RCAM – PMS

Yield Maximizer

All Season Debt Portfolio

What is Yield Maximizer

- A Portfolio which endeavors to invest in high yielding secured debentures issued by companies / entities participating directly or indirectly in the real estate sector
- Portfolio, typically participates in opportunities which are easy to execute, have shorter gestation periods, are relatively low risk, with built in exit options
- Focus of the Portfolio is on residential segment. May also seek to opportunistically participate in brownfield commercial projects
- Typically, participate in secured debt like transactions which
  - Seek fixed returns from debenture issuers where investments would be redeemed from identified cash flows of the project(s)
  - Endeavor to provide safety of capital though multi layer security mechanisms and
  - Participate in underlying projects that are self liquidating in nature
- Superior deal structuring by providing return to investors both as coupon and premium on redemption of debentures and retaining option of listing debentures. This has the potential to enhance tax efficiency

Why Yield Maximizer

- **Short tenure** of offering
- **Periodic cashflow** proposed to be paid out to investor
- Sufficient deal flow **ensures cash does not remain idle**
- **Robust, time tested investment strategy** in place
- **Opportune time** to capture high yields
- Endeavor to **optimize tax efficiency**

Key Terms of Investment

Instrument	Secured, redeemable, rated / unrated debentures with option available to get the debentures listed
Tenure	3 years + 1 (3 years extendable by 1 year at the discretion of Portfolio Manager)
Composition	Upto 4 investments
Minimum Investment	Capital contribution of Rs. 1 crores and multiples of Rs. 1 lac thereafter
Up-front Set up Fee / Entry Fee / Acquisition Fee*	2% of capital contribution
Fixed Management Fees*#	Option 1: 1.25% p.a charged quarterly till end of 3rd year and thereafter on net investment amount or part thereof Option 2: 2.0% p.a charged quarterly till end of 3rd year and thereafter on net investment amount or part thereof
Hurdle Return ~	12% XIRR (applicable only to Option 1)
Variable Management Fee /Exit Fee*	Option 1: 5 % of return above hurdle return of 12 % XIRR with catch up Option 2: Not Applicable
Other Expenses*^	On Actual
Premature Termination Fee*	4 % for 1st year, 3% for 2nd year, 2% for 3rd year on capital contribution and thereafter 1.5 % on net invested amount

* Excludes Service tax. ^ Other expense includes: Custody Charges, Audit Certification Charges, Fund Accountant Charges etc. For detailed Fee/expense structure please refer to the client profiling form. # The client shall be liable to pay fixed management fees for a period of 3 years in case the underlying investment matures at any point before 3 years. ~XIRR is calculated based on the cash flows committed at specific intervals of time.

Right time to capture high yields is now

Opportunities exist to capture high yield on debentures on account of following Macro Factors

