GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

LOK SABHA

UNSTARRED QUESTION NO. 1257.
TO BE ANSWERED ON TUESDAY, THE 03RD DECEMBER, 2024.

MEASURES TO DISCOURAGE START-UP FLIPPING

1257. SHRI SRIBHARAT MATHUKUMILLI:

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:
वाणिज्य एवं उद्योग मंत्री

(a) the details and number of start-ups registered across the country during the last five years, including State/UT-wise data during the years 2019 to 2024;

(b) the details of number of start-ups that have relocated to other countries during the last five years including the current year, State/UT-wise;

(c) the details of measures implemented to discourage start-ups from relocating to other countries, along with the number of start-ups that have returned due to these efforts;

(d) the details of major reasons expressed by start-ups for relocating to other countries; and

(e) the details of specific sectors or industries in start-up flipping is more prevalent and trends observed during the last five years including the current year?

ANSWER

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री जितिन प्रसाद)
THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI JITIN PRASADA)

(a): The Government, with an intent to build a strong ecosystem for nurturing innovation, startups and encouraging private investments in startup ecosystem of the country launched Startup India initiative on 16th January 2016.

As per eligibility conditions prescribed under G.S.R. notification 127 (E) dated 19th February 2019, entities are recognized as ‘startups’ under the Startup India initiative by the Department for Promotion of Industry and Internal Trade (DPIIT). As on 31st October 2024, 152,139 entities have been recognised as startups by DPIIT.

The State/Union Territory(UT)-wise details of DPIIT recognised startups in the last five years and the current year viz. 2019, 2020, 2021, 2022, 2023 and 2024 as on 31st October 2024 are placed as **Annexure-I.**

(b): Such information is not centrally maintained by the Government.

(c) to (e): Conduciveness of doing business, ability to attract funding, and other business specific factors play important role for startups to stay domiciled in their home country. Since the launch of the Startup India initiative in 2016, the Government has taken various measures to enhance ease of doing business, raising capital, and reducing compliance burden to simplify the regulatory environment and create a conducive business environment.

Specifically for re-domiciling (reverse flipping) of emerging companies, such measures include recent announcement of abolishment of the Angel Tax for all classes of investors, boosting in-bound investments in the country. The Government has also introduced harmonization of long-term capital gains (LTCG) tax across various securities, to simplify the tax regime.

Further, amendment has been made in Rule 25A of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016**,** to simplify the in-bound cross-border merger process and make the process of merger of a holding company incorporated outside the country with its wholly owned Indian subsidiary faster.

Also, with respect to onshoring (bringing back) of Indian startups, the Government has notified the International Financial Services Centres Authority (IFSCA) to develop and regulate financial services, financial institutions and financial products in the International Financial Services Centre (IFSC). The mandate of IFSCA is to create a world class international financial center to enable onshoring of the activities that are currently carried out in offshore financial centres by Indian corporate entities. Through such measures, the IFSCA is actively engaged in promoting onshoring of Indian innovation i.e., redomiciling Indian startups currently domiciled abroad to the GIFT City.

The Ministry of Corporate Affairs has undertaken specific measures for startups to start and do business in the country. A list of such specific key reforms undertaken is placed as **Annexure-II.**

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ANNEXURE-I

ANNEXURE REFERRED TO IN REPLY TO PART (a) OF THE LOK SABHA UNSTARRED QUESTION NO. 1257 FOR ANSWER ON 03.12.2024.

The State/UT-wise details of entities recognised as startups by DPIIT in the last five years and the current year viz. 2019, 2020, 2021, 2022, 2023 and 2024 as on 31st October 2024 are as under:

State	2019	2020	2021	2022	2023	2024 (as on 31st October 2024)
Andaman and Nicobar Islands	8	5	13	10	13	16
Andhra Pradesh	179	235	298	381	586	499
Arunachal Pradesh	2	0	4	9	17	10
Assam	71	119	190	285	362	294
Bihar	158	265	390	525	812	707
Chandigarh	41	55	69	81	126	91
Chhattisgarh	166	155	167	237	362	403
Dadra and Nagar Haveli and Daman and Diu	3	5	12	12	11	12
Delhi	1,450	1,817	2,215	2,580	3,161	2,416
Goa	43	67	81	107	98	100
Gujarat	644	881	1,728	2,282	3,295	2,931
Haryana	730	830	1,070	1,334	1,742	1,470
Himachal Pradesh	31	41	56	120	144	125
Jammu and Kashmir	38	64	131	170	246	229
Jharkhand	89	165	191	239	337	279
Karnataka	1,746	1,776	2,157	2,568	3,036	2,641
Kerala	669	710	923	1,078	1,296	967
Ladakh	0	1	1	5	5	5
Lakshadweep	0	1	0	0	2	0
Madhya Pradesh	335	427	562	898	1,267	1,013
Maharashtra	2,227	2,736	3,737	4,812	5,816	4,825
Manipur	6	13	37	31	26	40
Meghalaya	6	0	9	10	18	13
Mizoram	1	1	2	6	13	15
Nagaland	2	5	7	7	22	30
Odisha	187	280	397	451	620	448
Puducherry	11	14	17	30	43	26
Punjab	99	146	244	294	443	338
Rajasthan	358	503	623	992	1,445	1,074
Sikkim	2	1	3	2	2	0
Tamil Nadu	632	772	1,107	1,811	2,816	2,132
Telangana	620	819	994	1,381	1,760	1,484
Tripura	7	23	12	27	23	37
Uttar Pradesh	906	1,401	1,981	2,583	3,432	2,896
Uttarakhand	98	114	162	236	271	218
West Bengal	320	405	692	1,002	1,174	943
Grand Total	**11,885**	**14,852**	**20,282**	**26,596**	**34,842**	**28,727**

