

IIFL plans to raise cash from offshore investors



After launching a \$500-million domestic real estate debt fund to invest in affordable housing projects last month, IIFL group is looking to raise a similar amount from offshore investors.

“We’ve already started making pitches to offshore investors. It will be a debt fund and will also invest in affordable housing projects,” said Balaji Raghavan, chief investment officer, real estate Investments, IIFL Asset Management Company.

The money would be raised from large pension funds, endowments and family offices, globally.

The fund manager had done a soft launch and launched the fund officially after the close of the domestic fund. Prem Watsa’s Fairfax and IIFL were the anchor investors.

“The new fund will have cash flow-linked repayments and minimum fixed coupon to give more flexibility to developers,” Raghavan said.

There is increasing interest from foreign and domestic firms in the affordable housing segment.

Recently, IFC and HDFC collaborated to create an \$800-million corpus to invest in affordable housing projects. Mahindra Lifespace Developers partnered with HDFC Capital Affordable Real Estate Fund-I of HDFC Capital Advisors to form a platform focused on developing affordable housing projects. The fund has an investment commitment of Rs 500 crore over the next three years.

The Shapoorji Pallonji group is planning to build affordable housing projects in cities such as Chennai, Ahmedabad, Kochi, Indore, Ghaziabad and Coimbatore in the second phase of their joint investment programme with World Bank arm IFC, Asian Development Bank and private equity firm Standard Chartered Private Equity.

Kotak Realty Fund was in talks with the UK government-owned CDC Group to invest in affordable housing projects, sources said.

“The segment has seen good sales velocity if the project is in the right market and of the right-ticket size,” said Amit Goenka, chief executive and managing director at Nisus Finance Services. “Developers of affordable housing projects are also seeing margins of over 25 per cent due to lower interest rates and tax breaks.”

Nisus Finance is looking to invest in affordable housing projects in Nagpur, Coimbatore and Aurangabad.

According to estimates, India needs to build 19.6 million affordable homes to provide housing for all.

Of this, 11 million are to be in urban and the rest in rural areas.