Jordensky

The Ultimate Startup Guide for Founder’s

There is a thin line of difference between the dreamers and the Doers. Today, if you have taken an interest in how to start a startup, you have taken that leap of faith to become a Doer.

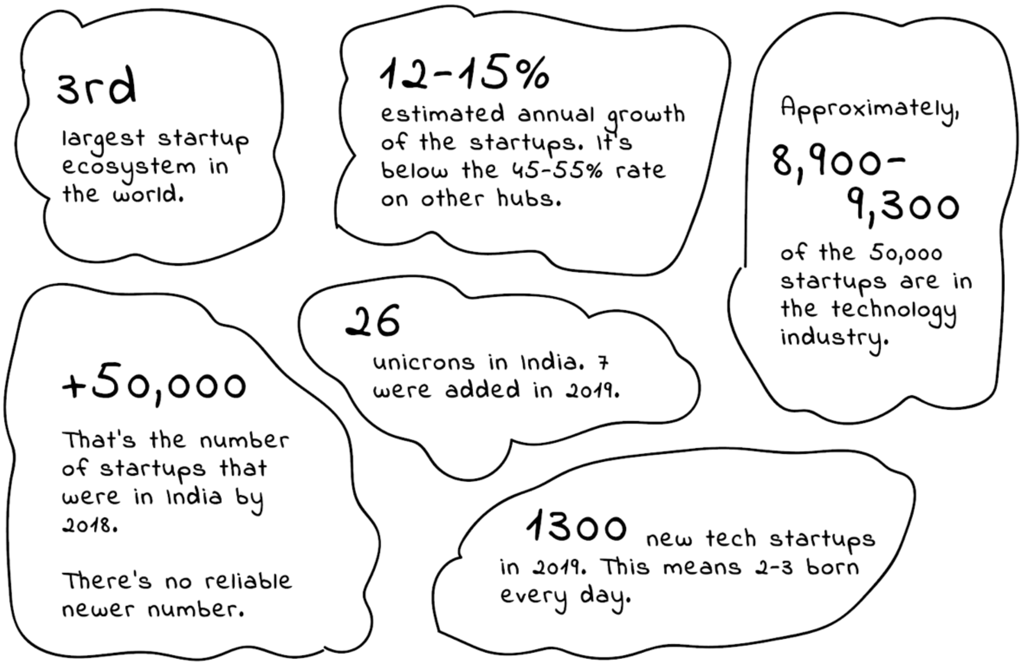
A startup is just growing a crop. You need to sow the seed, nurture it, give it the right set of conditions, and take good care. In the end, you will reap the fruits of your labour.

At a Glance

Startup Basics 101 – Indian Startup Ecosystem

Behind every startup, there is a story. This story has one or more than one person who is inspired to bring about a change in society. Startup founders are connected with their idea very deeply. They work on this idea, mold it, and shape it to form a useful product or service.

Some Facts about Indian Startups:



Source : Failory.com

Pre Incorporation Stage

Every startup begins with one idea backed by a vision, and with that vision, we can build an empire. But, let's focus on the idea first.

The key to every successful business lies in a unique idea. Now, how can you get an idea about beginning a startup?

What made **Jamsetji Tata** go on finding one of the best motor giants in the world? What led **Dhirubhai Ambani** into setting up a company whose current value is in billions?

You will find one thing common if you take a closer look at all these industries and their founders and that is they understood an issue that many people around them had. They analysed the problem and worked on a solution.

Hunt for Startup Idea	Analyse your Solution	Validate your Idea
Look for Problems	Identify Existing Product	Market Research
Find problem that messes your mind	Does the market need your product	Interact with Audience
Find innovative solution	Are you passionate about building solution	Build a Minimum Viable Product (MVP)

Incorporation Stage

The first question that arises is what type of entity is the best fit for your business.

Your choice of the type of legal structure for your business should be based on your short term and long term business goals.

It is one of the most important choices at the start of your business as it determines the personal liability you face, your ability to raise capital, the tax you will pay and the amount of paperwork coming your way.

