

Policy for Start-ups at Center of Innovation, Incubation, Entrepreneurship and Industry Relations, Indian Institute of Technology Indore (CIIEIR – IIT Indore)

1. Definitions:

- (a) **Center of Innovation, Incubation, Entrepreneurship and Industry Relations (CIIEIR), Indian Institute of Technology (IIT) Indore** will be referred as IIT Indore Incubation Centre.
- (b) **IIT Indore member(s)** (henceforth called as **member**) – Any permanent faculty, research scholars, students and alumni of IIT Indore.
- (c) **IIT Indore Incubated Company** (henceforth called **company**) – A registered Company promoted and/or invested in by IIT Indore member(s) singly or jointly with others. Additionally, those incubated by any of IIT Indore incubators located in IIT Indore premises or elsewhere and declared as a start-up by IIT Indore Incubation Centre.
- (d) **External Start-up (ESU)** – A registered company promoted and invested in by non-IIT Indore member(s) and/ or not located in IIT Indore premises.
- (e) **Incubator** – A physical and/or virtual unit that extends various forms of support for Start-ups and engages in specified relationships with them on behalf of IIT Indore.

2. **Preamble:** Start-up India is a flagship initiative of the Government of India, launched in January 2016, which intends to build a strong eco-system for nurturing innovation and Start-ups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower Start-ups to grow through innovation and design. To meet the objectives of the initiative and accelerate spreading of the Start-up movement, Government of India announced Start-up India Action Plan which is divided across the following areas:

- Simplification and Handholding
- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

3. **Definition of Start-up:** As per the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India notification vide No. 236 dated 11 April 2018 (copy enclosed as Annexure), an entity shall be considered as a Start-up:

- (a) Upto a period of seven years from the date of incorporation/registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India. In the case of Start-up in the biotechnology sector, the period shall be upto ten years from the date of its incorporation/ registration.
- (b) Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded INR 25 crores.
- (c) Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation. Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Start-up'.

4. **Types of Start-ups with IIT Indore involvement:** IIT Indore Incubation Centre may be actively involved in pre-incubation and incubation of a Start-up company promoted by one or more **member(s)**, or by others. The types of Start-up are as categorized below:

- (a) **Member** may promote an IIT Indore Incubated Company (Company).
- (b) **Member** can be involved with an External Startup (ESU).
- (c) IIT Indore Incubation Centre through its incubators may be involved with a Company or ESU.

5. **Governing Council:** IIT Indore Incubation Centre will have a Governing Council which will serve for a period of three years and can be re-appointed for further periods. The Council would comprise of following members:

- (a) Director, IIT Indore – Chairperson
- (b) Dean of Resources Generation, IIT Indore
- (c) Head, CIIEIR
- (d) Faculty member, CIIEIR
- (e) Any two internal/external members nominated by the Institute

6. **Start-up Eligibility:** Companies are eligible for start-up facility by IIT Indore Incubation Centre provided its shareholders or partners are from the following categories:

- (a) Students of IIT Indore
- (b) Alumni of IIT Indore.
- (c) Regular Faculty members of IIT Indore (as per rules of IIT Indore)
- (d) Individuals partnering with regular faculty members/alumni of IIT Indore.
- (e) As an ESU.

Further, following eligibility criteria are also mandatory:

- (f) Any person desirous of availing incubation facilities must fulfil the criteria mentioned in Point 3 of this policy.
- (g) The companies promoted by Faculty members of IIT Indore shall be governed by existing policy of IIT Indore.

7. **Start-up Admissibility Procedure:** The applications shall be processed once the applicant(s) has taken due recommendation from respective HoD and approval from Dean of Faculty Affairs for Faculty members, Dean of Student Affairs from full time students and Dean of Academic Affairs for full time research scholars and read & agreed to the “terms and conditions” of IIT Indore Incubation Centre. An Internal Review Committee (IRC) constituted by the Chairperson, Governing Council would be setup to evaluate and carry out the selection procedure. Various stages involved in the selection of a start-up company would be as follows:

STAGE 1: Submit Executive Summary/ Business Plan

As a first step in the admission process, the prospective company should submit an Incubation Application containing the Business plan, Certificate of Incorporation, Memorandum & Articles of Association, Infrastructure required and Justification for choosing IIT Indore for start-up. IIT Indore Incubation Centre then shall present the executive summary to an IRC for comments on technical and business feasibility of the idea. The evaluation criteria would include the following:

- Product idea in terms of its technology content, innovation, timeliness and market potential.
- Profile of the core team/ promoters.
- Intellectual Property generated and the potential of the idea for IP creation.
- Financial/ Commercial Viability and 5-year projections of P&L, Balance Sheet and Cash Flows.
- Funds requirement and viability of raising finance.
- Time to market.
- Break-even period.
- Commercial potential, demand and requirement in India.
- Scalability.

