

PUBLIC DEBT MANAGEMENT

QUARTERLY REPORT

APRIL-JUNE 2011

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

AUGUST 2011

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Introduction

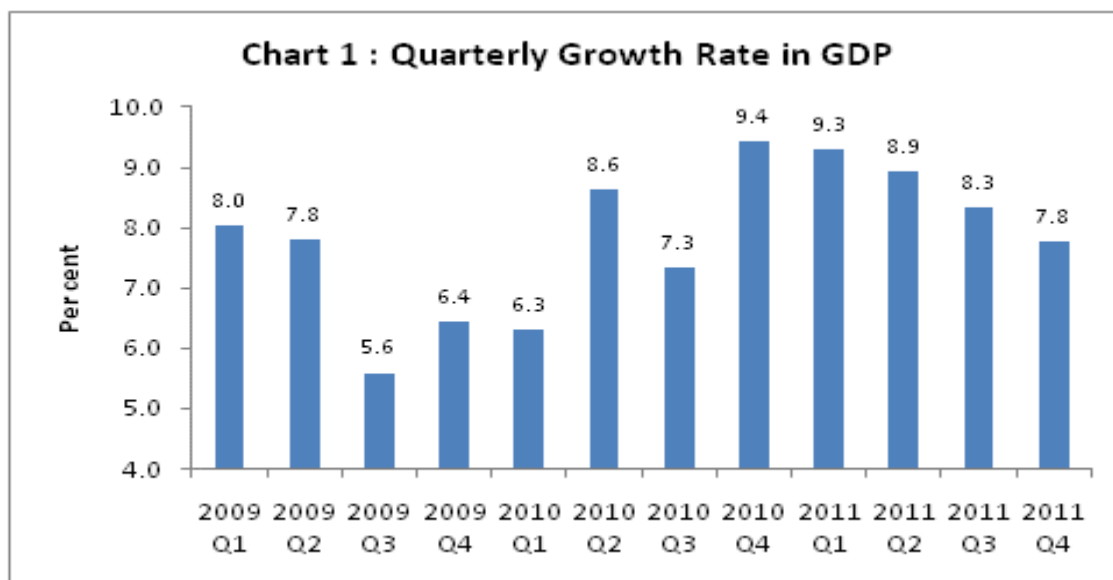
The Middle Office, set up in September 2008, is in the Budget Division of the Department of Economic Affairs, Ministry of Finance, Government of India. With the objective of enhancing transparency of debt management operations, Middle Office began publishing on its website a quarterly report called “Public Debt Management - Quarterly Report” from the first quarter of 2010-11. The previous reports are available on the website of Ministry of Finance (http://finmin.nic.in/reports/Public_Debt_Management.asp). This is the fifth quarterly report and pertains to the first quarter of the fiscal year 2011-12, viz., Apr-Jun, 2011.

The report gives an account of the debt management and cash management operations during the quarter, and attempts a rationale for major activities. The report also tries to provide detailed information on various aspects of debt management.

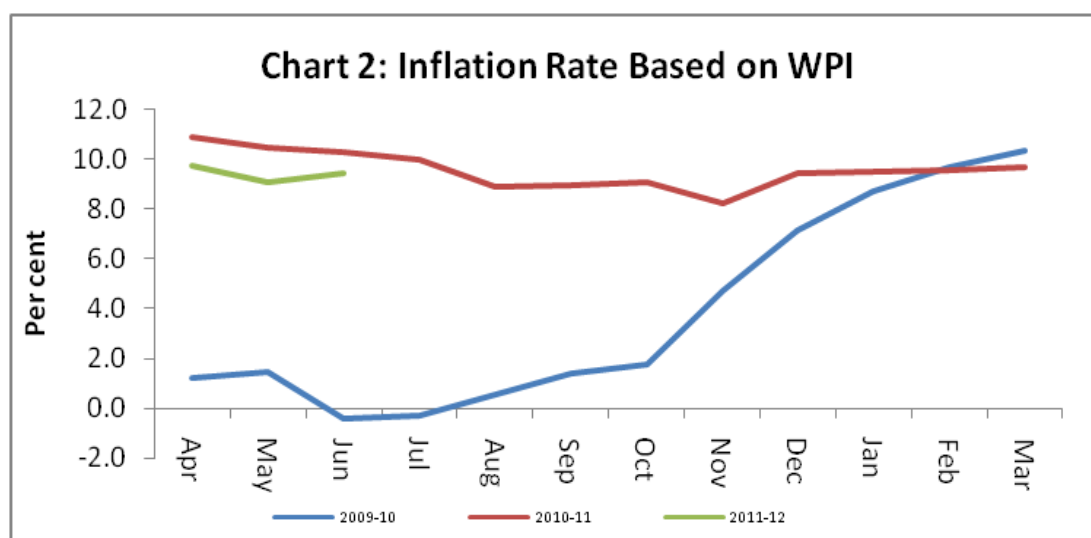
While all attempts have been made to provide authentic and accurate information, it is possible that some errors might have crept in inadvertently. Readers may inform us of such errors, as indeed their valuable suggestions, at jai.chander@nic.in or m.vasudevan@nic.in.

Section 1 – Macroeconomic Developments

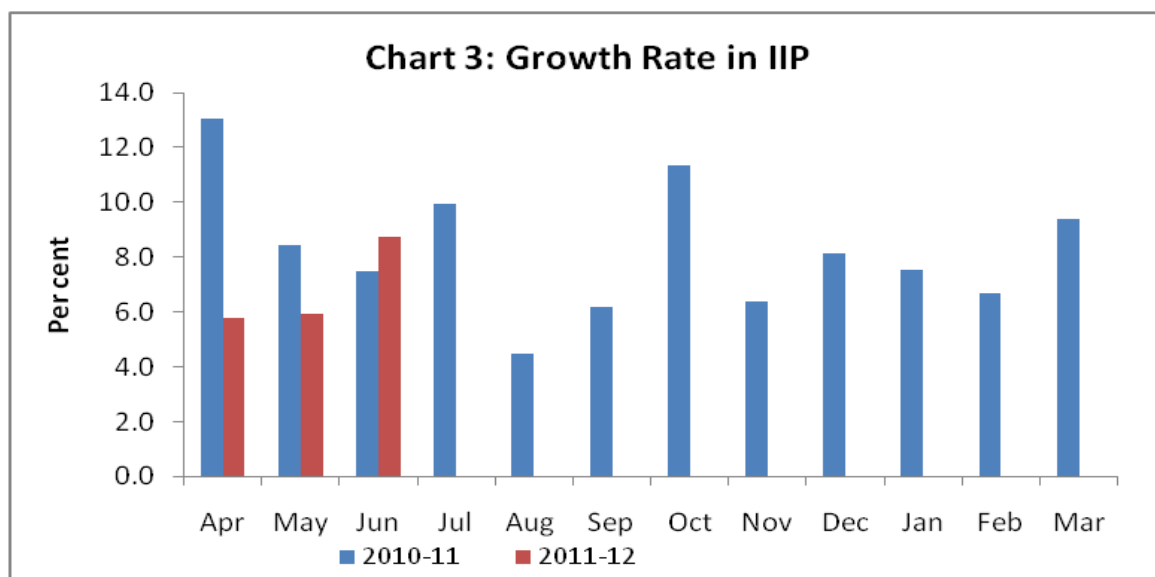
1.1 The GDP growth rate for the fourth quarter (Jan-Mar) of financial year 2010-11 came at 7.8 per cent per annum as compared with 8.3 per cent in the previous quarter (Chart 1).



