

‘AIF industry to reach over Rs. 1 lakh crore in five years’

Alternative investment funds see massive surge in AUM.

Alternative investment funds (AIFs) have witnessed an impressive growth of over 350% in their assets under management in just about a year.

The commitment raised (equivalent to AUM in AIF parlance) as on September 2014 has increased to Rs.17,452 crore as on September 2014 from Rs.3,841 crore in the corresponding period last year.

Among AIFs, Category II which invests in private equity funds, have mopped up highest commitments of Rs. 8,500 crore as on September 2014 as compared to Rs.2,100 crore in September 2013, a growth of over 300% or inflows of Rs.6,400 crore in a year.

Similarly, Category I recorded a growth of 382% in its commitments. This category raised commitments worth Rs.6,837 crore as on September 2014 as against Rs.1,417 crore in September 2013. The AIF Category I invests in start-up or early stage ventures, social ventures, SMEs or infrastructure funds.

While infrastructure funds have collected a whopping Rs.5,700 crore in one year, social venture funds and venture capital funds garnered Rs.485 crore and Rs.646 crore respectively as on September 2014.

Interestingly, the Category III saw a massive jump in its commitments. This category has mopped up close to Rs.2,300 crore as on September 2014 as against Rs.323 crore in the corresponding period last year, a growth of over 550%. Hedge funds fall under this category.

Assets under management (AUM) of AIF

Categories	Commitments raised as on September 2014	Commitments raised on September 2013	Change	Growth in %
Category I	6837	1417	5420	382%
Category II	8493	2101	6392	304%
Category III	2123	323	1800	557%
Total	17452	3841	13611	354%

Source: SEBI

Vikas V Gupta, Executive Vice President, Arthveda Fund Management attributed this growth to revival in equity market. “Those who had invested in fixed income, gold and real estate didn’t get the kind of returns they were expecting. Hence, they were

keen to explore other avenues. Since equity markets have revived and the new government has given thrust to the manufacturing sector, people have started to park their money in private equity, venture capital and hedge funds.”

Gupta is of the view that hedge funds, which are in their nascent stage, will play a major role in the growth of AIFs. He said that infrastructure funds and private equity will continue to grow at a healthy pace.

Andrew Holland, CEO, Ambit Investment Advisors expects the commitments of AIF industry to reach over Rs. 1 lakh crore in the next five years.

As on May 2014, there are 106 AIFs operational in India.