

Areion Special Situation Fund



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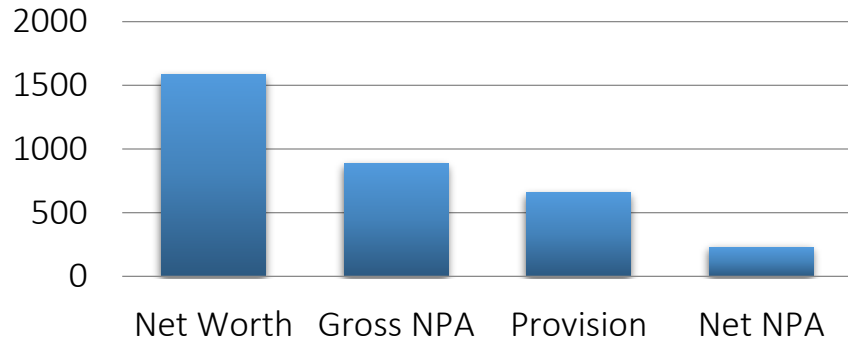
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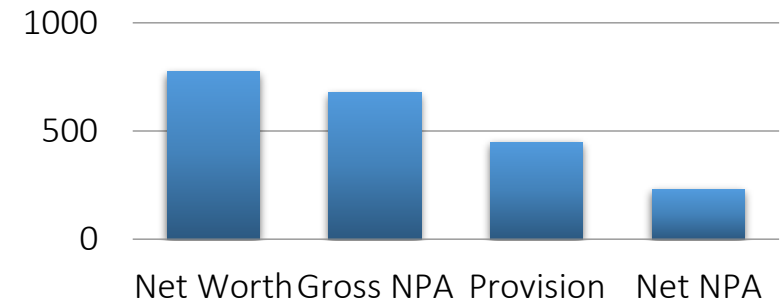
Market Overview: Stressed Asset burden in India



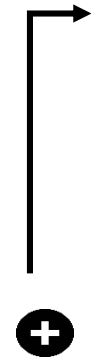
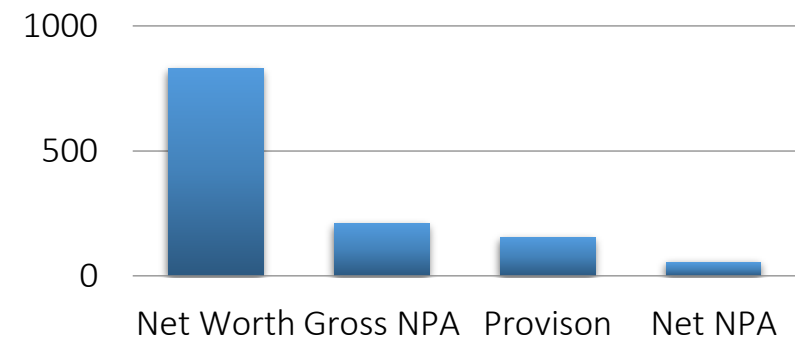
Indian Banks



Public Sector Banks



Private Sector Banks

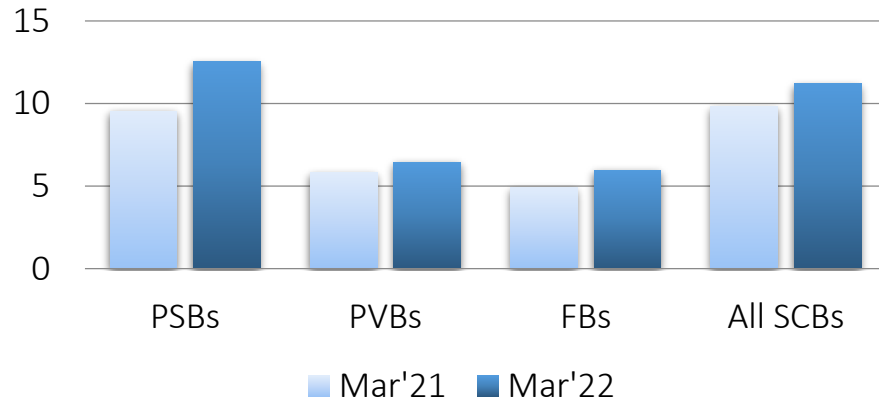


- Stressed Asset challenge has grown towards net worth, with a total Net NPA of INR 250K Cr.
- 80%+ of these stressed assets are concentrated with the public sector banks
- Private-sector banks outperform the state-owned ones and continue to capture an ever-greater share of the market, as the latter remain burdened by legacy and the constraints of public sector ownership.

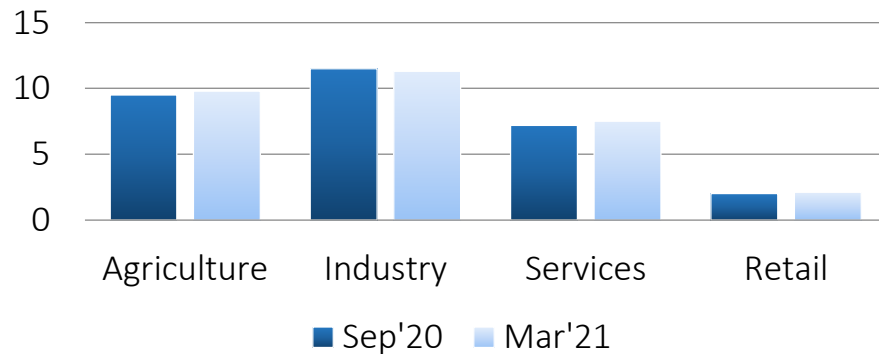
**Figures in INR 000' Crore as on 31st March 2020*
 Source: Statistical Tables related to banks in India, RBI
¹ Excluding foreign banks

