



Basic Guide
To Start your own Business

Disclaimer: *The Information in this Guide is meant for New Entrepreneurs who wish to set up a Business / Industry of their own. The content of this Guide does not constitute advice tailored to any specific Business or Industry it is more general in nature. The Department of Industries & Commerce, Govt. of Assam shall not be held liable for any direct, indirect or consequential loss or damage arising as a result of use of this content.*

What is Business?

A business is an organization or enterprising entity engaged in any lawful economic, commercial, industrial or professional activities.

A company transacts business activities through the production of a good, offering of a service or retailing of already manufactured products. An entity is still a business if its motive is to make profits

A business can be a for-profit entity or a nonprofit organization that operates to fulfill a charitable mission.

It most often forms after the development of a business plan which outlines the strategic intentions and logistics in making those intentions occur.

A business plan is a fundamental tool that any start up business needs to have in place prior to beginning its operations.



Steps to follow?

Some basic steps to set up a business are given below which aims to provide a new entrepreneur an insight into the processes for setting up a Business. The objective is to guide the first generation entrepreneur so that he /she can be successful entrepreneur.

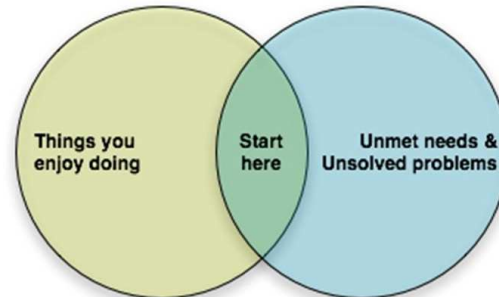
- ▷ **How best to choose an industry/sector for starting a business?**
- ▷ **How to make a product choice?**
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How best to choose an Industry/Sector for Starting a Business?

One of the scarier moments in an entrepreneur's life occurs when he or she chooses what business to go into. Identify key attributes of that business which you want to do.

Consider the following before you choose your business:

- 1) You are looking at new markets and new trends & opportunities
- 2) You have acquired skill set that can be used across multiple sectors
- 3) You have initial funds and access to bank loans /angel investment / VC funding



Keep in mind; if you don't enjoy doing it, you're not likely to convince anyone else to either, there is basically no amount of money that will change this. **Find something you like doing that overlaps with an existing user need**, beyond that its mostly hard work and luck.

Experimenting with new ideas is always time taking and risky, so why to reinvent the wheel when there can be an existing business model which can adopted easily.

Some of the common sectors are

- Manufacturing Sector
- Service Sector
- Commerce & Trading
- Contract Work



How to make a product choice?

The choice of a particular product to be manufactured or services to be rendered by the firm can be done by analyzing the following:

- * **Market research**
- * **Graphing the life cycle of each product.**
- * **Finding the shelf life of each product.**
- * **The ease of availability of raw materials.**
- * **Land and Power availability.**
- * **Technology for production.**
- * **Availability of Manpower.**
- * **Government policies, regulations and incentives by both State and Central government.**



List of some of the important organizations which can be helpful to you in providing assistance in obtaining an idea about the products and services that can be produced or rendered are:

- North Eastern Industrial & Technical Consultancy Organisation Ltd. (www.neitco.in)
- North Eastern Handicraft & Handlooms Development Corporation Ltd. (NEHHDC). (<http://www.nehhdc.com>)
- North Eastern Regional Agricultural Marketing Corporation Ltd. (NERAMAC). (<http://www.neramac.com/>)
- Entrepreneurship Development Institute of India (EDI). (www.ediindia.org/)
- Micro, Small & Medium Development Institutes (MSME-DI).(<http://dcmsme.gov.in/>)
- Khadi and Village Industries Commission / Board (KVIC / KVIB).
- National Bank for Agriculture and Rural Development (NABARD).(www.nabard.org/)
- Small Industries Development Bank of India (SIDBI). (www.sidbi.in/)
- North Eastern Development Finance Corporation Ltd. (NEDFi). (www.nedfi.com/)
- Indian Institute of Entrepreneurship (<http://iie.nic.in>)
- Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry. (<http://dipp.gov.in/>)
- Department of Industries & Commerce, Govt. of Assam (www.investinassam.com)
- District Industries Centre (DIC) located at each district of the state.

