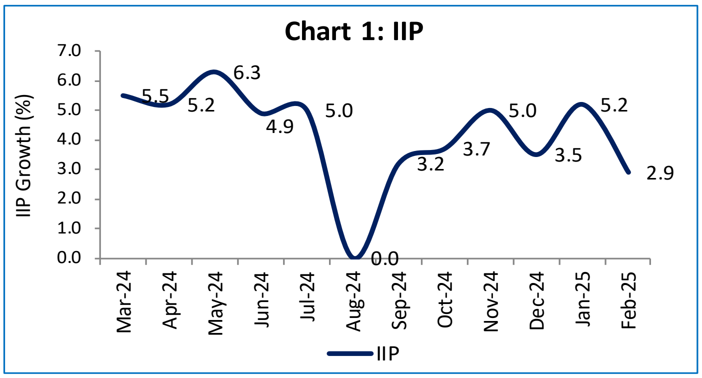
CCIL DEBT MARKET QUARTERLY

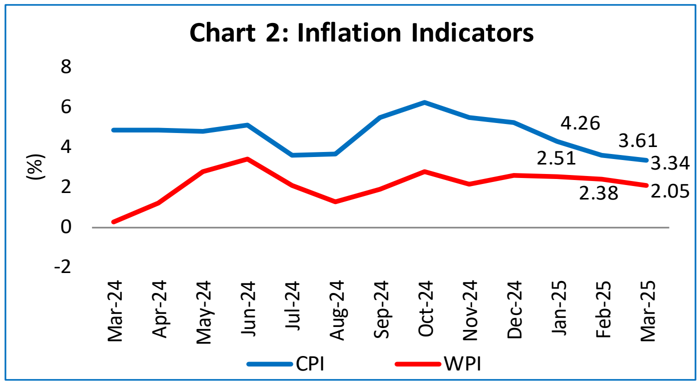
JANUARY-MARCH 2025

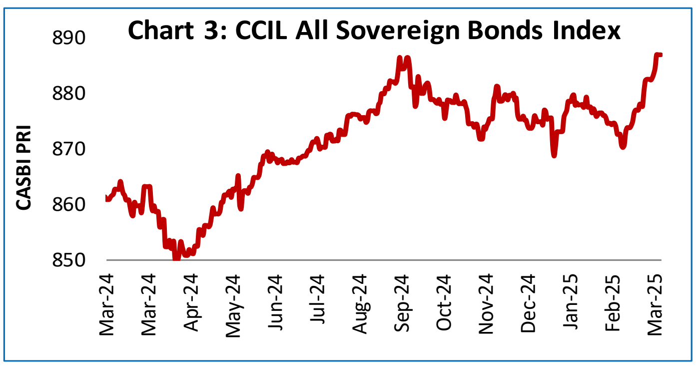
A Glance over the Quarter

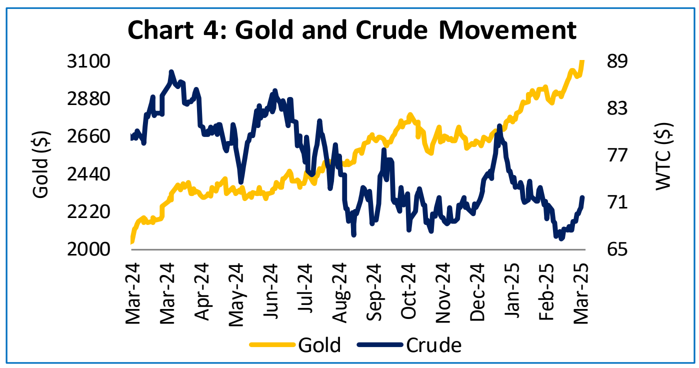
Despite subdued industrial activity, India began 2025 with signs of recovery indicated by the PMI readings. Headline inflation moderated during Q4-FY25 with the fall in food inflation supported by lower fuel prices. Domestic capital markets stabilized as the focus of policy shifted from managing inflation to supporting growth. However, the global economic environment has turned extremely uncertain on account of the volatile trade policies being adopted by the US with counter measures from trading partners, triggering a flight to safe haven assets like gold.

