

Punjab raises Rs. 60 crore at 12.47 per cent

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Punjab government today raised Rs. 60 crore from the market. The ten-year paper was auctioned at 12.47 per cent per annum. The weighted average yield at this cutoff was 12.39 per cent indicating the actual cost of borrowing to the State Government. As against the notified amount of Rs. 60 crore 29 bids were received in the auction for an aggregate amount of Rs. 195 crore. Ten bids upto the yield of 12.47 per cent per annum for an aggregate face value of Rs.60 crore were accepted, of which one bid was partially allotted. The auction was conducted by the Reserve Bank of India at its Chandigarh office.

It may be recalled that this was the first ever auction of state loans. The states have been so far raising their market borrowings through conventional floatations with pre-announced coupon rates. The market response to the auction by Punjab State has demonstrated the feasibility of adoption of this auction system by other state government. Earlier, in November 1997, at a meeting of the Finance Secretaries of the state governments held in Mumbai, state governments were offered a facility to raise 5 to 35 per cent of their market borrowing allocation in a flexible manner as regards timing, maturity and rate of interest. The Government of Punjab availed the facility and decided to raise Rs. 60 crore during 1998-99.

Punjab Government had a gross market borrowing of Rs. 373.33 crore for 1998-99. Of this, it had earlier raised Rs. 313.33 crore in two tranches. The first tranche of Rs. 200 crore of 10 year stock was raised on April 20, 1998 at a pre-announced coupon rate of 12.15 per cent per annum. The second tranche of Rs. 113.33 crore of 10-year stock was raised on October 12, 1998 at a pre-announced coupon of 12.50 per cent per annum. The balance of Rs.60 crore has now been raised through auction.

**Alpana Killawala
General Manager**

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