Market Overview: Stressed Asset burden in India

GNPA Ratio- Banks



GNPA Ratio- Sector Wise



- **GNPA:** Gross Non- Performing Asset Ratio is the total Non-Performing Asset (without provision) to the Loans Advanced is 9.8% as on March 2021.
- Under severe stress scenario, GNPA of banks may increase to 11.22% by March 2022. COVID-19 has increased the risks to financial stability, especially when the unprecedented measures taken to mitigate the pandemic's destruction has normalized and rolled back.
- Sectorally, the quality of bank loans to industry sector improved in March 2021. Among major sub-sectors within industry, GNPA ratios in respect of Chemicals, Infrastructure and Electricity sectors marginally decreased in March 2021.

**Figures as on 01st July 2021*

Source: Financial Stability Report, July 2021 issued by RBI

Market Overview: Growing Credit requirement in India



Supply Side Constraints

Demand Side Opportunity

Restricted Availability of Bank Credit

Lack of Depth in Domestic Corporate Bonds

Structured Credit with multitude of choices

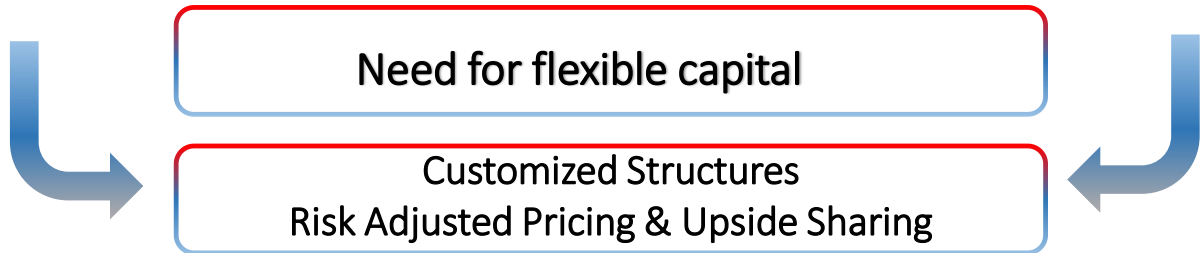
Higher Comfort for this capital pool

- Regulatory restrictions
- High NPA Levels and limited Understanding of market risks and equity value
- Standard criteria for Lending

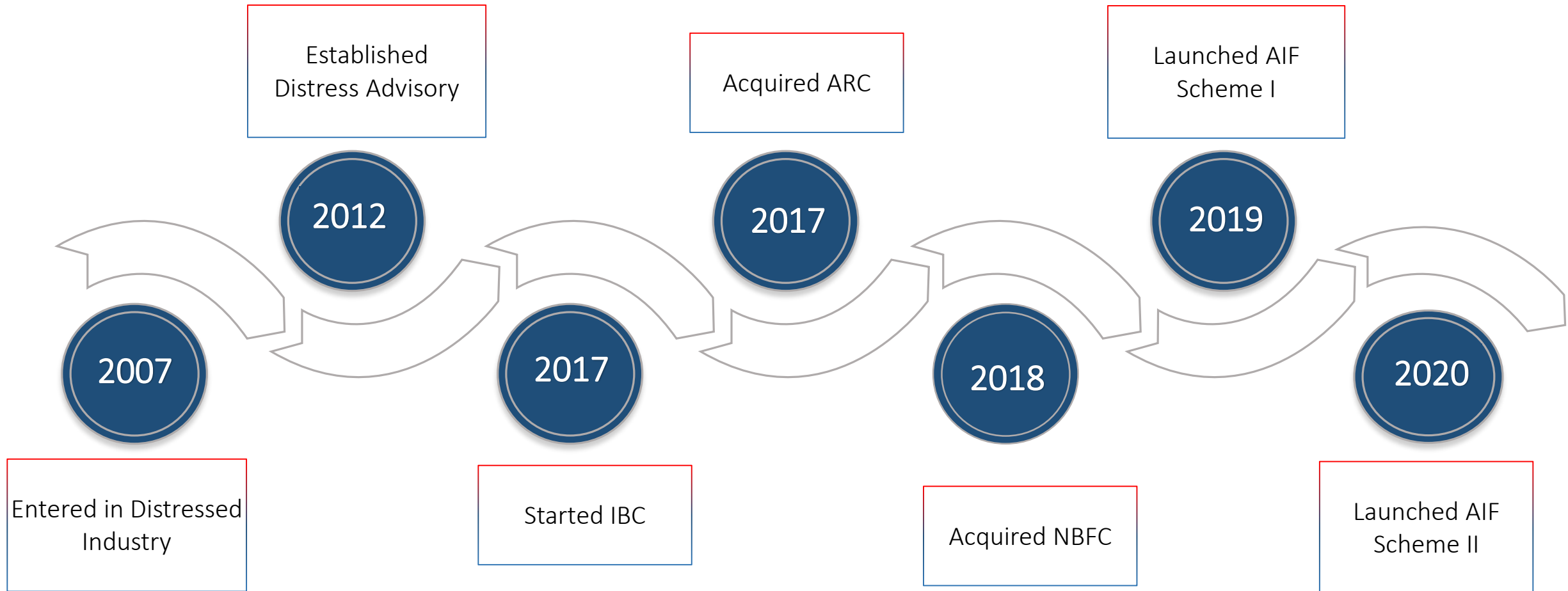
- Capital only available to large corporations with higher rating
- Many investors do not have a mandate to invest in below "AA" rated instruments and uncommon structures

