

Startup Watch

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STARTUP POLICIES

Big Boost For Startups, Ease Of Doing Business 2.0 To Be Launched

INC42

- Ease of doing business 2.0 and ease of living will be launched in our endeavor to improve productivity and efficiency of human resources, Sitharaman said
- The new phase will be guided by an active involvement of the states, digitisation of the manual processes and interventions
- The economic survey released prior to the budget highlighted India's ease of doing business ranking as 63, up 14 positions from the previous ranking

Finance Minister Nirmala Sitharaman in her speech for Budget 2022-23 today announced the government's trust in the public and ease of doing business. This Budget hopes to lay the foundation for Amrit Kal from India at 75 to India at 100. In line with this vision, the government looks at the next phase of ease of doing business.

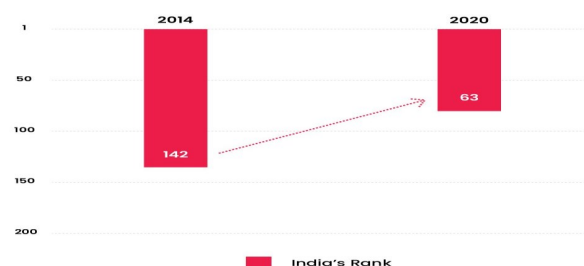
As announced, 'One Nation, One Registration' will be established for anywhere registration to facilitate ease of living & doing business.

"For the Amrit Kaal, the next phase of ease of doing business, ease of doing business 2.0 and ease of living will be launched in our endeavour to improve productivity and efficiency of human resources, we will follow the idea of trust-based governance," said the minister.

The new phase will be guided by the active involvement of the states, digitisation of the manual processes and interventions, integration of central and state levied systems through IT bridges, a single contact system for all citizen-centric services.

It will also focus on standardisation and removal of overlapping compliances, crowdsourcing of suggestions and the ground-level assessment of the impact with the active involvement of citizens and businesses (startups) will be encouraged. A single window portal "Parivesh" for all green clearances was launched in 2018. It has been instrumental in reducing the time required for approvals significantly. The minister announced that the scope of this portal will also be expanded as part of ease of doing business 2.0 to further reduce the number of application forms from four to one. The economic survey released prior to the budget highlighted India's ease of doing business ranking as 63, up 14 positions from the previous ranking.

Improved Ranking Of India In Ease Of Doing Business



Source: Government Of India

Inc42

The Indian government's continuous efforts to improve digitisation and increase digital and financial inclusion in the country are key factors leading to the growth.

The budget 2022-23 also proposed several other initiatives to increase the ease of doing business. For instance, data exchange among all-mode operators will be brought on the Unified Logistics Interface Platform to enable efficient movement of goods and reduce logistics cost and time.

Also, the issuance of E-passports using embedded chips and futuristic technology will be rolled out in 2022-23 to enhance the convenience for the citizens in their overseas travel.

Budget 2022: Govt allocates Rs 283.5 cr for Startup India Seed Fund Scheme

IBEF: February 04, 2022

In budget 2022-23 the government has allocated Rs. 283.5 crore (US\$ 37.8 million) a higher than estimated amount for the Startup India Seed Fund Scheme. The Fund of Funds for Startups received a budgetary allocation of Rs 1,000 crore (US\$ 133.5 million). With a corpus of Rs 10,000 crore (US\$ 1.35 billion), the government has established a Fund of Funds for Startups (FFS) administered by the Small Industries Development Bank of India (SIDBI). The allocation for the Startup India initiative has been enhanced to Rs 50 crore (US\$ 6.7 million) for 2022-23 from the Revised Estimate of Rs 32.83 crore (US\$ 4.4 million) in 2021-22.

Budget 2022: Startup founders, investors to benefit from 15% cap on tax surcharge-Source

<https://economictimes.indiatimes.com/>

Venture capital investors and startup founders are likely to benefit from a tax tweak announced in Budget 2022-23. The surcharge on long-term capital gains (LTCG) tax has been capped at 15% for all listed and unlisted companies, finance minister Nirmala Sitharaman said.

This addresses a long-standing demand of new-age companies, which wanted share sales of unlisted firms to be taxed at par with those of listed ones. To be sure, only the surcharge lev-

ied on unlisted share sales has been reduced – from 37.5% to 15%. The tax rate remains unchanged at 20%.

