

FAQs on IIFL BONDS

***** General FAQs *****

Q1. What are Debentures?

Ans: Debentures are fixed interest debt instruments with varying period of maturity. They are of 2 types:

- *Convertible Debenture*: Convertible debentures are those which can be converted into company shares. These types of debentures generally command a lower interest rate when compared with non-convertible debentures.
- *Non-Convertible Debenture (NCD)*: Non-convertible debentures are those which cannot be converted into company shares. These types of debentures generally command a higher interest rate when compared with convertible debentures.

Q2. What do you mean by Face Value?

Ans: The nominal value of a NCD stated by the issuer. This is the amount that is returned to the investor when the NCD matures.

Q3. What do you mean by Coupon Rate?

Ans: The interest rate payable to the investor, e.g. If the coupon rate for a NCD of face value Rs. 1000 is 9% p.a., the issuer would pay Rs. 90 as interest each year.

Q4. Why NCD Credit Ratings are important?

Ans: It helps determine credit risk for the investor by indicating the degree of safety regarding timely servicing of financial obligations by the issuer. Debenture which have a higher rating are considered Safe Investments.

Bond Rating	Grade	Risk
AAA	Investment	Highest Quality
AA	Investment	High Quality
A	Investment	Strong
BBB	Investment	Medium Grade
BB, B	Junk	Speculative
CCC/CC/C	Junk	Highly Speculative
D	Junk	In Default

Q5. Why should I invest in NCD?

Ans: NCD scores above Fixed Deposits and other Fixed Income Products

- No TDS in case on Listed & Dematerialized NCD, unlike Fixed Deposits where Tax is deducted at source;
- NCDs are listed on stock exchanges i.e. NSE and/or BSE, are easier to liquidate as compared to NSCs, Fixed Deposits and other fixed income products with firm lock in Period.

Q6. What is ASBA?

Ans: ASBA (Applications supported by Blocked Amount) is a process provided by SEBI for subscribing to IPO, Bonds, Rights issue etc. without transferring any amount at the time of application. The fund in the investor's bank

account is blocked and is transferred only upon successful allotment of subscribed securities. Until then the investor continues to earn interest on the blocked amount at the contractual rate.

Q7. What if an Investor wishes to pay via CHQ/DRAFT/ONLINE TRANSFER and not via ASBA mode?

Ans: SEBI has made ASBA mandatory even for Bonds issues from October 1, 2018. Hence investors can pay only via ASBA mode.

Q8. Are all Banks ASBA enabled, or are there banks in which this feature is not available?

Ans: Investors can find the list of Self Certified Syndicate Banks under the ASBA facility here: <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34>

Q9. What are mandatory requirements of applying for NCD?

Ans: Having a Demat account is mandatory, NCD is issued only in DEMAT Form. Other mandatory requirements are:

- Payment is made by an Investor via ASBA (Amount is blocked in customer bank account and does not move out of bank account, so no hassles of physical Cheques/ demand drafts);
- Duly Signed Physical Form has to be submitted in Designated Bank Branch only.

Q10. If an Investor doesn't have a Demat Account. How fast can it be opened?

Ans: Demat account can be opened at any IIFL branch within 1 working day, provided your Mobile number is linked to Aadhaar. In case mobile number is not linked to Aadhaar, it may take up to 3 working days.

******* FAQs specifically related to IIFL NCDs *******

Q1. What is the base issue size?

Ans: Base issue size means the minimum amount which will be borrowed by IIFL through this Tranche II Issue i.e. Rs. 1,000 Million with an option to retain oversubscription up to Rs.9000 Million; aggregating up to Rs. 10,000 Million (Tranche II Issue).

Q2. What is the credit rating for the IIFL NCDs?

Ans: The IIFL NCDs have been rated "CRISIL AA/Stable" (CRISIL Double A rating with Stable outlook) by CRISIL, "[ICRA] AA (Stable)" (ICRA Double A) by ICRA and "BWR AA+/Stable" (BWR Double A Plus with Stable outlook) by Brickwork. The rating of the IIFL NCDs by CRISIL, ICRA and Brickworks Ratings indicate that instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations and carry very low credit risk.

Q3. What is the face value of IIFL NCDs?

Ans: The IIFL NCDs will be issued at a face value of Rs. 1,000/- per NCD.

Q4. What is the frequency of interest payment?

Ans: For NCDs of Series II interest will be paid on quarterly basis.

For NCDs of Series IV interest will be paid on annual basis.

For NCDs of Series V interest will be paid on monthly basis

NCDs of Series I, Series III and Series VI will be cumulative basis at maturity.

