ICICI Prudential Real Estate Securities Fund

(The scheme will not be directly owning or holding real estate properties)

Capture the Opportunity to "Buy in Acres and Sell in Sq. Ft."

NFO Closes on December 14, 2007

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1. Changing Face of Real Estate in India

Exponential Expansion

Real Estate Sector – Leaping out of Incubator

Market Cap of Real Estate Sector in India:

March 03 : Rs.100 cr.
October 07 : Rs.300,000 cr.+
Source: Bloomberg

Achieving Massive Scale:

DLF builds approx. 20 houses per hour
(Data source: DLF Analyst presentation, September 07; internal analysis)

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A Long Way to Go

Real Estate Sector – A Multi Year Growth Story

Significant Long Term Growth

With increasing number of organised players, unprecedented demand and availability of capital, real estate market estimated to grow to over Rs.200000 cr by 2009-10.
Source: Industry Experts, TSMG estimates, DSP Merrill Lynch

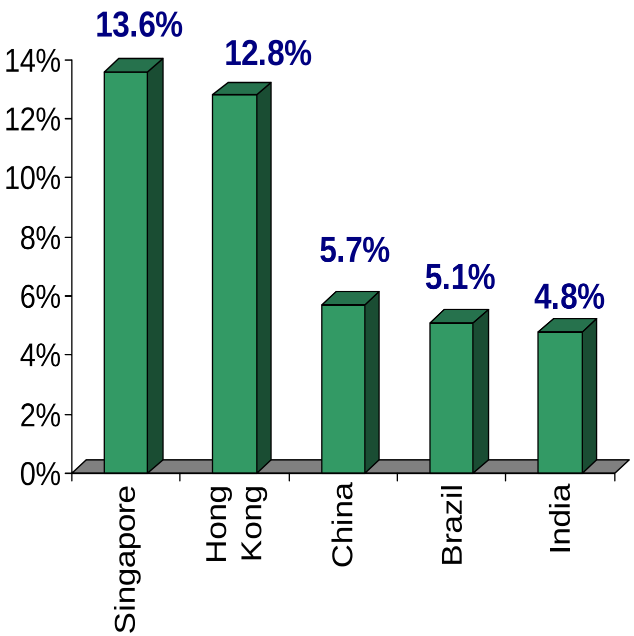
Huge Potential

Huge demand supply gap:

- Shortage of over 2 crore housing units
- Incremental demand for housing is about 1 crore p.a
- Office space to grow by 500% over the next 3-5 years

Source: NHB, Enam Securities

Share of real estate sector in total market cap is below 5% in India, as against over 13% in Singapore



Source: Bloomberg, October 2007

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Engines of Growth

1. Demand Growth: Effect of 3 A's

Affordability	Availability	Aspiration
• Rising per capita income • Growing trend of double income families • Robust business growth in services sector allows aggressive geographic expansion	• Quality construction • Benign interest rates • Easy access to home loans	• "Want it now generation" is young, productive and demanding (quality) • Close affinity of Indians to "own" a house… and a house bigger than before • Corporate offices asking for world class space

Engines of Growth

2. Supply Growth: Confluence of Capital and Corporatisation

Capital	Corporatisation
• Access to institutional funding; small money no longer drives real estate • FDI; Public Equity; Private Equity • Institutional capital leads to improved transparency and accountability to shareholders and institutional lenders • Real estate players in the past 2-3 years have built-up low cost urban land bank sufficient to meet next 7-10 years requirement *(Source:Motilal Oswal Securities)*	• Family owned to public owned • Transformation from being niche, fragmented and unorganised to significant, serious and organised players • Grand vision and execution capability offer a launching pad for massive scale

Real estate sector is undergoing a facelift like wind mills, broking, entertainment businesses in early 1990 – a journey from a complete disbelief to wider acceptance and larger scale

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Spin off Benefit of Growth in Real Estate

Several Other Businesses Benefit From Growth in Real Estate

1. Real Estate and Construction account for significant part of overall sales in many businesses... We estimate that over 60% of total sales in Cement and over 30% in Steel sector comes from Real Estate

2. Land bank of several old economy companies account for significant part of their overall assets and market cap... For example Bombay Dying, Bata, Companies with old mills etc. *(Source: Bloomberg)*

2. Real Estate: A Huge Investment Opportunity

– “Buy in Acres and Sell in Sq. Ft.”

Buy in Acres and Sell in Sq.Fts

A leading real estate company in NCR

- bought land @ less than Rs.100,000 per ACRE in mid 1990s, and
- is currently selling the area @ Rs.10000 / SQ.FT

It means the cost of purchase per square feet was about Rs.2 and the price of sale per square feet is Rs.10,000.

