Guidelines for
BIRAC AcE Fund (Accelerating Entrepreneurs)

1. Introduction and Scope Of the BIRAC AcE Fund:

Biotechnology including medical technologies industry (hereafter referred to as "Biotech") has the power to provide solutions to myriad challenges that we face in healthcare, food & nutrition, agriculture, renewable energy and environment remediation. It is also known that biotech product development is associated with significant risks especially it requires significant amount of capital as well as a long gestation period sometime up to 10-12 years.

Over the last 5 years, BIRAC through a dedicated and focused approach has created a significant and substantial change in the biotech entrepreneurial ecosystem of the country by designing and operationalizing early stage funding programmes such as Biotechnology Ignition Grant (BIG)- which has evolved to be the largest early stage funding program for biotech entrepreneurs and startups in the country. Through BIG and other funding programmes such as SPARSH, BIRAC has funded close to 500 biotech startups who are focused on developing next generation solutions through cutting edge product development.

It is now crucial that many of these startups are able to transition to the next level and grow. This next phase of growth requires growth capital and this is a critical gap that where the BIRAC AcE Fund intends to fill through a systematic intervention to attract more capital venture

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The proposed initiative - BIRAC AcE (Accelerating Entrepreneurs) Fund (hereafter referred to as "**AcE Fund**"), operate as "Fund of Funds" which will foster R&D and innovation in Biotechnology domains (including areas such as healthcare, pharma, medical devices, agriculture, sanitation to name a few). AcE Fund shall invest in and partner with SEBI-registered AIFs (i.e. Venture Funds and Angel Funds), which will be professionally managed and desirous of investing in these sectors.

It is intended that the AcE Fund plugs the gap of the "**Valley of Death** "encountered by the Biotech startups during their product development cycle and growth phase.

AcE Fund shall enable creation of an ecosystem for providing risk capital to young enterprises to undertake research and development in high priority technology areas. It will, in the process, enrich the intellectual property in the country and encourage more entrepreneurs to work towards product and technology development of high quality at affordable economies in sustainable manner. AcE Fund is being promoted by DBT through BIRAC, under the aegis of **Make in India** initiative.

2. Funding framework for AcE Fund implementation.

I: Overall Framework:

A. The AcE Fund is a "fund of funds" and will aim to partner with fund managers ("AcE Fund Partner") and invest in SEBI-registered AIFs ("Daughter Funds") managed by Fund Managers. In View of the strong signal of commitment by BIRAC and DBT towards supporting startups in the sector, AcE Fund shall act as a catalyst to attract private investors, corporates and LPs to such Daughter Funds. The Daughter Fund shall commit to invest a portion of their corpus in Biotech startups with growth potential. The Daughter Funds supported by the AcE Fund will support startups at an early and growth stage that may be ready to receive pre-Series-A or Series-A funding – with a minimum commitment towards startups in the Biotech space. On need basis specialized consultations and other guidance essential for the AcE fund implementation shall also be acquired by BIRAC out of funds allowed in order to attain the objectives.

B. The AcE Fund shall make a maximum capital commitment of up to Rs 30 crores or up to 30% of the total aggregate capital commitment amount (i.e. fund corpus) in the each daughter Fund. The assistance to each of the start-up will be up to INR 7 crores against equity held by the Partner.

C. The AcE partner shall commit to invest at least twice the amount committed by the AcE Fund into start up in the biotech/Life Science sector over the term of daughter fund.

D. The selection of the Daughter Funds for support by AcE Fund shall be made through a detailed application and evaluation process as detailed herein.

E. BIRAC will constitute a BIRAC AcE Fund Committee ("AcE Apex Committee") that will include members having experience in investment, startups, and entrepreneurship development. This AcE Apex Committee shall consider the proposals of eligible partners for the implementation of the AcE Fund.

