Government of India
Ministry of Commerce and Industry
Department for Promotion of Industry and Internal Trade

STATE/UTs STARTUP RANKING 2019

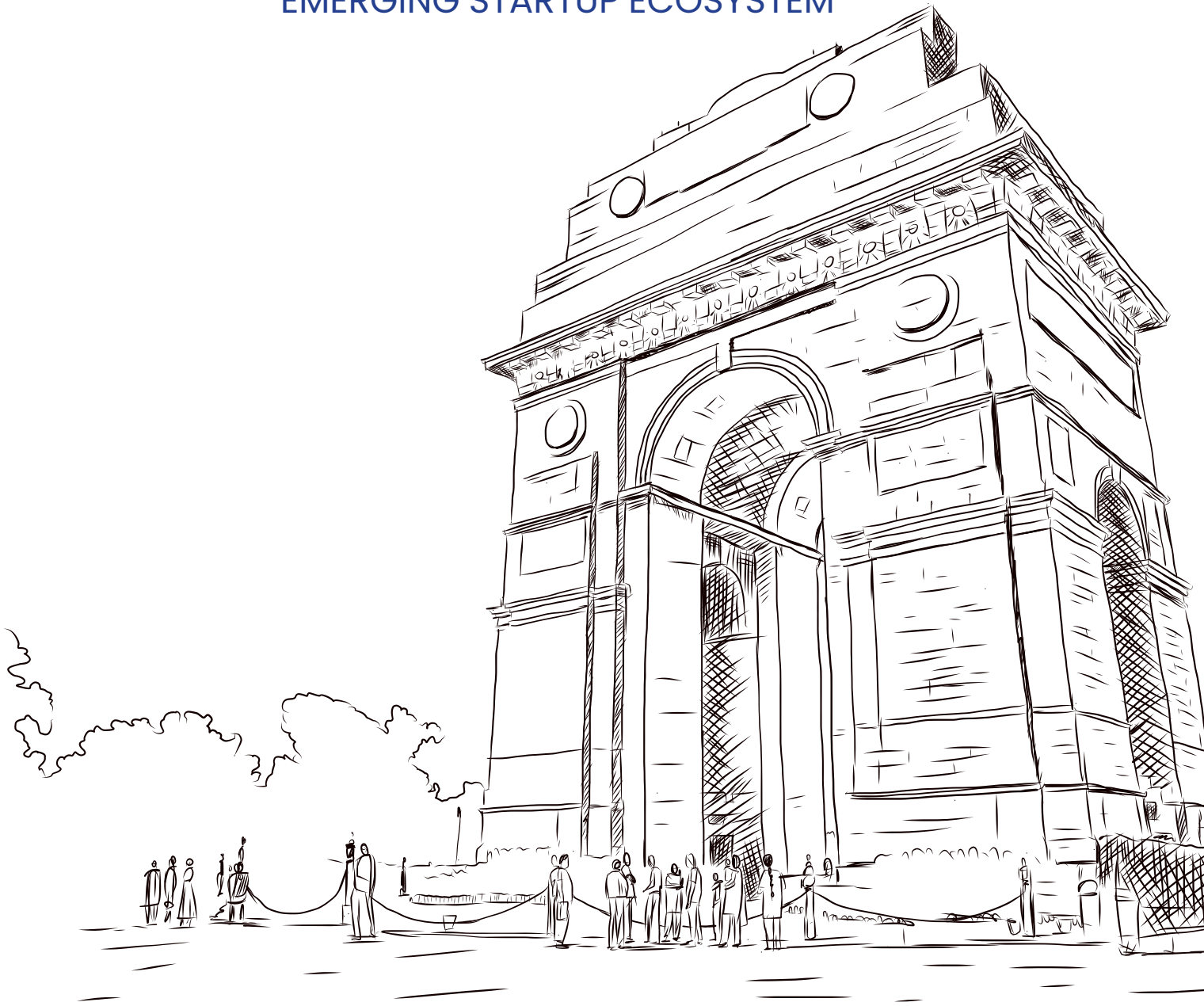# DELHI

EMERGING STARTUP ECOSYSTEM

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01 OVERVIEW OF UT STARTUP ECOSYSTEM

