

Rating Rationale

August 29, 2022 | Mumbai

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

Rating Reaffirmed

Rating Action

Rs.1000 Crore Bond	CRISIL AAA/Stable (Reaffirmed)
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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL AAA/Stable' rating on the Rs 1,000 crore Government Of India (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 the expectation 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. In line with the MoU, MoS deposits the funds in a designated account at least five days before the due date. IWAI has also appointed a trustee to monitor the designated account for the repayment. The MoU streamlines the fund transfer to the designated account, while ensuring adherence to the payment timelines.

Liquidity: Superior

Liquidity is superior, supported by the budgetary allocation for the servicing of the bonds. Cash and bank balance estimated at the end of fiscal 2022 stood at Rs 108 crore. The financial flexibility is further strengthened by the strong financial support from the government for the development of waterways transport in India.

Outlook: Stable

The rating outlook on the bonds reflects the outlook of CRISIL Ratings 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 the Company

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 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

Particulars	Unit	2022	2021
Revenue	Rs crore	127	117
Profit after tax (PAT)	Rs crore	-155	-105
PAT margin	%	NM	NM
Adjusted debt/adjusted networkth	Times	0.46	0.50
Interest coverage	Times	NM	NM

NM: Not meaningful

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity

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levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
INE896W08012	GoI Fully Serviced Bonds - IWAI	03-Mar-17	7.9%	03-Mar-27	340	Simple	CRISIL AAA/Stable
INE896W08020	GoI Fully Serviced Bonds - IWAI	13-Oct-17	7.47%	13-Oct-27	660	Simple	CRISIL AAA/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2022 (History)		2021		2020		2019		Start of 2019
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	1000.0	CRISIL AAA/Stable		--	17-09-21	CRISIL AAA/Stable	25-09-20	CRISIL AAA/Stable	30-09-19	CRISIL AAA/Stable	CRISIL AAA/Stable

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support

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