

Indian Debt Market & Local Currency Fixed Income Investment Opportunities



India: Asia's Most Resilient Growth Story

Real GDP Growth

7.8% QoQ

Q2 FY 2025-26 | Highest in 5 quarters
 FY 2024-25: 6.5% | FY 2025-26 proj.: 6.4-6.6%

CPI (Sep 2025)

1.54%

8-year historic low
 Food inflation: -2.28% | RBI band: 2-6%

Current Account Deficit

\$2.4bn (0.2% of GDP)

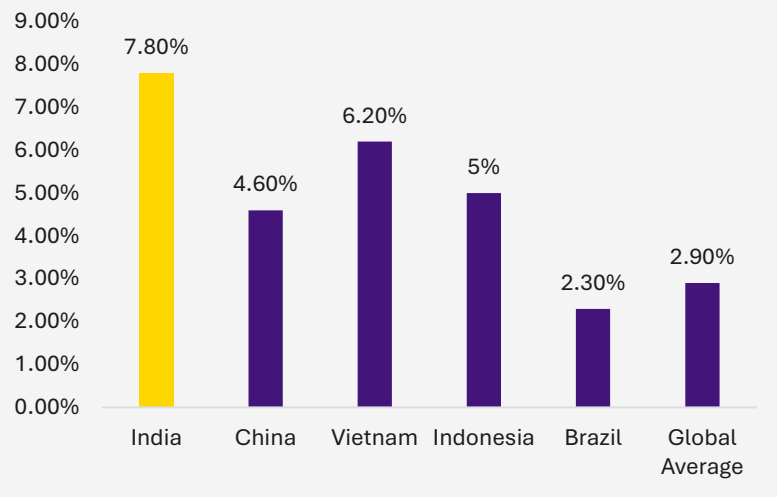
Q1 FY 2025-26
 vs \$8.6bn (0.9%) Q1 FY 2024-25

Fiscal Discipline

Deficit 4.4%

FY 2025-26 target (from 4.8%)
 Debt/GDP ~54-55% | Tax/GDP 11.6%+

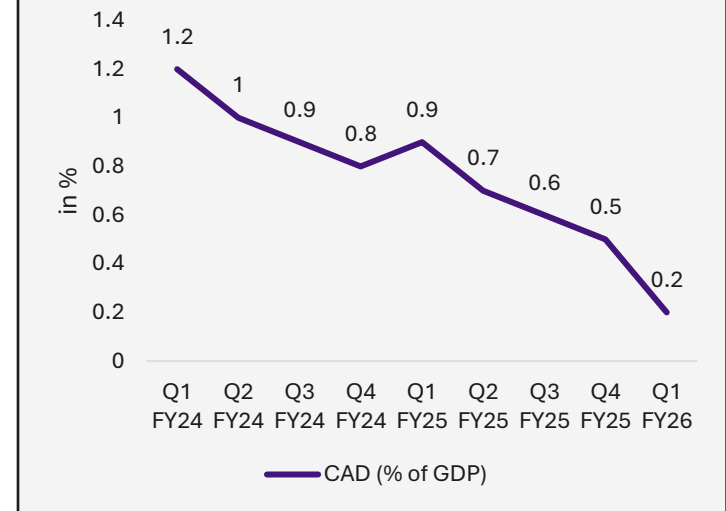
GDP Growth: India vs. Peers (Q2 FY26)



Retail Inflation (CPI)



Current Account Deficit Trajectory



India's Rising Global Stature in Fixed Income Markets

S&P Global Rating

BBB- → BBB

August 2025
First upgrade in 18 years (since 2007)

Morningstar DBRS

BBB (low) → BBB

May 2025
Citing structural economic reforms

R&I (Japan)

