Passive Investment Avenues

Tax Free Bonds

Tax-free bonds are fixed-income instruments issued by the government or government-backed organizations. They allow investors the chance to earn pre-fixed interest every year and are a relatively safe investment option. Additionally, the interest earned is tax-free, enabling investors to save more money. Like other bonds, the principal amount is repaid upon maturity. However, to invest in them, you will have to wait for the issue, which may not be open always. The only option is to buy from secondary market. Tax-free bonds are a great investment choice for high-net-worth individuals aiming to increase their fortune. As a result, you can generate greater profits if you come under a higher tax bracket. Furthermore, there is no maximum investment amount permitted in tax-free bonds. Tax free bonds are offered by Power Finance Corporation Ltd., National Housing Bank, NTPC Limited, National Highways Authority of India. Tax Free bonds provide an interest rate between 5.25% -5.35%.

Eligible Investor:

- Retail individual investors who include members of Hindu Undivided Family and Non-Resident Indians
- Corporates, Partnership firms, Limited liability partnerships and other legal authorized entities
- Co- operative Banks, Regional rural banks
- Trusts
- Qualified institutional buyers (QIBs) defined by the Securities and Exchange Board of India (SEBI) Guidelines, 2000

Perpetual Bonds

A perpetual bond, also known as a "consol bond" or "perp," is a fixed income security. Perpetual bonds are typically issued by governments, financial institutions, banks, and corporations seeking long-term financing. One major drawback to these types of bonds is that they are not redeemable. However, the major benefit of them is that they pay a steady stream of interest payments forever. Unlike traditional bonds, perpetual bonds do not have a maturity date, and the principal amount is not repaid. As the name suggests, perpetual bonds, the agreed upon period over which interest will be paid, is till perpetuity.

Perpetual bonds pay a fixed coupon or interest rate to bondholders at regular intervals, usually annually or semi-annually. The coupon rate is predetermined at issuance and remains constant throughout the bond's life. These investment options are more attractive to people who want a regular fixed income, as investors can receive the interest payments on these bonds as long as they hold the bond. Some perpetual bonds come with a call option, allowing the issuer to redeem the bonds after a specified period. This gives the issuer flexibility in managing their debt. The risk these bonds carry is credit risk, interest rate risk. Since, these bonds are perpetual, there is no maturity. Perpetual bonds are offered by Tata Motors Finance Limited, Punjab National Bank, Union Bank of India. Perpetual bonds provide an interest rate between 8.25%- 8.60%.

Eligible Investor:

- Income-oriented investors
- Long- term Investors
- Risk-tolerant investors
- Diversification seekers

Corporate Bonds

Corporate Bonds are debt instruments private and public Corporations issue to obtain debt capital for growth and development. Companies issue corporate bonds to raise money for a variety of purposes, such as building a new plant, purchasing equipment, or growing the business. Corporate bonds are debt obligations of the issuer—the company that issued the bond. With a bond, the company promises to return the face value of the bond, also known as principal, on a specified maturity date. Until that date, the company usually pays you a stated rate of interest, generally semiannually. A corporate bond does not give you an ownership interest in the company—unlike when you purchase the company's stock. Credit agencies are responsible for providing ratings of corporate bonds based on the issuer's ability to repay debt obligations. A good rating means the issuer is more likely to meet its obligations under the corporate bonds held by the investor. Corporate bonds are offered by REC Limited, LIC Housing Finance Limited, Power Finance Corporation Limited. Corporate bonds provide interest rate of 7.5% - 8.25%.

Eligible Investor:

Investors looking for exposure to the market can consider investing in corporate bonds. This is because corporate bonds offer stability and income, two key factors to look for when making an investment decision. Also, Investors who are looking for an alternative to traditional fixed-income instruments can consider corporate bonds.

Corporate Fixed Deposits

Several companies/corporates and NBFCs, like banks, collect and deposit money for a set period of time and pay interest. Corporate fixed deposits are the fixed deposits of firms and NBFCs. Corporate FDs, like other banks, pay a rate of interest on income and have the same variable duration to choose the amount. When compared to bank FDs, corporate FDs always deliver a better rate of return. Bank FDs can be anywhere between a few months to a few years, but corporate FDs cannot exceed more than five years of timeframe, and this makes it a viable option when investors want high returns in a short duration of time.

Eligible Investor:

- Individual & HUF
- Corporates
- Educational Institution

Company Name	Credit rating	1-year Tenure (p.a.)	3-year Tenure (p.a.)	5-year Tenure (p.a.)
Mahindra Finance	AAA	7.50%	8.10%	8.10%
Sundaram Home Finance	AAA	7.45%	7.75%	7.90%
ICICI Home Finance	AAA	7.25%	7.75%	7.65%

*The above interest rates are updated as of 15 July 2024

Bank Fixed Deposit

FD is a type of investment in which an individual invests a lump sum amount for a specific period of time with a bank. The amount deposited in the FD earns interest at a fixed rate which is set at the time of the account opening. FD holders can choose to receive the interest earned either monthly, quarterly, half-yearly or annually as per their preference. Fixed Deposits are popular as they are one of the safest investment options available in the market. The returns are guaranteed and there is no real risk of a capital loss. Moreover, they offer a better rate of interest when compared to Savings Accounts. This makes Fixed Deposits a safe yet attractive investment option for anyone looking to earn stable and predictable returns.

