

# STATE GOVERNMENT FINANCES- Weekly SGS

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**SGS issuance restricted to half of the amount indicated for this week, keeping yields stable**

**NOVEMBER 1, 2022**





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*7 states raised Rs. 107 billion in today's auction, nearly half of the initially indicated amount*

*Weighted average cut-off of SGS dipped by 1 bp to 7.83% today*

*Spread between 10-year SGS and G-sec yield rose to 42 bps today from 39 bps last week*

Seven state governments raised Rs. 107 billion through state government securities (SGS) on November 1, 2022, around half of the Rs. 208 billion indicated for this week in the Q3 FY2023 auction calendar. The weighted average cut-off of the SGS dipped to 7.83% today from 7.84% in the last auction, despite the rise in weighted average tenor to 15 years from 13 years. The 10-year G-sec (7.26 GS 2032) yield declined to 7.40% today from 7.44% last Tuesday. The weighted average cut-off of the 10-year SGS decreased mildly to 7.82% today from 7.83% last week. Accordingly, the spread between the weighted average cut-off of 10-year SGS and the 10-year G-sec yield rose to 42 bps from 39 bps in the same period.

Haryana, Karnataka, Maharashtra, Sikkim, Tamil Nadu and Uttar Pradesh did not participate in today's auction, even though they had indicated a combined borrowing of Rs. 102 billion for this week. Additionally, Andhra Pradesh and Rajasthan borrowed Rs. 11 billion less than indicated. In contrast, Madhya Pradesh (by Rs. 10 billion) and Punjab (by Rs. 2 billion) raised more than the amount that they had indicated in the Q3 FY2023 auction calendar.

In today's auction, Rs. 82 billion (or ~77% of the total) was in the longer tenors, Rs. 18 billion (~17%) in the 10-year bucket and the balance (~7%) was in the shorter tenor (7-year Andhra Pradesh SGS). Notably, Kerala issued a 23-year SGS at a cut-off of 7.80%, lower than the cut-off of 7.82% for the 10-year SGS of Assam and Rajasthan in today's auction. Moreover, the cut-off of Kerala's 23-year SGS trailed the cut-off of the 11 to 20 years securities raised by Andhra Pradesh, Madhya Pradesh, Punjab and Telangana in today's auction.

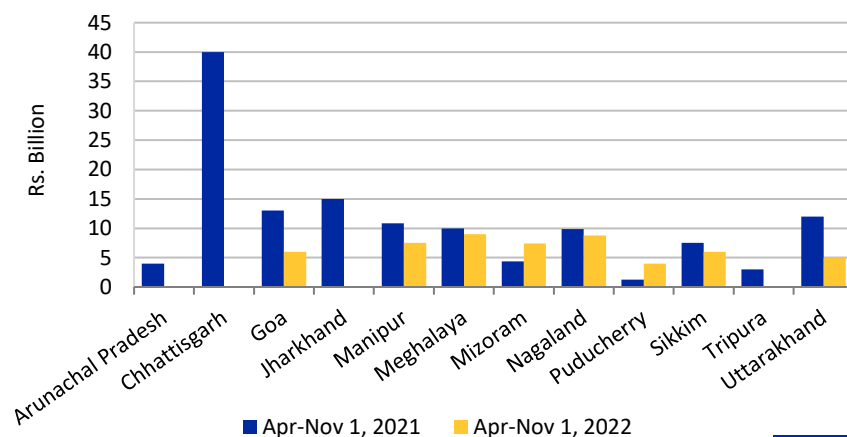
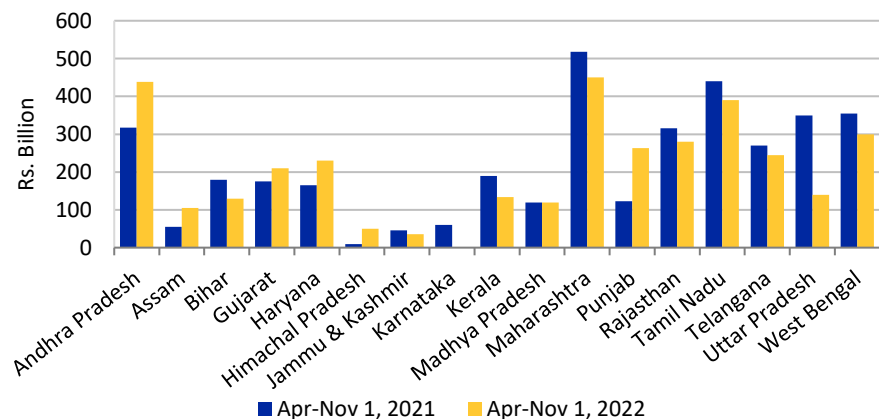
Overall, the cumulative SDL issuance of Rs. 3.6 trillion by 22 state governments and two Union Territories (UTs) during April-November 1, 2022, is ~6% lower than the year-ago level (Rs. 3.8 trillion).

