

Startup India Fund of Funds 2.0

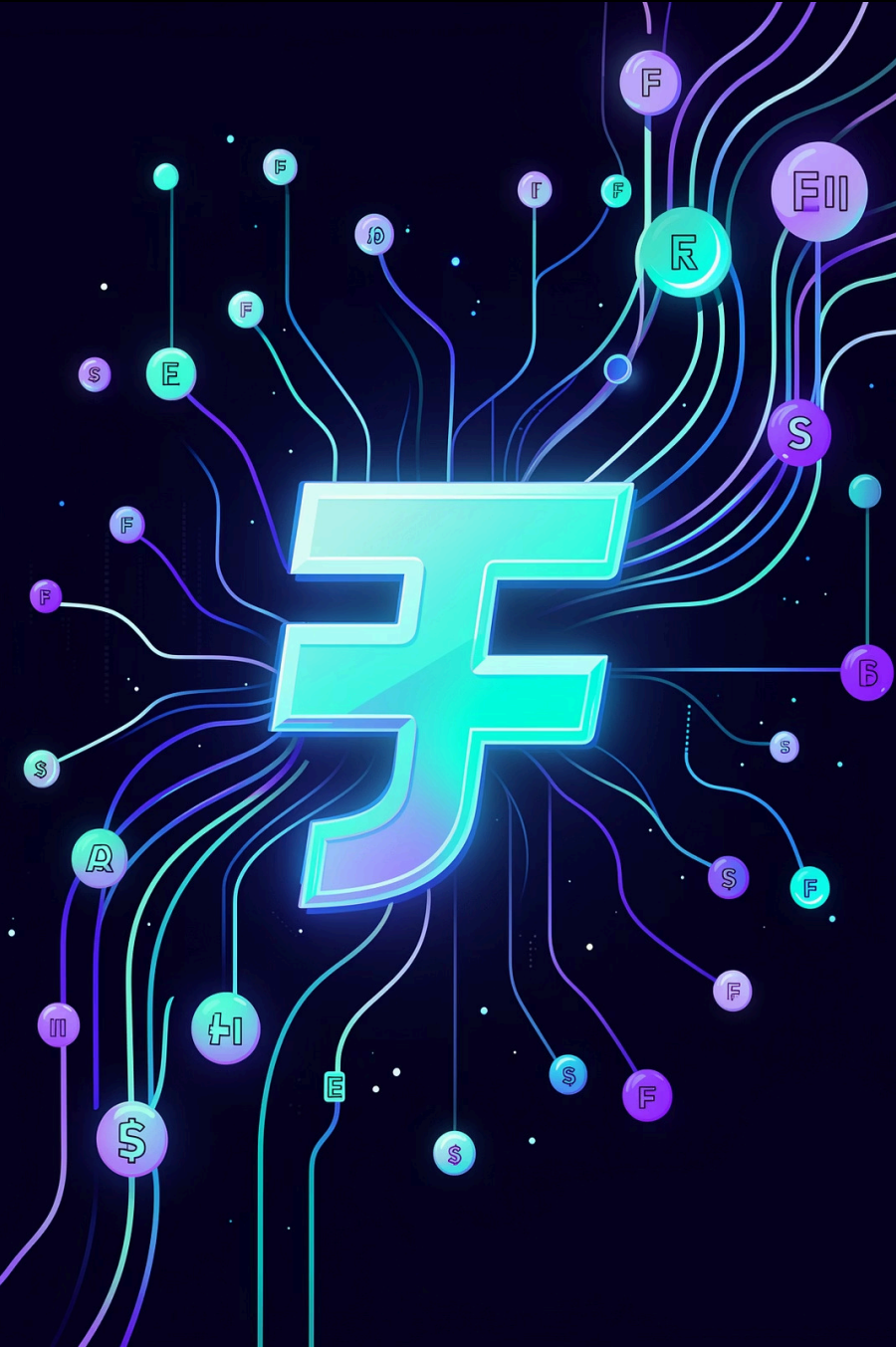
DPIIT Gazette Notification April 13, 2026 — What AIFs and Founders
Must Do Next

RS 10,000 CR CORPUS

4 PRIORITY SEGMENTS

16TH & 17TH FINANCE COMMISSION CYCLES

Presented by **CA Adityavikram Banka**, Director, A S Banka Advisors Private Limited



What Is FoF 2.0?

