Alternative Investment Fund

Why in news?

Union Finance Minister recently said the government would set up an alternative investment fund (AIF) worth Rs 25,000 crore, in regards with stalled projects in real estate sector.

What is the AIF for?

- An internal survey showed that around 4.58 lakh housing units were stuck in India with over 1,600 realty projects stalled.
- In this regard, the objective of AIF is to provide relief to developers with unfinished projects.
- This would ensure delivery of homes to buyers.

How does it work?

- The AIF will provide funds to bail out stalled real estate projects with less than Rs. 2 crore a unit in metros and Rs. 1 crore in other places.
- The government will act as the sponsor of the fund and infuse funds up to Rs 10,000 crore.
- The Life Insurance Corporation of India and State Bank of India would also infuse money.
- *SBICAP* Ventures will be the investment manager for the fund.
- The Cabinet also approved an establishment of 'Special Window'.
- This is to provide priority debt financing for completion of stalled housing projects in the affordable and middle-income housing sector.
- Special Window will provide last mile funding to projects meeting the below criteria:

1. Net-worth positive
2. Affordable & middle-income housing project
3. On-going projects registered with RERA (Real Estate Regulatory Authority)
4. Reference by existing lender
5. Include stressed projects classified as NPA & NCLT

How will it benefit?

- The Alternative Investment Fund could help revive the stressed real estate

sector.
- The move will help relieve financial stress faced by large number of middle-class homebuyers who have invested their hard-earned money.
- This is also expected to release large amount of funds stuck in these projects for productive use in the economy.
- The scheme will also apply to projects that have been declared as non-performing assets by banks and to those lined up before the insolvency court.
- So, apart from real estate promoters, this will also aid lenders, mainly finance companies and banks, whose funds are locked up in the projects.

Why is the move significant and what lies ahead?

- The real estate sector is one of the biggest providers of jobs.
- Importantly, the sector also has a huge multiplier effect in the economy.
- Industries ranging from cement and steel to paints and sanitary ware stand to reap the benefits of a healthy real estate sector.
- Given this, the critical part now will be identifying the genuine projects in need of support and ensuring that biases do not creep in, in implementation.
- Also, attracting more investors into the AIF will be important.
- In this regard, the interests of the sovereign funds and other private investors should be followed upon quickly.
- Also, money should be released from the AIF right away so that the trickle-down effect is felt before the end of this financial year (2019-20).

- The government, through its latest move, and the RBI with successive rate cuts and liquidity infusion, have set the stage.
- The task now is for the real estate industry to capitalise on this facilitation.

Source: Economic Times, The Hindu

Quick Fact

SBICAP

- SBI Capital Markets Ltd. (SBICAP) is one of India's leading domestic Investment Banks.
- It offers the entire gamut of investment banking and corporate advisory services.
- These services encompass Project Advisory, Structured Debt Placement, Capital Markets, Mergers & Acquisitions, Private Equity and Stressed Assets Resolution.



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