How to choose the location of the industry?

Location of the business is the most vital factor which influences its success or failure.

It is a long-term decision which should take into consideration not only the present requirements of the organization but also its future expansion plans. Hence, the most advantageous location is that at which the cost of gathering material and fabricating it plus the cost of distributing the finished product to the customers will be at a minimum.

Factors affecting the selection of a location:

- **Availability of required raw materials.**
 - **Availability of skilled, semi-skilled or unskilled manpower.**
 - **Proximity to the product market.**
 - **Availability of transport facilities to import raw material or transport finished product**
 - **Adequate supply of power and fuel.**
 - **Climatic factors based on the product types.**
 - **Government regulations and policies.**
 - **Law and order situation.**
 - **Existence of complementary and competitive industries**
 - **Affordable price of Land cost**
- Nearby to location of waste material dumping ground**



How to choose a right form of a business entity?

When beginning a business, you must decide what form of business entity to establish. The right form of Business Ownership is very crucial because it determines the power, control, risk and responsibility of the entrepreneur as well as the division of profits and losses.



Factors affecting the choice of business:

The nature of business is the most important factor. Businesses providing direct services like tailors, restaurants and professional services like doctors, lawyers are generally organized as proprietary concerns.

While, businesses requiring pooling of skills and funds like accounting firms are better organized as partnerships.

Manufacturing organizations of large size are more commonly set up as private and public companies.

The main factors to be considered are:

- Scale of operations i.e. volume of business (Large, Medium, Small, Micro)
- Size of the market area (Local, National or International).
- The degree of control desired by the owner (s).
- Amount of capital required for the establishment and operation of a business.
- The volume of risks and liabilities as well as the willingness of the owners to bear it.
- Comparative tax Liability.

In India the following Business Entities can be formed within the prevailing laws:

1. **Sole Proprietorship** owned by an Individual
2. **Partnership** formed with an association of at least two individuals
3. **Limited Liability Partnership** can be registered as a company where at least two members are required
4. **Private Limited Company**, can be registered as company where at least two members are required but it cannot exceed 50 members
5. **Public Limited Company** can be registered with minimum 7 members with no maximum limit.
6. **Hindu Undivided Family Business (HUF)** where only members of the same family can get associated to form a business entity.
7. **Cooperative** is a voluntary association of 10 or more members
8. **Society** When the purpose of the business is to provide service rather than to earn profits and to promote a common economic interest, societies are the best alternative.

What are the different forms of business organizations?

Some of the forms of Business Organizations are:

Sole Proprietorship: It is a one-man organization where a single individual owns, manages and controls the business which involves moderate risk, small financial resources; low capital requirement and risk involvement is not high too. For e.g. automobile repair shops, small bakery shops, tailoring, etc.

Limited Liability Partnership (LLP): Under LLP the liability of at least one partner is unlimited whereas rest all the other members have limited liability, limited to the extent of their contribution in the LLP. Unlike in general Partnership, this kind of Partnership does not get terminated by the death or insolvency of the Limited partners. It is governed by the Limited Liability Partnership Act of 2008.

Private Limited Company: A Private Limited Company is a voluntary association of not less than two and not more than fifty members, whose liability is limited, the transfer of whose shares is limited to its members and who is not allowed to invite the general public to subscribe to its shares or debentures.

Hindu Undivided Family Business (HUF): An HUF is a separate entity that can be created by members of a family, wherein the members are lineal ascendants or descendants. Hindus, Buddhists, Jains and Sikhs can open HUFs. A single person cannot create an HUF. Usually the senior-most member of the family is considered the *karta*, the person who manages the affairs of the HUF. It is governed by the Hindu Succession Act of 1956. Once a person gets married, an HUF is automatically created. But to be recorded by tax authorities, it needs to have an income-generating asset, which can only come as a gift from a relative or through a Will for all members of the HUF.

Co-operative: It is a voluntary association of ten or more members residing in the same locality who join together on the basis of equality for the fulfillment of their economic or business interest. It is subjected to the provisions of The Assam Co-operative Societies Act, 1949.

