



NATIONAL INSTITUTE OF TECHNOLOGY

WARANGAL – 506004, TELANGANA STATE (INDIA)

Center for Innovation and Incubation (CII)

STARTUP POLICY

Policy Objectives

The Startup Policy at the National Institute of Technology Warangal (NITW) aims to promote and nurture technology-based entrepreneurship. By providing ‘*Start to Scale*’ support to technology-based startup companies, NITW envisages the conversion of ideas into products and services, which eventually paves the way for the establishment of entrepreneurial ventures. This startup policy lays out the guidelines and pronounces the management structure to stimulate entrepreneurial ventures. *Throughout this document, the term startup pertains to the domains of Science, Technology, Engineering, and Management (STEM) only. It should also be noted that the words company and organization are used interchangeably in this document.*

Applicability

The policy applies to external start-ups, companies, R &D Organisations, and individuals inclined to incubate their ideas at NIT Warangal utilizing the intellectual and other material resources that are available at NIT Warangal.

The scope of this document is limited to the statement of policies, regulations, and procedures for the operational matters related to the establishment and operation of the Startup at NIT Warangal. This document defines the following aspects pertaining to startups:

- i) Eligibility
- ii) Admission process
- iii) Information Submission
- iv) Intellectual Property
- v) Infrastructure and Services provided to incubating companies
- vi) Seed funding
- vii) Mandatory Mentorship
- viii) Periodic Assessment
- ix) Tenure in Startup policy / Exit
- x) Conflicts of Interest
- xi) Agreements, Auditing/Accounting & Compliance norms



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This policy is subject to a periodical review. NITW reserves the right to affect the necessary amendments for the smooth functioning of the start-ups. It will be the responsibility of companies associated with NIT Warangal to update the status of startups. As deemed necessary, NIT Warangal reserves the right to make exceptions and relaxations to all or any of the policy terms for an individual or company or a promoter on a case-to-case basis.

1. Eligibility and startup types

1.1 At present, admission for incubation is limited to those startups, which have direct or indirect affiliation with the NIT Warangal community. The admission is limited to:

- Faculty members /Jointly owned by faculty members
- Students (UG/PG/Ph.D./ Postdoc)
- Alumni
- R&D partners (interested in collaborating with NITW, sponsors of R&D, and consultancy projects).
- NITW's partner universities (having R&D collaborations and MOUs).
- Government Agencies

1.2 Admission to Centre for Innovation and Incubation (CII NITW) guidelines

1.2.1 Eligibility

Admission to the Centre for Innovation and Incubation (CII) can be in any one of the following categories:

CATEGORY-I:

Faculty/Students of NITW with enterprising ideas related to *STEM*, and who intend to scale up well-tried-out and verifiable ideas to commercial propositions qualify for a pre-incubation project. It is expected that the innovator would like to commercialize the technology/product and would graduate to Category II within one year from the beginning of the pre-incubation stage.



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CATEGORY-II:

Startup Companies, which are promoted by *first-generation entrepreneurs* belong to this category. Startups belonging to this category shall establish R&D partnerships with NITW to commercialize novel technological ideas or scale up laboratory-proven concepts, which eventually pave the way to the establishment of technology business enterprises.

The following are the eligibility criteria for admission into Category II, CII, and NITW:

- ✓ CII is open to the faculty, alumni (any degree awarded by NITW), and students of NITW.
- ✓ Organizations must be registered with RoC (Registrar of Companies), to be incubated in CII (except Category I). Those not registered with RoC at the time of admission, (Proprietorship or Partnership) would have to get registered within 6 months of admission to CII, or before the disbursal of the seed fund, *whichever is earlier*. The aspirant organization can exist either as a private limited company, proprietorship, or partnership company before it is admitted.
- ✓ CII would admit only technology-based companies in any engineering discipline. Acceptable business would involve innovative, technology-based products, ideas, or services.
- ✓ Admission is limited only to those organizations that show realistic, and plausible financial projections with significant revenues within the first five to seven years. The business plan has to be submitted during the application phase.

CATEGORY-III:

Technology / R&D units of existing small/medium-sized enterprises, industry associations, or R&D companies who worked earlier together, and are desirous to



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forge a close technological alliance with NITW (TRL III) are grouped into this category. This category mandates the involvement of faculty member(s).

2. Admission procedure

All the applicants will have to read and agree to *all of the terms and conditions* laid out in the startup Policy of NITW.

The following procedure shall be adopted for admissions:

STAGE 1: Submission of Executive Summary or Business Plan

Firstly, the prospective company should submit an executive summary. CII shall forward this executive summary to an *internal review committee*. CII does not require the submission of a final business plan for category I. However, the incubator must submit convincing written proof to show that the company's founders have thought through the entire business process, and, to some extent have addressed the essential issues that will affect the company's success. Category II and III companies must submit the business plan and the application.

STAGE 2: PRESENTATION TO CII

If the initial evaluation of the business plan / executive summary appears convincing, the CII seeks a PowerPoint presentation from the company's founders. The company is expected to describe the salient aspects of the business plan to an *evaluation committee*. This presentation would be critically probed by the said committee. If found suitable for admission, the evaluation committee shall forward its recommendation to the Director, who would finally approve the proposal, typically within one week after the presentation. In the case of Category I, the students will give an overall presentation and plan of activity to the evaluation committee for pre-incubation.

RESEARCH & DUE DILIGENCE:



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Throughout the process of application, whenever needed, the CII can perform research and due diligence on the company, its management team, the industry, and current and future competitive elements facing the business. The CII may seek further information from the applicant and may ask the applicant to revise the executive summary and/or presentation.

NON-DISCLOSURE:

The CII adheres to strict confidentiality throughout the application process. However, CII will not sign "non-disclosure" agreements outside a third party.

TIME Line:

The approval process can take as long as eight weeks. The length of the approval process is mainly dependent on the preparedness of the prospective company. After the 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, paperwork, etc.

4 DOCUMENTS TO BE SUBMITTED:

A company or a team of founders desirous of being incubated in CII should submit the following documents:

- I. Business Plan/ Executive Summary
- II. Intellectual Property Declaration Worksheet
- III. Application for seed fund (if required)
- IV. Statement of infrastructural requirements
- V. Requirements of office space (in sq meters), any special lab facility needed if the proposed company wants to be closely coupled to any lab in the institute, furniture requirements, connectivity, and R&D Support required from NITW.
- VI. Statement of Purpose (What benefits and values do the promoters see from getting incubated in CII, NITW).
- VII. Schedule – Proposed date of moving in and anticipated duration of stay.
- VIII. Memorandum of Association and Articles of Association (if the company has already been formed, otherwise this should be submitted within 30 days from the date of incubation)

EVALUATION CRITERIA:



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The following are the tentative rubrics for evaluation, which may vary with category:

1. Strength of the product idea in terms of its technology content, innovation, timeliness, and market potential.
2. Profile of the core team/ promoters.
3. Intellectual Property generated and the potential of the idea for IP creation
4. Financial/ Commercial Viability and 5-year projections of Profit and loss, Balance Sheet, and Cash Flows.
5. Funds requirement and viability of raising finance.
6. Time to market
7. Break-even period.

3. Rules and Regulations

Faculty members of NITW must obtain prior permission from the Institute before getting associated with any business venture or starting a new venture in the application format prescribed by NITW.

The faculty member is expected to be a promoter of such companies and/or a Director on its Board. In addition, the faculty member may exercise the following options:

a) Working in a *non-executive capacity*, consultancy activities through NITW; however, obtaining explicit permission from the competent authority of NIT Warangal is mandatory.

b) The leaves are applicable as per NIT Warangal Rules. The extant rules of the Institute govern the eligibility and approvals of such leave.

c) Faculty members can undertake projects that could be conducted at NITW and managed through their Start-ups, provided that the Institute overhead charges are duly paid as per the norms of the Institute.

- Faculty must limit engagement for the company without disturbing their academic activities/ schedules (a maximum of 20% of the office time).
- Faculty entrepreneurs can use the CII address to register their startups.



