

STATE GOVERNMENT FINANCES

**Actual SGS issuance in Q2 FY2026
could modestly trail the indicated
Rs. 2.9 trillion**

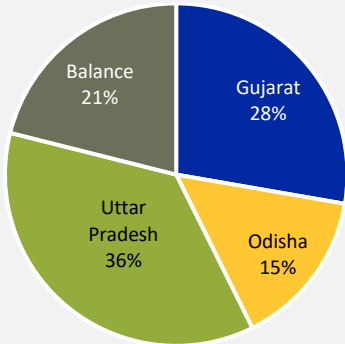
JUNE 2025





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EXHIBIT: State-wise share in incremental Q2 FY2026 indicative SGS issuance of Rs. 469 billion



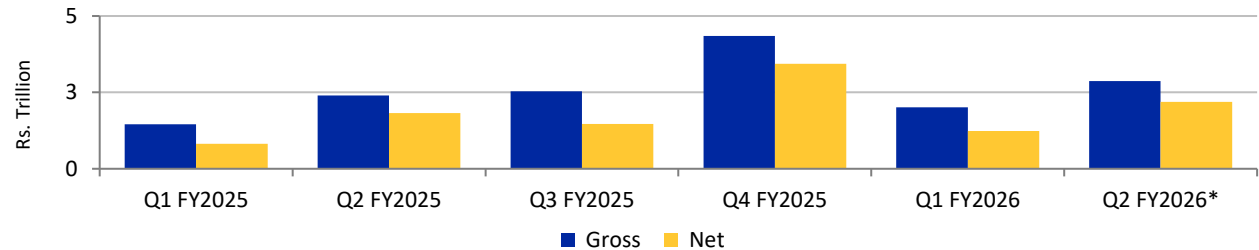
Source: Reserve Bank of India (RBI); ICRA Research

The Reserve Bank of India (RBI) has pegged the gross issuance of State Government Securities (SGS) at Rs. 2.9 trillion for Q2 FY2026, implying a year-on-year (YoY) expansion of ~20%. Gujarat, Odisha and Uttar Pradesh (UP) account for nearly 80% of the incremental indicated amount of Rs. 469 billion for Q2 FY2026 relative to the year-ago level.

The size of the actual SGS issuance in Q2 FY2026 could be impacted the release of more than one instalment of monthly tax devolution to the states by the Government of India (GoI) in the ongoing quarter as well as the pace of disbursement of the interest-free capex loan to the states. Additionally, the magnitude and distribution of monsoon rainfall in the coming months, could lead to some states altering their spending plans which may affect the size of their actual SGS issuance relative to the planned amount.

At present, we have retained our full-year estimate of SGS issuance for FY2026 at Rs. 11.9-12.5 trillion. If the actual issuance in Q2 FY2026 is in line with the indicative amount, ICRA pegs the gross SGS issuance for H2 FY2026 at Rs. 7.0-7.6 trillion. With the increase in the SGS redemptions to Rs. 2.3 trillion in H2 FY2026 from Rs. 2.0 trillion in H2 FY2025, we expect the net SGS issuance at Rs. 4.8-5.3 trillion in H2 FY2026.

