

Guidelines

Seed Support Scheme

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Section 1: Overview

About the Scheme

Govt. of Kerala has introduced the Seed Support scheme to provide financial assistance to startups to foster the formation and development of innovative, technology-based business enterprises that will stimulate the economy of the State of Kerala through venture creations, increased employment and leveraging of private investment. This scheme is implemented through Kerala Startup Mission, which is the nodal agency of Govt. of Kerala for startup related activities and schemes.

The Seed Support System primarily supports the startups on the following:

- Product Development
- Testing & Trials
- Test Marketing
- Mentoring
- Professional consultancy (To attract professionals from leading industrial organisations and academicians from reputed educational institutions to work with small firms)
- IPR Issues
- Manpower for day to day operations

Objective

The basic idea of seed support is providing financial assistance as soft loans to startups with new and meritorious ideas, innovations and technologies. This would enable some of these innovative ideas/technologies to graduate to a level where they will be able to raise investments from angel/Venture capitalist or they will reach a position to seek loans from commercial banks /financial institutions . Thus the proposed seed support is positioned to act as a bridge between development and commercialisation of innovative technologies/products/services.

Section 2: Eligibility and Application

Eligibility Criteria

You are eligible to apply if you are

1. Startup should be a registered company in Kerala as an LLP or Pvt. Ltd company and should have an active registration at the time of application
2. The startup must be working in an innovative product or technology. The seed fund is not generally given for service startups and SMEs working in trade and commerce
3. The seed support would generally cater to prototype/MVP stage financing for commercialization of the indigenous ideas , innovations and technologies.
4. Preference will be given to startups with DIPP startup certification. In any case the startups shall get such certification before the release of second installment of seed capital
5. The startups shall not have any other pending dues with any of the Government agencies and shall not be blacklisted by any Govt. agency in India

Quantum of Seed Support

The upper limit of seed support to a startup is Rs. 15 lakhs. The Startup will be examined all cases of seed support before putting the matter up to the Seed Support Expert Committee for selection. After the seed support is recommended to a startup, the terms of agreement with the incubate startup should be framed by linking progress milestones, monitoring norms and reasonable repayment and recovery provisions. Startups requiring seed support for only capital equipment may not be encouraged.

How to Apply

1. Register in Startup Mission Web Portal <https://startupmission.kerala.gov.in> as a member with basic details.
2. A profile will be created, where you can submit the seed application by downloading seed application form and uploading it.

Application Support

All queries related to application process may be mailed to lekshmi@startupmission.in with the subject *Seed Support Queries: Application*.

Section 3: Selection

Shortlisting Process

The applications received by KSUM will first be shortlisted by KSUM team based on the following criteria.

1. The startup must be working on an innovative product or technology and not involved in pure service delivery
2. If startup has availed any previous funding support from KSUM, they need to submit an audited utilisation certificate for the same
3. Current Stage of the Startup Seed support is generally not given for an idea stage startup except in case of a few who have very innovative product ideas Idea Stage startups can apply for idea grant scheme for funding
4. If the startup has any dues with KSUM, that need to be cleared before availing the fund.
5. Business Plan and usage of Fund – Clear deliverables and outcomes have to mentioned by startups in their application. The shortlisting will be based on the quality of business plan provided. Product-market fit, early customer feedback, technological capability of startup team to execute the project are some of the factors considered for shortlisting

The shortlisted startups will be asked to submit a 2-minute video introduction of the product along with the pitch deck. The shortlisted startups will then pitch to the Seed Expert Committee Panel, who will recommend if the Startup is worth for funding.

Shortlist Announcement

Startups selected for seed support presentation will be notified through email and portal at least two weeks before the scheduled day of meeting with the Seed Expert Committee. Applicants who were rejected will also be notified through email. It should be noted that 10 startups shortlisted will be called for the upcoming Seed Expert Committee Panel. Others may re-apply with an improved application .

Participation Confirmation

The selected Startups are expected to confirm their participation within 3 days by submitting the pitch deck and the financial projections.

Selection Panel

For recommending the applications for seed support system, KSUM constitutes a committee called the Seed Support Expert Committee whose members would be experts who can evaluate the prospective startups requiring seed support. At least 2 external experts with related domain expertise will be the part of the panel. Suggestive composition of Seed Expert Committee would be as follows:

1. Domain experts/ successful Entrepreneurs
2. Finance Manager, KSUM
3. Seed coordinator

Selection Criteria

The startups will pitch their product to the Expert Committee. Also ensure that the presentation contains Company and product Briefing, Current Status, Total cost of the project and fund request, Fund utilization Plan with timeline, expected outcome from the product and milestones for next 6 months. Evaluation will be done by the panel based on the following criteria:

1. Idea and solution usefulness
2. Potential for growth
3. Commitment and expertise of the team
4. Market Study and customer feedback
5. Proposed utilisation of fund

