

INCUBATION POLICY FOR BUSINESS INCUBATEES

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1. INTRODUCTION

Business Incubators (BIs) are considered to be promising policy tools that support new ideas, innovation and technology oriented entrepreneurial growth. They have emerged as sound platforms to bring about economic development in any economy by converting and translating ideas and innovation in various disciplines of science and engineering into products, processes and services for commercial exploitation and the benefit of society. They help mitigate several avoidable risks in an early stage start-up thereby increasing the rate of success of start-ups as well the time taken to gain traction. During the past decade as in several parts of the developed and developing world, the concept of business incubator has taken root in India. Significant support in initiating Business Incubation and its evolution has come from the Government of India through its various agencies.

AISECT University Business Incubation Centre (AU-BIC) is a business incubator established in 2020 as an initiative of AISECT University (AU) and is supported by MSME (Micro, Small and Medium Enterprises - Govt. of India) to boost the innovative and entrepreneurial ecosystem of New India. Ministry of MSME has recognized AISECT University as Host Institute (HI) to setup/establish Business Incubation (BI) to provide 'Support for Entrepreneurial and Managerial Development of MSMEs'.

2. ELIGIBILITY

Admission to BI is open to:

- i. Faculty/Staff of AU (Current and Retired)
- ii. Students, research scholars and current project staff of AU
- iii. Alumni of AU
- iv. Universities/Institutions having R&D collaboration with AU
- v. Government agencies associated with AU's research and innovations
- vi. Others

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

- i. Proposals with Intellectual Properties (IP) generated within AU and transferred to the company for consideration
- ii. Proposals with IP belonging to faculty, staff, student or alumni (created outside AU)
- iii. Proposals with potentials for strong identifiable involvement or interaction with AU faculty with/without usage of AU facilities
- iv. Proposals which will have social and strategic impacts
- v. Proposals with potential for large resource generation and/or impact value

Applications for admission to BI 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 BI.

3. ADMISSION PROCESS

The admission process may be of the following nature –

- a) Select the Tenant - Incubate- Graduate

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- b) Select the idea - test the idea -market feasibility - business plan -start the venture - arrange for seed fund-mentorship program- incubate the start-up- graduate, OR
 - c) Select the technology-upscale the technology- match making with the entrepreneur- mentor -incubate-graduate.

At the opening level, the potential incubatees for admission in AU Business Incubation Centre will be required to submit an application. Upon affirmative preliminary assessment, applicants will have to submit a detailed proposal consisting of:

- i. Business Plan for the first twelve months of the incubation period. The business plan must cover all aspects including: company description, value proposition, products and services, market and competition analysis, revenue model, milestones and timelines, development and marketing plan, organizational structure, core team, risk analysis, funding requirements and projected financials. Applicants may give such additional information as they think would help in the assessment of their proposal.
- ii. Details of IP/ technology based on which a company is proposed to be promoted/ founded. In case the IP/ technology is developed at AU, a copy of letter of approval from AU for transfer of / licensing of/ permission to use IP in favour of prospective incubatee companies.

Based on the documents submitted, the Business Plan will be screened by the AU-BIC team 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.

Some representative criteria to be applied for evaluation (but 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 and the potential of the idea for IP creation
- iii. Strength of the core team
- iv. Funds requirement and viability of raising finance
- v. Time to market
- vi. Break-even period

The expert members would be invited/ identified depending on the nature 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. Submissions to AU-BIC will be treated with utmost confidentiality.

AU-BIC will have a sole discretion whether to admit or reject a proposal for incubation and the decision of AU-BIC in this regard shall be final. AU-BIC is not bound to give any reason in case a proposal is rejected.

4. ANNUAL REGISTRATION FEE

The incubate company will become a legal member of AU-BIC after registration and will be entitled to avail various facilities offered by AU-BIC. The incubatee shall pay an amount of Rs. 4000/- (Rupees Four Thousand only) to AU-BIC towards the annual registration fee to be paid at the time of execution of this agreement and subsequently within fifteen days of the beginning of each year counted from the date of this agreement and shall continue to maintain their registration as long as they are permitted by the Governing Body of AU-

BIC to have association with AU-BIC as incubatee.

5. VIRTUAL INCUBATION

Virtual Incubation is a concept of incubation that provides an opportunity to an incubatee to use AU-BIC as a platform for developing innovative business solutions without being physically located at AU-BIC premises. Product development activities will be coordinated and managed by faculty mentor/s. AU-BIC is open to virtual incubation and shall offer the usual business and management support needed to incubate the startups on pay per use basis. Virtual incubators will have to pay ₹5000/year (Rs. Five Thousand only per year) as the registration fee.

Through this scheme, the virtual incubatee utilizes the intellectual resources of AU with its concomitant financial benefits. And, the faculty and students are exposed to the varied business environment.