EXHIBIT: Gross and Net SGS Issuance

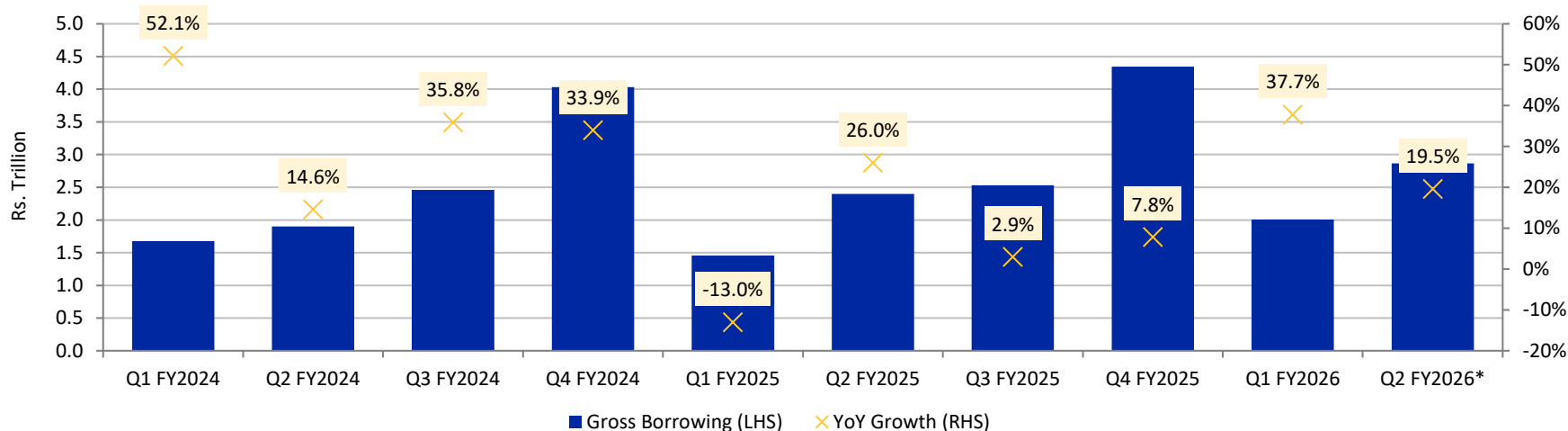


Note: * Q2 FY2026 is based on Q2 indicative borrowing and YoY growth is over actual SGS issued in Q2 FY2025

Source: RBI; ICRA Research

27 states/ UTs have indicated to borrow Rs. 2.9 trillion in Q2 FY2026, ~20% higher on a YoY basis

EXHIBIT: Gross SGS issuance by all state governments/UTs and YoY growth



- The auction calendar of market borrowings by 25 state governments (excluding Arunachal Pradesh, Jharkhand, Karnataka) and two UTs for Q2 FY2026 released by the RBI on June 27, 2025, has placed the total market borrowing at Rs. 2.9 trillion. This implies a growth of 19.5% relative to Q2 FY2025 (gross issuance of Rs. 2.4 trillion; 26% YoY growth). Notably, the actual issuance in Q2 FY2025 was a modest ~9% below the indicated amount (Rs. 2.6 trillion).
- In line with seasonal trends, the indicative issuance in Q2 FY2026 marks a step up from the Rs. 2.01 trillion issued in Q1 FY2026 (as against an indicative amount of Rs. 2.7 trillion), even as the pace of growth is lower (19.5% vs. 37.7% on a small base).

Note: * Q2 FY2026 is based on Q2 indicative borrowing and YoY growth is over actual SGS issued in Q2 FY2025

Source: RBI; ICRA Research

Net SGS issuance in Q2 FY2026 is assessed at Rs. 2.2 trillion, ~20% higher on a YoY basis

EXHIBIT: Quarterly SGS redemptions for all states/UTs

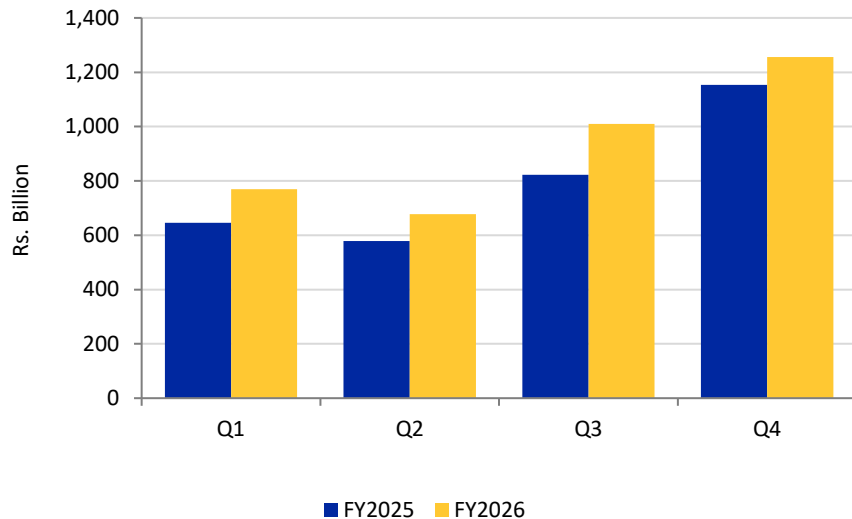
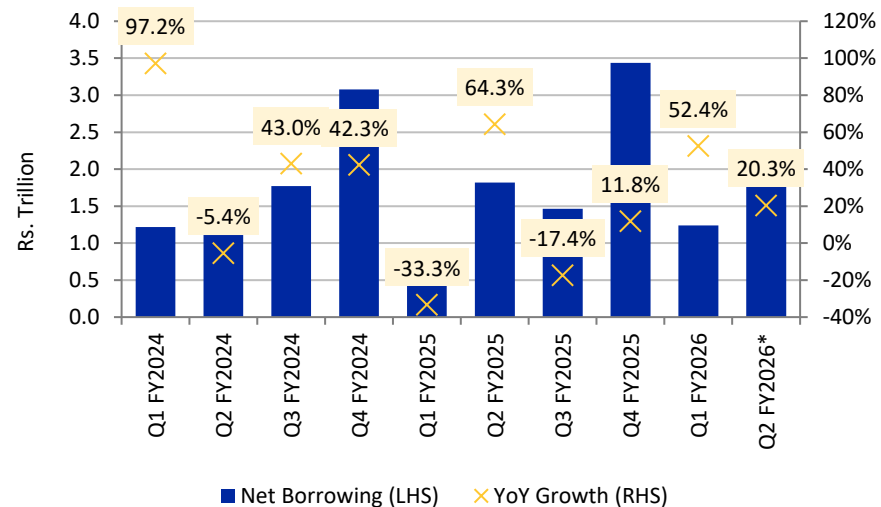