Eligible Investor:

- Indian Nationals
- NRIs
- Companies
- Clubs and Societies

Non Convertible Debentures

Non-convertible debentures are fixed-income instruments for specific terms and interest rates. Big companies issue them to raise funds without giving any option of conversion to equity. The interest rates offered on NCD debentures are more or less fixed. On maturity, the investor will get back the principal amount along with interest. The interest rate has an inverse relationship with the creditworthiness of the company. A high credit-rated non-convertible debenture will have lesser interest rates. Since NCDs are not backed by collateral, but just the creditworthiness of the issuer, ratings given by credit rating agencies become important. Such ratings help investors to understand the history of the issuer's creditworthiness and what it may look like in the future. Even the NCD debentures are regularly rated by credit rating agencies. Non-Convertible Debentures are traded in the stock market. NCDs include two types Secured NCDs and Unsecured NCDs. Secured NCDs are considered safer of the two kinds as their issues are backed by the assets of the company while Unsecured NCDs are much riskier than the secured NCDs as the assets of the company do not back these. Every non-convertible debenture can earn returns in two ways – growth based and interest-based or cumulative opportunities. NCDs are offered by M&M Financial Services taxable NCD, Cholamandalam Investment and Finance Company Limited. NCDs provide interest rate of 9% -10%.

Eligible Investor:

- Individuals
- Banking companies
- Primary Dealers other corporate bodies registered or incorporated in India
- Unincorporated bodies.

Post Office Schemes

A Post office offers various deposit schemes to the investors. These are also known as small savings schemes. The USP of these schemes is their sovereign guarantee that is it is backed by the central government. The Post Office Saving Schemes include several reliable products and offer risk-free investment returns. Around 1.54 lakh post offices spread all over the country operate these schemes. Investments in post office schemes help to create a corpus for emergency purposes and achieve goals. They also offer tax benefits up to Rs.1.5 lakh under Section 80C of the Income Tax Act. The various schemes offered by the post office are discussed below.

Eligible Investor:

- Resident Indian, minor (above 10 years) and major

Scheme	Returns (Applicable from 01/04/2024)
Post Office Savings Account	4% per annum
Post Office Time Deposit Account (compounded quarterly)	One-year – 6.9% p.a. Two-year – 7.0% p.a. Three-year – 7.1% p.a. Five-year – 7.5% p.a. (Compounded Quarterly)
Post Office Monthly Income Scheme Account	7.4% per annum payable monthly
15 Year Public Provident Fund Account	7.1% p.a. (Compounded annually)

National Savings Certificate

The National Savings Certificate (NSC) is a secure investment option provided by the Government of India through post offices. The Scheme is a fixed income investment scheme that one can open with a post office. As part of an initiative from the Government of India, it is a savings bond that encourages subscribers, primarily small or mid-income investors, to invest while saving on income tax. Anyone looking for a safe investment avenue to earn a steady interest while saving on taxes can choose to invest in NSC. NSC offers guaranteed interest and complete capital protection. However, like most fixed income schemes, they cannot deliver inflation-beating returns like tax-saving mutual funds and the National Pension System. The maturity period is five years. An individual can open any number of accounts under the scheme. The scheme is open only for individual Indian residents. Currently, the scheme is generating a guaranteed return at the rate of 7.7% for investors.

RBI Floating Rate Bonds

The Reserve bank of India issues RBI bonds on behalf of Indian government. These bonds which include Government of India Savings (Taxable) bonds, serve as a means for the government to raise funds for its projects and plans. Any Indian citizen can buy these bonds, making them accessible to all. Moreover, the RBI notifies any changes in the interest rate. Unlike the other types of bonds, the cumulative option is not available for RBI bonds. The RBI Floating Rate Savings Bond is currently offering an interest rate of 8.05% per annum.

A floating rate bond features a variable coupon payment, meaning the interest rate changes based on the benchmark rate reset regularly. In simpler terms, the interest rate of a floating rate bond fluctuates during its term. The RBI offers floating rate bonds (FRBs) with a coupon rate (interest rate) decided by the rate of NSC certificates issued by the Government of India. You need to invest a minimum of Rs. 1,000 in RBI bonds, and after that, you can invest in multiples of Rs. 1,000. There is no maximum limit on how much you can invest in RBI bonds. The tenure of Floating Rate Savings Bond is 7 years. Investors aged 60 and above can redeem the bond early according to RBI's regulations. Under the Income Tax Act of 1961, Tax is applicable on the earned interest from RBI bonds. Tax rate depends on investor's income tax bracket.

Eligible Investor:

- Individual
- Hindu Undivided Family
- An institution that has received a Certificate of Registration as a charitable institution as per the laws of India can invest.
- Any institution holding a certificate from the Income Tax Authority under Section 80G of the Income Tax Act of 1961 can invest in RBI bonds.
- Any university under a Central, State, or Provincial Act, including institutions declared a university under Section 3 of the University Grants Commission Act of 1956 is eligible.

