

Startup India

(Overview of Indian Startup Eco-System)

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What is a “Startup” ?

SME v/s Startup

Why Startups Fail ?

Is it about the "idea" ?

It's about the "Problem"

"Timing" of the Startup

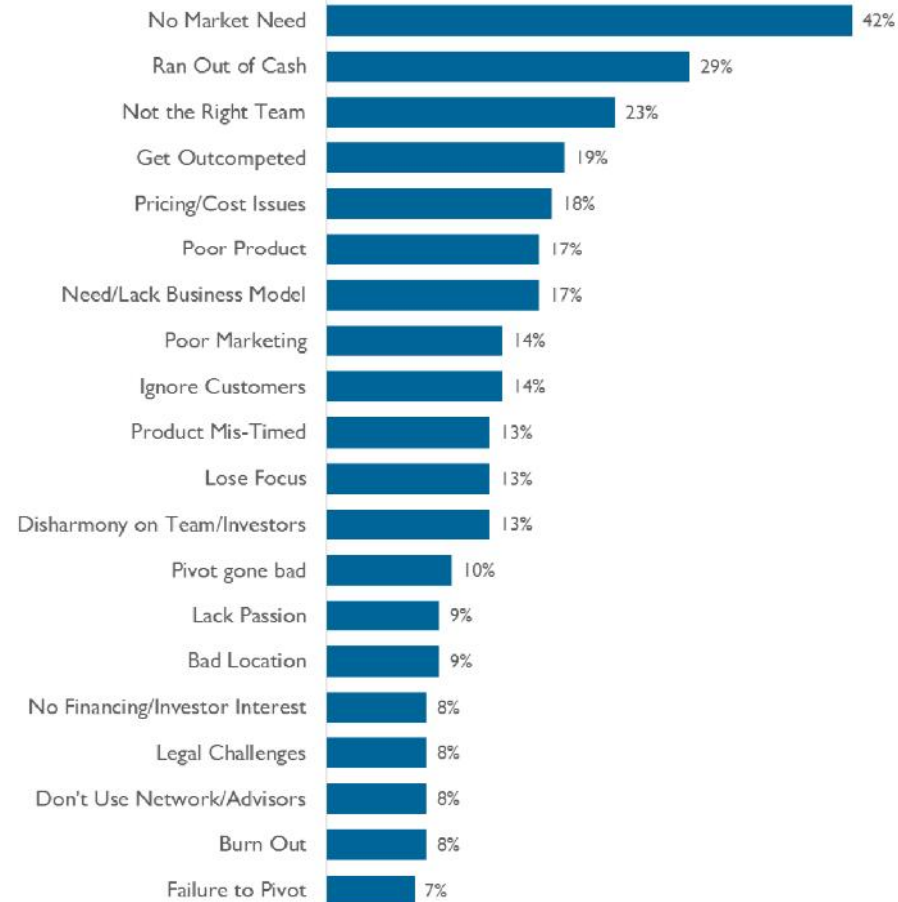
"Entrepreneurial Seizure"

Startup Shall be " Scalable "

They are designed for and aimed at Rapid Scalability.

