



SGSITS  
INCUBATION  
FORUM

## **SGSITS INCUBATION FORUM**

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# **POLICY AND PROCEDURES**

## **FOR**

### **SGSITS Incubation Forum Indore**



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## **PREAMBLE:**

SGSITS Incubation Forum (SIF) is set up with an objective to promote innovation and entrepreneurship. It is proposed to achieve this by converting and translating technology ideas and innovation in various disciplines of engineering and science into products, processes and services for commercial exploitation and the benefit of society. It is an independent entity, under Section VIII of the Company Law, with independent Board of Directors at SGSITS, Indore. It is a not for profit organization mandated to operate from the premises of SGSITS in collaboration with SGSITS and its sub-entities along with the Alumni of the SGSITS. CIDI - SGSITS supports to run and manage the SIF to facilitate incubation of new enterprises with innovative technologies by admitting them in SIF and providing them physical, technical and networking supports and services.

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

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

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

- 1.1.1 Faculty members (current and in the recent past), (one or many) along with possibly others,
- 1.1.2 Students and alumni, along with possibly others,



- 1.1.3 SIF, CIDI-SGSITS R&D partners (sponsors of R&D and consultancy projects), along with possibly others where any faculty is an advisor / mentor / promoter.
- 1.1.4 The proposals for Business incubation must meet with one or more of the following parameters:
  - i. Proposals with Intellectual Properties (IP) generated within SIF and transferred to the company for a consideration,
  - ii. Proposals with IP belonging to faculty, student or alumni (created outside SGSITS, Indore),
  - iii. Proposals with potentials for strong identifiable involvement or interaction with SGSITS, Indore faculty with/without usage of SGSITS, Indore facilities,
  - iv. Proposals which will have social and strategic impacts,
  - v. Proposals with potential for large resource generation, impact value and visibility to SGSITS, Indore, SIF and incubation activities,
- 1.2 Applicants must fulfil all or some of the above criteria for making an admission in the SIF and for making an application for SIF incubation programme.
- 1.3 Applications for admission to SIF 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 three months from the date of approval of the application for admission in SIF.

## **2. Admission Process:**

At the opening level, applicants for admission in SIF will be required to submit a Pre-Application Questionnaire (PAQ), which can be availed from the SIF office or downloaded from its website [www.sgsitsincubationforum.com](http://www.sgsitsincubationforum.com). The PAQ will be scrutinized internally by the SIF committee. While submitting PAQ, applicants will also disclose information on executive involvement of the promoters/ founders in other companies or commercial entities. Based on the initial scrutiny of PAQ and affirmative assessment, applicants will be asked to submit a formal application for admission in SIF along with a detailed proposal comprising of the following documents:

- 2.1 Business Plan.
- 2.2 Details of IP/ technology based on which a company is proposed to be promoted/ founded.
- 2.3 In case the IP/ technology is developed at SIF and /or CIDI-SGSITS, Indore a copy of letter of approval from SGSITS, Indore for transfer of / licensing of/ permission to use IP in favour of prospective incubate companies.
- 2.4 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 SIF office or may be downloaded from its website.

- 2.5 Applicants may give such additional information as they think would add value and help in the assessment of their proposal.

Based on the documents submitted, the Business Plan will be screened by the SIF committee 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 SIF employees. The expert members would be invited/identified depending on the nature of the proposal. The proposal will be handled in terms of SIF Policy on Conflicts of Interests and Confidentiality appended hereto as.

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 SGSITS, Indore faculty, employees and students
4. Strength of the core Business team
5. Funds requirement and viability of raising finance
6. Break-even period

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

- 3.1 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.
- 3.2 If yes, details of the understanding with the funding agency in terms of sharing of the IP.



- 3.3 Whether any person other than the applicants has worked on the technology and if their work will be incorporated in the product(s). If yes, whether such other person has a right in IP ownership.
- 3.4 If the IP is developed at SGSITS, Indore, whether any SGSITS, Indore infrastructure (hardware, testing setup, instrumentation, computing resources, processes) has been used in developing the technology that will go into the product(s).
- 3.5 If the IP is developed at SGSITS, Indore whether any consultancy projects were executed in the proposed area.
- 3.6 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 SGSITS, Indore, aspiring for incubation shall first obtain necessary permission and approval from the Institute for transfer / licensing to use IP in favour of prospective incubate companies in the Business Incubator intended to be promoted/ supported by the inventor.

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 SIF 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:**

SIF may provide seed loan subject to the availability of funds/ grants/ schemes meant for this purpose based on merit of each case. 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 SIF 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 SIF. Sanction of seed loan will be decided based on the eligibility criteria as decided by SIF. 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.



