



DID YOU MISS THE CRYPTO CONCLAVE?
FOR ALL THE HIGHLIGHTS

CLICK HERE



News / LATEST / Economy / At 7.43%, states pay highest interest rate on debt at last auction of FY22

Feedback

At 7.43%, states pay highest interest rate on debt at last auction of FY22

In the last auction of FY22, 15 states raised Rs 30,853 crore, 24 per cent more than what was notified, rating agencies Icra and Care said.



PTI

Mar 30, 2022, Updated Mar 30, 2022, 8:34 AM IST



The states have paid through their nose at the last auction of the outgoing financial year for their market borrowings, paying the highest interest rate at 7.34 per cent on Tuesday, even as they raised as much as 21.7 per cent less at Rs 7.02 lakh crore than what was initially planned.

At the last auction of FY22, 15 states raised Rs 30,853 crore, 24 per cent more than what was notified, rating agencies Icra and Care said, partly because Gujarat raised an additional Rs 500 crore in the 10-year security. But despite this, the aggregate borrowing is 21.7 per cent less than what was planned initially, the agencies said.

According to Icra Ratings, the indicative borrowing calendar indicated 28 states and two Union territories to raise Rs 8.96 lakh crore.

However, 27 states and two UTs raised only Rs 7.02 lakh crore as the year ends, which is a whopping 21.7 per cent lower than what was intended for the current fiscal, Icra said.

The borrowing cost for the states rose to a fresh high at today's auctions after having moderated to a three-week low at the auction conducted last week with the weighted average cost across states and tenures hitting the highest of the fiscal year at 7.34 per cent, up 18 bps over the past week at 7.16 per cent.

This means that the borrowing cost for them was shot up by a whopping 78 bps since the beginning of the current fiscal, Care Ratings said in a note.

ADVERTISING



For the 10-year bonds the weighted average borrowing cost rose by 8 bps to 7.33 per cent compared to 7.25 per cent last week, tracking elevated 10-year benchmark G-secs yield at 6.85 per cent, the agency said, adding the weighted average yields of the 10-year security across the states was higher by 58 bps since April 2021. The agency had blamed rising domestic inflation expectations pressuring yields upwards.

The sharp increase in 10-year weighted average borrowing cost has resulted in widening of the spread between the 10-year state debt and the G-secs to 48 bps from 38 bps last week, it added. During the outgoing fiscal year, 27 states and two Union territories have borrowed less than what they had borrowed in FY21 due to the improved revenue position and calibrated expenditure.

The top five borrowing states were Tamil Nadu, Maharashtra, West Bengal, Uttar Pradesh and Karnataka that accounted for around 49 per cent of the total borrowings in FY22.

Tamil Nadu, Bengal and UP recorded a revenue deficit in the first 10 months of the fiscal whereas Maharashtra and Karnataka have clocked a revenue surplus indicative of their comfortable financial position.

In FY22, borrowings by Bihar, Haryana, Manipur, Sikkim, Telangana and Bengal were higher than the previous fiscal as Telangana, Haryana, Bihar and Bengal saw a revenue deficit in the April-January whereas Sikkim has borrowed more despite a revenue surplus.

Odisha has not raised any money from the market at all in FY22, while it had raised Rs 3,000 crore last fiscal. At the final auction of state debt of FY22, 15 states raised Rs 30,900 crore, 24 per cent higher than the amount that had initially been indicated for this week.

Tamil Nadu, Kerala, UP and Bengal issued higher-than-indicated auctions and accounted for nearly two-thirds of the total issuance on Tuesday.

Gross fundraising of Rs 2,35,300 crore in Q4 was 37.7 per cent lower than Rs 3,24,000 crore indicated in this auction calendar, benefitting from the augmented transfers from the Centre in the first two months of the quarter.

This included enhanced tax devolution in January at Rs 95,100 crore and in February at Rs 1,47,300 crore and GST compensation of Rs 18,000 crore and an ad-hoc settlement of Rs 35,000 crore of integrated GST in January, easing the cash flow of the states in Q4