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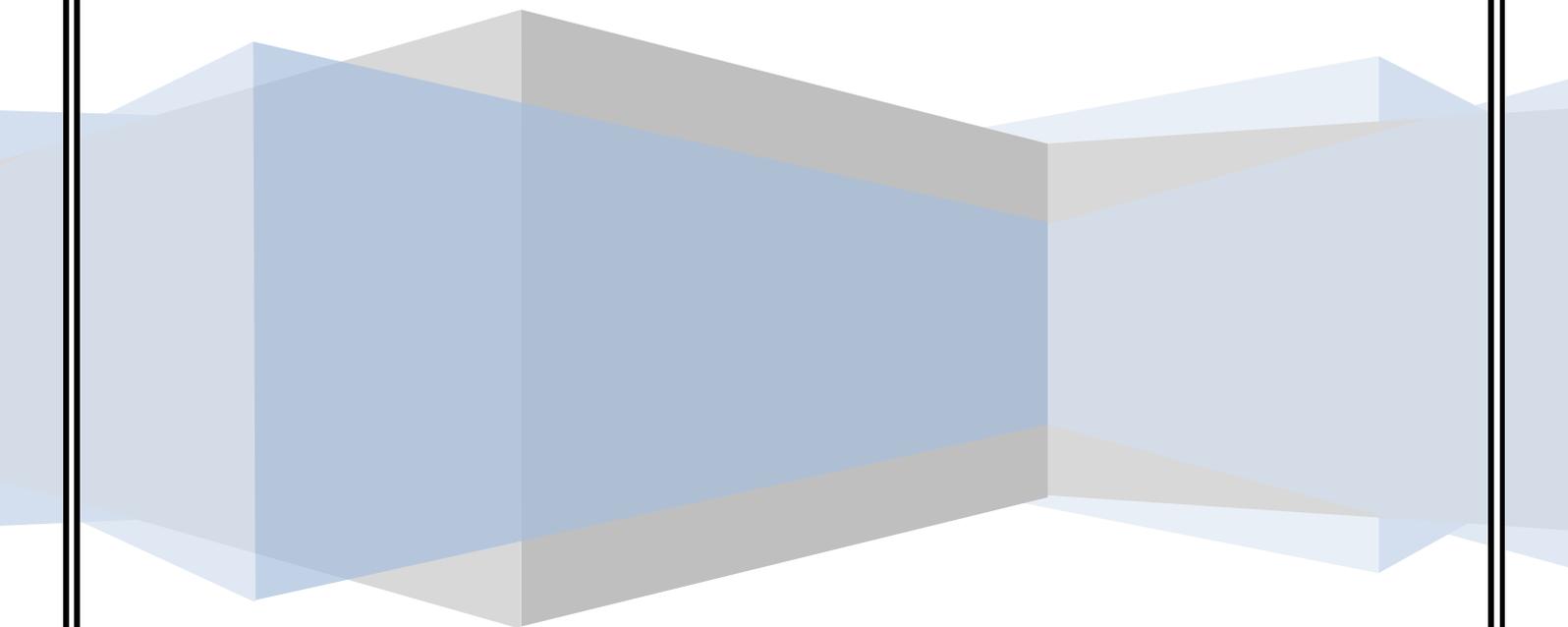
internet
& society



**Technology Business Incubators:
An Indian Perspective & Implementation Guidance
Report**

An analysis of technology business incubators in India that looks at their operating procedures, success stories and lessons that can be learnt from their functioning.

Prepared by the Centre for Internet and Society, India



Technology Business Incubators:

An Indian Perspective & Implementation Guidance Report

By

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Table of Contents

Introduction.....	4
Incubators: Launchpads for a Modern Economy	4
Technology Business Incubators & their Unique Benefits	6
Technology Business Incubators in India	6
The Foundational Basis for Technology Business Incubators	8
Stages of Incubation at a TBI.....	9
Establishing a TBI.....	9
Factors involved in setting up a TBI.....	9
<i>Location/Host Institution Requirements:</i>	9
<i>Physical Infrastructure Requirements</i>	10
Pre Incubation Process	10
Selection Process & Criteria for Inclusion of Talent the TBI Programme	10
Incubation Process	12
Services provided by Incubators	12
<i>Location Based Physical Services:</i>	13
<i>Business Oriented Services:</i>	13
The Procedure of Incubation.....	14
Operating Procedure	14
Education & Learning.....	14
Appraisal & Review of Talent	15
Post Incubation Process	15
Special Considerations for Nascent Incubators.....	16
Case Studies of Technology Business Incubators in India	18
Conclusion	30
Appendix I	31
List of Science & Technology Entrepreneurship Parks (STEPs)/ Technology Business Incubators (TBIs) recognized by the Government of India	31
Appendix II - Sample Incubator Policy & Procedure Documentation.....	35

Technology Business Incubators:

An Indian Perspective & Implementation Guidance Report

Introduction

A technology business incubator (TBI) is an organisational setup that nurtures technology based and knowledge driven companies by helping them survive during the startup period in the company's history, which lasts around the initial two to three years. Incubators do this by providing an integrated package of work space, shared office services, access to specialized equipment along with value added services like fund raising, legal services, business planning, technical assistance and networking support. The main objective of the technology business incubators is to produce successful business ventures that create jobs and wealth in the region, along with encouraging an attitude of innovation in the country as a whole.

The primary aspects that this report shall go into are the stages of a startup, the motivational factors behind establishing incubators by governments & private players, the process followed by them in selecting, nurturing talent as well as providing post incubation support. The report will also look at the role that incubators play in the general economy apart from their function of incubating companies, such as educational or public research roles. A series of case analysis of seven well established incubators from India shall follow which will look into their nurturing processes, success stories as well as lessons that can be learnt from their establishment. The final section shall look into challenges faced by incubators in developing economies and the measures taken by them to overcome these challenges.

Incubators: Launchpads for a Modern Economy

Incubation is a business support process that accelerates the successful development of start-up and fledgling companies, also referred to as 'clients' [of the incubator], by providing

entrepreneurs in the company with an array of targeted resources and services. These services are usually developed or orchestrated by the incubator management and offered both in the business incubator and through its network of contacts, in the form of mentorship and financing¹

An incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding. These incubator graduates have the potential to create jobs, revitalize neighbourhoods, commercialize new technologies, and strengthen local and national economies.²

As a part of their services, incubators usually also provide clients access to appropriate rental space and flexible leases, shared basic business services and equipment, technology support services and assistance in obtaining the financing necessary for company growth along with mentors to guide the company through its initial steps.

Incubators also play an active role in the economy of the region by serving as a focal point of interaction between venture capitalists, academicians, university students and government members. This potent collection of stakeholders allows for an intensive exchange of ideas and enables the creation of quick as well as efficient solutions to problems that plague young businesses in a country. The benefits of this extend not only to the stakeholders mentioned above but also to the general economy of the region as well.

The earliest incubation programs, in the 1980s, in the United States of America focused on a variety of technology companies or on a combination of light industrial, technology and service firms – today referred to as mixed-use incubators. However, in more recent years, new incubators have emerged globally targeting industries such as food processing, medical technologies, space and ceramics technologies, arts and crafts, and software development. Incubators have also targeted programs to support micro-enterprise creation, the needs of

¹ University of Michigan, NBIA, Ohio University and Southern Technology Council, Business Incubation Works. Athens, Ohio: National Business Incubation Association, 1997

² Linda Knopp, 2006 State of the Business Incubation Industry. Athens, Ohio: National Business Incubation Association, 2007.

women and minorities, environmental endeavours allowing them to play a dual socially affirmative role in their societies as well.

Technology Business Incubators & their Unique Benefits

Technology Business Incubators (TBIs) are a venture of universities, public research institutes, local government and private players to promote and bolster a new technology intensive enterprise. In this type of incubation the targeted talent consists of innovative, mostly technology-oriented, or knowledge-intensive service sector enterprises. Interactions with the academic sphere and public research are almost always a substantive element of the incubation process in such incubators as well.

As TBIs intervene into the spatial processes of the learning-based economy, they also try integrating innovation and enterprise-policy. Their mandate is also implemented with the active participation of the academic sphere, which gives it certain unique characteristics that deserve a mention³:

- TBIs foster innovative start-up firms, thus the process of incubation is strongly intertwined with the innovation process that occurs in the supported enterprises, bolstering research.
- TBIs also help develop certain local economic development goals in their region by stressing on a knowledge driven economy where risk taking is encouraged.

Technology Business Incubators in India

Technology Business Incubators in India have existed since 1980s, under the Government of India and since late 1990s under the private industry. They have played a critical role in encouraging risk taking and public research in the information technology industry. Their success led to a massive increase in the number of incubators being setup in the country, with over 300 registered incubators operating in the country as of early 2014.

³ Bajmocy, Z. (2007): The Theory of Technology Business Incubation and Opportunities of Application in the Less Favoured Regions of Hungary.

