

Centre to Borrow ₹6.6 L Cr in H2, Stays within FY25 Budget Target

Our Bureau

New Delhi: The Centre will borrow ₹6.61 lakh crore from the market through dated securities in the second half of this fiscal, staying with the budgetary target of ₹14.01 lakh crore for the full year, the finance ministry said on Thursday.

It has borrowed close to ₹7.4 lakh crore in the fiscal first half ending this month.

Experts said maintaining the borrowing target could slightly impact the bond market that was preparing for a cut, but would eventually prevent any flare-up in yields.

The benchmark 10-year yield ended at 6.7178% on Thursday, its lowest since February 21, 2022.

"In order to smoothen repayments of borrowing of two years of pandemic, we would make necessary adjustments in dated borrowings going forward," economic affairs secretary Ajay Seth said.

"This approach was adopted in the H2 (borrowing) calendar also," he added.

Of the projected borrowing, the government said it will raise ₹20,000 crore via sovereign green bonds in the second half of FY25.

In the July Budget, the government had reduced the FY25 gross market borrowing target to ₹14.01 lakh crore from ₹15.43 lakh crore in FY24, as it went on a fiscal consolidation drive.



A sharp decline in redemptions would entail a 32% year-on-year expansion in the net borrowings to ₹6 lakh crore in the second half of the fiscal, said Aditi Nayar, chief economist at credit rating agency ICRA.

"Aided by the favourable outlook for revenues and a possible under-shooting of the ambitious capex target, ICRA expects the Centre's fiscal deficit to print in line with or mildly trail the budgetary target of ₹16.1 lakh crore or 4.9% of GDP, at the current juncture," she said.

The borrowing in the second half is scheduled to be over in 21 weekly tranches. The share of borrowing, including through the green bonds, under different maturities

will be: 3-year (5.3%), 5-year (10.6%), 7-year (7.6%), 10-year (24.8%), 15-year (13.2%), 30-year (12.1%), 40-year (15.9%) and 50-year (10.6%).

The government also keeps the right to exercise a green-shoe option to retain an additional subscription of up to ₹2,000 crore against each of the securities indicated in the auction calendar. It will continue to carry out switching or buyback of securities to "smoothen the redemption profile", the finance ministry said in a statement.

Weekly borrowing through treasury bills in the third quarter of this fiscal is expected to be ₹19,000 crore for 13 auctions, it said. There will be a weekly treasury bill issuance of ₹7,000 crore under the 91-day category and ₹6,000 crore each under the 182-day and 364-day brackets.

The Reserve Bank of India has fixed the Ways and Means Advances limit for the second half of FY25 at ₹50,000 crore to help fix temporary mismatches in the government accounts.