Govt buys back 3 G-Secs worth ₹19,925 cr

Our Bureau
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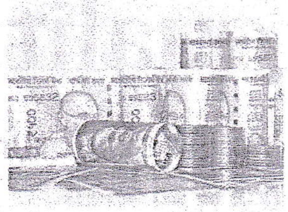
Banks placed offers to sell three government securities (G-Secs), all maturing in 2026, aggregating ₹40,339 crore against the notified amount of ₹25,000 crore at the buyback auction conducted by the Reserve Bank of India (RBI) on Thursday.

The RBI, on behalf of the government, sought to buy three G-Secs — 7.27 per cent GS 2026; 5.63 per cent GS 2026; and 6.99 per cent GS 2026.

The central bank bought G-Secs aggregating ₹19,925 crore — 7.27 per cent GS 2026 (for ₹5,442-crore face value), 5.63 per cent GS 2026 (₹10,221 crore), and 6.99 per cent GS 2026 (₹4,262 crore).

V Rama Chandra Reddy, Head - Treasury, Karur Vysya Bank, observed that the buyback of G-Secs is being undertaken by the Government of India primarily to utilise the current surplus liquidity at its disposal. "This



move is to reduce refinancing risk by retiring short-term or higher-cost debt and replacing it with longer-tenor or lower-cost borrowings."

"This also helps in smoothening the debt maturity profile and avoiding bunching of repayments in a particular fiscal year," Reddy said.

PROACTIVE STRATEGY

Venkatakrishnan Srinivasan, Founder and Managing Partner, Rockfort Fincap LLP, noted that the RBI's buyback of ₹19,925-crore worth of government bonds, all maturing in FY26, signals a coordinated and proactive debt management strategy rather than a monetary easing move.

"It's about using the government's strong cash position bolstered by the record RBI dividend to prepay upcoming maturities and smoothen the redemption calendar, which is a regular phenomenon. This approach is complemented by the government's announcement of a ₹32,000-crore switch operation scheduled for July 21, where near-term maturities (ranging from 2026 to 2029) will be exchanged for longer-dated securities maturing between 2032 and 2039," he said.

He observed that together, the buyback and switch are aimed at flattening redemption spikes over the next few years and extending the maturity profile of government debt.

"While the buyback does add to the already abundant system liquidity, it is incidental. The larger message is one of prudent fiscal planning and a systematic effort to manage redemption pressures well in advance," he added.