The Government of India under the aegis of Department of Science & Technology provides for institutional mechanism for promoting knowledge-driven and technology-intensive enterprises. This is primarily situated under the National Science & Technology Entrepreneurship Development Board (NSTEDB). The Board, having representations from socio-economic and scientific Ministries/Departments, aims to convert "job-seekers" into "job-generators" through Science & Technology (S&T) interventions and programmes.⁴

The objectives of NSTEDB have been defined to be:

- To promote and develop high-end entrepreneurship for S&T manpower as well as self-employment by utilising S&T infrastructure and by using S&T methods.
- To facilitate and conduct various informational services relating to promotion of entrepreneurship.
- To connect agencies of the support system, academic institutions and Research & Development (R&D) organisations to foster entrepreneurship and self-employing using S&T with special focus on backward areas.
- To act as a policy advisory body with regard to entrepreneurship.

These objectives have been fulfilled by NSTEDB through two major interventions. Namely, the scheme for Science & Technology Entrepreneurs Parks (STEP), which was started in the early 1980's, and the Technology Business Incubators (TBI) programme launched in early 2000, both of which have been fairly successful in increasing the number of start-up companies engaging in innovation as well as fostering a conducive environment of risk taking while contributing to the regional and national economy.⁵

⁴ <http://www.nstedb.com/institutional/tbi.htm>

⁵ TBI Guidelines in India [Available at <http://www.nstedb.com/institutional/New-guidelines-TBI.pdf>]

The Foundational Basis for Technology Business Incubators

The goals behind technology incubators in developing economies operate with a twofold approach, with economic considerations balancing a desire to increase research output and innovation. This leads to a knowledge driven economy that can function in a globalised world while continuing to support local talent and innovation to create a sustainable model of development in the field of information technology. In the last decade, this has been carried out by establishing Technology Business Incubators (TBIs) at various reputed institutions around the country, in both management institutes as well as scientific universities.

Goals of a TBI programme, as stated by NSTEDB on their website, are as follows⁶:

- Creation of technology based new enterprises,
- Creating value added jobs & services,
- Facilitating transfer of technology,
- Fostering the entrepreneurial spirit,
- Speedy commercialisation of Research & Development output,
- Specialised services to existing Small to Medium Enterprises.

The TBI programme in India has been quite successful and has even given rise to private incubators that operate under a very similar model but focus more on creating private capital (sometimes tied to company platforms such as Microsoft's Azure cloud) than tangible public research. The other benefits of such incubators, such as innovation, job creation and wealth generation continue to be available while filling an important role in the economic society. This has culminated with the Government in India creating a separate startup fund of close to 2 Billion U.S Dollars in the budget for the year 2014 - 2015 which it will use to both aid incubators as well as co-fund upcoming startups with private entities. This is a recognition of the work done by the incubators in past decade and will be a key part of the Make in India campaign being pushed by the Government of India.

⁶ TBIs in India – NSTEDB [Available at <http://www.nstedb.com/institutional/tbi-faq.htm>]

Stages of Incubation at a TBI

Establishing a TBI

Factors involved in setting up a TBI

TBI are usually located near a source of technology and knowledge i.e. around R&D Institutions/Academic Institutions or have strong links with such institutions to ensure optimal use of the already existing expertise and facilities. Such an institution is known as a Host Institution. This helps in keeping the cost of the TBI as low as possible while maximising output. Locating TBIs in such location also reduces time lag between technology development and its commercialization.

As the success of a TBI largely depends on its location and management besides quality of tenant enterprises, the following aspects relating to the host institution (HI) are always kept in view while selecting the location/host institution of the TBI⁷-

Location/Host Institution Requirements:

- R&D track record and subsequent commercialization of R&D output of the host institution
- Dedicated team of R&D persons for the TBI at the host institution
- Industrial milieu in the region, both locally in the city as well as connectivity to other regions in the state
- Proximity to other R&D/academic institutions that engage in similar field as the TBI
- Infrastructure, facilities and expertise available, usually over and above the requirement within the host institution.

⁷ An Introduction to TBIs in India [Available at <http://www.nstedb.com/fsr-tbi09/images/chapter1.pdf>]

- A dedicated and experienced administrative staff that has both experienced individuals at the helm and younger members near the interactive end to create the right balance between mentorship and collaboration within the incubator for its talent.

Physical Infrastructure Requirements

One of the greatest benefits available to talent in incubators is the low cost resources and physical infrastructure that lets them concentrate their limited resources for product development and innovation. Therefore, certain minimum requirements in terms of physical infrastructure are necessary before a TBI can be set up in a location.⁸ They are:

- Modern work space, normally in an independent and segregated area,
- Communication facilities, such as telephone, internet and fax subscriptions
- Computing facilities, such as desktop and laptop systems, printers, etc.
- Vital equipment needed in specific target area of operation for the project (case by case)
- Library & information centre, usually of the host institution itself.
- Training and conference facilities in order to allow domestic as well as international aid and collaboration for both the staff and talent at the incubator.

Once a TBI has been setup, the selection of companies and talent that will be included into the TBI is probably the most important factor in determining the success of a TBI.

Pre Incubation Process

Selection Process & Criteria for Inclusion of Talent the TBI Programme

The talent that traditionally apply to TBIs come from a diverse background from fresh graduates to companies within a year of formation. Hence, the selection criteria needs to be open, inclusive yet focused in its outlook of creating a sustainable knowledge economy. This

⁸ Conceptual Document on TBIs – NSTEDB [Available at <http://www.nstedb.com/Developing-Eco.pdf>]

applies equally for community driven incubators that perform their service for free or a low charge as well as commercial incubators that normally take a cut in the equity of the talent they incubate as a fee for their services. The broader framework that is normally followed is:

1. *Submission of Applications by Talent* – The applications by the prospective talent are normally in the format of an information gathering form created by the incubator. All the usual information (such as the name and members of the company), a business plan, registration & financial documents (when applicable), letters of recommendations and any other due diligence information are required of the applying candidates.
2. *Pre Screening Application Review* – Compliance and backgrounds checks are conducted by the incubator before forwarding them to the Selection Panel that will choose the talent. This includes basic financial, academic and statutory checks along with validating recommendation letters to ensure authenticity of application. Most incubators also use this stage to verify the working minimum viable product (MVP) that some incubators require to be submitted as a part of the application, in order to gauge the feasibility of the product as well as the skill set of the team.
3. *Reviews of Applications by Selection Panel* – Most TBIs have a Panel of Experts who has the final call in selecting the talent that is taken into the incubator. This Panel normally has experienced members of the industry, academicians and fellow entrepreneurs who have experience in both venture funding as well research capitalisation. The membership is normally split between internal members of the incubator as well as external industry experts. The guidelines given to this panel in making their decisions are normally unique to each TBI but include focus area, research output requirements, available resources at the TBI as well short and long term goals of the TBI, etc. The Selection Panel usually selects a short list of applications, leaving the final selection to the interview stage.
4. *Interview with Expert Panel* – After short listing candidates on this process, the Panels in most TBIs also conduct interviews with members of the talent groups to gauge potential and compatibility within the programme of the TBI. They long discuss the long term feasibility of the project, terms under which the talent will exist under the incubator as well as the responsibility of the different members of the talent team when

under incubation, etc. This is usually the ideal situation for both the parties to arrive at a common ground on compatibility as well as expectations from each other, making it the most crucial stage of the entire selection process.

5. *Pre-Approval Intimation* – The selected candidates are then informed about their duties, perks and obligations in order to establish a clear relationship between both the parties as well as given them a fair chance to plan their integration. This also lets the candidates compare offers and prepare for negotiations regarding their next stage, including financial commitments, equity distribution as well as incubation goal requirements.
6. *Negotiation of Terms of Incubation* – Most TBIs create broad frameworks for contracts between their talent and themselves, yet have unique clauses that are the by-product of negotiations between the TBI and the talent. This allows them to cater to interests of all stakeholders on a case to case basis. These terms attempt to keep the best interest of both the parties in mind while allowing for the talent to have an active say on the terms (financial, legal and business oriented) that will govern them. This freedom makes sure the talent plays an active role in the success of the venture and in turn helps the long term reputation of the incubator.
7. *Execution of Agreement* – This part includes the procedures that help the talent settle into the incubator, meet the faculty and administrative staff, among other initial introductions. This allows the talent to not only get acquainted with the functioning of the incubator but also start the process of accelerated development within the timeline required by their respective contracts.

Incubation Process

Services provided by Incubators

Every incubator provides two distinct kinds of aid to its talent. The first kind are physical, location based resources such as office space, communication facilities, conference rooms, library access, etc. These physical resources let talent concentrate on the process of creating and promoting their product without having to worry about the physical upkeep of their company, leading to increased output.

The second but just as important resources are the business oriented aids such as fund raising, venture capitalist scouting, legal services, and marketing support among various other kinds of help. This is an especially unique advantage of industry focused incubators as they know of key aspects in the industry that operate under, allowing their talent direct access to both mentorship and funding that would otherwise be unavailable to them outside of the incubator. Both of these services are invaluable in letting a company get through the first few steps of its existence by not only ensuring maximum concentration on product development by the talent but also ensuring that they have adequate mentorship for any problems that they may face on the way. It also serves as an excellent networking opportunity for any startup, where the people they meet at events organised by their incubator can lead to long lasting relationships that are invaluable to their company.

Location Based Physical Services:

- Modern work space, normally in an independent and segregated area.
- Communication facilities, such as telephone, internet and fax subscriptions.
- Computing facilities, such as desktop and laptop systems, printers, etc.
- Vital equipment needed in specific target area of operation for the project (case by case)
- Library & information centre, usually of the host institution itself.
- Training and conference facilities in order to allow domestic as well as international aid and collaboration for both the staff and talent at the incubator.

