


IVCA
IVC ASSOCIATION™
THE INDIAN PRIVATE EQUITY & VENTURE CAPITAL ASSOCIATION

To,

12th June, 2017

Shri Ramesh Abhishek
Secretary
Department of Industrial Policy & Promotion
Udyog Bhawan
New Delhi



Dear Sir,

Re: FFS-EDF Related Investments – IVCA'S submission

During our recent meeting with Smt. Aruna Sundararajan, Secretary and Shri Sanjay Kumar Rakesh, JS Miety, IVCA submitted a representation to extend the exemption from EDF related investments. We will like to apprise you of the issue and seek DIPP's support.

1. **SEBI permits registered VC Funds (under AIF) to invest 25% of investible corpus in overseas legal entities with India subsidiary. EDF does not permit that.**

Consequent Problems/Challenge:

Indian start-ups in certain sectors may choose to register overseas to gain advantage in accessing global markets and global capital. In ESDM sector, follow on funding is more likely to come from overseas investors. Taking away this flexibility for companies will impair their growth prospects, make them less likely to succeed and by consequence limit the ROI potential of daughter funds.

Proposed Resolution

To address the concern of intellectual property (IP) developed in India staying in India, we propose that the IP portfolio stays within an Indian subsidiary, which would be 100% owned by the overseas registered company. We recommend EDF follow the SEBI guidelines which is fairly comprehensive in ensuring that the Indian-ness of companies registered overseas is maintained, through majority operations presence in India.

2. **As per guidelines of EDF, daughter funds availing the contribution from Fund of Funds for Startups (FFS) of SIDBI shall not be eligible to avail the funding from CanBank EDF**

Consequent Problems/Challenge:

Several daughter funds have received sanction letters from both FFS and EDF, and have also expended significant resources (including financial) in due diligence. At this late stage, such a

decision may have unfortunate consequences for many daughter funds which may delay their fund closing and in extreme cases may have to unwind their operations.

Proposed Resolution

Relaxation of this restriction so that daughter funds can avail contributions from both FFS and EDF, and ensuring strict adherence by daughter funds to the overall cap of 35% of total contribution from GOI

- 3. EDF mandates a fixed % allocation of overall corpus to be invested in ESDM and Nanoelectronics sectors**

Consequent Problems/Challenge:

We believe that the allocation mandated for ESDM is too high and will limit the potential for success of daughter funds. An electronics industry ecosystem needs to be created to accelerate the adoption of electronics, and a holistic approach will require daughter funds to invest in the application ecosystem, and in full stack solutions to stimulate the demand for ESDM sector products.

Proposed Resolution

Lowering the allocation % for ESDM and Nanoelectronics sector. Our proposal is a 2X leverage on EDF contribution, viz. INR 100 of contribution from EDF will be matched by INR 100 from the daughter fund corpus.

Also including a White Paper for your reference, a prospective on investments in wider ecosystem of cloud, analytics, software, firmware or IT start-ups too.

We would be happy to discuss the above and a prospective vide additional information that you may require.

Respectfully,



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