



**Policy
on
Start-up, Incubation and Technology
Enablement**

July 2021

**INNOVATION & ENTREPRENEURSHIP DEVELOPMENT
CAMPUS**

DESH BHAGAT UNIVERSITY


Director IEDC


Director IEDC (medical)


Registrar


Vice Chancellor

PREAMBLE FOR STARTUP POLICY

1. Desh Bhagat University (hereafter referred as DBU) has established Innovation & Entrepreneurship Development campus (hereafter referred as IEDC) in year 2017 that is dedicated to work upon establishing Start-up, Incubation and Technology Enablement with a mission to foster successful entrepreneurs and develop industry in the Knowledge and Technology based area.
2. Application for incubation would be open throughout the year. Incubatee has to sign incubation agreement as per Annexure 6 read along with Annexure 7 of the Startup Policy of DBU.
3. IEDC will facilitate access to the Institute's infrastructure on request of the resident company/ incubatee as per regulations made by DBU in this regard and work space may be allotted to the resident company/incubatee as per availability and as per Annexure 2 of the Startup Policy of DBU.
4. IEDC may identify and associate professionals for accounting, IP, legal and management services on a part-time basis on prescribed charges wherever applicable which shall be borne as per the mutual agreement between incubatee and DBU and DBU shall also provide faculty mentor from DBU as per rules.
5. Services availed from Institutes' laboratories, workshops, centers and equipment used by the resident company/incubatee would be free upto a limit.
6. The resident company/ incubatee will be permitted to incubate in IEDC for a period of Twenty - Four months. Two further extensions can be granted for 6 months each at a time, at the sole discretion of DBU.
7. DBU/IEDC shall hold equity share of 5% or 10% (as the case may be) in addition to the 1% of each mentor (subject to the maximum of 2 mentors) in the incubate.
8. DBU/IEDC shall levy charge on the resident company/incubatees for infrastructure and facilities after 12 months of incubation which shall be as per Annexure 3 of the Startup Policy of DBU. A mandatory incubation fees will be charged monthly at the rate of Rs. 1,000/- per month after 6 months of incubation. Such consideration as calculated in totality shall be payable as per the Clause 5.9 of the Startup Policy of DBU.
9. The resident Company/Incubatee shall have to execute separate agreement for seed money and/or Intellectual Property/know-how, Technology owned by DBU, as and when a request is made and agreed upon by DBU, which shall be additionally chargeable separately.

10. The resident Company/Incubatee will be required to leave the incubator under the circumstances as prescribed in the policy of Department of Industrial Policy and Promotion, Government of India or DBU and would be binding on Incubatee as detailed in Clause 6 of the Startup Policy of DBU.
11. DBU shall nominate a representative on the Board of Director of the Resident Company/Incubatee till the time DBU holds equity
12. The Resident Company/ Incubatee will have to sign PERSONAL GUARANTEE as a surety to DBU for the consideration as agreed upon.
13. Any or all disputes between the resident company/ incubatee shall be referred for arbitration to the person so nominated by the Director DBU under the Indian Arbitration and Conciliation Act, whose decision shall be final and binding upon the parties. The place of arbitration shall be Mandi Gehindgarh.

Startup Incubation Policy Terms and Conditions

1. Objective of Start-up, Incubation and Technology Enablement

Desh Bhagat University (hereafter referred as DBU) has established Innovation & Entrepreneurship Development campus (hereafter referred as IEDC) in year 2017 that is dedicated to work upon establishing Start-up, Incubation and Technology Enablement with a mission to foster successful entrepreneurs and develop industry in the Knowledge and Technology based area.

DBU intends to incubate start-ups in the IEDC at DBU. The purpose of IEDC will be:

- Promote and interact with, and source technology/expertise from faculty members and research scholars and laboratory infrastructure of the Institute.
- Help in getting other kinds of techno-managerial expertise required that is not available within the institute.
- Incubating novel technology and business ideas into viable commercial products or services.

2. Eligibility for Incubation

Admission:

Application for incubation would be open throughout the year. The applicant should submit the Application form (as in Annexure 1) to Director IEDC, office of the University. The IEDC Board of members will evaluate the application and may recommend for the admission of applicant as an Incubatee in IEDC.

Primary Condition for Incubation

The resident company/ incubatee may be a Private Limited Company (PLC) or a Limited Liability Partnership (LLP).

In case the resident company/Incubatee is a Proprietorship, Partnership Firm, or a Pre-Incorporated entity, the promoters must get it registered as a PLC or as a LLP within three months of entry into incubation.

Primary Condition for Pre-Incubation

In case the applicant has a novel idea but is still a student he/she can apply for pre-incubation. For the Incubatee which has applied for Pre-Incubation, registration as a PLC or LLP will not be required. Here, the company/ incubatee can remain as a Proprietorship Firm, a Partnership Firm or a Pre-Incorporated entity but will have to pay enhanced consideration.

3. Facilities and Infrastructure

That DBU will provide facilities to the resident company /incubatee as per the regulations framed by DBU in this regard and as amended from time to time. The facilities and infrastructure more specifically are as in Annexure 2. Upon admission to IEDC, certain facilities as given in Annexure 2 will be offered to the resident company/ incubatee on payment basis, as prescribed in Annexure 3. Further, DBU will have the right to inspect and examine the premises allotted to the resident company/incubatee at any point of time during the incubation period/stay at the IEDC premises. On the completion of the incubation or when the resident company leaves IEDC, due to any other reason, all the furniture, space and any other facilities provided shall be surrendered to IEDC in good condition (after allowing for normal wear and tear in the case of equipment/ furniture). All costs incurred for such restoration to good condition shall be borne by the resident company and in case IEDC has to incur any further expenditure to get the equipment or the room back into good condition then the same shall be recovered from the resident company and/or its directors or promoters. All dues including that of the accommodation should be cleared by the resident company before it leaves the incubation, otherwise, all outstanding dues shall be recovered from the company or its directors and/or promoters.

