



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

#startupindia

Kerala

TOP PERFORMER

State Startup Ranking Exercise 2018

December 2018

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1. Overview of State Startup Ecosystem

Kerala has performed exceptionally well in the State Startup ranking exercise 2018. The State is one of the early States to launch its Startup policy and has undertaken major reforms in development of Startup ecosystem. These efforts have been well recognized and State of Kerala has being acknowledged as the '**Top Performer**' 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 Kerala **launched their Startup policy in 2015**. The vision of the policy is to build an entrepreneurial society in Kerala with single consciousness by leveraging technology in bridging gaps between different layers of society, with pro-active sense of social responsibility. The State also aspires to be the No. 1 destination in India for Startups and amongst top 5 Startup ecosystems in the world.
2. Nodal department for Startup is **Department of Information Technology, Government of Kerala** and Nodal officer for Startup is **CEO, Kerala Startup Mission** under the administrative control of IT department.
3. Startup portal startupmission.kerala.gov.in is available with following services:
 - Startup scheme
 - Student scheme
 - Incubator listing
 - FabLabs
 - Information on Startup events being organized in State



4. **Kerala Startup Mission** is the nodal agency for implementing Startup initiatives in the State. It is led by a **CEO** and supported by a team of experts in incubation, business development, infrastructure, funding and global connect, finance, operations and admin.

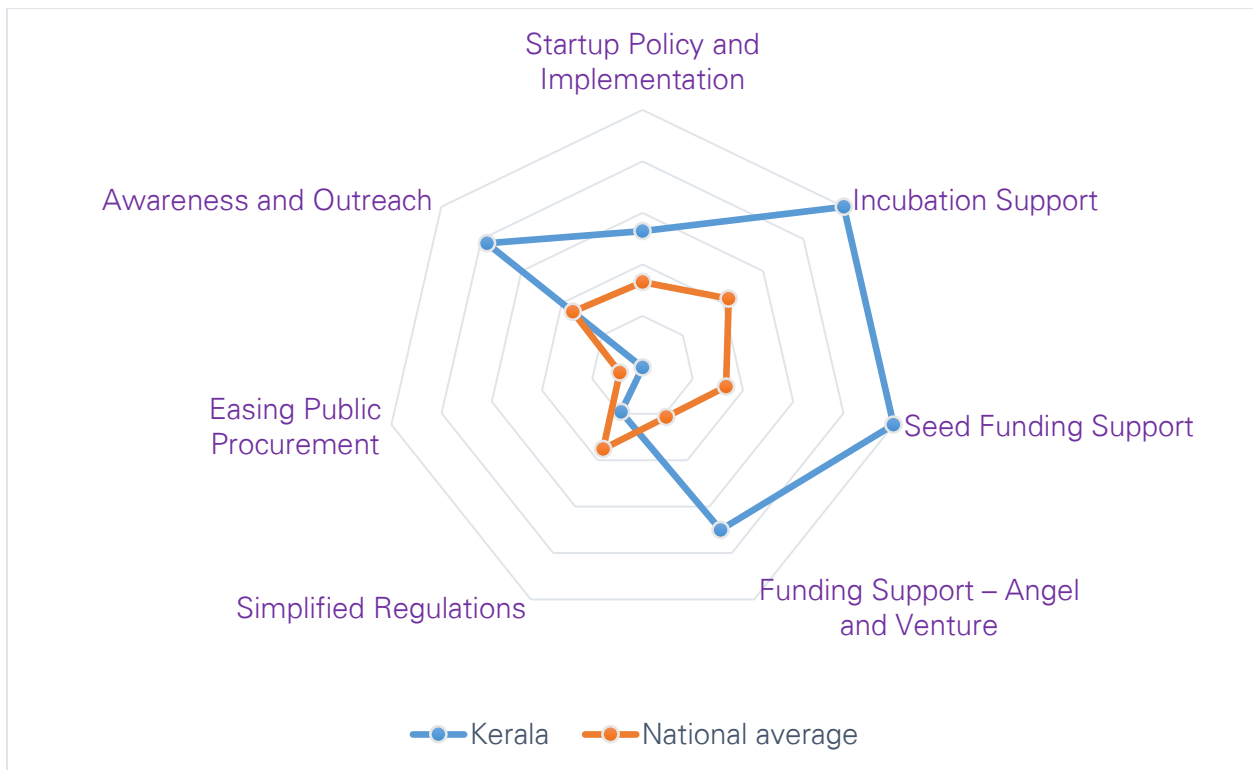
KEY HIGHLIGHTS OF THE STATE

- ✓ Clear seed funding guidelines and more than 50 Startups provided seed funding
- ✓ Entrepreneurship cells in all districts
- ✓ Designated Demo Days for direct procurement from Startups
- ✓ An institutional mechanism for financing Startups- Kerala Startup Corpus Fund



2. Snapshot of State Performance

The spider web graph below details out the Kerala'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 Kerala on above chart is provided below.

