



Government Borrowing H1FY2025-26

Government Borrowing H1FY2025-26: An Analysis

Highlights:

- ✓ *The center plans to borrow ₹ 8 lakh crore i.e. 54% of its total borrowings in H1FY2025-26.*
- ✓ *No FRBs are to be issued in H1FY2025-26.*
- ✓ *Sovereign Green Bonds (SrGB) worth ₹ 0.10 lakh crore, in the 30-year maturity segment are to be issued in H1FY2025-26.*
- ✓ *Net T-bills borrowing will be ₹-0.65 lakh crore for Q1FY2025-26.*

The RBI announced the borrowing calendar for H1FY2025-26 on 27th March, 2025. The total amount to be borrowed is ₹ 8.00 lakh crore indicating 54 per cent borrowing in the first half which is 1 per cent higher than previous year's borrowing though the recent years have seen this percentage drop from 58 per cent in H1FY2023-24. Borrowings are in alignment with market expectations and unlikely to cause any movement in yields. The markets had expected an increase in borrowings in the belly of the curve and the borrowing schedule has increased borrowings in the 10-year segment from ₹1.54 lakh crore in the previous year to ₹ 2.10 lakh crore in H1FY2025-26.

FY2025-26 Union Budget had announced a borrowing of ₹14.82 lakh crore which was slightly higher than the ₹ 14.01 lakh crore in the previous year though the demand side of the equation has moderated now since the previous year had the index inclusion event which is now past, and hence we expect OMO purchases by the central bank to continue in the new financial year.

The borrowing schedule also indicates an important facet of the recent borrowing trends concerning the size of the issuances in the belly of the curve or the 10–15-year segment which remains one of the most liquid and preferred segments for market participants across the financial spectrum. In H1FY2023-24, the issuance size in the 10-year segment was ₹0.14 lakh crore per auction, that was increased to ₹0.20 lakh crore in H1FY2024-25 and now it has been increased to an all-time high of ₹0.30 lakh crore per auction in H1FY2025-26. The number of securities per auction has been maintained at 2 or 3 securities per auction similar to previous year.

The longer end maturities have seen some adjustments, mostly the green bond being issued in the 30-year segment, instead of the 10-year segment like in the previous year. The demand for longer tenor bonds has increased over time, as the financial markets have evolved and now the yield curve has maturities from 3-year to 50-year, with issuance in the very long end i.e. 50-year suited to pension funds and insurance companies.

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I. Calendar Details – Dated Securities

For H1FY2025-26, market borrowing via dated securities is ascertained to be ₹ 8.00 lakh crore which is 54 per cent of the total borrowing programme of ₹ 14.82 lakh crore. With 52 per cent of the total budgeted redemptions for FY2025-26 falling in H1FY2025-26, net market borrowing stands at ₹ 5.93 lakh crore, higher than ₹ 5.67 lakh crore in the preceding year. The following table details the market borrowing via dated securities for H1:

Table 1: Borrowing Programme for H1 (in ₹ lakh crore)			
		H1	H1 borrowings/ redemptions as a percentage of total budgeted borrowings/redemptions
FY2023-24 (Actual)	Gross Borrowing	8.88	58%
	Redemptions	1.59	36%
	Net Borrowing	7.29	-
FY2024-25 (Actual)	Gross Borrowing	7.40	53%
	Redemptions	1.73	48%
	Net Borrowing	5.67	-
FY2025-26 (Calendar)	Gross Borrowing	8.00	54%
	Redemptions	2.07	52%
	Net Borrowing	5.93	-

Source: RBI, STCI PD Research

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

Table 2: Market Borrowing Trends Tenor-wise (in ₹ lakh crore)				
Maturity Segment	H1 FY2024-25 (Actual)	% of Total H1 Borrowing	H1 FY2025-26 (Budgeted)	% of Total H1 Borrowing
3 Years	0.36	5%	0.42	5%
5 Years	0.72	10%	0.90	11%
7 Years	0.66	9%	0.66	8%
10 Years	1.80	24%	2.10	26%
15 Years	1.04	14%	1.12	14%
30 Years	0.67	9%	0.74	9%
40 Years	1.46	20%	1.12	14%
50 Years	0.67	9%	0.84	11%
10 Years SGrB	0.02	0%	-	-
30 Years SGrB	-	-	0.10	1%
Total	7.40	100%	8.00	100%



- The Government has increased the weightage in the 10-year maturity segment of H1FY2025-26 to 26 per cent from 24 per cent in H1FY2024-25. In 15-year maturity segment, the Government plans to borrow ₹ 1.12 lakh crore, which is 14 per cent of the total borrowing in H1FY2025-26. Thus, the belly of the curve i.e., 10–15-year segment comprises 40 per cent of the total budgeted borrowing for H1FY2025-26 as compared to 39 per cent in H1FY2024-25.
- In the overall borrowing, the 5-year and 7-year maturity segments have been assigned a weightage of 11 per cent and 8 per cent respectively in H1FY2025-26, as compared to a weightage of 10 per cent and 9 per cent a year ago.
- The Government has reduced the weightage in the longer maturities to 35 per cent aggregating 30-year, 40-year and 50-year securities as compared to 38 per cent a year ago.
- The Union budget FY2025-26 had accounted for conversion of securities/ switches for a total amount of ₹ 2.50 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.

