

INNOVATION AND BUSINESS INCUBATION AT INDIAN INSTITUTE OF TECHNOLOGY TIRUPATI

GUIDELINES AND POLICY

PREAMBLE:

In tune with the global trends in higher technological education, Indian Institute of Technology Tirupati (hereinafter referred as 'IITT') encourages entrepreneurship among the Faculty, Staff, Research Scholars, and Students. IITT will directly and actively support innovation and business incubation activities by supporting the incubation of "IITT Incubated Companies" by its Faculty / Staff / Research / Students. Some of these companies may be founded based in part or in full on technologies/IP developed by IITT, or jointly with it in collaborative mode. IITT may also provide incubation support to external Start-ups with which Faculty / Staff / Research / Scholars / Students are associated as consultants or mentors. Such external Start-ups may sometimes license technology/IP developed by IITT a priority. The commercialization of advanced technologies developed at IITT, as a result of incubation, will greatly benefit IITT as well as society at large and will contribute to the economic resurgence of our country.

1. DEFINITIONS

(i) IITT Member(s)

Hereinafter referred as the 'MEMBER'. It refers to any faculty/staff on duty or on short/long leave, research scholars and students having live registration, and alumni.

(ii) IITT Incubation SECTION 8 COMPANY / SOCIETY

Hereinafter referred as the SECTION 8 COMPANY, it refers to a unit formed for the primary purpose of promoting and fostering Incubation of Start-up companies involving one or more IITT Member(s), by administering and implementing IITT's policies on incubation.

(iii) IITT Incubated Company

Hereinafter referred as the 'COMPANY', it is a registered Company promoted and / or invested in by IITT Member(s) singly or jointly with others, or those incubated by any of the IITT incubators located in IITT premises or elsewhere, and declared by the SECTION 8 COMPANY as such, or an external Start-up declared by the SECTION 8 COMPANY as such.

(iv) External Start-up

Hereinafter referred as the 'ESU', it is a registered Company promoted and invested in by non-IITT Member(s) and not located in the IITT / SECTION 8 COMPANY / Incubator premises.

(v) Incubator

It refers to a physical and/or virtual unit that extends various forms of support for Start-ups and engages in specified relationships with them on behalf of IITT and/or SECTION 8 COMPANY.

2. TYPES OF START-UPS WITH IITT AND MEMBER INVOLVEMENT

The SECTION 8 COMPANY shall have the provision of being actively involved in pre-incubation and incubation of a Start-up company promoted by one or more MEMBER, or by others.

- (a) MEMBER may promote an IITT Incubated Company (referred to as 'COMPANY').
- (b) MEMBER can be involved with an External Start-up (referred to as 'ESU').
- (c) SECTION 8 COMPANY through its incubators may be involved with a COMPANY or ESU.

A MEMBER cannot be involved in any other Start-up company except when such involvement has been separately approved by IITT. Purely financial investments by MEMBERS in Start-ups is not defined as "involvement" for the purpose of this policy.

3. SECTION 8 COMPANY'S GOVERNANCE STRUCTURE

The SECTION 8 COMPANY will have a Governing Council (hereinafter referred to as the 'GC') or a Board of Directors. The GC may have the following composition:

- (i) Director, IITT - Chairperson.
- (ii) Faculty-in-charge - an IITT Faculty member to be nominated by the Director, IITT
- (iii) Dean (Sponsored Research and Consultancy), IITT.
- (iv) An external Expert having a good track record in incubating companies.
- (v) An external Expert with experience in IPR and licensing.
- (vi) An external Expert with experience in Venture Capital/Private Equity.
- (vii) An IITT faculty member with familiarity of Start-ups and intellectual property, legal and commercial transactions including patenting, technology transfer, licensing.

