

Indiabulls Commercial Credit Ltd NCD Issue

Summary:

Indiabulls Commercial Credit Ltd is coming with a public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each, for an amount upto Rs 1,000 crores (“base issue size”) with an option to retain over-subscription up to Rs 1,000 crores for issuance of additional NCDs aggregating up to Rs 2,000 crores.

The issue will open for subscription from September 11, 2018 to September 28, 2018 (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by Board of Directors of the Company ("Board") or the NCD Public Issue Committee). The company will be paying an interest ranging between 8.57% and 9.20% p.a. on these bonds.

The NCDs proposed to be issued under this Issue have been rated **CRISIL AAA/Stable** (pronounced as CRISIL triple A rating with stable outlook) by CRISIL Limited and **CARE AAA; Stable** (pronounced as triple A; outlook: stable) by CARE Ratings Limited. The rating of NCDs indicates that instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.

Object of the Issue: The Company proposes to utilise the funds which are being raised through this Issue, after deducting the Issue related expenses to the extent payable by the company (“Net Proceeds”), towards funding the following objects:

1. For the purpose of onward lending, financing, and for repayment of interest and principal of existing borrowings of ICCL; (at least 75%); and;
2. General Corporate Purposes (upto 25%)

Issuer	Indiabulls Commercial Credit Limited
Issue Size	Public Issue by ICCL of secured redeemable non-convertible debentures of face value of Rs 1,000 each, Base Issue of up to Rs 1,000 crores with an option to retain over-subscription up to Rs 1,000 crores for issuance of additional NCDs aggregating up to Rs 2,000 crores..
Issue opens	Tuesday , 11th September 2018
Issue closes	Friday , 28th September 2018
Allotment	First Come First Serve Basis, Compulsory in demat form
Face Value	Rs 1000 per NCD
Issue Price	Rs 1000 per NCD
Nature of Instrument	Secured, Redeemable Non-convertible Debentures
Minimum Application	Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series
Listing	NCDs are proposed to be listed on BSE and NSE
Rating	‘CRISIL AAA/Stable’ by CRISIL and ‘CARE AAA; Stable’ by CARE Ratings Limited
Put/Call option	NA
Security and Asset Cover	The NCDs proposed to be issued will be secured by a first ranking pari passu charge on present and future receivables of the Issuer for the principal amount and interest thereon. The NCDs will have an asset cover of one time on the principal amount and interest thereon in favour of the Debenture Trustee as may be decided mutually by the Company and the Debenture Trustee. The Issuer reserves the right to sell or otherwise deal with the receivables, both present and future, including without limitation to create a charge on pari passu basis thereon for its present and future financial requirements, without requiring the consent of, or intimation to, the NCD holders or the Debenture Trustee in this connection, provided that a minimum security cover of one time on the principal amount and interest thereon, is maintained.

Issue Details

Series	I	II	III	IV	V	VI	VII
Frequency of Interest Payment	Cumulative	Cumulative	Annual	Monthly	Annual	Monthly	Annual
Tenor	2 Years	3 Years	3 Years	5 Years	5 Years	10 Years	10 Years
Coupon (% per annum for NCD Holders in Category I & II)	NA	NA	8.80%	8.57%	8.90%	8.75%	9.10%
Coupon (% per annum for NCD Holders in Category III & IV)	NA	NA	8.90%	8.66%	9.00%	8.84%	9.20%
Effective Yield (% per annum for NCD Holders in Category I & II)	8.70%	8.80%	8.79%	8.90%	8.90%	9.10%	9.09%
Effective Yield (% per annum for NCD Holders in Category III & IV)	8.80%	8.90%	8.89%	9.00%	9.00%	9.20%	9.19%
Amount (₹ / NCD) on Maturity for NCD Holders in Category I & II)	1181.30	1288.21	1000	1000	1000	1000	1000
Amount (₹ / NCD) on Maturity for NCD Holders in Category III & IV)	1183.47	1291.77	1000	1000	1000	1000	1000
Put and call option	NA						
Redemption Date (Years from the Deemed Date of Allotment)	2 Years	3 Years	3 Years	5 Years	5 Years	10 Years	10 Years
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively						
In multiples of thereafter	Rs 1,000 (1 NCD)						
Face Value / Issue Price (Rs Per NCD)	Rs 1,000 (1 NCD)						
Mode of Interest Payment	Through various options available						

Who Can Apply?