II. Selection of AcE Fund Partner

A. BIRAC will select Daughter Funds through Advertisement or other means for its AcE fund implementations.

B. The Potential AcE partner applicant should be a proper legal entity operationalizing eligible daughter fund(s) as described. The applicant should have experience given below : -

- Over a period of preceding five years particularly in Biotechnology/Health- Science/Life – Science related field for three years.
- The potential AcE fund applicant (which should be a SEBI-registered AIF at the time of application) shall submit a detailed proposal including the Fund Manager's track record and experience in fund management or seed-investment (including details of work done and experience of the team in Biotech sectors), proposed Fund Size, tenure of the Fund, commitment

period, Fund's investment strategy and commitment towards investments in Biotech sectors, management fee and carry structure, and commitment sought from BIRAC's AcE Fund.

C. Preference shall be given to AcE Fund partner that have already received commitments or in-principle approvals from other contributors in the Daughter Fund. However, in exceptional cases, AcE Fund may make the anchor commitment towards a Daughter Fund.

D. A copy of the private placement memorandum and contribution agreement shall accompany the detailed proposal. Along with details of the Fund Manager has been operating other funds in the past or the proposed Daughter Fund is already in existence.

E. Copies of the annual audited accounts and annual reports for preceding three years (depending on the date of establishment of the fund) should be submitted.

F. The AcE Fund partner shall be shortlisted by the BIRAC AcE Apex Committee as detailed later.

3. BIRAC AcE Fund Committee & its Role

A. BIRAC will constitute a BIRAC AcE Apex Committee ("AcE Apex Committee") that will include members having experience in investment, startups and entrepreneurship development etc. including representatives of DBT. This AcE Apex Committee shall consider the proposals of eligible partners for the implementation of the AcE Fund.

B. Role of the AcE Apex Fund Committee are as follows:

a) Scrutiny of proposals received from potential AcE partner and identification of AcE partner.
b) Quantum of commitment out of AcE Fund to Daughter Fund.
c) Evaluation of the progress made by AcE Partner(s).
d) Monitoring/ review of AcE Fund implementation.
e) Any other matter referred to by the BIRAC.

4. AcE Fund Implementation Tracery

I. On identification of Daughter Fund(s), BIRAC will sign a Contribution Agreement indicating agreed terms and conditions.

II. Capital Commitment of AcE Fund towards the Daughter Funds shall be drawndown in accordance with the Contribution Agreement.

III. The AcE fund partner through the daughter Fund shall further invest in portfolio companies and take commensurate securities of the startup. Further the equity stake of BIRAC in a start-up would be proportional to the equity dilution in response to funding by other stakeholders/partners.

IV. The AcE Fund Partner shall give an half yearly report indicating the total number of portfolio companies approved for funding, fund commitment and funds released/to be released for the corresponding daughter fund(s).

V. AcE Fund governance including exit shall be in according with the partner specific contribution agreement & Investment management agreement.

5. Committee of AcE Fund partner and Nomination by BIRAC:

Subject to approval by other contributors, the AcE Fund partner shall endeavor to create the following Governance mechanism -

a) **AcE Fund Advisory Committee (AAC)** – The AcE Fund Advisory Committee, or another name as it may be referred to in the context of the Daughter Fund, shall comprise of investor representatives and take important conflict resolution, fund-review, valuation policy or other decisions in accordance with the Contribution Agreement. AcE Fund or BIRAC will have the right to nominate a member to the AcE Fund Advisory Committee .The AcE fund partner will also bring on board of 3-5 experts who shall review promising Biotech startups being considered by the Daughter Fund for investment under AcE Fund advisory Committee.

b) **BIRAC Nominee shall** :

- The nominee Attend all the Advisory committee meetings.
- Have a right receive all the complete proposals and applications that will come up in the Advisory Committee meetings.
- Also report if there is any significant difference of opinion with other members of the committee and any other relevant event. .
- Also report on any other matters which BIRAC /AcE Apex Committee require.

6. Review of AcE Fund Implementation

The AcE partner shall:

- Submit half yearly implementation report to BIRAC on the AcE Fund implementation including the Utilization Certificates (UC), Statement of Accounts (SOA) and progress of the Portfolio Companies.
- Carry out annual portfolio review in person where representatives from DBT/BIRAC and AcE Fund partner shall be invited.