

Building Investor's Confidence and Deepening the Corporate Bond Market



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NSDL 'DeLiTe': Platform for Security and Covenant Monitoring powered by Distributed Ledger Technology

In April 2022, NSDL in collaboration with SEBI launched a blockchain-based innovative platform 'DeLiTe' for Security and Covenant Monitoring of corporate bonds. The DeLiTe platform facilitates listed corporate bond issuers and debenture trustees to manage the entire life cycle of issuance of corporate bonds, including monitoring the security given and the

covenants. It is the first of its kind implementation of blockchain technology in the Corporate Bond Market in India as well as globally.

Key triggers for this innovation were the lack of standardization in the practices by various stakeholders, transparency issues related to valuation of asset given as security for a secured debenture resulting in potential breach in asset cover, potential double charging of the asset and tedious process involved in monitoring of covenants.

Consistently large volume of issuances over the years and many new issuers tapping the market due to growing business activity has increased the need to bring more discipline and greater transparency in the process point to sustain investor confidence.

The Indian Corporate Bond market witnessed a significant growth over the past few years, thanks to the consistent efforts of the industry, government and regulators. At the end of FY 2023-24, the total outstanding stock of corporate bonds crossed Rs 47 lac crores, an increase of 54% in last 5 years. Primary issuance of listed corporate debt in FY 2023-24 was more than Rs 8.5 lac crores, an all-time high issuance of listed corporate debt in a financial year and 12.2% higher than the issuance during the previous financial year. Listed corporate debt stock stands at Rs 38 lac crores at the end of FY 2023-24, an increase of nearly 11% from the previous financial year.

Technology plays a key role in achieving the standardization in the market practices and making processes more efficient, transparent, scalable and accessible to investors. Usage of cutting-edge

technologies like blockchain enhances confidence through integrity immutability, cryptography-based data security and complete transparency to all participants. Several central banks, multi-national agencies and corporate entities have issued digital bonds leveraging blockchain technology in recent years.

The DeLiTe platform allows a debenture issuer to record details of asset(s) being offered as security while issuing a secured debenture which is subsequently verified by debenture trustee. Value of asset is also monitored periodically to ensure that sufficient security is available throughout the life of the debenture. Along with asset details, the platform also captures details of charge creation and recording of charge when debenture is issued and closure of charge when debenture is redeemed.

The platform also offers efficient covenant management for secured and unsecured debentures. At the time of debenture issuance, covenants are recorded on the system as part of the debenture trust deed by issuer in the agreement with debenture trustee and monitored as per the defined frequency of the covenants through the system. The platform also captures the interest and redemption payments made by issuer for debentures as per the defined payment schedule.

This platform provides several benefits to the market as it is highly secured, maintain a single source of record for all the involved parties, provides timely information to all stakeholders while also reducing operational costs and achieving standardization in the data exchange process. The platform offers flexibility to Issuers and Debenture Trustees (DTs) to leverage open architecture of the platform by initially participating as a tenant on the multi-tenant nodes hosted by NSDL and subsequently transitioning to dedicated nodes hosted by the respective Issuers and DTs. The platform is highly scalable and different market participants including investors, rating agencies, regulators can host their nodes based on their requirements.

The DeLite platform has been successfully tested on various parameters and attained a substantial maturity level with nearly 600 active listed debenture issuers already onboarded on the platform. The platform has recorded security related information of around 4,000 secured active debentures as of June 30th, 2024. As the system has already brought a transformation in existing practices on debenture life cycle management, efforts are being made to extend the system usage to capture bank loans also. Given the scope for use of the platform in all covenanted/ secured asset classes, the platform promises to be a great enabler for the further growth of the Indian financial markets.