



Government Borrowing H1FY25

Highlights:

- ✓ *The center plans to borrow ~53% of its total borrowings in H1FY25.*
- ✓ *The government plans to issue a new 15 year benchmark security, while no FRBs are to be issued in H1FY25*
- ✓ *Sovereign Green Bonds (SrGB) worth ₹ 12,000 crore, in the 10 year maturity segment are to be issued in H1FY25.*
- ✓ *Net T-bills borrowing will be ₹ -3,000 crore for Q1FY25*

Aditya Vyas

aditya@stcipc.com

022-66202245

Pankita Khatri

pankita@stcipc.com

022-66202241

Government Borrowing H1FY25: An Analysis

The RBI announced the borrowing calendar for H1FY25 on 27th March, 2024. The total amount to be borrowed is ₹ 7.50 Lakh Crore. This indicates that the government plans to borrow ~53 per cent of its total borrowings in H1FY25, which is lower than our expectations of 59 per cent. The calendar offers a positive cue to bond markets for now. Amidst the strong demand next year from index investors, and domestic players the governing dynamics of demand and supply are expected to tilt in favor of the demand side. The borrowing calendar also introduces a new 15 year benchmark security, and larger auction sizes of ₹ 20,000 for the 10 year benchmark security.

FY25 is likely to witness a rare occurrence, as G-sec market will see demand outstrip supply. The Union Budget had surprised the bond market with a gross borrowing amount 8 per cent lower than the previous year, at ₹ 14.1 Lakh Crore as compared to ₹ 15.4 Lakh Crore in FY24. The RBI has announced that the Government will borrow ₹ 7.5 Lakh Crore in H1FY25 as compared to ₹ 8.9 Lakh Crore in the corresponding period in the previous year.

H1FY25 has scheduled redemptions of ₹ 1.7 Lakh Crore in June and July, leading to a net borrowing amount of ₹ 5.8 Lakh Crore. The government plans to borrow across a maturity spectrum spanning 3 years to 50 years. The government has replaced the 14 year tenor with a 15 year security. This appears to be a step to standardize the yield curve by replacing the 14 year maturity with a conventional 15 year benchmark. There will be issuance of sovereign green bonds (SGrBs) of ₹ 12,000 crore in H1FY25, in the 10 year maturity segment with expected borrowing of around ₹14,000-16,000 crore in H2FY25, as foreign investors will find it convenient to invest as flows increase over time.

The H1FY25 calendar does not indicate a particular pattern of borrowing as was the norm in the recent years and it plays around with all possible combinations of maturity and amounts. This can especially be seen in the way the most traded benchmark of 10 years has been scheduled, with a large amount of ₹ 20,000 crore per auction but with a frequency which is lesser than that of the previous year. With the advanced economies readying for expected interest rate cuts and a markedly positive demand supply dynamic in the domestic markets, Indian sovereign bond yields are expected to trade with a positive bias in the coming months.



I. Calendar Details – Dated Securities

For H1FY25, market borrowing via dated securities is ascertained to be ₹ 7.5 Lakh Crore which is 53% of the total borrowing programme of Rs.14.1 Lakh Crore. With 48% of the total budgeted redemptions for FY25, falling in H1FY25, net market borrowing stands at ₹ 5.8 Lakh Crore, lower than ₹ 7.3 Lakh Crore in the preceding year. The following table details the market borrowing via dated securities for H1:

		H1	H1 borrowings/ redemptions as a percentage of total budgeted borrowings/redemptions
FY23 (Actual)	Gross Borrowing	8,29,000	58%
	Redemptions	2,27,361	73%
	Net Borrowing	6,01,639	-
FY24 (Actual)	Gross Borrowing	8,88,000	58%
	Redemptions	1,58,764	36%
	Net Borrowing	7,29,236	-
FY25 (Budgeted)	Gross Borrowing	7,50,000	53%
	Redemptions	1,73,103	48%
	Net Borrowing	5,76,897	-

Source: RBI, STCI PD Research

A brief summary of the tenor wise borrowing for dated securities is outlined below:

Maturity Segment	H1 FY24 (Actual)	% of Total H1 Borrowing	H1 FY25 (Budgeted)	% of Total H1 Borrowing
3 Years	56,000	6%	36,000	5%
5 Years	1,04,000	12%	72,000	10%
7 Years	91,000	10%	66,000	9%
10 Years	1,82,000	20%	1,80,000	24%
14 Years	1,56,000	18%	-	-
15 Years	-	-	1,04,000	14%
30 Years	1,43,000	16%	67,000	9%
40 Years	1,56,000	18%	1,46,000	19%
50 Years	-	-	67,000	9%
10 Years SGrB	-	-	12,000	2%
Total	8,88,000	100%	7,50,000	100%

- The Government has increased the weightage in the 10 year maturity segment of H1FY25 to 24% from 20% in H1FY24. If, 10 year SGrB is to be added then the total weightage of 10 year



maturity is 26%. The Government has announced a new maturity segment of 15 year. In this tenor, the Government plans to borrow ₹ 1.04 Lakh Crore, which is 14% of the total borrowing in H1FY25. Thus, the belly of the curve i.e., 10–15-year segment comprises 40% of the total budgeted borrowing for H1FY25 as compared to 38% in H1FY24

- In the overall borrowing, the 5-year and 7-year maturity segments have been assigned a weightage of 10% and 9% respectively in H1FY25, lower than weightage of 12% and 10% a year ago.
- The Government has increased the weightage in the longer maturities to 37% aggregating 30-year, 40-year and 50-years securities as compared to the previous year borrowing of 34% aggregating 30-year and 40-year securities.
- The Union budget FY25 had also accounted for conversion of securities/ switches for a total amount of ₹ 1.0 Lakh Crore. The switch enables the government to push the redemption pressure to later years by converting the near-term maturing securities to longer-term maturities.

