

# VENTURE CAPITAL FUND FOR BACKWARD CLASSES



Department of Social Justice and Empowerment  
**Ministry of Social Justice and Empowerment**  
Government of India

A first of its kind Venture Capital Fund launched by Ministry of Social Justice and Empowerment, Government of India to promote entrepreneurship in India among the Backward Classes by providing concessional finance to them.

### **Eligibility Criteria**

The following are the eligibility criteria for prospective Companies promoted by Backward Classes entrepreneurs in the country for seeking assistance under the fund:

- The projects being set up in manufacturing, services sector and allied sectors ensuring asset creation out of the funds deployed.
- Start ups would also be eligible for finance as per the scheme guidelines;
- Women and disabled Backward Classes entrepreneurs will be preferred;
- Minimum existence and shareholding criteria:
  - ✓ **If assistance is below Rs. 50 lakh** - Companies having at least 51% stake holdings by Backward Classes entrepreneurs for the past 6 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 months, and the predecessor entity had at least 51% shareholding of the Backward Classes promoters with management control.
  - ✓ **If assistance is above Rs.50 lakh** - Companies having at least 51% stake holdings by Backward Classes entrepreneurs for the past 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 12 months, and the predecessor entity had at least 51% shareholding of the Backward Classes promoters with management control.
- Documentary proofs of being Backward Classes will have to be submitted.

### **Funding Framework**

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details</b>
1.	<b>Investment Size</b>	Rs. 20 lakhs to Rs. 15 Crore Aggregate assistance not more than two times the current net worth of the Company.
2.	<b>Tenure of financial assistance</b>	Up to 10 years including moratorium period.
3.	<b>Moratorium on Principal</b>	In case of debentures, 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.
4.	<b>Nature of Financial Assistance</b>	A. Shares (CCPS) (maximum up to 25% of the corpus) can be invested subject to the following: <ul style="list-style-type: none"> <li>• Such investment may be limited to innovative Technology-oriented projects/start-ups fulfilling the conditions mentioned under Eligibility Criteria;</li> </ul>

		<ul style="list-style-type: none"> <li>• The maximum equity investment in a company can be 49%, subject to maximum investment of Rs.5 crore;</li> <li>• Such investment shall be at face value of shares in every company, subject to applicable laws;</li> <li>• In every investment under the Fund, minimum 25% investment shall be in the form of debentures.</li> </ul> <p>B. Compulsorily Convertible Debentures (CCDs), Optionally Convertible Debentures (OCDs), Non-Convertible Debentures (NCDs), etc. These instruments shall be considered for all companies who are not falling under the category A above.</p> <p>C. Out of total financial assistance maximum upto 20% of assistance should be earmarked for working capital gap funding required by the Company for the next 10 years.</p> <p>Such assistance shall not be of revolving nature. Quantum of such assistance shall be approved by Investment Committee as per the requirement of the project, on case-to-case basis.</p> <p>Such assistance may also be extended to the existing beneficiaries under the Fund subject to the following conditions:</p> <ol style="list-style-type: none"> <li>The account should be standard.</li> <li>The beneficiary company should have applied to nationalized / private / cooperative Banks for working capital assistance and the assistance sanctioned is either less than the required as per the project cash flow estimates or such banks have denied the assistance on any ground other than the feasibility.</li> </ol> <p>This assistance shall be within the overall funding pattern of the Fund.</p>
5.	<b>Funding Pattern</b>	<p>Investment under the fund will be categorized as follows:</p> <ul style="list-style-type: none"> <li>• <b>Financial assistance upto Rs. 5 crore</b> - 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 or through Government subsidy/grants under various schemes of central or state Government.</li> </ul> <p>In cases where Government subsidy is available, the promoters will have to contribute at least 15% of the project cost.</p> <ul style="list-style-type: none"> <li>• <b>Financial assistance above Rs. 5 crore</b>– 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 or through Government subsidy/grants under various schemes of central or state Government, and balance 25% of the project cost can be funded either by promoters or by the bank or any other Financial Institutions as the case may be.</li> </ul> <p>In cases where Government subsidy is available, the promoters will have to contribute at least 15% of the project cost.</p>
6.	<b>Expected Returns through Investments</b>	<ol style="list-style-type: none"> <li>In Equity investment - return at the time of exit by way of buyback / strategic investment / IPO shall be 6% p.a. or as per the valuation whichever is higher.</li> <li>In Debt/Convertible Instruments - 6% p.a. (For women*/disabled** BC entrepreneurs - 5.75% p.a.)</li> </ol> <p>[*For considering a company owned by BC woman/women entrepreneur(s), the BC woman/women entrepreneur(s) should hold at least 51% of the shareholding in the company and should be the</p>

		Managing Director(s) of the Company; **In the case of disabled BC entrepreneurs, guidelines issued by the Department of Empowerment of Persons with Disabilities for qualifying as disabled would be followed.]
7.	<b>Exit Mechanism</b>	<ul style="list-style-type: none"> <li>Exit through payments out of operations, buyback/ redemptions by promoters/ companies, strategic investments, listing on stock exchanges or any other exit process.</li> <li>Exit process shall be determined on case to case basis depending on the nature of financial assistance and performance of the company.</li> </ul>
8.	<b>Security</b>	<p>The following securities may be envisaged during the investment:</p> <ul style="list-style-type: none"> <li>The assets of the project being funded/assisted under the scheme shall be charged for security. The project assets will include land, building, plant &amp; machinery and rights on licenses/ patents.</li> <li>Pari-pasu charge on assets with the Banks/FIs in case of the companies applying for loan with banks/FIs on case to case basis.</li> <li>2nd charge of the assets created out of the investment where the 1st charge is held by the Bank/FIs.</li> <li>Pledge of Shares held by promoters and forming at least 26% stake and upto 51% of the Issued and Paid up capital shall be taken. However, the percentage of pledged shares would be decided on case to case basis.</li> <li>In addition to the charge on assets, Post-dated Cheques (PDCs)/ Electronic Clearing Service (ECS) and promissory notes shall be taken.</li> <li>Personal guarantees of the promoters along with buyback agreement shall be entered.</li> <li>In case no mortgage in the form of project land is available, the borrower may arrange collateral securities.</li> </ul>



*For Further Details Kindly Contact:*

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