Business Oriented Services:

TBIs provide the following important business incubation services on a largely uniform basis in order to be considered successful⁹:

1. Market survey/ marketing assistance,

⁹ <http://www.fitt-iitd.org/tbiu.aspx>

2. Business planning and training,
3. Organising management/ technical assistance,
4. Assistance in obtaining statutory approvals,
5. Information dissemination on product ideas/technologies,
6. Syndicating finances,
7. Arranging legal and IPR services,
8. Using facilities of the Host Institute at nominal charges,

The Procedure of Incubation

Operating Procedure

The relationship between the incubators and the talent is governed by their terms of association, which also defines the operating procedure between them. The terms of condition are traditionally open ended, with certain minimum working hours, product appraisal deadlines and limitations on conduct being the major chunk of the terms governing the talent of the incubator. These lay down the schedule of incubation (usually 18 to 24 months subject to renewal), limits on resources and time, rights and obligations of both the parties as well other operating criteria unique to each TBI.

Such a sample policy document is attached to this report in Appendix 2 to allow one to see what these operating procedures in specific from a sample TBI are, and to understand how they function.

Most incubators provide resources to their talent and then follow a hands off approach, allowing the talent themselves to approach the incubator for any help it may need. This works quite efficiently as once they are informed of the resources and aid available to them, they can pick and choose from the ones they require, letting them exercise freedom in the process of development of their product without any imposed work schedule or standards.

Education & Learning

However, all incubators also have some process of both education as well as review. For education, they require their talent to attend special classes arranged for them in by calling

down industry experts as well as network with various venture capitalists at organised gatherings. Incubators do so to not only mandate a learning curve for all incubator talent, which in turn makes them create a better product/service, but also to bolster the image of the incubator itself in the industry.

Appraisal & Review of Talent

As for the process of review, all incubators mandate at least a semi-annual review of the work carried out by the incubator talent. This review is carried out by a committee of mixed staff, selection committee members as well as industry experts. The committee gauges the progress of the company against its objectives, as decided in the incubation contract. Product reviews, industry testimonials as well as live demos are used to determine this, apart from raw financial data such as product sales, etc. This lets both the talent as well as the incubator keep a track of how the mutual goal of developing the company is progressing and what can be done better to improve it. The expert committee also evaluates the quality and impact of the business assistance provided by the incubator itself and suggests improvements so that the incubator can serve its talent better.

Apart from this process of review, there are also frequent industry related components that serve the dual purpose of helping talent acclimatise to the operations within the industry as well as allowing the incubator to get external opinions on the talents via these interactions.

Post Incubation Process

Graduating from an Incubator

The process of finishing incubation is traditionally known as ‘graduating’ and most incubators have differing criteria for gauging when a talent can graduate from an incubator and what that entails from both the incubator as well as the talent. Some of these criteria include self-sustenance in terms of revenue stream, selling the venture to a larger company, expiry of the period specified in the terms of agreement, etc. These conditions are also known to be multifaceted to ensure that the talent is adequately charged (if at all) for the services it avails at the incubator. For example, if a company is acquired straight out of the incubator then it is

quite common for the talent to encash certain amount of equity for the incubator. However, if the talent is going mainstream by themselves, terms of deferred encashment of equity or even free services are common to allow the company to survive their initial years as an independent entity.

Post Incubation Obligations

Post Incubation, talent that has graduated from an incubator serves as the best representative of the incubators methods to the industry, making their opinion of the incubator very important. This leads to incubators often organising special programmes around their graduated talent, from talks within the incubators to networking meets around the country on an annual basis. This allows the incubator to be networked and active in the industry, as well as follow up on the performance of its talent, benefiting both parties in the process.

Special Considerations for Nascent Incubators

Incubators that are newly established must necessarily keep certain aspects in mind while being setup and through the first few years of operation. They ensure they become relevant in the market as soon as possible while attracting the right sort of talent for their crucial initial batches of incubation. Some of these factors, as suggested by the Centre for Innovation and Entrepreneurship at the Indian Institute of Management are:

1. Hiring an Incubation Head: Whether, in the capacity of the Manager or a CEO, the incubator needs to hire a person who is passionate to work with startups and is connected to the sectors on which it will focus in. This person is the Key Member as he or she will execute the operations of the incubator.
2. Choosing the operational sector: It is important for the incubator to decide the specific sectors it wants to address. It will help to stay focussed and aligned to their vision, along with attracting the right sort of talent.
3. Defining incubation model and incubatees: The incubator must be clear about the incubation model it wants to work with depending upon the services it will provide and the strengths it can leverage upon. This will also help the incubator define whom it will call incubatees. While some call incubators call the startups working in co-working

- space as incubatees, others call startups in which the incubator has invested in as its incubatees.
4. **Defining its vision and objectives:** The Incubation Head in consultation with his advisors must decide the vision that the Incubator will be embarking on. Setting up the objectives will help to plan the activities and to track progress in terms of the success achieved in the coming years.
 5. **Deciding legal status:** The incubator must have the clarity about the legal status it wants to hold. It will be dependent upon the objective as whether the incubator wants to be a 'centre' of the host organisation or register itself as a Sec. 8 Company under the Companies Act of 2013 in India or under the Societies Act in India. Getting an understanding of the advantages and disadvantages of each of the forms of registration will help.
 6. **Finding programs and funds:** If the incubator is solely going to work with co-working space model, then perhaps there is no need of finding programs. A good strategy would suffice. However, if the incubator wants to incubate its startups, then it needs to create programs to attract and scout good startups and hence essentially needs to find funds for it or vice versa.
 7. **Setting up proper accounting system:** It is imperative for the incubator to set up the finance and legal compliance department from the beginning. While it might be just one person at the start who will take care of accounts, finance as well as legal compliances; keeping it sorted from the beginning adds up at the later stage when the incubator grows in size.
 8. **Creating networks:** The incubator cannot work in isolation and hence establishing a network that can help the startups to wade through the challenges. Mapping the local ecosystem and connecting & collaborating with existing corporate, regional and industrial bodies, investors, domain experts, NGOs, academic institutions would be of immense value.
 9. **Services it wants to provide:** Last but not the least; the incubator must have clarity about the services it wants to provide to its incubated startups. While this will depend on the incubation model, this will help the incubator in estimating its cost and setting the right expectation from its startups.

Case Studies of Technology Business Incubators in India

The case studies below will look at the practices of the most successful technology incubators in India, from the perspective of what their operating procedures are, what sets them apart from the other incubators in the field as well as looking at some of their most successful graduate talent. The information present in this is either from the public domain or sourced through interviews with administrative staff within the incubator. A majority of the incubators are quite secretive about their operations, making the amount of information available about them quite varied in depth and detail in comparison to the other players in the field. The report tries to strike a balance between the successes of the incubator with the amount of information available about, listing them in a descending order according to the two criteria mentioned above. More information on how to contact them, along with other successful incubators in India can be found in Appendix 1 of the report.

A. Centre for Innovation, Incubation and Entrepreneurship (CIIE), IIM Ahmedabad:¹⁰

About:

Centre for Innovation, Incubation and Entrepreneurship (CIIE) is one of the most successful TBIs in India. It was set up by the Department of Science and Technology, Government of India at the Indian Institute of Management at Ahmedabad, Gujarat in India in 2002. CIIE's main task is to integrate incubation with research and training, with the help of faculty, students, alumni and other stakeholders. CIIE conducts nationwide a competition for high-tech innovations with mass impact to identify innovations that can be converted into commercial enterprise in order to select its talent.

Salient Features:

- CIIE specialises in the educational aspect of technology business incubation, due to being one of the first incubators to include academicians from a business background

¹⁰ <http://www.ciieindia.org/>

in all facets of its activities. This has led to a very strong, research oriented culture at the incubator with frequent classes by industry veterans for both the incubated talent as well as other external players.

- CIIE also works as a consulting organisation to various individuals and companies, advising them on various facets of entrepreneurship. The case studies, experience and monetary source of income garnered by these visits benefits the incubator and its talent massively along with increasing industry recognition and reputation.
- It holds the record for the largest number of start-ups that have gone on to successfully operate independently and raise funding post graduating from an incubator in India, with over 80 companies numbering as being operational an year after incubation.¹¹
- It follows the motto of Inspire, Incubate & Impact and fulfils its mandates of spreading the spirit of entrepreneurship via education, incubating talent and creating an impact on both the society as well as the economy.
- It operates 6 programmes, Infuse Ventures (concentrating on the clean tech sector), iAccelerator (its ICT programme), Aarohan Ventures (its social impact incubator), Ideapad (for local Ahmedabad based entrepreneurs), IIMaverick (for IIM- A students) and finally Startup Oasis (focuses on creating ventures across energy, water, sanitation, healthcare and other impact areas in Rajasthan)

Incubation Process (as given over the phone):

- Scouting for Innovation,
- Selection of Innovators,
- IP evaluation and signing NDA (Non-Disclosure Agreements)
- Service and shareholder agreement with incubatees,
- Applicable Infrastructure and services provisioning
- Initiating mentor program
- Providing access to technology and related networks

¹¹ <http://businesstoday.intoday.in/story/best-b-schools-iim-a-incubation-centre-stand-out/1/199259.html>

- Commercialization, activity-entrepreneurial venture, business plan, market research, consultancy, legal, finance and other support
- Triennial Review of Project
- Graduation of the Incubatee

Success Stories:

Some of the most successful ventures from the CIIE centre are:

1. Innoz Technologies – A firm which enables SMS-based search in over 19 languages
2. Aspiration Energy – A company which produces solar water heaters
3. Mech Mocha – A social gaming company
4. Ecolibrium Energy – A firm involved in developing smart grid technology to monitor power usage by large power consumers.