Top 20 Reasons Startups Fail

Based on an Analysis of 101 Startup Post-Mortems



www.cbinsights.com

Gecko Tag



Road Runner

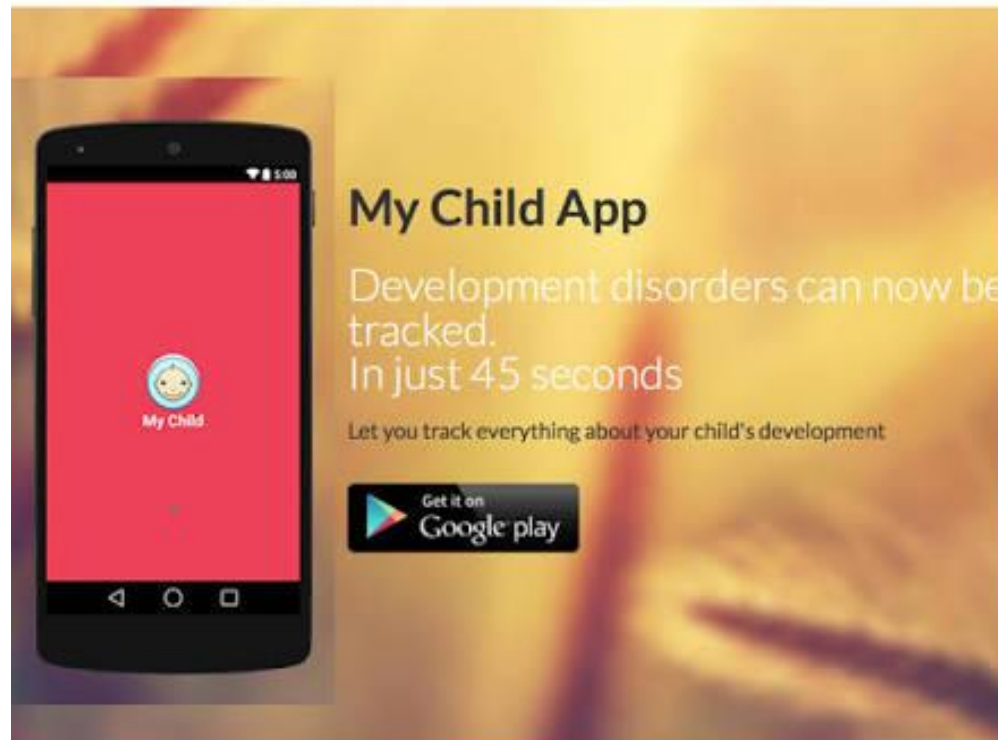




Sheryl Sandberg, the COO of Facebook, posts about it.

Sandberg's storytelling of a 19-year-old Indian boy Harsh Songra and his novel project My Child App has grabbed the world's attention.

