

Business Incubation Policy Manav Rachna University

(Revised on August 2020)



Introduction

Manav Rachna University -Innovation and Incubation Center (MRU-IIC) is established to encourage research, innovation and entrepreneurship to help the students to develop professional entrepreneurial ability and mindset to set up their own enterprises. MRU-IIC has been established with a view to cater to the needs of students and faculty members who are inclined towards research, innovation, and novel ideas. In its strive to promote entrepreneurship among its faculty and students, MRU-IIC has prepared the following incubation policy to promote new entry into products, processes and services for commercial exploitation and the benefit of society.

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

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

The policy is subject to periodical review and amendments.



1. Strategies and Governance

Strategies and Governance related points in the policy:- The committee recommends following points related to Strategies and Governance as per Agenda 1 in NISP Policy 2020 needs to be incorporated in the existing Business Incubator Policy:-

- a) Implementation of entrepreneurial vision at the institute should be achieved through mission statements rather than stringent control system
- b) To support technology incubators, academic institutes may approach private and corporate sectors to generate funds, under Corporate Social Responsibility (CSR) as per Section 135 of the Company Act 2013.
- c) Product to market strategy for startups should be developed by the institute on case to case basis.
- d) Developing entrepreneurial culture in vicinity with regional start-ups
- e) Strategic international partnerships should be developed using bilateral and multilateral channels with international innovation clusters and other relevant organizations.
- f) Spreading awareness among students, faculty and staff about the value of entrepreneurship and its role in career development or employability should be a part of the institutional entrepreneurial agenda.
- g) Institute must develop a ready reckoner of Innovation Tool Kit, which must be kept on the homepage on institute's website to answer the doubts and queries of the innovators and enlisting the facilities available at the institute

2. Eligibility

2.1 Admission to Business Incubator (BI) is open to:

- i. Faculty members (current and in the recent past);
- ii. Students and Alumni;
- iii. Manav Rachna R&D partners (sponsors of research, innovations and consultancy projects);
- iv. Manav Rachna's partner universities (having R&D collaborations in place);
- v. Any team with an impactful idea not necessarily having any primary contact (direct/ indirect) with Manav Rachna. (However, in such cases, the team is desired to have at least one Manav Rachna representative).



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

- i. Proposals with Intellectual Property belonging to faculty, student or alumni (created outside BI); or;
- ii. Proposals which will have social and strategic impacts with a potential for large resource generation and significant visibility to BI and incubation activities.

2.2 Applicants must fulfill the above criteria for making an admission in the MRU-IIC or for making an application for BI virtual incubation program or pre-incubation program.

2.3 Applications for admission to BI will be made in the name of registered 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/ or Limited Liability Partnership (LLP) is registered within a period of four months from the date of approval of the application for admission in BI. However, BI may assist the promoters in the company registration but shall/ may not render any financial support.

2.4 For all the start-ups incubating, the committee recommends to start a part-time/full time MS/ MBA/ PGDM (Innovation, entrepreneurship and venture development) program where one can get degree while incubating and nurturing a startup company as per the guidelines of AICTE.

3. Admission Process

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

3.2 On PAQ being shortlisted, the incubatee shall then be required to submit a detailed executive summary along with the financial projections and an acknowledgment of IPR filing/ approval. (However, if the incubatee needs assistance in preparing the financials, it may seek advice from the BI and apply for the next presentation slot.)

3.3 After studying the executive summary submitted by the incubatee, the BI shall call the promoters to present their idea before the reviewing committee.



Criteria for evaluation (not limited to these)

- i. Strength of the product idea in terms of its technology content, innovation, timeliness and market potential;
- ii. IP already generated or the potential of the idea for IP creation;
- iii. Extent of involvement of MRU faculty, employees and students;
- iv. Strength of the core business team;
- v. Funds requirement and viability of raising finance;
- vi. Break-even period;
- vii. Demand of the product/ service;
- viii. Scalability.

With Reference to Point No 3 that deals Admission process in the current BI Policy, the following points need to be included as per Point 3B page 13, NISP 2019-20:-

- (i) Allow students to setup Startup (Social and tech and non-tech) or working part-time for the startup while studying/working as intern.
- (ii) Student Innovators/entrepreneurs may allow opting for startup in place mini project /major project, seminar and summering training etc.

4. Intellectual Property

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

- i. Whether any seed grant (from public or private sources) has been used in developing the technology which will go into the product(s) or services of the proposed incubatee.
- ii. If yes, details of the understanding with the funding agency in terms of sharing of the IP.
- iii. 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.
- iv. A "No Objection Certificate" to be obtained by all the members mentioned in the filed/ granted IPR, in case of more than one "inventors/ owners" of IP.