This trend is becoming increasingly widespread across India

A number of large companies in India have land bank adequate for their development plans for the next 7 to 10 years.

Data source: Motilal Oswal Securities

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Buy in Acres and Sell in Sq.Fts

Mundra Port - 1993

Buy in Acres and Sell in Sq.Fts

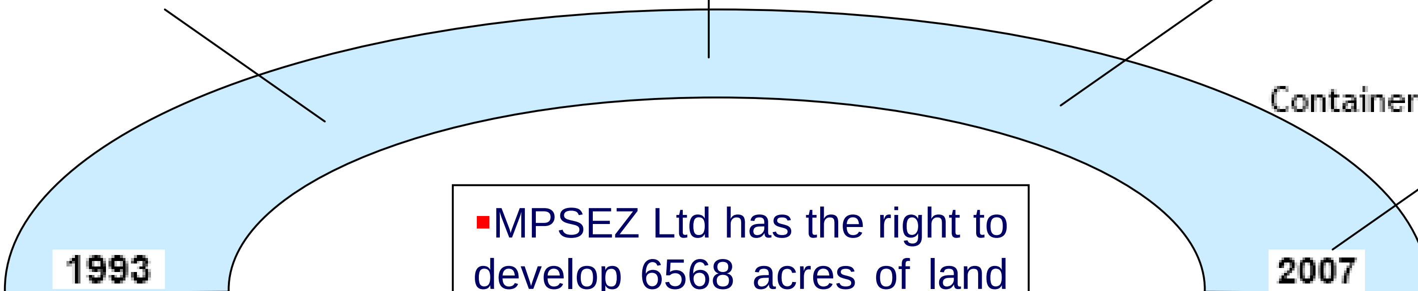
Mundra Port (MPSEZ) – Development So Far

October - 2001
Start of commercial operations

July - 2003
Start of Container Terminal - 1

June - 2006
Approval for multi-product SEZ & notification for land

August - 2007
Container Terminal - 2 fully operational



- MPSEZ Ltd has the right to develop 6568 acres of land around Mundra Port as an SEZ
- It is considering development of a total area of 32000 acres into an industrial hub (SEZ), which is more than 3 times the total area of Mumbai

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Source: MPSEZ Ltd Red Herring Prospectus, Emkay, Internal Calculations

Buy in Acres and Sell in Sq.Fts

Mundra Port - 2007

Buy in Acres and Sell in Sq.Fts

2010: Mundra Port???

Buy in Acres and Sell in Sq.Fts

Mundra Port – Going Forward

- As per estimates, 50% of the SEZ land is expected to be used for building township comprising residential, commercial and hotel spaces
- This is expected to add significant value to the Company's bottom-line

March 2009:
Land and site development

February 2010:
Civil works for the SEZ to be completed

September 2010:
Civil work for Coal Terminal Project

December 2010:
Plant and Machinery

January 2010:
Commercial Operation

Source: MPSEZ Ltd Red Herring Prospectus, Emkay

3. ICICI Prudential Real Estate Securities Fund

(The scheme will not be directly owning or holding real estate properties)

Investment Rationale

Twin Advantage

Real estate development process offers investment opportunities to capture attractive yield and also growth potential of equity

Current market valuations require a cautious approach to investing in equity

- 51% to 100% in real estate debt
- 0% to 49% in equity and equity related securities*

"The initial allocation of the fund will typically be 70% in debt instruments and 30% in equity and equity related securities."

** Various sectors like Real Estate Development, Banks & Finance Companies, Cement, Construction, Metals, Hotels, Retail etc.*

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Investment Strategy

Asset Allocation Mix: Scenario Analysis

Assumptions:

- Allocation to Debt instrument: 70% of the AUM
- Allocation to Equity: 30% of the AUM
- Returns at the end of 3 years
- Debt allocation is bought and held till maturity
- Recurring expenses assumed @ 2.25% p.a.

CAGR

	Equity returns				
	-15%	0%	15%	20%	25%
Debt returns					
12%	1.65%	6.15%	10.65%	12.15%	13.65%
13%	2.35%	6.85%	11.35%	12.85%	14.35%
14%	3.05%	7.55%	12.05%	13.55%	15.05%

The scenario analysis given in this slide is given merely to arithmetically illustrate return probabilities assuming various combinations of returns on equity and debt. Actual returns/combination of returns depend on various factors including but not limited to allocation of portfolio to equity and debt, exposure to market risks, yields at the time of deployment of funds, general economic and political conditions in India and other countries globally, the monitory and interest policies of India, inflation, unanticipated turbulence in interest rates, the performance of the financial markets in India and globally etc. The allocation of portfolio to equity and debt can vary but will be in accordance with the provisions of the Offer Document of the Scheme. Prospective investors are advised to carefully review the Offer Document, Key Information Memorandum and other related documents carefully and in its entirety and consult their legal, tax and financial advisors to determine possible legal, tax and financial or any other consequences of investing in this Scheme, before making an investment decision.

