

Projects of DHFL's pvt equity fund to get CARE ratings

ArthVeda Fund Management, the PE arm of Dewan Housing Finance Limited (DHFL), has tied up with Credit Analysis & Research Ltd (CARE) to rate major investments by ArthVeda's new real estate fund ArthVeda Star, the Rs 200-crore real estate fund with a greenshoe option of Rs 100 crore.

Bikram Sen, chief executive of Arthveda Fund Management, said, "Once we invest money in projects, neutral agencies like CARE will analyse these and give star ratings, based on the performance. The rating would help the fund rectify faults and give an additional level of comfort and safety to investors."

ArthVeda Star Fund, which focuses on Tier-II and Tier-III middle income housing projects, has 34 investments in the pipeline.

Rajesh Mokashi, deputy managing director, CARE, said, "If the reports are provided, it would enable investors to directly access the development of the projects concerned, thus increasing transparency in the fund. Investors would have the benefits of direct knowledge and a trustworthy third-party assessment, rather than being totally dependent on the fund perspective."

However, other fund managers are not optimistic about the rating systems. V Hari Krishna, director, Kotak Realty Fund, said, "Rating is not a relevant concept for typical private equity (PE) deals, as many are equity deals and hence, ratings are very subjective. Even for debt investments, the valuation reflects the repayment capacity."

The real estate sector recorded subdued PE activity in 2010. However, 2011 saw a rush of new real estate-focused PE funds.

MOPPING UP AT HOME		
Amounts raised by domestic real estate funds in 2011		
Fund	Size (Rs Cr)	Amount Raised (Rs Cr)
India Advantage Fund Real Estate Series II	1,100	220
Milestone Domestic Scheme III	545	500
ArthVeda STAR Fund	200	80
ASK Real Estate Special Opportunities Fund	1,100	570
Kotak India Realty Fund IV	560	491
Red Fort India Real Estate Fund II	2,500	1,322

Source: VCCedge

Anuj Nangpal, director (investment advisory), DTZ International Property Advisers, said, “Real estate PE funds would need to increasingly prove their track record through exits and may have to compromise on the fees charged. This, coupled with regular and transparent reporting to investors on the fund’s performance, could help bring back investor confidence.”

According to VCCEdge data, 2011 saw seven new domestic real estate-focused PE funds, worth \$637 million. This compares with four funds worth \$284 million in 2010.

CARE Real Estate Project Star Rating shares aspects like the construction quality of the projects, the relative ability of the developer to complete and sell the project, legal aspects related to clear the title of the land, approvals, financial prudence, sponsor track record and competition for the project.