

STATE GOVERNMENT FINANCES- Weekly SDL

**Weighted average cut-off of SDLs
rose by 6 bps to 6.91% today**

October 5, 2021





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17 state governments raised Rs. 228 billion SDLs, in line with the indicated level for this week

Spread between the 10-year SDLs and G-sec increased to 63 bps today from 61 bps last week

Weighted average cut-off of SDLs rose by 6 bps to 6.91% in today's auction

17 state governments raised Rs. 228 billion through state development loans (SDLs) in the first weekly auction of Q3 FY2022 held on October 5, 2021. The total amount raised in today's auction was similar to the amount indicated for this week in the borrowing calendar for Q3 FY2022 released by the Reserve Bank of India on September 30, 2021. While Gujarat borrowed an additional Rs. 5 billion, Punjab raised Rs. 4 billion less than what had been indicated for this week.

Additionally, today's issuance was a muted 2.1% higher than the year-ago level of Rs. 224 billion. Cumulatively, 29 state governments/Union Territories (UTs; except Odisha) have borrowed Rs. 3,318 billion SDLs during Apr-Oct 5, 2021, 11.7% lower than the same period last year (Rs. 3,759 billion).

In today's auction, Rs. 103 billion (~45% of the issuance) was raised in 11-20-year tenors, Rs. 86 billion (~37% of the issuance) was issued in the 10-year bucket and the balance Rs. 40 billion (~18%) was issued in shorter tenor SDLs (5-9 years).

The weighted average cut-off of the 10-year SDLs increased by 7 bps to 6.91% on Oct 5, 2021 from 6.83% last week. The benchmark 10-year Government of India security (G-sec; 6:10 GS 2031) closed at 6.26% today, 3 bps higher than 6.23% last Tuesday. Accordingly, the spread between the 10-year weighted average SDL and the G-sec yield increased to 64 bps from 61 bps.

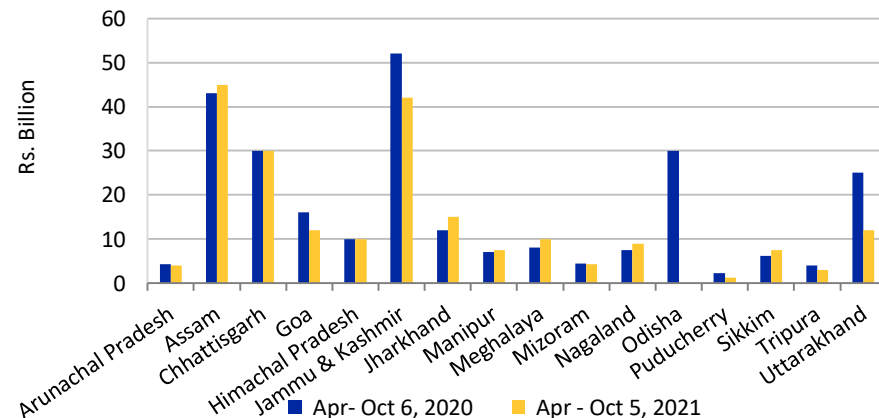
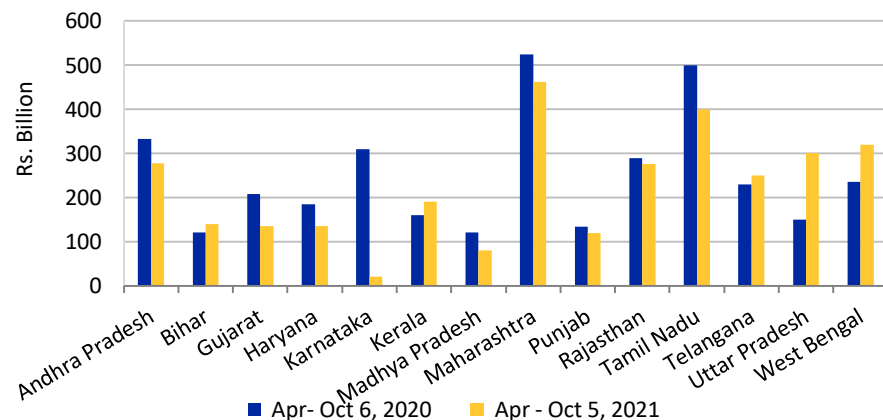
The weighted average cut-off of SDLs increased by 6 bps to 6.91% today from 6.85% in the last auction, despite the weighted average tenor remaining stable at 12 years.

