



Entrepreneurship in India

Its Current and Future Impact on Competitiveness

Amit Kapoor — PART 5 of 8



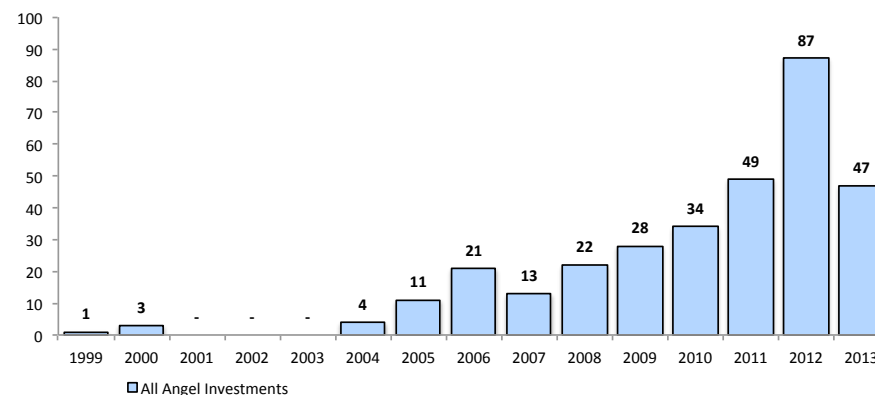
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prosperity*

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COMPETITIVENESS

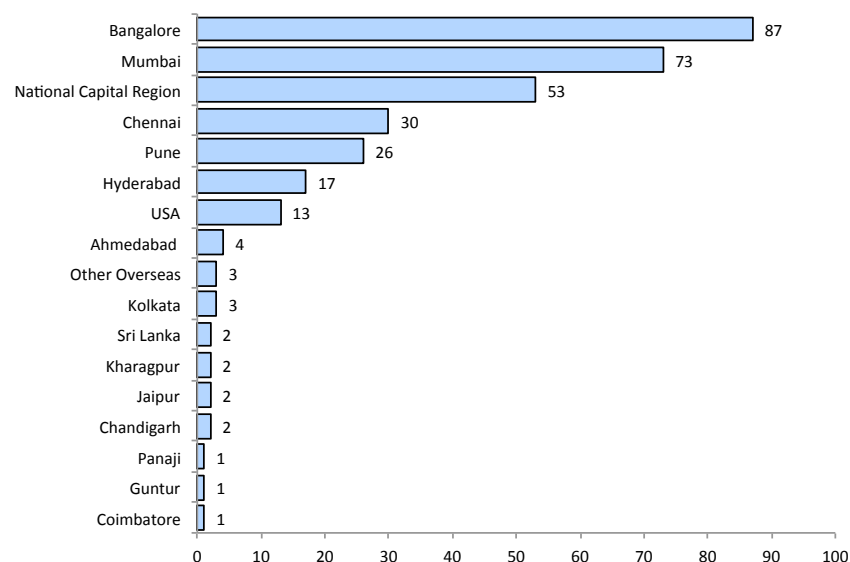
INDIA'S ANGEL DEALS ECOSYSTEM

A recent work paper of IIMB studies the Angel Investing in India based on publicly available data in India. Timmons and Spinelli (2008) recognise angels as the first source of external financing once funding from founders, family and friends, often known as three Fs, has been exhausted. The paper focuses on Angel Networks at appear to be more visible and includes Indian Angel Network, Mumbai Angels, The Chennai Angels, Hyderabad Angels, Global Super Angels Forum and the Harvard Business School Alumni Angels Forum. The methodology included studying the angel investment transactions reported in the Venture Intelligence database. This resulted in 320 transactions over several years and data was also collected on city level as well as on a subsection level. The graphs present these statistics. It is interesting to note that maximum angel activity has been observed in Bangalore, Mumbai, NCR and Chennai. Also maximum number of deals are in the IT domain. The maximum deals happened according to this study in 2012.

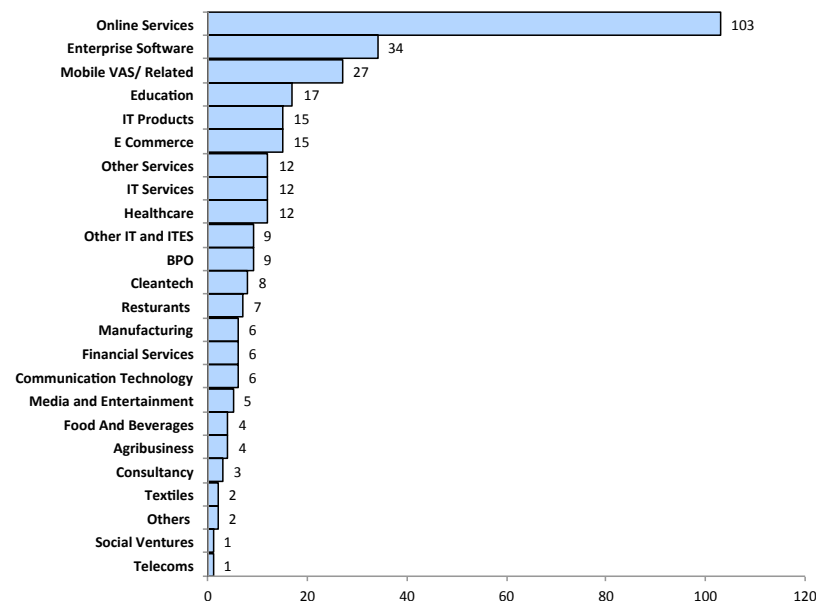
Number of Angel investments year wise from 1999 onwards



