

ArthVeda Scripting Seven Real Estate & Infra Funds, Eyes \$2B AUM

Ropes in Lokanathan Nadar from Wadhawan Group to lead the infrastructure vertical

ArthVeda Fund Management has set the process rolling for four private equity funds in the real estate and infrastructure domain and is eyeing a total of seven funds with assets under management of around \$2 billion by 2015, a top company executive told VCCircle.

ArthVeda is a fund management company backed by private housing finance firm Dewan Housing Finance Ltd.

The plan appears bullish given the current fund raising climate. However, expectations of softening interest rates could help boost demand for residential housing. Even as overall economic slowdown has cast a doubt on prospects for commercial and retail property, the fund house could be betting on a bounce back in demand with interest rates peaking out.

Out of the seven funds in the planning stage, five is already on the table. These include two separate funds focused on low income housing projects besides a middle income housing fund, an asset class agnostic offshore fund besides an infrastructure fund.

Bikram Sen, chief executive officer of ArthVeda said, "In the next three years we will have asset under management of Rs 10,000 crore."

The firm is in the final stages of planning to launch the two funds targeted at low income group housing projects. The first of these funds will be launched next month with a targeted corpus of Rs 250 crore. The fund will be raised in collaboration with Aadhar Housing Finance Ltd, the low income housing finance arm of Dewan Housing Finance. Aadhar was formed in partnership with IFC, the private investment arm of the World Bank, in February last year. The first fund will stay invested for a short term period of three years.

The second fund focused on low income housing will be a long term fund with a target size of Rs 500-750 crore. The fund raising for the second fund will happen in 2012-13.

Next month ArthVeda is also planning to launch a small offshore fund which will be open for investment in every asset class of realty sector, said Sen.

This comes after it recently launched a Rs 300 crore real estate fund, called ArthVeda Star Fund including a green shoe option of Rs 100 crore. The fund is focused towards green field projects in the middle income housing segment.

Sen said, “Around 75 per cent of the corpus of ArthVeda Star Fund will be invested in tier II and III cities and in suburbs of metros and for the rest we have flexibility but it will be dedicated to middle income housing projects only.”

He added, this fund will invest Rs 5 crore-25 crore in each project and around 34 investments will be made from this fund. It will invest from the early stage as it is a purely greenfield focused fund and will exit the projects in three years or maximum four years.

According to Sen, ArthVeda Star Fund will manage to raise Rs 100-140 crore by the end of this month and it expects a final closure by March-April this year. Around 40 per cent of the fund’s capital is expected to come from institutions, banks, insurance trusts and rest from high net worth individuals. DHFL, the parent company will come in as an anchor investor. The fund is aiming at a gross return before expenses of more than 30 per cent.

Leveraging its parent, DHFL’s housing finance clientele in these markets, the fund has earmarked 16 cities across the country for its investments. It has already vetted and signed Memorandum of Understanding (MoU) for close to 16 projects. DHFL is tying up with a bank to provide construction finance to the developer where ArthaVeda Star Fund will invest.

Lokanathan Nadar To Head Infrastructure Vertical:

The fund house has also announced today the appointment of Lokanathan Nadar to lead the infrastructure vertical.

Nadar joins ArthVeda from Wadhawan Group, where he was CEO – Infrastructure & SEZ, where he was heading both the development of Pavana Multi Product SEZ and other Infrastructure initiatives of the group. He comes with almost 15 years of experience in the core infrastructure sector in the areas of project development & construction, conceptualization, business development, marketing and identification of new business opportunities.

“ArthVeda’s growth strategy is built around a number of verticals; we are already managing funds in the real estate vertical. With Mr Nadar joining the management of ArthVeda the company is opening up its infrastructure vertical. His wide and all round experience and in-depth knowledge of the core infrastructure sector will help us launch a series of specialized infrastructure funds,” said Bikram Sen.

Before Wadhawan Group, Nadar has worked with Sterling SEZ & Infrastructure Ltd as COO and prior to that he worked with IL&FS.