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

#startupindia

Telangana

Leader

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup ecosystem

State of Telangana has created a unique model in the country for developing a robust Startup ecosystem. It has appointed Chief Innovation officer for overseeing Startup activities in the State and instead of only Startups, it has come out with a comprehensive Innovation policy to support innovation in the State. Additionally, its T-hub model is counted as one of the best practices in the country. As a result, it has achieved the status of '**Leader**' in Department of Industrial Policy and Promotion's State Startup ranking exercise 2018.

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

1. The State of Telangana is known for T-Hub, a unique public private partnership between Government of Telangana, three academic institutions (IIIT Hyderabad, ISB and NALSAR) and key private sector leaders. It is the largest and the fastest growing Incubator in India.

2. Nodal department for Startup is **Information Technology, Electronics & Communications (ITE&C) Department, Government of Telangana** and nodal officer is **Principal Secretary, ITE&C.**

3. The Government of Telangana administers the following forms of support through T-hub:

   - Mentorship
   - Corporate connects and networking opportunities
   - Workshops and seminars
   - Investor connects
   - Partnerships and international visibility

4. **T-hub** is the nodal agency implementing Startup initiatives in the State led by Principal Secretary, ITE&C Department.

5. **T-hub portal** is T-hub.co

6. State has appointed a **Chief Innovation Officer** to look after the Startup activities of the State.
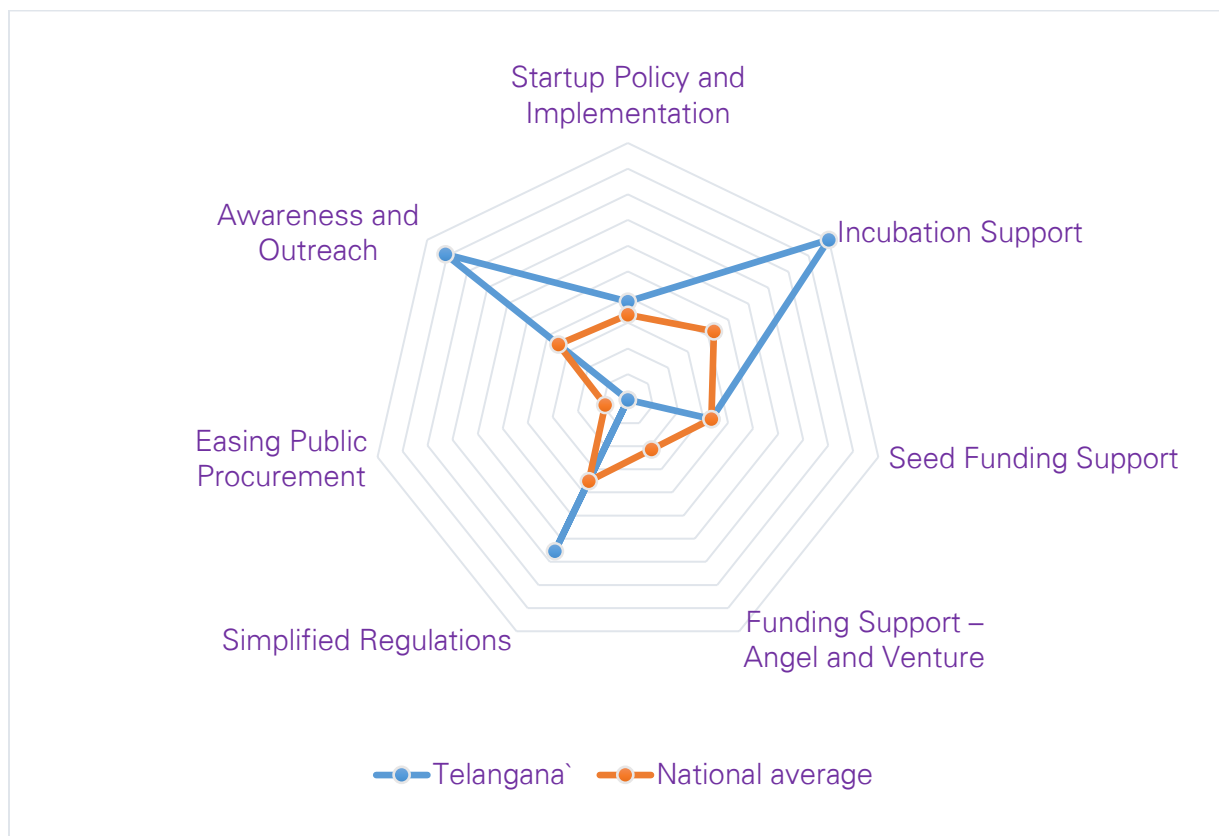
KEY HIGHLIGHTS OF THE STATE'S INITIATIVES

