

Grading report

January 31, 2024 | Mumbai

CRISIL assigns Fund Management Grading – 1 to Investcorp Growth Equity Fund



Detailed rationale

CRISIL has assigned **CRISIL Fund Management Grading – 1** to Investcorp Growth Equity Fund (IGEF), a Category II alternative investment fund (AIF) from Investcorp India Asset Managers Pvt Ltd, which is both the sponsor and investment manager (IM) of the fund. Investcorp India Asset Managers is a wholly owned subsidiary of Investcorp Holdings B.S.C.

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

Investcorp Holdings B.S.C. is the parent of the Investcorp Group, a global IM specialising in alternative investments across private equity, real estate, credit, absolute return strategies, strategic capital and infrastructure. The India private equity vertical of Investcorp Group commenced operations post the acquisition of this business from IDFC Alternatives in 2019.

The grading indicates the strong institutional platform of the Investcorp Group which has a presence across geographies, a deep network of senior management in investment management across asset classes, an experienced investment team, a comprehensive investment process with the robust risk controls and transparency in client communication.

IGEF has a well-defined investment policy that governs all activities from deal sourcing to evaluation, due diligence, investment decision making and the controls to ensure adherence to its processes. The group's centralised risk function analyses pre-investment risk, tracks the alignment with defined processes and is involved in post-investment risk monitoring. The four-member IM board manages the company's affairs and is not involved in the fund's investment process.

IGEF has a 10-member investment team with relevant experience in venture capital and private equity investment management. Senior members of the team have spent 21 years, on average, in the industry and developed sectoral expertise to lead deals in their respective sectors. The team largely relies on its networks to identify leads, in addition to intermediaries. It tracks potential opportunities that may become available in time. The investment team is also supported by independent agencies to conduct commercial, financial, environmental, social and governance (ESG), legal and forensic due diligence. External domain experts are consulted during the deal evaluation process to develop better understanding of the proposal.

Research

The investment committee (IC), which includes members and observers from the global Investcorp team, is involved in the decision-making process. The investment process entails three levels of evaluation before arriving at a final decision in the IC meetings. In case of any transactions involving conflict of interest, the fund refers them to the limited partner (LP) advisory committee for approval. The committee also receives regular updates on the fund status.

The fund leverages the global platform not just for inputs on investment decisions, but also to provide value addition to investee companies. The global outreach is also critical for offshore fund raising, given the group's presence across geographies.

The IM shares quarterly updates about the fund portfolios including portfolio summary, investments and valuation, investment wise details, updates on financials and focus areas with the investors.

At the time of acquisition of private equity business from IDFC Alternatives, it had an AIF at that stage that completed its first close. The fund outperforms the CRISIL AIF benchmarks for March 2023 for the sub-category in the respective vintage.

About the fund

IGEF is a scheme under Investcorp Private Equity Fund III, 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, with the purpose of arranging, making, managing, and disposing of investments to achieve capital appreciation and risk-adjusted returns through medium- to long-term investments primarily in unlisted opportunities over a term of nine years from first close. The target size of the fund is Rs 3,000 crore (with an additional greenshoe option of Rs 500 crore). Investcorp India Asset Managers is the IM and sponsor and IDBI Trusteeship Services is the trustee of the fund.

The fund aims to target growth stage equity investments with an average ticket size of Rs 200-400 crore in focus sectors - namely consumer and tech-enabled consumption, healthcare and pharmaceuticals, software and business services and financial services.

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	The scheme follows very strong standards in investment processes and management practices
Fund Management Grading – 2	The scheme follows strong standards in investment processes and management practices
Fund Management Grading – 3	The scheme follows adequate standards in investment processes and management practices
Fund Management Grading – 4	The scheme follows below average standards in investment processes and management practices
Fund Management Grading – 5	The scheme follows weak standards in investment processes and management practices

Link to related criteria: [Fund Management Grading Methodology](#)

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CRISIL Limited: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | www.crisil.com

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