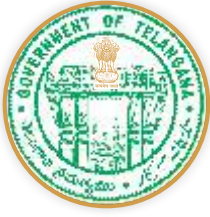




INNOVATION POLICY 2016

**Information Technology, Electronics
& Communications Department
Government of Telangana**



Sri K. Taraka Rama Rao

Hon'ble Minister for IT, Panchayat Raj, MA&UD
Government of Telangana

MESSAGE

As some wise soul said, innovation is not the result of chance, it is the result of deliberate action. It is not a thing to wait for, it is a thing to do. It is 99% perspiration.

In this hyper-connected world that we live in today, we are all nodes of one large interlinked ecosystem, one large self-learning network. Currently certain nodes shine very brightly in this ecosystem - like the Valley, New York City, Berlin, Singapore etc.

Over the next few years, we aim to plug Hyderabad right into the middle of this global network. It is clear that the right mix of ecosystem elements – mentorship, access to capital, safety net for experimentation, coupled with the conviction to follow up on a grand vision can do wonders.

The idea is to expand upon the platform that T-Hub has given us. Barely six months after its launch, T-Hub is already a buzzing hive of activity. Interactions between exciting startups, leading investors, accelerator programs and global business leaders are an everyday occurrence in the Phase-1 campus at IIIT, Gachibowli.

The inaugural Innovation Policy of the State of Telangana aims to create an environment that is truly conducive to innovation, to experimentation, to risk-taking, and to entrepreneurship across all levels of society. To this end, we aim to focus on ramping up investments in physical infrastructure by inviting private sector players to participate in this opportunity. We intend to provide access to more sources of capital and are actively learning from other leading ecosystems, such as the Valley, London and Singapore. We are looking at partnership and market exchange opportunities for our startups with other ecosystems. Robust program management capabilities are being built, including dedicated resources to promote innovation in start-ups as well as in large corporates. We would like to do all this in a phased manner, and focus disproportionately on a few relevant themes, and build from there. We also plan to be the first State in the Country to set up an Innovation Council as well as a Chief Innovation Officer, with a broad mandate to drive innovation across Government and industry. Finally, we want to make sure that the benefits accrue to every person in the State, including those at the bottom of the pyramid. To this end, we will set up a dedicated Social Impact Initiative, with an accelerator as well as a fund, working closely with investors, developmental agencies, and other stakeholders.

We welcome you to join us in our journey, to ideate and innovate in Telangana, India's most exciting startup.

INDEX

	PAGE
Importance of Innovation: Indian Context	06
Innovation in Telangana	07
Vision and Focus of the Government	08
Pillar 1 - Physical Infrastructure and Program Management Capabilities	09
Pillar 2 - Funding Models & Capital	13
Pillar 3 - Human Capital	14
Pillar 4 - Engagement with Industry	18
Pillar 5 - Rural and Social Enterprises	20
Incentives	21



Importance of Innovation: The Indian Context

Innovation is usually associated with development of new products that represent performance or functional improvements over existing ones. These are categorized as “product innovations”, and are, usually, more visible compared to “process innovations”. Irrespective of the form it takes, innovation has been a major change driver globally – intervening to provide accessible and affordable solutions to cater to dynamic consumer needs. India, today, is marching towards establishing itself as a top global innovator for high technology products and services. Given the benefit of a dynamic young population – with more than half of the country’s population under 25 years old, and the urgent imperative for change coming from almost every segment and region, India is on the path towards an innovation led, rapid and inclusive growth to achieve social and economic transformation.



Innovation in Telangana

Telangana, the newest state of India, has been a hot bed of technology innovation owing to its rapid growth as a leader in the Information Technology (IT) sector. The state has traditionally been highly entrepreneurial with a major segment of its population relying on individual enterprises and unorganized businesses to earn a living. Also, for a few decades now, a considerable chunk of graduating students from Telangana – which boasts of one of the highest volumes of graduating students' annually, have pursued higher degrees internationally and established themselves as significant figures across sectors and industries globally. Having identified some key enablers for innovation, such as promoting experimentation and competition, grass roots skilling, and the development of multiple funding models, and a supportive ecosystem, the state strives to now create an innovation-friendly atmosphere by bringing to bear these key enablers. Telangana, India's most exciting startup, aims to promote innovation and entrepreneurship, leveraging upon its natural demographic assets as well as its base of skilled technology and research professionals.

