



Press Release

Indiabulls Dual Advantage Commercial Asset Fund [IBDACAF]

May 08, 2020

Rating

Sr. No.	Name of Fund	Amount (INR Crore)	Rating Assigned	Rating Action
1	Indiabulls Dual Advantage Commercial Asset Fund	724.25*	IVR AA+ (AIF)/ Stable; (IVR Double A Plus Alternative Investment Fund with Stable Outlook)	Rating Revised from IVR AAA (AIF); (IVR Triple A Alternative Investment Fund)

* The final closing date for IBDACAF was January 17, 2020 after raising total capital commitment of INR 724.25 Crore from the investors.

Details of facilities are in Annexure 1

Infomerics' Alternative Investment Fund rating is not a recommendation to buy, sell, or hold a security / fund. It neither comments on the current market price, suitability for a particular investor nor on the prospective performance of the fund with respect to appreciation, volatility of net asset value (NAV), or yield of the fund. The ratings do not address the fund's ability to meet the payment obligations to the investors.

Rating Rationale

The revision in the rating reflects moderation in credit profile of the sponsor i.e. Indiabulls Housing Finance Limited.

The rating continues to derive strength from the established stature & financial strength of the sponsor, the sponsor's commitment towards the fund, significant presence of the sponsor group in the real estate sector, gradual positioning of the Investment Manager & presence of highly qualified & experienced management team, robust investment & monitoring process supported by technological & operational platform and portfolio quality of the scheme. The rating also takes in to consideration the volatility in the real estate market.



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Key Rating Sensitivities:

➤ **Upward Rating Factor:**

Improvement in the overall credit profile of the sponsor on a sustained basis

➤ **Downward Rating Factor:**

Any decline in the overall credit profile of the sponsor on the sustained basis

Detailed Description of Key Rating Drivers

Key Rating Strengths

Established stature of the sponsor

The sponsor is Indiabulls Housing Finance Ltd (IBHFL). IBHFL is registered with National Housing Bank (NHB) and is engaged in the business of mortgage finance (home loans & loan against property) and corporate loans (mainly to real estate developers). IBHFL is one of the leading housing finance companies in India. IBHFL has presence in mortgage loans (housing loans and LAP), corporate loans (mainly in the nature of short-term secured bridge loans, project finance and lease rent discounting) and commercial vehicle financing. IBHFL is present across 220 locations spreading across 20 States and /or Union Territories of India. IBHFL reported total consolidated revenue of INR 17,027 Crore and a PAT of INR 4,090 Crore in FY19. As at March 31, 2019, its Net Worth and AUM stood at INR 16,482 Crore and INR 1,20,525 Crore respectively.

Sponsor's commitment towards the fund

As per the SEBI regulations for AIF, the sponsor's commitment requirement is 2.5% of the targeted fund or INR 5 Crore, whichever is less. However, IBHFL has committed to invest minimum INR 50 Crore. In many ways including administrative support, the sponsor has been facilitating the success & positioning of its mutual funds and AIFs.

Significant presence of the sponsor group in the real estate sector

The Indiabulls group has established presence in the real estate domain. IBHFL, the sponsor, along with its two major group companies, Indiabulls Real Estate Ltd. (real estate development company) and Indiabulls Distribution Services Ltd. (residential property broking



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company), provides an integrated solution to the buyers by virtue of its presence in the entire real estate eco system.

Gradual positioning of the Investment Manager & presence of highly qualified & experienced management team

Indiabulls Asset Management Co. Ltd., the Investment Manager of the fund, is relatively a new entrant in the mutual fund & related space. After having established in 2008 and started its operations during 2011, it has been gradually positioning itself in the domestic capital market. Its AUM in thirteen mutual funds was INR 4304 Crore as at March 31, 2019 & in fifteen funds of INR 1185.61 Crore as at December 31, 2019. The AUM of the AIFs [Indiabulls High Yield Fund (IBHYF) & Indiabulls Dual Advantage Commercial Asset Fund (IBDACAF)] stood at INR 1156.30 Crore as at March 31, 2019 & INR 1264.80 Crore as at December 31, 2019. The AMC was able to close its first AIF [Indiabulls Real Estate Fund (IBREF)] within 13 months. Indiabulls AMC is headed by Mr. Veekesh Gandhi, CEO, with over 18 years of experience in the field of Banking and Capital markets. The Board of the company consists of four members - the CEO, one Associate Director and two independent directors (one retired IRS officer and one retired Banking professional).

