

## STATE GOVERNMENT FINANCES- Weekly SDL

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**Weighted average cut-off of SDLs declines mildly to 7.93% with continued trend of lower-than-indicated SDL issuance**

**June 14, 2022**





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*3 states raised Rs. 50 billion SDLs,  
~70% lower than the indicated level*

*Weighted average cut-off of SDLs  
softened by 4 bps to 7.93% today*

*Spread between 10-year SDL and G-sec  
yield declined mildly to 36 bps today  
from 37 bps last week*

In a small sized auction, Andhra Pradesh, Haryana, and Tamil Nadu raised Rs. 50 billion through state development loans (SDLs) on June 14, 2022, nearly 70% lower than the indicated amount for this week. Ten states did not participate today, even though they had indicated that they would borrow a substantial Rs. 118 billion this week in the auction calendar. Additionally, Tamil Nadu borrowed Rs. 10 billion less SDLs today compared to the amount indicated for this week. This was offset by additional borrowing of Rs. 10 billion by Andhra Pradesh today.

Overall, SDL issuance has trailed the indicated amount in seven of the 11 weekly auctions in Q1 FY2023 (so far). The total borrowings of Rs. 842 billion so far in Q1 FY2023 raised by 15 state governments/Union Territory (UT), are nearly 46% lower than the indicated Rs. 1,554 billion. On a YoY basis, the borrowings are 19.3% lower than the year-ago level (Rs. 1,044 billion).

In today's auction, Rs. 20 billion (or ~40% of the total issuance) each was in the 10-year bucket and longer tenors. Haryana issued the balance Rs. 10 billion (~20%) in the 5-year maturity bucket. The weighted average cut-off of SDLs softened by 4 bps to 7.93% today from 7.97% in the last auction, amidst a stable weighted average tenor of 13 years.

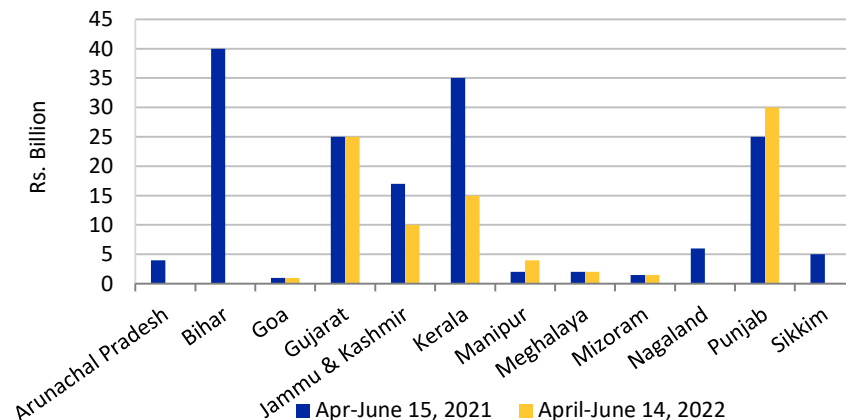
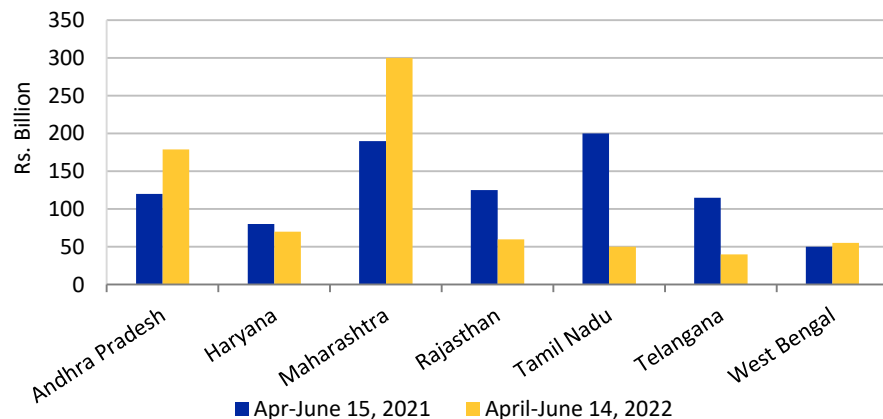
The benchmark 10-year Gol security (G-sec; 6:54 GS 2032) yield rose to 7.58% today from 7.52% last Tuesday led by surge in crude oil prices, US Treasury yields, weaker INR and apprehensions of rise in domestic inflation. The weighted average cut-off of the 10-year SDL increased by 5 bps to 7.95% today from last Tuesday. Accordingly, the spread between the weighted average 10-year SDL and 10-year G-sec yield declined mildly to 36 bps from 37 bps during the same period.