- Structured Credit is the most suitable for requirements such as acquisition financing, and special situation financing.
- High Rate of Interest

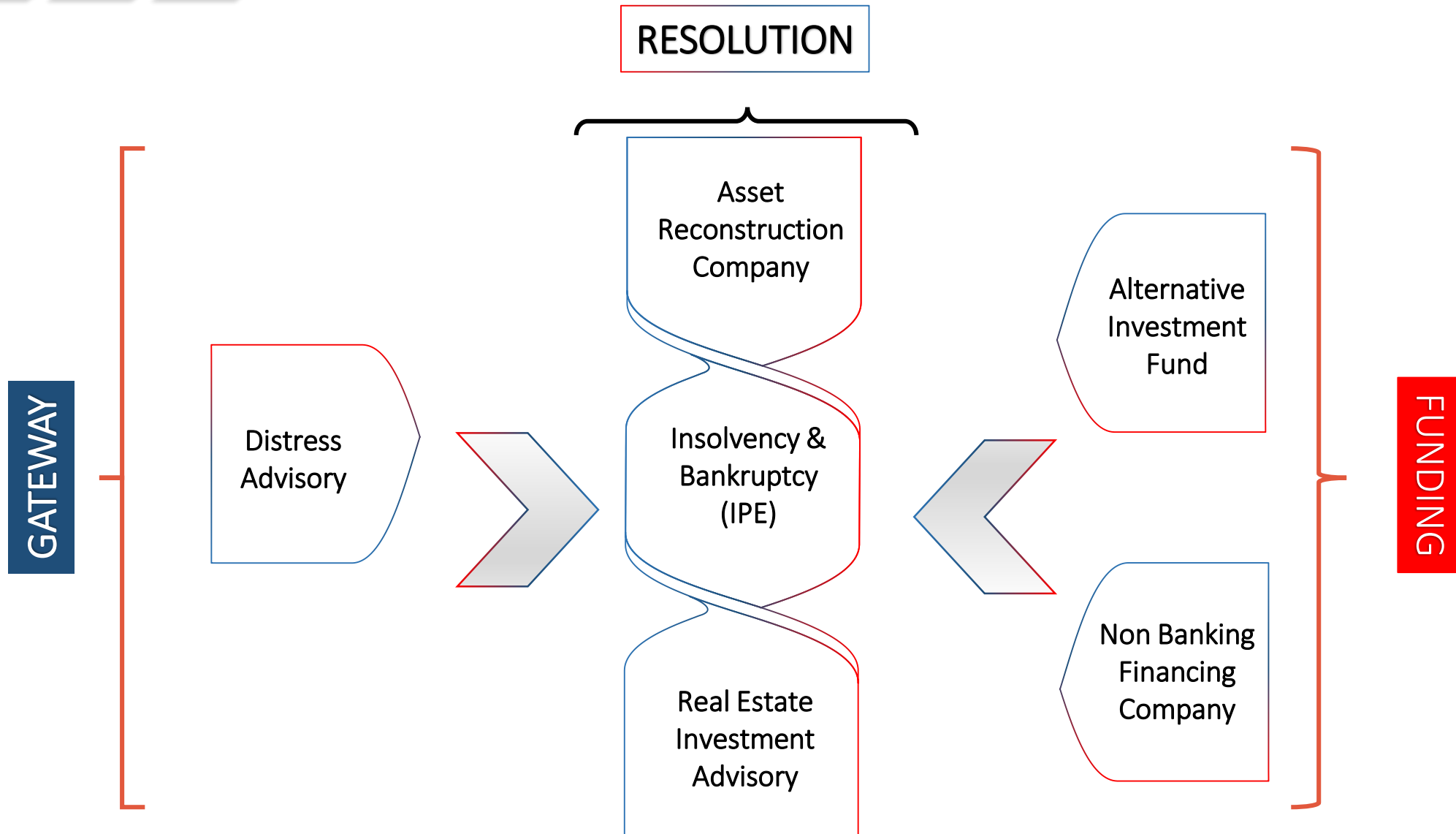
- Alternate debt to refinance traditional capital debt to match business cash flows.
- Attractive solution for strong businesses to postpone equity raise.



Areion Group Overview: Key achievements



Areion Group Overview: Ecosystem





DISTRESS ADVISORY

- Team helps investors in acquisition of NPAs by understanding the potential issues, time, and recommending necessary actions.
- Advises on the optimal trenching of loans, investor communication, pre sale diligence and valuation of the portfolio.
- Specializes in doing OTS between distressed promoter and banks and has helped in resolving NPA of more than INR 12,000 Cr.