Applicants, who are current faculty or students of MRU, aspiring for incubation shall first approach BI 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 MRU-IIC on case to case basis.

5. Seed Fund

BI may provide seed fund to the incubatee registered companies on case to case basis subject to such terms and conditions, as per standard operating procedures.

- a) A total fund to be sanctioned to a single company will not exceed Rs. 10 lacs over a period of one year. The recurring budget of the sanctioned amount cannot exceed 20% of the total sanctioned budget.
- b) Other terms and conditions with respect to revenue sharing (if any) will be worked out at the time of sanction of fund and shall be part of the Fund Agreement.
- c) The borrowing companies will be subject to additional periodic assessment on a quarterly basis and shall submit such information as may be required by the BI from time to time to disburse the sanctioned amount.
- d) Creation of separate budget head for Innovation: A separate head should be created as "Innovation Fund" in the institutional budget and a minimum 1% fund of the total annual budget of the institution should be allocated for funding and supporting innovation and startups related activities. This is in line with the AICTE Policy (page 11) investment in the entrepreneurial activities should be a part of the institutional financial strategy.

6. Infrastructure

Upon admission to Business Incubator, 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:

- Registered Office Address
- Office space: Company specific (100 sq. ft. area approx.)
- Personal Computers.– depending on the team size
- Internet connection



- Two telephone lines – one line through internal exchange for communication within MRU campus, and one external line. BI will do the processing and acquire the lines.
- The following facilities and support need to be created over the period of time to create an environment in the campus for supporting students activities:-
 - a) to create facilities within their institution for supporting pre-incubation (e.g. IICs as per the guidelines by MHRD's Innovation Cell, EDC, IEDC, New-Gen IEDC, Innovation Cell, Startup Cell, Student Clubs, etc.).
 - b) Pre-incubation facilities may or may not be a separately registered entity or Special Purpose Vehicle (SPV), but we recommend that 'Incubation cum Technology Commercialization Unit' (ITCU) should be a separate entity preferably registered under Section-8 of Company Act 2013 or 'Society' registered under Society Registration Act with independent governance structure.
 - c) Facility should be accessible 24x7 to student, staff and faculty of all discipline and department across the institute.
 - d) The institute should explore provision of accommodation to the entrepreneurs within the campus for some period of time.
 - e) Allowing Student entrepreneurs to use the address of Hostel (or) pre-incubation and (or) incubation unit to register their venture while studying at HEI.

MRU Infrastructure:

Besides, BI will facilitate the incubatee companies to access departmental laboratories and other resources of academic institutions for their product development purposes. Access to departmental resources is possible through the Business Incubator and the permission to use such resources should be obtained by the Business Incubator on behalf of the incubatee to avoid conflict with departmental activities and objectives and provide a hassle free single window facility to the incubatee.

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

7. Common infrastructure

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



- i. File Server
- ii. Laser Printer
- iii. Photocopier
- iv. Scanner
- v. Teleconferencing facilities
- vi. Meeting/Conference room with projection equipment
- vii. Pantry facilities
- viii. Common secretarial pool/staff (depending on availability of such staff with BI)
- ix. Access to University Central Library
- x. In-house stress relieving games (Chess, Scrabble, Table Tennis, etc.)

8. 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,
- Organizing events to help companies in networking and showcasing their technologies, and learn about the market trends/ needs,
- Meetings with visitors of MRU (such as alumni, VCs, industry professionals).

With Reference to Point No 7 that deals with Other services in the current BI Policy, following points need to be included:-

- (i) The institute should develop policy and guidelines for forming and managing the relationships with external stakeholders including private industries.
- (ii) Knowledge management, knowledge exchange, internships, teaching and research exchange programmes, clubs, social gatherings, etc., faculty, staff and students of the institutes should be given the opportunities to connect with their external environment.
- (iii) Some of the relevant faculty members with prior exposure and interest should be deputed for training to promote I&E.



9. Periodic assessment

BI will evaluate the performance of incubatee companies periodically. Incubatee companies will submit information to 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.

With Reference to Point No 8 that deals with Periodic Assessment in the current BI Policy, following points need to be included:-

- (i) Engagement of all departments and faculty in the entrepreneurial teaching and learning should be assessed.
- (ii) Number of startups created, support system provided at the institutional level and satisfaction of participants, new business relationships created by the institutes should be recorded and used for impact assessment.
- (iii) Impact should also be measured for the support system provided by the institute to the student entrepreneurs, faculty and staff for pre-incubation, incubation, IPR protection, industry linkages, exposure to entrepreneurial ecosystem, etc.

Impact assessment for measuring the success should be in terms of sustainable social, financial and technological impact in the market

10. Information Submission

Incubatee companies will submit information to BI 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.