SDL issuance declined by 11.7% during April-Oct 5, 2021 on a YoY basis

Exhibit: SDL issuances during April 8-Oct 5, 2021

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of Oct 5, 2021	228	233	228	3,318
Week of Oct 6, 2020	214	229	224	3,759
Growth	6.6%	1.8%	2.1%	-11.7%

Exhibit: Cumulative SDL issuance during April 8-Oct 5, 2021



Note: *Including green shoe

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

SDL issuance today is broadly in line with the indicated level

Exhibit: Indicated, notified and actual SDL issuances

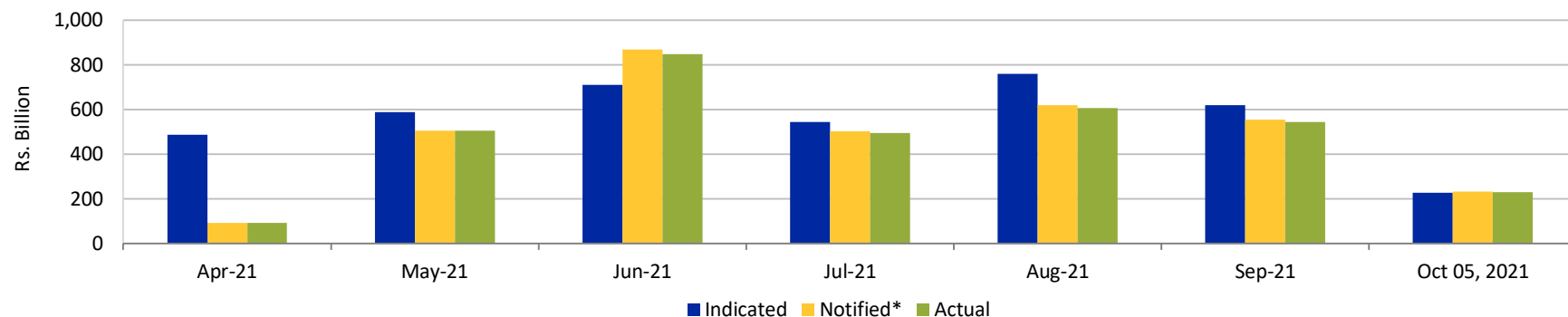
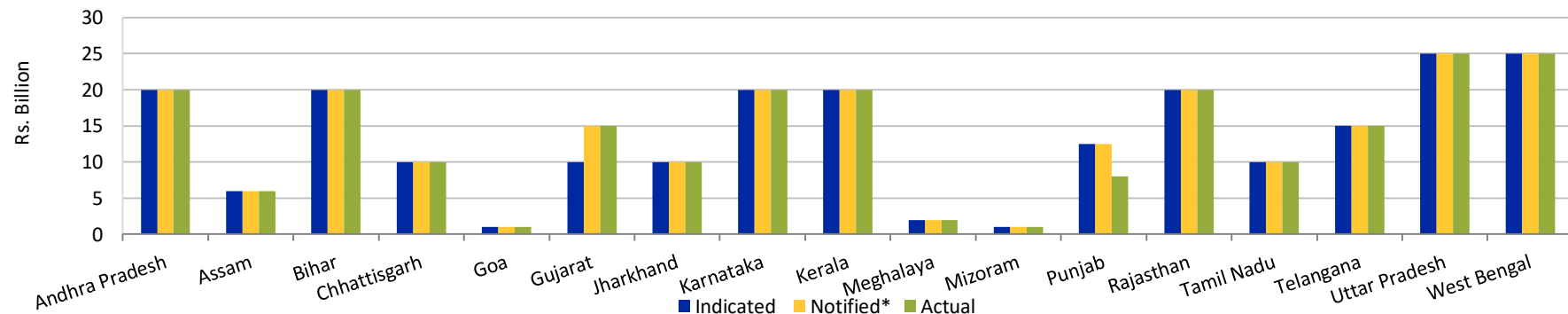


