

Green Bonds in India

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Outstanding corporate bonds/GDP

Country	Penetration (Outstanding/GDP) as of Jun-17		Ratio (Bonds/G-Sec)
	G-Secs	Corp bonds	
USA	80.99%	129.48%	1.60
China	47.44%	18.86%	0.28
Japan	196.84%	14.47%	0.07
South Korea	53.20%	74.30%	0.58
Singapore	49.26%	33.39%	0.40
Malaysia	51.73%	44.50%	0.46
India	42.00%	18.00%	0.39

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	16	29,547	3377	640,716	670,263	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

- Size of 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 $\sim 28\%$.
- 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.
- Developed 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.

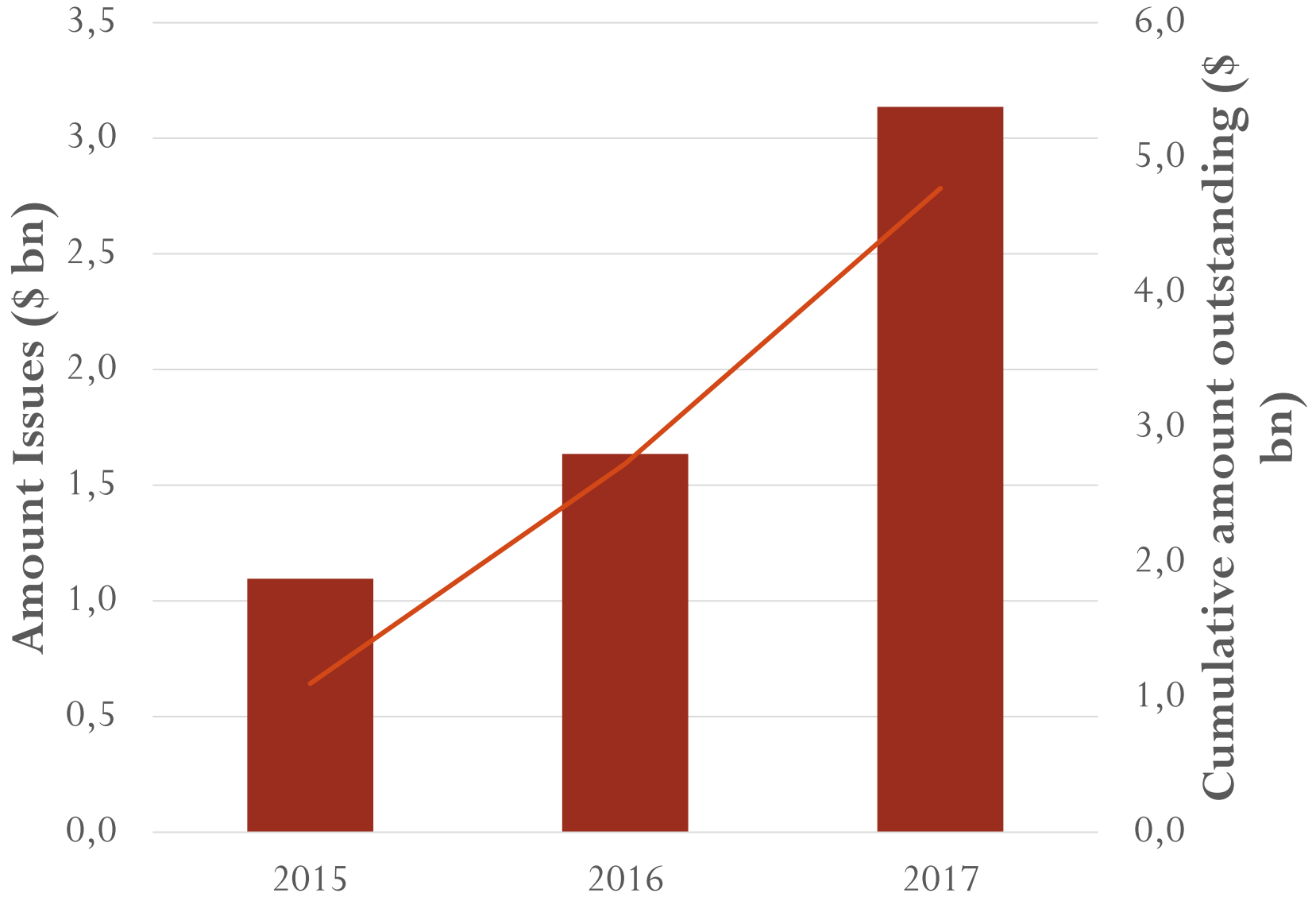
Need for Green Bonds

- India has set ambitious renewable energy goals to improve energy access and energy security while taking action on climate change.
 - An ambitious target of building 175 gigawatt of Renewable Energy comprising of Solar (100 GW), Wind (60 GW) , Bioenergy (10 GW) and Small Hydro (5 GW) by Year 2022.
 - Estimated funding required is of around USD 264 billion.
- Development of 100 Smart Cities by 2022.
- Renewable energy- Classified as priority sector lending by RBI; limit per borrower is Rs. 15 crore

Need for Green Bonds...cont.

- To scale the necessary finance to achieve these national targets, new innovative financial instruments such as green bonds need to scale up. 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.

Green Bond Issuance by Year



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.

SEBI Circular on Green Bonds

- SEBI issued its final guidelines for issuance and listing of Green Bonds. Brief details of the same are as under:
 - Definition of Green Debt Securities: Project(s) and/or asset(s) falling under any of the following broad categories
 - Renewable and sustainable energy including wind, solar, bioenergy, other sources of energy which use clean technology etc.
 - Clean transportation including mass/public transportation etc.
 - Sustainable water management including clean and/or drinking water, water recycling etc
 - Climate change adaptation
 - Energy efficiency including efficient and green buildings etc.
 - Sustainable waste management including recycling, waste to energy, efficient disposal of wastage etc.
 - Sustainable land use including sustainable forestry and agriculture, afforestation etc.
 - Biodiversity conservation

SEBI Circular on Green Bonds – contd.

- Disclosures in Offer Document: Issuer of green debt security shall make disclosures in the offer document with regards to the environmental objectives of the issue, brief details of decision-making process followed/would be followed for determining the eligibility of project(s), system/procedures to be employed for tracking the deployment of the proceeds of the issue etc.
- Continuous disclosure requirements: issuer shall make continuous disclosures, in financial results and annual report, about the usage of green bond proceeds, details of the projects financed, environmental impact of green financing etc.
- Reliance on Global Norms: Further, if the issuer or any agent appointed by the issuer, follows any globally accepted standard(s) for the issuance of Green Debt Securities including measurement of the environmental impact, identification of the project(s) and/or asset(s), utilisation of proceeds, etc., same shall be disclosed in the offer document/disclosure document and/or as part of continuous disclosures

Thank you