



Flanders
State of the Art



START-UP ECOSYSTEM IN MAHARASHTRA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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1. OVERVIEW

India's start-up ecosystem has undergone a tectonic shift over the past decade. The number of start-ups itself have grown seven fold from around 7,000 in 2008, to around 50,000 by end-2018. India continues to hold its position as the country with the third-largest start-up ecosystem in the world with overall base growing at 12-15 percent year-on-year (NASSCOM Report). Proliferation of the internet, higher rates of literacy and a greater exposure to the outside world have fueled sector-based innovation in IT, artificial intelligence, IoT, finance, healthcare, biotechnology, education, agriculture, and logistics, to name a few. These innovations are taking place all over the country, because every region and locality presents a unique set of problems, thereby creating the need for customized solutions. As a result, several regional start-up hubs have mushroomed across India.

Maharashtra contributes 15% of the Indian GDP, leading amongst other states in India and has been the hub of commercial, financial and industrial activity for decades. Mumbai, the commercial capital of India is undeniably the prime growth centre for start-ups. Home to a number of experienced industrialists who can mentor and support start-ups with the right do's and don'ts.

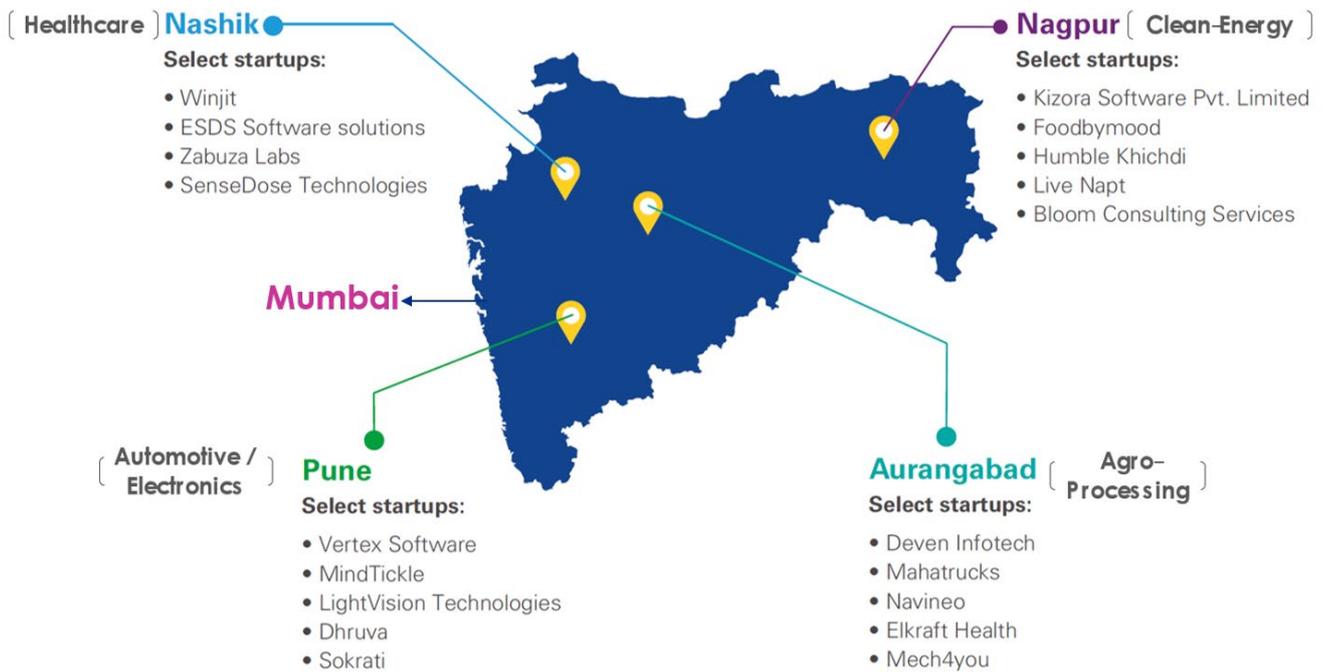
However, the city has its own set of challenges for start-ups. For instance, real estate prices in Mumbai are steep compared to most of the other cities in India. It is well known that few start-ups began operating out of Mumbai, but later shifted to other cities in order to sustain and expand their business. That said, Mumbai still remains a leading breeding ground for innovative minds, especially B2B start-ups in the fintech and enterprise tech space.

