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Realty PE firm BlackSoil's game plan for NBFC

BY SWET SARIKA

Mukul Mudgal/VCCircle

BlackSoil Group, which forayed into asset management through a real estate-focussed private equity (PE) fund three years ago, has now set up a non-banking financial company (NBFC) that would invest in startups, real estate and unlisted firms via promoter funding, a senior executive of the company told News Corp VCCircle.

The company launched its maiden real estate fund in May, 2013 and hit first close in mid-2014 after tweaking its strategy a bit. So far, it has made six investments from a total corpus of Rs 160 crore, and already exited three of them. Currently, it is sitting on dry powder of Rs 30-40 crore from the corpus.

The foray into lending comes at a time when the company is putting together plans for a follow-on real estate-focused PE fund. Christened as BlackSoil Capital, the debt platform was launched in August this year and it has built a book of Rs 70 crore through seven transactions in a short span of time.

The NBFC is backed by the family offices of the Gala family, promoters of Navneet Education Limited, Shetty family, promoters of Avvashya Group and Virendra Gala, a real estate expert in Mumbai.

"The company is planning to expand its loan book to Rs 100 crore by March 2016. With customised funding solutions to real estate, VCs-backed startups and established promoters of unlisted companies, we believe such kind of structured debt can help companies scale quicker disbursement of the loan compared to traditional banks," said Ankur Bansal, vice-president, BlackSoil Group.

In real estate, the company is looking at sealing debt transactions with a tenure of 6 months to a year, deploying and taking out money quickly. Bansal said that the firm is in advanced stages of discussion to seal its debut deal in Bangalore, along with another debt provider.

BlackSoil's NBFC has hit the market at a time when real estate dealmaking is dominated by debt capital. NBFCs have ramped up their play, deploying capital across the table. In the whole of 2016, a total of $2.4 billion flowed into real estate with debt forming 81% of the capital. The funding crunch in the sector has forced developers to go for multiple rounds of financing to stay afloat in a choppy market.

Meanwhile, the other area of focus for BlackSoil Capital is venture debt, through which it is taking exposure in venture capital-backed startups. In a short span of 3-4 months, it has sealed two deals: $2.2 million to deals and discounts site Nearbuy and an undisclosed amount in cloud telephony firm Knowlarity. The platform is in advanced stages of discussion for its third deal.

Venture debt is a growing segment in the startup deal-making ecosystem as it provides companies more time to grow without diluting any equity. Some of the other players who take debt exposure to startups include Trifecta Capital and InnoVen Capital.

Bansal said that the ticket size for deals will be in the range of Rs 5 crore to Rs 20 crore across target sectors.

Another area of focus for the platform is promoter financing in the unlisted space. "We are looking to tap into unlisted companies which are planning to go for an initial public offering 2-3 years down the line. We would be providing structured financing to promoters for companies that have a turnover of Rs 1000-2000 crore. There will be a special situation fund for promoters for acquisition or any other such activities for a period of six months to a year," said Bansal.

He added that the platform has committed capital for two such transactions—one, to the promoter of a well-established Rs 2000-crore automobile components company, and two, to the promoter of a Rs 1200-crore PVC products company.

Bansal declined to share details of these transactions, but added that the platform may bring on board equity partners to pump in more capital across sectors. However, it is not in a hurry to do so.

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