GRANT UTILIZATION GUIDELINES
FOR IDEX-FUNDED ACCELERATORS AT PARTNER INCUBATORS

<u>Background</u>: The iDEX initiative aims to facilitate collaboration between Indian innovation ecosystem, the Defence establishment, corporate sector, academia, and incubators.

The vision of the iDEX initiative is two-fold:

(a) help create functional prototypes of products/technologies relevant for national security (prototyping), and spur fast-moving innovation in the India defence sector;

(b) help new tech products/technologies find a market and early customer (commercialization) from the Indian Defence Establishment.

SPARK grants have been envisaged under the iDEX initiative to support Indian innovators selected through the Defence India Startup Challenges (DISC) process to develop products to support the Indian Armed Forces.

iDEX principles: The iDEX initiative's core principles are as follows:

Co-creating Commercial Solutions
- Access to Top Technology Talent and their capabilities, covering individual innovators & researchers in Academia/Industry, startup founders, tech entrepreneurs (promoters), and MSMEs - collectively referred to as Startups;
- A managed innovation process of engaging Startups directly with the Defence services and Defence indigenous production entities to research, develop, apply and/ or integrate innovative technologies and solutions addressing the defence needs;
- To achieve the twin objectives of 'Rapid Innovation at Lowest Cost' and 'Adoption of Commercial Technologies/Products to meet defence needs within the shortest time';
- Innovation Grant approach to funnel access to top technology talent to innovate for defence and to rapidly adapt commercial technologies/products to meet defence needs versus Production/Supplier Contract approach that is suited for reverse engineering to achieve indigenisation goals;

Open Innovation
- To nurture the creation and adoption of Commercial Solutions is independent of and different from the conventional Defence funded research and development programs either at DRDO directly or indirectly at any of the premier IITs, IISc, NITs etc.;
- To ensure that the military needs are implemented not as 'sponsored projects' but as 'commercial solutions' that go on to become standardised technologies/products, which are ready for dual-use and become commercialised in defence and civilian sectors;

- Leveraging the existing assets & infrastructure (offered by R&D labs, Innovation centres of excellence, Rapid design & prototyping facilities), capabilities (skills & resources in program management offered by Partner Incubators), expertise (military officers engaged as Users, Operators, DPSU officials engaged as systems integrators etc.) in order to expedite the process and achieve fast-tracked outcomes through iDEX;
- Open Innovation within a framework of a rigorously managed process, balancing Control with the flexibility to rapidly explore several possibilities of innovative solutions to address the needs of the military;

Collaborative Product Development: Accelerator program, Startup support, Grantee reporting and other responsibilities

In the spirit of collaboration and in good faith, critical funds required are being provided under SPARK to Indian innovators with potential to develop products for Indian defence. SPARK Grantees are expected to contribute equally ("matching contribution") to the product development costs, and partner incubators shall partner with iDEX to oversee the development of products for Armed Services. It is expected that iDEX will partner with partner incubators for handholding and supporting each of the SPARK grantees.

Grantees shall be connected with an iDEX Partner Incubator (PI), who shall provide technology and business mentoring, connections to Nodal agencies (if any), and handholding for the grantees to eventually compete for defence business. These PIs shall also be assisting iDEX in grant management, monitoring and reporting. Grantees should endeavour to have regular interactions with PIs.

PIs may undertake a matching process to determine which innovators need what kinds of support, as part of orientation. However, PIs shall accept the due diligence and selection process undertaken by iDEX High Powered Selection Committees (HPSCs) that include senior uniformed officers of the armed services and DPSUs, and shall not put SPARK winners through an additional filter or screening process.

The milestones for each grant winner have been mutually established between iDEX and the grant winners, based on the inputs of the nodal agencies. The partner incubators shall be collaborating with iDEX and nodal agencies to monitor and determine progress on the milestones being achieved by the winners.

For most cases, the funds will shall be disbursed directly from DIO-iDEX to the grant winners. In exceptional cases of SPARK winners being supported by iDEX under the pre-incubation model (*"Entrepreneur-in-residence"*), the grants may be disbursed by the

incubator, in consultation with iDEX- the pertinent guidelines shall be drawn up as and when such needs emerge.

The Acceleration Program Budget approved as per the guidelines for iDEX Partner Incubators issued by DIO (MoD), is up to Rs. 40 Lakhs for each run of the accelerator programs, expected to be of a duration of 9-12 months. These grants are provided to designated Technology Business Incubators by defence PSUs through their CSR programs.