Industry executives told ET this would not only cover employee stock option sales but all transactions by privately-funded startups, reducing their effective tax burden by around 16%.

Siddharth Pai, cofounder at early-stage venture capital firm 3one4 Capital, said, "Overall LTCG on unlisted securities is now 23.92% as opposed to 28.5% previously. This will apply to founders, employee stock option holders and domestic investors. This is a 16% reduction in the effective tax rate." According to him, unlisted securities pay long-term capital gains tax at 2.4 times the rate of their listed counterparts. "Parity was long-expected in this budget. It also put a cap on the surcharge, ..which is a positive development," he added.

Sujeet Kumar, cofounder of B2B ecommerce firm Udaan, said the reduction in surcharge is a progressive step by the government and will give strong support to the ecosystem. "More money will come back into the ecosystem and that will get reinvested further (into startups)," he told ET. Kumar is also one of the limited partners (LPs) in venture fund Tanglin Venture Partners.

"LTCG is a step closer to having complete alignment for listed as well as unlisted entities and this is a long-standing demand," said Gopal Srinivasan, founder and chairman, TVS Capital. According to Srinivasan, who is also a board member at Indian Private Equity and Venture Capital Association (IVCA), the VC and startup ecosystem is hopeful of total tax parity over the next few years.

Tax Timeline Extension

Separately, the government also extended the tax incentives it offers to new startups for the first three years of their incorporation by another year. With this, startups incorporated between April 1, 2016 to March 31, 2023 can now qualify as eligible startups to claim tax benefits for three consecutive years within the first 10 years of operations. Sitharaman said this was being done keeping in mind the impact of the pandemic on new firms given that startups have been a key force in driving growth in the country.

Expert Committee

Sitharaman also said an expert committee would be set up to examine and suggest appropriate measures to boost venture capital and private equity investments in startups. "Venture capital and private equity invested more than Rs 5.5 lakh crore last year, facilitating one of the largest startup ecosystems. Scaling this investment requires a holistic examination of regulatory and other frictions," she said, explaining the need to set up the expert committee. ET reported last month that startups bagged \$3.5 billion in funding in January 2022, adding to the record funding being pumped since last year.

Fund of Funds

In the budget, the finance minister acknowledged the value created by the government-backed Funds such as NIIF and SIDBI Fund of Funds by providing scale capital creating a multiplier effect. "For encouraging important sunrise sectors such as Climate Action, Deep-Tech, Digital Economy, Pharma and Agri-Tech, the government will promote thematic funds for blended finance with the government share being limited to 20% and the funds being managed by private fund managers," she said.

This is part of the detailed demands that the ecosystem had made to the government asking for more domestic capital to be channelled to promote and foster entrepreneurship in other sectors. The government is likely to unlock value from funds held by insurance companies, pension funds and other domestic institutions by opening the floodgates to meet the capital requirements of startups.

Delhi with 5,000 start-ups replaces Bengaluru as start-up capital: Economic Survey

Source: <https://www.newindianexpress.com/>

As of January 14, 2022, India has 83 unicorns with a total valuation of \$277.77 billion, and most of these start-ups are in the services sector.

Delhi has replaced Bengaluru as the start-up capital of India. Over 5,000 recognised start-ups were added in Delhi compared to 4,514 start-ups in Bengaluru between April 2019 and December 2021, the Economic Survey 2021-22 tabled in Parliament on Monday noted.

Maharashtra, with a total of 11,308 start-ups, is the state with the highest number of recognised start-ups, according to the Survey. Over 61,400 start-ups have been recognised in India as of January 10, 2022, it went on to add.

In 2021, as many as 44 start-ups turned into unicorns, thereby helping India emerge as the third highest country in terms of number of unicorns after the US and China.

The US and China added 487 and 301 unicorns respectively in 2021. As of January 14, 2022, India has 83 unicorns with a total valuation of \$277.77 billion, and most of these start-ups are in the services sector.

Also, a majority of the country's start-ups are in the IT/knowledge-based sector.

From 733 start-ups in 2016-17, the number of new recognised start-ups in India have grown to over 14,000 in 2021-22.

Over the past three years, the number of start-ups in the space sector has increased from 11 in 2019 to 47 in 2021. Since ISRO/DOS doesn't register any start-ups, around 75 start-ups are shown under the space technology category in the startupindia portal. Also, some of the start-ups registered under other categories are also involved in the space domain.

During 2021, 555 districts had at least one new start-up. This is in contrast to 2016-17 when only 121 districts had at least one new start-up.

STARTUP STORIES

Indian AI-SaaS start-ups can create market value of US\$ 500 billion by 2030

IBEF: February 11, 2022

According to a survey by venture capital firm Stellaris and the World Bank-backed International Finance Corporation (IFC), India's artificial intelligence (AI) and software as a service (SaaS) start-ups are well-positioned to create a market value of more than US\$ 500 billion by 2030.

India's AI and SaaS opportunity may create 4.5 million jobs, including more than 900,000 white collar jobs and 3.6 million additional indirect jobs.

According to Bain & Company, US\$ 4.5 billion was invested in SaaS companies in India in 2021, up 170% from 2020. India has a huge developer skill pool and strong process knowledge, as well as a rapidly rising pool of specialty talent such as designers and data scientists, as well as access to unique data sets and advanced algorithms.

Furthermore, the broader ecosystem for early-stage startups is backed by sufficient high-risk capital, with individual and institutional investors focusing on software investments and industry-specific accelerators willing to help these businesses in their early stages.

Drone services via AgriTech start-ups, skilling via ITIs to be the next frontier

SOURCE: <https://www.edexlive.com/news/2022/feb/02/drone-services-via-agritech-start-ups-skilling-via-it-is-to-be-the-next-frontier>

Not only for creating light shows, as seen during the Beating Retreat ceremony, the government is now focusing on drone technology to empower AgriTech start-ups, along with creating a skilled workforce via various Industrial Training Institutes (ITIs). In her Union Budget 2022 speech, Finance Minister Nirmala Sitharaman said that start-ups will be promoted to facilitate 'Drone Shakti' through varied applications and for Drone-As-A-Service (DrAAS). "In select ITIs, in all states, the required courses for skilling will be started," she added.

Drone technology is an integral part of several AgriTech start-ups as these are used for crop assessment, digitisation of land records, spraying of insecticides and nutrients. Filling the skill gap in this area is a revolutionary step for an agriculture-dominated country like ours, experts say. It is estimated that there are about 600-700 AgriTech start-ups in India (IT industry's apex body NASSCOM last reported 450 in India two years ago) operating at different levels of agri-value chains.

Sushma Paul Berlia, Chairperson, National Council on Ease of Doing Business at ASSOCHAM, said that "virtual education as a tool towards filling the gap took place due to the pandemic in the last two years" and it is heartening to ensure minimum quality education is

available to all — whether through skilling portals or "skilling courses through various ITIs".

ITIs starting skilling courses is welcome for low-end skills. "Polytechnics are the right place to start offering skill courses especially as skills of tomorrow are of a higher order. Polytechnics should also be allowed to offer advanced skill programmes," said Chocko Valliappa, Vice-Chairman, Sona Group of Education institutions.

Vipul Singh, Founder and CEO, Aarav Unmanned Systems (AUS), said that the budget duly recognises the key role drone technology is playing in solving some really tough problems for sectors like land records, infrastructure, mining, disaster management and agriculture. "Furthermore, the announcement of Drone Rules 2021, the PLI scheme for the drone industry, and subsidies for drones to be used for agriculture applications have provided a fillip to the sector," he said.

With the use of drones for land surveys and crop assessments, the government "seeks to leverage technology for enabling the next phase of sustainable socio-economic development of the nation," said Nitin Bansal, MD, India Head-Networks, Market Area South East Asia, Oceania and India, Ericsson.

The budget has covered multiple avenues for the drone industry to rise, especially "promoting agricultural drones and NABARD fund to support start-ups will result in ensuring that the drone industry reaches a new milestone," said Swapnik Jakkampudi, Co-Founder, Skye Air Mobility, a drone delivery tech firm.

STARTUP FUNDING

- Indian startup ecosystem has raised around \$1.5 Bn across 50 deals in the second week of February
- The week also saw the rise of three unicorns – Xpressbees, ElasticRun, and Livspace
- Paytm More Than Doubles Its GMV In January To INR 83.4K Cr
- Reliance Jio Invests \$200 Mn In Google-Backed Glance

- RENEE Cosmetics Raises \$10 Mn Led By Mensa Brands; To Expand Catalogue & Offline Presence
- Influencer Marketing Startup Kofluence Bags \$4 Mn From Kunal Shah, Karan Johar
- Sixth Sense Ventures, Reliance Invest INR 300 Cr In EV Maker Altigreen
- Infra.Market Bags \$30 Mn In Debt From Sachin Bansal's NAVI Finserv, Others
- Supply Chain Startup Bizongo Completes \$3.7 Mn ESOP Buyback
- Fintech startup firm Jar raises USD 32 million in funding led by Tiger Global
- Home renovation platform Livspace crossed the billion-dollar valuation mark after raising US\$ 180 million in a late-stage funding round led by KKR & Co. Livspace, which is registered in Singapore but conducts the majority of its operations in India, has raised about US\$ 450 million to date. The home renovation platform is the 86th "unicorn" from India, according to Venture Intelligence Unicorn Tracker.

India already has 8 new unicorns in just 40 days of 2022, latest being logistics startup Xpressbees

IBEF: February 11, 2022

India has produced eight unicorns in 40 days of 2022 these include start-ups like Polygon (blockchain), LEAD (edtech), Elasticrun (B2B e-commerce), Fractal (advance analytics), Darwinbox (Hrtech), Dealshare (social commerce), LivSpace (home interior and renovation) and Xpressbees (logistics).

Xpressbees a logistics firm recently become a unicorn with a valuation of US\$ 1.2 billion from its new Series F fundraising round the company raised US\$ 300 million from private equity firms Blackstone Growth, TPG Growth, and ChrysCapital. Xpressbees was founded in 2015, operates in 3000 cities and distributes over 1.5 million parcels every day. It has about 100 centers all throughout India. The total funds raised by the company were US\$ 500 million.

STARTUP ACQUISITIONS

Hyderabad-based Isthara Coliving acquires Letsmobility

source

<https://economictimes.indiatimes.com/tech/startups/hyderabad-based-isthara-coliving-acquires-letsmobility>

Isthara Coliving has acquired Letsmobility, a software product engineering firm, to digitise its operations and introduce advanced tech solutions in the fragmented coliving industry.

The Hyderabad-based company will merge its core technology with Letsmobility to develop Framework 2.0, which will enhance the digital interface of the company's customer-facing applications.

At Letsmobility, we have always aimed to engineer high-impact tech solutions, accelerate growth and add tremendous value to brands in a rapidly changing ecosystem," cofounder Gaurav Sharma said. "By joining forces with Isthara, the products we develop will be in better use and will solve real world problems on a larger-scale."

During the pandemic, Isthara Coliving developed a new business model focused on efficient cost structures and contracts apart from the revenue shared model.

"The coliving sector and institutional cafeteria segment are highly fragmented, and customers are usually subject to several difficulties that arise due to the lack of a real-time and efficient technological solutions platform," Isthara's Executive Director Ligouri Godwin said. "The acquisition of Letsmobility will address this gap, with their disruptive platform and expertise in delivering effective tech solutions, which will add significant value to Isthara's capabilities and offer a more complete service for the digital transformation of both verticals." In September 2021, Isthara Coliving received fresh funding from investors JM Financial Private Equity, along with Dubai-based Eagle Proprietary Investments and a few family offices. It has quadrupled its bed count—from 5,700 at the end of March 2020 to 24,000 currently. The firm has signed up 50 food courts across Telangana, Karnataka and Tamil Nadu, catering to over 150,000 people.

Indiamart acquires accounting platform Busy Infotech for Rs 500 crore

Source: <https://economictimes.indiatimes.com/tech/startups/indiamart-acquires-accounting-platform-busy-infotech-for-rs-500-crore>

Indiamart InterMesh Ltd., a business-to-business marketplace, has agreed to acquire 100% of accounting platform Busy Infotech Pvt. Ltd. for Rs 500 crore.

The B2B company is also participating in the Series B funding round of Simply Vyapar Apps Pvt. Ltd. Through its wholly owned subsidiary Tradezeal, it is also acquiring 75,000, 0.0001% compulsorily convertible debentures of Legistify, a startup that offers software tools to firms to manage their legal workflows. Incorporated in 1997, Busy Infotech is one the largest accounting software companies in the country with a pan-India presence. It had revenue of Rs 42.4 crore and profit after tax of Rs 11 crore in the fiscal ended March 31, 2021. "Busy has been an established brand in the Indian accounting landscape for the last 25 years. Their value proposition fits well with Indiamart's long-term objective of making doing business easy for Indian businesses," said Dinesh Agarwal, founder and managing director of Indiamart, said in a statement. "This acquisition augments Indiamart's value proposition, and given our large customer base as well as market understanding, we are confident of taking Busy to the next level."

