



GOVERNMENT OF KERALA

Abstract

Electronics & Information Technology Department – Revised Guidelines for utilization of Innovation Grant – Approved – Orders issued

ELECTRONICS & INFORMATION TECHNOLOGY (IT CELL) DEPARTMENT

G.O.(Rt)No.301/2018/ITD Dated,Thiruvananthapuram, 28/11/2018

Read 1. GO(Rt) No. 122/2018/ITD dated 08.05.2018.

2. Letter No. KSUM/grant/11/1/2018 dated 21.11.2018 from the Chief Executive Officer, Kerala Startup Mission

ORDER

As per Government order read as 1st paper above Government have issued guidelines for utilization of Innovation Grant. Since, the number of quality applications for Innovation Grant has increased, the Chief Executive Officer, Kerala Startup Mission as per letter read as 2nd paper above has proposed to issue revised guidelines to improve the selection and disbursal model to ensure that the support is provided based on merit and external validation.

Government have examined the matter in detail and are pleased to approve the revised guidelines as annexure for utilization of Innovation Grant .

(By order of the Governor)

**M. SIVASANKAR
SECRETARY**

To:

- The Chief Executive Officer, Kerala Startup Mission
- The Principal Accountant General (Audit) Kerala, Thiruvananthapuram.
- The Accountant General (A & E) Kerala, Thiruvananthapuram.
- The Web and new Media, I&PRD, Thiruvananthapuram
- Stock file /Office copy



Signature valid

Digitally signed by SAJEEV K
Date: 2018.11.28 16:30:29
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Reason: Approved

Annexure

Guidelines for

Innovation Grant Scheme

Section 1: Overview

About the Scheme

Government of Kerala has introduced the Innovation Grant scheme to provide financial assistance to startups, entrepreneurs and startups to help them convert their innovative ideas into full-fledged ventures. This scheme is implemented through Kerala Startup Mission, which is the nodal agency of Govt. of Kerala for startup related activities and schemes.

Innovation grant is not a prize money for having an idea. The purpose of the grant is to help innovators develop the prototype or product and setting up startups.

Objective

Early stage funding is challenging for innovators as Angel Investors and VC's consider investing at this stage to be very risky. It will not be easy for the innovators to get business loans from financial institutions either. Govt. of Kerala has introduced the Innovation Grant scheme to solve this challenge faced by entrepreneurs and startups.

Types of Grants

The following types of grants are available to innovators under this scheme.

1. Idea Grant, which will be primarily for conversion of idea to prototype and is limited to Rs. 2 lakhs/idea.
2. Productisation Grant, which is to convert the prototype into a MVP and is limited to Rs. 5 lakhs/idea.
3. Scale-up Grant, which is to help innovators having an MVP to develop the initial market, and is limited to Rs. 5 lakhs/idea.
4. R&D Grant, which will be given to highly promising hardware startups with working prototype/ IP which needs to be developed into a final product through extensive R&D. This grant is limited to Rs. 30 lakhs/startup

Note: R&D Grant is not detailed in this document.

Section 2: Eligibility and Application

Eligibility Criteria

You are eligible to apply if you are

1. A student studying in Kerala, or
2. An innovator based out of Kerala, or
3. A startup registered in Kerala

Call for Application

KSUM will call for applications for idea, productization and scale-up grant in select sectors at least once a quarter. The call for application and the deadlines will be published through KSUM's website, social media and print media. The interested students, innovators, and startups may visit www.startupmission.kerala.gov.in/ideaday to submit their application. This page also gives an option to subscribe to email updates regarding future Idea Days.

Application Process

The applications will be invited through Kerala Startup Mission website. The calendar of future processes will also be published. Once, the application is open the notifications will be pushed through our social media and print media channels.

Please make sure all questions asked are responded correctly, to failing which the application might be considered incomplete. Only completed applications will be considered for shortlisting.

Application Support

All queries related to application process may be mailed to ideas@startupmission.in with the subject *Idea Day Queries: Application*.