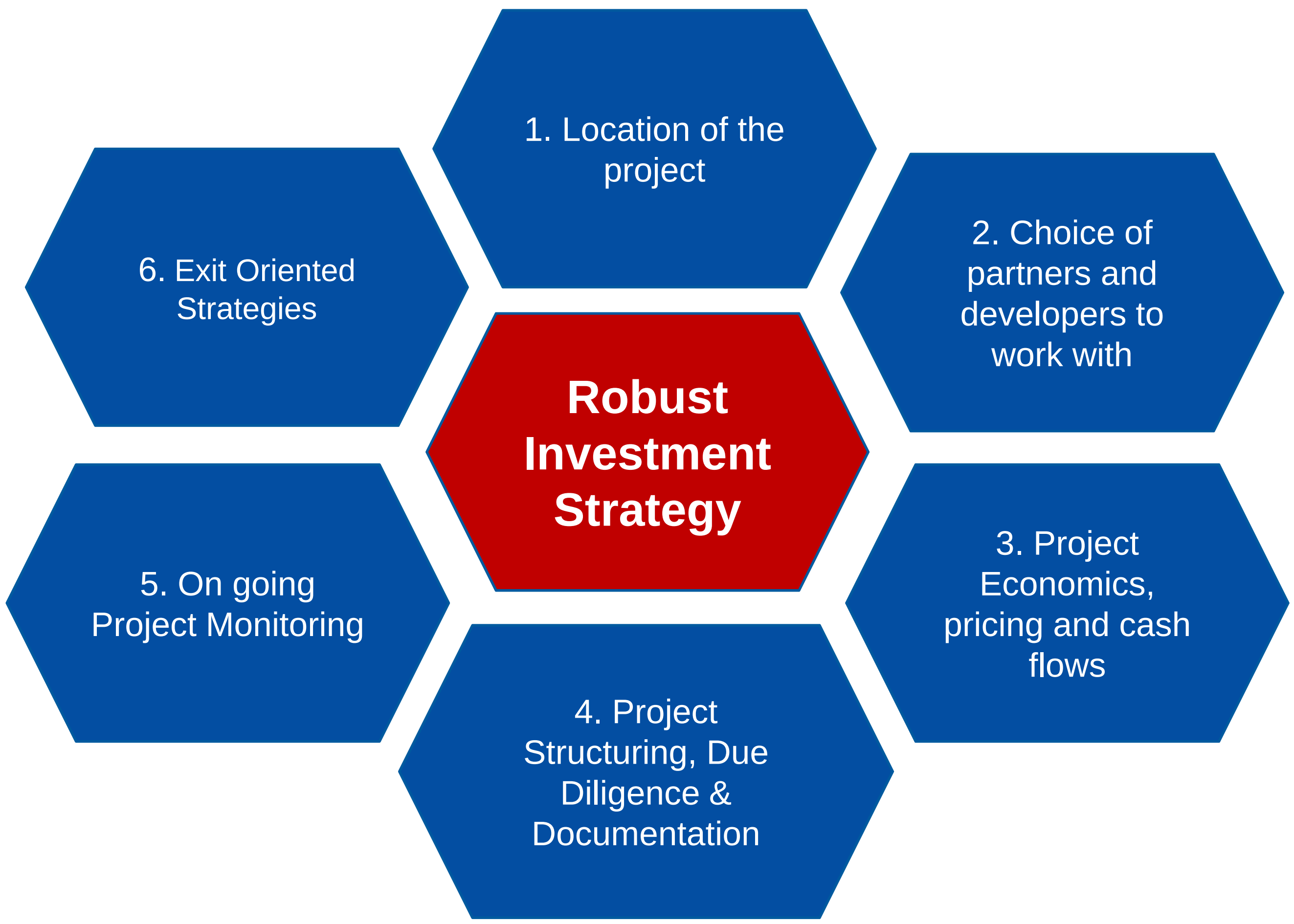
- Despite a recent 50 bps rate cut by the Reserve Bank of India (RBI), RBI is of the view that due to risks of inflation and fiscal slippage, the scope for larger rate cuts in the future is limited*
- Government's heavy first half FY13 G-Sec borrowing calendar has also led to liquidity tightening*

Real Estate Sector Specific factors

- Past monetary tightening, postponement of real estate IPOs and low FDI levels in real estate has limited the availability of funds to industry
- Based on our experience, not just are the returns higher on deals than at any point of time between 2005 to date; but also these deals are relatively safer
  - Various deals available at attractive yields with key approvals and multi layer security mechanisms in place
  - Some of these deals available against assets where significant progress and substantial construction work has been carried out, which is safer from a risk perspective
- In select metros / micro markets
  - Many new projects which have been announced by developers require funding, as pre-sales have moderated due to higher prices
  - Projects (especially commercial) have been stalled / going slow due to excess supply and non availability of timely and adequate funding
  - Approvals for some projects are being delayed, thereby causing stress to selected real estate developers

*Source – RBI and Internal research

Investment Strategy



Investment Strategy

Location of the Project

- Typically our focus shall be on residential segment in top 5 to 7 major cities where liquidity and velocity of sales is higher

Partnering with Appropriate Promoters and Developers

- Preferably deal with established real estate developers and the developers dominant in particular geography

Product Economies, Pricing and cash flows

- Project should be self-sustaining and make sense on a stand alone basis
- Product pricing to be “rational”, based on micro-market analysis and product specification
- Investment rationale to be based on visible project cashfows and not on parental support from holding or group companies

Deal Structuring, Due Diligence and Documentation

- Rigorous commercial, title, technical and financial due diligence to be carried out

The approach described above is only suggestive in nature. There is no assurance that all or any of the steps mentioned above would be followed Various deals may be inherently different from each other.

