



# STATE GOVERNMENT FINANCES – SDL Auction July 21, 2020

Longer tenor SDL cut-  
offs cool by 6-8 bps



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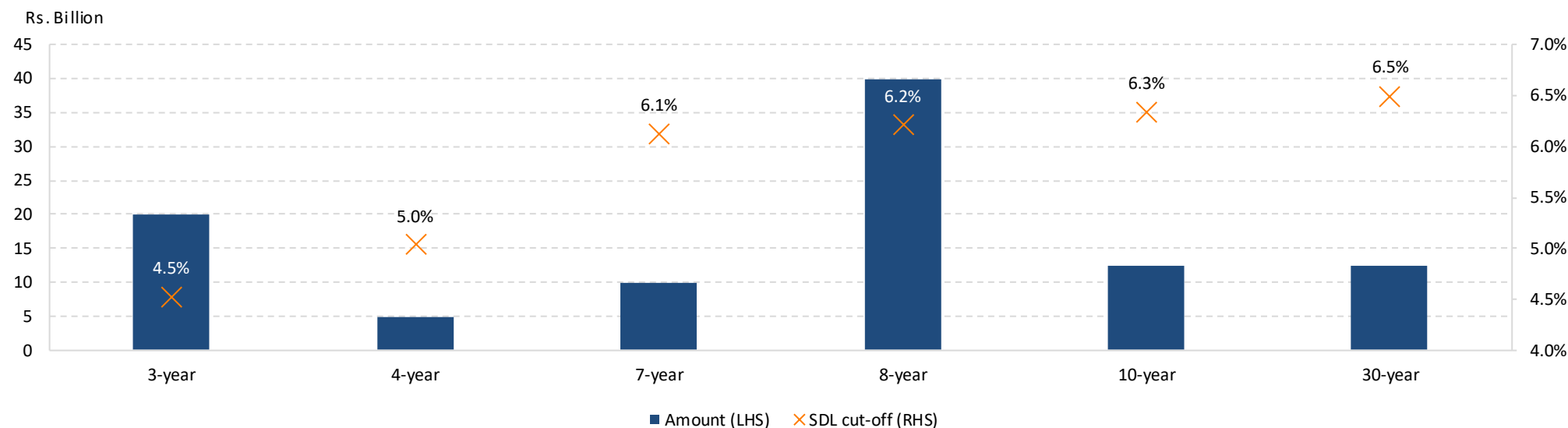
**Exhibit 1: Only five state governments raised Rs. 100 billion through state development loans (SDLs) in the auction held on July 21, 2020, 10.5% higher than indicated for that week, and 17.0% higher than the amount raised on July 23, 2019**

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of July 21, 2020	91	105	100	2,038
Week of July 23, 2019			85	1,187
Growth			17.0%	71.7%

Note: \* Including green shoe

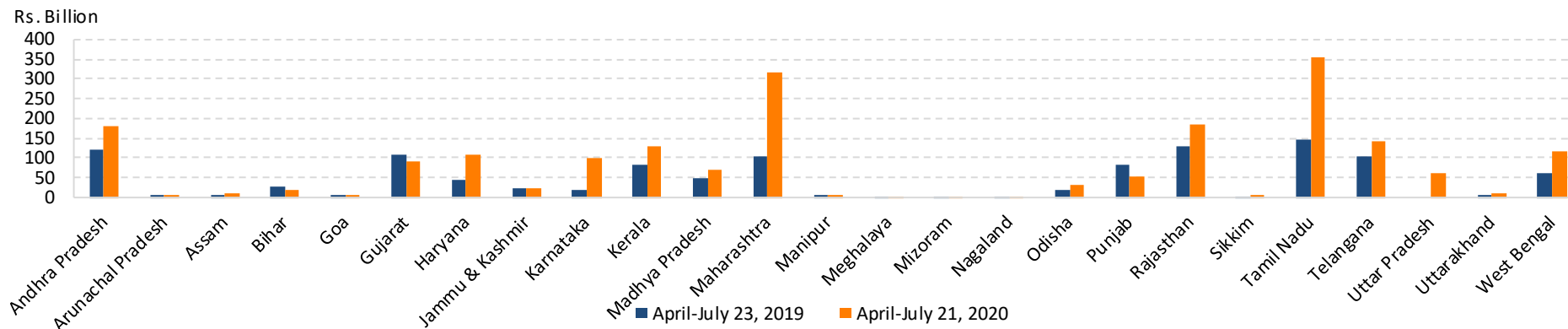
Source: Reserve Bank of India (RBI); ICRA research

**Exhibit 2: Maximum amount of Rs. 40 billion raised in 8-year papers, followed by Rs. 20 billion in 3-year SDL; Tamil Nadu (TN) issued a 10-year paper at 6.33% and a 30-year paper at 6.49% on July 21, 2020, implying a spread of 16 bps, slightly higher than recent auctions; nevertheless, the longer tenor SDL cut offs cooled relative to the recent auctions**



