

**Note for General Body on Raising of Seed Capital Funds**

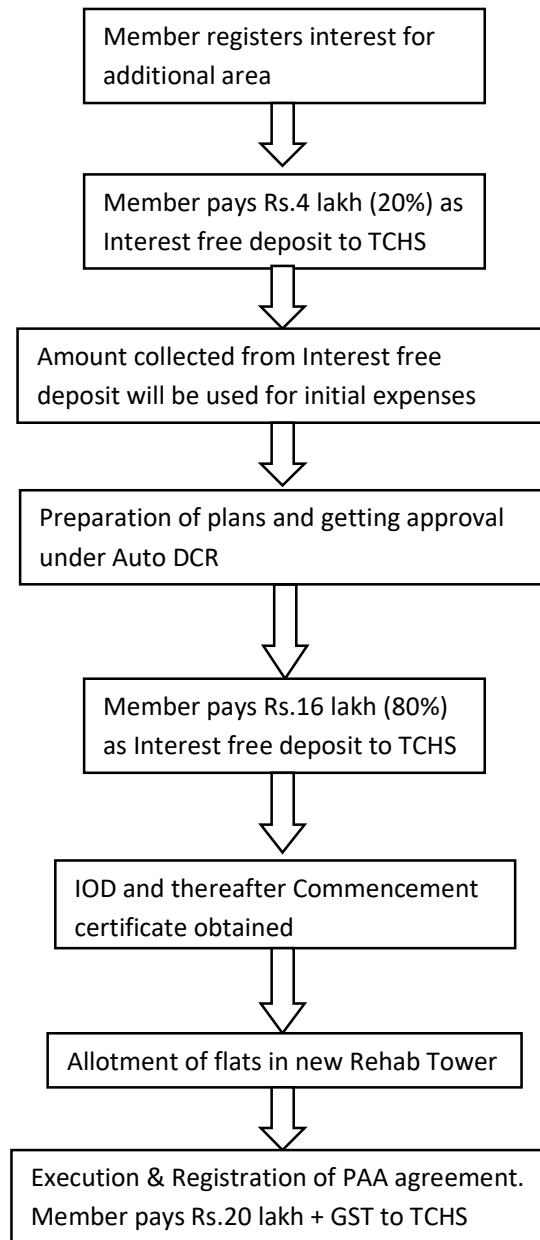
**Redevelopment of Talmakiwadi CHS – Raising of funds for Seed Capital**

1. Talmakiwadi CHS passed unanimous resolution to redevelop the society as per the DCPR 2034 guidelines issued by the Government of Maharashtra. The members have also selected Self Redevelopment model.
2. One of the benefits from the scheme proposed by MPNV Architects was existing members can opt for additional area of 150 sq ft for Rs.20 lakh + GST in addition to the area that they would be getting in the new Rehab Towers.
3. This amount raised by way of booking of additional area by members will be used as Seed Capital for getting various permissions till the stage of obtaining IOD.
4. MPNV Architects has informed us that they have allocated 20,000 sq ft area towards sale of 150 sq ft additional bedroom with bathroom to members. This would mean 133 members can be allotted additional area of 150 sq ft strictly on "First Come First Served" basis.
5. In the last SGM MPNV Architects had indicated that for getting permissions till the stage of IOD an amount of around Rs.50 crore would be needed for payment of charges towards measurement of all tenements by MHADA authorities, Road Line marking, Plot Survey, Traffic survey, Wind velocity study, Plan preparation, etc. which will be needed for the Environmental permission. The application would be made in the name of TCHS.
6. Members will submit their expression-of-interest in availing the benefits of additional area in the self-redevelopment process together with deposit of 20% of the amount at the time of expression-of-interest in the additional area. This amount will be recorded in the books of the society as Interest free deposit.
7. Architects will prepare the building plans based on the basis of 'expression-of-interest' shown by the members in additional area.
8. Once the plans are finalised, the plans and related documents will be uploaded on the BMC portal for approval under Auto DCR. This is a preliminary approval that is provided before submission of the final plans. Till this stage the estimated cost/expenses that would be incurred is around Rs.75 lakh.
9. Upon plan approval under Auto DCR, the balance amount as set out in the expression of interest being 80% will be required to be paid by the member who will be recorded in the books of the society as Interest Free deposit.
10. Thereafter the Society will submit application for IOD.
11. After the IOD is obtained the society will be required to pay various premiums to the authorities and subsequently the authorities will issue the Commencement certificate (C.C.) which is needed to register the project under RERA.
12. In case there is a shortfall in the amount raised from the members towards Seed Capital to meet the cost of approvals, the balance amount would be arranged by MPNV Architects as Unsecured loans from investors which will attract interest rates which would be comparatively higher.
13. Members will be allotted flats in the new structure after the Plan approval and the additional area as set out in the expression of interest by the members will be attached to their allotted (rehab) flat. The Permanent Alternative Arrangement

(PAA) agreement which will be executed between TCHS and the member will be for the rehab flat and include of the additional area of 150 sq.ft which the member acquires as per expression-of-interest shown by the member. This agreement will be stamped and registered.