# SGS issuance has declined by ~6% during Apr-Nov 1, 2022, on a YoY basis, led by 20 states/UT

Exhibit: SGS issuances during FY2023 (so far)

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of November 1, 2022	208	107	107	3,575
Week of November 1, 2021	217	142	137	3,821
Growth	-4.2%	-24.6%	-21.8%	-6.4%

Exhibit: Cumulative SGS issuance during Apr-Nov 1, 2022, and year-ago level

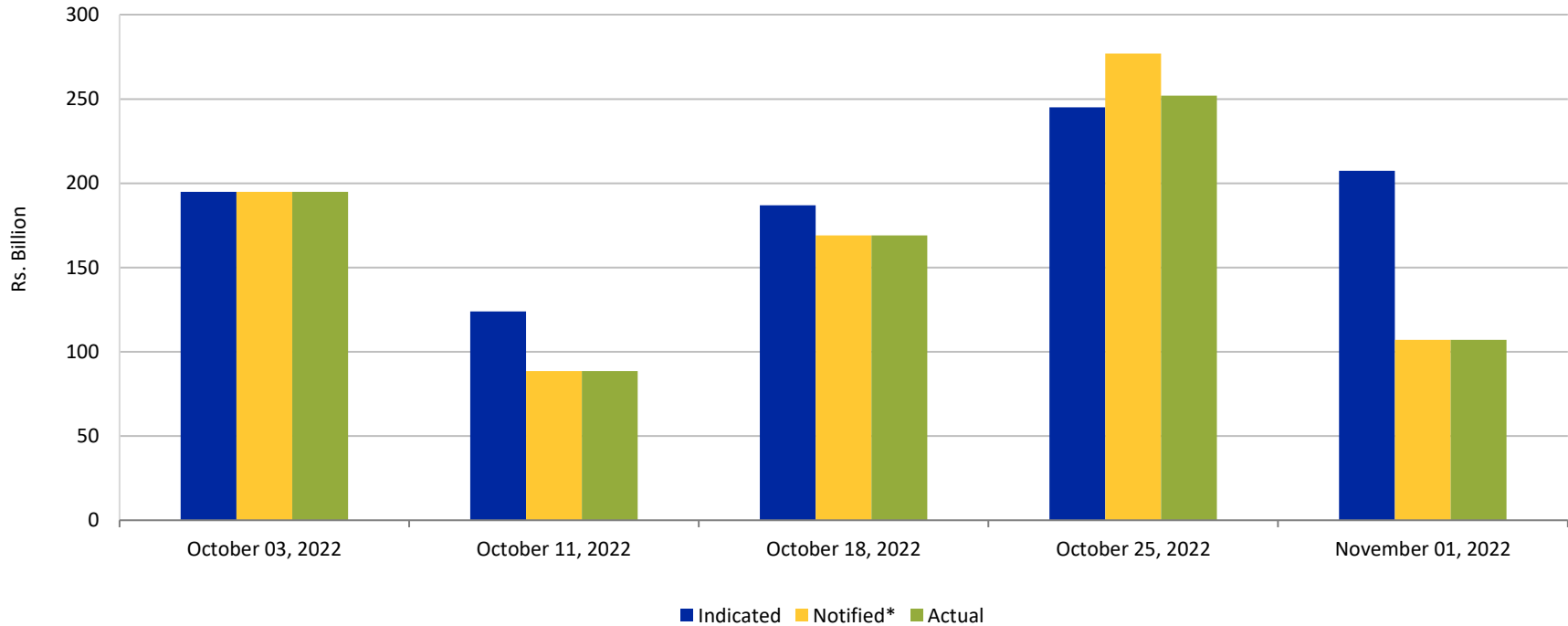


Note: \*Including green shoe

Source: Reserve Bank of India (RBI); ICRA Research