11. Consideration:

In lieu of support and services to be provided by BI, the incubatee companies will be subject to consideration on following accounts to the extent applicable:

- Monthly rent of INR 5000/- shall be charged for physical infrastructure to be paid to BI. The same is subject to revision on the basis of inflation.
- Equity sharing by student start-ups may be subject to the following three conditions varying from 2-9.5% as per Point 3J , page 18- NISP 2020:



- a. Minimum 2%- in case there is no involvement of university resources and other support
 - b. Charges subject to 5%- in case there is usage of university resources only
 - c. Charges subject to 9.5%- in case there is full 100% usage of university resources and other support services
- Consideration in the form of equity and/or profit/ revenue sharing of the respective companies may be decided on case to case basis.
 - Consideration for transfer/ licensing of / permission to use IP in favour of the incubatee companies and the facilities provided by BI.
 - MRU may ask for additional equity from the companies to whom incubator has supplied specialized equipment at the time of equipment request submitted by the startup.
 - Consideration as per MRU policy for usage of departmental laboratory facilities to be given to Academic institution.

The percentage of the equity holding of BI shall be maintained 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, whichever is earlier. If the company fails to raise investment from an Angel Investor, Venture Capital Fund or any other source for a period of **three years** from the date of exit from the BI; the BI will have a right to sell its holding to the promoters of the Company at a value which will be higher of book value (at the time of latest investment) and fair value (at the time of closure), and promoters of the Company will be bound to buy the shares from BI 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.

Book Value: Book value literally means the value of the business according to its "books" or financial statements. In this case, book value is calculated from the balance sheet, and it is the difference between a company's total assets and outsider's liabilities. Note that this is also the term for shareholders' equity.

Fair Value: Fair value is the market value of a company available to owners or shareholders, if the company finds a potential buyer, and goes for sale. It is the enterprise value plus all cash and cash equivalents, short and long-term investments, and less all short-term debt, long-term debt and minority interests.



12. Tenure in BI

Companies will be permitted to stay in BI, to begin with, for a period of twenty four months. The above mentioned monthly charge will be levied to a company for the period of first eighteen months. Companies will have to pay the charge at the prevailing market rate for the extended period of six months as mutually agreed by the BI and the incubatee, 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 specialized capital equipment, rent on the same will be decided on a case-to-case basis. This would, however be finalized prior to approval of a proposal for admission to BI or at the time of procurement of the equipment as the case may be.

With Reference to Point No 11 that deals with Tenure in BI in the current BI Policy, following points need to be included:-

- (i) Institute will facilitate the startup activities/ technology development by allowing students/ faculty/staff to use institute infrastructure and facilities, as per the choice of the potential entrepreneur in the following manners:
 - i. Short-term/ six-month/ one-year part-time entrepreneurship training.
 - ii. Mentorship support on regular basis.
 - iii. Facilitation in a variety of areas including technology development, ideation, creativity, design thinking, fund raising, financial management, cash-flow management, new venture planning, business development, product development, social entrepreneurship, product costing, marketing, brand-development, human resource management as well as law and regulations impacting a business.
 - iv. Institute may also link the startups to other seed-fund providers/ angel funds/ venture funds or itself may set up seed-fund once the incubation activities mature In case of compulsory equity model, startup may be given a cooling period of 3 months to use the



incubation services on rental basis to take final decision. (Point 3J page 14, NISP 2019-20).

v. Institute could extend this startup facility to alumni of the institute as well as outsiders. (Point 3L page 15, NISP 2019-20).

13. Exit (Graduation)

Incubatee companies will leave the incubator under the following circumstances:

- Completion of stay for twenty four months, unless the stay is extended at BI
- Underperformance of the team: As per decision of the Quarterly Review Committee.
- Irresolvable disputes between promoters/ founders.
- 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 re-organization 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 BI
- Any other reasons when BI may find it necessary for an incubatee company to leave BI.
- The assets acquired by the incubatee by using seed money will be transferred in favour of MRIIC at the time of exit.

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. BI endeavors 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.

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

A committee shall be set up by BI to resolve any dispute over such situation causing conflicts of interests.



15. Disclaimer:

It is understood that by agreeing to provide various supports and services, MRU-IIC does not undertake responsibility for:

- Ensuring success of an incubatee company, its products/ process/ services or marketability,
- Any liabilities arising out of any legal or contingent claims
- The personal belongings of the promoters, employees and staff.

16. Agreements:

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

- a) Service agreement
- b) Transfer of technology Agreement/ Technology License Agreement
- c) Fund Agreement
- d) Usage of Departmental Lab.
- e) Any other document as desired by the MRU-IIC

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