ALTERNATIVES · PRIVATE CREDIT · CATEGORY II AIF

Before Rahul Sinha writes the cheque, he reads everything.

Here's what he found.

> *Rahul is 42, Delhi-based, a founder with Rs 2 crore sitting idle after a partial exit. Financially intelligent in his own domain -- navigating a category he doesn't yet fully own. This is the research he did before touching a single fund document. You're reading it too.*

Rahul Sinha | Founder in Transition | Delhi | Rs 2 Cr idle post-exit | **~18 min read**

> The first thing Rahul did wasn't open a fund document. He asked a simpler question: **who actually deploys money at what scale, and what do they do with it once it's in?** The answers surprised him. They'll surprise you too.

— Part 1 · Scale —

What is the minimum scale MegaFunds actually operate at?

There's a hard floor -- and it varies sharply by firm type. The number most HNIs don't know: **global megafunds don't look at anything below $50-100 million in India.** Their sweet spot is $150M to $750M+ per deal.

The data calibrates this clearly. In India's private credit market in 2024, ticket sizes above $50M (~Rs 450 crore) contributed roughly **70% of total deal value.** For global megafunds specifically, it skews significantly higher.

RECENT DEAL ANCHORS

KKR: $600M financing to Manipal Group -- KKR's largest-ever credit investment in India.

Apollo: $750M for Mumbai International Airport.

GMR Airports: $271M. A major logistics company raised $600M+. Deals at the smaller end run $150-300M.

Firm Type	Minimum Effective Ticket (India)
Global Mega Funds Blackstone, KKR, Apollo	**$100M-$150M+** ~Rs 850-1,250 crore
Mid-tier Global Credit Ares, Varde	**$50M-$100M** ~Rs 420-850 crore
Domestic AIFs Edelweiss, 360 ONE, InCred	**$5M-$50M** ~Rs 40-420 crore
Family Offices / NBFCs Domestic players	**Below Rs 100 crore** Bespoke structures

For a company to even be a credible counterparty for global funds, it needs roughly **Rs 200-500 crore+ in revenues** with strong asset backing or cash flows. For PE equity, enterprise value threshold is typically $200-500M+.

— Part 2 · Builder vs Financier —

Do Mega Funds build companies -- or just finance them?

Both. And India is one of their most active platform-building markets. The distinction matters enormously -- most financial media covers the cheque size and misses what happens inside the company for seven years afterward.

MODEL 1: PLATFORM + BOLT-ON

KKR's signature playbook in India. Acquire or back one strong anchor company, then use it as a platform for acquisitions in the same sector -- building a national champion that can eventually IPO.

KKR's strategy with Baby Memorial Hospital (BMH) is explicitly a platform approach. BMH has already acquired Meitra Hospitals for Rs 1,200 crore and is now buying Star Hospitals for Rs 1,800 crore.

MODEL 2: OPERATIONAL VALUE CREATION

This isn't just financial engineering. Both Blackstone and KKR run large internal operating teams that actively manage companies post-acquisition.

KKR Capstone -- roughly 100 operational experts -- supports all of KKR's investment strategies globally.

Blackstone's Portfolio Operations team has senior Operating Partners (often former CEOs) embedded alongside management, working on cost reduction, digital transformation, and growth strategy.

MODEL 3: GREENFIELD INFRASTRUCTURE PLATFORMS

Blackstone and Panchshil Realty are building India's largest AI data centre campus -- a 500 MW, 14-building campus in Navi Mumbai -- through their platform Lumina CloudInfra. This is not a financial investment. It is construction of an entirely new enterprise.

KKR launched three separate InvIT platforms in India from scratch: Highways Infrastructure Trust (roads), Virescent Renewable Energy Trust, and India Grid Trust -- covering 33 assets across 22 states.

> **For Brew Hems, the builder angle is the research gap worth owning.** Most Indian financial media covers the cheque size. Almost none covers what happens inside the company for 7 years afterward.