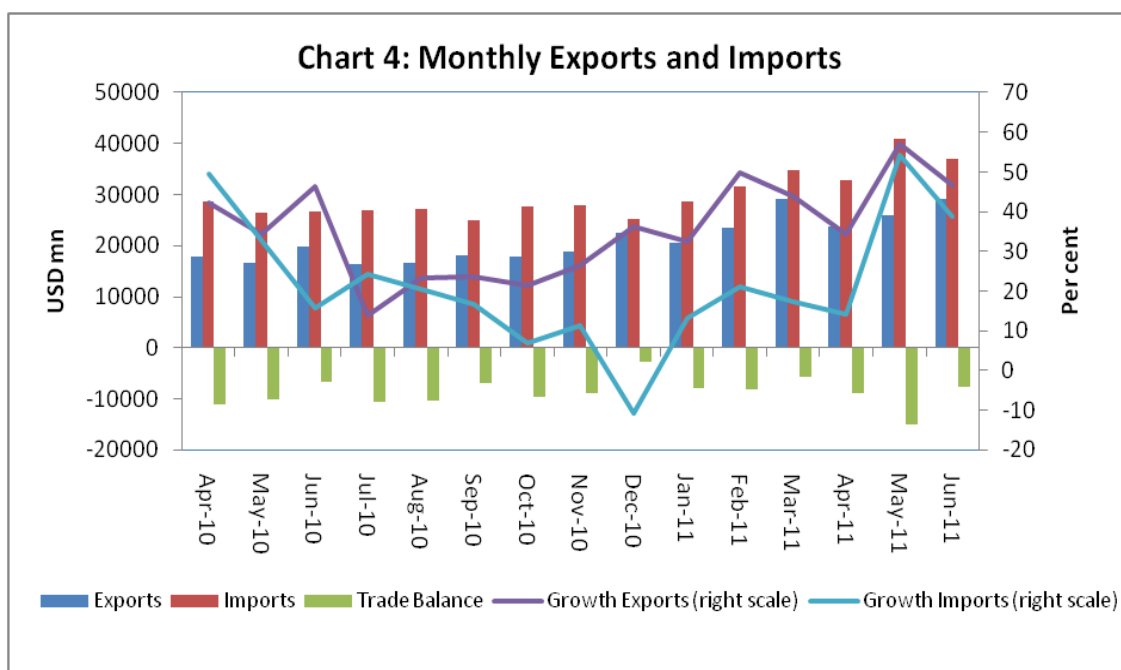
1.2 Inflation rate during June 2011 came at 9.44 per cent per annum (y-o-y) as compared with 9.06 per cent in May 2011 and 9.74 per cent in April 2011 (Chart 2). The major contribution to the inflation was from non-food articles, fuel & power group, edible oil and cotton textile. Inflation build-up in the first quarter of FY12 at 2.34 per cent was lower than 2.57 per cent in the first quarter of the previous year.



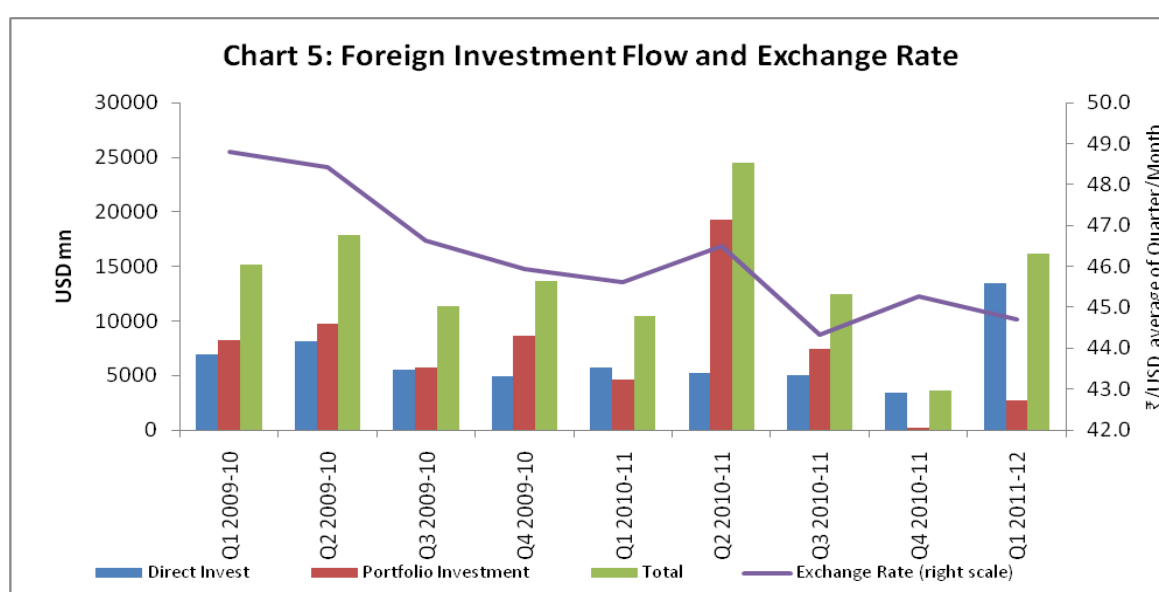
1.3 The rate of growth in Index of Industrial Production (IIP) during Q1 of 2011-12 came lower at 6.8 per cent compared with 7.9 per cent in the previous quarter. The monthly trend in IIP growth showed improvement in June 2011 to 8.8 per cent from 5.9 per cent in May and 5.8 per cent in April 2011. The corresponding growth in the previous year was 7.5 per cent, 8.5 per cent and 13.0 per cent, respectively (Chart 3).



1.4 India's exports during Q1 of FY12, in US Dollars, registered a growth of 45.7 per cent over the same quarter a year ago compared with 42.2 per cent in the previous quarter (Q4 of FY11). For the comparable period, imports grew at 35.1 per cent vis-à-vis 17.2 per cent a quarter ago leading to a widening of trade deficit to USD 31.6 billion from USD 21.7 billion in the previous quarter. Buoyant growth in exports during the first quarter of FY12 was supported by engineering, gems & jewellery, petroleum and oil products, electronics and man made yarn sectors. The growth in imports was contributed by petroleum, machinery, gold and silver (Chart 4).



1.5 Inflows on account of foreign investment increased more than four times during Q1 of FY12 over Q4 of FY 11 mainly on account of foreign direct investment (FDI) which registered a quarterly inflow of USD 13.4 bn. The portfolio investment by FIIs, on the other hand, was moderate during the quarter due to net outflow during the month of May 2011 (Chart 5). The Rupee appreciated from ₹ 44.65 per USD at end-March 2011 to ₹44.30 per USD at end-April 2011 but lost the gains in May 2011 to reach ₹45.03 per USD. At the end of Q1 of FY12, Rupee was marginally weaker at ₹44.73 per USD *vis-à-vis* its position at end of previous quarter.



Section 2– Debt Management - Primary Market Operations

A. Government Finances

2.1 The Union Budget 2011-12 projected the fiscal deficit for 2011-12 [FY12, budget estimates (BE)] at ₹4,12,817 crore (4.6 per cent of GDP) compared with revised estimates (RE) for 2010-11 (FY11) at ₹4,00,998 crore (5.1 per cent of GDP). The gross and net market borrowings requirement of the Government for FY12 were budgeted at ₹4,17,128 crore and ₹3,43,000 crore, respectively.

2.2 The fiscal outcome during the first of quarter of FY12 indicates that all the key deficit indicators as percentage of budget estimates (BE) for 2011-12 were substantially higher than their levels during the corresponding period of the previous year because of lower revenue collections both from tax and non-tax sources. Gross tax collections during the quarter at 6.6 per cent of BE were lower than 8.3 per cent a year ago. In the direct taxes, corporation tax collections showed a negative growth of (-)27.8 per cent while personal income tax increased by 6.5 per cent as against budgeted growth rates of 21.5 per cent and 16.2 per cent, respectively, for FY12. All the major indirect taxes (customs, excise and service tax), however, showed buoyant growth rates (37.7 per cent, 23.2 per cent, and 31.1 per cent, respectively) during April-June 2011 as against budgeted growth rates (15.1 per cent, 19.2 per cent and 18.2 per cent, respectively) for FY12. Non-tax revenue at 9.7 per cent of BE was lower than pervious year mainly reflecting the impact of telecom receipts in FY11. Total expenditure at 20.8 per cent of BE during April-June 2011 was less than 21.8 per cent during the corresponding period of previous year. Thus, revenue deficit and gross fiscal deficit during Q1 of FY12, at 43.8 per cent and 39.4 per cent of BE, were higher than those during the corresponding period of the previous fiscal year (Table 1).

Table 1: Fiscal Outcome - April–June 201-12 (amount in ₹ crore)

Item	2011-12 BE	April-June 2011-12	April-June 2011-12 (% of BE)	April-June 2010-11 (% of BE)
Revenue Receipts	789,892	90,920	11.5	29.3
Tax Receipts	664,457	78,699	11.8	15.7
Non-Tax Receipts	125,435	12,221	9.7	78.2
Other Non-debt Receipts	55,020	7,644	13.9	4.9
Total Expenditure	1,257,729	261,217	20.8	21.8
Revenue Expenditure	1,097,162	225,541	20.6	21.9
Capital Expenditure	160,567	35,676	22.2	21.2
Revenue Deficit	307,270	134,621	43.8	3.8
Primary Deficit	144,831	112,466	77.7	0.0
Gross Fiscal Deficit	412,817	162,653	39.4	10.5
Financing				
Market Loans (including T-Bills)	358,000	174,612	48.8	31.3
External Assistance	14,500	781	5.4	45.9
Securities against Small Savings	24,182	-312	-1.3	2.4
National Small Saving Fund	94	2,151	2283.0	192.7

Source: Controller General of Accounts (CGA) website; cga.nic.in

B. Issuance Details

2.3 This section discusses the issuance details of market loans during the first quarter (Q1) and the cumulative position for financial year 2011-12 (FY12).

