GOVERNMENT OF ANDHRA PRADESH
INFORMATION TECHNOLOGY, ELECTRONICS & COMMUNICATIONS DEPARTMENT
Room No: 106, North H Block, AP Secretariat, Hyderabad - 500022

SOLICITS APPLICATIONS FOR

Empanelment of Interested Host Institutes for “Integrated Scheme for Risk Guarantee
Support to Public Private Partnerships in Creating World Class Technology
Business Incubators (TBIs)”

Government of Andhra Pradesh has come out with a unique and first-of-its-kind policy in
the country - “Andhra Pradesh Innovation & Startup Policy 2014-2020” The Policy aims
to create a world class ‘technology startup ecosystem’ in the state.


In pursuance of this Policy, Government of Andhra Pradesh has approved a new scheme
called “Integrated Risk Guarantee Scheme for Support to Public Private
Partnerships in Creating World Class Technology Business Incubators (TBIs)” with an aim to bring the New State of Andhra Pradesh on the global startup
map.

This notice is issued to invite applications from reputed Host Institutes/TBIs, approved
by National Science and Technology Entrepreneur Development Board (NSTEDB),
DST, Govt, to be empanelled in the Integrated Risk Guarantee Scheme for
Support to Public Private Partnerships in Creating World Class
Technology Business Incubators (TBIs) in the State of Andhra Pradesh in Public
Private Partnership model on a non-exclusive basis.

This invitation is open throughout the year and the Government from time to time would
consider applications.

The Andhra Pradesh Incubation & Startup Policy 2014-2020 clearly elucidates the Roles
of State Government & Host Institutes; facilities provided and the Integrated Scheme
would provide support to the Host Institutes/Pilot Incubators, for creation of incubation
infrastructure to scale up to world class standards, on PPP mode.

Application, along with checklist, in full shape, based on the above Policy, may be sent
to the undersigned at secy_itc@ap.gov.in.

Hyderabad:

Dated: 21st August, 2015

Secretary to the Government
Tel:+91-40-23450041, secy_itc@ap.gov.in
GOVERNMENT OF ANDHRA PRADESH

INFORMATION TECHNOLOGY, ELECTRONICS AND COMMUNICATIONS DEPARTMENT

Integrated Risk Guarantee Scheme for Support to Public Private Partnerships in Creating World Class Technology Business Incubators (TBIs)

AUGUST, 2015
Integrated Scheme for Risk Guarantee Support to Public Private Partnerships in Creating World Class Technology Business Incubators (TBIs)

A. Whereas the Government of Andhra Pradesh recognizes that there is significant deficit in the availability of world class physical incubation infrastructure, capital equipment’s and labs as common infrastructure, human capital development programmes, mentoring programmes for startups, global exposure and seed funding especially for early stage startups and that this is hindering growth of a technology startup ecosystem in the state;

B. Whereas the development of incubation infrastructure and associated equipment’s and services requires large investments that cannot be undertaken out of private financing alone, and that in order to attract private capital as well as the techno-managerial efficiencies associated with it, the Government is committed to promoting Public Private Partnerships (PPPs) in infrastructure development by absorbing the major risks; and

C. Whereas National Science and Technology Entrepreneurship Development Board, Department of Science and Technology, Government of India has already created a substantial number of Technology Business Incubators but at small scale using grants for capital and operational expenditure and seed funding; and

D. Whereas the Government of Andhra Pradesh recognizes that incubator projects are mostly not financially viable because of (i) long gestation periods and the early nature of the technology startup ecosystem, (ii) limited and uncertain financial returns since the risk of failure in startup product companies is 85-90% globally, and (iii) product startup ventures typically don’t make significant revenues in the initial 3-4 years, and that financial viability of such projects can be improved through State Government support.

E. Whereas countries like Israel, which had no venture capital industry in early 90’s, created technology business incubator programmes where over 85% of the project cost was supported as grant, which had to be repaid back only on success (capital+interest), whereby the Israeli government absorbed the risk especially in the early stages (http://incubators.org.il) and provided profit incentives for private incubators for their techno-managerial experience and business network, which has resulted in accelerated growth in high technology startups in Israel over 2 decades.

F. Whereas the total venture capital investments in India is over USD 3.5 billion in first half of 2015 and less than 0.5% is being invested in the newly formed state of Andhra Pradesh and while the undivided state of Andhra Pradesh had five Technology Business Incubators, the residual state after bi-furcation, the new state of Andhra Pradesh had no Technology Business Incubators.