The Department for Promotion of Industry and Internal Trade (DPIIT) notified **Fund of Funds for Startups 2.0** in the Gazette of India on **April 13, 2026**. A government-backed fund, sanctioned by the Union Cabinet, to be deployed via SEBI-registered AIFs into DPIIT-recognised startups.

₹10,000..

Total Corpus

Government-backed capital pool sanctioned by Union Cabinet

10+

Years Horizon

Spans 16th and 17th Finance Commission cycles

3

Governance Layers

SIDBI, VCIC, and Empowered Committee

Important: FoF 2.0 does **NOT** invest directly in startups. Capital flows: **Government → AIFs → Startups**. SIDBI is confirmed as the primary implementing agency. FoF 1.0 (2016) corpus is substantially committed already.

Four Priority Segments

The key structural change from FoF 1.0 is **explicit segmentation**. Each segment targets a distinct gap in India's startup funding landscape.



Deep Tech

AI, biotech, space, semiconductors, robotics, quantum computing, advanced materials

Special: Extended 20-year DPIIT recognition, Rs 300 Cr turnover cap



Early Growth & Micro VCs

Seed and pre-Series A funding for first-cheque investors

Special: Addresses underserved funding gap in the ecosystem



Innovative Manufacturing

EV, batteries, renewables, semiconductors, defence tech

Special: Aligned with Make in India priorities



Sector & Stage Agnostic

Cross-sector, multi-stage for strong track record managers

Special: For managers outside the three priority buckets

FoF 1.0 vs FoF 2.0: A Clean Comparison

Ten years of learnings from FoF 1.0 have shaped a more structured, segmented, and governance-rich successor.


Feature	FoF 1.0 (2016)	FoF 2.0 (2026)
Corpus	Rs 10,000 crore	Rs 10,000 crore
Segmentation	Broad mandate	Four explicit priority segments
Deep Tech	Not prioritized	Dedicated segment with 20-yr window
Manufacturing	Not emphasized	Make in India aligned
Micro VCs	Underserved	Formal priority category
Governance	SIDBI-centric	SIDBI + agencies, VCIC, Empowered Committee
Time Horizon	Single cycle	Two Finance Commission cycles (10+ years)

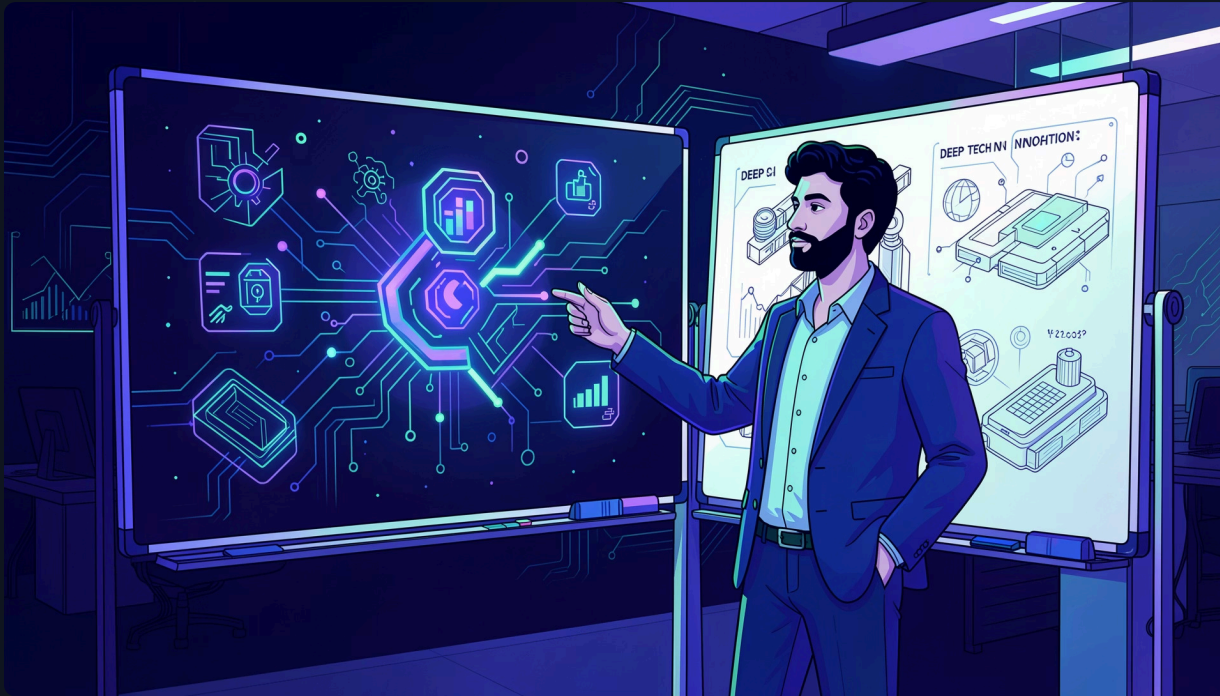
- ✔ FoF 2.0 introduces **professional multi-layer scrutiny** and **explicit segment mandates** — a significant structural upgrade over its predecessor.

