



SANTOSH

Deemed to be University

(Established u/s 3 of the UGC Act, 1956)

F. No. SU/R/2022/57th BOM/1700

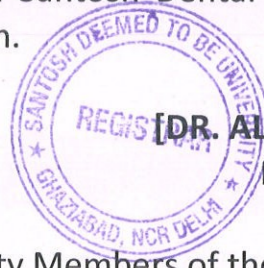
Dated 02.08.2022

Subject: **REVISED POLICY OF INCUBATION AND INNOVATION CENTRE – SANTOSH DEEMED TO BE UNIVERSITY, GHAZIABAD, DELHI NCR**

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The proposal to **revise** the **Policy of Incubation and Innovation Centre** of the Santosh Deemed to be University was considered by the Board of Studies, Academic Council and Board of Management in their meetings held on 11.07.2022, 14.07.2022 and 16.07.2022 respectively. The BOS, Academic Council and Board of Management after detailed consideration **approved** the **Guidelines** of the **Revised Policy of Incubation and Innovation Centre**, the same are **enclosed** in this regard.

The above is circulated to all HODs and Faculty Members of the Santosh Medical College & Hospital and Santosh Dental College & Hospital for their information and necessary action.



Alpana 2.8.22
[DR. ALPANA AGRAWAL]

REGISTRAR

Encl: As above

Distribution: All HODs and Faculty Members of the Santosh Medical College & Hospital and Santosh Dental College & Hospital [by email]

Copy to:

1. The Secretariat
2. The Chancellor
3. The Vice Chancellor
4. Dean-SMC & H
5. Dean-SDC & H
6. Dean-Academics
7. Dean-Research
8. Director IQAC
9. Dept. of Finance
10. Guard file

**THE REVISED POLICY OF INCUBATION AND INNOVATION CENTRE
SANTOSH DEEMED TO BE UNIVERSITY, GHAZIABAD, DELHI NCR APPROVED
BY THE BOS, ACADEMIC COUNCIL AND BOARD OF MANAGEMENT IN THEIR
MEETINGS HELD ON 11.07.2022, 14.07.2022 AND 16.07.2022 RESPECTIVELY**

A. Santosh Startups Forum("SSF"):

Santosh Startups Forum("SSF") is classified as a Non-profit organization under Section 8, Companies Act 2013, which has been incorporated with a specific intent to promote entrepreneur development, start-up incubation, and early-stage investment in the start-ups under the aegis of Santosh Deemed to be University.

B. Santosh Incubation and Innovation Center ("SIIC"):

SSF has established an Incubation and Innovation Center at SDU, by the name and style of ***Santosh Incubation and Innovation Center ("SIIC")*** to promote entrepreneur development, incubating, supporting, training, promoting, mentoring, and funding early-stage businesses, start-ups, faculty, students, and entrepreneurs.

1. OBJECTIVE OF SANTOSH INCUBATION AND INNOVATION CENTER

Santosh Startups Forum has established a Santosh Incubation and Innovation Center with a mission to foster successful entrepreneurs and develop industry in the Knowledge and Technology based area.

SDU intends to incubate start-ups at SIIC. The purpose of SIIC will be to:

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

2. ELIGIBILITY & ADMISSION:

2.1 Eligibility: Admission to SIIC shall be open to all who seek to leverage the advantages offered by SDU, including:

- a) Faculty and Staff Members (*current and retired*)
- b) Students, research scholars and current project staff
- c) Students of other universities and institutes



- d) Alumni of Santosh
- e) Research Partners (Industrial Consultancy and Sponsored Research Projects) as well as others approaching SIIC

2.2 The proposals for incubation must meet at least one of the following conditions:

- a) Involve applications of Intellectual Property (IP) generated within SDU, or belonging to faculty, staff, students, or alumni
- b) Have potential for involvement or interaction with SDU faculty and/or use of facilities at SDU
- c) Have potential social or strategic impacts
- d) Have potential for resource generation, impact value or visibility to SDU and incubation-related activities at SIIC

2.3 Application for incubation would be open throughout the year.

2.4 A Technical Advisory Committee has been constituted by the Santosh Deemed to be University vide letter No. SU/R/2022/1334 dated 17.06.2022 consisting of the following members:

- | | | | |
|--------|---|---|------------------|
| (i) | External Expert | - | Chairperson |
| (ii) | Dr. Tripta Bhaga (Vice Chancellor) | - | Member |
| (iii) | Dr. Alka Aggarwal (Dean Medical) | - | Member |
| (iv) | Dr. Akshay Bhargava (Dean Dental) | - | Member |
| (v) | Dr. Shalabh Gupta (Dean-Academics) | - | Member |
| (vi) | Dr. Salaj Rana (Scientist ICMR) | - | Member |
| (vii) | Mr. Manoj Arora/Mr. Gagan Ghai
(Director Wavemakers) | - | Member |
| (viii) | Mr. Abhimanyu Singh/Mr. Rajiv Bansal
(Director Wavemakers) | - | Member |
| (ix) | Dr. Jyoti Batra (Dean Research) | - | Member Secretary |

The Functions & Responsibilities of Technical Advisory Committee will be as under:

- Mentorship of Ideas
- Incubation of Startups
- Intra and Inter-sectorial collaborations
- Business Recasting and Reengineering
- Education and Awareness
- Evaluation of Ideas and Monitoring of Innovations



- 2.5 Applicants satisfying the above criteria shall submit an Application Form to SIIC-Admin Cell. The SIIC- Admin Cell will evaluate the application and may recommend the applicant to either the *Incubation* or *Pre-Incubation* process. In either case, the nature of support and interaction between the SIIC and Incubatee will be bound by an agreement, which will be signed by both parties.
- 2.6 The admission process for potential Incubatees begins with the submission of an application, once evaluated by the SIIC-Admin Cell for eligibility criteria, applicants must submit a detailed proposal. The business plan must cover all aspects *inter alia* company description, value proposition, products and services, market and competition analysis, revenue model, milestones and timelines, development and marketing plan, organizational structure, core team, risk analysis, funding requirements and projected financials.
- 2.7 Applicants recommended for Pre-Incubation and/or Applicants who do not have a business plan may be admitted to Pre-Incubation, the guidance on creating a business plan shall be part of the Pre-Incubation process.
- 2.8 SIIC/SSF has the sole discretion on acceptance or rejection of proposals for incubation and the decision of SIIC-Admin Cell in this regard is final. SSF/SDU is not bound to provide any justification for rejections.
- 2.9 Once selected, the Incubatees are required to sign an agreement commencing formal incubation/pre-incubation at SIIC.
- 2.10 Primary Condition for Incubation
- a) The Incubatee maybe a *Private Limited Company (PLC)* within the ambit of the Companies Act, 2013. If a company has not been registered, an application may be made in the names of all promoters/ founders, under the condition that they will get the company registered a within three months of entry into incubation
 - b) The Incubatee have submitted a viable business plan
- 2.11 Primary Condition for Pre-Incubation
- a) In case the applicant has a novel idea but is still a student he/she can apply for pre-incubation.
 - b) For the Incubatees who have applied for Pre-Incubation, registration as a PLC 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.



2.12 The SIIC-Admin Cell / a Committee is constituted consisting of the following members:

- | | | | |
|-------|-----------------|---|-------------|
| (i) | Vice Chancellor | - | Chairperson |
| (ii) | Registrar | - | Member |
| (iii) | Dean, SMC & H | - | Member |
| (iv) | Dean, SDC & H | - | Member |
| (v) | Dean-Academics | - | Member |
| (vi) | Dean Research | - | Convener |

3. FACILITIES AND INFRASTRUCTURE

3.1 Upon admission to SIIC, the following infrastructural facilities will be offered to Incubate on an individual basis, apart from a set of shared/ common infrastructure mentioned hereinafter. SIIC may levy nominal fees and charges for some of the facilities, which may vary depending on the maturity stage of the Incubatees.

- a) Office space: Company-specific, and subject to limits
- b) Internet access
- c) Telephone lines

3.2 Santosh Deemed to be University Infrastructure:

- a) SIIC will also facilitate access to departmental laboratories and other resources of Santosh Deemed to be University for the Incubatees for product development purposes. Access to departmental resources is possible through the Industrial Consultancy and Sponsored Research Committee (ICSRC), Santosh Deemed to be University and the usage of such resources will require the permission of the concerned department to avoid conflict with departmental activities and objectives.
- b) Usage of such resources shall be on a commercial basis as per the prevailing policies on Industrial Consultancy and Sponsored Research.
- c) SIIC may recommend to ICSRC to accept the consideration payable to Santosh Deemed to be University for the usage of departmental resources in the form of equity instead of cash.
- d) However, the decision to accept such consideration in form of Equity will solely rest with ICSRC, the equity if any shall be issued to SSF in addition to the that being issued for Incubation.



