



Reimagining Innovation For The Future



Telangana Innovation Ecosystem



T-Hub

- » Empowers startups to scale up faster and create business value.
- » Elevates innovation for corporations.
- » Builds a culture of innovation that keeps its partners ahead.



Telangana State Innovation Cell (TSIC)

- » Promotes a culture of innovation and entrepreneurship in the state.
- » Promotes innovation in Government departments and organizations.
- » Builds a culture of innovation from the school stage.



Telangana Academy for Skill & Knowledge (TASK)

- » Enhances skilling synergy among institutions of Government, industry & academia.
- » Improves employability quotient.
- » Enables entrepreneurship development.

T-WORKS

T-Works

- » Makes hardware prototyping faster, cheaper, simpler.
- » Provides access to consumables, prototyping equipment and community.
- » Caters to entrepreneurs, hobbyists, and artists.



Research & Innovation Circle of Hyderabad

- » Facilitates taking research to market.
- » Links research institutions, academia and industry with venture capitalists, angel investors and incubators.



Innovation in Multimedia, Animation, Gaming & Entertainment (IMAGE)

- » Infrastructure & amenities to support the AVGC (animation, visual effects, gaming and comics) industry.
- » Growth engine for tech exports and employment generation.



WE Hub

- » Empowers women entrepreneurs.
- » Makes Government schemes accessible through policy operationalization and research.



EMERGING TECHNOLOGIES ITE&C DEPARTMENT

- » Drive adoption of emerging technologies in government department. (govt as-first-buyer)
- » Build a robust emerging technologies ecosystem in Telangana.



National Center for Additive Manufacturing (NCAM)

- » Promotes additive manufacturing and 3D printing ecosystem.
- » Encourages prototyping of new products
- » Provides access to infrastructure.

About T-Hub



Objectives



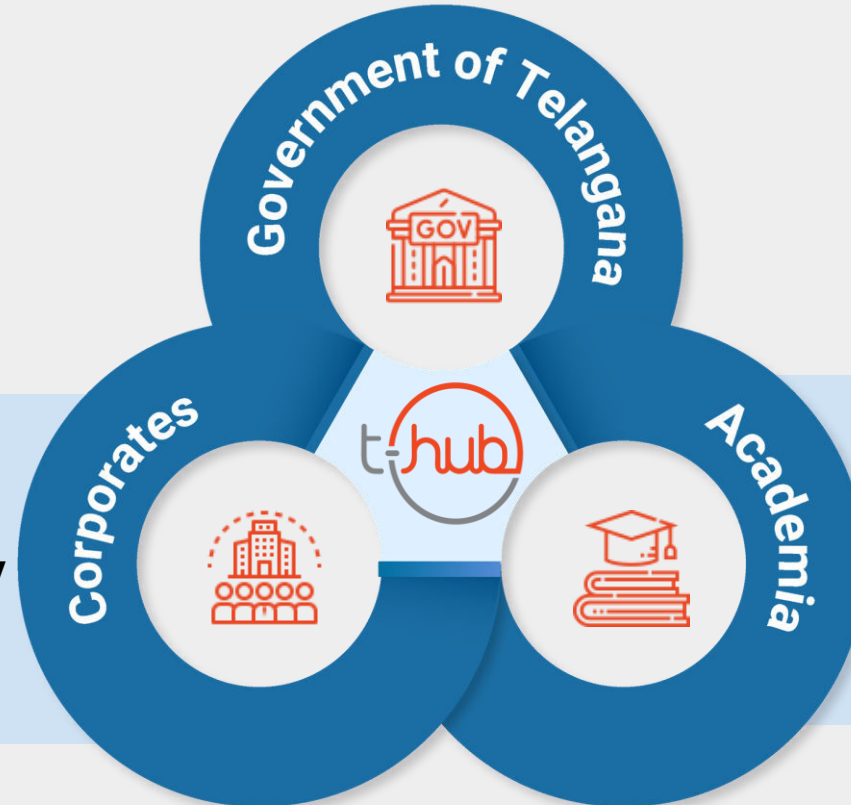
Promote and Scale
Entrepreneurship



Drive Innovation

Public Private Partnership

Cyient
iLabs
Aeries Technology
SRI Capital
Tech Mahindra



IIIT Hyderabad
ISB
NALSAR

Programmatic Support



Startup Innovation

- **M**ethodologies
- **M**arket Access
- **M**oney
- **M**otivation & Mindset
- **M**entorship
- **M**anpower
- **P**artnership
- **P**olicy Advisory



Government Innovation

- Department-Specific Startup Programs
- International Govt. Engagement
- State-Specific Government Incubators



Corporate Innovation

- Corporate Membership
- Intrapreneurship
- Accelerator Program



Academic Innovation

- Creating an entrepreneurial mindset: From Job seeker to Job creator
- Incubation Center: Set-up & running
- Certification courses on niche sectors

Infrastructure Facilities



Can accommodate **800-1,000 startups** at full capacity

3 event spaces with a total 1100 capacity

6 Centers of Excellence (COE's)

Apollo Tyres- Mobility

DSCI- Cyber security

NPCI -Digital Payments

DST- AI / ML

Hexagon -Geospatial Intelligence

CARE-Social Innovation

Trade Missions -Bureau de France, Global Wales

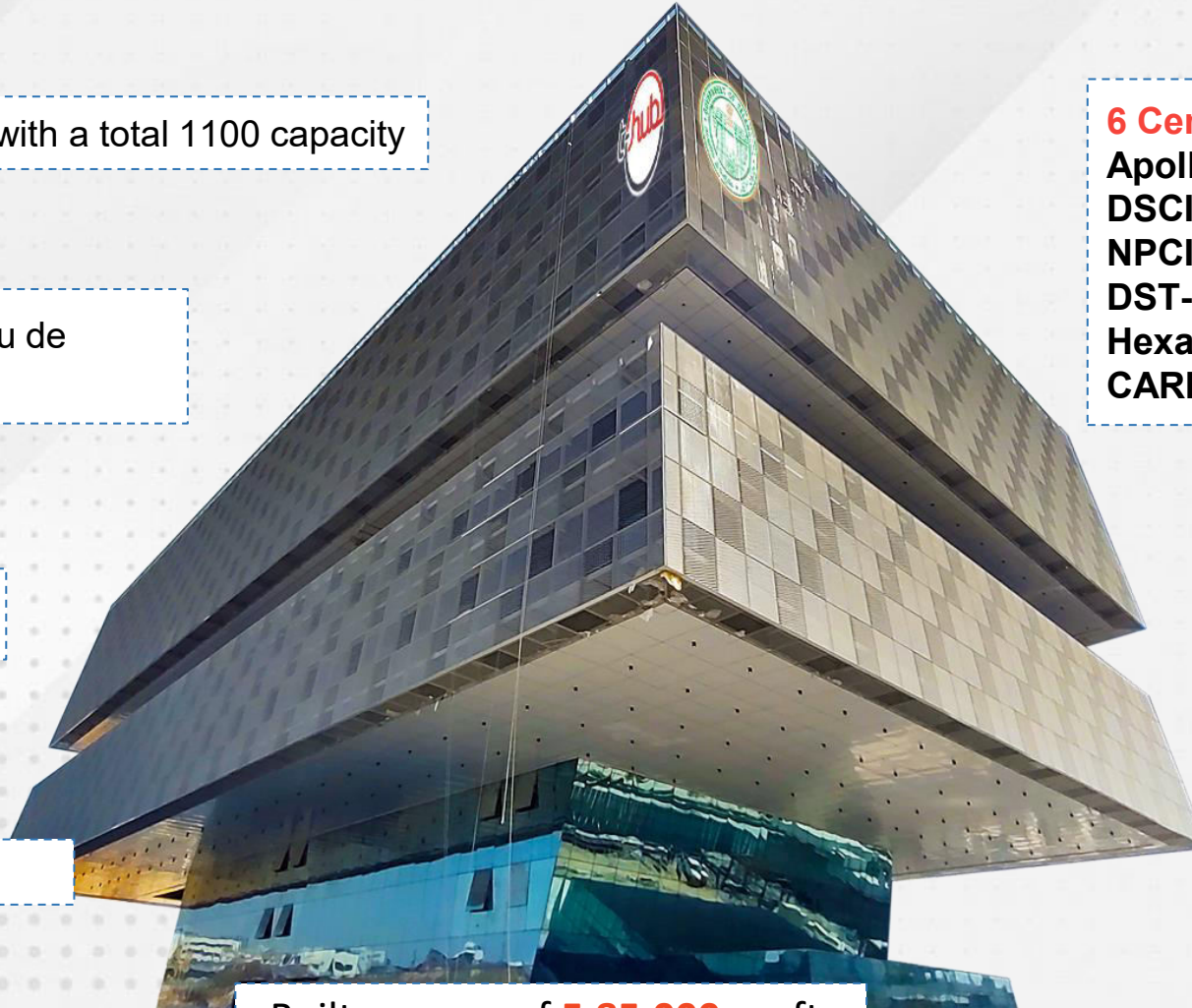
Investor Hub - 7 VCs

CII Center of Innovation

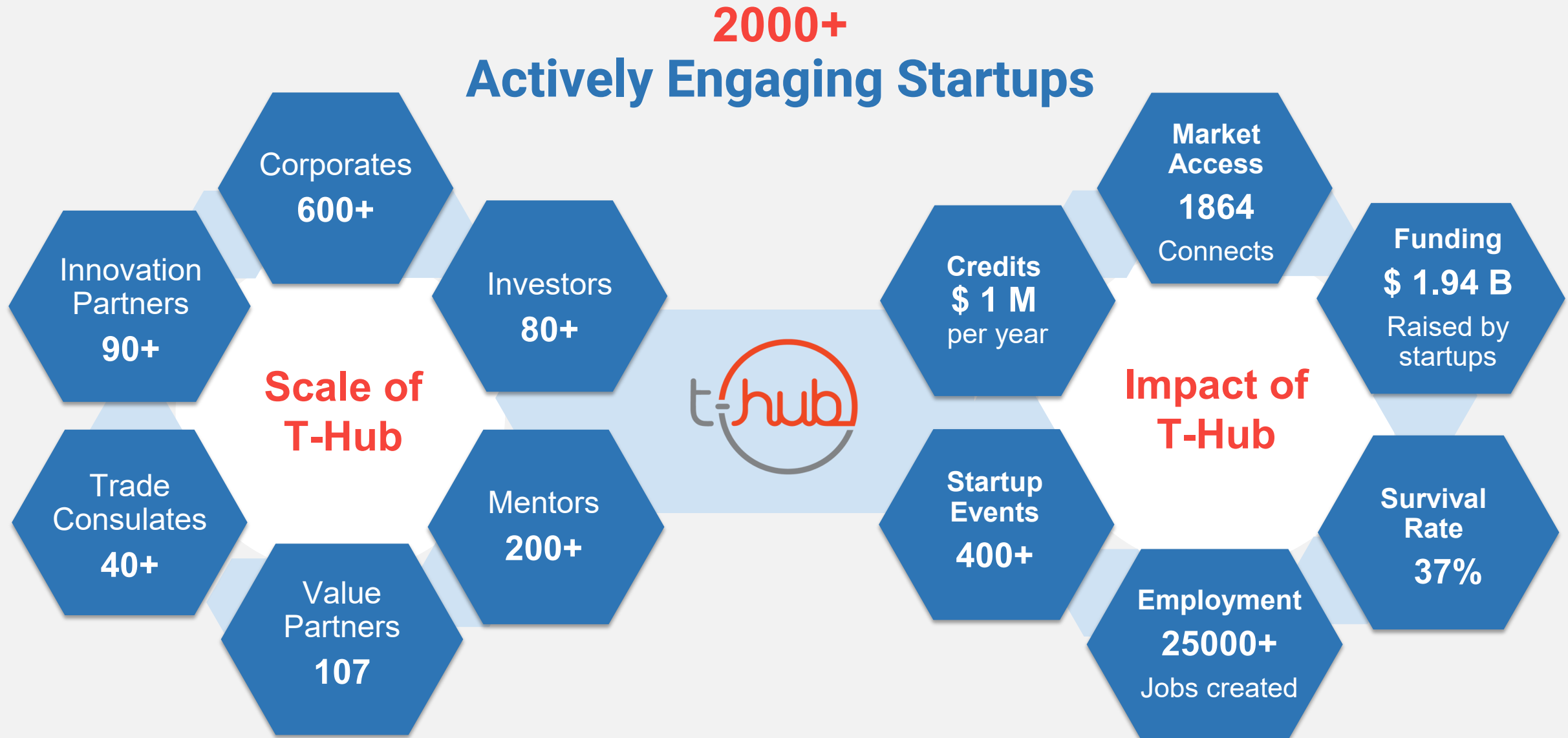
ICICI Bank and **HDFC Bank**

Apple Experience Centre, Digital Studio

Built-up area of **5,85,000** sq. ft.



Current Impact and Scale



Star Startups



Sent India's first
privately built rocket



First Startup to get
an IPO



Spread Across 27
cities



Unicorn from
Hyderabad



Acquired by TITAN



India's Best Incubator
(2022)



National Technology
Business Incubator (2023)

Incubator of Incubators



MAHA-Hub
Maharashtra Hub





STARTUP YATRA "STARTUP MANTHAN"

Organised by COMMITTEE OF MSME and STARTUP - ICAI
Hosted by **Hyderabad Branch of SIRC of ICAI**

PROFESSIONAL OPPORTUNITIES

February 02 2024



START UPS



THE NUMBERS

- 112718 DPIIT registered start ups as on October 2023
- Increase in number of start ups every year
- Operating across different sectors

The unicorns



OPPORTUNITIES

Audit

Tax

Compliance

Accounting

Virtual CFO

OPPORTUNITIES

- Focus on Compliance

OPPORTUNITIES

Valuation

- Business Valuation
- Intangible Assets

OPPORTUNITIES

- Consulting Services

OPPORTUNITIES

- Taking maximum advantage of Government schemes

DPIIT-Recognised Startups Are Eligible For The Following Benefits:

- Intellectual Property Rights (IPR)
- Relaxation in Public procurements norms
- Self-certification under Labour & Environment laws
- Fund of Funds for Startups (FFS)
- Faster exit for Startups
- Startup India Seed Fund Scheme (SISFS)
- Section(56)(2)(viib)

DPIIT-Recognised Startups May Apply To Inter-Ministerial Board (IMB) For The Following Benefits:

- Section 80-IAC: Income Tax exemption for 3 out of 10 years
- Section 54GB: Capital gain on transfer of residential property
- Section 79: Carry forward and set off of losses
- Sections 156, 191 and 192: Deferment of tax liability on ESOPs



Start ups

Implementing best-in-class governance practices

LLM's for professionals as a business opportunity?



MSME's



The numbers

Factsheet of MSME (Udyam) Registration

Total Registration

2,29,01,931

Total Classified

2,28,40,593

Micro

2,21,87,161

Small

5,98,453

Medium

54,979

Total Employment

15,17,87,846

What we know

- Definition of MSME
- Report delay in payments > 45 days as per Companies Act, 2013
- Delayed payments – 10.27 Lakh crores

What we may not know?

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SIDBI Schemes

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Working Capital Products

Working
Capital

SWIFT

STEP

Key Features

- Working capital assistance for working capital requirements of the MSMEs.
- Option to choose banking platform from multiple banks (IDBI/CUB/Yes Bank)
- Seamless approval as per customer instructions for setting Drawing Power.
- Single window for term loan customer to avail working capital facilities.
- MCLR Linked attractive rate of Interest.

Eligibility

- New and existing entities who do not enjoy working capital facility from any other bank/ financial institution.
- Takeover of working capital accounts as a part of term loan takeover may be considered subject to standard guidelines.



MSME

The composition scheme allows MSMEs to do away with tedious tax filing formalities and pay GST at a flat rate. Businesses registered under the composition scheme are required to pay GST at 1% to 6% depending on the type of business activity conducted by the registered person/business entity



43B(h) of the Income Tax Act, 1961

Any sum payable by the assessee to a micro or small enterprises, beyond the time limit specified in section 15 of the Micro, small and Medium Enterprises Development Act 2006. Section 43B comes into effect from April 1, 2023.

Bank Loans restructuring proposals

M & A's in the MSME Sector

MSME's and start-ups

- ☐ Carbon Credit Trading
- ☐ Co-ordinating the process of obtaining funds from Angel Investors / Venture Capital Funds / Private Equity.
- ☐ Conducting Audit / Due Diligence which will of great help before approaching for funds.
- ☐ Providing Compliance Certificate to ensure compliance of various regulatory prescriptions in case of listing in SME Exchange.
- ☐ Helping in converting Sole Proprietor / Partnerships to Companies
- ☐ Management of the public issue ;
- ☐ Monitoring changes in the share ownership of the company;
- ☐ Monitoring changes in the relevant legislation and the regulatory environment and taking appropriate action;
- ☐ Drafting documents and filing with RBI under FDI guidelines and ECB norms.
- ☐ Filing the annual returns of the company, as also represent the company when a situation demands it.
- ☐ Handling matters related to GST, excise laws, labour laws and corporate laws Responsibilities in this regard would include getting project approvals, obtaining relevant licenses and permits, zeroing in on all requirements under the Competition Act and FEMA (Foreign Exchange Management Act) and any other relevant legislation

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THANK YOU!

ICAI Startup Conclave 2024
Hyderabad Branch of SIRC of ICAI

Navigating the Fundraising Landscape: Prerequisites, Valuation, and Deal Instruments Unveiled

Presented By :
Eshank M Shah, CA, CFA, Reg Valuer- SFA

2nd February, 2024

OUR PLAN FOR NEXT ONE HOUR

01

THE INVESTMENT LANDSCAPE:

An Overview of Investment landscape

02

BASICS OF FUNDING:

Funding at various stages – Who, What and When?

03

PREREQUISITES OF FUNDING:

The Checklist to unlock the funded future



Content

DPIIT Startup Recognition

Any Private Limited Company, LLP or Registered Partnership firm which fulfils below criteria



Incorporation Criteria

- Not older than 10 years from the date of incorporation / registration
- Not by splitting up or reconstruction
- Conversion allowed??
- Sole Proprietorship is allowed???



Turnover

- Turnover of the startup for any of the financial years since incorporation / registration not exceeded INR 100 crore
- What is Turnover?



Innovation, Employment & Wealth Generation

- Innovation or
- development or improvement of products/processes/ services or
- a scalable business model in terms of employment generation and wealth creation

Who cannot be Startup?

Entities formed due to merger demerger/ acquisition/ amalgamation/ absorption/will not be recognized as Startup

amalgamation, as per section 233 of the Companies Act between any of the following entities will not be subject to above restriction.

- two or more start-up companies; or
- one or more start-up company with one or more small company

Incorporating additional entities

Incorporating additional entities having similar address with same production line/services and at least one common director/ designated partner/partner will not be recognized as startup



Any change in

Any change in CIN/LLPIN for any reason other than below mentioned purposes are not permitted
(a) change in domicile State, or
(b) due to conversion which are allowed
(c) change in industry/ sector subject to cancellation of existing certificate, shall be permitted subject to approval obtained as per the relevant act.

Change in Shareholding

As per Guidelines, Shareholding by Indian promoters in the startup should be at least 51%, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.

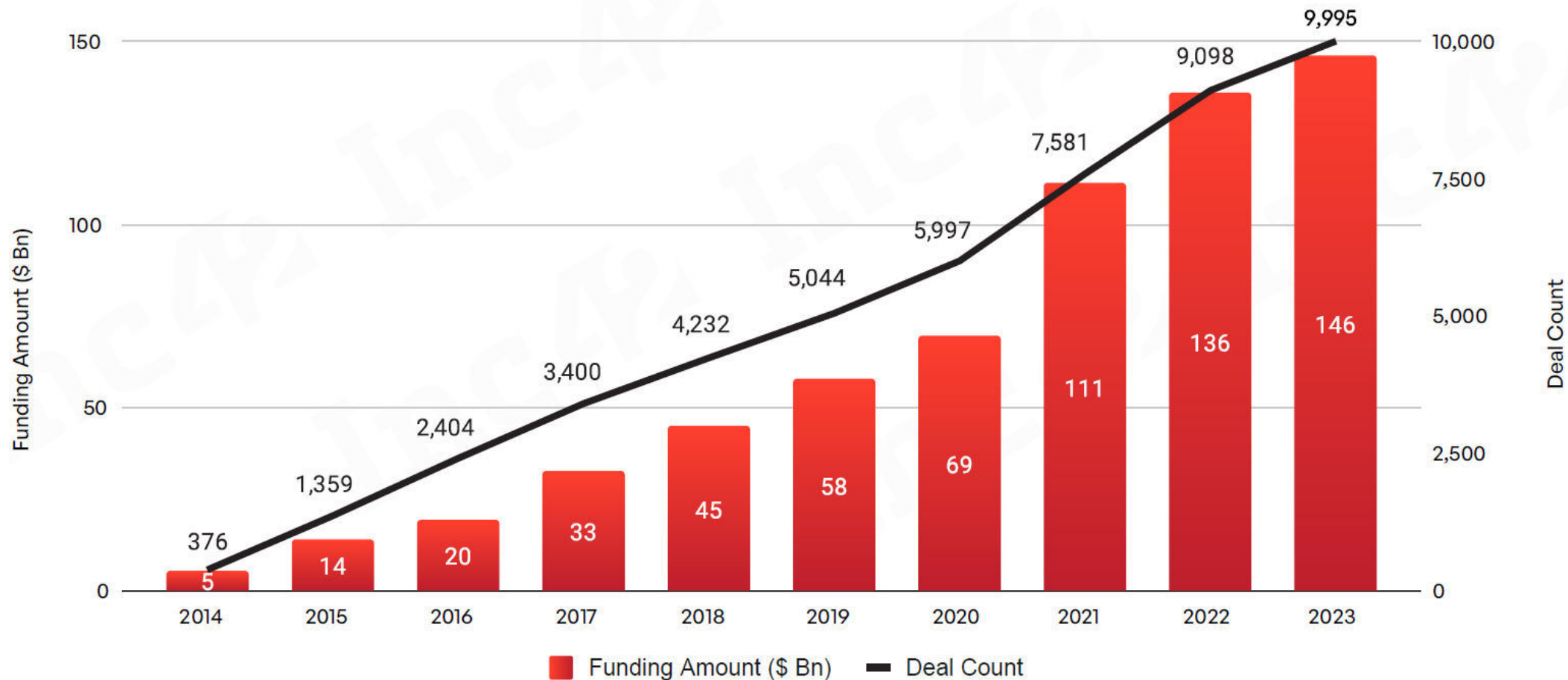
- Who is promoters?

Holding/Subsidiary/Joint Ventures/Overseas Entity:

- As per Guidelines, it is clarified that no Holding/Subsidiary/Joint Ventures/any entity incorporated outside India are eligible to be a Startup.
- Holding /Subsidiary/Join Venture after recognition??
- Definition of Holding/Subsidiary/Join Venture?









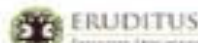

Funding Landscape – an Overview

\$146 Bn+ Raised By Indian Startups Since 2014



Top 10 Biggest Funding

Top 10 Biggest Funding Rounds In Indian Startup History

	Round Size	Year	Notable Investors
 Flipkart	\$3.6 Bn	2021	Tiger Global Management, Walmart, Tencent, SoftBank
 OYO	\$1.5 Bn	2021	SoftBank, Ritesh Agarwal, Lightspeed Venture Partners, Microsoft
 Paytm	\$1.4 Bn	2017	SoftBank
 SWIGGY	\$1.2 Bn	2021	SoftBank, Alpha Wave Global, Goldman Sachs
 OLA	\$1.1 Bn	2017	Tencent, SoftBank
 PhonePe	\$850 Mn	2023	General Atlantic, Walmart
 DREAM SPORTS	\$840 Mn	2021	Tiger Global Management, DST Global, TPG, Alpha Wave Global
 VERSE	\$805 Mn	2022	CPP Investments, Google, Meta, Sofina
 ERUDITUS Executive Education	\$650 Mn	2021	Accel, SoftBank, CPP Investments, Prosus Ventures
 lenskart	\$600 Mn	2023	Abu Dhabi Investment Authority, Chrys Capital

Source: Inc42

Note: Based on startup funding deals recorded between 2014 and June 2023

Inc42

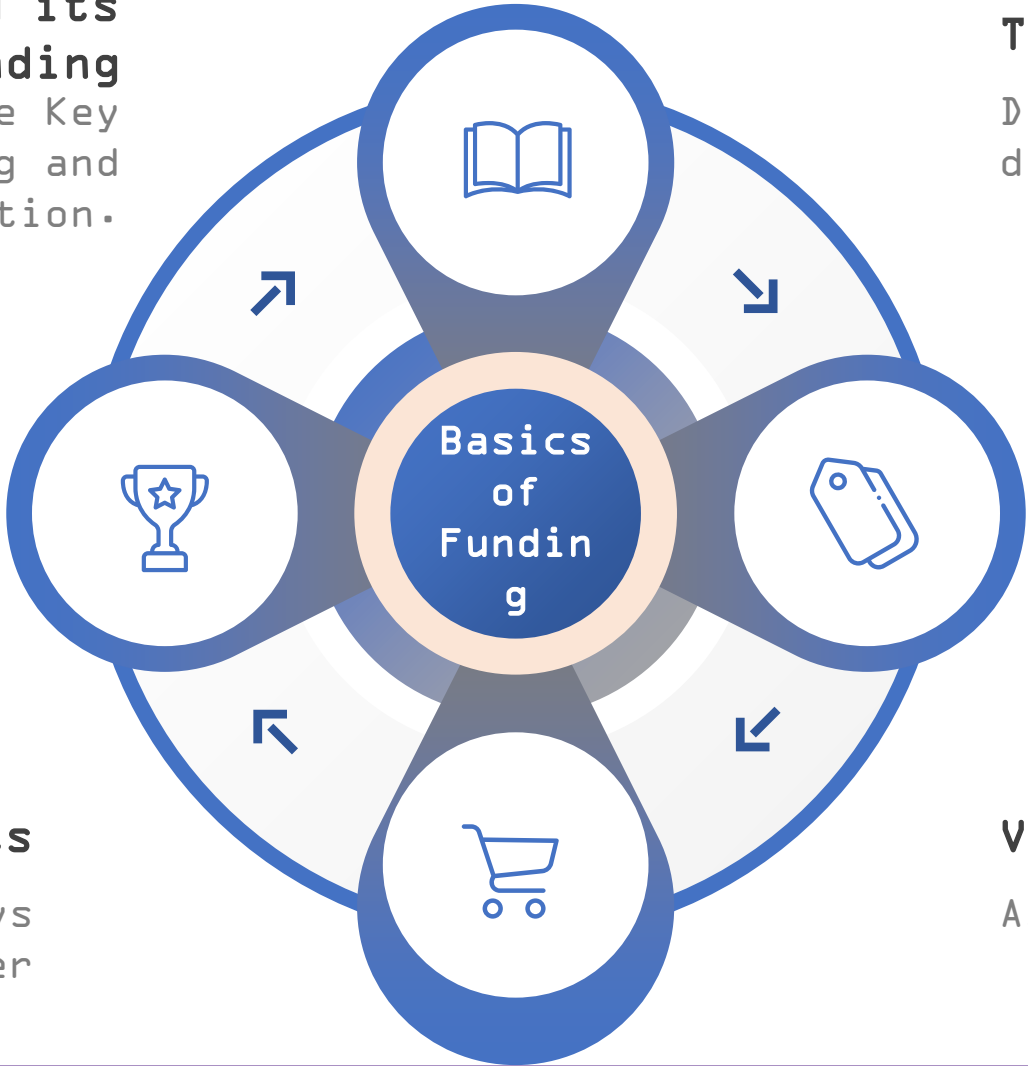
Basics of Funding

Stages of Company and its Funding

Stages of Company is the Key parameter for Funding and its Valuation.