B. Technopark-TBI, Kochi¹²

About:

Technopark Technology Business Incubator (T-TBI) is the India's first and most successful Non Academic Business Incubator, hosted and housed inside Technopark. It started operation during 2007 and is located in Kochi, India. Over the years T-TBI worked towards building successful companies from the incubator by designing and offering whatever is needed to make a startup successful. Technopark TBI (T-TBI) has been registered as a non –profit society and has seen various successful ventures graduate from its ranks.

Salient Features:

- It provides startups with fully furnished office spaces, mentoring support in developing business and technology plans, seed capital assistance from the initial stages due to large government support.

¹² <http://www.technoparktbi.org/IncubationProcess>

- The Technopark TBI is the pioneer in introducing and organizing various programmes like Technopreneur workshops, Entrepreneurship Awareness Camps, Entrepreneurship Development Programmes, Residential Faculty Development Programmes, Bar camps, Boot camps, One-to-one and panel discussions, Software Engineering workshops, online mentoring and networking,
- Additionally, the Technopark TBI financially supports non-incubated entrepreneurs through Seed Support System and moulding them technically to become successful entrepreneurs via contact programmes and virtual office.

Incubation Process (from the website of the incubator):

- The business activity proposed is in the advanced technology area. The company must meet the definition of a "technology-based company"
- The venture proposed is a corporation, partnership or sole proprietorship.
- The entity demonstrates a need for incubator services and a potential for growth.
- If these criteria are met, the business plan is submitted by the entrepreneur
- In the absence of a proper business plan, the request for memberships sometimes are accepted provisionally if business proposal looks promising prima-facie to the expert selection committee.
- The entrepreneurs then submit a proper business plan to the TBI, which will be reviewed by the expert committee before final acceptance.
- The business proposed should have significant technology content / employment potential / revenue generation potential / export earning potential.
- A first time entrepreneur should have the requisite aptitude in promoting the venture. The expert committee will assess this through personal interview, review of past activities, background check, references etc.
- TBI and the entrepreneur will sign a mutual nondisclosure agreement (NDA)

- Details of company's corporate structure, bylaws, ownership, etc are vetted and approved by the incubator.
- The expert selection committee reviews the application based on but not limited to the following criteria: Merit of the business proposal, background and experience of the entrepreneur, financial viability, growth potential business references and finally the academic & business makeup of the management team.
- Once, selected these teams are given free rein to operate, with very few restrictions apart from minimum work and product development standards, to allow them to reach the goal of graduating in the most organic manner possible.

C. **TBI, Birla Institute of Technology, Pilani**¹³

About:

The Birla Institute of Technology and Science (BITS), Pilani in association with the Department of Science and Technology (DST), Government of India has established a Technology Business Incubator (TBI) specialising in the area of Embedded Systems and VLSI Design since 2006. TBI jointly with CEL promotes entrepreneurial leadership across all disciplines, facilitate entrepreneurial activity amongst students

Salient Features:

TBI has several links to the advertisement agencies all over India, which help the companies at the centre to advertise themselves. There are tie-ups with chartered accountants and other professional organizations as required. Apart from these, incubate companies have the opportunity of getting:

- Training in business communication: written as well as verbal form public speaking coaches

¹³ <http://www.bits-pilani.ac.in/pilani/technologybusiness/TechnologyBusinessIncubator>

- Training in business management: structured short courses from the management faculty at BITS, Pilani
- Experiences of successful companies (a knowledge/ information site would be created where management concepts, intellectual property evaluations, deal making, negotiations, networking, VC funding, company registrations etc are provided)

Process:

Apart from physical infrastructure & business support, TBI intends to create certain other supports and services which would include:

- Corporate and legal assistance to the incubatee through internal assistance, BITSAA (BITS Alumni Association) or third party involvement.
- Organizing events to help companies in networking and showcasing their technologies,
- Meetings with visitors of BITS ,Pilani, which include Nobel Laureates & CXOs.
- The Management Group may extend support in preparation of Business Plans and in undertaking marketing research studies for the talent as well.

Success Stories:

TBI, BITS Pilani, initially started with one startup in year 2005. Since then, a total of 22 startups have incubated out of which 17 startups have graduated till now. The IP being created by them is mainly patents and copyrights, held by both BITS, Pilani and the talent themselves. Some of the examples of companies incubated/incubating are as follows:

- *Corpus Labs* – software solutions in inventory management, health services.
- *redBus* – an online travel portal catering to bus ticket reservations.
- *Toss-Card* – product to help people keep their contacts always up-to-date.
- *Parivartan* – (founder Saurav Neel Patyal) – gets the dynamism and energy of the youth to the development of villages. It engages initiatives at the grass root level

by treating the community, where it works, as equal partners in progress. Team won Goldman Sachs Leadership Award.

- *V K Industries* – (founder J P Soni) – development of automatic contrivance system products using embedded system design technology.
- *Apna Technologies & Solutions* – The Company designed, developed & built a hand-held unit with intelligence to measure vibration and perform vibration analysis. Tri axial MEMS accelerometers are to be used to make the marine industry more efficient.

D. Rural Technology and Business Incubator, IIT-Madras¹⁴

About:

IIT Madras' Rural Technology and Business Incubator (RTBI) is a non-profit society established in 2006 as a formal business incubator with the foundational support of the Department of Science and Technology (DST), the Government of India and World Bank's Infodev arm. The aim of RTBI is to support rural and socially inclusive start-ups, primarily those that enable access to scalable products and services for the under-served and bottom-of-the-pyramid segment. RTBI nurtures and supports entrepreneurs aspiring to evolve rural/social inclusive business models leveraging Information and Communication Technologies (ICT).

Salient Features:

- RTBI identifies ways and means to strengthen entrepreneurs with business models for innovative, low-cost and relevant products and services.
- Further, it seeks to develop depth and understanding of the underserved segments by sustained efforts via grass root trials in areas like agriculture, education, financial inclusion, healthcare and livelihood.
- While the support provided by RTBI is modulated as per individual needs of the applicants, it covers, among other services, the following- infrastructure to operate

¹⁴ <http://www.rtbi.in/>

out of an RTBI Office - admin support (meeting /conference room facilities, printer, copier etc.), funding as applicable, networking and linkages to investors etc.

- It also provides joint technology development services, product / service development support, marketing / go-to launch strategy service, preparation for series A, B and institutional rounds of funding, bank lending services and credit / risk assessment services.

Process Followed:

The different stages of Startup Lifecycle of Ideation, Innovation and Execution are defined and captured and classified in the RTBI incubation pathway as Exploratory Phase, Venture in the making phase, Early Stage venture and Graduated Venture. RTBI encourages and supports entrepreneurs entering into their ecosystem in any of these stages.

- Currently, an application for incubation can be initiated through an online application available on the RTBI website along with a presentation (the template for which is also available online).

- Such an application is then reviewed by RTBI and feedback is provided to the applicant for any necessary improvements.

- Thereafter, once the necessary changes are made and a draft presentation is ready, a meeting is scheduled with the management of RTBI wherein the application is evaluated. If accepted at this stage, then the application is recommended to be presented before an Incubation Committee.

- Upon the Committee's approval, the terms are communicated to the applicant.

- At the last stage, after the mutual concurrence of both parties on the terms, the application proceeds towards the Incubation Agreement sign-off.

Success Stories:

Over 8 years of operation, RTBI has supported the establishment and growth of over 40 start-ups such as Rope, Intelizon, Cygni, Uniphore etc. ranging from home décor designers to healthcare providers. There have also been various socially driven start-ups that include solar power projects for villages, software for ICT education in rural areas that may not be commercially attractive but are making a tangible impact in society in a self-sustaining manner.

E. **Society for Innovation and Entrepreneurship, IIT Bombay**¹⁵

About:

SINE was formalisation of an IT incubator pilot started in 2000. The incubator works as platform to support technology start-ups founded by IIT Bombay community or are based on IIT Bombay technologies, making it a closed startup. SINE has an infrastructure spread over 10,000 sq.ft. and can incubate 15-17 companies at a time. SINE is supported by several government departments such as Department of Science and Technology, Department of Information Technology and Technology Development Board of the Central Ministry.

Salient Features (as informed over email):

- Technology focused infrastructure, allowing for advanced R & D
- Very early stage funding due to industry links and alumni network
- Strong government support both at the State and Central level
- Start-up friendly consideration model
- Managing team with required expertise in both technology & business
- Mentoring and good network with all stakeholders, including the host institution
- Alumni support by way of endowment funds, mentorship support, etc.
- Ability to leverage institute resources at a top university
- Easy access to investor community due to location at Mumbai
- Well defined processes for selecting and nurturing the start-ups, due to experience
- Branding and visibility to entrepreneurs due to reputation and location in Mumbai

¹⁵ <http://www.sineiitb.org/>

Success Stories:

TRI Technosolutions, Mysuz, Voyager Infotech, Eisodus Networks, and Collcraft Technology are all successful graduates of the incubator programme and have been noticed in the industry. They are all either industrially operational or have been acquired by companies as in house departments.

