

Startups and its Registration

Lesson 4

KEY CONCEPTS

■ Start-Up ■ Funding ■ Incubators ■ Unicorn ■ Entrepreneurship ■ Angel Investor

Learning Objectives

To understand:

- Evolution of Startups in India
- Startup India Policy
- Developments initiated in various States to encourage Startups
- Exemptions available to Start-Up and the registration process
- Kinds of Debt financing and Equity Financing for Startups
- Case studies on Unicorn

Lesson Outline

- Introduction
- Startup India Policy
- Exemptions for Startups
- Benefits and Other Government Policies
- Life Cycle of Startups
- Registration Process
- Financing options available for Startup Companies
- Entrepreneurship
- Case studies on Unicorn
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings
- Other References

REGULATORY FRAMEWORK

- DPIIT Notifications
- The Companies Act, 2013 and Rules made thereunder
- The Income Tax Act, 1961

INTRODUCTION

A startup company (startup or start-up) is an entrepreneurial venture which is typically an emerging, fast-growing business that aims to solve an unmet need by developing a viable business model around an innovative product, service, process or a platform. A startup is usually a company designed to effectively develop and validate a scalable business model. Start-ups may have high rates of failure, but the minority of successes includes companies that have become large and influential.

Startup companies can come in all forms and sizes. Some of the critical tasks are to build a co-founding team to secure key or complementary skills, know-how, financial resources, and other elements to build the product for the target market.

Typically, a startup will begin by building a first minimum viable product (MVP), a prototype, to validate, assess and develop the new ideas or business concepts. In addition, startups founders do research to deepen their understanding of the ideas, technologies or business concepts and their commercial potential.

A Founders' agreement are often agreed early on to confirm the commitment, ownership and contributions of the founders and to deal with the intellectual properties and assets that may be generated by the startup. A Shareholders' Agreement (SHA) is entered into between the founders and investors to confirm investment terms, rights of investors, exit clauses and any other important agreement terms.

Business models for startups are generally found via a "bottom-up" or "top-down" approach. A company may cease to be a startup as it passes various mile stones, such as becoming publicly traded on the stock market in an Initial Public Offering (IPO), or ceasing to exist as an independent entity via a merger or acquisition. Companies may also fail and cease to operate altogether, an outcome that is very likely for startups, given that they are developing disruptive innovations which may not function as expected and for which there may not be market demand, even when the product or service is finally developed.

Given that startups operate in high-risk sectors, it can also be hard to attract investors to support the product/service development or attract buyers.

A number of organizations and/or organized activities exist with Startup activities. To name a few, Universities, Advisory and mentoring organizations Startup incubators, Startup accelerators, Co working spaces, Service providers (Consulting, Accounting, Legal, etc.), Event organizers, Start-up competitions, Startup Business Model Evaluators, Business Angel Networks, Venture capital companies, Equity Crowd funding portals, corporates (telcos, banking, health, food, etc.), other funding providers (loans, grants etc.), Start-up blogs and social networks and other facilitators.

Investors from these roles are linked together through shared events, activities, locations and interactions. Startup ecosystems generally encompass the network of interactions among people, organizations, and their environment. Any particular start-up ecosystem is defined by its collection of specific cities or online communities.

In addition, resources like skills, time and money are also essential components of a start-up ecosystem. The resources that flow through ecosystems are obtained primarily from the meetings between people and organizations that are an active part of those startup ecosystems. These interactions help to create new potential startups and/or to strengthen the already existing ones.

STARTUP LANDSCAPE IN INDIA**Definition of Start-Up**

“Start Up as defined vide Notification No. G.S.R. 127 (E), dated 19th February 2019 by DPIIT as:

An entity shall be considered as a Startup:

1. Upto a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
2. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded Rs 100 crore.
3. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a ‘Startup’

The Startup India initiative was launched by the Government on 16th January 2016 to build a strong ecosystem for nurturing innovation, startups and encouraging investments in the startup ecosystem of the country. In order to meet these objectives, the Government unveiled an Action Plan for startups comprising of schemes and incentives envisaged to create a vibrant startup ecosystem in the country. The Action Plan comprises of 19 action items spanning across areas such as “Simplification and hand holding”, “Funding support and incentives” and “Industry-academia partnership and incubation”.

For attaining specific objectives, various programs are implemented by the Government under the Startup India initiative. As a result of sustained efforts, the Government has recognised **1,17,254 entities as startups as on 31st December 2023**.

Realising the action items of the Startup India Action Plan, the Government is implementing flagship Schemes under Startup India initiative namely, Fund of Funds for Startups (FFS), Startup India Seed Fund Scheme (SISFS) and Credit Guarantee Scheme for Startups (CGSS) to support startups at various stages of their business cycle to enable startups to graduate to a level where they are able to raise investments or seek loans. The brief of each of the three flagship Schemes implemented under Startup India initiative are as under:

Startup India Seed Fund Scheme (SISFS): The Startup India Seed Fund Scheme has been approved for the period of 4 years starting from 2021-22 with a corpus of Rs. 945 crore. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. The Scheme is implemented from 1st April 2021. The Experts Advisory Committee (EAC), under SISFS, is responsible for the overall execution and monitoring of SISFS. The EAC evaluates and selects incubators for allocation of funds under the Scheme. As per provisions of the Scheme, the selected incubators shortlist startups based on parameters outlined in Scheme guidelines.

Fund of Funds for Startups (FFS) Scheme: The Fund of Funds for Startups Scheme was approved and established in June 2016 with a corpus of Rs 10,000 crore, with contribution spread over the 14th and 15th Finance Commission cycle based on progress of implementation, to provide much-needed boost to the Indian startup ecosystem and enable access to domestic capital. The Scheme is operationalized by Small Industries Development Bank of India (SIDBI). Under FFS, the Scheme does not directly invest in startups, instead provides capital to SEBI-registered Alternative Investment Funds (AIFs), known as daughter funds, who in turn invest money in growing Indian startups through equity and equity-linked instruments. SIDBI has been given the mandate of operating this Fund through selection of suitable daughter funds and overseeing the disbursement of

committed capital. AIFs supported under FFS are required to invest at least 2 times of the amount committed under FFS in startups.

Credit Guarantee Scheme for Startups (CGSS): The Government has established the Credit Guarantee Scheme for Startups for providing credit guarantees to loans extended to DPIIT recognized startups by Scheduled Commercial Banks, Non-Banking Financial Companies (NBFCs) and Venture Debt Funds (VDFs) under SEBI registered Alternative Investment Funds. CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions (MIs) to finance eligible borrowers viz. DPIIT recognised startups. CGSS is operationalized by the National Credit Guarantee Trustee Company Limited (NCGTC).

The details of various programs undertaken by the Government to promote startups across the country are as under:

- 1. Startup India Action Plan:** An Action Plan for Startup India was unveiled on 16th January 2016. The Action Plan comprises of 19 action items spanning across areas such as “Simplification and handholding”, “Funding support and incentives” and “Industry-academia partnership and incubation”. The Action Plan laid the foundation of Government support, schemes and incentives envisaged to create a vibrant startup ecosystem in the country.
- 2. Regulatory Reforms:** Over 50 regulatory reforms have been undertaken by the Government since 2016 to enhance ease of doing business, ease of raising capital and reduce compliance burden for the startup ecosystem.
- 3. Ease of Procurement:** To enable ease of procurement, Central Ministries/ Departments are directed to relax conditions of prior turnover and prior experience in public procurement for all DPIIT recognised startups subject to meeting quality and technical specifications. Further, Government e-Marketplace (GeM) Startup Runway has been developed which is a dedicated corner for startups to sell products and services directly to the Government.
- 4. Support for Intellectual Property Protection:** Startups are eligible for fast-tracked patent application examination and disposal. The Government launched Start-ups Intellectual Property Protection (SIPP) which facilitates the startups to file applications for patents, designs and trademarks through registered facilitators in appropriate IP offices by paying only the statutory fees. Facilitators under this Scheme are responsible for providing general advisory on different IPRs, and information on protecting and promoting IPRs in other countries. The Government bears the entire fees of the facilitators for any number of patents, trademark or designs, and startups only bear the cost of the statutory fees payable. Startups are provided with an 80% rebate in filing of patents and 50% rebate in filling of trademark vis-a-vis other companies.
- 5. Self-Certification under Labour and Environmental laws:** Startups are allowed to self-certify their compliance under 9 Labour and 3 Environment laws for a period of 3 to 5 years from the date of incorporation.
- 6. Income Tax Exemption for 3 years:** Startups incorporated on or after 1st April 2016 can apply for income tax exemption. The recognized startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of 3 consecutive years out of 10 years since incorporation.
- 7. International Market Access to Indian Startups:** One of the key objectives under the Startup India initiative is to help connect Indian startup ecosystem to global startup ecosystems through various engagement models. This has been done through international Government to Government partnerships, participation in international forums and hosting of global events. Startup India has launched bridges with over 17 countries that provides a soft-landing platform for startups from the partner nations and aid in promoting cross collaboration.