Except the ex-officio members, the remaining members will serve for a period of up to three years, and can be re-appointed for further periods. The Director, IITT will nominate the initial GC, which will make subsequent appointments. In addition to its above members, the GC may invite experts in finance, audit, IPR, and other such areas, to its meetings as needed. It may also constitute subcommittees including such outside experts for specific tasks when needed.

4. SECTION 8 COMPANY'S ACTIVE SUPPORT TO COMPANY

The SECTION 8 COMPANY shall, on behalf of IITT, carry out all dealings with Start-ups directly and/or through its incubators. It shall also be a determinative indicator as to whether or not a Start-up is to be designated as an "IITT Incubated Company" (COMPANY). SECTION 8 COMPANY shall actively support the COMPANY with a combination of inputs, which includes but is not limited to:

- (i) permission to use branding in the form of "Incubated by IIT Tirupati",
- (ii) advice pertaining to legal and commercial IPR transactions,
- (iii) office and operational space,

- (iv) permission to use laboratories, workshop facilities and equipment,
- (v) logistics support,
- (vi) business management advice,
- (vii) networking support,
- (viii) mentoring,
- (ix) seed-fund when possible,
- (x) monitoring,

as per the prevailing IITT norms pertaining to all the above. The SECTION 8 COMPANY's active support will be provided nominally for a duration of three years from the date of formal approval. There may be a pre-incubation period of at most one year which is not included in the active incubation support. However, on a case-by-case basis, the SECTION 8 COMPANY may decide to support a COMPANY for a maximum period of five years from the date of formal approval, if such support is warranted and approved by the GC.

The SECTION 8 COMPANY will govern multiple Incubators associated with different constituents of IITT and overseeing incubation in specific technology verticals. While each Incubator shall have and enjoy the flexibility and independence it requires for success in the specific areas of its focus, the SECTION 8 COMPANY will ensure a uniform policy of governance.

5. MEMBER'S / SECTION 8 COMPANY'S INVOLVEMENT IN EXTERNAL START-UP (ESU)

A MEMBER shall be permitted to be engaged with an ESU, either on a full or part-time basis as promoter/adviser/consultant/any other approved role. The MEMBER will be permitted to use specified physical and/or intellectual resources (e.g., workshop equipment, laboratory instruments, computing resources, and assistance of MEMBER) of IITT as per its prevailing CSRC norms. Any such use of IITT resources will be governed by an agreement, which will include the contents and implications of the prevailing IITT IPR policy. If a MEMBER makes financial investments in an ESU without:

- (i) making any other contribution in the form of technical/managerial consulting advice, or
- (ii) any involvement of IITT in the form of any commercial transactions of IP, or
- (iii) any use of IITT facilities,

such investments will be treated as a private matter of the MEMBER. The SECTION 8 COMPANY will have no role to play in such instances. The MEMBER should however declare this to IITT in order to avoid any conflict of interest situation. If the ESU awards a consultancy project to the MEMBER, the prevailing IITT rules and regulations for consultancy projects will apply. If, however, the MEMBER, and/or SECTION 8 COMPANY or any of its designated entities, are provided shares in the company as compensation in part or full for technical/managerial consulting or for any support extended by Member, IITT, or the SECTION 8 COMPANY or its Incubators, the MEMBER and/or SECTION 8 COMPANY may be considered to be involved in the incubation of the ESU. In such a case, the ESU may apply to be designated as a COMPANY by the SECTION 8 COMPANY. The SECTION 8 COMPANY will then take an appropriate decision based on the significance of the role played by the MEMBER/ SECTION 8 COMPANY in the ESU. Only a Start-up formally designated as an “IITT Incubated Company” by SECTION 8 COMPANY may publicize itself as such. All other Start-ups must desist from using the name or logo of IITT in their publicity material in spite of any other form of engagement they may have with IITT.

