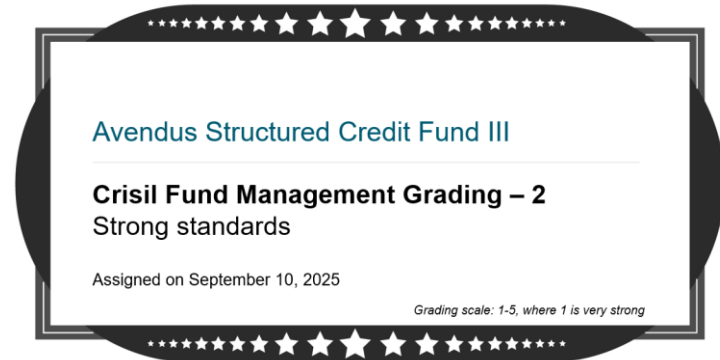


Grading report

September 10, 2025, | Mumbai

Crisil assigns Fund Management Grading – 2 to Avendus Structured Credit Fund III



Crisil has assigned **Crisil Fund Management Grading – 2** to Avendus Structured Credit Fund III (ASCF III), a Category II alternative investment fund (AIF).

Schemes graded Crisil Fund Management Grading – 2 are considered to follow ‘**strong**’ standards in investment processes and management practices.

About the fund

ASCF III is a scheme under the Avendus Structured Credit Investment Trust, which has been established as a trust as per the provisions of the Indian Trusts Act, 1882. It is registered with the Securities and Exchange Board of India (SEBI) as a Category II AIF and seeks to provide investors the opportunity to earn returns through investments in high-yield private credit strategy across sectors such as pharmaceuticals, healthcare, manufacturing, technology, B2B services and consumption among others. The fund has a term life of six years and nine months (from first close), with target size of Rs 2,000 crore and a greenshoe option of an equal amount.

Avendus PE Investment Advisors Private Ltd (Avendus PE) is the investment manager (IM) of the fund. Avendus PE and Avendus Capital Private Ltd (ACPL) are the sponsors of the fund. Avendus PE is a wholly owned subsidiary of ACPL. Vistra ITCL (India) Ltd is the trustee of the fund.

Detailed rationale

The grade is indicative of a strong investment process, experience and expertise of the investment team across private credit strategy, robust risk management framework, experience of the investment committee (IC), adequate transparency in client communication and disclosure practices, and track record of managing previous funds under the strategy.

KKR and Gaja Capital, through funds and group companies, collectively own majority of the shares of ACPL, which is the holding company of Avendus PE. These investors have representatives in the holding company’s Board and are not directly involved in the fund’s investment process and are looking to sell their stake in the normal course of their fund life along with other minority shareholders. This may lead to some changes in the organisation and management.

The Avendus group is a diversified financial services group with presence through its group companies in investment banking, institutional equities, wealth management, credit solutions and asset management. Presence in multiple segments helps Avendus PE with potential leads, sector research and better outreach. The fund's key managerial personnel have extensive industry experience, averaging ~19 years. The sponsor commitment is higher than the minimum regulatory requirement.

The Avendus private credit platform has multiple businesses and investment vehicles which include the NBFC and the AIF funds. The Managing Director & CEO of the NBFC businesses is an Investment Committee member of the private credit AIF funds and a director on the board of the Investment Manager. He is not on the Investment Committee of the NBFC. The NBFC and the private credit AIF funds have separate investment committees. The IM has also established guidelines and conditions for deal allocation between the NBFC and AIF, based on parameters such as deal size, investment tenure, investor type and expected returns. Compliance plays a crucial role in the investment process by evaluating potential conflicts at the IM and group levels, providing recommendations to the IC. The LP Advisory Committee's approval is also sought wherever recommended by Group Compliance.

The fund has a four-member investment team with cumulative experience of ~50 years in investment banking, due diligence, leading and managing credit investments. They have also been part of the previous fund, ASCF II in this strategy. The investment team is supported by Avendus group personnel across risk, compliance, legal, operations, finance, HR and marketing & communications.

The fund has a well-defined investment policy, which lays out the investment criteria, strategy, decision-making process, monitoring and restrictions. Most deals are sourced from within the group. The investment decisions for the fund are made by the four-member IC (one independent member), with industry experience averaging 24 years. The fund plans to hire a person who will be responsible for investment risk and monitoring along with the investment team. Performance of the portfolio companies is also discussed with the IC on a quarterly basis.

The IM has established strong client-servicing practices, ensuring adequate communication and disclosure. Regular updates are sent to investors, conveying the fund's performance and status updates on each investment. The investment team also interacts with the investors as and when needed. The fund has a dedicated email address for handling investor grievances.

This is the third fund in the credit strategy by the IM. The first fund (ASCF I) has closed with no write offs and generated gross portfolio IRR of 18%. ASCF II is the second fund in the strategy with 14 investments of which two have been fully exited and two partially, with no write offs thus far. ASCF II has outperformed the Crisil AIF debt subcategory benchmark and featured in the second quartile in terms of returns in the respective vintage years as of September 2024.

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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