2.4 During Q1 of the current fiscal year, the Central Government issued securities worth ₹1,20,000 crore constituting 28.8 per cent of BE compared with 33.0 per cent in Q1 of previous fiscal year. Taking into account repayments of ₹13,473 crore, the net amount raised through dated securities amounted to ₹1,06,527 crore during the first quarter of FY12 constituting 31.1 per cent of BE compared with 31.8 per cent in the Q1 of previous fiscal year (Table 2).

Table 2: Issuance of Dated Securities

(Amount in ₹ Crore)				
Item	2011-12 BE	Q1 FY 12	Q1 FY 12 (% of BE)	Q1 FY11 (% of BE)
Gross Amount	4,17,128	120,000	28.8	33.0
Repayment	74,128	13,473	18.2	36.8
Net Issuance	3,43,000	106,527	31.1	31.8

2.5 Auctions during Q1 of FY12 were held broadly in accordance with the pre-announced calendar (Table 3). Two new securities of 7-years and 10-years maturities were issued during this quarter (details given in Statement 1). New issuances amounted to 7.5 per cent of total issuance during the quarter. Greater emphasis on re-issues reflects the continued focus on building up adequate volumes under existing securities imparting greater liquidity in the secondary market.

Table 3 – Actual Borrowings *versus* Calendar for Q1 FY 12

(₹ Crore)					
Period/Maturity	5-9 years	10-14 years	15-19 Years	20-30 Years	Total
As per calendar	40,000-50,000	50,000-60,000	8,000-12,000	12,000-18,000	120,000
Actual Borrowed	36,000	54,000	12,000	18,000	120,000

2.7 The gross amount raised through treasury bills (including 91, 182 and 364 day treasury bills) during Q1 of FY12 amounted to ₹1,59,062 crore while total repayments amounted to ₹91,221 crore resulting in net issuance of ₹67,842 crore compared with net issuance of (-)₹2,321 crore in Q1 of previous year (Table 4). The details of issuance of bills during Q1 of FY12 are given in Statement 2.

Table 4: Issuance of Treasury Bills*

(Amount in ₹ Crore)

Item	2011-12 BE	Q1 FY 12	Q1 FY 11	Q1 FY 12 (% of BE)	Q1 FY 11 (% of BE)
364 DTB					
Gross Amount	52,610	20,203	10182	38.4	24.5
Repayment	42,482	11,376	6000	26.8	14.5
Net Issuance	10,128	8,827	4,182	87.1	-
182 DTB					
Gross Amount	54,994	20,250	10000	36.8	22.0
Repayment	50,595	9,500	10000	18.8	22.0
Net Issuance	4,399	10,750	-	244.4	-
91 DTB					
Gross Amount	310,244	118,610	65000	38.2	21.1
Repayment	309,771	70,345	71503	22.7	23.2
Net Issuance	473	48,265	-6,503	10,200.5	-
All T-Bills					
Gross Amount	417,848	159,062	85,182	38.1	21.5
Repayment	402,848	91,221	87,503	22.6	22.1
Net Issuance	15,000	67,842	-2,321	452.3	-

*:- Including amount through non-competitive route.

2.8 The weighted average maturity (WAM) of dated securities issued during Q1 of FY12 at 12.10 years was higher than 10.45 years in Q1 of previous fiscal year (Table 5). The average maturity of outstanding government securities as at end-June 2011, however, declined to 9.58 years from 9.64 years as at end-March 2011. As the yields on Government securities remained under upward pressure during the quarter amidst policy tightening by the Reserve Bank as well as the evolving macroeconomic environment, the weighted average yield (cut off) of issuance during Q1 of FY12 increased to 8.36 per cent from 7.62 per cent in Q1 of previous year.

Table 5: Maturity and Yield of Central Government's Dated Securities

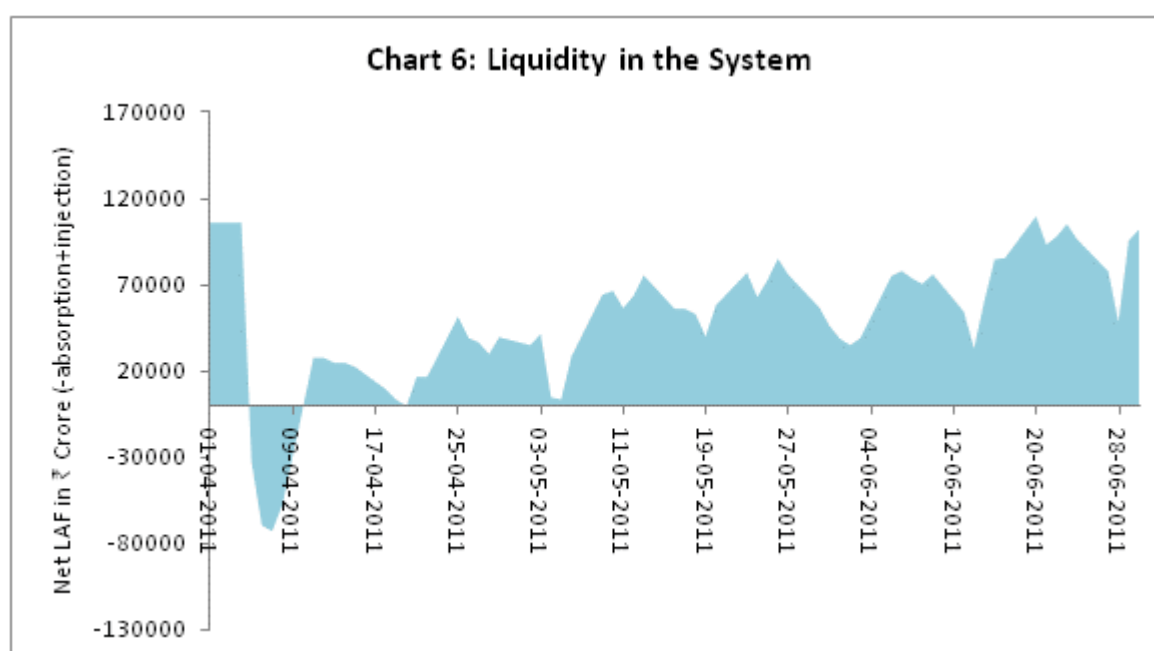
Year	Issues during the year		Outstanding Stock*	
	Weighted Average Yield (%)	Weighted Average Maturity (yrs)	Weighted Average Coupon (%)	Weighted Average Maturity (yrs)
1	2	3	4	5
2003-04	5.71	14.94	9.30	9.78
2004-05	6.11	14.13	8.79	9.63
2005-06	7.34	16.90	8.75	9.92
2006-07	7.89	14.72	8.55	9.97
2007-08	8.12	14.90	8.50	10.59
2008-09	7.69	13.81	8.23	10.45
2009-10	7.23	11.16	7.89	9.67
2010-11	7.92	11.62	7.81	9.64
2010-11 Q1	7.62	10.45	7.85	9.71
2011-12 Q1	8.36	12.10	7.83	9.58

* As at end of the financial year/quarter.

Section 3 – Cash Management

3.1 Government's cash account is maintained with the Reserve Bank. The cash-flow mismatches of the Government are largely managed through issuance of Cash Management Bills, Treasury Bills and access to the Ways and Means Advances (WMA) facility from RBI when in deficit and through buybacks or investment in Government securities held by RBI when in surplus. The WMA limits for 2011-12 were fixed at ₹30,000 crore for April 01, 2011 to April 20, 2011; ₹45,000 crore for April 21, 2011 to June 30, 2011; ₹30,000 crore for July 01, 2011 to September 30, 2011 and ₹10,000 crore for October 01, 2011 to March 31, 2012.

3.2 Liquidity conditions in the economy remained generally tight throughout the quarter barring a spell of surplus liquidity in the beginning of the quarter. The Reserve Bank continued to provide liquidity through repo facility and the net amount provided under LAF operations increased towards the latter part of the quarter (Chart 6).



3.3 The cash position of the Government during Q1 remained in the deficit mode during the quarter. To meet higher than expected cash deficit, the issuance of treasury bills (under competitive route) during Q1 of FY12 was increased to ₹1,27,000 crore as against ₹88,000 crore scheduled in calendar. Accordingly, the Government issued (net) treasury bills worth ₹46,000 crore during the quarter. Apart from this, net amount of ₹21,842 crore was received

under non-competitive route. Details of treasury bills issued and matured in Q1 of FY12 are given in Table 6.

