

MADHYA PRADESH STARTUP POLICY 2020

Department of Micro, Small & Medium Enterprise
Government of Madhya Pradesh

DRAFT

Table of Contents

I. Vision	2
II. Goals	3
III. Applicability	3
IV. Strategies	4
1. Startup Promotion	4
2. Incubator Promotion	5
3. Ecosystem Enablement	6
V. Incentives	7
1. Incentives to Incubator	7
2. Incentives to Startups/Entrepreneurs	9
3. Provisions for Funding of Start-ups	11
VI. Policy Implementation	12
1. State Level Implementation Committee	12
2. State Level Monitoring Committee	13
3. The charter of the State Level Monitoring Committee	14
4. District Task Force Committee	14
VII. Definitions	15
1. Startup	15
2. Incubator	15
3. Partner Incubator	16
4. Technology Business Incubators (TBI)	16
5. Host Institution	16

I. Vision

To establish Madhya Pradesh as a preferred destination for Startups & Incubators by enabling ecosystem to support entrepreneurial culture in the State.



II. Goals

A) Key Targets:

- (i) To achieve 100% growth rate for DPIIT registered startups
- (ii) To create incubators by exploiting infrastructure available in Host Institutions across Madhya Pradesh and increase current seat availability in Incubators by 100%

B) Seek international/Corporate Partnerships for setting up incubators

C) Easy access to funding

III. Applicability

The policy will be applicable from 1st April 2020. This policy will continue till the time replaced by new policy.



IV. Strategies

1. Startup Promotion

To empower local entrepreneurs & boost local startups, the State Government shall;

- A. Consider Startups/entrepreneurs for state assistance under Self-Employment Schemes such as Mukhya Mantri YuvaUdhyami Yojana etc.
- B. Provide easy access to pre-seed /seed funding/support, grants or loans.
- C. Promote Public Procurement from Startups through suitable amendments in Store Purchase Rules such as relaxation in prior turnover, prior experience amongst others.
- D. Host Annual MP *Hackathon*: The Department of MSME shall organize annual *hackathon* to identify innovative technological solutions to real-life social challenges.
- E. Develop an Angel Network: The Department of MSME shall organize Angel Investor meets for all MP based startups through partner incubators. Angel Networks and their members shall be listed on the Department of MSME portal for the benefit of the Startups.

2. Incubator Promotion

The State Government shall-

A) Encourage establishment of Technology Business Incubators by Host Institutions in following priority areas:

- (i) Artificial Intelligence (AI)/Internet of Things (IoT)/ E-commerce /Mobile Technology/ Information Technology (IT)/IT enabled services(ITEs)/Business process management (BPM)/Software development
- (ii) Manufacturing including Electronics System Development and Maintenance (ESDM)/Robotics/ 3-D Printing/ Plastic/ Technical Textiles
- (iii) Biotechnology, Biochemical, Healthcare, Pharmaceutical & Medical Devices
- (iv) Agri-Processing, Agriculture, Food technology & Food processing
- (v) Renewable energy/Green energy/Clean technology/Water & Waste recycling
- (vi) Education, Social, Rural & Tribal Entrepreneurship

B) Establish two world class incubators in the state in Institutes of National Importance situated in Madhya Pradesh. The institutes are to be selected through challenge mode.

C) Form a network of partner incubators.

3. Ecosystem Enablement

- A) The Department of Micro, Small & Medium Enterprise, and Government of Madhya Pradesh has nominated Directorate of Industries, Madhya Pradesh as Nodal Agency for implementation of this policy and will take necessary steps for ecosystem enablement in the State.
- B) Online Portal: The Nodal Agency shall design, develop and implement a robust online system for end-to-end management.
- C) Mentor Network: The Nodal Agency shall encourage experienced mentors to register on the online portal for developing mentor network in Madhya Pradesh.
- D) Partnership with Corporate(s) and Academia for Entrepreneurship Development:
 - (i) The State Government shall advise all universities and colleges in the State to establish an Entrepreneurship Development Cell (EDC)& register the same on the startup portal.
 - (ii) The Department of MSME will approach international organizations and other countries for sector specific partnerships.
 - (iii) Other departments like Department of Science and Technology, Department of Technical Education, Department of Higher Education may also create their own sector specific support policies/schemes to enable startups in the state.

- E) Independent Agency: The Nodal Agency may create a separate, dedicated & independent implementation agency/body or may nominate existing agency/body for supporting startup ecosystem in the state.
- F) Government of Madhya Pradesh will promote and lay extra focus on women & tribal entrepreneurship. It will also ensure inclusiveness for start-ups led by SC/ST/OBC entrepreneurs.

