

# From The CEO's Desk

Last one year has been marked with a myriad developments impacting INDIAREIT and I take this opportunity to thank you all for standing by us during these trying times and giving us your full support.

I have shared with you in the previous newsletter edition on the developments pertaining to the ownership of INDIAREIT - from now, INDIAREIT will form a part of Piramal Healthcare Limited, the over USD 1Bn, listed flagship company of the Piramal Group. INDIAREIT represents a significant diversification of Piramal Healthcare into real estate post the sale of its domestic formulations business to Abott.

Piramal Healthcare has identified Real Estate as its core sector for its financial services foray. It will mean multiple positives for INDIAREIT. To start with, the promoter contribution to all new funds will now stand increased to 7.5-10% of the fund sizes. This is by far the highest contribution by fund houses into their funds and goes to reflect the confidence and alignment of interest between the fund managers and investors.

Piramal Healthcare has one of the more respected Board of Directors chosen from leading industry stalwarts from the financial services arena. INDIAREIT thus, will benefit from the exposure and stewardship of a luminary board. I believe this will further strengthen our corporate governance, transparency and responsiveness to the challenging market environment, of which we all are a part.

We are also in the process of further strengthening our Investment Committee by inducting senior industry professionals and incentivising them with "profit share". This will be an "industry first" in further enhancing our real estate core competence.

Being part of a larger established organization also gives us a platform for growth. It is with this backdrop that INDIAREIT is looking at expanding beyond its usual development fund platform. First on offer is a "Rental Income" Platform for both the domestic and offshore markets.

## **INDIAREIT Standing Assets Fund**

INDIAREIT Standing Assets Fund will focus on investing into developed fully leased triple "A" rated IT/ITeS SEZ properties across major cities in India. The objective would be to earn unlevered 7-8% annualised yield and additional 7-8% capital gains over a 5-7 year frame work thereby generating close to 15% returns for the investors in a reasonably secure, collateralized environment.

I believe this is a great opportunity at this point in time given a regime of low rentals, high interest rates in India coupled with higher cap rates for commercial assets. With favourable changes in one or more of these factors, the returns from such assets stand to gain substantial upside and this is what INDIAREIT will endeavour to en-cash.

In addition, I had discussed with you, how in the face of stiff competition your fund had secured a mandate to manage the assets of Trinity Capital Plc, a USD 230Mn portfolio of the AIM listed fund. You will be glad to know that we have managed to successfully commence exits of the fund in a matter of 12 months. This has made INDIAREIT a partner of choice for global investors looking at recouping their portfolios in India which they themselves are unable to manage as effectively.

In continuing to develop this alternative business avenue, we have secured yet another such mandate from a large UK based investor totalling USD 40Mn. We will continue to develop this line of business as well.

## **Gearing to meet the challenges of the future**

We realise that the market environment is only getting more challenging with each passing year and we are leaving no stones unturned to ensure we are geared to face all eventualities.

At INDIAREIT, we also had our fair share of learning. One key learning that emerged was to have a pulse on the local markets where we have investments. The debacle Hyderabad as a city faced is a case in point. While we have been able to course correct and at-least retain value in our Hyderabad investments by ensuring we do not indulge in speculative building but retain intrinsic value by leaving it as land, we have also commenced setting up local footprint to cover all cities where INDIAREIT invests. We have local offices in Bangalore, Hyderabad & Delhi apart from Mumbai. This gives us an "ears to the ground" approach in managing the investments. We have enhanced our team to over 25 members to ensure all facets of not only real estate but also investment management are covered within the organization.

We realise that the global markets and Real Estate in India alike have seen cycle starting from euphoria to acute self-doubt leading to gloom. However, we are yet to see the rationalization that should have followed in the cycle. I believe markets will never be perfect but that should not keep us away from identifying the opportunities to make money.

Hence, for these times marked with tighter liquidity, low depth for assets, lack of large pools for capital in

the country for completed properties and burgeoning interest rates, we decided to innovate our product offering and launch a rental fund as discussed above.

With time, we will enhance our product portfolio with more targeted investment avenues including but not limited to

- Fund catering to slum/ society redevelopment in Mumbai
- Property centric funds wherein an investor will be entitled to own units in the property rather than just making monetary returns

Before I end, I would like to draw your attention to some housekeeping issues that we need your support to tide over:-

#### **Unbanked/Undelivered Distribution Payorders**

While a few of you have already submitted your bank mandates, there are still several investors who are yet to submit their bank mandate. It is important for you to share your bank mandate details with us so that all future distribution proceeds can be directly credited into your account, without any delay and issues pertaining to undelivered/lost Payorders can be minimized. There are a few cases where the distribution Payorders has come back to us, undelivered or are still unbanked despite being delivered. We have made numerous attempts directly and through distributors to reach the respective investors so that the Payorders are delivered and banked. As you would be aware, 4 distributions have been made by INDIAREIT Fund Scheme I and 3 distributions have been made by INDIAREIT Fund Scheme III. You are requested to contact us at [investors@piramal.com](mailto:investors@piramal.com) in case you have not received the distribution payorders. You are also requested to update your contact information with us whenever they change.

#### **Comments/suggestions on our new website**

We are pleased to inform you that the INDIAREIT website, which was under construction, is live now; you may reach the website at [www.indiareit.com](http://www.indiareit.com) for further details. We look forward to your comments/suggestions on the new website.

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