

States' debt cost continues to fall as WMA draw-down spikes again

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THE COST OF borrowing for states continues to decline, with the latest auction held on Tuesday witnessing a 7 basis points fall in weighted average pricing of their debt to a three-week low of 6.80%, as the draw-down from the ways and means advances (WMA) began to jump again.

According to Icria Rating and Care Ratings, the weighted aver-

age cut-off of state development loans declined by 7 bps to 6.80%, led by a 9 bps decline in the same to 6.78% from 6.87% last week for the 10-year instrument, with easing across tenors.

This has the spread between the 10-year state debt and the G-sec easing to 65 bps on Tuesday from 70 bps last week, the lowest since the first week of April.

A basis point is 100th of a percent.

At the auctions held on Tuesday, eight states raised ₹8,910

crore and all of them accepted the notified amount.

The market borrowings by the states so far in FY22 stood at 11% less than that in the comparable period of FY21, as 25 states and Delhi have cumulatively raised ₹2.92 lakh crore so far against ₹3.27 lakh crore a year ago by 27 states and two Union Territories.

At this level, the borrowings so far are 12% lower than the borrowings as per the indicative auction calendar for this period.

According to the borrowing calendar, Karnataka, Odisha, and Tripura were to raise ₹9,600 crore by now but they haven't yet tapped the market for funds.

Of the five states that were to participate in today's auction as mentioned in the indicative calendar, only three (Maharashtra, Nagaland and Tamil Nadu) took part; while the five states that raised funds on Tuesday were not part of the indicative borrowing calendar.