

# Unlocking the Power of Bonds



A New Frontier in Fixed Income



An Introduction

# What is Fixed Income?



- Fixed income" refers to a type of investment that provides a regular and predictable stream of income in the form of interest payments.
- Investors receive fixed periodic payments, usually in the form of interest, for a specified period of time.

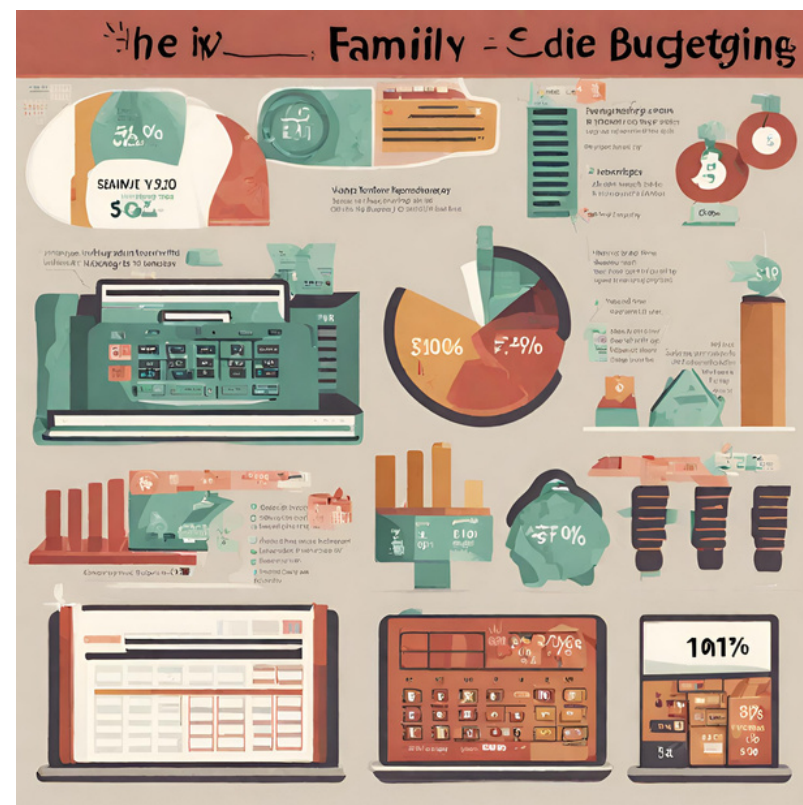
# Who is Dependent on Fixed Income?



Retirees



Students



Family Budgeting



Repayment of loans



Housewives

# What are the sources of Fixed Income?



Annuities



Pensions



Rental Income



Systematic  
Withdrawal Plans  
(SWPs) of Mutual  
Funds



Interest on  
Fixed Deposits

# Major Concerns in sources of fixed income



High fees and annuity income is taxable.



Maximum Rate of Return - 7.5%



Investment - High Returns - 4-5%



Build high corpus and then withdraw @ 6% per annum.



