

India Infoline Finance Ltd – Public Issue of NCDs

Issue Related FAQs

Q1. What is the nature and size of issue?

Ans: Public Issue of Non-convertible Debentures (NCDs) in the nature of Sub-ordinated debt of face value of Rs. 1,000/- per bond with base issue size of Rs. 2,500 million, with an option to retain oversubscription of Rs. 2,500 million, aggregating to a total of Rs.5,000 million.

Q2. What is Subordinated debt?

Ans: Subordinated debt means debt which is unsecured in nature, ranks after other secured debt but will have priority over equity and preference share capital, is free from restrictive clauses and is not redeemable at the instance of the Applicant

Q3. Does the instrument become riskier because it is sub-ordinated debt or because it is unsecured?

Ans: Sub-ordination or no security does not make the instrument riskier in any way. Subordination or no security impacts the instrument only in case of default by the issuer company and liquidation of its assets. The issuer company and its parents have sound fundamentals as can be seen from the key ratios given in Q. 7, a talented and experienced management team, good corporate governance with a credible Board of Directors with significant experience in the banking and finance sector. Additionally, the instrument being issued has been rated '(ICRA) AA-/Stable' and 'CRISIL AA-/Stable' which indicates high degree of safety regarding timely servicing of Principal & Interest by the issuer company. Such instruments carry very low credit risk.

Q4. What are the key highlights of this instrument?

- Ans: This instrument offers an opportunity to lock in at an interest rate of 12.75% p.a. for 6 years. The instrument being issued has been rated '(ICRA) AA-/Stable' and 'CRISIL AA-/Stable' which indicates high degree of safety regarding timely servicing of Principal & Interest by the issuer company. Such instruments carry very low credit risk. The NCDs offered have No Call/Put option and hence the interest rate offered on the NCD's is fixed and the NCD's cannot be prematurely redeemed. Key highlights are:

Highlight	Details
Interest Rate	<ul style="list-style-type: none">The NCDs offer an opportunity to lock in at an interest rate of 12.75% p.a. for 6 years. The NCDs carry very low credit risk.
Safety	<ul style="list-style-type: none">Healthy credit rating of '(ICRA) AA-/Stable' and 'CRISIL AA-/Stable', as mentioned in Q3 aboveFor FY12 Net NPA at 0.40% which is significantly lower than industry averages. This is further supported by over 99% secured loan bookTrack record of several years of growth and high profitability as displayed in the table in Q7Precedence over equity/preference shares in case of liquidationHealthy capital adequacy ratio of 17.86%Diversified loan book with a sound asset liability management profileStrong promoter viz India Infoline Limited, a leading name in the financial services sector with a high brand equity, strong corporate governance profile and an experienced senior management team
	<ul style="list-style-type: none">
Fixed maturity	<ul style="list-style-type: none">The bonds have a fixed maturity and can't be called back/redeemed prior to maturity. This provides an opportunity for investors to lock in at an interest rate of 12.75% p.a. for a 6 year period
Liquidity	<ul style="list-style-type: none">The bonds would be listed on both NSE & BSE to provide liquidity to the investors

Q5. What is the issue period and timing?

Ans: Issue opens on September 5, 2012 and closes on September 18, 2012. Also, given that the issue will be allotted on first cum first serve basis, first day subscribers will have priority in allotment.

The issuer company has an option to close earlier or extend the issue period. In case of early/extended closure, the issuer company shall inform the authorities (Stock Exchange) and the investors through advertisement in national newspapers with wide circulation. Please note that applications will be accepted between 10 a.m. and 5 p.m. only.

Q6. Tell us more about the issuer company and its Parent.

Ans:

About the Parent Company, India Infoline Limited:

Founded in 1995, the parent company, is one of the leading players in the Indian financial services space offering the entire gamut of financial services products from equities and derivatives, commodities, wealth management, asset management, insurance, fixed deposits, loans, investment banking, Govt bonds and other small savings instruments. The parent company has a market capitalization of Rs. 16,030 million as on August 24, 2012 with a network of over 4,000 business locations spread over more than 900 cities and towns across India as of March 31, 2012. The parent company has a experienced management team with both professionally qualified promoters and observes good corporate governance standards which are governed by a highly credible Board as mentioned earlier in Q3.

