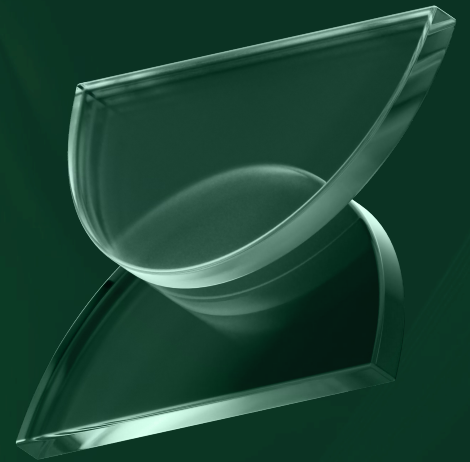


Begur Bulletin

StartUps

Whitepaper 2025

September, 2025



Managing Partner's Foreword

Welcome to this edition of the **Begur Bulletin**, where we strive to bring you insightful, relevant, and timely analyses on the legal and business developments shaping our industries today. At **Begur & Partners**, we take pride in our multifaceted expertise, which spans across multiple *"Focus Areas"* and a diverse range of *"Sectors"*, reflecting the depth of our practice established over three decades. In an ever-evolving global landscape, it is imperative to stay informed about the legal nuances and trends that impact businesses, individuals, and institutions alike. Through the **Begur Bulletin**, we aim to share not only our knowledge but also our perspective on these critical developments, empowering our readers to navigate challenges and seize opportunities with clarity and confidence.

Each **Begur Bulletin** is carefully curated to address pressing topics, offering deep analysis and insight that is not only legally sound but also practical and actionable. From corporate mergers to emerging technologies, our insights reflect our commitment to the pursuit of legal excellence and thought leadership in the legal domain. I invite you to explore this edition and reflect on the ideas shared within. As always, we welcome your feedback and look forward to continuing this dialogue with you, our esteemed readers, and hope to contribute to the ever-dynamic legal and business landscape.

Thank you for your continued trust and engagement.

