

# **UTU INCUBATION HUB (UTU I-HUB)**

## **VEER MADHO SINGH BHANDARI UTTARAKHAND TECHNICAL UNIVERSITY, DEHRADUN**

*(Formerly Uttarakhand Technical University established by Act 415 of 2005 by Uttarakhand State Government)*

### **REGULATIONS OF UTU INCUBATION HUB (UTU I-HUB)**

*(Approved in 12<sup>th</sup> meeting of Executive Council of VMSB Uttarakhand Technical University, Dehradun held on 8<sup>th</sup> September 2022)*

#### **1. Introduction**

The scope of this document is to define the policies and procedures for the operational matters related to the incubation centre at Veer Madho Singh Bhandari Uttarakhand Technical University, Dehradun (UTU) called UTU Incubation Hub (I-Hub). Already existing incubation centre and all activities related to innovation, entrepreneurship, and incubation in the University will be under the purview of the UTU Incubation Hub. It covers the following:

- Objectives
- Governance
- Eligibility
- Admission procedure
- Infrastructure and Services in I-Hub
- Period of Incubation/Exit
- Intellectual Property
- Seed funding
- Periodic assessment
- Consideration
- Conflicts of interest
- Disclaimer
- Agreements

The policy is subject to periodical review and amendments. It will be the responsibility of the incubates/companies admitted to I-HUB to update themselves from time to time on amendments in Incubation policy and procedures. UTU 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.

#### **2. Objectives**

The goal of UTU Incubation Hub hereafter referred as 'I-Hub' at Veer Madho Singh Bhandari Uttarakhand Technical University, Dehradun hereafter referred as 'UTU' is to promote innovations, entrepreneurship and help in creating entrepreneurial ecosystem in the State of Uttarakhand. I-Hub will be facilitating the translation of ideas into reality and nurture entrepreneurs for the benefit of society. These regulations provide the innovation and incubation policy to provide guidance and Advisory structure for nurturing these activities to develop successful entrepreneurs.

### **3. Governance**

The I-Hub will be governed by an Advisory Committee comprising of the following;

1. An eminent academician - Chairman
2. A successful entrepreneur - Member
3. One Professor familiar with entrepreneurship - Member
4. One Principal/Director of affiliated institution - Member
5. Manager of UTU I-Hub - Member
6. Finance controller/Finance Officer of University - Member
7. Registrar - Member Secretary

The members of Advisory Committee of I-Hub at serial numbers 1, 2, 3, 4, and 5 shall be nominated by the Vice Chancellor of UTU for a period of two years. The quorum for meeting would be four.

Advisory Committee shall meet as and when required and take decision on all matters pertaining to I-Hub under superintendence of the Vice Chancellor, Veer Madho Singh Bhandari Uttarakhand Technical University. Routine activities of UTU I-Hub shall be carried out by a Manager nominated by the Registrar with the approval of Vice Chancellor. All affairs of I-Hub will be processed as per prevailing practices of the University. The decision taken by Vice Chancellor of VMSBUTU Dehradun shall be binding in any matter pertaining to I-Hub.

### **4. Eligibility**

General eligibility criteria for admission to I-HUB are:

- I-HUB is open to the faculty, staff, alumni and students of UTU along with outside promoters.
- In case of company, it has to be registered with ROC (Registrar of Incubatees/companies) to be incubated in I-HUB. A company not registered with RoC (Proprietorship or Partnership) would have to do so within 6 months of admission to I-HUB or before the disbursement of seed fund, whichever is earlier. A company can exist as a private limited company, proprietorship or partnership before it is admitted.
- I-HUB would admit only technology based incubatees/companies in any engineering & technology, management, science, environment, pharmacy, architecture, law, etc. disciplines or as decided by the University from time to time. Acceptable business would involve innovative, technology-based product, idea or service.
- The preferred period for development of product or service to be developed should be less than 12 months before its launch in the market.
- Business plan with realistic financials demonstrating significant revenues within the first five to seven years has to be submitted with the application.

The admission to I-HUB can be in any one of the following categories.

#### **4.1 Category I:**

Students, faculty members, and staff of UTU and from all Institutions affiliated to it having the intent of trying out a novel technological idea for upgradation to a commercial proposition, scaling up a laboratory proven concept, and setting up a technology business enterprise qualify for a pre-incubation project. It is expected that the innovator would like to commercialize the technology and would graduate to category III within 1 year from beginning the pre-incubation.

## **4.2 Category II:**

Any person from Uttarakhand or outside state having the intent of trying out a novel technological idea for upgradation to a commercial proposition, scaling up a laboratory proven concept, and setting up a technology business enterprise qualify for a pre-incubation project. It is expected that the innovator would like to commercialize the technology and would graduate to category III within 3 years from beginning the pre-incubation.