PIs shall assist iDEX in managing SPARK grants and monitor the progress and development of the SPARK grantees continually, to ensure a product and commercial orientation. It is envisaged that the milestone-linked grants of the SPARK grantees shall be disbursed upon receiving a favourable progress report from the partner incubators.

Expectations from Partner Incubators - It is expected that the iDEX partner incubators shall endeavour to groom and support companies from the DISC process as well as other pipelines, in the pursuit of the broader national objective stated above. The expectations from partner incubators are as follows:

- It is estimated that each incubator shall run one accelerator per year. Incubators are expected to devote iDEX resources to supporting defence-related startups, identified from SPARK or other means.

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iDEX Startup Incubation Services - iDEX Startups incubated = Approximately 8 per cohort

+ *Mentoring for Startups covering technology, design, engineering, business strategy, commercial & market planning, financial/investments planning etc.*
+ *Monitoring of milestones, and Reporting of progress/performance to iDEX team;*
+ *Overall program administration in accordance to the operating guidelines of iDEX;*
+ *Facilitation of access to test facilities, certification labs, technical expertise within the Indian defence establishment;*

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iDEX Program Management, Operations Services and Outreach Events

+ *Planning and implementation responsibility across all the stages from problem curation & launch of challenges, outreach & sourcing of applications for challenges, coordination of HPSC screening, selection and grant disbursement process, event management for effective execution of hackathons, bootcamps, demo days etc., as discussed with the iDEX team time to time;*

Given that the PIs have institutionalized expertise and capabilities in the broader scope of fostering technology led innovation and entrepreneurship, there is merit in not duplicating those capacities within DIO, and to leverage those assets and capacities from time to time. Therefore, in addition to the above scope of services rendered under the broader umbrella of iDEX Accelerator programs, it is also

envisaged that the PIs be engaged in taking up the responsibility of the planning and execution of additional services enumerated below:

- Design and development of websites, databases, communication materials, branding and creative design for iDEX logos and other related properties, marketing and promotional materials in print/digital formats, and other deliverables as may be necessary for iDEX;
- Development and maintenance of IT systems to create an integrated digital platform for managing the open innovation process, end to end bringing together diverse agencies and stakeholders involved in the iDEX ecosystem;
- Organizing events on behalf of DIO, which may typically not come under the set of events organized within the context of the iDEX Accelerator programs;
- Managing specific projects independently but on behalf of DIO and/or supporting the implementation of projects directly managed by DIO with staff augmentation, with manpower resources from employees or consultants of the PI;
- Other assignments that may be offered to the PIs, which may not come under the scope of services defined under the iDEX Accelerator program;

In the case of these additional scope of services, the PIs shall be allowed to utilize the funds from the grants offered by the DPSUs to meet the expenses incurred in the process of offerings these services to the DIO. These expenses shall include the payments made by the PI to those suppliers, vendors, consultants, or other third-parties whosoever is identified by the PI, but with the implicit assumption that the overall responsibility of managing the commercial transactions and the deliverables lies with the PI. All such expenses shall have to be presented by the PI for prior approval by the CEO of DIO, indicating the budgeted estimates along with copies of proforma invoices or other relevant documents including self-certified utilization certificate. The PIs shall be allowed to state the utilization towards these expenses under a separate head called, iDEX Project Management Unit (PMU) Support Services.

- In order to defray the funded incubators' costs systematically, the following heads of expenses can be used.

