

Annual Action Plan for VCF-SC 2021-22 for "Venture Capital Fund for Scheduled Castes (VCF-SC), Ambedkar Social Innovation Incubation Mission (ASIIM) under VCF-SC and Venture Capital Fund for Backward Classes (VCF-BC)"

1. Background:

- A. VCF-SC:** "The mission of the VCF-SC scheme is to motivate Scheduled Castes entrepreneurs to enter into the business and industry sector of new India and support in resource building of the country."

Government of India in the interim budget for FY 2014-15, announced the setting up of a Venture Capital Fund under the head Social Sector Initiatives with an initial contribution of Rs.200 crore, which is to be supplemented every year. The Venture fund is aimed to promote entrepreneurship among the Scheduled Castes and to provide concessional finance to them. Ministry of Social Justice and Empowerment, GOI is the Anchor investor and IFCI Ltd. is the lead investor and Sponsor in the Fund. IFCI Venture Capital Funds Ltd. is the Investment Manager of the fund. The Fund was operationalized in January 2015 with initial committed fund corpus of Rs.250 crore.

- B. VCF-BC:** Group of Secretaries, Govt. of India on Education and Social Development has recommended for launch of Venture Capital Fund for Backward Classes (BCs) as provided for Scheduled Castes (SCs). On the basis of its recommendation, an initiative for incorporating the Venture Capital Fund for Backward Classes (BCs) in the ongoing scheme of Venture Capital Fund for SCs was taken by Ministry of Social Justice and Empowerment (MoSJE).

Accordingly, the fund was started in FY 2017-18. However, as per SEBI, AIF guidelines, a Venture Capital Fund can be operationalized only with a minimum fund corpus of Rs.20 Cr. The fund corpus was Rs.15 Cr. only till Sep'19. After receipt of fresh funds from GoI in Oct'19, the fund was operationalised.

- C. ASIIM:** Scheduled Castes and Divyangs face various peculiar challenges on the path of socio-economic development and these often need customized solutions and institutional support. Hence, in order:

- ✓ To promote entrepreneurship among the SC Youth with special preference to Divyangs.
- ✓ To support (1,000) innovative ideas till 2024 through a synergetic work with the Technology Business Incubators (TBIs) set up by Department of Science and Technology.
- ✓ To support, promote, hand-hold the start-up ideas till they reach commercial stage by providing liberal equity support.
- ✓ To incentivise students with innovative mindset to take to entrepreneurship with confidence.

Ministry of Social Justice & Empowerment, Government of India launched "Ambedkar Social Innovation Incubation Mission (ASIIM)" aimed at supporting innovators and entrepreneurs in coming up with innovative products, services and solutions so as to help them set up successful ventures/ Businesses. Accordingly, ASIIM was started on 30th September 2020 under VCF-SC scheme. Under this initiative, 1,000 initiatives of SC youth would be identified through a systematic and transparent process in convergence with the Technology Business Incubators and would fund them up to Rs. 30 lakhs in three year period as equity subject to a maximum of Rs.10 lakhs every year. The purpose is to encourage the innovative students to take to innovation and entrepreneurship without seeking jobs.

2. Main Features of the Scheme (including number of fresh sanctions for 2021-22):

- A. VCF-SC:** The present corpus of VCF-SC fund is Rs.606.18 crore with Rs.539.22 crore contribution by Government of India and Rs.66.96 crore contributed by contribution by IFCI Ltd. The year wise Fund contribution in VCF-SC is as under:

Amount in Rs. Crore			
FY	Total Corpus	Government of India	IFCI Ltd
2014-15	205.00	200.00	5.00
2015-16	0.01	0.01	0.00
2016-17	40.00	40.00	0.00
2017-18	85.00	40.00	45.00
2018-19	10.00	10.00	0.00
2019-20*	236.17	219.21	16.96
2020-21	30.00	30.00	0.00
Total	606.18	539.22	66.96
<i>*Rs.160 crore by Government of India and Rs.76.17 crore by way of pooling in of interest on FDs and debentures.</i>			