My Child App



Startup in India , Standup in Singapore

Flipkart



Singapore Facts



CORPORATE
TAX

17%



WITHHOLDING TAX
- INTEREST

15%



ROYALTIES
FROM PATENTS AND
KNOWLEDGE

10%



INDIVIDUAL
INCOME TAX

0-22%



GOODS AND
SERVICES TAX

7%



NO TAXES ON CAPITAL GAINS,
DIVIDENDS, ESTATES AND
INHERITANCES

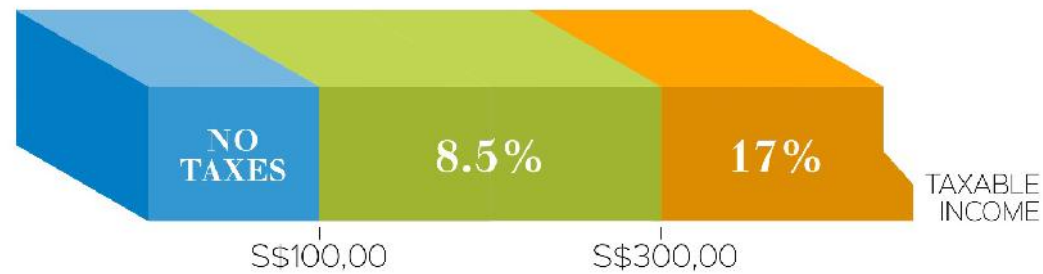


DOUBLE TAX AVOIDANCE
TREATIES WITH MORE THAN
70 COUNTRIES

Singapore Facts

FOR START-UPS –

FOR THE FIRST THREE CONSECUTIVE TAX YEARS

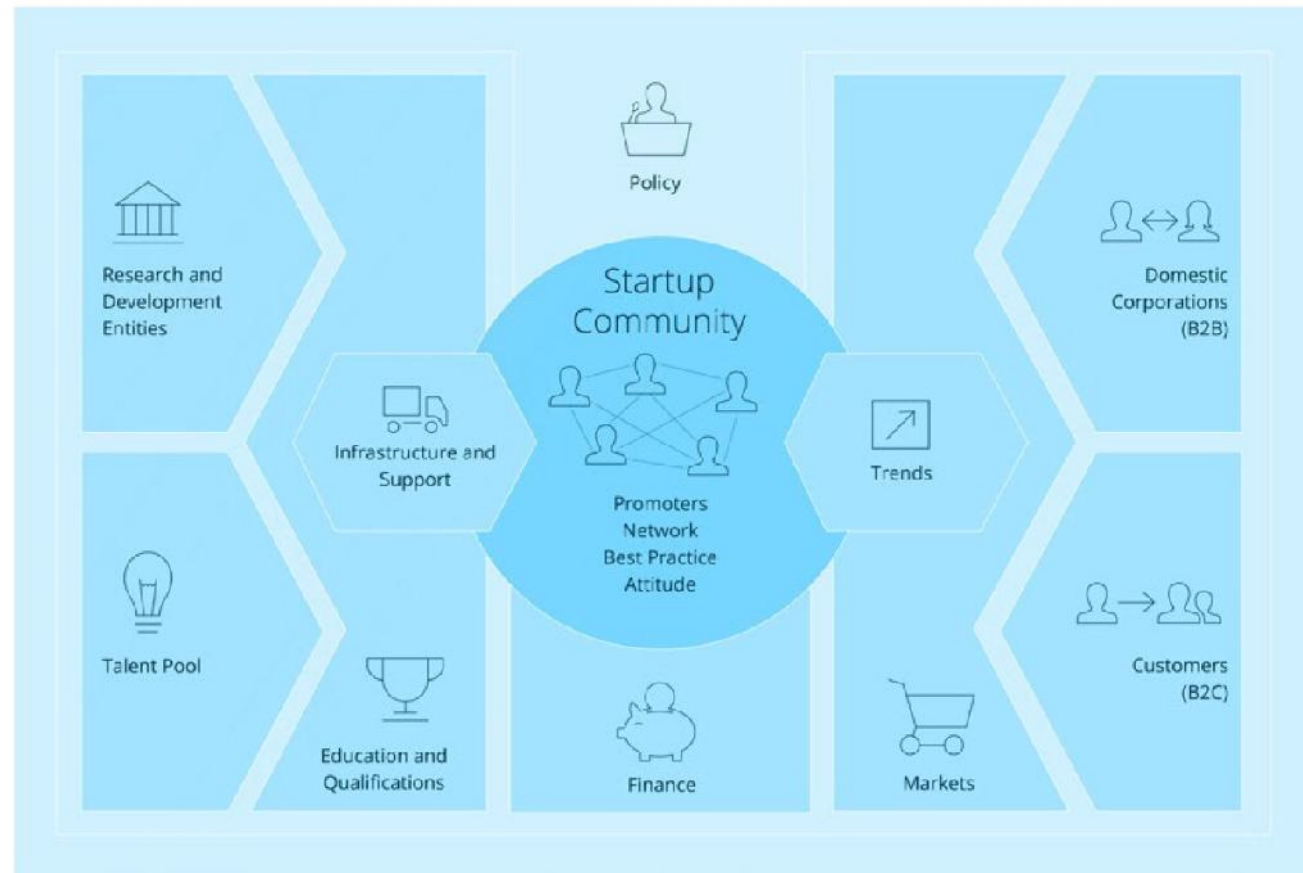


FROM THE FOURTH YEAR ON



Startup Eco-System

Ecosystem Canvas



German Productivity and Innovation Centre (2015). Entrepreneurship Ecosystem Canvas.

Ease of Doing Business

eBiz Mission Mode Project of GOI

eBiz is a transactional project taking e-Governance beyond online transactions to a transformation in the Government's approach towards delivery of services to investor & business.

Once fully Operational, this project will:

- Provide a secure one stop shop for all investment and business related information and service 24×7 on a single portal.
- Eliminate the need to physically interface with various regulatory authorities at the Central, State and local government levels.
- Allow a single payment to be made electronically against a composite application form for multiple services and the subsequent apportionment and routing of payments to individual departments and agencies.
- Significantly reduce the difficulties faced by investors and businesses in complying with regulatory requirements and improve the ease of doing business.
- Create a platform for multiple government agencies to cross validate their information.

What is Incubation ?

Among the most common incubator services are:

- **Help with business basics**
- **Networking activities**
- **Marketing assistance**
- **High-speed Internet access**
- **Help with accounting/financial management**
- **Access to bank loans, loan funds and guarantee programs**
- **Help with presentation skills**
- **Links to higher education resources**
- **Links to strategic partners**
- **Access to angel investors or venture capital**
- **Comprehensive business training programs**
- **Advisory boards and mentors**
- **Management team identification**
- **Help with business etiquette**
- **Technology commercialization assistance**
- **Help with regulatory compliance**
- **Intellectual property management**

Incubator v/s Accelerator

Statutory definition of “Startup” in India

To bring uniformity in the identified enterprises, an entity shall be considered as a '**startup**'—

- a) **Up to five years** from the date of its incorporation/registration,
- b) If its turnover for any of the financial years has **not exceeded Rupees 25 crore**, and
- c) It is working towards **innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property**;

Provided that any such entity formed by splitting up or reconstruction of a business already in existence shall not be considered a 'startup';

Provided further that in order to obtain tax benefits a startup so identified under the above definition shall be required to obtain a certificate of an eligible business from the Inter-Ministerial Board of Certification consisting of:

- a) Joint Secretary, Department of Industrial Policy and Promotion,
- b) Representative of Department of Science and Technology, and
- c) Representative of Department of Biotechnology.

Explanations

1. An entity shall cease to be a startup on completion of five years from the date of its incorporation/registration or if its turnover for any previous year exceeds Rupees 25 crore.
2. Entity means a private limited company (as defined in the Companies Act, 2013), or a registered partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2002).
3. Turnover is as defined under the Companies Act, 2013.

4. An entity is considered to be working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property if it aims to develop and commercialize:
 - a) A new product or service or process, or
 - b) A significantly improved existing product or service or process, that will create or add value for customers or workflow.

Provided that the mere act of developing:

- a) products or services or processes which do not have potential for commercialization, or
- b) undifferentiated products or services or processes, or
- c) products or services or processes with no or limited incremental value for customers or workflow would not be covered under this definition.

