



**AIC-PECF**

Atal Incubation Centre – PEC Foundation



NITI Aayog

Supported By



ATAL INNOVATION MISSION

**AIC-PECF**

# **Startup Incubation Policy**

December, 2019.



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**Document History :**

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Description</b>
1.0	December 28, 2019	AIC-PECF	First draft of Policy
1.1	January 3, 2020	AIC-PECF	Final Version of Policy
1.2	September 14, 2020	AIC-PECF	PEC Startup Policy Amended
1.3	November 6, 2020	AIC-PECF	PTU Amended
1.4	January 13, 2022	AIC-PECF	Rental based Incubation Model Removed for Future Startups.



## 1. PRELIMINARY AND DEFINITIONS

### a. Short title and Commencement. —

- i. This Policy may be called the “Startup Incubation Policy of AIC-PECF”, 2019.
- ii. It shall come into force on such date, it receives the assent of the Board.

### b. Definitions.— In this Policy, unless the context otherwise requires,—

- i. “Incubation Centre” means Atal Incubation Centre - Pondicherry Engineering College Foundation;
- ii. “Institute” means Puducherry Technological University (Erstwhile Pondicherry Engineering College)
- iii. “Board” means the Board of Directors of Atal Incubation Centre - Pondicherry Engineering College Foundation;
- iv. “Startup” means a company that develops a business model based on either product innovation or service innovation as defined in Gazette Notification No. G.S.R. 127(E) dated February 19, 2019.
- v. “Special Purpose Vehicle (SPV)” means a subsidiary company created by the institute to isolate financial risk.
- vi. “Pre-incubation” means process which works with entrepreneurs who are in the very early stages of setting up their company.
- vii. “Technology commercialization” means a process of converting technologies from the research lab to the marketplace.



- viii. “Technology or Intellectual Property licensing” means the owner of a technological intellectual property (the licensor) allows another party (the licensee) to use, modify, and/or resell that property in exchange for an agreed payment (fee or royalty).
- ix. “Seed fund” means an investor invests capital in a startup company in exchange for an equity stake in the company.
- x. “Angel Investor” means a wealthy individual who invests his or her personal capital and shares experiences, contacts, and mentors in exchange for equity in that startup.
- xi. “Venture Capital” means a form of startup funding. Venture Capitalists (VCs) typically reserve additional capital for follow-up investment rounds.

## 2. Preamble

Atal Incubation Centre-Pondicherry Engineering College Foundation (AIC-PECF) is a business incubation centre supported by Atal Innovation Mission (AIM), NITI Aayog, Government of India, located in Puducherry Technological University campus (Erstwhile Pondicherry Engineering College), Puducherry. AIC-PECF is a Special Purpose Vehicle, incorporated as a section-8 Not-for-Profit organization and managed as per the regulations of Atal Innovation Mission. AIC-PECF was initiated to provide a platform to assist and enable young entrepreneurs to initiate startups for the commercial exploitation of technologies developed by them.

The main scope of AIC-PECF is to support and hand hold innovative technology-based start-ups that have an application and/or impact in



the core sectors of the economy. The centre would support the startups with necessary guidance, tech support, infrastructure, access to investors, networking, and facilitating a host of other resources that may be required for the startup to survive and scale. This document details the incubation policy and the startup incubation process related to AIC-Pondicherry Engineering College Foundation.

### **3. Vision and Mission**

- To provide world class incubation support to First Generation startups that promotes technological innovations to improve people's life, generate employment and drive sustainable economic growth.
- To promote and inculcate innovation and entrepreneurship in the UT of Puducherry.
- To Leverage Demographic Dividend thereby creating employment and socio-economic growth in Puducherry.
- To create a culture of innovation through holistic partnership and building a sustainable startup ecosystem in PTU and the UT of Puducherry.

