



Maharashtra State Innovative Startup Policy 2018

**Maharashtra State Innovation Society (MSInS)
Department of Skill Development & Entrepreneurship
Government of Maharashtra**

The Maharashtra State Innovation Society will provide a platform to all stakeholders of the ecosystem to participate in fostering a culture of innovation across Maharashtra.

Shri Sambhaji Patil Nilangekar
Hon'ble Minister for Skill Development & Entrepreneurship



The Government of Maharashtra lays emphasis on inculcating entrepreneurial skills from a young age, and seeks to nurture innovative thinking throughout school and college.

Dr Ranjit Patil
Hon'ble Minister of State for Skill Development & Entrepreneurship



Collaboration of Government, industry and academia is key to creating an environment in which startups excel and contribute to robust economic growth.

Shri Aseem Gupta
Secretary, Skill Development & Entrepreneurship



We have a nation of more than a billion people embracing technology. If we develop an ecosystem to shape this power, the journey towards being a developed nation will be accelerated.

Shri Devendra Fadnavis
Hon'ble Chief Minister of Maharashtra



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GLOSSARY

AVGC	Animation, Visual Effects, Gaming & Comics
CoE	Centre of Excellence
CSR	Corporate Social Responsibility
EdTech	Education Technology
FinTech	Financial Technology
GoM	Government of Maharashtra
IPR	Intellectual Property Rights
MOOC	Massive Open Online Course
MSInS	Maharashtra State Innovation Society
PPP	Public Private Partnership
SDED	Skill Development & Entrepreneurship Department
SDK	Software Development Kit
SPV	Special Purpose Vehicle
TEDC	Technology & Entrepreneurship Development Cell

INTRODUCTION

Maharashtra has been the hub of commercial, financial and industrial activity in India for decades. It is the second-largest Indian state by population and third-largest by area. Maharashtra is home to two out of three Indian cities in the top 100 global clusters of inventive activity¹. Mumbai, the capital of Maharashtra and the financial capital of India, is home to major corporate houses and financial institutions, while Pune is a major centre for education and research.

Contributing nearly 15% towards India's GDP, Maharashtra is among the most entrepreneurial states in the country and has been at the forefront of India's economic growth story. For sustaining this growth and creating an economy which is resilient to changes in today's globalized economy, there is a need to promote innovative entrepreneurship. Innovative enterprises will not just contribute to Maharashtra's economic prosperity but also help address pressing issues facing the nation and generate employment opportunities.

With innovation reorienting the economic landscape of the 21st century, it is incumbent upon Governments to foster innovative start-ups by providing necessary infrastructure, connecting communities to enable sharing of ideas, experience and knowledge and mitigate regulatory and other challenges that impede innovation.

With a vision of enabling an innovation-based economy and fostering an entrepreneurial spirit across the State, the **Skill Development & Entrepreneurship Department (SDED)** of the **Government of Maharashtra (GoM)** has formulated the **Maharashtra State Innovative Startup Policy 2018** (the "Policy").

The Policy aims to drive economic growth and job creation in the coming years by encouraging entrepreneurs to design novel solutions in new age sectors such as biotechnology, artificial intelligence, internet of things, clean energy etc. as well as revamping traditional sectors.

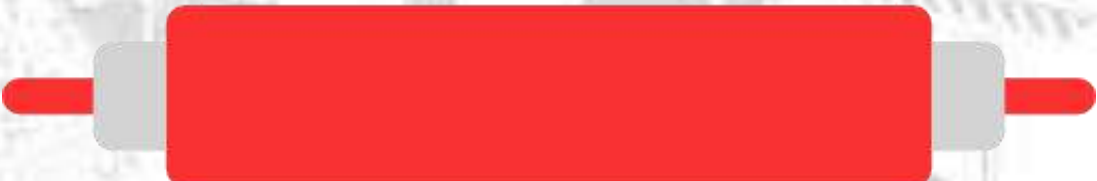
A holistic approach would be adopted including establishing a network of incubators, cultivating entrepreneurial mind-sets among students, connecting relevant stakeholders, simplifying the regulatory environment and making strategic investments to foster entrepreneurship across the state.

