



# STARTUP POLICY



 **DISHA**  
NEW OPPORTUNITIES



# **Government of Odisha**

## **Department of Micro, Small & Medium Enterprises**



## Preamble

Government of Odisha plans to create conducive environment for Startups, empower Startups to grow through innovation and design, create a world-class scientific ecosystem and enable its youth to pursue their dreams within the State.

This Startup policy shall act as a catalyst in the economic growth of Odisha creating models for scalability and replicability across the State resulting in large scale employment opportunities.



## Vision

To emerge amongst the top 3 “**Startup Hubs**” in India by 2020 through strategic partnerships, conducive ecosystem, investment and policy interventions.

## Mission

- a) Build a holistic Startup ecosystem in Odisha to enable the State to become one of the top three Startup destinations in the country
- b) Provide fiscal and non-fiscal benefits in a transparent and time bound manner
- c) Streamline rules, regulations and legislations to create a Startup friendly environment
- d) Implement a supportive regulatory framework and robust governance structure that enables hassle-free, time bound statutory clearances and monitoring of this policy

# 1. Objectives

- a) Develop a world class “Startup Hub” in Odisha by 2020;
- b) Encourage incubators including sector specific ones aligning with the State’s strengths and requirements;
- c) Create enabling environment and supporting eco-system that facilitates at least 1,000 Startups in next five years in the State;
- d) Take steps to provide skill-based training to encourage youth to take up Startups;
- e) Encourage all major companies operating out of Odisha to include skill and infrastructure development for Startups as an integral component of their CSR activities;
- f) Create a strong institutional framework for effective implementation, monitoring and evaluation of this policy.

## 2. Scope

The policy would provide incentives and exemptions over and above the Startup policy of Government of India and any other existing policy in the State.

## 3. Policy period

The Odisha Startup policy will remain in operation for a period of five years from the date of its notification or until substituted by another policy, whichever is earlier.

## 4. Definitions

**(i) Accelerator:** Accelerator is an organization or program that enables rapid growth of new Startups by providing specific services like: mentoring, training, resources and networking to help Startups increase their customer base, generate more profits, prepare for funding and professionalize their organization.

**(ii) Entity:** Private Limited Company (as per the Companies Act 2013), a Registered Partnership Firm (under the Partnership Act, 1932) or Limited Liability Partnership (under the Limited Liability Partnership Act, 2008).

**(iii) Incubator:** An organization designed to support Startup companies during the early stages to help develop a scalable business model through business support resources and services such as physical space, capital, coaching and mentoring, common services including corporate and legal services and providing networking connections. An Incubator shall also mean a Technology Business Incubator (TBI) recognized either by the Central or State Government.

**(iv) Innovation:** The process of translating an idea or invention into a good or service that creates value for which customers will pay. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources.

**(v) Nodal Agency:** Nodal Agency shall mean reputed Government institutions

as approved by the State Level Implementation Committee as Nodal Agency for certifying Startups for all categories.

**(vi) Startup:** Startup is an entity involved in crafting repeatable and scalable product or service making a positive impact in the society, where the solution is not obvious and success is not guaranteed.

An entity shall be considered as a "Startup" provided that:

- a) The date of incorporation / registration is not prior to five years;
- b) Annual turnover not exceeding Rs. 25 crore, for any preceding financial year;
- c) Such entity is working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property and makes it scalable for achieving commercial success;
- d) Registered in Odisha or employs at least 50 percent of its total qualified workforce in Odisha;
- e) Such entity is not an extension of existing family business; or formed by splitting up or reconstruction of a business already in existence.

**(vii) Successful Startup:** A Startup venture would be considered successful if it raises at least Series 'B' or higher series funding of minimum Rs. 3 crore.



