Confederation of Indian Industry

RECOMMENDATIONS FOR DEVELOPING NATIONAL ENTREPRENEURSHIP POLICY

CONTENTS

1 Background

India needs to create 1- 1.5 crore (10-15 million) jobs per year for the next decade to provide gainful employment to its young population. Accelerating entrepreneurship and business creation is crucial for such large scale employment generation. Moreover entrepreneurship tends to be innovation driven and will also help generate solutions to India's myriad social problems including high quality education, affordable healthcare, clean energy and waste management, and financial inclusion. Entrepreneurship-led economic growth typically does not involve exploitation of natural resources.

It is a globally established fact that new employment is predominantly catered by startups or SMEs less than 3-5 years old. The highly respected Kaufman report on this subject notes in the case of the US that without startups there would be no net job growth in the US economy. This fact has been true for all but 7 years for which the US has data, going back to 1977. This has been true in India as well where large businesses in the private sector have failed to generate significant employment in the last few decades, and employment has actually declined in public sector and government.

India has the potential to build several thousand highly scalable businesses in the next 10 years which could generate revenues of over $200 billion and create tens of millions of jobs. The Indian IT industry has shown the way. Driven predominantly by first generation, middle class entrepreneurs, it has grown US$ 100 bn in 2 decades and is now projected at US$ 225 bn, and provides employment of 30 mn people by 2020. Sectors with higher potential for rapid entrepreneurship-driven growth include manufacturing (IT hardware and electronics, automotive components, food processing), software, technology and telecom, affordable healthcare, clean technology (alternative energy, clean water, and sanitation) and personal care amongst many others.

India is an entrepreneurial country but its entrepreneurs have had to struggle to create and grow their business ventures. Creating more conducive conditions will help us replicate the success of the IT industry in several other areas. Catalytic government policy and a regulatory framework will help create a vibrant entrepreneurial ecosystem that will help deliver jobs and economic growth that is the country's critical need today. Given below are some key recommendations that the government may consider to formulate a national policy framework on entrepreneurship:

2 Statistics

2.1 Potential of a vibrant entrepreneurial ecosystem (Next 10 years)

- 2500 new, successful, high-growth ventures; thereby repeating the success of the IT/BPO industry in at least 3 or 4 other industries with a combined revenue of over Rs 10 lakh crore ($200 billion)
- Generating 10 million direct & 20-30 million indirect jobs across sectors and regions
- Consequently, powering India's economic progress through

- Inclusive economic development e.g. solar technology, microfinance
- Innovative products and services for India's young population
- India as a hub for frugal and inclusive innovation
- Attracting investment flows and creating substantial wealth

2.2 Potential areas for entrepreneurship to flourish

Sectors	Industries	Illustrative VC investments
Manufacturing and allied services	• Auto components, electronics, chemicals, metals, etc	• Century Metal Recycling, Jamna Auto Industries, Biltube, Esdee Aluminium, Amara Raja Batteries
Technology	• Online services (such as e-commerce, digital content, advertising, etc) and mobile and convergence services (applications, etc.) • IT Services/ KPO	• InMobi,Ver Se, Sourcebits, Ybrant, ValueFirst, Druva, FlipKart, CraftsVilla, HealthKart, Naukri, MakeMyTrip • MindTree, AbsolutData
Healthcare and related services	• Medical equipment, hospitals, diagnostic centers, pharma, medical tourism	• Aravind Eyecare, Eris, XCyton, Radiant Life Care, Eye –Q, Forus, Glocal
Luxury and personal care services	• Gyms, spas, hotels, restaurants	• Primus, Humming Bird, Indian Cookery
Infrastructure	• Infra services (operations and maintenance of highways, railways, ports, airports etc.), alternative energy solutions (renewable power generation- wind, solar, biomass), water and waste management and other clean-tech solutions	• Selco, Applied Solar Technologies, Prompt Renewables, d.light, Orb Energy, WaterHealth International, Waterlife India, Kiran Energy, Agni
Education	• Content services, test preparation, vocational training	• Pristine, Career Launcher, Treehouse, Shree Eduserve, Vienova, TutorVista