Type of Investors

Different Angels in different stages.



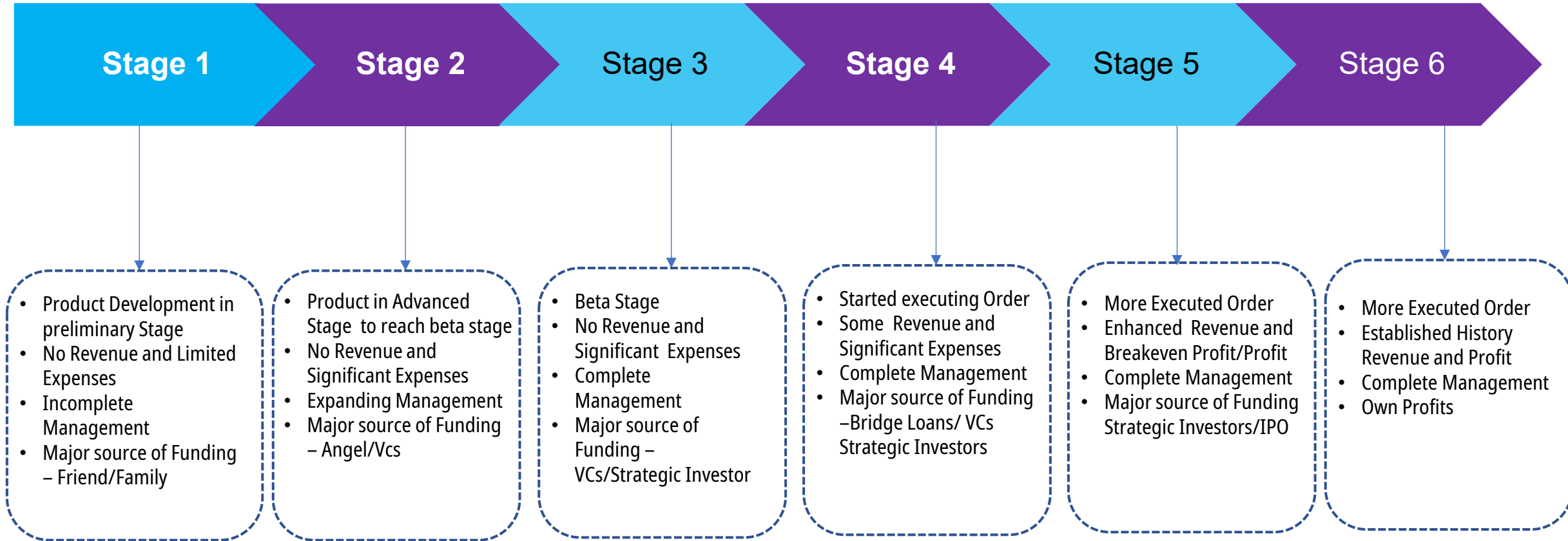
Deal Instruments

Shareholder vs
Debtholder

Valuation Nuances

Ask vs Fair Value

Basics of Funding -Stages of a Company



Basic of Funding -Stages of Funding



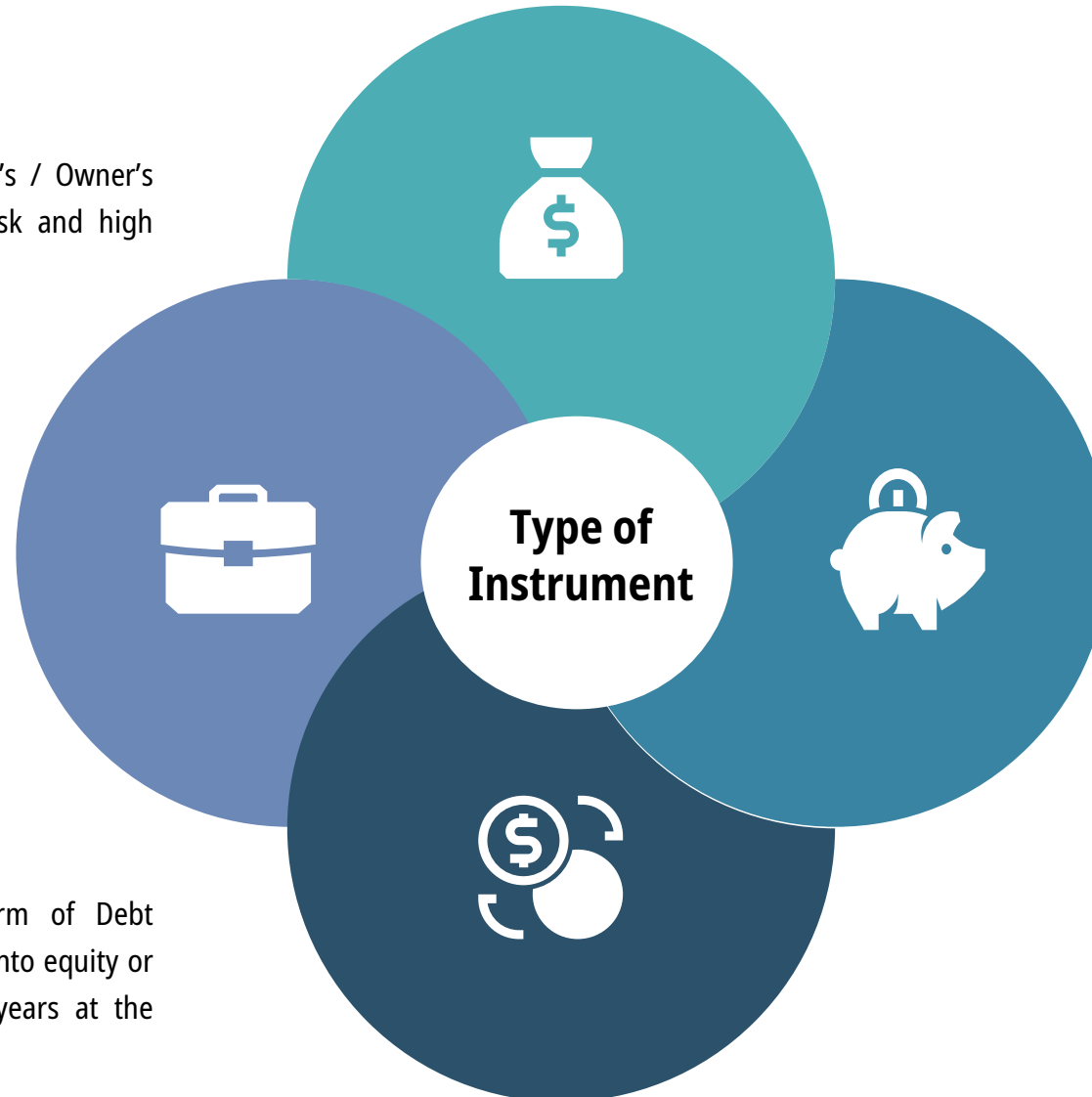
Basics of Funding – Deal Instruments

Equity Shares

Equity shares is meant for Founder's / Owner's Capital . Equity shares has high risk and high return. No Preferential rights

Compulsorily Convertible Instruments CCPS/CCD

Investor Preferred Instrument. It has preferential rights over others Instruments. CCD, though equity linked Instrument, will be treated as Debt for the purpose of Liquidation



Convertible Note

Convertible Notes ("CN") is a form of Debt Instrument which can be converted into equity or get repaid within a period of 10 years at the option of CN Holder.

Venture Debt

Venture Debt refers to any form of debt financing provided to a company that is still dependent on Venture Capital (VC) financing to fund its operations.

Equity Shares



What is Equity Shares?

Equity shares serve as a primary source of funding for a company. Holders of equity shares, known as equity shareholders, lack preferential treatment in terms of capital repayment and dividends. However, they possess the authority to collectively influence business operations, making them co-owners of the company.

When to Issue Equity Shares?

1. Organic Growth
2. Mergers and Takeovers
3. Financial Restructuring

TAX AND REGULATORY FRAMEWORK

COMPANIES ACT

Mode of issue:-

- Equity can be issued through Rights & Private Placement

Valuation Requirement:-

- Valuation report from a Registered Valuer to be obtained if issuance is through Private Placement

INCOME TAX ACT

- The Company to obtain Valuation Report from a Merchant Banker to justify the Value at which Equity are issued under section 56(2)(viib)
- Requirement of Valuation Report may be evaluated if the Company is an Eligible Startup and has an Angel Tax Exemption

FEMA

- If Mr X is Non-Resident issuance of Equity to Non-Residents amounts to FDI.
- Valuation report from a CA or a Merchant Banker is required

SHARES (CCPS)

- ❖ Like Preference Shares CCPS carry a Preferential right over Dividend and Liquidation Preference
- ❖ Unlike Preference Shares which are Redeemable, CCPS are compulsorily converted into ordinary stock upon occurrence or completion of an event or within a stipulated time frame and thus lead to dilution in control.
- ❖ The terms of CCPS issue guide the conversion ratio, the industry generally follows 1:1 conversion ratio but this can vary from company to company or round to round.
- ❖ The conversion ratio can be fixed at the time of issue or can be determined at a future point. The CCPS can be structured to act in a

Case Study:-

ABC Pvt Ltd (Company) having paid up capital 9.50 Lakhs intends to raise investment through issuance of CCPS. ESOP available as on the date is 5,000 Shares. Mr X an Angel investor is contemplating to invest 1.00 Cr in the Company

	Amount	Shares	Price per share	Face value per share	Premium per share	Conversion Ratio
Pre Money	10.00 Cr	1,00,000	1000.00	10.00	990.00	1:1
Investment	1.00 Cr	10,000	1000.00	10.00	990.00	
Post Money	11.00 Cr	1,10,000	1000.00	10.00	990.00	

TAX AND REGULATORY FRAMEWORK

COMPANIES ACT

General Compliance:-

- AOA & MOA should Authorize issuance of Preference shares

Tenure:-

- It cannot be longer than 20 years

Mode of issue:-

- CCPS can be issued through Rights & Private Placement

Valuation Requirement:-

- Valuation report from a Registered Valuer to be obtained if issuance is through Private Placement

INCOME TAX ACT

- The Company to obtain Valuation Report from a Merchant Banker to justify the Value at which CCPS are issued under section 56(2)(viib)
- Holding Period benefit available from holding of original instrument
- Requirement of Valuation Report may be evaluated if the Company is an Eligible Startup and has an Angel Tax Exemption

FEMA

- If Mr X is Non-Resident issuance of CCPS to Non-Residents amounts to FDI.
- Conversion price or formula has to be determined upfront which cannot be less than fair value at the time of issue
- Valuation report from a CA or a Merchant Banker is required

COMPULSORILY CONVERTIBLE DEBENTURES (CCDS)

- ❖ These are debt capital raising instruments which are subsequently and compulsorily converted into equity shares of the company.
- ❖ These generally carry a preferential right of payment over other stakeholders of the company because CCDs are a hybrid instrument essentially in the form of debt rather than equity until the time they are converted to equity shares.
- ❖ Typically carry time based discounts to the next round valuation

A company issuing CCD can enjoy following benefits :-

- ❖ Tax benefit on interest
- ❖ Dilution in control can be deferred until the CCDs are converted
- ❖ There is no requirement to maintain Debenture redemption Reserve (DRR) or appoint Debenture Trustee (DTs) in case of issue of CCDs
- ❖ Leverage Benefit (in certain cases)
- ❖ These are not considered as deposits
- ❖ No need of security at the time of issue
- ❖ Valuation is not required at the time of issuance

TAX AND REGULATORY FRAMEWORK

COMPANIES ACT	INCOME TAX ACT	FEMA
<p>General Compliance:-</p> <ul style="list-style-type: none"> ▪ AOA should Authorize issuance of Debentures <p>Tenure:-</p> <ul style="list-style-type: none"> ▪ Conversion should be made within 10 Years <p>Mode of issue:-</p> <ul style="list-style-type: none"> ▪ CCDS can be issued through Rights or Private Placement <p>Valuation Requirement:-</p> <ul style="list-style-type: none"> ▪ Valuation report from a Registered Valuer at the time of issuance or 60 Days prior to conversion as the company chooses 	<ul style="list-style-type: none"> ▪ Valuation requirement as mentioned in Sec 56(2)(viib) is not applicable for debentures ▪ Holding Period benefit available from holding of original instrument ▪ Conversion of CCDS into Equity shares - No Capital Gain (exempt transfer) ▪ The interest paid on CCDs can be claimed as expenditure for the purpose of arriving at total income. And TDS on such interest needs to be deducted at appropriate rate. 	<ul style="list-style-type: none"> ▪ If Investor is Non-Resident, issuance of CCD to Non-Residents amounts to FDI. ▪ These are considered as Equity investments for FEMA reporting purposes ▪ Conversion price or formula has to be determined upfront which cannot be less than fair value at the time of issue ▪ Valuation report from a CA or a Merchant Banker is required

Convertible Notes | Introduction & Key Features



What is Convertible Note

Convertible Notes ("CN") is a form of Debt Instrument which can be converted into equity, usually at a discounted valuation, at the option of CN Holder.



Time of Conversion

Typically, Conversion can be based upon specific event like next round of Financing or at the expiry of Specific Period.



Why Convertible Note

- Simpler Structure
- No Need for Valuation
- Founders need not dilute in early stages
- Investor can convert, only in case of positive growth



Currently, Only Eligible startups recognized by the DPIIT are eligible to issue convertible Notes in India.

Key Features

1. Debt Instrument
2. Conversion Option
3. Maturity Date
4. Interest Rate
5. Discount Rate
6. Valuation Cap
7. Subordination to Future Rounds
8. Quick and Cost-Effective
9. Flexible Terms
10. Bridge to Future Financing
11. Risk and Reward Sharing*
12. Simplicity in Execution

Convertible Notes | How CN's Work?

M/s ABC Private Limited ("Company") has issued a Convertible Note amounting to INR 1,00,00,000. This Convertible Note holds the provision to be converted into equity during the Series A round. Following this, the Company successfully completed its Series A Round at a valuation of INR 34,00,00,000, with each share priced at INR 25,000. The total number of pre-investment shares before this round amounted to 13,600.

Particulars	Reference	Amount
Convertible Note Issued	A	INR 1,00,00,000
Series A Round Valuation	B	INR 34,00,00,000
No of Shares Outstanding	C	13,600
Price Per Share for Series A Round	$D = B/C$	INR 25,000

Convertible Notes | How CN's Work?

Particulars	Reference	Scenario 1 Discount of 20%	Scenario 2 No Discount; Cap of 25 crores	Scenario 3 Discount at 20% cap of 25 Crores
Convertible Note Issued	A	INR 1,00,00,000	INR 1,00,00,000	INR 1,00,00,000
Series A Round Valuation	B	INR 34,00,00,000	INR 34,00,00,000	INR 34,00,00,000
Valuation Cap	C	NA	INR 25,00,00,000	INR 25,00,00,000
No of Shares Outstanding	D	13,600	13,600	13,600
Price Per Share for Series A Round	$E=B/D$	INR 25,000	INR 25,000	INR 25,000
Conversion Price	$F=80\%$ of E; for Scenario 1 $F=C/D$ For Scenario 2 and 3*	INR 20,000	INR 18,382.35	INR 18,382.35
No of Shares Post Conversion	$G=A/F$	500	544	544
Value of Investment	$H = G * E$	INR 1,25,00,000	INR 1,36,00,000	INR 1,36,00,000
Investor Return post Conversion	* When CN Holders have both options, conversion will take place at the price lower among the two. Thus maximising the number of shares.			

Convertible Notes | How CN's Work?

Particulars	Pre Conversion		Scenario 1		Scenario 2		Scenario 3	
	No Of Shares	%of Holding	No Of Shares	%of Holding	No Of Shares	%of Holding	No Of Shares	%of Holding
Founders	10,000	73.52%	10,000	70.92%	10,000	70.70%	10,000	70.70%
Seed Round Investor	3,600	26.48%	3,600	25.53%	3,600	25.45%	3,600	25.45%
CN Holders	-	-	500	3.55%	544	3.85%	544	3.85%
Total	13,600	100%	14,100	100%	14,144	100%	14,144	100%

Conversion Price No. of Shares Converted Dilution to Founders

Higher Valuation



Lower Valuation



Higher Discount



Lower Discount



Convertible Notes | Regulatory Aspects

COMPANIES ACT

- Only Eligible Startup can issue CN
- Minimum Amount of Investments from a single investor in a single tranche is INR 25 Lakhs
- Maximum Period of Conversion or Repayment is 10 years

FEMA

- Issue of Convertible Note (that can be repaid in 10 years) to Non-Residents permissible for Eligible Startups ("works like Optionally Convertible Note)
- Minimum Amount of Investments from a single investor in a single tranche is INR 25 Lakhs
- Pricing guidelines has to be followed at time of conversion

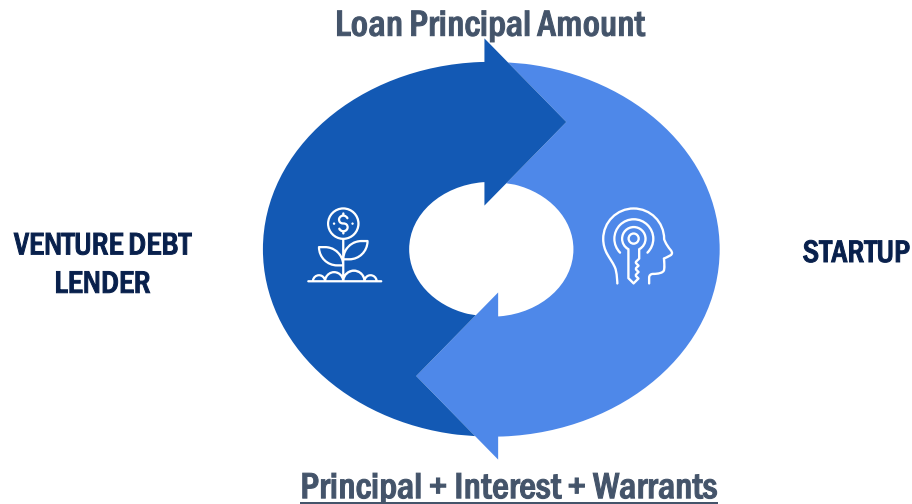


INCOME TAX

- CN's take the Nature of Debt
- Conversion of Debentures into Equity is exempt u/s 47 (x)
- Subsequent sale of Shares on Conversion Taxable under capital gain
- Holding ~~VALUATION~~ **VALUATION** benefit available from holding of original instrument of Issue
- Valuation is required at the time of Conversion.
- If Issuance of Convertible Note through private placement, Valuation either decided at time of issue or within 60 days of conversion.

VENTURE DEBT

- ❖ Venture Debt refers to any form of debt financing provided to a company that is still dependent on Venture Capital (VC) financing to fund its operations.



❖ Venture Lending

- Venture loans are a type of debt financing typically provided to venture-backed companies.
- Venture loans are generally a complement to venture capital and provide value to fast growing companies and their existing investors by minimizing equity dilution when raising new rounds of capital.
- Unlike traditional bank lending, venture loans are catered towards startups and growth companies that do not necessarily have positive cash flow or hard assets to use as collateral.

How Does Venture Debt/ Financial/ Lending work?

- ❖ Venture debt works differently from conventional loans. **The debt is short- to medium-term in nature (up to three or four years).**
- ❖ The majority of venture debt instruments **involve interest payments**. The payments are based on either the prime rate or another interest rate benchmark such as LIBOR.
- ❖ In addition, in venture debt financing, **the lenders receive warrants on the company's common equity as a part of the compensation for the high default risk.**
- ❖ In the future, the warrants can be converted into common shares at the per-share price of the last equity financing round. The warrants often provide exponential returns to the borrowers relative to the appreciation potential of the company's common shares.
- ❖ The best time to raise venture debt is concurrent with or immediately following an equity raise
- ❖ Venture debt can extend the cash runway of a startup company to achieve the next milestone achievement prior to their next equity raise, resulting in a higher valuation and less dilution.

Particulars	Details
Valuation of Earlier Round	INR 1,00,00,000
Price per share	1,000
Number of shares	10,000
Venture funding @ 30% of earlier round	30,00,000
Repayable in 2 years Interest @ 10% p.a.	
300 Warrants to be issued, in case of default the warrants shall be converted into shares	
Value of Warrants for Venture Capital	3,00,000

Type of Investor

Foreign Fund/Foreign Investor

Any foreign Investors can invest in startup as per FEMA NDI rule. Startup has to operate under FDI allowed activities to receive Investment

Alternative Investments Fund

AIF means any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, for investing it in accordance with a defined investment policy for the benefit of its investors. SEBI Regulated Entity . Three Types of Catgeory to cater different Investment Objective .

Venture Capital Fund/Private Equity

Venture capital funds are pooled investment funds that manage the money of investors who seek private equity stakes in startups. Private equity (PE) refers to capital investment made into companies that are not publicly traded. .

