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**OPTIMETZ
ADVISORY**

A NEW ENTREPRENEURIAL VENTURE – START UPS

START UPS

It has been steady increase of start ups in India for the past 3-4 years and, now, India ranks fifth in the world in terms of startups, with more than 2500 currently in operation.

Dedicated entrepreneur needs to focus on various fragments prevailing in current Indian Market, before entering. Entrepreneur needs to focus on various complex issues, starting from structuring business to funding to profitability.

Structuring the Business: Every entrepreneur is faced with this major challenge of choosing a business structure. Choosing the most appropriate business structure goes a long way in affecting the viability, visibility, sustainability, suitability and profitability.

Business structure can be, Private Limited Company, Limited Liability Partnership, Partnership, Public Limited Company, Sole Proprietorship etc.

Every form of business is governed by a separate set of laws, so care has to be taken to see legal frameworks have been complied with. Otherwise, hefty sums will have to be paid to the government in the form of fines!

Tax Laws and Accounting: Ignorance of applicable tax laws and non maintenance of accounting would bring disorder into the entire functioning and planning of the Organization.

The tax laws and accounting are known to be a bit tricky. Also, the kinds of taxes applicable to different sectors, geographical regions and/or products vary greatly. Hence sector and area-specific knowledge of taxation would do in maintaining the financial & legal health of your organization. A Tax expert can be hired from the initial stage to take advice on accounting and tax laws.

Finance: Business finance refers to the management of all the financial needs arising during the various stages of business life cycle, wherein you will have to look for options for fund raising. Hence, knowledge of avenues like crowd funding, venture capitals, angel investors, foreign direct investment, or even joint ventures, the same is explained below:

a) Incubators

Incubators offer office space, mentoring in exchange for an equity stake ranging from 2-8%. This precedes the seed funding stage. There are many business organizations acting as incubators. Incubation period can be 2-3 years.

b) Seed Funding:

The funds for this stage are usually secured by entrepreneurs from their own savings or loans from family and friends.

c) Angel Investors:

Angel investors are usually individuals or a group of industry professionals who are willing to fund your venture in return for an equity stake. You can get in touch through your network for family, family; tap the angels who are active in your sector. The amounts can range from `5 lakh to `3 crore.

d) Crowd funding:

The entrepreneur can get money by presenting his idea before the entire world and convincing people about the probability of its success. The entrepreneur needs to put up on a portal his profile and presentation, which should include the business idea, its impact, and the rewards and returns for investors. It should be supported by suitable images and videos of the project.

e) Venture capitalists

Venture capitalists can be approached after the initial seed-funding and crowd funding which requires big money. This is where VCs come in, in exchange for a high equity stake. It is one of the most popular sources of funding for mid to late-stage startups and has been in the news after deals for Flipkart, Snapdeal and Ola.

f) Loan from Banks & NBFCs

Loans from banks and NBFCs help finance the purchase of inventory and equipment, besides securing operating capital and funds for expansion. However, there are several drawbacks, not only do you pay interest on loan but it also has to be done on time irrespective of how your business is faring. To avail loan they require substantial collateral and a good track record, besides the fulfillment of other terms and conditions.

Intellectual Property Law: If you are an organization that codes, or designs, or programs, or does research, you could have a wealth of intellectual property (IP) with you. Hence, going for timely IP audits of your organization, and also filing the right patent/trademark/copyright claims, is required.

Government Contracts: The Government of India is the largest spender in the Indian economy. This avenue can be a great as far as creating a steady flow of revenue is concerned, because government always orders in bulk, and getting a government contract would also boost your goodwill in the market.

It is advised that the reader consults an expert before starting a start up.

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