



7.3. INVESTMENT ECOSYSTEM

7.3. Investment Ecosystem

Access to appropriate funding is crucial for the success of Startups at different stages of their journey. While there are many sources of funding available, the State of Tamil Nadu is committed to bridging the gap between the source and the destination by creating curated platforms that match Startups with the right kind of funding.

In recent years, the success of a Startup is determined by its valuation and the investment it attracts due to its unique business model. Therefore, dedicated platforms will be designed to facilitate easy investment for investors and to attract funds for potential investees. These platforms will be created to cater to the different stages of a Startup's journey, from early-stage seed funding to later-stage growth funding.

The curated platforms will be created in collaboration with financial institutions, Venture Capitalists, Angel Investors, and other key stakeholders in the Startup ecosystem. These platforms will be promoted extensively to attract investors from across the globe who are interested in investing in innovative and disruptive Startups in Tamil Nadu. By creating these platforms, the State hopes to provide a much-needed boost to the Startup ecosystem and drive economic growth.

7.3.1. Seed Investment

7.3.1.1. TANSEED

The Tamil Nadu Startup Seed Fund (TANSEED) has been revamped to function as a Support Equity-linked grant fund scheme that provides early-stage Startups with funding of up to Rs. 15 lakh for Rural Impact, Climate Action, and Women-led Startups, and Rs. 10 lakh for other sectors. As a part of the funding, StartupTN will take a 3% Support Stake in the Startup ventures and provide them with a one-year accelerator programme that includes mentorship support, priority access to compliance support services, and various networking events and initiatives. TANSEED beneficiaries may also be supported to participate in government tenders/bids. StartupTN shall earmark 25% of the total TANSEED assistance to Women-led Startups, and 10% for Rural Impact Startups. TANSEED beneficiaries will also have the opportunity to participate in national and international Startup delegations.

7.3.1.2. TANSKALE

According to the Government Order G.O.(Ms.) No. 49, Micro, Small and Medium Enterprises (A) Department, Dated 18.06.2020, the Government of Tamil Nadu

can make investments of up to INR 50 lakh in association with private investment agencies. Each year, 10 growth-stage Startups will benefit through this scheme. Investments of up to INR 50 lakh will be made for the same equity agreed upon by the co-investment partner. A maximum budget of INR 5 crore per year will be allotted for this initiative. Reinvesting in more Startups can be facilitated by successful exits.

7.3.2. SC / ST Startup Promotion

One of the guiding principles of Tamil Nadu is Social Justice. To encourage and promote social inclusion, the State Government has been a pioneer in reaching out to entrepreneurs from the Scheduled Caste and Scheduled Tribe Communities (SC/ST), which are under-represented in the Startup ecosystem.

7.3.2.1. TN SC/ST Startup Fund

This unique fund enables entrepreneurs from the Scheduled Caste and Scheduled Tribe Communities (SC/ST) to explore and expand their business capabilities. StartupTN will identify beneficiaries from the SC/ST communities to provide assistance in the form of equity investment or debt. By this, the Government of Tamil Nadu will become a shareholder in the Startup. This helps to build confidence in the Startup and spurs a revolution among the under-represented communities. Scalable business models and models based on Indigenous Traditional Knowledge (ITK), which can be commercialised, will be encouraged. Already, 21 SC/ST Startups have been sanctioned assistance amounting to INR 28.1 crore. The Government of Tamil Nadu has the ambition of providing support to 200 Startups run by entrepreneurs from SC/ST communities during the policy period. A dedicated team has been formed in StartupTN to ensure smooth functioning of this initiative.

7.3.2.2. Annal Ambedkar Business Champions Scheme

The State Government has launched a flagship scheme named 'Annal Ambedkar Business Champions Scheme' to promote business ventures from founders by SC/ST communities. Under this scheme, 35% capital subsidy and 6% interest subventions are given to the entrepreneurs. The scheme also offers specialized training and mentoring services. This scheme can be availed by the manufacturing and services sectors. The Government has allocated INR 100 Crore for this scheme in 2023-24.