2.3 Funding issues in Entrepreneurial ecosystem

Entrepreneurial ecosystem is significantly under-funded

~90% is offshore money

	2010		2022	
	# of investments	Total investment (crores)	# of investments	Total investment (crores)
Incubator seed funding	500	~50	~5800	~3500
Formal Angel investments	50	~100	~1000	~4000
Early-stage VC investments	88	~1000	~600	~14000
Total early stage equity investments	**638**	**~1150**	**~7400**	**~21500**

	India		UK and US
	2010	2021	2010
Early-stage VC/ Angel investment as a % of GDP	~0.02%	~0.06%	0.05 % | 0.2%

Source: Thompson Reuters, Developing Ecosystem for Knowledge to Wealth Creation, NSTEDB Report; Key stakeholder interviews; Bain analysis

3 Gaps across the entrepreneurial ecosystem

- Restrictive and time-consuming regulations and procedures add significant cost for an emerging venture.
- Acute shortage of domestic source of capital for early-stage equity investments.
- Banks and financial institutions wary of lending to first-generation entrepreneurs and to MSMEs in general.
- Established businesses generally passive in engaging with emerging ventures.
- Low engagement as buyers and suppliers for large businesses creates challenges for business models.
- Educational institutions yet to actively promote entrepreneurship over careerism.
- Availability of quality of talent (both entrepreneurs and employees) limited.
- General lack of social support for entrepreneurship.
- Stigma attached to failure is a deterrent both for starting businesses and for recruiting talent.
- Lack of supporting hard infrastructure at district level.
- Greater cash burn and distraction of management from core business operations.
- Low collaboration between all stakeholders specially industry and university.
- Almost non-existent link between technical education and business education in the country.
- Difficulties in accessing materials and non-material resources for entrepreneurs.
- No Government procurement of product and services from start-ups and new ventures as part of a separate policy initiative.

4 Companies Act – 1956 vis-à-vis CA - 2013 on shaping Start-ups ecosystem

In this section The Companies Act (CA) – 2013 has been compared with the previous such ACT of 1956. The amendments/provisions made in certain sections and sub-sections of CA 2013 have adversely affected the Start-up ecosystem in the country. The CA 2013 has brought massive changes for private companies as barring a very few, all the exemptions which were available to private companies under the CA 1956 have been withdrawn in the CA 2013. The most important issue in this act is that it applies equally to large companies as well as for Start-ups, whereas the business parameters for Start-ups are very different from large or medium industries. Unless these damping provisions are suitably modified to favor the New Ventures and Start-ups, or certain exemptions are made to promote their business interests, it will be difficult to achieve high growth in this segment.

The following table highlights the key provisions in the CA 2013 vis-à-vis CA 1956, which has repercussions on building Start-up culture in India.

Basis of Comparison	Companies Act, 1956	Companies Act, 2013
Commencement of Business	• Under Companies Act, 1956, a Private Company can commence its operations immediately after incorporation. Only public companies have to seek certificate of commencement of business. [Section 149]	• Under Companies Act, 2013, even a Private Company cannot commence its business or make any borrowings unless it files with ROC a statement that the subscription money and minimum paid up capital has been brought in. [Section 11]
Further issue of shares	• Provisions relating to rights issue and preferential allotment are not applicable to a private company. [Section 81 and 81(1A)]	• A private company can make further allotment only by means of Rights Issue, ESOP or Private placement/preferential allotment and needs to comply with the all the provisions relating to these types of allotment. [Section 62]
Acceptance of Deposits from relatives of directors	• A Private Company can accept deposits/loans from relatives of directors by virtue of exemption available in the definition of private company. [Section 3(1)(iii)]	• A private company is prohibited to accept unsecured loans/deposits from relatives of directors. [Section 73 read with draft rules issued thereunder]