About the Issuer Company, India Infoline Finance Limited:

The issuer company is a 98.87% subsidiary of India Infoline Limited. The issuer company is an NBFC with a diverse loan product offering comprising of Home Loans, Capital Market Finance, Gold Loans and Healthcare Finance. As of March 31 2012, the issuer company had a branch network of 1,323 branches, a loan book of Rs. 67,465 million (104% CAGR since FY10) and a total income of Rs. 9,536 million (102% CAGR since FY10). Summary of financials of the issuer company is as below:

Particulars	FY 12	FY 11	FY 10	CAGR (FY10-12)
Consolidated (Figures in Rs. million)				
Loan Book / Advances	67,465	32,890	16,268	104%
Revenue / Total Income	9,536	5,195	2,340	102%
PAT	1,054	923	538	40%

Q7. Please provide a summary of the issuer company's key ratios.

Ans: Over the past three years, the issuer company has been able to maintain a high yielding asset book and healthy profitability but at the same time ensured that the quality of its asset book is maintained.

This is well displayed by its yields of 14-17%, 0.35-0.46% Net NPA and 1.6-2.9% ROA from FY10 to FY12. Additionally, majority of the issuer company's assets are floating giving it the flexibility to pass on rate increases to its customers and thus maintain its healthy NIM of 7%+.

Particulars	FY 12	FY 11	FY 10
Consolidated			
Yield on earning assets (%)	16.76%	14.31%	17.01%
Cost of funds (%)	11.26%	9.43%	9.52%
Net Interest Margin (%)	7.45%	7.17%	15.30%
Debt Equity Ratio (No. of times)	4.16	1.71	0.81
Return on net worth (%)	7.38%	6.88%	4.25%

Return on assets (%)	1.63%	2.16%	2.94%
Cost to income (%)	84.25%	74.20%	67.26%
Cost to average assets (%)	12.44%	9.04%	8.59%
Gross NPA (%)	0.56%	0.44%	0.60%
Net NPA (%)	0.40%	0.36%	0.46%
Standalone			
Capital adequacy (%)	17.86%	29.95%	47.65%
Tier I ratio (%)	15.46%	29.73%	47.65%

Q8. Is there an additional rate of interest for Senior citizens?

Ans: There is no discrimination between investors and hence there is no additional rate for senior citizens. However, as the rate of interest on these NCDs is fixed for the tenure of six years, this investment will help senior citizens to meet their dual criteria: a high monthly payout with a coupon of 12.75% and a yield of 13.52% in the monthly payment option. The same has been rated '(ICRA) AA-/Stable' and 'CRISIL AA-/Stable' which indicates high degree of safety regarding timely servicing of financial obligation of the Issuer company.

The fact there is no TDS on NCDs issued in Demat form, and listed on Stock Exchange, makes this instrument all the more attractive for senior citizens in the monthly option scheme.

Q9. What is the rating for the bonds?

Ans: As mentioned above, the Bonds have been rated '(ICRA) AA-/Stable' and 'CRISIL AA-/Stable' which indicates high degree of safety regarding timely servicing financial obligations of the Issuer company. Additionally, 99% of the issuer company's advances are secured presenting high degree of safety in future servicing of Principal & Interest. Such instruments carry very low credit risk.

Q10. What is the coupon rate, frequency of interest payment and redemption value?

Ans: The instrument has three options as detailed below:

Options	Interest Payment Frequency		
	Option I	Option II	Option III
Interest Frequency	Monthly	Annual	Cumulative
Coupon	12.75%	12.75%	NA
Face Value per Debenture	Rs. 1,000	Rs. 1,000	Rs. 1,000
Redemption Value per Debenture	Rs. 1,000	Rs. 1,000	Rs. 2,054.50
Effective Annual Yield	13.52%	12.75%	12.75%

Q11. What is the impact of frequent fluctuations in policy interest rates?

Ans: There is no significant impact of any fluctuations or changes in the policy rates by regulator as the interest on the investment would be locked in for 72 months from the date of investment. Additionally, given majority of issuer company's advances being floating in nature changes in policy rates will not have a significant impact on its profitability either.

Q12. Who can apply and what is the basis of allotment?

Ans:

Categories		
I	II	III
Public Financial Institutions, Statutory Corporations, Scheduled Commercial Banks	Companies; bodies corporate and societies registered under the applicable laws in India and authorised to invest in the NCDs	Resident Indian individuals; and Hindu Undivided Families through the Karta.
Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs	Public/private charitable/religious trusts which are authorised to invest in the NCDs	
Provident Funds, Pension Funds, Superannuation Funds and Gratuity Fund, which are authorised to invest in the NCDs	Scientific and/or industrial research organisations, which are authorised to invest in the NCDs	
Venture Capital funds registered with SEBI	Partnership firms in the name of the partners	
Insurance Companies registered with the IRDA	Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009) authorized to invest in the NCDs.	
National Investment Fund		
Mutual Funds		
Allotment for Category		
I	II	III
40% of the overall Issue Size	10% of the overall Issue Size	50% of the overall Issue Size (Further divided into 25% for individuals > Rs. 5 lakhs investment and 25% for individuals with investment upto Rs. 5 lakhs)

Q13. Who is not eligible to invest in the issue?