3.1 Common infrastructure

IEDC will provide a common pool of hard and soft infrastructure to be shared by all incubatee/ resident companies. Certain resources can be provided on charge basis by DBU on request of the resident company and subject to the rules and regulations in this regard as applicable from time to time.

3.2 Institute infrastructure

IEDC will facilitate access to the Institute's infrastructure on request of the resident company/ incubatee as per regulations made by DBU in this regard. The facilities will remain under the overall control of DBU and will be available to the resident company only for specific activities.

3.3 Services of Professionals

IEDC may identify and associate professionals for accounting, IP, legal and management expertise on a part-time basis. Incubatee/ Resident Company can avail of their services on prescribed charges. Any direct services provided to an incubatee would have to be paid for by the incubatee to the service provider on mutually agreed terms and conditions.

IEDC may also provide soft infrastructure and business services by third party to the incubatee companies, if DBU so agrees on the request of the resident company/ incubatee. Possible services and support items on payment basis are listed as in Annexure 3. IEDC may also, if regulations of DBU permit, assist the Resident Company/ Incubatee in getting consultancy services through partner organizations and identified consultants, in the areas such as Market Research and Opportunity Identification, Valuation of Businesses, Competitor Research, Market Analysis and Sizing, Customer Search, Electronic Research, Marketing Plan formulation, Consulting on Strategies at various stages, i.e., Launch, Growth and Harvest of businesses (See

Annexure 4). However, it is made clear that IEDC acts merely as a facilitator for any services and the resident company/ incubatee shall have to make an agreement with the service provider towards terms and conditions for availing the service. IEDC may on its discretion provide certain services on subsidized or no-charge basis.

3.4 Mentoring and Advisory Facilities:

Each resident Company/ Incubatee is required to have a Faculty mentor from DBU or if permitted by DBU, only in special cases, may have an additional mentor from any other Institute as a Faculty Mentor/ Advisor, primarily for technical issues. The terms and conditions in this regard have to be worked out by the resident company/ incubatee with the faculty concerned and intimated to DBU.

4. Tenure of Incubation

The resident company/ incubatee will be permitted to incubate in IEDC for a period of Twenty-Four months. Two further extensions can be granted for 6 months each at a time, at the sole discretion of DBU.

5. Consideration

- 5.1** The Incubatee/ Resident Company is required to provide a Non-Dilutable Equity (as defined in Annexure 5) equivalent to 5% of the promoter's equity to DBU.
- 5.2** In case the Incubatee/ Resident Company is housed as a Pre-Incorporated Entity, the Incubatee/ Resident Company is required to provide a Non-Dilutable Equity (as defined in Annexure 5) equivalent to 10% of the promoter's equity to DBU.
- 5.3** In addition to this the incubatee/resident company has to provide 1% of the promoter's equity to each mentor (member of faculty) from DBU, as allowed by the regulations of DBU, subject to maximum of 2 mentors only.
- 5.4** DBU/IEDC shall levy charge on the resident company/incubatees for infrastructure and facilities after 12 months of incubation. The current rates of consideration, subject to revision from time to time are given in Annexure 3. A mandatory work space may be allotted to the resident company/incubatees as per availability and charges mentioned in Annexure 3 that will be levied after 12 months of agreement signing.
- 5.5** Services availed from Institutes' laboratories, workshops, centers and equipment used by the resident company/incubatees would be free upto a limit and hereby after the limit may be charged separately by DBU. The charges would be as decided by individual faculty-in-charge and Disciplines as per DBU regulations.
- 5.6** A mandatory incubation fees will be charged monthly at the rate of Rs. 1,000/- per month after 6 months of incubation.
- 5.7** DBU/ IEDC may change the above rates (as mentioned in clause 5.4, 5.5 and 5.6) from time to time at its discretion and date of implementation of the amended charges shall be

applicable with immediate effect.

5.8 The resident Company/Incubatee shall have to execute separate agreement for seed money and/or Intellectual Property/know-how, Technology owned by DBU, as and when a request is made and agreed upon by DBU. Charges for seed money and DBU's Intellectual Property would be as decided by DBU.

5.9 The said consideration (as mentioned in clause 5.4, 5.5 and 5.6) shall be PAYABLE by the company in the following manner:

5.9.1 Rupees Six thousand per quarter shall be payable in advance for every quarter one week before the start of the quarter or on the 2nd of the month preceding the quarter. Quarter for this purpose would mean the quarter as per the English calendar commencing from January every year. The consideration for the quarter during which the incubation commences shall be proportionately adjusted taking into consideration the date of commencement of the incubation.

5.9.2 In case, consideration is in excess of Rupees Six thousand, the balance amount would have to be paid at the end of each quarter.

5.9.3 The company would have option of deferring 50% of the charges as mentioned in clause 5.4, 5.5 and 5.6 till the time they exit from IEDC.

In lieu of such deferment the bills have to be paid at the time of exit either with an interest of 8%* compounded quarterly OR the resident company/incubate will have to issue additionally 1% of the non-dilutable equity to DBU (whichever carries more value at the time of exit).

5.9.4 The company would also have option of deferring 100% of the charges as mentioned in clause 5.4, 5.5 and 5.6 till the time they exit from IEDC.

