

Events for Mobilization of Extra Budgetary Resources through issuance of Bonds

The Hon'ble Finance Minister in budget speech 2016-17 has announced Mobilization of Extra Budgetary Resources through issuance of Bonds. The budget speech (2016-17) as under: -

“To augment infrastructure spending further, Government will permit mobilization of additional finances to the extent of Rs. 31,300.00 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Waterways Authority through raising of Bonds during 2016-17.”

As per minutes of meeting circulated by Ministry of Finance vide OM no. F.15 (4)-B(CDN)/2016 dated 25.04.2016, the following decisions were taken: -

1. *It was decided that, for guidance of Ministries/ CPSUS/ Autonomous Bodies, the copy of notification in respect of such EBRs raised by MTNL (Annexure-I) previously shall be circulated.*
2. *All Ministries/ Departments concerned were requested to initiate the process of raising the EBRs as indicated in the Budget 2016-17. The quantum of EBRs must be in conformity to actual requirement and optimum utilization for development of infrastructure by respective Ministry/ Department.*
3. *It was clarified that EBR has to be raised and used within the year 2016-17 itself.*

Office Memorandum no. F.15 (4)-B (CDN)/ 2015 dated 03.10.2016 alongwith annexure issued by Budget Division, Department of Economic Affairs, Ministry of Finance, Government of India. With following terms & conditions has conveyed the approval of Government on the subject cited above.

Table 1 below Para 2 of this office memorandum showing the break-up of Rs. 31,300/- which includes Rs. 1000/- indicated for IWAI. The abstract of the instructions contained in the OM are reproduced below: -

Ministry/ Department	Name of Agency	Amount (Rs. in Cr.)	Purpose
Ministry of Shipping	IWAI	1000	Sagarmala Projects and Schemes

2. Out of the EBR of Rs. 31,300 crore, the repayment of principal and the interest payment in respect of the EBR of Rs. 16,300 crore to be raised by PFC, IREDA, IWAI, and NABARD shall be met by Government of India by making suitable budget provisions in the Demand of respective

Ministries/Departments, as and when the need arises. This is a one-time arrangement for the market borrowings in 2016-2017 only.

3. The nomenclature of the Bonds will be “Gol fully serviced bonds’.
4. Bond will be issued through private placement mode using SEBI’S electronic platform.
5. The indicative features of the Bonds to be raised by various agencies are enclosed. The respective agencies should make earnest efforts to achieve the yardsticks of various attributes as indicated in the enclosed statement.
6. Based on the prevailing cost of G-sec borrowing, the advice of RBI and internal deliberations, the coupon rate has been suggested at 10-20 bps over the corresponding maturity of G-sec rate (as per FIMMDA). This rate is only indicative in nature for the agencies to strive for and need not be announced to investors during placement to avoid any bias/manipulations. Efforts should be made to minimize the spread over Corresponding G-sec rates.
7. The resources should be raised on the basis of actual time of use to avoid idle parking of funds.
8. The expenditure out of the EBR shall be made by the Ministries/Departments strictly for the purpose mentioned in the Table-1.
9. The respective Ministry/Department may, if required, sign a MoU with the respective agencies which are raising the EBR.
10. The process of raising the EBR may be completed expeditiously so that the resources are applied for the proposed infrastructure spending at the earliest.
11. Indicative features of the bonds for infrastructure financing as per Para 83 of the Budget speech, 2016-17 for IWAI as per annexure attached with the OM is as under: -

Attributes	IWAI
Nature	1. To be described as ‘Gol fully serviced bonds’ 2. Unsecured, Redeemable Taxable Long Term Bond for Inland waterways and Shipping infrastructure.
Issue Size (in cr)	1000
Tenor	10 years
Face Value	Rs. 10,00,000 per bond
Minimum Issue size/ No. of Tranches	Min issue size 500 cr, in two tranches
Rating	AAA

Coupon Rate	10-20 bps over the corresponding maturity of G-sec (As per FIMMDA)
Mode of Placement	To be done through e-auction platform of SEBI
Redemption	End of 10 years from date of allotment, Bullet repayment
Guarantee and Guarantee fee	An explicit guarantee would not be required in view of servicing by Gol. A letter from Ministry of Finance would be issued No Guarantee fee is required
Issue Expenses	To be borne by GoI
Amount of Payment	Interest payment on Semi-annual basis and principal amount on maturity.

