



Government Borrowing H2 FY22: An Analysis

The RBI released H2 FY22 borrowing calendar for Central Government Securities and Q3 FY22 borrowing calendar for Treasury Bills on September 27, 2021. In the Union Budget presented on February 01, 2021, the Central Government had announced gross market borrowing of Rs. 12.05 Lakh Crore for FY22. In H1 FY22, the Government borrowed 7.02 Lakh crore against the estimate of 7.24 Lakh Crore. For H2 FY22, the Government plans to borrow the remaining amount of Rs. 5.03 Lakh Crore. Surprising the markets, the Central Government did not announce additional borrowings for compensating States for GST revenue shortfall. A detailed analysis of H2 FY22 borrowing programme is presented below.

I. Calendar Details – Dated Securities

For H2 FY22, market borrowing via dated securities is pegged at Rs 5.03 Lakh Cr which is 42% of the total borrowing programme. With ~47% of the total redemptions of securities in FY22, falling in the H2 FY22, net market borrowing stands at Rs 3.78 Lakh Crore, lower than Rs. 5.08 Lakh Crore in second half of the preceding year. The following table details the market borrowing via dated securities for H2:

Table 1: Borrowing Programme for H2 (in Rs. Cr.)			
		H2	H2 borrowings/ redemptions as a percentage of total budgeted borrowings/redemptions
FY20	Gross Borrowing	2,68,000	38%
	Redemptions	1,35,000	57%
	Net Borrowing	1,33,000	-
FY21	Gross Borrowing	6,04,324	44%
	Redemptions	96,638	43%
	Net Borrowing	5,07,686	-
FY22	Gross Borrowing	5,03,000	42%
	Redemptions	1,25,022	47%
	Net Borrowing	3,77,978	-

Source: RBI, STCI PD Research



A brief summary of the tenor wise borrowing for dated securities is outlined below:

Table 2: Market Borrowing Trends tenor wise (in Rs. Cr.)				
Maturity Segment	H2 FY21	% of Total H2 Borrowing	H2 FY22	% of Total H2 Borrowing
2 Years	25,545	4%	20,000	4%
3 Years	55,925	9%	0	0%
5 Years	1,36,465	23%	60,000	12%
10 Years	1,07,405	18%	1,43,000	28%
14 Years	1,11,138	18%	90,000	18%
30 Years	49,664	8%	70,000	14%
40 Years	68,553	11%	76,000	15%
FRB	49,627	8%	44,000	9%
Total	6,04,324	100%	5,03,000	100%
Source: RBI, STCI PD Research				

- As can be seen from the table above, the Government has increased the issuances in the 10-year maturity segment in H2 FY22 at 28%, in comparison to 18% of the issuances H2 FY21. In the 14-year segment the weightage of 18% has not been changed. Thus, the belly of the curve i.e., 10–14-year segment comprises 46% of the total budgeted borrowing for H2 FY22, in line with the historical average of 45%-55%.
- Like the first half of the current financial year, the borrowing pressure is heavy in longer tenor maturities i.e., 30-40 year segment. Of the total borrowings for H2 FY22, 29% is in the 30–40-year segment as compared to the weightage of 19% in H2 FY21.
- In the shorter end, 2-year borrowings have a weightage of 4%, same as H1 FY21, and 5-year borrowings have a weightage of 12%, substantially lower than 23% in H1 FY21.
- The central government has also scheduled to issue floating rate bonds of 7-8 year and 13-year maturity on alternate basis for a total amount of Rs. 44,000 Crore, marginally lower than the actual borrowing of Rs. 49,627 Crore in H2 FY21.
- The Union budget FY22 had accounted for conversion of securities/ switches for a total amount of Rs. 1.80 Lakh Crore. The switch enables the government to push the redemption pressure to later years by converting the near-term



maturing securities to longer-term maturities. However, the conversion amount till date remains minimal at Rs. 31,907 Crore.