In lieu of such deferment the bills have to be paid at the time of exit either with an interest of 8%* compounded quarterly OR the resident company/incubate will have to issue additionally 2% of the non-dilutable equity to DBU (whichever carries more value at the time of exit).

5.9.5 For Pre-Incorporated Entities, charges mentioned in clause 5.4, 5.5 and 5.6 would be completely deferred till their exit from incubation by default. The bills have to be paid at the time of exit with an interest of 8%* compounded quarterly.

5.9.6 Default in payment: If the company defaults to pay at any time any dues then they shall have the option to pay such dues at the time of exit with 8%* interest compounded quarterly.

* The interest rate is decided on the basis of rates prevalent with **SMILE** scheme for **SIDBI's** internal rating grade of 0.6. 5-year term loans of **SIDBI**, which is a scheme to provide soft loans in the nature of quasi-equity to start-ups and MSME. Kindly refer to: www.sidbi.in/SMILE.php

6. Exit from Incubation

The resident Company/Incubatee will be required to leave the incubator under the following circumstances:

- After the completion of the Incubation including extended incubation period, if any.
- Underperformance or inability to perform business as evaluated and decided by IEDC/ DBU annually on case to case basis.
- Irresolvable promoters' disputes in the opinion of IEDC / DBU on case to case basis.
- Violation of any statute, rule and / or regulation of DBU in the opinion of IEDC/ DBU on case to case basis.
- Capital cash flow exceeds Rs. Twenty-five crores in the opinion of IEDC / DBU on case to case basis. *
- Number of employees of the incubatee exceeds 20. *
- When the annual gross revenue of the incubatee (excluding all the taxes) exceeds Rs. Twenty-five crores or the Net-Profit-After-Tax exceeds Rs. Five crores. *
- When the company enters in an acquisition, merger or amalgamation deal or reorganization deal resulting in a substantial change in the profile of the company, its promoters, directors, shareholders, products or business plan.
- Incubatee plans for a public issue in the opinion of IEDC / DBU on case to case basis.
- Change in promoters/ founders' team in the opinion of IEDC / DBU on case to case basis.
- Any change of more than 50% of equity ownership unless approved by IEDC, in the opinion of IEDC/DBU on case to case basis.
- Any other reason for which IEDC may find it necessary for an incubatee resident company to leave.

* These conditions may be amended from time to time as per the policy of Government of India or DBU and would be binding on incubatee. The figures are based on definition of start-up, as stated by the Department of Industrial Policy and Promotion, Government of India. Kindly refer to: <https://www.startupindia.gov.in/>

7. Partnership with DBU

The partnership between DBU and the Resident Company/Incubatee will be governed by the agreement contained in Annexure 6 read along with Annexure 7.

DBU will nominate a representative on the Board of Director of the Resident Company/ incubatee till the time DBU holds equity. At the time of disposal, the decision of IEDC / DBU regarding buyback of full or part of the equity issued shall be conveyed to the company and the company shall abide by the decision. The buyback and equity disposal rules are as contained in Annexure 5.

8. Amendments

Notwithstanding anything contained herein above or in the Annexure 6 and 7, IEDC may at any time amend all or any part of the policy through an agreement and its annexure and the Resident Company/ Incubatee shall be bound by the said amendments. The amendments shall be applicable with immediate effect. However, such changes shall be communicated to the incubatee well in time verbally or in writing.

9. Arbitration: Any or all disputes between the resident company/ incubatee shall be referred for arbitration to the person so nominated by the Director DBU under the Indian Arbitration and Conciliation Act, whose decision shall be final and binding upon the parties. The place of arbitration shall be Mandi Gobindgarh.

The Resident Company/ Incubatee will have to sign PERSONAL GUARANTEE as given in the Annexure 8

Acknowledgement: We would like to acknowledge the guidance provided by some experts and similar documents available in public domains, mainly IIT Kanpur, SIDBI, IITDMJ and Startup India, and we would like to give due credit to all Internet Sources. The following links served as the main reference to make this Incubation policy:

<http://www.iitk.ac.in/sic/d/>

<http://www.iitk.ac.in/sic/d/sites/default/files/Incubation-Agreement.docx>

www.sidbi.in/SMILE.php

<https://www.startupindia.gov.in/>

Annexure 1

DESH BHAGAT UNIVERSITY, MANDIGOBINDGARH PUNJAB
Innovation & Entrepreneurship Development Campus (IEDC)

APPLICATION FORM

1. Name of the Applicant:
2. Details: PAN: _____ AADHAR No.: _____
3. Title of your Business/Technology:
4. Present stage of the start-up:
 - Ideation stage
 - Seed Stage
 - Pilot Stage
 - Early Stage Scale-up
5. Type of Business (Service/Product):
6. Date of incorporation/proposed date of incorporation:
7. Brief Description of the Product/Services/Technology business you plan to incubate at Start-up India Centre:
8. Does your startup contribute to any of the Indian government's initiatives like "Make in India" or "Digital India"?
9. Why do you want to locate in DBU?

10. **Brief description of the R&D efforts and other technological inputs you hope to resource from DBU.** *(Please also indicate names of faculty members, disciplines/centers of the Institute you plan to associate and equipment facilities to be used):*
11. **Indicate how your business might benefit from access to DBU's human and physical resources:**
12. **List any special requirements for usage of DBU's laboratory facilities:**
13. **Infrastructure requirement for Space, Workstations or PCs:**
14. **Specify requirement of Mentoring and other professional services/ support:**
15. **Please indicate your sources of funds:**
16. **Short Description of members of Founding Team:**
17. **Please give names and address of up to 2 referees, who are acquainted with your career profession/ achievement.**
18. **Declaration by the applicant:**

I, hereby, declare that I have read and understood the terms & conditions of the Start-up, Innovation and Technology Enabling Center (IETEC) at DBU and will agree to abide by the same once our startup is approved for the incubation at IETEC. We will follow the rules and regulations of IETEC and DBU. The declaration and facts in the application are true and best to our knowledge and no material has been concealed.

