



## **ABSTRACT**

MSME - Tamil Nadu Startup and Innovation Policy 2018-2023  
(TANSIM) - Guidelines for Tamil Nadu Startup Seed Grant Fund  
(TNSSGF) - Orders issued.

### **MICRO, SMALL AND MEDIUM ENTERPRISES [A] DEPARTMENT**

G.O.(Ms) No.49

Dated: 18.06.2020

திருவள்ளூர் ஆண்டு 2051  
சார்வரி வருடம், ஆனி-4

Read:

1. G.O. (Ms). No.7, Micro, Small and Medium Enterprises (D2) Department, dated 22.01.2019.
2. From the Additional Director, Entrepreneurship Development and Innovation Institute – Tamil Nadu (EDII – Tamil Nadu) letter No.431/ TANSIM EDII / 2019-3, dated 17.12.2019.

### **ORDER:**

In the Government Order read above, the Government have issued the Tamil Nadu Startup and Innovation Policy 2018-2023. The Entrepreneurship Development and Innovation Institute (EDII) has been nominated as Nodal Agency to implement the Policy. One of the Policy interventions proposed in the Tamil Nadu Startup & Innovation Policy for its implementation is to ensure channelling adequate resources to strengthen Startup Ecosystem and to establish Tamil Nadu Startup Seed Grant Fund (TNSSGF) with corpus of Rs.50 Crore to support early stage Startups.

2. In accordance with the above Government Order, the Principal Secretary / Director, Entrepreneurship Development and Innovation Institute - Tamil Nadu in the reference second read above has sent the draft guidelines for Tamil Nadu Startup Seed Grant Fund (TNSSGF) for approval of Government to implement the Startup Policy.

3. The Government after careful examination of the proposal of the Entrepreneurship Development and Innovation Institute have

decided to accept and accordingly frame the following Guidelines for Tamil Nadu Startup Seed Grant Fund (TNSSGF):-

## **GUIDELINES FOR TAMIL NADU STARTUP SEED GRANT FUND**

### **1. Introduction**

Tamil Nadu Startup Seed Grant Fund (TNSSGF), hereafter called as TANSEED, shall support early stage financing requirements of the (a) Startups and (b) Incubators & Accelerators, in the form of grants to fill the gap in fund requirement for research & innovations, anything from mind to marketplace (which may also be patentable). TANSEED would also provide funding for Idea-to-POC (Proof of Concept) stages, which are pre-startup activities with the much needed early stage financial assistance to be provided to deserving ideas/ technologies. This grant would support prototyping and testing of innovative ideas of early stage startups / students/ faculty/ individuals.

### **2. Grant Highlights**

Normally, the seed funding shall be offered up to a maximum of Rs.25 lakh or as deemed appropriate by the TANSEED Expert Committee. In exceptional cases, for extraordinary projects, the funding may go upto a maximum of Rs.50 Lakh, with the approval of the TANSEED High Level Committee. Seed support upto Rs.10 Lakh will be considered as a grant and matching grant is required to avail any funds exceeding Rs.10 Lakh. TANSEED would cater to early stage funding for indigenous ideas and technologies requiring up-scaling and related work. The funds would be disbursed to the deserving incubatees with proper due diligence upon intimation to Incubators.

### **3. Areas covered under the Grant**

The Startups would be supported primarily on the following:

1. Procurement of inputs to develop a prototype or working model to demonstrate the proposed technology solution and equipment rental.
2. Hiring technical mentors to aid and assist in prototype creation.
3. Manpower for product development. (Not more than 30% of Grant).
4. Test Marketing
5. Testing, certification and trials.
6. Any other expenses deemed fit by the TANSEED Expert Committee.

### **Following expenditures will not be supported by the grant**

1. Remuneration of the founding team. [Founding team includes anyone with beneficial ownership of more than 10% during the grant program]
2. Any administrative expenses such as office rent, daily travel and conveyance, personal use equipment such as mobile phones, laptop etc.
3. Repay any loans or investments made by the founding team or any other person in the venture to date.
4. Pure research projects that intends to demonstrate scientific principles/techniques etc.
5. Ideas with no intention of commercialization i.e. to convert into marketable technology/ products/ services.
6. Innovations with serious ethical and safety risks deemed infeasible by experts and have serious pollution and health implications
7. Funding cannot be used to support student / faculty research or any other academic research.

The total funding to a startup shall not exceed Rs.50 Lakh under all categories put together. The validity of the grant shall be 18 Months. The minimum gap between availing from one fund to another shall be 18 months. However, on exceptional cases, when a Start-Step / Startup has completed the milestones and has really moved up they can be considered, provided the TANSEED Expert Committee has sufficient evidence to believe that the startup is eligible for the next round of fund.

For Example, if a Startstep/Startup has availed an initial grant of Rs. 10 Lakh, they can apply again for further seed grant support provided they raise a matching grant. The matching grant support shall be upto a maximum of Rs 40 Lakh.

#### **4. Eligibility Criteria**

##### **4.1. Start-Step**

1. Should be registered with TANSIM
2. Located in Tamil Nadu.

##### **4.2. Startup**

1. The entity should be a Startup registered with TANSIM and STARTUP INDIA. It shall be located and headquartered in Tamil Nadu.
2. The entity should be registered as a Private Limited Company (under Companies Act 2013), or a Limited Liability Partnership (Under Limited Liability Partnership Act 2008) or a registered Partnership firm (under Partnership Act 1932).
3. The average profit of the entity (as per income tax return) for the last 3 years (or lesser in case it's a newly registered entity) shall be less than Rs.5 Lakh.

4. Working towards innovation, development or improvement of products or processes with a high potential of employment generation, social impact or wealth creation.
5. The entity should not have been formed by splitting up, reconstruction of a business already in existence or as a Subsidiary/Joint Venture/Associate of another Company.
6. The startup should have cleared all / not have any other pending dues with any of the Government agencies and shall not be blacklisted by any Government agency in India.
7. The applicant may be incubated in an incubator for at least six months at the time of application.
8. Applicant has to be an Indian start-up. This support is not meant for Indian Subsidiaries of MNCs/Foreign Companies. Persons holding Overseas Citizenship of India (OCI) and Persons of Indian Origin (PIO) would be considered as Indian citizens for the purpose of this scheme. The shareholding by Indian promoters in the incubated Startup should be at least 51%.
9. The Seed Grant is not generally given for service Startups working in Trade and Commerce.
10. The seed fund shall be funding the development of the prototype or a product which is market ready / of small level pilot production only and shall not be for regular research which any University or College can foster.