Section 3: Shortlisting

Shortlisting Process

The applications received by KSUM will first be shortlisted by a panel of experts. The shortlisted startups will be asked to submit a 2-minute video introduction of the product along with the pitch deck and fund utilization plan. The shortlisted startups will then pitch to the Screening Panel, who will recommend if the idea is worth pursuing.

Shortlisting Panel

For shortlisting ideas in each sector, KSUM tries to partner with an industry body, an incubator, and/or an academic institution having expertise in that particular sector. At least 2 representatives recommended by such partner organizations will be requested by KSUM to shortlist the ideas.

Shortlisting Criteria

The applications will be shortlisted based on the following criteria:

1. Idea usefulness (40% weightage)
2. Solution value (40% weightage)
3. Market potential (20% weightage)

The top 10 ideas in each sector will be invited for the Idea Day during which a Screening Panel will listen to the idea presentations, evaluate their merit and accordingly recommend the ideas for funding.

Shortlist Announcement

Innovators selected for idea presentation will be notified through email at least two weeks before the Idea Day is scheduled. Applicants who were rejected will also be notified through email. It should be noted that typically top 10 ideas shortlisted by the panel (this may vary depending on the applications received) will be called for the upcoming Idea Day. Others may re-apply with an improved application for the subsequent Idea Days.

Participation Confirmation

The selected innovators are expected to confirm their participation within 5 days by submitting a 2-minute product introduction video, the pitch deck and the fund utilization plan.

The naming convention for the files are as follows:

1. Video (max length of 2 minutes): [Category name] [Product name].mp4
2. Pitch deck (max 10 slides): [Category name] [Product name].pdf
3. Fund utilization plan: [Category name] [Product name].xlsx

The innovator is also expected to bring a hard copy of the fund utilization plan while coming for the Idea Day.

Queries Regarding Shortlisting

Innovators who would like to know their shortlisting scores may request the same by mailing to ideas@startupmission.in with the subject *Idea Day Queries: Shortlisting*.

The Idea Day coordinator will respond to the email within 5 working days with the following details:

1. Average score for each selection criteria
2. Comments, if any, provided by the shortlisting panel
3. Credentials of the shortlisting panel
4. Cut off score of ideas which got shortlisted

Section 4: Selection

Selection Criteria

The 2 minute product introduction videos and presentations submitted by the innovators/startups will be shared with the Screening Panel members one week in advance. During the Idea Day, the innovators will pitch their idea and the execution plan to the Screening Panel.

Screening Panel

Typically the screening panel will have three members:

1. An industry expert,
2. An academician, and

3. A senior representative from a Govt. body

The minimum size of the panel is two. The panelists are expected to sign a Non-Disclosure Agreement and a Non-Conflict Agreement. If there are any conflicts of interest with any of the ideas being presented, the panelist may inform the KSUM team member who will be present to assist the panelists with the screening process.

Screening Process

The panel will listen to all ideas shortlisted for that particular Idea Day. The innovator must present their product and fund utilization plan to the panel. For the ideas worth pursuing, the Screening Panel may recommend the type of support and the purpose of utilization of the grant. If the committee recommends for idea grant the innovator is eligible for a maximum amount of 2 lakhs. The exact amount will be finalized based on the fund utilization plan submitted by the innovator. The Screening Panel may also recommend interim and final milestones to be achieved by the startup.

For idea and productization grant startups the evaluation will be done by the panel based on the following criteria:

- Idea and solution usefulness
- Potential for growth
- Commitment and expertise of the team
- Proposed utilization of grant

For scale up grant, the evaluation will be done by the panel based on the following criteria:

- Exponential growth potential (20%)
- Team Competence (20%)
- Early signs of growth (10%)
- Current revenue and external confidence (10%)
- Overall Performance (40%)

Where necessary, the Screening Panel may also recommend to have a technical review of the idea to be done before the award of the grant. All such recommendations (including the amount of grant that may be awarded for the idea) are to be marked in the assessment sheet and signed by the panel members at the end of all the idea presentations.

Technical review where necessary will be done by experts in the concerned technology. KSUM will ensure that this review is completed within 2 weeks of receiving the recommendations from the Idea Day Screening Panel. Applications referred to the tech experts will be considered for Innovation Grant only if the tech experts agree that the idea is technically feasible and that the innovators/startup has the necessary technical skills to take the idea forward.

