

HFL HANSUTTAM
FINANCE LTD

NEWS LETTER

**INFRASTRUCTURE
&
REAL ESTATE**

JANUARY 2008

H-57, Connaught Circus New Delhi – 110 001
Phones: +91-11- 2332 0876, 2332 5028 Fax: +91-11-2335 3944

Email - hfl@hansuttam.com

www.hansuttam.com

Dear Reader

India is one of the top three destinations for realty investments, according to a survey conducted by Washington based Association of Foreign Investors in Real Estate (AFIRE). The survey considers the prospects of global property market stakes among foreign investors. Factors such as greater transparency, better quality construction and greater access to local debt markets would spur more international investment in Indian real estate.

Reserve Bank of India's (RBI) decision not to cut interest rates continues to depress sales in major cities. The impact has been felt mostly in the residential sector and may also force developers in some areas to sell their products at lower rates.

Government is encouraging infrastructure development through the PPP model. This has led to the entry of large number of domestic and international developers in the sector. Under PPP arrangement, private sector agency is involved in development and operation of the infrastructure asset over. The agency expects to earn by charging for usage of the infrastructure. This has shifted the focus from merely developing infrastructure to providing a functioning Infrastructure i.e. actually deliverering results at a reasonable cost and acceptable reliability.

Team Hansuttam

REAL ESTATE

[Real Estate major AIG plans entry into India](#)

One of the largest real estate developers of the world AIG group is planning its entry into the Indian Real Estate Market. AIG Investments is setting up a portfolio management service (PMS) through which it will invest in the Indian real estate market. AIG possesses core expertise in the real estate sector, since the last 14 months a small team is already investing in Indian real estate market and now they are all set to wrap it up into a fund and invest through PMS route. Currently AIG Investments in India is managing assets of around US \$ 900 million and it expects to collect another US \$ 400 million through this new fund offering.

[Inox to invest US \\$ 25 million in Indiareit in return for “Preferred Tenancy”](#)

In one of its kind deals in India, Indiareit, the real estate fund promoted by Ajay Piramal Group, will receive US \$ 25 million in investment from movie exhibition chain Inox Leisure Ltd and in return will offer Inox a “preferred tenant” status in its all upcoming shopping malls and townships projects. Indiareit is in the process of raising Rs US \$ 1 billion through domestic and offshore offerings by March 2008. The offshore fund, scheduled to be raised by end January, will have a corpus of US \$ 750 million, and the domestic fund the rest. Indiareit has investment from UK private equity fund 3i

[Vatika gets US \\$150 million from Mauritius entity sponsored by Baer Capital, Goldman](#)

Dubai based fund Baer Capital Partners and Goldman Sachs have invested US \$150 million in Delhi based real estate group Vatika Ltd. The investment would be made through Beacon Vatika Holdings Ltd (BVHL), an investment company formed by the two funds and domiciled in Mauritius

[Fishman Holdings to invest \\$1 billion in Ludhiana](#)

Israeli real estate firm Fishman Holdings plans to invest US \$1 billion in Ludhiana. The firm has also finalized investments in the emerging city of Jaipur, where it is building a township at an investment of US \$2 billion.

South-focused Pragnya to raise US \$ 150 million real estate fund

Mauritius-based real estate focused investment firm Pragnya is planning to raise US \$ 150 million. The fund would be sponsored by Subba Rao Dukkipati and Gopal Menon, owners of Pragnya. The fund would focus on realty and hospitality related projects in South India and would deploy half the corpus by year end. The firm has invested close to US \$40 million in real estate projects in southern India in recent past.

Red Fort Capital plans US \$ 700 million investment in Indian real estate

Private equity firm Red Fort Capital plans to invest about US \$ 700 million in the Indian real estate by 2009. 70% of the investment would be in land acquisition of 2,500 acres in over 20 cities across suburbs of metros and Tier II cities.