Delhi is the 'migration capital' of the nation, attracting human resources from all states of India for a better career and life opportunities. Delhi has seen great transformation and the pace of development has increased in the last two decades. The shift from a traditional rural community to a modern growing center has brought with it rising urbanisation and exponential economic development. Urban centres are a hub of opportunities, knowledge banks, innovation, creativities and their commercialisation. Increasing growth of population has intensified innovative ways to handle urbanisation with minimal impact on environment, citizens lifestyle, and governance. The Union Territory (UT) of Delhi, formally called as the National Capital Territory (NCT) of Delhi, aims to create a conducive startup ecosystem by addressing challenges and thereby creating more opportunities. The Government of National Capital Territory (NCT) of Delhi launched the policy for 'Setting up Incubator Institutions in Delhi' (hereinafter referred to as 'policy') in 2015 to encourage development of a culture of innovation and entrepreneurship. The vision of the policy is to integrate entrepreneurship with educational institutions and enterprises. The policy outlines ways in which such an integration should be incorporated in schools.

KEY OBJECTIVES OF THE STARTUP POLICY

- Leverage the demographic dividend of youthful India to spur greater innovation led startups for generating additional value to society and economy while boosting global fame of resurgent India.
- Globally competitive products and services can be created while co-creating (with helpful governmentand private support/angel agencies) extensive gainful job opportunities and exciting career growth opportunities for everyone to sustain long term attractiveness of the planned startup success culture..
- Create a culture of entrepreneurship, and Intellectual Property (IP) creation that can lead to value creation, jobs and employment and do social and economic good.
- Facilitate creation of incubation centers that offer incubation infrastructure, such as, space, computing resources, connectivity, common tools, and environment for co-working, collaboration and innovation.
- Recommend an administrative structure for establishing and operating incubators and linking them with other state incubation centers for sharing of mutually beneficial data, strategies and contacts.
- Define the processes and workflows for creation, operation, management and growth of incubation centers.
- Define role of incubators in acting as key catalysts towards ecosystem development engagement with mentors, advisors, angel investors, venture capitalists, funding agencies, peer startups, user groups (industry and or consumer) and explore global, international linkages.
- Recommend alliances for incubators with experts from technology, marketing, financing domains linked so that startups can be guided.
- Define targets for creation of capacity via incubators, startups, jobs, IP led patents etc. that can be considered as success metrics measuring the impact of the policy.
- Recommend a roadmap for incubation centers to evolve as accelerators, and self-sufficient entities over a five to ten-year period.

THE INTENDED IMPACT THE POLICY AIMS TO CREATE IS THE FOLLOWING:

Business retention and job creation

Increased tax revenue which can be used for the betterment of the society

Increased opportunity for student startups to contribute in enhancing technological inventions

Increased opportunity for university incubators to engage alumni's by inviting them as mentors and or investors for upcoming startups. This would build a catalytic cycle encouraging more startups to participate with the opportunity to be funded by their seniors.

SOME OF THE KEY HIGHLIGHTS OF THE STARTUP ECOSYSTEM OF DELHI ARE AS FOLLOWS:

Introduce changes in school curriculum (from class ten onwards) with the aim to develop entrepreneurial skills in students

Shared services such as access to accounting, legal, administrative services would be made available to startups.

Startups would have access to funds in the form of loans, grants and/ or seed funding.

Facilitate creation of incubation centers within educational institutes and industrial zones

- The incubators would be under the direct control of a holding company setup as a Section 8 (earlier Section 25) company under the Indian Companies Act.
- The holding company would have the budget to setup incubation infrastructure
- The governing body for the incubation centers would be known as Delhi Entrepreneurship Council consisting of government officials, private entrepreneurs and venture capitalists.

The performance of startups would be tracked on a periodic basis and mentorship sessions provided through tie ups with industry associations. The measurement of performance would be defined and provisions are available for underperforming ones to exit.