STAGE 2: Presentation to the Internal Review Committee

If the initial evaluation of the business plan / executive summary is positive, IIT Indore Incubation Centre will arrange a meeting with the company founders, during which the company will be expected to present a PowerPoint presentation describing critical aspects of the business plan to IRC. The presentation will be followed by Q&A session. After the presentation, a final decision will be made regarding the acceptance of the company as a start-up. The presentation through video conferencing is also permitted.

Research & Due Diligence:

Throughout the application process, on need basis, IIT Indore Incubation Centre will perform research and due diligence of the company, management team, industry, and current and future competitive elements facing the business. IIT Indore Incubation Centre may seek further information from the applicant and may ask the applicant to revise the executive summary and/or presentation.

Non-Disclosure:

IIT Indore Incubation Centre will strictly adhere to confidentiality throughout the application process. However, IIT Indore Incubation Centre will not sign any 'non-disclosure' agreements.

8. **Agreement:** The Company will enter into an agreement with IIT Indore Incubation Centre once their business plan has been approved by IRC. The Company will not be allowed to commence its operation till the agreement is signed between both the parties.

9. **Infrastructure:**

(a) Facilities offered to the incubated companies, on individual and sharing basis, by IIT Indore Incubation Centre would be explicitly mentioned in the agreement made between both the parties.

(b) Rent and Security Deposit, as decided by IIT Indore Incubation Centre, for the office space offered would be charged by the incubatee.

(c) IIT Indore Incubation Centre may facilitate access to the Institute infrastructure or laboratories as per the norms of IIT Indore.

10. **Mentoring and Advisory Services:**

- Strategic Check-ups: IIT Indore Incubation Centre may call for a meeting with the company CEOs as deemed necessary for strategy reviews and discussion of operational issues.
- An incubated company may be provided, based on demand, with a faculty advisor as a mentor on technology issues.
- Specialized mentors may be made available, based on demand, to the companies to assist with strategic areas or to provide project-oriented consultation. These arrangements may begin as a pro bono arrangement with an option for both parties to graduate to a paid relationship.
- An incubated company may avail the consulting services by empanelled professionals at their end.
- Hiring of any consultant from outside IIT Indore directly by the Incubatee Company shall have to be paid directly with prior information to IIT Indore Incubation Centre.

11. **Member's engagement with Start-ups (Company or ESU)**: The member's engagement with the Start-up will fall under any of the categories mentioned below.

Faculty/Staff member involvement:

A faculty/staff start-up will necessarily be required to be incubated in the Institute. However, in the exceptional cases, where faculty/staff would like to open/operate/incubate the start-up company outside the institute, prior approval needs to be taken with sufficient justification on a No Objection Certificate (NOC format available at CIIEIR webpage), which will be recommended by Head of concerned Department/School/Center/Section/Office, evaluated by a CIIEIR committee and the recommendation of Head CIIEIR and Dean of Resources Generation will be submitted to Director for the final decision.

CIIEIR policy amended time to time will be applicable in all the cases of inside and outside incubation.

(a) **Capital Investment**: Faculty member may be involved in the Start-up by providing capital investment alone in return for shares, with no other managerial, technical or mentorship involvement whatsoever. All shares thus allotted can be retained by the concerned Faculty, and the transaction is treated as a purely private commercial transaction of no concern to the institute. The member must declare this to IIT Indore Incubation Centre, to avoid conflict of interest situations.

(b) **Full Time** (executive role): Faculty member may avail Sabbatical / EOL as per the prevailing IIT Indore leave rules and may work full time for the Company or ESU. Alternatively, they can devote full time by keeping lien with IIT Indore. Compensation offered to the Faculty member through shares and/or cash, must be declared by the **member** to IIT Indore. No compensation is due to IIT Indore if the involvement of the **member**, for which the compensation was paid, completely ceases after the leave period. Member must not involve himself / herself in any capacity with the company / ESU except as shareholder on re-joining IIT Indore after sabbatical / EOL. In case, he / she is involved as a mentor, consultant or any other form other than a shareholder after sabbatical / EOL, rules applicable will be same as that of part-time.