Spatial Distribution of Angel Investments



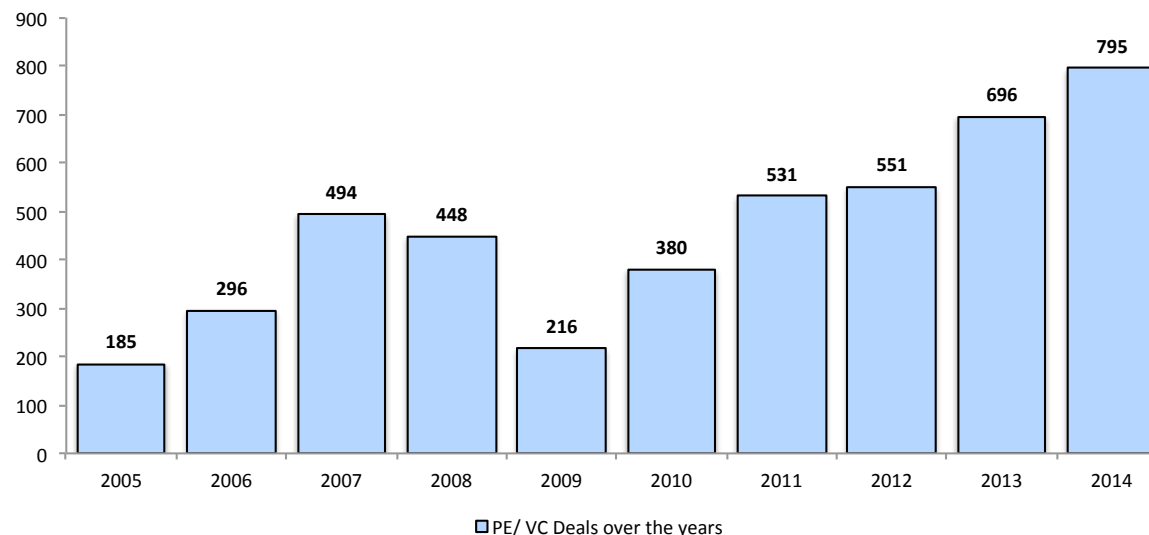
Sub- Sector Wise Number of Deals from 1999-2013



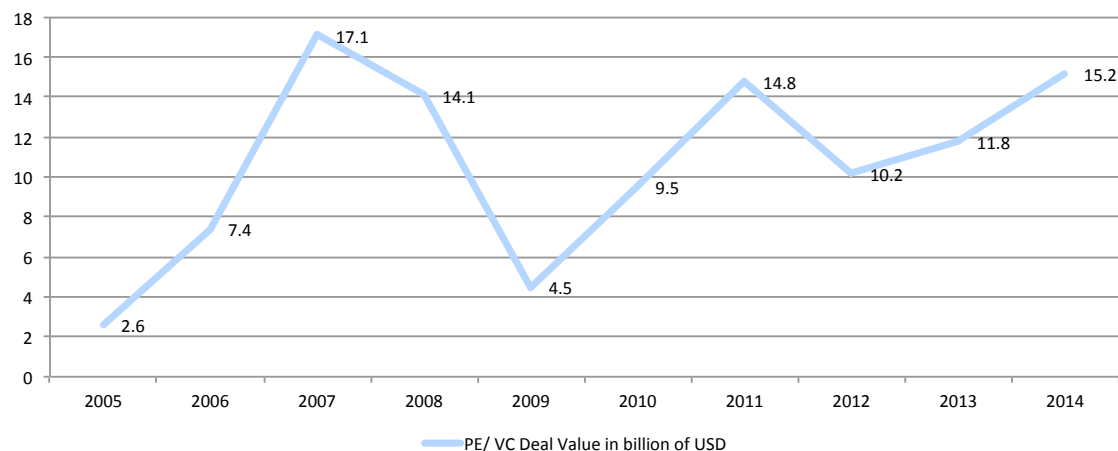
INDIA'S PE AND VC ECOSYSTEM AS PER BAIN

India's PE market together according to Bain's India PE Report 2015 registered a growth in 2014 and in the same year had 795 deals with a total value of 15.2 Billion Dollars. It shows the coming of age of the PE Industry however the VC and the angel Industry are still at a nascent stage.