Exhibit: State-wise indicated, notified and actual SDL issuance on Oct 5, 2021

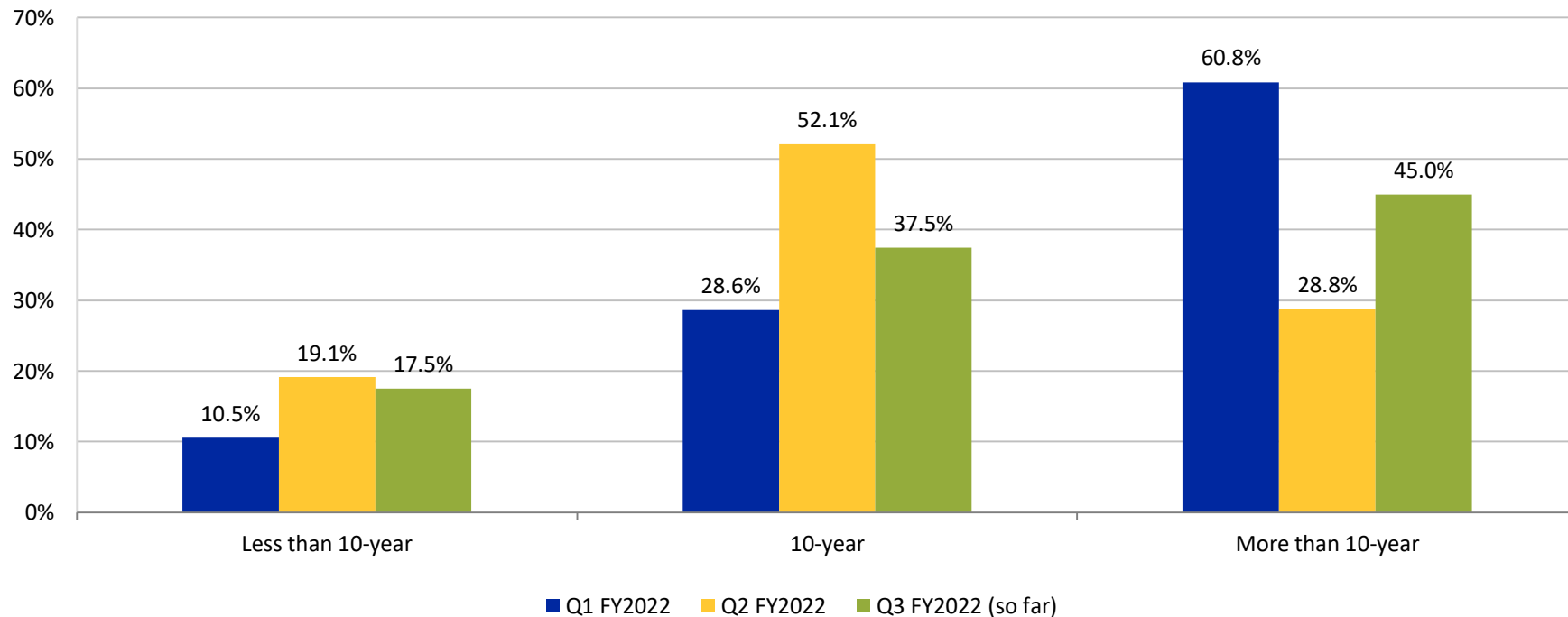


Note: *Including green shoe

Source: RBI; ICRA research

Share of longer tenor issuance increased to ~45% today from ~29% in Q2 FY2022

Exhibit: Classification of SDL issuance in FY2022 (so far)



Cut-off of 10-year SDLs hardened by 7 bps to 6.91% today relative to the last auction, with a flat yield curve at the long end