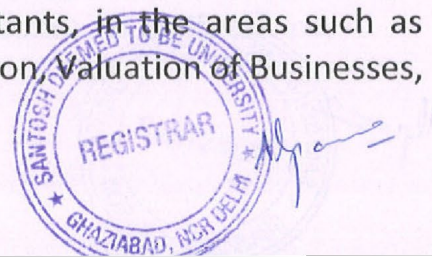
3.3 Apart from before stated company-specific infrastructure, SIIC will provide facilities to be shared by all Incubatees including:

- a) Printers
- b) Photocopier
- c) Scanner
- d) Meeting/Conference room with projection equipment
- e) Pantry facilities

3.4 **Services:** In addition to physical infrastructure, SIIC intends to provide the below mentioned support and services, which the Incubatee can avail of on prescribed charges:

- a) Company registration and filings
- b) Accounting services
- c) HR services
- d) Legal
- e) Intellectual Property (Copyrights, Trademarks, Patent) filings
- f) Training and Workshops
- g) Seed Funding support
- h) Governmental Agency funding
- i) Networking and linkages with SDU Alumni for mentorship, funding, technical expertise, and market access
- j) Networking and linkages with bodies such as The Indus Entrepreneurs (Tie)
- k) Venture capitalists / Angels / Investors Introductions
- l) Meetings with visitors of SDU (such as alumni, VCs, and industry professionals)
- m) Showcasing SDU incubated companies through networking and events
- n) Entrepreneurship meets

3.5 SIIC may also, assist the 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. However, it is made clear that SIIC acts merely as a facilitator for any services and the Incubatees shall have to agree with the service provider regarding terms and conditions for availing of the service. SIIC may at its sole discretion provide certain services on a subsidized or no-charge basis.

3.6 **Mentoring and Advisory Facilities:** Each Incubatee is required to have a Faculty Mentor from SDU or if permitted by SDU, 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 Incubatees with the faculty concerned and intimated to SDU.

4. SEED FUNDING

4.1 SIIC may provide seed funding subject to the availability of funds/ grants/ schemes meant for this purpose. Seed funding will be sanctioned on a case-by-case basis and shall be based on the merits of each Incubatee. Admission to SIIC shall in no way automatically entitle Incubatees to seed funding.

4.2 Sanction and quantum of seed funding will be decided by the Technical Advisory Committee and may also be subject to the terms stipulated under the specific grant or scheme as applicable. Though seed funds may be sanctioned, disbursement may be linked to milestones. SIIC has sole discretion on decisions on seed funding and is not bound to give justification in case a request is rejected, or the quantum is reduced.

4.3 Seed funds granted, facilities provided, and any consequent terms of use will be defined in the agreement(s), signed between Incubatee company and SIIC.

4.4 The Seed Funds shall be granted against the allotment of Equity as mutually agreed to, the equity shall be issued to SSF in addition to the that being issued for Incubation.

4.5 The quantum of equity will be mutually agreed upon based on the quantum of seed fund, SIIC will also nominate a member or suggest an invitee to the Incubatees company's board.

4.6 An Incubatee who has already received seed funding and needs additional follow-on funding on reaching the next maturity stage may approach SIIC, subject to the availability of such follow-on funding. In case such follow-on funding is sanctioned, SIIC will also determine the consequent



additional quantum of equity shareholding and board membership accruing to SIIC.

5. TENURE OF INCUBATION

- 5.1 The Pre-Incubatees will be permitted to Pre-Incubate in SIIC for nine months. Two further extensions can be granted for 3 months each at a time, at the sole discretion of SDU.
- 5.2 The Incubatees will be permitted to incubate in SIIC for Twenty- Four months. Two further extensions can be granted for 6 months each at a time, at the sole discretion of SDU.

6. PERIODIC ASSESSMENT

- 6.1 SIIC will evaluate the performance of Incubatees, who are required to submit information to SIIC quarterly in a prescribed format. Additionally, Incubatees may also be subject to annual assessments.
- 6.2 Incubatees who have availed of a seed fund must submit a Utilisation Certificate duly certified by an auditor and will also be subject to periodic audits. Any un-disbursed portion of the seed grant may be adjusted subject to the performance of the company.
- 6.3 Incubatees have to submit their annual reports within 30 days from the date of their approval along with minutes of their Board Meetings and AGMs.