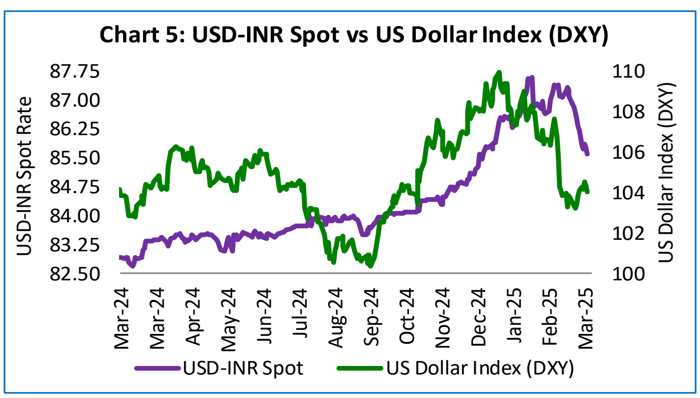
Macro Indicators at a Glance (March 2024 - March 2025)

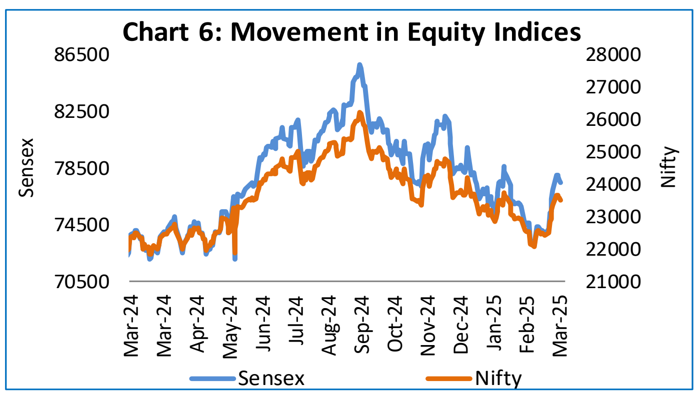












RBI has adopted a supportive stance by easing policy rates and addressing domestic liquidity pressures. While economic momentum is improving with expectations of a normal monsoon, external risks require close attention.

Market Borrowings

The Union Budget set the Centre's gross market borrowings target at ₹14.82 lakh crore for FY26. The calendar notified by RBI for dated G-Sec issuances worth ₹8.0 lakh crore frontloads about 54% of the total issuances in H1-FY26. The H1 borrowing plan is spread over 26 weekly tranches of ₹25000-36000 crore. More than 26% of the issuances are scheduled in the 10Y maturity - over 7 auctions of ₹30000 crore each. While SGS issuances worth ₹2.73 lakh crore and an average weekly borrowing of ₹19000 crore under T-Bills have also been indicated for Q1-FY26, the execution of the borrowing plan is expected to be smooth on the back of the monetary policy easing and the substantial improvement in banking system liquidity.

Primary Auctions - Central Government Dated Securities

G-Sec auctions remained smooth-sailing in Q4-FY25, barring a single instance of devolvement in the 10Y SGrB. Overall, ₹1400697.398 crore was raised through dated securities in FY25, a marginal shortfall of ₹10302.602 crore from the notified amount of ₹1411000 crore on account of the rejection of bids in SGrB auctions in May and August 2024 over the low *greenium* offered by market participants. The robust demand for G-Secs over most of FY25 enabled RBI to increase the weighted average maturity (WAM) of borrowings to 20.66 years at a lower weighted average coupon (WAC) of 7.11% from the WAM of 18.10 years at WAC of 7.24% in FY24.

Table 1: G-Sec Issuance Summary (₹ Crore)

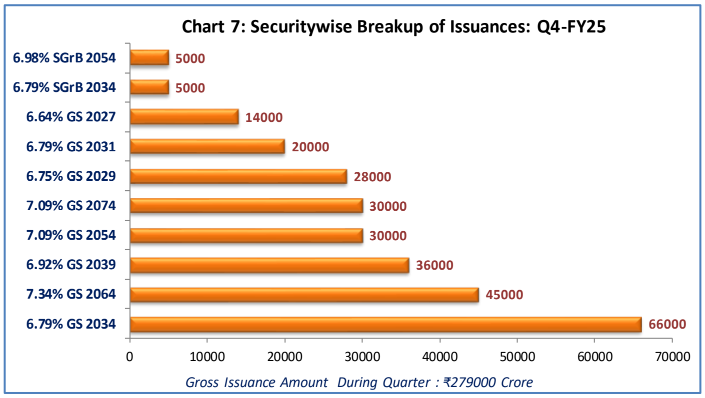
Period	Weekly Auctions	Notified Amount	Gross Issuance	Average Weekly Issuance	Redemptions	Net Borrowing	Additional Greenshoe Borrowing (+)/Shortfall (-)
FY23	48	1437000	1421000	29604	335907	1085093	-16000
FY24	46	1543000	1543000	33543	469911	1073089	-
Q4-FY24	7	237000	237000	33857	74529	162471	-
Q1-FY25	13	378000	372000	28615	134601	237399	-6000
Q2-FY25	13	372000	367697	28284	205532	162165	-4303
Q3-FY25	12	382000	382000	31833	229969	152031	-
Q4-FY25	9	279000	279000	31000	58466	220534	-