Traditionally, Telangana has been an entrepreneurial society. Hyderabad, a historical melting pot situated in the centre of multiple trade routes, and host to multiple kingdoms and cultures over the centuries, has evolved in to a very nuanced, highly sophisticated commercial centre. Large enterprises across sectors such as IT, Pharma, infrastructure etc. have been nurtured from within and grown out of Hyderabad. It is probably fair to say that the original IT boom was very much centred around Hyderabad, with large companies such as Microsoft, Oracle, TCS and their ilk choosing to base large offices here, attracted by the combination of a skilled work force, great infrastructure and moderate climate all year round. In addition there is a cluster of world-class research centres in the City, such as Central Pharma Research Institute, the Defence Research Development Organization laboratories and numerous world class pharmaceutical labs.

With the stabilization of the political environment, and with other contenders such as Bangalore and Chennai suffering from infrastructure constraints as well as a clear proclivity for natural disasters, increasingly Hyderabad is becoming the favoured choice for a number of multinationals setting up shop. Recent arrivals to the city include Uber, which needs no introduction, as well as names such as Amazon, which is significantly expanding its presence. T Hub, India's largest incubation ecosystem that was launched recently is attracting a number of exciting early-stage companies as well as global interest from a range of partners and investors from academia and the industry.



Vision and Focus of the Government

Leveraging upon key milestones that have been achieved over the past year or so, The Government of Telangana aims to continue its transformation from a paradigm of exclusive elitism to one of inclusive excellence. The idea is to build up on the incredibly positive response to the launch of T-Hub, India's largest innovation ecosystem, and put Hyderabad and Telangana firmly on the global innovation map.

The approach of the policy shall be focused around a few key sectors/themes. Instead of taking an all-out approach and boiling the ocean, our efforts shall be focused on the medium term. Key focus areas shall include up and coming fields such as IoT, Health Tech, Sustainability, Fin Tech, etc. Broad sectors and themes shall be finalized and updated on a regular basis through engagement with the industry and the ecosystem.

Additionally, a separate Social impact accelerator will be set up for those ideas that are critical from the Government's perspective. These will typically be areas that the Government will need to play a key role in, or be areas where only the Government can affect the change that is required (eg: skilling, agri-tech, rural-commerce and payment related opportunities where existing Government infra and access can play a critical role)

The Innovation Policy of the Government of Telangana is based around five broad pillars

- Developing **physical infrastructure & program management** capabilities
- Focus on creating sustainable **funding models**, through funds and other instruments
- Develop **human capital**, by creating the right environment and support systems for learning, experimentation and innovation from the early phases of education
- Proactive **engagement with industry to continuously** promote and identify innovation
- Encourage startups in the **Rural and Social Enterprise** space by providing additional incentives



Pillar 1 - Physical Infrastructure and Program Management Capabilities

1. Infrastructure

- Develop 1 million sq.ft. of work space dedicated to start-ups in the next 5 years
- Partner with 20 global accelerators/incubators to build facilities in PPP mode
- Build 2 incubators in Tier II locations of the State

1.1 Physical Infrastructure

The Government of Telangana shall anchor all its entrepreneurship related efforts to T-Hub a.k.a. Technology Hub. T-Hub is a unique public/private partnership between the government of Telangana, 3 of India's premier academic institutes (IIIT-H, ISB & NALSAR) and key private sector leaders. These entities have come together with a clear vision to create an innovation ecosystem around Hyderabad, leveraging the City's traditional strengths in technology, education and entrepreneurship, as well as its position as a preferred destination for multiple national and international businesses across sectors.

