



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

(A financial institution constituted on July 12, 1982 by an Act of Parliament – The National Bank for Agriculture and Rural Development Act, 1981)

HIGHLIGHTS OF TAX BENEFITS

- Interest from these Bonds do not form part of total income as per provisions of Section 10 (15) (iv) (h) of Income Tax Act, 1961 read along with Section 14A (1) of the Income Tax Act, 1961.
- Interest Income on these bonds is exempt, however interest on application money would be liable for TDS as well as tax as per present tax laws.

COMPANY PROFILE

- National Bank for Agriculture and Rural Development (NABARD) is an apex development institution in India, having its headquarters in Mumbai (Maharashtra). It was established on July 12, 1982 by a special Act of Parliament and its main focus has since been the upliftment and development of rural India by increasing the credit flow for elevation of agriculture and rural non-farm sector.
- NABARD was set up with an initial capital of Rs.100 crores. Consequent to the revision in the composition of share capital between GoI and RBI, the share capital as on March 31, 2015, stood at Rs.5,000 crores with GoI holding Rs.4,980 crores (99.60%) and RBI Rs.20.00 crores (0.40%).
- NABARD has a mandate under the NABARD Act to facilitate credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas in India with a view to promoting integrated rural development.
- NABARD also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas.
- NABARD operates throughout the country through its 31 Regional Offices, a cell at Srinagar and Training establishments at Lucknow, Bolpur and Mangalore. It also has 400 District Development Offices across the country as of March 31, 2015.
- NABARD's resource profile is marked by regular government support for raising borrowings. Furthermore, in the domestic debt market, NABARD's paper is accepted as a benchmark in its category and has wide acceptability among the investors comprising mutual funds, pension funds, and insurance companies.

Source: Draft Prospectus dated February 23, 2016

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SALIENT FEATURES OF THE PROPOSED TAX FREE BONDS

- Tax benefits u/s 10 (15) (iv) (h) of the Income Tax Act, 1961
- Interest from these Bonds do not form part of Total Income
- Credit Rating of “CRISIL AAA/Stable” by CRISIL, and “Ind AAA/Stable” by India Ratings.
- Bonds can be held in dematerialized form or in physical form as specified by an Applicant in the Application Form, but the trading of the Bonds shall be in dematerialized form only
- The Bonds are proposed to be listed on the BSE Limited (“BSE”).

Strengths

- **Continued support from GoI and key public policy role in India’s agriculture sector**

NABARD is the apex financing institution to augment credit flow to the agricultural and rural sectors. The institution plays a developmental role in strengthening the rural financial institutions. Over the past few years, the role and scope of NABARD has been enlarged significantly by GoI. NABARD has been entrusted with the management of various development funds including RIDF (Rural Infrastructure Development Fund), Watershed Development Fund, and Tribal Development Fund (TDF).

- **Strong Capitalisation**

NABARD’s strong capitalisation is marked by a high tier-I capital adequacy ratio, large tier-I capital base, and low asset-related risks. The institution’s capital position is also supported by steady accruals to net worth, which, in the absence of dividend pay-outs, are retained entirely. NABARD’s regulatory tier-I CRAR and overall CRAR were 15.83% and 16.91%, respectively, as at March 31, 2015, 15.48% and 16.61%, respectively, as at March 31, 2014, 17.33% and 18.24%, respectively, as at March 31, 2013.

- **Robust Asset Protection Mechanisms**

NABARD has robust asset protection mechanisms that help it manage exposure to institutions with inherently weak creditworthiness, which constitute a large proportion of its borrowers. The institution also has a strong net worth coverage of NPAs, because of its large capital base and low NPAs, which are supported by the robust asset protection mechanisms available to it. As on September 30, 2015 gross and net NPA ratios were 0.0497% and net NPA ratios were 0.0075% and net NPA ratios were 0.01% respectively, the gross and net NPA ratios were 0.04985% and 0.0092%, respectively, as on March 31, 2015 and 0.04326% and 0.0089%, respectively, as on March 31, 2014.