Q5. Does the issue consist of Secured NCDs only?

Ans: No, this Tranche II Issue consists of Secured as well as Unsecured NCDs. Series I, II, III and IV are Secured NCDs and Series V and VI are Unsecured NCDs.

Q6. What is the minimum application size for investment by an Investor?

Ans: Each application should be for a minimum of Ten NCDs and in multiples of one NCD thereafter. The minimum application size for each application would be Rs. 10,000 (for all kinds of Series I, II, III, IV, V and VI NCDs either taken individually or collectively) and in multiples of Rs. 1,000 thereafter.

Q7. Is there any reserve portion in any option in this issue?

Ans: No portion of this Tranche II Issue has been reserved.

Q8. Is Demat account necessary to invest in these NCDs?

Ans: Yes. The Company shall issue the NCDs in dematerialized form in terms of Regulation 4 (2) (d) of the SEBI Debt Regulations. Demat account can be opened at any IIFL branch within 1 working day, provided your Mobile number is linked to Aadhaar. In case mobile number is not linked to Aadhaar, it may take up to 3 working days.

Q9. If I have a Non IIFL Demat account, can I still participate in IIFL NCDs?

Ans: Yes, an individual with any Demat account can participate in IIFL NCDs

Q10. Does the IIFL NCD Application Form have to be submitted in the same Bank Branch where customer has account?

Ans: No. The form is to be submitted at any branch that is under the ASBA facility.

Q11. From where can I get the IIFL NCD Application Form?

Ans: The Application Form is available on:

- IIFL website (<https://www.iifl.com/bonds>). If you are an IIFL customer, you even can download a pre-filled application form.
- Over the counter at any IIFL Securities branch. To locate nearest branch: <https://www.indiaonline.com/contactus/branch-locator>
- Over the counter IIFL Finance branch (To locate nearest branch: <https://www.iifl.com/locate-us>)
- It is also available for download at [NSE and BSE website](#).
- It is also available at the Registered office of the Company, Lead Managers, Lead Brokers for marketing and Registrar to the Issue and the Designated Branches of SCSBs.

Q12. Where has the form to be deposited in case there is no designated Bank Branch in a particular town?

Ans: In case there is no designated Bank branch in a particular town, the Form should be dispatched to any IIFL Securities branch (<https://www.indiaonline.com/contactus/branch-locator>) or IIFL Finance branch (<https://www.iifl.com/locate-us>)

Q13. Who is not eligible to invest in the issue?

Ans: The following categories of persons, and entities, shall not be eligible to participate in this Tranche II Issue and any Applications from such persons and entities are liable to be rejected:

- (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 mention the PAN of minor Applicant);
- (b) Foreign nationals, NRI *inter-alia* including any NRIs 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;
- (c) Persons resident outside India;
- (d) Foreign Institutional Investors;
- (e) Foreign Portfolio Investors;
- (f) Foreign Venture Capital Investors
- (g) Qualified Foreign Investors;
- (h) Overseas Corporate Bodies; and
- (i) Person ineligible to contract under applicable statutory/regulatory requirements.

**Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872*

Q14. Can the application be made on joint names?

Ans: Applications may be made in single or joint names (not exceeding three). Applications should be made by Karta in case the Applicant is an HUF. If the Application is submitted in joint names, the Application Form should contain only the name of the first Applicant whose name should also appear as the first holder of the depository account (in case of Applicants applying for Allotment of the NCDs in dematerialized form) held in joint names. If the depository account is held in joint names, the Application Form should contain the name and PAN of the person whose name appears first in the depository account and signature of only this person would be required in the Application Form. This Applicant would be deemed to have signed on behalf of joint holders and would be required to give confirmation to this effect in the Application Form. Such Application should contain the PAN of the HUF and not of the Karta.

In the case of joint Applications, all payments will be made out in favour of the first Applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form and at the address mentioned therein.

Q15. Which stock exchange are the NCDs proposed to be listed on?

Ans: The NCDs are proposed to be listed on NSE and BSE Limited.

Q16. What are the interest rates and benefits received under different categories?

