

INCUBATION POLICY - DERBI FOUNDATION

Dayananda Sagar Entrepreneurship Research & Business Incubator (DERBI) Foundation is a Technology Business Incubator (TBI) recognized and supported by Department of Science & Technology, Government of India. Its sole objective is to incubate and nurture technology ventures. DERBI aims to provide support to innovations and entrepreneurship through their BI and help achieve their goal of commercial exploitation or larger impact on the society.

Incubation Policy and Procedures

This document contains the policies and procedures governing incubation at DERBI Foundation. It covers the following processes:

1. Eligibility
2. Admission process
3. Infrastructure and Services
4. Information Submission
5. Intellectual Property Evaluation
6. Seed Funding
7. Periodic assessment
8. Consideration
9. Period of Incubation
10. Graduation (Exit)
11. Conflicts of interest
12. Disclaimer
13. Agreements

The policy is subject to periodical review and amendments. It will be the responsibility of the companies admitted to DERBI to update themselves from time to time on amendments in the policy and procedures. DERBI 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 DERBI is open to any individual / group of individuals who have an innovative technology idea and want to start an enterprise.
- 1.2** Application for incubation will be made in the name of a private registered unlisted company within the meaning of the Companies Act, 2013. If a company has not been formed, an application may be made in the names of all promoters/ founders; however, the promoters/ founders must ensure that the company is formed and registered within a period of three months from the date of approval of the application for admission into DERBI.
- 1.3** A company if promoted by the staff or an employee of an organization shall be granted incubation only upon submission of 'No Objection Certificate' from the competent authority or the employer.

2. Admission process

- 2.1** Interested applicants can apply online through DERBI Foundation website.
- 2.2** Based on the initial internal screening of the application and affirmative assessment, applicants will be asked to submit their proposal as a business plan adhering to the DERBI B plan template, which can be downloaded from the website. Applicants may provide such other additional information, which in their opinion, could further help with the assessment of their proposal.
- 2.3** Detailed assessment including business, financial and technical due diligence of the proposal shall then be carried out by the Screening committee for evaluation of the proposal. In order to enable the expert members to take an appropriate decision, members may ask for any additional information from the applicants.
- 2.4** Applicants may be invited with their teams to make a presentation on their proposal to the screening committee. Requests for presentation through video conferencing will be entertained.

The proposal will be handled in terms of DERBI's Conflicts of Interests and Confidentiality Policy.

The proposal shall be evaluated based on strength of the product idea in terms of its technology content, innovation, timeliness and market potential. Some representative criteria for evaluation of the proposals shall be as follows:

- Profile of the core team/ promoters
 - Intellectual Property generated and the potential of the idea for IP creation
 - Financial/ Commercial Viability and 5 year projections of P&L, Balance Sheet and Cash Flows.
 - Funds requirement and viability of raising finance.
 - Time to market.
 - Break-even period.
 - Commercial potential, demand and requirement in India.
 - Scalability
- 2.5** DERBI will have the sole discretion whether to admit or reject a proposal for incubation and the decision of DERBI in this regard shall be final. DERBI is not bound to give any reason in case a proposal is rejected.

3. Infrastructure & Services (Specific Details in Annexure 1)

- 3.1** Upon onboarding for incubation, the following infrastructure facilities and services shall be made available to the incubatee companies on an individual basis:
 - Office Space
 - Standard Furniture with storage cupboards
 - Internet Connection
 - IT Support
- 3.2** Apart from specific infrastructure facilities stated above, DERBI will also provide common facilities that will be shared by all the incubatee companies, such as :
 - Video or teleconferencing Facilities
 - Meeting/Conference room with projection equipment

- Laser Printers
- Photocopiers
- Document Scanners
- Server Room facility
- Huddle Room with Pantry
- Cafeteria for working Lunch
- Library
- Access to Labs in Centres of Excellence of Dayananda Sagar University subject to their Terms and Conditions
- Training room / Auditorium for 100 people

3.3 Apart from physical infrastructure as stated above, DERBI intends to create certain other support and services which would include:

- Pool of mentors, experts in business, technology, legal, financial and related matters
- Association with professionals for basic services such as:
 - Accounting Services – Routine Book – keeping and Invoice generation
 - IPR Services- Patent Search, Drafting & Filing
 - Legal and Company Secretary services
 - HR services- Talent Acquisition, Leave & Payroll management

Cost of any other additional service availed by the companies from these professionals will have to be paid by the company directly.

