

Guidelines and Standard Operating Procedure (SOP)

for Fiscal Incentives to Startups

as per Arunachal Pradesh Startup Policy 2021

1 Summary of Funds and Fiscal Incentives to Startups

All startups shall be evaluated based on the standard selection criteria and minimum marks will have to be scored, then the following eligibility and preference may be applied.

Sl.	Name of Fund	Incentives covered	Target No. of Startups	Eligibility Criteria
1	Arunachal Pradesh Seed Fund Scheme – Idea Support Grant	Idea Support Grant to top 10 winners per year	50	50 startups to be selected annually from the Arunachal Pradesh Entrepreneurship Challenge Programme.
		Idea Support Grant to 40 runner ups per year	200	Preference may be given to startups with at least 50% partners/owners having graduated in last 5 years.
2	Arunachal Pradesh Seed Fund Scheme – Innovation Fund	Proof of Concept Grant	100	Subject to approval of incubator and Startup Council. This will be provided as equity investment.
		R&D Incentive	50	Research work must be under a reputed institute and will require recommendation from the institute. Fund will be disbursed in two tranches, first on approval, second on completion.
		Patent reimbursement for Indian patents	100	Multiple patents per startup will be eligible. Priority will be given to technology-based endeavors with market potential.
		Patent reimbursement for international patents	50	

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Sl.	Name of Fund	Incentives covered	Target No. of Startups	Eligibility Criteria
3	Arunachal Pradesh Seed Fund Scheme – Infrastructure Fund	Quality Certification Subsidy	100	Certification must be from Gol accredited institutions. Priority to be given to technology-based endeavors with market potential.
		Domicile Incentive as Rental Subsidy	50	Startups whose product, market and overall influence area are limited within the state shall be eligible. Premises must be privately owned for which startup will pay a rent. Reimbursable cost will include cost for power, internet, software license and cloud service. Preference to be given to product-based startups.
		One time subsidy for employing women and differently abled person	150	To be paid after one year of proven employment and verification by Investment Division.
		Scale-up Grant	25	Startup should have generated profit in last one year. POC and Idea Support Grant, if availed, will be deducted from allocation. Should not be selected for Gol's SISFS. Subject to approval of incubator and Startup Council. This will be provided as equity investment.
		Digital Upscaling subsidy	25	Startup should have generated profit in last one year. To be provided for the purpose of adopting disruptive technologies, procurement of high-end hardware and software. Subject to approval of incubator and Startup Council. This will be provided as equity investment.
4	CSR Financing	Separate fund will be created from CSR grants to increase number of beneficiary startups based on eligibility and demand. Priority will be from Stage 3 to Stage 1.		
5	Startup Fund of Funds	State Government will endeavor to set up a Startup Fund of Funds which will be allocated for investing in venture funds.		
6	Angel Investment Network	Government will facilitate and all stakeholders will identify and liaise with HNIs and companies to get private sector funding. This will be direct investment into startups by angels.		
7	Startup India Seed Fund Scheme (SISFS)	Fully funded by central government through incubators.		

2 Principles of Startup Funding

1. Availability of funding support will not automatically entitle anyone to receive them. All startups will need to come through established selection criteria and would be subject to approval by their respective incubators and Investment Division of Govt. of Arunachal Pradesh.
2. Only startups registered in the state startup portal with unique id will be eligible.
3. All benefits shall have to be applied for and criteria met within the policy period of five years.
4. Startups will be selected based on ranking as per the standard selection criteria and the preferences mentioned in the policy.
5. All amounts to be released shall be subject to availability of funds and actual expenditure incurred in some cases.
6. If any Startup owner is engaged in any concurrent business/ occupation/ profession/ fellowship which translates into remuneration, it is expected to be disclosed at time of applications for incentives.
7. Incentives that will be given as equity investments shall be released after signing of shareholding agreement between startup and Arunachal Pradesh Innovation & Investment Park (APIIP).
8. Incentives, once provided, shall be liable to be recovered if not used for the intended purpose or if the Startup engages in any unethical practices.

3 Standard Selection Criteria

Following criteria shall be referred to as 'Standard Selection Criteria'.

Sl.	Parameter	Weightage
1	Innovation quality	20
2	Commercial Potential	15
3	Quality of Business Plan	15
4	Social impact	10
5	Environmental impact	10
6	Use of Disruptive Technology	10
7	Marketing strategy	10
8	Demonstrated early success	10
	Total	100

For all incentives, a group of competent experts shall be formed to score each startup on each criterion, preferably including experts from incubators, HEIs, mentors, investors, bankers and Investment Division. The final marks shall be obtained from the weighted average of all the marks. The minimum marks for eligibility shall be 50%. Startups shall be ranked based on these marks in order to having been selected to receive incentives and prizes. If two startups score the same marks, the tie will be broken by points scored on parameters from 1-10 in order of priority.

