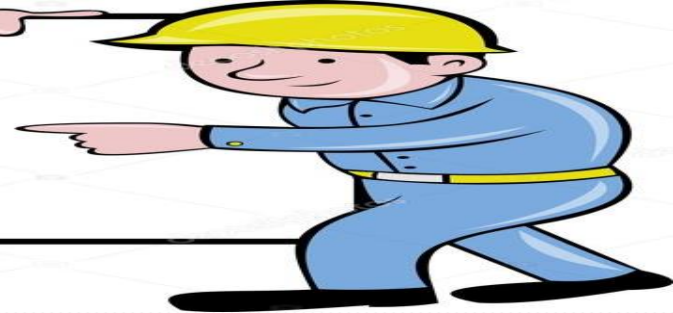


# RS. 25,000 CRORES RELIEF FOR BLEEDING REAL ESTATE SECTOR

REAL ESTATE  
CATEGORY II AIF

*AIF Fund a positive step from Government of India for Real Estate Sector.*

# INDEX



Chapter	Topic	Page No.
1	INTRODUCTION	1-6
2	ELIGIBILITIES FOR AVAILMENT OF SWAMIH INVESTMENT FUND I	7-10
3	ADVANTAGES OF GOI CATEGORY II AIF FUND	11
4	FAQS ON GOVERNMENT'S SPECIAL FUND FOR REAL ESTATE SECTOR	12-20
5	CONCLUDE	21-23

# CHAPTER-1

## INTRODUCTION

1. **Earlier on September 14, 2019**, Nirmala Sitharaman had announced that a special window for affordable and middle-income housing will be created. This special window will provide last-mile funding for housing projects which are stressed.
2. This special window will be set up as a **category-II Alternate Investment Fund**, registered with Securities and Exchange Board of India (SEBI)," and would be professionally run, which will pool investments from the Government and other investors.
3. An **Escrow Account** will be set up to be managed by SBI Caps that will appraise projects and release funds, Sitharaman said. Hence, for the first AIF under the special window, SBICAP Ventures has been engaged to be the **Investment Manager**.



# **WHAT IS AIF ?**

**Alternative Investment Fund(AIF) is a privately pooled investment vehicle that collects funds from sophisticated investors, whether Indian or foreign, for investing them in accordance with a defined policy. The real Estate AIF cleared by the cabinet is a category II AIF and will not undertake borrowing activities other than to meet day-to-day operational requirements.**

**SBICAP Ventures Ltd will run the AIF and ensure the funds are utilized only for completion of the intended projects.**

# **Announcement of Rs 25,000 Crores by Government of India to revive stalled housing projects:**

The Centre has announced a Rs 25,000 crore stimulus package for the ailing Real Estate Sector. According to Smt. Sitharaman, over 1,600 projects involving some 4.58 lakh housing units are stalled for want of funds. There are also unsold units across the country with one market estimate putting their value at over ₹4 lakh crores. Most of the stalled projects are solvent but stuck for liquidity and with support from the AIF, can be completed, unlocking value not just for buyers but also precious cash for the project promoters and their lenders.

The Centre will infuse Rs 10,000 crores into the real estate market to revive stalled housing projects across the nation. Another Rs 15,000 crores will be contributed by LIC and SBI in a phased manner.

Apart from Rs 25,000 crores from Centre, SBI and LIC, the sovereign and pension funds have also agreed to invest in the market. The funds will be used to provide priority debt financing for the completion of stalled housing projects in the Affordable and Middle-Income Housing sector.



# HIGHLIGHTS

- 1. The Centre has announced a Rs 25,000 crore stimulus package for the ailing Real Estate Sector.**
- 2. The announcement was made by Finance Minister Smt. Nirmala Sitharaman.**
- 3. SBI and LIC, the sovereign and pension funds have also agreed to invest in the market.**
- 4. India's largest lender SBI and its arm SBI Capital Markets, which is playing a key role in setting up the fund, have started reaching out to other Banks and Financial Institutions to participate in the AIF — a regulatory parlance for privately pooled vehicles such as Venture Capital, Private Equity, And Real Estate Funds.**
- 5. According to regulation, a Bank can invest up to 10% of the corpus of an AIF.**
- 6. Funds sanctioned for the stalled project will get transferred to an Escrow Account and money will be released as per the assessment and progress of construction.**

# HOW WILL FUND WORK

Government to set up  
Category -II Alternate  
Investment  
Fund(SWAMIH  
INVESTMENT FUND I)

SBI Caps to  
manage ESCROW  
ACCOUNT,  
appraise Projects  
and release Funds



Centre to Provide  
Rs.10,000 Crores

Sovereign and  
Pension Funds  
expected to Join

SBI and LIC to  
partner  
Government



## **INCLUSION OF NPA PROJECTS OR PROJECTS DRAGGED TO NCLT FOR THE LAST MILE FUNDING**

A ray of hope has also been generated for stressed projects classified as NPA and NCLT(National Company Law Tribunal), by extending them benefit under category II Alternative Investment Plan.

