Framework for Venture Debt financing to MSMEs

SIDBI's Venture Debt Framework provides non-dilutive financial assistance to MSMEs and startups in their early and growth stages. It enables businesses to raise capital and bridge funding gaps until their next investment round without equity dilution.

Designed as a sector-agnostic solution, the framework supports innovative, high-growth businesses backed by VC/AIF investors with a proven growth trajectory, supporting their expansion and operational needs.

Key Features:

Assistance: Rupee Term Loan
Loan Amount: `10 crore (can go upto `15 crore)
Repayment Tenure: 3 years (including moratorium)
Non-dilutive Capital: Preserves equity ownership
Risk Mitigation: Covered under risk-sharing facilities like CGTMSE, CGSS, etc.

Eligibility Criteria:

1. Startup Age & Investment: MSME (<10 years) with ₹10 Cr equity and backing from an AIF/VC investor.
2. Revenue & Profitability: ₹10 Cr operational income in the last 2 years with positive unit economics.
3. Leverage: DER up to 2:1, with net worth ≥ proposed loan amount.

Empowering Growth MSMEs / Startups:

• Non-Dilutive Capital – An alternative to traditional loans, allowing startups to avoid dilution of ownership stake.

• Fueling Innovation & Expansion – Enables startups to scale, invest in R&D, and enter new markets.

• Job Creation & Economic Growth – Strengthens MSME competitiveness and boosts employment.

• De-risking Investments – Builds confidence of Angel investors and PEs with government-backed financing.

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