Low rate of returns around 7-8%

**ANY OTHER  
ALTERNATIVE?**



# BONDS

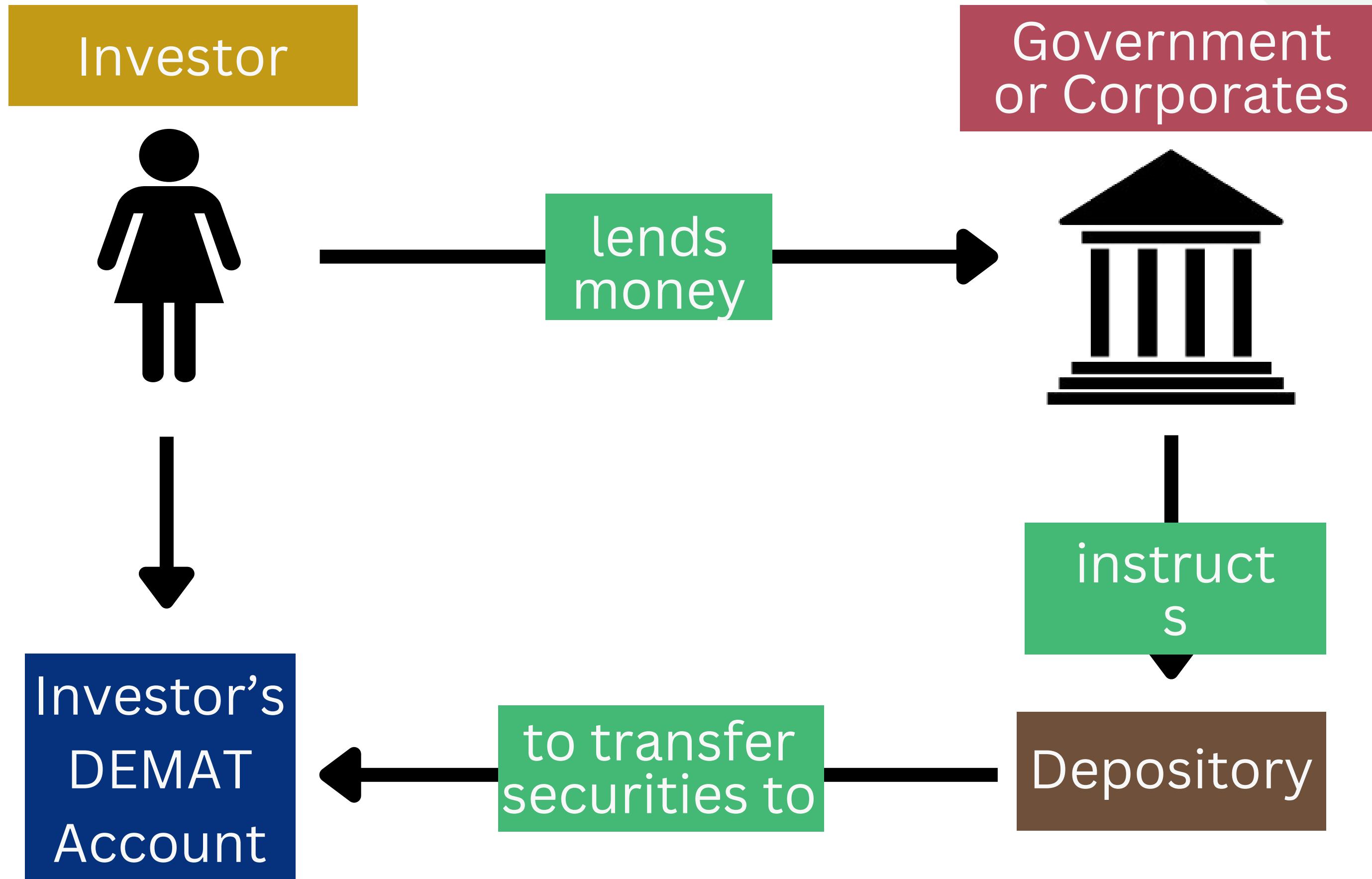


Bonds are debt securities issued by governments, municipalities, or corporations to raise capital. When an investor purchases a bond, they are essentially lending money to the issuer.

