

Inland Waterways Authority of India

October 06, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Government of India Fully Service Bonds raised by IWAI*	1000.00	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Total Facilities	1000.00 (Rs. One thousand crore only)		

Details of instruments/facilities in Annexure-1

*The repayment of principal and interest on the said bonds is met by the Government of India (GoI) by making suitable budgetary provisions. The ratings assigned to these bonds do not reflect the ability of IWAI to repay on a standalone basis.

Detailed Rationale & Key Rating Drivers

The reaffirmation of rating assigned to the Government of India (GoI) Fully Serviced Bonds factors in the obligation of the GoI to repay the principal and the interest amount by making suitable budgetary provisions as per the letter dated October 03, 2016 issued by Department of Economic Affairs, Ministry of Finance, GoI. The rating also draws comfort from the payment mechanism stipulated through Memorandum of Understanding (MoU) signed between the Ministry of Shipping (MoS) and IWAI.

Rating Sensitivities

Negative Factors

- Budgetary allocations by the Central Government lower than the payment obligations
- Non-adherence/breach of payment structure mechanism

Detailed description of the key rating drivers

Key Rating Strengths

Obligation of debt servicing lies directly with the GoI:

The long term bonds being raised by IWAI have been christened as 'Government of India fully serviced bonds'. Ministry of Finance, GoI vide its office memorandum dated October 03, 2016 and October 18, 2016 approved the raising of Extra Budgetary Resources (EBR) and mandated IWAI to raise Rs. 1000 crore under the said EBR scheme for development of inland waterways and shipping infrastructure. As per the aforementioned office memorandum, the repayment of principal and the interest payment in respect of the above EBR shall be met by the Government of India by making suitable budgetary provisions in the demand of respective Ministries/ Departments as and when the need arises. The responsibility of servicing the debt obligations is directly with GoI itself and it is not in the nature of external additional support. Such budgetary provisions have been evidenced over the past few years.

Memorandum of Understanding (MoU) between MoS and IWAI:

As per the MoU dated September 11, 2017 signed between MoS and IWAI for raising of GoI fully serviced bonds, the funds raised through these bonds shall be utilized for the implementation of ongoing infrastructure projects. IWAI shall inform MoS 30 days before the due date about the maturity and MoS shall ensure that at least five days before the due date of interest/principal repayment, sufficient funds are transferred in IWAI's designated bank account for the debt service payment.

Liquidity: Strong

Liquidity is strong since the repayment of the said bonds would be done by Government of India (GoI) by making suitable budgetary provisions.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Analytical approach: CARE has arrived at the rating of the GoI Fully Serviced Bonds of IWAI by considering the principal and interest obligations of the said bonds are to be met by the GoI by making suitable budgetary provisions.

Applicable Criteria

[CARE's policy on default recognition](#)

[Criteria on assigning credit watch and outlook to ratings](#)

[Rating Methodology-Infrastructure Ratings](#)

[Financial Ratios-Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector Entities](#)

[CARE's Methodology for factoring linkages](#)

About the Company

Inland Waterways Authority of India (IWAI) was constituted on October 27, 1986 under the Inland Waterways Authority Act of India, 1985. IWAI is responsible for development, maintenance and regulation of waterways declared as 'National Waterways' (NW's). It also advises the Ministry of Shipping (MoS) on all matters regarding Inland Waterways Transportation (IWT). IWAI primarily undertakes projects for the development and maintenance of IWT infrastructure on national waterways through grants received from MoS.

IWAI has a well-defined organization structure and is managed by board members (Whole-time and part-time). In addition the board has full-time experienced members who individually look after the functions of finance, technical and traffic. In April 2016, GoI had declared 106 new waterways as National Waterways to the existing 5 waterways.

Brief Financials (Rs. crore)	FY19 (U/A)	FY20 (Prov)
Total operating income	185.71	152.33
PBILDT	703.29	406.59
PAT	158.71	120.17
Overall gearing (times)	(166.83)	(173.03)
Interest coverage (times)	NM	NM

U/A: Unaudited, Prov: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Complexity level of various instruments rated for this company: Annexure 3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN No.	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
GoI fully serviced bonds	INE896W08012	March 3, 2017	7.90%	March 3, 2027	340.00	CARE AAA; Stable
GoI fully serviced bonds	INE896W08020	Oct 13, 2017	7.47%	Oct 13, 2027	660.00	CARE AAA; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	1000.00	CARE AAA; Stable	-	1)CARE AAA; Stable	1)CARE AAA; Stable	1)CARE AAA; Stable

						(03-Feb-20)	(04-Dec-18)	(25-Sep-17)
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Annexure 3: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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