



STATE GOVERNMENT FINANCES

Gross SGS issuance projected at Rs. 11.9-12.5 trillion in FY2026

APRIL 2025

Aditi Nayar
+91 124 4545 385
aditin@icraindia.com

Neetika Shridhar
+91 124 4545 305
neetika.shridhar@icraindia.com

Jaspreet Kaur
+91 124 4545 853
jaspreet.kaur@icraindia.com

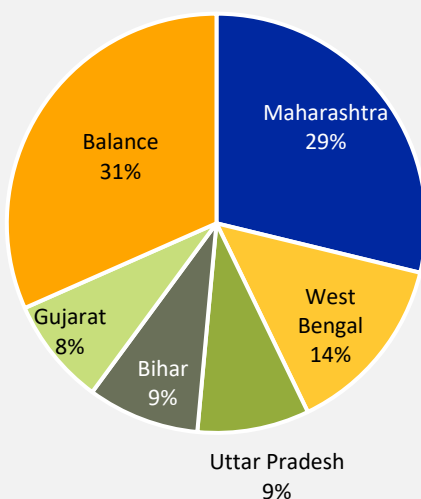


SUMMARY



Click to Provide Feedback

Exhibit: State-wise share in incremental Q1 FY2026 indicative SGS issuance of Rs. 1.3 trillion

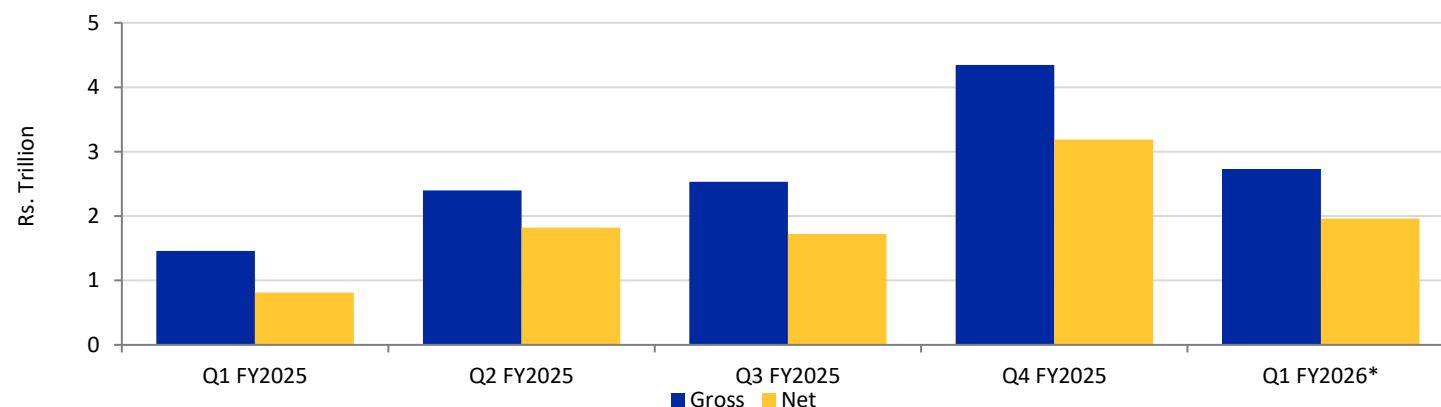


Source: RBI; ICRA Research

The Reserve Bank of India (RBI) has pegged the gross issuance of State Government Securities (SGS) at Rs. 2.7 trillion for Q1 FY2026, a massive year-on-year (YoY) expansion of 87.4%. Bihar, Gujarat, Maharashtra, West Bengal (WB) and Uttar Pradesh (UP) have indicated a borrowing of Rs. 950 billion, nearly three-fourths of the incremental indicated amount of Rs. 1.3 trillion for Q1 FY2026 from the year-ago level. In our view, the timing of disbursement of the funds under the 'Special Assistance as Loan to States for Capital Expenditure' scheme or capex loan scheme for FY2026 by the Government of India (GoI) to the states in Q1 FY2026, could be a key factor in the quantum of their actual SGS issuance. An early off-take of the funds under the capex loan by states in FY2026, relative to the highly back-ended releases in FY2025, may lead to states reassessing their SGS issuance in Q1 FY2026 relative to the planned levels.