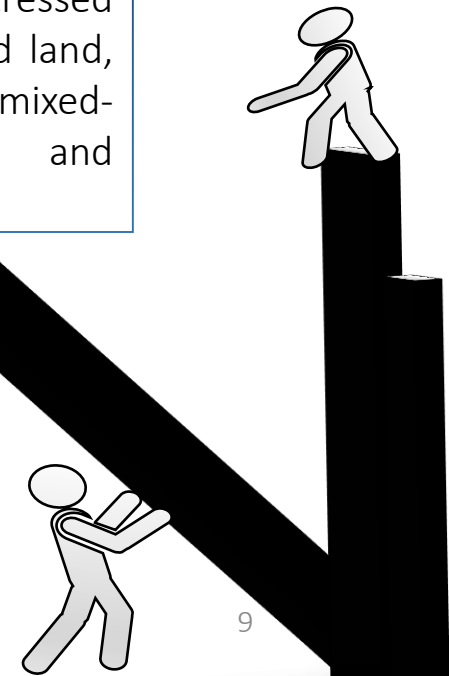
ASSET RECONSTRUCTION COMPANY

- The ARC was granted Certificate of Registration by RBI u/s 3 of SARFAESI Act, 2002 in the year 2015.
- Over the past years, they have acquired assets from various Banks including SBI , BoB, BOI , Allahabad Bank, PNB, ICICI Bank, IFCI, Andhra Bank, UCO Bank, United Bank of India, Dena Bank, South Indian Bank, Co-operative Banks etc.
- The ARC has acquired cases worth more than INR 4,260 Cr.



REAL ESTATE ADVISORY

- The team has expertise in minimizing risk and developing strategies regarding resources and assets to fit their organizational strategy whether distressed property is undeveloped land, improved properties, mixed-used developments, and easements.





INSOLVENCY & BANKRUPTCY (IPE)

- IPE recognized by (IBBI) engaged in providing services in the field of CIRP and Liquidation.
- Advised diverse insolvency strategies across broad array of industries—Textiles, Automobile, Steel, Metals, Pharmaceuticals, Paper, Packaging, Dyes, Specialty Chemicals, Real Estate, Education.
- Also provides consultancy to the Corporate Debtor, Financial Creditor and Operational Creditor under the IBC Code for Resolution of the Stressed



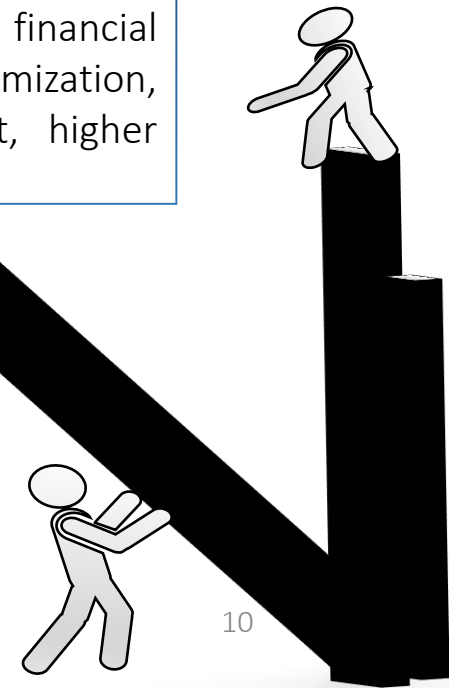
ASSET MANAGEMENT

- **Areion Assets Management Private Limited** is the Investment Manager of a Cat- II AIF which focuses on investing in distressed assets.
- **Areion Special Situation Fund** is a contributory investment trust.
- The investment objective of the Fund is to carry on the activity of a 'Category II AIF' and generate long term capital appreciation by investing in companies or assets in India that are experiencing financial stress or distress



NBFC

- A non-systemically important NBFC, registered under Section 45IA of The RBI Act, 1934 named Areion Finserv Private Limited acquired in Feb'19
- Finserv has various financial products viz. customization, flexibility in repayment, higher loan eligibility



Areion Group Overview: AIF Opportunities

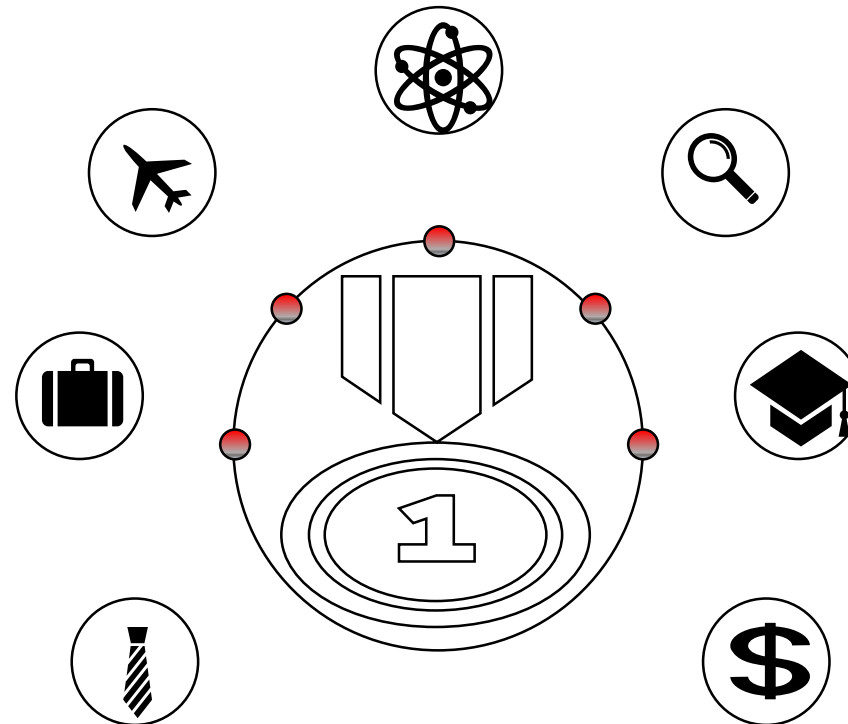


Pan India operations for the resolution of stressed debt throughout the country across a variety of industries.