Investment Strategy

Deal Structuring, Due Diligence and Documentation (Cont)

- Seek safety of capital though multi layer security mechanisms in the form of charge on the underlying assets (land, building and receivables), additional collateral security, pledge of promoter share holding, personal and corporate guarantees, PDC, strong event of default (EOD) clauses / take over rights, veto rights (affirmative rights on key matters), control on costs and selling price, exit covenants and adequate control on project and its cash flows
- Options and obligations to sell or buy the stake or the strategic interest at pre - agreed valuation and fall back mechanism on holding companies to be created

Project monitoring

- Periodic monitoring of the project on all agreed milestones (timelines, financial, etc.)

Exit Oriented Structures

- Prefer self liquidating projects
- Project participation to be structured in such a way that we may not need to await the conclusion of the project to effect exit
- Options and obligations to sell or buy the stake or the strategic interest at pre - agreed valuation and fall back mechanism on holding companies to be created

The approach described above is only suggestive in nature. There is no assurance that all or any of the steps mentioned above would be followed Various deals may be inherently different from each other.

Superior Deal Structuring

- **Deals are generally sought to be structured in a manner where**
  - Returns are recovered via coupon and / or premium on redemption of debentures
  - Option to list debentures is retained
- **In case of listed debentures, there is no TDS on coupon payments**

Real Estate Fund Management Expertise

Mr. Shahzad Madon
Head PMS & Alternate Assets

Mr. Shahzad Madon is the Head of Portfolio Management Services (PMS) & Alternate Assets. In his previous stint with ICICI Prudential AMC (ICICI Pru), he was Executive Director.

- More than 22 years of industry experience across banking, investment management & the financial services sector. He has held varied responsibilities at ICICI Pru which include heading equity research, managing equity portfolios, heading the equities business, managing alternative assets and leading the PMS business.
- One of the few investment professionals who have experience across both the listed and unlisted equity space. This gives him a unique perspective of any investment.
- Shahzad has been involved with the real estate industry since 2005-06 and has been the guiding force behind the launch of the first ever Real Estate offering via the PMS route in India.
- He has been actively involved in the conceptualization, fund raising activities and fund management of real estate offerings.
- Shahzad has had the opportunity to do a wide variety of real estate deals across debt, mezzanine and equity space involving varied developers and geographies.

Real Estate Fund Management Expertise

Mr. Pradeep Khanna
Senior Fund Manager - Real Estate Investments

In his previous stint with ICICI Prudential AMC (ICICI Pru), he was Senior Fund Manager / Principal, Real Estate Investment Management. Pradeep has done his Masters in Business Management from Indian Institute of Technology (I.I.T) Kharagpur and B.Tech in Civil Engineering from National Institute of Technology, Warangal

- He has more than 14 years of experience in the field of Real Estate Investment Management, Credit, Corporate & Project Finance, Investment Banking & Project Management in Real Estate and Construction in India and abroad. Pradeep was instrumental in setting up and anchoring real estate private equity business at ICICI Pru for 4.6 years and responsible for consummation and investment management of various deals. He has been instrumental in structuring of mezzanine transactions.
- At ICICI Pru, he lead the acquisition and investment function and was primarily responsible for managing and driving origination, identification, negotiation, due diligence, structuring transactions, documentation and closure of deals. He was also responsible for some exits with private equity returns.
- He has developed broad based relationship with developers, intermediaries, property consultants and investment banks on a pan India basis and has good understanding of real estate market, development process including construction, legal and regulatory framework, structuring and tax related matters.
- Prior to his appointment in ICICI Pru, he has worked with Project Advisory and Structured Finance in SBI Capital Markets Ltd, Corporate Fin & Invest Banking in ING Vysya Bank and Engineer with Shapoorji Pallonji Group and Gammon India Ltd.