Applicant's Signature

Name:
 Email ID:
 Ph. No:
 Date:

Annexure 2

Annexure to the Incubation Agreement

Facilities and infrastructure to the resident company subject to the Rules and Regulations and as mentioned in Clause 3 of the Agreement.

- Office space
- Personal Computers – up to two, depending on the team size
- Printer
- Internet connection and e-mail ID for the promoters who shall be responsible for any misuse by unauthorized persons, if any
- Phone lines (Intercom)
- Furniture
- Electricity in single phase
- Accommodation (one flat at shared/individual basis on case to case basis in PG hostel/Reva Residency)
- Any other facility requested and granted by DDU

Annexure 3

Annexure to the Incubation Agreement

Consideration for infrastructure facilities in addition to other:

The consideration payable by the company for the use of the incubation center facilities and infrastructure after 6 months will be as follows.

Office Usage Fee	:	@ Rs.1500/month
PC usage fee (up to 2 PCs)	:	@ Rs.500/month/computer
Laser Printer	:	@ Rs.300 /month
Internet connection	:	Free Wi-Fi up to login limit
Accommodation	:	Applicable license fee
Electricity charges including air-conditioning	:	On actuals per quarter
Telephone charge	:	On actuals per quarter (for STD or local calls)
Any other facility required by incubator/ Resident	:	On actuals per quarter

NOTE: Subsidized for Women Entrepreneur.

Annexure 4

Annexure to the Incubation Agreement

Consultancy services through partner organizations and identified consultants

- Training in business management: structured short courses
- Training in business communication: written as well as verbal
- Accounting tools/ software
- Common secretarial pool/staff
- Experiences of successful companies – a knowledge/ information site would be created where management concepts, intellectual property evaluations, deal making, negotiations, networking, VC funding, company registrations etc., are provided
- Networking events/ showcases
- Tie-ups with chartered accountants and other professional organizations as required

Annexure 5

Annexure to the Incubation Agreement

Clarification to the word "Non-Dilutable" appearing in Clause 4 of the Incubation Agreement:

What is Non-dilutable ?

This is clarified for the interests of the parties and to avoid any confusion or ambiguity.

The Company and their Promoters agree that the IEDC is providing incubation facility which is very critical for growth and sustenance of the Company in early days, in return DBU shall be provided with 3% - 5% shares of the "promoters' holding" in the company free of cost and this shall be duty of the promoters to maintain DBU's equity of promoters' shares till DBU decides to sell or give buy back option to the Company or promoters.

Who are Promoters (For the purpose of this agreement)?

Promoters are natural persons, including their close relatives and family members, who have formed the company and have signed the Articles of Association before the Registrar of Companies and have approached IEDC, DBU with Incubation Proposal and have signed the Incubation Agreement.

Method of valuation for Equity Disposal:

The method of maintaining the equity of DBU at the stipulated level and the mechanism for equity disposal are as follows:

- A. On a price as mutually agreed;
- B. On a price calculated by an expert so appointed with mutual consent
- C. In case the parties do not agree with the amount calculated through route as given in A or B above, the valuation shall be done on the basis of the expenditure incurred and/or the assets (tangible and intangible) generated. All expenditure incurred including salaries shall be compounded on a quarterly basis by a risk adjusted rate of return of 24%. This rate has been arrived keeping in general, that the expected rate of return in successful ventures is of order of 40-50%. The value of the company shall be treated as equal to this value. In case where the Director/promoter are working in the company without or nominal salary/remuneration, their contribution shall be calculated for this purpose as equivalent to the total emoluments drawn on the date of valuation by an Assistant Professor of DBU including such emoluments like Basic, Dearness, House Rent Allowance and other allowances.

Illustration: Suppose "A" and "B" form a Company "C", here A & B are the promoters for the purpose of calculation of 3% equity. Assuming that the paid-up capital of the C is Rs. 2,06,000 and authorized capital Rs. 5,00,000 with equity holding distribution given below:

Share holding of Promoter "A"	10,000 Shares
Share holding of Promoter "B"	10,000 Shares
3% of DBU equity of Promoters (A+B)	600 Shares
Total	20,600 Shares

Case 1: Suppose a Venture Capitalist (VC) invests in the company against 25 % equity in the company. The structure of the shares holding will be;

Shareholding of VC	6,867 Shares
Shareholding of Promoter "A"	10,000 Shares
Shareholding of Promoter "B"	10,000 Shares
3% of DBU equity of Promoters (A+B)	600 Shares
Total	27,467 Shares

Equity holding of Promoters (A+B) remains same, so there is no requirement to give additional shares to DBU

Case 2: Suppose Promoters increase their shares by 5000 by any mode like but not limited to issuing additional shares, bonus shares then DBU's equity will also be increased, without any consideration from DBU, for the same this is to ensure that at all time the shares of DBU are equal to 3% of the equity of Promoters. However, this condition shall apply only up-to a period of one year from the date of exit from IEDC

Shareholding of Promoter "A" and "B"	25000 Shares
3% of DBU equity of Promoters (A+B)	750 Shares
Total	25,750 Shares

Case 3: Subsequent to this, any dilution of the equity may be based on the valuation of the promoters holding at the times of valuation. The Incubatee Company can issue additional equity at a premium based on the valuation. In case the shares are issued at a rate less than the full value (value arrived as per valuation defined herein above), the DBU's shareholding shall also be increased in such a ratio that equity is maintained at 3% value of the pre-issue valuation.

