

**Press Release**

May 31, 2016 | Mumbai

**Deeper corporate bond market has become crucial to economic growth, says CRISIL**

CRISIL believes a raft of recent developments – such as a conducive macro-economic milieu, elevated stress at public sector banks, the imperatives of financing large infrastructure build-outs, favourable regulations, ongoing innovations in bond structures, and the Insolvency and Bankruptcy Code, 2016 – are all positives for India's corporate bond market.

A sharp fall in profitability has diminished the ability of public sector banks to generate capital from internal accrual, while weak operational performance, driven by a surfeit of non-performing assets (NPAs), has made it difficult for them to raise money from the capital market. Additionally, higher provisioning has weakened their ability to offer competitive interest rates, and if credit demand grows faster, their capital needs will be even higher.

Then there are the imperatives of growth. CRISIL estimates India will need Rs 43 lakh crore (~\$650 billion) for infrastructure build-out over five fiscals to 2020. Additionally, public sector banks need to raise Rs 1.7 lakh crore (~\$25 billion) of Tier I capital by March 31, 2019, to conform to Basel III regulations.

**Says Ashu Suyash, Managing Director & CEO, CRISIL Ltd: “Such constraints mean the corporate bond market has become crucial to India’s growth story. We believe a few more steps are necessary to attract investors and issuers. These include policy impetus for issuers to tap bond markets, and offering protection through innovative credit-enhancement mechanisms such as a bond guarantee fund, which will draw a larger set of issuers and investors.”**

In many emerging economies, low inflation volatility, strong creditor rights, transitioning from bank loans to bonds and developing facilitative infrastructure have gone a long way in deepening corporate bond markets.

**Says Pawan Agrawal, Chief Analytical Officer, CRISIL Ratings: “For growth-finance to be structurally derisked, there is a need for new innovative structures and vehicles. We simply need more issuers beyond the financial sector, which means mandating large companies to raise a portion of their funding requirement through bonds and commercial paper.”**

CRISIL believes allowing repos in corporate bonds is also necessary because trading is low with investors preferring to hold assets to maturity. This will add to the market's attractiveness for foreign investors even as it helps mutual funds manage their redemptions better.

To be sure, innovations such as TReDS, REITs, and InvITs are already close to reality, and there is also a proposal to set up the Bond Guarantee Fund of India. The New Development Bank (BRICS Bank) can play also a supportive role, as will the development of a reliable benchmark yield curve and a credit event reporting mechanism.

As for offshore rupee -- or 'Masala' -- bonds, while initial steps have been taken, CRISIL believes it's important to further develop the market for this, as it ultimately could help deepen the domestic corporate bond market, too.

**For further information contact:**

Media Relations		Analytical Contacts	
<b>Sunetra Banerjee</b> Media Relations <b>CRISIL Limited</b> D: +91 22 3342 1838 M: +91 75 060 96899 B: +91 22 3342 3000 Email: sunetra.banerjee@crisil.com	<b>Shweta Ramchandani</b> Media Relations <b>CRISIL Limited</b> Phone: +91 22 3342 1886 Mobile: +91 96 191 05070 Email: shweta.ramchandani@crisil.com	<b>Pawan Agrawal</b> Chief Analytical Officer- Ratings <b>CRISIL Limited</b> Phone: +91 22 3342 3000 Email: pawan.agrawal @crisil.com	<b>Jiju Vidyadharan</b> Director, Fixed Income & Funds Services <b>CRISIL Limited</b> Phone: +91 3342 3000 Email: jiju.vidyadharan@crisil.com

**About CRISIL Limited**

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

CRISIL is majority owned by S&P Global Inc.

For more information, visit [www.crisil.com](http://www.crisil.com)

Connect with us: [LINKEDIN](#) | [TWITTER](#) | [YOUTUBE](#) | [FACEBOOK](#)

---

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of S&P Global Inc. and its subsidiaries (collectively, the "Company") you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit [www.crisil.com/privacy](http://www.crisil.com/privacy). You can view the Company's Customer Privacy at <https://www.spglobal.com/privacy>

Last updated: April 2016

**DISCLAIMER**

This Press Release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.

CRISIL has taken due care and caution in preparing this Press Release. Information has been obtained by CRISIL from sources which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of information on which this Press Release is based and is not responsible for any errors or omissions or for the results obtained from the use of this Press Release. CRISIL, especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Press Release.

---