Exhibit: Tenor-wise SDL issuances* and cut-offs on Oct 5, 2021

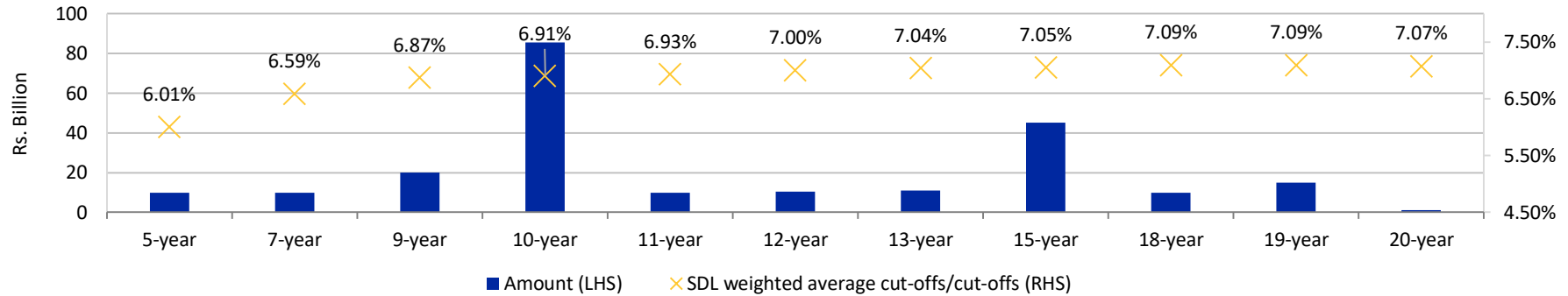
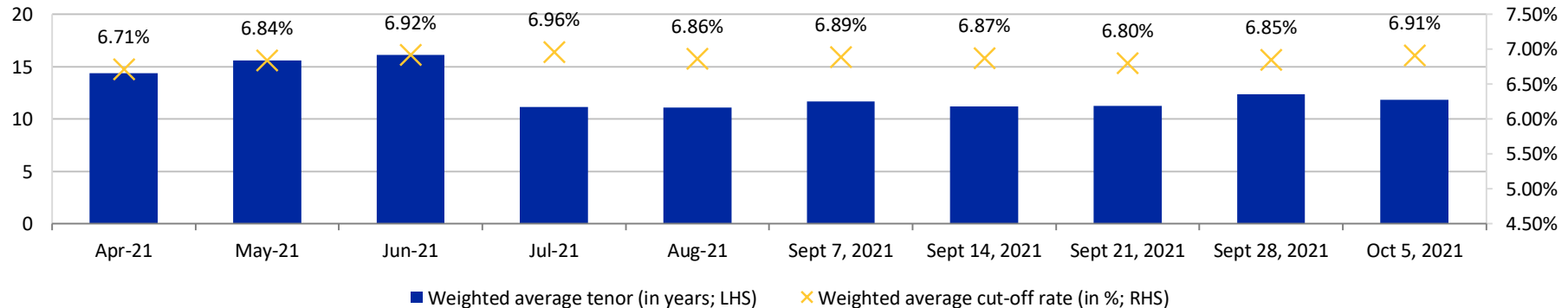


Exhibit: Weighted average cut-off and tenor of SDLs during April- Oct 5, 2021



Note: *Meghalaya raised Rs. 1 billion in a 20-year SDL

Source: RBI; ICRA research

Spread between the 10-year SDLs and G-sec rose to 64 bps on Oct 5, 2021 from 61 bps last week

Exhibit: 10-year SDL and G-sec cut-offs

10-year SDL cut-offs	Sept 7, 2021	Sept 14, 2021	Sept 21, 2021	Sept 28, 2021	Oct 5, 2021
Assam		6.87%		6.85%	6.91%
Goa	6.88%	6.85%		6.83%	6.89%
Gujarat	6.84%				6.89%
Jharkhand		6.87%			
Karnataka					6.88%
Madhya Pradesh		6.85%	6.79%		
Maharashtra			6.77%	6.82%	
Manipur		6.87%			
Meghalaya					6.91%
Nagaland			6.80%		
Punjab	6.89%	6.88%		6.84%	6.92%
Rajasthan	6.87%		6.77%		6.91%
Sikkim			6.80%		
Tamil Nadu			6.76%		6.90%
Uttar Pradesh	6.89%	6.87%		6.84%	6.92%
West Bengal	6.85%				
Weighted Average 10-year SDL cut-offs (A)	6.87%	6.87%	6.78%	6.83%	6.91%
Minimum 10-year SDL cut-off	6.84%	6.85%	6.76%	6.82%	6.88%
Maximum 10-year SDL cut-off	6.89%	6.88%	6.80%	6.85%	6.92%
10-year G-sec closing yield (B)	6.19%	6.20%	6.12%	6.23%	6.26%
Spread (A-B)	67 bps	67 bps	65 bps	61 bps	64 bps



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