



GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT OF INDUSTRIAL POLICY & PROMOTION

#startupindia

Tamil Nadu

EMERGING STATE

State Startup Ranking Exercise 2018

December 2018

Table of Contents

1. Overview of State Startup ecosystem.....	1
2. Snapshot of State performance	2
3. Pillar wise assessment.....	3
3.1. Startup Policy and Implementation.....	3
3.2. Incubation Support.....	6
3.3. Seed Funding Support.....	7
3.4. Funding Support – Angel and Venture Funding.....	8
3.5. Simplified Regulations.....	9
3.6. Easing Public Procurement.....	10
3.7. Awareness and Outreach.....	11

1. Overview of State Startup ecosystem

The State of Tamil Nadu has a strong Startup ecosystem in terms of providing funding support, especially seed funding to Startups. The State has also taken steps to promote innovation in the State through the TANII scheme. As a result, Tamil Nadu is an '**Emerging State**' in State Startup ranking exercise conducted by Department of Industrial Policy and Promotion, Government of India.

Some of the key highlights of its Startup ecosystem are as follows:

1. **Nodal agency** for Startup is the Innovation, Incubation, Research Division and Student Entrepreneurship Division of the **Entrepreneurship Development and Innovation Institute (EDII)**, Government of Tamil Nadu.
2. The State has conducted various events such as the **Bio INNOVAtn** event to promote R&D on horticulture based plant industry as a potential bio-entrepreneurship opportunity.
3. Startup portal is **Startup-tn.in**
4. **Startup cell of Tamil Nadu** comprises:
 - o Additional Director, EDII
 - o Joint Director (Innovation, Incubation, Research Division)
 - o IES, Deputy Director (Student Entrepreneurship Division)