## 5. Startup Ecosystem

The Government of Odisha recognizes the fact that the seeds of entrepreneurship and the instinctive ability to innovate must be nurtured through an enabling ecosystem, such as:

- Creation of world class **physical infrastructure** to support Startups;
- Promoting the culture of innovation through **Academic Interventions**;
- Institutionalizing the culture of entrepreneurship by providing **training for the requisite Skills**

### 5.1. **Infrastructure: Germinating Startups through Incubators**

Realizing the importance of quality infrastructure required for creating successful Startups, government would encourage creating world class incubators in:

- University/Institutions, where fresh minds sprout new ideas;
- R&D/Incubators, where innovation is encouraged through a structured approach; and
- Industry/place of work, where new challenges and opportunities lead to innovation.

#### 5.1.1. **University / Institution**

The State will encourage Universities / Educational Institutions, which are in existence for at least 5 years and approved by State Level Implementation Committee to be eligible to support and mentor innovators. These institutions can utilize

the existing facilities or set up new Incubators to create a Startup ecosystem.

Such approved institutions will be eligible for a one-time grant of 50% of capital cost (excluding the cost of building) up to a maximum of Rs. 1 crore to set up Incubator Facility. The grant shall be released on the basis of the recommendation of the Start-up council / State Level Implementation Committee headed by the Chief Secretary and after approval of the Government.

These approved institutions shall be eligible for a performance capital grant of Rs. 5 lakh for each successful Startup (which has received series B funding) that they create.

Reputed Government institutions in the State may be approved by the State Level Implementation Committee as Nodal Agencies for certifying Startups for the purpose of applicability of this policy. The State Level Implementation Committee may allow any other institution to be a nodal agency on a case to case basis.

#### 5.1.2. **Incubators**

The State will encourage incubators recognized either by the Central or State Government and approved by State Level Implementation Committee to be eligible to support and mentor Startups. Such approved incubators shall be eligible for assistance for mentoring service.



The approved incubators shall be eligible for a performance capital grant of Rs. 5 lakh for each successful Startup they incubate.

#### 5.1.3. **Industry groups / Industry House**

The State will encourage existing Industrial groups in existence for at least 5 years in the State to support the Startup / Innovation drive. The Industry can utilize their existing facility or set up new Incubators to create Startup ecosystem. The Industry group shall be approved by the State Level Implementation Committee to be eligible to support and mentor Startups. Such Industry group shall be eligible for assistance for mentoring service.

These approved Industry groups/houses shall be eligible for a performance capital grant of Rs. 5 lakh for each successful Startup that they create.

#### 5.1.4. **Startup / Innovation Park**

The Government would establish one or more Startup / Innovation Park in the State as one-stop-destination for Startups, either on its own or in partnership with private sector.

The Startup / Innovation park shall have necessary common facilities and support infrastructure, such as:

- a) Common Testing labs, Design Studio & Tool Rooms
- b) Shared support services for Startups such as legal, accounting, technology, patents and banking services

c) Community Events and Promotional support for incubators and Startups

d) Enterprise Software and shared Hardware

The CSR Funds of State PSUs shall also be channelized and utilized for the development of Startup / Innovation Park in compliance with the Companies Act 2013.

#### 5.1.5. **Institution - Incubator – Industry Partnership (3i)**

A “Three-I” (3i) platform shall be created where institutions, incubators and industry shall be networked through an e-platform. This platform shall function as a “**Virtual Incubator**” to Startups connecting the research institutes, mentors, Startups and other stakeholders. The platform shall also provide access to Government empanelled service providers in areas such as Law, Finance, Accountancy, Marketing, etc.

#### 5.1.6. **Sector Specific Incubators**

Sector-specific incubators shall be encouraged in areas such as IT/ITes, ESDM, Healthcare and Sanitation, Agri Business and Food Processing, Hi-Tech farming, Tourism, Textiles and Garments, Chemical and Petrochemicals, Downstream and Ancillary.

These incubators shall be setup by the concerned Government Departments, either on their own or in partnership with private sector.