Category I (Institutional Investors)	Category II (Non Institutional Investors)	Category III (High Net-worth Individual, ("HNIs"), Investors)	Category IV (Retail Individual Investors)
<ol 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 a minimum corpus of Rs250 million, superannuation funds and gratuity funds, which are authorized to invest in the NCDs; Alternative Investment Funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012; 	<ol style="list-style-type: none"> Companies within the meaning of section 2(20) of the Companies Act, 2013; Statutory Bodies/ Corporations; Societies registered under the applicable laws in India and authorised to invest in the NCDs; Co-operative banks and regional rural banks Public/private charitable/ religious trusts which are authorised to invest in the NCDs; 	Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs10 lakhs across all series of NCDs in Issue.	Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10 lakhs across all series of NCDs in Issue.

<ol style="list-style-type: none"> 4. Mutual funds registered with SEBI; 5. Venture Capital Funds registered with SEBI; 6. Insurance companies registered with the IRDAI; 7. State industrial development corporations; 8. Insurance funds set up and managed by the army, navy, or air force of the Union of India; 9. Insurance funds set up and managed by the Department of Posts, the Union of India; 10. 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 Rs5,000 million as per the last audited financial statements; 11. 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;; 	<ol style="list-style-type: none"> 6. Scientific and/or industrial research organisations, which are authorised to invest in the NCDs; 7. Partnership firms in the name of the partners; 8. Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008(No. 6 of 2009); 9. Association of Persons;and 10. Any other incorporated and/ or unincorporated body of persons. 		
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All categories of persons who are individuals or natural persons (including Hindu Undivided Families acting through their Karta) including without limitation HNIs and Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “Individuals”.

Who are not eligible to apply for NCDs?

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

- 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);
- 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;
- Persons resident outside India and other foreign entities;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Foreign Venture Capital Investors
- Qualified Foreign Investors;
- Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

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

Allocation Ratio

QIB Portion	Corporate Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
10% of the Overall Issue Size	10% of the Overall Issue Size	40% of the Overall Issue Size	40% of the Overall Issue Size

Credit Rating:

The NCDs proposed to be issued under this Issue have been rated CRISIL AAA/Stable (pronounced as CRISILtriple A rating with stable outlook) for an amount of Rs 3,000 crores, by CRISIL Limited vide their letter no. INDBIC/205111/NCD/111704279/4 dated August 16, 2018, CARE AAA; Stable (pronounced as triple A; outlook:stable) for an amount of Rs3,000crores, by CARE Ratings Limited vide their letter no. CARE/HO/RL/2018-19/2539dated August 14, 2018. The rating of NCDs by CRISIL indicate that instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry the lowest credit risk.

Interest on application Money: On Allotment – at effective yields applicable.

Interest on Refund: 6% p.a.

Liquidity and Exit Options: The Bonds are proposed to be listed on the BSE and NSE

Allotments in case of oversubscription: In case of an oversubscription in a category, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis in that category and thereafter on proportionate basis, i.e. full allotment of the Secured 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 Secured NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchange, in each Portion).

Company Background:

Indiabulls Commercial Credit Ltd is a non-deposit taking NBFC registered with the RBI and a 100% subsidiary of one of the largest housing finance companies ("HFCs") in India i.e. Indiabulls Housing Finance Ltd (IHFL). It is also a notified financial institution under the SARFAESI Act. It focuses primarily on long-term secured mortgage-backed loans. It offers loans against property to its target client base of salaried and self-employed individuals and small and medium-sized enterprises. It also offers mortgage loans to real estate developers in India in the form of lease rental discounting for commercial premises and construction finance for the construction of residential premises. As of March 31, 2018, mortgage loans constituted 98.21% of its AUM.

As of March 31, 2018, ICCL had offices spread across India. Its network (including that of parent company IHFL) gives it a pan-India presence across Tier I, Tier II and Tier III cities in India which also allows to interact with and service its customers at the local level, whilst ensuring that credit decisions are taken only at regional hubs in accordance with defined and identified internal parameters and protocols. As of March 31, 2018, ICCL had a sales team of over 3,500 employees who were located across its network (including that of IHFL). It also relies on external channels such as direct sales agents and business associates for referring potential customers. It also relies on long-term and medium-term borrowings from banks, among others, including issuances of non-convertible debentures and commercial papers. The company has a diversified lender base comprising public sector undertakings ("PSUs"), private banks, mutual funds, provident funds, pension funds and others. It also sells down parts of its portfolio through securitization and/or direct assignment of loan receivables primarily to various banks, which results in an additional source of liquidity for it.

