

Defence Innovation Hub Framework

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Introduction

The **Innovations for Defence Excellence (iDEX)** framework³¹ was launched to create an ecosystem of innovation in the India defence establishment through funding, guidance, customer engagement and facilitation for the relevant stakeholders.

The iDEX framework aims to execute the 3 critical functions needed for adoption of innovation – co-creation, piloting and indigenization - by forging partnerships with competent stakeholders in the Indian innovation ecosystem. To this end, iDEX has already established a **framework** to create links with the top incubation centers in the country for supporting startups working in the defence domain. This has kick-started the setting up of the iDEX network in the country to build and support the defence innovation eco-system.

The iDEX framework also envisages providing funding for the setting up and managing of the iDEX network through the establishment of **Defence Innovation Hubs (DIHs)** in the country. The DIHs will be MSME-oriented, while still being capable of supporting startups as well as promoting collaborations between innovative startups and the established MSMEs.

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Who is eligible to apply for the DIH grant

The applicant should fulfill any one of the following conditions.

1. Any Central Government recognized Incubator including but not limited to -
 - a. Department of Science and Technology (DST) recognized Incubators³²
 - b. Atal Innovation Mission, NITI Aayog created Atal Incubation Centers (AICs) and Established Incubation Centers (EICs)³³
 - c. Ministry of MSME recognized incubators³⁴

31 http://www.makeinindiadefence.gov.in/admin/writereaddata/upload/files/Complete%20document%20on%20iDEX_1.pdf accessed November 2018

32 <http://www.dst.gov.in/scientific-programmes/st-and-socio-economic-development/national-science-technology-entrepreneurship-development-board-nstedb> accessed November 2018

33 <http://aim.gov.in/what-is-an-incubator.php> accessed November 2018

34 <http://www.dcmsme.gov.in/schemes/SUPPORTFOREMDTI.html> accessed November 2018

2. Any other incubator recognized or funded through any Central government scheme.
3. The incubator located in districts mentioned in the list of SME clusters hosted by the Ministry of MSME in collaboration with UNIDO³⁵.
4. Incubator/Hub promoted by local industry associations.

Application Process

1. Interested Hub applicant can send their proposals addressed to CEO,DIO.

2. The application for a DIH should include the following –

(a) A brief portfolio of the applicant including but not limited to

- (i) Proof of Central government recognition.
- (ii) Brief description of the industrial cluster in the area, including any focus on manufacturing sectors such as automotive, chemical, forging and foundry, or similar sectors.
- (iii) No. of Startups/MSMEs incubated/supported till date, including full contact details of such cases (in the last 3 years).
- (iv) Activities undertaken for Defence related production.
- (v) List of Mentors associated detailing the nature of the relationship i.e. full-time, pro-bono, etc.
- (vi) Copies of the founding documents of the legal entity i.e. MoA, AoA, etc.

(b) Detailed Project Report

- (i) Business Plan for the DIH should invariably include
 - 1) Location Details and availability of infrastructure, both physical and otherwise and the value proposition.
 - 2) Details of the activities to be carried out by the DIH to build the innovation and domestic manufacturing eco-system to support the Indian defence establishment with timelines.

35 <http://www.dcmsme.gov.in/clusters/clus/smelist.htm#clus> accessed November 2018



- 3) Details of the focus products/technologies and their value proposition. **The applicant needs to clearly spell out specific outcomes and commitments to be achieved by the Incubator/Hub, especially in respect of the development of new technologies and/or indigenization of imported products. A clearly justified value proposition for the proposed activities/items is also required.**
- 4) Broad qualitative and quantitative outcomes to be achieved and their timelines.
- 5) Governance Structure and institutional mechanisms.
- 6) Plan for sustainability of the DIH beyond the project period.

(ii) Budgetary breakup and ROI for the funds sought including

- 1) Detailed justification for the item wise costs i.e. budgetary quotations, etc. **The reasonability of the costs quoted in the proposal have to also be justified by the applicant in the proposal itself.**
- 2) Capital Budgeting Analysis including the ROI statement, Cash flow statement etc.
- 3) Break up of the tranches of the sought funds.

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Evaluation & Selection of applications

1. DIO will conduct the evaluation of all received applications for establishment of a DIH.
2. To support the evaluation of these applications, DIO will carry out the first round of evaluation of the applications and will also provide DIO with detailed comments on:-
 - a. DPR sent by the applicant and the contents as elaborated in Para 3.
 - b. Justification and comments on the value proposition for the proposed activities/items.
 - c. Reasonability of the prices and budgetary figures in the proposal.
 - d. A brief on the market reputation and standing of the applicant.
3. In case, CEO, DIO finds it necessary, the applications **could also be referred to a third-party agency/consultant for appraisal.**
4. The CEO, DIO will present the shortlisted applications and the appraisal report to the DIO board for final review and approval.
5. The DIO board will take a final decision on the application and will also approve the fund disbursement and milestone review schedule.

Legal due-diligence and compliance

Once the DIO board selects the applicant, DIO will conduct a due diligence process on the selected applicant including a site visit and ask the applicant to provide the requisite documents before entering into a formal legally vetted agreement.



