



## Government Borrowing H1FY2026-27

## Government Borrowing H1FY2026-27: An Analysis

### Highlights:

- ✓ *The center plans to borrow ₹ 8.2 lakh crore i.e. 51% of its total borrowings in H1FY2026-27.*
- ✓ *Sovereign Green Bonds (SGrB) worth ₹ 0.15 lakh crore, in the 30-year maturity segment are to be issued in H1FY2026-27.*
- ✓ *Net T-bills borrowing will be ₹0.16 lakh crore for Q1FY2026-27.*
- ✓ *No FRBs are to be issued in H1FY2026-27.*

The Union Budget FY2026-27 had announced a large gross borrowing programme of ₹ 17.2 lakh crore, with redemptions being bunched up along the year, amounting to ~₹ 5.5 lakh crore. The redemption pressure has been partially mitigated by the Central Government through post-Budget switch operations amounting to ₹1.1 lakh crore, thereby reducing the redemption burden for FY2026-27 by approximately ₹1.1 lakh crore, and hence lowering the gross borrowing requirement to ₹16.1 lakh crore. Even with this reduction and the recent OMO support provided by the central bank bond yields have remained sticky on the upside due to a mix of adverse macroeconomic headwinds such as the conflict in west Asia, and the consequential spike in crude oil prices. In addition to these headwinds, there have been shifts in demand due to regulatory changes by major investors such as banks, insurance companies and pension funds which might result in bond yields being unresponsive to the measures undertaken by the government and RBI.

The 10-year segment remains the preferred maturity for the market and hence the largest auction of a single 10-year benchmark once every month has been continued this year too with 7 auctions of ₹34,000 each in H1-FY2026-27. This would mean around 29 per cent of the borrowing for H1 FY2026-27 will be in the 10-year segment. The 14-year maturity has now been replaced by the 15-year bond, which could be seen as the beginning of the long end of the curve. Though the total borrowings in the 10-15-year bucket constitute around 44 per cent of the total borrowings in H1 FY2026-27.

The short end of the curve i.e. the 3,5,7-year maturities will see borrowings worth ₹2.58 lakh crore which would be 31 per cent of the gross borrowings in H1-FY2026-27, while the borrowings in the long end of the curve i.e. maturities of 30,40 and 50 years will be ₹1.9 Lakh crore or 23 per cent of the total borrowings and the sovereign green bonds have been continued with the issuance only in the 30 year segment, worth ₹0.15 lakh crore i.e. 2 per cent of the total gross borrowings. The proportion of redemptions in the first half of the financial year has increased significantly to 57 per cent, compared to 48 per cent

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In April 2025, the pension funds have bent more towards equities even as regulations have changed since last year allowing for a higher allocation to equities from 15 per cent to 25 per cent for pension funds. A similar story is playing out with insurance companies which are seeing slow asset growth, and changes in product mix resulting in somewhat moderate demand for fixed income securities overall.

## I. Calendar Details – Dated Securities

For H1FY2026-27, market borrowing via dated securities is ascertained to be ₹ 8.20 lakh crore which is 51 per cent of the total borrowing programme of ₹ 16.09 lakh crore. With 57 per cent of the total budgeted redemptions for FY2026-27 falling in H1FY2026-27, net market borrowing stands at ₹ 5.73 lakh crore, slightly lower than ₹ 5.88 lakh crore in the preceding year. The following table details the market borrowing via dated securities for H1:

<b>Table 1: Borrowing Programme for H1 (in Rs. Lakh Cr.)</b>			
		<b>H1</b>	<b>H1 borrowings/ redemptions as a percentage of total budgeted borrowings/redemptions</b>
FY25	Gross Borrowing	7.40	53%
	Redemptions	1.73	48%
	Net Borrowing	5.67	-
FY26	Gross Borrowing	7.95	54%
	Redemptions	1.89	48%
	Net Borrowing	6.06	-
FY27	Gross Borrowing	8.20	51%
	Redemptions	2.47	57%
	Net Borrowing	5.73	-

Source: RBI, STCI PD Research



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

<b>Table 3: Market Borrowing Trends tenor wise (in Rs. Lakh Cr.)</b>				
<b>Maturity Segment</b>	<b>H1 FY26 (Actual)</b>	<b>% of Total H1 Borrowing</b>	<b>H1 FY27 (Budgeted)</b>	<b>% of Total H1 Borrowing</b>
3 Years	0.42	5%	0.66	8%
5 Years	0.90	11%	1.26	15%
7 Years	0.66	8%	0.66	8%
10 Years	2.10	26%	2.38	29%
15 Years	1.12	14%	1.19	15%
30 Years	0.74	9%	0.45	5%
40 Years	1.12	14%	0.66	8%
50 Years	0.84	11%	0.79	10%
30 Years SGrB	0.05	1%	0.15	2%
<b>Total</b>	<b>7.95</b>	<b>100%</b>	<b>8.20</b>	<b>100%</b>

- The Government has increased the weightage in the 10-year maturity segment of H1FY2026-27 to 29 per cent from 26 per cent in H1FY2025-26. In 15-year maturity segment, the Government plans to borrow ₹ 1.19 lakh crore, which is 15 per cent of the total borrowing in H1FY2026-27. Thus, the belly of the curve i.e., 10–15-year segment comprises 44 per cent of the total budgeted borrowing for H1FY2026-27 as compared to 40.5 per cent in H1FY2025-26.
- In the overall borrowing, the 5-year and 7-year maturity segments have been assigned a weightage of 15 per cent and 8 per cent respectively in H1FY2026-27, as compared to a weightage of 11 per cent and 8 per cent a year ago.
- The Government has reduced the weightage in the longer maturities to 25 per cent aggregating 30-year, 40-year and 50-year securities as compared to 35 per cent a year ago.
- The Union budget FY2026-27 has 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, there is less variance as the notified amount for weekly auctions varies within ₹ 0.28-0.34 lakh crore. Table 3 provides the month-wise borrowing programme scheduled and number of auction weeks of H1FY2026-27 comparing to H1FY2025-26.



