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EXPLAINED

Explained: Who gets India’s Rs 1-lakh crore deep-tech fund, and how

15 of 22 private companies that received soft loans from a new public deep-tech fund have investment ties to seven members of the selection committee. Here's a look at the fund's structure and selection process.

The Research, Development and Innovation (RDI) Fund, with a corpus of Rs 1 lakh crore, was created by the government last year. (Iamge source: X/@PIB_India)

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An investigation by *The Indian Express* has found that 15 of 22 private companies that received soft loans from a new public deep-tech fund have investment ties to seven members of the selection committee.

The Research, Development and Innovation (RDI) Fund, with a corpus of Rs 1 lakh crore, was created by the government last year to provide collateral-free, low-cost, long-term loans to private sector companies engaged in advanced research and innovation in priority deep-tech sectors like artificial intelligence, quantum technology, space science, defence, robotics, clean energy, semiconductors and digital healthcare.

Here's a look at how this fund works.

Who administers the fund?

The fund is housed under the Anusandhan National Research Foundation (ANRF), a recently established statutory body under the Ministry of Science and Technology to promote research and innovation, especially in the university system, mobilise additional financial resources for R&D activities, and strengthen industry-academia collaborations. A Special Purpose Fund (SPF) has been created under ANRF, which is the custodian of money allocated for the RDI Fund.

How is the fund disbursed?

The disbursal, in the form of loans, from the RDI Fund happens through organisations designated as Second-Level Fund Managers (SLFMs), which are also responsible for selecting the Eligible Technology Entities (ETEs) for funding.

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As of now, only two organisations have been selected to act as SLFMs: the Technology Development Board (TDB), a statutory body under the Department of Science and Technology, and the Biotechnology Industry Research Assistance Council (BIRAC), a Section 8 not-for-profit company wholly owned by the Department of Biotechnology.

More organisations, including private sector entities, are envisioned to be added as SLFMs in the future.

Who decides which companies get funded?

The evaluation and selection of ETEs has been delegated to investment committees, which each SLFM must constitute separately. Technically, the SLFMs take the final decision after conducting assessments, including a detailed background check, but a company not recommended by the investment committee does not get selected.

Of the two organisations selected so far as SLFMs, the investment committee of the TDB has 11 members from the private sector, and one non-voting government representative who acts as secretary of the committee. The selection process by BIRAC is still underway.

Given that this fund is public money, and most of the first-round approvals have gone to firms with investment ties to members of the selection committee, what are the additional guardrails that can be put in place?

A possible way forward is deploying scientists and academics from top technology institutions of repute, such as IITs and the IISc, on the Investment Committee. Once the ventures to be supported are cleared by such a committee, the valuation and quantum of funding can be decided by obtaining external expertise. Another guardrail could be publicly available disclosure declarations by selection committee members.

What kind of loan do selected companies get?

The ETEs are eligible for a loan of a maximum of 50 per cent of their project cost from the RDI Fund. These are collateral-free loans, offered at about 2-4% interest, for 15 years.

Which companies are eligible to apply?

Only technologies that have reached TRL4 stage (products validated under laboratory conditions) are eligible to apply. Proposals are evaluated on scientific, technological, financial and commercial merits, and a decision is taken by majority.

TRL (Technology Readiness Level) is a metric to describe the maturity of technology being developed. TRL1, the lowest level, is achieved when the basic principles of conversion of a scientific theory into a technology is established. TRL9, the highest level, denotes a technology that is proven in operational environments.

What is the status of the first round of funding?

In the first round, the TDB received 124 applications, of which 51 have been evaluated by the investment committee. Of these, 22 were selected for funding, together receiving Rs 2,192 crore. The remaining 73 applications are still under review, and more applications have since come in. The second round of funding by the TDB is likely to be finalised this month.