### **4. Scope of the Policy Document**

The major scope of this document is to define the startup policy and the startup incubation process in AIC-PECF. This document covers the following metrics of the incubation process:



- Thrust Areas
- Incubation Program
- Eligibility
- Admission procedure
- Infrastructure and Services provided to incubates
- Period of Incubation and Exit Policy
- Performance Monitoring
- Conflicts of interest
- Force Majeure
- Notices
- Disclaimer

The policy is subjected to periodical review and amendments. It shall be the responsibility of the startups admitted in AIC-PECF to update themselves from time to time on the amendments in Incubation policy and procedures. AIC-PECF reserves the rights to make an exception of any or all of the terms of this policy for a particular startup or a promoter based on the merits on a case-to-case basis.

#### **4.1 Thrust Areas**

The primary and major thrust areas of Atal Incubation Centre-PEC Foundation are the following:

1. Electronics Design Manufacturing (EDM)
2. Internet of Things (IoT)
3. Unmanned Aerial Vehicle (UAV)



Atal Incubation Centre – PEC Foundation will support innovators who are having an idea with high impact and which has very good opportunity to be a successful startup in the above verticals. Any Individual / group of innovators can propose an idea with prime features as mentioned below

- a) Innovativeness
- b) Commercial viability
- c) Technical feasibility
- d) Social Impact
- e) Scalability

In addition to the major thrust areas, AIC-PEC Foundation also accepts ideas from diverse verticals / domains on case-to-case basis depending on the quality of the idea on the factors mentioned above.

## 4.2 Incubation Program

AIC-PECF adopts a five-tier incubation program for the startups which typically spans for a duration of 24 months. The various stages of the 5-tire incubation model are given below:

### 4.2.1 Stage-1: Funnelling and Filtering

AIC-PECF creates a constant inflow of innovators to the incubation centre by a structured funnelling and filtering process. The centre organizes various outreach events including Makeathon, Ideathon, Student Innovation Programs, Entrepreneurship Development Programs, Innovation competitions and Demo Days to create a constant pipeline for





the incubation centre. After the filtering process, potential innovators approach the incubation centre for possible engagement and support.

#### **4.2.2 Stage-2: Pre-Incubation**

After preliminary evaluation, the innovators undergo a pre-incubation process in the Incubation centre. The duration of Pre-Incubation period typically lasts for 6 months. During the preincubation period, innovators who are typically in Idea Stage would perform Idea Validation, Market Study, Business Model preparation and Proof of Concept (PoC) creation. After the pre-incubation, the innovators should pitch their start-up idea in front of the screening committee for a possible admission in the Incubation Centre. Only Innovators with effective startup ideas with good commercial viability are admitted in the incubation program of AIC-PECF and the others shall have an exit at this stage.

#### **4.2.3 Stage-3: Incubation**

Once the Innovators gets admission into the Incubation Centre, they will formally enter into the Incubation stage as a startup. During this stage the startups shall meticulously convert their PoC into a prototype and perform Pilot Testing, Proto Refinement and Business Model Validation. During the Incubation Period, the innovators shall subsequently transform their Proof of Concept (PoC) into a Minimal viable product (MVP) with predefined customer validation at various levels. The incubation program of AIC-PECF typically last for a duration of 12 months.