## **4.3 Category III:**

Technology based start-up company promoted by a first generation entrepreneur desirous of R&D partnership with the institute or a company, with the objective of commercializing a novel technological idea, scaling up a laboratory proven concept and setting up a technology business enterprise. University initiatives in this regard will automatically be falling under this category and dealt with by the University separately beyond the purview of these regulations.

## **4.4 Category IV:**

Technology/ R&D unit of an existing small/ medium size enterprise, industry association or an R&D company who desires to have a close technology interface with UTU. These would be governed by individual contract with the specific company.

## **4.5 Decision Regarding Eligibility :**

Final decision regarding the eligibility and admission to I-HUB shall be taken by the University on recommendations of I-HUB Advisory Committee and designated authorities or as prescribed from time to time.

## **4. Admission Procedure:**

Following admission procedure would be followed:

### **4.1. STAGE 1:**

Submit Executive Summary or Business Plan:

As a first step in the admissions process, the prospective individual / company should submit an executive summary. I-HUB will submit the executive summary to an internal review committee. I-HUB does not require the submission of a final business plan for category I, but the incubator does want to receive a written indication that the company's founders have thought through the entire business process and, to some extent, have addressed the essential issues which will affect the company's success. Category III and IV incubatees/companies must submit the business plan along with the application.

### **4.2 STAGE 2: Presentation to I-HUB**

If the initial evaluation of the business plan / executive summary is positive, I-HUB will arrange a meeting at I-HUB with the individuals / company founders, during which the individual / company will be expected to present a PowerPoint presentation describing critical aspects of the business plan to an evaluation committee notified by the University. The presentation will be followed by question-answer session. After the presentation, a final determination will be made regarding the company's entry into the incubator. The company will be informed of final decision within a week after the presentation.

#### **4.5 Research & Due Diligence:**

Throughout the application process, on an as-needed basis, I-HUB will perform research and due diligence regarding the individual / company, the industry, and current and future competitive elements facing the business before granting admission. I-HUB may require further information from the applicant, and may ask the applicant to revise the executive summary and/or presentation.

#### **4.6 Non-Disclosure:**

I-HUB adheres to strict confidentiality throughout the application process. However, I-HUB will not sign any "non-disclosure" agreements.

#### **4.7 Time:**

The approval process can take as long as 8 to 10 weeks. The length of the approval process is largely dependent on the preparedness of the prospective individual / company. After successful completion of the admission process, the time between approval and the actual move-in date is flexible, due to varying conditions such as space requirements, paper work, etc.

#### **4.8 Documents to be Submitted:**

An individual / company or a team of founders desirous of being incubated in I-HUB should submit the following documents:

1. Business Plan/ Executive Summary
2. Intellectual Property declaration worksheet
3. Details of availability of funds / Application for seed fund (if required and available from the concerned agency or UTU)
4. Statement of infrastructure requirements
5. The details expected are – office space (in sq feet), number of PCs (maximum of 5), any special lab facility needed, if the proposed company wants to be closely coupled to any lab, furniture requirements, connectivity and alike. R&D Support required from UTU, if any.
6. Statement of Purpose (what benefits and values do the promoters see from getting incubated in I-HUB).
7. Schedule – proposed date of moving in and anticipated duration of stay
8. Memorandum of Association and Articles of Association (if the company has already been formed, otherwise this would have to be submitted within 60 days from the date of starting of incubation in I-HUB)

**4.9 Evaluation Criteria:** Some representative criteria to be applied for evaluation (not limited to these)

1. Strength of the product idea in terms of its technology content, innovation, timeliness and market potential
2. Profile of the applicant individual / ore team/ promoters / company / R& D unit, etc.
3. Intellectual Property generated and the potential of the idea for IP creation
4. Financial/ Commercial Viability and 5 year projections of P&L, Balance Sheet and Cash Flows
5. Funds requirement and viability of raising finance
6. Time to market
7. Break-even period

## **5. Infrastructure and Services in I-HUB:**

Upon admission to I-HUB, the following facilities will be offered to the incubates/companies on an individual basis on charges as decided by the University:

- Cubicle for Office space: Incubates/Company dependent
- Personal Computers – up to five, depending on the team size
- Internet connection
- Furniture

### **5.1 Common infrastructure:**

I-HUB provides a common pool of hard and soft infrastructure to be shared by all incubates/companies. Following resources are provided:

- Wi-fi facility
- Photocopying machine
- Library: As per availability
- Meeting space
- Electricity, cleaning, toilets, security, etc. as decided by University from time to time
- Other special facilities provided by University from time to time as per requirement

### **5.2 University infrastructure:**

I-HUB will facilitate access to university infrastructure as per norms of UTU.

