

Guidelines: Establishment and Expansion of Incubators

MAHARASHTRA STATE INNOVATIVE STARTUP POLICY 2018

1. BACKGROUND

- 1.1. On January 17, 2018, the **Government of Maharashtra** approved the *Maharashtra State Innovative Startup Policy 2018* with the vision of transforming Maharashtra by catalysing the growth of an innovation-driven entrepreneurial ecosystem to achieve wholesome and inclusive socioeconomic development.
- 1.2. Business incubation of early-stage enterprises has been globally recognized as an important tool for economic development and job creation.
- 1.3. The **Maharashtra State Innovation Society (MSInS)** proposes to establish business incubators across the state as per the following guidelines.

2. OBJECTIVES

- 2.1. To build a vibrant startup ecosystem by establishing (and expanding) a state-wide network of business incubators – in collaboration with industry and academia – to foster the startup ecosystem and to enable entrepreneurs to succeed in their pursuits.

3. FUNCTIONS OF INCUBATORS

- 3.1. To reduce the probability of failure of early-stage enterprises through handholding of the enterprises.
- 3.2. To establish regional, national and global market linkages including a network of mentors to enable sustainability and scale for startups under incubation.
- 3.3. To provide a platform for commercialization of technologies developed by academic, technical and/or research institutions or even individuals.
- 3.4. To provide physical and virtual infrastructure, as well as cost-effective value added services such as mentorship, legal, financial, technical and intellectual property related services, to startups.
- 3.5. To build and maintain a pipeline of incubatees (i.e. startups).
- 3.6. To engage the wider startup community by organizing networking meet-ups, mentor lunches, demo days, training workshops etc.
- 3.7. To assist and nominate their incubatees for availing various benefits extended to startups under the Maharashtra State Innovative Startup Policy 2018.

4. WHO CAN APPLY?

- 4.1.** Applicants may belong to any of the four categories:
- Category I: Publicly funded (fully or partially) academic and/or research institutes (State or Central) **OR** State/Central Government agencies, bodies and/or corporations.
 - Category II: Private academic and/or research institutes / Non-profit organisations / Industry associations.
 - Category III: Private for-profit organisations
 - Category IV: A consortium of organisations from Category I, II and Category III with the Category I and/or II institution being the Host Institution.
- 4.2.** Applicants shall be required to incorporate the incubators as a Special Purpose Vehicle (SPV) registered as either a "Section 8 Company" or a "Private Limited Company" under *The Companies Act, 2013*. Applicants shall not be permitted to register the incubator as a "Society" or "Trust".
- 4.3.** Organisations seeking to expand existing incubation facilities shall be required to register the incubator as a "Section 8 Company" or a "Private Limited Company" in case it is not already.
- 4.4.** Expressions of Interest for the setting up incubators would be sought from applicant online on the **MSInS** portal i.e. www.msins.in/incubators in accordance with Proforma I.

5. FUNDING SUPPORT

5.1. Successful applicants would receive a grant-in-aid to set up the incubator for a maximum period of 5 years to cover capital and operational expenditures.

5.2. Category I Incubators

5.2.1. Applicants shall receive a grant-in-aid of up to 100% of the total eligible project cost i.e. capital and operational expenditure, up to a maximum of INR 5 crore.

5.2.2. Applicant must present a Budget Plan detailing all components of the project costs including those not eligible for funding.

5.2.3. Each tranche of the grant shall be disbursed in phased manner as per the budget plan approved by expert committee set up by **MSInS**.

5.2.4. The institutes and authorities of repute classified under this category may directly be nominated by the MSInS for setting up of an incubator.

5.2.5. The applicants under this category can bring on board other knowledge partners and promoters.

5.3. Category II Incubators

5.3.1 Applicants shall receive a grant-in-aid of up to 75% of the total eligible project cost i.e. capital and operational expenditure, up to a maximum of INR 5 crore.

