

MaDeIT Innovation Foundation:

Policies and Procedures for Incubation and Incubatees

Version 1.0

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Approved by the Board of Directors, MaDeIT Innovation Foundation

Introduction:

'MaDeIT Innovation Foundation' (hereafter referred to as 'MaDeIT') is a design-driven Technology Business Incubator (TBI) promoted by the Indian Institute of Information Technology Design and Manufacturing Kancheepuram (hereafter referred to as "IIITDM") and catalyzed and supported by the National Science and Technology Entrepreneurship Development Board (NSTEDB division) of the Department of Science and Technology (DST) and the Ministry of Human Resources Development, Govt of India. MaDeIT is registered as a not-for-profit Section 8 company under the Companies Act, 2013.

MaDeIT will nurture startups and new product development in micro, small and medium enterprises (MSMEs) by providing workspace and shared facilities, advisory services and access to critical tools, information, contacts and resources. The thrust areas of MaDeIT include discrete manufacturing, transportation and healthcare sectors.

The term "incubation" refers to the support processes required to nurture new product development and launch of new businesses. The term "startup" and "MSME" refer to enterprises that satisfy the Govt of India guidelines:

- http://www.startupindia.gov.in/uploads/pdf/Startups_Notification_17_02_16.pdf
- http://www.dcmsme.gov.in/ssindia/defination_msme.htm

"Incubatee company" refers to both startups and MSMEs using incubation facilities at MaDeIT.

The following are the policies & procedures of incubation at MaDeIT:

1. Eligibility:

A startup or MSME company needs to be registered with the Registrar of Companies as a Private Limited Company to be incubated in MaDeIT. Proprietorship or partnership firms if selected must form a Private Limited Company within a period of 2 months of selection to MaDeIT.

The shareholders or partners of the company should belong to one of the following categories:

1. Alumni, students and faculty members of IIITDM Kancheepuram
2. Fresh graduates from engineering colleges with a max of three years of work experience
3. Existing startups and MSMEs venturing into new product development

2. Admission Process:

MaDeIT offers two types of admissions:

1. Pre-incubation: This is normally for a period of 2-4 weeks. The applicant will be required to submit a pre-incubation application to the Manager, MaDeIT Innovation Foundation. If found suitable, the applicant will be provided access to the MaDeIT pre-incubation facility where he/she can have discussions with representatives of MaDeIT and faculty of IIITDM Kancheepuram to develop his/her business plan. They can also pose design challenges to the student community in consultation with the IIITDM faculty. The applicant will not be provided any access to the library or labs of IIITDM. A nominal admission fee will be charged for the same.
2. Incubation: If the applicant is interested in applying for the incubation services of MaDeIT, he/she needs to submit a detailed proposal to the Manager, MaDeIT Innovation Foundation. The proposal should comprise the following:
 - Business plan
 - Details of product to be developed, including technology & intellectual property
 - Project plan
 - Requirement of soft loan (if any)
 - Details of infrastructure & resource requirements. This should include the number of seats and cabins (maximum of 4 seats per cabin and each cabin of 100-150 sq. ft.), number of computers, design services, specialized equipment, faculty expertise and student interns from IIITDM
 - Justification for choosing MaDeIT for incubation
 - A template is available in the website under the tab “Apply Now” (<http://www.iiitdm.ac.in/madeit>)

The business plan will be scrutinized by a team of experts having relevant technical, financial and domain expertise. Once satisfied the company will be asked to give a presentation highlighting the critical aspects of the business plan before an Evaluation Committee comprising representatives from IIITDM Kancheepuram nominated by the Director of IIITDM, the Strategic Advisory Board of MaDeIT, and entrepreneurs/leaders from the industry. The Evaluation Committee’s recommendation along with the clarification by the Incubatee duly endorsed by the Chairman of the Evaluation Committee would be sent to the Board of Directors of MaDeIT for their recommendation.

3. Evaluation Criteria:

Evaluation will be based on the following criteria:

1. Financial & commercial viability of the business idea and the team
2. Leverage of IIITDM capabilities
3. Potential for IP Creation
4. Alignment with MaDeIT thrust areas, i.e., integrated hardware-software-mechanical (cyber-physical) solutions in discrete manufacturing, transportation and healthcare

4. Facilities offered to the incubatees and Charges:

MaDeIT will offer three types of facilities/services to incubatee companies.