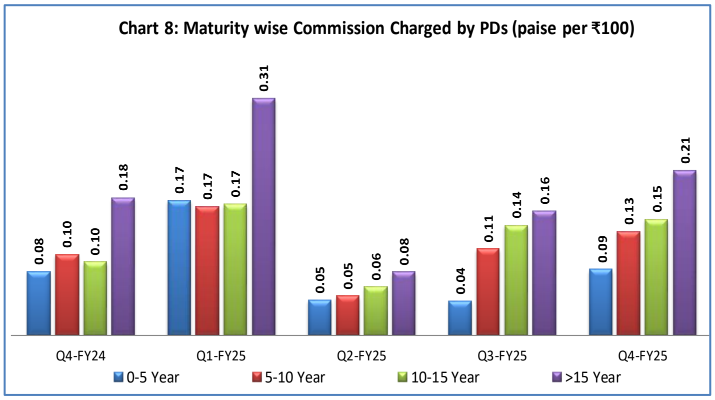
Security Details

The Central Government borrowed ₹279000 crore during Q4-FY25 through dated securities. In FY25, ₹1400697.398 crore was raised through the auction of 22 bonds including 16 new issuances.

Table 2: G-Sec Issuance Details

Sr No	Security	Amount (₹ Crore)			Bid Cover Ratio	Cut-off Range		Outstanding at End-Quarter (₹ crore)
		Notified Amount	Gross Issuance	Devolvement		Price	Yield	
1	6.79% GS 2034	66000	66000	-	2.70	99.86-100.06	6.6112-6.6906	154000
2	7.34% GS 2064	45000	45000	-	2.31	100.08-100.27	6.6806-6.7289	239000
3	6.92% GS 2039	36000	36000	-	2.42	100.27-100.46	6.7042-6.7376	74000
4	7.09% GS 2054	30000	30000	-	2.52	99.93-100.56	6.7086-6.7979	100000
5	7.09% GS 2074	30000	30000	-	2.40	100.67-100.67	6.6941-6.6941	50000
6	6.75% GS 2029	28000	28000	-	2.17	100.12-100.57	6.8565-6.9053	42000
7	6.79% GS 2031	20000	20000	-	2.51	98.41-98.41	7.1079-7.1079	30000
8	6.64% GS 2027	14000	14000	-	3.59	99.35-100.56	7.0445-7.1425	21000
9	6.79% SGrB 2034	5000	5000	3946	1.54	100.21-100.86	7.0266-7.0735	10000
10	6.98% SGrB 2054	5000	5000	-	1.70	102.92-103.73	7.0570-7.1168	10000
	Total	279000	279000	3946	2.49			





Auction Bidding

Average underwriting commissions charged by Primary Dealers (PDs) increased across maturities during Q4-FY25 while the bid-to-cover ratio declined further reflecting increasing uncertainty amid the tight domestic liquidity in a volatile global environment. However, primary auctions were largely stable over FY25 and the only 2 instances of devolvement were recorded for the 10Y SGrBs indicating the dwindling interest in the segment. Overall, RBI was able to significantly reduce the cost of auctions with the average commissions charged by PDs declining significantly from 0.41p/₹100 in FY24 to 0.14p/₹100 in FY25 - 0.20p/₹100 for 0-5Y, 0.25p/₹100 for 5-10Y, 0.19p/₹100 for 10-15Y and 0.36p/₹100 for >15Y G-Secs.

