



## Press Release

### ICICI Prudential Office Yield Optimizer Fund [IPOYOF]

June 05, 2020

#### Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1	ICICI Prudential Office Yield Optimizer Fund	700.00	IVR AA+ (AIF)/ Stable; (IVR Double A Plus Alternative Investment Fund with Stable Outlook)	Revised & Withdrawn

#### **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 Action**

Infomerics Valuation and Rating Private Limited has revised and withdrawn the rating assigned to the Alternate Investment Fund (AIF) for the amount of Rs.700.00 crore (including green shoe option of Rs.300.00 crore).

The revision in rating reflects increased uncertainty in the real estate market due to the pandemic COVID-19.

The rating has been withdrawn based on the withdrawal request from the client.

#### **Detailed Rationale**

The ratings continue 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



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technological & operational platform and portfolio quality of the fund. The rating also takes in to consideration the volatility in the real estate market.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths**

##### **Established stature of the group**

ICICI Prudential Asset Management Company Ltd (IPAMC) is sponsored by ITSL, fully owned by ICICI Bank. ICICI Bank is India's largest private sector bank with total assets of Rs.9,64,459 crore for the year ended March 31, 2019 and Profit After Tax of Rs. 3363 crore as on 31<sup>st</sup> March, 2019. ICICI Bank currently has a widespread network of over 5275 Branches and 15,682 ATMs across India. ICICI has internet banking services with 300 plus services

##### ***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.5.00 crore, whichever is less. The pedigree of the group coupled with the administrative support has facilitated the success & positioning of AMC's mutual funds

##### ***Significant experience of the sponsor group 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 fund focused on office projects.

IPAMC managed and successfully closed a real estate fund 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).

##### ***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



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in 1993. It is backed by sponsors with a high pedigree and international presence. It has managed over 68 plus schemes comprising Equity, Debt, Hybrid and commodities categories. IPAMC has experienced personnel who have been associated with the company for long tenure and heading different verticals relating to Real Estate Lending and Investment, Banking & Finance, Risk & Portfolio Management and Investment Banking.

### **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.

### **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 is 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.



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### **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 generates income, thereby enhancing the effective IRR. In the current year there is a lot of uncertainty in real estate market due to COVID-19. 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 option to extend tenure by two years (one year at a time) as per AIF regulations. IPOYOF has obtained capital commitments of Rs.187.25 Crores as on 31<sup>st</sup> March, 2020 from investors and deployed Rs. 90.5 crores across two properties in Mumbai. The sponsor of the fund is ICICI Trusteeship Services Limited and the investment manager is ICICI Prudential Asset Management Company Ltd.

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

**Any other information: N.A.**



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### 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	Date & Rating Assigned in 2019-20	Date & Rating Assigned in 2018-19 February 26, 2019	Date & Rating Assigned in 2017-18
ICICI Prudential Office Yield Optimizer Fund	Alternative Investment Fund	700.00	IVR AA+ (AIF)/ Stable; (IVR Double A Plus Alternative Investment Fund with Stable Outlook) (Withdrawn)	--	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](http://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



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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
ICICI Prudential Office Yield Optimizer Fund	-	-	--	700.00	IVR AA+ (AIF)/ Stable; (IVR Double A Plus Alternative Investment Fund with Stable Outlook) (Withdrawn)