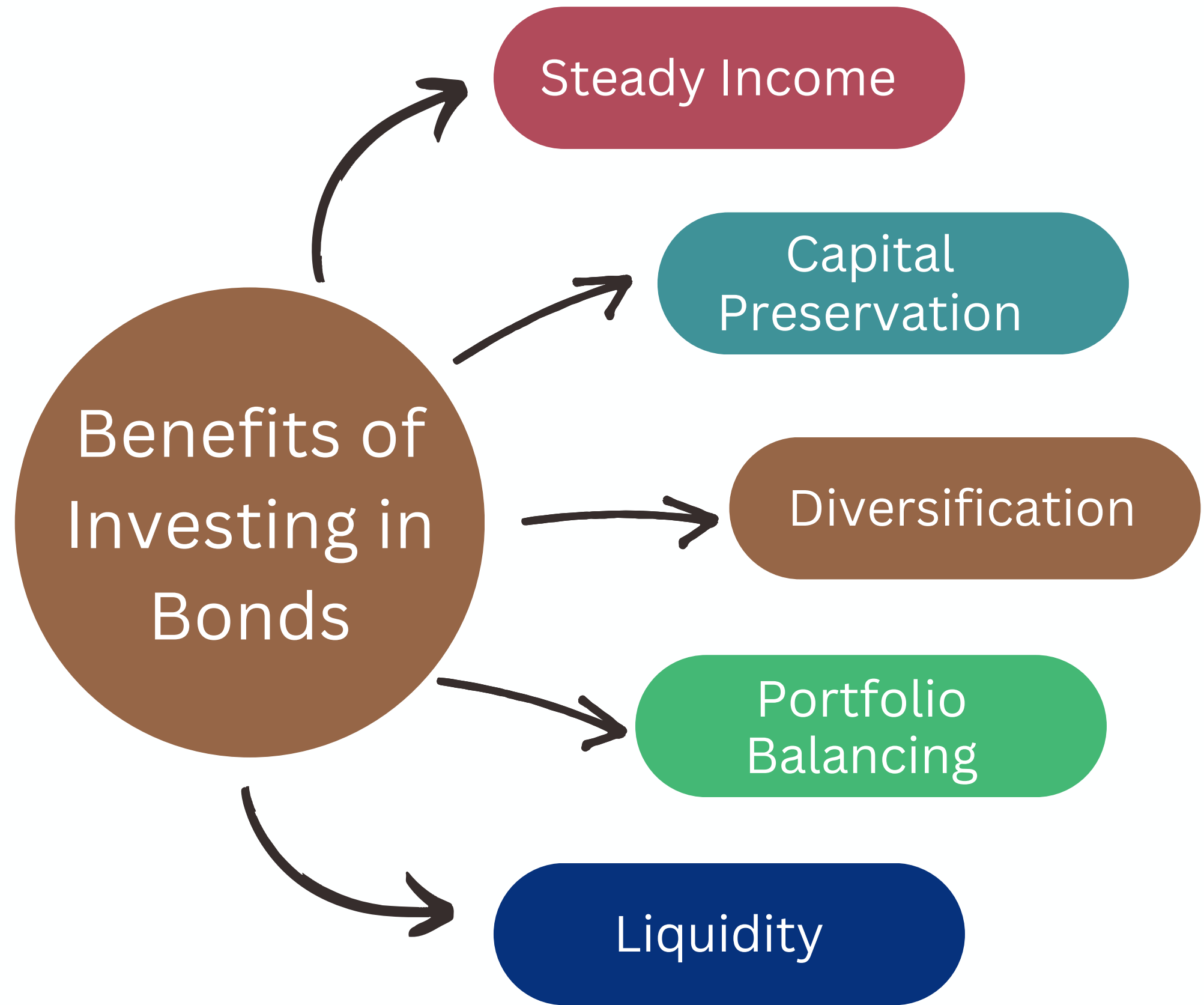
Minimum Investment is

- Rs. 100 for Government Bonds
- Rs. 1000 for Corporate Bonds

# How BONDS actually work?







# KEY TERMINOLOGIES

Bond  
Issuer

The entity or organization that issues the bond to raise funds for their operations or projects.

Bond  
Holder

The investor who purchases the bond, lending their money to the issuer for a fixed period.

Face Value

- Amount which investor pays on investment.
- Amount which is repayed at maturity.

Coupon  
Rate

Interest which is paid on face value of investment.