Warm Regards,

Rajesh Begur

Managing Partner, Begur & Partners

White Paper

On

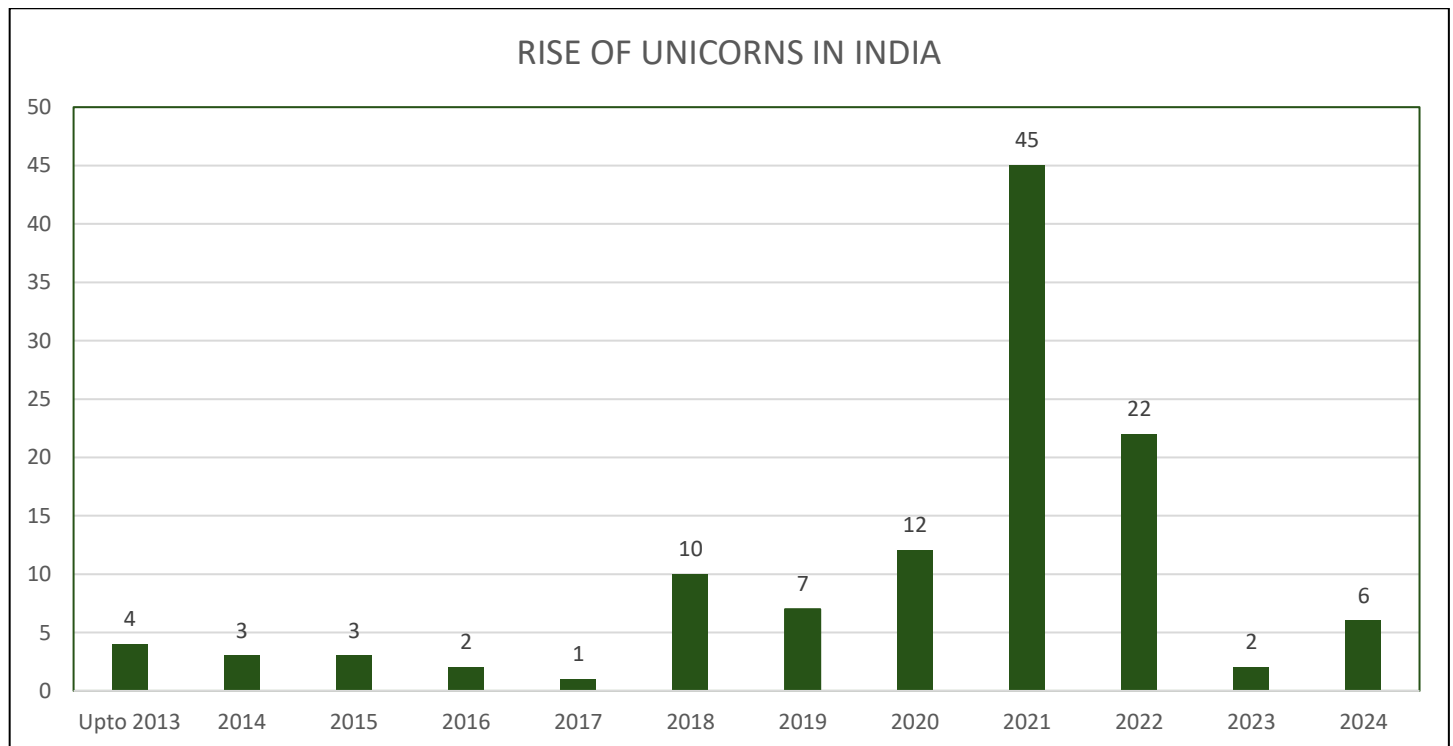
STARTUPS

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BIRD'S EYE VIEW

India has emerged as a global startup powerhouse, driven by a thriving entrepreneurial ecosystem, robust capital inflows, and an expanding consumer market. Ranked third globally in unicorn count, India has 117 unicorns which have collectively raised more than \$100 Bn in funding to date. Additionally, the country has a strong pipeline of 112 soonicorns—startups on the verge of achieving unicorn status—that have raised more than \$15 Bn+ in funding and boast a combined valuation exceeding \$40 billion.



*Note: 2024 data is as of December 05, 2025

**Source: Inc42

The Startup India initiative, launched on January 16, 2016, has been instrumental in fostering this growth. As of December 31, 2024, the number of DPIIT-recognized startups has reached 1,57,706, generating over 17.28 lakh direct jobs. According to a new report by executive search firm Longhouse, the number of startups is projected to double from 120,000 in 2023 to 240,000 by 2030 creating over 50 million jobs.

PROJECTED GROWTH		
Metrics	2023	2030E
Total Startups	120,000	240,000
Unicorns	114	280
Total Job Creation	N/A	50mn
Direct white-collar jobs	1.5mn	4-5mn

Gig economy jobs	N/A	9-10mn
Indirect Jobs	N/A	35-40mn

Source: Longhouse

India's startups have also continued to attract significant investment, reflecting growing investor confidence and interest in the country's entrepreneurial landscape. According to Tracxn, 2024 Indian startups witnessed \$30.4 billion in investments. However, this marks a decline of approximately 6.5% in investment value from the \$32.5 billion secured in 2023.

This white paper aims to delve into the current state of the startup ecosystem in India, exploring the key factors driving its growth, the challenges faced by entrepreneurs, and the various government policies and initiatives, which are shaping the future of startups in the world's third largest startup ecosystem.

WHAT IS A STARTUP?

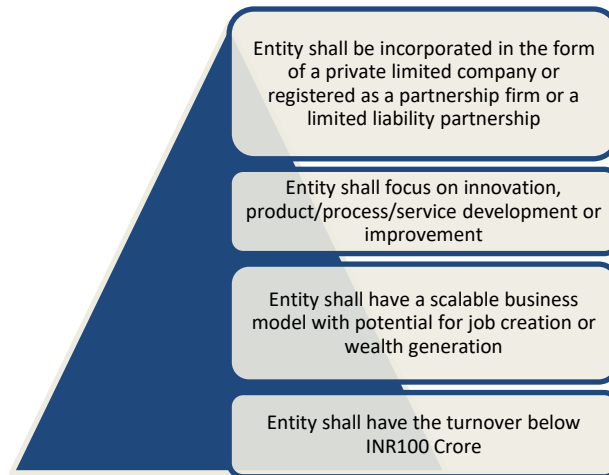
Merriam-Webster defines a startup as '*a fledgling business enterprise*'. Y Combinator defines a startup as '*a small, early-stage company designed to grow fast*'. Innovation has been recognised as a critical factor in economic growth and it has been directly linked to start-up companies that are '*human institutions designed to create a new product or service under conditions of extreme uncertainty*'. American entrepreneurs Steve Blank and Bob Dorf define a startup as an organization seeking a repeatable and scalable business model, distinguishing it from traditional small businesses like restaurants entering mature markets.

