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# L&T Finance puts Rs 150 crore in Pune housing projects

By *Kailash Babar*, ET Bureau | Updated: Sep 27, 2017, 11.23 AM IST

1 Comments



L&T Finance Holdings, a Larsen & Toubro subsidiary, has invested around ₹150 crore in Pune-based Saarthi Group's two residential projects

MUMBAI: L&T Finance Holdings, a Larsen & Toubro subsidiary, has invested around Rs 150 crore in Pune-based Saarthi Group's two residential projects, said two persons in the know.

The capital is being infused as debt for construction finance, while some of the money will be used to repay old loans. Both the projects entail around 1 million sq ft of residential projects.

An email query to L&T Finance Holdings remained unanswered until the time of going to press. Saarthi Group could not be reached for a comment, while transaction advisor Elysium Capital Advisory declined to comment.

Saarthi Group has so far delivered 30 projects totaling more than 3 million sq ft over last 18 years. The developer is currently developing more than 2 million sq ft spread across various parts of Pune. The NBFC recently extended 350 crore funding to realty developer Supertech's project in Greater Noida.

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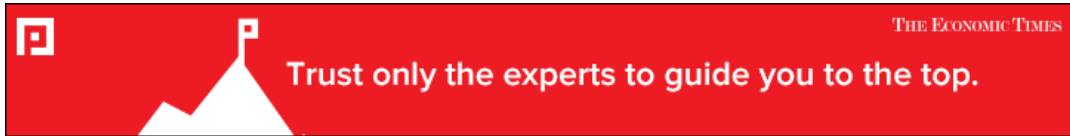
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# Altico Capital invests Rs 400 crore in two residential projects

By *Kailash Babar*, ET Bureau | Updated: Dec 29, 2016, 01:37 AM IST

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**MUMBAI:** Altico Capital has invested Rs 400 crore in two separate projects of Pune-based Pharande Projects and Noida-based Panchsheel Buildtech. Both the projects with a total 7.5 million sq ft saleable area are currently at an advanced stage of construction.

Under these investments, the non-banking financial company (NBFC) has extended debt of Rs 175 crore in Pharande Puneville, at

Punawale off Mumbai-Pune Highway and Rs 225 crore in Panchsheel's Greens II project at Noida Extension in Greater Noida.

The proceeds of the structured debt funding with a tenure of five years will be used for completing the construction of the project and be disbursed in tranches.

Recently, Altico Capital has deployed over Rs 1,000 crore in the NCR market having closed transactions with Vatika, SARE Homes and now Panchsheel.

"In terms of absorption, Greater Noida is the largest micro-market in NCR. Also, while the Noida market has seen a slowdown in sales, Greater Noida, and more specifically Noida Extension within that, has seen uptake in sales as well as a reduction in inventory overhang over the last one year owing to the affordable ticket sizes in this location," said Sanjay Grewal, CEO, Altico Capital.

Panchsheel Buildtech's under-construction project Greens II has aggregate saleable area of 5.5 million sq ft, with 4,200 residential apartments across 28 high-rise towers and 200 villas. The project has received all approvals and around 55% of the units have been booked. Construction is at advanced stage with more than half the project cost already incurred and few towers close to delivery.

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Altico Capital's second transaction with Pune-based Pharande Group's Pharande Puneville project has an aggregate saleable area of 2 million sq ft spread across 18 high-rise residential towers and 1,530 units.

The first phase of the project is more than 65% sold and has reached advanced levels of construction. Pharande group has so far developed over 3 million sq ft in Pimpri-Chinchwad Municipal Corporation.

In July this year, Altico had sanctioned Rs 180 crore against two other under-construction projects of the Pharande group — Woodsville and L-Axis — also in the PCMC. **Mumbai-based investment banking firm Elysium Capital was the sole advisor to the transaction.**

"We will continue to back strong and resourceful developers who have consistently shown superior execution and delivery track record in their respective micro markets. Our focus will remain on funding mid-income and affordable residential projects with some degree of established marketability," Grewal said.

