



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

#startupindia

Himachal Pradesh

Aspiring Leader

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup Ecosystem

Himachal Pradesh has performed remarkably well in the State Startup ranking exercise 2018.

The State has undertaken major reforms in development of Startup ecosystem. The State of Himachal Pradesh has been acknowledged as an **'Aspiring Leader'** in the **State Startup Rankings 2018** conducted by Department of Industrial Policy and Promotion (DIPP), Government of India.

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

1. Government of Himachal Pradesh **launched its Startup policy in November 2016 called "Chief Minister's Startup or Innovation Projects or New Industries Scheme"**. The vision of the policy is to turn the educated youth from job seekers to job creator and in order to give support to the 'Startup' and Innovation Projects in the State.
2. Nodal department for Startup is **Department of Industries** and Nodal officer for Startup is **Principal Secretary (Industries)**.
3. Startup portal startuphimachal.hp.gov.in/home is available with following services:
 - Startup registration
 - Idea registration
 - Mentor List
 - Incubator List
 - Application for various policy incentives such as sustenance allowance, incubation, etc.
4. **Government of Himachal Pradesh** has appointed a **nodal team 'Startup and Incentive Cell' with 5 members** for supporting the development of Startup ecosystem in State. The team composition is as follows.



- Deputy Director, Industries
- Manager
- Superintendent Grade II
- Two support staff members