Shares with differential voting rights	• Provisions relating to issue of shares with differential voting rights are not applicable to a private company [Section 86]	• A private company has to comply with the provisions contained in Section 43 read with the rules issued there under to issue shares with differential voting rights. [Section 43]
Appointment of KMP	• Under CA, 1956, irrespective of the capital, Private Companies are not mandated to appoint MD/WTD/Manager etc. except Whole Time Company Secretary in case of companies having paid up capital of Rs. 5 Crores or more. [Section 269 & 383A]	• All companies, including private companies, having paid up capital of Rs. 5 Crores or more are required to have the following whole time KMP: ○ MD/CEO/Manager/WTD; ○ Company Secretary; and ○ CFO [Section 203]
Loans to Directors	• Restrictions relating to giving of loans, advances or providing securities, guarantees to directors and other interested entities are not applicable to a private company. [Section 295]	• All companies, including private companies, are restricted from giving loans, advances or providing securities, guarantees to directors and other interested entities barring few exceptions. [Section 185]
Resident Director	• No requirement to have director resident in India.	• All companies, including private companies, must have at least one director who has stayed in India for a minimum period of 182 days during the previous calendar year. [Section 149]
Consent to act as director	• In case of private companies, consent to act as director is not mandatory to be filed with ROC. [Section 264]	• A person appointed as a director shall not act as a director unless he gives his consent to hold the office as director and such consent has been filed with the Registrar within thirty days of his appointment [Section 152]
Appointment of 2 or more directors by single resolution	• Provision relating to appointment of directors to be voted on individually is not applicable to a private company which is not a subsidiary of a public company. [Section 263]	• At a general meeting of a company, a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be moved unless a proposal to move such a motion has first been agreed to at the meeting without any vote be ing cast against it. [Section 162]

Appointment of 2 or more directors by single resolution	• Provision relating to appointment of directors to be voted on individually is not applicable to a private company which is not a subsidiary of a public company. [Section 263]	• At a general meeting of a company, a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be moved unless a proposal to move such a motion has first been agreed to at the meeting without any vote be ing cast against it. [Section 162]
Limit on number of directorship	• Private Companies are not counted for the purpose of determining the limit of 15 companies in which a person can act as a director at any given time. [Section 275]	• A person can act as director in a maximum of 20 companies at any given point of time out of which not more than 10 should be public companies. [Section 165]
Corporate Social Responsibility	• No requirement to spend on CSR activities.	• All companies, including private companies, who are meeting eligibility criteria fixed in this regard, are required to constitute a CSR committee consisting of at least 3 directors out of which atleast 1 must be independent director and spend at least 2 percent of average net profits on CSR activities. [Section 135]
Contents of Financial Statements	• Balance Sheet • Statement of Profit & Loss • Cash flow Statement (applicable only to listed companies and companies having Turnover in excess of 50 crores or borrowings in excess of 10 crores) AS 3 and listing agreement	• Balance Sheet • Statement of Profit & Loss • Cash Flow Statement (Except for OPC and Small Company) • Statement of Changes in Equity • Notes to accounts
Consolidation of Accounts	• Consolidation is not mandated under the Companies Act, 1956 for any company. • Listing agreement requires consolidation for listed companies having subsidiaries. (Clause 32 of Listing agreement and AS 21)	• All companies having subsidiary (s) need to prepare consolidated accounts. • Subsidiary includes associate and joint ventures. [Section 129]

