



# Vignana Jyothi Technology & Business Incubator (VJTBI)

## Incubation Policy

Revision	Date	Prepared by	Comments
0.1	01 Sep 2016	Dr. A S Rao	Initial draft version.
0.2	03 Nov 2016	Mr.Narayana Rao	Reviewed and updated the document.
0.3	10 Nov 2016	Mr. Narayana Rao	Incorporated few comments and added admission process.

## **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 where several centres of excellence carry out state-of-art research in multiple disciplines. Vignana Jyothi Technology & Business Incubator (VJTBI) is established at VNRVJIET. This document contains policy and procedures for operational matters related to VJTBI. It covers the following processes:

1. Vision, Mission , Goal, Objectives
2. Categories of tenants for incubation

Category A: Entrepreneurs/ start-ups funded by government agencies.

Category B: Entrepreneurs/ start-ups funded by non-government agencies (external investor).

Category C: Student/Alumni start-up's without funding either by Govt. or Non-Govt (external funding).

Category D: Research Companies with industry participation.

3. Framework for each category:

Eligibility, Admission process, Intellectual Property, Seed Loan, Periodic assessment, Information submission, Consideration, Budget, Tenure, Exit (Graduation).

4. Incubator Administration process

Incubator Advisory Board.

Incubator Manager.

Decision making.

5. Infrastructure

6. Disclaimer

7. Agreements

## **1. Vision, Mission, Goal, Objectives**

***Vision: Be the catalyst in creating a vibrant entrepreneurial community in translating ideas from the academic and industry research, into commercializable and socially beneficial products.***

The mission of VJTBI is to facilitate incubation of new enterprises with innovative technologies & cutting edge industry research by admitting them in the incubator and provide them physical, technical and networking supports / services. With the help of targeted business assistance, entrepreneurs are better prepared to turn business ideas into successful new ventures that have a greater-than-average chance of success. Business incubation programs are designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed or orchestrated by the incubation program manager, and offered both in the incubator and through its network of contacts.

### **Goal**

A business incubation program's main goal is to produce successful firms that will leave the program financially viable and freestanding. VJTBI also encourages participation from external start-up's which have strong social and strategic impact.

### **Objectives**

To provide management guidance, technical assistance and consulting tailored to the needs of new enterprises.

### **Services (General)**

- Provide entrepreneurial training (from business basics to comprehensive training in managing a new enterprise),
- Offer increased access to investment capital,
- Secure strong support from faculty of VNRVJIET,
- Provide production assistance (from R&D and prototyping through to engineering production systems),
- Develop strong mentor programs,
- Provide high-speed broadband Internet access, shared administrative services, office equipment, mini conference room,
- Assist with client presentation and business etiquette skills,
- Provide business assistance services for non-tenant clients, also referred to as virtual or affiliate clients.
- The scope covers technologies / IP developed wholly at the Institute or through institute collaborations, as well as external start-up's which have a strong social and strategic impact.

## 2. FRAMEWORK

### **Framework for Category A: Entrepreneurs / start-ups funded by government agencies**

*Government funding agencies:* Central/ state/ local governments. Public Sector Undertakings, Government Banks, National Research Labs, Public utilities etc.

*Eligibility:* As per the funding agency guidelines

*Admission process:* On signing the MOU after project approval by the funding agency.

*Intellectual Property:* As per the funding agency guidelines.

*Seed capital:* Will be decided and provided by the funding agency.

*Periodic assessment:* By VJTBI.

*Information submission:* By the beneficiary in the format prescribed by the funding agency.

*Consideration:* Institute can charge for technical consultancy, testing, market survey, institute overhead etc as provided in the guidelines of the funding agency.

*Budget:* As approved by the funding agency.

*Tenure:* One year from the date of sanction by the funding agency.

*Exit (Graduation):* Beneficiary to submit project completion report and statement of expenditure in the prescribed format. They also need to submit an exit report to the VJTBI and give permission to refer to their work/ photo/ video etc for institute promotion. Further they undertake to send annual report to VJTBI about their status for next 5 years. They need to vacate the incubator within one month after tenure period, otherwise institute reserves the right to dispose of private property as deemed fit.

### **Framework for Category B: Entrepreneurs / start-ups funded by non- government agencies (external investor)**

*Non-government funding agencies:* Angel Investors, Venture Capital Firms, High Net worth Individuals, VJ Society, bootstrapped by promoters etc.

*Eligibility:* As per the investors focus and institutes strategic interest.

*Admission process:* On signing the tripartite agreement between the investor, VJTBI and the incubator tenant.