T-Hub will support technology-related startups across multiple sectors and its mission is to create one of the most vibrant entrepreneur communities in the world that will encourage and fuel more startup success stories in India.

T-Hub's major responsibilities will be to:

- Attract the best startups and entrepreneur organizations from across the world
- Work with an extensive network of partners to help entrepreneurs launch and scale innovative companies
- Equip startups with the entrepreneurship skills required to succeed, using methodologies that transcend traditional learning
- Function as the nodal agency to lead or support entrepreneurship efforts of the government as per the need. Tasks include but not limited to helping educational institutions set up their incubators, conducting state wide events, participating in international roadshows to attract new-age companies to Telangana

The first initiative in this direction is CatalystT, a 70,000 square foot facility, which is currently India's largest building dedicated entirely to entrepreneurs. T-Hub is currently operational and will be expanded to a 3,00,000 square foot facility with an end-to-end ecosystem that will provide funding, network and mentorship to entrepreneurs. T-Hub will have two divisions working hand in hand; one is a not-for-profit division that will work with sole aim of developing Telangana into a top startup destination and the other is a for-profit division that will leverage its expertise to help entrepreneurs build innovative and successful companies. The profits generated through the for-profit initiative will be used for making the whole T-Hub initiative self-sustainable.

Taking a cue from the success of T-Hub, the Government of Telangana aims to develop world-class physical infrastructure in the state that will provide conducive environment for ideas to originate, scale-up and see business fruition.

- 1) Build plug and play work spaces across different sectors and locations of the state. T-Hub Phase 2, a 3,00,000 sq.ft. facility that will house 900 startups shall be completed within the next 5 years
- 2) T-Hub Catalyst building is just the first step in the journey, aim is to create a network of world-class incubators, co-working spaces and ecosystems, across the State. Active efforts shall be channelled towards promoting the establishment of multiple incubators, accelerators and ecosystems around various identified verticals. This shall be done through collaboration with private players keen on setting up similar spaces, in concert with T-Hub wherever it makes sense to do so, or through some such collaboration framework. There will be a separate set of incentives to identify and promote private sector interest. The Government will work with the private parties including global incubators/accelerators, corporates, trade associations, think tanks and Non-profit organizations to setup incubation facilities in PPP mode. The government support for the PPP partner shall either match or exceed the benefits provided by any other state in the country
- 3) Startups in India today are not only creating local impact but also have the potential to go global. But, for these startups to succeed in other markets a suitable mechanism needs to be created where startups can gain access, receive mentorship, and secure funding easily. In order to facilitate this mechanism, T-Hub shall create outposts in prominent startup destinations such as Silicon Valley and Singapore, thereby giving a window opening to the global market
- 4) Startups today are pan global with markets across the world. To ensure that startups get unparalleled access to these global markets and T-Hub shall create outposts in trending start-ups destinations in the world

1.2 Information Technology and Back-end Infrastructure

While incubation spaces will help in bringing together the startup community, it is equally important to back these facilities with state-of-the-art support infrastructure that will help entrepreneurs perform cutting-edge research and come up with disruptive ideas

- 1) The government will work with private real estate companies to build affordable housing/dorms for entrepreneurs. These facilities shall also be used for the global innovation meets, hackathons and youth festivals that Hyderabad will host
- 2) Leveraging its leadership in Information Technology, the government shall work with major corporates to setup device testing labs that will provide enterprise software at subsidized rates. The government will also procure software that is used on a daily basis and by a large number of startups at bulk rates
- 3) The government will work with major internet players to provide 2 GBPS internet connection to all incubation facilities. These services will be upgradable as per the industry need
- 4) The government shall allocate cloud space in its State Data Center (SDC) which will be connected to all government incubation facilities and can be used by startups at nominal charges
- 5) Under the T-Hub umbrella, the government shall open incubation facilities that will promote startups in other sectors of strategic importance in Telangana, such as Life Sciences, AVCGI, Defence and Aerospace, and hardware and electronics manufacturing. These facilities shall be opened in collaboration with global academic institutions and shall host latest technology equipment
- 6) T-Hub will act as an anchor point to provide shared services such as legal, accounting, intellectual property, design etc. T-Hub will bring in experienced faculty from premier institutions like IIIT-H, ISB, NALSAR, IIT-H, BITS, etc. for these services
- 7) Through T-Hub, every startup in the state will have access to all community and promotions events