#	Resources & Services	Indicative expense heads and details

1	**Team resources/manpower:** *The incubators's best available managers/ mentors to be utilized for supporting SPARK grantees* *It is expected that each partner incubator shall devote at least 2 staff with primary responsibility to iDEX for the duration of the accelerator program, with at least one at an incubation manager level or higher.*	**CEO**: *Rs 24 lakhs per annum* **Incubation Vice-president:** *Rs 20 lakhs pa* **Incubation Manager:** *Rs 12 lakhs pa* **Associate:** *Rs 6 lakh pa* *Time of staff to be accounted for iDEX purpose on a weekly basis, assuming 40 hours per work week* (**For eg**, *for the CEO spending 25% of time on iDEX, expense Rs 50,000 per month from the grant. For an incubation manager spending all of the time on iDEX, account for Rs 1 lakh per month*) **Manpower costs attributed to iDEX activities to be limited to 25% of the total grant. This includes administrative and management expenses of partner incubators for the iDEX engagement.**
2	**Coworking Facilities & Infra** + *Each SPARK Grantee selected for incubation in a partner incubator shall get up to 4 dedicated Coworking Seats during the Acceleration stage of the program for a maximum duration of 9 months, as required by the SPARK Grantees;* + *To include access to high-speed internet, board/conference/meeting rooms, etc.;*	**To be calculated at Rs 7000 per seat, per month, as per the requirement of the startups. In case of virtual incubation, 50% of this rate can be used to offset costs, with a limit of 4 team members per winner.** **Co-working and Infra costs attributed to iDEX activities to be limited to 40% of the total grant.**
3	**Innovation/Prototyping Lab Resources** + *Unlimited 16 (hours) * 7 (days) access to all available Lab infra, equipment, tools, and resources;* + *Prototyping Expenses in terms of consumables, supplies, power charges, repairs/spares and maintenance expenses etc. shall be billed on actuals basis;* **Hardware Prototyping/Tech Support Services** + *Tech support in IoT, Digital Fabrication, Robotics/Automation, CAD, 3D Printing, Industrial Design, Electronics;*	*Any capital expenditure (new machines, etc) to be purchased only with the prior consent of the iDEX team* *Consumables utilised by SPARK grantees to be expensed on a verifiable, good faith basis*

| 4 | **_Comprehensive Mentoring & Consulting Services_**
 + Domain/Functional experts offer intensive Office Hours for the SPARK Grantees on key areas covering Tech, Design, Innovation, Product Manufacturing, Standards/ Certification, IP, etc.; | _Specific mentorship requirements of any incubated SPARK grantee to be accommodated as best as possible._

 Mentors available to partner incubators shall provide their assistance to SPARK grantees without any remuneration.

 Any external mentors's time to be expensed at an indicative honorarium of Rs 2500 per hour, as per the need and approximate amount of time spent.

 It is expected that at least 40 mentoring sessions will be conducted. These can be for SPARK grantees directly incubated at the PI, or for other SPARK grantees at other PIs. In exceptional cases, mentoring can be provided to deserving non-SPARK aerospace and defence startups also. |
| 5 | **_Domestic Travel -_** _Travel of incubation team, SPARK grantees, mentors and any associated personnel required for meeting iDEX objectives_ | _It is expected that travel and stay costs will be kept to the minimum required, balancing the objectives of safety, efficiency, and cost minimization._
 Only economy class fares to be used for all flights.
 All travel and stay vouchers to be retained.

 Travel costs attributed to iDEX activities to be limited to 15% of the total grant |

6	Events	Any events conducted for iDEX or for specific requirements to be expensed on actuals basis with concurrence of iDEX team, with verifiable documentation preserved **It is expected that at least 5 outreach or similar events to promote innovation in aerospace and defence will be conducted during the period of the grant.** **Event costs attributed to iDEX activities to be limited to 20% of the total grant.**

The partner incubators shall provide half-yearly utilisation certificates as per the above expense heads, calculating and reporting the costs and expenses incurred on a good faith basis. Additionally, a completion report shall be submitted at the end of each program.

Incubators that desire to undertake an expense not covered in the heads in the above table shall take prior clearance from the iDEX team.

Partner incubators shall not be charging SPARK Grantees any additional fees, rent, or expenses not covered in the table above, without the express consent of the iDEX team. This should include any expenses on quality assurance, verification, testing, etc.

Partner incubators are encouraged to facilitate or generate angel and VC investments in the SPARK grantees, however, incubators directly investing in the SPARK grantees shall not count SPARK grant or in-kind assistance as part of the investment, in any shape or form.

The grants cannot be spent on the following heads:

a) Repaying for existing/previous debt, financial hedging, security deposits, investment or other financial instruments
b) Any capital investment in the incubator premises, equipment, or vehicles
c) Excessive expenditure on travel, hospitality, or other expenditures not directly related to incubation of SPARK grantees.
d) Any honorarium, professional services, consultancy, computer usage, data processing or any other services not directly relevant to a SPARK grantee's prototype/product development;

e) Other expense heads or categories that may emerge in the future, if and when found to be irrelevant shall be communicated to the incubators, with the expectation that past expenses shall be reversed and any future expenses shall be avoided

Withdrawal/End of grant

Partner incubators unwilling to engage further with DIO-iDEX at any stage of the grant process shall be required to provide a full accounting of the expenses incurred till the relevant date, and refund any remaining amount with them, along with a detailed justification for such a decision.

The decision of the iDEX CEO shall be final and binding on all SPARK grants. Any disputes shall be adjudicated in New Delhi.