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RESIDENTIAL PROJECT

Kotak Realty Fund invests Rs150 crore in Dheeraj Insignia

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MUMBAI

Kotak Realty Fund, the real estate-focused private equity (PE) arm of **Kotak Mahindra Group**, has invested Rs150 crore in Dheeraj Insignia, a residential project launched by Dheeraj Realty in Mumbai, said a top official at Kotak Realty.

Dheeraj Insignia is located in Bandra East, close to the Bandra Kurla complex (BKC), a business hub in Mumbai.

BKC is establishing itself as Mumbai's financial district, with the local units of investment banks and financial services companies such as **JPMorgan Chase and Co.**, **UBS AG** and **Standard Chartered Plc.** moving to the area, said Kotak Realty chief executive officer S. Srinivasan.

He said the only quality residential space available for executives of such entities is in Bandra West, where it costs in excess of Rs25,000 per sq. ft. The idea was to invest in a large integrated development close to BKC that comes at a competitive price of Rs16,000-18,000 per sq. ft. The deal was closed within 30 days, Srinivasan said.

Dheeraj Realty is the brand under which **RKW Developers Pvt. Ltd** is marketing its projects. **RKW Developers** was started by brothers Kapil and

Dheeraj Wadhawan, who took over the management of **Dewan Housing Finance Ltd (DHFL)** in mid-2009, after the Wadhawan family divided businesses and business interests between its members.

Mails sent and calls made to Kapil Wadhawan did not elicit any response.

The investment is a mezzanine structured deal, which is a combination of both debt and equity; the investor is assured a fixed return and converts its right to equity only if the financing covenants are not met.

According to Amit Goenka, national director of property consultant **Knight Frank India Pvt. Ltd**, the structure is being commonly used by PE funds now.

"This is because equity carries risk and returns, so funds want to take lesser risk and don't mind capping their returns. Debt gives them (a) fixed rate of return, priority over all cash flow and is securitized, hence they have secured returns," he said.

In the past nine months, **Kotak Realty** has invested close to Rs450 crore, including Rs100 crore in **Star Light Developers Pvt. Ltd**, Rs100 crore in **Ackruti City Ltd's** slum rehabilitation project and Rs70 crore in **Lalith Gangadhar Constructions Pvt. Ltd**.

The fund plans to invest around \$100 million (Rs446 crore) over the next six-eight months.

According to data from research firm **Venture Intelligence**, PE investment in the real estate space declined from 94 deals worth \$6.6 billion in 2008 to 29 transactions worth \$868 million in 2009 amid the economic downturn. In the first quarter this year, there were 10 investments worth \$201 million.

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