Interest  
Payment  
Frequency

- Payment of coupon i.e. interest
- whether monthly, quarterly, semi-annually, annually or at maturity itself predetermined by the issuer.

# KEY TERMINOLOGIES

**Maturity  
Date**

The date on which the issuer repays face value along with accrued interest to investors.

**Call Date**

The date on which the issuer makes pre-payment or redeems bonds before maturity.

**Record  
Date**

The date which the issuer checks to know the holder of instrument, so as to make coupon payment.

**Credit  
Rating**


Ratings which are given to the bonds issued by SEBI Accredited Rating Agencies for safety and security of investors.

**ISIN**

Unique code given to securities at the time of issue by SEBI regulatory authorities.

The background of the slide features a collage of financial charts. On the left, there are several candlestick charts with various colored lines (green, yellow, red) overlaid, set against a dark grid. On the right, there are smoother line graphs in green and yellow. The overall aesthetic is professional and data-driven.

# WHAT IS YIELD?

- **Yield is a key metric in fixed income investing. It represents the return an investor receives in relation to the price paid for the investment.**
  - **There are three different kinds of yields namely, current yield, yield to maturity, and yield to call.**
- 
- In the bottom right corner, there are three horizontal bars of different colors: a red bar on top, a blue bar in the middle, and a green bar at the bottom.

# TYPES OF YIELDS

## Current Yield

Current yield is the annual interest income earned by an investor in relation to the bond's current market price.

## Yield to Maturity (YTM)

Yield to maturity is the total return an investor can expect to earn if the bond is held until it matures. YTM considers both coupon payments and potential capital gains or losses at maturity.

## Yield to Call (YTC)

Yield to call is the yield an investor can expect if the bond is called (redeemed) by the issuer before its maturity date. YTC is relevant for callable bonds.

# How to calculate Yield?

You need

01

Current Price

02

Face Value

03

Coupon Rate

04

Years to Maturity



Yield Calculator

# Types of Bonds

## G-Secs

Backed by the government, these bonds offer relatively lower risk and are considered a safe haven for investors.

## Corporate Bonds

Issued by corporations, these bonds offer higher yields but come with varying degrees of credit risk.

## Sovereign Gold Bonds

Sovereign Gold Bonds (SGBs) are government-backed securities denominated in grams of gold, providing an alternative mode for individuals to invest in gold.

## Bonds ETFs

Bond ETFs (Exchange-Traded Funds) are investment funds that track and provide exposure to a diversified portfolio of bonds, offering investors a convenient and liquid way to access fixed-income securities through stock exchanges



# Taxation on Bonds

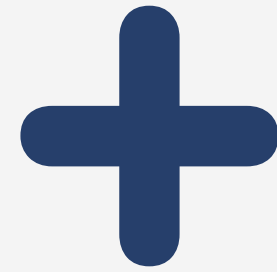
Securities	Listed (12 months holding period)		Unlisted (36 months holding period)	
	STCG	LTCG	STCG	LTCG
Bonds	Slab Rate	10%	Slab Rate	20%

# Taxation on Debt Funds

Securities	Debt Mutual Funds (3 years holding period)	
	STCG	LTCG
Tax Rates	Slab Rate	20%



# BOND RATINGS



## Importance of Bond Rating

- Evaluate credit risk
- Assist investors in making informed decisions

## Credit Rating Agencies

- Moody's, S&P, Fitch among others.
- Assigning credit ratings to issuers and their debt instruments.

