

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE**

RAJYA SABHA

**UNSTARRED QUESTION NO. 3878.
TO BE ANSWERED ON FRIDAY, THE 27TH MARCH, 2026.**

FUND OF FUNDS ALLOCATION TO AI STARTUPS AND SYSTEMATIC RISK

3878. SHRI SANJAY KUMAR JHA:

Will the Minister of **Commerce and Industry** be pleased to state:

- (a) whether it is a fact that the Ministry has planned to allocate a major part of the second Fund of Funds Scheme (FFS) to startups in new-age technology, Artificial Intelligence (AI), and Machine Learning (ML); and
- (b) if so, manner in which the Ministry plans to mitigate the associated non-diversifiable or systematic risks associated with high investments in the same sector?

ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY
(SHRI JITIN PRASADA)**

- (a): The Union Cabinet has recently approved the establishment of the Startup India Fund of Funds 2.0 (Startup India FoF 2.0) with a total corpus of Rs. 10,000 crore. The Scheme is designed to accelerate the next phase of India's startup journey by mobilising long-term domestic capital, strengthening the venture capital ecosystem, and supporting innovation across the country.

The new fund will adopt a targeted and segmented funding approach, with a focus on deep-tech, technology-driven innovative manufacturing, and early-growth innovative ideas, thereby catalysing venture capital investments across emerging sectors, including new-age technologies.

The Scheme builds upon the experience and performance of the Fund of Funds for Startups Scheme (FFS 1.0) implemented under the Startup India initiative. Under FFS 1.0, the Government provides capital to Securities and Exchange Board of India (SEBI)-registered Alternative Investment Funds (AIFs) through the Small Industries Development Bank of India (SIDBI), which in turn invests in startups across sectors. As on 31st January 2026, supported AIFs under the Scheme have invested Rs. 25,859.38 crore in 1,382 selected startups across over 20 sectors.

The sector-wise details of startups supported by AIFs under the FFS are placed as **Annexure-I**.

- (b): The Fund of Funds for Startups (including Startup India FoF 2.0), does not directly invest in startups, instead provides capital to SEBI-registered AIFs, which in turn invest in startups, ensuring private capital participation and risk sharing, mitigating the systematic risks. AIFs are pooled investment vehicles which raise funds from investors/contributors and invest, inter-alia, in securities of unlisted companies such as startups. AIFs are regulated under the provisions of SEBI (Alternative Investment Funds)

Regulations, 2012 (AIF Regulations). Under these Regulations, AIFs are required to ensure that an effective risk management process and appropriate internal controls are in place.

Further, the AIF selection under the Startup India FoF 2.0 provisions a two-stage process i.e. screening by a Venture Capital Investment Committee (VCIC) with external experts and detailed due diligence by the Implementation Agency (IA), followed by Board (of the IA) approval focusing on AIFs managed by professionals with proven track record. Further, continuous monitoring by the IA, periodic reporting (including portfolio details), review by the Department, oversight by an Empowered Committee, and third-party evaluation provide overall governance and monitoring for the Scheme.

ANNEXURE-I**ANNEXURE REFERRED TO IN REPLY TO PART (a) OF THE RAJYA SABHA UNSTARRED QUESTION NO. 3878 FOR ANSWER ON 27.03.2026.**

Sector-wise details of startups selected by AIFs under the FFS as on 31st January 2026 are as follows:

Sector	No. of startups selected by AIFs	Amount invested by AIFs (in Rs. crore)
Advertising/Media/Entertainment	60	760.44
Agriculture/AgriTech	67	1776.14
Artificial Intelligence / Robotics	35	689.16
Automotive	25	662.13
BioTechnology	6	20.56
Business Product and Services	66	1446.40
Clean Tech/ Clean Energy	39	1057.62
Consumer Goods & Services	108	1895.57
E-Commerce	55	982.79
Education/Edtech	60	890.85
Environment	6	66.65
Financial Services/Fintech	132	3841.14
Food & Beverages	75	1579.40
Genomics	3	22.20
Healthcare/Health-tech	149	2999.17
IT & ITES	334	4170.28
Logistics/Transport	57	1244.57
Manufacturing	67	1230.24
Others	11	134.07
Space Tech	14	233.58
Travel and Tourism	13	156.44
Total	1,382	25,859.38
