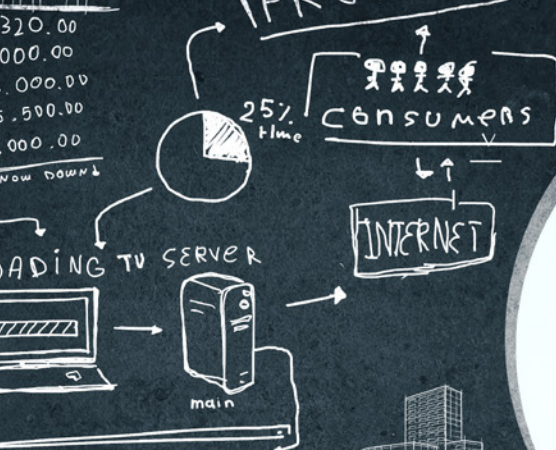
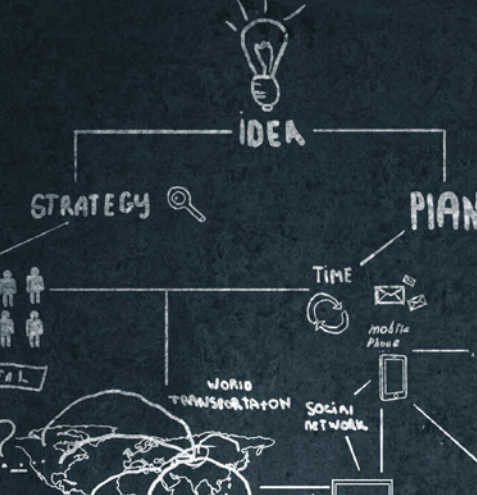
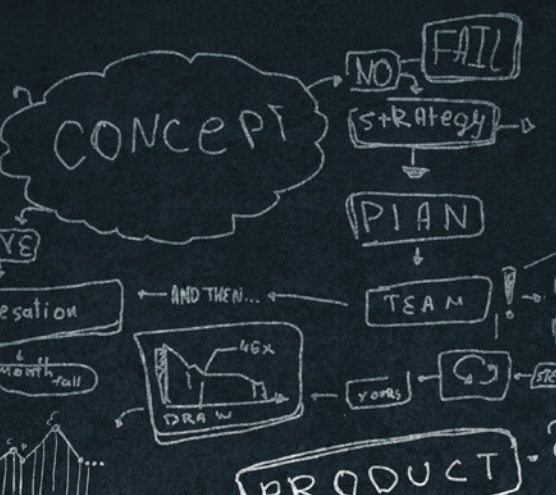


Unlocking opportunities: India-UAE start-up ecosystem convergence

January 2024



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Foreword by CII

India enjoys a rich landscape of talent and innovation, leading the tech revolution with its diverse and resilient start-up ecosystem. Similarly, the United Arab Emirates (UAE), known for its economic prosperity and investment opportunities, offers an exciting environment for start-ups seeking to expand their horizons.



The synergy between these countries is not by chance but by design. India's tech prowess aligns with the UAE's ambition to diversify and invest in innovation. Together, they create a powerful partnership that can shape the global start-up landscape.

A notable facet of the India-UAE start-up ecosystem involves the exchange of talent. India's tech-proficient entrepreneurs are discovering prospects in the UAE, while the welcoming environment of the UAE is drawing talent from India. This convergence of skills and concepts serve as a catalyst for innovation and diversity.

In addition, both India and the UAE are making significant efforts to simplify regulations to create a friendly environment for entrepreneurs. They are reducing bureaucratic hurdles and offering support, making it easier for start-ups to flourish.

The Unlocking opportunities: India-UAE start-up ecosystem convergence report captures the current status of the start-up ecosystem in both India and the UAE. It also showcases the opportunities for collaboration and recommendations for key stakeholders to further strengthen the partnership.

Let us embark on this journey of talent and collaborations, forging a path where start-ups from India and the UAE lead the way with their creativity and joint vision for a bright future.

Chandrajit Banerjee

Director General
Confederation of Indian Industry

The UAE is establishing a new, future-oriented economic profile emphasising attracting and nurturing start-ups across multiple sectors. A large and young population, rapid technology adoption, robust economies and high per capita GDP make this region a start-up magnet.



Several start-ups from India have extended their operations to the UAE to cater to both existing and evolving consumer demands. Utilising geographical proximity, an intuitive grasp of cultural nuances, and diaspora networks, they aim to serve users in the UAE markets.

Investments originating from the UAE, encompassing sovereign funds and family offices, remain influential in moulding India's start-up arena. As emphasised in this report, start-ups in the UAE have begun garnering investments from Indian investors.

Within the UAE, incubators and accelerators are playing a crucial role as intermediaries, bridging the gap between governments and start-ups to foster a conducive environment for collaboration. Notably, the DIFC FinTech Hive's accelerator programme in the fintech sector sets a commendable precedent by granting innovative start-ups unparalleled access to the region's leading financial institutions.

Additionally, strategic partnerships, like the one between DIFC and GIFT City, coupled with ADIA's significant investment commitment, underscore the immense potential for cross-border collaboration.

Kunal Bahl

Entrepreneur & Investor
Chairman, CII National Start-up Council and Co-Founder - Snapdeal & Titan Capital

The experience and skills of Indian entrepreneurs and professionals make them a global talent, well-equipped to pursue and support entrepreneurial opportunities beyond domestic shores. The liberalised visa regime in the UAE enables entrepreneurs, start-up professionals and their families to live and work in the region for extended tenures. It is an essential enabling factor for talent mobility, which will help grow and strengthen the start-up ecosystem in India and the UAE.

This dynamic collaboration of growth and innovation between the Indian and the UAE start-up ecosystems is a remarkable phenomenon. The historically close social, cultural and economic bonds are now being knit closer by start-ups and investors joining hands across the region to nurture and grow entrepreneurial businesses that will continue to serve users for a long time.

This CII-Grant Thornton Bharat report spotlights this synergy where innovation, collaboration and policy initiatives are converging to create a narrative of opportunity and growth.

In the last decade, the Indian start-up ecosystem has emerged as one of the fastest growing start-up hubs globally. The ecosystem is home to over a hundred unicorns, and is driving innovation across diverse sectors such as fintech, healthcare, e-commerce, SaaS, B2B commerce, mobility and green energy



India has significant growth potential driven by its talent and demographic profile, favourable government policies, a thriving consumer market and rapid digitisation. This makes it a stable investment destination.

In similar light, the UAE has emerged as one of the most exciting markets in recent years to do business in, providing a gateway into the Middle East and the broader Middle East and North Africa (MENA) region. As the country embarks on an economic and social transformation in the coming decade, its start-up ecosystem will play a critical role in diversifying the economy and driving innovation.

The UAE offers ample opportunities for Indian founders and companies. Sectors such as SaaS, web 3.0, decentralised finance, e-commerce and gaming hold great potential in the market and the broader region. The region also benefits from strong investor support, including sovereign wealth funds that

have made substantial investments into start-ups lately.

Investors from the UAE have been actively investing into the Indian start-up ecosystem in the past few years, with sectors such as fintech, e-commerce, and healthcare getting a disproportionate share of the investments. Though still early, we have started to see green shoots of Indian capital investing behind innovative and path-breaking start-ups in the UAE. This cross-pollination of capital and ideas between the two regions is heartening to see.

This CII-Grant Thornton Bharat report serves as a comprehensive guide, highlighting recent collaboration between India and the UAE in the start-up landscape. The report uncovers vast opportunities within the India-UAE start-up ecosystem convergence and provides essential recommendations for investors, start-ups and policymakers to enhance and streamline this promising partnership.

Abhiraj Singh Bhal

Chairman, CII Unicorn Forum, and CEO & Co-Founder, Urban Company

Foreword by Grant Thornton Bharat

The collaboration between India and the UAE is ripe with potential to foster dynamic start-up ecosystems — a potential further enhanced by the Comprehensive Economic Partnership Agreement (CEPA). The signing of the CEPA in March 2022 symbolises a strong commitment to enhancing economic relations. This agreement is anticipated to elevate bilateral trade in goods to USD 100 billion and trade in services to USD 15 billion over the next five years.



India's start-up landscape has evolved into a global innovation hub, driven by initiatives such as Start-up India, Invest India, and Digital India. Start-up India has sparked a culture of innovation and risk-taking nationwide, offering essential resources, mentorship and funding. Invest India has simplified investment procedures, inviting foreign investors, including those from the UAE, to engage in India's burgeoning start-up scene. Combined with Digital India's transformation of digital infrastructure, these initiatives have propelled India's start-up growth.

The UAE is transitioning from an oil-centric economy, as demonstrated by Vision 2021, focusing on technology, entertainment, tourism, and renewable energy. Dubai's initiatives like Internet City, Silicon Oasis, and Future Foundation highlight its aspiration to become a global innovation hub.

The Indian diaspora contributes significantly to its economic, social, and cultural landscape. Indian expatriates'

entrepreneurial endeavours have notably advanced the UAE's economic growth, with many establishing successful businesses. Investment hubs in Abu Dhabi and Dubai play a key role in supporting India's growth, facilitating start-up development and fostering technology transfer and experience sharing.

The India-UAE relationship, transcending economic collaboration, includes trade, energy, security, and cultural exchanges, with CEPA set to boost trade and investment. Both regions recognise the opportunity for cooperation in technology, renewable energy, and defence, sharing ambitions to diversify their economies and drive innovation.

This report highlights the synergistic vision of India and the UAE, tapping into their unique strengths for mutual benefit. By exploring start-up landscapes, historical ties, and start-up collaborations, it becomes clear how India and the UAE can enhance their start-up ecosystems, foster innovation, and nurture entrepreneurship.

Rahul Kapur

Office Managing Partner (National Capital Region) and Education & Ed Tech Industry Leader, Grant Thornton Bharat



01

Overview of the start-up landscape

India's dynamic start-up landscape

The evolution of start-up ecosystem in India

India is one of the fastest-growing among major world economies and is expected to reach USD 5 trillion by CY 2027. India is touted to be the next big economic growth story after China. A robust economy, a young population, and enabling infrastructure are key factors contributing to the growth of the Indian economy. These factors also provide a strong foundation for innovation and entrepreneurship in the country.

In the last two decades, the Indian start-up ecosystem has evolved significantly into a mature ecosystem with the right mix of supporting factors. As of December 2023, there are more than 1,12,718 DPIIT-recognised start-ups across 763 districts, with 111 achieving unicorn status¹. Policy reforms, capital availability and digital transformation have played pivotal roles in shaping the start-up ecosystem.

