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

#startupindia

Gujarat

BEST PERFORMER

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup ecosystem

Government of Gujarat launched the State Startup Policy in 2015. The notified Startup Policy under Industries and Mines Department offers benefits and incentives across various areas of intervention. Additionally, the State has announced separate policies with sector-specific focus and one specifically for student innovators. Various Startup policies and schemes are:

- IT-ITeS and Electronics Startup Policy 2016
- Scheme for Assistance to Biotech Startups as part of Gujarat Biotech Policy 2016
- Student Startup and Innovation Policy 2017

State has a comprehensive ecosystem for Startups with focus on incubation, seed funding and awareness. As a result, it has achieved the status of '**Best Performer**' 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 department for Startup is **Industries and Mines Department** and nodal officer for Startup is **Industries Commissioner.**
2. Startup portal is **Startupgujarat.in.** It includes features such as:
   - o Startup registration
   - o Nodal Institution Registration
   - o Mentor Registration
   - o Relevant GOs and notifications
   - o Event Gallery
3. Startup cell of Gujarat is led by **Industries Commissioner** and supported by Joint Commissioner, Executive Officer and two project executive officers.
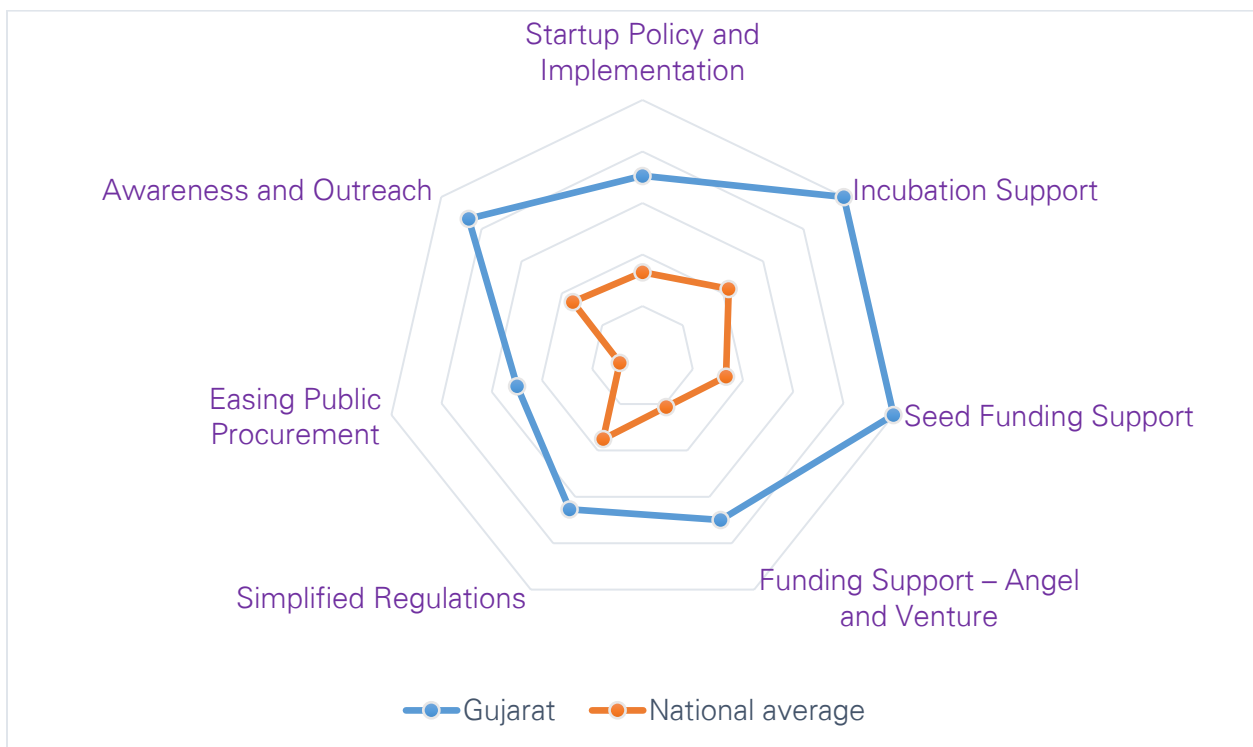
KEY HIGHLIGHTS OF THE STATE'S INTIATIVE

- ✓ One of the largest Incubator in the country (iCreate)
- ✓ Consistently organized marquee events such as Vibrant Gujarat
- ✓ One of the oldest State venture fund – GVFL ltd
- ✓ Relaxation in 'prior experience', 'prior turnover', and 'exemption from EMD' for Startups in public procurement

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 Gujarat on above chart is provided below.

