

July 11, 2013

**CARE ASSIGNS 'CARE AAA (MF-IDF)' RATING TO
IL&FS INFRASTRUCTURE DEBT FUND SCHEMES**

Scheme Name	Tenure	Rating ¹	Remark
Infrastructure debt fund Scheme Series 1-A	5 Years	CARE AAA (MF-IDF)	Assigned
Infrastructure debt fund Scheme Series 1-B	7 Years	CARE AAA (MF-IDF)	Assigned
Infrastructure debt fund Scheme Series 1-C	10 Years	CARE AAA (MF-IDF)	Assigned

CARE has assigned a 'CARE AAA (MF-IDF)' [Triple A Mutual Fund- Infrastructure Debt Fund] rating to the IL&FS Infrastructure debt fund Schemes Series 1-A, 1-B and 1-C. The asset selection ability and asset management capabilities in infrastructure sector for these schemes are expected to be excellent. CARE's ratings of infrastructure debt fund schemes are an opinion on the asset selection ability and asset management capabilities in infrastructure sector for these schemes. The rating is based on the stated investment policy, indicative investment strategy and the expected broad portfolio composition provided by the AMC. Continued support from the IL&FS group in the capacity as a sponsor, the quality & performance of the portfolio are key rating sensitivities.

Rating Rationale

➤ **Sponsor Evaluation-** The scheme ratings derive comfort from strong sponsor and sponsor group experience in infrastructure arena. IL&FS Infrastructure Debt Fund (IIDF) is sponsored by IL&FS Financial Services Ltd. (IFIN, rated CARE AAA), the wholly owned infrastructure projects financing arm of IL&FS Ltd. (rated CARE AAA). Established in 1987, IL&FS Ltd. is one of India's leading infrastructure development and finance companies promoted by leading banks and financial institutions. IL&FS group has considerable experience in project conceptualisation, execution and in advisory capacities across various sectors in the infrastructure space. At group level, IL&FS Ltd. has developed infrastructure projects of roughly over \$25 billion. Apart from infrastructure funding and development, the group also has expertise in managing private equity through IL&FS Investment Managers Ltd. (IIML- subsidiary of IL&FS), having assets under management (AUM) aggregating to USD 3.2 bn. IL&FS Ltd. has demonstrated track record of generating resources by inducting strategic partners or through sale of assets. IIML also has deep experience in monetizing infrastructure projects. So far, IIML has realized 55 investments at an average IRR of 24%.

➤ **Asset management company evaluation-** IL&FS Infra Asset Management Company Ltd. (IIAML) is the asset management company for managing the IIDF schemes. The AMC draws support from IL&FS group expertise in the infrastructure sector given that some of the Board of directors and key management personnel have been drawn from IL&FS group companies. Mr. Manish Chaurasia, Chief Executive Officer, has over 17 years of work experience in various roles such as origination, credit risk assessment and syndication in Asia- Pacific region. He is assisted by a team of experienced professionals both from within IL&FS Group as well as from industry.

IIAML shall benefit from group synergies of knowledge sharing and expertise in the area of prudent selection of the investments and efficient monitoring of the portfolio and the expertise in fund management. The project risk assessment and appraisal is expected to be done with the help of knowledge and expertise of senior personnel at the IL&FS group level. Further, IIAML has set up various risk management committees which shall oversee the functioning of the AMC and ensure that the mutual fund renders high standards of services and exercise due diligence

¹ Complete definitions of the ratings assigned are available at www.careratings.com

in their operations at all times. Investment decisions will be taken by Investment Committee of IIAML which has representation of key personnel from IL&FS group.

- **Portfolio quality-** Given that the IIDF schemes are yet to be launched, the portfolio is yet to be identified. However, the asset selection ability of the IIDF schemes is expected to be excellent in the infrastructure space. In sync with SEBI mandated investment guidelines, IIDF has also laid down its investment criteria. Around 70% of the portfolio shall be in externally rated investment grade (BBB- or above) paper. The fund investments shall be characterized by strong promoters, operational projects with strong cashflows and superior security mechanisms and projects with good payment track record. The sectoral selection shall be determined based on sectors where IL&FS Group has proven in-house expertise and has high level of interaction with the government such as surface transportation, maritime, power and education.