Key facts on the start-up ecosystem in India²



Major start-up hubs in India

- Ahmedabad
- Bengaluru
- Chennai
- Delhi
- Hyderabad
- Kolkata
- Mumbai
- Pune



28 yrs.

Avg. age of Indian founders



#20

Bengaluru global start-up rank



~250

Number of incubators



~48%

Start-ups in metros



20%

Women entrepreneurs



900,000+

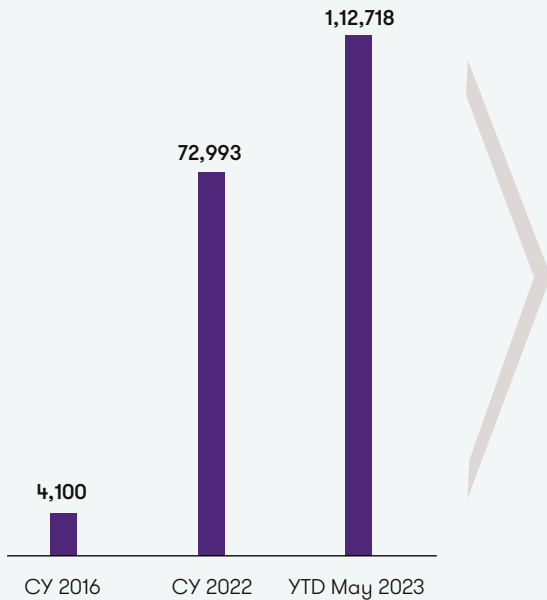
Jobs created (2022)

1. Department for Promotion of Industry and Internal Trade (DPIIT), the nodal body promoting start-up initiatives in India, define start-ups as an entity established within the last 10 years and with an annual turnover of less than INR 100 crore (USD 12 million), demonstrating a commitment to innovation, development, and the potential to generate employment.

2. Start-Up India

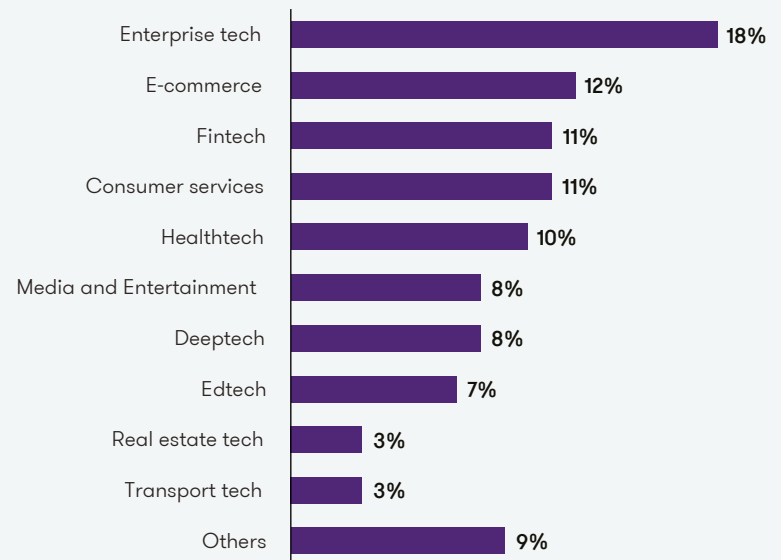
Start-up growth in India

Number of start-ups in India



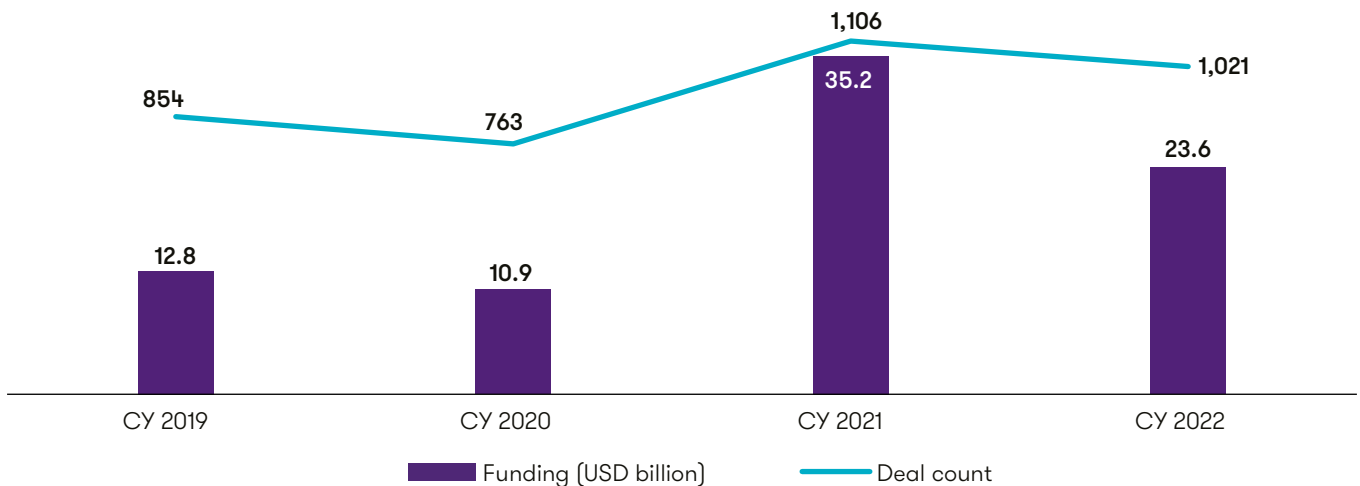
Source: DPIIT

Sector split of start-ups in India



Source: Inc42

Start-up funding and deal count (last four years)



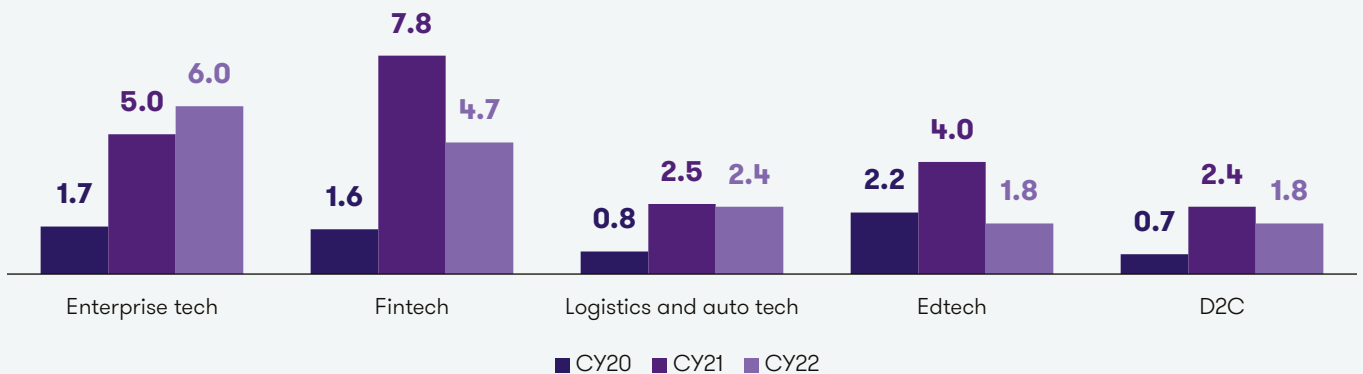
Source: Venture Intelligence



Indian start-ups have raised **~USD 24 billion** in CY 2022. Inflow of foreign capital in Indian start-ups has been critical in driving their growth³.

3. Venture Intelligence Report, 2022

Start-up funding sector wise split (funding in USD billion)



Source: Venture Intelligence



The top five sectors that attracted funding in CY 2022 were enterprise tech, fintech, logistics, autotech, edtech and Direct-to-Consumer (D2C). These sectors collectively contributed **71%** of the total funding⁴.

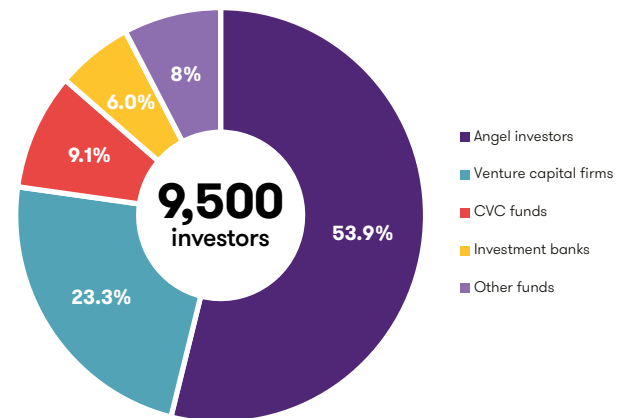
Funding the growth momentum of start-ups

In the last ten years, the private capital ecosystem for start-ups has matured. More than 9,500 investors, including angel investors, venture capital firms, CVC funds, and others, are actively supporting Indian start-ups in their growth cycles.

The Government of India (GoI) has launched various initiatives and schemes to promote start-ups and entrepreneurship in the country. In the last year, more than 4,000 start-ups have benefitted from various government programmes³.

Source: "Top 31 Angel Investors In The Indian Start-up Ecosystem", Inc42, January 2023

Number of investors in the Indian start-up ecosystem (CY 2022)



The deal activity in the start-up sector is happening at a significantly lower level than a year ago. However, there is no dearth of capital in the market as the amount of dry powder in the industry is estimated to be USD 20 billion. With the economic conditions expected to improve, the availability of capital in the market and the proactive approach of the government to address operational barriers for start-ups should help reverse this trend over the next 12 to 18 months.



Karthik Gopalakrishnan
Partner, Lead Advisory
Grant Thornton Bharat



⁴ Venture Intelligence Report, 2022

Some of the significant government schemes promoting start-ups are as follows⁵:

Government scheme	Key highlights
Start-up India Action Plan	Action Plan for Start-up India has laid the foundation of government support, schemes and incentives envisaged to create a vibrant start-up ecosystem in the country.
Fund of Funds for Start-ups (FFS) Scheme	The Gol has established FFS with corpus of INR 10,000 crore (USD 1.2 billion), to support Indian start-ups. It provides capital at early stage, seed stage and growth stage and has also played a significant role in facilitating raising of domestic capital, reducing dependence on foreign capital and encouraging home grown and new venture capital funds.
Credit Guarantee Scheme for Start-ups (CGSS)	The Credit Guarantee Scheme for Start-ups provides credit guarantees to loans extended to DPIIT-recognised start-ups. It aims to provide credit guarantee against loans to finance eligible borrowers.
Regulatory Reforms	More than 50 regulatory reforms have been undertaken by the Gol since 2016 to enhance ease of doing business, ease of raising capital and reduce compliance burden, especially for start-ups.
Ease of Procurement	Government e-Marketplace (GeM) Start-up Runway has been developed which has a dedicated corner for start-ups to sell products and services directly to the Government. Also, DPIIT-recognised start-ups get select relaxations while participating in government procurements bids.
Support for Intellectual Property Protection	The government launched Start-ups Intellectual Property Protection (SIPP), which fast-tracks patent application examination and its disposal. It supports filings for patents, designs and trademarks. Start-ups are provided with an 80% rebate in filing of patents and 50% rebate in filling of trademark.

