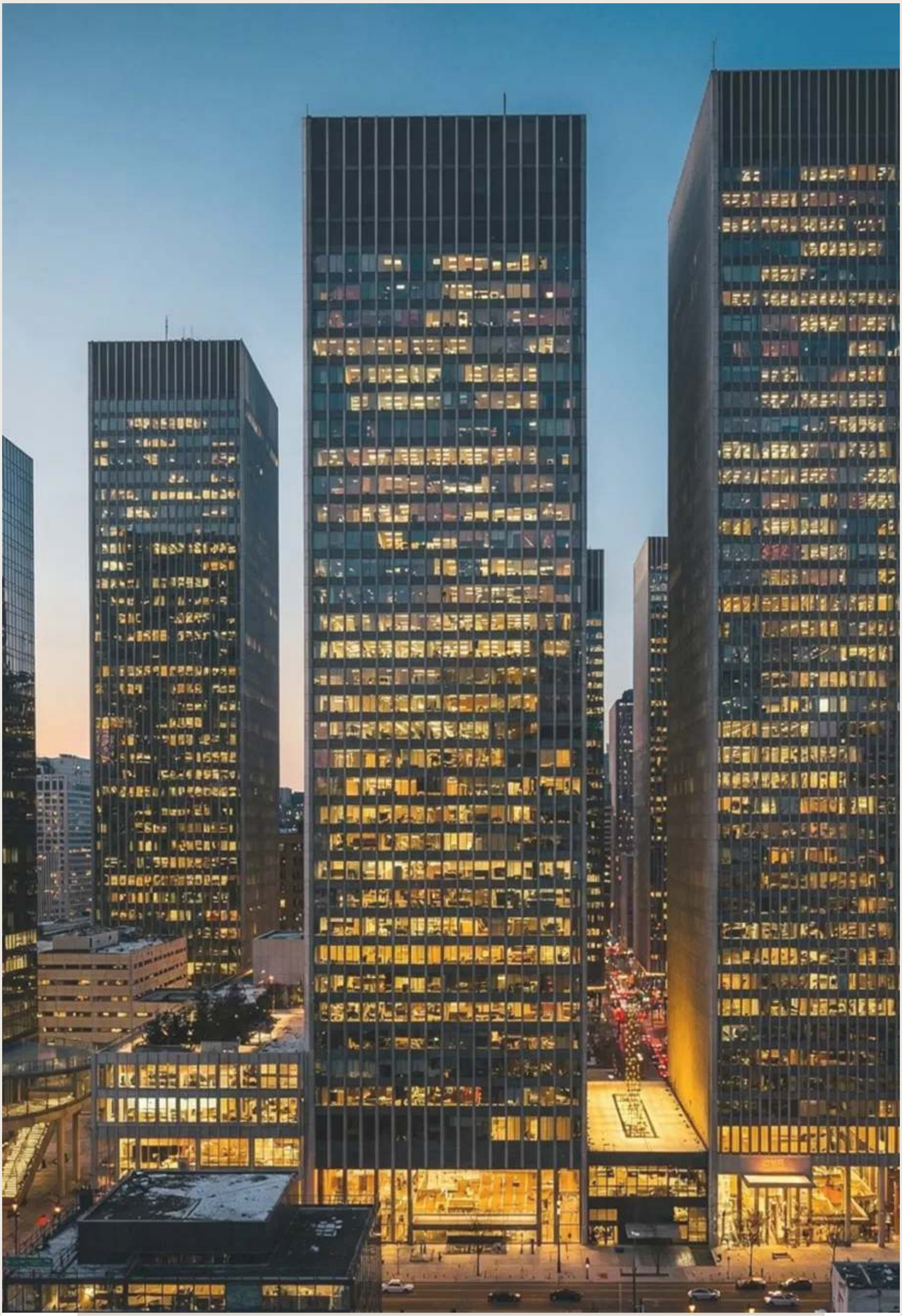

VARDHARMA CHAMBERS

PE / VC

Monthly Newsletter

May 2026 · Issue 02

PE/VC MONTHLY NEWSLETTER · MAY 2026 · ISSUE 02

Vardharma Chambers

CORPORATE
COMPLIANCE
DISPUTES

India rewrote its FDI and AIF rulebook in May. Markets moved. Deals closed.

Here is what changed, what the numbers say, and what it means for your portfolio.

//1 REGULATORY UPDATE · SEBI · AIF REGULATIONS · FUND OPERATIONS

SEBI Fast-Track Mechanism for AIF Scheme Launches: Now in Effect

SEBI, vide Circular No. HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026 dated April 30, 2026, introduced a fast-track mechanism for processing of Private Placement Memoranda filed by AIFs with SEBI, with immediate effect.

