



India Aspiration Fund  
(IAF)

## India Aspiration Fund

### 1. Introduction

- India Aspiration Fund (IAF) is a Fund set up by SIDBI, which will act as a catalyst for promoting equity and equity linked investments in Start-ups and MSMEs. IAF would contribute to the corpus of SEBI registered Alternative Investment Funds (AIFs) which have MSMEs as one of the strategic investment sectors.
- IAF has been set up with the support from Reserve Bank of India pursuant to Budget announcement. Out of IAF, SIDBI would generally contribute 10% to 15% of the corpus of an AIF.
- Venture Capital Funds floated by experienced Fund Managers, institutional Asset Management Companies, etc are eligible for coverage under IAF.

### 2. Principal features

Name of Fund	India Aspiration Fund
Fund size	`2000 Crore
Investment Focus	Investments from the India Aspiration Fund shall be sector agnostic. And shall meet the criteria as specified in para 4 below.

### 3. Purpose

- (i) IAF would not invest directly in companies, but would participate in the capital of Alternative Investment Funds (AIF) registered with Securities and Exchange Board of India (SEBI).
- (ii) The AIFs should be MSME focussed.

### 4. Eligibility criteria of Venture Capital Funds (VCFs)

- Category I & II Alternative Investment Funds (AIFs) registered with Securities and Exchange Board of India (SEBI).
- The AIF shall ensure minimum investment in MSME ventures, as stipulated below:

- i. If the corpus of the AIF is less than Rs.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 Rs.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.

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

<b>Enterprise Category</b>	<b>Manufacturing (Investment in Plant &amp; Machinery)</b>	<b>Services (Investment in Equipment)</b>
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

- Fund Manager / team should have prior track record in Fund management or prior investment experience.

## 5. Process

Two stage processes for selection of Venture Funds is followed as under:

### **Stage I** : Preliminary Screening by Venture Capital Investment Committee (VCIC).

- Based on the initial discussions with regard to prima-facie eligibility of the Fund, the proposal would be taken for preliminary screening to the VCIC, having external experts as members, besides officials from SIDBI.
- The prospective Fund Managers have to make a detailed presentation before VCIC.
- Based on preliminary screening and after deliberations with the Fund Managers, VCIC would recommend the proposal for undertaking due diligence.

### **Stage II** : Detailed due diligence and sanction by Executive Committee of the Board of SIDBI.

- After recommendation of the VCIC and after carrying out due diligence, compliance of KYC norms, etc appraisal of the proposal will be undertaken by SIDBI and the proposal will be put up to the Executive Committee of the Board of SIDBI for sanction.
- Post sanction, Letter of Intent is issued and Contribution Agreement is signed.
- Based on the commitments made by the Fund, the Fund Managers send draw down requests to SIDBI.
- Generally, commitment period of an AIF is for a period of 4 to 5 years from the date of its First Closing.
- VCIC shall have the discretion to decide on the commitment period of AIFs on case to case / need basis.

## 6. Size of investment

- There is no minimum investment limit prescribed.
- The investment in any investee company shall not be more than 25% of the size of AIF or as may be prescribed by SIDBI from time to time.
- VCIC shall have the discretion to specify minimum investment limit / modify / revise / alter the investment limit, wherever considered necessary.

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