7.3.3. AngelsTN

The Government of Tamil Nadu launched a new engagement platform called AngelsTN, aimed at bringing together the global Tamil diaspora and other angel networks operating in India and overseas. This initiative will provide a single platform for Startups in Tamil Nadu to connect with potential investors. AngelsTN will also organise investor sensitization programmes and an annual Investor Conclave. The primary objective is to facilitate pre-seed/seed funding and encourage High Net-Worth individuals to become angel investors.

7.3.4. TANFUND

This will be Tamil Nadu's first online aggregator platform for venture capital and private equity funds from which Startups and scaling ventures in the State can access multiple venture capital and private equity funds. The nature of the platform is such that the funds can be thematic and sector or stage specific. This ensures diversity and provides opportunities for Startups to interact with a broad spectrum of funds. The onboarded entities will be offered a range of engagement services to improve the ease of the investment process.

7.3.5. Co-Creation Fund

The Tamil Nadu Government will create a INR 100 crore Fund of Funds, called the Tamil Nadu Co-Creation Fund, for investing in regional and thematic funds. The Fund, to be managed by respective investors and coordinated by StartupTN, is inspired by the Yozma (meaning 'initiative') model, established by the Israeli Government in the 1990s to kick-start innovative industries by investing in new venture capital funds.

The Government of Tamil Nadu will contribute 40% (with a ceiling of INR 10 crore) in Regional, Rural Impact, Women and Climate Action-focused funds and 20% (with a ceiling of INR 5 crore) in other thematic funds promoted by the private sector. The fund size should be INR 20 crore and above in case of a new fund. The government will bear 75% and 50% of the fund setup costs, respectively, for the above mentioned categories. The operations will be managed by the fund promoters.

7.3.6. Tamil Nadu Emerging Sector Seed Fund

The Tamil Nadu Emerging Sector Seed Fund promoted by TIDCO,

Government of Tamil Nadu for investing in MSME companies and Startups in the emerging sectors. This sector-agnostic fund focuses on innovative and high growth enterprises in the State. This SEBI-registered CAT-I Alternative Investment Fund was created with an anchor investment of INR 100 crore and is managed by Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC). StartupTN is associated with TNIFMC in promoting the fund.

7.3.7. Revival Support

Provision for failure or restart should be made in any policy that envisions revitalising a system. The Government of Tamil Nadu will provide support to Startups that have viable products or services but are on the verge of closure for reasons like uncertainty in the next round of funding or inability to meet capital requirements, rising inflation & interest rates and any other logical reasons. The State Government will collaborate with incubators and private organisations to provide dedicated support services to restructure their business model. This initiative will also help Startups to exit their venture through guided support. StartupTN will facilitate expediting this process in association with corporate lawyers and CAs.

7.3.8. Startup Thamizha

Startup Thamizha is a distinctive television reality show which will be designed to raise awareness of entrepreneurship, innovation, and investment in Tamil Nadu-based Startups. The show will feature pitching events in front of investors during prime time television, serving both as an educational and investment opportunity for Startups. Professional agencies will manage the programme, with an expected investment of INR 30 crore to 50 crore per season. This initiative will not only attract investments but also foster a culture of entrepreneurship and seed investing in the State.

7.3.9. Venture Capital Facilitation

The Government of Tamil Nadu will provide on demand workspace for investment agencies that are registered with TANFUND, for easy coordination. Startups will be empowered through exposure to business planning sessions to become investor-ready. StartupTN will organise facilitation programmes for HNIs and Ultra-HNIs to explore opportunities for participating in Tamil Nadu-based VC and Angel funds.

