

GREEN BONDS IN INDIA

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Outstanding corporate bonds/GDP

Country	Penetration (Outstanding/GDP)		Ratio (Bonds/G-Sec)
	as of Jun-16		
	G-Secs	Corp bonds	
USA	80.99%	129.48%	1.6
China	44.16%	20.74%	0.47
Japan	206.79%	15.40%	0.07
South Korea	53.54%	76.01%	1.42
Singapore	45.28%	33.04%	0.73
Malaysia	54.30%	43.80%	0.81
India	42%	18%	0.388

Depth of Indian debt market

Security Type	Amount (Rs. Cr) as of Sep. 2016	% of total
Sovereign	70,47,780	72%
i) G-Sec	48,14,792	49%
ii) SDL	18,12,029	19%
iii) T-Bills	4,20,959	4%
Corporate	27,31,136	28%
i) Corporate Bonds	21,94,694	22%
ii) CP	3,48,761	4%
iii) CD	1,87,681	2%
Total	97,78,916	100%

Corporate Bond Market in India

Financial Year	No. of Public Issues (B)	Amount Raised through Public Issue (Rs. Crore)	No. of Pvt. Placement	Amount Raised through Private Placement (Rs. Crore)	Total Amount Raised through Public Issue and Pvt. Placement (Rs. Crore)	Private placement as a percentage of Total Corporate Bond issuances	Public issue as a percentage of total issue
2008-09	1	1,500	1041	173,281	174,781	99%	1%
2009-10	3	2,500	1278	212,635	215,135	99%	1%
2010-11	10	9,451	1404	218,785	228,236	96%	4%
2011-12	20	35,611	1953	261,283	296,894	88%	12%
2012-13	20	16,982	2489	361,462	378,444	96%	4%
2013-14	35	42,383	1924	276,054	318,437	87%	13%
2014-15	25	9,713	2611	404,136	413,849	98%	2%
2015-16	20	33,811	2975	452,073	491,884	92%	8%
2016-17	15	29,328	3377	640,716	670,044	96%	4%

Secondary Market Trades in Corporate Bonds

Month/Year	Total no. of trades	Total Amount (Rs Crore)
2008-09	22683	148,166
2009-10	38230	401,198
2010-11	44060	605,274
2011-12	51533	593,783
2012-13	66383	738,632
2013-14	70887	970,800
2014-15	75791	1,091,294
2015-16	70123	1,022,407
2016-17	88495	1.470,663

State of the Corporate Bond Market

- As can be seen from above slides the size of the Indian Corporate Bond market vis-à-vis GDP is quite low in comparison to the both major developed and developing economies.
- Further, the size of corporate bond market vis-à-vis total debt landscape is at 28%.
- Majority of the market is concentrated in private placement space, however the size of the total pie has increased over last few years.
- SEBI in recent years has taken various steps for the development of corporate bond markets in India.

Major steps taken by SEBI for development of Corporate Bond Markets

- Guidelines for setting up of dedicated Debt Segment on Stock Exchanges.
- Mandated depositories to jointly create, host, maintain and publicly disseminate the centralized database of corporate bonds/debentures.
- Allowed certain types of companies allowed to file Shelf Prospectus such as Banks, PFIs, IDF-NBFC etc.
- Amended Issue and Listing of debt Securities Regulations to enable consolidation and re-issuance of debt securities.
- Notified regulations for Issuance of debt securities by municipalities.
- Came out with a framework for Electronic book mechanism for issuance of debt securities on private placement basis.
- Amendment has been made in the SEBI FPI regulations to allow FPIs to transact in NCDs/bonds issued by Indian companies, either directly or in any manner as per the prevalent/approved market practice.

Green Bonds

- Green Bond Market is a subset of the corporate bond market in any economy.
- A green bond is like any other bond where a debt instrument is issued by an entity for raising funds from investors. However what differentiates a Green bond from other bonds is that the proceeds of a Green Bond offering are 'ear-marked' for use towards financing 'green' projects.

Need for Green Bonds

- India has set ambitious renewable energy goals to improve energy access and energy security while taking action on climate change. India has embarked upon an ambitious target of building 175 gigawatt of solar, wind and other renewable energy capacity by Year 2022 and this requires a massive estimated funding of around USD 264 billion.
- To scale the necessary finance to achieve these national targets, new innovative financial instruments such as green bonds need to scale up. Therefore the objectives should be to strengthen and expand the market for green bonds in India with the aim to:
 - Reduce the cost of capital,
 - Stimulate demand from institutional and retail investors, and
 - Expand and diversify the issuer and investor base.

Steps taken by SEBI

- SEBI initiated a consultation process for disclosure requirements for Public Issue and Listing of Green Bonds and listing of privately placed Green Bonds. A concept paper was placed on the SEBI website on December 03, 2015, for seeking public comments.
- The disclosures were based upon the Green Bond Principles, 2015.

Steps taken by SEBI – Contd...

- The brief details of the proposal made in the consultation paper are as under:
 - Use of proceeds: issuers to define and disclose their criteria for what is considered 'green' i.e. which projects, assets or activities will be considered 'eligible'. Further broad categories of Green were also identified.
 - Project evaluation and selection: details of the criteria for evaluating the projects eligible for using the Green Bond proceeds and the details of the process used/will be used to apply 'green' criteria to selected specific projects or activities. Further, issuer shall also disclose the environmental sustainability objectives of the proposed assets/projects.
 - Management of proceeds: details of the processes and controls, so as to ensure funds are used only for the specified 'green' projects.
 - Reporting: evaluation and reporting of progress, of the projects/assets to which Green Bond proceeds have been allocated, against both environmental and financial criteria's.



Thank you