

STARTUP INDIA SEED FUND SCHEME



Preface

Since the launch of the Startup India Scheme the Department for Promotion of Industry and Internal Trade (DPIIT) has played a trust building role by issuing certificate of recognition for innovation and scaling of businesses to create a healthy ecosystem and nurture the same with startup challenges and tie up with various incubators and accelerators across the globe. Many startups have taken various benefits offered by the Startup India Scheme.

REBATE IN TRADEMARK AND PATENT APPLICATION FEES

Fast-tracking of Startup patent applications, Panel of facilitators to assist in filing of IP applications, upto 80% rebate in filing patents and 50% rebate in filing Trademarks

SELF CERTIFICATION

Self-compliance under 6 Labour and 3 Environment laws for a period of 5 years from the date of incorporation

EASIER PUBLIC PROCUREMENT

Benefit from exemption on Prior Turnover and Experience, submitting Earnest Money Deposit (EMD) or bid security while filling government tenders

INTERACTIVE PLATFORM FOR STARTUPS

Participate in different opportunities, challenges and summits organized by Government through the Startup India portal. Get listed as Sellers on the Government of India's largest e-procurement portal – gem.gov.in

FUND OF FUNDS FOR STARTUPS

Corpus fund of 10,000 crores managed by SIDBI. The Fund is in the nature of Fund of Funds, which means that the Government participates in the capital of SEBI registered Venture Funds, who further invest in Startups

ANGEL TAX EXEMPTION

Post getting recognition a Startup may apply for Angel Tax Exemption for investment at Premium under Section 56 of the Income Tax Act,1961

TAX EXEMPTION

The entity registered under the Startup India Scheme can apply for an exemption of income tax for 3 consecutive financial years out of first 7 years from the date of incorporation under section 80 IAC of the Income Tax Act,1961

CLOUD SERVICES

\$1000 worth Cloud Credits @ Amazon Web Services

\$1000 worth Cloud Credits @ Digital Ocean

\$300 worth Cloud telephony Services @ MyOperator

\$100 worth Cloud Telephony Services @ Exotel

However, there was no funding scheme by the Government Of India which is now launched through the Startup India Seed Fund Scheme. This shall act as a privilege to DPIIT recognized startups which is a prerequisite to avail a grant of Rs.20 Lac / Rs.50 Lac as applicable.

The Government of India shall be applauded to launch such a transparent scheme which is completely online without any mediator and it plans to disburse Rs.945 crore in the first phase of launch through incubators across the country .



What is Startup India?

The Startup India initiative of the Government of India envisages building a robust Start-up ecosystem in the country for nurturing innovation and providing opportunities to budding entrepreneurs.

An Action Plan with 19 action points for the Startup India initiative was unveiled by the Hon'ble Prime Minister on January 16, 2016.

This Action Plan laid down a roadmap for the creation of a conducive ecosystem for Startups in India. Subsequently, many activities have been undertaken to encourage Startups. Startup India Seed Fund Scheme (SISFS) is one such scheme provides financial assistance to early-stage startups.

Brief background on Startup India Seed Fund Scheme (SISFS)

Minister of Railways, Commerce & Industry, Consumer Affairs and Food & Public Distribution Shri Piyush Goyal launched the Startup India Seed Fund Scheme (SISFS). The Fund aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry, and commercialization. The Scheme was announced by the Hon'ble Prime Minister, Shri Narendra Modi on 16th January 2021 in his Grand Plenary address of 'Prarambh: StartupIndia International Summit', marking the five-year anniversary of the Startup India initiative.



What is Startup India Seed Fund Scheme?

Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise.

Funding from angel investors and venture capital firms becomes available to startups only after the proof of concept has been provided. Similarly, banks provide loans only to asset-backed applicants. It is essential to provide seed funding to startups with an innovative idea to conduct proof of concept trials.

DPIIT has created Startup India Seed Fund Scheme (SISFS) with an outlay of INR 945 Crore to provide financial assistance to startups for Proof of Concept, prototype development, product trials, market entry, and commercialization. It will support an estimated 3,600 entrepreneurs through 300 incubators in the next 4 years.

The Hon'ble Prime Minister of India announced the scheme in his Grand Plenary address of Prarambh: Startup India International Summit on 16th January 2021. After approval of EFC and Hon'ble Finance Minister, the scheme has been notified on 21.01.2021.

The Seed Fund will be disbursed to eligible startups through eligible incubators across India.



How much seed funding can a startup receive under the scheme?

Seed Fund to an eligible startup by the incubator shall be disbursed as follows:

- Up to Rs. 20 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials. The grant shall be disbursed in milestone-based installments. These milestones can be related to development of prototype, product testing, building a product ready for market launch, etc.
- Up to Rs. 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments
- A startup applicant can avail seed support in the form of grant and debt/convertible debentures each once as per the guidelines of the scheme



Objectives Of SISFS

The Indian startup ecosystem suffers from capital inadequacy in the seed and 'Proof of Concept' development stage.

The capital required at this stage often presents a make or break situation for startups with good business ideas.