(c) **Part time** (non-executive role): A Faculty member can participate in a Start-up on a part time basis as per IIT Indore consultancy norms in accordance with the

extent of time spent on such participation provided there is no conflict of interest as per point-13. They will do their normal teaching & other activity in their Departments / Centers and can spend one day per week for the entrepreneurship activities. The compensation to the Faculty member may be as per IIT Indore norms for consultancy projects. As an alternative, a Faculty member can obtain shares of the Start-up company as compensation for the engagement with the company. In such a case, the Faculty member must apply for approval for engagement with the Start-up. Further, the faculty member will offer 20%, or as decided by IIT Indore, of the shares offered to them to IIT Indore.

Research Scholars' / Students' Involvement

(d) **Full time:** A Research Scholar / Student can seek permission from IIT Indore to take special leave for a semester, or an additional period for which formal permission is granted by IIT Indore, to work for a Start-up on a fulltime basis. This may be treated as withdrawal under permission from IIT Indore for the specified period for which such special leave is formally granted. The Research Scholar/Student, on returning, must satisfy all norms (including maximum duration norms of his/her respective programme of study) to earn a degree. If the Research Scholar / Student is compensated by the Start-up in the form of cash and/or shares, he/she must deposit 5%, or as decided by IIT Indore, of the total cash/shares offered to him/her to IIT Indore.

(e) **Part time:** A Research Scholar / Student can seek permission from IIT Indore to work for a Start-up on a part time basis. The IIT Indore part-time engagement norms in projects during a semester/vacation period will apply. If the Research Scholar / Student is compensated by the Start-up in the form of cash and/or shares he/she must deposit 7.5%, or as decided by IIT Indore, of the total cash/shares offered to him/her to IIT Indore.

Role of member in Start-up

(f) The **member** may play an executive role / non-executive role in a Start-up depending on whether they will be engaged fulltime or part-time. The **member** may be involved full time only after obtaining permission from the Institute for the appropriate type of leave. The part-time engagement will be as per existing IIT Indore consultancy norms. The **member** can take up an executive role only if they are engaged full time with the start-up.

(g) A **member** willing to involve himself/herself in entrepreneurial activity will be allowed to hold an office like President/ Chairman/ Director of the company during the period of incubation. Notwithstanding anything contrary herein, the Statute, Rules, Guidelines and any regulations of Government of India as amended or introduced from time to time shall prevail over this condition. The permission to allow a faculty as a President, Director, Promoter, Executive Director of the company can be withdrawn by IIT Indore at any point of time. Once allowed to hold such office, the member will have to allot shares to IIT Indore as per the following norms:

- (i) Company with less than INR 5 crores annual turnover – 5% of total shares of the company

- (ii) Company with greater than INR 5 crores but less than 10 crores annual turnover – 10% of total shares of the company
- (iii) Company with greater than INR 10 crores but less than 15 crores annual turnover – 15% of total shares of the company
- (iv) Company with greater than INR 15 crores but less than 20 crores annual turnover – 20% of total shares of the company
- (v) Company with greater than INR 20 crores but less than 25 crores annual turnover – 25% of total shares of the company

12. **Intellectual Property Policy:** The Intellectual Property Policy Guidelines shall be as stated below.

For transfer/ licensing of/ permission to use IP owned by IIT Indore in favour of the incubatee companies and for the facilities provided by IIT Indore Incubation Centre, the respective companies shall have to consider sharing of revenue (in form of equity/ cash). The percentage of equity and revenue sharing will be decided by the Governing Council of IIT Indore and is to be given in favour of the IIT Indore. IIT Indore Incubation Centre may ask for additional equity/ cash from the companies to whom IIT Indore has supplied specialized equipment.

13. **Conflict of Interest:** Certain situations leading to conflict of interests are explained herein below. However, the list is not exhaustive, and hence situations having actual or potentials for conflicts of interest though not covered in this document will nonetheless be subject to this policy.

- (a) An IIT Indore member is able to influence a departmental decision for acquisition of laboratory and other equipment which could benefit an incubatee company in which he/ she is an interested person.
- (b) An IIT Indore member in a position to circumvent prevailing policies for making use of IIT Indore's facilities for the benefit of an incubatee company in which he/ she is an interested person.
- (c) An IIT Indore member in a position to make use of the suppliers and service providers of IIT Indore for undue advantage of an incubatee company in which he/ she is an interested person.
- (d) An IIT Indore member procures consultancy assignments or other business in name of IIT Indore and outsources them to the incubatee company in which he/ she is an interested person.
- (e) An IIT Indore member in a position to influence policy decisions of IIT Indore with an intention to benefit an incubatee company in which he is an interested person.
- (f) Use of IIT Indore students or employees to perform a work for an incubatee company without any compensation when the work is not related in any way for their academic pursuits.
- (g) A person who is interested in one incubatee company and involved in a decision-making process also affecting other incubatee companies leads to situation of conflict of interest.
- (h) When an incubatee company, its promoters, employees and staff or any interested person acts in manner to benefit the incubatee company at the disadvantage of IIT Indore.

