



# Guidelines for BIRAC Incubator SEED Fund (Sustainable Entrepreneurship and Enterprise Development) for Start-ups

## 1. Introduction and Scope Of The Fund:

Bio-incubation allows harnessing of the entrepreneurial potential of startups by providing access to infrastructure, mentoring as well as networking platforms that the startups could use during their fledgling days. It helps the young entities to survive by providing them specialised support services during the critical period of a business venture i.e. the start-up phase.

BIRAC has upgraded and strengthened 41 of the new and existing incubation facilities at certain strategic locations in the country.

While the Bioincubators are able to support the “Space, Services and Knowledge” requirements of startups, wide gap exists in financial support required by a technology driven start up in the initial phase. BIRAC’s initiative -Sustainable Entrepreneurship and Enterprise Development Fund (“SEED Fund”) primarily aims to address this need through the Incubators.

The basic idea of SEED Fund is providing Capital assistance to startups with new and meritorious ideas, innovations and technologies. This would enable some of these start-ups to graduate to a level where they will be able to raise investments from angel/Venture capitalist or they will reach a position to seek loans from commercial banks /financial institutions. Thus the proposed seed support is positioned to act as a bridge between promoters’ investment and Venture/Angel investment.

## 2. Funding framework

Under Incubator SEED Fund, BIRAC will provide Grant-in-aid Assistance to selected BIRAC funded incubators based on certain establishment and operational criteria. Initially BIRAC shall identify up to five incubators and expand further in due course. Each such selected incubator will be granted up to 100.00-200.00 Lakhs for implementation of SEED Fund. Each incubator can design a selection process to screen & select startups for equity and operational funding through SEED Fund (e.g Accelerator program or Direct investment). The provisions stated herein below deal with the essential guiding principles of the initiative.



### **3. Criteria for proponent Bio-Incubators for SEED Fund implementation.**

BIRAC will constitute a BIRAC Incubator SEED Fund Committee (“BISF Committee”) that will include members having experience in investment, startups and entrepreneurship development. This BISF Committee shall consider the proposals of eligible Incubators for the implementation of the SEED Fund. The eligibility parameters include the following;

- i. Incubator should have been supported through BIRAC’s Bio-NEST programme.
- ii. Incubator should be Operational since last three years, with at least 5 resident start-ups in Biotech/med-tech/life science.
- iii. Incubator should have in-house capacity in incubating & mentoring early stage Biotech / Life Science start up.
- iv. Incubator should have established IP&TT facilitation services for startups.
- v. Incubator must have prior experience in management of early stage funding schemes or other grants
- vi. Incubator should have investment in start-ups and/or entrepreneurship development experience

Based on the assessment by the BISF Committee, shortlisted Incubators (up to 5 initially) will be recommended for BIRAC Incubator SEED Fund.

### **4. Implementation Tracery**

The Incubator shall be chiefly responsible for the implementation of the SEED Fund based on the essential schema that will be put in place by BIRAC.

- a. BIRAC Incubator SEED Fund ranging from 100.00 to Rs.200 Lakhs will be parked with the Incubator for investment in start-ups within 36 months from date of signing of SEED Fund Implementation Agreement (“SIFA”). The Grant-in-aid shall be housed in the savings account of the Incubator and managed as a separate Accounts Head.
- b. Each incubator shall identify Indian Start-ups (registered under Companies Act, 2013 and having at least 51% shareholders as Indian Citizens [does not include OCI or PIO] as the mandatory requirement) after duly putting in place a selection mechanism based on the vesting requirements.
- c. Incubator can provide funding as equity and equity linked instruments up to Rs. 30 lakhs per Start-up, for equity investment and to cover such startup costs such as purchasing equipment and supplies, and hiring employees.
- d. The equity and equity linked instruments shall be held in the name of the Incubator. A legally binding Agreement shall be entered into between the Incubator and the Start-up with the terms for funding and investment.
- e. Any conflict of interest of the Incubator in the any of the start-up selected for funding should be addressed before the final recommendation for SEED Fund.
- f. No startup will receive BIRAC Seed Funding support more than once.
- g. Incubator can administer the BIRAC Incubator Seed Fund either through an already existing Committee at the Incubator which makes decision regarding the equity investment for the Incubator or would constitute a committee whose members would be experts in the



relevant domain. Such Committee shall evaluate and review the investment strategy and other project progress parameters.

- h. Incubator shall have a BIRAC nominee as integral part of the SEED Fund Governance Committee.
- i. Incubator shall clearly put in place the exit strategy and incorporate appropriate provisions in the governing Agreement with the Start-up. One Board observer position for the BIRAC nominee shall be essential aspect of such Agreement.
- j. Incubator shall be responsible for monitoring the milestones' progress and for providing all the reasonable hand holding support to the start-up.
- k. Incubator shall submit half yearly implementation report to BIRAC on the SEED Fund implementation including the Utilization Certificates (UC), Statement of Accounts (SOA) and project progress of the beneficiary Start-ups.
- l. No Management Fees is applicable for implementing the SEED Fund to the Incubator.
- m. On exit from the start-up as equity stakeholder, the Incubator shall retain 50% of the gross return on the investment. On exit from the start-up as equity stakeholder, the Incubator shall retribute the remaining 50% of the gross return on the investment to BIRAC within 60 days from receipt of such return. Every exit report shall specifically provide the disinvestment summary.

## **5. Review of Seed Fund Implementation**

BIRAC Incubator SEED Fund Committee (“BISF Committee”) shall review the half yearly report of the Incubator to steer the SEED Fund implementation. The BISF Committee shall accordingly recommend further implementation strategy including financial and non-financial revisions in consultation with the Incubators.