Partnership Firms: A partnership is formed by an agreement, which may be either written or oral. When the written agreement is duly stamped and registered, it is known as "**Partnership Deed**". Ordinarily, the rights, duties and liabilities of partners are laid down in the deed. But in the case where the deed does not specify the rights and obligations, the provisions of THE INDIAN PARTNERSHIP ACT, 1932 will apply. Partnership is an appropriate form of ownership for medium sized business involving limited capital. For example small scale industries, wholesale and retail trade; small service concerns like transport agencies, real estate brokers; professional firms like chartered accountants, doctors' clinic, attorney or law firms etc.

Public Limited Company (PLC): A Public Limited Company has a minimum of seven members with no maximum limits. It invites the general public to subscribe to its shares and also allows its shareholders to transfer its shares.

Societies: When the purpose of the business is to provide service rather than to earn profits and to promote a common economic interest, co-operative societies are the best alternative. It is also preferred as it is easier to raise capital through the assistance from financial institutions and Government in this form of business.

How to Register your Company?

All the business must be named and registered with the competent authorities as below:

Sole Proprietorship: This type of firm doesn't require any sort of registration of its name and can straight way apply for necessary approvals to start the business for e.g. Trade License, VAT Registration, Pan Card etc

Partnership Firm - Partnership Firm can be created by a legal agreement between the partners. It is not mandatory to register the same. But it is advisable to register the same with the **Registrar of Firms & Society**, which is very helpful in legal matters in future.

You can apply online through www.eodb.assam.gov.in

Limited Liability Partnership (LLP) – To register a Indian LLP follow the below steps:

1. First apply for a Designated Partner Identification Number (DPIN), which can be done by filing e-Form for acquiring the DIN or DPIN.
2. You would then need to acquire your Digital Signature Certificate and register the same on the portal.
3. Thereafter, you need to get the LLP name approved by the Ministry of Corporate Affairs.
4. Once the LLP name is approved, you can register the LLP by filing the incorporation form.

For more information visit <http://www.mca.gov.in/MinistryV2/aboutefilingforllp.html>

Private & Public Limited Company – Registrars of Companies (ROC) appointed under the Companies Act, 1956 are vested with the primary duty of registering companies. You can incorporate a new company by filing *Form INC-29- Integrated Incorporation Form*. This is a new online service introduced recently by Ministry of Corporate Affairs. At present Registrar of Companies located in Shillong looks after registration of companies for the entire North Eastern States (excluding Sikkim).

For more information visit http://www.mca.gov.in/MinistryV2/incorporation_company.html

Hindu Undivided Family (HUF)- A Hindu Undivided Family can be created by following ways:

1. **Blending** of individual property with the family Hotchpot
2. Receipts of **Gifts**
3. Doing **Joint labour** for the benefit of HUF
4. Inheritance through a specific bequest under a **Will**
5. **Partition** of a larger Hindu Undivided Family

Societies – It must be registered with the Registrar of Firms & Societies.

You can apply online through www.eodb.assam.gov.in

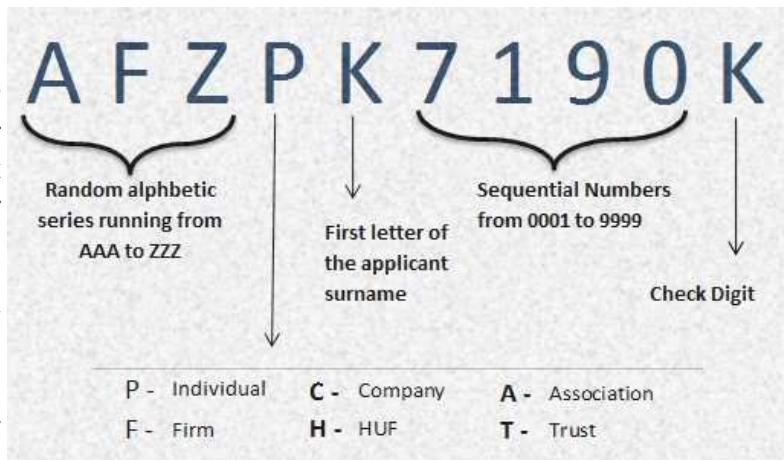
Co-operatives - It must be registered with the Registrar of Co-Operative Societies.