30 DAY WINDOW TO LAUNCH SCHEMES	AIFs may now launch schemes and circulate PPMs to investors after 30 days of filing, unless advised otherwise by SEBI. For first-time schemes, AIFs can proceed after receiving SEBI registration or upon completion of 30 days from filing, whichever is later.

First close deadline. AIF schemes must achieve their first close within 12 months from the date they become eligible to launch. Responsibility for accuracy and completeness of disclosures now rests with merchant bankers and AIF managers, with detailed filing requirements including due diligence certificates, fit-and-proper declarations, and PAN details of key entities.

What changed from the prior position. Previously, an AIF could not launch a scheme or circulate its PPM without first receiving explicit clearance from SEBI. The process required SEBI review, comments, incorporation of those comments into a revised PPM, and formal SEBI sign-off before any launch could proceed.

Pending filings. The circular expressly applies to all PPMs of non-LVF schemes pending with SEBI as on April 30, 2026. AIFs with pending filings automatically get the benefit of the fast-track mechanism and are not required to re-file or take any affirmative action.

> *"The fast-track mechanism is a material ease-of-doing-business improvement for Indian fund managers, reducing launch timelines from months to weeks and shifting the compliance burden from a gate to an ongoing obligation."*
>
> — Vardharma's view

//2 REGULATORY UPDATE · FEMA · FDI FRAMEWORK · FOREIGN INVESTMENT

Two FEMA (NDI) Amendments Notified in May 2026

Two separate sets of amendments to the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 were notified in May 2026, covering beneficial ownership norms for land-border-country investments and a significant expansion of FDI in insurance.

AMENDMENT 1 — MAY 2, 2026

Beneficial Ownership Tightened

Rule 6(a) substituted in full. Investments where beneficial ownership is vested in a land-border country require government approval. Beneficial owner is defined in alignment with PMLA 2002.

AMENDMENT 2 — MAY 2, 2026

100%

FDI in Insurance — Automatic Route

Up from 74%. Covers insurers, brokers, re-insurance brokers, corporate agents, TPAs, surveyors, and more. LIC capped at 20%.

Beneficial ownership clarifications. A multilateral bank or fund of which India is a member will not be treated as an entity of any particular country, and no country will be treated as the beneficial owner of investments made by such institutions. The issuance or transfer of participating interests or rights in oil fields by Indian companies to non-residents will be treated as foreign investment governed by Schedule I conditions.

Insurance FDI background. Parliament passed the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 in December, paving the way for the increase. The 100% automatic route now covers insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrators, surveyors and loss assessors, managing general agents, and insurance repositories.

//3 REGULATORY UPDATE · DPIIT · STARTUP INDIA · FUND OF FUNDS

DPIIT Releases Operational Guidelines for Startup India Fund of Funds 2.0

₹10,000cr FOF 2.0 CORPUS	The Scheme will be implemented through commitments to SEBI-registered Category I and II AIFs, which will invest in DPIIT-recognised startups. SIDBI will act as initial implementation agency with a structured AIF selection and monitoring process.

AIF segmentation. The guidelines introduce a structured segmentation into four categories: deep tech-focused funds; micro venture capital funds supporting early-growth startups; funds focused on innovative and technology-led manufacturing; and sector- and stage-agnostic funds. Each segment has defined parameters including corpus thresholds, government contribution limits, tenure, and minimum private capital mobilisation ratios.

DPIIT will also onboard an additional implementation agency to expand reach, enhance sectoral expertise, and build institutional capacities alongside SIDBI.

//4 MARKET DATA · PE/VC · Q1 2026 · EY-IVCA

India PE/VC: Q1 2026 Figures

$13.1bn Total PE/VC investment, Q1 2026	**360 deals** Deal volume, broadly flat year-on-year	**-19%** Year-on-year decline in value vs Q1 2025

By deal type: Buyouts led at $4.3 billion, followed by growth investments at $4.1 billion and startup funding at $3.2 billion.

By sector: Technology attracted the most capital at $2.2 billion, followed by financial services at $2 billion and real estate at $1.9 billion. Together, these three sectors accounted for 47% of overall investments in the quarter. Real estate and infrastructure moderated by 11% to $3.4 billion from $3.9 billion in Q1 2025.

Exits: PE/VC exits in Q1 2026 were at $4.2 billion, a 48% decrease year-on-year, a significant moderation from the exit activity of recent quarters.

2025 baseline: For context, PE/VC investments reached US$60.7 billion across 1,475 deals in full-year 2025, an 8% year-on-year increase (EY-IVCA Trendbook 2026).

