Full transcript of RBI Governor Shaktikanta Das's interview to CNBC-TV18

Edited Excerpts:

Q: Let me start with the budget itself and this big borrowing programme, the four auctions after that have practically been either partially failed or fully failed. Do you think the bond market has not got your message, do you want to give a message to the bond market?

A: If you go back into my monetary policy statements, right from October onwards – October and then again in February – I have given a very clear signal and explicit guidance to the bond markets. What I have said is that in RBI, we are expecting to a cooperative working with the market and we do expect an orderly evolution of the yield curve.

An orderly evolution of the yield curve has to be orderly, it cannot be otherwise. Therefore, the market perhaps was surprised by the borrowing number but then there was all-around demand and expectation that the government should spend more particularly in the context of COVID-19 to give a boost to the infrastructure sector.

I, myself have articulated this view as early as July or September in my interaction with one of the industry associations that a significant thrust should be given to infrastructure. The government had to do it especially in an environment where private sector investment is yet to take off.

The expectation now is that the infrastructure spending by the government, which incidentally improves the quality of expenditure of the government, it is expected that the infrastructure spending of the government will crowd in the private investment. Therefore, it was a larger goal, which the government was pursuing.

Now the market perhaps thought that the borrowing requirement of the government is slightly higher than what they had expected. But we have to keep in mind that it is gross borrowing of Rs. 12 lakh crore. The net borrowing is about Rs. 9 lakh crore or so.

Q: They were expecting a net of Rs. 7 lakh crore and the gross of Rs. 10 lakh crore.

A: Whatever it is, - what I am saying is that it is not Rs. 12 lakh crore, it is Rs. 9 lakh crore because Rs. 3 lakh crore gets refinanced by the redemptions. That is the first point.

Number two is that look at the RBI's actions over the last one year or even this year. This financial year that is 2021 from April till now, we have done a total open market operation (OMO) of more than Rs. 3 lakh crore. Considering the borrowing requirement of next year, there is no reason why RBI should do less OMO in the next year, that is 2021-2022 than what we did in the current year. How much of OMO we will do is a different issue.

I am just saying that having done Rs. 3 lakh crore in the current year, one can reasonably expect that it has to be Rs. 3 lakh crore or it will depend on how the situation evolves.

We have again extended this dispensation for Held To Maturity (HTM). That opens up space for another Rs. 4 lakh crore. Now let us do the arithmetic. Rs. 3 lakh crore of OMO of last year, it could be even more, Rs. 4 lakh crore space created because of the HTM dispensation, it is Rs. 7 lakh crore. Your net borrowing is Rs. 9 lakh crore, so therefore the borrowing requirement of government of India is very much manageable.

If you recall, after MPC I had very clearly said we will ensure that there is a non-disruptive borrowing, which will take place and through you I would like to assure the markets that what we are looking at is an orderly evolution of the yield curve. It cannot be disorderly, or it cannot be sudden or it cannot be out of sync with the evolution of the yield curve. When it falls off the track, as the central bank and as the debt manager of the government, RBI will obviously take whatever policy measures are required.

However, liquidity will continue to be sufficient, we will make available liquidity at the appropriate times and we will see that the borrowing programme goes through in a very orderly manner.

Q: I am sure what you have said now itself will soothe the market but after we put out that, you are going to speak on CNBC-TV18, there was a lot of feedback from the market that I got and one of the worries I sensed in the market participants is that even if you want to intervene, you are held back by the reality. Too much of liquidity, the MPC minutes indicate there is a fear of inflation, consumer price index (CPI) inflation, a fear of asset inflation which can be financially destabilizing, mispricing of assets, so that is holding you back.

A: The situation is never easy and it is never a straight line of evolution for the economy. There will be developments and evolution of economic activity in multiple directions. We have managed it reasonably well, I can say. It is for others to judge but I think we have managed it reasonably well and to our satisfaction during this entire COVID-19 period.