- ✓ State has supported in setting up of T-hub at IIIT campus in Hyderabad and 4 Incubators across Tier-2 cities (Karimnagar, Warangal, Khammam and Nizamabad) for a more holistic Startup ecosystem development
- ✓ The State has formed many partnerships through its supported Incubator T-hub, with companies and institutions in order to promote innovation and support Startups with innovatory services or product

2.   Snapshot of State performance

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

Each of the 7 pillars of ranking framework form individual axes and the overall performance of the State in each pillar has been indicated on respective axes. Brief analysis of Telangana on above chart is provided below.

Government of Telangana has done exceptionally well in 'Incubation Support' and 'Awareness and Outreach' pillars. In fact, T-hub model is well renowned in the country. State efforts in the pillars such as 'Simplified Regulations' and 'Startup Policy and Implementation' are also good and better than national average.

However, State needs improvement in pillars such as 'Easing Public Procurement', 'Funding support – Angel and Venture Funding' and 'Seed Funding Support'. The detailed analysis of the State's performance is described in next section.

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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) Startup policy

The State notified the **Telangana Innovation policy in 2016**. The policy focuses around a few key themes and inclusive development of the Startup ecosystem in the State. The **five pillars of the policy** includes:

- Development of physical infrastructure and program management capabilities

- Creating sustainable funding models

- Development of human capital

- Proactive engagement with industry

- Encouragement of Startups in the rural and social enterprise domains

TELANGANA INNOVATION POLICY 2016

The focus of the policy is to create a conducive environment for innovation and R&D in the State by providing excellent incubation support, partnerships and academic linkages. It also offers **fiscal incentives to Startups such as reimbursement of service tax and promotional costs, recruitment assistance and grants**. It also offers incentives to Incubators such as reimbursement of stamp duty and registration fee, performance linked assistance and matching grants.

b) Nodal agency

The Directors of T-hub form a dedicated team for the development of the Startup ecosystem in the State and for the implementation of the Innovation Policy of the State.
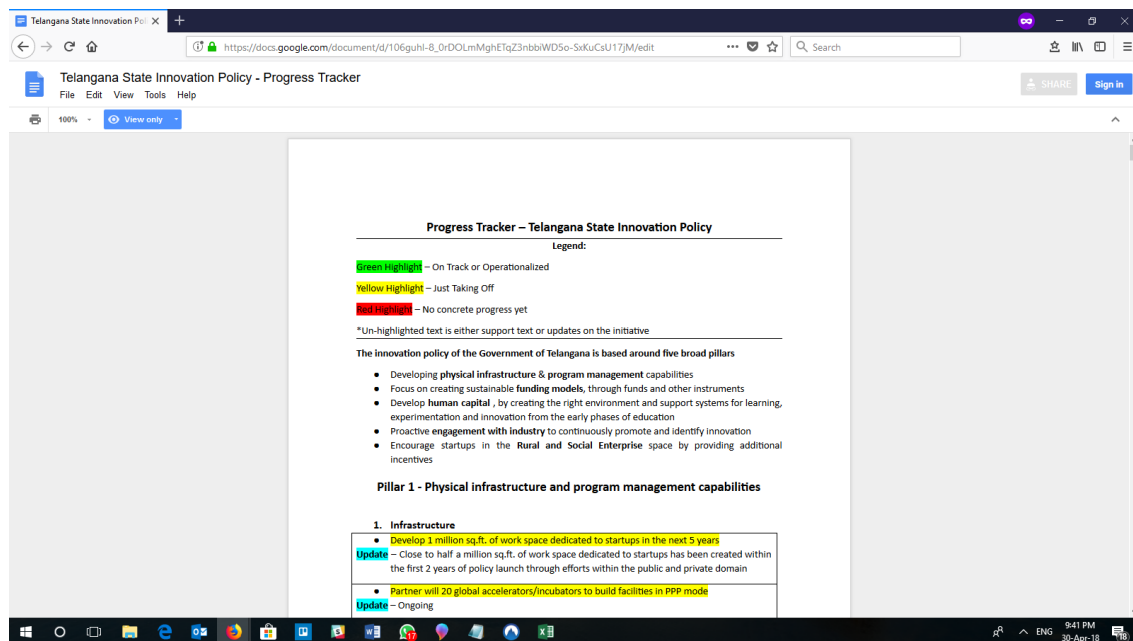
c) Innovation society