Meanwhile, the progressive policy and regulatory environment of Maharashtra has led to the emergence of many other cities in Maharashtra like **Aurangabad, Nagpur, Sholapur, Nashik and Pune** to emerge as new regional start-up hubs. The start-up ecosystem in Maharashtra continues to remain vibrant also due to the pragmatic policy-making and focused initiatives launched and executed by the state government itself.

The following market study covers the trends and opportunities for Flemish companies who are interested in exploring possibilities in India. Through our in-house knowledge and research we have curated some of the leading incubators, accelerator programs, initiatives, platforms, venture capital firms and clusters who are active as part of the start-up ecosystem and engage with international start-ups and platforms.

2. START-UP SCENE WITHIN MAHARASHTRA

Besides Mumbai, some other prominent cities are emerging as start-up hubs. While **Pune** is a key region for the **automotive** and **electronics** sectors, **Nashik** has witnessed growth in **healthcare** firms, with **Nagpur** emerging as an ideal location for **renewable energy**, and **Aurangabad** attracting **agribusiness** Companies.

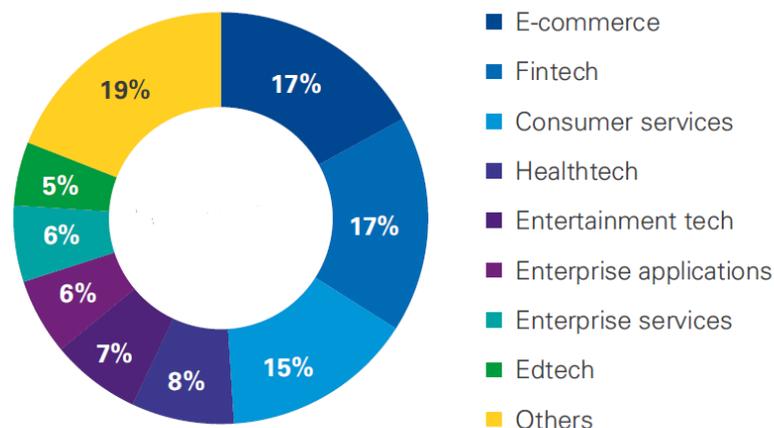


3. WHAT INDUSTRIES ARE ATTRACTING START-UPS

Technology-enabled start-ups in India have been driving innovation to meet consumer needs, address scalability issues, improve productivity and in some cases even revolutionize the business landscape of various sectors such as healthcare, education, financial services, and logistics, amongst others. This is being done through use of emerging technologies such as artificial intelligence (AI), machine learning, Internet of Things (IoT) etc.

<p>E-commerce </p> <ul style="list-style-type: none"> • Number of startups: ~924 (12 per cent of total tech-startups) • Key focus areas: Private labels and B2B e-commerce • Select startups: Flipkart, Snapdeal and ShopClues • Opportunities: Indian e-retail market is expected to grow 250% by 2020 (from 2017) 	<p>Healthcare </p> <ul style="list-style-type: none"> • Number of startups: ~616 (8 per cent of total tech-startups) • Key focus areas: Online pharmacy and healthcare IT (information management) • Select startups: Practo, 1mg, Portea, and Netmeds • Opportunities: India's healthcare expenditure contributes only 1.2 per cent to the GDP compared with 5.5 per cent in China and 17 per cent in the US 	<p>Financial Services </p> <ul style="list-style-type: none"> • Number of startups: ~1,078 (14 per cent of total tech-startups) • Key focus areas: Mobile payments, consumer finance and investment tech • Select startups: PhonePe, BankBazaar and Razorpay • Opportunities: Fintech software and services market in India is expected to increase 1.7 times by 2020 from INR542.7 billion (USD8 billion) in 2016
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Number of startups by sector in Mumbai (2017)