1.3 Innovation Infrastructure Development Fund & Innovation Infrastructure Maintenance Fund

- 1) The government shall carve a separate fund exclusively for the development of infrastructure for incubation facilities that will be built under the PPP mode. In order to avail funding, the incubation facility should be recognized by NSTEDB, DST, Government of India and shall adhere to certain operational guidelines that will be drafted as per the sector and scale that the incubation facility is operating in. The operating expenses of these facilities shall be covered by the rents generated.
- 2) The incubation facilities developed under the PPP mode shall be built for a lease period of 99 years. Hence, an additional Innovation Infrastructure Maintenance fund shall be created that will be used for maintenance of these facilities and ensure world-class services are provided throughout the lifetime of these facilities.

2. Program Management - Ease of doing Business in Telangana

- Reducing the time to set-up a business to 12 days or lesser (OECD average)
- Hassle free system for obtaining construction, electricity and property registration permits
- Establishing favourable labour and intra-state goods movement regulations

Assistance / Hand-holding

- Setting up of a startup cell which shall look after tasks such as IP protection, obtaining state and central incentives, enabling entrepreneurs to focus on business and product development full time
- Branches of startup cell to be opened at every private and government run incubator
- Startup cell shall be the access point to connect with Government departments to implement pilot projects in those domains
- Startup portal and hotline shall be established, integrating the national startup portal, to discuss and build on topics of relevance, such as investor organizations, trade organizations, regulatory environment, policies, programs, events and service providers

Commercialization

- Dedicated units to assist with commercial launch of project, followed by analysis and product improvement
- To further encourage startups, government shall bilaterally procure the product of relevance bypassing the existing rules for procurement
- The government shall encourage participation of startups in international and national events through sponsorship
- Telangana shall be promoted by the government as a global startup destination

Startup Council

- Startup council with CIO and relevant ministers and government officers
- A startup fund shall be introduced in the state budget
- The Startup Council shall work out a detailed innovation policy operational guidelines
- Committee shall review the progress and make modifications / review on an annual basis



Pillar 2 - Funding Models & Capital

The policy's vision and mission are centred around an entrepreneur walking in with an idea, vet/validate the idea through appropriate filters, acquire assistance and mentoring of the highest quality followed by, investment facilitation through funds and funds-of-funds, and a clear roadmap to the path towards scalability.

Financing through Fund-of-Funds

One of the major challenges for a startup is the lack of funds to commercialize his/her idea. As a consequence, most ideas generated in the minds of our youth don't even go into the prototype development phase. Lack of funding is a crucial bottleneck in the innovation ecosystem of the country, which the Government of Telangana aims to address through the following:

A **fund-of-funds** will be set up, drawing upon lessons from global leaders such as Singapore, in which the Government will actively invest with matching capital in select Venture Capital investors (VCs) with significant potential. These investors will be selected based on criteria, through an exhaustive process that will be rolled out.

Separately, Telangana Government will also expedite the launch of its **early-stage investing vehicle T-Fund (Telangana Innovation Fund)**, which is being launched in concert with leading global investors, in collaboration with T-Hub; Telangana Government will be an LP in the fund. A fund that will function as a master fund and invest in sector-specific and general venture capital funds shall be setup with an initial target of INR 2000 crore. The government shall leverage the expertise of T-Hub Board of Directors, corporate network and senior government officials, who will constitute a panel to decide the nature and amount of fund investments. The fund shall be managed by a professional fund manager who will be sourced from the market and who will also be responsible for raising additional fund money by engaging with financial institutions, venture capital and private equity firms, and High Net-worth Individuals (HNIs).