For liquidity management, we have several instruments on our table. There are several instruments. As and when the time is required, we will use various tools either to inject liquidity or now I have made very clear that pulling out liquidity should not be done prematurely in a manner that it could stifle growth. We don’t want to create an impediment to the process of revival of economic activity. But as and when at a future date, it becomes necessary, there are enough number of instruments available with the RBI - some of which have been used in the past. So, the Central Bank has always got many known and unknown tools to deal with the liquidity situation.

Even today there is a large quantum of forex inflow which is taking place, but we are dealing with that situation also. So, markets should take cue from the signal which the Central Bank has been giving from time to time and market should trust the RBI.

Q: I think the market is absolutely impressed by the work the Reserve Bank did in FY20-21, no one is even scrounging on adjectives, the way proactively Reserve Bank - you know TLTRO, the provision of liquidity, CRR cut, you name it was completely ahead of the curve. But now a lot of central banks are giving direct messages, of course everyone is giving a forward guidance plus maybe QE, forward guidance plus yield curve control like say in Australia or in Japan, whereas your methods are not direct. RBI’s methods are more like indirect - refusing an auction or something like that, would you want to think of a more direct OMO calendar? Some direct way of reassuring?

A: I think our forward guidance has been much more explicit then they way have been ever before and depending on country's situation each central bank evolves its own method of communicating with the market. It must be a mix of your actions and words and its signals. There are some subtle messages also which the market should read for example- in the last monetary policy statement when I read out the statement I said that the calibrated increase of the CRR opens a space for liquidity infusion. I got a feedback from the market that the governor did not use the word OMO.

The point is the signal was sufficiently clear, so market should read that signal, so therefore messages from central banks will depend on country's situations and the messages from central banks are always a mix of words, actions and subtle signals.

Q: (We) take your point entirely, but this liquidity excess - 11 lakh crore, 9 lakh crore creates its own problems so are there other tools like for instance MSS is that on the table or will you have to remove liquidity, reduce liquidity because it can create mischief? MSS or increasing SLR?

A: At the moment we are okay with the level of liquidity which is there and on behalf of RBI I have assured that RBI will ensure availability of ample liquidity. We stand committed to that. Several instruments have been used in the past to deal with the situations like this, all instruments are on the table if required we will evolve new instruments. I do not rule out any possibility or any instrument.

Q: Just one word more, State Development Loans (SDLs) the state loans, you did one OMO to purchase them, now the open market was more for government of India bonds, is that also on the table purchase of SDLs because their yields have gone up by 50 basis?

A: SDL when we announced for the first time in the current year we did SDL and my recollection is we did two or three OMOs not just one, we did two or three and we have practically covered all the states. Now the current dispensation is till March 31st and it is still there, we will evaluate the situation and take a call as maybe required.

Q: There is lot of attention placed on 10-Year in your intervention, and even in references, common references. But actually, corporate sector borrows off the 5-Year. Most of their loans are 3-Year and 5-Year and once before you all had even intervened in the 5-Year part of the yield curve, is that also an option? 10-Year only helps the government sir?

A: 10-Year perhaps is more visible in terms of our action, it is possible. But we are looking at a range of - I don't want to specify - but we are looking at a range of bonds, it is not just 10-Year and we are very sensitive to the fact that - in fact why do we do yield management. It is not just government borrowing requirement, it is also the cost of borrowing for the private sector. Because the private sector borrowing from the market whether it is corporate bonds, or commercial paper they are all benched marked on the G-Sec rates of corresponding maturity. So, in that sense a 3-Year or a 5-Year government of India bond or a10-Year or whatever be the tenure they are all important. So, therefore, it is not just that we are focusing on 10-Year, but we look at a spectrum of bonds.

Q: Ultimately it is the banking sector which has to take the load and they could take 12 lakh crore last year because they were staring at an abyss in terms of

growth, but now growth is -- 10-11 percent is the forecast, is your forecast also as strong for next year?

