



## Nabventures: Fund for Rural Agriculture Startup

- **Nabventures, a subsidiary of [NABARD](#)**, announced its maiden **Rs 700 crore venture capital fund** for equity investments in agriculture, food and rural start-ups.
- The fund - **NABVENTURES Fund I** - has a **proposed corpus of Rs 500 crore with a greenshoe option of Rs 200 crore**.
- **NABARD has given an anchor commitment for the fund.**
- The fund is registered with SEBI as a **Category II Alternative Investment Fund**.
- So far, NABARD has been contributing to other funds, but for the first time it has launched a fund on its own.
- The fund will have a high impact as it will provide a boost to investment ecosystem in the core areas of agriculture, food and improvement of rural livelihoods.

### **NABVENTURES Ltd.**

- Recognizing the need for early-stage support for agriculture and rural enterprises and the lack of adequate institutional support, NABARD has launched NABVENTURES Limited, a separate subsidiary to support start-ups.
- It has been incorporated by NABARD under the Companies Act 2013.

### **Greenshoe option**

- A greenshoe option is an **over-allotment option**.
- In the context of an **initial public offering (IPO)**, it is a provision in an underwriting agreement that **grants the underwriter the right to sell investors more shares than initially planned by the issuer**, if the demand for a security issue proves higher than expected.
- It provides price stability and liquidity.
- It provides buying power to cover short positions if prices fall, without the risk of having to buy shares if the price rises.
- **In risk capital parlance, exercising a green shoe option allows a venture capital or private equity firm to raise capital over and above its original target corpus**, having received greater interest from investors, backing its investment thesis or track record.

### **Alternate Investment Fund (AIFs)**

- Anything alternate to traditional form of investments gets categorized as alternative investments.
- In India, alternative investment funds (AIFs) are defined in **Regulation 2(1)(b) of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012**.
- It refers to any privately pooled investment fund, (whether from Indian or foreign sources), in the form of a trust or a company or a body corporate or a Limited Liability Partnership (LLP), which are **not presently covered by any Regulation of SEBI** governing fund management nor coming under the direct regulation of any other sectoral regulators in India.
- Thus, the definition of AIFs includes venture Capital Fund, hedge funds, private equity funds, commodity funds, Debt Funds, infrastructure funds, etc.
- **Types of AIFs**
  - **Category I AIF** are those AIFs with **positive spillover effects on the economy**, for which certain incentives or concessions might be considered by SEBI or Government of

India. Such funds generally invests in start-ups 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. For example, **Venture Capital Funds, SME Funds, Social Venture Funds and Infrastructure Funds.**

- **Category II AIF** are those AIFs for which **no specific incentives or concessions** are given. They do not undertake leverage or borrowing other than to meet the permitted day to day operational requirements, as is specified for Category I AIFs. For example, **Private Equity or debt fund.**
- **Category III AIF** are those AIFs that are considered to have some **potential negative externalities in certain situations** and which undertake leverage to a great extent. These funds trade with a view to make short term returns. These funds are allowed to invest in Category I and II AIFs also. They receive no specific incentives or concessions from the government or any other Regulator. For example, **Hedge Funds.**

PDF Refernece URL: <https://www.drishtias.com/printpdf/nabventures-fund-for-rural-agriculture-startup>