

**NATIONAL INITIATIVE FOR DEVELOPING
AND HARNESSING INNOVATIONS
(NIDHI)**

**SEED SUPPORT SYSTEM
(NIDHI-SSS)**

**GUIDELINES
AND
PROFORMA FOR SUBMISSION OF PROPOSALS**



सत्यमेव जयते

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Department of Science & Technology
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National Initiative for Developing and Harnessing Innovations (NIDHI)

Background

National Initiative for Developing and Harnessing Innovations (NIDHI) is an umbrella programme conceived and developed by the Innovation & Entrepreneurship division, Department of Science & Technology, Government of India, for nurturing ideas and innovations (knowledge-based and technology-driven) into successful startups. The programme would work in line with the national priorities and goals and its focus would be to build an innovation driven entrepreneurial ecosystem with an objective of socio-economic development through wealth and job creation.

NIDHI aims to nurture start-ups through scouting, supporting and scaling of innovations. The key stakeholders of NIDHI includes various departments and ministries of the central government, state governments, academic and R & D institutions, mentors, financial institutions, angel investors, venture capitalists and private sectors. NIDHI is developed keeping in line the new national aspirations and on the basis of DST's experience of three decades, in promoting innovative start-ups.

The key components of NIDHI are –

1. NIDHI-GCC - **Grand Challenges and Competitions** for scouting innovations;
2. NIDHI-**PR**omotion and Acceleration of **Y**oung and **A**spiring technology entrepreneurs (NIDHI-PRAYAS) - Support from Idea to Prototype;
3. NIDHI- **E**ntrepreneur **I**n **R**esidence (NIDHI-EIR) - Support system to reduce risk;
4. Startup-NIDHI through Innovation and Entrepreneurship Development Centres (IEDCs) in academic institutions; encouraging Students to promote start-ups;
5. Start-up Centre in collaboration with MHRD; Inculcating a spirit of entrepreneurship in National Institutions of Higher Learning;
6. NIDHI-**T**echnology **B**usiness **I**ncubator (TBI) - Converting Innovations to start-ups;
7. NIDHI-Accelerator - Fast tracking a start-up through focused intervention;
8. **NIDHI-Seed Support System (NIDHI-SSS)- Providing early stage investment;**
9. NIDHI **C**entres of **E**xcellence (NIDHI-CoE) - A World class facility to help startups go global;

NIDHI-SEED SUPPORT SYSTEM (NIDHI-SSS) FOR START-UPS IN INCUBATORS

1.0 Introduction

NIDHI-Science & Technology Entrepreneurs Parks and Technology Business Incubators (STEP/TBIS) are institutional linked facilities promoted by the Department of Science and Technology to nurture innovative and technological led new ventures during the initial and critical period i.e. the start-up phase. By providing a range of specialised business support services, a TBI facilitates the initial journey of a start up and enables new ventures to survive and succeed in the market place. Around 90 TBIs have been promoted by the NSTEDB of DST. TBIs are primarily hosted at the institutions of higher education across the country including both publicly and privately funded Universities and institutions e.g. IITs, IIMs, NITs, NID, PSG, Manipal Univ, VIT, Amrita Univ. etc .

2.0 The Need

While the STEP/TBI are able to support the “Space, Services and Knowledge” requirements of startups but, wide gap exists in financial support required by a technology driven start up in its initial phase which are not being addressed properly. The basic idea of seed support is providing financial assistance to potential startups with promising ideas, innovations and technologies. This would enable some of these incubatee startups with innovative ideas/technologies 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 disbursed by an incubator to an incubatee is positioned to act as a bridge between development and commercialization of innovative technologies/products/services in a relatively hassle free manner .

3.0 Objective

The sole objective of the NIDHI-Seed Support System (NIDHI-SSS) is to ensure timely availability of the seed support to the deserving incubatee startups within an

incubator , thereby enabling them to take their venture to next level and facilitate towards their success in the market place. The scheme also enables the STEP/TBI to widen their pipeline of startups and also share the success of their startups which would also result in ensuring their long term operational sustainability.