A: We have given 10.5 percent forecast for the next year.

Q: So considering that, where else - because banks are going to see growth they may be unwilling to buy the same amount? Also there is a mark-to-market (MTM) loss, if they see yields jumping as they have seen abroad there is that reluctance to buy. So what is the option, who else? It has to be RBI or one was expecting the Bond Index inclusion, is there any?

A: So far as the Bond Index inclusion is there we are constantly engaged with the concerned agencies and with regard to the inclusion of India or India's participation in the Euroclear that kind of facility, also we are in very advanced days of discussion with the authorities on the other side. Both government and the Reserve Bank we are fully engaged with the authorities from the other side.

Q: The other big window that was there in the monetary policy announcement is that you will create retail segments to buy bonds. At what stage is it? There is a lot of hope, if you are only going to give me 6.5 percent or 6.15 for a 10-Year and tax adjusted it will be like 4.50, it may not attract attention?

A: Let us see there - it is work in progress, we have a whole team of RBI working on it. There is a technology aspect also, and all this details are being worked out and we will be issuing some guidelines in the next few weeks.

Q: Will there be like 80CC?

A: Let us wait.

Q: Or repo ability is that even an option?

A: I think you will know when we issue the guidelines.

Q: Let me now come to the other things that the retail sector is eagerly waiting to hear from you – cryptocurrencies. A lot of central bankers. have spoken against it, what is your view?

A: We have certain major concerns about cryptocurrency. We have communicated them to the government. It is under consideration in the government and I do expect and I think sooner or later the government will take a call and if required the parliament also will consider and decide.

I also want to make it very clear that the blockchain technology is different. The benefits of it have to be exploited, that is another thing, but on crypto, we have major concerns from the financial stability angle. We have shared it with the government and government will consider and take a call.

Q: Will you be issuing digital currency sometime soon; that was another announcement you made, and some people are linking it even to this retail window that you are opening?

A: No, they are two different things altogether. In fact completely different. Central bank digital currency, it is again work in progress, a lot of work is going on both, in the technology side as well as the procedural side – how it will be launched and how it will be rolled out. It is still work in progress and we are very much in the game. We are targeting to launch it. But if you ask me a date, at this point of time it will be difficult for me to say.

Q: But FY22 you think?

A: I don't want to guess a date. It will be very difficult and not possible for me to say a date because several lose ends need to be tied up, but it is receiving our full attention.

Q: The government did a superb job with UPI, so clearly this should not be very difficult for them.

A: Please don't forget the role of RBI in UPI also. It is always government at the forefront, but RBI has contributed also.

Q: Did they take you into confidence when they configured the deficit number? Did they ask you will you be able to as the merchant banker manage Rs. 12 lakh crore?

A: This is always discussed with the central bank. Having worked in finance ministry I can tell you with confidence that the borrowing requirement doesn't come as a surprise to the central bank on the date of the Budget.

Q: The market and even foreign investors, the economy is waiting for the monetary policy framework which is – the target has to be rethought or reviewed. There is an internal working group of the Reserve Bank – when should we expect that report and when should we finally get to know whether it is 4 percent plus or minus or whether it will be different?

A: That report will be out very shortly in the next few days. So far as flexible inflation targeting is concerned, I would like to preface it by saying that this was a major structural reform undertaken by the government in 2016. Over the last 5 years, the gains of this structural reform are visible.

Inflation expectations of households and businesses are well anchored. But for COVID months when suddenly it crossed 6 percent, inflation expectations have been well anchored. When inflation expectations are anchored, inflation remains around the target of 4 percent.

Whom does it benefit? It benefits the households, it benefits the common man, and it benefits the economy also because it gives confidence to domestic investors. and foreign investors. about the stability of India's inflation. So, it encourages them to lend into a market where inflation is stable, both domestic and foreign investors.