At present, we forecast the gross SGS issuance in FY2026 in the range of Rs. 11.9-12.5 trillion, 11-16% higher than the Rs. 10.7 trillion gross issuances in FY2025. Factoring in redemptions of Rs. 3.7 trillion in FY2026 (up from Rs. 3.2 trillion in FY2025), we project the net SGS issuance in FY2026 in the range of Rs. 8.2-8.7 trillion, 9-16% higher than the net issuances of Rs. 7.5 trillion in FY2025.

Exhibit: Gross and Net SGS Issuance

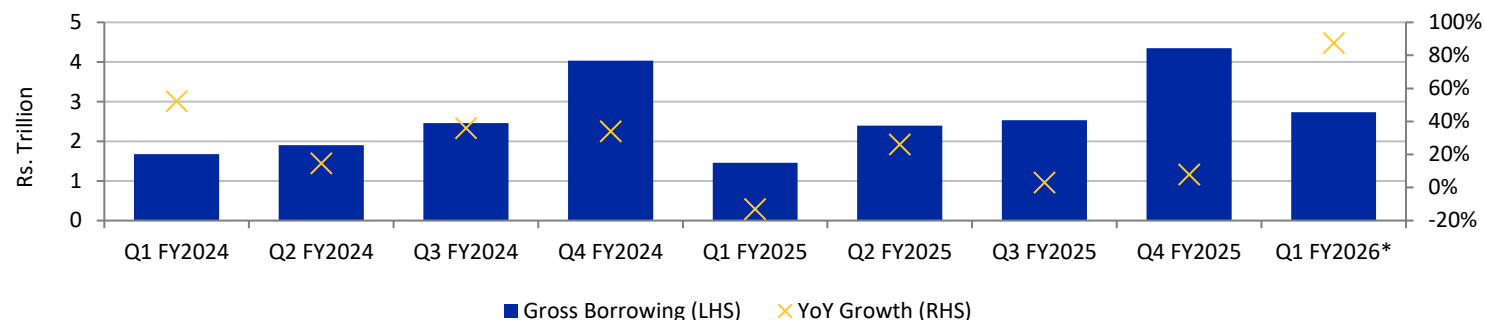


Note: * FY2026 based on Q1 indicative borrowing
Source: RBI; ICRA Research

GROSS SGS ISSUANCE IN Q1 FY2026 INDICATED AT RS. 2.7 TRILLION, ~87% HIGHER ON A YoY BASIS

The auction calendar of market borrowings by 25 state governments (except Arunachal Pradesh, Jharkhand, and Tripura) and two Union Territories (UTs) for Q1 FY2026 released by the RBI on April 1, 2025, has placed the total market borrowing at Rs. 2.7 trillion. This implies a YoY growth of 87.4% following a 13.0% contraction in Q1 FY2025 (gross issuance of Rs. 1.5 trillion; refer Exhibit 1) and record-high borrowings in March 2025. The indicated amount for Q1 FY2026 is also higher than the actual issuance in Q2 and Q3 of FY2025, which suggests that the actual issuance may trail the indicative amount.

Exhibit 1: Gross SGS issuance by all state governments/UTs and their YoY growth



Note: * FY2026 based on Q1 indicative borrowing and YoY growth is over actual SGS issued in Q1 FY2025

Source: RBI; ICRA Research

ICRA estimates the SGS redemptions to increase to Rs. 770 billion in Q1 FY2026 from Rs. 646 billion in Q1 FY2025. Accordingly, the indicated net SGS issuance in Q1 FY2026 is assessed at Rs. 2.0 trillion, 2.4x the actual net issuance of Rs. 813 billion in Q1 FY2025, which once again seems optimistic.

