

EXPLORING **PERPETUAL BONDS** IN THE INDIAN MONEY MARKET



The Indian money market, a cornerstone of India's financial system, enables short-term borrowing and lending among various entities. It features diverse money market instruments with varying maturity periods, including T-Bills, CDs, CPs, Bonds, Debentures, and Perpetual Bonds. Today, we dive into Perpetual Bonds.

UNVEILING THE PERPETUAL BOND



A bond is a fixed-income instrument where an investor loans money to a borrower who pays fixed or floating interest (coupon) at regular intervals until maturity. Perpetual Bonds, however, have no maturity date, and interest payments continue indefinitely. Issuers may include a call option to recall bonds if capital is no longer needed."

LEADING ISSUERS OF PERPETUAL BONDS

Main Issuers: Government, Banks, Financial Institutions.

ADVANTAGES OF INVESTING IN PERPETUAL BONDS



Higher Yield: Attractive interest rates compared to other fixed-income securities.

No Maturity Date: Investors enjoy a perpetual stream of interest income.

Liquidity: Perpetual bonds are listed on stock exchanges for easy trading.

Low Default Risk: Issued by credible institutions with high credit ratings.

CONSIDERATIONS FOR POTENTIAL RISKS

Interest Rate Risk: Fixed coupon payments may lead to losses with rising market interest rates.

Default Risk: Although low, changing circumstances could lead to issuer default.

TAXATION OF PERPETUAL BONDS



Tax on Coupon Payments: Taxable as per slab and added to Income from other Sources.

Capital Gains Tax: If the holding period is less than 12 months, the income generated will be taxed as per your applicable tax slab rate. If the holding period is 12 months or more, long-term capital gains tax will be applicable. The rate of long-term capital gains tax is 10% without indexation

TARGET AUDIENCE FOR PERPETUAL BONDS

Suitable for investors seeking periodic income for an indefinite period.

WRAPPING IT UP



Recap: Perpetual bonds offer higher yields and perpetual income.

Caution: Assess issuer creditworthiness and understand associated risks. Ideal for income-focused investors comfortable with these unique securities.

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