In addition, there will also be a **T-SEED** fund to fund startups in the seed stage. This fund with an initial size of INR 250 Crore is aimed at encouraging innovators who need early stage funding to work on their research discoveries, college project ideas etc. T-Seed Fund aims to ease the costs incurred at an early stage such as company registration, patent filing, quality certifications, travel etc. The fund shall be disbursed either by T-Hub or by one of the partner incubators. Since all entrepreneurs may not have the will, resources and time to register with an incubator, the government doesn't require seed stage startups to register themselves with an incubator.

Additionally, in a first-of-its-kind initiative, a **'Phoenix Fund'** will also be launched in collaboration with the private sector. The aim of the Phoenix fund will be to identify and attract entrepreneurs who have attempted at least one venture previously (and have met with some degree of success and derived key learnings). There will be specific criteria to ensure that only those entrepreneurs who have actually attempted something, with key metrics that can be verified, pass the filter for investments from the Phoenix fund.

Pillar 3 - Human Capital

Linking entrepreneurship and education - The policy shall encourage budding school and college entrepreneurs by providing them with highly beneficial and attractive options and programs such as Entrepreneur in Residence, credit allotment for innovative ideas and startups, etc. Further, opportunities to collaborate with leading technical institutions to devise programs and provide certifications shall be explored.

1. Role of Academia

Academic and research institutions around the world have been the primary source of basic research contributing towards the expansion of knowledge base, leading to remarkable discoveries in multiple domains. Given the critical role University research and academics have played in fostering innovation in young minds, the Government has set the following goals in this sector-

- Shift from a marks driven to an innovation powered educational system
- Establish an entrepreneur friendly academic apparatus
- Create a barrier free environment for free flow of ideas

Identifying Academia as a principal point of origin of game-changing ideas the Government of Telangana aims to further augment University research and academic provisions through structured programs and incentives to the following sections-

- Students, Innovators and Entrepreneurs
- Startups
- Universities and Institutions

1.1 Students, Innovators and Entrepreneurs

- a. Student Entrepreneur in Residence - Universities shall be encouraged to introduce the concept of Student Entrepreneur in Residence. Outstanding students who wish to pursue entrepreneurship can take a break of one year, after the first year, to pursue entrepreneurship full time. This may be extended to two years at the most and these two years would not be counted towards the maximum time for graduation. The Gap Year facility may be given to ensure syllabus continuity at the time of joining back and after an appraisal process by an incubator where the student is attached.
- b. IT & Entrepreneurship @ College level
 - i. All Universities in Telangana shall be encouraged to grant 5% grace marks and 20% attendance every semester for student Startup teams. Guidelines for the same shall be framed in consultation with the institutions.



- ii. Students shall be encouraged to undertake their Industrial Seminar, Project Seminar and Industrial Visit at Technology Business Incubators where the additional facilities are being setup.
 - iii. Student's entrepreneurs working on a Startup idea from first year of college shall be encouraged to convert their Startup project as their final year project towards degree completion. Mentors assigned by Incubators may be allowed to conduct Viva Voce. Project reports certified by the Incubators may be sent back to the respective colleges for forwarding to university
- c. International Startup Culture and Exchange Programme – An international Startup programme would be setup to send the most brilliant startups, college and school students to leading Startup destinations around the world for getting global exposure at a young age. Select College Principals and Teachers would also be sent for gaining international exposure to learn about Startup culture in universities like Stanford, Harvard and MIT and see how MOOC's are being used in various schools and colleges for education. Similarly, tie-ups may be setup to bring world class Startups to work alongside Startups in Telangana for faster learning and cultural exchange.
 - d. Annual Science Fairs would be held to identify and promote innovation & Entrepreneurship at school and college level. Further, innovation awards shall be instituted to identify and reward remarkable ideas on an annual basis.

