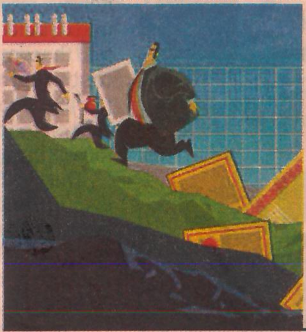
Nabard, PFC to raise ₹10K cr from corporate bond market

ANJALI KUMARI
Mumbai, 22 September

ILLUSTRATION: BINAY SINHA



A slew of public sector undertakings (PSUs) are expected to tap the corporate bond market ahead of the Reserve Bank of India's October policy review, capitalising on improved sentiment.

State-run Power Finance Corporation (PFC) plans to raise up to ₹3,500 crore on Tuesday through bonds maturing in 2 years and 20 days. Additionally, National Bank for Agriculture and Rural Development (Nabard) plans to raise up to ₹7000 crore via issuance of bonds maturing in 3 years 3 months and 25 days this week. Solar Energy Corporation of India also plans to raise up to ₹600 crore on Thursday via bonds maturing in 10 years.

So far this quarter, global uncertainty and subdued investor sentiment have kept many issuers, including PSUs, on the sidelines. However, the corporate bond market is now showing signs of revival after two months of muted activity. Major borrowers who had held back in July and August are beginning to return, signalling a pickup in primary market issuance.

Indian companies had raised a record ₹4.07 trillion through debt in the first four months of the current financial year.

While there has been a heavy supply of government and state bonds, there has been a shortage of long-term, high-quality PSU and AAA-rated corporate bonds. This has created strong demand from institutions like insurance firms and pension funds, which need such bonds to manage their long-term liabilities.

"While the heavy supply of sovereign and SDL paper has pushed benchmark yields higher, there has been a conspicuous scarcity of long-dated PSU and AAA corporate bonds. This supply-demand mismatch has created pent-up institutional demand, particularly from insurance companies and pension funds that need long-duration, high-quality paper for asset-liability management," said Venkatakrishnan Srinivasan, founder and managing partner of Rockfort Fincap LLP.

Debt pvt placements

(in ₹ crore)

Month	No.of Issues	Issue Amount
Apr '25	269	102,215
May '25	292	136,441
Jun '25	316	103,868
Jul '25	315	69,125
Aug '25	192	50,152

Source: primedatabase.com

The US Federal Reserve's recent 25 basis point rate cut, along with guidance for an additional 50 basis points of easing, has improved global risk sentiment. Together, these factors have strengthened market expectations of a potential RBI pivot as early as the October policy, creating a favourable window for PSU bond issuances. Looking ahead, issuers see strong rationale to act now rather than wait, said market participants.

"The sentiment has improved overall, after waiting for two months or so. Issuers would now like to tap the market as opportunity presents now with a segment expecting a rate cut in October," said a dealer at a state-owned bank.

Even with large government bond issuances, the yield spread between AAA-rated PSU bonds and government bonds has stayed steady, showing continued investor interest, said market participants.

With the yield spread between 10-year Indian government bonds and US Treasuries widening beyond 200 basis points, foreign investors have also begun reassessing allocations in favour of India since last month. Consequently, tapping the market early offers issuers a clear first-mover advantage, allowing them to lock in funding before supply builds up and spreads compress.