Number of Companies an auditor can audit	• For Private Companies, no limit is there as Section 224(1B) is not applicable to private companies.	• 20 Companies in total. • Private companies cannot appoint a person as auditor if he is already auditor for 20 other companies. [Section 141]
Signing of Annual Return	• Director + CS/Manager • If no CS/Manager, then MD + Director • If no MD, then 2 directors [Section 161]	• Private Company being a Small Company – CS • If no CS, then 1 Director • Private Company, other than Small Company – CS + Director • If no CS, then PCS + Director[Section 92]
Provisions regarding general meetings	• Private companies can exempt themselves from the applicability of Sections 171 to 186 by mentioning so in its AOA. • These sections deal with length of notice for General Meetings, explanatory statement etc.	• All requirements regarding general meetings as specified in the Act are applicable to Private Companies. • No exemption can be sought basis of AOA.
Authentication of financial statements of the company	• By two directors including Managing Director, if there is one and Company Secretary, if there is one [Section 215]	• Chairperson, if he is authorized by board or 2 Directors out of which one shall be Managing Director • The Chief Executive officer, if he is a Director of the company, The chief financial officer and the company secretary of the company, wherever they are appointed. [Section 134]
Inter Corporate Investment/Loans/Guarantee	• Provisions of Section 372A regarding Inter Corporate Investments / Loans / Guarantee are not applicable.	• Except Sub-Section (1) of Section 186, other provisions on Inter Corporate Investments/loans/Gurantees are applicable.
Signing of Director's Report	• By Chairman of the Board if he is authorized by board or by such number of directors of the board as are required to sign the balance sheet and the profit and loss account of the company by virtue of Sub-Sections (1) and (2) of section 215 [Section 217]	• Chairperson, if he is authorized by board or 2 Directors out of which one shall be Managing Director or by the Director where there is one Director [Section 134]

5 Recommendations

5.1 Critical Budget Recommendations

Remove section 56 (2)(viia) and (viib) altogether from 2013 Finance Act for investment by individuals in seed stage companies. This section makes India the only country that taxes an investment rather than income. Also, rather than incentivize, we become the only country in the world to penalize / tax angel investments in startups. A specific recommendation is given below:

The 2013 Finance Act has taken away one of the key enablers of Entrepreneurship: Angel Investing in Section 56 (2) (viib). **The section enunciates that Fair Market Value (FMV) is proposed to be defined to be higher of**

- **The value determined in accordance with the method to be prescribed; or**
- **Value determined by the company on the date of issue having regard to the assets (Including intangible assets) and which is substantiated by the company to the satisfaction of the tax authority**

This FMV clause creates the following problems:

Startup ventures, at the stage where angels invest, usually have no revenues or profits and the valuation is based on the potential and promise of the idea, the background and competence of the founding team, etc. and is usually a simple matter of negotiation between the founders and the angel investors. It is often wrong for one party or the other but it is simply impossible to create a frozen logic for such investments, be it DCF or a valuation by merchant bankers, etc. Any such mechanism, or others that may be proposed, would be impractical and unfortunately push the parties concerned to contrive adherence , an extremely undesirable outcome as both founders and angel investors would like to operate within the letter and the intent of the law.

I. Subjecting the valuation of the investment to an FMV by IT Authorities does not work, as explained above. The IT department would not have the domain understanding to value the innovation (in fact even two different angel investors would value the same company differently). **This will subject all investments in startup companies to re-evaluation and will open a plethora of disputes / appeals**. This will scare angel investors away.

II. This provision characterizes the investment by Angels as Income in the hands of the investee company, which is fundamentally incorrect. The Angel Investor's investment is to grow the company and create revenues / income in the company. By changing the nature of the inflow into the company, the company and the investor sign away 30% of the investment (less the FMV) to tax: starving the

[1] This recommendation to be part of all financial/budget recommendations to Govt. of India, and should be included in all such documents which address the issue of funding for new ventures and start-ups.

company of critical cash flow investment. **So investors who are investing tax paid monies, will not invest as this will attract another round of tax albeit through the investee company. This amounts to double taxation. As this section only applies to domestic investors, it discriminates against them as compared to foreign investors, who are not subject to this clause.**