(a) Eligibility for TBI to apply for NIDHI-SSS

- A fully Operational STEP/TBI with at least 5 start ups requiring seed support is eligible to apply to DST for seed support. Seed support is normally given to a DST funded STEP/TBIs, but other TBIs having not for profit legal status and hosted at public institutions would also be considered on a case to case basis.

(b) Eligibility Conditions for Incubatee Start Ups for seed support

- Incubatee should be a registered company in India with minimum of three months of residency at the STEP/TBIs.
- Incubatee has to be an Indian start-up. This support is not meant for Indian Subsidiaries of MNCs/foreign companies. Persons holding Overseas Citizens of India (OCI), Persons of Indian Origin (PIO) would be considered as Indian citizens for the purpose of this scheme.
- The share holding by Indian promoters in the incubate start up should be at least 51%.

4.0 Quantum and Disbursement of the NIDHI-SSS

Through NIDHI-SSS, a deserving and eligible STEP/TBI gets a maximum financial assistance of upto Rs. 1000.00 lakhs from DST as grants-in-aid for the seed support to be disbursed to its deserving incubatee startups in accordance with a proper process. The grant would be released in about 2-5 rounds with a max of Rs. 500.00 lakhs/round based on the assessment of the perceived needs of startups requiring seed fund and the capacity and capabilities of the seed support implementing as disbursement STEP/TBI.

5.0 Additional Guidelines of the Assistance under NIDHI-SSS

- ◆ The seed support would be managed by selected STEP/TBI recommended by the National Expert Advisory Committee on Innovation, Incubation and Technology Entrepreneurship
- ◆ Seed Support is given as a grant to implementing STEP/TBIS, while they disburse it to the deserving incubatee as debt or equity or a combination of both.
- ◆ The implementing STEP/TBI puts in place a transparent and proper process of selection, monitoring and disbursement mechanism known as Seed Support Management Committee.
- ◆ The Seed Support would be disbursed to incubatee (physical resident units within the STEP/TBIs) which are registered units only based on the recommendation of the Seed Support Management Committee constituted by them. It is necessary that there exists a proper legally vetted agreement between the incubatee and STEP/TBIs.
- ◆ The seed support would be disbursed to the deserving incubatee and eligible with proper due diligence by the STEP/TBIs.
- ◆ The seed support would generally cater to early stage financing for commercialization of the indigenous ideas, innovations and technologies.
- ◆ This seed support would be used by the incubated entrepreneur only and would not be used by the incubator for facility creation.

6.0 Quantum of NIDHI-SSS

The maximum financial support to be made available to a STEP/TBI would be Rs/ 1000 lakhs to be released in few phases as per the need, capacity and capabilities of the TBI. It is expected that the seed support per round would be judiciously disbursed amongst its deserving incubatee start-ups. **An eligible STEP/TBI can seek upto 2 rounds (max. Rs. 500 lakhs/round) of Seed Support. In some cases, the quantum / rounds can be less thus increasing the number of rounds of seed support till it crosses Rs. 1000 lakhs. However, the support/round should be utilized in about 2-3 years.** The experience tells us that the normal requirement of seed support is to the tune of Rs. 25 lakhs. However, in few exceptionally deserving

startups , the upper limit of seed support to a start up may be raised to Rs. 100 lakhs. A startup supported once will not be eligible for applying for subsequent round of seed support to any STEP/TBIs. The STEP/TBI should have examined all cases of seed support before putting the matter up to the Seed Support Management Committee for selection. After the seed support is recommended to an incubatee startup , the terms of agreement with the incubatee start up should be framed by the STEP/TB linking the progress milestones, monitoring norms, reasonable repayment, recovery provisions in case of loan and terms of equity liquidation in case of equity holding by STEP/TBI.