*Intellectual Property:* As per the tripartite agreement.

*Seed capital:* Will be decided and provided by the investor.

*Periodic assessment:* VJTBI.

*Information submission:* By the incubator tenant in the format prescribed by the investor.

*Consideration:* VJTBI can charge for technical consultancy, testing, market survey, institute overhead etc as provided in the tripartite agreement.



*Budget:* As approved by the investor.

*Tenure:* As provided in the tripartite agreement.

*Exit (Graduation):* Valuation method, exit conditions and Post exit responsibilities will be as incorporated in the tripartite agreement. The tenant needs to submit an exit report to the VJTBI and give permission to refer to their work/ photo/ video etc for institute promotion. They need to vacate the incubator within one month after tenure period, otherwise institute reserves the right to dispose of private property as deemed fit.

**Framework for Category C: Student / Alumni Start-up's without funding either by Govt. or Non-Govt (external funding)**

*Eligibility:* UG & PG Students and Alumni, Faculty, with commercializable innovative technology.

*Admission process:* On signing MOU between the VJTBI and incubator tenant after recommendation by VJTBI.

*Intellectual Property:* Owned by the students / alumni start-up's for the technology developed. If the students are working on intellectual property owned by the institute, then the students must take permission/ license from institute. Relevant conditions will be spelt out in the permission. Refer to VNR IP Policy for more details.

*Seed capital:* By VJTBI (optional).

*Periodic assessment:* By VJTBI.

*Information submission:* By the teams in the format prescribed by VJTBI.

*Consideration:* Where seed capital and / or specific facilities are provided by the institute, condition for repayment/ waiver, or VJTBI having equity will be incorporated in the bilateral MOU. The equity held by VJTBI will be based on various factors like (a) additional facilities (b) seed loan (c) existing IP usage etc. The percentage of the equity holding of VJTBI 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 business incubator or the Company and Promoters raise investment from an Angel Investor, Venture Capital Fund or any other source.

*Budget:* To be approved by the VJTBI if seed capital is provided by the VJTBI.

*Tenure:* Three years from the date of Incubation into VJTBI.

*Exit (Graduation):* The students need to submit an exit report to the VJTBI and give permission to refer to their work/ photo/ video etc for institute promotion. They need to vacate the incubator within one month after tenure period, otherwise institute reserves the right to dispose of private property as deemed fit.

### **Framework for Category D: Research Companies with industry participation.**

*Industry partners:* Successful business ventures, keen on mentoring the faculty and students to take research to market.

*Research company scope:* Convergence of the industry partner's vision and skill set of faculty would draw the scope envelope for the research company.

*Admission process:* On signing the tripartite agreement between the industry partner, institute and the lead faculty. The research company formed with clear milestone outcomes may be registered or may not be a registered entity.

*Intellectual Property:* Will be owned by the Research Company. The commercial benefits will be shared as per the tripartite agreement.

*Seed capital:* Research grants by the institute and development funds by the industry partner.

*Periodic assessment:* Principal & VJTBI.

*Information submission:* By the lead faculty.

*Sharing revenue:* The technology developed at the Research Company may be transferred to a commercial firm or the Research Company may decide to promote spin-off start-ups to commercialise the technology. In the first scenario, first right of refusal will be given to the industry partner. If the industry partner decided to buy the technology, then license fees will be negotiated and shared between the institute and faculty involved. Subsequently the institute policy can be followed for distributing the amount between institute and the faculty. If industry partner refuses to buy the technology, then same will be offered to 3<sup>rd</sup> party. The license revenue received from third party will be shared between Industry partner, Institute and Faculty involved in the ratio as mutually agreed by the parties based on the contributions on the project. As an example if there is an equal contribution from Industry partner and faculty the proposed ration can be 40:20:40 between Industry partner, Institute and Faculty. For the 2<sup>nd</sup> scenario where the team believes promoting a spinoff is a better option, and then a start-up will be promoted with Industry partner, institute and Faculty involved as founders with the appropriate equity. The institute and faculty will have the freedom to divest the shares during next round of investment.

*Budget:* As laid down in the tripartite agreement.

*Tenure:* Minimum 3 years- maximum 5 years.

*Exit (Graduation):* The Research Company will be wound up after the agreed tenure period. All movable and immovable assets would be transferred to the institute. The faculty will be given freedom to pursue their academic work and to facilitate the patents not commercialised will be donated to the institute.

The policy is subject to periodical review and amendments. It will be the responsibility of the teams/ tenants/ 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.

### **3. ADMISSION INTO THE INCUBATOR**

The steps below outline the admission process of Incubatee into VJTBI.