Suppose the promoters are "A" & "B" have 1000 shares with valued at Rs. 100/- upon valuation.

Shareholding of Promoter "A" and "B" of Rs 100 each	1000 Shares
DBU equity of Promoters (A+B) of Rs. 100 each	30 Shares
Total present value	Rs 1,03,000/-

A and B issue additional 1,000 shares at a premium of Rs 40 (Rs 50 × 1000), which is less than full value (Rs. 100:-)

Total Capital is Rs 50 × 1,000 + 1,03,000 = Rs 1,53,000

Share of DBU = (30 - X). X= additional shares to be issued to DBU as a result of under valuation

Total Shares = 1000 + 1000 + (30 + X) = 2000 + (30 + X)

Value per Share = 1,53,000 / {2000 + (30 + X)}

DBU Value = {1,53,000 × (30 - X)} / {2000 + (30 + X)} = 3,000 (Value of DBU share)

(Promoters pre-issue share value is Rs. 100 × 1000 shares)

Which gives, X = 10

So, according to this hypothetical illustration the Incubatee Company has to issue 10 additional shares to DBU against this DBU shall not pay any money.

Please note that these hypothetical illustrations are only for the purpose of clarification and should not be construed as actual which may be different from these figures.

Annexure 6

INCUBATION AGREEMENT

This Agreement is made on this day of20 by and between _____ a Company registered/ proposed to be registered under the Companies Act 2013, through its Directors/ Promoters _____ (herein after referred to as "Resident company or Incubatee" which expression shall include unless it be repugnant to the context or meaning thereof mean and include their successors, representatives, assigns, promoters etc.)
.....OF THE FIRST PART

AND

Desh Bhagat University, (hereinafter referred to as "DBU" which expression shall include unless it be repugnant to the context or meaning thereof DBU has established a Innovation & Entrepreneurship Development Campus (hereinafter referred to as IEDC) with a mission to foster successful entrepreneurs and develop industry in the Knowledge and Technology based area.....OF THE SECOND PART

IEDC and DBU are same parties for the purpose of this agreement. IEDC is the operating and implementing body of DBU. Similarly, Resident Company/Incubatee also after the exit from IEDC denote second party.

NOW IT IS DULY COMMUNICATED AND HEREBY AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

I. Objectives

DBU agrees to incubate _____ in the IEDC at DBU. The purpose of incubation unit will be to:

- Promote and interact with, and source technology/expertise from faculty members and research scholars and laboratory infrastructure of the Institute,
- Help in getting other kinds of techno-managerial expertise required that is not available within the institute.
- Incubating novel technology and business ideas into viable commercial products or services.
- Provide infrastructural facilities, entrepreneurship guidance, professional & statutory assistance, technical help and other ancillary facilities to budding entrepreneurs.

2. Tenure

The Resident company/ incubatee has been using the facilities of IEDC with effect from _____ and is carrying out full-fledged activities as a Resident company/ incubatee. IEDC has been extending all the facilities of incubation from the said date.

2.1 DBU will permit Incubatee Company to commence incubation in IEDC with effect from _____ and the incubation shall expire on _____.

2.2 The period of Incubation can be extended only by DBU at its discretion if a request is made by the company.

3. Facilities and Infrastructure

That DBU will provide facilities to the resident company/ incubatee as per the regulations framed by DBU in this regard and as amended from time to time. The facilities and infrastructure more specifically are mentioned as in Annexure 2.

Upon admission to IEDC, certain facilities as given in Annexure 2 will be offered to the Resident company/ incubatee on payment basis as prescribed in Annexure 3. Further, DBU has the right to inspect and examine the premises allotted to the resident Company/ incubatee at any point of time during the incubation period/ stay at the IEDC premises. On the completion of the incubation or when the Resident company leaves IEDC due to any other reason, all the furniture, space and any other facilities provided shall be surrendered to IEDC in good condition (after allowing for normal wear and tear in the case of equipment/furniture). All costs incurred for such restoration to good condition shall be borne by the resident company and in case IEDC has to incur any further expenditure to get the equipment or the room back into good condition then the same shall be recovered from the resident company and/or its directors or promoters. All dues including that of the accommodation should be cleared by the resident company before it leaves the incubation otherwise, all outstanding dues shall be recovered from the company or its directors and/or promoters.

3.1 Common infrastructure

IEDC provides a common pool of hard and soft infrastructure to be shared by all resident companies/ incubatee. Certain resources can be provided on charge basis by DBU on request of the resident company and subject to the rules and regulations in this regard as applicable from time to time.

3.2 Institute infrastructure

IEDC will facilitate access to the Institute's infrastructure on request of the resident company/ incubatee as per regulations made by DBU in this regard. The facilities will remain under the overall control of DBU and will be available to the resident company only for specific activities.

3.3 Services of Professionals

IEDC may identify and associate professionals for accounting, IP, legal and management expertise on a part-time basis. Incubatee/ Resident Company can avail of their services on prescribed charges. Any direct services provided to an incubatee would have to be paid for by the incubatee to the service provider on mutually agreed terms and conditions. IEDC may provide free digital promotion on its social media platform and in campus promotions.

