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

#startupindia

Andhra Pradesh

Leader

State Startup Ranking Exercise 2018

December 2018

Table of Contents

1. Overview of State Startup Ecosystem

Andhra Pradesh has performed remarkably well in the State Startup ranking exercise 2018. The State being the first to launch its Startup policy has undertaken major reforms in development of Startup ecosystem. These efforts have been well recognized and State of Andhra Pradesh has being acknowledged as a **'Leader'** in the **State Startup Rankings 2018** conducted by Department of Industrial Policy and Promotion, Government of India.

Some of the key facts associated with the Startup initiative of the State are as follows:

1. Government of Andhra Pradesh **launched their Startup policy in 2014**. The vision of the policy is to create a world class 'Technology Startup Ecosystem' by fostering 'entrepreneurship and a culture of innovation' which leads to increased knowledge, wealth and employment in the society".

2. Nodal department for Startup is **Information Technology, Electronics and Communications (ITE&C) Department** and Nodal officer for Startup is **CEO, Andhra Pradesh Innovation Society** under the administrative control of ITE&C department.

3. Startup portal **apinnovationsociety.com** is available with following services:
   - Startup registration
   - Incubator registration
   - Mentor registration
   - Investor registration
   - Application for various policy incentives such as seed funding, IP support, etc.

Andhra Pradesh Innovation Society is the nodal agency for implementing Startup initiatives in the State. It is led by the **CEO** and supported by a team of 16 full-time members to coordinate with government departments, educational institutions and incubators.

KEY HIGHLIGHTS OF THE STATE

- ✓ State has supported in setting up of 5 incubators across Vizag, Tirupati, Kakinada and Anantapuram.
- ✓ 72 entrepreneurship cells (e-cells) across all 13 districts in the State.
- ✓ Comprehensive online dashboard which monitors the progress of various initiatives under the Startup policy.

2. Snapshot of State Performance

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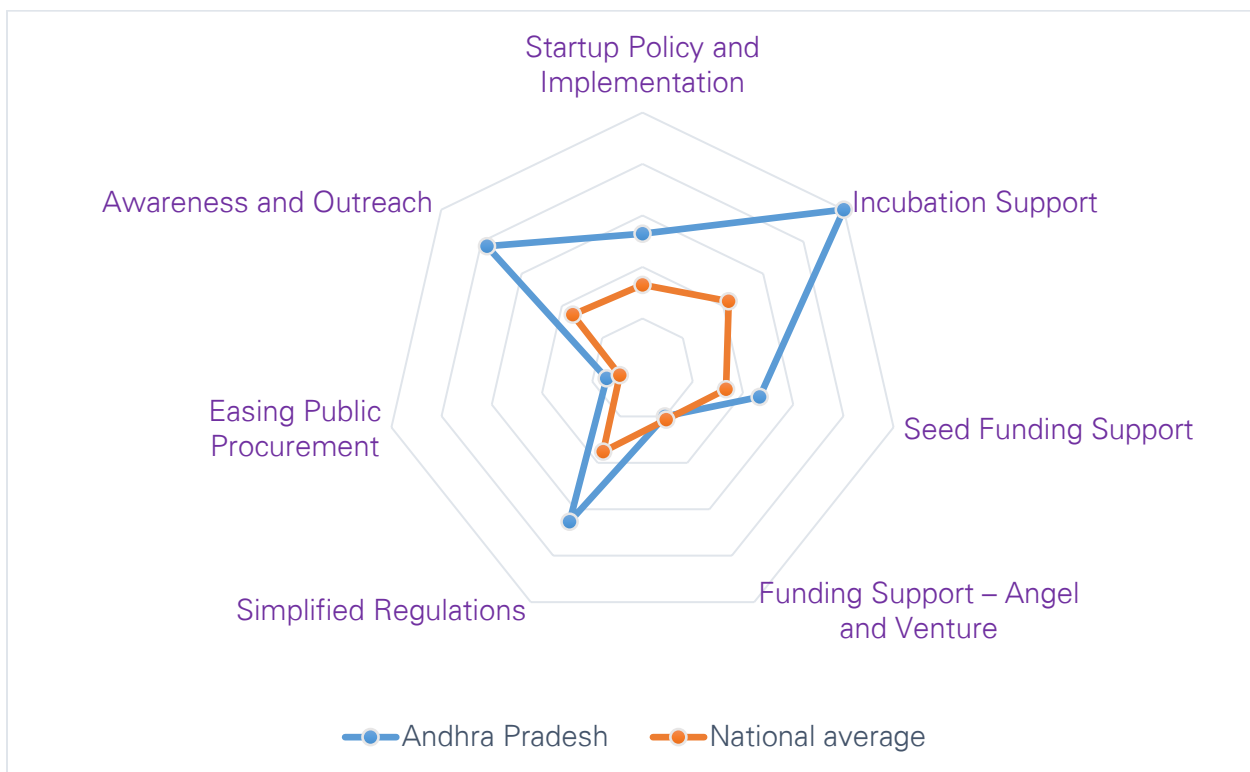

