

Reuters

India may issue \$5bn bonds with no foreign cap

NEW DEL HI: India is likely to issue at least \$5 billion worth of bonds with no limits on foreign investment next year, in a bid to list the bonds on global indices and attract more foreign funds, according to two finance ministry sources.

India's government is likely to issue the bonds in several tranches of at least \$400 million each, one source said.

'We have spoken to major index operators and we will start pushing these bonds in tranches very early in the first half of the next fiscal year itself,' the first official said.

The bonds would be rupee-denominated, said the officials, who asked not to be named as the discussions were still private.

The finance ministry did not immediately reply to an email seeking comment. India's fiscal year starts on April 1 and runs through March.

In September, Reuters reported the government was considering a special window free of any foreign investment cap for overseas passive investors.

An inclusion in global indices would open India's bond market to more investors and potentially reduce the government's borrowing costs.

That investment could be significant in the long run, said Ananth Narayan, associate professor of finance at S.P. Jain Institute of Management and Research.

However, Narayan said, 'if it is only a few bonds, a full-fledged index inclusion will not happen. We will get a very small, negligible kind of weightage on the index, but it is a good way to start.' Generally, to include a sovereign bond global indices the issuing country needs to remove all foreign investment caps. But India has negotiated with some operators to open a new category of bonds that would have no caps instead of removing the 6% cap for the entire market, the first official said.

Finance Minister Nirmala Sitharaman announced plans to fully open a certain category of bonds for foreign investors during her budget speech on Feb 1, but did not give details such as quantity, timing or tenure.

The move would reduce the amount of securities that would need to be bought purely by domestic participants by about 4.5pc at the outset. India's total planned borrowing for 2020/21 stands at \$109.57bn.

The Indian government is looking for fresh investors as Prime Minister Narendra Modi plans to spend over 100 trillion rupees to build new roads, hospitals, airports and rural infrastructure.

Chinese renminbi-denominated government bonds were added to the Bloomberg Barclays Global Aggregate index in April and the country is predicted to get some \$150 billion worth of foreign investment.