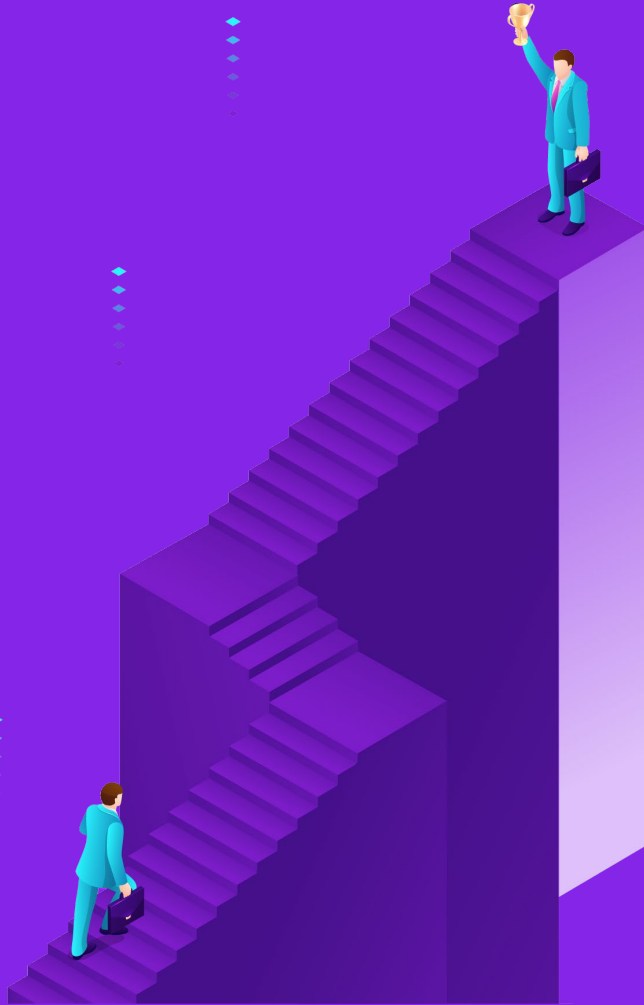




# The Startup India Seed Fund Scheme





# Background

**In order to support the startup ecosystem in India, the Government of India has recently launched the Startup India Seed Fund Scheme (SISFS) – by earmarking INR 945 Crore as part of its disbursement plan in next 5 years (2021 to 2025).**

**This is a sector-agnostic scheme, which will see funds allocated to startups for various milestones in their business journey – ranging from prototype development to market entry and expansion. The disbursement will take place via incubators, which will be responsible for helping startups as part of their journey.**


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**Via this document, we present to you everything you need to know about the SISFS.**



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# General overview of the scheme



- The scheme will be implemented by the Department For Promotion Of Industry and Internal Trade (**DPIIT**)
- An allocation of INR 945 Crore to be done across a period of 5 years (2021-25)
- Eligibility criteria for startups and incubators both which are potential applicants for the scheme
- Funds to be disbursed to startups via incubators
- Incubators to be evaluated by an Experts Advisory Committee (**EAC**) for grant assistance as well as other disbursement-related decisions
- Incubators applying for the scheme to constitute an Incubator Seed Management Committee (**ISMC**) for evaluating startups for seed fund support, the composition and members of which shall be approved by the EAC



# Eligibility criteria for startups



- A startup, recognized by DPIIT, incorporated not more than 2 years ago at the time of application
- Must have a business idea to develop a product or a service with market fit, viable commercialization, and scope of scaling
- Should be using technology in its core product or service, or business model, or distribution model, or methodology to solve the problem being targeted
- Preference would be given to startups creating innovative solutions in sectors such as social impact, waste management, water management, financial inclusion, education, agriculture, food processing, biotechnology, healthcare, energy, mobility, defence, space, railways, oil and gas, textiles, etc.
- Should not have received more than INR 10 Lakh of monetary support under any other Central or State Government scheme. This does not include prize money from competitions and grand challenges, subsidized working space, founder monthly allowance, access to labs, or access to prototyping facility
- Shareholding by Indian promoters in the startup should be at least 51% at the time of application to incubator for the scheme, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018
- Any startup will not receive seed support more than once each as per provisions of guidelines



# Selection parameters for startups

Eligible applications will be evaluated by the ISMC using the following criteria:

S. No	Criteria	Details	Weight age
1	<b>Is there a need for this idea?</b>	Market size, what market gap is it filling, does it solve a real-world problem?	P
2	<b>Feasibility</b>	Feasibility and reasonability of the technical claims, methodology used/to be used for PoC and validation, roadmap for product development	Q
3	<b>Potential impact</b>	Customer demographic & the technology's effect on these, national importance (if any)	R
4	<b>Novelty</b>	USP of the technology, associated IP	S
5	<b>Team</b>	Strength of the team, Technical and business expertise	T
6	<b>Fund utilization plan</b>	Roadmap of money utilization	U
7	<b>Additional parameters</b>	Any additional parameters considered appropriate by incubator	V
8	<b>Presentation</b>	Overall assessment	W
			100%