Ans: Minors without proof of a guardian name; Foreign nationals; Persons resident outside India including without limitation Foreign Institutional Investors, Non Resident Indians, Qualified Foreign Investors and Overseas Corporate Bodies.

Q14. Can the application be made on joint names?

Ans: Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favor of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application Form and at the address mentioned therein. In case of Application Form being submitted in joint names, the applicants should ensure that the demat account is also held in the same joint names, and the names are in the same sequence in which they appear in the Application Form. In the case of applications made in joint names, each of the applicants should mention his or her Permanent Account Number (PAN) allotted under the IT Act in the Application Form.

Q15. What is the minimum application size for investment?

Ans: An investor needs to apply for a minimum of Rs. 5,000 or 5 NCDs and in multiples of Rs. 1,000 or 1 NCD thereafter.

Q16. What is the intended use of proceeds?

Ans: The funds raised through this Issue, after meeting the issue expenditure, will be used for the issuer company's financing activities including lending and investments and subject to regulatory requirements, will be used to repay the issuer company's existing loans and for business operations including for capital expenditure and working capital requirements.

Q17. Is demat account necessary to invest in these bonds?

Ans: No, it is not necessary to have a demat account to invest in these bonds. Applicants can also apply in physical form. However they will have to submit KYC details along with the Application Form.

Q18. How will allocation happen in case of oversubscriptions or under subscription?

Ans: Allotments in case of oversubscription:

In case of an oversubscription, allotments will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of NCDs to the applicants up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of NCDs to the applicants on the date of oversubscription (based on the date of presentation of each application to the Bankers to the Issue).

Allotments in case of under subscription:

While we do not expect any under subscription, in the unlikely event of its occurrence, any under subscription will be adjusted in the following priority:

- i. Reserved Individual Portion
- ii. Unreserved Individual Portion
- iii. Non-Institutional Investors Portion
- iv. Institutional Portion
- v. on a first come first serve basis.

Q19. What is the impact of changes in "Priority Sector Lending (PSL)" Regulations from the Banks?

Ans: There is no impact of changes in the PSL regulations. The issuer company does not avail any priority sector lending from any bank.

Q20. Can an applicant make additional applications?

Ans: Yes, additional applications are allowed. However, all applications by the same applicant will be clubbed for allocation purposes.

Q21. Can an applicant make changes to his/her application?

Ans: No. Applicants are not allowed to amend applications, once submitted to the Escrow Bankers. However, an applicant can withdraw all or any of the application made till 5:00 pm of the last day of issue period.

Q22. Can the investor trade the NCDs in the market?

Ans: Yes, the NCDs will be listed on the NSE and BSE, which shall provide a platform to buy and sell NCDs.

Q23. What is the tax treatment of these NCDs?

Ans: For resident NCD holder, interest received would be subject to tax at the normal rates of tax. Capital gains arising on the transfer of long term capital assets being listed securities are subject to tax at the rate of 10% of capital gains calculated without indexation of the cost of acquisition. Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax. However, the investors are advised to consider in his own case the tax implications in respect of subscription to the NCDs after consulting his tax advisor.

Q24. Will there be TDS on the coupon interest paid to these NCDs holders?

Ans: No. There will be no TDS on the coupon interest paid to the NCD holders. The exception is that NCDs in physical form (in case of resident Individuals and HUFs), with interest exceeding Rs. 5,000 in any financial year would be subject to TDS. However, the investors are advised to consider in his own case the tax implications in respect of subscription to the NCDs after consulting his tax advisor.

Q25. Is there any interest on application money?

Ans: Yes. Interest rate of 4% per annum will be paid on application money for non-ASBA applicants. For ASBA applicants, this is not applicable as amount will be withdrawn from their account only on allotment.

Q26. Is there any interest on refund money?

Ans: Yes. Interest rate of 4% per annum will be paid on refunds.

Q27. What is the application amount and mode of payment to be payable on application?