Ans:

	Category I,II,III,IV
Series I Secured NCDs	
Redemption Amount for all categories (FV Rs. 1,000)	1,126.75
Coupon Rate	N.A
Effective Yield	10.00%
Frequency of Interest payment	N.A
Series II Secured NCDs	
Redemption Amount for all categories (FV Rs. 1,000)	1,000
Coupon Rate	9.50%

Effective Yield	9.84%
Frequency of Interest payment	Quarterly
Series III Secured NCDs	
Redemption Amount for all categories (FV Rs. 1,000)	1,357.33
Coupon Rate	N.A.
Effective Yield	9.85%
Frequency of Interest payment	N.A
Series IV Secured NCDs	
Redemption Amount for all categories (FV Rs. 1,000)	1,000
Coupon Rate	9.85%
Effective Yield	9.85%
Frequency of Interest payment	Annual
Series V Unsecured NCDs	
Redemption Amount for all categories (FV Rs. 1,000)	1,000
Coupon Rate	10.00%
Effective Yield	10.47%
Frequency of Interest payment	Monthly
Series VI Unsecured NCDs	
Redemption Amount for all categories (FV Rs. 1,000)	1,776.16
Coupon Rate	N.A.
Effective Yield	10.50%
Frequency of Interest payment	N.A

Q17. What are the tenors of these NCDs?

Ans: The NCDs pursuant to this Tranche II Prospectus have a fixed maturity date. The date of maturity of the NCDs is as follows:

Series of NCDs	At the end of maturity period
I	15 months from the Deemed Date of Allotment
II	39 months from the Deemed Date of Allotment
III	39 months from the Deemed Date of Allotment
IV	39 months from the Deemed Date of Allotment
V	69 months from the Deemed Date of Allotment
VI	69 months from the Deemed Date of Allotment

Q18. Who can invest in these NCDs?

Ans:

Category I : Institutional Investors	Category II: Non Institutional Investors	Category III: High Net Worth Individual Investors (HNI)
<ul style="list-style-type: none"> • Public financial institutions, scheduled commercial banks, Indian multilateral and bilateral development financial institution which are authorized to invest in the NCDs; • Provident funds & pension funds with minimum corpus of Rs.2500 lakh, superannuation funds and gratuity funds, which are authorised to invest in the NCDs; • Mutual Funds registered with SEBI • Venture Capital Funds/ Alternative Investment Fund registered with SEBI; • Insurance Companies registered with IRDA; • State industrial development corporations; • Insurance funds set up and managed by the army, navy, or air force of the Union of India; • Insurance funds set up and managed by the Department of Posts, the Union of India; • Systemically Important Non-Banking Financial Company, a nonbanking financial company registered with the Reserve Bank of India and having a net-worth of more than Rs. 50,000 lakh as per the last audited financial statements; • National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of 	<ul style="list-style-type: none"> • Companies within the meaning of section 2(20) of the Companies Act, 2013; • Co-operative banks, and regional rural banks; • Statutory bodies/corporations and societies registered under the applicable laws in India and authorized to invest in the NCDs; • Public/private charitable/ religious trusts which are authorised to invest in the NCDs; • Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; • 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); • Association of Persons; and • Any other incorporated and/ or unincorporated body of persons 	<p>High net-worth individual investors, resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs. 10,00,000 across all options of NCDs in this Issue</p>
		<p>Category IV: Individual Investors</p>
		<p>Retail individual investors, resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs. 10,00,000 across all options of NCDs in this Issue</p>

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Q19. What is the issue period and timing?

Ans: The issue opens on August 06, 2019 and closes on August 30, 2019 subject to early closure.

The Issue shall remain open for subscription on Working Days from 10 A.M. to 5 P.M. (Indian Standard Time) during banking hours for the period indicated above, except that the Issue may close on such earlier date or extended date as may be decided by the Board/ the Finance Committee, thereof, subject to relevant approvals. In the event of an early closure or extension of the Issue, our Company shall ensure that notice of the same is provided to the prospective investors through advertisements in a leading national daily newspaper with wide circulation on or before such earlier date of Issue Closure or initial date of Issue closure, as the case may be. On the Issue Closing Date Application Forms will be accepted only between 10:00 a.m. and 3:00 p.m. (Indian Standard Time) and uploaded until 5:00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchanges.

Further please note that Application shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time, "IST") ("Bidding Period") during the Issue Period as mentioned above by the (a) by the Designated Intermediaries at the Bidding Centres, or (b) by the SCSBs directly at the Designated Branches of the SCSBs as mentioned on the Application Form, except that on the Issue Closing Date when Applications shall be accepted only between 10.00 a.m. and 3.00 p.m. (IST) and shall be uploaded until 5.00 p.m. (IST) or such extended time as permitted by Stock Exchange(s). It is clarified that the Applications not uploaded in the Stock Exchange(s) Platform would be rejected.

Due to limitation of time available for uploading the Applications on the Issue Closing Date, the Applicants are advised to submit their Applications one day prior to the Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Issue Closing Date. All times mentioned in this Tranche II Prospectus are Indian Standard Time. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, as is typically experienced in public offerings, some Applications may not get uploaded due to lack of sufficient time.