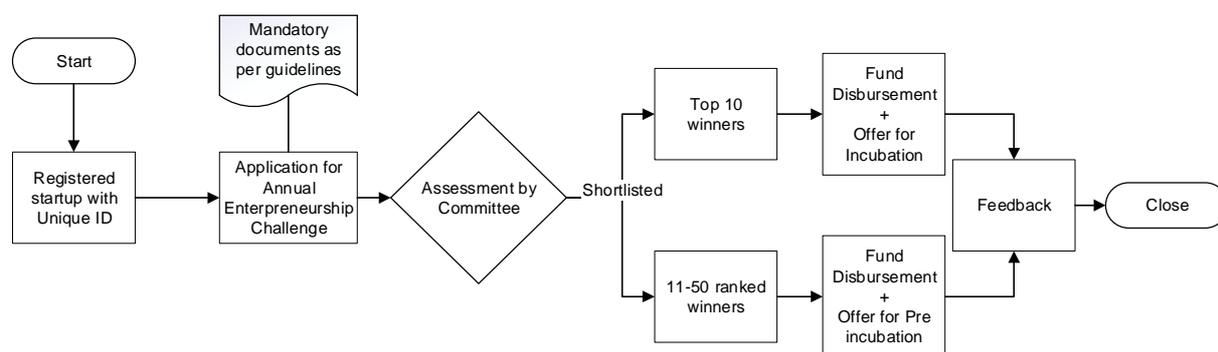
4 Process for Disbursing Incentives

4.1 Process for Idea Support Grant

The Investment Division, along with the state-based startups, will organize annual entrepreneurship challenges and aim to select the 50 startups every year for the five years of the policy period to provide grant-in-aid support through the Arunachal Pradesh Seed Fund Scheme (APSFS) and offer pre-incubation and incubation facilities. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID will apply to participate in the Arunachal Pradesh Entrepreneurship Challenge and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division.
3. The committee will use the Standard Selection Criteria to rank the startups. Startups must score 50% or above to be considered for ranking.
4. Top 10 ranked startups will be given Rs. 5 lakhs prize money and offer for incubation
5. 11-50 ranked startups will be given Rs. 4 lakhs prize money and offer for pre-incubation
6. Each recipient must submit a feedback for future documentation purposes.

The process flowchart for Idea Support Grant is provided as follows.



4.2 Process for Proof of Concept (POC)

There are two ways to avail POC grants. Up to Rs. 20,00,000/- can be availed through the Govt. of India's Startup India Seed Fund Scheme (SISFS), and up to Rs. 5,00,000/- can be availed through Arunachal Pradesh Seed Fund Scheme (APSFS) – Innovation Fund.

This fund is to be used for validation of proof of concept (POC), prototype development or product trials. Startups must come through state registered incubators to be recommended for this grant. The steps to apply and receive funds are as follows.

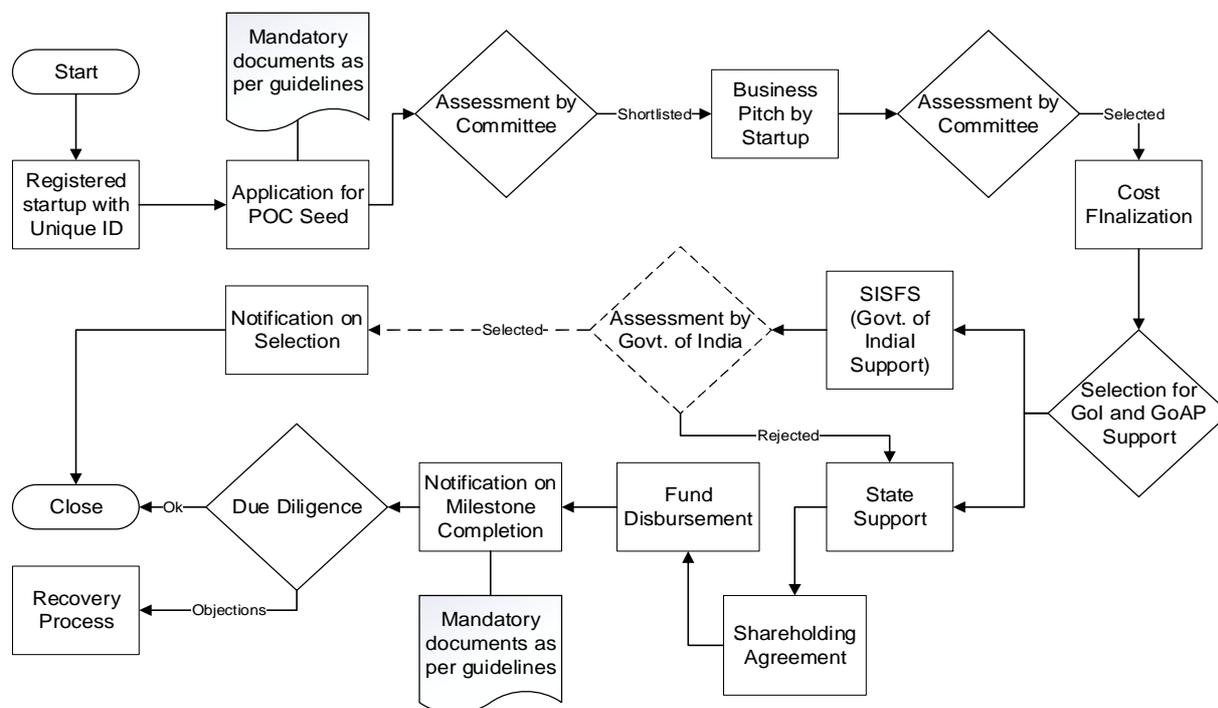
1. Registered startups with unique ID who are under pre-incubation or incubation will apply for the POC grant and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division. This committee must have representation from the incubators.