Panchsheel group is focused on developing residential projects in Noida, Greater Noida and Ghaziabad and has developed over 6 million sq ft in the past and is currently developing projects with a total area in excess of 9 million sq ft.

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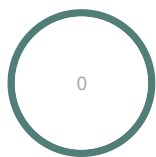
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# Viviana Mall rent monetisation fetches Sheth-GIC entity Rs 600 crore

By *Kailash Babar*, ET Bureau | Dec 20, 2017, 08.02 AM IST

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Holding company of **Viviana Mall**, jointly owned by Singapore's sovereign fund **GIC** (NSE -3.18 %) and real estate developer Sheth Group, has raised Rs 600 crore by monetising rental incomes from the Thane-based mall, in the country's largest lease rental discounting transaction this year, three persons said.

"A substantial part of the funds raised are being utilised to provide an exit to existing financier **State Bank of India** (NSE 0.57 %), while rest of the funds are available for both the equity partners GIC and Sheth Group," one of them said.


Lease rental discounting (LRD) is a financing mechanism under which a term loan is offered against rental receipts derived from lease contracts with corporate tenants. The owner of the property gets debt financing based on the discounted value of the future rentals and the underlying property value. It is usually offered against income-producing commercial assets such as office properties, retail malls and logistic parks.

The tenure of the LRD facility that **Axis Bank** (NSE -2.80 %) has extended to Viviana Mall is around 12 years, the sources said.


The mall, with over 1 million sq ft of leasable space, earns annual rentals of around Rs 100 crore.

State Bank of India (SBI) had earlier extended LRD financing to this mall a couple of years ago and that was utilised then to support repayment of construction finance availed from Indiabulls Housing Finance.

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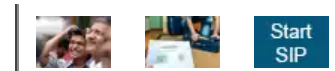
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ET's separate email queries to GIC and SBI remained unanswered as of press time Tuesday.

Sheth Group, Axis Bank and Elysium Capital Advisory, which acted as the sole advisor for this LRD transaction, declined to comment for the story.

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In early 2016, GIC had picked up 49% stake in Viviana Mall from Sheth Group for nearly Rs 1,000 crore, valuing the mall at over Rs 2,000 crore.

Several lenders have been eyeing opportunities in LRD space given that it assures a fixed yield through rentals with minimum risk.


Earlier this year, mortgage lender Indiabulls Housing Finance concluded three commercial lease rental discounting transactions worth cumulative Rs 1,700 crore. The non-banking finance company lent against two office properties and a retail mall of Mantri Developers, ASF Group and Ambience.

Piramal Fund Management (PFM), the financial services division of Piramal Enterprises, also sanctioned investments worth about Rs 2,000 crore within three months of launching flexi lease rental discounting for completed commercial assets including offices and retail space. Piramal Fund Management had approved two investments under flexi LRD against two prime assets in Mumbai and the National Capital Region.

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# Exclusive: L&T Finance backs Prince Foundations' projects

By Swet Sarika (https://www.vccircle.com/author/swet-sarika) | 04 October, 2016



Reuters | Photo Credit: Mukul Mudgal/VCCircle

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**SHARE** L&T Finance Ltd, the non-banking financial company (NBFC) of business conglomerate L&T Group, has sealed a big-ticket deal with Chennai-based developer Prince Foundations, at a time when it is ramping up its focus on the sector, two people familiar with the development told VCCircle. The investment has gone to two ongoing residential projects located in Chennai, the home market of the developer. Set up in 2004, the company claims to have 6.5 million of completed, ongoing and upcoming projects in the city. Its key ongoing residential projects include Prince Courtyard, Prince Galada Gardens, Prince Highlands, Prince Village Phase II, among others.

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"The developer has used a part of the funding to take out exiting lenders and the rest will be used as construction finance to finish the projects," said one of the persons mentioned above.