Table 3: Bidding in G-Sec Auctions (₹ Crore)

Period	Notified Amount	Bids Received		Bids Accepted		Success Ratio		BCR	Devolvement on PDs	Complete Rejection of Bids	Total Issuance	Overall Auction Failure	Average ACU Commission Cut-off rate (paise per ₹100)
		Competitive	Non-Competitive	Competitive	Non-Competitive	Competitive	Non-Competitive						
Q4-FY24	237000	607041	226	236774	226	39%	100%	2.6	-	-	237000	-	0.13
Q1-FY25	378000	1125737	327	371675	325	33%	99%	3.0	-	6000	372000	1.59%	0.22
Q2-FY25	372000	1155059	448	367249	448	32%	100%	3.1	-	4303	367697	1.16%	0.06
Q3-FY25	382000	1067518	301	378201	301	35%	100%	2.8	3498	-	382000	0.92%	0.13
Q4-FY25	279000	694432	243	274811	243	40%	100%	2.5	3946	-	279000	1.41%	0.16

Maturity Profile of Outstanding G-Secs

RBI continued elongating the maturity of central government borrowings in Q4-FY25, through long-term bond issuances as well as buybacks. Nearly a quarter of the issuances in FY25 were in 10Y bonds while 38% of the issuances were in the 29Y-50Y bonds. The share of bonds maturing within 10 years fell from 28% of issuances in FY24 to 23% of issuances in FY25.

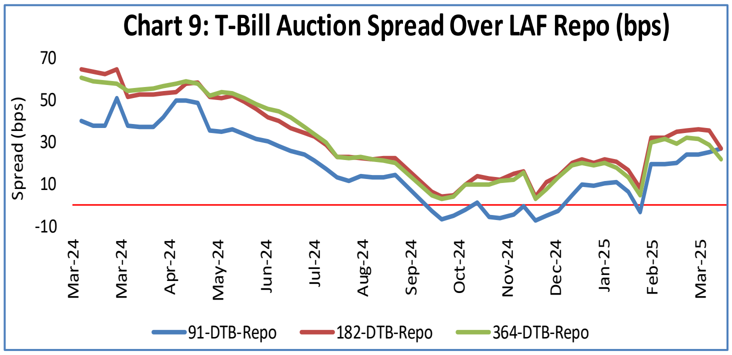
Table 4: Maturity Profile of Outstanding Central Government Dated Securities *

Period	Total				Share (%)					
	Number of Securities	Outstanding (₹ Lakh Crore)	Weighted Average Maturity of Outstanding (Years)	Weighted Average Coupon	<=1 Years	1-5 Years	5-10 Years	10-15 Years	15-30 Years	>30 Years
Q4-FY24	107	102.66	12.53	7.28	3.52	24.08	31.31	14.65	15.71	10.73
Q1-FY25	111	105.03	12.80	7.29	3.99	23.29	30.47	14.94	15.70	11.61
Q2-FY25	112	108.10	12.89	7.27	3.99	21.81	33.27	13.69	15.02	12.22
Q3-FY25	117	109.89	13.24	7.26	3.21	22.75	33.12	12.50	15.48	12.95
Q4-FY25	116	112.17	13.23	7.25	3.53	22.97	33.16	11.52	15.47	13.35

*Excluding Special Securities

Short Term Borrowings

T-Bill cut-offs remained high throughout Q4-FY25 despite the cut in policy rates mirroring the deteriorating liquidity conditions. Discomfort over the high rates demanded by investors also led to rejection of all bids for 91-DTB and 182-DTB auction on February 20th. Anticipation of further policy easing over FY26 boosted demand for 364-DTB while the demand in the shorter tenors cooled towards the year-end resulting in an instance of inversion of the T-Bill curve. However, the 91-DTB segment continued receiving strong bids in the non-competitive segment.