In terms of auction size, the notified amount for weekly auctions would be 24,000/23,000 Crore. Table 3 summarizes the borrowing programme scheduled under the six months of H2 FY22. It compares the monthly auction size and number of auction weeks of H2 FY21.

	H2 FY21 (Actual)			H2 FY22 (Calendar)		
	No. of weeks	Total	Redemptions	No. of weeks	Total	Redemptions
Oct	4	1,10,000	-	5	1,20,000	-
Nov	3	79,000	-	3	72,000	75,300
Dec	4	94,975	67,493	5	1,20,000	-
Jan	5	1,17,390	29,145	4	96,000	-
Feb	4	1,12,726	-	4	95,000	49,722
Mar	3	90,233	-	-	-	-
Total	23	6,04,324	96,638	21	5,03,000	1,25,022

Source: RBI, STCI PD Research

II. Calendar details - T-Bills

A short summary of the tenor wise issuance of T-Bills is detailed below:

Gross Borrowing	Q3 FY20 (Actual)	Q3 FY21 (Actual)	Q3 FY22 (Calendar)
91 Day T-Bill	1,23,000	1,17,000	1,30,000
182 Day T-Bill	52,000	39,000	39,000
364 Day T-Bill	39,000	52,000	91,000
Total	2,14,000	2,08,000	2,60,000

Source: RBI, STCI PD Research

Gross borrowing via issuance of T-bills for Q3 FY22 stands at Rs. 2.60 Lakh Crore higher than Rs. 2.08 Lakh Crore observed in Q3 FY21 and also higher than Rs. 2.14 Lakh Crore in Q3 FY20. Maturity-wise comparison of the borrowing through T-Bills exhibits higher borrowing in 91-day and 364-day T-Bills.



Table 5: T-Bill Issuances and Redemptions (in Rs. Cr.)							
	FY21				FY22		FY22 (Calendar)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
91 Day T-Bills							
Gross	1,70,000	1,56,000	1,17,000	52,000	1,95,000	1,17,000	1,30,000
Redemptions	59,000	1,70,000	1,56,000	1,08,000	52,000	1,95,000	1,17,000
Net	1,11,000	-14,000	-39,000	-56,000	1,43,000	-78,000	13,000
182 Day T-Bills							
Gross	1,76,000	1,69,000	39,000	91,000	1,95,000	52,000	39,000
Redemptions	52,000	93,000	1,89,000	1,56,000	39,000	91,000	1,95,000
Net	1,24,000	76,000	-1,50,000	-65,000	1,56,000	-39,000	-1,56,000
364 Day T-Bills							
Gross	1,54,000	1,30,000	52,000	1,04,000	78,000	52,000	91,000
Redemptions	52,000	52,000	42,000	60,000	1,54,000	1,30,000	52,000
Net	1,02,000	78,000	10,000	44,000	-76,000	-78,000	39,000
Source: RBI, STCI PD Research							

III. Concluding Remarks:

Borrowing for H2 FY22 at Rs. 5.03 Lakh Crore are lower than market expectations of Rs. 5.4-5.6 Lakh Crore, and this should bolster market sentiment. The Central Government's budget calculations as far as the tax revenues were concerned were conservative to begin with, and the revenue collections so far appear to be outpacing the estimated run rate, aiding to narrow the fiscal deficit gap. The era of ballooning fiscal deficits was aggravated by the pandemic, and expectations of fiscal deficit reverting to the pre-pandemic levels would be too presumptuous at the moment, though the fiscal glide path will come in to focus once the narrative of monetary policy normalization intensifies. The T-Bill calendar also reflects the moderation of the borrowing requirement by the Government and the coming quarter will see net redemptions, continuing the trend of the previous quarter. The fears of additional supply of the GST compensation borrowing have been allayed and should provide respite to the bond market. In addition to this if the RBI announces a continuation of the G-SAP in the October policy, bond yields should soften and we expect the 10 year benchmark paper to trade within the range of 6.10-6.25% in the near term.



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