

# FAR inflows double to ₹2 trn in 9 mths

## Rise follows bond inclusion in JP Morgan index

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Foreign portfolio investments (FPI) in central government securities, designated under the fully accessible route (FAR), are nearing ₹2 trillion, almost double in nine months, following JP Morgan's inclusion of Indian debt in its index, Clearing Corporation of India (CCIL) data showed.

As of July 16, total investment in FAR securities stood at ₹1.93 trillion, against ₹94,709 crore on September 22, 2023.

FPI investment in FAR securities had crossed ₹1 trillion on October 16, 2023. Only government bonds issued by the Reserve Bank of India (RBI) under FAR are included in the index. All FAR-designated central government bonds maturing after December 31, 2026, are eligible.

Market participants said the inflows are expected to continue and may touch ₹2.5 trillion in the

next 5-6 months.

"The investments have doubled because of JP Morgan bond index inclusion. Besides the actual flows that happened after the inclusion, even when the announcement took place that India will be included, the flows had already started coming in," said Vijay Sharma, senior executive vice-president at PNB Gilts.

"The rate at which the money is coming will continue, and in another 5-6 months, we can touch ₹2.5 trillion," he added.

In September 2023, JP Morgan had announced that it will include government papers, issued by the RBI under FAR, in its widely-tracked GBI-EM index, starting June 28, 2024. The inclusion process will be phased over 10 months, with 1 per cent weight included each month until March 31, 2025.

Indian bonds will have 10 per cent weight, similar to China.

Of the 38 bonds under FAR, only 29 meet the eligibility criteria for

the JP Morgan bond index. It requires a face value of over \$1 billion and a remaining maturity of more than 2.5 years.

After the official inclusion, FPIs have infused ₹9,364 crore in the Indian debt market, according to the latest data by the National Securities Depository Limited (NSDL).

"It will be interesting to see if this momentum is maintained in the coming months as the build-up to June 2024 was quite swift. With the weight in the index going to increase by 1 per cent every month, it does appear that the tempo will be maintained, albeit at a lower level," said Madan Sabnavis, chief economist at Bank of Baroda.

In the first 10 trading days following inclusion in the JP Morgan index, FPI debt reached \$1.02 billion.

This was preceded by higher inflows of \$1.22 billion between June 13 and June 27. From May 30 to June 12, the inflows were \$739 million.