7.0 Broad Areas and Items to be covered under the NIDHI-Seed Support Assistance

The start-ups would be supported primarily on the following from the seed support

- ◆ Product development
- ◆ Testing and Trials
- ◆ Test Marketing
- ◆ Mentoring
- ◆ Professional Consultancy (To attract professors/experts from institutions to work with start ups.)
- ◆ IPR issues
- ◆ Manpower for day to day operations
- ◆ Any other area as deemed necessary and recommended by the Seed Support Management Committee of STEP/TBIS.

8.0 Mechanism of Selection, Disbursement, Governance and Fund Management of NIDHI-SSS

- a. The CEO of STEP/TBI would be responsible for its proper disbursement and management of the seed support.
- b. The seed support grant should be utilized fully by STEP/TBI within a period of three years from the date of receipt of the first installment of funds.

- c. DST would disburse the grant of maximum Rs. 500 lakhs per round in two rounds subject to proper management of seed support and growth of seed supported start ups in each round.
- d. STEP/TBI would take measures to enhance the capabilities and skill set of the team to manage the seed fund. The financing of start ups in the STEP/TBI have to be done judiciously with efficiency and care.
- e. Each of the STEP/TBI implementing NIDHI-SSS would constitute a committee called the **NIDHI-Seed Support Management Committee (NIDHI-SSMC)** whose members would be experts who can evaluate the prospective incubatee under physical incubation requiring seed support. Suggestive composition of **NIDHI-SSMC** would be as follows:
 - i. Head of HI/ NIDHI-STEP / TBI (Chairman)
 - ii. Representative of a Bank / VC
 - iii. Domain expert (1 from Industry and 1 from academia)
 - iv. Representative of Chamber of Commerce
 - v. One successful Entrepreneur
 - vi. NSTEDB/DST Nominee
 - vii. Incubation Manager/CEO (Member secretary)
- f. Selection of Incubatee Startups for NIDHI-SSS:
 - i. Website/Newspaper advertisements indicating availability of seed support
 - ii. Announcement for call for applications.
 - iii. Shortlisting the applicants as per eligibility criteria
 - iv. Decision by **NIDHI-SSMC** out of shortlisted applicants.
 - v. The selection should be made within a reasonable period of time.
- g. The STEP/TBI would execute a legal agreement with the incubatee who is selected for the seed support and this agreement should be signed before the release of the first installment of seed fund to the incubatee. Subsequent disbursement schedules should be linked to

the achievement of milestones of the incubatee. The STEP/TBI should ensure that the necessary terms and conditions related to the Seed Support, repayment schedule in case of loan and equity liquidation are clearly spelt in the agreement. Terms regarding default in repayment against loan must be defined clearly in the agreement.

- h. STEP/TBI would have flexibility in disbursement of Seed Support to the incubatee as defined in the agreement. The support could be treated as a debt / royalty sharing agreement /minority equity stake of the STEP/TBI depending on the incubatee.
- i. The Grantee will indemnify, defend and hold harmless the Department of Science and Technology (Grantor) from and against, and in respect to, any and all the losses, expenses, costs, obligations, liabilities and damages, including interest, penalties and attorney's fees and expenses, that the Grantor may incur as a result of any negligent or willful acts or omissions of the Grantee.

9.0 Repayment of NIDHI-SSS

- i. Efforts to get the repayment of the entire seed support money given as loan by the incubatee within 5 years, with at least 30% of the amount of soft loan to be paid back within incubation period in case the seed support is in the range of Rs. 20-25 lakhs. Equity model should be encouraged and followed in seed support cases exceeding Rs. 25 lakhs.
- ii. In exceptional cases the Seed Support Management Committee would be empowered to relax certain conditions on repayment of loan by critically examining the facts, on a case to case basis having convincing and justifiable reasons, and these relaxations should be reported to the DST.
- iii. The cases of default must be reported to the Seed Support Management Committee. Such default cases must also be reported to DST while submitting the Annual Report on seed support.

