



INDIAN RAILWAY FINANCE CORPORATION LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE)

HIGHLIGHTS OF TAX BENEFITS

- Interest from these Bonds do not form part of total income as per provisions of Section 10 (15) (iv) (h) of Income Tax Act, 1961 read along with Section 14A (1) of the Income Tax Act.
- Since the interest Income on these bonds is exempt, no tax deduction at source ("TDS") is required. However, interest on application money would be liable for TDS as well as tax as per present tax laws.
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- Wealth Tax is not levied on investment in bonds under section 2(ea) of the Wealth-tax Act, 1957

COMPANY PROFILE

- Indian Railway Finance Corporation ("IRFC" or "Company") was incorporated as a financial arm of Indian Railways, for the purpose of raising the necessary resources for meeting the developmental needs of the Indian Railways.
- 100% shareholding held by Government of India as on September 30, 2013
- IRFC is classified as a Public Financial Institution under Section 4A of the Companies Act, 1956 (*now defined under sub-section 72 of Section 2 of the Companies Act, 2013*)
- Classified as a non-banking financial company without accepting public deposits and later classified under the category Infrastructure Finance Company by the RBI
- As of September 30, 2013, IRFC does not have any non performing assets.
- The vast majority of assets of the Company consists of railway rolling stock and lease receivables in respect of rolling stock.
- As at March 31, 2013, the Company's outstanding leased assets (net of capital recovery) to the Ministry of Railways (MoR) were Rs 64,182.33 crore, representing 90.71 % of its total assets.
- IRFC has a net worth of Rs 6,747.08 crores as on September 30, 2013
- The Company has demonstrated consistent growth in its profitability. The long term loans and advances of the Company, have grown at a compounded annual growth rate of 21.46% from FY 2009 to FY 2013. The company's outstanding long term loans and advances (excluding current maturities of long term loan and advances) in the FY 2013, FY 2012 and FY 2011 amounted to Rs 65,115.31 crores, Rs 54,133.64 crores and Rs 42,384.13 crores respectively.
- Company's net profit has increased to Rs 521.57 crores in FY 2013 from Rs 180.79 crores in FY 2009

Source: Shelf Prospectus dated December 19, 2013 & Prospectus Tranche-II dated February 24, 2014

Disclaimer: "Invest only after referring to the Shelf Prospectus and Tranche Prospectus-II"

SALIENT FEATURES OF THE PROPOSED TAX FREE BONDS

- **Tax benefits u/s 10 (15) (iv) (h) of the Income Tax Act, 1961**
- **Interest from these Bonds do not form part of Total Income**
- **Credit Rating of “CRISIL AAA/Stable” by CRISIL Limited, “[ICRA] AAA” by ICRA Limited (“ICRA”) and “CARE AAA (pronounced as Triple A)” by Credit Analysis & Research Limited (“CARE”)**
- **Bonds can be held in dematerialized form or in physical form (except for Eligible Foreign Portfolio Investors (“FPIs”)), at the option of applicants, but the trading of the Bonds shall be in dematerialized form only**
- **The Bonds are proposed to be listed on the National Stock Exchange of India Limited (“NSE”) and BSE Limited (“BSE”).**

Strengths

- **Assured Net Interest Margin**

IRFC's cost plus based lease agreement with the MoR ensures an assured net interest margin. IRFC enters into standard 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. This enables the Company to earn a fixed margin over the life of the leases.

- **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 September 30, 2013, IRFC does not have any non performing assets. All its loans and receivables accrue from the MoR and other related entities like Rail Vikas Nigam Limited (“RVNL”) and RailTel.

- **Consistent Financial Performance**

IRFC has demonstrated consistent growth in its profitability. The Company has been able to maintain almost consistent net interest margins ranging from 0.51% to 0.50% from FY 2009 to FY 2013. It has low establishment, overhead and administrative expenses and its operational efficiency is high, which results in increased profitability.

- **Low financial risk due to government support.**

The entire equity share capital of the Company is held by the President of India and along with twelve (12) other nominee shareholders, acting through the MoR, therefore, the Company is a quasi-sovereign entity and enjoys Government support.

- **Low Cost of Borrowings**

IRFC's cost of incremental borrowings was 8.12%, 8.73% and 7.62% in FY 2013, FY 2012 and FY 2011 respectively

Source: Shelf Prospectus dated December 19, 2013 & Prospectus Tranche-II dated February 24, 2014

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Issue Structure

Issuer	Indian Railway Finance Corporation Limited
Mode of issue and nature of instrument & Issue size and Option to retain over subscription	Public Issue by Indian Railway Finance Corporation Limited of tax free, secured, redeemable, non-convertible bonds in the nature of debentures of face value of Rs 1000 each, having tax benefits under Section 10(15)(iv)(h) of the Income Tax Act, 1961, as amended, for an amount of Rs 1,500 crore with an option to retain upto Rs 1,416.88 crore aggregating to Rs. 2,916.88 crore in the fiscal 2014.
Listing	The Bonds are proposed to be listed on NSE and BSE within 12 Working Days of the Issue Closing Date of Tranche – II Issue.
Type of Instrument	Tax free, secured, redeemable, non-convertible bonds in the nature of debentures
Nature of instrument	Secured.
Mode of Issue	Public Issue
Face Value / Issue Price	Rs. 1,000 per Bond
Credit Ratings	"CRISIL AAA/Stable" by CRISIL, "[ICRA] AAA" by ICRA & "CARE AAA (pronounced as Triple A)" by CARE
Put / Call Option	Not applicable
Interest Payment Date	First Interest payment date is on April 15, 2014 and subsequently on April 15 of every year except the last interest payment along with the redemption amount.
Interest on application monies received which are used towards Allotment of Bonds	at the rate of 8.19% p.a., and 8.63% p.a. on Tranche - II Series IA and Tranche - II Series IIA respectively for Allottees under Category I, Category II and Category III Portion, and at the rate of 8.44% p.a., and 8.88% p.a. on Tranche - II Series IB and Tranche - II Series IIB respectively for Allottees under Category IV Portion. For further details please refer to Prospectus Tranche - II
Interest on refund money	5% per annum. For further details please refer to Prospectus Tranche - II
Default interest rate	As specified in the Debenture Trust Deed to be executed between the Company and the Trustee. If the date of payment of interest or any date specified does not fall on a Working Day, the succeeding Working Day will be considered as due date. Interest or other amounts, if any, will be paid on the succeeding Working day. If the date of payment of principal or redemption or any date specified does not fall on a working day, the immediately preceding working day will be considered as the due date
Effect of holidays on payments	
Step up/ step down coupon rate	Not Applicable
Minimum Application Size	5 Bonds (Rs 5,000), individually or collectively across all Series of Bonds
Terms of Payment	Full amount is payable on application
Market Lot / Trading Lot	One Bond
Security	The Bonds issued by the Company will be secured by creating a first pari-passu charge on the movable assets of the Company comprising of rolling stock such as wagons, locomotives and coaches, present and future, as may be agreed between the Company and the Debenture Trustee, pursuant to the terms of the Debenture Trust Deed and applicable laws.
Security cover	Atleast one time of the value of the total outstanding Bonds
Depositories	NSDL and CDSL
Debenture Trustee	SBICAP Trustee Company Limited.
Registrar	Karvy Computershare Private Limited
Modes of payment of application money	1. At par cheques, 2. Demand Drafts, 3. ASBA
Issuance mode	**In dematerialized form or in physical form (except for Eligible QFIs), at the option of Applicants.
Trading mode	**In dematerialized form only
Issue Opening Date	February 28, 2014 March 7, 2014*
Issue Closing Date	* The Tranche - II Issue shall remain open for subscription from 10:00 A.M. to 5:00 P.M during the period indicated above, with an option for early closure or extension, as may be decided by the Board of Directors or the Bond Committee. In the event of such early closure or extension of the subscription period of the Issue, the Company shall ensure that public notice of such early closure or extension is published on or before the day of such early date of closure or extension, as the case may be, through advertisement/s in at least one leading national daily newspaper.
Deemed Date of Allotment	Deemed Date of Allotment shall be the date on which the Directors of the Company or Bond Committee thereof approves the Allotment of the Bonds for Tranche - II Issue or such date as may be determined by the Board of Directors or Bond Committee thereof and notified to the Stock Exchange. All benefits relating to the Bonds including interest on Bonds (as specified for each Tranche -II by way of Prospectus Tranche - II) shall be available to the Investors from the Deemed Date of Allotment. The actual Allotment of Bonds may take place on a date other than the Deemed Date of Allotment

***In terms of Section 29 (1) of the Companies Act, 2013 and Regulation 4(2)(d) of the Debt Regulations, the Company will make public issue of the Bonds in the dematerialised form. However, in terms of Section 8 (1) of the Depositories Act, the Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfill such request. However, trading in Bonds shall be compulsorily in dematerialized form. The Company vide its letter dated October 17, 2013, has approached SEBI for seeking approval to issue Bonds in physical form. In this regard, SEBI vide its letter dated October 28, 2013 has stated that our Company may issue the Bonds in physical form to those investors, who wish to subscribe in physical form.*

Source: Shelf Prospectus dated December 19, 2013 & Prospectus Tranche-II dated February 24, 2014

Disclaimer: "Invest only after referring to the Shelf Prospectus and Prospectus Tranche -II"

Bond Particulars

Options	Series of Bonds Category I, II & III [#]	
	Tranche - II Series IA	Tranche - II Series IIA
Coupon Rate (%) p.a.	8.19	8.63
Annualized Yield (%)	8.19	8.63
	Series of Bonds Category IV [#]	
	Tranche - II Series IB	Tranche - II Series IIB
Coupon Rate (%) p.a.	8.44	8.88
Annualized Yield (%)	8.44	8.88
Common Terms	Series of Bonds Category I, II, III & IV [#]	
Tenor	10 Years	15 Years
Redemption 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 (Rs/ Bond)	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date	
Frequency of Interest Payment	Annual	
Mode of Interest Payment	For various modes of interest payment, see " Terms of the Issue – Modes of Payment " on page 63 of Prospectus Tranche – II.	
Coupon Payment Date	First Interest payment is on April 15, 2014 and subsequently on April 15 of every year except the last interest payment along with the redemption amount.	
Coupon Reset Process	Not Applicable	
Coupon Type	Fixed	
Lead Managers	A. K. Capital Services Limited, SBI Capital Markets Limited, Axis Capital Limited, ICICI Securities Limited and Kotak Mahindra Capital Company Limited	
Consortium Members for the Issue	A. K. Capital Services Limited, A. K. Stockmart Private Limited, SBI Capital Markets Limited, ICICI Securities Limited, Axis Capital Limited, Kotak Mahindra Capital Company Limited, SBICAP Securities Limited and Kotak Securities Limited.	

[#] In pursuance of CBDT Notification and for avoidance of doubts, it is clarified as under:

- The coupon rates indicated under Tranche II Series IB and Tranche II Series IIB shall be payable only on the Portion of Bonds allotted to Category IV in the Issue. Such coupon is payable only if on the Record Date for payment of interest, the Bonds are held by investors falling under Category IV.
- In case the Bonds allotted against Tranche II Series IB and Tranche II Series IIB are transferred by Category IV to Category I, Category II and/or Category III, the coupon rate on such Bonds shall stand at par with coupon rate applicable on Tranche II Series IA and Tranche II Series IIA respectively.
- If the Bonds allotted against Tranche II Series IB and Tranche II Series IIB are sold/ transferred by the Category IV to investor(s) who fall under the Category IV as on the Record Date for payment of interest, then the coupon rates on such Bonds shall remain unchanged;
- Bonds allotted against Tranche II Series IB and Tranche II Series IIB shall continue to carry the specified coupon rate if on the Record Date for payment of interest, such Bonds are held by investors falling under Category IV;
- If on any Record Date, the original Category IV allottee(s)/ transferee(s) hold the Bonds under Tranche II Series IB, Tranche II Series IIB, Tranche II Series IA and Tranche II Series IIA for an aggregate face value amount of over Rs 10 lakhs, then the coupon rate applicable to such Category IV allottee(s)/transferee(s) on Bonds under Tranche II Series IB and Tranche II Series IIB shall stand at par with coupon rate applicable on Tranche II Series IA and Tranche II Series IIA respectively;
- Bonds allotted under Tranche II Series IA and Tranche II Series IIA shall carry coupon rates indicated above till the respective maturity of Bonds irrespective of Category of holder(s) of such Bonds;
- For the purpose of classification and verification of status of the Category IV of Bondholders, the aggregate face value of Bonds held by the Bondholders in all the Series of Bonds, allotted under the relevant Tranche Issue shall be clubbed and taken together on the basis of PAN.
The Company would allot Tranche II Series IA/IB Bonds (depending upon the category of Applicant) to all valid applications, wherein the applicants have not indicated their choice of the relevant series of Bonds in their Application Form.

Source: Shelf Prospectus dated December 19, 2013 & Prospectus Tranche-II dated February 24, 2014

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Who can apply?