# Today's SGS issuance was nearly half of the initially indicated amount

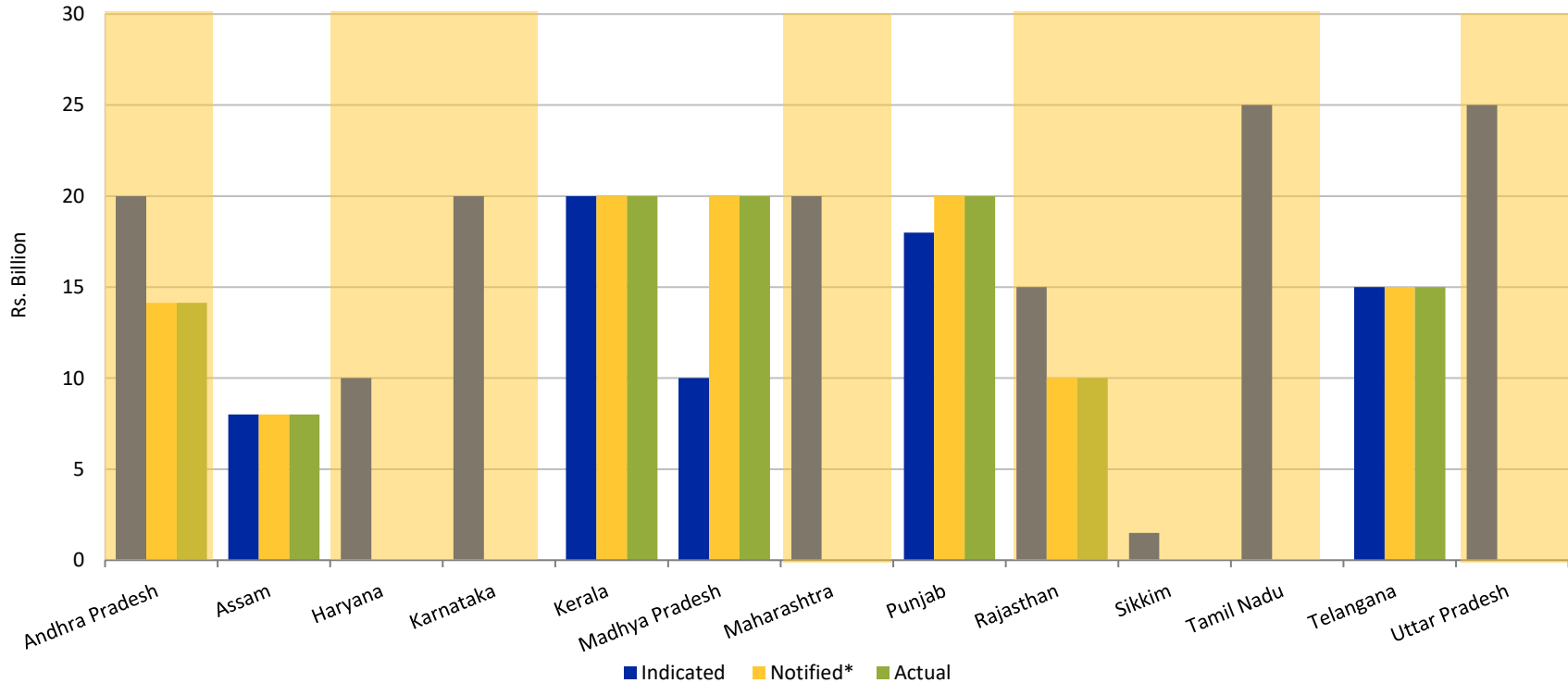
Exhibit: Indicated, notified and actual SGS issuances in Q3 FY2023 (so far)



**Note:** \*Including green shoe  
**Source:** RBI; ICRA Research

# Six states that had indicated a combined issuance of Rs. 102 billion, did not participate, and two states borrowed Rs. 11 billion less than what they had indicated

Exhibit: State-wise indicated, notified and actual SGS issuance on November 1, 2022



