

## **ICAI INCUBATION POLICY**

**An-Initiative by Committee on MSME and Startups**

**The Institute of Chartered Accountants of India**

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### **1. About ICAI:**

The Institute of Chartered Accountants of India (ICAI) is a statutory body established by an Act of Parliament, viz. The Chartered Accountants Act, 1949 (Act No.XXXVIII of 1949) for regulating the profession of Chartered Accountancy in the country. The Institute, functions under the administrative control of the Ministry of Corporate Affairs, Government of India. The ICAI is the second largest professional body of Chartered Accountants in the world, with a strong tradition of service to the Indian economy in public interest.

The affairs of the ICAI are managed by a Council in accordance with the provisions of the Chartered Accountants Act, 1949 and the Chartered Accountants Regulations, 1988. The Council constitutes of 40 members of whom 32 are elected by the Chartered Accountants and remaining 8 are nominated by the Central Government generally representing the Comptroller and Auditor General of India, Securities and Exchange Board of India, Ministry of Corporate Affairs, Ministry of Finance and other stakeholders.

Over a period the ICAI has achieved recognition as a premier accounting body not only in the country but also globally, for maintaining highest standards in technical, ethical areas and for sustaining stringent examination and education standards. Since 1949, the profession has grown leaps and bounds in terms of members and student base.

The Committee on MSME and Start Ups is one of the non-standing committee of ICAI constituted in the year 2021 to promote the MSMEs & Startups by way of encouraging collaboration amongst the professionals/experts in the relevant fields and establishing the Bridge among the appropriate authority & MSMEs/Startups by means of various endeavours in Capacity Building & other Measures for them.

### **2. Background:**

In January 2016, The Government of India, has launched Startup India which is a flagship initiative intends to build a strong eco-system for nurturing innovation and Startups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The main aim is to promote innovation and design to empower Startups. A

substantial portion of Chartered Accountants is spread across the country, practicing as Small and Medium Professionals (SMPs). The accounting profession has a deep reach and connects to the MSME sector as SMPs are the trusted financial advisor of MSMEs providing a variety of services including project financing, working capital management, asset management, export promotions advice, budgetary forecasts, financial modelling, preparing standard operating procedures, assessing the design and operative effectiveness of internal controls besides regular accounting, auditing and taxation services. It is perhaps for this reason, the profession understands the pulse of the sector and can provide an able ecosystem for the development of Startups in India.

### **3. Objective:**

The goal of this policy is to promote entrepreneurship and thereby facilitate practical application of knowledge for public use. ICAI aims to coordinate, synergise and leverage the various strands of excellence driving innovation and entrepreneurship & wishes to facilitate the creation of ideas and inventions that benefit society. To this end, ICAI has adopted this Incubation Policy to provide guidance and management structure to facilitate development of entrepreneurship.

The scope of this document is to define the policies and procedures for the operational matters related to the Incubation Centres opened and managed by the Committee on MSME and Startups of ICAI.

### **4. Types of Support offered:**

<b>Pre-Incubation</b>	<b>Incubation</b>	<b>Virtual Incubation</b>
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### **5. Eligibility of the Applicant:**

- i. At least one of the Director/ Co-founders of the startups must be Chartered Accountant (an active member of ICAI).

Start-up means the start-up defined under Gazette notification no. GSR 364(E) dated 23rd May, 2017 and revised thereafter from time to time issued by Ministry of Commerce & Industry, department of Industrial Policy & Promotion.

- ii. Any Member desirous of availing incubation facilities has to incorporate a private/public limited company under the Indian Companies Act 2013 or registered as LLP and apply in the prescribed format along with required documents. If a company/LLP has not been registered, an application may be made in the names of

all promoters/ founders; however, the promoters/ founders must ensure that the company/LLP is registered within a period of three months from the date of approval of the application for admission in Incubation Centre.

- iii. If any of the Director/Cofounders is an employee of Government shall be granted incubation only upon submission of "No Objection Certificate" from the competent authority.

## **6. IP from other sources:**

If IP of any other organisation or institution is involved, NOC from the said organisation or Institution should be obtained.

If there is anyone/ team who has worked on the IP and if any of them is not part of the start-up, an NOC shall be obtained from such members for usage of the IP in the start up.

## **7. Pre-Incubation Support:**

This support is offered to applicants having an idea which can be converted into a start-up venture and have not yet incorporated a company/LLP. This support will only be provided to an active member of ICAI who is desirous of opening a start-up and whose idea gets selected through Incubation Admission Procedure. The period of Pre-Incubation will be of 1 month and the support will be provided virtually through a Mentorship model. The applicant can access the meeting rooms available at the Incubation centre twice in a month with a minimum of 3 days advance notice and subject to availability. The support also includes access to library services available at the Incubation Centres of ICAI alongwith Networking Opportunities with Incubated Startups.