The Scheme does not offer any guaranteed or assured returns to investors. The recipient of this material alone shall be fully responsible/are liable for any decision taken on the basis of this material. Please note that past performance of the financial products, instruments and the portfolio does not necessarily indicate the future prospects and performance thereof.

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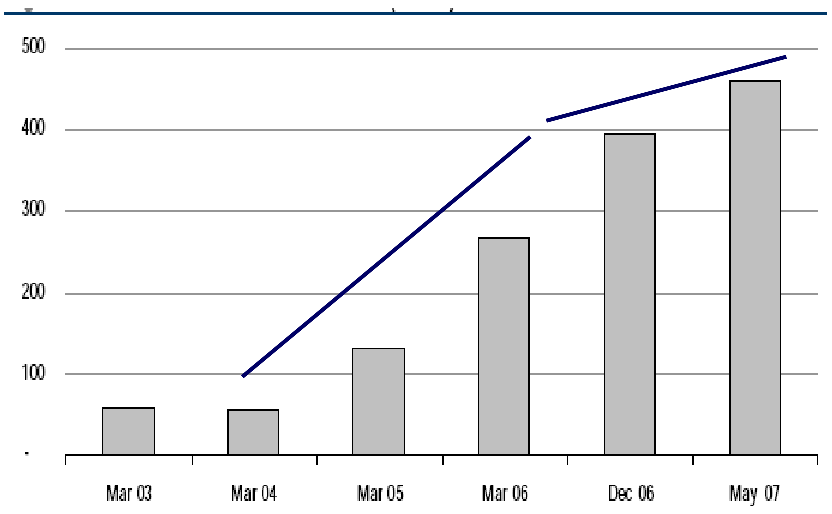
Investment Strategy

Real Estate Debt: An Overview

- Access to traditional sources of medium to long term funding (Banks and ECBs) is regulated
  - Recent restrictions on banks in terms of provisioning and increase in risk weightages
  - Restrictions on ECBs
- Accessing debt market is imperative to fund expansion

Bank loans have increased at a diminishing rate

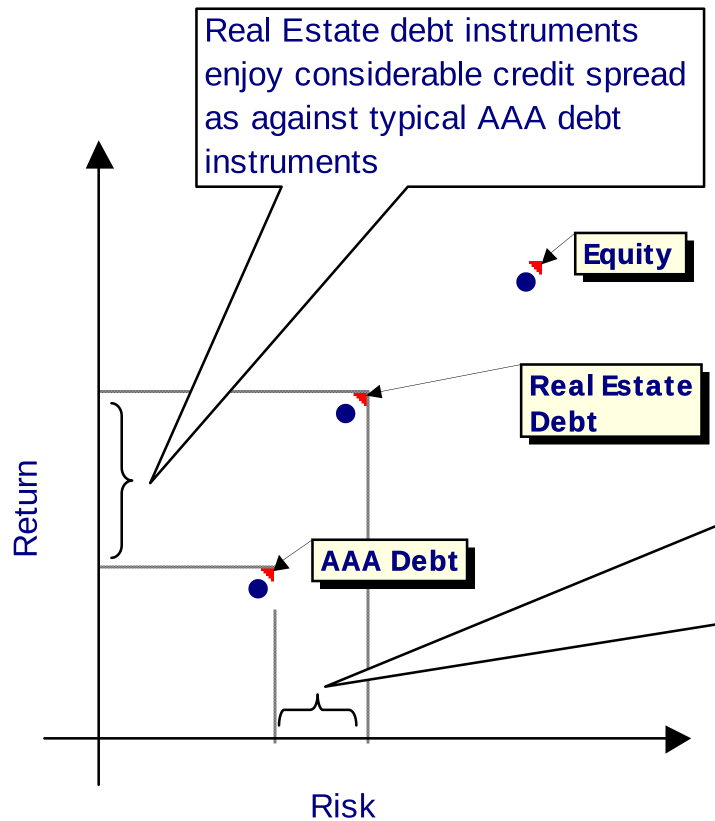


Source: RBI

Increasing demand, limited supply and fewer organised players of scale lead to high margin → Strong Growth Potential → Need for large capital (restriction on traditional source of finance → Debt financing at higher yields

Investment Strategy

Real Estate Debt: Attractive Risk-adjusted Return



Debt investments in…

- Secured Debt Instruments with unencumbered assets
- Fund companies with low-cost urban land bank, execution capability, focus on commercial segment, strong financial position, etc.