Step 1: Pre applicant form submission. The incubatee sharing the intent using

- a) Email communication OR
- b) Questionnaire from the website.

Step 2: Initial scrutiny and formal application submission.

Upon receiving the intent, Manager VJ-Hub will do the initial scrutiny and collects the following information.

- a) Business Plan.
- b) IP declaration worksheet, IP transfers agreement (as applicable).
- c) Statement of Purpose for incubation at VJTBI.
- d) Statement of infrastructure requirements.
- e) Time Frame - anticipated duration of stay within VJTBI should be within the maximum period permitted in terms of the incubation policy.

Step 3: Evaluation by VJTBI

- a) Business Plan and Statement of Purpose evaluation by Incubatee evaluation committee regarding its potential for incubation.
- b) Applicants may be invited with their teams to make a presentation on their proposal.

Step 4: Agreement signing and formal admission of Incubatee into VJTBI

- a) The parties will agree on terms and conditions and sign the agreements as appropriate.
- b) The Incubatee will get formally admitted into VJTBI after completing the registration.

Step 5: Seed loan, Additional facilities etc. on need basis.

- a) Incubatee can work with Manager VJ-Hub for further requirements on seed loan and additional facilities.
- b) VJ-Hub Manager will facilitate the requirements based on eligibility and availability of the resources being requested.

#### **4. INCUBATOR ADMINISTRATION (Applicable to all 4 categories)**

##### **Incubation advisory board:**

After achieving 50% occupancy, Incubation Advisory Board will be constituted. This would include diverse expertise. These boards can help develop quality business assistance services for the incubation program, embed the program in the broader community, market the incubator, and provide effective program oversight. The advisory boards should have between 8 and 20 individuals and include the following types of professionals:

(1) graduate firm; (2) experienced entrepreneur; (3) local economic development official; (4) corporate executive; (5) representative of the finance community; (6) business lawyer (and, in some cases, intellectual capital protection legal assistance); (7) university official; and (8) chamber of commerce representative (9) marketing professional (10) production engineering specialist, (11) local elected official, (12) state economic development official, (13) technology transfer specialist, (14) incubator manager, and (15) real estate manager/developer.

##### **Incubation Manager**

Also on achieving 50% occupancy, Incubation Manager will be recruited to effectively deliver key services such as:

- Collect outcome data,
- Provide pre- and post- incubation services,
- Conduct periodic reviews of the budget, service providers, and other program activities,
- Showcase clients and otherwise marketing the program; and
- Develop effective entry and exit criteria for the incubator.

**Incubatee Evaluation Committee (IEC):** This committee is responsible for evaluation of Incubatee application requests, their potential for incubation and allocation of space and supporting facilities for shortlisted Incubatees. The committee comprises the following members.

##### **1. Management member - Chairmen**

2. Dr AS Rao, Director Center for Project Mobilization and Globalization - Member
3. Mr. SVN Narayana Rao, Manager, VJ-HUB - Member
4. Dr.S.V.S.Srinivasa Raju, ED Cell coordinator – Member
5. Sri K.Kodanda Ram, ED Cell coordinator – Member
6. Principal, VNRVJIET – Member secretary.



## Outcome measurement

Incubator performance is measured by various proxies such as;

Survival rates, jobs created, revenues, taxes paid, intellectual property created.

## Routine decisions

The incubator though physically located inside the campus would function with relative ease of approvals so that entrepreneurial energy is not dissipated chasing files.

Sl. No.	Decision	Empowered authority
1	Allocation of space and supporting facilities for each team/ tenant/ company.	IEC
2	Permission for temporary civil, structural, electrical works to attain the project objectives.	IEC
3	Approval for bringing incubator tenant material into the campus.	Manager VJ-HUB, ED Cell
4	Approval for taking out incubator tenant material from the campus.	Manager VJ-HUB, ED Cell
5	Approval for ID cards for personnel working with incubator tenant.	Manager VJ-HUB, ED Cell
6	Permission to use of common infrastructure of the institute.	Manager VJ-HUB, ED Cell
7	Issue of NOC for incubator tenant.	Manager VJ-HUB, ED Cell

## 5. 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.



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.

#### **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)

#### **6. 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.

## **7. Agreements:**

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

Category A: Trilateral agreement between VJTBI, funded Entrepreneur and funding agency.

Category B: Trilateral agreement between the VJTBI, investor and funded start-up.

Category C: Undertaking by student/alumni/faculty teams accepting tenure and other conditions of incubator with VJTBI.

Category D: Trilateral agreement between Industry partner, Institute and lead faculty on scope, milestones, revenue model.