Overall 5% of the total funds shall be earmarked for prototype development projects in pre incubation stage. The maximum seed grant for such projects will be Rupees One lakh.

## **5. Application Process**

1. TANSIM will call for proposals quarterly (Fiscal Calendar).
2. The Call for Proposals is advertised through TANSIM Website and other digital platforms (Official Handles) and explore all possible means of reaching to the right applicant.
3. The Call for Proposals is typically open for a period of 15 days.
4. The applicant needs to submit an online application for funding by registering and logging on the TANSIM website. A profile will be created with a Unique Identity Number (UID), where the applicant can submit the seed application and track it.
5. A portal shall be launched for startups to file their grant applications. In the meantime, the applications shall be filed manually (5 copies) to TANSIM.
6. Applicants are advised to fill-up and submit their applications early before the due date, without waiting for the last date, in order to avoid any last minute contingencies.
7. Any request for changes in the proposal once submitted will not be encouraged.
8. Applicants will be given time to present their proposal and there will be a session for Question & Answer.

## 6. Application Format

The applications may be submitted in the prescribed format as mentioned in **ANNEXURE 1** to this order.

## 7. Documents to be submitted

1. Residence and ID proof – any document provided by the Government.
2. Letter of acceptance or MoU with incubator/knowledge partner.
3. Any other due diligence documents requested on case to case basis (Refer Annexure III to this Order).

## 8. TANSEED Eligibility Screening

A team would be nominated under TANSIM, including external experts, in order to screen the applications. The applications received by TANSIM with the recommendations of incubators will first be shortlisted based on the criteria mentioned in the following pages by the Screening team. For Grants of less than Rs. 1 Lakh, the applicants will be called for a pitch presentation in the presence of domain expert(s) as jury and then their application may be submitted to Mission Director, TANSIM for clearance.

## 9. TANSEED Expert Committee

For recommending the applications requiring Seed/Matching Grant support of above Rs.1 Lakh and upto Rs.25 Lakhs, a **TANSEED Expert Committee** will be setup by Mission Director, TANSIM.

The Composition of TANSEED Expert Committee would be as follows:

1. Mission Director, TANSIM
2. Domain Experts
3. Funding Expert
4. Nominee from Finance department
5. Incubator Head
6. Successful Entrepreneur(s)

If any of the Committee members have conflict of interest or any association with the applicant/incubator, they shall not evaluate the application. The Committee members may decide the Chairperson.

## 10. TANSEED High Level Committee

- Applications requiring a Seed/Matching Grant Support upto Rs.25 Lakh will be evaluated by the TANSEED Expert Committee.
- Beyond Rs.25 Lakh, the applications will be evaluated by the TANSEED High Level Committee, which comprises of the following Officers:
  - i) Secretary to Government, Finance Department or his nominee,

- ii) Secretary to Government, MSME Department and
- iii) Mission Director, TANSIM, as Convener.

This Committee shall meet twice a year.

### **11. TANSEED Committee Requirements**

- The members are expected to sign a Non-Disclosure Agreement and a Non-Conflict Agreement. If there are any conflicts of interest with any of Start-Steps/Startups, the members may inform the Chairperson.
- Decisions shall be based on voting by the members. In case of a tie, the Chairperson shall use his/her vote. The decision of the Committee in all respects shall be final.
- Calendar for every quarter will be announced on TANSIM website.

### **12. Methodology of Selection**

An application made available online shall be filled and submitted, along with a presentation deck and supporting documents, within the prescribed date. This will be followed by shortlisting through evaluations by the panel and presentations before the TANSEED Expert/High Level Committee.

### **13. Modalities**

#### **13.1. Shortlisting Process**

The applications received by TANSIM, with the recommendation of incubators, will first be screened based on the following criteria.

#### **13.2. Shortlisting Criteria**

1. The startup must be working on an innovative product or technology and not involved in pure service delivery
2. Problem Identification and impact of the solution.
3. Potential for scaling up and employment creation.
4. Commitment, expertise & pedigree of the team.
5. The depth of research done on the identified problem.
6. If the startup has any dues with TANSIM, that needs to be cleared before availing the fund.
7. Business plan and usage of Fund – Clear deliverables and outcomes have to be mentioned by startups in their application. The shortlisting will be based on the quality of the business plan provided. Product-market fit, early customer feedback, technological capability of startup team to execute the project are some of the factors considered for shortlisting.
8. Funds received by the applicant like grants, prize money and other financial modes will also be taken into consideration before sanction. Priority will be given to those startups who have not received any fund.

9. The shortlisted Startups will be asked to submit a 2-Minute video introduction of the product along with the pitch deck.
10. The shortlisted Startups will then pitch to the TANSEED Expert / High Level Committee, who will recommend if the Start-Step/ Startups are worth funding.
11. In exceptional cases, the presentation over Video Conference, skype, zoom, etc. are also allowed. (This must be notified by E-mail at least 1 week prior to TANSEED Committee Meet).

### 13.3. Selection Process

The Committee will examine the proposal, in depth, and based on the quality of the proposal and the presentation, will decide on the amount of seed fund to be sanctioned for the Startups. The Committee may also suggest the pattern of utilization, which may differ from the plan prepared by the startup. The recommendation of the Committee will be finalized normally within 3 working days of the presentation day for Sanction of Seed grant. The recommendations of the Expert Committee will be submitted to the Mission Director, TANSIM for approval for overall grant value upto Rs.25.00 lakh. For grants beyond Rs.25.00 lakh, it shall be forwarded to the High Level Committee. Startups, thus sanctioned, will be notified through email. Upon signing of MoU between TANSIM, Incubator/Accelerator and Startup, the fund will be released within 7-10 working days.

