

Government of India
Ministry of Finance
Department of Economic Affairs

LOK SABHA

STARRED QUESTION No. *384

TO BE ANSWERED ON 12th AUGUST 2016

MOBILISATION OF CAPITAL BY START-UP COMPANIES

***384. SHRI RAMESH BIDHURI**

- (a) whether a large number of Start-up companies have mobilized capital through placement and stake sale and if so, the details thereof;
- (b) whether there is any mechanism for regulating capital mobilization for the safety of investors as well as ensuring the rationale evaluation of Start-up companies, if so, the details thereof and if not, the reasons therefor including the implications in this regard; and
- (c) whether a review of the scheme has been made and if so, the details thereof and the follow-up action taken thereon

ANSWER

MINISTER OF FINANCE

(SHRI ARUN JAITLEY)

(a) to (c): A statement is laid on the Table of the House.

Statement referred to in the reply to LOK SABHA Starred Question no *384 (a to c) raised by Shri Ramesh Bidhuri, Member of Parliament due reply for 12th August, 2016 regarding “Mobilisation of Capital By Start-Up Companies”.

The provisions of Section 42 and Section 62 of Companies Act, 2013 deal with regulation of capital through placement for companies including startups. The data regarding such placement is not being compiled.

Section 42 deals with private placement of further issue of capital which mandates obtaining approval of the members of the companies by special resolution, ascertaining and filing of the list of prospective investors to whom the offer is made, limiting the offer being made to not more than two hundred persons in a financial year, valuation of shares in case of preferential issues and in case of issues for consideration other than cash as well as filing a list of allottees within a prescribed time after the allotment. Certain special dispensation has been provided to startups to raise funds by issue of convertible notes without those being treated as deposits.

SEBI has introduced a framework for listing of companies including startups on the ‘Institutional Trading Platform’ by carrying out amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 on August 14, 2015. Various consequential amendments to other SEBI Regulations pertaining to Takeover, Listing, Delisting and AIFs were also undertaken. A number of relaxations in the regulatory requirements were introduced enabling the companies including start-ups to raise funds from the public for their projects.

Since the launch of the Startup India initiative in January 2016, a detailed action plan, available on the website: <http://startupindia.gov.in>, is being implemented which lays down the roadmap for creating an ecosystem conducive for the growth of Startups in India. An interministerial Committee has been constituted to monitor the implementation of this Action Plan.