5. The process of recognition as a 'startup' shall be through mobile app/portal of the Department of Industrial Policy and Promotion. Startups will be required to submit a simple application with any of following documents:
- a) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator established in a postgraduate college in India; or
 - b) a letter of support by any incubator which is funded (in relation to the project) from Government of India or any State Government as part of any specified scheme to promote innovation; or
 - c) a recommendation (with regard to innovative nature of business), in a format specified by Department of Industrial Policy and Promotion, from any Incubator recognized by Government of India; or
 - d) a letter of funding of not less than 20 per cent in equity by any Incubation Fund/Angel Fund/Private Equity Fund/Accelerator/Angel Network duly registered with Securities and Exchange Board of India that endorses innovative nature of the business. Department of Industrial Policy and Promotion may include any such fund in a negative list for such reasons as it may deem fit; or

- e) a letter of funding by Government of India or any State Government as part of any specified scheme to promote innovation; or
- f) a patent filed and published in the Journal by the Indian Patent Office in areas affiliated with the nature of business being promoted.

If on subsequent verification, such recognition is found to be obtained without uploading the document or uploading any other document or a forged document, the concerned applicant shall be liable to a fine which shall be fifty per cent of paid up capital of the startup but shall not be less than Rupees 25,000.

Private Incubators too may be allowed
to Certify Startups ???

GOI's Action Plan

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

Key Initiatives Proposed for Startups

Compliance Regime based on Self-Certification

Objective :

To reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low

Startups shall be allowed to self-certify compliance (through startup mobile app) with 9 labour and environment laws.

Labour Laws:

- The Building and Other Constructions Workers' (Regulation of Employment & Conditions of Service) Act, 1996
- The Inter-State Migrant Workmen (Regulation of Employment & Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972 • The Contract Labour (Regulation and Abolition) Act, 1970
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948

Environment Laws:

- The Water (Prevention & Control of Pollution) Act, 1974
- The Water (Prevention & Control of Pollution) Cess (Amendment) Act, 2003
- The Air (Prevention & Control of Pollution) Act, 1981

Startup India Hub

Objective :

To create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding

The “Startup India Hub” will be a key stakeholder in this vibrant ecosystem and will:

- Work in a hub and spoke model and collaborate with Central & State governments, Indian and foreign VCs, angel networks, banks, incubators, legal partners, consultants, universities and R&D institutions
- Assist Startups through their lifecycle with specific focus on important aspects like obtaining financing, feasibility testing, business structuring advisory, enhancement of marketing skills, technology commercialization and management evaluation
- Organize mentorship programs in collaboration with government organizations, incubation centers, educational institutions and private organizations who aspire to foster innovation.

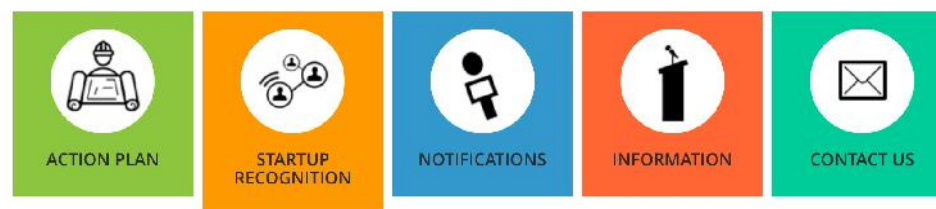
Mobile App & Portal

Objective :

To serve as the single platform for Startups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders



What's Happening ?



Legal Support & Fast-tracking Patent Examination at Lower Cost

Objective :

To promote awareness and adoption of IPRs by Startups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property services and resources, including fast-track examination of patent applications and rebate in fees.

Patent applications of Start-ups shall be fast tracked for examination and disposal, so that they can realize the value of their IPR at the earliest possible.

A Panel of facilitators will be empanelled to assist in filing of IP applications.

The Government shall bear the entire fees of the facilitators and the Start-up shall bear the cost of only statutory fees.

Further, Start-ups shall be provided 80% rebate in filing of patents vis-à-vis other companies.

Relaxed Norms for Public Procurement for Startups

Objective :

To provide an equal platform to Startups (in the manufacturing sector) vis-à-vis the experienced entrepreneurs/ companies in public procurement

Typically whenever a tender is floated by a Government entity or by a PSU, a very often eligibility condition specifies either "prior experience/turnover".

Such a stipulation prohibits/impedes Start-ups from participating in such tenders. In order to promote Start-ups, Government shall exempt Start-ups (in the manufacturing sector) from the criteria of "prior experience/turnover" for filing of public tenders.

Faster Exit for Startups

Objective :

To make it easier for Startups to wind up operations

In terms of the Insolvency and Bankruptcy Bill 2015, Start-ups with simple debt structures or those meeting such criteria as may be specified may be wound up within a period of 90 days from making of an application for winding up on a fast track basis.

Providing Funding Support through a Fund of Funds with a Corpus of 10,000 Crores

Objective :

To provide funding support for development and growth of innovation driven enterprises

Government will set up a fund with an initial corpus of Rs. 2,500 crore and a total corpus of Rs. 10,000 crore over a period 4 years (i.e. Rs. 2,500 crore per year).

The Fund will be in the nature of fund of funds, which means that it will not invest directly into Start-ups, but shall participate in the capital of SEBI registered Venture Funds.