Unitech to raise US \$700 million through Singapore Stock Exchange

Unitech has received regulatory approval for raising US \$700 million through a public offer at the Singapore Stock Exchange. The fund would be raised through Unitech Office Trust (UOT), its Singapore based real estate investment trust (REIT). The fund raising process is expected to be completed by March 2008. The company is also considering plans to raise US \$1-1.5 billion through the QIP route, which is expected to be closed by the year end. Deutsche Bank, Lehman Brothers, JP Morgan and UBS have been appointed as bankers for the proposed offering.

BL Kashyap's Real Estate Arm to raise US \$ 60 million via PE route

Construction firm BL Kashyap's wholly-owned real estate arm Soul Space Projects is planning to raise US \$60 million through a private placement. The funds would be used as a part of its plans for investing US \$ 320 million over the next three years to set up various projects across Punjab, Pune, Bangalore and Bikaner

Real Estate firm Akruti City raises US \$ 400 million from Citi Venture, AIG

Mumbai based publicly listed firm Akruti City (formerly Akruti Nirman) has raised US \$ 400 million from private equity funds Citi Venture Capital International and AIG, The funds would acquire a combined stake of 16.05 per cent in the real estate developer

DLF divests stake in Kenneth Builders to partner India Bulls Real Estate for US\$ 125 million

India's biggest real estate developers, DLF Ltd has divested its stake in Kenneth Builders and Developers Ltd. to its equal partner in the venture, India Bulls Real Estate Ltd for US \$ 125 million. The two companies had formed the joint venture in 2006 to develop high-end residential apartments at Okla. in New Delhi.

RREEF Joins Hand with Golden Gate Properties

Deutsche Bank investment unit RREEF has invested US \$70 million in Indian real estate firm Golden Gate Properties for a minority stake. RREEF will have the right to nominate two directors on the board of Golden Gate and will enjoy all minority protection rights typical to such investments. The investment was driven by Golden Gate's plans to acquire land and develop projects.

Singapore's CapitalLand forms Real Estate JVs with Prestige, Advance India

One of Singapore's largest real estate players, CapitalLand, has struck two separate joint ventures with Prestige Advance India to construct 15 malls in the country. It malls would have a combined asset value of US \$1.46 billion.

Israel developer plans to develop Residential and Commercial Real Estate in India

Some of the biggest Israeli real estate developers are planning investments in India. Israel based BSR Engineering and Development Ltd, plans to develop residential and commercial projects in India. It has signed a memorandum of association with Lehman Brothers Real Estate Partners to buy land in India. A BSR Engineering will invest 34% with Lehman Brothers providing 64% of financing. BSR's subsidiary will also be allowed to invest independently in each project.

US retail major Kroger plans entry into Indian real estate

Kroger, the US based grocery giant, is considering investments into Indian real estate. The company is considering development of FDI-compliant commercial projects in joint venture with Indian real estate companies or buying into existing commercial projects.

Hampshire Hotels & Resorts plans mega hotel projects in Punjab

Hampshire Hotels & Resorts, owned by US based NRI Sant Singh Chatwal, is currently considering development of real estate projects in the state entailing a cumulative in

vestments of US \$ 400 million. It is awaiting regulatory approvals to build a seven-star hotel at the historic Gobindgarh fort in Amritsar. Amritsar attracts a large number of non-resident Indians as well as foreigners because of the Golden Temple but the city still does not have a world class hotel.

REBI plans India's First Property Shops Chain

REBI an end to end service provider in Real Estate plans to set up 3000 franchisees all over India within the next 3 years. It plans to open outlets in the southern states of Andhra Pradesh, Karnataka Tamil Nadu and Kerala in the first phase. The shops would provide a single window services for a customer in real estate industry. The services offered would include Brokerage Services, Financial Services, Database Services and Relocation Services.