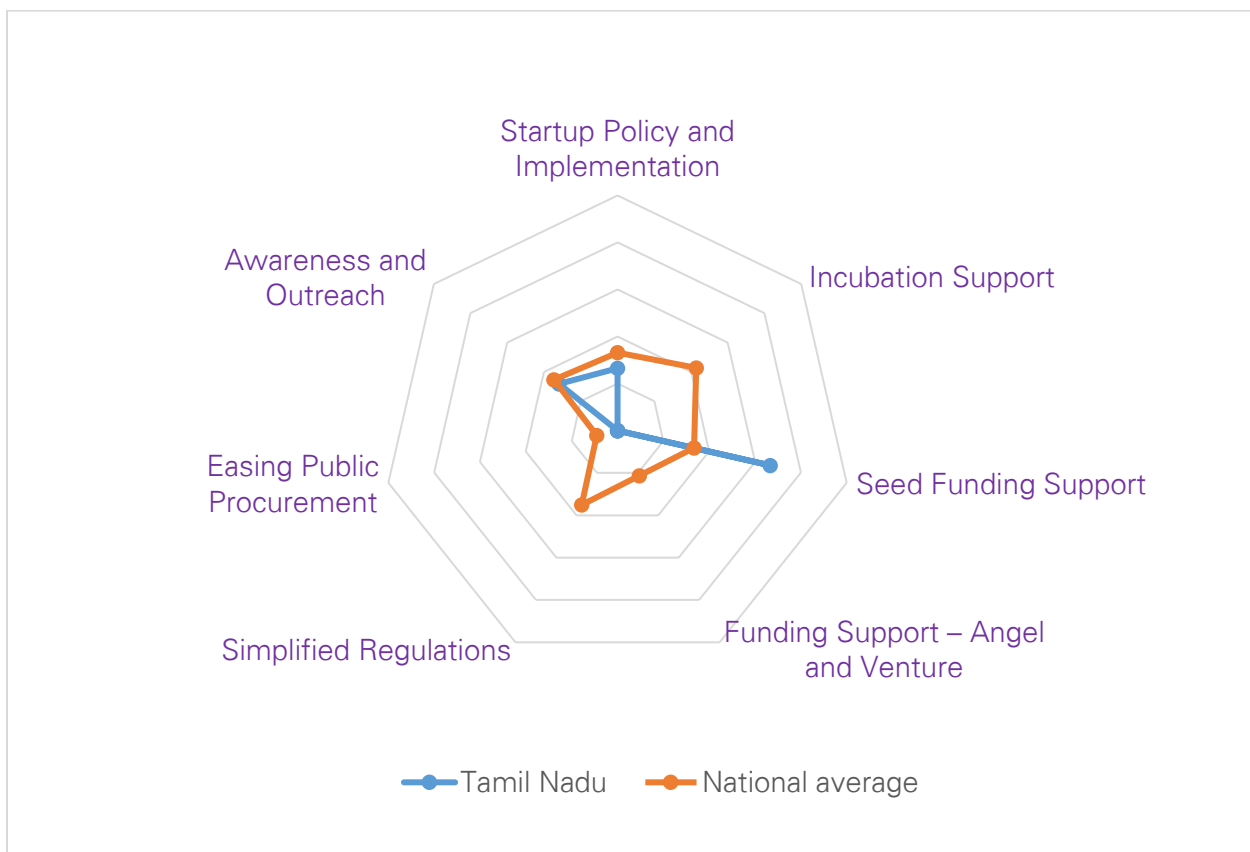


KEY HIGHLIGHTS OF THE STATE'S INITIATIVES

- ✓ Tamil Nadu Innovation Initiatives (TANII) in the State Planning Commission has been established to promote innovation in Government and its agencies in the State.
- ✓ EDII conducts an Innovation and Entrepreneurship Development Program (IEDP) for entrepreneurship and innovation development for all colleges, polytechnics, etc.

2. Snapshot of State performance

The spider web graph below details out State's implementation status on each of the 7 areas of assessment, in comparison to the national average.



Government of Tamil Nadu has done well in 'Seed Funding Support', faring well above the national average.

The performance of the State falls below the national average in all other areas and State needs to take necessary steps to strengthen its Startup ecosystem such as notify the State Startup policy, support incubators and simplify regulations for setting up a Startup in the State.

The detailed analysis of the State's performance is described in the next section.

3. Pillar wise assessment

3.1. Startup Policy and Implementation

Startup Policy and Implementation covers the basic information related to Startup ecosystem such as Startup policy, nodal department, nodal officer, information wizard and mentors in the State. Additionally, it also verifies whether such details are available online for Startups. The State is also expected to develop online systems for registering Startups under the State startup initiative and to allow Startups to avail all the policy incentives online through a single-window.

Key Strengths

a) Nodal agency

The Nodal Agency for Startup is Innovation, Incubation, Research Division and Student Entrepreneurship Division of the Entrepreneurship Development and Innovation Institute (EDII), Government of Tamil Nadu. This team is tasked with successfully implementing the activities for the promotion of the State Startup ecosystem.

b) Innovation Society

Tamil Nadu Innovation Initiatives (TANII) in the State Planning Commission has been established to promote innovation in Government and its agencies in the State.

c) Startup portal

State has a dedicated Startup portal (**Startup-tn.in**) with required information at one place for Startups. It provides various information such as details about Startup ecosystem in State, events conducted and relevant learning material.



d) Mentorship

The State has 109 mentors registered on its Startup portal. Details of the mentors, along with their contact details and area of expertise, have been provided on the Startup portal.

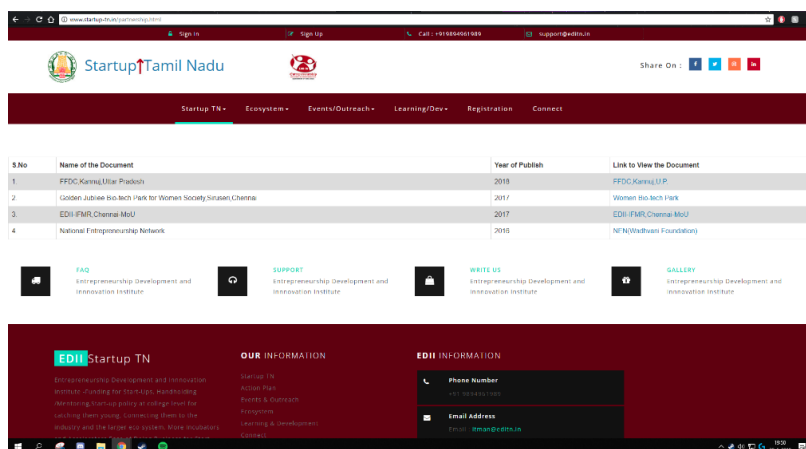
e) IP Support

The State has empaneled an IP facilitation centre at **Anna University, Chennai**. Additionally, support in IP creation and monetization has been taken up by Tamil Nadu Technology Development Center in collaboration with Confederation of Indian Industry.

f) Partnerships

The State has formed partnerships with following institutes:

- Golden Jubilee Bio-tech Park for Women Society, Chennai
- Flavour and Fragrance Development Centre, Uttar Pradesh
- National Entrepreneurship Network (NEN) of Wadhvani Foundation
- Forge Accelerator



The MoUs signed with the aforementioned authorities have been provided on the State Startup website.

