

Dewan Housing's PE arm ArthVeda Fund launches infrastructure debt fund

By [Biswarup Gooptu](#), ET Bureau | 9 Apr, 2013, 02:03PM IST

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BANGALORE: ArthVeda Fund management, the private equity (PE) arm of housing finance company Dewan Housing Finance, has launched its first infrastructure debt fund, moving away from its core strategy of investing in India's real estate sector.

The Rs 200-crore ArthVeda ANU credit fund will look to invest up to Rs 20 crore per investment in unlisted companies with annual revenue ranging between Rs 50 crore and Rs 100 crore, according to Bikram Sen, chief executive officer.

"We will invest in small infrastructure projects conceived for sub-contractors and project executors in the public utilities spaces, including, roads, national highways, sewage and water supply projects," he told ET.

The fund will offer working capital and mobilization capital for a period between 18 and 24 months, and expects to generate returns of over 25%.

The SEBI-registered AIF category-II debt fund is aiming for a first close by July or August later this year and is currently in talks with eight institutional investors, including banks, insurance companies and family offices.

The fund, which also has a green-shoe option of Rs 100 crore, expects to make up to 20 investments through its life-cycle. And returns will be deployed back into future projects.

"This appears to be similar investment model to what is being done in the Indian real estate sector, where investors have used structured instruments, providing more or less fixed returns over terms ranging from three to five-years," said Mayank Rastogi, partner - private equity and transaction advisory services, Ernst & Young.

The new fund signals the growing attractiveness of debt for private equity firms as they look to satisfy their yield-starved investors.

Given the current depressed investment climate in the country, fund houses believe that they can promise higher returns through credit funding to their investors.

The investment model for the new ArthVeda ANU fund also limits the fund's exposure to the country's infrastructure sector, which while accounting for almost 27% of India's industrial output, has been reeling from delayed clearances and cost overruns among others.

"This strategy delinks our risks from the mother project, since we plan to identify the gaps, go in and exit early," ArthVeda's Sen said.

PE investments in the Indian infrastructure sector dropped by more than 66% to \$1.14 billion (Rs 6,000 crore) in 2012 compared to a year ago.



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