 followed by 8,946 startups in 2018, 11,683 startups in 2019, and 14,778 startups in 2020. However, the year-on-year growth rate has contracted sharply from 975 per cent in 2016-17 to 65 per cent in 2017-18, 30.5 per cent in 2018-19, and 26.5 per cent in 2019-20.

According to the data shared by the Ministry of Commerce with Financial Express Online earlier, 8,939 startups were recognized till March 2018. As of January 27, 2021, the number of recognised startups in the new year stood at 1,402, MoS Commerce and Industry Som Parkash said

sharing data on the annual number of recognised startups in a written reply to a question in the Lok Sabha recently. Nonetheless, the latest tally of recognised startups as of February 17, 2021, has crossed the 44,000-mark, according to the data from the Startup

The government also enables investment in recognised startups via SIDBI's Rs 10,000 crore Fund of Funds for Startups (FFS). FFS has enabled Rs 5,089.55 crore funding into 391 government-recognised startups as of January 31, 2021. However, the jump in the number of funded startups was only 22 per cent from 320 startups backed under the programme as of February 18, 2020. Dunzo, CureFit, FreshToHome, Jumbotail, Unacademy, Uniphore, Vedantu, Vogo, Zostel, etc., were some of the notable startups funded through FFS.

Importantly, registration with the Startup India portal is different from registration for DPIIT recognition. Startup India portal-registered startups don't qualify for DPIIT benefits even as they can apply for various acceleration, incubator programmes, and other challenges on the website along with accessing resources such as like learning and development programmes, government schemes, state policies for startups, and more. Startups are required to apply separately to avail other benefits such as access to intellectual property services, relaxation in public procurement norms, easy winding of company, access to SIDBI Fund of Funds.

Eligible startups should be incorporated as a private limited company or registered as a partnership firm or a limited liability partnership with a turnover of less than Rs 100 crores in any of the previous financial years. The government currently considers an entity a startup only up to 10 years from the date of its incorporation and that it should be working towards innovation or improvement of existing products, services, and processes, and should have the potential to generate employment and create wealth.

### Odisha CM Naveen Patnaik to launch world-class inclusive incubators- O Hub, in April

Source: <https://orissadiary.com/odisha-cm-naveen-patnaik-to-launch-world-class-inclusive-incubators-o-hub-in-april>

Bhubaneswar: Mr Satyabrata Sahu, Principal Secretary, MSME Department, Govt of Odisha today said that the Central and the state government are working in tandem to help the start-up ecosystem grow in Odisha.

Addressing the Policy Roundtable on Investment Opportunities in Start-ups in Odisha, organised jointly by Govt of Odisha and FICCI, Mr Sahu said that Odisha came up with the Odisha Start-up Policy in 2016 and that the state govt has been encouraging start-ups ever since the policy was formulated. "We are encouraging private and government run institutions to become incubators. The state govt has taken numerous steps to further the start-up ecosystem in the state. Work is going on in full swing for the world-class inclusive incubators within Bhubaneswar- O Hub, which will be inaugurated by Chief Minister Naveen Patnaik in April. O-Hub will be host to start-ups and will be centrally located in Bhubaneswar," he said.

Mr Sahu emphasized that a separate Rs 100 crore fund of funds has been notified and it is expected to leverage another INR 100 crore from private investors.

The state government is very keen to promote start-ups in the state. Separate hangars have been set aside solely for the start-ups participating in the MSME National Trade Fair that will commence in March on Biju Patnaik Jayanti. Most of the start-ups participating are women-

led, Mr Sahu noted.

Speaking about Odisha as a preferred destination for investment, Dr Nitin B Jawale, MD, Industrial Promotion & Investment Corporation of Odisha Ltd (IPICOL) said that Odisha offers sector specific opportunities for start-ups in electronics manufacturing, seafood processing, food processing, aluminium downstream and chemicals, petrochemicals, and plastics.

"Odisha has been the number one state in India in terms of attracting investments from April-September 2019 as per CMIE. Odisha has dedicated authorities to facilitate skill development for industries. The state also offers cost-effective and is a hassle-free destination for industrial investments," Mr Jawale said.

Mr Sanjeeb Mishra, OSD, Industries Dept, OIEPO, New Delhi said that academic institutions play a big role in encouraging and nurturing start-ups. While moderating the discussions, he also sought feedback and suggestions of the participants on the draft start-up policy.