Office Memorandum no. 15 (4)-B(CDN)/2015 dated 18.10.2016 from Ministry of Finance, Government of India state that the purpose of EBR's utilization the same may utilize the EBRs for 'Development of Inland Waterways and Shipping Infrastructure' instead of Sagarmala Projects and Schemes as mentioned in OM of Ministry of Finance dated 03.10.2016.

Office Memorandum no. 15 (4)-B(CDN)/2016 dated 03.01.2017 from Ministry of Finance, Government of India. By this OM, MoF directed as follows: -

- (a) The suggested coupon rate of 10-20 bps over the corresponding maturity of G-Sec rate is only indicative in nature for the agencies to strive for and need not be announced to investors during placement to avoid any bias price manipulations. Efforts should be made by the agencies concerned to minimize the spread over corresponding G-Sec rates to the extent possible. The actual coupon rate may be as per prevailing market condition.
- (b) The EBR should be raised as per actual requirement in 2016-17 expeditiously.
- (c) The tenure of redemption of bonds may be extended to 15 years only if the cost of borrowing is lower than the tenure of 10 years.
- (d) Bonds may be issued through private placement mode using SEBI's electronic platforms for maintaining transparency.
- (e) Ministry of Shipping may utilize the EBRs for development of Inland Waterway and Shipping Infrastructure.

For raising of fund through EBRs the Authority has appointed following agencies as per requirement: -

(i) Credit Rating Agencies - Two rating agencies namely CRISIL and CARE have been appointed and AAA (SO) - stable has been assigned by both agency. The copy of same is attached.

(ii) Prospective Arrangers - 12 Number of Merchant Bankers are appointed as Prospective Arrangers detail as follows: -

1. A. K. Capital Services Ltd.	2. Axis Bank Ltd.	3. Edelweiss Financial Services Ltd.
4. ICICI Bank Ltd.	5. IDFC Bank Ltd.	6. ICICI Securities Primary Dealership Ltd.
7. LKP Securities Ltd.	8. SBI Capital Markets Ltd.	9. SPA Capital Advisors Ltd.
10. TIPSONS Consultancy Services Ltd.	11. Trust Investment Advisors Pvt. Ltd.	12. Yes Bank Ltd.

(iii) Information Memorandum: - Information Memorandum is finalized for E-bidding and uploaded on BSE platform.

(iv) Registrar: - M/s Karvy Computershare Private Limited has been appointed as a Registrar and Transfer agent.

(v) Trustee: - M/s IDBI Trusteeship Services Limited has been appointed as trustee.

(vi) E-bidding Platform - BSE has been selected for using its E-platform for bidding and in principle approval has been obtained.

(vii) Collecting Banker - Bank of Baroda, Parliament Street Branch, New Delhi, has been appointed as a collecting Bank for EBRs.

(viii) Chief Finance Officer (CFO) and Compliance Officer (CO):- In pursuance of SEBI guidelines, Competent Authority has nominated following officials for all the aspects relating to issuance of Bonds: -

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| 1. | Sh. Alok Ranjan, Member (Finance) - | Chief Finance Officer |
| 2. | Sh. A. K. Gupta, CAO (I/c) - | Compliance Officer |

(ix) Bond Committee: - Bond Committee has been formed. The Composition of the same is as under:

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| 1. | Shri Alok Ranjan, Member (Finance) - | Chairman |
| 2. | Shri Shashi Bhushan Shukla, Secretary - | Member |
| 3. | Shri A.K Gupta, CAO(I/c) - | Member |
| 4. | Shri N.K Munjal, Sr. Consultant - | Member |

(x) Investment Committee: - Investment Committee has been constituted in accordance with clause 5 of the Notification of Inland Waterways Authority of India (Issue of Debt Securities) Regulations, dated 2nd Nov., 2016, published on 4th November, 2016. The composition of committee is as under: -

- a) Sh. Pravir Pandey, Vice-Chairman - Chairman
- b) Sh. Alok Ranjan, Member (Finance) - Member
- c) Sh. Shashi Bhushan Shukla, Secretar - Member Secretary
- d) Sh. S. C. Sinha, Retired Executive - Member
Director, Oriental Bank of Commerce and
Ex- Member, B.I.F.R.
- e) Sh. Gajendra Bhujbal, I.E.S. (Retired) - Member
Additional Secretary cum Financial Adviser
Ministry of Chemical & Fertilizers
- f) Sh. N. K. Munjal, Sr. Consultant - Member

The draft IM has been uploaded on BSE platform on 23.02.2017 and the expected date of E-bidding is 01.03.2017 with the issue size of Rs.200.00 crore plus with green shoe option of Rs.300.00 crore.