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- Faculty must balance their academic responsibilities while assuming the entrepreneurial role.
- It is expected that the startup is involved in technology development. Merely providing consultancy services is not permitted, and such activity must be taken up as per the existing norms of the Institute's R&D consultancy.
- Faculty must not involve research staff or other staff of the institute in the activities of the startups and vice-versa.
- While a student may choose to work on the research part of startup activities, a Faculty must not involve students in the non-research part of the company activities. If a student wishes to participate in the broader activities of the startup, it may be routed through the startup options for students.

At all times, the faculty member must ensure that the startup/company he/she is associated with is compliant with all the norms of the Government of India. Non-compliance by the faculty member shall have no bearing on NITW.

- To avoid any conflict of interest, the faculty *must not engage in activities like internal/external committees* related to the objective of the startup. A disclosure is to be made where a possibility of overlap exists.

It should be noted, however, that the faculty member of NITW should take all possible steps to ensure that his/her *duties and responsibilities as a faculty shall take precedence over all other activities regardless of the nature of his/her engagement with the company.*

- Incubation applications must be made in the name of a private/public limited company incorporated under the *Companies Act 2013*. 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 three months from the application's approval date* for admission to NIT Warangal.
- A company, if promoted by regular faculty, shall be granted incubation only upon the submission of a “No Objection Certificate” from the competent authority or



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obtaining permission from the competent authority of NIT Warangal to register a startup company or signing an incubation agreement between NIT Warangal and the faculty.

Companies eligible under this policy:

- Prospective companies must pursue businesses that directly result from the research and development activities of the faculty members or students of NITW. In such cases, the faculty member(s) and student(s), if applicable, will be known as a founding member(s)/Promoter(s) in a *Non-Executive position* of the Company.

Companies not eligible under this Policy:

- A faculty member cannot associate either as a Promoter or in an *Executive Capacity* with:
 - Companies involved in Teaching and/or development of educational content. On the other hand, companies developing innovative technology platforms that facilitate content delivery are permissible.
 - b.** Companies providing consultancy services.
 - c.** Such companies are notified by NITW from time to time.

4. Opportunities for the students

A student may work on the early part of the entrepreneurial journey as a part of his/her academics using the *IEP credits*.

The policy allows,

- students to set up a startup or work part-time for the startup while studying/working as an intern.
- students to earn academic credits for working on Innovative prototypes/Business Models.
- Student innovators/entrepreneurs may opt for startup in place of mini projects/major projects, seminar summer training, etc.
- Student entrepreneurs to take a semester break/year break to work on their startup



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- Student entrepreneurs can use the address of the CII, NITW to register their venture.
- Students would be incentivized for Innovation and Entrepreneurship

Undergraduate students are permitted to engage in a full-time entrepreneurship journey only when:

- They are in the last semester of study (or)
- They opt for a semester internship (or)
- They opt to apply for leave for a semester

Masters and PhD students are eligible only when:

- They have completed all the coursework (including comprehensive viva for the PhD students)
- The research topic should be in concurrence with the envisaged startup theme

NITW encourages and prioritizes Companies in the following order.

- a. Companies jointly owned by the faculty members and/or graduate students/alumni (along with possible others).
- b. Companies owned by the faculty members (one or many) along with entrepreneurs external to NITW.

5. Information Submission

Incubating companies/ teams shall submit information to NIT Warangal about all material, administrative, and financial changes or developments taking place in their companies from time to time. Such information could be (but is not limited to) a change in the name of the company, change in business or product profile, change in directors, promoters, or shareholders, acquisition of a new office, or additional equity or debt investments. The Institute may require such companies to submit other information as it deems necessary. Prior permission from the Institute shall be obtained for effecting any changes.



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6. Infrastructure and services provided to the incubates

Upon admission into NIT Warangal, the incubating companies will be offered the facilities based on availability/ requirement.

