Centre for Aerospace and Defence Laws

NALSAR University of Law

Defence Start-ups

START-UPs

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What is a start-up?

A startup is a young company founded by one or more entrepreneurs to develop a unique product or service and bring it to market.

- Definition
- Process of creation
- some terms
- Start-ups in India
- Registration of Start-up
- Benefits of registration

Definition

- A startup is a venture that is initiated by its founders around an idea or a problem with a potential for significant business opportunity and impact.
- A startup company is a newly formed business with particular momentum behind it based on perceived demand for its product or service. The intention of a startup is to grow rapidly as a result of offering something that addresses a particular market gap.
- a small business that has just been started

In Short

A process that starts with a venture idea or opportunity, followed by an intemded individual entrepreneur, who organises a series of activities, creates competency, and mobilizes resources, using his/her networks in an environment in order to create value.

Process of Creation of Start-up

1. **Idea**
2. Shaping entrepreneurial **Intention**
3. **Preparation** - mobilisation of Resources, create competence and organise activities
4. **Networking**
5. **Entry**
6. **Value Creation**
7. **Exit**

Important terms

- Innovations
- Incubator
- Business Accelerators

Why do we require start-ups in India?

- to create India into job creator's from job seekers
- New Innovations
- New ideas make life simpler
- Huge number of VCs wanting to invest
- Fill gaps in growth and development in the country
- Government initiatives
- Healthy competition

Ecosystem

Indian Meaning

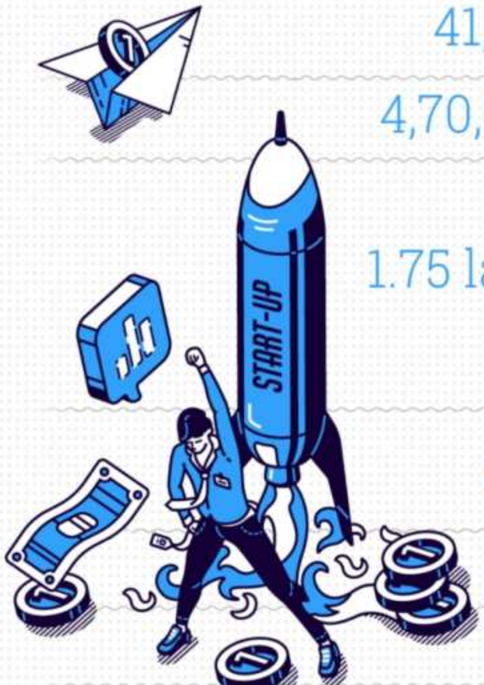
Start-up India Action Plan

Start-up India Hub

India's Start-up Ecosystem

ET tech

Economic Survey 2021 On Startups



41,061	**Indian** government has recognised 41,061 startups.
4,70,000	**Jobs** created by more than 39,000 startups.
1.75 lakh	**Startup** jobs rose to 1.75 lakh in 2020 from 1.52 lakh in 2019 due to an increase in the number of active recognition of startups to 14,784 from 11,694 in the same period.
319	**Startups** were granted income tax exemptions till November 2020.
38	**Unicorns** in India, 12 added last year.
>40	**Startups** are working in India's space sector.

As of December 23, 2020

more info

some unicorns

	Startup	Sector	Valuation (US$ billion)
2014	InMobi	Mobile & telecommunications	$1
	Snapdeal	E-commerce & direct-to-consumer	$7
	Ola Cabs	Auto & transportation	$6.2
2015	One97 Communications	Fintech	$10
2016	Hike	Mobile & telecommunications	$1.4
	Shopclues	E-commerce & direct-to-consumer	$1.1
2017	BYJU'S	Edtech	$5.75
	ReNew Power	Other	$2
2018	OYO Rooms	Travel	$4.3
	Swiggy	Supply chain, logistics, & delivery	$3.3
	Zomato	Internet software & services	$2.18
	PolicyBazaar	Fintech	$1
	Udaan	Supply chain, logistics, & delivery	$1
	BillDesk	Fintech	$1.8
2019	Delhivery	Supply Chain, logistics, delivery	$1.6
	BigBasket	Supply chain, logistics, delivery	$1
	Dream11	Internet software & services	$1
	Ola Electric Mobility	Auto & transportation	$1
	Rivigo	Supply chain, logistics, delivery	$1

