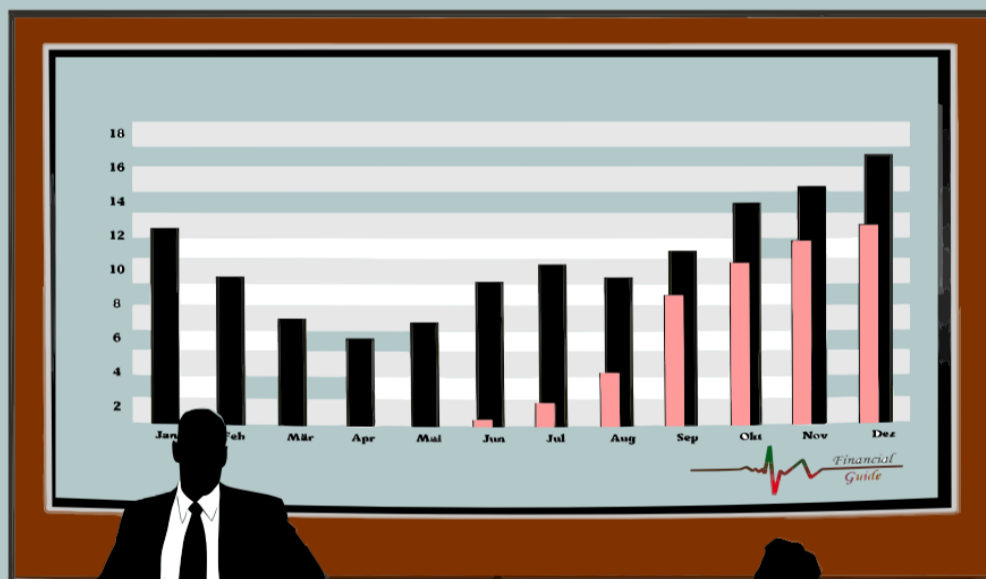


Investment Memorandum

Knowledge Bytes S1-E7



Recap



Ep 1 : Introduction to Investment Banking



Ep 2 : Debt Products in RE- Plain Vanilla CF



Ep 3 : Receivables Funding & LAP



Ep 4 : Structured Financing in RE



Ep 5 : LRD & Vanilla CF + LRD



Ep 6 : Deal Process Flow in RE Financing

Ep 7 : Investment Memorandum (IM)



What is an IM?



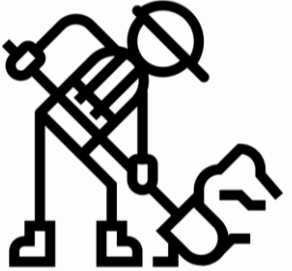



An Investment Memorandum is an information document shared with potential lenders/investors in a real estate deal (debt or equity). This document spells out the proposed transaction's objectives, risks, financials, and deal terms.

Main contents of an IM, prepared for raising finance for a real estate project are –



- 1 Group Profile
- 2 Project Data
- 3 Promoter's Profile
- 4 Investment Proposal

1. Group/Company Profile

- ✓ Introductory Brief on the Developer Group 
- ✓ Philosophy and Vision of the Group
- ✓ Projects Delivered
 - Total Project Area delivered
 - Date of commencement
 - Date of completion
 - Location
- ✓ Ongoing Projects
 - Area under construction
 - Construction progress
 - Sales progress
 - Estimated Cost
 - Status of approvals
- ✓ Upcoming Projects
 - Proposed Launch
 - Type of project
 - Projected cost/sales
- ✓ Land Bank
 - Plot Area
 - Market value
 - Location
- ✓ Group Debt Summary
 - Loan amount sanctioned, disbursed and outstanding
 - ROI, Loan tenor
 - Type of loan
 - Security offered

2. Promoters' Profile

Details of all promoters with respect to their:

