



**“Hi ! this week
I am taking the
opportunity
to simplify the concept of
Infrastructure Bonds**



HDFC securities

What is a Bond ?

A bond is a debt investment in which an investor loans money to an entity (corporate or government bodies) that borrows the funds for a defined period of time at a fixed interest rate.



What are Infrastructure Bonds?

Investing in infrastructure bonds in India, an investor can save on taxes as provided under Sec 80CC where one can invest upto Rs.20,000 for additional tax deduction in addition to the the current 1,00,000 lac tax slab.



Tax benefit on account of Infrastructure Bonds



Tax Saving Instruments - A Comparative

Instrument	Rate of Interest (%)	Interest Compounded	Investment Exempt from Tax	Tax Treatment on Maturity
Public Provident Fund	8.0	Annually	Upto Rs 70,000	Tax Free
Employee's Provident Fund **	9.5	Annually	Upto Rs 1,00,000	Tax Free
Tax Saving Bank FD	7.5	Quarterly	Upto Rs 1,00,000	Interest Taxable as other income
Infrastructure Bonds *	7.5 - 8	Annually	Upto Rs 20,000	Interest Taxable as other income On sale, after five years, gains, if any, Taxable as capital gains

* Investment upto ₹20,000 exempt from Tax is in addition to the investment of ₹1,00,000 exempt under section 80C of the Income Tax Act

** In case of Employee's Provident Fund, the interest rate of 9.5% is notified for the financial year 2010-11 and may change in the following years, subject to the discretion of Employee Provident Fund Organisation



Benefits Of Investing In Infrastructure Bonds

Economic factors impacting your investment decisions in the infrastructure bonds are :-

- ✓ **Inflation**
- ✓ **Interest rate movements.**



Who are issuing these Infrastructure Bonds

All Registered companies in Financial services and NBFC classified by RBI in the Infrastructure space.

- ✓ Life Insurance Corporation of India
- ✓ Industrial Finance Corporation of India
- ✓ Infrastructure Development Finance Company
- ✓ L& T Finance
- ✓ SREI Infrastructure



Where will the money be invested?

- **Building of Airports,**
- **Power plants,**
- **Roads and Ports,**
- **Mainly to meet the infrastructure needs of the country.**



Details of Infrastructure Bonds



Lock in period of 5 yrs

Minimum maturity period of 10 yrs

Mandatory to furnish **DEMAT account number and **PAN** (Permanent account number)**

to exit?

One could remain invested until maturity.

Post 5 years the bonds would be available for trading on the stock exchange, or one can opt for the buy back from the issuer.



Common Terms

- **Yield** : The annual returns on an investment expressed as a percentage.
- **Coupon Rate** : The Interest rate on the bond.
- **Tenure** : The period till the bond is held.
- **Maturity** : The date on which a bond is due for payment



Invest in Bonds through HDFC Securities Ltd.

To Invest in Infrastructure Bonds :

- Log on to your trading a/c on www.hdfcsec.com under IPO section
- Call n' Trade
- Walk into our nearest Branches

Forthcoming Bonds :-

IDFC Infrastructure Bonds :

Issue size -3000crs

Issue Opens - 30th Sept 2010

Issue Closes – 18th Oct 2010





Hope this series has given you clarity on basic understanding to invest in Infrastructure Bonds

Your views are very important to me so, do post your feedback as it helps me plan my future lessons.