# SDL issuance has declined by 19.3% in FY2023 so far on a YoY basis, led by 10 states/UT

Exhibit: SDL issuances during FY2023 (so far)

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of June 14, 2022	168	50	50	842
Week of June 15, 2021	130	136	136	1,044
Growth	29.0%	-63.2%	-63.2%	-19.3%

Exhibit: Cumulative SDL issuance during April-June 14, 2022, and year-ago level

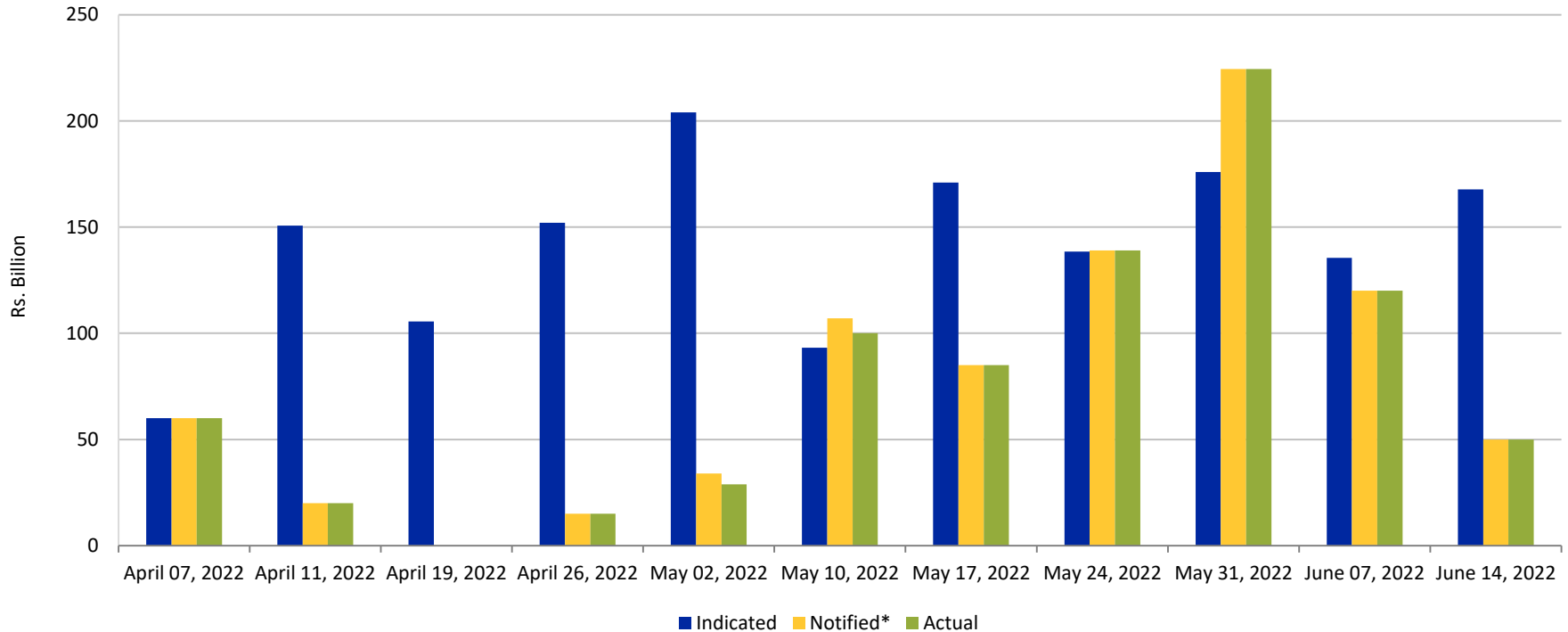


Note: \*Including green shoe