Source: "The state of the Indian startup ecosystem – Annual report 2018", INC 42, accessed on 3 January 2019

4. GROWTH DRIVERS

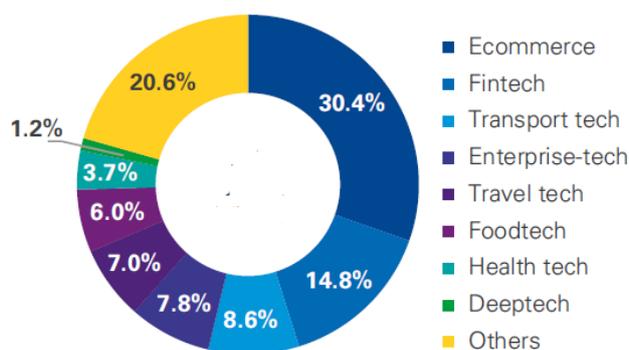
Various factors have led to the growth of start-ups in Maharashtra, but it is the existence of supportive ecosystem, proximity to potential financiers and mentors, presence of a huge customer base and the geographic advantage that have led to the emergence of Mumbai and Pune as the two biggest start-up hubs in the state.

		
Supportive ecosystem	Huge customer base	Geographic advantage
<ul style="list-style-type: none"> • Investors: Mumbai has presence of multiple VCs, while Pune has presence multiple angel investors • Incubators/accelerators: While Mumbai is home to some of the largest incubators such as SINE, Pune has presence of TiE chapter, who are supporting the startups during their initial phase • Talent base: Mumbai, being the financial capital of India, has abundant talent pool for financial services. While Pune has presence of abundant tech talent due to presence of various IT firms. 	<ul style="list-style-type: none"> • Mumbai has a huge customer base, owing to its large population. In addition, the city is home to multiple banks and financial institution, making it a startup hub for fintech players • The city is also a hub for Media and Entertainment industry • While Pune has a huge population of millennials which are concentrated in a few areas, making it an attractive market for startups. In addition, the city is an automotive hub which provide opportunities for startups operating in these space. 	<ul style="list-style-type: none"> • Mumbai's good connectivity with other parts of the world provide it a competitive advantage over other cities • In addition, the city has availability of good logistics infrastructure making it an attractive destination for startups, especially e-commerce • Pune, which is in close proximity to Mumbai, provides it a geographic advantage vis-à-vis other startup hubs. In addition, the city has benefit of better climate and lesser crowd.

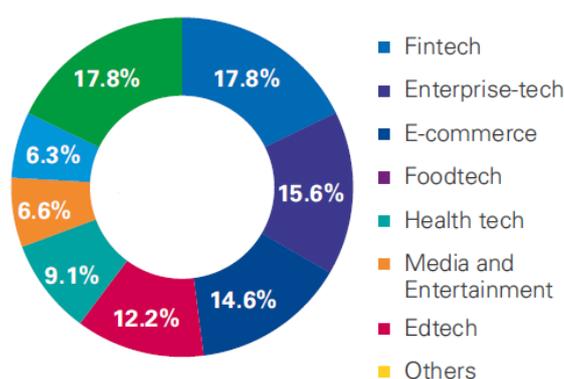
5. FUNDING START-UPS

Start-ups in India have attracted numerous investors over the years, from across the world. As per a report published by Inc42, "The State of the Indian Start-up Ecosystem 2018", start-ups in India have raised nearly INR2,784 billion (USD38.5 billion) in investments between January 2014 and September 2018, attributing to a total of 3,713 deals.

