Venturing where angels fear to tread

Cash-rich PSUs provide start-up funds on the lines of private sector to nurture innovations

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Romanticisation of venture creation overlooks many practical difficulties faced by the entrepreneur. Getting funding, for instance. The image that has been often conjured is that in the last couple of years, the number of angel investors has grown significantly and become comparatively easier to get funding for a quality start-up. There is an element of truth there, but in only select sectors.

While the need of innovation is sector agnostic, capital flow has its own biases. Close to 75 per cent of angel deals have been in just three sectors: software services, internet marketplaces, and consumer products and services. For an entrepreneur having a start-up idea in areas other than the above, the funding hurdles were quite high. Or so it was till recently.

Playing key role

Interventions by public sector undertakings (PSUs) and CSIR laboratories in the last year can play an important role in supporting ventures that are capital intensive, require long-gestation periods, or need highly expensive laboratory equipment and support facilities. Eyebrows certainly rise when many hear for the first time that PSUs and large CSIR labs are involved in venture funding.

In line with the overall policy thrust to support start-ups, the Centre has been encouraging, at least some of the cash-rich PSUs to start with, to create start-up funds on the lines of private sector in order to promote innovation and nurture new ideas in their respective sectors. Since 2016, 10 PSUs have launched their start-up programmes. These programmes are focused on supporting ventures in areas that fall in the rain-shadow region for conventional venture investments (such as defence, oil & gas, energy) or those that have a strong social or national relevance (indigenisation, rural focus, focus on marginalised sections, environment protection).

The Council of Scientific and Industrial Research (CSIR) laboratories is a network of 38 research laboratories in different scientific and technology disciplines. It is ranked 12th in the world amongst government institutions. While CSIR labs have been supporting start-ups since 2009, the momentum picked up considerably in the last year. In April 2016, CSIR decided to start incubation centres in 30 of the 38 labs to strengthen and support the start-up initiatives of the government. In July 2016, CSIR announced the setting up of a ₹400-crore start-up fund to support innovation and take the products from laboratories to the market. Seven CSIR laboratories have launched their incubation centres as of August 2017. Much of the start-ups in the country are in areas of IT, software services and related sectors. The efforts taken by CSIR labs help achieve a balance in the growth of start-ups across different sectors.

Though not justified, there is a perception in certain segments that raising start-up capital involves a certain degree of oompus-boompus or you have to be a part of the Old Boys' Network. An important feature of the PSU start-up programmes has been the transparent process in selecting the start-ups.

Tie-up with institutes

The PSUs have set up dedicated websites giving details about the start-up scheme and the process of applying. Many also release advertisements in major newspapers, calling for start-ups to apply for their schemes. Most PSUs have a tie-up with premier institutes such as IITs and IIMs to identify the start-ups from the applications received. The process put in place ensures that merit would be the first and foremost criterion in the selection process, thereby ensuring a level playing field.

For everyone who asks receives; he who seeks finds; and to him who knocks, the door will be opened. For the entrepreneur who wants, the start-up programmes by PSUs and CSIR labs present a new source to ask, seek and knock.

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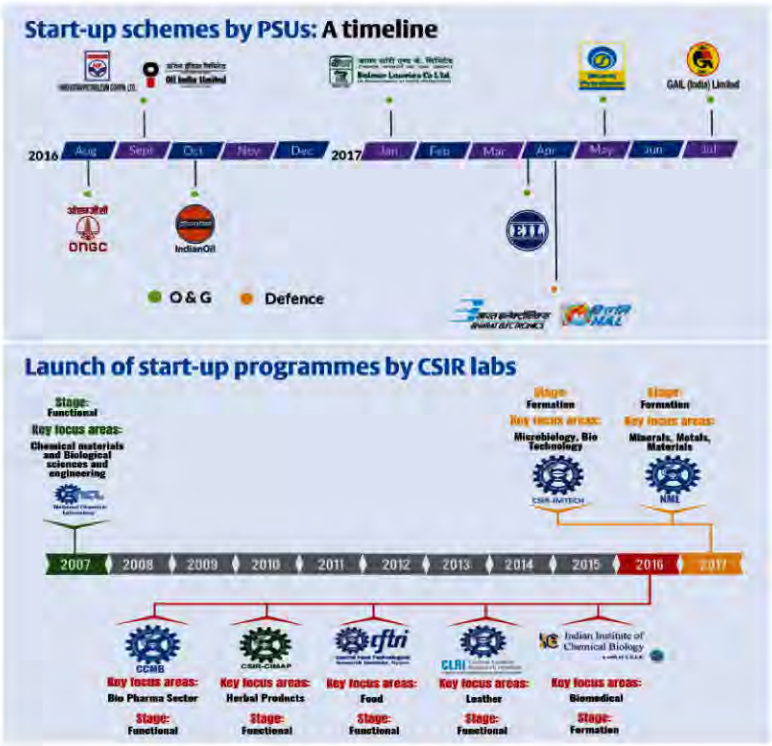
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