¹ www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2017.pdf

VISION



To transform Maharashtra
By catalyzing the growth of
An innovation-driven
Entrepreneurial ecosystem
To achieve wholesome and inclusive
Socio-economic development.



OBJECTIVES



Provide a platform and nurture entrepreneurial aspirations among the citizens of Maharashtra



Empower startups to contribute significantly to Maharashtra's economic growth and create employment opportunities for all sections of society



Develop robust infrastructure and ease the regulatory framework to spur development of the startup ecosystem

TARGETS

Over a period of five years i.e. 2018 to 2023, **the Policy** sets out to achieve the following:

Develop	Attract	Facilitate	Create
15	₹5,000 Cr	10,000	500,000
Incubators in Collaboration with Industry & Academia	Of Angel & Seed Investment	Startups in Incorporation	Direct & Indirect Employment Opportunities

DEFINITIONS²

An entity will be considered a startup:

If it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in Maharashtra; and

Up to seven years from the date of its incorporation/ registration; however, in the case of Start-ups in the biotechnology and/or social sector, the period shall be up to ten years from the date of its incorporation/registration

If its turnover for any of the financial years since incorporation/ registration has not exceeded ₹25 Cr; and

If it is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that such entity is not formed by splitting up, or reconstruction, of a business already in existence. Provided also that an entity shall cease to be a startup if its turnover in any of the previous financial years has exceeded ₹25Cr or it has completed 7 years (10 years for biotechnology and/or social sector³ startups) from the date of incorporation/registration.

² In accordance with the **Startup India: Action Plan**, Government of India

³ Including but not restricted to Education, Skill Development, Healthcare, Clean Energy, Water Sanitation & Conservation, Waste Management, Agriculture, Food Security, Financial Inclusion

FEATURES

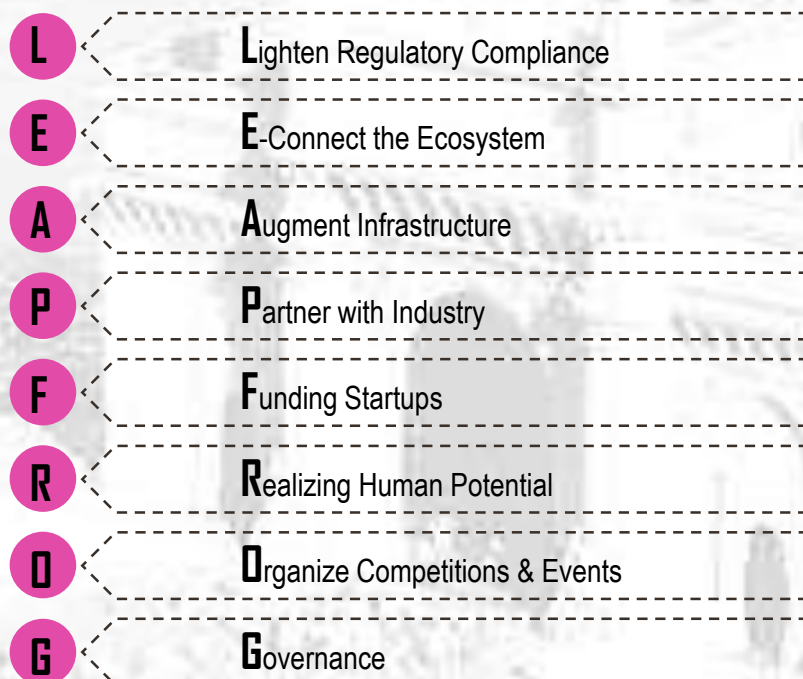
The Policy has acknowledged the need to facilitate startups by making the regulatory environment more conducive, providing suitable assistance and enabling access to industry practitioners and mentors for a vibrant ecosystem.

It is imperative to nurture innovation and lateral thinking at both school and college level. To ensure that original ideas are developed and is pursued till completion, various initiatives will be taken by the State in terms of conducting events, competitions, setting up of labs etc.

