

## CSR serves as startup capital

An amendment made in the Companies Act allowing Corporate Social Responsibility (CSR) contributions to incubators, is providing legs to for-profit ventures working with social objectives.

Non-banking finance company Mahindra & Mahindra Financial Services Limited (MMFSL) used a portion of their 2014-15 CSR funds to invest in two social startups through Villgro -- a Department of Science and Technology (DST) certified business incubator with focus on social enterprises and the Indian Institute of Management-Ahmedabad's (IIM-A's) technology business incubator Centre for Innovation Incubation and Entrepreneurship (CIIE).

SustainEarth Energy Solutions -- a startup working to provide affordable bio-gas technology for rural areas -- received Rs 23 lakh and Sickle Innovations -- a startup making handheld cotton picketing machines using a patented technology that enhances labourer productivity -- got financial support of Rs 25 lakh from the NBFC. "While making contributions to the incubators, we look at projects aligned towards our mission of transforming rural India. This has been the first year of such contributions but subject to CSR committee approvals, we expect to budget for this category going forward," Vinay Deshpande, chief people officer of MMFSL said.

Koushik Yanamandram, director of field operations at SustainEarth said that association with the Mahindra group will help them make inroads into the rural districts of the country. SustainEarth received initial funding of Rs 10 lakh from Villgro as an incubatee for designing their biogas system that helps rural families generate cooking gas through renewable energy sources.

Under the Companies Act 2013, companies meeting a certain requirement of net worth and profitability are required to spend at least 2% of their three-year average annual net profit towards CSR activities in each fiscal. As per an amendment to Schedule VII of the Companies Act 2013 made in February 2014, (a schedule listing out activities which can be included by companies in their CSR policies) contribution to technology incubators approved by the Central government is considered as CSR contribution effective April 2014.

TAKE Solutions, a Chennai-based technology solutions and service provider invested Rs 25 lakh as seed investment in 'Bodhi Health Education', a Gurgaon based start-up that provides medical education to community health workers. TAKE's investment was in the form of a CSR contribution to CIIE of IIM-A. Industry players said that besides just meeting their target CSR figures, companies are looking at this as doing their bit to tackle community problems through innovation.

"CSR funds in seed investments have a great potential as this will encourage communication between industry and technology business incubators and can bring about many successful start-ups," said J Salim Vali, vice president (Impact Investments) at CIIE. Vali also said that they have

received similar contribution from Bajaj Electricals and talks are on with many other large companies and they expect 10-12 sign ups in the coming fiscal year.

Villgro said that besides MMFSL's support, Villgro is also in 'advanced proposals' stage with five companies for supporting social enterprises as a part of their CSR. "For the corporate sector, backing social enterprises can help further their own CSR aims and the startup benefits from mentorship and visibility the company brings," PR Ganapathy, president (India) Villgro said.

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