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3. The committee will use the Standard Selection Criteria to give scores to the startups and invite high scored startups for a pitch presentation.
4. Based on the pitch, the Committee will select startups that may receive the POC grant.
5. The Committee will evaluate the cost estimate for POC and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.
6. Committee will recommend which startups may apply to SISFS and which ones shall be considered under the state funding support of APSFS – Innovation Fund.
7. Startups that are selected for SISFS would apply to SISFS through its incubator. In case they fail to obtain SISFS funding, upon formal rejection from GoI, they will be automatically redirected to the State funding support of APSFS – Innovation Fund.
8. Shareholding agreement will be signed between startup and APIIP.
9. POC grant shall be disbursed to the startups selected for state support.
10. After receiving the fund, startups shall complete their milestone of POC development and notify the Investment Division with mandatory documents for this stage.
11. The Committee shall undertake a due diligence in terms of if the fund has been utilized properly and no unethical practice has taken place. In case the due diligence reveals a negative result, the recovery process will be initiated.

POC Grant is aimed to be provided to 100 startups in total. There is no criterion for how many startups should be selected per year. It would be the responsibility of the Committee and Startup Council to ensure that the most suitable startups are selected.

The process flowchart for Proof of Concept (POC) Grant is provided as follows.

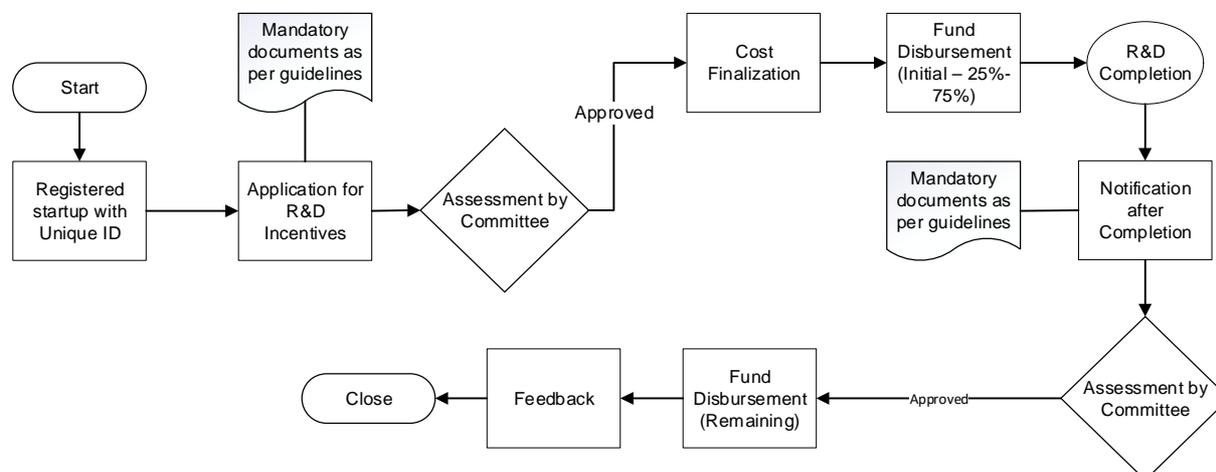


4.3 Process for Research & Development (R&D) Incentive

In order to promote research-led innovation in the State, Research and Development (R&D) Incentives will be provided to eligible startups for up to 50% of capital cost of research expenses subject to a limit of Rs. 5,00,000/-. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID who are already tied up with a research or development institute will apply for the R&D incentive and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division. This committee must have representation from the institutions.
3. The committee will use the Standard Selection Criteria to assess potential of the startup, the need of R&D and select startups to receive this support.
4. The Committee will evaluate the cost estimate for scale up effort and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.
5. Part of the R&D incentive will be disbursed to the startups. This initial amount should range from 25% - 75% of the total approved funding.
6. After receiving the fund, startups shall complete their milestones and notify the Investment Division with mandatory documents for this stage.
7. Upon scrutiny of the work done, the Committee shall approve release of remaining fund amount and the funds shall be released to the startups.

