



भारतीय प्रतिभूति  
और विनिमय बोर्ड  
**Securities and Exchange  
Board of India**

DEPUTY GENERAL MANAGER  
INVESTMENT MANAGEMENT DEPARTMENT  
DIVISION OF FUNDS-6

SEBI/HO/IMD/DF6/OW/P/2020/15440  
September 17, 2020

Mr. Sanjay Kumar Jha  
Lets Venture Advisors LLP  
(Manager to LV Angel Fund)  
M303, Purva Fairmont,  
24<sup>th</sup> Main, 25<sup>th</sup> Cross,  
Sector 2, HSR Layout,  
Bangalore – 560004

Dear Sir,

**Sub: Request for informal guidance by way of interpretive letter by Lets Venture Advisors LLP under SEBI (Informal Guidance) Scheme, 2003 in connection with provisions of SEBI (Alternative Investment Funds) Regulations, 2012**

1. This has reference to your letter dated November 04, 2019, seeking informal guidance by way of an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003.
2. In your communication under reference you have, *inter alia*, presented as follows:
  - i. LV Angel Fund ("Fund") is registered with SEBI as an Alternative Investment Fund (AIF) Category I – Venture Capital Fund – Angel Fund with Registration No. IN/AIF1/18-19/0585 dated September 06, 2018. The Manager of the Fund is Lets Venture Advisors LLP ("Manager").
  - ii. The Fund, while operating as an Angel Fund, has come across following operational issues:
    - I. The Fund has had individual investors indicate to it that they wish to utilize a limited liability partnership (LLP) set-up by them to make the investment in the Fund. It is stated that this is for the purpose of succession and estate planning. It is given that all the partners of the LLP individually fulfil the conditions to qualify as "angel investors" (including the net-worth requirement). However, the LLP itself does not meet the minimum net worth criteria.



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- II. The Fund has encountered certain investors who have specifically approached the fund stating that they wish to waive their right to approve/disapprove an investment. It is further stated that often these investors were part of angel groups who used to invest in a portfolio entity along with other persons, and have now shifted to the Angel Fund framework. These investors have stated that as long as certain investors agree to participate in an investment i.e. a "lead investor", it may be assumed as positive consent by all such investors for the investment. These investors view the requirement to provide an undertaking to participate in every investment as cumbersome and a hassle, and further, these investors contend that waiver of a statutory right is permissible under law and that, these investors have requested the Fund to contractually provide that these investors waive their right and agree to invest in all investments consented by the "lead investor".
3. In view of the above, you have sought an interpretive letter under SEBI (Informal Guidance) Scheme, 2003 from SEBI on the following:

Query 1: Whether it may be interpreted that a LLP, the partners of which qualify as "angel investors" in their individual capacity, is an eligible "angel investor" even if the LLP itself does not meet the minimum net worth criteria of at least Rs. 10 Crores prescribed for body corporates (including LLPs)?

Query 2: Whether investors of an Angel Fund can agree to waive their rights under Regulation 19G(3) of the AIF Regulations, and agree that their consent to participate in certain investments be deemed in accordance agreed upon contractual provisions, especially in light of the model described above?

4. **Relevant Regulatory Framework – SEBI (Alternative Investment Funds) Regulations 2012:**

Regulation 19A(2): "angel investor" means any person who proposes to invest in an angel fund and satisfies one of the following conditions, namely,

(a) an individual investor who has net tangible assets of at least two crore rupees excluding value of his principal residence, and who:

- (i) has early stage investment experience, or
- (ii) has experience as a serial entrepreneur, or
- (iii) is a senior management professional with at least ten years of experience;

*Explanation: For the purpose of this clause, 'early stage investment experience' shall mean prior experience in investing in start-up or emerging or early-stage ventures and 'serial entrepreneur' shall mean a person who has promoted or co-promoted more than one start-up venture."*

(b) a body corporate with a net worth of at least ten crore rupees; or  
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Regulation 19G(3): "The manager of the angel fund shall obtain an undertaking from every angel investor proposing to make investment in a venture capital undertaking, confirming his approval for such an investment, prior to making such an investment"

5. **Our Comments:**

The submissions made in your letter have been considered and without necessarily agreeing with your analysis, our view on the issue raised in your letter are as under:

5.1. Response to Query 1:

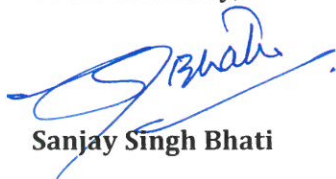
The said LLP and its partner(s) are distinct persons. As per Regulations 19A(2), it is the LLP which should meet the minimum net-worth criteria of INR 10 Crores. Thus, an LLP not meeting the minimum net worth criteria of at least Rs. 10 Crores, would not be an eligible "angel investor" even if its partners qualify as "angel investors" in their individual capacity.

5.2. Response to Query 2:

Regulation 19G(3) of the AIF Regulations obliges a Manager to obtain undertaking from every angel investor proposing to make investment in a venture capital undertaking, confirming his approval for such an investment, prior to making such an investment. Apart from obliging the manager, the said regulation also gives a right to Angel Investor to provide his approval before any investment is made. There is no provision in AIF Regulations which provide for waiver of the said right.

6. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to different result. This letter does not express decision of the Board on the questions referred.
7. You may note that the above views are expressed only with respect to the clarification sought on Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 and do not affect the applicability of any other law and other SEBI Regulations, guidelines and circulars administered by SEBI or of the laws administered by any other authority.

Yours faithfully,



Sanjay Singh Bhati