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

# SDL issuance today was a sharp 70.0% lower than indicated for this week

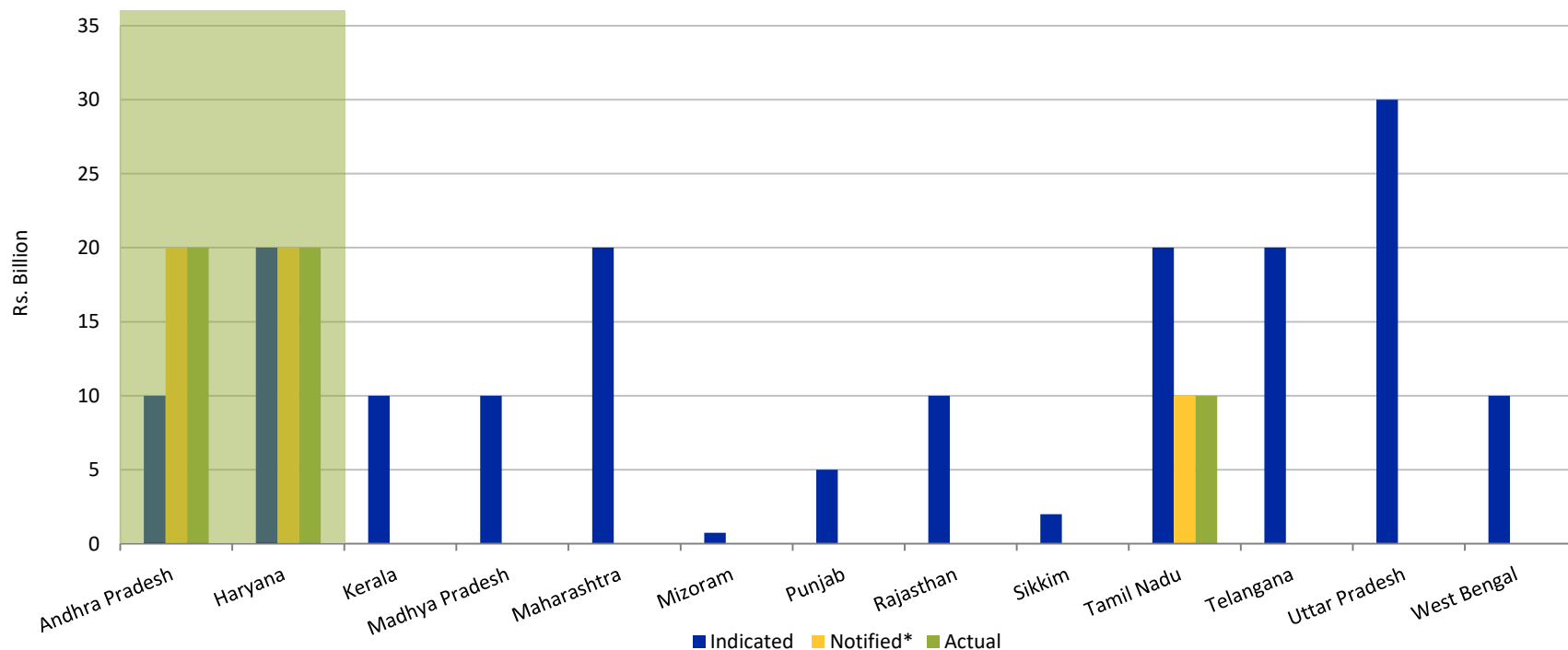
Exhibit: Indicated, notified and actual SDL issuances in Q1 FY2023 (so far)



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

# Ten states, which had indicated to borrow Rs. 118 billion SDLs, did not participate in today's auction; Tamil Nadu borrowed Rs. 10 billion less than indicated