Credit Guarantee Fund for Startups

Objective :

To catalyse entrepreneurship by providing credit to innovators across all sections of society

In order to overcome traditional Indian stigma associated with failure of Startup enterprises in general and to encourage experimentation among Startup entrepreneurs through disruptive business models, credit guarantee comfort would help flow of Venture Debt from the formal Banking System.

Debt funding to Startups is also perceived as high risk area and to encourage Banks and other Lenders to provide Venture Debts to Startups, Credit guarantee mechanism through National Credit Guarantee Trust Company (NCGTC)/ SIDBI is being envisaged with a budgetary Corpus of **INR 500 crore per year for the next four years.**

Tax Exemption on Capital Gains

Objective :

To promote investments into Startups by mobilizing the capital gains arising from sale of capital assets

Amendment of section 54GB

33. In section 54GB of the Income-tax Act, with effect from the 1st day of April, 2017,—

(a) after sub-section (5), the following proviso shall be inserted, namely:—

"Provided that in case of an investment in eligible start-up, the provisions of this sub-section shall have the effect as if for the figures, letters and words "31st day of March, 2017", the figures, letters and words **"31st day of March, 2019"** had been substituted;"

(b) in sub-section (6),—

(i) in clause (b),—

(A) in sub-clause (ii), after the words "an article or a thing", the words "or in an eligible business" shall be inserted;

(B) in sub-clause (iv), after the words and figures "Micro, Small and Medium Enterprises Act, 2006" (27 of 2006), the words "or is an eligible start-up" shall be inserted;

(ii) after clause (b), the following clause shall be inserted, namely:—

'(ba) "eligible start-up" and "eligible business" shall have the meanings respectively assigned to them in Explanation below sub-section (4) of section 80-IAC.';

(iii) after clause (d), the following proviso shall be inserted, namely:—

"Provided that in the case of an eligible start-up, being a technology driven start-up so certified by the Inter-Ministerial Board of Certification notified by the Central Government in the Official Gazette, the new asset shall include computers or computer software."

Tax Exemption to Startups for 3 Years

Objective :

To promote the growth of Startups and address working capital requirements

80-IAC

- (1) Where the gross total income of an assessee, being an **eligible start-up**, includes any profits and gains derived from **eligible business**, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a **deduction of an amount equal to one hundred per cent of the profits and gains derived from such business for three consecutive assessment years**.
- (2) The deduction specified in sub-section (1) may, at the option of the assessee, be claimed by him for **any three consecutive assessment years out of five years beginning from the year in which the eligible start-up is incorporated**.
- (3) This section applies to a start-up which fulfils the following conditions, namely:—
 - (i) **it is not formed by splitting up, or the reconstruction, of a business already in existence**,
Provided that this condition shall not apply in respect of a start-up which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such undertaking as referred to in **section 33B**, in the circumstances and within the period specified in that section;
 - (ii) **it is not formed by the transfer to a new business of machinery or plant previously used for any purpose**.

Explanation 1.— For the purposes of this clause, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled, namely:—

- (a) such machinery or plant was not, at any time previous to the date of the installation by the assessee, used in India;
- (b) such machinery or plant is imported into India;
- (c) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of the machinery or plant by the assessee.

Explanation 2.—Where in the case of a start-up, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been complied with.

Explanation.—For the purposes of this section,—

- (i) **"eligible business"** means a business which involves innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property;
- (ii) **"eligible start-up"** means a company or a limited liability partnership engaged in eligible business which fulfils the following conditions, namely:—
 - (a) **it is incorporated on or after the 1st day of April, 2016 but before the 1st day of April, 2019;**
 - (b) **the total turnover of its business does not exceed twenty-five crore rupees in any of the previous years beginning on or after the 1st day of April, 2016 and ending on the 31st day of March, 2021; and**
 - (c) **it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in the Official Gazette by the Central Government;**

Minimum Alternate Tax

Investments in start-ups above FMV is not taxable

Consideration received by a Start-ups for issuing shares at a price higher than its Fair Market Value would not be taxable as income from other Sources in the hands of recipient under section 56(2)(vii)(b) of the Income-tax Act.

CBDT NOTIFICATION NO.45/2016 [F.NO.173/103/2016-ITA-I], DATED 14-6-2016

In exercise of the powers conferred by the clause (ii) of the proviso to clause (viib) of sub-section (2) of section 56 of the Income-tax Act, 1961 (43 of 1961), the Central Government, hereby notifies the 'classes of persons' for the purposes of the said clause as being the 'person' defined under sub-section (31) of section 2 of the said Act, being resident, who make any consideration exceeding the face value for issues of shares of a 'startup' company.

Valuation of Startups

The biggest determinant of your startup's value are the market forces of the industry & sector in which it plays, which include the balance (or imbalance) between demand and supply of money, the recency and size of recent exits, the willingness for an investor to pay a premium to get into a deal, and the level of desperation of the entrepreneur looking for money.

