

Rs 25,000-cr boost for realty: Govt sets up fund to revive stalled projects

Targeted at affordable and middle-income housing units, the fund will address residential properties in Mumbai that are priced below Rs 2 crore

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Finance Minister Nirmala Sitharaman

Finance Minister Nirmala Sitharaman said after the Cabinet meeting.

In a move expected to bring significant relief to homebuyers as well as businesses, the government has decided to include projects declared as non-performing assets and those which are undergoing insolvency at the National Company Law Tribunal (NCLT) to be considered for financing from the AIF. The funding will be possible only if they are registered under the Real Estate (Regulation and Development) Act or RERA.

However, those which have already got orders from NCLT for liquidation will not be considered.

The Union Cabinet on Wednesday approved the setting up of a Rs 25,000-crore alternative investment fund (AIF) to revive around 1,600 stalled housing projects across top cities in the country. The AIF will be a special window to provide priority debt financing for completion of projects in the affordable and middle-income categories,

The Cabinet decision is a modification of an earlier stimulus package announced by the FM in September, when she had kept NPA and insolvency projects out of the AIF purview.

The inclusion of projects under NPA and NCLT proceedings would help cover almost 80 per cent projects in some of the key property markets such as NCR and Mumbai, according to Samir Jasuja, founder at Propequity, a real estate research firm.

RELIEF FOR HOMEBUYERS

- Govt will put ₹10,000 crore into the alternative investment fund, while SBI and LIC will provide ₹15,000 crore
- 1,600 stalled projects with over 458,000 unfinished units to be targeted
- Any RERA project that is net worth positive, irrespective of the stage of completion, is allowed
- Sovereign and/or pension funds can be brought on board later to expand the corpus of AIF



While the government will act as a sponsor with its Rs 10,000-crore initial contribution to the category-II AIF, State Bank of India (SBI) and Life Insurance Corporation of India (LIC) will provide an additional Rs 15,000 crore for the fund, that will be managed by SBI Cap. The open-ended fund is expected to swell over time as several sovereign and pension funds are in discussion with the technical management team to join in, Sitharaman said.

Category-II AIFs typically invest in unlisted companies by raising funds from high net worth individuals (HNIs) and foreign portfolio

investors (FPIs) through private equity, debt funds, etc. There are various types of funds under this category such as real estate funds, private equity funds (PE funds), funds for distressed assets and so on. Initial estimates by the finance ministry show that the AIF will be targeted at completing some 1,600 stalled real estate projects that include over 458,000 unfinished units.

Targeted at affordable and middle-income housing units, the fund will address residential properties in Mumbai that are priced below Rs 2 crore. For other metros like Delhi, Kolkata, Bengaluru, and Chennai, among others, the cap has been set at Rs 1.5 crore. For smaller cities, it is at Rs 1 crore per unit. While initially the fund was meant for projects that were stalled after 60 per cent completion, now all types of stalled projects — irrespective of the stage of completion — will be considered for financing. To qualify, they have to have a positive net worth at the project level, the minister said.

The money collected for the AIF will be kept at an escrow account and its disbursement will be in a phased manner according to the requirement of each project in a time-bound manner. Neither the developers of the project nor the creditors will be able to access the capital.