Startup funding by sector (Jan 2014 - Sep 2018)



Number of deals by sector (Jan 2014 - Sep 2018)



Source: "The State of the Indian Startup Ecosystem 2018", Inc42, 2018 Edition

India is home to over 2,000 active investors, who are investing in the ideas of budding entrepreneurs of India, thereby nurturing the start-up ecosystem of the country. These investors, in the last five years (January 2014 to September 2018), have invested a total of INR2,784 billion (USD38.5 billion), of which **Maharashtra (i.e. Mumbai and Pune) received around 13.5 per cent share**. Both the cities have a good network of investors, for example, **Mumbai has over 650 active investors** who own more than **800 funds**. **The city might be third largest in terms of number of start-ups preceded by Bengaluru and Delhi-NCR, however it has the highest number of active investors as compared to Delhi-NCR (462 investors and 515 funds) and Bengaluru (292 investors and 431 funds)**. This could largely be attributed to the presence of various financial institutions, VCs/PEs (Venture Capitalists/Private Equity) and high net worth individuals (HNIs) in the city.

Some of the VC investors in Mumbai include Bain Capital, Blume Ventures, Matrix Partners, Sequoia Capital, Tiger Global Management, amongst others. While on the other hand, Pune is home to Alacrity, a Canada-based fund which has allocated INR723 million (USD10 million) for the city. However, the city has several angel investors which are helping expand the start-up ecosystem in the city. In the last five years (January 2014 till September 2018), start-ups in Pune have received a total of INR65.3 billion (USD0.9 billion) in funding, across 133 deals. Amongst key funding in the city, acquisition of Praxify (a health app maker) by Athenahealth for INR4 billion (USD63 million)⁴¹ and INR9.8 billion (USD145 million) fund raise by CarTrade, really stood out in 2017 and 2016 respectively.

Following are some of the leading investors for Start-ups based out of Maharashtra:

SEQUOIA

www.sequoiacap.com/india

- Investment in start-up seed, early, mid, late, expansion, public and growth stage companies.
- They help ventures and ideas become enduring businesses.
- Focus: energy, financial, enterprise, healthcare, internet and mobile start-ups.

www.aavishkaarcapital.in

- Invests in early-growth stage entrepreneurs building sustainable enterprises.
- Aavishkaar Capital's investment available in India, and broader: Asia & Sub-Saharan Africa.
- Focus on three core sectors: Financial Inclusion, Food & Agriculture and Essential Services.
- They have an active investment style: strategy advice, governance, operational processes, human resources and fundraising.



www.indiaquotient.in

- Very early-stage investor.
- Provides seed funds to Big Data, AI and Blockchain are used in the company.
- Categories: consumer internet, Fintech, Hardware, Logistics, Marketplaces, Online First Brands, SaaS/B2B and Services.



IndiaQuotient



www.ankurcapital.com

- Early-stage venture capital fund from USD 500K to USD 5 million.
- They provide the capital, know-how in collaboration and let companies connect with their network.
- Agriculture, healthcare, education and areas with potential to create large-scale impact.

<https://astarcventures.com>

- Early-Stage VC that aims to partner with start-ups to help them grow into market leaders.
- Fund from USD 50K to USD 1 million.
- Focus on India, Israel, US and UK.



<https://nexusvp.com>

- VC firm that invests in early stage and growth stage start-ups across sectors in India & US.
- USD 1.5 billion across funds.
- Partners for entrepreneurs, strategic guidance, team-building, and opening doors to potential customers and partners.
- Investment size from USD 500K to 10 million in early-growth stage companies and they participate in follow-on investments at later stages for successful companies (not control or manage the company).

nexus
venture partners



www.oriosvp.com

- Technology investor.
- Analyst program: 2-year program with experienced investment team that helps with: market sizing, sector thesis development, deal sourcing, start-up evaluation across multiple sectors, deal structuring, execution and portfolio management.
- Benefits: network with Angel investors, entrepreneurs; understanding of sectors for investment, strategic thinking and decision-making skillsets will be strengthened.

www.ivycapventures.com

- Entrepreneur-centric investment approach, to foster entrepreneurship in India, for early/growth stage companies.
- Unique mentor model for skills, experience and passion.
- Sectors: consumer, healthcare, enterprise tech, FinTech, emerging tech and AgriTech.

