



Start-up Assistance Scheme (SAS)



Objective & Purpose

To provide structured financing for “startups” and “early stage enterprises” mostly in sectors which traditionally do not involve physical assets like technology, biotech, asset light service sector businesses, web/ mobile based businesses, clean technologies, social ventures, etc. Innovative business models in other asset based sectors could also be considered selectively.

The financing instruments would have structural flexibility and features to enable maximum chances of the project stabilization. The key objective is to help small enterprises achieve operational stability or hand hold to get mainstream bank financing or facilitate further angel/Venture Capital financing.

Eligibility

- Early stage units where revenue has commenced after product acceptance by
 - At least one corporate customer with repeat orders, or
 - In case of retail consumers, a trend of revenue for 6 months.
- Early stage Micro, Small & Medium Enterprises (MSME) as defined in the MSMED Act, 2006 (Constitution of the units to be Private Limited Companies):
 - Generally not in existence for more than 5 years; or
 - not received adequate and regular bank credit facilities (except under Credit Guarantee Trust for Micro & Small Enterprise or Over Draft against Fixed Deposits); or
 - Could have incurred losses in past years. However, a clear plan for profitability (EBIDTA, cash and net level) should be in place over next 2 years

Instruments of assistance

- Optionally Convertible Debt (OCD) (OCD is a debt instrument where SIDBI has the right to convert entire/part outstanding amount into equity capital whenever a pre-determined event triggers)
- Overall exposure could also include non-fund based facilities like Bank Guarantee, Letter of Credit, etc.
- Sub debt (SD) (Sub debt is subordinated in security & repayments to lenders who have given secured loans to the enterprises and is quasi equity in nature) could also be considered (upto 50% of networth) under SAS in case companies have prior bank assistance.

Quantum of assistance

- Need based subject to a maximum of ₹200 lakh and Equity kicker (1%-2% equity on paid up capital at par or suitably structured kicker)
- Assistance will be generally released in tranches based on milestones.

Eligible heads for financing

- Capital Expenditure, Working Capital, Intangible project heads, Preliminary and Pre-operative expenses, Interest During Construction period (IDC) / Stabilization fund, Contingencies, any other bona fide head required for the project/ business.

Rate of Interest (coupon rate)

- Currently 14% per annum

Repayment Period

- Upto 7 years including need based moratorium.

Security

- The assistance shall generally be secured by first charge on tangible assets, acquired under the assistance.
- The assistance may also be covered under the Credit Guarantee Scheme of CGTMSE (Credit Guarantee Trust for Micro and Small Enterprises) subject to availability of primary security including some tangible assets; Units assisted under the above arrangement shall bear all the expenses and fees for coverage under CGTMSE.

For enquiries, please contact the nearest SIDBI office