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Corporate & Commercial

Monthly Newsletter

November 2025

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No Right Before 1956: Chhattisgarh High Court Reaffirms Precedence of Mitakshara Law Over Hindu Succession Act, 1956

Background

In the landmark judgement of *Smt. Ragmania (Deceased) through LRs Kariman Das v. Jagmet & Others*, the Chhattisgarh High Court revisited a recurring inheritance issue - whether a daughter can claim rights in her father's property when his death predates the Hindu Succession Act, 1956. The Court answered firmly in the negative, holding that such rights are governed by the uncodified Mitakshara law, under which daughters were not heirs if a male descendant survived.

Facts in Brief

The dispute related to agricultural lands originally held by two brothers, Sudhinram and Budhau, in Surguja district. Sudhinram died in 1950–51, and the property was mutated solely in favour of his son, Baigadas. Several decades later, his daughter, Ragmania, sought partition and inclusion of her name in the revenue records, claiming inheritance rights under the Hindu Succession Act, 1956.

Both the trial and first appellate courts dismissed her claim. In second appeal, the question before the High Court was whether the succession had opened under Mitakshara law (pre-1956) or under the codified regime of the Hindu Succession Act, 1956.

The Court's Reasoning: Succession Opens at Death

The High Court reiterated a fundamental principle of succession law i.e., the rights of inheritance crystallise at the moment of the ancestor's death. Since Sudhinram had died before the commencement of the Hindu Succession Act, his estate devolved according to Mitakshara principles.

Under Mitakshara law, when a son survived, a daughter did not inherit. The Hindu Law of Inheritance (Amendment) Act, 1929, though progressive, did not displace this rule; it merely expanded the scope of succession to certain female heirs in the absence of a male issue.

By contrast, the Hindu Succession Act, 1956, introduced a statutory scheme that gave daughters the status of Class I heirs, and the 2005 amendment further elevated their rights as coparceners. However, the Court clarified that these statutory changes could not retrospectively disturb successions that had already vested.

Reliance on Supreme Court Precedents

The Court drew support from *Arshnoor Singh v. Harpal Kaur* (2019 Indlaw SC 594) and *Arunachala Gounder v. Ponnusamy* (Civil Appeal No. 6659 of 2011), where the Supreme Court emphasised that the applicable law of succession is determined by the date of death. Once succession opens, subsequent legislative changes do not reopen vested rights.

Decision

Holding that the family was governed by Mitakshara law, the High Court ruled that Sudhinram's estate devolved entirely upon his son, and that the mutation in favour of the defendants was valid. The second appeal was dismissed without costs.

Our Analysis

From a doctrinal standpoint, the judgment reaffirms the settled position on the interplay between Section 6 of the Hindu Succession Act, 1956 and the principle of *opening of succession*. Succession to property "opens" upon the death of the owner, and the law applicable on that date governs the devolution. The Act, being non-retrospective, does not reopen successions that had already crystallized prior to its commencement in 1956, irrespective of whether mutation or partition entries were subsequently recorded.

In the landmark judgment of *Vineeta Sharma v. Rakesh Sharma & Others (2020)*, the Court drew a critical distinction between retrospective and retroactive legislation, a distinction that is often blurred in discourse. A retrospective law redefines the legal consequences of past actions, whereas a retroactive law operates on existing rights or relationships that are still in flux. The 2005 amendment to Section 6, granting coparcenary rights to daughters, is retroactive, not retrospective, as it applies to daughters *born earlier* but only if the coparcenary and the father's rights were subsisting on the date of amendment. It thus does not disturb successions that had already been "opened" and settled prior to the amendment.

Further, the Court's reasoning resonates with the Euclid principle that judicial decisions must rest on *facts that are certain and crystallized*, not on speculative or unsettled claims. By upholding finality in property rights and respecting the factual timeline of devolution, the Court sought to preserve legal certainty and prevent the unsettling of long-closed inheritances.

While the outcome may appear inequitable from a gender parity perspective, it reflects a cautious fidelity to legislative intent and constitutional predictability, ensuring that reform operates prospectively without eroding the stability of settled titles.

Our Analysis

- Timing is everything

  The law applicable to succession depends strictly on the date of the ancestor's death.

- No retrospective application

  The Hindu Succession Act, 1956, and its 2005 amendment cannot reopen pre-1956 successions.