## Rating Scales

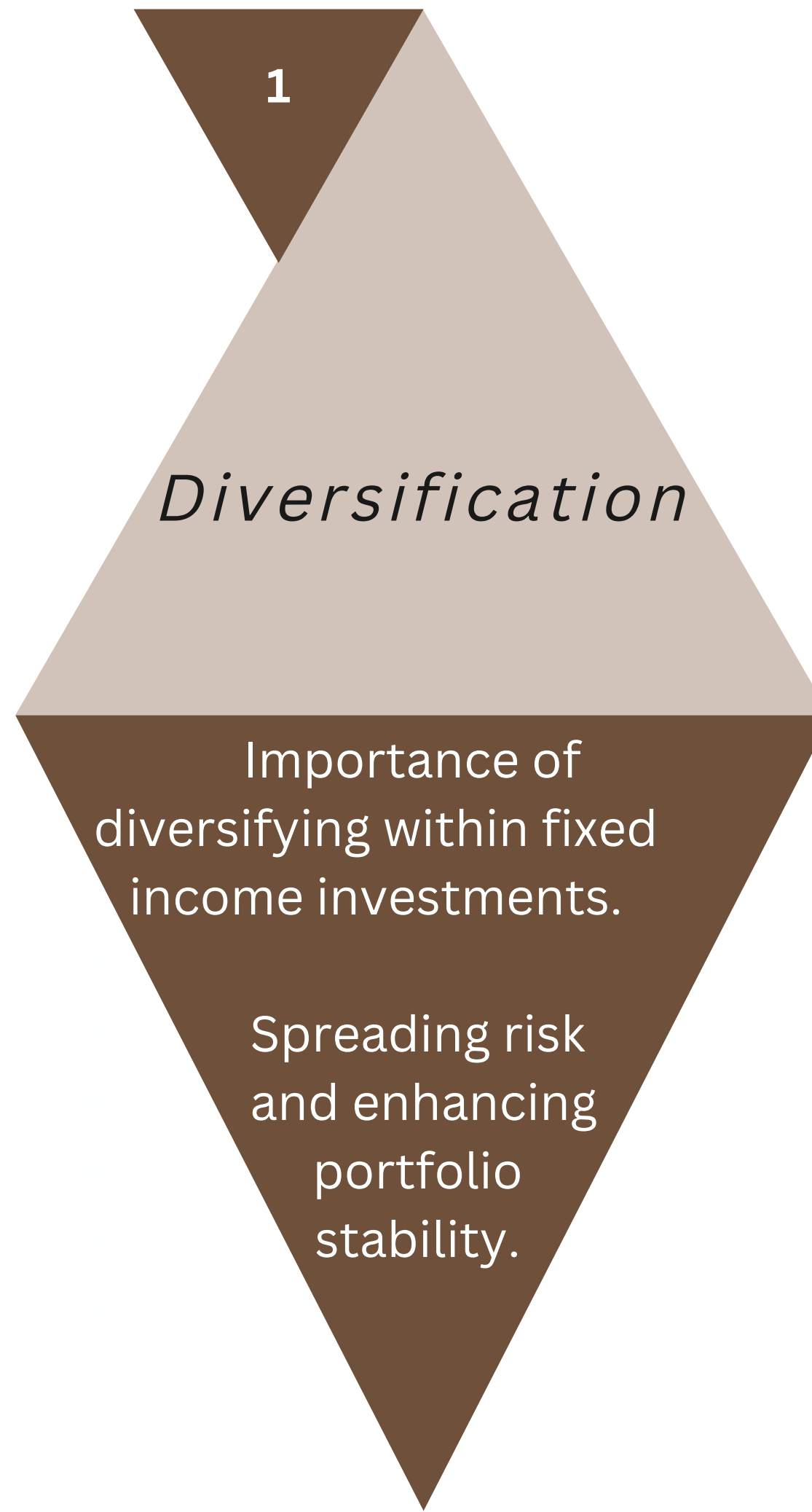
- Moody's: AAA (Highest) to C (Lowest).
- Assign credit ratings to issuers and their debt instruments.