- B. VCF-BC:** The present corpus of VCF-BC fund is Rs.105.85 crore with Rs.100.78 crore contribution by Government of India and Rs.5.07 crore contributed by contribution by IFCI Venture Capital Funds Ltd (A subsidiary of IFCI Ltd). The year wise Fund contribution in VCF-BC is as under:

Amount in Rs. Crore			
FY	Total Corpus	Government of India	IFCI Venture
2017-18	10.00	10.00	0.00
2018-19	5.00	0.00	5.00
2019-20*	90.85	90.78	0.07
2020-21	0.00	0.00	0.00
Total	105.85	100.78	5.07
<i>*Rs.90 crore by Government of India and Rs.0.85 crore by way of pooling in of interest on FDs and debentures.</i>			

- C. ASIIM:** ASIIM is the part of the VCF-SC Scheme.

The Main Features of the Schemes are as below:

Funds Details	Venture Capital Fund for Scheduled Castes including ASIIM	Venture Capital Fund for Backward Classes
Launch Date	16 January 2015	April 2018 (Operationalised from October 2019)
Total Present Corpus of the Fund	Rs.606.18 Crore	Rs.105.85 Crore
Contribution received from MOSJ&E, Govt. of India	Rs.539.22 Crore	Rs.100.78 Crore
Commitment received from IFCI (a Government of India Undertaking)	Rs.66.96 Crore (including Rs.5 Cr. as Sponsor investment from IFCI Ltd)	Rs.5.07 Crore (including Rs.5 Cr. As sponsor investment from IFCI Venture)
Sponsor	IFCI Ltd	IFCI Venture Capital Funds Ltd
Structure of the Fund	AIF Category II - SEBI Registered Trust Fund	
Implementing Agency	Department of Social Justice and Empowerment, Ministry of Social Justice and Empowerment, GOI.	
Investment Manager of the Fund	IFCI Venture Capital Funds Ltd	
Trustee of the Fund	M/s Vistra ITCL (India) Limited (formerly IL&FS Trust Company Ltd.)	
Trust	Venture Capital Fund for Scheduled Castes and Backward Classes.	
Settlor of the Fund	IFCI Ltd.	

Status on Sanctions and Disbursements under VCF-SC, ASIIM and VCF-BC including FY 2021-22 are as below:

Status as on 19 April 2021	
VCF-SC	VCF-BC
<p><u>VCF-SC Cumulative</u></p> <ul style="list-style-type: none"> • Present Corpus – Rs.606.18 Crore • Total Sanction – Rs.453.20 Crore • Total No. of Sanctioned Cases – 130 Companies • Total Disbursements – Rs.276.94Crore • No. of Disbursed Cases – 92 Companies <p><u>VCF-SC</u></p> <ul style="list-style-type: none"> • Total Sanction – Rs.450.20 Crore • No. of Sanctioned Cases – 120 Companies • Total Disbursements – Rs.276.90 Crore 	<ul style="list-style-type: none"> • Present Corpus – Rs.105.85 Crore • Total Sanction – Rs.58.14 Crore • No. of Sanctioned Cases – 21 Companies • Total Disbursements – Rs.5.51 Crore • No. of Disbursed Cases – 2 Companies

<ul style="list-style-type: none"> • No. of Disbursed Cases – 88 Companies <p><u>ASIIM</u></p> <ul style="list-style-type: none"> • Total Sanction – Rs.3.00 Cr. • No. of Sanctioned Cases – 10 Companies • Total Disbursement – Rs.0.04 Crore • No. of Disbursed Cases – 4 Companies 	
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Projected number of fresh sanctions for FY 2021-22:

- A. VCF-SC:** Fresh sanction of Rs.60 cr. is envisaged in around 15 Companies owned by SC Entrepreneurs during the year;
- B. VCF-BC:** Fresh sanction of Rs.20 cr. is envisaged in around 15 Companies owned by BC Entrepreneurs during the year;
- C. ASIIM:** Fresh sanction of Rs.7.50 cr. is envisaged in around 25 Companies owned by SC Entrepreneurs / researchers working with TBI during the year.