The process flowchart for Research & Development Incentive is provided as follows.



4.4 Process for Patent Reimbursement

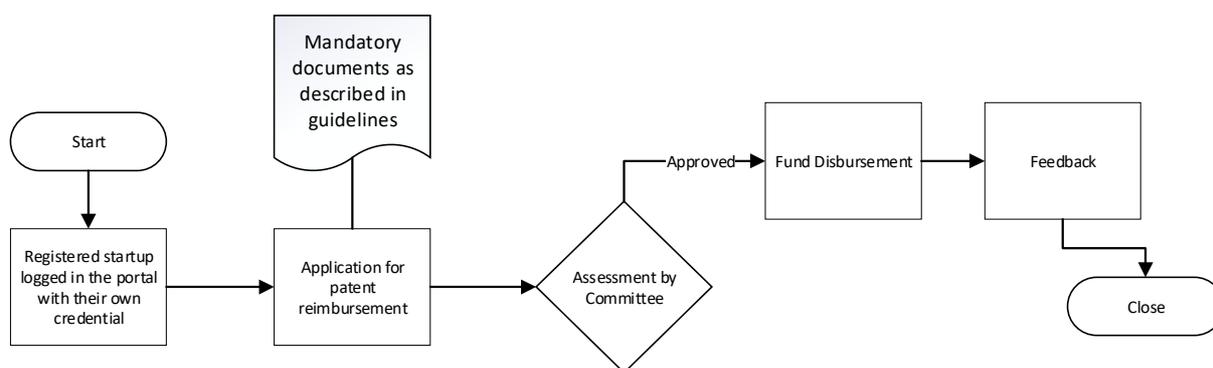
The cost of filing and prosecution of patent application will be reimbursed to the eligible startups. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID will obtain the patent first and then apply for the patent reimbursement and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division.

3. The committee will use the Standard Selection Criteria to assess potential of the startup, the impact of the patent and select startups to receive this support.

Ideally, all startups that meet the 50% minimum score should be given this incentive to promote R&D. One startup may receive reimbursements for multiple patents.

The process flowchart for Patent Reimbursement is provided as follows.



4.5 Scale Up Grant

There are two ways to avail POC grants. Up to Rs. 50,00,000/- can be availed through the Govt. of India's Startup India Seed Fund Scheme (SISFS), and up to Rs. 25,00,000/- can be availed through Arunachal Pradesh Seed Fund Scheme (APSFS) – Innovation Fund.