6.1 Funding and grants:

- An 'Innovation funds' for supporting innovative projects and start-ups will be created by allocating Institute funds and start-ups will be provided with some initial funding. This fund will also be augmented by bringing in external funding such as DST, DBT, MOE, TDB, TIFAC, BIRAC, Startup India, Invest India, MeitY, MSME, and other Public, Private and Government Entities.
- Potential for additional seed support in the form of equity/convertible instrument/loan subject to the Institute's investment guidelines from time to time,
- Facilitation for government funding programs.

6.2 Mentoring and Advisory Services:

- Specialized mentors: 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.)
- There shall be a mandatory faculty mentor from NIT Warangal for the start-ups
- Industry Mentor: To support/guide the start-ups with strategic development for work.
- Training and workshops

6.3 Professional Services:

NIT Warangal may associate with professionals for accounting, IP, legal, consulting, and management expertise on a part-time basis. Incubating companies can avail their services on payment.

6.4 Human resource

- Common secretarial pool/staff



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Intern Support: To provide management support, incubating companies will be assigned an MBA student, *if desired*.

Notes:

1. Each Incubate must deposit Rs. 25,000/- (Rupees Twenty-five thousand only) with NIT Warangal as a noninterest-bearing returnable security deposit. This amount will be returned while vacating the Incubator, after deducting outstanding dues, if any.
2. The ownership of all assets and facilities provided as a part of the supported entity rests with NIT Warangal.

7. Seed funding

The Incubates may apply through Seed Support Application through the NIT Warangal's Centre for Innovation and Incubation (CII) for funding. The seed support shall be in the form of convertible instrument/loan. Additional investment will occasionally be considered as per the terms and conditions as per the guidelines of the Startup Policy.

8 Mandatory Mentorship

Every company incubated at NIT Warangal could select one NITW faculty mentor as per the recommendation of the Expert committee within six months from the date of registration/joining of the incubation centre.

9 Periodic Assessment of Startup Company

To facilitate the periodic assessment and monitoring, a CII startup committee approved by the Director will be formulated. An assessment report periodically shall be submitted by the CII startup committee to continue with the startup activity at NIT Warangal.

NIT Warangal will periodically evaluate the performance of incubates. Incubating companies will submit information to NIT Warangal in a prescribed format. There will be a continuous assessment by the CII startup and expert committee comprising external industrial experts and faculty members with industry experience.



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The incubating company availing seed support will have to submit additional information as may be asked by NIT Warangal from time to time and an un-disbursed portion of the seed support if any will be released subject to the satisfactory progress of the company based on the expert committee's opinion.

The Incubating companies must submit a copy of their audited annual reports within 7 days from the date of their finalization. The incubating company has to submit a yearly audited statement of profit and loss and an unaudited quarterly statement on the activities.

10. Tenure in StartupPolicy/Exit

The tenure of the StartupPolicy depends on the terms and conditions as per the agreement/MoU with NIT Warangal. Companies under formal incubation will be permitted to stay, to begin with, for 11 months. A further extension, if any, will be for another 11 months based on a satisfactory performance review report of the CII startup committee. Any stay beyond 18 months is subject to NIT Warangal Board's approval and will entail additional consideration, which terms will be decided at that point as deemed necessary.

10.1 Exit

Incubating companies will leave the incubator under the following circumstances:

- Upon the completion of a stay of eighteen months, unless NIT Warangal extends the stay.
- Underperformance or non-viability of the business proposition. The criteria for the same will be decided by the expert committee of NIT Warangal on a case-to-case basis.
- Irresolvable disputes between promoters/ founders. NIT Warangal will decide the condition or point when disputes are deemed irresolvable.
- Change in promoters'/ founders' team or business profile of the company without the concurrence of NIT Warangal
- When the company enters into an acquisition, merger/amalgamation deal, or reorganization deal resulting in a substantial change in the profile of the company, its



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promoters, directors, shareholders, products, or business plans, or when a company plans for a public issue.

- Violation of any terms of the Startup Policy of NIT Warangal.

Notwithstanding anything written above, NIT Warangal's decision regarding the exit of an incubating company shall be final and cannot be disputed.

11. Consideration

For using the Institute brand and providing support, the Institute can stake a share in the startup equity held by its students/staff/faculty. Total equity held by the Institute in any company will be decided on a *case-by-case basis*. For the preincubation of the students, NITW will not take a share of equity.

In case of support and services to be provided by NIT Warangal, the supported entities will be subject to consideration of

- Incubation fees
- IP compensation
- Revenue share up to 5% (depending on the category of the patent); the revenue share need to be clearly mentioned in the agreement if it uses NIT Warangal's IP.
- Pledge of shares as an *interim measure*.

For any specific additional support or extension of incubation, additional consideration may be charged on a *case-to-case basis*.

NIT Warangal may dilute the consideration of terms on a *case-by-case basis* when companies have achieved significant milestones in revenues/investments when making an application for incubation at NITW.

Innovation and Incubation Committee (IIC):

The Director shall appoint an *Innovation and Incubation Committee* (IIC) to facilitate the administration of innovation and incubation centers and startups and implement the policies pertaining to them. The Dean R&C shall act as the Chairman of the IIC. The



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Associate Dean (CII) shall be the Secretary of IIC. The Dean R &C shall be a permanent member of the committee. In addition to the Dean (R&C) and the Head CII, the Director shall appoint three other faculty members of NITW, who are conversant with the policies, statutes, and procedures of startups, innovation, and incubation. One of the members of the ICC shall be from the Industry. The tenure of the members will be two years, preferably non-concurrent. A member may be appointed for a second term, but not more than four years in total.

12. Conflicts of interest

In case of conflict of interests, the decision of the Institute shall be final and binding upon the parties.

13. Disclaimer

13.1 It is understood that by agreeing to provide various supports and services, NIT Warangal does not undertake responsibility for:

- Ensuring success and/or feasibility of a supported company, its products/ process/ services, or marketability.
- The supported entities agree that NIT Warangal or their employees shall not be held liable for any reason because of the above.

13.2 NIT Warangal or any person representing NIT Warangal shall not be liable for any transgressions of the incubating company. However, in case of any such transgression, the incubating company shall do all that is required to avoid holding NIT Warangal or any person representing NIT Warangal responsible. Any loss, including damage penalty, shall be borne by the incubating company.

14. Agreements

The following agreements shall be signed by the supported entities to the extent applicable:



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- *Incubation agreement:* Between NIT Warangal, the supported entity, and its Promoters for NIT Warangal's incubation support. Contains rules and other incubation norms, consideration, equity holding, etc. (Applicable to all)
- *Founders' Agreement:* Between the founders of the company, a copy of which shall be shared with NIT Warangal
- *Seed fund Agreement:* Between NIT Warangal and seed-supported company on sanction of seed support to the incubating company. Contains rules of disbursement and repayment. (Applicable to incubates availing seed fund)

15. Auditing/Accounting & Compliances norms

The Incubating Companies, during the period of Incubation at the Institute, will mandatorily get their accounts audited, and their books of Account shall be open for Inspection by the empaneled Chartered Accountants of the Institute. Compliances laid down by the Companies Act 2013 are binding on the Incubate Companies. The companies will give a quarterly report on the compliances adhered to, as laid down in the Companies Act.

Non-compliance with the above would be liable to penalty/strict action by the Institute.

Non-adherence to the first warning of non-compliance by the said Incubating company will attract a penalty of Rs. 1000/-, which will be billed to the facilities head.

Action against the non-adherence to the second warning by the Incubating Company will make the Company ineligible to apply for Seed funds at the Institute.

An action against the non-adherence to the third warning would invite a notice to vacate the residential premises allotted to them.

16. Intellectual Property Rights

The Institute will allow licensing of Intellectual Property Rights (IPR) from the institute to start up as per the Institute's IPR policy. Ideally, such a startup should be initiated by students/staff/faculty based on the technology developed or co-developed by them or the technology owned by the institute and based on the Institute's IPR policy.



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17 Signing and Approval of MoU

The MoU between incubating company and NITW will be carried out as per Institute rules and regulations. Further, the concerned authorities of NIT Warangal shall sign an approval of the MoU with the Business incubator.