

Rising Straits and Arthveda Fund to raise offshore capital

Rising Straits' \$1 billion fund will invest in both residential and commercial spaces, while Arthveda will invest in low- and middle-income housing projects



Photo: Ramesh Pathania/Mint

Asset management firms Rising Straits Capital and Arthveda Fund Management Pvt. Ltd have started raising money from offshore investors to invest in real estate projects, joining many others who are already scouting for such capital.

Rising Straits Capital, founded by Subhash Bedi, co-founder of Red Fort Capital, plans to raise nearly \$1 billion over the next three years from institutional investors in the US, West Asia and South-East Asia through the managed account route.

With fund-raising being a tough and lengthy process, most offshore money is raised through the managed account route, where one or two large limited partners (LP) participate, unlike the traditional blind pool format of raising money, with multiple individual or institutional investors chipping in with funds.

This would be Rising Straits' first fund-raising initiative after it was formed last year, following a separation between Red Fort Capital co-

founders Bedi and Parry Singh.

"The fund will invest both in residential and commercial office space and will deploy both structured debt and equity. The alternative investment market is seeing an uptick and the perception about India is favourable among investors," said Kalyan Chakrabarti, managing director, Rising Straits Capital.

"Blind pools take longer to raise, and in the current environment, investors prefer it this way," he added.

Arthveda Fund Management, an associate firm of Dewan Housing Finance Corp. Ltd (DHFL), is raising about \$150 million from institutional investors, said chief executive and director Bikram Sen.

The capital will be raised through a blind pool arrangement and will only invest in low- and middle-income housing projects.

Separately, Arthveda started raising a \$250 million offshore fund last year through the managed account route to invest mainly in affordable housing projects.

"Overseas investors, who invested into real estate projects in India in 2005-09, should have all exited by now. That has not happened, and many of these early investors have been burnt badly, which is why new fund managers then needed to establish their credibility before raising fresh capital," said Sen.

As offshore fund-raising has become more challenging, fund managers have been forced to tap the managed account route, where a lot of the decision-making power rests with the overseas investor and management fee is low.

In the past one year, several funds have started collecting money worth a total of \$3 billion from offshore investors.

The more successful among them are HDFC Capital Advisors Ltd raising \$850 million and Kotak Realty Fund raising \$250 million.

Edelweiss Alternative Asset Advisors Ltd is raising up to \$1 billion for its first realty fund and IDFC Alternatives Ltd is raising a \$250 million offshore fund, among many others.

It has not been easy for many of them. ASK Group, which set out to raise about \$200 million through the blind pool route from foreign investors in 2013, eventually managed to mop up about \$82 million and then discontinued the initiative.

"We were one of the few to raise money through blind pool, but the time wasn't time right then. Pension funds have started opening offices here and sovereign funds are investing directly. We may go back and again raise foreign money subsequently, but as of now, we are focusing on our core competence, which is raising and managing domestic capital," said Amit Bhagat, chief executive and managing director, ASK Property Advisors, which is part of ASK Group.

In the past three years or so, developers have also been forging exclusive relationships with investors forming so-called investment platforms, where both partners commit capital and then invest in chosen projects.

Leasing investors such as Government of Singapore Investment Corp. Pte Ltd (GIC), Goldman Sachs Group Inc., Dutch pension services provider APG and Canadian Pension Plan Investment Board (CPPIB) have invested through such strategic alliances.

Private equity funds invested about \$954 million in real estate projects from January to June this year, down 42% from \$1.66 billion in the same period in 2015, according to data by investment-tracker VCCEdge and *Mint* research.

"Despite the experiences in the past, LPs today are willing to sign large cheques, but they want to be involved on a deal-by-deal basis, have more control and know where their money is being invested," said Shashank Jain, partner, transaction services at PricewaterhouseCoopers India. "Fund managers, of course, want a better say in investments, but have to cede control because managed account fund-raising is faster and less tedious, leading to investors having a granular say in transactions."