Table 6: Repayments and Issuance of Treasury Bills in April-June 2011

(Amount in ₹ Crore)

Date of Issue	Repayments			Issued Amount			Variation in Issued amount over Repayments
	91 DTB	182 DTB	364 DTB	91 DTB	182 DTB	364 DTB	
8-Apr-11	4,000	0	2,000	4,000	0	2,000	0
15-Apr-11	4,000	1,000	0	4,000	2,000	0	1,000
21-Apr-11	4,000	0	2,000	5,000	0	3,000	2,000
29-Apr-11	4,000	2,000	0	7,000	3,000	0	4,000
6-May-11	5,000	0	2,000	8,000	0	3,000	4,000
13-May-11	5,000	2,000	0	8,000	3,000	0	4,000
20-May-11	5,000	0	2,000	8,000	0	3,000	4,000
27-May-11	5,000	2,000	0	8,000	3,000	0	4,000
3-Jun-11	5,000	0	1,000	8,000	0	3,000	5,000
10-Jun-11	5,000	1,000	0	8,000	3,000	0	5,000
17-Jun-11	5,000	0	1,000	8,000	0	3,000	5,000
24-Jun-11	5,000	1,000	0	8,000	3,000	0	5,000
30-Jun-11	5,000	0	1,000	6,000	0	3,000	4,000
Total Under Competitive Route							
Q1	61,000	9,000	11,000	90,000	17,000	20,000	46,000
Total Under Non-Competitive Route							
Q1	9,345	500	376	28,610	3,250	203	21,842

3.4 Apart from increase in notified amount of regular treasury bills, the Government also issued cash management bills worth ₹38,000 crore of which ₹20,000 crore matured during the quarter. Thus, ₹18,000 crore remained outstanding at end of Q1 of FY12 (Table 7).

Table 7 : Issuance of Cash Management Bills

(Amount in ₹ Crore)

Issue Date	Maturity Date	Amount	Cut Off Yield (%)
20-Apr-11	22-Jun-11	8,000	7.27
21-Apr-11	30-Jun-11	6,000	7.35
25-Apr-11	13-Jun-11	6,000	7.37
2-May-11	18-Jul-11	6,000	7.66
6-May-11	22-Jul-11	6,000	8.00
29-Jun-11	3-Aug-11	6,000	8.09
Total Issued in Q1		38,000	
Matured in Q1		20,000	
Outstanding at end of Q1		18,000	

3.5 The calendar for issuance of treasury bills during July-September 2011 is given in Table 8.

Table 8: Calendar for Issuance of Treasury Bills in July-September 2011

(₹ crore)				
Auctions Date	91-Days	182-Days	364-Days	Total
06-07-2011	7000	3000		10000
13-07-2011	7000		3000	10000
20-07-2011	7000	3000		10000
27-07-2011	7000		3000	10000
03-08-2011	7000	3000		10000
10-08-2011	7000		3000	10000
17-08-2011	7000	3000		10000
24-08-2011	7000		3000	10000
30-08-2011	7000	3000		10000
07-09-2011	7000		3000	10000
14-09-2011	7000	3000		10000
21-09-2011	7000		3000	10000
28-09-2011	7000	3000		10000
Total	91000	21000	18000	130000

Section 4 – Trends in Outstanding Public Debt

4.1 The total public debt (excluding liabilities that are not classified under public debt) of the Government increased to ₹31,49,996 crore at end-June 2011 from ₹29,75,628 crore at end-March 2011 (Table 9). This represented an increase of 5.9 per cent (provisional) during the first quarter of FY12 as compared with an increase of 3.2 per cent in the previous quarter (Q4 of FY11). Internal debt constituted 90.3 per cent of public debt, marginally higher than 89.7 per cent at end of Q4 of FY 11. Marketable securities (consisting of Rupee denominated dated securities and treasury bills) accounted for 78.0 per cent of total public debt, compared with 76.7 per cent at end-March 2011. The outstanding internal debt of the Government at ₹28,42,953 crore constituted 31.7 per cent of GDP compared with 33.9 per cent at end-March 2011. The decline in the ratio to GDP reflects the impact of change in denominator.

Table 9: Composition of Public Debt

Item	At end-Jun 2011	At end-Mar 2011	At end- Jun 2011	At end-Mar 2011
	(₹Crore)		(% of Total)	
1	2	3	4	5
Public Debt (1 + 2)	3,149,996	2,975,628	100.00	100.00
1. Internal Debt	2,842,953	2,668,584	90.25	89.68
Marketable	2,457,445	2,283,076	78.01	76.73
(a) Treasury Bills	202,710	134,869	6.44	4.53
(i) 91-days Treasury Bills	118,655	70,391	3.77	2.37
(ii) 182-days Treasury Bills	32,751	22,001	1.04	0.74
(iii) 364-days Treasury Bills	51,304	42,478	1.63	1.43
(b) Dated Securities	2,254,735	2,148,208	71.58	72.19
Non-marketable	385,508*	385,508	12.24	12.96
(i) 14-days Treasury Bills	1,03,100*	103,100	3.27	3.46
(ii) Securities Issued to NSSF	2,18,485*	218,485	6.94	7.34
(iii) Compensation and other bonds	34,607*	34,607	1.10	1.16
(iv) Securities issued to International	29,315*	29,315	0.93	0.99
(v) Ways and Means Advances	-	-	-	-
2. External Debt#	307,044*	307,044	9.75	10.32
(i) Multilateral	190,330*	190,330	6.04	6.40
(ii) Bilateral	87,820*	87,820	2.79	2.95
(iii) IMF	28,163*	28,163	0.89	0.95
(iv) Rupee debt	731*	731	0.02	0.02

*:-These data are not available for end-June, 2011. So they are carried over from previous quarter.

#:- Foreign Institutional Investors (FII)'s investment in government securities and treasury bills (₹36,700 crore at end-March 2011) is included in the internal marketable debt.

Maturity Pattern for Outstanding Government Debt Stock

4.2 The average maturity of outstanding stock of dated securities as at end-June 2011 was lower at 9.58 years than 9.64 years at end-March 2011. Over the same period, the weighted average coupon of outstanding stock increased marginally to 7.83 per cent from 7.81 per cent (see Table 5).

4.3 As at end of June 2011, the proportion of debt maturing in less than one year increased to 5.3 per cent from 3.4 per cent a quarter ago, while debt maturing within 1-5 years increased to 25.6 per cent from 25.5 per cent. Broadly, the proportion of debt maturing in less than 5 years at end-June 2011 was higher at 30.9 per cent than 29.0 per cent at end-March 2011. The outstanding debt maturing in less than 10 years also witnessed an increase to 65.6 per cent from 63.0 per cent a quarter ago. The change in composition of debt in terms of various maturity buckets reflects the maturity structure of securities issued during Q1 of FY12 as well as the maturity dynamics of outstanding securities. Overall, 30.9 per cent of outstanding stock has a residual maturity of upto 5 years, which implies that over the next five years, on an average, 6.2 per cent of outstanding stock needs to be rolled over every year (Table 10). Thus, the rollover risk in the debt portfolio remained low.

Table 10: Maturity Profile of GoI Outstanding Dated Securities

(Amount in ₹Crore)		
Maturity Buckets	End-Jun 2011	End-Mar 2011
Less than 1 Year	1,20,682 (5.33)	73,581 (3.41)
1-5 Years	5,79,318 (25.59)	5,50,892 (25.54)
5-10 Years	7,84,595 (34.66)	7,35,381 (34.09)
10-20 Years	4,25,853 (18.81)	4,62,066 (21.42)
20 Years and above	3,52,994 (15.60)	3,34,994 (15.53)
Total	22,63,442	21,56,915

Note: 1. Figures in parentheses represent per cent to total
2. Totals differ from those given in Table 9 due to different accounting treatment of recapitalization bonds.

Holding Pattern

4.4 The holding pattern of Government securities is available with a lag of a quarter; the latest data are available for end-March 2011 (Table 11 and Chart 7). Banks (including banks that are primary dealers and co-operative banks) continue to dominate as the major investor category though their share in holding of Government securities maintained the declining trend to reach 50.4 per cent as at end-March 2011 from 50.8 per cent a quarter ago. Among the long-term investors, the share of holding by insurance companies increased to 22.2 per cent at end-March 2011 from 22.1 per cent a quarter ago and the share of provident funds increased to 7.1 per cent from 6.9 per cent over the same period. Holding of securities by Reserve Bank of India at end-March 2011 at 12.8 per cent was higher than 10.7 per cent a quarter ago.