One of the biggest bottlenecks for a start up to succeed is the availability of adequate infrastructure. The State would work together with industries, industry associations and academic institutions towards creating world-class infrastructure facilities for the start-ups to excel.

With the digital mantra buzzing across the globe, the Government will develop an online portal and a mobile app for easy access to all the relevant information related to the start-up ecosystem including a list of investors, mentors and various other facilities.

Ultimately, this Policy will help Maharashtra **L-E-A-P-F-R-D-G** into a premier startup destination.



Lighten Regulatory Compliance

Long-drawn regulatory processes are a major hurdle for startups. With the intention of letting startups to focus on their business, the State will ease the regulatory regime and keep compliance costs to a bare minimum. All necessary steps will be taken to ensure regulations are simplified and startup friendly.

Self-Certification

Startups shall be permitted to file self-certification (in prescribed format) for select government compliances. The self-certifications could be filed through the website and/or mobile app. For startups, no inspections shall be conducted for a period of seven years.

Relaxing Laws

Local laws shall be looked into with the view of relaxing some norms to allow easy compliance. Gradually, the State will progress towards full-fledged relaxation of norms. The *Maharashtra Shops and Establishment Act* shall be relaxed to allow startups with asset-light models to incorporate at a residential address.

Easing Norms for Procurement

There is a growing need to provide a level playing field for startups in public procurement. Most tenders have a prerequisite of prior experience and/or turnover which encumbers startups from participating. In order to promote startups in Maharashtra, the Government shall exempt startups (in the manufacturing sector) from the criteria of "prior experience and/or turnover" without any relaxation in quality standards or technical parameters. The startups will also have to demonstrate requisite capability to execute the project as per requirements and should have their own manufacturing facility in India. A separate Procurement Policy may be drafted by the Government of Maharashtra for easing norms of procurement.

Various Government departments may benefit from innovations in products, services and delivery mechanisms. Thus, an annual get together of Government departments and related startups may be organized to explore opportunities for synergies between the two.

To reap the benefits being provided by the Government of Maharashtra, startups must fulfill the eligibility criteria and should register with the State. Support will be provided to startups across stages i.e. idea, growth, and mature stage. One possibility is to create an organization which may allow different startups to commence operations as an independent vertical and then to spin off after maturity.

Tax Holiday

Startups may be reimbursed in lieu of the State Goods and Services Tax (SGST) paid by them, whenever system credit for the same is not available to the customers of these startups.

Stamp Duty & Registration Fees

For recognized incubators or startups that wish to rent space/property, 100% of stamp duty and registration fee may be compensated for first three years and 50% for the second tranche of three years. Aggregation of business spaces provided by private places through a common platform may also be attempted.

Quality Testing Assistance

The State may take up 80% of quality testing costs incurred by startups at BIS-accredited facilities. This would help startups reduce costs in their formative years. This may be done through aggregation of such facility providers and bringing in scales of economy by making a government agency a nodal agency for the same.

Patent Filing Assistance

Startups are often founded by young entrepreneurs having very limited or no prior knowledge about various formalities surrounding Intellectual Property Rights (IPR). To sustain in a competitive world, it is essential that they protect their IP. To mitigate the limited manpower and resources at a startup's disposal, the State will provide assistance – both financial and technical – in the filing of Patents, Trademarks, and Designs. Startups shall be provided with an 80% rebate in patent filing costs up to ₹2 Lakh for Indian patents and up to ₹10 Lakh for international patents. Compensation will be provided in three stages: during Filing, Prosecution, and Award.



E-Connect the Ecosystem

The startup ecosystem comprises of entrepreneurs, mentors, investors, service providers, industry and academia. Connecting all stakeholders will ensure information flow and knowledge sharing. In addition to financial capital, young aspirants need technical expertise and guidance from experienced entrepreneurs. A virtual hub will be created for the same.

Leapfrog Maharashtra Portal

On the lines of the *Startup India Hub*, Maharashtra will also set up the *Leapfrog Maharashtra* portal to create a single point of contact for the entire startup ecosystem and enable knowledge exchange. The *Leapfrog Maharashtra* portal will also function as a single window clearance system for startups to obtain clearances and approvals in a time-bound manner. This will enable startups to focus on their business rather than getting entangled in the clearance system.