Type of Entity	What Works When
Sole Proprietorship	No registration is required and legally you as the proprietor have the sole ownership of the company. Advisable at the Idea Validation Stage where the business idea may be tested without incurring a significant expense and fewer formalities.
Partnership	A partnership needs two people to start with, and here you may or may not choose to register your company. Advisable when the partners are closely associated and the business does not require external capital.
Limited Liability Partnership (LLP)	A LLP in India needs to be registered under the LLP Act of 2008. There are various benefits of incorporating as an LLP, including operational flexibility, fewer compliances, among others. Advisable when the partners are professionally associated and the business does not require external capital
Private Limited Company	They are registered under the Companies Act 2013. Advisable for a business that requires raising funds from external sources as it enables the investor to hold a stake in the business.

Business Plan

A business plan plays an indispensable role when starting a startup. It is business plan is a written document that includes all the necessary aspects of the business, like, business goals, business strategies, the time frame of goals, details about profit and loss, finances, marketing methodologies, etc.

Some of the detailed aspects of a business plan include:

A brief summary of the business that includes all the major points.

- Overview of the business: legal structure, type of business, means of business, location, and more.
- A proper plan of operations.
- Analysis of the market.
- Details about the products and services.
- A detailed analysis of the market competition.
- Information about the management team.
- Financial plan.
- Future goals and projections.

All these aspects are essential to be included in the business plan.

Launch your Business

Once incorporated, your business may immediately need contractual relationships, IPR protection and mandatory licenses to launch business operations.

These activities help the founders to focus on core business competencies and eliminate the possibility of regulatory or compliance related hassles.

CONTRACTUAL RELATIONSHIPS

Contractual relationships are very important from a business point of view to formalise on clear terms of a business transaction or an arrangement. Startups typically require the following contractual relationships:

1. Co-founders Agreement

A Co-founders Agreement is a formal arrangement with your Co-founders. It puts forward the equity distribution, IPR ownership, initial investments, roles & responsibilities and designation of each Co-founder.

2. Shareholders' Agreement

An agreement amongst shareholders of a company, segregating the ownership and management of the company. It also stipulates the rights and obligations of the shareholders and board of directors.

3. Term Sheet

A Term Sheet works as an initial offer of investment in a company. It describes the terms on which the Investor will invest in the company, however does not hold any binding value.

4. Non-Disclosure Agreement (NDA)

Non-Disclosure Agreement safeguards startup with any confidential information that is shared with a third party and vendors.

5. Employment Agreement

An agreement to regulate the employer-employee relationship and terms of employment including ESOP's, Salary Structure

6. Vendor Agreement

A Vendor Agreement is typically used in circumstances where an outworker is hired or where services/ goods are purchased for business.

7. Service Agreement

A Service Agreement is a document between the service provider and a customer enumerating the nuances of how the service will be provided and the obligations of the service provider.

8. SAAS Agreement

SAAS Agreement stands for "Software-As-A-Service" Agreement. It is a type of Service Agreement used to determine software services to a customer.

9. Terms & Conditions

Terms & Conditions defines the relationship between the service provider and a user and is typically used on e-commerce platforms.

10. Privacy Policy

A privacy policy outlines how the user data collected by the business from a user shall be utilized by the service provider

11. Bylaws

Every startup needs a definite set of working rules or principles that govern that space. Bylaws act as those sets of rules.

INTELLECTUAL PROPERTY RIGHTS (IPR)

PARTICULARS	TRADEMARK	COPYRIGHT	PATENT
Meaning	This is brand element which distinguishes your goods and services from those of competitors and other traders	Protection is automatically granted to the author for their original, creative and intellectual work	This concerns obtaining protection for new inventions that are new original and useful
Ideal time of Application for Protection	Advisable before or as soon as business operations under the brand name have started.	Acquisition of copyright is automatic and it does not require any formality. However registration is recommended to prove valid ownership.	The application for patent should be filed before the publication of the invention and till then it should not be disclosed or published.
Duration of Protection	10 years	Through the lifetime of the author and up to 60 years after his/her death.	20 years from registration of the patent
Examples	Logo, Sound, Wordmark, Names	Books, Music, Paintings, Lectures	Innovative Technology, New Products.

LICENSES

When you start your business operations, you have to apply for certain licenses, depending upon the national and state laws and the nature and size of your business. Some of the basic licenses are listed below:

1. PAN

(Permanent Account Number): For Income Tax purposes

2. TAN

(Tax Account Number): For TDS purposes

3. Shops & Establishment License

A mandatory registration required irrespective of the place or kind of business carried out.