He added that the developer has raised as much as Rs 370 crore through debt structure, making it one of the biggest debt deals through a NBFC in the southern realty market of India in recent times.

Boutique real estate solution provider Elysium Capital Advisory Pvt Ltd was the advisor on the transaction. When contacted by VCCircle, Subhash Udhvani, founder of Elysium Capital, confirmed the development but did not share further details on the deal. Spokespersons for L&T Finance and Prince Foundations could not immediately be reached for a comment.

"South India as a residential real estate market is looking good especially for established developers in the mid-priced segment," said Subhash Udhvani.

Elysium has helped developers raise over Rs 2,000 crore across the top realty markets of India in the last four years, with Prince Foundations being its latest deal.

Meanwhile, another person mentioned above said that the NBFC has disbursed a large part of the capital while the rest will go in tranches. VCCircle could not immediately ascertain the names of lenders who have exited through the current round.

The development comes at a time when the real estate market in general is going through a tough phase. Developers are increasingly borrowing from NBFCs, who offer flexibility but at a higher cost, to stay afloat. The stress in the market has thrown open a healthy opportunity for NBFCs to ramp up their play in the segment with companies such as Altico Capital, Piramal Fund Management and Xander Finance betting big bucks on the sector.

The debt funding ecosystem also seems to have evolved a bit with lenders now bunching projects together for investment as against a single project dedicated funding. The proceeds in

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most of these cases are used by the developers to retire debt from exiting investors and for construction purposes as cash flow from sales has come down to a trickle.

Recently, Altico Capital, one of the most-active NBFCs in real estate currently, put in around Rs 200 crore across a bunch of projects of Bangalore-based developer Legacy Group.

Piramal Fund Management, which has one the biggest loan books for real estate market, recently deployed Rs 2,320 crore across projects of Mumbai-based privately held real estate developer Lodha Group.

L&T Finance's real estate play

L&T Finance, which offers homes loans, personal vehicle loans, business and corporate loans and rural loans and microfinance, is actively tapping into the investment potential in residential realty market given the funding crunch developers are facing. It has deployed capital in back-to-back deals with its latest transaction being with realty firm TDI Corp for around Rs 100 crore. The proceeds were used by the developer to give exit to Kotak Realty Fund besides finishing construction work.

In late December, it deployed around Rs 100 crore across two projects of Ghaziabad-based developer Rishabh Group. The developer had said that it would use the proceeds for paying existing liabilities and construction work.

As reported by VCCircle, it is in also in advanced stages of discussion to invest anywhere between Rs 400-500 crore (<http://www.vccircle.com/news/real-estate/2016/09/16/exclusive-lt-finance-seal-big-ticket-transaction-raheja-group>) across a bunch of projects of North-based Raheja Group.

L&T Finance's investment focus on the sector will add to the capital flow which stands at \$1.6 billion through both debt and equity in the first half of 2016, as per VCCEdge, the data and research platform of News Corp.'s VCCircle. Of this, a major portion was invested in the form of debt from NBFCs and private equity firms.



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# 🕒 Exclusive: Tata Capital arm, Bajaj Finance back Hyderabad developer's projects

By Swet Sarika (https://www.vccircle.com/author/swet-sarika) | 🕒 18 May, 2017



Photo Credit: Shah Junaid/VCCircle

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Tata Capital Housing Finance Ltd and non-banking financial company Bajaj Finance Ltd have invested in two ongoing residential projects of a Hyderabad-based developer, two persons familiar with the development told VCCircle. The two firms invested a total of Rs 70 crore (around \$11 million) in Vasavi Group, which is present in Bangalore in addition to Hyderabad, said the persons cited above, asking not

to be named.

The housing finance arm of business conglomerate Tata Group has given a loan of Rs 30 crore against Vasavi Group's project Vasavi Brindavanam while Bajaj Finance has put in Rs 40 crore in its project GP Trends, one person said.