Strong team with office in Mumbai, Delhi, Kolkata and Ahmedabad

A decade of experience in the stressed assets industry

Thorough understanding of the legal and practical challenges in resolving stressed assets

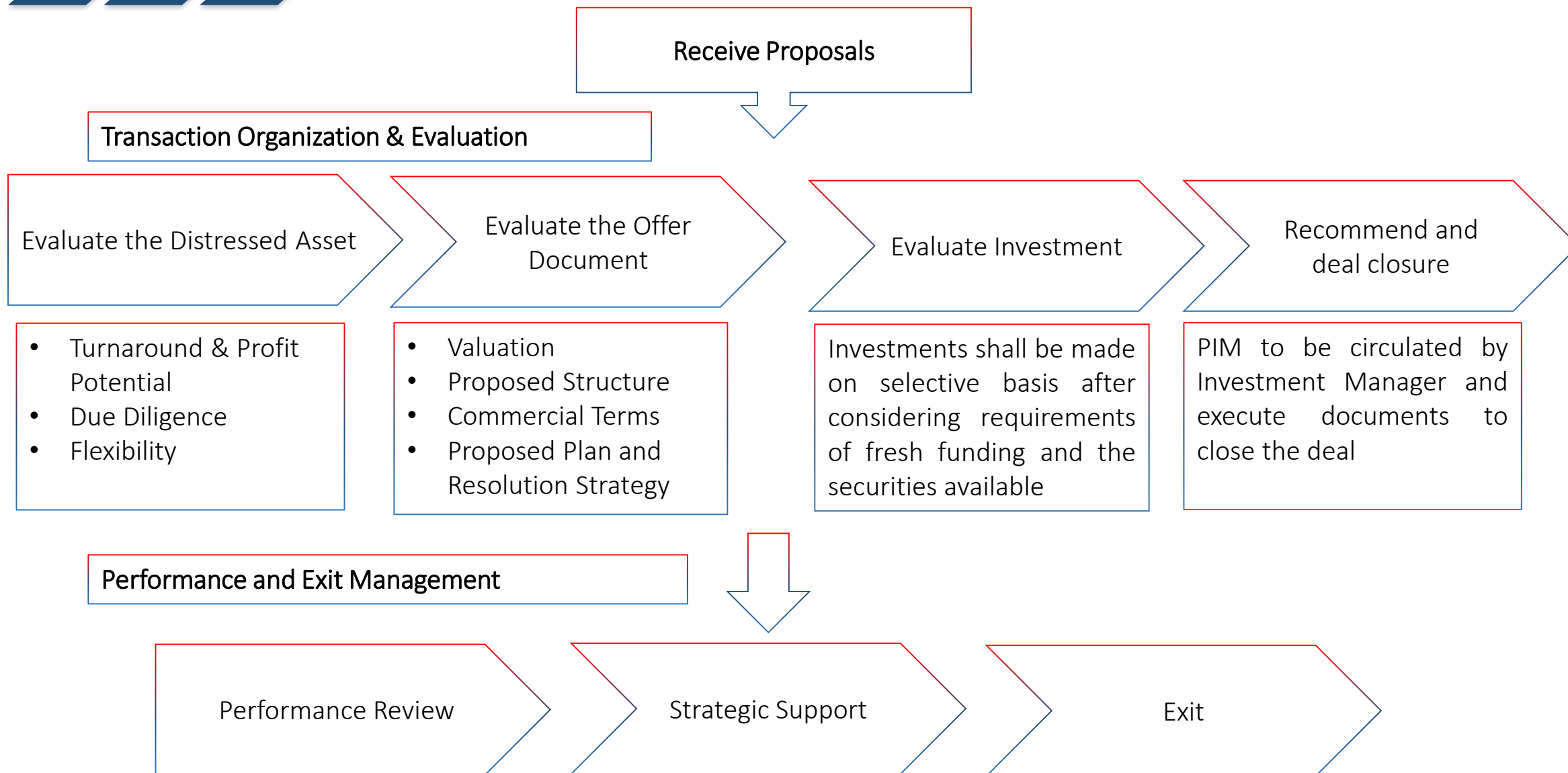


Resolved Stressed debt across all the public and private sector banks/ ARCs /SFCs of the country

Sound knowledge of SARFAESI, DRT, IBC and related legislations

Pivotal role in handling recovery of over INR 10,000 Cr in stressed assets

Areion Group Overview: AIF Process Overview



Fund Manager



Mr. Anand Chalwade
Director

- Executive Vice President, Essel Group from 2007 to 2017, where he had exposure to creating infrastructure vertical at Essel Group as CFO of Essel Infraprojects Limited. His initiatives comprised of:
 - Mobility & Transport
 - Road: BOT portfolio of over 5,000 lane km (through bidding and acquisition);
 - Airports: Participation in bids for Mumbai, Delhi and Goa airport privatization;
 - Railways: Initiation of Railways PPP segment – bidding, station development.
 - Energy
 - Generation of Renewable/green energy
 - Transmission: BOT portfolio of over 1500 km ckt km transmission lines;
 - Distribution
 - Water
 - Water Distribution: portfolio of dam to tap water distribution for 3 cities with 15 lac population;
 - Desalination: participated in bids for desal plants
 - Environment – Municipal solid waste collection, processing and conversion to clean energy
- Prior work experience include Reliance Industries Limited from 1995 to 2000; in Textile at Raymond Limited from 2000 to 2002; at Essel Group (Satellite & Cable Television) from 2002 to 2005; and at Asset Reconstruction Company (India) Limited from 2005 to 2007.
- BE in Chemical Engineering from Indian Institute of Chemical Technology, Mumbai; Masters in Financial Management from Jamnalal Bajaj Institute of Management.

