

Auction for Sale of Government of India Floating Rate Bonds 2014

Government of India
Ministry of Finance
(Department of Economic Affairs)
(Budget Division)

New Delhi, the May 14, 2003

NOTIFICATION

Auction for Sale of Government of India Floating Rate Bonds 2014

F.No.4(8) – W&M/2003: Government of India hereby notifies sale of Floating Rate Bonds (hereinafter called 'the Bonds') of 11 year tenure for an aggregate amount of Rs 5,000 crore. The sale will be subject to the terms and conditions spelt out in this notification (called 'Specific Notification') as also the terms and conditions specified in the General Notification F No.4 (9)– W&M/2000,dated 6th May 2002 issued by Government of India as amended by Notification No.4 (9)–W&M/2000 dated 20th September 2002.

Method of Issue

2 (i) The Bonds will be sold through the Reserve Bank of India, Public Debt Office, Mumbai Office, Fort, Mumbai - 400 001 through auction.

(ii) The rate of interest payable on the Bonds shall be set up to two decimal places at a "spread" to be decided in the auction, on the variable base rate (see sub paragraph 8 (iii) below).

(iii) The spread on the variable base rate will be decided in the auction and will remain fixed throughout the tenure of the Bond.

(iv) The bid for spread on the variable base rate, expressed up to and rounded off to two decimal places should be clearly stated in the application.

(v) The auction will be conducted by using the Uniform Price Auction method where bids offered up to and including the maximum spread as determined by Reserve Bank of India will be accepted at the maximum spread so determined. Bids quoted at spreads higher than the spread determined by Reserve Bank of India will be rejected.

(vi) Applicants may submit more than one bid at different spreads, as the case may be through separate applications for each bid. The aggregate amount of bids submitted by a person should not exceed the aggregate amount of the Bonds offered for sale.

(vii) The Reserve Bank of India will have full discretion to accept or reject any or all bids either wholly or partially, without assigning any reason.

Allotment to Non-competitive Bidders

3. Government Stock up to 5 % of the notified amount of the sale will be allotted to eligible individuals and institutions as per the enclosed Scheme for Non-competitive Bidding Facility in the Auctions of Government Securities (Annex I).

Place and Date of Auction

4. The auction will be conducted by the Reserve Bank of India, (Public Debt Office), Mumbai Office, Fort, Mumbai on [May 19, 2003](#). The application form duly filled in with the bids should be submitted to the aforesaid Office on [May 19, 2003](#) by 12.30 P.M.

Tenure

5. The Floating Rate Bonds will be of eleven-year tenure. The tenure of the Bonds will commence from [May 20, 2003](#). The Bonds will be repaid at par on [May 20, 2014](#).

Issue Price

6. The Floating Rate Bonds, 2014 will be issued at par, i.e., at Rs.100.00 per cent.

Date of Issue and Payment for the Bonds

7. The result of the auction shall be displayed by the Reserve Bank of India at its Public Debt Office, Fort, Mumbai on [May 19, 2003](#). The payment by successful bidders shall be made on [May 20, 2003 \(Tuesday\)](#), i.e., the date of issue.

Interest

8. (i) Interest will accrue from [May 20, 2003](#) (date of issue) and will be payable every half-year on November 20 and May 20.

(ii) The rate of interest payable on the Bonds shall be set up to two decimal places at a "spread" to be decided in the auction, on the variable base rate (see sub paragraph (iii) below).

(iii) The base rate for payment of interest *for the one year period from [May 20, 2003](#) to [May 19, 2004](#)*, shall be the average rate rounded off up to two decimal places, of the implicit yields at the cut-off prices of the last three auctions of Government of India 364 day Treasury Bills, held before the date of issue (Please see Annex II for illustration). The base rate for payment of interest on subsequent annual periods shall be the average rate (rounded off up to two decimal places) of the implicit yields at the cut-off prices of the last three auctions of Government of India 364 day Treasury Bills held up to the commencement of the respective annual coupon periods. The implicit yields will be computed by reckoning 364 days in a year.

(iv) In the event of Government of India 364-day Treasury Bill auctions being discontinued during the currency of the Bonds, the base rate will be the average of Yield to Maturity (YTM) rates prevailing for one year Government of India Security/ies as on the last three reporting Fridays prior to the commencement of the annual coupon period. In case particular Friday/s is/are holiday/s, the yield to maturity rates as on the previous working day shall be taken.

(iv) The base rate for payment of interest applicable for year ending [May 19, 2004](#) shall be 4.95 per cent. Accordingly, the annual rate of interest payable half yearly on [November 20, 2003](#) and May 20, 2004 will be 4.95 per cent plus the spread determined in the auction. The annual rate of interest payable half yearly on the Bonds during the subsequent years shall be announced by the Reserve Bank of India before the commencement of the relative annual coupon period.

By Order of the President of India
(D. Swarup)
Additional Secretary (Budget)