#### **5.1.7. Incubator Franchise – Challenge Model**

In order to build world class incubators, the Government shall identify Business Incubators, by selecting an Incubator Franchise through an international competitive bidding process as approved by the Government.

The competitive process shall be for local and foreign entities and shall have Venture Capitalists, Private Equity groups, Super-Angels, Local and Multi-National Corporations as their partners in the development of incubators in Odisha.

### **5.2. Academic Interventions**

To foster a culture of entrepreneurship and build the ecosystem for Startups, the State Government shall undertake the following academic interventions in association with Industry Associations:

#### **5.2.1. University Syllabus**

The Universities shall be advised to introduce courses in Startup education and entrepreneurship development.

#### **5.2.2. State Schools Syllabus**

Inputs in Entrepreneurship and innovation shall be introduced as part of the State School Syllabus to give students an introduction to the subject and help develop an aptitude for the same.

#### **5.2.3. Faculty Up-gradation**

The Government shall support universities to train the faculty for promotion of

innovation and entrepreneurship as per the existing policy and guidelines of State Government in Higher Education Department and concerned Universities.

#### **5.2.4. Sabbatical Scheme for College and University Faculty**

A sabbatical scheme shall be introduced for College or University professors, who work along with students at an incubator, to pursue entrepreneurship for a specified period. In case any faculty decides to join a Startup approved by the nodal agency, the faculty shall be eligible for an Extra Ordinary Leave without payment for a maximum period of 3 years.

### **5.3. Startup Skills Ecosystem**

The below mentioned initiatives shall be taken up in association with Industry Associations, Angel Investors etc.

#### **5.3.1. Startup Role Model Program**

The Government will encourage innovation amongst the entrepreneurs and students which focus on innovative products that address societal problems.

Top 10 Startups operating in the State shall be identified through a selection process and shall be given a platform to meet and interact with mentors for getting funding support for product development and marketing.

“Startup of the Year” award shall be given to top 3 shortlisted Startups from the State. Similar awards such as “Best

Mentor", "Investor of the year" shall also be given through this program which would be conducted annually with the assistance of Industry Associations operating in the State.

### 5.3.2. **Boot camps**

College and School Level Startup Development Clubs (Boot camps) will be established through incubators to foster innovation and entrepreneurial spirit at the school and college levels.

### 5.3.3. **International Startup Culture and Exchange Programme**

An international Startup exchange

program shall be setup to garner knowledge and experience from global startup destinations to enhance the startup culture in the State.

The Government will tie-up with the international organizations to send Startups to leading global Startup destinations for gaining international exposure. Similarly, tie-ups may be setup to bring world class Startups to work alongside Startups in Odisha for faster learning and cultural exchange.



## 6. Funding and Incentives

### 6.1. **Startup Capital Infrastructure Fund**

A Startup Capital Infrastructure fund/ Seed Fund upto Rs. 25 crore shall be sourced as per requirement through budgetary provision of MSME Department to support development of hard and soft infrastructure for the startup ecosystem in the State such as physical infrastructure for incubators including testing labs, design studio, tool rooms, virtual incubators etc.

### 6.2. **Startup Seed Fund**

Government may participate in the Private State specific funds for Startups to set up operations in the State, such as seed/venture capital funds, limited to 1/4th of the total size, only when there is firm commitment from the private State specific fund manager of bringing in 3/4th money to the state. The contribution would be released simultaneously when the private sector fund makes the contribution in the above ratio.

### 6.3. **Assistance at Idea / Prototype Stage**

- a) Institution / Incubator / Industry will support the innovator by providing mentor services and would allow the innovator to use facilities available in the institution / Incubator / Industry for Startups
- b) Rs. 10,000 per month will be provided to the start-up for a period of 1 year

only if the Start-up has got the seed round funding approved.

