

Standard Operating Procedure (SOP) for TIH-IoT Seed Support Program (TIH- IoT SS Program)



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SOP for TIH-IoT Seed Support Program

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SOP for TIH-IoT Seed Support Program

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SOP for TIH-IoT Seed Support Program

1 Introduction

The document provides the detailed guidelines and procedures for the implementation of the TIH-IoT Seed Support (TIH-IoT SS) program (Program). This Program is offered by TIH-IoT to support new ventures/start-ups working in the area of IoT and IoE. The DST Nidhi Seed Support Program, SINE guidelines, BIRAC program and NM-ICPS DPR have been referred for preparing the guidelines.

The aim of the Program is to promote Innovation and Entrepreneurship and support the Start-up Ecosystem to increase the number as well as the success rate of start-ups (new ventures) in IoT. The end objective is to support development and commercialization of innovative technologies/Products/services in hassle free manner and facilitate the success of the technology start-ups in marketplace.

2 TIH-IoT Seed Support Program

A wide gap exists in financial support required by technology driven start-ups in their initial phase. Under the TIH-IoT SS program, TIH-IoT would provide financial assistance to start-ups with promising ideas, innovations, and technologies to enable them to graduate to a level where they will be able to raise investments from angel/Venture capitalists.

The Program aims to facilitate the initial phase of a start-up, enabling the new ventures to survive and succeed in the marketplace. TIH-IoT would share the success of the supported start-ups which would also result in ensuring its own long term operational sustainability.

2.1 Program Objectives

The TIH-IoT SS Program has the following broad objectives:

- To promote start-ups in the broad domain of IoT.
- To provide financial assistance to the potential start-ups with promising ideas, innovations, and technologies for proof of concept, prototype development, product trials, market entry and commercialization etc.
- To accelerate their initial journey by providing support for bridging the gap between development and commercialization of innovative products/technologies/services.
- To facilitate the taking forward of innovations to the commercialization stage and success in the marketplace

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2.2 Program Details

Scheme		TIH-IoT SS
Objective		To provide financial assistance to start-ups with promising ideas, innovations, and technologies for proof of concept, prototype development, product trials, market entry and commercialization etc.
Intended/ Targeted Beneficiary	Category	Start-ups in the broad domain of IoT
Support Amount (per start-up) Maximum		Up to Rs 50 Lakhs
Other Support		<ul style="list-style-type: none"> • Mentoring: Business and Technical mentoring support from experts. • Events: The selected start-ups may get to participate in TIH-IoT events and workshops. • Ecosystem: Access to various facilities, labs, technology resources of TIH-IoT as per its policies.
Duration		Up to 3 years
Funding (Nature/ Pattern)		Equity/ Equity-linked instruments—as the mode of financing/investing into start- ups.
Expected Outcomes of Program		<ul style="list-style-type: none"> • Innovative technologies/products/services commercialized • Number of Start-ups supported
Performance Metrics for Start-ups		<ul style="list-style-type: none"> • Innovative technologies/products/services commercialized • Job Creation by the supported startups; Revenue Generation

3 Eligibility Criteria

- Start-up applicant should be a registered company in India and recognized by Department for Promotion of Industry and Internal Trade (DPIIT) or eligible to be recognized by DPIIT.
- The company should be an Indian start-up. This support is not meant for Indian Subsidiaries of MNCs/foreign companies. Persons holding Overseas Citizens of

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India (OCI), Persons of Indian Origin (PIO) would be considered as Indian citizens for the purpose of this scheme.

- Shareholding by Indian promoters in the start-up should be at least 51% at the time of application for the scheme, as per Companies Act, 2013 and SEBI (ICDR) Regulations, 2018.
- The Start-up should be using technology in its core product or service, or business model, or distribution model, or methodology to solve the problem being targeted and should be in the broad area of IoT. Preference would be given to Start-ups creating innovative solutions in technology focus areas of TIH-IoT.

4 Guidelines for Seed Support (Investment)

Start-ups selected to receive the SS will have to commit to pay TIH-IoT in the form of equity or compulsory convertible preference shares (CCPS)/ Optionally Convertible Preference Shares (OCPS).

4.1 Equity or Convertible instrument

Following would be the broad guidelines for Seed Support in the form of equity:

- In case of co-investment, valuation shall be as given by the other investors.
- In case of standalone investment by TIH-IoT in the form of Compulsory Convertible Preference shares (CCPS)/Optionally Convertible Preference Shares (OCPS), it shall be at the valuation as per the next round of investment.
- In case of CCPS/OCPS TIH-IoT may stipulate a discount or a cap on the valuation at the time of conversion.
- TIH-IoT may stipulate other clauses such as exit period, tag-along, drag-along, etc. in the agreement between TIH-IoT and the Start-up.

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5 Fund Usage

TIH-IoT will provide seed funds of up to Rs.50 lakhs to Start-ups for their business needs. The Promoters/Company shall ensure that Seed Support shall be used solely for the purpose of the business needs as mentioned in their application for seed support and their business plan.

Broadly the seed support can be sanctioned for the following purposes:

- Product development: Procurement of equipment, Testing, and trials, outsourcing of technical supports and services for the company's product.
- Manpower: Salaries for promoters and employees. However, payment of salary out of the seed fund to promoters shall not exceed 20% of the seed support unless explicitly approved.
- Marketing: For test marketing, sales, promotions of company's products and services including travelling only for business and product promotion.
- Mentoring: Seeking professional mentoring assistance.
- Professional services: For legal, accountancy, IP, marketing, strategy, regulatory compliance, certification, or any other justifiable professional services.
- Contingencies/Overrun. This shall not exceed 10% of the seed support.
- For any other business purpose which is justified in the application itself and as recommended/ approved by the Investment committee from time to time.