Angel Investor

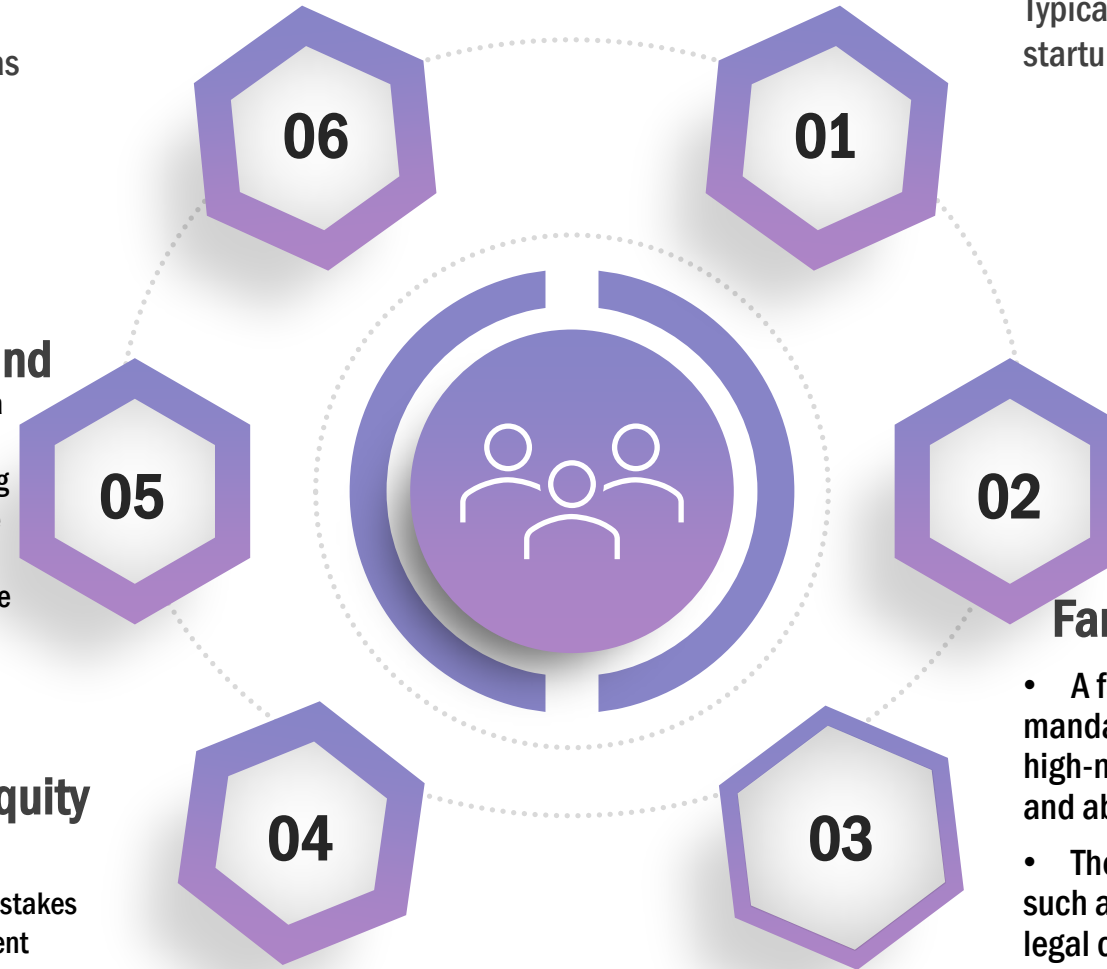
Typically, High Networth Individuals invest in startup at its early stage

Incubators /Accelerators

Accelerators are typically funded by investors, corporations, or government agencies, in order to support innovation, source investments

Family Offices

- A family office is a group of companies whose mandate is to manage a multi-million investment of ultra-high-net-worth families with net assets worth \$30 million and above.
- They manage a UHNW family's finance-related needs, such as investment, wealth management, accounting, tax legal compliance,



PREREQUISITE OF STARTUP FUNDING

INVESTOR REQUIREMENTS

1

Startup Recognition and Angel tax Exemption

Startup
Recognition

Angel Tax
Exemptions

MSME
Registration

2

ESOP

ESOP dilutes the
existing
shareholders

Creation of ESOP Pool
before Investors becomes
mandatory

Different Investor will
ask for different ESOP
Pool creations

3

Due Diligence, Pitch Deck and Financial Modelling

Due Diligence will be
carried out to identify the
risk involved

Pitch Deck helps investors
to know about the business

Financial Modelling helps
investor to understand the
numbers

4

Intellectual Property

Generally, IP are
not registered

IP may be in the
name of Founder

Assignment of IP is
essential for smooth
run of business

5

SSA/SHA

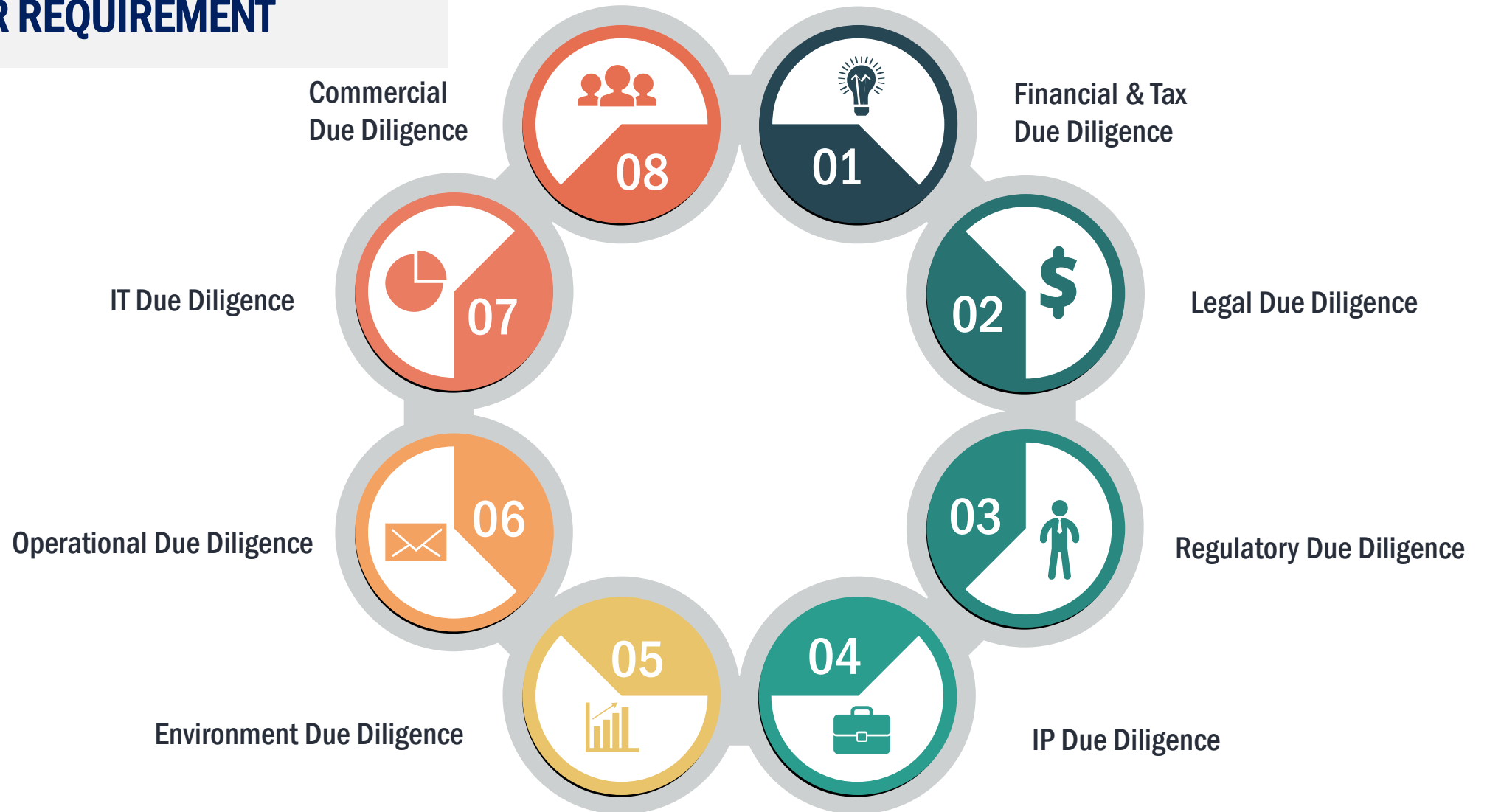
Term sheet – basics to
streamline the
expectation

Subscription Agreement
deals about subscription
detail

Shareholders'
Agreement essential to
legally enforce the
rights

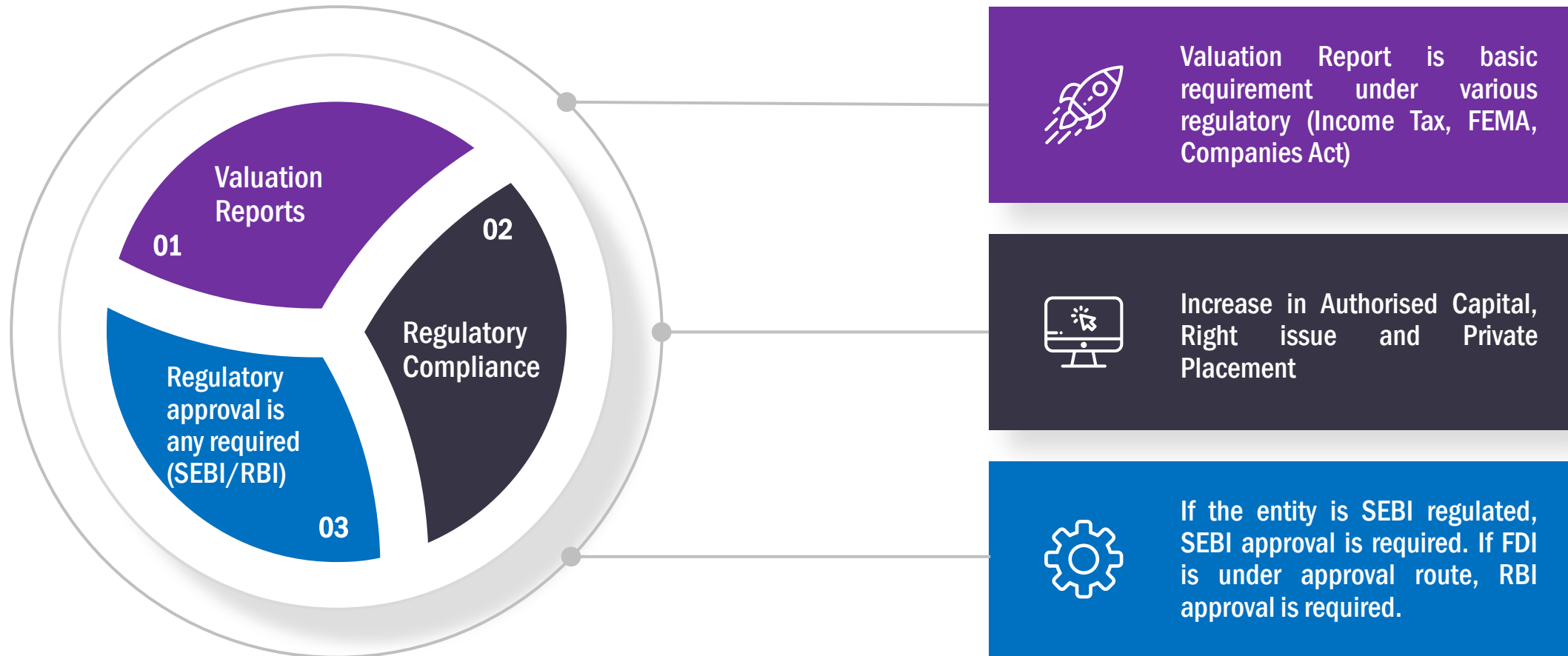
PREREQUISITE OF STARTUP FUNDING

INVESTOR REQUIREMENT



PREREQUISITE OF STARTUP FUNDING

REGULATORY REQUIREMENT



VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS

WHEN DO YOU REQUIRE A VALUATION REPORT?

TRANSACTIONS	COMPANIES ACT	INCOME TAX ACT*	FEMA **
RIGHTS ISSUE	✗	✓	✓
PRIVATE PLACEMENT	✓	✓	✓
TRANSFER OF SHARES	✗	✓	✓

Note:

* If a startup is received angel tax exemption Valuation report is not required

** Valuation report under FEMA is required only if any one of the party is a Non Resident

VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS

WHO IS ELIGIBLE TO SIGN THE VALUATION REPORT?

	Chartered Accountant	Merchant Banker	Registered Valuer
Under Income Tax Act			
Transfer of Shares	✓	✓	
Issue of Shares other than transfer (If DCF Methodology followed)		✓	
Issue of Shares other than DCF Method	✓		
Other than Shares & Securities	✓	✓	
Under Companies Act			
Issue of Shares through Private Placement & Other Securities			✓
Under FEMA			
Issue of Shares to a Non-Resident	✓	✓	
Compulsorily Convertible Debenture	✓	✓	

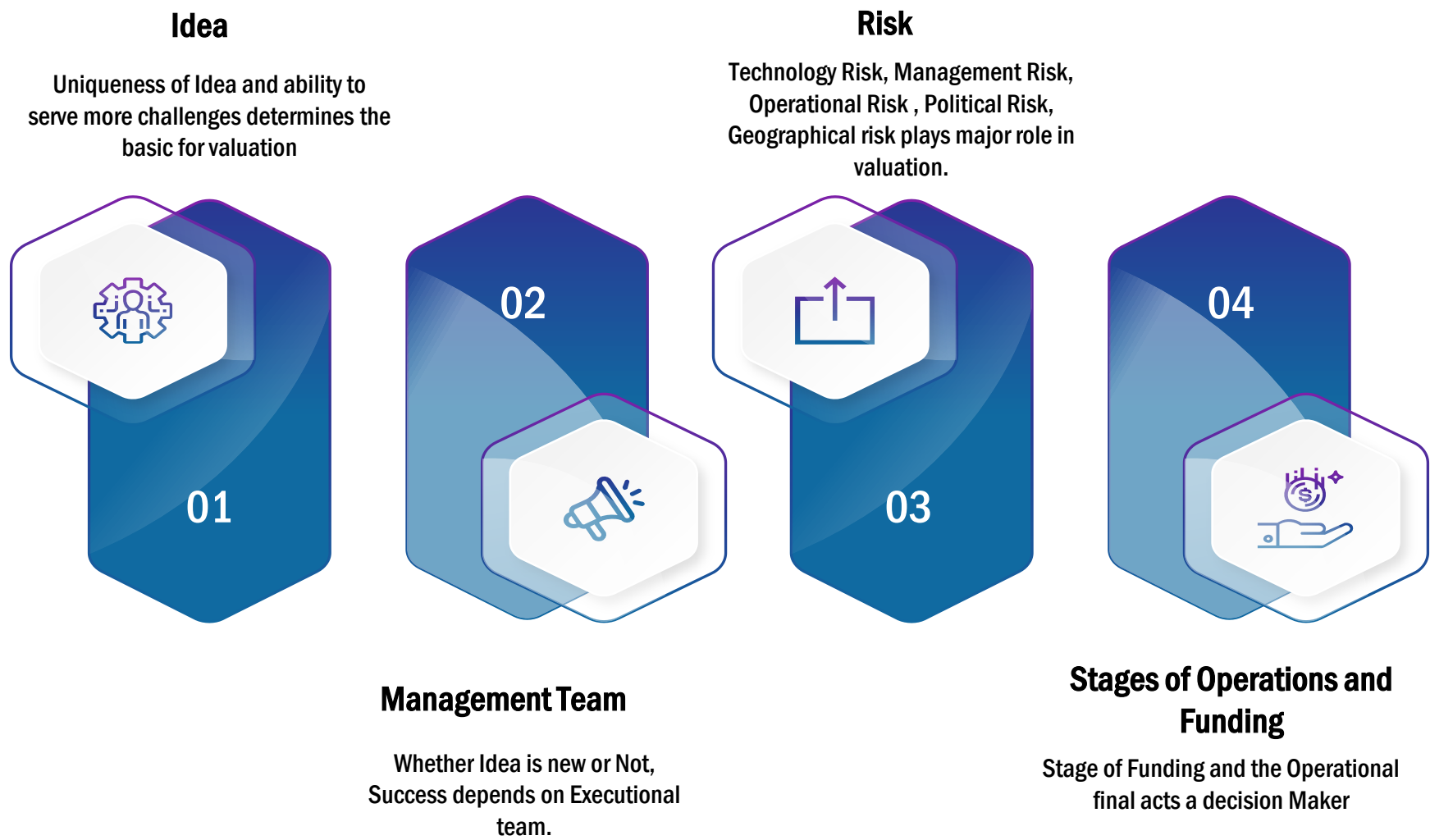
VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS


REGULATORY APPROVAL

- In certain cases, Regulatory approval is mandatory before receiving any funds
- In case of Foreign Investments, The startup needs to evaluate whether FDI is allowed under automatic Route/Approval Route
- If the Startup activity falls under the approval route, the Company has to get prior approval from RBI by making separate application
- In addition to above, irrespective of activity, Investments from countries which India Shares Land borders falls under approval route.
- In case of SEBI Regulated Entity, the Company has to ensure prior intimation/approval is obtained wherever necessary, before receiving the funds



Funding Deciding Factor: Qualitative and Quantitative Parameters





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THANK YOU

STARTUP INDIA

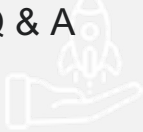
STARTUP ECOSYSTEM

IN INDIA



Flow

- Cover Startup Ecosystem in India.
- Impact being driven at Thub.
- Cover some areas of funding facilitated through incubators.
- Telangana ecosystem – if any
- Q & A

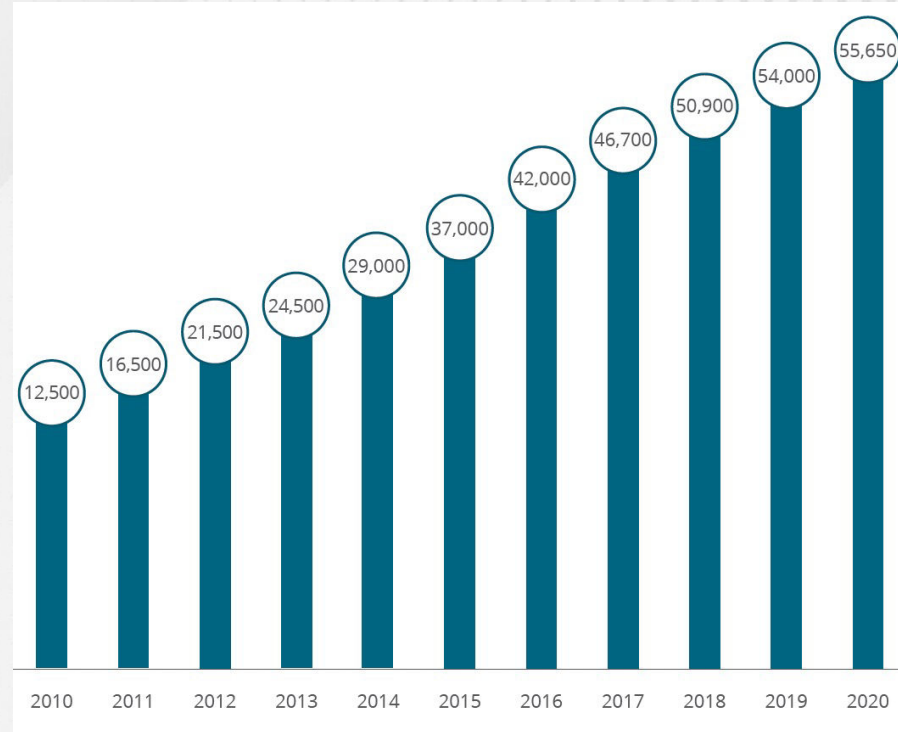


Beginning of Indian Start-up Ecosystem

- India's start-up ecosystem is not a recent phenomenon.
- It originated with software services start-ups during 60's (TCS-1968) serving Indian software needs and later expanded to exporting software services.
- The next generation of Indian product start-ups had founders who had worked in these services start-ups or were moving back from Silicon Valley. HCL- 1976
- TDICI,(Technology Development and Incubation Centre of India), a government entity, formed to promote the development of technology-based start-ups and build a strong venture capital ecosystem in the country.
- During 1988, venture capital investments were kicked off, followed by other Silicon Valley investors.
- During 80's, a handful of pioneers in IT services Infosys and others placed India on global map Firmly.
- Companies leveraged the counts young English–Speaking workforce to provide cost-effectively technology solutions.

Beginning of Indian Start-up Ecosystem




- During third and fourth wave of startups from 90's to 2010ish, we have seen startup in the areas of marketplaces, e-commerce vendors, portals e-commerce, logistics, marketplaces, and advertising startups.
- India also saw a wave of SaaS companies being founded in India with products mainly sold to customers in the US and Europe.
- India's startup ecosystem has witness a significant raise in startups during last decade (12500-55650) 4.5X increase.



CURRENT STATUS OF START UP ECOSYSTEM IN INDIA

- India is the 3rd largest startup ecosystem globally.
- 112T+ registered startups spread across 763 districts.
- India ranks 2nd in innovation quality.
- Solving problems in 56 diverse industrial sectors.
- Ex: IT 13%, healthcare and life sciences 9%, education 7%, agriculture 5%, food beverages 5%.
- Exponential growth in the past decade
 - 15X increase in the total funding of startups
 - 9X increase in the number of investors
 - 7X increase in the number of incubators
 - 9X increase in the number of startups

GLOBAL STARTUP ECOSYSTEM COMPARISON: INDIA VS CHINA VS USA

			
Total Funding (2014 to 2022)	\$136 Bn	\$837 Bn	\$2.7 Tn
Funding CAGR (2019 to 2022)	27%	26%	85%
Internet Penetration (2021)	61%	73%	90%
Total Internet Users (2021)	846 Mn	1.03 Bn	302 Mn

SOURCE: INC42, OTHER SECONDARY SOURCES

Past, Current and Projection

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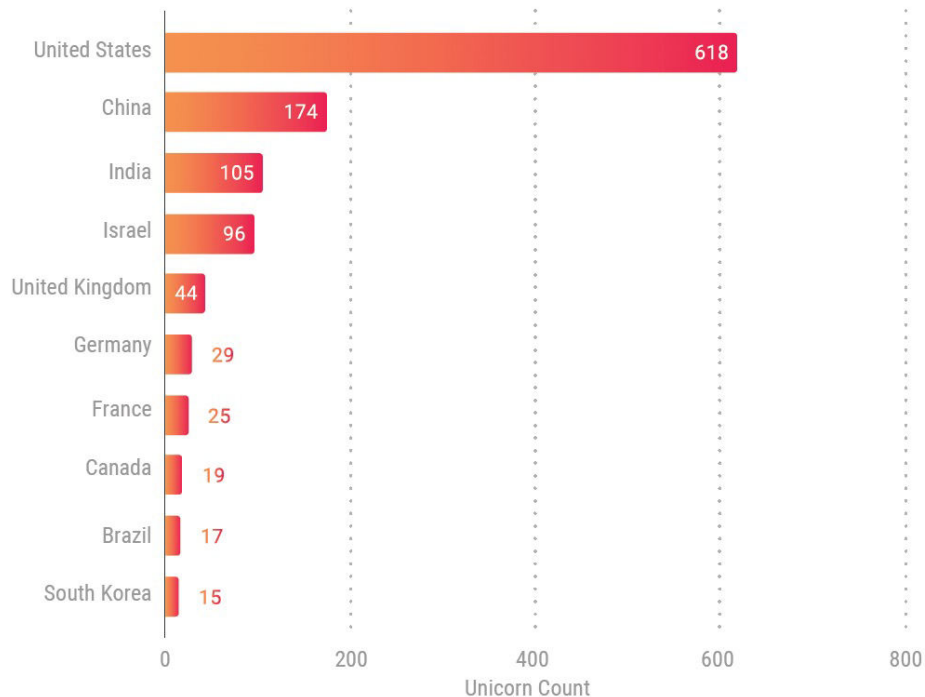
New Flywheel Ramping Up



Source: IBEF, Nasscom, Industry Reports
Credits: TV Mohandas Pai © 3one4 Capital

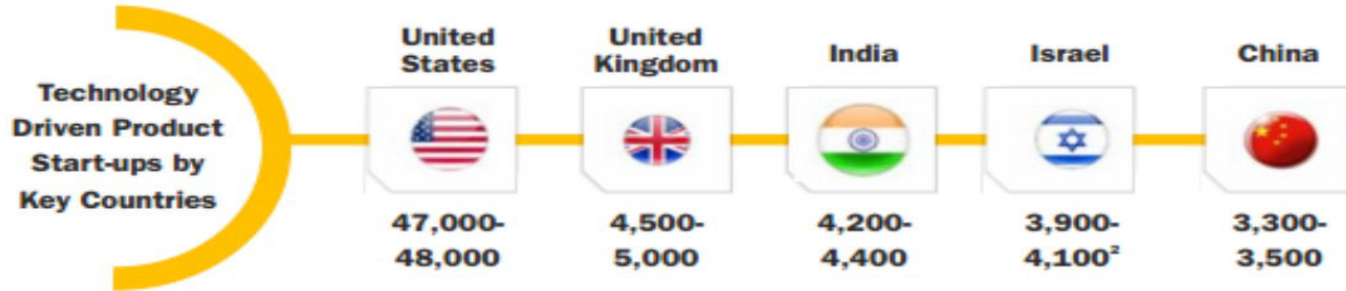
India on its way to number #2 position globally

India In Global Unicorn Race: India Minting Unicorns Faster Than China

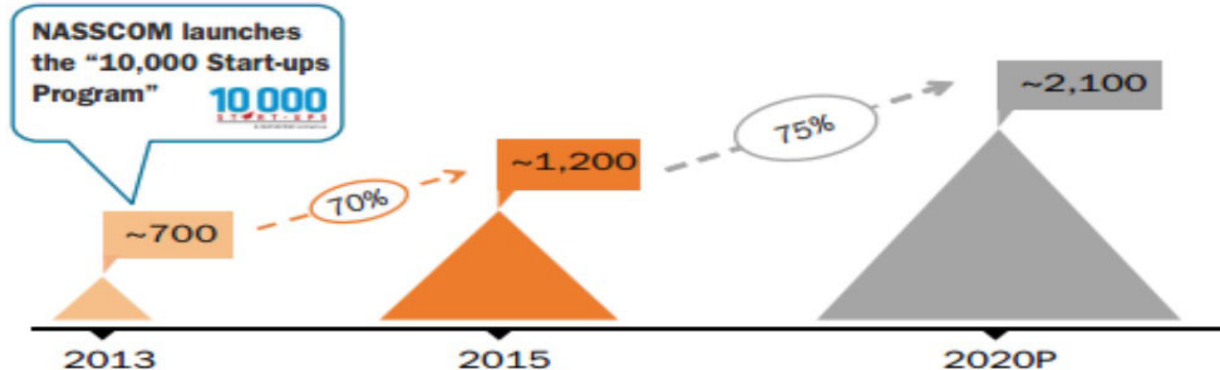


- 3rd highest number of unicorns in the world
- 71% 5-year-CAGR (2016 to 2021) of new unicorn count in India

India is the third largest tech start-up location globally



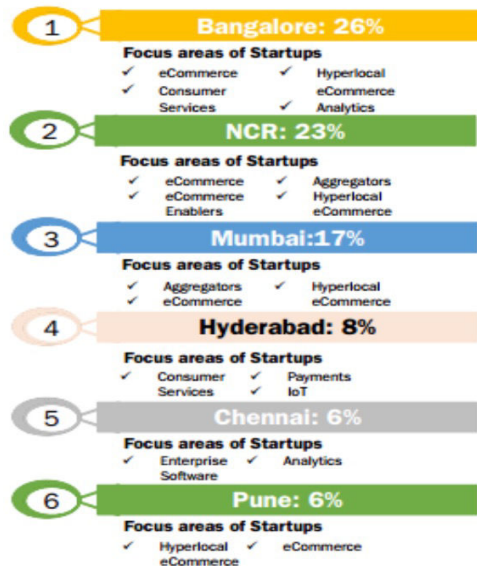
Technology Start-ups by Year of Inception