The Maharashtra State Innovation Society (MSInS) will launch an online portal and a mobile app to open a two-way communication channel with the startup ecosystem and assist startups through their lifecycle with specific focus on important aspects like obtaining financing, feasibility testing, business structuring advisory, and enhancement of marketing skills, technology commercialization and management evaluation.

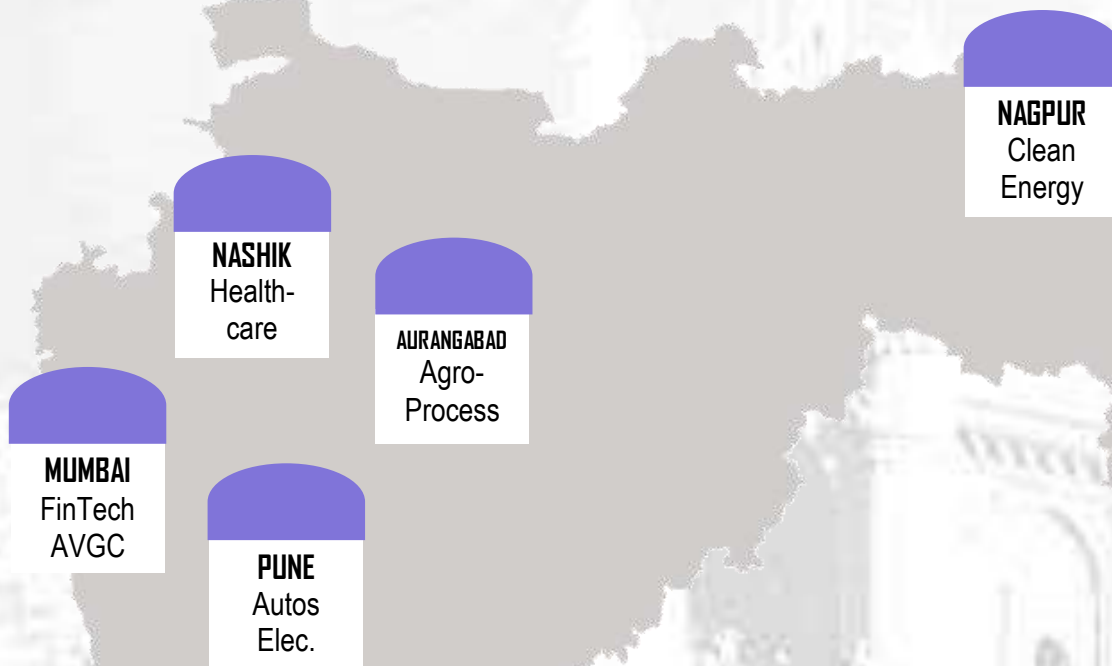


Augment Infrastructure

The Government will assist in developing world-class infrastructure to establish Maharashtra as a premier destination for startups from across India. This section details out various initiatives that will be taken by the State to build infrastructure including incubators, accelerators, centres of excellence and startup parks.

Innovation Clusters

The State would leverage the unique facets bestowed upon various regions and simultaneously build on it. Based on existing and potential regional economic advantages, local Governments and the local industry and academia will work together to nurture sector-specific startups and establish major urban/rural areas as innovation clusters. Each region of Maharashtra has its own forte. While Mumbai is the financial hub and leader in AVGC, Pune is a key player in automotive and electronics sector, and Aurangabad has attracted manufacturing industries.



Augment Infrastructure

The State shall support development of incubators on a Private, Public or Public-Private Partnership (PPP) mode in collaboration with higher educational and R&D institutions, and the corporate sector. The State will collaborate with national and international accelerators and incubators to develop facilities and enable co-creation/collaboration programs to learn from such ecosystems.

Incubators (Academic)

Universities, colleges, polytechnics and ITIs with a demonstrated history of innovation on campus will be identified and business incubators will be established within their premises. These incubators will have an independent board to oversee its functioning and existing incubators at premier academic institutions will mentor the upcoming facilities.