Many innovative business ideas fail to take off due to the absence of this critical capital required at an early stage for proof of concept, prototype development, product trials, market entry and commercialization.

Seed Fund offered to such promising cases can have a multiplier effect in validation of business ideas of many startups, leading to employment generation.

An Experts Advisory Committee

An Experts Advisory Committee (EAC) has been constituted by Department for Promotion of Industry and Internal Trade (DPIIT), which will be responsible for the overall execution and monitoring of the Startup India Seed Fund Scheme.

The EAC will evaluate and select incubators for allotment of Seed Funds, monitor progress, and take all necessary measures for efficient utilization of funds towards fulfilment of objectives of Startup India Seed Fund Scheme.



Eligibility Criteria for Startups

- A startup, recognized by DPIIT, incorporated not more than 2 years ago at the time of application. To get DPIIT-recognized, please visit <https://www.startupindia.gov.in/content/sih/en/startupgov/startup-recognition-page.html>
- The startup must have a business idea to develop a product or a service with a market fit, viable commercialization, and scope of scaling.
- The startup should be using technology in its core product or service, or business model, or distribution model, or methodology to solve the problem being targeted.
- Preference would be given to startups creating innovative solutions in sectors such as social impact, waste management, water management, financial inclusion, education, agriculture, food processing, biotechnology, healthcare, energy, mobility, defence, space, railways, oil and gas, textiles, etc.
- Startup should not have received more than Rs 10 lakh of monetary support under any other Central or State Government scheme. This does not include prize money from competitions and grand challenges, subsidized working space, founder monthly allowance, access to labs, or access to prototyping facility.
- Shareholding by Indian promoters in the startup should be at least 51% at the time of application to the incubator for the scheme, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.
- A startup applicant can avail seed support in the form of grant and debt/convertible debentures each once as per the guidelines of the scheme.



Eligibility Criteria for Incubators

- The incubator must be a legal entity:
 - A society registered under the Societies Registration Act 1860, or
 - A Trust registered under the Indian Trusts Act 1882, or
 - A Private Limited company registered under the Companies Act 1956 or the Companies Act 2013, or
 - A statutory body created through an Act of the legislature
- The incubator should be operational for at least two years on the date of application to the scheme
- The incubator must have facilities to seat at least 25 individuals
- The incubator must have at least 5 startups undergoing incubation physically on the date of application
- The incubator must have a full-time Chief Executive Officer, experienced in business development and entrepreneurship, supported by a capable team responsible for mentoring startups in testing and validating ideas, as well as in finance, legal, and human resources functions
- The incubator should not be disbursing seed fund to incubatees using funding from any third-party private entity
- The incubator must have been assisted by the Central/State Government(s)
- In case the incubator has not been assisted by the Central or State Government(s):
 - The incubator must be operational for at least three years
 - Must have at least 10 separate startups undergoing incubation in the incubator physically on the date of application
 - Must present audited annual reports for the last 2 years
- Any additional criteria as may be decided by the Experts Advisory Committee (EAC)



FAQs

What is a DPIIT-recognized startup?

An entity shall be considered a “Startup” –

- If it's incorporated as either Private Limited Company or Registered Partnership Firm or Limited Liability Partnership. A sole proprietorship or a public limited company is not eligible as startup
- If it is up to 10 years from the date of its incorporation/ registration
- If its turnover for any of the financial years has not exceeded INR 100 crore
- If it 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
- Should not have been formed by splitting up or reconstruction of a business already in existence.

Why is the application form allowing me to apply to 3 incubators?

The scheme aims to maximize the chances of each startup applicant getting supported through seed funds. It also aims to give startups an opportunity to get supported by a relevant incubator that can give the necessary guidance to them. Thus, we give startups an option to apply to 3 different incubators according to their preference. For example, if incubators at Preference 1 and Preference 2 both select a startup, the funding shall be given by Preference 1 incubator. If Preference 1 incubator rejects and Preference 2 incubator selects, the funding shall be given by incubator at Preference 2, and so on.



FAQs

What all can I use the seed fund for?

Seed fund shall strictly not be used by startups for creation of any facilities and shall be utilized for the purpose it has been granted for. A grant can be used for validation of Proof of Concept, or prototype development, or product trials. A debt/ convertible debenture can be used for Market entry, Commercialization, or Scaling up.

Is the SISFS application process completely online?