7. INFORMATION SUBMISSION

Incubatees will submit information to SIIC about all material changes or developments taking place in their companies from time to time. Such information could be (but is 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. SIIC may require Incubatees to submit other information as it deems fit. Prior concurrence of SIIC should be obtained for effecting such changes.

8. CONSIDERATION

- 8.1 The Incubatees / Company are required to provide a Non-Dilutable Equity equivalent to **3%** of the Promoter's Equity (as defined in **Annexure B**) to SDU.
- 8.2 In case the Incubatees/ Company is housed as a Pre-Incorporated Entity and/or in Pre-Incubation, the Incubatee/ Company is required to provide



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a Non-Dilutable Equity equivalent to **5%** of the Promoter's Equity (as defined in **Annexure B**) to SDU.

8.3 In addition to this, the Company has to provide Non-Dilutable Equity equivalent to **1%** of the Promoter's Equity (as defined in **Annexure B**) to each mentor (member of faculty) from SDU.

8.4 Services availed from SDU Laboratories, Workshops, Centres, and equipment used by the Incubatees would be charged separately by SDU. The charges shall be on a commercial basis as per the prevailing policies on Industrial Consultancy and Sponsored Research.

8.5 ICSRC may accept the consideration payable to SDU for the usage of departmental resources in the form of equity instead of cash. However, the decision to accept such consideration in form of Equity and the quantum thereof will solely rest with ICSRC.

8.6 The Seed Funds will be granted against the allotment of Equity. The quantum of equity will be mutually agreed upon based on the quantum of the seed fund

8.7 SDU/SIIC shall levy a charge on the Incubatees for infrastructure and facilities. The current rates of consideration, subject to revision from time to time, are given in **Annexure A**.

8.8 A mandatory Incubation Fee will be charged monthly at the rate of Rs. 3,000/- per month, per Incubatees /promoter.

8.9 The said consideration (as mentioned in clause 8.7and 8.8) shall be payable by the company in the following manner:

a) Rs.15,000/- (Rupees Fifteen 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.

b) In case, the consideration is in excess of the aforementioned Rs.15,000/- (Rupees Fifteen Thousand), the balance amount would have to be paid at the end of each quarter, in case the amount is less than the Rs.15,000/- (Rupees Fifteen Thousand), the excess amount will be adjusted towards next quarters payments.



- c) The Incubatee would have an option of deferring 50% of the charges mentioned in clause (as mentioned in clauses 8.7 and 8.8) till the time they exit from SIIC.
- d) In lieu of such deferment, the bills have to be paid at the time of exit either with an interest of 12% compounded quarterly or the Incubatees will have to issue an additionally 1% of the non-Dilutable equity to SDU (whichever carries more worth at the time of exit) at the sole desecration of SSF.
- e) The company would also have the option of deferring 100% of the charges as mentioned in clauses 8.7 and 8.8, till the time they exit from SIIC. In lieu of such deferment, the bills have to be paid at the time of exit either with an interest of 12% compounded quarterly or the Incubate will have to issue an additionally 2% of the Non-Dilutable Equity to SDU (whichever carries more worth at the time of exit) at the sole desecration of SSF.
- f) **Default in payment:** If the Incubatee defaults to pay at any time any dues then they shall have the option to defer payment as provided in clauses (e) and (f) above.
- g) It is clarified the payments for the use of SDU Laboratories as provided in clause 8.4, above will have to be paid quarterly, unless the ICSRC has agreed to take in lieu thereof.

8.10 SIIC may provide services based on a mixture of Equity, Fee-Based and/or Zero Payment models on a case-to-case basis.

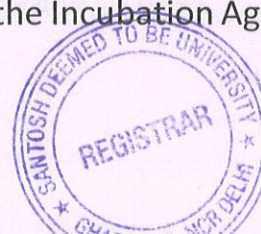
8.11 In the case of the compulsory equity model, the Incubatees may be given a cooling period of 3 months to use Incubation Services on a Fee Payment basis to take a final decision based on satisfaction of services offered by SIIC.

8.12 SDU/ SIIC may change the above rates from time to time at its discretion and the date of implementation of the amended charges shall be applicable with immediate effect.