State Government has performed exceptionally well in 5 pillars namely 'Startup Policy and Implementation', 'Incubation Support', 'Seed Funding Support', 'Angel and Venture Funding' and 'Awareness and Outreach' as compared to national average.

In 'Simplified Regulations' and 'Easing Public Procurement' pillars, State performance is below par when compared to its peers. State performance has not been up to the national average. The State may prioritize initiatives or policies in providing support in abovementioned pillars. 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 the 'Top Performer' 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**

Kerala was the second State to launch its Startup policy i.e. Kerala Technology Startup Policy 2014. The policy balances both fiscal and non-fiscal incentives such as establishing at least 10 incubators or accelerators, develop 1 million sq. ft. of incubation space, venture capital funding of minimum INR 2000 crore, etc. The State provides incentives to technology led Startups with an objective to facilitate or incubate at least 10000 technology Startups.

- **Innovation Society**

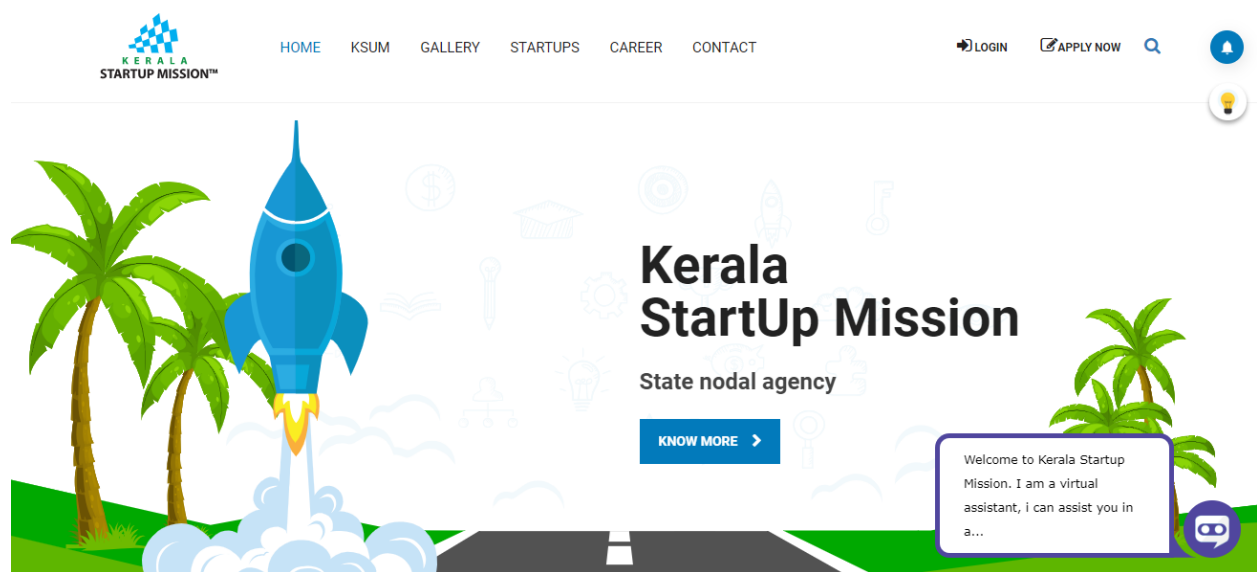
State has nominated Kerala Development and Innovation Strategy Council (K-DISC) as the innovation society. The K-DISC is a strategic think-tank and advisory body constituted by the Government of Kerala. K-DISC aims at bringing out path-breaking strategic plans that reflect new directions in technology, product and process innovations, social shaping of technology and creating a healthy and conducive ecosystem for fostering innovations in the State. Several innovation focused programs and activities have been undertaken in the State. For e.g., in order to promote innovation among school students, State Government introduced the Learn to Code:

Raspberry Pi Distribution Program for students from class 8 and also launched the Electronics@School Program.

