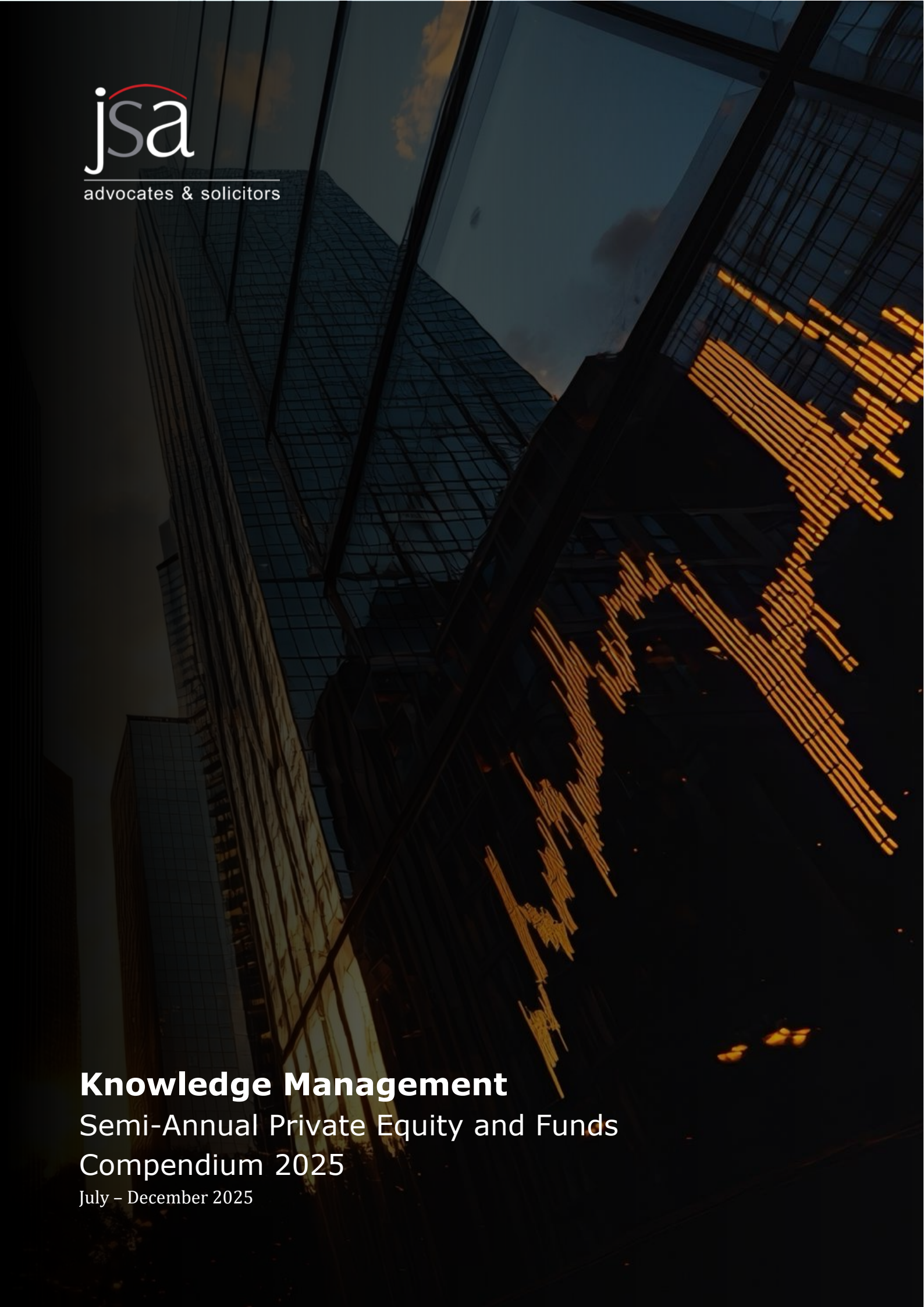

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Semi-Annual Private Equity and Funds Compendium 2025

July – December 2025

Semi-Annual Private Equity and Funds Compendium 2025

Introduction

Recent global factors like tariff tugs, trade war, higher interest rates and geopolitical tensions have impacted Private Equity ("**PE**")/Venture Capital ("**VC**") investments globally. In India, PE/VC activities improved in July-September quarter ("**Q3'25**") when compared to the April-June quarter. In terms of deal value, it increased by 6%, while volume rose by 15%.[1] As per publicly available information, PE/VC investments in Indian companies for the Q3'25 were recorded at USD 5.67 billion (United States Dollars five point six seven billion) across 299 (two hundred ninety nine) deals, which is 26% lower than the investments recoded in the July-September quarter ("**Q3'24**").[2]

Q3'25 witnessed 15 (fifteen) mega deals worth USD 2.78 billion (United States Dollars two point seven eight billion), compared to 20 (twenty) such investments (worth USD 5.08 billion (United States Dollars five point zero eight billion)) in Q3'24 and 11 (eleven) such deals (worth USD 2.85 billion (United States Dollars two point eight five billion)) in the immediate previous quarter.[3]

The largest investment in Q3'25 was ChrysCapital's USD 281 million (United States Dollars two hundred eighty one million) buyout of bakery chain, Theobroma. The USD 270 million (United States Dollars two hundred seventy million) investment by WestBridge Capital and Prosus Ventures in mobility services unicorn, Rapido, was the second biggest deal of the quarter. This was followed by a USD 244 million (United States Dollars two hundred forty four million) buyout transaction in luggage and travel accessories maker, VIP Industries by Multiples PE and Kedaara

[1] Financial Express
[2] Financial Express
[3] blog.ventureintelligence

Capital's USD 240 million (United States Dollars two hundred forty million) investment in life sciences focused tech company Axtria. Partners Group's acquisition of majority stake in non-banking financial company Infinity Fincorp Solutions USD 227 million (United States Dollars two hundred twenty seven million) was the fifth largest deal during the period.[4]

Sector-specific data shows that the industries that have dominated the PE/VC investments include IT & ITES companies retaining the top industry slot by attracting USD 2.4 billion (United States Dollars two point four billion) across 168 (one hundred sixty eight) deals. Followed by the BFSI industry attracting USD 900 million (United States Dollars nine hundred million) across 14 (fourteen) deals. Further, the manufacturing industry attracted around USD 800 million (United States Dollars eight hundred million) across 30 (thirty) deals. The healthcare and life sciences industry attracted USD 512 million (United States Dollars five hundred twelve million). Notably, the food and beverages industry attracted USD 325 million (United States Dollars three hundred twenty five million), which is a significant increase from Q3'24 which was recorded at USD 11 million (United States Dollars eleven million).[5]

The final quarter of 2025 ("**Q4'25**") witnessed the Indian economy demonstrating a sophisticated 'Strategic Resilience' amidst a changing global order. While international markets faced new trade policies and geopolitical changes, India's domestic foundations provided a stable anchor for PE/VC activity.