### 13.4. Shortlist Announcement

Startups shortlisted for seed support presentation will be notified through email and portal at least two weeks before the scheduled day of meeting with the TANSEED Expert/High Level Committee. Applicants who were rejected will also be notified through E-mail. They may re-apply with an improved application in the next round.

### 13.5. Participation Confirmation

The selected Startups are expected to confirm their participation within 3 days by submitting the pitch deck and the financial projections. The Committee will examine the proposal in depth and based on the quality of the proposal & presentation will make a decision. The Committee may also make recommendations that shall be incorporated into the final proposal. Such recommendations will be finalized normally within 3 working days of the Committee Meet. The Startup shall submit the revised proposal incorporating the suggestions, for the TANSEED Expert Committee.

### 13.6. Duration of the Seed Grant Usage

The Seed funding is for a maximum period of 24 months in installments against agreed milestones. No request for extension shall be entertained under any circumstance.

### 13.7. Support to Student Innovators

**Start-Step 1 :** At Idea stage no specific funding will be provided.

**Start-Step 2:** The potential idea that's validated and tested and need to go to the next level of Proof-of-Concept (PoC). With clear technology objectives this could be a process/ product innovation which has a significant impact or commercial potential. This early stage may be supported for developing the prototype. Funding shall be offered at this level from the TANSEED upto a maximum of Rs.1 lakh as deemed appropriate.

#### 13.7.1. Support For Student Start-steps

- Start-steps will be supported upto a maximum of Rs.1 lakh 5 % of the allotment under TANSEED will be utilized for support to Start-steps.
- In case of students, they should be enrolled and studying in any of the College/ University within Tamil Nadu and should be working on an innovative idea towards a workable prototype. A '*No Objection Certificate*' from the Head of their institutions, on the institutions' letter-head along with their application and the commitment from the institutions that the project will be taken to its logical conclusion by the student/concerned faculty.
- The applicant can be a single individual or a group. However, the lead member will be the applicant and others can be co-applicants. Financial support can be given only to the lead applicant by name, and all team members have to concur to it.
- The support/funds should be mainly for prototype development work/proof-of-concept.
- Travel costs are based on actual and not exceeding 5% of the approved project cost.
- Students pursuing long term research projects like doctoral research projects or similar projects will not be supported; however student entrepreneurs will be eligible if they have the right to commercially exploit the technology.
- The decision of Competent Authority will be final and binding upon the stakeholders.

### 13.8. Fund Disbursement

- The fund disbursement is milestone based and is released in installments over a maximum period of 2 years. Proposed project duration cannot exceed 2 years.
- MoU will be signed between TANSIM, Startup and the Incubator/Accelerator.

#### 13.8.1. For Grants up to Rs. 10 Lakh

The first tranche shall be disbursed (50% of grant) after signing the grant agreement along with the Terms of Reference and other



requisite documentation. The terms of reference shall include the final proposal incorporating recommendations of the Mission Director, TANSIM.

The second tranche will be disbursed on submission of the following:

1. Interim Project updates (milestones reached) submitted by the core management team.
2. Demo of the product developed so far (if applicable)
3. Note on all deviations from the original plan & the reasons thereof.
4. Fund Utilization certificate by an empanelled Chartered Accountant in the format given by TANSIM along with the supporting bank statement. The format shall highlight deviations of over 10% from the given cost head.

### **13.8.2. For Matching Grants above Rs.10 Lakh**

Disbursement is solely based on milestones set by TANSEED Expert/High Level Committee and is released in 4 installments:

1. 1<sup>st</sup> Installment: Signing of MoU: - 30%
2. 2<sup>nd</sup> Installment: Completion of 1st Milestone - 30%
3. 3<sup>rd</sup> Installment: Completion of 2nd Milestone - 30%
4. 4<sup>th</sup> Installment: Completion of project and submission of final report - 10%

The Final and Last installment shall be released after the conclusion of the project and hence is in the nature of reimbursement. At the discretion of the TANSEED Expert Committee, grants may be terminated midway if the applicants fail to accomplish milestones or show progress. Any unspent balance grant remaining with the Startup/Incubator shall be returned to TANSIM within 15 days, failing which Simple Interest will be levied.

### **13.8.3. For Matching Grants above Rs. 25 Lakh**

The sanctioning authority will be the Mission Director, TANSIM for all grants upto Rs.25 lakh. For grants above Rs.25 lakh, the sanctioning authority shall be the **High Level Committee**. This Committee shall sit twice in a year.

### **13.9. Mode of Payment**

Payment will be through direct transfer in the name of the start-up, upon intimation to the Incubator/Accelerator.

### **13.10. Documents for First Tranche**

The Startups with the grant sanctioned are expected to submit a detailed fund utilisation plan along with project milestones. The fund utilization plan for the first tranche should be clearly stated along with the interim outcomes expected to be achieved.

The list of documents to be submitted are as follows:

1. Address ID proof of Founder/ Co-Founders signing the agreement
2. Personal Guarantee of the startup
3. Scanned copy of passbook front page of the company/entity account.
4. Stamp paper worth Rs.100 in name of the company/entity.

Agreement may be signed by one of the founders. Rental dues and loan interest dues (if any) need to be cleared before the release of the seed grant. After verifying these details, agreement with the Startup will be executed. The fund will be released within 7 days of signing the agreement.

The Startups are expected to submit the interim progress update and utilisation certificate to initiate the release of the second tranche of fund. The progress will be reviewed by a Committee of experts before the balance amount is released. Wherever necessary, the Startup will be asked to present a demo. As documents for Second Tranche, apart from the interim progress report and the audited Utilization Certificate, the Startup is also expected to detail out the plan for the balance amount and the expected outcome of the project.

#### **13.11. Matching Grant:**

Based on the merits and fund requirement for implementation of the startup project, startups shall be provided grants above Rs. 10 lakh as matching grant. The Startups should have demonstrated the project/PoC elsewhere in any open Innovation Challenge/Competition, Government or Private, and received grants from any Investor(s)/Firm(s) for the project. Funds equal to such grant will be sanctioned as matching grant under TANSEED. The overall grant sanction under TANSEED shall not exceed Rs.50 lakh.