The India-UAE start-up corridor is an important initiative taken by the two countries to leverage the synergies between their respective start-up ecosystems, with the goal of driving growth and innovation. This corridor aims to foster at least 10 unicorns by 2025, and target a minimum of 50 validated technology-led start-ups in India and the UAE. With India now the third-largest ecosystem for start-ups globally, and the UAE a leader in MENA in terms of digital transformation, this corridor is primed to fuel the next phase of technology revolution.



Abhishek Binaykia

Partner, Digital Transformation
Sports Industry & Technology
CoE Leader
Grant Thornton Bharat



5. Start-up India; Invest India

Empowering innovation: The start-up landscape in the UAE



- Umm Al Quwain
- Abu Dhabi
- Ras Al Khaimah
- Dubai
- Sharjah
- Ajman

The United Arab Emirates (UAE), like some of the other GCC countries, is undergoing a transformation from its traditional reliance on oil to a more innovation-driven economy, thereby fostering a vibrant ecosystem for start-ups and entrepreneurship.

The UAE, one of the largest economies in the Gulf region, boasts of a diversified economic landscape with the non-oil sector constituting more than 70% of its GDP. In recent years, the UAE government has implemented a series of forward-thinking policies and initiatives to cultivate a conducive environment for start-ups. This includes establishing free zones, streamlined business registration processes, and attractive incentives for entrepreneurs. Within UAE Dubai has, in particular, positioned itself as a hub for innovation and technology, with the launch of initiatives like the Dubai Future Accelerators and the Dubai Future Foundation.

Venture capital investments have increased, supporting the growth of the start-up culture in the region. The UAE's commitment to fostering entrepreneurship is evident in creating specialised zones like the Dubai Internet City and the Abu Dhabi Global Market, providing infrastructure and resources for tech-driven businesses.

This strategic pivot aligns with global trends and positions the UAE as a competitive player in the rapidly evolving landscape of technology and innovation. UAE's aim to diversify its economy is aligned with its commitment to start-ups as a vehicle for sustainable economic development.



9.4

Million population in 2022



USD 507bn

GDP in 2022



22%

GDP YoY growth



12+

accelerator programmes



12+

incubators



600+

investors



UAE vision

The UAE's vision is to develop itself into a global entrepreneurial hub, and it has taken a number of initiatives to promote this. A notable programme is the "Make it in the Emirates" scheme, which invites investors and entrepreneurs from around the world to contribute to the country's thriving start-up segment. Additionally, business-friendly policies, such as Golden Visa and Digital Nomad Visa are attracting both investors and aspiring start-up founders.

The UAE is focusing on developing its digital sector, through the national Digital Economy Strategy. This aims to increase the sector's contribution to GDP by 20% over the next decade. As part of this, Dubai has set a goal of setting up 300 digital start-ups in the emirate by CY 2024⁶.

The country has established 45 free Trade zones (FTZs), offering 100% foreign ownership, low corporate income taxes, and 100% repatriation of profits⁷. Start-up accelerators such as the Digital Dubai Authority, Hub71, and the Sharjah Entrepreneurship Center support local entrepreneurs.

Additionally, initiatives such as the Future 100 programme and a USD 100 million venture capital fund by Sheikh Hamdan bin Mohammed bin Rashed Al Maktoum, Crown Prince of Dubai - Venture Capital Fund for Startups to boost and sustain start-up projects and entrepreneurs in the emirate of Dubai.

6. UAE government website (Operation 300bn, the UAE's industrial strategy)

7. Dubai: Free trade or Free for all, Carnegie Endowment, 2020



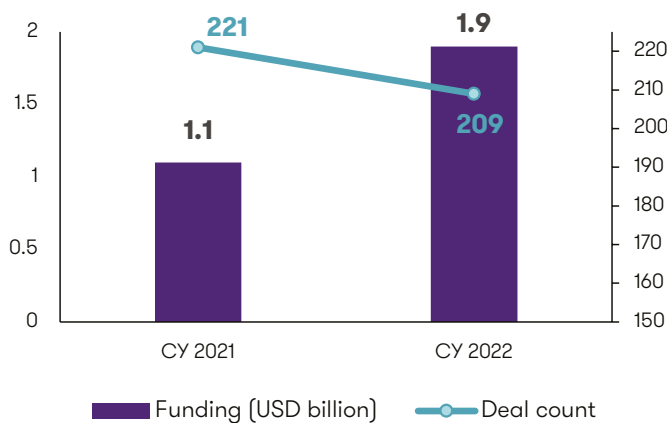
Venture capital for start-ups in the UAE:

Venture capital activity in the UAE is thriving, particularly in Dubai, which serves as both a hub for expansion into other countries in the Middle East and as a launch pad for investments into the UAE. Firms are increasingly prepared to provide seed capital financing and commercial assistance including incubator services for new start-ups, especially in the technology and other digital sectors.

Dubai-based start-ups are attractive to venture capital investors largely because they can be run by seasoned industry professionals and executives who leverage extensive connections and a deep understanding of bureaucratic processes. In addition, B2B start-ups in Dubai have access to a lucrative corporate market including many of the region's largest companies.



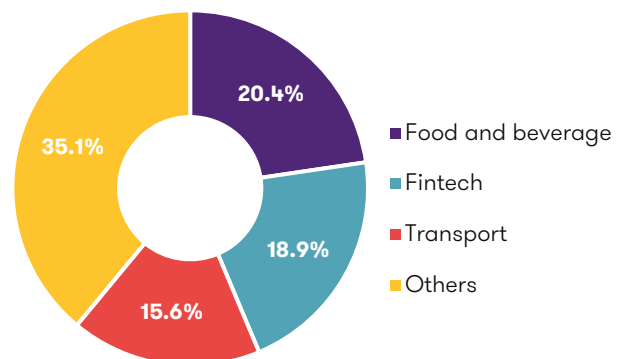
UAE: Total funding received and number of deals by start-ups



Source: CrunchBase

In CY 2022, start-ups in the UAE raised USD 1.9 billion, nearly doubling the funds raised in the previous year, while the number of deals reduced marginally from 221 in CY 2021 to 209 in CY 2022⁸. Food and beverage (20.4%) and fintech (18.9%) have emerged as top sectors for start-up investors.

UAE: Major funded sectors by VC funds



Source: MAGNiTT

In Dubai, venture capital funds range from family offices to multinational corporations. Dtec Ventures, for example, is the venture capital fund of Dubai Silicon Oasis Authority (DSOA) dedicated to investing in early-stage technology firms. It invests USD 100,000-500,000 at the early stage and can support companies with follow-on funding. Dtec Ventures made its first investment in 2013 and has invested in 30 firms till date.

8. Crunchbase

Government initiatives for start-ups in the UAE:

Key government initiatives in the UAE

Key initiatives	Objective	Benefits to start-ups
Operation 300 Billion ⁹	Raising industrial sector's contribution to GDP to AED 300 billion (USD 81 billion) by CY 2031	Emirates Development Bank will extend a funding portfolio of AED 30 billion (USD 8.1 billion) to benefit entrepreneurs, start-ups, SMEs
National Entrepreneurship Agenda ¹⁰	Establish the UAE as an entrepreneurial nation by CY 2031	29 initiatives aimed at enhancing the business environment and entrepreneurial mindset in the UAE, and an integrated package of incentives that will enable the country to increase the number of its start-ups to reach one million, incubating ten unicorn start-ups, and achieving a strong partnership between the public and private sectors
Dubai Creative Economy ¹¹	Double the contribution of creative industries to the GDP of Dubai from 2.6% to 5% by CY 2025	The Government will provide incentives and advanced creative incubators to maintain pace with the rapid technological developments.



9. UAE government website (Operation 300bn, the UAE's industrial strategy)

10. UAE business ecosystem, MOEC

11. UAE government website (Strategy plan and Vision)

Key trends shaping the start-up ecosystem in the UAE



Favourable regulations building the UAE's business incubator network

- Fulfilling its goal to promote innovation, Dubai SME introduced Incubators and Business Accelerators regulations in 2018 to support innovative entrepreneurs, particularly in mentoring and monitoring business.
- The move paved the way for the establishment of a Dubai Business Incubator Network (DBIN), which will act as a resource to help, encourage, and deliver best practices for business incubator programmes in the UAE.

Growing focus on sustainability and clean tech start-ups

- In December 2023, the UAE hosted the 28th conference on climate change (COP28), giving the country and start-ups space a great boost to attract funding from venture capital firms and venture capital funds having a net-zero agenda
- Furthermore, with a focus on sustainable development, the UAE is fostering start-ups in clean energy and sustainability. Companies such as Bee'ah, a waste management company, and Yellow Door Energy, a solar energy provider, exemplify the commitment to environmentally friendly solutions.



Rapid growth of the fintech ecosystem

- The UAE is rapidly becoming a hub for fintech innovation and smart payment solutions. In the UAE, more than 134 fintech businesses employ more than 2,000 people, with Dubai alone being home to over 80 fintech start-ups, making it one of the region's top financial technology hubs
- The city is fostering partnerships between traditional financial institutions and fintech start-ups to drive digital transformation in the financial sector. Further, initiatives like the Dubai International Financial Centre (DIFC) Fintech Hive and the Dubai Future Accelerators are supporting the growth of fintech companies in the region.

The UAE start-up ecosystem is relatively young, but it is growing rapidly as the Government is highly supportive of start-ups and has implemented several initiatives to create a favorable environment for them to thrive and promote foreign investments.



02

India-UAE: History of close ties



India's historical relationship with the UAE holds a central position in the context of its proactive Gulf policy, encapsulated within the framework of India's 'Extended Neighborhood Policy'. The evolution of economic ties with the UAE stands out as a crucial element in India's comprehensive foreign policy approach to the region. This relation is further boosted by the Comprehensive Economic Partnership Agreement (CEPA), a Free Trade Agreement between India and the UAE signed in 2022. India, with its USD 3.7 trillion economy, is a major consumer of energy resources, and the UAE, with a substantial expatriate Indian population, has become a strategic partner.

The bilateral relationship between India and the UAE is highlighted by two key dimensions: trade and investment relations and demographic and physical proximity. These intertwined aspects serve as foundational pillars, fostering the continuous expansion and deepening of relations between the two nations. The robust economic ties, characterised by growing trade and investments, contribute significantly to the stability and resilience of this evolving bilateral relationship.