- **Adequate Borrowing Profile**

NABARD’s resource profile is marked by regular government support for raising borrowings. Furthermore, in the domestic debt market, NABARD’s paper is accepted as a benchmark in its category and has wide acceptability among the investors comprising mutual funds, pension funds, and insurance companies. NABARD has been recognised by GoI as the nodal agency to mobilise RIDF deposits from commercial banks. These deposits form a significant portion of its borrowings, at 37.16% as on September 30, 2015 at 38.97% on March 31, 2015 (41.38% as on March 31, 2014).

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Issue Structure

Issuer	National Bank for Agriculture and Rural Development (NABARD).
Type of Instrument	Public Issue of tax-free, secured, redeemable, non-convertible Bonds of face value of Rs. 1,000.00 each in the nature of Debentures having tax benefits under section 10(15)(iv)(h) of the Income Tax Act.
Nature of Instrument	Tax-free, secured, redeemable, non-convertible bonds in the nature of debentures.
Mode of Issue	Public Issue.
Nature of Indebtedness	The claims of the Bondholders shall be superior to the claims of any unsecured creditors of NABARD, existing or in the future, and subject to applicable statutory and/or regulatory requirements. Further, the claims of the Bondholders shall rank pari passu inter se to the claims of other secured creditors of NABARD having the same security.
Listing	The Bonds are proposed to be listed on BSE within 12 Working Days from the Issue Closing Date.
Put/Call	Not Applicable
Rating of the Instrument	"CRISIL AAA / Stable" by CRISIL and "Ind AAA" / Stable by India Ratings.
Issue Size	Rs.3,500 crore.
Interest on Application Money	@ the rate of [●]% p.a. and [●]% p.a. on Series [●] and Series [●] respectively for Allottees under Category I, Category II and Category III, and at the rate of [●]% p.a. and [●]% p.a. on Series [●] and Series [●] respectively for Allottees under Category IV portion.
Default Interest Rate	As specified in the Bond Trust Deed to be executed between NABARD and the Trustee for the Bondholders.
Issue Price/Face Value	Rs.1,000 for each bond.
Issue Opening Date	As mentioned in the Prospectus.
Issue Closing Date	As mentioned in the Prospectus. The Issue shall remain open for subscription from 10:00 a.m. to 5:00 p.m. (Indian Standard Time) during the period indicated above, with an option for early closure or extension as may be decided by the Board or a duly constituted committee or authorized person thereof. In the event of such early closure or extension of the subscription period of the Issue, the Issuer shall ensure that public notice of such early closure or extension is published on or before the date of such early date of closure or the Issue Closing Date, as the case may be, through advertisement(s) in at least one leading national daily newspaper with wide circulation.
Deemed Date of Allotment	Deemed Date of Allotment shall be the date on which the Board or a duly constituted committee or authorized person thereof approves the Allotment of the Bonds for the Issue or such date as may be determined by the Board or a duly constituted committee or authorized person thereof and notified to the Stock Exchange. All benefits relating to the Bonds including interest on Bonds shall be available to the Bondholders from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment.
Trading mode	Compulsorily in dematerialized form**
Issuance mode	Dematerialised form or physical form as specified by an Applicant in the Application Form.
Depositories	NSDL and CDSL.
Lead Managers to the Issue	A. K. CAPITAL SERVICES LIMITED, EDELWEISS FINANCIAL SERVICES LIMITED, ICICI SECURITIES LIMITED, RR INVESTORS CAPITAL SERVICES PVT. LTD., SBI CAPITAL MARKETS LIMITED.
Bond Trustee	Axis Trustee Services Limited.

**NABARD will make public issue of the Bonds in the dematerialised form as well as physical form. However, in terms of Section 8 (1) of the Depositories Act, NABARD, at the request of the Investors who wish to hold the Bonds in physical form will fulfill such request. However, trading in Bonds shall be compulsorily in dematerialised form.

