



2021

SOP for Seed Fund Support to Incubated Startups

YCCE TBI FOUNDATION

SECTION 8 COMPANY FOR TECHNOLOGY BUSINESS INCUBATION



Standard Operating Procedure for Startup Seed Fund Support

1. Introduction

Easy availability of capital is essential for entrepreneurs at the early stages of growth of an enterprise. Funding from angel investors and venture capital firms becomes available to startups only after the proof of concept has been provided. Similarly, banks provide loans only to asset-backed applicants. It is essential to provide seed funding to startups with an innovative idea to conduct proof of concept trials.

Technology Business Incubator (TBI) of Yeshwantrao Chavan College of Engineering (YCCE) aims to provide financial assistance to startups for proof of concept, prototype development, product trials, market entry and commercialization. This would enable these startups to graduate to a level where they will be able to raise investments from angel investors or venture capitalists, or seek loans from commercial banks or financial institutions.

The Seed Fund will be disbursed to eligible startups through YCCE TBI Foundation, a section 8 company established at YCCE for technology business incubation.

2. The Requirement

The startup ecosystem suffers from capital inadequacy in the seed and 'Proof of Concept' development stage. The capital required at this stage often presents a make or break situation for startups with good business ideas. Many innovative business ideas fail to take off due to the absence of this critical capital required at an early stage for proof of concept, prototype development, product trials, market entry and commercialization. Seed Fund offered to such promising cases can have a multiplier effect in validation of business ideas of many startups, leading to successful commercialization of innovative products and growth of business.



3. Eligibility Criteria:

The eligibility criteria for a startup to apply under the Startup Seed Fund support shall be as follows:

1. A startup, recognized by DPIIT, incorporated not more than 2 years ago at the time of application
2. Startup must have a business idea to develop a product or a service with market fit, viable commercialization, and scope of scaling
3. Startup should be using technology in its core product or service, or business model, or distribution model, or methodology to solve the problem being targeted
4. Preference would be given to startups creating innovative solutions in sectors such as societal impact, agriculture, healthcare, energy, mobility, rural development etc.
5. Startup should not have received monetary support under any other Central or State Government scheme. This does not include prize money from competitions and grand challenges, subsidized working space, founder monthly allowance, access to labs, or access to prototyping facility
6. Shareholding by YCCE promoters (Student or Faculty) in the startup should be at least 51% at the time of application to incubator for the seed fund support
7. Any startup will not receive seed support more than once each as per provisions of para 7.1 (i) and 7.1 (ii) respectively



4. Experts Advisory Committee (EAC):

An Experts Advisory Committee (EAC) will be constituted by YCCE, which will be responsible for the overall execution and monitoring of the Startup Seed Fund Support activity. The EAC will evaluate and select startup for allotment of Seed Funds, monitor progress, and take all necessary measures for efficient utilization of funds towards fulfilment of objectives of Startup Seed Fund activity.

The Experts Advisory Committee (EAC) will comprise of the following members:

1. Chairman, Principal, YCCE
2. Financial Advisor, CA, YCCE
3. Representative of Management, NYSS, Nagpur
4. Dean, Research and Development, YCCE
5. Director, YCCE TBI Foundation
6. At least two external expert members from the startup ecosystem, investors, experts in the domain of R&D, technology development and commercialization, entrepreneurship and other relevant domains.

5. Seed Fund Support System

The seed fund will be provided under two categories

- 5.1 Up to Rs. 2 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials.
- 5.2 Up to Rs. 10 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures

6. Procedure for Assistance to Startup

- 6.1 Experts Advisory Committee (EAC) shall evaluate startup for seed fund assistance. The exact quantum of grant and instalments for each startup will be decided by the Experts Advisory Committee (EAC) based on its evaluation and category.



- 62 Startup shall use the grant only for technology development and commercialization and shall not use the grant for facility creation or any other expenses
- 6.3 Installments shall be released to startup upon submission of proofs of achievement of milestones as decided by EAC.
- 6.4 The quantum of first installment may be up to 50% of total approved commitment by EAC, the startup may request for the next installment, which shall be released to startup within 30 days of submission of proof of achievement of milestones
- 6.5 The grant should be utilized fully by the startup within a period of a year from the date of receipt of the first installment of funds.
- 6.6 If the startup has not utilized at least 50% of the total commitment within the first six month or failure to submit committed milestones, then the startup will not be eligible for any further drawdowns. It will return all unutilized funds along with interest.
- 6.7 Interest earned on all unutilized funds available with startups shall be taken into account and adjusted at the time of next release.
- 6.8 The financing of beneficiaries will be done with efficiency and care. Selected startups would be responsible for proper management and utilization of the Seed Fund
- 6.9 Selected startups shall maintain a transparent process of fund execution and utilization.
- 6.10 A startup selected by an incubator for assistance under this seed fund support will not be charged any fees during graduation period of two years.
- 7. Procedure for Selection of Startups**
 - 7.1 Applications will be invited in prescribed format along with pitching deck from eligible startups
 - 7.2 Startups will be selected on the basis of the following parameters:
 - a. Fulfillment of eligibility criteria



- b. Quality of the team of Startup
 - c. Potentiality of proposed innovative idea
 - d. Business Plan
 - e. Projected utilization plan for seed fund
- 73 The Call for Applications for startups will be open throughout the year
- 74 Experts Advisory Committee (EAC) will convene at least quarterly to:
- 1. Evaluate the applications received during the period
 - 2. Select startups for funds under the Scheme
 - 3. Decide the total amount of fund and number of installments in which it is to be allocated to each startup
 - 4. Specify milestones to be achieved by each Startup for release of installments
- 75 EAC shall also monitor progress of Startup against sanctioned funds under the Seed Fund Support and take further actions as may be required
- 76 EAC may lay down improved guidelines for selection of startup under the seed fund support from time to time
- 77 Eligible applications will be evaluated by EAC using the following criteria:

	Criteria	Details	Weightage (%)
1	Is there a need for this Idea?	Market size, what market gap is it filling, does it solve a real-world problem?	15 %
2	Feasibility	Feasibility and reasonability of the technical claims, methodology used/ to be used for PoC and validation, roadmap for product development	15 %
3	Potential Impact	Customer demographic & the technology's effect on these, national importance (if any)	15 %



4	Novelty	USP of the technology, associated IP	15 %
5	Team	Strength of the team, Technical and business expertise	15 %
6	Fund Utilization Plan	Roadmap of money utilization	15 %
7	Additional Parameters	Any additional parameters considered appropriate by incubator	5 %
8	Presentation	Overall assessment	5 %
			100%

- v. Incubator may shortlist applicants based on their evaluation for a presentation before EAC
- vi. EAC shall evaluate applicants based on their submissions and presentations and select startups for Seed Fund within 45 days of receipt of application
- vii. All applicants will be able to track the progress of their application on the Online platform provided by the incubator.
- viii. Applicants who are rejected will also be notified through email
- ix. An applicant, if rejected once, may apply afresh

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8. Procedure for Disbursement of Seed Fund to Startups

8.1 Seed Fund to an eligible and recommended startup shall be disbursed as follows:

- 1. Up to Rs. 2 Lakhs as grant for validation of Proof of Concept, or prototype development, or product trials. The grant shall be disbursed in milestone- based installments. These milestones can be related to development of prototype, product testing, building a product ready for market launch, etc.



2. Up to Rs. 10 Lakhs of investment for market entry, commercialization, or scaling up through convertible debentures
 3. Seed fund shall strictly not be used by startups for creation of any facilities and shall be utilized for the purpose it has been granted for
82. The startups being supported through convertible debentures, funds will be provided at a rate of interest of 4%. The tenure is fixed, which will be not more than 60 months (5 years). A moratorium of up to 12 months may be provided for the startups. Because of the early stage of the startups, this shall be unsecured and no guarantee from promoter or third-party will be required.
83. The incubator shall execute a legal agreement with the selected startups before the release of the first installment. The incubators shall ensure that the necessary terms and conditions, including milestones, related to the Seed Fund are clearly detailed in the agreement
84. Subsequent disbursement would be linked to the achievement of previously-specified milestones as per agreement between the startup and incubator
85. Startups will receive the funds in their company bank accounts
86. For grants, the first installment to any selected startup shall be released not more than 60 days from receipt of application from the startup. The startup shall submit the interim progress update and utilization certificate to initiate the release of subsequent installment of grant.
87. Startup shall submit final report and audited utilization certificate at the end of the project duration. For failed ventures, the entrepreneur will share his/her learnings and the reasons for failure in the report and submit this along with the utilization certificate for the fund amount.
88. Out of total equity of 100%, every incubated startup should provide the 5% equity to YCCE TBI Foundation and remaining 95% equity shall be equally distributed within registered promoters. The said equity distribution shall be applicable up to the period of incubation.



9. Procedure for Accounting and Utilization of funds

- 9.1 The startup shall maintain an exclusive, project-specific Bank Account in any nationalized bank. Funds under this scheme shall be released into that account in milestone-based three (or) more installments.
- 9.2 Any transaction related to product development, testing or technology commercialization should be through beneficiary startup bank account
- 9.3 Startup should also submit detailed report on status of utilization of funds and audited expenditure for each financial year.
- 9.4 During incubation period and up to graduation period i.e., three years from inception, the accounting and company secretary support will be provided by YCCE TBI Foundation. After graduation period, the startup should require to handle accounting and company secretary activities. It is also required for graduated startup to submit accounting details and report periodically to YCCE TBI Foundation.

10. Procedure for Performance Evaluation

- 10.1 The following shall be tracked and recorded by incubator for all beneficiary startups:
1. Progress of proof of concept
 2. Progress of prototype development
 3. Progress of product development
 4. Progress of field trials
 5. Progress of market launch
 6. Quantum of loan, angel or VC funding raised
 7. Jobs created by startup
 8. Turnover of startup
 9. Any other appropriate parameter
- 10.2 Selected startups shall furnish details on above parameters to incubator in monthly basis progress reports
- 10.3 The startups shall provide the above information real-time to incubator



through online platform and shall present the same to EAC on a quarterly basis

104 Incubator shall also record and maintain information about return on investment for each Startup.

11. Procedure for Progress Monitoring

11.1 Experts Advisory Committee (EAC) will review the progress of the seed fund support with the startups selected under the activity


11.2 The Startup shall provide the reports as may be directed by the EAC for objective evaluation


11.3 In case of poor performance of any selected startup, EAC may decide to discontinue seed fund support to the respective startup and take further action as may be required

11.4 Appropriate legal action will be taken against the selected startup in case it uses the seed fund for purposes other than those for which it has been awarded

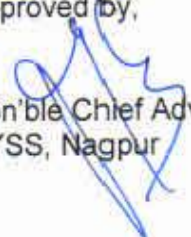
11.5 As per monitoring and EAC review, the non performing startup should refund the utilized seed fund after initial period of two years from date of approval of seed fund.

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