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Investment Services

Fixed Income Navigator

January 2023 | Issue 02

Fixed Income Market Outlook

Fixed Income Product Offerings

**Performance update of Fixed
Income Products**

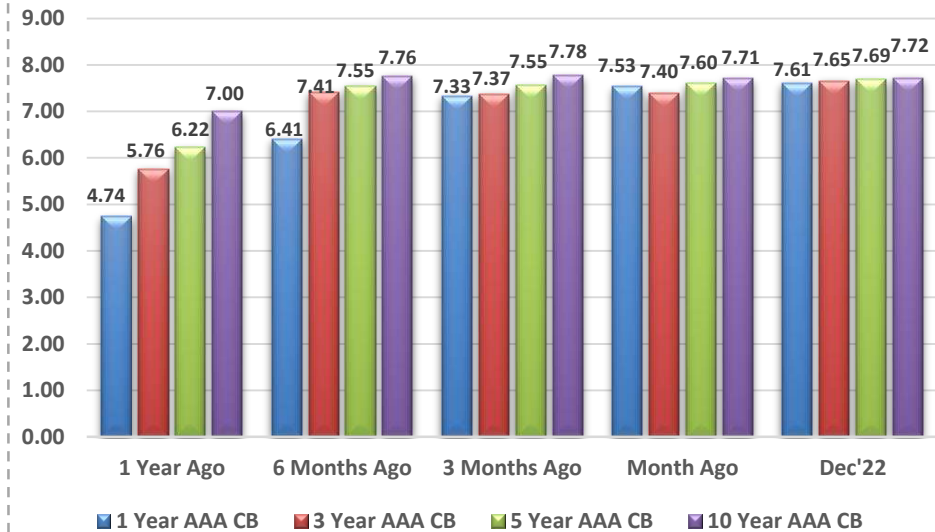
**Fixed Income Product Issuance
Calendar**

Abbreviations

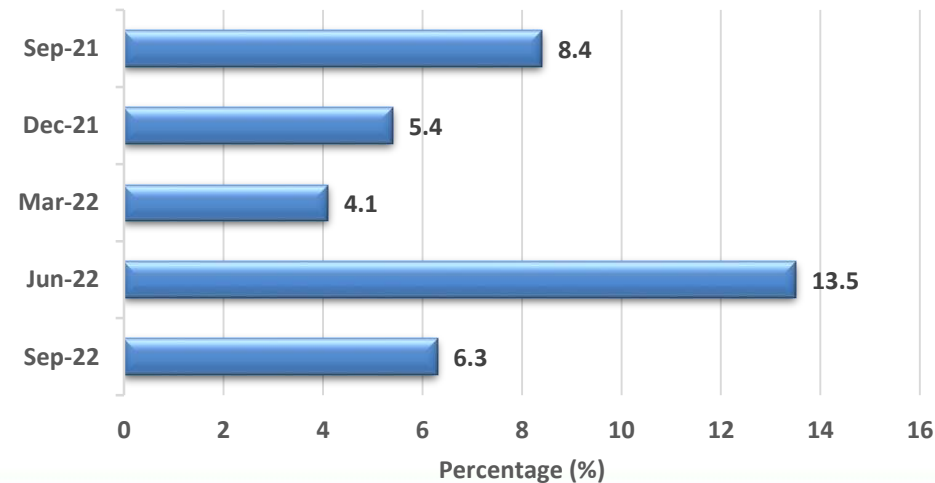
Fixed Income Market Outlook

- The Covid outburst in China created a sense of fear amongst the people around the world. The rise in covid cases brought a downward movement in the market at end of Dec'22, as market witnessed a downfall due increase in selling pressure by Retail investors and withdrawals from FII.
- India's cyclical growth may ease amid tightening financial conditions but the biggest headwind that still remains is that of inflation. Current India **CPI stands at 5.72%**. This is the second straight month when CPI figure remained under the Reserve Bank of India's mandated tolerance band of 2-6%. However, it continued to exceed the central bank's medium-term target of 4%.
- In Fixed Income market, **National Saving rate (NSC)** increased after years from **6.80% to 7.00%** leading to an increase in yields for **RBI Floating Savings Bond** rate from **7.15% to 7.35%**. CD issuances has been robust at `3.96 lakh crore during the year (up to December), higher than `0.78 lakh crore in the previous year, on the other hand CP issuances have declined to `9.3 lakh crore during the year (up to December) from `14.1 lakh crore for the corresponding period a year ago, as the appetite for bank credit improved. The Indian benchmark yield on the 10-year G-sec softened from a high of 7.50% in October'22 to 7.30% in Dec'2022.
- Corporate bond issuances jumped to `76,563 crore during November 2022 from `36,751 crore in October 2022. AAA Corporate bond yields for 3year witnessed a increase by 25bps where as yields for other tenor AAA Corporate bond had a moderate growth in yields.
- India's gross GST revenues were **INR 1,49,807 crore** in Dec'22, **2.50%** higher then Nov'22 kitty. This is the tenth month in a row that the revenues have remained above the Rs.1.4 lakh crore mark, also the Collection for Dec'22 is the third highest collection in this Financial Year after Oct'22 and Apr'22.

Corporate Bonds (%)