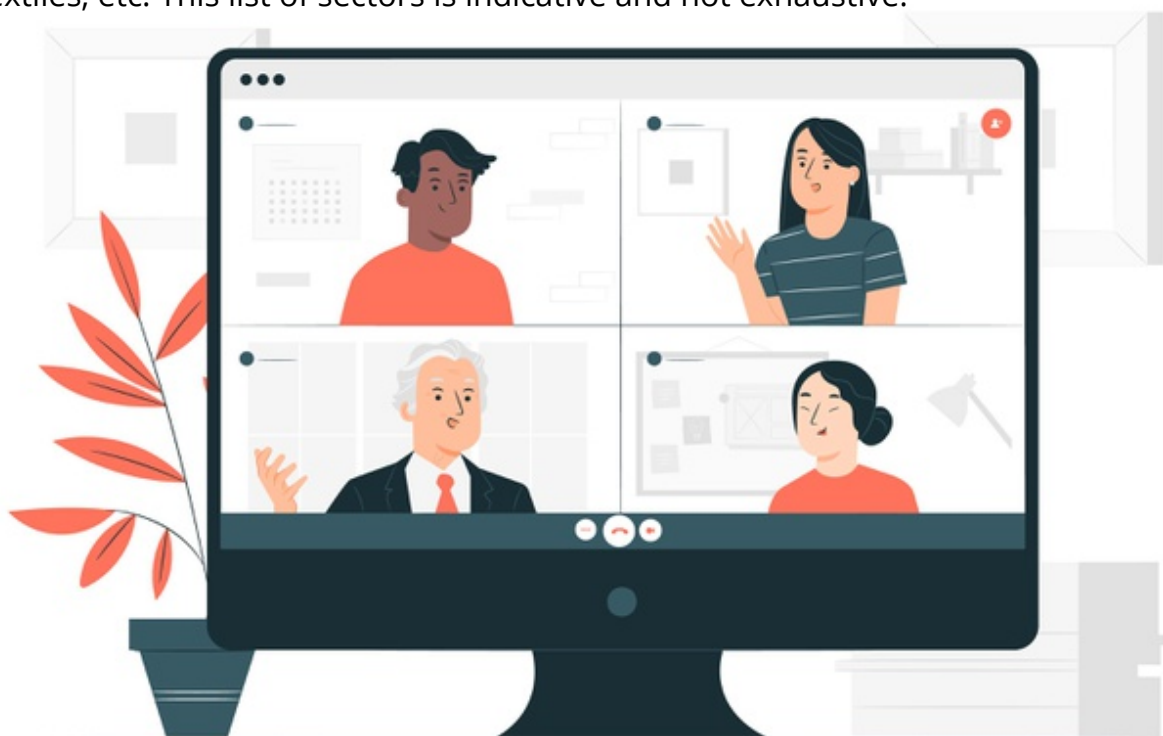
The application submission is completely online, and no physical submission of documents is required.

Is there a fee for applying to this scheme?

There are no application fees for the scheme. Even after the selection of a startup by an incubator for assistance under this scheme, the startup shall not be charged any fees. The incubator or any of its staff members shall not charge any fee in cash or in kind from applicants or beneficiaries under the scheme for any process of selection, disbursement, incubation, or monitoring.

Does the scheme support startups from specific sectors?

SISFS is a sector agnostic scheme, which means that startups from any sector can apply for the scheme. However, preference would be given to startups creating innovative solutions in sectors such as social impact, waste management, water management, financial inclusion, education, agriculture, food processing, biotechnology, healthcare, energy, mobility, defense, space, railways, oil and gas, textiles, etc. This list of sectors is indicative and not exhaustive.



What are the parameters for evaluation of startup applicants?

Criteria	Details
Is there a need for this Idea?	Market size, what market gap is it filling, does it solve a real-world problem?
Feasibility	Feasibility and reasonability of the technical claims, the methodology used/ to be used for PoC and validation, a roadmap for product development
Potential Impact	Customer demographic & the technology's effect on these, national importance (if any)
Novelty	USP of the technology, associated IP
Team	Strength of the team, Technical and business expertise
Fund Utilization Plan	Roadmap of money utilization
Additional Parameters	Any additional parameters considered appropriate by the incubator
Presentation	Overall assessment



CA Mehul Shah

Partner, Rasesh Shah and Co

CA Mehul Shah heads the Taxation Division of firm Rasesh Shah and Co and has been representing taxpayers as legal counsel before the Income Tax Appellate Tribunal and has many credited judgements to his name.

He also manages Tax and Compliance advisory of various corporate and non-corporate entities in the field of direct as well as indirect taxes and also acts as a mentor to many Innovative Startups of Surat which is regarded as one of the fastest growing cities of the world. He has acted as an authorized representative for many Startups and has been instrumental in handholding many Startups to get recognised and avail benefits under the Startup India Scheme launched by Prime Minister Mr. Narendra Modi on 16th January 2016.

He has been associated as a Visiting Faculty with Credent Professional Studies, a well known training Institute for Chartered Accountants and has taught more than 2000 students in span of 7 years.

Mehul Shah is one of the key stake holder of Largest Coworking Space "iKoverk" in Surat that converges people from different Professional Backgrounds like Startups, Freelancers, Consultants and Young Entrepreneurs with a motto to "Connect, Collaborate and Celebrate". The Idea of iKoVerk is to offer "a Plug and Play" Workdesk in Surat with wide array of amenities and provide an opportunity to connect and collaborate with other coworkers helping all to Co-rise.

ABOUT THE EDITOR

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To enquire more about Startup India Registration and to get professional assistance to apply for Startup Seed Funding Scheme , get in touch with us.

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