Sovereign Gold Bonds

The Government of India introduced the Sovereign Gold Bond (SGB) Scheme in November 2015 to offer an alternative investment to physical gold. Over the years, the market has witnessed a considerable decline in the demand for physical gold. SGBs not only track the export-import value of the asset but also ensures transparency at the same time. SGBs are government securities and are considered safe. Their value is denominated in multiples of grams of gold. SGBs have witnessed a significant increase in investors, with it being considered a substitute for physical gold. The quantity of gold for which the investor pays is protected, since he receives the ongoing market price at the time of redemption/ premature redemption. The SGB offers a superior alternative to holding gold in physical form. The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is free from issues like making charges and purity in the case of gold in jewellery form. The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip. There may be a risk of capital loss if the market price of gold declines. However, the investor does not lose in terms of the units of gold which he has paid for. The maturity period of the sovereign gold bond is eight years. However, you can choose to exit the bond from the fifth year (only on interest payout dates).

Eligible Investor:

- Individuals
- HUFs, Charitable Institutions
- Trusts, Universities

Passive Investment Avenues

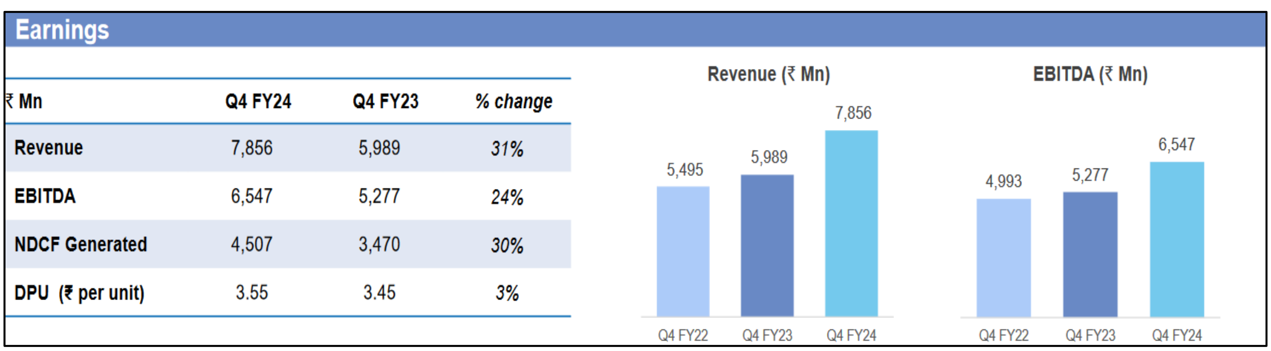
Real Estate Investment Trust (REITs)

REITS or Real Estate Investment Trust is a company that owns, operates, or finances income-producing real estate properties. They pool money from the investors and invest it in commercial real estate projects like workspaces, malls, etc. It allows you to Invest in the real estate sector without actually having to go out and buy. In return, you receive rental income from your investment in the form of dividends and interest. REITs are like shares that are listed on the stock exchange, which means you can buy or sell anytime on the exchange. As per the SEBI guidelines, they must distribute 90% of their earnings to the investors. When you invest in REITs, you do not receive ownership of the physical property; instead, you receive units like the mutual funds. These units are listed on the stock market, and the performance of the REITs is based on the performance of underlying real estate investments. So, you can potentially benefit from capital appreciation if the value of the underlying real estate. REITs are offered by Embassy Office Parks REIT, Mindspace Business Parks REIT.

Infrastructure Investment Trusts (InvITs)

Infrastructure Investment Trust (InvITs)**,** their units are listed on different trading platforms like stock exchanges and are a wholesome combination of both equity and debt instruments. The primary objective of InvITs is to promote the infrastructure sector of India by encouraging more individuals to invest in it which can be modified according to a given situation. Typically, such a tool is designed to pool money from several investors to be invested in income-generating assets. The cash flow thus generated is distributed among investors as dividend income. The purpose of InvITs is to enable Infrastructure Companies to repay their debt obligation quickly and effectively. Since infrastructure-oriented projects tend to take time to generate substantial cash flow, InvITs come in handy for paying off loan interests and other expenses conveniently. Generally, it is easy to enter or exit from infrastructure investment trust, which directly enhances their liquidity aspect. InvITs are offered by India Grid Trust, Powergrid Infrastructure Investment Trust.

Earning of India Grid Trust as of Q4 FY24


Earnings

₹ Mn	Q4 FY24	Q4 FY23	% change
Revenue	7,856	5,989	31%
EBITDA	6,547	5,277	24%
NDCF Generated	4,507	3,470	30%
DPU (₹ per unit)	3.55	3.45	3%

Earning of Powergrid Infrastructure Investment Trust as of Q4 FY24

Particulars	Q4FY24	Q4FY23
Total Income	₹3,266.81 Mn	₹3,228.60 Mn
Operating Expenses	₹299.95 Mn	₹314.05 Mn
Total Debt	₹5,698 Mn	