- Mitakshara principles still relevant

  For death of Father before 1956, daughters cannot claim inheritance where a male heir survived.

- Practical insight

  In title verification and due diligence, it is critical to identify the date of death and corresponding succession regime before assessing heirs' rights.

Revised Regulatory Framework for Angel Funds under the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2025: A New Phase in India's Early-Stage Investment Ecosystem

Background

"Angel Funds"[1] were first introduced in India in 2013 as a sub-category of Venture Capital Funds[2] ("VCFs") under Category I Alternative Investment Funds[3] ("Category I AIFs") through the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2013, which amended the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (the "AIF Regulations"). The intent behind introducing Angel Funds was to facilitate collective investments by high-net-worth individuals and experienced investors into early-stage ventures, thereby fostering entrepreneurship and innovation in the Indian start-up ecosystem.

Recognizing the need to modernize the regime governing Angel Funds, the Securities and Exchange Board of India ("SEBI") issued a 'Consultation Paper on Review of Regulatory Framework for Angel Funds in AIF Regulations' on November 13, 2024 (the "Consultation Paper").

Pursuant to the comments received from industry stakeholders on the Consultation Paper, SEBI on September 8, 2025 notified the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2025 (the "AIF Amendment Regulations 2025"). The AIF Amendment Regulations 2025 was further supplemented by SEBI's Circular titled "Revised Regulatory Framework for Angel Funds under AIF Regulations"[4] (the "Circular"), issued on September 10, 2025, to introduce a transformative overhaul of the regulatory architecture governing Angel Funds in India.

Introduction

The AIF Amendment Regulations 2025 have has formally repositioned Angel Funds as a distinct and independent sub-category under Category I AIFs, thereby separating them from VCFs with which they were earlier grouped.[5] Through the AIF Amendment Regulations 2025, SEBI has introduced comprehensive changes to the substantive provisions of the AIF Regulations, redefining the regulatory identity of Angel Funds and embedding new norms on investor eligibility, investment thresholds, and governance obligations. In parallel, SEBI has issued the Circular, which operationalises and supplements the AIF Amendment Regulations 2025 by way of prescription of specific modalities and compliance procedures governing the implementation of the AIF Amendment Regulations 2025. The AIF Amendment Regulations 2025 establishes the statutory foundation for the revised regime and the Circular provides the operational clarity necessary for its uniform application across the industry.

While the AIF Amendment Regulations 2025 came into force upon publication in the Official Gazette on September 8, 2025, SEBI has provided a one-year transition window up to September 8, 2026, for existing Angel Funds to align with the new eligibility and investor norms, as provided in the Circular.

Key Amendments

1. Fundraising Restricted to Accredited Investors
   - A fundamental change post the AIF Amendment Regulations 2025 is the requirement that Angel Funds shall raise capital only from Accredited Investors[6] ("AI(s)").[7]
   - The Circular provides a transitional framework to facilitate compliance with the new eligibility requirements.[8] Angel Funds registered after September 10, 2025 are permitted to raise capital only from AIs.[9] However, Angel Funds that were registered on or prior to [this date/September 10, 2025] may, during the transition period ending September 8, 2026, continue to onboard up to 200 non-AIs.[10] After the expiry of the

[1]Regulation 19A(1) defines an "angel fund" as a sub-category of Category I - Alternative Investment Fund that raises funds from AIs and invests in accordance with the provisions of Chapter III A of the AIF Regulations.
[2]Regulation 2(z) of the AIF Regulations defines a "venture capital fund" as an Alternative Investment Fund which invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model and shall include a migrated venture capital fund as defined under Chapter III-D.
[3]Regulation 3(4)(a) of the AIF Regulations defines "Category I Alternative Investment Fund" as those which invests in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable.
[4]SEBI Circular No. SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/128 dated September 10, 2025
[5]Regulation 3 V (i) of the AIF Amendment Regulations 2025, amending Regulation 19A(1) of the AIF Regulations.
[6]Regulation 2(1)(ab) of the SEBI AIF Regulations defines "accredited investor" to mean:
"any person who is granted a certificate of accreditation by an accreditation agency who,
(i)in case of an individual, Hindu Undivided Family, family trust or sole proprietorship has:
(A) annual income of at least two crore rupees; or
(B) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or
(C) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.
(ii) in case of a body corporate, has net worth of at least fifty crore rupees;
(iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees;
(iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation."
[7] Regulation 3 VIII (i) of the AIF Amendment Regulations 2025, amending Regulation 19D(1) of the AIF Regulations.
[8] Para 2.1 and 2.2 of the Circular.
[9] Para 2.1 of the Circular.
[10] Para 2.2(a) of the Circular.

