

**PROSPECTUS FOR ISSUE OF TASHI AIR PRIVATE LIMITED CORPORATE
BOND – SERIES VAGGREGATING TO NU. 175.98MILLION.**

This prospectus constitutes full and true disclosure of all material facts relating to the script offered by this document as required by the Companies Act of Bhutan 2016 and in line with the rules and regulations for issuance of corporate bond in Bhutan.

1. General Information

Tashi Air Private Limited is pleased to offer secured bonds of Nu.1000/- each for cash at par aggregating to Nu. 175.98 million through Public Offering.

- 1.1. Name of the Company: Tashi Air Pvt. Ltd.
- 1.2. Registered Office: P.O. Box no. 1517, Tashi Mall, Opposite Pemako, Thimphu Bhutan.
- 1.3. Name & Address of Auditors: M/s Mookherji Biswas & Pathak Chartered Accountants.
- 1.4. Registration/ License: Registered as Private Limited Company under the Companies Act of Bhutan 2016 vide registration no. U20110613THI0271 dated 13th June 2011.

2. Objectives of the Issue

The Company has various debts and obligations availed for the upkeep of the Airline business with emphasis on aircraft lease rental, Engine Thrust Upgrade payments 6years/12years checks, and Working Capital loans with high periodic repayments. The working capital requirement has also increased because of the increase in the cost of operations owing to the Covid-19 pandemic. The Covid-19 pandemic has impacted the travel and tourism industry globally, which has also adversely affected on the airlines business in Bhutan. These have resulted into severe cash flow problems and facing working capital shortages to meet the operational and other statutory expenditures. The Fund raised will be used as follows:

- To correct the cash flow issue and augment the working capital needs of the company.

3. Particulars of Offer

- a. Offer of Bonds



Issue Price	No. Of Scripts to be Offered.	Opening Date	Closing Date	Allotment Date	Nature and Securities of the Bond
Face Value Nu. 1,000	175,980				<p>It is secured by the remaining securities from the Corporate Bond Series III& IV as follows:</p> <ol style="list-style-type: none"> 1. Corporate Guarantee worth Nu. 1.95 billion by Tashi Metals Private Limited. 2. Tashi Real Estate Private Limited's land worth Nu. 1.17 billion. 3. RICBL Shares worth about Nu. 785,018,565/-. 4. Land Purchase undertaking of TashiInfoCommPrivate Limited. 5. Secured by land bearing Thram no. 5031, plot no. Core-027 measuring 3.48 acres located in Thimphu valued at 1.09 billion with pari passu charges being created with the consent from BoBL. Out of 1.09 billion, we are pledging Nu. 496 million for this corporate bond issue.

4. Term of the Bond, Coupon Rate and Interval of Payment

Term	Coupon/Interest Rate	Payment of Coupon Amount
7 Years	7.5% p.a. (From the date of Allotment)	Annual coupon payment

5. Listing of Bond

The Bond will be listed with the Royal Securities Exchange of Bhutan within two weeks from date of allotment.

6. Maturity Period

The Maturity period of the Bond will be for ~~7~~ (Seven) years from the date of allotment as specified above.



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7. Guarantee to the Issue

This Corporate Bond is secured by Corporate Guarantee of Tashi Metals Private Limited worth Nu. 1.95 billion. It is secured further by the plots of land in the name of Tashi Real Estate Private Limited worth Nu. 1.17 billion along with the land in the name of Tashi Commercial Corporation pledged by the proprietors for the bond issue and RICBL shares worth Nu. 785,018,565/- which is jointly worth Nu. 1.955 billion. The TREPL land value is further secured based on the purchase undertaking at a total of Nu. 1.17 billion by TashiInfoCommPrivate Ltd. The land bearing Thram no. 5031, plot no. Core-027 measuring 3.48 acres within Thimphu Thromde valued at around 1.09 billion at common bankrate and building on it valued at 144,972,750/- at PAVA rate is also placed as security to guarantee the issue.

8. Method of Distribution

Based on the subscription, the application will be received only for a minimum of 100 (One Hundred) scripts for institutional investors and 10 (Ten) for private Individuals.