## **8. Incubation Support:**

This support will be offered to start-up ventures having at least one of the Director/ Co-founders as an active member of ICAI and which are registered entities (incorporated as Private/Public limited company under Companies Act 2013 or registered as LLP) and have developed initial prototype or validated their product/services in the market with some initial customer base. This condition for incorporation as company under Companies Act 2013 or registered as LLP may be relaxed for recently passed out members, provided they incorporate their start -up within 3 months of Incubation at ICAI Incubation Centres. Such entities will be provided physical infrastructure (access to workstations, internet connectivity and meeting rooms) for a period of six months at the Incubation Centres of ICAI subject to

the availability and meeting up of selection criteria, alongwith the host of other services such as Mentoring and Advisory, access to library services and webinars conducted by the Committee on MSME and Startups, access to student interns on stipend, networking opportunity with incubated start ups, access to the services of the empanelled service providers and connect with investors and Venture Capitalists and all other benefits as mentioned in the agreement.

### **9. Virtual Incubation Support:**

This support will be offered to start-up ventures having at least one of the Director/ Co-founders is an active member of ICAI and which are registered entities (incorporated as private/public limited company under Companies Act 2013 or registered as LLP) and do not require physical infrastructure (working space) at the Incubation Centre. This condition of incorporation may be relaxed for recently passed out members, provided they incorporate their start -up within 3 months of Incubation at ICAI Incubation Centres. Such entities will be provided following services such as Mentoring and Advisory, access to library services and webinars conducted by the Committee on MSME and Startups, access to student interns on stipend, networking opportunity with incubated startups, access to the services of the empanelled service providers and connect with investors and Venture Capitalists for a period of six months.

### **10. Start Up Admission Procedure:**

Application will be accepted online for Pre-Incubation, Incubation and Virtual Incubation. The admission procedure will be having the following stages:

#### **Stage 1: Submission of Executive Summary/Plan**

As a first step in the admission process, the prospective start up should submit an Incubation Application containing all the details of the start-up like team members, the business plan and other relevant documents. The Incubation application will be submitted online through the specified portal.

#### **Stage2: Initial Screening of the Applications**

The submitted application will be assessed by the Start-up Screening Committee (SSC) formed at regional level. The meeting of aforesaid Committee will be conducted periodically, at least once in a Fortnight/Month. The SSC may refer the application to be reviewed by external reviewer by 2 or more reviewers (Comprising of experts from the domain, investor, industry, established entrepreneur, potential client/user).

The submitted application will be assessed by the Committee for comments on technical and business feasibility of the idea which will be based on several criteria including the following:

- Strength of the product idea in terms of its technology content, innovation, novelty, timeliness and market potential
- Profile of the core team/ promoters
- Prior experience of working in management committee of any start up
- Intellectual Property generated and the potential of the idea for IP creation
- Financial/ Commercial Viability
- Funds requirement and viability of raising finance
- Time to market
- Break-even period
- Commercial potential, demand and requirement in India
- Scalability
- Start up in financial domain or in the thrust areas such as Accounting, AI based Audit, Financial Management, Taxation, Valuation, Merger and Acquisition, Stock Market, Mutual Fund, Banking, Insurance, etc.

However, in the following cases subject to the eligibility of the applicant mentioned at point no.5 above the review process may be relaxed on case to case basis:

- Serial Entrepreneurs
- Customer Validation and/or adoption
- Existing ventures with revenues of Rs.50 lacs or above
- Have got funding by Angel Network, Venture Capitalists of up to Rs.30 lacs
- In case of pre-screened and previewed business ideas/cases by government grants/competitions, on their approval, the same may be directly admitted as per program requirements.

### **Stage 3: Presentation before the SSC**

Based on the initial evaluation of the business plan / executive summary the applicant will be expected to give a presentation describing critical aspects of the business plan before the SSC. The presentation will be followed by questions.

Note: No TA/DA will be given to the members for presenting their ideas/applications and such presentation through video conferencing is also permitted.

## **Stage 4: Result**

The final selection of incubatees will be made by Start-up screening Committee (SSC) and a formal communication will be sent to the applicant along with necessary documents including terms and conditions. If the Incubation is sanctioned, the applicant shall be offered Pre-Incubation, Incubation or Virtual Incubation and the start-up company/LLP has to sign an Incubation Agreement with ICAI.

### **11. Additional Inputs/Information:**

Throughout the application process, on an as-needed basis, the applicant may be required to furnish further information or may be asked to revise the executive summary and/or presentation.