BBB → BBB+

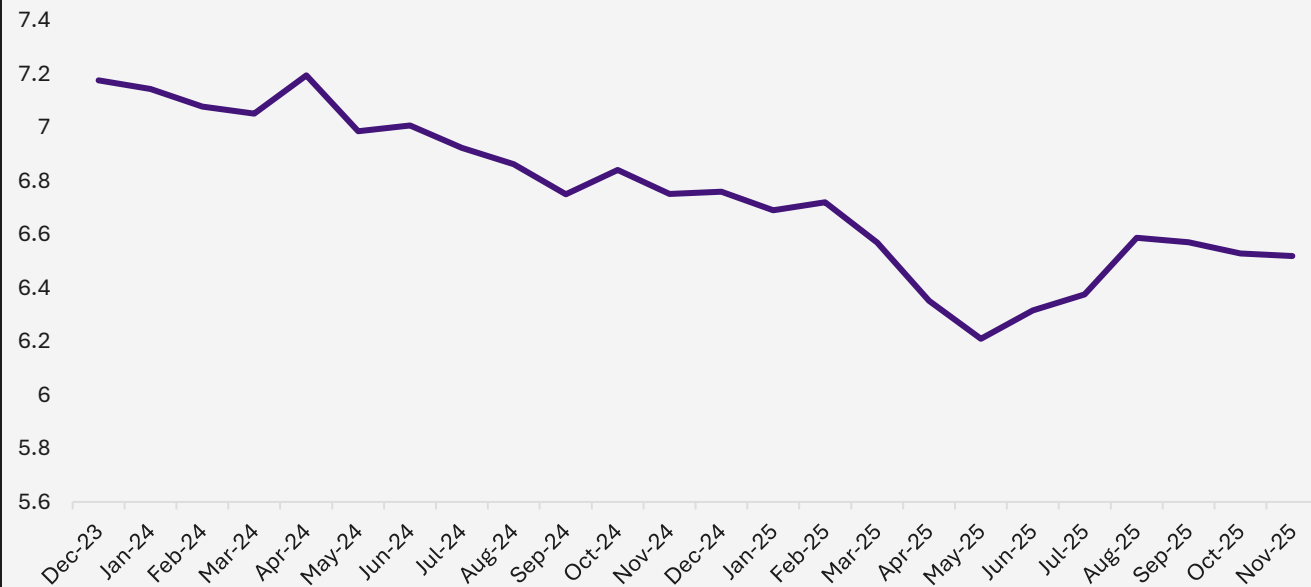
September 2025
Added global validation perspective

Fitch Ratings

BBB- (Affirmed)

August 2025
Stable outlook maintained

10Y G-Sec Yield Movement



Major upgrades in 2025

- Unprecedented validation of India's structural reform trajectory.
- 10Y G-Sec yields compressed by 63-88 bps since Q1 2024, with immediate 7-10 bps compression post S&P upgrade.
- Total bond market depth: **\$2.78 trillion**
- G-Secs market: ₹769 lakh cr (2019) → ₹1,812 lakh cr (2024) **2.4x growth**

Multiple Pathways to Access India's Bond Market



FAR Route

Unrestricted FPI access to G-Secs

Index Inclusion

- JPMorgan GBI-EM & FTSE Russell EM GB inclusion (2024)
- Q1 2025 inflows: ₹51,730 cr (~\$6bn)
- Foreign ownership: 4.45% (all-time high)

Yield Profile

- 10Y G-Sec: **6.40-6.50%**
- Current range: 6.30-6.55%
- Maturity profile: 2-30 years

Operational Benefits

- Simple KYC process
- T+1 settlement
- Euroclear/DTC eligible
- No investment caps or limits



GIFT City

International Financial Services Centre

Tax & Regulatory Benefits

- 100% income tax exemption (10 years)
- Zero STT/CTT on securities
- No LTCG tax on specified instruments
- Unified regulator (IFSCA)

Debt Market Profile

- Cumulative issuance: **\$63.68bn**
- FY 2024-25: \$6.99bn raised
- 39% green bonds
- 272 AIF schemes registered

Technical Features

- USD denomination
- Settlement: DTC/Euroclear
- Platforms: India INX, NSE IX



Corporate Bonds

Onshore FPI General/VRR routes

Market Size & Growth

- FY 2024-25 issuance: **₹9.9 lakh cr**
- ~\$120bn raised, +28% YoY
- Outstanding: ₹54 lakh cr (\$604bn)

Investment Channels

- **General Route:** 15% per issuer, no lock-in
- **VRR:** No limit, 3-year lock-in
- Direct FPI investment available

Yield Profile

- Investment-grade: **8-10%**
- Non-investment grade: **10-14%**
- Top sectors: Financial, Infrastructure, Energy



Bond Funds & ETFs

For Global Investors

Accessibility

- Bharat Bond ETF: Invests in PSU bonds, accessible to NRIs
- International Bond Funds: Offered by global managers (Aberdeen, M&G, HSBC)
 - Yield advantage: 7%+ running yields with monthly income options

Sector Allocation

- NRI/OCI Specific Options
- Investment via NRE (fully repatriable) or NRO accounts
- Eligible for PSU bonds, infrastructure bonds, G-Secs, corporate NCDs

Multiple Pathways to Access India's Bond Market

How IFSC (GIFT City) Transforms Investing in Indian Debt Markets

- **Unified Regulation:** Single regulator, simple compliance.
- **USD Currency:** Invest, hold, and repatriate in dollars—no rupee risk.
- **Tax Benefits:** Up to 10 years' tax holiday, zero capital gains, no GST.
- **Lower Costs:** Cheaper than offshore alternatives.
- **Fast Onboarding:** Quick digital setup.