**Note:** \*Including green shoe  
**Source:** RBI; ICRA Research

# Weighted average cut-off of SGS dipped by 1 bp to 7.83% today from last week

Exhibit: Tenor-wise SGS issuance and cut-offs on November 1, 2022

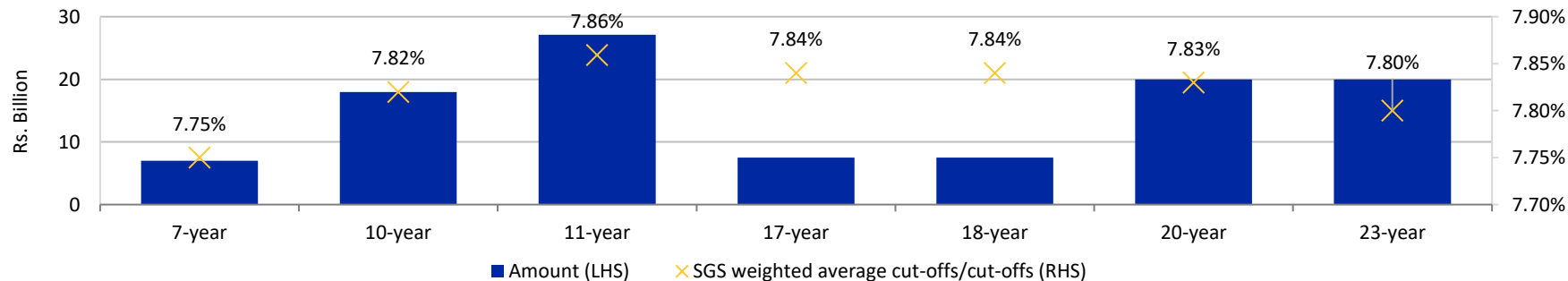
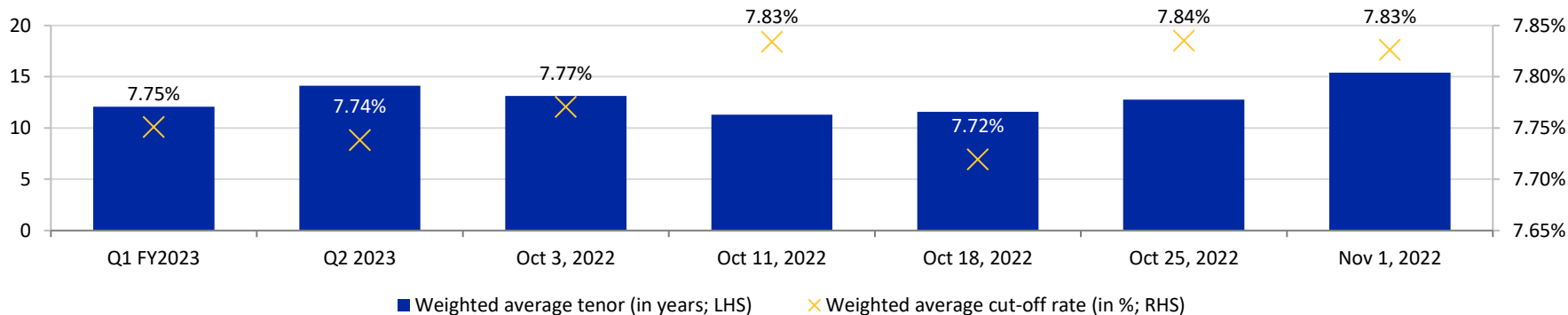
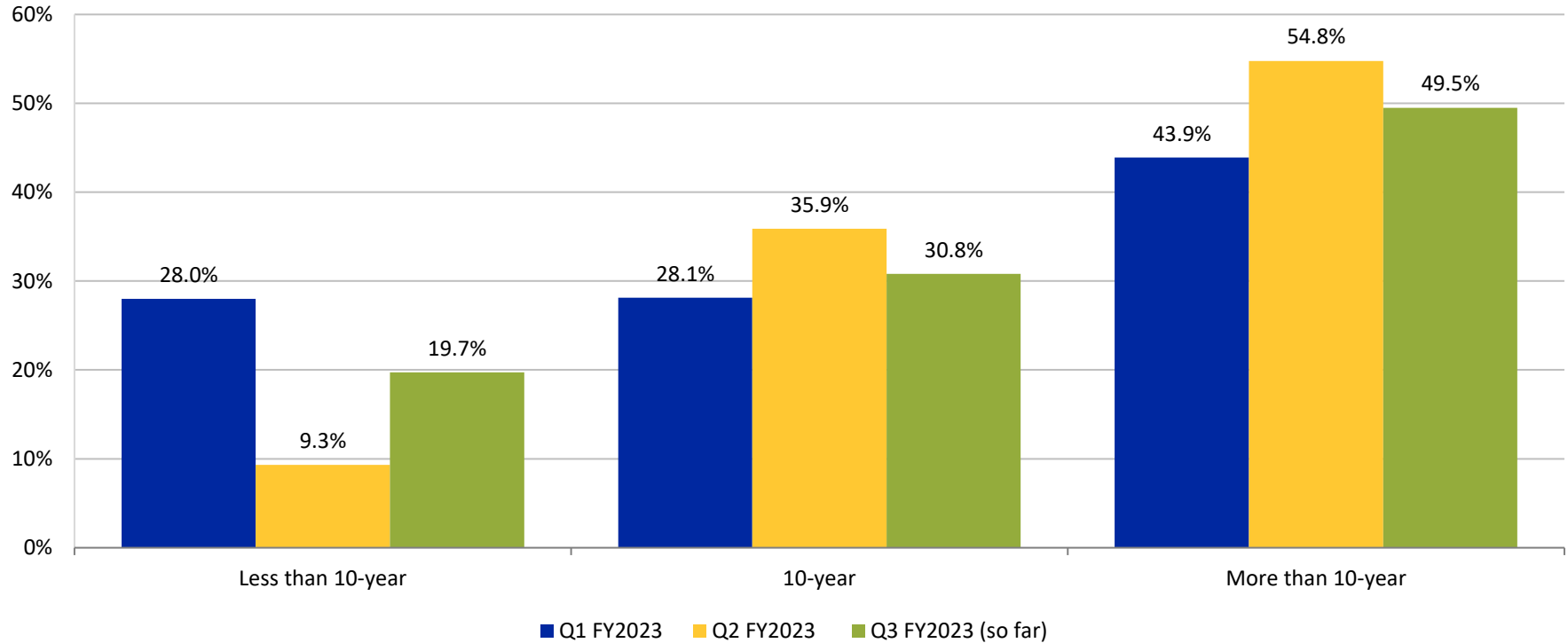