*Weightages for criteria*

*(P, Q, R, S, T, U, V, W) may be assigned by each incubator differently*



# Eligibility criteria for incubators



- Incubator must be a legal entity: a) A society registered under the Societies Registration Act 1860, or b) A Trust registered under the Indian Trusts Act 1882, or c) A Private Limited company registered under the Companies Act 1956 or the Companies Act 2013, or d) A statutory body created through an Act of legislature
- Should be operational for at least two years on the date of application to the scheme
- Must have facilities to seat at least 25 individuals
- Incubator must have at least 5 startups undergoing incubation physically on the date of application
- Must have a full-time Chief Executive Officer, experienced in business development and entrepreneurship, supported by a capable team responsible for mentoring startups in testing and validating ideas, as well as in finance, legal and human resources functions
- Should not be disbursing seed fund to incubatees using funding from any third-party private entity
- Must have been assisted by Central/State Government(s)
- In case the incubator has not been assisted by Central or State Government(s):
  - *Incubator must be operational for at least three years*
  - *Must have at least 10 separate startups undergoing incubation in the incubator physically on the date of application*
  - *Must present audited annual reports for the last 2 years*
- Any additional criteria as may be decided by the Experts Advisory Committee (EAC).



# Selection parameters for incubators



## Fulfillment of eligibility criteria as discussed in previous slides

- Quality of the team of Incubator
- Available infrastructure, testing labs etc.
- Composition of ISMC
- Number of startups that the incubator intends to support
- Quantum of funds applied for, along with fund deployment plan with timelines
- Any other relevant parameters that is decided by the EAC

## Additional selection parameters for incubators

<b>Incubation support provided in last 3 years:</b>	<b>Funding support extended to incubatees in last 3 years:</b>	<b>Mentoring provided to incubatees in last 3 years:</b>	<b>Other support extended to incubatees in last 3 years:</b>
<ul style="list-style-type: none"><li>▪ No. of startups incubated</li><li>▪ No. of startups graduated, i.e., progressed from one stage of business development cycle to the next</li><li>▪ No. of startups that raised follow on investments</li><li>▪ No. of startups that crossed a revenue of INR 1 Cr in last 1 year</li><li>▪ 2-year survival rate of startups from the date of joining incubator</li></ul>	<ul style="list-style-type: none"><li>▪ Investment agreements signed between incubator and startups</li><li>▪ No. of startups invested in</li><li>▪ Total corpus allocated to incubates</li><li>▪ Total investments raised by incubatees from external sources</li></ul>	<ul style="list-style-type: none"><li>▪ No. of mentors hired</li><li>▪ Average mentoring hours allocated per startup per month</li><li>▪ No. of IP (patents, copyrights, designs, and trademarks) registered by incubatees</li></ul>	<ul style="list-style-type: none"><li>▪ Industry/Corporate connects</li><li>▪ Events held for stakeholder engagements</li><li>▪ Participation in other events</li></ul>





# Application procedure for startups

**The startups shall be selected through an open, transparent and fair process, comprising, inter-alia:**

- An online call for applications shall be hosted on an ongoing basis on the Startup India portal
- Applicants can apply for seed fund to any three incubators selected as disbursing partners for this scheme in order of their preference
- ISMC shall dispose of the application within 45 days of receipt of application
- Applicants who are rejected will also be notified through email
- An applicant, if rejected once, may apply afresh
- Startups will not be charged anything by the incubators for this assistance
- The applicant may be asked to submit details on team profile, problem statement, product/service overview, business model, customer profile, market size, quantum of funds needed, projected utilization plan for funds, etc.



# Disbursement of funds to startups

The startups shall be selected through an open, transparent and fair process, comprising, inter-alia:



## INITIAL GRANT

- Up to INR 20 Lakh as grant for validation of proof of concept, or prototype development, or product trials.
- The grant shall be disbursed in milestone-based installments (three or more).
- These milestones can be related to development of prototype, product testing, building a product ready for market launch, etc.
- For grants, the first installment to any selected startup shall be released not more than 60 days from receipt of application from the startup.

