

# SREI Infrastructure Finance Ltd

## Company profile

SREI Infrastructure Finance Ltd (SREI) was incorporated in 1985, and is registered with the RBI as a systemically important non deposit taking NBFC and an IFC. With a large customer base and over Rs 26,001 cr of Consolidated Assets Under Management, SREI has a pan-India presence with a network of 82 offices. Disbursements have grown at a CAGR of 99.66% between FY 2009 and 2011. Net NPA as on Sept 2011 was 0.08%.

## Salient features of the bond issue (Tranche I)

- **The Tranche 1 Bonds are classified as “LONG TERM INFRASTRUCTURE BONDS”** and are being issued in terms of Section 80CCF of the Income Tax Act and the Notification.
- Credit rating agency **CARE has rated the bonds “CARE AA” with stable outlook, indicating high safety.** Such instruments carry very low credit risk.
- These bonds will be issued only to **Resident Indian Individuals (Major) and HUF (through the Karta).** Bonds are available to investors in DEMAT as well as Physical form.
- The bonds are **fully secured** with exclusive charge on specific receivables and pari passu charge on its ownership flat situated at Salimpore Road, Kolkata. **Security cover will be 1.0 time** of the outstanding Bonds at any point in time.
- The Bonds bear **an attractive combination of coupon rate 8.9-9.15% p.a. coupled with tax benefits of upto Rs 20,000 under Sec 80 CCF.**
- **The Company shall pay to the successful Applicants, interest @ 5% p.a. on the Application Money on the amount allotted.**
- The Company shall **NOT pay any interest on refund of Application Money** on the amount not allotted.
- The bonds will be listed on **BSE. No TDS shall be deducted** from interest on Tranche I Bonds, if such bonds are held in DEMAT form.
- **Investors can pledge or hypothecate** these bonds to avail loans after the lock-in period.

Under Section 80 CCF of the I.T. Act, an investor in such infrastructure bonds will be entitled to tax deduction of investments of up to Rs 20,000. The deduction is over and above the Rs 100,000 deduction available under section 80C, 80CCC & 80CCD read with section 80CCE.

## Issue highlights (Tranche I)

**Issue size:** Rs 300 Crores

**Face value:** Rs 1,000

**Minimum Application:** Rs 1,000 or 1 bond.

**Lock-in Period:** 5 years

## Issue summary

**Issue opens:** 31<sup>st</sup> December 2011

**Issue closes:** 31<sup>st</sup> January 2012

**Lead managers:** ICICI Securities, Karvy Investor Service and RR Investor Capital Services.

**Co-Lead managers:** SMC Capital and Bajaj Capital.

**Registrar:** Link Intime India Pvt. Ltd.

**Debenture Trustees:** AXIS Trustees Services Ltd.

## Credit rating by CARE

Rating	Issue Type
CARE AA	Infrastructure Bonds

The rating of CARE indicates high degree of safety and carries very low credit risk. The ratings provided by CARE may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating.

## Issue Structure: (Tranche I)

**Minimum application:** 1 Tranche I bonds and in multiple of one bond thereafter. The bonds can be of the same series or across different series.

**Lock in:** 5 years from the date of allotment.

**Buyback facility:** Available for all the Series of Tranche I bonds.

## Bond Issue Profile: (Tranche I)

Options	Series I	Series II	Series III	Series IV
Interest Payment	Annual	Cumulative	Annual	Cumulative
Face Value (Rs./ Bond)	Rs.1,000/-	Rs.1,000/-	Rs.1,000/-	Rs.1,000/-
Coupon (%) p.a.	8.9%	8.9% (compounded annually)	9.15%	9.15% (compounded annually)
Yield on Maturity (%) ^	8.9%	8.9% (compounded annually)	9.15%	9.15% (compounded annually)
Maturity	10 years	10 years	15 years	15 years
Redemption Amount per bond	Rs 1,000 per bond +accrued interest	Rs 2,346.73 per bond +interest on application money compounded annually	Rs 1,000 per bond +accrued interest	Rs 3,718.40 per bond + interest on application money compounded annually
Buy back Facility	YES	YES	YES	YES
Buyback Date (from allotment)	Date falling 5 years and one day from the Deemed Date of Allotment	Date falling 5 years and one day from the Deemed Date of Allotment	Date falling 5 years and one day from the Deemed Date of Allotment	Date falling 5 years and one day from the Deemed Date of Allotment
Buyback Intimation Period	The period commencing from 9 months preceding the relevant Buyback Date and ending 6 months prior to such Buyback Date.	The period commencing from 9 months preceding the relevant Buyback Date and ending 6 months prior to such Buyback Date.	The period commencing from 9 months preceding the relevant Buyback Date and ending 6 months prior to such Buyback Date.	The period commencing from 9 months preceding the relevant Buyback Date and ending 6 months prior to such Buyback Date.
Buy back Amount (Rs)*	Rs 1,000 per bond +accrued interest	Rs 1,531.58 per bond +interest on application money compounded annually	Rs 1,000 per bond +accrued interest	Rs 1,549.24 per bond + interest on application money compounded annually
Buy back Yield (%)**^	8.9%	8.9% (compounded annually)	9.15%	9.15% (compounded annually)

\* Assuming investors exercise the buyback option

^ The yield on the Tranche 1 Bonds (to be paid by the Issuer) shall not exceed the yield on government securities of corresponding residual maturity, as reported by FIMMDA, as on the last working day of the month immediately preceding the month of the issue of the Tranche 1 Bonds.

## TAX ADJUSTED RATE OF RETURN FOR TRANCHE 1 BONDS

The investment up to Rs. 20,000 made will be eligible for tax benefits in the year of investment under Section 80 CCF of the Income Tax Act, 1961 (“Tax Benefits”). The table below provides Tax Benefit adjusted internal rate of returns (pre-tax) (“TARR”) and the TARR on maturity and the TARR on buy back for the applicable tax rates. **The TARR indicates the pre tax rate of return to the investor on the initial investment, after considering the tax benefit on the initial investment.** The purpose of TARR is to provide investors with a calculation of the rate of return on their investment in Tranche 1 Bonds up to Rs. 20,000 taking into account the benefits of such investment as a deduction to taxable income at the relevant tax rate applicable to such investor.

	TAX RATE (%)	Series I TARR** (%)	Series II TARR** (%)	Series III TARR** (%)	Series IV TARR** (%)
Tax Benefit adjusted rate of return on Maturity <sup>^</sup>	10.3%	10.62%	10.09%	10.55%	9.94%
	20.6%	12.64%	11.44%	12.21%	10.84%
	30.9%	15.07%	13.00%	14.24%	11.87%
Buyback period	5 years and one day from the Deemed Date of Allotment				
Tax Benefit adjusted rate of return on Buyback <sup>^</sup>	10.3%	11.74%	11.29%	12.01%	11.55%
	20.6%	15.05%	14.04%	15.35%	14.30%
	30.9%	19.01%	17.26%	19.33%	17.52%

<sup>^</sup>with Tax Benefits upto Rs. 20,000 u/s 80 CCF of the IT Act, 1961; \*\* TARR= Tax adjusted rate of return

### Investors to benefit from 80 CCF Benefits:

- The Bonds are classified as “**long term infrastructure bonds**” and are being issued in terms of section 80 CCF of the Income Tax Act.
- Bonds offer an **additional window of tax deduction of investments of up to Rs 20,000.**
- **The deduction is over and above the Rs 1,00,000 deduction available under section 80C, 80CCC & 80CCD read with section 80CCE**
- It helps in **intermediating the retail investor’s savings into infrastructure sector directly.**
- In the event that **any applicant applies for the bonds in excess of Rs 20,000 p.a., the aforesaid tax benefit shall be available to such applicant only to the extent of Rs 20,000 p.a.**