10.0 Accounting and Utilization of NIDHI-SSS

- a. A separate savings bank account to be opened for the seed support. The total seed support from DST is released in 2 installments. STEP/TBI would submit a detailed report on the status of utilization of grants along with the Utilisation Certificate and Statement of Audited Expenditure for each F.Y. The STEP/TBI should report the seed support sanctioned and disbursed against each incubatee start up in the statement of audited expenditure for the period (April 1 to March 31 of each F.Y) under report .
- b. Book of accounts for the disbursement of grant and for the seed support repayments may be kept separately. Interest on the unutilized core seed support grant received from DST only must be reported in the Utilization Certificate (UC). The interest earned on the recovered repayments from the seed supported (as a loan) companies should be accounted separately and not mixed up with DST grant. The amount collected against repayments may be recouped and utilized as seed support for next round of incubatee and not for any other activity of STEP/TBIs.
- c. Interest earned by institution on the seed support account should be separately mentioned in UC as this amount of interest would be adjusted against the subsequent releases to be made out of the total sanctioned grant of seed support. The normal duration of first round of seed support utilization by a STEP/TBI is 3 years from the date of receipt of first installment. This period of 3 years for utilization of the seed support grant by STEP/TBI can be extended by the NEAC for valid reasons.

11.0 Indicators of Successful Implementation of NIDHI-SSS

It is expected that the STEP/TBI utilizes the entire seed support of Rs 1000 lakhs within 5 years. Repayment amount received from the seed supported companies by way of loan should be around 30% at the end of each round. Seed support to an

incubatee is also regarded as a means to attract and raise external angel / venture capital funding and should be appropriately leveraged by the start ups. Quantum of Angel and VC funding raised would also be an indicator of the Success of STEP/TBIs. *Successful positioning of the product in the market, acquiring new customers, growth in team, investments, revenue and customer base would be broad parameters of success of the seed supported startups.*

12.0 Consideration of Applicants for NIDHI-SSS for subsequent rounds

A STEP/TBI could be considered eligible for disbursement of next round of Rs. 5 crore of the Seed support to DST when it has 100% of the seed fund disbursed or committed to its incubatee start ups. There should be good seed fund management system in place. For a third or subsequent round of seed support, minimum of 30% of soft loan repayments should be there at the time of requesting for next round to DST. There should also be a new pipeline of about 5 start ups in incubation requiring seed support.

13.0 Management Fees for the NIDHI-SSS

The issue of management fees for the seed support and the overhead associated with it has been raised repeatedly by incubator managers to enable smooth management at local level involving external domain experts, mentors and financial experts. A component of Management fee @ 5% of the total seed support being disbursed in each round has been built in the modified NIDHI-SSS program framework i.e if a TBI gets Rs. 500 lakhs/round then by including management fee @ 5% , the total release would be Rs. 525 lakhs.

14.0 Settlement of the NIDHI-SSS in case of Closure or discontinuation of STEP/TBIS

In case of closure /discontinuation of the STEP/TBIS, the total unutilized seed support amount available with the STEP/TBIat the time of closure may be refunded

to DST along with the total repayments received from the seed supported incubatee before closure of the STEP/TBIS. In case the recovery of loan linked repayments of seed supported startups is not possible within 2 years of the closure of the STEP/TBIS, it may be recommended for written off and the accounts be deemed as settled.

In exceptional cases the NIDHI-SSMC would be empowered to relax certain conditions on loan repayments recovery, on a case to case basis having convincing and justifiable reasons, and these cases should be reported to the DST.

Application Format for NIDHI-Seed Support System (SSS)

Date of submitting Application to DST

A. General Information

- A1. Name & Address of the organization
- A2 Name of the Host Institution
- A3 Year of Establishment
- A4 Legal Status of the organization Part of host institution/ Regular Society/ Section 25 Companies Act)
- A5 Name and Designation and contact details (mobile + email) of the Head of STEP/TBI
- A6 Website of TBI
- A7 List of Governing Body Members /Board of Directors (Attach a separate Annexure – I)

B. Profile of STEP/TBIs

- B1 Brief Background of STEP/TBIs
- B2 Core Competence (Thrust Area of STEP/TBIs)
- B3 Physical Infrastructure (Size of STEP/TBI in sq. ft., with details of administrative space, common facilities, lab/thrust area facilities and workspace for tenants)
- B4 Core Team of STEP/TBI