6. INNOVATION AND START-UP FUND

- i. Institute will create a separate 'Innovation and Start-up fund' to support innovation and start-up activities financially. The Institute will raise funds to support the activities through appropriate means.
- ii. Institute will also raise funds from external funding sources such as DST, TDB, DBT, MOE, AICTE, TIFAC, DSIR, CSIR, BIRAC, NRDC, NSTEDB,

- DRDO, Invest India, Start-up India, MSDE, MSME, MeitY, NGO, and other government and non-government sources.
- iii. The Institute will approach private and corporate sectors to generate funds under Corporate Social Responsibility (CSR) as Section 135 of the Company Act 2013.
 - iv. Institute will encourage sponsorships and donations to augment the 'Innovation and star-up fund'.
 - v. Institute will create strong alumni networks and actively involve them in its innovation and start-up activities.
 - vi. Fund utilization for the programs will be at the discretion of the Section 8 Company.

7. RULES GOVERNING INTELLECTUAL PROPERTY

A MEMBER, while on duty or on leave, may be involved in the creation of Intellectual Property (hereinafter referred as the 'IP') either solely or in association with a COMPANY or ESU.

If such IP is created with the involvement of the MEMBER, then any contract between IITT and the COMPANY specifying the sharing rights for the IP will be held as a valid contract. In the absence of such a contractual obligation, the prevailing IITT IPR Policy, rules and regulations shall serve as the reference.

In case, a MEMBER develops any IP while on leave at the COMPANY which leverages prior IP developed earlier at IITT, MEMBER must ensure the prior IP is properly licensed by the COMPANY as described below in Section 7. However, the IP developed by the MEMBER while on leave at the COMPANY shall be fully owned by the COMPANY.

8. ENGAGEMENT PROCESS

The MEMBER must begin his / her engagement with a COMPANY by submitting a proposal through Head of his / her Department / Section to Dean (Faculty Affairs), who will determine the eligibility of the MEMBER to engage with a

COMPANY or ESU. After ascertaining eligibility, Dean (Faculty Affairs) will forward the proposal to the SECTION 8 COMPANY. After the SECTION 8 COMPANY accepts the proposal, the MEMBER will be authorized to perform the actions necessary for pre-incubation or incubation, including registration of the COMPANY, fund raising, team development, product/services development, consulting, market research and development, etc. Prior to embarking on these activities, an agreement must be signed between the concerned COMPANY / ESU and the SECTION 8 COMPANY to establish the mode and nature of involvement of the MEMBER in the COMPANY / ESU. Such an agreement is necessary with a COMPANY / ESU when:

- (a) its shares are given to the Member or the SECTION 8 COMPANY as compensation in part or in full for the MEMBER's contribution, and/or
- (b) IITT's technology/IP is licensed to the COMPANY/ESU, which wishes to pay for the same in part or full in the form of shares.

As part of the agreement, the COMPANY / ESU shall allot to SECTION 8 COMPANY a certain percentage of its shares, up to a maximum of 9.5%. The exact percentage of shares to be allotted and their dilution status will be negotiated based upon the estimated value of support / assistance provided by IITT, SECTION 8 COMPANY and the MEMBER to the COMPANY / ESU. In addition to abovementioned, the COMPANY / ESU must also enter into an agreement with IITT through the Office of the Dean (CSRC) if:

- (i) the COMPANY / ESU intends to pay cash in part or in full to IITT for licensing IPR owned by IITT
- (ii) the MEMBER provides consultancy to the COMPANY / ESU or undertakes research-based consultancy as per CSRC norms while on duty.

9. MODES OF MEMBER'S ENGAGEMENT WITH START-UPS (COMPANY OR ESU)

The SECTION 8 COMPANY will negotiate with the COMPANY or ESU the amount of shares that the incubated company will allot to SECTION 8 COMPANY at par value in lieu of IITT's Incubation and other services provided.

This share will be first negotiated with the company before SECTION 8 COMPANY acquires shares through faculty / staff / student involvement (as discussed below). SECTION 8 COMPANY's total holding in a company at any time should not exceed 9.5% of the total allotted shares of the COMPANY or ESU from all kinds of services provided, IP provided and the faculty-share (as discussed below).