6. INFRASTRUCTURE

Upon admission to AU-BIC, 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:

- a. Office space
- b. Internet connection
- c. Personal Computers (as per availability)

All these facilities will be provided by AU-BIC on a pay-per-use basis. Each incubatee will have to pay the monthly rent (as decided by AU-BIC) and bills for facilities and physical infrastructure provided.

Subject to availability, an incubatee may be provided with extra infrastructural facilities, requested for in the application form other than mentioned above, on a pay-per-use basis. An incubatee will not be allowed to use any infrastructural facility that he/she does not indicate on the application form. If the BI is unable to provide all requested facilities, then it will inform the applicant before the commencement of the incubation period. While the BI will try its best to provide the mentioned/requested for infrastructural facilities to its incubatees BI cannot be legally held responsible for failure to do so.

If so desired by the incubatee, BI will allow access to other departmental laboratories and other resources of AU for their products development purposes. However, this will be done in a way to avoid clashes with the normal course structure of the concerned discipline. Further usage of such resources shall be on commercial basis and in conformity with the policies of AU.

On the completion of the incubation or when the Resident company leaves the AU business incubation centre due to any other reason, all the furniture, space and any other facilities provided shall be surrendered to BWU-BIC in good condition (after allowing for normal wear and tear in the case of equipments). All costs incurred for such restoration to good condition shall be borne by the resident company and in case AU-BIC has to incur any further expenditure to get the equipment or the room back into good condition then the same shall be recovered from the resident company and/or its directors or promoters. All dues should be cleared by the resident company before it leaves the incubation otherwise, all outstanding dues shall be recovered from the company or its directors and/or promoters.

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

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- a. Laser Printers
 - b. Photocopier
 - c. Scanner
 - d. Teleconferencing facilities
 - e. Meeting/Conference room with projection equipment
 - f. AU Library facilities
 - g. Pantry facilities
 - h. Recreational facilities
 - i. Electricity

5. SERVICES

In addition to physical infrastructure, AU-BIC intends to provide other support and services including:

- i. Company registration and filings
- ii. Accounting services
- iii. HR services
- iv. Legal
- v. Intellectual Property (Copyrights, Trade Marks, Patent) filings
- vi. Training/Conferences/Workshops
 - a. Training in business management: structured short courses
 - b. Training in business communication: written as well as verbal
- vii. Governmental Agency funding
- viii. Networking and linkages with AU Alumni for mentorship, funding, technical expertise and market access
- ix. Venture capitalists/Angels/Investors Introductions
- x. Meetings with visitors of AU (such as alumni, VCs, industry professionals)
- xi. Showcasing AU incubated companies through networking and events
- xii. Entrepreneurship meets

6. CONSIDERATION

The consideration, for infrastructure facilities in addition to other, payable by the company for the use of the incubation centre facilities and infrastructure will be as follows:

Office Usage Fee	@ Rs. 50/sq.ft/month (includes fan, light, AC, chair, table etc.)
PC usage fee (up to 2 PCs)	@ Rs. 2200/month/comp
Printer (laserjet)	@ Rs. 800/month
Printer (Special configuration)	@Rs. 1600/month
Internet connection	@ Rs. 2000/month @ 4 mbps
Telephone	@ Rs. 250/month/phone

7. MENTORS

Mentors stand to gain the satisfaction of making a difference in fledgling entrepreneurs' life and contributing back to the society. In addition, they also get to keep in touch with new technologies, people, and networks by working with the young entrepreneurs.

Faculty mentoring will be available on a pay-per-use basis as will be industry mentoring which may be arranged by BI.

8. PERIOD OF INCUBATION AND EXIT (GRADUATION)

BWU-BIC, by default, will allow a period of incubation of twelve months. This can be extended to eighteen months on approval from the AU-BIC.

After eighteen months, if the incubatee wishes, he/she can continue at AU-BIC for six more months by paying running costs – this being subject to approval from AU-BIC. After this period, the incubatee will be obliged to exit the incubator.

Incubatee firms/companies may graduate from the BWU-BIC under the following circumstances:

- a. Raising substantial investment (Rs. 50 lakhs or more) from sources such as angel investor/ Venture Capital Fund /any other investor.
- b. Completion of tenure, unless stay is extended by AU-BIC.
- c. Underperformance or unviability of the business proposition: criteria for this will be decided and applied by the AU-BIC on a case by case basis.
- d. Irresolvable disputes between promoters/ founders, or any other circumstances where BWU-BIC finds it necessary for the incubatee to leave.
- e. Number of employees of the firm/company exceeds 20.
- f. Annual revenues of the firm/company exceed Rs. 25 lakhs or firm/company achieves a Profit Before Tax of Rs. 25 Lakhs or more.
- g. Firm/Company enters in an acquisition, merger or amalgamation or reorganization deal resulting in a substantial change in firm's/company's profile, promoters, directors, partners or shareholders, products or business plans, or firm/company plans for a public issue

Decisions regarding graduation or further extension to tenure will be made on a case by case basis by the IC management based on the above considerations.