- **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 <https://startupmission.kerala.gov.in/>.

The portal provides important information or updates of the activities planned in Kerala 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 fablabs and Startup outreach events.

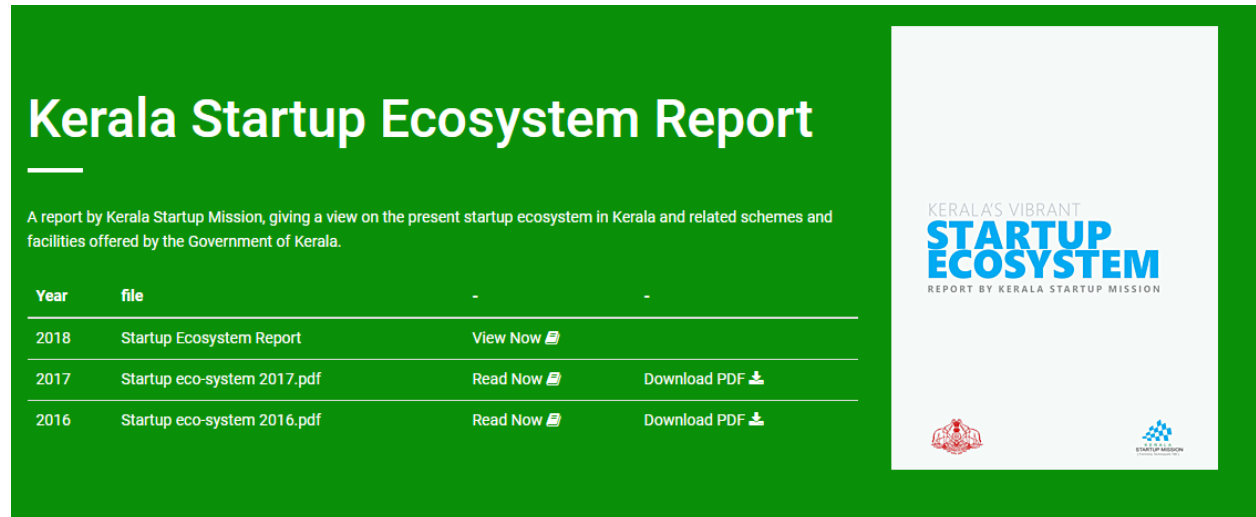


Startup portal of Kerala

The portal also provides functionality of submitting online application for incentives, tracking the status of the application for incubation, seed fund, patent support, etc. and receiving approval. Startups can also check the status of their application on the portal.

- **Progress monitoring**

Government of Kerala evaluates the impact and progress of various schemes and initiatives and publishes the findings as an annual ecosystem report. The report details 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, etc.



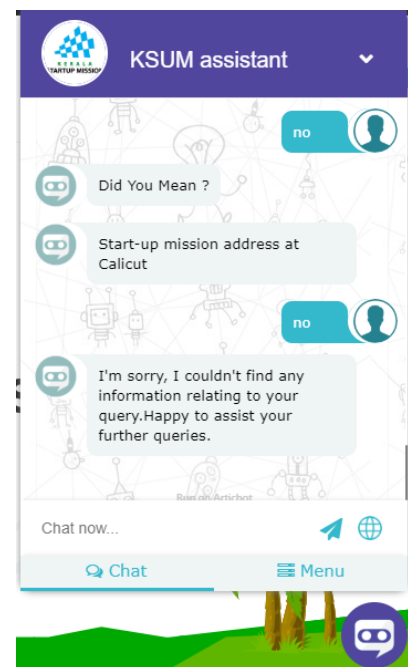
Screenshot of Kerala ecosystem report page

- **Query resolution**

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

- Website: <https://startupmission.kerala.gov.in/>
- Call support: 0471-2700270
- E-mail support: admin@startupmission.in
- Office: G3B, Thejaswini, Technopark, Trivandrum

KSUM has also developed KSUM chat bot that has capability to capture the mobile number from the user and can request call back and also can rate the score after interaction with the bot.



- **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 over 100 registered mentors from various domains including corporate, academia, Startups, investors, etc. The mentor list provides details about mentor's company, industry, contacts and business profile.