1.2 Startups

- a. Market Support and State Database: The Government will focus on Startups while supporting industry associations for conducting surveys and/or research on trends in technology, research, innovation and market intelligence on niche themes. The Government would also create a portal containing a database of innovations being carried out in the State.
- b. Innovation Zones - All state departments have to setup Innovation Zones at Pilot Incubators in order to bring closer industry-institute interaction for creating innovative products and applications for the PSU's under the Department, e Governance Applications, SMAC products etc. in the Department
- c. Access to Government data – Startups in the e-governance space shall be provided access to government data to roll out pilots

1.3 Universities and Institutions

- a. Apprenticeship – All educational institutions offering under-graduate courses shall implement a mandatory scheme of internship / apprenticeship in the last year of the course in association with the industry. This may be waived off for students who are setting up their own startups in incubators

- b. Credits to MOOCs and insertion as electives – The Universities will be advised to give credits to the students successfully completing notified online courses (MOOCs) and their insertion as electives. The University in conjunction with incubators opening in the state shall decide the number of credits and evaluation methodology for such courses. Students should be free to learn electives even in first or second year of college as part of degree completion
- c. Sabbatical scheme and faculty training programs for college and university faculty
- d. Update university syllabus – committee to review current syllabus in educational institutions

2. Culture, Nightlife and Safety

Studies of various startup ecosystems across the world show that one of the reasons for the ecosystem's success is an end-to-end offering of all entrepreneurial needs including quality living standards, thriving social life and safety. While Hyderabad is already a melting pot of cultures, a vibrant cosmopolitan hub and one of the safest metropolitan in the country, it further aims to improve its offerings to present day youth. Hyderabad has been ranked 1st in the country for quality of life by Mercer Quality of Life rankings two years in a row and 2nd globally by National Geographic among its 'Must-See destinations for 2015'. Also, the city is the best among all metros for air and water quality. To further improve the situation, Hyderabad Metro Rail, the largest PPP Infrastructure in the world, is being readied for launch in 2017 to ease the traffic flow. Additionally, the government is aggressively promoting the concepts of car-pooling, cycle to work, walk to work, tree plantation and healthy living campaigns through the government funded "Green IT" program.

On the nightlife front, the government has issued licenses to multiple micro-breweries that will be goto destinations for the youth for meeting new people, exchanging ideas and relaxing after a long day of work. Under the "Happening Hyderabad" brand, the government is supporting a range of cross-cultural events in the fields of music, theatre, fine arts and cinema to widen the city's offering to arts and culture lovers. Going forward, the government wants to collaborate with other countries to organize youth festivals (both entrepreneurship and entertainment) that will attract crowds from all parts of the globe to Hyderabad.

While the culture and entertainment needs of the society are changing rapidly, these changes bring its own set of challenges, one of those being the safety of citizens. Mercer has ranked Hyderabad to be the 2nd safest city of the country, but the government aims to make Hyderabad a global exemplar of a crime free location. The city administration will utilize its strong police and security infrastructure to provide a safe living environment for its citizens. The government has already deployed SHE teams and SHE taxi services for the safety of women and shall expand these services as per the need.

Pillar 4 - Engagement with Industry

Technology bellwethers and innovation cells - There shall be focused efforts driven towards initiating collaborations with leading technology bellwethers to use their expertise and experience in driving innovation and technology adoption across all levels of society. To facilitate interactions and engagement with technology leaders and high impact companies, two entities shall be constituted –

1. Chief Innovation Officer – CInnO, State of Telangana Reporting to an Advisory Council

- Innovation, startups and the ecosystem overall is evolving at a breath-taking space and this calls for a group of industry veterans who will guide the state to become a leader and add maximum value to every stakeholder of the ecosystem
- This council will involve stakeholders from industry, new age startups, government and academia. While T-Hub will focus on startups this council has a much broader goal. They will guide the state on innovation aspects across all verticals including ones within the government
- Telangana will be the first state in the country to have a CInnO (Chief Innovation Officer)
- To execute things on ground, the council and the state shall appoint a Chief Innovation Officer (CInnO) who will help execute the ideas and projects that the council promotes
- Chief Innovation Officer (CInnO) of Telangana will work across departments and with industry, to incubate, conceptualize and evangelize innovative ideas; Will also work closely with T-Fund, and ensure that key ideas with mass impact that are not immediately fundable from say, a T-Hub perspective, are not left behind completely
- Chief Innovation Officer will be appointed for a pre-specified term with clear guidelines and criteria; Term renewable upon the discretion of the TAC (Telangana Advisory Council - comprised of key players from the region in the Fund, VC, Entrepreneurship space as well as the IT Secretary and the Hon. minister)