(A) Faculty / Staff involvement

- (i) **Capital Investment:** The Faculty / Staff may be involved in the COMPANY or ESU by providing capital investment alone in return for shares, with no other managerial, administrative, technical or mentorship involvement whatsoever. All shares thus allotted can be retained by the concerned Faculty / Staff, and the transaction therein shall be treated as a purely private commercial transaction of no concern to IITT. The institute mandates such declaration by the member to IITT / SECTION 8 COMPANY, in order to avoid conflict of interest situations.

- (ii) **Sabbatical / EOL:** The Faculty / Staff MEMBER shall have the option of availing the provision of a sabbatical / EOL as per the prevailing IITT leave rules and may work full time for the COMPANY or ESU. In cases where the compensation to a faculty / staff availing sabbatical/EOL facility is through shares of the COMPANY / ESU, in part or in full, in lieu of cash payment, it is mandated that the MEMBER must declare the same to the SECTION 8 COMPANY. There shall be no compensation due to IITT as long as the involvement of the MEMBER, for which the compensation was paid, completely ceases after the leave period. Such a Member must not involve himself / herself in any capacity with the COMPANY / ESU except in the role of a shareholder on re-joining IITT after sabbatical / EOL. If such a MEMBER is involved/ engaged by the company/ESU as a mentor, consultant or any other capacity than a shareholder after sabbatical / EOL, the participation of

the MEMBER shall be considered of that of part-time engagement and the respective rules with regards to the same shall be applicable.

(iii) **Special Additional EOL:** In addition to the EOL normally allowed, a Faculty / Staff MEMBER shall be allowed additional EOL for a maximum period of 12 months with the incentive of encouraging engagement of MEMBERS with COMPANIES. Pursuant to such engagement, the COMPANY must compensate IITT or SECTION 8 COMPANY with an equivalent of 1.5 times the prevailing gross pro-rata salary of the Faculty / Staff for the duration of this period of engagement in the form of cash and / or shares. The MEMBER must not involve himself / herself with the COMPANY / ESU, in any capacity, except as a shareholder on re-joining IITT after special EOL. If such a MEMBER is involved/ engaged by the company/ESU as a mentor, consultant or any other capacity than a shareholder after sabbatical / EOL, the participation of the MEMBER shall be considered of that of part-time engagement and the respective rules with regards to the same shall be applicable.

(iv) **Part time:** A Faculty / Staff member shall be allowed to participate in a COMPANY or ESU on a part time basis as per IITT consultancy norms with regard to the extent of time spent on such engagement. In such cases, the compensation to the MEMBER shall either be in the form of cash, for which IITT norms for consultancy projects will be applicable, or in the form of shares of the COMPANY/ESU. Herein, the MEMBER is required to apply for approval for engagement with the COMPANY or ESU, and thereafter, the COMPANY / ESU shall enter into an agreement with the SECTION 8 COMPANY. In such cases, up to 20% (MEMBER shall offer 20% of what they are offered and SECTION 8 COMPANY shall have the option of choosing to acquire less than the offered rate) of these shares obtained, as decided by the SECTION 8 COMPANY, shall be transferred to the SECTION 8 COMPANY, and the remaining to the MEMBER. The total number of shares of the COMPANY or ESU that SECTION 8 COMPANY obtains from all IITT faculty

and staff members (as 20% shares) and all research scholars / students will however be capped to 5% of the total allotted shares of the COMPANY or ESU. In case the faculty / staff MEMBER have purchased the shares at par value or at some higher value, the SECTION 8 COMPANY will pay the corresponding amount for the shares transferred to it as per this clause.