Q20. What is the application amount and mode of payment to be payable on application?

Ans: The entire issue price for the NCDs is payable on Application only. In case of Allotment of lesser number of NCDs than the number applied for, the company shall instruct the SCSBs to unblock the excess amount blocked on application in accordance with the terms of Tranche II Prospectus.

Payment mechanism for ASBA Applicants

- (i) If using physical Application Form, (a) to the Designated Intermediaries at relevant Bidding Centres or (b) to the Designated Branches of the SCSBs where the ASBA Account is maintained; or
- (ii) If using electronic Application Form, to the SCSBs, electronically through internet banking facility, if available.

Additional information for Applicants

1. Application Forms submitted by Applicants whose beneficiary accounts are inactive shall be rejected.
2. For ASBA Applicants, no separate receipts will be issued for the money blocked on the submission of Application Form. However, the collection centre of the Consortium or the SCSB or the Trading Member, as

the case may be, will acknowledge the receipt of the Application Forms by stamping and returning to the Applicant the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Application Form for the records of the Applicant.

3. Applications should be submitted on the Application Form only. In the event that physical Application Forms do not bear the stamp of the Consortium / Trading Member or the relevant Designated Branch, they are liable to be rejected.
4. Application Forms submitted by Applicants shall be for allotment of NCDs only in dematerialized form.

Q21. What are the documents/certificates that need to be filed along with the Application Form?

Ans:

- All applicants shall be required to mention their PAN Number in the Application Form
- In case of applications by/under:

Type of Investors	Documents to be submitted with application form
Commercial Banks, Co-operative Banks and Regional Rural Banks	The Application must be accompanied by certified true copies of: <ul style="list-style-type: none"> (i) memorandum and articles of association/charter of constitution; (ii) power of attorney; (iii) resolution authorising investments/containing operating instructions; and (iv) Specimen signatures of authorised signatories.
Insurance companies registered with the IRDA	The Application must be accompanied by certified copies of <ul style="list-style-type: none"> (i) Memorandum and Articles of Association (ii) Power of Attorney (iii) Resolution authorising investment and containing operating instructions (iv) Specimen signatures of authorized signatories.
Provident Funds, Pension Funds, Superannuation Funds and Gratuity Funds	The Application must be accompanied by certified true copies of: <ul style="list-style-type: none"> • Any Act/Rules under which they are incorporated • Board Resolution authorizing investments • Such other documents evidencing registration thereof under applicable statutory/regulatory requirements • Specimen signature of authorized person • Certified copy of the registered instrument for creation of such fund/trust • Any tax exemption certificate issued by Income Tax authorities.
National Investment Fund	The application must be accompanied by certified true copies of: <ul style="list-style-type: none"> (i) resolution authorising investment and

Type of Investors	Documents to be submitted with application form
	containing operating instructions; and (ii) Specimen signature of authorized persons.
Mutual Funds	The Application must be also accompanied by certified true copies of: <ul style="list-style-type: none"> • SEBI registration Certificate • Trust deed in respect of Mutual Fund • Resolution authorizing investment and containing operating instructions (Resolution) • Specimen signature of authorized signatories
Non- Banking Financial Companies	The Application Form must be accompanied by certified true copies of their <ol style="list-style-type: none"> (i) memorandum and articles of association/charter of constitution; (ii) power of attorney; (iii) resolution authorizing investments/containing operating instructions (iv) Specimen signatures of authorised signatories.
Alternative Investment Funds	Applications made by Alternative Investment Funds eligible to invest in accordance with the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, as amended (the “ SEBI AIF Regulations ”) for Allotment of the NCDs must be accompanied by certified true copies of <ol style="list-style-type: none"> (i) SEBI registration certificate; (ii) a resolution authorising investment and containing operating instructions; and (iv) Specimen signatures of authorised persons. The Alternative Investment Funds shall at all times comply with the requirements applicable to it under the SEBI AIF Regulations and the relevant notifications issued by SEBI.
Public Financial Institutions or Statutory Corporations	The Application Form must be accompanied by certified true copies of:- <ol style="list-style-type: none"> (i) Any Act/ Rules under which they are incorporated; (ii) Board Resolution authorizing investments; and (iii) Specimen signature of authorized person. (i) required under applicable statutory
Companies, bodies corporate and societies registered under the applicable laws in India	The Application must be accompanied by certified true copies of: <ol style="list-style-type: none"> (i) Any Act/ Rules under which they are incorporated; (ii) Board Resolution authorising investments; and (iii) Specimen signature of authorized person.