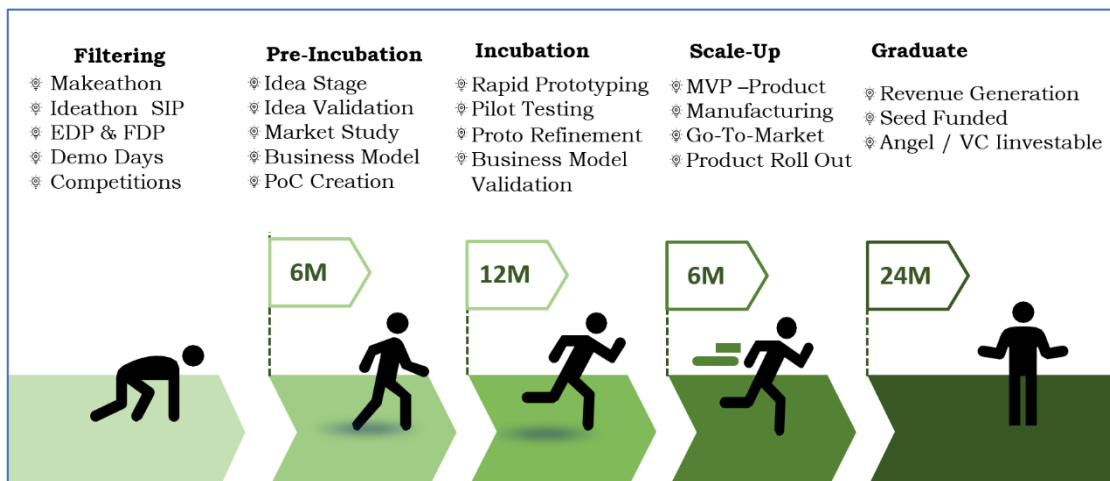


**4.2.4 Stage-4 : Scale-up**

In the scaleup stage, the startups shall convert their MVP into a commercial grade product, start the manufacturing and come up with a Go-To-Market and Product Roll out strategy. During this stage, the startups would effectively engage with their early adopters and start making their early-stage revenue. The scale-up stage would typically last for a duration of 6 months.

**4.2.5 Stage-5 : Graduation**

A Startup shall graduate from the Incubation centre when it fulfils any of the criteria given in 4.6-D.



**Fig-1:** Incubation Program of AIC-PECF.



### 4.3 Eligibility Criteria

All the innovators shall fulfil the minimum eligibility criteria for getting possible admission into Pre-Incubation / Incubation Stage.

#### 4.3.1 Eligibility for Pre-Incubation Program

Any potential innovator with a quality idea containing elements of Innovativeness, Commercial viability, Technical feasibility, Social Impact and Scalability are eligible to apply for Pre-Incubation Program. An innovator who is applying for Pre-Incubation Program is called pre-Incubatee.

- Only Indian Citizens are Eligible to apply for Pre-Incubation.
- There is No Age Limit or Educational Qualification for Pre-Incubation.
- The period of Pre-incubation is 6 months.
- A Pre-Incubatee can opt for virtual pre-incubation during the pre-incubation period.
- A Pre-Incubatee may or may not be a registered entity.
- Mere admission in Pre-Incubation does guarantee a seat for the Incubation program.
- Acceptance of the application for the Pe-Incubation is subject to discretion of AIC-PECF.

#### 4.3.2 Eligibility for Incubation Program

Innovators who completed Pre-Incubation or with a functional proof concept supported by market research data are eligible to apply for Incubation Program.

- Any person desirous of applying for AIC-PECF incubation program has to incorporate a private/public limited company under the Indian



Companies Act and apply in the prescribed format along with the necessary documents. No application for incubation shall be entertained if the applicant has not incorporated a private/public limited company under the Companies Act or registered under MSME.

- The companies promoted by Faculty members of Puducherry Technological University, will be provided incubation support as governed by Innovation and Startup Policy approved by the University.
- A company if promoted by regular staff or employee of an organization shall be granted incubation only upon submission of 'No Objection Certificate' from the competent authority or employer failing which their application shall not be accepted.

#### **4.4 Admission Procedure**

Aspiring innovators/Applicants can apply for AIC-PEC Foundation Incubation / Pre-Incubation program either directly or through AIC-PECF website – [www.aicpecf.org](http://www.aicpecf.org).

##### **4.4.1 Submission of Application**

As a first step in the admission process, the prospective startup should submit AIC-PECF Incubation Application Form containing all the details of startup venture, team members, stage with a business plan and other relevant documents. The submission will be assessed by an internal review committee for comments on technical and business feasibility of



the idea. Evaluation of the proposal will be based on, among other factors and the following criteria:

- Strength of the product idea in terms of its novelty, technology content, innovation, timeliness and market potential.
- Profile of the core team/ promoters. Intellectual Property generated and the potential of the idea for IP creation.
- Stage of the Product/Start-up and Time to market.
- Commercial potential, demand and requirement and Break-even period.
- Scalability
- Financial/ Commercial Viability
- Funds requirement and viability of raising finance.