Exhibit: State-wise indicated, notified and actual SDL issuance on June 14, 2022



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

# Weighted average cut-off of SDLs softened by 4 bps to 7.93% today from last week

Exhibit: Tenor-wise SDL issuance and cut-offs on June 14, 2022

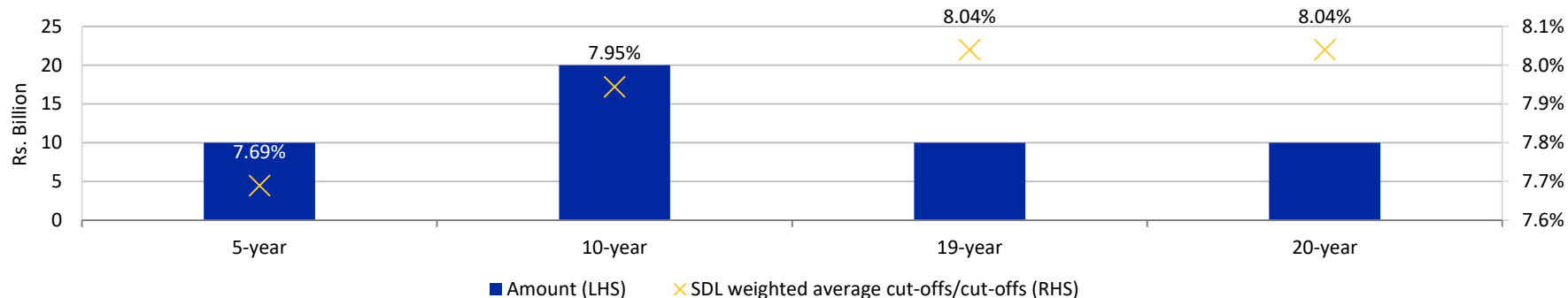
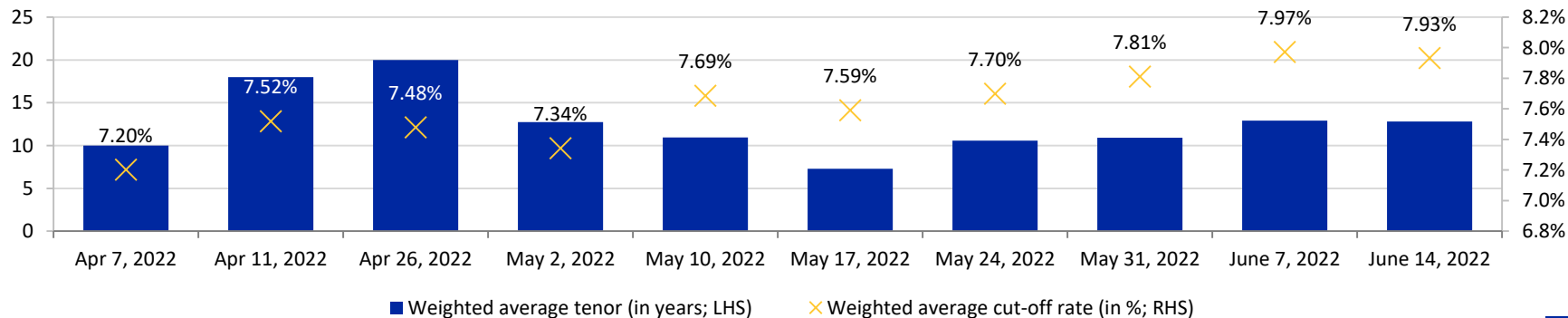
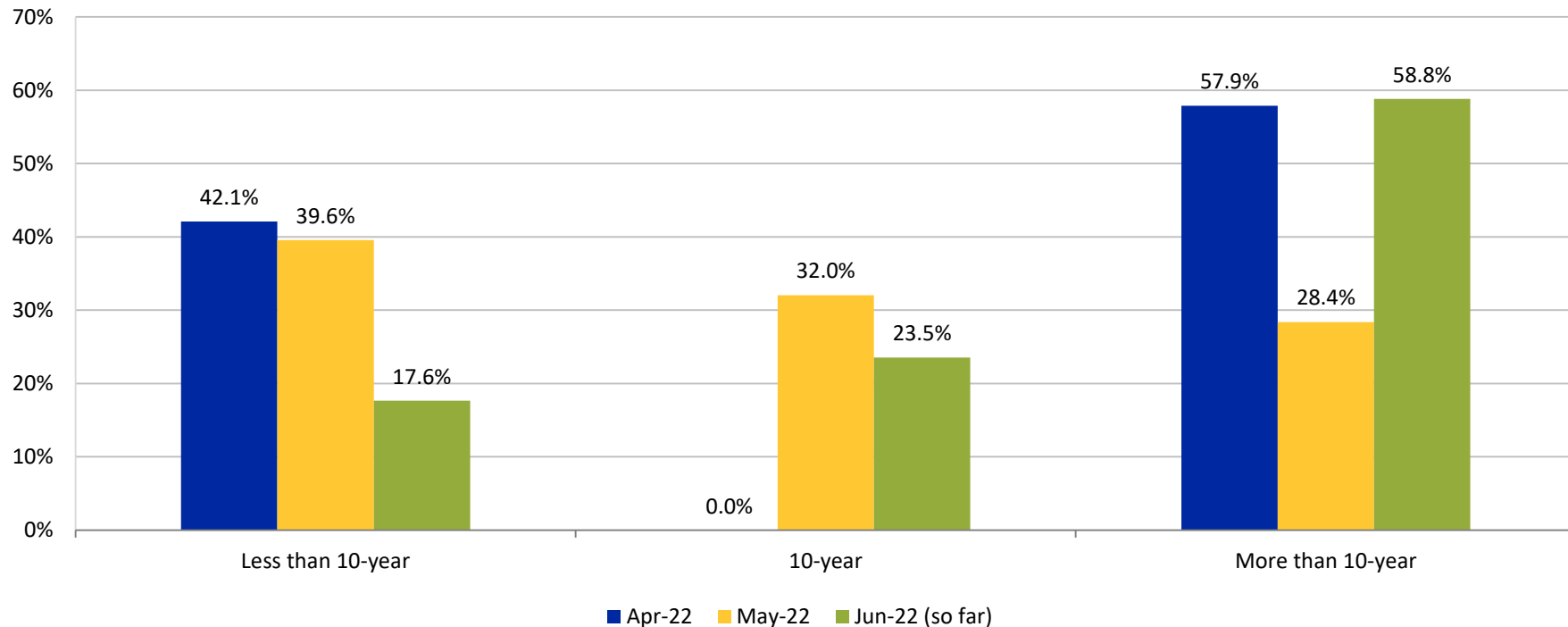