Areion Group Overview: Leadership & Investment Team



Fund Manager



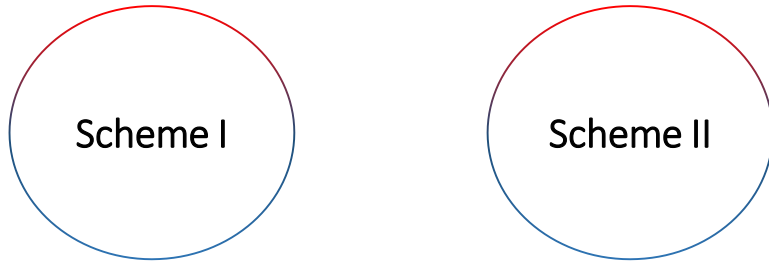
Mr. Dinesh Kanodia
Director

- Mr. Dinesh Kanodia, 40, is a Masters in Business Administration – Finance.
- He has worked and has been associated with Essel Group of Companies for more than 15 years and has vast and varied experience in field of Corporate Finance and Strategy.
- As a Head Finance – Essel Group he has worked across sectors – Media & Entertainment, Infrastructure, Education, NBFC and Gold refinery.
- He has been instrumental in raising promoter finance, corporate loans, project funding, acquisition funding at various verticals and enjoys good relationships with banks, NBFC and mutual funds.
- He has also been involved in various mergers and acquisitions and corporate restructuring. .