— Part 3 · Strategy Types —

Not all private credit is the same

This is where most investors conflate things. There are four distinct strategies under the Category II AIF umbrella -- each with a different risk-return profile. Rahul mapped them before looking at a single fund.

Strategy	Target IRR	Type	Risk
Performing Credit	**12-15%**	*Direct lending to healthy cos*	*Low-Moderate*
Real Estate Credit	**12-16%**	*Last-mile / construction finance*	*Moderate*
Structured / Mezz	**14-18%**	*Debt + equity upside blends*	*Moderate*
Special Situations	**18%+**	*NCLT, distressed, stress plays*	*High*

— Part 4 · The Fund Managers —

Key fund managers in India

Edelweiss Alternative Asset Advisors (EAAA) -- the pioneer and largest domestic platform. Won PDI Top Private Debt Fund Raiser awards for five consecutive years (2021-2025). Runs multiple strategies -- infrastructure credit, real estate credit, special situations, and performing credit -- under one platform.

360 ONE -- closed its fourth private credit fund at Rs 2,130 crore, its largest to date and more than double its previous fund. Private credit AUM approaching $1 billion.

Kotak Investment Advisors -- closed its first private credit fund at over Rs 2,000 crore as a Category II AIF. Focuses on performing companies; targets 16-18% annual returns.

Varde Partners -- led the market in total deal volume at $917 million in 2024, with its largest single deal being a $500 million investment in Reliance Power FCCBs.

InCred Alternative Investments -- highest deal count player. 49 transactions in 2024 at average ticket of Rs 27.5 crore -- serving the mid-market below global fund thresholds.

— Part 5 · Protection Stack —

The protection stack: what actually keeps your capital safe

This is the most important section most HNIs skip. When a private credit fund makes a loan, it negotiates multiple layers of downside protection simultaneously.

1	**First Charge on Assets**	Legal first claim on physical assets (land, equipment, receivables) enforced under SARFAESI. Private credit negotiates first charge on specific assets or second charge plus higher rate.
2	**Promoter / Personal Guarantee**	The promoter's personal assets become available in default. In India's family-business culture, this is a powerful deterrent - promoters rarely risk personal assets.
3	**Escrow of Cash Flows**	Borrower's receivables flow into a fund-controlled escrow before reaching the promoter. The fund takes interest first - making default structurally difficult.
4	**Financial Covenants**	Debt-to-EBITDA triggers, minimum cash balance requirements, restrictions on further borrowing - give the manager early warning and right to intervene before default.
5	**2x Minimum Collateral Cover**	Well-run funds insist on 100% secured lending with minimum 2x collateral cover. For every Rs 100 lent, Rs 200 of collateral backs it.

— Part 6 · Top 20 Funds —

Top 20 funds -- the full landscape mapped

Rahul filtered the domestic AIF universe -- the funds where Rs 1 crore minimum makes them accessible. The table below is the full landscape he studied.

