

Incubation Policy



Hosted By
Centre for Entrepreneurship Development and Incubation
National Institute of Technology Tiruchirappalli
Tiruchirappalli – 620015 Tamil Nadu

*The terms and conditions are provided as preliminary general information and do not form part of the formal contract document

1. Introduction

Centre for Entrepreneurship Development and Incubation (CEDI), is set up to promote innovation and entrepreneurship by converting and translating technology ideas and innovation in various disciplines of science and engineering into products, processes and services for commercial exploitation and the benefit of society. To accomplish its goal, CEDI runs and manages a Business Incubator (BI) at National Institute of Technology, Tiruchirappalli (NITT) to facilitate incubation of new enterprises with innovative technologies by admitting them in BI and providing them physical, technical and networking supports and services.

2. Eligibility

Admission to BI is open to:

- a. Engineering Graduates in the area of ICT (IT, CSE are equivalent) or Electronics
- b. Faculty members (current and the past)
- c. Students and alumni
- d. NITT's R&D partners (sponsors of R&D and consultancy projects)
- e. NITT's partner universities (having R&D collaborations in place) and
- f. Government agencies associated with NITT's research and innovations.

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

- i. Proposals with Intellectual Properties (IP) generated within NITT and transferred to the company for a consideration
- ii. Proposals with IP belonging to faculty, student or alumni (created outside NITT)
- iii. Proposals with potentials for strong identifiable involvement or interaction with NITT faculty with/without usage of NITT facilities.

Proposals which will have social and strategic impacts in India and has potential for large resource generation, impact value and visibility to NITT and CEDI and incubation activities are considered under the scheme.

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.

2. Admission Process

At the opening level, applicants for admission in BI will be required to submit a Pre-Admission Response Sheet (PARS), which can be availed from the CEDI office. The PARS will be scrutinized internally by the CEDI team. While submitting PARS, applicants will also disclose information on executive involvement of the promoters/ founders in other companies or commercial entities.

Based on the initial scrutiny of PARS and affirmative assessment, applicants will be asked to submit a formal application for admission in BI along with a detailed proposal. The Business Plan will be screened by the CEDI team for assessing the suitability of the proposal for further evaluation by expert members regarding its potential for incubation.

3. Seed Funding

CEDI may provide seed funding up to Rs.25 lakhs, subject to the availability of funds/ grants/ schemes meant for this purpose. Seed funding 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 BI shall not automatically entitle the companies to seed funding. Though seed funding may be sanctioned, disbursement shall be linked to the milestones.

4. Infrastructure & Services

BI Infrastructure:

Upon admission to BI, all or some of 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:

- Office space-company specific
- Personal Computers and office furniture
- Internet connection through NITT (recurring cost to be borne by the Incubatee)
- Communication facility within NITT campus lines through internal exchange

Common infrastructure

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

- a. PCs
- b. Fax machine
- c. Laser Printer
- d. Photocopier
- e. Scanner
- f. Shredder
- g. Teleconferencing facilities (NITT facility)
- h. Meeting/Conference room with projection equipment
- i. Library facilities
- j. Pantry facilities
- k. Common secretarial pool/staff

NITT Infrastructure

CEDI will facilitate the incubatee companies to access departmental laboratories and other resources of NITT for their products development purposes. Access to departmental resources is possible through office of Dean -Research and Consultancy (DRC) of NITT and usage of such resources should be with permission of the concerned department to avoid conflict with departmental activities and objectives. Further usage of such resources shall be on commercial basis and in conformity with the policies of DRC at NITT for consultancy/sponsored projects prevailing from time to time.

Mentoring & 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, etc.

5. Rental for operating space:

In lieu of support and services to be provided by CEDI, the incubatee companies will be required to pay a rental of Rs. 2500/- per month for an Incubation Cell (Rs. 750/- in the case single-seater facility). Incubatees will have to pay the electricity and other charges.

6. Funding Support

CEDI Follows two funding Mechanism

a) Soft Loan

The entire seed fund is provided as a soft loan and the incubatee are expected to repay the amount at 6% per annum simple interest rate. The incubatee would need to provide a personal guarantee to the extent of seed loan and interest thereof.

The repayment of the loan and the interest amount will start after one year and 100% repayment with interest over next 2 years i.e. 3 years in all.

b) Any ratio of Loan versus equity as mutually agreed upon by the CEDI and incubatees.

The Incubatee companies admitted at CEDI under TIDE project will be valued at 2 crores uniformly, and the funding shall be in any ratio of loan versus equity subject to a maximum total funding of Rs. 25 lakhs per incubatee with release of funding being linked to milestones fulfillment. The Equity percentage of CEDI in the incubatee company will be based on the ratio agreed and proportional to the amount invested in the business.

e.g. In case of providing maximum funding support of Rs.25 lakhs, assuming 50:50 ratio loan versus equity, of which Rs.12.5 Lakhs shall be in the form of loan at 6% p.a. simple interest for a period of 3 years and balance Rs.12.5 Lakhs investment in the form of equity, thus CEDI would hold an equity of 6.25% (12.5/200) on account of the investment.

The repayment of the 50% loan and the interest amount will start after one year and 100% repayment with interest over next 2 years i.e. 3 years in all.

The incubatee company shall get the consent of the CEDI before bringing any additional investments.

Nominee Director(s): CEDI shall nominate one or two Directors from CEDI or its representatives for the Board of Directors of the Incubatee Company to monitor the progress of the company.

Exit Policy: Since CEDI is investing in the Incubatee Company and holds certain percentage of shares, CEDI has the right to sell the shares of the incubatee company to anybody at any time after 5 Years

7. Tenure

Companies will be permitted to stay in Business Incubation Cells, to begin with, for a period of 24 months. A nominal monthly charge will be levied to a company for the period of first 24 months. CEDI/ BI may, at its own discretion, permit companies to extend their stay for a maximum period of another 12 months. Companies will have to pay the charge at the prevailing market rate for the extended period, which will be fixed by CEDI.