Type of Investors	Documents to be submitted with application form
Power of attorney by limited companies, corporate bodies and registered societies	<p>In case of Applications made pursuant to a power of attorney by Applicants from Category 1, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be submitted with the Application Form.</p> <p>In case of Applications made pursuant to a power of attorney by Applicants from Category II and Category III, a certified copy of the power of attorney must be lodged along with the Application Form.</p>
Associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment	<ol style="list-style-type: none"> I. certified copy of the certificate of registration or proof of constitution, as applicable II. Power of Attorney, if any, in favour of one or more persons thereof III. Such other documents evidencing registration thereof under applicable statutory/regulatory requirements. Further, any trusts applying for NCDs pursuant to this Tranche 1 Issue must ensure that (a) they are authorized under applicable statutory/regulatory requirements and their constitution instrument to hold and invest in debentures, (b) they have obtained all necessary approvals, consents or other authorizations, which may be required under applicable statutory and/or regulatory requirements to invest in debentures, and (c) Applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions.
Partnership firms formed under applicable Indian laws in the name of the partners and Limited Liability Partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009)	<p>The Application must be accompanied by certified true copies of</p> <ol style="list-style-type: none"> (i) Partnership Deed; (ii) Any documents evidencing registration thereof under applicable statutory/regulatory requirements; (iii) Resolution authorizing investment and containing operating instructions; (iv) Specimen signature of authorized person.
Trusts	<p>In case of Applications made by trusts, settled under the Indian Trusts Act, 1882, as amended, or any other statutory and/or regulatory provision governing the settlement of trusts in India, must submit a</p>

Type of Investors	Documents to be submitted with application form
	<ul style="list-style-type: none"> (i) certified copy of the registered instrument for creation of such trust, (ii) Power of Attorney, if any, in favour of one or more trustees thereof, (iii) Such other documents evidencing registration thereof under applicable statutory/regulatory requirements. Further, any trusts applying for NCDs pursuant to the Tranche 1 Issue must ensure that (a) they are authorized under applicable statutory/regulatory requirements and their constitution instrument to hold and invest in debentures, (b) they have obtained all necessary approvals, consents or other authorisations, which may be required under applicable statutory and/or regulatory requirements to invest in debentures, and (c) Applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions

Q22. What is the basis of allotment? How will allocation happen in case of oversubscriptions?

Ans: The Registrar will aggregate the Applications, based on the applications received through an electronic book from the Stock Exchanges and determine the valid Application for the purpose of drawing the valid Applications for the purpose of drawing the basis of allocation.

Allocation Ratio for Secured & Unsecured NCDs

- (A) Applications received from Category I Applicants: Applications received from Applicants belonging to Category I shall be grouped together ("**Institutional Investors**")
- (B) Applications received from Category II Applicants: Applications received from Applicants belonging to Category II, shall be grouped together ("**Non Institutional Investors**").
- (C) Applications received from Category III Applicants: Applications received from Applicants belonging to Category III shall be grouped together ("**High Net Worth Individual Investors**").
- (D) Applications received from Category IV Applicants: Applications received from Applicants belonging to Category IV shall be grouped together ("**Retail Individual Investors**").

Allocation Ratio for Secured & Unsecured NCDs

Institutional Investors	Non Institutional Investors	High Net Worth Individual Investors	Retail Investor Portion
10% of the Tranche II Issue Limit	10% of the Tranche II Issue Limit	40% of Tranche II Issue Limit	40% of Tranche II Issue Limit

Basis of Allotment for NCDs

(a) Allotments in the first instance:

(i) Applicants belonging to the Institutional Investors Portion, in the first instance, will be allocated NCDs up to 10% of Tranche II Issue Limit on first come first served basis which would be determined on the basis of upload of their Applications on daily basis in to the electronic book with Stock Exchange;

(ii) Applicants belonging to the Non Institutional Portion, in the first instance, will be allocated NCDs up to 10% of Tranche II Issue Limit on first come first served basis which would be determined on the basis of upload of their Applications on daily basis in to the electronic book with Stock Exchange;

(iii) Applicants belonging to the High Net Worth Individual Investor Portion, in the first instance, will be allocated NCDs up to 40% of Tranche II Issue Limit on first come first served basis which would be determined on the basis of upload of their Applications on daily basis in to the electronic book with Stock Exchange;

(iv) Applicants belonging to the Individual Investor Portion, in the first instance, will be allocated NCDs up to 40% of Tranche II Issue Limit on first come first served basis which would be determined on the basis of upload of their Applications on daily basis in to the electronic book with Stock Exchange;

(b) Allotments, in consultation with the Designated Stock Exchange, shall be made on date priority basis i.e. a first-come first-serve basis, based on the date of upload of each Application in to the Electronic Book with Stock Exchange, in each Portion subject to the Allocation Ratio. However, on the date of oversubscription, the allotments would be made to the applicants on proportionate basis.