Sl. No.	Name	Designation with date of joining the STEP/TBI	Educational Qualification and Experience	Job Responsibility

- B5 Sourcing avenues for building pipeline of incubatees
- B6 Model adopted for Incubating Start-ups (give -brief outline)
- B7 Incubator Space & Occupancy Status as on

SI. No.	Work Space Size	No. of cubical	Occupancy Status

- B8 Services Package offered to Incubatee

SI. No.	Type of Support	Give Details
1.	Business Support	
2.	Technical Support	
3.	Financial Support	
4.	Legal & IPR Support	
5.	Networking	
	Any other	

- B9 SWOT Analysis (Strength & Weakness, Opportunities & Threat of STEP/TBI) w.r.t to presence of similar initiatives...and other TBIs/Accelerators in the region

SI. No.	Strength	Weakness	Opportunities	Threat

C. Entrepreneurs Incubated by STEP/TBIS

- C1 Cumulative Year-wise details of Entrepreneurs Assisted

Year-wise Details since Inception	No. of Resident Entrepreneur (Incubatee) promoted	Details of seed funding provided(source/quantum *)	No. of Graduate Entrepreneurs (give detailed if external/ venture funds raised)	No. of other entrepreneurs assisted

C2 Give Details of seed fund earlier availed from TDB / NSTEDB or any other GOI agency.

Seed Fund sanctioning organization	Sanction no. , date and amount sanctioned and disbursed	Year-wise details of seed funding disbursed to incubates along with name of companies and amount (Attach a separate annexure)	% utilization of seed fund at the time of applying

C3 Indicate few notable achievements of seed supported startups through past experience

C4 Justification for first time applying/reapplying for seed support to DST

D. Present Incubatee at STEP/TBI

Sl. No.	Name of the Incubatee	Profile of Incubatee (Age, Qualification, Experience)	Name of the Venture promoted	Date of Initiation of Residency	Product Area	Seed Money Raised/ Required giving time frame

E. Financial Status of STEP/TBI

- E1 Major heads like Manpower, Travel, Printing, Publication, Utilities, Consumables, Misc)
- E2 Means of meeting the Revenue Expenditure (DST, Revenue and Other)

F. Achievement of STEP/TBI since inception

- F1 Major external assignment executed
- F2 Award and Recognition
- F3 Distinct Role played by STEP/TBI in nurturing the techno-entrepreneurs (Maximum 50 words)
- F4 Visibility of TBI regionally/nationally w.r.t startup ecosystem along with networks established with mentors, angels and VCs, ISBA etc

G. Analysis of Achievements of STEP/TBI incubatee (Give brief details of Growth profile of incubated ventures, Employment Generated, Contribution to the Exchequer, Mergers, Acquisition & Venture Funding, ISO Certification, Awards & Appreciations, Success of Select Incubatee)

G1 Pie Chart for Age-wise details

G2 Pie Chart for Qualification-wise details

G3 Pie Chart for Thrust Area-wise details (Technological Area of Start-ups)

G4 Pie chart for Annual Turnover-wise Details as per suggested range)

{	Upto	-	Rs.5.00 lakhs	}
	Rs.5.00 lakhs	-	Rs.10.00 lakhs	
	Rs.10.00 lakhs-		Rs.30.00 lakhs	
	Rs.30.00 lakhs-		Rs.50.00 lakhs	
	Rs.50.00 lakhs-		Rs.100 lakhs	
	Rs.100.000 and above			

H. Need for NIDHI-SSS

H1 Justify the Need and give Rationale

H2 Quantum of funds required and proposed duration of its utilization

H3 Likely Benefits on availability of the Fund to STEP/TBI
(maximum 300 words)

I. Strategies for Utilizing NIDHI-SSS

Give brief outline of Disbursement, Selection, Mentoring and Monitoring Strategies to be adopted for Implementation of the seed support system.

(Signatures of the Head of the TBI/STEP along with the Seal)