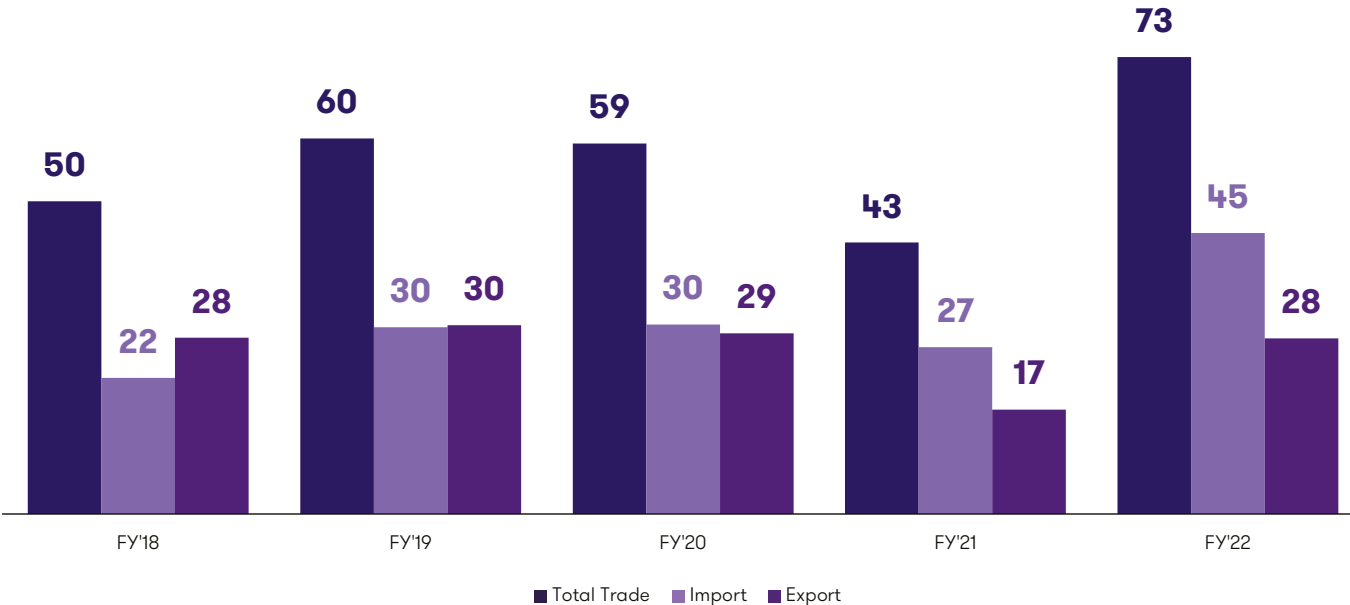
Trade and investment relations between India and the UAE

Historically, trade links between India and the UAE have spanned centuries, initially dominated by traditional items such as dates, pearls, and fish. However, a significant shift occurred with the discovery of oil in the UAE, leading to a surge in exports from India, particularly after the emergence of the UAE as a unified entity in 1971. The economic liberalisation in India and the UAE's rise as a regional trading hub in the early 1990s further catalysed this economic integration.

Economic trade

India-UAE trade is estimated to be around USD 73 billion in the year 2021-22, making the UAE India's third-largest trading partner after the US and China. Notably, the UAE is the second-largest export destination for India, with over USD 28 billion worth of exports in the same period. The CEPA is a testament to the commitment to strengthen economic ties. The agreement is expected to boost bilateral trade in goods to USD 100 billion and trade in services to USD 15 billion within five years.

India-UAE trade (In USD billion)

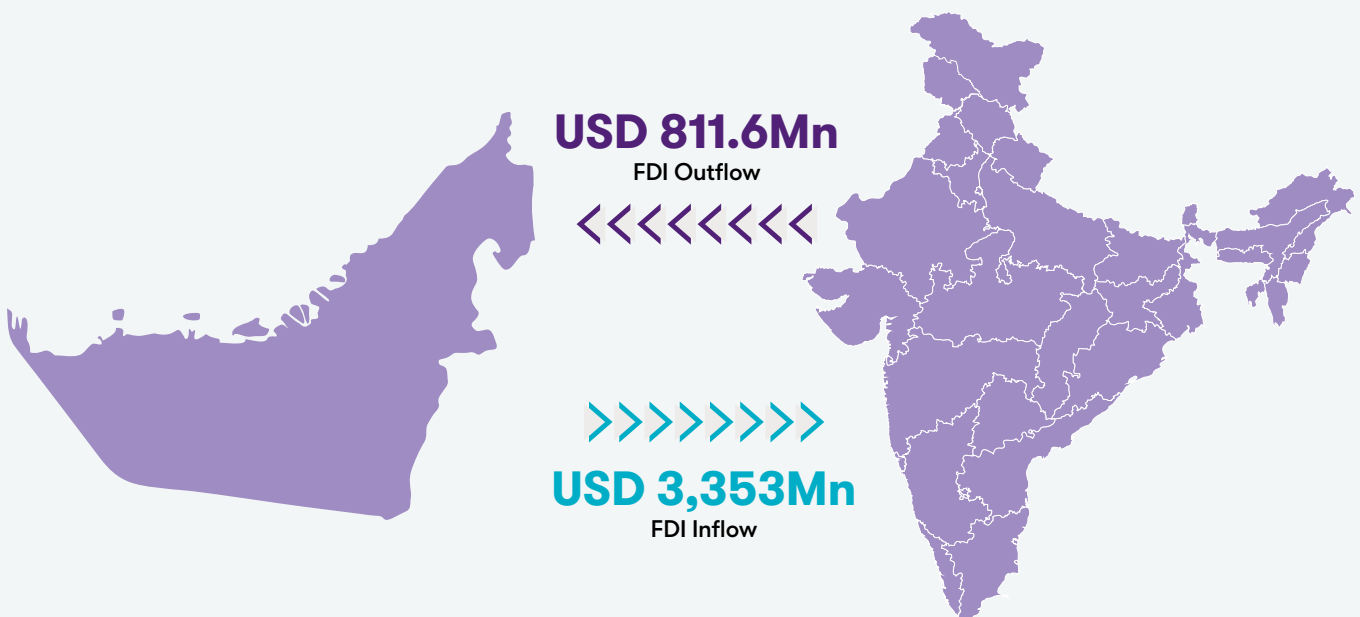


Source: Embassy of India, Abu Dhabi, UAE

Investments

The cumulative investment from the UAE in India is estimated to be around USD 20-21 billion, with USD 15.18 billion designated as Foreign Direct Investment (FDI), while the remaining portion constitutes portfolio investment. Notably, the UAE is seventh among the largest contributors to FDI in India.

In the fiscal year 2023, FDI from the UAE into India experienced a threefold increase, reaching USD 3.4 billion compared to USD 1.0 billion in the preceding fiscal year. This surge can be significantly attributed to the CEPA agreement between the two nations that propelled the UAE to become the fourth-largest investor in India in FY 2023. The predominant sectors attracting UAE investments in India include services, shipping, energy, and construction activities.



While precise figures on Indian investments in the UAE are not readily available, it is estimated that Indian companies have engaged in various forms of investment in the region. Many Indian enterprises have set up manufacturing units, either through joint ventures or in Special Economic Zones, encompassing diverse sectors such as cement, building materials, textiles, engineering products, and consumer electronics. Renowned Indian companies, including the Taj Group, Bits Pilani, Zee Entertainment, Ashok Leyland, Mahindra, and Dabur, have made substantial investments in the UAE's tourism, hospitality, catering, health, retail, and education sectors. Leading corporations like L&T, Essar, Punj Lloyd, Engineers India Ltd., and TCIL have secured significant contracts in the UAE. Additionally, various prominent private and public sector Indian companies and banks are actively conducting operations within the UAE.

Strategic relationship

Economic initiatives:

Comprehensive Economic Partnership Agreement (CEPA), which has already established itself as a crucial link between the Governments of India and the UAE, continues to usher in a transformative era of strengthened trade and investment relations within this bilateral corridor. CEPA has resulted in reduction of tariffs and greater market access particularly for industries like oil seeds and oils, beverages, cotton, fish products, textiles, gems and jewellery, leather, footwear, pharmaceuticals etc. Similar significant agreements have been reached in the services domain as well. Indian investors can establish offices in UAE Free Trade Zones, enjoying 100% profit repatriation, tax exemption and customs duty waivers thus enhancing business prospects. The trade agreement facilitates access to neighboring regions, the European Union, MENA countries thus broadening export destinations.

Dubai D33 Economic Agenda includes the launch of innovative projects that will drive sustainable economic growth and double GDP by CY 2033, making Dubai the fastest, safest and most connected city in the world. Dubai will strive to accelerate growth by investing in human capital development and advanced technology to achieve these goals. The city will also focus on consolidating its global competitiveness, fostering innovation, and nurturing a knowledge-based economy. By leveraging its strategic location and cutting-edge infrastructure, Dubai will establish itself as the most enabling business environment for national and international investments, attracting companies and talent from the UAE and across the globe. It aims to launch a scale-up programme for 30 companies to be global unicorns in the new economic sector and drive down the cost of doing business across sectors.

Way forward

India and the UAE are in the middle of significant strategic partnership discussions, which will strengthen the relationship, resulting in increased trade and investment in the India-UAE corridor.

01

Unlocking New Trade Routes: UAE, Saudi Arabia, India, and the US Collaborate on Transformative Shipping and Railway Links

Announced during the G20 summit in New Delhi in September 2023, the UAE, Saudi Arabia, India, the EU and the US have entered an agreement to establish shipping and railway links connecting Europe and the Middle East to India, with the EU also participating. This proposal aims to forge an economic corridor through rail connections across the Middle East, seamlessly linked to India via shipping routes.

02

Investment in Indian Infrastructure

The substantial growth in the UAE's FDI in India driven significantly by the CEPA, encompasses a noteworthy commitment of USD 75 billion for infrastructure investment by the UAE. The Abu Dhabi Investment Authority (ADIA), a principal sovereign wealth fund globally, has pledged this significant investment in India's infrastructure sector, further boosting the ties between the two countries.

03

The India-Middle East Food Corridor

The anticipated investments from UAE entities in the next three years are expected to reach up to USD 7 billion, specifically focusing on establishing an India-UAE food corridor. This initiative aims to bolster the food sector by investing in cold storage, warehousing, food processing, fisheries, and poultry, with the ambitious objective of tripling the value of UAE's food imports from India within a five-year timeframe.