(c) Under Subscription

(i) Institutional Investors;

(ii) Non Institutional Investors

(iii) High Net Worth Individual Investors; and

(iv) Retail Investor Portion

Within each Portion, priority in Allotments will be given on a first-come-first-serve basis, based on the date of upload of each Application into the electronic system of the Stock Exchange.

(d) For each Portion, all Applications uploaded in to the Electronic Book with Stock Exchanges would be treated at par with each other. Allotment would be on proportionate basis, where NCDs uploaded into the Platform of the Stock Exchanges on a particular date exceeds NCDs to be allotted for each Portion respectively.

(e) Minimum allotment of 10 (ten) NCDs and in multiples of 1 (one) NCD thereafter would be made in case of each valid Application.

(f) Allotments in case of oversubscription: In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of NCDs to the Applicants on the date of oversubscription (based on the date of upload of each Application into the Electronic Book with Stock Exchange, in each Portion).

(g) Proportionate Allotments: For each Portion, on the date of oversubscription:

(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 NCDs being higher than the Tranche II Issue size, not all Applicants will be allotted the number of NCDs 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; and

(iii) In the event, there are more than one Applicant whose entitlement remain equal after the manner of distribution referred to above, our Company will ensure that the basis of allotment is finalized by draw of lots in a fair and equitable manner.

Company shall allocate and allot Series I NCDs wherein the Applicants have not indicated the choice of the relevant NCD Series. Company shall allocate and allot Series VI NCDs wherein the Applicants have not indicated the choice of relevant Unsecured NCD Series. All categories of Investors can subscribe to all Series of NCDs.

Q23. Can an applicant make additional/multiple applications?

Ans: If an Applicant has applied for more than one Series of NCDs, and in case such Applicant is entitled to allocation of only a part of the aggregate number of NCDs applied for, the Series-wise allocation of NCDs to such Applicants shall be in proportion to the number of NCDs with respect to each Series, applied for by such Applicant, subject to rounding off to the nearest integer, as appropriate in consultation with Lead Managers and Designated Stock Exchange. Further, in the aforesaid scenario, wherein the Applicant has applied for all the six series and in case such Applicant cannot be allotted all the six series, then the Applicant would be allotted NCDs, at the discretion of the Company, the Registrar and the Lead Managers wherein the NCDs with the least tenor i.e. allotment of NCDs with tenor of 15 months followed by allotment of NCDs with tenor of 39 months and so on. All decisions pertaining to the basis of allotment of NCDs pursuant to the Tranche II Issue shall be taken by our Company in consultation with the Lead Managers and the Designated Stock Exchanges and in compliance with the aforementioned provisions of this Tranche II Prospectus. Any other queries / issues in connection with the Applications will be appropriately dealt with and decided upon by our Company in consultation with the Lead Managers.

Q24. Can an applicant make changes to his/her application?

Ans: As per the notice No: 20120831-22 dated August 31, 2012 issued by the BSE, cancellation of one or more orders within an Application is permitted during the Issue Period as long as the total order quantity does not fall under the minimum quantity required for a single Application. Please note that in case of cancellation of one or more orders within an Application, leading to total order quantity falling under the minimum quantity required for a single Application will be liable for rejection by the Registrar. Applicants may revise/ modify their Application details during the Issue Period, as allowed/permitted by the Stock Exchange(s), by submitting a written request to the Designated Intermediaries/the Designated branch of the SCSBs, as the case may be. However, for the purpose of Allotment, the date of original upload of the Application will be considered in case of such revision/modification. In

case of any revision of Application in connection with any of the fields which are not allowed to be modified on the electronic Application platform of the Stock Exchange(s) as per the procedures and requirements prescribed by each relevant Stock Exchanges, Applicants should ensure that they first withdraw their original Application and submit a fresh Application. In such a case the date of the new Application will be considered for date priority for Allotment purposes. Revision of Applications is not permitted after the expiry of the time for acceptance of Application Forms on Issue Closing Date. However, in order that the data so captured is accurate, the Designated Intermediaries and/or the Designated Branches of the SCSBs will be given up to one Working Day after the Issue Closing Date to modify/ verify certain selected fields uploaded in the online system during the Issue Period, after which the data will be sent to the Registrar for reconciliation with the data available with the NSDL and CDSL.

