

Exclusive: Arthveda exits maiden realty fund with healthy returns

The fund was raised in 2006 and invested in 13 projects.

Arthveda Fund Management Pvt Ltd, the private equity arm of Dewan Housing Finance Corporation Ltd, has exited all its investments from its maiden real estate fund, a top company executive told VCCircle.

Launched in 2006, DREAM Fund I raised domestic capital from banks and institutions, affluent individuals and corporate houses. It made a total of 13 investments across residential, commercial and mixed-use developments and claims to have generated annualised returns, or internal rate of return (IRR), of 17 per cent.

“A 17 per cent return, over a seven-year period, may not look that impressive in absolute terms, but it is indeed an incredible performance compared to what other real estate funds have delivered to their investors,” Arthveda CEO Bikrum Sen said.

Sen claimed that his maiden fund is the second best real estate fund in India in terms of returns based on a study conducted by one of the Big Four consulting firms. The study was done under Arthveda’s mandate.

The study also showed that a large number of funds are yet to return 100 per cent of the capital to their investors, Sen claimed. He added that the ones who did return the principal amount managed to churn out single-digit IRRs.

The reason why a lot of capital is still stuck in real estate is because of size of investment. Investors, during 2005-07, backed mega projects in metro and tier II cities, making it a difficult task for them to create profitable exits.

“Arthveda continues to believe in investments in small ticket size for its second fund STAR I, in which the average investment ticket size is just over Rs 10 crore,” said Sen.

The second fund STAR I has already achieved two exits out of its 14 investments, with exit IRRs in excess of 30 per cent (before fees, expenses and taxes).

Apart from its two vintage funds - DREAM I and STAR I - the firm manages a \$250-million offshore fund aimed at mid-income housing and another Rs 2,000-crore domestic corpus aimed at low-income housing.

Through these two funds, the firm aims to invest across 200 projects over a period of two-and-a-half years.