In terms of auction size, the notified amount for weekly auctions varies within ₹ 20,000-38,000 Crore. Table 3 provides the month-wise borrowing programme scheduled and number of auction weeks of H1FY25 comparing to H1FY24.

	H1 FY24 (Actual)			H1 FY25 (Calendar)		
	No. of weeks	Total	Redemptions	No. of weeks	Total	Redemptions
Apr	4	1,36,000	40,559	5	1,52,000	0
May	4	1,36,000	1,05,052	4	1,09,000	0
Jun	5	1,69,000	13,153	4	1,17,000	1,07,838
Jul	4	1,36,000	-	5	1,38,000	65,265
Aug	4	1,36,000	-	4	1,18,000	-
Sep	5	1,75,000	-	4	1,16,000	-
Total	26	8,88,000	1,58,764	26	7,50,000	1,73,103



II. Calendar details – T-Bills

A short summary of the tenor wise issuance of T-Bills is detailed below:

Table 4: Borrowing via issuance of T-Bills (in ₹ Cr.)			
Gross Borrowing	Q1 FY23 (Actual)	Q1 FY24 (Actual)	Q1 FY25 (Calendar)
91 Day T-Bill	1,69,000	1,56,000	1,44,000
182 Day T-Bill	1,59,000	1,56,000	79,000
364 Day T-Bill	1,04,000	1,04,000	98,000
Total	4,32,000	4,16,000	3,21,000

Source: RBI, STCI PD Research

Gross borrowing via issuance of T-bills for Q1FY25 stands at ₹ 3.2 Lakh Crore lower than ₹ 4.2 Lakh Crore observed in Q1FY24 and ₹ 4.3 Lakh Crore in Q1FY23. Maturity-wise comparison of the borrowing through T-Bills exhibits notably lower borrowing in the 91-day, 182-day and 365-day T-Bills, with the deepest moderation of ₹ 0.8 Lakh crore in 182-day T-bills.

Table 5: T-Bill Issuances and Redemptions (in ₹ Cr.)					
	FY24				FY25 (Calendar)
	Q1	Q2	Q3	Q4	Q1
91 Day T-Bills					
Gross	1,56,000	1,30,000	91,000	1,16,000	1,44,000
Redemptions	92,000	1,56,000	1,30,000	91,000	1,16,000
Net	64,000	-26,000	-39,000	25,000	28,000
182 Day T-Bills					
Gross	1,56,000	1,04,000	1,04,000	1,60,000	79,000
Redemptions	78,000	1,79,000	1,56,000	1,04,000	1,04,000
Net	78,000	-75,000	-52,000	56,000	-25,000
364 Day T-Bills					
Gross	1,04,000	78,000	1,17,000	1,17,000	98,000
Redemptions	1,04,000	65,000	78,000	1,50,000	1,04,000
Net	0	13,000	39,000	-33,000	-6,000

Source: RBI, STCI PD Research



III. Concluding Remarks:

The calendar issued by RBI for H1FY25 borrowings provide an impetus for the market. This would likely be a year when the markets will see demand being heavier than supply, which in itself is a rare occurrence for Indian sovereign bond market. In addition to being included in global bond indices, the market borrowing budgeted for FY25 was also less than the previous year by ~8 per cent. This should lead to a steepening and to an extent it might lead to a downward parallel shift in the curve contingent on RBI's rate action. As a consequence, easing of market rates for other curves such as the SDL and the corporate bond curves can be expected to an extent, depending on their respective demand supply conditions. The 10 year segment in total has a borrowing of ₹1.9 Lakh Crore, including the sovereign green bond issuance, with a 26 per cent share in the overall borrowing as compared to 20 per cent in the previous year, but this is due to the significant decline in overall supply as compared to previous year. Treasury bills will also see more redemptions than borrowing resulting in a negative net supply of ₹ 3,000 crore, which should also lead to an easing in the short end of the curve enhancing the steepening. We do not expect the RBI to change either the policy repo rate or the stance in the April policy. The 10 year is expected to trade within 7.00-7.10 in the near term.

STCI Primary Dealer Ltd.

CIN: U67110MH2006PLC165306

A/B1- 801, A Wing, 8th floor, Marathon Innova, Marathon Next Gen Compound,
Off. Ganpatrao Kadam Marg, Lower Parel (w), Mumbai 400013.

Dealing Room: (022) 66202217-20 • Settlements: (022)66202262-64, Fax (022) 66202288

Delhi Office: (011) 47676557-58 • Kolkata Office: (033) 40611435-36 • Bengaluru Office: (080) 42183166/1021

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