



Indiabulls Housing Finance NCDs offer up to 9.75% yield; should you invest?

Indiabulls Housing Finance offers 10 series of NCDs carrying fixed coupons having tenure from 24 to 87 months.

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Indiabulls Housing Finance has announced the public issue of secured and unsecured non-convertible debentures (NCDs) with an effective annual yield ranging from 8.05% to 9.75% per annum. There are 10 series of NCDs carrying fixed coupons having tenure from 24 to 87 months with annual, monthly and cumulative option. The tranche I issue opens on September 6, 2021, and closes on September 20, 2021.

An additional incentive maximum of 0.25% p.a. will be offered for Category III (HNI) and Category IV (Retail) Investors in the proposed Issue, who are also holders of NCD(s)/Bond(s) previously issued by the Company, and/or subsidiaries as the case may be, and/or are equity shareholder(s) as the case may be on the deemed date of allotment, Indiabulls Housing said in a statement.

The face value of NCD is Rs 1,000 each, amounting to Rs 200 crore, with a greenshoe option of up to Rs 800 crore, aggregating up to Rs 1,000 crore

Important info for investors

NCDs are classified as secured and unsecured. Secured NCDs have an advantage over unsecured NCDs at the time of liquidation but they carry a lower rate of interest compared to unsecured ones. As the name suggests NCDs are debentures that cannot be converted into equity shares at the time of maturity and they generally offer higher interest rates compared to fixed deposits.

Funds deployment

At least 75% of the funds raised through this issue will be used for the purpose of onward lending, financing, and for repayment of interest and principal of existing borrowings of the company. The balance is proposed to be utilized for general corporate purposes. The unsecured NCDs is in the nature of subordinated debt and will be eligible for Tier II capital.

Credit rating

The issue has been rated CRISIL AA/Stable by CRISIL Ratings and **BWR AA+/ Negative by Brickwork Ratings.**

Liquidity

The NCDs will be listed on both the exchanges- NSE and BSE. Though they are tradeable on the exchanges, they generally have low liquidity.

Taxability

If sold within one year of buying then short term capital gain tax is levied, which is taxed according to the marginal tax rate. If sold after a year, 20% long term capital gain tax is levied with indexation.

What should investors do?

Experts say for similar investments one can consider diversifying through credit risk mutual funds, which invests in low-credit quality debt securities. Investors with a higher risk appetite can invest from the returns perspective in the secured portion. In addition, one should be careful while investing in such high-risk investments.