Mr Prasanta Biswal, Evangelist, Startup Odisha in his detailed presentation pointed out that the Odisha government aims to develop Odisha as one of the top three start-up hubs in the country. The state govt had set up a target of 1000 start-ups by the end of 2020 while ensuring that 33 per cent of those are women-led start-ups.

The financial incentives offered to start-ups includes a monthly allowance of INR 20,000. The government also aims to provide product development and marketing assistance to the tune of INR 15 lakhs, he added.

For incubators, Mr Biswal said that the state comment offers a one-time capital grant of a maximum of one crore for setting up incubation facilities. The govt also offer a matching grant up to five crores for scaling up incubation facilities and performance capital grant of INR 5 lakhs for successful incubate.

Non-financial incentives for start-ups include EMD exemptions and concession in performance security exception of prior experience and turnover count right area preference in public procurement self-certification under six labour laws online and off-line grievance redressal mechanism, he said.

The Start-up Odisha landscape has 906 recognized start-ups, among which are more than

300+ women-led start-ups; 17 recognized incubators; and 15 nodal agencies. So far 190 grants have been awarded to start-ups and incubators, he informed.

Ms Padmaja Ruparel, Co-Chair FICCI Start Up Committee, Co-Founder Indian Angel Network said that the Govt of Odisha has been playing a proactive role in fostering the start-up ecosystem in the state. "I thank the government for successfully breeding start-up companies. Odisha stands on top of innovation and entrepreneurship hub in the country. It is the third largest and the fastest growing start-up hub in India," she said.

### **Maharashtra to create incubation centre for startups near Mumbai with Nasscom**

source:<https://economictimes.indiatimes.com/tech/startups/maharashtra-to-create-incubation-centre-for-startups-near-mumbai-with-nasscom>

Chief Minister Uddhav Thackeray said Maharashtra is planning to set up a large incubation centre for startups near the financial capital soon to give a boost to new-age enterprises.

Mumbai as one of the fintech hubs in Asia, Thackeray said, speaking at the annual NTLF event of IT industry lobby Nasscom. Thackeray said in the last three years since launching the Nasscom 10,000 startups programme, which has a warehouse in nearby Navi Mumbai, over 50 new companies have benefited and over 1,300 jobs have been created. "Encouraged by this success, we are planning to set up a large incubation centre near Mumbai with Nasscom in the near future," Thackeray said, without elaborating on the plan. After the success with the 2015 IT Policy, Thackeray said the state is now creating an IT/ITes (IT enabled services) promotion policy for 2021 which will have a focus on creating the right ecosystem for technology companies, incentives for innovation and research and development, and a close working relationship with the state.

Maharashtra is already using tech inputs for governance and extending services to the public, including blockchain, internet of things and artificial intelligence-based solutions, he said. Thackeray said besides the traditional

hubs of Mumbai and Pune, Thane, Raigad, Nashik and Nagpur are also getting traction and tech investments lately.

He said in the last five years, the state has received Rs 65,000 crore in investments from IT companies which have helped create 8.5 lakh jobs in the state.

Reiterating his predecessor Devendra Fadnavis' target, Thackeray said the state is on its way to becoming a USD 1 trillion GSDP state by 2025.

At present, its GSDP is close to USD 500 billion or 16 per cent of the national GDP, he said, adding that a third of the foreign direct investment received by the country comes to the state. Thackeray said the pandemic period was a testing time for all and the tech industry helped in ensuring that people stay connected through audio and visual modes and said COVID-19 helped hasten the pace of technology adoption. He also noted the sacrifices of emergency services rendering personnel including those from the police and medical fraternity to ensure the city keeps moving.

## **STARTUP FEATURE**

### **INDIAN START-UPS GEARING FOR IPOs**

Source:<https://www.ibef.org/blogs/indian-start-ups-gearing-for-ipos>

**Introduction:** Development of start-ups is disrupting the legacy business practices and eating into the market share of various segments. A rising number of Indian start-ups are planning to get listed as the ecosystem matures. 57.7% start-ups are expected to go public within five years, according to an RBI survey conducted between April and November 2020. Start-ups and unicorns (valued at more than US\$ 1 billion), such as Pepperfry, Ola, Oyo, Byju's and Paytm, have been planning to debut in capital markets for some time now. Several Indian start-ups such as Zomato, Delhivery, Policybazaar, Freshworks, Flipkart and Nykaa are potentially looking at public markets in 2021.