- (i) An incubatee company, its employees and its staff having access to IIT Indore resources are in position to exploit them by bypassing IIT Indore's policies.
- (j) When IIT Indore members are neglecting their respective commitments to IIT Indore for their association with incubatee companies.
- (k) IIT Incubation Centre employees and associates are in position to use sensitive information pertaining to incubatee companies for their personal advantage.
- (l) Conflict of interest of any sort not limited to blood relations, spouse, etc. should be avoided.

14. **Tenure of Incubation:** The companies will be permitted to stay in the incubator initially for a period of one year. They may be granted further extensions at the sole discretion of IIT Indore Incubation Centre. An incubated company may be asked to leave the incubator under the following circumstances:

- (a) Completion of term as per agreement.
- (b) Underperformance or non-viability of business proposition as decided by IIT Indore Incubation Centre on case to case basis.
- (c) When the annual turnover of the company exceeds INR 25 crore, or as stated by the Government of India.
- (d) Irresolvable promoter's disputes as decided by IIT Indore Incubation Centre on a case to case basis.
- (e) Violation of IIT Indore's policy.
- (f) When the company enters in an acquisition, merger or amalgamation or reorganization deal resulting in a substantial change in the profile of the company, its promoters, directors, shareholders, products or business plan.
- (g) Change in promoters'/ founders' team without concurrence of IIT Indore Incubation Centre.
- (h) Any other reason for which IIT Indore Incubation Centre may find it necessary for an incubated company to leave.

Notwithstanding anything written elsewhere, IIT Indore Incubation Centre's decision in connection with the exit of an incubated company shall be final and shall not be disputed by any company.

15. **Periodic Assessment:** Periodic assessment would be carried out by IRC and vary depending on the stage of incubation the company is in. Some representative criteria for evaluation are as follows:

- (a) **Ideation / Innovation stage**
 - Background of entrepreneurs/ team
 - Concept development / Opportunity spotting
 - Product Development
 - Market assessment / Competition analysis
 - First level Business Planning / Business Modelling
 - Intellectual Property Protection
 - Seed Funding
- (b) **Pre-Market Stage**
 - Proof of Concept/ Prototyping
 - Product Development and enhancement

- Financial Health
- Test marketing
- Full scale business planning including production, sales and sourcing

(c) Implementation Stage

- Full scale Business Planning
- Pitching for Venture Funding
- Scaling up operations
- Large scale commercialization
- Team Formation

(d) Exit stage

- Going National / Global
- Exit options for IIT INDORE
- Full scale business Graduation
- Post incubation Survival
- Incubatee may be asked to provide updates on the performance of the company to IIT Indore Incubation Centre.

16. **Disclaimer:** The incubatee company will understand and acknowledge that IIT Indore Incubation Centre intends to provide supports and services to the Company in good faith to pursue its objective to promote entrepreneurship by converting innovative technologies developed in the Institute to commercialization by incubating and supporting new enterprises. It is understood that by agreeing to provide various supports and services, IIT Indore Incubation Centre does not undertake responsibility for:

- (a) Ensuring success of an incubatee company, its products/ process/ services or marketability,
- (b) Ensuring quality of support and services provided by IIT Indore Incubation Centre to the complete satisfaction of the incubatee companies or their promoters/ founders.
- (c) Ensuring quality of services of the consultants engaged by the incubatee companies through IIT Indore Incubation Centre network. Incubatee companies will have to apply their judgements before getting in to a relationship with them.
- (d) The incubatee companies agree that IIT Indore Incubation Centre or their employees shall not be held liable for any reason on account of the above.

17. **Others:**

- (a) CIIEIR policy, IP Policy and Institute norms amended time to time will be applicable in all the cases of Inside and outside incubation.
- (b) There will be no financial liability or legal implications on IIT Indore due to incubation outside and inside the campus.
- (c) IIT Indore Incubation Centre does not guarantee success and/or feasibility of the technology transferred from the Institute. IIT Indore or any person representing them shall not be liable for any acts or omissions of the incubated company.
- (d) The above policy is subject to periodical review and amendment at any time.

(e) Any/all dispute between the parties shall be referred for arbitration to the Director, IIT Indore or person so nominated by him/her, whose decision will be final and binding upon the parties. The place of arbitration shall be Indore.