

“We offer various innovative funding options for real estate developers or companies.”

- Ajay Jain, Executive Director - Investment Banking & Head - Real Estate Group, Centrum Capital

Mumbai-based Centrum Wealth Management has been adjudged 'The Best Domestic Private Bank 2016' in India at the Annual Asiamoney Polls. The company offers services like syndication of funds in the form of loan against property (LAP). **Ajay Jain, Executive Director-Investment Banking & Head-Real Estate Group, Centrum Capital**, elaborates...



Innovative forms of investments are replacing plain equity, like themed funds and construction finance. Will this help the realty sector, and how?

Real-estate developers are going through a rough phase for the past few years with project delays and repayment pressure. Understanding their situation, private equity funds as well as NBFCs are

trying to come up with innovative offerings for funding these gaps.

Earlier, the realty sector was funded either through plain equity or debt. However, now various private equity funds are coming up with special situation funds, themed funds and even construction finance at competitive rates. These funds are also offering options for acquiring land parcels and funding for residential and commercial projects that are at a nascent stage. Although PEs and NBFCs charge a high interest rate, they offer flexible repayment schedules that banks don't offer.

What funding options do you offer builders and developers? Over the past two years, how much funds have you raised for the real-estate industry?

The real-estate vertical of Centrum offers services such as syndication of funds in the form of LAP, lease rental discounting (LRD), construction or project finance, CC/OD limit, private equity funding, structured funding, NCD, capital markets, JV of land owner with developer, land deal, property deal (distressed assets, hotel, school, hospitals, commercial, malls), HNI funding and advisory. We run many mandates at any given point of time that are of a size of Rs 50-500 crore.

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Cover Story

To which segments within the real-estate sector do you prefer lending? What have the returns been like?

Properties developed by credible developers that are ready and situated in a good location are preferred by lenders for providing LAP. The return to a lender in this kind of product is 14-16 per cent. Lenders also prefer construction finance to credible Category B developers in top cities like Mumbai, Pune, NCR, Bengaluru, Chennai and Hyderabad. Generally, construction finance is available to category A and B developers from banks at 12-15 per cent, from NBFCs at 14-18 per cent, and from PEF at 19-24 per cent.

Realty funds are known for customisation of transactions and are adapted to the needs of developers...

Realty funds come up with different products to suit the needs of the developer and each transaction is approached differently by funds. Besides the pure equity route, realty funds are coming up with different products like structured debt with

fixed return rate and flexible repayment schedules matched with cash flows anticipated from a project. Structured debt is also provided by fixing a particular return hurdle rate along with a profit-sharing clause. Funds are also interested in apartment buying, wherein they buy apartments in bulk at an early stage at a reasonable discount and expect a fixed assured return when the developer begins to sell these apartments.

For companies who want to expand and diversify their business, what is your funding option?

Lenders, through the aforementioned funding options, fund category A and B developers for their expansion plans. The important criteria while lending are execution capability of the developer, timely delivery of good quality projects and good repayment track record. Lenders also provide a line of credit on ongoing projects that are revolving that can be used on a permanent basis, thereby helping expand the business. Developers have huge land parcels that can also be used as security, enabling a higher loan amount at a concessional interest rate.