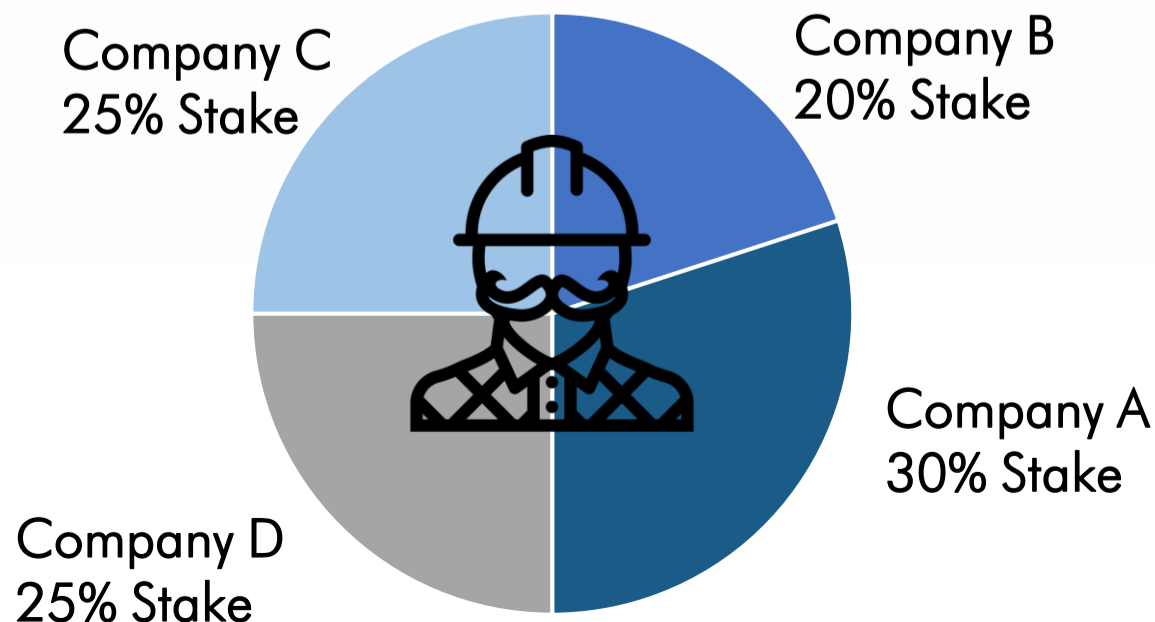
1. Educational qualification/background



2. Professional experience in the industry



3. Other business interests/shareholdings, if any



3. Project Data

Data for the proposed project for investment should include the following -

1. Type of Project –

Residential/ Commercial/
Industrial

2. Class of Project –

Affordable/ Mid-income/
Luxury/ Retail/
Offices/ Warehouse

3. Amenities offered –

Park, Gym,
Recreation space, etc.

4. USP (if any) –

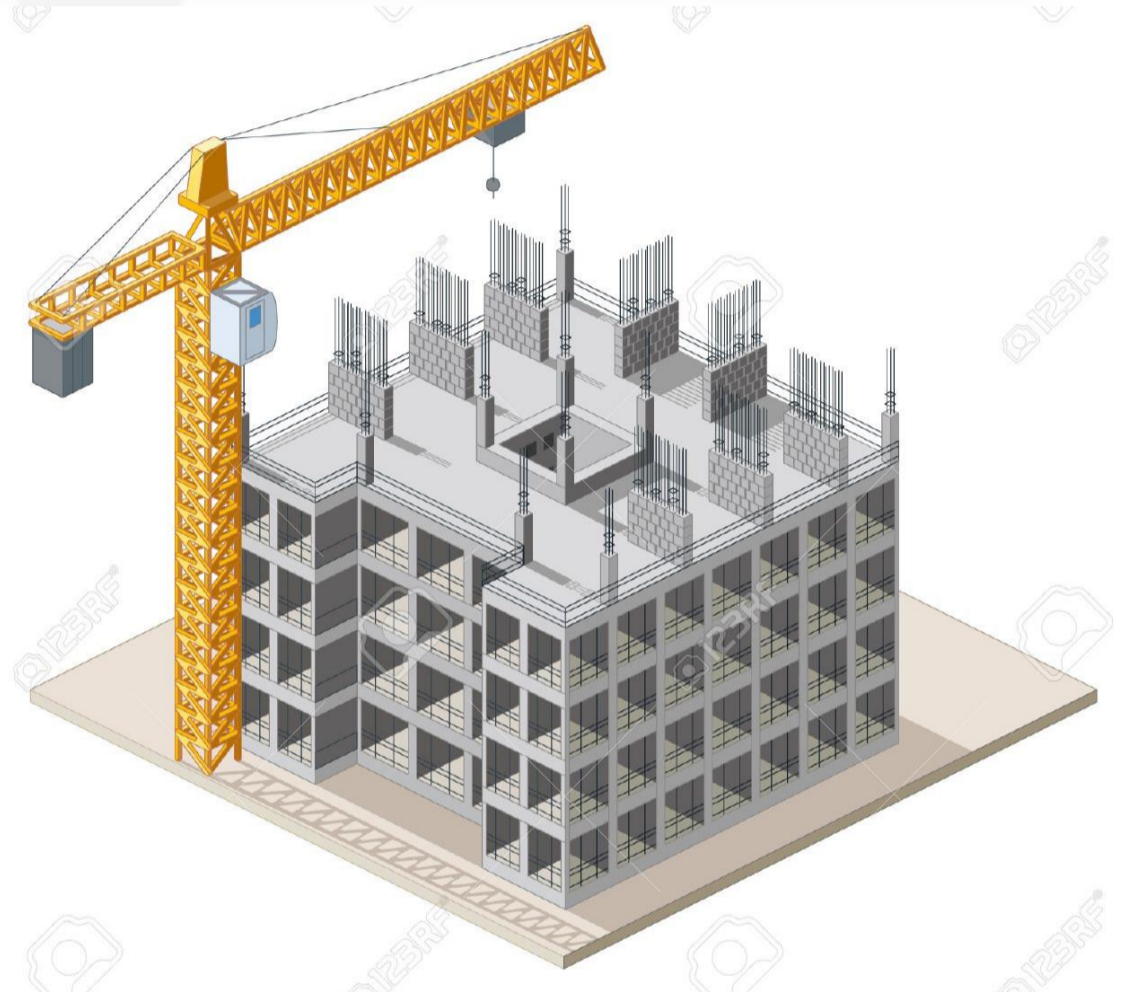
Eco-friendly construction/homes/ Fully automated houses

