

VENTURE CAPITAL FUND FOR BACKWARD CLASSES

(Creating entrepreneurship among Backward Classes)



सत्यमेव जयते

Department of Social Justice & Empowerment
Ministry of Social Justice & Empowerment
Government of India

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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

Sl. No.	Particulars	Details
1.	Size of financial assistance	Rs. 20 lakhs to Rs. 5 Crore [Maximum aggregate assistance not more than two times the current net worth of the Company].
2.	Tenure of financial assistance	Up to 8 years including moratorium period.
3.	Instruments for investment	<ul style="list-style-type: none"> • Equity/ Optionally Convertible Preference Shares / Compulsorily Convertible Preference Shares; • Compulsorily Convertible Debentures, Optionally Convertible Debentures, Non-Convertible Debentures, etc;

Sl. No.	Particulars	Details
4.	Funding Pattern	<p>Investment under the fund will be categorized as follows:</p> <ol style="list-style-type: none"> 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; Financial assistance above Rs. 1 Crore – <ol style="list-style-type: none"> 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 promoters or by the bank or any other Financial Institutions as the case may be.
5.	Moratorium period for redemption of principal	On case to case basis but not more than 36 months from the date of investment in the Company. However, interest/ coupon payment shall commence from date of investment in the Company at a regular interval as determined by the Investment Committee of the fund.
6.	Returns/ Coupons/ Interest for financial assistance]	<ul style="list-style-type: none"> Equity instruments -15% p.a. Debt/Convertible Instruments - 8% p.a. (For women*/disabled** entrepreneurs -7.75% p.a.) [*For considering a company owned by a Backward Classes women entrepreneur, the Backward Classes women entrepreneur should hold atleast 51% of the shareholding in the company and should be the Managing Director of the Company; <p>** In the case of disabled entrepreneurs, guidelines issued by the Department of Empowerment of persons with Disabilities for qualifying as disabled would be followed.]</p>

Sl. No.	Particulars	Details
7.	Security	<ul style="list-style-type: none"> 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. Pari-pasu charge on assets with the Banks/FIs in case of the companies applying for assistance of more than Rs. 1 Crore. 2nd charge of the assets created out of the investment where the 1st charge is held by the Bank/FIs. In addition to the charge on assets, post-dated cheques and promissory notes shall be taken. Personal guarantees of the promoters along with buyback agreement shall be entered. Pledge of Shares held by promoters and forming atleast 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. In case adequate mortgage is not available, the borrower may arrange collateral and corporate guarantees from family / friends / associates / group companies.
8.	Alterations	<ul style="list-style-type: none"> On case to case basis, the above conditions/terms/ structure may vary and get modified/amended from time to time The scheme is catering to various territories; the scheme can be modified, reviewed after 6 months to 1 year.



For Further Details Kindly Contact:

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