

Fund of Funds for Start-ups (FFS)

Start-ups in India have become a popular means of doing business amongst young entrepreneurs. But one of the main key challenges faced by them has been access to finance. Often Startups, due to lack of collaterals or existing cash flows, are unable to get the loans/equity support.

Small Industries Development Bank of India (SIDBI)'s main focus has always been to address such key challenges faced by Start-ups for the past two decades through supporting/subscribing to various venture capital funds / Alternative Investment Funds (AIFs). It also ensures that the support reaches the Start-ups through its different stages of business cycles viz. seed, series A, growth etc.

One such Fund managed by SIDBI is the Fund of Funds for Startups (FFS) scheme. Fund of Funds for Start-ups was unveiled by the Hon'ble Prime Minister on January 16, 2016 in line with the Start-up India Action Plan. With a corpus of Rs 10,000 crore for contribution to various AIFs registered with SEBI, its main objective is to provide funding support for development and growth of innovation driven enterprises.

Principal Features	
Name of the Fund	Fund of Fund for Startups (FFS)
Fund Manager	Small Industries Development Bank of India (SIDBI)
Fund Size	10,000 crore (built over 14 th and 15 th Finance Commission constituted by the Government of India)
Fund Life / Tenure	The term of AIF shall be 8 -10 years from the date of Final Closing. In any case, should not extend beyond 12 years from the date of Final closing of the Fund
Investment Focus	Investments from the FFS shall be sector agnostic and ensure support to a broad mix of sectors such as manufacturing, agriculture, health, education etc.
Purpose	Indirect Investment into the Startups via participation in the capital of Alternative Investment Funds (AIF)

Eligibility criteria of Venture Capital Funds (VCFs)

- Category I & II Alternative Investment Funds (AIFs) registered with Securities and Exchange Board of India (SEBI).
- Funds with corpus of less than Rs. 1,000 crores.
- The AIFs supported by FFS shall invest at least twice the amount of contribution received from FFS into Startups. (For instance, if contribution sought is Rs 50 crore under FFS, Fund should invest at least Rs. 100 crore in Startups)
- Fund Manager / team should have prior experience in Fund Management
- Key members of the Fund to have CIBIL score of more than 650

Indicative Process for considering applications under FFS



Frequently Asked Questions:

Q1. What is the size of Investment ?

There is no minimum investment limit prescribed. Investment in any investee company shall not be more than 25% of the size of the AIF or as may be prescribed by SIDBI from time to time

Q2. Will the contribution sought via SIDBI be affected in case the Fund has received contributions from other FoFs?

The aggregate contribution to the corpus of AIF from Fund of Funds being operated by different Ministries of the Government of India / State Government shall not exceed 35% of its corpus. In case the contribution exceeds 35%, SIDBI's contribution shall be reduced to that extent.

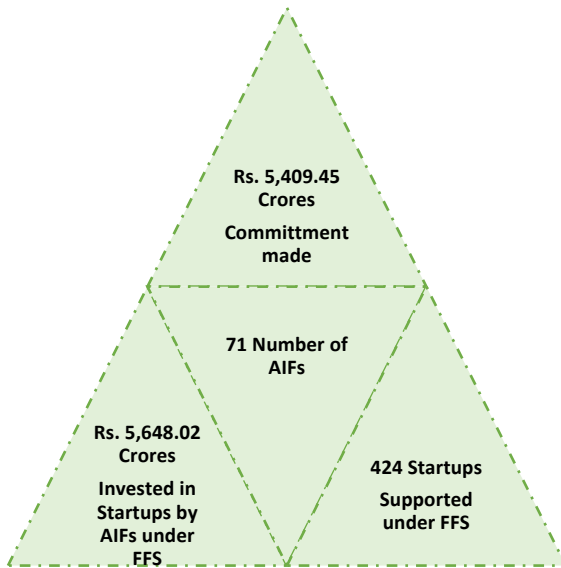
Q3. Does SIDBI or Government of India have a say on the investment decisions of the AIF?

SIDBI or Government of India does not have any say in the investment decisions of the AIF. The Investment Committee of each Fund shall take a call on its investments, as per Private Placement Memorandum and other Fund documents. The Investment Committee (IC) shall comprise of professionals and be broad based to the satisfaction of SIDBI.

Q4. Can AIFs covered under the programme invest in foreign entities?

The Fund shall invest generally in entities based in India. In case of companies based abroad, the Fund shall invest only as per SEBI / RBI guidelines in this regard. It may be noted that entities based abroad will not be counted for the eligibility criterion of investment of twice the contribution out of FFS in start-ups.

Status of Disbursements under FFS as on 31.03.2021



- Jump in the number of funded startups has been 22% from 320 start-ups backed under the Programme as of February 18, 2020.
- The growth in the amount deployed was 50.6% from Rs 3,378.47 crore as of February 18, 2020.

Notable Startups funded through FFS

