

VC Circle

5th May, 2015

Milestone Capital part-exits ATS Dolce, to close two vintage realty funds

BY SWET SARIKA

It is raising its tenth fund.

Homegrown real estate focused private equity firm Milestone Capital has part-exited its little over one-year-old investment in a residential project of North-based developer ATS Infrastructure, a top company executive told VCCircle.

The under-construction project ATS Dolce has seen two tranches of investment from the PE firm over last one-and-a-half years. Milestone invested Rs 65 crore back in November, 2013 and topped it with Rs 35 crore in January this year.

The PE firm has pulled out the money it invested in the first tranche through Milestone Domestic Scheme III, a debt fund focused on mid-segment residential projects in top eight cities of India.

“We exited our first tranche investment of Rs 65 crore in ATS Dolce, Greater Noida, at an IRR (internal rate of return) of 23 per cent,” said Rubi Arya, vice chairman and director, Milestone Capital Advisors.

Milestone had exhausted the corpus of this fund with additional investment in the project. It had raised a corpus of Rs 394 crore in 2012 and sealed a total of eight investments under the fund.

The deal was sealed in the form of structured debt and the exit has been created through refinancing of the project.

ATS Dolce is located in Greater Noida (Uttar Pradesh), which forms part of the outer layer of Delhi-NCR and offers 2 & 3 BHK units across 13 towers of 26-29 floors each and 14 row houses. It is being executed in two phases of 1.3 and 1.1 million sq ft.

Closing two vintage funds

Creating exits and paying money back to investors have been the main focus areas of the firm in the last couple of years. It is closing two of its early funds – Milestone Domestic Scheme I and L&FS Milestone Fund I.

Milestone Domestic Scheme I had raised Rs 219 crore in 2008 and sealed investment across 15 projects. The mandate of the fund was to invest in residential and commercial projects, integrated townships and hospitality projects across tier I & II cities in India.

Under this fund, it has so far returned 117 per cent of the capital raised, which is Rs 257 crore by way of capital and income generated. The value of undivested capital is around Rs 22 crore.

The PE firm aims to wrap up the second fund by second quarter of FY16. It had raised Rs 516 crore along with ILFS Investment Managers back in 2008. The fund's objective was to invest in yield generating commercial real estate assets, leased to blue-chip tenants. It sealed a total of six investments under the fund.

This fund has returned 120 per cent of the capital raised, which is Rs 621 crore by way of capital and income generated. The undivested capital stands at Rs 120 crore.

Milestone is in advanced stages of discussion for divesting remaining projects and looks to exit them in the next few months.

“We are successfully closing our early vintage funds and focus has been on profitable exits. We continue to evaluate attractive investment opportunities and will soon invest in the mid-segment,” said Arya.

She added that the firm has recently invested in a senior living/villa development at Pondicherry which has already sold 50 per cent of its inventory.

“We will soon invest Rs 75 crore in the mid-segment residential project, once the due-diligence is complete. We are also finalising investments in Chennai, Mumbai, Pune and Bengaluru as part of our new fund strategy,” she said.

In the first seven months of the last financial year, it returned Rs 635 crore (\$103 million) to its limited partners (LPs), taking the total amount returned to investors since inception of the company to Rs 2,000 crore (\$324.5 million). Total fund returned to investors now stands at 70 per cent of the total money raised (Rs 2,878 crore) across its funds, to date.

On the fundraise side, it is in the midst of raising a new fund, first one after the demise of its founder Ved Prakash Arya in a freak accident in 2011. It is raising a debt fund focused on residential properties with a target corpus of Rs 500 crore. It has so far scooped up Rs 150 crore under Milestone Opportunities Fund 10 and has started evaluating proposals for investment.