Incubators (Research)

Three cluster-specific Centres of Excellence (CoEs) will be established in premier research institutions. The State will forge national and global partnerships to ensure the CoEs provide world-class infrastructure, services and guidance to startups at various stages of growth. Each CoE will be connected to an academic and/or private incubator. An Entrepreneur-in-Residence program will be instituted to allow innovators from outside the institution to commercialize existing IP or build their own products. Guidance would be provided by experts from relevant industrial establishments from both India and abroad.

The incubators will be required to be incorporated as a Special Purpose Vehicle (SPV), either a Section 8 company or a private limited company registered under the Companies Act, 2013. The SPVs will not be allowed to incorporate as trusts or societies.

Incubators (Private)

The State will provide support to leading companies and industry associations to establish incubators specializing in their domain. Private firms will be encouraged to establish sector agnostic co-working spaces. Whenever a Government department or agency allocates any land to any industry or provides extra FSI on the land owned by any industry, it shall be mandated that the industry promote and mentor startups and undertake minimum 10% product or service procurement from these startups.

Incubators (Rural & Social)

The State will play a facilitative role between entrepreneurs and innovators in the social enterprise space. This is to bridge the gap between innovators that invest energy in improving products and/or services and entrepreneurs who will take these innovations to the market. To further support rural and social sector startups, the State will provide scholarships to promising social and rural startups by providing rental rebates of up to 50% at incubators/co-working spaces.

Augment Infrastructure

The State will create a mechanism to open up existing common infrastructure and facilities like conference rooms, laboratories, maker spaces, workshops etc. in partner incubators and academic institutes for start-ups to utilize them at affordable costs.

Maharashtra Virtual Incubation Centre

In today's dynamic world facilitating only physical incubators is not sufficient. For certain industries, physical space and physical anchoring is important, whereas for others, financial support and advice is far more important and hence the need for virtual incubators. This policy lays equal emphasis on both physical as well as virtual incubators. Virtual incubators helps every founder learn at a different pace depending on the idea.

The State will set up the *Maharashtra Virtual Incubation Centre* to provide value-added services including legal, financial, IP, cloud and mentorship to startups across Maharashtra.

Maharashtra Virtual Incubation Centre

All Government-supported incubators are expected to have a virtual presence to incubate startups outside their geographies. This will also act as aggregator for service providers like net cloud services, co-working space providers, IT parks etc.

Standard resources such as server databases, memory, SDKs, licensed software for HR, management, accounting etc. may be made available. An attempt to collate resources (inc. physical) through means of scheduling and sharing, may be undertaken.

Accelerators

The State will provide infrastructure to establish three world-class accelerators to expedite the launch of a startup's product and/or service.

- ❖ Plug & Play Facilities
- ❖ Private Cabins
- ❖ Co-Working Stations
- ❖ Conference Rooms
- ❖ Mentorship Access
- ❖ Pitch Days
- ❖ Networking Events
- ❖ Training Workshops
- ❖ Legal, Financial, IP Services
- ❖ Marketing Support
- ❖ 24x7 WiFi
- ❖ 24x7 Power Backup

Tinkering Labs

Nurturing talent at school-level is essential for the holistic development of the startup ecosystem. Young minds buzz with ideas, but lack a mechanism to develop them. The State will set up *Tinkering Labs* in schools as per Government of India guidelines, to create an environment that would facilitate idea generation for enterprise development. Tinkering labs in schools will be connected to incubators to provide mentorship and host of other facilities to students in schools.

Startup Park

A multi-facility *Startup Park* will be established to bring incubators, accelerators, investors, mentors and other industry stakeholders under one roof. Commercial space in IT parks would be opened up for startups, incubators, accelerators and co-working spaces to set up their facilities. *Startup Villages* i.e. larger areas of co-working spaces, incubators etc. shall be established in places like Amravati, Kolhapur, Solapur etc.



ATS Conveyors

Shackline
Schrader
CAPAC

Partner with Industry

The State will play a critical role in establishing strong linkages between the startups and well-renowned industry players across the world.

