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Brookfield, State Bank of India mulling stressed asset venture

By Bloomberg | Updated: Jun 21, 2016, 03.40 PM IST

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By Manju Dalal, George Smith Alexander and Scott Deveau

Brookfield Asset Management Inc. is in talks with State Bank of India, the country's largest lender, about forming a joint venture to invest in stressed Indian assets, people with knowledge of the matter said.

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Brookfield, Canada's largest alternative asset manager, has discussed investing about 70 billion rupees (\$1 billion) in the venture while SBI and its associate banks are willing to invest as much as 20 billion rupees, according to the people. The companies haven't agreed on terms, and talks could still fall apart, the people said, asking not to be identified as the information is private.

About 2 percent of loans at State Bank, which accounts for one fifth of all credit in India, are at risk of souring even after a central bank audit prompted lenders to set aside higher provisions for bad loans. About 313 billion rupees of the bank's loans are under stress and two-thirds could sour, SBI Chairman Arundhati Bhattacharya said last month.

The proposed joint venture may invest equity in stalled projects in industries including infrastructure, according to the people. Brookfield and SBI are still discussing the potential joint venture structure and the nature of the investments it would pursue, the people said.

Soured Credit SBI has also been speaking with other global investment companies, including KKR & Co., about joint investments in stressed assets, the people said. Representatives for Brookfield and KKR declined to comment, while a spokesman for SBI didn't immediately respond to an e-mail seeking comment.

The country may need better-capitalized foreign asset reconstruction companies to step in to purchase and turn around banks' soured credit, Bhattacharya said in an interview last week. SBI has held discussions with many of these companies about the outlook for stressed assets in the country, Bhattacharya said, declining to name any of the firms.

Brookfield last month said it raised \$25 billion for its flagship funds over the past 12 months, giving the company a record level of capital on hand across its platforms to pursue acquisitions. Assets under management rose 16 percent from a year earlier to \$240 billion, the firm said in a letter to shareholders.

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