Table 11: Ownership Pattern of Government of India Dated Securities

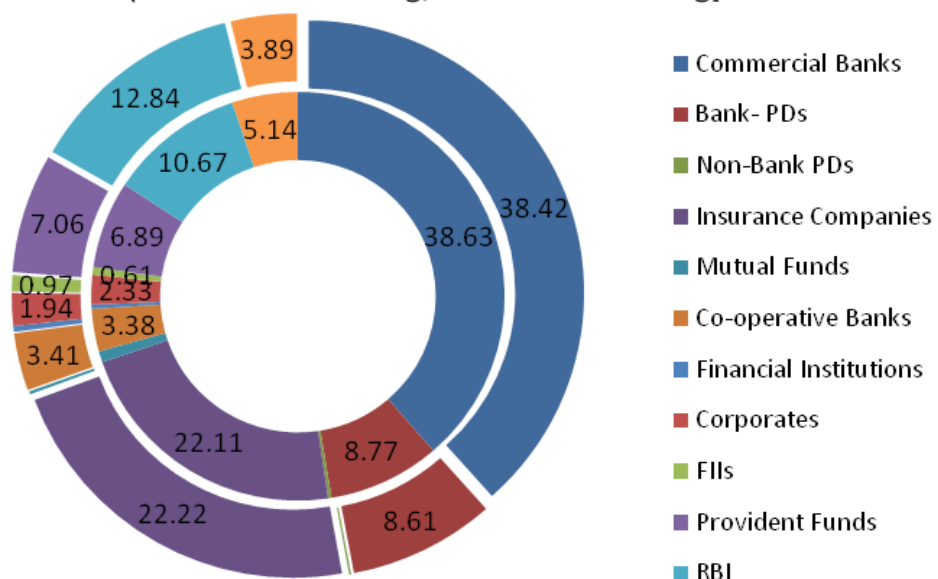
(Per cent of Outstanding Securities)

Category	2009	2010				2011
	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
1. Commercial Banks	39.18	38.03	38.35	38.75	38.63	38.42
2. Bank- PDs	8.2	9.22	9.92	9.73	8.77	8.61
3. Non-Bank PDs	0.18	0.14	0.23	0.29	0.26	0.11
4. Insurance Companies	22.07	22.16	22.05	22.18	22.11	22.22
5. Mutual Funds	0.78	0.4	0.38	0.73	0.88	0.18
6. Co-operative Banks	3.24	3.35	3.4	3.5	3.38	3.41
7. Financial Institutions	0.28	0.35	0.34	0.35	0.33	0.35
8. Corporates	3.27	2.99	2.82	2.57	2.33	1.94
9. FIIs	0.59	0.59	0.62	0.55	0.61	0.97
10. Provident Funds	6.51	6.76	6.56	6.79	6.89	7.06
11. RBI	10.2	11.76	9.67	9.2	10.67	12.84
12. Others	5.5	4.24	5.65	5.36	5.14	3.89
Total	100	100	100	100	100	100.0

Source: RBI Bulletin, June 2011; Vol. LXV No. 6

Chart 7 : Holding Pattern of Government Securities

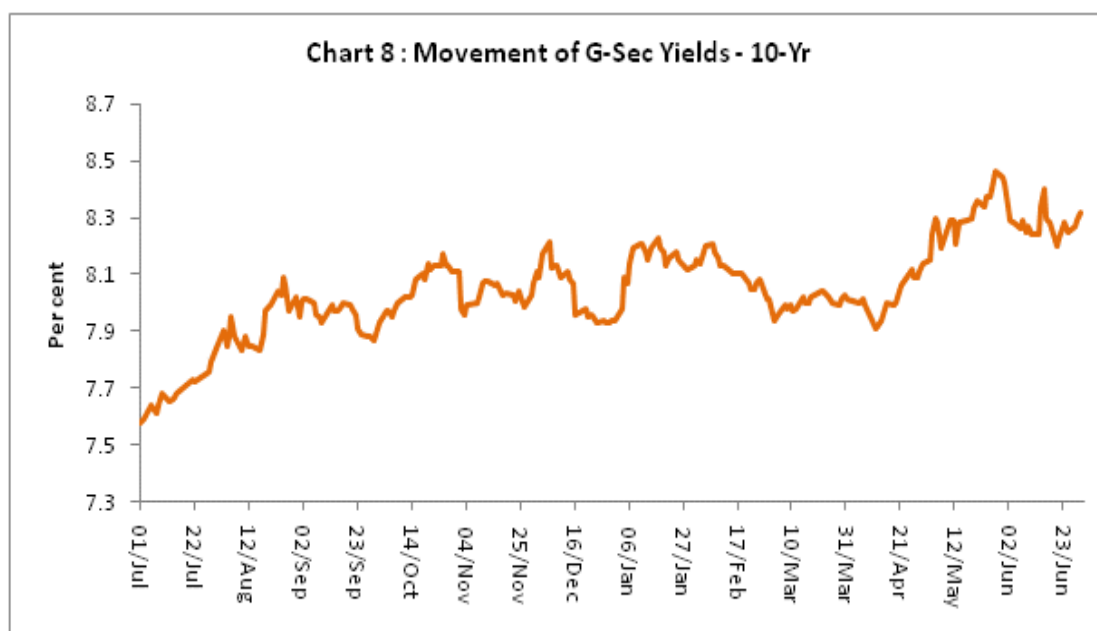
(Mar-11 : outer ring; Dec-10 : inner ring]



Section 5 – Secondary Market

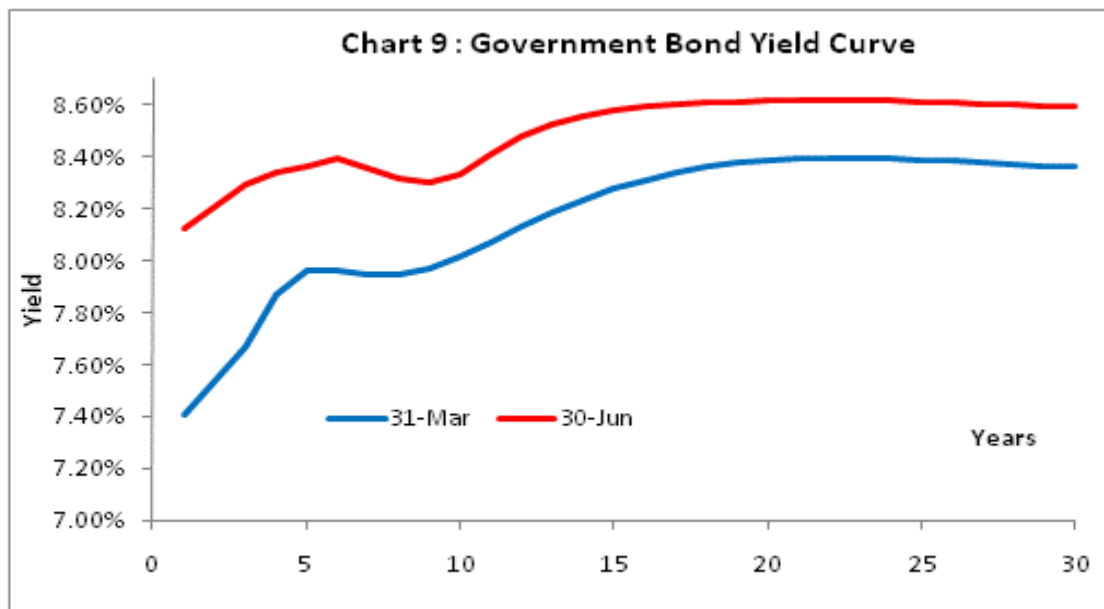
A. Government security yields

5.1 Chart 8 depicts the movement in Government bond yields (10-year yield taken as benchmark) during the year, up to end-June 2011. 10-year bond yield increased during the quarter from 8.01 per cent on end-March 2011 to 8.33 per cent on end-June 2011 (Chart 9). During the quarter, 10-year yield went up till the end-May to reach a high of 8.46 per cent on May 27. Inflationary concerns, policy rate hikes by the Reserve Bank and the fuel price increase were the major factors contributing to upward movement in yields. During the quarter, Reserve Bank raised the reverse repo and repo rates to 6.50 per cent and 7.50 per cent, respectively, in two moves of 50 bps on May 03 and 25 bps on June 16, 2011.

