

Startup finance

New Additions

Unicorn \rightarrow unicorn - privately held startup co with valuation \geq US\$ 1 billion.

Basic points :- [meaning]

- (i) privately held startup
- (ii) Valuation \geq US\$ 1 billion.
- (iii) Emphasis is on rarity of success of such startup up
- (iv) Other common features are new ideas, disruptive innovation, high on technology etc

- (i) Unicorn term was coined by VC Aileen Lee in 2013
- (ii) Next milestone \rightarrow Decacorn
(value $>$ US\$ 10 billion)
- (iii) India is the 3rd largest system (ecosystem) for startups
- (iv) As of 2022, India has over 59000 DPIIT recognised startups (with 107 unicorns)

How government promoted startup in India.

- (1) Programmes like a startup India and standup India gave a major boost to startup in India.

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(ii) By setting up a SIDBI euselectronic development fund (EDF), the Indian Govt became a limited partner (LP) in a fund for the first time ever.

(iii) Easy finance scheme such as maiden scheme, tax benefits like 100% tax holiday under section 80IAC and exemption from angel taxation also provided push to Indian startups.

Startup India seed fund scheme (SISF)

(1) SISF was created by DPIIT in Jan 2014 with an outlay of ₹ 945 crore.

(2) Aim = Provide financial assistance for proof of concept, prototype development, product trials, and commercializations.

(3) It will support an approx 3600 entrepreneurs through 300 incubators in next 4 years.

(4) A startup can get seed fund of as much as ₹ 50 lac under SISF.

Recognition criteria for DPIIT (For startups)

(i) Incorporated ≤ 2 years ago at the time of application

② Business idea - to develop a product / service with market fit, viable commercialization and scope of scaling.

~~COPI~~ IT = Department of promotion of industry and internal trade

BHARAT	MOOI	WIFE	SE
B → Biotechnology	M = mobility	W = Water & waste mgt	S = space
H = Healthcare	O = oil & gas	I → Inclusion (Financial inclusion)	E = Education
A = Agriculture	D = defence	F → Food processing	
R = Railways	I = Impact (social impact)	E = Energy	
T = Textile			

Why India became a sustainable environment for startups ???

(i) Pool of talent :- Millions of students graduate every year. Many of these students begin their ventures contributing to the startup growth in India.

(ii) Cost Effective workforce :- workforce in India is cost-effective so cost of setting up and running a business is comparatively lower.

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(iii) Increasing use of internet:-
India has the 2nd largest ~~and~~ internet user base (after china). Startups leverage this easy access to the internet.

(iv) Technology :- major tech developments has made various business processes simple and efficient. Many startups are working in areas of AI and blockchain.

(v) Variety of funding options available

- Like angel investors etc. easing of FDI norms has also increase foreign funding in Indian startup eco-system.

⇒ Succession Planning :- (eg. mukesh ambani ke baad kon unki jagah lega is all about succession planning)

Identifying critical position in an org and developing action plans for individuals to assume those positions. It ensures that right people are available for right jobs, today and in future.

It ensures that business are fully prepared to promote all employees. It is an imp priority for family owned business.

as most of them are managed by a non family leader even though ownership lies with family.

⇒ Business succession strategy

Step ① Evaluate key leadership positions - to evaluate the risks or impact assessment can be performed.

Step ② map competencies required. Identify qualifications, behavioural, & technical competencies required to perform the role successfully.

Step ③ identify competencies of current workforce. Identify if internal option can deliver expected results.

Step ④ Bridge leader - In family owned business appointment of an outsider as 'bridge leaders' will help to prepare young family members for leadership role.

⇒ Challenges in succession planning:-

- (i) Founder mindset might be different than the corporate mindset. This puts off seasoned corporate leaders from joining even matured startups.

(ii) Premature for startups to implement business succession certain startups are at early growth stage and too much of processes would lead to growth slowdown

(iii) Founders are the face of startups. One cannot imagine a startup without a founder.

↳ Why there is a need for succession planning?

(1) Risk mitigation:-
if existing leader quits, then it may take 6-9 months to find a new candidate.

(2) Force removal
if the existing leader is removed by court, management, stakeholders etc

(3) Talent pipeline
it help keep employees motivated as they have better visibility about career paths.

(4) Conflict resolution mechanism
it helpful in promoting transparent communication and conflict settlement.

(5) Aligning → In family owned business succession planning helps to align with the culture & vision of the business.