Source: Draft Prospectus dated February 23, 2016

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Bond Particulars

Options	Series of Bonds*	
	Category I, II & III [#]	
	Series [●]	Series [●]
Coupon Rate (%) p.a.	[●]	[●]
Annualized Yield (%)	[●]	[●]
Options	Series of Bonds	
	Category IV [#]	
	Series [●]	Series [●]
Coupon Rate (%) p.a.	[●]	[●]
Annualized Yield (%)	[●]	[●]
Common Terms	Series of Bonds	
	Category I, II, III & IV [#]	
Tenor	10 Years	15 Years
Redemption Date	At the end of 10 Years from the Deemed Date of Allotment	At the end of 15 Years from the Deemed Date of Allotment
Redemption Amount (Rs./ Bond)	Repayment of the Face Value plus any interest that may have accrued at the Redemption Date.	
Redemption Premium / Discount	Not applicable	
Coupon Payment Frequency	Annual	
Minimum Application Size and thereafter in multiple of	As mentioned in the Prospectus.	
Face Value (Rs./ Bond)	Rs.1,000.00	
Issue Price (Rs./ Bond)	Rs.1,000.00	
Mode of Interest Payment	For various modes of interest payment, please see section titled “ <i>Terms of the Issue – Mode of Payment</i> ” on page [●] of the Draft Prospectus.	
Coupon Payment Date	[●]	
Coupon Reset Process	Not applicable	
Coupon Type	Fixed	

* The Issuer shall allocate and Allot Bonds of Series [●] / Series [●] (depending upon the Category of Applicants) to all valid Applications, wherein the Applicants have not indicated their choice of the relevant Bond series in their Application Form.

In pursuance of CBDT Notifications and for avoidance of doubts, it is clarified as under:

- The coupon rates indicated under Series [●] and Series [●] shall be payable only on the Portion of Bonds allotted to Category IV in the Issue. Such coupon is payable only if on the Record Date for payment of interest, the Bonds are held by investors falling under Category IV.
- In case the Bonds allotted against Series [●] and Series [●] are transferred by Category IV to Category I, Category II and/or Category III, the coupon rate on such Bonds shall stand at par with coupon rate applicable on Series [●] and Series [●] respectively.
- If the Bonds allotted against Series [●] and Series [●] are sold / transferred by the Category IV to investor(s) who fall under the Category IV as on the Record Date for payment of interest, then the coupon rates on such Bonds shall remain unchanged;
- Bonds allotted against Series [●] and Series [●] shall continue to carry the specified coupon rate if on the Record Date for payment of interest, such Bonds are held by investors falling under Category IV;
- If on any Record Date, the original Category IV allottee(s) / transferee(s) hold the Bonds under Series [●] and Series [●] for an aggregate face value amount of over Rs.10.00 lakh, then the coupon rate applicable to such Category IV allottee(s) / transferee(s) on Bonds under Series [●] and Series [●] shall stand at par with coupon rate applicable on Series [●] and Series [●] respectively;
- Bonds allotted under Series [●] and Series [●] shall carry coupon rates indicated above till the respective maturity of Bonds irrespective of Category of holder(s) of such Bonds;
- For the purpose of classification and verification of status of the Category IV of Bondholders, the aggregate face value of Bonds held by the Bondholders in all the Series of Bonds, allotted under the Issue shall be clubbed and taken together on the basis of PAN.

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Who can apply?