The Q1 FY2026 auction calendar has pegged the SGS issuance in April 2025 at Rs. 933 billion or 34% of the indicated Rs. 2.7 trillion. The size of the five SGS auctions in April 2025 will vary between Rs. 118 billion and Rs. 271 billion. Subsequently, Rs. 933 billion SGS is proposed to be issued in May 2024 (34% of the total), in four weekly auctions, with the size of the auctions ranging widely between Rs. 174 billion and Rs. 289 billion. The balance Rs. 867 billion (32% of the total) SGS indicated for Q1 FY2026 is expected to be issued in June 2025, with a weekly size ranging from Rs. 115 billion and Rs. 301 billion. The SGS auction dated April 3, 2025, is scheduled on a Thursday with all the remaining 12 auctions will be held on Tuesdays.

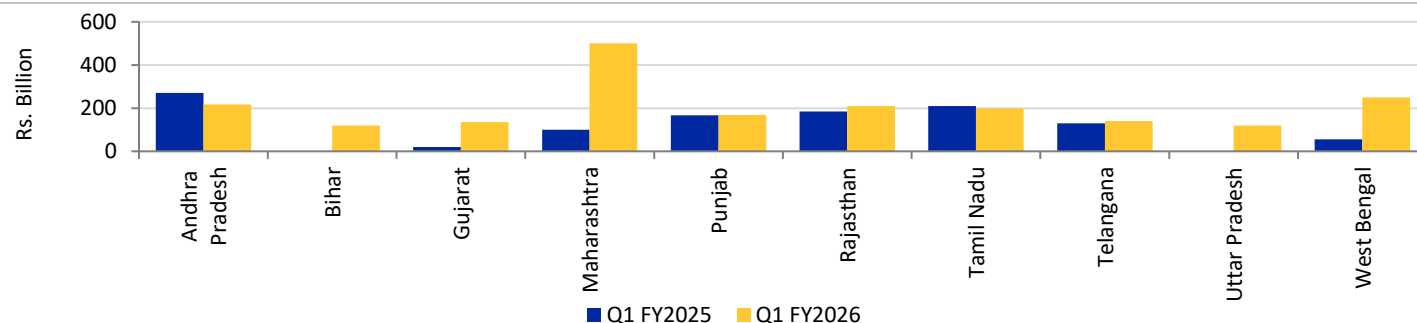
25 states and 2 UTs have indicated borrowings of Rs. 2.7 trillion for Q1 FY2026, 87.4% higher on a YoY basis

Combined incremental borrowing of Gujarat, Maharashtra, WB and UP is indicated at Rs. 950 billion for Q1 FY2026, comprising ~75% of the total increase of Rs. 1.3 trillion from the year-ago level

BIHAR, GUJARAT, MAHARASHTRA, UP AND WB ACCOUNT FOR THREE-FOURTH OF THE INCREMENTAL ISSUANCE IN Q1 FY2026

In the Q1 FY2026 auction calendar, Maharashtra has indicated the highest amount of gross issuance of Rs. 500 billion (refer Exhibit 2). This is Rs. 400 billion higher than the amount borrowed in Q1 FY2025 (Rs. 100 billion). The incremental borrowing of WB, UP, Bihar and Gujarat in Q1 FY2026 is placed at Rs. 195 billion, Rs. 120 billion, Rs. 120 billion and Rs. 115 billion, respectively. The combined incremental borrowing of Bihar, Gujarat, Maharashtra, WB and UP is indicated at Rs. 950 billion, comprising nearly 75% of the total increase of Rs. 1.3 trillion from Q1 FY2025. Additionally, Karnataka, which had abstained from borrowing in Q1 of FY2023-FY2025, has now indicated to borrow Rs. 100 billion in Q1 FY2026. Similarly, Madhya Pradesh plans to borrow Rs. 100 billion in Q1 FY2026 whereas its actual issuance in Q1 FY2023-FY2025 have been limited to Rs. 20-60 billion. **In the recent fiscals, Maharashtra, WB, UP have under borrowed in the first quarter relative to the indicated amount by sizeable extents. A continuation of these trends would imply total actual issuance in Q1 FY2026 would be lower than the indicated Rs. 2.7 trillion.**