A Startup Cell has been setup in the State for driving innovation in the State. The Startup Cell shall be run by the Chief Innovation Officer responsible for working across departments and with industry to incubate, conceptualize and evangelize innovative ideas.

d) Progress monitoring

The State monitors the progress of the Innovation Policy through a regularly updated document highlighting the progress against each policy initiative, and what is yet to be implemented.

Progress monitoring

e) Mentorship

On the State's T-hub portal, individuals can apply to be mentors in the State. Startups can access the registered mentors including their details and reach out to mentors that best aligns with their areas of support needed. The platform currently has 120 registered mentors.

f) IP support

The State has an Intellectual Property Facilitation Centre in **National Institute for Micro, Small and Medium Enterprises (NIMSME)** and the **International Crops Research Institute for the Semi-Arid Tropics**. The NIMSME IPFC conducts IP awareness workshops for Entrepreneurs and Startups, and provides consultancy on Intellectual Property Rights through empaneled attorneys at the IPFC. The ICRISAT IPFC acts as a single window for all IPR related activities including Intellectual Property (IP) protection, IP advisory, and technology transfer in Startups. IPFC facilitates national and international IP protection, IP commercialization, and use of IP tools

in a cost effective manner. They also assist Startups in claiming reimbursements for patent and IP filing through Government schemes.

g) Partnerships

The State has formed many partnerships through its supported Incubator T-hub, with companies and institutions in order to promote innovation and support Startups with innovatory services or products. One such partnership with Kestone Integrated Marketing Services brought about the Rural Electrification Corporation (REC) Innovation Platform for Renewable Energy. The platform will extend support and mentoring to students from 30 Government institutions across Andhra Pradesh and Telangana in renewable energy. Additional partnerships include those with Stanley Black and Decker, HSBC and Boeing.

Way forward

- **Online portal for registration and availing benefits**: An online single window system may be built as a one stop solution for Startups. It can include provision such as online Startup registration and applying and availing of incentives under the Startup policy.

- **Availability of information wizard:** State may 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 and clearances (sector-wise) required by entrepreneurs to set up, operate and exit a business in the State. 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.

- **Develop a query resolution system:** 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.

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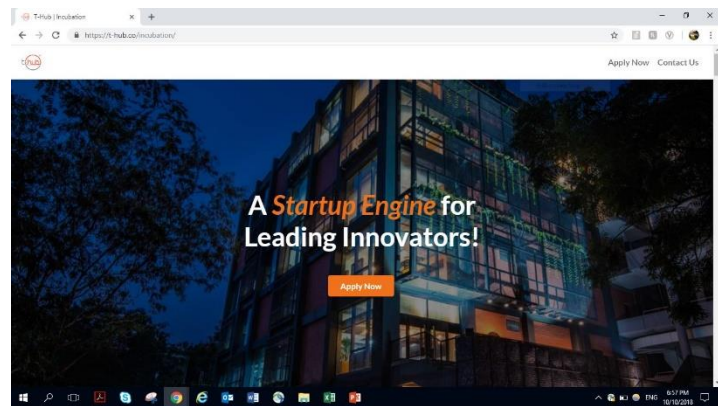
3.2. Incubation Support

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

a) Support to Incubators

The State has supported the setting up of **T-hub**, a unique public private partnership between the Government of Telangana, three academic institutions (IIIT Hyderabad, ISB and NALSAR) and key private sector leaders, at IIIT campus in Hyderabad by **sanctioning a capital grant of 48.5 crores**. Setting up of other incubation centres in Tier-2 cities of **Karimnagar, Warangal, and Khammam** have also been supported through capital grants of sizable amounts. The State has additionally provided financial assistance to the **Kakatiya Sandbox Incubator at Nizamabad District** for refurbishment works. Sanction of capital grant has been accorded to **Telangana State Industrial Infrastructure Corporation Limited** (TSIIC) for relaying to the said Incubator, engaging a third party Quality Monitoring Agency.

