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Dimensions Member: Regarding the paper you mentioned about impact on Indian bond leads and you also said that most of the Indian bonds were held by Commercial banks so why was the global scenario impacting the Indian bond use?

KP: 4% of the bods are held by the foreign institutional Investors and whatever is being traded in the market the market prices are changing because what you see is not a particular bond impacting the bond market but because of general trading tries and investment tries if something is happening in the USA what people believe is the money that is coming to India will it increase or will it decrease that perception is changing deals in Indian context.

Dimensions Member: Now we see that there are masala bonds in the picture that is investing in Indian denominations in foreign countries by Indian entities only?

KP: A bond is something which is issued by the companies to take capital inflows we have a concept of euro bonds and also global bonds, the concept is American company issuing it in India is euro bond which is in other than dollar denomination. There are two roots by which Indian companies rise capital abroad, one is through FCNR (Foreign Currency Convertible Bonds) and other one is through ADR and GDR. I can sit in India and invest in Dollar Bonds. So this is what foreign market is in bonds, Masala bonds in relatively new so I don’t have much knowledge about it.

Dimensions Member: Science you know about fixed income securities the question is that these days in India there is a huge dip in the interest rates which is being provided by nationalised banks in FD especially post demonetization what is your opinion on this or is a move to make people invest in socks, shares and Mutual funds in India?

KP: No the reason why the FD interest rates are low because RBI is reducing policy rates, REPO rates, Reverse REPO rates so indirectly what happens is the interest that the banks earn when they invest in the Reverse REPO is very less, so when the interest income is reducing RBI forces the banks to lend loans at lower rates so when this happens my income will be reduced with lower incomes I cannot service higher interest payments so they obviously have to reduce the interest rates so it is a supply chain reaction of the policy rates coming down when this happens we feel that it is good for growth potential so we should not regret that the deposit rates have reduced.