AIF Eligibility Requirements

To receive FoF 2.0 capital commitments, AIF managers must satisfy a rigorous merit-based screening process before the Empowered Committee.

1	SEBI Registration Category I or Category II AIF registration is mandatory — no exceptions.
2	Track Record Documented investment track record demonstrating deployment capability and returns.
3	Segment Alignment Clear investment mandate aligned with one or more of the four priority segments.
4	VCIC Screening Merit-based evaluation by the Venture Capital Investment Committee constituted by DPIIT.
5	Empowered Committee Approval Final commitment approval by committee chaired by DPIIT Secretary.
6	DPIIT Startup Deployment Commitment to deploy exclusively into DPIIT-recognised startups.

 **Also mandatory from April 1, 2026:** Dematerialisation of AIF units and semi-annual independent valuation are now in force for all SEBI-registered AIFs.



Startup Eligibility

Startups receiving FoF 2.0-backed capital must hold **current DPIIT recognition** under the applicable framework.

- ✔ **Angel Tax Relief:** Section 56(2) (viib) abolished by Finance Act 2024 for shares issued on or after April 1, 2024 — removing tax friction for domestic capital raising through the FoF 2.0 corridor.

Standard Startups

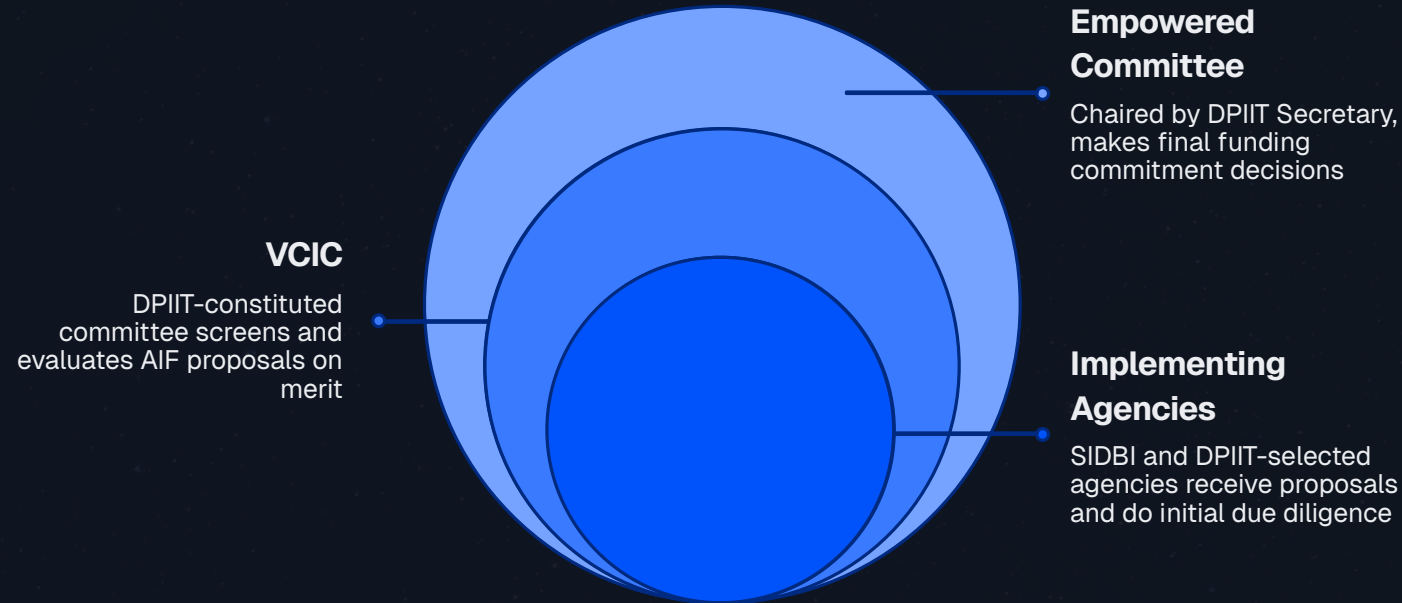
Current DPIIT startup recognition under the 2026 framework (updated February 4, 2026). Normal DPIIT recognition window applies.

Deep Tech Startups

Extended **20-year recognition window**. Turnover cap raised to **Rs 300 crore**. Must qualify under the February 4, 2026 deep tech framework.

Three-Tier Governance Structure

FoF 2.0 introduces a major upgrade from the FoF 1.0 SIDBI-centric model, replacing it with professional multi-layer scrutiny across three distinct governance tiers.



This structured three-tier model ensures that capital allocation decisions are subject to rigorous independent evaluation at each stage — from initial proposal intake through merit screening to final commitment approval.

Layer 1: Implementing Agencies

SIDBI plus additional agencies selected by DPIIT. Receive proposals and conduct initial due diligence on AIF submissions.