Source: RBI; ICRA research

**Exhibit 3: 24<sup>1</sup> state governments and one union territory (UT) have raised Rs. 2,038 billion during April – July 21, 2020, 71.7% higher than the amount raised during the same period last year; nearly 50% of the increase in borrowing has been led by Maharashtra and TN**



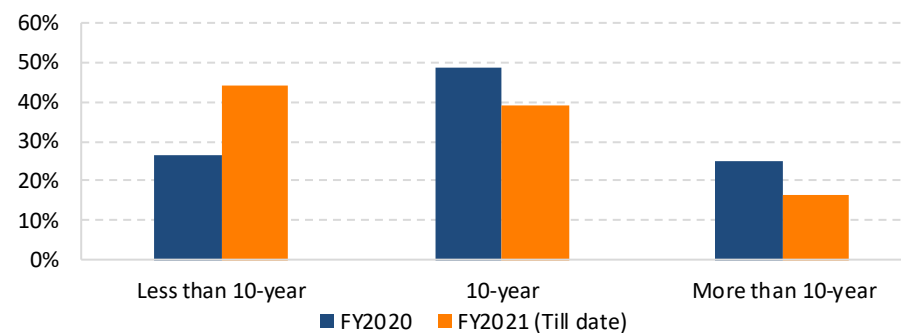
Source: RBI; ICRA Research

**Exhibit 4: Fewer state governments/UT have issued non-10-year SDLs in FY2021 so far, unlike the trend seen on July 21, 2020**

Year	Less than 10-year	10-year	More than 10-year
<b>FY2020</b>	Andhra Pradesh (AP), Assam, Bihar, Gujarat, Haryana, HP, Jharkhand, Karnataka, Madhya Pradesh (MP), Maharashtra, Odisha, Punjab, Rajasthan, TN, Telangana, Chhattisgarh & Puducherry	All 30 states/UTs	AP, Bihar, Haryana, HP, Jharkhand, Karnataka, MP, Maharashtra, Punjab, Rajasthan, TN, Telangana, West Bengal (WB) & Puducherry
<b>FY2021 (Till date)</b>	AP, Bihar, Gujarat, Haryana, Karnataka, Kerala, MP, Maharashtra, Odisha, Punjab, Rajasthan, TN & Telangana	All 25 states/UT except Odisha & Bihar	AP, Karnataka, Kerala, MP, Mizoram, Punjab, Maharashtra, Rajasthan, TN, Telangana & WB

Source: RBI; ICRA research

**Exhibit 5: Sharp rise in share of less than 10-year SDLs in total amount of SDL issuances**



Source: RBI; ICRA research

<sup>1</sup> Chhattisgarh, Himachal Pradesh (HP), Jharkhand, Tripura and Puducherry have not yet borrowed from the market.

**Exhibit 6: With a modest amount of 10-year SDL issuance, the spread between TN's 10-year SDL cut-off and 10-year G-sec yield eased to 50 bps on July 21, 2020 from 58 bps in the auction dated July 14, 2020**

10-year SDL cut-offs	June 16, 2020	June 23, 2020	June 30, 2020	July 7, 2020	July 14, 2020	July 21, 2020
AP	6.54%		6.57%	6.50%		
Assam				6.55%		
Goa	6.54%	6.58%			6.41%	
Gujarat			6.54%			
J&K				6.58%		
Manipur	6.56%				6.42%	
Meghalaya				6.52%		
Nagaland				6.52%		
Rajasthan	6.54%	6.59%	6.55%			
TN	6.55%				6.41%	6.33%
Telangana		6.60%				
UP				6.50%		
WB			6.55%			
<b>Weighted Average 10-year SDL cut-offs (A)</b>	<b>6.54%</b>	<b>6.60%</b>	<b>6.55%</b>	<b>6.53%</b>	<b>6.41%</b>	<b>6.33%</b>
<b>Minimum 10-year SDL cut-off</b>	<b>6.54%</b>	<b>6.58%</b>	<b>6.54%</b>	<b>6.50%</b>	<b>6.41%</b>	
<b>Maximum 10-year SDL cut-off</b>	<b>6.56%</b>	<b>6.60%</b>	<b>6.57%</b>	<b>6.58%</b>	<b>6.42%</b>	
<b>10-year G-sec closing yield (B)</b>	<b>5.85%</b>	<b>5.90%</b>	<b>5.89%</b>	<b>5.79%</b>	<b>5.83%</b>	<b>5.83%</b>
<b>Spread (A-B)</b>	<b>70 bps</b>	<b>69 bps</b>	<b>66 bps</b>	<b>74 bps</b>	<b>58 bps</b>	<b>50 bps</b>

Source: RBI; ICRA research





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