As per publicly available data, the PE/VC activities in Q4'25 in India showed strong resilience with significant investments reaching around USD 9.9 billion (United States Dollars nine point nine billion) across various sectors like banking, financial services, insurance, manufacturing and retail, marking a strong finish to 2025. The overall investments in 2025 were valued at USD 33 billion (United States Dollars thirty three billion), similar to 2024. Late-stage companies and domestic economy focus drove activity, with significant investments in areas like tech and financial services despite global economic headwinds.[6]

This Compendium captures the regulatory developments from July 2025 to December 2025 relating to Alternative Investment Funds ("**AIFs**"), Real Estate Investment Trusts ("**REITs**"), Infrastructure Investment Trusts ("**InvITs**"), Foreign Venture Capital Investors ("**FVCIs**") and Foreign Portfolio Investors ("**FPIs**") that are likely to shape the investment activities in India.

Regulatory updates

Securities and Exchange Board of India

Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025

The Securities and Exchange Board of India ("**SEBI**"), *vide* notification dated September 8, 2025, amended the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. Regulation 9A is inserted dealing with employees identified as promoter or part of the promoter group in the draft offer document. It states that an employee who is identified as a promoter or part of the promoter group in the draft offer document filed by a company with SEBI in relation to an initial public offering, and who was granted options, Stock Appreciation Right ("**SAR**") or any other benefit under any scheme at least 1 (one) year prior to filing of the draft offer document, can continue to hold and/or exercise such options, SAR or any other benefit, in accordance with its terms and subject to compliance with the principal regulations and other applicable laws.

[4] blog.ventureintelligence
[5] blog.ventureintelligence
[6] ventureintelligence

SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025

SEBI, *vide* notification dated September 8, 2025, amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**"). Some of the key amendments are as follows:

1. Regulation 39(2A) is inserted stating that a listed entity must issue securities pursuant to any scheme of arrangement or any subdivision, split or consolidation of securities only in the dematerialised form. The listed entity must open a separate demat account for such securities of investors not having a demat account; and
2. Regulation 91E(2A) is inserted stating that social enterprises registered on a Social Stock Exchange ("**SSE**") without raising funds must submit a self-certified annual impact report. However, a Not-for-Profit Organisation ("**NPO**") that is registered on an SSE will be permitted not to raise funds through it for a maximum period of 2 (two) years from the date of registration or such duration as may be specified by SEBI. Further, upon expiry of the period of 2 (two) years from the date of registration, the NPO must have at least 1 (one) listed project, failing which it will cease to be registered.

SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2025

SEBI, *vide* notification dated October 24, 2025, amended the LODR Regulations, modifying Regulation 56 (Documents and Intimation to Debenture Trustees). Accordingly, the timeline for listed entities to share information with debenture trustees is significantly tightened, with listed entities requiring to forward specific information to the debenture trustees within 24 (twenty-four) hours of an event or receipt of information, unless otherwise specified. This replaces the previous requirement to forwarding documents to the debenture trustee 'promptly' and replaces it with a definitive, time-bound mandate.

SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025

SEBI, *vide* notification dated November 18, 2025, amended the LODR Regulations. Some of the key amendments are as follows:

1. thresholds for material Related Party Transactions ("**RPTs**") are now aligned with the newly inserted Schedule XII, which prescribes a turnover-based framework for determining materiality;
2. stricter provisions for audit committee approvals are introduced for high-value transactions involving subsidiaries, including those lacking at least 1 (one) year of audited financials;
3. the omnibus approval approved by the shareholders for material RPTs in an annual general meeting will be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013. However, the validity of such omnibus approval will not exceed 1(one) year from the date of its approval. Further, it is clarified that 'holding company' in relation to Regulation 23(5) refers to a listed holding company; and
4. Regulations 53 and 58 are amended to enhance annual report disclosures and streamline timelines for dissemination of documents.

SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2025

SEBI, *vide* notification dated December 15, 2025, amended the LODR Regulations. The key amendment includes a uniform substitution of the term 'Share Transfer Agent' with 'Registrar to an Issue and Share Transfer Agent'. This amendment ensures consistency with the new SEBI (Registrar to an Issue and Share Transfer Agent) Regulations, 2025.

SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2025

SEBI, *vide* notification dated September 8, 2025, amended the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR**

Regulations"). Some of the key amendments are as follows:

1. Regulation 7(1)(c) is amended to include certain provisions with respect to obligations of an issuer making an initial public offer. It states that the issuer must ensure that all its specified securities held by: the promoters; the promoter group; the selling shareholder(s); the directors, the key managerial personnel; the senior management, qualified institutional buyer(s); employees, shareholders holding SR equity shares; entities regulated by financial sector regulators; any other categories of shareholders as maybe specified by SEBI, are in the dematerialised form prior to the filing of the draft offer document; and
2. the eligibility conditions for being identified as a social enterprise under Regulation 292E(2) are amended.

Key changes to the allocation norms for anchor investors introduced pursuant to the SEBI (ICDR) (Third Amendment) Regulations, 2025

SEBI, *vide* notification dated October 31, 2025, amended the ICDR Regulations. The key changes relating to the allocation norms for anchor investors in a book-built public issue are made under Schedule XIII, Part A, paragraph (10) of the ICDR Regulations. Some of the key amendments are as follows:

1. for issues with an allocation up to INR 250,00,00,000 (Indian Rupees two hundred fifty crore), a minimum of 2 (two) and a maximum of 15 (fifteen) anchor investors are permitted, with a mandatory minimum allotment of INR 5,00,00,000 crore (Indian Rupees five crore) per investor;
2. for issues with an allocation exceeding INR 250,00,00,000 (Indian Rupees two hundred fifty crore), a minimum of 5 (five) and a maximum of 15 (fifteen) investors are permitted for the first INR 250,00,00,000 (Indian Rupees two hundred fifty crore), plus an additional 15 (fifteen) investors for every subsequent INR 250,00,00,000 (Indian Rupees two hundred fifty crore) or part thereof, subject to a minimum allotment of INR 5,00,00,000 (Indian Rupees five crore) per investor; and
3. 40% of the anchor investor portion is now reserved, with 33.33% reserved for domestic Mutual Funds ("**MFs**") and 6.67% reserved for life insurance companies and pension funds respectively. Any under-subscription in the life insurance/pension fund category may be allocated to domestic MFs.