## Investor Impact

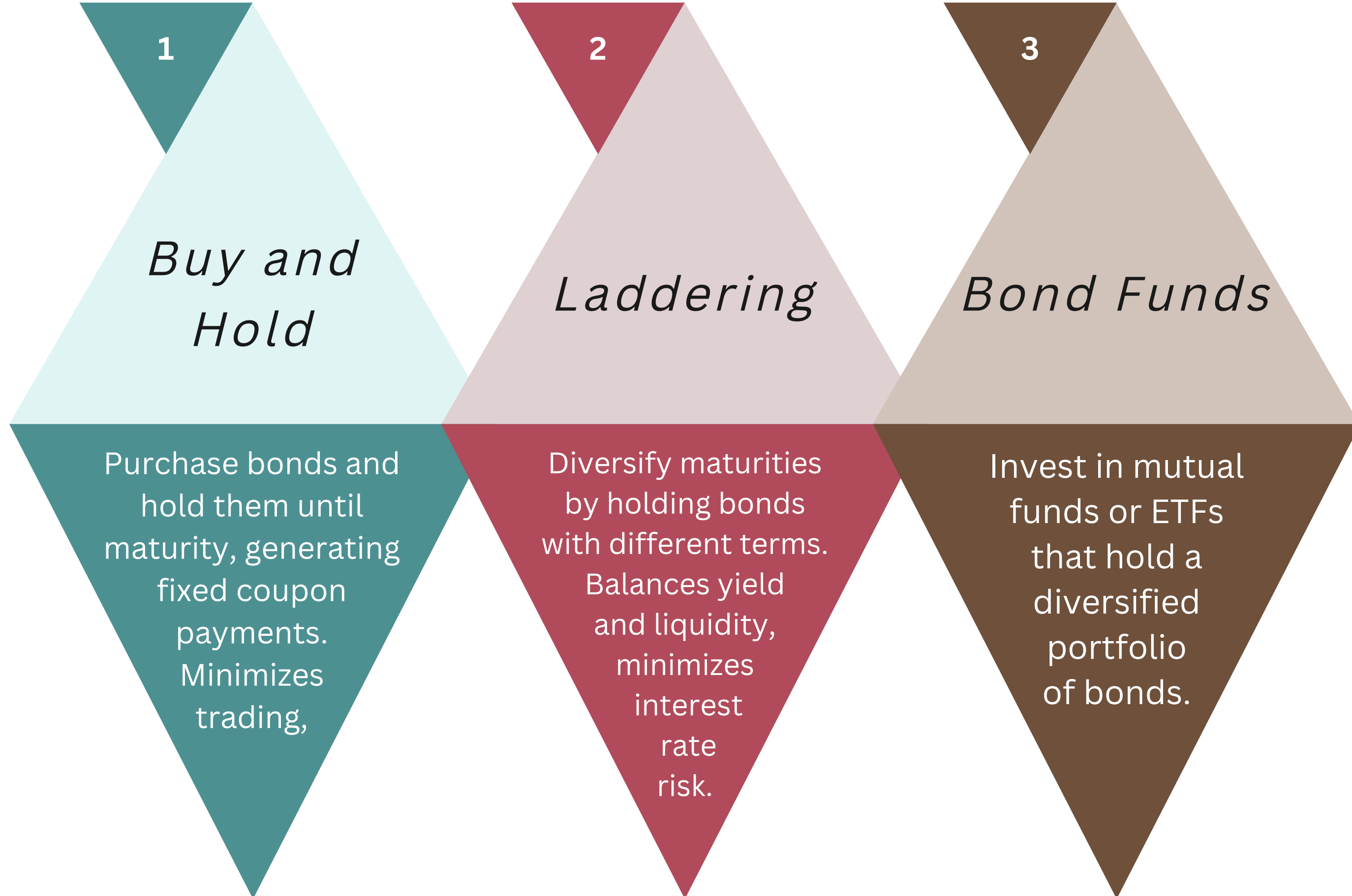
- Higher ratings indicate lower risk.
- Affect investor decisions and portfolio risk assessment.



# Investment Strategies



# Common Investment Strategies



**Thank  
You!**

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