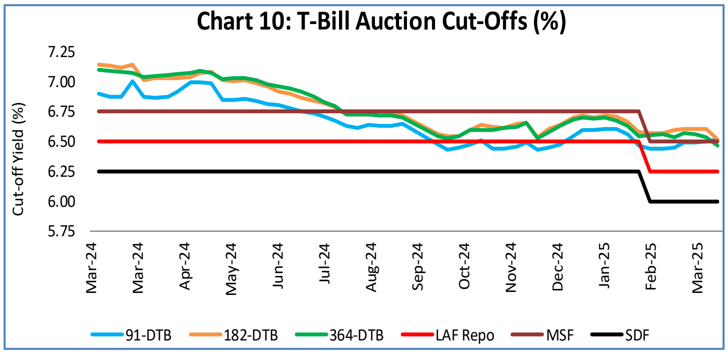


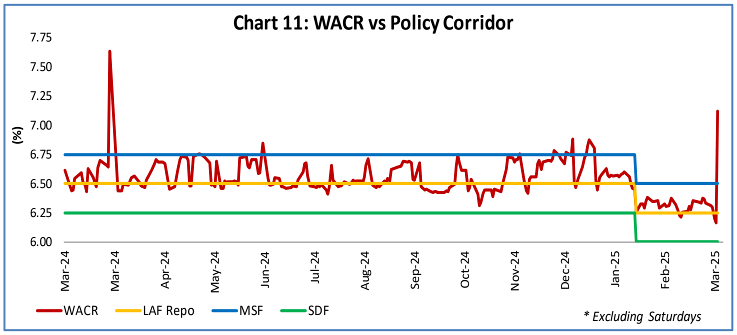
Table 5: Primary Treasury Bill Auctions

Quarter	Notified Amount (₹ Crore)	Gross Issuance (₹ Crore)	Redemptions	Net Borrowing (₹ Crore)	BCR	Weighted Average Cut-off Yield (%)	Average Spread over LAF Repo (bps)
91-DTB							
Q4-FY24	116000	135101	127351	7750	3.10	5.95	47
Q1-FY25	108000	169410	135101	34309	2.22	6.90	39
Q2-FY25	88000	171488	169410	2078	4.02	6.68	18
Q3-FY25	91000	211746	171488	40258	4.80	6.46	-3
Q4-FY25	168000	207815	195146	12669	2.88	4.82	16
182-DTB							
Quarter	**Notified Amount (₹ Crore)**	**Gross Issuance (₹ Crore)**	**Redemptions**	**Net Borrowing (₹ Crore)**	**BCR**	**Weighted Average Cut-off Yield (%)**	**Average Spread over LAF Repo (bps)**
Q4-FY24	160000	167708	116525	51183	2.74	6.81	66
Q1-FY25	73000	90884	111366	-20482	2.85	7.02	52
Q2-FY25	66000	76725	167708	-90983	3.50	6.78	28
Q3-FY25	78000	95389	90884	4505	2.94	6.59	11
Q4-FY25	128000	127788	76725	51063	2.67	6.00	26
364-DTB							
Quarter	**Notified Amount (₹ Crore)**	**Gross Issuance (₹ Crore)**	**Redemptions**	**Net Borrowing (₹ Crore)**	**BCR**	**Weighted Average Cut-off Yield (%)**	**Average Spread over LAF Repo (bps)**
Q4-FY24	117000	123009	159431	-36422	3.79	6.76	62
Q1-FY25	80000	86579	113875	-27296	3.12	7.05	54
Q2-FY25	66000	76140	98186	-22046	4.77	6.79	29
Q3-FY25	78000	90456	122417	-31961	3.48	6.58	9
Q4-FY25	98000	106214	123009	-16795	4.02	6.08	23

Detailed analysis of market borrowings by the State Governments is covered in the CCIL SDL Quarterly report available at: https://www.ccilindia.com/web/ccil/india-sdl-quarterly

Liquidity

The final quarter of FY25 saw RBI implementing a package of measures to address the liquidity deficit in the banking system that was aggravated by capital outflows, RBI's forex market interventions and a significant pickup in currency in circulation compounded by year-end tax outflows and funding pressures. These liquidity measures included commencement of daily overnight variable rate repo (VRR) auctions on all working days effective January 16, 2025 and the injection of durable liquidity through long term repo auctions, open market G-Sec purchase operations and USD/INR Buy/Sell swaps. Buybacks and redemption of dated G-Secs and state bonds added further durable liquidity of ₹1.72 lakh crore into the system. Reflecting the improving liquidity conditions and rate cuts, the weighted average call rate (WACR) moved closer to the LAF Repo rate, breaching the MSF rate i.e., the higher band of the policy rate corridor only on the last day of the financial year.



Sovereign Debt Trading Activity

Secondary market activity gained momentum during Q4-FY25 on RBI's monetary policy easing, the Government's emphasis on fiscal consolidation in the Budget, RBI's focused measures on improving liquidity in the domestic banking system, recovery of the INR and FAR bond purchases by foreign investors.

Table 6: Trading Summary - Government Bond Market (₹ Lakh Crore)

Period	Outright			Market Repo	TREP
	G-Sec	SDL	T-Bill		
Q4-FY24	27	3	4	94	206
Q1-FY25	32	2	5	98	205
Q2-FY25	38	3	4	98	234
Q3-FY25	32	2	3	92	250
Q4-FY25	33	3	4	99	235

Indices Movement

G-Sec yields witnessed a sharp decline in March on RBI's liquidity infusion coinciding with a fall in inflation readings, thereby strengthening rate cut expectations to support growth in an uncertain global environment. Reflecting this, there was a broad-based upward movement in G-Sec indices towards the end of Q4-FY25.