Exhibit 2: State-wise actual issuance in Q1 FY2025 and indicated issuance in Q1 FY2026 (top 10 states)



Source: RBI; ICRA Research

DISBURSEMENT OF CAPEX LOANS AND FEW OTHER FACTORS TO IMPACT QUANTUM OF SGS ISSUANCES IN Q1 FY2026

Notably, the actual issuance in the first quarter of FY2023 (by 42%), FY2024 (by 16%) FY2025 (by 43%) trailed the indicated amount. The large shortfall (Rs. 1.1 trillion) in actual SGS issuance in Q1 FY2025 from the indicated level was partly led by lull in capital spending in that quarter amidst the Parliamentary elections that were held in various phases during April-May 2024. In these two months the actual SGS issuance was limited to 50% of the planned issuance, which improved to 75% in June 2024. **We expect the gap between the actual and indicated SGS issuance to narrow in Q1 FY2026 from the wide divergence seen in Q1 FY2025.**

Increase in the magnitude of capex loans and early kick-off of disbursement of such loans to be a key factor for states in deciding their actual SGS issuance versus the indicated amount

Additionally, we expect improvement in the time taken by states in providing detailed information regarding sources of borrowings to the Gol. This could lead to shortening of the time taken by the Gol in finalising the borrowing ceiling of the states in FY2026 relative to the previous years. **The expected reduction in lag in receipt of borrowing permission from the Gol should support an earlier pickup in borrowings in Q1 FY2026 relative to Q1 FY2025.**

Moreover, partly led by Elections and the subsequent formation of the government at the Centre and presentation of the final FY2025 Union Budget in July 2024, the disbursements by the Gol to the states under the Special Assistance as Loan to States for Capital Expenditure” scheme (capex loans) had declined by 44% in Q1 FY2025 to Rs. 149 billion from Rs. 268 billion in Q1 FY2024. With this divergence widening to 50% in Q2 FY2025 (Rs. 152 billion vs. Rs. 306 billion in Q2 FY2024), the disbursement of capex loan was highly backended in FY2025. Reflecting this and other factors, most of the states have reported a shortfall in capital spending in FY2025 relative to the budgeted targets for that fiscal. In the FY2026 Union Budget the Gol had enhanced the amount for the capex loans to Rs. 1.5 trillion for FY2026 BE from Rs. 1.3 trillion in FY2025 RE. As per information available on Lok Sabha’s website, the approvals for capex loans stood at Rs. 1.1 trillion till Jan 2025 while **information in the print media places the total disbursement in FY2025 at Rs. 1.5 trillion, surpassing the amount indicated in FY2025 RE and touching the levels set for FY2026 BE (refer Exhibit 3). To support economic growth, ICRA anticipates that the Gol could nudge states to expedite capital spending and avail capex loans from the beginning of FY2026 for it to show a meaningful impact on the real economy. Accordingly, if the Gol disburses a sizeable amount of capex loan to the states in Q1 FY2026, it may lead to some states reassessing their borrowing requirements from the indicated level.**

Additionally, FY2026 is the last year of the 15th Finance Commission’s award period (FY2022-FY2026). As any unutilised borrowing limit for FY2026, cannot be carried forward to FY2027, those states that typically borrow below the permissible limit, may want to exhaust that space in FY2026. However, **an assessment of the cost of borrowing of the unutilised amount and the option to avail interest-free capex loan, may lead to most of the states opting for the latter.**

Exhibit 3: Trends in progressive approvals and releases under capex loans

Amount in Rs. Billion		Q1	Q2	Q3	Q4	Total
FY2023	Approval	0	511	260	180	951
	Releases	-	-	411	401	813
FY2024	Approval	633	306	72	265	1,276
	Releases	268	268	80	481	1,096
FY2025	Approval	338	168	NA		NA
	Releases	149	152	760*		1,060*

Note: * Data available till Jan 28, 2025, for releases

Source: Ministry of Finance, India; Lok Sabha; Press Information Bureau (PIB) release; ICRA Research

