



**INDIA JURIS**  
International Law Firm

# **REVISED FRAMEWORK FOR ANGEL FUNDS UNDER AIF REGULATIONS**

10<sup>th</sup> September 2025



## Fund Raising by Angel Funds

- Angel Funds can now **raise money only from Accredited Investors (AIs)** through issuance of units.
- **New Angel Funds** (post-circular) → can onboard only AIs
- **Existing Angel Funds** (before circular) →
  - Must fully transition to AIs by **Sept 8, 2026**.
  - Can take investments from **max 200 non-AIs** till then.
  - After transition, **no new non-AI investments** allowed.
- At least **5 AIs required before declaring First Close**.
- First close must be declared within **12 months** of SEBI's PPM approval (existing funds must do this by Sept 8, 2026).



## Investment by Angel Funds (AFs)

- AFs shall **directly invest**, no need to launch separate schemes.
- Term Sheet filing with SEBI removed; maintain all records
- **Follow-on Investments** allowed in existing portfolio companies (even if no longer startups) subject to:
  - Post-issue shareholding  $\leq$  **pre-issue shareholding**.
  - Total investment in one company capped at **₹25 crore**.
- Follow-on contributions only from existing investors, on pro-rata.
- **Lock-in period: 1 year** for all investments.; **6 months**, if exit via sale to third party (not buy-back/ promoters)
- **Overseas investments** allowed, but subject to RBI & SEBI
- 25% overseas investment cap to be calculated on total investment at cost.



## Allocation of Investment Opportunities

- Fund managers must disclose a **clear allocation methodology** in the PPM.
- No discretion for case-by-case allocation; must be **strictly rule-based**.
- From **October 15, 2025**, all allocations must follow disclosed methodology.
- Investors' rights:
  - **Pro-rata rights** in investment and distribution of proceeds.
  - Exception: carried interest / additional return to managers / sponsors allowed as per agreements.



## Other Obligations

- AFs are now a **separate Cat I AIF – Angel Funds**, not a sub-category of Venture Capital Funds.
- **Annual PPM Audit** required, if total investments exceed **₹100 cr.**
- Must **report valuation and cash flow data** to benchmarking agencies for performance benchmarking.
- Performance vs benchmark report must be disclosed in PPMs and marketing material.
- PPM audit & benchmarking obligations apply from **FY 2025-26**.
- All limits/conditions now to be calculated on total investments made (at cost), not corpus.
- Investor due diligence thresholds (as per Oct 8, 2024 SEBI circular) to be calculated **per-investment level**, not fund corpus.
- Compliance Test Report must confirm compliances.



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