### **5.3 Services:**

I-HUB will associate with professionals for accounting, IP, legal and Advisory expertise on a part-time basis. Incubatees/companies can avail of their services. Any direct services provided to an incubatee would have to be paid for by the incubatee to the service provider.

I-HUB will also provide soft infrastructure and business services to the incubatee incubatees/companies. Possible services and support items are listed as follows:

- Training in business Advisory: structured short courses
  - Training in business communication: written as well as verbal
  - Accounting tools/ software
  - Common secretarial pool/staff
  - Experiences of successful incubatees/companies – a knowledge/ information site would be created where Advisory concepts, intellectual property evaluations, deal making, negotiations, networking, VC funding, company registrations etc are provided
  - Networking events/ showcases
  - Tie-ups with chartered accountants and other professional organizations as required
- Intern Support: Also, to provide support in Advisory, incubatees will be assigned an MBA /B. Tech./MCA/M.Tech. student, if desired.

### **5.4 Mentoring and Advisory Services**

#### Strategic Checkups:

The I-HUB Incharge may meet with individuals / company CEOs at least once in every month for strategy reviews and discussion of operational issues.

- Each incoming company may be offered a "CEO Mentor". This is a person with extensive business experience or specific industry insight who will advise the company on a limited basis regarding matters of particular importance to the company.
- A faculty advisor from the relevant discipline may also be associated with the incubatee as a

mentor on technology issues subject need and availability.

- Specialized mentors may also be available to the incubatees/companies to assist with particular strategic areas or to provide project-oriented consultation. These arrangements may begin as a pro bono arrangement with an option for both parties to graduate to a paid relationship.
- All incubatees/companies would be provided access to consulting by professionals as per availability and mutually accepted terms and conditions.

#### Market Research and Consulting:

I-HUB partner organizations may provide consulting and market research services to incubates. Services may include:

- Market research and opportunity identification
- Valuation of Businesses
- Competitor Research
- Market analysis and sizing
- Customer Search
- Electronic Research
- Marketing plan formulation
- Consulting on strategies at various stages: Launch, Growth and Harvest of businesses.

Any specialized consultancy work for a specific company has to be paid for by the innovator / incubatee / company directly. However, I-HUB may provide certain services to all incubates, which it may choose to bear the complete cost of. However, it would be the sole prerogative of I-HUB to choose who would pay for these specialized services.

## **6. Period of Incubation / Exit**

Incubatees/companies will be generally permitted to stay in the incubator for a period of one year. Four extensions may be granted for 6 months each at a time at the sole discretion of the Advisory Committee of I-HUB depending on performance and likely outcome. However, the final decision will be taken by the Vice Chancellor which shall be binding on the incubates/companies.

#### Exit:

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

- Completion of one year stay (if no extension granted)
- Underperformance or non-viability of initial proposal as decided by I-HUB on a case to case basis
- Irresolvable promoters' disputes as decided by I-HUB on a case to case basis
- Violation of any UTU direction or policy
- Raising substantial investment (Rs 2 crores or more)
- Number of employees of the incubatee exceeds 20
- When the annual revenues of the incubatee exceeds Rs 2 crore or the Profit excluding Tax exceeds Rs 50 Lakhs
- When the 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
- Incubatee plans for a public issue
- Change in promoters'/ founders' team without concurrence of I-HUB

- Any change of more than 50% of equity ownership would require a prior approval of I-HUB
- Unavailability of sufficient space and facilities at I-HUB
- Any other reason for which I-HUB / University may find it necessary for an incubatee company to leave

Notwithstanding anything written elsewhere, the decision of I-HUB / University in connection with the exit of an incubatee company shall be final and shall not be disputed by any incubatee / company.

## **6.1 Periodic assessment**

A committee set up by I-HUB will evaluate the performance of incubates / companies every 3 months. The emphasis of evaluation will be on checking if the milestones specified in the business plan are met. For an individual / company which has taken seed fund loan, additional checks will be done on the financial health of the company in terms of its order booking, expenses, profitability, utilization of seed money loan for the specified purposes and its ability to repay the loan. Further seed fund disbursement will be dependent on the progress shown in previous appraisal. Periodic assessment would vary depending on the stage of incubation the company is in. Some representative criteria for evaluation are:

### A. Ideation / Innovation stage

- Concept development / Opportunity spotting
- Product Development
- Market assessment / Competition analysis
- First level Business Planning / Business Modeling
- Founding Team
- Intellectual property protection
- Financing / Seed Funding

### B. Pre-Market Stage

- Proof of Concept/ Prototyping
- Product Development and enhancement
- Financial Assistance Required
- Test marketing
- Full scale business planning including production, sales and sourcing

### C. Implementation Stage

- Full scale Business Planning
- Pitching for Venture Funding
- Scaling up operations
- Large scale commercialization
- Mature Team Formation

### D. Exit stage

- Going National / Global
- Exit options for UTU
- Full scale business Graduation
- Post incubation Survival

The incubatee may be asked to provide more frequent updates to I-HUB.

