

STARTUPS

In India



**Current
Status &
Challenges**

Definition of a Startup

An entity in India shall be considered as a Startup if :



It is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India



0-10

It is up to ten years old from the date of its Incorporation / registration



Its turnover for any of the financial years since incorporation / registration has not exceeded INR 100 Crore.



It is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

The Startup India Initiative

Startup India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. In order to meet the objectives of the initiative, Government of India has announced this Action Plan which is divided into 3 areas :



Simplification and Handholding

to simplify registrations & certification processes for startups



Funding Support and Incentives

to help startups by providing funding options & certain relaxations



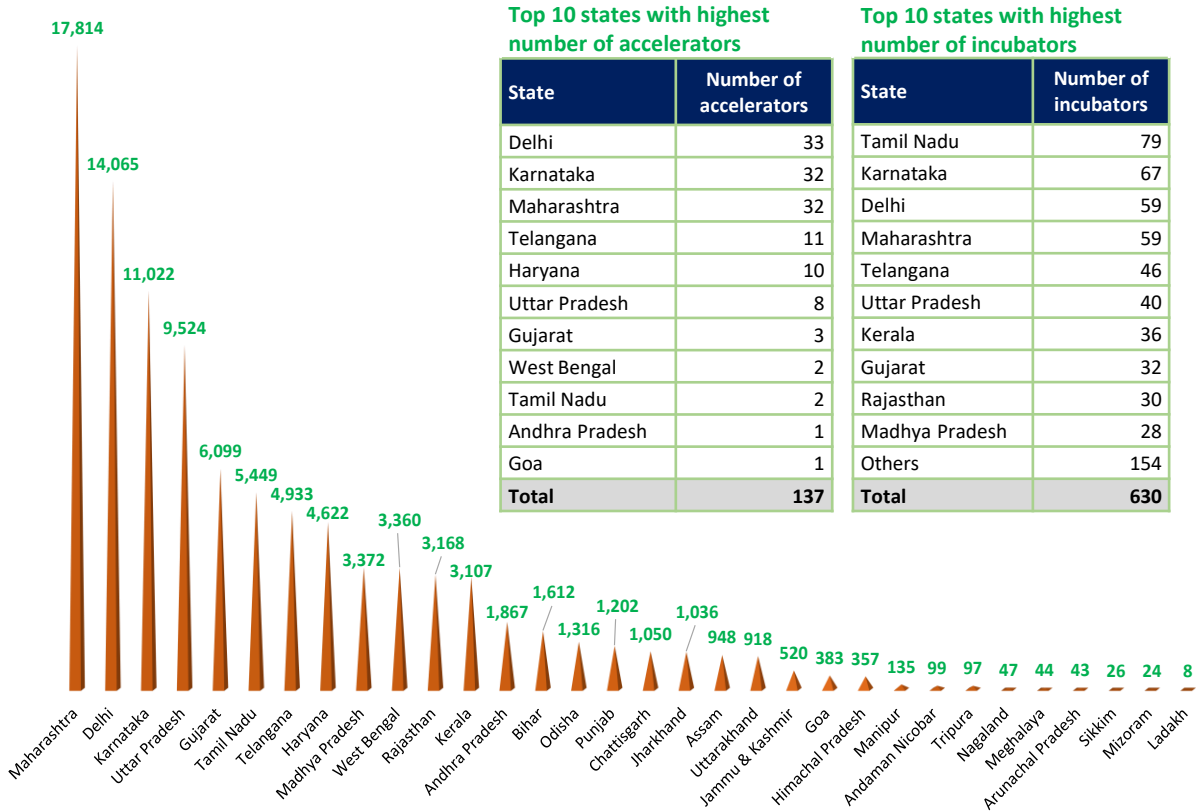
Industry-Academia Partnership and Incubation

to train & educate startups by organizing events and workshops

Source: Startup India Action Plan 2016

Current status of the Indian Startup ecosystem

- State-wise Startups in India as on 10 August 2020



Top 10 states with highest number of accelerators

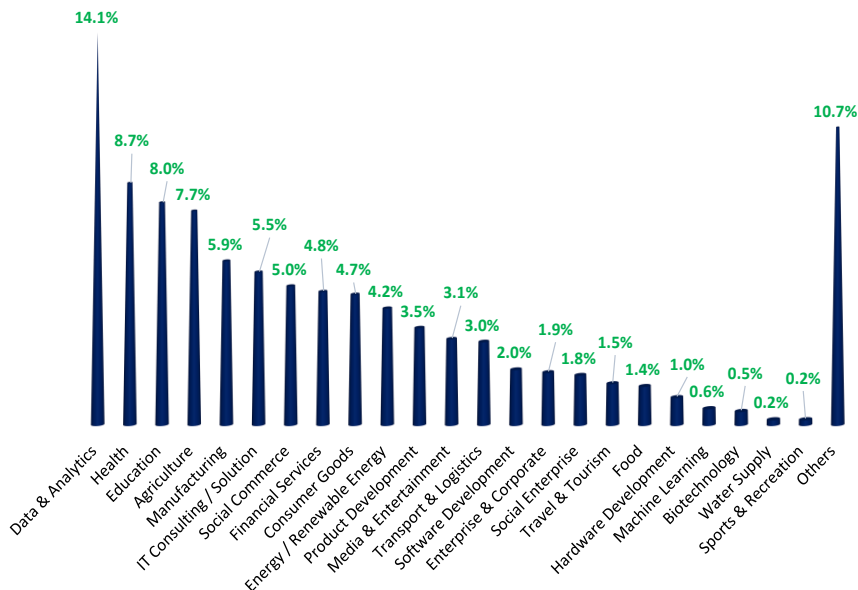
State	Number of accelerators
Delhi	33
Karnataka	32
Maharashtra	32
Telangana	11
Haryana	10
Uttar Pradesh	8
Gujarat	3
West Bengal	2
Tamil Nadu	2
Andhra Pradesh	1
Goa	1
Total	137