Table 7: Monthly Returns on CCIL Principal Return Indices (PRI)

Month	BROAD	LIQUID	CASBI	TENOR 1	TENOR 2	TENOR 3	TENOR 4	TENOR 5	SDL	TBILL (LIQ WEIGHT)
Oct-24	-0.57%	-0.66%	-0.72%	-0.27%	-0.61%	-0.46%	-0.76%	-0.99%	-0.45%	0.35%
Nov-24	-0.12%	0.08%	-0.38%	0.06%	0.10%	-0.24%	-0.49%	-0.62%	-0.12%	0.33%
Dec-24	0.04%	0.07%	0.06%	-0.06%	0.06%	0.01%	0.21%	0.06%	0.18%	0.31%
Jan-25	0.34%	0.30%	0.23%	0.18%	0.39%	0.58%	0.10%	0.16%	0.31%	0.48%
Feb-25	-0.43%	-0.58%	-0.60%	-0.01%	-0.13%	-0.44%	-0.47%	-1.06%	-0.28%	0.37%
Mar-25	1.34%	1.56%	1.64%	0.34%	0.95%	1.41%	1.68%	2.24%	1.23%	0.44%

Yield Movement

The Indian G-Sec market witnessed a sharp rally in Q4-FY25 with the commencement of monetary policy easing, sharp fall in inflation readings and RBI's liquidity boosting measures. The Government's focus on fiscal consolidation, stabilizing of the Indian Rupee, sharp drop in oil prices and the return of foreign investors further strengthened the positive sentiments in the bond market. The entire Indian sovereign bond yield curve moved down by an average of 13 bps across tenors during the quarter as compared to an increase of 10 bps across the curve in Q3-FY25. Real rates moved deeper into positive territory due to the lower inflation numbers. Although, the India-US spreads narrowed, Indian bonds found favor among foreign investors on account of the relative resilience of the Indian economy amid global headwinds.

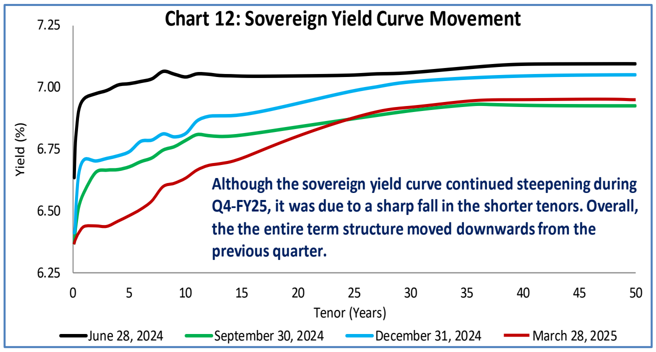


Chart 12: Sovereign Yield Curve Movement

Table 8: Spread Behavior - Basis Points

Spread/Quarter	Q4-FY25	Q3-FY25	Q2-FY25	Q1-FY25	Q4-FY24
10Y-LAF Repo	40	31	42	59	64
10Y-1Y	19	23	18	7	3
10Y-3Y	15	10	12	2	8
10Y-5Y	11	6	9	0	6
15Y-10Y	9	6	2	3	4
40Y-10Y	29	20	11	10	9
10Y-CPI	299	116	271	219	212
LAF Repo-CPI	259	85	228	160	148
10Y-US10Y	230	253	296	265	299

Foreign Investment in Indian Debt Market

Foreign inflows into the Indian G-Sec market witnessed a sharp revival during Q4-FY25 compared to Q3-FY25, despite the increasing global uncertainty around US trade policies. The sharp recovery in the Indian Rupee and widening of the India-US interest rate differential, coinciding with the commencement of FAR bond inclusion into Bloomberg indices and policy easing in India, further boosted foreign investments in the Indian debt market. FPI holding of FAR bonds has increased from 4.50% of total outstanding as of March 28, 2024 to about 7.06% of total outstanding as of March 28, 2025 – an increase of 76% or ₹1.32 lakh crore during FY25. Foreign investors increased their holdings across maturities during Q4-FY25 led by the 5Y-10Y segment.

