

# PREFACE

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*If it was the Industrial Revolution of the late-18th and early-19th century that transformed the world and changed livelihoods, the start-up revolution seems to be doing that right now. The new-age start-up businesses, with business models based on information technology, inspired by innovation, and mostly initiated by first generation entrepreneurs, are occupying an ever-increasing role in income and employment generation, and most importantly, changing the way we live. Google, Facebook and Whatsapp have made deep impact on the lives of billions across the world. These high-growth businesses start lean, but grow rapidly, and therefore, create lots of jobs in a short while. In the UK, it is estimated that nearly one in every three jobs comes from what is called “high growth small business”, as per a 2015 report by Octopus Investments. The percentage is even higher in the USA.*

*The potential of small businesses in job creation is well-documented, and is largely unarguable. However, it is most important to note that the trend towards the new-age start-ups is also inspiring innovation, decentralization of economic power, and broad-basing of economies. If the economies of scale and scope resulted into the multinational corporation, the flexibility, adaptability and low-cost business models of start-up companies give them a massive advantage over big business.*

*It is, therefore, quite apt that Prime Minister Narendra Modi seized start-ups as a key part of his economic agenda, and launched the “Start up India, Stand up India” campaign on 15th August, 2015. Pursuant to this move, there have been lots of policy relaxations and incentives for start-ups. A quick summary of the policy initiatives is as follows:*

- ◆ *On the 22nd of January, 2016, there was the amendment brought in the rules of company incorporation by the Ministry of Corporate Affairs (MCA). This move was aimed at easing the process of name approval of companies to be incorporated.*
- ◆ *In February 2016, proposals were put forth by the Reserve Bank of India (RBI) to create a viable environment for economic growths vide the sixth Bi-monthly Monetary Policy. Some of such facilitative proposals include :*
  - *Allowing Foreign Venture Capital Investors to invest in start-ups.*
  - *Allowing transfer of shares or ownership with deferred considerations and facilities for escrow or indemnity arrangements for a period of 18 months.*
  - *Simplification of the process that deals with delayed reporting with regard to FDI.*
  - *Replacing the use of physical forms with online reporting mechanism, in turn saving time and resulting into ease of filing.*
- ◆ *On the 11th of February, 2016, a clarification issued by the RBI in furtherance to the Monetary Policy,*
  - *Therein, it was clarified by the RBI that Indian start-ups may issue shares by way of settlement of their monetary obligations, instead of necessarily getting payment against shares issued. Additionally, the RBI also allowed issue of shares by way of sweat equity without needing any specific permission under FEMA provisions.*

- *By another notification, start-ups having foreign subsidiaries were allowed to operate a foreign currency account overseas, and pool therein receivables both from residents as well as non-residents. Thereby, start-ups with foreign subsidiaries may receive money from residents in an overseas account of its subsidiary. The amount payable to the Indian parent may then be remitted to India during the time period allowed for realization of export receivables (9 months).*
- ◆ *The Labour Department on the 12th of January, 2016, issued directions to regulatory bodies responsible for compliance with the labour laws. With regard to the same, the following relaxations were brought in by the Employees Provident Fund Organisation (“EPFO”) on the 21st of January, 2016—*
  - *To eliminate delay in following the cumbersome procedures of the numerous labour laws, relaxation to start-ups was proposed in terms of filing self-certified returns under the EPF Act.*
  - *Also, submission of an online self-declaration instead of the provisions of inspection of establishments under labour laws by regulatory bodies, in the first year of incorporation, had been proposed.*
- ◆ *The definition of “start-up” was notified by the DIPP on the 17th of February, 2016, providing a statutory definition of a “start-up” for the purpose of availing the benefits of the Action Plan.*

*While the policy initiatives are still counting, what is most important is that there is a very positive atmosphere, and a mindset - just the right nursing ground for innovative young minds to hop into the start-up wagon.*

*This book intends to be a comprehensive guide to start-ups. Keeping the target reader - an entrepreneur who wants to start his start-up - we have tried providing everything that the reader may be looking for - from the policy initiatives and*

*tax concessions for start-ups, to forms of doing business with relative merits and demerits of each, to compliances required for a new business, to funding, private equity and venture investing, business valuations, hiring and motivating staff, accounting and auditing aspects, and so on. We have gone right up to selling off business, and winding up. Our intent has been to provide a non-technical guide, yet complete with technical details. We have used graphs and illustrations where necessary, to supplement the text.*

*The book is a collective effort by several of our team members who have slogged to produce this book. Nidhi Bothra has worked hard in leading the team effort. Vishes Kothari edited the entire text to impart it harmony and ease of reading.*

*Start-up business scene is changing and changing fast. While policy initiatives will continue to flow in, even the shape of the businesses of the next generation is something that is beyond comprehension right now. There is an increasing buzz about “gig offices” where people work without formal employment. There may be more basic changes in the way businesses work. We are sure we will have occasion to continue to maintain our reach with the readers as the start-up business scene continues to stand-up, and come of age.*

*Kolkata*

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