G. Whereas while creating incubation infrastructure and setting up the incubator programmes are key aims, it is also a key aim of the Government and the Innovation & Startup Policy to focus on and cater to the younger population of the State, i.e. students from Class 5 up to students in engineering colleges. The Government recognizes the need to light a spark and encourage a spirit and culture of entrepreneurship in its children and youth (age 11-22) years and to further support
young entrepreneurs for another four years after graduation to enable creating startups. This long gestation period for seeding the spirit and culture in the State’s populace and thus increasing the number of entrepreneurs and startups accordingly necessitates a long gestation period for incubator projects under the Innovation & Startup Policy.

H. Whereas the Government of Andhra Pradesh also recognises that projects of this nature generate indirect returns that accrue to the State through taxes, employment generation and economic activity generated through setting up of incubator projects across the State.

I. Now, therefore, the Government of Andhra Pradesh has decided to put into effect the following scheme for providing financial support to bridge the viability gap of incubator projects undertaken through Public Private Partnership model to build a world class startup ecosystem in the state

1. **Andhra Pradesh Technology Startup Policy**

Government of Andhra Pradesh has come out with a unique and first-of-its-kind policy in the country - “Andhra Pradesh Innovation & Startup Policy 2014-2020”. The Policy aims to create a world class ‘technology startup ecosystem’ in the state.


2. **Short Title and Extent**

   (i) This scheme will be called **Integrated Risk Guarantee Scheme for Support to Public Private Partnerships in Creating World Class Technology Business Incubators (TBIs)**. It will be a Plan Scheme to be administered by the Information Technology, Electronics and Communications Department. Suitable budgetary provisions will be made in the Annual Plans on a year-to-year basis.

   (ii) The scheme shall come into force with immediate effect.

3. **Definitions**

In this scheme, unless the context otherwise requires:

**Empowered Committee** means a Committee constituted by Government for selection of Host Institute.

**Host Institute** means any person / entity approved as a host institute of a Technology Business Incubator by National Science and Technology Development Board, Department of Science and Technology, Government of India.

**Lead Financial Institution** means the state financial institution (FI)/government entity through which the government is funding the PPP project;

**PPP Project** mean a project by eligible Host Institutes to create and operate world class fully furnished physical incubation facilities of not less than 100,000 Sq Ft
within the focus areas covered under the Andhra Pradesh Innovation and Startup Policy 2014-2020 to support not less than 250 startups for a period up to five years

**Project Term:** 15 years starting from date of execution of MoU between Government and Host Institute. Project term is divided into 2 phases. 1st Phase- 5 years from the date of signing MOU wherein the infrastructure and ecosystem for start-ups will be developed and in the next ten years getting the VC funds for investments in startup companies by SPV.

SPV means a Special Purpose Vehicle (SPV) through which the project is implemented, which could be a subsidiary, affiliate or joint venture company that shall be setup in the state of Andhra Pradesh, by a Host Institute of a National Science and Technology Development Board approved Technology Business Incubator in India.

**Total Project Cost** means the total project cost, which covers the 100,000 Sq Ft of fully furnished physical incubation infrastructure, Incubator Programmes, Capital Equipment’s, Operational Costs and Seed Funds for startups to support 250 startups for a period up to five years.

**Convertible Soft Loan** means a soft loan provided for the project term which at the end of the project term based on project outcome can either be paid back with 6% simple interest or converted to equity in SPV.

4. **Eligibility**

In order to be eligible for funding under this Scheme, a PPP project shall meet the following criteria:

(a) The project shall be implemented i.e. developed, financed, constructed, maintained and operated for the Project Term by a Host Institute to be selected by the Government through a non exclusive process of open empanelment.

(b) The Host Institute should have at least **THREE (3)** years of technomanagement experience of running a successful Technology Business Incubator. The project team should have together at least ten years of combined experience in governing a technology business incubator and well versed in all aspects of evangelization, selection of startups, mentoring of startups, setting up entrepreneurship development cells in colleges, attracting partners, raising investments for startups, connecting to venture capitalists/angel investors etc.

(c) The Incubator should have incubated a minimum of 100 startups and managed at least 25,000 Sq Ft of Incubation Infrastructure.