Illustrative Deals - Past Track Record

Marvel Landmarks Private Limited - Residential

- The deployment in Marvel Group is an investment in a multi layered secured debt facility, by way of subscribing to Non Convertible Debenture (NCD) issued by Marvel Landmarks Pvt. Ltd (MLPL) at an IRR of 19.54%*
- The NCD is secured against the three residential projects by Marvel Group (Marvel Isola, Marvel Aurum & Marvel Diva II) which are at an advanced stage of construction and pledge of promoter shares. These projects are located at well established locations in Pune: NIBM Road - Isola, Koregaon Park – Aurum and Magarpatta Road - Diva II. Isola Phase I and Diva II are 97% and 83% sold respectively
- Marvel Group is a well known developer from Pune known for developing quality and premium real estate projects
- Combined security cover from the three projects in the transaction is more than 2.25 times at any point of time

Hubtown Ltd (previously known as Ackruti City Ltd) (Hubtown Viva)- Commercial

- The deployment in Hubtown Viva is an investment in a multi-layered secured debt facility against a commercial project in a prime location at an IRR of 20.15%*
- The project is based on small office format with majority of the office sizes ranging between 538 to 782 sq ft
- The project is located on the Western Express Highway, Andheri (E)
- Hubtown Group has a track record of successfully developing several projects over the past 25 years
- The transaction has a security cover of more than 2.6 times

* The IRR is calculated on the basis of projected cash flows on specific dates as committed by issuer on gross basis. NCDs are affected by various market risks including but not limited to counter party risk, prepayment risk, market risk, valuation risk, liquidity risk and other risks. The deployment in above NCDs is under Aggressive Returns option in All Season-Debt Shield. There can be no assurance that the past performance of Product / Option is or will be indicative of the future results and there can be no assurance that Product / Option will achieve its stated objectives. The deals mentioned above may or may not form the part of the portfolio.

RELIANCE

Illustrative Deals - Past Track Record

Sunshine Housing & Infrastructure Private Limited (Sunshine Housing)- Commercial

- The deployment in Sunshine Housing is an investment in a multi-layered secured debt facility against mortgage of ready commercial office space (Sunshine Tower) in a centrally located and commercial hub like Dadar , Mumbai at an IRR of 19.82%*
- Its strategic location between Nariman Point to the South and Bandra Kurla Complex to the North, gives Sunshine Tower an edge in terms of location advantages and easy accessibility
- The transaction has a security cover of 2.5 times backed by charge on development rights, unsold units of the almost ready commercial building, PDCs etc

Kumar Urban Development Limited (Kumar Urban)- Residential

- The deployment in Kumar Urban is an investment in a secured non convertible debenture against mortgage of residential projects, Phase I of Sinew Hills and Manjari Town in Pune at an IRR of 20.75%*
- KUDL is a real estate development company with focus on residential and commercial development in the cities of Pune and Mumbai
- The transaction has a security cover of 2.5 times backed by land parcels, pledge of shares, PDCs etc

* The IRR is calculated on the basis of projected cash flows on specific dates as committed by issuer on gross basis. NCDs are affected by various market risks including but not limited to counter party risk, prepayment risk, market risk, valuation risk, liquidity risk and other risks. The deployment in above NCDs is under Aggressive Returns option in All Season-Debt Shield. There can be no assurance that the past performance of Product / Option is or will be indicative of the future results and there can be no assurance that Product / Option will achieve its stated objectives. The deals mentioned above may or may not form the part of the portfolio.

