

Milestone Capital to focus on exits as part of revival strategy

Since the beginning of this year, Milestone has been divesting and exiting some of its non-real estate businesses



Milestone's funds have invested in residential projects as well as in rental yield-generating assets; exits are likely to be more visible in the latter, said Rubi Arya, a director in Milestone Capital. Photo: Ramesh Pathania/Mint

Bangalore: Nearly two years after the death of founder **Ved Prakash Arya** in an accident in August 2011, **Milestone Capital Advisors Ltd** is making an attempt to pull its business back on track.

The resurrection plans are led by wife **Rubi Arya**, along with a team of professionals, who decided to shelve negotiations to sell the financial services firm.

"We are very clear that we want to first focus on exits from our investments. In the last two years, we have returned `970 crore to investors and we are looking at another `700 crore of exits in the next six months," Arya, 41, who is a director in **Milestone Capital** and controls an 88% stake in the Mumbai-based firm, said in an interview.

While property consultants indicated the proposed sale may not have gone through due to a possible mismatch in valuation between potential buyers and the seller, Arya said, "There were buyers, but they were not doing total justice to (what) Ved had built."

Milestone's funds have invested in residential projects as well as in rental yield-generating assets; exits are likely to be more visible in the

latter, Arya said. The firm's expecting average returns of mid to high teens.

One of the key exits to watch will be **Blackstone Group Lp**'s likely purchase of an office park in suburban Mumbai from **HCC Real Estate Ltd** and IL&FS Milestone Fund for `1,001 crore, which *Mint* reported on 20 June. In 2010, IL&FS Milestone had acquired a 74% stake in the first phase of 247 HCC Park.

Since the beginning of this year, Milestone has been divesting and exiting some of its non-real estate businesses. In February, it sold Ecofirst Advisory Services, the engineering consultancy business, for an undisclosed amount to **Tata Consulting Engineers Ltd**. Later, in March, Quadria Capital Investment Advisors, an Asia-focused healthcare private equity fund, acquired **Milestone Religare Investment Advisors Pvt. Ltd**, which runs a `410-crore-healthcare and education fund.

Following these divestments, the focus is evidently on real estate now, Milestone's core business, Arya indicated. Milestone's overall assets under management across funds is about `4,500 crore, of which real estate constitutes about `3,000 crore.

Milestone's real estate funds are a diverse range constituting a series of development funds that Milestone manages on its own. It also has a joint venture partnership with **IL&FS Investment Managers Pvt. Ltd** for rental yield funds.

From its mezzanine fund, Milestone Domestic Scheme III, the firm has deployed `250 crore and is looking to invest another `160 crore across 3-4 deals in a few months, said **Nitin Goel**, partner-real estate investments, Milestone Capital. The fund will largely invest in residential-focused projects through so-called structured finance deals on a fixed-return basis.

Mezzanine funds typically invest in debt instruments with small exposure to equities.

After a long hiatus, Milestone now plans to raise fresh capital of `300-500 crore. Arya said the money will be raised from wealthy individuals, deployed in real estate and managed by Milestone.

It is good practice to show some exits to get investor confidence before hitting the road to raise fresh capital, said property analysts.

Ambar Maheshwari, managing director, corporate finance, at property advisory Jones Lang LaSalle India, said Milestone is on the right track with the right set of targets.

"Though getting exits is tough and fund-raising is a challenge, but if spearheaded by the right team, it shouldn't be a problem for them," he said.

Milestone is scouting for a new chief to head its real estate business, after whole-time director and managing partner **Ashish Joshi** left in December.

Investors are looking at fund managers with a stable track record not just in deploying capital, but also those who can handle asset management and assure profitable exits, said **Rajeev Bairathi**, executive director, capital transaction group, at property advisory Knight Frank India.

"Exits that way are crucial if one wants to raise fresh capital," he said.