Flexible Investment Structures:

- **AIFs in GIFT:** Open to global investors; VC, PE, Debt, Hedge strategies.
- **Bond Listings:** Easy access to USD, green, and fixed/floating bonds.
- **Minimum Investment:** \$150K for AIFs, \$10K for accredited investors.
- **Seamless Repatriation:** No extra approvals—move funds globally, fast.
- **Green Finance:** \$14bn+ in green bonds issued.

Debt Issuance & Market Depth at GIFT City

- \$7bn raised across 57 deals last year; \$63bn total; nearly 40% ESG.
- Top issuers: Muthoot, SBI, REC; range from infra to NBFCs.
- Trade on global-standard platforms—India INX, NSE IX.
- Most bonds 3–5 years, some up to 2034.

Key Benefits for Investors via GIFT City

Global Investors: Simple access to USD debt, green bonds, private credit, best-in-class tax.

Domestic Investors: Offshore structures for global capital, multi-country fundraising.

NRI/OCI: Frictionless investment, easy repatriation, access to specialist debt, AIFs, and green bonds.

India's Deep & Evolving Bond Market

Total Bond Market Size

\$2.78 Trillion

₹238 Lakh Crore | 18% of GDP
Transaction Volume: ~₹10 trillion (FY25)

Growth Trajectory

3.4x Growth

2014-2025 Period
Corporate: ₹16 → ₹54 lakh cr i.e (\$626.72 billion)

Market Penetration

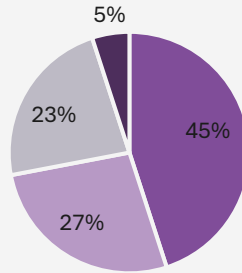
18% of GDP

Corporate Debt / GDP Ratio
vs. US: >100%, China: 36%

Yield Advantage

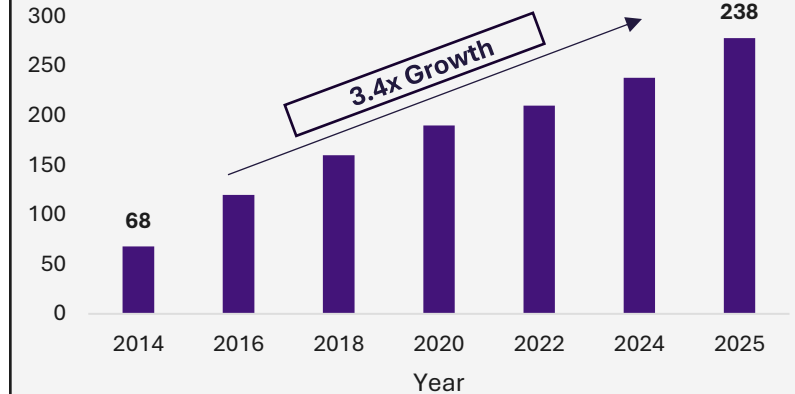
10Y G-sec:	6.45% - 6.55%
AAA Corporate:	6.70% - 7.15%
AA Corporate:	7.40% - 9.20%
Core Credit:	12.00%-15.00%+

Bond Market Composition as on FY25

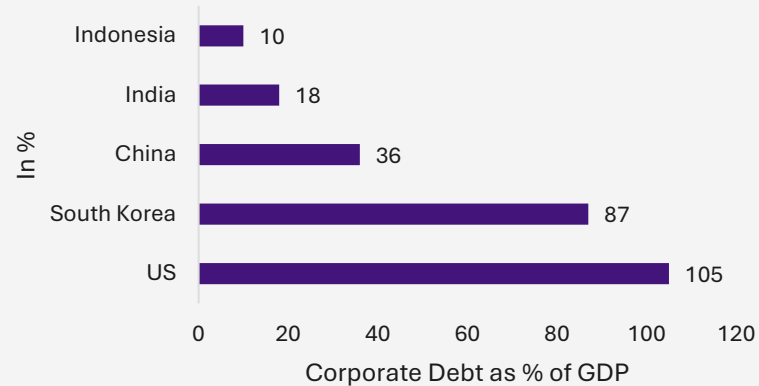


■ Government Securities ■ State Dev Loans
■ Corporate Bonds ■ Other Instruments

Total Bond Market (Rs. Lakh Crore)



Market Depth Comparison



Index Inclusion

\$20-27bn flows from JPM & FTSE inclusion

Rating Upgrade Path

Potential 'A' rating by 2026-27

Demographics

65% population <35 years; rising savings

Monetary Policy

25-50 bps more cuts expected

Currency Risk

FX hedging cost: 50-100 bps

Liquidity (Corporate)

Secondary market improving



Do Good.

Thank You

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