ICRA ESTIMATES GROSS SGS ISSUANCE OF Rs. 11.9-12.5 TRILLION IN FY2026

In line with the trends displayed in recent years, we expect the SGS issuances in FY2026 to remain back-ended. Based on ICRA's estimate of FY2026 GDP, we have forecast the aggregate net borrowing limit of the state governments at Rs. 10.9 trillion for FY2026. If 75% of this limit is utilised by the states for funding their deficits through SGS (Scenario I), the net issuance would be Rs. 8.2 trillion in FY2026, 8.7% higher on a YoY basis (Rs. 7.5 trillion in FY2025; refer Exhibit 4). ICRA estimates the SGS redemptions to rise by ~16% to Rs. 3.7 trillion in FY2026 from Rs. 3.2 trillion in FY2025. This implies that the gross SGS issuance at Rs. 11.9 trillion, 11.0% higher from FY2025 (Rs. 10.7 trillion).

Alternatively, if 80% of the estimated aggregate net borrowing limit (Rs. 10.9 trillion) is utilised by the states for funding their deficits through SGSs (Scenario II), the net issuance would increase by 15.9% on a YoY basis to Rs. 8.7 trillion in FY2026 from Rs. 7.5 trillion in FY2025. This implies that the gross SGS issuance would step up by 16.0% to Rs. 12.5 trillion from Rs. 10.7 trillion in the same period.

Exhibit 4: Net and gross SGS issuance estimate in FY2026 and YoY growth

Amount in Rs. Trillion	FY2025	FY2026		YoY Growth	
		Scenario I	Scenario II	Scenario I	Scenario II
Net Borrowing	7.5	8.2	8.7	8.7%	15.9%
Redemption	3.2	3.7	3.7	16.3%	16.3%
Gross Borrowing	10.7	11.9	12.5	11.0%	16.0%

Source: RBI; ICRA Research

ICRA estimates net SGS issuance at Rs. 8.2-8.7 trillion in FY2026. With an expected redemption of Rs. 3.7 trillion, ICRA projects gross SGS issuance at Rs. 11.9-12.5 trillion for FY2026



[Click to Provide Feedback](#)

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

Business Contacts

L Shivakumar Chief Business Officer E-mail: shivakumar@icraindia.com 022-61693304	Neha Agarwal Head – Research Sales E-mail: neha.agarwal@icraindia.com 022-61693338	Rohit Gupta Head Business Development – Infrastructure Sector E-mail: rohitg@icraindia.com 0124-4545340	Vivek Bhalla Head Business Development – Financial Sector E-mail: vivek.bhalla@icraindia.com 022-61693372
---	--	---	---

Vinita Baid
Head Business Development – Corporate
Sector - West & East
E-mail: vinita.baid@icraindia.com
033-71501131

Shivam Bhatia
Head Business Development
Corporate Sector – North & South
E-mail: shivam.bhatia@icraindia.com
0124-4545803

Media and Public Relations

Naznin Prodhani
Head - Group Corporate Communications & Media Relations, ICRA Ltd
E-mail: communications@icraindia.com
0124-4545860

Registered Office

B-710, Statesman House 148,
Barakhamba Road
New Delhi-110001
Tel: +91 11 23357940-45

Corporate Office

Building No. 8, 2nd Floor,
Tower A, DLF Cyber City, Phase II,
Gurgaon - 122 002
Tel: +91-124-4545300

Ahmedabad

1809-1811, Shapath V,
Opp: Karnavati Club,
S.G.Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/501

Bengaluru 1

'The Millenia', Tower B Unit No. 1004,
10th Floor, 1 & 2 Murphy Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad

Unit No 1006, 10th Floor, Gowra
Fountain Head, Patrika Nagar,
Madhapur, High-Tech City,
Hyderabad, Telangana – 500081
Tel: +91 040-69396464

Kolkata

A-10 & 11, 3rd Floor,
FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata -700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony, S. No. 210
CTS 3202 Range Hills Road,
Shivajinagar, Pune - 411 020
Tel: +91 20 2556 1194

Email: Info@icraindia.com

Helpdesk: 9354738909

Website: www.icra.in/ www.lcraaresearch.in