

मध्यप्रदेश शासन  
सूक्ष्म लघु एवं मध्यम उद्यम विभाग  
मंत्रालय  
//आदेश//

भोपाल, दिनांक २१/07/2017

क्रमांक एफ-2-12/2016/अ-तेहत्तर: राज्य शासन द्वारा मध्यप्रदेश इंक्यूबेशन एवं स्टार्टअप नीति, 2016 अन्तर्गत उपलब्ध सुविधाओं का लाभ प्रदान करने हेतु संलग्न परिशिष्ट अनुसार "मध्यप्रदेश इंक्यूबेशन एवं स्टार्टअप प्रमोशन स्कीम- 2016" जारी की जाती है।

संलग्न:- उपरोक्तानुसार

मध्यप्रदेश के राज्यपाल के नाम से  
तथा आदेशानुसार

(धनंजय सिंह)

उप सचिव

मध्यप्रदेश शासन

सूक्ष्म लघु और मध्यम उद्यम विभाग

पृ क्रमांक एफ-2-12/2016/अ-तेहत्तर  
प्रतिलिपि:-

भोपाल, दिनांक २१/07/2017

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2. प्रमुख सचिव, समन्वय, मुख्य सचिव कार्यालय भोपाल;
3. अपर मुख्य सचिव/प्रमुख सचिव/सचिव, मध्यप्रदेश शासन.....(समस्त विभाग)
4. उद्योग आयुक्त, उद्योग संचालनालय, मध्यप्रदेश भोपाल .

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5. आयुक्त, जनसम्पर्क, मध्यप्रदेश भोपाल।
6. प्रबंध संचालक, मध्यप्रदेश लघु उद्योग निगम, भोपाल.
7. प्रबंध संचालक, मध्यप्रदेश ट्रेड एण्ड इन्वेस्टमेंट फेसिलिटेशन कार्पोरेशन लि.भोपाल.
8. संभागायुक्त.....(समस्त)
9. नियंत्रक, शासन केन्द्रीय मुद्रणालय अरेरा हिल्स, भोपाल की ओर "मध्यप्रदेश इंक्यूबेशन एवं स्टार्टअप प्रमोशन स्कीम- 2016 की अंग्रेजी की हस्ताक्षरित प्रति सहित संलग्न कर निवेदन है कि कृपया आगामी राजपत्र में प्रकाशित करवाकर उसकी 25 प्रतियाँ इस विभाग को भिजवाने का कष्ट करें।
10. कलेक्टर.....(समस्त)

  
उप सचिव

मध्यप्रदेश शासन  
सूक्ष्म लघु और मध्यम उद्यम विभाग



**MP INCUBATION AND START-UP  
PROMOTION SCHEME  
2016**

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# 1 Introduction

To nurture innovation and start-up ecosystem for young entrepreneurs in the state, Government of Madhya Pradesh has introduced “MP Incubation & Start-up Policy 2016” which came into force with effect from 1<sup>st</sup> October 2016.

To implement the Policy, a detailed scheme, called "**MP Incubation & Start-up Promotion Scheme 2016**" is being introduced, also referred to as 'the Scheme' hereunder.

## 1.1 Title

The scheme shall be called "Madhya Pradesh Incubation & Start-up Promotion Scheme 2016".

## 1.2 Operation Period

This scheme will come into operation with effect from the date 1<sup>st</sup> Oct 2016 and will remain in force till 31<sup>st</sup> Mar 2021.

## 1.3 Applicability

The Scheme will be applicable to Incubators setup in Madhya Pradesh and Start-ups present within these incubators.

Madhya Pradesh Incubation & Start-up Promotion Scheme 2016 shall be applicable to the following domains:

- Internet of Things (IoT)/ E-commerce /Mobile Technology
- Information Technology (IT)/ITeS/BPM/Software development
- Manufacturing including ESDM/Robotics/ 3-D Printing
- Healthcare, Pharmaceutical & Agro Processing
- Biochemical, Agriculture, Food technology & Textile
- Green energy/clean technology/water & recycling
- Education, Social & Rural Entrepreneurship
- Or any innovative idea/technology as approved by State Level Implementation Committee (SLIC)

## 1.4 Definitions

<i>Term</i>	<i>Definition</i>
Year	Duration from 1st April to 31st March.
Entity	A private limited company (as defined in the Companies Act 2013), or a registered partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act 2002)
Eligible Start-up	An entity shall be considered as ‘Start-up’:- <ul style="list-style-type: none"> <li>• Up to 5 years from the date of its incorporation/registration</li> <li>• If its turnover for any financial years has not exceeded INR 25 Cr.</li> <li>• Entity works towards innovation and development of new products &amp; services driven by technology or Intellectual property.</li> <li>• Has not formed by splitting up or reconstruction of a business already in existence.</li> <li>• Further, the definition of start-up shall be considered as decided by DIPP, Government of India from time to time.</li> <li>• The start-up should be incubated by an incubator registered with Nodal Agency/Policy Implementation Agency in Madhya Pradesh</li> </ul>
Entrepreneur	In the purview of this scheme, a person who sets up a start-up is considered as an entrepreneur
Eligible Incubator	<ul style="list-style-type: none"> <li>• Eligible Incubator is an organization which provides a platform to start-ups for business support through facilities like physical space, infrastructure, funding network, mentoring/training and other common facilities.</li> <li>• Eligible Incubators shall be based in MP and registered with Nodal Agency/Policy Implementation Agency.</li> </ul>
Host Institutions (HI)	Host Institutions are Engineering/Technology, Management, Professional Institutes and R&D Institutes including Industry Associations in the state of MP which focus on innovation and entrepreneurial development activities and host a physical incubator in their premises.
Angel Investors	The Angel Investors shall be registered with SEBI/Scheduled Bank/or reputed Institution like IITs/IIMs/DST or GoMP approved Incubators. Angel Investors are those who provide early stage seed funding to entrepreneurs/start-ups.
Venture Capital Funds	Venture Capital Funds manage fund from investors seeking equity stake in start-ups and small-medium enterprises with high growth potential.
Institute of National Importance	Institutes such as IIT, IIM etc. recognized by the Ministry of Human Resource Development, Government of India as institutes of national importance.
Quality Certification	Means ISO, BSI, CMMI or its equivalent certifications from an accredited or authorized organization for quality attributes under set norms then prevalent at the time.
Entry/Exit Clause	The entry/exit clause for any incubate/start-up into any Incubator in MP shall be determined by respective Incubators subject to/in line with the criteria defined by DIPP, GoI for start-up entry/exit clause.

Fixed Cost Investment	Means investment made into plant, machinery & equipment but shall exclude investment made into land & building in purview of the incentives provided under the MP Incubation & Start-up Policy 2016.
Nodal Agency	Means 'Directorate of Industries, Madhya Pradesh' which shall act as Nodal Agency.
Policy	MP Incubation & Start-up Policy 2016
Memorandum	An acknowledgement and registration of an incubator with the Nodal Agency is called a Memorandum



## 2 Incentives

Start-ups & Incubators can also be entitled for other applicable incentives (if eligible) under other policies/schemes of Government of Madhya Pradesh and Government of India. It may be noted that the below mentioned incentives shall be in addition to the incentives provided from Government of India. However, the same or incentives similar in nature for the same activities cannot be claimed from any other policies/schemes of Government of Madhya Pradesh or Government of India if availed through this policy/scheme.

**Also, registration of the incubator with the Nodal Agency or Government of Madhya Pradesh does not make the applicant entitled to any incentives provided under this scheme. The entitlement for incentives has to be approved by the SLIC on case to case basis for registered incubators.**

### 2.1 Incentives to Incubators

Government shall facilitate setting up of incubators in Government Institutions as well as eligible private institutions along with prominent Industry associations. The Host Institutions/Private Institutions/Private Companies/Industry Associations, in quest of grant from state government to setup Incubators, must register the incubator with the Nodal Agency. The selection of an entity, to be eligible for incentives, expressing intent to establish incubators shall be decided by the State Level Implementation Committee.

Selected incubators shall be responsible to provide basic 'plug & play' facilities to start-ups such as:

- Work space with computer and Internet Broadband Connectivity and sector specific technical equipment/ machinery as and where applicable
- Common business, administrative & incubation facilities
- Training & Mentoring (Technical, Financial, Marketing & Legal) etc.

