

Government of Himachal Pradesh
Department of Industries(Section-B)

No. F. N. Ind-II(F)12-3/2015-V Dated: Shimla-2, the 20.10.2020.

Notification

The Governor of Himachal Pradesh is pleased to notify draft guidelines for setting up and Managing Venture fund in the State to facilitate seed funding and providing necessary assistance under "Him Startup Yojana"(HIMSUP) to enable the youth, existing and potential entrepreneurs to start their own enterprises as per Annexure-A.

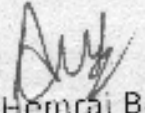
By Order

Ram Subhag Singh
Addl. Chief Secretary(Inds.) to the
Government of Himachal Pradesh.

Endst. As above. Dated: Shimla-02, the
Copy forwarded to:-

October, 2020.

1. The Chief Secretary, Government of Himachal Pradesh, Shimla-02.
2. The Secretary to the Governor, H.P. Shimla-02.
3. The Pr. Private Secretary to the Chief Minister, H.P. Shimla-02.
4. The Sr. Pvt Secy. to the Hon'ble Industries Minister, Shimla-02.
5. The Add. Chief Secretary(Fin./Planning) to the Govt. of H.P., Shimla.
6. The Principal Secretary(E&T) to the Government of H.P., Shimla-02.
7. All Administrative Secretaries, Govt. of H.P., Shimla-02.
8. The Director of Industries, Himachal Pradesh, Shimla-01.
9. All Head of Departments, Himachal Pradesh.
10. All Divisional Commissioners, Himachal Pradesh.
11. All Deputy Commissioners, Himachal Pradesh.


(Hemraj Bairwa)
Special Secretary(Inds.) to the
Govt. of Himachal Pradesh.
Phone No. 2624899.

Annexure-A

Guidelines for Setting up and Managing Seed Fund in the State under Him Startup Yojana

As per the objective of "Chief Minister's startup/Innovation projects/New Industries Scheme" to facilitate seed funding, the State Govt. would be providing necessary assistance under "Him Startup Yojana" (HIMSUP) to enable the youth, existing & potential entrepreneurs to start their own enterprises. A Venture Fund/ Seed Fund of Rs. 10 (Ten) Crore has been created to fund the Incubatee/Startups.

Important Definitions

- a. "Incubatee(s)" means start-ups registered with the Incubator.
- b. "Incubator" means IIT Mandi Catalyst or any other Incubation Centre empanelled with the "Startup Himachal" initiative of the HP Govt.
- c. "Scheme" means Chief Minister's startup/Innovation projects/New Industries Scheme
- d. "Seed Fund" means the fund created to fund the Incubatee(s) under the Chief Minister's startup/Innovation projects/New Industries Scheme" to facilitate seed funding under the "Him Startup Yojana" (HIMSUP) of the HP Govt.
- e. "State Govt." or "HP Govt." means the State Government of the Himachal Pradesh.
- f. "Start-up" means a Proprietorship/ Partnership Firm/ Private Limited Company registered under the Companies Act 2013 or under the erstwhile Companies Act, 1956 and recognized as the Startup by the Department for Promotion of Industry and Internal Trade.

1. Eligibility for Incubatee/ Start-up

- a. The Seed Fund can be given as a support to the Incubatee/Startups working in various incubation centers approved under "Chief Minister's startup/Innovation projects/New Industries Scheme" and also to those startups registered with DPIIT and are in production/operation in the state of HP.
- b. *Startup should be an Indian company registered under The Companies Act, 2013, registered in HP and have atleast 51% shareholding by Bonafide Himachali promoters at the time of decision by the seed support committee.*

- c. Startup should be registered in HP or has its head office in Himachal Pradesh or has operation in Himachal Pradesh.
- d. Incubatee/startup should be having minimum three months of incubation in any Incubation Centre empanelled with Govt. of Himachal. However, the seed support committee may decide on this issue whether Incubation is required or not.

2. Fund Management and Quantum

- a. The Seed Fund would be disbursed to the Incubator(s) as a grant-in-aid in advance tranches of atleast Rs. 2 (Two) Crore each year for a period of 5 years. An incubator can request more funds before one year in case there is a strong pipeline of startups with the requirement of seed funding.
- b. The Incubator will open a separate bank account for the purpose of this scheme.
- c. The Incubator will provide an annual utilization certificate stating the funds disbursed and unutilized during a financial year. The unutilized amount of grant in a year will be refunded by the incubator. The state government may decide to adjust the unutilized grant towards the grant release in the next year.

3. Disbursement and management of Grant-in Aid as Seed Fund:

- a. The final approval for providing seed support to the startups/incubate shall be granted by the empowered committee on the recommendation of Seed Support Management Committee of the Incubator (the "Committee"). The Empowered Committee shall be headed by Additional Chief Secretary Industries having following Members:-

1.Pr. Secretary (IT)	-	Member
2.Pr. Secretary (Technical Education)	-	Member
3.Special/ Additional /Joint Secretary (Finance)	-	Member
4.Special/ Additional /Joint Secretary (Industries)	-	Member
5.Director of Industries	-	Member Secretary
6.Chairman, Seed Support Selection Committee	-	Member
7.Any other member as Co-opted by Committee depending upon nature of startups or any other expertise for the proposal.		

b. The Seed Fund may be given to the Incubatee/Startup against equity or convertible notes to the Incubator, or as a soft loan or any other mode, based on recommendation by the Committee.