**Fig-2:** AIC-PECF Incubation / Pre-Incubation Application Procedure



#### **4.4.2 Presentation**

After the application submission, the evaluation committee shall have a meeting with the startup founders, during which the startup shall pitch a presentation describing critical aspects of the business plan to the evaluation committee. Post the selection committee pitching, a final decision shall be made by the committee regarding the company's possible admission into the Incubator.

#### **4.4.3 Research & Due Diligence**

Throughout the application process, on a case-to-case basis, AIC-PECF shall perform research and due diligence of the company, the management team, the industry, and the current and future competitive elements facing the business. AIC-PECF reserves the right to reject the admission for any applicant / startup if the information submitted by the applicant are found incorrect.

#### **4.4.4 Result**

The applicant is informed of the final decision within 2 weeks of the presentation. If the incubation is sanctioned, the applicant shall be offered pre-incubation, incubation or virtual incubation support.

#### **4.4.5 On-Boarding**

Upon selection, the start-up has to sign an Incubation Agreement with AIC-PEC Foundation with all the relevant documents as prescribed in the Agreement.



## 4.5 Infrastructure and Support Services Provided

Following are the core support services offered by AIC-PECF to the incubatees during incubation period:

### 4.5.1 Co-working space

Access to fully managed co-working space including offices, Meeting & Video Conferencing Rooms, board rooms with internet facility on an affordable basis.

### 4.5.2 Technology and Mentorship Support

Startups will be offered Sector Specific Technology Expertise, proof of concept to commercial grade product conversion support, commercialization of Technology and business mentoring.

### 4.5.3 Fab Lab and Industrial infrastructure

Industrial Infrastructure including State of the Art Fab Labs, Testing Equipment and additive manufacturing machinery for rapid prototyping and testing.

### 4.5.4 Funding

AIC-PECF shall not offer any direct funding support for the startups. However, it helps and assist startups to raise Fund by connecting them to funding agencies and investor networks. AIC-PECF also connect early-stage startups to appropriate sources for possible seed funding, provided the Principal Director is working



for the Startup on a full-time basis in AIC-PECF and not a part of any other organization.

#### **4.5.5 Legal and IPR**

Legal and IPR advisory services to help the incubatees through the legal and compliance processes linked to registrations as well as IPR.

#### **4.5.6 Training services**

Training services providing insight into the principles of market economy, as well as upgrading professional and technical skills.

#### **4.5.7 Virtual Incubation Support**

Virtual incubation support services with access to mentoring, process, learning and access to investors.

#### **4.5.8 Network Services**

Network services such as providing links and relationships with Industries and other organizations of startup ecosystem that can promote and sustain the interests of the incubatees.

#### **4.5.9 Company Registration**

AIC-PECF shall support early-stage startups with the complete company registration process through our Auditing partner. AIC-PECF shall support the compliance cost to a maximum of 2-Founder Directors as per the incubation policy. Any startup





venture planning to induct more than 2 Directors will have to incur the additional compliance charges on their own.

#### 4.6 Incubation Program Duration & Exit Policy

- AIC-PEC Foundation Pre-Incubation is offered for a period of 6 Months.
- Pre-incubation gets terminated after a period of six months.
- AIC-PEC Foundation Incubation is offered for a period of 24 Months.
- Incubation Agreement gets terminated automatically after a period of twenty-four months. One further extension shall be granted for twelve months at sole discretion of Incubation Centre.
- Virtual incubation gets terminated after a period of twelve months. One further extension can be granted for twelve months at sole discretion of Incubation Centre.

Incubation Agreement may also terminate forthwith on or prior to the term of the Agreement as follows:

##### A. By the Incubator:

- I. If any default in payment of Incubation service charges or any financial fraud is played by the Start-up, by giving an advance notice of 7 (seven) calendar days.
- II. At any time, the Board of AIC-PECF decides to end the agreement, by giving an advance notice of one month.



- III. Any violation of any Statue, rules and regulations of PTU/ Incubator on case-to-case basis, by giving an advance notice of one month though the Start-up will be provided sufficient opportunity to represent and discuss the matter/case with Incubator.
- IV. Any other reason for which Incubator may find it necessary for the Start-up to leave, by giving a notice of one month.