- DERBI shall also provide other value added services such as:
 - sourcing of student talent for interns/ employment within the DSI group of institutions
 - Identifying a faculty expert/ mentor in specific areas and
 - Seed funding support.
- DERBI will organize various programs and events to facilitate networking of the incubatee companies with the potential investors.

4. Information Submission

- 4.1** Incubatee companies will submit information to DERBI about all material changes or developments taking place in their companies from time to time.
- 4.2** 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.
- 4.3** DERBI may require incubatee companies to submit such other information as it deems fit.

5. Intellectual Property Evaluation

- 5.1** IP can be in the form of a patent, copyright, design registration, algorithm, software or such other invention. The promoters/ founders should fill an IP declaration form at the time of admission and declare the Intellectual Property developed and owned by the incubatee company. Submissions to DERBI will be treated confidentially.
- 5.2** IP for incubation purpose will be assessed based on the following details:

- 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. If yes, details of the understanding with the funding agency in terms of sharing of the IP.
 - 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.
 - 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.
- 5.3** In case the incubatee company is desirous of using the Intellectual Property of Dayananda Sagar Institutions (DSI), like patent, software code, copyright, design registration, developed product, etc, then the company shall make such request in writing to DERBI. The terms and conditions for such IP licensing shall be decided by DSI.
- 5.4** The company shall inform if any IP has been generated as a result of the collaborative work with DSI students/faculty members (who are not promoters) and is being incorporated into the product(s).
- 5.5** The incubatee company shall provide the details of any IP (patents, licenses, copyrights, etc.) that has been brought into the company prior or during their stay at DERBI.

6. Seed Funding

- 6.1** A company desirous of getting seed fund may submit an application for seed fund on admission to DERBI
- 6.2** Seed fund may be available subject to the availability of funds/ grants/ schemes meant for the specific purpose.
- 6.3** It will be sanctioned only to the incorporated registered companies which are being incubated at DERBI and shall be based on merits of each company.
- 6.4** Sanction of seed fund will be decided based on the eligibility criteria as decided by seed fund committee. It would be also subject to the terms stipulated under specific grant or scheme as the case may be.
- 6.5** Though seed fund may be sanctioned, disbursement shall be linked to the milestones.
- 6.6** One of the criteria for approval of the seed fund 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.
- 6.7** Further, admission to DERBI shall not automatically entitle the companies to the seed fund.
- 6.8** DERBI will have sole discretion to sanction or reject an application for seed fund and the decision of DERBI in this regard shall be final.
- 6.9** DERBI is not bound to give any reason in case an application for seed fund is rejected or if the quantum is reviewed.
- 6.10** In exchange of the seed funding support extended to the company, the company must allot additional equity shares to DERBI. The quantum of additional equity shall be discussed and mutually agreed upon.

7. Periodic Assessment

- 7.1** Incubatee company's performance shall be reviewed very month by an expert and also every quarter by a committee set up by DERBI. The emphasis of evaluation will be on checking if the milestones specified in the business plan are met.
- 7.2** For a company which has taken seed fund, additional checks will be done on the financial health of the company in terms of its order booking, expenses, profitability, utilization of seed fund for the specified purposes and its ability to repay the fund. Further seed fund disbursement will be dependent on the progress shown in previous appraisal. The un-disbursed portion of the seed loan will be adjusted subject to the performance of the company.
- 7.3** It is mandatory for the incubatee company to participate in all the reviews conducted by DERBI, failing which explanation would be sought and if required necessary action wrt the incubation program would be initiated.

8. Consideration

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

- 8.1** Monthly rent/ facilities charge at subsidized rate for physical infrastructure to be paid to DERBI. Consideration in the form of equity is to be given in favor of DERBI Foundation.
- 8.2** The indicative range of the equity holding by DERBI for infrastructure utilization will be ranging from **1.75% to 5%** depending on the stage of the company and period of incubation.
- 8.3** The percentage of the equity holding of DERBI shall be maintained by issuing additional shares or diluting the shares of the promoters/ founders or in any other manner) till the company exits from DERBI or the company and promoters raise investment from an Angel Investor, Venture Capital Fund or any other source.
- 8.4** If the company fails to raise investment from an Angel Investor, Venture Capital Fund or any other source for a period of five years from the date of the last issuance of shares in favor of DERBI, DERBI 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 DERBI as stated above.
- 8.5** The above will be subject to change from time to time by DERBI. The equity shall be issued in favor of DERBI.