Innovation Cell within the IT Ministry

- One nodal point of contact (Innovation Officer – Large Corporates) for driving innovation in collaboration with large companies
- Another point person focused on startups and SMEs (Innovation Officer – Startups & SMEs)
- The entity will have the mandate to drive partnership and market exchange programs liaising with multiple companies and incubators within India and outside, as well as engaging with various ministries, academia and the broader ecosystem
- The two Innovation officers will work closely with the Chief Innovation Officer (CInnO)

In addition, there will be sector-focused Advisory Councils constituted from industry leaders, investors and entrepreneurs, to advise and guide upon the key focus themes chosen.

2. Innovation in Large Organizations

It is often misunderstood that innovation is limited to companies that are young. However, innovation percolates through every aspect of the business such as Operations, Processes, and Human Resources etc. in organizations both small and big alike. Leveraging the strong presence of large companies in Hyderabad, the Government of Telangana aims to utilize the resources that these companies provide in nurturing innovation among their employees, people associated with these companies and entrepreneurs of the state. The government shall work towards this goals through following means:

- Attract large corporates to set up Research Arms and Centers of Excellence, where cutting-edge research is performed
- Attract large corporates to setup themed incubators/accelerators in their areas of expertise. The government is willing to support companies setup incubators/accelerators by creating tailor made packages depending on the strategic advantage the firm offers to Telangana's entrepreneurial ecosystem
- Connect large corporates to engineering colleges in the State through TASK, to offer internships to students and give them hands-on experience in innovative projects
- The government shall utilize its strong relations with the industry to invite eminent personalities across sectors and functions to give lectures, conduct workshops and mentor startups of the State



Pillar 5 - Rural and Social Enterprises

A social enterprise is an organization that uses commercial business strategies for building a company, whose core mission is to add positive impact to human and environmental well-being. A rural enterprise, which sometimes can be categorized as a social enterprise, has people in rural areas as their target audience. While India is emerging as a global economic powerhouse, there is a still considerable income gap among different strata of the society. Rural and social enterprises have a huge role to play in bridging this gap and the Government of Telangana aims to support these companies by offering the following support:

1. Network

- The government shall setup (either on its own or in partnership with a private enterprise) a "Rural and Social Enterprise" incubator/accelerator for the growth of startups in this sector
- There will be outposts of T-Hub built in Tier II cities of Telangana that will act as focal points for enterprises focusing on these regions
- Enterprises falling under this category will have access to entire T-Hub network and events

2. Funding

- The government shall create a specific "Impact Fund" that will focus on rural and social enterprises. This fund shall be managed by the "Rural and Social Enterprise" vertical of T-Hub

3. Other Initiatives

- The government and T-Hub shall partner with leading entities such as World Bank, WHO etc. to fund and support projects with social cause in Telangana
- Additionally, Telangana shall be marketed as an ideal test-bed for students, youth and social entrepreneurs across the world to come and work on live projects in the state. For achieving this goal, the government shall work with leading educational institutions in the state to identify, develop and support such projects
- The government will create a mechanism to outsource work and adopt technologies developed by rural entrepreneurs. The government aims to become their largest customer
- The government will encourage entrepreneurs by giving access to classified information for the purpose of creating apps and technologies for public good

