

Arthveda plans two new real estate funds

The firm is raising \$250 million from offshore investors for one fund, and Rs150-200 crore domestically for the second fund



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Bengaluru: Arthveda Fund Management Pvt. Ltd, an associate firm of Dewan Housing Finance Corp. Ltd (DHFL), is raising \$250 million from offshore investors for a real estate fund called Star Offshore, which will invest in mid-income housing projects. Separately, it plans to raise a domestic fund of ` 150-200 crore called Asha that will exclusively invest in low-income group projects, said a top company executive.

Star Offshore will look at projects with apartments costing ` 25-60 lakh in nearly 12-14 locations, including on the outskirts of large cities such as Mumbai, and will invest ` 30-50 crore in each transaction. The fund will make equity investments instead of debt offerings to developers. The latter has been the more common method among private equity funds in recent years.

“Investors in the past have put their money in a blind pool arrangement, and have lost money in the process, where they didn’t know where the money was being deployed. That old investment strategy won’t work and so we have a specific strategy where we will

do residential deals in a certain price segment, with a three- to five-year project tenure,” said **Bikram Sen**, chief executive and director, Arthveda Fund Management.

Star Offshore will invest in a project’s early stage, with a high-risk, high-return model, said Sen.

Arthveda, formerly known as DHFL Venture Capital India Pvt. Ltd, currently manages two real estate funds. The first, Dream Fund, is fully deployed and has seen a stream of project exits, while the second one—Star Fund—is currently being deployed and is focused on investing in mid-income housing in smaller cities.

A number of real estate funds are currently on track to raise capital, or are planning to do so, mostly from domestic investors and some from offshore investors as well, with a number of funds looking to raise nearly \$1.5 billion in the first half of the year.

Among the prominent ones is Kotak Realty Fund, which is planning to raise a \$250 million fund that will invest mainly in affordable housing projects. IIFL Ltd is in the process of raising a ` 1,000 crore residential fund and **Indiabulls Asset Management Co. Ltd (Indiabulls AMC)** launched its first real estate fund in January.

“Limited partners (LPs) or investors are more careful today and are asking for a greater say, and want to be involved in a deal-by-deal basis. For domestic high-net-worth individuals, this is a good avenue to invest in an institutionalized and transparent manner in real estate,” said Shashank Jain, partner, transaction services at PricewaterhouseCoopers India. Debt funds are looking at slightly moderate returns but want a higher degree of certainty, said Jain.

Asha, Arthveda’s planned domestic fund, is in conjunction and collaboration with **Aadhar Housing Finance Ltd**, which is promoted by DHFL and International Finance Corporation, a part of the World Bank group.

“We are looking to invest around ` 5-10 crore in each deal, and in projects with homes of 400-600 sq. ft each. We want to invest in smaller markets, where Aadhar is already present and lending,” said Sen.