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

A Patent Information Centre (PIC – Kerala) was established in KSCSTE in May, 2003 and has been functioning as a satellite center of Patent Facilitating Centre for TIFAC, Department of Science & Technology, and Government of India. The major objective of PIC-Kerala is to create awareness about Intellectual Property Rights among the people in the State through awareness Seminars or Workshops or Lectures or Talks or Exhibitions and Publications. The center also facilitates the filing of patent applications from the State by conducting prior art patent database search free of cost.

- **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 Zone Startups, Bharat Petroleum, IAMAI, NASSCOM, Kerala Water Authority, Kerala State IT Mission, IIM Kozhikode, University of Kerala, SEA Fund, Unicorn India Ventures, Let's Venture, among others.

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

Way forward

- **Women entrepreneurship:** Women entrepreneurs in the State get incentives under WE Mission (2015) supported by KSIDC. However, the official Startup policy does not provide any special incentives to women entrepreneurs. A progressive State like Kerala 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
- **Information wizard:** State may setup an online information wizard for entrepreneurs and Startups regarding business approvals in the State. The online information wizard (through a defined number of questions) should provide details of all applicable State and central level approvals or clearances (sector-wise) required by entrepreneurs to set up, operate and exit a business in the 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.

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 Kerala has set-up physical infrastructure for creative enterprises and collaborated with renowned incubators and accelerators. State Government has envisioned setting up 1 million sq. ft. of incubation area in the State by 2020 in its Startup policy.

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

1. KRIBS BioNest, Kochi
2. Electronics Technology Park, Thiruvananthapuram
3. Startup Dreams, Thiruvananthapuram
4. KSUM or Technopark
5. Technolodge, Muvattupuzha
6. Technolodge, Piravom

- **Incubation area**

State Government has supported incubation area of more than 35,000 sq. ft. The support is provided through different models such as lease agreements for setting up plug and play infrastructure, providing grants for operational and maintenance expenditure.

Facilities available for Startups in incubators are mentorship, market research, access to seed or VC funds, patent registration, legal & accountancy services, investor connect, access to Startup events organized by Kerala Startup Mission.

- **Subsidized incubation**

30 Startups are currently operating in State supported incubators at subsidized cost. The subsidy ranges to upward of INR 3 lakh for some of the Startup beneficiaries. Further, Government of Kerala has provided Kerala Startup Mission space from Technopark free of cost so that Startups can be provided incubation at subsidized cost.

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

Way Forward

- **Subsidized incubation:** As per DIPP Startup recognition database, there are more than 250 Startups are based in Kerala. About 30 Startups operating in State supported incubators have received the benefit of subsidized incubation. 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.



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**

Kerala Startup Mission and Kerala State Industries Development Corporation have formulated the seed funding guidelines to support deserving Startups. The upper limit of seed support to a Startup is INR 15 lakhs in seed loan. This would enable some of these innovative ideas or technologies to graduate to a level where they will be able to raise investments from angel or Venture capitalist or they will reach a position to seek loans from commercial banks or financial institutions.

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. Any registered Startup with innovative product or idea can apply to avail the scheme.

- **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, more than 100 Startups have received seed funding support from Government under the scheme.

The abovementioned initiatives from the State Government play a critical role in making the State of Kerala such a strong candidate in 'Seed Funding Support' pillar.

Way Forward

State Government has been identified as one of the leaders in 'Seed Funding Support' pillar of the framework. The State is expected to continue the efforts in seed funding of Startups through various modes. The roadmap ahead is to scale up the seed funding initiative in all parts of the State especially in Tier-2, 3 cities to encourage innovation at grassroots.



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**

Kerala Startup Mission has partnered with Let's Venture to conduct workshops in the State aimed at promoting awareness about Startup investments among HNIs and other potential investors. Under the said partnership, Seeding Kerala events have been organized semi-annually as a conclave for investors. The seeding Kerala was organized to bring together like-minded investors who wish to invest in Startups.

Further, Angels and VC funds are encouraged to invest in Startups by means of investments by State as limited partners to their funds.

- **Venture funding:**

Kerala Startup Mission (KSUM), the nodal agency for Startup initiative in Kerala has invested in 2 Venture Funds i.e. UNICORN and SEA Fund with a condition that double the amount invested by Government of Kerala in these Funds will be invested by these Funds in Kerala based by Startups. The fund operates in a Fund of funds type investment model and has so far entered into a commitment of INR 12.5 crore with above mentioned funds. A similar amount has been invested by UNICORN and SEA resulting in a corpus of INR 25 crore for State based Startups.