State support (as in subsections 2.1.1 to 2.1.5, wherever applicable) would be provided to registered incubators for initial 3 years, extendable to further 2 years based on performance at the end of which Incubator is expected to be self-sufficient.

#### 2.1.1 Capital Assistance

Eligible Incubators shall be provided capital grant of max 50% for Fixed Cost Investment (investment made in plant, machinery & equipment but shall exclude land & building) for setting up incubators, subject to maximum of INR 50 lacs.

The same limit shall be extended to existing Incubators for capacity expansion subject to the capacity utilization of the existing incubator for 2 years. The minimum capacity utilization, based on the number of seats or the number of incubates benefited by the incubator, should be at least 80% in the last two years.

#### 2.1.2 Operational Assistance

Eligible Incubators shall get the support for recurring expenses as operational assistance up to 50% of actual expenses to the limit of INR 5 lacs per year.

### **2.1.3 Stamp Duty & Registration**

Eligible Incubators shall be provided 100% Stamp duty & registration fee reimbursement on purchase/lease of land/Office space/IT building, used for the purposes pertaining to the Incubator only, on commencement of their operation.

### **2.1.4 Mentoring Assistance**

To provide mentorship to incubate start-ups from industry leaders (CXOs), academicians and professors of reputed national & international universities or institutes and other experts, eligible Incubators shall be provided mentoring assistance support on reimbursement basis up to a limit of INR 2 lacs per year for a period of 3 years.

### **2.1.5 Start-up Competition Assistance**

To promote innovation and to mobilize students into entrepreneurship as a career option, Host Institutions/Incubators shall be encouraged to organize annual start-up competition challenges. Eligible institutes of national importance, state universities & central universities based in MP shall be supported by state government to organize start-up competition fests in which state shall provide assistance up to a limit of INR 1 lakh per event. The assistance will not be applicable for multiple events/competitions in one year and the support may be provided in kind as decided and approved by the SLIC on case to case basis.

## **2.2 Incentives to Start-ups**

Entrepreneurs/Start-ups in the incubators are required to be registered as company or under MSMED Act, Government of India before availing incentives (as in subsections 2.2.1 to 2.2.5, wherever applicable). The eligibility for incentives is subject to the start-up being incubated in a registered incubator which is registered with the Nodal Agency, and the incentives approved by the SLIC.

### **2.2.1 Interest Subsidy**

Eligible start-ups shall be provided interest subsidy of 8% per annum for a period of 3 years on the rate of interest paid on loans obtained from scheduled banks/financial institutions subject to the maximum limit of INR 4 lacs per year.

The SLIC will have the right to revoke the subsidy in case of default on the part of start-up to pay back the loan or using the loan for purposes other than those intended and planned for the start-up.

### **2.2.2 Lease Rental Subsidy**

Reimbursement of 25% of lease rental subsidy to start-up units established in the state operating from Incubators shall be eligible for a period of 3 years subject to the ceiling of INR 3 lacs per year from the date of rent payment to Incubator.

### **2.2.3 Patent/Quality Promotion Subsidy**

- a) Cost reimbursement for Patent/Quality certification per unit up to a limit of INR 2 lacs for Domestic & INR 5 lacs for International Patent/Quality Certification upon successfully receiving them.
- b) Within policy period of 5 years, 2 Patent/Quality Certification in each domestic and international category shall be considered.

The reimbursement will be one time reimbursement per patent or certification which shall include the costs of patent/certification fee, prototype development, and other such incidental costs.

#### **2.2.4 Start-up Marketing Assistance**

One time start-up marketing assistance of a maximum of INR 10 lacs to eligible start-ups for their product/service launch in the market upon securing of min funding of 25% from a registered angel investor/venture fund/incubator.

#### **2.2.5 Credential Development Assistance**

In order to provide a platform to start-ups in public procurement by State Government Departments, Corporations and State Agencies, the state government shall consider and evaluate the possibilities as to how start-ups would be encouraged in Government procurements related to services & goods. The State Government shall consider this endeavour and come up with a separate policy.

### **3 Application and Approval Procedure**

Start-ups & Incubators may also be entitled for other applicable incentives (if eligible) under other policies/schemes of Government of Madhya Pradesh and Government of India. It may be noted that the below mentioned incentives shall be in addition to the incentives provided from Government of India. However, the same incentives for the same costs incurred cannot be claimed from any other policies/schemes of Government of Madhya Pradesh or Government of India.

#### **3.1 Expression of Interest by an Incubator**

An eligible incubator intending to avail assistance under this scheme may approach the Nodal Agency for registration by an 'Expression of Interest' as per **Annexure-1** of this scheme for which a 'Detailed Project Report (DPR)' should be submitted by the incubator specified as per **Annexure-7**.

#### **3.2 Registration and Memorandum**

- a) The Nodal Agency, on receipt of the 'Expression of Interest' from the applicant, for availing assistance, shall register the application. Upon acceptance by the Nodal Agency as a genuine incubator the Nodal Agency will convey the applicant its "Memorandum Number", referred to as 'memorandum' hereunder, along with the indicative list of eligible assistance or alternatively convey the rejection and causes in brief thereof; the conditions, time lines that the applicant has to comply for availing assistance, the obligations of the applicant as well as of the Nodal Agency in relation to disbursement of the assistance and the likely disbursement schedule.
- b) The memorandum number/rejection by the Nodal Agency shall be conveyed in a format as per **Annexure-2**, within one month from the receipt of Expression of Interest as in para 3.1.
- c) Communication of memorandum doesn't confer any entitlement to the applicant. Entitlement and actual disbursal of the assistance will be an outcome pursuant to formal application in format as in para 3.4, and in accordance with decision of the State Level Implementation Committee (SLIC), subject to fulfilment of conditions specified therein.

#### **3.3 Validity of Memorandum**

- a) The memorandum, conveyed as above in para 3.2, shall be valid for a period of three years. However, subject to fulfilment of conditions (i) and (ii) as indicated in section 3 of Annexure-2 of this scheme. Subject to satisfactory clarifications provided for non-fulfilment of conditions (i) and (ii) as indicated in section 3 of Annexure –2 to this scheme the validity of the memorandum can be extended by the Nodal Agency for a period of, at the most, two years.
- b) After the said period of validity, Memorandum shall lapse and eligible applicant, will have no claim for any incentive or benefit to be availed from the government and government will have no responsibility or liabilities thereof with regards to the functioning of the incubator. However, the intending applicant will be free to reinitiate process by filing a fresh Expression of Interest for availing assistance under the scheme, which will then be treated as a separate and a new application.

#### **3.4 Formal Application to Avail Assistance by an Incubator**

An eligible incubator will begin application process as follows:

- a) The applicant for availing assistance for setting up incubator shall apply to the Nodal Agency in the application form specified as per **Annexure-3(i)**.

- b) The entitlement of the applicant for evaluation of his claim for the assistance under the Scheme shall arise only after filing of this application. The assistance will be eligible only if the formal application, as under this section, is made during the operation period of MP Incubation & Start-up Policy 2016.
- c) The Nodal Agency will scrutinize the application and place it before the State Level Implementation Committee (SLIC), for a decision on total assistance eligible to the applicant.
- d) The State Level Implementation Committee (SLIC) may call the applicant for a presentation or any clarification in relation to either eligible activity or the cost marked against the Eligible activity, or any of its components.

### **3.5 Formal Application to Avail Assistance by a Start-up**

An eligible start-up will begin application process as follows:

- a) The applicant for availing assistance for start-up shall apply to the Nodal Agency in the application form specified as per **Annexure-3(ii)** along with a 'Business Plan' specified as per **Annexure-8**.
- b) The entitlement of the applicant for evaluation of his claim for the assistance under the Scheme shall arise only after filing of this application form. The assistance will be eligible only if the formal application, as under this section, is made during the operation period of MP Incubation & Start-up Policy 2016.
- c) The Nodal Agency will scrutinize the application and place it before the State Level Implementation Committee (SLIC), for a decision on total assistance eligible to the applicant.
- d) The State Level Implementation Committee (SLIC) may call the applicant for a presentation or any clarification in relation to either eligible activity or the cost marked against the Eligible activity, or any of its components.