You can apply online through www.eodb.assam.gov.in

How to get Permanent Account Number (PAN) and Tax Deduction Account Number (TAN) ?

PERMANENT ACCOUNT NUMBER:

Under the Income Tax Act, 1961, each person must quote his or her Permanent Account Number (PAN) for tax payment purposes and the Tax Deduction Account Number (TAN) for depositing tax deducted at source. The Central Board of Direct Taxes (CBDT) has instructed banks not to accept any form for tax payment (challan) without the PAN or TAN, as applicable. The PAN is a 10-digit alphanumeric number issued on a laminated card by an assessing officer of the Income Tax Department.



In order to improve PAN-related services, the Income Tax department (effective July 2003) outsourced their operations pertaining to allotment of PAN and issuance of PAN cards to Unit Trust of India (UTI) Investors Services Ltd., which was authorized to set up and manage IT PAN Service Centers in all cities where there is an Income Tax office. The National Securities Depository Limited (NSDL) has also launched PAN operations effective June 2004, by setting up TIN Facilitation Centers.

The PAN application is made through the above mentioned service centers using Form 49A, with a certified copy of the certificate of registration, issued by the Registrar of Companies, along with proof of company address and personal identity.

IT PAN Service Centers or TIN Facilitation Centers will supply PAN application forms (Form 49A), assist the applicant in filling out the form, collect filled-out forms, and issue an acknowledgment slip. After obtaining PAN from the Income Tax department, UTIISL or NSDL as the case may be, will print the PAN card and deliver it to the applicant.

The application for PAN can also be made online but the documents still need to be physically dropped off for verification with the authorized agent. For more details see (www.incometaxindia.gov.in , www.utiisl.co.in , and www.tin.nsd.co.in)

TAX DEDUCTION ACCOUNT NUMBER:

You can obtain a Tax Deduction Account Number (TAN) for income taxes deducted at source from the Assessing Office in the Income Tax Department of your Area.

The Tax Account Number (TAN) is a 10-digit alphanumeric number required by anyone responsible for deducting or collecting tax under the provisions of Section 203A of the Income Tax. The section also makes it mandatory for the TAN to be quoted in all tax-deducted-at-source (TDS) and tax-collected-at-source (TCS) returns, all TDS/TCS payment challans, and all TDS/TCS certificates issued.

Any authorized franchise or agent appointed by the National Securities Depository Services Limited (NSDL) can accept and process the TAN application. The application for a TAN can be made either online through the NSDL website (www.tin-nsdl.com) or offline at TIN facilitation centers.

What is a Business Plan?

A business plan is a written document that describes in detail how a business, usually a new one, is going to achieve its goals. A business plan lays out a written plan from a marketing, financial and operational viewpoint. Entrepreneur should undertake the task of preparing the business plan personally. A self composed plan from an entrepreneur will ensure to fulfill all proposed aspects and enable them to take right decisions at right time.

Businesses involve huge amount of monetary transactions and failure to make good decisions may lead to incurring expenses which can be avoided with thorough planning. While drafting a business plan, the entrepreneur tries to prevent the uncertainties by projecting them in advance as possible risk in near future.



Key Features of a Business Plan:

- **Profile of the company's management** - Listing the names of key persons involved in the business and their qualifications and industry experience.
- **Kind of Business** - A brief description of the industry your firm is focusing on or the new venture's strategy.
- **Objectives** - The short term and long term objectives of the new business venture.
- **Financial requirements** - Briefly state how much finance is required indicating the degree of flexibility you are willing to show in case the investor suggests any changes in your plan.
- **Budget allocations** – Allocation of Financial assets to every business operation.
- **Market Analysis** - In order to ensure the investor about the prospective growth along with a competitive position of the product or services in the target market the business plan should incorporate this as a tool.
- **Environmental Influence:** Every possible impact of the environmental influences such as political, economic, technological, Socio-demographic and ecological factors that affect your area of business.
- **Quality** - The quality control measures to be put into place for ensuring quality of the product/service.
- **Marketing** – By through market research, segment the target market to identify and focus on the communication strategy such as promotion, advertisement, branding etc.
- **Sales Forecast**- Sales forecast is primarily dependent on three factors - size of the market, market share and the pricing phenomenon.
- **Financial Plans** – A new venture must show estimated profit and loss statements and cash flow statements.
- **Human Resources** – Make an hierarchical flow chart of key persons and the profile of the individuals to be hired.
- **Form of Business** - Describe the legal form of your business - whether it is a sole proprietorship or a partnership, public limited co., private limited co. or society, etc.
- **Critical Risks** - As a legal and moral obligation, the entrepreneur must, in the business plan, envision risks the investor would be undertaking in case he makes a choice to invest in your business. This will protect you from civil and criminal liability.
- **SWOT Analysis** the strength , weakness, opportunities and threats should be honestly described to come to a realistic conclusion to go for the Business or not.