An investor is willing to pay more for your company if:

- It is in a hot sector: investors that come late into a sector may also be willing to pay more as one sees in public stock markets of later entrants into a hot stock.
- If your management team is shit hot: serial entrepreneurs can command a better valuation (read my post of what an investor looks for in a management team). A good team gives investors faith that you can execute.
- You have a functioning product (more for early stage companies)
- You have traction: nothing shows value like customers telling the investor you have value.

An investor is less likely to pay a premium over the average for your company (or may even pass on the investment) if:

- It is in a sector that has shown poor performance.
- It is in a sector that is highly commoditized, with little margins to be made.
- It is in a sector that has a large set of competitors and with little differentiation between them (picking a winner is hard in this case).
- Your management team has no track record and/or may be missing key people for you to execute the plan (and you have no one lined up). Take a look at my post on 'do I need a technical founder?'
- Your product is not working and/or you have no customer validation.
- You are going to shortly run out of cash

Startups May be Taxed for Dip in Valuation ???

Organizing Startup Fests for Showcasing Innovation & Providing a Collaboration Platform

Objective :

To galvanize the Startup ecosystem and to provide national and international visibility to the Startup ecosystem in India

The fests shall have activities such as sessions to connect with investors, mentors, incubators and Startups, showcasing innovations, exhibitions and product launches, pitches by Startups, mentoring sessions, curated Startup walks, talks by disruptive innovators, competitions such as Hackathon, Makerspace, etc., announcements of rewards and recognitions, panels and conferences with industry leaders, etc.

Launch of Atal Innovation Mission (AIM) with Self-Employment and Talent Utilization (SETU) Program

Objective :

To serve as a platform for promotion of world-class Innovation Hubs, Grand Challenges, Startup businesses and other self-employment activities, particularly in technology driven areas

Atal Innovation Mission (AIM)

Atal Innovation Mission (AIM) including Self-Employment and Talent Utilization (SETU) is Government of India's endeavour to promote a culture of innovation and entrepreneurship. Its objective is to serve as a platform for promotion of world-class Innovation Hubs, Grand Challenges, Start-up businesses and other self-employment activities, particularly in technology driven areas.

The Atal Innovation Mission shall have two core functions:

Entrepreneurship promotion through Self-Employment and Talent Utilization, wherein innovators would be supported and mentored to become successful entrepreneurs

Innovation promotion: to provide a platform where innovative ideas are generated

Entrepreneurship promotion:

- Establishment of sector specific Incubators including in PPP mode
- Establishment of 500 Tinkering Labs
- Pre-incubation training to potential entrepreneurs in various technology areas in collaboration with various academic institutions having expertise in the field
- Strengthening of incubation facilities in existing incubators and mentoring of Startups
- Seed funding to potentially successful and high growth Startups

Innovation promotion:

- Institution of Innovation Awards (3 per state/UT) and 3 National level awards
- Providing support to State Innovation Councils for awareness creation and organizing state level workshops/conferences
- Launch of Grand Innovation Challenge Awards for finding ultra-low cost solutions to India's pressing and intractable problems

Application for

Atal Incubation Centres (AIC)

Eligibility

AICs can be established either in public/private/public-private partnership mode. These can be established in:

- Academia - This includes higher educational institutes and R&D Institutions.
- Non-academic - This includes Companies/ Corporates/ Technology parks / Industrial Parks/ any individual/ group of individuals.

Financial Support

AIM will provide a grant-in-aid of Rs. 10 Crore to each AIC for a maximum of 5 years to cover the capital and operational expenditure cost in running the centre. The applicant would have to provide a built up space of at least 10,000 sq. ft to qualify for the financial support.

Last date of submission: 27th June 2016

Application for

Atal Tinkering Laboratories (ATL)

Key Features of ATL

ATL is a work space where young minds can give shape to their ideas through hands on do-it-yourself mode; and learn innovation skills. Young children will get a chance to work with tools and equipment to understand the concepts of STEM (Science, Technology, Engineering and Math). ATL would contain educational and learning 'do it yourself' kits and equipment on – science, electronics, robotics, open source microcontroller boards, sensors and 3D printers and computers. Other desirable facilities include meeting rooms and video conferencing facility.

Eligibility

- **Schools (Grade VI – XII)** managed by Government, local body or private trusts/society to set up ATL.

Financial Support

AIM will provide grant-in-aid that includes a one-time establishment cost of Rs. 10 lakh and operational expenses of Rs. 10 lakh for a maximum period of 5 years to each ATL.

Last date of submission : 17th June 2016

Application for Scale-up Support to Established Incubation Centres

Eligibility

- Legal entity registered in India as public, private or public-private partnership.
- Legal entity must be in operation for a minimum of three years.

Financial Support

Grant-in-aid support of Rs. 10 crore will be provided in two annual instalments of Rs. 5 crore each.

Last date of submission : 10th June 2016

Self Employment & Talent Utilization (SETU)

The Government has established a mechanism to be known as SETU (Self-Employment and Talent Utilisation) under NITI Aayog. SETU will be a Techno-Financial, Incubation and Facilitation Programme to support all aspects of start-up businesses, and other self-employment activities, particularly in technology-driven areas.