(B) Research Scholars' / Students' Involvement

- (i) **Full time:** A Research Scholar/Student shall have the provision of seeking permission from IITT to take special leave for a semester, or an additional period (for which formal permission is granted by IITT), to work for a COMPANY or ESU on a full-time basis. This shall be treated as a withdrawal, under permission, from IITT for the specified period for which the abovementioned leave is formally granted. The Research Scholar/Student, on returning, shall be mandated to satisfy all norms (including maximum duration norms of his/her respective programme of study) in order to earn a degree from the institution. When the Research Scholar / Student is compensated by the COMPANY or ESU in the form of cash and/or shares, he/she must assign to the SECTION 8 COMPANY up to 5% of the total cash/shares allotted to him/her (student will offer 5% of what they are offered and SECTION 8 COMPANY may choose to acquire less) by the COMPANY or ESU, as decided by the SECTION 8 COMPANY. In the cases where the scholar / student has purchased the shares at par value or at some higher value, SECTION 8 COMPANY will pay the corresponding amount for the shares transferred to it as per this clause.

- (ii) **Part time:** A Research Scholar/Student shall have the provision of seeking permission from IITT to work for a COMPANY or ESU on a part time basis. In such cases, the IITT norms pertaining to such part-time engagement, during a semester/vacation period, shall be applicable. In cases wherein the Research Scholar/Student is compensated by the COMPANY or ESU in the form of cash and/or shares, he/she must assign to the SECTION 8 COMPANY up to 5% of

the total cash/shares allotted (the research scholar / student shall offer 5% of what they are offered and SECTION 8 COMPANY shall have the option of choosing to acquire less) to him/her by the COMPANY or ESU as decided by the SECTION 8 COMPANY, with a total cap from students /scholars / faculty of 5% of total allotted shares of the COMPANY or ESU. In this case, the courses that he/she registers for will be regulated by the respective Faculty Advisor(s) or GTC or DC as applicable. In the cases where the research scholar / student has purchased the shares at par value or at some higher value, SECTION 8 COMPANY shall pay the corresponding amount for the shares transferred to it as per this clause.

(C) Role of MEMBER in COMPANY or ESU

The MEMBER shall have the option of being engaged with the COMPANY/ESU in the capacity of an executive role / non-executive role, depending on whether they will be engaged fulltime or part-time. The MEMBER shall have the option of being involved full time only after obtaining the necessary permission from IITT for the appropriate type of leave. The part-time engagement shall be in accordance with the existing IIT Tirupati consultancy norms. The MEMBER shall have the provision of taking up an executive role only if they are engaged fulltime with the COMPANY or ESU.

10. INCENTIVES FOR STAFF AND STAKEHOLDERS

Institute will develop academic and non-academic incentives and reward mechanisms for all staff and stakeholders that actively contribute and support the entrepreneurship agenda and activities. Institutes will start annual 'INNOVATION & ENTREPRENEURSHIP AWARD' to recognize outstanding ideas, successful enterprises, and contributors for promoting innovation and enterprises ecosystem within the institute.

11. CONFLICT OF INTEREST

On availing the provision of leave of absence (Sabbatical / EOL, or any applicable equivalent) for direct, active participation in a COMPANY / ESU, it is obligatory

that the concerned Head(s) of Department be informed by the MEMBER at least three months in advance. In the event of shorter notices, as issued by the MEMBER, specific approval by the Head of the Department is mandatory in order to ensure that the past, ongoing and/or future academic programmes of IITT are not affected.

The MEMBER is required to avoid any conflict of interest between their roles in IITT and their roles in the COMPANY / ESU. In particular, the staff/faculty MEMBER is required to avoid conflict of interest in the following situations, including but not limited to:

- (i) if there are IITT resources in their control which are also sought by the COMPANY or ESU with which they are involved
- (ii) if they are developing IPR in a research activity / project in IITT that is closely related to the IPR they may be developing when on leave and working in the COMPANY or ESU
- (iii) when the relative shareholding of the MEMBER and SECTION 8 COMPANY is sought to be changed by infusion of fresh capital in the COMPANY or ESU by the MEMBER. While such a move could be a bona-fide move on the part of the MEMBER to support the COMPANY or ESU, it could potentially have a mala-fide motive of changing the relative shareholding pattern prior to some anticipated upward evaluation and infusion of investment by other parties
- (iv) when shares are allotted by a COMPANY or ESU to a close relative (spouse, children, and parents) of a MEMBER who is involved with the COMPANY or ESU

