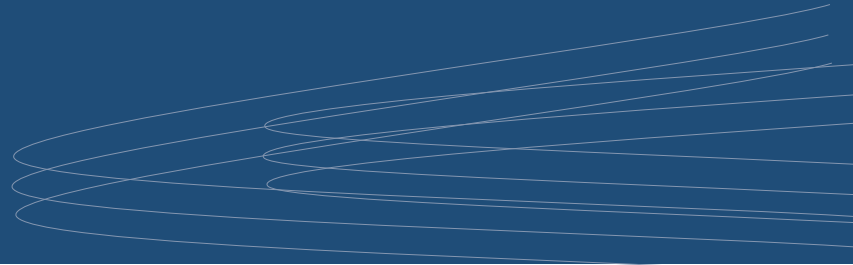




NANUBHAI DESAI & CO.

Start-up Support In India



About Nanubhai Desai & Co.

Nanubhai Desai & Co., established in 1950 in Mumbai, has evolved into a well-recognized high quality personalized services firm. Our extensive knowledge and expertise across various service areas, including Audit and Assurance, Direct Taxes, Accounting, International Tax, and Consultancy services, enable us to offer a "One Stop Platform" by setting a benchmark of excellence in each domain.

With years of experience, we cater to a diverse clientele, including multinational companies (MNCs), foreign companies and their Indian subsidiaries, as well as public and private enterprises spanning industries such as hospitality, trading, fund & private wealth management, IT, and more. Our team comprises dedicated professionals with diverse skills and proficiency, capable of serving clients of all sizes across different sectors.

NDCo embodies a harmonious mix of seasoned expertise and youthful vigour, united by a shared vision of delivering exceptional services and unwavering support to our clients. It's a source of great professional pride that we have attained high level of trust and confidence of our clients.

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TERMINOLOGY GUIDE

AIM	Atal Innovation Mission
ERP	Enterprise Resource Planning
ESOP	Employee Stock Option Plan
GST	Goods and Service Tax
ICAI	Institute Chartered Accountant of India
IPR	Intellectual Property Rights
MCA	Ministry of Corporate Affairs
NBFC	Non-Banking Financial Company
NEA	National Entrepreneurship Awards
R&D	Research and Development
SC	Scheduled Caste
ST	Scheduled Tribe
VC	Venture Capital

1. INTRODUCTION

i. Overview of the Start-up Ecosystem in India

India has emerged as one of the fastest-growing start-up ecosystems globally, fuelled by a combination of factors such as a large young population, increasing internet penetration, and supportive government policies. Cities like Bangalore, Mumbai, and Delhi-NCR have become vibrant hubs for start-up activity, attracting entrepreneurs, investors, and talent from around the world. The ecosystem encompasses a diverse range of industries, including technology, e-commerce, healthcare, fintech, and renewable energy, among others. With the proliferation of incubators, accelerators, co-working spaces, and funding networks, the Indian start-up landscape offers a conducive environment for innovation, collaboration, and growth.

ii. Definition of a Start-up:

In India, a start-up is defined as an entity, incorporated or registered in India not prior to ten years, with an annual turnover not exceeding INR 100 crore in any preceding financial year, working towards innovation, development, deployment, or commercialization of new products, processes, or services driven by technology or intellectual property.

iii. Importance of Start-ups for Economic Growth:

Start-ups play a pivotal role in driving economic growth by fostering innovation, creating employment opportunities, and fostering entrepreneurship. They inject dynamism into the economy, disrupting traditional industries, and introducing novel solutions to societal challenges. Start-ups are not only job creators but also contribute to wealth creation and productivity enhancement. Moreover, they attract foreign investment, stimulate competition, and encourage knowledge sharing and skill development. As engines of innovation and change, start-ups are essential for India's transition towards a knowledge-based economy and its aspirations of becoming a global leader in technology and innovation.

