

Milestone re-approaches Dewan Housing after other suitors pull out

High valuations a block in deal talks

Patience may well pay off for Kapil Wadhawan, chairman and managing director of Dewan Housing Finance (DHFL). After Britain's Ashmore Investment Managers walked out of their negotiations, the promoters of Milestone Capital have reached out to DHFL once again to buy them out from the fund. These negotiations had, in the past, fallen through on valuations.

Milestone Capital, the real estate-focused fund with assets of Rs 4,000 crore under management, has been on the block since the death of its founder, Ved Prakash Arya, last year. But because of the high valuation expectations, all firms in race, including Dewan Housing Finance Corporation (DHFC), had withdrawn their bids. It is learnt that London-headquartered Ashmore, which was the sole contender for the PE firm, has also withdrawn.

According to sources in the know, 2007-incorporated Milestone had approached Wadhawan a few days ago with a sellout proposal — for the second time. Significantly, the Milestone promoters had brought down their expectations.

The 1984-founded Dewan Housing has started the due diligence process and Milestone is likely to bring the price to Rs 180-220 crore, down from the earlier quoted price of Rs 280 crore, said sources. Standard Chartered is advising the Arya family in the sale process.

Last year, HDFC had re-launched its erstwhile asset management company (DHFL Venture Capital India) as a new firm: ArthVeda Fund Management. ArthVeda has launched a Rs 200-crore real estate fund with focus on tier-2, 3 and middle-income housing projects.

A Milestone spokesperson said the company had been evaluating various strategic options over the past few months. "The process is on," he said. "We cannot comment on the same at this stage." When contacted, Wadhawan refused to comment on the issue.

The promoters' demand for Rs 280 crore (\$55 million) or around seven-eight per cent of the fund's AUM, had forced the potential suitors, including Dewan Housing Finance, Hong Kong-based Pacific Investments, Edelweiss Capital, and the Burmans of Dabur to exit from the race.

As reported by Business Standard earlier, the limited time given for due diligence is believed to have also acted as a spoiler. ; ;

Milestone has its strength in real estate space, where it has a joint venture with IL&FS. Milestone runs four real estate funds, including three domestic funds, with a combined corpus of Rs 1,240 crore and an \$80-million offshore fund. Under its JV with IL&FS, Milestone runs two funds with a size of Rs 525 crore each.

Milestone also has an existing JV with Religare to manage private equity investments in education and healthcare. Milestone Religare runs a Rs 450-crore domestic fund.

After the untimely death of its founder, Ved Prakash Arya, seven months ago, the board of directors at Milestone had soon inducted its late founder's wife Rubi Arya and brother Ashwein Arya — in September 2011.

