

Yogoda Satsanga Mahavidyalaya
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Paper Name: Fundamentals of Investment
Topic: Bonds-Meaning, Feature, Type of Bonds and Types of Risks associated with Bonds

Meaning of Bond

A bond is a debt instrument issued by a borrower, typically a corporation, government or municipality, to raise capital. A bond represents a promise to pay the bondholder a fixed amount of interest at regular intervals, usually annually or semi-annually, until the bond reaches maturity, at which point the borrower repays the principal or face value of the bond.

बॉन्ड एक कर्ज उपकरण होता है जो एक ऋण लेने वाले द्वारा जारी किया जाता है ,

आमतौर पर एक कॉर्पोरेशन ,

सरकार या नगर पालिका द्वारा पूंजी उठाने के लिए। एक बॉन्ड एक वादा दर्शाता है कि वह

बॉन्ड होल्डर को नियमित अंतराल पर एक निश्चित राशि का ब्याज देगा ,

आमतौर पर वार्षिक या अर्धवार्षिक रूप से ,

जब तक कि बॉन्ड मुल्यमान या प्राथमिक मूल्य को वापस नहीं करता है ,

जब तक उसका म्यूचरिटी नहीं होता है।

Features of a bond include:

बॉन्डकीविशेषताओंमेंशामिलहैं :

1. **Face value:** This is the amount of money the borrower agrees to pay back to the bondholder when the bond matures. It is also known as the principal or par value of the bond.

मुख्यमूल्य:

यहराशिजोकर्जलेनेवालावापसदेनेकेलिएसहमतहोताहैजबबॉन्डम्यूचरिटीकोपहुंचताहै।यहबॉन्डकेप्राथमिकमूल्ययापारमूल्यकेरूपमेंभीजानाजाताहै।

2. **Coupon rate:** This is the fixed rate of interest that the borrower agrees to pay the bondholder each year. For example, if a bond has a face value of \$1,000 and a coupon rate of 5%, the borrower will pay the bondholder \$50 in interest annually.

कूपनदर: यहबॉन्डकेद्वाराब्याजकीनिश्चितदरहोतीहै।उदाहरणकेलिए ,

यदि एक बॉन्ड का मुख्य मूल्य \$1,000 हो और कूपन दर 5%

हो तो ऋण लेने वाला प्रतिवर्ष \$50 ब्याज देगा।

3. **Maturity date:** This is the date when the borrower must repay the face value of the bond to the bondholder. It is also the date when the bond stops accruing interest.

अवधिकीसमाप्तितिथि:

यहउसतिथिहोतीहैजिसदिनऋणीकोबंधककेधनकेमूल्यकोबंधककोवापसकरनाहोताहै।यहभीउसदिनहोताहैजबबंधककेप्रतिऋणकाब्याजनहींजुटताहै।

4. **Credit rating:** This is an assessment of the borrower's creditworthiness, which is determined by credit rating agencies. A higher

credit rating indicates that the borrower is less likely to default on the bond.

Types of bonds include:

Corporate bonds: These are bonds issued by corporations to raise funds for various purposes, such as expansion or research. Corporate bonds are usually rated by credit rating agencies based on the borrower's creditworthiness.

Example: Apple Inc. issuing bonds to finance the development of a new product.

Government bonds: These are bonds issued by government entities, such as the US Treasury, to finance government operations. Government bonds are considered to be the safest type of bond since they are backed by the full faith and credit of the government.

Example: The US Treasury issuing bonds to fund infrastructure projects.

Municipal bonds: These are bonds issued by local governments to fund projects such as schools or highways. Municipal bonds are usually exempt from federal income tax and may also be exempt from state and local taxes.

Example: Municipal bonds in India are debt securities issued by local government bodies, such as municipalities or municipal corporations, to finance various infrastructure projects and development initiatives. One example of a municipal bond in India is the Pune Municipal Corporation (PMC) bond issue, which was launched in 2017.

The PMC raised Rs 200 crore through the issuance of municipal bonds, which were listed on the Bombay Stock Exchange (BSE). The funds were

used to finance various infrastructure projects in the city, including the construction of roads, bridges, and flyovers, as well as the development of parks and recreational areas.

The PMC bond issue was seen as a landmark event in India's municipal bond market, as it was the first municipal bond issue in the country to be rated by a credit rating agency. The bonds were rated AA+ by CRISIL, indicating a high degree of safety and creditworthiness.

Since then, other municipal corporations in India, such as the Greater Hyderabad Municipal Corporation and the Nagpur Municipal Corporation, have also issued municipal bonds to fund their development initiatives. The city of Los Angeles issuing bonds to build a new subway system.

Zero-coupon bonds: These are bonds that do not pay interest but are sold at a discount to their face value. The bondholder receives the full face value of the bond when it matures.

Example: A zero-coupon bond with a face value of \$1,000 that is sold for \$800 will pay the bondholder \$1,000 when it matures.

Overall, bonds are an important investment vehicle for both individuals and institutions, providing a way to earn a fixed rate of return while minimizing risk.

