

EXPANSION MODE - IL&FS private equity arm to raise \$400 mn

IL&FS Investment Managers Ltd (IIML), India's only listed private equity fund, aims to exit from some realty investments, put money in roads, power projects and waste management firms, and raise a \$350-400 million (around Rs1,620-1,852 crore) fresh growth equity fund this fiscal year. The private equity arm of Infrastructure Leasing and Financial Services Ltd (IL&FS) has grown from \$300 million in 2005 and now has \$2.8 billion under management. "We are focusing on exits in real estate because that's where we need to show good track record," chief executive Archana Hingorani said. "We expect to exit three investments in the next 8-10 months in the real estate side." Amit Goenka, national director, capital transactions, at property consultant Knight Frank (India) Pvt. Ltd, said this is a good time to exit from investments in residential projects. "Housing projects are self liquidating and hence will provide good returns." But he added that exiting from commercial, retail or any other class of real estate assets will not yield good returns. Currently, IIML has two active international real estate funds with \$1.4 billion under management. It has invested in Mumbai-based Ackruti City Ltd, Bangalore-based QVC Realty Ltd, Ansal SEZ Projects in Gurgaon and Chennai's ETL Infrastructure Services Ltd, among others. After showing a successful track record to investors and shareholders, IIML will look to raise another real estate fund, said Hingorani. "Every investor, known as limited partners, who invest money in our real estate fund is more intent to see the reversal of money." IIML also has a joint venture real estate fund with Milestone Capital Advisors Ltd, called IL&FS Milestone Fund. "Whenever we do not have expertise, we will join hands with a partner," said Hingorani. The fund is operated by Milestone, which specializes in managing commercial and rental properties. On 10 June, the JV paid Rs575 crore to purchase 74% stake in 24/7, a corporate park in Mumbai developed by HCC Real Estate Ltd. IIML also has a \$658 million fund with Standard Chartered Bank called Standard Chartered IL&FS Asia Infrastructure Growth Fund. "ILFSVC has raised one of its real estate funds in 2007-08. Thus its real estate fund was cash rich during the global economic turmoil. ILFSVC was thus able to make value investments at realistic values prevailing in 2008-09; unlike in 2007-08." Ami Shah, analyst with the brokerage LKP Shares wrote last month in a research report on IIML, which she refers to as ILFSVC. IIML, which had invested in diverse sectors such as information technology, manufacturing, retail and infrastructure, is now keen to focus on roads, power plants and waste management. "We are looking at roads, power, logistic companies and definitely waste management sector," said Hingorani. The fund has already invested in a warehousing company. It has also exited from companies such as the airline SpiceJet Ltd, retail chain Shopper's Stop Ltd and Noida Toll Bridge Co. Ltd. Analysts tracking transportation agree with IIML's interest in roadways. Investment in road projects used to be more debt-oriented rather than equity-oriented, said Manish Saigal, executive director and head of transportation and logistics at consulting firm KPMG India Pvt. Ltd. But now, the

sheer volume of requirement for road construction needs a lot of capital investment--including equity.

