



PRESS RELEASE

IFFCO Tokio launches Surety Bonds to Aid India's Bourgeoning Infrastructure Sector

Gurugram, 6th May 2025: Leading general insurer IFFCO-Tokio has announced the launch of Surety Bond Insurance, a risk mitigation solution to support India's infrastructure sector. Insurance Regulatory and Development Authority of India (IRDAI) had permitted general insurers to issue surety insurance bonds in April 2022. The bonds are legally enforceable tripartite contracts that seeks to provide hedge against risk involved with infrastructure projects.

In the last decade, India has initiated 9,242 PPP infrastructure projects amounting to massive Rs. 68.13 lakh crore. The Government of India (GoI) has also announced to launch several infrastructure projects in water supply and urban transport. Likewise, Indian Railways too has plans for major infrastructure overhaul.

To make these projects a reality, India needs to widen the contractors' pool, who face fund issues, especially with regard to limits that is required under India's bidding and other processes, said **Subrata Mondal, Managing Director (MD) and Chief Executive Officer (CEO) of IFFCO-Tokio.**

This is where the Surety Bond insurance provides respite to contractors and frees up financial burden on them, **he said.**

Surety Bond works as a risk transfer mechanism, and under Section 126 of the Indian Contract Act, 1872 it is treated as a contract of guarantee. Under this contract, the insurer provides guarantee to the beneficiary or obligee that the principal or contractor will meet his contractual obligations. In case the principal fails to deliver his promise, a monetary compensation is paid to the obligee by the insurer.

Due to persuasion by, Govt of India, various Public Sector Companies/ departments have started accepting Insurance Surety Bonds as an alternate to bank guarantees.

“Surety Bond provides solution to many issues which the infrastructure sector is facing. On one hand, it will help widen the contractors' pool for the government departments or PSUs/PSEs, on the other, it enlarges the project taking capacity of infrastructure companies, especially small and

medium size contractors. Besides financial benefits, it helps in building a bond of trust among all the stakeholders,” **Mondal said.**

The insurer assesses a number of essentials of principal (contractor), such as project type, revenue, past records, financial health etc. to provide guarantee (Surety Bond).

The construction industry alone has already offered Bank Guarantees (BGs) of Rs. 1.70 lakh crore so far, and this figure is projected to grow to Rs. 3 lakh crore by 2030.

About IFFCO Tokio General Insurance Company Limited:-

IFFCO-Tokio General Insurance Company Limited is a 51:49 joint venture between Indian Farmers Fertilizer Co-operative (IFFCO), one of the world’s largest fertilizer manufacturers that is wholly owned by Indian Cooperatives, and Tokio Marine Group – one of the world’s largest insurance companies based in Japan.

IFFCO Tokio General Insurance offers retail products like motor, health, travel, home and personal accident insurance and corporate insurance products like property, marine and liability insurance through its wide distribution network of agents, banks, brokers and its website – www.iffcotokio.co.in