## **7. Intellectual Property**

Promoters should fill an Intellectual Property (IP) declaration form at the time of admission. If some UTU, Dehradun IP is being used, the declaration should contain following details.

1. Intellectual Property that is being transferred from UTU to the individual / company / organization. This can be a patent, software code, copyright, design registration, developed product, and alike.
2. UTU seed grants, if have been used in developing the technology which will go into the product(s) of the proposed company.
3. Details of students who have worked on the technology and if their work is incorporated in the product(s).
4. Details of funds from Government agencies (DST, MIT, BNRS, DBT ..... ) if have been used in the development of technology along with the understanding with the funding agency in terms of sharing the IP.
5. Details of collaborative work with faculty members / officers (who are not promoters) incorporated into the product(s).
6. Details of infrastructure support provided by UTU (hardware, testing setup, instrumentation, computing resources, processes) that has been used in developing the technology that will go into the product(s).
7. Details of any consultancy projects that were executed in the proposed area.
8. An agreement with UTU that the IP has been assigned to the company for commercialization.

The entrepreneur would have option of first purchasing the rights of IP from UTU and then being incubated or assigning equity to UTU in lieu of direct payments to UTU on mutually agreed terms and conditions. Please refer the consideration section for details. The incubatee would maintain a register with the details of any IP (patents, licenses, copyrights etc) that has been brought into the company prior or during their stay at I-HUB. Also, any IP developed during the stay would be maintained in the register.

Notwithstanding anything written above, Intellectual Property Rights will be governed by the Intellectual Property Policy of UTU as available at that time.

## **8. Seed Funding**

I-HUB, UTU may provide seed loan subject to the availability of funds/ grants/ schemes meant for this purpose. Seed loan will be sanctioned only to the registered incubatees/companies and shall be based on merits of each individual / company. Promoters/ founders whose incubatees/companies are not registered at the time of application shall not be eligible to apply for seed loan. Further, admission to I-HUB shall not automatically entitle the incubatees/companies to seed loan.

An individual / company desirous of getting seed loan may submit an application for seed fund simultaneously with submission of the application for admission in I-HUB. Sanction of seed loan will be decided based on the eligibility criteria as decided by I-HUB. It would be also subject to the terms stipulated under specific grant or scheme as the case may be.

One of the criteria for approval of the seed loan will be the contribution brought in by the promoters to the capital of their incubatees/companies. Preference will be given to incubatees/companies who already have some sources of revenue or some customer order booking. I-HUB will have sole discretion to sanction or reject an application for seed loan and the decision of I-HUB in this regard shall be final. I-HUB is not bound to give any reason in case an application for seed loan is rejected.



Though seed loan may be sanctioned at the time of approval of the proposal for admission, disbursement shall be subject to satisfaction of Incharge / Head of I-HUB and the University that suitable progress has been made.

The seed fund will be treated as a soft loan. The following terms apply for seed fund provision:

- a. Up to Rs 10 lakhs of seed loan will be given to a company. This is the upper limit. Incubatees/companies will usually be given a much smaller amount unless there is a strong justification for releasing this quantum of investment.
- b. The release of funds would be company specific and governed by rules regarding it.
- c. The loan will carry an interest rate of three percent per annum and is repayable at the end of three years from disbursal. The company may choose to repay the loan in cash or to convert half the loan amount into equity as outlined in the Consideration Section.
- d. Incubatees / Company will submit its current balance sheet, profit and loss statement and any other material to substantiate its loan application. The application should be substantiated by providing the outstanding client orders, Letters of Intent, Strategic Alliance agreements, invoices for services rendered, and alike.
- e. Company will submit projected Balance Sheet, Profit and Loss Account and calculation of working capital requirements
- f. Every 12 months or at the end of financial year (whichever is earlier), a balance confirmation certificate and a Promissory Note for the balance outstanding shall be taken by UTU as applicable.