(d) The Host Institute should also have a minimum financial net worth of Rs.25Crores and have the ability to raise capital for the equity investment into the SPV.

(e) The PPP Project should be from within the focus areas as per the Andhra Pradesh State Innovation & Startup Policy 2014.
Focus Areas— Initial for establishment of pilot incubators would be within the areas of

- Telecom and Mobile Internet
- Internet of Things (IoT)
- 'IT for X' in the areas of Pharma, oil & gas, urban management.
- Social Media, Mobility, Analytics and Cloud Computing (SMAC)
- Fables Semiconductors
- Animation & Gaming
- Electronics
- Entertainment
- Visual Effects
- Health and Medical Equipment
- Sports and Fitness
- Automotive

Provided that the Empowered Committee may add or delete sectors/sub-sectors from the aforesaid list.

5. Government Support

(1) The total Convertible Soft Funding under this scheme shall be eighty five percent of the Total Project Cost. 90% of the Soft Loan provided has to be spent within the state of Andhra Pradesh, to establish the Incubator facilities, buy capital equipment or as investments into companies with registered office in Andhra Pradesh.

The Soft Loan Funding under this scheme will normally be in the form of a term loan at 6% simple interest re-payable after the Project Term over ten (10) equal semi-annual installments or converted to equity in the SPV as per Ministry of Corporate Affairs guidelines on conversion of loans to equity based on the project outcome by the Host Institute.

(2) The scheme for funding the total project cost in the SPV is out of the approved project cost, 50% will be from Government of India, 35% from the State Government and 15% from the Host Institute/TBI. Government of Andhra Pradesh would seek assistance from Government of India for covering upto 50% of the project cost as a grant-in-aid to State Lead Financial Institution. The State Government funding portion of 35% of the approved project cost along with the 50% of Government of India funding will have to be released by GoAP in the form of soft loan.

(3) GoAP may hold 10% of equity in the SPV at any point of time. Appropriately, the soft loan commitment of GoAP shall be reduced.

(4) The Disbursement Model on the contribution of GoAP is pro-rated into three equal installments (each 28.33% of total Project Cost) contingent on HI contributing upto 5% of Project Cost in each trench and submission of UC (Utilization Certificate) and SE(Statement of Expenditure) from 2\textsuperscript{nd} installment onwards.

(5) Projects up to Rs. 150 crore (Rs. One Hundred and Fifty Crores) for each project may be sanctioned by the Empowered Committee.
6. Approval of project proposals.

(1) The Information Technology, Electronics and Communications Department will issue a Notification for Empanelment which will be available online throughout the year at apit.ap.gov.in.

(2) Projects documents submitted will be subject to detailed scrutiny of the Empowered Committee.

(3) Project proposals shall include the requisite information necessary for satisfying the eligibility criteria specified in paragraph 4 above.

(4) The Empowered Committee will consider the project proposals for Convertible Soft Loan Funding and may seek additional details required for satisfying the eligibility criteria, if proposal is not submitted in full.

(5) Within 15 days of receipt of a Project proposal, duly completed, the Empowered Committee shall inform the Host Institute whether the Project is eligible for financial assistance under this Scheme.

7. Selection Process for PPP Incubator Projects

(1) The Host Institute from Private Sector shall be selected through a transparent, non-exclusive and open empanelment process. The criterion(s) for selection shall be General Industry Experience in setting up Incubators, Technical Capability, Incubation Methodology and Project Team Experience.
(2) The empanelment process shall be open throughout the year.

8. **Deliverables, Appraisal and monitoring by Empowered Committee**

(1) The targets for creating a world class startup ecosystem in Andhra Pradesh have been approved as per the Andhra Pradesh State Technology Startup Policy 2014 includes 5000 startups, 1million Sq Ft of Incubation Space and Human Capital Development Programmes, such as Bootcamps, Startup Events, Student Exchange programmes, College Industrial Visits, setting up of State Innovation Zones etc. **The proposal by Host Institute should clearly mention the targets, which the Host Institute would take up for achieving during the project period against these items.**

(2) The Empowered Committee shall be responsible for regular Strategic Reviews and Operational Review periodically.

(3) Operational Plans shall be prepared three months at a time to take into consideration the fast changing nature of technology ecosystems.

(4) Success Indicators and minimum quality standards will be defined by Empowered Committee from time to time.

