

ArthVeda launches INR 20bn residential fund

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The Mumbai-based asset management firm has launched a domestic real estate fund to invest in low-cost residential housing projects across India.

ArthVeda Fund Management, a Mumbai-based asset management firm and an associate company of Dewan Housing Finance Corporation, one of India's largest housing finance companies, has launched an INR 20 billion (€265 million; \$315.58 million) residential real estate fund.

The ASHA fund will target investments in the affordable residential sector with a sole focus on low-income housing projects in Tier 2 and Tier 3 cities across the country. In India, low-income housing is for individuals whose income falls in the INR 500,000 to INR 2 million bracket. The average size of each investment is expected to be only around \$1.5 million, a strategy employed by the firm in all of its previous funds to ensure safe and timely exits, according to Bikram Sen, chief executive officer of ArthVeda.

"ASHA Fund has been in the making for some time after the success of our affordable housing fund for middle income households, STAR Fund," he said.

The firm is expecting to generate IRRs of 25 percent to 30 percent via the investments.

ArthVeda is targeting institutional investors, family offices and high-net-worth investors in India for fundraising.

However, PERE understands that the firm may also consider opening the fund to offshore investors around January next year, by when it expects to have reached two closes for the fund. The entire fundraising target is expected to be achieved via a series of five closes.

The firm currently operates two other real estate funds in the country. STAR Fund, launched in 2011 to invest in middle income housing projects (for individuals earning between INR 3 million to INR 7 million), raised INR 150 crore in the final close. The equity raised has been invested in 13 residential projects across

India. The fund is currently understood to be in the divestment phase and has already exited two investments.

As a follow-up to STAR Fund, ArthVeda launched its first offshore real estate fund earlier this year. For STAR Fund II, the firm is targeting \$250 million in fundraising and is targeting institutional investors and family offices in Asia and the Middle East currently, and plans to have INR 15 billion worth of assets under management via STAR Fund II. No closing has been reached so far.

In late 2011 DHFL restructured its asset management business, DHFL Venture Capital, and rebranded it to ArthVeda Fund Management to create a more diversified investment portfolio and move into new asset classes including infrastructure, private equity and listed equities. Sen, who was then the chief executive officer of DHFL, was entrusted with the role of heading the rechristened asset management business.