

(June 18, 2011 | Mint, Bangalore)

**Milestone invests Rs 100 cr in Ackruti's Mumbai project**

Private equity (PE) firm Milestone Capital Advisors Ltd has invested Rs. 100 crore in a suburban Mumbai residential project, being developed by Ackruti City Ltd, in the fund's first investment from its latest real estate fund. This also marks the latest in a series of PE investments in real estate projects this year.

Ackruti is talking to other funds as well to raise money, said a senior official of the company who declined to be named. Ackruti is likely to raise an additional Rs. 300-400 crore for its projects, according to analysts. The transaction is a structured debt transaction with a fixed period for repayment, according to an analyst who declined to be identified.

Real estate developers such as Mumbai-based Ackruti are increasingly relying on PE funds to raise money to complete their projects as lending to property developers has reduced to a trickle and an increase in interest rates has discouraged home buyers. In 2011, there have been 11 PE investments in the Indian real estate industry, amounting to \$419 million (Rs. 1,881 crore), compared with 10 transactions in the first six months of last year at an estimated \$303 million, according to VCCEdge, a researcher that tracks PE and venture capital deals.

"In the current scenario, developers are entirely dependant on funding from PE funds and non-banking financial companies because banks are not sanctioning loans, amounting to a liquidity pressure in the sector," said Amit Goenka, national director at Knight Frank India, a property advisory. "Since sales have been slow in recent months, builders need this money for both project execution and debt repayment."

Most of the big developers in Mumbai, Delhi and Bangalore are in talks with such funds to raise capital for short- to medium-term cash requirements.

Among other commitments, Ackruti has to pay the state government Rs. 333.33 crore for the Bandra Government Colony project in the near future for which fund-raising is at an advanced stage, Ackruti officials had told investors in May in a conference call.

The Ackruti official, however, denied that the money raised from Milestone will be used for land payment and said it will be used only for project development. The project's prime location and robust margins were among factors that influenced their decision to invest in the project, said Ashish Joshi, managing partner, real estate, Milestone Capital.

The investment has been made by Milestone Domestic Scheme III, a Rs. 500 crore fund that will invest in residential projects in tier-1 Indian cities.