



ABCL, Värde in talks for stressed assets tie-up

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Aditya Birla Capital Ltd (ABCL), the financial services arm of Aditya Birla Group, is in exploratory talks with alternative assets manager Värde Partners for an alliance for its proposed distressed assets business, two people directly aware of the development said.

The discussions are currently centred on the potential structure of the distressed debt and special situations business, the people cited above said, requesting anonymity as the talks are private.

In a February interview, Ajay Srinivasan, chief executive officer of Aditya Birla Capital, said that the company was looking to capitalize its asset reconstruction company (ARC) as the group seeks to tap into the Rs8.41 trillion bad loan opportunity in India.

Aditya Birla Capital received a licence from the Reserve Bank of India to set up an asset reconstruction company (ARC) in September last year.

In addition to the ARC, Srinivasan had said that Aditya Birla Capital was looking to set up a domestic alternative investment fund (AIF) along with a partner, likely to be an offshore fund.

In September, Aditya Birla group chairman Kumar Mangalam Birla said in an interview that the group was looking to set up a distressed assets business and was open to bringing in a foreign fund as partner.

Emails sent to both Aditya Birla group and Värde Partners remained unanswered until press time.

Founded in 1993, Värde Partners is a global investment adviser focused on credit and value investing strategy. In 2015, the company had more than \$10 bil-

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Exploring an alliance



Aditya Birla Capital CEO Ajay Srinivasan.

The move is part of Aditya Birla Capital's strategy to enter the distressed debt business.

The financial services firm received a licence from the central bank to set up an ARC in September.

The company is looking to capitalize its ARC and set up an alternative investment fund.

Värde Partners, which manages over \$10 bn of assets globally, is keen to expand India operations.

The global investment adviser is an existing investor in realty-focused NBFC Altico Capital.

A number of Aditya Birla Capital's peers have already tied up with global funds to tap opportunities in the stressed assets space

lion worth of assets under management across the world.

In India, the fund does not have direct operations but it is a shareholder in Altico Capital, a domestic real estate-focused non-banking financial company based in Mumbai.

If the ongoing talks are successful, Aditya Birla Capital will join the ranks of a number of industry peers who have set up similar structures with global funds to tap opportunities in the distressed assets space.

In December, IL&FS group and US-based private equity fund Lone Star announced a partnership to jointly invest in distressed infrastructure projects in thermal power and the road sectors with a capital pool of \$550 million. Expanding its India footprint, Lone Star also announced a tie-up with RattanIndia Group to jointly invest Rs2,600 crore in a non-banking financial company, RattanIndia Finance, in which both sides own a stake of 50% each.

BlackRock group too is looking to extend its global private credit platform to India and is in the process of hiring senior talent to manage the business, *Mint* reported on 23 April.

In 2016, Piramal Enterprises tied up with Bain Capital Credit to set up a \$1 billion distressed assets investment platform.

Caisse de Dépôt et Placement du Québec (CDPQ), the second-largest pension fund in Canada, has tied up with financial services firm Edelweiss Financial Services Ltd. The two parties have committed to deploy \$750 million to acquire stressed assets.

Aditya Birla Capital's entry into the distressed credit space assumes significance amid the ongoing developments in the bankruptcy process of Binani Cement in which UltraTech Cement, an Aditya Birla group company, is engaged in a bitter struggle for control of the asset and has offered close to Rs8,000 crore.

According to the persons cited above, the Aditya Birla group is expected to pursue more deals in the distressed assets segment, especially cement assets.