Also, the other aspect that lies is that the current framework has enough width, this 4 percent plus minus 2 has enough width for the central bank to deal with extraordinary situations like the COVID. During the COVID time, the MPC has been tolerant of inflation above 4 percent. Now this band of 2 percent on either side of 4 percent gives enough space to the central bank to deal with extraordinary situation.

So, I would believe that the current framework has ensured that the country -- the major structural reform which the government has undertaken and the current framework which has been outlined by the government through a parliamentary legislation, we have achieved a lot and the gains and these achievements need to be preserved, consolidated, and nurtured.

Q: What about the MPCs powers. itself? Rates have gone below the reverse repo and reverse repo became the operational rate. Would there be some rethinking on giving the MPC more instruments or something like that in the review?

A: No, the law is very clear that the policy rate is defined in terms of the repo rate.

Q: You did try to withdraw liquidity with variable rate repo so that the reverse repo becomes the operational rate and now again we are seeing some yields below that. Is that a bother?

A: That was a temporary phenomenon which happened because of so many other factors. We are aware why it happened. You mentioned about this term reverse repo -- now it is a part of our liquidity management toolkit. It is not as if we were trying to suck out liquidity or anything, in fact February of 2020 when we spelt out our new liquidity management policy, the 14 day reverse repo window was the main tool for liquidity management.

Now when everything is coming back to normalcy, even in the Reserve Bank we are now back to normalcy. The entire staff and officers. are attending. So it is back to normalcy almost everywhere. So we thought let us go back to the 14 day reverse repo window. But having done that, we have also kept the overnight window open so that market is assured that liquidity is available.

Q: Voluntary retention rate (VRR) is one way of treating that liquidity, you can even increase the VRR quantity but you can also open the reverse repo window to non-bank participants, that was one of the expectations, it is not on the table? Because mutual funds (MFs) have the money, that is the problem.

A: At the moment, we don't have any such proposal.

Q: Let me come to what the equity market is looking for, the internal working group which spoke about bank licenses and said that conglomerates should be allowed to hold bank licenses, what is personally your issue? The RBI will come with the comments from the public, but you are a financial sector veteran, policymaker both from government and central bank, how do you look at it?

A: As long as I sit in this chair, I have no personal views. My views are those of the Reserve Bank of India.

However, the internal working group has thrown up some very interesting suggestions and they definitely merit consideration. There should be a free and fair debate and we had asked for public comments up to January 15, the comments have come in and we are examining them and we will take a decision after that.

Q: So you are open to conglomerates we should say?

A: I will not say anything - we are open to something or close to something. The comments have come in, the comments are being examined and we will take a call.

Q: This non-operative holding company structure also was part of the working group's discussion, will even that be dealt with along with them? Not separately, not outside.

A: Yes. It will be dealt with as a part of this.

Q: Of the licenses.

A: Yes.

Q: What about non-banking financial companies (NBFCs)? Working groups specifically said that there are some NBFCS and if they are working for the last ten years. normally, they could be given licenses, if they are part of conglomerates also RBI will be okay?

A: No, we are looking at the report of the internal working group holistically and examine each and every comment and we will take a decision on all the recommendations, which are contained in that report, we will take a call on all the issues.

Q: Prior RBI dispensations barring one has been wary of conglomerates because there could be interest rate lending, conflict of interest.

A: So far conglomerates are concerned, the CICs, we have come out with core investment companies, we have come out with new set of guidelines and we have only said that there can be two layers. of CICs so that this multiple layering and leveraging at every step leading to overleveraging of the group that has been by and large plugged. So therefore, all aspects of the report will be examined and we will take a decision.

Q: It is more that if you give a banking license to a conglomerate, they may start lending to the consumers of their products or to their suppliers, that kind of connected lending was a big fear in some RBI earlier dispensations, there were some who did not as well?

