

FOCUSED INVESTMENT IDEAS

APRIL 2024



AIF - Performing Credit

InCred Credit Opportunities Fund II



Horizon: 5.75yrs

- The fund targets to create compelling risk-reward by taking thoughtful secured credit positions in flexible financing transactions to cater to the growth capital requirement of Indian Corporates with a balance between cash flows and strong collateral.
- Indicative 20+ transactions; striving to achieve a granularity of ~5% (single deal exposure)
- Target gross IRR of 16%+ (with monthly payout)
- Weighted average loan tenure will be between 36 to 42 months
- Focuses on regular coupons and principal amortization
- End use of funds will be capital for asset creation, working capital, capex, acquisition financing and other business needs
- Senior secured debt construct with security in the form of fixed assets, Brand IP, Share Pledge, Personal and Corporate Guarantee

AIF - RE Debt

Sundaram RE Fund (Debt) - Fund IV



Fund Tenure: 5yrs Avg Tenure 3.5yrs

- Primary focus is on real estate, hotels, logistics and healthcare
- Focus on residential, hybrid and commercial
- 70-75% focused on self-liquidating projects / secured asset cash flows
- 25-30% backed by commercial assets / other collaterals with back-ended redemption structures
- Max exposure of 25% to single company, select sponsor backing/ operating leverage from Sundaram Group relationships

- 50–80 cr deal size / listed , unlisted investments NCD, mezzanine with Target gross IRR of 18% – 22%
- 3–4yrs deal tenors / quarterly repayments / 6–18m morat
- End use: construction / working cap / bridge funding / project acquisition / investor take-outs / refinancing
- Location: Primarily south india / opportunistic in Mumbai and Pune

Fund Status: Launched in Oct'23 / 375cr+ raised / 50% drawdown called for so far, FM may ask for 20-30% immediately / Fund tracking a 19% gross IRR/ Total 4 deals done: 2 (Dec'23) +2 (March'24)

AIF - Private Equity

Roots Ventures Fund II

 Horizon: 7yrs

- Roots Ventures Fund II will have a target size Rs 500 cr with a green shoe option of Rs 250 cr. Currently raised Rs 350 Cr, final close in May'24
- Strategy: First Investor (Seed) or First Institutional investor (Pre Series A), portfolio of 25–30 companies over 3 years period, 40% follow on investment
- Anchor investors : Vijay Shekhar Sharma (40 Cr), Apar family office(33Cr), Hunch ventures(25Cr) and Roots ventures LLP(5Cr)
- Key institutional investors: Self reliant india fund(100 cr), SIDBI monitored FOF(50Cr), SIDBI monitored ASPIRE(25cr), NABARD(5cr)
- Key focus verticals: Digital disruption, Tech-led enablers, Consumption
- Current portfolio: Smytten (digitizes the entire sampling experience for consumer brands), Go Desi (A new age 'Desi' candy, confectionery and sweets brand), Accio Robotics(builds autonomous mobile robots to automate material movement in warehouses), Kabadiwala (promoting circular economy through tech-based solutions to connect waste generators, processors, recyclers & brands), Manastu space(developing an Innovative Fuel and Engine system for satellites)
- Targetted IRR:25–30+% |Tenure: 7 years after the Final Closing, with optional two one-year extension | Carried Interest: 20% with catch-up|Hurdle rate:10% IRR on pre-tax basis”

InCred Growth Partners Fund – I

 Horizon: 6yrs

- Conducive investment environment for private equity investment – unlisted universe is large & widespread (~6000 pvt owned cos vs 1500 listed cos) and Investing during consolidation phase improves margin of safety with better potential of alpha generation.
- Fund will have a Mix of Growing Stars (Series B/C – high growth companies) and Glowing Stars (Series D+ – established companies)
- Focus on sectors such as Consumer, Financials, Technology, Enterprise/Others
- Fund would focus on companies that (i) have a dominant industry sway, (ii) are profitable atleast at CM3 level, (iii) are available at reasonable valuation multiples
- Vivek brings more than 18 years of investment experience. Joined InCred in June 2023. Demonstrated track record of delivering healthy returns. Few examples – lenskart (MOIC of 3.8x), Dailyhunt (MOIC of 3.2x), SMS Finance / Luminous (MOIC of 2.4x)

PMS Multi Cap

ICICI Pru Value PMS

 Horizon: >3yrs

- The Strategy defines Value Investing as “Good business at reasonable / attractive price” and not mediocre business at a bargain price
- 25 stock portfolio created from this filtered universe

- Sectors benefiting from rising energy intensity / increased power connectivity – Power sector; cap goods equipment manufacturers; EPC solution providers.
- Sectors benefiting from increased urbanization – Real Estate; Construction; Fast moving electrical goods
- Sectors benefiting from Govt Capex – EPC players; Mobility equipment; Defence equipment; Railways.
- Financialization – Banks; AMCs; Insurance Cos; Wealth Managers; NBFCs; Tech providers / Telecom.
- Shift towards “Experimental Consumption” – Aviation; Hospitality; Real Estate etc.

Karma Wealth Builder



Horizon: >5 yrs

- Karma Capital adopts a Growth at Reasonable Price (GARP) strategy identifying early cycle growth prospects
- Wealth Builder strategy adopts an All-cap, benchmark agnostic approach of around 25 stocks
- Strategy aims to deliver superior risk adjusted returns through differentiated portfolio with high active share
- Current allocation: Largecap (30%), Midcap (29%) and Smallcap (32%), Cash 9%
- Segment exposure: Healthcare 23% | Media 18% | Communication Serv 15% | Financials 13.3% | Auto 12%
- Core advisory team 7+ members (5 analysts + 2 CIOs) with cumulated experience of 100 years is led by Rushabh Sheth, Nikhil Desai (co-founders), Rajnish Giridhar.

Bonds

Satin Creditcare Network Limited (Secured, Listed)



11-09-2026 maturity (~30m)

- Coupon (Semi Annual): 13%
- Indicative Offer Yield: 12% (XIRR) for mkt lots, senior secured ncd, A rated stable (upgraded in Dec-23 from A-)
- SCNL is a listed NBFC in micro finance space;
- Cap Table has marquee investors – Florentine Ventures LLP, FMO (Dutch Development Bank), Massachusetts Institute Of Technology etc;
- H1FY24 AUM of Rs.8,894cr / INR 189cr PAT / CAR 26% / GNPA 2.4% / ROA 4.7%
- Liquidity surplus / Diversified funding profile (across Banks and NBFCs)

Structured product

InCred Capital (ICFSPL)



~36/39 Months

- Participation Rate: 175%
- Participation Range : 0% to 30% Nifty Performance
- Max Coupon: 52.5%
- Max IRR: 14.02%
- Principal Protection: Upto -20% Nifty Fall beyond which as per Nifty Performance
- Observation: 3 Months Avg. In 3 Months Avg. Out