Sanction of Grants

The recommendations of the Screening Panel will be submitted to the CEO, KSUM for approval. Grants 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.

Innovators whose ideas are thus sanctioned will be notified through email. The list of the Innovation Grant recipients will be updated in the KSUM website not later than 2 weeks from the Idea Day event.

Honorarium for Panel Members

Members of the shortlisting panel will be paid a honorarium as follows:

If # applications is 30 or less: Rs. 3000

If # applications is between 30 and 60: Rs. 5000

If # application is more than 60: Rs. 6000

Members of the selection panel will be paid a honorarium as follows:

Members attending in the same city: Rs 3000

Members attending in different city: Rs. 3000 + Travel reimbursement or Rs. 5000

Section 5: Innovation Grant Disbursal

Disbursal Process

Innovation grant will be disbursed in milestone-based tranches. Generally, half the granted amount is disbursed in the first tranche after collecting necessary documentation, and the remaining amount is disbursed after the innovator submits interim report and utilization certificate. If the Idea grant sanctioned is less than 50,000 INR, it will be disbursed as single tranche.

Ideas selected through Idea Days will be released a maximum of 2 Lakhs INR in the first tranche unless special approval is taken from the CEO. Ideas selected through Scale up Fest will be released a maximum of 6L in the first tranche unless a special approval is taken from the CEO.

Mode of payment will be through account payee cheque or/and having account transfer to treasury (whenever possible). For student innovators the fund will be transferred to the IEDC bank accounts of their respective colleges. Startups registered as legal entities with DIPP certification will receive the funds to their company bank accounts. Individual innovators will need to register with an IEDC or incubator operating in Kerala. The grant will be disbursed to the IEDC's or incubator's bank account. The IEDC or incubator will subsequently transfer the grant to the individual innovators.

Documents for First Tranche

The innovators to whom the innovation grant has been sanctioned, are expected to submit a detailed fund utilization plan along with project milestones. The fund utilization plan for the first tranche should be clearly stated along with the interim outcomes expected to be achieved. IF the startup has availed any other funding from KSUM, an audited utilization certificate and report needs to be submitted before the release of Innovation Grant.

The list of documents to be submitted are as follows:

Startups

1. Address ID proof of founder signing the agreement

2. Scanned copy of passbook front page of the company account.
3. 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 Innovation Grant.

Student Innovators

1. Rs.200 worth Stamp paper in name of IEDC.
2. Scanned copy of passbook front page of IEDC account
3. Copy of Address proof of Nodal Officer.
4. College ID card copy of Nodal officer
5. Address proof of Student.
6. College ID card copy of Student

Agreement needs to be signed by both the Nodal Officer and Student. The utilization certificates and progress reports are to be authorized by the IEDC Nodal Officer.

Individual Innovators

1. Rs.200 worth Stamp paper in name of Individual.
2. Address proof of Individual
3. Acceptance letter from any member IEDC or incubator.
3. Scanned copy of passbook front page of IEDC or incubator account

Agreement needs to be signed by both the innovator and IEDC/incubator in charge. The utilization certificates and progress reports are to be authorized by the IEDC/incubator in charge.

If the startup is selected for Scale-up Grant, the startup is expected to sign a commitment to contribute to a Goodwill Fund once the startup becomes reasonably sustainable in their operations. This contribution may be at least equal to the grant amount awarded to the startup.

After verifying these details and documents, KSUM will execute an agreement with the innovator/startup. The innovator/startup is expected to complete this step by visiting the nearest KSUM office (Trivandrum, Kochi or Kozhikode). Grant will be released within a week of signing the agreement as account payee cheque.

Margin Money

The success of entrepreneurs to a large extent also depends on his/her ability to raise funds in addition to their ability to build innovative and distinguished products. The fundraising cycles also act as validation of the ideas.

To ensure that the recipients of innovation grant also have the ability to raise funds to take the idea forward, KSUM would be asking the startups to bring a Margin Money to the project. The amount may be raised from investors, friends and family or in case of student innovators from college alumni networks.

