

Vignana Jyothi Technology & Business Incubator (VJTBI)

Introduction

Vignana Jyothi (VJ), a non profit organisation registered under Public Services Registration act is promoter of Vallurupalli Nageswara Rao Vignana Jyothi Institute of Engineering & Technology (VNRVJIET), an autonomous , accredited institute offering quality education in engineering at under graduate and post graduate levels with several centres of excellence carrying out state-of-art research in multiple disciplines. 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, VJTBI is established in the premises of VNRVJIET. The mission of VJTBI is to facilitate incubation of new enterprises with innovative technologies by admitting them in the incubator and provide them physical, technical and networking supports and services.

This document contains policy and procedures for operational matters related to VJTBI. It covers the following processes:

1. Eligibility
2. Admission process
3. Intellectual Property
4. Seed Loan
5. Infrastructure
6. Common infrastructure
7. Virtual Incubation, support to MSME and Other services
8. Periodic assessment
9. Information submission
10. Consideration
11. Budget
12. Tenure
13. Exit (Graduation)
14. Conflicts of interest
15. Disclaimer
16. Agreements

The policy is subject to periodical review and amendments. It will be the responsibility of the companies admitted to VJTBI to update themselves from time to time on amendments in policy and procedures. VJTBI 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 VJTBI is open to:

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

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

- i. Proposals with Intellectual Properties (IP) generated within VNRVJIET and transferred to the start-up company for a consideration,
- ii. Proposals with IP belonging to faculty, student or alumni (created outside VNRVJIET),
- iii. Proposals with potentials for strong identifiable involvement or interaction with VNRVJIET faculty with/without usage of VNRVJIET facilities,
- iv. Proposals which will have social and strategic impacts,
- v. Proposals with potential for large resource generation, impact value and visibility to VNRVJIET,
- vi. Proposals from innovators funded by government agencies.

1.2 Applicants must fulfil any of the above criteria for making an admission in the VJTBI or for virtual incubation / pre-incubation programme.

1.3 Applications for admission to VJTBI 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 six months from the date of approval of the application for admission in VJTBI.

2. Admission Process

At the opening level, applicants for admission in VJTBI will be required to submit a Self - Evaluated Check List (SECL), which can be availed from the VJTBI office or downloaded from its website. While submitting SECL, applicants will also disclose information on executive involvement of the promoters/ founders in other companies or commercial entities.

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

1. Business Plan.
2. Details of IP/ technology based on which a company is proposed to be promoted/ founded. In case the IP/ technology is developed at VNRVJIET, a copy of letter of approval from VNRVJIET 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 VJTBI 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 VJTBI 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 VJTBI employees. The expert members would be invited/ identified depending on the nature of the proposal.

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

1. Strength of the product idea in terms of its technology content, innovation, timeliness and market potential
2. IP already generated and the potential of the idea for IP creation
3. Extent of involvement of VJTBI faculty, employees and students
4. Strength of the core business team
5. Funds requirement and viability of raising finance
6. Break-even period

VJTBI will have a sole discretion whether to admit or reject a proposal for incubation and the decision of VJTBI in this regard shall be final. VJTBI 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:

1. 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.
2. If yes, details of the understanding with the funding agency in terms of sharing of the IP.
3. Whether any other person (other than the applicants) have worked on the technology and their work incorporated in the product(s).
4. If the IP is developed at VNRVJIET, whether any VNRVJIET infrastructure (hardware, testing setup, instrumentation, computing resources, processes) has been used in developing the technology that will go into the product(s).
5. If the IP is developed at VNRVJIET, whether any consultancy projects were executed in the proposed area.
6. 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 VNRVJIET, aspiring for incubation shall first approach Principal, VNRVJIET for transfer of / licensing of/ permission to use IP in favour of prospective incubatee companies.

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 VJTBI 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

VJ 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 VJTBI 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 VJTBI. Sanction of seed loan will be decided based on the eligibility criteria as decided by VJ. 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. VJ will have sole discretion to sanction or reject an application for seed loan and the decision of VJ in this regard shall be final. VJ is not bound to give any reason in case an application for seed loan is rejected.

5. Infrastructure

VJTBI Infrastructure:

Upon admission to VJTBI, 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
- Broad band Internet connection
- Two telephone lines for each incubating firm – one line through internal exchange and one external line. VJTBI will do the processing and acquire the lines. Each company will pay the rentals and bi-monthly bills

VNRVJIET Infrastructure:

Besides, VJTBI will facilitate the incubatee companies access to departmental laboratories and other resources of VNRVJIET for their products development purposes. Access to departmental resources is possible through Research and Consultancy Centre (RCC) of VNRVJIET 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 RCC at VNRVJIET for consultancy/sponsored projects prevailing from time to time. The consideration payable to RCC for usage of departmental resources will generally be in the form of cash (payable by cheque or demand draft), though VJTBI may recommend to VJ acceptance of consideration in the form of equity. However, decision as to whether to accept such consideration in form of equity will solely rest with VJ. 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 VJTBI.