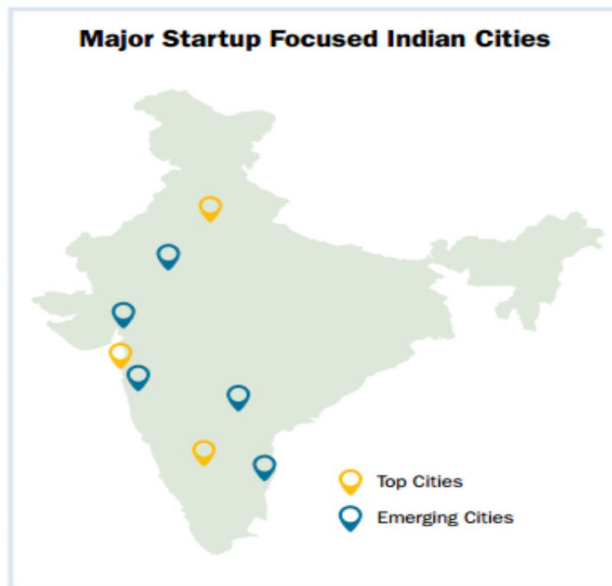
Distribution of startups across India

66% of start-ups are concentrated in the top 3 cities of Bangalore, NCR and Mumbai

Distribution of Indian Startups (4200+)



Major Startup Focused Indian Cities



Top Cities

1. Bangalore
2. NCR
3. Mumbai

Emerging Cities

1. Chennai
2. Pune
3. Hyderabad
4. Ahmedabad
5. Jaipur

City Index based on:

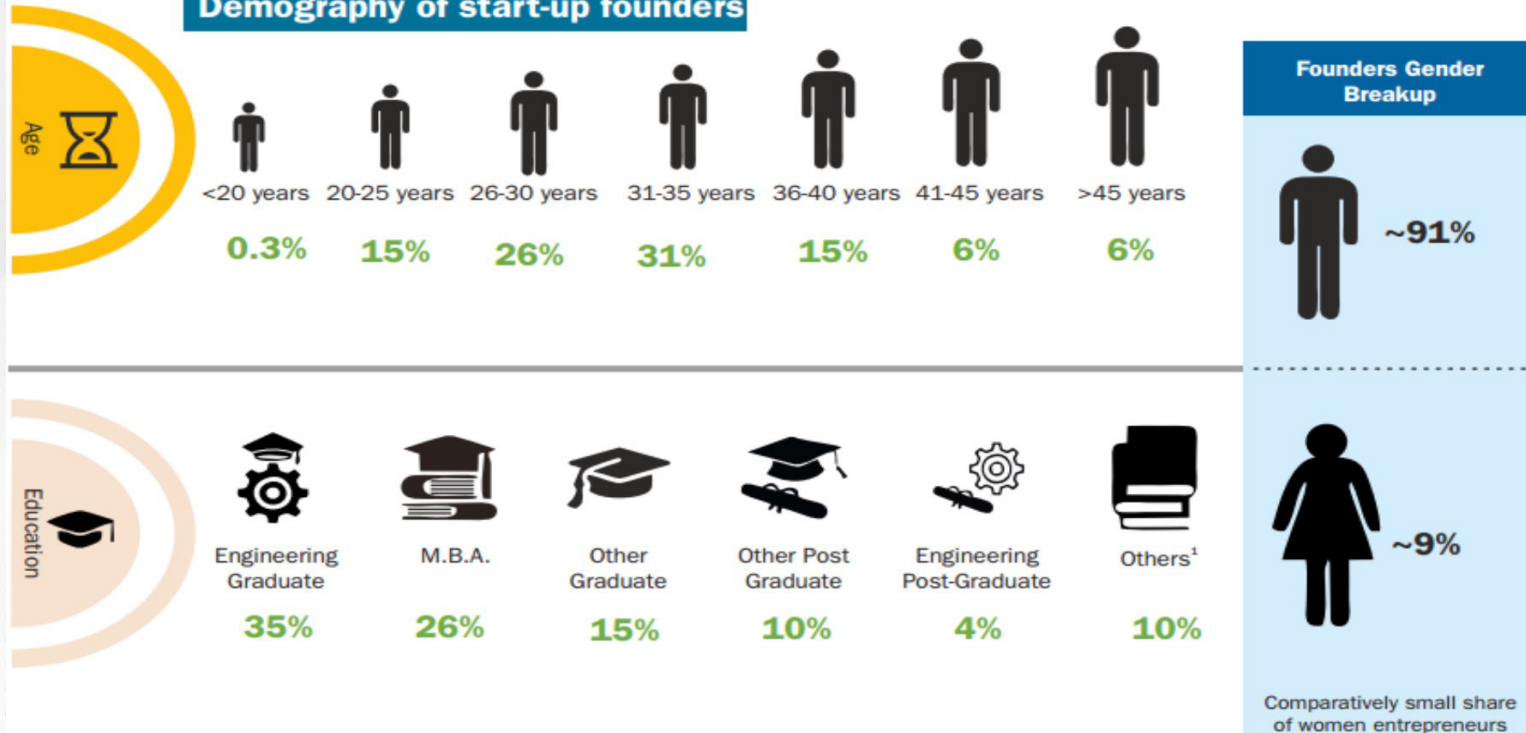
- (a) Number of startups
- (b) Number of investor deals
- (c) Amount of funding
- (d) Enabling ecosystem (such as proximity of investors, incubators, accelerators and coworking spaces)

Bangalore is evolving fast to become a global startup hub, closely followed by NCR and Mumbai

Young Founders Nations

India is the youngest start-up nation in the world - 72% of the founders are less than 35 years old

Demography of start-up founders



FACTORS THAT PREDOMINANTLY CONTRIBUTED TO THE GROWTH IN STARTUPS OVER THE PAST DECADE



Rising digital adoption: 900Mn users expected by 2025

Telco price wars, commoditization of mobile data are leading to high smartphone and internet penetration: expected 13.5% CAGR in smartphone users from 2020 to 2025



Pandemic aided acceleration and explosion of UPI by 2.6X

Pandemic accelerated new digital behaviors; UPI adoption also grew 2.6X between April 2020 and April 2021 within a year, benefiting Fintech and E-Commerce sectors especially



The age demographic sweet-spot driving new digital behaviors

65% of population below 35 years, with median age of 28.4 years (2023); Also producing ~1Mn graduates a year



Expanding middle class and rising urbanization

Resulting in larger demand basket - Middle class will account for 46% of all Indian households in 2025 (vs 37% in 2018)

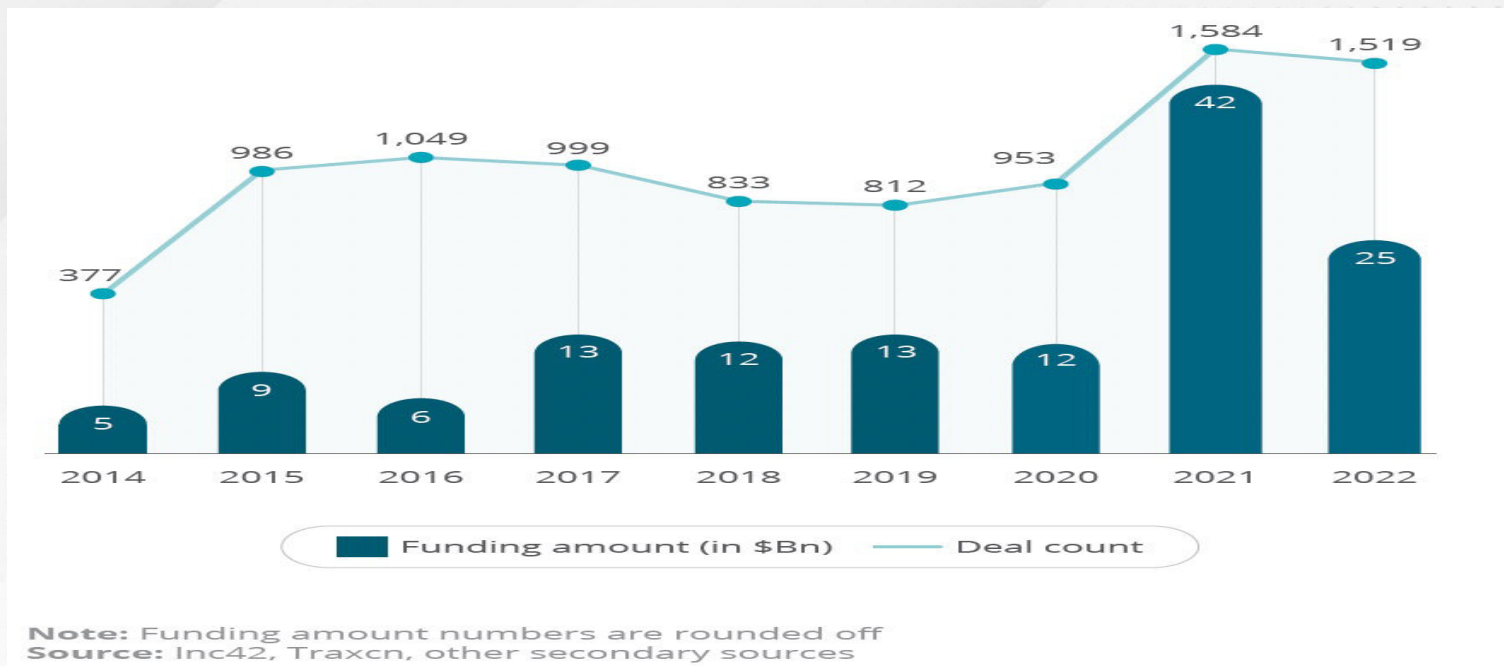


Conducive public policy

Digital India program, Startup India initiative (2016), Multiple incubation programs, Tax benefits, investments to support infrastructure for startup

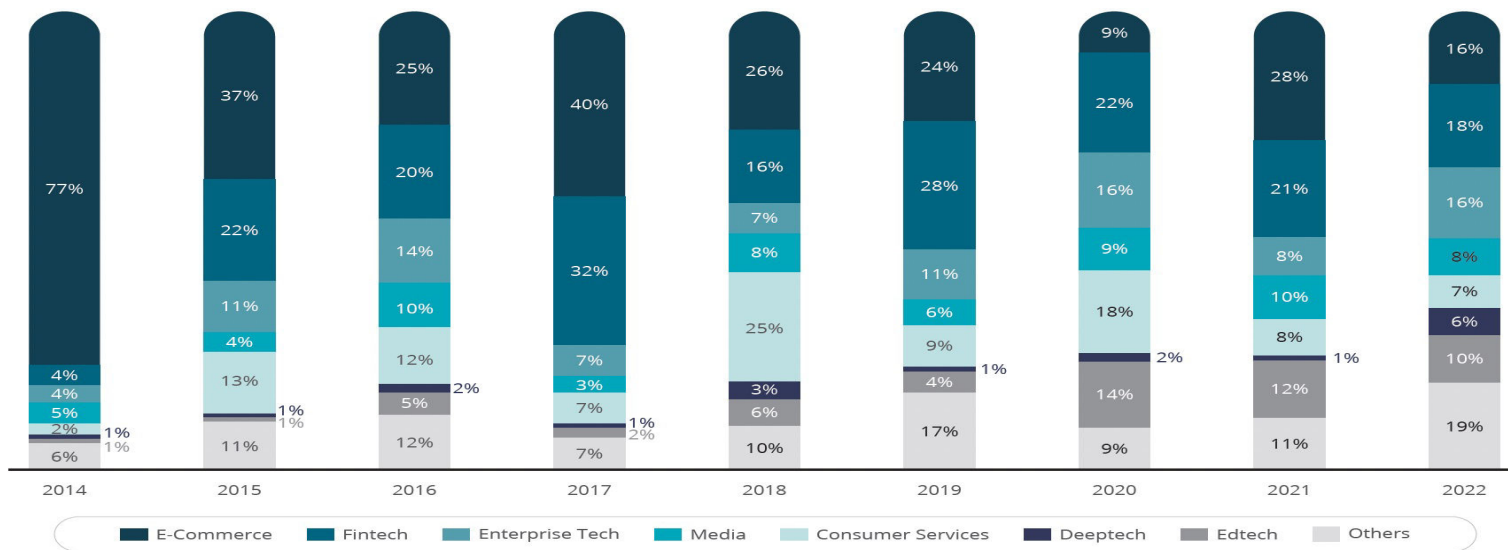
FUNDING RAISED BY INDIAN STARTUPS

- Indian startups have raised over \$ 130+ bn over the past 10 years (2014-2022)



Fundraise across sectors (2014-2022):

Startup funding distribution across sectors in India from 2014-2022



While Fintech, E-Commerce and Enterprise Tech sectors have seen >55% funding share in India over this period; other sectors have also seen greater traction in the recent years

Note: Percentages may not add up to 100% due to rounding

Source: Inc42 State Of Indian Startup Ecosystem Report 2022

India's Fundraising Trend in 2023:

- Startup Funding declined drastically (42-25-11) due to the funding winter impact.
- The startup ecosystem facing an approx. 70%+ year-on-year decline in funding impacted by over 18 months funding winter.
- The number of deals also reduced significantly to 200+, triggering challenges for startups.

Despite funding winter, few startups successfully raised funding.

The ecosystem's ability to adapt and the success of key startups provided optimism for future growth

- PhonePe's Fundraising Success:
PhonePe secured a considerable \$850 Mn in funding during 2023, leading to growth initiatives and product expansions
The fintech platform witnessed revenue growth, achieving 85% of its \$1 Bn fundraising target.
- Lenskart's Capital Infusion:
Lenskart successfully secured \$600 Mn in 2023, with substantial investments from ADIA and ChrysCapital
The company's aggressive international expansion and profitability in FY23 positioned it for further growth

India's Fundraising Trend in 2023:

- **DMI Finance's Financing Milestones:**
DMI Finance raised a significant \$400 Mn in funding led by Mitsubishi UFJ Financial Group in 2023
The total funding raised by DMI Finance reached \$900 Mn, contributing to its digital lending operations
- **Ola Electric's Funding Success and Expansion:**
Ola Electric secured a substantial \$384 Mn in funding in 2023, providing a financial boost for its operations
Ola Electric, secured funding for its EV business, plans to file its IPO, and saw its net loss double.
Despite controversies, Ola Electric's scooter registrations continued to lead the market.
- **Builder.ai's Financing and Expansion:**
AI startup Builder.ai raised \$250 Mn in a Series D funding round and expanded its global presence with new offices.
Funding was intended for hiring new talent, fostering partnerships, and advancing technology.
- **InsuranceDekho's Investment and Growth:**
InsuranceDekho raised \$210 Mn across two funding rounds in 2023 to expand its presence across India and reported a decline in net loss.
Funding was planned to enhance marketing efforts, expand distribution, scale up its tech platform, and explore inorganic growth opportunities.

India's Fundraising Trend in 2023:

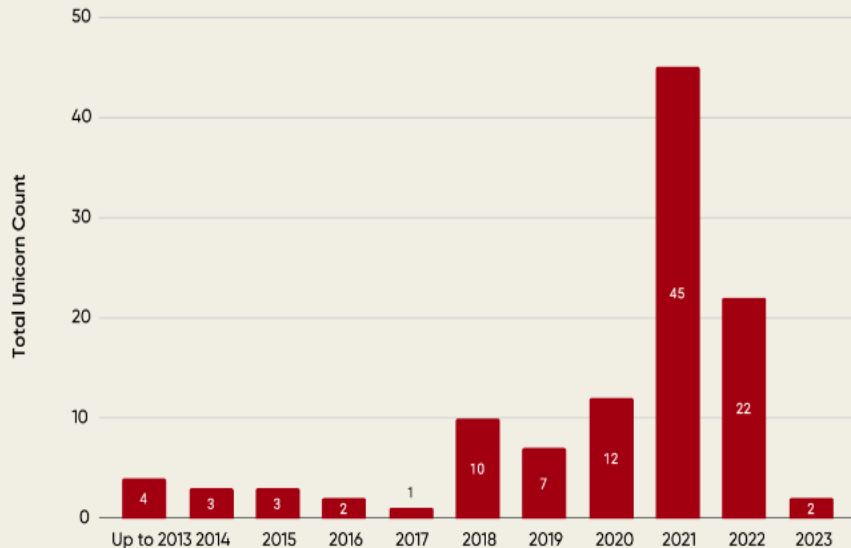
- **Perfios' Funding and Global Expansion:**
Fintech SaaS startup Perfios inked a \$229 Mn funding deal with Kedaara Capital for global expansion and turned profitable in FY23.
The funds were intended to invest in technology and enhance its suite of decision analytics SaaS products.
- **Zepto's Unicorn Status and Financials:**
Quick commerce unicorn Zepto raised \$231.25 Mn in its Series E funding round and plans to go public by 2025.
Zepto's net loss surged in FY23, and it plans to compete against companies like Swiggy's Instamart and Zomato-owned Blinkit.
- **Zetwerk's Funding and Acquisition:**
B2B unicorn Zetwerk secured \$120 Mn in its Series F funding round and raised INR 100 Cr in debt funding.
The unicorn went on an acquisition spree, picking up four companies in 2022 for a total of \$50 Mn.
- **Mintifi's Lending Push:**
Mintifi raised \$110 Mn in a Series D funding round to give Indian SMEs a lending push.
The B2B digital lending startup's financials for FY22 showed a 45% increase in loss from the previous year.

India's Fundraising Trend in 2023:

- **Mintifi Funding Round:**
Premji Invest, along with existing investors, participated in the funding round. The funds raised will be used to deepen presence in supply chain financing, expand product range, and scale up B2B payments vertical.



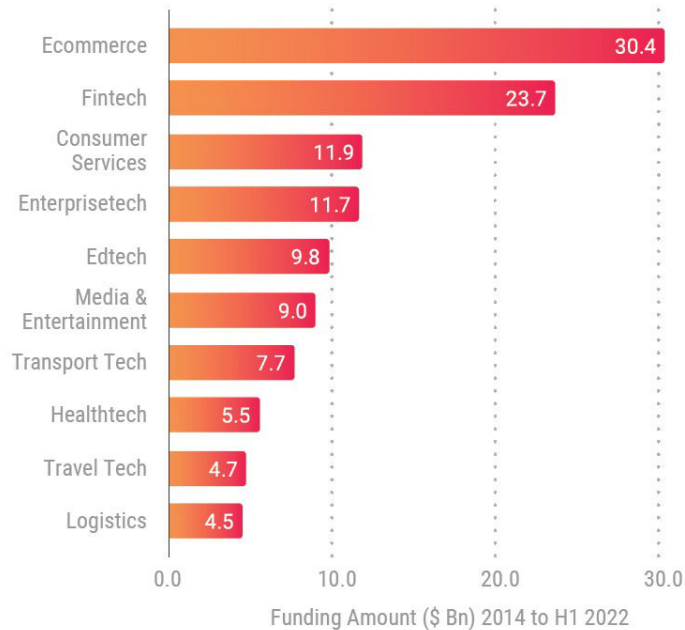
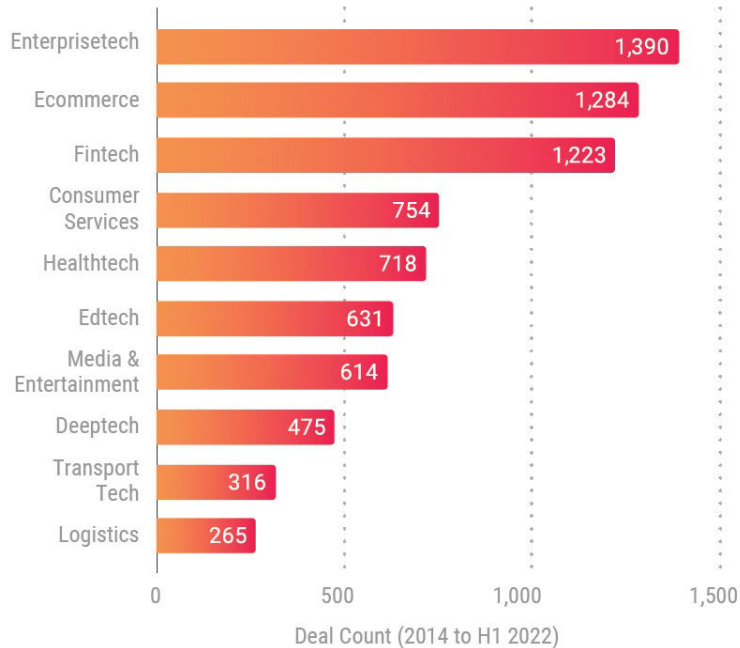
Unicorns of India



NOTE: UNICORNS REFER TO COMPANIES WITH A PRIVATE VALUATION OF \$1 BN OR ABOVE BUT LESS THAN \$10 BN.
IN SOME CASES, VALUATION COULD HAVE BEEN MARKED DOWN LATER BY ONE OR MORE INVESTORS.
*ZOH0 IS NOT INCLUDED IN THE ANALYSIS AS THERE IS NO CLARITY REGARDING THE YEAR WHEN IT BECAME A UNICORN.
SOURCE: INC42

- India is now home to 113 unicorns.
- The combined valuation of more than \$350bn.
- Zepto and Incred are the new additions during 2023.
- 2 Unicorns is the lowest number in the past 6 years.

Top Sectors in the Indian Startup Ecosystem



Unicorns :

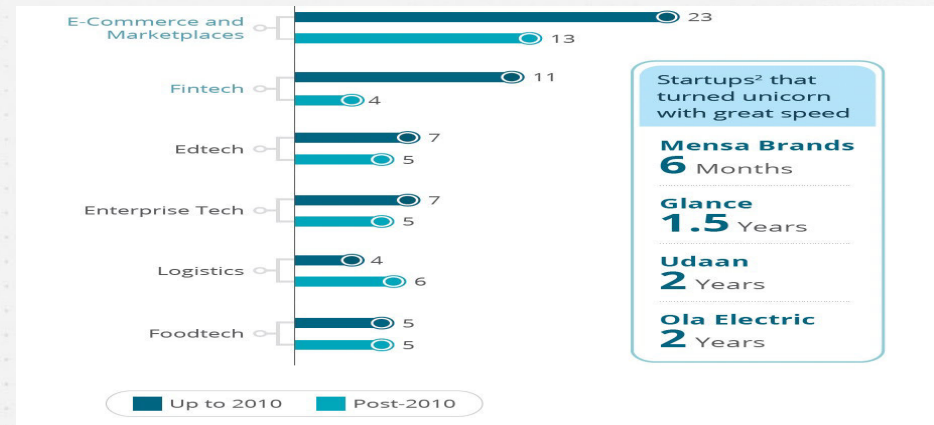
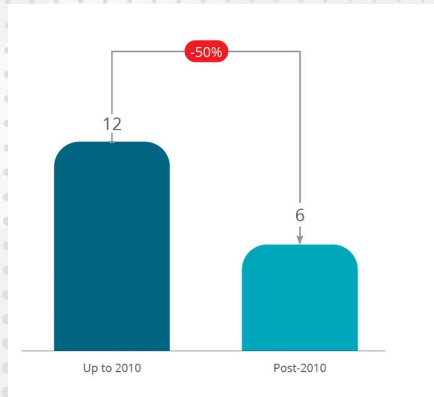
- Over 50% of the startups in unicorns are from :

Enterprise tech - Digital adoption bought about across sectors by covid crisis.

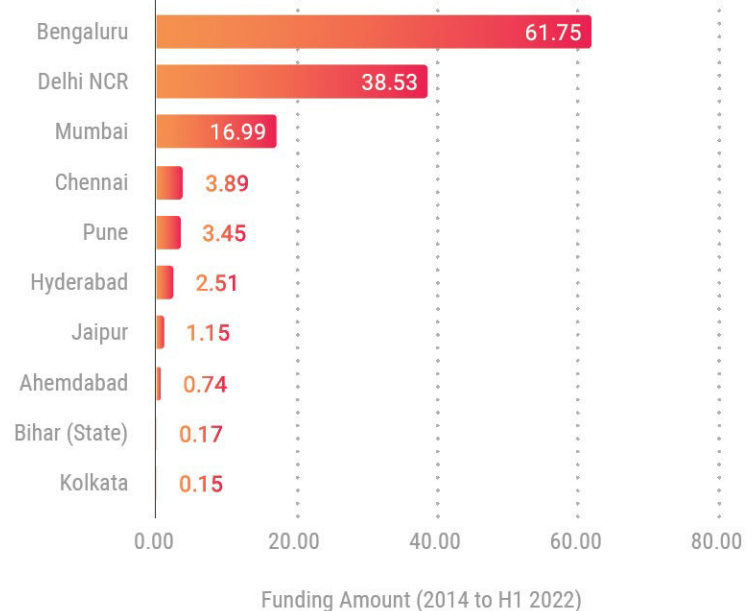
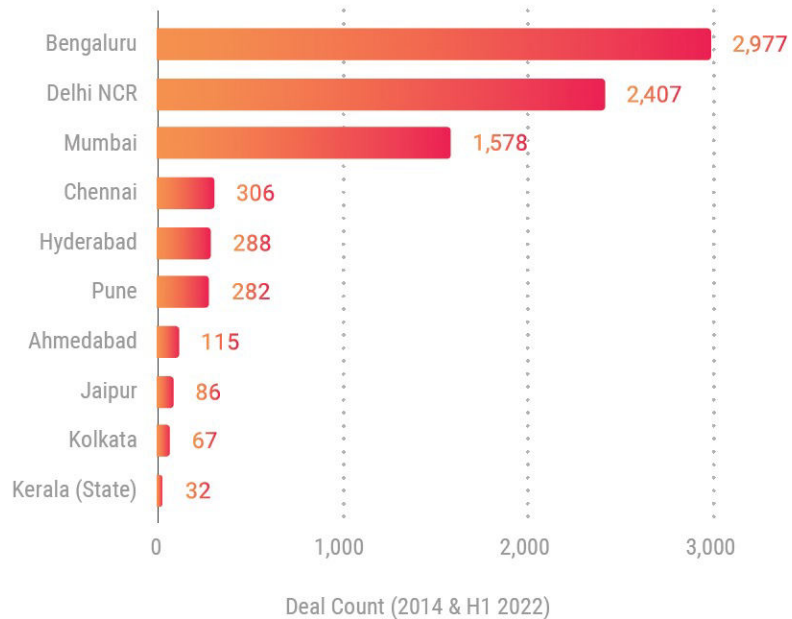
Fintech. – Rise in digital infrastructure(UPI,Aadhar, etc),mobile wallets, paperless lending etc.