Vasavi Group, which was founded in 1994, has a presence across residential and retail segments of the real estate market. It has completed 40 projects across its target segments and has another 10 million sq ft in the pipeline.

Its key ongoing projects include Vasavi Brindavanam, GP Trends and Usharam Integra in the residential segment while its commercial projects are Tolichowki, Ameerpret and Sangeeth.

The developer will use the funds to finish construction of these projects. "The transaction did not involve exit of any existing lender. So all the capital has gone to the developer for construction of the projects," said the second person.

Email queries sent to spokespersons for Vasavi Group, Tata Capital Housing and Bajaj Finance did not elicit any response till the time of filing this report.

Mumbai-based boutique investment banking firm Elysium Capital advised the developer on the transaction.

Established in 2012, the Mumbai-based advisory firm has helped developers raise over Rs 1,000 crore in financial year 2016-17.

It recently advised Pune-based developer Ishwar Parmar Group on raising Rs 80 crore from L&T Finance (<https://www.vccircle.com/exclusive-lt-finance-backs-pune-based-developers-project/>).

The investment in Vasavi Group comes at a time when debt capital has become the main source of funding for developers. Given the sluggishness in the market, especially in the housing segment, developers are increasingly relying on debt funding from NBFCs and private equity firms to stay afloat.

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According to real estate research firm Liases Foras, sales dropped 5% in the January-March quarter from a year earlier. Sales, however, rose 21% compared with the previous quarter.

According to VCCedge, the data research platform of VCCircle, the January-March period of 2017 recorded 18 debt deals in the sector compared with nine equity deals.

Given the opportunity, NBFCs and private equity investors-turned lenders have ramped up their debt funding activity. Altico Capital has been actively investing across residential and commercial segments and has an investment target of Rs 4,000-5,000 crore a year. Recently, BlackSoil Group set up an NBFC that has real estate as one of its key investment domains, besides venture debt and promoter funding.

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# Food-tech startup Eatonomist shuts down, founder joins UberEATS

By Varun Arora (<https://www.vccircle.com/author/varun-arora>) and Disha Sharma (<https://www.vccircle.com/author/disha-sharma>)  
18 May, 2017

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## Why India's real estate market needs new funding structures

BY SWET SARIKA

About a month ago, Piramal Fund Management Pvt Ltd started offering a new lending product to commercial real estate projects where it will discount future cash flows of assets that have been completed and leased out. This, the fund manager says, will allow it to lend to developers a higher amount for a longer period.

Piramal's Flexi Lease Rental Discounting product is one of a handful of new products that lenders have started offering to developers of late, as both sides realise that the fast-expanding debt cycle needs to change now and that they need to engage differently for the real estate sector to grow in a sustainable manner.

India's real estate market started relying on debt more as private equity investors turned into lenders after the global economic crisis of 2007-08 to cut risks. Reliance on debt grew over the past couple of years as non-banking financial companies proliferated and banks turned cautious on lending as their bad loans soared.

Analysts say the lending segment is now over-crowded and investors are chasing the same set of developers. This has led to a pile-up of debt and a surge in deals that involves developers refinancing their debt multiple times for the same projects to cut interest costs. Data from VCCEdge, the research platform of News Corp VCCircle, show the sector has attracted \$2.4 billion in capital flow so far this year. Of the total, 81% was debt.

This has led to problems for both developers and equity investors – developers are getting trapped in a vicious cycle of financing and refinancing amid a slowdown in sales and equity investors are losing out to debt players.

Consultancy firm JLL India said in a recent note that a study of financial statements of listed developers showed revenue growth has reduced considerably while leverage on the balance sheet has risen significantly over the past few years. As a result, many developers are struggling to make a profit, it said.

## Overcrowded space

“Investors are falling over each other to fund the same set of projects, making the space overcrowded,” says Amit Kumar, chief operating officer at boutique investment banking firm Elysium Capital. “This has led to competitive pricing. If the average rate was, say, 17-19% two years ago, it has fallen to 14-17% for NBFCs.”