2. GOVERNMENT INITIATIVES AND POLICIES

i. Start-up India Initiative:

Launched in 2016 by the Government of India, the Start-up India Initiative aims to foster entrepreneurship and promote innovation by creating an enabling ecosystem for start-ups. Key features of the initiative include simplifying the start-up registration process, providing tax benefits and concessions, easing regulatory compliance, and facilitating access to funding and resources. The initiative also includes various capacity-building programs, mentorship opportunities, and networking events to support aspiring entrepreneurs and start-up founders.

ii. Make in India Campaign:

The Make in India Campaign, launched in 2014, is a flagship initiative aimed at transforming India into a global manufacturing hub. While not exclusively focused on start-ups, the campaign provides significant opportunities for start-ups in various sectors, including manufacturing, electronics, automotive, and defence. By promoting domestic manufacturing, encouraging foreign investment, and streamlining regulatory processes, the Make in India Campaign creates a conducive environment for start-ups to innovate, scale, and contribute to India's economic growth.

iii. Other Government Schemes Supporting Start-ups:

In addition to the Start-up India Initiative and the Make in India Campaign, the Indian government has introduced several other schemes and programs to support start-ups across different stages of their lifecycle. These include:

- Atal Innovation Mission (AIM) - AIM aims to promote innovation and entrepreneurship among Indian youth by establishing tinkering labs, incubation centres, and Atal New India Challenges.
- Stand-up India Scheme - The Stand-up India Scheme facilitates bank loans between INR 10 lakhs and INR 1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and at least one woman borrower per bank branch for setting up a Greenfield enterprise.
- National Entrepreneurship Awards (NEA) - NEA recognizes and rewards outstanding entrepreneurs and entrepreneurial ecosystems that have contributed to India's economic development.
- Research and Development (R&D) Support - Various government departments and agencies provide grants, funding, and support for research and development activities undertaken by start-ups in critical areas such as science, technology, and innovation.

3. FINANCING OPTIONS FOR START-UPS

i. Venture Capital Funding:

Venture capital (VC) funding involves investment from venture capital firms or funds in exchange for equity ownership in start-up companies with high growth potential. VC funding is typically provided to early-stage or growth-stage start-ups and is used to finance product development, market expansion, and scaling operations. Venture capitalists often bring valuable expertise, networks, and resources to help start-ups grow and succeed.

ii. Angel Investors:

Angel investors are affluent individuals who provide capital to start-ups in exchange for equity ownership or convertible debt. Unlike venture capital firms, angel investors often invest their own money and play a more hands-on role in mentoring and advising start-up founders. Angel investment is typically sought by early-stage start-ups and can provide crucial funding to validate business ideas, build prototypes, and attract further investment.

iii. Government Grants and Subsidies:

The Indian government offers various grants, subsidies, and financial incentives to support start-ups across different sectors and stages of development. These include grants for research and development (R&D), innovation, technology adoption, and market expansion. Start-ups can leverage government schemes such as the Start-up India Seed Fund Scheme, Atal Innovation Mission (AIM), and various state-specific programs to access non-dilutive funding and support.

iv. Bank Loans and Financial Institutions:

Start-ups can also explore traditional financing options such as bank loans, lines of credit, and financial assistance from non-banking financial institutions (NBFCs). While obtaining loans from banks may require collateral and a strong credit history, start-ups can avail themselves of schemes like the Stand-up India Scheme, which provides loans to women entrepreneurs, Scheduled Castes (SC), and Scheduled Tribes (ST) entrepreneurs without collateral for setting up Greenfield enterprises. Additionally, NBFCs may offer flexible financing options tailored to the needs of start-ups, including invoice financing, equipment financing, and working capital loans.

4. TAXATION AND REGULATORY COMPLIANCE

i. Tax Benefits for Start-ups:

- Three-year tax holiday for eligible start-ups.
- Exemption from capital gains tax on specified asset sales.
- Angel Tax Exemption Scheme for relief on valuation premiums.

ii. Goods and Services Tax (GST) Compliance:

- Mandatory registration and regular filing for eligible start-ups.
- Option to opt for the GST Composition Scheme for reduced rates based on turnover.

iii. Accounting and Reporting Standards:

- Adherence to accounting standards set by ICAI and MCA.
- Preparation of financial statements including balance sheets, profit and loss accounts, and cash flow statements.
- Importance of transparency, accuracy, and compliance with regulatory requirements for stakeholders.

5. INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

i. Importance of IPR for Start-ups:

- Safeguards innovative ideas, products, and brands.
- Enhances competitiveness and market value.
- Attracts investment and fosters growth.

ii. Patent, Trademark, and Copyright Registration Process:

- Patent: Protects inventions or innovations.
- Trademark: Safeguards brand names, logos, and symbols.
- Copyright: Preserves artistic, literary, and creative works.
- Registration involves application filing with the respective authorities.

iii. Legal Framework for IPR Protection:

- Indian Patents Act, Trademarks Act, and Copyright Act provide legal protection.
- Enforcement through civil remedies and criminal prosecution against infringement.
- Collaboration with legal experts for comprehensive IPR strategy and compliance.

6. ACCOUNTING AND FINANCIAL MANAGEMENT FOR START-UPS

i. Budgeting and Forecasting:

- Predicts financial performance and resource allocation.
- Helps in setting goals, managing cash flow, and making informed decisions.
- Regular review and adjustment based on market dynamics and business growth.

ii. Financial Reporting Requirements:

- Preparation of financial statements (balance sheets, income statements, cash flow statements).
- Compliance with accounting standards set by regulatory authorities.
- Transparent reporting to stakeholders including investors, creditors, and regulators.

iii. Importance of Sound Accounting Practices:

- Ensures accuracy, reliability, and transparency in financial data.
- Facilitates access to funding, investment, and credit facilities.
- Supports strategic planning, risk management, and compliance with regulatory requirements.

7. RISK MANAGEMENT & INTERNAL CONTROLS

i. Identifying Risks Faced by Start-ups:

- Identification of potential risks including market, financial, operational, and regulatory risks.
- Conducting risk assessments to prioritize and mitigate identified risks.
- Anticipating external factors such as competition, market volatility, and regulatory changes.

ii. Implementing Internal Control Mechanisms:

- Establishment of internal control systems to safeguard assets, ensure compliance, and maintain integrity of financial reporting.
- Segregation of duties, authorization procedures, and regular monitoring of transactions.
- Integration of technology for automation and efficiency in control processes.

iii. Fraud Prevention and Detection Measures:

- Implementation of anti-fraud policies, code of conduct, and whistleblower mechanisms.
- Conducting periodic audits and reviews to detect anomalies and irregularities.
- Promoting ethical culture and awareness among employees through training and communication initiatives.

8. HUMAN RESOURCE MANAGEMENT

i. Hiring and Retaining Talent:

- Recruitment strategies to attract skilled and qualified personnel.
- Offering competitive salaries, benefits, and opportunities for career growth.
- Creating a positive work culture and fostering employee engagement and satisfaction.

ii. Employee Stock Ownership Plans (ESOPs):

- Granting company shares to employees as a form of compensation and incentive.
- Aligning employee interests with company performance and long-term success.
- Structuring ESOPs to motivate and retain key talent and promote employee ownership.

iii. Compliance with Labor Laws:

- Adhering to labor laws and regulations governing employment practices.
- Ensuring fair treatment, safety, and welfare of employees in the workplace.
- Compliance with statutory requirements related to wages, working hours, leave policies, and employee benefits.

9. TECHNOLOGY AND INNOVATION SUPPORT

i. Access to Technology Infrastructure:

- Availability of modern technology infrastructure and facilities.
- Access to high-speed internet, cloud computing, and other digital resources.
- Collaboration with technology providers and industry partners for innovation.

ii. Incubators and Accelerators:

- Incubators provide mentorship, networking, and resources to early-stage start-ups.
- Accelerators offer intensive programs to scale-up start-ups and connect them with investors.
- Access to co-working spaces, funding opportunities, and industry connections.

iii. Research and Development (R&D) Support:

- Government grants, subsidies, and incentives for R&D activities.
- Collaboration with academic institutions, research labs, and industry consortia.
- Promotion of innovation clusters, technology parks, and innovation hubs.