E-Commerce – Rise in digital payment and adoption to online market place post covid.

- Reaching unicorn status has accelerated over past years, specially for food tech, market place and fintech.
















































































































Top Startup Hubs in India



Sector specific

Indian Startup Ecosystem: Sector Landscape

Enterprisetech	Ecommerce	Fintech	Consumer Services	Healthtech	Edtech	Media & Entertainment	Deeptech	Transport tech	Logistics	Agritech
										
										
										
										
										
										
										
										
										
										

Sector specific

Fintech In India: Regulatory Framework

Key Regulations Which Disrupted The Sector

2016: Demonetisation acted as a change catalyst, ushering in a less-cash economy.

2017: The launch of UPI by the NPCI democratised the payment sector.

2020: A proposal was made to set up a for-profit, pan-India new umbrella entity/entities (NEU) for retail payment. The system would be similar to UPI.

Key regulatory bodies monitoring the fintech

RBI

SEBI

IRDAI

NPCI

Ministry Of Electronics and Information Technology (MeitY)

Recent Announcements Impacting The Fintech Sector

April 2022 - Master Direction – Debit and Credit Card – Issuance & Conduct Directions, 2022 impacting NBFCs eyeing the credit card segment, co-branded cards

June 2022 - PPI-MD not permitting loading of PPI from credit line impacting online wallets, BNPL players offering credit

July 2022 - A 30% tax imposed on income from crypto and 1% TDS to be deducted on crypto asset transactions

Applicable Policies, Laws and Regulations

● Payment And Settlement Systems Act, 2007	Principal legislation, governing payment regulation in India
● Master Directions on Prepaid Payment Instruments (PPIs), 2017	Determines lender exposure norms and borrowing limits of P2P lending platforms
● Reserve Bank of India Act, 1934	To be followed by NBFCs
● Banking Regulation Act, 1949, Section 22	To be followed by payments banks
● 2009 EPT (Electronic Payment Transactions) Directions under Section 18 of the Payment & Settlement Systems Act	Safeguards the interests of customers and merchants against payments made online

Key Initiatives which disrupted the E-commerce sector

- **2010** Department for Promotion of Industry and Internal Trade (DIPP) released a consolidated FDI policy.
- **2012** No FDI allowed in B2C ecommerce, including multi-brand and single-brand retail trading (MBRT and SBRT).
- **2015** DIPP permitted FDI in e-commerce for SBRT entities, which operated through physical stores in India.
- **2016** Ecommerce platforms were restricted from influencing the price of goods and services in order to curb deep discounts. Also, single-vendor sales were capped at 25% across marketplaces
- **2018** Ecommerce platforms were barred from selling the products of companies in which they or their group companies had an equity stake. Also, merchants could not sell their products exclusively on a single platform.
- **2019**
 - The government announced setting up a committee under the Department for Promotion of Industry and Internal Trade (DPIIT) to look into issues related to FDI in e-commerce and provide suggestions.
 - FDI rules relaxed, and SBRT entities were allowed to set up physical stores within two years of commencing online retail.
 - Ecommerce players joined hands to launch their own trade association called The Ecommerce Council of India.
 - DPIIT issued the Draft National e-Commerce Policy; Yet to be finalised
- **2020**
 - Delhi High Court ordered to display the 'country of origin' tag for products listed on ecommerce websites.
 - Central Government notified the Consumer Protection (E-Commerce) Rules, 2020 with effect from 23 July 2020
- **2021** Government released draft* of the proposed amendments to the Consumer Protection (E-commerce) Rules, 2020; Yet to be finalised
- **2022** Open Network for Digital Commerce (ONDC) – an upcoming initiative aiming at promoting open networks for all aspects of exchange of goods and services over digital platforms

Key Trends & Opportunities

ONDC to become a game changer

The launch of ONDC will make scale available to everyone because all buyers are visible to all sellers, which is different from the current view where the scale is available to only a few inside select platforms and there is no interoperability. Touted to repeat the UPI success in India, the ecommerce ecosystem as a whole has pinned high hopes on ONDC and the disruption it aims to bring in.

Alternate financing to gain popularity

Maintaining the continuous and stable revenue streams is still a concern for the sector, leading to higher GMV but lower EBITDA margins. Cash flow is thus an important metric for sustaining business operations. With funding winter looming over the Indian startup ecosystem, equity based financing is expected to take a back seat. Many businesses now prefer other means of cash injection, such as revenue-based financing (RBF), inventory financing among others.

Expected increase in CAC

Rising competition, increasing burn rate, and reducing effectiveness of campaigns with respect to advertising costs are some of the key reasons leading to an increase in CAC for ecommerce companies. More scale with focus on unit economics will be primary strategy for the companies this year.

Cross border ecommerce to gain strength

Several Indian D2C brands such as Mamaearth, Bombay Shaving Company, Slurrp Farms, Plum among others and Indian ecommerce majors like Flipkart have already set a global footprint. In coming years, we will see more companies stepping in global markets and an increase in cross border ecommerce trade in order to beat the total addressable market (TAM) conundrum,

Deeper tech integrations for innovation

The experience of online shopping has been made easier with the voice-based search feature which has the option to recognize vernacular languages since majority of the Indian shoppers can't speak English. This trend is going to enhance the entire user experience for online shopping. More deeper integration of AI, machine learning and data analysis will be seen to understand customer purchase patterns and offer more customised and personalised online shopping experience.

Market Expansion

India is a huge market.
Majority of the population lives in T2/3 cities.
Customer acquisition.
Different segment



01

By adapting to **local nuances**
and leveraging **creative channels**
for **acquisition**

While tapping into "Bharat" potential has been tempting for all, many leading Indian startups had to scale back after launching in small towns, as solutions that worked in larger cities were not as viable for small towns. Select few have successfully innovated and created new business models and channels to fit with **consumer preferences of tier 2/3 cities**.

Meesho

Created reseller program to target the less trusting and less tech-savvy tier 2/3 city consumers

Pepperfry

Leveraged localized franchised offline stores to cater to small town preferences

Customer Retention

By expanding beyond traditional sectoral boundaries

02

Indian unicorns have successfully moved from **acquisition to retention and monetization** through a "**full-stack**" approach

OfBusiness

Combined credit with original commerce business

Udaan

Combined payments and credit to logistics business

By outpacing competitors to build up operational **network**

03

Indian unicorns have raced to **leverage natural network effects** or build scaled **networks** that are not easily replicable

Zepto

Differentiates network through execution and operational excellence

Naukri

Took advantage of natural network effects as first mover

Unit Economics

By riding on strong moat to be **profitable from the start**

04

Only 18 out of 100 unicorns in India are profitable

Indian unicorns **in markets with natural strong moats** (e.g., network effects, technology) have taken advantage of it to build a profitable structure for scaling

Naukri

Built network effects that generated profits from the start

Zerodha

Leveraged its natural technology moat to build trust and stickiness with customers

By being disciplined with **"holding the mirror tight"** during early cash burn

05

Only 23% of Indian founders ranked profitability higher than growth

Indian unicorns in hypercompetitive markets have a clear picture of scale they need for their business models to turn profitable, and built-in rules and checks to keep themselves on track

Delhivery

Works on business model to create profits, keeps dependence on external factors to a minimum

Meesho

Strong focus on trajectory to gain profitability with scale; Tight tracking of KPIs along the way

Leveraging capital more strategically

| Raising capital at the right time can be a strategic advantage



Pre-empt threats by ensuring investor money is not funneled to competition



Win the battle against competition when faced with strong pressure e.g., price wars



Mentorship from quality investors who will provide right support and network to unlock value amidst the scaling journey



Catalyze growth engine to expand in new businesses, Tier 2+ cities, or going global

| How have Indian unicorns secured capital at critical moments?

By targeting investors that can **help deepen competitive moat**

06

Indian unicorns have minimized competitive threats by onboarding the biggest investors in the market

Policybazaar

Targeted prominent investors to preempt competition

By attracting capital to **opportunistically expand** at critical moments

07

Indian unicorns have allocated dedicated resources to build up scalability

Meesho

Adopted a marketplace model at an opportune time, leveraging capital as an accelerator

Building Right teams

By **shaping the organization**
to attract the people they need

08

Indian unicorns have shaped and positioned themselves favorably to attract good talent

Zepto

Pushed themselves to become the best option to attract talent in the market

Delhivery

Rebranded the industry and career paths to attract skilled talent needed

By **decentralizing power** through
organization design and people

09

Indian unicorns have relied on **distributed leadership** to scale their multi-brand businesses

OYO

Leveraged distributed leadership model to scale rapidly in India & globally

Scaling

10

By **instating mini-founders** that champion culture

Indian unicorns have created a host of "**mini-founders**" to take charge and thereby cultivating **entrepreneurial mindset**

Policybazaar

Created mini-founder positions to lead separate businesses

11

By institutionalizing **experimentation and innovation**

Indian unicorns have **continually evolved their moats** through inculcating **innovation** across the organization

Pepperfry

Ensures innovation through culture and top-down focus

Uber

Built innovation hubs and fosters innovative mindset

12

By ensuring **right KPIs** are selected to evaluate performance

Indian unicorns have built the **right performance culture** to drive discipline and results

Delhivery

Monitors different KPIs for different segments depending on the maturity and stage in their hyperscaling journey

Innovation around Technology

| Scalable technology sets up startups for future success



Provides flexibility in early stages while looking for product market fit before committing to scaling a particular product



Ability to serve increasing demand in the future without jeopardizing customer experience and incurring significant costs

| How have unicorns innovated around technology scalability?

By **designing a platform** and not a product from the start

13

Indian unicorns have built platforms acting as marketplaces

Uber

Builds full-tech platforms globally that can be scaled locally to cater to specific needs

By constantly **innovating and evolving** tech infrastructure

14

Indian unicorns have allocated dedicated resources to innovate and build scalability

1mg

Focused on platform scalability to drive agility and responsiveness

Partner Centric



To find the next wave of customers



Offer full-stack solution quickly



Build up reputation



Acquire scalable technology



Expand operating model quickly

| How have Indian unicorns realized the potential of partnerships?

By **being partner-centric** in scaling journey

15

57% of businesses use partnerships to gain new customers

Icertis

Collaborated with partners by building their offerings around enabling partners

Uber

Leveraged partners to reach the right set of customers

By **balancing control and empowerment** creatively

16

Up to **70%** of business partnerships fail despite the potential impact

Pepperfry

Built successful partnerships with franchisees while retaining control over value chain

Debt Funds



Unit economics

Positive



Raise capital at lower valuation or from alternate sources (e.g. Venture debt)

As **macro drivers in India remain strong, one should not compromise** growth just to maintain valuation.



Build and scale, tone down on raising capital

Focus on growing market share to generate economies of scale and consolidate lead over competitors.

Unclear



Focus on sharpening unit economics and accelerating path to profitability

Clear path to profitability of the business will be key to extend life, to attract funds. Even large companies with questionable unit economics will struggle to raise capital in this environment.

Require capital

Well-funded

Level of capitalization

Growth

How to create space to grow in the current uncertain environment?



Extend the runway: Optimize spends by understanding liquidity outlook

- Preserve the gas and reduce the burn rate
- Cut the flab and not the muscle
- Tighten norms for new investments / experimentations, raise bar on expected Return on Investments



Sustain and accelerate growth: Drive organic growth by frugal innovation

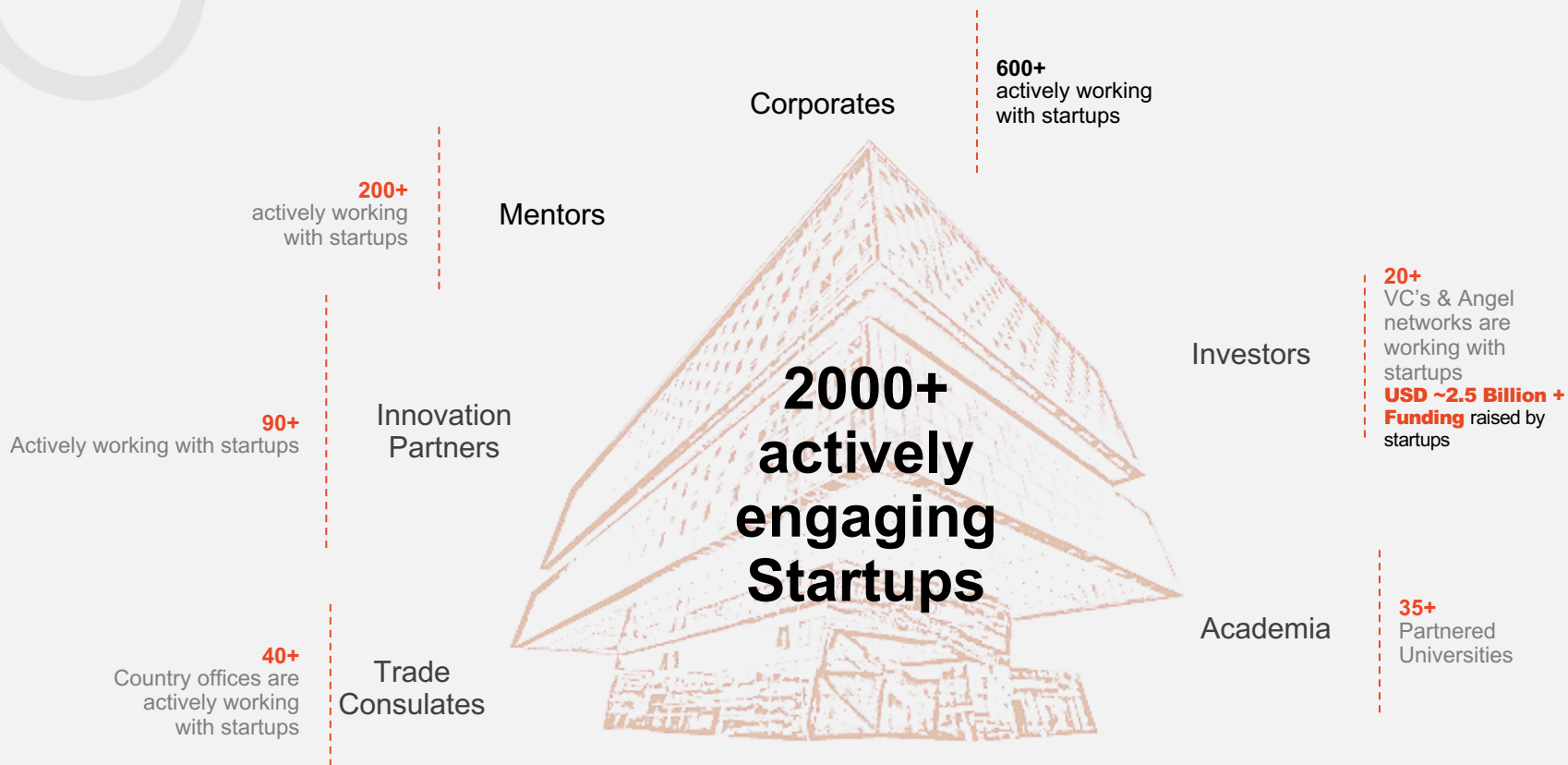
- Lookout for sharp pockets of opportunities
- Sharpen value proposition: Focus on customer needs to drive organic growth
- Raise capital (venture debt / equity) strategically: Prioritize value creation over current valuation
- Stay nimble
- Focus on organic growth metrics: Customer retention, Repurchases, Referrals, etc.
- Track and celebrate small wins: KPI movements, milestones
- Maximize value from existing assets and partnerships



Execution focus

- Streamline operations: Optimize costs (core vs non-core)
- Retain quality talent
- Monitor key metrics on daily, weekly basis

WORLD'S LARGEST INNOVATION CAMPUS



Total Built-up area: 5,85,000 sq. ft

| Impact Being Driven

2000+ Startups

Actively Engaged



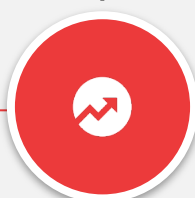
600+ Corporates

Engaging with Startups



USD ~3.5B+ Funding

Raised by Startups



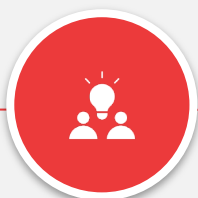
45+ Investors

Part of T-Hub's Network



175+ Mentors

Guiding Startups



90+ Innovation Partners

Assisting Startups Growth



**40+ Trade
Consulates**

Working with Enterprises



35+ Academia

Partnered Universities



Healthcare

Fintech

SECTOR FOCUS

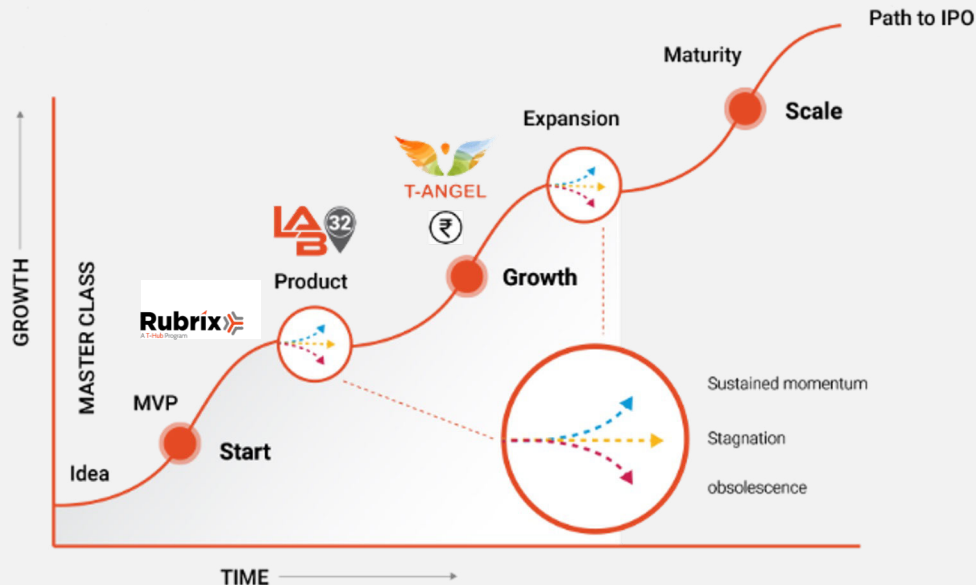
Advanced and
emerging
Technologies

Social Impact
Ventures/
Sustainability

Smart City and
Smart Mobility

OUR PREMIER PROGRAMS

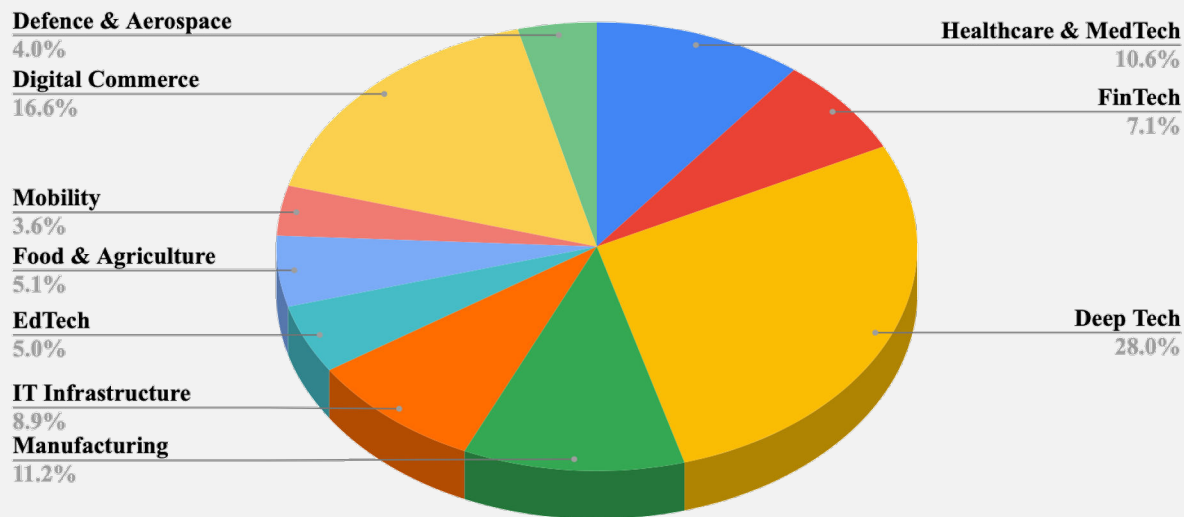
Catering to Startups' Lifecycle



Admission Rate: **3.7%**

T-Hub's STARTUP LANDSCAPE

Startups Analysis



2000+ engaged startups with T-Hub

INTERNATIONAL PROGRAMS

Turning Local Businesses
into a Global Powerhouse

Our Impact

300

Indian
Startups

200

International
Startups

40+

Countries

20+

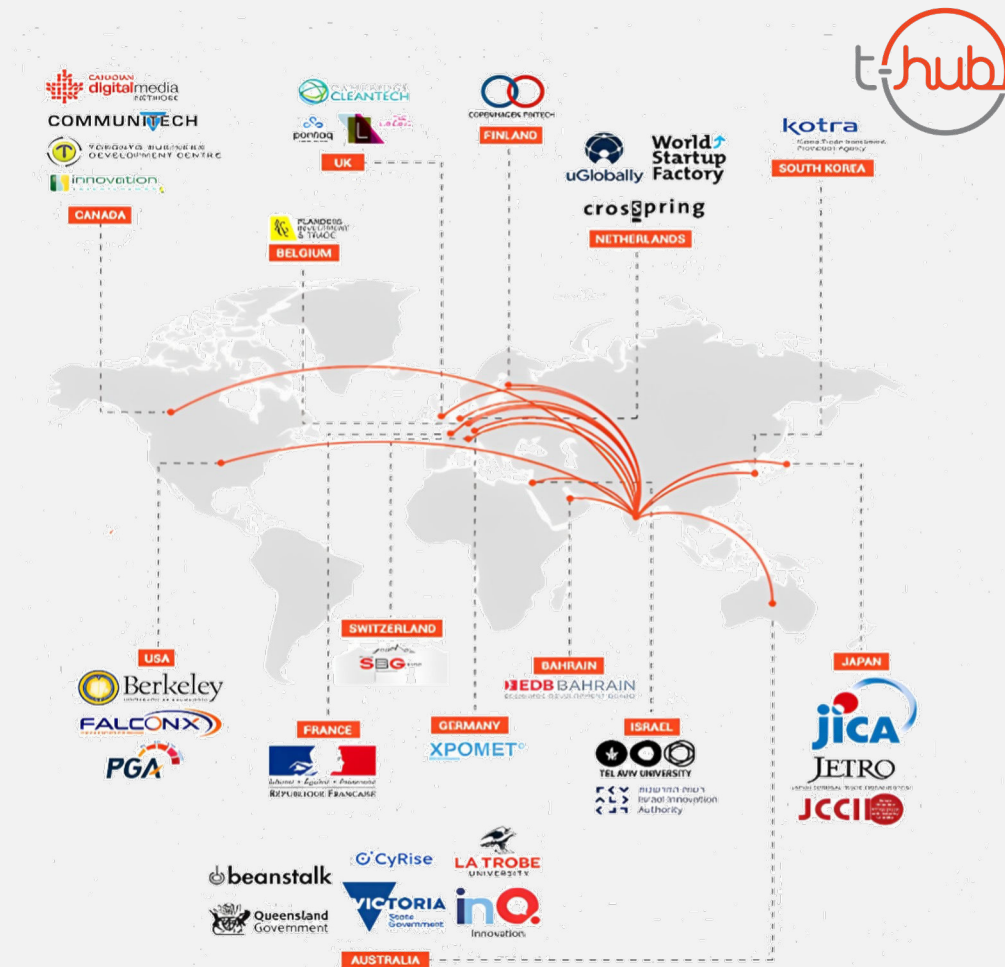
Accelerators

18+

International
Interventions

10+

Market
Access
Programs



CORPORATE INNOVATION PROGRAMS

The Broader Picture

Organisational Transformation

Innovation Driven Bootcamps



Accelerator Programs

Designed for both Emerging
Tech & Industry-Specific
needs



Intrapreneurship

Cultivating entrepreneurship
in your organisation.