V. Incentives

- A) The incentives will be provided according to the guidelines of the 'MP Startup Scheme 2020' which will be issued separately by the Department of MSME, Government of Madhya Pradesh.
- B) Startups & Incubators are entitled for other incentives (if eligible) under different policies/schemes of Government of Madhya Pradesh and Government of India, however, the same incentives cannot be claimed from any other policies/schemes of Govt. of Madhya Pradesh.

1. Incentives to Incubator

A) Eligibility:

- (i) Host Institutions with intention of setting up new incubator(s).
- (ii) Existing partner Incubator(s).

B) Capital Assistance

- (i) One-time capital grant of max. 50% or INR 1 Crore (whichever is less) for Fixed Cost Investment (excluding land& building) for setting up incubator.
- (ii) State Government shall provide top-up grant for establishment of Technology Business Incubators (**TBI**) funded by Government of India with ceiling of maximum INR 50lakhs upfront, given that total assistance subsidy is not more than 50% of total project cost.
- (iii) State Government shall provide grant for establishment of Livelihood Business Incubators (**LBI**) established in tribal districts of Madhya Pradesh with ceiling of maximum INR 100 lakhs upfront, given that total subsidy is limited to 100% of total project cost.
- (iv) The same limit shall be extended to incubators for capacity expansion of existing facility subject to the capacity utilization of the existing facility for 1 year.

C) Operational Assistance

Operational expenses as per actual expenses up to maximum INR 10 Lakhs (whichever is less) per year for 3 years from the date of sanction. This includes expenses on mentoring, running cost, events & competitions. This will be given on the following basis:

S.No.	Utilized Seat Capacity	Max. allowance
1.	30% - 50%	Max. 5 lakhs
2.	50%-75%	Max. 7.5 Lakhs
3.	75%-100%	Max. 10 Lakhs

D) Stamp Duty & Registration

Incubators shall be provided with one-time reimbursement of 100% Stamp duty & registration fee on purchase/lease of land/office space on commencement of their operation.

2. Incentives to Startups/Entrepreneurs

A) Eligibility:

To avail benefits under this policy, the startups need to comply with all following conditions:

- (i) Have DPIIT recognition,
- (ii) Have MP based GST registration

B) Sustenance Allowance: INR 10,000per month for period of 1 year or till start-up reaches post-traction period (whichever is less), will be released as sustenance allowance after 3 months of joining a partner incubator.

C) Lease Rental Subsidy: Reimbursement of 50% or maximum INR 3 lakhs(whichever is less)per year for a period of 3 years from the date of recommendation.

For women owned startups, reimbursement of 50% or maximum INR 3.5 Lakhs (whichever is less)per year for a period of 3 years from the date of recommendation.Same benefit will be extended to SC/SC/OBC owned start-ups.

Start-up must have recommendation by the District Task Force Committee for availing this subsidy.

D) Margin Money/Interest Subsidy: the following shall be provided on the capital expenditure of the project-

- 1) Margin Money Assistance: max. 15% upto INR 12 lakhs
- 2) Interest Subsidy: max. 5% (for SC/ST/OBC/women owned startups, 6%) upto INR 5 lakhs per year for a period of 7 years.

E) Patent Registration/Quality Certification: Cost reimbursement for successfully obtained patents/certifications in policy period-

Domestic Patent: maximum INR 2 lakhs per startup up to 2 patents

International Patent: maximum INR 5 lakhs per startup for 1 patent

Quality Certification: maximum INR 3 lakhs per startup up to 2 certifications

F) Startup Marketing Assistance: One-time assistance of maximum INR 10 lakhs for introducing an innovative product to the market upon meeting any of the below conditions:

- (i) Startup has got total equity financing by SEBI registered AIF category I & II Fund or Angel Networks of atleast INR 25 Lakhs; or
- (ii) Sanction letter of funding/ grant to the entity by Government of India based on:

S.No.	Funding/Grant received by Gol	Max. allowance
1.	Up to INR 2 Lakhs	Max. INR 5 lakhs
2.	From INR 2 Lakhs – 4 Lakhs	Max. INR 7.5 Lakhs
3.	More than INR 4 Lakhs	Max. INR 10 Lakhs

(iii) The startup has got a revenue run rate of INR 5 lakh per month over last six months at least.

G) Participation in National/International Events of repute: reimbursement up to 50% or INR 1 lakhs (whichever is less) for participation fee & accommodation for maximum 2 members of a startup once in policy period.

