



Cabinet Approves Capital Infusion into NIIF

Why in News

Recently, the Union Cabinet has given its approval to the proposal for equity infusion by the Government of **Rs. 6000 crores** in **NIIF Debt Platform** - sponsored by the **National Investment and Infrastructure Fund (NIIF)**.

- This was **one of the twelve key measures** made by the Union Minister for Finance as part of [Government of India's stimulus to the economy](#), under [Atmanirbhar Bharat](#).

Key Points

▪ Background:

- As per the [National Infrastructure Pipeline](#) (NIP), investment in infrastructure sector is targeted at **Rs. 111 lakh crore over the next 5 years** across various sub-sectors, creating substantial need for debt financing.
- It would require at least **Rs. 60 to 70 lakh** crores in **debt financing**.
- Current environment requires well-capitalized specialized infrastructure focused financial institutions, such as **NIIF Debt Platform** being **developed by NIIF** which can focus on lending across the project life cycle with a strong capital base and expertise driven approach.

▪ The current approval of equity infusion is subject to two conditions:

- Out of the proposed amount, only **Rs. 2,000** crore would be allocated during the current year **2020-21**.
 - However, in view of the unprecedented financial situation and availability of limited fiscal space due to the prevailing [Covid-19](#), the proposed amount may be disbursed **only if there is readiness and demand for debt raising**.
- **NIIF** will take all necessary steps to use the **equity investments from Domestic and Global pension funds and sovereign wealth funds** expeditiously.

▪ NIIF Debt Platform:

◦ It comprises of:

- **Aseem Infrastructure Finance Limited (AIFL)**: It is an IFC (Infrastructure Finance Company), established with the aim of playing a transformative role in growth of Indian infrastructure debt financing.
- **NIIF Infrastructure Finance Limited (NIIF-IFL)**: It was incorporated as an **Infrastructure Debt Fund (IDF)** in 2014 for financing operating infrastructure projects.
- **Contribution**: It is expected to contribute nearly **Rs. 1 lakh crores** in debt to the infrastructure sector over the **next 5 years**.
- **Impact** :
 - It will act as a **catalyst in attracting more investments** into the infrastructure

sector as envisaged in **NIP**.

- The process will also **help relieve exposure of banks to infrastructure projects** and **free up space for new green-field projects**.
- It will **enhance liquidity of infrastructure assets** and **lower the risks**.
- It is expected that a **well-capitalized, well-funded and well-governed NIIF debt Platform** can play a major role in **infrastructure financing and development of the bond market in India** by acting as an intermediary between the bond markets and infrastructure projects and companies.

National Investment and Infrastructure Fund

- NIIF is a **government-backed entity** established to provide long-term capital to the country's infrastructure sector.
 - The **Indian government has a 49% stake** in NIIF with the rest held by foreign and domestic investors.
 - With the Centre's significant stake, NIIF is considered **India's quasi-sovereign wealth fund**.
- It was set up in **December 2015** as a **Category-II Alternate Investment Fund**.
- Across its **three funds viz. Master Fund, Fund of Funds, and Strategic Opportunities Fund**, it manages over USD 4.3 billion of capital.
- Its registered office is in **New Delhi**.

Terms

▪ **Debt financing:**

- When a company borrows money to be paid back at a future date with interest, it is known as debt financing.

▪ **Equity:**

- Equity represents the shareholders' stake in the company, identified on a company's balance sheet.

▪ **Sovereign wealth fund:**

- A sovereign wealth fund is a state-owned investment fund composed of money generated by the government, often derived from a country's surplus reserves.

▪ **Pension fund:**

- A pension fund is any plan, fund, or scheme which provides retirement income.

▪ **Bond:**

- It is a **fixed income instrument** that represents a loan made by an investor to a borrower. In simpler words, a bond acts as a contract between the investor and the borrower. Mostly **Companies and Government** issue bonds and **investors** buy those bonds as a **savings and security option**.

Source:TH