EXHIBIT: Net SGS issuance by all state governments/UTs and YoY growth

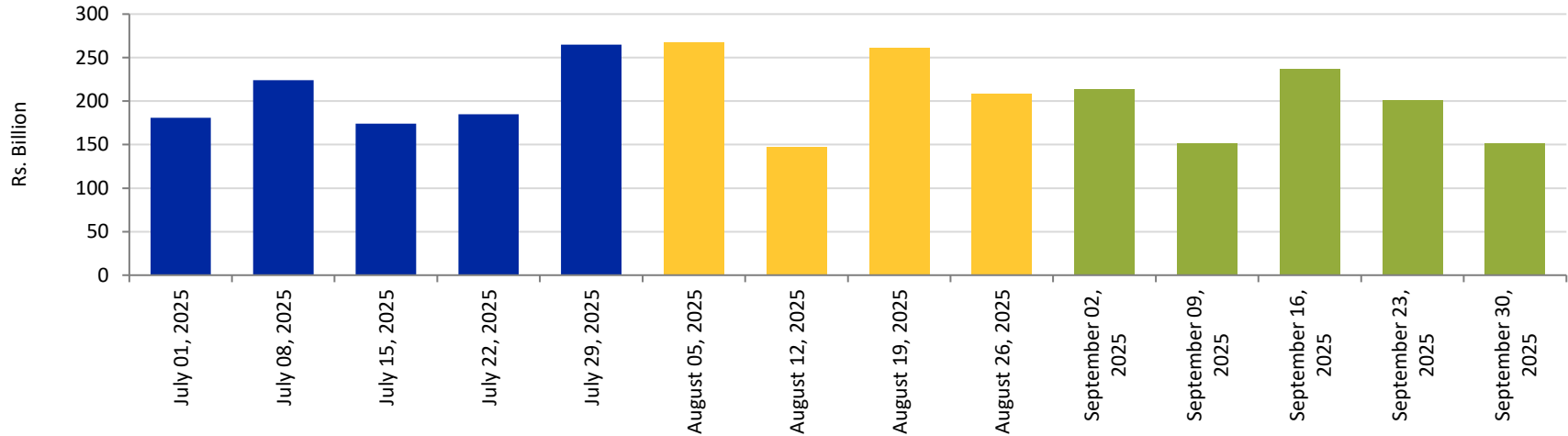


- ICRA estimates the SGS redemptions to rise by 17% to Rs. 677 billion in Q2 FY2026 from Rs. 578 billion in Q2 FY2025.
- Adjusting for these redemptions from the gross SGS issuance, the net market borrowings in Q2 FY2026 is assessed at Rs. 2.2 trillion, 20.3% higher than the actual net issuance of Rs. 1.8 trillion in Q2 FY2025.

Note: * Q2 FY2026 is based on Q2 indicative borrowing and YoY growth is over actual SGS issued in Q2 FY2025
Source: RBI; ICRA Research

