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# States borrowing cost heading to north again

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Mumbai, Sep 28 (PTI) The temporary blip seen in the yields on states market borrowings over the past five weeks has halted at the latest auctions on Tuesday, with the average weighted pricing rising by 5 bps to 6.85 per cent across maturities and states.

As many as eight states have raised Rs 17,244 crore at the weekly auction of the state government securities or state development loans (SDLs) held on Tuesday, which is Rs 80 crore less than the notified amount, as Punjab accepted less than the notified amount.

Borrowing cost for the states at the auction held today rose from last week with the weighted average cost, across states and tenures closing in at 6.85 per cent, which was 5 bps higher than a week ago, Care Ratings said in a note.

As a result, the spread between the 10-year SDLs today and the primary market yield of the 10-year G-secs widened to 65 bps from 60 bps a week ago.

Higher US Treasury yields have raised concerns over the outflow and funds from the domestic debt markets, while the increase in crude prices once again raises inflationary worries.

With today's borrowings, the H1 borrowing of the states is 13 per cent less than what they had mopped up in the same period last fiscal, as 26 states and two UTs raised only Rs 3.09 lakh crore so far this fiscal, down from Rs 3.54 lakh crore a year ago by 27 states and two UTs. The H1 borrowings are 11 per cent lower than the indicative calendar.

Of the 13 states that were to borrow today, only six of them (Assam, Goa, Maharashtra, Punjab, Rajasthan, and Bengal) participated in the auctions and the eight states that raised funds worth Rs 7,124 crore were not part of the indicative borrowing calendar. PTI BEN BAL

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