(5) Periodical monitoring of the implementation of the scheme by the host institute/ SPV as per the terms & conditions of the MoU and the conditions to be imposed by the GoI.

9. **Disbursement of Convertible Soft Loan**

1. The Convertible Soft Loan Disbursement Model on the contribution of GoAP is prorated into three installments (each 28.33% of total Project Cost) contingent on HI contributing upto 5% of Project Cost in each trench and submission of UC (Utilization Certificate) and SE (Statement of Expenditure) from 2nd installment onwards.

2. **The Total Financial Support under this Scheme shall be invested in, and lent to the SPV, in proportion to the equity contribution infused for the Project by the Host Institute into the SPV and will be released within FIFTEEN (15) working days of submission of letter by the SPV's auditor that required funds have been brought in.**

3. The project cost of 15% of Host Institute/TBI(in the form of equity in the SPV) shall be in three installments to be completed within 18 months from date of MoU and first installment shall be within one month of signing the MoU.

4. The Empowered Committee will approve the release of the Soft Loan by the Lead Financial Institution to the SPV

5. GoAP/The Lead Financial Institution of GoAP, Host Institute and the SPV shall enter into an appropriate **Tri-partite Agreement** for the purposes of this scheme. The Empowered Committee shall prescribe the format of such Agreement from time to time.
10. Revolving Fund

A revolving fund of Rs. 250 crore (Rs. Two hundred and Fifty crore) is proposed to be provided by the Department of Information Technology, Electronics and Communication to the Lead Financial Institution out of its annual plan budget.

11. Format for Proposal

Interested Host Institutes may send the proposal for empanelment in the following format, alongwith filled in Checklist to secy.itc@ap.gov.in,

- Covering Letter addressed to Secretary, ITC
- Introduction to Host Institute and Incubator
- Background of Host Institute and Incubator
- Key Elements of Incubation Programmes for Human Capital Development
- Current Traction at Incubator
- Existing Incubation Infrastructure Available
- Incubation Methodology
- Graduation Options for Startups
- Previous Experience with Innovation Zones
- Project Team and Experience
- List of Mentors
- Lab/Equipment’s Available
- Sanction Order from NSTEDB
- Awards and Recognitions
- Certificate from Chartered Account for minimum Rs. 25Cr networth
- Certificate from Chartered Account for minimum 100 incubated startups and 25,000 Sq Ft of Incubation area managed.
- Certificate from TBI/ Host Institute to the effect that it has 3 years of Techno-Managerial experience of running a successful TBI.
- Certificate from Head of HR on Project Team Experience for minimum 10 years combined experience at Board of DST approved Incubators.
- Checklist(proforma) -

SECRETARY TO GOVERNMENT

ITE&C Dept, Govt of AP
Pilot Incubator/Host Institute Check List

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<tbody>
<tr>
<td>1</td>
<td>Name of the Host Institute(HI) ( Company/ Firm)</td>
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<td>2</td>
<td>Constitution of the HI</td>
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<td>3</td>
<td>Date of incorporation of the Company/Firm(HI) * Enclose copy of Registration/Incorporation Certificate</td>
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<td>4</td>
<td>Name, designation, Mobile, email &amp; contact details of the Authorized Person/ Managing Director</td>
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<td>Address</td>
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### II. Activities of the Incubator (HI)

**Previous Financial Track Record of the Host Institute**

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<th>Description</th>
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<td>10</td>
<td>Total Turnover (in Rs. crores) (Please provide Annual Reports)</td>
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<td>2014 - 15</td>
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<td>2013 - 14</td>
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<td>11</td>
<td>Investment (in Rs. crores) as on date</td>
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<td>12</td>
<td>Networth of the Host Institute (in Rs. crores) as on date</td>
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<td>13</td>
<td>Whether approved by National Science &amp; Tech Entrepreneur Board, if so enclose letter of approval</td>
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### III. Previous Performance of the Host Institute

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<td>Number of Boot camps organized</td>
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<td>Number of Events per year conducted</td>
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<td>Number of Employment created p.a.</td>
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<td>Innovation Zones created</td>
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### IV. Projected Performance/Deliverables/Targets of the Host Institute/SPV (in AP Project), if empanelled:

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<td>Any other parameter on which the performance of the HI/SPV can be measured, pl indicate</td>
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Name, Signature & Mobile No. of Applicant/Authorised Signatory: