

FREQUENTLY ASKED QUESTIONS (FAQ)

REG.: VENTURE CAPITAL FUND FOR SCHEDULED TRIBES (VCF-ST)

1. Who can be the beneficiary of Venture Capital Fund for Scheduled Tribes?

Ans.: Companies (Private Limited or Public Limited) having at least 51% shareholding by Scheduled Tribes entrepreneurs for the past 6/12 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 6/12 months, and the predecessor entity had at least 51% shareholding of the Scheduled Tribes entrepreneurs with management control (i.e. the scheduled tribes promoter should be the Director of the company).

2. Can Scheduled Castes / Other Backward Classes / General category entrepreneurs get benefit under this fund?

Ans.: No. Entrepreneurs belonging to Scheduled Tribes are eligible under this fund.

3. What are the eligibility criteria for getting assistance under the fund?

Ans.:

- A.** The projects/units being set up in manufacturing, services and allied sectors, including start-ups ensuring asset creation out of the funds deployed in the unit shall be considered.
- B.** Innovative ideas selected by Technology Business Incubators (TBIs) for incubation funding to cover the cost of carrying out innovation project.

Or

New Companies having at least 51% shareholding by first time Scheduled Tribes entrepreneurs who have been working in technology oriented innovative project:

- i. With the support of incubation centers at IITs, NITs, Premier Business Schools, Universities, Institutions, Medical Colleges, NSTEDB under Department of Science & Technology (DST) or supported by corporates, 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/Ministries of Government of India after due appraisal.

4. What are the Minimum existence and Shareholding Criteria for the fund?

Ans.:

A. For Companies applying for assistance up to Rs. 50 lakhs: Companies having:

- i. at least 51% shareholding by Scheduled Tribes entrepreneurs for the past 6 months with management control OR;
- ii. 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 Tribes entrepreneurs with management control.

B. For Companies applying for assistance above Rs. 50 lakhs: Companies having:

- i. at least 51% shareholding by Scheduled Tribes entrepreneurs for the past 12 months with management control OR;
- ii. 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 Tribes entrepreneurs with management control.

5. What are the primary documents required for getting assistance under the fund?

Ans.:

- A.** Documentary proofs of being ST will have to be submitted by the Entrepreneur at the time of submitting the proposals.
- B.** Documentary proofs / certificate from the incubation centers/corporates or documents w.r.t patent/ copyrights in the name of ST entrepreneur need to be submitted at the time of submitting the proposal.
- C.** Sanction letter of Department/Ministry of Government of India, if applicable.
- D.** Other documents with reference to the eligibility conditions would also need to be submitted, including proof of management control and minimum 51% ST shareholding.
- E.** E-documents will also be accepted.

6. Are 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 eligible under this fund?

Ans.: No. Only Private Limited or Public Limited companies are eligible for getting finance under this fund. 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 6/12 months, with at least 51% shareholding of the Scheduled Tribes entrepreneurs with management control should convert itself into a Private Limited or Public Limited company before getting assistance under the fund.

7. What types of projects are covered under this fund?

Ans.: The projects/units being set up in manufacturing, services and allied sector, including start-ups ensuring asset creation out of the funds deployed in the unit shall be considered.

8. What is the minimum and maximum investment size under the fund?

Ans.:

- A. For VCF-ST as at eligibility criteria for companies applying for assistance up to Rs. 50 lakhs:** Aggregate assistance not more than two times the current net worth of the Company, subject to a minimum of Rs. 10.00 lakhs and maximum of Rs. 5.00 crore.
- B. For VCF-ST as at eligibility criteria for technology-oriented innovative projects:** Max. of Rs. 10 lakhs per year for a period of three years aggregating Rs. 30 Lakh subject to satisfactory progress/review.

9. What will be the nature of financial assistance?

Ans.:

- A.** Compulsorily Convertible Debentures (CCDs), Optionally Convertible Debentures (OCDs), Non-Convertible Debentures (NCDs), etc.
- B.** Shares including CCCPS/OCPS can be invested subject to the following:

1. Under VCF-ST: -

- 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 a maximum investment of Rs.5 crore.
- iii. Such investment shall be at the face value of shares in every company, subject to applicable laws.

2. Under technology-oriented innovative projects: The financial assistance be provided in the Equity/ CCPS/ OCPS/ Debt.

10. What will be the rate of interest/coupon for the financial assistance?

Ans.:

- i. In Equity investment, return at the time of exit by way of buyback / strategic investment / IPO shall be 4% p.a. or as per the valuation whichever is higher.
- ii. Debt/Convertible Instruments - 4% p.a. (For ST women* /ST disabled** entrepreneurs - 3.75% p.a.)

[*For considering a company owned by a ST women entrepreneur, the ST women entrepreneur should hold at least 51% of the shareholding in the company and should be the Managing Director of the Company;

**In the case of disabled ST entrepreneurs, guidelines issued by the Department of Divyang Welfare for qualifying as disabled would be followed.]

11. What will be the funding pattern for the financial assistance?

Ans.: Investment under the fund is categorized as follows:

- i. The applicant 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 Government subsidy under various schemes of central or state Government or through any other permissible means of raising funds, including bank loans, subject to the conditions imposed by the Trust and the Bank/Financial Institutions concerned.
- ii. In cases where any other source of funding is sought/available, the promoters will have to contribute at least 15% of the project cost.

** 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). In no case would the assistance from the VCF-ST exceed Rs. 5.00 crore and in the case of TBIs, exceed Rs. 30 lakhs (annually not more than Rs. 10 lakhs for a period of 3 years).

12. What is the tenure of financial assistance under this fund?

Ans.: Tenure of financial assistance shall be as follows:

- Up to 10 years including moratorium period in case of debentures and debt.
- In case of Equity/Compulsorily Convertible Preference Shares (CCPS)/Optionally Convertible Preference Shares (OCPS), decision for exit would be taken on case-to-case basis with maximum tenure up to 10 years.

13. When will the interest/coupon payment start?

Ans.: Interest/Coupon will start from the date of disbursement on the amounts disbursed. Interest payments will be made quarterly by the company to VCF- ST.

14. Is there any moratorium for repayment?

Ans.: Yes. In the case of debentures, on a case-to-case basis but not more than 36 months from the date of first disbursement. Interest/coupon payment shall commence from the date of investment in the Company at a regular interval as determined by the Investment Committee.

15. Is this fund available for new projects?

Ans.: Yes.

16. Apart from Scheduled Tribes shareholders, can there be any other shareholder in the company?

Ans.: Yes, but the aggregate shareholding of Scheduled Tribes shareholders should be at least 51% of the total shareholding of the company and this shareholding must be maintained till the assistance under this fund is there in the company.

17. What all locations in India would be considered for investment under this fund?

Ans.: All projects across India would be considered if it meets the eligibility criteria under the fund.

18. What securities would be considered for giving financial assistance under this fund?

Ans.: 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-passu charge on assets with the Banks/FIs in case of the companies applying for loan with banks/ FIs on case-to-case basis.
- c. Pledge of Shares held by promoters and forming at least 26% stake and up to 51% of the issued and Paid-up capital shall be taken. However, the percentage of pledged shares would be decided on a case-to-case basis.
- d. In addition to the charge on assets, Post-dated Cheques (PDCs)/ Electronic Clearing Service (ECS) and promissory notes shall be taken.
- e. Personal guarantees of the promoters along with a buyback agreement shall be entered.
- f. In case no mortgage in the form of project land is available, the borrower may arrange collateral securities.
- g. Securities envisaged may not be in violation of any State/Central/local laws etc.

For Technology Oriented-Projects: Pledge of shares held by the ST Promoter(s) in the Company shall be taken.

19. What will be the Exit Mechanism?

Ans.:

- 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.

20. How be an application can made for seeking financial assistance?

Ans.: An applicant can apply online on our website www.vcfst.in in order to avail the financial assistance under -VCF-ST.

21. Is there any guidelines for selecting civil contractors, plant & machinery suppliers, other vendors for the proposed project?

Ans.: The civil contractor, plant & machinery supplier, other vendors should be well established in relevant operational activities. Verification of the credentials of the civil contractor(s), plant & machinery supplier(s), other vendor(s) may be carried out during the due-diligence process. The site visit of the facility of such vendors may also be carried out on a case-to-case basis.

22. What will be the process of sanction of any application?

Ans.:

- i. Applications are invited online through the portal.
- ii. After obtaining all the requisite information/documents during the validity period (The online application shall be valid for a period of 6 months), the application shall be presented before the Screening Committee on a first come first serve basis.
- iii. The ineligible applications shall also be presented before the Screening Committee on a quarterly basis.
- iv. The Screening Committee may defer/reject the proposal on merit.
- v. The proposals recommended by the Screening Committee shall be presented before the Investment Committee for final approval.
- vi. Depending upon the merit, the Investment Committee may defer/reject/sanction the proposal.
- vii. Post approval/sanction from the Investment Committee, following activities shall undertake:
 - a) LOI & term sheet along with legal checklist shall be issued to the Company.
- viii. The disbursement shall be made to the Companies post execution of the complete legal documents at the office of IFCI Venture Capital Funds Limited situated at Delhi. The disbursement shall be made in a company subject to the completion of the sanctioned terms / pre-disbursement conditions and all other pre-defined conditions.

23. Who shall bear the cost of Valuation and Title Search of the properties provided for mortgage?

Ans.: The fees for the Valuer and the Lawyer shall be borne by VCF-ST for the first time. Thereafter, if any modification is requested by the Company/Promoters for change in the property, the fees for the Valuer and Lawyer shall be borne by the Company/Promoters and not by the funds.

24. Is there any site visit required before the Sanction?

Ans.: After recommendation from the Screening Committee, detailed due diligence of the proposal shall be carried out. During the detailed due diligence process, a Site visit of the project site shall be carried out by IFCI Venture Officials/Authorized Representatives of IFCI Venture.

25. Is there any requirement of carrying out Techno Economic Viability Study for the proposed project?

Ans.: Techno Economic Viability (TEV) study may be required in a project on case-to-case basis.

26. Does IFCI Venture Capital Funds Limited carry out Techno Economic Viability (TEV) Study?

Ans.: No. The TEV study may be conducted by the Technical Consultancy Organizations (TCO) whose primary objective is to give technical consultancy to new entrepreneurs.

27. Does IFCI Venture Capital Funds Limited prepare the Detailed Project Report (DPR) for the projects?

Ans.: No. The DPR is to be prepared and submitted by the Company/it's Promoters.

28. What will be the estimated time to get the final approval from the date of submitting the proposal by a company?

Ans.: The estimated time required for an investment proposal to mature from application stage to sanction stage would be approximately 2-3 months subject to submission of all requisite project documents by the Company / it's promoters.

29. Will the expenses of TBI's be covered in the funding under Technology Oriented Innovation Projects?

Ans.: Yes, For the Technology oriented projects, the incubatee may get funding for the expenses of TBI accommodation and mentorship. There is no additional commission to the TBIs.

30. Fund infused by IFCI Venture under Technology Oriented Innovation Projects will constitute what %age of shareholding in the company of incubates?

Ans.:

- a. The fund for technology-oriented projects shall be infused as Equity OR Optionally convertible preference shares (OCPS) OR compulsorily convertible preference shares (CCPS).
- b. The conversion of said shares to equity will maximum up to 49% stake and will be only after 3 years and will differ on a case-to-case basis.
- c. The expected return would be as defined for the VCF-ST scheme.