Gujarat has done remarkably well across all seven pillars of assessment prominently being in pillars such as 'Incubation Support' and 'Seed Funding Support'. State performance is also good and above national average in other pillars such as 'Startup Policy and Implementation', 'Funding Support - Angel and Venture', 'Simplified Regulations', 'Easing Public Procurement', and 'Awareness and Outreach'. 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

Gujarat is among the first few States to have announced a Startup and Innovation Policy in 2015. Further, sector-focussed policies including the IT-ITeS and Electronics Startup Policy 2016 and Scheme for Assistance to Biotech Startups as part of Gujarat Biotech Policy 2016 have been launched to provide a fillip to entrepreneurship in these sectors. To emphasise on benefits for young entrepreneurs and innovators from schools, universities and other educational institutions, the State has also launched a dedicated Student Startup and Innovation Policy in 2017.

The State Startup policy balances fiscal and non-fiscal incentives for Startups. The incentives include assistance for innovation, assistance for commercialization, sustenance allowance and various tax incentives for entrepreneurs. The State has a host of nodal institutions that undertake Startups for mentorship and assistance. Any individual or a group having innovative idea or concept is eligible for benefits and incentives under the Startup policy.
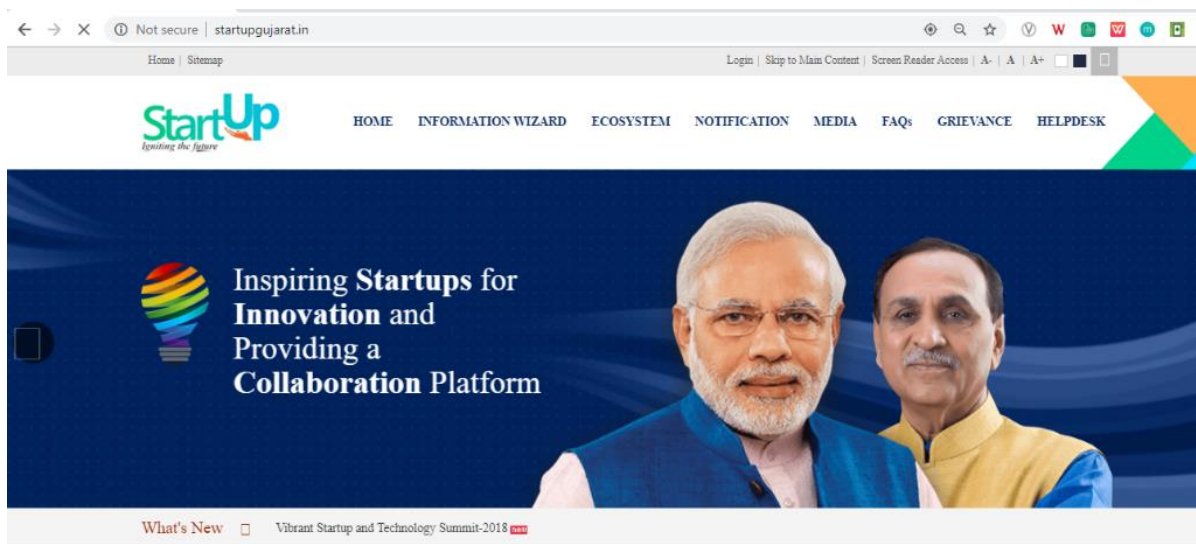
b) Incentives for Women Entrepreneurs

While the original State Startup policy document (notified in 2015) did not state incentives specifically for women entrepreneurs. A Government Resolution has now been additionally issued on 28th April 2018 for providing benefits to women entrepreneurs (sustenance allowance of INR 2000 more than provided to any other Startup).

c) Dedicated Startup portal

A dedicated Startup portal is in place with defined processes for registration and availing benefits and incentives under State Startup policy.