IvyCap
Ventures

<https://blume.vc/>

- Seed-stage venture fund that backs start-ups with funding, mentoring/support platforms and global and local networks.
- Invest in Indian start-ups but are willing to conquer the world market to build scale, no investment in international start-ups and have no strong Indian connection/funders.
- Funding more than 20 companies per year, 130+ in total backed.
- Invests in healthcare, financial services, travel, commerce and brands, jobs and educations, digital media and entertainment.

BLUME



- www.omnivore.vc
 Omnivore is a venture capital firm, based in India, which funds entrepreneurs building the future of agriculture and food systems. Omnivore pioneered agritech investing in India. They manage INR 9.35 billion (approximately USD 130 mn) across two funds and have backed over 20 start-ups since 2011. Every day, Omnivore portfolio companies drive agricultural prosperity and transform food systems across India, making farming more profitable, resilient, and sustainable.
- Omnivore's current agritech investment themes include Farmer Platforms, Precision Agriculture, Rural Fintech, B2B Agri Marketplaces, Innovative Foods, Agribusiness SaaS, Post-Harvest Technologies, Agri Biotech, and Farm to Consumer (F2C) Brands.



- <https://kae-capital.com>
 Kae Capital is a sector agnostic fund and invests in companies which bring about innovative solutions for the existing gaps in the markets, backed by a great team. their focus – investing in Innovation, Leadership and Growth.
- Technology a key focus for Kae Capital, they look for entrepreneurs who envision technology as means to disrupt sectors such as Mobile, e-Commerce, Education, Healthcare, Consumer Internet and so on.

6. ELIGIBILITY OF A START-UP - INDIA

An entity will be considered a start-up:	<ul style="list-style-type: none"> ✓ 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 Maharashtra; and
	<ul style="list-style-type: none"> ✓ Up to seven years from the date of its incorporation/ registration; however, in the case of Start-ups in the biotechnology and/or social sector, the period shall be up to ten years from the date of its incorporation/registration
	<ul style="list-style-type: none"> ✓ If its turnover for any of the financial years since incorporation/ registration has not exceeded ₹25 Cr (USD 3.38 Mn Approximate Figures); and
	<ul style="list-style-type: none"> ✓ If 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.

Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a start-up if its turnover in any of the previous financial years has exceeded ₹25Cr (USD 3.38 Mn – Approximate Figure) or it has completed 7 years (10 years for biotechnology and/or social sector3 start-ups) from the date of incorporation/registration.



7. INCUBATORS & ACCELERATORS IN MAHARASHTRA

Accelerators and incubators are playing an important role in the start-up community supporting early-stage, growth-driven companies through education, mentorship and financing. Some of the incubators and accelerators mentioned below are backed by State Government of Maharashtra while some are part of leading academic institutes. There are a handful of incubators and accelerators mentioned below who operate independently irrespective of their association with the Government. Flemish Start-ups can evaluate some of the incubators and accelerators as a part of India entry process:

7.1 MUMBAI BASED

CIBA – Center for Incubation & Business Acceleration

- <https://ciba.org.in/mumbai/>
- Technology Business Incubator
- Supported by Department of Science and Technology, under Startup India Action Plan
- Entrepreneurial network, providing a one-stop support system for start-ups
- Services: consultation, product prototyping, incubation, growth acceleration and seed funding

SINE - Society For Innovation And Entrepreneurship Under IIT- Bombay

- <https://sineitb.org/>
- SINE fosters entrepreneurship, nurturing tech start-ups. It administers a business incubator which provides 'Start to scale' support for technology-based entrepreneurship and facilitates the conversion of research activity into entrepreneurial ventures.
- Backed by Department of Science and Technology

SPTBI - Sardar Patel Technology Business Incubator

- www.sptbi.com/
- Objective is to cultivate entrepreneurship, promote innovation and support daring entrepreneurs.
- SP-TBI supports technology start-ups from Education, Health, Energy, Agri-tech & IT Service

Centre For Entrepreneurship Under SPJIMR

- www.spjimr.org/spjimr-spic
- SPJIMR is seen to be continuing to play a pioneering role in promoting entrepreneurship and another step in this direction has been the setting up of a Start-Up Incubation Centre in the campus.
- Objective is to provide opportunities to SPJIMR students, alumni and faculty to test their entrepreneurial ideas and build them

Department Of Innovation Incubation And Linkages (IIL) Under University Of Mumbai

- <https://mu.ac.in/iil>
- It aims to promote setting up of start-ups and support them during their pre-incubation, incorporation and operations phases to enable creation of successful.
- The incubation center has been supported by University of Mumbai and Maharashtra State Innovation Society (MSIS).