Ans:

- The minimum application size for each application for NCDs would be Rs. 5,000/-and in multiples of Rs.1,000/- thereafter
- The full application amount is payable on application. In case of allotment of lesser number of NCDs than the number applied, the issuer company shall refund the excess amount paid on application to the applicant
- All cheques / bank drafts accompanying the application should be crossed "A/c Payee only"
- Payment may be made by way of cheque / bank draft drawn on any bank
- Cash/ stockinvest/money orders/postal orders will NOT be accepted
- All Application Forms received with outstation cheques, post dated cheques, cheques/ bank drafts drawn on banks not participating in the clearing process, Money orders/postal orders, cash, stockinvest shall be rejected and the collecting bank shall not be responsible for such rejections
- Application forms can now also be submitted to Registered Members of the Stock Exchanges. However these applications can be submitted only in areas where the Escrow Collection Banks have branches
- Applicants can also apply through ASBA mechanism as introduced by SEBI by blocking the Application Amount in their bank account maintained with SCSB banks

Q28. What are the documents/certificates that need to be filed along with the Application Form?

Ans:

- All applicants have to mention their PAN Number
- In case of applications by/under:

In case of applications by/under:	Following documents are required:
Mutual Funds	Certified true copies of: (i) SEBI Registration Certificate and trust deed (ii) Resolution authorizing investment and containing operating instructions and (iii) Specimen signatures of authorized signatories
Commercial Banks, Co-operative Banks and Regional Rural Banks	Certified true copies of: (i) Board Resolution authorising investments (ii) Letter of Authorisation
Insurance Companies	Certified true copies of: (i) Memorandum and Articles of Association (ii) Power of Attorney (iii) Resolution authorising investment and containing operating instructions (iv) Specimen signatures of authorized signatories
Trusts	Certified true copies of: (i) Registered instrument for creation of such trust (ii) Power of Attorney, if any, in favour of one or more trustees thereof (iii) Such other documents evidencing registration thereof under applicable statutory/regulatory requirements
Public Financial Institutions, Statutory Corporations, which are authorized to invest in the NCDs	Certified true copies of: (i) Any Act/Rules under which they are incorporated (ii) Board Resolution authorising investments (iii) Specimen signature of authorized person
Companies, bodies corporate and societies registered under the applicable laws in India	Certified true copies of: (i) Any Act/Rules under which they are incorporated (ii) Board Resolution authorising investments (iii) Specimen signature of authorized person
Indian Scientific and/or industrial research organizations, which are authorized to invest in the NCDs	Certified true copies of: (i) Any Act/Rules under which they are incorporated

	(ii) Board Resolution authorising investments (iii) Specimen signature of authorized person
Partnership firms formed under applicable Indian laws in the name of the partners and Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009)	Certified true copies of: (i) Partnership Deed (ii) Any documents evidencing registration thereof under applicable statutory/regulatory requirements (iii) Resolution authorizing investment and containing operating instructions (Resolution) (iv) Specimen signature of authorized person
Power of Attorney	(i) In case of Investments made pursuant to a power of attorney by Category I investors, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws and/or charter documents, as applicable, must be lodged (ii) In case of Investments made pursuant to a power of attorney by Category II, Category III and Category IV investors, a certified copy of the power of attorney must be lodged

• KYC Documents to be submitted by Applicants Opting for NCDs in the Physical Form:

(a) Self-attested copy of the PAN card

(b) Self-attested copy of the proof of residence. Any of the following documents shall be considered as a verifiable proof of residence:

- ration card issued by the Gol or
- valid driving license issued by any transport authority of the Republic of India or
- electricity bill (not older than three months) or
- landline telephone bill (not older than three months) or
- valid passport issued by the Gol or
- AADHAAR Letter issued by Unique Identification Authority of India ("UIDAI") or
- Voter's Identity Card issued by the Gol or
- passbook or latest bank statement issued by a bank operating in India
- leave and license agreement or agreement for sale or rent agreement or flat maintenance bill
- Self-attested copy of Registered Office address in case of applicants under Category I or Category II
- Life Insurance Policy

(c) Self-attested copy of a cancelled cheque of the bank account to which the amounts pertaining to payment of refunds, interest and redemption, as applicable, should be credited.

Q29. What is the process on maturity? Does one have to fill a form, etc?

Ans: No action would ordinarily be required on the part of the NCD holder, whether physical or demat, at the time of redemption. The redemption proceeds would be paid to those NCD holders whose names stand in the register of NCD holders maintained by the registrar on the record date fixed for the purpose of Redemption. However, the issuer company may require that the NCD certificate(s), duly discharged by the sole holder/all the joint-holders (signed on the reverse of the NCD certificate(s)) be surrendered for redemption on maturity and should be sent by the NCD holder(s) by Registered Post with acknowledgment due or by hand delivery to our office or to such persons at such addresses as may be notified by us from time to time. NCD holder(s) may be requested to surrender the NCD certificate(s) in the manner as stated above, not more than three months and not less than one month prior to the redemption date so as to facilitate timely payment.