Minimum information to be provided to the audit committee and shareholders for approval of related party transactions

SEBI, *vide* circular dated October 13, 2025, relaxed the requirement of providing minimum information to the audit committee and shareholders for approval of RPTs. If an RPT, whether individually or together, with previous transaction(s) during a financial year, does not exceed 1% of annual consolidated turnover of the listed entity as per the last audited financial statements or INR 10,00,00,000 (Indian Rupees ten crore), whichever is lower, the listed entity is required to provide the simplified minimum information, as specified in Annexure – 13A of the said circular. Such information must be disclosed in line with the explanatory statement to the Industry Standards on 'Minimum information to be provided to the Audit Committee and Shareholders for approval of RPTs'. However, this requirement does not apply to transaction(s) which individually or in aggregate, do not exceed INR 1,00,00,000 (Indian Rupees one crore) and the same is applicable in relation to the notice being sent to the shareholders seeking approval for any RPT.

Transfer of Portfolio Management Services business by Portfolio Managers

SEBI, *vide* circular dated October 24, 2025, permitted Portfolio Managers ("**PMs**") to transfer their Portfolio Management Services ("**PMS**") business, upon approval from SEBI, subject to the following conditions:

1. PMs will now have the option to transfer select investment approach(es) or complete PMS business to another PM within the same group subject to: (a) where a complete transfer of PMS business occurs, the transferor PMs are required to surrender its certificate of PMS registration within, a period of 45 (forty-five) working days from the

date of completion of transfer; and (b) in case of transfer of only select investment approach (es), the transferor PMs may continue to hold the certificate of PMS registration; and

2. for transfer of PMS business from one PM to another PM not belonging to the same group: (a) a joint application is required to be made by both the PMs (transferor and transferee) to SEBI for approval of transfer of PMS business; (b) the transferor PMs must transfer complete PMS business and the transfer of select investment approach(es) of PMS business to the transferee will not be permitted; (c) the transferee is required to fulfill all the regulatory requirements and once the transfer of PMS business is complete, the acts, deeds, pending actions/litigations, other obligations against the transferor, if any, will be the responsibility of the transferee; and (d) the entire process of transfer must be completed as expeditiously as possible but not later than 2 (two) months from the date of approval. Until the transfer process is complete, the transferor must continue to act as PM but not onboard any new client(s).

SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2025

SEBI, *vide* notification dated October 24, 2025, amended the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. These amendments aim to simplify and add flexibility to the process of issuing and listing non-convertible securities. Some of the key amendments are as follows:

1. issuers are now required to execute the trust deed in accordance with the format, and within the timelines as specified by SEBI;
2. a proviso is inserted to Regulation 18 (1) of the principal regulations stating that the debenture trustee can accept deviations from the specified format for executing the trust deeds however, the issuer must provide a summary of the deviations and rationale in the general information document/ key information document or shelf prospectus; and
3. the previous requirement to structure the trust deed into 2 (two) parts (Part A and Part B) is removed.

Modification in the conditions specified for reduction in denomination of debt securities

SEBI, *vide* circular dated December 18, 2025, modified the conditions specified for reduction in denomination of debt securities under the Master Circular for Issue and Listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated October 15, 2025. The issuer is now eligible to issue debt securities at a reduced face value, which may be either interest bearing or zero interest bearing security, without any structured obligations.

Enabling Investment Advisers to provide second opinion to clients on assets under pre-existing distribution arrangement

SEBI, *vide* circular dated October 30, 2025, decided to provide investors the opportunity of obtaining a second opinion on assets under pre-existing distribution arrangement with other entities. Accordingly, the Master Circular for Investment Advisers ("**IAs**") is revised and now, IAs may charge fee on such assets subject to a limit of 2.5% of the assets value per annum. IAs are required to disclose and seek consent from such clients (on an annual basis), so that in addition to the advisory fees payable to the IA, the clients will also be incurring costs towards distributor consideration for such assets.

Interim arrangement for certified past performance of IAs and Research Analysts prior to operationalisation of Past Risk and Return Verification Agency

SEBI, *vide* circular dated October 30, 2025, provided an interim arrangement for IAs and Research Analysts ("**RAs**") to communicate certified past performance data to clients for the period prior to operationalisation of Past Risk and Return Verification Agency ("**PaRRVA**"). In this regard the following is decided:

1. IAs/RAs may provide past performance data certified by a member of the Institute of Chartered Accountants of India/Institute of Cost Accountants

of India to a client (including prospective client) upon specific request of such client;

2. such past performance data must not be made available to general public through public media/website of IA/RA or any other mode and must be communicated to clients (including prospective clients) only on a one-to-one basis;
3. IAs/RAs who wish to communicate certified past performance data to clients (including prospective clients) are required to enroll with PaRRVA within 3 (three) months of its operationalisation;
4. any communication of such past performance data must be accompanied with the prescribed disclaimer as provided in the circular; and
5. IAs/RAs will be permitted to communicate/display only PaRRVA verified risk and will not be permitted to use past performance data related to the period prior to the date of operationalisation of PaRRVA, in any communication to clients (including prospective clients), after 2 (two) years from the date of operationalisation of PaRRVA.

Periodic disclosure requirements for securitised debt instruments

Pursuant to the amendments made to the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 on May 5, 2025, SEBI, *vide* circular dated December 16, 2025, provided that the trustee of special purpose distinct entity must submit the disclosures, as mentioned in the specified Annexure I (for securitised debt instruments backed by loan/listed debt securities/credit facility exposures) and Annexure II (for securitised debt instruments backed by other exposures), on a half yearly basis to SEBI and on the stock exchange where they are listed, within 30 (thirty) days from the end of March or September. The circular will be effective from March 31, 2026.

Alternative Investment Funds

Reserve Bank of India (Investment in AIFs) Directions, 2025

The Reserve Bank of India ("**RBI**"), *vide* notification dated July 29, 2025, passed the RBI (Investment in AIFs) Directions, 2025 ("**AIF Directions**") which prescribe regulatory guidelines to govern investments by Regulated Entities ("**REs**") in AIFs. The AIF Directions have come into force from January 1, 2026 ("**Effective Date**"), or at an earlier date decided by the respective REs pursuant to its internal policies.