9. Period of Incubation

- 9.1** Companies will be permitted to stay in DERBI, for a period of 12 or 18 months .
- 9.2** They may be granted a maximum of two extensions of 6 months each, at the sole discretion of DERBI.
- 9.3** A monthly rental charge will be levied on the company for the incubation period.

10. Graduation (Exit)

An incubated company will leave the incubator under the following circumstances:

- 10.1** Completion of stay for 12 or 18 months, unless the stay is extended by DERBI

- 10.2** Underperformance or non-viability of business proposition: criteria for this will be decided and applied by DERBI on a case to case basis
- 10.3** Irresolvable disputes between promoters/ founders and DERBI or such other circumstances, as decided by DERBI on a case to case basis
- 10.4** Change in promoters'/ founders' team without concurrence of DERBI
- 10.5** When the company enters in an acquisition, merger or amalgamation deal or reorganization 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.
- 10.6** Raising substantial investment from angel investor / Venture Capital Fund / any other investor– Rs. 2 crores or more.
- 10.7** When the number of employees of the company exceeds 20.
- 10.8** When the annual revenues of the company exceeds Rs. 2 crores or when a company achieves a Profit before Tax of Rs. 60 Lakhs.
- 10.9** Other reasons such as non-adherence to DERBI review mechanisms, unethical and antisocial practices, which DERBI may find it necessary for an incubatee company to leave the incubator.

Notwithstanding anything written elsewhere, DERBI's decision in connection with the exit of an incubatee company shall be final and bound by clauses from 10.1 to 10.9, and shall not be disputed by the incubatee company.

11. Conflicts of interest

- 11.1** DERBI endeavors to draw a line among 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.
- 11.2** Conflicts between private interests and official responsibilities of all stakeholders would be handled in a transparent manner, and DERBI considers the full voluntary disclosure as the best mechanism for managing conflicts of interest.
- 11.3** Situations leading to conflict of interests are inevitable; therefore a policy based on full disclosure is set out as separate policy. The policy is not exhaustive and therefore situations having potential conflict of interests, though not covered will be subject to this policy.

12. Disclaimer

- 12.1** The incubatee company will understand and acknowledge that DERBI intends to provide support and services to the Company in good faith to pursue its objective to promote entrepreneurship by incubating and supporting new enterprises.
- 12.2** It is understood that by agreeing to provide various supports and services, DERBI does not undertake responsibility for:
- Ensuring success of an incubatee company, its products/ process/ services or marketability
 - Assurance to customer acquisition at any of the DSI group of Institutions
 - Ensuring quality of support and services provided by DERBI 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 DERBI network. Incubatee companies will have to apply their judgment before getting in to a relationship with them.

12.3 The incubatee companies agree that DERBI or its employees shall not be held liable for any reason on account of the above.

13. Agreements

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

13.1 Incubation agreement - Between DERBI & the incubatee company for admission of the company in BI.

13.2 Equity agreement - Between DERBI, the incubatee company and its Promoters for DERBI's equity holding in the incubatee company.

13.3 Fund Agreement - Between DERBI and the incubatee company on sanction of seed fund to the incubatee company.

Annexure 1

Following are the facilities that the Incubatee companies are entitled to :

| Sl.No. | Facility | Details |
|--------|--------------------------|---|
| 1 | Office Space | Open Seating Facility Measuring 25 Sq.Ft @ Rs.1500/Seat/Month |
| 2 | Internet Connection | WIFI AND LAN with speed of 50Mbps (Shared) |
| 3 | Meeting Rooms* | Projector, LAN, WIFI, Audio Conferencing |
| 4 | Video Conferencing* | Projector, LAN, WIFI, Audio & Video Conferencing |
| 5 | Printouts/ Photocopying* | Tap Access card to print / photocopy |
| 6 | Scanning | Scan to Folder |
| 7 | Training Room* | Equipped with Seating capacity of 100 |

* Subject to limited usage