(A) Individual Infrastructure Facilities:

1. Office Space: One cabin is approximately 100-150 sft (can seat 4 people max)
2. Office furniture (workstation with storage and ergonomic chairs)
3. Personal Computers & printer depending on requirement
4. Internet & Telephone Connection

(B) Common Infrastructure and Services:

1. Xerox/Fax Machine/Laser Printer / Scanner
2. Teleconferencing facility
3. Conference Hall with projection equipment
4. Utilities (power, water and HVAC)
5. Design studio (Rapid prototyping services) and design services
6. Introduction to expert opinion on legal & financial matters depending on requirement

(C) IIITDM Academic Infrastructure and Services:

1. Access to the institute's technical and lab facilities as per the rules of IIITDM
2. Access to specialized faculty expertise (consultation) as per the rules of IIITDM
3. Access to student interns as per the rules of the IIITDM
4. Access to the library of IIITDM for reference purposes only
5. Hostel and guest house accommodation, subject to availability and as per rules of IIITDM

The incubatee companies will be required to pay fees for the above services offered by MaDeIT and IIITDM Kancheepuram. The fees will be at subsidized rates and will be different for first and second years, and for startups and MSMEs and by the nature of agreement.

5. Agreements:

The incubatee company will sign one or more agreements at the time of admission into MaDeIT as detailed below:

1. Incubation agreement with MaDeIT (fee based, revenue sharing, equity stake or a combination of these)
2. Transfer of technology agreement/Technology licenses agreement with IIITDM, if needed
3. Loan agreement with source of funding for sanction of soft loan to the incubatee company, if needed

6. Soft Loan / Seed Funding:

MaDeIT may provide soft loan subject to the availability of Funds/Grants/Schemes meant for the purpose. MaDeIT will be approaching Government / Private agencies, PSUs, Banks etc. for grants through projects, whenever opportunity arises. The guidelines of the funding agency need to be adhered before disbursement of loan.

Soft Loan will be sanctioned only to the registered companies. Admission to MaDeIT shall not automatically entitle the companies to soft loan. The total loan available for each incubation company depends on the criteria of the funding agency.

7. Tenure of Incubation:

The incubatee companies will be permitted to stay in the MaDeIT facility for a maximum period of 2 years which may be extended by one more year, if necessary.

8. Exit Policy:

Incubatee companies will exit from MaDeIT under the following circumstances:

1. On successful graduation (completion of product development & test marketing)
2. On completion of two years (unless extended by MaDeIT)
3. Underperformance or non-viability of the business venture
4. Disputes among the promoters, affecting the viability of the company
5. When the incubatee company enters in an acquisition, merger or amalgamation deal or reorganization deal resulting in a substantial change in the profile of the company, its promoters, directors, shareholders, products or business plan
6. Incubatee plans for a public issue
7. Change in promoters/founding team without concurrence of MaDeIT
8. Any change of more than 50% of equity ownership unless approved by MaDeIT
9. Violation of MaDeIT or Host Institution (IIITDM Kancheepuram) policies
10. Any other reason for which MaDeIT finds it necessary for an incubatee company to leave.

Notwithstanding anything written elsewhere, MaDeIT's decision in connection with the exit of an incubatee company shall be final & shall not be disputed by any incubatee company.

10. Intellectual Property Policy:

Consideration for IP policy will be as per IP policy of IIITDM. The policy guidelines shall be as below:

1. For transfer/ licensing of/ permission to use IP in favour of the incubatee companies and for the facilities provided by MaDeIT, the respective companies shall have to consider sharing of revenue or equity
2. The percentage of equity and revenue sharing will be decided by MaDeIT and is to be given in favour of MaDeIT. MaDeIT may ask for additional equity from the companies to whom MaDeIT supplied specialized equipment.

11. Consultation:

Any consultant needs to be hired from outside IIITDM directly by the incubatee company shall be with prior approval of MaDeIT. Payments to be made by the incubatee company directly to the concerned consultant.

12. Others:

1. In case of startups
 - a. At the time of entry a small % of the authorised share capital of the incubatee company shall be offered to MaDeIT by the incubatee company at face value OR agree for a small % revenue share for a maximum period of 3 years after graduation AND/OR a fee based arrangement
 - b. In case the soft loan is not completely repaid at the time of exit, MaDeIT may convert the unpaid amount or 50% of the disbursed amount (whichever is lower) into MaDeIT equity share
 - c. The provision of Sl. No. (1.b) above, shall be restricted to a maximum of 40% of the authorized share capital of the incubating company at the time of sanction of the soft loan
 - d. The incubatee company will have to return the remaining portion of the financial support given to the company along with Interest thereon as per policy of MaDeIT after conversion of the portion of the financial support into equity to the MaDeIT
 - e. MaDeIT shall retain the right to encash the equity deemed to be fit by them
2. In the case of established MSMEs, MaDeIT will charge a competitive fee AND/OR agree to a revenue share for a maximum period of 3 years after graduation for the new product being developed in the incubator
3. The above Policies and Procedures are subject to periodical review and amendment without prior notice.