#	Fund Name	Manager	Target IRR	Risk	Lock-in	Min
1	Edelweiss Special Opportunities Fund IV	Edelweiss EAAA	**17-19%**	Moderate	5-7 yrs	Rs 1 Cr
2	Neo Infrastructure Income Opportunities Fund	Neo Asset Management	**18-20%**	Low-Mod	7-10 yrs	Rs 1 Cr
3	360 ONE Credit Opportunities Fund IV	360 ONE Asset Mgmt	**15-18%**	Moderate	3 yrs	Rs 1 Cr
4	Kotak Credit Opportunities Fund	Kotak Investment Advisors	**16-18%**	Moderate	4-5 yrs	Rs 1 Cr
5	Sundaram Alternates Performing Credit V	Sundaram Alternates	**17-17.7%**	Low-Mod	3-4 yrs	Rs 1 Cr
6	Aditya Birla Structured Opportunities Fund 2	Aditya Birla Sun Life	**15-16%**	Moderate	4-5 yrs	Rs 1 Cr
7	Vivriti Diversified Bond Fund II	Vivriti Asset Mgmt	**12.5-13.5%**	Low-Mod	5 yrs	Rs 1 Cr
8	InCred Credit Opportunities Fund II	InCred Alternative	**16-17%**	Moderate	3-4 yrs	Rs 1 Cr
9	Edelweiss Real Estate Credit Fund III	Edelweiss EAAA	**14-16%**	Moderate	4-5 yrs	Rs 1 Cr
10	Aditya Birla RE Credit Opportunities Fund II	Aditya Birla Capital	**14-16%**	Moderate	4-5 yrs	Rs 1 Cr
11	Sundaram Alternates RE Credit Fund V	Sundaram Alternates	**14-15%**	Low-Mod	3-4 yrs	Rs 1 Cr
12	360 ONE Real Assets Development Fund	360 ONE Asset Mgmt	**13-16%**	Moderate	4-5 yrs	Rs 1 Cr
13	Edelweiss Infrastructure & Real Assets Fund	Edelweiss EAAA	**14-17%**	Low-Mod	6-8 yrs	Rs 1 Cr
14	Edelweiss Special Situations Credit Fund	Edelweiss EAAA	**18-22%**	High	5-7 yrs	Rs 1 Cr
15	Varde-Aditya Birla Distressed Asset Platform	Varde + AB Capital	**18-25%**	High	5-7 yrs	Institutional
16	Northern Arc India Impact Fund VIII	Northern Arc	**12-14%**	Low	4-5 yrs	Rs 1 Cr
17	Anicut Grand Anicut Fund IV	Anicut Capital	**16-18%**	Mod-High	3-4 yrs	Rs 1 Cr
18	Neo Special Credit Opportunities Fund	Neo Asset Management	**18-22%**	High	5-6 yrs	Rs 1 Cr
19	Hamsa Solar Fund I	Hamsa Asset Mgmt	**15%+ (eq)**	Moderate	10+2 yrs	Rs 1 Cr
20	NIIF Private Credit Fund	NIIF	**13-15%**	Low	6-8 yrs	Rs 25 Cr+

Disclaimer: Returns shown are target/gross IRR as disclosed by fund managers. Net IRR to investors is lower after management fees (1.5-2% p.a.) and carry (15-20% above hurdle). Past performance of closed vintages does not guarantee future results.

Before writing the cheque: the due diligence checklist

Two investors enter alternatives. One trusts the presentation deck. The other reads every document. Years later, the difference is visible -- not because one chose a better sector, but because one followed structured diligence.

ON THE FUND

- Track record: IRR achieved across previous vintages, loss rates, number of defaults and recovery percentages?
- Team stability: Who specifically does credit underwriting -- background, tenure, team continuity?
- Concentration: Maximum single-borrower concentration permitted? Above 20% is a red flag for performing credit.
- Sector exclusions: What industries does the fund explicitly not lend to?

ON THE DEAL STRUCTURE

- Security: What charge does every loan carry -- first charge, second charge, unsecured?
- Collateral cover: Minimum collateral cover required per deal?
- Personal guarantees: Does the fund require promoter guarantees -- and have they ever been invoked?

ON FEES

- Management fee: Typically 1.5-2% p.a. -- on committed or deployed capital?
- Carry: Typically 15-20% of profits above 8% hurdle -- is hurdle on committed or deployed capital?

THE HONEST VERDICT FOR RAHUL

Category II AIF private credit is **not a returns miracle.** It is a structurally superior risk-adjusted return versus other fixed income -- with one non-negotiable trade-off: **5-7 years of illiquidity.** A 15% IRR after fees delivers ~10.5% post-tax at the 30% slab. Still materially ahead of FDs at 5.25% post-tax. If the illiquidity aligns with your life, the premium is real and persistent. If it doesn't, don't do it.