



INDIAN RAILWAY FINANCE CORPORATION LIMITED

(A WHOLLY OWNED GOVERNMENT OF INDIA ENTERPRISE)

HIGHLIGHTS OF TAX BENEFITS

- Interest on these Bonds shall be exempt from income tax and shall not be included while computing the total income as per provisions under section 10 (15) (iv) (h) of Income Tax Act, 1961, as amended.
- Since the interest income on these Bonds is exempt from tax, there shall be no deduction of tax at source.
- Wealth Tax is not levied on investment in Bonds under section 2(ea) of the Wealth-tax Act, 1957.

COMPANY PROFILE

- Financing arm of the Indian Railways
- 100% shareholding held by Government of India
- Notified as a Public Financial Institution under Section 4A of the Companies Act, 1956
- Registered as a NBFC-ND-IFC (Infrastructure Finance Company) with Reserve Bank of India
- Consistently profit making Public Sector Undertaking
- Rated 'AAA' by CRISIL, ICRA and CARE
- "Nil" Non-Performing Assets (as on 30.09.2011)
- **Funded rolling stock of book value of Rs. 69,843 crore** (5,567 locomotives, 33,856 passenger coaches and 14,90,300 freight wagons) for Indian Railways (as on 30.09.2011).
- **Outstanding leased assets to Ministry of Railways stood at Rs. 43,158.17 crore** (as on 31.03.2011), representing 92.44% of its total assets besides investments in fixed deposits of banks and long term loans to few other entities in railways sector such as Pipavav Railway, RailTel and RVNL.
- **Net worth of Rs 4,487.50 crores** (as on 30.09.2011)
- **Net Profit after Tax of Rs. 485.20 crore** for year ended 31.03.2011 compared to Rs. 442.69 crore for year ended 31.03.2010.

Source: Shelf Prospectus dated January 19, 2012 and Prospectus Tranche – 1 dated January 19, 2012

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SALIENT FEATURES OF THE PROPOSED TAX FREE BONDS

- **Issue size of Rs. 3,000 crore with an option to retain oversubscription upto the shelf limit (i.e. upto Rs. 6,300 crores).**
- **Interest on Bonds shall be exempt from income tax** and shall not be included while computing the total income as per provisions u/s 10 (15) (iv) (h) of Income Tax Act, 1961, as amended.
- Credit rating of **“CRISIL AAA/Stable” by CRISIL, “CARE AAA” by CARE & “[ICRA] AAA” by ICRA** indicating **Highest Degree of Safety** in terms of timely servicing of financial obligations.
- Bonds to be **allocated on first-cum-first serve basis** (determined on the basis of date of receipt of each application duly acknowledged by the Bankers to the Issue) up to the limit reserved for each category of investors (For details refer to page number 62 & 63 of prospectus Tranche – 1, Dated January 19’ 2012)
- Bonds **can be held in physical or in dematerialized form**, at the option of bondholders.
- Trading compulsorily in demat mode only
- Bonds are proposed to be **listed on NSE and BSE.**

Strengths

- **Assured Net Interest Margin**
IRFC’s cost plus based lease agreement with Ministry of Railways (“MoR”) ensures a net interest margin. IRFC enters into lease agreements with the MoR each year and the internal rate of return on the lease is arrived at by adding a net interest margin to the cost of incremental borrowings of IRFC.
- **Strategically important position in the Indian Railway Sector**
IRFC is wholly owned by the Government of India. It has been established for and by Ministry of Railways as a special purpose vehicle for its funding requirements. IRFC is a public financial institution and a non-banking financial company providing fund based support for the development of the Indian Railways.
- **Zero Non Performing Assets**
As of 30.09.2011, IRFC does not have any non performing assets. All its loans and receivables accrue from the MoR and other railway sector entities like RVNL, Pipavav Railway and RailTel.
- **Consistent Financial Performance**
IRFC has demonstrated consistent growth in its profitability. In addition, IRFC has low establishment, overhead and administrative expenses and its operational efficiency is high, which results in increased profitability.
- **Low Cost of Borrowings**
IRFC’s incremental cost of borrowings was 7.62%, 7.70% and 8.98% in FY 2011, FY 2010 and FY 2009 respectively which are highly competitive vis-à-vis its peer group.