IEDC may also provide soft infrastructure and business services by third party to the incubatee companies, if DBU so agrees on the request of the resident company/ incubatee. Possible services and support items on payment basis are listed as in Annexure 3. IEDC may also, if regulations of DBU permit, assist the Resident Company/ Incubatee in getting consultancy services through partner organizations and identified consultants, in the areas such as Market Research and Opportunity Identification, Valuation of Businesses, Competitor Research, Market Analysis and Sizing, Customer Search, Electronic Research, Marketing Plan formulation, Consulting on Strategies at various stages, i.e., Launch, Growth and Harvest of businesses, as listed in Annexure 4. However, it is made clear that IEDC acts merely as a facilitator for any services and the resident company/ incubatee shall have to make an agreement with the service provider towards terms and conditions for availing the service. IEDC may on its discretion provide certain services on subsidized or no-charge basis.

3.4 Mentoring and Advisory Facilities:

Each Resident Company or Incubatee is required to have a Faculty mentor from DBU or if permitted by DBU, from any other Institute as a Faculty Mentor/ Advisor, primarily for technical issues. The terms and conditions in this regard have to be worked out by the resident company/incubatee with the faculty concerned and intimated to DBU.

4. Consideration

4.1 The Incubatee/Resident Company is required to provide a Non-Dilutable Equity (as defined in Annexure 5) equivalent to 5% of the promoter's equity to DBU/ 5% of revenue sharing to DBU.

4.2 In case the Incubatee/Resident Company is housed as a Pre-Incorporated Entity, the Incubatee/Resident Company is required to provide a Non-Dilutable Equity (as defined in Annexure 5) equivalent to 10% of the promoter's equity to DBU/ 10% of revenue sharing to DBU.

4.3 In addition to this the Company has to provide 1% of the promoter's equity to each mentor (member of faculty) from DBU, as per the regulations of DBU, subject to maximum of 2 mentors.

This clause should be read with the SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT (Annexure 7) of this Agreement.

- 4.4 Further, DBU/JEDC shall levy charge on the resident company/ incubatees for infrastructure and facilities. current rates of consideration are given in Annexure 3. A mandatory work space may be allotted to the resident company/incubates as per availability and charges mentioned in Annexure 3.
- 4.5 Services availed from Institutes' laboratories, workshops, centers and equipment used by the resident company/incubates would be charged separately by DBU. The charges would be as decided by individual faculty-in-charge and Disciplines as per DBU regulations.
- 4.6 A mandatory incubation fees will be charged monthly at the rate of Rs. 1,000/- per month.
- 4.7 DBU/JEDC may change the above rates (as mentioned in clause 4.4, 4.5 and 4.6) from time to time at its discretion and date of implementation of the amended charges shall be applicable with immediate effect.
- 4.8 The Resident Company/ Incubatee shall have to execute separate agreement for seed money and/ or Intellectual Property/ know-how, technology owned by DBU, as and when a request is made and agreed upon by DBU. Charges for seed money and DBU's Intellectual Property would be as decided by DBU.
- 4.9 The said consideration (as mentioned in Clause 4.4, 4.5 and 4.6) shall be payable by the company in the following manner:
- 4.9.1 Rupees Three thousand per quarter shall be payable in advance for every quarter one week before the start of the quarter or on the 24th of the month preceding the quarter. Quarter for this purpose would mean the quarter as per the English calendar commencing from January every year. The consideration for the quarter during which the incubation commences shall be proportionately adjusted taking into consideration the date of commencement of the incubation.
- 4.9.2 In case, consideration is in excess of Rupees three thousand, the balance amount would have to be paid at the end of each quarter.
- 4.9.3 The company would have option of deferring 50% of the charges as mentioned in clause 4.4, 4.5 and 4.6 till the time they exit from JEDC.

In lieu of such deferment the bills have to be paid at the time of exit either with an interest of 8%* compounded quarterly or the resident company /incubate will have to issue additionally 1% of the non-dilatable equity to DBU (whichever carries more value at the time of exit).

- 4.9.4 The company would also have option of deferring 100% of the charges as mentioned in clause 4.4, 4.5 and 4.6 till the time they exit from JEDC.

In lieu of such deferment the bills have to be paid at the time of exit either with an interest of 8%* compounded quarterly or the resident company /incubate will have to issue additionally 2% of the non-dilatable equity to DBU (whichever carries more value at the time of exit).

4.9.5 For Pre-Incorporated Entities, charges mentioned in Clause 4.4, 4.5 and 4.6 would be completely deferred till their exit from incubation by default. The bills have to be paid at the time of exit with an interest of 8%* compounded quarterly.

4.9.6 **Default in payment:** If the company defaults to pay at any time any dues then they shall have the option to pay such dues at the time of exit with 8%* interest compounded quarterly.

* The interest rate is decided on the basis of rates prevalent with SMILE scheme (for SIDBI's internal rating grade of C6, 5-year term loan) of SIDBI which is a scheme to provide soft loans in the nature of quasi-equity to start-ups and MSME. Kindly refer to: <https://sidbi.in/SMILE.php>

5. As a statement of faith on the value of partnership with DBU, the company is committed to issue equity shares to DBU as per clause 4. At the time of disposal, the decision of IEDC/DBU regarding buyback of full or part of the equity issued shall be conveyed to the company and the company shall abide by the decision. The buyback and equity disposal rules are as contained in Annexure 5 and the SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT as mentioned in Annexure 7.

5.1 That the resident company shall surrender and vacate the premises on DBU on a notice by IEDC. No advance notice is required to be given by IEDC to the resident company.

5.2 That DBU shall have lien on the assets of the resident company at the incubation center till such time that the resident company clears all the outstanding dues.

5.3 That the 'SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT' as mentioned in Annexure 7 forms part and parcel of this agreement and is hereby accepted by the resident company in its entirety and the resident company and its directors hereby indemnify DBU and undertake to remain responsible for all dues payable or losses suffered on account of any act, negligence, default on the part of the Resident Company/ Incubatee and its Directors and employees.