Around 36% of the indicated issuance for Q2 FY2026 is to be raised in July 2025

EXHIBIT: Weekly gross indicated issuance



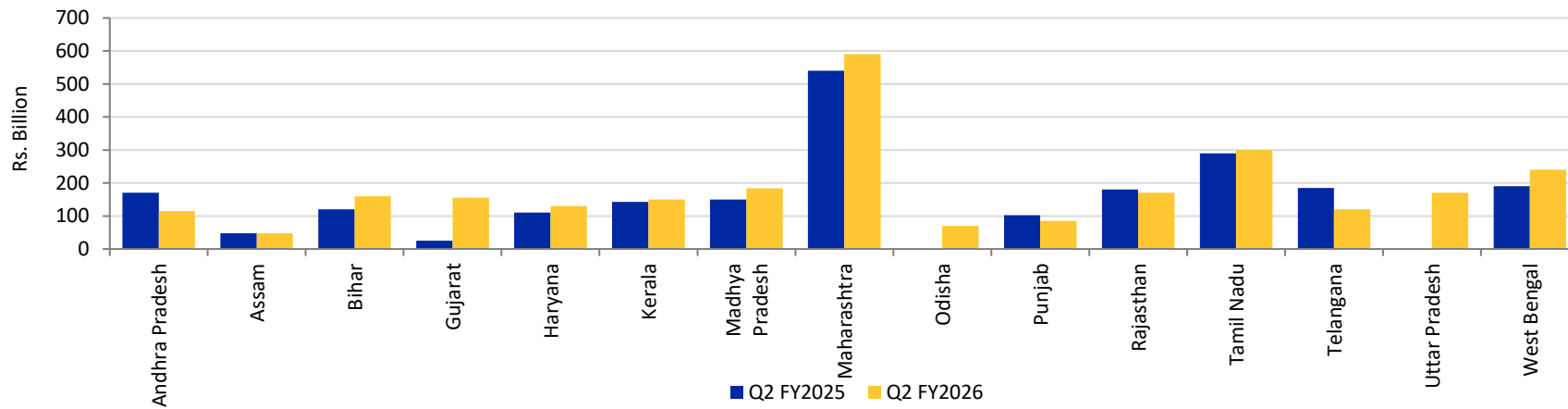
The Q2 FY2026 auction calendar has pegged the SGS issuance in July 2025 at Rs. 1.0 trillion or 36% of the indicated Rs. 2.9 trillion. The size of the five SGS auctions in July 2025 will vary between Rs. 174 billion and Rs. 265 billion.

Nearly 31% of the total or Rs. 884 billion SGS is proposed to be issued August 2025, in four weekly auctions, with the size of the auctions ranging widely between Rs. 147 billion and Rs. 267 billion.

The balance Rs. 954 billion (33% of the total) SGS indicated for Q2 FY2026 is expected to be issued in five auctions in September 2025, with a weekly size ranging from Rs. 151 billion and Rs. 236 billion.

Gujarat, Uttar Pradesh and Odisha to account for nearly 80% of the incremental SGS increase in Q2 FY2026

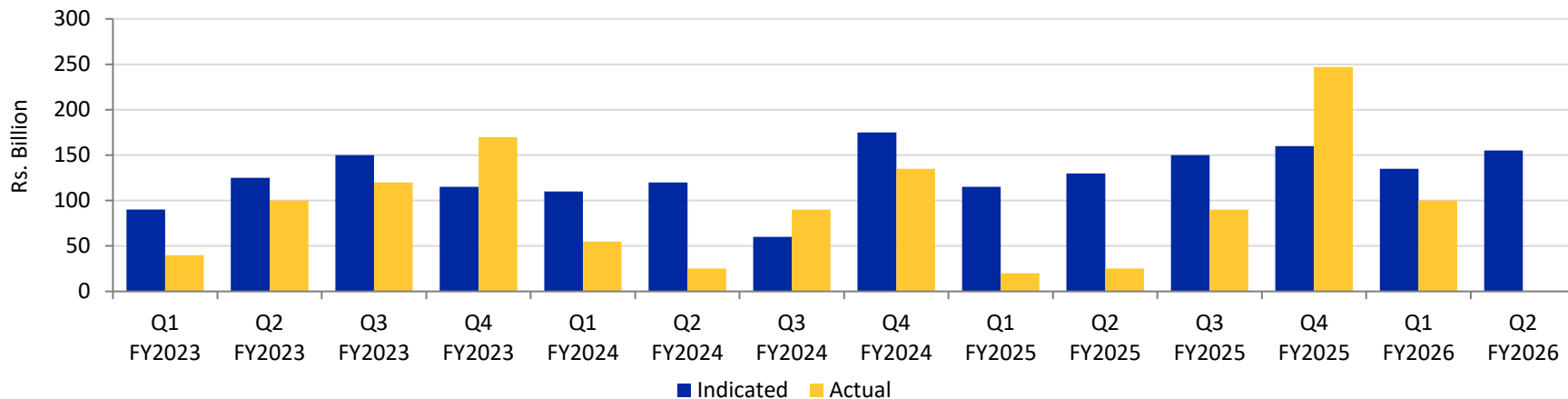
EXHIBIT: SGS issuance in Q2 FY2025 and indicative issuance Q2 FY2026 of top 15 state governments



