

IDFC Infra Bond Issue Note

Issuer	Infrastructure Development Finance Company Ltd
Issue	Public issue of second tranche of long term infrastructure bonds of face value of Rs. 5,000 each in the nature of secured, redeemable, non-convertible debentures having benefits under section 80CCF of the Income Tax act, 1961, not exceeding Rs. 4400 crs to be issued at par on the terms
Recommendation	SUBSCRIBE
Acceptance	ON FIRST COME FIRST SERVE BASIS
Issue Date	11 th January 2012 – 25 th February 2012
Book Running Lead Manager	ICICI Securities, JM Financial, Karvy, Kotak Mahindra, IDFC Capital Ltd
Co Lead Managers	RR Investors Capital Services, Bajaj Capital, SMC Capitals
Registrar	Karvy Computershare Pvt Ltd
Stock exchange proposed for listing	BSE, NSE after 5 years
Trading lot	1 Bond
Depositories	NSDL and CDSL
Rating	AAA/Stable by Fitch and ICRA AAA (stable) by ICRA
Sector	NBFC

Details of the issue		
Tranche II Bonds Series	I	II
Tenor (in months)	120	120
Frequency of Interest payment	Annual	Cumulative
Minimum Application	Rs 10,000	Rs 10,000
In Multiples of	Rs 5,000	Rs 5,000
Face Value	Rs 5,000	Rs 5,000
Lock in period	5 years	5 years
Buyback option		
Buyback amount	Rs 5000/ bond	Rs 7,500/bond
Effective yield	8.7%	8.7% comp annually
Maturity option		
Maturity amount	Rs 5000/ bond	Rs 11,515/ bond
Effective yield	8.7%	8.7% comp annually

Company data, Nirmal Bang Research

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About the issue

IDFC bonds will have a lock-in period of five years. Post five years, these bonds will be traded both on NSE and BSE. At the same time, the company can also exercise the buyback option. Bond investors will get the income tax benefits under 80CCF wherein a maximum investment of Rs 20,000 would fetch tax exemptions to the tune of Rs 2,060 (10.3% of 20,000) - minimum and 6,180 (30.9% of 20,000) - maximum. This is over and above the existing investment limit of Rs 1 lakh. The company has already collected Rs 538 crs in the first tranche in December 2011.

The interest rates are lower than the previous issue as the coupon rates have to be at par with the yield on benchmark securities, and the decrease is in sync with the yield movement over the last month.

Objects of the Issue

The funds raised through the Issue will be utilized for infrastructure lending (after providing for issue related expenses), business operations and working capital requirement.

Credit Rating

The long term debt instruments of the company enjoy ratings of ICRA AAA (Stable) from ICRA and Fitch AAA from Fitch.

Recommendation:

We believe that the tax saving bond issue from IDFC is a good long term investment opportunity as well as a tax saving instrument for investors. As the interest rates are at the peak and the rates are expected to go down this is the best time to enter in the bond market and lock in investments at a higher rate.

Key Concerns

- **Change in interest rates**
Increasing rates of interest, resulting from higher inflation are likely to have a negative effect on the price of the bonds.
- **Lack of liquidity**
Though these bonds are listed on the stock exchange, there is a problem of liquidity in the markets.



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