Demographic and physical proximity between India and the UAE

Physical proximity

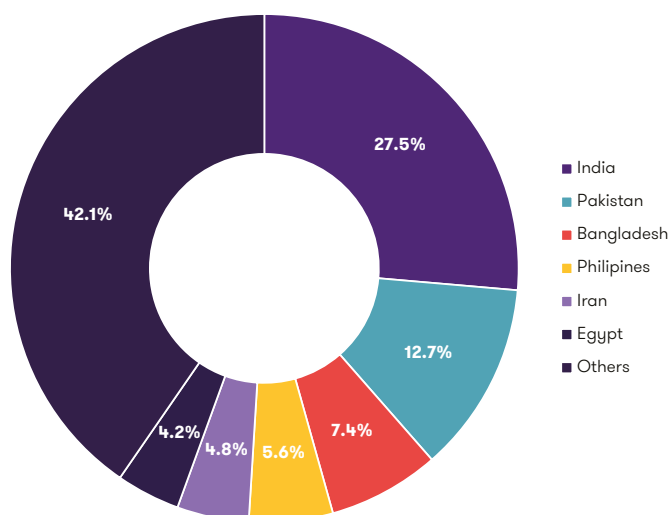
India's significant stake in the UAE economic prosperity and stability is evident due to the proximity of the two countries, separated only by the Arabian Sea. This geographical closeness fosters strong and continuous trade relations and people-to-people connect supported by seamless sea route connectivity. Additionally, the free zones in the UAE, are attracting numerous Indian companies due to their policies, infrastructure, and strategic advantages.

The convenience of travel including short flying time between India and the UAE and budget-friendly accommodation options make the region a popular destination for Indian travelers. In the first nine months of CY 2022, the UAE hosted 1.2 million Indian tourists, marking the highest number among all foreign nationalities visiting the country. Positioned as a global business and investment hub, the UAE has become attractive to international business travelers, leading to an increased demand for air travel to and from the region.

Demographic factors

The UAE is home to one of the largest Indian diaspora, of around 2.7 million people, making Indians the largest non-Emirati groups in the UAE. Moreover, in 2022, Indian expatriates comprised 27.5% of the total UAE population, with many Indians remained in the UAE and have forged strong cultural and familial ties to the area. The UAE witnessed a surge in Indian migration in the 1970s and 1980s when an influx of workers arrived keen to take advantage of the country's burgeoning petroleum industry.

Expatriate groups in the UAE in 2022



Source: Investment Monitor

Remittances

Remittances from the UAE to India are substantial and consistently rank among the highest in the world. Indian expatriates in the UAE send a considerable portion of their earnings back to their families in India. In FY 2022, total inward remittance to India was USD 89 billion, according to RBI. Of this, the UAE's share amounted to USD 16 billion, and was second after the US (USD 21 billion).

Remittances foster closer ties between India and the UAE. The Government of UAE has implemented policies to protect the rights and interests of Indian expatriates, recognising their significant contributions to the local economy. Remittances from the UAE to India are vital to the Indian economy, contributing to financial stability and economic growth.



03

Navigating the digital era: India-UAE start-up collaboration

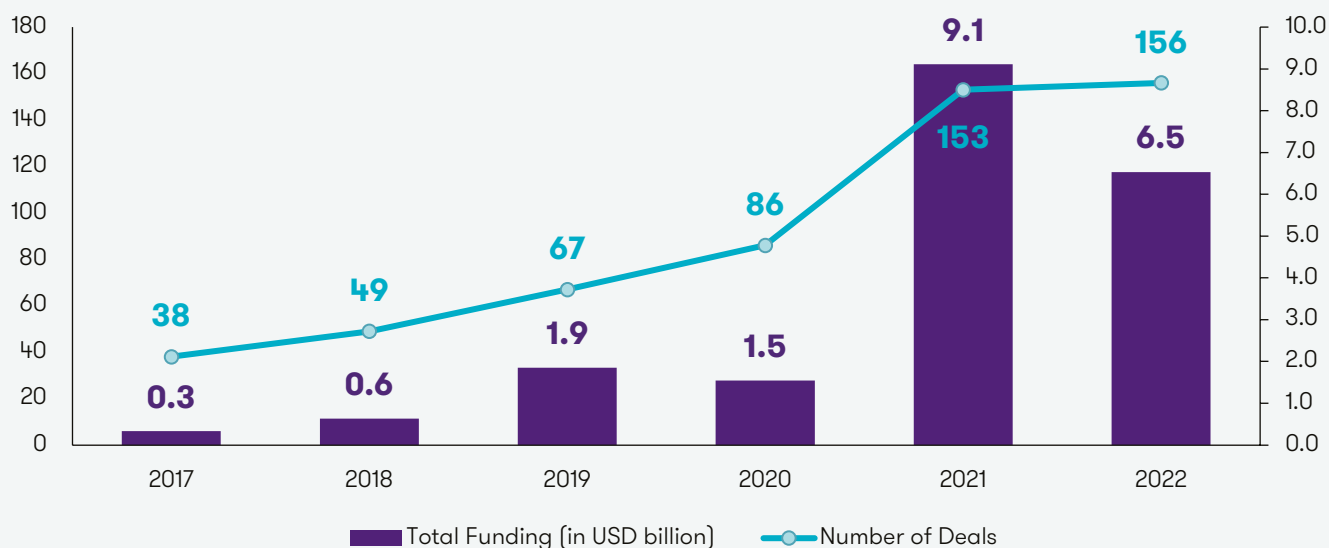


The digital age has led to a level playing field for start-ups in India and the UAE. With the internet's global reach, start-ups from both regions can now compete on equal footing. This new paradigm has led to cross-border collaborations between Indian and UAE start-ups, leveraging their complementary strengths and weaknesses to create innovative products and services for the global market. As we explore the dynamic landscape of India-UAE start-up collaboration in the digital age, it becomes evident that this partnership holds immense potential for shaping the future of entrepreneurship and innovation in both regions.

India: A preferred investment destination for UAE

India has emerged as an attractive destination for global investors. Indian market opportunity and a thriving start-up ecosystem has made it a compelling choice for foreign investments. Notably, UAE investors have shown keen interest in India's start-up sector, resulting in a significant uptick in investments, particularly in fintech, e-commerce, and healthcare.

Funding to Indian Start-ups* by UAE Investors



Source: Source: Tracxn | *As per Start-up India definition only companies not older than 10 years have been considered for this analysis

Since CY 2017, approximately USD 19.9 billion has been injected into Indian start-ups by UAE investors. This consistent funding activity reflects the growing trust and enthusiasm of UAE investors in India's flourishing start-up landscape, underscoring their commitment to India's culture of innovation.

In CY 2021, Indian start-ups experienced a remarkable milestone as they received a record-breaking USD 9.1 billion in funding from UAE. The global economic rebound instilled greater confidence among investors and encouraged them to invest more in start-ups. The accelerated adoption of digital technology, particularly in areas like retail and finance, attracted investments.

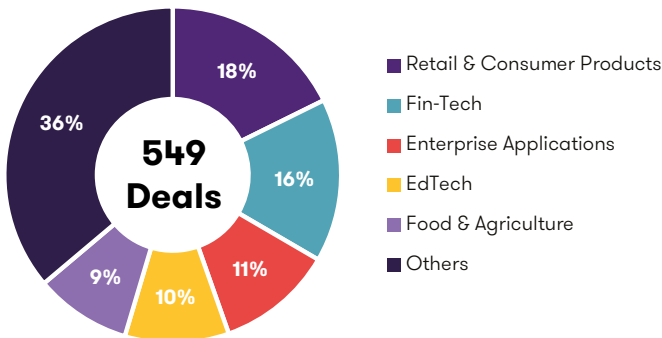
It is important to highlight that the collaboration between the governments of the UAE and India played a pivotal role in boosting investments. This collaboration strengthened significantly after Prime Minister Narendra Modi's visits to the UAE in CY 2018, leading to closer economic ties. This resulted in increased investments and underscored India's attractiveness as an important destination for UAE investors.

UAE investors diversifying and thriving in India's dynamic start-up landscape

UAE-based investors actively diversify their investments across multiple sectors in the Indian start-up ecosystem. Retail, fintech, and transportation and logistics are leading the way. There is also significant interest in emerging sectors such as green tech, ed-tech, auto-tech, and health-tech.

A closer look at UAE investors' sector preferences since 2017

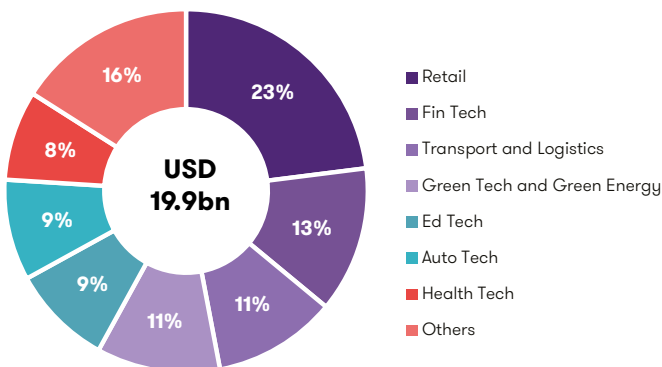
Sector wise Split of Number of Deals (2017-2022)



Source: Tracxn; GT Analysis

Retail and consumer products-based start-ups, constituting 18% of total deals, lead the pack, closely followed by fintech (16%), enterprise applications (11%), ed-tech (11%) and food and agriculture (10%).