5.2 For immediate action

- **Venture debt** (debt for SMEs or companies backed by Category I AIFs as per SEBI definition) should be included as priority sector lending with Venture Debt departments in each bank; government can also create a loan guarantee scheme for venture debt.
- **Registering of Angels/Angel Groups** and enabling them to get the benefits of tax "pass through" and implement 10% long term tax on capital gains, and so on.
- VCs/Angel investors should be incentivized for reinvestment of earnings to ensure long term capital availability within Indian ecosystem.
- Providing **tax deductions** to individuals and institutions that **invest through Angel Groups or in Early Stage Venture Funds** (as per SEBI definitions) e.g. Singapore provides $80K tax deduction for approved Angels, USA provides for up to 2 investments aggregating to $500K.
- Permitting **easy exit** by allowing foreign listings, and implementation of liquidation preferences for Category I AIFs.
- Require that domestic institutional investors, i.e. insurance companies, pension funds, trusts, and balanced mutual funds allocate some portion of their corpus to Category I AIFs & encourage Banks to invest in the same by treating these investments as **"priority sector"** funding without capital market exposure and provisioning norms being applicable.
- Streamline tax treatment for Angels
  - Exempt Business Investment made by an Angel Investor: Angel Investor defined as "an individual acting alone or in a formal or informal group, who invests own money (directly or through their investment vehicle) in an unlisted entity in which there is no family connection, at the seed stage and where the investment by an individual is less than Rs 5 crore and by the group, less than Rs 10 crore. Seed stage defined as a business with turnover below Rs 25 crore"; investments and turnover threshold for seed stage should be indexed to inflation.
  - Similar to VCC/VCF/AIF, exemption should also be granted to entities subject to registration or supervision by regulators such as RBI, SEBI, IRDA, Pension Fund Regulatory and Development Authority (PFRDA), National Housing Bank, Forward Markets Commission.

- Investment made by a company in which the public are substantially interested [as defined in section 2(18) of the Act] should be exempted.
- Investment by business incubators which have been recognized or promoted by the Government of India should be exempted.
- Traditional source of investments in seed stage companies in India and globally are friends and family. Such investments should also be exempt, provided they are below Rs 5 crore.
- Investments by Investors not falling within any of the above categories should be exempted provided value of investment is less than value certified by a Category I Merchant Banker registered with SEBI.
- Allow ESOPs for external directors and advisers, which is the only way start-ups can afford experienced mentors, advisers and board members
- Currently specific tax "pass through" is applicable only to AIF Category-I VCF and erstwhile VCFs, and is restricted only to VCU income. Amendment of section 10 (23FB) of the act is recommended to provide tax "pass through" to income earned by all categories of AIFs. Alternately levy a withholding tax at 10% coupled with tax pass through provision on any income distributed by the AIF to its shareholders.

5.3 Medium and Longer Term Initiatives

- Define "start-ups",
  - for a regulatory regime specific to start-ups;
  - change the existing regulatory regime to build start-ups regime
- Enable **Small Business Parks with STPI like compliance** enabling companies with less than 100 employees or less than Rs. 25 crores in revenues to work within a **highly simplified regulatory overhead** including incorporation and winding up.
- Provide Rs. 1000 crores to be given out to 10 top academic institutions to set up Rs. **100 crore on campus Incubators** such as the ones at Harvard and Stanford.
- Added focus on "enabling" start-ups or new companies to participate in Govt. Tender Business - Pre Qualification to be friendly for start-up companies.
- Recognize all other academic institutions (i.e. other than premier institutions like IITs and IIMs) and universities for setting up business incubators, and encourage them to channelize funds raised through equity, debt, grants and other financial instruments for grooming start-ups.
- Potentially provide appropriate tax concessions for large companies that procure from SMEs and companies backed by Category I AIFs
- Mandate that **5% of all PSU procurement** must come from SMEs or companies backed by Category I AIFs

- Establish a government fund-of-fund with Rs. 5000 crores corpus to provide matching funds for new Category I AIFs. This type of support has been very effective in several countries such as: US SBIC, Israeli Yozma, and the Australian Innovation Investment Fund with 16 funds created