3. Guidelines of the scheme including eligibility etc:

A. VCF-SC: The scheme guidelines with details are as below:

- **Eligibility Criteria:**

- ✓ The projects/units being set up in manufacturing, services and allied sector, including start-ups and units being incubated in the technology business incubators, ensuring asset creation out of the funds deployed in the unit shall be considered.
- ✓ **For Companies applying for assistance up to Rs. 50 lakh:** Companies having at least 51% shareholding by Scheduled Castes entrepreneurs for the past 6 months with management control OR; a new Company provided that the new Company is a successor entity of a Proprietary Firm or Partnership Firm or One Person Company (OPC) or Limited Liability Partnership (LLP) or any other establishment incorporated under any law in force with sound business model which has been in operation for over 6 months, and the predecessor entity had at least 51% shareholding of the Scheduled Castes entrepreneurs with management control.
- ✓ **For Companies applying for assistance above Rs. 50 lakh:** Companies having at least 51% shareholding by Scheduled Castes entrepreneurs for the past 12 months with management control OR; a new Company provided that the new Company is a successor entity of a Proprietary Firm or Partnership Firm or One Person Company (OPC) or Limited Liability Partnership (LLP) or any other establishment incorporated under any law in force with sound business model which has been in operation for over 12 months, and the predecessor entity had at least 51% shareholding of the Scheduled Castes entrepreneurs with management control.
- ✓ **For technology oriented innovative projects:**

- A. Innovative ideas selected by Technology Business Incubators (TBIs) for incubation funding to cover the cost of operation and maintenance subject to a ceiling of Rs. 10 lakhs on an average per year for a period of three years subject to satisfactory progress.
- B. New Companies having at least 51% shareholding by first time Scheduled Caste entrepreneurs who have been working in technology oriented innovative projects:
 - i. with the support of incubation centers at IITs, NITs, Premier Business Schools, Universities, Institutions, Medical Collages, NSTEDB under Department of Science & Technology (DST) or supported by corporate, with good potential of commercialization and project is at implementation stage; and / or;
 - ii. without the support of Incubations centers but are having patent/ copyrights with good potential of commercialization and project is at implementation stage.
 - iii. Projects sanctioned by departments of Government of India after due appraisal.
- ✓ Documentary proofs of being SC will have to be submitted by the Entrepreneur at the time of submitting the proposals.
- ✓ Documentary proofs / certificate from the incubation centers/corporates or documents w.r.t patent/ copyrights in the name of SC entrepreneur need to be submitted at the time of submitting the proposal.
- ✓ Sanction letter of department of Government of India.
- ✓ E-documents will also be accepted.
- ✓ For Companies with sanctioned assistance of above Rs.5 crore, the money released by the Trust/ Fund Manager would be in proportion to the loan tranche released by Bank/department of Govt of India, except in the cases being supported under Innovative ideas category selected by Technology Business Incubators (TBIs) as mentioned at point A above.
- **Investment Size:** Rs. 10 lakhs to Rs. 15 Crore. Aggregate assistance not more than two times the current net worth of the Company.
- **Tenure of financial assistance:** Up to 10 years including moratorium period in case of debentures. In case of equity, decision for exit would be taken on case-to-case basis with maximum tenure up to 10 years.
- **Moratorium on principal:** In case of debentures, on case to case basis but not more than 36 months from the date of investment. Interest payment shall commence from date of investment in the Company at a regular interval as determined by the Investment Committee.
- **Nature of Financial Assistance:**
 - ✓ Shares (CCPS) (maximum up to 25% of the corpus) can be invested subject to the following:

- i. Such investment may be limited to innovative Technology-oriented projects/start-ups fulfilling the conditions mentioned under Eligibility Criteria;
 - ii. The maximum equity investment in a company can be 49%, subject to maximum investment of Rs.5 crore;
 - iii. Such investment shall be at face value of shares in every company, subject to applicable laws;
 - iv. In every investment under the Fund, minimum 25% investment shall be in the form of debentures.
- ✓ Compulsorily Convertible Debentures (CCDs), Optionally Convertible Debentures (OCDs), Non-Convertible Debentures (NCDs), etc. These instruments shall be considered for all companies who are not falling under the category above.
- **Expected Returns through Investment:**
 - ✓ In Equity investment, return at the time of exit by way of buyback / strategic investment / IPO shall be 8% p.a. or as per the valuation whichever is higher.
 - ✓ Debt/Convertible Instruments - 8% p.a. (For women/disabled SC entrepreneurs - 7.75% p.a.)
- **Exit Mechanism:**
 - ✓ Exit through payments out of operations, buyback/ redemptions by promoters/ companies, strategic investments, listing on stock exchanges or any other exit process
 - ✓ Exit process shall be determined on case to case basis depending on the nature of financial assistance and performance of the company.
- **Security:** The following securities may be envisaged during the investment:
 - ✓ The assets of the project being funded/ assisted under the scheme shall be charged for security. The project assets will include land, building, plant & machinery and rights on licenses/ patents.
 - ✓ Pari-pasu charge on assets with the Banks/FIs in case of the companies applying for loan with banks/ FIs on case to case basis.
 - ✓ 2nd charge of the assets created out of the investment where the 1st charge is held by the Bank/FIs.
 - ✓ Pledge of Shares held by promoters and forming atleast 26% stake and upto 51% of the Issued and Paid up capital shall be taken.
 - ✓ However, the percentage of pledged shares would be decided on case to case basis.
 - ✓ In addition to the charge on assets, Post-dated Cheques (PDCs)/ Electronic Clearing Service (ECS) and promissory notes shall be taken.
 - ✓ Personal guarantees of the promoters along with buyback agreement shall be entered.
 - ✓ In case no mortgage in the form of project land is available, the borrower may arrange collateral securities.

B. VCF-BC: The scheme guidelines with details are as below:

- **Eligibility Criteria:**
 - ✓ The projects/units being set up in manufacturing and services sector ensuring asset creation out of the funds deployed in the unit shall be considered.
 - ✓ At least 30% of the beneficiaries assisted under the fund should preferably be women entrepreneurs.
 - ✓ **For Companies applying for assistance below Rs.50 lakh:** Companies having at least 51% shareholding by Backward Classes entrepreneurs for the past 6 months with management control OR a new Company provided that the new Company is a successor entity of a Proprietary Firm or Partnership Firm or One Person Company (OPC) or Limited Liability Partnership (LLP) of any other establishment incorporated under any law in force, with sound business model which has been in operation for over 6 months, and the predecessor entity had at least 51% shareholding of the Backward Classes entrepreneurs with management control.
 - ✓ **For Companies applying for assistance above Rs.50 lakh:** Companies having at least 51% shareholding by Backward Classes entrepreneurs for the past 12 months with management control OR a new Company provided that the new Company is a successor entity of a Proprietary Firm or Partnership Firm or One Person Company (OPC) or Limited Liability Partnership (LLP) of any other establishment incorporated under any law in force, with sound business model which has been in operation for over 12 months, and the predecessor entity had at least 51% shareholding of the Backward Classes entrepreneurs with management control.
 - ✓ Documentary proof of being BC will have to be submitted by the Entrepreneur at the time of submitting the proposal.
- **Investment Size:** Rs.20 lakhs to Rs.5 Crore for VCF-BC. Aggregate assistance not more than two times the current net worth of the Company.
- **Tenure of financial assistance:** Up to 8 years including moratorium period.
- **Moratorium on principal:** On case to case basis but not more than 36 months from the date of investment. Interest payment shall commence from date of investment in the Company at a regular interval as determined by the Investment Committee.
- **Nature of Financial Assistance:**
 - ✓ Equity/Optionally/Compulsorily Convertible Preference Shares (maximum up to 25% of the corpus);
 - ✓ Equity linked debt instruments such as:
 - Compulsorily Convertible Debentures
 - Optionally Convertible Debentures
 - Non-Convertible Debentures, etc;
 - Debt/subordinate loans.