Brief background

With a view to address concerns relating to 'evergreening', a practice where REs conceal non-performing loans by pumping fresh funds to an existing borrower through investment in AIFs, RBI had earlier issued the following circulars dated December 19, 2023, and March 27, 2024 ("**Existing Circulars**") covering the below key provisions:

1. **Circular dated December 19, 2023**: This circular puts a blanket ban on REs to make any investments in any scheme of AIFs which has downstream investment either directly or indirectly in a debtor company of an RE. If the RE is an existing investor in an AIF scheme, and such scheme intends to make downstream investment in a debtor company, then such RE was required to liquidate its investment in the scheme within 30 (thirty) days from the date of such downstream investment. Further, if REs are unable to liquidate their investments within the above-prescribed time limit, they will make 100 % provision on such investments.
2. **Circular dated March 27, 2024**: Downstream investment as referred in the earlier circular will exclude investments in equity shares of the debtor company of the RE but include all other investments including hybrid instruments. The provisioning requirements as referred in the earlier circular will be required only to the extent of investment by the RE in the AIF scheme which is further invested by the AIF in the debtor company, and not on the entire investment of the RE in the AIF scheme.

After taking into account the industry feedback, as well as the regulations issued by SEBI, RBI conducted a thorough review of its Existing Circulars and issued the

AIF Directions which will repeal the Existing Circulars with effect from the Effective Date.

Applicability of the AIF Directions

The AIF Directions will be applicable to investments by the following REs in the units of AIF schemes:

1. commercial banks (including small finance banks, local area banks and regional rural banks);
2. primary (urban) co-operative banks/ state co-operative banks/ central co-operative banks;
3. all-India financial institutions; and
4. non-banking financial companies (including housing finance companies).

Relevant definitions for the AIF Directions

The following 2 (two) definitions as provided in the AIF Directions determine the application of the provisioning requirements:

1. **Debtor Company**: A "Debtor Company" for an RE is defined by reference to any company to which the RE currently has, or had in the preceding 12 (twelve) months, a loan or investment exposure (excluding equity instruments).
2. **Equity Instruments**: Refers to equity shares, compulsorily convertible preference shares and compulsorily convertible debentures.

Key highlights of the AIF Directions

1. **General requirement**: REs are required to include suitable provisions governing investments in AIF schemes within their investment policy, ensuring compliance with applicable laws and regulations.
2. **Limits on investment**:
    a) No RE will individually contribute more than 10% of the corpus of an AIF scheme.
    b) The collective contribution by all REs in any AIF scheme will not exceed 20% of the corpus of that scheme.
3. **Provisioning requirements**:
    a) In case a RE contributes more than 5% of the corpus of an AIF scheme that has downstream instrument (excluding Equity Instruments) in a Debtor Company of the RE, the RE must make 100% provisioning for its proportionate investment in that Debtor Company through the AIF scheme. However, this provisioning is subject to the maximum direct loan/investment exposure of the RE to the Debtor Company.
    b) Notwithstanding the above provisions (as contained in paragraph 3(a) above), if the RE makes investments in subordinated units, then such RE will deduct the entire investment from its capital funds. This deduction is required to be done proportionately from both Tier-1 and Tier-2 capital (wherever applicable).
4. **Exemptions**:
    a) The provisions under paragraph 2 above (Limits on investment) are not applicable to outstanding investments/commitments of a RE made with the prior approval of RBI under the provisions of RBI (Financial Services provided by Banks) Directions, 2016.
    b) RBI may, in consultation with the Government of India, by a notification, exempt certain AIFs from the scope of the Existing Circulars and the revised AIF Directions (except for paragraph 1 above (General requirement)).
5. **Repeal provisions**:
    a) The AIF Directions intend to repeal the Existing Circulars with effect from the Effective Date. Any new commitment to contribute by the RE into an AIF scheme, made after the Effective Date, will be governed in terms of the AIF Directions.
    b) Notwithstanding the aforesaid: (i) any outstanding investment by a RE on the date of issuance of the AIF Directions, in a AIF Scheme in which it has fully honoured its commitment, will be governed by the provisions of the Existing Circulars; (ii) in respect of any investment made by a RE in an AIF scheme in terms of an existing commitment as on the date of the AIF Directions, or in terms of a new commitment entered into before the Effective Date, the RE must follow, in entirety, the provisions of either the Existing Circulars or the AIF Directions.

Conclusion

The AIF Directions by RBI marks a significant shift from the earlier blanket restrictions and provides a consolidated framework governing the investments made by REs in AIF. The specified limits on investment and provisioning requirements provide a structured approach to managing risks associated with AIF exposures, particularly in relation to debtor companies. Through the introduction of these AIF Directions, RBI seeks to mitigate systemic risks, particularly those arising from indirect exposures to debtor companies, while allowing REs to participate in the AIF ecosystem within a regulated boundary. As the AIF Directions come into effect from the Effective Date, REs will need to proactively align their investment policies and risk management frameworks to ensure full compliance and operational readiness under the revised regime.

SEBI (AIFs) (Second Amendment) Regulations, 2025

SEBI, *vide* notification dated September 8, 2025, amended the SEBI (AIFs) Regulations, 2012 ("**AIF Regulations**"). Some of the key amendments are as follows:

1. the term 'Co-investment Scheme' ("**CIV Scheme**") is inserted to mean a scheme of a Category I or Category II AIF, which facilitates co-investment to investors of a particular scheme of an AIF, in unlisted securities of an investee company where the scheme of the AIF is making investment or has invested;
2. the term 'shelf placement memorandum' is inserted to mean a placement memorandum filed by an AIF for launching CIV Schemes;
   a) Regulation 17A is inserted dealing with conditions for co-investment by Category I and Category II AIFs. It states as follows:
   b) co-investment by investors of Category I or Category II AIF must be through a CIV Scheme launched under the AIF Regulations or through a co-investment PM as specified under the SEBI (PMs) Regulations, 2020;
   c) a shelf placement memorandum must be filed with SEBI, in the prescribed manner, through a merchant banker along with the fee as specified in Second Schedule to the AIF Regulations, prior to the co-investment opportunity being offered to the investors of Category I or Category II AIF, through CIV Scheme;
   d) a separate co-investment scheme must be launched for each co-investment, in accordance with the shelf placement memorandum filed with SEBI. Provided that an angel fund must not launch a CIV Scheme;
   e) only accredited investors of the Category I or Category II AIF will be eligible to invest in a CIV Scheme;
   f) each CIV Scheme must invest in only 1 (one) investee company;
   g) a CIV Scheme must not invest in units of AIFs;
   h) co-investment through a CIV Scheme must be carried out in the manner and subject to the conditions as may be specified by SEBI;
   i) the terms of co-investment in an investee company by a manager or sponsor or co-investor or a CIV Scheme, must not be more favourable than the terms of investment of the AIF. Provided that the timing of exit from the co-investment in an investee company must be identical to the exit of the scheme of the AIF from the investment in the investee company; and
   j) the CIV Scheme must be wound up on exit from the co-investment in terms of the AIF Regulations; and
3. Regulation 19A-19G dealing with angel funds is amended. Angel funds are restricted to raising money solely from accredited investors by issuing units. Further, the key management personnel of the fund or its manager are also permitted to invest in these funds and the requirement for a minimum investment threshold for angel investors is removed.