Way Forward

- **Venture funding:** Government of Kerala has funded 6 Startups in last two years. The State has recently also announced 'call for application' for Venture funds to partner with the State Fund of funds. It is expected that the State Government will increase the pace of identification of eligible Startups and funds disbursement in future.



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

- **Support to Startups working in new or disruptive areas or technologies**

Government of Kerala through Kerala Startup Mission has been supporting Startups in the emerging technologies such as Big Data, AI, Space Technologies, etc. through innovation grant. It has also provided them various opportunities to showcase their products.

Government has also formalized a channel for reaching out to disruptive Startups through:

1. Dedicated labs including FabLab and Future Technologies Lab
2. Organizing DEMO Days
3. Direct procurement from Startups building products such as Underwater Drone, automatic signaling system etc.

Way Forward

- **Self-certification or third party certification for Startups:** State has enabled the self-certification scheme for Startups in the IT and ITeS industry. The labour department in the State may create provision for self-certification or third party certification for all Startups (irrespective of sector) under all applicable labour laws in the State. Self-certification should be provided for where there is no technical regulations which need to be complied with, such

as compliance with Minimum Wages, Bonus, and Gratuity etc. Third party certification should also be provided for where technical regulations need to be complied with such as Boiler Act, Factories Act, (Lift Act) etc.

- **Online system for Self-certification or third party certification for Startups:** In addition to including provision for Self-certification, an online system to submit self-certification or third party certification may also be developed. The system shall provide information on application process and functionality of filing certification in respect of all applicable labour laws. Additionally, State may also integrate its self-certification portal with Shram Suvidha portal under Ministry of Labour, Government of India to ensure seamless exchange of information between State and Central portal
- **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.

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. The State has allowed the exemption of above mentioned criteria only to Startup providing mobile and web solutions. State Government may consider amending the rules and orders governing procurement for all the State Government Departments, agencies and PSUs to allow Startups from all sectors to avail benefit of the incentive. 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 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:**

Currently, the State has created an online request form to submit any public procurement related issues. The system may be enhanced to resolve issues in a time-bound manner and Startups shall be made aware of the status of the request.

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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 Kerala has supported various large scale events to provide a platform to Startups for showcasing their innovative ideas. The State has organized 5 outreach events for Startups in last 2 years. Details of one of the key events in the State are as follows:

Disrupt Kerala 2017 focused on futuristic trends leading technology disruption. The event pushed a diverse group of individuals to set a definitive direction for their future. The summit showcase advancing trends in AI, Machine Learning, Artificial Intelligence, Blockchain, Mixed Reality and Internet of Things, among others. Participants imbibed ideas from leading innovators, influential technologists, data scientists and founders who now lead Global Technology Disruption. Overall, more than 200 stakeholders from Startup ecosystem participated in the summit.

Other outreach events include:

1. Huddle Kerala 2018
2. Seeding Kerala 2017
3. Young Entrepreneurs Summit 2017
4. Future Digital Summit 2018

- **Organizing Boot camps**

Government of Kerala has conducted bootcamps across the State in 23 campuses with participation of more than 4000 students. Further, Government in association with knowledge partners conducted IEDC Summit, the annual program for IEDCs in Kerala, in 2016 and 2017. Apart from these, Startup i3 which is a 3 day workshop to foster innovation and entrepreneurship was conducted for college students. 25 Startupi3 program have been conducted so far.

- **Organizing hackathons**

Government of Kerala has used Hackathon as a tool to adopt low-cost, high impact technologies into governance. State Government has encouraged Students through Hackathons and many governance related roadblocks have been identified to source solutions. Summary of the top-4 student Hackathons conducted by State are as follows:

1. Health hackathon at SCTIMST-TIMED
2. Angle Hack, Kochi
3. Ideathon 2018
4. Dthon 3D Design Challenge
5. NASA Space Apps challenge

- **Entrepreneurship cells**

Government of Kerala has set up more than 200 Innovation and Entrepreneurship Development Cells (IEDC) across various colleges in the State. IEDCs have been setup across all the districts of the State.

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

In order to provide support and give exposure to Startups, Kerala Government has enabled Startups to participate in International Exchange Programs. The Startups from State got the opportunity to participate in key global Startup events such as NASSCOM InnoTrek, Slush 2017 in Finland. Startup delegations have also visited US, China and Hongkong with support from State Government.

Way Forward

- **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.

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.



