Centrum Group-backed Modulus Alternatives fully exits maiden credit fund

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Rakshat Kapoor, CIO & head of private credit, Modulus Alternatives

Private credit investor Modulus Alternatives has fully exited its maiden performing credit fund that it launched five years ago and is now deploying capital from its new funds, a top executive told VCCircle.

Modulus Alternatives, promoted by Centrum Group, has fully exited the Centrum Credit Opportunities Fund after making 15 investments from the capital pool. The firm has returned the entire capital to the fund’s investors, said Rakshat Kapoor, head of private credit and chief investment officer at Modulus.

The firm had launched the alternative investment fund in September 2019 with a target corpus of Rs 500 crore and a greenshoe option of Rs 250 crore. The fund had a five-year tenor.

Modulus deployed Rs 1,790 crore from the vehicle, which included Rs 722 crore from the fund and about Rs 1,070 crore as co-investments for limited partners’ managed accounts.

The firm said that it achieved about 45% of the exits through improved operational cash flows of portfolio companies while 30% resulted from equity raise by these companies and the balance through refinancing.

At maturity, the fund achieved gross returns of about 17%, while distributions to paid-in capital (DPI), a measure of the amount of capital returned to LPs versus their invested capital, was 1.5x.

“Post our investment, there was a significant improvement in operating profile, profitability and credit ratings of the portfolio companies. This also demonstrates our value add through active portfolio management and reinforces our commitment to deliver absolute value to all our stakeholders,” Kapoor said.

Modulus invests in sectors such as manufacturing and healthcare but does not invest in real estate. Some companies which received funding from the investor include Jindal Power, Jindal Steel & Power, drugmaker Wockhardt, lighting products maker Syska, Jana Small Finance Bank and Stride Pharma.

Separately, Modulus is raising capital for its second vehicle, India Credit Opportunities Fund II, which has a target corpus of Rs 750 crore and a greenshoe option of Rs 500 crore. So far, it has deployed about Rs 800 crore across six investments including its Rs 150-crore bet on Shivam Autotech. It expects to make about 10-12 more investments from the second fund in areas such as healthcare, pharmaceuticals, industrials and clean energy, Kapoor said.

The second fund is expected to help Modulus grow its assets under management to $500 million, Kapoor said in an earlier interaction with VCCircle.

Founded in 2018, Modulus Alternatives offers credit to operating companies. So far, it has made investments worth Rs 2,500 crore across 21 deals. The firm is held by Centrum Group and Alok Agarwal, former chief financial officer of Reliance Industries Ltd. The board of Modulus is chaired by Vinod Rai, former finance secretary and Comptroller and Auditor General of India.

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