4. Professional Tax

A mandatory registration for all working professionals/ directors.

5. GST

Goods and Services Tax envisages bringing together all the indirect taxes in India under one umbrella tax. However, there has been not been much clarity on the implications and implementation of the same.

Apart from these generic licenses, various specific licenses may also be required in terms of your business model including, TRAI licensing, DoT licensing, IT/ITes Licensing etc.

Running your Business

Running your business hinges on one word - Sustainability.

The strategy you employ to achieve short term goals accumulating into your long-term goals requires a clear visibility of your business plan, important milestones and a systematic tracking of your progress.

When sustainability becomes a part of your organization's culture, you know your business is here to stay.

1. Proper Accounting

To keep record of all the transactions of the business. This gives an estimate of the financial standing of the business.

2. Adequate Budgeting

Budgeting is essential for allocation of funds for specific activities of your business and benchmarking your performance

3. Management Information System (MIS)

Is a tool for transforming the data collected into information of the business. This assists the management in charting the road map for the business, taking strategic decisions and enabling growth of the business.

4. Payroll Management Software

Payroll management software will help to automate the salary processing and preparation of salary and compliances report to ease the complex aspects.

5. Internal Audit

On the lines of MIS, internal audit helps to identify the operational inefficiencies of the business in a detailed manner. This paves the way for effective management and brings stability by overcoming the inefficiencies identified in the business.

6. Compliance

If compliance feels like an expense, non-compliance will end up in a loss for your business. Certain compliances ought to be done within specific time limits and are important with regards to keeping the regulators of the government at bay.

Primary compliances are as follows:

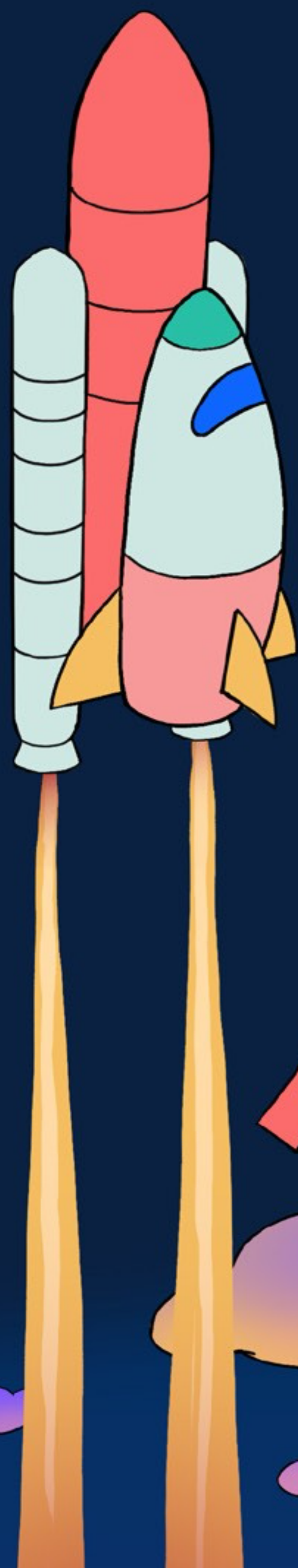
- Annual Filing of Income Tax returns within due dates.
- Annual Filings of Balance Sheet and Statement of Profit & Loss with the RoC
- Periodic filings for indirect taxes like GST
- Conducting AGM and Board Meetings

Raising Capital

90% of the start-ups fail in the first five years of their launch and many of these are because of the money crunch. Sometimes, the founders do not get enough fuel to keep the engine running, while others fail in using it optimally.

Therefore, getting your start-up funded is important, but gaining the ability to utilize that money smartly also matters.

Once you have gained the funding, start spending it smartly and on those things that help you grow. But before discussing how to use the money, let’s first know how to acquire it.