Since most Real Estate companies are relatively new and the industry is in its nascent stages, these companies donot have a long history of financial performance. Moreover, such companies are more prone to risks like interest rate movement, execution delay etc.

Investment Strategy

Real Estate Debt: Investment Process in Perspective

Banks bring Investment Proposal for Real Estate Debt to ICICI Pru MF

ICICI Pru MF conducts multi-level analysis before lending

Rating Analysis / Rating Concerns

We consider rating and concerns on rating rationale

Concern	Our reading
Leverage	• Since land bank is valued in balance sheet at cost, the net worth is often understated… hence apparently higher leverage • So far sources of equities were limited. Now the source is becoming broad based hence organised players with strong execution capability have easier access to large and institutional equity
Price volatility	We emphasize on reasonable cover for security; have valuation report every quarter; keep provision for "collateral top up" in case of fall in valuation
Execution delay	Large and established players (Strong regional presence: Rahejas, Purvankar, Shobha, Emaar. Reasonable pan-India: DLF, Unitech, Hiranandani)
Industry bias	Historical baggage of unorganised nature

Independent Analysis

We analyse the following additional parameters:

- Project schedule
- Cash flow projection for 5 yrs
- Security with first right on assets: Analysis of valuation, salability and title check and location

Internal rating for financial strength

Lending after checks and mortgages

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Investment Strategy

Equity: A Thematic Approach

- A thematic approach
- Investment in sectors associated with, or benefiting directly or indirectly from, the real estate sector. Such sectors generally have significant % of their revenue originating from real estate. Some of them are as follows:
  - Real estate developer: Opportunity to buy in acres and sell in sq.ft.
  - Cement: Consistent demand growth, pricing power
  - Metals: The next China??
  - Construction: An estimated order book for over 3 years… and growing
  - Banking and Finance: Mortgage boom… just begun
  - Retail: Over 700 malls are under construction across India *(Source: Morgan Stanley Research Asia PAC)*
  - Hotels: Play on business tourism and leisure needs
  - Investment in companies that have significant asset share coming from land bank, Retail, Hotels, Mills etc. They can potentially benefit from asset price appreciation in their real estate holdings
- Universe*
  - Market cap of the universe to total Market Cap: 30% or over Rs.19,00,000cr.
  - Number of stocks: Over 350

** Data source: Capital Line, Internal Analysis*

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Key Benefits

- First real estate securities fund in India
- Participate in an industry expected to grow at a CAGR of 33% pa over the next 5 years *(Source: Investment Commission of India, DSP Merrill Lynch)*
- Capture potential benefits across value chain of real estate
  - Benefit from borrowing… invest in select Debt
  - Benefit from profit potential of “Buy Acre and Sell Sq.Ft”… invest in beneficiaries of real estate sector
- Structured to control equity exposure given current market valuations
- Participate in real estate without foregoing liquidity. Quarterly liquidity
- Thematic approach to invest in equity allows to straddle across a number of companies associated with, or benefiting directly or indirectly from, the real estate sector

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Key Features

- **Investment Objective:** ICICI Prudential Real Estate Securities Fund (The Scheme will not be directly owning or holding Real Estate Properties) is a three year Close-ended debt fund that seeks to generate income through investments in debt securities maturing in line with the maturity of the Scheme of companies that are in, associated with, or benefiting directly or indirectly from, the real estate sector, and the secondary objective is to generate long-term capital appreciation through investments in equity or equity-related securities of such companies. However, there can be no assurance that the investment objective of the Scheme will be realized.
- **Asset Allocation Pattern:** Debt*$ - 51% to 100%, Equity & Equity Related Securities - 0% to 49%, (* - Including securitised debt of upto 70% of the net assets. $ **-** Including derivatives instruments to the extent of 30% of the Net Assets as permitted under SEBI Guidelines). The initial allocation of the fund will typically be 70% in debt instruments and 30% in equity and equity related securities.
- **Terms of issue:** The Units of the Scheme can be subscribed only during the New Fund Offer (NFO) Period (since the scheme is a close-ended scheme) at Rs. 10/- per unit. **Liquidity:** The Scheme proposes to provide repurchase facility at quarterly intervals on every 15th day from the end of each calendar quarter. If such date happens to be a non-business day, repurchase facility would be available on Business Day following the said date. Retail and Institutional Option are available for investments.
- **Entry Load (Both Options):** Nil.
- **Exit Load (Both Options):** Nil on Maturity. Redemptions made during the repurchase facility period will attract, for the present, an exit load of 3% of the amount sought to be redeemed under the Scheme. In addition, being a close-ended scheme, for redemptions made during the repurchase facility period, the balance proportionate unamortized new fund offer expenses will be recovered in accordance with SEBI Circular dated April 4, 2006.