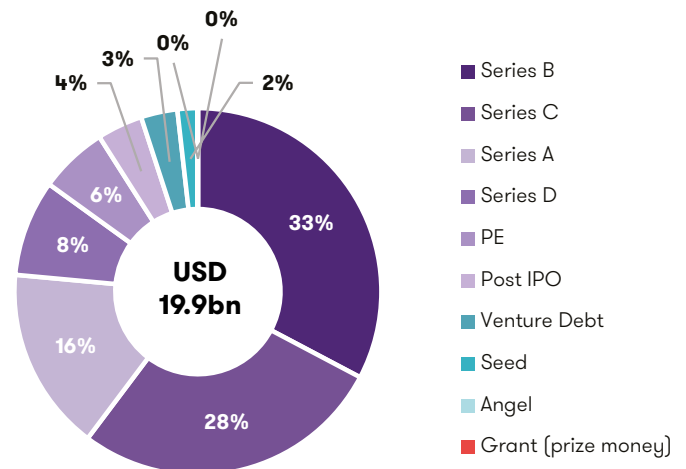
Sector wise Split of Value of Investments (2017-2022)



Source: Tracxn; GT Analysis



Round wise Split of Value of Investments (2017-2022)



Source: Tracxn; GT Analysis

UAE investors participating in India's start-up boom

UAE-based investors have strategically deployed capital into a range of Indian start-ups, contributing significantly to the growth and diversification of the country's entrepreneurial landscape. Some of the key investments are as follows:

Key Investments by UAE Investors in Indian Start-ups (2017-2022)

Start-up

FreshToHome Foods

Sector

Food and agriculture tech

Lead UAE Investor

- Crescent Enterprises
- Zen Holdings Private Limited
- Zen Holdings Private
- Crescent Investments
- Ascent Capital
- Investcorp
- Investment Corporation of Dubai
- Abu Dhabi Investment Office
- Omega Direct Restricted Ltd

Start-up

Cars24

Sector

E-commerce

Lead UAE Investor

- Alpha Wave
- Comm Bank of Dubai

Start-up

CRED

Sector

Fintech

Lead UAE Investor

Alpha Wave

Start-up

Blinkit

Sector

Food and agriculture tech

Lead UAE Investor

Abu Dhabi Capital Group

Start-up

Xpress Bees

Sector

Transportation and logistics

Lead UAE Investor

Investcorp

Start-up

Cult.Fit

Sector

Health-tech

Lead UAE Investor

- Crescent Investments
- Investcorp
- Mubadala Investment Company

Start-up

MPL

Sector

Gaming

Lead UAE Investor

- CE Venture Capital
- Legatum

Source: Tracxn; GT Analysis

UAE investors have provided capital and strategically expanded their presence over time, signaling a long-term commitment to India's evolving start-up ecosystem. While these investments strengthen India's entrepreneurial landscape, they also pave the way for potential collaborations between Indian and UAE businesses across sectors.

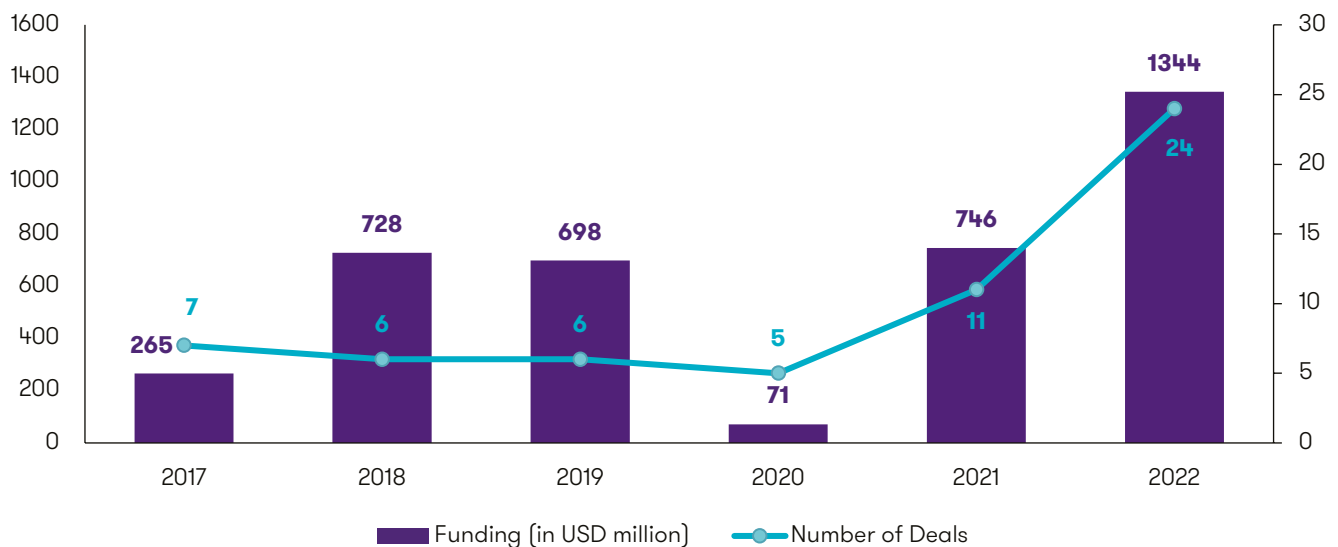
Enhancing growth: Indian investors boost UAE start-ups through strategic collaboration

The collaboration between India and the UAE is not one-sided, but a two-way affair, presenting a wealth of opportunities for Indian investors too. This partnership promotes economic growth and highlights the potential of South-South economic cooperation. A key aspect of this collaboration is the pivotal role played by Indian investors, making major investments in UAE start-ups, thereby catalysing the momentum of innovation and growth.

Indian investments in UAE

In CY 2017, Indian investors committed USD 265 million across seven deals in the UAE, and this figure has steadily risen, with over 24 deals valued at USD 1344 million as recorded in CY 2022.

Funding to UAE Start-ups* by Indian Investors



Source: Tracxn | *As per Start-up India definition only companies not older than 10 years have been considered for this analysis

The upward trajectory of Indian investments in UAE start-ups implies:

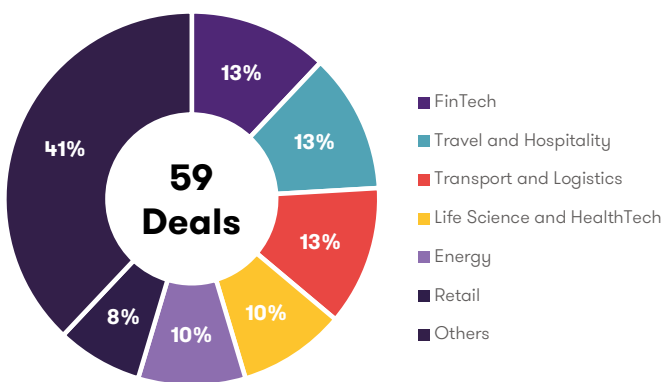
- Increasing confidence in the UAE's entrepreneurial landscape; and
- Recognition of mutually beneficial opportunities with this India-UAE economic cooperation

As Indian investors actively participate in the UAE start-up ecosystem, they contribute significantly to its growth while gaining access to a new market and leveraging the unique strengths of UAE. This mutual collaboration showcases the potential of such partnerships in the digital era, further driving economic growth and innovation in both regions.

Diverse investment sectors tapped in by Indian investors

Indian investments in UAE in the last five years shows transport and logistics, fintech and travel and hospitality stand out with eight deals each, showcasing the pull of UAE as a logistics hub, its potential for financial technology innovation and its hospitality industry. The energy and health-tech and life sciences sector closely follows with six deals each, capitalising on the UAE's tourism industry.

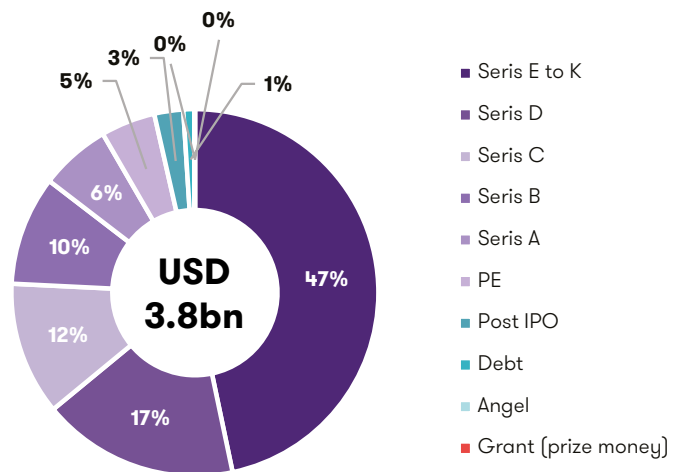
Sector wise Split of Number of Deals (2017-2022)



Source: Tracxn; GT Analysis

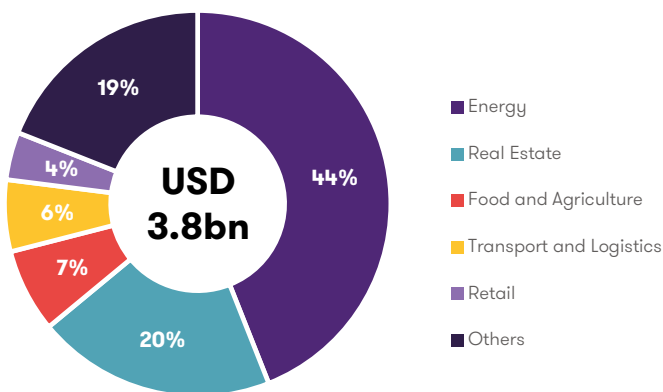
Despite few deals, real estate, life science and health tech, enterprise application, and energy sectors secure substantial funding, indicating diversification. While having lower deal numbers, sectors such as high-tech, food and agriculture, and others signify Indian investors' readiness to explore diverse opportunities in the UAE.

Round wise Split of Value of Investments (2017-2022)



Source: Tracxn; GT Analysis

Sector wise Split of Value of Investments (2017-2022)



Source: Tracxn; GT Analysis

Investment trends suggest Indian capital moving to more established start-ups in the UAE, with proven business models and scalability.

Prominent Indian investors are building presence in the UAE

Indian investors are significantly expanding their presence in UAE's start-up ecosystem, as evident from the diverse investments. These investments encompass a wide range of industries, including technology, logistics, education, and more, illustrating a willingness to explore and tap into different markets within the UAE.

Key Indian investors and their investments in the UAE Start-up landscape (2017-2022)

Indian Investor	Start-up	Investment Amount (in USD million)
Reliance Industries	TA'ZIZ	272
	TruKker	100
WestBridge Capital	VINI International	156
Polygon (Has Indian co-founders)	Colexion	8
	Colexion	5
Inspira Enterprise	Udenz	5
OHI Group of Companies	Udrive	5
RippleHire	Zywa	3
Resonance Eduventures	Revibe Technology	2
PB Fintech	YKNP Marketing	2

Source: Tracxn; GT Analysis

Expanding the India-UAE start-up ecosystem: A two-way journey

The start-up ecosystem is thriving on a global scale, with entrepreneurs seeking opportunities beyond their home borders. In recent years, a notable trend has emerged in the India-UAE, where Indian start-ups are expanding their operations into the UAE, while the number of UAE-based start-ups entering India remains limited.

Expanding Indian start-ups in the UAE

Indian start-ups are increasingly venturing into the UAE, drawn by multiple of compelling factors. Foremost among these is the vast market size and growth potential, with a collective population exceeding 9.4 million and a GDP exceeding USD

507 billion, UAE offers an exciting market for Indian start-ups seeking opportunities. Further enhancing the appeal of the UAE is the region's reputation for high disposable incomes and discretionary spending of their population, making it home to some of the world's wealthiest consumers¹³.

The UAE has actively implemented favourable government policies designed to welcome and nurture start-ups, thus providing a conducive environment for Indian entrepreneurs. The presence of strong cultural and economic ties between India and the UAE serves as a solid foundation upon which Indian start-ups are building their expansion growth strategies.