SEBI (AIFs) (Third Amendment) Regulations, 2025

On November 18, 2025, SEBI notified the SEBI (AIF) (Third Amendment) Regulations, 2025 ("**AIF Third Amendment**"). The AIF Third Amendment introduced a new AIF scheme called 'Accredited Investors only Fund' ("**AIOF**") under the AIF Regulations, along with

associated relaxations and exemptions applicable to such schemes.

This regulatory development follows SEBI's consultation paper dated August 8, 2025 ("**AIOF Consultation Paper**"), pursuant to which SEBI sought public comments on introduction of a separate type of AIF scheme that caters exclusively to accredited investors.

Background to the AIF Third Amendment

Over the last few years and as part of its 'ease of doing business by AIFs' initiative, SEBI is working to promote a lighter-touch regulatory framework for AIFs onboarding sophisticated investors.

As noted in the AIOF Consultation Paper, SEBI's long term vision is to envisage AIF schemes to have investor base constituting of only accredited investors as SEBI views accredited investors as a class of investors: (a) who have an understanding of various financial products and the risk-returns associated with them; (b) who are able to take informed decisions regarding their investments; and (c) who are perceived to be well advised due to their ability to hire expert managers/advisors and well informed with sufficient financial acumen.

In 2021, SEBI introduced the concept of an 'accredited investor' defined as any person who is granted a certificate of accreditation by an accreditation agency who:

1. is an individual, hindu undivided family, family trust or sole proprietorship and has:
    a) annual income ≥ INR 2,00,00,000 (Indian Rupees two crore); or
    b) net worth ≥ INR 7,50,00,000 (Indian Rupees seven crore fifty lakh), out of which at least INR 3,75,00,000 (Indian Rupees three crore seventy-five lakh) in financial assets; or
    c) annual income ≥ INR 1,00,00,000 (Indian Rupees one crore) and net worth ≥ INR 5,00,00,000 (Indian Rupees five crore), with at least INR 2,50,00,000 (Indian Rupees two crore fifty lakh) in financial assets;
2. is a body corporate, and has net worth ≥ INR 50,00,00,000 (Indian Rupees fifty crore);
3. is a trust (other than family trust), and has net worth ≥ INR 50,00,00,000 (Indian Rupees fifty crore); and
4. is a partnership firm set up under the Indian Partnership Act, 1932, and each partner independently meets the eligibility criteria for accreditation.

The definition also deems certain investors to be 'accredited investors' who are not required to obtain a certificate of accreditation. Such investors include the Central and State Governments and funds set up by them, developmental agencies set up under the aegis of such Governments, qualified institutional buyers as defined under the ICDR Regulations, Category I FPIs, sovereign wealth funds, and multilateral agencies.

With the above definition of 'accredited investor', the regulatory intent was to set out objective criteria for ascertaining sophistication of investors rather than relying on the metric of minimum investment size.

Simultaneously, SEBI provided for a relaxed regulatory framework for 'large value funds ("**LVFs**") for accredited investors' where each investor (other than the manager, sponsor, and employees and directors of the AIF or of the manager) is an accredited investor not investing less than INR 70,00,00,000 (Indian Rupees seventy crore).

Now, the AIF Third Amendment represents an additional step in the said 'ease of doing business' initiative by reducing the aforesaid minimum investment amount for LVFs to INR 25,00,00,000 (Indian Rupees twenty-five crore), and by carving out a separate type of AIF scheme namely 'AIOF'.

Key amendments

1. **Introduction of AIOF:** Pursuant to the AIF Third Amendment, an AIOF is defined as an AIF or scheme of an AIF in which each investor (other than the manager, sponsor, employees or directors of the AIF or of the manager) is an accredited investor.

    It is, therefore, clear that AIOFs is an umbrella category of funds or schemes that subsumes the existing category of LVFs. Accordingly, any regulations applicable to AIOFs would also apply to LVFs but not *vice versa*.

The AIF Third Amendment also allows for the possibility of AIFs to onboard investors with minimum investment value of INR 1,00,00,000 (Indian Rupees one crore) (which is the default condition for investment in AIFs) but also establish new schemes as AIOFs.

Particularly, SEBI has provided for existing AIFs or schemes of AIFs launched prior to the notification of the AIF Third Amendment to convert to AIOFs, subject to the conditions as may be specified.

2. **Reduction in minimum investment threshold for LVFs:** As noted above, the AIF Third Amendment, has by way of an amendment to Regulation 2(1)(pa) of the AIF Regulations, reduced the minimum investment threshold for accredited investors forming part of LVFs from INR 70,00,00,000 (Indian Rupees seventy crore) to INR 25,00,00,000 (Indian Rupees twenty-five crore).

   This is in line with SEBI's objective of broadening the investor base in AIFs without compromising on the level of sophistication of investors, as noted in its consultation paper on providing flexibilities to LVFs.

3. **Exemption from National Institute of Securities Markets certification requirements:** Pursuant to Regulation 4(g)(i) of AIF Regulations, the key investment team of the manager of an AIF is required to have at least one key personnel with relevant certification from the National Institute of Securities Markets ("**NISM**"), as an eligibility criterion for obtaining registration as an AIF. With the AIF Third Amendment, this requirement is done away with for AIOFs.

   SEBI's rationale, as noted in its AIOF Consultation Paper is that AIOFs are meant for investors who are capable of conducting independent due diligence while investing, including an assessment of the credentials and track record of the manager and its key investment team, and accordingly, they need not be subject to the NISM certification criteria for their investment team.

4. **Exclusion of accredited investors from investor count:** Regulation 10 (f) of the AIF Regulations requires that no scheme of an AIF will have more than 1,000 (one thousand) investors.

