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2019-2020

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UNIT

Vijay Lakshmi

CREDAI-MCHI

Ref. No. MCHI/PRES/19-20/583

July 20, 2020

To,

Shri Shaktikanta Das (I.A.S.)

Governor,

Reserve Bank of India

Shahid Bhagat Singh Road

Mumbai-400 001.



Sub: Request for appointment to discuss our suggestions on revival and survival of the real estate industry.

Ref: Natural Calamity due to N-COVID-19 and Extended Lockdown in the Country.

Respected Sir,

The COVID-19 Pandemic is causing an unprecedented impact on the real estate business especially the residential real estate segment that has already been reeling from the adverse impact of the prevailing liquidity crunch, weak affordability and subdued demand conditions post the ILFS/NBFC crisis.

The RBI vide its communique dated March 27, 2020, April 17, 2020 and May 22, 2020 has intended to infuse liquidity into the banking system, extend moratorium dates, maintained asset classification, extension of DCCO dates etc., amongst various measures taken to help companies deal with the economic downturn due to the pandemic.

We appreciate the measures and initiatives undertaken by the RBI thus far to support the Indian industry. But in spite of the best intentions by RBI, there has been little impact of these measures on the business community due to the lack of effective implementation at the ground level and thus our members of the real estate industry are continuing to be badly affected by the lockdown and its impending effects.

As you are aware that the real estate business is at the cusp of collapse and any delay in announcing relief measures will imminently result in the collapse of the real estate business which is the 2nd largest employer in India after agriculture and especially a very large employer of migrant labor. The sector creates tremendous opportunities for the skilled and unskilled workforce. Further revival of this business will lead to the revival of growth for the entire country.

In continuation to our earlier request for reliefs, we (Limited to 5-6 members) would like to meet you and your key team members in person or through any digital platform to specifically discuss the points attached as the annexure

We hope you consider the same and thank you in anticipation of a favorable response. Looking forward to hearing from you soon.

Thanking You,

Yours Sincerely,
For CREDAI-MCHI

Nayan A. Shah
President

Bandish Ajmera
Hon. Secretary

CREDAI-MCHI

Maker Bhavan II, 4th Floor, 18 V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.
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AnnexureAgenda Points**A. SURVIVAL OF REAL ESTATE & GENERATING LIQUIDITY; SO THAT EMPLOYMENT GENERATION WILL BE BOOSTED**

1. To allow onetime restructuring (OTR) of loans for Standard and Special Mention Accounts or allow moratorium on EMI payments at least up to March 2021

One-time restructuring of loans is required as it will not only help the struggling business' operations by giving them a new lifeline but would also help them raise necessary funds/finances in view of an improved balance sheet, which would eventually contribute to keeping the foundation pillar of the economy strong and growing.

The relief granted vide circular dated April 17, 2020 allows all Non-Banking Financial Institutions alongwith Banks to extend the date of commencement of commercial operations (DCCO) thereby extending the principal repayment timelines by a year. However, in the current circumstances business models need to be reconfigured to the changed environment which would lead to a need for holistic review of the entire sanctioned term loan conditions including interest & principal moratorium, additional funding and not limited to DCCO.

Further, we request you to allow all the measures granted and requested herein to be made applicable to in respect of assets/accounts classified as Standard and Special Mention Account (SMA) based on the Basel committee guidelines. This will allow faster revival of the real estate projects which have been facing financial stress by facilitating credit flows.

Such OTR should be applicable to all loans including the ones under Special Mention Account category and Non-Performing Account category, from all the Banks/NBFCs/MFIs/HFCs to enhance the coverage and penetration of the benefit.

2. To introduce Emergency Credit Line (EGCL) of 25% of the original sanctioned loan amount with 100% from GOI.

To provide 100% coverage for the ECL, which shall be a pre-approved sanction limit of upto 25% of the current outstanding in the form of additional project finance or working capital term loan facility.

Rationale- Real Estate business is a very capital-intensive business and a large portion of the capital requirements are funded through Banks / Financial Institutions to construct and run the operations. The abrupt closure of business has a cascading impact wherein not only the Developer, but all other related stakeholders face the probability of Banks Loans going under default due to prolonged closure. Thus, the overall working capital cycle has been adversely impacted.

3. To instruct to banks, MFI, HFC, NBFC to pass a minimum of 300 basis points reduction of interest rate charged as relief for Covid19

- (a) The RBI's instructions contained in 'Master Direction on Interest Rate on Advances issued vide DBR.Dir.No.85/13.03.00/2015-16 dated March 03, 2016' and the circular no. 'RBI/2019-20/53 DBR.DIR.BC.No.14/13.03.00/2019-20 dated September 04, 2019' may be suitably amended to be made applicable to include NBFC and HFCs.
- (b) Appropriate directions be given to the Banks to pass on the benefit of the rate cuts to NBFCs/HFCs to enable them to lend to Real Estate sector at a lower rate of interest.
- (c) We further invite your attention to the Reserve Bank of India's Notification RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 March 27, 2020 on the above subject matter.

loans for a period of three month/six months as stipulated in the aforesaid notification, they are not agreeable to allow the borrowers to withdraw the funds remitted by the tenants deposited in the bank's/NBFC's escrow accounts.

You will very well understand that unless the borrowers are allowed to utilise these funds for their working capital purposes which includes maintenance of the premises viz Common Maintenance charges etc, the objective of the Government as enumerated by the Reserve Bank of India vide its the Statement on Developmental and Regulatory Policies of RBI dated 27th March 2020 are not achieved viz (i) reinforcing monetary transmission so that bank credit flows on easier terms are sustained to those who have been affected by the pandemic; (ii) easing financial stress caused by COVID-19 disruptions by relaxing repayment pressures and improving access to working capital; and (iii) improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

We therefore request you to kindly issue a clarification/directions to the banks/financial institutions to permit the borrowers to utilise these funds in escrow account for their legitimate business purposes and pass on the benefits under the March 27, 2020 relief for true morat and cashflow support for businesses .

B. DEMAND GENERATION IN ALL REAL ESTATE SEGMENT: PUTTING POWER IN THE HANDS OF THE CONSUMER.

1. **Reduction of housing loan interest to 5.0% per annum**
Home loan to be charged concessional interest rate of 5.0% per annum by offering subsidy to the home purchaser, alternatively allow deduction of entire interest and principal repayment on housing loan without any limit for self-occupied house and one rented property (similar to the stimulus announced by US Government in March 2020 for real estate homebuyers)
2. **To allow sale of units using Subvention schemes where Pre-EMI Interest on home loan is borne by Developer.**
All loans sanctioned and disbursed between 01 June 2020 and 31 March 2021 should be allowed to be granted by banks/HFCs under subvention scheme at the option of the Developer.
3. **To increase the LTV for home loans beyond 75lacs from 75% to 90% thereby boosting demand in home purchase. Also for loans under 75lacs to 95% from 85% currently.**
4. **Allowing funding of stamp duty alongwith taxes for home loans rather than only taxes as it is today for home loans.**