Their growing e-commerce sector and rapid advancements in digital technology have created opportunities for Indian

13. Tracxn

start-ups to engage with UAE-based customers. Additionally, increasing awareness among UAE-based investors has led to substantial investments in Indian ventures, further fueling their growth and reinforcing the mutually beneficial relationship between Indian start-ups and the UAE.

Indian start-ups have strategically expanded into the UAE. FreshToHome, an e-commerce platform, entered multiple UAE Emirates. Ola, a ride-hailing service, is diversifying and expanding in the region. PolicyBazaar, an online insurance aggregator, entered the UAE market and partnered with local insurance companies. These ventures show India's growing presence in the UAE and its commitment to tapping into the region's potential across sectors.

SUCCESS STORY



FreshToHome

In 2019, FreshToHome, a leading Indian e-commerce platform specialising in fresh produce and meat, made a significant move by expanding into the UAE region. This marked a historic moment as FreshToHome became the first Indian direct-to-consumer (D2C) start-up to venture into the UAE markets. The company strategically entered various emirates in the UAE, encompassing Abu Dhabi, Ajman, Al Ain, Fujairah, Dubai, Ras Al Khaimah, Sharjah, and Umm Al Quwain.

Strategic Rationale

FreshToHome's expansion into the UAE was driven by its vision of becoming a global player in the fresh food e-commerce sector. UAE offered immense potential due to their affluent consumer base and surging demand for high-quality, freshly sourced food delivered promptly.

Future Outlook

Looking ahead, FreshToHome's ambition extends to entering and establishing a strong presence in Saudi Arabia. To achieve success in this endeavour, the company plans to tailor its product offerings to meet the preferences and requirements of Saudi consumers, solidifying its presence and capturing a substantial market share in these promising regions.



Supporting UAE start-ups in India

The Indian market provides attractive prospects for UAE start-ups looking to expand internationally. With the right products and services customised to meet the local demand, India has the potential to be a major growth market for UAE companies.

With the competitive consumer and business landscape, UAE companies need to thoroughly assess their distinct cultures, languages, and consumer preferences, which vary from region to region, and find their niche. Understanding the nuances is crucial for success and their long-term growth prospects.





04

Collaboration and potential opportunities: Fostering the India-UAE start-up ecosystem

The scope of partnership between India and the UAE has continuously evolved since the establishment of diplomatic relations. What was once a conventional association has now blossomed into a strategic partnership, marked by pivotal moments such as PM Narendra Modi's visit to the United Arab Emirates in CY 2015. During this visit, a multitude of agreements and MoUs were inked, laying the foundation for strengthened cooperation across various sectors, including defense, education, and energy and renewables.

Both the Indian and UAE governments have been proactive in their efforts to encourage foreign investment and nurture critical industries. Initiatives such as the UAE's Golden Visa programme and revisions to the Commercial Companies Law, allowing 100% foreign ownership of onshore companies, have been introduced to attract investments. Similarly, India has liberalised its foreign direct investment (FDI) regulations, offering opportunities ranging from 49% to 100% FDI in various sectors through the automatic route. Moreover, numerous state-level investment promotion incentives have been put in place.

In addition to these developments, India-UAE Comprehensive Economic Partnership Agreement (CEPA) is in its second year of implementation. This CEPA holds the promise of deepening economic ties between the two nations, potentially culminating in the realisation of the ambitious goal of achieving USD 100 billion in non-oil trade within five years.

As we delve into the subject of collaboration and potential opportunities in fostering the India-UAE start-up ecosystem, it becomes evident that this partnership transcends traditional boundaries, embracing innovation, entrepreneurship, and shared economic prosperity.



India has more than two decades of experience with start-up successes and failures, while the UAE has a long history of funding some of the largest businesses globally. Collaboration with the UAE creates a significant opportunity for India to combine market opportunity for both B2B and B2C platforms by leveraging availability of capital, technology and talent pool across the corridor. Large consumer and the industrial markets along with commonality of cultures in both the countries makes the opportunity even more attractive.



Prashant Mehra
Partner & COO
Grant Thornton Bharat



Exploring key growth sectors in India and the UAE for Start-ups

The India-UAE start-up landscape is full of innovation and entrepreneurial spirit. Both regions have witnessed remarkable growth in their respective start-up ecosystems, with a flurry of new businesses breaking barriers and redefining industries. Some key growth sectors in India and the UAE hold immense promise for growth and innovation for investors and start-up founders.

Growth opportunities

Healthcare & health-tech

The healthcare technology sector is experiencing rapid growth in both the UAE and India. Start-ups in this sector are leveraging telemedicine, electronic health records (EHRs), wearable health devices, and diagnostic tools to improve healthcare accessibility and delivery. With the increasing focus on healthcare innovation, this sector presents substantial opportunities for start-ups to address healthcare challenges and enhance patient outcomes.

Area	Solutions
Telemedicine and telehealth	Telehealth platforms, remote patient monitoring systems, and teleconsultation services
Health information technology	Electronic health record (EHR) systems and health data analytics platforms
Digital health solutions	Wearable health tech, mobile health apps, and remote monitoring devices
Biotechnology and pharmaceuticals	Research and development of new drugs, therapies, and vaccines
AI and machine learning in healthcare	AI and machine learning algorithms for disease prediction, early diagnosis, drug discovery, and personalised treatment plans
Healthcare supply chain optimisation	Supply chain and inventory management systems
Mental health tech	Digital mental health platforms, therapy apps, and AI-driven mental health assessments
Healthcare robotics	Robots for tasks like surgery, patient care, and logistics

Fintech

Fintech continues to be a prominent and evolving sector in both regions. Fintech start-ups are innovating in digital payments, online lending, cryptocurrency, and insurtech. The adoption of digital financial services is rising, creating a fertile ground for start-ups to disrupt traditional financial systems and provide innovative solutions to consumers and businesses.

Area	Solutions
Digital payments	Digital wallets, peer-to-peer payment apps, contactless payment solutions, and cross-border payment platforms
Digital lending	P2P lending platforms, small business loans, personal loans, and mortgage lending solutions
Cryptocurrency and blockchain	Cryptocurrency exchanges, wallet services, decentralised finance (DeFi) platforms, and blockchain-based applications
Insur-tech	Digital insurance platforms, claims processing automation, telematics-based insurance, and risk assessment tools
Digital Identity Verification	Identity verification and authentication services
Healthcare robotics	Robots for tasks like surgery, patient care, and logistics

Ed-Tech

The education technology sector is witnessing significant growth, particularly in India. Start-ups in EdTech are transforming the way students learn by offering online courses, personalised learning experiences, and digital educational content. The COVID-19 pandemic has accelerated the adoption of technology in education, making EdTech a promising sector for start-ups.

Area	Solutions
Online learning platforms	Online learning platforms offering courses, lectures, tutorials, and assessments
E-Learning content creation	Video lessons, interactive quizzes, e-books, and simulations
K-12 ed-tech	Virtual classrooms, homework management, and parent-teacher communication
Higher education	Remote learning, virtual labs, student engagement, and online degree programmes
Gamification and Virtual Reality (VR)	Gamified and VR experiences into educational content
AI-powered education	Intelligent tutoring systems, automatic grading, and data-driven insight tools
Digital accessibility	Screen readers and closed captions solutions

Agri-Tech

The UAE and India have a strong connection to agriculture, and Agri-Tech start-ups are leveraging technology to make farming more efficient and sustainable. Innovations in vertical farming, agri drones, smart irrigation systems, and climate services are gaining traction. These start-ups aim to address food security and environmental challenges.

Area	Solutions
Vertical farming and hydroponics	Controlled-environment agriculture methods
Agri drones	Aerial imaging, crop spraying, and data collection to assess plant health, detect diseases, and manage agricultural operations
Smart irrigation systems	Connected system with real-time weather data and soil moisture monitoring
Climate and weather services	Climate forecasting and weather monitoring services
Farm-to-Fork technologies	Food delivery and e-commerce platforms
Biodegradable packaging	Eco-friendly packaging materials

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Defense and Space:

The defense and space sectors offer exciting opportunities for start-ups in defence and space technology and satellite technology. These start-ups focus on satellite communication, Earth observation, navigation, and space-based internet. Collaboration with government agencies and private companies is often essential in these sectors.

Area	Solutions
Cybersecurity	Advanced cybersecurity solutions
Drones	Autonomous and remotely piloted drones for surveillance, reconnaissance, search and rescue
AI and Machine Learning	Intelligence analysis, predictive maintenance, and decision support systems
Satellite technology	Communications, Earth observation, navigation, and scientific research
Space-based internet	Global broadband internet coverage

Some other sectors include:

E-commerce

E-commerce continues to be a rapidly growing sector in both the UAE and India. Start-ups are innovating in various aspects of e-commerce, including online marketplaces, delivery services, and digital payment solutions. The increasing adoption of online shopping and changing consumer preferences make this sector highly promising.

Renewable Energy

Sustainability and renewable energy technologies are gaining momentum in both regions. Renewable energy start-ups focus on solar, wind, and other clean energy sources. The transition to renewable energy is driven by environmental concerns and the need for sustainable energy solutions.

AI and Machine Learning

Artificial intelligence (AI) and machine learning are at the forefront of technological innovation. Start-ups in this sector are developing AI-driven solutions for various industries, including healthcare, finance, and agriculture. These technologies have the potential to revolutionise business processes and decision-making.

Smart Cities

The concept of smart cities is gaining traction in both UAE and India. Start-ups are working on smart city solutions related to urban planning, transportation, energy efficiency, and IoT (Internet of Things) applications. As cities seek to become more efficient and sustainable, smart city start-ups have a promising future.

The emerging sectors for start-ups in both UAE and India encompass a wide range of industries, from healthcare and finance to education, agriculture, and technology. These sectors offer opportunities for start-ups to innovate, disrupt traditional models, and address pressing societal and environmental challenges. With supportive ecosystems and growing investor interest, start-ups in these sectors have the potential to thrive and make a significant impact on their respective regions and beyond.

SUCCESS STORY



Lenskart

Lenskart, a prominent Indian omnichannel eyewear retailer, made a significant leap in 2019 and entered into UAE. Its success in UAE results from factors including a wide product range, affordability, seamless shopping experiences, and robust branding. It has tapped into the growing demand for eyewear and eye care in the region, attracting a loyal following.

Outlook

Lenskart's vision extends to entering Saudi Arabia while exploring opportunities in neighbouring countries such as Qatar and Kuwait. Plans also include diversifying product offerings and expanding the omnichannel presence.

Urban Company

In 2018, Urban Company, an Indian home services marketplace, ventured into UAE, making history as the first Indian platform of its kind to do so. Urban Company's achievements in the UAE are attributed to its diverse range of services which are tailored to suit the local consumer preferences. The platform offers a hassle-free booking process, affordability, and a satisfaction guarantee, enhancing customer convenience and reliability.

