

VC Circle

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Milestone Capital returns over \$100M to LPs in first seven months of FY15

By Swet Sarika

The firm has returned around \$324 million to investors since inception.

Home-grown private equity firm Milestone Capital has returned Rs 635 crore (\$103 million) to its limited partners (LPs) to date in this financial year, taking the total amount returned to investors since inception of the company to Rs 2,000 crore (\$324.5 million), a top company executive told VCCircle.

With this the realty PE firm has returned back almost 70 per cent of the total money raised (Rs 2,878 crore) across its funds to date.

Currently the valuation of the undivested capital stands at Rs 2,100 crore.

Creating exits and paying money back to investors have been the main focus areas of the firm in the last couple of years. In the beginning of the year, the company had set out the target to return Rs 750 crore and is gradually inching towards that.

The firm has developed and put in place a strategy for divestment, which aims to start working on exits 2-2.5 years into the life cycle of the fund. The management had said in a recent interaction that it has realised that the divestment cycle has gotten a little longer and it makes sense to initiate the process early. Going forward, the company will simultaneously work on exit strategy while deploying rest of the fund.

Rubi Arya, vice chairman and director, Milestone Capital Advisors, said, "We have been able to maintain the momentum of investments and exits for our investors thus maintaining a healthy balance of profitability and liquidity. Our teams and developer partners have worked together for years to provide the returns we have been able to generate, even during difficult times. This financial year itself we have exited from seven of our early investments. We are also raising our 10th fund which is a three-and-a-half-year mid-segment structured debt fund and expect to make the first close soon."

The firm has created a slew of exits in the last few months. In November this year, it exited its five-year-old investment in a residential project of Godrej Properties in Kolkata at an exit value of Rs 200 crore (\$32.5 million), clocking a multiple of 2.3x on its investment. This was one of the earliest investments of the private equity firm and was routed through its development funds—Milestone Domestic Scheme I & II.

In September, it exited four of its early investments pocketing Rs 132 crore (\$21.5 million). The investments that spread across commercial, residential and mixed use/hospitality formats included Grand Central Mall, Rajkot (a 165,000 sq ft mall), Platina, Gachibowli in Hyderabad (a mixed-use premium commercial space), Pelican Group (two residential projects of the developer) and Assa House II (a residential project in Nagpur).

Prior to that, it exited its investment in Acorn Warehouses & Logistics Parks in Bhiwandi for \$24 million (Rs 145 crore) clocking 1.5x in returns in its six-year-old investment. Acorn, a 1.1 million sq ft commercial asset, had seen investment back in 2008 through IL&FS Milestone Fund I, a rental yield fund chasing investment in ready pre-leased commercial assets.

Milestone, which has a roster of eight realty funds, recently fully exited its bullion fund Milestone Bullion Scheme. The fund with a corpus of Rs 330 crore invested in physical gold, silver and gold-linked debentures.

Currently, it is in amid raising its 10th fund which is focused on residential real estate. Launched early this year, the fund has been able to raise Rs 170 crore, of the total corpus of Rs 500 crore and is expected to hit first close at Rs 200-220 crore soon.

This is the first fund of the firm after its founder Ved Prakash Arya died in a freak accident in 2011.

The fund is reaching out to its domestic investor base to raise the money. It will deploy a combination of debt and equity to finance residential projects. A major portion of the fund will be deployed as structured debt and up to 25 per cent in equity transactions.

The company will chase investments in Mumbai, Pune, Delhi NCR and Chennai where it will come at a stage where all the approvals are in place and cash flow has begun in projects. The ticket size of the investments will fall in the range of Rs 25-50 crore.

This residential fund was launched pushing a scheduled commercial fund to the back burner. The firm had decided to go ahead with a residential fund on the back of feedback received from its limited partners.

Recently, it exhausted dry powder of Rs 100 crore from its last fund and sealed two deals across NCR. In an apartment bulk-buying deal with North-based developer Assotech, the firm invested roughly Rs 50 crore. It deployed roughly the same amount in an upcoming residential project of another North-based developer ATS Infrastructure.

In the last two years, it has sealed new investments of over Rs 500 crore in 13 deals across India.