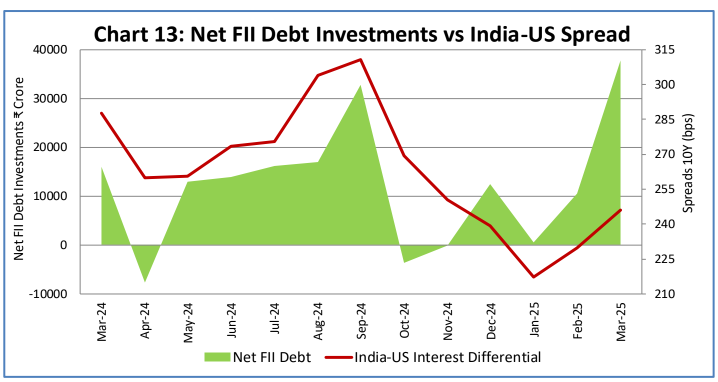


Chart 13: Net FII Debt Investments vs India-US Spread

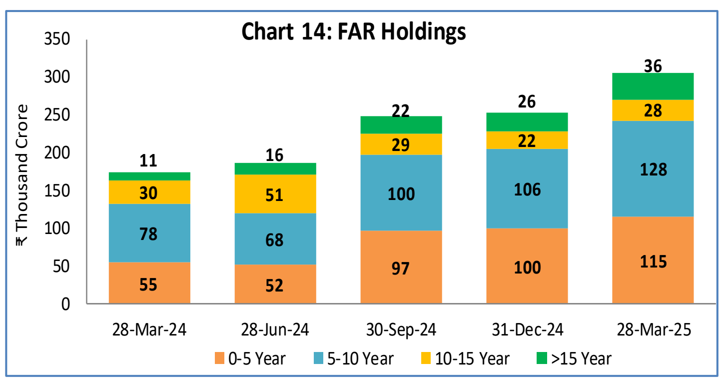
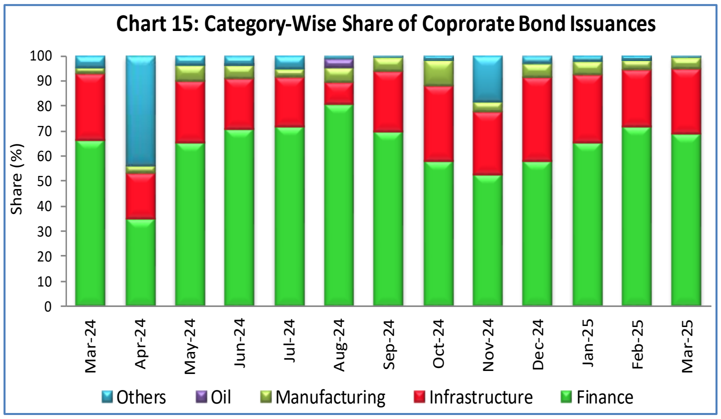
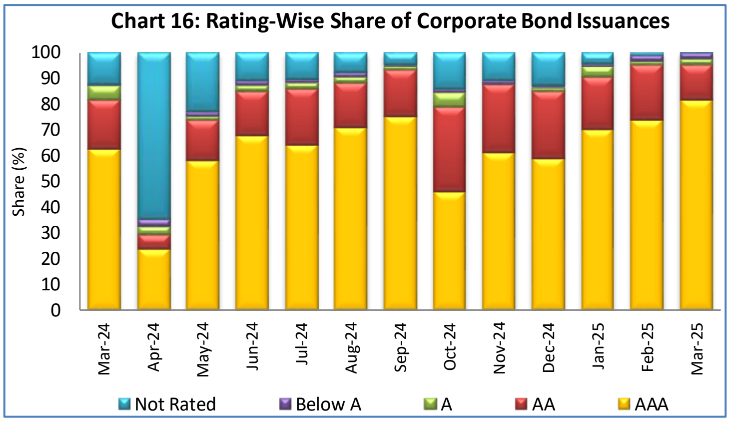