   Under the AIF Third Amendment, accredited investors will be excluded while computing the number of investors in a scheme of an AIF allowing AIFs to have a larger base of accredited investors without breaching the maximum investor limit applicable to schemes.

5. **Tenure extension flexibility:** Prior to the AIF Third Amendment, Regulation 13(5) of the AIF Regulations permitted LVFs to extend tenure up to 5 (five) years subject to the approval of two-thirds of the unit holders by value of their investment.

   The AIF Third Amendment substitutes all references to 'LVF for accredited investors' with 'AIOF' in Regulation 13(5) of the AIF Regulations, thereby providing all AIOFs with the same flexibility in respect of tenure extension.

6. **Pari-passu rights exemption:** Regulation 20(22) of AIF Regulations requires that, other than LVFs, the rights of investors of a scheme of an AIF will be pari-passu in all aspects i.e. differential rights offered to select investors of a scheme of an AIF will not affect the interest of other investors of the scheme.

   Here again, the AIF Third Amendment substituted all references to 'LVF for accredited investors' with 'AIOF' in Regulation 20(22) of the AIF Regulations, thereby extending the exemption to the larger umbrella category of AIOFs.

7. **Manager to discharge trustee responsibilities:** Notably, the AIF Third Amendment introduces a new sub-regulation (24) under Regulation 20 of the AIF Regulations, providing that the responsibilities and obligations of a trustee of an AIF specified under the AIF Regulations will, in the case of an AIOF, be carried out by the manager of the AIOF, thereby eliminating the requirement for a separate trustee for AIOFs.

Conclusion

As noted in the SEBI board meeting on September 12, 2025, the number of accredited investors participating in AIF investments is expected to increase in the coming years, owing both to the lighter-touch regulatory framework under the AIF Regulations, as well as additional steps being taken by SEBI to streamline the accreditation process itself.

Framework for AIFs to make co-investment within the AIF structure under the AIF Regulations

Pursuant to the SEBI (AIFs) (Second Amendment) Regulations, 2025, SEBI, *vide* circular dated September 9, 2025, prescribed a framework for AIFs to make co-investment within the AIF structure. In terms of Regulation 17A (7) of the AIF Regulations, co-investment through a CIV Scheme will be carried out by manager of Category I or Category II AIFs. In this regard, some of the key operational modalities are specified as follows:

1. managers of AIFs must make co-investment for an investor in an investee company either through co-investment PMs under SEBI (PMs) Regulations, 2020 or CIV Scheme route;
2. manager of AIF must file a shelf placement memorandum (in the prescribed template), that *inter alia* includes, principal terms relating to co-investments, governance structure, and regulatory framework for co-investment;
3. each CIV Scheme must have separate bank account and demat account and assets of each CIV Scheme must be ring fenced from assets of the other schemes; and
4. co-investments of an investor in an investee company across CIV Schemes must not exceed 3 (three) times of the contribution made by such investor in the total investment made in the said investee company through the scheme of the AIF to which aforesaid CIV Schemes are affiliated.

Revised regulatory framework for angel funds under the AIF Regulations

Pursuant to the SEBI (AIFs) (Second Amendment) Regulations, 2025, SEBI, *vide* circular dated September 10, 2025, prescribed specific conditions and modalities with respect to various provisions pertaining to angel funds. Some of the key provisions are as follows:

1. angel funds must raise funds only from accredited investors by way of issue of units, in the prescribed manner;
2. an angel fund must on-board at least 5 (five) accredited investors before declaring its first close in the prescribed manner;
3. an angel fund must not launch any schemes for soliciting funds from angel investors or making any investments. Accordingly, investments in investee companies must be made directly by angel funds, without the requirement of launching a scheme for this purpose;
4. angel funds may make additional investments in their existing investee companies which are no longer start-ups ('follow-on investments'), subject to the prescribed conditions;
5. investment by an angel fund in an investee company will be subject to lock-in period of 1 (one) year. The aforesaid lock-in requirement will be for a period of 6 (six) months if the exit from the investment by angel fund is by way of sale to a third party, that is, excluding buy-back by the investee company or purchase by its promoters or their associates. Any such sale must be subject to terms of the articles of association of the investee company; and
6. the investors of an angel fund will have rights in an investment of the angel fund and in the distribution of proceeds of the investment, pro-rata to their contribution to such investment.

Modalities for migration to Accredited Investors Only Schemes and relaxations to LVFs for accredited investors under AIF Regulations

SEBI, *vide* circular dated December 8, 2025, prescribed the modalities for migration to Accredited Investors Only Schemes ("**AI-only schemes**"). Existing AIFs or schemes can convert to AI-only schemes or LVFs schemes with investor consent, subject to reporting requirements to SEBI and depositories within 15 (fifteen) days of conversion. Maximum permissible extension for AI-only schemes is 5 (five) years, including prior tenure. LVFs are exempted from following the standard placement memorandum template and annual audit requirements without specific investor waivers. Trustees or sponsors must ensure compliance through the Compliance Test Report ("**CTR**").

Key Modalities under the circular

1. **Launch and naming of AI-only and LVF schemes:** Any new scheme proposed to be launched as an AIOF or LVF will have the words 'AI only fund' or 'LVF' respectively, added to the scheme name at the end. (For example, 'XYZ AI only fund' and 'ABC LVF').
2. **Migration/conversion of existing schemes:**
   a) Existing eligible AIFs/schemes of AIFs launched prior to the notification of the Third Amendment may convert or migrate to AIOF or LVFs only upon obtaining positive consent from all the investors and subject to meeting the respective regulatory conditions for AIOF or LVF structures.
   b) After conversion, the scheme must: (i) change its name to include the 'AI only fund' or 'LVF' suffix; and (ii) report the conversion and name change to SEBI and the depositories within 15 (fifteen) days of conversion.
3. **AI status and investor eligibility:** The AIF Regulations define 'accredited investors' as investors who meet certain specified financial thresholds, and are granted certificates of accreditation by accreditation agencies. The circular clarifies that once an investor is onboarded into a scheme as an AI, their status will be reckoned as an AI throughout the life of the scheme, even if such investor were to lose such status in the interim. This allows for long-term certainty for both AIF managers and investors and avoids the need for managers to re-test the AI status of investors in the middle of the fund tenure.
4. **Clarification on tenure extension:** The circular clarifies that an AIOF may extend its tenure by up to 5 (five) years in total, including any tenure extensions already granted before conversion to a AIOF or LVF.
5. **Additional relaxations for LVFs:** LVFs receive further compliance relaxations over and above AIOF, consistent with the higher ticket size required for investment in LVFs. Pursuant to the circular, LVFs are now exempted from:
   a) following the standard Private Placement Memorandum ("**PPM**") template as prescribed by SEBI; and
   b) the requirement of annual audit of the terms of the PPM.