Each of the 7 pillars of ranking framework form individual axes and the overall performance of the State in each pillar has been indicated on respective axes. Brief analysis of Andhra Pradesh on above chart is provided below.

State Government has performed exceptionally well in 3 pillars namely 'Incubation Support', 'Simplified Regulations' and 'Awareness and Outreach' as compared to national average.

State has performed well in 'Startup Policy and Implementation' and 'Seed Funding' pillar when compared to its peers. Going forward, State may undertake additional efforts as indicated in the following chapters of this report of pillar-wise analysis to improve its performance in these pillars.

In "Angel and Venture Funding' pillar and 'Easing Public Procurement' pillar, State performance is at par with its peers as the data points for both State and national average coincide. The State despite being at par with the national average still needs to undertake significant efforts to improve overall performance in the next round of ranking.

Above performance has contributed to the State's positioning as a 'Leader' in the ranking exercise. Detailed analysis of the State performance in each pillar has been provided in the following chapter of this report.

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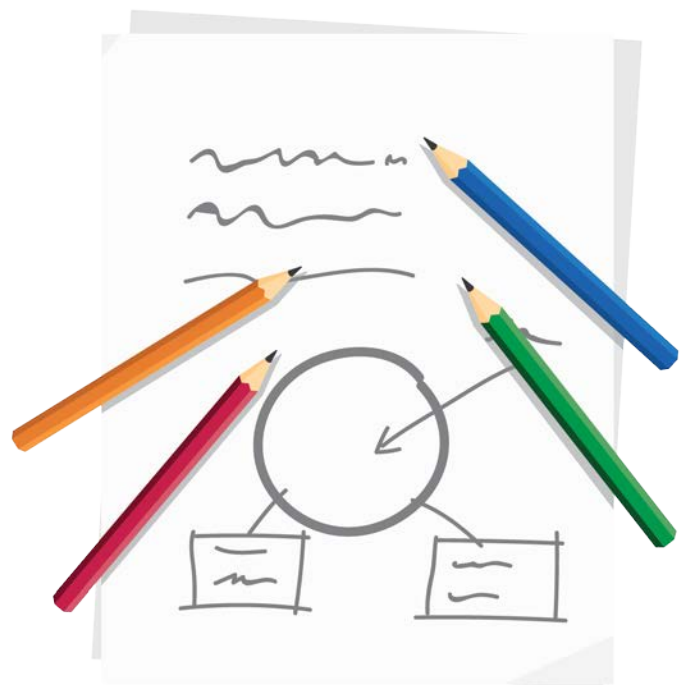
3. Pillar-wise Assessment

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

- **Startup Policy**

Andhra Pradesh was the first State to launch its **Innovation and Startup Policy 2014 - 2020**. The policy balances both fiscal and non-fiscal incentives such as setting up of incubators or accelerators, innovation fund of INR 100 crore and performance linked assistance of INR 12500 per month. The State considers Department of Industrial Policy and Promotion (DIPP) definition of 'Startup' (as mentioned in the FAQ section of the Startup portal) to allow State based Startups to avail policy incentives.

- **Innovation Society**

State has a well-structured and fully functional innovation society in Andhra Pradesh Innovation Society (APIS). The society also plays the role of a nodal agency responsible for managing the implementation of Startup initiatives. APIS was constituted in 2014 and is headed by a CEO. The society also maintains an online portal for the State Startup initiative.

- **Dedicated Startup portal**

Single window dedicated Startup portal is in place with well-defined processes for registration and availing benefits and incentives under State Startup policy. The portal is accessible at http://www.apinnovationsociety.com/index.php.