Source: *CB Insights (2019)*

- The government has taken several measures to support startups, including broadening the definition of startups, simplifying regulations, providing income tax exemptions and setting up a Rs 10,000 crore Fund of Funds for startups operated by the Small Industries Development Bank of India (Sidbi).
- As of December 1, 2020, Sidbi had committed Rs 4,326.95 crore to 60 Sebi-registered Alternative Investment Funds (AIFs).
- These funds have raised a corpus of Rs 31,598 crore, drawn Rs 1,270.46 crore from the Fund of Funds for Startups and invested Rs 4,509.16 crore into 384 startups, the survey said.
- It also noted that around 319 startups have been granted income tax exemptions till November 2020.
- The government also approved the Startup India Seed Fund Scheme (SISFS) with a corpus of Rs 945 crore to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization.
- Startup Yatra, an initiative by Startup India in 2017 to search for entrepreneurial talent in Tier 2 and Tier 3 cities, has been conducted in 207 districts across 23 states, impacting 78,346 aspiring entrepreneurs.
- As part of this initiative, a total of 1,424 incubation offers have been given to the startups

An entity shall be considered as a startup(meaning of Startup) if it satisfies all the following conditions:

a. If it is incorporated/registered as any of the followings:

a. Private Limited Company (as defined in Companies Act, 2013).

b. Partnership Firm (registered under Partnership Act, 1932).

c. Limited Liability Partnership (registered under Limited Liability Partnership Act, 2008).

d. One Person Company (as defined in Companies Act, 2013).

Provided that such entity is not formed by splitting up or reconstruction of a business already in existence.

b. It has not completed ten years since incorporation/registration as above.

Contd...

c. Its turnover for any of the financial years has not exceeded INR 100 Crore.
d. It satisfies any of the following conditions:

i) It is working towards:

- Innovation of new products/processes/services or
- Development of new products/processes/services or
- Improvement of existing products/processes/services

ii) It is a scalable business model with a high potential of:

- Employment generation or
- Wealth creation.

The Action Plan is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

Objective of Startup India Hub is to create a single point of contact for the entire Startup ecosystem and enable knowledge exchange and access to funding. It provides following resources:

a. Learning and Development Programs
b. Government Schemes
c. State Startup Policies
d. Pro Bono Services
e. Knowledge Bank
f. Tools and Templates
g. Networking with:
  - 80,397 Startups
  - 565 Incubators
  - 121 Corporates/Accelerators
  - 564 Mentors
  - 47 Government body
  - 81 Investors

h. Idea Bank

Company (which satisfies the meaning of start-up) may apply to be recognized by Department for Promotion of Industry and Internal Trade (DPIIT) using startup India portal

Requirements for recognition:

a. Certificate of Incorporation/Registration and PAN

b. Total No. of directors/partners and details of each director/partner with respect to Name, Mobile No., Email ID and complete address.

c. Entity details with respect to Industry, sector and category in which it deals.

d. Details of Authorised Representative (Name, Designation, Mobile No. and Email ID)

e. Number of Employees including founders.

f. Whether any awards/recognition received by the entity? if yes, need to upload document with respect to award/recognition received.

g. What is the problem the startup is solving? It needs to be explained in maximum 250 words.

h. How does your startup propose to solve above mentioned problem? It needs to be explained in maximum 250 words.

i. What is the uniqueness of your solution? It needs to be explained in maximum 250 words.

j. How does your startup generate revenue? It needs to be explained in maximum 250 words.

k. Links or upload additional document to support your application. (eg. Website link, Videos, Pitch Deck, Patents, etc.). It is mandatory to provide any one.

Benefits of Startup Recognition by DPIIT

a. Various benefits with respect to Intellectual Property Rights (IPR)
b. Relaxation in Public Procurement Norms for Startups
c. Self-Certification of Compliance with Labour &Environment Laws
d. Faster Exit
e. Income Tax Exemption under section 80IAC for 3 years
f. Fund of Funds for Startups
- The flow of funds is Government > SIDBI > Venture Capitals > Startups.

g. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)
h. Tax Exemptions on Capital Gains

Startups are provided following benefits with respect to intellectual property rights:

i) Startups are provided **80% rebate** in filing of patent application and **50% rebate** in filing of trademark application.

ii) **Speedy examination** & disposal of patent application is provided in respect of startups.

iii) A panel of **facilitators are provided to startups to assist in filing of application** for intellectual property rights such as patents and trademarks. **Central Government bears the entire fees of the facilitators** for any number of patents, trademarks or designs, and Startups only bear the cost of the statuary fees payable.