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Financial Support

1. Entities will be provided with funding limited to Rs. 20 crores by the Defence Innovation Organization (DIO) for setting up the DIHs, in a tranche-based manner. The tranches, on a case by case basis. Out of this, Rs 5 crore would be in the form of an interest bearing advance i.e. prevailing Prime Lending rate (PLR) for meeting the working capital needs.
2. The funding will be spread over a time period of 4 years with any interest generated on the grant money being counted as part of the grant itself.
3. The funding would **NOT** include expenses proposed for
 - a. Land & Buildings and related infrastructure..
4. There will be a limit of 15% of the total grant sought for the amount which can be spent on recurring expenses including manpower costs.
5. The funding would leverage and would be built on top of the existing funding being made available from other government sources like AIM etc. and would exclude such items.



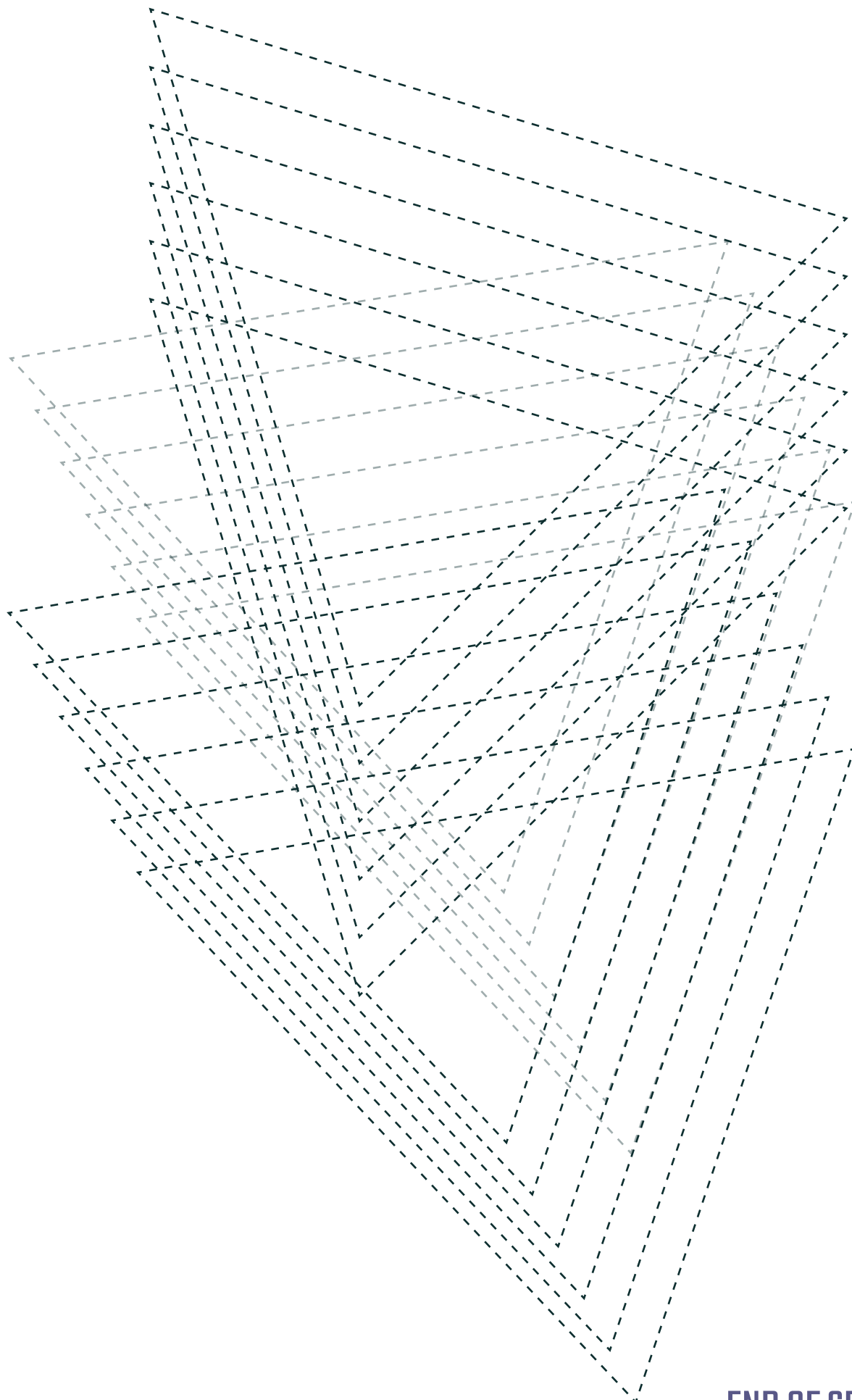
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Fund Disbursement

1. The support to the selected DIH shall be considered as grant-in-aid, with the accounting and reporting standards as required for a government-funded project. The part of the support would be treated as advance as stipulated above and would be recovered during the duration of the project.
2. Once the due-diligence process has been completed, DIO will start disbursing the funds to the applicant as per the DIO board approved schedule.
3. The iDEX team will follow up and review the applicants progress at each tranche disbursement based on the milestones/outcomes as set in the contract.
4. DIO will always reserve the right to terminate support to any applicant if it feels that the applicant is not delivering as promised. Furthermore, DIO would be under no obligation to explain such a decision.
5. The decision to withdraw support will have to be approved by the DIO board.
6. State Government to be involved to supervise the project and to sort out related issues.
7. Independent Director(s) to be appointed in the Board / Committee of Defence Innovation Hubs (DIHs) and report to the DIO Board about the utilization of the funds, review of the projects and other related matters.



END OF SECTION