For the Fiscal Years 2018, 2017 and 2016, ICCL's revenue from operations was Rs 843.37 crores, Rs 365.91 crores and Rs 364.10 crores, respectively, and its profit after tax was Rs 254.90 crores, Rs 58.56 crores and Rs 50.55 crores, respectively. Its revenue from operations and profit after tax grew at a compound annual growth rate ("CAGR") of 52.19% and 124.56%, respectively, from Fiscal Year 2016 to Fiscal Year 2018. Its revenue from operations increased by Rs 477.46 crores from Rs 365.91 crores for the Fiscal Year 2017 to Rs 843.37 crores for the Fiscal Year 2018. Its profit after tax increased by Rs 196.34 crores, from Rs 58.56 crores for the Fiscal Year 2017 to Rs 254.90 crores for the Fiscal Year 2018.

Financial Performance:
(Rs in lakh)

Particulars	Fiscal 2018	Fiscal 2017	Fiscal 2016
Net worth	1,250.78	752.50	699.12
Total debt			
of which			
- Non current maturities of long term borrowings	3,826.57	1,127.10	487.80
- Short Term Borrowings	2,610.94	1,460.43	658.77
- Current maturities of long term Borrowing	500.43	211.97	88.89
Net Fixed Assets	12.82	16.58	2.39
Non Current Assets (Excluding Fixed Assets)	6,906.97	2,979.44	1,228.78
Cash and bank balances	297.96	197.43	145.50
Current Investments	177.15	137.48	123.43
Current Assets (Excluding Cash and Bank Balances & Current Investments)	1,112.66	621.80	487.04
Current Liabilities (Excluding Short term borrowing, Current Maturities of Long Term Borrowing)	253.36	356.24	17.86
Non Current Liabilities	32.93	14.39	7.17
Assets Under Management	8,263.57	3,564.23	1,718.01
Off Balance Sheet Assets*	450.83	47.57	111.33
Interest Income (Including Treasury Income)	745.93	307.50	331.80
Interest Expenses	361.36	133.30	160.85
Provisioning & Write-offs (net of recoveries)	68.37	128.74	116.97
PAT	254.90	58.56	50.55
Gross NPA (%) of AUM	0.60%	1.78%	2.25%
Net NPA (%) of AUM	0.40%	1.34%	1.76%
Tier I Capital Adequacy Ratio (%)	15.26%	20.49%	38.29%
Tier II Capital Adequacy Ratio (%)	3.46%	0.00%	0.00%

Total Debt Equity Ratio of the Company:

Before the issue of debt securities	5.19
After the issue of debt securities	6.79

Competitive Strengths of the company

- Support from parent and strong operational and business linkages
- One of the fast growing NBFCs in India with strong financial performance, capitalization and credit ratings
- Access to diversified and cost effective funding sources
- Prudent credit and processes leading to improved asset quality

Strategy

- Leverage financial strength and improved ratings to increase competitiveness, diversify funding mix and reduce funding costs
- Continue to maintain prudent risk management policies for assets under management
- Leverage on technology to improve customer reach and operating efficiency
- Analytics driven customer prospecting

Key Risk and Concerns:

- Ability to manage credit quality;
- Interest rates and inflation in India;
- Volatility in interest rates for lending and investment operations as well as the rates at which ICCL Borrows from banks/financial institution;
- General, political, economic, social and business conditions in Indian and other global markets;
- Ability to successfully implement strategy, growth and expansion plans;
- Competition from existing as well as new competitors;
- Change in the government regulations and/or directions issued by RBI;
- Availability of adequate debt and equity financing at commercially acceptable terms;
- Performance of the Indian debt and equity markets;
- Ability to comply with certain specific conditions prescribed by the GoI in relation to its business changes in laws and regulations applicable to companies in India, including foreign exchange control regulations in India;
- Turndown in the real estate market.

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