#### **Drivers**

##### ***Rising online gaming industry***

The online gaming & entertainment industry is witnessing strong growth in India, driven by re-

stricted movement because of coronavirus-imposed lockdown. The industry valuation reached US\$ 90 billion in FY20 from US\$ 62 billion in FY19, according to Inc42 Plus estimates. The market is projected to increase by 6.1% in the next five years.

The Indian mobile gaming market was estimated at US\$ 1.2 billion in 2020, grabbing the sixth spot globally. In 2021, India, with a user base of ~ 326 million, is anticipated to be among the top five markets for mobile gaming.

### ***Strong Indian tech start-ups ecosystem***

From 2020 to 2021, the tech start-ups ecosystem will witness stable YoY growth of ~8–10%. In 2020, start-ups raised significant funding, as Covid-19 fuelled the e-commerce market for fast deliveries of essential goods, food & fresh produce, ready-to-eat foods, and concierge and logistics. Overall funding in tech start-ups almost doubled in 2020. The food segment raised US\$ 1.3 billion funding, logistics (US\$ 965 million), education (~US\$2.1 billion) and e-commerce (US\$ 779 million).

### ***Start-ups joining the unicorn club***

In 2020, 12 start-ups including Razorpay, Pine Labs, Zerodha and Postman joined the unicorn club, the highest ever in a year. Of the 12, ~ 58% market share was captured by B2B tech start-ups. Paytm held the leading position in India as the most valuable unicorn at US\$ 16 billion, followed by Byju's.

NASSCOM is positive that the start-up IPO will expand in 2021, with many major players (E.g., Freshworks, Druva, PolicyBazaar and Delhivery) planning to go public. Tech and new start-ups are anticipated to fuel growth at a CAGR of 40–45%. In 2021, India is set to have a strong unicorn club of more than 50. E-commerce major Flipkart, food technology start-up Zomato and furniture e-tailer Pepperfry are also preparing to go public in 2021.

Nykaa, which was founded eight years ago, is expected to be India's first online beauty marketplace to launch an IPO (US\$ 3 billion) in 2021.

### **Trends**

#### ***Strong rebound in IPO activity***

In the fourth quarter of 2020, India registered 19 IPOs (including SMEs; US\$ 1.84 billion) with Indian Stock Exchanges (BSE and NSE) versus

11 for the corresponding period last year. According to EY India IPO Trends Report: Q4 2020, India ranks ninth globally in terms of the number of IPOs in 2020, with 43 IPOs raising US\$ 4.09 billion. In the IPO markets are experiencing strong momentum and increased demand from businesses across industries seeking to raise capital in the near term. Further, businesses are confidently predicting guidelines for direct listing in international markets. The market sentiment is optimistic for 2021 to be a successful year.

#### ***Increasing technology IPOs***

In 2020, more internet and technology businesses went public. Three of the 22 businesses listed in 2020 were Internet and technology firms, up from only one in 2010 when MakeMyTrip made its market debut. In January 2021, Nazara Technologies Ltd. filed initial public offering documents with the Securities and Exchange Board of India (SEBI), India's market regulator, and became the first Indian gaming technology company to seek a market debut. For Nazara and its peers, emergence of affordable smartphones and slashed mobile data rates (for 1.3 billion people) were the growth enablers. The company's website hosts many types of content and is involved in e-sports; it has titles such as the World Cricket Championship (in mobile cricket gaming) to its credit.

#### **Government Initiatives**

SEBI has proposed new norms for inclusion in the Innovators Growth Platform (IGP) to boost funding from qualified institutional buyers (QIBs) and lead further exits from upcoming start-ups.

*SEBI published a listing consultation paper on its IGP platform to preserve investor confidence in Indian start-ups.*

The objective of the transition is to allow QIBs and AIFs to participate in the pre-issue with greater flexibility and help start-ups get credible investors on board before the public offering.

The proposals allow current investors and promoters to maintain their special rights on the Board of Directors and keep 25% of the pre-issue capital for one year as opposed to the earlier two-year standard.

The consultation paper has also been re-

leased by SEBI, considering the upcoming young category of investors who want to buy stocks over gold and other asset classes in high-growth enterprises. There is confidence among young investors who are willing to bet on start-ups versus gold markets and other asset classes. The public markets have significantly matured and now, there is an opportunity for start-up IPOs. SEBI recognises that start-ups do face challenges in going public beyond a point and offer the right exits to investors. The intention of the new proposal is to address such challenges.

The only choice for an Indian investor wanting to put money in start-ups is to become limited partners in venture capital funds. They do not manage the fund and choose their portfolio. There is also an option for secondary ESOP (employee stock ownership plan) trading. However, if SEBI's new proposal come into force, this is likely to change, as more individual retail investors will be positioned to finance start-up IPOs.

SEBI also proposed that start-ups should be allowed to allocate up to 60% of the issue size on a discretionary basis prior to the issue and exemption of Category II Alternative Investment Fund (AIF) investors from the six-month, post-issue lock-in requirement. Family trusts have also been recommended to be included in the definition of accredited investors.

**Conclusion :** India's IPO market recorded significant growth in 2020 and the trend is likely to continue in 2021. The market growth in FY20 increased 2.25x to Rs. 45,000 crore (US\$ 6.16 billion), up from Rs. 20,300 crore (US\$ 2.78 billion) in FY19. There are certain growth opportunities that push start-ups to raise funds through IPOs and provide a healthy exit for investors. SEBI's new standards such as efficient migration to the main board, reduced holding time and special rights have made IPOs more attractive.

## STARTUP FUNDING

### Avataar Ventures's Opportunities Fund hits final close at US\$100M, to invest in India and SEA

Source:<https://asiapedia.net/2021/02/17/avataar-venturess-opportunities-fund-hits-final-close-at-us100m-to-invest-in-india-and-sea>

India-based VC firm Avataar Ventures has announced the final close of US\$100 million for its Opportunities Fund. Undisclosed institutional investors from the US and Europe were among the investors.

This is the Avataar's second fund. It had earlier launched a US\$300-million inaugural fund in September 2019.

Avataar was co-founded by Nishant Rao, former global COO of Indian unicorn Freshworks, and Mohan Kumar, who led India-headquartered Norwest Venture Partners. The firm focuses on B2B and SaaS growth-stage startups in India and Southeast Asia.

It invests between US\$10 million and US\$30 million in startups that have an annual recurring revenue (ARR) of at least US\$15 million.

Avataar said the Opportunities fund will be used to make follow-on investments into existing portfolio companies as well as new firms.

So far, it has made three investments from the new fund, and has hired two senior executives as part of plans to expand its operations in the US.

"Partnering closely with our entrepreneurs, our interventions on unit economics have helped three new portfolio businesses hit profitability. Yet for others, we have focused more on helping fine-tune their growth engines," said Managing Partner Kumar.

The firm's portfolio companies include HR solutions startup CRMNext, logistics startup Elastic Run, and cloud-based software platform Zenoti. Avataar recently led a Series C round for automated communication platform SenseHQ and a Series B round for RateGain, a travel and hotel software company.

### Indian Bank signs MOU with SID of IISc, for funding Start-ups and MSMEs

Source:<https://www.financialexpress.com/industry/sme/indian-bank-signs-mou-with-sid-of-iisc-for-funding-start-ups-and-msmes>

State-owned Indian Bank said it has entered into an MOU with Society for Innovation and De-

velopment (SID), an initiative of Indian Institute of Science, for extending exclusive credit facility to Start-ups and MSMEs.

This initiative is a part of the Banks scheme Ind Spring Board for financing Start-ups and will empower Start-ups and MSMEs to realise their research efforts powered by financial support from the Bank and backed by incubation facilities offered by SID, it said in a release. The Bank will extend loans of up to Rs 50 crore to these start-ups for their working capital requirements or for purchase of machinery, equipment etc, it added.

Stating that SID is the forerunner in setting up joint R&D with industries and supporting start-up incubation, the bank said, it provides support to the MSME sector by providing joint research and development arrangements and technical and financial support for incubation and acceleration of high-end technology products under its department named TIME2. (Technology Innovation for Midsized Enterprises).

Under the MOU, SID will identify the start-ups and MSMEs based on their credentials and past experience and will refer the list of such members who require financial assistance to the Bank, it added.

