

## Grading report

February 8, 2024 | Mumbai

### CRISIL assigns Fund Management Grading – 2 to ASK Real Estate Affordable Housing Fund



#### Detailed rationale

CRISIL has assigned **CRISIL Fund Management Grading – 2** to ASK Real Estate Affordable Housing Fund (the fund), a category I alternative investment fund (AIF) from ASK Property Investment Advisors Private Limited (ASK PIA), which is both, the fund's sponsor as well as investment manager (IM). ASK PIA is a subsidiary of ASK Investment Managers, set up to manage India-focused real estate dedicated funds.

Schemes assigned CRISIL Fund Management Grading – 2 are considered to adhere to **strong** standards in investment processes and management practices.

This grading is indicative of ASK PIA's strong investment process and experience, and the expertise of its Investment, Research, and Asset Management teams in the real estate industry. ASK Group is a leading asset and wealth management group. Blackstone Group, through its managed funds, has a 78% shareholding in ASK Investment Managers, the holding company of ASK PIA. Blackstone has representatives in the holding company's Board and is not directly involved in the fund's investment process.

The IM entity's Board comprises three members, and there is scope to add independent members to it to bring in an independent perspective. Affordable housing is a new strategy for the IM under the real estate segment. ASK PIA has made additional commitments in earlier funds and intends to make a substantial additional commitment of lower of Rs 100 crore or 10% of the funds raised in the new fund. It is composed of multiple teams, including, but not limited to, the Investment, Asset Management, and Research teams, to manage the fund's day-to-day operations. Key management personnel have over 19 years of experience on average. The senior fund management team has been stable while the other members are relatively new to the group.

ASK Group's presence in multiple businesses and the vast network of its investment team helps in deal sourcing. The fund has developer and project selection criteria to screen potential deals. Further, it aims to make investments in selected cities and have people with city-specific expertise in its teams. The Investment team comprises six members with expertise in real estate, investment management, transaction sourcing, transaction structuring, and exits, and average experience of 14 years. The in-house research and asset management teams help the Investment team with micro market studies, initial analyses, and deal evaluation and pricing. The Investment team receives support from external agencies as well, to conduct financial, legal, forensic, title, and technical due diligence. Independent valuers help it conduct pre-investment valuations.

The fund has a two-committee structure for making investment decisions. The first is the risk management committee, (RMC), which includes senior members of ASK PIA, including the Investment and Asset Management teams, and senior members from the holding company. The second is the investment committee (IC). Proposed investments are evaluated by RMC before detailed due diligence is conducted and the proposal is taken to IC, which plays an active role in the fund's decision-making process. Currently, the IC has four members, specifically the senior-most members of various ASK Group entities, and has no external member. The fund currently does not have any LP advisory committee.

The Asset Management team plays an important role in post-investment monitoring. It conducts regular site visits and tracks the financial performance of the investee company on a quarterly basis. Currently, it comprises five members, with expertise in project planning, execution and management valuations, technical diligence, project costing and budgeting, and average experience of 16 years. All asset managers are categorised based on the cities the fund intends to invest in and have been part of ASK for six years on average. As part of the post-investment monitoring process, the fund conducts working committee and monitoring committee meetings, which includes participants from the investee company, ASK PIA, project management consultants and quantity surveyors hired by ASK PIA. The fund maintains an internal model that classifies fund investments based on their severity. Progress reports are shared with IC regularly. Fund investments are valued by an independent third party on a semi-annual basis. Collateral valuation is also conducted by an independent third party.

The IM has established adequate transparency in client communication and disclosure practices. Investor updates, along with valuation details, are shared on a quarterly basis. The IM has managed various Portfolio Management Services funds, Venture Capital Funds and AIFs totalling to Rs 6,154 crore as of November 2023. ASK PIA has one VCF which has extensions beyond its term. The IM currently manages four AIF, of which, one is a relatively new fund falling in vintage year 2023. Two of the balance three funds outperformed CRISIL AIF benchmarks and featured in the top quartile under the real estate sub-category in their respective vintage years as of March 2023, and one fund is in the bottom quartile in its vintage year.

### **About the fund**

ASK Real Estate Affordable Housing Fund is a scheme under ASK Real Estate Infrastructure Fund established as a trust under the provisions of the Indian Trusts Act, 1882. It is registered with the Securities and Exchange Board of India as a Category I AIF under AIF Regulations, with the purpose of providing superior and consistent risk-adjusted returns to investors by investing in securities offered by portfolio companies involved in operating, developing, or holding affordable housing projects. The target size of the fund is Rs 1,500 crore (with an additional greenshoe option of Rs 500 crore). ASK PIA is the IM and sponsor of the fund, with ASK Trusteeship Services Private Limited appointed as the trustee.

The fund focuses on investing in fully approved projects, with investments in companies undertaking affordable housing projects, residential and mixed-use real estate developments with established developers in selected cities, primarily through secured non-redeemable debentures.

## Scoring model

The schemes are assigned scores on a five-point scale, ranging from Fund Management Grading – 1 to Fund Management Grading – 5.

Grading level	Definition
Fund Management Grading – 1	Scheme follows <b>very strong</b> standards in investment processes and management practices
Fund Management Grading – 2	Scheme follows <b>strong</b> standards in investment processes and management practices
Fund Management Grading – 3	Scheme follows <b>adequate</b> standards in investment processes and management practices
Fund Management Grading – 4	Scheme follows <b>below-average</b> standards in investment processes and management practices
Fund Management Grading – 5	Scheme follows <b>weak</b> standards in investment processes and management practices

Link to related criteria: [Fund Management Grading Methodology](#)

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