Freemont Partners

- <https://freemontpartners.com/>
- Focused on online business with global potential. They incubate and scale companies from idea to maturity
- They pull together teams with experience and reward with strong equity + cash compensation structure.

7.2 REST OF MAHARASHTRA

NEC - Nashik Engineering Cluster (Nashik)

- <https://nec.org.in/about-us.php>
- Provides sources for quality upgradation to meet global quality standards and modern technologies to engineering industries at affordable cost
- Has a training center (to create knowledge workers) and provides "state of art" facilities
- Stake holders: DIPP, Government of India, NICE and NMC (Nashik corporations).
- Play the role of catalyst.
- Region specific focus.

MAGIC - Marathwada Accelerator For Growth And Incubation Council (Aurangabad)

- <https://magicaurangabad.com>
- Provides: workspace, networking, funding, mentorship, digital platforms, startup curriculum.
- Supports Entrepreneurial and Managerial Development of MSMEs through Incubators in Marathwada region.
- Recognized by MSInS (Maharashtra State Innovation Society).

MITCON – Biotechnology Business Incubation Centre (Pune)

- www.mitconbiopharma.com
- An integrated project having state of art Biotechnology laboratory, consultancy wing and training facility for various disciplines in Bio-Technology, agriculture, food processing and Pharmaceutical has been set up to boost commercialization through incubation.
- The Center houses facilities for Microbiology, Biofertilizers, Biopesticides, Genomics, Plant Tissue culture sale and supply center, Bioinformatics laboratories.
- TBI provides various services and training programs to develop roots of rural entrepreneurship in all over India.

CIID

- www.ritindia.edu/index.php/ciied
- CIIED provides an ecosystem for early-stage technology start-ups, which contributes to Social and Strategic sectors besides being responsible for generating employments and economic value.
- CIIED fosters innovation driven entrepreneurship through incubation by utilizing RIT's existing physical infrastructure and expertise for training, Idea generation, prototype development, preparing Business plan and model helping disruptive innovations (Winnovations) and aspiring entrepreneurs succeed commercially.
- They support in the domain of technology for rural areas, assistive technology (f.e. bio-medical instrumentation)

8. PLATFORMS / INDUSTRY BODIES FOR START-UPS

	<ul style="list-style-type: none"> ▪ www.nasscom.in/ntlf / https://10000start-ups.com/ ▪ NASSCOM, a not-for-profit industry association, is the apex body for the 180 Bn USD IT BPM industry in India. ▪ NASSCOM has presence in all major cities – Mumbai, Pune, Bangalore, Chennai, Hyderabad, Kochi, Thiruvananthapuram, New Delhi & National Capital Region. ▪ Launched in April 2013, 10,000 start-ups is an initiative by NASSCOM to scale up the start-up ecosystem in India. ▪ NASSCOM 10,000 Start-Ups initiative is aimed towards incubation, funding, and support for 10,000 technology start-ups in India over the next ten years. ▪ NASSCOM as the leading industry association/body for technology sector also organizes various events, both physical and virtual for knowledge sharing, market opportunities and networking. ▪ NASSCOM's 'Technology & Leadership Forum' is an annual flagship event that attracts some of the leading businesses and entrepreneurs across the globe.
	<ul style="list-style-type: none"> ▪ https://tie.org/ ▪ Global entrepreneurship support network The Indus Entrepreneurs was founded in Silicon Valley in 1992. There are now 64 TIE chapters in 14 countries, with a <u>20,000 member</u> base of entrepreneurs, advisors, and venture capitalists. ▪ TIE offers a lot to start-ups – including funding and mentoring from its newest pan-India angel network initiative. ▪ TIE's vision has always been to mentor, educate, promote entrepreneurship, and network. ▪ 'TIE Con' and 'TIE Global Summit' are some of their leading annual events which has a huge focus on start-ups and technology enabled sectors.