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ANNEXURE-II

ANNEXURE REFERRED TO IN REPLY TO PARTS (c) to (e) OF THE LOK SABHA UNSTARRED QUESTION NO. 1257 FOR ANSWER ON 03.12.2024.

List of key reforms undertaken by the Ministry of Corporate Affairs:

i. **Differential voting Rights (DVRs):** Startups being private limited companies are free to issue equity shares with DVRs to raise capital without any restrictions contained in rule 4 of Companies (Share Capital and Debentures) Rules, 2014 as Private limited companies are exempted from application of section 43 and 47 of the Companies Act, 2013 (vide notification no. 464(E) dated 05.06.2015).

ii. **Deposits:** Companies may ordinarily accept or renew any deposits from its members not exceeding 35% of the paid-up share capital, free reserves and securities premium account of the company. But a startup may accept deposits without any limit from its members for the period of ten years from the date of incorporation (Second proviso to sub-rule (3) of rule 3 of Companies (Acceptance of Deposits) Rules, 2014**.**

iii. **Convertible Note:** Startups can receive an amount of Rs 25 lakh or more by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years from the date of issue) in a single tranche, from a person, and such transactions are not considered deposit under Deposit Rules. (Rule 2(1)(c)(xvii) of the Companies (Acceptance of Deposits) Rules, 2014).

iv. **Sweat Equity:** Unlisted companies may issue sweat equity shares to the extent of 25% of the paid-up capital at any time, with other restrictions. But a startup company may issue sweat equity shares not exceeding 50% of the paid up capital upto ten years from the date of its incorporation or registration (Second Proviso to sub-rule(4) of rule 8 of Companies (Share Capital and Debenture) Rules, 2014).

v. **Employee Stock Options (ESOPs):** In general, ESOPs are not given to the employee who is a promoter or a person belonging to the promoter group and a director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the equity of the company. But in case of a startup such condition shall not apply up to ten years from the date of incorporation (Rule12(1)(c) of Companies (Share Capital and Debenture) Rules, 2014).

vi. **Cash Flow Statement:** A private company which is a startup /small companies are not required to include cash flow statement with financial statements which otherwise is a mandatory requirement under section 2(40) of Companies Act, 2013.

vii. **Signing of annual return:** In case of startup companies/small companies, the annual return shall be signed by the company secretary or where there is no company secretary, by the director of the company. (Notification no. 583(E) dated 13.06.2017).

viii. **Number of Board Meetings:** Under Companies Act, 2013, Board of Directors of a company are required to meet at least once in 120 days, 4 board meetings in a year. However, in case of a startup companies/small companies one board meeting in each half of a calendar year with a gap between two meetings of not less than 90 days is sufficient to comply with the requirement of section 173(5) of the Companies Act. (Notification no. 583(E) dated 13.06.2017).

ix. **The Companies (Listing of equity shares in permissible jurisdictions) Rules,** 2024 have been issued vide notification dated 24.01.2024. Through this policy initiative Indian public companies have been allowed to list their equity shares on the international stock exchanges at GIFT IFSC. This enables Indian public companies, especially startups and companies in the sunrise and technology sectors, to use this alternative avenue to access global capital beyond the domestic exchanges. This is expected to lead to better valuation of Indian companies in line with global standards of scale and performance, boost foreign investment flows, unlock growth opportunities and broaden the investor base. The public Indian companies will have the flexibility to access both markets i.e., domestic market for raising capital in INR and the international market at IFSC for raising capital in foreign currency from the global investors**.**

x. **Amendment has been made in rule 25A of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016** on 09.09.2024 (effective from 17.09.2024). Pursuant to this amendment, merger of a holding company incorporated abroad with its wholly owned subsidiary incorporated in India would require approval of Central Government (delegated to Regional Directors). Prior to this amendment, such mergers required approval of the National Company Law Tribunal (NCLT). This would make this process speedier and would allow NCLT to concentrate on other areas.

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