

Religare Credit Advisors closes maiden Rs 500 crore debt fund, plans to raise two more

By [Maulik Vyas](#), ET Bureau | 13 Aug, 2015, 02.12AM IST

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MUMBAI: [Religare Credit Advisors LLP](#) (RCAL), an affiliate of Religare's global asset management arm, has raised its debut Rs 510 crore domestic Credit Opportunities Fund to invest in secured corporate debt instruments. RCAL had hit the market to raise the fund last June.

A lion's share of 80 per cent of the 3-year old fund has already been deployed in 14 [investments](#) across a diversified portfolio of real estate, consumer durables, textile and food and beverages sectors. It has also exited from two investments already within this period.

The fund bankrolls mid-market corporates seeking private debt financing. "There is a huge traction towards this kind of investments as this is non-dilutive capital. With bank financing drying up, more and more promoters are relying on alternative pools of capital for various needs ranging from growth capital, acquisition finance, last mile funding and even for working capital requirements," said Kanchan Jain, CEO and Principal Managing Partner of RCAL. "At the same time the investors are investing their money through secured debt structures of Non-Convertible Debentures (NCD). Our average IRR is around 20 per cent."

The closed-ended debt fund that is registered with Securities and Exchange Board of India (Sebi) as an alternative investment fund (AIF), has already given five quarterly distributions back to its investor pool that comprises of ultra-high net worth individuals, local family offices and corporates. On the back of this, RCAL is planning to raise two more funds - a similar sized domestic page and a larger offshore fund. Religare has offered 25 per cent of the fund size sponsor support - which the company claims remains the highest in the industry till date.

These structured debt instruments that are often downside capped but have equity linked upsides are gaining traction across emerging markets and even India. Being secured -- lent against bank and personal guarantees of the borrower and collaterals like physical assets, shares - are stable and not exposed to [equity market](#) volatilities or interest rate fluctuations. Even within real estate, the fund has offered debt funding to advanced stage and last mile residential projects in metros. "Investments will be made either at holding company level or SPV level depending on the particular case. We are keen to invest in brown-field projects and established businesses," Jain added. Such debt being serviced out of ring-fenced project cash flows and established receivable flows.

"China is slowing down. Growth in several of the [South East Asian Emerging](#) markets is expected to stay muted on the back of soft commodity prices. India is in a sweet spot as it benefits from this commodity cycle and therefore offers high growth coupled with high returns. Global funds are looking to tap this untapped potential and are exploring setting up or collaborating with local independent teams to have ears to the ground," adds Jain who was formerly an MD at [HSBC](#) responsible for the credit structuring for Europe and spent a decade in London, before joining the Delhi-headquartered diversified [financial services](#) group.



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"There is a demand in the market for hybrid investment products which provides safety for capital and potential for high returns if equity market goes up," says Meहुल Savla, executive director at Ripple Wave Equity, a boutique investment bank.

According to data compiled by ETIntelligence, since the beginning of the year, domestic institutions have deployed over Rs 2.96 lakh crore into the various debt instruments.

Religare Enterprises Limited (REL) also has a separate lending arm Religare Finvest Limited, a small and medium enterprise (SME) financing focused NBFC. The lending business dominates REL's total revenues, contributing half of its consolidated revenues as per the as per the company's presentation from June this year. It is one of the largest SME lenders in the country with an approximately Rs 13,200 crore loan book size. It has a 1.69 per cent net NPA on a 90-day basis (as on March 2015). The India asset management piece has an AUM of Rs 21,000 crore, as per the latest figures while the global asset management arm comprises offshore funds with an AUM of \$20 billion.

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