

Bond Markets in India: The connectivity between primary and secondary markets

National Stock Exchange

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Bond Markets in India: Characteristics

- Government Securities dominate
- Bank Loans vs Corporate Bonds
- Public Issues vs Private Placements
- Corporate liquidity management
- AAA and AA have a 90% market share
- Financial Institutions and PSUs are the dominant issuers
- Restricted set of investors

Primary Issuances: Private vs Public

Year	Private Debt Issuance size		Public Debt Issuance size	
	No. of Issuances	Total Size (in Crs.)	No. of Issuances	Total Size (in Crs.)
2009-10	803	189,478	3	2,500
2010-11	825	192,127	10	9,451
2011-12	1327	251,437	20	35,611
2012-13	1828	351,848	20	16,982
2013-14	1473	270,946	35	42,383
2014-15	1765	432,692	25	9,713
2015-16	632	129,612	3	698

Source: SEBI

Primary vs Secondary Volumes

Year	Total Outstanding (in Crs)	Issuance (in Crs.)	Settlement Annual	TO Ratio	Daily Avg %
2010-11	889,509	192,127	450,123	2.34	0.98
2011-12	1,051,638	251,437	401,800	1.60	0.67
2012-13	1,290,146	351,848	478,090	1.36	0.57
2013-14	1,467,396	270,946	618,899	2.28	0.95
2014-15	1,750,320	432,692	666,639	1.54	0.64

Note: TO Ratio and Daily Avg % taken for respective FY issuances

Source: SEBI, Prime Database

Some Observations

- 0.16% of total outstanding, is daily average volume in Corporate Bond markets
- Average daily trading volume in the last financial year was Rs. 2800 crores
- Of the top 5 traded securities in August, 3 issued in August
- Top 10 traded securities contribute 16-20% of total traded volumes

Government Securities

Year	Traded Value	Gross Borrowing	Net Borrowing	Outstanding	TO Ratio
2006-07	883,248	195,029	141,733	1,190,604	4.53
2007-08	1,467,704	194,050	146,112	1,452,383	7.56
2008-09	1,955,412	277,000	219,302	1,715,083	7.06
2009-10	2,480,850	428,306	327,369	2,042,452	5.79
2010-11	2,552,181	437,000	322,677	2,365,966	5.84
2011-12	3,099,108	510,000	426,025	2,798,985	6.08
2012-13	5,920,929	558,000	467,384	3,267,430	10.61
2013-14	7,968,661	563,973	458,374	3,720,804	14.13
2014-15	9,149,608	592,000	443,422	4,162,571	15.46
2015-16	2,280,746	180,000	107,925	4,270,496	12.67

Note: TO Ratio taken for respective FY issuances

Source: CCIL

What are the missing blocks ?

- Reissuance by Corporate Sector – mandate ?
- Bring in new classes of investors ?
- Exchange Traded Repo / CBLO product ?
- Transparency in primary bond issuances ?
- Interest Rate Futures on Baskets ? CDS ?
- Secondary market trading – on Exchanges ?



Thank You