#### **13.12. Post Payment Audits**

1. At the discretion of the Committee, the Committee can appoint an internal or external auditor to conduct an audit of the Startup.
2. The Start-up is requested to retain all documents, bills, quotations, and contracts for a period of 3 years from the last disbursement.
3. The grant shall become refundable in case any misrepresentation is observed and unexplained.

### 13.13. Project Completion Report

Startups are expected to submit the final report and audited utilization certificate at the end of the project duration. The subsequent support for the Startup will be subject to the submission of report and utilization certificate.

### 13.14. Futile Projects

Not all Startups are expected to get market validation and take off. Projects might fail due to technical reasons or because the customer failed to adopt the idea or product. For failed ventures, the entrepreneur is expected to share his/her learnings and the reasons for failure in the report and submit this along with the fund utilization certificate by an empanelled Chartered Accountant for the amount disbursed.

### 13.15. Applying Again

The Startups with a previously failed venture could get seed grant for a new idea or project after one year of rejection. There will be a seed credit score which will be maintained for the Startups who avail the seed grant. Each failure will affect the score and Startups below certain limit can't avail the seed grant. The project report submitted by the innovator which details out the efforts taken and the reasons for failure will be thoroughly reviewed along with the audited utilization certificate and if these are found satisfactory, the innovator may be considered again for the grant.

## **14. Incubators**

Incubators provide Startups with necessary infrastructure and other facilities to nurture their ideas to become a reality to reach the market through various support services and mechanism. These institutions support the young fledgling firms (at the Start-step level) which are yet to reach a Startup level to survive and develop.

### **14.1. TANSIM support**

The TANSEED shall also provide a one-time revolving fund up to a maximum of Rs.50 lakh to academic institutional & private Technology Business Incubators (TBI), provided the TBI mobilizes fund in the ratio of 1:3 (TANSEED: TBIs) through industry or from its own resources and the TBI is registered as a Section 8 company and open up to the public.

### **14.2. Scope of the Fund**

TANSEED will support Incubators to nurture and facilitate Startups by providing access to infrastructure, training, funds, mentoring as well as networking platforms. The fund supports incubators in their nascent stage i.e. to their growth stage.

Recognising the gap in fund support during early stage of a Startup, this fund would address this fund requisite through the Incubators.

The primary intention of TANSEED is to provide Capital assistance to Startups with innovative and worthy ideas to graduate to growth stage where they will be able to attract funds from investors like angel/Venture capitalists when they are mature enough to raise bank loans or get support from State sponsored NEED scheme or from commercial banks / financial institutions.

### **14.3. Funding framework**

Under Incubator TANSEED Fund, TANSIM will provide Grant-in-aid assistance to selected Technology Business Incubators (TBIs) provided the TBI fulfils the conditions stated in Para 14.1. Each selected incubator will be granted up to Rs.50 Lakh for implementation of TANSEED Fund. Each incubator can design a selection process to screen and select Startups for equity and operational funding through TANSEED Fund (e.g Accelerator program or Direct investment). The provisions stated herein below deal with the essential guiding principles of the initiative.

### **14.4. Duration of the Scheme**

The Expert Committee will monitor the incubator till one cycle of funding, including Incubator contribution, is completed or for 2 Years, whichever is later.

### **14.5. Selection**

Well-established Incubation Centres (TBIs) will be shortlisted based on the Key Performance Indicators (KPIs). Shortlisted Incubation Centres will be required to make a presentation on their scale-up plan before High Level Committee for final selection. (Selection Matrix as per Annex VI to this order).

### **14.6. Eligibility criteria**

1. Incubator should be Operational for the last three years, with at least 10 resident Startups.
2. The Startups shall, preferably, be in thrust areas identified by TANSIM.
3. The agency should be an autonomous organization or Society registered under Tamil Nadu Societies Registration Act 1975, or registered under the Companies Act, 2013.
4. Incubator should have in-house capacity to conduct events and programmes and to incubate and mentor early stage Startups.
5. Incubator should have established IP & Tech Transfer facilitation services for Startups.
6. Incubator must have prior experience in management of early stage funding schemes or other grants.

7. Resolution from the apex body such as the Board of Directors, the Board of Trustees etc. to allocate funds for a Grant Program.
8. Certificate from a Chartered Accountant on the availability of funds (Incubator's share of contribution) in un-encumbered bank deposits and specifically allocated for Grant support.

#### **14.7. Responsibilities**

1. Each incubator shall identify Indian Startups (registered under Companies Act, 2013 and having at least 51% shareholders as Indian Citizens [does not include OCI or PIO] as the mandatory requirement or under LLP) after duly putting in place a selection mechanism based on the requirements.
2. Incubator can provide funding as loan/equity and equity linked instruments, for equity investment and to cover such Startup costs such as purchasing equipment and supplies, and hiring employees.
3. The equity and equity linked instruments shall be held in the name of the Incubator. A legally binding Agreement between the Incubator and the Startup shall be entered into with the terms for funding and investment.
4. There shall not be any conflict of interest of the Incubator in any of the Startups selected for funding.
5. No Startup will receive Seed Funding support more than once under the same scheme/programme or within the duration of the grant.
6. Incubator can administer the TANSEED Incubator Seed Fund either through an already existing Committee at the Incubator, which makes decision regarding the equity / investment for the Incubator or constitute a Committee, whose members would be domain experts, to evaluate and review the investment strategy and other project progress parameters.
7. The Incubator shall have the Additional Mission Director or in his/her absence the Head of Funding Division of TANSIM as nominee in their TANSEED Fund Committee.
8. Incubator shall clearly put in place the exit strategy and incorporate appropriate provisions in the governing Agreement, including the terms regarding default of payments, with the Startup. One Board Observer position for the TANSIM nominee shall be essential aspect of such Agreement.
9. Incubator shall be responsible for monitoring the progress of the milestones and for providing all the reasonable hand holding support to the Startup.
10. Incubator shall submit half yearly implementation review and report to TANSIM on the TANSEED Fund implementation including the Utilization Certificates (Including copies of Bills), Statement of Accounts (SOA) and Project Progress of the beneficiary Startups.