### **12. Infrastructure and Services at Incubation Centre:**

#### **DETAILS OF FACILITIES:-**

##### **a) Physical infrastructure:**

- Furnished Office Space
- Shared resources: Meeting rooms, Conference rooms
- Office productivity equipment: Photocopier, Shredder, Scanner, Projector, video audio conferencing facilities

##### **b) Utility:**

- Electricity
- Lighting
- Internet

##### **c) IT Support\*:**

- Cloud credits
- Online platform for HR and Office Management Software

(\*based on its availability at the time of the incubation. Incubator may withdraw the facility if the relationship with the concerned service provider ceases.)

##### **d) Advisory and coaching:**

- Mentoring
- Trainings and workshops
- Free advisory from Experts- Legal, CA, IP, fund raising. Areas may be added/ removed during the incubation. The supported entities however will have to pay for specific transactions.

**e) Network:**

- Facilitation for business, professionals and expert network
- Facilitation for investors network
- Facilitation for industry connection
- Showcasing opportunities
- ICAI network of alumni and expertise

**f) Ecosystem advantage:**

- Experiential learnings in incubator
- ICAI ecosystem- technical resources and interactions, students/Interns, library, easy access to IP

**Notes:**

1. Virtual Incubatees will be provided all the above incubation support except physical office space.
2. Physical incubation: The Incubatee will have to deposit Rs. 25,000/- (Rupees Twenty-five thousand only) with ICAI as non-interest bearing returnable security deposit. The said amount will be returned at the time of vacating the Incubator after deducting outstanding dues if any.
3. The supported entity will pay for the usage of photocopier on actual basis.
4. The ownership of all assets and facilities so provided as a part of supported entity supports and facilities rests with the ICAI
5. The space allotted would be solely used for start-up business purpose only.
6. Pre-incubatees will be provided all the above incubation support
7. No cost for electricity/internet consumption or any utility or service is charged separately to the incubatees. However, ICAI retains a right to limit the free electricity/internet consumption and other utility, beyond which charges will become payable by the Incubatee.

The following infrastructural and other facilities will be provided at the proposed incubation centres opened by ICAI at different locations:

- The office space and facilities would be provided for six months which may extend further only for 6 months, not beyond that.
- Standard furniture as decided by the ICAI Incubation Centre

- Sharing phone-lines/ wi-fi-/ internet/ printer/video conferencing facilities will be made available.
- Access to ICAI Library.
- The existing sharing facilities including Seminar halls, board rooms, common meeting rooms would be made available to startups on demand subject to availability and it is the sole discretion ICAI to accept or reject the request.

### **13. Consideration:**

For any specific additional support or extension of incubation, additional consideration may be considered on case to case basis subject to availability and approval of the Competent Authority.

Incubation Centre may modify the consideration terms on a case to case basis when companies/LLPs have achieved significant milestones as to revenues/investments at the time of making an application for incubation.

### **14. Tenure of Incubation:**

The companies/LLPs will be permitted to stay in the incubator initially for a period of six months. They may be granted further extensions at the sole discretion of SSC max for one more tenure of 6 months. An incubated company/LLP may be asked to leave the incubator under the following circumstances:

- (a) Completion of term as per agreement.
- (b) When the company/LLP ceases to be Start-Up as per extant provisions of relevant law.
- (d) Irresolvable promoter's disputes; Incubation Centre will decide the position or point when disputes are deemed to be irresolvable.
- (e) Violation of terms and conditions as specified in the Incubation agreement.
- (f) When the company/LLP enters in an acquisition, merger or amalgamation or reorganization deal resulting in a substantial change in the profile of the company/LLP, its promoters, directors, shareholders, products or business plan.
- (g) Change in promoters'/ founders' team without concurrence of SSC.
- (h) Underperformance or non-viability of the business proposition- criteria for the same will be decided and applied by Incubation Centre on the case to case basis.

(i) If any information supplied to ICAI/Incubation Centre is untrue, wrong, defective, misleading in form or context in which it is included or where any inclusion or omission of any matter is likely to mislead with an intention to cheat, fraud or take improper advantage. Legal action may also be taken against such incubatee and incubatee also required to made good loss to ICAI/Incubation Centre and reimburse full monetary benefit which it has taken from ICAI/Incubation Centre.

(j) Any other reason for which Incubation Centre may find it necessary for an incubated company/LLP to leave.

Notwithstanding anything written elsewhere, Incubation Centre's decision in connection with the exit of an incubated company/LLP shall be final and shall not be disputed by any company/LLP.

### **15. Periodic Assessment:**

Incubation Centre / ICAI will periodically evaluate the performance of its incubatees and pre- incubatees. Incubatee companies/LLPs will submit information in a prescribed format. They will also be subject to an annual assessment by a committee comprising of external experts if necessary.

