



START-UP POLICY FOR NIT WARANGAL

Policy Objective

The goal of Start-up Policy at NIT Warangal is to promote and nurture technology-based entrepreneurship. It provides ‘Start to scale’ support to tech start-ups and facilitates the conversion of research activity into entrepreneurial ventures. To this end, NIT Warangal has adopted this Start-up Policy to provide guidance and management structure to facilitate development of entrepreneurship.

Applicability

The policy is applicable to start-ups, companies, teams and individuals inclined to incubate their ideas at NIT Warangal utilizing the intellectual and various other material resources of NIT Warangal.

The scope of this document is to define the policies and procedures for the operational matters related to the Start-up Policy at NIT Warangal. It covers the following processes:

1. Eligibility
2. Admission process
3. Information Submission
4. Intellectual Property
5. Infrastructure and Services provided to incubates
6. Seed funding
7. Mandatory Mentorship
8. Periodic Assessment
9. Tenure in Start-up Policy / Exit
10. Consideration
11. Conflicts of Interest
12. Disclaimer



13. Agreements

14. Auditing/Accounting & Compliances norms

The policy is subject to periodical review and amendments. It will be the responsibility of the companies admitted to/associated with NIT Warangal to update themselves from time to time on amendments in Start-up Policy and procedures. NIT Warangal 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.

1. Eligibility and start up types

1.1 Admission to Start-up Policy for incubation is open to Technology start-ups having affiliation with NIT Warangal community which includes:

- Faculty members /Jointly owned by faculty members
- Students(UG/PG/Ph.D)
- Alumni
- NITW's R&D partners (sponsors of R&D and consultancy projects)
- NITW's partner universities (having R&D collaborations in place)
- Government agencies
- Retired faculty of NIT, Warangal

Prior to all eligible may begin a virtual or remote start up that makes it possible for founders from outside locations to benefit from NITW mentor support and resources.

Role of the Faculty Member

The Faculty member has to take prior permission from the Institute before associating with any business venture or starting a new venture in the application format as prescribed by NITW.



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It is expected that the faculty member would be a Promoter of such Companies and/or a Director on its Board. In addition, the faculty member can choose one of the following options:

a). Provide consultancy to the Company in a non-executive capacity. However, the total number of days allocated by the faculty member for the consultancy activities should not exceed 20 % of the working days.

Undertake projects that could be executed at NITW, and manage through the Company. However, this may be undertaken only after obtaining explicit permission from the competent authority at NITW and entering into an explicit agreement with the Institute following existing processes.

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

However, a limited number of faculty members are allowed to undertake such activities on a full time basis by keeping lien with the institute. The lien for this purpose may be granted initially 3 years and can be extendable for a period of 2 more years. Accordingly, the rules regarding the purposes for grant of Sabbatical Leave may be suitably modified/updated.

Faculty members may participate in start-up on a part time basis as per NITW consultancy norms with regard to the extent of time spent on such participation. The compensation to the faculty may be in cash for which NITW norms for consultancy projects will be applicable. Instead, a faculty member is allowed to obtain shares of the Start -up company as compensation for the engagement with the company. **In such case, the faculty must apply for approval for engagement with the Stat-up. In such cases, up to 20% of these shares (or less as decided by NITW) shall be transferred to NITW and the remaining to the faculty.** The total number of shares of the Start-up from all involved faculty member will however capped to 5% of the total allotted shares of the Start-up.

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

- Faculty must separate and clearly distinguish on-going Institute research from work being conducted at the startup.
- Faculty must limit engagement for the company to a maximum of 20% of the office time.
- Faculty must make all efforts to balance their academic responsibilities while assuming the entrepreneurial role.
- It is expected the startup is involved in technology development. Merely providing



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consultancy services is not permitted and such activity must be taken up through Technology and Consultancy norms of R&D section.

- Faculty must not involve research staff or other staff of institute in activities at the Startup 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 wider activities of the startup, it may be routed via 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, take precedence over all other activities regardless of the nature of his/her engagement with the Company.

Facilities to the students

The policy A student may work on the early part of the entrepreneurial journey as part of academics using the IEP credits.

