1. **OBJECTIVES**

- Leverage the demographic dividend of youthful India to spur greater innovation led start-ups for generating more value to society and economy while boosting global fame of resurgent India by creating globally competitive products and services while co-creating (with helpful government and private support/angel agencies) extensive gainful job opportunities and exciting career growth opportunities for everyone to sustain long term attractiveness of the planned start-up-success culture in NCT Delhi.

- Create a culture of entrepreneurship, start-ups and Intellectual Property creation that can lead to value creation, jobs and employment and do social and economic good.

- Facilitate creation of incubation centres that offer incubation infrastructure – space, computing resources, connectivity, common tools; and environment for co-working, collaboration and innovation.

- Recommend administrative structure for establishing and operating incubators and linking them with other states’ incubation centres for sharing of mutually beneficial data, strategies and contacts.

- Define processes and workflows for creation, operation, management and growth of incubation centres.

- Define role of incubators in acting as key catalysts towards ecosystem development – engagement with mentors, advisors, angel investors, VCs, funding agencies, peer start-ups, user groups (industry and or consumer) and if possible explore global, international linkages.

- Recommend alliances for incubators with experts from technology, marketing, financing domains linked so that start-ups can be guided.

- Define targets for creation of capacity via incubators, start-ups, jobs, IP led patents etc that can be considered as success metrics measuring the impact of the guidelines.

- Recommend a roadmap for incubation centres to evolve to accelerators and self-sufficient entities over a 5-10 year period.

**Building the business case**

- Building a strong business case for internal approval and attracting partners and funders is an absolutely crucial step. While long-term financial returns are possibility, it is also useful to highlight the earlier impact and community benefits that can come from accelerating start-ups. These include:

- Business Retention & Job Creation – Successful incubator ventures are likely to remain in the local ecosystem, creating opportunities for new job creation as well as channels for university-industry interaction.

- Increased Tax Revenue – A report by the NBIA found that in the US, every $1 of public investment in incubator translated into $30 in local tax revenue.
- Increased Impact Figures – University start-up incubators serve as a pipeline for new student ventures that may not be exploited by traditional technology transfer channels.

- Student Recruitment and Career Enhancement – Entrepreneurship is increasingly considered an attractive career choice for students. A 2012 survey found that 1/3 of the respondents from the millennial generation were interested in launching their own business.

- Alumni Engagement – A software incubator has to potential to attract both donations from and engagement with alumni. A 2014 QAA report noted that “Entrepreneurial alumni are the main source of donations to universities and are more likely to be inclined to donate if they believe that their time at university had a material influence on their subsequent entrepreneurial success.

2. CREATING A CULTURE OF ENTREPRENEURSHIP, START-UPS AND INTELLECTUAL PROPERTY CREATION

- Promote start-ups by creating incubation infrastructure, friendly guidelines for start-up funding, helpful labor law reforms, liberalized guidelines allowing overseas partnering, use of start-up products in government sector, start-up spaces and marketing support programs for start-ups on the basis of Preferred Market Access (PMA).

- Changes to current curricula with the aim of developing entrepreneurship in students from schooling days (class X onwards) - “catch them young”
  - Include entrepreneurship as a subject / add-on course / elective in Institutions
  - Conduct entrepreneurship boot camps during summer to encourage students participate in entrepreneurial activities
  - Offer start-up founders the option to participate in placement in the year after graduation to increase risk-taking ability
  - Offer incentives to faculty for risk-taking and start-up incubation / commercialization of technology

- Conduct Boot Camps for start-ups, Business Plan competition etc. where the winners get a chance to utilize the incubation centers being set-up.

- Create entrepreneurship challenges based upon existing problems to foster Innovation.

- Develop a mentorship body to provide support to entrepreneurs; partner with ecosystem players as possible.

- Create entrepreneurship clubs amongst the student and alumni (global/national/local) community.

3. FACILITATE CREATION OF INCUBATION CENTRES WITHIN THE EDUCATIONAL INSTITUTIONS

a. Create a Section 25 company that will act as the holding company for incubators to be created under these guidelines. Multiple companies can be created, Institute/Organisation wise to cover the city / state.
b. The holding company will employ professional staff and maintain a small secretariat to support its activities. This will be funded by the government, as per prescribed guidelines issued from time to time.

c. The Section 25 (holding) company shall have the budget to create the incubation infrastructure – shared office space, conference rooms, meeting rooms, connectivity infrastructure, computing and specialized equipment as needed etc.

d. The holding company shall also create the plans for start-up on-boarding, mentoring, growth, fund-raising and exit processes.

e. A set of operational guidelines for incubators shall be prepared and each holding company shall be provided the same as best practices.

