Start Up India – Fund of Funds 2.0

INTRODUCTION

On April 13, 2026, the Start-Up Section of DPIIT, Ministry of Commerce & Industry, Government of India notified INR 10,000 Crore **Start-up India Fund of Funds 2.0**. Operational guidelines for the same have been framed and conveyed to SIDBI on April 25, 2026.

At this juncture, it is important to recall the experience and learnings from the **Fund of Funds for Start-ups (FFS 1.0)**, which was launched in 2016 with the aim to provide VC funding for start-ups. The corpus of FFS 1.0 was also INR 10,000 Crores and the implementation agency (IA) was SIDBI. The disbursement to start-ups was faclitated by Daughter Funds. In addition to release of fuding from FFS 1.0, the Daughter Funds were supposed to bring / arrange aditional funding. It is mandatory for daughter funds to register with SEBI as Alternative Investment Funds (AIF).

Start-ups who got funding from second stage AIFs under FFS 1.0 belonged to various sectors such as agriculture, artificial intelligence, robotics, automotive, clean tech, consumer goods & services, e-commerce, education, fintech, food & beverages, healthcare, manufacturing, space tech, biotechnology, etc.

The achievements of FFS 1.0 as on March 31, 2026 are highlighted hereinbelow:

Commitments made

INR 12,423 Crore

Number of AIFs

- 161

Money Invested in Start-ups

- INR 26982 Crores

FFS 1.0 Supported Start-ups

- 1427

Second stage Start-ups are required to arrange additional funding from other sources. Therefore, the disbursement swelled to INR 26982 Crore against total outlay of INR 10,000 Crores under FFS 1.0. It is heartening to take note that disbursement of VC funding was widespread. Some of the noticeable facts are as under:

Interesting Facts about FFS 1.0	Figures
No. of Start-ups from Tier II/III cities attracting VC Funding	217
Total VC Funding to Start-ups from Tier II/III cities	INR 2716 Crore
No. of Women Led / Co Led Start-ups attracting VC Funding	211
Total VC Funding to Women Led / Co Led Start-ups	INR 4004 Crore
No. of first time Fund Managers involved in Second Stage Funding	58
Total VC Funding to Deep Tech focused Start-ups	INR 4897 Crore
No. of Deep Tech Start-ups able to attract VC Funding	279
Start-ups attaining Unicorn Status Valuation of more than One Billion USD	22
Job Created by Funded Start-ups	>2.5 Lakh

In order to focus on challenges of technology such as Artificial Intelligence, Machine Learning, Data Centers, Industry 4.0, Critical Minerals, Aerospace and Space Technologies, Nuclear Power, Defence Sector Challenges, etc. new category of Deep Tech Start-ups has been introduced. In the journey of Start-up India, the year 2026 will be remembered as **'Year of Shifting Gears'**. It is heartening to note that as on March 31, 2026, DPIIT registered Start-ups have swelled to more than 2 lakh which was only 500 in 2016.

START-UP INDIA FUND OF FUNDS 2.0 (FOF 2.0)

Salient features of the Fund of Funds 2.0 (FoF 2.0) for Start -ups are as under:

1. **SIZE OF CORPUS:** Government has earmarked INR 10,000 Crore for FoF 2.0. But this is likely to swell beyond INR 25,000 Crore as second stage AIFs are obligated to disburse in the multiple of 1.5, 2.0, 2.5 for various categories of funding. It means that second stage funds popularly known as Daughter Funds need to infuse matching funds from other sources.

2. **INVESTMENT PERIODICITY:** FoF 2.0 has provision of investment period ranging from 10 to 18 years. Highest period is provided for AIFs putting funds in deeptech start-ups.

3. **INVESTMENT INSTRUMENT:** FoF 2.0 AIFs will invest in equity or equity linked instruments (and debt instruments) of varous start-ups.

4. **SIDBI AS IMPLEMENTING AGENCY:** As per the notification and the operational guidelines, SIDBI has been appointed as implementation agency (the professionals shall read SIDBI as SIDBI Venture Capital Limited). But it is good to note that DPIIT has planned to engage second implementation agency as well. This will help in building capacity of one more institution to handle large fund.

5. **FOCUSED START-UPS:** FFS 1.0 focused on early stage funding, whereas focus of FoF 2.0 is on deep tech, artificial intelligence (AI), biotechnology, quantum computing, space, tech-driven manufacturing, etc.

6. **GEOGRAPHICAL FOCUS:** As per operational guidelines, the FoF 2.0 will have focus on start-ups beyond metro cities.

7. **ELIGIBLE ALTERNATIVE INVESTMENT FUNDS:** As per operational guidelines, the SIDBI has been entrusted with the task of Implementation Agency. SIDBI will select AIFs through two-stage process and will commit funds to selected Category I and Category II SEBI registered AIFs.

8. **RISK PROFILE:** In terms of risk profile, operational guidelines mention about higher risk through supporting long-term R&D heavy and hardware-oriented start-ups ventures.

9. **FUND INFUSION STAGE:** FFS 1.0 focused on early stage funding, whereas FoF 2.0 will focus on early-growth and scaling stages funding.

10. **INVESTMENT MULTIPLIER:** FoF 2.0 provides for investment multiplier for AIFs ranging from as low as 1.5 for deep-tech start-ups to 2.5 for stage / sector agnostic funds.

PROFESSIONAL OPPORTUNITIES

FoF 2.0 offers exciting professional opportunity. Soon, SIDBI as Implementing Agency will start the process of inviting offers from SEBI registered AIFs. In turn, the selected AIFs will infuse VC funding in carefully chosen start-ups. Company Secretaries can impart their services to solid start-ups in their respective cities by way of:

- **Creating Awareness:**

  Sensitization about 'Start-up India FoF 2.0' after understanding its investment philosophy. Investment philosophy of concerned AIFs would be equally important.

- **Keeping Track of Procedural Developments:**

  This is possible by way of visiting and re-visiting the website of SIDBI Venture Capital Limited and taking note of empanelled AIFs. Visiting website of empanelled AIFs and taking notes of investment policy of specific scheme(s) launched by such AIFs will help in identifying eligible start-ups. Here, it is important to note that eligible start-ups will get VC funding from AIFs empanelled by IA under Start-up FoF 2.0.

- **Identifying Promising / Healthy Start-ups eligible for VC Funding:**

  Company Secretaries in Practice need to keep themselves abreast with investment policies of AIFs and thereafter identify promising / healthy start-ups who require funding and are eligible to get VC funding.

- **Connecting with Start-up Incubation Centres:**

  Company Secretaries in Practice can connect with Start-up Incubation Centres around them and develop rapport with such centre. This rapport will help in identifying healthy / promising start-ups looking for funding to either scale up or for deep tech.

CONCLUSION

Sum-up of FoF 2.0 for Start-ups:

- Potential to leave transformational impact on start-up trajectory.
- Expected to play a crucial role in advancing India's innovation-led growth agenda.
- Potential to build globally competitive technologies, products, and solutions.
- Likely to contribute in strengthening of India's economic resilience.
- Boosting manufacturing capabilities.
- Generating high-quality jobs.
- Positioning India as a global innovation hub.
- Empowering young entrepreneurs.
- Fuel commercially scalable research and development.
- Unlock higher potential of start-up ecosystem.
- Richly contribute towards goal of Viksit Bharat@2047

Contributed by Dr. (CS) Ajay Garg, Social Entrepreneur and ***CS (Dr.) Anjali Vig Kapoor,*** Partner, AGB & Partners.