Govt readies Borrowing Plan for H2 of FY 2021-22

By TIOL News Service

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Government of India, in consultation with the Reserve Bank of India, has finalised its borrowing programme for the second half (H2) of FY 2021-22.

Out of gross market borrowing of Rs.12.05 lakh crore projected for FY 2021-22 in the Union Budget, Rs.7.24 lakh crore (60 %) was planned to be borrowed in first half (H1). The effective borrowing in H1 of FY 2021-22 was Rs.7.02 lakh crore. The Government now plans to borrow the balance Rs.5.03 lakh crore in second half year (H2) of FY 2021-22. The H2 FY 2021-22 projection also factors requirements for release of balance amount to states on account of back-to-back loan facility in-lieu of GST compensation during the year.

Borrowing in H1 has been completed smoothly with weighted average yield at 6.19 % and weighted average maturity at 16.69 years. In H1, good demand for Government bonds was seen from all major investor segments and the yields have remained stable.

The Government's H2 borrowing amounting to Rs.5.03 lakh crore is likely to be conducted in 21 weekly tranches of Rs.24,000/23,000 crore.Â Borrowing will be spread under 2, 5, 10, 14, 30 and 40 year-securities and Floating Rate Bonds (tenor of 7-8 & 13 years). The share of borrowing under different maturities will be: 2 years: 4%; 5 years: 11.9 %; 10 year: 28.4 %; 14 year: 17.9 %; 30 year: 13.9 %; and 40 year: 15.1 %. Borrowing under Floating Rate Bonds will be 8.8 %. The Government will issue another Floating Rate Bond of 7-8 years, in addition to 13-year. Both will be issued on alternate basis. Â

Government will continue to carry out switching of securities to smoothen redemptions in coming years.

Weekly borrowing under Treasury Bills in Quarter 3 of FY 2021-22 is expected to be Rs.20,000 crore with net borrowing of (-) Rs.1.04 lakh crore during the quarter.Â There will be issuance of Rs.10,000 crore under 91 DTBs, Rs.3,000 crore under 182 DTBs; Rs.7,000 crore under 364 DTBs during the quarter.

To take care of temporary mismatches in Government account, Reserve Bank of India has fixed the Ways and Mean Advance (WMA) limit for H2 at Rs.50,000 crore.

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