4. INFRASTRUCTURE RECOMMENDATIONS FOR ESTABLISHING AND OPERATING INCUBATORS

- The holding company will enter into a MOU with the participating institute to facilitate setting-up of an incubation centre within the campus.
- The incubator centers in institutions should have a broad based specialization. There could be some natural selection biased by the special infrastructure, labs, machines and resources available at the Institutions.
- The Institutions that enroll for this program will provide dedicated space to each incubatee within their existing buildings and or in the new buildings. A minimum of 5,000 sq feet of space is required (10,000 sq ft is recommended).
- Each incubator shall have space for meeting rooms, conference facility, open sitting plan offices and limited number of office rooms.
- Infrastructure for tea/coffee/snacks can be created with the pantry / kitchen supplies coming from authorized vendors.
- Incubators should be based on a modular plug and play model with essential infrastructure such as 24x7 access, 24x7 electricity & back up, internet, LAN, desk tops, telephone connection and instrument, printers, scanners, copiers, tea / coffee and rest room facilities, conference / discussion rooms.
- The furniture needs shall be modern, light and functional in keeping with trends at other incubators / accelerators.
- Specialized labs can be made available to incubate companies at terms that can be decided by the management.
- Selected specialist support agencies like advertising, PR, logistics, facilities management can be common for start-ups using this incubation facility to cut operational costs.

5. SHARED SERVICES TO BE PROVIDED BY INCUBATORS

- Provide a platform where incubatees can easily access services such as accounting, legal services, administrative services, marketing & sales support, etc.
- Incubators should create a panel for regular mentors to provide mentoring and assistance.
• Incubators should establish a panel of visiting guests and experts who can visit once a month/quarter and provide vision and direction to the incubates.

6. Eligibility
• The incubation centre’s should be accessible to:
  1. Current students
  2. Alumni
  3. Faculty / Staff including retired person
  4. Any other person not belonging to any of the above category may be considered as per merit and space availability, after giving preference to Sr. no.1 to 3 categories. On rare to rare case basis, the students of other institutions may also be considered eligible.

7. Selection Process/Criteria
• An evaluation process should be put in place to select relevant incubatees for the program.
• Ideas should be assessed through a written application and interview process including detailed technical and financial due diligence. Applications may be shortlisted on certain criteria such as strength and novelty, strength of core business team, funds needed, and time to market. The final selection should be through interview (including a presentation of the business case) by an expert panel consisting of MDs/CEOs of successful start-ups, technical and legal experts along with faculty and investor representatives.
• Special preference and encouragement shall be given to women entrepreneurs and specially-abled entrepreneurs business startups focusing on rural/weaker communities’ welfare/transformation under these guidelines. This may include advisory services to create plans to meet the business plan requirements, relaxed conditions for appraisal of business plans and preferred seed funding access subject to availability of resources.
• Mentors may be available to help budding entrepreneurs along every step of this application process.

8. Tracking Performance
• Create and oversee a reporting mechanism to track performance and success (Job creation, revenue, no. of incubatees in a year of such centers).
• Tracking of success and failure, as well as the factors leading to both, will help in understanding the usefulness of the centers and provide a knowledge base to up-coming entrepreneurs.
• Business plan evaluation should be done at different stages of the incubation program.

9. Mentorship
• A systematic proactive mentorship program must be provided.
• Workshop on mentorship to be conducted.
- Both, technical and business mentoring will form part of the incubation program.
- MOUs / tie-ups with the leading trade and industry associations like FICCI, ASSOCHAM, PHDCCI, CII, and All India Management Association (AIMA) to strengthen the Institution-Industry interface and access to industry mentors.
- Alumni networks of the institutions and specialist government institutions like banks will be leveraged to act as mentors and business evangelists for the start-ups being incubated.
- Successful ventures will also act as mentors to other start-ups in the same field.
- Provide access to some training workshops aimed at specific business skills such as strategy planning, finance, intellectual property, marketing, HR, operations’ innovations, raising debt and equity finance, etc.
- Mentors are usually not compensated. If however, the mentorship moves to regular advisory services, the incubatee and the mentor can setup commensurate arrangements including equity, fees, bonus etc.

10. ACADEMIC INTERVENTIONS TO FOSTER A CULTURE OF ENTREPRENEURSHIP IN INSTITUTIONS

i. Update syllabus:- The Institution to revise course curriculum to be in tune with emerging technologies, latest business innovations’ practices & align to requirement of industries & to introduce course on entrepreneurship development through incubators. Industry experts need to be engaged to teach such frequently updated courses.

ii. Faculty Training:- A scheme to be developed to train faculty for promotion of business innovation and startup culture.

iii. Mandatory Apprenticeship:- If apprenticeship is presently part of syllabus and it may also be carried out in any start up including his/her start up.

iv. Gap year concept:- The Institutions to create the concept of student entrepreneur in Residence. The outstanding students to be allowed maximum two years of break to pursue entrepreneurship fulltime & this period will not be counted for the time for the maximum time for graduation.

v. Innovative & original idea for final year projects:- The nodal incubator to create an online portal with details of all such projects so that student can post their projects on line to avoid duplication.

vi. Relaxation in academic performance of students:- relaxation in attendance up to 20% & grace marks of 5% may be allowed to student start up teams.

vii. Deferred placement may be allowed to final year students up to two years.

viii. Boot camps:- Institution entrepreneurship club to be established through incubators to foster innovation & entrepreneurial spirit at Institution level.
ix. Conductance of seminar / workshop:- Weekend training workshop may be conducted in partnership with leading academies.

x. Attracting incubation/startup training institutions International mentors:- The funding provided by Govt. may be used for this purpose.

xi. International Start up culture & exchange program:- Tie up with Institutions across globe to be made to encourage start up culture. The World class Institutions like Stanford, MIT & Harvard may be approached.

xii. Networking among Institutions:- A state wide network of Institutions to be created with incubators so that innovators can commercialize their Intellectual Property.

11. FUNDING SUPPORT RECOMMENDATIONS

• The holding company shall have access to grants / soft loans from the Government (State and Central) – government to provide seed funding to the start-up in the incubation centers.

• The holding company shall arrange access to SME or Micro loan schemes available from State-owned or Private Banks.

• The holding companies shall provide the funds to create the infrastructure at the educational institutes.

• The holding companies shall pay for the operating expenses of the incubators from the annual budget.

• The institute can approach alumni to create a start-up incubation fund and deploy the funds into the incubate companies.

• The incubator shall organize “Demo Days” and VC/ funding agency visits aimed at raising investment finance and providing feedback to incubators.

• Most start-ups need seed capital to get off the prototype stage. Many non IT start-ups may need larger seed capital and perhaps even later stage capital to commercialize the idea. The Start-up Incubation guidelines strongly recommends creation of a Seed Fund to support early stage investments needed to bootstrap this ecosystem. The fund may be used to acquire minority equity in the venture with reasonable exit clauses that makes the scheme self-sustainable by ploughing back any gains into the program to compensate for investments that may not yield any returns (in keeping with high-risk nature of start-ups).

12. EXIT

• Entrepreneurs should be allowed to buy back shares at a specified internal rate of return (IRR) as decided by the Institutions and the holding company (depending on if the investment was made by Institute or the holding company). If the start-up has risen external funding at some valuation V and the external funding agency wants to acquire the incubator shares in addition to the investment, the shares held by the incubator can be acquired at the same value as the investment or at the IRR whichever is higher.
Exit money should be utilized as per prescribed guidelines of Institution. For the holding company, the funds should be ploughed back into the seed fund. The aim of the holding company should be achieved financial break-even through accrued sources in 5 - 10 years.

- Exit criterion: The incubate companies should leave the incubator, if,
  - They have completed the maximum tenure (recommended 12 months, maximum 24 months). An extension of 12 months can be given at the end of the 24 month period based on review by the managing board as exceptional case. No extension after 36 months is permitted.
  - The growth of the incubate company exceeds the maximum space that is available to be allocated to an incubate (15 seats can be considered as the outer limit).
  - Underperformance or un-viability of the business case (inability to pay for the infrastructure for 3 months; inability to sustain day to day expense and/or decision by founders to terminate the operations.
  - Incubate meets any of the following criteria
    - Enters into an acquisition, merger or amalgamation deal or reorganization deal resulting substantially a change in the profile of the company, its promoters, directors, shareholders, products or business plans, or when a company plans for a public issue.
    - Change in promoters / founders team without approval from the centre management.
  - Gross indiscipline or unacceptable behavior towards other incubates companies, incubator staff/officials, service providers or mentors/advisors. Such cases should be reviewed and decided by the holding company management with careful attention to detail.