Chart 14: FAR Holdings

Corporate Borrowings

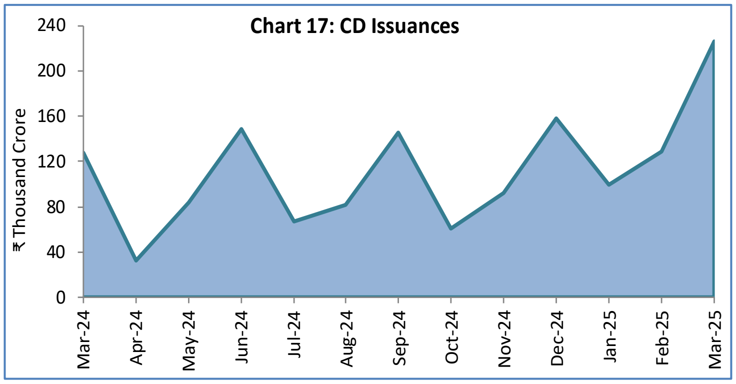
Fundraising through debt issuances by Indian companies sustained strong momentum in Q4-FY25. Finance companies remained the dominant borrowers, accounting for 56% of total issuances, followed by infrastructure companies. The share of financial firms in total corporate bond issuances rose to 69% in Q4-FY25 from 56% in Q3-FY25, driven by increased NBFC participation. AAA-rated bonds made up 76% of issuances, up from 56% in the previous quarter, while the share of AA-rated bonds declined to 18% from 28%.

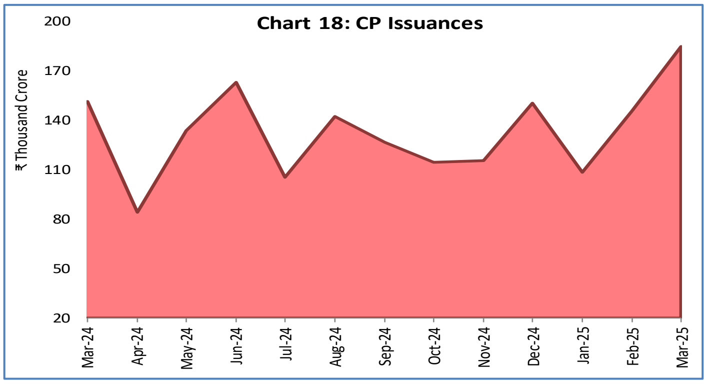




Short-term Corporate Borrowings (CDs & CPs)

Certificate of Deposits (CDs) and Commercial Papers (CPs) witnessed robust growth during Q4-FY25, with record issuances in March as banks increasingly turned to short-term capital market instruments amid liquidity tightness in the banking system. Sluggish deposit growth led to record CD issuances by banks to manage their capital needs, leading to a jump in interest rates for smaller banks and banks with asset quality issues. Simultaneously, finance companies led by NBFCs and HFCs actively tapped CP issuances to meet funding requirements. Overall, issuances of CDs accelerated 46% q-o-q to ₹4.60 lakh and CP issuances increased 16% to ₹4.40 lakh crore in Q4-FY25 over Q3-FY25.





Corporate Debt Trading Activity

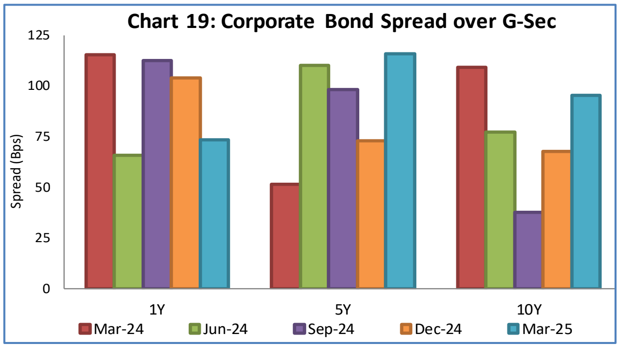
Secondary market trading in corporate bonds witnessed a strong rebound in Q4-FY25, primarily driven by heightened activity in finance and infrastructure bonds reflecting the robust primary issuances. While trading in CDs remained largely stable, CP trading surged considerably on the attractive yields. Investor preference continued to be skewed toward high-rated instruments, with AAA-rated papers dominating trades.

Table 9: Trading Activity in Corporate Debt Market (₹ Crore)

Quarter	Corporate Bonds	Certificates of Deposit	Commercial Papers	Corporate Bond Repo
Q4-FY24	335923	342272	205715	31130
Q1-FY25	297124	302997	188603	52265
Q2-FY25	393759	306810	222243	63204
Q3-FY25	363649	453386	232582	80793
Q4-FY25	473312	455050	439506	114444

Corporate Bond Spreads

Investors continued favoring high-quality AAA-rated instruments amid robust year-end borrowing. However, AAA corporate bond spreads over corresponding G-Sec yields displayed mixed trends in Q4-FY25 marked by supply-demand dynamics amid tight liquidity conditions. While spreads remained largely stable initially amid steady demand and muted market activity, a sharp rise in bond issuances towards the fiscal year-end, particularly from public sector enterprises, led to a widening of spreads across tenors. Short-term yields remained elevated reflecting elevated funding pressures.



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