Q25. What is the tax treatment of these NCDs?

Ans: ***Taxation of Interest***

Income by way of interest received on debentures, bonds, and other debt instruments held as investments will be charged to tax as under the head “Income from Other Sources”. Such interest taxed under the head “Income from other sources”, would therefore be taxed at the rates applicable to the investor after deduction of expenses, if any, allowable under section 57 of the IT Act. These are essentially, expenses (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of earning the interest income.

In case of debentures, bonds or other debt instruments held as stock in trade and sold before their maturity, the interest accrued thereon till the date of sale and included in the sale price, may also be charged to tax as “business income” (treatment separately discussed below).

Further, in case of certain specific fixed income securities and certain debt instruments, purchased and held as investments and transferred prior to maturity, the gain from the transfer may also possibly be characterised as “capital gains” (treatment separately discussed below).

The investors may obtain specific advice from their tax advisors regarding the tax treatment of their investments.

Taxation of Profits and gains from business

As discussed above, depending on the particular facts of each case, the investments may, in certain cases, be regarded to be in the nature of stock in trade and, hence, the gains from the transfer/ sale of such investments would be considered to be in the nature of “Profits and gains from business”.

In such a scenario, the gains from the business of investing in the NCD chargeable to tax on a ‘net’ basis (that is, net of allowable deductions for expenses/allowances under Chapter IV-D of the IT Act).

The “Profits and gains from business” so computed, as reduced on account of set-off of losses and unabsorbed allowances, if any, would go to form part of the gross total income of the investor.

The gross total income would be reduced by deductions if any available under Chapter VI-A of the IT Act and the resultant total income would be subject to tax at the tax rates as applicable to the investor.

Investors should obtain specific advice from their tax advisors regarding the manner of computing business income, the deductions available there from and the tax to be paid thereon.

Taxation of Capital Gains

As discussed above, based on the particular facts of each case, the investments may, in certain cases, be regarded to be in the nature of capital assets and hence the gains from the transfer/ sale of such investments would be considered to be in the nature of “capital gains”.

As per section 2(14) of the Act, the term ‘capital asset’ had been defined to inter alia mean any securities held by a foreign institutional investor which has invested in such securities in accordance with the regulations made under Securities and Exchange Board of India Act, 1992.

Period of holding – long-term & short-term capital assets

A security (other than a unit) listed on a recognised stock exchange in India or zero-coupon bonds (as defined) held for a period of more than 12 months are considered long-term capital assets.

Any assets (other than as described above, the shares of unlisted companies and immovable property) are considered long-term capital assets where they are held for a period of more than 36 months.

The above assets, where held for a period of not more than 12 months or 36 months, as the case may be will be treated as short-term capital assets.

The gains arising from the transfer of long-term capital assets are termed as long-term capital gains.

The gains arising from the transfer of short-term capital assets are termed as short-term capital gains.

Computation of capital gains

Capital gains are computed after reducing from the consideration received from the transfer of the capital asset, the cost of acquisition of such asset and the expenses incurred wholly and exclusively in connection with the transfer.

Nature of transactions and resultant capital gain treatment

The following transactions would attract the “regular” capital gains tax provisions:

Transactions of sale of debentures, bonds, listed or otherwise; and

Transactions in structured debentures.

Set off of capital losses

Long-term capital loss of a year cannot be set off against short-term capital gains arising in that year. On the other hand, short-term capital loss in a year can be set off against both short-term and long-term capital gains of the same year.

Unabsorbed short-term and long-term capital loss of prior years can be separately carried forward for not more than eight assessment years immediately succeeding the assessment year for which the first loss was computed. Unabsorbed short-term capital loss shall be eligible for set off against short-term capital gains as well as long-term capital gains. However, unabsorbed long term capital loss shall be eligible to be set off only against long-term capital gains.

Certain deductions available under Chapter VI-A of the IT Act

Individuals and Hindu Undivided Families would be allowed a deduction in computing total income, inter alia, under section 80C of the IT Act for an amount not exceeding INR 150,000 with respect to sums paid or deposited in the previous year in certain specified schemes.

Alternate Minimum Tax (“AMT”)

The Finance Act 2012 has provided the levy of AMT to tax investors (other than companies) to pay AMT at the rate of 18.5 percent on the adjusted total income. In a situation where the income-tax computed as per the normal provisions of the IT Act is less than the AMT on “adjusted total income”, the investor shall be liable to pay tax as per AMT. “Adjusted total income” for this purpose is the total income before giving effect to the deductions claimed under section C of chapter VI-A (other than section 80P) and deduction claimed, if any, under section 10AA and deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed. AMT will not apply to an Individual, HUF, AOP, BOI or an Artificial Juridical Person if the adjusted total income of such person does not exceed INR 20 lakhs. Further, the credit of AMT can be further carried forward to fifteen subsequent years and set off in the year(s) where regular income tax exceeds the AMT.