5.3.2 Applicant must present a Budget Plan detailing all components of the project costs including those not eligible for funding.

5.3.3 Each tranche of the grant shall be disbursed in phased manner as per the budget plan approved by expert committee set up by **MSInS**.

5.3.4 Each tranche of the grant-in-aid shall be disbursed in phased manner as per the budget plan approved by expert committee set up by **MSInS** only after the Applicants provides proof of matching 25% contribution.

5.4. Category III Incubators

- 5.4.1 Applicants shall receive a grant-in-aid of up to 50% of the total eligible project cost i.e. capital and operational expenditure, up to a maximum of INR 5 crore. The MSInS shall hold a minimum 26% equity stake in the SPV, the equity share of MSInS will increase in proportion to its contribution till a maximum of 49%.
- 5.4.2 Applicant must present a Budget Plan detailing all components of the project costs including those not eligible for funding.
- 5.4.3 Each tranche of the grant shall be disbursed in phased manner as per the budget plan approved by expert committee set up by **MSInS** only after the applicant provides proof of matching 50% contribution.
- 5.4.4 Rental value of building as per fair market value or as per registered lease agreement shall be considered an eligible project cost.

5.5. Category IV Incubators

- 5.5.1 Applicants shall receive a grant-in-aid of up to 75% of the total eligible project cost i.e. capital and operational expenditure, up to a maximum of INR 5 crore.
- 5.5.2 Applicant must present a Budget Plan detailing all components of the project costs including those not eligible for funding.
- 5.5.3 Each tranche of the grant-in-aid shall be disbursed in phased manner as per the budget plan approved by expert committee set up by **MSInS** only after the Applicants provides proof of matching 25% contribution.

5.6. For scaling up of existing incubators with a demonstrated history of facilitating startups, a capital assistance grants of up to INR 5 crore shall be provided. The matching contribution would be required to be made by the applicant depending on the category (Ref. 4.1) of the applicant. The MSInS may choose to disburse the grant in a phased manner on the basis of budget plan provided by the applicant.

5.7. Applicants shall not include the following elements towards the project cost;

5.7.1. Cost of purchasing land and purchase of vehicles.

5.7.2. Cost of building for category III applicants.

5.7.3. Rental expense in case the Applicant is an academic and/or research institute and the incubator is located on the premises of said institution.

5.7.4. Cost of fees paid to any external agency and/or consultancy for the preparation of the application.

5.7.5. Expenses such as SPV registration charges, seed money for bank accounts and other such similar expenses for the incorporation of the SPV.

5.7.6. Monetisation of any notional and/or opportunity costs.

6. ELIGIBILITY

- 6.1.** Applicants must provide at least 5,000 sq. ft. of built up space, failing which it must demonstrate its ability to incubate at least 10 startups at any given time.
- 6.2.** Applicants from category I, II & IV seeking grants to constructing an incubator building must have an identified plot of land on campus or otherwise.
- 6.3.** Applicants seeking to expand incubation facilities must have incubated at least 25 startups in the three years prior to application.
- 6.4.** Applicants must have an assigned CEO (or equivalent) with adequate credentials to lead the administration of the incubator, or must demonstrate an intent to appoint one within three months.
- 6.5.** Applicants must have a Full-time Manager (or equivalent) to handle the operations of the incubator, or must demonstrate an intent to appoint one within three months.
- 6.6.** Applicants must demonstrate its ability to establish market linkages that shall fuel the growth of startups under incubation.
- 6.7.** Applicants that are academic and/or research institutions must provide startups access to their laboratories, workshops and other such facilities at rates mutually agreeable to both parties.

7. SELECTION CRITERIA

7.1. The following parameters shall be evaluated during the selection process:

7.1.1 Business Plan

7.1.2 Leadership Team

7.1.3 Sector Expertise

7.1.4 Market Linkages

7.1.5 Infrastructure

7.2 Business Plan

The Budget Plan must detail how the applicant intends to achieve self-sustainability after five years, at which point grants from the **Government of Maharashtra** shall cease.

