

Start Fund

The full sequence from thesis to first close: track record, anchor LPs, structure, regulatory filings and the realistic timeline.

Overview

A first fund takes twelve to eighteen months from decision to first close, and most of that time is spent on two things: proving a track record and finding an anchor. Everything else — structure, filings, service providers — is execution that follows a known order.

Phase 1 — Thesis and track record (months 0-4)

- Write the thesis as one sentence: stage, sector, geography, cheque size, and the reason you specifically win those deals.
- Assemble a verifiable track record: angel investments, SPVs, or attributed deals from a prior firm, with entry valuation, current mark and evidence.
- Model the fund: target corpus, cheque size, number of investments, reserve ratio, and the ownership needed to return the fund.
- Run two to three SPVs if the track record is thin. An SPV proves you can source, diligence, syndicate and report.

Phase 2 — Anchor and pipeline (months 3-9)

- Identify 10-15 potential anchors: family offices, HNIs, corporate treasuries, funds of funds.
- Target an anchor at 15-25% of target corpus. Below 10%, the signalling value is limited.
- Build an LP pipeline of 100+ names, tracked with stage, cheque indication and next step.
- Prepare the LP pack: 12-15 slide deck, track record appendix, DDQ responses, and a one-page term summary.

Phase 3 — Structure and registration (months 6-12)

- Choose the vehicle: India trust structure registered as a SEBI AIF Category I (VCF) or II, or a GIFT City IFSC fund for offshore LPs.
- Appoint the manager entity and sponsor, and commit the sponsor capital (lower of 2.5% of corpus or ₹5 Cr).

- File the SEBI AIF application: PPM, trust deed, contribution agreement, compliance manual. Allow 8–16 weeks.
- Appoint service providers: fund administrator, custodian where required, auditor, tax adviser and legal counsel.

Phase 4 — First close and deployment (months 12–18)

- First close at 25–40% of target corpus is normal; do not wait for full corpus to start investing.
- Issue the first drawdown notice only when a deal is ready. Idle called capital drags IRR.
- Set the reporting cadence with LPs from day one: quarterly report, annual audited accounts, annual LP meeting.
- Keep the fundraising open for 12 months after first close for subsequent closes with equalisation interest.

Costs to budget

- Legal and structuring: ₹15–30 lakh for a first India AIF.
- SEBI registration fee and annual compliance: ₹5–10 lakh in year one.
- Fund administration and audit: ₹6–12 lakh a year.
- These are paid before management fee income begins, so plan working capital for the manager entity separately.

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