aforementioned transition period, all Angel Funds will be required to ensure that their investor base comprises exclusively of AIs.[11] However, the Circular allows existing non-AIs to continue holding their current investments in the Angel Fund in accordance with the terms of the Private Placement Memorandum ("PPM") and/or the fund documents of the Angel Fund.[12]

- The Circular mandates that at the time of accepting an investment, the Manager of an Angel Fund must verify that each investor qualifies as an AI,[13] either by possessing a valid accreditation certificate or by satisfying the conditions prescribed for a deemed AI[14] under the AIF Regulations.[15]

2. Minimum Investor Requirement and First Close Timeline
   - Earlier, the AIF Regulations did not prescribe a minimum number of investors or a specific timeline within which an Angel Fund was required to declare its first close.
   - The AIF Amendment Regulations 2025 has inserted Regulation 19D(6), which has introduced a mandatory minimum investor threshold and a definitive timeline for the first close. Each Angel Fund must now onboard at least five AIs before declaring its first close and such first close must occur within 12 months from the date SEBI communicates that the PPM has been taken on record.[16] Further, the Circular states that existing Angel Funds that have not yet declared their first close are required to do so by September 8, 2026.[17] If this timeline is not met, the Angel Fund must refile its PPM with SEBI and pay the requisite fee.[18]
3. Elimination of "Scheme-wise" Structure and Term-Sheet Filing at fund-level with SEBI
   - Before the AIF Amendment Regulations 2025, Angel Funds were permitted to raise monies through multiple schemes, each representing a separate pool of investments. For every such scheme, the Angel Fund was required to file a term sheet with SEBI prior to making an investment.[19] This mechanism was designed to mirror the structure of VCFs.
   - This scheme-wise investment model has now been omitted and pursuant to the AIF Amendment Regulations 2025, Regulation 19E expressly provides that Angel Funds shall not launch any schemes for soliciting investments. Instead, investments in investee companies will be made directly by Angel Funds at the fund level.[20] Pursuant to this, the Circular dispenses with the obligation to file term sheets for each scheme of investment with SEBI, and requires Managers[21] to maintain records of term sheets for each investment undertaken by the Angel Fund, including maintaining the list of participating investors and their respective contributions in each investment.[22]
4. Investment Limits and Lock-in Period for Investments
   - Before the AIF Amendment Regulations 2025, the investment by an Angel Fund in an investee company was mandated to be not less than INR 25 lakhs and not exceed INR 10 crores. Furthermore, it was provided that not more than 25 per cent of the Angel Fund's total investments, across all schemes, could be deployed in one venture capital undertaking.[23] And the Angel Fund was required to ensure that the above prohibition was complied with by the Angel Fund by the end of its tenure.
   - Under the AIF Amendment Regulations 2025, Regulation 19F(2) has been amended and the minimum investment limit has been reduced to INR 10 lakhs, and the maximum investment limit has been increased to INR 25 crores.[24] The aforementioned concentration limit of 25 per cent of the total investment of an Angel Fund across all schemes in one investee company has been omitted as the concept of scheme-wise investment by an Angel Fund has been withdrawn.
   - Previously, investments made by an Angel Fund in any investee company were required to be locked-in for a minimum of one year before exit. The AIF Amendment