6. Amendments

Notwithstanding anything contained hereinabove or in the 'SALIENT RULES FORMING PART OF THE INCUBATION AGREEMENT' annexed thereto IEDC may at any time amend all or any part of the agreement and its annexure and the Resident Company/ Incubatee shall be bound by the said amendments. The amendments shall be applicable with immediate effect.

7. Arbitration

Any/all disputes between the resident company/incubatee shall be referred for arbitration to the person so nominated by the Director DBU under the Indian Arbitration and Conciliation Act whose decision shall be final and binding upon the parties. The place of arbitration shall be Mandi Gobindgarh.

8. DBU reserves its right to nominate a representative on the Board of Director of the Resident Company/ Incubatee till the time DBU holds equity. The Incubatee/ Resident Company shall indemnify to DBU or nominee any loss suffered, or expense incurred in as a result of such nomination.

In witness whereof, parties hereto have signed this incubation Agreement on the date and year mentioned hereinbefore.

For and on behalf of

For and on behalf of DBU

Signature
Name:
Designation:

Signature
Name:
Designation:

Seal

Seal

Witness (Name & Address)

Witness (Name & Address)

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Annexure 7

Annexure to the Incubation Agreement

Salient Rules Forming Part of the Incubation Agreement

The company hereinafter called the "Resident Company/Incubatee" as per the Incubation Agreement with the Institute for Synergistic collaboration through DBU/IEDC has been permitted. If there is any conflict in the rules and byelaws given below, with any of the clauses of the agreement mentioned above, the rules/clauses of the said agreement will prevail.

RULES AND/OR BYE LAWS

Rule-1

Primary Condition for Incubation

The resident company/Incubatee may be a Private Limited Company (PLC) or a Limited Liability Partnership (LLP).

In case the resident company/Incubatee is a Proprietorship, Partnership Firm or a Pre-Incorporated entity, the promoters must get it registered as a PLC or as a LLP within three months of entry into incubation.

In case the company/Incubatee is not registered as a PLC or as a LLP even after three months of incubation, the resident company/Incubatee would be made to exit IEDC and all dues and considerations payable will have to be cleared immediately.

Extensions to this deadline can be granted by IEDC on case-to-case basis.

After incorporation as a PLC/LLP, the name approved by the Registrar of Companies along with the Memorandum of Association, Articles of Association and List of Directors/Partners must be submitted to IEDC at earliest.

Rule-2

Primary Condition for Pre-Incubation

In case the company/Incubatee has applied for Pre-Incubation, registration as a PLC or LLP is not required. Here, the company/Incubatee can remain as a Proprietorship Firm, a Partnership Firm or a Pre-Incorporated entity but will have to pay consideration as per clause 4.2 of agreement.

Rule-3

Tenure of Incubation

The resident company/Incubatee will be permitted to incubate in IEDC for a period of **Twenty-four Months**. Two further extensions can be granted for **6 months** each at a time, at the sole discretion of DBU.

Exit

The resident company/ Incubatee will be required to leave the incubator under the following circumstances:

- After the completion of the Incubation including extended incubation period, if any.
- Underperformance or inability to perform business as evaluated and decided by IEDC/DBU on case to case basis.
- Irresolvable promoters' disputes in opinion of IEDC/DBU on case to case basis.
- Violation of any Statute, rules and regulations of DBU in the opinion of IEDC/DBU on case to case basis.
- Capital cash flow exceeds Rs. One crore in the opinion of IEDC/DBU on case to case basis.
- Number of employees of the incubatee exceeds 20.
- When the annual gross revenues of the incubatee (excluding all the taxes) exceeds Rs. Five crore or the Net-Profit-After-Tax exceeds Rs. Fifty lacs.
- When the company enters in an acquisition, merger or amalgamation deal or reorganization deal resulting in a substantial change in the profile of the company, its promoters, directors, shareholders, products or business plan.
- Incubatee plans for a public issue in the opinion of IEDC/DBU on case to case basis.
- Change in promoters'/ founders' team in the opinion of IEDC/DBU on case to case basis.
- Any change of more than 50% of equity ownership unless approved by IEDC, in the opinion of IEDC/DBU on case to case basis.
- Any other reason for which IEDC may find it necessary for an incubatee resident company to leave.

Notwithstanding anything written elsewhere, the decision IEDC/HTDMJ in connection with the exit of an incubatee company shall be final and shall not be disputed by any incubatee company.

Rule-4

The Resident Company/Incubatee shall undertake Research & Development, Design/Testing, prototype development from DBU's premises but shall not carry out warehousing, storage, marketing sales or other commercial routine activity. Exceptions to this can be granted by IEDC on a case to case basis.

Rule-5

Subleasing or subletting of any kind of the space given by IEDC is not allowed. Non-observance of this rule will result in immediate expulsion.

Rule-6

If an incubatee/ resident company requires more space or has vacant space, a request for additional space/surrender of the space is required to be made to IEDC in writing.

Rule-7

The resident company/ Incubatee is required to provide a list, as per the following format, of their full time and part time employees in the beginning. Any change should be informed to the IEDC Admin Cell at the earliest, latest by the end of the current quarter.

S. No.	Name	Age	Sex	Full time/ Part time	Qualification & Experience	Designation & Responsibilities /Duty	Address	Signature

Rule-8

All the visitors to the IEDC Complex are required to sign in the visitor's register and collect their visitor's badges/passes. They must bear these passes/badges at all times while in the IEDC complex. They are required to return these passes/badges while leaving the building.

