VARDHARMA CHAMBERS

Deal Docket

Issue 03 · PE / VC Monthly Newsletter · June 2026

SEBI just made fund launches faster, gave stuck funds an exit, and put a deadline on legacy VCFs. Here is what changed in June, what the deadlines mean, and where the deal flow went.

IN THIS ISSUE

REGULATORY UPDATE · SEBI / AIF REGULATIONS

SEBI Introduces the GARUDA Mechanism

On 20 June 2026, SEBI introduced a further measure to accelerate the fund launch process, referred to as the GARUDA mechanism. Under this mechanism, the waiting period for most categories of AIFs, other than Large Value Funds, has been reduced to 10 working days from the date of filing the offer document.

Two categories of funds have been granted even greater flexibility. Funds open only to accredited investors, and Angel Funds, are now permitted to launch immediately upon receiving SEBI registration, without routing their offer document through a merchant banker at all.

Angel Fund transition deadline.

The deadline for Angel Funds to complete their transition to an accredited investor-only model remains 8 September 2026. Until then, such funds may continue to onboard up to 200 non-accredited investors, but may not accept fresh contributions from non-accredited investors after that date.

What this means.

These changes meaningfully shorten the time it takes to bring a new fund to market. The corresponding effect is that responsibility for the accuracy and completeness of fund documentation now rests more squarely with the fund manager and its advisors, since SEBI’s prior review of every filing has been reduced.

REGULATORY UPDATE · SEBI / AIF MASTER CIRCULAR

A New Exit Route for Funds That Cannot Formally Close

It is not uncommon for a fund to have sold all its investments and returned money to its investors, yet remain unable to formally close because of an unresolved tax dispute or pending litigation. SEBI's updated AIF Master Circular, issued on 3 June 2026 and revised on 16 June 2026, addresses this directly.

The circular introduces a new status, referred to as an "Inoperative Fund", which allows such a fund to be classified separately while the underlying dispute is resolved, rather than remaining open and subject to ongoing compliance obligations. This status is also available to older venture capital funds set up under the regulations that preceded the AIF framework.

A fund is not eligible for Inoperative Fund status if it has an investor complaint still pending on SEBI's online complaints platform (SCORES), including complaints that may have been filed some time ago and left unresolved. Funds considering this option should review their complaint history before applying.

Dematerialisation, no exceptions.

The same circular also confirms that any investment made by an AIF on or after 1 July 2025 must be held in dematerialised (electronic) form, with no exceptions.

COMPLIANCE DEADLINE · LEGACY VCF

19 July 2026: Final Window to Liquidate Legacy Fund Investments

Funds originally set up under the earlier Venture Capital Fund regulations and later migrated into the AIF framework should be aware that 19 July 2026 is the final date of a one-time extended window granted by SEBI to complete the liquidation of any remaining investments.

DEALS · JUNE 2026

Notable Deals — June 2026

> **Sarvam AI — $234 million.** Raised $234 million, one of the largest single funding rounds recorded in India in June 2026.

> **Hygenco — $105 million.** A green hydrogen company that raised $105 million from a group of investors, including the International Finance Corporation, the World Bank's private sector arm — a signal of institutional interest in India's clean energy space.

> **FirstClub — $55 million Series B.** Completed a $55 million Series B round led by Peak XV Partners (formerly Sequoia India).

> **Kuku FM and Razorpay — confidential DRHP filings.** Both companies filed confidential draft documents with SEBI in connection with proposed initial public offerings.

15–20 June 2026 — $469 million across 19 startups. Nineteen Indian startups together raised over $469 million in just five days, across sectors including artificial intelligence, clean energy, and defence technology.

SUMMARY

Key Figures — June 2026 at a Glance

GARUDA waiting period (most AIFs)	10 working days — no SEBI approval needed, just the passage of time
Accredited-only funds & Angel Funds	0 days, immediate launch — no merchant banker routing required
Angel Fund transition deadline	8 September 2026 — up to 200 existing non-accredited investors may remain until then
Older VCF liquidation deadline	19 July 2026 — final date of SEBI's one-time extended window
Sarvam AI	$234 million — the headline funding round of the month
Hygenco	$105 million — green hydrogen, with the IFC among investors
FirstClub	$55 million (Series B) — led by Peak XV Partners
19 startups, 15–20 June	$469 million combined — across AI, clean energy, and defence tech

We'd welcome a conversation.

Vardharma Chambers advises PE and VC funds, portfolio companies, and founders on fund structuring, M&A, regulatory compliance, and disputes. If any development in this issue is relevant to a current matter, please reach out.

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