

RESOURCE PAPER THINKTANK – STARTUP

1. **STARTUP - is an entrepreneurial venture or a new business in the form of a company, a partnership or temporary organization designed to search for a repeatable and scalable business model. These companies, generally newly created, are innovative in a process of development, validation and research for target markets.*1**

Normally they disrupt the existing business. Such companies are not required necessary to technology oriented.

Prof.Damodaran states that value of a startup firm “rests entirely on its future growth potential”

DIPP defines StartUp as -The Government of India has announced 'Startup India' initiative for creating a conducive environment for startups in India. The various Ministries of the Government of India have initiated a number of activities for the purpose. To bring uniformity in the identified enterprises, an entity shall be considered as a 'startup'-

- a) Up to **five years** from the date of its incorporation/registration,
- b) If its turnover for any of the financial years has not exceeded Rupees **25 crore**, and
- c) It is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property;

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'startup'*2

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***1.Wikipedia & www.sba.gov.**

2. DIPP – GSR 180 (E) 17.02.2016

3.Annexure at the end

INDIAN STARTUP LATEST* AND WORLD -

Indian startups raised \$1.42 billion across 307 deals in Q1 2016, according to YourStory Research. While there has been a decline of over 16 percent in deal value compared to the same period last year, number of deals has in fact increased by 108 percent. Q1 2015 witnessed 147 deals and a total value of \$1.7 billion. Top 3 Locations – NCR DELHI, Bangluru and Mumbai.

3 Startup Companies went **IPO Listed** – QuickHeal, TeamLease and Infibeam.

Top 3 highest funded –

<u>Acquired Startup</u>	<u>Sector</u>	<u>Acquirer Company</u>
Common Floor	Real Estate	Quikr
BookMy Cab	Taxi Service	Wings Travels
HandyHome	Doorstep Service	Urbanclap

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WORLD FAMOUS STARTUP- MOST SUCCESSFUL LISTED STARTUP IN WORLD – GOOGLE,FB,AMAZON, APPLE .

WORLD MOST VALUED STARTUP LATEST- Uber [\$ 51 billion] ,Airbnb(\$ 10 billion),Dropbox(\$ 10 billion),Square [\$ 6 Billion] etc.^(www.inc.com)

*<http://yourstory.com/>

SUCCESS RATIO ANALYSIS-

Failure rate – Statistic Brain Research – [www.tech.co]

Industry	Percent Still Operating After 4 Years
Finance Insurance and Real Estate	58 %
Education and Health	56 %
Agriculture	56 %
Services	55 %
Wholesale	54 %
Mining	51 %
Manufacturing	49 %
Construction	47 %
Retail	47 %
Transportation, Communication and Utilities	45 %
Information	37 %

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REASON FOR FAILURE - Statistic Brain Research – [www.tech.co]

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	Major Cause	Percentage of Failures	Specific Pitfalls
1	Incompetence	46 %	Emotional Pricing
			Living too high for the business
			Nonpayment of taxes
			No knowledge of pricing
			Lack of planning
			No knowledge of financing
			No experience in record-keeping
2	Unbalanced Experience or Lack of Managerial Experience	30 %	Poor credit granting practices
			Expansion too rapid
			Inadequate borrowing practices
3	Lack of Experiences in line of goods or services	11 %	Carry inadequate inventory
			No knowledge of suppliers
			Wasted advertising budget
5	Neglect, fraud, disaster	1 %	

STARTUP IN INDIA 2015 – [Outlook Business Issue April 29,2016]

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Spoonjoy, Langhar & Order Snack – These food delivery startups closed in 2015.

Jewelskat, Bagskart & Watchkart- Launched by Vayloo Technologies all closed .

Done by None (women-only fashion brand),online Recruitment firm **TalentPad**,Online Grocer **Localbanya** also closed.

Ola & UBER - They are giving huge discounts / incentives to win competition.

Goffers - They shut down operations in nine out of 17 cities as people still prefer local kirana.

OYO Rooms - With 4500 hotels partnership in 2015,questions are raised for its discount-fuelled growth.

Flipkart & Snapdeal – Both iconic startup, still to see profit.Recently Morgan Stanley has marked down its Flipkart Stake,saying valuation had outpaced growth.Heavy Discount and competition model affects profitability.

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• For **FY 2015 -Losses** of –

Amazon – Rs. 1,724 Crores

Flipkart – Rs. 1,932 Crores

Snapdeal –Rs.1, 328 Crores.

Zomato – fired 300 employees (about 10% of Workforce) as losses grew to Rs. 147 crores.

Housing.com – also let go 800 employees after losses of Rs. 279 crores .

Consolidation is in full swing –

Acquirer	Acquiree	Amount (\$ Million)	Year
CarTrade	CarWale	100	Nov-15
OlaCabs	TaxiForSure	200	May-15
Snapdeal	FreeCharge	400	Apr-15.

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Problems faced by StartUp In India –

Culture - It is only in the last decade and half that people in the country have moved from being job seekers to job creators. Doing a startup is tough and every country sees more failures than success.

Policies - The World Bank (2014) Ease of Doing Business (out of 189 economies) ranks India at an abysmal 142 where starting a business rank for the country is even lower at 158. However the Government has come many new scheme in 2015 and 2016 to encourage Startup in India.