8. **Faster Exit for Startups:** The Government has notified Startups as 'fast track firms' enabling them to wind up operations within 90 days vis-a-vis 180 days for other companies.
9. **Startup India Hub:** The Government launched a Startup India Online Hub on 19th June 2017 which is one of its kind online platform for all stakeholders of the entrepreneurial ecosystem in India to discover, connect and engage with each other. The Online Hub hosts Startups, Investors, Funds, Mentors, Academic Institutions, Incubators, Accelerators, Corporates, Government Bodies and more.
10. **Exemption for the Purpose Of Clause (VII)(b) of Sub-section (2) of Section 56 of the Act (2019):** A DPIIT recognized startup is eligible for exemption from the provisions of section 56(2)(viib) of the Income Tax Act.
11. **Startup India Showcase:** Startup India Showcase is an online discovery platform for the most promising startups of the country chosen through various programs for startups exhibited in a form of virtual profiles. The startups showcased on the platform have distinctly emerged as the best in their fields. These innovations span across various cutting-edge sectors such as Fintech, EnterpriseTech, Social Impact, HealthTech, EdTech, among others. These startups are solving critical problems and have shown exceptional innovation in their respective sectors. Ecosystem stakeholders have nurtured and supported these startups, thereby validating their presence on this platform.
12. **National Startup Advisory Council:** The Government in January 2020 notified constitution of the National Startup Advisory Council to advise the Government on measures needed to build a strong ecosystem for nurturing innovation and startups in the country to drive sustainable economic growth and generate large scale employment opportunities. Besides the ex-officio members, the council has a number of non-official members, representing various stakeholders from the startup ecosystem.
13. **Startup India Seed Fund Scheme (SISFS):** Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. The capital required at this stage often presents a make-or-break situation for startups with good business ideas. The Scheme aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization.
14. **National Startup Awards (NSA):** National Startup Awards is an initiative to recognize and reward outstanding startups and ecosystem enablers that are building innovative products or solutions and scalable enterprises, with high potential of employment generation or wealth creation, demonstrating measurable social impact. Handholding support is provided to all the finalists across various tracks viz. Investor Connect, Mentorship, Corporate Connect, Government Connect, International Market Access, Regulatory Support, Startup Champions on Doordarshan and Startup India Showcase, etc.
15. **States' Startup Ranking Framework (SRF):** States' Startup Ranking Framework is a unique initiative to harness strength of competitive federalism and create a flourishing startup ecosystem in the country. The major objectives of the ranking exercise are facilitating states to identify, learn and replace good practices, highlighting the policy intervention by states for promoting startup ecosystem and fostering competitiveness among states.
16. **Startup Champions on Doordarshan:** Startup Champions program on Doordarshan is a one-hour weekly program covering stories of award winning/ nationally recognised startups. It is telecasted in both Hindi and English across Doordarshan network channels.
17. **Startup India Innovation Week:** The Government organises Startup India Innovation week around the National Startup Day i.e., 16th January, with the primary goal was to bring together the country's key startups, entrepreneurs, investors, incubators, funding entities, banks, policymakers, and other national/ international stakeholders to celebrate entrepreneurship and promote innovation.

18. **The Startup India Investor Connect Portal** has been co-developed under the Startup India Initiative with SIDBI, serving as an intermediary platform that links startups and investors in order to help entrepreneurs from various industries, functions, stages, regions, and backgrounds in mobilizing capital. The portal has been built with the aim to enable in particular; early-stage startups located anywhere in the country to showcase themselves to leading investors/ venture capital funds.
19. **National Mentorship Portal (MAARG):** In order to facilitate accessibility to mentorship for startups in every part of the country, the Mentorship, Advisory, Assistance, Resilience, and Growth (MAARG) program has been developed and launched under the Startup India Initiative.
20. **ASCEND:** Under ASCEND (Accelerating Startup Caliber & Entrepreneurial Drive), sensitization workshops on startups and entrepreneurship were conducted for all eight North Eastern States with the objective to capacitate and augment knowledge on key aspects of entrepreneurship and continue efforts towards creating a robust startup ecosystem in these States.
21. **Startup20 Engagement Group:** As a result of India's belief in startup ecosystem, a Startup20 Engagement Group under India's G20 Presidency has been institutionalised which is working towards harmonisation and cross collaboration amongst the largest global economies. The engagement group acts as the voice of the global startup ecosystem bringing together varied stakeholders on a common platform. The group aims to support startups by enabling synergies between startups, corporates, investors, innovation agencies and other key ecosystem stakeholders internationally and to create global synergies.

Issue of sweat equity shares by Startup Companies

With the Amendment, The Companies (Share Capital and Debentures) Amendment Rules, 2020, dated 5th June, 2020, a startup company as defined in notification number G.S.R. 127(E), dated the 19th February, 2019 issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, may issue sweat equity shares not exceeding 50% of its paid-up share capital upto 10 (ten) years from the date of its incorporation or registration. (Earlier the time period was upto 5 (five) years from the date of incorporation or registration).

Recognition as Startups

The process of recognition of an eligible entity as startup shall be as under:

- A. A Startup shall make an online application over the mobile app or portal set up by the DPIIT.
- B. The application shall be accompanied by –
 - a. a copy of Certificate of Incorporation or Registration, as the case may be, and
 - b. a write-up about the nature of business highlighting how it is working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation.
- C. The DPIIT may, after calling for such documents or information and making such enquires, as it may deem fit,–
 - a. recognise the eligible entity as Startup; or
 - b. reject the application by providing reasons.

Startups Recognition by DPIIT enables the companies to access a host of tax benefits, easier compliance Intellectual Property Rights (IPR) fast tracking and more.



A complete online process has been institutionalised for recognition of startups



The process of recognition as a 'startup' is through an online application mode over the mobile app/portal set up by the Department for Promotion of Industry and Internal Trade. The link to the online application is :<https://www.startupindia.gov.in/content/sih/en/recognition-application-detail.html>



Modification of definition of startups in Feb 2019 and improvements incorporated in the recognition process reduced the time taken for grant of recognition certificate to 1-4 days.



The founders are required to upload incorporation/registration certificate and explain how their startup is working towards innovation, development or improvement of products or processes or services, or its scalability in terms of employment generation or wealth creation

Certification of the Inter-Ministerial Board for availing the Tax Benefit under Section 80-IAC

A Startup being a private limited company or limited liability partnership, which fulfils the conditions specified in sub-clause (i) and sub-clause (ii) of the Explanation to section 80-IAC of the Income Tax Act, 1961 (Act) may, for obtaining a certificate for the purposes of section 80-IAC of the Act, make an application in Form-1 along with documents specified therein to the Board and the Board may, after calling for such documents or information and making such enquires, as it may deem fit, –

- i. grant the certificate referred to in sub-clause (c) of clause(ii) of the Explanation to section 80- IAC of the Act; or
- ii. reject the application by providing reasons.

The “Board” means the Inter-Ministerial Board of Certification comprising of the following members:

- i. Joint Secretary, Department of Promotion of Industry and Internal Trade, Convener;
- ii. Representative of Department of Biotechnology, Member;
- iii. Representative of Department of Science & Technology, Member.

Post getting recognition a Startup may apply for Tax exemption under section 80 IAC of the Income Tax Act. Post getting clearance for Tax exemption, the Startup can avail tax holiday for 3 consecutive financial years out of its first ten years since incorporation.

Eligibility Criteria for applying to Income Tax exemption (80IAC)

The entity should be a recognized Startup

- Only Private limited or a Limited Liability Partnership is eligible for Tax exemption under Section 80IAC.
- The Startup should have been incorporated after 1st April, 2016.

Amendment in section 80-IAC to provide for income tax exemption to eligible startups: –

Under Section 80-IAC, the Startup incorporated after April 1, 2016 but before the 1st day of April, 2022 is eligible for getting 100% tax rebate on profit for a period of three years. The startups recognized under the Startup India policy can now claim tax benefits in three out of the first ten years under Section 80-IAC of the Income-tax Act, 1961. Also, the annual turnover must not exceed Rs. 100 crores in the previous year relevant to the assessment year for which deduction is claimed.

Tax Exemption under Section 56 of the Income Tax Act (Angel Tax)

Post getting recognition a Startup may apply for Angel Tax Exemption. Eligibility Criteria for Tax Exemption under Section 56 of the Income Tax Act:

Approval for the purposes of clause (viib) of sub-section (2) of section 56 of the Act:

A Startup shall be eligible for notification under clause (ii) of the proviso to clause (viib) of sub-section (2) of section 56 of the Act and consequent exemption from the provisions of that clause, if it fulfils the following conditions:

- (i) it has been recognised by DPIIT under para 2(iii)(a) or as per any earlier notification on the subject.
- (ii) aggregate amount of paid up share capital and share premium of the startup after issue or proposed issue of share, if any, does not exceed, twenty five crore rupees:

Provided that in computing the aggregate amount of paid up share capital, the amount of paid up share capital and share premium of twenty five crore rupees in respect of shares issued to any of the following persons shall not be included –

- (a) a non-resident; or
- (b) a venture capital company or a venture capital fund;

Provided further that considerations received by such startup for shares issued or proposed to be issued to a specified company shall also be exempt and shall not be included in computing the aggregate amount of paid up share capital and share premium of twenty five crore rupees.

- (iii) It has not invested in any of the following assets,–
 - (a) building or land appurtenant thereto, being a residential house, other than that used by the Startup for the purposes of renting or held by it as stock-in-trade, in the ordinary course of business;
 - (b) land or building, or both, not being a residential house, other than that occupied by the Startup for its business or used by it for purposes of renting or held by it as stock-in trade, in the ordinary course of business;
 - (c) loans and advances, other than loans or advances extended in the ordinary course of business by the Startup where the lending of money is substantial part of its business;
 - (d) capital contribution made to any other entity;
 - (e) shares and securities;
 - (f) a motor vehicle, aircraft, yacht or any other mode of transport, the actual cost of which exceeds ten lakh rupees, other than that held by the Startup for the purpose of plying, hiring, leasing or as stock-in-trade, in the ordinary course of business;
 - (g) jewellery other than that held by the Startup as stock-in-trade in the ordinary course of business;
 - (h) any other asset, whether in the nature of capital asset or otherwise, of the nature specified in sub-clauses (iv) to (ix) of clause (d) of Explanation to clause (vii) of sub-section (2) of section 56 of the Act.

Provided the Startup shall not invest in any of the assets specified in sub-clauses (a) to (h) for the period of seven years from the end of the latest financial year in which shares are issued at premium;

Explanation.— For the purposes of this paragraph,-

- (i) “specified company” means a company whose shares are frequently traded within the meaning of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and whose net worth on the last date of financial year preceding the year in which shares are issued exceeds one hundred crore rupees or turnover for the financial year preceding the year in which shares are issued exceeds two hundred fifty crore rupees.
- (ii) the expressions “venture capital company” and “venture capital fund” shall have the same meanings as respectively assigned to them in the explanation to clause (viib) of sub Section (2) of Section 56 of the Act.

A startup fulfilling conditions mentioned in para 4 (i) and para 4 (ii) shall file duly signed declaration in Form 2 to DIPP that it fulfills the conditions mentioned in para 4. On receipt of such declaration, the DPIIT shall forward the same to the CBDT.