How to set up your own infrastructure?

Setting up of basic infrastructural facilities for commencing business operations involves:

- Land and Construction of Building - For acquisition of the plot of land, the entrepreneur can approach various departments like the Industries & Commerce Department and Local District Offices. The Building plan & architectural design of the factory must be approved by the concerned authority before starting the construction of the building.
- Well established and broadly connected transport network i.e. rail, road or port.
- The availability of the basic amenities like, water, power supply is equally essential.
- Setting up of a good telecom facility for the industry is necessary for the growth and expansion of the business.
- The State and Central Government offers incentives like Capital Investment Subsidy, Power Subsidy, Vat remission Scheme, Insurance Subsidy Interest Subsidy and many other such incentives depending on the location, size of investment and category of the industry.

How to finance your business to meet the requirements?

A business firm requires finance to commence and to continue its expansion and growth. A Financial Plan is needed to predict the requirement of finance, sources to raise it and apply it for future causes. Financial plan basically depends on determining the area of operations and amount of capital needed it to finance it.

Methods of Raising Capital and its Sources

Institutions comprising of banks, financial institutions, non banking financial companies and venture capital companies cater to the diverse financial needs of the industry. Various banks offer their schemes to finance the needs of the MSMEs. A firm may raise funds for different purposes depending on the time periods ranging from very short to fairly long duration and the business can be financed by the following means:

- Investment of own savings
- Raising loans from friends and relatives.
- **Loans from commercial banks** - Medium-term loans can be raised from commercial banks against the security of properties and assets. Funds required for modernization and renovation of assets can be borrowed from banks.
- Public Deposits: Company fund can be raised by inviting the shareholder, employees and general public to deposit their saving in company.

- **Reinvestment of profits** – As these retained profits actually belong to the shareholders of the firm, these are treated as a part of ownership capital. Retention of profits is a sort of self financing of business.
- **Issue of shares** – There are two types of shares
 - a) **Equity shares:** The rate of dividend on these shares depends on the profits available and the discretion of directors.
 - b) **Preference shares:** Dividend is payable on these shares at a fixed rate and is payable only if there are profits.
- **Issue Debenture** – Company generally have powers to borrow and raise loans by issuing debentures.
- **Trade Credit** - Firms buy raw materials, components, stores and spare parts on credit from different suppliers.
- **Factoring** - The amounts due to a firm from customers, on account of credit sale generally remain outstanding during the period of credit allowed i.e. till the dues are collected from the debtors. The book debts may be assigned to a bank and cash realized in advance from the bank. Thus, the responsibility of collecting the debtors' balance is taken over by the bank on payment of specified charges by the company.
- **Discounting Bills of Exchange** - A bill of exchange is a non-interest-bearing written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.
- **Bank overdraft and Cash Credit** –Both "overdraft" and "cash credit" can refer to a type of secured line of credit with a lender. These terms can also refer to financial institutions that allow you to withdraw more funds than you actually have in your demand deposit accounts, although the specific functionalities of these allowances can vary.
- **Angel Funding**— Angel investors invest in small start ups or entrepreneurs. Often, angel investors are among an entrepreneur's family and friends. Angel investors provide more favourable terms compared to other lenders, since they usually invest in the entrepreneur starting the business rather than the viability of the business. Angel investors are focused on helping startups take their first steps, rather than the possible profit they may get from the business.
- **Venture Capital**— Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. For startups without access to capital markets, venture capital is an essential source of money. Risk is typically high for investors, but the downside for the startup is that these venture capitalists usually get a say in company decisions.