5. Project Layout –

Details regarding number and structure of towers along with amenities proposed, unit configuration, etc.

6. Site Pictures –

Latest Site pictures. Including pictures of the project layout and latest site pictures helps the FI gauge the project status



3. Project Data (Contd.)

Data for the proposed project for investment should include the following:

7. Location Dynamics –

Many FIs have restriction about funding amounts based on location of a project. Thus it is one of the major factors from point of view of FIs.

While explaining the location of any project we should include information regarding social infrastructure available in the vicinity of the project like:

- ✓ Project Accessibility – (Airport/Railway Station/ Bus Terminals/Major Roads/ Highways etc.)
- ✓ Recreation Centers, Parks
- ✓ Schools/Colleges
- ✓ Hospitals
- ✓ Malls/Shopping Complexes
- ✓ Industrial Hubs like IT Parks or major landmarks and marketability of the area.

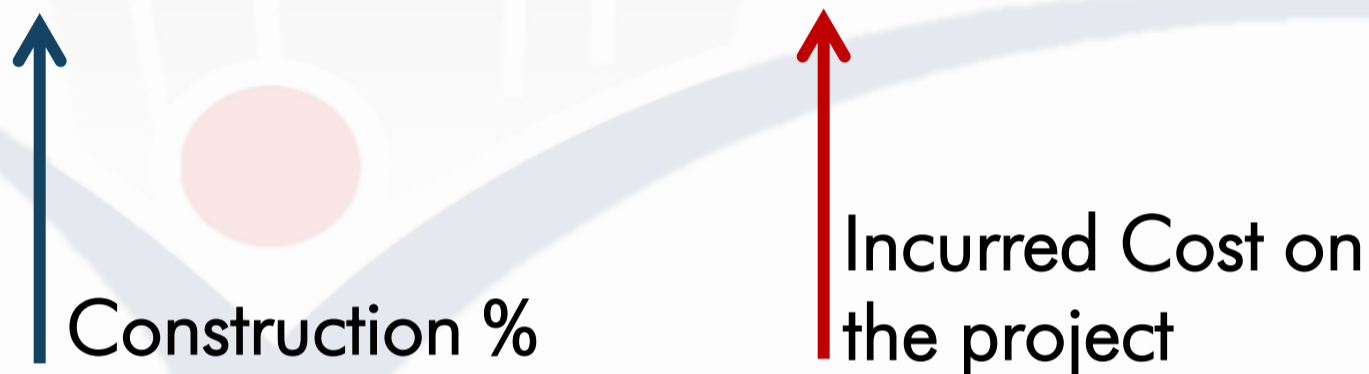


3. Project Data (Contd.)

Data for the proposed project for investment should include the following:

8. Approvals & Construction Status –

Status of approvals obtained (FSI approved).



Project construction stage should be in line with the % of construction cost incurred.

Including pictures of the project layout and latest site pictures helps the FI gauge the project status.

9. Cost & Sales Data –

Cost data includes:

- Land & Approval cost
- Construction cost
- Marketing & Selling cost
- Admin cost
- Finance cost

& more...

Sales data includes:

- Sales Rate/sq.ft.
- #Units Sold/Unsold
- Money received & receivable
- Sales velocity
(monthly/quarterly/yearly)
- Marketing Plans

& more...

4. Investment Proposal

Usually a table is used to summarize the proposal. We present an example of such a table below –

Particulars	Remarks
Borrowing Entity	XYZ Ltd
Net Receivables	Rs. 10 Cr.
Existing Banking Relationship of the Group	Lender A, Lender B...
Proposed Loan Amount	Rs. 5 Cr. (at 2x receivables cover)
Tenor (incl. moratorium)	5 Years
Moratorium	2 Years
Security Offered	<ul style="list-style-type: none"> ➤ Primary Security – Project Property/Receivables ➤ Collateral Security – (If required)
Existing O/s Debt (if any)	Rs. 2 Cr. (with Lender XYZ)
End Use of Funds (Utilization of funds)	<ul style="list-style-type: none"> ➤ Balance transfer of 2 Cr. Loan ➤ Towards pending construction cost or ➤ GCP

“
Accurate Information is a Key Part
of Motivation

- Mary Ann Allison
”

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More Knowledge