The portal provides important information or updates of the activities planned in Andhra Pradesh Startup ecosystem. Secondly, it also brings together the entire Startup community on a single platform by creating a mentor network, listing incubators and accelerators, access to IP support centers and Startup outreach events.
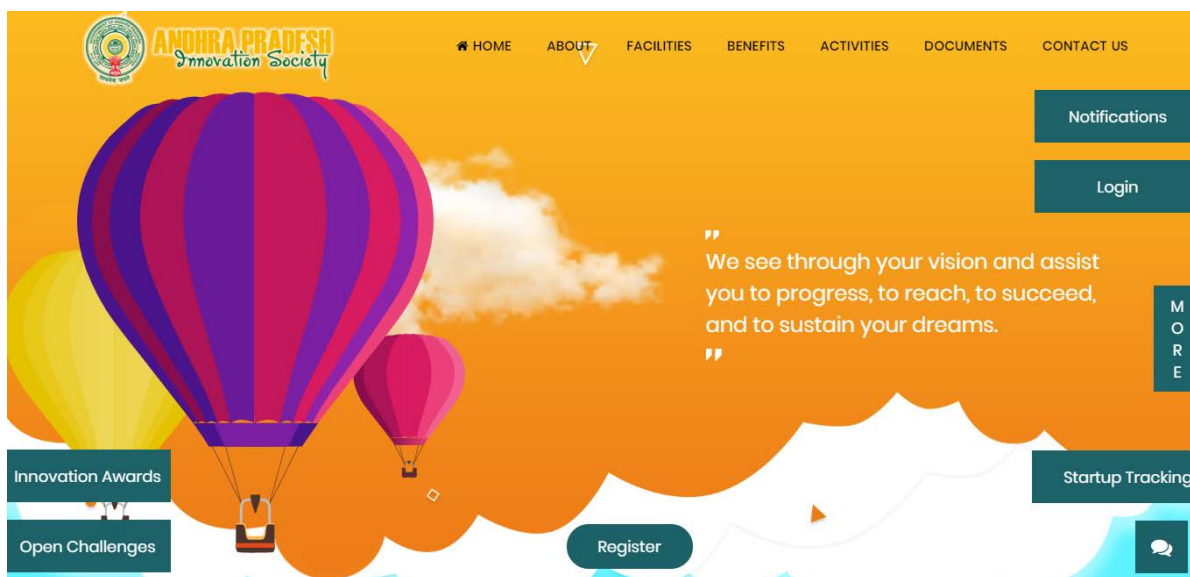
Startup portal of Andhra Pradesh

The portal also provides functionality of submitting online application for incentives, tracking the status of the application and the approval. Startups receive notifications as and when the status of the application changes. Alternatively, Startups can also check the status by accessing status tracking tab on the home page. Startup registration gets completed within 30 days and a registration certificate is made available to the Startup. Following incentives are available for Startups on the online Startup portal.
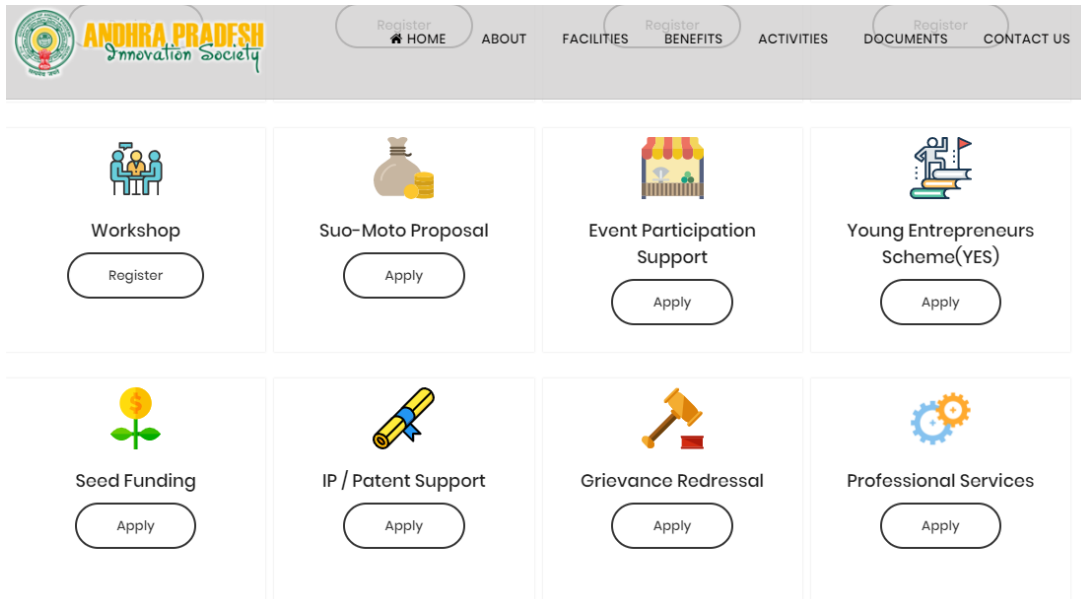
- **Progress monitoring**