In case the incubatee company defaults in repayment of the loan within the due period, the Steering Committee will review the performance of the incubate company and advise/recommend for the extension of the time period of the loan repayment, or to take appropriate legal action, or of writing off the loans to the Advisory Committee of the I-HUB. On the advice of the Advisory Committee of the I-HUB, the competent authority of UTU will initiate appropriate action.

### **1.17 Consideration:**

I-HUB will charge the incubates/companies for infrastructure and services, seed loan and UTU Intellectual Property. This payment would be in the form of service charges and equity share as per following details.

Consideration for infrastructure and services:

The incubates will have to pay the charges as follows:

Item Charges in Rupees

Office rent at Rs 100/sq.ft per month subject to minimum of Rs. 5000/-

PC rental at Rs 1500 per PC per month (2 PCs) 2,500

Shared Printer at Rs 200 per month(black and white) for 200 copies in a month and @Rs.1/- per copy for additional copies

Internet connection per login per month 500

Electricity charges Rs. 1000/- per month for light, air conditioning, two computers

Mentoring / Consultancy charges for the teachers provided by University Rs. 2000 per month / project

\* I-HUB Advisory Committee may change the rates from time to time with the approval of the Vice Chancellor of the University.

The incubatees would have option of deferring 50% of the rent till the time they exit from I-

HUB. For the deferred amount an interest rate of 10% would be charged to incubatee. However, the incubatee would need to provide a personal guarantee for the total sum deferred and interest (at 10% per annum) thereof. This amount would have to be paid back at the time of exit or converted to equity. The price for conversion would be as per the guidelines for seed fund.

Additionally 3% equity in paid up capital of company would be assigned to UTU for providing infrastructure services in all cases.

**Consideration for UTU Intellectual Property:**

As per the Intellectual Property Policy of UTU applicable from time to time and in the absence of referred policy, the decision shall be taken on case to case basis.

**Consideration for seed fund:**

The seed fund if provided by UTU is a loan and the incubatee are expected to pay back the seed loan at 10% per annum simple interest rate. The incubatee would need to provide a personal guarantee to the extent of seed loan and interest thereof.

Half of the financial support given to the incubatee company would have to be returned and the remaining 50% would be converted into equity at the time of valuation. The entrepreneur would have the option of paying it back in cash also. 50% seed loan may be converted into equity as per following:

- Based on the valuation of the company at the time of exit OR
- Cost contribution (in case no valuation of the company is conducted or agreement reached on valuation): UTU and the promoters would share the equity of the company as per the investments made by them. For e.g. if the promoters have contributed Rs 80 Lakh and UTU Rs 20 Lakh, UTU will get a 20% stake in the company.

The repayment of the loan and the interest amount will start after three years of the disbursement of the first installment and will be recovered/repaid within the next three financial years in quarterly installments or as soon as the company makes operating profits and is in a position to service the loan, whichever is earlier.

### **Other Considerations:**

Access to institute infrastructure (labs, library etc) and faculty expertise would be charged as per the defined UTU rules and regulations. Any consultant that is hired directly by the incubatee would have to be paid for directly but it is obligatory to inform the I-HUB about the same, which may even interfere in such hiring in exceptional circumstances related to credentials of consultant, availability of facility in University etc..

UTU will have a right to put suitable number of Directors (negotiated with the incubatee) on the Board of Company. UTU will nominate members on the board of company whose powers and duties would be the same as if he were a nominee director of a financial institution.

However, the nominee director shall not stand as a guarantor either to UTU or any other party. The said director shall stand indemnified by the company at all times of any liability for any legislation or act for the time being in force.

### **Equity Disposal by UTU:**

UTU would have the first right to sell-off its equity stake in the company. When the incubatee raises funds in any form (Angel Investment, VC fund, acquisition etc) where equity transaction would take place, UTU would sell its equity to the buyer.

In case, no such transaction takes place within five years of exit of the company from UTU, the promoters would undertake to buy-back the entire equity stake of UTU at a price which is highest of the following:

- Book Value of the shares
- Price that will give UTU a net return of 12% p.a. compounded annually (for the investments made in seed fund)
- Market Price of the shares as defined by independent valuation

In case the company closes down, UTU will initiate due process to recover the investment.

### **1.18 Business Plan Template**

The possible structure for a comprehensive business plan may contain following sections in sequence as felt appropriate; however the business plan must cover all the issues listed in the template.

Recommended Subsections in a business plan:

1. Introduction / Company overview
2. Concept / Proposition / Product description
3. Market opportunity
4. Competition survey
5. Development plan and milestones
6. Marketing plan
7. Advisory / Organizational chart
8. Financials
9. Risks and de-risking strategies
10. Appendix

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