Analysts say the concern of a lender is restricted to quarterly pay-outs, taking a toll on the financial health of a project. “To make matters worse, debt providers seek returns like equity instruments—in the range of 20%. There is enough capital available but only as debt,” said a PE fund manager who did not wish to be named.

In such a scenario, equity investors have to either match what debt players are offering or wait for the market to turn around. “That’s why few equity investors, especially domestic equity players, are active in the market,” said a real estate analyst who did not wish to be named.

In some cases, managers of real estate PE funds have also been challenged by limited partners—or investors—over lower-than-expected returns and delay in repayments.

## Finding the middle path

The need to innovate funding products was the theme of a panel discussion at a recent conference in Mumbai where developers and investors agreed a way must be found for long-term sustainable growth of the sector.

Niranjan Hiranandani, chairman and managing director at Hiranandani Group, said debt will continue to play a crucial role in the next few years and many more players will join the bandwagon.

“But we need it in the form that’s sustainable and offer capital to realtors for a long term. We know that pure equity from domestic investors—that offers long-term support—is a far cry but a midway between pure-play equity and debt will save the sector from bleeding badly,” he said.

Ravi Babbar, who recently floated a real estate-focused fund after serving as the chief operating officer of Hinduja Realty, said funds are mostly concerned about earning their quarterly pay-outs while projects suffer due to a lack of sustainable funding, right handholding and guidance. “Funding is not happening in the sector the way it should happen,” he said.

## Wheel of innovation

To be fair, the sector has seen some innovation of late on how it deploys capital. Piramal Fund Management, one of the biggest investors in the real estate market, seems to have taken a lead with its Flexi Lease Rental Discounting loans and an initiative under which it buys apartments in bulk to help developers reduce inventory. Recently, it started allowing some developers to draw from a pre-sanctioned limit—like a pre-approved loan—a move that would allow borrowers to get funds quicker than a normal investment route.

In a recent interaction with VCCircle, Piramal Fund managing director Khushru Jijina said the firm would come up with a funding scheme suited for developers after the implementation of the Real Estate Regulatory Act (RERA). The act mandates developers to keep 70% of the advances from customers in an escrow account, which is likely to increase the funding requirements of the sector.

Piramal is not the only one coming up with new products. ASK Property Investment Advisors, known for striking equity deals to help developers buy land, has come up with a special situations fund of Rs 2,000 crore with elements it has not tried before. It aims to invest via preferred-equity instruments and structure deals in a way the capital is invested as debt but developers have flexibility in repayments and don't have to make quarterly pay-outs.

Some NBFCs have started bundling a bunch of projects in a single funding round, offering greater flexibility to developers to deploy capital. Lenders such as Xander Finance, Clearwater-backed Altico Capital and Piramal Fund Management are all using this strategy. Piramal recently agreed to invest Rs 2,320 crore across a bunch of projects of Mumbai-based Lodha Group in one of the biggest debt deals in India's real estate market.

Kumar of Elysium Capital said the market is ripe for investors to come up with innovative products as the impact of RERA and the government's shock move last month to withdraw high-value banknotes will leave developers with a large funding gap. "If financial firms come up strategies ready for these requirements, they will be better positioned to take advantage of the situation and even keep their pricing competitive," he said.

In the long term, however, equity capital must return to the sector. Although a bunch of entity-level equity deals were struck in 2015 after a long gap, yet such transactions remain few and far between.

Consultancy firm JLL says more equity capital is imperative for developers to improve their bottom lines. For investors, there couldn't be a better time as risks are lower and entry points attractive than before, it said.

“It’s time newer products hit the market – like we have real estate investment trusts for commercial – that serve the long-term needs of the sector,” said Hiranandani. “A sustainable way needs to be figured out.”

<http://www.vccircle.com/news/real-estate/2016/12/19/why-india-s-real-estate-market-needs-new-funding-structures>