APPENDIX-I

SUMMARY for Setting up of Incubators

Infrastructure

a.i.1. The Incubator should provide a minimum of 5,000 sq feet of space towards the incubation centre (10,000 sq ft is recommended).

a.i.2. Each incubator shall have space for meeting rooms, conference facility, open sitting plan offices and limited number of office rooms.

a.i.3. Incubators should be based on a plug and play model with essential infrastructure such as 24x7 access, 24x 7 electricity & back up, internet, LAN, desk tops, telephone connection and instrument, printers, scanners, copiers, tea / coffee and rest room facilities, conference / discussion rooms.

a.i.4. Infrastructure for tea/coffee/snacks can be created with the pantry / kitchen supplies coming from authorized vendors.
a.i.1.a.i.5. The furniture needs shall be modern, light and functional in keeping with trends at other incubators / accelerators.

a.i.1.a.i.6. The incubator shall create an ambience of innovation, inspiring posters, quotations and interior design that encourage creative expression.

Operations

a.i.1.a.i.7. The Incubator shall be managed by a full time professional team with small secretariat to be hired at market linked terms. The roles and qualifications of the management team and the secretariat are provided separately.

a.i.1.a.i.8. The Incubator management shall have a 3 year tenure with a second 3 year extension subject to performance appraisal.

a.i.1.a.i.9. The Incubator shall be required to submit plans for CapEx and OpEx to the Institute for approval under these guidelines. Institute shall review the plans and grant funds from the GNCTD pool for the creation of infrastructure, creation of seed pool and operative expenses. Forms for the same shall be developed as needed.

a.i.1.a.i.10. The incubator shall submit status, reports, project ideas, plans and all such information required by the Institute or the GNCTD for publishing the health of the incubator/start-up ecosystem report.

On-boarding / Funding

a.i.1.a.i.11. The incubator shall invite students, faculty, alumni and interested persons to apply for incubation by submitting this business plans in the prescribed format.

a.i.1.a.i.12. The Incubator shall admit start-ups basis their review and appraisal of the business plans.

a.i.1.a.i.13. The start-ups can apply for seed-fund grants post acceptance and the same shall be reviewed and approved or rejected based on the technical plan, business plan and availability of funds.

a.i.1.a.i.14. The Incubator shall take a small equity in the start-up against the seed-fund granted, if any. This equity shall be capped at 10% of the total equity of the start-up in all cases.

a.i.1.a.i.15. The start-up may also apply for funding with the affiliate venture funds, start-up funds and other sources of capital like specialist success-fee based crowdfunding portals. The incubator has a purely facilitation and catalyst role in such arrangement with no expectation of any fees or equity.
a.i.1.a.i.16. The start-ups admitted to the incubators shall pay a monthly per seat cost to the incubator to recover operative costs. The charges for the same shall be decided by the respective Institution. Start-ups may use the seed-funds to pay for the expenses or their own capital from personal / other sources.

**Mentoring / Prototyping**

a.i.1.a.i.17. The incubator shall help the start-up to build their prototype product and seek early customers.

a.i.1.a.i.18. The incubator shall arrange for a mentor panel, advisory bodies, connection with other start-ups and all other ecosystem enabling activities to provide feedback, ideas, support and resources to the start-ups to launch their products.

a.i.1.a.i.19. The incubator shall arrange for Demo Day, bringing investors, larger companies and advisors/mentors to showcase the products created at the incubation centre.

**Exit Options**

a.i.1.a.i.20. Start-ups may Exit from the incubator if they achieve scale or if they shut down the operation. Details of exit conditions are provided in the guidelines.

a.i.1.a.i.21. At the time of Exit, the start-up entrepreneurs will be allowed to buy back the shares held by the Incubator at a specified internal rate of return (IRR) as decided by the Institutions and the holding company (depending on if the investment was made by Institute or the holding company) from time to time. The spirit of the guidelines is to provide a fair return on the risk capital / seed fund to the incubator to enable it to continue to act as a catalyst to the ecosystem and to enable the founder to seek higher value for their shares as the business grows.

a.i.1.a.i.22. If the start-up has raised external funding at some valuation V and the external funding agency wants to acquire the incubator shares in addition to the investment, the shares held by the incubator can be acquired at the eighty percent of the value as the investment or at the IRR whichever is higher.

a.i.1.a.i.23. Any return on Exit money should be ploughed back as per guidelines of the Institution.. The aim of the holding company should be achieved financial break-even through accrued sources in 5 years.

**APPENDIX-II**

**Profile of Incubator Management**

- Graduate degree with min 10 years of work experience or Masters degree with min of 7 years of work experience in commercial / consulting environment.
- Prior experience to working in a start-up, collaborating with a start-up, funding a start-up will be an added advantage.
- Good communication skills, good team building skills, good listening skills are top pre-requisites.
- Strong ability to build ecosystems, collaborate with stakeholders, and connect people and events and ability to use technology to accelerate sharing of information is critical.
- Good financial management ability, demonstrated ability to manage with financial responsibility is desired.