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ECONOMIC DEVELOPMENT

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1. Alternate Investment Fund

Why in News?

The Union Cabinet has approved the creation of an Alternative Investment Fund (AIF) of ₹25,000 crore to revive stalled affordable and middle-income housing projects across the country.

About the New Fund

- The fund size will initially be ₹25,000 crore with the government providing ₹10,000 crore and the State Bank of India (SBI) and the Life Insurance Corporation (LIC) providing the balance.
- However, the fund is not capped at ₹25,000 crore and will likely grow as a lot of sovereign funds have shown interest.
- The fund will be set up as Category-II Alternative Investment Fund registered with the Securities and Exchange Board of India (SEBI).
- Eligible projects include all affordable and middle-income housing projects that are:
    - Net worth positive
    - Registered with the Real Estate Regulatory Authority (RERA)
    - That have not been deemed liquidation-worthy
- Stalled projects classified as Non Performing Asset and those undergoing resolution under the National Company Law Tribunal will also be eligible for funding.

Alternate Investment Fund (AIF)

- AIF are private funds which are regulated by SEBI in India.
- Private equity or venture capital, hedge funds, real property, commodities, and tangible assets are all examples of alternative investments.
- There are three categories of AIF:
    - **Category I AIF:**
        - Those AIFs with positive spillover effects on the economy, for which certain incentives/concessions might be considered by SEBI or Government of India. Category I AIF includes the following funds:
            1. Venture capital funds (including angel funds)
            2. Small and Medium-sized Enterprise (SME) funds
            3. Social venture funds
            4. Infrastructure funds
        - It excludes Mutual Funds.
    - **Category II AIF:**
        - An AIF that resorts to leverage or borrowing funds for meeting its day-to-day operational requirements or for activities permitted under SEBI regulations and for which no specific incentives or concessions are given comes under this category.

1. Real Estate Funds
2. Private Equity Funds (PEF)
3. Funds for distressed Assets

- **Category III AIF:**
  - Category III AIFs employ diverse or complex trading strategies like arbitrage, margin trading, futures, and derivative trading.
  - They are considered to have some potential negative externalities in certain situations.
  - This category can make investments in both unlisted and listed derivatives through leverage as per the SEBI (Alternative Investment Funds) Regulation, 2012.
  - An example of Category III AIF is a hedge fund.

2. Indian Institute of Skills

Why in News?

- Ministry of Skill Development and Entrepreneurship (MSDE) is to start the process of setting up Indian Institute of Skills (IISs) in Ahmedabad by the end of the November 2019.
- Early this year, MSDE had given a nod to the proposal for setting up of IISs in three locations:
  - Kanpur (Uttar Pradesh)
  - Mumbai (Maharashtra)
  - Ahmedabad (Gujarat)
  - Process of setting up IISs in Kanpur & Mumbai has already been started.
- These institutes are to be set up on Not-for Profit Public Private Partnership (N-PPP) basis.

About Indian Institute of Skills (IISs)

- The vision behind setting up IIS is to build world-class skill training centres by learning from and imbibing best practices from internationally renowned existing skill institutions.
- IISs are envisaged to have the unique features that would make them different from the existing setup of Industrial Training Institutes (ITIs), Polytechnics, Advanced Training Institutes (ATIs) (which are now known as National Skill Training Institutes).
- The launch of IIS is a step towards making India the Skill Capital of the World.
- Objectives:
  - To provide advanced skills in highly specialised areas – for example defence, aerospace, oil & gas and other emerging business domains.

- To develop highly skilled technical manpower to meet the demands of both current and potential, production/manufacturing & business facilities in India.
- They are expected to emerge as premier training institutions in the country and make vocational training aspirational for the youth.
- Government will provide access to its land to the private partners through a licence.
- IIS seeks to ensure that 5,000 trainees will be passing out every year, five years after commencement of operations, with 70% placement opportunities.

3. Essar Insolvency Case

Why in News?

Through its recent judgement in the Essar Insolvency case, the Supreme Court (SC) has paved the way for ArcelorMittal and Nippon Steel to take over debt-laden Essar Steel.

- SC upheld the **primacy of financial creditors over operational creditors** in the repayments waterfall (in the event of liquidation of assets under IBC).
- SC held that **Committee of Creditors (CoC) is supreme** when it comes to deciding on commercial issues in an insolvency resolution.

Insolvency Resolution Process in India

- **Insolvency and Bankruptcy Code (IBC)** was introduced in 2016 to resolve claims involving insolvent companies and thereby tackle the bad loan problems that were affecting the banking system.
- Under IBC, companies (both private and public limited company) and Limited Liability Partnerships (LLP) can be considered as defaulting corporate debtors.
- The IBC can be triggered if there is a **minimum default of Rs 1 lakh**. This process can be triggered by way of filing an application before the **National Company Law Tribunal (NCLT)**.
- **Resolution Initiation:** The process can be initiated by either the financial creditors or the operational creditors.
  - A Creditor means any person to whom a debt is owed and includes a financial creditor, an operational creditor, etc.
    - Financial Creditors: Institution that provided money to the corporate entity in the form of loans, bonds etc.
    - Operational Creditors: They are usually suppliers of goods, employees and consumers.
- As soon as the matter is admitted by the NCLT, the tribunal proceeds with the appointment of an **Interim Resolution Professional (IRP)** who takes over the management of the defaulting debtor.

- A committee consisting only of the financial creditors i.e. the **Committee of Creditors (CoC)** is formed by the IRP.
- Only operational creditors having aggregate dues of at least 10% of the total debt are invited into the meeting of CoC.
  - Operational creditors are not a member of the CoC and they don't have any voting power.

- The CoC takes a decision regarding the future of the outstanding debt owed to it.
- The resolution plan can be implemented only if it has been approved by 66% of the creditors in the CoC.
- **Liquidation Proceedings:** In the event a resolution plan is not submitted or not approved by the CoC, the liquidation proceedings commences subject to the order of the tribunal.

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