RBI gets robust response for 84-day CMB auction

Our Bureau

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The Reserve Bank of India (RBI), on Thursday, received robust response from market players for the auction of 84-day Government of India Cash Management Bill (CMB), with bids amounting to 4.32 times the notified ₹80,000 crore.

The central bank received 306 bids, aggregating ₹3,45,785 crore. Of this, it accepted 93 bids for the notified amount. While the weighted average cut-off was ₹99.2561, the weighted average yield was 3.2566 per cent.

The bidding at the auction shows that the banking system continues to be awash with liquidity. This is underscored by the fact that at Wednesday’s reverse repo auction (whereby banks deploy surplus funds with RBI), banks collectively parked ₹7,35,369 crore with the RBI. Rucha Ranadive, Economist, CARE Ratings, said: “For the week ending May 29, the banking system liquidity is expected to remain in surplus position with growth in bank deposits and contraction in bank credit offtake.

“Expected pick-up in borrowings by the Central and State governments may lower the liquidity surplus in the coming weeks.”

What are CMBs?

Funds raised via CMBs help the government meet temporary mismatches in cash flow. The government, in consultation with the RBI, introduced the CMB in 2010. CMBs have the generic character of Treasury-bills, but are issued for maturities less than 91 days.

CMBs are tradable and qualify for ready forward facility. Investment in these securities is also reckoned as being an eligible investment in government securities by banks for the purpose of Statutory Liquidity Ratio (SLR).

Going by the size of this auction, the government has borrowed about 27 per cent of the total amount (₹3-lakh crore) it did via this route in FY20. This was the first auction of CMB in FY21.

As per CCIL data, the government borrowed ₹3-lakh crore in FY20 via CMBs, up 58 per cent over the ₹1.9-lakh crore borrowed in FY19. The weighted average cut-off on these Bills in FY20 was lower at 5.02 per cent against 6.59 per cent in FY21.