

P-38015/17/2025-STARTUP INDIA (E-212782)

Government of India
Ministry of Commerce & Industry
Department for Promotion of Industry and Internal Trade
(Startup India Section)

Vaniya Bhawan, New Delhi
Dated: 25th April 2026

To,
The Chairman & Managing Director
Small Industries Development Bank of India (SIDBI)
Plot No. C-11, 'G' Block, Bandra Kurla Complex, Bandra, Mumbai - 400 051

Subject: Notification of the Startup India Fund of Funds 2.0 and issuance of operational guidelines – reg.

Sir,

1. The Union Cabinet has approved the establishment of the Startup India Fund of Funds 2.0 (Startup India FoF 2.0). Subsequent to the approval of the Union Cabinet, the Department has notified the Startup India FoF 2.0 in the Official Gazette. The notification is attached as **Annexure-I**.
2. The Small Industries Development Bank of India (SIDBI), as the Implementation Agency (IA) for Fund of Funds 1.0 shall start implementing the Scheme with effect from the date of notification of the Scheme and issuance of operational guidelines.
3. The approved operational guidelines of the Startup India FoF 2.0 are enclosed as **Annexure-II**.
4. With respect to the Venture Capital Investment Committee (VCIC) of the Startup India FoF 2.0, the constitution of the same was notified vide letter no. P-38015/17/2025-STARTUP INDIA(E-212782) dated 13th April 2026 (**Annexure-III**)
5. SIDBI is directed to expeditiously implement the Scheme with immediate effect.

Yours Sincerely,


(Ateesh Kumar Singh)
Additional Secretary

Department for Promotion of Industry and Internal Trade
Ministry of Commerce and Industry

Operational Guidelines for Startup India Fund of Funds 2.0

1. Principal Features

- i. The fund of funds shall be called the Startup India Fund of Funds 2.0 (hereunder referred to as 'Startup India FoF 2.0' or 'the Scheme').
- ii. Small Industries Development Bank of India (SIDBI), as the Implementation Agency (IA) for Fund of Funds 1.0 shall start implementing the Scheme with effect from the date of notification of the Scheme and issuance of its guidelines. Another domestic IA(s) shall be selected by the Department for Promotion of Industry and Internal Trade (hereunder referred to as 'DPIIT' or 'the Department') in due course to implement the Scheme.
- iii. Startup India Fund of Funds 2.0 will have a corpus of Rs. 10,000 crore, with commitments to AIFs spread over the 16th and 17th Finance Commission Cycles.

2. Purpose

The Startup India Fund of Funds 2.0 would not invest directly in startups but would participate in the capital of Category I and Category II Alternative Investment Funds (AIF) registered with Securities and Exchange Board of India (SEBI) which in turn will be investing in equity/equity-linked instruments (and debt instruments) of various startups.

3. Investment in AIFs

- i. Startup India Fund of Funds 2.0 shall invest in / contribute to the corpus of Category I and Category II Securities and Exchange Board of India (SEBI)-registered AIFs.
- ii. The operational parameters for investment in eligible AIFs are categorized as per priority segments of the Scheme. The detailed parameters are placed in **Annexure-I**. The IA will be responsible for monitoring and ensuring necessary compliance so that investments are channelized for the intended segments and in compliance with the placement memorandum of the AIF.
- iii. The IA may also take necessary measures to the extent possible to have representation in the Advisory Board/ Limited Partner Advisory Committees (LPAC) of the AIFs, for ensuring the alignment of support to AIFs with objectives of the Startup India Fund of Funds 2.0.
- iv. The total aggregate contribution in a selected AIF from various Fund of Funds of different Ministries of the Government of India/State Governments [being operated either directly by the Ministries or by implementing agencies operating such fund(s) of funds on behalf of the respective Ministries] will be within the limit of 50% of the corpus of the AIF. The Venture Capital Investment Committee (VCIC) may adopt a lower limit based on the market assessment.

- v. The operational and procedural aspects relating to funding to and investment by the AIFs supported under the Scheme will be determined by the IA (through its Board or delegated authority) for efficient functioning of the Scheme.
- vi. Further, for selection of AIFs, due consideration should be provided for supporting startups beyond metro regions for widening and deepening support to the startup ecosystem.

4. Investment by AIFs in Startups

- i. AIFs selected under the Scheme will utilize funds committed to them under the Startup India Fund of Funds 2.0 (along with the respective segment-wise minimum investment multiplier requirement as mentioned in para 3(ii) and Annexure-I) to fund 'Startups' as recognized by DPIIT as per the latest eligibility criteria notified in the Official Gazette by Department for Promotion of Industry and Internal Trade (DPIIT) from time to time.
- ii. However, if the amount committed to an entity in whole has not been released by the AIF before the entity ceased to be recognized as a startup, the balance funding can continue thereafter out of the committed amount along with further nurturing of the entity.
- iii. The IA would ensure that mechanisms are in place to prevent any potential misuse of funds under the Scheme. This *inter-alia* may include mandating AIFs to undertake due diligence on beneficiary startups, including disclosure of any other Government support received.

5. Operating Expenses

The operational costs of the IA will be capped at 0.50% per annum of total commitments to AIFs and outstanding (net-off capital redemptions) and will be met out of the corpus of the Scheme. This will be debited to the fund at the beginning of each half year, i.e. April 1st and October 1st.