Harnessing Private Sector Enterprise for Incubator Setup

Objective :

To ensure professional management of Government sponsored / funded incubators, Government will create **a policy and framework for setting-up of incubators across the country in public private partnership**

Building Innovation Centres at National Institutes

Objective : To propel successful innovation through augmentation of incubation and R&D efforts

Startup Centres		Technology Business Incubators		
RGIIM Shillong	NIT Goa	MANIT Bhopal	IISER Bhopal	NIT Warangal
NIT Delhi	NIT Agartala	NIT Rourkela	IIM Rohtak	MNIT Jaipur
MNIT Allahabad	NIT Silchar	NIT Jalandhar	IIT Mandi	NIT Tiruchirappalli
VNIT Nagpur	IIT Bhubaneswar	IIM Udaipur	IISER Mohali	IIT Patna
IIITDM Kancheepuram	NIT Patna	NIT Calicut	IIT Roorkee	
PDPM-IIITDM Jabalpur	NIT Arunachal Pradesh	IIT Ropar	IIM Kozhikode	
ABVIITM Gwalior		IISER Thiruvananthapuram	IIM Raipur	

Setting up of 7 New Research Parks Modelled on the Research Park Setup at IIT Madras

Objective :

To propel successful innovation through incubation and joint R&D efforts between academia and industry

The Government shall set up 7 new Research Parks in institutes indicated below with an initial investment of INR 100 crore each. The Research Parks shall be modeled based on the Research Park setup at IIT Madras.

Research Parks

IIT Guwahati

IIT Hyderabad

IIT Kanpur

IIT Kharagpur

IISc Bangalore

IIT Gandhinagar

IIT Delhi

The IIT Madras Research Park endeavors to enable companies with a research focus to set up a base in the Park and leverage the expertise of IIT Madras. The Research Park breaks down the traditional, artificial barriers of innovation through its connectivity and collaborative interaction. This helps industry to create, integrate and apply advancements in knowledge. It leverages best practices from successful Research Parks such as those at Stanford, MIT and Cambridge.

Promoting Startups in Biotechnology Sector

Objectives : To foster and facilitate bio-entrepreneurship

The Biotechnology sector in India is on a strong, growth trajectory. Department of Biotechnology endeavors to scale up the number of Startups in the sector by nurturing approximately 300-500 new Startups each year to have around 2,000 Startups by 2020.

Bio-incubators, Seed Fund and Equity Funding:

- 5 new Bio-clusters, 50 new Bio-Incubators, 150 technology transfer offices and 20 Bio-Connect offices will be set up in research institutes and universities across India.
- Biotech Equity Fund – BIRAC AcE Fund in partnership with National and Global Equity Funds (Bharat Fund, India Aspiration Fund amongst others) will provide financial assistance to young Biotech Startups.

Encouraging and leveraging global partnerships:

- Bengaluru-Boston Biotech Gateway to India has been formed. Letter of Intent has been signed between DBT, GoI and Department of IT, Government of Karnataka for the same. Through this initiative, a range of institutes in Boston (Harvard/ MIT) and Bengaluru will be able to connect to share ideas and mentor the entrepreneurs especially in the areas of Genomics, Computational Biology, Drug Discovery and new vaccines.
- Amplification of Bio-entrepreneurship through BIRAC Regional Entrepreneurship Centres (BREC). The BREC aims to impart bio-entrepreneurs with the necessary knowledge and skills required for converting innovative ideas into successful ventures. Department of Biotechnology shall set up 5 Regional centres or Mini-BIRACs in the next 5 years.

Launching of Innovation Focused Programs for Students

Objective : To foster a culture of innovation in the field of Science and Technology amongst students

In order to promote research and innovation among young students, the Government shall implement the following measures:

- **Innovation Core :** Innovation Core program shall be initiated to target school kids with an outreach to 10 lakh innovations from 5 lakh schools. One lakh innovations would be targeted and the top 10,000 innovations would be provided prototyping support. Of these 10,000 innovations, the best 100 would be shortlisted and showcased at the Annual Festival of Innovations in the Rashtrapati Bhavan.
- **NIDHI:** A Grand Challenge program (“National Initiative for Developing and Harnessing Innovations) shall be instituted through Innovation and Entrepreneurship Development Centres (IEDCs) to support and award INR 10 lakhs to 20 student innovations from IEDCs.
- **Uchhattar Avishkar Yojana:** A joint MHRD-DST scheme which has earmarked INR 250 crore per annum towards fostering “very high quality” research amongst IIT students. The funding towards this research will be 50% contribution from MHRD, 25% from DST and 25% from industry. This format has been devised to ensure that the research and funding gets utilized bearing in mind its relevance to the industry. Each project may amount to INR 5 crore only. This scheme will initially apply to IITs only.

