

Cut in face value of corporate bonds to deepen debt market

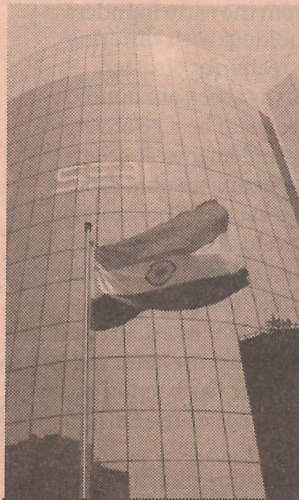
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The recent decision by the Securities and Exchange Board of India (Sebi), to reduce the face value of corporate bonds from ₹1 lakh to ₹10,000 is expected to make bond investments more appealing and attainable for a broader spectrum of retail investors, said market participants.

In October 2022, the Sebi had reduced the face value of corporate bonds to ₹1 lakh from ₹10 lakh. "As more than 90 per cent of the issued corporate debt is privately placed, reduction in face value of such debt will accelerate the retailisation of the corporate bond markets," said Vishal Goenka, co-founder of IndiaBonds.com.

"Currently, there exists a cumbersome process for identifying and communicating record dates to investors as there is a large variance in practices. Standardising this period streamlines the industry, provides clarity to investors and makes the bond markets more efficient," he added.

Sebi has also standardised the record date to 15 days prior to any interest payment or

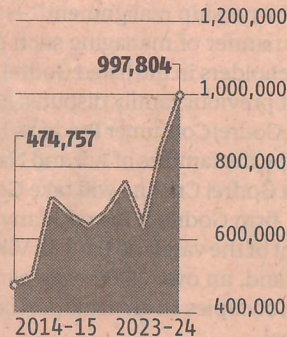


redemption date. Previously, the date for determining who is eligible to receive interest or principal repayments on non-convertible debentures (record date) could differ depending on the issuer. However, a segment of the market advocated for regulatory measures to impose reasonable restrictions on the criteria such as outstanding amount and issuer ratings, aiming to mitigate the risk of mis-selling.

"The regulation is good, but there should be caution. There

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Full-year mobilisation through debt private placements (₹ cr)



Source: primedatabase.com

may be restrictions that can be imposed in the interest of investors to avoid mis-selling, where they might cap the ratings up to AA for a lot size of ₹10,000. And the issuer should have a minimum outstanding of ₹20,000-25,000 crore," said Vinay Pai, head of fixed income at Equirus Capital.

Funds raised through debt private placements in financial year 2023-24 amounted to ₹9.41 trillion, marking a 10 per cent increase from ₹8.52 trillion in the financial year 2022-23,

Nomination to be optional for joint MF portfolios: Sebi

Sebi made the nomination optional for jointly-held mutual fund accounts in a bid to promote ease of doing business. It also allowed fund houses to have a single fund manager to oversee commodity and foreign investments, which would reduce the managing cost. These came after a working group constituted by Sebi reviewed MF regulations. **PII**

according to data compiled by Prime Database. This capital was raised by 904 institutions and corporates.

The highest mobilisation through debt private placements was by Nabard, amounting to ₹51,855 crore, followed by REC with ₹48,976 crore, and HDFC with ₹46,062 crore.

With easier access to bonds, retail investors can seamlessly integrate them into their portfolios, leveraging benefits such as consistent income and reduced volatility compared to stocks.