Corporate Membership

Solving corporates' problem
statements with startups



100+



Multinational CXOs engaged

25+



Active engagements

100+



Programs delivered

500+



Startups connected

APOLLO TYRES

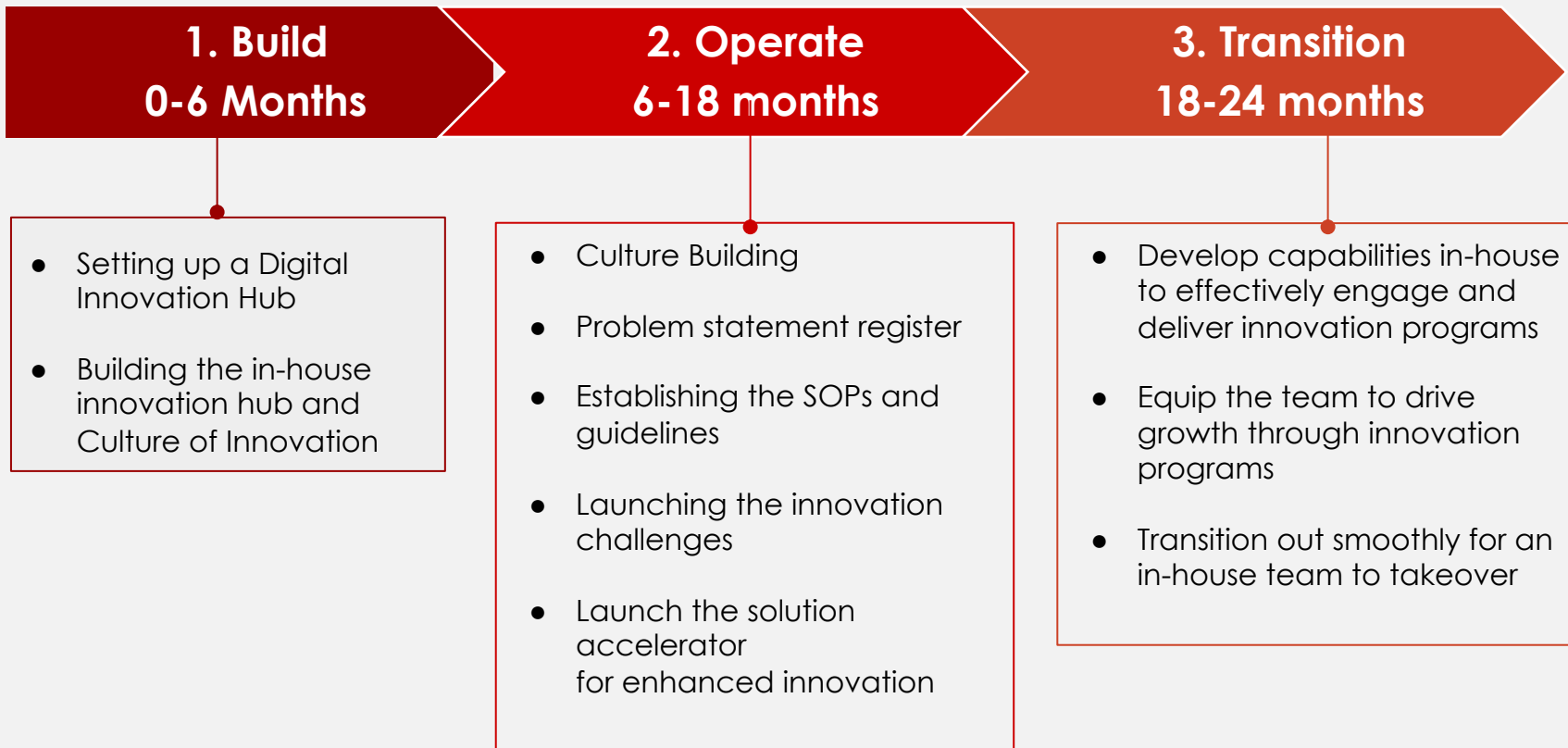
Objective

Build Operate Transition (BOT) model, based on the business growth needs to align and build an innovation culture within the organisation and to deliver solutions on immediate problem statements for credible success stories by running an accelerator program.

Outcomes

- Development of an innovation framework / mandate for the organisation that aligns with the growth strategy.
- Developing a sustainable innovation mindset in the organisation
- Empower and engage the stakeholders to embrace a culture of innovation for growth.
- Acceleration of innovation through bridging Apollo Tyres to the open innovation ecosystem
- Setting up Apollo Tyres Innovation Hub which provides opportunity to engage with the innovation ecosystem.

Execution elements & Timelines



UNIVERSITY ENGAGEMENTS:

Fostering Innovation in Young Minds

University Incubation Centre (Kickstart Program)

Student
Entrepreneurs
training

Incubation Center:
Set up & running

Goal-specific
programs designing

Mentoring to T-Hub
startups

Overall Outcome Delivered



3

States covered



35

Colleges influenced



17000

Students addressed

GOVERNMENT ENGAGEMENTS:

Driving Innovation for Policy-Makers



Department-Specific
Startup Programs



Supporting
International Govt.



In-House Govt.
Incubators



Innovation Drafting
Policies



State-Specific
Govt. Incubators

Engaged with

25+

Local
Government
departments

5+

State
Governments

40+

International
Trade
Offices

Flow of session :

- **About the Government of Telangana Innovation Ecosystem.(to understand about support to startups).**
- **Incentive schemes – supported by T-HUB (central and state).**
- **Incentives and Grants by T-HUB to startups – supported by SG, corporates, free credits through value partners.**
- **Incentives supported by TSIC for Telangana startups.**
- **Other schemes by central govt.**

T-Hub innovation Doctrine

Startup Innovation



Corporate Innovation

Academia Innovation



Government Innovation

T-Hub 6M2P Framework



Money



Methodologies



Market Access



Mentorship



Motivation



Manpower



Partnership



Policy Advisory

Incentive Schemes for Startups

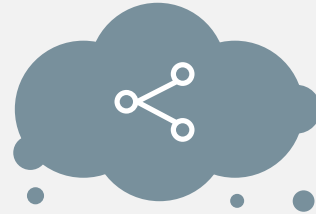
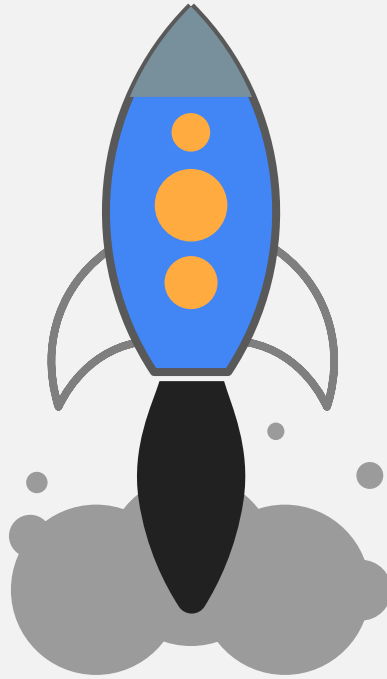
Understanding the funding opportunities available to startups



Debt / Equity



Subsidy/
Reimburse
ment



Grants



Loans

Things to be kept in mind while applying for

- An exhaustive list of incentives available for startups
- Due diligence is necessary on what is the right scheme to apply for based on industry and requirements.
- Every scheme comes with a different set of benefits.
- In most of the schemes, if more than 10 Lakhs grant/benefit is obtained under any state or central scheme, the eligibility for application will be lost.
- In cases of incubator or accelerator lead schemes, should choose the right accelerator that focuses on your sector.
- Except for large accelerators like T-Hub which are sector agnostic, the majority of the incubators work in only a few selected focus sectors, say health tech, agri tech, sustainability, mobility, deep tech etc.
- Activity in the scheme shall be based on funds allocation available with the government for the fiscal year. We should keep track of calls for applications.
- Fulfill the documentation requirements of the schemes for quick process, and to avoid rejection.
- In today's session covering easy to apply, less complex, and very active currently.





1.Startup India Seed Fund Scheme (SISFS)

Initiative of Central government to support early-stage startups under start up india initiative



1. Eligibility Criteria:

- Be recognized by the Department for Promotion of Industry and Internal Trade (DPIIT).
- Have been incorporated no more than 2 years prior to the application.
- Possess a business idea with the potential for market viability, commercialization, and scalability.
- Utilize technology within their core product, service, business model, or distribution strategy to address specific problems.
- Not have received more than 10 lakh of monetary support under any central or state government schemes.
- Maintain a minimum of 51% shareholding by Indian promoters at the time of applying to an incubator for the scheme.

2. Funding Details:

SISFS offers financial support in 2 primary forms:

- **Grant:** Start-ups in the idea stage or those working on proof of concept, prototype development, or product trials can receive grants of up to 20 lakhs. These grants are disbursed in milestone-based instalments.
- **Debt Funding:** For start-ups focused on market entry, commercialization, or scaling up, debt funding of up to 50 lakhs is available through convertible debentures or debt-linked instruments. The interest rate does not exceed the prevailing repo rate, and the tenure is decided by the incubator, not exceeding 60 months (5 years). A moratorium of up to 12 months may also be provided.

1.Startup India Seed Fund Scheme (SISFS)

Initiative of Central government to support early-stage startups.



3. Eligible Sectors:

Preference - innovative solutions :

- Social impact
- Waste management
- Water management
- Financial inclusion
- Education
- Agriculture
- Food processing
- Biotechnology
- Healthcare
- Energy
- Defence
- Space
- Railways
- Oil and gas
- Textiles

4. Application :

Start-ups interested in the SISFS can submit their applications online at seedfund.startupindia.gov.in. or Approach the Incubator. No application fees for the scheme., and incubators do not charge any fees either.

5. Choosing Between Grant and Debt:

The choice between a grant and debt should align with your startup's stage:

- **Grant:** Ideal for the idea stage, proof of concept validation, prototype development, and product testing.
- **Debt:** Suitable for market entry, commercialization, and scaling up.

6. Selection of Incubators:

Start-ups can approach up to three incubators, and the selection, disbursement, and monitoring will be managed by these incubators. The choice of incubators should be based on factors like sector alignment, stage of development, business needs, and strategic goals.

Once an application is submitted, the preference order of incubators cannot be changed.

1.Startup India Seed Fund Scheme (SISFS)

Initiative of Central government to support early-stage startups.



7. Application Rejection and Reapplication:

If the application gets rejected by all three incubators, you can reapply after three months, incorporating the feedback provided by the incubators during the previous application process

8. Review Process:

Applications are reviewed by an Incubator Seed Management Committee (ISMC) comprising members such as incubator representatives, state government officials, venture capital funds, domain experts, entrepreneurs, and other relevant stakeholders. The process is transparent and fair.

9. Disbursement and Usage of Funds:

Funds received under SISFS should be strictly used for the purposes they were granted for:

- Grants can be used for proof of concept validation, prototype development, and product trials.
- Debt funding is directed towards market entry, commercialization, and scaling up.

10. Time Schedule for Disbursement:

The first installment of funds is released within 60 days. Subsequent installments require the submission of interim progress updates and utilization certificates. In cases of debt or convertible debenture disbursements may take longer due to diligence and documentation.

11. Reporting Requirements:

Start-ups are expected to maintain regular communication with their incubators at least once every 15 days. Monthly updates should also be shared on the scheme dashboard. Milestone-based disbursements require the submission of interim progress updates and utilization certificates, with a final report and audited utilization certificate due at the end of the project duration.

1.Startup India Seed Fund Scheme (SISFS)

Initiative of Central government to support early-stage startups.



12. Disbursement under the scheme : The scheme started disbursing funds from April 2018 .As of March' 23 under SISFS scheme, over 360 startups were funded with about Rs.945 Cr. The scheme is aiming to disburse Rs.1000 Cr to 500 startups by march 24.



MEITY STARTUP
— HUB —

2. MeitY Samridh

Initiative of Central government to support accelerating phase startups.



1. Eligibility Criteria:

- Registered and operating in India.
- Clear business plan and a strong team.
- Have necessary space and infrastructure to carry out the startup's activities.
- The startup must have a structured group to accelerate deep-tech software product startups.

2. Focus Areas:

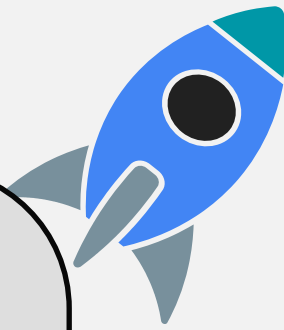
The scheme is open to all software product startups, regardless of their sector. However, the scheme has a particular focus on startups that are working on deep-tech solutions. Deep-tech solutions are solutions that use cutting-edge technologies, such as artificial intelligence, machine learning, and blockchain.

The MeitY SAMRIDH Scheme is a great opportunity for software product startups in India

The scheme also has a particular focus on startups that are working on solutions for the following sectors: Agriculture, Education, Healthcare, Manufacturing, Logistics, Renewable energy, Smart cities, Transportation.

2. MeitY Samridh

Initiative of Central government to support accelerating phase startups.



4. Funding Details:

Equity co investment model upto 40 Lakhs per startup through incubator/ Accelerator. On the same terms as lead investor, upto 5 years from the date of investment, maximum holding period is 5 years and with equity cap of 5%.

5. Support:

SAMRIDH through accelerators will select startups that are ready for acceleration stage and will provide them with funding support, mentorship, training, market access, investor connects, international immersion and other support through accelerators.

6. Program:

- Accelerators shall develop customised acceleration programmes to fit the needs of each startup in the cohort/Program between 8-10 startups per each program for about 6 months.
- The startups selected under the scheme will be provided with Expert diagnostics that will understand user requirements, appropriate customer base, and product scale to find the right product positioning.
- Sector-specific experts will guide the entrepreneurs in product development and business development phases of the startup journey to enable the startup to grow its business.
- Startups will be provided access to partnerships with corporates and other entities, both domestically and internationally.
- Support in terms of legal matters of corporate compliance and statutory requirements and other matters will be provided by the accelerator.
- Selected startups will get a chance to present their company before a panel of VCs and angel investors to receive funding.

2. MeitY Samridh

Initiative of Central government to support accelerating phase startups.



7. Revenue Eligibility:

There is no turnover limit for the MeitY SAMRIDH Scheme. The scheme is open to all software product startups, regardless of their size or turnover.

8. Application & Review Process:

The accelerators shall call for applications when they open the cohort through social media and through the network partners, the startups can apply, out of the applications received, each shortlist 8-10 applications, through multiple rounds of filtration, and the final 8-10 startups selected by the accelerator and expert panel will make it to the cohort.

9. Disbursement and Usage of Funds:

Post successful completion of 6 months cohort, when the startups are ready for funding, for the startups who fulfil the condition of already having funding shall receive funding from the scheme upto 40 Lakhs on co investment model. As per the teams of lead investor in the previous fund raise round after successful DD.

10. Reporting Requirements:

Start-ups are expected to maintain regular communication with their incubators. Monthly updates should also be shared on the scheme dashboard. Utilisation report of funds and during the entire 5 years of fund management shall be done by incubator.

T - Fund

3.T - Fund

Initiative of State Government to support seed phase startups. Administered through THUB



1. Eligibility Criteria:

- Telangana Registered.
- Incorporated within the last four years.
- Have a valid Term sheet from institutional VC or Recognised Angel Network.
- Sustainability, agritech, deeptech, healthtech, ERP saas. Are priority sectors.
- Seed phase investment.
- Product and market validation are mandatory.

2. Funding Details:

Equity co investment model between 25-100 Lakhs per startup along side VC .On the same terms as lead investor price round, Exit period 5 years from the date of investment.

3. VC Funding Support:

T – Hub Investment support / Funding team shall support startups in raising funds from VCs and angel networks, if startup wants they can approach the funding team for lead investor support.

3. T - Fund

Initiative of State Government to support seed phase startups. Administered through THUB



4. Application and Selection Process:

- Based on fund availability T-Hub shall call for application through social media and startup networks interested start-ups may apply for the same.
- For application the Funding team of Thub shall evaluate the start-ups shortlist the eligible start-ups and present the shortlisted start-ups to the investment advisory committee (group of experts from the field, industry and Pr sec from ITEC GOT).
- The startups shall pitch to two-level committee, final set of startups shall be selected for funding by T Fund on co investment model

5. Investment :

Post selection of startup, on the similar terms as VC, T fund will invest in startup during the round raise.

6. Utilisation of Fund:

The startup is required to utilise the fund for which it was granted by the committee and provide an utilisation certificate in the prescribed format.

7. Reporting Requirement

S:

Start-ups are required to maintain regular communication with their incubators . Monthly updates should also be shared on the scheme dashboard. and during the entire 5 years.

T-HUB STARTUPS

UNSECURED

WORKING CAPITAL LOANS

CORPORATE GRANTS

CORPORATE DISCOUNTS

4. Working Capital Loans & Corporate Grants to T-Hub Startups



- The scheme is available only for T-Hub Start-ups.
- The start-up should be associated with T-Hub in any of the forms.
- A recommendation letter from T-Hub for a loan.
- The evaluation terms are different and tailored to the start-up ecosystem.
- The start-up should submit 2 years of financials.
- Unsecured working capital loan up to Rs. 25 lacs.

- Large MNCs , through T-HUB engages with startup in 30+ different domains, and provide grants through various initiative & innovation programs.
- Social media campaigns shall be run by T-Hub from time to time to call for applications in different sectors.

- New policies

- We have team called Value Desk – who's function is to discuss and negotiate best deals with all sets of service providers and corporates and onboard them, every startup associated with T-Hub can get access to free credits from MNCs to service providers. This saves whole lot of cash for the startups.

Value Partner **NETWORK**



and many more...



TELANGANA STATE
INNOVATION CELL

INCENTIVES UNDER INNOVATION POLICY

Telangana State
Innovation Cell





REIMBURSEMENT
OF
SGST



REIMBURSEMENT OF
INTERNATIONAL
MARKETING



REIMBURSEMENT OF THE
PATENT REGISTRATION
EXPENSES



REIMBURSEMENT OF
RECRUITMENT
ASSISTANCE



PERFORMANCE
RELATED
GRANT



GRANTS FOR THE
STARTUPS WITH
GRASSROOT/RURAL
IMPACT



PUBLIC PROCUREMENT
INCENTIVES FOR
STARTUPS WITH
GRASSROOT/RURAL
IMPACT

Pre conditions for availing incentives under Telangana Innovation Policy

The Startup should be recognized by Government of Telangana (Telangana registration number)

Either or both of the following should be true

- Startup is incorporated in Telangana (Incorporation certificate)
- Startup's headquartered/head office is based out of Telangana(Proof of domicile)

More than or equal to 50% of the qualified workforce (permanent workforce is from Telangana) (Proof of domicile)

Incentives under Telangana Innovation Policy

Incentive	Eligibility	Evaluation Process
Reimbursement of SGST	<ul style="list-style-type: none">• Submit claims in the prescribed application form and attach the documents mentioned on the portal given at Annexure – II for Reimbursement of SGST.• within six months after completion of every half year i.e., last date for filing claim application is 31st of March for first half-year and 30th of September for the second half-year.• 100% (SGST) paid will be reimbursed for a period of three (3) years from the date of Incorporation on a maximum turnover of INR 1Crore/Annum.• For amounts exceeding 2 lakhs, the start-up shall obtain the details of the net tax paid during the half-year for which the claim is being duly certified by Commercial Tax authorities in form prescribed at Form-A.	The Nodal Office, Telangana State Innovation cell, on receipt of the required documents, will scrutinize and perform necessary due diligence. On confirmation of the Start-up eligibility, an assessment of the eligible reimbursement shall be recommended by the nodal office.

Documents to be furnished:

- a) Copy of GSTIN certificate
- b) Invoices for which reimbursement is claimed
- c) Details of payment of Net SGST paid for the period.
- d) Turnover details for the last –3- years.
- e) Copy of Tax returns filed by Startup for the year for which reimbursement is being claimed.
- f) Copy of Challan / Receipt issued by the GSTN / net banking service provider
- g) Audited financial statements for the years for which reimbursement is claimed
- h) Certificate from concerned CTO for reimbursements over INR 2 Lacs.

Incentives under Telangana Innovation Policy

Incentive	Eligibility	Evaluation Process
Reimbursement of International Marketing Costs through Trade Shows	<ul style="list-style-type: none"> • Submit claims in the prescribed application form and attach the documents mentioned on the portal given in Annexure – III for Reimbursement of 30% of the annual cost of International marketing through trade shows. • Limited to a subsidy of INR 5 lacs per company during the first 3 years of incorporation. • Additionally, to claim the reimbursement under this incentive, the start-up application needs to be endorsed by one of the state-supported incubators (Format of endorsement Annexure – VI). • Start-ups need to make the application within six months after completion of the trip. • Reimbursement shall be for a maximum of 2 international events per company per year. • Reimbursement amount will be released/dispensed on the basis of seniority within the organisation. • Start-up shall attach copies of receipts/invoices of all expenses clearly showing the names and dates of the trade shows/events. <p>The following expenses can be claimed for reimbursement: Airfare – economy class only Rooms at less than USD 200/Night Participation fee or stall rental (up to 9 square meters) All local transport and food expenses up to a total of 100 USD/Day</p>	<p>The Nodal Office, Telangana State Innovation cell, on receipt of the required documents, will scrutinize and perform necessary due diligence. On confirmation of the Start-up eligibility, an assessment of the eligible reimbursement shall be recommended by the nodal office.</p> <p>All reimbursement recommendations will be presented to the start-up council who shall then make a decision on sanction/dispense keeping in view the available budget for the year. The decision of the start-up council in this regard to sanction any reimbursement under this incentive will be final.</p> <p>Copies of receipts/invoices of all expenses clearly showing the names and dates of the trade shows/events.</p>

Incentives under Telangana Innovation Policy

Documents to be furnished:

- Invitation letter from the organisers
- Welcome letter from the organisers confirming participation
- Receipt of payment of delegate fee/stall fee
- Original Invoices for which reimbursement is claimed
- Airfare- Invoice from the airlines and Boarding pass
- Accommodation expenses – Checkout Invoice from the hotel
- Local expenses – bills of all expenses incurred for food and transportation being claimed
- Pictures of stall space with clearly visible logo presence of the startup (where applicable)

Incentives under Telangana Innovation Policy

Incentives	Eligibility	Evaluation Process
Reimbursement of the expenses incurred for Patent Registration	<ul style="list-style-type: none"> submit their claims in the prescribed application form given in Annexure – IV for Reimbursement of the expenses incurred for patent registration within six months from the date of obtaining the patent along with the required documents mentioned in the Application on the portal. Eligible start-ups should have already filed or been granted a patent with the concerned authority and would have paid all the mandatory fees/expenses in this regard. 100% Reimbursement of the expenses incurred for patent registration limited to Rs.2.00 Lakhs for Indian patent awarded. For awarded foreign patents, up to Rs. 10 lakhs would be reimbursed per patent awarded. Patents filed and granted during the validity of the GO No 10 i.e. 25-07-2017 – 25-07-2022 shall only be eligible to claim this reimbursement. This facility shall be available to all eligible start-ups O/o Controller General of patents, designs and trademarks other national/international certification agencies. Start-ups can avail of the reimbursement up to 2 times during the first five years of incorporation. 	<p>TSIC will scrutinize and perform necessary due diligence upon application. On confirmation of the Start-up eligibility, an assessment of the eligible reimbursement shall be recommended</p> <p>All reimbursement recommendations will be presented to the start-up council who shall then make a decision on sanction/disbursement keeping in view the available budget for the year. The decision of the start-up council in this regard to sanction any reimbursement under this incentive will be final.</p>

Documents to be furnished:

- A copy of the patent filed at the appropriate authority.
- Certificate of Patent Grant from Patent Office as applicable.
- Detailed statement of expenses incurred towards the Patent Registration along with the copies of invoices & receipts from the patent authority and legal counsel as applicable.
- All Invoices submitted by the appropriate Patent Authority towards Govt. fees and towards legal agents.
- The certificate of Patent with valid serial number must be furnished.

Incentives under Telangana Innovation Policy

Incentives	Eligibility	Evaluation Process
Reimbursement of recruitment assistance	<ul style="list-style-type: none">• Submit claims in the prescribed form given in Annexure – V for Reimbursement reimbursement of recruitment assistance for an amount of INR 10,000 per employee for the first year of commercial operations.• The start-up should submit the list of Telangana-domiciled employees who have been employed with the company for at least a period of 8 months along with their appointment letters, and domicile proof duly certified by the promoter. <p>The preconditions for availing of this incentive are: The start-up needs to be in the first year of operation At Least 50% of employees should be of Telangana origin.</p>	<ol style="list-style-type: none">a. The evaluation process is the same as above.b. Application to be submitted to startup cell for placing before startup council for approvalc. Certificate from Provident Fund/Bank/Profession Tax/Income Tax/any other competent authority office confirming the no. of the employees.d. Domicile/Birth Certificate/Proof of Birth from Competent Authority for 50% of the employees of Telangana origin for which this incentive is being applied.

Documents to be furnished:

- Details of all the employees of the organization evidenced as per the payroll records.
- For all the employees for whom the reimbursement is claimed, domicile certificate (Permanent address proof, birth certificate) appointment letter, employee ID card needs to be submitted
- Latest Bank statement reflecting salary disbursement to the eligible employee
- If the number of employees is over 10/20, ESI/PF documents for the latest months.

Incentives under Telangana Innovation Policy

Incentives	Eligibility	Evaluation Process
Performance grants	<ul style="list-style-type: none">Record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Annual Turnover, subject to a limit of INR 10 Lakhs within a period of three years from the date of incorporation.Submit claims in the prescribed application form given at Annexure – VI for the Performance related grantWithin nine months from the date of closing of a financial year.Start-ups that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Annual Turnover, subject to a limit of INR 10 Lakhs within a period of three years from the date of incorporation.	<ol style="list-style-type: none">Audited Financial Statements for the last 2 financial yearsApplication to be submitted to startup cell for placing before startup council for approval.The decision of the council will be final.

Documents to be furnished:

- Audited financial statements since the incorporation of the company.
- Sales Report for the previous two years along with invoice details (With a breakup of repeat and new customers).
- Any purchase orders/customers in pipeline details for the projections submitted.

Note : Non Compliance

Incentives under Telangana Innovation Policy

EASING PUBLIC PROCUREMENT

- Incentives provided by the State of Telangana.
- The procurement process is active and robust. There are various startups which are actively engaged in the procurement process with the government.

The Government of Telangana has announced its Innovation Policy 2016 to create a conducive atmosphere for the growth of Startups in India. In the policy, the Government has promised to give priority to Startups in public procurement processes.

Eligible Startups can avail the following benefits while participating in Government procurement processes of technology-based solutions through TSTS:

Prior turnover	Startups shall not be subjected to any prior turnover criterion for being eligible to participate in a government procurement process
Prior experience	Startups shall not be required to have any prior experience of having participated in a public procurement process
Exemption from Submission of EMD	Startups shall not be required to submit an Earnest Money Deposit to participate in public procurement process
Financial advantage	Startups shall be given a 15% relaxation on their submitted financial quotations pertaining to procurement, subject to meeting of quality and technical specifications

Other Schemes

Q & A ?