9. GOVERNMENT SUPPORT

In an effort to boost the start-up ecosystem in the state, the government of Maharashtra has taken various policy initiatives in the past, which mainly revolve around providing infrastructure support, funding and fiscal incentives.

Maharashtra government is working towards implementing various initiatives, designed to promote an environment of innovation and entrepreneurship in the state, provide the much needed infrastructure to start-ups, and simplify the regulatory framework to ease compliance.

Two of the major policies rolled out by the state government are:

1. **Maharashtra State Innovative Start-up Policy** launched in February 2018 and is focused on achieving specific targets by 2023. They include attracting angel and seed stage investment developing at least 15 incubators in collaboration with industry/academia, facilitating incorporation of at least 10,000 start-ups and creating 500,000 direct and indirect employment opportunities.

The [Maharashtra State Innovative Start-up Policy](#) will also allow local laws to be examined with a view of relaxing certain norms to allow easy compliance. Gradually, the state is expected to progress towards full-fledged relaxation of norms. Additionally, with the intention of letting start-ups focus on their businesses, the state plans to ease the regulatory regime and keep compliance costs very low.

The policy mentions that all necessary steps will be taken to ensure regulations are simplified and start-up friendly.

2. **FinTech Policy 2018** : The government of Maharashtra has established a fintech policy to promulgate the state as one of the top five fintech hubs globally. Specifically, the policy aims at incubating at least 300 start-ups by 2021, attract funding as well as establishment of co-working spaces and making them available for fintech start-ups at reasonable rates.

Some of the initiatives and platforms launched with the support of State Government of Maharashtra:

<p>Mumbai FinTech Hub</p>	<ul style="list-style-type: none"> • https://fintech.maharashtra.gov.in/ • Mumbai FinTech Hub is an initiative by Govt. of Maharashtra to execute the FinTech policy (2018) and promote the FinTech ecosystem in the state. It is the first state in India to create a policy to support the FinTech sector with a vision to make Mumbai a global FinTech hub. They address five pillars to boost the sector: access to capital, promoting open innovation, catalyzing ecosystem, global market access and access to FinTech-ready talent pool. • No registration fee since it is a government of Maharashtra initiative. • Part of the fintech policy is the Accelerator. • No deadline for registration, application for grant possible . • Mumbai FinTech Hub also works with international ecosystems such as UK, Australia, Qatar, Bahrain and other upcoming regions in FinTech in order to attract international FinTechs.
<p>IFF (India Fintech Festival)</p>	<ul style="list-style-type: none"> • www.fintechfest.in/ • Brings together all facets of leadership in innovation, driven by FinTech, that contribute to sustainable economic development at scale. • Annual event presented by Government of Maharashtra. • Sessions: Neobanking, payments, digital banking, digital lending, regulation & policy, AI & data, commerce & FinTech, InsurTech, Beyond FinTech, WealthTech & CapitalTech, Investments in FinTech, Techfin, FinTech for Indian Masses, FinTech Specials and Spotlight Asia.
<p>Maharashtra Start-up Week</p>	<ul style="list-style-type: none"> • www.msins.in/start-up-week • Encouragement of entrepreneurial ecosystem in Maharashtra • Provides platform to showcase innovative solutions to Government of Maharashtra.

The [Starter Kit](#) from [Start-up India](#) initiative, the federal level platform backed by Government of India to encourage start-ups outlines the basic do's and don'ts for home grown and international start-ups evaluating setup as part of start-up ecosystem in India and points out some of conducive regulations and policies dedicated for start-ups.



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- CrunchBase - www.crunchbase.com
- Start-up India - www.startupindia.gov.in

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