- Allow students to setup Startup (Social and tech and non-tech) or working part-time for the startup while studying/working as intern.
- Allows students to earn credit for working on Innovative prototypes/business Models.
- Student Innovators/entrepreneurs may allowed to opt for startup in place mini project /major project, seminar and summer training etc.
- Allows student entrepreneurs to take a semester break/year break to work on their startup
- Allows Student entrepreneurs to use address of center for innovation and incubation center to register their venture.
- Incentivizes Students for Innovation and Entrepreneurship

BTech student is permitted to engage in full time of entrepreneurship journey:

- if the student is in the last semester of study (or)
- if the student opts for semester internship (or)
- if the student opts for semester leave



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For a Masters or a PhD student to be eligible:

- he/she must have completed all the coursework (and comprehensive too for PhD students)
- the research topic should be in sync with the startup theme

1.2 Applications for incubation has to 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 a period of three months from the date of approval of the application for admission in NIT Warangal.

1.3 A company if it is promoted by regular Government staff or employee shall be granted incubation only upon submission of “No Objection Certificate” from the competent authority or employer. However, companies having employees as shareholders are eligible to apply for incubation.

NITW encourages and prioritizes the Companies in the following order.

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

Companies eligible under this “Policy”:

Such a Company must pursue businesses that are a direct result of the research and development activities of the faculty member 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:

- a. Companies involved in Teaching and/or development of educational content. On the other hand, companies developing innovative technology platforms that facilitate delivery of content are permissible.
- b. Companies whose business will be to provide consultancy services.



c. Such class of Companies that may be prescribed and notified by NITW from time to time.

2. Admission Process

All the applicants will have to read and agree to the ‘terms and conditions’ of the incubation, their applications shall be processed only when they agree to the ‘terms and conditions’ as laid down in Start-up Policy by NIT Warangal.

2.1 Two stages of review process:

STAGE 1: Submit Executive Summary or Business Plan

As a first step in the admissions process, the prospective company should submit an Incubation Application containing the business plan, Certificate of incorporation and Memorandum & Articles of Association. The executive summary shall be submitted to the Selection committee for comments on technical and business feasibility of the idea.

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 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 & Loss Account, Balance Sheet and Cash Flows
5. Fund’s requirement and viability of raising finance
6. Time to market
7. Break-even period
8. Commercial potential, demand and requirement in India
9. Scalability

Business Plan Template



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The following template shows a possible structure for a comprehensive business plan. The shown sequence is not mandatory; 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. Management / Organizational chart
8. Financials
9. Risks and de-risking strategies

STAGE 2: Presentation to Evaluation Committee of NIT Warangal

If the initial review of the business plan / executive summary by the Selection committee is positive, a meeting will be arranged at NIT Warangal with the company founders, during which the company will be expected to give a presentation describing critical aspects of the business plan to the Evaluation committee (comprising of experts from the domain, investor, established entrepreneur, potential client/user). The presentation will be followed by questions. After the presentation, a final decision will be made regarding the company's entry into the incubator.

Incubation approval is subject to completion of satisfactory review process. NIT Warangal will have a sole discretion whether to admit or reject a proposal for incubation and the decision of in this regard the Institute shall be final. The Institute is not bound to give any reason in case a proposal is rejected.

2.2 However, in the following cases the review process may be relaxed on case-to-case basis:

- Serial Entrepreneurs



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- Customer Validation and/or adoption
- Existing ventures with revenues of Rs.50 lacs or above
- Have got funding by Angel investor, VC of up to Rs.30 lacs
- Pre-screened and previewed business ideas/cases by government grants/competitions

2.3 Research & Due Diligence:

Throughout the application process, on an as-needed basis, NIT Warangal will perform research and due diligence of the company, the management team, the industry, and current and future competitive elements facing the business. The Institute may require further information from the applicant, and may ask the applicant to revise the executive summary and/or presentation.

3. Information Submission

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

4. Intellectual property

Promoters should fill an IP declaration worksheet at the time of admission and declare the Intellectual Property developed and owned by the incubate company.

1. In case the incubate company is desirous of using the Intellectual Property of NITW like patent, software code, copyright, design registration, developed product, etc. Then the company shall make such request in writing to NIT Warangal.
2. The company shall inform if any students have worked on the technology and if their work will be incorporated in the product(s).
3. The company shall inform if any IP has been generated as a result of collaborative work with faculty members (who are not promoters) is being incorporated into the product(s).



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4. The company shall inform if any NITW infrastructure (hardware, testing setup, instrumentation, computing resources, processes) has been used in developing the IP or technology that will go into the product(s).
5. The company shall inform if any about any agreement with NITW that the IP has been assigned to the company for commercialization.
6. The entrepreneur would have option of first purchasing the rights of IP from NIT Warangal and then being incubated or assigning equity to NIT Warangal in lieu of direct payments to NITW.
7. In any of the above cases, if there is anyone/team/organisation/institution who has worked on the IP and if any of them is not part of the start-up, a No Objection Certificate (NOC) shall be obtained from such members for usage of the IP in the start-up.

5. Infrastructure and services provided to the incubates

Upon admission to NIT Warangal, the following facilities will be offered to the incubate companies:

5.1. Physical infrastructure:

- Furnished Office Space
- Shared resources: Meeting rooms, Conference rooms, Pantry
- Office productivity equipment: Photocopier, Printer, Fax machine, Shredder, Scanner, Projector, CD-cutting machine, video audio conferencing facilities
(The supported entity shall pay for the usage some of these equipment on actual basis)
- NIT Warangal Lab with prototyping equipment and software tools. If NIT Warangal labs are envisaged to be used during the course of association with NIT Warangal, explicit approval should be obtained from NIT Warangal including from the faculty-in-charge whose labs are going to be used. In addition, with a view to ensure safety and security of all concerned, all compliances and procedures for lab usage should be strictly adhered to.
- Library: Management Books, Subscription to IT, Business, Management and Trade journals and newspapers



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- One Accommodation to Founder/Director/Promoter depending upon the availability (One room in hostel)

5.2. Utility*:

- Electricity
- Internet
- Phone connection

(* No cost for electricity/internet consumption or any utility or service is charged separately to incubate. However, NIT Warangal retains a right to limit the free electricity/internet consumption and other utility, beyond which charges will become payable by the Incubate.)

5.3. IT Support:

- Cloud credits
- The start-up portal:
 1. For submitting or downloading application forms/documents
 2. For recruiting staff/employees/professionals/interns for the start-up
 3. For making contact details/social media links of the start-ups available to the angel/VC/industry/alumni/experts and vice-versa
 4. For scheduling tasks

5.4. Funding and grants:

An 'Innovation fund' for supporting innovative projects and Start-ups will be created by allocating minimum 1% of institution's total budget and the start-ups will be provided with *some initial funding*.

(The Company will have its own funding and accounting procedures in line with the prevailing statutory norms.)

- Potential for additional seed support in form of equity/convertible instrument/loan subject to the Institute's investment guidelines from time to time,
- Facilitation for Government funding programs



5.5. 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)
- Faculty advisor: to mentor on technology issues
- Trainings and workshops

5.5. Professional Services:

- NIT Warangal may associate with professionals for accounting, IP, legal, consulting and management expertise on a part-time basis. Incubate companies can avail of their services. Any direct service provided to an Incubate would have to be paid for by the Incubate to the service provider.

5.6. Human resource

- Common secretarial pool/staff
- Intern Support: to provide support in management, incubates will be assigned an MBA student, if desired.

Notes:

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

6. Seed funding

For additional funding, the Incubates may apply by way of Seed Support Application through the **NIT Warangal's Center for innovation and Incubation (CII)**, which will be considered by investment committee. The seed support shall be in the form of equity/convertible



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instrument/loan. Additional investment will be subject to terms and conditions as per Start-up Policy's guidelines from time to time.

NIT Warangal 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 companies and shall be based on merits of each company.

NIT Warangal will have sole discretion to sanction or reject an application for seed loan and the decision of NIT Warangal in this regard shall be final. NIT Warangal 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 NIT Warangal that suitable progress has been made.

7. Mandatory Mentorship

Every company that is offered incubation at NIT Warangal has to select one faculty from NITW who shall act as mentor of the Incubate and guide the company on product research and development. The Incubate has to offer minimum 1% of share equity to the mentor as a consideration of mentorship.

The NIT Warangal start-up portal has a database of Industry mentors. Every company incubated at NIT Warangal may select one Industry mentor at the recommendation of the Expert's committee within six months from the date of joining the incubation centre. In case the Incubate opts for an industry mentor the incubate company has to offer minimum 1% of equity to the mentor as a consideration of mentorship.

8. Periodic Assessment

NIT Warangal will periodically evaluate the performance of incubates. Incubate companies will submit information to the NIT Warangal in a prescribed format. They will also be subject to continuous assessment by the Expert's committee comprising of external industrial experts (preferably alumni) and faculty members with industry experience.



The incubate entity which has taken seed support will have to submit additional information as may be asked by NIT Warangal. The un-disbursed portion of the seed support will be adjusted subject to the assessment of the Expert's committee.

It is mandatory for the Incubate companies to submit a copy of their audited annual reports within a period of 7 days from the date of their finalisation. The incubate company has to submit a yearly audited statement of profit and loss account and unaudited quarterly statement about the activities.

9. Tenure in Start-up Policy/Exit

9.1 Tenure in Start-up Policy would depend on terms of particular program. Companies under formal incubation will be permitted to stay, to begin with, for a period of 18 months. Further extension if any will be for another 18 months based on satisfactory performance review. Any stay beyond the total of 36 months is subject to NIT Warangal Board's approval and will entail additional consideration, which terms will be decided at that point of time.

9.2 Exit

Incubate companies will leave the incubator under the following circumstances:

- Completion of stay for eighteen months, unless the stay is extended by NIT Warangal.
- Underperformance or non-viability of the business proposition: criteria for the same will be decided and applied by the Expert's committee of NIT Warangal on the case-to-case basis.
- Irresolvable disputes between promoters/ founders. NIT Warangal will decide the position or point when disputes are deemed to be irresolvable.
- Change in promoters'/ founders' team or business profile of the company without concurrence of Start-up Policy
- When the company enters in an acquisition, merger or amalgamation deal or reorganisation deal resulting in 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 Start-up Policy
- Any other reason for which NIT Warangal may find it necessary for an incubate company to leave.

Notwithstanding anything written elsewhere, NIT Warangal's decision in connection with the exit of an incubate company shall be final and shall not be disputed by any incubate company.

10. Consideration

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

- Rental / Incubation fees
- IP compensation
- Equity and Revenue share up to 6% to be split between the two (For e.g. 5% + 1%, 4% + 2%, 3% + 3%) or as a one time share to be decided on case to case basis (ex: in case of a patent granted to a faculty)
- Pledge of shares as interim measure

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

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

11. Conflicts of interest

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

12. Disclaimer



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12.1 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,
- Ensuring quality of support and services provided by NIT Warangal to the complete satisfaction of the incubate companies or their promoters/ founders.

The supported entities agree that NIT Warangal or their employees shall not be held liable for any reason on account of the above.

12.2 NIT Warangal or any person representing NIT Warangal shall not be liable for any acts or omissions of the incubate company. However, in case of any such event the incubate company shall do all that is required to hold NIT Warangal or any person representing NIT Warangal harmless from any loss including damage, penalty.

13. Agreements

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

- Incubation agreement: Between NIT Warangal, 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, copy of which is shared with NIT Warangal
- Seed fund Agreement: Between NIT Warangal and seed supported company on sanction of seed support to the incubate company. Contains rules of disbursement and repayment. (Applicable to incubates availing seed-fund)

14. Auditing/Accounting & Compliances norms



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

Non-Compliance of the same would be liable to penalty/strict action by the Institute

- Non-Adherence to the first warning of the non-compliance by the said Incubate Company will attract penalty of Rs. 1000/- which will be billed with the facilities due
- An action against the Non-Adherence to the second warning by the Incubate Company will make the Company ineligible to apply for Seed fund at the Institute
- An action against the Non-Adherence to the third warning in the form of notice to vacate the residential premises allotted to them.