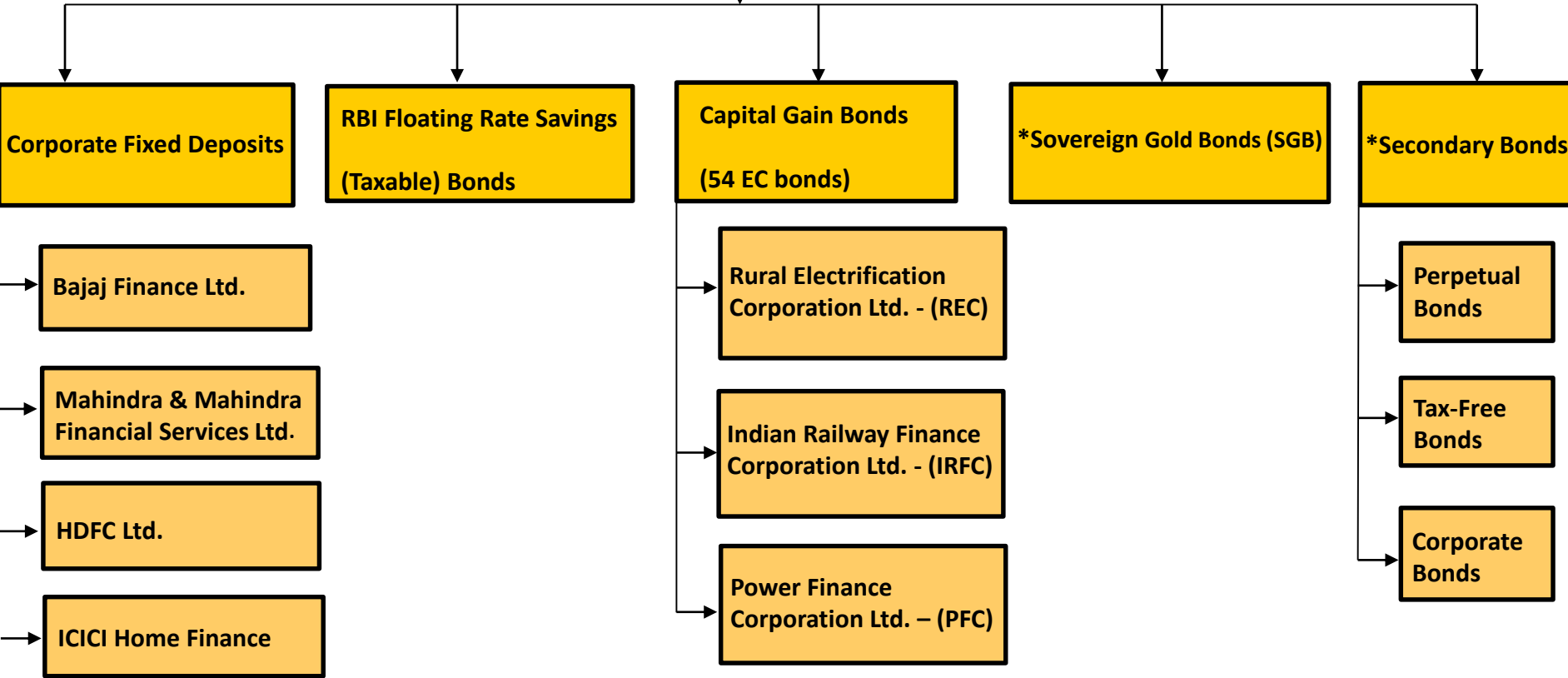


GDP Growth Rate (%)



Source: NSE; Bloomberg; RBI and External Sources. Data as on 31st December 2022.

Fixed Income Product Offerings



** As per availability of the product at the time on investment*

Performance update of Fixed Income Products

- **Short Term Papers**
 - Commercial Paper
 - Certificate Deposit
 - Treasury Bills
- **Government Securities**
- **Commodities Update**
 - Gold
 - Silver
- **FII and DII Investments**
- **Economic Indicators**
- **Currency Rates**
- **GST Collection**
- **Corporate Bonds**
- **Consumer Price Index**

Performance Update

Short Term Papers (%)						Change in (bps)			
Broad Indices	Dec'22	Month Ago	3 Months Ago	6 Months Ago	1 Year Ago	1M	3M	6M	1Y
3 Months CP	7.05	7.20	6.60	5.85	4.10	-15	45	120	295
6 Months CP	7.70	7.78	6.90	6.45	4.65	-8	80	125	305
1 Year CP	8.00	8.05	7.35	6.85	4.95	-5	65	115	305
3 Months CD	6.65	6.85	6.30	5.20	3.63	-20	35	145	303
6 Months CD	7.15	7.22	6.63	6.03	4.13	-7	53	113	303
1 Year CD	7.60	7.60	7.15	6.58	4.43	0	45	103	318
3 Month T-Bill	6.26	6.37	6.18	5.16	3.66	-11	8	110	260
6 Month T-Bill	6.69	6.71	6.48	5.66	3.92	-2	21	103	277
1 Yr T-Bill	6.87	6.84	6.69	6.15	4.21	3	18	72	266

Government Securities (%)						Change in (bps)			
Broad Indices	Dec'22	Month Ago	3 Months Ago	6 Months Ago	1 Year Ago	1M	3M	6M	1Y
1 Year G-Sec	6.72	6.85	6.70	6.12	4.37	-13	2	60	235
3 Year G-Sec	7.04	6.96	7.10	6.93	5.30	8	-6	10	174
5 Year G-Sec	7.23	7.13	7.32	7.21	5.79	10	-9	2	144
10 Year G-Sec	7.33	7.28	7.40	7.42	6.45	5	-7	-10	87

Source: NSE; Bloomberg; RBI and External Sources. Data as on 31st December 2022.

Performance Update and Indicator

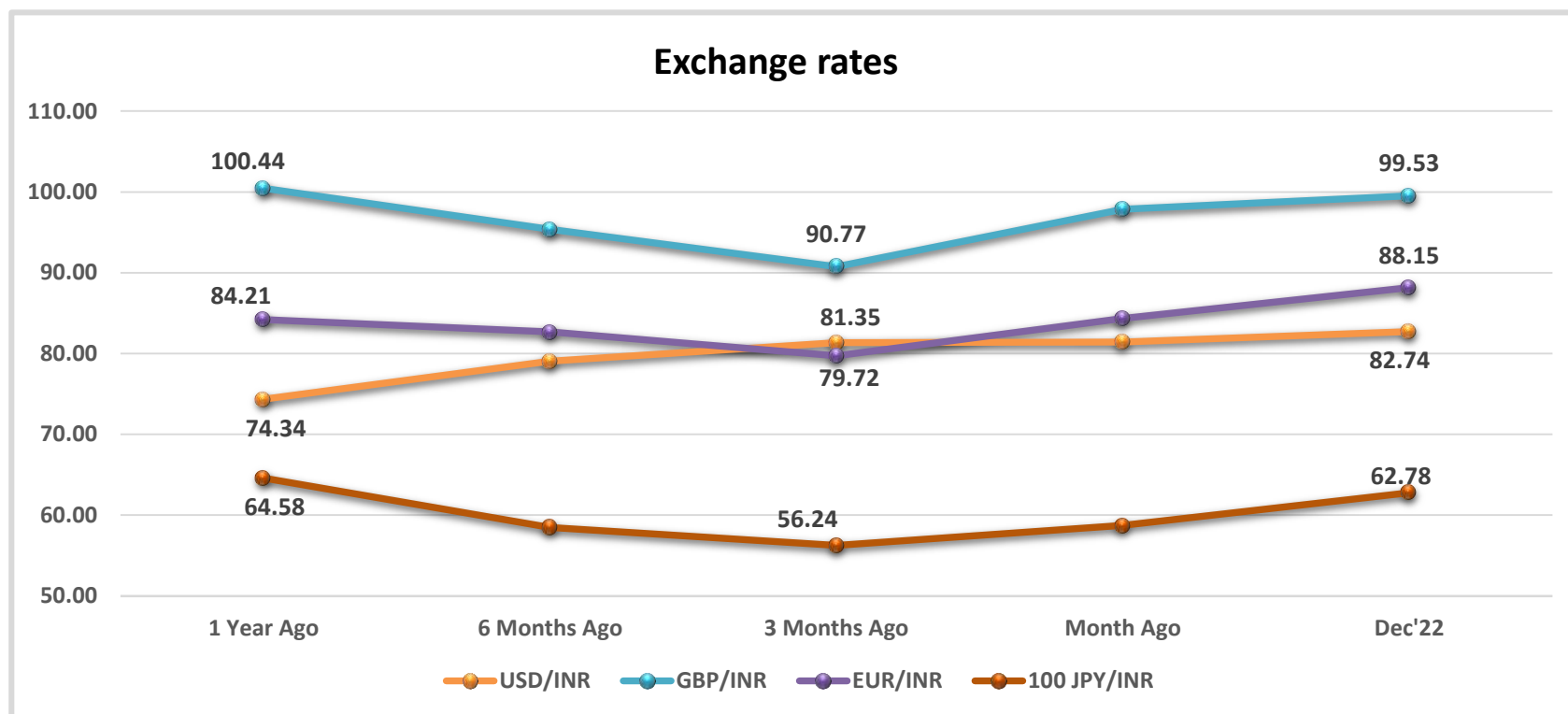
Commodities update						Change in (%)			
Commodities	Dec'22	Month Ago	3 Months Ago	6 Months Ago	1 Year Ago	1M	3M	6M	1Y
Gold (\$)	1,824	1,769	1,661	1,811	1,829	3.14%	9.84%	0.70%	-0.28%
Silver (\$)	24	22	19	20	23	7.93%	25.89%	20.52%	2.77%
Brent Crude Oil (\$)	85	87	86	118	77	-1.84%	-1.37%	-28.23%	9.70%

