

News monitored for: Kotak Private Equity

# THE ECONOMIC TIMES

## Kotak Plans \$350-million Foreign Real Estate Fund

The new fund will be deployed over the next 3 years in residential projects

**RAVITEJA SHARMA**  
NEW DELHI

Kotak Realty Fund plans to raise \$350 million (₹1,866 crore), through a foreign real estate fund that will invest primarily in residential projects. This follows a series of successful exits from projects over the last one year, when it registered return on investments—internal rate of returns—of 32% in exits worth \$240 million (₹1,280 crore), a banking official said.

“The immediate opportunity is in funding for developers who are looking at finishing their projects,” the person said on condition of anonymity.

Kotak Realty Fund recently exited its investment in an IT park in Goregaon, Mumbai, for ₹385 crore. It

had invested ₹95 crore in the project in 2006.

The new fund will be deployed over the next three years primarily in residential projects, both green field and brown field. The fund will invest \$50-70 million, or approximately ₹265-370 crore, in individual green field projects and close to \$30 million (₹160 crore), in the case of last-mile funding, the person said.

Indian funds have been struggling to raise capital from foreign investors in the past one year, especially first-time funds. “The problem is not that capital is unavailable. Capital is available today, but foreign investors are willing to give money only to fund managers who have shown superior returns compared to industry benchmarks,” says Anckur Srivastava, chairman of GenReal Property Advisers.

Kotak Realty Fund is showcasing its exits to raise new funds, the official quoted first said. The fund is also expected to offer direct co-investment opportunity to



its investors.

Most private equity deals in the real estate space are expected to be structured transactions with preferred returns built in, after the Department of Industrial Policy and Promotion recently removed ambiguities over such transactions.

Kotak Realty Fund is expected to get into preferred equity deals with developers, where the fund gets a preferred return of 16-18% first, while the developer will share the rest of the returns with the fund.

Kotak Realty Fund last month invested ₹170 crore in BPTP's township project Astaire Gardens in Gurgaon. This investment was made through its \$265-million Kotak India Real Estate Fund 1 raised in 2007-08 and now fully deployed.