9. **AGREEMENTS**

The following agreements are required to be signed by the companies (or individuals) to the extent applicable:

9.1 **Incubation Agreement:** between SSF and an Incubatee company for admission of the company to SIIC. The incubation period, granted, facilities, infrastructure and support provided, equity shares allotted, and any consequent terms of use will be defined in the Incubation Agreement.



- 9.2 **Pre-incubation Agreement:** between SSF and Entrepreneur(s) or Incubatee Company for admission to SIIC. The Pre-Incubation periods, Incubation period, facilities, infrastructure, and support provided equity shares allotted and any consequent terms of use will be defined in the Pre-incubation incubation agreement.
- 9.3 **Seed Fund Agreement:** between SDU, SSF and an Incubatee Company with respect to the seed funds granted, equity shares allotted in lieu of the Seed Fund to the SSF and any consequent terms.
- 9.4 The Incubatee shall have to execute a separate agreement for Intellectual Property/know-how, Technology owned by SDU, as and when a request is made and agreed upon by SDU.
- 9.5 The Incubatees will have to sign Personal Guarantee(s), towards allotment of equity shares and unpaid or balance dues, charges, and any other levies by SDU as per clause 8 above.

10. "INCUBATED BY SANTOSH"

Companies incubated at SDU through SIIC may apply for permission to brand themselves as "Santosh Incubated Companies" or "Incubated by Santosh Deemed to be University." Conditions on terms of use of such branding will be defined in the signed incubation agreement.

11. PARTNERSHIP WITH SDU

- 11.1 The partnership between SDU/SSF/SIIC and the Company/Incubatees will be governed by the agreement(s) executed between them.
- 11.2 SIIC will nominate a representative as an independent director on the Board of Directors of the Incubatees Company till the time SDU holds equity.
- 11.3 The Incubatees will have to sign personal guarantee(s), towards allotment of equity shares and unpaid or balance dues, charges, and any other levies by SDU.

12. EXIT FROM INCUBATION

12.1 The Incubatees will be required to leave the incubator under the following circumstances:

- a) After the completion of the Incubation including an extended incubation period, if any.
- b) Raising substantial investment (Rs 1 Crore or more) from sources such as angel investors/Venture Capital Fund /any other investor



- c) Underperformance or inability to perform business as evaluated and decided by SIIC/ SDU annually on a case-to-case basis.
- d) Irresolvable promoters' disputes in the opinion of SIIC / SDU on a case-to-case basis.
- e) Violation of any statute, rule or regulation of SDU in the opinion of SIIC/ SDU on a case-to-case basis.
- f) The number of employees of the Incubatee exceeds 20.
- g) When the annual gross revenues of the Incubatee (excluding all the taxes) exceed Rs. 1 Crore or the Profit Before Tax exceeds Rs. 25 Lakhs.
- h) When the company enters into 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.
- i) Change in promoters'/ founders' team in the opinion of SIIC / SDU on a case-to-case basis.
- j) Any change of more than 50% of equity ownership unless approved by SIIC, in the opinion of SIIC/SDU on a case-to-case basis.
- k) Any other reason for which SIIC may find it necessary for an Incubatees company to leave.
- l) These conditions may be amended from time to time as per the policy of the Government of India or SDU and would be binding on Incubatee.

12.2 At the time of exit, the decision of SIIC/SSF/SDU regarding the buyback of full or part of the equity issued shall be conveyed to the Incubatees company and the c Incubatees company shall abide by the decision.

13. SDU Equity Exit

13.1 The Incubatee shall allot Equity to SSF and shall be maintained till the Incubatee exits from the SIIC or the Company and Promoters raise investment from an Angel Investor, Venture Capital Fund, or any other source *(This will be applicable from the day product is ready from the market)*.

13.2 The Incubatee shall arrange for the sale of the shares to the Investor and/or shall be purchased by the Incubatee on the Post Money Valuation.



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13.3 If the company fails to raise investment from an Angel Investor, Venture Capital Fund, or any other source for five years from the date of the last issuance of shares in favour of SSF, SSF will have a right to sell its holding to the promoters of the Company at a value which will be higher of book value and fair value, and promoters of the Company will be bound to buy the shares from SSF as stated above.