11. No Management Fees is applicable for implementing the TANSEED Fund to the Incubator.
12. On exit from the Startup as equity stakeholder, the Incubator shall retain the net return on the investment for further investments in Startups. The Incubator may reconstitute the remaining profits, if any, on infrastructural development of the incubator.
13. Every exit report shall specifically provide the disinvestment summary. Review of Seed Fund implementation submitted to the TANSEED Fund Committee shall accordingly recommend further implementation strategies including financial and non-financial revisions in consultation with the Incubators.
14. In case of abandonment of project by beneficiaries, Incubatees have to return the remaining funds.

#### **14.8. Process of identifying the Incubator**

The Incubators interested to avail TANSEED support under this scheme may visit the TANSIM website and submit their application online. Necessary documents can also be uploaded online.

The proposals would be evaluated based on merit by the High Level Committee duly constituted for this purpose. The selected applicants will be required to enter into a Memorandum of Understanding (as per **Annex IV** to this order) with TANSIM and sign a Bond.

#### **14.9. IP ownership**

The IP ownership and rights to technology commercialization rests with the innovator and TANSIM. The Incubator has no right to claim ownership in the IP.

#### **14.10. RTI**

All the details with respect to funding of Startups and also admin funds are subject to scrutiny. Incubators' will be responsible for dealing with RTI queries, if any.

#### **14.11. Re-Application**

The Incubators, whose applications were rejected in one round, may re-apply again after a period of One Year.

#### **14.12. Accounting and Utilization of TANSEED Grant**

- The Incubator is required to raise seed support through Non-Government sources (Non-government sources exclude Central, State and local Governments.) matching 3-times the grant-in-aid for seed support.

- The Incubator shall open a separate bank account for the Seed Grant including the matching grant raised by the incubator.
- TANSEED Grant will be released only after depositing of matching Grant by the Incubator in the above Bank Account. If the Incubator fails to raise the matching grant within 6 months of administrative sanction of TANSEED Grant, the TANSEED Grant Offer shall be treated as withdrawn.
- The amount collected against repayments including interest generated, may be utilized as seed support for next round of incubatees and not for any other activity of the Incubator.
- At any point, if the incubator is found to have used the Grant for the purposes other than what it has been intended for, then TANSIM reserves the right to recall the entire Grant allotted with Interest at the rate of 12% per annum in a single installment. If it is not repaid within 30 days of date of issue of recall order, then penal interest at the rate of 2.5% per annum will be levied.
- In case the Startups / Incubators misuse the grant/fail to respond to the repeated communications by TANSIM, they will be blacklisted so that they shall not avail any more grants/support from TANSIM.
- The blacklist shall also be made available in the TANSIM website and shared with other Government Agencies.

#### **LIST OF ANNEXURES**

ANNEXURE 1	-	TANSEED Application Format.
ANNEXURE 2	-	No Objection Certificate for Student / Employee Innovators.
ANNEXURE 3	-	List of Documents to be submitted.
ANNEXURE 4	-	MoU between Incubator and TANSIM
ANNEXURE 5	-	Incubator Business Plan.
ANNEXURE 6	-	Incubator Selection Matrix.

4. This order issues with the concurrence of Finance Department vide its U.O. No.17822/Ind/2020, dated 10.06.2020.

**(BY ORDER OF THE GOVERNOR)**

**Dr. K.GOPAL  
PRINCIPAL SECRETARY TO GOVERNMENT [FAC]**

To  
The Industries Commissioner and  
Director of Industries and Commerce,  
Thiru Vi Ka Industrial Estate,  
Guindy, Chennai - 32.

The Director,  
Entrepreneurship Development and Innovation Institute-Tamil Nadu,  
Chennai-32.

The Additional Chief Secretary to Government,  
Finance Department, Chennai - 9.

All Additional Chief Secretaries/ Principal Secretaries /  
Secretaries to Government, Secretariat, Chennai - 9.

All Head of Departments

All District Collectors.

**Copy to**

The Chief Minister's Office, Chennai-9.

The Deputy Chief Minister's Office, Chennai-9.

The Special Personal Assistant to Minister (Rural Industries),  
Chennai-9

The Private Secretary to Chief Secretary to Government, Chennai - 9.

The Senior Private Secretary to Principal Secretary to  
Government(FAC), Micro, Small and Medium Enterprises  
Department, Chennai-9.

The Micro, Small and Medium Enterprises (Budget / OP) Department,  
Chennai-9.

The Finance (Ind.) Department, Chennai-9 /

The Industries Department, Chennai - 9.

The Public (SC) Department , Chennai-9

Stock file / Spare copy.

**// FORWARDED BY ORDER //**

*[Handwritten Signature]*  
18/06/2020  
**SECTION OFFICER**  
*[Handwritten Signature]*  
18/6/20



**Annexure to G.O. (Ms). No.49, Micro, Small and Medium Enterprises (A)**  
**Department, dated 18.06.2020**

**ANNEXURE-I**

**TANSEED Application Form**

**A. General Information**

Start-Step/Startup :  
 Name of the Applicant :  
 Registration Number (TANSIM) :  
 Father's/Mother's Name :  
 Gender M/F/T :  
 Date of Birth/Age : \_ \_ / \_ \_ / \_ \_ \_ \_ DD/MM/YYYY  
 Educational Qualification :  
 Present Address :  
 Permanent Address :  
 Mobile Number :  
 E-Mail Address :  
 Aadhaar No. :  
 PAN :  
 Udyog Aadhaar No. (if applicable) :  
 Name & Address of the Company :  
 Date of Incorporation :  
 Domain :  
 Product(s)/Service/Process :  
 Where incubated :  
 Date from which incubated :  
 Bank Name & Address :

Name and address of Founders/ Co-Founders

a) b)

c) d)

Current Professional Experience / Employment /Student status of the applicant: **(No Objection Certificate from HOD/Organization is required in case of Students& Employees-ANNEXURE II)**

Note: Section A, which contains the fields for entering General Information will be common for all applicants. Section B will be different for Start-Steps, Startups and Incubators.

**B. Technical & Financial Details (After Completing Section A) For Start-Steps**

1. Details of the Idea/Project
2. Project Cost / Financing Plan
3. Amount of Grant Sought
4. Has the applicant applied for financial assistance for the same/ similar project from any Other institution/ agency including prize money. If so, details and status thereof.
5. Physical and Financial Projections for next three years (separately incremental growth) **(Annex complete Business Plan)**
6. Projected milestones **(Annex Bar Charts)**
7. Market Assessment
  - a. Major Customers - Target Sector - Survey
  - b. Market demand (Yearly and Total)
  - c. Marketability Prospects & Distribution Problems
  - d. Product Substitution, if any
  - e. Major Competitors
8. Product Quality / Specification (If Applicable)
  - a. Specification of the product, I.S. or others
  - b. Have the products been tested?
  - c. Consumer acceptability report on the products
  - d. Details of Govt. regulations /directives in favour/ against
  - e. Testing of the Product/ Process/ Benchmarking, etc.
9. Status of the work already carried out as such: (Yes/No)
  - a. Prototype developed and tested :
  - b. Process demonstrated at Pilot scale :
  - c. Patents Filed/Product Certification :
  - d. Consumers/ users feedback received :
10. Anticipated effluents waste and pollution problems and steps envisaged for tackling the same
11. Safety considerations, if any
12. What are your major inputs for the project?
13. Any restrictions/difficulties anticipated in implementation of the

proposal (including primary risks facing this opportunity)

14. Any other point not covered by the above which you wish to highlight, the special Advantages, which are in your favour.

**Declaration:**

I / we declare that the information given above is true and correct to the best of my / our knowledge and belief. Nothing material has been suppressed.

I/We hereby also certify that no financial liabilities are pending with me/us on accord of financial support availed by me/us from other Government Institutions / Agencies for my/our any other innovations.

I / we declare that the Start-step is not formed by splitting up, reconstruction of a business already in existence or as a Subsidiary/JV/Associate of another company.

**Place** :

**Dated** :

**Signature**

### **For Startups (After Completing Section A)**

1. Details of the Product/Innovation
2. Project Cost / Financing Plan (Grant/Loan)
3. Amount of Grant/Loan Sought :
4. Has the applicant received or applied for financial assistance for the same/ similar project from any Other institution/ agency including prize money. If so, details & status thereof.
5. Brief note on the distinct competitive advantage of the technology  
(Max: 50 Words)
6. **(Annex Complete Business Plan)**
7. Projected milestones (Annex Bar/Gantt/PERT Charts, etc)
8. Market Assessment
  - a) Customer Sector - Target
  - b) Market demand (Yearly and Total)
  - c) Marketability prospects & distribution problems
  - d) Product substitution, if any
  - e) How is demand fulfilled
  - f) Major Competitors
9. Product Quality / Specification
  - a. Specification of the product, I.S. or others
  - b. Have the product(s) been tested to conform to the specification?
  - c. Consumer acceptability report on the products
  - d. Details of Govt. regulations /directives in favour/ against the company /product
  - e. Testing of the Product/Innovation
10. Intellectual Property Rights, India/International Patents Filed: (If Any)
  - i) Patents Granted :
  - ii) Trademarks :
  - iii) Other :
11. Brief note on the IPRs likely to be developed and Targeted Market
12. Major R&D achievements/ Product Certifications:

## 13. Capital structure

- i) Authorised capital :
- ii) Issued capital :
- iii) Paid up capital :
- iv) Reserves, if any :
- v) Details of loans :  
if any (Separately short & long term loans)
- vi) Current Assets
- vii) Liabilities (If Any) :
- viii) Brief details & value of the Fixed Assets:
- ix) Financials including previous three years, Turnover & Net Profit/  
Income (if applicable)

## 14. Manpower employed (as on date and projected numbers)

- a) Scientific & Technical
- b) Sales & Marketing
- c) Administrative
- d) Others
- e) External Consultants / Experts, if any

## 15. Status of the work already carried out as such: (Yes/No)

- a) Prototype developed and tested :
- b) Process demonstrated at Pilot scale :
- c) Patents filed :
- d) Consumers/ users feedback received :

Any other information on work already carried-out (**Enclose documentary proof of work done by way of photographs, video clips, forward orders etc.**)

## 16. Any work done on development of prototype / pilot plant

- a) Number of prototypes produced/ Capacity of the pilot plant
- b) Duration of investigations
- c) Design data collected
- d) Whether the pilot plant is still in operation. If so, could it be demonstrated?

17. In the light of trends of research in this line, Does the proposal made, has reasonable Chances of standing test of time, say 5-10 Years? Give justification
18. Anticipated effluents waste and pollution problems and steps envisaged for tackling the same
19. Environment and Safety considerations of the Product.
20. Assumptions for the financial projections
  - a) Cost of the project and sources of finance
  - b) Projected cash flow during the developmental Period
  - c) Projected profitability statement
  - d) Break-even point
  - e) Financial analysis, if any
  - f) Attach Feasibility Project Report
21. Any restrictions difficulties anticipated in the implementation of the proposal (including primary risks facing this opportunity)
22. Details of Sources of Finance for Balance Funds:
  - a)Banks/Financial Institutions:
  - b)Venture Capitalists:
  - c)Name and address of co-investors:
  - d) Activities Monitor-able milestones (basis: Scope and Support)
  - e) Duration (months) Budget required (Rs. in lakh)
  - f)Have you approached any other organization/agency for financial support for the current activity? Please give details etc.
23. Any awards or recognition related to the innovation:
- 24.Details of Mentors/Guide, if any:
- 25.Any other information that you wish to share with us to help us in judging your application.

**Declaration:**

I/We declare that all the statements made in this application are true, complete and correct to the best of my/our knowledge and belief.

In the event of any information, found false or incorrect, my/our candidature will stand cancelled and all my claims will be forfeited.

I/We hereby also certify that no loan or any other financial liabilities are pending with me/us on accord of financial support availed by me/us from other Government Institutions / Agencies for my/our any other innovations.