F. Microsoft Ventures

About

Microsoft Ventures is a global initiative empowering entrepreneurs around the world on their journey to build great companies. This incubator works with startups at every stage of maturity to provide the tools, resources, knowledge and expertise they need to succeed. Their goal is to help startups scale their business, bring innovative services to market, and reach new customers. The primary vehicle to empower startups is through a mentor-driven accelerator program designed to help top entrepreneurs get through the challenges of building a sustainable business, gaining customers, and scaling to global markets.¹⁶

Salient Features

There are various tailor made services offered to potential startups. There are three identified stages of incubation: Build, Scale and Grow.¹⁷

Build:

- BizSpark: Offers 3 years of free software, developer tools, support, and free Azure Cloud Services to build apps and scale businesses.
- Microsoft Innovation Centres (MICs): MICs are local hubs that provide resources and support for students and entrepreneurs, helping to accelerate the creation of new companies, jobs, and growth of the local ecosystem.

¹⁶ <https://www.microsoftventures.com/aboutus>.

¹⁷ <https://www.microsoftventures.com/programs>.

Scale:

- Microsoft Ventures Accelerators: This service provides strong mentors, technical guidance, and tools to start-ups in order to provide them competitive advantage through a 3-6 month period. These accelerators are present in various locations around the world such as Beijing, Berlin, London, Paris, Seattle and Tel Aviv.
- Microsoft Ventures Alumni Program: This is essentially a global startup community, allowing startups to leverage access to resources, networks and potential customers.

Grow:

Microsoft Customer Access Program: connects a startup community on a global level and leverages venture industry experience to jump start talent at an international level.

Process:

For BizSpark:

- Joining is free, and easy to access.
- Free access to software, developer tools, support, and training to build apps is offered for a period of 3 years.
- Free access to Windows stores to publish and market apps.

Success stories:

1. PicHit.Me : Connecting people in need of photos to people with cameras.
2. Forkize: Students and mentors working together to solve problems and building solution businesses.
3. Tagboard: Every community needs a hashtag, and every hashtag needs a Tagboard.
4. TranscribeMe: convert speech to text at lightning speed.

G. Startup Village

About:

Startup Village is a technology business incubator in Kochi and it is India's first incubator that is funded jointly by the public and private sector. The promoters of Startup Village are Department of Science and Technology, Government of India, Technopark Trivandrum and MobME Wireless. Kris Gopalakrishnan, co-founder of Infosys and the most successful IT entrepreneur from Kerala, is the chief mentor at Startup Village. Startup Village aims to launch 1,000 start-ups over the next 10 years and start the search for the next billion-dollar Indian company. It aims to create an ecosystem that promotes innovation and provides a platform for youngsters to create cutting-edge technology. Their focus is on student start-ups and telecom innovation.¹⁸

Salient Features:

Startup Village offers regular and virtual incubation. The companies that opt for regular incubation work in Kochi. Within the framework, startups get perks like tax exemption, access to the Startup Village Angel Fund, consulting services by KPMG, IP Strategy by Inolyst, hosting by Net4 (hosting service), accounting services from Themis etc.¹⁹ The virtual incubation option lets talent operate in the comfort of their cities, yet utilize the opportunity of the resources, mentor ship, funding help among other benefits. This lets the incubator take in a large number of people and also rapidly solidify its reputation in the industry.

¹⁸ <http://www.startupvillage.in/about.html>.

¹⁹ <http://www.startupvillage.in/incentives.html>.

Conclusion

The TBIs in India have been quite successful over the last decade, with over 500 companies and organisations successfully graduating from their incubators to create tangible home grown impact on their local as well the national economies. However, the challenges faced by them such as a lack of sufficient follow up mentorship, continuing corruption and bureaucratic red tape, etc. continue to prevent them from achieving their fullest potential. Any particular experience that may be gained from their growth can be used to jump start any economy that chooses to adopt the incubator model, especially one filled with as much potential as Myanmar. The best practices followed in this report can go a long way in providing this experience to any incubator environment, especially one in a developing economy.

Appendix I

List of Science & Technology Entrepreneurship Parks (STEPs)/ Technology Business Incubators (TBIs) recognized by the Government of India

A current and updated version of this list, with full search capability, can be found at the official Department of Science and Technology, Government of India Website at:

<http://www.techno-preneur.net/information-desk/institutional-contact/institutional-contact-index.html>

Sl. No.	Name and Address of Contact Person - TBI
1.	<p><u>Amity Business Incubator</u> <u>E-3 Block ,1st Floor, Sector 125, Amity University</u> <u>Campus, Noida</u> <u>Ph: 0120-43292242/ 243</u> <u>Email: arsharma@abs.amity.edu</u></p>
2.	<p>Society for Development of Composites Composites Technology Park 205, Bande Mutt, Kengeri Satellite Township, Bangalore - 560060 Phone :- +91 080 6599 7605, 65581005, 28482768 Fax :- +91 080 28482771 Email: drgopalan2003@yahoo.com</p>
3.	<p>Technopark – Technology Business Incubator Trivandrum 695 581 Ph: +91-471-2700222 Fax : +91-471-2700171 E-Mail: kccnair@technopark.org</p>
4.	<p>Society for Innovation and Entrepreneurship Indian Institute of Technology-Bombay Powai, Mumbai 400 076 Phone : (+91 22) 2576 7072/ 7016 Fax: +91 22) 2572 1220 Email: poyni.bhatt@iitb.ac.in</p>

5.	<p>Vellore Institute of Technology (VITTBI) Vellore - 632014 Phone :- +91 0416 2243097 Fax :- +91 0416 2243097 Email:: vittbi@vit.ac.in, balac68@yahoo.com</p>
6	<p>Technology Business Incubator – University of Madras Taramani campus, Chepauk, Chennai 600113. Tel: 044-24540038/39 Email: tbi_unom@yahoo.com, tbi@unom.ac.in</p>
7.	<p>Rural Technology & Business Incubator Indian Institute of Technology Madras Chennai 600036 Tel: 044 – 2257 5441 Fax: 044-2257 0120 Email: lvoidya@tenet.res.in, office@telnet.res.in</p>
8.	<p>Bannari Amman Institute of Technology – Technology Business Incubator Sathyamangalam - 638 401. Phone :- 04295-221289 Fax: 04295-23775 Email: bitsathy@bannari.com</p>
10.	<p>Periyar Technology Business Incubator Periyar Maniammai College of Technology for Women, Periyar Nagar, Vallam-613 403, Thanjavur Tele fax-04362-264520 E-mail: info@periyartbi.org; ap_aruna@yahoo.co.in</p>
9	<p>JSSATE – Science and Technology Entrepreneurs’ Park J.S.S. Academy of Technical Education, C-20/1, Sector-62, Noida-201301, (U.P). Phone :- +91 012-2401514/16 Fax :- +91 012 – 2401516/2401451 Email: ce@jssstepnoida.org</p>
11.	<p>Krishna Path Incubation Society Krishna Institute of Engineering & Technology 13 KM Stone, Ghaziabad - Meerut Road, Ghaziabad 201206 Tel: 01232-262059 Email: tbi@kiet.edu, kumartbi@gmail.com,</p>
12.	<p>Entrepreneurship Development Center, NCL Innovation Park</p>

	<p>National Chemical Laboratory Pune-411008 Phone:+91-20-2590-2185 Fax:+91-20-2590-2618 Email: v.premnath@ncl.res.in, vv.panchanadikar@ncl.res.in</p>
13.	<p>SJCE – STEP S.J. College of Engineering, Mysore - 570 006 Phone: 0821- 2548321 Fax: 0821 - 2548321 E-mail: sjce-step@rocketmail.com</p>
14.	<p>Centre for Innovation Incubation and Entrepreneurship (CIIE) Indian Institute of Management, Vastrapur Ahmedabad 380015 Phone :- +91 079 266324203 Fax :- +91 79 6324203, 26324207 Email:-kunal@iimahd.ernet.in</p>
15.	<p>NITK - Science & Technology Entrepreneurs Park National Institute of Technology – Karnataka Surathkal 575025 P.O. Srinivasanagar D.K. District. Phone :- +91 0824 2475490, 2477847 Fax :- 0824 2477590 E-mail:- directorstep@hotmail.com</p>
16.	<p>Basaveshwar Engineering College Science & Technology Entrepreneurs Park(BEC-STEP), STEP Road, Behind BTDA Campus, Bagalkot - 587102 Phone :- +91 08354 233204 Fax :- +91 08354 233204 E-mail:- mmbecstep@yahoo.com</p>
17.	<p>Science and Technology Park University of Pune, Pune - 411007 Phone :- +91 20 25699206/25693449 Fax :- +91 20 25699206 E-mail:- stppune@gmail.com, dirstp@unipune.ernet.in</p>

- | | |
|-----|---|
| 18. | <p>Science & Technology Entrepreneurs Park - Thapar University
 Patiala -147001 Punjab
 Phone :- +91 0175 2393011, 3314
 Fax :- 0175 2393011
 E-mail:- d_goyal_2000@yahoo.com; dgoyal@tiet.ac.in,
 ccstep@tiet.ac.in</p> |
| 19. | <p>TREC-STEP
 TREC-STEP, NIT Campus
 Tiruchirappalli 620015
 Phone :- +91 0431 2500085,2500697
 Fax :- +91 0431 2500175
 E-mail:- jawa_ts@yahoo.com / ed@trecstep.com</p> |
| 20. | <p>PSG-STEP
 PSG College of Technology, Peelamedu
 Coimbatore 641004 Tamil nadu
 Phone :- +91 0422 4363300
 Fax :- 0422 2573833
 Email:- psgstep@vsnl.com</p> |
| 21. | <p>STEP - Indian Institute of Technology,
 Kharagpur - 721 302.
 Phone : 03222-281091, 278618
 Fax : 03222-278618
 E-mail: dhrubes@gmail.com, mdstep@hijli.iitkgp.ernet.in,
 dbiswas@srict.iitkgp.ernet.in</p> |
| 22. | <p>STEP - Guru Nanak College of Engineering,
 Ludhiana - 141 006
 Phone : 0161 2814748/ 2814183
 Fax : 0161- 2814748
 E-mail : step_gnec@yahoo.com</p> |

Appendix II

Sample Incubator Policy & Procedure Documentation

(from Society for Innovation and Entrepreneurship, IIT Bombay)²⁰

²⁰ <http://sineitb.org/sine/resources/documents/> [Confidential and used with permission, do not reuse] Certain words have been modified and replaced with XXXX and Host Institution to preserve legal obligations.