   Notably, each of these exemptions are available to LVFs without the requirement of obtaining specific waivers from investors.
6. **Compliance obligation on trustee/sponsor of AIF:** In terms of Paragraph 15.2 of the Master Circular for AIFs, trustees and sponsors of AIFs are required to prepare a CTR. The CTR is a quarterly certificate confirming that the AIF and its schemes comply with all SEBI AIF regulations, circulars and PPM disclosures. The circular clarifies that the CTR will also cover compliance with the provisions of the circular.

Conclusion

Given the lighter-touch regulatory framework made available for AIOFs and LVFs under the Third Amendment, managers and sponsors of existing AIFs are exploring conversion and migration to AIOFs and LVFs. Now, with the issuance of the circular, SEBI has paved the way for such conversion by providing more clarity on the modalities for such conversion.

Real Estate Investment Trusts and Infrastructure Investment Trusts

SEBI (InvITs) (Third Amendment) Regulations, 2025

SEBI, *vide* notification dated September 1, 2025, amended the SEBI (InvITs) Regulations, 2014 ("**InvIT Regulations**"). Some of the key amendments are as follows:

1. a proviso is inserted to the definition of the term 'public' stating that the sponsor, sponsor group, investment manager and project manager of InvITs will not be considered as 'public' for the purpose of the InvIT Regulations;

2. in a private placement, the minimum investment from any investor Is INR 25,00,000 (Indian Rupees twenty five lakh) instead of the INR 1,00,00,000 (Indian Rupees one crore). Further, the restriction that if such a privately placed InvIT invests or proposes to invest not less than 80% of the value of the InvIT assets in completed and revenue generating assets, the minimum investment from an investor must be INR 25,00,00,000 (Indian Rupees twenty five crore) is removed;
3. new sub-regulation 5A is inserted to Regulation 21 of the InvIT Regulations deals with valuation of assets. It states that where the consolidated borrowings and deferred payments of an InvIT, in terms of Regulation 20 of the InvIT Regulations, exceeds 49%, a quarterly valuation of the assets of the InvIT must be conducted by the valuer as at the end of the quarters ending June, September and December for incorporating any key changes from the previous quarter and such quarterly valuation report must be submitted by the investment manager to the designated stock exchange(s) along with the quarterly financial results of the corresponding quarter;
4. in Regulation 23 of the InvIT Regulations dealing with disclosures, the requirement of submitting half-yearly report to the designated stock exchange along with the quarterly financial results for the quarter ending September 30th is only on an investment manager of a publicly offered InvIT; and
5. new sub-regulation 4A is inserted to Regulation 23 of the InvIT Regulations stating that the investment manager of an InvIT must submit a quarterly report to the designated stock exchange(s) along with the quarterly financial statements for the quarters ending June, September and December if the consolidated borrowings and deferred payments of such InvIT, in terms of Regulation 20, is above 49%.

SEBI (REITs) (Second Amendment) Regulations, 2025

SEBI, *vide* notification dated September 1, 2025, amended the SEBI (REITs) Regulations, 2014 ("**REIT Regulations**"). Some of the key amendments are as follows:

1. a proviso is inserted to the definition of the term 'public' stating that the sponsor, sponsor group and manager of the REITs will not be considered as 'public' for the purpose of the REIT Regulations;
2. a proviso is inserted to Regulation 18(16)(aa)(i) stating that if the net distributable cash flow generated by the holdco on its own is negative then such holdco may adjust it against the cash flows received from its underlying special purpose vehicles provided that it makes appropriate disclosures in this regard to the unitholders; and
3. a proviso is inserted to Regulation 21(4) with respect to valuation of assets, stating that full valuation must be conducted as at the end of the financial year ending March 31 and the valuation report must be submitted by the manager to the designated stock exchange(s) along with the annual financial results.

SEBI (REITs) (Third Amendment) Regulations, 2025 and SEBI (InvITs) (Fourth Amendment) Regulations, 2025

SEBI, *vide* notifications dated December 9, 2025, amended the REIT Regulations and the InvIT Regulations. Some of the key amendments are as follows:

1. the amendments revise the definition of certain investor categories, including family trusts and intermediaries, requiring them to have a net worth exceeding INR 500,00,00,000 (Indian Rupees five hundred crore) as per the last audited financial statements to be recognised under the relevant clause;
2. the definition of 'qualified institutional buyer' is aligned with the meaning assigned under the ICDR Regulations, ensuring uniformity across regulatory frameworks; and
3. the definition of 'strategic investor' is amended by expanding eligibility to institutional investors, specific FPIs, and regulated non-banking finance companies across middle, upper and top layers. Strategic investors must invest at least 5% of the total offer size, subject to compliance with the Foreign Exchange Management Act, 1999.

Review of framework for conversion of private listed InvITs into public InvITs

SEBI, *vide* circular dated August 8, 2025, amended Chapter 14 of the Master Circular for InvITs dated May 15, 2024, which provides the framework for conversion of private listed InvITs into public InvITs. Some of the key amendments are as follows:

1. the requirements pertaining to minimum contribution from the sponsor(s) and sponsor group(s) in the public issue of units for conversion of a private listed InvIT into a public InvIT are streamlined. In this regard:
    a) the sponsor(s) and sponsor group(s) must comply with the minimum unitholding requirement as specified in Regulations 12(3) and 12(3A) of the InvIT Regulations, as applicable, at all times; and
    b) the lock-in on units held by the sponsor(s) and sponsor group(s) must comply with the minimum unitholding requirement as specified in Regulation 12(5) of the InvIT Regulations; and
2. the procedure and disclosure requirements for public offer of units to convert a private listed InvIT into a public InvIT are aligned with the procedure and disclosure requirements applicable for follow-on offer. In this regard, the InvIT must comply with the requirements for follow-on offer prescribed under InvIT Regulations and the circulars issued thereunder, for public issue of units.

Reclassification of REITs as equity related instruments for facilitating enhanced participation by MFs and specialized investment funds

SEBI, *vide* circular dated November 28, 2025, stated that with effect from January 1, 2026, any investment made by MFs and Specialized Investment Funds ("**SIFs**") in REITs will be considered as investment in equity related instruments. InvITs will continue to be classified as hybrid instruments for the purpose of investments by MFs and SIFs. Further, existing REIT holdings in debt schemes and SIF strategies as of December 31, 2025, will be grandfathered. The Association of MFs in India will include REITs in the list of classification of scrips as per their market capitalisation. Additionally, REITs may be included in equity indices only after July 1, 2026.