<i>Grant Type</i>	<i>Margin Money</i>	<i>Potential investors/supporters</i>
Idea Grant	10% of proposed cost	Alumni / Friends / Family
Productization Grant	20% of proposed cost	Founders / Investors
Scaleup Grant	50% of proposed cost	Investors / Revenues

Progress Assessment

KSUM will assess the progress before the disbursement of second tranche of the grant and after the end of the project. The innovator is expected to submit the interim progress update and utilization 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 innovator will be asked to present a demo.

Documents for Second Tranche

Apart from the interim progress report and the utilization certificate, the innovator is also expected to detail out the plan for utilizing the balance amount and the expected outcome of the project. Release of the second tranche will be subject to verification of these documents.

Startups

1. Audited Utilization Certificate of the initial tranche.
2. Progress report of the project.

Students

1. Utilization Certificate signed by the student and approved by IEDC Nodal officer.
2. The idea grants so released should reflect in the audited BS/I&E accounts of the IEDC & shall be forwarded to KSUM yearly.
3. Progress report of the project.

Innovators

1. Utilization Certificate signed by the innovator and approved by the in-charge of the IEDC / Incubator.
2. The idea grants so released should reflect in the audited BS/I &E accounts of the IEDC / Incubator & shall be forwarded to KSUM yearly.
3. Progress report of the project.

Application Support

All queries related to application process may be mailed to ideaday@startupmission.in with the subject *Idea Day Queries: Funding*. The Idea Day Coordinator will respond to the query in 3 working days.

Section 6: Funding Guidelines

Utilization Purpose and Outcome

The innovation grant cannot be used for the following purposes:

1. Salaries for the founding team

2. Purchase of assets
3. Payment of rent and other utility charges
4. Purchase of costly equipment and devices (innovator will be allowed to use equipment and devices available with KSUM and its member IEDC's or incubators)
5. Patenting expenses (innovator may claim for reimbursement through the Patent Scheme)

Idea Grant, which is of maximum 2 Lakhs is to be used primarily for procurement of material for development of the prototype. Innovator is expected to use this prototype to obtain market validation from real customers. This grant cannot be used for any kind of manpower payment.

Productization Grant can be used to convert the market validated prototype into a finished product. The productization grant recipients are expected to be registered as private limited companies or LLPs. This grant may be used to procure material or hire specialized services to develop a finished product. The startup is expected to launch the product using this grant and onboard a few early adopters before applying for the scale-up grant. Productization grant and Idea Grant together will not exceed 7 Lakhs for a startup. More than 50 percent of the granted fund cannot be used for manpower cost in this stage

- If the Startup submits proof of early traction, from the product, their grant will be considered as productization grant, irrespective of their amount sanctioned

Scale-up Grant's purpose is to help startups grow faster. Scale up grant, productization grant and idea grant cannot together exceed 12 Lakhs for a startup. Startups may use this grant for promotional activities, manpower, hiring specialized resources for marketing or product improvements. Startups are expected to grow their customer base using this grant.

- If the Startup submits proof of revenue, from the product, their grant will be considered as scaleup, irrespective of their amount sanctioned.

Grant Type	Max allocation for Manpower	Additional Directions
Idea Grant	0%	
Productization Grant	Upto 50%	Approval subject to recommendation from the selection committee. Grant cannot be used for founder's salary.
Scaleup Grant	Upto 100%	Approval subject to recommendation from the selection committee. Grant cannot be used for founder's salary.

Project Completion Report

Innovator are expected to submit the final report and audited utilization certificate at the end of the project duration. The completed projects will be called for quarterly demo days. These demo days will be attended by representatives from the Govt. of Kerala and investors.

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

Failed Projects

Not all ideas 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 learnings and the reasons for failure in the report and submit this along with the utilization certificate for the grant amount.

Applying Again

Yes, subject to approval from the Chairman of Executive Committee, KSUM, an innovator with a previously failed venture could get innovation grant 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 and the audited utilization certificate and if these are found satisfactory, the innovator may be considered again for the innovation grant.