Simply Vyapar

Indiamart had in September 2019 led Simply Vyapar's Series A round, investing Rs 31.2 crores for a 26% stake in the company. Simply Vyapar offers a comprehensive GST billing, accounting and inventory management product for small businesses, which allows them to digitise their business operations. It has over 1 lakh paying customers for its product. "We had initially invested in Vyapar with a strong belief in the product and in the team's ability to execute at scale. We continue to be excited and partner for their next phase of growth, as part of our long-term vision to make doing business easy for millions of Indian businesses," Agarwal said. On Tuesday, shares of Indiamart Inter-

Mesh fell 14.40% to Rs 5,001.55 apiece on the BSE while the benchmark S&P BSE Sensex ended the day 0.64% higher at 57,858.15 points.

Byju's aims for SPAC merger agreement within a month

Source: <https://www.ibef.org/news/byjus-aims-for-spac-merger-agreement-within-a-month>

According to people familiar with the situation, India's most valuable startup, online education provider Byju's, is in talks with at least three special-purpose acquisition companies and expects to announce plans to go public via a merger with one of them in three to four weeks.

Michael Klein's Churchill Capital and Michael Dell's MSD Acquisition Corp. are among the SPACs, as reported by Bloomberg News. According to the people, who asked not to be identified because the conversations are private, another contender is Harry Sloan, a long-time Hollywood executive who has subsequently become a prolific SPAC investor. According to the people, a fourth firm, Altimeter Capital Management, is undertaking due diligence ahead of any prospective bid.

According to the people, Byju's, which was last valued at \$21 billion, is considering a SPAC merger rather than a standard IPO because it sees value in having U.S. investors and strategic partners. It is currently illegal for unlisted Indian companies to go public on foreign stock exchanges.

Byju's is also looking into raising a pre-IPO investment round of \$750 million to \$1 billion. According to the sources, Goldman Sachs Group Inc. is advising the startup on funding and SPAC conversations, while Morgan Stanley is assisting in the evaluation of SPAC options.

Goldman Sachs and Byju's both declined to comment. Morgan Stanley and Sloan's Screaming Eagle Acquisition Corp. did not respond to requests for comment through email.

STARTUP EVENTS >> UPCOMING

FinTech Festival India

Mumbai Micro Experience - 18 February 2022

Mega Event (Digital Edition) - 1 to 3 March 2022

Mega Event (Physical Edition) - 20 to 22 July 2022

Website: <https://www.fintechfestival.in/event/6cf223a8-3f97-45d0-a2d9-1e8c1cae49ba/summary>

FinTech Festival India aims to unleash the potential of FinTech in India and showcase the opportunities for investors and global FinTech fraternity to venture in the Indian market. It will play a pivotal role in further strengthening the ecosystem and enhancing collaboration between Indian & Global FinTechs. One big celebration of new ideas, technologies, conferences full of rich dialogues, productive engagements and unlimited networking involving the greatest minds from the world of Finance and Technology, FinTech Festival India 2022 is a series of 10 Hybrid Micro Experiences (day-long FinTech conferences) in various cities across India over a period of 8 months (held from July 2021 - February 2022) and the culmination Mega Events scheduled from 1-3 March 2022 in a Digital format and from 20-22 July 2022 in a Physical format.

STARTUP FAQs

How should my co-founders and I split up the company equity?

This is another question that needs to be answered on a case-by-case basis. While we cannot give you any hard and fast rules as to how your company should split equity, it is generally not advisable to make an even 50/50 split, as it can lead to a lack of control and motivation. Have an honest, open discussion and don't be selfish.

This conversation needs to be held early, and put into writing. Once you've had this hard conversation, you can focus on the task at hand: starting a company.

How do I protect my idea?

The Startup should be working towards innovation/ improvement of existing products, services and processes and should have the potential to generate employment/ create wealth. An entity formed by splitting up or reconstruction of an existing business shall not be considered a "Startup"

For Feedback & Comments, please contact:

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