

India's first municipal bond index- IBMX

February 28, 2023

In news– NSE Indices Ltd, an NSE arm, has launched the country's first ever municipal bond index recently.

About municipal bond index-

- The new Nifty India Municipal Bond Index **will track the performance of municipal bonds issued by Indian municipal corporations across maturities** and having investment grade credit rating.
- **Presently, the index has 28 municipal bonds issued by 10 issuers all having credit rating in the AA category.**
- The index constituents are assigned weights based on their outstanding amount.
- The Indian municipal bond market has seen a resurgence of issuances after Sebi's Issue and Listing of Municipal Debt Securities Regulations, 2015 came into effect and a renewed emphasis on municipal finance by policymakers.
- Raising money from capital markets incentivises municipal corporations to fund new projects and improve civic infrastructure while encouraging them to become financially disciplined and governance oriented.
- **The municipal bond market has a potential to play a pivotal role in financing the borrowing requirements of different municipal corporations in India.**
- The proceeds from bonds issued by municipal corporations can be utilised to finance the expansion of essential municipal services through growth-driven infrastructure projects and can contribute to bridging India's urban infrastructure financing gap.
- **The index is computed using the total return methodology including price return and coupon return.**
- **The index has a base date of January 1, 2021**, and a base value of 1,000. The index will be reviewed quarterly.

What is a Municipal bond?

- Municipal bonds are a good alternative source of finance to fund projects undertaken by Municipal Corporations.
- In other words, a municipal bond is a debt security issued by a state, municipality or county to finance its capital expenditures, including the construction of highways, bridges or schools.

Note:

- NSE Indices Limited, a subsidiary of NSE, provides a variety of indices and index-related services for the capital markets.
- The company focuses on the index as a core product.
- The company owns and manages a portfolio of indices under the Nifty brand of NSE, including the flagship index, the NIFTY 50.
- NSE Indices also maintains fixed income indices based on Government of India securities, corporate bonds, money market instruments and hybrid indices.