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Kotak ties up with global fund to advise stress loan sales

By Saikat Das, ET Bureau | Updated: Mar 14, 2016, 12.13 PM IST

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MUMBAI: The **Kotak Mahindra Group** signed an agreement today with **Canada Pension Plan Investment Board (CPPIB)** for investment in **stressed assets** in India, a boiling matter that eats into bank profitability.

"The agreement facilitates a total investment of up to US\$ 525 million in the asset class, with CPPIB having the ability to **invest** up to US\$ 450 million," the company said in a release.

This investment will address the growing opportunity arising from the current stress in the Indian banking and corporate sectors.

"The current environment has created a much larger opportunity that requires significant capital commitment.....CPPIB put patient capital to work, backed by strong and active asset management, to capitalize on the stressed assets market," said S. Srinivasan, CEO, Kotak Special Situations Credit Fund.

The Kotak Mahindra Group, and its affiliate Phoenix ARC, has been a player in the distressed and structured credit market for over a decade.

Adam Vigna, Managing Director, Principal Credit **Investments**, CPPIB, said: "This investment is an important step in CPPIB's strategy to build a diversified credit business and will add to our direct credit investment capabilities in India."

Kotak will act as an advisor. Through this agreement, CPPIB will aim to invest in assets that suits their long-term investment mandate.

"This pool of capital with a flexible mandate, will work alongside the ARC, and positions us to comprehensively address the capital needs of both the borrowers and the selling lenders," said Eshwar Karra, CEO, Phoenix Asset Reconstruction Company.

The asset reconstruction industry is constrained by capital needs. There is an urgent need for substantial capital to buy non-performing assets from banks, as and when these loans get sold at fair value.

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