7.3.10. Conventional Financial Institution Engagement

Nationalised and private banks and other financial institutions will be approached to open dedicated Startup branches or desks in major towns and cities across the State. These branches will have staff trained to address or respond to the special needs of Startups like opening of bank accounts, collateral free loan requests and foreign exchange facilitation. StartupTN will enter into agreement with these financial institutions and provide a curated list of potential Startups. Startups across sectors will be provided a dedicated platform to pitch to these financial institutions to attract funds. As recommended by the National IPR Policy, the Conventional Financial Institutions will be encouraged to consider IP generated by Startups as collateral. Sensitisation programmes will also be organised for the representatives of these banks and financial institutions on the need to encourage new-age entrepreneurship.

7.3.11. EIR Programme

A corporate Entrepreneur-in-Residence (EIR) programme will be launched in association with reputed industry associations as a transparent process to provide 50% of the last drawn salary or INR 1 lakh (whichever is lesser) for a period up to 12 months to corporate executives to quit their jobs and start their own ventures. An accelerator programme will be co-created with the associations to mentor the EIRs during the period. This project may help some of the seasoned corporate executives to become entrepreneurs.

7.3.12. Other Financial Incentives

Early-stage Startups are MSMEs. They will be entitled to various facilitation services extended through FaME TN and can also benefit from the incentive schemes for MSMEs such as New Entrepreneur-cum-Enterprise Development Scheme (NEEDS), Unemployed Youth Employment Generation Programme (UYEGP), Prime Minister's Employment Generation Programme (PMEGP) and subsidies such as capital subsidy, Low Tension Power supply Tariff (LTPT) subsidy, Back Ended Interest Subsidy (BEIS), energy efficiency subsidy under Promotion of Energy Audit and Conservation of Energy (PEACE), Quality Certification (Q-cert) support, payroll subsidy and other manufacturing sector subsidies will be extended to Startups under the Manufacturing sector. Some of the major incentive schemes are listed below:

S. No.	Schemes	Benefits (for MSMEs)
1.	New Entrepreneur cum Enterprise Development Scheme (NEEDS) (to encourage first-generation entrepreneurs)	Individual-based subsidy at 25% on the value of capital investment (maximum INR 75 lakh and 3% interest subvention for the entire repayment period)
2.	Unemployed youth employment generation program (UYEGP) (To mitigate unemployment problems)	25% subsidy on the project cost (maximum INR 3.75 lakh)
3.	Annual Ambedkar Business Champions Scheme (AABCS) (An exclusive scheme for SC/ST entrepreneurs)	35% subsidy on the value of capital investment (Maximum INR 150 lakh) and 6% interest subvention for the entire repayment period
4.	Prime Minister's Employment Generation Program (PMEGP) (To promote employment generation)	15% to 35% subsidy on the project cost
5.	Prime Minister's Formalization of Micro food processing Enterprises (PMFME) (formalization of Micro food processing Enterprises through institutional credit)	35% subsidy on the project cost (maximum INR 10 lakh)
6.	Capital Subsidy	
a.	Capital Subsidy for Micro manufacturing Enterprises	25% subsidy on the value of eligible plant and machinery subject to a ceiling of INR 25 lakh

S. No.	Schemes	Benefits (for MSMEs)
b.	Capital subsidy for Small and Medium Manufacturing Enterprises	25% subsidy on the value of eligible plant and machinery subject to a ceiling of INR 150 lakh for enterprises located in industrially backward blocks and Industrial Estates
c.	Additional Capital Subsidy for Micro Manufacturing Enterprises	10% additional subsidy on the value of eligible plant and machinery subject to a ceiling of INR 5 lakh
d.	Additional capital subsidy for select category of entrepreneurs (Women/SC/ST/Differently abled/Trans people)	Additional capital subsidy for select category of entrepreneurs (Women/SC/ST/Differently abled/Trans people)
e.	Additional capital subsidy for promotion of cleaner and environment-friendly technologies (For equipment installed for cleaner production process)	25% subsidy on the value of eligible plant and machinery subject to a ceiling of INR 10 lakh
f.	Additional capital subsidy for scaling up (for enterprises which have graduated from the Micro to Small or Small to Medium category)	5% subsidy on the value of eligible plant and machinery subject to a ceiling of INR 25 lakh
7.	Special capital subsidy for Thrust Sector Enterprises	25 thrust sector activity established anywhere in the state can avail 25% subsidy on the value of eligible plant and machinery subject to a ceiling of INR 150 lakh