Policy and Procedures for Business Incubator

Hosted By

Society for Innovation and Entrepreneurship

Indian Institute of Technology Bombay

Powai, Mumbai 400076

Introduction

A society registered under the Societies Registration Act, 1860 is set up to promote innovation and entrepreneurship by converting and translating technology ideas and innovation in various disciplines of science and engineering into products, processes and services for commercial exploitation and the benefit of society. To accomplish its goal, XXX runs and manages a Business Incubator (BI) at the Host Institution to facilitate incubation of new enterprises with innovative technologies by admitting them in BI and providing them physical, technical and networking supports and services.

This document contains policy and procedures for operational matters related to Business Incubation at 'XXXX'. It covers the following processes:

Eligibility

Admission process

Intellectual Property

Seed Loan

Infrastructure

Common infrastructure
Other services
Periodic assessment
Information submission
Consideration
Tenure in BI
Exit (Graduation)
Conflicts of interest
Disclaimer
Agreements

The policy is subject to periodical review and amendments. It will be the responsibility of the companies admitted to BI to update themselves from time to time on amendments in BI policy and procedures. 'XXXX' reserves the rights to make an exception of all or any of the terms of policy for a particular company or a promoter on a case to case basis.

1. Eligibility

1.1 Admission to BI is open to:

- i. Faculty members (current and in the recent past),
- ii. Students and alumni,
- iii. Host Institution's R&D partners (sponsors of R&D and consultancy projects),
- iv. Host Institution partner universities (having R&D collaborations in place),
and
- vi. Government agencies associated with Host Institution research and innovations.

The proposals for business incubation must meet with one or more of the following parameters:

- i. Proposals with Intellectual Properties (IP) generated within HOST INSTITUTION and transferred to the company for a consideration,
- ii. Proposals with IP belonging to faculty, student or alumni (created outside HOST INSTITUTION),
- iii. Proposals with potentials for strong identifiable involvement or interaction with Host Institution faculty with/without usage of Host Institution facilities,
- iv. Proposals which will have social and strategic impacts,
- v. Proposals with potential for large resource generation, impact value and visibility to Host Institution, 'XXXX' and incubation activities,

1.2 Applicants must fulfil all the above criteria for making an admission in the BI, for making an application for 'XXXX's virtual incubation programme or pre-incubation programme.

1.3 Applications for admission to BI will be made in the name of registered unlisted companies within the meaning of the Companies Act, 1956. If a company has not been registered, an application may be made in the names of all promoters/ founders; however, the promoters/ founders must ensure that the company is registered within a period of three months from the date of approval of the application for admission in BI.

2. Admission Process

At the opening level, applicants for admission in BI will be required to submit a Pre-Application Questionnaire (PAQ), which can be availed from the 'XXXX' office or downloaded from its website. The PAQ will be scrutinized internally by the 'XXXX' team. While submitting PAQ, applicants will also disclose information on executive involvement of the promoters/ founders in other companies or commercial entities.

Based on the initial scrutiny of PAQ and affirmative assessment, applicants will be asked to submit a formal application for admission in BI along with a detailed proposal comprising of the following documents:

Business Plan.

Details of IP/ technology based on which a company is proposed to be promoted/ founded. In case the IP/ technology is developed at Host Institution, a copy of letter of approval from Host Institution for transfer of / licensing of/ permission to use IP in favour of prospective incubatee companies.

The business plan is expected to cover the basics of the business, namely, value proposition, products and services, market analysis, competition analysis, funding requirements, capital structure, milestones and timelines, development and marketing plan, organizational structure, team, risk analysis and projected financials. An illustrative template for a business plan may be obtained from the 'XXX' office or may be downloaded from its website. Applicants may give such additional information as they think would help in the assessment of their proposal.

Based on the documents submitted, the Business Plan will be screened by the 'XXXX' team for assessing the suitability of the proposal for further evaluation by expert members regarding its potential for incubation. Detailed scrutiny including financial and technical due diligence of the proposal shall then be carried out by the expert members for evaluation of the proposal. Applicants may be invited with their teams to make a presentation on their proposal. In order to enable the expert members to take an appropriate decision, members may ask for any additional information from the applicants and/or revision in the proposal.

Business Plan will be reviewed by experts having technical, business and financial expertise. These members will be other than 'XXXX' employees. The expert members would be invited/ identified depending on the nature of the proposal. The proposal will be handled in terms of

‘XXXX’'s Policy on Conflicts of Interests and Confidentiality appended hereto as [Appendix](#)

A.

Some representative criteria to be applied for evaluation (not limited to these)

Strength of the product idea in terms of its technology content, innovation, timeliness and market potential

IP already generated and the potential of the idea for IP creation

Extent of involvement of HOST INSTITUTION faculty, employees and students

Strength of the core business team

Funds requirement and viability of raising finance

Break-even period

‘XXXX’ will have a sole discretion whether to admit or reject a proposal for incubation and the decision of ‘XXXX’ in this regard shall be final. ‘XXXX’ is not bound to give any reason in case a proposal is rejected.

3. Intellectual Property

Intellectual Property (IP) can be a patent, software code, copyright, design registration, developed product, or alike. IP for incubation purpose will be assessed based on the following details:

Whether any seed grant (from public or private sources) has been used in developing the technology which will go into the product(s) of the proposed company.

If yes, details of the understanding with the funding agency in terms of sharing of the IP.

Whether any person other than the applicants have worked on the technology and if their work will be incorporated in the product(s). If yes, whether such other person has a right in IP ownership.

If the IP is developed at HOST INSTITUTION, whether any HOST INSTITUTION infrastructure (hardware, testing setup, instrumentation, computing resources, processes) has been used in developing the technology that will go into the product(s).

If the IP is developed at HOST INSTITUTION, whether any consultancy projects were executed in the proposed area.

A statement from the “owners/ innovators/ creators” of IP to the effect that they are the “owners/ innovators/ creators” of IP as the case may be.

Applicants, who are current faculty or students of HOST INSTITUTION, aspiring for incubation shall first approach HOST INSTITUTION for transfer of / licensing of/ permission to use IP in favour of prospective incubatee companies. They will initiate a letter to Dean - R&D, HOST INSTITUTION Nombay and ‘XXXX’ requesting the transfer of HOST INSTITUTION IP in favour of a start-up company in the Business Incubator intended to be promoted/ supported by the inventor.

The companies or promoters/founders will pay consideration in lieu of the transfer / licensing of/ permission to use IP in their favour, which will be decided by ‘XXXX’ as mentioned in section 10 hereinafter.

IP transfer/ IP licensing/ permission to use IP will be in favour of only the registered companies.

4. Seed Loan

‘XXXX’ may provide seed loan subject to the availability of funds/ grants/ schemes meant for this purpose. Seed loan will be sanctioned only to the registered companies and shall be based on merits of each company. Promoters/ founders whose companies are not registered at the time of application shall not be eligible to apply for seed loan until their companies are incorporated. Further, admission to BI shall not automatically entitle the companies to seed loan.

A company desirous of getting seed loan may submit an application for seed fund on admission in BI. Sanction of seed loan will be decided based on the eligibility criteria as decided by 'XXXX'. It would be also subject to the terms stipulated under specific grant or scheme as the case may be. Though seed loan may be sanctioned, disbursement shall be linked to the milestones. One of the criteria for approval of the seed loan will be to help the company reach a level of maturity in terms of product development or go-to-market stage. Preference will be given to companies with strong commitment and contribution from their promoters. 'XXXX' will have sole discretion to sanction or reject an application for seed loan and the decision of 'XXXX' in this regard shall be final. 'XXXX' is not bound to give any reason in case an application for seed loan is rejected.