A: I think the committee itself has recommended that related party lending needs to be – the guidelines need to be strengthened and they have also recommended that RBI should consider in terms of strengthening the legal provisions under the law to strengthen the framework of the guidelines related to related party lending, that is one of the recommendations of the internal working group. So let us wait for RBI's decision. I don't want to speculatively say yes or no on any of the issues.

Q: I want to come back to the borrowing programme for a bit. I did an extensive poll before the budget and the poll said that the borrowing calendar would be Rs. 10 lakh crore. The poll also indicated that gross domestic product (GDP) would be Rs. 225-229 trillion for next year whereas the government has gone with Rs. 222 trillion as well tax growth, my poll had thrown up between 16 percent and 20 percent, the government has assumed only 14.9 percent, what is your own internal RBI assessment? Are they extremely conservative, is there a chance therefore that the borrowing calendar will be less than what is mentioned?

A: In budgeting it is always better to be conservative.

Q: That was not the practice so far. There have been instances of very liberal assumptions.

A: Let me tell you. It is always better to be little conservative, not excessively conservative but it is always better to be a little conservative because anything extra that you get is a bonus. So in revenue projections you must always assume what you will definitely get.

I have been revenue secretary also. So in revenue projections, you must take that number about which you are absolutely sure. If you increase it, if you improve upon it, that is the bonus.

Similarly, in expenditure side also, you must plan appropriately and not overbudget and then you end up by borrowing excess amount and you will not be able to spend. So both in the expenditure and in the revenue side, it is always better to be little conservative and anything extra that you do is a bonus.

Q: You think that this year we could get a bonus in FY22 that is.

A: Let us see - the year has now started. In fact the FY21-FY22 has not started and so let the year start.

Perhaps sometime in the middle of the next year we will be in a better position to assess. In any case the government also reassesses and reviews its revenue and expenditure patterns and that is why they have a revised estimates.

Q: Let me come back to the banking sector. I haven't gone into the depth of the banking sector at all, the RBI's stress test had guessed that the stress could be as high as 13.5 percent of total book non-performing assets (NPAs) because of COVID by September 2021. After the State Bank of India (SBI) results, which indicated a much lower slippage, is the RBI looking at a new number at all?

A: First thing I want to say and which is very clearly written in the financial stability report of RBI, in fact in every report and this time we have put it in bold letters. that the projections of the RBI with regard to NPAs – they are only projections, they are not forecasts and these are projections made under various adverse scenarios. We assume a baseline case then we assume a stress case. So under various stress situations and scenarios we make projections.

The objective of these projections is not to make a forecast. In fact, report very clearly says that these should not be read as a forecast. The objective of this projection is to – it is a stress test of the stability of the financial sector and if it shows some fragileness somewhere that gives a message to the banks to go for additional capital mobilization and strengthen their buffers.

This point I have been stressing throughout this year and I am happy to note that many private and public sector banks have mobilized additional capital and have strengthened their buffers

Q: RBI knows more about the financial sector than anyone else, the Central Repository of Information on Large Credits (CRILC) is with you, even otherwise you have your supervisors. and teams. So do you think that 13.50 was an outside case and it could be better or worse, because Michael Patra's minutes say that the financial stress on banks could intensify when the camouflage of moratorium, asset classifications standstill and restructuring are over. So, is there still a fear it can be as bad as 13 or will it be less?

A: I won't see fear, there is that element of uncertainty because the resolution framework which we announced on August 6th 2020 there the assets are getting restructured now under that. There is a standstill ordered by the Supreme Court from September 1st onwards so as and when that standstill ordered by the Supreme Court when that is removed by the Supreme Court and as and when these restructuring is completely then we will get a clearer idea.

So I would therefore say that there is baseline scenario, where we say that in the base line scenario the stress could be 13.50 and in the worst case scenario or in the severe stress scenario it would be higher. So therefore there is an element of uncertainty, it is more, it is not meant to be a forecast - I am just repeating myself. It is meant to be projection and giving a message to the banking system that prepare your buffers, strengthen your buffers. .