The portal provides important information and updates of the activities planned in Gujarat Startup ecosystem. Secondly, it brings together the entire Startup community on a single platform by providing mentor network, listing Incubators and accelerators (nodal institutions), and providing access to IP support centers and Startup outreach events.

The portal also provides functionality of submitting online application for incentives, and tracking the status of application and online approvals.
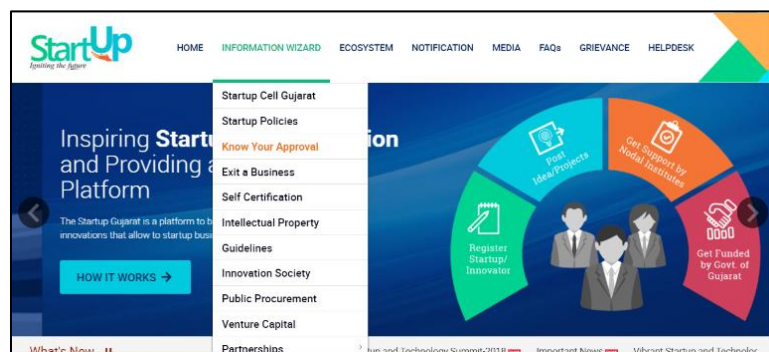

State Startup portal

d) Progress monitoring

State maintains a dynamic dashboard for reporting the status of implementation of all activities/ events against targets set under the State Startup policy. The dashboard also highlights information on number of nodal institutes and approved innovators.

e) Online Information Wizard

The State is one among the few States to have set up a comprehensive online information wizard, which can be accessed from the 'Know your approval' tab on the State Startup portal

homepage. It covers all compliances required to be adhered to during setup, operation and exit of a Startup.

Way forward

- State is suggested to include additional incentives in the State startup policy to encourage women entrepreneurship
- State may consider expansion of scope of the Innovation Society
- State is encouraged to expand network of IPFCs and include new activities

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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) Number of Incubators and incubation area

Gujarat has supported 7 Incubators during the period 1st January 2016 – 30th April 2018, including **iCreate**, one of the largest Incubators in the country, with an area of over 1 lakh sq. ft. The Critical Infrastructure Scheme and the Student Startup and Innovation Policy highlight specific incentives for supporting Incubators.

b) Sector-specific Incubators

Gujarat has also supported setting up of sector-specific Incubators. The **Savli Biotech Incubator** was provided fund sanction in April 2018.

c) Academic Incubators

Incubators have also been setup across academic institutions like **L.J. Institute of Management Studies, Ahmedabad, Gujarat University, Pandit Deendayal Petroleum University** etc. to ensure the innovative spirit of young budding entrepreneurs is nurtured and given a platform.

d) Subsidized incubation

State has provided subsidized incubation to Startups across areas such as energy conservation, waste management and agriculture sectors.

Way forward

- State is encouraged to support more Startups through provision of subsidized incubation
- State may explore alternative models of incubation support such as provision of rent free space (on lease) for setting up of Incubators
- State is also encouraged to provide matching grants that complement Incubator grants by corporates, academic institutions or Central Government

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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 support

Seed funding support in the form of monthly sustenance allowance (INR 10 lakh) is provisioned for Startups. A dedicated online system has been set up for provision of seed funding. The system defines the eligibility criteria, application procedure, and extent of support and has enabled online application along with status tracking functionality.

b) Startups provided seed funding

Over 157 Startups have been provided seed funding during the period of 1st January 2016 - 30th April 2018. Startups have been given seed funding support in the form of product development assistance and marketing assistance.