5. Infrastructure

BI Infrastructure:

Upon admission to BI, the following infrastructural facilities will be offered to the incubatee companies on an individual basis, apart from a set of shared/ common infrastructure mentioned hereinafter:

Office space: Company specific

Personal Computers – up to eight, depending on the team size

Internet connection

Two telephone lines – one line through internal exchange for communication within IIT campus, and one external line. BI will do the processing and acquire the lines. Each company will pay the rentals and bi-monthly bills

HOST INSTITUTION Infrastructure:

Besides, 'XXXX' will facilitate the incubatee companies to access departmental laboratories and other resources of HOST INSTITUTION for their products development purposes. Access to departmental resources is possible through Industrial Research and Consultancy Centre (IRCC) of HOST INSTITUTION and usage of such resources should be with permission of the concerned department to avoid conflict with departmental activities and objectives. Further

usage of such resources shall be on commercial basis and in conformity with the policies of IRCC at HOST INSTITUTION for consultancy/sponsored projects prevailing from time to time. The consideration payable to IRCC for usage of departmental resources will generally be in the form of cash (payable by cheque or demand draft), though 'XXXX' may recommend to IRCC for acceptance of consideration in the form of equity. However, decision as to whether to accept such consideration in form of equity will be solely rest with IRCC. Augmentation of resources in the department on account of such usage shall be the properties of the concerned department.

Irrespective of requirements of departmental facilities for usage, all incubatee companies will primarily locate into BI.

6. Common infrastructure

Apart from company specific infrastructure as stated above, 'XXXX' will provide certain facilities be shared by all incubatee companies which would include:

File Server

Fax machine

Laser Printer

Photocopier

Scanner

Shredder

Teleconferencing facilities

Meeting/Conference room with projection equipment

'XXXX' Library facilities

Pantry facilities

Common secretarial pool/staff (depending on availability of such staff with BI)

7. Other Services

Apart from physical infrastructure as stated above, BI intends to create certain other supports and services which would include:

Pool of mentors, experts in technology, legal, financial and related matters, with or without consideration,

Organising events to help companies in networking and showcasing their technologies,

Meetings with visitors of HOST INSTITUTION (such as alumni, VCs, industry professionals).

Incubatee companies can avail of the above support and services when offered by 'XXXX'.

In addition, 'XXXX' will also build up information and knowledge pool to be useful generically for startup companies. 'XXXX' will coordinate with S J Mehta School of Management, Host Institution, on management education and training programmes designed for startup companies.

8. Periodic assessment

'XXXX'/ BI will evaluate the performance of incubatee companies periodically. Incubatee companies will submit information to 'XXXX'/ BI on quarterly basis in a prescribed format. The companies may also be subject to an annual assessment by a committee comprising of external experts.

A company which has taken seed loan will have to submit additional information as may be Demanded by 'XXXX'/ BI. The un-disbursed portion of the seed loan will be adjusted subject to the performance of the company.

Incubatee companies will have to submit their annual reports within a period of 7 days from the date of their approval.

9. Information Submission

Incubatee companies will submit information to 'XXXX' about all material changes or developments taking place in their companies from time to time. Such information could be (but not limited to) change in name of the company, change in business or product profile, change in directors, promoters or shareholders, acquisition of a new office, additional equity or debt investments. 'XXXX' may require incubatee companies to submit other information as it deems fit. Prior concurrence of 'XXXX' should be obtained for effecting such changes.

10. Consideration:

In lieu of support and services to be provided by 'XXXX'/ HOST INSTITUTION, the incubatee companies will be subject to consideration on following accounts to the extent applicable:

Monthly rent/ facilities charge at discounted rate for physical infrastructure to be paid to 'XXXX'.

Consideration in the form of equity and/or revenue sharing of the respective companies for transfer/ licensing of / permission to use IP in favour of the incubatee companies and the facilities provided by BI/ 'XXXX'. The percentage of Equity and revenue sharing will be decided by 'XXXX' and is to be given in favour of 'XXXX'. 'XXXX' may ask for additional equity from the companies to whom 'XXXX' has supplied specialised equipments.

Consideration as per IRCC policy for usage of departmental laboratory facilities to be given to HOST INSTITUTION.

The indicative range of the equity holding by 'XXXX' for infrastructure and IP will be 6-8%. The percentage of the equity holding of 'XXXX' shall be maintained by issuing additional shares or diluting the shares of the Promoters or in any other manner) till the Company exits from the BI or the Company and Promoters raise investment from an Angel Investor, Venture Capital Fund or any other source. If the company fails to raise investment from an Angel Investor, Venture Capital Fund or any other source for a period of five years from the date of the last issuance of shares in favour of 'XXXX', 'XXXX' will have a right to sell its holding

to the promoters of the Company at a value which will be higher of book value and fair value, and promoters of the Company will be bound to buy the shares from 'XXXX' as stated above. Investment for the purpose of this section means an investment received in form of equity by the Company from any sources other than its promoters the value of which as well as premium thereon are at least three times more than paid up capital and premium amount respectively.

The above will be subject to change from time to time by 'XXXX'/ HOST INSTITUTION. The equity shall be issued in favour 'XXXX'.

11. Tenure in BI

Companies will be permitted to stay in BI, to begin with, for a period of 18 months. A nominal monthly charge will be levied to a company for the period of first 18 months. 'XXXX'/ BI may, at its own discretion, permit companies to extend their stay for a maximum period of another 18 months. Companies will have to pay the charge at the prevailing market rate for the extended period, which would be for:

Office space

Personal Computers

Internet connection

Electricity charges including air-conditioning

Any other facility as may be provided at that time

If a company is provided with specialised capital equipment, rent on the same will be decided on a case-by-case basis. This would, however be finalised prior to approval of a proposal for admission to BI or at the time of procurement of the equipment as the case may be.

12. Exit (Graduation)

Incubatee companies will leave the incubator under the following circumstances:

- Raising substantial investment from angel investor / Venture Capital Fund / any other investor– Rs. 2 crores or more.
- Completion of stay for eighteen months, unless the stay is extended by ‘XXXX’.
- Underperformance or unviability of the business proposition: criteria for the same will be decided and applied by ‘XXXX’ on the case to case basis.
- Irresolvable disputes between promoters/ founders. ‘XXXX’ will decide the position or point when disputes are deemed to be irresolvable.
- When the number of employees of the company exceeds 20.
- When the annual revenues of the company exceeds Rs. 2 crores or when a company achieves a Profit Before Tax of Rs. 60 Lakhs.
- When the company enters in an acquisition, merger or amalgamation deal or reorganisation deal resulting substantially a change in the profile of the company, its promoters, directors, shareholders, products or business plans, or when a company plans for a public issue.
- Change in promoters'/ founders' team without concurrence of ‘XXXX’.
- Any other reasons which ‘XXXX’ may find it necessary for an incubatee company to leave BI.

Notwithstanding anything written elsewhere, ‘XXXX’'s decision in connection with the exit of an incubatee company shall be final and shall not be disputed by any incubatee company.

13. Conflicts of interest and confidentiality of information:

When a person plays two separate roles in two different positions and he/ she uses one position for his/ her personal benefit in the other role, a situation leading to conflict of interest arises. ‘XXXX’ endeavours to draw a line between appropriate and inappropriate interactions among its board members, employees, mentors, consultants, affiliates, incubatee companies, their employees, persons connected to them or their promoters, employees and staff, various service providers and suppliers. Conflicts between private interests and official responsibilities of all stakeholders must be handled in a transparent manner, and ‘XXXX’/ BI considers the full voluntary disclosure as the best mechanism for managing conflicts of interest.

Since situations leading to conflicts of interests are inevitable, a transparent policy, based on full disclosure of relevant information by the concerned parties, and discouraging their influence on decisions and activities to avoid personal benefit to them, is appended hereto as [Appendix A](#). The policy is not exhaustive, and hence situations having potentials for conflicts of interest though not covered in the policy will nonetheless be subject to the policy. The policy makes all stakeholders related to ‘XXXX’, BI and incubatee companies aware that no one should use his/ her position in one role for the personal gains in the other role, and when necessary, explicit permission of relevant stakeholder may be obtained. Appropriate judgement should be applied by all concerned parties while assessing the genuineness of conflicting interests.

This policy also deals with maintenance of confidentiality of proprietary information.

A committee may be set up by ‘XXXX’ to resolve any dispute over such situation causing conflicts of interests.

14. Disclaimer:

The incubatee company will understand and acknowledge that ‘XXXX’ 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, ‘XXXX’ does not undertake responsibility for:

Ensuring success of an incubatee company, its products/ process/ services or marketability,
Ensuring quality of support and services provided by ‘XXXX’ and BI to the complete satisfaction of the incubatee companies or their promoters/ founders.

Ensuring quality of services of the consultants engaged by the incubatee companies through BI/ 'XXXX'/ Host Institution network. Incubatee companies will have to apply their judgements before getting in to a relationship with them.

The incubatee companies agree that BI/ 'XXXX'/ HOST INSTITUTION or their employees shall not be held liable for any reason on account of the above.

15. Agreements:

The following agreements are required to be signed by the companies to the extent applicable:

Service agreement:

Between 'XXXX' & an incubatee company for admission of the company in BI.

Equity agreement:

Between 'XXXX', an incubatee company and its Promoters for 'XXXX''s equity holding in the incubatee company.

Transfer of technology Agreement/ Technology License Agreement:

Between HOST INSTITUTION (IRCC) & an incubatee company for transfer of technology from HOST INSTITUTION in favour of incubatee companies.

Loan Agreement:

Between 'XXXX' & incubatee company on sanction of seed loan to the incubatee company in BI.