### BharatPe takes a big leap

Delhi-based B2B fintech platform BharatPe has taken a big leap towards the unicorn club by raising \$108 Mn in Series D funding round at a post-money valuation of \$900 Mn, after only two years of launch. The funding round was led by the company's existing investor Coatue Management, with the participation from other existing investors Ribbit Capital, Insight Partners, Steadview Capital, Beenext, Amplo and Sequoia Capital.

### STARTUP ACQUISITIONS

- Bengaluru-based online tutoring startup Vedantu has acquired doubt solving app Instasolv for an undisclosed amount. The acquisition will strengthen Vedantu's play in doubt-solving, which is one of the fastest growing areas in online learning.

- Global platform in motion graphics LottieFiles has acquired Surat-based design asset marketplace Iconscout for an undisclosed amount. "Our goal is to empower designers and developers and save them weeks of work by freeing them from creating, collaborating, testing, and editing design assets. We are grateful to the Iconscout team for coming along on this journey with us and thrilled they too share this common vision," said LottieFiles' cofounder and CEO Kshitij Minglani.

### OTHER DEVELOPMENTS

- Bengaluru-based payments gateway Razorpay is looking to raise another \$150 Mn - \$200 Mn funding at a valuation of \$2 Bn. The company is currently in talks with existing investors, including sovereign investment fund Singapore Investment Corporation (GIC), Tiger Global and Sequoia Capital.
- Chennai-based enterprise tech startup Chargebee is reportedly close to raising \$150 Mn at a valuation of \$1.4 Bn. The company is said to be raising the funding from a US-based investor, with existing backers Tiger Global, Steadview Capital and Insight Partners also participating in the round.
- Mumbai-based online pharmacy PharmEasy has received the Competition Commission of India's approval for investment from Canada-based CDPQ (Caisse de dépôt et placement du Québec) in exchange for a 2% stake in the parent company API Holdings.
- Sequoia Capital is in the market to raise its second India-focused seed fund, according to the company's filings with the US Securities and Exchange Commission.
- Mumbai-headquartered hyperlocal search engine JustDial has launched its B2B ecommerce portal JD Mart. The platform will connect bulk buyers with wholesale sellers across product categories.

## STARTUP EVENTS >> UPCOMING

### Inspreneur Connect–Vector 2

11 March 2021 , India

11:00 am to 1:15 pm IST / 1:30 pm to 3:45 pm SGT

Registration Link: [https://nasscom-in.zoom.us/webinar/register/WN\\_z8\\_zeD7NSIm6D\\_aOhNEhZg](https://nasscom-in.zoom.us/webinar/register/WN_z8_zeD7NSIm6D_aOhNEhZg)

The High Commission of India, Singapore, in association with Nasscom is organizing Inspreneur Connect-Vector 2.0, the second session of a virtual series to connect Indian Startups with Singaporean VCs.

In the 2nd edition, 7 innovative Indian Startups from the following verticals would be participating: Agri-tech, Enterprise solutions, IOT Hardware, Mobility and Retail tech domains. If you are a VC / CVC / PE investor firm wanting to own innovative businesses during their inception stage from India, then we strongly recommend that you attend this upcoming session. As investors in early-age startups, you are aware that it's always advisable to get in companies while they are in their infancy to maximize return on capital invested. Join us in our endeavor, where we bring you in personal contact with the most exciting Indian Startups that are causing disruption with their technology and business model.

## STARTUP FAQs

### 1. How can I register a profile on the Hub?

- On clicking the “Register” tab on the top right hand corner of the page which you will be directed to our “mygov” platform for authentication where you will be asked to fill details such as your name, email address, etc. This will give you a one time password for verification as well as a link to set a new password.
- Sign in using the login credentials you created in step 1. This will direct you to the Hub where you can select and create the profile of a stakeholder which best defines your role.

### 2. My entity does not have a PAN. Would I be allowed to register it as a ‘Startup’ on the Startup India portal?

Yes, an entity without a PAN can be registered as a Startup on our website. However, it is advised that a valid PAN of the entity is provided at the time of registration

*source: <https://www.startupindia.gov.in/content/sih/en/faqs>.*

For Feedback & Comments, please contact:

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URL : [www.hcisingapore.gov.in](http://www.hcisingapore.gov.in)