Raising Capital from Via Equity Route

Source	What It Mean	Typical Dilution and Amount of Funding
Friends and Family	Reaching out to people close to you and asking them to put a portion of their life savings in your idea	5-10% for Rs. 5 Lakhs to Rs. 10 Lakhs
Bootstrapping	Bootstrapping means from your own internal savings and company cash flows	No stake sale
Incubators	Incubator teaches and train you in the business and provide access to resources to scale your venture	5-10% for Rs. 5 Lakhs to Rs. 10 Lakhs
Seed / Angel Investment	Angel investment is a funding activity whereby individuals with surplus cash invest in different baskets help start-ups launch and expand.	Upto 20% for upto Rs. 1 Crore
Series A / Early Stage	Next stage of funding for raising money to expand market reach and build the team	20-30% for Rs. 4 Crores to Rs. 12 Crores
Series B / C / D/..	Next stage of funding to expand market reach and build the team and acquire competitors	It will depend on the amount raised and valuation

Business Loans For Startups And MSMEs By The Indian Government

Type of Loan	What it means	Amount
MSME Loans For Startups In 59 Minutes	Loans to MSME and Startups for their business	Loan amount from INR 1 lacs to 1 Cr
Pradhan Mantri Mudra Yojana (PMMY)	Non–corporate small business segment comprising proprietorship/partnership firms in rural and urban areas can apply	From INR 50k to INR 10 lacs
SIDBI Make in India Soft Loan Fund (SMILE)	New enterprises in manufacturing as well as the services sector can apply for this scheme	Loan amount upto 20 lacs
Startup India	Loan assistance to startup in India	Loan amount from INR 10 lacs to INR 1 Cr
4E (End to End Energy Efficiency)	MSME Startups in the manufacturing or services sector that have been operating for at least three	Loan amount of INR 10 Lacs to INR 150 lacs

	years and have earned cash profits in the last two years are eligible	
Bank Credit Facilitation Scheme	The scheme aims to meet the credit requirements of MSME units.	
Credit Guarantee Scheme (CGS)	The scheme is applicable to new and existing MSMEs engaged in manufacturing or service activities, excluding retail trade, educational institutions, agriculture, self-help groups (SHGs), training institutions, etc.	Loan amount upto INR 200 Lacs
Credit Linked Capital Subsidy for Technology Upgrades	Existing small-scale industry (SSI) startups registered with the State Directorate of Industries that have upgraded their existing plant and machinery with state-of-the-art technology	Loan amount from INR 40 lacs to INR 100 Lacs
Coir Udyami Yojana	All coir processing MSME startups registered with the Coir Board under the Coir Industry (Registration) Rules, 2008, are eligible for this scheme.	Loan amount upto 10 Lacs

This brings us to the end of how to start a startup in India guide. We have talked about everything that you need to follow, understand, and practice to run a successful business.

We have tried to include everything that you need to know about starting a startup in India. If you have any questions, let us know by sending an email at akash@jordensky.com

If you need any assistance with your Accounting and Taxes, Jordensky team will ensure to provide right guidance with automated tools, technologies and right expertise. Just Jordensky it

Starting up is the beginning of the journey, but what matters the most is right efforts towards right directions with solid backend to support your vision and goal. This document gives you a perspective on how to strengthen this part of your business.

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MOST IMPORTANT HOW TO'S

1. How to Choose Right Accounting Software

Your finances can be a complicated part of business operations. Accounting software makes your life as a business owner easier by monitoring the movement of your money in and out of your accounts and tracking your business' financial health.

Here are few tips while choosing right accounting software

- **Features**: Consider what you need your accounting software to do for you. Do you need both accounts payable and receivable tools? Do you need various reports generated? Are looking for a software to help you with invoicing, inventory tracking, time tracking, project management and payroll?

- **Usability**: Do you need to multiple users to have access to your program? Are you looking for a cloud-based system you can access anywhere, or do you prefer desktop software? Do you need an accounting software mobile application?

- **Costs**: Do you want a basic and inexpensive accounting software or a more expensive application that costs more but includes extra features?

2. How to Choose Right Payroll Management Software

Payroll is also an essential function in any business, which is why it critical that it gets executed with the least amount of error. In terms of the Indian payroll system, the following criteria might be helpful in choosing the right software.

- It should have core payroll features like Leave & attendance tracking, HR Management, Auto generation of Payslips, Setting up company policy

- Management of Statutory Compliances like PF,PT, ESIC, TDS. Dashboard for various compliances and status

- Self Service Portal for Employees allowing them access to payslips, reminders of holidays, Income Tax Planning and processing

- Technology Support like Cloud Access, Mobile Application, integration with other apps

- Security – Most important aspect that your data should be stored securely