THE INTENDED IMPACT THE POLICY AIMS TO CREATE

Reimbursement of VAT (now GST) up to a maximum of INR 50 lakh turnover

Reimbursement of stamp duty/ registration fee on sale/lease deeds, 100% on the first transaction and 50% on the second transaction

Government would match the funding raised by incubators from Government of India

SNAPSHOT OF UT PERFORMANCE

The following representation details the status of Delhi's implementation on each of the 7 pillars of assessment. Data presented below is the percentile score.

0%

0%

0%

0%

Institutional Support

Simplifying Regulations

Easing Public Procurement

Incubation Support

0%

0%

0%

Performance of the Best State in the pillar

Relative Performance of the State

Seed Funding Support

Venture Funding Support

Awareness and Outreach

Delhi has been evaluated on 7 distinct pillars which largely contribute to the growth of the startup ecosystem in Delhi. The representation as expressed above depicts the relative performance of Delhi in each of the seven pillars in comparison to the performance of the best state in that pillar.

Although efforts have been made to enhance the startup ecosystem, the initiatives undertaken towards uplifting the startup ecosystem in Delhi require improvements since results have been negligible across all pillars. Greater efforts need to be employed by Delhi for noticeable outcomes.

Detailed analyses of this snapshot can be viewed in the subsequent section, with extensive insight into the initiatives taken by Delhi to uplift its startup ecosystem.

03 PILLAR-WISE ASSESSMENT

1. INSTITUTIONAL SUPPORT

Institutional support envisages provisions and execution of the UT's startup policy including information on the nodal team within the UT, online implementation system, registration of mentors and their listing on the startup portal. The UTs are evaluated based on the laid provisions along with parameters of availing benefits through intellectual property rights portal, establishing partnerships with institutions, providing special incentives for women led startups and entrepreneurship..

KEY FACTS

Delhi is currently home to a number of flourishing startups and the vision is to create a world-class startup ecosystem in the national capital through strategic investment and policy interventions as well as to leverage the robust innovation climate in the national capital. The Industries Department is the nodal department for startups and industries in Delhi. The department intends to promote, encourage and develop startups and industries in Delhi. The Principal Secretary-cum-Commissioner, Industries is the nodal officer responsible for overseeing activities related to startup ecosystem development.

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

SHORT TERM ACTIVITIES (1-3 MONTHS)

The activities suggested in this category are important and will take relatively less time for implementation. Through dedicated efforts, results can be achieved within one to three months. Activities suggested under this category are as follows:

Dedicated team to provide guidance on availing incentives

- The government could develop a dedicated team/ committee to support startups. The members of the team would have adequate experience in startup ecosystem development. The team would provide support to interested startups in the form of awareness building, capacity building, ease of doing business etc. This team could also provide handholding support by way of assisting startups in understanding processes on how to avail various incentives.

Support to women entrepreneurship

Overall, the UT could encourage women entrepreneurship through special women led initiatives of providing entrepreneurial skill-based training towards innovative thinking and ecosystem infrastructure to women participants, starting from the school level in the UT

Dedicated online startup portal

- The government could develop a dedicated startup portal with necessary features such as registration, application tracking, issuance of registration certificate, query resolution, list of incubators & mentors. The portal shall also have an online booking system for access to fabrication labs and other infrastructure created under the startup policy of the UT.

- The portal could also have an interactive dashboard that details the Month-To-Date (MTD) and Year-To-Date (YTD) information for the following parameters:
  - Number of startups
  - Number of seed funded startups
  - Number of venture funded startups
  - Number of incubators supported
  - Number of incubatees
  - Number of purchase orders awarded to startups

Support from various departments to promote the growth of startups

Apart from the UT's Department of Health and Department of Education that provides one-time support to startups, the UT must undertake support from various other departments that may not be limited to one-time, as additional support could be required by the new startups at various stages. Thus, other departments in the UT may also be encouraged to design specific policies, orders and schemes to support startup culture in the UT.