Number of PE Deals over the years



PE Deal Value in billion of USD

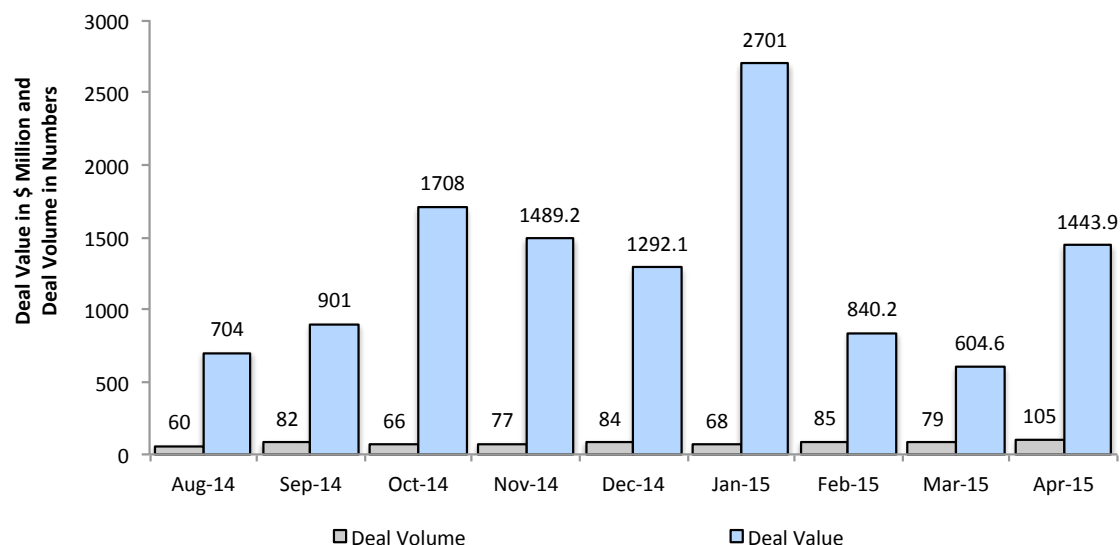


INDIA'S OVERALL ANGEL, VENTURE CAPITAL AND PE FINANCING ECOSYSTEM

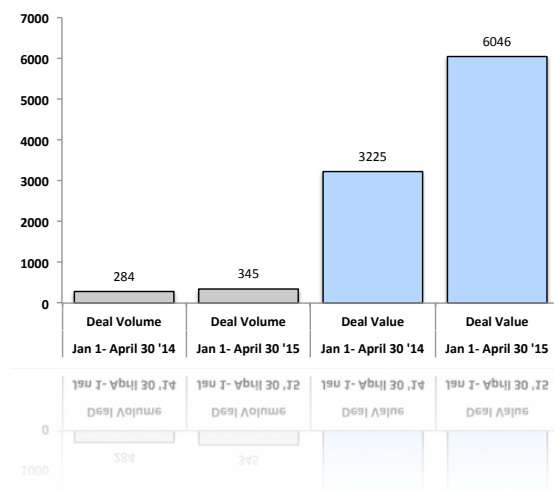
The top five deals accounted for 46.4% of the total investment. The largest was Centerbridge Partners investing \$1,157.5 million in Senvion for 100% stake from Suzlon, followed by Alibaba Group and SAIF Partners' investment of \$635 million in One 97 Communications for 27.6% stake.

The \$400-million investment made by Tiger Global, Steadview Capital and others in Mumbai based ANI Technologies for 13.42% stake was third largest

Recent PE Deals



Investor	Investee	Stake	Deal Value
Centerbridge Partners LP	Senvion SE	100	1157.5
Alibaba Group Holding	One 97 Communications	27.6	635
Tiger Global LP	ANI Technologies	13.4	400
Temasek Holdings	Crompton Greaves Consumer Electricals	34.4	316
Temasek Holdings Advisors India	Sun Pharmaceutical Industries	0.84	298.6