[11] Para 2.2(b) of the Circular.
[12] Para 2.2(c) of the Circular.
[13] Regulation 2(1)(ab) of AIF Regulations prescribes the following conditions for an "accredited investor": any person who is granted a certificate of accreditation by an accreditation agency who, (i) in case of an individual, Hindu Undivided Family, family trust or sole proprietorship has: (A) annual income of at least two crore rupees; or (B) net worth of at least seven crore fifty lakh rupees, out of which not less than three crores seventy-five lakh rupees is in the form of financial assets; or (C) annual income of at least one crore rupees and minimum net worth of five crore rupees, out of which not less than two crore fifty lakh rupees is in the form of financial assets.; (ii) in case of a body corporate, has net worth of at least fifty crore rupees; (iii) in case of a trust other than family trust, has net worth of at least fifty crore rupees; (iv) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation.
[14] The provision to Regulation 2(1)(ab) of the AIF Regulations defines a "deemed accredited investor" thus: "*Provided that the Central Government and State Governments, developmental agencies set up under the aegis of the Central Government or State Governments, qualified institutional buyers as defined under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the Board from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.*"
[15] Para 2.3 of the Circular.
[16] Para 3.1 of the Circular.
[17] Para 3.2 of the Circular.
[18] Para 3.3 of the Circular.
[19] Before the AIF Amendment Regulations 2025, Regulation 19E(1) of the AIF Regulation stated "*The angel fund may launch schemes subject to filing of a term sheet with the Board, containing material information regarding the scheme, in the format and time period as may be specified by the Board.*"
[20] Para 4.1 of the Circular.
[21] Regulation 2(q) of the AIF regulations defines "manager" as any person or entity who is appointed by the AIF to manage its investments by whatever name called and may also be same as the Sponsor of the Fund.
[22] Para 4.2 of the Circular.
[23] Prior to its substitution, Regulation 19F(2) stated "*Investment by an angel fund in any venture capital undertaking shall not be less than twenty five lakh rupees and shall not exceed ten crores rupees.*
Prior to its omission, Regulation 19F(5) stated – "*(5) Angel funds shall not invest more than twenty-five per cent of the total investments under all its schemes in one venture capital undertaking: Provided that the compliance to this sub-regulation shall be ensured by the Angel Fund at the end of its tenure.*"
[24] Regulation 3 X (ii) of the AIF Amendment Regulations 2025, amending Regulation 19F(2).

Regulations 2025, read with the Circular, amends Regulation 19F(3) and retains the one-year lock-in as the general rule but introduces a qualified exception, which states that if the Angel Fund exits by way of a sale to a third party (excluding buy-back by the investee company or purchase by the investee company's promoters or their associates), the lock-in period is reduced to six months.[25] Moreover, such exit by the Angel Fund shall be subject to the Articles of Association of the investee company.[26].

5. Follow-on Investments in Non-Startup Portfolio Companies
   - Previously, Angel Funds were permitted to invest only in companies classified as 'start-ups'[27] under the Department for Promotion of Industry and Internal Trade policy. Once a portfolio company ceased to meet this classification, the Angel Fund could not make additional investments, even to protect its existing holding.
   - To address this gap, the AIF Amendment Regulations 2025 introduces a specific carve-out under the proviso to Regulation 19F(1), permitting follow-on investments in such portfolio companies which cease to meet the 'start-up' criteria. The proviso authorises Angel Funds to invest further in existing investee companies that are no longer recognised as 'start-ups', subject to detailed safeguards provided in the Circular, such as:
     i. the Angel Fund's post-issue shareholding must not exceed its pre-issue holding,[28] which means that after the follow-on investment, the Angel Fund's percentage ownership in the investee company cannot increase beyond what it held before that investment round;
     ii. the aggregate investment in an investee company by the Angel Fund, including follow-on investments, must not surpass INR 25 crore;[29] and
     iii. only investors who participated in the original investment in a particular investee company, may contribute to the follow-on investment in the same investee company, in proportion to their existing stake.[30]

6. Manager / Sponsor's "Skin-in-the-Game" Requirement
   - Before the AIF Amendment Regulations 2025, the Sponsor[31] or Manager of an Angel Fund was required to maintain a continuing interest in the Angel Fund by maintaining at least 2.5 per cent of the corpus or INR 50 Lakh, whichever was lower, across the fund as a whole.
   - Pursuant to the AIF Amendment Regulations 2025, Regulation 19G(1) replaces this corpus-based metric with an investment-specific obligation. The Sponsor or Manager must now invest a minimum of 0.5 per cent of the amount invested in each investee company or INR 50,000 in each investee company, whichever is higher, by the Angel Fund.

7. Restrictions on Related-Party Investments
   - Before the AIF Amendment Regulations 2025, the AIF Regulations restricted Angel Funds from investing in companies that were "associates".[32] However, this restriction did not extend to situations where individual angel investors might have pre-existing relationships with the investee company, in the nature of being a "related party", potentially giving rise to conflict of interest.
   - The AIF Amendment Regulations 2025 has inserted Regulation 19F(6) which prohibits acceptance of investment contributions from any investor who is a "related party"[33] of the investee company.

