

India Aspiration Fund (IAF) – Frequently Asked Questions (FAQ)

1. What is the classification of MSME ?

The present definitions adopted for manufacturing and service sector activities under MSMED Act, 2006 are as under:

Enterprise Category	Manufacturing (Investment in Plant & Machinery)	Services (Investment in Equipment)
Micro	Up to ` 25 lakh	Up to ` 10 lakh
Small	Up to ` 500 lakh	Up to ` 200 lakh
Medium	Up to ` 1000 lakh	Up to ` 500 lakh

2. Does SIDBI charge any processing fee for evaluating the proposals under IAF ?

Yes.

3. Is there any sector or state specific focus under India Aspiration Fund (IAF)?

No. AIFs supported under IAF can be sector agnostic or sector focused depending on the investment theme of the Fund. No state specific focus is envisaged under IAF.

4. Are Angel Funds, Impact Investment Funds, etc eligible under India Aspiration Fund (IAF)?

Yes. All AIFs registered under SEBI AIF Regulations, 2012 (Category I and II) are eligible under IAF.

5. Is registration of the Fund with SEBI necessary before approaching SIDBI ?

Yes.

6. What is the compliance required for investments in MSMEs?

The minimum amount of investments in MSMEs to be complied with is given below:

- i. If the corpus of the AIF is less than ` 500 crore:

The AIF shall invest twice the contribution made by SIDBI or 50% of drawable corpus of the Fund, whichever is more, in MSME companies, as defined under MSMED Act, 2006 or as per the guidelines stipulated by SIDBI, from time to time.

- ii. if the corpus of the AIF is more than or equal to ` 500 crore:

The AIF shall invest twice the contribution made by SIDBI or ` 250 crore, whichever is more, in MSME companies, as defined under MSMED Act, 2006 or as per the guidelines stipulated by SIDBI, from time to time.

7. Does SIDBI have a say on the investment decisions of the AIF?

SIDBI does not have any say in the investment decisions of the AIF. The Investment Committee of each Fund shall take a call on its investments, as per Private Placement Memorandum and other Fund documents. The Investment Committee (IC) shall comprise of professionals and be broad based to the satisfaction of SIDBI.

8. What is the term of AIF covered under India Aspiration Fund (IAF)?

As per extant SEBI AIF guidelines, the term of the Fund is from the date of Final Closing of the Fund. Generally, the term of the AIF shall be 6-7 years from the date of Final Closing.

9. Can AIFs make warehoused investments prior to the First Closing?

Yes. The Investment Manager can make warehoused investments prior to the First Closing, which can subsequently be acquired by the Fund at the cost of acquisition. However, no holding cost shall be charged to the Fund for such acquisition.

10. What are the general covenants of AIFs covered under India Aspiration Fund (IAF)?

All AIFs supported under India Aspiration Fund (IAF) will maintain high standards of corporate governance and investor reporting to ensure complete transparency and timely information to all its investors, by maintaining proper books of accounts, documents and records with respect to the Fund to give a true and accurate account of the investments, expenses, earnings, profits, etc.

The Fund shall appoint / change Statutory Auditors and Internal Auditors acceptable to SIDBI, who would inter-alia, make periodic disclosures as may be required by SIDBI. The AIFs are also required to comply with the various directives of SEBI, RBI, etc and also comply with the provisions of Prevention of Money Laundering Act and KYC guidelines of RBI.
