

## Grading report

July 31, 2024, | Mumbai

### CRISIL assigns Fund Management Grading – 1 to Samara Alternate Investment Fund III India



### Detailed rationale

CRISIL has assigned **CRISIL Fund Management Grading – 1** to Samara Alternate Investment Fund III India (Samara Fund III), a Category II alternative investment fund (AIF). Samara Global Services LLP is the sponsor and Samara Alternate Investment Management LLP is the Investment Manager (IM) of the fund. Samara India Advisors Private Limited, with a history of over 15 years is a partner in the IM and Sponsor entity and a sub advisor to the offshore funds - Samara Capital Partners Fund I Limited and Samara Capital Partners Fund II Limited.

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

The grading indicates the extensive experience and network of the investment and operations teams in private equity across the fund's focus sectors. It is supported by a defined investment process, robust post investment monitoring mechanism, well-defined roles and responsibilities of team members and utmost transparency in client communication.

Samara Fund III aims to construct its portfolio by investing predominantly through control or co-control transactions with the portfolio company to leverage its growth potential. The key management personnel (KMP) comprise seven members with an average experience of 27 years. The sponsor will maintain continuing interest in the fund as per the regulatory requirements.

Investment team comprises nine members carrying relevant experience in private equity investment management. It has three managing directors who work in coordination with other members of the investment team and are responsible for deal origination and evaluation. Senior members carry industry experience of more than 15 years on average and have been associated with Samara for nine years. The team has established a network of individual and industry connections which has helped them identify most of the deals. In addition, the team also seeks intermediary assistance for a few deals. The investment team is supported by in-house operations team and independent agencies to conduct commercial, financial, environmental, social and governance (ESG), and legal due diligence. External domain experts involved in or covering the sector are also consulted to better understand the proposal.

### Research

Samara Fund III has an investment policy which sets out a broad investment framework, restrictions and the role of IM and the Investment committee (IC). The investment process is clearly defined in the fund PPM and covers all areas from deal origination to evaluation, including due diligence and deal review done by the investment committee at various stages of the proposal. The IC comprises key management personnel of the fund and has a clearly defined voting structure for approval of investment proposals. The investment proposal goes through three levels of evaluation and approvals, before an investment decision is made by the IM. The investment proposal is a detailed note covering investment merits and consideration, industry and company overview, detailed financial summary, and exit options. Transactions involving potential conflict of interest are referred to the limited partner advisory committee (LPAC) for approval. The IC meets on a weekly basis and the LPAC on a quarterly or need-by-need basis.

The operating team has a strong focus on post-investment monitoring of the investee companies. It assists portfolio companies in bringing in operational and management changes when necessary. The team comprises nine members including three managing directors who oversee investor relation, finance, legal and operation functions.

The investment and operations team meet on weekly, monthly, and quarterly basis to discuss various aspects of the investment company such as financial performance, governance, statutory compliances, key issues and action plan. Samara's team members attend monthly business review meetings of the portfolio companies where operational strategies are discussed. The fund also appoints directors on the board of the investee companies depending on the stake the fund holds in each of them to monitor the performance of these companies.

The fund has implemented robust transparency in client communication and disclosure procedures and shares quarterly updates with the investors, which include fund and portfolio summary, investment overview, investment thesis, financials, key indicators, operating trends, operating agenda, targets, and key achievements. Quarterly meetings are held with the investors, in addition to annual investor meet.

Samara's offshore funds have delivered a mixed performance with Samara Capital Partners Fund I generating weak performance, including an extension of four and half years, while Samara Capital Partners Fund II has delivered more than 24% gross IRR in rupee terms with one out of ten investment pending to be exited. Samara Alternate Investment Fund (Samara AIF), is Samara's first AIF registered with the Securities and Exchange Board of India (SEBI), has drawn down approximately one third of its total commitments and has performed better than most of its peers in the subcategory benchmark in terms of distribution to paid in capital as per the CRISIL AIF Benchmarks for September 2023.

## About the fund

Samara Fund III is the name of the scheme under the AIF that is established as a trust under the provisions of the Indian Trusts Act, 1882. It is registered with the SEBI as a Category II AIF, with the purpose to make investments in companies across various stages in their life cycle including early growth, late-stage companies, over a term of ten years from the date of initial closing. The target size of the fund is Rs 2,000 crore (with an additional greenshoe option of Rs 3,000 crore). Samara Alternate Investment Management LLP is the IM, while Samara Global Services LLP is its sponsor and Mitcon Credentia Trusteeship Service Limited is the trustee of the fund.

The fund aims to target Indian companies that the IM believes are poised for rapid growth and transformation and are available in the mid-market segment of India Inc. The IM will prioritise on consumer/retail, healthcare/pharma, financial services, and business services/technology sectors.

## Research

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

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

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