Incentives

1. Incentives for Incubators

- o **Reimbursement of paid Stamp Duty and Registration Fee** – Incubators and Host Institutes shall be eligible for 100% reimbursement of the Stamp Duty and Registration Fee paid on sale/ lease deeds on the first transaction and 50% thereof on the second transaction
- o **Financial Assistance as Matching Grants:** The Government would match the funding raised by the Incubator from Government of India on a 1:1 basis as matching grants.
- o **Performance Linked Assistance** – Government will assist the Host Institutes of recognized incubators with an Operating Grant to be calculated based on number of startups incubated in a year. A transparent scheme will be formulated and announced.
- o The Government shall ensure uninterrupted supply of electricity at industrial tariff. Necessary laws will be passed to facilitate this mechanism.

Additionally, the incubator will be permitted to avail renewable energy under open access system from within the state after paying cost component to DISCOMs as fixed by ERC (subject to a maximum of one third of their total power requirements)

- o 25% reimbursement on Internet charges upto a maximum of Rs. 2,50,000 per year for the first 3 years of operation
- o In case of Government-owned buildings leased to technology incubators, no lease rent or O&M **charges will be levied for a period of five years or until the incubator is self-sustainable, whichever is earlier. In case where private premises are taken on lease / rent basis, a rental reimbursement @ Rs. 5 per sq.ft per month or 25% of the actual rent paid, whichever** is less, shall be reimbursed for a period of 3 years. This shall be limited to the incubation space only.
- o An investment subsidy of 20% of the value of the Capital Expenditure, other than land and building, shall be provided to Incubator Projects that enter into an MoU with the state within 2 years of notification of the Policy. This subsidy shall be limited to a maximum of Rs. 5 Crores.

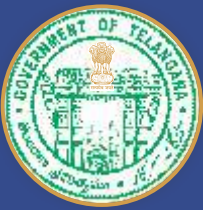
2. Incentives for Startups

- o **Service Tax paid by startups:** Reimbursement of Service Tax paid by startups incubated in the Government supported/recognized incubators, who annual turnover does not exceed Rs. 50 Lakhs for first three years.
- o **Reimbursement of VAT/ CST:** Annual Reimbursement of VAT/CST paid in Telangana, upto a maximum of Rs. 50 Lakhs turnover by incubated startup companies within a period of first three years of being incubated.
- o **Promotions:** Government shall provide reimbursements of 30% of the actual costs including travel incurred in international marketing through trade shows. This incentive will be subject to a maximum of Rs. 5 Lakhs per year per company.
- o **Patent Filing cost:** The cost of filing and prosecution of patent application will be reimbursed to the incubated startup companies subject to a limit of Rs. 2 lakh (0.2 million) per Indian patent awarded. For awarded foreign patents on a single subject matter, up to Rs. 10 lakh (1 Million) would be reimbursed. The reimbursement will be done in 2 stages, i.e., 50% after the patent is filed and the balance 50% after the patent is granted.
- o To promote idea stage companies, the government shall offer recruitment assistance of Rs. 10,000 per employee for the first year.
- o Startups that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Turnover, subject to a limit of Rs.10lacs within a period of three years from the date of incubation.

3. Non-Fiscal Incentives

- o Startups and incubators in the state will be permitted to file self-certifications, in the prescribed formats under the following acts and rules framed there under barring inspections arising out of specific complaints. The same shall be facilitated through the startup cell:
 - i. The Factories Act, 1948
 - ii. The Maternity Benefit Act, 1961
 - iii. The Telangana Shops & Commercial Establishments Act, 1988
 - iv. The Contract Labour (Regulations & Abolition) Act, 1970
 - v. The Payment of Wages Act, 1936
 - vi. The Minimum Wages Act, 1948
 - vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- o General permission shall be available for 3-shift operations with women working in the night for startups, subject to such units taking the prescribed precautions in respect of safety and security of employees in addition to providing the required welfare and health amenities as prescribed under applicable labour laws and obtaining the necessary approvals from the competent authority of the Government under the Telangana shops and commercial establishments act and rules or the Factories Act 1948 and rules, there under as the case maybe.

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