14. PAA agreement will be executed after obtaining the IOD and around the time of vacating the existing flats and handing over possession of the flat to the society for redevelopment. It is estimated that obtaining the C.C. will take around 18 to 24 months.
15. At the time of execution of the PAA agreement, the deposit will be either refunded back to the member and the members will make payment of consideration of Rs,20,00,000/- to the society or the society convert the this deposit amount to the society as consideration towards Sale of additional area of 150 sq ft, along with prevailing GST.

#### **FLOW CHART**



### **Implications of RERA**

Since our area is more than 500 metres the project it will be mandatory for us to register RERA. However as per MAHARERA order dated December 28, 2022, for Redevelopment projects the existing members do not come under the provisions under section 3 (2)(c) of the RERA.

### **Request from members for time to make the payment of Rs.20 lakh**

There were requests from few members to allow them time to pay the amount over a period of one year. We had approached SVC Bank for consideration of providing loan to the members to buy the additional area. However the Bank has conveyed to us their regret in offering the loan facility to the members. Hence we are unable to provide time of one year to the members to pay the money.

Members may approach their respective banks or financial institutions individually for obtaining loan to pay the required amount.

The bookings for additional area of 150 sq ft will be accepted after approval of the proposal from General Body. Post approval from GB we would be submitting the proposal to the Registrar's office if required.

The society will open a new bank account for recording the transactions pertaining to Redevelopment income and expenses.

The booking amount from the members will be accepted after the opening of bank account.

### **Implications of Stamp duty**

At the time of registration of the PAA agreement the member will additionally need to pay stamp duty and registration charges as per prevailing market rate mentioned in the Government Ready Reckoner in respect of the additional area acquired by the member. Presently the stamp duty is 6% with Registration charges are presently Rs.30,000/-

### **Implications of GST**

As per the GST rules, New under construction projects other than affordable housing projects commenced on or after 01.04.2019 are charged GST @ 5%. Hence when the PAA agreement is executed the member will have to pay additional amount of applicable GST which is presently @5%.

### **Implications of Income tax**

In the last SGM held in October 2023, there was an apprehension raised that since the sale price is less than the market value specified in Ready Reckoner there would be Income tax levied on both buyer and seller. We draw the attention of members to ITAT order of January 2024 pertaining to a similar transaction between Tirupati Developers Vs ACIT where the Tribunal has passed judgement that there would be no separate tax

levied on the Seller for the transaction below the market value in case the additional area is part of the PAA agreement.

For income tax implications on the buyer we are seeking opinion from tax experts and would present their opinion to the General body.

#### **Requests from members for 2<sup>nd</sup> bedroom under the scheme**

1. We have received requests from some members to buy 2 bedrooms under the scheme. It is proposed that preference would be given to the members to buy one additional room (please see below for the details of the proposed cost).
2. In case there is balance area available from the earmarked area the members can book second bedroom of 150 sq ft at Rs.38,000/- per sq ft. (Total Rs.57 lakh + GST). The payment structure would be same as that for the first bedroom i.e. 20% on expression-of-interest and balance after approval of Auto DCR. This would be offered on First Come First Serve basis purely on payment of the deposit amount. This scheme will be for a limited period.
3. After the due date in case there is any balance area remaining, the balance area will be transferred and added to the area of Sale flats available for the society.
4. The balance amount to meet the initial cost till IOD will be arranged for the society as an unsecured loan by MPNV Architects. Raising Seed Capital funding through loans will attract interest costs since this funding will be in the form of unsecured loans.

Withdrawal of expression-of-interest – Since the deposit amount paid by the member will have been already been used in getting the approvals, cancellation/withdrawal of expression-of-interest will not be allowed and the interest free deposit amount would be forfeited.

#### **RESOLUTION PROPOSED**

##### **Resolution 1**

**“Resolved that the members of Talmakiwadi Co-operative Housing Society Ltd hereby approve the proposal brought up by the managing committee to raise seed money in the form of interest free deposits from members to the extent of Rs.30 crore. After the Commencement certificate is received from the authorities this amount would be considered as booking amount towards the sale of 150 sq ft carpet area in the Rehab Tower.**

**Further resolved that the proposal initiated by the managing committee to sell additional carpet area of 150 sq.ft in the new Rehab Tower for a price of Rs.20 lakh + GST after the Commencement certificate is received from the authorities and the managing committee is directed to include this additional area and the sale consideration in the PAA agreement at the time of registration of the agreement.**

**In case there is balance area available for sale, in the Rehab Tower after accommodating the Rehab component and the first additional area of 150 sq.ft, and any member is desirous of buying another additional area of 150 sq ft, the society will**

consider the sale of further additional area of 150 sq.ft on First Come First Serve basis on payment of upfront amount for a price of Rs.38,000/- per sq ft + GST.”

**Resolution 2**

“Resolved that the members of Talmakiwadi Co-operative Housing Society Ltd hereby authorizes the managing committee to raise unsecured loans to the extent of Rs.150 crores (Rupees One Hundred and Fifty Crores only) at a rate of interest of 18% p.a. to meet the shortfall between the funds raised from the members and the cost that would be incurred for the initial stage of project.”

**Resolution 3**

“Resolved that the members of Talmakiwadi Co-operative Housing Society Ltd hereby directs the managing committee to open a separate bank account for the purpose of Redevelopment and credit the proceeds of the interest free deposit and the booking amount to the new account. All transactions pertaining to the Redevelopment project will be routed through this bank account”