Indian States with Startup policies

States have a vital role to play in promoting the Startup ecosystem. One of the core strengths of India lies in its diversity, leading to enormous opportunities for cross-learning from each other. Only four State Governments were actively supporting Startups before the launch of Startup India through a State Startup policy. The Startup movement across the country was fragmented and there was a need for consolidating standalone efforts. Emphasis was also required simultaneously to encourage more and more States to undertake new initiatives. The national priority initiative has led to a wide spread movement across the country and presently 31 States have their own Startup policies. Many other States and Union Territories (UTs) are in the process of drafting their policies and operating guidelines. The core functioning of an enabling ecosystem in a State is a function of the policy framework and effective implementation of the same. In the journey of developing a conducive Startup community, it is important that States and UTs exchange and adopt good practices undertaken by each other.

Another important role of State is to reduce the regulatory burden on budding Startup founders by simplifying labour, taxation, land, and other laws and regulations under the State purview. Many States are organizing hackathons, boot camps, pitching sessions to promote Startups. Several other States have already begun to actively setup world class incubators for Startups across various sectors. However, a significant effort is required to accelerate the pace of these initiatives to be at par with the pace of growth of Startups. Concerted initiatives by States will accelerate the growth of Startup ecosystems in their respective territories and transform the country into a flourishing Startup Nation.

State Startup Ranking

The States’ Startup Ranking Framework was conceived by the Government of India in 2018. With its focus on India’s vision of cooperative federalism, the initiative works towards strengthening the support of States and UTs to holistically build the Indian Startup Ecosystem. The third edition of the exercise was launched in 2020 and has now been completed with the active participation of 31 States and Union Territories.

After the successful completion of a rigorous evaluation process, the Ministry of Commerce & Industry, Consumer Affairs, Food & Public Distribution and Textiles announced the results of 3rd edition of the States’ Startup Ranking 2021 on 4th July 2022.

Evolution across the Years

The States' Startup Ranking Framework is an ever-evolving tool with collaboration at its core. With learnings from previous years and consultation with States and Union Territories, three new Reform Areas were introduced to the framework:

1. *Capacity Building of Enablers* – This Reform Area focuses on holistic development through sensitization programs and trainings conducted for key stakeholders of the State startup ecosystem.
2. *Mentorship Support* – This Reform Area focuses on creating a large and accessible mentorship network within the State and the guidance provided by the State-supported mentors to the startups.
3. *Fostering Innovation and Entrepreneurship* – This Reform Area captures grassroots innovation, disruptive policies for startups, and the entrepreneurial spirit of the students.

States' Startup Ranking 2021 Results:

The results of the third exercise are a testament to the painstaking efforts taken by States to enable their startup ecosystems. Currently, most States and UTs have functioning State Startup portals with information available in local languages. Furthermore, several targeted policies and schemes have been introduced with a focus on disruptive technology, women entrepreneurs, and grassroots innovators to drive inclusive growth in the ecosystem. Additionally, State supported incubators, mentorship networks, and funding opportunities along have also expanded across the country.

Best Performing States: The top 3 best performing states are:

- Gujarat
- Karnataka
- Meghalaya

Compendium of Best Practices:

Compendium of Best Practices outlines initiatives adopted by various States in the following 7 Reform Areas:

- i. Institutional Support
- ii. Fostering Entrepreneurship and Innovation
- iii. Access to Market
- iv. Incubation Support
- v. Funding Support
- vi. Mentorship Support
- vii. Capacity Development of Enablers

The compendium contains more than 30 best practices, which may be directly used by States to identify and implement newer initiatives.

EXEMPTIONS FOR STARTUPS

To promote growth and help Indian economy, many benefits are being given to entrepreneurs establishing start-ups.

1. Simple process

Government of India has launched a mobile app and a website for easy registration for startups. Anyone interested in setting up a startup can fill up a simple form on the website and upload certain documents. The entire process is completely online.

2. Reduction in cost

The government also provides lists of facilitators of patents and trademarks. They will provide high quality Intellectual Property Right Services including fast examination of patents at lower fees. The government will bear all facilitator fees and the startup will bear only the statutory fees. They will enjoy 80% reduction in cost of filing patents.

3. Easy access to Funds

A 10,000 crore rupees fund is set-up by government to provide funds to the startups as venture capital. The government is also giving guarantee to the lenders to encourage banks and other financial institutions for providing venture capital.

4. Tax holiday for 3 Years

Startups will be exempted from income tax for 3 years provided they get a certification from Inter-Ministerial Board (IMB).

5. Apply for tenders

Startups can apply for government tenders. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.

6. R&D facilities

Seven new Research Parks will be set up to provide facilities to startups in the R&D sector.

7. No time-consuming compliances

Various compliances have been simplified for startups to save time and money. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and 3 environment laws.

8. Tax saving for investors

People investing their capital gains in the venture funds setup by government will get exemption from capital gains. This will help startups to attract more investors.

9. Choose your investor

The startups will have an option to choose between the VCs, giving them the liberty to choose their investors.

10. Easy exit

In case of exit, a startup can close its business within 90 days from the date of application of winding up

11. Meet other entrepreneurs

Government has proposed to hold 2 startup fests annually both nationally and internationally to enable the various stakeholders of a startup to meet. This will provide huge networking opportunities.

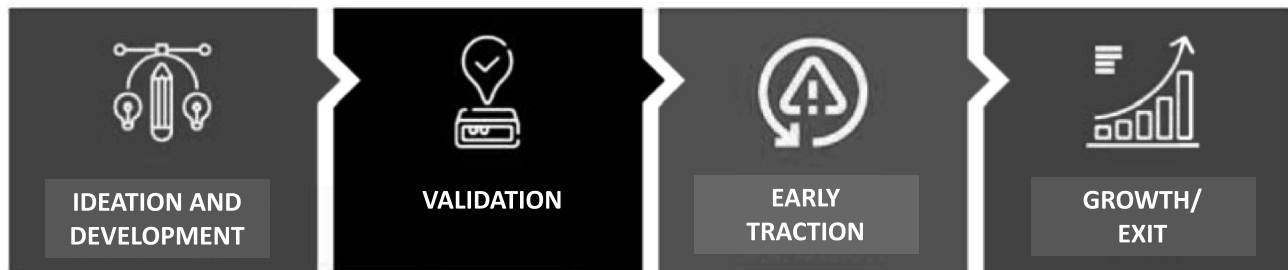
Benefits / Exemptions to Start-ups under the Companies Act, 2013

Section	Description
CHAPTER I PRELIMINARY	
Section 2(40)- Definition of financial statement.	The financial statement in relation to a private company (if such private company is a start-up) may not include the cash flow statement [<i>Exemption notification dated 13th June, 2017</i>].
CHAPTER IV SHARE CAPITAL AND DEBENTURES	
Section 54- Issue of sweat equity shares.	A start- up company may issue sweat equity shares not exceeding 50% of its paid up capital upto ten years from the date of its incorporation or registration [<i>Section 54 read the Rule 8(4) of The Companies (Share Capital and Debenture) Rules, 2014</i>]
Section 62 – Further issue of share capital	<p>For the purposes of section 62(1)(b), an “Employee” does not include-</p> <ul style="list-style-type: none"> (i) an employee who is a promoter or a person belonging to the promoter group; or (ii) a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company. <p>The aforementioned conditions shall not apply to a start-up upto ten years from the date of its incorporation or registration [<i>Section 62 read with Explanation to rule 12(1) of the Companies (Share Capital and Debentures) Rules, 2014</i>]</p>
CHAPTER V ACCEPTANCE OF DEPOSITS BY COMPANIES	
Section 73- Prohibition on acceptance of deposit from public	“Deposit” does not include an amount of twenty five lakh rupees or more received by a start-up company, by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person [<i>Section 2(31) read with Rule 2(c) (xvii) of the Companies (Acceptance of Deposits) Rules, 2014</i>]
Section 73- Prohibition on acceptance of deposit from public r/w Rule 3 of the Companies (Acceptance of Deposits) Rules, 2014	The maximum limit in respect of deposits to be accepted from members shall not apply to a private company which is a start- up, for ten years from the date of its incorporation [<i>Second proviso to Rule 3(3) of the Companies (Acceptance of Deposits) Rules, 2014</i>]
Section 73- Prohibition on acceptance of deposit from public	Clauses (a) to, (e) of sub-section (2) of section 73 shall not apply to a private company which is a start-up, for five years from the date of its incorporation [<i>Exemption notification dated 13th June, 2017</i>]

Section	Description
CHAPTER VII MANAGEMENT AND ADMINISTRATION	
Section 92- Annual Return.	In relation to a private company, which is a start-up, the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company [<i>Exemption notification dated 13th June, 2017</i>],
CHAPTER XII MEETINGS OF BOARD AND ITS POWERS	
Sections 173 – Meetings of Board	A private company, which is a start-up, shall be deemed to have complied with the provisions of section 173, if at least one meeting of the Board of Directors has been conducted in each half of a calendar year and the gap between the two meeting is not less than ninety days [<i>Exemption notification dated 13th June, 2017</i>]
CHAPTER XXVIII SPECIAL COURTS	
Section 446B- Lesser penalties for One Person Companies or Small Companies.	If a start-up company fails to comply with any of the provisions of the Companies Act, 2013, where penalty is payable. Such company, its officer in default or any other person, as the case may be, shall be liable to a penalty which shall not be more than one half of the penalty specified in such provisions subject to a maximum of Rs. 2 lakh in case of a company and Rs. 1 lakh in a case of an officer who is in default or any other person, as the case may be.

LIFE CYCLE OF START-UP

The stages of a startup lifecycle are clearly demarcated owing not only to the promulgation at clarity but also to the exponential growth rate of the startup ecosystem. Each stage presents a new set of challenges and hurdles for entrepreneurs, elucidating the imperativeness of its understanding. Largely, the startup lifecycle is segregated into 4 stages.



