



Government Borrowing H2FY2026-27

Government Borrowing H2FY2026-27: An Analysis

Highlights:

- ✓ *The center will borrow ₹ 7.86 lakh crore i.e. 49% of its total borrowings in H2FY2026-27.*
- ✓ *Sovereign Green Bonds (SGrB) worth ₹ 0.15 lakh crore, in the 30-year maturity segment are to be issued in H2FY2026-27.*
- ✓ *Net T-bills borrowing will be ₹0.39 lakh crore for Q3FY2026-27.*
- ✓ *No FRBs are to be issued in H2FY2026-27.*

The H2FY2026-27 borrowing calendar does not throw any surprises, although it does lean towards a heavier borrowing profile on the longer end of the curve. This could lead to adding to the already bearish sentiment extant in the bond markets owing to internal and external headwinds. Markets will perceive a bear steepening effect in the near term as the long-end of the curve gets repriced owing to demand-supply dynamics in that segment, and shorter end of the curve has the dual effects of less issuance and excess liquidity. 44 per cent of the borrowings are concentrated in the belly of the curve i.e. in the 10–15-year segment, worth ₹ 3.45 lakh crore. In the 15Y and above segment i.e. the 30-40-50-year segment, the government will borrow 26 per cent, which is slightly lower than the 28 per cent borrowed in Q3FY2025-26. The issuance of shorter tenor bonds has been curbed since RBI will be conducting OMO sales primarily in the 3–5-year segment, to balance the system liquidity excess caused by the huge inflow of FCNR(B) deposits.

Bear Steepening Ahead: Increased supply in the longer end of the curve might dent market sentiment to an extent as demand supply dynamics in that segment of the curve remain extremely sensitive to habitat players such as PFs, and Insurance companies. This might lead to a repricing of the longer tenor assets higher in yield terms in all likelihood crossing the earlier peak of 7.82 per cent witnessed by bond markets in Q1FY2026-27 owing to the turbulence caused by the West Asia conflict. Sentiment has remained bearish owing to the conflict with crude oil prices on the verge of upending RBI's growth and inflation trajectories.

RBI's and the government's recent exercise of attracting foreign capital has proven effective with a concurrent problem of injecting excessive liquidity into the domestic banking system. To solve this problem the RBI had announced a ₹1 lakh crore worth of OMO sales and is expected to announce an additional ₹1-1.5 lakh crore worth of OMO sales to absorb liquidity from the system. Anticipating these operations by RBI, the government has reduced the supply in the shorter tenors. Additionally, owing to excess liquidity in the system, short term rates are expected to remain softer further contributing to an overall bear steepening of the curve.

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I. Calendar Details – Dated Securities

For H2FY2026-27, market borrowing via dated securities is estimated to be ₹ 7.86 lakh crore which is ~49 per cent of the total borrowing programme of ₹ 15.99 lakh crore. With 37 per cent of the total budgeted redemptions for FY2026-27 falling in H2FY2026-27, net market borrowing stands at ₹ 6.25 lakh crore, slightly higher than ₹ 4.88 lakh crore in the preceding year. The following table details the market borrowing via dated securities for H2:

Table 1: Borrowing Programme for H2 (in Rs. Lakh Cr.)			
		H2	H2 borrowings/ redemptions as a percentage of total budgeted borrowings/redemptions
FY25	Gross Borrowing	661,000	47%
	Redemptions	165,876	46%
	Net Borrowing	495,124	-
FY26	Gross Borrowing	666,000	46%
	Redemptions	188,965	48%
	Net Borrowing	477,035	-
FY27	Gross Borrowing	786,000	49%
	Redemptions	160,249	37%
	Net Borrowing	625,751	-
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 Rs. Lakh Cr.)				
Maturity Segment	H2 FY26	% of Total H2 Borrowing	H2 FY27	% of Total H2 Borrowing
	(Actual)		(Budgeted)	
3 Years	0.45	7%	0.54	7%
5 Years	0.90	14%	0.95	12%
7 Years	0.44	7%	0.72	9%
10 Years	1.92	29%	2.07	26%
15 Years	0.96	14%	1.38	18%
30 Years	0.52	8%	0.57	7%
40 Years	0.75	11%	0.70	9%
50 Years	0.62	9%	0.78	10%
30 Years SGrB	0.10	2%	0.15	2%
Total	6.77	100%	7.86	100%
Source: RBI, STCI PD Research				



- The Government has reduced the weightage in the 10-year maturity segment in H2FY2026-27 to 26 per cent from 29 per cent in H2FY2025-26. In 15-year maturity segment, the Government plans to borrow ₹ 1.38 lakh crore, which is 18 per cent of the total borrowing in H2FY2026-27. Thus, the belly of the curve i.e., 10–15-year segment comprises 44 per cent of the total budgeted borrowing for H2FY2026-27 as compared to 43 per cent in H2FY2025-26.
- In the overall borrowing, the 5-year and 7-year maturity segments have been assigned a weightage of 12 per cent and 9 per cent respectively in H2FY2026-27, as compared to a weightage of 14 per cent and 7 per cent a year ago.
- The Government has reduced the weightage in the longer maturities to 26 per cent aggregating 30-year, 40-year and 50-year securities as compared to 28 per cent a year ago.
- In terms of auction size, there is less variance as the notified amount for weekly auctions varies within ₹ 0.33-0.36 lakh crore.