9. Basis of Allotment

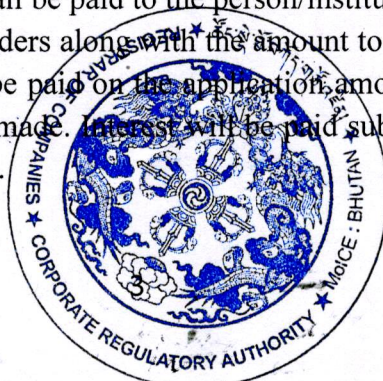
The allotment shall be done as per the automated trading system of the Royal Securities Exchange of Bhutan Limited. Un-allotted application will not be accepted and the money will be refunded within five working days without interest thereon. An applicable interest would be paid if the un-allotted amount is not refunded with the above specified period. The company reserves the right not to accept any application without assigning any reason whatsoever.

10. Redemption

The issuer shall create a redemption reserve after a minimum of lock in period of 3 (three) years, on an annual basis for an equal installment of 20% of the bond amount, The redemption reserve shall be created from the beginning of the fifth year and shall achieve 100% principal bond amount by the end of the maturity period i.e 10th year. The redemption reserve is to be kept in the guarantor company's books of accounts.

11. Payment of Coupon

The interest or coupon amount shall be paid to the person/institution by A/c payee cheque upon receiving the list of bondholders along with the amount to be paid from the RSEBL on yearly basis. No interest will be paid on the application amount held by the company for which allotment could not be made. Interest will be paid subject to deduction of TDS as per applicable rules on taxation.



12. Eligibility

All companies/institutions registered within the Kingdom are eligible to apply/allotment. Private individuals holding Bhutanese Citizenship will be eligible, while minors are not eligible to either apply or get allotment of the scripts.

13. Risk Factors

13.1 The Company has been taking numerous actions to avert risk and enhance liquidity and has had to, and is likely to continue to have to, draw on its financing facilities in order to meet its high interest costs on borrowings till date and meeting its working capital requirements for its post Covid-19 operations. All the flight operations were stopped since March 2020 and over the period the company maintained very minimum strength of key employees to reduce losses. Consequently, the company's net debt has increased substantially during the period under review. These increases were attributed to meeting all its the fixed costs during the pandemic which included salary and wages for the minimum strength of employees maintained, aircraft maintenance costs and the monthly lease rental payments to the aircraft Lessors over the last two years of the pandemic.

13.2 The uncertainty of the recovery of the tourism sector and Covid-19 restrictions imposed by various countries could still be a big challenge for the airline industry. For Bhutan it faces some uncertainty as to when the government Covid-19 restrictions (Quarantine regime) on entry will be lifted though the RGoB is considering opening its doors to visitors from 23rd September 2022.

13.3 Any investment in equity shares involves certain degree of risk. The following are some of the possible risks and uncertainties: Economic recessions or downturns or may also financially affect with lower passenger load factor, low cargo revenue and other revenues. Tashi Air Private Limited has to compete with the Druk Air for the sectors that are flying in and out of Bhutan and with other Airlines in the sectors that are out of Bhutan, e.g., to the destinations such as Kathmandu, Kolkata, Delhi, Gaya and Bangkok.

13.4 Demand for Tashi Air can also be affected by global fluctuations in foreign currency and interest rates.

13.5 Fuel Price Volatility: Fuel expenses accounts to more than 40% of the operation cost and any significant rise in fuel price may also impact the revenue of the airline.



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14. Force Majeure

External global events including terrorist attacks, military conflicts, natural disasters such as earthquakes, floods, storm and volcanic eruptions can cause material reductions in demand for the airline passenger services.

15. Financial Highlights and future outlook after Bond issue

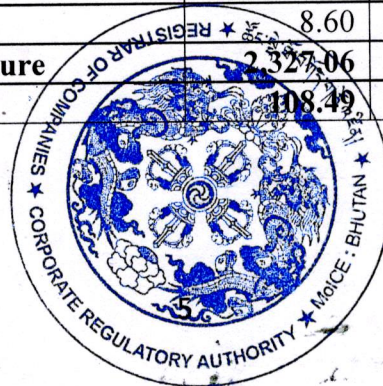
Besides schedule passenger and cargo flight operations, we are also embarking on the various passenger and cargo charter flight operations from the countries Singapore, Vietnam, Malaysia, Indonesia, Korea, Hongkong, UAE etc. to maximise aircraft utilisation and increase revenue. The regional fares have been made equivalent to international fares (which is almost two folds increase in airfare). This will significantly contribute to our revenue.