Rule-9

The space given at IEDC complex is without any furniture. The resident company or the Incubatee is required to submit their lay out plan for any modifications, permanent fixtures etc. which they are planning in the space provided to them. Without the prior approval of the lay out plan from IEDC, such work cannot be undertaken. After the completion of incubation, the space should be returned in the same condition as it was in the time of taking the occupying the space of IEDC excluding normal wear and tear. Decision of IEDC in this regard will be final.

Rule-10

The resident company or Incubatee should observe that noise levels are kept at minimum and, no abnormal noise by any machine or by their employees or visitors should be made. Any complaint of high noise level will result in appropriate action by IEDC.

Rule-11

All resident companies/ Incubatees are required to observe health and safety standards. No hazardous material can be brought inside the complex without the prior approval of IEDC/DBU. All the incubatee companies are required to keep a first aid kit in the space provided to them.

Rule-12

No resident company or its employee can display notices or signage except in the space or Boards provided for such signage by IEDC.

Rule-13

It is the responsibility of all the resident companies and their employees to use the common facilities, e.g., common area, fax and other machines etc. with due diligence and care.

Rule-14

The Resident company or incubatee shall be required to submit an unaudited/audited financial statement on a quarterly basis to IEDC office.

Non-compliance with the same would result in a fine of Rs. 1,000 and if the same is not given for three quarters continuously the offices of the company would be sealed without any further notice. However, the fine could be reduced at the sole discretion of DBU.

The company should also inform IEDC on the progress on the incubation projects and should make presentations to the Committee on annual basis and non-compliance would result in similar penalties stated above. The Incubatee is also obliged to submit to IEDC one copy each of the Memorandum of Association, Articles of Association, and Annual Report (as and when approved by their Board of Directors).

Rule-15

It will be obligatory for the resident company or incubatee to involve DBU area experts and/or use existing laboratory facilities during the developmental activities for mutual benefits. The consultancy charges payable to DBU area experts/ mentor will be according to the norms as laid down by DBU in this regard.

Rule 16

Notwithstanding any issue/dispute pending between the Company and DBU/IEDC at the time of completion of the agreed tenure of incubation period, or if given an exit notice by IEDC the incubatee must vacate the allotted space unconditionally.

Rule-17

The resident company/ Incubatees are required to keep the IEDC informed about any visitor from abroad, foreign collaboration and/or foreign partner or director, and abide by the rules/procedures in vogue in the IEDC / DBU.

Rule-18

DBU/IEDC reserves the right to nominate one representative to the company's Board of Directors till DBU exits from the company. The nomination of DBU's representative will be made pursuant to M.O.U arrived at with DBU and that such nominee shall not be deemed to be, in any way, concerned with the affairs or day-to-day working of the company and/or held liable for breach of any of the provisions by the company of the companies act.

Rule-19

The Resident Company/ Incubatees are required to keep the IEDC informed in advance and obtain their concurrence in writing for the following during the incubation period:

- a) Change of Name of Incubation Company to any other form of legal entity
- b) Any major change in their incubation/business plans
- c) Change in their ownership pattern
- d) Change in their Board of Directors
- e) Disposal of major assets (with cost above Rs. 5,00,000)

Rule-20

IEDC/DBU reserves the right to release information regarding the Incubatee/the Incubation/ the product or service to the media to promote IEDC for non-commercial purposes.

Rule-21

All resident Companies incubated in the Centre would be required to submit their audited annual Balance Sheet to the Centre after graduating from the Centre within six months from the end of the financial year.

Rule-22

On issues wherein, no rules and/or byelaws are clearly defined, IITDMU rules and/or byelaws shall prevail.

Disclaimer:

The incubatee/Resident company understands and acknowledges that IEDC/DBU intends to provide supports facilities to the Company in good faith to pursue its objective to promote entrepreneurship by converting innovative technologies by incubating and supporting new enterprises. It is understood that by agreeing to provide various supports and facilities, IEDC/DBU does not undertake responsibility for:

- Ensuring success of an incubatee/resident company, its products/ process/ services or marketability.
- Ensuring quality of support provided by IEDC to the complete satisfaction of the incubatee companies or their promoters/ founders.
- Ensuring quality of services of the consultants engaged by the incubatee companies through IEDC/DBU network. Incubatee companies will have to apply their judgments before getting in to a relationship with them.

The incubatee/ resident company agrees that IEDC/ DBU or their employees shall not be held liable for any reason on account of the above.

Annexure B

**PERSONAL GUARANTEE BY THE INCUBATEE
PROMOTERS**

TO

**DESH BHAGAT UNIVERSITY, MANDI GOBINDGARH,
PUNJAB**

We, _____ son of _____ residing
at _____ the Director and
promoter of _____ do hereby undertake a
personal guarantee to pay all unpaid or balance dues, charges and any other levies by DBU/IEDC
including an interest @ 8% compounded quarterly from the date payment becomes due up to the date
of payment.

The amount payable shall be as calculated by DBU/IEDC for using/availing facilities and
infrastructure that arise against the Incubation Agreement dated _____ signed
by _____ and DBU/IEDC.

We the Directors/promoters shall keep DBU indemnified against all claims, losses, damages, costs,
liabilities charges and expenses incurred, suffered or paid by DBU relating to the acts and omissions
of the Promoters and employees of the residential company on its incorporation by reasons of having
allowed the _____ promoted by us to use the incubation facilities
provided by DBU. The Agreement made on _____ Day of 20...

Signature:
(Name)

Address:

Witnesses: (Signature, Name, Father's name and Address)

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* The interest rate is decided on the basis of rates prevalent with SMILE scheme of SIDBI, a scheme
to provide soft loans in the nature of quasi-equity to start-ups and MSME. Kindly refer to:
<https://sidbi.in/SMILE.php>