Category-I*:	Category-II*:	Category-III:	Category-IV:
<p>Qualified Institutional Buyers as defined in SEBI (Issue of Capital and Disclosure Requirements) Regulation, 2009 as amended including:</p> <ul style="list-style-type: none"> Foreign Portfolio Investors (other than Category III FPIs) including Sovereign Wealth Funds, Pension and Gratuity Funds registered with SEBI as Foreign Portfolio Investors; Public Financial Institutions, scheduled commercial banks, multilateral and bilateral development financial institutions, state industrial development corporations, which are authorised to invest in the Bonds; Provident funds and pension funds with minimum corpus of Rs. 25 crores, which are authorised to invest in the Bonds; Insurance companies registered with the IRDA; National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; Insurance funds set up and managed by the army, navy or air force of the Union of India or set up and managed by the Department of Posts, India; Mutual funds registered with SEBI; and Alternative Investment Funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. 	<p>Companies within the meaning of sub-section 20 of Section 2 of the Companies Act, 2013;</p> <ul style="list-style-type: none"> Statutory bodies/corporations; Cooperative banks; Trusts including Public/ private/ charitable/religious trusts; Limited liability partnership; Regional rural banks; Partnership firms; Category III FPI; Association of Persons; Societies registered under the applicable law in India and authorized to invest in Bonds; and Any other legal entities authorised to invest in the Bonds, subject to compliance with the relevant regulations applicable to such entities. 	<p>The following Investors applying for an amount aggregating to above Rs. 10 lakhs across all Series of Bonds in Tranche – II Issue:</p> <ul style="list-style-type: none"> Resident Indian individuals; Eligible NRIs on a repatriation or non – repatriation basis; Hindu Undivided Families through the Karta; and Eligible FPI being an individual. 	<p>The following Investors applying for an amount aggregating to up to and including Rs. 10 lakhs across all Series of Bonds in Tranche – II Issue:</p> <ul style="list-style-type: none"> Resident Indian individuals; Eligible NRIs on a repatriation or non – repatriation basis; Hindu Undivided Families through the Karta; and Eligible FPI being an individual.

* With regard to Section 372A(3) of the Companies Act, 1956, kindly refer to General Circular No. 6/ 2013, dated March 14, 2013 by Ministry of Corporate Affairs, GoI, which clarifies that in cases where the effective yield (effective rate of return) on bonds is greater than the yield on the prevailing bank rate, there is no violation of Section 372A(3) of the Companies Act, 1956.

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Applications cannot be made by:

- (a) Minors without a guardian name (A guardian may apply on behalf of a minor. However, Applications by minors must be made through Application Forms that contain the names of both the minor Applicant and the guardian);
- (b) Foreign nationals, other than FPIs and except as may be permissible under CBDT Notification or under applicable law including but not limited to regulations, circulars, guidelines etc. stipulated by RBI and/or SEBI;
- (c) Non-resident Investor who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA;
- (d) Overseas Corporate Bodies;
- (e) Indian Venture Capital Funds;
- (f) Foreign Venture Capital Investors;
- (g) Persons ineligible to contract under applicable statutory/ regulatory requirements;

Allocation ratio

QIB Portion	Corporate Portion	High Networth Individual Portion	Retail Individual Investor Portion
10% of the Issue Size	30% of the Issue Size	20% of the Issue Size	40% of the Issue Size

Mode of Application

Mode of Application*	To whom the Application Form has to be submitted
ASBA Applications	<ul style="list-style-type: none"> i) to the Members of the Syndicate only at the Syndicate ASBA Application Locations; or ii) to the Designated Branches of the SCSBs where the ASBA Account is maintained; or iii) to Trading Members only at the Syndicate ASBA Application Locations.
Non- ASBA Applications	<ul style="list-style-type: none"> i) to the Members of the Syndicate; or ii) to Trading Members.

* Please note that FPIs cannot make Applications for Allotment of the Bonds in physical form.

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FINANCIAL HIGHLIGHTS

	(Rs. Crore)				
As on/For the year	31-Mar-10	31-Mar-11	31-Mar-12	31-Mar-13	30-Sep-13
Shareholder's Fund	3,405.47	4,285.96	5,150.52	5,794.28	6,747.07
Long-term Borrowings	28,675.96	34,536.49	46,950.24	52,291.62	49,390.66
Short-term Borrowings	1,448.99	23.25	405.65	1,026.00	162.35
Long-term Loans & Advances	36,046.98	42,384.12	54,133.64	65,115.30	71,310.92
Cash and Cash Equivalents	1,508.19	494.00	1,545.96	404.77	3,900.49
Short-term Loans & Advances	143.65	55.29	149.13	17.92	20.30
Revenue from Operations	3,472.60	3,839.43	4,641.94	5,549.59	2,974.63
Total Expenses	2,684.49	2,943.25	3,629.92	4,097.37	2,189.67
Profit before Tax	788.29	898.35	1,013.18	1,454.16	785.99
Profit After Tax	442.69	485.20	480.78	521.57	352.80
Net NPA to Net Advances (%)		Nil	Nil	Nil	Nil
Tier I Capital Adequacy Ratio (%)		195.24%	204.23%	249.14%	256.18%

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