In India, the Ministry of Commerce and Industry through the Department for Promotion of Industry and Internal Trade ("**DPIIT**") notified the definition of a Startup on February 19, 2019, vide notification G.S.R. 127(E). Clause 1(a) of the notification states that '*An entity shall be considered as a Startup upto a period of ten years from the date of incorporation/ registration if it is incorporated as a private limited company or registered as a partnership firm or a limited liability partnership in India and its turnover for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees. Further, the entity shall focus on innovation, product/process/service development or improvement, and shall have a scalable business model with potential for job creation or wealth generation and is not created by splitting or restructuring an existing business.*'

LIFE CYCLE OF A STARTUP

I. Recognition of a Startup

An entity can apply for startup recognition at the portal of Startup India. DPIIT may grant the certificate of registration to the entity if it complies with all the pre-requisites mentioned below:



II. **Post- Registration Compliance for a Startup:**

- a) Changes in the name of a recognized Startup necessitated under the relevant provisions of the applicable Act will be permitted.
- b) Any changes necessitated in CIN/LLPIN due to (a) change in domicile State, or (b) due to conversion as in para-3 above, (c) change in industry/ sector subject to cancellation of existing certificate, shall be permitted subject to the approval obtained as per the relevant act.
- c) Recognition of an entity having a common director/designated partner/partner with any other entity shall be allowed to the extent permissible under the provisions of the Companies Act, 2013.
- d) Conversion of an entity from one form to another shall not act as a bar for availing recognition subject to the fulfilment of conditions provided in sub-section (3) of section 80-IAC of the Income-tax Act, 1961.

III. **De-Recognition of a Startup**

A Startup will be de-recognized if any of the below mentioned event occur:

- a) A sole proprietorship is not eligible to apply for recognition.
- b) Entities incorporated outside India will be ineligible for recognition.
- c) Entities operating in domains specifically prohibited by law shall not be recognized.
- d) Any entity formed by Joint Venture will not be recognized, and any Startup entering into any Joint Venture will be derecognized.
- e) Holding/Subsidiary Companies of the Startup will not be recognized as a startup.
- f) Any startup becoming a holding/subsidiary of any company after recognition will be derecognized.
- g) Entity formed due to Merger/ Demerger/ Acquisition/ Amalgamation/ Absorption will not be recognized as a Startup.
- h) Entities formed due to compromise/ arrangement as provided under the Companies Act, 2013, will not be recognized as Startup.
- i) If the shareholding by Indian promoters in the startup falls below 51%, as per Companies Act, 2013, and SEBI (ICDR) Regulations, 2018 at any time after recognition will be derecognized.

- j) Incorporating additional entities having a similar address with the same production line/services and at least one common director/ designated partner/partner will not be recognized as a startup.
- k) Related party transactions shall not be allowed except transactions on an arm's length basis.