Stadia Infra to invest US \$ 250 million in developing malls in 3 years

Realty firm Stadia Infrastructure will invests over US \$ 250 million in the next three years to developed shopping malls and housing projects in the country

LIC plans to consolidate its Real Estate Portfolio

Life Insurance Corporation of India (LIC), the largest insurance firm of the country plans to consolidate its real estate portfolio across the country. LIC has invited expression of interest from professional consultancy organizations for consolidating its real estate portfolio. The consultancy involves feasibility study, including techno-economic viability assessment of expected growth potential, and investment opportunities in sectors such as commercial, housing and retail for fresh acquisition. In addition LIC also plans fresh acquisitions of land in tier I and tier II cities for own use and for investment purposes. LIC had ventured into real estate business in 2005, in a bid to get more returns from its properties. LIC, which was formed in 1956 with the Union government contributing the capital, had valuation surplus of US \$ 3.7 billion for the year ended 2006-07. The state-run insurer has more than 2,040 branches in India.

INFRASTRUCTURE NEWS

ICICI Venture plans US \$3 billion Infrastructure fund

ICICI Venture is launching a separate US \$3-billion infrastructure fund to invest in road, port and power projects across the country. ICICI Venture will raise the money from

domestic and institutional investors some time this year. The infrastructure fund will be the firm's third-biggest fund launch and will help it achieve a target of US \$10 billion assets under management by 2010. A \$2-billion real estate fund and a private equity fund of similar size are also being planned. The infrastructure fund has come to I-Venture after ICICI Bank, the parent, decided not to proceed with its own plans.

Dubai's ETA Star to invest \$1 bn in India

Dubai's ETA Star will invest more than \$1 billion in India's ports and aviation sector. ETA Star, a holding company for businesses including real estate and shipping, has already committed more than US \$2.3 billion in power and real estate in India. ETA Star was now likely to invest 40-45 billion rupees in developing a port in southern Tamil Nadu state.

Millennium invests US \$100 million in India

Millennium Private Equity (MPE), an entity regulated by the Dubai Financial Services Authority (DFSA), and part of Millennium Finance Corporation (MFC), the leading international investment bank based in the Dubai International Financial Centre (DIFC), would invest into an Indian telecoms tower business. MPE committed US \$100 million together with other highly reputable investment firms such as Temasek Holdings, Goldman Sachs, Macquarie, AIF Capital, Citigroup and India Equity Partners out of a total investment of US \$1 billion into Bharti Infratel (Infratel), a subsidiary of Bharti Airtel Limited, the leading telecoms player in India

PTC plans US \$1 billion fund to acquire coal mines

Power trader PTC India Ltd, which plans to diversify into the coal business and supply fuel to companies from which it will buy power, will create a US \$1 billion fund for the acquisition of overseas coal blocks. The blocks would be acquired by setting up an overseas arm, registered in Singapore. PTC is also considering divesting 70% stake in the overseas arm. PTC is considering mines in Indonesia, due to the proximity of the South Asian country to India leading to lower freight costs.

Frontline Ventures invested US \$40 million in Futura Infraprojects

Mumbai-based infrastructure and real estate firm Futura Infraprojects has offloaded 10 per cent equity stake to US-based private equity major Frontline Ventures for US \$40 million. The company is also planning to raise around Rs 250 crore through a public float

that is expected to hit the markets by August. The company intends to use the proceeds from the private placement and the initial public offering (IPO) for its expansion plans.

Global PE majors buy stake in Pipavav Shipyard

In a pre-initial public offering (IPO) deal, four global private equity majors together picked up 2.25 per cent stake in Pipavav Shipyard (PSL) for around US \$ 25 million. Global private equity major Blackstone picked up five million shares through its India Fund, Merrill Lynch four million, Deutsche Bank two million and Galleon Group two million shares of the company. The shares were all bought at approximately US \$ 2 each. The total investments by made the PEs increase the total foreign institutional investor (FII) stake in PSL to 29 per cent. After this investment, the total institutional holding in company (foreign and domestic) stands at around 45 per cent.