Robust investment process

The AMC follows very rigid & robust investment process. The investment process encompasses deal sourcing & evaluation, financial due diligence, feasibility study, investment committee review and due diligence. The team then negotiates with the builders for the proposals which qualify for detailed due diligence.

Detailed post-investment monitoring process, supported by well-established technological & operational platform

Investment team monitors investment portfolio on a regular basis in order to ascertain level of adherence to regulatory requirements, financial and other covenants and to identify early warning signals. IBDACAF is exposed to credit risk and valuation risk which are mitigated through stringent underwriting norms being followed.



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Portfolio quality of the scheme

IBDACAF invests in commercial real estate assets by taking full control of the SPVs / corporates which own the asset. The SPVs will, in turn, channelizes these funds to purchase the real estate asset. The properties are leased out to the maximum extent possible. IBDACAF accrues regular income through monthly lease rentals earned from the leased properties. IBDACAF will leverage on the experience of Indiabulls group currently managing three commercial properties (two in Mumbai and one in Chennai). At the end of 5 years, the principal will be repaid through the sale of these properties. Asset tenure is expected to closely match the scheme maturities and shall be held to maturity. The maturity of investments will be equal to or less than maturity of the scheme (i.e. 5 years for IBDACAF) to ensure timely redemption of units to investors on maturity of scheme with minimal exposure to market risks. Before maturity, net cash-flows, if any, will be passed on to the unit holders as distributable surplus.

Key Rating Weakness

Volatility in the real estate sector

The real estate sector in India is inherently volatile and it is a function of regional dynamics. Apart from the regular income of NCDs, the fund will generate additional income from the sale of dwelling units which is a part of the security cover thereby enhancing the effective IRR. Any downward movement in real estate prices may affect the total return from this fund.

Analytical Approach & Applicable Criteria:

- Rating Methodology for Alternative Investment Fund

About the Fund

Indiabulls Dual Advantage Commercial Asset Fund (IBDACAF) is a Category II Alternative Investment Fund (AIF) as per SEBI regulations. The tenor of the fund is five years from the date of final closing. The final closing date is maximum of 24 months from the date of first closing. The final closing date of IBDACAF was January 17, 2020 after raising total capital commitment of INR 724.25 Crore from investors.



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The Fund invests in commercial real estate assets by taking full control of the SPVs / corporates which own the asset.

The sponsor of the fund schemes is Indiabulls Housing Finance Company Ltd. (IBHFL) and the investment manager is Indiabulls Asset Management Company Ltd.

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Name of the Fund	Current Rating (Year: 2020-21)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating	January 29, 2019	November 06, 2017	March 20, 2017
Indiabulls Dual Advantage Commercial Asset Fund	Alternative Investment Fund	724.25	IVR AA+ (AIF)/ Stable; (IVR Double A Plus Alternative Investment Fund with Stable Outlook)	IVR AAA (AIF); (IVR Triple A Alternative Investment Fund)	IVR AAA (AIF); (IVR Triple A Alternative Investment Fund)	IVR AAA (AIF); (IVR Triple A Alternative Investment Fund)

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Fund

Name of Fund	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Amount (INR Crore)	Rating Assigned/ Outlook
Indiabulls Dual Advantage Commercial Asset Fund	-	-	5 years (Investment Manager has option to extend tenure by 2 years)	724.25	IVR AA+ (AIF)/ Stable; (IVR Double A Plus Alternative Investment Fund with Stable Outlook)