

**S. S. Hussain** I.A.S. (Ex)

Chief Executive Officer

Ref. No. MCHI/CEO/18-19/011

August 27, 2018

**Sub: Bank Guarantee for Slum Rehabilitation Schemes with 500 or more numbers of slum tenements.**

Dear

We would like to bring to your attention that a considerable amount is deposited with the SRA in the form of bank guarantee based on construction cost of each slum tenement as a performance guarantee towards the construction of the slum tenements. This amount lies frozen and the same amount does not lead to any revenue generation albeit for the bankers at the cost of slum dwellers, SRA and the developers.

In light of the tremendous strain faced by developers in the current market scenario and considering that today most projects and their development is financed by debt with interest rates as high as 32% at times with a minimum average of 15%, the amount kept frozen as bank guarantee, hurts the availability of funds as well disallows the idea of 'making money work.'

While we also find it necessary for SRA to safeguard its development by maintaining some security, we would thereby like to propose that for very large schemes i.e. more than 500 Slum dwellers, Bank Guarantee be allowed to be taken for 500 slum dwellers only. Accordingly, to ensure that construction is safeguarded, the Commencement Certificate in such schemes be allowed to be restricted to only 500 rehab tenements at a time or for as many tenements for which bank guarantee has been furnished subject to a minimum of 500 tenements. The Bank Guarantee for the next rehab building will be linked to the Commencement Certificate of that building and so on.

We believe that such a measure will ensure availability of funds for the construction of rehab tenements and will boost the development of rehab units by allowing for rotation of money.

Yours

(S. S. Hussain)

To,  
**Shri Deepak Kapoor (I.A.S.)**  
Chief Executive Officer  
Slum Rehabilitation Authority  
Bandra (E),  
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