For SC/ST/OBC/women owned startups, reimbursement up to 50% or INR 1.5 lakhs (whichever is less) for maximum 3 members of a startup once in policy period.

3. Provisions for Funding of Start-ups

A) Award pre-seed support in form of prize money to innovative startups via hosting MP Startup of the year Challenge, wherein, 20 ideas will be awarded.

B) State Government will provide INR 10 crore, during policy period, for creating a revolving fund for seed support to startups. This fund will be utilized for seed funding to startup for initial stage funding such as company formation, prototype development, proof of concept etc.

C) Venture Funding:

(i) The state shall invest INR 50 crore in an Alternate Investment Fund

- (ii) Utilize the venture fund setup earlier for providing venture capital

VI. Policy Implementation

1. State Level Implementation Committee

Under this policy, A State Level Implementation Committee (SLIC) committee comprising following members shall be constituted for sanction of assistance:

S.No.	Member Details	Authority
1	Principal Secretary, Department of MSME	Chairperson
2	Nominee of Department of Science and Technology	Member
3	Nominee of Managing Director, MPLUN	Member
4	Nominee(s) from Industry/Industry Association	Member
5	Other Nominee(s) from Incubator Network to be nominated by GoMP	Member
6	Industries Commissioner	Member
7	Nodal officer SI Cell/nominee of Industries Commissioner	Member Secretary

Member Secretary shall be responsible to organize the SLIC meeting, every 3 months to consider the cases received. Quorum for the meeting would have 4 members including Chairperson.

2. State Level Monitoring Committee

A State Level Monitoring Committee comprising following members shall be constituted under this policy:

S.No.	Member Details	Authority
1	Chief Secretary, GoMP	Chairperson
2	Principal Secretary, Finance Department	Member
3	Principal Secretary, Department of Commercial Tax	Member
4	Principal Secretary, Department of Technical Education & Skill development	Member
5	Principal Secretary, Department of Science & Technology	Member
6	Principal Secretary, Department of Commerce, Industry & Employment	Member
7	Principal Secretary, Department of MSME	Member
8	Industries Commissioner	Member Secretary

The State Level Monitoring Committee shall also be 'Appeals Committee' for SLIC whose decision in any matter shall be final.

3. The charter of the State Level Monitoring Committee

- A) Monitor and ensure timely release of relevant orders/ notifications and amendment required
- B) Any issue of interpretation of this policy, Inter departmental co-ordination with respect to policy matters
- C) Approve the projects, framework and modalities of implementation for projects proposed by the MSME Department.
- D) Time to time evaluation of 'MP Startup Policy 2019' on key indicators and resolve implementation issues at all levels.

4. District Task Force Committee

S.No.	Member Details	Authority
1	District Collector	Chairperson
2	Manager of Lead Bank	Member
3	Representative of Local Industrial Organization	Member
4	Representative of any other nationalized bank	Member
5	General Manager DTIC, Department of MSME	Member Secretary

VII. Definitions

1. Startup

An entity shall be considered as 'Startup'-

- A) Up to a period of ten years from the date of incorporation/registration
- B) Incorporated as either a Private Limited Company or a Registered Partnership Firm or a Limited Liability Partnership
- C) With an annual turnover not exceeding INR 25 crore for any of the financial years since incorporation/registration
- D) Entity should not have been formed by splitting up or reconstruction a business already in existence
- E) Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation

Further, the definition of Startup shall be considered as decided by Department Promotion of Industrial & Internal Trade (DPIIT), Govt. of India based on decision of SLMC.

2. Incubator

An organization designed to support startup companies during the early stages to help develop a scalable business model through business support resources & services such as:

- (i) Leased workspace
- (ii) A pool of shared support services (business, legal, financial, mentoring, etc.) to reduce overhead costs
- (iii) Professional and managerial assistance

- (iv) Access to or assistance in acquiring funding.

3. Partner Incubator

AMadhya Pradesh based incubator who hassigned MoU with the Department of MSME.

4. Technology Business Incubators (TBI)

The TBI is a venture of universities, public research institutes, local government and private institutions to promote and bolster a new technology intensive enterprise. TBI refers to the type of incubation where the focus group consists of innovative, mostly technology-oriented, or knowledge-intensive service sector enterprises and interactions with the academic sphere giving a substantive element of the incubation process.

5. Host Institution

Any Madhya Pradesh based Engineering Colleges, Institutions of Higher Education, Industrial Establishment/ Smart City Companies & other Societies/ Special Purpose Vehicle(s).