13.4 Method of valuation for Equity Disposal:

- a) The method of maintaining the equity of SSF at the stipulated level and the mechanism for equity disposal are as follows:
- (i) The post-money valuation (in case investment is raised from Angel Investor, Venture Capital Fund)
 - (ii) On a price as mutually agreed.
 - (iii) On a price calculated by an expert so appointed with mutual consent
- b) In case the parties do not agree with the amount calculated through mode as given in (i) to (iii) above, the valuation shall be done based on the expenditure incurred and/or the assets (tangible and intangible) generated.
- (i) All expenditure incurred including salaries shall be compounded every quarter by a risk-adjusted rate of return of 24%. This rate has been arrived at keeping in general, that the expected rate of return in successful ventures is of the order of 40-50%. The value of the company shall be treated as equal to this value.
 - (ii) In the case where the Director/promoter is 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 SDU including such emoluments like Basic, Dearness, House Rent Allowance, and other allowances.

14. DISCLAIMER

14.1 The Incubatees understand and acknowledge that SDU/SSF intends to provide support and services to the Incubatees in good faith to pursue its objective to promote entrepreneurship by converting innovative technologies developed at SDU to commercialization by incubating and supporting new enterprises. It is understood that by agreeing to provide various supports and services, SIIC does not undertake responsibility for:



- a) Ensuring the success of an Incubatees, its products/ process/ services or marketability.
- b) Ensuring quality of support and services provided by SIIC to the complete satisfaction of the Incubatees or their promoters/ founders.
- c) Ensuring quality of services of the consultants engaged by the Incubatees through the SIIC network. Incubatees will have to apply their judgements before getting into a relationship with them.
- d) The Incubatees will understand and agree that SIIC or their employees shall not be held liable for any reason on account of the above.

15. AMENDMENTS

Notwithstanding anything contained hereinabove, SIIC may at any time amend all or any part of the policy and its annexure and the Incubatees shall be bound by the said amendments. The amendments shall be applicable with immediate effect.

16. JURISDICTION

As a policy, all agreements to be signed by Santosh Startup Forum (SSF) will have the jurisdiction of the Courts in Delhi and shall be governed by appropriate Laws in India.



Annexure B

Clarification of the word "non-Dilutable" appearing in Clause 8 of this Policy

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 SIIC is providing an incubation facility which is very critical for the growth and sustenance of the Company in its early days, in return SSF shall be provided with Equity Shares being a % of the "Promoters' Holding" in the company free of cost and this shall be the duty of the promoters to maintain SSF's equity of promoters' shares till SDU decides to sell or give buy-back option to the Company or promoters.

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

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 SIIC, SDU with Incubation Proposal and have signed the Incubation Agreement.

Illustration: Suppose "A" and "B" form a Company "C," here A & B are the promoters, and 5% of Promoters Equity is to be issued to SSF. The equity holding distribution is given below:

Share Holder	No Of Shares
A	10000
B	10000
SSF 5 % of Promoters Equity (A+B)	1000
Total	21000

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

Share Holder	No Of Shares
A	10000
B	10000
SSF 5 % of Promoters Equity (A+B)	1000
VC	7000
Total	28000

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

Case 2: Suppose Promoters increase their shares by 5000 Each by any mode like but not limited to issuing additional shares, bonus shares then SSF's equity will also be increased, without any consideration. However, this condition shall apply only up to a period of one year from the date of exit from SIIC



Share Holder	No Of Shares
A	15000
B	15000
SSF 5 % of Promoters Equity (A+B)	1000+500 = 1500
Total	31500

Case 3: 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, the SSF's shareholding shall also be increased in such a ratio that equity is maintained at a 5% value of the pre-issue valuation.

Share Holder	No Of Shares	Value @ 100
A	1000	Rs.1,00,000
B	1000	Rs.1,00,000
SSF 5 % of Promoters Equity (A+B)	100	Rs.10,000
Total	2100	Rs.2,10,000

A and B issue additional 100 shares at a value of Rs.80, which is less than the full value (Rs. 100/-)

Share Holder	No Of Shares	Value @ 96.154
A	1000	Rs.96,154
B	1000	Rs.96,154
SSF 5 % of Promoters Equity (A+B)	100+4 = 104	Rs.10,000
New Shares @80	500	Rs. 40,000
Total	2600	Rs.2,50,000

So, according to this illustration the Incubatee Company has to issue 4 additional shares to SSF against this SSF 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.

