Rejoinder to the news item published in the Deccan Chronicle under the caption “Capital bonds to cost AP: Experts” dated 17th August 2018.

This is to bring to the notice of Deccan Chronicle that many statements in the news item published under the caption “Capital bonds to cost AP: Experts” dated 17th August 2018, are factually incorrect. A correction to the news item may please be published in the interest of your esteemed readers who appreciate only facts; and if possible, by giving equal coverage, to undo the ill effect of misleading occurred due to the said news item.

1. The interest rate quoted in the news item as 10.5 % is factually incorrect. The actual rate is 10.32%. The news item states that interest is paid monthly at Rs 21 Cr, which is also factually incorrect. The fact is that the interest is not paid monthly but quarterly.

2. The calculation shown that the interest paid per annum is Rs 2520 Cr is utterly wrong and simply not a fact but a figment of imagination. The statement that “the government has to pay commission to the Bombay Stock Exchange and around Rs 400 Cr additional funds are needed to pay 20 percent incentive for the bonds after five years” is also a factually wrong statement and simply misleading.

3. It is clarified that there is no commission nor service charge paid to the Bombay Stock Exchange for utilising the services for conducting the bidding on BSE electronic bidding platform, though a nominal fee of few thousands to be paid for listing the bonds.

4. There is no such “20 percent incentive” as mentioned in the report quoting the “experts”. To clarify, it is not “incentive”
but simply repaying the Principal. There is no need for “additional funds”, as Principal must be repaid in any debt, which is a common understanding. The repayment of Principal starts from 6th year onwards as per the Bond’s structure and every year the Principal will be repaid thereafter at 20% per annum i.e., 400 Cr (20% of 2000 Cr). At this rate of 20% per annum, total principal of Rs 2000 Cr is repaid in next five years from 6th year onwards of total tenor of 10 years. As per the actual calculations, the interest rate for 10 years would be Rs 1573.73 Cr only, not “at least another 3000 Cr” as highlighted in the report.

5. Perhaps even a cursory study of the structure of the Bond would have helped avoiding the fundamental calculation errors by the “experts” thereby avoiding misleading the people of Andhra Pradesh based on such preposterous calculations.

6. In addition, it may not be out of context to point out that the interest rate charged by HUDCO, which is a GoI agency for funding core infrastructure projects across states like AP, Telangana, UP, MP, Maharashtra is 10.10% yearly rate, 3 yearly rate of 10.25% and a floating rate of 10.35% above three years.

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