State has developed a comprehensive online dashboard for monitoring all the Startup activities. The status of all activities or events is updated dynamically and the dashboard presents detailed information about each initiative. It monitors the progress of all programs and results achieved against targets set for incubators or accelerators including Startups incubated, incubations space to be created, venture capital mobilized, bootcamps, hackathon, exhibitions conducted and attended, innovations awards, etc.
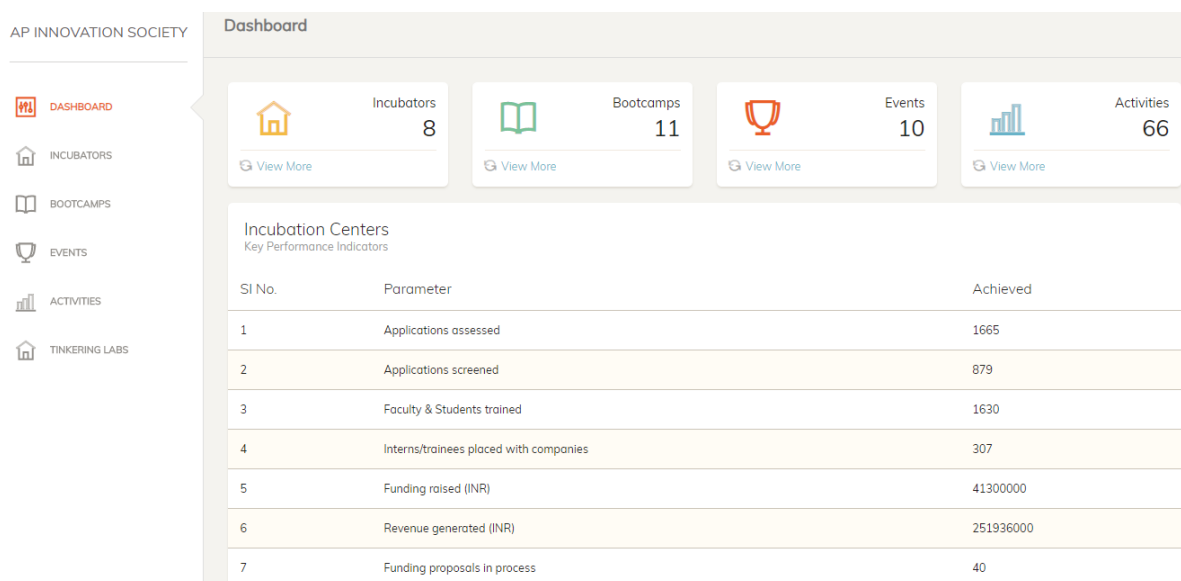
Screenshot of Andhra Pradesh progress monitoring dashboard

- **Intellectual Property (IP) support centers**

AP Innovation Society in association with National Research Development Corporation (NRDC) under Ministry of Science and Technology, Government of India has facilitated an Intellectual Property Facilitation Center to help Startups, MSMEs, industrial and academia across the State. The facilities related to IP Services in various domains of science and technology such as patent filing, copy right or trademark registration and technology transfer and commercialization services are provided by the center. Descriptive list of activities undertaken by the NRDC IPFC at Vishakhapatnam include:

- Patent Services
- Technology Transfer to Startups or MSMEs in State
- Trademark and Copyright Filing
- Providing Technological information services to the Entrepreneurs
- Providing Patent Search reports to inventors or Startups
- Organizing EDPs or IPR Awareness programs or Patent Search and Analysis
- Conducting IPR, Innovation and Academia-Industry Meet workshops
- MoU with Academic Institutions for Startups and IP culture in AP
- Introducing Entrepreneurs to the Incubation Centre @APIS

- **Partnerships**

State has formed strategic alliances with diverse organizations connected with innovation and Startups to foster innovation and Startup growth. Some of the key partnerships include FICCI for establishing world class acceleration center through IC2 Institute, UT, Austin in America; NASSCOM to run 10K Warehouse and Centre of Excellence in Internet of Things (IoT) at Vishakhapatnam; GOVIN capital for managing SAI Accelerator and Incubator and GASTROTOPE for running agri-accelerator in Andhra Pradesh.