Following the above information and in line with the decision on the RGOB's tourism sector improvement and other relevant sectoral developments, the projected the statement on the company's Comprehensive Income and Financial Position for three years has been appended hereunder:

15.1 Statement of Comprehensive Income

The Projected Statement of Comprehensive Income (Profit & Loss Account) from FY 2024 to FY 2026 is as below:

<i>Nu. in Millions</i>			
Particulars	2024	2025	2026
Revenue			
Traffic Revenue	2,089.85	2,433.31	2,634.41
Other revenue	345.70	338.17	380.4
Total Revenue	2,435.55	2,771.48	3,014.81
Expenses			
Flight Operation Cost	1,423.53	1,624.26	1,752.26
Aircraft maintenance costs	287.14	301.35	350.35
Commission charges	210.15	251.16	252.16
Employee & Administrative costs	259.64	285.60	311.80
Finance charges	138.00	142.00	145.00
Depreciation	8.60	5.60	7.10
Total Expenditure	2,327.06	2,609.97	2,818.67
Operating Profit/(Loss)	108.49	161.51	196.14



15.2 Statement of Financial Position

The Projected Statement of Finance Position (Balance Sheet) from FY 2024 to FY 2026 is as below:

(in Nu)

Particulars	Financial Years		
	2024	2025	2026
Source of Fund			
Share Capital	449,876,646.52	449,876,646.52	449,876,646.52
Reserves & Surplus	-1,143,424,181.79	-981,914,181.79	-785,774,181.79
Non-Current Liabilities	2,205,482,001.00	2,202,025,868.00	2,200,941,717.00
Current Liabilities	639,634,191.00	553,429,365.00	479,181,233.00
Total	2,151,568,656.73	2,223,417,697.73	2,344,225,414.73
Application of Fund			
Non-Current Asset	2,026,678,866.00	1,993,788,865.73	1,798,958,865.73
Current Assets	124,889,790.73	229,628,832.00	545,266,549.00
Total	2,151,568,656.73	2,223,417,697.73	2,344,225,414.73
Profit before Tax	<i>108,490,000.00</i>	<i>161,510,000.00</i>	<i>196,140,000.00</i>

16. Capital Structure of the Company

16.1 **Authorised Share Capital:** the authorised capital of the company stands at Nu. 1,000 million as on date.

16.2 **Paid Up Capital:** The paid-up capital amounted to Nu. 411.0592 million and is expected to increase in the coming operational years.

17. Particulars of Present Board of Directors

1. Dasho Wangchuk Dorji, TCC, Chairman
2. Dasho Topgyal Dorji, TCC, Director
3. Ashi Savitri Dorji, Director
4. Mr. Pema Namgyel Nadik, CEO/Member Secretary

18. Details of the Previous Bonds issued, if any.

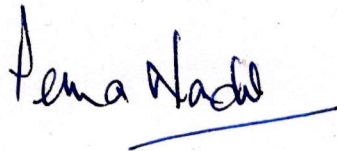
Issued Tashi Air Private Limited Corporate Bond Series II and III worth Nu. 1.30 billion and Nu. 1.05 billion respectively. The subscription for Corporate Bond Series II was Nu.



250.00 million and Series III was Nu. 554.00 million. Also issued Corporate Bond Series IV for Nu. 490 million with a subscription of Nu. 320.002 million.

19. Declaration

We hereby declare that most of the relevant provisions of the Companies Act 2016 and the Prudential Regulation 2017 issued by the Royal Monetary Authority and Royal Securities Exchange have been complied with and no statement made in the prospectus is contrary to the provisions of the Companies Act 2016.



Chief Executive Officer

Director

Place: Thimphu
Date:

Chief Executive Officer
Bhutan Airlines (Tashi Air Private Limited)
Tashi Mall, Opposite Taj Tashi
THIMPHU: BHUTAN

