Edelweiss set to launch third distressed fund by June-end

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Edelweiss Alternative Asset Advisors will raise $1.5 billion (around ₹10,900 crore) for its third fund by the end of June, said Amit Agarwal, head of Edelweiss Stressed Asset Investments.

The fund will be part of the Edelweiss India Special Asset Fund (EISAF) series and will have a duration of 7-9 years. It will be the largest fund for distressed assets raised so far by Edelweiss Financial Services Ltd, he said, but refused to divulge the names of investors.

The fund will back deals of $50-200 million (₹400-1,500 crore), while targeting returns of 21-25% in rupee terms, or 14-15% in dollar terms.

Edelweiss had marked the final close of its second distressed assets fund in 2019 at $1.3 billion (₹9,200 crore). Canadian pension fund CDPQ was a key investor. The fund has deployed around ₹1.2 billion so far, he added.

In 2011, the asset manager had launched the first edition of EISAF, which had invested more than ₹1,000 crore, according to its website.

Agarwal said Edelweiss has invested around $700 million (over ₹5,100 crore) in distressed businesses, along with co-investors, in 6-7 months since the lockdown ended.

The fund has also made recoveries worth $800 million (around ₹5,800 crore) over the past two to three years. This includes the resolution of steel major Essar Steel, now owned by ArcelorMittal Nippon JV, and paper maker BILT Graphic, a unit of Ballarpur Industries Ltd, in which Edelweiss co-invested with a small share from Goldman Sachs, Agarwal added.

Essar Steel was resolved under the bankruptcy code with an upside of 80-90% to creditors, including Edelweiss, he said.

Agarwal said the implementation of pre-packaged deals under the code “will create more opportunities, making the next two or three years exciting” for the distressed assets space.

In an interview with VCCircle earlier this year, Edelweiss Asset Management chief executive Hemant Daga had said that the distressed assets market was huge.

“Given the stock of distressed assets in the banking system, we feel the addressable opportunity set for distressed assets is around $30-35 billion. In addition to this, if you add the distressed assets that will get added every year, (2% of performing credit generally turns to NPAs each year), this can translate into an opportunity of $4-5 billion annually for the next several years,” Daga added.