Investors

In association with leading angel investor networks, the State will organize experiential learning workshops to guide aspiring investors and other high net-worth individuals on the dynamics of investing in startups. Investors will have verified profiles on the *Leapfrog Maharashtra* hub to allow identification by startups.

Industry

The State will foster national and international collaborations to boost the growth of the startup ecosystem. Large industrial corporations and associations will be encouraged to mentor, support, or incubate startups in their domain. Established industries – national and international – shall be involved in tie-ups with the State's vocational training and skill development institutes to inculcate skills required by the startups. The Government will work with its Indian and global partners to devise market exchange programmes that will help promising startups expand into international markets.

Funding Startups

To ensure seamless and uninterrupted growth of startups, adequate funding support will be provided to the startups across stages i.e. early/seed stage, growth stage and mature stage to ensure holistic growth of the entire ecosystem.

Fund-of-Funds

A fund-of-funds will be established with an initial corpus of ₹100 Crore and a total corpus of ₹500 Crore over a period of five years. Investments will be made in SEBI-registered funds including early stage i.e. angel and seed funds. A professional investment management team will be recruited for this purpose. Certain risks of primary funds may be hedged using this fund of funds to cover the cost of funds for concerned startups.

Infrastructure Fund

The State will institute an Infrastructure Fund to provide assistance to incubators, accelerators, CoEs, and tinkering labs to cover capital and operational expenditures in the establishment and/or expansion of facilities. Special infrastructure like cloud, internet etc. may be made available through various service providers.

Start-ups that qualify for the eligibility conditions in Maharashtra and who are registered with the State portal will be entitled to receive grants and financial assistance. The State envisages to develop a self-sustaining financial model for the startups in Maharashtra.

CSR Funds

Private and public corporations will be encouraged to utilize CSR funds towards support of all incubators, accelerators, CoE and the Startup Park.

Crowdfunding

Social entrepreneurship comes with its own unique set of challenges, chief among them being access to capital especially when compared to more commercial enterprises. The social enterprises in India require a huge amount of long-term capital and have long gestation period. The State will provide vital financial support to the Social sector startups. They may receive grants matching the contributions raised on verified online crowdfunding platforms, up to ₹5 lakhs. The number of individual donors (i.e. unique contributions raised) must exceed 100.

Alternative Investment Market

An Alternative Investment Market would be established in Maharashtra which would allow startups to float their shares in more flexible ways that may enable investments in various modes, scales and lock-in periods. This would increase the base of possible investors in startups and would attract investors from across the world.

Realizing Human Capital

A multi-disciplinary approach will be adopted by the State to equip students at school and college level as well as the faculty members with the right set of skills to help them chase their dream. The State will focus on creating an environment that would facilitate idea generation for enterprise development.

Universities

Public universities will introduce the concept of “gap year” to allow student entrepreneurs to work full-time on their ventures. Public universities will allow student entrepreneurs to be eligible for campus placements for up to two years after their graduation. Public universities will accept students to undertake massive open online courses (MOOCs) towards the fulfillment of college course credits. Universities can independently collaborate with online education platforms to design courses. Universities shall offer an option of undertaking a Minor(s) in Entrepreneurship, Innovation, and/or Creativity Development along with their primary course degree which will be designed in conjunction with top academic institutions and industry veterans.



Schools

The Government will conduct workshops to inculcate entrepreneurial skills i.e. risk taking, critical thinking, digital literacy etc. at school-level in association with organizations that specialize in this field. Students that participate in innovative activities will be recognized. Startup kits will be distributed to schools in order to orient school students towards innovation.



Community Builders

In association with leading incubators and co-working spaces, the State will organize workshops for students or professionals aspiring to being incubator managers. Also, the State will maintain a presence on online startup communities.



Role Models

In conjunction with startup-centric news media, success stories of rising regional entrepreneurs in Maharashtra will be publicized. Marketing is key to reaching out to the masses and ignite the fire of entrepreneurship.



Faculty

Universities shall nominate one (if any) faculty member to promote innovation on campus. Premier education institutions will mentor the nominated faculty. In order to incentivize university to start up, they will be allowed to hold an equity stake in a ventures co-founded or mentored by them.