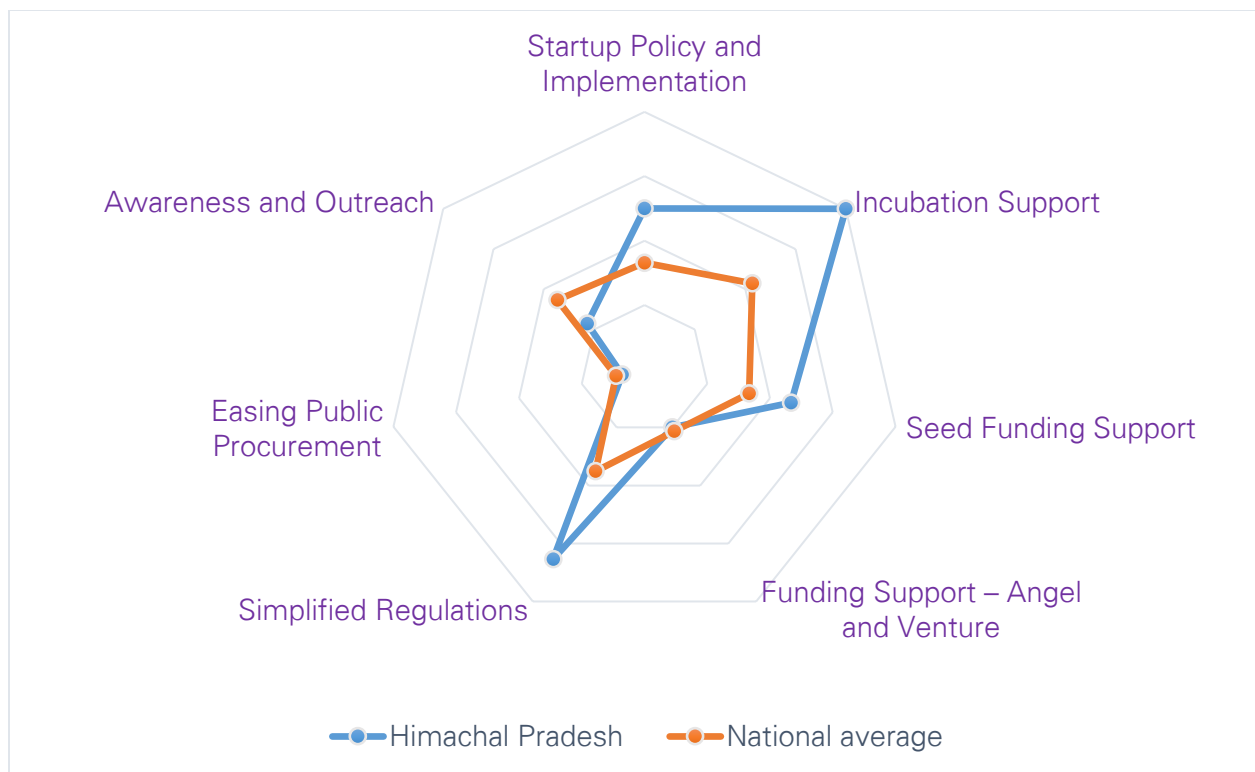
KEY HIGHLIGHTS OF THE STATE

- ✓ State has supported in setting up of 7 incubators in academic institutions
- ✓ Financially supporting Startups through monthly sustenance allowance of INR 25000 and marketing or commercialization of INR 10 lakh
- ✓ Large mentor network in the State with more than 100 mentors



2. Snapshot of State Performance

The spider web graph below details out the Himachal 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 Himachal Pradesh on above chart is provided below.

State Government has performed exceptionally well in 4 pillars namely 'Startup Policy and Implementation', 'Incubation Support', 'Seed Funding Support' and 'Simplified Regulations' as compared to the national average.

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.

In 'Awareness and Outreach' pillar, State performance is below par when compared to its peers. State's performance has not been up to the national average. The State has performed well in all other areas and may prioritize initiatives or policies in effectively reaching out to Startups through creative programs. Some of the good practices may be referred to improve overall performance in the next round of ranking.

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



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**

Himachal Pradesh joined the Startup movement in November 2016 after the launch of Startup India initiative. The mission of the State through this policy is to turn the educated youth from job seekers to job creator and in order to give support to the 'Startup' and Innovation Projects in the State. The policy adopts the sector agnostic approach by providing incentives to Startups across sectors. The policy incentives include:

- Setup incubators in leading educational institutions in the State
- Sustenance allowance of INR 25000 per month for innovative projects
- Marketing and commercialization assistance of maximum of INR 10 lakh for innovative projects
- Entitlement to various other incentives under the Incentive Rules 2004