Way forward

1. A **Startup Policy** outlining the State's vision for development of the Startup ecosystem and incentives and benefits offered to ecosystem players for the same, may be notified.
2. State is encouraged to design an **online single window system** as a one stop solution for Startups. It can include provision such as online Startup registration, applying and availing of incentives under the Startup policy. Some of the good practices adopted by other States for registering Startups and disbursing incentives are highlighted in the national report for reference of all States.
3. State is encouraged to setup an **online information wizard** for entrepreneurs or Startups regarding business approvals in the State. The online information wizard (through a defined number of questions) should provide details of all applicable State and central level approvals or clearances (sector-wise) required by entrepreneurs to set up, operate and exit a business in the NCT. The wizard shall be integrated with the Startup portal. Some of the good practices adopted by other States in developing the information wizard are highlighted in the national report for reference of all States.
4. A dedicated **Startup support system** (such as on call support or email support or online chat or physical center) shall be established by government with competent staff to resolve

queries related to Startups. Helpline shall capture contact details (email ids and mobile numbers) of users and should generate customer satisfaction scores. Some of the good practices adopted by other States in developing effective query resolution are highlighted in the national report for reference of all States.

3.2. Incubation Support

Incubation Support covers State's performance in supporting or setting up Incubators for nurturing Startup ideas. Incubator is a key component of a Startup ecosystem and provides access to essential business resources to enable growth of the Startups. State has a major role in creating infrastructure that promotes innovation and ensures their sustainability. Another important criteria is to ensure that Incubators are accessible and affordable for Startups.

Key Strengths

State Government has identified incubators across the State and issued in-principle approval for the support of following:

- i. Veterinary incubation center at Tamil Nadu Veterinary and Animal Sciences University
- ii. IoT incubation center at Sri Krishna College of Technology
- iii. Manufacturing incubation center for Polymers at Central Institute of Plastics Engineering and Technology
- iv. Tiruchirapalli Agri-Business incubator at Anbil Dharmalingam Agriculture College and Research Institute
- v. Killikulam Agri-Business Incubator at Agriculture College and Research Institute

Way forward

State's intention is clear with regard to support to incubators. State is encouraged to provide financial support to the identified incubators at the earliest. Additionally, Corporates may be encouraged to setup incubators in a PPP mode with support from State Government. This will also help the State in achieving its objective of setting up large network of technology innovation and incubation centers.



3.3. Seed Funding Support

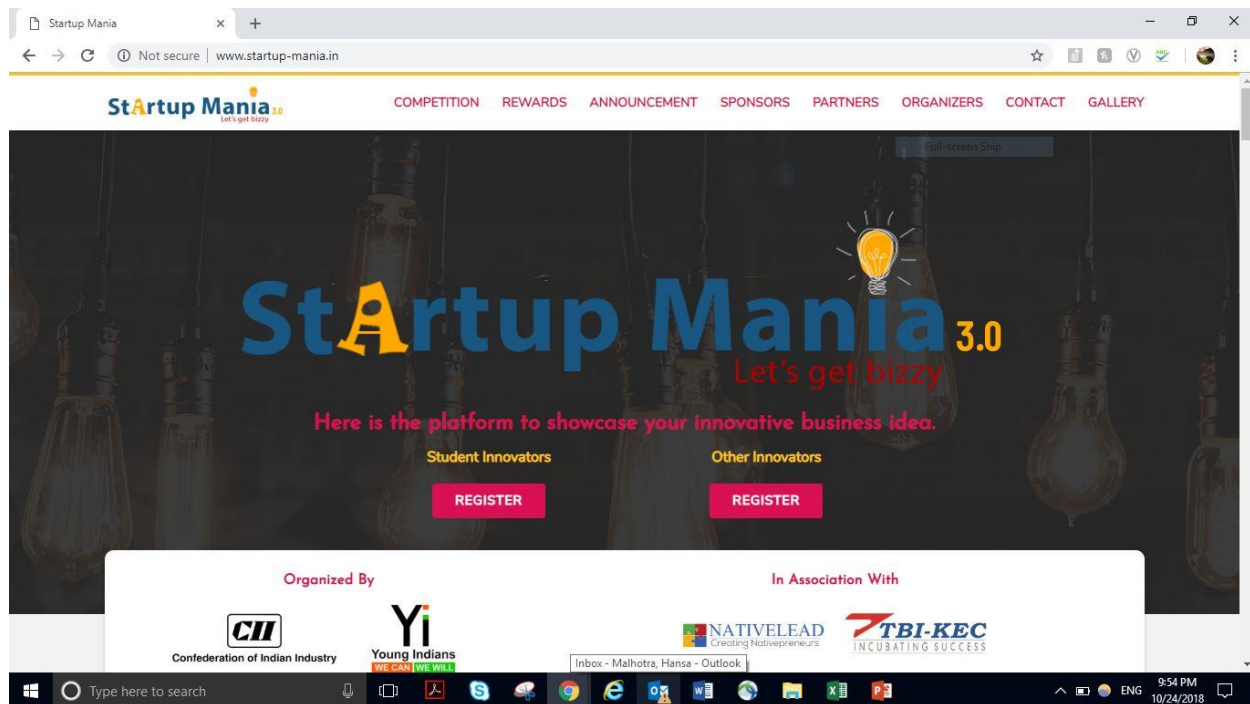
In an evolving Startup ecosystem, many ideas are born and the initial seed support works as a catalyst to transform these ideas into businesses of tomorrow. Seed Funding Support is one the key pillars of the framework and under this pillar, States are encouraged to:

- Develop seed funding guidelines
- Develop online systems to enable Startups to apply for seed support
- Measure the impact created by State by providing seed funding to Startups

Key Strengths

a) Startup pitch fest

The State conducts regular Startup pitch fests wherein Startup teams contest and get cash award as seed money on the day of the finale. Registration for the event can be done online but the winners are announced on event day itself. The events conducted with the State Government's support are Startup Mania, Tamil Nadu Student Innovators, Tamil Nadu Innovation Grand Challenge (TNIGC), and Enantra.



Over 25 Startup teams have been provided seed funding so far through these pitch fests.



3.4. Funding Support – Angel and Venture Funding

It is observed that once a Startup starts gaining traction, there is typically a gap in accessing the growth stage funds to scale up operations. States can play a vital role in bridging the gap by providing incentives for angel investors to attract investments in State based Startups. Another important measure to support growth stage Startups is venture funding where States have been recommended to support or create Venture Fund(s) or Fund of Funds for Startups.

Key Strengths

a) Promote angel funding

Tamil Nadu Infrastructure Fund (TNIF) has been registered with the Securities and Exchange Board of India (SEBI) and is now in the process of mobilizing Rs.6,000 crore with a first financial close of Rs.1,200 crore.

Way forward

- **Angel funding**

State may undertake steps to promote angel funding. The steps may include providing incentives to angels for their investments in Startups. The State should conduct workshops and networking events for awareness regarding State interventions in this regard with high net worth individuals (HNIs), industrialists, angel investors, angel groups, angel networks etc.

- **Supporting Startups through venture funds or fund of funds**

State Government may explore the opportunity of creating a venture fund or Fund of funds with an appropriate corpus for funding State based Startups. In this regard, department needs to prepare clear operating guidelines for the fund and hire fund manager for managing the funds. Additionally, State Government may consider partnering with some of the venture capitalists to facilitate funding to Startups through venture fund(s) or fund of funds.



3.5. Simplified Regulations

Often, new and small firms are unaware of the nuances of the regulatory issues and can be subjected to intrusive action by regulatory agencies. In order to make compliance for Startups friendly and flexible, simplifications are required in the regulatory regime.

The framework recommends State to undertake reforms by

- Enabling self-certification and/or third party certification for Startups under all applicable labour laws
- Developing online system to facilitate self-certification and/or third party certification
- Supporting Startups working in new or disruptive areas and technologies
- Designing process for publishing policies and regulations regarding adoption of disruptive technologies and business models

Key Strengths

The State of Tamil Nadu has identified areas such as biotechnology, solar energy etc. and published domain specific draft policies to support emerging and disruptive Startups. The State supports these areas through **Tamil Nadu Innovation Initiatives (TANII)** scheme of the State Planning Commission. The scheme involves **awarding** innovative projects to encourage innovation in the State.

Way forward

a) Self-certification or third party certification for Startups

State is encouraged to provide a provision of self-certification or third party certification to Startups under all applicable labour laws of State. Self-certification may be provided where there is no technical regulations which need to be complied with, such as compliance with EPFO, ESIC, Minimum Wages, Bonus, Gratuity etc. Third party certification may also be provided where technical regulations need to be complied with such as Boiler Act, Factories Act, (Lift Act) etc.

b) Policies or regulations regarding adoption of disruptive technologies and business models

State may also publish draft regulations or policies to support Startups in disruptive areas. The due process as described may be followed to design futuristic policies.

