

Grading report

May 8, 2024 | Mumbai

CRISIL assigns Fund Management Grading – 3 to Singularity Growth Opportunities Fund II



Detailed rationale

CRISIL has assigned **Fund Management Grading – 3** to Singularity Growth Opportunities Fund II (SGOF II), a Category II alternative investment fund (AIF). The fund is managed by investment manager (IM) Singularity AMC LLP and its sponsor is Param Ventures LLP.

Schemes assigned CRISIL Fund Management Grading – 3 are considered to follow **'adequate'** standards in investment processes and management practices.

The grading highlights the leadership team's diverse experience in the venture capital, private equity and listed equity space, which is reinforced by adequate due-diligence mechanisms and investment processes, active portfolio monitoring, suitable client servicing practices and transparency in disclosures.

In the past two and a half years, the IM has launched two growth equity focussed funds viz Singularity Growth Opportunities Fund I and SGOF (II). Both funds are nascent and exit track record needs to be demonstrated over time. Its performance track record is largely from unrealised returns. The IM also has two proprietary funds within its umbrella, for operational reasons, which invest in listed as well as early stage unlisted equities. The IM's founders are actively involved in the strategy and the investment decision-making process.

Singularity is a relatively nascent fund with around 3 years into existence started by professionals with over 3 decades of experience. It has an investment team of 13 people with a mix of operating and investing experience having a collective experience of more than 100 years.

The fund's investment committee (IC) plays an active role in decision-making for the fund. It is responsible for the approval of all fund-related investments and divestments. The IC follows a consensus-based approach, i.e., all members must approve a decision for it to be implemented. Investment proposals are presented to the IC at pre- and post-due diligence stages.

The IC comprises four members—Madhusudan Kela, Yash Kela, Mithun Sacheti and Sandeep Bapat—with collective experience of more than 65 years. Madhusudhan Kela is a market veteran and seasoned investor in Indian capital markets. His family office has sponsored Singularity Ventures Private Limited which is a major stakeholder in the IM as well as the Sponsor of the fund.

The leadership team's vast network is key to enabling in deal sourcing. Every potential transaction undergoes an initial standardised evaluation process in line with the investment strategy. External due diligence is conducted through reputed parties to mitigate pre-investment risks. Transactions undergo two reviews by the IC, pre- and post-due diligence.

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However, documentary records of formal meetings can be strengthened, for example, IC meeting notes cover only the final decision and can be further strengthened by adding other elements like key deliberation points and the rationale for the decision. The firm is in the process of building a large network of senior advisors across sectors to provide the investment team guidance on deals and access/advice to portfolio companies. They can be invited as guest members to the IC to provide inputs on deals as per their sectoral expertise.

Each potential investment undergoes internal as well as external due diligence conducted through reputed third parties. The responsibility for evaluating and monitoring deals throughout their life cycle rests with the respective deal partner overseeing the investment. Being a boutique firm there is no independent risk and portfolio monitoring team. All deals undergo regular monitoring by the investment team. Post-investment monitoring activities include tracking financial performance on a monthly as well as quarterly frequency, monitoring competition trends, conducting management meetings, helping drive strategic initiatives in investee companies, and evaluating various exit opportunities as they arise. All the exit decisions are made by the IC, with inputs from the monitoring team.

The IM has established adequate transparency in client communication and disclosure practices. Investors receive regular fund updates through quarterly factsheets, valuation reports and audited annual reports. Additionally, the IM conducts an annual meeting with investors, apprising them of fund-related activities.

The IM has 5 funds under its umbrella. Singularity Growth Opportunities Fund I & II and Singularity Fund of Funds are public funds targeting a total corpus of Rs 3,060 crore of which commitments are received for approximately Rs 1,600 crore. Founders Collective Fund and Early Opportunities Fund are proprietary funds exclusively managing investments from family and friends. As of December 2023, the team has collectively made 24 investments in private companies and 3 investments in other alternative investment funds. The IM's ability to execute timely exits at favourable valuations will be critical to substantiating the performance track record of the funds, which are early in their life cycle.

About the fund

Singularity Growth Opportunities Fund II (the Fund) is a scheme of Singularity Growth Opportunities Fund, established as a trust under the Indian Trusts Act, 1882. It is registered with the Securities and Exchange Board of India as a Category II AIF to provide unitholders risk-adjusted returns and long-term capital appreciation by investing in listed and unlisted securities.

The target size is Rs 1,500 crore (with an additional greenshoe option of Rs 500 crore) with a tenure of 8 years from the first closing (further extendable by up to 2 years). Param Ventures LLP is the sponsor, while Singularity AMC LLP is its IM. Vistra ITCL (India) Limited is the trustee to the Fund.

The Fund is sector-agnostic, with a focus on sectors like consumer, software as a service, financial services, specialised manufacturing. Additionally, all investments are limited to companies based in India.

Scoring model

The grading for the scheme is done on a five-point scale.

Grading level	Definition
Fund Management Grading – 1	Scheme follows very strong standards in investment processes and management practices
Fund Management Grading – 2	Scheme follows strong standards in investment processes and management practices
Fund Management Grading – 3	Scheme follows adequate standards in investment processes and management practices
Fund Management Grading – 4	Scheme follows below average standards in investment processes and management practices
Fund Management Grading – 5	Scheme follows weak standards in investment processes and management practices

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

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