



Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Indiabulls High Yield Fund and Indiabulls Dual Advantage Commercial Asset Fund

January 29, 2019

Rating

Instrument / Facility	Amount	Rating	Rating Action
Indiabulls High Yield Fund (IBHYF)	Rs. 623.55 crores	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)	Reaffirmed
Indiabulls Dual Advantage Commercial Asset Fund (IBDACAF)	Rs. 1000 crores	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)	Reaffirmed

Details of Instrument / Facility are in Annexure 1

Infomerics has reaffirmed the ratings of 'IVR AAA (AIF)' (pronounced IVR Triple A Alternative Investment Fund) assigned to Indiabulls High Yield Fund for amount of Rs.623.55 crore as well as to Indiabulls Dual Advantage Commercial Asset Fund for a maximum amount of Rs.1000 crores (including a greenshoe option of Rs.500 crores). The asset selection ability and asset management capabilities in the respective segments/sectors for these funds are expected to be very good.

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 ratings derive comfort 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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List of Key rating drivers along with Detailed Description

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 a total revenue of Rs.14,640 crore and a PAT of Rs.3,847 crore in FY2018. As on March 31, 2018, its net worth and AUM stood at Rs.13,424 crore and Rs.1,22,578 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 Rs.5 crores, whichever is less. However, IBHFL has committed to invest minimum Rs.50 crores in the case of both the funds. IBHFL has invested Rs.50 crore in IBHYF and Rs.5 crore till date in IBDACAF. 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 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 2012, it has launched ten mutual funds and three Alternative Investment Fund and has been gradually positioning



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itself in the domestic capital market. It is ranked 27th amongst 43 mutual funds in terms of AUM. Its AUM in eleven mutual funds was Rs.8008 crore. The AUM of the AIFs (IBHYF and IBDACAF) stood at Rs.800.7 crore as on September 30, 2018. The AMC was able to close its first AIF (IBREF) within 13 months.

Indiabulls AMC is headed by Mr. Raghav Iyengar, CEO (a Chartered Accountant), with over 20 years of experience in Mutual Fund Industry. The Board of the company consists of four members - the CEO, one Associate Director and two independent directors (one retired IRS officer and one ex-Regional Director from RBI).

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. IBHYF is exposed to credit risk and hence, has step in rights in case there is any significant deviation during the progress of the project. IBDACAF is exposed to credit risk and valuation risk which are mitigated through stringent underwriting norms being followed.

Portfolio quality of the scheme

IBHYF invests in NCDs / OCDs / Mezzanine / equity of real estate SPVs and/or real estate corporates pertaining to residential projects. IBHYF determines the portfolio based on prudent norms in order to best suit the prevalent capital and real estate market conditions at the time of deal structuring. IBDACAF invests in commercial real estate assets by taking full control of the SPVs / corporates which own the asset. The SPVs will, in turn, channelises 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



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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., 4 years for IBHYF and 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.

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 Schemes

Indiabulls High Yield Fund (IBHYF) is a Category II Alternative Investment Fund (AIF) as per SEBI regulations. The tenor of the fund is four 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 IBHYF was September 12, 2018 after raising total capital commitment of Rs.623.55 crore from the investors.

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 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.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Nil



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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
Indiabulls High Yield Fund	-	-	4 years (Investment Manager has option to extend tenure by 1 year)	623.55	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)
Indiabulls Dual Advantage Commercial Asset Fund	-	-	5 years (Investment manager has option to extend tenure by 2 year)	1000.00	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)

Annexure 2: Rating History

Name of Instrument	Current Ratings			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
Indiabulls High Yield Fund	Alternative Investment Fund	623.55	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund) (November 6, 2017)	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund) (October 10, 2016)	Nil
Indiabulls Dual Advantage Commercial Asset Fund	Alternative Investment Fund	1000.00	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund)	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund) (November 6, 2017)	IVR AAA(AIF) (pronounced IVR Triple A Alternative Investment Fund) (March 20, 2017)	Nil