

## **Revolving Technology Innovation Fund for MSME**

In the year 2010, SIDBI in collaboration with Technology Information, Forecasting & Assessment Council (TIFAC) launched *Revolving Technology Innovation Fund* for MSME. Objective of fund is to encourage and promote innovation capabilities in industries and to bring high-risk innovations to the market for opening up opportunities to commercialize technology innovations.

### **Type of projects to be considered for funding where innovation is ingrained:**

- Commercialization of a new product / process / application developed through an indigenous technology
- Significant improvements / modifications in the existing product / process / application.
- Substantial upgradation in product quality, reduction of raw material consumption, reduction in process steps, reduction of energy consumption, reduction in GHG emission, reduction in cost, improvement in process efficiency and yield etc.
- Adaptation / modification in imported technology to make it suitable for wider domestic application.
- Indigenization of imported raw materials / components
- Design, development and commercialization of innovative products / processes / applications based on new / advanced / renewable materials.

### **About the Scheme:**

<b>Purpose</b>	Development, demonstration, up-scaling and commercialization of innovative technology based projects by MSMEs. The Scheme will provide developmental loan at flexible terms & softer interest rate to encourage and promote innovative technology based process / product / application development and its commercialization.
<b>Eligibility</b>	New / existing Indian MSME units subject to other terms and conditions of scheme
<b>Quantum of assistance</b>	Assistance upto 80% of the total project cost, which would normally be not more than `100.00 lakhs. Higher assistance could be considered selectively based on innovation content in the projects.
<b>Project Cost</b>	<ul style="list-style-type: none"><li>-Capital expenditure e.g. factory shed for the project, plants &amp; machinery, utilities, testing &amp; quality control equipment etc.</li><li>-Intangibles e.g. patents/ copy rights / R&amp;D / technology transfer fee / licensing / Marketing / brand building expenses</li><li>-Working capital margin</li><li>-Pre-operative expenses</li><li>-Manpower cost</li><li>-Contingencies / Any other heads required for the project</li></ul>

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<b>Upfront Fee</b>	Not more than 0.5% of the sanctioned amount + service tax as applicable for the sanctioned projects only.
<b>Instruments of Finance</b>	Secured Term Loan
<b>Rate of Interest</b>	Not more than 5% p.a. (simple interest)
<b>Repayment Period</b>	Loan repayment period including moratorium should generally be not more than 6 years from the date of completion of the project. The duration of the project implementation should not normally exceed 18 months.
<b>Security</b>	-First charge on assets (both moveable / immoveable) created / to be created under the project.  -First / pari passu / second charge on other assets of the unit depending upon prior charge created/ to be created  -Personal guarantees of promoters.
<b>Promoter's Contribution</b>	Minimum 20% of the total project cost

**Activities / expenditures to be covered under the total project cost:**

1. Costs of technology know-how / licensing where “proof-of-concept” established at lab /semi-commercial stage and requiring substantial technology development for commercialization
2. Construction / augmentation / modification of work shed required for the project implementation
3. Design, fabrication and procurement of capital equipment, plants & machinery
4. Procurement of testing and quality control equipment for evaluation of standards / quality of product, process or application
5. Procurement of utilities and services required for commercial scale production
6. Cost of raw materials for commissioning of plant for making products towards evaluation and initial marketing
7. Field trials towards limited market development
8. Cost of manpower required for the project implementation period

**Who can apply?**

A. Indian Commercial enterprises are eligible to seek financial assistance for the development and commercialization of technology-based product or processes.

B. If the project is for the commercialization of technology, developed by a domestic R&D lab / academic institution / university, the enterprise should apply, along with an agreement signed with the technology know-how provider willing to transfer the technology. The technology know-how provider may be any one of the followings:

- National laboratory
- State laboratory
- Academic institution
- Co-operative Research Association

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- Registered R&D Foundation/Trust/Society
- In-house R&D unit of industry
- Commercial R&D company
- Technical consultant

C. Start-up / incubating companies and/or technocrat-entrepreneurs holding the intellectual property or filed for patent for the developed technology, with or without any other partners (listed in B above), are also eligible to apply.

D. An Indian enterprise willing to adapt and commercialize an imported technology may apply for seeking financial assistance under the Revolving Fund subject to modifications in the technology for wider domestic applications or for indigenization of a technology developed through collaborative researches and is proven only at lab / semi-commercial scale.

### **Appraisal criteria:**

Project proposals will be evaluated based on their scientific, technological, commercial and financial merits. TIFAC will carry out the technical appraisal while SIDBI will do the financial appraisal of each proposal. The evaluation criteria will include:

- Innovation content, uniqueness, scientific and technological merits.
- Advantages / disadvantages of the proposed technology over the existing technologies
- Potential for wider replication, expected benefits and impact of the technology commercialization.
- Capability of the R&D institution(s) / academia / know-how partner.
- Organizational and commercial capability of the enterprise applying for the assistance and track record of the entrepreneur
- Technical feasibility and commercial viability of the proposed technology commercialization
- Justification of the proposed cost, duration and financing pattern.
- Relevance of the proposed objectives, reasonableness of the targets and mile-stones.
- The evaluation may include on-site visits, presentation of the proposal by the entrepreneur and discussions with appraisal committee.