Goldman to invest US \$ 200 million in B'lore coz

Goldman Sachs is in advanced stage of discussions to invest around US \$ 200 million in Bangalore-based real estate player Century Group. The real estate fund of Goldman Sachs would invest into a special purpose vehicle (SPV) for commercially developing over 300 acre near Yelahanka in north Bangalore, which is in proximity to the upcoming international airport. Goldman Sachs, which has committed investments worth over \$ 2 billion in India, has identified real estate and infrastructure as the key sectors for investment

Darby PE invests US \$ 200 million in Bangalore-based Bhoruka Power

Darby Overseas Investments, the private equity arm of Franklin Templeton Investments and a leading provider of private equity and mezzanine capital in emerging markets, has invested US \$ 200 million through an affiliate in Bangalore-based Bhoruka Power Corporation. Bhoruka Power Corporation (BPCL) is a company engaged in the development and construction of small hydro-electric and wind energy power generation projects. BPCL has a portfolio of fourteen projects adding up to 91 MW of renewable energy capacity, primarily in Karnataka, with a planned addition of another 111 MW to be commissioned in the next 48 months.

Parkway eyes 50% stake in Khubchandani

Singapore's Parkway Group, which owns one of Asia's largest hospital chains, plans to pick up 50% stake in Mumbai-based Khubchandani Hospitals for approx. US \$ 40

million. Mauritius-based investment holding firm Koncentric Investments will hold the remaining 50% stake in the firm which plans to set up chain of hospitals and healthcare facilities in India. Parkway will invest through additional issues of 40 lakh shares at a premium of US \$ 9.5 per share as against its face value of US 0.25 per share. As per the plan, Khubchandani Hospitals intends to set up a US \$ 80 million multispeciality hospital in Mumbai. The hospital is close to acquiring 10,000 sq feet of land in the city. The construction of the hospital is expected to start by the end of the year and could be completed in three years.

ICICI ropes in global healthcare investor

ICICI Venture, the largest domestic private equity fund in the country, has roped in a foreign strategic healthcare investor in its endeavor to become a healthcare investment major in the country. The strategic partner would invest US \$80 million in IVEN Medicare, the fully-owned subsidiary of ICICI Ventures, to form a special purpose vehicle. The new entity would have a capital base of \$250 million. The new company would acquire majority stakes in key regional hospitals. It will use its large balance sheet and size to buy equipment, help the hospitals raise money and hire doctors.

Bharti Airtel to dilute stake in tower biz

Bharti Airtel is planning to divest stake in Bharti Infratel, the group`s tower company. The investment is expected to be lower than the US \$ 1 billion, it had raised from global investors including Temasek Holdings, Goldman Sachs, Macquarie, Citigroup in December 2007 by selling 8-10% stake. The enterprise valuation of Bharti Infratel was estimated in the range of US \$10 to US \$ 12.5 billion

Private equity funds want to buy stake in Wadia's GoAir

Private equity firms are interested in acquiring a minority stake in the Wadias-promoted GoAir. Estimates value the low-cost private carrier at US \$400 million. Global consulting firm Ernst and Young are acting as consultants to the private equity players.

ICICI Ventures to pick stake in Express Towers

ICICI Ventures, the private equity arm of the country's biggest private bank, will partner with the Indian Express Group for its Express Towers property and plans to take a minority stake in the business. ICICI Venture will advise on up gradation and management of the property. The Indian Express Group would demerge the Express

Towers from its publishing business to unlock value and to give effect to the partnership. BMR Advisors is acting as the transaction advisor to the media house

Unitech to sell up to 50% stake to telecom ally

Real estate major Unitech, which has acquired licences to offer telecom services in 22 circles in the country, is considering divesting up to 50 per cent stake to a foreign company in its telecom services operations. As per existing guidelines, foreign direct investment of up to 74 per cent is allowed in telecom services.

Trikona Announces SEZ Approval for 76-Acre Mixed-Use Development

Trikona Capital Ltd., has received approval for developing a Special Economic Zone (SEZ) in the rapidly growing city of Greater Noida. The development would entail an equity investment of US \$ 56 million and is located in a specially designated area, known as Tech Zone, which promotes the development of the IT services industry in the region. The 76-acre mixed-use development called Tech Oasis project would comprise 10 million square feet of IT, residential and commercial space. Tech Oasis is situated along the Taj Expressway, which will connect the site to a new proposed international airport and provide direct access to Agra, Faridabad and Gurgaon.

