

Housing and Urban Development Corporation Limited

Profile

Housing and Urban Development Corporation Ltd (HUDCO) was established in 1970 as a wholly owned Government company with the objective to provide long term finance and undertake housing and urban infrastructure development programmes. HUDCO's sustained performance and profitability earned them Mini-ratna status conferred in FY 05. HUDCO had sanctioned loans of Rs. 37,464 cr for housing and Rs. 84,906 cr for urban infrastructure on a cumulative basis up to Dec 2011.

Salient features of the bond issue

- The Bonds are issued in the form of **tax-free, secured, redeemable, non-convertible bonds** and the interest on the Bonds will not form part of the total income.
- In case of over-subscription; **allotment shall be on first cum first serve basis** upto the date falling 1 day prior to the date of oversubscription and on proportionate basis on the date of oversubscription.
- Credit rating agency **CARE** has rated the bonds "**CARE AA+**" & **FITCH** has rated the bonds "**Fitch AA+ (ind)**". Instruments with this rating are considered to have the **high degree of safety regarding timely servicing of financial obligations**. Such instruments carry **very low credit risk**.
- The bonds are **fully secured** by way of floating first pari passu charge on the present and future receivables of the company to the extent of amount mobilized under the issue. The **security cover is 1.0 times** of the outstanding Bonds at any point in time.
- The Bonds bear **an attractive coupon rate; 8.10% p.a. for Tranche 1 Series 1 (bonds maturing after 10 years) and 8.20% p.a. for Tranche 1 Series 2 (bonds maturing after 15 years). (Tax free)**.

* *Additional Coupon Rate for Category III Investors: 0.12% p.a.*

** *Additional Coupon Rate for Category III Investors: 0.15% p.a.*

NOTE: Refer Note on Pg 2

- HUDCO shall pay **8% p.a. for Tranche 1 Bonds as interest on the Application amount retained**.
- HUDCO shall also pay **4% p.a. on refund of application amount**. Such interest shall be paid along with the monies liable to be refunded.
- **Issuance will be in DEMAT as well as PHYSICAL form**. The bonds will be listed on both **BSE and NSE**; facilitating trading of these bonds.
- **Investors can pledge or hypothecate** these bonds to avail loans.

Issue highlights

Issue size: Rs 4,684.72 cr*

*Public issue of Rs 2,000 cr with an option to retain over-subscription upto the shelf limit of Rs 4,684.72 cr.

Face value: Rs 1,000

Issue summary

Issue opens: 27 January 2012

Issue closes: 6 February 2012

Lead managers: Enam Securities Pvt Ltd and SBI Capital Markets Ltd.

Registrar: Karvy Computershare.

Debenture Trustees: SBICAP Trustee Company Ltd.

Credit rating by FITCH

Rating	Issue Type
Fitch AA+ (ind)	Bonds

Credit rating by CARE

Rating	Issue Type
CARE AA+	Bonds

The rating of CARE and FITCH indicates high level of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk. The ratings provided by CARE and FITCH may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating.

Investment Options

Options	Series I	Series II
Interest Payment	Annual	Annual
Minimum Application	Rs. 10,000/- (10 Bonds)	Rs. 10,000/- (10 Bonds)
In Multiples of	Rs. 1,000/- (1 Bond)	Rs. 1,000/- (1 Bond)
Face Value of bonds	Rs. 1000	Rs. 1000
Coupon (%) p.a. (Post Tax)	8.10% *	8.20% **
Tenor	10 years	15 years
Redemption Amount	Repayment of the Face Value and any interest that may have accrued on the Redemption Date.	
Nature of Indebtedness	Floating first pari-passu charge on present and future receivables of our Company to the extent of amount mobilized under the Issue .	

* Additional Coupon Rate*** for Category III Investors: 0.12% p.a.

** Additional Coupon Rate*** for Category III Investors: 0.15% p.a.

Note

For all the categories Tranche-I Series 1 Bonds and Tranche- I Series 2 Bonds shall carry interest at the coupon rate of 8.10% p.a. and 8.20% p.a., respectively, payable annually on the Interest Payment Date.

However, an additional interest at the rate of 0.12% p.a. and 0.15% p.a. shall be payable to the Allottees under Category III for the Tranche-I Series 1 Bonds and Tranche- I Series 2 Bonds respectively. Accordingly, Tranche-I Series 1 Bonds and Tranche- I Series 2 Bonds Allotted to Category III Investors, shall carry an aggregate coupon rate of 8.22% p.a. and 8.35% p.a., respectively, payable annually on the Interest Payment Date.

Please note that the aforesaid additional interest of 0.12% p.a. and 0.15% 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 8.22% p.a. and 8.35% p.a., for the Tranche- I Series 1 Bonds and Tranche- I Series 2 Bonds respectively and shall only be entitled to receive the interest at the coupon rate of 8.10% p.a. and 8.20% p.a., for the Tranche- I Series 1 Bonds and the Tranche- I Series 2 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 8.22% p.a. and 8.35% p.a., for the Tranche- I Series 1 Bonds and the Tranche- I Series 2 Bonds respectively.

Where the Bonds are held in joint names and subsequently there is a change in the sequence of the names of the joint Bondholders, the joint Bondholders subsequent to such change in sequence of names, will no longer be entitled to receive the interest at the coupon rate of 8.22% p.a. and 8.35% p.a., for the Tranche- I Series 1 Bonds and the Tranche- I Series 2 Bonds respectively and shall only be entitled to receive the interest at the coupon rate of 8.10% p.a. and 8.20% p.a., for the Tranche- I Series 2 Bonds and the Tranche- I Series 2 Bonds respectively. However, in case of change in name of any of the joint Bondholders, such joint Bondholders shall continue to be entitled to receive interest at the coupon rate of 8.22% p.a. and 8.35% p.a., for the Tranche- I Series 1 Bonds and the Tranche- I Series 2 Bonds respectively.

Particulars	Category I	Category II*	Category III*
	Institutional & Non-Institutional Portion	> Rs 5 lakhs	≤ Rs 5 lakhs
Reservation for each category	Up to 45% of issue size	Up to 25% of issue size	Up to 30% of issue size
Who can apply	Refer to prospectus		Resident Indian Individual, HUF through Karta
Basis of allocation in case of oversubscription	FIRST CUM FIRST SERVE BASIS	FIRST CUM FIRST SERVE BASIS	FIRST CUM FIRST SERVE BASIS

Tax Benefits

1. The income by way of interest on these Bonds shall not form part of total income as per provisions under section 10 (15) (iv) (h) of I.T. Act, 1961;
2. There shall be no deduction of tax at source from the interest, which accrues to the bondholders in these bonds irrespective of the amount of the interest or the status of the investors;
3. As per provisions under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a listed Bond is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer. Under section 112 of the I.T. Act, capital gains arising on the transfer of listed Bonds shall be taxed @ 10% without indexation;
4. Wealth Tax is not levied on investment in Bond under section 2(ea) of the Wealth-tax Act, 1957.

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