FII and DII Net Investments in (INR Crore)						
Date	Dec'22	Nov'22	Oct'22	Sep'22	Aug'22	Jul'22
FII	-14,231	22,546	-489	-18,308	22,026	-6,568
DII	24,159	-6,301	9,277	14,120	-7,069	10,546

Economic Indicators (%)*									
Date	Repo Rate	Reverse Repo Rate	SDF	MSF	CRR	SLR	CPI	WPI	IIP
Current	6.25	3.35	6.00	6.50	4.50	18.00	5.72	4.95	7.10
Previous	5.90	3.35	5.65	6.15	4.50	18.00	5.88	5.85	-4.00
Changes in Dec'22	No Change	No Change	No Change	No Change	No Change	No Change	↓ Dropped	↓ Dropped	↑ Hiked

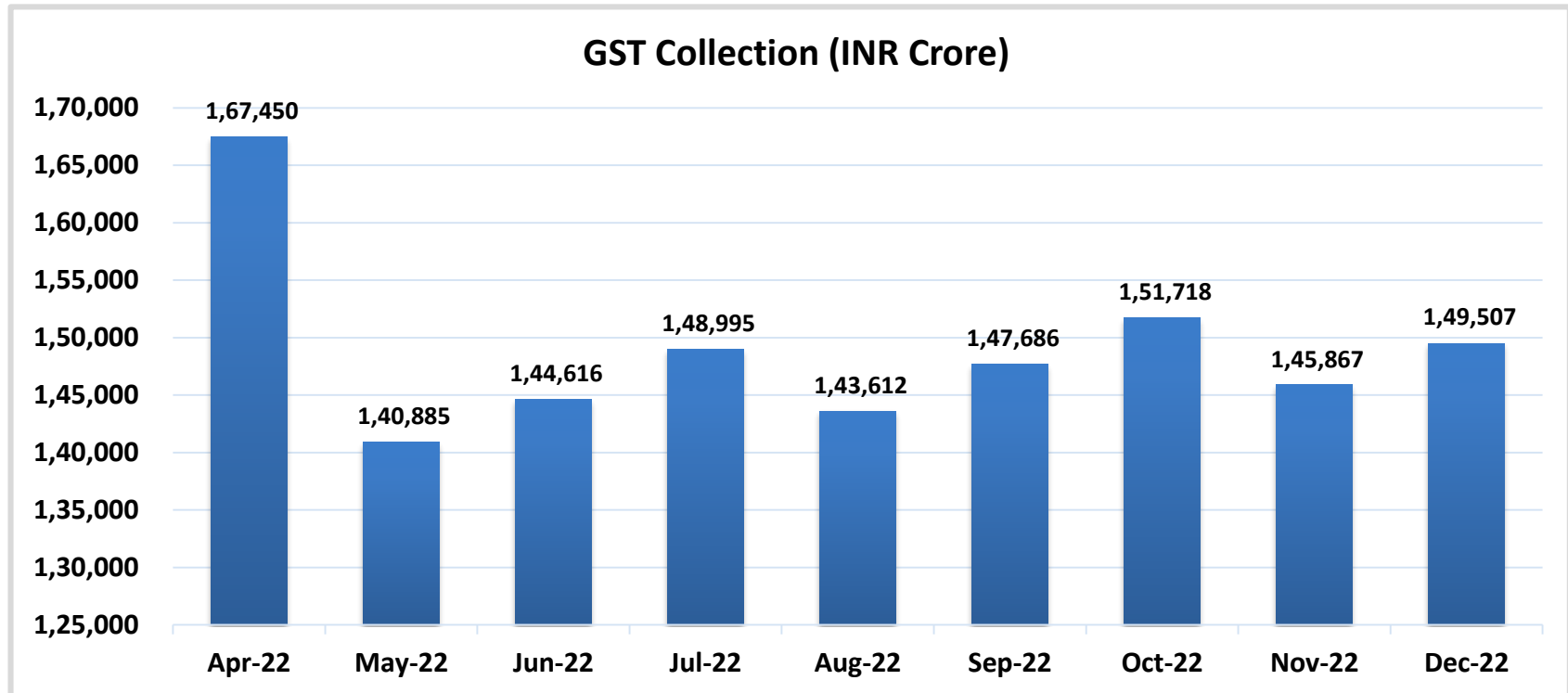
Source: NSE; Bloomberg; RBI and External Sources. Data as on 31st December 2022. *Economic Indicators data as on 12th January 2023

