

Weekly update on Central Government borrowings

September 17, 2021

At the weekly auction of government securities held today, the Central Government borrowed Rs. 26,000 crore via securities carrying tenure of 2 years, 10 years, and 30 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 -17 September of FY22 is Rs.6.71 lakh crore, 9% less than that in the corresponding period of FY21 (Rs.7.36 lakh crore) and Rs. 12,652 crore less than the aggregate notified amount of the auctions.
 - The amount raised so far in FY22 is 56% of the total budgeted borrowing limit of Rs 12.05 lakh crore for the fiscal year and 49% if the GST compensation to states amounting to Rs.1.58 lakh crore is added to the borrowing limit for the financial year.
- **Total devolvement to the primary dealers** so far in FY22 is Rs. 0.76 lakh crore, which is 12% of the total borrowings. The 5-year (56% share) and 10-year (38% share) securities accounted for the largest proportion of devolvement on primary dealers.
- The quantum of **overallotment** (Green shoe option) thus far in FY22 totaled Rs. 0.60 lakh crore with the 14-year security accounting for 54% of the overallotment.
- 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

- So far in 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 17% 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.
- The weighted average tenure of the central government borrowings so far in FY22 is 17 years v/s the 15 years of the comparable period of FY21.

Table 1: Central Government Dated Securities Auctioned – 17 Sep’21

Instrument	Notified amount (Rs crs)	Accepted amount (Rs crs)	Amount devolved to PD	Cut-off yields (%)	Green Shoe option (Rs crs)
4.26% GS 2023	3,000	3,000	Nil	4.07	Nil
6.10% GS 2031	14,000	14,000	Nil	6.18	Nil
6.76% GS 2061	9,000	9,000	Nil	5.60	Nil

Source: RBI

Table 2: Tenure wise GSec issuances in FY22

Tenure (Years)	Auctioned Amount Rs crs: FY22 (9 Apr-17 Sep)	% share
2	42,252	6
5	1,26,503	19
10	1,14,865	17
12*	46,000	7
13*	3,375	1
14	1,43,254	21
30	84,498	13
40	1,10,599	16

Source: RBI and CARE Rating Calculations

*FRB – Floating Rate Bonds

Cost of Borrowings

- In terms of tenure wise yields of the securities auctioned today, the yield of the 2-year security was stable at 4.07% and that of the 10- year security was 1 bp higher at 6.18% from the last auction of these securities held on 3 Sept’21. The yield of the 40-year security moderated by 9 bps to 6.93%.
- The weighted average yield (across tenures) at **6.20%** was 6 bps higher than that of last week’s auction and 26 bps lower than the peak touched in early August (6.46% on 6 August’21).
- GSec yields have softened in recent weeks (since end -August) on improved demand for these securities. The easing of concerns over the tightening of monetary policy by the central banks (US Federal Reserves and RBI among others) has been supporting both domestic and foreign inflows into the government bond markets. The expected secondary market purchase of the government securities by the RBI (Rs.2.4 lakh crore so far in FY22) and the sizeable surplus liquidity in the banking system (at over Rs.7 lakh crore) have also been contributing factors. The fall in yields however have been tempered by concerns over the likelihood of additional market borrowings by the central government to fund to GST shortfall to states and the rise in global energy prices.

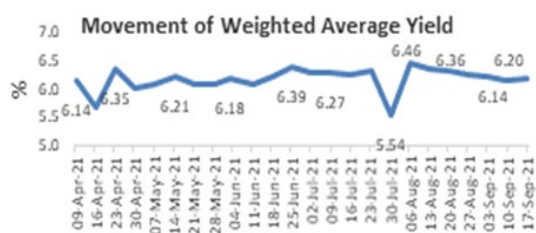


Table 3: Tenure wise yield movement: FY22

	30-Apr	28-May	11-Jun	09-Jul	23-Jul	20-Aug	03-Sep	17-Sep
2 yrs	4.08	4.27	4.19	4.33	4.25	4.13	4.07	4.07
10 yrs	6.05	5.99	5.99	6.10	6.15	6.23	6.17	6.18
40 yrs	6.83	6.93	6.96	7.18	7.19	7.19	7.02	6.93

Source: RBI and CARE Rating Calculations

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