Incubatee companies/LLPs should submit a copy of their audited annual reports within a period of 45 days from the date of their finalisation.

The ICAI supported entity availing seed support through ICAI will have to submit additional information as may be asked by ICAI. The un-disbursed portion of the seed support will be credited subject to the performance of the entity.

### **16. Mentoring and Advisory Services:**

Strategic Check-ups: ICAI Incubation Centre may call for a meeting with the company CEOs as deemed necessary for strategy reviews and discussion of operational issues.

Specialized mentors may be made available, based on demand, to the companies/LLPs to assist with strategic areas or to provide project-oriented consultation. These arrangements may begin as a pro bono arrangement with an option for both parties to graduate to a paid relationship.

An incubated company/LLP may avail the consulting services by empanelled professionals at their end.

### **17. Information Submission:**

Incubatees and preincubatees companies/ LLPs/teams will submit information to Incubation Centre about all material changes or developments taking place in their companies from time to time. Such information could be (but not limited to) change in name of the company, change in business or product profile, change in directors, promoters or shareholders, acquisition of a new office, additional equity or debt investments. Incubation Centre may require incubatee companies to submit other information as it deems fit. Prior concurrence of Incubation Centre should be obtained for effecting such changes.

Besides the above, as ICAI is government recognised, it may be called upon by any government organisation/institution to share information regarding the incubated companies. Incubation Centre/ ICAI, may, accordingly, call for such information.

### **18. Financial Support Schemes:**

The Incubation policy of ICAI aims to nurture innovative ideas by promoting a support platform to entrepreneurs such that they can develop and validate their idea into Proof-of-Concept with assistance of Incubation Centre, network of mentors, infrastructure, and networking facilities. ICAI would facilitate linkage with various Government schemes meant for startups to provide seed loans. The arrangement for seed loan will be made subject to the availability of funds/grants/schemes meant for this purpose and shall be based on the merits of each company on the evaluation criteria of the funding source/government scheme. The ICAI shall not be under any obligation to fulfil the funding support in case the fund from the source/ government is not released in partial or full nor it is bound to give any reason in case an application for seed loan is rejected or accepted by the fund source. In other words, the seed investment is not an automatic right for the incubated start-up, it is subject to fund availability and qualifying the eligibility criteria and evaluation process as followed by the fund source/government scheme.

### **19. Withdrawal of Support**

ICAI reserves the right to withdraw its support to any Start-up that it engages with, following a due process of notice. This may involve withdrawal of access to ICAI Incubation Centre facilities, and/or withdrawal of permission to its member to engage further with the Start-up in any manner. Should the need arise, the ICAI may also seek modifications to the Incubation agreement signed with the Start-up through an amendment, in order to protect ICAI's fair name and its interests.

## **20. Protection of ICAI's fair name**

When a Start-up advertises itself, such advertising carries with it the risk that in case it indulges in improper behaviour or dealings, ICAI's fair name will be tarnished due to association with the Start up. In order to protect itself from such risks, ICAI may nominate its member on the Board of the Company/LLP, without liability, in order to ensure transparency in all its dealings.

The ICAI may also seek access to the un-audited and audited balance sheets of the Incubatee company/LLP if deemed it necessary.

Further, for using any name, logo or other IPR of ICAI, the prior approval of ICAI is mandatory.

## **21. Disclaimer:**

The policy is subject to periodical review and amendments and it will be the responsibility of the startups admitted to update themselves from time to time on amendments in ICAI Incubation and Start Ups Policy and procedures. ICAI reserves the rights to make an exception of all or any of the terms of policy for a particular company or LLP or a promoter on a case-to-case basis.

The incubatee company/LLP will understand and acknowledge that ICAI's Incubation Centres intends to provide supports and services to the Company/LLP in good faith to pursue its objective to promote entrepreneurship. It is understood that by agreeing to provide various supports and services, ICAI Incubation Centre does not undertake responsibility for:

- (a) Ensuring success of an incubatee company/LLP, its products/ process/ services or marketability,
- (b) Ensuring quality of support and services provided by ICAI Incubation Centre to the complete satisfaction of the incubatee companies or their promoters/ founders.
- (c) Ensuring quality of services of the consultants engaged by the incubatee companies through ICAI Incubation Centre network. Incubatee companies will have to apply their judgements before getting into a relationship with them.
- (d) ICAI or any person representing them shall not be liable for any acts or omissions of the incubated company/LLP.

## **22. Agreement:**

The following agreements are required to be signed by the supported entities to the extent applicable:

- Incubation agreement: Between Incubation Centre, supported entity and its Promoters for Incubation's support
- Founders' Agreement: Between the founders of the company/LLP, copy of which is shared with Incubation Centre