I / we declare that the Startup is not formed by splitting up, reconstruction of a business already in existence or as a Subsidiary/JV/Associate of another company.

Place :

Date :

(Signature of the applicant)

**RECOMMENDATIONS OF THE FORWARDING INCUBATOR**

Place:

Signature of the Head





5. Number of patents, if any (Last 3 Years)
  - a. **Filed:**
  - b. **Granted:**
6. Incubator Type – Public/Private/ PPP/Section 8 Company
7. Are you partnering with an educational/ research institute/ industry?
8. If yes, then provide number of educational/ research institutes/industries:
9. List the names of the educational/ research institutes/ industry: (To be Attached)
10. Investment commitment and Track Record (Rs.....Lakh):
11. Select the area of specialization (R&D Strength):
  - Automobile & Sustainable Transportation Technologies
  - Biotechnology
  - Communication technology (publishing, printing, media, design, etc.)
  - Medical devices & implants
  - Nanotechnology
  - Water & Environmental Technologies
  - Smart cities Technologies
  - Smart/Advanced manufacturing Technologies
  - Life Sciences
  - Renewable Energy
  - Others (please specify)
12. Available Workspace (in sq.ft.):
13. Total Capacity of the Incubator (No. of Seats) :
14. Total Manpower Available for O&M of the incubator:
15. Do you conduct in-house events and programs supporting Startups?  
If yes, please provide details
16. Details of Existing Resources of the Incubator that are available to the incubatees.
17. Whether supported by other Central/State Government projects?  
If yes, please provide details.

**Note:** The Application Form shall be annexed with a Complete Business Plan.

**ANNEXURE – II**

**No Objection Certificate for the Student /Employee Innovators**

The Student / Employee Innovator .....  
is studying /working in our Institute/Organization.....  
.....

since .....The institute/organization has no objection to the innovator taking up the innovation work as proposed with financial support under TANSEED. The institute laboratories will be made available on chargeable basis to the innovator for executing his/her project/innovation.

The Institute/Organization will be responsible for final completion of project in case the Innovator leaves the Institute/Organization without completion of the project.

Competent authority Signature with Seal



**ANNEXURE III****List of documents to be submitted by the Company:**

- Certificate of Incorporation/ Commencement of Business
- Complete Note on the founders' background and their strengths relevant to the proposed venture
- Annual Reports of existing Company(ies) of the Group, if any
- Detailed Project Report
- Complete Business Plan
- Copy of the market studies, feasibility studies, analyses etc. done, if any
- Copy of the recent analyses of the industry prepared by investment bankers, engineers, management consultants, accountants, or others, including marketing studies, credit reports and other types of reports, financial or otherwise, if any
- Chart indicating the project duration and implementation schedule with projected milestones
- In the case of existing company, brief information on Internal working, Management Team and SWOT Analysis
- Copy of the marketing and other descriptive brochures regarding the other Companies of the group
- Copy of the press releases and press clippings, if any of the Group Companies
- Certificate to the effect that the company had obtained all the statutory clearance for the project and product(s)
- Agreements (Investment, Disinvestment, undertakings etc. by the company and promoters)
- Personal guarantee/ Bond of the Promoters (case to case basis)



### Memorandum of Understanding

This Agreement is made on this \_\_\_\_\_ day of \_\_\_\_\_ 2019  
between

TAMIL NADU STARTUP AND INNOVATION MISSION

Chennai, TamilNadu

Hereinafter termed as **TANSIM**

AND

**<INCUBATOR NAME>**

**<INCUBATOR ADDRESS>**

Hereinafter termed as **HOST INSTITUTION**

The Tamil Nadu Startup and Innovation Mission (TANSIM) and the <Incubator Name><Incubator Address>('Host Institution'), which is an academic/technical/company implemented through a Special Purpose Vehicle, <> (A Section 8 Company) (hereinafter called as 'IC') with its registered office at<Incubator Address>, hereby agree to enter in a MoU on \_\_\_\_\_ day of \_\_\_\_\_, 2019 subject to the terms and conditions stated in the MoU.

#### **Whereas,**

- i) 'TANSIM' is an implementing agency of Tamil Nadu Startup and Innovation Policy 2018-23 of the Government of Tamil Nadu.
- ii) The Host Institution/Organization is a recognized < Type > under < Act Name>.

#### **Objectives:**

- i) The role of TANSIM is to promote a culture of innovation and entrepreneurship in Tamil Nadu and that of the 'TANSIM' is to make Tamil Nadu as a Global Innovation Hub. TANSIM through the Tamil Nadu Startup Seed Grant Fund (TNSSGF), shall provide revolving fund up to a maximum of Rs.50 lakh to academic institutional & private Technology Business Incubators (TBI) to encourage

- 2.7 The Incubator shall administer the TANSEED Incubator Seed Fund either through an already existing Committee at the Incubator, which makes decision regarding the equity / investment for the Incubator. Alternatively, it would constitute a committee, whose members would be domain experts, to evaluate and review the investment strategy and other project progress parameters.
- 2.8 The Incubator shall have Additional Mission Director, TANSIM or in his/her absence the Head of Funding Division of TANSIM as a member of the TANSEED Fund Committee.
- 2.9 The Incubator shall clearly put in place the exit strategy and incorporate appropriate provisions in the governing Agreement, including the terms regarding default of payments, with the Startup. One Board observer position for the TANSIM nominee shall be essential aspect of such Agreement.
- 2.10 On exit from the startup as equity stakeholder, the Incubator shall retain the net return on the investment for further investments in startups. The Incubator may retribute the remaining profits, if any, on infrastructural development of the incubator.
- 2.11 Every exit report shall specifically provide the disinvestment summary. Review of Seed Fund Implementation submitted to the TANSEED Committee shall accordingly recommend further implementation strategies including financial and non-financial revisions in consultation with the Incubators.
- 2.12 In case of abandonment of project by beneficiaries, Incubatees have to return the remaining funds and their innovations including the IP to the incubator.