The abovementioned initiatives from the State Government play a critical role in making the State of Andhra Pradesh such a strong candidate in 'Startup Policy and Implementation' pillar.

Way Forward

- **Startup Policy:** Startup policy is a common reference official document for all the Startup stakeholders in the State. Startups looking to setup businesses in Andhra Pradesh would look for eligibility criteria i.e. definition of a Startup to avail incentives under the scheme.

The State has adopted the definition of Startup as outlined by Department of Industrial Policy and Promotion (DIPP) and published the same in FAQ section on the State Startup portal. However, State may consider amending the notified Startup policy to include the Startup definition formally for the purpose of registration and disbursing benefits.

- **Women entrepreneurship:** Women entrepreneurs in the State get incentives under Andhra Pradesh IT POLICY 2014-2020 and Industrial Development Policy 2015-2020. However, the official Startup policy does not provide any special incentives to women entrepreneurs. A progressive State like Andhra Pradesh may consider including specific incentives in the Startup policy for encouraging women led Startups. Some of the women specific incentives could be in the form of:
    1. Dedicated percentage of seats in incubation centers
    2. Enhanced interest subsidy in loans
    3. Enhanced monthly or sustenance allowance
    4. Dedicated seed and venture funds for women entrepreneurs

- **Online system for Startups:** State has developed a well-functioning Startup portal for Startups to register and avail benefits or incentives. As a step towards improving the current system, State may consider to upload specific application guidelines, eligibility criteria and approval process for all the incentives. This will ease the application process for Startups as they get required information from a single portal.

- **Information wizard** has been developed to provide static information on State Government and Central Government approvals in pre-establishment, pre-operations and renewal stage. However, State may improve the system by transforming the static information into dynamic input based results as per user's business (sector, industry, stage). State may also include customized approvals for Startup such as self-certification under labour and environment laws, faster exit, and other State exemptions.

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3.2   Incubation Support

Incubation Support covers performance in "setting up incubators, incubation area 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

- **Setting up incubators**

Government of Andhra Pradesh has set-up physical infrastructure for creative enterprises and collaborated with renowned incubators and accelerators. State Government has envisioned setting up 100 incubators in the State by 2019 in its Startup policy. Operational guidelines for setting up of incubation centers in educational institutions with Government support have also been prepared.

State has financially supported following incubators for capital, operations and maintenance expenses of the facility:

1. Sunrise Incubation Centre, Vizag
2. Incubation tower, Kakinada
3. Incubation tower, Anantapuram
4. Technology Business and Acceleration program, Tirupati
5. Atal Incubation Centre, Sri Krishnadevaraya University, Anantapuram

- **Incubation area**

AP Innovation Society has supported incubation area of more than 70,000 sq. ft. The support is provided through different models such as lease agreements for setting up plug and play infrastructure, matching grant to incubators, providing grants for operational and maintenance expenditure. Details of incubation area for key incubators are as follows:

1. Visakhapatnam - 37951 Sq. ft.
2. Kakinada - 15,000 Sq. ft.
3. Anantapur - 20000 Sq. ft.

Facilities available for Startups in incubators are mentorship, market research, access to seed or VC funds, patent registration, legal and accountancy services, investor connect, access to Startup Expo organized by AP Innovation Society and its partners.

The abovementioned initiatives from the State Government play a critical role in making the State of Andhra Pradesh such a strong candidate in 'Incubation Support' pillar.

Way Forward

- **Incubators:** As per DIPP Startup recognition database, there are more than 250 Startups based in Andhra Pradesh. The number is certainly going to increase in coming years with growing support from State Government. With this background, the State may like to speed up the setting up of incubators initiative.
  State may explore the opportunity of setting up incubators in top academic institutes and Government offices. 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 100 incubators or accelerators by 2019.

- **Subsidized incubation:** 53 Startups currently operating in State supported incubators have received the benefit of subsidized incubation which is free of cost. However, to scale this up, State may explore the opportunity to partner with other private incubators and support them by reimbursing the cost of incubation of State based Startups.