Table 3 provides the month-wise borrowing programme scheduled and number of auction weeks of H2FY2026-27 comparing to H2FY2025-26.

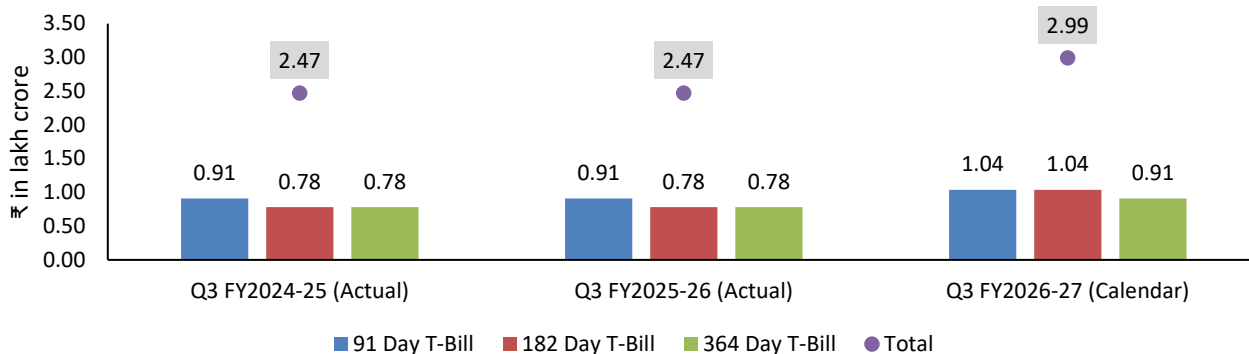
Table 3: Market Borrowing Trends Month-wise (in ₹ lakh crore)						
	H2 FY26 (Actual)			H2 FY27 (Calendar)		
	No. of weeks	Total	Redemptions	No. of weeks	Total	Redemptions
Oct	4	1.11	-	5	1.69	0.35
Nov	5	1.22	0.55	4	1.72	0.67
Dec	4	1.22	0.80	5	1.36	-
Jan	4	1.57	-	4	1.37	-
Feb	5	1.25	-	4	1.37	0.58
March	1	0.29	-	1	0.35	
Total	22	6.66	1.35	22	7.86	1.60
Source: RBI						



II. Calendar details – T-Bills

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

Chart 1: Borrowing via issuance of T-Bills (in ₹ lakh cr)



Source: RBI, STCI PD Research

Gross borrowing via issuance of T-bills for Q3FY2026-27 stands at ₹ 2.99 lakh crore higher as compared to ₹ 2.47 lakh crore observed in Q3FY2025-26 and ₹ 2.47 lakh crore in Q3FY2024-25. Maturity-wise comparison of the borrowing through T-Bills exhibits higher borrowing in the 91-day T-Bills, 182-day T-Bills and 365-day T-Bills, as compared to Q3FY2025-26 on net basis. Net Borrowings in the 182-day maturity are ₹0.33 lakh crore in Q3 FY2026-27, as compared to a net borrowing of ₹0.13 lakh crore a year ago.

Table 4: T-Bill Issuances and Redemptions (in Rs. Lakh Cr.)

	FY26 (Actual)		FY27 (Actual)		FY27 Q3 (Calendar)
	Q3	Q4	Q1	Q2	Q3
91 Day T-Bills					
Gross	91,000	1,29,000	1,44,000	1,26,000	1,04,000
Redemptions	1,26,000	91,000	1,29,000	1,37,935.685	1,12,729.056
Net	-35,000	38,000	15,000	-11,000	-8,729.056
182 Day T-Bills					
Gross	78,000	1,32,000	72,000	1,12,000	1,04,000
Redemptions	65,000	78,000	78,000	1,31,266.818	70,875.849
Net	13,000	54,000	-6,000	-19,267	33,124.151
364 Day T-Bills					
Gross	78,000	88,000	72,000	98,000	91,000
Redemptions	78,000	98,000	65,000	64,759.454	76,807.885
Net	0	-10,000	7,000	33,240.546	14,192.115



III. Concluding Remarks:

While we maintain that our base case for a rate hike is in December 2026. However, the recent course of external macro-parameters such as crude oil and domestic monsoon deficit has increased the probability of the October MPC meeting being a live event. RBI will have to see solid evidence of inflation effects of supply shocks getting generalized before it embarks on a hiking cycle in the upcoming policy meeting. Global bond yields have seen a dislocation in recent times with the US 10Y crossing the 5.2 per cent mark for first time in 19 years, and the JGB 10Y reached a 30-year high at 3.11 per cent. While these parameters will be watched with great caution, there also has been a fair amount of decoupling of economies with capital flows somewhat impervious to interest rates as seen in the case of Indonesia. The driving factors for capital flows are no longer following conventional metrics, and RBI will remain mindful of the same. Overall upward pressure on bond yields is expected to continue, and we expect the 10-year to trade within the 7.00-7.25 per cent range in the medium term.

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