



## START-UP UPDATE SERIES (PART-2)

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In the previous article of our start-up update series, we discussed the eligibility criteria on open a start-up.

Startups are young businesses. They are often sponsored by the founders (varying from a few individuals to a single solitary investor) and offer a product that is either unavailable, in little supply, or only available in an inferior manner (or so the founder or founders believe).

Expenses usually outweigh income in the early phases of a startup's life because, well, startups don't earn much money. As a result, finance is frequently obtained through bank loans or credit union loans. Startups can also get government-sponsored investment as well as money from incubators as additional alternatives (which can offer both capital and mentorship as well).

If they're in a tight spot, companies can consider borrowing money from friends or relatives. Startups that can demonstrate their potential may be eligible for venture money. Capital is traded for a portion of a company's ownership using venture capital.

### Steps to be followed for launching your start-up

1. Start with a Great Idea
2. Make a Business Plan
3. Secure Funding for Your Start-up
4. Surround Yourself With the Right People
5. Legal compliances requirement





## Brief explanation of above

### 1. Great Idea for business :

For a successful start-up, there must be a great business idea that fulfills the needs of the group of customers. A new business idea doesn't mean a completely new one, there may be changes to existing products or services in a better way for customers in form of changing the product appearance, adding a new feature to an existing product, and finding a new use of the product.

### 2. Developing of business plan:

A business plan must be prepared to describe your products and services in detail which includes information on your industry, operations, Finance and market analysis. A business plan must be effective as it provides assistance in getting finance for your start-ups.

Most business plans include the following main section:

- i. The **executive summary** which includes a Table of content, Company background, market opportunity, management overviews, competitive advantages, and financial highlights.
- ii. The **business description and Structure**, describing the manufacturing processes and availability of materials.
- iii. The **market analysis and marketing strategies** including sales forecasts, deadlines and milestones and mainly how to cope up with the competition.
- iv. Information about company **executives and managers** describing how their expertise will help you meet business goals.
- v. **Projected Financial statements** for the next three years.





### 3. Funding for start-ups:

There are various sources of funding to arrange the required funds, but for this, you have to estimate your costs and cash flow and interest rate on your loans. Further, appropriate debt and equity mix must be prepared in order to sustain for long.

Some of the sources for finance are:

- i. Commercial Bank loans
- ii. Venture capital
- iii. Business Angels
- iv. Government Assistance
- v. Buyouts, etc.

### 4. Guidance of the right people:

There can be a lot of risk in starting a business. That's why you'll need essential business advisors to help guide you along the way, like:

- Attorneys
- Certified Public Accountants (CPAs)
- Insurance professionals
- Bankers

Building the right startup team is especially important in the early stages of small businesses. This means you'll want to carefully select your:

- Co-founders
- Contractors
- Initial employees, including remote workers





## 5. Legal compliance requirement:

Before setting up a start-up, having thorough knowledge about the legal requirements of a start-up and being compliant with all applicable laws and regulations is mandatory.

### *i. Incorporation of Business:*

After developing the business idea, your business must be incorporated either as a Private Limited Company / Partnership firm / a Limited Liability Partnership.

### *ii. Register with Start-up India:*

After incorporation, as a whole the process is online, you need to log on to the Start-up India website and fill up the form with the required business details. After registering on the website start-up will get access to resources like the Learning and Development Program, Government Schemes, State Policies for Start-ups and pro-bono services.

### *iii. DPIIT Recognition:*

After registration, one need to obtain Department for Promotion of Industry and Internal Trade (DPIIT) Recognition. This recognition helps start-ups to avail several benefits like high-quality intellectual property services and resources, relaxation in public procurement norms, self-certification under labour and environment laws, easy winding of company, access to Fund of Funds, tax exemption for 3 consecutive years and tax exemption on investment above fair market value.

### *iv. Recognition Application:*

After that, the Recognition Application form must be filed by entering the required details and proceed further after such application.





*v. Documents for Registration:*

- (a) Director's Complete Profile Verification Details.
- (b) PAN Card Number
- (c) Written Proof related to your official website, link, or pitch deck. Needed for validation, speaking, early traction, or a staged start-up.
- (d) Start-up's incorporation or Registration Certificate.
- (e) Details about patent and trademark
- (f) Articles of Association/Incorporation
- (g) A Non-Disclosure Agreement (NDA)
- (h) Employee Contracts and Offer Letters
- (i) Shareholder's Agreement & Bylaws
- (j) Intellectual Property Assignment Agreements
- (k) Founder/ Co-Founder Agreement
- (l) Business Plan/Pitch Deck

### Startups that are successful today

- **Uber:** Tech company based in San Francisco, California. It operates the ride-sharing application and network Uber, as well as the food-delivery application and network, Uber Eats. Uber also owns and operates the shipping application UberFreight, and a ride-sharing network for businesses called UberBusiness.
- **Airbnb:** Online community marketplace for buyers and sellers of travel accommodations around the world. The Uber of travel accommodations, so to speak.
- **WeWork:** A company that provides a network of shared workspaces available for rent to freelancers, startups and small businesses.





- **SpaceX:** Space Exploration Corporation is a private aerospace manufacturer and space transport company founded and run by Tesla CEO Elon Musk. The ultimate goal of SpaceX: enable people to live on other planets.

While the world-changing potential in startups is sometimes overhyped, successful startups do have the potential to create a significant positive impact on the world. And even when startups fail, they still have an impact, especially through the learnings for the founders, employees, investors and other stakeholders.

There is plenty to know when it comes to startups. And the aforementioned, is, by far, not an exhaustive list of information. But with the above information, you can start figuring out what startups actually are and if it is a good decision for you to get involved in the life of a startup.





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