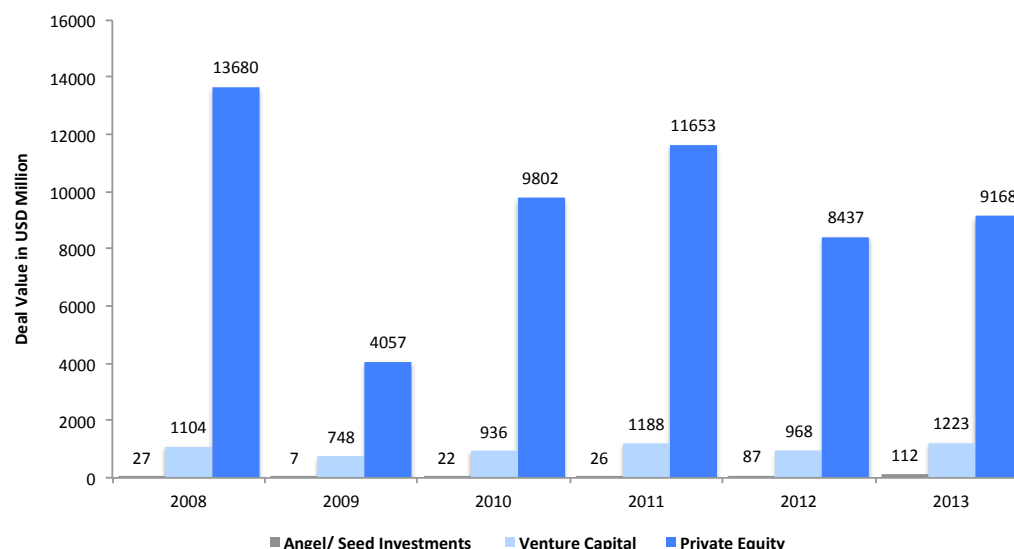


INDIA'S OVERALL ANGEL, VENTURE CAPITAL AND PE FINANCING ECOSYSTEM

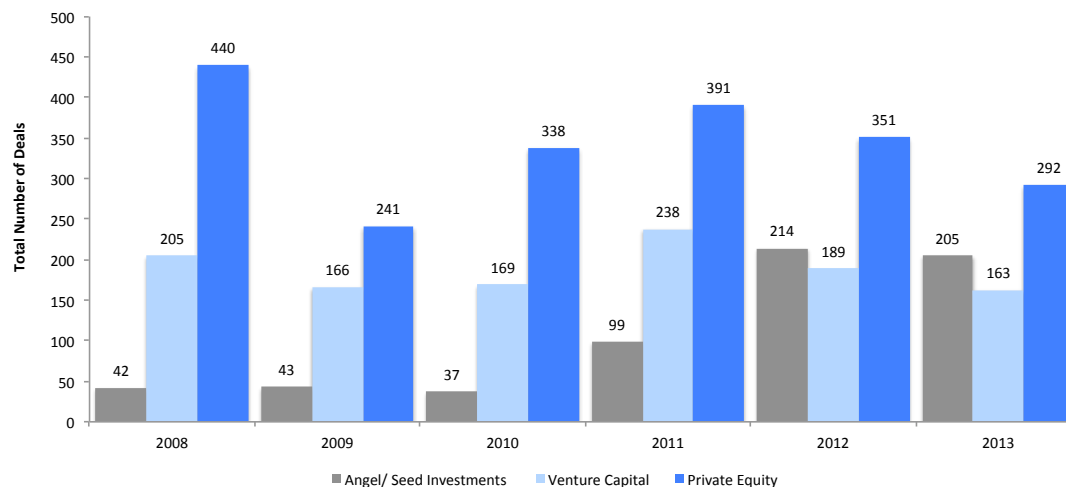
The US sees \$25 – 30 billion of VC investment every year for a \$16 trillion economy. By the US benchmark we need \$4 billion every year (for the size of our economy today). However we end up with a venture capital funding each year of close to 1 billion dollars only. Also this is skewed in favour of only certain sectors most notably e-commerce etc. The PE space is by far the most successful in India out of the 3 types of early stage funding.

Source: <http://goo.gl/l3Ao5w>

PE, VC and Angel Investing Activity in India



PE, VC and Angel Investing Activity in India





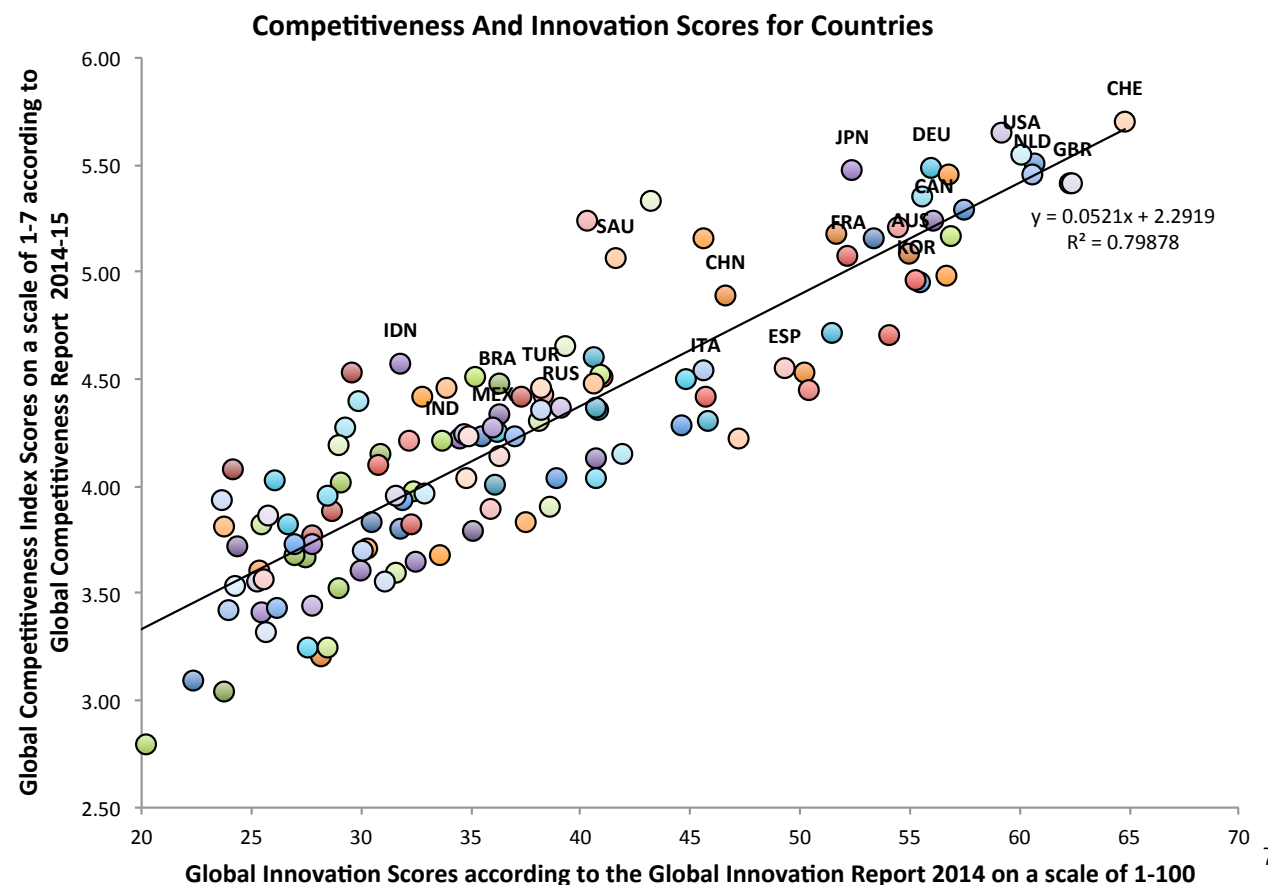
WHY IS INDIA A LAGGARD IN CREATING AN ENTREPRENEURIAL ECOSYSTEM

Several Factors:

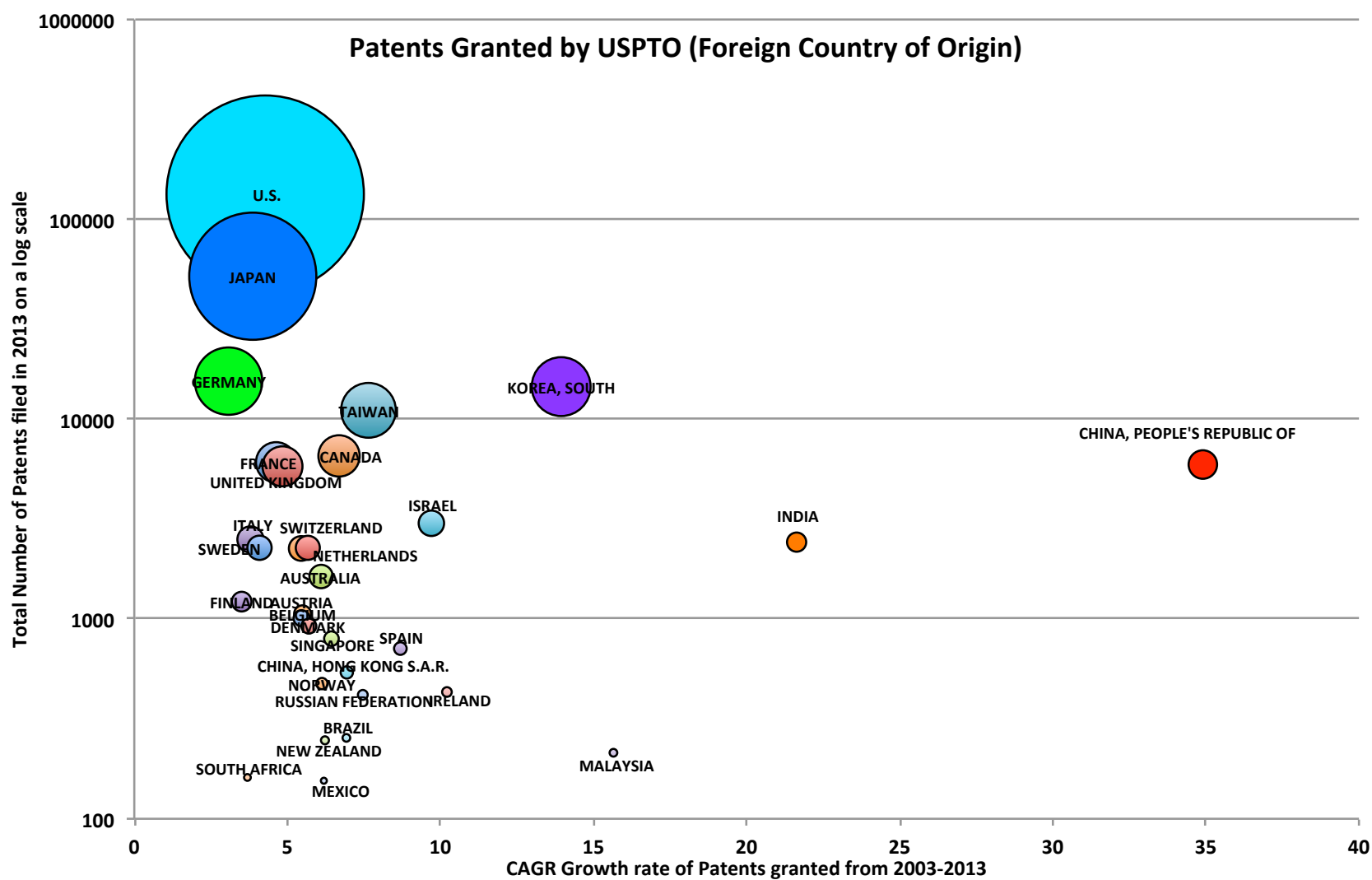
- **Cost of Failure** too high both in terms of social stigma as well as in terms of being able to earn one's livelihood
- **Lack of Proper Institutional Support:** Venture Financing is just one of the bottleneck that an entrepreneur faces. Lack of support for winding down business is another area, similarly permissions for starting a business are other bottlenecks.
- **Lack of Access to Mentors:** This is another area where people from outside the metros find it increasingly difficult to penetrate the market.
- **Lack of skills and entrepreneurial mindset:** Very few people have an entrepreneurial mindset and parents want their children to settle quickly.
- **Lack of awareness in smaller places:** Beyond the metros it is very difficult to find people with awareness about entrepreneurship.
- **Lack of Adequate IP Protection:** This is critical for incentivising the creative class for greater innovation and a level playing field.

IS THERE A LINK BETWEEN COMPETITIVENESS AND INNOVATION?