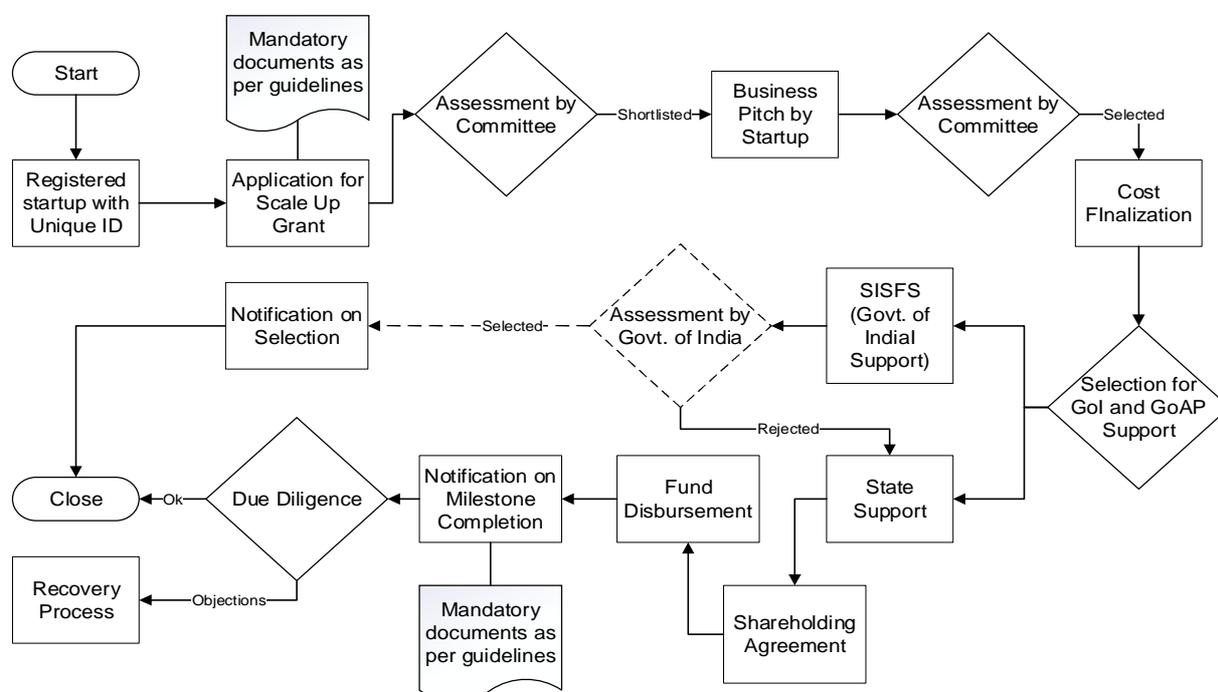
This fund is to be used for market entry, commercialization, or scaling up through convertible debentures or debt or debt-linked instruments. Startups must come through state registered incubators to be recommended for this grant. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID who are under pre-incubation or incubation will apply for the Scale Up Grant and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division. This committee must have representation from the incubators.
3. The committee will use the Standard Selection Criteria to give scores to the startups and invite high scored startups for a pitch presentation.
4. Based on the pitch, the Committee will select startups that may receive the Scale Up Grant.
5. The Committee will evaluate the cost estimate for scale up effort and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.
6. Committee will recommend which startups may apply to SISFS and which ones shall be considered under the State funding support of APSFS – Innovation Fund.
7. Startups that are selected for SISFS would apply to SISFS through its incubator. In case they fail to obtain SISFS funding, upon formal rejection from GoI, they will be automatically redirected to the State funding support of APSFS – Innovation Fund.

8. Shareholding agreement will be signed between startup and APIIP.
9. Scale Up Grant shall be disbursed to the startups selected for state support.
10. After receiving the fund, startups shall complete their milestones and notify the Investment Division with mandatory documents for this stage.
11. The Committee shall undertake a due diligence in terms of if the fund has been utilized properly and no unethical practice has taken place. In case the due diligence reveals a negative result, the recovery process will be initiated.

Scale Up Grant is aimed to be provided to 25 startups in total. There is no criterion for how many startups should be selected per year. It would be the responsibility of the Committee and Startup Council to ensure that the most suitable startups are selected.

The process flowchart for Scale Up Grant is provided as follows.



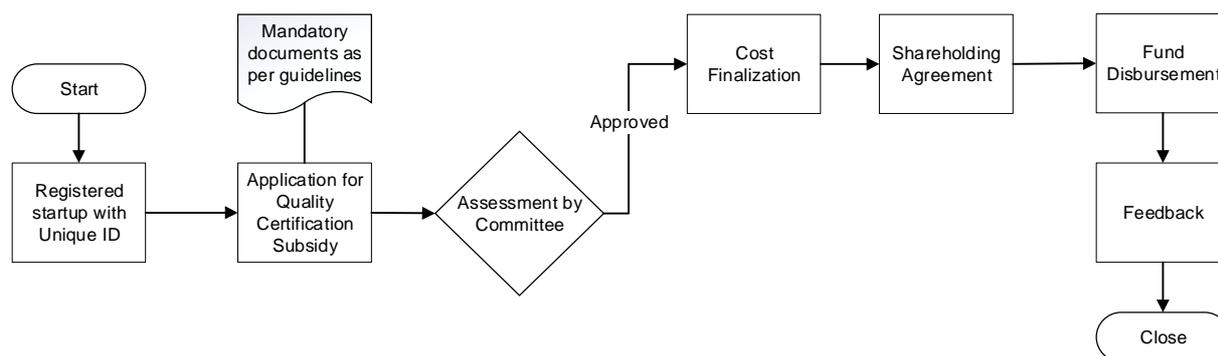
4.6 Digital Upscaling Subsidy

One-time digital upgradation subsidy will be provided as reimbursement to the eligible startups for cost towards procurement and upgradation of high-end computer, related hardware, relevant software, etc. Preference will be given to adoption of disruptive technologies such as AI, ML, blockchain, etc. – as defined by Startup India. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID will incur the cost first and then apply for the digital upscaling subsidy and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division.

3. The committee will use the Standard Selection Criteria to assess potential of the startup, the impact and need of the digital upscaling patent and select startups to receive this support.
4. The Committee will evaluate the cost estimate for scale up effort and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.
5. Shareholding agreement will be signed between startup and APIIP.
6. Fund will be released to the startup.

The process flowchart for Digital Upgradation Subsidy is provided as follows.

