

## REAL ESTATE

# Deutsche Bank exits Lodha

**Bank notches up a gain of ₹900 crore in about four years on an investment of ₹1,640 crore**

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BANGALORE

**D**eutsche Bank AG has exited its investment in a subsidiary of **Lodha Developers Ltd**, notching up a gain of ₹900 crore in about four years. The lender had invested ₹1,640 crore.

One analyst said this made for good returns in the currently depressed market.

Deutsche Bank subscribed to fully convertible debentures issued by the subsidiary **Cowtown Land Development Pvt. Ltd** in late 2007 through a foreign direct investment of ₹1,640 crore. It has been now repaid a total of ₹2,542 crore, a Lodha official said on Thursday.

**Global Trustcapital Finance Pvt. Ltd**, a Mumbai-based investment bank, was the sole adviser in the transaction.

"The exit that has happened in a four-year time frame is a positive sign from an investment point of view for a sector where there is constant talk on investors being reluctant to provide capital," said Abhishek Lodha, managing director, Lodha Developers. The exit was financed by ₹1,725 crore from internal accruals and ₹825 crore raised through a non-convertible debenture issue by Lodha.

In an email response, a Deutsche Bank spokesman said the firm would not comment. Gunit Chadha, chief executive of the Deutsche Bank group in India, didn't respond to a separate email query and text messages.

Cowtown Land has undertaken four projects in Mumbai and its suburbs, including Dahisar and Thane. Rough estimates indicate an annual internal rate of return of 12-13% for Deutsche

Bank in the Lodha deal.

The returns could be higher depending on how the investment and the repayments were structured, said Ambar Maheshwari, managing director, corporate finance, Jones Lang LaSalle, a property advisory.

"While really good returns would be 20%, the exit value of Lodha-Deutsche bank is not bad at all in the current scenario when developers are finding it tough to return capital to investors," he said.

The real estate sector tuned into an exit mode starting 2011 and will continue to be there till 2015, Maheshwari added.

"Most investment cycles will end around this time and we (will) see exits happening. Pre-2007 investments will see better returns for funds and those after that may not, because many transactions happened at very high valuations," he said. Returns for investors in the realty sector will be a "mixed bag", he added.

In a significant exit in early 2011, Kotak India Real Estate Fund I sold its stake in **Peepul Tree Properties Pvt. Ltd**, an office building in Mumbai, to a fund managed by **Tata Realty and Infrastructure Ltd** for ₹385 crore on an investment of ₹95 crore.

With the repayment to Deutsche Bank, Abhishek Lodha said the company's debt has reduced to ₹3,000 crore. Though the company's debt is still considerably high, he said with ₹1,500 crore cash flows from its projects every year, debt repayment is not a big concern.

Lodha had got regulatory approval for a ₹2,800 crore initial public offering of its shares in 2009, but eventually opted out.

Currently, Lodha has investments from HDFC Venture Fund, ICICI Ventures Fund Management Co. Ltd and Old Lane Lp in its other projects, the company said.

Lodha is developing at least 30 million sq. ft of real estate, primarily in Mumbai.