**SIF will have sole discretion to sanction or reject an application for seed loan and the decision of SIF in this regard shall be final. SIF is not bound to give any reason in case an application for seed loan is rejected.**

### **5. SIF Infrastructure:**

Upon admission to SIF, the following infrastructural facilities may be offered to the incubate companies on an individual basis, along with a set of shared/common infrastructure mentioned herein under:

- 5.1 Office space: Company specific
- 5.2 Internet connection

Apart from company specific infrastructure as stated above, SIF may provide certain additional facilities, subject to availability, to be shared by all incubate companies which would include:

- 5.3 File Server
- 5.4 Fax machine
- 5.5 Laser Printer
- 5.6 Photocopier
- 5.7 Scanner
- 5.8 Shredder
- 5.9 Tele-conferencing facilities as available. The usage of this facility will be paid by incubates as per the rate fixed by SIF, time to time.
- 5.10 Meeting/Conference room with projection equipment
- 5.11 CIDI-SGSITS Library facilities
- 5.12 Pantry facilities
- 5.13 Common secretarial pool/staff (depending on availability of such staff with SIF)

### **6. Infrastructure of the Host / Partner Institution:**

Besides, SIF will facilitate the incubate companies to access departmental laboratories and other resources of SGSITS, Indore or at its Partner Institute for their specific requirements. Access to Institutional resources is possible as per extant rules of the Institutes, after observing necessary formalities and on payment of required fee.

Usage of such resources should be with permission of the concerned department to avoid conflict with departmental activities and objectives. The consideration payable to CIDI-SGSITS for usage of departmental resources will generally be in the form of cash (payable by cheque or demand draft/digital transfer), though SIF may recommend to the Institute for acceptance of consideration in the form of equity. However, decision as to whether to accept such consideration in form of equity will be solely rest with the Institute. Augmentation of



resources in the department on account of such usage shall be the properties of the concerned department. It shall be the responsibility of the user to return / hand over back the facility in the same condition that was received.

Irrespective of requirements of departmental facilities for usage, all incubate companies will primarily locate at SIF.

### **7. Other Services:**

Apart from physical infrastructure as stated above, SIF intends to create certain other supports and services which would include but not limited to:

- 7.1 Pool of mentors,
- 7.2 Experts in Technology, Legal, Financial and related matters, with or without consideration,
- 7.3 Organising events to help companies in networking and showcasing their technologies,
- 7.4 Meetings with visitors of SGSITS, Indore (such as alumni, Venture Capitalists, industry professionals).

Incubate companies can avail of the above support and services when offered by SIF.

In addition, SIF will also build up information and knowledge pool to be useful generically for start-up companies. SIF will coordinate with Department of Human Resources Development, SGSITS, Indore, on management education and training programmes designed for start-up companies.

### **8. Periodic assessment:**

SIF will evaluate the performance of incubate companies periodically.

Incubate companies will submit information to SIF on quarterly or such frequency and / or milestone as will be decided, in a prescribed format. The companies shall 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 SIF. The un-disbursed portion of the seed loan will be adjusted subject to the performance of the company. Incubate companies will have to submit their annual reports each year within a period of one month from the date of annual closing of accounts.



### **9. Information Submission:**

Incubate companies will submit information to SIF about all material changes or developments taking place in their companies from time to time. Such information could be (but not limited to):

- 9.1 Change in name of the company,
- 9.2 Change in Business or product profile,
- 9.3 Change in directors, promoters or shareholders,
- 9.4 Acquisition of a new office,
- 9.5 Additional equity or debt investments.

**SIF may require incubate companies to submit other information as it deems fit. Prior concurrence of SIF should be obtained for effecting any changes.**

### **10. Consideration:**

In lieu of support and services to be provided SIF/SGSITS, Indore, the incubate companies will be subject to consideration on following accounts to the extent applicable:

- 10.1 Monthly rent/ facilities charge at discounted rate for physical infrastructure to be paid to SIF.
- 10.2 Consideration in the form of equity and/or revenue sharing:
  - 10.2.1 A liability free equity of 10% in the company for a period of 10 years. Against this equity, the institute shall permit the use of IP developed within SGSITS by the founding members and students.
  - 10.2.2 In case the institute provides loan to the company, institutes' rules will apply for repayment / additional equity holding.

Consideration, as per CIDI-SGSITS policy. for usage of departmental laboratory facilities to be given to SGSITS, Indore.