Top 10 states with highest number of incubators

State	Number of incubators
Tamil Nadu	79
Karnataka	67
Delhi	59
Maharashtra	59
Telangana	46
Uttar Pradesh	40
Kerala	36
Gujarat	32
Rajasthan	30
Madhya Pradesh	28
Others	154
Total	630

Source: www.startupindia.com

- Sector-wise Startups in India



Source: RBI Pilot Survey on Indian Startup Sector - 31 December 2019

The Startup Lifecycle



Key challenges

Deciding upon the right type of entity

The first challenge any entrepreneur faces is understanding all aspects of every type of entity and then carefully choosing the right type of entity that fits the parameters and the dreams of the entrepreneur. This step is very important in a startup's lifecycle as a wrong choice can prove harmful for the entity in the future.

Understanding the necessary regulatory compliances

The next step is to ensure that all the necessary regulatory and statutory compliances are met before commencement of business. "Compliance" refers to an entity meeting its legal obligations, often to protect the health, safety and welfare of others and the business itself. Understanding the reasons for the various rules, laws and regulations that govern your business will help you take advantage of any benefits they offer while ensuring you stay in compliance at all times.

Understanding different government schemes and taking advantage

Government schemes and assistance programs are aimed at providing benefits in the form of grants, loans at low rates, rebates on taxes for goods or services and other form of benefits. The coronavirus pandemic has put government schemes and assistance programs into high relief, as more entities are in need of these now. Further these benefits give a push to small and early stage entities, which helps them in their business expansion activities.

Getting a good mentor or guidance to help navigate through

Lack of proper guidance and mentorship is one of the biggest problems that exist in the Indian Startup ecosystem. Most of the startups have brilliant ideas and solutions but lack the proper understanding of market and business metrics due to lack of experience. Lack of adequate mentoring / guidance increases the risk of failure.

Investor pitching and access to finance

After the bootstrapping stage, every entity needs capital to keep going, and this is where investors come into the picture. Investor pitching is a critical step for every entity who need capital to keep the operations running. It is important to have a good pitch ready because every investor desires that the money they use to fund your business would earn them profits. The purpose of a successful pitch is to have investors willing to invest in your company. So, when you successfully deliver what an investor wants, you will have a truly compelling pitch.

Key challenges



Gathering the right team

Getting together a trustworthy team and hiring personnel with complementary skill sets is vital for every organisation and startups are no exceptions to this. Each member in the team should be specialized in a specific area of operations. Further due to Covid-19, and restricted cashflows many startups had to let go certain employees thereby affecting efficiency in operations.



Scaling revenues

The next step is to generate revenue figures that you promised your investors in your pitch. This is the step where the future of the entity and the real market test of the startup comes into picture. The entrepreneurs need to focus on generating revenues and ways to expand their business operations in order to make their startup a successful enterprise.



Cashflow management

Several startups that are not able to generate revenue at a pace estimated by them are at a high risk of failing as operations increase, expenses grow with reduced revenues forcing startups to concentrate on the funding aspect, thus, diluting the focus on the cashflow management and business fundamentals. Hence, revenue generation is critical, warranting efficient management of burn rate which is the rate at which startups spend money in the initial stages. The challenge is not to generate enough capital but also to expand and sustain the growth.



Improving performance of business operations

Succeeding in today's business environment means constantly looking for ways to do things better. If an organization is not continuously improving the way it performs processes, it will likely fall behind in the market. The effort involved in enhancing business performance can be complex, depending on the processes that need to be improved. Every organisation needs to take these efforts in order to sustain in the market.



Planning the right exit strategies

It is useful to start planning for an exit in the early stages of the startup's life. Whether the aim is to sell your stake in the company to private investors or exiting through an IPO, early planning will help founders structure their business towards their desired outcome. The exit strategy can influence many aspects of the business such as its legal structure, the types of revenue models to be adopted, the tradeoffs between investing for long vs short-term growth, etc. By thinking rationally about various exit strategy from the outset, entrepreneurs can maximise their take home return on their investment.

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Services



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Advisory

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