Illustrative Deals - Past Track Record

L & T Arun Excello Realty Pvt. Ltd. (L&T Arun Excello)- Residential

- The deployment in L&T Arun Excello is an investment in a multi-layered secured debt facility against 3 residential towers near Chennai at an IRR of 17.23%*
- The project site is well connected by roads (MTC bus service), railways (Potheri & Guduvancherry station located within 1.5 Kms) and airport (18 kms)
- Three towers ready with 80% of the flats sold with people staying in them
- The transaction has a security cover of 2.2 times backed by ready-to-occupy Grade A apartments in a renowned township project, land parcels, PDCs etc

* The IRR is calculated on the basis of projected cash flows on specific dates as committed by issuer on gross basis. NCDs are affected by various market risks including but not limited to counter party risk, prepayment risk, market risk, valuation risk, liquidity risk and other risks. The deployment in above NCDs is under Aggressive Returns option in All Season-Debt Shield. There can be no assurance that the past performance of Product / Option is or will be indicative of the future results and there can be no assurance that Product / Option will achieve its stated objectives. The deals mentioned above may or may not form the part of the portfolio.

Hubtown Viva Project

Front Facade*

Sample Office Space*

Passageway*

* Actual Photos as on April 2012

Marvel Project

Marvel Diva II*

Tower G

Tower H

Marvel Aurum*

Marvel Isola*

Tower B

Tower C

* Actual Photos as on April 2012

Sunshine / L&T Arun Excello Projects

Sunshine Tower*

L&T Arun Excello *

* Actual Photos as on April 2012

Documentation

- **For Individual Clients & Corporates**
    - Duly Completed / Filled / Submitted
        - ✓ Demat Account Opening Kit
        - ✓ Bank Account Opening Kit
        - ✓ Custody KYC requirements
        - ✓ PMS Agreement
        - ✓ PMS Client Profiling Form
        - ✓ PMS KYC Documentation
    - Power of Attorney Document to be executed

Risks Associated with Fixed Income Securities

Common risks associated with investments include but are not restricted to the following:

- **Interest Rate Risk**
  - Changes in interest rates affect valuation of fixed income securities as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise
- **Liquidity or Marketability Risk**
  - This refers to the ease at which a security can be sold at or near its true value
- **Credit Risk**
  - Credit risk or default risk refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. issuer will be unable to make timely principal and interest payments on the security)
- **Reinvestment Risk**
  - This risk refers to the interest rate levels at which cash flows received from the securities are reinvested. The risk refers to the fall in the rate for reinvestment of interim cash flows
- **Prepayment Risk**
  - The risk associated with the early unscheduled return of principal on a fixed-income security
- **Risks associated with Real Estate sector**
  - Risks Inherent to the Real Estate related business such as project location, macro & micro economic conditions, local economic conditions, etc. may adversely affect the portfolio performance

Disclaimer

The investments will be made in debentures. The Product / Option has been launched under Aggressive Returns option in All Season-Debt Shield. Aggressive Returns Option is a highly flexible investment option, which offers a diversified investment portfolio across ratings and the yield curve. This option follows an aggressive approach to portfolio construction with focus on: highly active money management, using cash and interest rate derivatives (if necessary) as investment tools. The Portfolio Manager would endeavor to generate superior risk adjusted returns by taking an active view on the markets in terms of interest rate movements or any other factor that may affect it. The duration of the debt portfolio would primarily be managed with an attempt to generate coupon income with minimum interest rate risk. The Portfolio Manager would either hold a single security / concentrated portfolio or hold a diversified portfolio to mitigate the risk associated with debt securities.

The views expressed herein are the personal views of the Author. The views constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the readers. This information is meant for general reading purpose only and is not meant to serve as a professional guide for the readers. This document has been prepared on the basis of publicly available information, data, as represented by the company, and other sources believed to be reliable. The Sponsor, The Investment Manager, The Trustee or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information. Whilst no action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate and opinions given fair and reasonable. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Recipients of this information should rely on information/data arising out of their own investigations. Viewers are advised to seek independent professional advice and arrive at an informed investment decision before making any investments. None of The Sponsor, The Investment Manager, The Trustee, their respective directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material.

