

Grading report

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Crisil assigns Fund Management Grading – 1 to Somerset Indus Healthcare India Fund III – Scheme I



Crisil has assigned **Fund Management Grading – 1** to Somerset Indus Healthcare India Fund III – Scheme I, a Category II alternative investment fund (AIF) managed by Somerset Healthcare Investment Advisors III Pvt Ltd.

Schemes graded 'Crisil Fund Management Grading – 1' are judged to follow '**very strong**' standards in investment processes and management practices.

About the fund

Somerset Indus Healthcare India Fund III is an AIF that has been established as a trust under provisions of the Indian Trusts Act, 1882. It is registered with Securities and Exchange Board of India (SEBI) as a Category II AIF. Somerset Indus Healthcare India Fund III – Scheme I is the first scheme under this AIF which has been formed with the purpose of making investments in small and mid-sized Indian companies providing services and products mainly in Tier II and Tier III regions in the healthcare sector, including pharmaceuticals, biotech, medical devices, diagnostics, tech-driven and healthcare delivery models. The term of the fund is 10 years from the initial closing. The target corpus of the fund is Rs 2,000 crore (including a greenshoe option of Rs 400 crore). The fund announced its initial close in August 2024.

SICP Investment Advisors India LLP is the sponsor of the fund, Somerset Healthcare Investment Advisors III Pvt Ltd is the investment manager, and Orbis Trusteeship Services Pvt Ltd is the trustee.

The fund has been set up as a master feeder structure. One of the founders of Somerset (through an investment entity) and a US based investment firm that specialises in healthcare investments serve as sponsors to the feeder fund. The US based investment firm primarily invests in the US and European markets.

Detailed rationale

The grading reflects the extensive experience of the leadership team in the private equity space and their strong understanding of India's healthcare and related sectors, which complements the fund's investment strategy. This is reinforced by a strong investment and post-investment monitoring processes, defined roles and responsibilities of team members and transparency in client communication.

The management team comprises five members, including four investment partners and the CFO, with an average experience of 27 years. The sponsors have contributed ~10% of the total commitment in the fund which is much higher than the minimum regulatory requirement.

The fund has a defined investment policy that governs all activities from deal sourcing to evaluation, due diligence and investment decision making. The investment team comprises 10 members with relevant experience in private equity investment management. The four investment partners have combined overall experience of more than 125 years and have developed expertise in leading deals. The team, in addition to its proprietary network, also sources deals, from intermediaries. The investment team conducts its own business diligence and is ably supported by independent agencies to conduct commercial; financial; legal; environmental, social and governance (ESG); and integrity due diligence. The team consults external domain experts on an as-needed basis to provide additional insights and expertise during post-investment monitoring stages.

The investment decisions are made by the investment committee which comprises three members – two co-founders and one representative from the US based investment firm. The investment process includes initial screening followed by detailed analysis and third-party diligence before arriving at a final decision in the committee meetings. Divestment-related decisions are also approved by the committee. The team, like its previous fund, plans to form a limited partner advisory committee to review and approve transactions involving conflicts of interest and key terms of the fund including extension of commitment period, change in key personnel, change in investment limits among others.

The operations and finance team headed by the CFO comprises five members, which aids the investment team in transaction support and post-investment monitoring. The finance and operation team are supported by external agencies for post - investment valuations, accounting, taxation, legal, regulatory, governance and board matters.

The fund has implemented transparent client communication and disclosure procedures. It shares quarterly updates with investors, which include a fund overview, business updates, initiatives taken by the fund and financial and operational metrics of the investee companies along with their valuations. It holds quarterly meetings with the investors in addition to the annual investor meeting.

Somerset Indus healthcare has previously managed two healthcare funds with different fund structures. The first fund was an offshore fund that delivered a gross internal rate of return (IRR) of 26.3% in rupee terms as of December 2024, with one investment yet to exit. This fund has taken a total extension of four years. The second fund has a co-investment structure with an onshore fund being registered as an AIF with SEBI. As of December 2024, it has generated a gross IRR of 16.2%.

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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