Thank You



Santoshi Reddy V

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WhatsApp

STARTUP YATRA "STARTUP MANTHAN"

Organised by COMMITTEE OF MSME and STARTUP - ICAI
Hosted by **Hyderabad Branch of SIRC of ICAI**

PROFESSIONAL OPPORTUNITIES

February 02 2024



START UPS



THE NUMBERS

- 112718 DPIIT registered start ups as on October 2023
- Increase in number of start ups every year
- Operating across different sectors

The unicorns



OPPORTUNITIES

Audit

Tax

Compliance

Accounting

Virtual CFO

OPPORTUNITIES

- Focus on Compliance

OPPORTUNITIES

Valuation

- Business Valuation
- Intangible Assets

OPPORTUNITIES

- Consulting Services

OPPORTUNITIES

- Taking maximum advantage of Government schemes

DPIIT-Recognised Startups Are Eligible For The Following Benefits:

- Intellectual Property Rights (IPR)
- Relaxation in Public procurements norms
- Self-certification under Labour & Environment laws
- Fund of Funds for Startups (FFS)
- Faster exit for Startups
- Startup India Seed Fund Scheme (SISFS)
- Section(56)(2)(viib)

DPIIT-Recognised Startups May Apply To Inter-Ministerial Board (IMB) For The Following Benefits:

- Section 80-IAC: Income Tax exemption for 3 out of 10 years
- Section 54GB: Capital gain on transfer of residential property
- Section 79: Carry forward and set off of losses
- Sections 156, 191 and 192: Deferment of tax liability on ESOPs



Start ups

Implementing best-in-class governance practices

LLM's for professionals as a business opportunity?



MSME's



The numbers

Factsheet of MSME (Udyam) Registration

Total Registration

2,29,01,931

Total Classified

2,28,40,593

Micro

2,21,87,161

Small

5,98,453

Medium

54,979

Total Employment

15,17,87,846

What we know

- Definition of MSME
- Report delay in payments > 45 days as per Companies Act, 2013
- Delayed payments – 10.27 Lakh crores

What we may not know?

XXIV. MINISTRY OF FINANCE	183
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Working Capital Products

Working
Capital

SWIFT

STEP

Key Features

- Working capital assistance for working capital requirements of the MSMEs.
- Option to choose banking platform from multiple banks (IDBI/CUB/Yes Bank)
- Seamless approval as per customer instructions for setting Drawing Power.
- Single window for term loan customer to avail working capital facilities.
- MCLR Linked attractive rate of Interest.

Eligibility

- New and existing entities who do not enjoy working capital facility from any other bank/ financial institution.
- Takeover of working capital accounts as a part of term loan takeover may be considered subject to standard guidelines.





43B(h) of the Income Tax Act, 1961

Bank Loans restructuring proposals

M & A's in the MSME Sector

MSME's and start-ups

- Keeping them going as going concerns

Mohan.lavi@gmail.com

THANK YOU!

ICAI Startup Conclave 2024
Hyderabad Branch of SIRC of ICAI

Navigating the Fundraising Landscape: Prerequisites, Valuation, and Deal Instruments Unveiled

Presented By :
Eshank M Shah, CA, CFA, Reg Valuer- SFA

2nd February, 2024

OUR PLAN FOR NEXT ONE HOUR

01

THE INVESTMENT LANDSCAPE:

An Overview of Investment landscape

02

BASICS OF FUNDING:

Funding at various stages – Who, What and When?

03

PREREQUISITES OF FUNDING:

The Checklist to unlock the funded future



Content

DPIIT Startup Recognition

Any Private Limited Company, LLP or Registered Partnership firm which fulfils below criteria



Incorporation Criteria

- Not older than 10 years from the date of incorporation / registration
- Not by splitting up or reconstruction
- Conversion allowed??
- Sole Proprietorship is allowed???



Turnover

- Turnover of the startup for any of the financial years since incorporation / registration not exceeded INR 100 crore
- What is Turnover?



Innovation, Employment & Wealth Generation

- Innovation or
- development or improvement of products/processes/ services or
- a scalable business model in terms of employment generation and wealth creation

Who cannot be Startup?

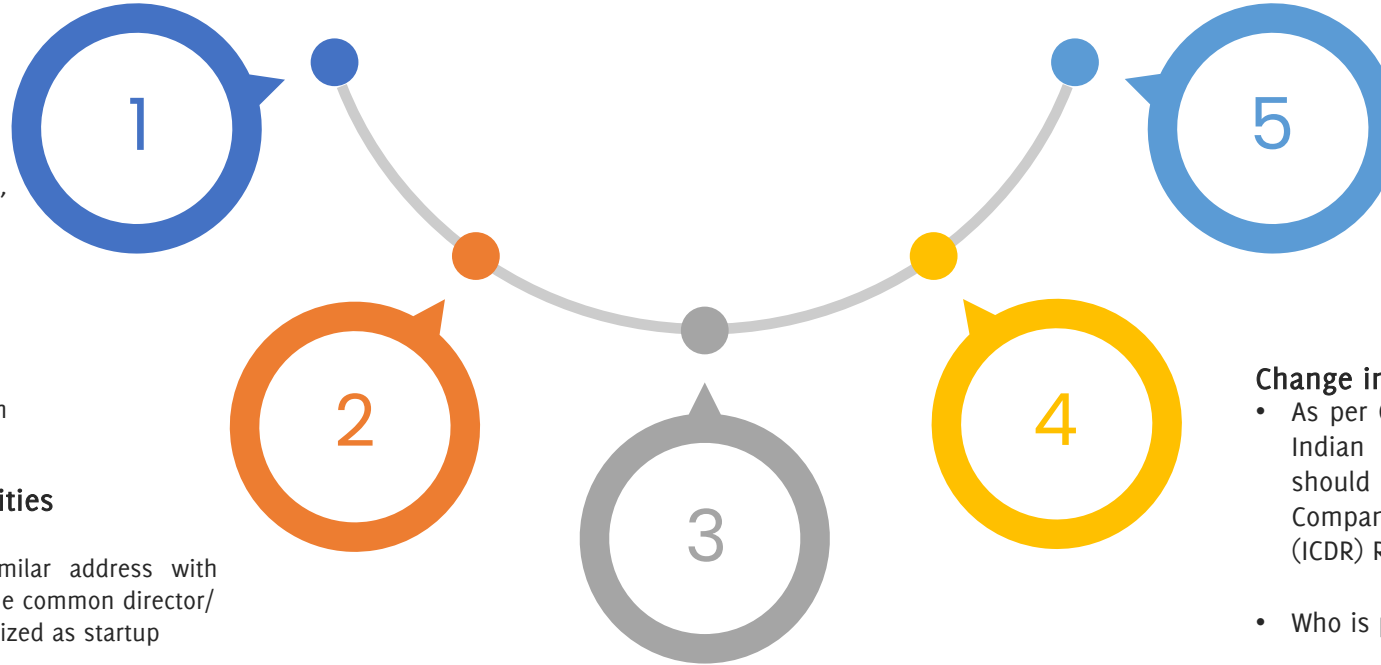
Entities formed due to merger/ demerger/ acquisition/ amalgamation/ absorption/ will not be recognized as Startup

- However, any merger or amalgamation, as per section 233 of the Companies Act between any of the following entities will not be subject to above restriction.

- two or more start-up companies; or
- one or more start-up company with one or more small company

Incorporating additional entities

Incorporating additional entities having similar address with same production line/services and at least one common director/ designated partner/partner will not be recognized as startup



Any change in CIN/LLPIN:

Any change in CIN/LLPIN for any reason other than below mentioned purposes are not permitted

- (a) change in domicile State, or
- (b) due to conversion which are allowed
- (c) change in industry/ sector subject to cancellation of existing certificate, shall be permitted subject to approval obtained as per the relevant act.

Change in Shareholding:

- As per Guidelines, Shareholding by Indian promoters in the startup should be at least 51%, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.

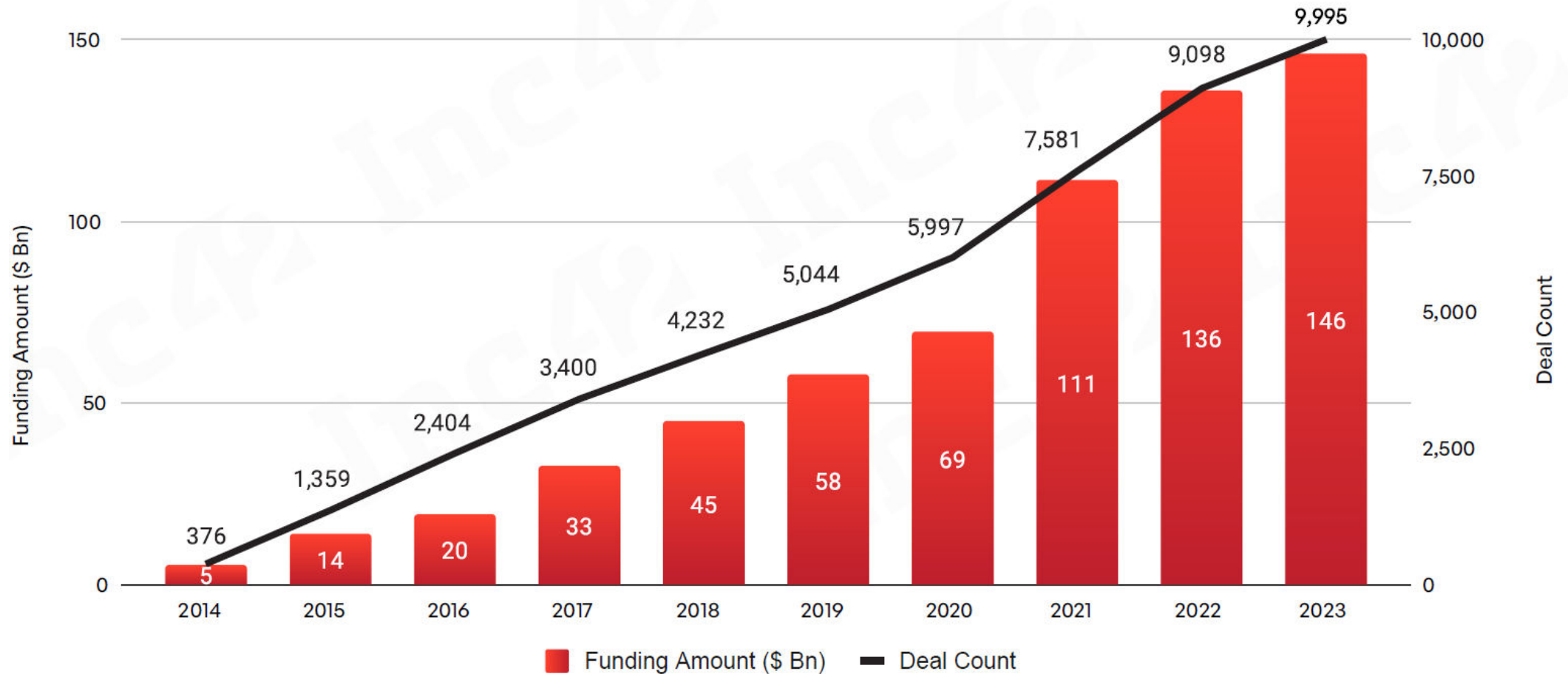
- Who is promoters?

Holding/Subsidiary/Joint Ventures/Overseas Entity:

- As per Guidelines, it is clarified that no Holding/Subsidiary/Joint Ventures/any entity incorporated outside India are eligible to be a Startup.
- Holding /Subsidiary/Join Venture after recognition??
- Definition of Holding/Subsidiary/Join Venture?

Funding Landscape – an Overview

\$146 Bn+ Raised By Indian Startups Since 2014



Top 10 Biggest Funding

Top 10 Biggest Funding Rounds In Indian Startup History

	Round Size	Year	Notable Investors
 Flipkart	\$3.6 Bn	2021	Tiger Global Management, Walmart, Tencent, SoftBank
 OYO	\$1.5 Bn	2021	SoftBank, Ritesh Agarwal, Lightspeed Venture Partners, Microsoft
 Paytm	\$1.4 Bn	2017	SoftBank
 SWIGGY	\$1.2 Bn	2021	SoftBank, Alpha Wave Global, Goldman Sachs
 OLA	\$1.1 Bn	2017	Tencent, SoftBank
 PhonePe	\$850 Mn	2023	General Atlantic, Walmart
 DREAM SPORTS	\$840 Mn	2021	Tiger Global Management, DST Global, TPG, Alpha Wave Global
 VERSE	\$805 Mn	2022	CPP Investments, Google, Meta, Sofina
 ERUDITUS Executive Unacademy	\$650 Mn	2021	Accel, SoftBank, CPP Investments, Prosus Ventures
 lenskart	\$600 Mn	2023	Abu Dhabi Investment Authority, Chrys Capital

Source: Inc42

Note: Based on startup funding deals recorded between 2014 and June 2023

Inc42

Basics of Funding

Stages of Company and its Funding

Stages of Company is the Key parameter for Funding and its Valuation.

Type of Investors

Different Angels in different stages.



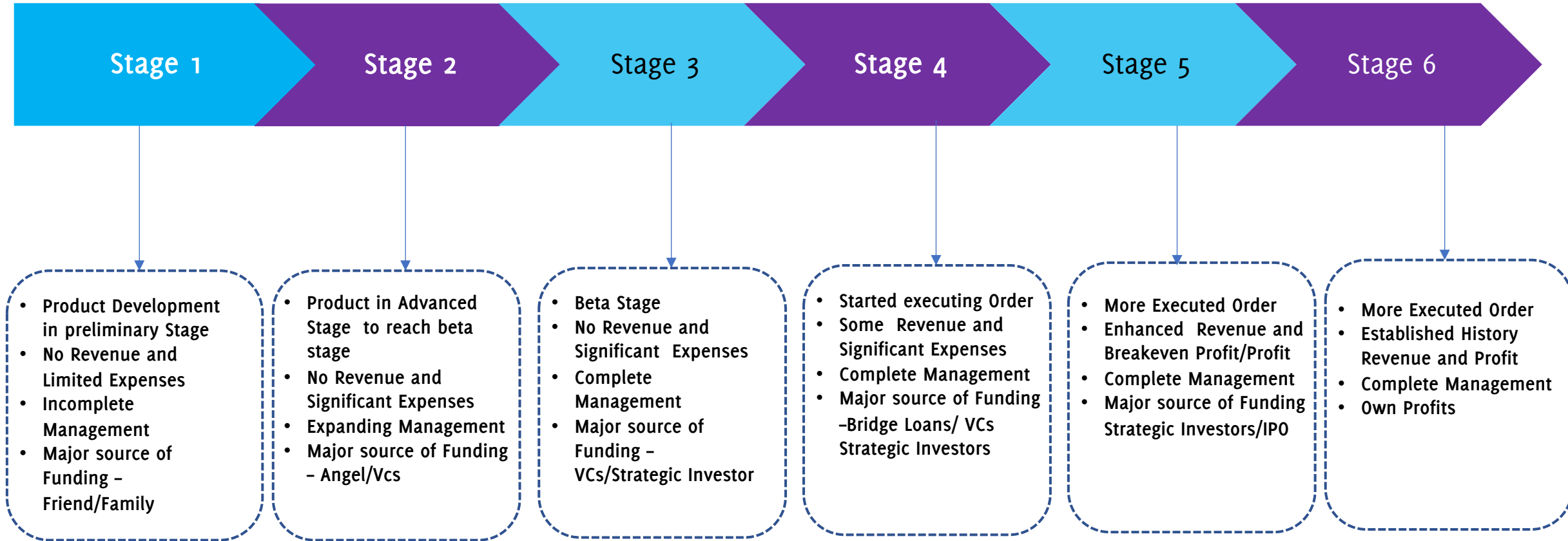
Deal Instruments

Shareholder vs Debtholder

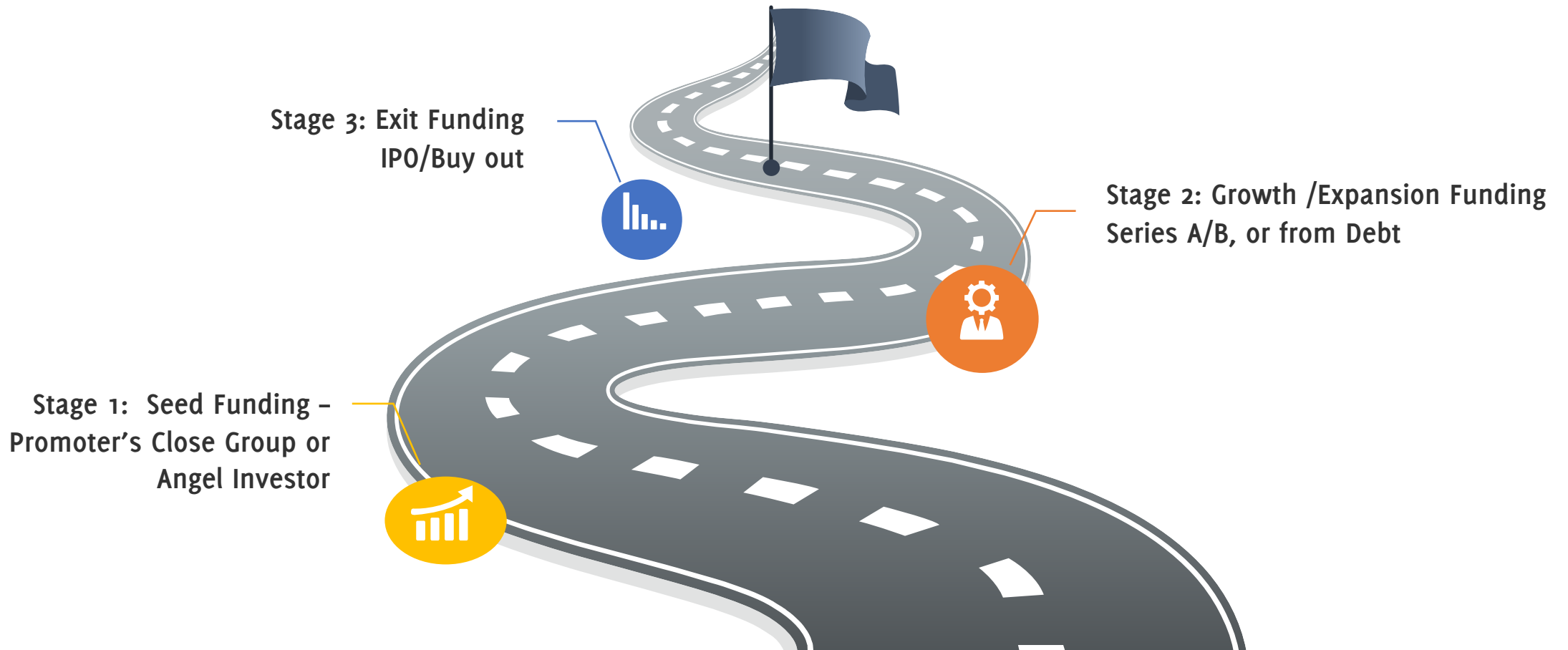
Valuation Nuances

Ask vs Fair Value

Basics of Funding -Stages of a Company



Basic of Funding -Stages of Funding



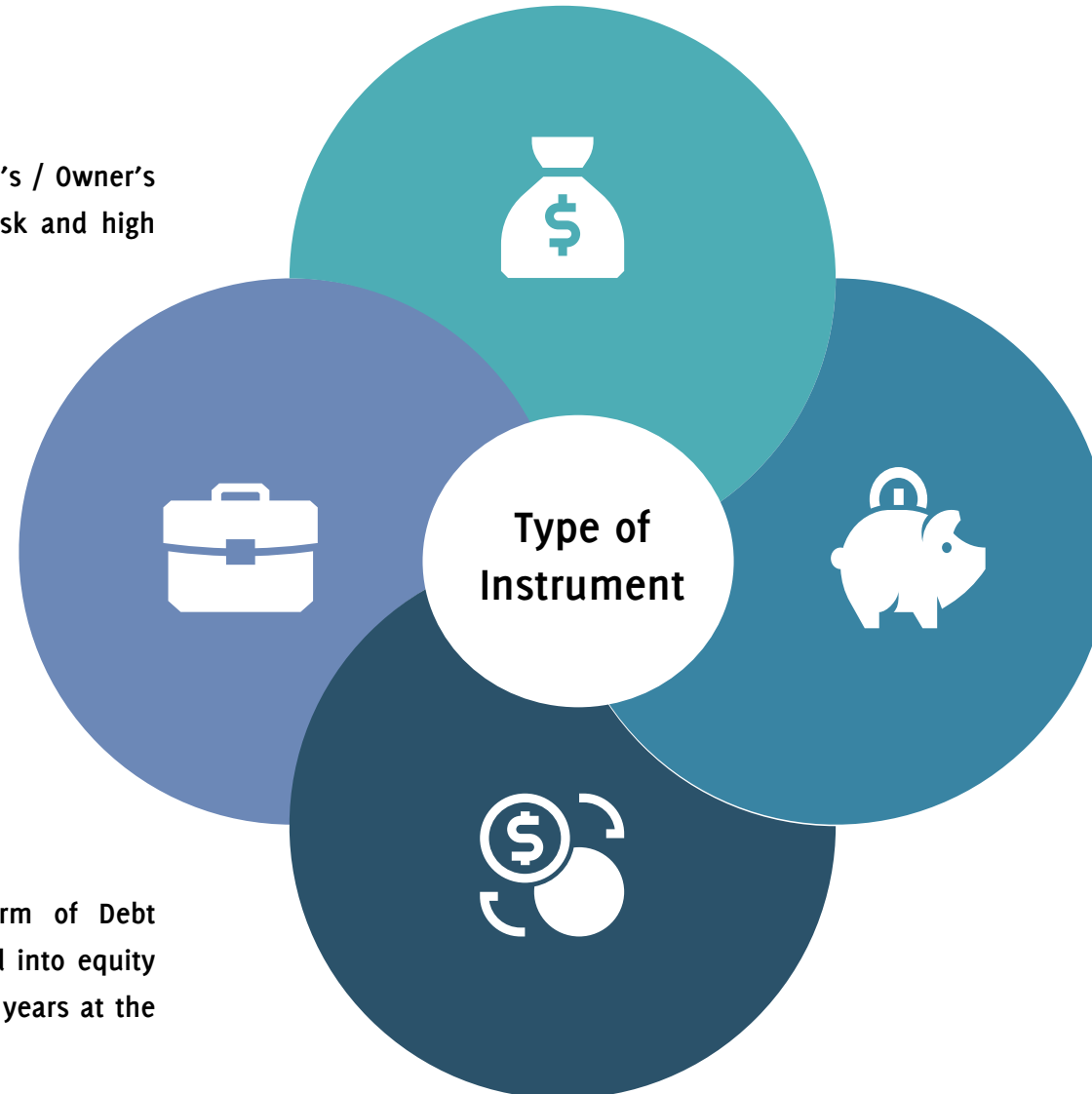
Basics of Funding – Deal Instruments

Equity Shares

Equity shares is meant for Founder's / Owner's Capital . Equity shares has high risk and high return. No Preferential rights

Compulsorily Convertible Instruments CCPS/CCD

Investor Preferred Instrument. It has preferential rights over others Instruments. CCD, though equity linked Instrument, will be treated as Debt for the purpose of Liquidation



Convertible Note

Convertible Notes ("CN") is a form of Debt Instrument which can be converted into equity or get repaid within a period of 10 years at the option of CN Holder.

Venture Debt

Venture Debt refers to any form of debt financing provided to a company that is still dependent on Venture Capital (VC) financing to fund its operations.

Equity Shares



What is Equity Shares?

Equity shares serve as a primary source of funding for a company. Holders of equity shares, known as equity shareholders, lack preferential treatment in terms of capital repayment and dividends. However, they possess the authority to collectively influence business operations, making them co-owners of the company.

When to Issue Equity Shares?