The SECTION 8 COMPANY shall determine the potential areas/activities where there is conflict of interest in the case of each MEMBER who applies for approval for engaging with a COMPANY or ESU, and arrive at an agreed upon methodology for ensuring transparency in decision making in respect of these activities/areas. The SECTION 8 COMPANY may, if it chooses to, set up an -

oversight committee of Faculty / Staff for specific relationships to ensure that conflicts of interest do not arise.

The SECTION 8 COMPANY shall also require the MEMBER to declare their financial interests, and those of their close relatives, in the COMPANY or ESU, at the time of engagement, as well as whenever a change in such interests takes place due to additional investment in the COMPANY or ESU, or payment / share allotment by the COMPANY or ESU. Every faculty/staff MEMBER involved with a COMPANY or ESU must file a declaration periodically with the SECTION 8 COMPANY irrespective of whether or not there is a change in their financial interests in the COMPANY or ESU. The required periodicity shall be determined by the SECTION 8 COMPANY.

The SECTION 8 COMPANY reserves the right to obtain a third-party evaluation of the value of the shares of the COMPANY or ESU before a MEMBER or their close relative(s) makes additional investments in the COMPANY or ESU. Such an evaluation will be carried out in a reasonable time-frame.

If the SECTION 8 COMPANY deems it fit, it may choose to make an investment in the COMPANY or ESU of its own at the same price applicable to the MEMBER and obtain shares for the corresponding amount. The SECTION 8 COMPANY reserves the right to make the acceptance by the COMPANY or ESU of the additional investment by the MEMBER or their close relative(s) conditional on the acceptance of the corresponding additional investment by the SECTION 8 COMPANY.

In case a member of the SECTION 8 COMPANY Governing Council has shares in a COMPANY, the Governing Council shall determine whether the said MEMBER should resign from the Council, in order to avoid potential conflict

of interest, or only recuse himself / herself when matters pertaining to the COMPANY or ESU with which he / she is involved are discussed.

12. WITHDRAWAL OF SUPPORT

IITT reserves the right to withdraw its support to any COMPANY or ESU that it engages with, following a due process of notice. This may involve withdrawal of access to IITT's facilities, and/or withdrawal of permission to MEMBER to engage further with the COMPANY or ESU in any manner, though they and the SECTION 8 COMPANY can continue to hold the shares they already possess in the COMPANY or ESU. It will also involve withdrawal of the status of the Start-up as a COMPANY, from which point the Start-up will be required to desist from advertising itself as such thereafter. Should the need arise, the SECTION 8 COMPANY may also seek modifications to the agreement signed with the COMPANY or ESU through an amendment, in order to protect IITT's fair name and its interests.

13. PROTECTION OF IITT'S FAIR NAME AND REPUTATION

In the event of a Start-up company being designated as a COMPANY, it shall be permitted for the COMPANY advertise itself as such wherever such advertisement is appropriate. In order to protect the fair name and the reputation of the institution that has the risk to be tarnished in the case the COMPANY indulges in improper behaviour or dealings, IITT, through the SECTION 8 COMPANY, shall have the provision of seeking a seat on the Board of the COMPANY, without liability, in order to ensure transparency in all its dealings. The SECTION 8 COMPANY shall have the provision of seeking access to the un-audited and audited balance sheets of the COMPANY. The SECTION 8 COMPANY shall also have the provision of seeking visibility of payments above a specified value made by the COMPANY, before such payments are made. All such requirements will be specified in the agreement that shall be entered into by the SECTION 8 COMPANY with the COMPANY.