Currency Rates



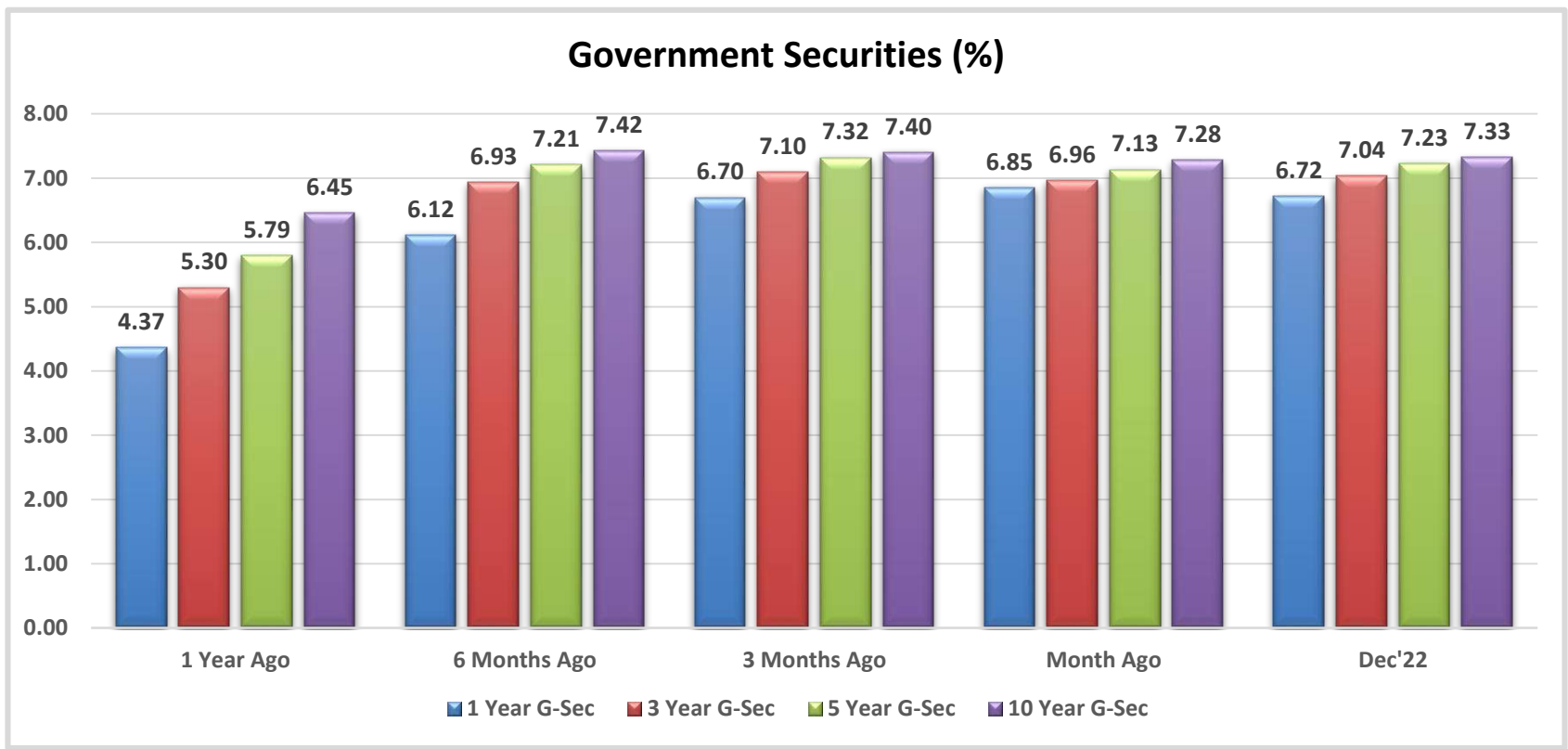
- INR had a weak performance versus other currencies as INR depreciated in the month of Dec'22.
- INR depreciated the most against JPY and EUR in December'22, falling by 6.91% and 4.50%, respectively.

GST Collection



- Dec'22 had a GST collection of **INR 1,49,507** crore which is **2.50%** higher than the previous month.
- The GST revenue for Dec'22 was the **3rd highest collection** in the current financial year after Apr'22 and Oct'22.

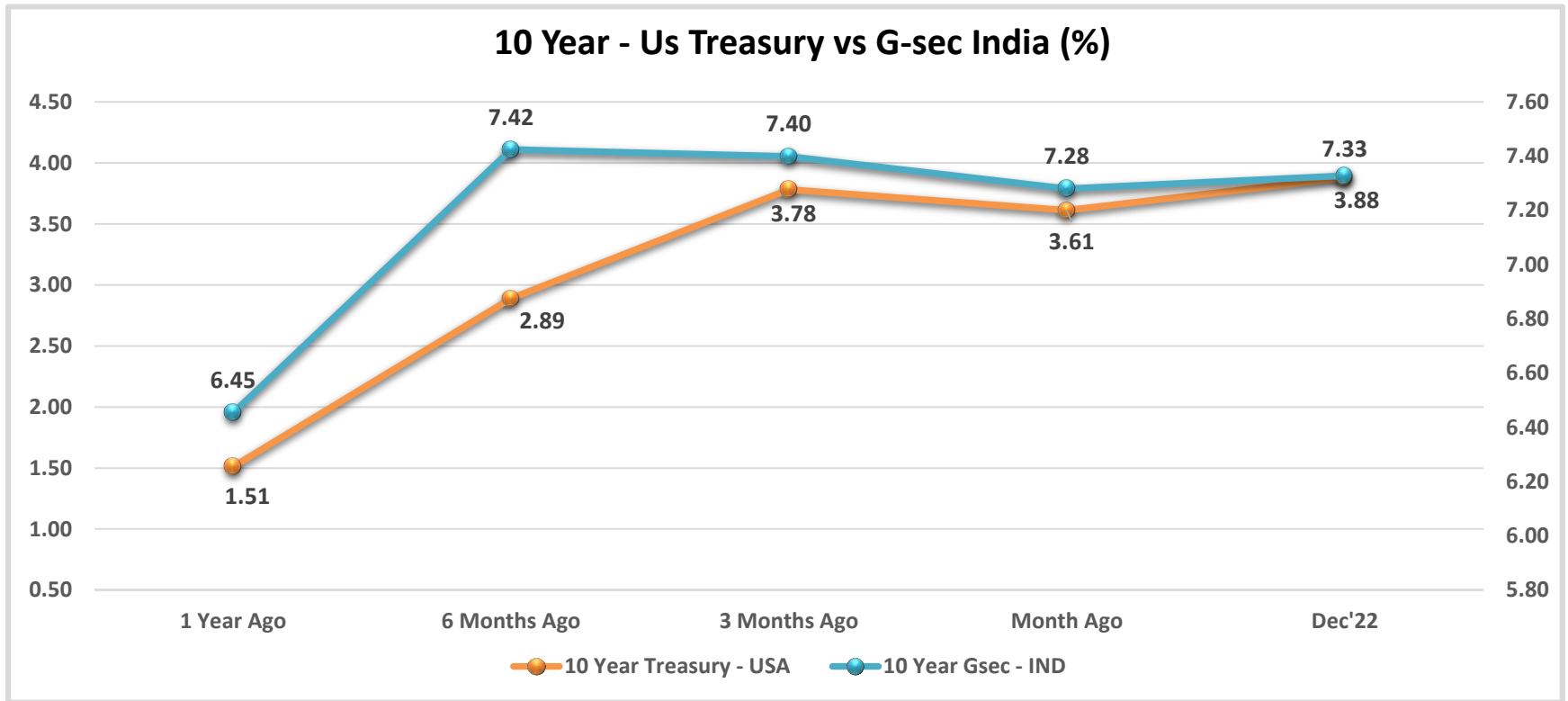
Corporate Bonds



- The Government Securities yield on shorter range (1year) depreciated to 6.72% in Dec'22 against 6.85% in Nov'22.
- Except 1year Government securities all other tenor Government securities yields increased roughly by 2% throughout the month.