Though very few studies have indicated a link, we took the scores on Global Competitiveness and Global Innovation indices and found a strong correlation exists between the two for a large number of countries. We did not test for causation. This means countries that do well on innovation tend to do well competitiveness and vice versa.



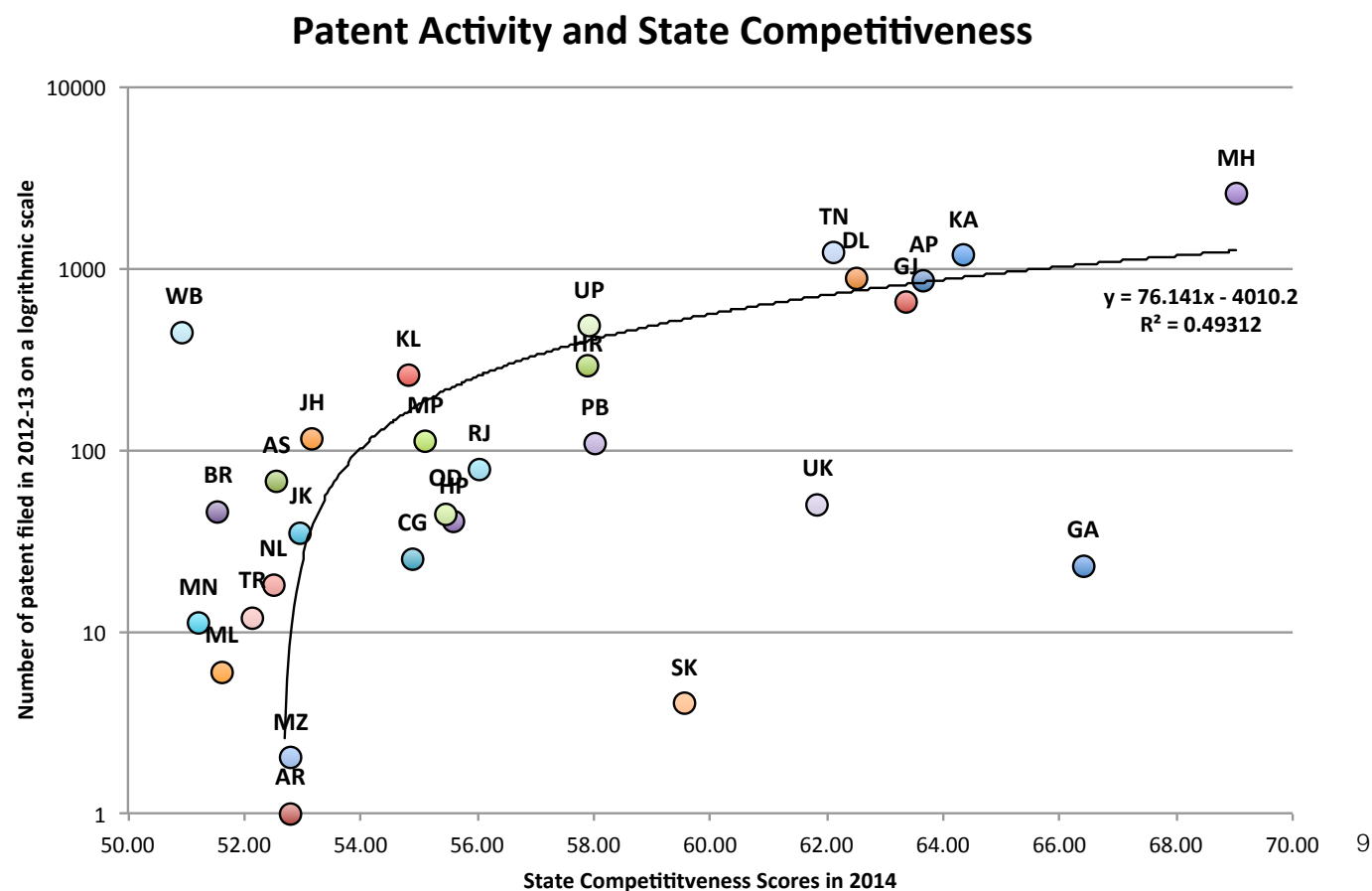
PATENTS GRANTED BY USPTO



Source: USPTO, http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst_utlh.htm

PATENT ACTIVITY AND STATE COMPETITIVENESS SCORES IN INDIA

At a sub- national level in India Patenting and State Competitiveness observes a strong correlation and this shows states that do well in patenting do well on their overall Competitiveness as well.