The provisions of AMT also provides that the Foreign Tax Credit (FTC) claimed against AMT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under AMT.

Minimum Alternative Tax (MAT)

Section 115JB of the IT Act, provides that where the tax liability of a company (under the regular provisions of the IT Act) is less than 18.5 percent of its 'book profit', then the book profit is deemed to be its total income and tax at the rate of 18.5 percent (plus applicable surcharge and a health and education cess) is the minimum alternate tax (MAT) payable by the company.

Tax credit is allowed to be carried forward for fifteen years immediately succeeding the assessment year in which tax credit becomes allowable. The tax credit can be set-off in a year when the tax becomes payable on the total income is in accordance with the regular provisions of the IT Act and not under MAT.

As per the provisions of section 115JB of the IT Act, the amount of income accruing or arising to a foreign company from capital gains arising on transactions in securities or interest, royalty, or fees for technical services chargeable to tax at the rates specified in Chapter XII of the IT Act, shall be excluded from the purview of MAT, if such income is credited to the Profit and Loss Account and the tax payable on such income under the normal provisions is less than the MAT rate of 18.5%. Consequently, corresponding expenses shall also be excluded while computing MAT. Further, Explanation 4 to section 115JB of the IT Act clarifies that provisions of MAT will not apply to a foreign company if:

It is a resident of a country with which India has a DTAA and the company does not have a permanent establishment in India in accordance with the provisions of such DTAA; or

it is a resident of a country with which India does not have a DTAA and the foreign company is not required to register under any law applicable to companies.

The above Explanation is inserted and shall be deemed to be effective from AY 2001-02.

Further, it is provided that the FTC claimed against MAT liability which exceeds the FTC that would have been allowable while computing income under normal provisions, would be ignored while computing tax credit under MAT.

Taxability of non-resident investors

In case of non-resident investor who is a resident of a country with which India has signed a Double Taxation Avoidance Agreement (“DTAA” or “tax treaty”) (which is in force) income tax is payable at the rates provided in the IT Act, as discussed above, or the rates provided in such tax treaty, if any, whichever is more beneficial to such non-resident investor.

For non-residents claiming such tax treaty benefits, the IT Act mandates the obtaining from the home country tax authority of a Tax Residency Certificate (‘TRC’).

Section 90(5) of the IT Act (introduced by the Finance Act, 2013) provides that an assessee to whom a DTAA applies shall provide such other documents and information, as may be prescribed. Further, a notification substituting Rule 21AB of the Income-tax Rules, 1962 (Rules) has been issued prescribing the format of information to be provided under section 90(5) of the IT Act, i.e. in Form No 10F. Where the required information is not explicitly mentioned in the TRC, the assessee shall be required to furnish a self-declaration in Form No 10F and keep and maintain such documents as are necessary to substantiate the information mentioned in Form 10F.

Q26. Can NRI Apply in this Issue?

Ans: No, NRIs are ineligible to apply in this Issue.

Q27. What would be the ranking of the Secured NCDs?

Ans: The NCDs would constitute secured obligations of the Company and shall rank pari passu inter se, and subject to any obligations under applicable statutory and/or regulatory requirements, shall also, with regard to the amount invested, be secured by way of exclusive and / or pari passu charge in favour of the Debenture Trustee on specific present and/or future receivables/assets of our Company and/or pari passu charge on an identified immovable property of the Company, as may be decided mutually by our Company and the Debenture Trustee. Our Company will create appropriate security in favour of the Debenture Trustee for the NCD Holders on the assets equal to the value one time of the debentures outstanding plus interest accrued thereon, and subject to any obligations under applicable statutory and/or regulatory requirements. The claims of the NCD Holders shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements. The NCDs proposed to be issued under the Issue and all earlier issues of debentures outstanding in the books of our Company having corresponding assets as security, shall rank pari passu without preference of one over the other except that priority for payment shall be as per applicable date of redemption.

Q28. What is Call option in case of NCDs?

Ans. NCD is said to have call option if the **issuer has the option** to redeem the NCD before maturity.

Q29. How will the Call option work in IIFL NCD Issue?

Ans. The NCDs offered under this Tranche II Issue does not have a call option, hence the Issuer does not have an option of redeeming the NCDs before maturity.