S. No.	Schemes	Benefits (for MSMEs)
8.	Payroll Subsidy	Reimbursement of employer's contribution to EPF for 3 years if employed more than 20 persons, not exceeding INR 24,000 per employee per annum
9.	Low Tension Power Tariff Subsidy (LTPT)	20% Subsidy on power consumption charges for micro manufacturing enterprises for 36 months
10.	Back Ended Interest Subsidy (BEIS)	5% of interest subsidy on term loans subject to a maximum of INR 25 lakh for a period of 5 years for term loans up to INR 5 crore obtained for technology upgradation/ modernization and under credit guarantee fund trust scheme (CGFPS) INR 20 lakh for term loans up to INR 2 crore for a period of 5 years to micro and small manufacturing enterprises
11.	Promotion of Energy Audit and Conservation of Energy (PEACE)	Reimburses 75% of the cost of conducting energy audit subject to a maximum of INR 1 lakh per energy audit per unit and 50% of the cost of machinery and equipment replacement for the purpose of improving the energy efficiency subject to a maximum of INR 10 lakh

S. No.	Schemes	Benefits (for MSMEs)
12.	Scheme for Acquiring Quality Certification (Q-CERT)	Reimburses 100% of the cost of acquiring the certification subject to a ceiling of INR 2 lakh for national certification & INR 10 lakh for international certification
13.	Reimbursement of Stamp Duty and Registration charges	Micro and Small enterprises set up in backward blocks are eligible to avail 50% reimbursement charges paid to the registration department on the purchase of land meant for industrial use.
14.	Subsidy for Asset Creation for Intellectual Property	Subsidy at the rate of minimum INR 1 lakh or 75% subject to a maximum of INR 3 lakh whichever is higher per registration on the cost of Patent registration in India or abroad for innovation of Industrial application and per trademark registration or for geographical indications registration subsidy may be given at the rate of 50% subject to a maximum of INR 25000/-
15.	Scheme for fund Raising through SME Exchange	The government will provide 75% of the expenditure incurred for listing, subject to a maximum of INR 30 lakh.

* More details can be accessed via <https://www.msmetamilnadu.tn.gov.in/>



7.4. ACCESS TO MARKET

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To encourage the organic creation of Startups, the key risk points to be addressed are where and how to market the products or services. The Government of Tamil Nadu will help in developing the 'Marketing Culture' and also facilitate 'Marketing Opportunities' for Startups.

7.4.1. Marketing Portal

StartupTN, in partnership with private players, will design an exclusive marketing portal. It will include marketing tutorials/tools and will also showcase Startup products and services. This repository will be open to the government, corporate and public entities. The portal will also provide sector-based market analytics. Eventually, the portal will evolve for Startups targeting corporates and larger industries.

7.4.2. Test Bed Centres & Procurement Desks

Government Procurement Facilitation Desks will be established in select StartupTN Hubs for eligible Startups in the Green Tech (Sustainability, Climate Change, Renewable Energy and Circular Economy) space. Piloting opportunities will be facilitated for Rural Impact Startups. The desk will facilitate the testing and use of these products by the government and other public agencies, including local bodies.

7.4.3. Smart SHGs

To enhance Women Self-Help Groups, 'Thozhilanangu' an initiative by the State Government and implemented by StartupTN, will connect existing SHGs with Startups. The aim is to inculcate the entrepreneurial culture among women SHGs. The Smart SHGs will act as spokes that get procurement orders from the Startups, which are the hubs. The main objective of the scheme is to convert SHGs into entrepreneurs. These Startups that support SHGs will be brought under Rural/Social Impact Startups. The SHGs, through this facilitation and experience, will be further elevated as self-reliant Startups under the new Startup Mission for Women.