[25] Para 6 of the Circular.
[26] Para 6.2 of the Circular.
[27] A "start-up" means a private limited company or a limited liability partnership incorporated in India which is less than ten years old from the date of its incorporation, has an annual turnover not exceeding INR 100 crore in any financial year, and is working towards innovation, development, or improvement of products, processes, or services, or is a scalable business model with a high potential for employment generation or wealth creation. This definition is in accordance with notification number G.S.R. 127(E), dated February 19, 2019 issued by the Department for Promotion of Industry and Internal Trade.
[28] Para 5.1 of the Circular.
[29] Para 5.2 of the Circular.
[30] Para 5.3 of the Circular.
[31] Regulation 2(w) of the AIF regulations defines "sponsor" means any person or persons who set up the Alternative Investment Fund and includes promoter in case of a company and designated partner in case of a limited liability partnership
[32] Regulation 2(c) of the AIF Regulations defines "associate" as a company or a limited liability partnership or a body corporate in which a director or trustee or partner or Sponsor or Manager of the AIF or a director or partner of the Manager or Sponsor, holds, either individually or collectively, more than fifteen percent of its paid-up equity share capital or partnership interest, as the case may be.
[33] Regulation 19A(3) of the AIF Regulations states that "related party" shall have the same meaning as assigned to it under clause 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which states - "related party" means a related party as defined under Section 2(76) of the Companies Act (*definition provided below*), 2013 or under the applicable accounting standards: Provided that:
(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
(b) any person or any entity, holding equity shares:
(i) of twenty per cent or more; or
(ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;
shall be deemed to be a related party.
Section 2(76) of the Companies Act, 2013 defines "related party" as "(*i*) a director or his relative; (*ii*) a key managerial personnel or his relative; (*iii*) a firm, in which a director, manager or his relative is a partner; (*iv*) a private company in which a director or manager or his relative is a member or director; (*v*) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital; (*vi*) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager; (*vii*) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (*vi*) and (*vii*) shall apply to the advice, directions or instructions given in a professional capacity; (*viii*) any body corporate which is— (A) a holding, subsidiary or an associate company of such company; (B) a subsidiary of a holding company to which it is also a subsidiary; or (C) an investing company or the venturer of the company; *Explanation*.—For

8. Overseas Investments by Angel Funds

- Before the AIF Amendment Regulations 2025, the AIF Regulations allowed Alternative Investment Funds[34] ("AIF(s)") (of which Angel Funds were a sub-category) to invest in securities of overseas companies, subject to aggregate caps and conditions specified by SEBI and the Reserve Bank of India. For overseas investments, para 7.1.3 under Chapter 7 of the AIF Master Circular dated May 07, 2024,[35] prescribes a 25 per cent limit on the allocation of investable funds of the scheme of the AIF towards an overseas investment. However, there was ambiguity in how such limit would apply to Angel Funds, particularly in relation to how this limit was to be computed and monitored.
- The Circular resolves this by prescribing a clear computational methodology. As per para 7.1 of the Circular, the aforementioned 25 per cent cap on overseas investments is to be calculated based on the total value of the investments (at cost) made by the Angel Fund, as on the date it applies to SEBI for approval to undertake an overseas investment. In effect, this means that the permissible overseas investment limit will be determined on the basis of the Angel Fund's actual deployed capital rather than its total corpus.[36] This approach ensures that the exposure cap reflects the Angel Fund's real-time investment position and eliminates variations in interpretation.

