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Securitised Debt Instruments (SDI)

SDI issuances by non-financial sector entities continue to scale though the market size remains limited

MARCH 2025

Highlights

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ICRA expects SDI issuances by non-financial sector entities to reach ~Rs 175 crore in FY2025.

The proposed changes by SEBI on the SDI regulations are likely to alter the market significantly in terms of originators, asset classes and transaction sizes.

- Securitised debt instruments (SDIs) are financial securities representing ownership in a pool of assets – lease rental, trade receivables, Non-Convertible Debentures, etc.
- SDIs are governed by the SEBI Regulations 2008, the SEBI LODR Regulations 2015 and the Operational Circular 2022. In November 2024, Securities and Exchange Board of India (SEBI) released consultation paper to review the existing SDI regulations, 2008.
- Though SDI guidelines were first issued by Securities and Exchange Board of India in 2008, the transactions undertaken through this route have witnessed traction in the last two to three years.
- SDI transactions under the retail non-financial institution category have witnessed steady growth for the last two years. ICRA estimates that 30 transactions have been executed with a value of ~Rs. 415 crore since FY2020.
- ICRA expects SDI volumes to continue to gradually increase with more originators and a wider investor participation.
- Most SDI transactions in the market are backed by lease receivables (by number of transactions). In FY2025, the volume of SDIs backed by trade receivables was nearly three times that of SDIs backed by lease receivables.
- Majority of the SDIs are from the non-investment grade category, mainly because the counterparties for the transactions do not have strong credit profiles. Consequently, the yields in such transactions are on the higher side.

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Thank You!