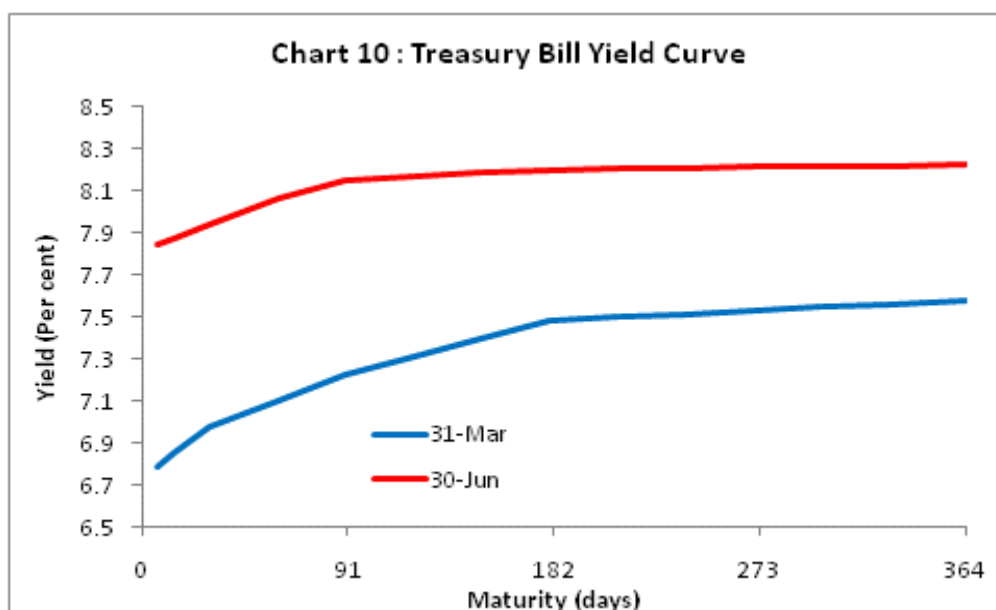


5.2 Bond yields hardened during the quarter across the curve with a sharper increase at the short-end. As a result, the bond yield curve flattened during the quarter. A relatively sharp rise in 5-year yield compared with 10-year yield resulted into inversion of yield curve in the 5-10 year maturity segment. The shape of yield curve remained more or less unchanged in the longer maturities. The 1yr-30yr spread

narrowed to 48 basis points (bps) at end-June 2011, from 95 bps at end-March 2011. The short-end of the curve flattened by 39 bps (1yr-10yr spreads narrowed from 60 bps to 21 bps) and the longer-end by 8 bps (10yr-30yr spread came in from 35 bps to 26 bps).



5.3 The Treasury Bills yield curve flattened during the quarter as short-term yields increased sharply after the rate hikes by the Reserve Bank. Flattening of the curve was more in the below 6-months maturity with spread between 1-6 months declining to 26 bps at end-June 2011 from 50 bps at end-March 2011. 3-6 months spread declined to 5 bps at end-June 2011 from 26 bps at end-March 2011. The decline in spread between 6 months and one year maturities, on the other hand, was moderate at 7 bps (from 10 bps at end-March 2011 to 3 bps at end-March 2011). Overall, the treasury bills yield curve flattened by 32 bps between one month and one year maturity range (Chart 10).



B. Trading Pattern for domestic securities

5.4 The total volume of Government securities transacted on an outright basis during the quarter (April-June 2011) stood at ₹6.01 lakh crores, registering an increase of 18.3 per cent over ₹5.08 lakh crore during the preceding quarter (Table 12). The incremental trading volumes came from treasury bills (growth of 61.5 per cent) and Government dated securities (growth of 14.8 per cent). The transactions of state government securities (or State Development Loans - SDLs) on the other hand showed a decline of 40.7 per cent during the quarter. The annualised outright turnover ratio¹ for the central government dated securities for the April-June 2011 quarter rose to 1.8 from 1.7 during the previous quarter. Including repo transactions, the annualised total turnover ratio² for Q1 of FY12 was lower at 6.5 than 7.3 a quarter ago as the volumes under repo transactions shifted to treasury bills from dated securities.

¹ Annualised Outright Turnover Ratio = $4 \times [\text{Quarterly Outright Volume} \times 2 / (\text{Average of outstanding stock})]$

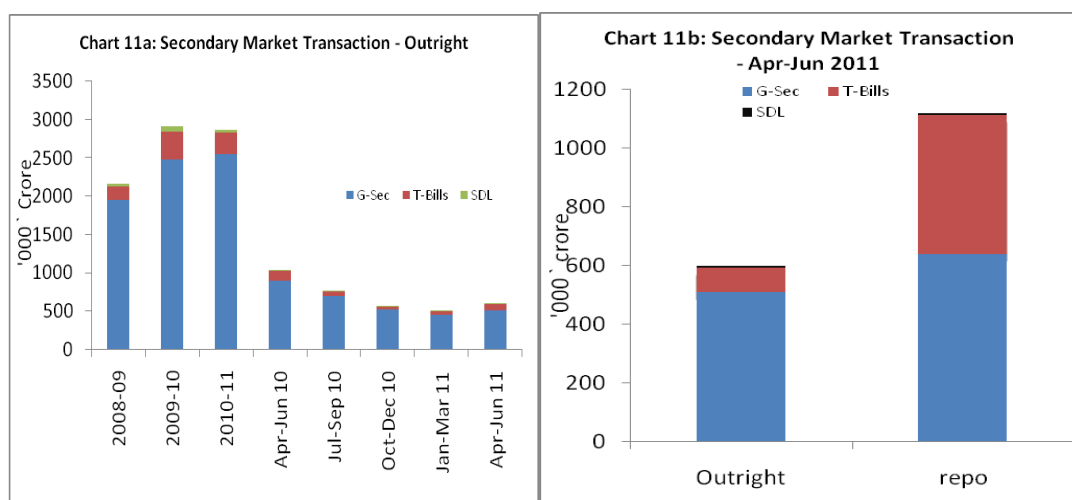
² Annualised Total Turnover Ratio = $4 \times [(\text{Quarterly Outright Volume} \times 2 + \text{Quarterly Repo Volume} \times 4) / (\text{Average of outstanding stock})]$

Table 12: Transactions in Government Securities

(₹Crore)

Period	Outright				Repo			
	G-Sec	T-Bills	SDL	Total	G-Sec	T-Bills	SDL	Total
2008-09	1955412	170436	34385	2160234	3475348	583335	35603	4094286
2009-10	2480850	363283	69757	2913890	5233295	812537	26996	6072828
2010-11	2552181	275095	43677	2870952	3253965	832632	12688	4099284
April-Jun 10	895231	122207	18118	1035556	894419	238127	3921	1136466
Jul-Sep 10	698608	58768	7334	764710	865106	197084	3752	1065942
Oct-Dec 10	514299	42041	6539	562878	737822	185039	2585	925447
Dec 10–Mar 11	444043	52079	11686	507809	756618	212382	2430	971430
Apr-Jun 11	509795	84119	6929	600843	640503	473959	4818	1119280

5.5 Central Government dated securities continued to account for a dominant portion of total trading (Chart 11a and 11b). During the April-June 2011 quarter it accounted for 84.8 per cent of total outright volume, compared to 87.4 per cent in the previous quarter.



5.6 The volume of transactions continues to be heavily skewed towards a few securities. The top 10 traded securities accounted for 96.5 per cent of the total outright transaction volume during the Q1 of FY12 as compared with 96.4 per cent during the previous quarter. The top three traded securities accounted for 83.3 per cent of total

volume, compared to 74.0 per cent during the previous quarter. List of top 10 traded securities for the current quarter and the previous quarter are given in Table 13.

Table 13 : Top 10 Traded Securities

(₹ Crore)

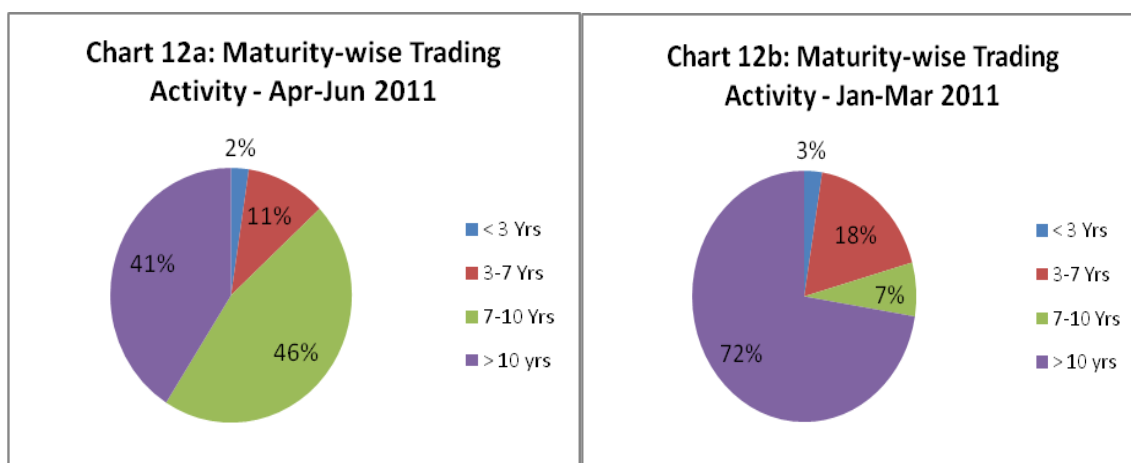
Security	Apr-Jun 11	Security	Jan-Mar 11
7.80% G.S. 2021	231,917	8.13% G.S. 2022	146,521
8.13% G.S. 2022	110,047	8.08% G.S. 2022	144,012
8.08% G.S. 2022	82,707	7.17% G.S. 2015	38,009
7.83% G.S. 2018	27,273	7.99% G.S. 2017	22,385
7.59% G.S. 2016	11,391	8.26% G.S. 2027	21,692
8.26% G.S. 2027	7,543	7.80% G.S. 2020	20,712
7.17% G.S. 2015	6,035	7.49% G.S. 2017	17,020
FRB 2020	5,590	FRB 2020	8,975
7.40% G.S. 2012	5,060	8.30% G.S. 2040	5,325
7.99% G.S. 2017	4,600	7.40% G.S. 2012	3,325

5.7 The maturity distribution of dated central Government securities transactions in the secondary market is detailed in Table 14 and Chart 12a and 12b. Securities in the maturity range of 7-10 years accounted for the highest share of trading at 46.0 per cent during the April-June 2011 quarter, significantly higher than the 6.9 per cent share in the previous quarter. The share of trading volumes in the above 10-year segment declined to 41.0 per cent from 72.5 per cent in the previous quarter. The shift in share of trading volumes in favour of 7-10 years maturity range reflects the impact of a new 10-year benchmark security issued during the quarter. The securities in maturity range of 3-7 years accounted 10.7 per cent of total volume compared with 18.1 per cent in the previous quarter. The share of trading volume in the below 3 years maturity bracket declined marginally to 2.3 percent from 2.6 per cent in the previous quarter.