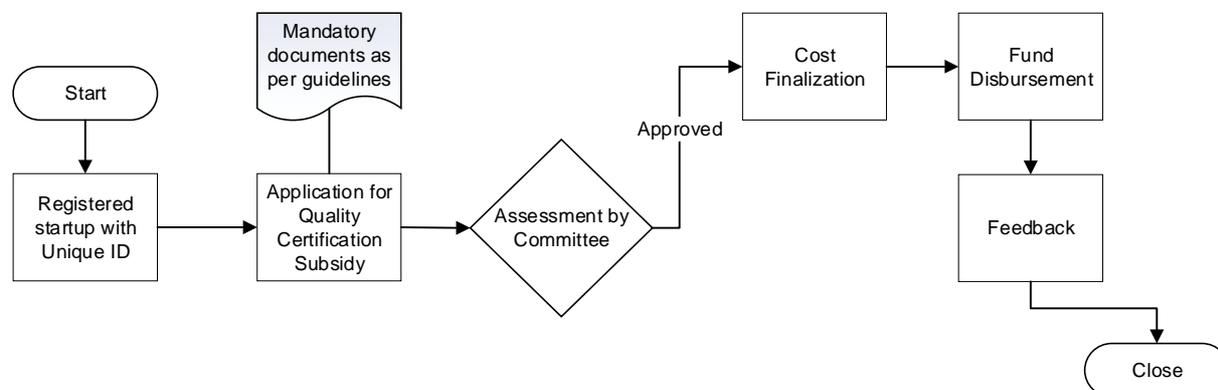


4.7 Quality Certification Subsidy

The fee payable for obtaining quality certification will be partially reimbursed subsidized and one-time reimbursement will be provided. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID will obtain the certification first and then apply for the patent reimbursement and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division.
3. The committee will use the Standard Selection Criteria to assess potential of the startup, the impact of the certification and select startups to receive this support.
4. The Committee will evaluate the cost estimate for scale up effort and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.

The process flowchart for Quality Certification Subsidy is provided as follows.

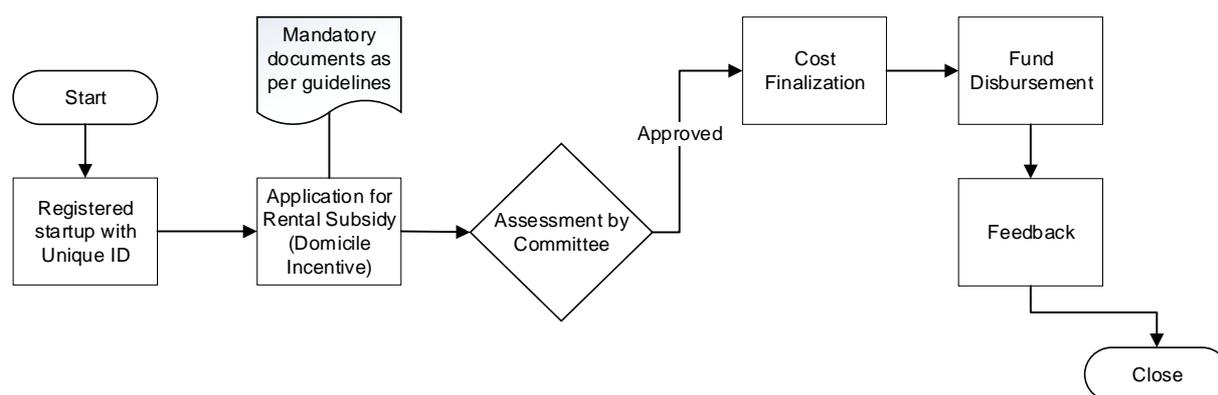


4.8 Domicile Incentive as Rental Subsidy

One-time grant will be provided as partial reimbursement of rental cost to startups that are fully domicile to the State. This grant will be paid for lease rental for hired premises including include cost for power, internet, software license and cloud service - for up to 50% of such rental cost incurred for a period of one year. Preference will be given to product-based startups. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID will obtain the patent first and then apply for the patent reimbursement and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division.
3. The committee will use the Standard Selection Criteria to assess potential of the startup, the impact of the patent and select startups to receive this support.
4. The Committee will evaluate the cost estimate for scale up effort and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.

The process flowchart for Domicile Incentive as Rental Subsidy is provided as follows.