Funding - Capital and access to capital has been a perennial problem for startups. While, of late angel investors, venture capital and private equity have brought succor to some extent, a large number of startups still grapple to raise funds from institutional setup.

Right Talent -India is known for its affordable pool of talent, especially when it comes to technology. However, when one is starting up, talent acquisition becomes a pain, given that not everyone is flexible enough to work in a startup.

Lack of Mentorship –current startup ecosystem consists of a lot of young talent coming out with some very unique ideas. These ideas have enough fuel in them to propel most of these start-ups to great

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heights. But, one of the biggest factors that slows the growth of these companies, is the poor quality of mentorship they get. Most of these organizations are good with their ideas and/or products, but have little or no industry, business and market experience to effectively get their products out.

Fragmented Market -The largely unorganized and fragmented market in India stands as one of the biggest hurdles for startups on their way to success.

Opportunities In India -

Large Population - For startups in the country, it is not essential to go overseas. India, with over a billion people, present a very large home market for any goods or services. A rising disposable income and growing aspirations of a mushrooming middle class have meant there is a large appetite for brands.

Demographic Advantage - - According to the latest UN report India with 356 million 10-24 year-olds have the largest concentration of **youth** population despite having a smaller population than China. This augurs well for the country as right education and healthcare can see the economy soar. Youth is the driving force behind innovation, creation, and the future leaders of a country. Youth also drives demand and consumption pattern in a country. For startups youth make up the workforce that it so desperately needs and going forward youth can be a huge talent base for startups.

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High Mobile Penetration – India has crossed **100 crores** in **mobile connection** - Higher mobile penetration has also led to increased financial inclusion and flow of credit to the unbanked. Growth in mobile penetration is transforming the way businesses and consumers communicate and work. With data enabled mobile phones, the very nature of startups and businesses have changed.

*CASE STUDY

Best startup in World –

1. **Uber** [Car-Hailing app] – <http://gulfelitemag.com/>

Launched in **2009** in San Francisco, USA by Travis Kalanick and Garrett Camp, it has now become **leading transportation** services in the world. Starting with Series A funding of \$ 11.5Millions to final round of funding \$ 1.2 billion. Currently Uber is currently valued **at \$51 billion** [<http://www.zacks.com/>]. It is also planning for IPO. The company says that it is NOW profitable in USA [<http://fortune.com/2016/02/18/uber-profitable-us/>].

As of April 2016, its service was available in 60 countries and 404 cities worldwide.

In **India**, Uber was launched in July 2014 .

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The Uber – **The actual Disruption**-In April 2014, The company was banned in Berlin <Germany due to disputes with Government and Taxi Companies. Also in India, Taxi Unions have demanded to ban Uber – like services.

Why Uber succeeded?-

- It is based on handy mobile app.
- A customer can book/ call Taxi by just clicking on user-friendly mobile app.
- It also offers cash on Delivery and Mobile Wallet.
- It's rent is totally dependent on Time & distance everything is linked by digital.-
- Uber does not own any car.
- It offers Promotional free/ concessional rides as an innovative marketing.
- It offers differential pricing as per convenient of customers.

Best startup in INDIA –

PATANJALI AYURVED –

It was established in year 2006 by Yoga Baron Baba Ramdev and Acharya Balkrishna. It offers products in wide range – Grocery, Medicine, HomeCare and Personal care. YogaGuru Baba Ramdev is the “Brand-Ambassador’ for Patanjali. The Annual

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Turnover for the year 2015-16 touched Rs.5,000 crores.Previous Turnover data are – 2500 crores [2014-15],1200 crores [2013-14].

Disruption – The company is becoming major player in all sector whether Toothpaste,Soap,HealthFood or Medicines.it has grabed sufficient market share in all 4 sector.A real complete threat to Many big FMCG and MNCs.

Why Patanjali succeeded?-

Good Quality Products / food with Baba Ramdev own campaigning.

Good distribution network

Reasonable low price as compared to other companies.

START UP INDIA – Department of Industrial Policy and Promotion

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The Action Plan is divided across the following areas: [TOTAL 19 POINTS]

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation.

OBJECTIVES –

A] SIMPLIFICATION & HANDHOLDING –

1. SELF CERTIFICATION
2. START UP INDIA HUB
3. ROLLING OUT OF MOBILE APP & PORTAL
4. LEGAL SUPPORT IPR EXAMINATION LOWER COSTS
5. RELAXED NORMS OF PUBLIC PROCUREMENTS FOR START-UPS
6. FASTER EXIT FOR START UP

B] FUNDING SUPPORT AND INCENTIVES -

7. CREDIT GUARANTEE FUND FOR START-UP
8. FINANCIAL SUPPORT THROUGH A FUND OF FUNDS.
9. TAX EXEMPTION FOR 3 YEARS.
10. TAX EXEMPTION ON INVESTMENTS ABOVE FMV
11. TAX EXEMPTION ON CAPITAL GAINS .

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C] Industry-Academia Partnership and Incubation

12. LAUNCH OF ATAL INNOVATION MISSION

13. ORGANISING STARTUP FESTS

14. HARNESSING PRIVATE SECTOR EXPERTISE FOR INCUBATOR SETUP

15. BUILDING INNOVATION CENTRES

16. SETTING UP OF NEW RESEARCH PARK

17. BIOTECHNOLGY SECTOR

18. STUDENTS PROGRAMMED

19. ANNUAL INCUBATOR GRAND CHALLENGE