

SPECIAL WINDOW FOR FUNDING STALLED AFFORDABLE AND MIDDLE-INCOME HOUSING PROJECT

The Union Cabinet chaired by Prime Minister Narendra Modi, on 6th November 2019, in order to promote growth and development in the real estate sector, approved for the establishment of a 'Special Window' Fund to provide debt financing for the completion of stalled housing projects falling within the category of Affordable and Middle Income Housing Sector.

❑ Operation and Management of the 'Special Window' Fund:

- ≡ The proposed 'Special Window' Fund is a scheme/mechanism for funding the stressed unfinished housing projects across India with no geographical restrictions.
- ≡ The 'Special Window' Fund is set up as a Category – II AIF (Alternate Investment Fund) debt fund that shall be registered and supervised by the Securities Exchange Board of India.
- ≡ The 'Special Window' Fund seeks contributions from the Government, various public and private banks, private investors including cash-rich financial institutions, institutional investors, and other such investors and with the aim to generate a total corpus of Rs. 25,000 Crores in the following manner:
 - Government, acting as a Sponsor, shall infuse funds up to Rs. 10,000 Crores; and
 - Other such matching contributions shall be received / generated from various Banks, LIC and such other investors.
- ≡ The Government, acting as a Sponsor for the 'Special Window' Fund shall have the authority and responsibility as specified under the Securities Exchange Board of India (Alternative Investment Fund) Regulations, 2012.
- ≡ SBICAP Ventures Limited shall be engaged to be the Investment Manager for the 'Special Window' Fund and shall be responsible for fund raising, investments and managing the fund team.
- ≡ The investments from the 'Special Window' Fund shall be in the form of non-convertible debentures subject to legal, regulatory or other considerations and the returns out of the 'Special Window' Fund shall be determined by the investment manager based on the risk profile and specifics of each project.

❑ Eligibility of Projects for availing benefit under The 'Special Window' Fund:

- ≡ The funding under the 'Special Window' Fund shall be provided only to the stressed unfinished projects that fulfil the following criteria:
 - Stalled for lack of adequate funds;
 - Affordable and Middle Income Category;
 - Net worth positive projects (including NPAs and projects undergoing NCLT proceedings);
 - RERA registered;
 - Priority for projects very close to completion
 - ≡ For the purpose of funding, the net worth positive projects, shall mean those projects where the value of receivables plus the value of unsold inventory is greater than the completion cost and outstanding liabilities of the project.
 - ≡ The maximum finance that may be availed by a single project will have a cap of Rs. 400 Crores. Further, additional caps will be placed on a single developer and for any single city as a part of the final detailed scheme.
 - ≡ In order to increase the scope of funds/ investments the unfinished projects shall also deem to include the Non-Performing Assets as well as the National Company Law Tribunal projects only up to the stage where the resolution plan for such insolvency resolution process has not been approved / rejected by the committee of creditors.
 - ≡ The projects that are pending before various High Courts and the Supreme Court shall not be eligible for availing the benefit under the 'Special Window' Fund, as the focus of the 'Special Window' Fund is on the projects that are stalled for lack of construction.
- ### ❑ Affordable and Middle-Income Housing Project:
- ≡ For the purposes of availing the benefit under the 'Special Window' Fund, only the projects falling within the category of Affordable and Middle Income Housing Sector shall be eligible.
 - ≡ The Affordable and Middle Income Housing is defined to include the housing projects (including villa projects) wherein the housing units do not exceed 200 square meters carpet area, and such carpet area shall have the meaning as prescribed by Real Estate (Regulation and Development) Act, 2016.
 - ≡ Further, such housing units fall within the pricing caps as mentioned hereinbelow:
 - Up to or less than Rs. 2 Crores in Mumbai Metropolitan Region;

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- Up to or less than Rs. 1.5 Crores in National Capital Region, Chennai, Kolkata, Pune, Hyderabad, Bangalore and Ahmedabad;
- Up to or less than Rs. 1 Crore in the rest of India.
- ≡ However, the above mentioned pricing cap does not include any additional charges for social amenities, parking, housing society, brokerage, deposits, registration and stamp duty charges.
- **Process to Monitor the Monies Generated from the 'Special Window' Fund**
- ≡ With regard to the fund investment criteria, it shall be the duty of the investment manager to complete the internal financial analysis of the project. It shall further be supplemented by the external due diligence agencies to cover other areas of the project relating to title, financial, real estate and legal, including consultations with the existing lenders as a part of the sanction process.
- ≡ The Investment Manager shall be responsible to make detailed investment review including the inputs provided by the external due diligence agencies, and such monitoring mechanism shall be a part of the contractual arrangement with the developers as a part of funding and approval of the fund investment.
- ≡ The disbursements of any such monies from the 'Special Window' Fund shall only be made after such documentation and contractual arrangements to that extent is complete.
- ≡ The Investment Manager along with the developer/ appointed project management companies shall ensure that the monies generated from the 'Special Window' Fund are used only for the purpose of completion of the unfinished projects.
- ≡ Further, the standards appertaining to the financial controls as provided by the Real Estate Regulatory Authority shall also be adopted.
- ≡ The disbursement of the capital shall also be supervised and monitored in order or complete the execution of the projects by the developers or through the third party services.
- ≡ The selection of the project and the developer shall be the prerogative of the Investment Manager and the Investment Committee, and no authority shall impede with the objective of completion of the projects. Therefore, the projects involving fraud or diversion of funds may not be considered by the 'Special Window' Fund.

- **Involvement of the Home-Buyer under the 'Special Window' Fund:**
- ≡ During the development of the projects, the Home-buyers shall be required to work with their financial institution and shall be required to honour their obligations to disburse the balance instalment amounts of home loans as availed by the respective home-buyer.
- ≡ The respective home-buyers shall seek necessary guidance for additional borrowing or revival of their existing home loans with the existing legal and regulatory framework and the standard board approved policies of the lending institutions.

The 'Special Window' Fund aims to provide relief to the developers that require funding for completion of the set of unfinished projects, and aims to ensure delivery of homes to the respective home-buyers. Therefore, the 'Special Window' Fund aims to provide relief and benefit to about 1509 housing projects comprising of approximately 4.48 lakh housing units that have been stalled.

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