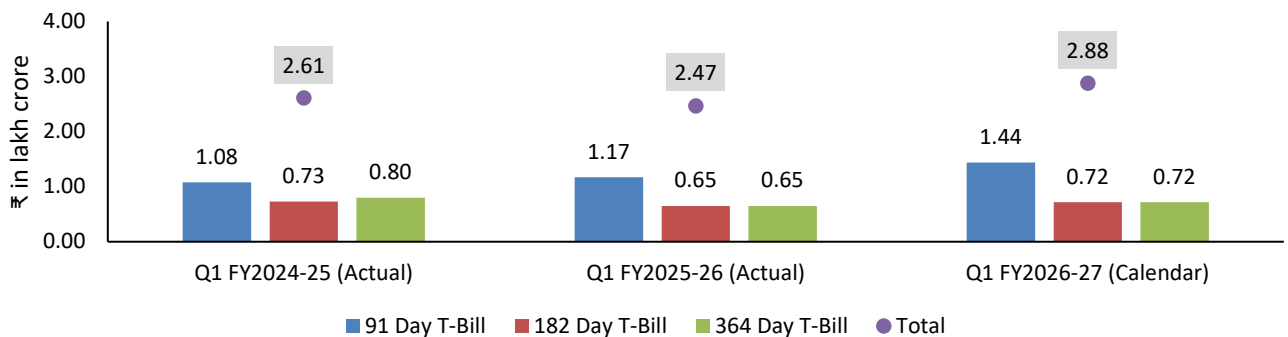
Table 3: Market Borrowing Trends Month-wise (in Rs. Lakh Cr.)						
	H1 FY26 (Actual)			H1 FY27 (Calendar)		
	No. of weeks	Total	Redemptions	No. of weeks	Total	Redemptions
Apr	4	1.25	-	5	1.56	1.53
May	5	1.56	0.55	4	1.26	-
Jun	4	1.20	0.80	4	1.26	-
Jul	4	1.20	-	5	1.60	0.31
Aug	5	1.53	-	4	1.26	-
Sep	4	1.21	0.72	4	1.26	0.63
<b>Total</b>	<b>26</b>	<b>7.95</b>	<b>2.07</b>	<b>26</b>	<b>8.20</b>	<b>2.47</b>

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 Q1FY2026-27 stands at ₹ 2.88 lakh crore higher as compared to ₹ 2.47 lakh crore observed in Q1FY2025-26 and ₹ 2.61 lakh crore in Q1FY2024-25. Maturity-wise comparison of the borrowing through T-Bills exhibits higher borrowing in the 91-day T-Bills and 365-day T-Bills, as compared to Q1FY2025-26 on net basis. Borrowings in the 182-day maturity are lower than repayments, indicating a ₹0.06 lakh crore worth of net repayment in Q1 FY2026-27, as compared to a net repayment of ₹0.13 lakh crore a year ago.


**Table 3: T-Bill Issuances and Redemptions (in Rs. Lakh Cr.)**

	FY2025-26 (Actual)				FY2026-27 (Calendar)
	Q1	Q2	Q3	Q4	Q1
<b>91 Day T-Bills</b>					
Gross	1.17	1.26	0.91	1.29	1.44
Redemptions	1.54	1.17	1.26	0.91	1.29
Net	-0.37	0.09	-0.35	0.38	0.15
<b>182 Day T-Bills</b>					
Gross	0.65	0.78	0.78	1.32	0.72
Redemptions	0.78	1.16	0.65	0.78	0.78
Net	-0.13	-0.38	0.13	0.54	-0.06
<b>364 Day T-Bills</b>					
Gross	0.65	0.65	0.78	0.88	0.72
Redemptions	0.8	0.66	0.78	0.98	0.65
Net	-0.15	-0.01	0	-0.1	0.07

### III. Concluding Remarks:

A borrowing calendar closer to ₹ 8.1-8.2 Lakh crore was expected by the markets going by past trends and the significantly large borrowings of ₹ 16.1 lakh crore. Demand supply mismatch might be more prominent in the year ahead as macroeconomic conditions look shaky to begin with as has been the recent experience with bond yields being unaffected by the generous dosage of OMOs conducted by the central bank during the year. We expect bond yields to remain sticky on the upside as pressure builds due to an increase in crude oil prices and along with those consequent adverse effects on the current account and finally on the fiscal front. The recent excise duty cuts and the levy of export duty on petroleum products is an indicator and is expected to cost the exchequer approximately ₹ 1 lakh crore net. This should keep the pressure on bond yields, and we expect the 10-year to trade within the 6.85-7.10 per cent range in the medium term.



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