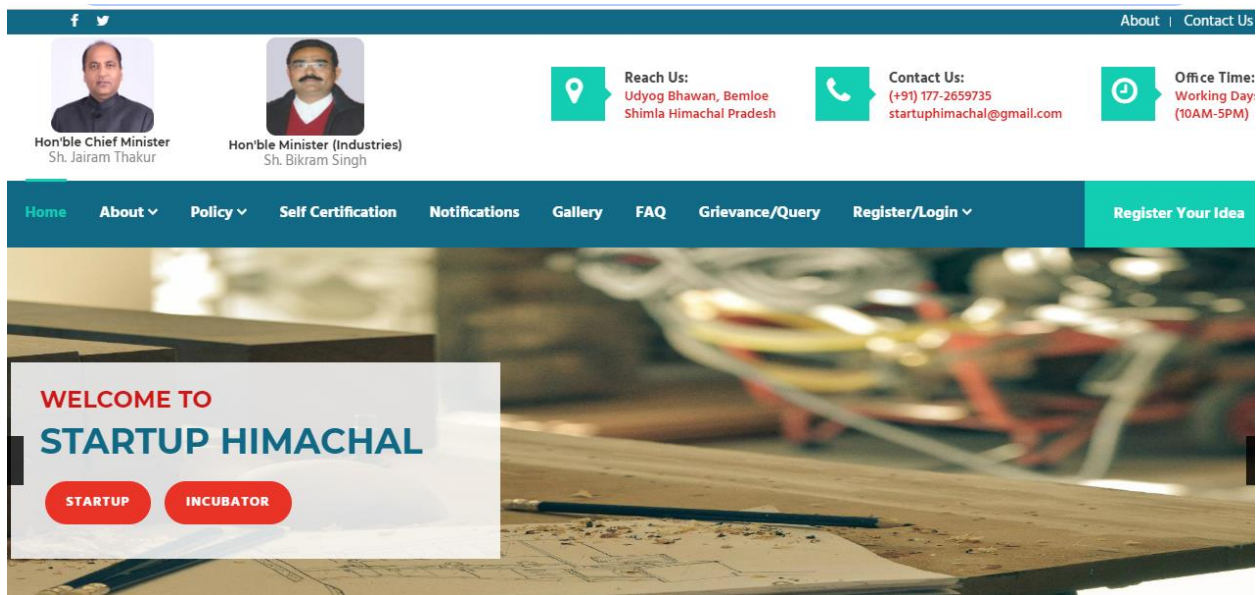
- **Innovation Society**

State has nominated HP Center for Entrepreneurship Development (HPCED) as the innovation society. HPCED would act as support center for Startups and undertake activities to develop Startup ecosystem in the State. Their role will be to interact with the entrepreneurs, handhold them, identify their capacity building needs and liaise with institutions which can cater to their capacity building needs. HPCED will also work with the concerned institution to prepare training modules for their occupational, entrepreneurial or managerial skills.

- **Dedicated Startup portal**

Startup portal is in place with defined processes for registration and availing benefits and incentives under State Startup policy. The portal is accessible at <http://startuphimachal.hp.gov.in/home>.

Portal provides key benefits of sharing important information on events, policy initiatives, incentive rules and resources for Startups.

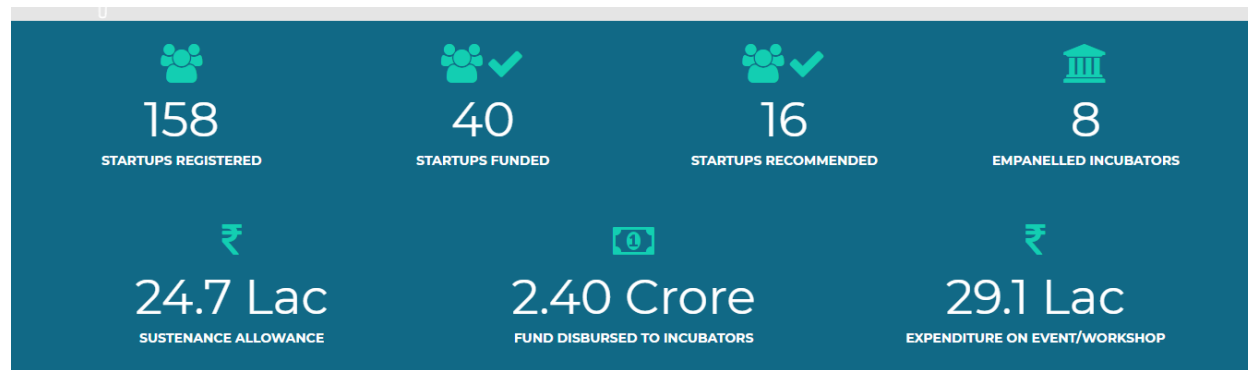


Startup portal of Himachal Pradesh

The portal also provides functionality of submitting online application for registration under the initiative. The registration process for Startups is provided on the portal. Startup can apply for various incentives after registration through host institutes or incubators. Few incentives are disbursed through the State single window portal.

- **Progress monitoring**

State has developed an online dashboard for monitoring the key Startup activities. The status of all activities undertaken by supported incubators is collated through monthly status reports. The progress is updated dynamically on dashboard.



Screenshot of Himachal Pradesh progress monitoring dashboard

- **Query resolution system**

The State has implemented dedicated Startup support systems with competent staff to resolve queries related to Startups via:

- **Website:** <http://startuphimachal.hp.gov.in/home>
- **Call support:** 177-2659735
- **E-mail support:** startuphimachal@gmail.com
- **Office:** Udyog Bhawan, Bemloe, Shimla Himachal Pradesh

User feedback is also collected through a feedback form on the email or mobile number of the user.

- **Mentor network**

In order to provide access to business experts and successful entrepreneurs, the State has created a mentor network with diverse individuals. These mentors provide business and technical mentorship to Startups or entrepreneurs. Currently, the State has 106 registered mentors from various domains including corporate, academia, Startups, investors, etc. The mentor list provides details about mentor's company, sector, email contacts and business profile.

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

State Government has setup two centers in the State for facilitating IP support for Startups.

1. HP Council for Science, Technology and Environment, Shimla
2. IPFC, BBNIA (Baddi)

IPFC aims to promote awareness and adoption of intellectual property rights amongst entrepreneurs and MSMEs in the State while also making accessible high-quality IP services and resources.