7.3 Leadership Team

7.3.1 The credentials of the CEO, the Manager and other members of the Leadership Team shall be taken into consideration, in particular their academic and professional experiences suited to the startup space.

7.3.2 The credentials of the Board of Directors shall also be taken into consideration.

7.4 Sector Expertise

7.4.1 Applicants must demonstrate expertise in [at least one] and [up to three] sector(s) and/or focus area(s). This condition may be relaxed for incubators catering to social impact startups.

7.4.2 Preference to be given to incubators aligning with wider economy of the region.

7.5 Market Linkages

7.5.1 Applicants must demonstrate its ability to establish market linkages that shall fuel the growth of startups under incubation.

7.5.2 Applicants may furnish Letters of Intent for collaboration with relevant business, academic or Government in order to strengthen their case.

7.6 Infrastructure

7.6.1 Factors such as physical and virtual infrastructure provided to startups under incubation and the proximity of the physical space to business centres shall be taken into consideration.

7.6.2 In case of academic and/or research institutions, Applicants providing startups access to laboratories, workshops and other such facilities at reasonable rates shall be given preference.

7.7 For Applicants looking to expand existing facilities, the number of startups incubated, the number of startups with successful exits, and testimonials from former incubatees will be taken into consideration.

7.8 The **MSInS** shall do the evaluation of Applicants with highest potential of success. Subsequently, the applicants will be required to make a presentation detailing their proposals to the **MSInS**.

8 IMPLEMENTATION

- 8.1. Successful Applicants whose Business Plan is approved by the **MSInS**, would receive grants-in-aid as per the approved business plan.
- 8.2. Incubators receiving aid under this scheme are required to submit progress reports semi-annually and audited statements annually, failing which further grants-in-aid may be rescinded at the discretion of the **MSInS**.
- 8.3. Incubators may be called to make a presentation to the **MSInS**, at most once a year, to discuss their performance.
- 8.4. For Category I incubators, any management team member who may receive a compensation of greater than INR 3 lakh per month (inclusive of bonus) shall obtain prior consent from the **MSInS**.
- 8.5. Incubators are expected to develop a transparent system for selection of startups, who must conform to the Definition of a startup as stated in the *Maharashtra State Innovative Startup Policy 2018*. The following criteria needs to be taken into consideration by the incubators supported by MSInS for selecting the startups.
 - Unique Value Proposition
 - Scope of Impact
 - Leadership Team
 - Technology Advantage
 - Sustainability and Scalability

- 8.6.** The incubators shall expend minimum 10% of their grants for direct assistance to startups through provision of seed funding / stipends / fellowships to the startups incubated over the period of five years, preferably from the very first year of securing the grant.
- 8.7.** Incubators are expected to maintain an online presence which would include a website containing details of the startups under incubation, members of the incubation management and a means to engage with the startup community. This shall be integrated with the MSInS web portal.

PROFORMA I – Online Expression of Interest from Prospective Incubators

To

Chairman,

Maharashtra State Innovation Society (MSInS)

Date:*

DD

MM

YY

Subject:* Expression of Interest to set up incubator under

▼

Category I

Category II

Category III

Category IV

Dear Sir/ Madam,

(Name of Institute/Organisation)

hereby expresses its interest in partnering with the **Maharashtra State Innovation Society** for setting up / expansion of incubation facility in the state of Maharashtra.

Please find attached document containing a detailed proposal* for setting up of an incubator in Maharashtra.

Upload Document [up to 5 pages]:*

Browse

Upload

Regards,

(Name of Point of Contact)

(Designation)

(Email)

(Contact No.)

*The proposal must highlight important features like – incubation space planned no. of patents, intent of support from other knowledge partners, sector specific strengths of host institute / organisation, no. of patents, any investment commitment, any prominent personnel on board etc.