Trends & Charts: AIF Overview



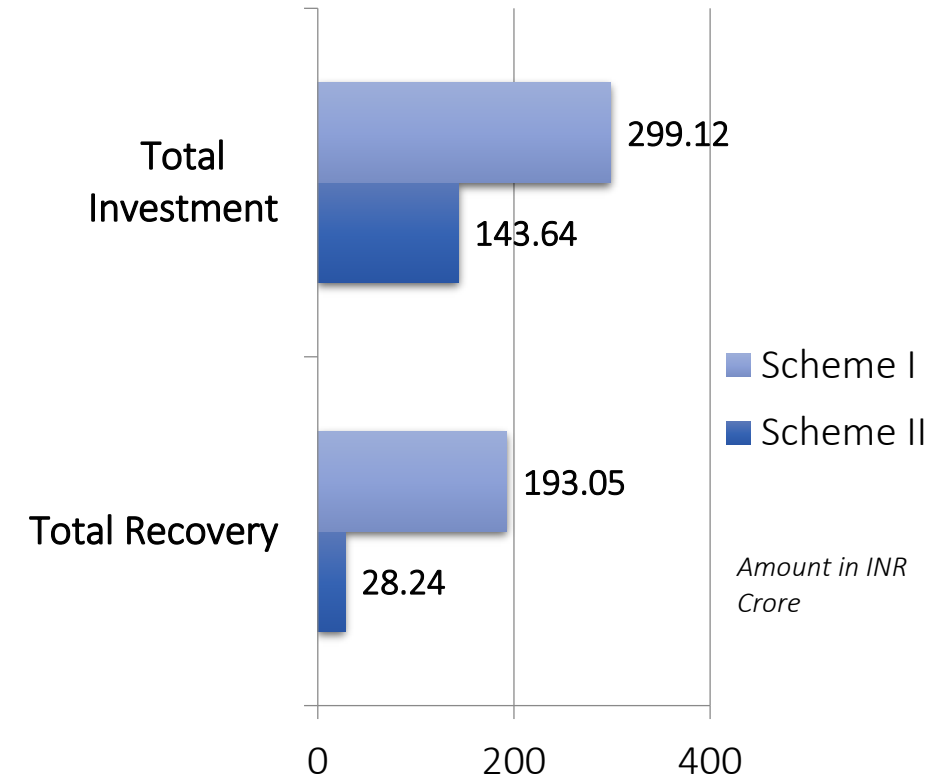
Areion Special Situation Fund



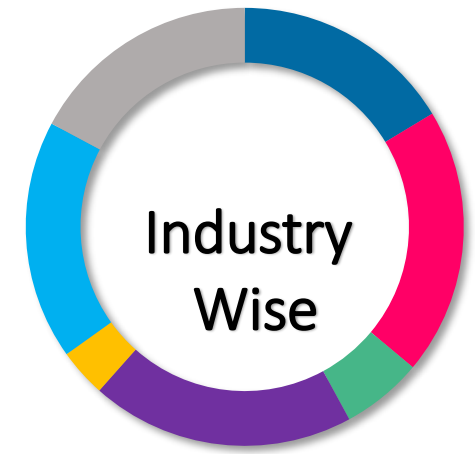
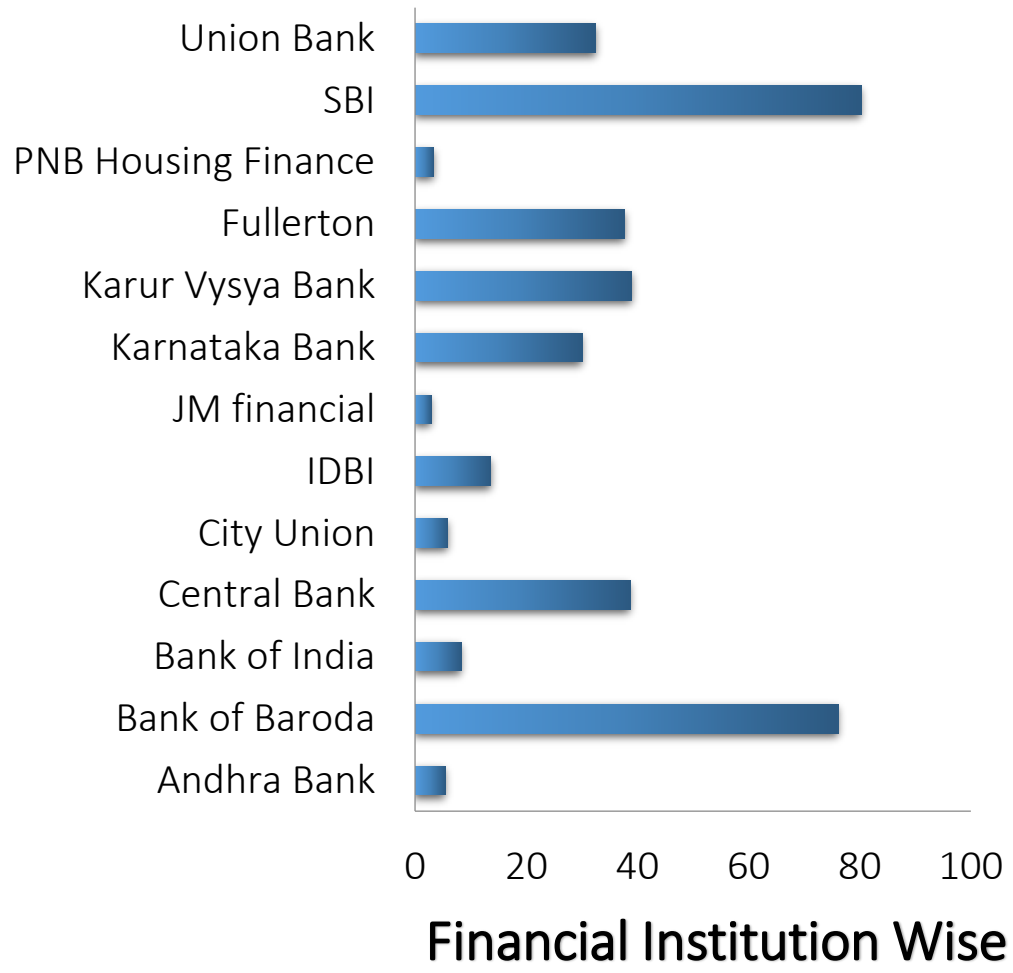
INVESTOR RELATED DETAILS

Particulars	Scheme I	Scheme II	Total
Corpus Size	INR 125 crore	INR 475 crore	INR 600 crore
Fund Status	Closed	On-going	
Commitment Received	INR 120 crore	INR 128.20 crore	INR 248.20 crore
Redemption	INR 24 Crore	NIL	INR 24 crore

Investments & Recoveries in the Fund



Trends & Charts: Diversification



- East India (6%)
- North India (48%)
- South India (13%)
- West India (33%)
- Auto (24%)
- Agriculture (26%)
- Gems & Jewellery (5%)
- EPC Sector (19%)
- Healthcare (6%)
- Iron & Steel (19%)
- NBFC (20%)

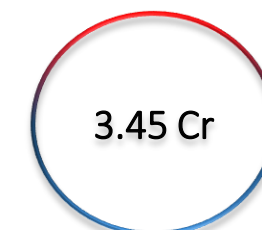
Trends & Charts: Resolved Cases



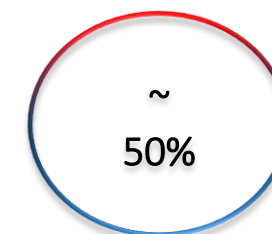
Case 1: Redemption of Security Receipts by the Asset Reconstruction Company

Name	M/s Carline Pressings Private Limited
Industry	Automobile
Debt Profile	INR 9.29 crore - Bank of India (Sole Banking)
Acquisition Price & Date	INR 4.06 crore (on 26.06.2019)
Recovery Amount & Date	INR 10.12 crore (on 31.03.2021)
IRR	~50%
Profile	<ul style="list-style-type: none"> Incorporated in 1990, the company was engaged in manufacturing of sheet metal , automotive and auto components In 2010, the industry got severely affected. It affected the cost of the production and trenched the profit margin to nil
Legal Litigation	<ul style="list-style-type: none"> The company was admitted into IBC in July, 2019. After receiving various resolution plan, the plan was approved by NCLT in 2020 & the share plan amount was realized by 2021.

Investment Made by AIF



Returns (IRR)



Case 2: Sale of Security Receipts to a Qualified Institutional Buyer

Name	SBI Portfolio
Debt Profile	7 Accounts
Debt Profile	INR 284.81 crore - State Bank of India
Acquisition Price & Date	INR 42.10 crore (on 27.11.2019)
Total Receipts to AIF & Date	- Redemption of SR- INR 13.21 crore (between 06.12.2019 to 17.03.2021) - Sale of SR- INR 12.66 (between 04.06.2021 to 22.06.2021)
IRR	~15%
Portfolio Brief	<ul style="list-style-type: none"> The SBI portfolio was a pool of 7 accounts which comprised of varied businesses and was a diversified pool in itself The pool of 7 accounts consisted of the following:- <ol style="list-style-type: none"> Maharashtra Steel Pvt Ltd Autocreate Wheels Pvt Ltd Dhanlaxmi TMT Bars Pvt Ltd Anshul Steel Pvt Ltd Nilesh Steel & Alloys Pvt Ltd Orion Laminates Pvt Ltd Vidhata Metals Pvt Ltd