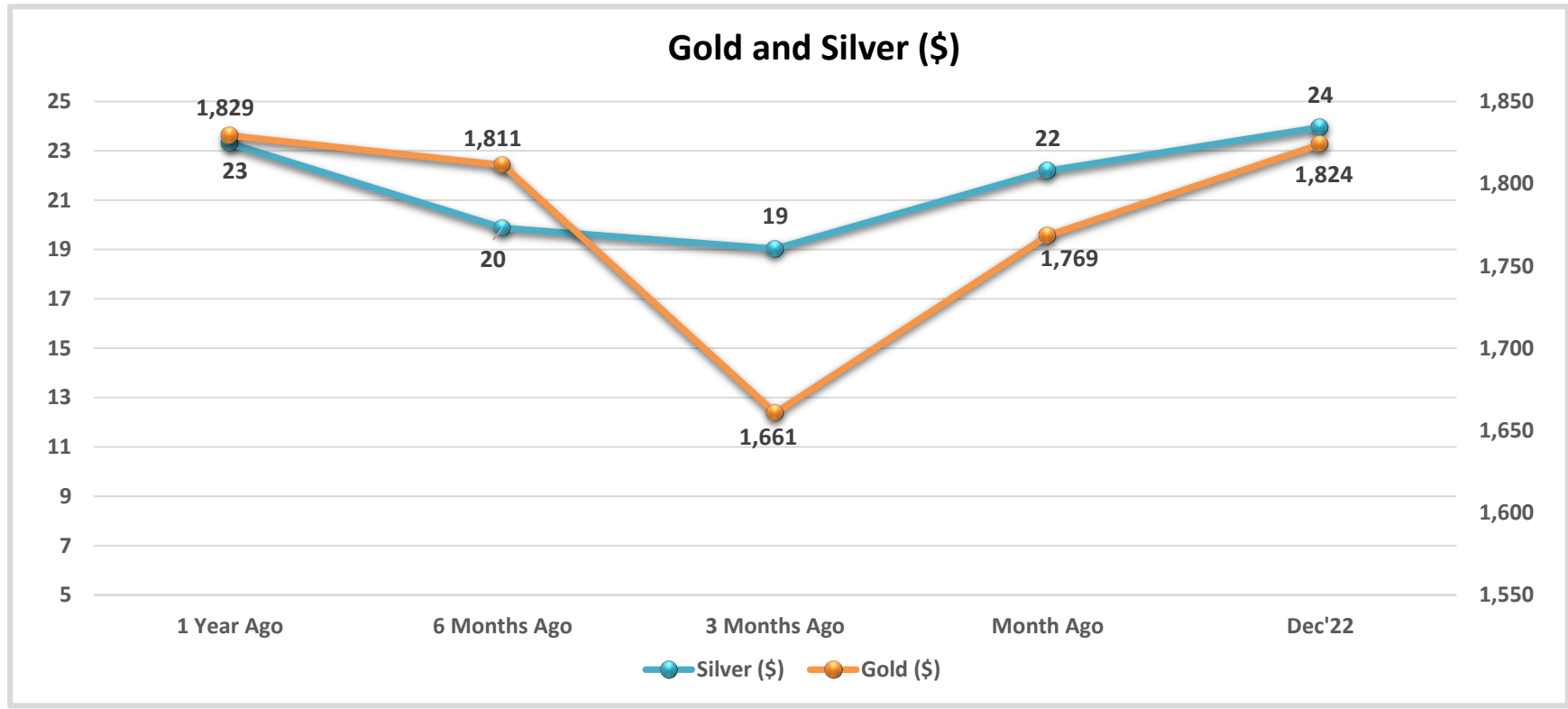
Source: NSE; Bloomberg; RBI and External Sources. Data as on 31st December 2022.

10 Year US Treasury vs 10 Year Gsec IND



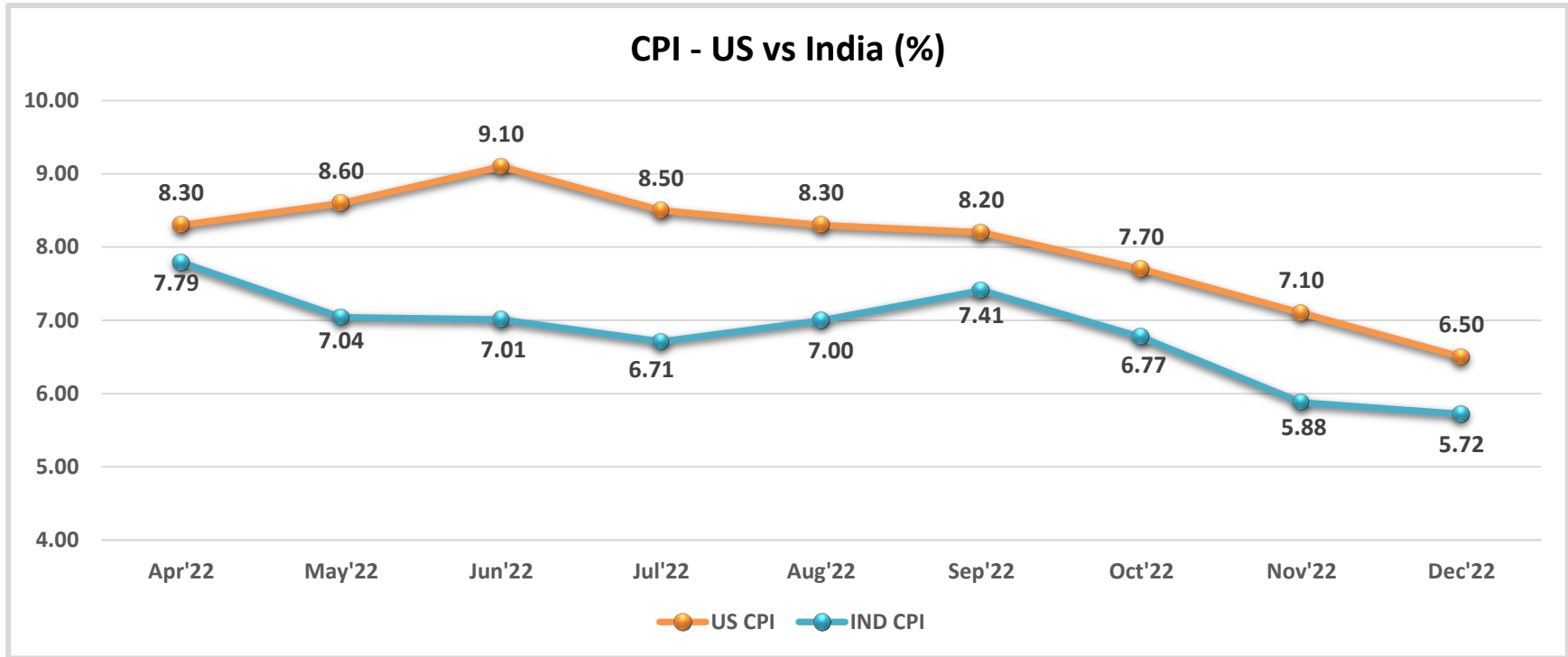
- The growth rate in yields of Gsec and US Treasury have reached the same level by the end of Dec'22 as the gap between the yield lines have narrowed down.
- US Treasury yield in Dec'22 witnessed a healthy growth of **7.48%** against Nov'22 yields on the other hand Gsec yield grew by **0.69%** in Dec'22.