9. Investment Allocation Methodology and Investor Rights

- The AIF Amendment Regulations 2025 and the Circular have now introduced a uniform and transparent investment allocation framework. Pursuant to the introduction of new sub-clauses under Regulation 19G(4) by the AIF Amendment Regulations 2025, read with paragraphs 8.1 to 8.3 of the Circular, the Manager of every Angel Fund is now required to:
  i. disclose and offer each investment opportunity to all the angel investors;[37]
  ii. disclose in its PPM, a defined methodology for the allocation of investment opportunities among AIs who have provided consent for participation in a particular investment;[38]accept contributions from the angel investors who provide approval for the investment, for investment in an investee company, in accordance with the methodology disclosed in the PPM;[39] and disclose any proposal to invest in an existing investee company or a related party of such investee company to the angel investors at the time of seeking their approval for making the investment.[40]The aforementioned methodology must be applied uniformly and strictly adhered to;[41] the Manager cannot exercise case-by-case discretion to alter allocations of investment opportunities among accredited investors in various investee companies.[42] Existing Angel Funds are required to update their PPMs to incorporate such methodology and ensure that any investments made on or after October 15, 2025 are allocated strictly in accordance with the disclosed framework.[43]
  iii. Further, the AIF Amendment Regulations 2025 has inserted Regulation 19G(6) which provides that AIs of an Angel Fund shall have rights in each investment by the Angel Fund and in the distribution of proceeds strictly pro-rata to their contribution to each such investment.[44] The only permissible deviation from this provision is in respect of any carried interest or additional return payable to the Manager, Sponsor, or their affiliates, as expressly provided in the Angel Fund's contribution agreement.[45].

10. Observations and Conclusion

- The AIF Amendment Regulations 2025 and the Circular, collectively mark a significant point of evolution in the Indian angel investment ecosystem.
- A clear strength of the AIF Amendment Regulations 2025 lies in its intent to align angel investing with global best practices, by repositioning Angel Funds as a distinct sub-category within Category I AIFs. Further, the decision to restrict fundraising by Angel Funds exclusively to AIs significantly elevates the quality and suitability of the

the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate."

[34]According to Regulation 2(1)(b) of the AIF Regulations: An "AIF" is any fund established or incorporated in India in the form of a trust, a company, a limited liability partnership or a body corporate that: (i) Is a privately pooled investment vehicle collecting funds from investors (whether Indian or foreign); (ii) Invests according to a defined investment policy for the benefit of its investors; and (iii) Is not regulated under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999, or any other Securities and Exchange Board of India ("SEBI") regulations meant for fund management.

[35]SEBI Circular No. SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39.

[36]Regulation 2(h) of the AIF Regulations defines "corpus" as the total amount of funds committed by investors to the Alternative Investment Fund by way of a written contract or any such document as on a particular date.

[37]Regulation 3 XI (iv) of the AIF Amendment Regulations 2025, introducing Regulation 19G(3).

[38]Regulation 3 XI (iv) of the AIF Amendment Regulations 2025, introducing Regulation 19G(4).

[39]Regulation 3 XI (iv) of the AIF Amendment Regulations 2025, introducing Regulation 19G(5).

[40]Regulation 3 XI (iv) of the AIF Amendment Regulations 2025, introducing Regulation 19G(7).

[41]Para 8.1 of the Circular.

[42]Para 8.2 of the Circular.

[43]Para 8.3 of the Circular.

[44]Regulation 3 XI (iv) of the AIF Amendment Regulations 2025, introducing Regulation 19G(6).

[45]Please see para 9 of the Circular, which allows for profits or proceeds from the investments by an Angel Fund can be shared with the sponsor or manager (including the manager's employees/directors/partners) of the Angel Fund in the form of carried interest or additional return. The terms of such carried interest or additional return allocated to the sponsor or manager (including the manager's employees/directors/partners) of the Angel Fund are usually captured in a "contribution agreement", which is a contractual document executed between the Alternative Investment Fund and each investor, setting out the terms of the investor's commitment, capital contributions, rights, obligations, and other conditions governing their participation in the fund.

investor base, thereby minimizing the risk of unsophisticated investors being exposed to high-risk start-up ventures. Similarly, the elimination of the scheme-wise model and the relaxation of outdated investment limits will allow Managers to operate with greater agility and lower transaction costs. The shift to investment-level "skin-in-the-game" commitment from Mangers and Sponsors strengthens the alignment of interests between the Manager or Sponsor and the investors of the Angel Fund by ensuring such alignment operates at the level of each individual investment.

- A minor lacuna that arises in the transitional provisions of the Circular is that, while SEBI has granted existing Angel Funds a window until September 8, 2026, to onboard up to 200 non-AIs, there is no corresponding obligation for such investors to subsequently obtain accredited status or for the Angel Fund to ensure such accreditation post-transition, thereby diluting the purpose of accreditation of an investor. This effectively creates a dual class of investors within the same Angel Fund, with no timeline for non-accredited investors to be accredited as AIs.
- Overall, the revised regulatory framework governing Angel Funds represents a significant step towards a more credible and transparent ecosystem for early-stage investing.

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