Q: I mean the market still is trying to guess, if the financial sectors. legacy bad loans are over and done with then you have a different view of growth, you have a different view of their ability to lend loans, so that is why I am pondering over this question?

A: I will reply it in two ways, one going into this pandemic, if you compare ours. elves with the global financial crisis, going into this pandemic our macroeconomic fundamentals as well as the banking sector parameters. were far stronger than what they were earlier in 2008 in terms of the NPA etc. Now the entire NPA is on the table thanks to the CRILC system which you mentioned and of course earlier the RBI had done asset quality review that also had its impact. So we entered into the pandemic in a much stronger position than the previous crisis of 2008.

My expectation is that we will emerge out of this crisis in a much better shape than we did in 2008 both in terms of strength on the economy, the growth numbers. and also the stability of the financial sector, we will emerge definitely better than what we did earlier.

Q: The Economic Survey said that maybe RBI should do another asset quality review (AQR) in the post COVID period, is something like that on the cards?

A: Between 2014-2015 when the AQR was done and now 2021 - 5-6 years have passed, the CRILC data system has become far stronger at that time the CRILC was not there. So today we have a precise idea of how many loans in which banks - the default is less than 30 days, the default is less than 60 days or the default is more than 60 days but less than 90 days we have a clear picture of that.

We have also - I have been saying about it time and again maybe on another occasion I can go into the details, but our supervision methodologies and approach are today far deeper than what they were earlier and we today have a very precise idea of what is going on in which bank and what is going on in which NBFC. In fact we made an assurance sometime in 2019 that we will monitor the top 100 NBFCs very closely and that is continuing.

So whenever we see a particular sign of stress or a deviation or some misclassification etc. in any bank or in any financial entity we immediately, it is kind of an on-going monitoring which is going on. So when you have the CRILC data system, when you have your supervision, when you are doing online supervision the need for an AQR a one-time AQR is not needed. It is an on-going process.

Q: Let me come to the other issue on banking which actually has captured the financial sector imagination, in fact the economies imagination what the government announced in terms of privatisation of public sector banks. I would assume that they will be in touch with you, is there anything that you can

enlighten us about what will be the parameters of this privatisation, will it be size based, will it be how much pension because private parties may not be willing to buy pension, will it be number of employees?

A: Government as the owner of the public sector have to decide, it is a major reform which the government has embarked upon. So as the owner of the company they will decide. But nonetheless I must add that there is the constant dialogue between the Reserve Bank and the Central government.

So far as Reserve Bank is concerned we are directly concerned with two aspects one is the fit and proper criteria, the new owner should meet the fit and proper requirement of the Reserve Bank. Number two we would be very keen that the bank post takeover is well capitalised and the promoter - whoever takes it over as enough financial strength to capitalise the banks significantly. So the banks have to be well capitalised post privatisation and whoever takes over has to meet our criteria.

Other than that the approach etc. these are constantly under discussion and government does consult us as and when required but final call will be that of the government.

Q: It is a long process isn't it they have to first render the Banking Companies Act redundant isn't it?

A: So an amendment to the Bank Nationalisation Act will be required and I think government is working on that.

Q: We should see the privatisation in FY22 you think?

A: I can't say that, government has made a commitment and I have reasons to believe that government will stick to that.

Q: The other big announcement which was extremely well received by the banking system, by borrowers. and depositors. is the bad bank. I think I shouldn't use that term – they have an asset reconstruction company (ARC) idea. Can you enlighten us on anything, any update on whether banks only will capitalise it, will government capitalise it? How far is it?

A: The government has articulated its view saying that it will be a bank driven exercise. The new entity will be a bank driven entity which means that the capital will come from the banks. We already have certain regulatory framework, regulatory guidelines for the ARCs and it will function as per that.