7.4.4. Startups 2 Government Procurement

The Tamil Nadu Government, through its G.O.(Ms.) No. 40, Micro, Small and

Medium Enterprises (A) Department, Dated 22.07.2021, has provided the following concessions to eligible Startups in the State:



7.4.4.1. Exemption from payment of Earnest Money Deposit

7.4.4.2. Exemption from the condition of prior turnover

7.4.4.3. Exemption from the condition of prior experience

7.4.4.4. Waiver of tender cost

In addition to the above concessions, the definition of 'Low Value Procurement' under Section 16 of the Tamil Nadu Transparency in Tenders Act, 1998, has been modified to allow procurement of products valued up to INR 50 lakh from Startups falling under the Manufacturing sector in Tamil Nadu. To streamline this process, StartupTN has been facilitating procurement by Government Departments from Startups. During the policy period, the following two core areas will be strengthened:

-  Sensitisation programmes will be conducted for government officials on procurement from Startups.
-  Buy-day programmes will be organised with different government departments and in different districts.

Through the MSME Department of the State, the Startups in the manufacturing sectors will be onboarded in the TReDS (Trade Receivables Discounting System) platform. By onboarding in this platform, both the buyer (in this case the public sector undertakings) and Sellers (in this case the Startups) will have transparency in terms of placing orders and financial transactions.

7.4.5. Startup to Corporate Procurement

Startup to Corporate connect will be facilitated through Sectoral Forums. Startups will pitch to Corporates and Large Industries. This will add value to Startups in terms of facilitating trials, running pilot orders, providing Corporate incubation services covering mentorship, exposure to functional areas, long term advisory roles, helping in market penetration and possibly an endorsement of the Startups as the case may be. Through the Open Innovation Portal, Corporates can provide their problem statements for Startups to work on to get the first right of refusal from the Corporate.

7.4.6. LaunchPad

LaunchPad is a platform designed to help Startups gain initial offline and online market traction for their new Brands and Products on a public forum. This will spur creativity and build excitement for Startups. StartupTN will also facilitate the showcase of such products and brands through social media promotions.

7.4.7. Beyond TN

To facilitate a soft landing, and to attract investments from Global Investors for Tamil Nadu Startups, 'Global Coordination Centres' under Beyond TN will be established strategically across the Globe in a phased manner. These offices will be the facilitating and liaison offices for homegrown Startups. The first Global Coordination Centre will be established in Dubai in FY 2023-24. Other emerging market economies will also be considered during the policy period. At the same time, the Government of Tamil Nadu will explore possibilities to work with other Startup Missions within the country for inter-state collaborations for the benefit of the Startups.

These Global Coordination Centres will also operate as a gateway to NRIs and NRI Tamils settled overseas who aspire to start a venture in Tamil Nadu. StartupTN will facilitate this by connecting the State's Incubator ecosystem and other stakeholders for venture creation. The NRIs / NRI Tamils will identify their business counterpart(s) in Tamil Nadu and register their Startup in Tamil Nadu. This will bring in confidence to the NRIs / NRI Tamils in building a successful venture and open up additional avenues to the State.

In addition to this, every year up to 100 eligible Startups will be supported to participate in National and International Expos and Trade shows. The monetary support will be decided on a case to case basis. Women-led and Rural/Social Impact Startups will be given special assistance for their participation. An exclusive measure will be initiated to provide an opportunity for NRIs especially the Tamil Diaspora overseas to create a Startup in Tamil Nadu run by their exclusive team in the State which will generate employment and wealth. The NRIs / Tamil Diaspora can use the facilitation services of 'Global Coordination Centres' to unleash their entrepreneurial mindset. After successfully building the Startup and gaining confidence, such professionals can return to Tamil Nadu and expand their Startups.



