INTERVIEW: RAMESH ABHISHEK

SECRETARY, DIPP

Fund flow to start-ups to get a boost soon

*The government is changing certain rules for the fund of funds announced last year to make it more attractive for venture funds to invest, and start-ups could see a dramatic rise in fund flow, as the teething trouble will be over soon. In an interview to FE's **Surbhi Prasad** and **Banikinkar Pattanayak**, department of industrial policy and promotion (DIPP) secretary Ramesh Abhishek said the government is working out a mechanism to replace the Foreign Investment Promotion Board (FIPB) and that administrative departments should ideally get to approve FDI proposals. Excerpts...*

The Budget 2017-18 has envisaged a greater liberalisation in India's FDI regime. Which are the sectors are you looking at to further ease FDI rules?

Nothing has been decided yet. We have already liberalised a lot. The idea to go for further easing to attract even more foreign investments has always been there. Even the FIPB will now have to be dismantled (as suggested in the Budget) for which a mechanism is being worked out. So which sectors will see further reforms will be decided after comprehensive discussions with various departments.

Who will approve FDI proposals once the FIPB is dismantled—sectoral regulators or administrative departments?

This is being discussed but ideally any approval that is supposed to come from the government should come from the government, and not regulators. The work of the regulator has already been laid down in the law and they can't go beyond the ambit of the law. Also, if the approval isn't going to come from an inter-ministerial body like the FIPB any more, it won't come from another body as well, because replacing one body with another isn't going to result in further ease of doing business. In such a case, ideally, the approval could be given by the administrative departments concerned. However, the government is yet to finalise a mechanism.

What will be the role of the DIPP once the FIPB ceases to exist?

See, there has to be a central mechanism (DIPP) to receive all applications online. It should then send those applications to relevant departments for necessary inputs and action. So one such centralised

mechanism has to be there.

Has the government decided on the concessions being sought by Apple to start manufacturing here?

Apple has asked for some concessions, many of which relate to tax policies and a few other things. Earlier, we had met the departments concerned and they haven't yet come back to us with their comments. We will have meetings soon and I will remind them to give their response. Four departments—revenue, electronics and information technology, commerce and environment — will provide us with their inputs on Apple's demands.

Have Apple executives met you again after the inter-ministerial panel meeting on January 26?

We are always open to meeting potential investors. So they (Apple executives) also keep coming and we keep meeting them.

How much of funds have so far been released from the fund of funds, which has a corpus of ₹10,000 crore, to start-ups?

It's important to note that this fund of funds will be covered in two finance commission cycles (through 2025). So roughly, it comes to around ₹1,100 crore per year. In the first year (2016-17), ₹600 crore is being given (to SIDBI which is to manage it). So far, we (SIDBI) have committed ₹129 crore. See, the government isn't funding any start-up directly. It is a fund of funds. We are taking equities in other funds which are selecting start-ups (for investments). There is an investment committee that recommends and SIDBI decides on putting in money. Until now, the venture capital (VC) funds (that put in money, along with SIDBI, to set up the fund of funds) are mandated to invest the money only in start-ups. Market participants told us that the investors are not ready to put all their money in start-ups (SIDBI usually contributes around 15% of the fund and the rest comes from VC funds). So what we now propose is that whatever is the contribution of SIDBI to the fund, at least double of that amount must go to start-ups (from that fund). So if we invest, say ₹600 crore in a fund, at least ₹1,200 crore must go to start-ups (to cut risks, the rest can go to firms that are at a more mature stage). So SIDBI has already selected about 15 funds with a corpus of ₹6,800 crore, and they are ready to commit and sanction if this new rule is implemented.

Moreover, we have asked SIDBI to take up to 35% of equity in a fund. Currently, it offers funds (in lieu of equity) to the tune of only 15-20%. We have suggested that SIDBI give more funds because other investors are finding it difficult to arrange so much of funds from the market.

Market participants have told us that SIDBI's processes are too long, so we have asked it to fast-track its processes. All these steps will be over this month after which we expect significant improvement in the commitment as well as disbursement of funds.