TYPES OF BOND RISK

There are several types of bond risks that investors should be aware of when considering investing in bonds. Here are some of the most common types of bond risks:

बॉन्ड में निवेश करने के विचार करते समय निवेशकों को ध्यान में रखने के कई बॉन्ड रिस्क होते हैं। यहाँ कुछ सबसे आम बॉन्ड रिस्क में से कुछ हैं :

Interest rate risk: This is the risk that the value of a bond will decrease when interest rates rise. For example, if an investor owns a bond with a fixed interest rate of 3% and interest rates rise to 4%, new bonds issued with the higher rate will become more attractive to investors, causing the value of the existing bond to decrease.

ब्याज दर का जोखिम:

यह जोखिम बॉन्ड की मूल्य घटने का होता है जब ब्याज दरें बढ़ जाती हैं। उदाहरण के लिए , यदि निवेशक के पास 3% निश्चित ब्याज दर वाला बॉन्ड होता है और ब्याज दरें 4% तक बढ़ जाती हैं, तो नई ब्याज दर वाले नए बॉन्ड निवेशकों के लिए अधिक आकर्षक हो जाते हैं , जिससे मौजूदा बॉन्ड का मूल्य कम हो जाता है

Credit risk: This is the risk that the issuer of the bond will default on its payments. For example, if an investor owns a bond issued by a company that goes bankrupt, the investor may lose some or all of their investment.

क्रेडिट जोखिम:

यह जोखिम बॉन्ड के जारीकर्ता के भुगतान पर असफल होने का होता है। उदाहरण के लिए ,

यदि निवेशक के पास कंपनी द्वारा जारी किया गया एक बॉन्ड होता है जो दिवालिया हो जाती है, तो निवेशक अपने निवेश का कुछ या सभी हिस्से खो सकते हैं।

Inflation risk: This is the risk that inflation will reduce the purchasing power of the bond's future cash flows. For example, if an investor owns a bond with a fixed interest rate of 3% and inflation rises to 4%, the real return on the investment will be negative.

मुद्रास्फीति जोखिम:

यह जोखिम है कि मुद्रास्फीति बंध के भविष्य के नकद निपटान की खरीदारी क्षमता को कम कर देगी। उदाहरण के लिए,

यदि एक निवेशक के पास	3%
फिक्स डब्याज दर वाला बॉन्ड है और मुद्रास्फीति	4%
तक बढ़ जाती है,	

तो निवेशक वास्तविक रिटर्न नकारात्मक होगा।

Call risk: This is the risk that a bond may be called back by the issuer before its maturity date, which can reduce the investor's return. For example, if an investor owns a bond with a 5% interest rate that can be called back by the issuer after three years, and interest rates drop to 3% after two years, the issuer may call the bond back and reissue it with a lower interest rate, reducing the investor's return.

Note: Not all bonds can be called back before maturity. The terms of each bond issue are specified in the bond's indenture, which is a legal document that sets forth the terms of the bond, including whether or not it can be called back before maturity.

Callable bonds, as the name suggests, have a call provision that allows the issuer to redeem the bond before its maturity date. On the other hand,

non-callable bonds, as the name suggests, do not have a call provision, and the issuer cannot redeem the bond before its maturity date.

It's important to note that callable bonds generally offer a higher yield than non-callable bonds to compensate investors for the call risk they are assuming. Therefore, investors should carefully consider the terms of any bond they are considering investing in, including whether or not it is callable, before making a decision.

कॉलजोखिम:

यह जोखिम है कि एक बॉन्ड को निर्गत करने से पहले उसे अवधि से पहले वापस बुलाया जा सकता है, जिससे निवेशक का रिटर्न कम हो सकता है। उदाहरण के लिए, यदि एक निवेशक के पास 5% ब्याज दर वाला बॉन्ड है जिसे तीन साल बाद निर्गत किया जा सकता है और दो साल बाद ब्याज दर 3% तक गिर जाती है, तो जारीकर्ता बॉन्ड को वापस बुलाकर कम ब्याज दर वाले साथ दोबारा जारी कर सकता है, जिससे निवेशक का रिटर्न कम होगा।

Liquidity risk: This is the risk that a bond may be difficult to sell at a fair price due to a lack of market demand. For example, if an investor owns a bond that is not actively traded, they may have difficulty finding a buyer if they need to sell the bond before its maturity date.

लिक्विडिटीरिस्क :

यह एक ऐसा जोखिम है कि एक बॉन्ड को बेचना कठिन हो सकता है या मार्केट में कम मांग के कारण न्यायसंगत मूल्य पर नहीं बेचा जा सकता है। उदाहरण के लिए ,
अगर कोई निवेशक एक ऐसे बॉन्ड के मालिक होता है जो सक्रिय रूप से ट्रेड नहीं होता है ,
तो वह अगर अपने बॉन्ड को म्यूचुअल फंड से बेचना चाहता है तो वह अपने बॉन्ड को बेचने में
कठिनाई का सामना कर सकता है।

These are just a few examples of the types of bond risks that investors should consider before investing in bonds. It's important for investors to understand the risks associated with any investment before making a decision.

ये कुछ उदाहरण हैं बॉन्ड जोखिमों के कुछ प्रकार हैं जिन्हें निवेशकों को बॉन्ड में निवेश करने से पहले ध्यान में रखना चाहिए। किसी भी निवेश से जुड़े जोखिमों को समझना निवेशकों के लिए महत्वपूर्ण होता है।