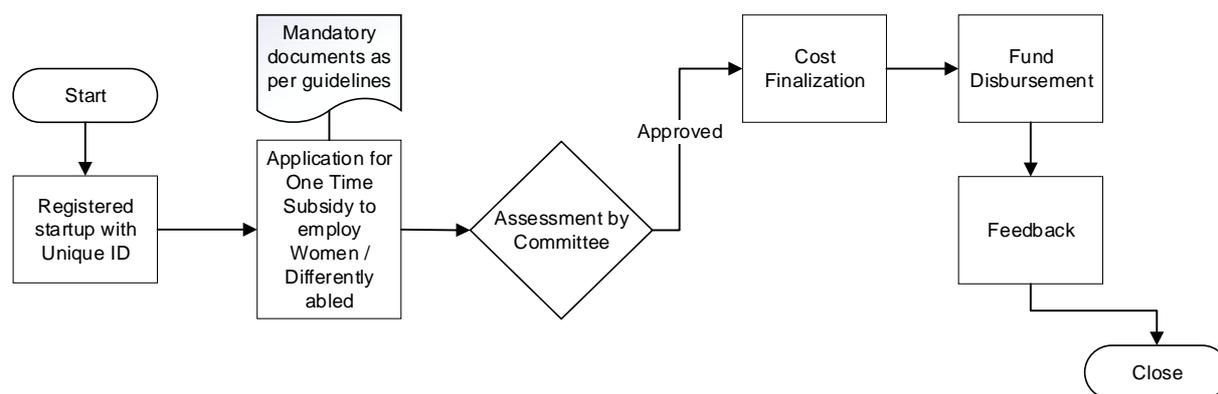
4.9 Recruitment Incentive for Women & Differently Abled

One-time recruitment incentive will be provided as partial reimbursement to eligible startups who will employ women and differently abled employees that are domicile to the State. This incentive will be provided after one year of such recruitment is completed and upon evidence of continuous employment and strict scrutiny thereupon. The steps to apply and receive funds are as follows.

1. Registered startups with unique ID will obtain the patent first and then apply for the patent reimbursement and submit mandatory documents.
2. All applications shall be reviewed by the assessment committee set up by Investment Division.

3. The committee will use the Standard Selection Criteria to assess potential of the startup, the impact of the patent and select startups to receive this support.
4. The Committee will evaluate the cost estimate for scale up effort and finalize the cost in consultation with the startup in order to ensure a realistic cost estimate.

The process flowchart for Recruitment Incentive is provided as follows.



4.10 Recovery Process for POC and Scale Up Grant

There shall be a fund recovery process for POC and Scale Up grants as these would be large amounts disbursed based on future commitments. For other incentives, most of them are reimbursement based, such as patent incentive, rental subsidy, etc. and the idea support grants are prizes, hence there may be no need for post disbursement due diligence. The R&D incentive will be released in two tranches, the first tranche shall be released upon verification of authenticity of the initiative – along with the institution that offers it, and the final tranche shall be released upon successful completion of the R&D works within the policy period; therefore post disbursement due diligence need not be undertaken in this case as well.

For POC and Scale Up Grant, the process for completion describes the scope for due diligence at the end of the activity and the documentation need is described in the section below. The evaluation committee shall decide if the fund utilization was appropriate. If the startup is found guilty of unethical practices or misuse of funds, the committee shall send a notice to the startup asking for full or partial recovery of funds provided. The startup may pay back the amount or request an appeal process where its case will be heard again by the Startup Council. If the Startup Council also finds that fund recovery should be done, a second notice shall be sent to the startup. The startup may pay back the funds within a stipulated time period, failing which the Investment Division shall cancel the registration of the startup and blacklist it along with its owners and investors.

5 Mandatory Documentation Needed to avail Incentives

Following is the list of documents to be submitted while applying for each incentive. Business Case, legal undertakings and feedback forms are the common document required in each case. Details of the Startup and their owners would be already captured during the registration.

Sl.	Incentives	During Application	After Completion of Event
1	Idea Support Grant	<ul style="list-style-type: none"> • Business Case • Undertaking 	<ul style="list-style-type: none"> • Feedback form
2	Proof of Concept Grant	<ul style="list-style-type: none"> • Business Case • Recommendation of Incubator • Undertaking 	<ul style="list-style-type: none"> • Product documentation • Feedback form
3	R&D Incentive	<ul style="list-style-type: none"> • Business Case • Proof of enrolment with institute • Recommendation letter from institute • Cost estimate for R&D • Undertaking 	<ul style="list-style-type: none"> • Final publication / product documentation • Final cost with receipts • Feedback form
4	Patent reimbursement	<ul style="list-style-type: none"> • Copy of patent • Undertaking 	<ul style="list-style-type: none"> • Feedback form
5	Scale-up Grant	<ul style="list-style-type: none"> • Business Case • Recommendation of Incubator • Balance sheet and Profit & Loss statement of last year • Cost estimate for scaling up activities • List of current employees 	<ul style="list-style-type: none"> • Balance sheet and Profit & Loss statement of current year • Actual cost incurred • List of current employees • Feedback form
6	Digital Upscaling subsidy	<ul style="list-style-type: none"> • Business Case • Cost estimate • Undertaking 	<ul style="list-style-type: none"> • Feedback form
7	Quality Certification Subsidy	<ul style="list-style-type: none"> • Business Case • Copy of certificate • Undertaking 	<ul style="list-style-type: none"> • Feedback form
8	Domicile Incentive as Rental Subsidy	<ul style="list-style-type: none"> • Business Case • Address of rental premise • Cost break-up with receipts • Undertaking 	<ul style="list-style-type: none"> • Feedback form
9	One-time subsidy for employing women and differently abled person	<ul style="list-style-type: none"> • Business Case • Details of employee(s) with supporting documents • Salary slips for one year • Undertaking 	<ul style="list-style-type: none"> • Feedback form