Stage 1: Ideation and Development

The first stage of the startup lifecycle is ideation. It is categorised by the importance of testing feasibility of the products/service offered. It is at this stage that garnering a variety of opinions to further assess a business model takes precedence. Testing the potential viability of an entrepreneurs' business can help answer larger questions about government aid, regulations and other aiding factors as the business inches to the next stage. Some overarching considerations of the ideation and development stage are:



TARGET MARKET



BUSINESS MODELS



TEAM SKILL SETS

Stage 2: Validation

Once an entrepreneur has evaluated feasibility of the idea and has highlighted broad scale business strategies, it is important to validate the product or services offered. The process involves defining goals, developing a value proposition and validating the same through customer feedback. This stage of a startup exudes high relevance as it drives the understanding of potential outcomes. Moreover, it highlights the features as considered in the ideation stage by giving the entrepreneur viability proof through testing. Some overarching considerations of the validation stage are:



VALIDATING AND TESTING OF PROTOTYPES



MODIFICATIONS

Stage 3: Early Traction

It is at the Early Traction stage that a set of target customers may test efficacy of the product/ service offered. Validation of a product can portray definitive results to the outside world, a stage that may present its own set of challenges and visibly express revenue and cash flow. It may be helpful to iterate that a market for this product is created and developed at this stage.

The customer retention rate confirms the early traction of the company and its product. Startup acquires more customers by actively seeking funds from crowd funding agencies, angel investors or networks, incubators and seed grants from Government.

Pivoting

Pivoting in startup usually occurs when a company shifts its business strategy to accommodate changes in its industry, customer preferences, or any other factor that impacts its bottom line. It is essentially the process of a startup translating direct or indirect feedback into a change in its business model. Most successful companies go through several pivots to find product-market fit. What makes the experiment work is usually not one major pivot, but a series of experiments across customers, problem, product, and technology and growth channels.

MAJOR AREAS OF FOCUS DURING PIVOTING INCLUDE THE FOLLOWING:



Turning one feature of a product into the product itself, resulting in a simpler, more streamlined offering



A product is turned into a feature of a larger suite of features as part of another product



Focusing on a different set of customers by positioning a company into a new market or vertical



Changing a platform for example from an app to software or vice versa



Employing a new revenue model to increase monetisation. For example, a company might find that an ad-based revenue model may be more profitable than freemium

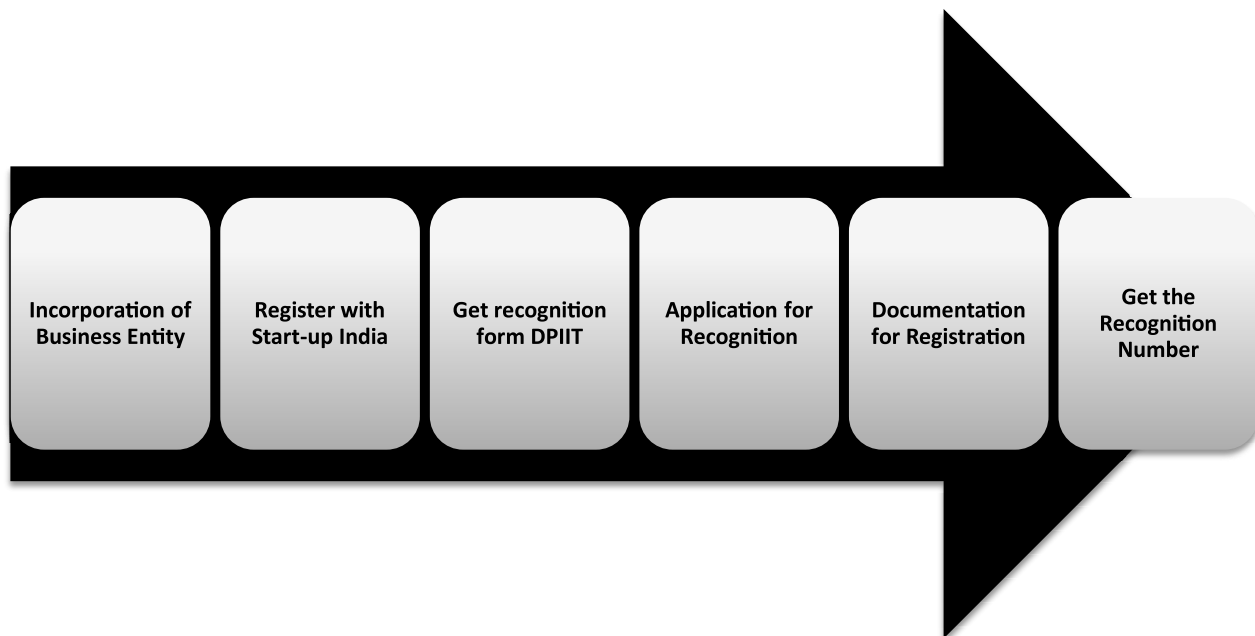


Using innovation technology solutions to build a product, thereby reducing the cost of manufacturing and creating a more reliable product

STAGE 4: GROWTH/EXIT

In the fourth stage of the startup lifecycle, the company has attained true economic health, has sufficient size and product-market penetration to ensure economic success, and earns average or above-average profits. The company can stay at this stage indefinitely, provided environmental changes do not hinder its market niche or ineffective management reduce its competitive abilities. At this stage, the company may choose to scale up or expand its market through mergers and acquisitions or preparing for an Initial Public Offering (IPO). Depending upon the strategy followed, some of the companies are successfully able to sustain the growth stage, rapidly scaling up their business to achieve valuation of more than \$1 billion and become unicorns. These businesses offer ideal business for other startup across sectors and encourage them to scale up.

Source: www.startupindia.gov.in

REGISTRATION STEPS

- A. Incorporation of Business Entity:** Before getting registered as Start-up one must need to incorporate his business either as a Private Limited Company or a Partnership firm or a Limited Liability Partnership. Incorporation of Private Limited Company or a Limited Liability Partnership (LLP) can be made by filing the incorporation application with the Registrar of Companies (ROC) for the state where the registered office of the new entity is proposed to be established. In order to get a partnership firm registered, the application has to be filed for registration with the Registrar of Firms of the area in which the firm is proposed to be registered.

What form should your Startup Venture have?

I. Formation of a Company in India

The law of companies in India is governed by the Companies Act, 2013 which is a comprehensive legislation and provides for provisions relating to all phases of a company's life, i.e. incorporation, management, mergers, winding up, etc.

A Registrar of Companies ('ROC') is appointed under the Act for designated regions, who is the nodal authority for affairs related to companies in that particular region.

II. Types of Companies in India

Any person can choose to incorporate either a company with unlimited liability or one with liability limited either by shares or guarantee. An incorporated company may take one of the following three forms:

II-1. Private Company

With restrictions on transfer of shares, and limited number of members, a private limited company enjoys greater flexibility, less legal formalities, and the small shareholders body facilitates prompt decisions. A private company must have a minimum of two directors. A private company may be converted into a public company for raising capital from the public, if need arises, by completing certain legal formalities as specified in the Companies Act.

II-2. Public Company

Public companies are subject to stricter legal formalities. However, the free transferability of the shares of a public company and unlimited membership provides a larger base for raising of capital. Shares of a listed public company can be traded on stock exchange, which may open it to the scrutiny and watch of Securities and Exchange Board of India. A public company must have a minimum of seven members and three directors. Certain classes of public limited companies must have at least one third of the total number of directors as independent directors out of which one director has to be a woman director.

II-3. One Person Company

This concept has been brought by the new Companies Act and states that One Person Company is in the nature of a private company which has only one person as its member/director.

At the time of incorporation, the memorandum of association must name a nominee for the sole member of an OPC. The minimum number of directors for an OPC is also one. OPC provides the option of limited personal liability of proprietors (as opposed to unlimited liability in sole proprietorship).

Businesses which currently run under the proprietorship model could get converted into OPC's without any difficulty. The questions of consensus or majority opinions do not arise in case of OPCs, and is suitable for small entrepreneurs with low risk taking capacity.

III. Charter documents of a Company -

1. Memorandum of Association

The MoA sets out the objects for which the company is proposed to be incorporated in the manner provided hereunder:-

- a. The first and foremost clause in MoA shall be the name of the proposed company suffixed with the words limited or private limited, as the case may be;
- b. The state where the registered office of the company shall be situated.

The third clause contains the main objects for which the company is going to be formed/ incorporated. The MoA binds the area of operation of the company in respect to the

2. Articles of Association

The articles of a company contain regulations for the management of the company. This document is confined to the applicability of the provisions of the companies act, on private or public limited company, as the case may be.

IV. Legal formalities for incorporation of a company:

IV-1. Pre-incorporation formalities:

The below mentioned compliances are required to be carried out with regard to setting up of company in India:-

- a. Digital Signature Certificates ('DSC') for the proposed directors of the company by preparing and filing of Incorporation documents as required under the provisions of the Companies Act, 2013.
- b. Any person (not having DIN) proposed to become a first director in a new company shall have to make an application for DIN (Maximum 3) through web form SPICe+. The applicant is required to attach the proof of Identity and address along with the application. DIN would be allocated to User only after approval of the form.
- c. The next step is filing of online application through Simplified Proforma for Incorporating Company electronically (SPICe+ -INC-32), with eMoA (INC-33), eAOA (INC-34) and AGILE-PRO-S. SPICe+ form is an integrated web-form and an advanced version of the previous SPICe form (i.e. e-form INC-32). SPICe+ web form offers 11 services by 3 Central Government Ministries & Departments. (Ministry of Corporate Affairs, Ministry of Labour & Department of Revenue in the Ministry of Finance) and three State Governments (Maharashtra, Karnataka & West Bengal), thereby saving as many procedures, time and cost for Starting a Business in India.
- d. The final step of the incorporation process and obtaining a certificate of incorporation of the company.

IV-2. Post incorporation formalities:

Once the certificate of incorporation has been issued by ROC, the company becomes a separate legal entity in the eyes of laws in India, and requires certain basic registrations to initiate the business which includes filing of application for obtaining a permanent account number, tax deduction account number in the name of the company and any other business specific registrations from the relevant government authorities i.e. Import– Export Code Number in case of company carrying out the business of import and/or export.

Further, every company shall be required to carry out certain compliances, as required under the provisions of the Companies Act, for their day to day activities which includes holding of first board meeting immediately after incorporation, convening the annual general meeting every year, maintaining all the secretarial records at the registered office of the company, maintaining of statutory registers, minutes books etc. of company in compliance with the Companies Act, 2013.