- c) Reimbursement of Rs. 1.00 lakh per year for 3 years would be provided to Institutions/Incubators /Industry for providing free internet, free electricity and mentoring services.
- d) Need-based assistance would be considered a case to case basis to a certified Startup for cost of raw material / components and other related equipment required for the innovative process for the new product development, as per the recommendation of the Start-up Council/ State level Implementation Committee.

### 6.4. **Assistance once the Idea / Concept get commercialized**

- a) Marketing / publicity assistance upto Rs. 5 lakh shall be reimbursed for the introduction of innovated product in the market after Series "A" funding.
- b) VAT/CST paid in Odisha by the Startup companies shall be reimbursed as per the Industrial Policy 2015.
- c) The cost of filing and prosecution of patent application will be reimbursed to the Startup companies as per the Industrial Policy 2015.

### 6.5 **Assistance for Startup Funding**

The Government shall encourage banks and other financial institutions to

extend and enhance their lending facilities to Startups and set up dedicated desks for Startups in select branches for easy funding.

The Government shall also encourage Angel Investors Network and various seed capital funding agencies to forge strategic partnership with industry/ Startup associations in the State.

#### **6.6. Self-Certification and Compliance Incentives**

Startups shall be exempted from inspections under the following Acts and the Rules framed there under, barring inspections arising out of specific complaints. Startups will be permitted to file self-certifications, in the prescribed formats under various acts:

- e) Industrial Disputes Act, 1947
- f) Trade Unions Act, 1926
- g) Building and Other Constructions Workers' (Regulation of Employment and Conditions of Service) Act, 1996
- i) Industrial Employment (Standing Orders) Act, 1946.
- j) Other such laws are Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- k) Payment of Gratuity Act, 1972
- l) Contract Labour (Regulation and Abolition) Act, 1970

m) Employees' Provident Funds and Miscellaneous Provisions Act, 1952

n) Employees' State Insurance Act, 1948

o) All Labour Laws covered under the Voluntary Compliance Scheme of State Labour & ESI Department

General permission shall be available for 3-shift operations including women working in the night for Startups, subject to such units taking the prescribed precautions with respect to safety and security of employees.





## 7. Support and Assistance

### 7.1. **Smart Cities and AMRUT Cities**

The Smart Cities and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) cities planned by the Ministry of Urban Development, Government of India and the Government of Odisha shall earmark designated areas for development for Startups.

Specific guidelines to support this initiative shall be notified based on the framework for development of Smart cities and AMRUT cities in Odisha.

### 7.2 **Market Access**

The State shall implement specific interventions to provide market opportunities and access for the Startups registered in the State.

#### 7.2.1 **Government Procurement**

- 20% of the total procurement by State Ministries/Departments/State PSUs shall be mandatory from Micro & Small Enterprises or Startups.
- There would not be any minimum turnover requirement for Micro and Small Enterprises in participating in public procurement process. All State Government Departments and Agencies will additionally relax condition of prior experience with respect to Startups in all public procurements subject to meeting of quality and technical specifications.

#### 7.2.2 **Training Program - Startup Festival / Innovation Week**

The Government will encourage institutions and Industry Associations to organize Startup Festival / Innovation Week. Such fests would help in showcasing innovation and provide a platform for collaboration thereby connecting with investors, mentors, incubators, exhibitions, product launches, etc.

#### 7.2.3 **Tie-ups with e-commerce companies**

The State Government shall explore formal tie-up with established e-commerce companies, both multi-product and sector-specific, to provide a marketing platform for the registered Startups in the State to showcase their respective products.



## 8. Governance

The policy shall enable proper implementation and smooth functioning of all the provisions to facilitate the Startups. The policy shall be governed by a 2-tier governance structure:

- a) Startup - council / State Level Implementation Committee
- b) Task Force based review mechanism

### 8.1. **Startup-council / State Level Implementation Committee**

To foster innovation in the State, a Startup council shall be set up. The council shall be responsible to drive innovation, advise prospective Startups and guide the innovation eco-system. The council, based on the requirement, may form sub- committees to work in specific areas.