6 Indicative Contents of Business Case

Thematic Areas	Broad Content List
Problem	<ul style="list-style-type: none"> • Problem statement • Objective for the startup or innovation • Inspiration behind the idea
Product	<ul style="list-style-type: none"> • Description of product/ service • Description of efficiency and effectiveness • USP/Uniqueness of the product/service • Competition analysis – key competitors, advantage of product/ service over competition etc.
People	<ul style="list-style-type: none"> • Existing tie-ups with institutions and organizations • Existing and proposed human resources • Training and capacity building components envisaged
Customers	<ul style="list-style-type: none"> • Target market and customers • User journey map
Impact	<ul style="list-style-type: none"> • Description of social benefits, including employment potential • Description of pro-environment measures
Innovation	<ul style="list-style-type: none"> • Description of innovations • Description of technology interventions with focus on disruptive technology • Description of intellectual property components including patents • Research and development components
Risk and Quality	<ul style="list-style-type: none"> • Envisaged risks and risk management plan • Quality certifications needed
Finances	<ul style="list-style-type: none"> • Funding pattern – existing and proposed • Detailed project cost and revenue breakups • Description of debt and equity • Tentative action plan for the next 3-5 years • Revenue projections for the next 3-5 years
Marketing	<ul style="list-style-type: none"> • Go to market Strategy: • Description of proposed marketing channels • Proposed tie-ups to be established • Key resources anticipated for marketing the product/service • Exit strategy • Back up plan in case of failure

7 Mandatory Undertaking Format

(On Rs. 50/-non judicial stamp paper)

I / We hereby declare that all the information provided by me / us is true and correct. I / We have not hidden any information that could impact the decision of Government of Arunachal Pradesh to approve our Start-up/Innovation under the scheme.

I/We hereby declare that our start-up has not been blacklisted / debarred by any agency/state government/central government authority for any issues related with the directors/company.

I/We understand that the availability of funding support will not automatically entitle us to receive them and I/we hereby confirm to abide by the established selection criteria. We also confirm that I/we shall abide by any final decision by the Investment Division of Govt. of Arunachal Pradesh.

I / We understand that in case our Start-up is recommended under this scheme, it is based on the information furnished by me / us and in case there is any significant deviation in core offering and other changes in the venture, I / We will keep the Incubator and Government of Arunachal Pradesh informed.

I/we confirm that I/we are not engaged in any concurrent business/ occupation/ profession/ fellowship which translates into remuneration.

Or

I/we confirm that I/we are engaged in the following concurrent business/ occupation/ profession/ fellowship which translates into remuneration <give details>.

i/we understand and will abide by the policy that incentives we receive shall be liable to be recovered if not used for the intended purpose or if the Startup engages in any unethical practices.

I/we hereby commit to undertake the necessary post-incentive documentation and provide the required feedback.

Sincerely,

Startup Unique ID

Seal and Signature:

Names and designations of Team members”

8 Feedback Form for Funding Support

1	Name of Start up	
2	Unique id	
3	Which type of Fund Applied for	<input type="checkbox"/> Idea Support Grant (Grand Challenge top 10) <input type="checkbox"/> Idea Support Grant (Grand Challenge 11 th – 50 th ranked) <input type="checkbox"/> Domicile Incentive as Rental Subsidy <input type="checkbox"/> Patent - Indian <input type="checkbox"/> Patent - Intl. <input type="checkbox"/> Quality Certification Subsidy <input type="checkbox"/> Proof of Concept Grant <input type="checkbox"/> R&D Incentive <input type="checkbox"/> Scale-up Grant <input type="checkbox"/> Digital Upscaling subsidy
4	How easy is it to apply for fund through the website	<input type="checkbox"/> Exceptional <input type="checkbox"/> Very Good <input type="checkbox"/> Good <input type="checkbox"/> Moderate <input type="checkbox"/> Poor
5	Remarks	
6	Declaration	This is to confirm that we, <name of startup> have received funding support as <name of incentive> from the Arunachal Pradesh Invest Division.