INDIALAW

REGULATORY

India’s New Space Age: How A ?1,000-Crore VC Fund And Indian Space Laws Are Powering The Next Frontier Of Start-Ups

AUTHOR Asav Rajan Arora

PUBLISHED 27 November 2025

Abstract

India’s innovation landscape is undergoing a profound transformation from software led growth to a new frontier defined by rockets, satellites, and deep-tech entrepreneurship. The operationalization of the ?1,000 crore Space Venture Capital Fund by IN-SPACe and SIDBI Venture Capital Ltd. marks a defining moment in this journey. It signifies the country’s shift from state led space exploration to a market driven ecosystem, where private startups are empowered to innovate across the entire space value chain, from launch vehicles and satellite manufacturing to data analytics and downstream services.

This momentum is reinforced by a strong legal and policy framework that underpins investor confidence and operational freedom. The Indian Space Policy 2023, the establishment of IN?SPACe, and the forthcoming Space Activities Bill together create a transparent, rule-based foundation for private participation and foreign investment in space ventures. By combining regulatory clarity with capital infusion, India is setting the stage to capture a projected US $44 billion space economy by 2033, transforming itself into a global hub for space innovation where law, technology, and entrepreneurship converge to power the nation’s next great leap.

Table of contents

India’s Start-Up Ecosystem: From Software to Space

India’s start-up ecosystem has matured from a software-driven landscape into a diverse, innovation-powered economy. With over 100 unicorns, supportive policies like Startup India, and an expanding venture capital network, the country has emerged as the third-largest start-up hub in the world.

What’s happening now is a strategic leap, from digital to deep-tech, and from ground to orbit. The Indian government’s move to open the space sector to private players is not just technological reform; it’s legal and economic transformation.

The rise of space-tech start-ups marks India’s entry into a high-investment, long-gestation sector traditionally dominated by states, not start-ups.

The Space Sector Takes Off

India’s space economy is valued at approximately US $8.4 billion, with a target of US $44 billion by 2033. Historically, the Indian Space Research Organisation (ISRO) managed nearly all space activities, from satellite launches to applications.

That changed with the creation of the Indian National Space Promotion and Authorisation Centre (IN-SPACe) in 2020, a regulatory and facilitation body under the Department of Space. IN-SPACe is the single-window authority for private space enterprises, authorising launches, satellite operations, and technology partnerships with ISRO.

This shift has enabled private ventures such as Skyroot Aerospace, Agnikul Cosmos, Bellatrix Aerospace, and Pixxel to design, build, and even launch their own rockets and satellites. The legal greenlight gave entrepreneurs permission to reach for the stars literally.

Legal Framework: The Laws Fueling India’s Space Start-Up Revolution

India's space sector liberalization rests on a fast-developing legal framework that provides legitimacy, safety, and investor confidence.

- **Indian National Space Promotion and Authorisation Centre (IN-SPACe)**

Established as an autonomous body under the Department of Space, IN-SPACe functions as a regulator and promoter for private participation. It authorises space activities, allocates resources like frequency and orbital slots, and enables access to ISRO infrastructure. This legal foundation ended the monopoly of the state over space missions.

- **Indian Space Policy, 2023**

The Indian Space Policy 2023, a landmark policy approved by the Government of India, marks a far-reaching step in opening the country's space sector to private participation. It outlines a clear framework for collaboration between government agencies and private enterprises, allowing non?government entities to engage in the entire space value chain from building and launching satellites and rockets to offering space-based services. Under this policy, ISRO will focus on advanced research and development, NewSpace India Limited (NSIL) will handle commercialization, and IN-SPACe will act as the single window agency for authorizing and promoting private activities. By granting private players greater access to ISRO's infrastructure and encouraging investment, the policy aims to create a vibrant, competitive, and innovation driven space ecosystem that boosts India's role in the global space economy.

- **Forthcoming Space Activities Bill (Draft 2017)**

The anticipated Space Activities Bill aims to establish a comprehensive legal framework to regulate and promote India's expanding space sector, particularly focusing on private participation. It seeks to grant the Indian National Space Promotion and Authorisation Centre (IN-SPACe) statutory powers to authorize, supervise, and regulate non-governmental space activities. The Bill also addresses India's obligations under international space treaties by clearly defining licensing, liability, insurance, and intellectual property provisions related to space operations. Replacing the earlier 2017 draft, the updated version aims to balance regulation with ease of doing business, ensuring that private players can confidently invest and innovate while maintaining government oversight for safety, security, and compliance.