TEDCs

A TEDC – a precursor to an incubator – will be established within the universities to enable students to undertake innovative projects and entrepreneurial activities. The university would nominate a faculty to manage the TEDC. Under the TEDC, student-driven technology clubs will be instituted. The Government, esp. District authorities will engage with student clubs on projects related to its own tech requirements.



Mentors

The State will ensure greater access to professional advice by partnering with mentor networks and industry associations across the globe to institute a mentorship program for startups. NRI alumni of Maharashtra will be engaged as mentors as well as in the generation of innovative ideas. They may register themselves at the *Leapfrog Maharashtra* portal to facilitate structured interactions.



EdTech

The State will partner with EdTech platforms to institute a scholarship to enable university students and working professionals to undertake verified certificate programs in areas such as machine learning, AI etc. EdTech platforms will be responsible for selection of candidates.



Organize Competitions & Events

Various events and competitions will be organized in State to stimulate and provide national and international exposure to the startup ecosystem.

Startup Week

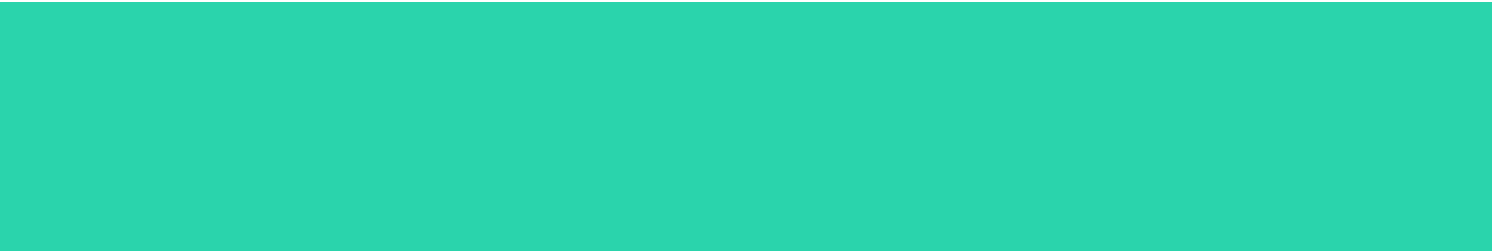
Startup Week will be celebrated in every calendar year. Startups from selected sectors will be invited through an EoI for a “proof of concept opportunity”, where they will pitch to a panel comprising of Government officials, renowned industry players and investors. Three startups from each selected sector will be selected and awarded a work order of amount of ₹10-15 lakhs to prove their concept. It is expected that MSInS may provide proof of concept opportunity to about 15 to 20 startups every year.

Grand Challenges

Problem statements will be designed around the state’s most pressing issues, and innovators from across India will be invited to submit proposals. The top 25 teams will present their solutions, from which one winner will be chosen. The winning team will have access to Government funding, personnel and data to implement their solutions.

B-Plan Competitions

City-, District- and State-level competitions will be organized inviting school and college students to propose business ideas to address issues faced by local communities and society-at-large. The best ideas shall be felicitated.



Startup Symposia

The State will organize a **two-day** Start-Up Symposium to bring together innovators, incubators, investors, industry associations and academic institutions from across India and beyond. The event will rotate between major cities of Maharashtra to engage and encourage the startup communities in these geographies.

Get-Togethers

Get together of sector-wise industry players, government departments, academia and startups shall be organised periodically. These shall be for exposure, learning, discussions, mentoring as well as to explore opportunities of “proof of concept” orders.



Governance

The **MSInS** has been established to foster innovative approaches and solutions that contribute towards bridging the economic divides in the State. The **MSInS** will boost innovation-driven performance and efficiency in every sector. The main objective of the Society is to provide a platform to entrepreneurs, researchers, academics and Government to foster a culture of innovation by drawing upon national and international experiences.

Maharashtra State Innovation Society (MSInS)

The MSInS will be the state level nodal agency for implementing, monitoring and evaluation of this policy. The MSInS will monitor and evaluate the policy annually, and bring in amendments to the policy, if necessary, to be relevant to the changing needs of the startup ecosystem.