**B. By Both Parties**

By mutual written consent of the Incubator and the Startup;

**C. By the Start-up**

By giving an advance notice of One (1) month to the Incubator in writing, and clearing all the dues as part of closing of agreement

**D. By Graduation**

Upon successfully completing the Graduation.

**Conditions of Graduation**

- a) The completion of 24 (twenty-four) months from the date of execution of the agreement, and when no extension is provided by Incubator.
- b) The completion of extension period which may be maximum of 12 months if the extension is provided by Incubator.
- c) Start-up's team operating at Incubation Centre crosses headcount of 25 persons (including outsourced / contracted roles)
- d) The Start-up has sustainable revenue generation in 3 previous quarters of a financial year (or) raises a Angel / VC led seed or series rounds (or) raises the turnover over INR 1 crore in any of the



previous financial years (or) the startup gets Acquired / Acquired by a market leader.

- e) The Start-up company completes 10 years of its incorporation as a private limited company registered as per the laws of India (as per the definition of Start-up given at Start-upindia.com as of date).

#### **4.7 Performance Monitoring**

An internal committee set up by AIC-PECF shall evaluate the performance of incubatee on a Monthly and Quarterly basis. The emphasis of evaluation will be on checking if the milestones specified in the business plan are met. For a company which has taken availed seed fund/ grant, additional checks will be done on the financial health of the company in terms of its order booking, expenses, profitability, utilization of fellowship and seed money / grant for the specified purposes and its ability to sustain. Further seed fund disbursement will be dependent on the progress shown in previous appraisal as per the guidelines of the granting authority. The incubatee may be asked to provide more frequent updates to AIC-PECF.



#### **4.8 Conflict of Interest**

For startup founders who are already employed in an organization, it is the responsibility of the startup founder to deliver the responsibilities of the parent organization without any conflict of Interest. AIC-PECF is not responsible for the any conflict of interest or confidentiality breach or financial liability of the startup founder with the Employer.

#### **4.9 Force Majeure**

Neither party shall be held responsible for non-fulfilment of their respective obligations under the term of the incubation due to the exigency of any of the force major events (Force Majeure)

#### **4.10 Notices**

All notices or communications between the incubator and the company will be delivered personally or sent by registered or certified mail, postage prepaid, or by electronic email. In the case of electronic mail, the parties shall communicate to each other the nodal person or persons from either side with their email addresses that shall be responsible for the communications.

#### **4.11 Disclaimer**

AIC-PEC Foundation does not guarantee success of the startup and/or feasibility of the technology transferred from the Host Institution. It is solely the responsibility of the promoter of the Startup who defines the success of the startup and AIC-PECF is only a facilitating agency.



### 5. Incubation Engagement Model

AIC-PECF adopts two different Incubation Engagement Models as given below::

<b>Individual Startup Engagement Model</b>	<b>PTU Faculty Engagement Model</b>
<p>The Company and their Promoters agree that the AIC-PECF is providing incubation facility which is very critical for growth and sustenance of the Company in early days, in return AIC-PECF shall be provided with <b>4% shares</b> of the “promoters’ holding” in the company free from all costs and this shall be duty of the promoters to maintain AIC-PECF’s <b>4% equity</b> of promoters’ shares till AIC-PECF decides to sell or give buy back option to the Company or promoters.</p>	<p>The Company and their Promoters agree that the AIC-PECF is providing incubation facility which is very critical for growth and sustenance of the Company in early days, in return AIC-PECF shall be provided with <b>4% shares</b> of the “promoters’ holding” in the company free from all costs and this shall be duty of the promoters to maintain AIC-PECF’s <b>4% equity</b> of promoters’ shares till AIC-PECF decides to sell or give buy back option to the Company or promoters. Furthermore, under the Faculty Startup Incubation Policy of Puducherry Technological University AIC-PECF will be holding <b>additional 5.5% equity</b> of promoter’s shares on <b>behalf of Puducherry Technological University.</b></p>



## 6. Policy Administration

This version of Incubation Policy has been reviewed and approved by the Board of AIC-PECF which is subject to change as per the board's approval and discretion. For any clarifications / inputs / suggestions, please contact:

### Point of Contact

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