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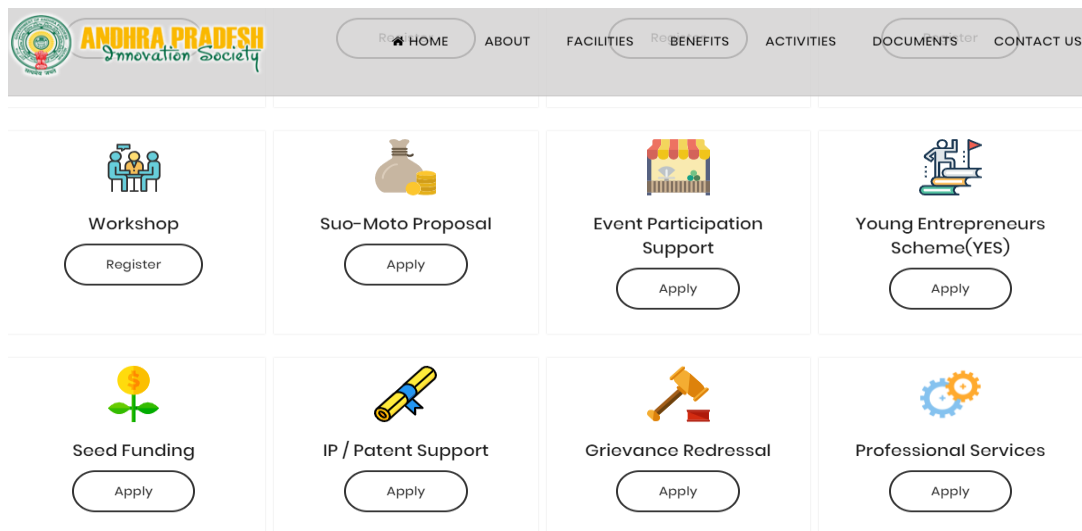
- Develop seed funding guidelines
- Develop online systems to enable Startups to apply for seed support
- Measure the impact created by State by providing seed funding to Startups

Key Strengths

- **Guideline and system for seed funding**

Andhra Pradesh Innovation Society has formulated the seed funding guidelines to support deserving Startups in their endeavor. The State identifies APIS registered Startups with significant impact or commercial potential and proposal with clear technology objectives for providing the seed funding. A one-time grant of up to INR 5,00,000/- per Startup is provided to the selected entities as seed fund.

An online system has also been developed to apply for seed funding incentive. The system allows Startups to submit application, track status and receive approval online without any physical interface.

Startup portal with a system to apply for seed funding

- **Seed funded Startups:** The State has clear guidelines for providing seed funding to Startups. These grants are useful in helping Startups to grow, build their solutions and access markets, while stretching their runway to success. Till date, only 4 Startups have received seed funding support from Government under the scheme.

Seed grant can be provided directly to Startups or through incubators. Considering, Andhra Pradesh has more than 50 Startups under incubation, Government could generate awareness among incubates to utilize the incentive. This would enable some of these incubate Startups with innovative ideas or technologies to graduate to a level where they will be able to raise investments from angel or venture capitalists or they will reach a position to seek loans from commercial banks or financial institutions.

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3.4   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

- **Promote angel funding**

AP Innovation Society in association with Gastrotope Pvt. Ltd. (an entity formed with collaboration between India and Japan for promoting entrepreneurship in farm sector) has launched "FORTISSIMO" acceleration program. This program is open for all Farm-to-Fork sector Startups (Agri or Food or Aqua-tech). 10 Startups are selected in one cohort of 3 month and are provided funding support up to INR 50 Lakhs, mentorship, network, facilities (such as office space etc. in Vizag, Andhra Pradesh).

State Government and Gastrotope, both have contributed INR 2.5 crore for investing in selected Startups. This co-investment model will help in promoting angel investment. Additionally, State Government in association with FICCI has organized Investor Innovator Meet at Visakhapatnam to help Startups secure their initial angel investment.

Way Forward

- **Venture funding:** State Government in its Startup policy has envisaged setting up of a Fund of funds of INR 100 crore for funding Startups. As per the response provided to DIPP, APIS has drafted the guidelines for proposed "Sunrise Startup Fund" which will operate as a "Fund of Funds" and will nurture Startups supported by State to grow organically and scale to create the intended impact in the society. The fund shall enable creation of an ecosystem for providing risk capital to young enterprises to undertake research and development in high priority technology areas.

  State has also identified AP State Finance Corporation to manage the fund operations. However, the operating guidelines are due for cabinet approval.

The State Government has rightly identified the need of such an intervention and it may consider operationalizing the fund early for the benefits of Startups. Alternatively, State may also consider participating in other operational venture funds (public or private) working to promote Startups.

