

To,

11<sup>th</sup> August, 2016

**Mr. Shailendra Singh, IAS**  
Joint Secretary,  
Department of Industrial Policy & Promotion (DIPP)  
Udyog Bhawan  
New Delhi

Dear Sir,

Re: Fund of Funds: Asset Allocation: Points to Consider

IVCA highly appreciates the initiative of the Government of India to establish a Fund of Funds. We are sure this will have a strong catalytic effect on entrepreneurship, start-ups, innovation and job creation in India.

Our thoughts for discussion are:

1. The funds may be distributed between 5 to 8 public, semi public and private bodies on the basis of their professional competence and ability. A public-private Investment Committee must be appointed to manage the fund. Must be highly qualified, yet non- conflicted. Ex LPs and GPs on the Investment Committee will be ideal.
2. Place Rs. 5000 crore with 5 to 10 private and public sector managers like Canbank, ICICI, etc. Ask such interested managers to pitch their LP visions and capability and then allocate based on a written investment policy.
3. Deploy the balance Rs. 5000 crore to help create and develop a fund-of-funds (FoFs) industry in India, by anchoring FoFs to the extent of 25% to 33% of their Committed Capital.
4. This will create the the 1:3 to 1:4 leverage and expand Rs 5000cr to 15000cr and possibly beyond.
5. The funds should be deployed on a sector agnostic basis i.e. there should be no sector or geographic limitation

6. Both later stage along with early stage enterprises may be encouraged as Companies at both stages create jobs and have substantial need for start-up or growth capital.
7. A large part of the Government fund should be used to anchor other fund-of-funds. This creates leverage and can increase the capital available to venture capital funds to 20,000 Cr or 30,000 Cr.
8. These daughter fund-of-funds should invest upto 25% in venture funds.
9. Items like fees should be standardized at 2% and 20% which is the global standard and ensures alignment between the fund manager and investment success.
10. Daughter LPs must anchor General Partners (GP's) with a commitment of 15% to 25% of the committed capital.
11. There must a defined time by which disbursements start.

IVCA is available to discuss and explain the rationale of the above at any time.

Thank you very much.

Respectfully,



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