Gold and Silver



- Gold rate in Dec'22 increased by 3.14 %, ending at **\$1,824** vs \$1,769 in Nov'22.
- Silver prices climbed by 7.93 % in Dec'22, rising to **\$24** from \$22 the prior month. This is the third consecutive month for gold and silver where rates witnessed an upward growth.

Source: NSE; Bloomberg; RBI and External Sources. Data as on 31st December 2022.



- The end of year 2022 brought in some relief as the rate of inflation for US and India came down to a year-low of **6.50%** and **5.72%** in Dec'22.
- The overall US consumer price index fell 60bps from the prior month, as cheaper energy costs fuelled the decline, on the other hand India CPI fell by 16bps, this is the second straight month when CPI figure remained under the Reserve Bank of India's mandated tolerance band of 2-6%. However, it continued to exceed the central bank's medium-term target of 4%.

Fixed Income Products

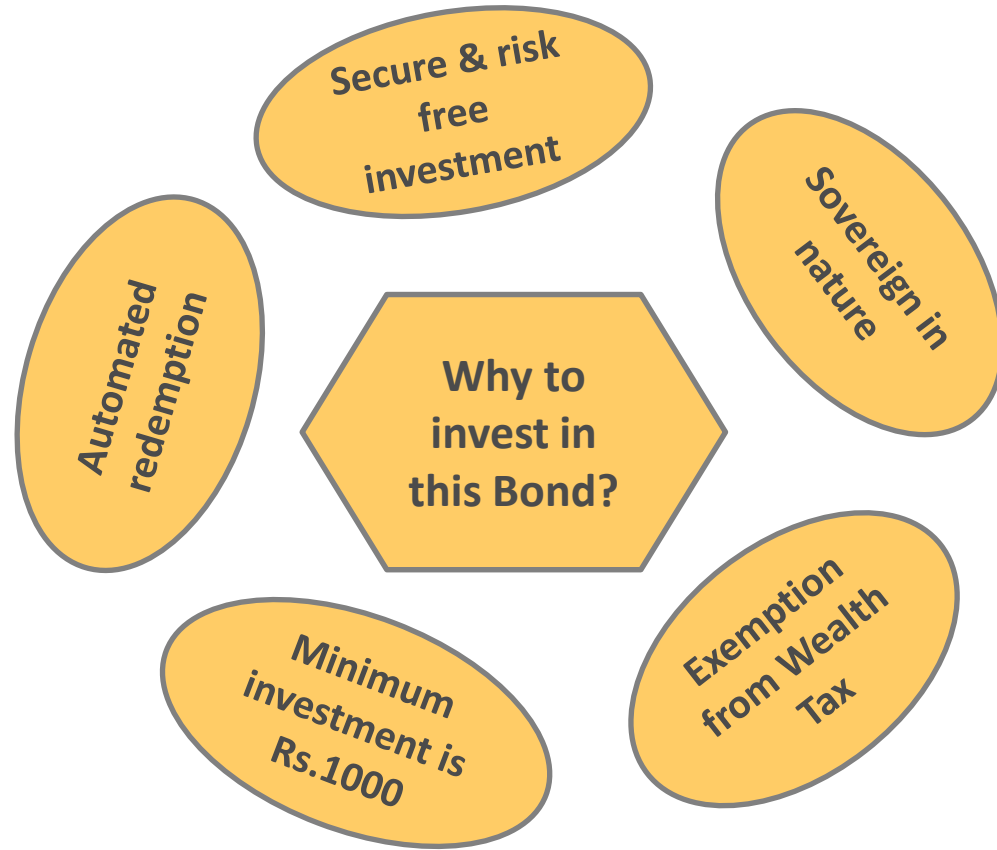
- **Corporate Fixed Deposit**
 - Bajaj Finance Ltd.
 - Mahindra & Mahindra Financial Service Ltd.
 - HDFC Ltd.
 - ICICI Home Finance Ltd.
- **Capital Gain Bonds**
 - Rural Electrification Corporation Ltd.
 - Indian Railway finance Corporation Ltd.
 - Power Finance Corporation Ltd.
- **RBI 7.35% Floating Rate Saving (Taxable Bond)**
- **Sovereign Gold Bonds (SGB)**
- **Secondary Bonds**
 - Perpetual Bonds
 - Tax - Free Bonds
 - Corporate Bonds

RBI 7.35% Floating Rate Savings Bond (Taxable)

This bond is popularly known as RBI Bonds or GOI bonds, they suit anyone looking for highest safety of principal and a regular income.

Product Features:

- **Tenure:** 7 years with premature option from 4,5 & 6 years for the age bracket of 60 to 70 & 70 to 80 years respectively.
- **Issuer:** RBI
- **Minimum Investment:** Rs.1000
- **Maximum Investment:** No Limit
- **Bonds Issue:** Only in Physical Mode
- **Cheque in Favour:** HDFC BANK FLOATING RATE SAVINGS BONDS,2020 (TAXABLE)
- **Options Available:** Non-Cumulative (Half Yearly)
- **Who Can Invest:** Individual & HUF
- **Transferability:** This Bond is Not Transferable



Capital Gain Bonds (54 EC Bonds)

As per provisions of Income Tax Act, 1961, any long term capital gains from transfer or sale of real Estate would be taxable. But if the same capital gain money invested in 54 EC Bonds exempted from tax under section 54EC. Investor gets complete capital gain tax exemption subject to the upper limit of INR 50 lakh in a financial year.