Q: Any update on when we should see it, is there some time table in your mind?

A: I think the Secretary Department of Financial Services will be better placed to give that exact date. But a lot of work has been done, both in RBI and in government. So, I would expect this to take off quickly.

Q: In the past whenever some overseeing department if you remember was announced for one of those restructuring schemes, the government also depends on RBI to staff it because you the capability. Conversation has not come to that point?

A: We are constantly in dialogue -- before the Budget, after the Budget.

Q: I must come to the other issue on rupee. The RBI has a problem managing it because there is so much of inflows. What is the view at all, do you think we have to reconcile ours. elves to appreciation because of the way in which the dollar is declining, the way in which flows are coming?

A: We cannot reconcile ours. elves to every situation or any situation. We will deal with it as the situation evolves. Our main objective in the exchange rate management is to control the volatility of the rupee and that is precisely what we are doing. Another positive development which augurs. very well for our external sector is that our forex reserves are at all-time high – USD 583 billion.

Q: That is a positive, but that also means that it may increase even more if you have to continually buy; the flows are thick. Is there a fear of this currency manipulator tag?

A: No, I think I have already articulated that emerging market economies will have to build up their own buffers. to deal with a situation when there are reverse capital flows. So today we are far better placed and we do not expect the kind of crisis which happened during the taper tantrum because our reserves are far more robust and that gives confidence to the international investors. also apart from the domestic investors. It gives confidence to the international investor, both FDI and FPI investors. about the stability of the Indian rupee that the Reserve Bank will maintain the overall stability of the Indian rupee.

Q: What is your sense about inflation? RBI has given a forecast of 5-5.2 percent for the first half and 4.3 percent for the third quarter. But when you come to the fourth quarter of FY22, there is a low base, there is commodity inflation, crude price rise – is that a nagging worry that inflation is a fear you cannot put behind?

A: The near term outlook we have said that the inflation is going to be benign in the sense that maximum we are expecting is 5 point something. So therefore it is well below 6 percent. So that is the near term outlook.

What augurs. well again is the food crops, the rabi crop has been good, kharif sowing has been good and core inflation has remained elevated. But let me again mention that core inflation remains at 5-5.5 percent, but since there is an inflation expectation issue and that inflation expectation is today well anchored, I do not expect suddenly inflation to spike because the Reserve Bank has the necessary tools to monitor it very carefully.

Whatever projections we have given, at this point of time, we stick to those projections. So the near term outlook, the inflation is going to remain well within the 6 percent upper threshold.

Q: Is there a chance that growth can be much better than you thought. There are forecasts out there which are looking at 13 percent next year – I think that is the Nomura forecast. So there are people who are expecting even much above 11 percent – I think 11 percent is S&P. Do you think a positive surprise is possible?

A: If the growth is higher than what we have projected, we will be happy. That will be one number we will be very happy to be proved wrong if it is upwards of 10.5 percent what we have projected. So that should augur well for everyone – the government revenues will go up, government expenditure will be supported and the financial savings also will go up. In fact, incidentally the bank deposits have grown by about almost 11 percent over the last one year. So credit off take, private sector investment also should crowd in. So a higher growth is always welcome.

Q: Final word, 6 percent was the laxman rekha for 10-year, it looks like you are okay with a little rise. We have seen it gone above 6.1 percent. Is there anything you want to tell the market about that, plus minus in terms of your tolerance band?

A: You said 6 percent is the laxman rekha – now it all depends on who draws the laxman rekha or what some people call as the line in the sand. As the debt manager once the central banks draws a line, it is a line.

But on a more serious note, I have articulated in October policy statement and again in the February MPC statement markets and the central bank, there should be cooperation to ensure that it is a public good. Orderly evolution of the yield curve is a public good and it entails a responsibility both for the central bank and for market players. So, what we are looking for is orderly evolution of the yield curve. I think I have given reasonable amount of clarity to the market.