- **FDI Policy Reforms (2024)**

In 2024, the government allowed up to 74% Foreign Direct Investment (FDI) under the automatic route in satellite manufacturing and operations, up to 49% under Automatic route in launch vehicles and associated systems or subsystems, and up to 100% FDI in certain sub-sectors like component manufacturing and ground equipment. This reform opened the gates for global venture capital and international collaborations, a key enabler for scaling India's space start-ups.

A Game-Changer: The ?1,000-Crore Venture Capital Fund

The signing of the Contribution Agreement between IN SPACe and SIDBI Venture Capital Ltd (SVCL) marks a significant milestone for India's space sector. The ?1,000 crore fund, approved by the Union Cabinet in October 2024 and now operational with SVCL as the fund manager, aims to provide risk capital to high potential space startups across the entire value chain. Each start up can receive investments ranging from ?10 to 60 crore, with the fund targeting support for around 40 ventures over a five-year period from FY 2025 to 2030. The fund covers areas including launch systems, satellites, applications, and supporting infrastructure. This initiative aligns with the Space Policy 2023's emphasis on public private partnerships and represents India's first structured effort to financially empower the private space ecosystem.

Why This Matters: From Vision to Velocity

The fund is both a legal and financial milestone, it converts policy intent into market action. By coupling regulatory permission with financial backing, the government is bridging two gaps that long hindered India's deep-tech start-ups:

1. The lack of clarity on what private entities are allowed to do in space.
2. The shortage of patient capital for hardware-intensive ventures.

This synergy gives investors a clear signal: India's space sector is legally protected and policy-driven for the long term, not only open for business.

Opportunities on the Horizon

With supportive laws and funding in place, Indian startups are well positioned to take the lead across several areas. These include small satellite launch systems for domestic and international clients, the manufacturing of small satellite platforms and payloads for earth observation and communication, and the use of satellite data for applications in agriculture, mining, and climate management. Startups can also explore space services such as in space maintenance, debris management, and satellite networking, as well as develop infrastructure like private ground stations, testing facilities, and spaceports. Legal clarity now enables entrepreneurs to operate in these fields without fear of regulatory overreach while giving investors confidence in compliance and protection.

Challenges to Navigate

Despite significant progress, several challenges remain for India's space sector. The formal passage of the Space Activities Bill is still pending, creating uncertainty in comprehensive legislation. Clearer frameworks for liability and insurance are needed to manage risks associated with launch failures or space debris. Balancing export controls and technology transfer with national security will be critical, and the judicial system must be prepared to handle disputes related to orbital slots, intellectual property, and cross border liabilities. For India's space economy to grow sustainably, legal infrastructure must advance in step with technological developments.

A Glimpse of the Future

With the IN-SPACe and SIDBI fund now operational and a strong legal framework taking shape, India stands at the threshold of a space technology renaissance. If implemented effectively, these initiatives have the potential to generate thousands of high skill jobs, establish India as a competitive hub for low-cost launches and satellite manufacturing, attract global investment through a transparent and rule-based system, and enhance the country's strategic autonomy while bolstering its international reputation in space governance.

Conclusion

The ?1,000-crore space venture fund, backed by a strong legal and policy framework, signifies a new era of "Law-enabled Innovation" in India.

For decades, ISRO carried India's space ambitions on its shoulders. Now, with IN-SPACe and forward-looking reforms opening the cosmos to private innovation, a new chapter is unfolding, those ambitions are being handed to entrepreneurs, transforming India from a space-faring nation to a space-startup superpower.

To the young minds and dreamers of today, the engineers, coders, and creators of tomorrow, the universe is no longer out of reach. This is your time to innovate, to imagine boldly, and to lead India's next giant leap in space. The countdown to India's new space economy has officially begun and the future is waiting for you to launch it.**For more details, write to us at: contact@indialaw.in**

Related Practice Areas

Regulatory & Compliance Advisory