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3.5   Simplified Regulations

Often, new and small firms are unaware of 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 or third party certification for Startups under all applicable labour laws
- Developing online system to facilitate self-certification or third party certification
- Support to Startups working in new or disruptive areas or technologies
- Designing process for publishing policies or regulations regarding adoption of disruptive technologies or business models

Key Strengths

- **Self-certification or third party certification for Startups**

Department of Labour, Employment Training and Factories, Government of Andhra Pradesh has enabled the provision of self-certification for Startups under 20 labour laws. These establishments are classified as:

1. Startup establishments exempted from online Inspection for a period of 3 years from the date of commencement of work or business
2. All low risk establishments and those under SEZs or EPZs are also exempted from inspection
3. Establishment inspected in the first year will be exempted for the next 2 years for inspection by any inspecting officer

Additionally, all medium risk establishments are allowed third party certification.

- **Online system for Self-certification or third party certification for Startups**

The online self-certification process is made available in the Startup portal under 'General services' section of 'Benefits' tab. The portal also provides 'help manual' and 'sample acknowledgement' for the reference of Startups.

Startups after registration under Andhra Pradesh Startup initiative can apply for self-certification process. The system allows Startup to submit application online through E-District portal and "Mee seva" services using online payments. A 'self-certification' certificate is also generated as a proof of compliance by the Startup.

Way Forward

- **Support to disruptive Startups:** Various new Startups are working in newer or disruptive areas or technologies such as e-Pharmacy, electric vehicles, cab aggregators, etc. These Startups face challenges of lack of proper regulations, ambiguity in interpretation of regulations or archaic rules and guidelines which are not designed considering the needs of current enterprises. State may identify few priority sectors or technologies for identification of issues faced in business operations by conducting conferences, meetings, round table discussions, etc. Relevant stakeholders and Startups may share their issues or suggestions to improve the regulatory landscape for ease of doing business in the State. Also, State may proactively present such issues at appropriate platforms to encourage more such disruptive Startups to connect with State Government.

- **Policies or regulations regarding adoption of disruptive technologies:** In order to encourage and support Startups working in newer or disruptive areas or technologies, Government may detail process of drafting policies or regulations through:
  1. Measuring impact: Long term economic and social impact
  2. Hosting pre-draft stakeholder consultation through online and offline medium
  3. Publication of draft policy or regulation in public domain
  4. Inviting stakeholder or public comment on draft policy or regulation
  5. Publication of final policy or regulation

  Using the above approach, Startups will be encouraged to bring out regulatory issues facing their business operations which can be taken up by State Government for resolution.

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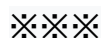
3.6   Easing Public Procurement

State Government shall provide an equal platform to Startups vis-à-vis the experienced entrepreneurs or 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.

Key Strengths

- **SUO MOTO Proposal scheme:**

State Government has announced SUO MOTO scheme where any Startup or MSME or enthusiastic first generation technocrat or entrepreneur from Andhra Pradesh; with an annual turnover between INR 50 lakhs and INR 25 Crore; in identified sectors can submit a proposal after a call for proposal is announced. After the proposal evaluation, the selected Startups are connected to respective State departments. After department's internal evaluation, Startups are given necessary orders for procurements. The scheme allows government departments to source innovative solutions directly from Startups without the requirement of prior experience. The scheme was announced in 2015 for a period of 3 years. 4 Startups have already availed benefits of this scheme.

- **Exemption from submission of EMD for Startups**

State has encouraged Startups to participate in nation building and allow government departments to source innovative solutions directly form Startups. Government of Andhra Pradesh through a notified government order has made the required provisions to do away with the 'submission of EMD' clause for Startup participating in public procurement. The benefit has been extended to Startups to bring them at par with small scale industries.

Way Forward

- **Do away with the criteria of 'prior experience' and 'turnover':** State Government may consider amending the rules and orders governing procurement for all the State Government

Departments, agencies and PSUs. Following conditions may be included to provide exemptions:

1. There would not be any minimum turnover requirement from Startups participating in public procurement process

2. All State Departments and agencies will additionally relax condition of prior experience with respect to Startups in all public procurement subject to meeting of quality and technical specifications

- **Preference to Startups in State procurement:** State Government may include relevant provision in order to support Startups by providing adequate preference in public procurement of goods and services. The preference may be provided as below:

1. Startups quoting prices within decided %age of the lowest eligible price bid of other bidder(s) shall be eligible for purchase preference

2. Preferential purchase shall be applicable to Startups where at least decided %age of the products should be procured from the local Startup units

3. Preference be given for procurement from Startups to the extent of decided %age of the total procurement cost

- **Grievance Redressal Mechanism for Startups for resolving public procurement issues** may be developed by appointing dedicated officer to liaison with other Government Departments concerned and complainant to resolve issues in a time-bound manner. An online or offline mechanism may be developed for Startups to submit issues pertaining to State Government procurement. Alternatively, the existing system of resolving grievances may be improved to include public procurement specific categories for Startups.