Product Features:

- **Tenure** : 5 years with locking period.
- **Interest** : 5.00% p.a.
- **Interest Frequency**: Annually
- **Rating**: Highest credit rating AAA
- **Minimum Investment**: Rs.10,000 & multiple by Rs.10,000
- **Maximum Investment**: Rs.50 Lakhs in a financial Year
- **Transferability**: This bond cannot be transferred from one person to another at any point of time
- **Bond Issue**: Dematerialized & Physical
- **Transferability**: This bond is Not Transferable

Note: You should invest in 54EC bonds within 6 months of transferring capital asset – Please consult your chartered accountant before investing

Available Bonds:

- ❖ Rural Electrification Corporation Limited
- ❖ Power Financial Corporation Limited
- ❖ Indian Railway Financial Corporation Limited

Eligible Investors:

Individuals/ Hindu Undivided Families (HUF)/ Partnership firm/ Insurance Companies/Companies and Body Corporate/ Provident Funds, Superannuation Funds and Gratuity Funds/Banks/ Mutual Funds/ Financial Institutions (FIs)/ Foreign Portfolio Investors (Subject to existing regulations)/Regional Rural Banks/ NRIs/other foreign eligible investor investing out of NRO A/c on non-repatriable basis/ Cooperative Banks/ Limited liability Partnership.

Corporate Fixed Deposits

Corporate Fixed Deposits are one of the money raising tools for Companies. Through these, Companies raise money from the public and offer a fixed rate of interest for different tenures. If your risk appetite is low, fixed deposits are perfect for you. Since most of the instruments are rated by rating agencies, investor can easily judge the safety level of the company.

Product Features:

- **Tenure:** 1 year to 5 years
- **Rating:** We are offering only AAA rated Fixed deposits
- ***Minimum Investment:** Rs.5000
- **Interest Rate:** Interest rate is higher than Bank Fixed Deposits and additional interest for senior citizens
- ***Interest Frequency:** Monthly, Quarterly, Semi-annually, Annually & Cumulative
- **Mode:** In Physical Mode only
- **Options Available:** Cumulative & Non-Cumulative
- **ECS Facility:** ECS facility is available for Interest & Maturity Amount
- **Liquidity:** Most of the Companies are giving pre-matured withdrawal option

Recommended Fixed Deposits:

- ❖ HDFC Limited
- ❖ Bajaj Finance Limited
- ❖ Mahindra & Mahindra Financial Services Limited
- ❖ ICICI Home Finance

How to choose a good corporate fixed deposits?

- **Better Credit Rating:** You should choose the company with the better credit rating & reputation
- **Shorter Tenure:** This is advisable to invest shorter tenure deposit around 3 years
- You can select non cumulative option for regular income

** Depends from company to company*

Source: MOFSL | Data as on 03rd January, 2023

Corporate Fixed Deposits | Capital Gain Bonds

Company name	Rating	Cumulative interest rate in (%ge)					Senior citizen Additional ROI (%ge)	Interest mode
		12 m	24 m	36 m	48 m	60m		
Bajaj Finance Ltd.(Rates for Amount upto 5 Cr.)	CRISIL : AAA	7.05	7.50	7.50	7.50	7.50	0.25	M/Q/H/Y
HDFC Ltd. – Regular Deposits (Rates for Amount upto 2 Cr.)	CRISIL : FAAA	6.85	7.30	7.35	7.35	7.35	0.25	M/Q/H/Y
Mahindra & Mahindra Financial Services Ltd.	CRISIL : FAAA	6.75	7.25	7.50	7.50	7.50	0.25	M/H/Q
ICICI Home Finance (Rates for Amount upto 2 Cr.)	CRISIL : FAAA	7.00	7.30	7.40	7.50	7.50	0.25	M/Q/Y

Capital gain bonds (54 EC Bonds)

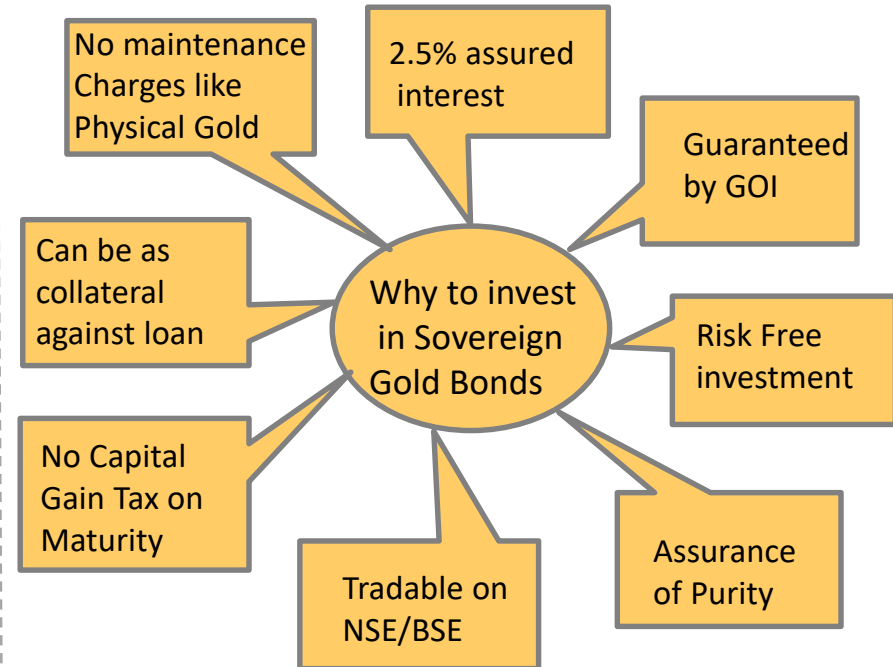
Company name	Rate of Interest (60 months)
Rural Electrification Corporation Ltd. - (REC)	5.00%
Indian Railway Finance Corporation Ltd. - (IRFC)	5.00%
Power Finance Corporation Ltd. – (PFC)	5.00%

*Sovereign Gold Bonds (SGB) 2022-2023

Sovereign Gold Bonds are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank of India on behalf of Government of India.

Product Features:

- **Tenure:** 8 years
- **Issuer:** Reserve Bank of India
- **Minimum & Maximum Limit:** 1 gram minimum & maximum is 4 kg for individual, 4kg for HUF & 20 kg for trust & similar entities in a financial year.
- **Interest:** 2.5% annually interest on the investment amount & the same is payable semi annually.
- **Redemption Value:** The redemption price shall be based on average of closing price of gold of 999 purity of previous 3 business days from the date of repayment
- **Listing:** NSE & BSE
- **Nominee:** Nominee facility is available



*As per the availability

Source: MOFSL | Data as on 03rd January, 2023

*Secondary Bonds

The Secondary bond market is the marketplace where investors can buy and sell bonds. A key difference compared to the primary market is that proceeds from the sale of bonds go to the counterparty, which could be an investor or a dealer, whereas in the primary market, money from investors goes directly to the issuer.

There are various types of bonds traded in secondary market, whereas some of them are as follows:

1. Perpetual Bonds:

Perpetual bonds as the name suggests are perpetual in nature, and operate with '**no maturity date**'. Only the issuer has the option of calling it back & the buyer of the bonds cannot sell it to the issuer before the call option is exercised by the issuer. These bonds are generally issued by large manufacturing companies or by banks to fund their long-term capital requirements.

