

# Ratings



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## Rating Rationale

September 25, 2020 | Mumbai

# Government of India (GoI) Fully Serviced Bonds (Issued by Inland Waterways Authority of India)

*Rating Reaffirmed*

### Rating Action

<b>Rs.1000 Crore GoI Fully Serviced Bonds - IWAI</b>	<b>CRISIL AAA/Stable (Reaffirmed)</b>
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1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL AAA/Stable' rating on the Rs 1,000 crore GoI Fully Serviced Bonds (issued by Inland Waterways Authority of India [IWAI]). Although the bonds are issued by IWAI, the government is meeting the debt obligation on these bonds directly through budgetary allocation under a separate designated head.

The rating reflects CRISIL's belief that ensuring timely and full servicing of the bonds is the government's obligation. The Union Cabinet has approved the issuance of these bonds, and the principal repayment and interest payment on the bonds will be met by the central government through budgetary allocations. The rating also factors in the strengthening of the payment mechanism through a memorandum of understanding (MoU) between IWAI and the Ministry of Shipping (MoS), GoI.

### Key Rating Drivers & Detailed Description

\* **Direct payment by the government:** The Union Cabinet approved the issuance of these bonds on September 21, 2016. The bonds were thereafter named GoI Fully Serviced Bonds through an office memorandum (OM) from the Ministry of Finance (MoF) dated October 3, 2016. The MoF, through its OM dated October 20, 2016, further clarified that the bonds would be fully serviced (interest and principal) by the government through allocations under the general budget.

\* **Payment mechanism strengthened through MoU:** Funds for the payment of interest and principal on the bonds are made available to the MoS at the start of the fiscal by the government through budgetary allocation. As per the MoU, MoS will deposit the funds in a designated account five days before the due dates. IWAI has also appointed a trustee to monitor the designated account for repayment. The MoU streamlines the fund transfer to the designated account while ensuring adherence to the payment timelines.

### Liquidity Superior

Liquidity for servicing of the GoI Fully Serviced Bonds is superior, supported by budgetary allocation. Financial flexibility is strengthened by the strong fund support from the government which is focussing on developing the waterways transport in India.

### Outlook: Stable

The rating outlook on the bonds reflects CRISIL's outlook on the credit quality of the government.

### Rating Sensitivity Factors

#### Downward Factors

- \* Budgetary allocation lower than the payment obligation
- \* Non-adherence to the payment structure.

### About IWAI

IWAI was constituted on October 27, 1986, through the Inland Waterways Authority of India Act, 1985, for the regulation and development of inland waterways for shipping and navigation. IWAI is mandated with the development and regulation of those waterways declared as National Waterways.

In April 2016, the central government declared 106 additional national waterways, taking the total to 111 through The National Waterways Act, 2016. IWAI is executing a major project for capacity augmentation of National Waterway I (named Jal Marg Vikas Project), aimed to cover 1,620 kilometre. The project, spanning six years, will enable commercial navigation of at least 1,500 tonne vessels over the stretch of National Waterway I and will be completed by December 2023. The revised estimated project cost was Rs 4,663 crore as of June 2020.

### Key Financial Indicators - IWAI

Particulars	Unit	2020	2019
Revenue	Rs.Cr	120	159
Profit After Tax (PAT)	Rs.Cr	-173	-166.8
PAT Margin	%	NM	NM
Adjusted debt/adjusted networkth	Times	0.56	0.63
Interest coverage	Times	NM	NM

NM: Not meaningful

**Any other information:** Not applicable

### Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels).

### Annexure - Details of Instrument(s)

2070078/2024/IWAI-DD(F)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity level	Rating assigned with outlook
INE896W08012	GoI Fully Serviced Bonds - IWAI	03-Mar-2017	7.9%	03-Mar-2027	340	Simple	CRISIL AAA/Stable
INE896W08020	GoI Fully Serviced Bonds - IWAI	13-Oct-2017	7.47%	13-Oct-2027	660	Simple	CRISIL AAA/Stable

**Annexure - Rating History for last 3 Years**

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	1000.00 25-09-20	CRISIL AAA/Stable			30-09-19	CRISIL AAA/Stable	17-09-18	CRISIL AAA/Stable	27-09-17	CRISIL AAA/Stable	--
										21-02-17	CRISIL AAA(SO)/Stable	

All amounts are in Rs.Cr.

**Links to related criteria**[CRISILs Approach to Financial Ratios](#)[Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support](#)**For further information contact:**

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