

IDFC Long Term Infrastructure Bonds



Opening on 30 September 2010

Closes on **18 October 2010**

Recommendation:

The primary purpose of investing in this infrastructure bond is to save tax (maximum deduction u/s 80 CCF is Rs. 20,000) and get some return at the same time. However, the overall benefit to the investor will be far better than any other investment avenue as tax saving would range from 10% to 30% besides 7.5-8% return on investment.

We recommend investors not to miss this opportunity of investing while saving tax. **Following table will illustrate the benefit to various individuals.**

Taxable Income	Return %	Tax Saving in %	Tax Saving on Rs. 20,000	Effective Gain (%) on investment
Less than 1.60 lakhs*	7.5 - 8%	0%	0	7.5 - 8%
1.60 to 5 lakhs		10.30%	2,060	17.5 - 18%
5 to 8 lakhs		20.60%	4,120	27.5 - 28%
More than 8 lakhs		30.90%	6,180	37.5 - 38%

* For Women and Senior Citizen exemption limits are Rs. 1,90,000 and Rs. 2,40,000 respectively.

Many do the mistake of comparing infra. bonds returns with Bank FD, but they forget the tax deduction available under infra. bonds.

An individual in the highest tax bracket (i.e. 30.90%); would be saving Rs. 6,180 in tax on investment of Rs. 20,000 in the infrastructure bond and effectively gaining 37.5-38% in the first year. **Are you not satisfied with such a fabulous return?**

Tax benefit U/S 80 CCF

Under Section 80CCF of the Income Tax Act the amount, not exceeding Rs. 20,000 per annum, paid or deposited as subscription to long-term infrastructure bonds during the previous year relevant to the financial year beginning 1 April, 2010 shall be deducted in computing the taxable income. **This is over and above the Rs. 1,00,000 tax benefit available under section 80C.**

Key Highlights of the Issue

Issue Size	Rs. 3,400 crores in one or more tranches. There is no minimum issue size.
Rating	"LAAA" (ICRA) indicates stable outlook and is the highest credit quality rating assigned by ICRA
Bond Face value & issue price	Rs. 5,000 per bond.
Subscription amount	
Minimum	Rs. 10,000 or 2 bonds. The bonds can be of the same series or two bonds across different series
Maximum	No Limit
Who can apply	Resident individual or HUF
Investor should provide	PAN Number and Demat Account No
Maturity / redemption	10 years from the deemed date of allotment
Lock In period	5 years from the deemed date of allotment
Buyback	5 years + 1 day from the deemed date of allotment
Listing	NSE & BSE
Loan against Bonds	Bonds cannot be pledged or hypothecated for obtaining loans during the lock in period.

Specific Terms For Each Series Of Bonds:

Series	1	2	3	4
Features	No buyback; No Cumulative	No buyback; Cumulative	Buyback; No Cumulative	Buyback; Cumulative
Minimum number of Bonds per application *	Two Bonds and in multiples of one Bond thereafter. For the purpose of fulfilling the requirement of minimum subscription of two Bonds, an Applicant may choose to apply for two Bonds of the same series or two Bonds across different series.			
Terms of Payment	Full amount with the Application Form			
Interest payment	Annual	Cumulative	Annual	Cumulative
Yield on Maturity	8.0%	8.0% compounded annually	7.50%	7.50% compounded annually
Maturity Amount per Bond	Rs. 5,000	Rs. 10,800	Rs. 5,000	Rs. 10,310
Maturity	10 years from the Deemed Date of Allotment			
Buyback Facility	N.A.	N.A.	Yes	Yes
Yield on Buyback	N.A.	N.A.	7.50%	7.50% compounded annually
Buyback Amount	N.A.	N.A.	Rs. 5,000 per Bond	Rs. 7,180 per Bond
Buyback Date	N.A.	N.A.	Date falling five years and one day from the Deemed Date of Allotment	
Buyback Intimation Period	N.A.	N.A.	The period beginning not before nine months prior to the Buyback Date and ending not later than six months prior to the Buyback Date	