Category I *	Category II *	Category III	Category IV
<ul style="list-style-type: none"> Public financial institutions, SCBs, Indian multilateral and bilateral development financial institutions, state industrial development corporations, which are authorised to invest in the Bonds; Provident funds and pension funds with minimum corpus of Rs.25 crore, which are authorised to invest in the Bonds; Insurance companies registered with the IRDA; National Investment Fund (set up by resolution no. F. No. 2 / 3 / 2005-DDII dated November 23, 2005 of the GoI and published in the Gazette of India); Insurance funds set up and managed by the army, navy or air force of the Union of India or set up and managed by the Department of Posts, India; Mutual funds registered with SEBI; and Alternative investment funds, subject to investment conditions applicable to them under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. 	<ul style="list-style-type: none"> Companies within the meaning of section 2(20) of the Companies Act, 2013*; Statutory bodies / corporations*; Co-operative banks; Public / private / religious / charitable trusts; Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008; Societies in India registered under law and eligible to invest in Bonds; RRBs; Association of Persons; Partnership firms in the name of partners; and Any other domestic legal entities / persons as may be permissible under the CBDT Notifications and authorised to invest in the Bonds in terms of applicable laws. 	<p>The following investors applying for an amount aggregating to above Rs.10 lakh across all Series of Bonds in the Issue:</p> <ul style="list-style-type: none"> Resident Indian individuals; and HUFs through the Karta. 	<p>The following Applicants applying for an amount aggregating to up to and including Rs.10 lakh across all Series of Bonds in the Issue:</p> <ul style="list-style-type: none"> Resident Indian individuals; and HUFs through the Karta.

**With regard to Section 186(7) of the Companies Act 2013, see general circular (No. 6/2015), dated April 9, 2015 issued by the MCA clarifying that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year government security closest to the tenor of the loan, there is no violation of Section 186(7) of the Companies Act, 2013.*

Applications cannot be made by:

- Minors;
- Persons Resident Outside India, Foreign nationals (including Non-resident Indians, Foreign Institutional Investors and Qualified Foreign Investors) and other foreign entities;
- Overseas Corporate Bodies;
- Indian Venture Capital Funds;
- Foreign Venture Capital Investors;
- Persons ineligible to contract under applicable statutory / regulatory requirements;
- Any category of investor other than the Applicants mentioned under Categories I, II, III and IV.

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Allocation Ratio

Particulars	Category I	Category II	Category III	Category IV
Size in %	[●]% of the Issue Size	[●]% of the Issue Size	[●]% of the Issue Size	[●]% of the Issue Size
Size in Amount	Rs. [●] lakh	Rs.[●] lakh	Rs. [●] lakh	Rs. [●] lakh

The Issuer would allot Series [●] Bonds to all valid Applications, wherein the Applicants have not indicated their choice of Series of Bonds.

Mode of Application

Mode of Application	To whom the Application Form has to be submitted
ASBA Applications	If using a physical Application form: (i) to the Members of the Syndicate only at the Syndicate ASBA Application Locations; or (ii) to the Designated Branches of the SCSBs where the ASBA Account is maintained; (iii) to Trading Members only at the Syndicate ASBA Application Locations.
Non- ASBA Applications	(i) to the Members of the Syndicate; or (ii) to Trading Members.
Direct Online Applications	Online submission through the online platform and online payment facility offered by BSE.

STANALONE FINANCIAL HIGHLIGHTS (In Crores)

Parameters	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Period ended September 30, 2015
Networth*	18967.63	21615.61	24328.84	25580.67
Total Debt	164835.97	202679.43	229937.9	233704.25
Net Fixed Assets	315.45	325.28	325.19	337.18
Cash and Cash Equivalents	1272.19	434.44	2314.96	159.28
Interest Income	12701.19	15250.73	17485.27	10067.06
Interest Expense	8954.83	11297.52	12928.96	7412.1
Provisioning & Write-offs	164.77	73.13	114.25	24.43
PAT	1808.07	1860.25	2403.26	1251.83
Gross NPA (%)	0.05695%	0.04326%	0.04985%	0.0497%
Net NPA (%)	0.0122%	0.0089%	0.0092%	0.0075%
Tier I Capital Adequacy Ratio (%)	17.33%	15.48%	15.83%	16.39%
Tier II Capital Adequacy Ratio (%)	0.91%	1.13%	1.08%	1.08%

* In terms of Section 2(57) in the Companies Act, 2013.

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