

TATA CAPITAL WEALTH

Advantage of investing Corporate Fixed Deposits (FDs)



Difference between Bank FD and Corporate FD



Particulars	Bank FDs	Corporate FDs
Issuer	Banks	Corporates / Non-Banking Financial Companies
Rate of Interest	Average	High
Penalty in case of early withdrawal	High	Low
	As per RBI guidelines, all the fixed deposits should have a penalty period of at least three months.	
Flexibility to choose investment tenure	High – Can be lesser than 1 year and greater than 5 years	Low - Usually 1 year to 5 years
Risk Involved	Low	Moderate

Bank FD vs Corporate FD – ROI Differential

Average Differential Between Corporate FD Rates and Bank FD Rates

Some Interesting Facts

Fixed Deposit Rates (AAA Oriented)					
Instrument	Name of the Institution	24 M	36 M	48 M	60 M
Bank FDs	HDFC Bank	7.00	7.00	7.00	7.00
	ICICI Bank	7.00	7.00	6.75	6.75
	Bank Of Baroda	6.10	6.25	6.10	6.10
	State Bank of India	7.25	6.75	6.75	6.75
Corporate FDs	Bajaj Finance Ltd	7.50	7.50	7.50	7.50
	HDFC Ltd	7.30	7.35	7.35	7.35
	ICICI HFC Ltd	6.70	6.90	6.90	7.00
	M&M Financial Services Ltd	7.25	7.50	7.50	7.50

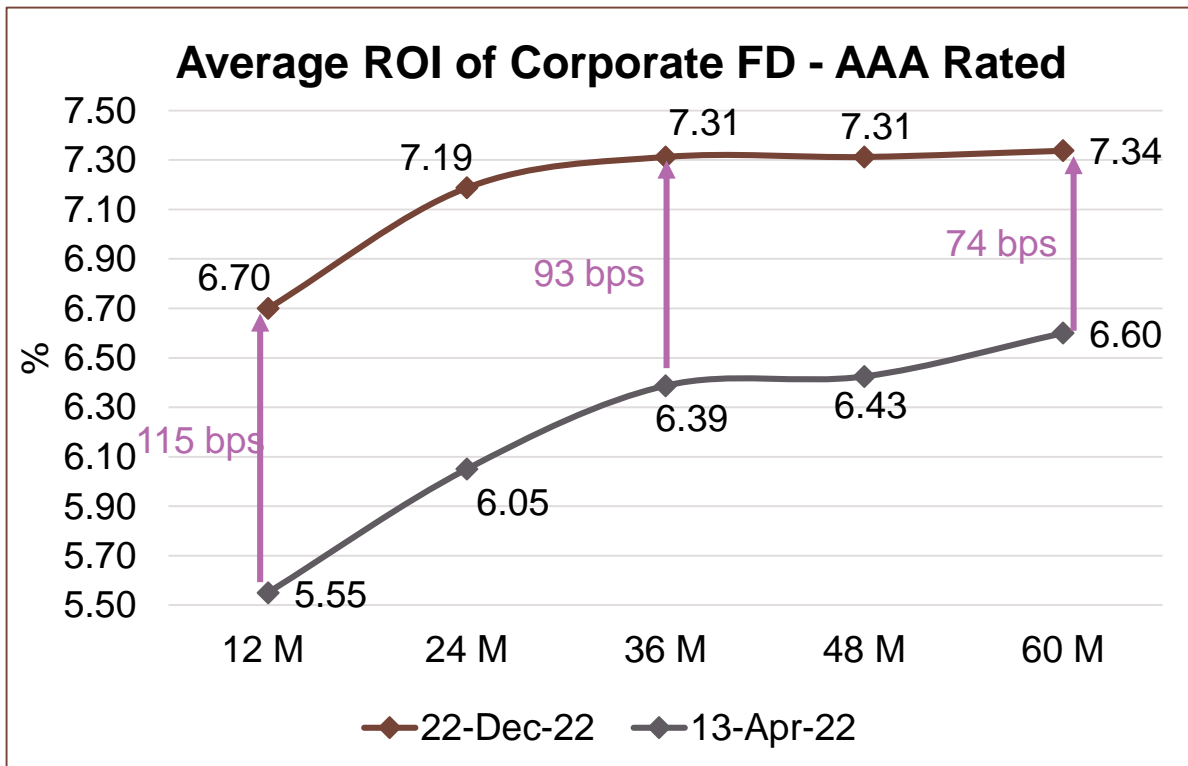
	24 M	36 M	48 M	60 M
Average Bank FD	6.84	6.75	6.65	6.65
Average Corp FD	7.19	7.31	7.31	7.34
Differential (bps)	35	56	66	69

- For better comparison, we have considered 2 Private Sector Banks and 2 Public Sector Banks which are AAA rated and compared it with AAA rated Corporate FDs.
- The differential between the Average Corporate FD and Average Bank FD rates is **higher on the longer end of the curve.**
- Eg. For 24 months the average differential is 35 bps while for 60 months the differential increases to 69 bps.

Note: Interest Rates is of Cumulative Option as on 22nd December 2022.

Corporate FD Rate hike since April 2022

Since the time the Repo Rate hike cycle began this fiscal, The ROI on FDs too have increased significantly – Especially in the shorter end of the curve



Attractive ROI on Corporate FDs

Name of the Institution	Rating	ROI (Cumulative - Domestic Individual)				
		12 M	24 M	36 M	48 M	60 M
Bajaj Finance Ltd	AAA/Stable	7.05	7.50	7.50	7.50	7.50
HDFC Ltd		6.85	7.30	7.35	7.35	7.35
ICICI HFC Ltd		6.15	6.70	6.90	6.90	7.00
M&M Financial Services Ltd		6.75	7.25	7.50	7.50	7.50
Shriram Finance Ltd	AA+/Stable	7.00	7.50	8.05	8.20	8.30

Note: Interest Rates is of Cumulative Option as on 22nd December 2022.

Thank You!

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