> *"Deal volume held steady while value eased, a pattern consistent with a market that is selective rather than subdued. The 48% decline in exits is the number to watch in Q2."*
>
> — Vardharma's view

GLOBAL VC

$330.9bn

8,464 deals in Q1 2026 (KPMG)

Q1 2026 ranked among the strongest quarters for global VC activity since 2021. AI accounted for most of the quarter's largest deals, driving highly concentrated funding totals. The Americas captured roughly 80% of global VC investment, with late-stage deal sizes and valuations rebounding sharply on AI megadeals.

//5 DEALS · MAY 2026 · NOTABLE TRANSACTIONS

Notable Deals — May 2026

$240m

SERIES F
MOBILITY

Rapido

Led by Prosus, with WestBridge Capital and Accel participating. Part of a broader $730 million financing round. Prosus and Accel also acquired shares from Swiggy valued at approximately $270 million. Post-money valuation of $3 billion, nearly triple the $1.1 billion nine months prior. FY25 operating revenue up 44% to Rs 934 crore; net losses narrowed 30% to Rs 258 crore.

$60m

SERIES C
SPACETECH

Skyroot Aerospace — India's first space unicorn

Co-led by GIC (Singapore's sovereign wealth fund) and Sherpalo Ventures. Funds managed by BlackRock, Playbook Partners, and the Shanghvi Family Office also participated. Valuation: $1.1 billion, making Skyroot India's first space unicorn. Total funding: $160 million across 11 rounds from 33 investors. Announced May 7, 2026.

$1.2bn

CCI APPROVED
AI INFRA

Neysa Networks — CCI clearance May 20, 2026

Blackstone-led $1.2 billion capital raise approved by CCI. Co-investors include Teachers' Venture Growth, TVS Capital, 360 ONE Asset, and Nexus Venture Partners. Blackstone and co-investors providing equity of up to $600 million; Neysa to secure additional $600 million in debt financing. Post-funding unicorn with plans to deploy over 20,000 GPUs in India.

$56m
SERIES D
HOME SERVICES

Snabbit

Co-led by Susquehanna Venture Capital, Mirae Asset Venture Investments, and Bertelsmann India Investments. Existing investors Nexus Venture Partners and Lightspeed Ventures participated alongside new investor FJ Labs.

$63m
GROWTH ROUND
TRAVEL FINTECH

Scapia

Bengaluru-based travel-linked card platform founded in 2022 by Anil Goteti, formerly of Flipkart. Led deal value for the week of May 16 to 22, 2026.

IPO
DRHP FILING
INSURTECH

Acko

Backed by General Atlantic, CPPIB, and Accel. Plans to file DRHP confidentially with SEBI in H2 2026. Seeking to raise $350 million at a $2 to $2.5 billion valuation. FY25 revenue up 35% to Rs 2,837 crore; net losses cut 37%. Total funding: Over $583 million. Book-running lead managers: Kotak Mahindra Capital, ICICI Securities, and Morgan Stanley.

//6 KEY FACTS AT A GLANCE

May 2026 — At a Glance

- India PE/VC investments: **$13.1 billion across 360 deals in Q1 2026**, down 19% year-on-year (EY-IVCA, April 30, 2026)
- Buyouts led at **$4.3 billion**, ahead of growth ($4.1 billion) and startup funding ($3.2 billion)
- PE/VC exits: **$4.2 billion in Q1 2026**, down 48% year-on-year (EY-IVCA)
- **SEBI AIF fast-track circular in effect from April 30, 2026**: 30-day launch window, first close within 12 months
- **100% FDI in insurance under automatic route** notified May 2, 2026, up from prior 74% cap
- **DPIIT FoF 2.0 guidelines released**: ₹10,000 crore corpus through SEBI-registered Cat I and II AIFs
- Rapido valued at **$3 billion** post Series F, up from $1.1 billion nine months prior

- Skyroot Aerospace becomes **India's first space unicorn** at $1.1 billion, Series C closed May 7, 2026
- Neysa Networks: CCI approval received **May 20, 2026** for Blackstone-led $1.2 billion transaction
- Global VC: **$330.9 billion across 8,464 deals** in Q1 2026 (KPMG Venture Pulse)

Sources: EY-IVCA Monthly PE/VC Roundup (April 30, 2026) · EY-IVCA Trendbook 2026 (March 10, 2026) · SEBI Circular No. HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026 (April 30, 2026) · FEMA NDI Amendment Rules, S.O. 2174(E) (May 2, 2026) · FEMA NDI Second Amendment Rules (May 2, 2026) · PIB — DPIIT FoF 2.0 Operational Guidelines · Business Standard · KPMG Venture Pulse Q1 2026

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.

GET IN TOUCH

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