

# Things to keep in mind while investing via bond platforms

Bonds are categorized based on metrics such as tenure, rating and payment frequency

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From being largely confined to fixed deposits and debt funds, retail investors, today, have access to a wide variety of bonds to choose from. With a number of fixed income platforms such as the JM Financial-backed BondsKart, BondsIndia, Cred Avenue's Plutus (beta version currently), Northern Arc Capital's AltiFi, Wint Wealth and Axis Yield springing up over the last few years, investing in bonds has become easier than ever before.

You can invest in bonds through a trading account with your broker, too. The variety of bonds and the extent of information, however, may not be that detailed.

The USP of these fixed income platforms lies in their extensive portfolio of bonds and other products, easy-to-understand display of relevant details such as expected payouts, credit ratings and issuer information, and the ease of signing up (at least for the few that we checked) for browsing through what's available. That said, it's worth considering other aspects too before you start investing. But, first the brass tacks.

## Brass tacks

All these platforms offer an extensive variety of corporate bonds including tax-free and perpetual bonds with a wide range of credit ratings and maturity profiles along with cumulative or periodic payout options. Some of the platforms mentioned here such as BondsKart and BondsIndia hold an inventory of the bonds, while Plutus is a marketplace which simply brings together buyers and sellers of bonds.

For every bond, you can see the current market price, the coupon rate, the yield to maturity (that is, your return on a bond held till maturity), maturity date and the expected cash flows.

Some of these platforms also offer fixed deposits, commercial papers and other products.

Before you begin transacting, you need to complete know your customer (KYC) formalities by furnishing your basic personal details backed by sup-

## What bond platforms offer

While the emergence of fixed income platforms has made investing in bonds convenient, investors need to consider a few factors before they make a leap of faith.

**QUICK** and convenient sign up and KYC, all online

**WIDE** variety of bonds and other products to choose from

**DETAILED** information on coupon, maturity, cash flows, ratings, etc. provided

What works

What doesn't

**HIGH** minimum investment amount on a few platforms

**NOT** all platforms allow both buying and selling of bonds. So, be prepared to hold them till maturity.

**NOT** all platforms fall under the purview of a regulatory authority

## SOME BOND PLATFORM OPTIONS

### BondsKart

- ▶ Backed by JM Financial Products, an NBFC
- ▶ Easy liquidity\*, min. investment of ₹2 lakh

### BondsIndia

- ▶ Backed by Launchpad Fintech, a SEBI registered wholesale debt market broker
- ▶ Easy liquidity\*, min 1 bond must be bought/sold

### AltiFi

- ▶ Backed by Northern Arc Capital, an NBFC
- ▶ Only buy and not sell bonds, currently min ticket size is ₹7,500

### Wint Wealth

- ▶ Incorporated as a company
- ▶ Only buy and not sell bonds, min. investment of ₹10,000

### Axis Yield

- ▶ Backed by broking firm, Axis Securities
- ▶ Minimum investment of ₹2 lakh, buyers may be arranged through contacts with bond houses

### Plutus#

- ▶ Backed by CredAvenue, not regulated
- ▶ Only a marketplace, not all bonds may have adequate trading volumes

\*According to the platform

#Beta version currently, so not everyone can sign up

porting documents. The process can be completed online. To use Axis Yield, you need to have an Axis Direct account. When you buy or sell bonds on these platforms, the transaction gets reflected in your demat account (in case of yield, it will reflect in your Axis Direct account) linked to the platform.

While these platforms do not levy any transaction charges, some of them

have a certain minimum investment limit per transaction. For example, you need to place a minimum order of ₹2 lakh to transact on BondsKart and Axis Yield and ₹10,000 on Wint Wealth. There is no such limit on the other platforms except that you must buy at least one bond (and not a fraction) of any issuer. Platforms with an inventory model buy bonds in wholesale lots and make them available to retail investors at a spread.

## Err on the side of caution

To play it safe, it's worth checking whether or not your chosen platform or

the entity backing it falls under any regulator. Take for instance, BondsKart and AltiFi, which are the respective platforms of JM Financial Products and Northern Arc Capital, both of which are NBFCs. All NBFCs are regulated by the Reserve Bank of India.

Similarly, BondsIndia has been launched by Launchpad Fintech, a SEBI (Securities and Exchange Board of India) registered wholesale debt market broker.

Wint Wealth, says its co-founder Anshul Gupta, is incorporated under the Companies Act, 2013, and hence comes directly under the purview of the ministry of corporate affairs. Cred Avenue's Plutus, a marketplace, does not come under the ambit of any regulator.

When it comes to choosing the bonds, you can restrict yourself to the AAA-rated bonds if you wish to minimize the risk of a possible default by the bond issuer. Many of the platforms also offer lower-rated papers with higher

yields for those with a higher risk appetite. "The in-house fixed Income team applies multiple criteria for evaluating credit quality and liquidity to ensure only the best quality bonds are offered to retail investors," says, Ajay Manglunia, MD & Head, Institutional Fixed Income, JM Financial. According to Ashish Mehrotra, MD & CEO, Northern Arc, only bonds that have been subject to stringent diligence processes are offered to investors.

Investors should note that, while buying bonds on these platforms is convenient, selling these bonds before maturity may not always be feasible.

Investors must be prepared to hold their bonds till maturity unless they are holding AAA-rated bonds with adequate liquidity. In fact, both AltiFi and Wint Wealth allow you to only buy and not sell bonds.

According to BondsKart, though, since it holds an inventory of the bonds, any buy and sell order can be executed easily. Similarly, according to BondsIndia, when investors want to sell their bonds, it arranges for buyers or itself buy these bonds.

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