

Shapoorji, Piramal look beyond CPPIB

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Shapoorji Pallonji and the Ajay Piramal group, the Canada Pension Plan Investment Board's (CPPIB's) two joint-venture (JV) partners in India, have formed similar alliances or are in the process of forming them with new partners.

According to sources in the know, Shapoorji and Piramal are not happy with the slow pace of investments under the joint ventures. The CPPIB is one of the largest pension-fund managers in the world. Shapoorji's joint venture with the CPPIB was announced in November 2013. It was formed to invest in foreign direct investment-compliant office buildings in metros.

TALE OF TWO JVs

- CPPIB announced a JV with Shapoorji Pallonji in Nov 2013
- The firm owns 80% of the venture with an initial equity commitment of \$200 mn
- The Shapoorji CPPIB alliance made one investment in June 2015
- CPPIB formed an alliance with Piramal in Feb 2014
- The JV with Piramal has a corpus of \$500 mn and former to provide debt to property developers
- The JV with Piramal has also not taken off as expected

The CPPIB owns 80 per cent of the venture with an initial equity commitment of \$200 million.

Since then, the JV acquired SP Infocity, an IT Park in Chennai, for \$220 million or nearly ₹1,400 crore, in June 2015. After that, it is yet to

announce any new investments.

Now, Shapoorji, through its investment advisory arm SP Investment Advisors, is in the final leg of talks to form an investment platform with Germany's Allianz group to invest

in rental-yielding assets such as leased office buildings. The platform is worth \$400 million and will invest in Shapoorji's commercial assets initially and then buy into other developers' properties, according to sources in the

know. When contacted, a Shapoorji Pallonji spokesperson declined to comment on the matter. Emails sent to the CPPIB did not elicit any response.

Similarly, the Ajay Piramal group recently announced a joint venture with Ivanhoe Cambridge, part of Canada's CDPQ, to provide equity to property developers.

Piramal has a \$500-million joint venture with the CPPIB, which it entered into in February 2014 to provide debt to property developers. According to an investment banker, both CPPIB and Piramal could have looked at the equity part if they wanted, but Piramal went ahead with Ivanhoe. When contacted, a Piramal Fund Management spokesperson said: "Our JV with the CPPIB was a debt

platform meant to target senior secured debt transactions based on certain parameters with a defined target return profile as well as security package."

The CPPIB has signed a \$700-million deal to buy into Indospace, a logistics park owner promoted by Everstone Capital and Realterm.

The CPPIB's partner firms and consultants gave different reasons for the slow progress of the joint ventures.

"They (CPPIB) came with very high yield expectations but yields have fallen as many investors have entered the commercial properties, pushing up property prices," said an executive of one of the CPPIB's partner firms.

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