MEDIUM TERM ACTIVITIES (4-6 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within four to six months. Activities suggested under this category are as follows:

Develop a well-structured startup policy

The Government of NCT of Delhi could develop a well-structured startup policy along with clear guidelines on the benefits available to startups. It could be sector agnostic and have a clear definition of a 'startup'. It could also detail processes for registration of startups and availing incentives (both fiscal and non-fiscal). The startup policy should also clearly demarcate the various focus areas that will provide incentives to various startups. Additionally, the policy shall speak about different types of infrastructure that would be set up for providing benefits to the startup ecosystem.

Establish a mentor network

- The government could establish a mentor network to support startups. This would include eminent professors, corporate partners, educational institutes and industrialists

- The government could also establish an online mechanism to connect these mentors with startups and publish a detailed list of mentors along with their experience and achievements.

Provide Intellectual property (IP) support

The government could provide IP support to startups in the form of reimbursements of patent filing costs. The UT could develop IP support for continuous growth of the startups and to help them make development-oriented innovations.

Establishing cohesive partnerships to promote the development of startups

The government could establish partnerships with corporates. These partners would aid startups in the form of professional services, mentorship, contribution through Corporate Social Responsibility (CSR) funds for incubators and co-working spaces, software/ hardware tools and other lab equipment, knowledge exchange, technology transfer and market linkages
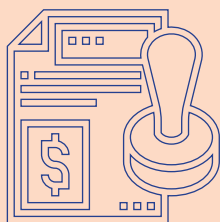
2. SIMPLIFYING REGULATIONS

Simplification of regulations considers mandatory requisites for administration level approvals and clearances for registering and operating a business or startup online. In order to make compliance for startups friendly and flexible, simplifications are required in the regulatory regime. It encapsulates regulatory issues faced by registered startups which have been identified through an interactive online mechanism subject to approving action by regulatory agencies. The UTs are evaluated based on the support provided to startups by introducing a list of rules, regulations or Acts in the UT, including amendments in the Acts and regulations with requisite details to create a conducive environment for the startups.

KEY FACTS

The UT is yet to develop a mechanism to identify and assess all the regulatory issues faced by startups; along with an online interactive mechanism detailing out all UT level approvals and clearances required for registering and operating a startup.

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. As part of dedicated startup policy, the UT has the opportunity to lay down specific incentives and processes that will enable startups to perform better. Certain regulations can be provided with ease of administration. The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

MEDIUM TERM ACTIVITIES (4-6 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within four to six months. Activities suggested under this category are as follows:

Establish a business compliance information system for startups

The government could simplify the business compliance mechanism for startups by developing a single window portal for all approvals and clearances. This is an essential requirement for registering and operating startups across various sectors. This would help in real time problem-solving for startups

Develop online mechanism for self-certification

The government could develop an online mechanism to accept self-certification from startups for the existing labour laws in the UT.

Invite or identify regulatory issues and amendment in rules and regulations

- The government could setup an online mechanism to invite feedback, suggestions, queries and grievances related to regulatory issues faced by startups
- The government could provide details of essential amendments on the startup portal. It could comprise of list a rules, regulations or Acts applicable in the UT
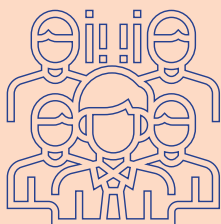
3. EASING PUBLIC PROCUREMENT

Ease in public procurement simplifies criteria to ensure participation of startups in government tenders. The UTs are evaluated based on the support provided to startups in resolving issues related to public procurement as norms of Earnest Money Deposit (EMD), prior experience, and prior turnover which prove to be barriers for participating startups. Easing of such norms enable startups and entrepreneurs to avail exemptions and share an equal platform with established organisations.

KEY FACTS

The government does not have the necessary relaxations in place for the key criteria of prior experience, prior turnover and EMD in public procurement processes. The government currently does not award any work orders to startups and it does not have an online grievance redressal mechanism in place to address issues related to public procurement faced by startups.