6. Common infrastructure

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

- a. File Server
- b. Laser Printer
- c. Photocopier with Scanner
- d. Shredder
- e. Teleconferencing facilities
- f. Meeting/Conference room with projection equipment
- g. VJTBI Library facilities
- h. Pantry facilities
- i. Common secretarial pool/staff (depending on availability of such staff with VJTBI)

7. Virtual Incubation, support to MSME and Other services

Apart from physical infrastructure as stated above, VJTBI 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 VNRVJIET (such as alumni, VCs, industry professionals).

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

In addition, VJTBI will also build up information and knowledge pool to be useful generically for start up companies. Further, VJTBI will also support independent innovators and start-ups at pre-incubation stage and also with virtual incubation.

8. Periodic assessment

VJTBI will evaluate the performance of incubatee companies periodically. Incubatee companies will submit information to VJTBI 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 asked by VJ. 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 by auditors.

9. Information Submission

Incubatee companies will submit information to VJTBI 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. VJTBI may require incubatee companies to submit other information as it deems fit. Prior concurrence of VJTBI should be obtained for effecting such changes.

10. Consideration:

In lieu of support and services to be provided by VJTBI/ VNRVJIET, 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 VNRVJIET.

- 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 VJTBI/ VNRVJIET. The percentage of Equity and revenue sharing will be decided by VJTBI and is to be given in favour of VJ.

The indicative range of the equity holding by VJ for infrastructure and IP will be 3-5%. The percentage of the equity holding of VJ 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 VJTBI 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 VJ , VJ 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 VJ 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 VJTBI. The equity shall be issued in favour VJ.

11. Budget

First year the following facilities will be created in the VJTBI to support 10 incubatee companies including faculty sin off ventures

- Ten rooms in VJTBI.
- Each room with AC , Power backup/UPS , Five Computers (CPU, Monitor, Keyboard, Mouse, Windows OS + Office) and seating arrangement for five employees in each room, which means, five Chairs and five Computer Tables having sliding drawer to keep keyboard and mouse. One Almirah for keeping documents & other confidential stuff. One HP Laserjet Pro Color MFP 175 NW Printer - P/S/C
- Internet Connection with 10-15 Mbps minimum bandwidth with necessary cabling/router for all installed machines or laptops of incubatee company.
- Equipping one conference room with projector and AC for meetings/trainings/interviews/brainstorming/presentations.
- One Server (for Source Code Control, Bug Management)

- Intercom/Land Line phone in each room.
- ID Cards for employees.
- Allow use of Institute transport facilities for the employees and interns of the incubating companies.
- Use of guest house during Executive visits
- Permission to keep own furniture/assets such as Bean Bags, Refrigerator, Microwave,

Estimated expenditure for facility creation in 1st year: Rs 50 lakhs

12. Tenure in VJTBI

Companies will be permitted to stay in VJTBI, to begin with, for a period of 18 months. For product start-ups, VJTBI may, at its own discretion, permit companies to extend their stay for a maximum period of another 18 months.

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 VJTBI or at the time of procurement of the equipment as the case may be.

13. Exit (Graduation)

Incubatee companies will leave the incubator under the following circumstances:

1. When the start-up migrates to commercial space including industrial & research parks.
2. Raising substantial investment from angel investor / Venture Capital Fund / any other investor– Rs. 100 lakhs or more.
3. Completion of stay for eighteen months, unless the stay is extended by VJTBI.
4. Underperformance or unviability of the business proposition: criteria for the same will be decided and applied by VJTBI on the case to case basis.
5. Irresolvable disputes between promoters/ founders. VJTBI will decide the position or point when disputes are deemed to be irresolvable.
6. When the number of employees of the company exceeds 20.
7. When the annual revenues of the company exceeds Rs. 200 lakhs or when a company achieves a Profit Before Tax of Rs. 20 Lakhs, which ever is earlier.
8. 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.

9. Change in promoters'/ founders' team without concurrence of VJTBI.
10. Any other reasons which VJTBI may find it necessary for an incubatee company to leave VJTBI.

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

14. 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. VNRVJIET 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 VJTBI/ VNRVJIET considers the full voluntary disclosure as the best mechanism for managing conflicts of interest.

A committee may be set up by Vignana Jyothi to resolve any dispute over such situation causing conflicts of interests.

15. Disclaimer:

The incubatee company will understand and acknowledge that VJTBI 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, VJTBI/ VNRVJIET/ VJ 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 VJTBI and VNRVJIET 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 VJTBI/ VNRVJIET network. Incubatee companies will have to apply their judgements before getting in to a relationship with them.

The incubatee companies agree that VJTBI/ VNRVJIET or their employees shall not be held liable for any reason on account of the above.

16. Agreements:

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

Service agreement:

Between VJTBI & an incubatee company for admission of the company in VJTBI.

Equity agreement:

Between VJTBI , an incubatee company and its Promoters for equity holding by VJ in the incubatee company.

Transfer of technology Agreement/ Technology License Agreement:

Between VNRVJIET (RCC) & an incubatee company for transfer of technology from VNRVJIET in favour of incubatee companies.

Loan Agreement:

Between VJ & incubatee company on sanction of seed loan to the incubatee company in VJTBI.

Usage of Departmental Lab:

Between VNRVJIET(RCC) & an incubatee company for usage of departmental resources of VNRVJIET by the incubatee company as per the prevailing policy of RCC of VNRVJIET.