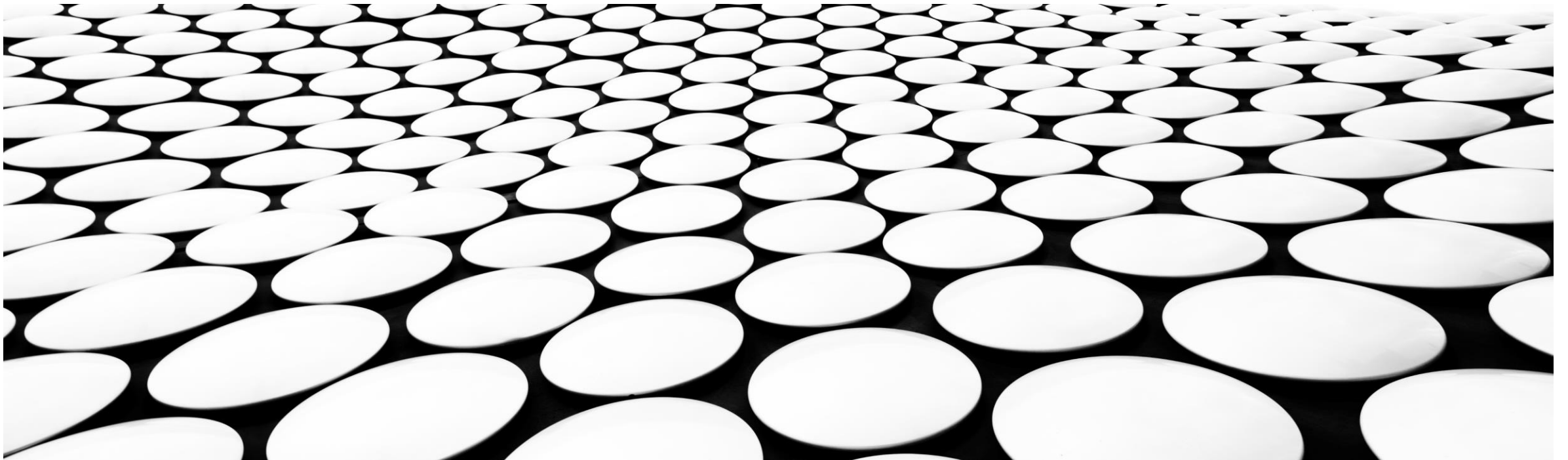

STARTUPS – IMPLEMENTATION STEPS

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STARTUPS – IMPLEMENTATION STEPS

- Incubation of an idea
- Creation of strategy
- Incorporation of a legal entity
- Creation of a business plan
- Developing a funding plan
- Plan the capital structure
- Hire a dedicated team
- Setting up corporate governance mechanism
- Setting up effective compliance mechanism



INCUBATION OF AN IDEA

The promoters of the organization need to conceptualize and discuss the idea of the start-up.

Any new idea which can be transformed into a business proposition is a great idea.

Once an idea is incubated, discussed and agreed with the promoters then, the organization needs to have the conviction to go ahead and make it a success in the form of setting up a start-up.

CREATION OF STRATEGY

Once the idea is incubated, the promoters need to flesh out a detailed strategy plan. This will broadly cover the:

- market in which the start-up will operate,
- the product or service offerings it will provide,
- the expected demand of such product or services offerings,
- the eco-system within which the start-up will operate,
- the value chain analysis of the product or service offering
- In the case of service, who are the possible beneficiaries.
- A vision and mission document to show what the start-up wants to achieve and how it plans to achieve the same.

INCORPORATION OF A LEGAL ENTITY

Depending on the Strategy, risk-taking capacity, fund-raising capability of the promoter a legal entity may be formed.

It could take the form of :

Sole Proprietorship

Registered Partnership Firm (Under Indian Partnership Act, 1932)

Limited Liability Partnership (Under Limited Liability Partnership Act 2002)

Private Limited Company (Under Companies Act 2013)

Section 8 (not for profit) entity (Under Companies Act, 2013)

One person company (Under Companies Act, 2013)

Public Limited Company (Under Companies Act, 2013)



CREATION OF A BUSINESS PLAN

Based on a detailed Strategy document, the next step will be to conceptualize the Business Plan.

Here the promoters have to play a very crucial role in developing the Business Plan.

In line with the Business Plan, the promoters along with the CFO and the Finance team would need to create a Financial Plan for the start-up.

DEVELOPING A FUNDING PLAN

Once the financing needs of the start-up are articulated and crystallized through a Business Plan the organization needs to draw up an appropriate financial model for the start-up and look for funding opportunities.

It could be both in the form of Equity or Debt.

Equity introduced in the start-up could be in the form of own capital brought in by the promoters, equity brought in through private placement or through IPO

Debt would be in the form of borrowed capital and there will be the cost of servicing the debt.

Hence there has to be a balance between the two.

PLAN THE CAPITAL STRUCTURE

Once the funding plan is sorted out and funding has been lined up the promoters need to work on developing the capital structure of the start-up.

That would mean, deciding on the extent of debt and equity in the capital structure of the organization.

If the organization is a public limited or a private limited company, it needs to be abreast of the relevant laws associated with it.

HIRING A DEDICATED TEAM

The Start-up would need to set up a crack team of energized professionals who would have the conviction to deliver on the contours of the strategy.

Attributes of hiring a motivated team would be:

- Entrepreneurial mindset
- Identification with the core objective
- Capability of handling challenges
- Ability to operate under shoe string budget
- Goal congruence with the core objectives of the Start-up

SETTING UP CORPORATE GOVERNANCE MECHANISM

The start-up organization needs to set up Corporate Governance mechanism which would essentially mean:

Setting the Board structure including Committees related to the Board. Here the organization needs to follow the guidance of Companies Act 2013 and SEBI (LODR) Guidelines which are amended from time to time.

The start-up needs to maintain books of accounts of the operations and publish financial results in line with the Companies Act 2013.

The start-up organization needs to appoint auditors and follow all the provisions related to Audit of Accounts as covered in the Companies Act, 2013.

SETTING UP COMPLIANCE MECHANISM

The start-up has to set up compliance mechanism related to

- Companies Act 2013
- SEBI (LODR) Guideline
- Provisions of Income Tax Act 1961 and related exemptions applicable to start-ups.
- The start-up organization needs to be cognizant of all the exemptions provided by the Central Government to boost start-ups in India.
- Compliance related to other laws which may be applicable to the start-ups



THANK YOU!