The equity holding by SIF for infrastructure and IP will be 10%.The percentage of the equity holding of SIF 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 SIF 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 ten years from the date of the last issuance of shares in favour of SIF, SIF 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 SIF 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 SIF/ SGSITS, Indore. The equity shall be issued in favour SIF.

### **11. Tenure in SIF**

Companies will be permitted to stay in SIF, to begin with, for a period of 18 months. A nominal monthly facilitation charge will be levied to a company for the period of first 18 months. SIF may, at its own discretion, permit companies to extend their stay for a maximum period of another 18 months. Companies will have to pay the charge at the prevailing market rate for the extended period, which would be for:

- 11.1 Office space
- 11.2 Internet connection
- 11.3 Electricity charges including air-conditioning
- 11.4 Any other facility as may be provided at that time

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

### **12. Exit (Graduation):**

Incubate companies will leave the incubator under the following circumstances:

- 12.1 Raising substantial investment from angel investor / Venture Capital Fund / any other investor– Rs. 2 crores or more.
- 12.2 Completion of stay for normally 18 (Eighteen) months, extendable up to a maximum period of 36 (thirty-six months), unless the stay is extended by SIF.
- 12.3 Underperformance or no viability of the Business proposition: criteria for the same will be decided and applied by SIF on the case to case basis and periodic performance evaluation with indemnity of SIF.
- 12.4 Irresolvable disputes between promoters/ founders, with indemnity to SIF. SIF will decide the position or point when disputes are deemed to be irresolvable.
- 12.5 When the annual revenue of the company exceeds Rs. 2 crores or when a company achieves a Profit before Tax of Rs.1 crore.
- 12.6 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 with approval and consent of SIF and settlement of all dues/liabilities to SIF from Incubate.



12.7 Change in promoters'/ founders' team without concurrence of SIF.

12.8 Any other reasons which CIDI-SGSITS /SIF may find it necessary for an incubate company to leave SIF.

Notwithstanding anything written elsewhere, SIF's decision in connection with the exit of an incubate company shall be final and shall not be disputed by any incubate company. Resolving and settlements of all activities and liabilities by Incubate shall be mandatory prior to exit / Graduation.

### **13. 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. SIF endeavours to draw a line between appropriate and inappropriate interactions among its board members, employees, mentors, consultants, affiliates, incubate 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 SIF considers the full voluntary disclosure as the best mechanism for managing conflicts of interest.

Since situations leading to conflicts of interests are inevitable, a transparent policy, based on full disclosure of relevant information by the concerned parties, and discouraging their influence on decisions and activities to avoid personal benefit to them, is appended here to as. The policy is not exhaustive, and hence situations having potentials for conflicts of interest though not covered in the policy will nonetheless be subject to the policy. The policy makes all stakeholders related to SIF and incubates companies aware that no one should use his/her position in one role for the personal gains in the other role, and when necessary, explicit permission of relevant stakeholder may be obtained. Appropriate judgement should be applied by all concerned parties while assessing the genuineness of conflicting interests. This policy also deals with maintenance of confidentiality of proprietary information. A committee may be set up by SIF to resolve any dispute over such situation causing conflicts of interests.

### **14. Disclaimer:**

The incubate company will understand and acknowledge that SIF 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, SIF does not undertake responsibility for:



- 14.1 Ensuring success of an incubate company, its products/ process/ services or marketability.
- 14.2 Ensuring quality of support and services provided by SIF and to the complete satisfaction of the incubate companies or their promoters/ founders.
- 14.3 Ensuring quality of services of the consultants engaged by the incubate companies through SIF / SGSITS, Indore network. Incubate companies will have to apply their judgements before getting into a relationship with them.

### **15. Agreements:**

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

- 15.1 Service agreement: Between SIF & an incubate company for admission of the company in SIF.
- 15.2 Equity agreement: Between SIF, an incubate company and its Promoters for SIF's equity holding in the incubate company.
- 15.3 Transfer of technology Agreement/ Technology License Agreement: Between SGSITS, Indore (CIDI) & an incubate company for transfer of technology from SGSITS, Indore in favour of incubate companies.
- 15.4 Loan Agreement (As per applicability): Between SIF & Incubate Company on sanction of seed loan to the incubate company in SIF.
- 15.5 Usage of Facilities at Host / Partner Institute: Between Host / Partner Institute & an incubate company for usage of institutional facilities / resources by the incubate company as per the prevailing policy of Host / Partner Institute.

The incubate companies agree that SIF/ CIDI-SGSITS/ SGSITS, Indore or their employees shall not be held liable for any reason on account of the above.