The State also offers several incentives to Incubators in its Innovation policy. These include:

- Reimbursement of paid Stamp Duty and Registration Fee

- Financial Assistance as Matching Grants

- Performance Linked Assistance: Government will assist the Host Institutes of recognized Incubators with an Operating Grant to be calculated based on number of Startups incubated in a year.

- The Government shall ensure uninterrupted supply of electricity at industrial tariff

- 25% reimbursement on Internet charges

- In case of Government-owned buildings leased to technology Incubators, no lease rent or O&M charges will be levied for a period of five years or until the Incubator is self-sustainable.

- In case where private premises are taken on lease or rent basis, a rental reimbursement up to a certain amount will be provided.

- An investment subsidy of 20% of the value of the Capital Expenditure, other than land and building, shall be provided to Incubator

b) Incubation area

The incubation area under the State-supported Incubators is more than 30,000 square feet.

c) Subsidized incubation provided to Startups

The State has provided subsidized incubation at T-hub to 128 Startups. Startups can apply for incubation at T-hub on http://t-hub.com/incubation. Apart from subsidized incubation, Startups are supported in the following ways:

- Six-month Startup program
- Workshops and seminars from senior corporate executives
- Access to international and national demo days and competitions
- One-on-one interactions with our dedicated pool of mentors, investors and partners
- 24/7 access to catalyst facility

Way forward

- **Setting up Incubators**

State may explore the opportunity of setting up Incubators in top academic institutes. Corporates may be encouraged to setup Incubators in a PPP mode with support from State Government. This will also help the State in setting up more Incubators.

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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) Seed funding

The State provides **reimbursement of lease rental** as seed funding support to Startups. The State has supported 48 Startups so far in the period between January 2016 and April 2018.

Way forward

- An online system may be built for Startups to apply and avail seed funding support and other monetary assistance from the State. This system could be built with the provision of applying online, tracking status, and online approvals.

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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.

Way forward

As per the State Government policy, Telangana does not incentivize angel investments. Rather, State conducts **Investor Connects** in T-Hub from time to time. The purpose of Investor Connects is to connect startups with investors to enable startups to showcase their ideas and products and investors to learn about success stories and be up-to-date with the market.

Additionally, **State enables startups to receive angel funding by uplifting them** and connecting them to potential investors. State has placed a dedicated investor liaison officer in T-Hub who sits with startups to refine their pitch deck, advise them on when and how much to raise, connect with potential investors and handhold through the entire investment cycle.

Going forward, State may explore various options such as providing dedicated meeting rooms for meetings or conducting regular sessions between investors and Startups or supporting through fund of funds to ultimately support Startups.

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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

a) Self-certification for Startups

The provision of self-certification has been made available in the State for more than 10 labour laws, and these include
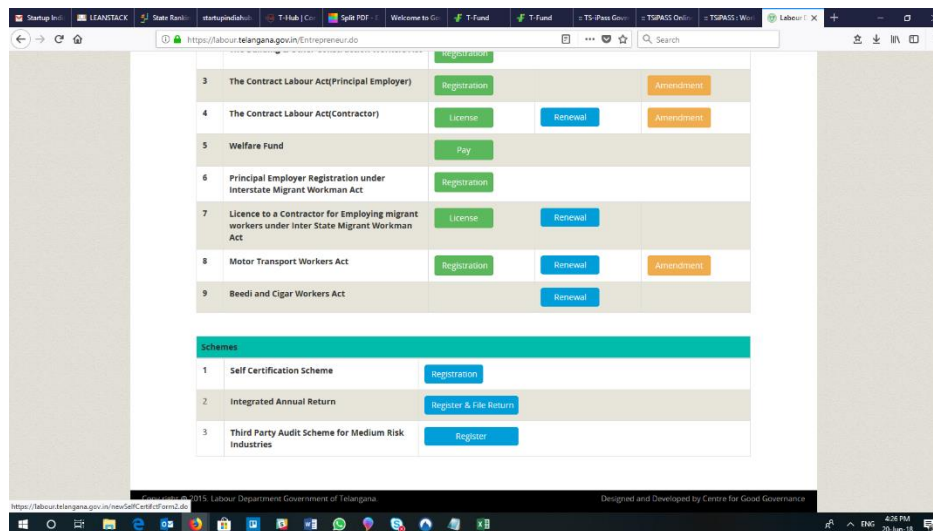
- The Equal Remuneration Act