GENERAL BENEFITS OF A STARTUP

Category	Details
Intellectual Property Rights (IPR)	<ul style="list-style-type: none"> ➤ Fast-Tracking of Applications: Expedited processing of patent and trademark filings. ➤ Patent Filing Fee Rebate: 80% reduction in fees (INR 8,000 → INR 1,600). ➤ Trademark Filing Fee Rebate: 50% reduction in fees (INR 10,000 → INR 5,000). ➤ Access to IPR Facilitators: Expert guidance on patent, trademark, and design protection. ➤ Government-Covered Facilitator Fees: Costs for patents, trademarks, and designs are covered by the Central Government.
Easier Procurement Norms	<ul style="list-style-type: none"> ➤ Relaxed Public Procurement Norms: Startups are exempt from prior turnover, prior experience, and earnest money deposit (EMD) requirements in government tenders. ➤ Access to Government e-Marketplace (GeM): DPIIT-recognized startups can register and sell on India's largest e-procurement platform. ➤ EMD & Bid Security Exemption: DPIIT-recognized startups are not required to submit Earnest Money Deposit (EMD) or bid security for government tenders. ➤ Preferred Bidder Status: DPIIT-recognized startups can become preferred bidders on CPPP portals, which host over 2,00,000 tenders annually.
Labour & Environment Laws Compliance Relaxations	<ul style="list-style-type: none"> ➤ Self-Certification for Compliance with Labour Laws: Startups can self-certify compliance with 6 labour laws and 3 environment laws. ➤ Exemption from Inspections: Eligible Startups are exempt from inspections for up to 5 years unless a written violation complaint is received. ➤ Self-Certification for Compliance with Environment Laws: 'White category' startups can self-certify compliance with environmental regulations, with only periodic random checks.
Initial Public Offering (IPO) Relaxations	<ul style="list-style-type: none"> ➤ Reduced Holding Period: Early-stage investors can exit after one year (previously two). ➤ Flexible IPO Allocations: Up to 60% of IPO size can be allocated on a discretionary basis to eligible investors subject to 30-day lock-in. ➤ Higher Open Offer Trigger: Threshold increased from 25% to 49% (except in management control changes). ➤ Simplified Delisting: Requires 75% ownership post-offer, with at least 50% of public shares tendered.

FUNDING BENEFITS FOR STARTUPS





I. Central Funding Schemes

The Central Government, through DPIIT and other key institutions, offers various startup funding schemes. The most prominent funding initiatives are outlined in the table below:

S.no.	Scheme	Details
1.	Startup India Seed Fund Scheme (SISFS) 	<ul style="list-style-type: none"> ➤ DPIIT has allocated INR 945 Crore to provide financial assistance to startups for Proof of Concept, prototype development, product trials, market entry, and commercialization. ➤ Announced by the Hon'ble Prime Minister during the Startup India International Summit "Prarambh" on January 16, 2021. ➤ Eligibility: Startup must be recognized by DPIIT. – Should not be incorporated more than 2 years ago at the time of application.
2.	Credit Guarantee Scheme for Startups (CGSS) 	<ul style="list-style-type: none"> ➤ Provides credit guarantees to loans for startups from banks, NBFCs, and SEBI-registered AIFs. ➤ Guarantee Mechanism: CGSS does not provide guarantee cover directly to DPIIT-recognized startups but via NCGTC (Trustee), which extends cover to financial institutions lending to startups. ➤ Guarantee Coverage: - 80% for loans up to INR 3 Crore - 75% for loans between INR 3-5 Crore - 65% for loans above INR 5 Crore (up to INR 10 Crore per borrower).
3.	SIDBI Fund of Funds Scheme (FFS) 	<ul style="list-style-type: none"> ➤ The government has set up INR 10,000 Crore to support startups by stimulating private investment. ➤ Managed by SIDBI, this fund invests in SEBI-registered AIFs, which further invest in startups. ➤ Flow of Funds: Government → SIDBI → Venture Capital Funds → Startups. ➤ As of January 31, 2024: - INR 10,229 Crore committed to 129 AIFs - INR 4,552 Crore distributed to 92 AIFs - 939 startups benefited with a total injection of INR 17,452 Crore. ➤ Example Funds under FFS: <ul style="list-style-type: none"> i. (9Unicorns Accelerator Fund I: Provides \$300K-\$1M per startup initially and \$500K-\$2M in successive rounds. ii. (Aavishkaar Bharat Fund: Invests \$5M-\$25M in early-growth stage enterprises.

II. State Government Funding Schemes


Several State Governments, through their respective startup missions, venture funds, and industry development boards, offer various funding schemes. The most prominent state-level funding initiatives are outlined in the table below:

S.no.	Scheme	Details
1.	Karnataka Startup Policy 	<ul style="list-style-type: none"> ➤ Financial Assistance: <ul style="list-style-type: none"> i. Idea2PoC Grant – Up to ₹50 Lakh for early-stage startups. ii. Elevate Program – Investment support for innovative startups. ➤ Venture Capital Fund: ₹100 Crore fund for deep-tech startups, including e-commerce. ➤ Marketing Support: Reimbursement of 30% of international marketing expenses, up to ₹5 Lakh per year. ➤ Tax Incentives: - Service tax reimbursement for startups in government-supported incubators (up to ₹50 Lakh turnover for three years). Preferential Market Access: - Policies to enable startups to participate in government procurement. <p>Link: https://itbtst.karnataka.gov.in/storage/pdffiles/Startup_Policy_2022-27-Kan_Eng.pdf</p>
2.	Uttar Pradesh Startup Policy 	<ul style="list-style-type: none"> ➤ Aims to position Uttar Pradesh among the top three startup-friendly states by supporting 100+ incubators, 1M sq. ft. of incubation space, and 10,000+ startups. ➤ Key Benefits for Eligible Startups: <ul style="list-style-type: none"> i. ₹15,000 monthly sustenance allowance (up to 1 year). ii. Up to ₹5 Lakh in seed capital/marketing assistance. iii. Event reimbursements (₹50K – ₹1 Lakh). iv. Dedicated UP Startup Fund for financial support. <p>Link: http://test.omninet.in/stratinup/wp-content/uploads/2023/01/Startup-Policy-english_091122.pdf</p>
3.	Maharashtra State Innovative Startup Policy  	<ul style="list-style-type: none"> ➤ Establishment of a fund-of-funds with a total corpus of Rs. 500 Crore ➤ Relaxation under Shops & Establishment Act for asset-light startups to register at residential addresses. ➤ Reimbursements in lieu of State Goods and Services Tax (SGST) paid by Startups. ➤ 100% waiver on stamp duty & registration fees for rented spaces (first 3 years), 50% waiver for the next 3 years. ➤ Compensation for quality testing costs at BIS-accredited labs. ➤ 80% rebate on patent filing fees, up to ₹2L for Indian patents & ₹10L for international patents. <p>Link: https://static.investindia.gov.in/s3fs-public/201904/Maharashtra_State_Innovative_Startup_Policy_2018.pdf</p>

*Several other State Governments have also introduced their own Startup Policies, which are not covered in this whitepaper.

STARTUP EVENTS

India hosts a vibrant startup ecosystem with numerous events designed to foster innovation, collaboration, and investment. These events provide a platform for entrepreneurs to showcase their ideas, connect with investors, and gain industry insights. Please find below a table encapsulating the key startup events organized in India:

S.No	Event Name	Details
1.	Startup Mahakumbh 	<p>One of India's largest startup events, aimed at fostering innovation, investment, and collaboration feature 3,000 startups, 1,000+ investors and incubators, 10,000+ delegates from 50+ countries, and 50,000+ business visitors. It brings together entrepreneurs, policymakers, industry leaders, and investors to discuss emerging trends, showcase startups, and enable funding opportunities through pitching sessions and networking.</p> <p>Link: https://startupmahakumbh.org/</p>
2.	Global Startup Summit 	<p>A premier business and networking event that connects startups with investors, grant providers, and business service experts. It focuses on knowledge sharing, strategic partnerships, and mentorship to help startups scale their businesses efficiently. The event includes panel discussions, startup showcases, and investor meetups.</p> <p>Link: https://www.globalstartups.club/</p>
3.	Startup Hub Expo 	<p>A large-scale exhibition that showcases 350 cutting-edge innovative startups across various sectors, including fintech, AI, healthcare, and sustainability. It provides a platform for startups to showcase their solutions, interact with industry stakeholders, gain market exposure, and attract funding from potential investors and incubators.</p> <p>Link: https://www.startuphubexpo.com/</p>

TAX BENEFITS FOR STARTUPS

Recognizing the critical role of startups in driving economic growth and innovation, the Indian government has introduced various tax incentives to support early-stage ventures. These benefits aim to ease financial burdens, encourage investment, and foster a thriving entrepreneurial ecosystem. The table below outlines key tax benefits available to startups in India, along with their eligibility criteria and applicable provisions

