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Govt to borrow Rs 7.24 trn, or 60% of planned amount, till September

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Shrimi Chaudhury and Anup Roy March 31, 2021 Last Updated at 20:45 IST

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The government will be raising 60 per cent of its planned market borrowing in the first half, keeping with its practice of front-loading market borrowing.

For fiscal 21-22, the central government will borrow Rs 7.24 trillion by September. This is about 60.06 per cent of the full-year gross borrowing target of Rs 12.05 trillion. Keeping with the usual practice, the borrowing will be done across the yield curve ranging from two-year bonds to 40 years, including using floating rate bonds (FRB), Economic Affairs Secretary Tarun Bajaj said in a media meet on Wednesday evening. The borrowing calendar released on the RBI website showed there would be Rs 48,000 crore of such FRBs.

The 25 weekly borrowings will be in sizes of Rs 26,000-32,000 crore, starting next week, and ending by September 24.

The frequency of 5, 10, 14, and 20 years would be relatively higher. This segment has a relatively higher demand in the market than that of the ultra-long maturity profile.

"The borrowing size is in line with expectations. Also, given that the government has cut small savings rates by 40-90 basis points, the Gsecs are a very attractive investment option now for investors, particularly as retail investors can now directly buy the bonds from the markets," said Debendra Dash, Senior Vice President at AU SFB.

“The Government of India, in consultation with the Reserve Bank of India, reserves the right to exercise the green-shoe option to retain additional subscription up to Rs 6,000 / 8,000 crore in each weekly auction depending upon the number of securities offered,” the Reserve Bank of India (RBI) said in the borrowing calendar released on its website.

Exercising greenshoe options, the Centre borrowed a record Rs 13.71 trillion in 2020-21 on a gross basis, as it needed more funds to stimulate the economy reeling under a pandemic.

"In 2021, we did a record gross borrowing in the history of the finance ministry’s government of India. While Net borrowing was pegged at Rs 11.41 lakh crore,” Bajaj said.

As of now, the borrowing target for the new fiscal doesn’t change, but nothing is ruled out.

"We are going ahead with our gross borrowing in the first half of the year. We will take any decision, if required, at a later stage depending on how the year pans out. We need to see how the revenues and other streams are providing us funds this fiscal (FY22), but before that, I wouldn't hazard a guess,” Bajaj said.

Care Ratings said the borrowing calendar is in line with expectations.

“Presently we do not believe this will pressurize interest rates in terms of availability of liquidity which is in abundance. However, yields will still be guided by what the RBI does and how inflation fares. Inflation will be elevated in the first half which will restrict choices for the RBI. Therefore, 10-year GSec will be in the 6.10-6.25 range depending on the measures invoked by the RBI and the tone of the policy to be announced next week," Care said.

ICRA expects the yields on the 10-year G-Sec to harden to 6.35 per cent by the first quarter. The yields closed fiscal 2020-21 at 6.17 per cent.

The government overshot its borrowing target twice in fiscal 2020-21. Originally, for fiscal 2021-22, the government had planned to borrow Rs 7.8 trillion from the market, of which 62.56 per cent was scheduled for the first half. The total amount swelled to Rs 12 trillion in May in response to the Coronavirus crisis. Till September, the borrowing reached Rs 6 trillion. By the end of the year, though, the government ended up borrowing Rs 13.71 trillion even after canceling the last auction of fiscal.

The yields generally remained very stable barring a few auctions that happened in the month of March. The weighted average borrowing cost for FY 20-21 was 5.79 per cent which was the lowest in the last 17 years and the weighted average maturity was 14.49 years, Bajaj said.

In FY 20 also, the government had borrowed 62.25 per cent of the total Rs 7.1 trillion in the first half.

The Secretary allayed the fear of the risk to recovery due to the resurgent of infections.

"We are handling the situation differently and right now there are no such concerns on the expenditure, but if required we are prepared and even much better prepared for it than last year,” Bajaj said.