

Where More is Bond & Bountiful

New framework, index-linked derivatives, swaps to deepen corporate paper market

Team ET

In what could provide diverse funding sources for businesses and deepen the corporate bond market, finance minister Nirmala Sitharaman announced a set of measures, including the introduction of a market-making framework with access to funding and derivatives linked to corporate bond indices, and the launch of total return swaps (TRS) on corporate bonds.

India's corporate bond market remains relatively small and illiquid compared with government securities. Outstanding corporate bonds are estimated at about ₹55 lakh crore, going up to ₹60 lakh crore when commercial papers and certificates of deposit are included, against roughly ₹120 lakh crore of government securities in circulation. Trading activity is concentrated in top-rated issuers, with limited secondary market liquidity.

"The corporate bond market continues to be impacted by the lack of secondary market activity, thereby raising illiquidity premium and funding cost for issuers," said Anil Gupta, senior vice president at ICRA. "Further, more than 90% of the bonds issued in value terms are fixed-rate, thereby impacting the issuance in a high-rate environment.

Both these measures propose to address these challenges and support the growth of the corporate bond market."

Over the past decade, India's corporate bond market has expanded significantly, with outstanding issuances rising from ₹17.5 lakh crore in FY15 to ₹53.6 lakh crore in FY25, recording an annual growth rate of nearly 12%. The market now accounts for around 15-16% of GDP, a considerable improvement, though still well below the levels seen in countries like South Korea, Malaysia and China, a recent report by Niti Aayog had said.

"Strengthening corporate bond markets, introducing bond derivatives and incentivising large municipal bond issuances will broaden funding avenues for NBFCs and institutional borrowers," said Arvind Kapil, MD and CEO of Poonawalla Fincorp. "These measures clearly position NBFCs to play a central role in the next phase of India's credit-led growth."

Money chases

Outstanding corporate bonds increased from **₹17.5 lakh cr** in FY15 to around **₹53.6 lakh cr** in FY25

Highest-ever fresh issuances was at **₹9.9 lakh cr** during FY25

CRISIL forecasts growth in the corporate bond market to double to **₹100-120 lakh cr** by FY30