### **3.0 Monitoring:**

- 3.1 The Expert Committee will monitor the incubator till one cycle of funding, including Incubator contribution, is completed or for 2 Years, whichever is later.
- 3.2 The operations of the Incubator will be reviewed on a quarterly basis in person and monthly over Skype based on a comparison of the



proposed budget plan versus the actual physical and financial performance. It will also include inspection of audited annual accounts.

- 3.3 Incubator shall submit half yearly implementation review and report to TANSIM on the TANSEED Fund implementation including the Utilization Certificates (Incl. Copies of Bills), Statement of Accounts (SOA) and Project Progress of the beneficiary Start-ups.
- 3.4 The Incubator should ensure that TANSEED Revolving Grant and Matching Fund raised should be utilized proportionately.
- 3.5 Concerned officers of TANSIM its authorized representatives may visit the Incubator periodically for ascertaining the progress of work and resolving any difficulties that might be encountered in the course of implementation.

#### **4.0 General Conditions:**

The specialization of the Incubator shall be clearly defined.

4.2 The Incubator will have its own website, which should be updated on continuous basis.

4.3 TANSIM will have no responsibility in case of any loss caused to life or property due to accident, fire or any other reasons.

4.4 All the details with respect to funding of startups and also admin funds are subject to scrutiny. Incubator will be responsible for dealing with RTI queries, if any.

4.5 The IP ownership and rights to technology commercialization rests with the innovator and TANSIM. The Incubator has no right to claim ownership in the IP.

4.6 The MoU will be valid for 3 years from the date of signing.

4.7 The MoU can be modified or revised from time to time with mutual consent of the parties.

4.8 Upon receipt of signed MoU, the following documents need to be sent:

- a) Registration Certificate of the Incubator.
- b) Proof of availability of at least 5,000 sq.ft built up space along

with lease deed in favour of the Incubator (a registered lease agreement for 10 years in the name of the registered Incubator should be submitted).

- c) Names of the Industries associated with the Incubator along with their letter of intent.
- d) Experience/Credentials of Full-time Managing Team (Board, CEO and other officials)
- e) Complete Business Plan and Report of Registered and Graduated Startups
- f) List of key mentors along with their CVs.

Each of the undersigned signatories represent and warrant that he/she is authorized to execute this arrangement on behalf of the party for whom he/ she signs and that no further authority or execution by any other person for such party is necessary

To be signed by Representative of Incubator

To be signed by Representative of TANSIM

Name :

Name :

Date :

Date :

Signature :

Signature :

Witness :

Witness :

1.

1.

2.

2.

**INCUBATOR  
BUSINESS PLAN**

**A. Executive Summary**

**B. Incubation Strategy and Business Model**

1. List focus areas / sectors for project (Annex. II)
2. List organizational strengths
3. Provide a proposed PERT chart of operational programme year wise for 3years
4. List infrastructure (incubation space, conference/meeting room, cafeteria, lab space, furniture, computers, utilities etc) and services (IT, technical, legal, financial) to be provided
5. Provide details of marketing strategy and support
6. Provide action plan to meet business support service
7. Outline mentoring, counseling and training efforts
8. Mention geographical region covered (if any)
9. Provide details of previous products/innovations developed (if any)

**C. Legal status of the entity and its governance policies**

1. Legal status of the entity
2. Describe the composition of the Board of directors: government representatives, policy makers, academicians, entrepreneurs, industry, professionals, investors and consultants. Multi-stakeholder board with adequate representation on a permanent basis as well as available on consultation.
3. Plans to appoint the CEO and management team to ensure smooth running of the incubator.

**D. Tabulate year wise composition (3years)**

1. Number of Incubatees (individual/group) to be admitted
2. Number of Incubatees expected to be graduated year-wise
3. Number of Incubatees graduated – Active/Inactive
4. Number of New Products/Technologies Developed/Innovations to be commercialized
5. Number of events (training programs/workshops/seminar/conference) related to entrepreneurship

- E. Selection and exit policy for incubatees- Provide selection criteria of the Incubatee and the mechanism for the same. Also specify the type of incubatee:
1. Local entrepreneurs
  2. Start-up companies
  3. Branch of Existing Firm
  4. Spin-off from University or R&D Centre
  5. Bottom of the Pyramid- Grass Root and Inclusive Growth
  6. Describe the Exit strategy:
    1. Setting a maximum time limit of 3years
    2. Incentives to exit
    3. Non-performance of the incubatees

F. Incubatee Funding mechanism and Track record in Detail

**Note:** Please give specific information in respect of each item rather than a generalized account/write up.

**INCUBATOR  
SELECTION MATRIX**

The following factors will be considered in selecting the Applicant:

SI.No	Element
1.	<p><b>Incubator Site and Support system</b></p> <ul style="list-style-type: none"> <li>• Location &amp; Incubation Space (sqft)</li> <li>• Proximity to business centers</li> <li>• Availability of Resources (library, computing &amp; communication facilities, conferencing facilities etc.)</li> <li>• Sector &amp; Area Focus (More points to underserved, backward sectors and areas)</li> <li>• The Incubator should be an autonomous organisation or society registered under TN Societies Registration Act 1975, or registered under the Companies Act, 2013.</li> </ul>
2.	<p><b>Business Consulting</b></p> <ul style="list-style-type: none"> <li>• Linkages to improve the efficacy</li> <li>• Advisory and support services</li> <li>• Number of incubatees to be admitted (Min. 10)</li> <li>• Number of incubates graduated/expected to graduate</li> <li>• Number of new products/technologies/innovations to be commercialized</li> <li>• Number of events related to entrepreneurship</li> </ul>
3.	Experience / Credentials of Full-time Managing Team (Board, CEO and other officials), the Incubator Board composition with names and background may be provided
4.	Experience of the host institution in entrepreneurship startup facilitation and innovation in last 3 years
5.	Any other, Presentation and Discussion with TANSIM in line with the Programme Objective

**Dr. K.GOPAL  
PRINCIPAL SECRETARY TO GOVERNMENT [FAC]**

//True Copy//

*S. Srinivasan*  
18/06/20

**SECTION OFFICER**

*18/6/20*