Source: Shelf Prospectus dated January 19, 2012 and Prospectus Tranche – 1 dated January 19, 2012

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Issue Structure

Issue Opening Date	Friday, January 27, 2012
Issue Closing Date*	Friday, February 10, 2012 Subscription list for the Issue shall remain open for subscription at the commencement of banking hours and close at the close of banking hours, with an option for early closure (subject to the Issue being open for a minimum period of 3 days) or extension by such period, upto a period of 30 days from the date of opening of the Issue, as may be decided by IRFC subject to necessary approvals, if any. In the event of such early closure of the subscription list of the Issue, IRFC shall ensure that public notice of such early closure is published on or before the day of such early date of closure through advertisement(s) in a leading national daily newspaper
Instrument	Tax Free Secured Redeemable Non-Convertible Bonds in the nature of Debentures
Issue Size	Rs. 3,000 crores with an option to retain oversubscription upto the Shelf Limit (i.e. upto Rs. 6,300 crores)
Security	Charge on the movable assets comprising of rolling stock such as wagons, locomotives and coaches by way of first/ pari passu charge, present and future, as may be agreed between IRFC and the Trustee, pursuant to the terms of the Debenture Trust Deed
Instrument Form	In dematerialized form as well as physical form, at the option of applicants
Trading	Compulsorily in dematerialized form
Credit Rating	"CRISIL AAA/Stable" by CRISIL, "CARE AAA" by CARE & "[ICRA] AAA" by ICRA
Lead Managers to the Issue	A. K. Capital Services Ltd., SBI Capital Markets Ltd., ICICI Securities Ltd.
Consortium Members for the Issue	A. K. Capital Services Limited, A. K. Stockmart Private Limited, SBI Capital Markets Limited, ICICI Securities Limited, SBICAP Securities Limited
Trustee for the Bondholders	Indian Bank
Depositories	NSDL and CDSL
Listing of Bonds proposed on	NSE and BSE
Interest on Application Money used towards allotment of bonds	@ 8.00% p.a. on the amount for which Bonds are allotted to the Applicants subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, from the date of realization of the cheque(s)/ demand draft(s) or 3 (three) days from the date of banking of the application (being the date of submission of each application as duly acknowledged by the Bankers to the Issue) whichever is later, upto one day prior to the Deemed Date of Allotment
Interest on Application Money which is liable to be refunded	@ 4.00% p.a. on application money that is liable to be refunded to the Applicants in accordance with the provisions of the SEBI Debt Regulations, or other applicable statutory and/or regulatory requirements, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, from the date of realization of the cheque(s)/ demand draft(s) or 3 (three) days from the date of receipt of the application (being the date of presentation of each application as acknowledged by the Bankers to the Issue) whichever is later, upto one day prior to the Deemed Date of Allotment. Provided that IRFC shall not be liable to pay any interest on monies liable to be refunded in case of (a) invalid applications or applications liable to be rejected, and/or (b) applications which are withdrawn by the applicant.

*The Issue shall remain open for subscription during banking hours for the period indicated above.

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Bond Particulars

Series	Tranche 1 Series I	Tranche 1 Series II
Tenor ^	10 Years	15 Years
Face Value per Bond	Rs. 1,000	Rs. 1,000
Minimum Application	Rs. 10,000 (10 Bonds)	Rs. 10,000 (10 Bonds)
In Multiples of	Rs. 5,000 (5 Bonds)	Rs. 5,000 (5 Bonds)
Frequency of Interest Payment	Payable annually	Payable annually
Interest Payment Date	October 15, every year	October 15, every year
Coupon Rate (% p.a.) for applicants under Category I and II	8.00%	8.10%
Coupon Rate (% p.a.) for applicants under Category III *	8.00%	8.10%
Additional coupon for applicants under Category III *	0.15%	0.20%
Aggregate Coupon Rate (%) per annum for Category III	8.15%	8.30%
Redemption/Maturity Date	At the end of 10 years from the Deemed Date of Allotment	At the end of 15 years from the Deemed Date of Allotment
Redemption Amount	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date

* The aforesaid additional interest of 0.15% p.a. and 0.20% p.a., shall only be available to the original allottees and shall not be available in the following instances:

1. In case the Bonds are sold and/or transferred by the original allottee the transferee will not be entitled to receive the interest at the coupon rate of 8.15% p.a. and 8.30% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively and shall only be entitled to receive the interest at the coupon rate of 8.00% p.a. and 8.10% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively. However, in case of any transfer by a permanently disabled allottee to their legal heir(s), the transferee shall continue to be entitled to receive interest at the coupon rate of 8.15% p.a. and 8.30% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively; and

2. Where the Bonds are held in joint names and subsequently there is a change in the sequence of the names of the joint holders, the joint holders subsequent to such change in sequence of names, will no longer be entitled to receive the interest at the coupon rate of 8.15% p.a. and 8.30% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively and shall only be entitled to receive the interest at the coupon rate of 8.00% p.a. and 8.10% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively. However, in case of change in name of any of the joint holders, such joint holders shall continue to be entitled to receive interest at the coupon rate of 8.15% p.a. and 8.30% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively.

However in case of transmission of the Bond(s) in accordance with the articles of association of the Company, to the nominee in the event of demise of the Bondholder (single or joint holders) who was originally allotted Bonds under Category III, the new Bondholder (single or joint holders) shall continue to be entitled to receive interest at the coupon rate of 8.15% p.a. and 8.30% p.a., for the Tranche 1 and Series I Bonds and Tranche 1 and Series II Bonds respectively

^ The Company shall allocate and allot Bond Series bearing longest maturity to all valid applications, wherein the Applicants have not indicated their choice of the relevant Bond Series in their Application Form.

Source: Shelf Prospectus dated January 19, 2012 and Prospectus Tranche – 1 dated January 19, 2012

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Who can apply?

Category I	Category II (above Rs. 5 lac)	Category III (below & including Rs. 5 lac)
Public Financial Institutions as defined in section 4A of the Companies Act, 1956	Resident Indian individuals	Resident Indian individuals
Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the Bonds	Hindu Undivided Families through the Karta	Hindu Undivided Families through the Karta
Provident Funds, Pension Funds, Superannuation Funds and Gratuity Funds which are authorised to invest in the Bonds	Non Resident Indians on repatriation as well as non-repatriation basis	Non Resident Indians on repatriation as well as non-repatriation basis
Statutory Corporations		
Insurance companies registered with the IRDA		
National Investment Fund		
Mutual Funds		
Foreign Institutional Investors (including sub-accounts)		
Insurance funds set up and managed by army, navy or air force of the Union of India		
Multilateral and Bilateral Development Financial Institutions		
State Industrial Development Corporations		
Companies, bodies corporate and societies registered under the applicable laws in India and authorised to invest in the Bonds		
Registered Trusts which are authorised to invest in the Bonds		
Scientific and/or industrial research organisations which are authorised to invest in the Bonds		
Partnership firms in the name of the partners		
Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009)		

Applications cannot be made by:

- Minors without a guardian name;
- Foreign nationals;
- Persons resident outside India other than NRIs;
- Overseas Corporate Bodies

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Basis of Allotment

Reservations shall be made for each of the Portions as mentioned hereunder:

Category	Category I	Category II (above Rs. 5 lac)	Category III (below & including Rs. 5 lac)
Size in %	45% of Overall Issue Size	25% of Overall Issue Size	30% of Overall Issue Size

Under subscription

If there is any under subscription in any Portion, priority in allotments will be given in the following order of preference to:

- (i) Category III Portion
- (ii) Category II Portion
- (iii) Category I Portion

Oversubscription

In case of an oversubscription, allotments to the maximum extent possible, will be made on a first-come-first-serve basis and thereafter on proportionate basis i.e. full allotment of Bonds to the applicants on a first-come-first-serve basis upto the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Bonds to the applicants on the date of oversubscription (based on the date of submission of each application to the Bankers to the Issue, in each Portion).

Proportionate Allotments

For each Portion, on the date of oversubscription, allotment shall be made on a proportionate basis as described below:

- i. Allotments to the applicants shall be made in proportion to their respective application size, rounded off to the nearest integer,
- ii. If the process of rounding off to the nearest integer results in the actual allocation of Bonds being higher than the Issue size, not all applicants will be allotted the number of Bonds arrived at after such rounding off. Rather, each applicant whose allotment size, prior to rounding off, had the highest decimal point would be given preference,
- iii. In the event, there are more than one applicant whose entitlement remain equal after the manner of distribution referred to above, the Company shall ensure that the basis of allotment is finalised by draw of lots in a fair and equitable manner.

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FINANCIAL HIGHLIGHTS

As on/For the year	(Rs. in crore)				
	March 31,2007	March 31, 2008	March 31,2009	March 31, 2010	March 31,2011
Share Capital	232.00	500.00	500.00	1091.00	1602.00
Reserve and Surplus	1621.24	1925.76	1980.70	2314.47	2683.96
Share Application Money	268.00	-	300.00	-	-
Secured Loans	16341.94	19012.60	22600.25	27944.70	31256.74
Unsecured Loans	5452.22	5085.97	4788.46	5663.88	6867.74
Net Block	14.57	14.20	13.99	13.69	13.37
Current Assets, Loans & Advances	1478.68	2150.87	1799.33	2254.90	1339.64
Total Income	2288.92	2624.78	3024.78	3483.94	3841.65
Total Expenditure	1677.21	1984.77	2367.05	2695.53	2943.30
Profit for the Year	611.71	640.02	657.73	788.41	898.34
Profit Before Tax	611.74	638.35	657.69	788.29	898.35
Net Profit After Tax	398.70	421.51	180.79	442.69	485.20

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