



Gold Bond Scheme, “Invest Wisely, Earn Safely”

On the special occasion of

“AKSHAYA TRITIYA”

18th APRIL 2018

Sovereign Gold Bonds 2018-19 - Series I

The Reserve Bank of India has decided to issue Sovereign Gold Bonds 2018-19 - Series I. Applications for the bond will be accepted from April 16 to April 20. Bonds will be issued to eligible applicants on May 4. This is the first issue of Sovereign Gold Bonds so far this fiscal year.

	Date of Application	Issue date	Issue price
Series I(1 st tranche)	April 16 to April 20, 2018	May 4, 2018	3114 / gram with discount of Rs 50 /gram online and digital mode application

Sovereign Gold Bond is a fixed-term bond issued by the Reserve Bank of India, which represents the exact weight of gold purchased by the investor for a period till the maturity of the security. The SGB scheme was launched in November 2015 with an objective to reduce the demand for physical gold and shift a part of the domestic savings, used for purchase of gold, into financial savings and thereby keep a check on imports.

Features:

- SGBs are government securities, issued by Reserve Bank on behalf of Government of India. They are substitutes for holding physical gold.
- The bonds will be sold through offices or branches of Nationalised Banks, Scheduled Private Banks, Scheduled Foreign Banks, designated Post Offices, Stock Holding Corporation of India Ltd. (SHCIL) and the authorised stock exchanges(BSE & NSE) either directly or through their agents.
- Payment for the Bonds will be through cash payment (up to a maximum of Rs. 20,000) or demand draft or cheque or electronic banking.
- The customers will be issued Certificate of Holding on the date of issuance of the SGB.
- The scheme differs from ETFs and physical gold buying, as it offers an interest rate of 2.5 per cent per annum, which will be credited semi-annually to the bank account of the investor and the last interest will be payable on maturity along with the principal.
- The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be one gram a maximum limit of subscription of 4 kg for individuals, 4 kg for Hindu Undivided Family (HUF) and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year (April – March).
- The price of the bond will be fixed on the basis of the closing price of gold of 999 purity published by the India Bullion and Jewellers Association Limited for the week preceding the subscription period, i.e. April 11-13, 2018. The issue price of the gold bonds will be 50 per gram less than the nominal value to those investors applying online and the payment against the application is made through digital mode.

It offers an interest rate of 2.5 per cent per annum, which is paid semi-annually.

The issue price of bond is 3114 per gram. The issue price of the gold bonds will be Rs 50 per gram less than the nominal value to those investors applying online and the payment against the application is made through digital mode.

- On maturity, the redemption proceeds will be equivalent to the prevailing market value of grams of gold originally invested in Indian Rupees.
- The tenure of the bond will be for a period of eight years with an exit option in 5th, 6th and 7th year to be exercised on the interest payment dates.
- The bond will be tradable on the exchanges within a fortnight of the issuance, on a date to be notified by the RBI, if held in demat form.

Advantages:

- The bond can be used as collateral for availing loans. The loan-to-value ratio is to be set equal to ordinary gold loan mandated by the Reserve Bank from time to time.
- In case the SGBs are encashed by an individual on expiry of 8 years, no capital gains tax is payable. But in case the SGBs are sold before the maturity date on the exchanges, then this exemption is not applicable and the interest is taxable.
- There is no cost of holding physical gold in terms of locker.
- There is a sovereign guarantee to get back the gold at the market price at the time of maturity.
- Sovereign Gold Bonds are benchmarked against 999 purity gold. It offers the comfort on purity of the gold owned and the satisfaction of not having to shell out heavy making charges which accrue on physical gold purchases.
- Sovereign Gold Bonds provide two ways of returns. First regular interest of (2.50% p.a) on invested capital every six months and the second in the form of capital gains at the time of redemption in case the price at the time of redemption is higher.
- The Bonds will be eligible for Statutory Liquidity Ratio purposes.
- The indexation benefits will be provided to long-term capital gains arising to any person on transfer of bond.

Comparison of Physical gold, Gold ETF and Sovereign Gold Bonds

Points	Physical Gold	Gold ETF	Sovereign Gold Bond
Returns	Lower than actual return on gold	Lower than actual return on gold	Higher than actual return on gold
Safety	Risk of handling physical gold	High	High
Purity of Gold	Purity of Gold always remains a question	High as it is in Electronic Form	High as it is in Electronic Form
Capital Gain	Long term capital gain applicable after 3 year	Long term capital gain applicable after 3 year	Long term capital gain applicable after 3 year. (No Capital gain tax if hold till maturity)
Collateral against Loan	Yes	No	Yes
Tradability / Exit Route	Conditional	Tradable on Exchange	Tradable on Exchange. Redemption- 5th year onwards with Gol
Storage Cost	High	Very Low	Very Low

Commodity Fundamental Research Team

Contact : 011-30111000 Extn: 625, 646

E-mail: researchfeedback@smcindiaonline.com



Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi -
110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach
Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:

18, Rabindra Sarani,
Poddar Court, Gate No.- 4, 5th Floor,
Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd.) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities/commodities market. The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject commodity.

DISCLAIMER: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the commodity thereof, mentioned here in or (b) be engaged in any other transaction involving such commodities and earn brokerage or other compensation or act as a market maker in the commodities discussed herein (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.