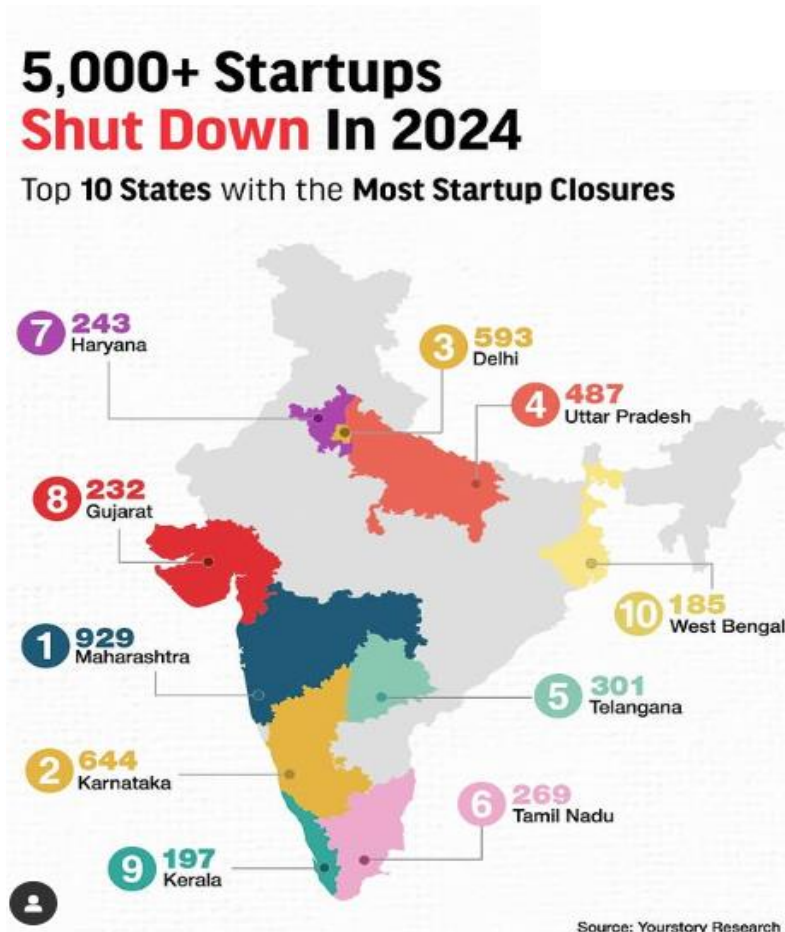
Aspect	Section 80 IAC Tax Exemption	Section 56(2) (Viib) Exemption	Section 54 EE- LTCG Exemption	Section 54GB Exemption	Section 79 Set-off of Carry Forward Losses Allowed
Eligibility Criteria	<ul style="list-style-type: none"> - DPIIT Recognized Startup - Private Limited company or Limited Liability Partnership - Incorporated before April 1, 2020 	<ul style="list-style-type: none"> - DPIIT Recognized Startups - Private limited company. - Issuance of shares above fair market value 	<ul style="list-style-type: none"> - DPIIT Recognized Startups - Maximum Investment Amount: 50 Lakhs - Investment Lockin Period: 3 years. 	<ul style="list-style-type: none"> - DPIIT Recognized Startups. - Sale of Residential Property and subsequent reinvestment of the proceeds in SMEs or purchase of shares of eligible startups 	<ul style="list-style-type: none"> - DPIIT Recognized Startups - Private limited company that satisfy: <ul style="list-style-type: none"> • 51% shareholding /voting power continuity; or • 100% of original shareholders must remain.
Tax Exemption Benefit & Conditions	Tax Holiday: Applicable on 8 out of 10 consecutive financial years post-clearance.	Tax Exemption: Exemption on shares issued up to INR 25 Cr for specified investors: Listed cos., Accredited Inv., Non-Residents, Category I AIFs.	LTCG Exemption: <ul style="list-style-type: none"> - LTCG is exempt if invested in govt-specified fund within 6 months; - Exemption is Revoked if invested gains are withdrawn before 3 years 	LTCG Exemption: <ul style="list-style-type: none"> - Shares not to be sold for 5 years; and - invested amount must be used for purchasing assets, assets non-transferable for 5 years 	Carry Forward Losses: Losses can be carried forward for up to 7 years from incorporation.

MAJOR CHALLENGES FACED BY STARTUPS

I. Operational Failures in Indian Startups (2024)

In 2024, over 5,063 startups in India shut down, representing 3.3% of the 1.52 lakh registered startups under the Startup India Program. The high rate of closures underscored significant challenges faced by emerging ventures, including funding constraints, investor caution, and economic slowdowns. Many startups struggled

with financial instability due to reduced capital inflows and difficulties in securing investment. Regulatory hurdles and evolving policies further complicated the business environment, adding compliance burdens on fledgling companies. Additionally, poor market validation, unsustainable business models, and operational inefficiencies prevented scalability and long-term growth. These challenges highlighted the importance of adaptability, financial planning, and regulatory compliance for startups.