Government has decided to increase scope of investment to include NPA as well as NCLT Projects.

Hence, the Fund will provide relief to Developers with unfinished projects and ensure delivery of homes to buyers. If the developer has not declared liquidation, they can avail the cover, the Government said. It means Even if the project has been declared an NPA or dragged to NCLT but not asked for liquidation will also be benefited.



## **CHAPTER-2**

# **ELIGIBILITIES WHICH A PROJECT SHOULD MEET TO BE ABLE TO AVAIL THE SAID FUND:**

- 1. Should be RERA Registered Project.**
- 2. Project is stalled or likely to be stalled if no funding is made available.**
- 3. Project falls in affordable and middle-income group segment.**
- 4. Project should be net worth positive (including NPAs and projects undergoing NCLT proceedings).**
- 5. Priority for projects very close to completion.**
- 6. Has completed at least 30% of the construction and Development.**

# **What is affordable and mid-income housing projects**

**All affordable and mid-income projects registered under RERA are eligible for the benefit, provided they fulfill certain conditions, the Government has set a value as well as the size limit for the projects.**

- 1. The size of the houses shouldn't be more than 200 sq. m in terms of carpet area.**
- 2. Also, the cost of a single unit can be up to ₹2 crore in the Mumbai Metropolitan Region (MMR),**
  - ₹1.5 crore in the National Capital Region, Chennai, Kolkata, Hyderabad, Bengaluru and Ahmedabad, and**
  - up to ₹1 crore in other cities.**

**The price doesn't include any additional charges for amenities, parking, brokerage and registration and stamp duty charges.**

# What is a net-worth positive Project

Net-worth positive projects for the purpose of funding through the 'special window' shall mean those projects where the value of receivables plus the value of unsold inventory is greater than the completion cost and outstanding liabilities at the project-level.

Hence, Net worth of projects will be considered positive if their cash flow is higher than their project cost.

# BRICK BY BRICK

## THE NUMBERS

**1,600**  
projects

**458,000**  
dwelling  
units



## THE CONDITIONS

To be eligible, a house  
must cost less than:

**₹2 cr** in Mumbai

**₹1.5 cr** in Delhi-NCR

**₹1 cr** in rest  
of country



All net worth positive  
and RERA-registered  
projects covered

Project can be at any  
stage of completion

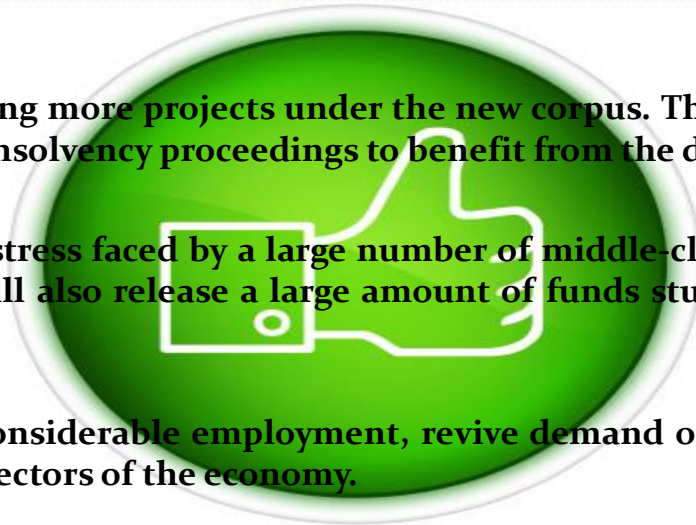
Those at an advanced  
stage to be taken up first



# CHAPTER 3

## ADVANTAGES OF CATEGORY II AIF FUND

- “The government has realized that something needs to be done for the Realty Sector. This step will definitely improve the sentiment of the real estate market because this is the first time that such a measure has been taken for stalled projects.
- This expands the scope of including more projects under the new corpus. The Government has taken a big step by allowing projects undergoing insolvency proceedings to benefit from the distressed fund scheme.
- "Move will help relieve financial stress faced by a large number of middle-class homebuyers who have invested their hard-earned money. This will also release a large amount of funds stuck in these projects for productive use in the economy,"
- The decision will also generate considerable employment, revive demand of cement, iron and steel industries and relieve stress in other major sectors of the economy.
- Therefore, this funding comes as a sigh of relief and creates a win-win for homebuyers and real estate developers.