10. SUCCESSFUL START-UPS IN INDIA

i. Meesho:

- Founded in 2015 by IIT-Delhi Graduates, Meesho is a reseller platform transforming e-commerce distribution.
- Valued at \$2.1 billion, Meesho connects homepreneurs with customers via WhatsApp, Facebook, and Instagram.
- Raised \$490 million, with investors including Facebook, it empowers over 13 million entrepreneurs in India.

ii. Nykaa:

- Launched in 2012, Nykaa is an online beauty and fashion platform valued at \$1.2 billion.
- With over 55 retail stores, it serves 1.5 million orders monthly, attracting 5 million monthly active users.
- Expanding into fashion and launching its private label, Nykaa is eyeing a \$3.5 billion IPO by 2022.

iii. Dream11:

- Founded in 2008, Dream11 is India's leading fantasy sports platform, valued at \$5 billion.
- Boasting over 100 million users, it grew at a CAGR of 230% in the last 3 years, attracting \$400 million before IPL 2021.
- With the fantasy sports market booming, Dream11 is poised for exponential growth.

iv. Swiggy:

- Swiggy, India's largest food delivery platform, operates in 27 cities with a valuation of \$5 billion.
- Starting with 5 delivery boys in 2014, it now partners with over 40,000 restaurants, serving a growing market of 50 million users.
- Focused on customer experience, Swiggy's success story epitomizes resilience and innovation.

v. Boat:

- Boat, founded in 2016, is a prominent player in India's consumer electronics market.
- Despite challenges, Boat achieved revenue of around Rs 500 crores in 2020, thanks to its affordable yet high-quality products.
- Aman Gupta's leadership underscores Boat's journey, highlighting determination and innovation.

vi. PhonePe:

- Launched in 2016, PhonePe has become a leading digital payments and financial services platform in India.

- Offering a range of services, including money transfer, bill payments, and mutual funds investment, PhonePe leverages UPI technology for seamless transactions.
- With its user-friendly interface and attractive cashback offers, PhonePe has emerged as a preferred choice for millions of Indians.

vii. PolicyBazaar:

- Founded in 2008, Policybazaar is India's leading online insurance aggregator and fintech company.
- Using data analytics and AI, Policybazaar offers personalized insurance recommendations across various categories.
- Expanding into loans and credit cards, Policybazaar has revolutionized the insurance industry with its innovative platform.

viii. Paytm:

- Established in 2010, Paytm is a pioneering fintech company offering digital payment and financial services.
- From mobile recharges to banking services, Paytm has evolved into a comprehensive financial solution for millions of users.
- With a wide network of merchants and robust security measures, Paytm has cemented its position as a leader in India's digital payments landscape.

What support do we offer?

- Assist start-ups in creating comprehensive financial projections and forecasts.
- Provide guidance on budgeting, cash flow management, and financial decision-making.
- Advise on tax-efficient structures and strategies to minimize tax liabilities.
- Ensure compliance with tax laws, including GST, income tax, and other regulatory requirements.
- Handle day-to-day accounting tasks such as bookkeeping, ledger maintenance, and reconciliation.
- Prepare and analyse financial statements to provide insights into the financial health of the business.
- Help start-ups navigate funding options such as venture capital, angel investment, and bank loans.
- Assist in preparing financial documentation and business plans for fundraising.
- Offer strategic guidance on business planning, market analysis, and growth strategies.
- Conduct feasibility studies and evaluate business opportunities for start-ups.
- Ensure compliance with regulatory requirements related to company law, labor law, and other statutory obligations.
- Assist in obtaining necessary licenses, permits, and registrations for the business.
- Identify potential risks and implement internal control mechanisms to safeguard assets and prevent fraud.
- Conduct risk assessments and provide recommendations to mitigate identified risks.
- Advise on intellectual property (IP) protection strategies, including patent, trademark, and copyright registration.
- Assist in drafting and filing IP applications and ensuring compliance with legal requirements.
- Provide guidance on hiring processes, employee contracts, and compliance with labor laws.
- Assist in designing employee compensation packages, including ESOPs and incentive plans.
- Advise on technology adoption and integration to streamline business processes and improve efficiency.
- Assist in selecting and implementing accounting software, ERP systems, and other technology solutions.

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