6 Drivers to promote a vibrant entrepreneurial ecosystem

6.1 Government policy and regulatory framework

Recommendations	Key agencies
• **Facilitate investments by recognition of early-stage investor classes**: Angel investors, seed and early-stage venture capital investors, impact investors - All arms of government (ministries, regulators) should acknowledge such definitions to ensure prioritization of incentives to such investing	*SEBI* *RBI*
• **Enhance and scale-up venture incubation programs** - Increase number of incubators in universities: Target 1000 incubators in 2020 - Enhance services to include mentoring, providing access to business networks, and investors - Encourage participation of the private sector - Establish incubators that focus on socially relevant businesses	*Central Government,* *Dept. of S&T,* *Ministry of MSME,* *NABARD*
• **Ease entrepreneurial activity** - Set up STPI like structures for early stage businesses enabling single window approvals - Permit self-regulation and self-compliance for businesses with turnover less than Rs 25 crore and less than 100 employees - Facilitate labour law reform, especially related to paperwork	*Central Government,* *State Governments*

• **Ease exits for investors** - Tax on capital gains on investments by Angel Groups or VC Funds at par with capital gains on investments in listed companies or mutual funds - Ease RBI norms FVCI transfer from NRIs and clarify pricing requirements For RBI concerns. - Clarity on deferred notes/warrants need to be in place, which is the preferred mode of start-up funding globally - Relax escrow requirement of 6 months, this exposes investors to unknown risks - Allow deferred consideration and indemnity payments for FDI transactions with cap - Remove RBI restriction on "contingent payments" by foreign buyers. Paying an upfront consideration and the balance on meeting targets is common globally; results in foreign buyer paying more. This rule also forces Indian companies to sell for less. - Remove 3 year restriction before exit, this prevents start-ups from raising needed capital from VCs, who want to buy out angels before investing - Simplify IPO requirements including permitting overseas listing without requirement of domestic listing - Enable preferential treatment of VC and angel investment in liquidation	*MoF,* *CBDT,* *SEBI*
• **Establish expeditious procedures for closing of businesses** - Relax requirements for closing of business by further refining the proposed Companies Bill with exceptions and exemptions for emerging businesses - Ease approval criteria for early stage manufacturing ventures with more than 100 employees to retrench employees or close businesses	*Central Government (Companies Act Industrial Disputes Act)*

6.2 Easy access to equity capital and debt

Recommendations	Key agencies
• **Remove regulatory hurdles that inhibit domestic fund raising** - Permitting pension funds, insurance funds and provident funds to invest a small part of their corpus in early-stage venture funds - Banks to be encouraged to invest in early-stage venture capital funds by treating such investments as "priority sector" funding without capital market exposure and provisioning norms being applied. - Tax credits to corporates and institutions that invest in early stage venture funds, in incubators and in angel investor groups	*PFRDA,* *IRDA,* *SEBI,* *RBI,* *CBDT*
• **Establish a "fund-of-funds (FOF)" with a corpus of Rs. 5000** crore to seed other early stage venture funds • Create a committee comprising of industry bodies like CII and ministries involving MSME and S&T to formulate a mechanism for channelizing this fund.	*MoF,* *MSME,* *S&T,* *Industry Associations*
• **Develop and scale-up debt offerings** - Expand the lender base to include commercial banks - Leverage the financial lending institutions setup under the MSME policy such as SIDBI to provide financial support to start-ups. SIDBI can expand its role in the area of venture debt especially for SVB-like specialized NBFCs - Establish and promote UNIDO like mutual credit guarantee schemes - Improve credit rating models and their coverage by different credit rating agencies	*RBI,* *MoF,* *SIDBI*

6.3 Businesses as entrepreneurial hubs

Recommendations	Key agencies
• **Participate in setting up and operating incubators through PPP model** - Access to high quality managerial and technical resources of the sponsoring private enterprise	*Established businesses ,* *Ministry of S&T,* *MSME*
• **Greater collaboration between established and emerging businesses** - Greater collaboration both as a buyer and a supplier: ‣ As a buyer: Use new ventures as sources of innovation and technology ‣ As a supplier: Develop solutions and products specifically tailored for emerging ventures - Greater M&A activity: Acquisitions as a preferred mode for innovation sourcing over organic development, with the benefits of the access to passion-driven talent and reduced time-to-market - The policy to consider current small businesses which wish to grow and scale up	*Established businesses,* *Industry Associations*

