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RBI's green bonds issuance oversubscribed on debut

96 bids worth Rs 13,525 crore received for 5-yr bonds

By: [ENS Economic Bureau](#)

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NewsGuard



"The top 1 per cent and top 5 per cent active profit makers accounted for nearly 51 per cent and 75 per cent of the total net profit earned by all active profit makers, respectively," the Sebi study said.

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The maiden sovereign green bond (SGrB) auction of Rs 8,000 crore held on Wednesday got oversubscribed owing to robust demand from various market participants, primarily banks.

The 5-year and 10-year green bonds were issued at a premium compared to the similar existing maturity sovereign regular bonds.

For the 10-year green bond – New GOI SGrB 2028 – the RBI received 170 competitive bids worth Rs 19,367 crore – nearly five times the notified amount of Rs 4,000 crore. Of this, the RBI accepted 57 bids worth Rs 3,948.646 crore.

For the 5-year green bond, 96 competitive bids worth Rs 13,525 crore were received, while the number of bids accepted were 32 worth Rs 3,993.124 crore, the RBI said.

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The RBI issued the five-year green bond at a cut-off yield of 7.10 per cent and the 10-year green bond at 7.29 per cent.

The 10-year sovereign green bond was sold at a green premium, or greenium, of 6 basis points (bps) compared to the 10-year benchmark bond yield. The five-year green bond was sold at a premium of 5 bps when compared to the yield on the similar maturity sovereign bond.

In the secondary market, the 10-year benchmark bond ended at around 7.35 per cent and 5-year sovereign bond at 7.15 per cent.

“It was expected that the green bonds will be issued at a premium. The bet was only about the kind of premium it will get. The expectation was from 3 bps to 8 bps

premium, and it came exactly in the middle, at 5 bps premium,” said Vijay Sharma, senior executive vice-president, PNB Gilts.

Green premium, or greenium refers to the negative difference in spreads between green and nongreen bonds with the same financial characteristics (currency, tenor) issued by the same issuer, according to the World Bank. The green premium suggests that green bonds have a pricing advantage to the issuer over conventional bonds.

Today's auction is the part of the Rs 16,000 crore sovereign bond auction to be conducted by the Reserve Bank in the current fiscal. The next green bond auction will be held on February 9.

The proceeds from the sale of the sovereign green bonds will be used to finance or refinance expenditure (in parts or whole) for various green projects, including in renewable energy, clean transportation, energy efficiency, climate change adaptation, sustainable water and waste management, pollution and prevention control and green buildings.

In renewable energy, investments will be made in solar, wind, biomass and hydropower energy projects.

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