

IL&FS realty fund mops up \$895 m

MUMBAI:

IL&FS real estate fund has mopped up \$895 million (Rs 43,855 crore), promising overseas investors a return as high as 25%. The fund, called the IL&FS India Realty Fund 2 (IIRF-2), closed on Monday. Nearly 50% of the investment in the fund has come from US-based investors. The money has been raised at a time when hedge funds worldwide are struggling to raise resources with investors pulling out.

Last month, US banking firm Merrill Lynch raised \$2.65 billion to invest in Asian real estate, especially in India, Japan, China and South Korea.

"The current market situation and capital scarcity provide valuable opportunities. As investors, we continue to look at investments with cautious optimism since we believe in the underlying strength of the Indian real estate market and remain confident of the long-term prospects of the sector," Shahzad Dalal, vice chairman and managing director, IL&FS Investment Managers (IIML), told ET.

Although real estate stocks have taken a pounding and property prices are softening across India, Mr Dalal is confident about generating the promised returns.

While the new fund attracted investors from the US, Germany, Japan, and the West Asia, contributors to IIRFI, the institution's first fund, also participated in the new offering. "It's a significant endorsement of IIML's track record of investing in the Indian real estate sector. We raised half the funds from the US market a few months ago while the balance were raised from other parts of the globe," said the IL&FS official.

"Though our target was \$750 million, we raised \$895 million. This is more than the corpus of our first real estate fund that had raised \$525 million in 2006," Archana Hingorani, CEO and executive director of IIML, said.