Atal Incubator Grand Challenge

Objective :

To support creation of successful world class incubators in India

The Government is proposing to make forward looking investments towards building world class incubators. In its first phase, the aim is to establish 10 such incubators.

To enable this, GoI shall identify and select 10 incubators who have the potential to become world class. These incubators would be given INR 10 crore each as financial assistance which may be used for ramping up the quality of service offerings.

The incubators shall also become reference models for other incubators aspiring to offer best-in-class services. Video interviews of these incubators would be showcased on the Startup India portal.

Missing Links of Startup Action Plan

Stages of Startup Funding

Seed Capital

This is typically the very first investment of money used to for market research and developing product.

It can come from the founder's personal savings (e.g. from a severance package from the founder's prior job) or from acquaintances (aka a "Friends & Family" or "F&F" Round).

Seed capital can be received as a loan on in exchange for common stock.

Angel Investor Funding

Since seed capital is sometimes limited, it is often necessary for an entrepreneur to tap into wealthy individuals outside their friends & family — this is often called an “Angel” investor.

You can receive money from an angel investor as a loan that is convertible to preferred stock.

Friends & Family investors sometimes participate in this “Angel Round” of financing.

Venture Capital Financing (Series A, Series B, Series C Rounds, etc.)

Venture capital (VC) funding is typically used by companies that are already distributing/selling their product or service, even though they may not be profitable yet.

If the company is not profitable, the venture capital financing is often used to offset the negative cash flow.

There can be multiple rounds of VC funding and each is typically given a letter of the alphabet (A followed by B followed by C, etc.)

The different VC rounds reflect different valuations (e.g. if the company is prospering, the Series B round will value company stock higher than Series A, and then Series C will have a higher stock price than Series B).

If a company is not prospering, it can still get subsequent Series-rounds of financing, but the valuation will be lower than the previous series: this is known as a **“down round.”**

These rounds may also include “strategic investors:” investors who participate in the round and also offer value such as marketing or technology assistance.

In the Series A, B, C, etc. rounds of financing, money is typically received in exchange for preferred stock (as opposed to the common stock that insiders/seed capital sources (and perhaps even angel investors) receive).

Mezzanine Financing & Bridge Loans

At this point, companies may be eyeing the following types of opportunities that require additional funds:

An IPO (initial public offering)

An Acquisition of a Competitor

A Management Buyout

To do so, they can tap into mezzanine financing or “bridge” financing.

Mezzanine financing is often used 6 to 12 months before an IPO and then the IPO’s proceeds are used by the company to pay back the mezzanine financing investor.

IPO (Initial Public Offering)

Finally, companies can raise money through selling stock to the public in what's called an Initial Public Offering...or IPO.

The IPO's opening stock price is typically set with the help of investment bankers who commit to selling X number of the company's shares at Y price, raising money for the company.

Once the stock is out, it is traded through a stock exchange (like NSE , BSE, NASDAQ or American Stock Exchange etc).

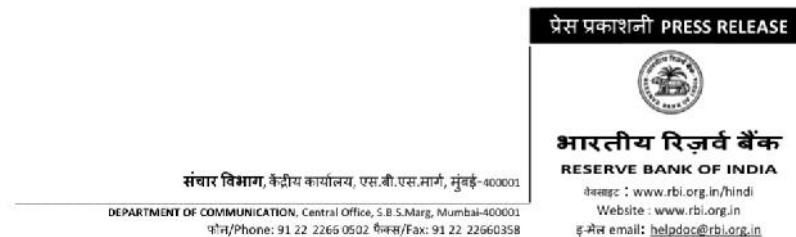
Companies can offer more of their stock through additional offerings.

Sweat Equity Limit for Startups
May be raised to 50% of Capital !!!

SEBI's New Listing Norms for Startups

SEBI proposes Crowd Funding Norms to Help Startups

RBI creates Helpline for Guiding Start-ups in India on Forex Matters



December 22, 2015

RBI creates Helpline for guiding Start-ups in India on Forex Matters

The Reserve Bank of India has created a dedicated helpline ([Email](mailto:heladoc@rbi.org.in)) for start-ups in India in order to offer guidance/assistance to them for undertaking cross-border transactions within the ambit of the regulatory framework. While seeking guidance, the enterprises should provide complete information to the Reserve Bank and mention the specific issues on which they need guidance from the Reserve Bank in relation to the Foreign Exchange Management regulations. This would enable the personnel attending the helpline to offer timely and effective information.

Start-up enterprises usually undertake a wide range of cross-border transactions including those related to investment. Cross-border transactions of resident Indians are subject to the regulatory regime provided by the Foreign Exchange Management Act, 1999.

Press Release : 2015-2016/1476

Alpana Killawala
Principal Chief General Manager

The Global Startup Ecosystem Ranking



“India should be the world’s next hub for tech startups — we should see billion dollar exits. We have big markets, talent, growth, technology and mindset. In the next few years we should see a dramatic change in the types of companies and types of exits that we create.”

Thank You !

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