Usage of Departmental Lab:

Between HOST INSTITUTION (IRCC) & an incubatee company for usage of departmental resources of HOST INSTITUTION by the incubatee company as per the prevailing policy of IRCC of HOST INSTITUTION.

Appendix A

Policy on Conflicts of Interests and Confidentiality

Introduction:

XXXX') has been founded to promote innovation and entrepreneurship and to administer a Business Incubator for start-up companies with emphasis on technologies developed in HOST INSTITUTION. 'XXXX' is hosted by HOST INSTITUTION a premier academic and research institute with a significant contribution in science and technology. In recent years, HOST INSTITUTION has been encouraging its faculty, employees and students to convert their technology ideas and innovation in various disciplines of science and engineering into commercial ventures for personal, institutional and social benefits. This process of translating knowledge in various disciplines of science and engineering into products, processes and services for commercial exploitation will also benefit the society.

In this process, however, complexities surrounding actual and potential conflict of interests and commitment are also involved. While HOST INSTITUTION supports its faculty, non-faculty employees and other members in the commercialisation of technologies developed in various departments and laboratories, there are several key values that call for protection from conflicts that may arise from such activities because of their commitment in HOST INSTITUTION to:

Student education,
Objective research,
The society by bringing benefits of knowledge arising out of such research and education

When an individual holds two positions in different roles, and when he/she tries to use one position for personal benefits of his/her aspirations in another, a situation of conflict of interest arises. Certain positions held by employees of 'XXXX' which are of trust and

Confidence owe a fiduciary responsibilities to those to whom 'XXXX' and its Business Incubator provides supports and services. Any significant, direct or indirect, financial interests held by 'XXXX' employees in any of companies supported by 'XXXX' and its Business Incubator could involve possible conflict of interests. Persons associated with 'XXXX' in various capacities other than for employment may also face situations leading to conflict of interests. The avoidance of such conflict is important to the integrity and philosophy of 'XXXX' and HOST INSTITUTION.

Further during the process of incubation, certain proprietary information may also be exchanged between various parties which are of confidential or sensitive nature. The confidentiality of such information needs to be maintained.

Policy objective:

The intent of this document is not to eliminate all possible situations leading to conflict of interests, an obvious impossibility. Rather, it is to enable an interested person to recognise situations that may be subject to question, to take steps to minimise such conflicts and to ensure that such situations are properly reviewed and, if necessary, corrected. All potential conflict of interest situations should be handled in a manner and all relevant activities are conducted in a manner consistent with the values of 'XXXX', HOST INSTITUTION and public values and interests. This policy makes all stakeholders related to 'XXXX' and Business Incubator aware that no one should use his/her position in one role for personal gains in the other role, and when necessary, explicit permission of relevant stakeholder may be obtained.

Conflict of interests' policy and operating guidelines of HOST INSTITUTION, if any, must be reviewed and followed by all faculty, employees and students of HOST INSTITUTION who aspire to set up a company to be incubated in the Business Incubator administered by 'XXXX'. A key requirement for them is that care must be taken to separate clearly and cleanly the personal financial aspects of the entrepreneurial activities from their respective

roles, duties and responsibilities in HOST INSTITUTION. On admission in the Business Incubator, such entrepreneurial activities should not be confused with assigned duties of HOST INSTITUTION. The use of HOST INSTITUTION facilities and equipment must be free from unauthorised or conflicting uses and must be compensated for as per the policies of HOST INSTITUTION. Appropriate judgement should be applied by all concerned parties while assessing the genuineness of conflicting interests.

Also, each party in receipt of confidential information should restrict the use of such information for the purpose for which it is disclosed. Concerned parties should safeguard and protect confidentiality of information by using the same degree of care as they would use to protect their own information of like nature to prevent unauthorised disclosure.

Definition:

“Associates/ Affiliates”- means any person or entity directly or indirectly controlling or controlled by the other party or two parties are under a common control of one Party.

“Confidential information”- means any information, whether in written, visual or oral form, disclosed by a disclosing party to the receiving party based on discussion or understanding between them, and-

which is clearly labelled or marked as ‘confidential’, ‘sensitive’ or its equivalent if disclosed in tangible form, or

which is concerning / provided by the disclosing party and is not known or generally available to the public at large, or

the nature of which should reasonably have been understood by the receiving party as being proprietary and confidential to the disclosing party.

Notwithstanding the above, Confidential Information shall not include any information which:

is or becomes publicly known through no wrongful act on the receiving party’s

part; or
is already known to the receiving party at the time of disclosure; or
is rightfully received by the receiving party from a third party without breach of obligation to maintain confidentiality by the receiving party, or
is furnished to a third party by the disclosing party without a similar restriction on such third party's rights; or
is independently developed by the receiving party without breach of any agreement with the disclosing party; or
is explicitly approved for release by the disclosing party; or
is required to be disclosed by the receiving party under any prevailing law or to a court of competent jurisdiction or any appropriately empowered governmental agency.

“Conflict of interest”- in this policy refers to a situation in which financial or other personal considerations compromise, or have an appearance of compromising an individual's professional judgement and ability to perform his/ her responsibilities to HOST INSTITUTION, ‘XXXX’ or Incubatee companies as the case may be. This also includes certain gray situations or gray areas that might involve the appearance of conflict.

“HOST INSTITUTION members”- means faculty members and non-faculty employees, student and staff of HOST INSTITUTION,

“Incubatee company” - means a company admitted to the Business Incubator administered by ‘XXXX’.

“Interested person”- means any person having any direct or indirect, actual or potential, financial or personal interest because of their relationships with ‘XXXX’, Business Incubator or Incubatee companies in the Business Incubator.

“‘XXXX’ associates”- means persons and entities associated with ‘XXXX’ in their respective professional capacities. This will also include board members, mentors, consultants, various service providers and suppliers who are associated with ‘XXXX’ their respective professional capacities.

“‘XXXX’ employees”- Those who are in employment of ‘XXXX’ or hired by ‘XXXX’ on contractual position.

Scope:

This policy applies to all interested persons. This will include:

HOST INSTITUTION members who have actual or potential interest in entrepreneurship activities in the Business Incubator,
‘XXXX’ employees and ‘XXXX’ associates who can have actual and potential interest which are conflicting with the activities of the Business Incubator or incubatee companies,
Incubatee companies, their promoters, employees and staff, or their affiliate or associate company.

Situations leading to Conflict of Interests:

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.

An HOST INSTITUTION member is in a position to influence a departmental decision for acquisition of laboratory and other equipments which could benefit an incubatee company in which he/ she is an interested person.

An HOST INSTITUTION member is in a position to circumvent prevailing policies for making use of

HOST INSTITUTION's various facilities for the benefit of an incubatee company in which he/ she is an interested person.

An HOST INSTITUTION member is in a position to make use of the suppliers and service providers of HOST INSTITUTION for undue advantage of an incubatee company in which he/ she is an interested person.

An HOST INSTITUTION member procures consultancy assignments or other business in name of HOST INSTITUTION and out sources them to the incubatee company in which he/ she is an interested person.

When an HOST INSTITUTION member or a 'XXXX' member is in a position to influence policy decisions of HOST INSTITUTION or 'XXXX' with an intention to benefit an incubatee company in which he is an interested person.

Use of HOST INSTITUTION 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.

A person who is interested in one incubatee company and also involved in a decision making process affecting other incubatee companies leads to situation of conflict of interest.

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 HOST INSTITUTION or 'XXXX'.

An incubatee company, its employees and its staff having access to HOST INSTITUTION resources are in position to exploit them by bypassing HOST INSTITUTION's policies.

When HOST INSTITUTION members, ‘XXXX’ employees and associates, promoters, employees and staff incubatee companies are neglecting their respective commitments to HOST INSTITUTION or ‘XXXX’ for their association with incubatee companies.

‘XXXX’ employees and associates are in position to use sensitive information pertaining to incubatee companies for their personal advantage.

Confidentiality of information:

HOST INSTITUTION members, ‘XXXX’ employees and associates, incubatee companies, their promoters, employees and staff may come in possession of proprietary information which may be of confidential or sensitive nature. Recipients of such information should make all efforts to preserve confidentiality of such information. They should not disclose or use it for their financial or personal benefits without explicit approval of the disclosing party.

Management of conflict of interest:

Since situations leading to conflict of interests are inevitable, it is expected that the interested persons follow transparency in their actions based on full disclosure of relevant information by them. Following guidelines are suggested for management of actual or potential conflict of interests and to address disputes arising out of conflict of interests and maintenance of confidentiality:

Appropriate disclosure of the conflicting situations involved in a decision or transaction,

Abstaining from participating in decision making process or transactions involving such situations,

Obtaining appropriate approvals to avoid conflicts,

Reporting of the breach of the policy without deliberate intention or knowledge.

If any dispute arises in terms of this policy, the same should be reported to:

If it pertains to 'XXXX' or Incubatee company, it should be reported to the Chief

Operating Officer/ Professor-in-Charge ('XXXX'),

If it pertains to HOST INSTITUTION, it should be reported to the Head of the concerned department of HOST INSTITUTION.

If required, Chief Operating Officer/ Professor-in-Charge ('XXXX') or the Department Head of HOST INSTITUTION will refer the matter to the Chairman, 'XXXX' or the Director HOST INSTITUTION as the case may be, whose decision in the matter shall be final.