- B. Register with Start-up India:** Once the entity is incorporated, the business can be registered as a startup. The registration process is completely online and simple for the users. One needs to visit the Startup India website and click on the 'Register' button. After that one needs to enter his/her name, email id, mobile number, password and after that click on "Register" button. OTP will be sent to the email and other details like, the type of user, name and stage of the startup, etc. should be mentioned. After entering these details, the Startup India profile will be created. Once, the profile is created on the website, startups can apply for various acceleration, incubator/mentorship programmes and other challenges on the Startup India website along with getting access to various resources like Learning and Development Program, Government Schemes, State Policies for Startups.

- C. Get recognition from DPIIT:** The next step after creating the profile on the Startup India Website is to avail the Recognition from the Department for Promotion of Industry and Internal Trade (DPIIT). The recognition helps the startups to avail various benefits like access to high-quality intellectual property services and resources, relaxation in public procurement norms, self-certification under labour and environment laws, easy winding of company, access to Fund of Funds, tax exemption for 3 consecutive years and tax exemption on investment above fair market value.

For getting Recognition from DPIIT, log on to the registered profile (account) credentials on the Startup India website and click on the 'DPIIT Recognition for Startups' button under the 'Schemes and Policies' tab. Click on the 'Get Recognized' button on the next page. A new page will open. Scroll down this page and click on the 'Click here for submitting your application for recognition as a Startup' button.

- D. Application for Recognition:** On the 'Startup Recognition Form', the details has to be filled such as the entity details, full address (office), authorized representative details, directors/partner details, information required, startup activities and self-certification. Click on the plus sign on the right-hand side of the form and enter each section of the form. After entering all the sections of the 'Startup Recognition Form', accept the terms and conditions and click on the 'Submit' button.

- E. Documentation required for Registration:** Following documents should be kept ready for getting the registration completed on the Startup India Portal:

- Incorporation/Registration Certificate of your startup
- PAN Number
- Proof of funding, if any
- Authorization letter of the authorized representative of the company, LLP or partnership firm
- Proof of concept like pitch deck/website link/video
- Patent and trademark details, if any
- List of awards or certificates of recognition, if any.

- F. Getting the Recognition Number:** Once the application is made a recognition number will be generated for the startup. The certificate of recognition will be issued after the examination of all the documents which is usually done within 2 days after submitting the details online.

Important Points for a Start-up

1. Choose the right legal structure for your startup:

Choosing an appropriate legal structure is one of the most crucial decisions for any startup. The decision should be taken based on individual circumstances and a host of factors such as nature/sector of business operation, business trajectory, regulatory and tax considerations, costs of formation and ongoing administration, external capital requirement and type of funding sought, of legal liability protection required, number of stakeholders, balance required between ownership and management, proposed mechanism for profit sharing or distribution amongst stakeholders, et al. Preferred entity structures for startups in India are limited liability partnership and private limited company.

2. Registrations and business licenses:

Post incorporation of a business entity in India, some necessary registrations are required and mandated by law. Any user who intends to incorporate company through SPICe+ web form can now also apply for

GSTIN / Establishment code as issued by EPFO / Employer Code as issued by ESIC through this web form (INC-35). User is required to file application (SPICe+) for incorporation of a company accompanying linked e-form AGILE PRO S -“Application for registration of Goods and Service Tax Identification Number (GSTIN), Employee State Insurance Corporation (ESIC) registration, Employees’ Provident Fund organisation (EPFO) Registration and profession Tax Registration, Opening of Bank Account and Shops and Establishment Registration” along with E-MOA (INC-33) and E-AOA (INC-34) to obtain GSTIN / Establishment Code / Employer Code etc.

This process will be applicable only for Companies incorporated by MCA through SPICe+ application. Other categories of applicants (Tax Deductor, Tax Collector, Casual Taxable person, ISD, etc.) for GSTIN shall follow the existing process of registration through Common Portal for GST registration Similarly, other type of establishment such as Factory shall follow the existing process of registration through Common Portal for EPFO & ESIC registration).

Business licenses are permits issued by government authority that allow startups to start/continue to operate a particular business within its territorial jurisdiction lawfully. The nature of business activity determines most license requirements.

Other determining factors may include the number of employees, location of business and the form of business ownership. Some examples are Food safety license, Health/Trade license, Shops & Establishment License etc.

3. Intellectual Property Protection:

Intellectual Property Rights are a very important asset class for a startup. Developing and protecting intellectual property with proper registration can help startups gain competitive advantage. It is essential to obtain trademark registration for the business name/trade name under the Trademarks Act. Registration of a company or business in India does not by itself give protection against others who might commence using identical or similar marks.

A trademark search should be conducted before deciding on these business name/ trade names to prevent any issues in future including potential infringement. All Intellectual Property (including trademark, copyright, design, trade secrets, inventions, patents, etc.) should be registered in the name of the entity and not in the name of the promoters/founders of the startup.

4. Founder Equity – Split and Vesting:

Founder equity should be split amongst founders based on the nature of role played by each founder along with their time, effort and capital contribution to the startup. Splitting founder equity equally by default without a thorough discussion on expectations and contribution generally leads to tension and unhappiness amongst founding teams as the startup matures.

Founder shares should be always subject to vesting schedule – typically over a period of three to four years. When vesting is imposed on a founder equity, the unvested shares held by the founder become subject to a contractual right to repurchase/transfer often at a nominal value, if one of the founders is terminated or voluntarily leaves the startup. This is very important to ensure future viability of the business.

5. Founder agreements:

The founder’s agreement is the most valuable tool to establish the relationship between the founders of a startup. The agreement should represent a clear understanding between the founders on all key

issues related to the startup. Founder agreements should clearly mention the roles and responsibilities of the founders and have clauses detailing the decision making and operating structure of the startup, founder equity split with vesting (explained above), assignment of all intellectual property in favour of the startup, termination of a promoter and exit process etc.

6. Employment contracts:

Startups must ensure to enter into clear employment contracts detailing terms and conditions of employment with their employees. While employment contracts are certainly valuable to the employees as it details terms regarding description of job profile, compensation and other associated benefits, a number of clauses may be inserted to safeguard and protect the interest of the startup – such as stopping employees from setting up competing entities (non- compete clause), poaching other employees/clients/ customer (non-solicitation clause), preventing employees from claiming any intellectual property right on the work done/developed during the course of employment (assignment of intellectual property rights).

7. Employee Stock Option Pool (ESOP):

ESOP's are incentives given to employees/directors of a company to attract talent and retain employees by rewarding them. ESOPs create a sense of ownership amongst employees. It is important to note that ESOPs are not shares. They are structured in a way that they are option to buy shares at a discounted price and can be exercised only after a certain vesting period which is decided by the company granting the ESOPs.

8. Third Party Agreements:

Prior to entering into a third-party agreement and while negotiating the terms, it is advisable to execute a non- disclosure agreement. If creation/development of intellectual property is a component of such a third- party agreement, it must clearly state that all rights to the intellectual property rights shall vest and be owned by the startup and the third-party shall not stake any claim on the same and will do all acts to ensure the protection of the intellectual property. Clauses related to breach, termination and dispute resolution should be well negotiated and captured in all third-party agreements.

9. Investment structuring:

One of the most challenging and time consuming aspects of operating a startup is to raise capital for working capital requirement and growth. In India, Investors (HNIs/Angels/Funds) invest in early and growth stage companies in different structures and on varied terms. It is imperative for startups to seek proper legal advice while negotiating the deal terms for investment and the rights of the investors.

Typically, as a process an intention document detailing the structure of the transaction called the term sheet is executed followed by due diligence of the startup and execution of investment related definitive agreements.

10. Compliance management:

Compliance and its importance is often overlooked by many startups. There are multiple laws applicable to specific entity structures under which separate event based and annual compliance is mandated. It is extremely critical for the sustainable growth of any business that the startup is in compliance with legal, secretarial, accounting, taxation, employee related and other associated compliances. The consequences of non- compliance can be levy of punitive fines on the startup.

FINANCING OPTIONS AVAILABLE FOR STARTUP COMPANIES

Finance is the life blood of any business. In case the venture is self-funded there can be no better option than that. However, a Startup is mostly the result of a novel idea that is the brainchild of its founder(s) and more often than not, funds are always a challenge.

Funding asserts its importance for operative processes, research, development and multiple other primary business features for evolving businesses. However, it is the foremost consideration when contemplating growth and development of startups. Funding can be derived sources, it can help sustain the existing projects and enable expansion.

Depending on the stage of a startup, major sources of financing entrepreneurs may include:



Source: www.startupindia.gov.in

Analysis of the different financing options are as under:

Characteristics of Investment	Equity Financing	Debt Financing	Grants
Nature	There is no component of repayment of the invested funds	Invested Funds to be repaid within a stipulated time frame with interest	There is no component of repayment of the invested funds
Risk	Risk factor for the investor is higher as he has no guarantee against his investment	Risk Factor for the investor is lower as he generally has collateral against his investment	There is no risk factor for the startup as no collateral is involved
Pressure for Repayment	Less pressure for startups to adhere to a repayment timeline but added pressure from investors to achieve growth targets	More pressure for startups to adhere to repayment timeline and as a result more pressure to generate cash flows to meet interest repayments	No pressure for repayment as grants are a form of monetary support provided for a specific purpose
Return to Investor	Capital growth for investors	Interest payments	No Return

Involvement in Decisions	Equity Fund Investors usually prefer to involve themselves in decision making process	Debt Fund have very less involvement in decision making	No direct involvement in decision making
Sources	Angel Investors, Self-financing, Family and Friends, Venture Capitalists, Crowd Funding, Incubators/ Accelerators	Banks, Non-Banking Financial Institutions, Government Loan Schemes (CGTMSE, Mudra Loan, Standup India)	Central Government, State Governments, Corporate Challenges, Grant Programs of Private Entities

SEED CAPITAL

Startup business needs the nurturing of finance to explore and grow. The funding done at the nascent stage is called seed funding and the capital is known as a seed capital.

Technically, seed capital is the initial capital used at the time of starting the business. This capital can come from the founders, families or friends. It is required for the market research, product development, and other initial stage operations.

Seed funding permits exploration of the business idea and converting it into a viable product or service that further attracts venture capitalists. A business founder must be clear on how to utilise seed capital in the most optimum manner to ensure smooth transition to the advanced stage of the business.

