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

Shri Ajay Sawhney, IAS  
Secretary. Government of India  
Ministry of Electronics & Information Technology  
Electronics Niketan, 6, C.G.O. Complex. New Delhi – 110003

28<sup>th</sup> Aug 2017

**Re: EDF Related Investments – IVCA'S submission**

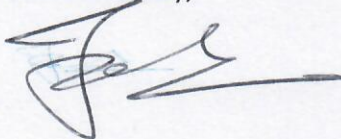
Dear Mr. Sawhney,

It was a pleasure to meet with you, on 25<sup>th</sup> Aug 2017. IVCA's submission based on our discussion for your kind consideration.

- 1. FFS/EDF conflict issue needs quick resolution.** Niti Aayog guidelines on 35% cap of sovereign Govt money in venture funds provided assurance that Funds can avail monies from different funding sources within the Govt. MeITy guideline violates this principle, also MeITy's restrictions were brought in after venture funds had been sanctioned by both FFS and EDF. So it is putting Funds at risk of not closing at their target corpus.
- 2. ESDM sector allocation from daughter funds should be restricted to the contribution from EDF in the particular Fund.** Reasons;
  - ESDM sector investments over the past 5 years have been only about 6% of overall VC/PE investments, the pool of entrepreneurs and opportunities is severely limited and will take time to develop. Decreeing a high percentage would perforce make investments in this sector sub-optimal and will lead to high rates of failures, insolvency and poor returns.
  - As most of the funds who have applied to EDF are early stage funds, the capital deployment in Series A will be limited.
  - EDF contribution will be leveraged through follow on from non daughter funds of EDF in subsequent rounds (Series B to growth capital) , as a wider profile of investors (mid-market and late stage) will be necessary as in all investments undertaken by VC firms.
- 3. Current MeITy policy will put at risk Funds getting commitments from other LPs for their final closing**
  - All VC funds rely on multiple sources of capital (Govt, DFIs, endowments, family offices, insurance co). By imposing high allocation quotas for certain sectors like ESDM, the Funds will find it impossible negotiating a final closing with other limited Partners (LPs), and puts the entire early stage ecosystem at risk.

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

Yours sincerely,



Rajat Tandon. President- IVCA