Layer 2: VCIC

Venture Capital Investment Committee constituted by DPIIT. Screens and evaluates AIF proposals on merit before escalation.

Layer 3: Empowered Committee

Chaired by DPIIT Secretary. Makes all final commitment decisions. Highest authority in the FoF 2.0 governance chain.

What You Must Do Now

Immediate action items for every stakeholder in the FoF 2.0 ecosystem — from fund managers to founders to compliance professionals.

For AIF Managers

- Map your fund strategy to one of the four segments before operational guidelines drop
- Refresh SEBI AIF compliance: dematerialisation and semi-annual valuation
- Prepare proposal with clear segment alignment and track record evidence

For Deep Tech Founders

- Obtain or refresh DPIIT deep tech recognition under the February 4, 2026 framework
- Verify your startup qualifies for the 20-year window and Rs 300 crore turnover cap

For All Founders

- Ensure current DPIIT startup recognition is live before your next fundraising
- Review cap table, founder agreements, and audit readiness for AIF due diligence

For CAs & CS Professionals

- Audit client cap tables and ESOP pool design for compliance readiness
- Prepare clients for increased compliance scrutiny from dematerialised AIFs

Key Dates & Next Steps

The FoF 2.0 clock is already running. Here is your critical timeline and the action you need to take today.



Ready to Position for FoF 2.0?

Whether you are an AIF manager mapping your fund to a priority segment, a deep tech founder seeking DPIIT recognition, or a CA preparing clients for increased compliance scrutiny — expert guidance makes the difference.

Book a strategy session with A S Banka Advisors Private Limited and get ahead of the operational guidelines before the window narrows.

[Book Your Strategy Session →](#)

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Critical Reminder: The Gazette notification, DPIIT operational guidelines, and individual AIF agreements contain the authoritative terms. Always verify against official DPIIT publications before taking action.