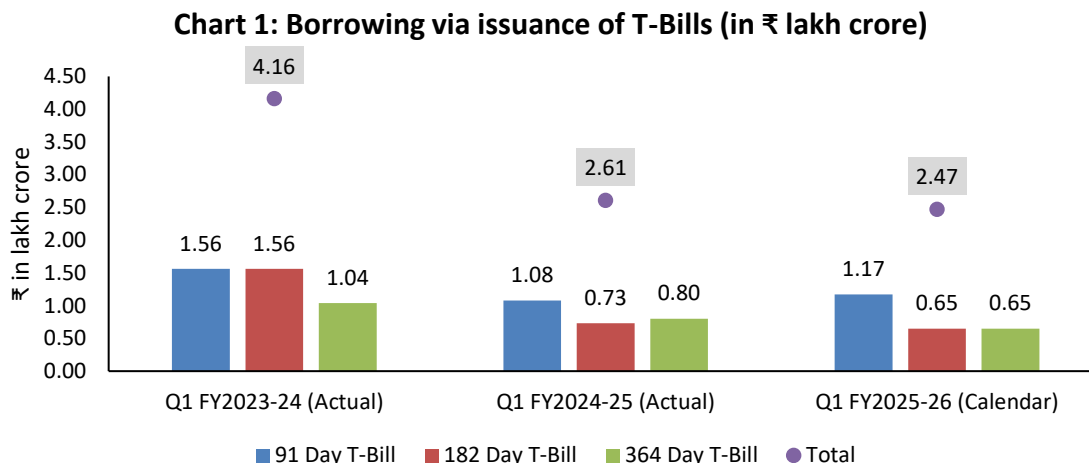
In terms of auction size, the notified amount for weekly auctions varies within ₹ 0.25-0.36 lakh crore. Table 3 provides the month-wise borrowing programme scheduled and number of auction weeks of H1FY2025-26 comparing to H1FY2024-25.

Table 3: Market Borrowing Trends Month-wise (in ₹ lakh crore)						
	H1FY2024-25 (Actual)			H1FY2025-26 (Calendar)		
	No. of weeks	Total	Redemptions	No. of weeks	Total	Redemptions
Apr	4	1.24	-	4	1.25	-
May	5	1.31	-	5	1.56	0.55
Jun	4	1.17	1.08	4	1.25	0.80
Jul	4	1.16	0.65	4	1.20	-
Aug	5	1.36	-	5	1.53	-
Sep	4	1.16	-	4	1.21	0.72
Total	26	7.40	1.73	26	8.00	2.07



II. Calendar details – T-Bills

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



Source: RBI, STCI PD Research

Gross borrowing via issuance of T-bills for Q1FY2025-26 stands at ₹ 2.47 lakh crore lower than ₹ 2.61 lakh crore observed in Q1FY2024-25 and ₹ 4.16 lakh crore in Q1FY2023-24. Maturity-wise comparison of the borrowing through T-Bills exhibits notably lower borrowing in the 182-day and 365-day T-Bills, while 91-day T-bill exhibits higher borrowing as compared to Q1FY2024-25.

Table 4: T-Bill Issuances and Redemptions (in ₹ lakh crore)					
	FY2024-25 (Actual)				FY2025-26 (Calendar)
	Q1	Q2	Q3	Q4	Q1
91 Day T-Bills					
Gross	1.08	0.88	0.91	1.54	1.17
Redemptions	1.16	1.08	0.88	0.91	1.54
Net	-0.08	-0.20	0.03	0.63	-0.37
182 Day T-Bills					
Gross	0.73	0.66	0.78	1.16	0.65
Redemptions	1.04	1.60	0.73	0.66	0.78
Net	-0.31	-0.94	0.05	0.50	-0.13
364 Day T-Bills					
Gross	0.80	0.66	0.78	0.98	0.65
Redemptions	1.04	0.78	1.17	1.17	0.80
Net	-0.24	-0.12	-0.39	-0.19	-0.15

Source: RBI, STCI PD Research



III. Concluding Remarks:

The calendar issued by RBI for H1FY2025-26 borrowings is exactly in line with market expectations. There is an expectation of steepening in the markets owing to RBI actions of OMO purchases and also expectations of interest rate cuts in the coming financial year. The borrowing calendar puts the focus on the belly of the curve with increased issuances around the 10–15-year segment, and to some extent even the shorter end of the curve at 3-year and 5-year. We expect RBI to implement a policy repo rate cut of 25 basis points in the April 2025 policy. The 10 year is expected to trade within 6.50-6.70 per cent in the near term.

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