

Nabard, PFC raise amounts lower than intended from bond market

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State-owned National Bank for Agriculture and Rural Development (Nabard) on Wednesday raised ₹4,039 crore at a coupon of 6.85 per cent, short of ₹7,000 crore it intended to raise. Similarly, Power Finance Corporation (PFC) mobilised ₹3,450 crore this week at 6.73 per cent coupon rate, against its intended ₹5,000 crore.

Market participants said issuers are refraining from offering higher yields at a time when liquidity remains ample, and credit growth is yet to pick up. As a result, they are managing to raise only a fraction of the amounts they had planned.

"Nabard could have raised the entire amount, but they were looking for better rates," said a dealer at a state-owned bank. "They were not willing to pay the high rates," he added.

"Issuers are wondering why levels should stay high when liquidity is still

good and credit offtake is slow", said a market participant, on the condition of anonymity.

The domestic debt capital market has shown signs of revival after two months of muted issuance activity. According to Prime Database, Indian companies raised a little over ₹1.19 trillion in July-August, compared with over ₹3.42 trillion in the April-

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June quarter of FY26. Fundraising stood at ₹69,125 crore in July and ₹50,152 crore in August. In September, however, marquee issuers returned with fresh bond offerings.

Bond yields remain sticky at elevated levels. Many large public sector undertakings (PSUs) are skewing issuance towards shorter maturities in the 2-4-year bucket rather than locking in at the long end, market participants said.

Surplus liquidity in the banking system, coupled with robust demand for high-grade paper from mutual funds, initially supported this tenor choice. However, with September's

advance tax outflows and GST-related debits draining system liquidity into the deficit zone — despite daily variable rate repo (VRR) infusions and cash reserve ratio (CRR) cut flows, short-end yields have also edged higher.

"There has been a degree of discomfort among PSU treasurers, evident in instances where issuers refrained from accepting the full notified size, including green-shoe portions, in recent benchmark deals", Venkatakrishnan Srinivasan, founder and managing partner of Rockfort Fincap LLP, said.

"For now, the market seems less fixated on policy rate speculation and more attuned to the impending central and state government indicative H2 borrowing calendars. The heavy supply of longer-tenor state government securities, in particular, has exerted upward pressure on long-end yields, with a clear spillover into PSU bond pricing", he said, adding that the sharp widening of credit spreads has further compounded this: The 10-year AAA corporate bond spread over the 10-year G-Sec has climbed to around 75-80 basis points or more.