As per latest data released by government more than 1000 applicants have received fee benefits and more than 4000 IPR facilitators available to assist startups in getting IPRs.

Generally when a tender is issued by a government entity or public sector undertaking, it has a requirement of either prior experience or turnover. Generally, startups fail to meet the criteria to participate in the tender.

In order to promote startups in manufacturing sector at par with well experienced entrepreneurs/companies having high turnover government has **exempted startups from the criteria of prior experience or turnover**. However, no relaxation has been granted with respect to quality standards or technical parameters.

In order to reduce the regulatory burden on Startups, it has been allowed to **self-certify compliances with certain labour & environment laws** for a period of **three years** from the date of incorporation.

In respect of labour laws **no inspection** will be carried out unless they receive a credible& verifiable complaint of violation, filed in writing and approved by at least one level senior to the inspecting officer.

Due to innovative nature of Startups, unfortunately a significant percentage of startups fail to succeed.

In the event of a startup failure, it is important to **reallocate capital** and resources left to more productive options available and therefore, **a swift and simple winding up process** has been set up for Startups.

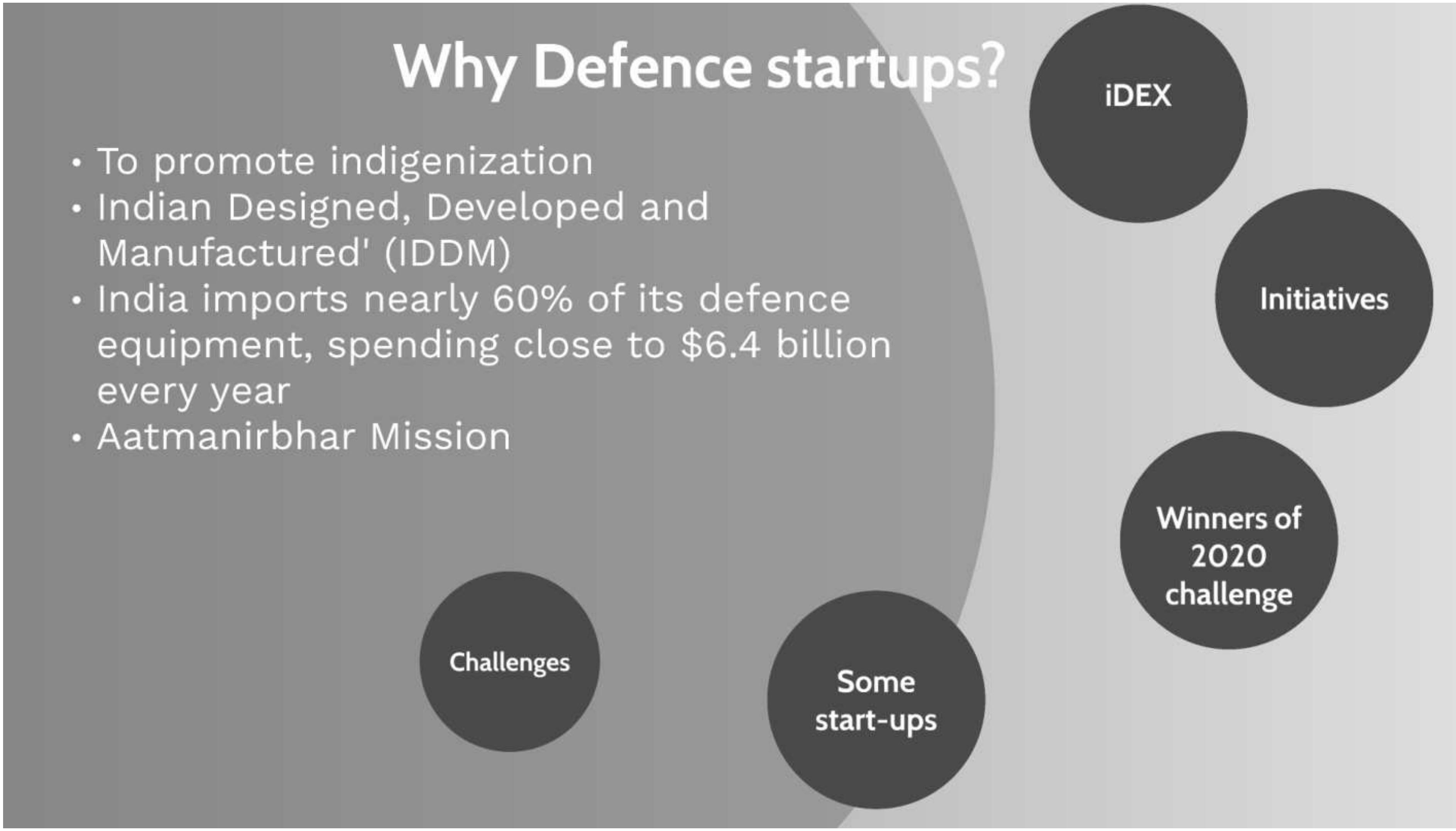
This will promote entrepreneurs to experiment with new and innovative ideas, without having the fear of facing a complex and long-drawn exit process where their capital remain needlessly stuck.