7. “INCUBATED BY AISECT UNIVERSITY”

Firms/companies incubated at AU through the BIC may apply for permission to brand themselves as “AISECT University Incubated Firms/Companies” or “Incubated by AISECT University”. Conditions on terms of use of such branding will be defined in the signed incubation agreement.

8. PERIODIC ASSESSMENT

AU-BIC will evaluate the performance of incubatee companies, who will be required to submit information on a quarterly basis in a prescribed format. Additionally, incubatee companies may also be subject to annual assessments. The AU business incubation committee may also reserve other criteria as it deems fit, to evaluate the performance of the incubatee.

BWU-BIC reserves the right to terminate the incubation period of an incubatee, if his/her performance evaluation report is unsatisfactory.

9. INFORMATION SUBMISSION

Incubatee companies will submit information to AU-BIC 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. Prior concurrence of AU-BIC should be obtained for effecting such changes.

10. REVENUE SHARING

AU-BIC shall have a stake in revenue generated by the incubatee for the services rendered to him. The service model proposed is revenue sharing (3%) with the prospective incubates for a period of three years from the date of graduation.

11. RULES

- All incubatees are required to observe health and safety standards. No hazardous material can be brought inside the complex without the prior approval of AU-BIC. All the incubatees are required to keep a first aid kit in their modules.
- Incubatees are required to keep the Institute informed about any visitor from abroad, foreign collaboration and/or foreign partner/director, and abide by the rules/procedures in vogue in the Institute.
- No incubatee or its employee can display notices or signage except on the provided notice boards and the space provided for such signage.
- Incubatee should observe that noise levels are kept at minimum and, no abnormal noise by any machine or by their employees or visitors should be made. Any complaint of high noise level will result in appropriate action by AU-BIC.
- Subleasing of any kind of the space given at AU-BIC is not allowed. Non-observance of this rule will result in immediate expulsion.
- The AU-BIC address cannot be used as the address of the Registered Office of the incubatee.
- No routine sales/marketing operation will be permitted from the AU-BIC.
- Incubatee should use internet and PC facility for business purposes only.

12. 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. AU-BIC endeavours 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.

Conflicts between private interests and official responsibilities of all stakeholders must be handled in a transparent manner, and AU-BIC considers full voluntary disclosure as the best mechanism for managing conflicts of interest. Since situations leading to conflict of interests are inevitable, it is expected that the interested persons follow transparency in their actions based on full disclosure of relevant information by them. Following guidelines are suggested for management of actual or potential conflict of interests and to address disputes arising out of conflict of interests and maintenance of confidentiality:

- i.* Appropriate disclosure of the conflicting situations involved in a decision or transaction
- ii.* Abstaining from participating in decision making process or transactions involving such situations
- iii.* Obtaining appropriate approvals to avoid conflicts
- iv.* Reporting of the breach of the policy without deliberate intention or knowledge.

A committee may be set up by AU-BIC to resolve any dispute over such situation causing conflicts of interests.

Further during the process of incubation, certain proprietary information may also be exchanged between various parties which are of confidential or sensitive nature. The confidentiality of such information needs to be maintained.

13. AGREEMENTS

The following agreements are required to be signed by the firms/companies (or individuals) to the extent applicable:

i. Service Agreement

Between AU-BIC and Incubatee company for admission of the company to AU-BIC

ii. Equity Agreement

Between AU-BIC and Incubatee Company for AU-BIC equity holding in the Incubatee company

iii. Transfer of Technology/Technology License Agreement

Between AU & an incubatee company for transfer of technology from AU in favour of incubateecompanies

iv. Usage of Host Institution Lab Resources

Between AU & an incubatee company for usage of departmental resources of AU by the incubatee company as per the prevailing policy of AU.

14. DISCLAIMER

The incubatee company will understand and acknowledge that AU-BIC 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, AU-BIC does not undertake responsibility for:

- a. Ensuring success of an incubatee company, its products/ process/ services or marketability.
- b. Ensuring quality of support and services provided by AU-BIC to the complete satisfaction of the incubatee companies or their promoters/ founders.
- c. Ensuring quality of services of the consultants engaged by the incubatee companies through BWU-BIC/ BWU network. Incubatee companies will have to apply their judgements before getting in to a relationship with them.
- d. The incubatee companies agree that AU-BIC/ AU or their employees shall not be held liable for any reason on account of the above.

The policy is subject to periodical review and amendment. AU-BIC reserves the right to make exceptions to the terms of the policy where justified for a particular company or promoter on a case by case basis.