c. A transparent and proper process of selection, monitoring and disbursement mechanism should be put in place by the Committee of the Incubator as defined as clause 5 of these guidelines.

d. The Seed Support would be disbursed to the selected Incubatee/Startup based on the recommendation of the Committee. There should be a proper legally vetted agreement between Incubatee/Startup and the Incubator.


e. The Seed Support would also cater to early stage financing for commercialization of ideas, innovation and technologies.

f. The upper limit of Seed Support to a Startup may be Rs. 50 lakhs. After the Seed Support is recommended to an Incubatee/Startup, the terms of agreement with Incubatee/Startup should be framed the Incubator linking progress milestones, monitoring norms, reasonable repayment, recovery provision in case of loan and terms of equity liquidation in case of equity holding by the Incubator.

g. Maximum limit of equity stake to be taken by the incubator against the seed funding is 15%.

4. **Broad Areas and items to be covered:-**

The startups can use the Seed Fund for purposes listed below

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- a. Prototype/Product development.
 - b. Testing and trial
 - c. Operations and Marketing
 - d. Mentoring
 - e. Professional consultancy
 - f. Consultation related to Intellectual Property Rights.
 - g. Hiring of employees by startups.

h. Any other area as deemed necessary and recommended by the Seed Support Management Committee of IIT Mandi Catalyst or any other incubation centre empanelled under startup scheme in Himachal Pradesh.

5. **Mechanism of Selection, Disbursement, Governance, and Seed Fund Management**

a. The Incubator would constitute the Committee under the chairmanship of the Director/Head of the Host Institution where incubator is based. Suggestive composition of committee is as follows:


- i. Head of Host Institution or his representative
- ii. Director, Department of Industries or his/her representative.
- iii. Nodal Officer of the HP CM Startup Scheme at the Incubator
- iv. One Investor/Banker/Venture Capitalist
- v. Domain expert(s) (Industry and/or academia)**
- vi. Financial Expert(s).
- vii. Incubation Manager/CEO

*** Any other member as Co-opted by Committee depending upon nature of startups or any other expertise for the proposal*

b. The Nodal Officer of the Scheme at the Incubator would be responsible for nominating relevant potential startups to the Seed Support Management Committee. However, the final recommendation shall be made by Support Management Committee.

c. The Incubator would take measures to enhance the capabilities and skill set of the Operational Team of Incubator to manage the Seed Fund.

6. **Selection of Incubatee/Startup for Seed Fund:**

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1. The Incubator would advertise about the availability of Seed Support in leading newspaper and/or through website(s) and would call for applications for providing Seed Support. The Incubator(s) would also consider the applications received by them from various incubatee(s)/ startup(s) working as in incubation centres of the State and those who have completed their incubation. The Incubator(s) will shortlist the applicants as per eligibility criteria fixed by the Seed Support Management Committee. The final decision for providing

fund to the incubatee/startup would be taken by the Empowered Committee after such recommendations by the Seed Support Management Committee.

2. The Incubator would release the approved amount in suitable installments and would execute a legal agreement with the Incubatee/Startup before the release of 1st installment. Subsequent disbursement should be linked to the achievement of milestones. The necessary terms and conditions should be clearly spelt in the agreement. Terms regarding default in repayment against loan and /or exit in case of equity must be clearly defined in the agreement.

3. The Incubatee/Startup (Grantee) will indemnify, defend and hold harmless the Department of Industries (Grantor) from or against, and in respect to, any or all the losses, expenses, costs, obligations, liabilities and damages, including interest, penalties, attorney's fees and expenses etc. that the Grantor may incur as a result of any negligent or willful acts or omissions of the Grantee.

7. Repayment of Seed Fund given as soft loan.

1. In case of a loan, the loan should be repaid by the borrower in 16 quarterly installments with moratorium period of one year initially. During the moratorium period no interest will be charged and for subsequent 4 years, the interest would be charged @ 7% from the borrower.

2. The Seed Support Management Committee can relax timelines of repayment of loan by critically examining the facts on case to case basis having justifiable reasons.

3. The cases of default must be reported by the borrower to the Seed Support Management Committee. Such default cases must also be reported to Department of Industries by the Seed Support Management Committee immediately.

8. Exit Policy for Investment as equity.

1. The startup will make diligent efforts to help the incubator exit the equity investment within a period of 5 years.

2. The Seed Support Management Committee can relax timelines of exit in case of equity investment by critically examining the facts on case to case basis having justifiable reasons.

3. The proceeds to an incubator after the exit from a startup should be used by the incubator towards promoting the entrepreneurship ecosystem in the state of Himachal Pradesh after getting the proposal approved by the empowered committee.

9. Management Fees for the Seed Support Fund

A component of Management fee @ 3.0% of the total seed support being disbursed in each tranche shall be provided to the Incubator to cover operational expenses that may include:

- Cost of meeting of members of investment/selection committee for screening of applicants.
- Cost of meeting with mentors, angel investors, venture capitalist and experts of industries.
- Engaging consulting firm(s) for seeking guidance on legal/tax/labour law/registration/ownership issues and for negotiation and clarification related to share holder agreement.
- Valuation fee to merchant banker/valuation expert to determine the equity stake in the Company.
- For conducting site visits to verify the operation of startup.
- Payment of fee to board observer who is an expert on the board of the startup for monitoring the progress of startup.

10. Feedback and Review of Agreement

To ensure suitability of this scheme to the startups, the incubator may provide feedback, and request a review of any clause of this agreement at the end of first year.