Table 14: Maturity Pattern of Outright Transactions

(₹ crore)

Maturity/Quarter	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	2010-11	2009-10
Less than 3 Years	11973	11401	11841	107943	202683
3-7 Years	54611	80378	49383	432297	584202
7-10 Years	234252	30487	211604	971464	1081244
above 10 years	208959	321777	241471	1040477	612721
Total	509795	444043	514298	2552181	2480850



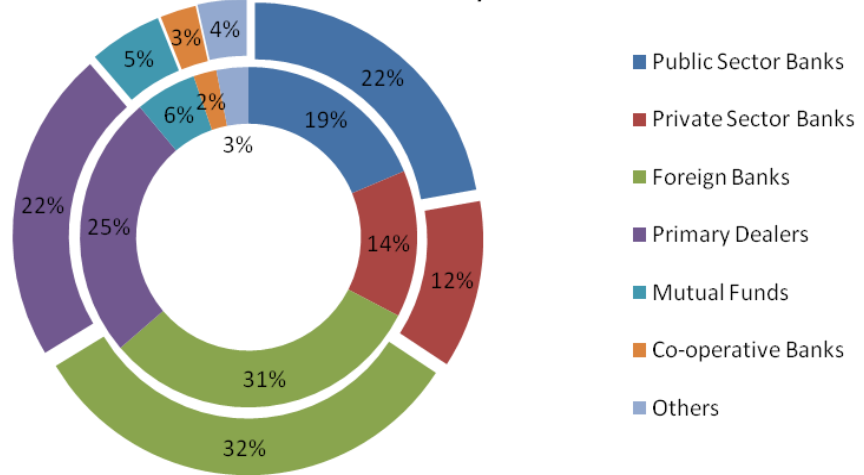
5.8 Foreign banks continued to be the dominant trading institution, accounting for 31.1 per cent of total outright trading activity of central Government dated securities as compared with 32.1 per cent in the previous quarter (Chart 13). Share of primary dealers increased to 25.1 per cent from 22.3 per cent over the same period, of private sector banks to 14.0 per cent from 12.0 per cent, while the share of public sector banks decreased to 18.7 per cent from 22.2 per cent. During the quarter, public sector banks as a category was the largest net buyers (₹34,835 crore) of government securities in the secondary market followed by mutual funds (₹12,255 crore), while primary dealers were the major net sellers of securities worth ₹49,304 crore.

Table 15: Category wise - Buying and Selling (% of Total)

Category	April-June 11		Jan-Mar 11		2010-11		2009-10	
	Buy	Sell	Buy	Sell	Buy	Sell	Buy	Sell
Co-operative Banks	2.3	2.1	2.6	2.6	2.6	2.5	2.9	2.6
FIs	0.9	0.1	0.4	0.3	0.5	0.3	0.8	0.4
Foreign Banks	30.0	32.2	32.2	32.0	33.7	34.6	26.7	28.7
Ins. Cos	2.1	1.6	1.5	1.4	1.4	1.0	0.8	0.7
Mutual Funds	6.9	4.8	5.1	5.4	9.2	8.2	13.4	10.5
Primary Dealers	21.0	29.2	19.4	25.1	16.6	21.4	13.3	18.3
Private Sector Banks	14.0	13.9	12.1	11.9	15.9	15.5	17.8	18.3
Public Sector Banks	21.6	15.8	23.3	21.1	18.8	16.5	22.4	20.3
Others	1.2	0.2	3.2	0.2	1.4	0.2	1.9	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

5.9 Quarterly change in the share of various categories/participants in the secondary market trading activity (buy + sell) for government securities is shown in Chart 13.

Chart 13: Trading Activity (Buy + Sell) By Category (inside circle Apr-Jun '11 and Outside Circle Jan-Mar'11)



Statement 1: Issuance of Dated securities During FY12 (April-June 2011)

(Amount in ₹Crore)

Name of Stock	Date of Issue	Notified amount	Devolvement on PDs	Cut off price	Cut off yield (%)	Date of Maturity	Residual Maturity (Years)
7.83% GS 2018 # U	11-Apr-11	4000	0	100.00	7.83	11-Apr-18	7.0
7.80% GS 2021 # U	11-Apr-11	5000	0	100.00	7.80	11-Apr-21	10.0
8.30% GS 2040 \$ U	11-Apr-11	3000	0	98.78	8.41	2-Jul-40	29.2
7.59% GS 2016 \$ U	18-Apr-11	4000	875	97.50	8.21	12-Apr-16	5.0
8.08% GS 2022 \$ U	18-Apr-11	5000	0	98.74	8.25	2-Aug-22	11.3
8.26% GS 2027 \$ U	18-Apr-11	3000	0	98.15	8.47	2-Aug-27	16.3
7.83% GS 2018 \$ U	25-Apr-11	3000	0	98.60	8.10	11-Apr-18	7.0
7.80% GS 2021 \$ U	25-Apr-11	6000	0	98.26	8.06	11-Apr-21	10.0
8.30% GS 2040 \$ U	25-Apr-11	3000	0	97.84	8.50	2-Jul-40	29.2
7.59% GS 2016 \$ U	9-May-11	4000	0	96.78	8.40	12-Apr-16	4.9
8.13% GS 2022 \$ U	9-May-11	5000	0	98.04	8.40	21-Sep-22	11.4
8.26% GS 2027 \$ U	9-May-11	3000	0	97.04	8.60	2-Aug-27	16.2
7.83% GS 2018 \$ U	16-May-11	4000	0	97.05	8.40	11-Apr-18	6.9
7.80% GS 2021 \$ U	16-May-11	5000	0	96.72	8.29	11-Apr-21	9.9
8.30% GS 2040 \$ U	16-May-11	3000	0	96.39	8.64	2-Jul-40	29.1
7.59% GS 2016 \$ U	23-May-11	4000	631.45	96.46	8.49	12-Apr-16	4.9
8.08% GS 2022 \$ U	23-May-11	5000	0	97.05	8.49	2-Aug-22	11.2
8.26% GS 2027 \$ U	23-May-11	3000	0	96.71	8.64	2-Aug-27	16.2
7.83% GS 2018 \$ U	30-May-11	4000	0	96.35	8.54	11-Apr-18	6.9
7.80% GS 2021 \$ U	30-May-11	5000	0	95.81	8.43	11-Apr-21	9.9
8.30% GS 2040 \$ U	30-May-11	3000	0	96.20	8.66	2-Jul-40	29.1
7.59% GS 2016 \$ U	6-Jun-11	3000	0	96.80	8.40	12-Apr-16	4.9
8.13% GS 2022 \$ U	6-Jun-11	6000	0	97.75	8.44	21-Sep-22	11.3
8.28% GS 2032 \$ U	6-Jun-11	3000	0	96.90	8.60	15-Feb-32	20.7
7.83% GS 2018 \$ U	13-Jun-11	3000	0	97.55	8.30	11-Apr-18	6.8
7.80% GS 2021 \$ U	13-Jun-11	6000	0	97.00	8.25	11-Apr-21	9.8
8.26% GS 2027 \$ U	13-Jun-11	3000	0	97.13	8.59	2-Aug-27	16.1
7.59% GS 2016 \$ U	27-Jun-11	3000	0	97.06	8.34	12-Apr-16	4.8
8.08% GS 2022 \$ U	27-Jun-11	6000	0	98.06	8.35	2-Aug-22	11.1
8.28% GS 2032 \$ U	27-Jun-11	3000	0	96.92	8.60	15-Feb-32	20.6
Gross Nominal Amount Raised		120000	1506.5				
Weighted Average Yield		8.36					
Weighted Average Maturity		12.10					

Statement 2:Treasury Bills Issued During FY12 (April-June 2011)

(Amount in ₹Crore)