With a view to stimulate the development of Startups in India and provide them a competitive platform, **tax exemption to recognised startups for 3 years on approval basis** has been allowed.

Startups incorporated on or after 1st April 2016 can apply for income tax exemption under section 80IAC of the Income Tax Act, 1961.

The Inter-Ministerial Board validates the innovative nature of the business for granting Income Tax Exemption.

The recognized Startups that are granted an Inter-Ministerial Board Certificate are exempted from income-tax for a period of **3 consecutive years out of 10 years since incorporation.**


Why Defence startups?
• To promote indigenization
• Indian Designed, Developed and Manufactured' (IDDM)
• India imports nearly 60% of its defence equipment, spending close to $6.4 billion every year
• Aatmanirbhar Mission
iDEX
Initiatives
Winners of 2020 challenge
Challenges
Some start-ups

Innovations for Defence Excellence (iDEX)

- aim to achieve self-reliance and to foster innovation and technology development in Defence and Aerospace Sectors by engaging Industries including MSMEs, start-ups, individual innovators, R&D institutes and academia.
- the projects or problem statements are identified based on the requirements projected by the Armed Forces, OFB&DPSUs.
- 58 iDEX winners have so far been identified for 18 problem statements/challenges under three rounds of Defence India Startup Challenge (DISC).
- Separate procedure for 'Make-II' category (Industry funded)

set up innovative centres in institutions and organizations

- DRDO has created eight Advanced technology centres across India to carryout research activities in the identified futuristic/new technology areas
- Atal Innovation Mission (AIM), NITI Aayog has set up a total of 68 Incubation centres across the country
- CODISSIA Defence Innovation and Atal Incubation Centre is a specific incubator which focuses on Defence Innovations and start-ups.
- iDEX envisages to engage with existing Defence Innovation Hubs (defence related MSME clusters) and create new hubs where innovators can get information about needs and feedback from the services directly and create solutions for India's major defence platforms. 9 Institutions have been identified and are working as partner incubators to support activities under iDEX.

- robotics in maritime applications by Lieutenant Deepak Suman Kumar
- wall penetrating radar by Major Anoop Mishra
- a high-altitude pseudo satellite (HAPS) by Sameer Joshi.

These were given Rs 1.5 crore each to make prototypes.

projects that the armed forces would require in the future for its startup challenge.

- reduction of radar signatures of warships,
- AI-based satellite imagery interpretation,
- foliage penetrating radars
- underwater swarm drones.

- **ideaForge**, **Tonbo Imaging**, **CM Environsystems**, and **VizExperts**
- **CRON Systems** - developing IoT-based products to help the armed forces deploy border security solutions. - Kavach security system
- **Asteria Aerospace** is a robotics and artificial intelligence startup, which provides drone-based solutions to the military, paramilitary, and police forces for security and surveillance purposes.
- **Optimized Electrotech** is an electro-optic startup that provides security and surveillance solutions.
- **VINVELI** - focuses on providing solutions to the aerospace and robotics industry. - involved in building Unmanned Aerial Vehicles (UAV) for both commercial and defence purposes.
- **Big Bang Boom Solutions** - involved in developing integrated intellectual properties for defence purposes - T-Series Unmanned Tank Development, BN (boron nitrate) based Hybrid Personal Combat Armour, 360 Advance Battle Interface, Flying Warden-drones for riot control, and smart fencing system, among others.

What Next?

- Do we have enough laws to regulate the functioning of start-up?
- What is the role of government, when they are providing funds?
- How is data pooled? and data used?
- What about dual - use technologies?
- How are products chosen, when there are multiple products?

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