SBI buys 8% stake in ARSS Infra

In a private equity (PE) deal, the State Bank of India (SBI), the largest public sector bank of the country, has picked up 7.79 per cent equity in the Orissa-based ARSS Infrastructure Projects Limited. The deal was for 10 lakh shares out of the company's total equity base of 1,25,54,000 shares of Rs 10 each. The value of the deal has not been disclosed.

Carlyle in race to buy stake in Tata's Telecom Unit

Tata Teleservices Ltd. has short listed five companies including American Tower Corp. and Carlyle Group for selling a stake in its wireless towers unit. The Indian phone carrier may sell as much as 49 percent of the unit. Other companies in the race are India's Essar Group, Quipo Telecom Infrastructure and Excel Towers. Citigroup Inc. and Lehman Brothers Holdings Inc. are advising Tata on the deal.

SBI, ICICI buy 3% in Jaiprakash Power Ventures

State Bank of India (SBI) and ICICI Bank have together acquired 3% in Jaiprakash Power Ventures (JPVL), a wholly-owned subsidiary of Jaiprakash Associates (JAL), for US \$ 100 million in first of two private placements before its initial public offer (IPO). This would be followed by another pre-IPO placement before the firm hits the market with a public offer, together raising Rs 3,500 Crore. The Company will dilute another 17% through the private placement and IPO, according to a person close to the development. Of this, the pre-IPO deal is expected to be for about 3-4% of the equity, while the rest would be through the public offer. SBI and ICICI are supposed to have paid a little over Rs 230 per share. JPVL now has a paid-up capital base of Rs 541 crore, which includes 3% stake of the two banks. JPVL is looking at a valuation of \$5.5 billion, post-IPO. Following the IPO, the shareholding of Jaypee group in JPVL would come down to 80%.

Temasek may buy 10% stake in Fortis

Healthcare has become a major private equity play and with a few select large players in the industry like Fortis, the investor line is long. NDTV has learnt that none other than private equity (PE) major Temasek Holdings is the front runner for a stake in the company. No wonder the stock is at its all time high and the key trigger could be Temasek buying into the company. Temasek is in talks with Fortis to pick up a 10 per cent stake. The deal value is not yet known but going by the current market price it is likely to be at least Rs 250 crore. The Fortis management is tightlipped about such a development but admits that it is open to partnerships to grow

Unity Infraprojects gets US \$ 30 million & US \$ 25 million orders

Unity Infraprojects Ltd has secured a multi speciality hospital construction order in Hyderabad worth US \$ 30 million. The project is to be completed in 15 months. Unity Infraprojects has received a letter of intent from Magarpatta Retail for civil construction of Magarpatta retail mall at Pune. The contract is valued at US \$ 25 million and will be completed in 9.5 months.

GMR Infra sets up subsidiary in Mauritius

GMR plans setting up of the wholly-owned Mauritius arm, GMR Infrastructure (Mauritius), to put in place a structure that will act as an entry vehicle for its global foray.

Jaiprakash Associates bags UP expressway project

Jaiprakash Associates Ltd has won the 1,040-kilometre Ganga Expressway toll road project. The project will be completed over seven years with financial closure within 8-9 months. The 8-lane road project, which will run along the river Ganga to connect eastern and western Uttar Pradesh, is estimated to cost around US \$ 10 billion, and would open huge property development opportunities along the expressway.

Bharati Shipyard Ltd plans to construct a Greenfield shipyard at Usgaon near the Dabhol port

Bharati Shipyard Ltd plans to construct a greenfield shipyard at Usgaon near the Dabhol port in Maharashtra. The yard would have the capacity to build vessels up to 100,000 DWT and will be fully operational in the next 2 years. The yard will be spread over an area of more than 250 acres. The civil work and capital expenditure including installation of machineries at the yard has already commenced. Bharati Shipyard Limited, a leading Indian private sector shipyard is engaged in design and construction of Sea-going, Coastal, Harbor, Inland crafts and vessels.