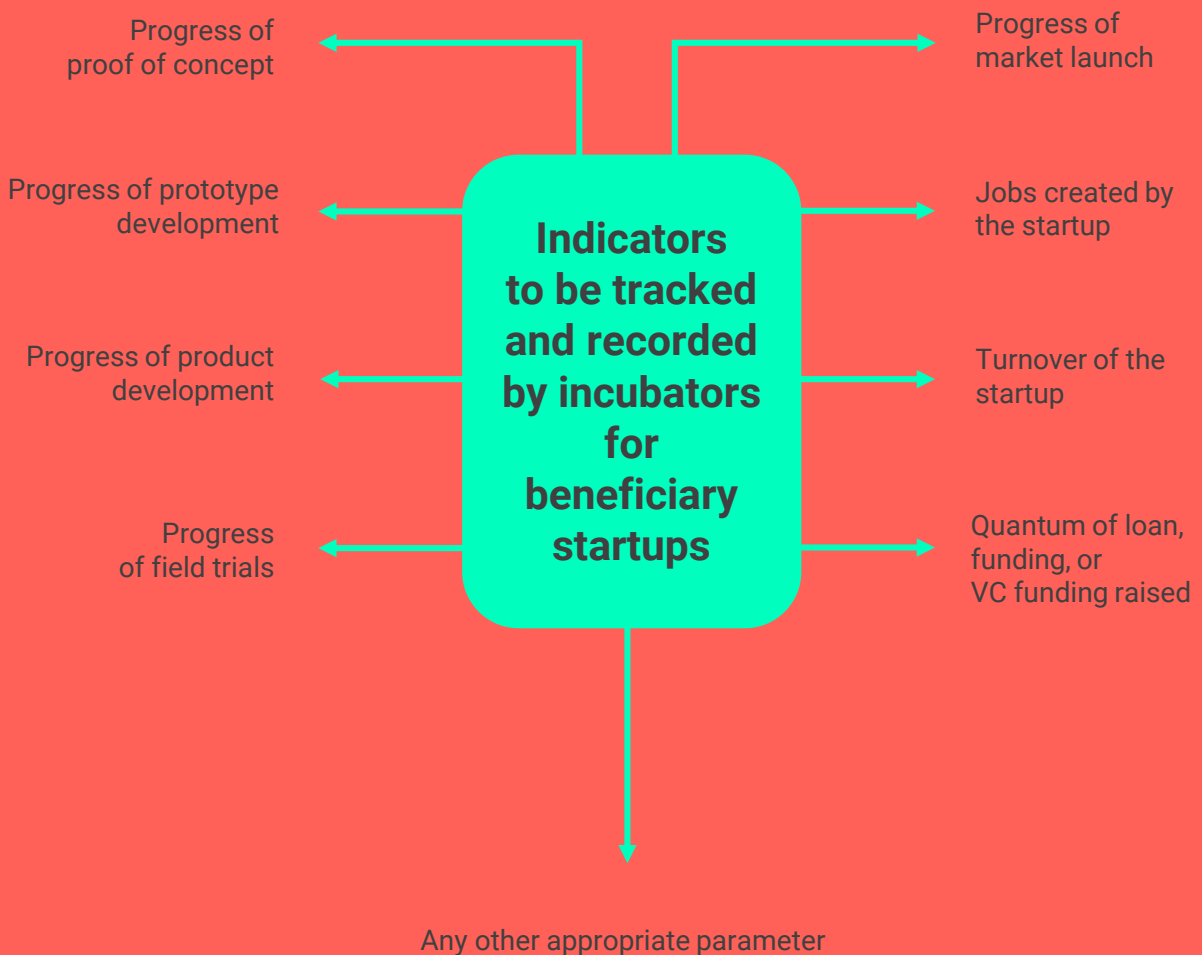


## FUNDS FOR EXPANSION

- Up to Rs. 50 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments.
- Funds shall be provided at a rate of interest of not more than prevailing repo rate.
- The tenure shall be not more than 60 months (5 years).
- A moratorium of up to 12 months may be provided for the startups.
- This shall be unsecured and no guarantee from promoter or third-party will be required.

***Seed fund shall strictly not be used by startups for creation of any facilities and shall be utilized for the purpose it has been granted for.***

# Indicators of successful implementation





# Reporting requirements for incubators and startups

- Incubators shall maintain an exclusive, project-specific Trust and Retention Account (TRA) with any nationalized bank
- Incubators would also submit detailed report on status of utilization of funds and audited expenditure for each financial year
- Incubator shall also report return on investment for each startup. Appropriate matrix may be devised for this purpose
- Startup shall submit interim progress update and utilisation certificate to initiate subsequent instalment of grant. Furthermore, it shall submit final report and audited utilisation certificate at the end of the project duration
- For failed ventures, the entrepreneur will share his/her learnings and the reasons for failure in the report and submit this along with the utilisation certificate for the fund amount



# References



**For any additional information regarding the Startup India Seed Fund Scheme, please refer to the following documents on the Startup India website:**

- [The Gazette Of India \(Ministry Of Commerce And Industry – DPIIT, Startup Section\) – Notification](#)
- [Guidelines For The Startup India Seed Fund Scheme](#)



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