Exhibit: Weighted average cut-off and tenor of SGS during FY2023 (so far)



# Issuance in the longer tenors has eased to ~49% of the total in Q3 FY2023 (so far) from ~55% in Q2 FY2023

Exhibit: Classification of SGS issuance in FY2023 (so far)



# Spread between the 10-year SGS and G-sec yields rose to 42 bps today from 39 bps last week

## Exhibit: 10-year SGS and G-sec cut-offs

	October 3, 2022	October 11, 2022	October 18, 2022	October 25, 2022	November 1, 2022
Assam		7.85%		7.84%	7.82%
Bihar		7.85%	7.73%	7.85%	
Goa			7.74%	7.83%	
Gujarat	7.75%	7.81%			
Haryana		7.83%		7.81%	
Mizoram	7.78%				
Rajasthan	7.79%			7.84%	7.82%
Sikkim		7.85%			
Tamil Nadu	7.79%			7.82%	
Uttar Pradesh	7.81%				
Uttarakhand		7.85%			
<b>Weighted Average 10-year SGS cut-offs (A)</b>	<b>7.79%</b>	<b>7.83%</b>	<b>7.73%</b>	<b>7.83%</b>	<b>7.82%</b>
<b>Minimum 10-year SGS cut-off</b>	<b>7.75%</b>	<b>7.81%</b>	<b>7.73%</b>	<b>7.81%</b>	<b>7.82%</b>
<b>Maximum 10-year SGS cut-off</b>	<b>7.81%</b>	<b>7.85%</b>	<b>7.74%</b>	<b>7.85%</b>	<b>7.82%</b>
<b>10-year G-sec closing yield (B)</b>	<b>7.47%</b>	<b>7.43%</b>	<b>7.43%</b>	<b>7.44%</b>	<b>7.40%</b>
<b>Spread (A-B)</b>	<b>32 bps</b>	<b>41 bps</b>	<b>30 bps</b>	<b>39 bps</b>	<b>42 bps</b>



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