Seed funding is a risky investment option, as most funding agencies would like to adopt a wait and watch approach to see whether the idea has a business potential. From the founder's point of view, the option of obtaining seed funding has to be carefully utilised as obtaining seed funding may result in dilution of ownership of the founder.

The paperwork involved in seed funding is relatively less and straightforward, compared to advanced rounds of funding. Even the legal fees required are also quite less as compared to the seed equity. The interest rates too are usually lower and there are mostly no restrictions in the manner of business working as it is still in the nascent stage.

Financing is generally of two types i.e. (a) equity financing; or (b) debt-financing.

A. Equity Financing

Startups are usually equity financed/funded by way of a venture capital/ private equity investors and/or angel investors.

(i) *Venture Capitalist/Private Equity*

Venture capital ("VC") / Private Equity ("PE") is often the first large investment a startup can expect to receive. Convertible instruments are usually the preferred option and most commonly used securities for VC/PE investment which includes compulsory convertible preference shares and compulsory convertible debentures. The investor and startup will normally enter into a non-binding offer based on the preliminary valuation of the startup usually followed with a financial, legal and technical due diligence on the startup as required by the investors. Due-diligence will help the investors to finalize the representation and warranties and also to identify conditions precedent to the completion of investments and conditions subsequent in the aforesaid transaction documents.

Upon completion of due-diligence to the satisfaction of investor, such investments involve execution of essentially following transaction documents between the investors and startups:

Funding Procedure

- (a) A Term Sheet / Letter of Intent /Memorandum of understanding is entered into, setting out the following:
 - basic commercial understanding between the VC and the startup; and
 - legal terms for the agreements to follow the due-diligence.
- (b) The contracting parties will enter into a Share Subscription Agreement/ Debenture Subscription Agreement. It usually captures the following:
 - the issuance of shares in the share capital or debentures at subscription amount determined based on the valuation of the startup;
 - condition precedents to completion of transaction or conditions subsequent to be completed within the agreed time frame after the completion date;
 - sets of representation and warranties and indemnification resulting from due-diligence exercise or otherwise, etc.
- (c) Thereafter, the contracting parties may enter into a Shareholders' Agreement providing for the following:
 - Nomination/representation rights on the board of investee;
 - Information and reporting right and disclosure obligation of investee to the investors;
 - Redemption rights on debenture or preference shares;
 - Pre-emption rights, Right of First Refusal or Right of First Offer, Tag Along Right, Drag Along Rights, Lock-in-period for the investor or promoter's holding, put and call options, affirmative vote rights on certain reserved matters, anti-dilution provisions;
 - Exit options to investors after the lock-in-period; etc.
- (d) Issuance of Securities through Private Placement process;
- (e) Filing of necessary eForms with ROC for completing the process of issuance and allotment of securities;
- (f) Amendment of AOA as per Shareholders' Agreement;
- (g) Completion of Conditions Subsequent.

(ii) Angel Investors

Angel investors are usually individuals or a group of industry professionals who are willing to fund the venture in return for an equity stake. Under the SEBI (Alternative Investment Funds) Regulations, 2012 which was subsequently amended in 2021, SEBI has made the following restrictions applicable to angel funds investing in an Indian company:

- (1) Angel funds shall invest in startups which:
 - (a) are not promoted or sponsored by or related to an industrial group whose group turnover exceeds Rs.300 crore; and
 - (b) are not companies with family connection with any of the angel investors who are investing in the company.
- (2) Investment by an angel fund in any venture capital undertaking shall not be less than Rs.25 Lakhs and shall not exceed Rs.10 Crores.

- (3) Investment by an angel fund in the venture capital undertaking shall be locked-in for a period of one year.

(iii) Bridge Round

Bridge round is a sort of financing option that helps startups “bridge” the gap between larger funding rounds. Bridge rounds can be termed as interim financing rounds raised between larger funding rounds. Bridge rounds are often structured as convertible debt. When a startup needs additional capital between two rounds of funding, they might raise a “bridge round”. Bridge rounds also provide an interim cash infusion to capitalize the rapid growth or prepare for an IPO of start-ups.

Startups will first target existing investors during the bridge round and raise from new investors, if additional funding is needed.

Example: M/s ABC & Ltd., is already approved for a term loan of INR 5,00,00,000/- from bank, but the loan is broken into tranches, with the first tranche set to come in six months, the company may seek a bridge loan. It can apply for a six-month short-term loan that gives it just enough money to survive until the first tranche hits the company’s bank account.

(iv) Series Funding

After Seed Funding Round or Angel Funding Round and Bridge Funding Round, Series Funding Round will start like Series A to Z. Series preferred stock is the first round of stock offered during the seed or early stage round by a portfolio company to the venture capital investor. Series preferred stock is often convertible into common stock in certain cases such as an Initial public offering (IPO) or the sale of the company.

Series rounds are traditionally a critical stage in the funding of new companies. A typical series A round is in the range of \$2 million to \$10 million, purchasing 10% to 30% of the company. The capital raised during a series round is usually intended to capitalize the company for 6 months to 2 years as it develops its products, performs initial marketing and branding, hires its initial employees, and otherwise undertakes early stage business operations.

SOURCES OF FUNDS

Because there are no public exchanges listing their securities, private companies meet venture capital firms and other private equity investors in several ways, including warm referrals from the investors’ trusted sources and other business contacts; investor conferences and demo days where companies pitch directly to investor groups. As equity crowd funding becomes more established, startups are increasingly raising part of their Series round online using platforms such as Onevest or Seed Invest in the USA and Seeds in the UK, VC- Circle, Private Circle, Lets Vanture and Tracxn Labs, etc. in India. These blended rounds include a mix of angel investors, strategic investors and customers alongside the offline venture capital investors.

A. Structure

Smaller investment amounts are usually not worth the legal and financial expense, the burden on a company of adjusting its capital structure to serve new investors, and the analysis and due diligence on the part of institutional investors. A company that needs money for operations but is not yet ready for venture capital will typically seek angel capital. Larger amounts are usually unwarranted given the cost of business in fields such as software, data services, telecommunications, and so on. However, there are routinely series A rounds in excess of \$10 million in fields such as pharmaceuticals, semiconductors, and real estate development.

Things to Know When Raising a ‘Series A Round’:

If a startup is looking to raise a Series A, it might be a good idea to get familiar with what venture funds looks for to ascertain if your company is Series A ready.

Most startups, even those who gets angel funding or seed-stage funding or investments from accelerators/incubators, are unable to get follow-on funding.

The first time that a startup raises capital is normally called a 'seed round'. Other names include angel round or HNI round. Some even call it a pre-Series A round, but this term usually refers to a small interim fundraising exercise between the seed round and Series A.

1. *Be Series A Ready*

If you are looking to raise a Series A, it might be a good idea to get familiar with what venture funds looks for to ascertain if your company is Series A ready. Promising unit economics, revenue, proof of business model, systems ready to support efficient scaling, product/market fit, customer acquisition strategy and success, quality of team are some key factors that are taken generally taken into consideration and it is wise to evaluate where you company stands against these metrics to figure if you are ready for Series A.

2. *Start Early*

Fundraising in the current environment is a time consuming process - be realistic about the timeframe. Make sure you start the process at least 7-8 months prior to when you want to raise a Series A financing. The deal process has two parts, pre-term sheet and post-term sheet. Underestimating the time required inevitably leads to desperation and will often need to alter your funding strategy to include diverting attention to raise a bridge round to sustain the business.

3. *Leverage Your Network*

Seed funding is more plentiful and easier to raise as compared to Series A. Leveraging your network and building genuine relationships before you start your Series A fundraise will make it easier for you to get potential meetings with investors. Reach out to your extended network and request them to reach out to their connections. These second degree networks have powerful and favourable outcome. Spreading word about your business through your network or through PR/marketing initiatives is always helpful.

4. *Practice your "Pitch"*

The key is to take as many meetings as possible. Speak to other founders who have successfully raised Series-A and take their inputs for your pitch. Meet the low priority investors on your list first - they will ask you relevant question and provide you valuable feedback which you should incorporate in your pitch before meeting the top priority investors on your list. Treat the pitch a product – iterate on it until it is great.

5. *Create a Fundraise Momentum*

Approaching multiple venture funds at the same time is a good idea to get a competitive dynamic into the process. Try keeping your conversations with interested investors moving along at as close to the same pace as possible. This may not be easy but is if you manage to orchestrate well, you may be able to negotiate from a high bargaining power that generally leads to better valuation and deal terms. Nothing accelerates the process and you landing up a term sheet from one VC – you are likely to get few more.

6. *Know the "standard market practice"*

Keep yourself up to date with the commonly offered deal terms for a Series A. It is highly possible that the first version of your term sheet you receive is not exactly "founder-friendly". The strongest line of defence and the most accepted rationale for negotiating such terms is that they are not standard market practice.

7. Get the deal terms right

It is imperative that you ensure that the deal terms for your Series A are right and consistent with the trajectory of your business. The Series A terms will play as a foundation for all future rounds - many of those same terms that you have signed up for in your Series A are likely to carry through to future rounds i.e. Series B or Series C – hence important to get them the right the first time itself.

8. Engage a Professional

If you're raising venture capital – you need a professional who specializes in structuring venture capital financing. A professional who has done multiple such deals understands the nuances involved in structuring such rounds both from the perspective of which deal terms are important, what the “standard market practice” is and when to stay firm and when to concede to the investor. This will aid you to close your investment documents faster and more efficiently.

9. Paperwork in place

Shorten your transaction closing time by having all paper work in place for due diligence. Ensure that your company's legal documentation and compliance is up to date and have your team put together all records relating to employees, past financing, corporate structure and establishment, client contracts, intellectual property, cap table, etc. The paperwork should be organized and ready for review by the Investor appointed legal counsel/diligence team.

10. Raise 10-15% more than budgeted for

Within reason, if you have access to capital and the deal terms including dilution are decent, raise 10-15% more than budgeted as the business initiatives/operations don't always materialise as planned. Raise enough to allow you a fair shot to meet your milestones for the next round of financing so that you can channel all your focus on building the business and scaling it in the right direction. Raising every round of funding post Series A becomes significantly difficult and therefore is time consuming process and highly distracting. Additionally, there is a transaction cost every time you close an additional round.

