

## NHAI Infra Bond issues

We recently attended the analyst meet conducted by National Highway Authority of India (NHAI) on 26 Dec 2011, regarding a bond issue. Following are some of the important points.

### Object of Issue

NHAI intends to use the issue proceeds only for part-financing of various projects it has undertaken. It will not utilize the funds for providing loans or acquiring shares or any other activity other than financing its projects, although 1.4% of issue size will be used as issue expenses.

### Issue Size

NHAI has offered tax-free, secured, redeemable, non-convertible bonds issue of Rs **10,000 cr, to be issued in two portions or two series of bonds, each having a limit of Rs 5,000 cr, with Rs 1,000 per bond in both series.**

### Issue Program

Issue opening date: 28 Dec 2011

Issue closing date: 11 Jan 2012

Deemed date of allotment: Deemed date of allotment shall be the date as may be determined by the board and committee and notified to BSE & NSE.

### Positives

- NHAI is a GoI approved agency for the development of NHs. NHAI infuses and channels private players participation and funds into immediate areas of development bringing about a healthy participatory economy
- NHAI has a track record of consistent operational performance. It has completed development of above 1,500 km every year.
- NHAI has initiated several innovative processes over the years which have been different from the existing industry practices. It includes performance based contracts in bonus and penalty provisions, which has resulted in improved construction and service quality and favourable peer review
- Favourable credit rating by CRISIL, CARE and FITCH

### Risks

- Land acquisition risk that includes acquiring requisite land for project highways, which is subject to large number of factors i.e. government policies, social and political environment, funds required and subject to approval of many stakeholders.
- Approval risk that includes obtaining approvals/permissions of state government, Village Panchayat and Pollution Control Board and Inspector of Factories.
- Risk from Government as a policy maker.

- Force Majeure risk includes factors like earthquake, extreme adverse weather conditions, explosions etc.

## Details

Particulars	Tranche 1 Series 1 Bond	Tranche 1 Series 2 Bond
Tenor	10 years	15 years
Redemption Date	At the end of 10 years from deemed date of allotment	At the end of 10 years from deemed date of allotment
Redemption amount	Face Value + interest that may have accrued at the redemption date	Face Value + interest that may have accrued at the redemption date
Frequency of interest payment	Annually (1 Oct)	Annually (1 Oct)
Minimum Application Size	Rs 50,000 (50 bonds)	Rs 50,000 (50 bonds)
Multiples of	Rs 1,000 (1 bond)	Rs 1,000 (1 bond)
Face value & Issue price	Rs 1,000 per bond	Rs 1,000 (1 bond)
Interest rate	8.2% p.a.	8.3% p.a.
Credit rating	AAA/Stable by CRISIL CARE AAA by CARE Fitch AAA (ind) with stable outlook by FITCH	AAA/Stable by CRISIL CARE AAA by CARE Fitch AAA (ind) with stable outlook by FITCH

1. Applicants are categorised into 3 categories, where ratio of allotting bonds would be 4:3:3 to category 1, category 2 and category 3 respectively.
  - Category 1- Authorised Financial Institutions, Statutory Corporations, Commercial and Co-operative Banks, RRBs, Provident & Pension Funds, Insurance Companies, Mutual Funds, FIs, Corporate bodies, Public/ private charitable/ r religious trusts, Scientific and/or Industrial research organisations and partnership firms.
  - Category 2- Resident Indian Individuals, HUFs and NRIs categorised as High Net-worth Individuals (HNI) where application is for and amount aggregating to above Rs 5 lakh.
  - Category 3- Resident Indian Individuals, HUFs and NRIs categorised as retail investors where application is for and amount aggregating to upto and including Rs 5 lakh.

2. For categories 1 and 2 bonds will be allotted on a first-come-first-serve basis and for category 3 i.e. retail investors, the allotment will be on a proportionate basis.
3. Bonds will be allotted in both forms, i.e. according to investor's preference either in physical or dematerialised form.
4. Bonds will be listed in BSE and NSE.
5. The issue is not underwritten.
6. There is no minimum subscription amount for the issue.
7. Bonds are tax free and will be redeemed at par on respective maturity dates of each bond series.
8. SBICAP Trustee Company Ltd has been appointed to act as trustee for bondholders.
9. NHAI will allot Tranche 1 Series 2 Bond to those applicants who will not indicate their choice of relevant bond series.

### **NHAI Profile**

National Highway Authority of India is a Government of India (GoI) authority which is responsible for the development, maintenance and management of National Highways (NH) in India, for which it outsources design, construction, supervision, operation and maintenance activities of NH.

NHAI receives its funding mainly through cess fund from cess charges on petrol and diesel, toll revenue and premium from investors. Other than this it gets government support in form of capital base, budgetary support, capital and maintenance grants and market borrowings. NHs developed by NHAI carry 40% transport loads out of total transport loads on National Highways.

Out of around 71,500 km of total National Highways/Expressways in India, NHAI has projects for 55,200 km of NHs, out of which it has completed around 16,500 km of projects. Its target for the next year is to reach completion of 20,000 km i.e. constructing 3,500 km of National Highways till FY13 subject to favourable land acquisition conditions. Also NHAI is targeting construction of 20,000 km in next three years by constructing 20 km per working day.

**Pratik Gohil**  
**pratikg77@yahoo.com**