

## Response to certain news items published in the “Capital bonds”.

Certain News articles appeared in some English News Papers “Capital bonds” are factually incorrect. To undo the ill effect of misleading occurred due to the said news items a clarification is made available for public.

1. The interest rate being mentioned as 10.5 % is factually incorrect. The actual rate is 10.32%. 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 not a fact. 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.
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 being mentioned by the “experts”. 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 6<sup>th</sup> 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 News Papers 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 Government Of India 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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