6. Selection Process for AIFs

The two-stage process for selection of the AIFs is as under:

Stage I – Screening by Venture Capital Investment Committee

- i. The IA shall seek proposals from AIFs and conduct due diligence, post which a Venture Capital Investment Committee (VCIC), which will include representation from the ecosystem and the IA, will consider the proposals for screening and recommendation. The VCIC will consist of external experts from the startup ecosystem apart from representatives of the IA. The AIF would make a detailed presentation to the VCIC.
- ii. The external experts of the VCIC will be constituted by the DPIIT and may be reviewed from time to time based on market requirements and progress under Startup India Fund of Funds 2.0.

- iii. VCIC will consider AIFs managed by experienced professionals with proven track records for funding under the Scheme.

Stage II – Sanction by a sub-committee of the Board of the IA

- i. Based on the recommendation of the VCIC, the proposal would be put up to the sub-committee of the Board of the IA for sanction.
- ii. Upon sanction, a Letter of Intent will be issued, and a Contribution Agreement will be signed with individual AIFs.

7. Monitoring and Evaluation

- i. The AIFs supported under Startup India FoF 2.0 would be monitored by the IA.
- ii. Detailed annual report on the utilisation of the Startup India Fund of Funds 2.0 including details on the AIFs invested, details of the companies invested in by the AIFs, Net Asset Value (NAV) of the investments and any other details as determined by the Department in respect of each financial year ending March 31st would be submitted to the Department.
- iii. The Department will review operations and performance of the Startup India FoF 2.0 on regular basis as per requirements but at least on a half yearly basis.
- iv. The Department will also constitute an ‘Empowered Committee’ (EC) chaired by Secretary, DPIIT, which will monitor implementation and performance of the Scheme and will provide appropriate guidance/directions to the VCIC and the IA.
- v. Third-party evaluations by a reputed independent agency will also be ensured by the IA every five years (from the date of operationalization of the Scheme).

8. Co-investments

The Startup India FoF 2.0 shall also be an umbrella framework for co-investment or contribution of additional corpus for specific domains by Ministries/ Departments as well as institutional investors. The EC would recommend the manner and guidelines with respect to undertaking such co-investments within the contours of the scheme as approved by the Cabinet.

9. Other Guidelines

- i. The IA to also maintain information with respect to key aspects such as intellectual property rights, equity dilution, and other relevant governance parameters for funding support through AIFs for standardisation, transparency, and prudent capital deployment, for protecting founder interests and aligning investments with the broader intent of the Scheme and startup ecosystem. A framework in this regard will be furnished by the IA to the Department at the earliest.

- ii. The Distributions (both capital redeemed and returns earned) from Startup India FoF 2.0, net-off utilisation of up to 5% of returns for capacity building of startup ecosystem, will be deposited back to the Consolidated Fund of India (CFI).
- iii. Up to 5% of returns from the Scheme would be earmarked for activities such as sensitization, workshops, capacity building, plug and play shared facilities, mentorship, and regulatory support. The utilization, implementation and operational mechanism of the same would be decided separately by the Department with the recommendation of the Empowered Committee.
- iv. Disbursements from DPIIT to the IA will be based on an annual projection basis, as per the anticipated drawdowns submitted for each financial year to DPIIT by the IA.
- v. With respect to any funds (by way of release by DPIIT or any distribution on the corpus received by the IA) which remain unutilized temporarily with the IA, the IA shall credit interest on such unutilized funds at the prevailing repo rate (notified by Reserve Bank of India from time to time) annually on March 31st every year. The interest credited shall be added (as return) to the corpus of the Scheme.
- vi. Any tax exemption on Startup India Fund of Funds 2.0/interest accrued on it shall be part of the corpus.
- vii. The Department may revise these operational guidelines as the need arises on the recommendation of the EC, which shall be empowered to amend the operational guidelines for effective implementation of the Scheme within the broad contours as approved by the Cabinet.

Annexure-I

| Parameters Segments | (1) AIFs supporting deep tech startups | (2) Smaller AIFs supporting early-growth stage startups | (3) AIFs supporting tech-driven and innovative manufacturing startups | (4) AIFs supporting sector/ stage agnostic startups |
|--|---|---|---|---|
| Upper cap on corpus of eligible AIFs | No cap | AIFs with corpus up to Rs. 400 crore i.e. Micro VCs | No cap | No cap |
| Upper cap on term/ life of AIF | Up to 18 years | Up to 10 years | Up to 18 years | Up to 12 years |
| Upper cap on contribution to a single AIF | 40% of the corpus of the AIF subject to max of Rs. 500 crore. | 30% of the corpus of the AIF subject to max of Rs. 100 crore. | 30% of the corpus of the AIF subject to max of Rs. 200 crore. | 25% of the corpus of the AIF subject to max of Rs. 180 crore. |
| Minimum mandated investment multiplier | AIFs to invest 1.5X of the amount committed to them under Startup India FoF 2.0. | AIFs to invest 2X of the amount committed to them under Startup India FoF 2.0 | AIFs to invest 1.75X of the amount committed to them under Startup India FoF 2.0 | AIFs to invest 2.5X of the amount committed to them under Startup India FoF 2.0 |
| Private Placement Memorandum Requirements | Must mention support for 'Deep Tech Startups' as defined by DPIIT in point 1(n) of the Gazette Notification G.S.R. 108(E) dated 4th February, 2026 and as may be amended from time to time by the Government. | Must mention that at least 50% of their corpus will be dedicated to seed/early-stage stage funding and that funding of up to Rs. 10 crore per startup will be undertaken. | Must mention supporting tech-driven innovative startups in at least one of the manufacturing-oriented champion sectors (As defined by the Government of India ¹ and as may be amended from time to time by the Government) | No additional requirements |

¹ <https://www.dpiit.gov.in/static/uploads/2025/07/93101e3d9cc67f0dea0ae0c93f6e8854.pdf>