

Grading Report

April 24, 2024 | Mumbai

CRISIL assigns Fund Management Grading – 2 to Chiratae Ventures Master Fund V



Detailed rationale

CRISIL has assigned **Fund Management Grading – 2** to Chiratae Ventures Master Fund V, a Category II alternative investment fund (AIF). The fund is managed by investment manager (IM) Chiratae Ventures India V Manager LLP and its sponsor is Chiratae Capital Management LLP, with Chiratae Ventures India Advisors Pvt Ltd acting as an investment advisor (IA) to the IM.

Schemes assigned CRISIL Fund Management Grading – 2 are considered to follow **'strong'** standards in investment processes and management practices.

The grading highlights the leadership and investment team's extensive experience in the venture capital and private equity space, underscored by robust due diligence mechanisms, well-established investment processes, active portfolio monitoring, suitable client servicing practices and transparency in disclosures. Additionally, the IA has created various committees for effective monitoring and governance within the company, with the founders being a part of all these committees. The IA has experience of executing exit deals through various modes like IPO, secondary market transactions and mergers and acquisitions. However, the returns on its previous funds have been sub-par .

The sponsor entity is expected to invest \$10 million in the new fund. As part of their succession planning strategy, three new minority partners have been added to the IM of Fund V, totalling five. Chiratae Ventures is trying to institutionalise its business and reporting structure to ensure increased professionalism and governance. Based on the information provided to CRISIL, this may involve further changes in ownership and partnerships within the IM's entity of future funds to effectively transition management responsibilities to the next generation of leaders. The transition and its impact is to be seen.

Chiratae has a 13-member investment team holding relevant experience in fund raising, capital markets, VC, investment banking and leading and managing early-stage portfolios. The team has a cumulative experience of over 200 years, with more than 110 years in VC. It is headed by its founders with overall experience of 40 years on average. It also has two managing directors, each having over 16 years of experience in VC.

The fund has a well-defined investment policy outlining its approach to diversification and sector categorisation. The investment team uses a combination of inbound and outbound deal sourcing strategies and tools to identify potential investment opportunities and uses a customer relationship management tool to log and manage deals. Each potential investment undergoes internal due diligence, followed by two levels of discussion. The investment decisions for the fund are taken by the investment committee (IC), which comprises a team varying in the size and stage of investment,

with no external members. Voting rights in the IC depends on the designation of the members and the chairman and has an affirmative voting right. A dedicated team manages and discusses exit and options at IC meetings.

The global and regional advisory boards help in strategy discussions and specific transactions, respectively. Transactions with conflict of interest are referred to the limited partner advisory committee for approval. The finance and portfolio management team, headed by the Chief Financial Officer, in collaboration with the deal team, is responsible for post-investment monitoring. The fund has a finance, legal and governance committee, which discusses governance issues and lapses in portfolio companies, interpretation of legal provisions, structures and diligence findings. The fund conducts integrity and revenue diligence on its portfolio companies to check for corporate governance issues.

The IM has established adequate transparency in client communication and disclosure practices. More than 50% of the investors from the previous fund are expected to be repeat investors in Fund V. The team uses a dedicated software for performance measurement and access portfolio information across funds. The fund has a valuation policy, with the numbers shared with investors. There is no provision of a separate grievance cell to register investor complaints.

The IA is an advisor on six other Chiratae funds registered as AIF with the Securities and Exchange Board of India (SEBI), of which two have sought for extension beyond term. The performance of its funds is sub par when compared with funds following similar strategy in their respective vintage years.

About the fund

Chiratae Ventures Master Fund V is a scheme under the Chiratae Ventures Trust V, established as a trust under the provisions of the Indian Trusts Act, 1882. It is registered with SEBI as a Category II AIF to provide unitholders with risk-adjusted returns and long-term capital appreciation by investing in unlisted portfolio entities for 10 years from the initial closing.

The target size is Rs 1,200 crore (with an additional greenshoe option of Rs 1,200 crore). Chiratae Ventures India Fund V, Chiratae Ventures Master Fund V and Chiratae Ventures International Fund V are together expected to raise \$350 million with a hard cap of \$500 million. Chiratae Capital Management LLP is the sponsor, while Chiratae Ventures India V Manager LLP is its IM. Chiratae Ventures India Advisors Pvt Ltd has been appointed as its IA.

The fund aims to make investments in technology and related companies mainly dealing in software, consumer media and technology, and health, finance, deep, climate and agriculture technologies. It primarily focuses on early-stage investments (Seed, Series A/B rounds) but allows up to 25% of the investible funds for expansion-stage opportunities (Series C+).

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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