7.5. STARTUP SUPPORT CENTRES

7.5. Startup Support Centres

The Tamil Nadu Government has recognized the need for streamlining the services offered by different government departments and private organisations to encourage the growth of Startups and make doing business easier. In line with this objective, StartupTN will collaborate with these entities to simplify the process of registering a Startup. Additionally, to support the growth of Startups, the government will issue booster kits for the first three years from the date of recognition as a state-recognized Startup, as specified in para 5.3 of the policy.

The booster kits will provide a range of benefits and services to Startups during their early years of operation. These benefits may include access to coworking spaces, mentorship programs, business development assistance, legal and financial advisory services, and other support services as deemed necessary. The goal is to provide Startups with the necessary resources to grow and succeed, while also reducing the barriers to entry and making it easier for entrepreneurs to start and operate a business in Tamil Nadu. Overall, the government is committed to create an environment that fosters entrepreneurship and innovation, and supports the growth of Startups across the state.

7.5.1. Startup Smart Card

Smart Cards for Start-STEPs and Startups will be issued with support features to register their companies, avail of DPIIT recognition, apply for patents and trademarks, statutory compliances, web presence, vital coaching services, technology upgradation, marketing, financial services and other support services required for an early stage company to take the first few steps. The beneficiaries of this initiative may also access facilities developed by State / select Government of India supported labs and institutions. The Smart Card will be loaded with these benefits and services at a subsidised cost.

7.5.1.1. Legal Compliance Support

Exclusive Legal Compliance support will be facilitated for Start STEPs and Startups. Bimonthly virtual guidance will also be provided by registered CAs and Lawyers through the MentorTN initiative. The first level of support from the registered CAs and Lawyers will be provided on a pro bono basis.

7.5.1.2. Startup Helpline

A dedicated Helpline number will be made operational for Start-steps,

Startups, Mentors, Investors and any other stakeholders to get their queries clarified. This Helpline will be established as a bilingual call centre. Alternatively, Startup Grievances Redressal mechanism through the StartupTN portal will be further improved operationally by resolving the queries in five working days. A dedicated nodal officer will be appointed for resolving Startup Grievances.

7.5.1.3. ONDC Support Corner

Digital commerce has become an inevitable factor for rapid economic growth. Several private players have been established in this space and are leveraging the current economic trends. Since the inception of Open Network for Digital Commerce (ONDC), grass-root innovators and other small scale retailers are trying to emerge in this new platform. In order to fuel the growth of Tamil Nadu Startups, this support centre will facilitate onboarding of such Startups who can potentially market their products. Sensitization programs across sectors will be conducted.

7.5.2. Plug and Play Facilities

In order to provide factory space for Startups in the manufacturing sector, dedicated workspaces will be provided in Plug and Play facilities being established by TANSIDCO.

7.5.3. Intellectual Property Facilitation Centres (IPFC)

Tamil Nadu tops in the number of Patents filed in the country. However, the increase in IP protection can be enhanced with Government intervention. StartupTN, in association with FaMe TN (Facilitating MSMEs of Tamil Nadu), Tamil Nadu State Council for Science and Technology and other relevant agencies shall facilitate promotion of registrations of Patents and Trademarks. Currently, Tamil Nadu Government provides a subsidy for Patent registration (75% of the cost of filing the application for patent registration, subject to a maximum of INR 3 lakh/patent registered) and Trademark (50% of the cost of filing the application for trademark subject to a maximum of INR 25,000/trademark registered) registration which can be leveraged by Startups. StartupTN will establish two IPFCs in select Regional StartupTN Hubs and through State Supported Incubation Centres.

7.5.4. Startup - SME IPO Support

The benefits of SME IPO can be used by Startups that are in the process of scaling. Considering the support required by Startups, the State Government provides a subsidy of 75% on the total expenditure incurred in SME IPO process (up to INR 30 lakh). StartupTN will provide handholding support and facilitate Startups in this regard.