6.4 Culture and institutions which encourage entrepreneurship over careerism

Recommendations	Key agencies
• **Upgrade courses and programs at educational institutions** - More entrepreneurship courses (including social entrepreneurship) and programs across institutions of higher learning - Scholarships for students taking up entrepreneurship courses	*Ministry of HRD,* *Educational institutions*

• **Enhance linkages between educational institutions and entrepreneurial ecosystem** - More focused research partnerships with corporates - Greater visiting faculty - More collaborative projects involving technology and management courses	*Educational institutions, Industry*
• **Promote innovation and commercialization** - Establish Office of Technology Licensing at most educational institutions, and at least one at the district level - Provide grants for building common prototype development facilities for students and faculty	*Ministry of HRD, Educational institutions*
• **Celebrate success stories of entrepreneurship (and associated enablers) in media both print and electronic**	*Media*

6.5 Adequate and effective collaboration forums

Recommendations	Key agencies
• **Establish 15-20 innovation labs across metros, tier 1 and tier 2 cities through PPP** - Focal points for collaboration across the region - This can be done through some educational institutions/universities across metros.	*Central & State Government, Established businesses*
• **Set up an online portal for comprehensive information** - Tools and resources for entrepreneurs (how to set-up business, raise funds, information on cross-functional areas, current policy and regulations) - Virtual interaction and feedback - Create mentor database: Bodies like CII and TiE to establish national domain based mentor database for start-ups to access and seek help	*Ministry of MSME, State Governments, Industry Associations*
• **Encourage creation of collaborative forums** - Provide mentorship and networking support - Facilitate access to investors and market - Improve access to talent and skills through collaboration with educational institutions - Provide media management support	*Industry Associations, Educational institutions*

7 Pointers on Non-IT business ventures (Food Security and Energy)

7.1 Points on Food Security

- Encourage Incubators in agro universities and all agro based educational institutions across all regions. Provide grant and create seed funds for building new prototypes in these incubators.
- Government to provide attractive incentives (in terms of fund and status) to agro universities that facilitate their students in becoming entrepreneurs in agro and food area using technologies developed at the universities – potential to create incubator technology parks around the universities. Such support should also be extended to the experienced professionals.
- There exist a lot of challenges with the existing policy on Food Parks, so, a separate policy on incentivizing start-ups in this area should be prioritized.
- Financial support plan and action Items to be planned separately for Incubation Centers and Start-ups in agro business. New incubation centers should be started in all regions of India in every State and its major cities, and in this should later be replicated in the rural areas. The incubation centers should provide specialized knowledge about the regional crops.
- Organic Foods and Organic Farming should be encouraged by the central and state Governments, to be implemented by the start-ups with support of the state level incubators.
- In the area of crop nutrition especially as India imports all key fertilizers such as urea, phosphate and potash. For example, only ~30% of urea is actually utilized by the plant, the rest leaches out of the soil. If this value goes up to 60%; then the nation will need half the urea that is consumes today without affecting productivity. Start-ups should be encouraged to address this issue.
- Abolition of the APMC Act shall make investments in agro space more attractive and more inclusive
- Incentivize use of renewable non-conventional energy for agro and food processing especially to extend shelf life of agro produce. Start-ups should be encouraged to use energy which has less carbon footprint.
- Policy to create awareness on entrepreneurship in agro and food processing through promotion, dialogue, funding and networking.
- Evaluate feasibility of CII to act as a matchmaker between Angel/VC funds and Agro-Tech start-ups
- The following points needs to be addressed in order to improve the agricultural ecosystem system in India and to provide business opportunities to start-ups in this area.
    - A national skill development plan to help or sensitize the people for better irrigation practices as well as elementary workshops for them to learn various ways to use water efficiently.

