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To,

Shri Nitin Gadkari

Hon'ble Minister for Road Transport and Highways
Government of India

Transport Bhawan, Sansad Marg, New Delhi-110001

Sub: Suggestion about RBI Circular regarding Investments in Alternative Investment Funds (AIFs)

Respected Sir,

As you may be aware that SWAMIH (Special Window for Affordable and Mid-Income Housing) Investment Fund has completed 20,557 homes since inception in 2019. It is India's largest social impact fund specifically formed for completing stressed and stalled residential projects. It is a government backed fund, set up as a Category-II AIF (Alternate Investment Fund) debt fund registered with SEBI (Securities and Exchange Board of India), launched in 2019. The Fund is sponsored by the Ministry of Finance and is managed by SBICAP Ventures Ltd. (a State Bank Group company).

Recently RBI has issued two circulars dated 19th Dec 2023 and 27th March 2024 about instructions addressing certain regulatory concerns relating to investment by regulated entities (REs) in the AIFs.

Rationale for SWAMIH exception: RBI circular intends to prevent evergreening of loans by REs who innovatively transferred their bad loans / NPAs by creating AIF structure and escaping provisioning requirements. However, SWAMIH Fund is very different and needs special dispensation due to following reasons:

- Fund does not provide any refinancing. Proceeds of the Fund's investment are utilized strictly for project completions only. Existing project lenders (after ceding charge) need to continue to follow extant guidelines for provisioning in their books. In fact, this is one of the biggest reasons why the Fund does not have too many referrals for projects from banks / NBFCs.
- Fund has a social objective of completion of stressed projects. None of the RE investors in the Fund owns more than 10% interest in the Fund or exercises any influence or control on the decision making of the Fund, which is completely independent.
- Contrary to evergreening, the Fund has, in fact, facilitated exits of some of the stuck loans / doubtful assets of these REs by providing completion financing for the project which eventually led to liquidity from the project thus enabling exit for these lenders.
- SWAMIH fund by design doesn't provide exit to the existing borrower in the project i.e. it doesn't substitute its loan.
- SWAMIH takes the first charge while the existing lender shifts to the second charge.
- After completion of the project, the first exit is taken by SWAMIH and if there are balance funds, the same are appropriated between the existing borrower entity / entities.

Maharashtra Chamber of Housing Industry

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We humbly request that the RBI circulars dated 19/12/2023 & 27/03/2024 should not be applicable to SWAMIH Fund. Its mandate doesn't allow SWAMIH to do what the regulation intends to do but it's the most affected party because 100% of the funds come from Res. The regulation should carve out exception for SWAMIH i.e it should not be applicable to SWAMIH.

We hope that you will take this request with RBI Governor for its logical conclusion.

Thanking you in advance for your support.

Yours sincerely,

For **CREDAI-MCHI**



Domnic Romell
President



Dhaval Ajmera
Hon. Secretary