Way forward

- State may consider to conduct dedicated annual event for provision of seed grant to early stage Startups, while keeping application process and announcement of results and status tracking completely online
- State may design a comprehensive guideline document for seed funding which details eligibility, type and quantum of support, and purpose for extension of seed grant
- State may also consider alternative model for seed fund provision such as loan interest subsidy

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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.

Key Strengths

a) Incentives for angel investors

For angel investment facilitation, the State has made available free of cost seminar hall equipped with projector and internet connectivity at multiple locations across the State such as iCreate campus Ahmedabad, and Startup Cell office Gandhinagar.

b) Venture fund

Gujarat Venture Finance Limited (GVFL) supported by the State Government is one of the oldest venture funds in the country. Founded in 1990 at the initiative of Government of Gujarat and World Bank, GVFL has supported ventures working on cutting edge technology as well as encouraged entrepreneurs with innovative ideas.

Way forward

- State is encouraged to consider other methods to support angel funding such as offering a success fee at a fixed rate to Startups for mobilizing investments from State based angel investors
- Other option includes setting up of a dedicated angel fund that can co-invest along with angel groups in State registered 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 and risk-based determination

Self-certification provisioned for Startups (as per amendment dated 22nd March'18) under 5 Labour Laws. Additionally, self-certification is allowed for other regulations as well, such as the Motor Transport Workers Act, the Inter State Migrant Workers etc. (as per amendment dated 9th March 2017). The State also provides risk based determination of self-certification through synchronized or joint Inspections based on computerized risk assessment criteria. The State has developed a dedicated online platform for Startups to self-certify under specified regulations such as Labour laws, consolidated annual return, factories rules etc.

b) Third-party certification

Third party certification has been provisioned by the State for compliance of technical regulations to Startups as per the Gujarat Factories Rules – 1963 and 'Third Party (Competent Person) Inspection Scheme for Boilers' dated 31st May, 2016.

c) Support to disruptive technology Startups

Government has been proactively identifying disruptive technologies such as AI, IoT and sustainable habitat solutions. Also, these Startups are given a platform to pitch their products and services and raise their issues at marquee Startup events/sessions.

Way forward

- **Policies or regulations regarding adoption of disruptive technologies:** In order to encourage and support Startups working in newer or disruptive areas and 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 comments on draft policy or regulation
  5. Publication of final policy or regulation

Using 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/ 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

a) Doing away with criteria of 'prior experience' and 'prior turnover'
State has provisioned to exempt Gujarat based Startups along with MSMEs from the criteria of 'prior experience' and 'prior turnover' in all government procurement by State departments and PSUs.

b) Exemption from submission of EMD
State has provisioned to exempt Gujarat based Startups along with MSMEs from the mandatory submission of EMD for all government procurement by State departments and PSUs.

c) Preferential procurement from Startups
Price and quality certification based preference (after matching L1 prices) has been provisioned for Startups.

d) Grievance redressal mechanism
Dedicated online grievance redressal mechanism is in place with a nodal officer assigned and timeline specified for resolution.

Way forward

- Demo days for direct public procurement of products and services from Startups may be held on a regular basis. Demo days can provide an opportunity to Startups especially in the disruptive technology domains or those working on eGov solutions to demonstrate their products and services directly to the Government.

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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

Multiple large-scale events like Vibrant Gujarat and Empresario are conducted with dedicated platforms for Startups to pitch and present their ideas, products and services.

<u>Vibrant Gujarat 2016 and Empresario 2018</u>

b) Bootcamps

Bootcamps sessions are hosted on various topics such as Google Cloud Workshop, 3D printing workshop and creative thinking workshop.

c) Entrepreneurship cells in each district

At least one active entrepreneurship cell has been setup by the State **in each of the 33 districts** across the State in educational institutes.

d) Participation in national and international events

A **dedicated marketing assistance scheme** has been provisioned and support is provided to Startups for participation in national and international events, such as TiECON Delhi 2017, BioAsia 2018, BAJA SAE event etc.

Way forward

- Entrepreneurship training programs may be undertaken with dedicated courses on entrepreneurship development (business planning, idea validation, marketing etc.).

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