

## **FREQUENTLY ASKED QUESTIONS (FAQ)**

### **REG.: VENTURE CAPITAL FUND FOR BACKWARD CLASSES (VCF-BC)**

#### **1. Who all can get benefit under this fund?**

**Ans.:** Companies (Private Limited or Public Limited) having at least 51% shareholding by Backward Classes 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 Backward Classes entrepreneurs with management control (i.e. the Backward Classes promoter should be the Managing Director of the company).

#### **2. Can Scheduled Tribes / Scheduled Castes / General category entrepreneurs get benefit under this fund?**

**Ans.:** No. Entrepreneurs belonging to Other Backward Classes 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 sector, including start-ups, ensuring asset creation out of the funds deployed in the unit shall be considered.

**B. For Companies applying for assistance up to Rs. 50 lakh:** Companies having:

- a.** at least 51% shareholding by Backward Classes entrepreneurs for the past 6 months with management control OR;
- b.** 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 Backward Classes entrepreneurs with management control.

**C. For Companies applying for assistance above Rs. 50 lakh:** Companies having:

- a.** at least 51% shareholding by Backward Classes entrepreneurs for the past 12 months with management control OR;
- b.** 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 Backward Classes entrepreneurs with management control.

**D.** Documentary proofs of being BC will have to be submitted by the Entrepreneur at the time of submitting the proposals.

**4. 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 Backward Classes entrepreneurs with management control should convert itself into a Private Limited or Public Limited company before getting assistance under the fund.

**5. 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.

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

**Ans.:** Under this fund, minimum amount Rs.20.00 lakh and maximum amount Rs.5.00 crore can be considered. Aggregate assistance shall not be more than two times the current net worth of the Company.

**7. What will be the nature of financial assistance?**

**Ans.:**

- a. Equity linked debt instruments such as:
  - Compulsorily Convertible Debentures
  - Optionally Convertible Debentures
  - Non-Convertible Debentures, etc;
- b. Equity/Optionally/Compulsorily Convertible Preference Shares;

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

**Ans.:**

Return through investment shall be as under:

- a. Equity instruments may yield returns at 10% p.a.

b. Debt/Convertible Instruments may carry returns at 8% p.a.

\*For considering a company owned by a BC women entrepreneur, the BC 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 entrepreneurs, guidelines issued by the Department of Divyang Welfare for qualifying as disabled would be followed.

## **9. What will be the funding pattern for the financial assistance?**

**Ans.:** Investment under the fund is categorised as follows:

1. **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.
2. **Financial assistance above Rs. 1 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 and balance 25% of the project cost can be funded either by the promoters or by the bank or any other financial institutions as the case may be.

## **10. What is the tenure of financial assistance under this fund?**

**Ans.:** Maximum up to 8 years including moratorium period.

## **11. 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-BC.

## **12. Is there any moratorium for repayment?**

**Ans.:** Yes. 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.

## **13. Is this fund available for new projects?**

**Ans.:** Yes.

## **14. Apart from Backward Classes shareholder, can there be any other shareholder in the company?**

**Ans.:** Yes, but the aggregate shareholding of Backward Classes shareholders should be at least 51% of the total shareholding of the company and this shareholding has to be maintained till the assistance under this fund is there in the company.

## **15. What all locations in India would be considered for investment under this fund?**

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

**16. What all 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, others on case to case basis.
- b. Pari-pasu charge on assets with the Banks/FIs in case of the companies applying for assistance of more than Rs. 1 Crore.
- c. In addition to the charge on assets, post-dated cheques and promissory notes shall be taken.
- d. Personal guarantees of the promoters along with buyback agreement shall be entered.
- e. 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.
- f. In case adequate mortgage is not available, the borrower may arrange collateral and corporate guarantees from family / friends / associates / group companies.

**17. 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.

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

**Ans.:** An applicant can apply online on our website [www.vcfsc.in](http://www.vcfsc.in) in order to avail the financial assistance under VCF-BC.

**19. Is there any guideline for selecting civil contractor, plant & machinery supplier, 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 case-to-case basis.

**20. What will be the process of sanction of any application?**

**Ans.:**

- 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 first come first serve basis;
- The ineligible applications shall also be presented before the Screening Committee on quarterly basis.
- The Screening Committee may defer/reject the proposal on merit.

- The proposals recommended by the Screening Committee shall be presented before the Investment Committee for final approval.
- Depending upon the merit, the Investment Committee may defer/reject/sanction the proposal.
- 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
  - b) The assignment for Valuer and Lawyer for conducting valuation title search of the property(ies) shall be initiated post acceptance of LOI & term sheet from the Company/Promoters;
- 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 / successful completion of Valuation and TSR / and all other pre-defined conditions.

**21. 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-BC 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.

**22. Is there any site visit required before the Sanction?**

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

**23. 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.

**24. 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.

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

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

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

**Ans.:** The estimated time period required for an investment proposal to mature from application stage to sanction stage would be approximately 3-4 months for equity proposals and 2-3 months for equity linked debt proposals subject to submission of all requisite project documents by the Company/it's promoters.