Way forward

- **Women entrepreneurship:** Women entrepreneurs in the State get incentives under State Startup Policy. State may consider including additional 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

Above list of incentives are indicative and only for the reference of State.

- **Online system for Startups:** State has developed a Startup portal for Startups to register and avail benefits or incentives. The system currently redirects Startups to different websites such as:

- <http://startuphimachal.hp.gov.in/site/login> for registration
- <http://www.emerginghimachal.hp.gov.in/> for incentives

As a step towards improving the current system, State may consider building a single window access for Startups to access all application guidelines, eligibility criteria and application process and approval for incentives. This will help Startups to get required information from a single portal. It will also ease the application process by bringing transparency.

- **Information wizard** has been developed to provide limited information on State Government and Central Government approvals in pre-establishment and pre-operations. 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. The wizard shall act as a single source of information for young aspiring entrepreneurs who are unaware of approvals and clearances required while starting up a business.

- **Partnership with corporates or educational institutions:** Nodal department or innovation society may partner with business houses, corporate(s) or educational institution(s) in and outside the region for extending their assistance to State based Startups. Partner(s) may provide assistance such as professional services, mentorship, Corporate Social Responsibility (CSR) funds for incubators or co-working spaces, software or hardware tools and other lab equipment, knowledge exchange, technology transfer and market linkages.



3.2 Incubation Support

Incubation Support covers performance in “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

- **Setting up incubators**

Government of Himachal Pradesh has set-up physical infrastructure for creative enterprises and established incubators in academic institutes. State Government has provisioned financial assistance for three years to the selected institutions for setting up the incubator and other activities. The maximum financial assistance will be provided at INR 30 lakh per incubator per year up to a period of three years. In addition the related incubators will be entitled for a grant of maximum INR10.00 lakh for meeting the recurring expenditure.

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

1. CSIR-Institute of Himalayan Bio resource Technology
2. IIT-Mandi
3. NIT-Hamirpur
4. Himachal Pradesh University
5. Jaypee University of Information Technology
6. Dr YS Parmar University of Horticulture and Forestry
7. CSK Himachal Pradesh Agriculture University Palampur

- **Incubation area**

State has supported incubation area of about 14,000 sq. ft. The support is provided through grants for setting up plug and play infrastructure, operational and maintenance reimbursement, subsidy of 20% of the value of capital expenditure, internship stipends, etc.

Facilities available for Startups in incubators are mentorship, market research, funding support, legal and accountancy services, investor connect, access to event organized by State.

Way forward

- **Incubators:** State may explore the opportunity of getting Corporate connects for supported incubators. The incubators may setup additional facilities in PPP mode with support from State Government and Private Players.
- **Subsidized incubation:** 15 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. State may also proactively reach out to aspiring entrepreneurs to promote the incentives provided under the Startup policy and free of cost incubation.



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**

Himachal Pradesh Startup policy has provision to provide monthly sustenance allowance of INR 25000 to innovative projects, recommended by incubation centers. Additionally, marketing or commercialization assistance of maximum of INR 10 lakh will be also be provided to innovative projects to launch products or services in the market.

Online system allows Startups to register, register innovative idea and then automatically application is sent to incubators. The institution or incubator will submit the proposal to Directorate of Industries to avail sustenance allowance for one year as provided under the scheme. Once the idea is ready for commercialization, on the recommendation of the incubation center, the support would be provided for marketing assistance and seed or angel fund.

Way forward

In addition to above mentioned strengths of the State in 'Seed Funding Support', the State Government may also consider undertaking following activities to facilitate seed funding to more Startups.

- **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. About 15 Startups have received seed funding support from Government under the scheme.

Seed grant can be provided directly to Startups or through incubators. Considering, Himachal Pradesh has growing number of Startup 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.



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**

Government has taken measures to promote angel funding in the State by making available the HPECD building free of charge for any meetings involving angel investment, Startups, incubators, voluntary organizations etc. Further, State Government has notified in the policy document that it will provide Marketing or commercialization assistance of maximum of INR 10 lakh to the Startup to launch its products or services in the market. The support will be given to an innovation project which has secured funding maximum 25% from a known and registered angel or venture funds or reputed incubator. State has also conducted multiple events to facilitate interaction between Startups and investors.