6 Review Process

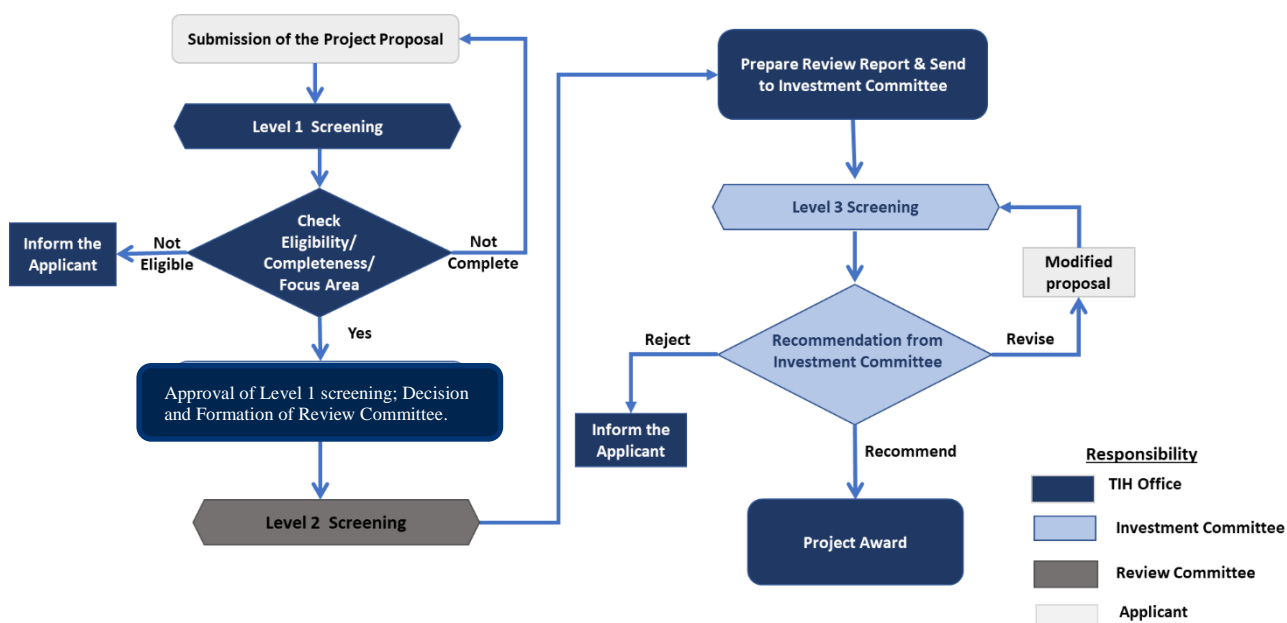
Applicants need to submit a proposal in the prescribed format. For the selection of the proposals, three-level screening process, as detailed below, will be followed

- Level 1 screening: By TIH-IoT internal team based on eligibility criteria, TIH-IoT focus area, idea validation, etc.
- Level 2 screening: Shortlisted proposals after level 1 screening will be evaluated by the Review Committee based on the proposal submitted, presentation made, or any other method as may be decided.

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- Level 3 screening: Recommended proposals after level 2 screening will be reviewed and approved by the IC based on TIH-IoT priority areas amongst others.

The process flow has been represented in the below diagram:



7 Formation of Committees

7.1 Investment Committee (IC)

- Composition:**

An investment committee (IC) will be set up oversee and manage the SS Program. IC will comprise 5-7 members with a broad composition as given:

- | | |
|--|-------------|
| 1) Professor-in-Charge (PiC, TIH-IoT), | Chairperson |
| 2) Chief Executive Officer (CEO)/
Chief Operating Officer (COO), TIH-IoT | Member |
| 3) Chief Technology Officer (CTO), TIH-IoT | Member |
| 4) External members representing investors or entrepreneurs
or industry professionals | Member |
| 5) External members representing SINE (Society for Innovation
and Entrepreneurship IITB) or any other incubator | Member |

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The external members will be nominated by Chairperson. The committee may invite other investors, entrepreneurs, industry professionals as experts to advise the committee, if needed.

- **Role:**

- To drive the evaluation and monitoring process for TIH-IoT Seed Support Program
- Final approval of recommended Startups by Review Committee
- Approval of Start-ups in return for Seed Support (can be immediately after approval of SS or later)
- Progress monitoring

7.2 Review Committee (RC)

An RC will be set up by the COO/CEO to review and recommend the applications received for Seed Support.

- **Composition:**

The RC will be appointed by the COO/CEO and will comprise 3 to 5 members, including a Convener. The committee will have a minimum of one member from each Group (as per the below) and the majority should be from Group 2 & Group 3 combined.

- Group 1: TIH-IoT ExeCom member or ExeCom nominee
- Group 2: External Industry Experts from Expert Council or nominated by Expert Council members
- Group 3: Representative of SINE or any other Incubator

The Convener will be from Group 1.

- **Role:**

- Evaluate shortlisted applications from level 1 as given below.
- Participation in (six monthly) progress review

8 Responsibility Matrix

8.1 Responsibilities of TIH-IoT

- Funds will be disbursed as per eligibility and terms and conditions to be stated/conveyed in the sanction order.
- TIH-IoT will monitor the progress of the startup activities and provide suggestions/course corrections if required.

8.2 Responsibilities of Start-up

- Start-up will use the fund only for the purpose it has been sanctioned for.
- Start-up should inform TIH-IoT about any IP generated out of work undertaken by the Start-up.
- Start-up should provide the progress report as per the requirement of TIH-IoT.
- Start-up will submit Utilization Certificate/ Statement of Expenditure (UC/SE), and audited account statement as per the requirement of TIH-IoT.