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

SHORT TERM ACTIVITIES (1-3 MONTHS)

The activities suggested in this category are important and will take relatively less time for implementation. Through dedicated efforts, results can be achieved within one to three months. Activities suggested under this category are as follows:

Relaxations in 'prior experience criteria', 'prior turnover criteria' and Earnest Money Deposit (EMD) criteria'

The government could introduce relaxation of 'prior experience' and 'prior turnover' criteria for startups in public procurement tenders. Further, the government could also exempt startups from submitting EMD in public tenders

Preference in procurement process to startups

Startups shall be accorded preference in procurement processes as compared to requirements that need to be met by more established entities.

Award work orders to startups

- The government could provide work orders to startups through a transparent mechanism
- The government could consider organising annual events where startups would demonstrate their capabilities directly to the government and subsequently take part in public procurement activities

MEDIUM TERM ACTIVITIES (4-6 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within four to six months. Activities suggested under this category are as follows:

Develop a grievance redressal mechanism for startups

The government could develop a comprehensive online mechanism for receiving grievances and communicating resolutions on matters related to public procurement. For each grievance submitted, a timeline could be specified for the resolution. The government should appoint a designated officer for resolving grievances

4. INCUBATION SUPPORT

Incubation support is an integral element of the startup ecosystem that supports entrepreneurs to grow their businesses and assists new startups to succeed. In order to promote startups, the administration collaborate with organisations, corporates or industry associates to establish incubators, to support startups in the form of capital expenditure or operational expenditure. The evaluation is based on setting up of incubators supported by the UTs to release funds to the startups, thereby creating a unique mechanism to provide subsidised incubation and operate acceleration programmes in partnership with the industry.

KEY FACTS

Ambedkar Institute of Advanced Communication Technologies and Research Incubation and Research Foundation has offered subsidised rental fee space to various incubated startups.

Following operational incubators have allocated numerous opportunities to startups:

• Ambedkar Institute of Advanced Communication Technologies and Research Foundation (AIACTR IRF)

• DPSRU Innovation and Incubation Foundation (DIIF)

• Indira Gandhi Delhi Technical University for Women (IGDTUW) -Anveshan Foundation

• Delhi Technological University

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. A dedicated startup policy should cater to the needs of Incubators specifically. The UT shall enable training of incubators to enable them to support startups, The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

MEDIUM TERM ACTIVITIES (4-6 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within four to six months. Activities suggested under this category are as follows:

Setting-up new incubators

The government could set up new incubators and upgrade existing incubators in the city. They could do so by providing financial grants to cover capital and operational expenditures incurred to set up and run incubation facilities.

Develop a mechanism for subsidised incubation

The government could offer incubation subsidies in the form of grants and rebates to startups . The government could also explore the opportunity to engage with private incubators and support them by reimbursing the cost of incubation.

Conducting acceleration programmes

The government could conduct acceleration programmes and encourage enrollment of startups in these programmes to provide benefits in the form of networking opportunities with investors and mentors.
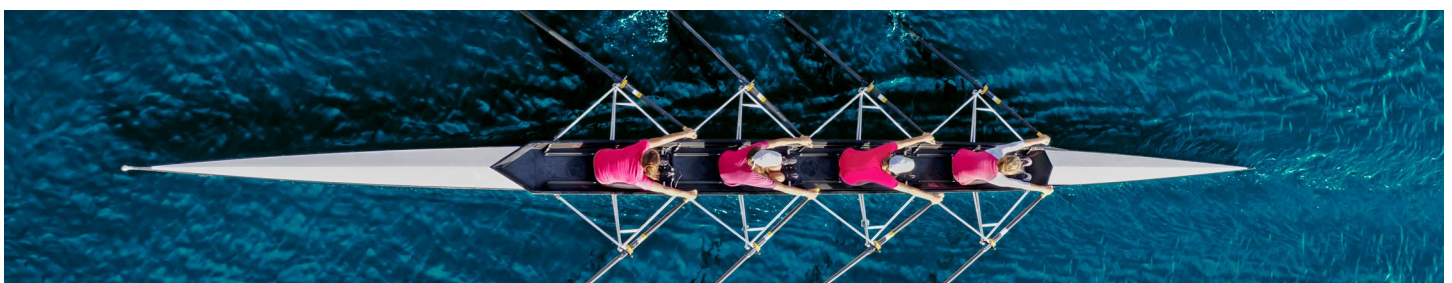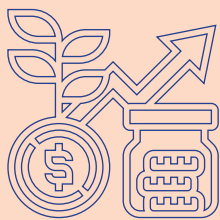
5. SEED FUNDING SUPPORT