- The Minimum Wages Act

- The Telangana State Shops and Establishment Act

- The Payment of Bonus Act

- The Payment of Wages Act

- The Payment of Gratuity Act

- The Contract Labour (Regulation and Abolition) Act

- The Inter-State migrant Workmen (Regulation of Employment and Conditions of Service) Act

- The Building and other Construction Workers Welfare Act

- The Motor Transport Workers Act

Moreover, the establishments opting for self-certification will be categorized as low risk under computerized risk assessment procedure and they will come up for regular inspection only once in 5 years. The units not enrolled under self-certification scheme will be categorized as medium or high risk.

b) Online System for Self-Certification

The State online platform for self-certification is available at
Labour.telangana.gov.in/Entrepreneur.do

The portal provides the application procedure and checklist along with an issue of acknowledgement post application.

c) Disruptive Technologies

The State has identified several disruptive areas of support such as

- Cybersecurity

- Data Analytics

- Gaming

- IoT

State has shared several draft policies on these areas in the public domain. Domain centric meetups on areas such as **Virtual Reality, AgriTech and HealthTech** are conducted on a quarterly basis in the State to promote these disruptive technologies. These events see participation from Startups working in the particular sector, researchers, enthusiasts, corporates, government employees, and investors and aim to bring different ecosystem players to come, interact, exchange ideas, network, and explore synergies.

- **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 and feedback and hold stakeholder consultations

2. Policies or regulations should be made considering long term impact of the technology and 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 State Government should be published in public domain

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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

Government of Telangana has **removed criteria such 'prior experience', 'prior turnover', and 'submission of EMD' to Startups that have technology based solution**. However, these criteria restricts the benefit to only to those Startups that have technology based solution. Those Startups that don't have tech based solutions will still remain out.

Going forward, it is suggested that State widens such support to all kind of Startup (including non-tech based) provided they meet quality and technical specification.

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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) Organizing Startup outreach events

Through T-hub, the State has conducted numerous events. Some of the events conducted are

- **Bio Asia:** An annual conference conducted to drive innovation in the life science industry and to bridge the gap between science and business. This event brings together Startups, industry players and researchers together and allows Startups to showcase their ideas.

- **Road to GES:** This program provides educational sessions by world-class innovators and aims to build a large startup community. Pitching sessions, networking events and product showcasing takes place in this event that brings together Startup founders, investors, industry leaders and media.

b) Organizing bootcamps

The State has conducted many bootcamps for students, early-stage Startups and enthusiasts. Some of these include

- **Excite:** A six week workshop on Product engineering, Innovation and entrepreneurship conducted annually in JNTUH by JNTUH, TASK, HYSEA and implemented by Idealabs. At this event Incubation, acceleration, and funding support is provided for the top 10 teams.

- **Makerspace:** MakerSpace is an annual initiative started by TASK and HYSEA to bring the culture of Innovation at grassroots, in engineering colleges by conducting 100+ boot camps across the State.

c) Organizing hackathons

The State has conducted several hackathons such as

- **Hack2Innovate:** Hack2Innovate is a national hackathon that occurs over 24 hours in each of the 7 cities around the country. Coders, startups, entrepreneurs, researchers, designers,

makers, technologists and enthusiasts come together to work in the field of DeepTech and AI on the problem statements provided by partners.

- **Smart city Hackathon:** Cisco-Mtuity Smart Cities Hackathon, an initiative by T-Hub, Cisco, and Paradigm Mtuity, to cater solutions to the problem statements pertaining to smart cities domain and to foster open innovation by providing data, domain expertise, urban challenges, training sessions to create awareness of analytical platforms and hardware such as sensors provided by the partners.