2. Tax-Free Bonds:

Central Government authorizes certain entities such as **PFC, REC** etc. to issue tax free, secured, redeemable, non convertible bonds. These bonds are benchmarked to the **10-year Government Security Bonds**. Tax-free bonds generally have a **long-term maturity** of ten years or more. The government invests the money collected from these bonds in infrastructure and housing.

3. Corporate Bonds:

Corporate bonds are issued by firms to raise capital to fund various expenditures. They are attractive to investors because they provide much higher yields than bonds issued by the government. However, this higher yield is accompanied by higher risk. Investment in corporate bonds comes primarily from pension funds, mutual funds, banks, insurance companies, and individual investors.

** As per the availability*

Source: MOFSL | Data as on 03rd January, 2023

Fixed Income Product Issuance Calendar

The Bonds will be issued as per the calendar specified below:

Security Name	Start Date	End Date	Offer Price	Face Value	Type Of Issue	Issue Status
IIFL Finance Limited	06-01-2023	18-01-2023	--	--	Debt Issue	Live

Please find below **IIFL FINANCE LIMITED** product details.

Offer Size	Public Issue by IIFL Finance Limited (Formerly Known as IIFL Holding Limited) Secured Redeemable Non-Convertible Debentures of face value of `1000 each aggregating for An Amount up to `100 Crores (Base Issue Size) with an option to retain oversubscription of up to `900crs. Tranche I issue Limit which is within the Shelf limit of `5000 Crs.						
Face Value	` 1000 per NCD						
Minimum Application	`10,000 (10 NCDs) collectively across all Series and in multiples of `1,000 (1 NCD) thereafter across all Series						
Nature of Instrument	Secured Redeemable Non-Convertible Debentures						
Allotment	First come First Served Basis						
Tenor	24 Months	24 Months	36 Months	36 Months	60 Months	60 Months	60 Months
Frequency of Interest Payment	Annual	Cumulative	Annual	Cumulative	Monthly	Annual	Cumulative
Nature of indebtedness	Secured	Secured	Secured	Secured	Secured	Secured	Secured
Series	I	II	III*	IV	V	VI	VII
Coupon (per annum)	8.50%	NA	8.75%	NA	8.65%	9.00%	NA
Effective Yield (per annum)	8.49%	8.50%	8.74%	8.75%	9.00%	8.99%	9.00%
Redemption Value NCD) (₹)	₹1,000	₹1,177.50	₹1,000	₹1,286.45	₹1,000	₹1,000	₹1,539.00
Rating	The NCDs proposed to be issued under this Tranche I Issue have been rated "CRISIL AA/Stable for an amount of ₹50,000 million by CRISIL Limited vide their rating letter dated June 28, 2022, revalidated vide letter dated July 29, 2022, further revalidated vide letter dated September 13, 2022, further revalidated vide letter dated November 17, 2022 and further revalidated vide letter dated December 26, 2022 and "[ICRA] AA (stable)" for an amount of ₹ 50,000 million by ICRA Limited vide their rating letter dated August 2, 2022, revalidated vide letter dated November 17, 2022 and further revalidated vide letter dated December 23, 2022. The rating given by CRISIL and ICRA are valid as on the date of this Tranche I Prospectus and shall remain valid until the ratings are revised or withdrawn.						

Kindly visit below link for complete details.

[Click here](#)

*As per the availability

Source: MOFSL & BSE | Kindly refer Circular and FAQ for further details.

Abbreviations

- **CP:** - Commercial paper is an unsecured, short-term debt instrument issued by corporations. It's typically used to finance short-term liabilities such as payroll, accounts payable, and inventories.
- **CD:** - A certificate of deposit is a savings product that earns interest on a lump sum for a fixed period of time. CDs differ from savings accounts because the money must remain untouched for the entirety of their term or risk penalty fees or lost interest.
- **T-bills:** - Treasury bills are issued when the government needs money for short period. These bills are issued only by the central government, and the interest on them is determined by market forces.
- **CB:** - Corporate bond is a type of debt security that is issued by a firm and sold to investors. The company gets the capital it needs and in return the investor is paid a pre-established number of interest payments at either a fixed or variable interest rate.
- **CB AAA:** - Rated AAA is the highest possible rating that may be assigned to an issuer's bonds by any of the major credit rating agencies. AAA-rated bonds have a high degree of creditworthiness because their issuers are easily able to meet financial commitments and have the lowest risk of default.
- **FII:** - Foreign institutional investors (FIIs) are those institutional investors which invest in the assets belonging to a different country other than that where these organizations are based.
- **DII:** - Domestic institutional investors are those institutional investors which undertake investment in securities and other financial assets of the country they are based in.
- **Bps:** - Basis Point, often referred to as Beeps (using the notation bps), is a measurement of one-hundredth of a percent or one ten-thousandth and is a term commonly used in finance. Basis points are primarily used when measuring small changes to interest rates or yields.
- **SDF:** - Standing Deposit Facility is an additional tool for absorbing liquidity without any collateral. SDF strengthens the operating framework of monetary policy. The SDF is also a financial stability tool in addition to its role in liquidity management.

Abbreviations

- **CRR:** - Cash Reserve Ratio (CRR) is the share of a bank's total deposit that is mandated by the Reserve Bank of India (RBI) to be maintained with the latter as reserves in the form of liquid cash.
- **SLR:** - Statutory Liquidity Ratio (SLR) is the minimum percentage of deposits that the commercial bank maintains through gold, cash and other securities. However, these deposits are maintained by the banks themselves and not with the RBI or Reserve Bank of India.
- **CPI:** - The consumer price index (CPI) is the instrument to measure inflation. It is used to estimate the average variation between two given periods in the prices of products consumed by households.
- **WPI:** - Wholesale Price Index (WPI) represents the price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations instead of consumers. WPI is used as a measure of inflation in some economies.
- **IIP:** - The Index of Industrial Production (IIP) is an index which shows the growth rates in different industry groups of the economy in a stipulated period of time.
- **MSF:** - Marginal standing facility is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter-bank liquidity dries up completely.

Thank You !

Motilal Oswal Financial Services Limited (MOFSL)* Member of NSE, BSE, MCX, NCDEX CIN No: L67190MH2005PLC153397
Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022-71934263; Website www.motilaloswal.com. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 7188 1000. Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836. (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. • Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products, Investment advisor and IPOs etc . These are not Exchange traded products and the Trading Member is just acting as distributor. All disputes with respect to the distribution activity would not have access to Exchange Investor Redressal Forum or Arbitration mechanism • Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. • Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. • Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.The securities quoted are exemplary and are not recommendatory. Brokerage will not exceed SEBI prescribed limit. Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for Securities Broking write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.

***Such representations are not indicative of future results.**

Investment in securities market are subject to market risks, read all the related documents carefully before investing.

Awards & Accolades

