India Inc embraces unlisted bonds for faster, flexible fundraising

Rozebud Gonsalves

The share of unlisted bonds in India's aggregate corporate debt sales has risen steadily as even highly rated companies, including the likes of Vedanta, choose negotiated deals with a select bunch of buyers to avoid extensive disclosures and compliance checklists that apply to listed securities, market participants said.

Also, there is a business case for unlisted bonds when the issue size is relatively smaller, according to experts. Unlisted bonds accounted for 40% of total corporate bond issuances in May 2026, up from 31% in May 2025, market data showed. Of the total Rs 94,749 crore of corporate bonds issued in May this year, unlisted debt accounted for Rs 38,487 crore.

Several large borrowings in the unlisted segment have also been lined up for July.

India bonds pause rally as large debt supply, Fed decision loom

Indian government bonds ended the day unchanged on Tuesday after a recent rally, as an influx of ten-year notes and the Federal Reserve's policy decision dampened risk appetite. Market participants kept a close eye on oil prices and U.S. Treasury yields for guidance. There is an expectation of a rate increase in September from the Federal Reserve, with geopolitical tensions lingering due to Oman's proposed fees in the Hormuz Strait.

"These deals are usually negotiated one-on-one between the issuer and the investor, and lately the proportion of unlisted and unrated bonds has been increasing," said Venkatakrishnan Srinivasan, managing partner, Rockfort Fincap, a debt advisory firm. "Also, unlisted bonds do not necessarily come from lower-rated companies."

Better rated unlisted bonds have raised money at fine rates with a select set of investors.

Lower rated bond issues, by contrast, often raised funds at high teens or issued zero coupon instruments.

For instance, Vedanta Ltd, rated AA+, ecently raised significant amounts through unlisted bond issuances despite their strong credit profiles.

Blue-chip issues

Vedanta raised Rs 5,000 crore in May, while government-backed Indian Railway Finance Corp had raised Rs 5,000 crore in December 2025, Prime Database data showed.

In May, Greenko UP01 IREP raised Rs 1,600 crore, while Square Yards Technology raised Rs

1,000 crore through unlisted bonds.

The largest issuer that month was Jaiprakash Associates, which was recently acquired by the Adani Group through the bankruptcy process. The company raised Rs 24,941 crore in May, largely to repay creditors.

In June, GMR Estate Management raised Rs 1,400 crore, while Asandas & Sons, which operates under the HyFun Foods brand, raised Rs 1,375 crore.

Shapoorji Pallonji Group companies have also chosen not to list their bonds for public trading.

Porteast Investment, a group company, raised Rs 28,600 crore in May last year, while another group firm, Eqyizen Investment, is in advanced discussions to garner Rs 25,500 crore.

Proceeds from both bond issuances are being used primarily to refinance existing debt, allowing the group to extend maturities.

"I think these companies do not want to go through the Sebi compliance process. The structure is like a bank loan, but the instrument is an NCD (non-convertible debenture), allowing investors to sell it if needed," Srinivasan said.

Price discovery challenges

However, a rising share of unlisted bond issuances could weaken overall market transparency and price discovery, as these securities are not subject to the same disclosure norms or exchange-based trading requirements as listed corporate bonds, experts said.

"Listing costs can be disproportionately large for smaller issuances. However, listing enhances transparency, price discovery, information dissemination and governance," said Soumyajit Niyogi, Director, India Ratings Research.

Srinivasan, too, agreed.

"Regulators and market participants should closely monitor risks relating to the migration toward unlisted structures, particularly where issuers prefer them due to regulatory compliances, compulsory subsequent listing requirements or greater execution flexibility outside the electronic book provider framework," he said.