Background

IL&FS Financial Services Limited (IFIN), a wholly owned subsidiary of IL&FS Ltd., has set up IL&FS Infrastructure Debt Fund (IIDF), under the mutual fund route. IL&FS Infra Asset Management Ltd. (IIAML), a 100% owned subsidiary of IFIN, has been appointed as the asset manager for IIDF schemes. IFIN is expected to invest Rs. 200 crore (roughly 13% of fund's initial corpus of Rs. 1,500 crore). IFIN has also executed MoU with Life Insurance Corporation of India (LIC) under the terms of which LIC shall invest upto 10% of the fund corpus, subject to regulatory approvals. The IDFs investment objective is to generate income and capital appreciation by investing at least 90% of the corpus in a portfolio of predominantly infrastructure debt.

Analyst Contact

Name: Abhinav Sharma

Tel: 022-67543508

Email: Abhinav.sharma@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE 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. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Mobile : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Mobile +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Vice President – Banks & Financial Services

Mobile: +91-9819698985

Email ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LTD

HEAD OFFICE 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022 | Tel: +91-022- 6754 3456 | E-mail: care@careratings.com |

Fax: +91-022- 6754 3457.

KOLKATA | **Ms. Priti Agarwal** | Cell: +91-98319 67110 | Tel: +91-33- 4018 1600/ 1602 |

E- mail: priti.agarwal@careratings.com | 3rd Flr., Prasad Chambers (Shagun Mall Bldg), 10A, Shakespeare Sarani, Kolkata -700 071

CHENNAI | **Mr. V Pradeep Kumar** | Cell: +91 9840754521 | Tel: +91-44-2849 7812/2849 0811 | Fax:

+91-44-2849 0876 | Email: pradeep.kumar@careratings.com | Unit No. O-509/C, Spencer Plaza, 5th

Floor, No. 769, Anna Salai, Chennai - 600 002

AHMEDABAD | **Mr. Mehul Pandya** | Cell: +91-98242 56265 | Tel: +91-79-40265656 | Fax: +91-79-

40265657 | E-mail:mehul.pandya@careratings.com | 32, Titanium, Prahaladnagar Corporate Road, Satellite, Ahmedabad - 380 015.

NEW DELHI | **Ms. Swati Agrawal** | Cell: +91-98117 45677 | Tel: +91- 11- 2331 8701/ 2371 6199 |

E-mail: swati.agrawal@careratings.com | 3rd Floor, B -47, Inner Circle, Near Plaza Cinema, Connaught Place, New Delhi - 110 001.

BENGALURU | **Mr. Dinesh Sharma** | Cell: +91 9900041975 | Tel: +91-80-22117140 |

E-mail: dinesh.sharma@careratings.com | Unit No. 8, I floor, Commander's Place, No. 6, Raja Ram Mohan Roy Road, (Opp. P F Office), Richmond Circle, Bangalore - 560 025.

HYDERABAD | **Mr. Saikat Roy** | Tel: +91-40-40102030 |

E-mail: saikat..roy@careratings.com | 401, Ashoka Scintilla | 3-6-520, Himayat Nagar | Hyderabad - 500 029.

PUNE | **Mr. Rahul Patni** | Cell: +91-78754 33355 | Tel: +91-20- 4000 9000 |

E-mail: rahul.patni@careratings.com | 9th Floor, Pride Kumar Senate, Plot No. 970, Bhamburda, Senapati Bapat Road, Shivaji Nagar, Pune - 411 015.

JAIPUR | **Mr. Rahul Jain** | Cell: +91-9314921496 | Tel: +91-0141-4020213/14 |

E-mail: rahul.jain@careratings.com | 304, Pashupati Akshat Height, s Plot No. D-91, Madho Singh Road, Near Collectorate Circle, Bani Park , Jaipur – 302016