Investment Made by AIF

21.05 Cr



Returns (IRR)

~ 26%

Transaction Pipeline



No. of Investments
in Pipeline

25

Total Funding
Requirement

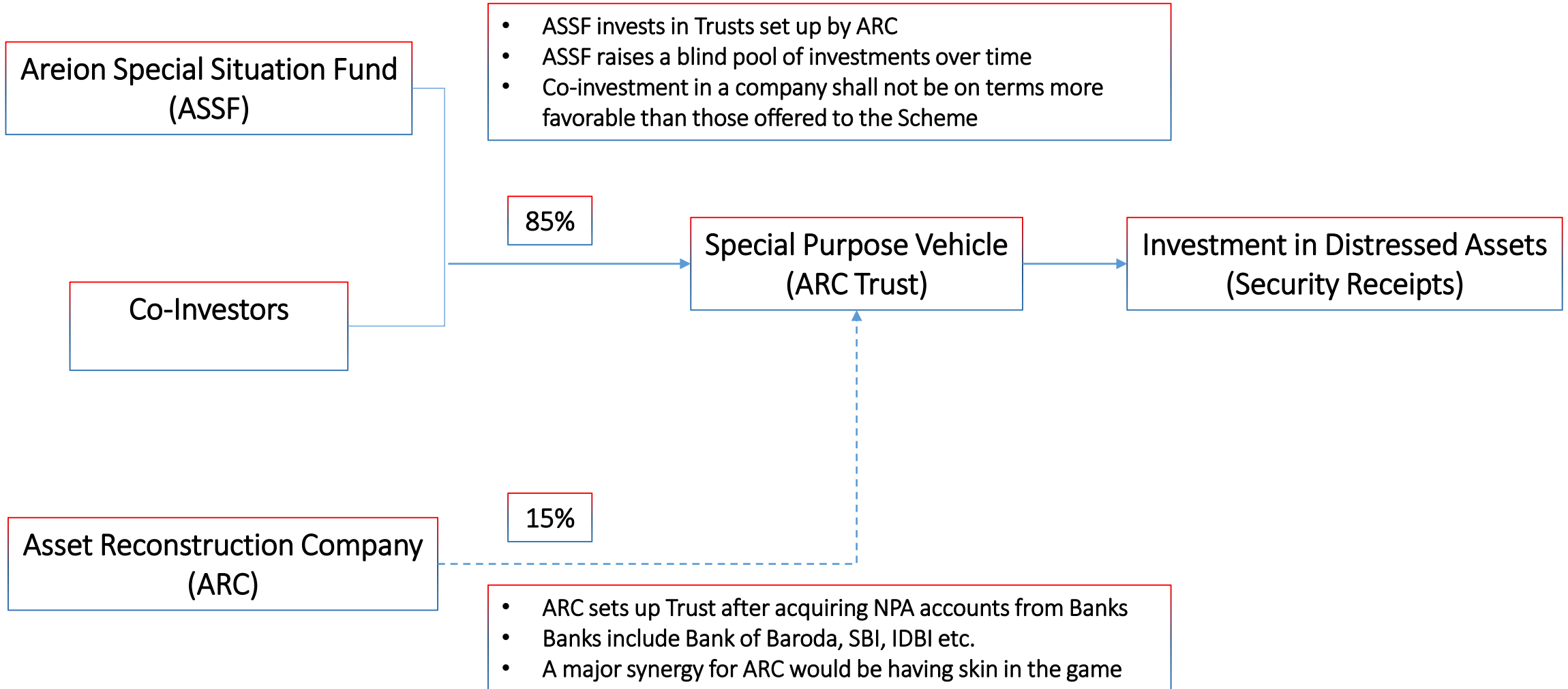
INR 500
Cr

Estimated
Yield

21%

Acquisition Route	Industry/ Bank	Proposed Fund Requirement	Target IRR
NCLT Resolution	Hospitality	80	21+ %
	Textile	70	
	Steel	70	
	Others	10	
ARC Resolution	State Bank of India	85	21+ %
	Bank of Baroda	50	
	Other Banks	135	

Fund Structure



Fund Structure & Terms



FUND STRUCTURE

Particulars	Description
Fund	Areion Special Situation Scheme – I & II
Nature of fund	Category II, Close Ended Fund
Fund target size	<u>Scheme I</u> : INR 100 Cr +INR 20 Cr (Greesnshoe Option) <u>Scheme II</u> : INR 250 Cr +INR 225 Cr (Greesnshoe Option)
Investment manager	Areion Assets Management Pvt. Ltd.
Minimum capital commitment	INR 1 Cr.
Minimum Commitment Period	3 years
Target Net Return (XIRR)	18%

FEE STRUCTURE

Fees	Quarterly
Operating Expenses	Upto 1% p.a.
Management Fees	Upto 2% p.a.
Hurdle rate	10%
Catch Up & Carried Interest	20%

Fund Structure & Terms



Examples for Better Understanding for Class A Investors

	S1	S2	S3
A Capital Invested	100	100	100
B Realized Profit of the Fund	10	15	20
C Hurdle (10% on A)	10	10	10
D Catch Up (20% * Sum of C & D)	Nil	2.5	2.5
E Carried Interest (20% of B - C - D)	Nil	0.5	1.5
F Net Profit Distribution to Investors (B - D - E)	10	12	16



The Investment Manager receives 20% of the realized profits only and only after the Hurdle mark is crossed



The realized profits are after providing the management fees.



The Investor receives 100% of the realized profit until Hurdle Rate is achieved.

THANK YOU