Name of Security	Date of Issue	Competitive amount raised	Non- Competitive amount raised	Gross Nominal amount raised	Cut off Yield (%)
364 DTB	8-Apr-11	2000	0	2000	7.55
364 DTB	21-Apr-11	3000	0	3000	7.76
364 DTB	6-May-11	3000	0	3000	8.20
364 DTB	20-May-11	3000	0	3000	8.29
364 DTB	3-Jun-11	3000	0	3000	8.32
364 DTB	17-Jun-11	3000	202.8	3202.8	8.34
364 DTB	30-Jun-11	3000	0	3000	8.29
182 DTB	15-Apr-11	2000	1500	3500	7.45
182 DTB	29-Apr-11	3000	1250	4250	7.75
182 DTB	13-May-11	3000	0	3000	8.20
182 DTB	27-May-11	3000	500	3500	8.27
182 DTB	10-Jun-11	3000	0	3000	8.23
182 DTB	24-Jun-11	3000	0	3000	8.16
91 DTB	8-Apr-11	4000	0	4000	7.14
91 DTB	15-Apr-11	4000	1000	5000	7.19
91 DTB	21-Apr-11	5000	300	5300	7.44
91 DTB	29-Apr-11	7000	1484.65	8484.65	7.52
91 DTB	6-May-11	8000	2875	10875	7.89
91 DTB	13-May-11	8000	1100	9100	8.06
91 DTB	20-May-11	8000	1250	9250	8.10
91 DTB	27-May-11	8000	7250	15250	8.14
91 DTB	3-Jun-11	8000	1500	9500	8.19
91 DTB	10-Jun-11	8000	2000	10000	8.23
91 DTB	17-Jun-11	8000	3200	11200	8.27
91 DTB	24-Jun-11	8000	1900	9900	8.19
91 DTB	30-Jun-11	6000	4750	10750	8.19
Total		127000	32062	159062	

Statement 3: List of Dated Securities Outstanding at end-June 2011 – contd.

Nomenclature	Date of maturity	Outstanding Stock (₹ Crore)	of which: MSS
9.39% GS 2011	2-Jul-11	37000.0	-
11.50 % GS 2011	5-Aug-11	2861.4	-
FRB, 2011	8-Aug-11	6000.0	-
12.00% GS 2011	21-Oct-11	3246.9	-
11.50 % GS 2011(II)	24-Nov-11	11000.0	-
6.85% GS 2012	5-Apr-12	26000.0	-
7.40% GS 2012	3-May-12	33000.0	-
10.25% GS 2012	1-Jun-12	1574.1	-
6.72% GS 2007/12	18-Jul-12	546.8	-
11.03% GS 2012	18-Jul-12	13500.0	-
9.40% GS 2012	11-Sep-12	11000.0	-
FRB, 2012	10-Nov-12	5000.0	-
9.00% GS 2013	24-May-13	1751.3	-
9.81% GS 2013	30-May-13	11000.0	-
12.40 % GS 2013	20-Aug-13	11983.9	-
7.27% GS 2013 (conv)	3-Sep-13	46000.0	-
FRB, 2013	10-Sep-13	4000.0	-
5.32% GS 2014	16-Feb-14	5000.0	-
6.72% GS 2014	24-Feb-14	15273.6	-
7.37 % GS 2014	16-Apr-14	42000.0	-
6.07% GS 2014	15-May-14	40000.0	-
FRB, 2014	20-May-14	5000.0	-
10.00% GS 2014	30-May-14	2333.3	-
7.32% GS 2014	20-Oct-14	18000.0	-
10.50% 2014	29-Oct-14	1755.1	-
7.56% 2014	3-Nov-14	41000.0	-
11.83 % GS 2014	12-Nov-14	11500.0	-
10.47% GS 2015	12-Feb-15	6430.0	-
10.79% GS 2015	19-May-15	2683.5	-
11.50% GS 2015	21-May-15	3560.5	-
6.49% GS 2015	8-Jun-15	40000.0	-
7.17% GS 2015	14-Jun-15	56000.0	-
FRB, 2015	2-Jul-15	6000.0	-

Statement 3: List of Dated Securities Outstanding at end-June 2011 – contd.

Nomenclature	Date of maturity	Outstanding Stock (₹ Crore)	of which: MSS
11.43% GS 2015	7-Aug-15	12000.0	-
FRB, 2015(II)	10-Aug-15	6000.0	-
7.38% GS 2015 (conv)	3-Sep-15	61000.0	-
9.85% GS 2015	16-Oct-15	10000.0	-
7.59% GS 2016	12-Apr-16	68000.0	-
10.71% GS 2016	19-Apr-16	9000.0	-
FRB, 2016	7-May-16	6000.0	-
5.59% GS 2016	4-Jun-16	6000.0	-
12.30% GS 2016	2-Jul-16	13129.9	-
7.02% GS 2016	17-Aug-16	60000.0	-
8.07% 2017	15-Jan-17	49000.0	-
7.49% 2017 (con)	16-Apr-17	58000.0	-
FRB-2017	2-Jul-17	3000.0	-
7.99% 2017	9-Jul-17	59000.0	-
7.46% 2017	28-Aug-17	57886.8	-
6.25% 2018 (conv)	2-Jan-18	16886.8	-
7.83% GS 2018	11-Apr-18	18000.0	-
8.24% GS 2018	22-Apr-18	50000.0	-
10.45% GS 2018	30-Apr-18	3716.0	-
5.69 % GS 2018 (Conv)	25-Sep-18	16130.0	-
12.60 % GS 2018	23-Nov-18	12631.9	-
5.64 % GS 2019	2-Jan-19	10000.0	-
6.05% GS 2019	2-Feb-19	53000.0	-
6.05% GS 2019 (con)	12-Jun-19	11000.0	-
6.90% GS 2019	13-Jul-19	45000.0	-
10.03 % GS 2019	9-Aug-19	6000.0	-
6.35% GS 2020 (con)	2-Jan-20	61000.0	-
10.70 % GS 2020	22-Apr-20	6000.0	-
7.80% GS 2020	3-May-20	60000.0	-
FRB – 2020	21-Dec-20	8000.0	-
11.60 % GS 2020	27-Dec-20	5000.0	-
7.80% GS 2021	11-Apr-21	27000.0	-
7.94% GS 2021	24-May-21	49000.0	-

Statement 3: List of Dated Securities Outstanding at end-June 2011 – conclud.

Nomenclature	Date of maturity	Outstanding Stock (₹ Crore)	of which: MSS
10.25% GS 2021	30-May-21	26213.3	-
8.20 % GS 2022	15-Feb-22	57632.3	-
8.35% GS 2022	14-May-22	44000.0	-
8.08% GS 2022	2-Aug-22	46969.4	-
5.87% GS 2022 (conv)	28-Aug-22	11000.0	-
8.13% GS 2022	21-Sep-22	48495.3	-
6.30% GS 2023	9-Apr-23	13000.0	-
6.17% GS 2023 (conv)	12-Jun-23	14000.0	-
7.35% GS 2024	22-Jun-24	10000.0	-
5.97 % GS 2025 (Conv)	25-Sep-25	16687.9	-
10.18% GS 2026	11-Sep-26	15000.0	-
8.24 % GS 2027	15-Feb-27	57388.6	-
8.26 % GS 2027	2-Aug-27	64427.3	-
8.28 % GS 2027	21-Sep-27	1252.2	-
6.01% GS GS 2028 (C Align)	25-Mar-28	15000.0	-
6.13% GS 2028	4-Jun-28	11000.0	-
8.28 % GS 2032	15-Feb-32	58687.1	-
8.32 % GS 2032	2-Aug-32	15434.1	-
7.95% GS 2032	28-Aug-32	59000.0	-
8.33% GS GS 2032	21-Sep-32	1522.5	-
7.50% GS 2034	10-Aug-34	60000.0	-
FRB, 2035	25-Jan-35	350.0	-
7.40% GS 2035	9-Sep-35	42000.0	-
8.33% GS 2036	7-Jun-36	59000.0	-
6.83% GS 2039	19-Jan-39	13000.0	-
8.30% GS 2040	2-Jul-40	44000.0	-
Total		2,263,441.7	-

Statement 4: Maturity Profile of Government Securities as on End-June 2011	
Year of maturity	Outstanding Stock (₹ Crore)
2011-12	60108
2012-13	90621
2013-14	95009
2014-15	168018
2015-16	197244
2016-17	211130
2017-18	194774
2018-19	163478
2019-20	123000
2020-21	79000
2021-22	159846
2022-23	150465
2023-24	27000
2024-25	10000
2025-26	16688
2026-27	72389
2027-28	80680
2028-29	11000
2029-30	-
2030-31	-
2031-32	58687
2032-33	75957
2033-34	-
2034-35	60350
2035-36	42000
2036-37	59000
2037-38	-
2038-39	13000
2039-40	-
2040-41	44000
Total	2,263,442