Seed funding can be in the form of a direct grant, subsidised loan, product development and marketing financial assistance, monthly sustenance allowance or even equity seed funding. With seed funding, the evaluation is based on the UTs' endeavor to help a business grow and generate its own capital by establishing a guiding document. The administration needs to ensure that startups scale with the right velocity in order to achieve leading positions, through investment and startup's entrepreneurial knowledge.

KEY FACTS

The government has appointed two entities for seed funding disbursal.

• Shaheed Sukhdev College of Business Studies (SSCBS) Innovation and Incubation Foundation (SIIF)	• Indraprastha Institute of Information Technology (IIITD) Innovation and Incubation Center

SIIF has the following operating principles:
- Funding is to be provided as seed fund only
- Funding support from SIIF is to be provided against equity in private limited company of the venture
- Maximum exposure by SIIF in a venture during the incubation tenure is INR 20 lakh.
- Maximum equity to be taken by SIIF in the venture during the incubation tenure against the seed fund is 10%
- Usual norm of investment is INR 7.5 Lakh against 7.5% equity

IITD has the following operating principles:
- The startup could be a private limited company incorporated under the Indian Companies Act.
- The startup could be an incubated company for a period not less than three months as on the date of seed investment application.
- The startup could have a paid-up capital not less than INR 1 Lakh.

The seed funding guidelines have been defined by SIIF and IIITD. The process of evaluation captures aspects of technology & business model innovation, market addressed, customer feedback, scalability & potential and competitor evaluation and pricing.

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

SHORT TERM ACTIVITIES (1-3 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within one to three months. Activities suggested under this category are as follows:

Establish an online system for seed funding and publish a list of beneficiaries

- The government could establish an online facility to avail seed funding. The facility could have a way for startups to apply for seed funding, track the status of their applications and obtain approvals
- The government could also look at publishing the list of startups which received seed funding on the online portal
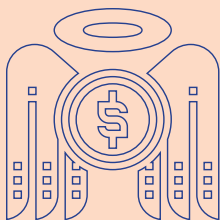
6. VENTURE FUNDING SUPPORT

Venture capital funding support is provided to the startups from administration supported funds. The UTs are evaluated based on the establishment of the Fund of Funds (FoF) with approved operating guidelines and signing a memorandum of understanding (MoU) with the fund manager along with a concrete budget allocation. Venture funding provides strong growth potential to startups wherein the fund is used for the all-round development of startups and to levitate the startup ecosystem of the UTs.

KEY FACTS

The government has not taken any measures to establish venture funds or fund of funds for startups. It has not established any guidelines to facilitate venture funding in its startup policy.

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

SHORT TERM ACTIVITIES (1-3 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within one to three months. Activities suggested under this category are as follows:

Publish list of startups funded through venture funds

The government is encouraged to maintain proper record with fund wise details of startups funded by venture fund or funds of funds supported by the government

MEDIUM TERM ACTIVITIES (4-6 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within four to six months. Activities suggested under this category are as follows:

Establish a robust mechanism to extend venture funding support

- The government could set-up a venture fund or fund of funds with a specified corpus. The government could also specify details with respect to the operational guidelines for hiring of a fund manager
- It is also recommended that an online system be established where details of venture support are available to startups online
- Further, the Delhi Government may also look at allocating some amount from the budget earmarked towards supporting existing venture funds in the UT which specifically fund early stage startups
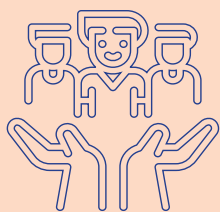
7. AWARENESS AND OUTREACH

It is the endeavor of administration to raise awareness about the Indian startup ecosystem and increase its outreach throughout the UT. The UTs are evaluated based on awareness of startups created through workshops, national and international events including bootcamps and hackathons/ grand challenges. In order to promote startups, the UT encourages participatory and inclusive processes for linking startups with angel investors and high net worth individuals. Maximum participation is encouraged for exchange of valuable knowledge amongst startups, and pitching sessions for angel investments with widespread propagation.