**A council shall have the following members:**

- 1) Chief Secretary – Chairman
- 2) Additional Chief Secretary (Finance) – Member
- 3) Principal Secretary (MSME)- Member Convener
- 4) Principal Secretary (Industries) – Member
- 5) Principal Secretary (IT) – Member
- 6) Principal Secretary (Skill Development and Technical Education) – Member.
- 7) One Technical Expert (Concerned subject) – Invitee Member

- 8) Four Members - from stakeholder including representatives from industry, academia, incubators and Apex Industry Associations, regional Industry Associations, training and development institutions, TiE etc.

The committee shall perform the following functions including but not limited to:

- a) Approval of Nodal Agencies.
- b) Empanelment of Mentor Institution / Incubators / Industry House. The State Level Implementation Committee may also allow collaboration with Incubators outside the State on a case-to-case basis
- c) Monitor performance through periodic review
- d) Selection of seed fund/venture fund managers and review of performance
- e) Revisit the policy document and suggest modifications from time-to-time

### 8.2. **Task Force / Review Mechanism**

- a) A task force chaired by Principal Secretary (MSME) shall be set up at the State level to monitor disbursement of fiscal incentives proposed in the policy.
- b) The members of the task force shall have representatives from stakeholder agencies, institutions, representatives from industry,



academia, incubators and Apex Industry Associations, regional Industry Associations, training and development institutions etc. Need based members shall be co-opted as and when required.

- c) Specific Performance Indicators (PIs) shall be defined for monitoring the policy objectives. An online system to track the progress on policy objectives in real time will be built, ensuring transparency and accountability in the process of target monitoring and reporting.
- d) The Task Force shall periodically review the implementation process and report the progress to State Level Implementation Committee on a periodic basis.

- e) The Task Force shall also revisit the policy document from time to time to review and suggest recommendations to the State Level Implementation Committee to realign it as per the changing needs of the Startup business community.

### 8.3. **Startup Development Cells**

Startup Development Cells shall be established at each DIC and in identified Universities / Colleges, to provide the youth with requisite information regarding the Startup Policy and its provisions.

Each Startup Development Cell shall have a Ready Reckoner or Information Handbook on Doing Business for Startups in English, Hindi and Odia languages.



## 9. Procedure

- a) Reputed Government institutions in the State which intend to promote the Startups, will submit its proposal to State Level Implementation Committee for approval as Nodal Agencies for certifying Startups.
- b) The Institute / Incubator / Industry which intend to promote the Startups, will submit its proposal to State Level Implementation Committee for empanelment as Mentor Institute / Incubator/Industry.
- c) The innovator will approach Mentor Institute / Incubator / Industry with his/her proposal of innovative idea / concept for recommendation.
- d) The Committee at the mentor Institute / Incubator / Industry on satisfaction of the idea / concept of innovator would recommend to the Nodal Agency.
- e) The Nodal Agency on satisfaction will certify the proposal and forward to Director (Industries) for release of sustenance allowance & mentoring services allowance.
- f) The Nodal Agency will also certify and forward the proposal to Director (Industries) for Cost of Raw material / components and other related equipment required for innovation of new product / process development.
- g) Once the idea gets commercialized, the innovator will apply to Nodal Agency to avail other benefits available as per the policy etc.



## 10. General Terms and Condition

- a) Doubts relating to interpretation of any term and/or dispute relating to the operation of any provision under this policy shall have to be referred to the MSME Department, Government of Odisha for clarification / resolution and the decision of Government in this regard shall be final and binding on all concerned.
- b) No right or claim for any incentive under this policy shall be deemed to have been conferred merely on the ground of provision in this policy. Implementation of various provisions covering the incentives, concessions, etc. will be subject to the issue of detailed guidelines / statutory notifications, wherever necessary in respect of each item by the concerned Administrative Department.
- c) The State Government may at any time amend any provision of this policy.





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