



Cabinet

# Cabinet approves revalidation of permission to raise Extra Budgetary Resource (EBRs) of Rs. 660 crore as Government of India Bonds by Inland Waterways Authority of India (IWAI) in 2017-18

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the Revalidation of permission to raise Extra Budgetary Resource (EBRs) of Rs. 660 crore as Government of India Bonds by Inland Waterways Authority of India (IWAI) in 2017-18.

The proceeds from the bonds will be utilized by IWAI for development and maintenance of National Waterways (NWs) under National Waterways Act, 2016 (effective from 12.4.2016). Funds received through issue of bonds will be used exclusively for capital expenditure to improve infrastructure funding.

## Modalities

The investment to be undertaken for development of NWs on identified projects in 2017-18 is estimated to be approximately Rs. 2412.50 crore. The World Bank has sanctioned a loan of USD 375 million for Jal Marg Vikas Project (JMVP) on 12.04.2017. During 2017-18, out of estimated expenditure of Rs.1715 crore for JMVP, it is expected that the World Bank would remit a loan amount of Rs. 857.50 crore. Accordingly, the total requirement of funds in 2017-18 is Rs. 2412.50 crore. During the year 2016-17, IWAI was allocated a sum of Rs. 296.60 crore for creation of capital assets which has been reduced to Rs.228 crore in BE, 2017-18. Raising bonds is intended to bridge this gap.

The principal and interest in respect of the EBRs worth Rs. 660 crore shall be financed by the Government of India by making suitable budgetary provisions in the Demand of the Ministry of Shipping to meet the bond servicing requirements as and when the need arises. The interest payment will be on semi-annual basis and the principal on maturity.

The whole exercise would be undertaken by IWAI through appointment of lead managers and coordination with SEBI. Funds will be released in 02 tranches keeping the size to get attractive yield from the borrowers. Borrowing in the last quarter of the year 2017-18, especially during the last two months of the year 2017-18 would be avoided.

## Background:

Gross budgetary support from the Government of India and external financial support for funding development and maintenance of 106 new National Waterways under National Waterway Act, 2016, is grossly inadequate. There is, therefore, dire need for revalidation of permission to raise EBRs of balance amount of Rs 660 crore (Rs. 1000 cr - Rs. 340 crore raised and utilized during 2016-17).

In his budget speech, 2016-17, the Hon'ble Finance Minister announced as under:

"To augment infrastructure funding further, Government will permit mobilization of additional finances to the extent of Rs. 31,300 crore by NHAI, RFC, REG, IREDA, NABARD and IWAI through raising bonds during 2016-17."

In accordance with this announcement, IWAI was allowed to issue infrastructure bonds worth Rs.1000 crore for the first time during 2016-17. As it was their maiden effort, they could succeed to raise Rs.340 crore on 01.03.2017 through e-bidding for development of inland waterways and shipping infrastructure during 2016-17 at coupon rate of 7.9 per cent.

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