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Lone Star Funds looks to acquire distress assets in India

By ET Now | Updated: Sep 15, 2016, 09.03 PM IST

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By: Pooja Sarkar

Lone Star Funds, the New York based private equity fund which invests globally in real estate, equity, credit and other financial assets, has firmed up its plans to acquire distressed assets in India, said two people directly familiar with the matter.

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"The firm is looking to deploy nearly \$1 billion in the Indian market to invest in stressed assets and have met up with banks including [State Bank of India](#) to scout for deals," said the first person mentioned above.

In an email response, a spokeswoman for Lone Star said it does not comment on rumours and market speculations.

Within last one year, Lone Star has hired Anand Balakrishna Madduri as the senior managing director and [Manav Saraf](#) as the managing director of the firm. At present the team is based out of [Hong Kong](#) and assessing deals in the Indian subcontinent.

"They have been actively meeting up with all participants in the stressed segment but they have indicated that they would like to do transactions on their own and are not looking at partnering with anyone in the initial phase," the second person mentioned above added while declining to be identified.

Sources add, that the firm is looking to hire people in India to look at transactions. "They are looking at power and infrastructure assets. Even though nothing is close to completion, they are an active participant in some of the new cases that banks are show-casing to investors," the first person added.

In April, Lone Star raised a \$5.8 billion fund called Lone Star Real Estate Fund V to invest in commercial real estate debt and equity products in the Americas, Europe and [Asia-Pacific](#). This is the first time it has raised a fund which has a mandate to invest in the [Asia Pacific](#) region, till date it only invested in [Japan](#) as part of its Asia exposure.

Foreign capital has been making a beeline in the country when it comes to picking up of stressed assets. Banks laden with bad loans are seeking to transfer sticky assets to ARCs, which buy these at a discount. Bad loans across the 40 listed banks in India increased to Rs.5.8 trillion as of end-March from Rs.4.38 trillion at the end of December.

In July, the largest state run lender SBI tied up with [Brookfield Asset Management Inc.](#) to which the Canadian partner has agreed to commit Rs.7,000 crore to purchase distressed assets. SBI is expected to bring in 5% of the capital as part of the venture.

Apart from the existing venture, SBI is now looking to raise another platform to sell stressed assets with a global financial institution, said a third person directly familiar with the matter.

Just last month, billionaire [Ajay Piramal](#) controlled [Piramal Enterprises Ltd](#) launched a distressed asset investment platform in association with private equity fund [Bain Capital](#) Credit. Apart from this, Kotak [Mahindra Group](#) tied up with Canada Pension Plan Investment Board (CPPIB) for a \$525 million fund to acquire bad loans through structured deals.

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