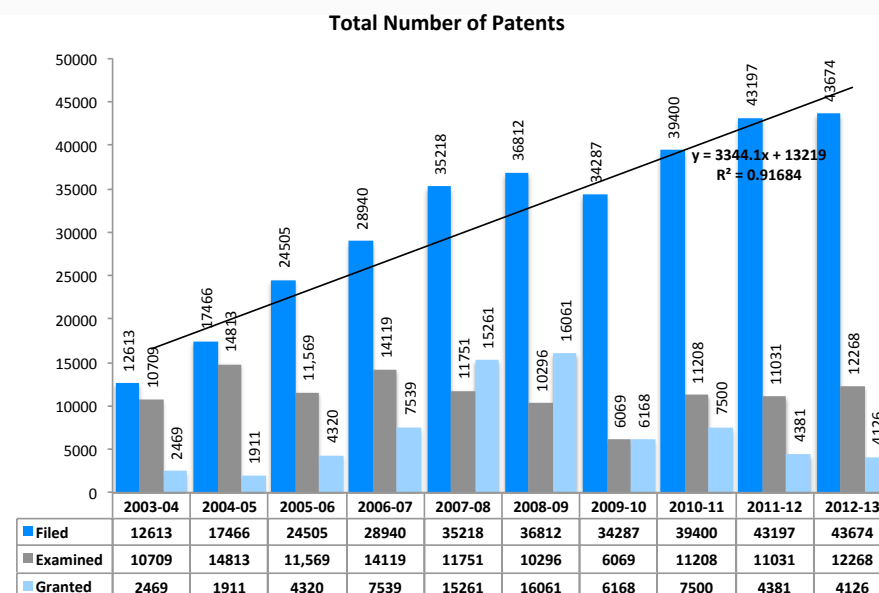


TRENDS IN PATENTING IN INDIA

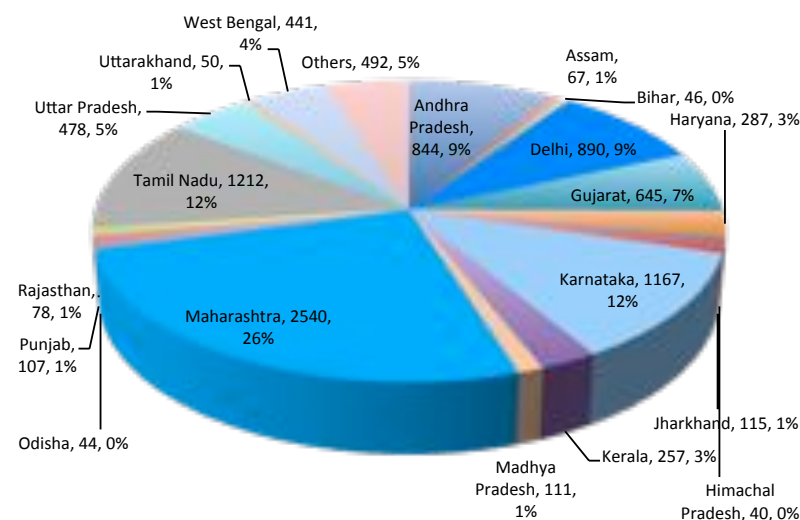
We witness an increasing trend in the patent activity in India and this is consistent with a strengthening IP regime. This bodes well for bettering the innovative potential and bettering the competitiveness of India.

At a subnational level maximum applications are from the industrial states of Maharashtra and Tamil Nadu and Karnataka.

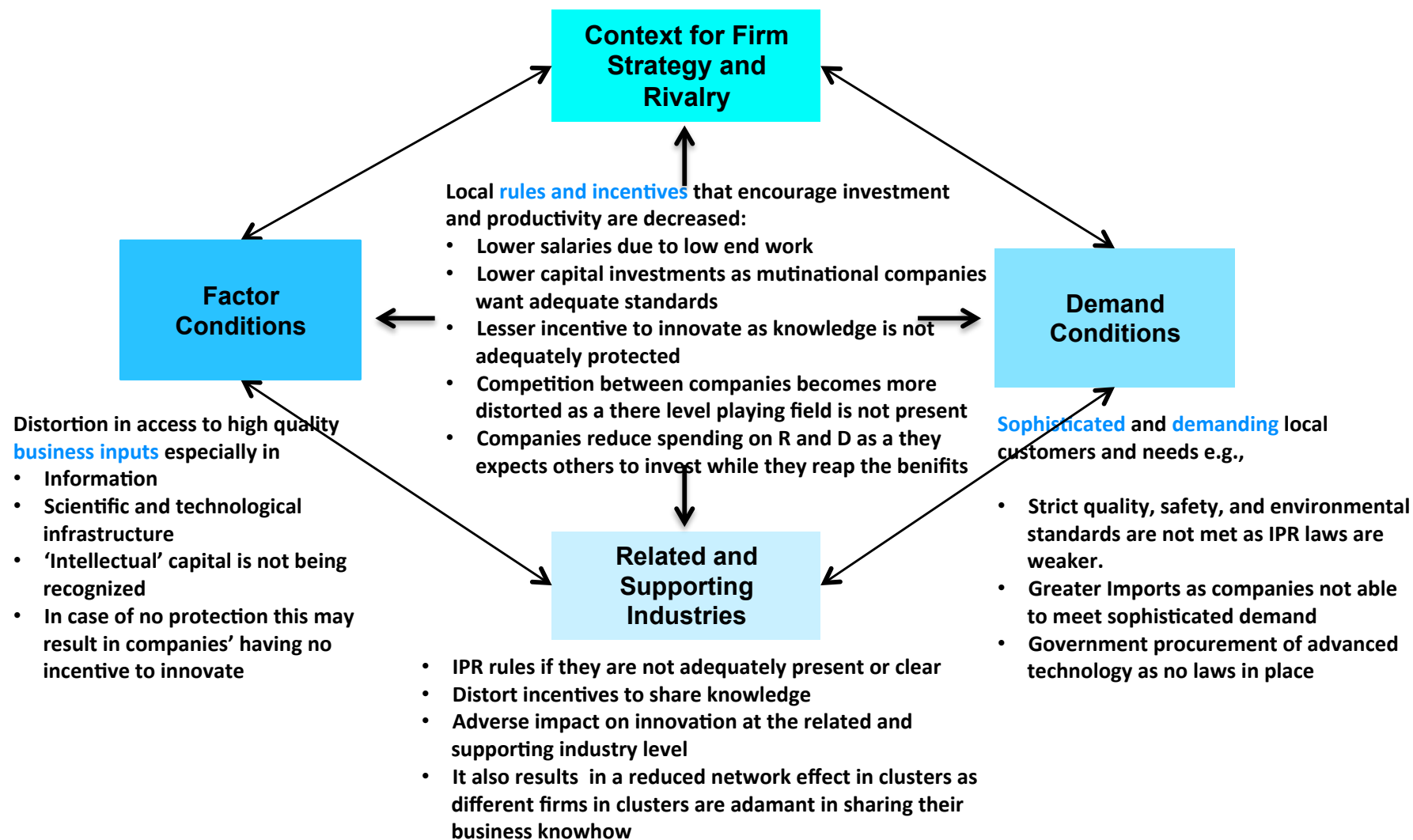
Source: Annual Reports of CGPDTM Various Rounds