Navi Mumbai Airport to be ready by 2012

Navi Mumbai airport would be operational by the time Mumbai airport reaches its saturation capacity of 40 million. The prime consultant for structuring the bidding process for Navi Mumbai International Airport is expected to be appointed by the end of this month. The airport to be built at a cost of US \$ 700 million would have a capacity of 10 million passengers per year.

REGULATORY NEWS / GOVERNMENT

Infrastructure

Government for more roles of private firms in coal exploration

To meet the production target for the Eleventh Five Year Plan (2007-12), the government is for more private players entering the area of coal exploration. Quoting Coal Secretary H C Gupta, The Times of India reports that the public sector cannot meet the demand alone and hence, efforts had been made to allow private sector in coal exploration within the existing framework.

Government liberalizes FDI in Cargo, Petroleum Refining, Industrial Parks, Titanium Mining

Government has liberalized FDI regulations for investments in Industrial Parks, Titanium Mining, Cargo, and Petroleum Refining. Restrictions such as minimum capitalization and lock in period of 3 years have been removed for Industrial Parks. 100% FDI allowed with FIPB permission for Titanium Mining. For petroleum refining FDI limit raised from 26% to 49% in ventures with PSU's. Investments by FII's to be distinct from FDI for construction development projects.

Government puts off decision on raising FDI Cap in civil aviation

The Union Cabinet has deferred the decision to raise cap on foreign direct investment in the civil aviation sector. The Cabinet was to take a policy decision on the Civil Aviation Ministry's proposals to enhance the 49 per cent limit in non-scheduled airlines and chartered airlines to 74 per cent without any direct or indirect participation of any foreign airline.

Government considering corporatisation of non-metro airports

The government is considering corporatisation of cargo operations at non-metro airports as part of the private-public partnership (PPP) initiative. The policy is as per recommendations of the inter-ministerial group (IMG) for upgrading facilities at nonmetro airports across the country.

The move will enable private sector players to run cargo terminals at these airports that are now managed by Airports Authority of India (AAI).

Government announces draft airport policy

On establishing greenfield airports to be set up by the AAI, the policy suggests that this should be preferably constructed through PPP and such airports would be financed substantially through them.

Planning Commission planning to raise Infrastructure investment to 9% of GDP

Planning Commission is proposing to raise investment in infrastructure sector to 9 per cent of Gross Domestic Product (GDP) by 2012 to achieve the high growth rate planned during the Eleventh Five Year Plan (2007-2012).

Industry demands granting permission to MF/ FIs to launch dedicated Infrastructure Funds

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) has suggested granting permission to mutual fund companies and financial institutions to launch Dedicated Infrastructure Funds (DIFs) with a view to mobilize resources to develop key sectors such as power, roads, rail, ports, airports to help India move a higher growth trajectory of 10% during 11th plan period.

Government considering corporatisation of non-metro airports

The government is considering corporatisation of cargo operations at non-metro airports as part of the private-public partnership (PPP) initiative recommended by the inter-ministerial group (IMG) for upgrading facilities at non-metro airports across the country. The move will enable private sector players to run cargo terminals at these airports that are now managed by Airports Authority of India (AAI).

Real Estate

Commerce and Industry Minister favors tax relief

The Union Minister for Commerce and Industry, Shri Kamal Nath has expressed his concern over the high taxes applied on Real Estate Prices. According to the minister the sector should get tax breaks to spur development to meet the growing demand.

Sebi proposes draft guidelines for Real Estate Investment Trust (REITS)

Securities and Exchange Board of India (SEBI) has come out with draft guidelines with respect to setting up of Real Estate Investment Trusts (REITs). SEBI has sought industry comments on the proposed regulations by 10 January. As per the guidelines, REIT will likely provide real estate investors a structure very similar to what mutual funds provide for investing in shares. SEBI has given lot of importance to valuations of the proposed REITs. We believe that introduction of REITs will provide liquidity to medium sized real estate companies and encourage them to construct more income yielding assets. Setting up of REITs will also provide increased exit options to private equity companies, thus attracting more investments from them.