Way forward

- **Venture funding:** State Government may explore the opportunity to create a venture fund or Fund of funds with an appropriate corpus for funding State based Startups. In this regard, State needs to prepare clear operating guidelines for the fund and hire fund manager for managing the fund operations. 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. Alternatively, State may also consider participating in other operational venture funds (public or private) working to promote Startups.



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, Government of Himachal Pradesh has enabled the provision of self-certification for Startups under 13 labour laws. Low risk industries with a history of satisfactory compliance or who opts for self-certification from compliance inspections under all the Labour laws are allowed. Under this scheme, once inspected the same industry or establishment is not likely to be inspected again in the next 3 years.

Additionally, State has submitted notification to allow third party certification for boilers. The applicant has the option of choosing from Third Party Boiler Engineer, Chief Inspector of Boiler or Competent Authority to carry on the inspection of boiler during use.

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

The online self-certification process is online. The Startup can submit self-certification under various labour laws. The application is forwarded electronically to the concerned department official and any discrepancy in the application is communicated to the applicant within 15 days from the receipt of application. Upon receiving approval under Self- certification scheme, no

inspections will be done for three years without prior permission of Head of the Department. Certificate can be accessed online from the dashboard.

Way forward

In addition to above mentioned strengths of the State in 'Simplified Regulations', the State Government may also consider undertaking following activities to strengthen its regulatory environment further.

- **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 disruptive 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 regulationUsing 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.



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

- **Grievance Redressal Mechanism**

State Government has assigned a dedicated officer to examine procurement related grievances and ensure disposal in 15 days. State Startup portal has an online system for Grievances or queries with a category for ‘Startup Procurement’. Also, contacts details of a dedicated Startup support system to resolve queries of Startups is provide on the portal.

Way forward

- **Do away with the criteria of ‘prior experience’, ‘turnover’ and ‘submission of EMD’:**
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. Though the State has directed all the State departments to ensure Purchase of Goods through Government e-Marketplace (GeM), 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 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

3. There shall be no requirement of submission of EMD for Startups as defined by the State Government

- **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 or 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

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 Himachal Pradesh has supported various outreach events to provide a platform to Startups for showcasing their innovative ideas. Details of one of the key events in the State are as follows:

A one-day seminar on STARTUP PROTOTHON-2017 was conducted at Jaypee University of Information Technology on 16th May 2017. The seminar was conducted jointly by Centre for Entrepreneurship Development (IIPCED) and Technology Incubator and Entrepreneurship Development Cell (TIEDC JUIT Waknaghat). More than 100 stakeholders from Startup ecosystem participated in the seminar.

Other outreach events include:

1. Startup Fest (Aug 2017)
2. Himalayan Startup Trek (July 2017)
3. Startup Initiative GoHP (Apr 2018)

- **Organizing bootcamps**

State Government has organized 9 bootcamps in various schools, colleges and educational institutions. The bootcamps were organized to create awareness about HP government policies and CM Start up scheme.

Way forward

- **Organize Hackathons:** Hackathons are challenges in which participants come up with technological solutions to given problem statements in a stipulated time window. State Government may organize Hackathons to identify innovative technological solutions and for supporting entrepreneurs in building these solutions as viable product or service offering.
- **Facilitate training programs in entrepreneurship development:** Students or aspiring entrepreneurs require basic understanding of ideation, business planning, finance, legal and pitching before they venture out to run a Startup. Entrepreneurship development programs may be organized by the State Government in colleges and universities. These programs can be designed in the form of (Massive open online course) MOOC which can be accessed by students across the State. One such program is available with Startup India i.e. Startup India Learning and Development program.
- **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.
- **Support Startup participation in national and international events:** State Government may support Startups for participation in national and international events. The support may be in the form of grants or reimbursements for travel, accommodation, registration or sponsorship to organizers to allow Startups to participate in events. In order to simplify the process and keep it transparent, application procedure for availing the assistance may be provided online.
- **Undertake partnership with other countries or international agencies:** State Government may undertake partnership(s) with countries or 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.



Notes