# **CHAPTER 4**

## **FAQs on Government's special fund for Real Estate Sector**

The following questions and answers are intended to be provided for general information in relation to the special window that has been set up as a category-II Alternate Investment Fund.

For full particulars of laws governing the Alternative Investment Funds (AIFs), please refer to the Acts/Regulations/Guidelines/Circulars etc. appearing under the Legal Framework Section of SEBI website i.e. [www.sebi.gov.in](http://www.sebi.gov.in).

**Que:1-What is the role of the Government and Investment Managers in this special window?**

**Ans:** The Government of India, SBI and LIC are the biggest investors in this fund that shall provide the capital. None of these investors have any role in the decision making process for investments. The Government shall act as the sponsor to the proposed fund and shall have the authority and responsibility as specified under SEBI (AIF) Regulations, 2012. The investment manager is responsible for fund raising, investments and managing the fund team.

**Que:2- What is the size of the fund?**

**Ans:** The total commitment of funds to be infused by the Government in the affordable and middle-income group housing sector through the 'special window' would be up to ₹ 10,000 Crore. The fund seeks matching contributions from Banks, Life Insurance Corporation of India (LIC) and others to generate a total corpus of around ₹25,000 crore.

**Que:3- Who will manage the fund?**

**Ans:** For the first AIF under the 'special window', SBICAP Ventures Limited shall be appointed as the investment manager.

**Que:4- Who will be the investors in the fund?**

**Ans:** AIFs created/funded under the 'special window' would solicit investment into the fund from the Government and other private investors including cash-rich financial institutions, sovereign wealth funds, public and private banks, domestic pension and provident funds, global pension funds and other institutional investors.

**Que:5- Will projects under NPA and NCLT be considered for the last mile funding?**

**Ans:** Yes. Based on the inputs received from the stakeholders, the Government has decided to increase the scope of investments to include NPA as well as NCLT projects. All applications for financing would be reviewed by the investment committee of the fund for approval, after due-diligence and discussions with existing lenders and legal advisors.

**Que:6- Which projects undergoing NCLT proceedings are eligible to be considered for funding under the 'special window'?**

**Ans:** Any or all projects undergoing corporate insolvency resolution process before the NCLT can be considered for funding through the 'special window' up to the stage where the resolution plan for such insolvency resolution process has not been approved/rejected by the committee of creditors.



**Que:7- Will this fund invest in cases which are pending before the High Courts and the Supreme Court?**

**Ans:** No. The focus of this 'special window' will be on the projects that are stalled for lack of construction funding. It shall also look at projects that are NPAs or undergoing NCLT proceedings, that can commence construction immediately after funds are made available.

**Que:8- What will be the criteria for the selection of the projects for funding?**

**Ans: Funding shall be provided to the projects that meet the following criteria:**

- (i) Stalled for lack of adequate funds
- (ii) Affordable and middle-income category
- (iii) Net worth positive projects (including NPAs and projects undergoing NCLT proceedings)
- (iv) RERA registered
- (v) Has completed at least 30% of the construction and Development.

**\*\*Priority for projects very close to completion.**

**Que:9- What all would be covered under the price caps that are specified for various cities?**

**Ans:** This price does not include any additional charges for social amenities, parking, housing society, brokerage, deposits, registration and stamp duty charges.

**Que:10-What is definition for carpet area?**

**Ans:** Carpet Area shall have the meaning as assigned to it in clause (k) of section 2 of RERA i.e. carpet area means the net usable floor area of an apartment, excluding the area covered by the external walls, areas under services shafts, exclusive balcony or verandah area and exclusive open terrace area, but includes the area covered by the internal partition walls of the apartment.

**Que:11- Will this fund also look at villa projects?**

**Ans:**The fund will invest in any project that meets its investment objective of completing housing units with size less than 200 sq. metre and the city-wise pricing norms subject to a cap of ₹2 crore.

**Que:12-Which cities will be most taken care of under the funding of stalled housing projects across India? Is there going to a region wise allocation of the fund?**

**Ans:**The portfolio investments by the fund shall be spread across India with no geographical restrictions. There will be caps at project level, developer-level and city level as per standard risk management practice. Hence the projects could be located in any city or town, anywhere in India, would be eligible for funding, as long as it meets all the other qualifying criteria.

