

Grading report

June 24, 2022 | Mumbai

CRISIL assigns Fund Management Grading – 1 to Infrastructure Yield Plus – II



Detailed rationale

CRISIL has assigned **CRISIL Fund Management Grading – 1** to Infrastructure Yield Plus – II (IYP-II), an alternative investment fund (AIF) in Category I. The fund's sponsor and investment manager is Edelweiss Alternative Advisors (EAAA).

Schemes assigned CRISIL Fund Management Grading – 1 are considered to follow '**very strong**' standards in investment processes and management practices.

The grading reflects IYP II's ability to leverage the Edelweiss group's institutional framework and expertise, the due diligence mechanisms and processes in place along with active asset monitoring practices, extensive experience of investment committee (IC) members, stability and significant experience of the investment and asset management team in the relevant domain.

The fund has put in place all requisite procedures and mechanisms across deal origination, monitoring and exit stages to ensure an orderly approach in line with its investment objective and guidelines. The fund has a separate asset management team with relevant domain expertise for continuous operations and maintenance of assets.

A two-tiered approach is followed for investment decision making. As part of this approach, the deal is evaluated by the risk team followed by the IC. The IC comprises senior management members from EAAA and the Edelweiss group, as well as external members with expertise in relevant domain. The IC members, with a combined experience of more than 150 years across market cycles, are experts in developing, financing, executing and exiting infrastructure projects, along with experience in risk management and asset operations and monitoring.

The fund's investment team has significant experience in the infrastructure space, especially in transmission, renewables and highways. It is well supported by due diligence and operations teams, which have technical expertise in operating and managing the assets. The combined experience of the three teams adds up to more than 350 years, and they have demonstrated their expertise in investment management and structuring deals for the previous fund in the strategy. Additionally, the investment team also utilises the services of third-party agencies to perform technical, legal, financial and other forms of due diligence. While there have been two CEO exits in short period of time, the fund benefits from a stable investment team and well laid down investment and risk management process.

With over Rs 30,000 crore in assets under management (AUM) across four strategies (performing credit, distress credit, real estate credit, and infrastructure yield), EAAA has grown to be one of the largest alternative investment platforms in India. The investment manager has previously raised and is currently managing one fund in the strategy, with a regular stream of cash flows from its investments which is higher than the initial target. That said, the earlier fund is still in commitment stage and the team's performance track record remains to be demonstrated in terms of exit management.

The fund leverages on the long-standing relationships developed by the Edelweiss group and its affiliates within the industry for origination of opportunities. The Edelweiss group, led by Edelweiss Financial Services, has a presence across a broad spectrum of financial services, including credit (wholesale and retail), insurance (life and general), asset management (AMC and alternate asset management) and asset reconstruction.

EAAA has put in place relevant client servicing practices to ensure adequate client communication and disclosures. There are set timelines for the operations team for resolving investor queries/grievances, along with a defined escalation matrix. EAAA also ensures that disclosures are made with regard to the investment strategy and portfolio details at regular intervals as well as on a need basis.

About the fund

IYP II is being launched under the Infrastructure Yield Trust. It is registered with the Securities and Exchange Board of India as a closed-ended Category I AIF under AIF regulations. The fund aims to provide investors an opportunity to earn returns based on long-term cash flows and growth through investments in infrastructure assets in India. The target size of the fund is up to Rs 2,500 crore (with a greenshoe option of Rs 1,000 crore). EAAA acts as the sponsor and investment manager. Vistra ITCL (India) has been appointed as the trustee to the trust.

The fund intends to primarily invest in securities of special purpose vehicles, or companies or units of infrastructure investment trusts (InvITs) or any other structure, for investment in infrastructure assets in accordance with AIF regulations. It seeks to invest in assets that have stable long-term cash flows, an effective legal and regulatory framework, a long residual life or concession period and credible counterparties and enhance the value of these assets through an active asset management approach, including improving the capital structure, debt financing terms and operational efficiencies.

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 very strong standards in investment processes and management practices
Fund Management Grading - 2	Scheme follows strong standards in investment processes and management practices
Fund Management Grading - 3	Scheme follows adequate standards in investment processes and management practices
Fund Management Grading - 4	Scheme follows below average standards in investment processes and management practices
Fund Management Grading - 5	Scheme follows weak standards in investment processes and management practices

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

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