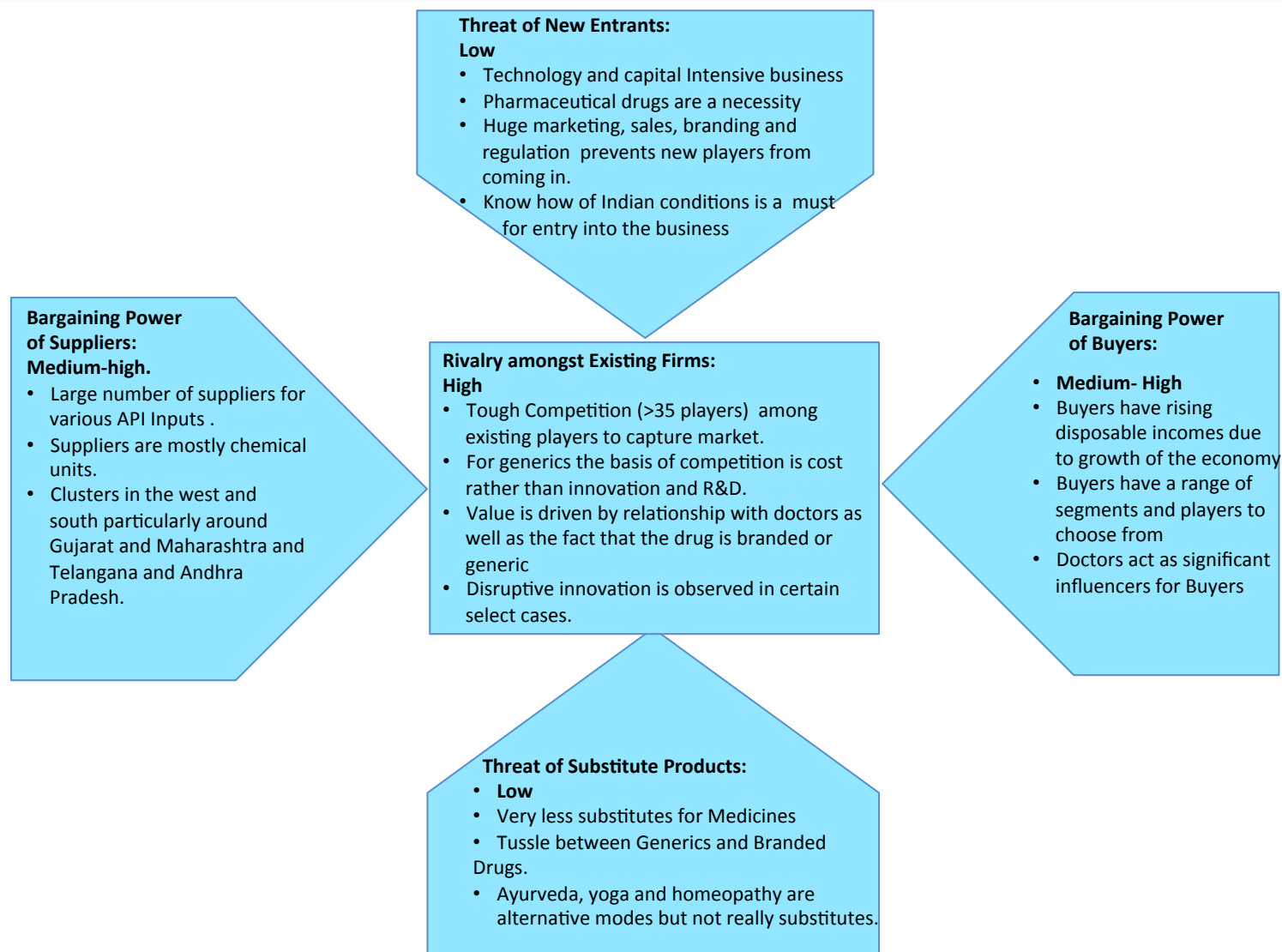
Ordinary Patent Applications by Indians, State Wise in 2012-13 (Total-9911, 22.69%)



WHAT IF A COUNTRY LACKS A ROBUST IP REGIME



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IP OF A MNC VERSUS THAT OF A TYPICAL GENERIC PLAYER