1. Invite public comments or feedback and hold stakeholder consultations
2. Policies or regulations should be made considering long term impact of the technology or business model
3. Stakeholders should be consulted and feedback may be incorporated
4. Duration for inviting public comments should be at least 30 days
5. The decision of Delhi Government should be published in public domain



3.6. Easing Public Procurement

State Government shall provide an equal platform to Startups vis-à-vis the experienced entrepreneurs and companies in public procurement. Typically, whenever a tender is floated by a Government entity or by a PSU, very often the eligibility condition specifies either “prior experience” or “prior turnover” or “EMD”. Such a stipulation impedes Startups from participating in such tenders. In order to promote Startups, the framework recommends action points to States to do away with such conditions.

Way forward

a) Do away with criteria of ‘prior experience’, ‘prior turnover’ and ‘submission of EMD’ for Startups in public procurement

Startups cannot compete with established players on ‘prior turnover’ and ‘prior experience’ criteria. Similarly, ‘submission of EMD’ is another big hurdle for Startups. Hence, Startups lose out on delivering superior and cost effective solutions to Government. The end objective of floating a public tender is to identify an organization that can provide best solution at a low cost. Startups can fulfill the objective provided they are allowed to participate in the Government tenders with no deterrent of ‘prior experience’, ‘prior turnover’ and ‘submission of EMD’. State Government may consider removing such criteria completely for Startups from all the public tenders. The amendments may be brought to State General Financial Rules or Procurement rules which apply to all the State Departments, PSUs and agencies.

b) Preference to Startups in State Government procurement

The State has provided provision of preference in procurement to MSMEs and Startups in its draft Startup policy. The State Government needs to issue notification in this regard and should create awareness about it among government officials and Startups.

c) Grievance redressal mechanism for Startups on public procurement issues

In addition to above relaxations and preferences, the State Government should develop online or offline mechanism in the nodal department for resolving grievances of Startups. The State Government could assign a dedicated officer to liaise with other government departments concerned and complainant to resolve issues in a time-bound manner.

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3.7. Awareness and Outreach

State Government plays an important role in human capital development and thus the framework in this area evaluates efforts taken to promote entrepreneurship among students. Also, it encourages State to directly reach out to ecosystem components through events, hackathons, bootcamps, etc.

Key Strengths

a) Startup outreach events

The State has conducted numerous events such as:

- **Bio INNOVAtn 2018:** An event conducted in collaboration with Agricultural College and Research Institute in January 2018. The panel sessions comprised of academic and industrial representatives who deliberated on Bio-entrepreneurship through horticulture research, challenges in it and market potential of horticulture industry. The main thrust of the event was to promote R&D on horticulture based plant industry as a potential bio-entrepreneurship opportunity.



b) Hackathons

The State has conducted several hackathons such as:

- **TNIGC Hackathon:** TNIGC is a full-fledged innovation program including generation of problems statements, hackathons, prototype incubation, product acceleration, grant funding, and seed capital investments. The hackathon conducted as part of the program in Jan 2018 focused on the sectors such as precision agriculture, intelligent machines, smart cities, assistive devices, etc.
- **Bio-hackathon:** This two day hackathon conducted in March 2018 focused on the biotechnology sector with problem statements ranging from blockchain enabled pharmaceutical supply chain management system to robotic sensors and IoT for pest diagnosis and crop management.



c) **Entrepreneurship training programs**

Several Massive Open Online Courses (MOOCs) have been conducted as part of the Innovation and Entrepreneurship Development Program (IEDP) by EDII for entrepreneurship and innovation development for all colleges, polytechnics, etc. 15449 students from over 200 colleges have been enrolled under the MOOCs.

d) **Support to Startups in National or International events**

The State has supported the participation of Startups in two events: **International Engineering Sourcing Show (IESS-VII)** which displayed innovative technologies and provided a platform to interact with investors; and an **exhibition-cum-meet**, to foster better industry – academia connect.

Way forward

- **Organize bootcamps:** Bootcamps are workshops that are conducted in schools and colleges to foster innovation among students. State Government may organize such bootcamps in schools and colleges on regular intervals. Experts may be invited from Startup ecosystem to conduct these bootcamps.
- **Set up Entrepreneurship cells in State:** Entrepreneurship cell provides a platform to students to organize seminars, workshops, get-together and other Startup related events at college and university level. The activities helps in fostering innovation and developing managerial skills among students. State Government may target to develop at least one e-cell in college or university in each district in the State.
- **Undertake partnership with other countries and international agencies:** State Government may undertake partnership(s) with countries and international agencies such as educational, funding institutions, incubators, accelerators etc. The partnership(s) may be for knowledge and resource exchange and market access for Startups.

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