- **Expected Returns through Investment:**
 - ✓ Equity instruments may yield returns at 10% p.a.
 - ✓ Debt/Convertible Instruments may carry returns at 8% p.a. (For women/disabled SC entrepreneurs - 7.75% p.a.).

- **Exit Mechanism:**
 - ✓ Exit through payments out of operations, buyback/ redemptions by promoters/ companies, strategic investments, listing on stock exchanges or any other exit process.

- **Security:** The following securities may be envisaged during the investment:
 - ✓ The assets of the project being funded/ assisted under the scheme shall be charged for security. The project assets will include land, building, plant & machinery and rights on licenses/ patents, others on case to case basis.
 - ✓ Pari-pasu charge on assets with the Banks/FIs in case Banks /FIs have also funded in the Company / project.
 - ✓ 2nd charge of the assets created out of the investment where the 1st charge is held by the Bank/FIs.
 - ✓ In addition to the charge on assets, post-dated cheques and promissory notes shall be taken.
 - ✓ Personal guarantees of the promoters along with buyback agreement shall be entered.
 - ✓ Pledge of Shares held by promoters and forming at least 26% stake of the Issued and Paid up capital shall be taken. However, the percentage of pledged shares would be decided on case to case basis.
 - ✓ In case adequate mortgage is not available, the borrower may arrange collateral and corporate guarantees from family / friends / associates / group companies.

C. ASIIM (under VCF-SC): The scheme guidelines with details are as below:

- **Eligibility:** The following SC/Divyang youth would be eligible for support under ASIIM:
 - ✓ Youth who have been identified by the TBIs being promoted by Department of Science & Technology.
 - ✓ Youth who are identified for incubation by reputed private TBIs.
 - ✓ Students who have been awarded under the Smart India Hackathon or Smart India Hardware Hackathon being conducted by Ministry of Education.
 - ✓ Innovative ideas focusing on the socio-economic development of the society identified in the TBIs.
 - ✓ Start-ups nominated and supported by corporates through CSR funds.

- **Selection process:**
 - ✓ The start-up ideas presented by SC/Divyang students which are selected by the TBIs will be automatically selected for incubation.
 - ✓ Other applications/proposals received from various Scheduled Castes and Divyang Start Ups will be taken up as per the guidelines of the fund.

- **Provision of Equity support:**
 - ✓ The identified innovative ideas from SC students in the TBIs would be provided equity assistance under the revised dispensation of the VCF-SC scheme up to Rs.30 lakhs over a period of 3 years, subject to satisfactory evaluation of the progress by the concerned TBI's. During the incubation period of 3 years, the entrepreneurs shall not be insisted for any financial contribution except the expenses required for forming a company which would be borne by the entrepreneurs or TBIs. Financial assistance to these initiatives shall be released to the entities promoted by these young SC entrepreneurs.

4. Funding Pattern:

A. VCF-SC: Investment under the fund will be categorized as follows:

- **Financial assistance upto Rs.5 Crore** - Investment under this category shall be funded maximum upto 75% of the project cost and the balance 25% of the project cost will be funded by the promoters or through Govt subsidy under various schemes of central or state Govt.;
- **Financial assistance above Rs. 5 Crore** – Investment under this category shall be funded maximum upto 50% of the project cost. At least 25% of the project cost shall be funded by promoters or through Govt subsidy under various schemes of central or state Govt., and balance 25% of the project cost can be funded either by promoters or by the bank or any other Financial Institutions as the case may be.
- In cases where Govt. subsidy is available, the promoters will have to contribute at least 15% of the project cost

