

September 07,2023

To,

**Shri Sanjay Singh Bhati,**

**Alternative Investment Fund and Foreign Portfolio Department,**

**Securities and Exchange Board of India ("SEBI")**

SEBI Bhavan,

Plot No.C4 - A, 'G' Block

Bandra Kurla Complex, Bandra (East),

Mumbai - 400 051

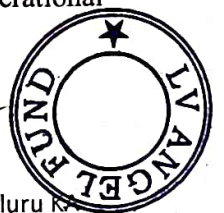

**Kind attention: Shri. Sanjay Singh Bhati**

**Sub.: Request for interpretive letter under SEBI (Informal Guidance) Scheme, 2003 in connection with Securities Exchange Board of India (Alternative Investment Funds) Regulations, 2012 by LV Angel Fund**

Dear Sir

**I. Background**

- a. LV Angel Fund (the "Applicant" / "Trust") is a trust registered with the Securities and Exchange Board of India ("SEBI") as a Category I Alternative Investment Fund – Venture Capital Fund – Angel Fund ("Angel Fund") under the SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") (registration number IN/AIF1/18-19/0585 dated September 06, 2018).
- b. Catalyst Trusteeship Limited (erstwhile Milestone Trusteeship Services Private Limited) (the "Trustee") acts as the trustee of the Applicant. LetsVenture Advisors LLP (the "Investment Manager") is the investment manager to the Applicant and all the schemes launched thereunder.
- c. The Applicant while operating as an Angel Fund has come across certain operational issues on which they desire SEBI's guidance.



- d. Therefore, the Applicant being an Angel Fund (i.e. intermediary) registered with SEBI, makes this request for an interpretive letter under SEBI (Informal Guidance) Scheme, 2003 (“**Informal Guidance Scheme**”)

## II. Guidance Sought

### A. *Minimum Commitment of 25 lacs for maximum period of 5 years*

a. Relevant provision of the AIF Regulations

Regulation 19D(3) of the AIF Regulations reads as follows:

“(3) *Angel funds shall accept up to a maximum period of five years, an investment of not less than twenty-five lakh rupees from an angel investor.*”

- b. We believe that the intent behind Regulation 19D(3) was to ensure that Angel Funds promptly utilize the funds received from the angel investor to invest in “startups” as defined under the relevant policies/notifications promulgated by the Department for Promotion of Industry and Internal Trade (“DPIIT”).
- c. LV Angel Fund being registered on September 06, 2018 will be completing 5 years tenure by September 6, 2023. Having said this, we have certain angel investors who have under-utilized the threshold amount of Twenty-Five lakhs within the period of five years as mentioned in the Regulation 19D(3).
- d. **QUERY-** Given the context above, can the time limit provided under the Regulation 19D(3) i.e- 5 years, be extended any further?

### B. *Eligible investments that may be made by Angel Funds*

a. Relevant provision of the AIF Regulations

Regulation 19F(2) of the AIF Regulations reads as follows:

“(2) *Investment by an angel fund in any venture capital undertaking shall not be less than twenty-five lakh rupees and shall not exceed ten crores’ rupees.*”



- b. We have had scenarios where we have invested into a startup complying with the minimum amount requirement under Regulation 19F(2) of the AIF Regulations and the said startup owing to several reasons (such as flipping to foreign jurisdiction, change in business line etc.,) restructure to form a new legal entity. As we are the original investors of the startup, we get an offer to mirror the shareholding in the newly incorporated entity by investing a nominal amount which will be lesser than INR 25 lac. Consequent to the mirroring of shareholding, we will get the original shareholding % in the new legal entity and our shareholding in the old entity will be zeroed down. To comply with the Regulation 19F(2) of the AIF Regulations, we often reject the offer to participate in the new company or subscribe INR 25 lac to get shares valued just few thousands.
- c. **QUERY-** Given the above context, whether the minimum investment amount in a Startup of INR 25 Lakh as per Regulation 19F(2) of the Regulation is to be complied with in cases when we mirror our shareholding in the new entity.

C. **Filing of "Revised Term sheet" according to the SEBI Circular on Filing of Term Sheet by Angel Funds (CIR/IMD/DF 1/102/2018) dated June 29,2018 ("Circular").**

- a. Relevant provision of the Circular

Section 2 of the Circular read as follows:

*"2.Pursuant to the aforesaid amendment of the AIF Regulations, it is specified that:*

*2.1 angel funds may now launch schemes subject to filing of a Term Sheet in the format as specified in Annexure II;*

*2.2 such Term Sheet shall contain material information regarding the scheme and;*

*2.3 such Term Sheet shall be filed with the board within ten days of launching the scheme.*

- b. We being an angel fund file the term sheet as specified in Annexure II of the containing all the material information within ten days of launching the scheme.
- c. We have had scenarios where changes in a few particulars like amount of investment, addition or deletion of investors, total capital commitment by investors or any other

particulars mentioned under Annexure-II of the circular, result in change or modifications in the commercial arrangements after the launch of scheme and filing of term sheet.

**QUERY-** Given the context above, when does the obligation to file the revised term-sheet arise? Whether it arises with every minor change incorporated in the details of the Term Sheet or with relevant material change? Further is there any specific time period within which the revised term- sheet can be filed?

**D. Sub Scheme Creation**

Can we create sub schemes under each existing Schemes which shall comply with all the AIF Regulations?

**E. Fees**

- a. As per the circular and the requirements prescribed under the Informal Guidance Scheme, we hereby confirm that the Applicant has made a payment for Rs. 25,000 (Indian Rupees Twenty-Five Thousand only) to **Securities and Exchange Board of India**". Please find below the following details :

*Name of payer: LetsVenture Advisors LLP*

*Date of payment: 07.09.2023*

*Amount Paid: 29,505.90*

*Transaction no: NEFT0811OP3124078323*

*Name of the Bank in which payment is made: ICICI BANK*

*IFSC Code: Virtual Account Code: Purpose:ICICI0000104*

**F. Confidentiality**

- a. We waive the option to request for confidential treatment of this application for an interpretative letter under paragraph 11 of the Informal Guidance Scheme.



We request you to kindly issue an interpretive letter under the provisions of paragraph 4 of the Scheme. In the event that you require any clarifications or further information in this regard, we request you to kindly contact us.

**LV Angel Fund**

**Name:** Mrs. Gandhimadhy Vardarajan

**Address:** 5th Floor, IndiQube Penta, 32,Shanthala Nagar, Richmond Town, Bengaluru, Karnataka - 560025

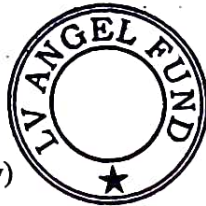
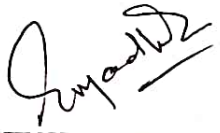
**E-mail:** gandhimadhy.varadarajan@letsventure.com

**Phone:** +91-9886399176



Yours sincerely,

**For and on behalf of the Applicant, LV Angel Fund**



(Authorized signatory)