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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 outreach to ecosystem components through events, hackathons, bootcamps, etc.

Key Strengths

- **Organizing outreach events**

Government of Andhra Pradesh has supported various large scale events to provide a platform to Startups for showcasing their innovative ideas. The State has organized 6 outreach events for Startups in last 2 years. Details of one of the key events in the State are as follows:

State Government in partnership with Dalberg, CII, Centre for Liveable cities, Govt. of Singapore, Govt. of Finland and Dep. for International trade of United Kingdom has organized Happy cities summit 2018 at Vijayawada on Apr 10th, 11th and 12th. This event served as a platform for city administrators, Environmentalists, Startups academia and Public to debate and brainstorm the solutions which can improve the quality of living in urban areas. 16 Startups showcased their technologies in the Summit. Overall, more than 2000 stakeholders from Startup ecosystem participated in the summit.

Other outreach events include:

1. International Innovations Fair 2017 in September, 2017 at Vishakhapatnam
2. BlockChain Conference 2017 October, 2017 at Vishakhapatnam
3. Agritech Summit 2017
4. Bigshift Vizag in association with Inc42
5. MGIEP-TECH 2017

- **Organizing bootcamps**

Government of Andhra Pradesh in association with knowledge partners has conducted 10 innovation bootcamps on various themes across educational institutions to identify student innovators. Apart from these, bootcamps on social entrepreneurship were also organized in association with University of California, Berkeley to create scalable and sustainable smart

villages across 4 districts. Details of bootcamps conducted in educational institutes are as follows:

1. Innovation Boot-camps (i-bootup) at Tirupati, Eluru, Bhimavaram, Vijayawada, Kurnool, Anantapur, Nandyal, Ongole, Kadapa and Madanapalle
2. Bootcamps in Smart Villages to promote Social Entrepreneurship at Mori, East- Godavari District, Narasannapeta, Srikakulam District, Gudivada, Krishna District; and Kuppam, Chittoor District

- **Organizing hackathons**

Government of Andhra Pradesh has used Hackathon as a tool to adopt low-cost, high impact technologies into governance. AP Innovation Society has encouraged Students through Hackathons and many governance related roadblocks have been collected and aggregated into use case repository. Summary of the top-4 student Hackathons conducted by State are as follows:

1. Open Innovation at KL University, Vijayawada on the theme of scalable smart village solutions (agri, water, health, transportation)
2. Citizen centric services at Sunrise Incubation towers on the theme of good governance
3. She-build tech fest at Green Park, Vishakhapatnam on the theme of smart cities
4. Happy cities hackathon at Vijayawada on the theme of liveable communities, citizen centric governance, health and environment

- **Facilitating entrepreneurship training programs**

Government of Andhra Pradesh through AP Skill development corporation (APSSDC) has been supporting young and creative minds through entrepreneurship programs. One of the key entrepreneurship program is Perspectives on Entrepreneurship (PoE).

Perspectives on Entrepreneurship is a series of entry-level online learning modules assembled to provide basic understanding of, and introduction to entrepreneurship. More than 10,000 users have enrolled for this program.

- **Support participation of Startups in national and international events**

State has supported over 200 Startup entrepreneurs to participate in 7 national and international events in last 2 years. One of the recent events where State Government supported its Startups to participate is TiE Global Summit 2018. The nodal agency, AP Innovation Society extended support by reimbursing travel, accommodation, cost of exhibition booth, etc. AP Innovation Society acted as one of the State sponsors of this global event and promoted the State Innovation and Startup policy at this platform.

TiE (The IndUS Entrepreneurs) chapter of Mumbai had organized TiE Global Summit at Mumbai on 21st and 22nd Feb'18, in partnership with the leading agencies of the Government of India, 20+ TiE chapters from India, USA, Canada, Singapore, Hong Kong, Australia and Dubai, and global venture capital funds.

Way Forward

State Government has been identified as one of the leaders in 'Awareness and Outreach' pillar of the framework. The State is expected to continue the efforts in promotion of Startups through various initiatives. The roadmap ahead is to scale up the Startup revolution in all parts of the State especially in Tier-2, 3 cities.

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