**Que:13-What portion of the stalled real estate housing projects fall under the affordable and mid-income segment?**

**Ans:** As per industry estimates, 90% of the stalled projects are under the affordable and mid-income segment.

**Que:14-How will the home-buyers be benefited from the funding?**

**Ans:** Revival of stalled projects will lead to early completion and timely possession of homes for home-buyers who have invested their hard-earned money.

**Que:15- What is the process to monitor if the allocated fund is utilized by the developer on the respective project?**

**Ans:** The 'Special Window' shall provide capital for completion of construction of stalled projects. The Investment Manager along with developer / appointed project management companies shall ensure that the end use of funds is only for the purpose of completing the project. Standard financial controls maintained by RERA will be adopted.

**Que:16- Post the selection of the projects, what would be the process for funding?**

**Ans:** The investment manager shall make a detailed investment review including inputs provided by external due diligence agencies. This monitoring mechanism will be part of the contractual arrangement with the developers as part of funding and approval of the fund investment. After the documentation is completed, disbursements would happen.

**Que:17- The funding is only for mid and affordable segment. What about the incomplete projects of luxury segments?**

**Ans:** The focus of the 'Special Window' is on mid and affordable segment. However, alleviating the stress for the developers in this segment may have indirect collateral benefits for the entire real estate sector including luxury segment.

**Que:18-What is the expected timeline for execution of projects once funding is received?**

**Ans:** The objective of the 'Special Window' is to complete the construction of the stalled projects at the earliest. Accordingly, funding would be structured to meet the construction and sales schedule of the relevant projects.

**Que:19-Who will be the responsible authority to ensure that the money is being used without any discrepancy?**

**Ans:** The investment manager, with help of appointed project management companies and appropriate financial controls, shall be responsible to ensure that the end use of monies of the fund is for construction and completion of the projects.

**Que:20- What if the Developer or the previous funding agency/banks and NBFCs want to serve their own interest over the interest of the home-buyer? Will the fund have any authority to fix this issue?**

**Ans:** The capital provided by the fund would be used only for completion of the stalled projects. This should benefit all the stakeholders in the project and it can not be used to repay existing debt on the project.

**Que:21-How will the Government ensure that the selected developer is not alleged for fraud or misappropriation of funds and that the funds are not being cornered by a small group of developers/promoters?**

**Ans:** Project and developer selection shall be the prerogative of the Investment Manager and the Investment Committee of the fund. The investors including the Government will not be interfering with the financial objectivity of that process. The decision of the Investment Committee shall be guided by the investment objective of the fund as agreed in the contribution agreement entered into with the investors. Projects involving fraud or diversion may not be considered by the Fund.

**Que:22-To whom Project information or application for funding would be submitted?**

**Ans:** Financial and technical information about the Project would be submitted to the **SBI Capital Venture Private Limited** for the processing of an application. On reviewing the preliminary information of the Project, SBI CAP may call upon for additional clarifications and information. They will also come up for meeting with a prior appointment only.



**Q:23- Are there any application processing fees?**

**Ans:** No. The Fund does not charge any application processing fees.

# CONCLUDE

We highly cheer the move that has been taken by the Government for the ailing Real Estate Sector, which has been struggling with projects due to an acute crunch in liquidity.

Approval of the fresh emergency fund for the Real Estate Sector is "critically important" as it will not only help Real Estate Developers but scores of homebuyers who are awaiting completion of their homes. Finally, countless aggrieved homebuyers will see the light at the end of the tunnel."

This move "could not have come at a better time" as a delay in setting up of the stress fund for the sector was causing serious apprehensions.

# Our Expertise

To promote and disseminate knowledge, create awareness and provide common forum for interaction amongst Professionals, Academicians, Government Agencies, establish effective coordination, to organize training courses and to impart education in Real Estate discipline. To promote, provide, train, equip with the skills to meet the challenges and opportunities of today's ever-changing Real Estate Sector.

To provide an effective platform for discussion for the matter related to Real Estate Sector, for collection and dissemination of information relating thereto and for the development of better understanding and co-operation amongst the members, to furnish information and opinion about specific matters and queries raised by the members.





*Thank you!!*

CA AMIT KUMAR KEDIA

For more details, you can reach - **KEDIA CORPORATE ADVISORS PRIVATE LIMITED**, on below mentioned details:

**Micky Ghai**

**Senior Director**

**Alternative Investment Fund**

**Ph: 7852818107**

**E-mail: [micky@kcapl.com](mailto:micky@kcapl.com)**

**Website: [www.kcapl.com](http://www.kcapl.com)**

