

Entrepreneurs hail government's intent but wary of execution

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Tailoring policy to get the government out of the way of start-ups was the underlying theme at the StartUp India Stand Up India event hosted at Vigyan Bhavan in Delhi on Saturday. However, implementation hurdles might dent the prospects of the policy, say experts.

Entrepreneurs and investors have largely responded positively to the announcements made.

“He (PM Narendra Modi) understands that start-ups are going to transform India in the next 10 years. Many policies were announced and while there are some more that are needed, they have said they will look at it because legal change is required,” said TV Mohandas Pai, co-founder of Infosys and an active investor in start-ups.

While the three-year tax holiday and relaxation of capital gains for funds have been received well, some say attention has not been paid to solving larger problems such as keeping start-up companies (and the wealth they create) within the country.

“All the Unicorns (companies valued above \$1 billion) are basically no longer based in India; they're Singapore-domiciled companies. Stop the re-domiciling and I think we have made some steps in that direction, although it fell short of many people's expectations,” said Sharad Sharma, convenor of iSPIRT, the informal lobby group to promote home-grown product firms.

The government has been in talks with stakeholders in the start-up space to understand their problems. The start-up action plan is broadly spread to address issues in the short, mid- and long-term but the general

sense was that longer-term initiatives, such as how the government plans to incentivise listing of companies in India, need more clarity.

“In terms of scope, I would say full marks. But, we always find in India and most parts of the world when a government tries to do something, from the intent to the actual execution remains to be seen. Clearly, there has been a lot of inputs taken from the stakeholders in the industry and it seems like the intent is very sincere to do the right things here,” said Sanjay Swamy, partner at Prime Ventures.



START-UP STREET

GOVERNING RULES

Criteria for start-ups to get government incentives under Startup India Action Plan

- The firm incorporated should be less than five years old
- Annual Revenue of less than ₹25 crore
- Needs to get approval from inter-ministerial board to be eligible for tax benefits
- Get recommendation from an Incubator recognised by government, domestic venture fund or have an Indian patent

vagaries surrounding exits are solved.

The announcements by the government were more than what a normal start-up would have expected, said Vijay Shekhar Sharma, co-founder and CEO of Paytm.

Nidhi Agarwal, founder and CEO of Kaaryah, termed the policy a ‘well-rounded, well-structured and articulated’. The move to simplify formalities for starting a business, funding, apart from tax relief were notable, said Ravi Gururaj, president of Nasscom Product Conclave.

STARTUP INDIA ACTION PLAN

Scheme	Details	Plus	Minus
Compliance regime based on self-certification	<ul style="list-style-type: none"> ■ Self-certification through mobile app ■ Nine labour laws, including gratuity without any inspection, for three years ■ Three environmental laws 	<p>No inspection</p> <p>Comply with laws according to mandate</p> <p>Random checks possible</p>	<p>Including gratuity, as in normal circumstances, it applies for companies over five years</p>
Start-up India hub	<ul style="list-style-type: none"> ■ Ecosystem in hub-spoke model ■ Collaborate with state and center, VCs, universities, R&D centres ■ Organise mentorship programmes 	<p>Already informal model exists across India</p>	<p>No formal mechanism</p>
Rolling out mobile app and portal	<ul style="list-style-type: none"> ■ The app shall be made available on all leading mobile/smart devices platforms from April 1 ■ Registering start-ups with agencies ■ Mobile app integration with Ministry of Company Affairs 	<p>Promise of simple procedure</p>	<p>Need to upgrade MCA website to handle integration</p>
Legal support and fast-tracking patent examination at lower costs	<ul style="list-style-type: none"> ■ Filing for compliances ■ Launched on a pilot basis for one year ■ Fast tracking start-up IPR shall help file patents ■ Panel to assist patent filing ■ 80% rebate on patent filing 	<p>Will help start-ups build IP-focused innovations</p>	<p>No long-term plans</p> <p>No clarity whether this would also apply for foreign patents</p>
Relaxed norms of public procurement for start-ups	<ul style="list-style-type: none"> ■ Relaxes tender qualifications on prior experience/turnover ■ Includes start-ups in MSME category that get 20 per cent preference in government sourcing 	<p>Would help start-ups to bid for govt contracts</p> <p>Help innovative ideas to scale</p> <p>Need to prove capability to execute</p>	<p>No clarity whether new ideas and processes would be encouraged</p>
Faster exit for start-ups	<ul style="list-style-type: none"> ■ Insolvency for simple structure start-ups in 90 days ■ The Insolvency and Bankruptcy Bill, 2015, presented in Parliament already has the provisions 	<p>If Bill is passed, good start</p>	
Providing funding support through a fund of funds	<ul style="list-style-type: none"> ■ Fund of funds ■ Corpus of ₹10,000 crore ■ ₹2,500 crore investment each year for four years ■ Fund managed by a board ■ LIC as a co-investor 	<p>Not just focused on tech, manufacturing, agriculture included</p>	<p>Clarity on how performance of the fund measured</p>
Credit guarantee fund for start-ups	<ul style="list-style-type: none"> ■ Help flow venture debt from banks ■ Credit guarantee mechanism through National Credit Guarantee Trust Co ■ Corpus of ₹500 crore every year for four years 	<p>Provide credit guarantee for start-ups</p>	<p>Banks should give loans based on business opportunity, not be forced to lend</p>
Tax exemption on capital gains	<ul style="list-style-type: none"> ■ Promote investments into start-ups by mobilising the capital gains arising from sale of capital assets ■ Aimed at suitable incentives for investors to invest in start-ups 		