KEY FACTS

The government has appointed Indira Gandhi Technical University for women (IGTUW)-Anveshan Foundation to conduct bootcamps and entrepreneurship awareness events.

The following programmes were conducted:

TRIVIM: Three-day virtual reality bootcamp at IGTUW campus was conducted in September 2018

THREE-DAY WORKSHOP on entrepreneurship awareness was conducted in January 2019

A total of six national and one international event were organised as follows:

WORKSHOP ON IDEA GENERATION AND PSYCHOLOGY OF ENTREPRENEUR: The workshop was conducted in January, 2018 by the entrepreneurship development cell at Nethaji Subhash Institute of Technology (NSIT) in Delhi. The workshop provided a platform for entrepreneurs and students to interact and discuss about the best practices in business planning and management

ARTIFICIAL INTELLIGENCE WORKSHOP: Indraprastha Institute of Information Technology (IIIT) organised a workshop to understand the latest trends in Artificial Intelligence

WISDOM TALK: Students and researchers from IIIT Delhi attended the event in February 2019 to understand the details about company registration in India

INTERNATIONAL CONFERENCE (ICDMAI) MALAYSIA: Incubatee from the Indian Institute of Technology (IIT), Delhi demonstrated a working prototype of GesTalk- Gesture to Speech conversion glove at the ICDMAI conference held at the University College in Kuala Lumpur, Malaysia

PITCH CAFÉ: The event was organised in May 2019 to support innovators and budding entrepreneurs

INCEPTION 2019: Overnight Ideathon was conducted in August 2019 where first year students pitched their business ideas

HEALTHHACK: conducted in September 2018 at Delhi Pharmaceutical Sciences and Research University (DPSRU) Innovation and Incubation Foundation. The main objective of Health Hack is to assist health researchers to develop products, devices, services and to build important network across communities.

WAY FORWARD

The UT needs to give importance to this pillar in order to further strengthen the startup ecosystem. The UT could prioritise actions required in three categories: short, medium and long term. Action required in each of these categories are summarised below: -

SHORT TERM ACTIVITIES (1-3 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within one to three months. Activities suggested under this category are as follows:

Organising additional bootcamps

The government could organise more bootcamps. These bootcamps could be focused on ideation sessions, mentor workshops, pitching sessions and benefits under startup India

More effective hackathons and grand challenges

The government could organise hackathons to identify innovative technological solutions and for supporting entrepreneurs in building these solutions as viable products or service offerings

Promote angel investment workshops and conduct additional events

- The government could identify leading angel investors and high net worth investors present locally to conduct angel investment workshops
- Additionally, the government could look at providing special fiscal and non-fiscal incentives for angel investors for participating in such events

MEDIUM TERM ACTIVITIES (4-6 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within four to six months. Activities suggested under this category are as follows:

Conduct startup awareness events and entrepreneur training programmes

- The government could conduct awareness events where startups can demonstrate their products and services to industry leaders and subsequently obtain mentorship and funding support
- The government could organise training programmes to further capacitate budding entrepreneurs in the city and enable them to perform better

LONG TERM ACTIVITIES (7-12 MONTHS)

The activities suggested in this category are important and will take relatively more time for implementation. Through dedicated efforts, results can be achieved within seven to twelve months. Activities suggested under this category are as follows:

Provide support for national and international events

- The government could establish clear guidelines pertaining to financial and non-financial assistance for startups to participate in national or international entrepreneurship events or conferences. The government could also offer financial incentives to startups to attend national and international events. The incentive could be in the form of reimbursement of travel and lodging expenses
- The government may also look at partnerships with countries/ international agencies, such as, educational institutions, incubators and accelerators for knowledge exchange

Notes

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