B. Debt Financing

i. Loan from Banks & NBFCs

Loans from banks and NBFCs help finance the purchase of inventory and equipment, besides securing operating capital and funds for expansion. More importantly, unlike a VC or angels, which have an equity stake, banks do not seek ownership in your venture. However, there are several drawbacks of such funding option. Not only do you pay interest on loan but it also has to be done on time irrespective of how your business is faring. They require substantial collateral and a good track record, besides the fulfilment of other terms and conditions and a lot of documentation as follows:

- Application for loan sanction by borrowers;
- Issue of sanction letter by the Bank;
- Agreement of Loan;
- Security/collateral documentation, such as (i) Deed of Mortgage; (ii) Deed of Hypothecation; (iii) Deed of guarantee; (iv) Share pledge agreement; (v) Memorandum of Entry; etc.

ii. External Commercial Borrowings

External Commercial Borrowings (ECB) in form of bank loans, buyers' credit, suppliers' credit, securitized instruments (e.g. non-convertible, optionally convertible or partially convertible preference shares,

floating rate notes and fixed rate bonds) can also be availed from non-resident lenders to fund the business requirement of a company. ECB can be accessed under two routes, viz., (i) Automatic Route; and (ii) Approval Route depending upon the category of eligible borrower and recognized lender, amount of ECB availed, average maturity period and other applicable factors.

ECB raised has also certain end use restrictions such as that it cannot be used for (a) on lending or investment in capital market; (b) acquiring a company in India; (c) real estate sector etc. Under ECB also the borrower needs to create certain charge on immovable assets, movable assets, financial securities and issue of corporate and / or personal guarantees in favour of overseas lender / security trustee, to secure the ECB raised by the borrower, subject to compliance of certain conditions as prescribed under ECB guidelines framed by Reserve Bank of India. The documentation on similar lines as mentioned under bank loan section above will need to be executed.

iii. CGTMSE Loans

Under the Credit Guarantee Trust for Micro and Small Enterprises scheme launched by Ministry of Micro, Small & Medium Enterprises (MSME), Government of India to encourage entrepreneurs, one can get loans of up to Rs. 1 crore without collateral or surety. Any new and existing micro and small enterprise can take the loan under the scheme from all scheduled commercial banks and specified Regional Rural Banks, NSIC, NEDFi, and SIDBI, which have signed an agreement with the Credit Guarantee Trust.

C. Initial Public Offering (IPO) to raise the funds or increase the magnitude of the business operations

During the IPO, the Company raises funds by offering and issuing equity shares to the public. An IPO allows a company to tap a wide pool of stock market investors to provide it with large volumes of capital for future growth. The existing shareholding will get diluted as a proportion of the company's shares. However, existing capital investment will make the existing shareholdings more valuable in absolute terms.

Companies can also issue of American Depository Receipts ("ADRs") or Global Depository Receipts ("GDRs") to raise funds from international stock investors. The promoter has certain obligations such as (a) meeting minimum contribution requirements; and (b) is generally subject to a 3 year lock-in once the IPO is concluded.

Various parties such as investment bankers, underwriters and lawyers need to be engaged as part of the procedure of IPO.

D. Unconventional modes of financing options which are now becoming popular in India

i. Crowd Funding

This is recent phenomena being practiced for getting seed funding through small amounts collected from a large number of people (crowd), usually through the Internet. Now we have companies existing in India which are specializing in "Crowd Funding".

The entrepreneur can get money for his venture by showcasing his idea before a large group of people and trying to convince people of its utility and success.

The entrepreneur needs to put up on a portal his profile and presentation, which should include the business idea, its impact, and the rewards and returns for investors. It should be supported by suitable images and videos of the project.

SEBI in 2014, even rolled out a 'Consultation Paper on Crowd funding in India' proposing a framework in the form of Crowd funding to allow startups and SMEs to raise early stage capital in relatively small sums from a broad investor base. The Consultation Paper defined Crowd funding as solicitation of funds (small amount) from multiple investors through a web-based platform or social networking site for

a specific project, business venture or social cause. However SEBI not issued any further regulations in this regard.

ii. Incubators

These set-ups precede the seed funding stage and help the entrepreneur develop a business idea or make a prototype by providing resources and services in exchange for an equity stake ranging from 2-10%. Incubators offer office space, administrative support, legal compliances, management training, mentoring and access to industry experts as well as to funding through angel investors or VCs. These are usually government-supported institutes like the IIMs or IITs, technical institutes or private business incubators run by industry veterans or companies. The incubation period can be 2-3 years and admission is rigorous. Some of the top options in India include IIM-Bangalore NSRCEL, Microsoft Accelerator and IIT- Kanpur, SIIC and the Shri Ram College of Commerce (SRCC).

ENTREPRENEURSHIP

Entrepreneurship is defined as the process of making money, earning profits and increasing the wealth while posing characteristics such as risk taking, management, leadership and innovation. The term Entrepreneurship is a complicated term and gives various meaning depending on the situation.

The concept of Entrepreneurship has wide range of meanings. On one extreme an entrepreneur is a person of very high aptitude who pioneers change, possessing characteristics found in only a very small fraction of the population. On the other extreme, anyone who wants to work for himself is considered to be an entrepreneur.

That is, entrepreneurship is equated to simply starting one's own business. Most economists believe it is more than that. To some economists, the entrepreneur is one who is willing to bear the risk of a new venture if there is a significant chance for profit. Others emphasize the entrepreneur plays a role of an innovator who markets his innovation. Still other economists say that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

Four Key Elements of Entrepreneurship

- Innovation
- Risk taking
- Vision
- Organising skills.

Traits of an Entrepreneur

- He is a person who develops and owns his own enterprise.
- He is a moderate risk taker and works under uncertainty for achieving the goal.
- He is innovative.
- Reflects strong urge to be independent.
- Persistently tries to do something better.
- Prepared to withstand the hard life.
- Determined but patient.
- Exhibits sense of leadership.
- Also exhibits sense of competitiveness.

- Takes personal responsibility.
- Oriented towards the future.
- Tends to persist in the face of adversity.
- Convert a situation into opportunity.

Characteristics of an Entrepreneur

- Mental Ability:** entrepreneur must have creative thinking and must be able to analyse problems and situations. He should be able to anticipate changes.
- Business Secrecy:** he should guard his business secrets from his competitors.
- Clear Objectives:** he must have clear objectives as to the exact nature of business or the nature of goods to be produced.
- Human Relation:** he must maintain good relations with his customers, employees etc. to maintain good relationship he should have emotional stability, personal relations, tactfulness and consideration.
- Communication Ability:** he should have good communication skills means both the sender and the receiver should understand each other's message.

How Entrepreneurship is different from a Startup?

The primary distinction between the startup and entrepreneurship is that an entrepreneur refers to all business ventures, new or old. It includes small businesses, partnerships, firms, sole-proprietorship and corporations which can be based on a new idea or on an existing idea. On the other hand, a startup is a newly emerged business venture started by individual founders to meet a market gap. Startups mostly mean new businesses that are solving market's problems with unique ideas.

CASE STUDIES ON UNICORN

Unicorns Startups

A unicorn is a term used to indicate a privately held startup company with a valuation of over \$1 billion. For a unicorn, the journey starts from the growth stage, they are disruptors which start out in an incredibly unique way to solve everybody's problem. The reasons these startups become so successful is because all of their solutions fill a specific need in a new and different way.

The Indian startup ecosystem has developed dynamically in recent times. Two decades back, there were only a few active investors and a limited number of support organisations, such as incubators and accelerators. However, in the past decade, there has been a significant increase in both investment activity and infrastructure facilities to provide the much-needed impetus to the expansion of the unicorn tribe.

The Indian unicorns are flourishing in the fast-paced and dynamic economy of today. These startups are not only developing innovative solutions and technologies but are generating large-scale employment. Till FY 2016-17, approximately one unicorn was being added every year. Over the past four years (since FY 2017-18), this number has been increasing exponentially, with a whopping 66% Year-on-Year growth in the number of additional unicorns being added every year. As of 03rd October 2023, India is home to 111 unicorns with a total valuation of \$ 349.67 Bn. Out of the total number of unicorns, 45 unicorns with a total valuation of \$ 102.30 Bn were born in 2021 and 22 unicorns with a total valuation of \$ 29.20 Bn were born in 2022.

The year 2021, 2020, and 2019 saw the birth of the maximum number of Indian unicorns with 45, 11, and 7 unicorns coming each year, respectively. COVID-19 has caused a great amount of socio-economic suffering globally, but it is during this time when the resilient Indian Entrepreneurs have worked effortlessly to not only

contribute to the economy but to also contribute toward COVID-19 relief efforts. In 2020, we witnessed the birth of more than 10 unicorns. 'Its raining unicorn' has been the motto of the year 2021 with 45 unicorns pumped in the ecosystem and many soonicorns waiting in line.

Geographically, the center of India's high-tech industry, Bengaluru is India's unicorn capital with the largest number of unicorns headquarters followed by Delhi (NCR) and Mumbai. While we see unicorns active in Tier I cities, this ecosystem is not restricted and is proliferating across the country till the last district. Traditional sectors such as E-commerce, Fin-tech, E-commerce, Supply Chain & Logistics, Internet Software & Services do dominate the arena but a strong wave of unconventional sectors such as Content, Gaming, Hospitality, Data management & analytics, etc are making their place on the list.

While every startup has its unique journey to becoming a unicorn, the minimum and maximum time taken by a startup to become a unicorn are 6 months and 26 years, respectively. Mensa Brands took only 6 months to become a unicorn in 2021, making it one of fastest unicorns in Asia.

Next Stage: Going Beyond the Unicorn

The global startup ecosystem is witnessing a shift as the world is increasingly realising the potential carried by the startups. We are gradually transitioning from the age of unicorns to the age of decacorns.

A **decacorn** is company that has attained a valuation of more than \$ 10 Bn.

As of 03rd October 2023, 55 companies, 56 companies world over have achieved the decacorn status. India has five startups namely, Flipkart, BYJU's, Nykaa and Swiggy, added in decacorn cohort.