The first step for any business looking for venture capital is to submit a business plan, either to a venture capital firm, or to an angel investor. If interested in the proposal, the firm or the investor must then perform due diligence, which includes a thorough investigation of the business model, products, management and operating history, among other things. Once due diligence has been completed, the firm or the investor will pledge an investment in exchange for equity in the company.

The firm or investor then takes an active role in the funded company. Because capital is typically provided in rounds, the firm or investor actively ensures the venture is meeting certain milestones before receiving another round of capital. The investor then exits the company after a period of time, typically 4 to 6 years after the initial investment, through a merger, acquisition or initial public offering (IPO).

Approaching a Bank/Financial Institution:

Important documents that needs to be provided when approaching the bank/financial intuitions:

Techno-Economic Feasibility study of the proposed project:

It should include the following

- Ⓓ Letter of Introduction
- Ⓓ Profile of the promoters setting out the educational achievements, professional training, qualifications, employment record and achievements, Net worth, etc.
- Ⓓ Details of existing business, if any.
- Ⓓ Detailed report of the proposed business plan with product details.
- Ⓓ Organization structure & its management.
- Ⓓ Tie Ups with any organization and other technical references.
- Ⓓ Proof of firm's ownership or Registration.
- Ⓓ Audited Balance Sheet, Profit-and-Loss Account, and Cash-Flow Statement of existing business or associate firms.
- Ⓓ Proposed financial estimates.
- Ⓓ Marketing and selling arrangement.
- Ⓓ Raw materials, consumables and utilities.
- Ⓓ Cost of the project.
- Ⓓ Means of finance.
- Ⓓ No objection / Certificate / Status of Clearances from various authorities.
- Ⓓ Guarantees or Collateral being offered.

In case of existing business

- Ⓓ Audited Balance Sheet
- Ⓓ Profit and Loss Account
- Ⓓ Cash Flow Statement of the business
- Ⓓ Stock Statement (if required)
- Ⓓ Details of associate firms are to be furnished

Government of India Approvals / Registrations / Licenses

Important Registrations and Approvals of Central Government required for a Business Enterprise:

1. If you are registering as a Private Ltd or LLP Company:
 - Obtain Director Identification Number (DIN) online from the Ministry of Corporate Affairs
 - Obtain Digital Signature Certificate online from agencies authorized by the Ministry of Corporate Affairs
 - Reserve the company name online with the Registrar of Companies
 - Stamp the company documents at the State Treasury
 - Get the Certificate of Incorporation from the Registrar of Companies, Ministry of Corporate Affairs
 - Make a Company Seal
2. Obtain Permanent Account Number (PAN) (for all except Proprietorship as the PAN of the individual owner is acceptable)
3. Obtain Tax Deduction Account Number (TAN) (for all except Proprietorship)
4. Apply for Service Tax Registration Number or Goods and Services Tax Number (GSTN)
5. Apply for Excise Registration Goods and Services Tax Number (GSTN) (only for Manufacturing Industries)
6. Apply for Import Export Code (only, if you are into Import and Export business)

Government of Assam Approvals / Registrations / Licenses

Important Registrations and Approvals of State Government required for a Business Enterprise:

1. If you are registering as a Partnership Company:
 - Register with Registrar of Firms & Society
2. Apply for Trade License to local Municipality Office
3. Obtain Assam Value Added Tax registration (TIN number or Goods and Services Tax Number (GSTN) from local Commercial Tax Office
4. Obtain Professional Tax registration from local Commercial Tax Office
5. Register with the Office of Inspectors under Shops and Establishment Act (Manufacturing Industries need not apply for the same if their office is in same premises, in case the office is separate then they also need to apply for the same.)

This is in general, however depending on nature of Business, Location and place of establishment specific approvals, registration or licenses must be taken from other departments. To know more visit Know your Approvals section of www.eodb.assam.gov.in

We hope the Guide is helpful to you in setting up your Business / Industry in Assam.

You can email us your feedback or suggestion eodb.assam@gmail.com

To apply online visit www.eodb.assam.gov.in