Foreign Portfolio Investors and Foreign Venture Capital Investors

SEBI (FPIs) (Second Amendment) Regulations, 2025 and SEBI (FVCIs) (Amendment) Regulations, 2025

SEBI, *vide* notifications dated December 1, 2025, issued the SEBI (FPI) (Second Amendment) Regulations, 2025 ("**FPI Amendment**") and SEBI (FVCIs) (Amendment) Regulations, 2025 ("**FVCI Amendment**"). The concept of Single Window Automatic and Generalised Access for Trusted Foreign Investor ("**SWAGAT-FI**") is introduced and consequent relaxations to the eligibility and fee framework are introduced. The FPI Amendment and FVCI Amendment will come into force 180 (one hundred and eighty) days from publication in the official gazette.

Some of the key amendments are as follows:

1. **SWAGAT-FI – concept and scope**: The term SWAGAT-FI is inserted in the SEBI (FPIs) Regulations, 2019 ("**FPI Regulations**") and SEBI (FVCIs) Regulations, 2000 ("**FVCI Regulations**"), which includes: (a) Government and Government related investors under Regulation 5(a)(i) of the FPI Regulations; and (b) public retail funds as defined in the explanation to Regulation 22(4) of the FPI Regulations, subject to SEBI specified conditions.
2. **Amendments to the FPI Regulations:**
    a) a proviso is inserted to Regulation 4 (c) (v) of the FPI Regulations to allow MFs as constituents of applicants, include retail schemes under AIFs, and redefines the roles of fund management entities and associates; and
    b) registration fees for SWAGAT-FI are now payable in advance for 10 (ten)-year blocks

before the beginning of such block, instead of the standard periodic payments.

3. **Amendments to the FVCI Regulations:**

   a) Regulation 3(2) of the FVCI Regulations (dealing with eligibility/conditions for grant of FVCI registration) is amended to insert a proviso that the provisions of sub-regulation (2) will not apply to a SWAGAT-FI, thereby exempting such trusted investors from certain entry-level conditions;

   b) in case of a SWAGAT-FI, renewal fees have to be paid every 10 (ten) years from the eleventh year of registration; and

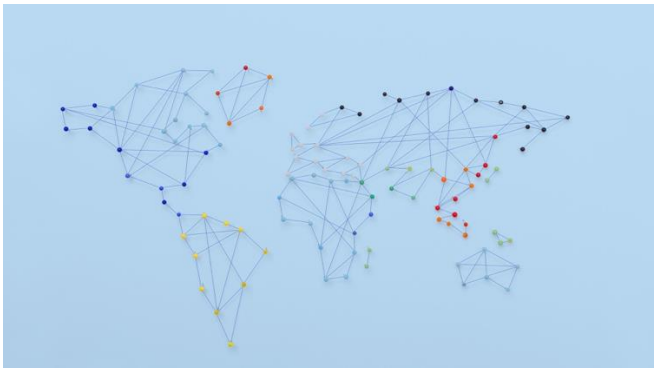
   c) the standard investment limits of 66.67% and 33.33% under the FVCI Regulations will not apply to SWAGAT-FIs and the renewal fees for SWAGAT-FIs must be collected in advance for 10 (ten) year blocks.

Ease of regulatory compliances for FPIs investing only in Government Securities

SEBI, *vide* circular dated, September 10, 2025, eased out the regulatory compliances for FPIs investing only in Government Securities ("**GS-FPIs**"). The Master Circular for FPIs, Designated Depository Participants and Eligible Foreign Investors is amended as follows:

1. FPIs that invest exclusively in Government Securities under fully accessible route will not be required to furnish investor group details;
2. GS-FPIs are now exempted from providing detailed investor group information and from the need to inform SEBI of certain changes in their information, except for material changes;
3. the requirement for a declaration of no changes during the 3 (three)-year registration renewal period will not apply to GS-FPIs;
4. to facilitate transition between regular FPI and GS-FPI, new mechanism is established under Para 19 for FPIs to easily transition between being a regular FPI and a GS-FPI, and vice versa; and
5. the KYC review process is simplified, by aligning its periodicity with the FPI's bank account KYC cycle as prescribed by RBI.

These provisions were enforced from February 8, 2026.



International Financial Services Centres Authority

Clarification on the listing of convertible debt securities on recognised stock exchanges in International Financial Services Centres

The International Financial Services Centres Authority, *vide* notification dated September 18, 2025, issued a clarification that the procedure, manner and conditions specified for the listing of debt securities under the International Financial Services Centres Authority (Listing) Regulations, 2024 will *mutatis mutandis* apply to convertible debt securities which are in the nature of foreign currency convertible bonds or similar instruments, until their conversion, for the purpose of listing on recognised stock exchanges in International Financial Services Centre

Private Equity Practice

We provide legal services to private equity funds across the full range of their operations and activities, besides International and Domestic entities. The private equity practice represents both investors and investee entities in diverse sectors. We are actively involved in legal and governmental issues affecting the private equity and venture capital industry on a national level, including legislative and regulatory matters, and provide ongoing support, advice and views to the various committees of SEBI. The private equity practice complements and works closely with our investment funds practice to provide legal advice on several aspects such as:

1. Onshore and Offshore structuring and formation of funds in India and overseas and enabling tax efficient modes of investing in India;
2. Investment structures to ensure compliance with Takeover Regulations, Insider Trading Regulations;
3. Representation of funds, either alone or as lead members of a syndicate;
4. Drafting applications for regulatory approvals and liaising with regulatory authorities, including SEBI/ Reserve Bank of India (RBI) registrations and compliance;
5. Drafting offer documents for the raising of funds;
6. Due Diligence of prospective investee companies and targets;
7. Negotiation assistance from term sheet stage till closing;
8. Assisting in downstream investments;
9. Advising on ongoing activities of portfolio companies;
10. Assistance with exit strategies and implementation thereof;
11. Advising investee companies on issues relating to receiving venture capital and PE investment;
12. Negotiations and drafting of transaction documents including investor agreements, share subscription/purchase agreements, joint venture agreements and shareholder agreements;
13. Documentation and overall transactional support, including working closely with regulators like RBI, Foreign Investment Facilitation Portal (FIFP) and SEBI; and
14. Structuring incentives and sharing of the 'carry' for fund managers and research analysts.

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40 Ranked Lawyers

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