- **Solv-a-thon:** Solv-a-thon is a Hackathon with the aim to identify the best solutions to specific, actionable challenges through open innovation and building and convening a community of leaders and change makers committed to partnering together to pilot and implement these solutions.
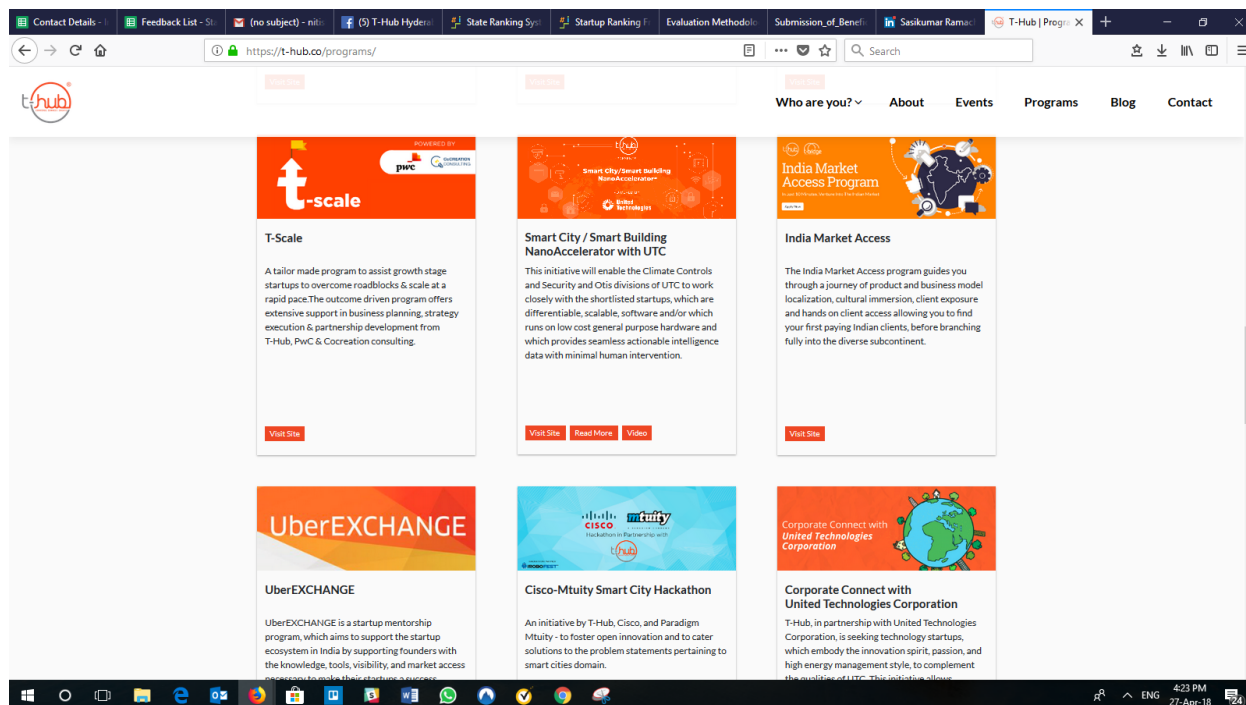
d) Entrepreneurship training programs

The Technology Entrepreneurship Program is offered by the Indian School of Business on partnering with the Telangana Academy for Skill and Knowledge. It is a semi-virtual training programme for 3rd and 4th year engineering students, providing guidance in creating technology-enabled products and services and improve entrepreneurship skills. This programme aims to foster entrepreneurship by guiding engineering students in creating technology-enabled products and services. Additionally, the programme helps improve their communication, teamwork and problem-solving and decision-making abilities. This program has seen a **total enrolment of 1516** students from January 2016 to April 2018.

e) National or International events

The State supported Startups for participation in National or International events such as **BioAsia, IndiaSoft, NASSCOM Game Developers Conference 2016 & 2017, Tech Summit focusing on 'Moving towards Smart and Intelligent' conducted by CII, and TiECon at Silicon Valley**. The support provided to Startups was in form of subsidized or free stalls at the events.

f) International partnerships

The State has formed several international partnerships such as partnerships with Quantela, Australian Consulate, Vodaphone, DBS and Samsung which are leveraged to conduct Startup outreach events, boot camps, and hackathons. The programs run by these partners are provided on https://t-hub.co/programs.

- **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 is encouraged to develop at least one e-cell in college or university in each district in the State.

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