1. Organic Growth
2. Mergers and Takeovers
3. Financial Restructuring

TAX AND REGULATORY FRAMEWORK

COMPANIES ACT

Mode of issue:-

- Equity can be issued through Rights & Private Placement

Valuation Requirement:-

- Valuation report from a Registered Valuer to be obtained if issuance is through Private Placement

INCOME TAX ACT

- The Company to obtain Valuation Report from a Merchant Banker to justify the Value at which Equity are issued under section 56(2)(viib)
- Requirement of Valuation Report may be evaluated if the Company is an Eligible Startup and has an Angel Tax Exemption

FEMA

- If Mr X is Non-Resident issuance of Equity to Non-Residents amounts to FDI.
- Valuation report from a CA or a Merchant Banker is required

COMPULSORILY CONVERTIBLE PREFERENCE SHARES (CCPS)

- ❖ Like Preference Shares CCPS carry a Preferential right over Dividend and Liquidation Preference
- ❖ Unlike Preference Shares which are Redeemable, CCPS are compulsorily converted into ordinary stock upon occurrence or completion of an event or within a stipulated time frame and thus lead to dilution in control.
- ❖ The terms of CCPS issue guide the conversion ratio, the industry generally follows 1:1 conversion ratio but this can vary from company to company or round to round.
- ❖ The conversion ratio can be fixed at the time of issue or can be determined at a future point. The CCPS can be structured to act in a manner that If the value of the company increases in the latter stage then conversion results in lower

Case Study:-

ABC Pvt Ltd (Company) having paid up capital 9.50 Lakhs intends to raise investment through issuance of CCPS. ESOP available as on the date is 5,000 Shares. Mr X an Angel investor is contemplating to invest 1.00 Cr in the Company

	Amount	Shares	Price per share	Face value per share	Premium per share	Conversion Ratio
Pre Money	10.00 Cr	1,00,000	1000.00	10.00	990.00	1:1
Investment	1.00 Cr	10,000	1000.00	10.00	990.00	
Post Money	11.00 Cr	1,10,000	1000.00	10.00	990.00	

TAX AND REGULATORY FRAMEWORK

COMPANIES ACT	INCOME TAX ACT	FEMA
<p>General Compliance:-</p> <ul style="list-style-type: none"> ▪ AOA & MOA should Authorize issuance of Preference shares <p>Tenure:-</p> <ul style="list-style-type: none"> ▪ It cannot be longer than 20 years <p>Mode of issue:-</p> <ul style="list-style-type: none"> ▪ CCPS can be issued through Rights & Private Placement <p>Valuation Requirement:-</p> <ul style="list-style-type: none"> ▪ Valuation report from a Registered Valuer to be obtained if issuance is through Private Placement 	<ul style="list-style-type: none"> ▪ The Company to obtain Valuation Report from a Merchant Banker to justify the Value at which CCPS are issued under section 56(2)(viib) ▪ Holding Period benefit available from holding of original instrument ▪ Requirement of Valuation Report may be evaluated if the Company is an Eligible Startup and has an Angel Tax Exemption 	<ul style="list-style-type: none"> ▪ If Mr X is Non-Resident issuance of CCPS to Non-Residents amounts to FDI. ▪ Conversion price or formula has to be determined upfront which cannot be less than fair value at the time of issue ▪ Valuation report from a CA or a Merchant Banker is required

COMPULSORILY CONVERTIBLE DEBENTURES (CCDS)

- ❖ These are debt capital raising instruments which are subsequently and compulsorily converted into equity shares of the company.
- ❖ These generally carry a preferential right of payment over other stakeholders of the company because CCDs are a hybrid instrument essentially in the form of debt rather than equity until the time they are converted to equity shares.
- ❖ Typically carry time based discounts to the next round valuation

A company issuing CCD can enjoy following benefits :-

- ❖ Tax benefit on interest
- ❖ Dilution in control can be deferred until the CCDs are converted
- ❖ There is no requirement to maintain Debenture redemption Reserve (DRR) or appoint Debenture Trustee (DTs) in case of issue of CCDs
- ❖ Leverage Benefit (in certain cases)
- ❖ These are not considered as deposits
- ❖ No need of security at the time of issue
- ❖ Valuation is not required at the time of issuance

TAX AND REGULATORY FRAMEWORK

COMPANIES ACT	INCOME TAX ACT	FEMA
<p>General Compliance:-</p> <ul style="list-style-type: none"> ▪ AOA should Authorize issuance of Debentures <p>Tenure:-</p> <ul style="list-style-type: none"> ▪ Conversion should be made within 10 Years <p>Mode of issue:-</p> <ul style="list-style-type: none"> ▪ CCDs can be issued through Rights or Private Placement <p>Valuation Requirement:-</p> <ul style="list-style-type: none"> ▪ Valuation report from a Registered Valuer at the time of issuance or 60 Days prior to conversion as the company chooses 	<ul style="list-style-type: none"> ▪ Valuation requirement as mentioned in Sec 56(2)(viib) is not applicable for debentures ▪ Holding Period benefit available from holding of original instrument ▪ Conversion of CCDs into Equity shares - No Capital Gain (exempt transfer) ▪ The interest paid on CCDs can be claimed as expenditure for the purpose of arriving at total income. And TDS on such interest needs to be deducted at appropriate rate. 	<ul style="list-style-type: none"> ▪ If Investor is Non-Resident, issuance of CCD to Non-Residents amounts to FDI. ▪ These are considered as Equity investments for FEMA reporting purposes ▪ Conversion price or formula has to be determined upfront which cannot be less than fair value at the time of issue ▪ Valuation report from a CA or a Merchant Banker is required

Convertible Notes | Introduction & Key Features



What is Convertible Note

Convertible Notes ("CN") is a form of Debt Instrument which can be converted into equity, usually at a discounted valuation, at the option of CN Holder.



Time of Conversion

Typically, Conversion can be based upon specific event like next round of Financing or at the expiry of Specific Period.



Why Convertible Note

- Simpler Structure
- No Need for Valuation
- Founders need not dilute in early stages
- Investor can convert, only in case of positive growth



Currently, Only Eligible startups recognized by the DPIIT are eligible to issue convertible Notes in India.

Key Features

1. Debt Instrument
2. Conversion Option
3. Maturity Date
4. Interest Rate
5. Discount Rate
6. Valuation Cap
7. Subordination to Future Rounds
8. Quick and Cost-Effective
9. Flexible Terms
10. Bridge to Future Financing
11. Risk and Reward Sharing*
12. Simplicity in Execution

Convertible Notes | How CN's Work?

M/s ABC Private Limited ("Company") has issued a Convertible Note amounting to INR 1,00,00,000. This Convertible Note holds the provision to be converted into equity during the Series A round. Following this, the Company successfully completed its Series A Round at a valuation of INR 34,00,00,000, with each share priced at INR 25,000. The total number of pre-investment shares before this round amounted to 13,600.

Particulars	Reference	Amount
Convertible Note Issued	A	INR 1,00,00,000
Series A Round Valuation	B	INR 34,00,00,000
No Of Shares Outstanding	C	13,600
Price Per Share for Series A Round	$D = B/C$	INR 25,000

Convertible Notes | How CN's Work?

Particulars	Reference	Scenario 1 Discount of 20%	Scenario 2 No Discount; Cap of 25 crores	Scenario 3 Discount at 20% cap of 25 Crores
Convertible Note Issued	A	INR 1,00,00,000	INR 1,00,00,000	INR 1,00,00,000
Series A Round Valuation	B	INR 34,00,00,000	INR 34,00,00,000	INR 34,00,00,000
Valuation Cap	C	NA	INR 25,00,00,000	INR 25,00,00,000
No Of Shares Outstanding	D	13,600	13,600	13,600
Price Per Share for Series A Round	$E=B/D$	INR 25,000	INR 25,000	INR 25,000
Conversion Price	F=80% of E; for Scenario 1 F=C/D For Scenario 2 and 3*	INR 20,000	INR 18,382.35	INR 18,382.35
No Of Shares Post Conversion	$G=A/F$	500	544	544
Value of Investment	$H = G * E$	INR 1,25,00,000	INR 1,36,00,000	INR 1,36,00,000
Investor Return post Conversion	$I = (H-A)/A$	25%	36%	36%

* When CN Holders have both option, conversion will take place at the price lower among the two. Thus maximising the number of shares.

Convertible Notes | How CN's Work?

Particulars	Pre Conversion		Scenario 1		Scenario 2		Scenario 3	
	No Of Shares	%of Holding	No Of Shares	%of Holding	No Of Shares	%of Holding	No Of Shares	%of Holding
Founders	10,000	73.52%	10,000	70.92%	10,000	70.70%	10,000	70.70%
Seed Round Investor	3,600	26.48%	3,600	25.53%	3,600	25.45%	3,600	25.45%
CN Holders	-	-	500	3.55%	544	3.85%	544	3.85%
Total	13,600	100%	14,100	100%	14,144	100%	14,144	100%

	Conversion Price	No. of Shares Converted	Dilution to Founders
Higher Valuation	▲	▼	▼
Lower Valuation	▼	▲	▲
Higher Discount	▼	▲	▲
Lower Discount	▲	▼	▼

Convertible Notes | Regulatory Aspects

COMPANIES ACT

- Only Eligible Startup can issue CN
- Minimum Amount of Investments from a single investor in a single tranche is INR 25 Lakhs
- Maximum Period of Conversion or Repayment is 10 years

FEMA

- Issue of Convertible Note (that can be repaid in 10 years) to Non-Residents permissible for Eligible Startups ("works like Optionally Convertible Note)
- Minimum Amount of Investments from a single investor in a single tranche is INR 25 Lakhs
- Pricing guidelines has to be followed at time of conversion



INCOME TAX

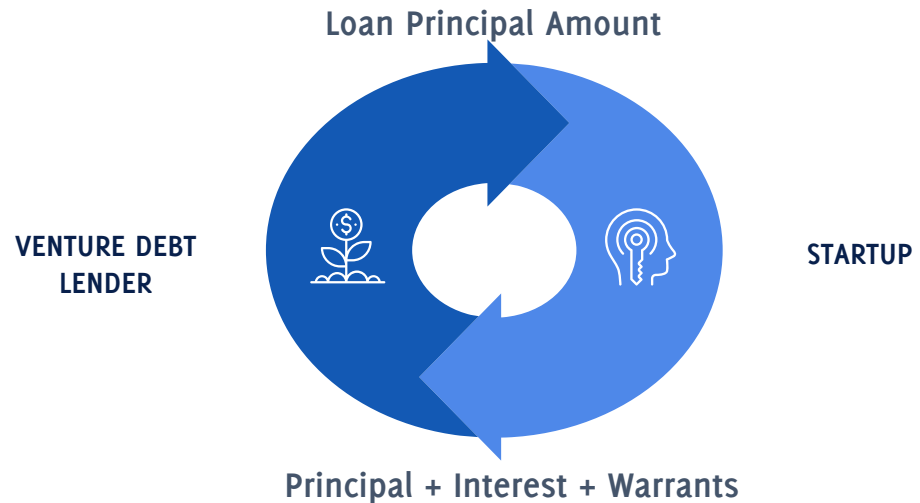
- CN's take the Nature of Debt
- Conversion of Debentures into Equity is exempt u/s 47 (x)
- Subsequent sale of Shares on Conversion Taxable under capital gain
- Holding Period benefit available from holding of original instrument

VALUATION

- Valuation not required at the initial time of Issue
- Valuation is required at the time of Conversion.
- If Issuance of Convertible Note through private placement, Valuation either decided at time of issue or within 60 days of conversion.

VENTURE DEBT

- ❖ Venture Debt refers to any form of debt financing provided to a company that is still dependent on Venture Capital (VC) financing to fund its operations.



❖ Venture Lending

- Venture loans are a type of debt financing typically provided to venture-backed companies.
- Venture loans are generally a complement to venture capital and provide value to fast growing companies and their existing investors by minimizing equity dilution when raising new rounds of capital.
- Unlike traditional bank lending, venture loans are catered towards startups and growth companies that do not necessarily have positive cash flow or hard assets to use as collateral.

How Does Venture Debt/ Financial/ Lending work?

- ❖ Venture debt works differently from conventional loans. The debt is short- to medium-term in nature (up to three or four years).
- ❖ The majority of venture debt instruments involve interest payments. The payments are based on either the prime rate or another interest rate benchmark such as LIBOR.
- ❖ In addition, in venture debt financing, the lenders receive warrants on the company's common equity as a part of the compensation for the high default risk.
- ❖ In the future, the warrants can be converted into common shares at the per-share price of the last equity financing round. The warrants often provide exponential returns to the borrowers relative to the appreciation potential of the company's common shares.
- ❖ The best time to raise venture debt is concurrent with or immediately following an equity raise
- ❖ Venture debt can extend the cash runway of a startup company to achieve the next milestone achievement prior to their next equity raise, resulting in a higher valuation and less dilution.

Particulars	Details
Valuation of Earlier Round	INR 1,00,00,000
Price per share	1,000
Number of shares	10,000
Venture funding @ 30% of earlier round	30,00,000
Repayable in 2 years Interest @ 10% p.a.	
300 Warrants to be issued, in case of default the warrants shall be converted into shares	
Value of Warrants for Venture Capital	3,00,000

Type of Investor

Foreign Fund/Foreign Investor

Any foreign Investors can invest in startup as per FEMA NDI rule. Startup has to operate under FDI allowed activities to receive Investment

Alternative Investments Fund

AIF means any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, for investing it in accordance with a defined investment policy for the benefit of its investors. SEBI Regulated Entity . Three Types of Catgeory to cater different Investment Objective .

Venture Capital Fund/Private Equity

Venture capital funds are pooled investment funds that manage the money of investors who seek private equity stakes in startups. Private equity (PE) refers to capital investment made into companies that are not publicly traded. .

Angel Investor

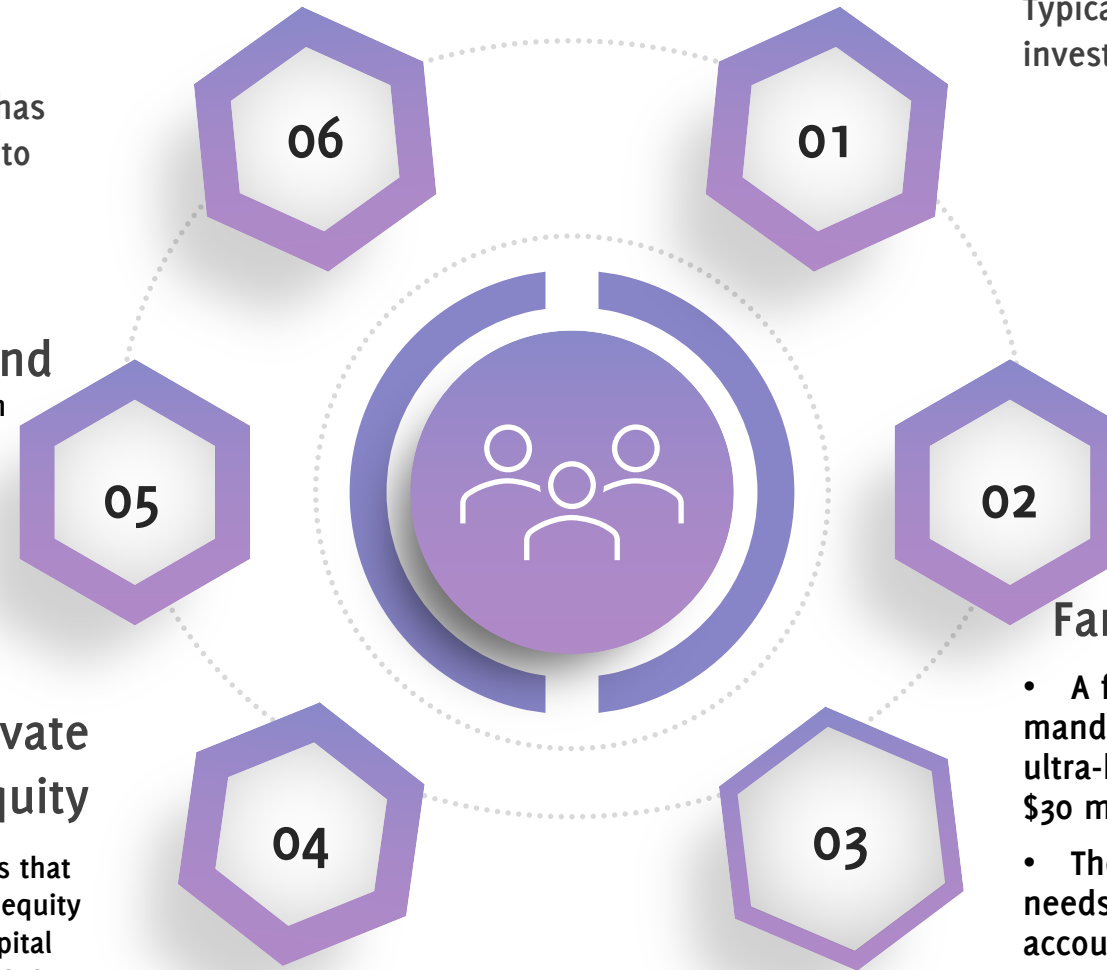
Typically, High Networth Individuals invest in startup at its early stage

Incubators /Accelerators

Accelerators are typically funded by investors, corporations, or government agencies, in order to support innovation, source investments

Family Offices

- A family office is a group of companies whose mandate is to manage a multi-million investment of ultra-high-net-worth families with net assets worth \$30 million and above.
- They manage a UHNW family's finance-related needs, such as investment, wealth management, accounting, tax legal compliance,



PREREQUISTE OF STARTUP FUNDING

PREREQUISITES OF STARTUP FUNDING

- Generally, before making Investments, there are certain conditions to be met. These are called “Conditions Precedent “ to the transaction
- These conditions could be the requirements of Investors or Regulatory Requirements
- Depending on Nature of Instruments and Type of Investors, the requirements could vary
- Regulatory requirements are mandatory requirements. In case of Investor requirements, generally, all these are mandatory requirements but in exceptional case, investors might waive off these requirements



PREREQUISITE OF STARTUP FUNDING

INVESTOR REQUIREMENTS

1

**Startup Recognition
and Angel tax
Exemption**

Startup
Recognition

Angel Tax
Exemptions

MSME
Registration

2

ESOP

ESOP dilutes
the existing
shareholders

Creation of ESOP Pool
before Investors
becomes mandatory

Different Investor
will ask for different
ESOP Pool creations

3

**Due Diligence, Pitch
Deck and Financial
Modelling**

Due Diligence will be
carried out to identify
the risk involved

Pitch Deck helps
investors to know about
the business

Financial Modelling
helps investor to
understand the numbers

4

**Intellectual
Property**

Generally, IP
are not
registered

IP may be in
the name of
Founder

Assignment of IP
is essential for
smooth run of
business

5

SSA/SHA

Term sheet – basics
to streamline the
expectation

Subscription Agreement
deals about
subscription detail

Shareholders'
Agreement essential
to legally enforce the
rights

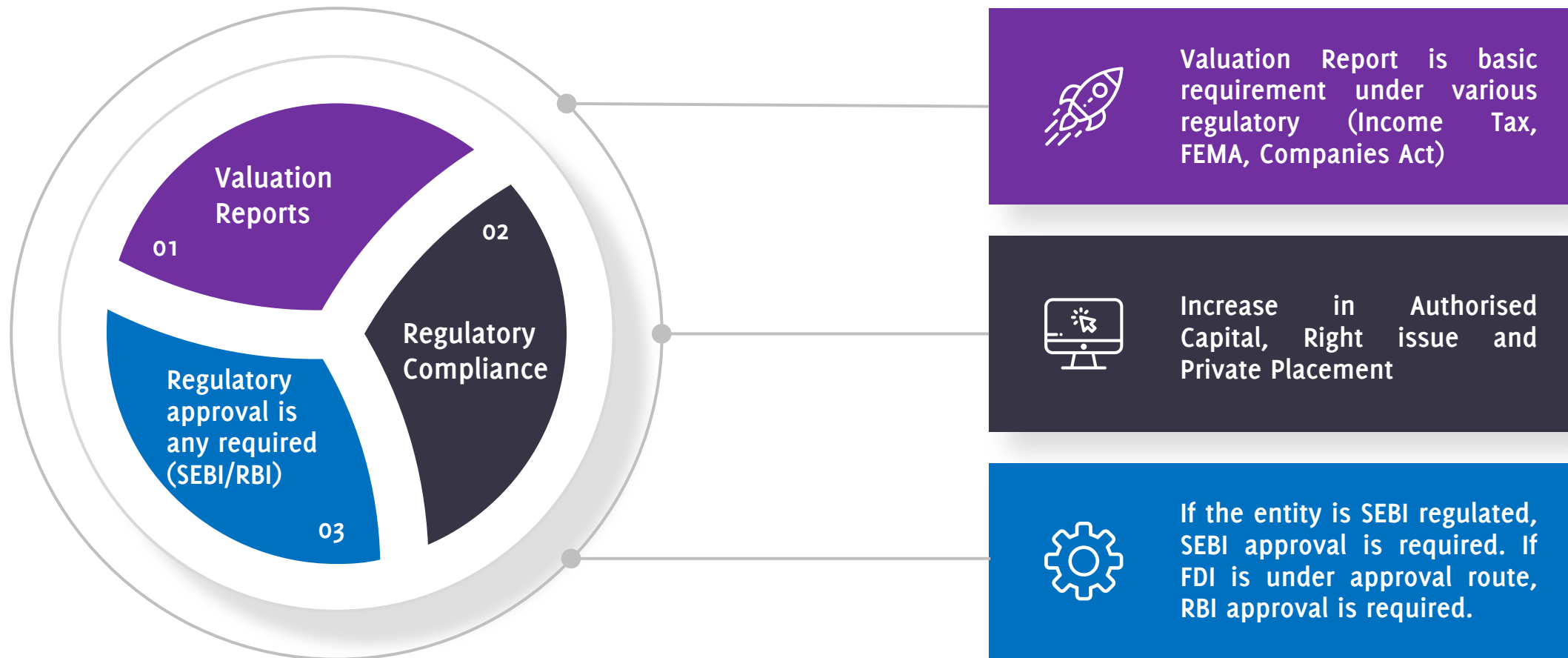
PREREQUISITE OF STARTUP FUNDING

INVESTOR REQUIREMENT



PREREQUISITE OF STARTUP FUNDING

REGULATORY REQUIREMENT



VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS

WHEN DO YOU REQUIRE A VALUATION REPORT?

TRANSACTIONS	COMPANIES ACT	INCOME TAX ACT*	FEMA **
RIGHTS ISSUE	✗	✓	✓
PRIVATE PLACEMENT	✓	✓	✓
TRANSFER OF SHARES	✗	✓	✓

Note:

* If a startup is received angel tax exemption Valuation report is not required

** Valuation report under FEMA is required only if any one of the party is a Non Resident

VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS

WHO IS ELIGIBLE TO SIGN THE VALUATION REPORT?

	Chartered Accountant	Merchant Banker	Registered Valuer
Under Income Tax Act			
Transfer of Shares	✓	✓	
Issue of Shares other than transfer (If DCF Methodology followed)		✓	
Issue of Shares other than DCF Method	✓		
Other than Shares & Securities	✓	✓	
Under Companies Act			
Issue of Shares through Private Placement & Other Securities			✓
Under FEMA			
Issue of Shares to a Non-Resident	✓	✓	
Compulsorily Convertible Debenture	✓	✓	

VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS

REGULATORY APPROVAL

- Depending on the Nature of Instruments and mode of issue, certain regulatory compliance to be met
- The Company has to increase the authorised capital/reclassify the capital to accommodate the issue of Funding
- There are two mode of issuance – Right Issue and Private Placement.
- In case of Right issue, the Company has to issue Right offer letter, acceptance and waiver letter from existing Investors will be required
- In case of issuance to new Investors, Private Placement will be apt mode of issuance.



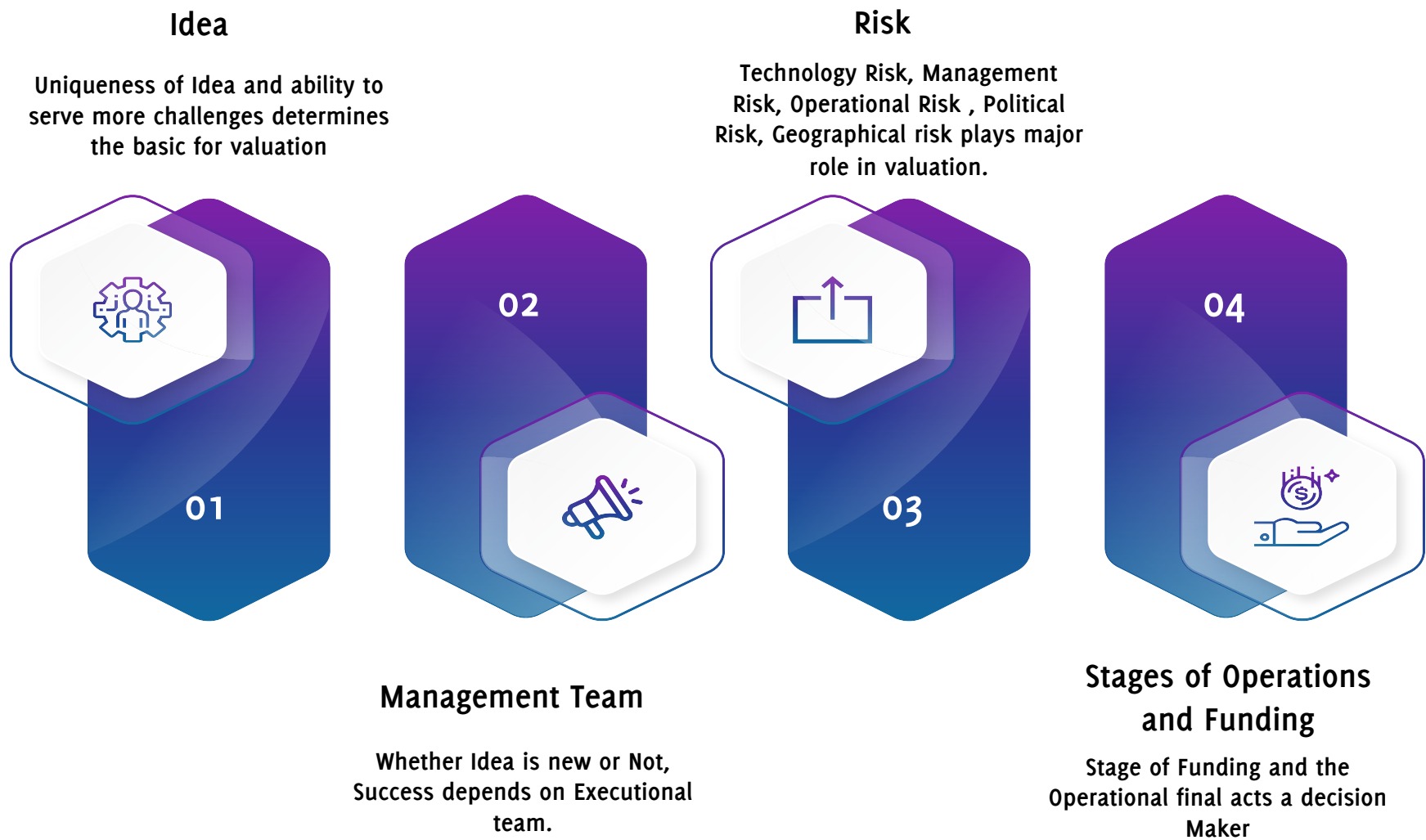
VALUATION OF STARTUPS : REGULATORY ASPECTS OF VALUATIONS


REGULATORY APPROVAL

- In certain cases, Regulatory approval is mandatory before receiving any funds
- In case of Foreign Investments, The startup needs to evaluate whether FDI is allowed under automatic Route/Approval Route
- If the Startup activity falls under the approval route, the Company has to get prior approval from RBI by making separate application
- In addition to above, irrespective of activity, Investments from countries which India Shares Land borders falls under approval route.
- In case of SEBI Regulated Entity, the Company has to ensure prior intimation/approval is obtained wherever necessary, before receiving the funds



Funding Deciding Factor: Qualitative and Quantitative Parameters





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THANK YOU