Key Risks

- **Credit and execution risk:** Credit Rating of real estate companies is generally lower compared to the similar sized companies with similar growth rates. This happens because the rating is assigned to the issuer based on its ability to make ‘timely payments’, rather than ‘ultimate payments’. Since time cycle of completing a development project involves a lot of steps including several types of approvals, obtaining title, development, selling etc. The longer chain of actions implies a potential delay of completing the project and consequent possibility of delayed payment. We propose to minimize the risk by seeking to invest only in companies that have large and established businesses and have a proven credit track record.

- **Market risk:** Real estate sector is cyclical in nature and sensitive to short-term demand-supply and prevailing interest rates. The sector is vulnerable to time decay resulting in conversion risk. Moreover, there is no entry barrier for a low scale real estate business that may affect the pricing capacity of the corporate / organized players. Due to these factors, the real estate sector is perceived to be more risky than its traditional counterparts. To mitigate the risks, we seek to invest debt component of the portfolio only with large and established players, who have been into real estate business for long and have weathered different real estate cycles and provide unincumberred assets as security towards the borrowing from us.

- **Liquidity Risk:** Debt securities issued by real estate companies have relatively lower liquidity. To manage this risk, the Fund is designed as a close ended Fund.

Risk Factors

- **Scheme Specific Risk Factors:** Debt - Interest Rate Risk, Liquidity or Marketability Risk, Credit Risk, Reinvestment Risk, Settlement risk, Risks associated with investment in unlisted securities. Equity - Equity investments under the Scheme are oriented towards Companies belonging to the Real Estate Sector and hence will be affected by risks associated with the Real Estate Sector. Further amongst the Real Estate Sector, majority of the equity/ equity oriented investments could be under a single industry. Hence if the said industry does not perform positively the Schemes' performance may be adversely affected due to the same. The Scheme may use various derivative products as permitted by the Regulations. Risks of investment in derivatives include risk of mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. ICICI Prudential Real Estate Securities Fund (The Scheme will not be directly owning or holding Real Estate Properties) is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns. Investors in the scheme are not offered any guaranteed returns. For Offer Document and Key Information Memorandum, contact your financial advisor or log onto www.icicipruamc.com or visit any of the branches of the AMC. Mutual Fund Investments are subject to market risks. Please read the Offer Document carefully before investing.
- **Statutory Details:** ICICI Prudential Mutual Fund (the Fund) was set up as a Trust sponsored by Prudential plc (through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) and ICICI Bank Ltd. ICICI Prudential Trust Limited (the Trust Company), a company incorporated under the Companies Act, 1956, is the Trustee to the Fund. ICICI Prudential Asset Management Company Ltd (the AMC). a company incorporated under the Companies Act, 1956, is the Investment Manager to the Fund. ICICI Bank Ltd and Prudential Plc (acting through its wholly owned subsidiary namely Prudential Corporation Holdings Ltd) are the promoters of the AMC and the Trust Company.

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Risk Factors

- **Risk Factors:** Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Schemes will be achieved. As with any securities investment, the NAV of the Units issued under the Schemes can go up or down, depending on the factors and forces affecting the capital markets. Past performance of the Sponsors, AMC/Fund does not indicate the future performance of the Schemes of the Fund. The Sponsors are not responsible or liable for any loss resulting from the operation of the Schemes beyond the contribution of an amount of Rs.22.2 lacs, collectively made by them towards setting up the Fund and such other accretions and additions to the corpus set up by the Sponsors.
- In the preparation of this material the ICICI Prudential Asset Management Company Limited/Mutual Fund has used information that is publicly available, including information developed in-house. Some of the material used herein may have been obtained from members/persons other than the AMC/Mutual Fund and/or its affiliates and which may have been made available to the AMC/Mutual Fund and/or to its affiliates. Information gathered and material used herein is believed to be from reliable sources. The AMC/Mutual Fund however does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this material no such party will assume any liability for the same. We have included statements/opinions/recommendations in this material, which contain words, or phrases such as “will”, “expect”, “should”, “believe” and similar expressions or variations of such expressions, that are “forward looking statements”. Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, the monitory and interest policies of India, inflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.
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Thank you