



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

ICICI Prudential Office Yield Optimizer Fund (IPOYOF)

February 26, 2019

Rating

Instrument / Facility	Amount (in crore)	Rating	Rating Action
ICICI Prudential Office Yield Optimizer Fund	700.00	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)	Assigned

Details of Instrument / Facility are in Annexure 1

Infomerics has assigned the ratings of 'IVR AAA (AIF)' (pronounced IVR Triple A Alternative Investment Fund) to ICICI Prudential Office Yield Optimizer Fund for amount of Rs.700.00 crore (including green shoe option of Rs.300.00 crore). The asset selection ability and asset management capabilities in the respective segments/sectors for this fund are expected to be very good.

Alternative Investment Fund ratings of Infomerics are not recommendations 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 ratings derive comfort from the established stature of the group, Investment Manager's commitment towards the fund, significant presence of the sponsor group in the real estate sector, established Investment Manager with highly qualified & experienced management team, robust investment and post-investment monitoring process supported by technological & operational platform and portfolio quality of the fund. The rating also takes in to consideration the volatility in the real estate market.

List of Key rating drivers along with Detailed Description

Established stature of the group

ICICI Prudential Office Yield Optimizer Fund (IPOYOF) is sponsored by ITSL, fully owned by ICICI Bank Ltd. ICICI Bank Ltd is India's largest private sector bank with total asset base of Rs.11,36,942 crore as on September 30, 2018 and Profit After Tax of Rs.4,676 crore for the

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half year ended September 30, 2018, on a consolidated basis. ICICI Bank has a network of 4,867 Branches and 14,417 ATMs across India, as on September 30, 2018.

Investment Manager'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 Rs.5 crore, whichever is less. The pedigree of the group coupled with the administrative support has facilitated the success & positioning of the AMC under its mutual funds.

Significant experience of the investment manager in the real estate sector

IPAMC has experience of managing real estate investments of around Rs.3,957 crore across opportunistic funds (including co-investor commitments) focused on investments in residential projects and two core funds focused on office projects. IPAMC managed and successfully closed a real estate portfolio under its PMS vertical named India Opportunities Portfolio (Series V). A total of Rs.274 crore was raised from investors between 2012 and 2014 and deployed across five properties in Mumbai (three), Noida (one) and Pune (one). The portfolio was successfully closed with the last exit being closed in June 2018.

Established Investment Manager with highly qualified & experienced management team

IPAMC, the Investment Manager of the fund, is one of the largest AMCs of the country occupying a position in the first three domestic mutual fund houses. IPAMC started operation in 1993. It is backed by sponsors with a high pedigree and international presence. In terms of size, IPAMC was ranked 2nd in the Indian mutual fund industry and based on average AUM for quarter ended December 2018. IPAMC has experienced personnel who have been associated with the company for long tenure and heading different verticals relating to Real Estate Investment and Risk & Portfolio Management.

Robust investment process

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

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

Investment team monitors investment portfolio on a monthly basis in order to ascertain level of adherence to regulatory requirements, financial and other covenants and to identify early warning signals. ICICI Prudential Office Yield Optimizer Fund (IPOYOF) is exposed to valuation risks that are aimed to be mitigated through stringent underwriting norms.

Portfolio quality of the fund

Asset tenure is expected to closely match the fund maturities and shall be held to maturity. The tenure of investments are expected to be equal to or less than maturity of the fund (i.e., 5 years and any other extension included as per the fund document) to ensure timely redemption of units to investors on maturity of fund with minimal exposure to market risks. The period of 5 years will be applicable from the date of the final closure of the fund. Also, Investment Manager will have an option to extend tenure by two years (one year at a time) based on approvals to be received from investors. 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 from investments, the appropriation of proceeds from the sale of office properties at the time of exit also generate income, thereby enhancing the effective IRR. However, 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

ICICI Prudential Office Yield Optimizer Fund is the third scheme under ICICI Prudential Real Estate AIF, which 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. Also, Investment Manager will have an



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option to extend tenure by two years (one year at a time) as per AIF regulations. IPOYOF has obtained capital commitments of Rs.184 crore from investors and raised Rs.46 crore (including Rs.1.02 crore brought in by IPAMC). It has invested Rs.45 crore in one office property in Thane through an SPV. The final closing date of IPOYOF is likely to be October 2019.

The sponsor of the fund is ICICI Trusteeship Services Limited and the investment manager is ICICI Prudential Asset Management Company Ltd.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil

Rating History for last three years: As per Annexure 2

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.

Disclaimer: 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. The ratings are based on current information furnished to Infomerics by the issuer or obtained by Infomerics from sources it considers reliable. Infomerics does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Infomerics does not perform an audit in connection with any rating and may, on certain occasions, rely on. The ratings may be changed, suspended, or withdrawn as a result of changes in, or non-availability of, such information, or based on other circumstances / information. Funds rated by Infomerics have paid a rating fee.



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Annexure 1: Details of Instrument / Facility

Name of Instrument / Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
ICICI Prudential Office Yield Optimizer Fund	-	-	-	700.00	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)

Annexure 2: Rating History

Name of Instrument	Current Ratings Assigned in 2018-19			Rating History		
	Type	Amount Outstanding (Rs. Crore)	Rating	Date & Rating Assigned in 2017-18	Date & Rating Assigned in 2016-17	Date & Rating Assigned in 2015-16
ICICI Prudential Office Yield Optimizer Fund	Alternative Investment Fund	700.00	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)	--	--	--