CASE STUDY ON ZOMATO – INDIA'S FIRST LISTED UNICORN

About the Company:

Zomato was originally incorporated as "DC Foodiebay Online Services Private Limited" as a Private Limited Company under the Companies Act, 1956 at New Delhi, on January 18, 2010. The Company's name was changed to "Zomato Media Private Limited" on May 25, 2012. Subsequently, pursuant to a special resolution passed by the company's Shareholders on April 3, 2020, the name of the Company was changed to "Zomato Private Limited" on April 22, 2020.

Consequent upon conversion into a public limited company under the Companies Act, 2013 in the year 2021, the fresh certificate of incorporation was issued by the RoC with the name "Zomato Limited" on April 9, 2021.

The Company is a professionally managed company and does not have an identifiable promoter in terms of the SEBI (ICDR) Regulations and the Companies Act. It's Board has eight Directors comprising of one executive Director, two Non-Executive Nominee Directors and five Independent Directors including four women Independent Directors.

Growth of Business from year to year:

The business of Zomato has grown substantially in recent years. Since its incorporation in 2010, Zomato have evolved from a single -service category provider to a multi-category service provider, offering various services across food delivery, diningout, Hyperpure and Zomato Pro. Almost all aspects of its business, in particular food delivery, have experienced rapid growth in recent years. Its revenue from operations has grown from INR 13,125.86 million in Fiscal Year 2019 to INR 19,937.89 million in Fiscal Year 2021. In particular, as lockdowns in response to the COVID-19 pandemic eased in India towards the end of May 2020, Zomato's food delivery business started recovering and in the fourth quarter of Fiscal 2021 it recorded the highest gross order value (GOV) achieved by Zomato in any quarter till March 2021.

Main Products of Zomato:

The technology platform of Zomato connects customers, restaurant partners and delivery partners, serving their multiple needs. Customers use its platform to search and discover restaurants, read and write customer generated reviews and view and upload photos, order food delivery, book a table and make payments while dining-out at restaurants. On the other hand, Zomato provide restaurant partners with industry-specific marketing tools which enable them to engage and acquire customers to grow their business while also providing a reliable and efficient last mile delivery service. Zomato also operates a one-stop procurement solution, Hyperpure, which supplies high quality ingredients and kitchen products to restaurant partners. It also provide its delivery partners with transparent and flexible earning opportunities. The company products can be broken down in 3 parts:

- B2C Marketplace to identify the Restaurants for Food Delivery
- B2C Marketplace to identify the Restaurants for Dining Out
- B2B Marketplace for Restaurants to Order Grocery

Food-delivery app Zomato Ltd. became the nation's first unicorn to make its stock-market debut, raising \$1.3 billion with backing from Morgan Stanley, Tiger Global and Fidelity Investments. The IPO, which opened on July 14, 2021 and closed on July 16, 2021 was oversubscribed by over 38.25 times. The IPO received very strong subscription from qualified institutional investors, non-institutional investors, and retail investors with each category being subscribed multiple times. The public issue was subscribed 7.45 times in the retail category, 51.79 times in the QIB category, and 32.96 times in the NII category and 0.62 times in Employee category.

Zomato's Role during COVID-19:

Zomato had launched contactless payments and deliveries to reduce face-to-face interaction, which was a win-win situation for both the customers and the delivery executives at the time of COVID-19. Zomato took the initiative of training hygiene practices to their delivery partners and the platform that provided free medical consultation to the delivery partners and ensure their financial safety as well.

Conclusion:

Zomato becomes one of the successful food delivery apps in India. The customers appreciate the Zomato food delivery apps start-up in India. Strong advertising channel, efficient personnel, the good rating system and social media and experienced sources of funds are some of the main successive factor of Zomato.

STUDY ON DELHIVERY – E-COMMERCE-FOCUSED LOGISTICS PLATFORM**About the Company:**

The Company was incorporated as "SSN Logistics Private Limited", a private limited company under the Companies Act, 1956, on June 22, 2011. Subsequently, the name of Company was changed to "Delhivery Private Limited", with effect from December 8, 2015. On the conversion of the Company from Private Limited to a Public Limited company, its name was changed to "Delhivery Limited" on October 12, 2021.

The main objects of Delhivery as placed in its MOA are:

1. To provide logistics and delivery solutions to consumers and a wide range of businesses, to provide logistics means, option and facilities to all kinds of business houses, corporates on contract or otherwise.
2. To provide web hosting, internet content development, web interface, web sites design, domain name services, and website maintenance services to other businesses.

The company have 11 Directors on its Board, comprising of 3 Executive Directors, 3 Non-Executive Nominee Directors and 5 Non-Executive Independent Directors, including one woman Director.

Delhivery became a unicorn in 2019 when it raised \$413 million in a Series F round led by SoftBank Vision Fund, Carlyle Group, and Fosun International. It was then valued at \$1.5 billion. Delhivery has last been valued at \$4.77 Billion in May 2022.

Financial Aspects from year to year:

The company incurred restated losses for the year/period of INR 17,833.04 million, INR 2,689.26 million, INR 4,157.43 million, INR 2,974.92 million and INR 8,911.39 million in Fiscal 2019, Fiscal 2020 and Fiscal 2021 and the nine month periods ended December 31, 2020 and December 31, 2021, respectively. The restated losses included a fair value loss on financial liabilities at fair value through profit or loss of INR 14,806.64 million, nil, INR 91.95 million, nil and INR 2,997.39 million in Fiscal 2019, Fiscal 2020 and Fiscal 2021 and the nine month periods ended December 31, 2020 and December 31, 2021, respectively, which is a non-cash item.

As the scale of the company's business grows further, its revenue from contracts with customers has improved from INR 16,538.97 million in Fiscal 2019 to INR 36,465.27 million in Fiscal 2021 and from INR 26,438.66 million for the nine months period ended December 31, 2020 to INR 48,105.30 million for the nine months period ended December 31, 2021.

Main Offerings of Delhivery:

Delhivery has currently been hailed as India's leading supply chain Services Company. It is one of India's largest B2B, B2C, and C2C Logistics Courier Service providers. The company is best known for the economical shipping rates that it charges for its services. Furthermore, Delhivery claims to have - No Setup Fees or Subscription Charges. The services offered by Delhivery can be divided into 3 primary departments:

1. **Warehousing** - Flexible warehousing across 40+ cities in India
2. **Transportation** - Largest pan-India reach across 19000+ pin codes and 2500+ cities
3. **E-Commerce** - Ready integration with Shopify, WooCommerce, Magento & Opencart.

Since its inception, Delhivery has fulfilled over 1.4 billion orders across India. It has built a nation-wide network with a presence in every state, servicing over 18000 pin codes, 21 automated sort centres, 96 gateways, 93 fulfilment centres, 2948 direct delivery centres, and a team of over 58000 people make it possible to deliver 24 hours a day, 7 days a week, 365 days a year.

Its mission is to enable customers to operate flexible, reliable and resilient supply chains at the lowest costs. It provide supply chain solutions to a diverse base of over 29,200 active customers such as e-commerce marketplaces, direct-to-consumer e-tailers and enterprises and SMEs across several verticals such as FMCG, consumer durables, consumer electronics, lifestyle, retail, automotive and manufacturing. Delhivery achieved the same through high-quality logistics, infrastructure and network engineering, a vast network of domestic and global partners and significant investments in automation that drive network synergies within and across its services and enhance the value proposition to customers.

Delhivery's Role during COVID-19:

During the period of April to June 2021, Delhivery partnered with Hunger Heroes to import 8419 oxygen concentrators. It also partnered with "ACT Grants" and others to import 35875 oxygen concentrators, oxygen plants, oxygen cylinders, equipment required to set up new oxygen plants and various medical supplies from around the world and distributed them across India.

Conclusion:

Delhivery became a unicorn in 2019 when it raised \$413 million in a Series F round led by SoftBank Vision Fund, Carlyle Group, and Fosun International. The company is attempting to change the logistics industry by trying to innovate more and more and by coming up with new strategies every day. The company grew and evolved from following a small and local business model to focusing just on the e-commerce sector. With the industry being so competitive, Delhivery has experienced outstanding growth since its inception.

LESSON ROUND-UP

- A startup company (startup or start-up) is an entrepreneurial venture which is typically an emerging, fast-growing business that aims to solve an unmet need by developing a viable business model around an innovative product, service, and processor a platform. A startup is usually a company designed to effectively develop and validate a scalable business model.
- A company may cease to be a startup as it passes various milestones, such as becoming publicly traded on the stock market in an Initial Public Offering (IPO), or ceasing to exist as an independent entity via a merger or acquisition.
- A number of organization and/or organized activities exist with Startup activities. To name a few, Universities, Advisory and mentoring organizations Startup incubators, Startup accelerators, Co working spaces, Service providers (Consulting, Accounting, Legal, etc.), Event organizers, Start-up competitions, Startup Business Model Evaluators, Business Angel Networks, Venture capital companies, Equity Crowd funding portals, corporates (telcos, banking, health, food, etc.), other funding providers (loans, grants etc.), Start-up blogs and social networks and other facilitators.
- The process of recognition as a 'startup' shall be through mobile app/portal of the Department of Industrial Policy and Promotion.
- To promote growth and help Indian economy, many benefits are being given to entrepreneurs establishing startups.
- There are Exemptions to Start-ups under Companies Act, 2013.
- There are different financing options available for Startups.
- Financing is generally of two types i.e. (a) equity financing; or (b) debt-financing.

GLOSSARY

LLP: A limited liability partnership (LLP) is a body corporate formed and incorporated under the Limited Liability Partnership Act, 2008.

General Meeting: Meeting of a company's shareholders at which they discuss the company's activities and make important decisions.

OPC: One Person Company (OPC) is a company incorporated by a single person. Before the enforcement of the Companies Act, 2013, a single person could not establish a company.

TEST YOURSELF

(These are meant for re-capitulation only. Answers to these questions are not to be submitted for evaluation)

1. Define a Startup and trace the evolution of start-ups in India.
2. What are the highlights of the Startup Policy of the Government of India?
3. What are the tax exemptions available to Startups in India.
4. Describe the different forms of Debt and Equity Financing which can be raised by Startups.
5. "Start-ups India" initiative is used to promote growth and to help Indian economy by the Government of India. Explain the benefits which are being given to entrepreneurs establishing start-ups.

