VENTURE CAPITAL FUND FOR SCHEDULED CASTES

सत्यमेव जयते

Department of Social Justice & Empowerment

Ministry of Social Justice & Empowerment

Government of India

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A first of its kind Venture Capital Fund launched by Ministry of Social Justice and Empowerment, Government of India to promote Entrepreneurship in India among the Scheduled Castes by providing concessional finance to them. The fund was launched in the FY 2014-15. The guidelines of the scheme are as below:

1. 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 beconsidered.
- **For Companies applying for assistance up to Rs. 50 lakh:** Companies havingat least 51% shareholding by Scheduled Castes entrepreneurs for the past 6 months with management controlOR;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 entrepreneurswith management control.
- **For Companies applying for assistance above Rs. 50 lakh:** Companies havingat least 51% shareholding by Scheduled Castes entrepreneurs for the past 12 months with management controlOR;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 entrepreneurswith management control.
- **For technology oriented innovativeprojects:**

  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 satisfactoryprogress.

  B. New Companies having at least 51% shareholding by first time Scheduled Caste entrepreneurs who have been working in technology oriented innovativeprojects:

  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 potentialof 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 ofIndia.
- 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.

Sl. No.	Indicators	Modified
1.	**Investment Size**	Rs. 10 lakhs to Rs. 15 Crore. Aggregate assistance not more than two times the current net worth of the Company.
2.	**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.
3.	**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.
4.	**Nature of Financial Assistance**	A. Shares (CCPS) (maximum up to 25% of the corpus) can be invested subject to thefollowing: 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 applicablelaws; iv. In every investment under the Fund, minimum 25% investment shall be in the form of debentures. B. 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 underthe category A above.
5.	**Funding Pattern**	Investment under the fund will be categorized as follows: **1. 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 stateGovt.; **2. 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 asthe case may be. In cases where Govt. subsidy is available, the promoters will have to contribute at least 15% of the project cost
6.	**Expected Returns Through investment**	a. In Equity investment, return at the time of exit by way of buyback / strategic investment / IPO shallbe 8% p.a. or as per the valuation whichever is higher. b. Debt/Convertible Instruments - 8% p.a. (For women*/disabled** entrepreneurs - 7.75% p.a.) [*For considering a company owned by a SC women entrepreneur, the SC women entrepreneur should hold at least 51% of the shareholding in the company and should be the Managing Director of theCompany; **In the case of disabled entrepreneurs, guidelines issued by the Department of Divyang Welfare for qualifying as disabled would be followed.]

7.	**Exit Mechanism**	• Exit through payments out of operations, buyback/ redemptions by promoters/ companies, strategic investments, listing on stock exchanges or any other exitprocess Exit process shall be determined on case to case basis depending on the nature of financial assistance and performance ofthe company.
8.	**Security**	The following securities may be envisaged during the investment: a. 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. b. Pari-pasu charge on assets with the Banks/FIs in case of the companies applying for loan with banks/ FIs on case to casebasis. c. 2nd charge of the assets created out of the investment where the 1st charge in held by the Bank/FIs. d. Pledge of Shares held by promoters and forming atleast 26% stake and upto 51% of the Issued and Paid up capital shall betaken. However, the percentage of pledged shares would be decided on case to case basis. e. In addition to the charge on assets, Post-dated Cheques (PDCs)/ Electronic Clearing Service (ECS) and promissory notes shall betaken. f. Personal guarantees of the promoters along with buyback agreement shall beentered. g. In case no mortgage in the form of project land is available, the borrower may arrangecollateral securities.

INVESTMENT MANAGER

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