# Market Intelligence & Analytics



# **Grading report**

January 17, 2024 | Mumbai

CRISIL assigns
Fund Management Grading – 1
to Credit – Structured Income
Portfolio Fund



### **Detailed rationale**

CRISIL has assigned **CRISIL Fund Management Grading – 1** to Credit - Structured Income Portfolio Fund (C-SIP), a Category II alternative investment fund (AIF) from Edelweiss Alternative Asset Advisors Ltd (EAAA), which is both the sponsor and investment manager (IM) of the fund. EAAA is a subsidiary of Edelweiss Securities and Investments Pvt Ltd (ESIPL), which, in turn, is a subsidiary of Edelweiss Financial Services Ltd (EFSL).

The schemes graded 'CRISIL Fund Management Grading – 1' are judged to follow 'very strong' standards in investment processes and management practices.

The grading indicates the strong institutional framework of the Edelweiss group. EAAA is a leading alternative asset manager in India with more than a decade of experience across its key strategies (private debt and real assets), strong investment management systems and processes, robust risk management framework, extensive experience of the investment committee (IC) members and a track record of managing previous funds under the strategy. The group has recently decided to sell up to 20% stake in EAAA. Our discussions with the fund management revealed that there will be no major changes to the functioning of the fund after the stake sale. However, in case of any further stake sale, aspects such as continuity of key management personnel, investment processes and risk controls may need to be factored.

EFSL is a leading financial services group with a broad spectrum of activities such as asset management, financial advisory and intermediary services, underwriting, financing (including construction and mortgage finance), capital markets, sales and trading, research, sponsoring and managing private investment funds and other activities. Its presence across multiple segments gives it access to right potential leads for investments and its institutional framework enables better outreach among investors.

C-SIP has defined processes and procedures followed in deal origination, investment decision-making, deal structuring, asset monitoring and exits to ensure a disciplined investment approach in line with its investment guidelines. It intends to capitalise on the network of the EAAA platform to identify investment opportunities. The fund has an independent risk team that reviews credit underwriting, due diligence reports and notes prepared by the investment team to identify the risks and necessary mitigants.

The investment team comprises two members with an average experience of 13 years and expertise in investment and credit management. Both the team members joined EAAA over the last couple of years. To ensure detailed

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evaluation of investments, external agencies support the investment team in the technical, legal, forensic and other forms of due diligence.

The risk team independently tracks the performance of the portfolio companies through a risk monitoring framework. The risk monitoring framework covers the following: regular monitoring of the portfolio (monthly tracking and quarterly reviews), escalation mechanisms for exceptions and risk categorisation of the deals. The fund has also established a separate operational risk team to enhance alignment of fund documents with processes, which acts as a second line of defence in this framework.

The fund also intends to leverage on the experience of the IC, which plays a crucial role in the investment decision making process. The committee comprises the senior management of EAAA with extensive experience of more than 20 years each in their respective domains with specialisation in stressed assets investment, portfolio risk management and structured credit.

The fund has adequate transparency in client communication and disclosure practices as it seeks to share quarterly portfolio updates, statement of accounts and annual reports with its clients.

EAAA is one of the largest alternative investment platforms in the country with over Rs 50,000 crore in assets under management (AUM) as of September 2023, across its key strategies. It has manged five funds under the performing credit strategy with a total corpus of ~Rs 12,000 crore as of September 2023. Most of these funds have outperformed the CRISIL AIF benchmarks under the debt sub-category in their respective vintage years as of March 2023.

## About the fund

C-SIP is a scheme under Emerging Credit Investment Trust, established as a trust under the provisions of the Indian Trusts Act, 1882. It is registered with the Securities and Exchange Board of India as a Category II AIF under the AIF Regulations, with the purpose of generating returns and long-term appreciation through investment in companies which require credit facility. The target size of the fund is Rs 1,000 crore (with an additional greenshoe option of Rs 1,000 crore). EAAA is the IM and sponsor and Vardhman Trusteeship Pvt Ltd is the trustee of the fund.

C-SIP intends to be sector agnostic and aims to do collateralised lending primarily through NCDs.

## Scoring model

The schemes are assigned scores on a five-point scale, ranging from Fund Management Grading – 1 to Fund Management Grading – 5.

Grading level	Definition
Fund Management Grading – 1	Scheme follows very strong standards in investment processes and management practices
Fund Management Grading – 2	Scheme follows <b>strong</b> standards in investment processes and management practices
Fund Management Grading – 3	Scheme follows adequate standards in investment processes and management practices
Fund Management Grading – 4	Scheme follows <b>below average</b> standards in investment processes and management practices
Fund Management Grading – 5	Scheme follows weak standards in investment processes and management practices

**Link to related criteria:** Fund Management Grading Methodology

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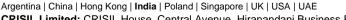
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