- Amendment of Land Ceiling Act to give more flexibility to entrepreneurs.
- Uninterrupted power supply for farming.
- Make large areas of cultivable lands which are lying either barren/ inadequately cultivated due to lack/scarcity of [1] interest among land owners, [2] people having good knowledge/ experience in farming and [3] labor and other resources, more productive.
- Develop cost effective storage facility especially for perishable crops. Currently more than 30% of the fruits and vegetables produced get either spoiled or wasted.
- Emphasis to be given in sustainable agriculture that will not harm the soil. Organic Agriculture/ Good Agricultural Practices (GAP)/ Precision farming / Terrace gardening in a sustainable way etc.
- Agricultural universities should have compulsory and specialized courses on entrepreneurship.
- Availability of quality seeds are a major issue in India. Incubation centres to provide specialized knowledge in quality seed production even in small areas, so that even a small farmer/ entrepreneur can also produce quality seeds and distribute through govt.

7.2 Points on Energy

- Encourage to establish special cells on clean technology in engineering colleges across all regions. Provide grant and create seed funds for building new prototypes by students/faculty in this sector. Such support should also be extended to the experienced professionals.
- The existing Policy on Renewable Energy which includes Solar and Wind Energy and other forms of Energy, should be amended to give more focus in these two areas along with other areas of energy generation like bio-mass, ocean waves, geothermal energy, Hydrokinetic energy. Start-ups should be encouraged to play a vital role in bringing solutions in this important sector.
- Inter-connection of Transmission & Distribution Power lines is required between the various Regions and the various States, so that Power Surplus States can provide Power to States which need more Power. This will benefit the States, the Power Companies and the Consumers. Start-ups working on smart grids can play a big role in this sector in terms of bringing new knowledge and innovations.

8 Glossary

AGM	Annual General Meeting
AIF	Alternative Investment Funds
BPO	Business Process Outsourcing
CBDT	Central Board of Direct Taxes
CEO	Chief Economic Officer
CFO	Chief Financial Officer
CS	Company Secretary
CSR	Corporate Social Responsibility
DCF	Discounted Cash Flow
ESOP	Employee Stock Ownership Plan
FMV	Fair Market Value
FVCI	Foreign Venture Capital Investors
HRD	Human Resource Development
IPO	Initial Public Offering
IRDA	Insurance Regulatory and Development Authority
IT	Information Technology
KPO	Knowledge Process Outsourcing
MD	Managing Director
MoF	Ministry of Finance
MSME	Micro Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
OPC	One Person Company
PCS	Practicing Company Secretary
PFRDA	Pension Fund Regulatory and Development Authority
RBI	Reserve Bank of India
ROC	Registrar of Companies
SBIC	Small Business Investment Company
SEBI	Securities and Exchange Board of India
SIDBI	Small Industries Development Bank of India
STPI	Software Technology Park of India
SVB	Silicon Valley Bank
UNIDO	United Nations Industrial Development Organization
VCC	Venture Capital Company
VCF	Venture Capital Fund
VCU	Venture Capital Undertaking
WTD	Whole Time Director

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has over 7400 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 100,000 enterprises from around 250 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

The CII theme of 'Accelerating Growth, Creating Employment' for 2014-15 aims to strengthen a growth process that meets the aspirations of today's India. During the year, CII will specially focus on economic growth, education, skill development, manufacturing, investments, ease of doing business, export competitiveness, legal and regulatory architecture, labour law reforms and entrepreneurship as growth enablers.

With 64 offices, including 9 Centres of Excellence, in India, and 7 overseas offices in Australia, China, Egypt, France, Singapore, UK, and USA, as well as institutional partnerships with 300 counterpart organizations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 45771000 / 24629994-7 | F: 91 11 24626149
E: info@cii.in | W: www.cii.in

Follow us on :

facebook.com/followcii twitter.com/followcii mycii.in www.mycii.in

Reach us via our Membership Helpline: 00-91-11-435 46244 / 00-91-99104 46244
CII Helpline Toll free No: 1800-103-1244