

Weekly update on Central Government borrowings

October 14, 2021

At the weekly auction of government securities held today, the Central Government borrowed Rs. 24,000 crore via securities carrying tenure of 10 years, 13 years, and 40 years. The notified amount of the auctions was raised for the three securities.

Market Borrowings – FY22

- **Total market borrowings** by the central government during 9 April -14 October of FY22 is Rs.7.74 lakh crore, 6% less than that in the corresponding period of FY21 (Rs.8.22 lakh crore during Apr-16 Oct'20).
 - The amount raised so far in FY22 is 64% of the total budgeted borrowing limit of Rs 12.05 lakh crore for the fiscal year.
- **Total devolvement to the primary dealers** so far in FY22 is Rs. 0.76 lakh crore, which is 10% of the total borrowings.
- The quantum of **overallotment** (Green shoe option) thus far in FY22 totaled Rs. 0.60 lakh crore or 8% of the total borrowings.
- Auction of securities aggregating Rs.67,000 crore has been **cancelled** so far in FY22. 84% (or Rs.56,000 crore) of this were of the 10-year securities.

Tenure-wise borrowings

- During 9 April- 14 October of FY22, the 14- year securities account for the largest share of borrowings at 21% of the total and is followed by the 5- year security which has a share of 19%. The 10-year security accounts for 18% of the borrowings. 71% of the borrowings carry a tenure of less than 15 years. The long-term borrowings (30 and 40 years) account for around 30% of the borrowings.

Table 1: Central Government Dated Securities Auctioned – 14 October'21

| Instrument | Notified amount (Rs crs) | Accepted amount (Rs crs) | Amount devolved to PD | Cut-off yields (%) | Green Shoe option (Rs crs) |
|---------------|--------------------------|--------------------------|-----------------------|--------------------|----------------------------|
| 6.10% GS 2031 | 13,000 | 13,000 | Nil | 6.33 | Nil |
| GOI FRB 2034 | 4,000 | 4,000 | Nil | 4.44 | Nil |
| 6.76% GS 2061 | 7,000 | 7,000 | Nil | 7.15 | Nil |

Source: RBI *FRB – Floating Rate Bonds

Table 2: Tenure wise GSec issuances in FY22

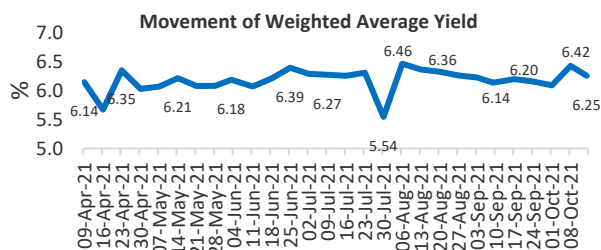
| Tenure (Years) | Auctioned Amount Rs crs: FY22 (9 Apr-14 Oct'21) | % share |
|----------------|---|---------|
| 2 | 44,252 | 6 |
| 5 | 1,43,503 | 19 |
| 7* | 4,000 | 1 |
| 10 | 1,40,865 | 18 |
| 12* | 46,000 | 6 |
| 13* | 10,375 | 1 |
| 14 | 1,62,254 | 21 |
| 30 | 98,498 | 13 |
| 40 | 1,24,599 | 16 |

Source: RBI and CARE Rating Calculations

*FRB – Floating Rate Bonds

Cost of Borrowings

- In terms of tenure-wise yields at today's auction, both the 10 years and 40 years security witnessed a rise in yields from the last auction of these securities held on 1 October'21. The yield of the 10-year security increased by 10 bps to 6.33%, while that of the 40 years security rose by 16 bps to 7.15%. GSec yields have inched up since end -Sept on worries over the rise in energy prices and the surge in global bond yields viz., the US Treasury yields.
- The weighted average yield (across tenures) at **6.25%** was 16 bps lower than that of last week's auction and 21 bps lower than the peak touched in early August (6.46% on 6 August'21). This decline in yields despite the firming of yields of the 10 year and 40-year security can be put down to the floating rate bond (FRB) of 13-year tenure that was auctioned today. The yield of the FRB declined by 3 bps to 4.44% from the last auction. The yields on the FRB are linked to the short-term rate (182 days T-bills). The surplus liquidity in the banking system has been keeping the T-bill yields at lower levels.



Source: RBI and CARE Rating Calculations

Table 3: Tenure wise yield movement: FY22

| | 30-Apr | 11-Jun | 20-Aug | 09-Sep | 17-Sep | 24-Sep | 01-Oct | 14-Oct |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|
| 10 years | 6.05 | 5.99 | 6.23 | | 6.18 | | 6.23 | 6.33 |
| 13 years | | | | 4.45 | | 4.47 | | 4.44 |
| 40 years | 6.83 | 6.96 | 7.19 | | 6.93 | | 6.99 | 7.15 |

Source: RBI and CARE Rating Calculations

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