Selection Process

Normally the startups have to make a presentation in front of the Seed Expert Committee in person. In rare cases, the presentation over skype, zoom etc are also allowed. The committee will examine the proposal in depth and based on quality of the proposal and the presentation will decide on the amount seed fund to be sanctioned for the Startups, The committee may also suggest the pattern of utilization, which may differ from the plan prepared by the startup. The recommendation of the committee will be finalized normally within 3 working days of the presentation day

Sanction of Seed Loan

The recommendations of the committee will be submitted to the CEO, KSUM for approval. Fund sanctioned above 5 Lakhs will need to be approved by IT Secretary, Govt. of Kerala, who is also the Chairman of KSUM Executive Committee. Additional reviews if necessary will be arranged by the KSUM team. Startups thus sanctioned will be notified through email.

Section 4: Seed Fund Disbursal

Disbursal Process

Seed Loan will be disbursed in tranches. Usually half the sanctioned amount is disbursed in the first tranche after collecting necessary documentation, and the remaining amount is disbursed after the startup submits an interim report with utilisation certificate. A review meeting with an expert panel is done on the progress of the startup and the disbursement will be based on positive recommendation by the committee. Mode of payment will be through cheque in name of the company. For student innovators the fund will be transferred to the IEDC bank accounts of their respective colleges.

Documents for First Tranche

The startups with seed loan sanctioned are expected to submit a detailed fund utilisation plan along with project milestones. The fund utilisation plan for the first tranche should be clearly stated along with the interim outcomes expected to be achieved.

The list of documents to be submitted are as follows:

1. Address ID proof of founder signing the agreement
2. Address ID proof of witness signing the agreement
3. Personal Guarantee of the startup
4. Scanned copy of passbook front page of the company account.
5. Rs.200 worth Stamp paper in name of the company.

Agreement may be signed by anyone founders. Rental dues and loan interests dues (if any) need to be cleared before release of the seed loan.

After verifying these details, KSUM will execute an agreement with the Startup. The startup is expected to complete this step by visiting KSUM office, Trivandrum. The fund will be released within 2 days of signing the agreement as account payee cheque.

Progress Assessment

KSUM will assess the progress before the disbursement of second tranche of the fund and after the end of the project. The startups are expected to submit the interim progress update and utilisation certificate to initiate the release of the second tranche of fund. The progress will be

reviewed by a committee of experts set up by KSUM before the balance amount is released. Where necessary, the startup will be asked to present a demo.

Documents for Second Tranche

Apart from the interim progress report and the audited utilisation certificate, the startup is also expected to detail out the plan for utilising the balance amount and the expected outcome of the project. The progress will be reviewed by a committee of experts set up by KSUM. Release of the second tranche will be subject to verification of these documents and the review meeting.

Section 5: Funding Guidelines

Utilisation Purpose and Outcome

The start-ups would be supported primarily on the following from the seed support :

- Product Development
- Testing & Trials
- Test Marketing
- Mentoring
- Professional consultancy
- IPR Issues
- Manpower for day to day operations

The seed loan cannot be used for the following purposes:

1. Salaries for the founding team
2. Purchase of costly assets(Can be availed through StartupBox Scheme if applicable)
3. Patenting expenses (innovator may claim for reimbursement through the Patent Scheme)

Project Completion Report

Startups are expected to submit the final report and audited utilisation certificate at the end of the project duration.

The subsequent support for the startup will be subject to the submission of report and utilisation certificate.

Failed Projects

Not all startups are expected to get market validation and take off. Projects might fail due to technical reasons or because the customer failed to adopt the idea or product. As a policy KSUM believes that ventures might fail, but entrepreneurs never fail. For failed ventures, the entrepreneur is expected to share his/her learnings and the reasons for failure in the report and submit this along with the utilisation certificate for the sanctioned amount. The innovator is expected to repay all the seed amount before closing the project.

Applying Again

Yes, the startup with a previously failed venture could get seed loan for a new idea or project. The project report submitted by the innovator which details out the efforts taken and the reasons for failure will be thoroughly reviewed along with the audited utilisation certificate and if these are found satisfactory, the innovator may be considered again for the seed loan.

Section 6: Repayment Guidelines

The seed fund is given to startup as a soft loan carrying a simple interest of 6% per annum. Normally, the startup can avail 12 months of moratorium on repayment and the entire amount along with interest have to be repaid in 36 monthly installments, as per the loan repayment schedule given along with the seed fund disbursement agreement. In order to support the startups, the repayment is first accounted against the principal and interest portion need to be paid only after completion of repayment of the principal. The enterprise will have an option to prepay to the K-SUM, the entire outstanding of the loan assistance together with all outstanding interest and other charges thereon, without any pre-payment penalty.