### **3.6 Decision of State Level Implementation Committee**

The State Level Implementation Committee (SLIC), will record its decision as to approval of assistance in a Format as placed at **Annexure –4**.

### **3.7 Methodology for Disbursement**

Based on the decision of State Level Implementation Committee (SLIC), the Nodal Agency will convey the final decision on the eligibility of the applicant for the assistance under the Scheme, the schedule of disbursement and the contingent progress milestones in format as per **Annexure – 5(i) or 5(ii)<sup>1</sup> (for incubator or start-up respectively)**.

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<sup>1</sup> The disbursement of the amount shall be subject to the approval by the SLIC.

## **4 Schedule/Phases of Disbursement**

### **4.1 Eligible Incubators**

#### **4.1.1 Capital Assistance**

The disbursement of Capital Assistance will be in three phases as per following schedule:

- a) Release of 25% of eligible assistance will be disbursed after the applicant has already incurred expenditure of 50% share of the project cost in setting up incubator which falls on the incubator/host institution;
- b) Second phase of the assistance amounting to 50% of eligible assistance will be paid when the applicant has incurred expenditure of 100% share of the project cost which falls on the incubator/host institution; and
- c) Third and final phase of the assistance i.e. 25% of eligible assistance will be released when 50% of the start-up capacity created by the incubator is filled up.

While in case of Existing Incubators which have utilized a minimum of 80% of their seat capacity in last 2 years, and intend to increase their capacity by at least 20 additional seats, the same limit shall be extended to them as per following schedule:

- a) Release of 25% of eligible assistance will be disbursed after the applicant has already incurred expenditure of 50% share of the project cost which falls on the incubator (expansion for at least 20 additional seats) in setting up incubator;
- b) Second phase of the assistance amounting to 50% of eligible assistance will be paid when the applicant has incurred expenditure of 100% share of the project cost which falls on the incubator; and
- c) Third and final phase of the assistance i.e. 25% of eligible assistance will be released when 50% of the additional incubator capacity created by the incubator has filled up.

#### **4.1.2 Operational Assistance**

- a) Eligible Incubator will get the support for recurring expenses as operational assistance from the date of eligibility up to 50% of actual expenses to the limit of INR 5 lacs per year;
- b) This will be disbursed by way of reimbursement on submission of audited accounts financial year (FY) wise by the incubators and subject to the ceiling limit; and
- c) These funds are to be utilised in meeting the expenses to run incubation, acceleration and other programmes of the incubators including the general expenses, salaries and other administrative expenses of running the incubator.

#### **4.1.3 Stamp Duty & Registration**

The assistance will be provided by way of reimbursement on submission of proof as per actuals and on submission of proof of payment for the incubation centre property and will be disbursed on incurring 100% expenditure of eligible project cost.

#### **4.1.4 Mentoring Assistance**

Mentoring Assistance will be paid annually as reimbursements subject to submission of audited accounts by incubator and subject to the ceiling limit.

#### **4.1.5 Start-up Competition Assistance**

This one time assistance will be provided by way of reimbursement on submission of proof of expenditures and subject to the ceiling limit of 1 lakh.

### **4.2 Start-ups**

The disbursement of incentives to eligible start-ups (incubated by the eligible incubators registered with Nodal Agency/Policy Implementation Agency of Government of Madhya Pradesh as per the Policy) shall be as follows:

#### **4.2.1 Interest Subsidy**

- a) Eligible start-ups shall be provided 8% interest subsidy reimbursement bi-annually (half yearly) on bank certificate for realization of due instalments of previous half year which shall be on submission of proofs on actuals and subject to ceiling limit of 4 lacs per year; and
- b) Eligible start-ups shall be entitled to interest subsidy assistance from the time when actual interest repayment to the lending bank/financial institutions, after moratorium, if any, begins. However, the start-up will be entitled for interest assistance subject to the interest repayment begins during the applicability period of this policy. Start-ups shall be regular in servicing its repayment & interest obligation, as and when due and does not include any kind of penal interest. In the event of penalties and non-repayment of loan/loan interest, the Nodal Agency will have the right to withdraw its assistance and the subsidy.

#### **4.2.2 Lease Rental Subsidy**

Eligible start-ups shall be provided 25% lease rental subsidy reimbursement bi-annually (half yearly) on submission of proof of payment with lease rental agreement/undertaking, receipt of lease rental payment etc. on actuals and subject to ceiling limit of 3 lacs per year.

#### **4.2.3 Patent/ Quality Promotion Assistance**

- a) Cost reimbursement of Patent/Quality certification shall be provided for successfully obtaining the patent/quality certification on submission of proof of patent/quality certificate, related proof of payment on actuals and subject to ceiling limit of the provision for the costs incurred for the fee, prototype development and other such incidental costs for the certifications; and
- b) Fees paid to patent attorney and patent service centre with supporting receipts of payment shall also be considered eligible expenditure towards cost for computing assistance.

#### **4.2.4 Start-up Marketing Assistance**

- a) One time start-up marketing assistance of a maximum of INR 10 lacs shall be provided to start-ups which have launched their product/service in the market and upon securing a minimum of 25% funding from a registered angel investor/venture fund/registered incubator;
- b) In order to avail this assistance, start-ups need to produce their business & marketing related plans to related Incubator in order to present how start-up marketing assistance shall be utilized by them with decided milestones to be achieved as per the plan;
- c) Post its evaluation by incubator, a recommendation letter as in **Annexure-6** from incubator shall be submitted by start-up to Nodal Agency along with application;

- d) The incubator providing the recommendation letter to the start-up should oversee the use of the marketing assistance and support the start-up in achieving the milestones and make sure that the assistance is efficiently utilized for the growth of the start-up.



## 5 Implementation Framework

### 5.1 Start-up- Incubator (SI) Cell

A ‘Start-up-Incubator (SI) Cell’ shall be setup within Nodal Agency which shall facilitate and provide handholding to Start-ups/Incubators/Host Institutions to avail benefits under MP Incubation & Start-up Policy 2016. This professionally run unit shall act as ‘One stop solution’ for all Start-up/Incubators queries, liaison with Government functionaries, assist in policy implementation plan and engaged with marketing & branding of ‘MP Incubation & Start-up Policy 2016’.

### 5.2 Screening Committee

To avail benefits under this scheme, Eligible Start-up/Entrepreneur/Incubator/Host Institution shall submit its application as mentioned in Section 3 of this scheme to ‘Start-up-Incubator (SI) Cell’ in Nodal Agency. Nodal Agency shall evaluate the proposals obtained from Start-ups/Incubators/Host Institution. For which a Screening Committee shall be constituted within Nodal Agency with the following members:

1	Industries Commissioner	Chairman
2	MD, MPLUN	Member
3	MD & CEO, MP Venture Capital Fund Limited (MPVFL)	Member
4	Head of Start-up-Incubator (SI) Cell	Member Secretary

The Nodal Agency shall submit a report along with required documents to the State Level Implementation Committee for approval.

### 5.3 State Level Implementation Committee (SLIC)

Government of Madhya Pradesh constitutes a State Level Implementation Committee of following members for sanction of assistance under this scheme:

1.	Principal Secretary, MSME	Chairman
2.	Secretary, Finance	Member
3.	Nominee of Higher Education	Member
4.	Nominee of Technical Education & Skill Development	Member
5.	Nominee of Science & Technology	Member
6.	Nominee of Managing Director, TRIFAC	Member
7.	Nominee of applicant’s related Department of GoMP	Member
8.	Nominee(s) from Industry/Industry association	Member
9.	Other Nominee(s) from Innovation/Investor/ Incubator Network to be nominated by Government of Madhya Pradesh	Member
10.	Industries Commissioner, Madhya Pradesh	Member-Secretary

The Chairman of the above SLIC committee may co-opt additional members as deemed necessary. This Committee will be fully empowered to take final decisions. The Committee will take decision within 30 days from date of receiving of application. The applicant will be informed within 7 days from the date of decision taken.

It will be the responsibility of the Member-Secretary of the Committee to get an approval case decided within the stipulated time. If decision is not taken within stipulated time, explanation will be sent to the Principal Secretary, MSME, GoMP within 7 days with appropriate reasons.

## 5.4 State Level Empowered Committee

A State Level Empowered Committee comprising following members is constituted under the policy:

1.	Chief Secretary, GoMP	Chairman
2.	Principal Secretary, Finance	Member
3.	Principal Secretary, Commercial Tax	Member
4.	Principal Secretary, Technical Education & Skill development	Member
5.	Principal Secretary, Science & Technology	Member
6.	Principal Secretary, Commerce, Industry & Employment	Member
7.	Industries Commissioner	Member
8.	MD, MPTRIFAC	Member
10.	Principal Secretary, MSME	Member-Secretary

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

## 6 Index of Principal Documents

<i>Sr. No.</i>	<i>Primary Documentation Requirements</i>	<i>Section of the Scheme</i>	<i>Relevant Annexure</i>
1	Expression of Interest by an Incubator	<i>Section 3.1</i>	<i>Annexure- 1</i>
2	In-Principle Approval from Nodal Agency and conveying of ‘Memorandum Number’	<i>Section 3.2</i>	<i>Annexure- 2</i>
3	Formal Application by an Incubator (including the assistance sought under MP Incubation & Start-up Policy 2016)	<i>Section 3.4</i>	<i>Annexure- 3(i)</i>
4	Formal Application by a Start-up (including the assistance sought under MP Incubation & Start-up Policy 2016)	<i>Section 3.5</i>	<i>Annexure 3(ii)</i>
5	Decision of SLIC	<i>Section 3.6</i>	<i>Annexure- 4</i>
6	Disbursement Schedule and Progress Milestones as finalized by SLIC for an incubator	<i>Section 3.7</i>	<i>Annexure- 5(i)</i>
7	Disbursement Schedule and Progress Milestones as finalized by SLIC for a start-up	<i>Section 3.7</i>	<i>Annexure- 5(ii)</i>
8	Format for Letter of Recommendation to be Obtained by a Start-up from an Incubator	<i>Section 4.2.4</i> <i>[Annexure- 3(ii)]</i>	<i>Annexure- 6</i>
9	Detailed Project Report Template for an Incubator	<i>Section 3.1</i> <i>[Annexure- 3(i)]</i>	<i>Annexure- 7</i>
10	Business Plan Template for a Start-up	<i>Section 3.5</i> <i>[Annexure- 3(ii)]</i>	<i>Annexure- 8</i>

## **7 Annexures**

## **Annexure- 1: Expression of Interest by an Incubator**

(Refer Section 3.1 of the Scheme)

### **I. Introduction:**

1.	Name of Entity: Registration details:	
2	Contact: Contact/Authorized person Designation Address Mobile No: Email: Telephone: Fax: Website:	
3.	Identification Proof of the Authorized person (Aadhar/ PAN/Passport/Bank account/Voter ID/ Other )	

### **II. Organization Details:**

1.	Type of organization that requires assistance under this scheme	Proprietorship / Partnership / Host Institute/ Association/MSMED ACT registered company/PVT LD/Other
2.(i)	Registration details:- enclose Memorandum and Article of Association	
(ii)	Certificate of Incorporation (please provide self-certified copy)	
(iii)	PAN Number (please provide self - certified copy)	
(iv)	Service Tax & Central Excise Certificate (please provide self- certified copy)	
3.	Name, address & contact details of the Directors/ Promoters along with the PAN Numbers (Please provide the CA Certificate showing the shareholding pattern)	

### **III. Basic Information of the Incubation Centre:**

1.	Location (with land details/lease details etc.)	
2.	Tentative area along with No. of available incubate seats if applicable	

3.	Planned Investment	
4.	Association with any Academic Institution/host institution	
5.	Whether the incubation centre has applied for/is being set up/ has been set up under public (government, semi-government, local government) funding? Provide details	
6.	Number of Full time employees engaged	
7.	Duration of Incubation Period in case of existing Incubator	
8.	Tentative date of start of Operation of Incubator	

#### **IV. DPR of the Incubator:**

The Incubator needs to submit its DPR to be registered with the Nodal Agency and be eligible to receive the Memorandum Number and applicable incentives as specified in **Annexure-7**.

I hereby declare that our incubator is/will be based in Madhya Pradesh and sought incentives, if any, shall not be claimed from any other policies/schemes of Government of Madhya Pradesh during MP Incubation & Start-up Policy 2016 applicable period.

#### **Signature of Authorized Signatory**

The duly filled-in, signed and stamped application form along with required documents should be submitted to 'Directorate of Industries' 4th Floor, Vindhyachal Bhavan, Bhopal, Madhya Pradesh, Pin – 462003(Tel: +91-755- 2677988/ Fax: +91-755- 2677943/ Email: [ic-mp@nic.in](mailto:ic-mp@nic.in))

**Annexure- 2: Format for Memorandum to Incubator**  
(Refer Section 3.2 of the Scheme)

To,

date:

-----

-----

**Reference:** your Expression of Interest dated: -----

**Sub:** Memorandum under the scheme for MP Incubation & Start-up policy 2016

Sir/ Madam,

1. We are pleased to acknowledge your application dated \_\_\_\_\_ seeking assistance under the scheme for MP Incubation & Start-up Policy 2016 with memorandum no.\_\_\_\_\_. In future correspondences please quote the memorandum number allotted to you.

2. Subject to the adherence to conditions as mentioned in section 3 of this letter and subject to approval by the State Level Implementation Committee (SLIC), the assistance that you have shown intent to avail under the scheme are as under:

S.N.	Assistance type
1.	Capital Assistance
2.	Operational Assistance
3.	Stamp Duty & Registration
4	Mentoring Assistance
5.	Start-up Competition Assistance

3. This Memorandum is valid for a period of three years from the date of issuance of this letter subject to fulfilment of the following conditions:-

- i. Financial Closure of the Project as per the DPR submitted as specified in **Annexure-7** – for computing financial closure, the applicant will be allowed to incorporate eligible assistance from GoMP, GoI, under respective schemes for assistance, fees from incubates, funds to be raised from market/venture funds/angel investors, along with own equity and debt that the applicant will take, etc.
- ii. Component/ activity wise implementation progress as per the DPR

4. In case, the above conditions are not met by the end of the validity period of memorandum, the validity may be extended for an additional period of maximum two years subject to a satisfactory justification for the delay of the conditions mentioned in section 3 above.

5. Application for extending validity of acknowledgment shall be made one month before the expiry of three year validity period. In case, the validity period is extended, a detailed timelines for fulfilling the following conditions should be intimated to the Nodal Agency.

i. Component/ activity wise implementation progress as per the DPR

6. In an instance where the criteria is not met within the validity period, with or without extension, the memorandum shall lapse and the applicant would not have any claim for any incentive / benefit against the Government. However, applicant can submit a new Expression of Interest which would not be linked to the application referenced herein and will be treated as a new application.

7. You are informed that benefits as eligible incubator will be available to you only if Incubator is based in Madhya Pradesh and it shall not claim the same incentives from any other policies/schemes of Government of Madhya Pradesh during the MP Incubation & Start-up Policy 2016 applicable period.

Further, incubators please note that if you avail Capital Assistance, you will have to run incubation facility for a minimum period of 5 years.

8. You are further informed that in relation to the assistance indicated in section 2 of the letter, registration of the incubator with the Nodal Agency or Government of Madhya Pradesh does not make the applicant/Incubator entitled to any incentives provided under this scheme. The entitlement for incentives has to be approved by the SLIC on case to case basis for registered incubators.

**Yours sincerely**

**Head of Start-up-Incubator (SI) Cell**



## **Annexure- 3(i): Application Form for Availing Assistance by an Incubator** (Refer Section 3.4 of the Scheme)

**Allotted Incubator Memorandum Number: -----**

### **I. Introduction:**

1	Name of the Incubation Centre	
10	Name, designation & contact details of the Authorized Person	(please enclose copy of authorisation letter)
11	Name and address of Bank where account exists	
12	Bank Account Number	
13	IFSC Code	

### **II. Incubator Details:**

1	Area of the land / office space	
2	Proof of land/office space possession	
3	List of existing Start-ups in Incubator/List of Start-ups who may have shown interest in getting incubated, if available	

### **III. Business Incubation and Development Schedule (Projections):**

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total
No. of new start-ups to be admitted for incubation						
No of start-ups to be graduated from the incubator						
No of training/incubation/acceleration programme to be conducted						
No of incubates/resources/start-ups to be trained						
No of Mentorship programs/workshops/seminars to be organized						

**IV. Final Projections of the Incubation Centre (in Rs.):**

	Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Non recurring expenses</b>							
<b>1.</b>	Capital expenses						
<b>Recurring operational expenses</b>							
<b>1</b>	Administration expenses						
<b>2</b>	Manpower expenses						
<b>3</b>	Utility & Maintenance expenses						
<b>4</b>	Branding & marketing expenses						
<b>5</b>	Mentoring/training programmes expense						
<b>6</b>	Any other expenses						
Total projected expenses							

**V. Means of Funds:**

Medium	Year 1	Year 2	Year 3	Year 4	Year 5	Total
GoMP Support						
Assistance from Government of India						
Fee collection from incubate/start-ups						
Fund raising from market						
Other means if any						
Total						

**VI. Assistance sought under the MP Incubation & Start-up Promotion Scheme 2016:**

Sr. No	Assistance Type	Projected / Actual Expenditure (Actual in case of reimbursements)	Claimed Assistance	Remarks
1.	Capital Assistance			
2.	Operational Assistance			

3.	Stamp Duty & Registration			
4.	Mentoring Assistance			
5.	Start-up Competition Assistance			
Total Assistance				

I, on behalf of my organisation, hereby declare the following:

- 1) Information, statements & other documents given herein are to the best of my knowledge & belief, true and correct in all particulars.
- 2) I declare that should I intend to avail capital assistance in this Scheme, I will be running the incubation facility for a minimum of 5 years. I will also submit audited financial statements of my incubation centre every year to the Nodal Agency/Policy Implementation Agency within 4 months of the preceding financial year.
- 3) I am duly authorized to sign an application and details and documents submitted in this application.
- 4) I undertake that our incubator will be based in Madhya Pradesh and above sought incentives shall not be claimed from any other policies/schemes of Government of Madhya Pradesh during the MP Incubation & Start-up Policy 2016 applicable period.

#### **Signature of Authorized Signatory**

The duly filled-in, signed and stamped application form along with required documents should be submitted to 'Directorate of Industries' 4th Floor, Vindhyaachal Bhavan, Bhopal, Madhya Pradesh, Pin – 462003(Tel: +91-755- 2677988/ Fax: +91-755- 2677943/ Email: [ic-mp@nic.in](mailto:ic-mp@nic.in))

**Annexure- 3(ii): Application Form for Availing Assistance by Start-ups**  
(Refer Section 3.5 of the Scheme)

**I. Introduction:**

1	Name of Start-up	
11	Key team members details along with their profiles (details of each directors/promoters)	
12	Total no of employees other than directors/promoters	

**II. Details of Start-up:**

S. No.	Description	
1	Nature of start-up: (Private Ltd./Limited Liability Partnership/Registered Partnership/ Others, please specify)	
2	Stage of start-up:	
3	Any government (central or state) scheme under which applied/getting/got any assistance	
4	Start-up Domain Focus Area: (As per 'Applicability' section-3 of the scheme) In case of Any Innovative Idea/technology based start-up, kindly mention here for SLIC approval	
5	Bank Account details of Start-up (with IFSC code) (Details of start-up's bank account <b>not of Individual's Bank A/c No.</b> )	
<b>Incubator details</b>		
1	Incubator Name & Address (in which start-up is based)	
2	Duration of Incubation period	
3	Contact details of Head of Incubator including Tel./Mobile/email etc.	
4	Bank Account of Incubator including IFSC code	

### III. Funding Structure:

Start-up investor detail	Name of investor	Contact (email/mobile no.)	Contribution by Investor so far	Investors' projected plan to invest in your start-up
Boot strapped				
Angel Investors				
Venture Capital				
Incubator				
If others such as debt/borrowing, please specify				

- i. Details of Authorized Capital:
- ii. Share/ Equity Distribution/ Composition Details:

### IV. Other Venture Details:

In case of any past experience in floating a start-up venture, kindly provide the following details:

- i. Name:
- ii. Time duration:
- iii. Business focus areas:
- iv. Funding details:
- v. Any other related details:

### V. Assistance sought under the MP Incubation & Start-up Promotion Scheme 2016:

Sr. No	Assistance Type	Claimed Assistance	Remarks
1.	Interest subsidy		
2.	Lease rental subsidy		
3.	Patent/Quality promotion subsidy		
4.	Start-up marketing assistance (*)		

Total Assistance sought		
-------------------------	--	--

Other documents enclosed:

- i. Business Plan as specified in **Annexure-8**
- ii. Letter of recommendation from related Incubator as per **Annexure-6**
- iii. (\*) in case for claiming Start-up marketing assistance, Letter of intent required from registered angel/venture funds/registered incubators for securing min 25% funding from them
- iv. MoU from Investor
- v. Profiles of each directors/promoters

I on behalf of my organization hereby declare the following:

1. That our start-up:
  - i. has been incorporated/registered in India not prior to 5 years
  - ii. will have registered office in Madhya Pradesh
  - iii. Is working towards innovation and development of new products & services driven by technology or Intellectual Property
  - iv. Has not formed by splitting up or reconstruction of a business already in existence.
  - v. Is not availing similar assistance from any other policies/schemes of Government of Madhya Pradesh during the MP Incubation & Start-up Policy 2016 applicable period
2. Information, statements and documents given herein are to the best of my knowledge & belief, true and correct in all particulars.
3. I am duly authorized to sign an application and details and documents submitted in this application.

**Date:**

**Place:**

**Signature of Authorized Signatory**

**Counter signature of head/co-ordinator of Incubator**

The duly filled-in, signed and stamped application form along with required documents and recommendation letter from Incubator as per annexure-6 should be submitted to

‘Directorate of Industries’ 4th Floor, Vindhyachal Bhavan, Bhopal, Madhya Pradesh,  
Pin – 462003(Tel: +91-755- 2677988/ Fax: +91-755- 2677943/ Email: [ic-mp@nic.in](mailto:ic-mp@nic.in))

## **Annexure- 4: Format for ‘Decision’ & ‘Notes and Recommendations’ by State Level Implementation Committee**

(Refer Section 3.6 of the Scheme)

Select Applicant type:

☐ Incubator

☐ Start-up

Name of applicant				
Assistance sought:				
S. No.	Incentives	Approximate amount of assistance sought from Government	Actual / Indicative Expenditure (Actual in case of reimbursements)	Remark

Descriptive background (as proposed by screening committee for meeting)			
Notes and Recommendations by SLIC			
Approval granted by SLIC			
S. No.	Incentives	Max eligible amount of assistance	Remark

Conditions for disbursement (as per assistance type)

Approvals/Signatures of SLIC Members:

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

**Annexure- 5(i): Format for Final Approval Letter for Incubator**  
(Refer Section 3.7 of the Scheme)

To,  
-----  
-----

Date:

Ref: **Allotted Incubator Memorandum Number** -----

Subject: Approval for assistance for incubator under the scheme of MP Incubation and Start-up Policy 2016

Dear Sir/Madam,

This is to inform the approval/refusal of assistance under the scheme of MP Incubation & Start-up Policy 2016 for your incubator at..... (Location).....in Madhya Pradesh with an estimated investment of .....(INR).....

You are conveyed approval of financial assistance as follows, subject to fulfilment of below mentioned conditions:

S. No.	Assistance	Max eligible assistance amount	Schedule of disbursement	Remark
1	Capital Assistance		In 3 phases	Reimbursement as per approval
2	Operational Assistance		On submission of audited accounts	Reimbursement subject to max limit
3	Stamp Duty & Registration		On submission of proof of payment	Reimbursement as per actuals
4	Mentoring Assistance		On submission of audited accounts	Reimbursement subject to max limit
5	Start-up Competition Assistance		On submission of proof of expenditures	Reimbursement subject to max limit
Total (INR)				

Subject to the adherence with following conditions:

- i. In case of availing Capital Assistance, Incubator has to run incubation facility for a minimum period of 5 years.



- ii. Incubator will not avail similar incentives from any other policies/schemes of Government of Madhya Pradesh.
- iii. Incubator will inform about any other assistance obtained from any other Government Organization including quantum of assistance within 1 month of obtaining such assistance.
- iv. With respect to the performance of Incubator, it shall submit a performance report to undersigned annually.
- v. State support would be provided to incubators for initial 3 years, extendable to further 2 years based on performance at the end of which Incubator is expected to be self-sufficient.

Yours Sincerely

**Member-Secretary**

**State Level Implementation Committee (SLIC)**

**Annexure- 5(ii): Format for Final Approval Letter for Start-up**  
(Refer Section 3.7 of the Scheme)

To,  
-----  
-----

Date:

Ref: **Application dated** -----

Subject: Approval for assistance for start-up under the scheme of MP Incubation and Start-up Policy 2016

Dear Sir/Madam,

This is to inform the approval/refusal of assistance under the scheme of MP Incubation & Start-up Policy 2016 for your start-up at..... (Incubator & Incubator's location).....in Madhya Pradesh with an estimated investment of ..... (INR).....

You are conveyed approval of financial assistance as follows, subject to fulfilment of below mentioned conditions:

S. No.	Assistance	Max eligible assistance amount	Schedule of disbursement	Remark
1	Interest subsidy		Biannually (half yearly) on bank certificate for realization of due instalments of previous half year	Reimbursement on actuals and subject to ceiling limit of the provision
2	Lease rental subsidy		Biannually (half yearly) on submission of proof of payment with lease rental agreement/undertaking, receipt of lease rental payment etc.	Reimbursement on actuals and subject to ceiling limit of the provision
3	Patent/Quality promotion subsidy		On successfully obtaining the certificate	Reimbursement on actuals and subject to ceiling limit of the provision
4	Start-up marketing assistance		On submission of claim	Disbursement subject to ceiling limit
Total (INR)				

Subject to the adherence with following conditions:

- i. With respect to the performance of start-up, director/promoter shall submit start-up performance report on its business growth, sales, no of employees etc. to undersigned annually.

- ii. Under this authorisation within the policy applicability period, the assistance to start-up will cease once it achieves annual turnover of INR 25 Cr. or it crosses the time limit of 5 years from the date of its incorporation/registration or doesn't meet the criteria of start-ups as defined by DIPP, GoI.

Yours Sincerely

**Member-Secretary**

**State Level Implementation Committee (SLIC)**

## **Annexure- 6: Format for Letter of Recommendation from an Incubator**

[Refer Section 4.2.4 & Annexure- 3(ii) of the Scheme]

<< Letter head of the Incubator>>

I/We ..... (Name(s) of Head/Secretary/Coordinator of Incubator), in my capacity as..... (Designation at Incubator) of .....

(Name of Incubator/Host Institute), have examined the application form of..... (Name of start-up, the name must be same as used in company/LLP/partnership/registration/incorporation).

After due examination, I/We recommend that the business being pursued by the applicant is valid under the provision of MP Incubation & Start-up policy 2016. The start-up is in the..... stage and is working in the field of ..... (Domain of start-up). It is being guided under the mentorship of ..... (Name & designation of academic/industry leader, if any).

I confirm that, the start-up has secured assurance of..... (Amount of funding in INR) from..... (Name & contact details of VC/Angel Investor/Incubator).

*(Mention 'NA', in case start-up has not secured any funding from registered Angel Investor/VC/Incubator)*

I/We, hereby recommend the start-up be considered for availing assistance under MP Incubation & start-up policy 2016.

I/We agree to abide by the rules and regulations of Government of MP while disbursing the funds.

### **Authorized signatory of Incubator**

Date:

Place:

Note:

- i. The prescribed format of the letter of recommendation must not be modified.
- ii. The letter of recommendation must on the letter head of the Incubator/Host Institute.

The letter of recommendation must be complete in all respect. Incomplete letter in any regard, shall not be considered.

## **Annexure- 7: Detailed Project Report (DPR) for an Incubator**

(Refer Section 3.1 & Annexure-3(i) of the Scheme)

The incubator must submit a detailed DPR along with the expression of interest to be eligible for a memorandum being issued by the Nodal Agency. The DPR must contain the elements of the template given below.

- Executive Summary
- Project Background
  - Project Title
  - Project Scope
  - Project Type
    - Roll-out
  - Initiator Details
  - Organizational Strengths
  - Focus areas
  - Project Location
    - Readiness for implementation
    - Implementation Alternatives
- Project Overview
  - Project Charter
  - Key Stakeholders
  - Problems and Issues addressed
  - Objectives to Interventions
    - Current Problems and Issues
    - Causes and effects of the problems / issues
    - Category of services
  - Envisaged solutions and Improvements
  - Past experience and lesson learnt
  - Project activities and timelines
- Financial Overview
  - Summary of Total Project Cost
    - Roll-out Cost
  - Funding strategy- Source of Funding
- Project Details
  - Goal and Objectives
    - Goal of the project
    - Objectives

- Implementation Strategy
  - Implementation Model
  - Phasing
    - Phasing Criteria
    - Phasing of deliverables
  - Key activities to be undertaken
- Governance Structure
  - Steering committee
  - Project team composition
  - Monitoring and Evaluation framework
- Stakeholders Analysis
- Services and Service Levels
- Risk Management
- Overview of Infrastructure
  - Functional features and requirements of the proposed services
  - Overall approach adopted for architecture
  - Layered view of system
  - IT infrastructure architecture
    - Overall architecture
    - Intra state architecture
  - Other infrastructure and its architecture
- Management Strategy
  - Communication strategy
    - Administration /employee centric strategy
    - Communication plan
  - Capacity Building Requirement
    - Classification of stakeholders for training
    - Training requirements
    - Training Plan
  - Marketing Plan

## 12 Financial Estimates

- Assumptions
- Financial estimates- Summary
  - Implementation
  - Rollout Alternatives
- Cost Benefit Analysis
  - Tangible benefits
  - Intangible benefits
  - Cost Estimation of Application, Web, Application and Database servers, plant and machinery, etc.
- Business Model / PPP options

## **Annexure- 8: Business Plan for a Start-up**

(Refer Section 3.5 & Annexure-3(ii) of the Scheme)

### ***Business Plan for a Start-up Business***

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. It contains more than 150 questions divided into several sections. Work through the sections in any order that you like, except for the *Executive Summary*, which should be done last. Skip any questions that do not apply to your type of business. When you are finished writing your first draft, you'll have a collection of small essays on the various topics of the business plan. Then you'll want to edit them into a smooth-flowing narrative.

The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about your business in a systematic way. The act of planning helps you to think things through thoroughly, study and research if you are not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of businesses. However, you should modify it to suit your particular circumstances. Before you begin, review the section titled *Refining the Plan*, found at the end. It suggests emphasizing certain areas depending upon your type of business (manufacturing, retail, service, etc.). It also has tips for fine-tuning your plan to make an effective presentation to investors or bankers. If this is why you're creating your plan, pay particular attention to your writing style. You will be judged by the quality and appearance of your work as well as by your ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions. But then, that's the value of the process. So make time to do the job properly. Those who do never regret the effort. And finally, be sure to keep detailed notes on your sources of information and on the assumptions underlying your financial data.

## **Business Plan**

### **Authorized Signatory**

Start-up Name

Address Line 1

Address Line 2

City, Postal Code

Telephone

Fax

E-Mail



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## ✓ I. Executive Summary

Write this section last.

We suggest that you make it two pages or fewer.

Include everything that you would cover in a five-minute interview.

Explain the fundamentals of the proposed business: What will your product be? Who will your customers be? Who are the owners? What do you think the future holds for your business and your industry?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment.

## ✓ II. General Company Description

What business will you be in? What will you do?

**Mission Statement:** Many companies have a brief mission statement, usually in 30 words or fewer, explaining their reason for being and their guiding principles. If you want to draft a mission statement, this is a good place to put it in the plan, followed by:

**Company Goals and Objectives:** Goals are destinations—where you want your business to be. Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful company that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction.

**Business Philosophy:** What is important to you in business?

To whom will you market your products? (State it briefly here—you will do a more thorough explanation in the *Marketing Plan* section).

Describe your industry. Is it a growth industry? What changes do you foresee in the industry, short term and long term? How will your company be poised to take advantage of them?

Describe your most important company strengths and core competencies. What factors will make the company succeed? What do you think your major competitive strengths will be? What background experience, skills, and strengths do you personally bring to this new venture?

**Legal form of ownership:** Sole proprietor, Partnership, Corporation, Limited liability corporation (LLC)? Why have you selected this form?

### ✓ **III. Products and Services**

Describe in depth your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

### ✓ **IV. Marketing Plan**

#### **Market research - Why?**

No matter how good your product and your service, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track. Use the business planning process as your opportunity to uncover data and to question your marketing efforts. Your time will be well spent.

#### **Market research - How?**

There are two kinds of market research: primary and secondary.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, from vendors who sell to your industry, and from government agencies.

Start with your local library. Most librarians are pleased to guide you through their business data collection. You will be amazed at what is there. There are more online sources than you could possibly use. Your chamber of commerce has good information on the local area. Trade associations and trade publications often have excellent industry-specific data.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Professional market research can be very costly, but there are many books that show small business owners how to do effective research themselves.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis, later on, of the all-important sales projection.

#### **Economics**

Facts about your industry:

- What is the total size of your market?
- What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
- Current demand in target market.

- Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
- Growth potential and opportunity for a business of your size.
- What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
  - ✓ High capital costs
  - ✓ High production costs
  - ✓ High marketing costs
  - ✓ Consumer acceptance and brand recognition
  - ✓ Training and skills
  - ✓ Unique technology and patents
  - ✓ Unions
  - ✓ Shipping costs
  - ✓ Tariff barriers and quotas
- And of course, how will you overcome the barriers?
- How could the following affect your company?
  - ✓ Change in technology
  - ✓ Change in government regulations
  - ✓ Change in the economy
  - ✓ Change in your industry

## **Product**

In the *Products and Services* section, you described your products and services as you see them. Now describe them from your customers' point of view.

## **Features and Benefits**

List all of your major products or services.

For each product or service:

- Describe the most important features. What is special about it?
- Describe the benefits. That is, what will the product do for the customer?

Note the difference between features and benefits, and think about them. For example, a house that gives shelter and lasts a long time is made with certain materials and to a certain design; those are its features. Its benefits include pride of ownership, financial security, providing for the family, and inclusion in a neighbourhood. You build features into your product so that you can sell the benefits.

What after-sale services will you give? Some examples are delivery, warranty, service contracts, support, follow-up, and refund policy.

## Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

The description will be completely different depending on whether you plan to sell to other businesses or directly to consumers. If you sell a consumer product, but sell it through a channel of distributors, wholesalers, and retailers, you must carefully analyse both the end consumer and the middleman businesses to which you sell.

You may have more than one customer group. Identify the most important groups.

Then, for each customer group, construct what is called a demographic profile:

- Age
- Gender
- Location
- Income level
- Social class and occupation
- Education
- Other (specific to your industry)
- Other (specific to your industry)

For business customers, the demographic factors might be:

- Industry (or portion of an industry)
- Location
- Size of firm
- Quality, technology, and price preferences
- Other (specific to your industry)
- Other (specific to your industry)

## Competition

What products and companies will compete with you?

List your major competitors:

(Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theatres, although they are different types of businesses.)

How will your products or services compare with the competition?

Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

In the column labelled “**Me**”, state how you honestly think you will stack up in customers’ minds. Then check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyse our own weaknesses. Try to be very honest here. Better yet, get some disinterested strangers to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm’s strong and weak points.

Now analyse each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer.

1 = critical; 5 = not very important.

**Table 1: Competitive Analysis**

<b>Factor</b>	<b>Me</b>	<b>Strength</b>	<b>Weakness</b>	<b>Competitor A</b>	<b>Competitor B</b>	<b>Importance to Customer</b>
<b>Products</b>						
<b>Price</b>						
<b>Quality</b>						
<b>Selection</b>						
<b>Service</b>						
<b>Reliability</b>						
<b>Stability</b>						
<b>Expertise</b>						
<b>Company</b>						
<b>Reputation</b>						
<b>Location</b>						
<b>Appearance</b>						
<b>Customer</b>						
<b>Sales Method</b>						
<b>Credit Policies</b>						

<b>Advertising</b>						
<b>Image</b>						

Now, write a short paragraph stating your competitive advantages and disadvantages.

### **Niche**

Now that you have systematically analysed your industry, your product, your customers, and the competition, you should have a clear picture of where your company fits into the world.

In one short paragraph, define your niche, your unique corner of the market.

### **Strategy**

Now outline a marketing strategy that is consistent with your niche.

### **Promotion**

How will you get the word out to customers?

Advertising: What media, why, and how often? Why this mix and not some other?

Have you identified low-cost methods to get the most out of your promotional budget?

Will you use methods other than paid advertising, such as trade shows, catalogues, dealer incentives, word of mouth (how will you stimulate it?), and network of friends or professionals?

What image do you want to project? How do you want customers to see you?

In addition to advertising, what plans do you have for graphic image support? This includes things like logo design, cards and letterhead, brochures, signage, and interior design (if customers come to your place of business).

Should you have a system to identify repeat customers and then systematically contact them?

### **Promotional Budget**

How much will you spend on the items listed above?

Before start-up? (These numbers will go into your start-up budget.)

Ongoing? (These numbers will go into your operating plan budget.)

### **Pricing**

Explain your method or methods of setting prices. For most small businesses, having the lowest price is not a good policy. It robs you of needed profit margin; customers may not care as much about price as you think; and large competitors can under-price you anyway. Usually you will do better to have average prices and compete on quality and service.

Does your pricing strategy fit with what was revealed in your competitive analysis?

Compare your prices with those of the competition. Are they higher, lower, the same? Why?

How important is price as a competitive factor? Do your intended customers really make their purchase decisions mostly on price?

What will be your customer service and credit policies?

### **Proposed Location**

Probably you do not have a precise location picked out yet. This is the time to think about what you want and need in a location. Many start-ups run successfully from home for a while.

You will describe your physical needs later, in the *Operational Plan* section. Here, analyse your location criteria as they will affect your customers.

Is your location important to your customers? If yes, how?

If customers come to your place of business:

Is it convenient? Parking? Interior spaces? Not out of the way?

Is it consistent with your image?

Is it what customers want and expect?

Where is the competition located? Is it better for you to be near them (like car dealers or fast food restaurants) or distant (like convenience food stores)?

### **Distribution Channels**

How do you sell your products or services?

Retail

Direct (mail order, Web, catalogue)

Wholesale

Your own sales force

Agents

Independent representatives

Bid on contracts

### **Sales Forecast**

Now that you have described your products, services, customers, markets, and marketing plans in detail, it's time to attach some numbers to your plan. Use a sales forecast spreadsheet to prepare a month-by-month projection. The forecast should be based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts: 1) a "best guess", which is what you really expect, and 2) a "worst case" low estimate that you are confident you can reach no matter what happens.

Remember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

## **✓ V. Operational Plan**



Explain the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

### **Production**

How and where are your products or services produced?

Explain your methods of:

- Production techniques and costs
- Quality control
- Customer service
- Inventory control
- Product development

### **Location**

What qualities do you need in a location? Describe the type of location you'll have.

Physical requirements:

- Amount of space
- Type of building
- Zoning
- Power and other utilities

Access:

Is it important that your location be convenient to transportation or to suppliers?

Do you need easy walk-in access?

What are your requirements for parking and proximity to freeway, airports, railroads, and shipping centres?

Include a drawing or layout of your proposed facility if it is important, as it might be for a manufacturer.

Construction? Most new companies should not sink capital into construction, but if you are planning to build, costs and specifications will be a big part of your plan.

Cost: Estimate your occupation expenses, including rent, but also including maintenance, utilities, insurance, and initial remodelling costs to make the space suit your needs. These numbers will become part of your financial plan.

What will be your business hours?

### **Legal Environment**

Describe the following:

- Licensing and bonding requirements
- Permits

- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing, or purchased)

### **Personnel**

- Number of employees
- Type of labour (skilled, unskilled, and professional)
- Where and how will you find the right employees?
- Quality of existing staff
- Pay structure
- Training methods and requirements
- Who does which tasks?
- Do you have schedules and written procedures prepared?
- Have you drafted job descriptions for employees? If not, take time to write some. They really help internal communications with employees.
- For certain functions, will you use contract workers in addition to employees?

### **Inventory**

- What kind of inventory will you keep: raw materials, supplies, finished goods?
- Average value in stock (i.e., what is your inventory investment)?
- Rate of turnover and how this compares to the industry averages?
- Seasonal build-ups?
- Lead-time for ordering?