The Sponsor, The Investment Manager, The Trustee, any of their respective directors, employees including the fund managers, affiliates, representatives including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies) / specific economic sectors mentioned herein

Risk Factors

Investments in securities are subject to market risks and there is no assurance or guarantees that the objectives of any of the Product / Option will be achieved. Investors are not being offered any guaranteed or indicative returns through any of the Product / Options. The investments may not be suited to all categories of investors. The past performance of the Portfolio Manager in any Product / Option is not indicative of the future performance. There is no assurance that past performances indicated in earlier Product / Option will be repeated. The names of the Product / Options do not in any manner indicate their prospects or returns. These products are affected by various risks including but not limited to counter party risk, prepayment risk, market risk, valuation risk, liquidity risk and other risk. The various factors which may impact the value of the Product / Option investments include, but are not limited to, fluctuations in the equity and bond markets, fluctuations in interest rates, prevailing political and economic environment, changes in government policy, factors specific to the issuer of the securities, tax laws, liquidity of the underlying instruments, settlement periods, trading volumes etc. The investment could result into concentration on a specific asset/ asset class/sector/ issuer etc., which could lead to non diversified portfolio which tends to be more volatile than diversified portfolio. The inability of the Portfolio Manager to make intended securities purchases due to settlement problems could cause the Product/Option to miss certain investment opportunities as in certain cases, settlement periods may be extended significantly by unforeseen circumstances. Similarly, the inability to sell securities held in the portfolio may result, at times, in potential losses to the Product/Option, should there be a subsequent decline in the value of the securities held in the portfolio of Product/Option. The Structured Notes like the Debentures, in which funds are proposed to be invested in, are high risk instruments. The return on investment in securities would depend on the prevailing market conditions, both domestically as well as internationally. The portfolio Manager is not responsible or liable for any loss resulting from the operations of the Products/ Portfolios.

Reliance Capital Asset Management Limited is registered with Securities & Exchange Board of India as a Portfolio Manager vide Registration Number INP000000423 having registered office at 'H' Block, 1st Floor, Dhirubhai Ambani Knowledge City, Koparkhairne, Navi Mumbai - 400 710. Please read the Disclosure Document before investing.

RELIANCE

Risk Factors

'Risks associated with real estate sector':

There exist a material possibility of Reliance Capital Asset Management PMS (“RPMS”) incurring losses resulting in partial or total loss of the investment and there is no assurance that RPMS may make profits or that it will not incur losses. RPMS provides no assurance or guarantee as to the return on, or refund of, the investment. Risks Inherent to the Real Estate related business such as project location, macro & micro economic conditions, local economic conditions, etc. may adversely impact the investments made. Factors affecting Real Estate Business such as quality of developer and the developed property, increase in operating cost, land use and zoning restrictions etc. impacts the real estate value creation and resultantly the return on the investment. Inability to consummate projects and undertake the business proposed on favorable terms may affect the financial stability, cash flows and results of the Yield Maximizer. Adverse conditions in financial market may have a material adverse effect on the value and returns on the investments. Real Estate investments typically are illiquid and requires a long-term commitment with no certainty of returns. Construction and development projects are subject to cost overruns, third-party performance issues, availability and costs of materials and labour, which may adversely affect the interest of the investors. Changes or particular events may affect the financial performance of a Project where RPMS has legal, economic and beneficial interest through participation. Losses such as earthquake, flood, hurricane or act of war may be uninsurable or insurable at excessive premium. Delay in obtaining the necessary government approvals may delay the execution of real estate projects. Risk associated with compliance of land use regulation and any changes /amendment therein. Risk associated with title clearance, as title records provide only for presumptive title rather than a guaranteed title to the land. Leasing delays and tenant bankruptcies could affect the performance of the Yield Maximizer. “Polluter Pays” principle in the sphere of Environmental Laws could affect the performance of the Yield Maximizer. Public Interest litigation in India often delays the Real Estate development projects.

Reliance Capital Asset Management Limited is registered with Securities & Exchange Board of India as a Portfolio Manager vide Registration Number INP000000423 having registered office at 'H' Block, 1st Floor, Dhirubhai Ambani Knowledge City, Koparkhairne , Navi Mumbai - 400 710. Please read the Disclosure Document before investing.