Exhibit: Weighted average cut-off and tenor of SDLs during April-June 14, 2022



# Share of longer tenor issuances has risen to ~59% in June 2022 from ~28% in May 2022, similar to the level in April 2022

Exhibit: Classification of SDL issuance in Q1 FY2023 (so far)



# Spread between the 10-year SDL and G-sec dipped to 36 bps today from 37 bps last week

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

	May 17, 2022	May 24, 2022	May 31, 2022	June 7, 2022	June 14, 2022
Andhra Pradesh		7.71%			
Goa			7.81%		
Gujarat			7.80%		
Haryana			7.81%		7.95%
Jammu & Kashmir		7.72%			
Maharashtra		7.70%	7.81%	7.89%	
Manipur		7.69%	7.82%		
Rajasthan	7.70%				
Tamil Nadu			8%		7.94%
West Bengal		7.73%	7.83%		
Weighted Average 10-year SDL cut-offs (A)	7.70%	7.72%	7.81%	7.89%	7.95%
Minimum 10-year SDL cut-off	7.70%	7.69%	7.80%	7.89%	7.94%
Maximum 10-year SDL cut-off	7.70%	7.72%	7.82%	7.89%	7.95%
10-year G-sec closing yield (B)	7.37%	7.36%	7.42%	7.52%	7.58%
<b>Spread (A-B)</b>	<b>33 bps</b>	<b>36 bps</b>	<b>40 bps</b>	<b>37 bps</b>	<b>36 bps</b>



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