Outlook

Urban Company has recently entered the Saudi Arabian market and is exploring opportunities in Qatar, Kuwait, and beyond. The company also plans to diversify its services to include beauty and wellness, alongside expanding its omnichannel presence by introducing physical stores.

Key factors facilitating market entry

UAE region

Economic diversification

UAE is actively diversifying its economy. This diversification includes investments in sectors such as tourism, manufacturing, technology, and renewable energy, offering new opportunities for investors.

Investor-friendly policies

UAE government is implementing investor-friendly policies, including tax incentives, simplified business registration procedures, and regulatory reforms to attract foreign investment.

Stable political environment

The country's political stability is a significant draw for investors seeking a secure business environment.

Access to Sovereign Wealth Funds

UAE has substantial sovereign wealth funds that invest in various sectors globally. Investors may partner with these funds or access them for co-investment opportunities.

Energy transition

The country has actively been investing in renewable energy projects, including solar and wind, to reduce their carbon footprint. This transition opens doors for investments in renewable energy infrastructure.

India

Rapid economic growth

India has experienced rapid economic growth, and its GDP continues to expand. This growth potential appeals to investors looking for emerging market opportunities.

Demographic dividend

India has a young and growing workforce, which is an asset for companies seeking talent and a burgeoning consumer market.

Government reforms

The Indian Government has introduced various reforms, such as the "Make in India" initiative, GST (Goods and Services Tax), FDI liberalisation, GIFT City to encourage foreign investment and improve the ease of doing business.

Start-up ecosystem

India has a thriving start-up ecosystem with a focus on technology, e-commerce, fintech, and healthcare, attracting venture capital and private equity investments.

Digital transformation

India is undergoing a digital transformation with increased internet penetration and smartphone usage. This has led to investments in e-commerce, digital payments, and online services.

Infrastructure development

The Government is investing in infrastructure projects, including transportation, logistics, and smart cities, offering opportunities in construction and related industries.





05

Recommendations

Recommendations for Policymakers

Creating the right institutional framework for outreach to investors

- Establish a dedicated institutional framework to ensure close coordination among key entities, including the Ministry of External Affairs, the Department for Promotion of Industry and Internal Trade, and other relevant Ministries.
- Leverage Indian missions and consulates in UAE to amplify awareness about India's ongoing policy and regulatory reforms.
- Tailored outreach efforts to specifically target UAE, recognising their need for increased familiarity with Indian start-up landscape.
- Direct outreach towards prominent industry associations and potential anchor investors in sectors earmarked for concentrated investment.
- Strengthen perception management through strategic advocacy of India's policies and reforms, enhancing the appeal of the Indian start-up ecosystem and facilitating deeper collaboration with UAE investors and stakeholders.

Promoting "India stack" and other Digital Public Infrastructure, and highlighting its advantages to foreign governments and institutions

- Indian Government's digital infrastructure development serves as a compelling value proposition to showcase globally
- Initiatives such as Aadhar, UPI and Digilocker have the potential to significantly improve the ease of doing business for UAE start-ups and investors
- To promote awareness and boost confidence in India's start-up ecosystem, the Government should actively pitch these initiatives, highlighting their role in streamlining processes, ensuring data security, and promoting transparency
- This strategic promotion not only bolsters awareness but also encourages greater UAE participation and investment in India's start-up landscape.

Enhancing business environment for UAE investments

To attract and retain foreign investments, Indian policy makers and regulators should prioritise three key areas:

- **Consistency in laws:** Implement and maintain consistent business laws to provide predictability and fairness for foreign investors. This consistency will foster a level playing field, enhance transparency, and reduce the cost and time of doing business, improving India's attractiveness as an investment destination.
- **Addressing low awareness:** Recognise that despite reforms to improve ease of doing business, awareness remains low among global business leaders. Launching targeted awareness campaigns ensures that domestic and foreign businesses are informed and empowered to make investment decisions. This effort will ensure compliance, offer certainty for decision-making, and build confidence in the business environment.
- **Open dialogue for reforms:** Establish a structured dialogue mechanism that allows businesses to provide input on proposed changes to business laws. This approach will enhance transparency, reduce uncertainty, and bolster foreign investor confidence in India's evolving business landscape.

By focusing on these aspects, the Indian Government can create a more favourable business environment that attracts foreign investment and fosters economic growth and stability.

SELECT EXAMPLE

India's notable improvement in ease of doing business rankings calls for continued enhancement. To promote foreign investments, policymakers should focus on:

- Further lowering corporate tax rates, especially for new-age start-ups, to encourage investment.
- Simplifying the complex Goods and Services Tax (GST) structure to reduce compliance burdens, including 100% input tax credit reconciliation, which affects start-ups' working capital.
- Easing process repatriation of funds for investors during exits.

By easing taxation and enhancing business-friendly policies, India can amplify its appeal to foreign investors and bolster its position as an attractive investment destination.

Recognising Dubai as an arbitration centre

Dubai has set up Dubai International Arbitration Centre (DIAC), which is a globally recognised international arbitration centre. Arbitral awards rendered by the DIAC are enforceable in over 150 countries around the world. Thus, recognising Dubai as an arbitration centre would have a number of benefits for Indian and UAE start-ups, such as:

- Make it easier and more efficient for Indian businesses with business operations in the UAE region to resolve disputes through arbitration. Indian businesses would no longer have to rely on foreign arbitration centres such as London and Singapore to resolve their disputes, and further save them time and money.
- Recognising Dubai as an arbitration centre would promote trade and investment between India and UAE. Indian businesses and investors would be more likely to invest in Dubai and other UAE regions if they knew that they could resolve any disputes through arbitration in a fair and impartial manner.

Establishing local advisory for Free Trade Zones

Establishing a local advisory system within the Free Trade Zones (FTZs) in UAE can greatly assist Indian start-ups seeking to establish themselves in the area. With numerous FTZs each offering specific incentives and objectives, selecting the most suitable one can be complex and time-consuming.

This system, supported by local industry trade bodies, would comprise helpdesks and advisory groups to guide start-ups. They would provide crucial insights on which FTZ aligns best with a start-up's industry and business strategy, thereby minimising costs and increasing the chances of success. Additionally, these advisory groups could offer valuable information on legal and compliance requirements, simplifying the setup process for start-ups in either the FTZ or mainland regions.

Policy on easing visa and other regulations to promote talent mobility

In the UAE, work and entrepreneur visas are associated with investments. For example, in CY 2019, the UAE launched the Golden Visas to allow foreign investor and entrepreneurs a long-term residency for up to 10 years and make them eligible to live, work, and study in the UAE. However, to be eligible for the Golden visa investors must either make a deposit of up to 10 million AED in a UAE investment fund or be an owner/partner in a company with a capital investment of 10 million AED. These incentives ensure a substantial financial investment for the UAE and thus, policymakers in the UAE can look to further easing visa regulations.

Recommendations for investors and start-ups

Setting up offices in GIFT City, Gujarat by UAE investors

Gujarat International Finance Tec-City (GIFT City) is India's first operational smart city and international financial services centre. It is a world-class business district catering to global and domestic business enterprises. GIFT City is India's first IFSC under the Special Economic Zone (SEZ) Act, 2005. It hosts multiple IFSCs approved and regulated by the Government. Financial institutions can set up IFSC Banking Units (IBUs) to cater to resident and foreign clients.

It provides various tax benefits for both units and investors. Units receive 100% income tax exemption for 10 consecutive years out of 15 years. Goods and Services Tax (GST) does not apply to services. Investors can also avail tax exemptions on specified securities, funds lent to IFSC, transactions under IFSC exchange, etc.

Establishing offices at GIFT City provides incentives and tax benefits, and encouraging sector-specific investments, particularly in fintech, healthcare, and renewable energy.



Collaboration through trade bodies, accelerator programmes and academia

To enhance collaboration between investors and start-ups in both the regions, companies can partner with local mentorship and accelerator programmes. These programmes can be aimed at some of the pain-points experienced by Indian investors, such as:

- Facilitate local knowledge about the market and consumers
- Assistance with managing local compliances and regulations
- Facilitating funding through local investor groups
- Facilitating collaboration with local partners and organisation
- Incubating tech talent and skill development

Localising of product and service offerings

Consumers in each market have very different tastes, preferences and spend patterns. Even Indian expat consumers in the UAE have different spending patterns than Indian domestic consumers.

Hence, to succeed, start-ups need to localise their product and service offering to suit the respective market. Customisation is paramount; products and services should be adapted to resonate with local consumers, considering features, packaging, pricing, and branding.

Additionally, cultural sensitivity is essential. Acknowledging and respecting local norms, including language, religious customs, and social traditions, should permeate all aspects of operations and marketing.

UAE start-ups setting up local tech hubs in India

UAE start-ups can benefit from Indian tech talent by setting up their development and support centres in India. India boasts of a vast pool of tech talent, with more than 4.5 million tech workers with diverse skillsets.

Apart from providing accelerated scaling up and development opportunities, these centres can also allow for deeper collaboration as UAE companies build their local capabilities.



List of nodal agencies

India

Start-up India

Website: www.startupindia.gov.in
Contact: 1800 115 565

Invest India

Website: www.investindia.gov.in
Email: contact@investindia.org.in
Contact: +91 11 23048155

United Arab Emirates

Abu Dhabi Investment Office

Website: www.investinabudhabi.ae
Contact: +971 28120000

Mohammed Bin Rashid Establishment for SME Development (Dubai SME)

Website: www.sme.ae
Contact: +971 600555559

Sharjah Entrepreneurship Centre (Sheraa)

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Email: info@sheraa.ae
Contact: +971 065094000/22054050

About Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society, through advisory, and consultative processes.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with Government on policy issues, interfacing with thought leaders and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialised services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

As India strategises for the next 25 years to India@100, Indian industry must scale the competitiveness ladder to drive growth. It must also internalise the tenets of sustainability and climate action and accelerate its globalisation journey for leadership in a changing world. The role played by Indian industry will be central to the country's progress, and success as a nation. CII, with the Theme for 2023-24 as 'Towards a Competitive and Sustainable India@100: Growth, Inclusiveness, Globalisation, Building Trust' has prioritised 6 action themes that will catalyse the journey of the country towards the vision of India@100.

With 65 offices, including 10 Centres of Excellence, in India and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK and USA, as well as institutional partnerships with 350 counterpart organisations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

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Reach us via CII Membership Helpline Number: 1800-103-1244

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18 offices | 9,000+ people

(as of 2023)

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CII India-GCC Startup Council

CII Unicorn Forum

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