B. VCF-BC: Investment under the fund will be categorized as follows:

- **Financial assistance upto Rs.1 Crore** - Investment under this category shall be funded maximum upto 75% of the project cost and the balance 25% of the project cost will be funded by the promoters;
- **Financial assistance above Rs.1 Crore** – Investment under this category shall be funded maximum upto 50% of the project cost with maximum limit of Rs.5 Crore. Balance of the project cost shall be funded by the bank/ other financial institutions / promoters.

C. ASIIM:

- Financial support of up to Rs.10 lakhs per year for a period of 3 years aggregating to Rs.30 Lakhs shall be provided to eligible applicants.

5. Timelines:

A. VCF-SC and VCF-BC:

Sl. No.	Proposed action for FY 2021-22	VCF-SC	VCF-BC
		Timelines	

a.	<ul style="list-style-type: none"> • Applications received online till 31.03.2021. • Scrutinizing of all proposals received up to 31.03.2021 and approval of the Screening Committee. • Field verification of the companies recommended by Screening Committee* 	Till 30.06.2021	Till 30.06.2021
b.	Approval of the proposals by Investment Committee	Till 31.07.2021	Till 31.07.2021
c.	Legal documentation and release of funds (for companies who would complete their legal documentation)	Till 31.08.2021	Till 31.08.2021
d.	Review/ monitoring of the scheme including funds released to IFCI Venture and action taken by IFCI Venture from receiving of applications till release of funds.	Till 30.09.2021	Till 30.09.2021
e.	<ul style="list-style-type: none"> • Next scrutinizing of all proposals received upto 30.06.2021 and approval of the Screening Committee. • Field verification of the companies recommended by Screening Committee* 	Till 30.09.2021	Till 30.09.2021
f.	Approval of the proposals by Investment Committee	Till 31.10.2021	Till 31.10.2021
g.	Legal documentation and release of funds (for companies who would complete their legal documentation)	Till 30.11.2021	Till 30.11.2021
h.	Review/ monitoring of the scheme including funds released to IFCI Venture and action taken by IFCI Venture from receiving of applications till release of funds.	Till 31.12.2021	Till 31.12.2021
i.	<ul style="list-style-type: none"> • Next scrutinizing of all proposals received upto 30.09.2021 and approval of the Screening Committee. • Field verification of the companies recommended by Screening Committee* 	Till 31.12.2021	Till 31.12.2021
j.	Approval of the proposals by Investment Committee	Till 31.01.2022	Till 31.01.2022
k.	Legal documentation and release of funds (for companies who would complete their legal documentation)	Till 28.02.2022	Till 28.02.2022
l.	Review/ monitoring of the scheme including funds released to IFCI Venture and action taken by IFCI Venture from receiving of applications till release of funds.	Till 31.03.2022	Till 31.03.2022
m.	<ul style="list-style-type: none"> • Next scrutinizing of all proposals received upto 31.12.2021 and approval of the Screening Committee. • Field verification of the companies recommended by Screening Committee* 	Till 31.3.2022	Till 31.3.2022

B. ASIIM:

- ✓ It is targeted that all applications received under ASIIM are processed within the timelines of 30 days;
- ✓ Post Sanction, the LOI shall be issued along with legal check list;
- ✓ Post receipt of legal check list, the legal documents shall be carried out and disbursements shall be done.
- ✓ In every quarter, 2 webinars are being targeted with various TBIs and prospective SC entrepreneurs / researchers along with mentors to propagate the ASIIM scheme.

6. Monitoring Mechanism:

- ✓ *Field Visits shall be undertaken based on the normalization of the present pandemic Covid-19 & prevailing situations, travel advisories or by the third party.
- ✓ Post Sanction: Documentations and disbursements shall be expedited to ensure timely release of funds.

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