### **Suppliers**

Identify key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

Should you have more than one supplier for critical items (as a backup)?

Do you expect shortages or short-term delivery problems?

Are supply costs steady or fluctuating? If fluctuating, how would you deal with changing costs?

### **Credit Policies**

- Do you plan to sell on credit?

- Do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
- If yes, what policies will you have about who gets credit and how much?
- How will you check the creditworthiness of new applicants?
- What terms will you offer your customers; that is, how much credit and when is payment due?
- Will you offer prompt payment discounts? (Hint: Do this only if it is usual and customary in your industry.)
- Do you know what it will cost you to extend credit? Have you built the costs into your prices?

### **Managing Your Accounts Receivable**

If you do extend credit, you should do an aging at least monthly to track how much of your money is tied up in credit given to customers and to alert you to slow payment problems. A receivables aging looks like the following table:

	<b>Total</b>	<b>Current</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>Over 90 Days</b>
<b>Accounts Receivable Aging</b>						

You will need a policy for dealing with slow-paying customers:

- When do you make a phone call?
- When do you send a letter?
- When do you get your attorney to threaten?

### **Managing Your Accounts Payable**

You should also age your accounts payable, what you owe to your suppliers. This helps you plan whom to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and can damage your credit. (Hint: If you know you will be late making a payment, call the creditor before the due date.)

Do your proposed vendors offer prompt payment discounts?

A payables aging looks like the following table:

	<b>Total</b>	<b>Current</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90 Days</b>	<b>Over 90 Days</b>
<b>Accounts Payable Aging</b>						

## ✓ **VI. Management and Organization**

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies? Is there a plan for continuation of the business if this person is lost or incapacitated?

If you'll have more than 10 employees, create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees. If you are seeking loans or investors, include resumes of owners and key employees.

### **Professional and Advisory Support**

List the following:

- Board of directors
- Management advisory board
- Attorney
- Accountant
- Insurance agent
- Banker
- Consultant or consultants
- Mentors and key advisors

## ✓ **VII. Personal Financial Statement**

Include personal financial statements for each owner and major stockholder, showing assets and liabilities held outside the business and personal net worth. Owners will often have to draw on personal assets to finance the business, and these statements will show what is available. Bankers and investors usually want this information as well.

## ✓ VIII. Start-up Expenses and Capitalization

You will have many start-up expenses before you even begin operating your business. It's important to estimate these expenses accurately and then to plan where you will get sufficient capital. This is a research project, and the more thorough your research efforts, the less chance that you will leave out important expenses or underestimate them.

Even with the best of research, however, opening a new business has a way of costing more than you anticipate. There are two ways to make allowances for surprise expenses. The first is to add a little "padding" to each item in the budget. The problem with that approach, however, is that it destroys the accuracy of your carefully wrought plan. The second approach is to add a separate line item, called contingencies, to account for the unforeseeable. This is the approach we recommend.

Talk to others who have started similar businesses to get a good idea of how much to allow for contingencies. If you cannot get good information, we recommend a rule of thumb that contingencies should equal at least 20 percent of the total of all other start-up expenses.

Explain your research and how you arrived at your forecasts of expenses. Give sources, amounts, and terms of proposed loans. Also explain in detail how much will be contributed by each investor and what percent ownership each will have.

## ✓ IX. Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your company.

### **12-Month Profit and Loss Projection**

Many business owners think of the 12-month profit and loss projection as the centrepiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and also so that you can go back to your sources when it's time to revise your plan.

### **Four-Year Profit Projection (Optional)**

The 12-month projection is the heart of your financial plan. The Four-Year Profit projection is for those who want to carry their forecasts beyond the first year.

Of course, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

### **Projected Cash Flow**

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before start-up, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn't be taken by surprise.

There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking/current account.

For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to opening in a pre-start-up column. You should have already researched those for your start-up expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the *Profit and Loss Projection*. For example, if you make a sale in month one, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow?

Are some expenses payable in advance? When?

Are there irregular expenses, such as quarterly tax payments, maintenance and repairs, or seasonal inventory build-up that should be budgeted?

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a cheque for it.

### **Opening Day Balance Sheet**

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners' equity.

Use a start-up expenses and capitalization spreadsheet as a guide to preparing a balance sheet as of opening day. Then detail how you calculated the account balances on your opening day balance sheet.

Optional: Some people want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors.

### **Break-Even Analysis**

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

Expressed as a formula, break-even is:

$$\text{Break-Even Sales} = \text{Fixed Costs} / (1 - \text{Variable Costs \%})$$

(Where fixed costs are expressed in INR, but variable costs are expressed as a percent of total sales.)

Include all assumptions upon which your break-even calculation is based.

## **✓ X. Appendices**

Include details and studies used in your business plan; for example:

- Brochures and advertising materials
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Magazine or other articles
- Detailed lists of equipment owned or to be purchased
- Copies of leases and contracts
- Letters of support from future customers
- Any other materials needed to support the assumptions in this plan
- Market research studies
- List of assets available as collateral for a loan

## **✓ XI. Refining the Plan**

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

### **For Raising Capital**

### **For Bankers**

- Bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:
  - ✓ Amount of loan
  - ✓ How the funds will be used
  - ✓ What this will accomplish—how will it make the business stronger?
  - ✓ Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate but may be able to negotiate a longer repayment term, which will help cash flow.
  - ✓ Collateral offered, and a list of all existing liens against collateral

### **For Investors**

- Investors have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards:
  - ✓ Funds needed short-term
  - ✓ Funds needed in two to five years
  - ✓ How the company will use the funds, and what this will accomplish for growth.
  - ✓ Estimated return on investment
  - ✓ Exit strategy for investors (buyback, sale, or IPO)
  - ✓ Percent of ownership that you will give up to investors
  - ✓ Milestones or conditions that you will accept
  - ✓ Financial reporting to be provided
  - ✓ Involvement of investors on the board or in management

### **For Type of Business**

#### **Manufacturing**

- Planned production levels
- Anticipated levels of direct production costs and indirect (overhead) costs—how do these compare to industry averages (if available)?
- Prices per product line
- Gross profit margin, overall and for each product line
- Production/capacity limits of planned physical plant
- Production/capacity limits of equipment
- Purchasing and inventory management procedures
- New products under development or anticipated to come online after start-up

#### **Service Businesses**



- Service businesses sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labour costs and generally very little in fixed assets.
- What are the key competitive factors in this industry?
- Your prices
- Methods used to set prices
- System of production management
- Quality control procedures. Standard or accepted industry quality standards.
- How will you measure labour productivity?
- Percent of work subcontracted to other firms. Will you make a profit on subcontracting?
- Credit, payment, and collections policies and procedure
- Strategy for keeping client base

### **High Technology Companies**

- Economic outlook for the industry
- Will the company have information systems in place to manage rapidly changing prices, costs, and markets?
- Will you be on the cutting edge with your products and services?
- What is the status of research and development? And what is required to:
  - ✓ Bring product/service to market?
  - ✓ Keep the company competitive?
- How does the company:
  - ✓ Protect intellectual property?
  - ✓ Avoid technological obsolescence?
  - ✓ Supply necessary capital?
  - ✓ Retain key personnel?

High-tech companies sometimes have to operate for a long time without profits and sometimes even without sales. If this fits your situation, a banker probably will not want to lend to you. Venture capitalists may invest, but your story must be very good. You must do longer-term financial forecasts to show when profit take-off is expected to occur. And your assumptions must be well documented and well argued.

### **Retail Business**

- Company image
- Pricing:
  - ✓ Explain mark-up policies.
  - ✓ Prices should be profitable, competitive, and in accordance with company image.

- Inventory:
  - ✓ Selection and price should be consistent with company image.
  - ✓ Inventory level: Find industry average numbers for annual inventory turnover rate (available in RMA book). Multiply your initial inventory investment by the average turnover rate. The result should be at least equal to your projected first year's cost of goods sold. If it is not, you may not have enough budgeted for start-up inventory.
- Customer service policies: These should be competitive and in accord with company image.
- Location: Does it give the exposure that you need? Is it convenient for customers? Is it consistent with company image?
- Promotion: Methods used, cost. Does it project a consistent company image?
- Credit: Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?