II. Impact of Paytm, Byju's and Ola Electric on Indian startup ecosystem

Recent challenges faced by high-profile startups in India, such as Paytm, Byju's, and Ola Electric have raised concerns about the evolution of the startup and entrepreneurship landscape in the country. Paytm's fintech arm, Paytm Payments Bank (PPBL), encountered regulatory limits imposed by RBI due to non-compliance with banking norms and KYC requirements, leading to operational difficulties. On the other hand, Byju's faced accusations of money laundering against founder-CEO Byju Raveendran and pressure from investors seeking his removal, along with enforcement actions related to the Foreign Exchange Management Act (FEMA). Similarly, Ola Electric encountered financial distress, with an insolvency petition filed against its subsidiary by an operational creditor due to alleged payment defaults, raising concerns over financial management in the sector. These challenges have significantly impacted the valuations and operations of these companies, highlighted the complexities and risks inherent in the startup ecosystem.

HOW WE CAN ASSIST

BEGUR & PARTNERS' start-up focused team provides solution driven and domain specific legal advice that addresses the unique needs of Start-ups and emerging entrepreneurs and businesses. Our team believes in walking side by side with start-ups in their entrepreneur journey as business enablers supporting them right from selecting the suitable business structure/entity to their funding stage. Our firm's expertise in understanding the nuanced needs of start-up founders and entrepreneurs as well as investors allows us to provide strategic advice that is focused on legal risk mapping and mitigation strategies on a proactive basis. In that sense, the start-ups can rely on us as their in-house counsels.

Our team has provided counsel to numerous start-ups on their start-up idea validation, entry & exit strategy, employment and IP considerations, strategic initiatives likes employee stock option structuring, and investment support right from pre-seed, series A investment stage to growth stage across industries such as AI, Deeptech (including but not limited to Agritech, Biotech and Climate Tech), Fintech, Healthcare, E-commerce, B2B & Manufacturing, D2C, Infrastructure, Gaming, and Space to name a few.

By blending traditional legal practices with innovative approaches, we ensure that start-ups are well-equipped to protect their interests and achieve their business objectives at every stage. The Firm provides a comprehensive range of services that cover all aspects of the start-up life cycle.

OUR CAPABILITIES

Business Structure/ Entity Selection and Incorporation	Structuring and FDI, ODI, FPI Advice
Start-up Legal Documentation	IP Registration, Protection & Enforcement
Deal Documentation (including NVCA financing documents), Negotiations and Post Compliance Support	ESOP Strategy & Structuring
Reverse Flipping & Externalisation	Exit (including IPO)
Venture Capital, Angel Investments & Advisory	Compliance, Licenses & Registrations (DPIIT Start-up registration etc)
Structuring and FDI, ODI, FPI Advice	Venture Debt & Inter-Corporate Loans

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• **MUMBAI**

📍 The Capital, B/513, Bandra Kurla Complex, Bandra (East), Mumbai, Maharashtra 400051

☎️ (+9122) 40049800 | 40049801

✉️ communications@begurs.com

• **BENGALURU**

📍 236 Sumitra, 2'C Cross, 1st Main Rd, 2nd Stage, Domlur, Bengaluru, Karnataka 560071

☎️ (+91-80) 4123 9800 | 40936801

✉️ communications@begurs.com

• **UAE**

📍 A4-115, Building No. A4, Al Hamra Industrial Zone – FZ, RAK – United Arab Emirates.

☎️ (+971) 502234052

✉️ communications@begurs.com



Latest Awards and Recognitions

RSGI Resight (RSG India)

IBLJ A List
A List (2023-2024)

ALB India Law Awards 2025
Notable Firm (2024)

Legal 500
Private Equity (including Venture Capital) - Tier 5 (2025)

IFLR1000 (34th Edition) 2024

1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

Corporate INTL Global Awards

Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

Forbes India – Legal Powerlist 2023

Top Law Firm (above 10 years' experience)

Asia Law 2022

Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

Global Law Expert 2021

Cross Border Private Equity Transactions Law Firm of the year

RSG Consulting 2019

Top 40 Indian Law Firm

