

## Investor Advisory Note: Investing in Bonds

### ✓ Do's

- ✓ **Understand the Issuer:** Evaluate the issuer's financial health, industry outlook, and credit rating.
- ✓ **Check the Rating:** Prefer higher-rated bonds for capital preservation, unless you are comfortable with risk.
- ✓ **Compare Yield and Liquidity:** A higher yield may signal higher risk or lower liquidity.
- ✓ **Diversify:** Spread investments across issuers, sectors, and maturities to reduce concentration risk.
- ✓ **Consider Tax Implications:** Be aware of applicable TDS, capital gains, and interest income tax rules.
- ✓ **Consult a SEBI-Registered Investment Advisor (RIA):** For customized, unbiased advice suited to your risk profile.
- ✓ **Use Reliable Platforms:** Choose brokers or digital platforms that provide proper documentation and access to verified issuers.
- ✓ **Monitor Issuer performance:** Bonds investments require continuous monitoring, keep your self-updated on companies progress.

### ✗ Don'ts

- ✗ Don't rely solely on credit ratings – they are opinions, not guarantees.
- ✗ Don't chase high yields blindly – they may come with higher credit or liquidity risk.
- ✗ Don't invest without reviewing the term sheet and offer documents.
- ✗ Don't ignore liquidity – ensure there's a viable exit route if needed.
- ✗ Don't assume safety just because the bond is listed on a known portal.

### 📊 Coupon vs Yield: What's the Difference?

| Term   | Meaning                                                              |
|--------|----------------------------------------------------------------------|
| Coupon | Fixed interest paid annually/semi-annually on face value (e.g., 10%) |
| Yield  | Effective return based on purchase price; changes with market price. |

*Example: A bond with ₹1000 face value and ₹100 coupon has 10% coupon. If bought at ₹950, yield ≈ 10.53%.*

### ⚠️ Key Risks in Bonds

#### 1. Default Risk

- Risk that the issuer may fail to pay interest or principal.
- Higher in low-rated or unrated issuers.

## 2. Liquidity Risk

- Difficulty in selling the bond before maturity due to low secondary market activity.

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### ? Why Do Bonds with the Same Rating Offer Different Yields?

- Differences in:
  - Sector perception (e.g., NBFC vs PSU)
  - Security structure (secured/unsecured)
  - Tenor and call/put options
  - Market outlook or downgrade expectations
  - Liquidity in the secondary market

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### \$ Taxation & TDS Considerations

- **Interest income** is taxable as per your slab. Long term and short-term taxes applicable based on nature of instruments
- **TDS** applies as per your residential status. **When in doubt please take profession help to identify tax impact on your investments.**

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### 📌 High Yield = High Risk?

- High yield bonds often:
  - Are from lower-rated issuers (BBB and below)
  - Operate in stressed sectors or have weak balance sheets
  - Carry structural risks or low liquidity
- Allocate cautiously and diversify.

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### 📁 Why Diversification Matters

- Spread across:
  - **Issuers** – to reduce single-entity exposure
  - **Ratings** – to balance safety and returns
  - **Sectors** – to protect from industry-specific risks
  - **Maturities** – for better liquidity planning

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### 🔍 Why You Must Monitor After Investing

- Issuer's financials and ratings may change.
- Delays or changes in payment schedules may arise.
- Regulatory actions, lawsuits, or adverse developments can impact the bond.

“Bonds are **not** ‘buy and forget’ instruments.”

## □ Role of Key Intermediaries

### 🏢 Broker / Digital Platform (e.g., GoldenPi)

- Facilitates discovery, application, and order execution.
- Offers access to verified issuers and relevant documentation as per Regulator Mandates.
- Does **not** guarantee returns, continuous credit monitoring or repayment.
- Do **NOT** provide BUY/HOLD/SELL Advisory.
- May earn commission on transaction facilitation / broking services/ Value added services and IPO distribution services.
- May get into revenue sharing model with Associated persons/ Partners
- May pay referral fees to introducer or to identifiers.
- Does not guarantee capital safety or liquidity on products offered.

### 📄 SEBI-Registered Investment Advisor (RIA)

- Provides independent, conflict-free investment advice.
- Helps align bond investments with your financial goals and risk appetite.
- Charges a fee; does not earn commissions from product issuers.

### 🗃️ Registrar (e.g., KFinTech, Link Intime)

- Maintains investor records.
- Handles interest payouts, change requests (e.g., bank, nominee).

### 🛡️ Debenture Trustee (e.g., Catalyst, Axis Trustee)

- Monitors issuer compliance with terms of the bond.
- Takes action on behalf of investors in case of default or covenant breach.
- Acts as a legal representative of bondholders.

## ✅ Final Note

Bond investing can provide regular income and lower volatility—but it is **not risk-free**. Evaluate, diversify, and monitor. Use professional advice when in doubt.

For tailored guidance, consult a **SEBI-registered investment advisor** or a trusted financial planner.