- The total incremental borrowing in Q2 FY2026 relative to Q2 FY2025 is Rs. 469 billion. Uttar Pradesh (UP) has indicated to borrow Rs. 170 billion in Q2 FY2026 compared to nil actual issuance in Q2 FY2025. Similarly, Odisha has indicated to borrow Rs. 70 billion in Q2 compared to nil in Q2 FY2025. Additionally, Gujarat has planned to raise Rs. 155 billion in Q2 FY2026 compared to Rs. 25 billion in the same period last year. The combined incremental borrowing of Gujarat, Odisha and UP (Rs. 370 billion) would account for nearly 80% of the incremental SGS issuance in Q2 FY2026. Any under borrowing by these states could result in the total issuance trailing the indicative amount.
- Maharashtra has indicated the highest amount of gross issuance of Rs. 590 billion in the Q2 FY2026. However, the incremental amount is modest: Rs. 50 billion higher than the Rs. 540 billion borrowed in Q2 FY2025. Notably, among the large borrowers, Andhra Pradesh (by Rs. 55 billion) and Telangana (by Rs. 65 billion) have indicated a step-down in borrowings in Q2 FY2026.

Gujarat could borrow a sizeable portion of the Rs. 155 billion indicated for Q2 FY2026

EXHIBIT: Quarterly indicated and actual SGS issuance of Gujarat

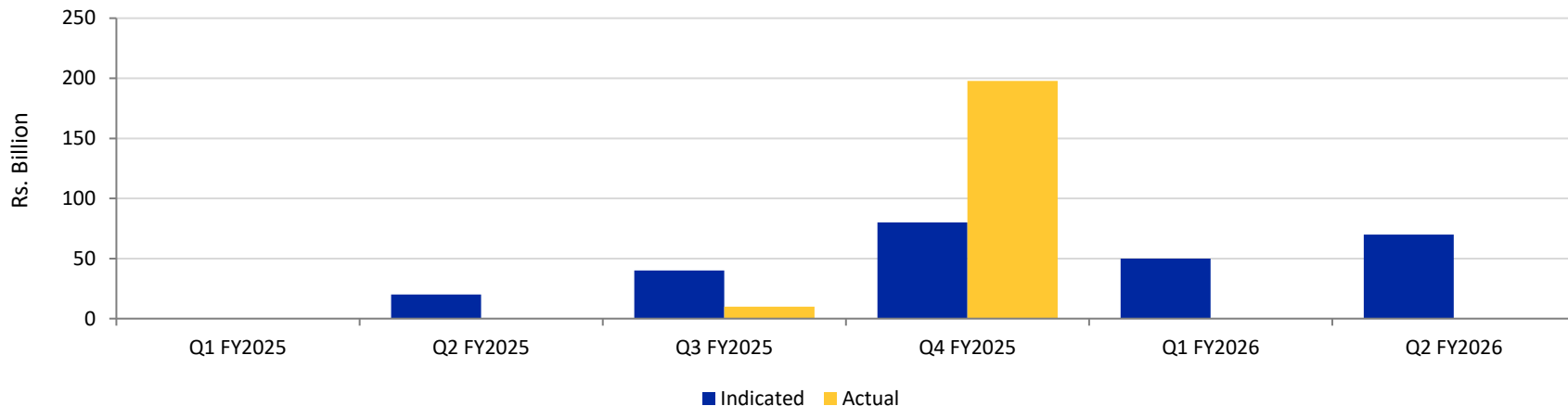


- Gujarat followed a highly back-ended borrowing pattern in the recent years. During H1 FY2023-FY2025, Gujarat’s SGS issuances were limited to 12-33% of the total issuance of the full year. Additionally, during Q2 FY2024-FY2025 Gujarat borrowed only 19-21% of the amount that it had indicated to borrow during these quarters while borrowing a high 80% of the indicated amount in Q2 FY2023.
- In Q1 FY2026, Gujarat borrowed nearly three-fourth of indicated amount (Rs. 100 billion vs. Rs. 135 billion), which was 5x the borrowing in Q1 FY2025. **If Gujarat continues to follow the borrowing pattern displayed in Q1 FY2026, the actual issuance by Gujarat in Q2 FY2026 could be close to the planned issuance of Rs. 155 billion.**

Source: RBI; ICRA Research

Odisha's actual borrowing in Q2 FY2026 could trail the indicated Rs. 70 billion

EXHIBIT: Quarterly indicated and actual SGS issuance of Odisha

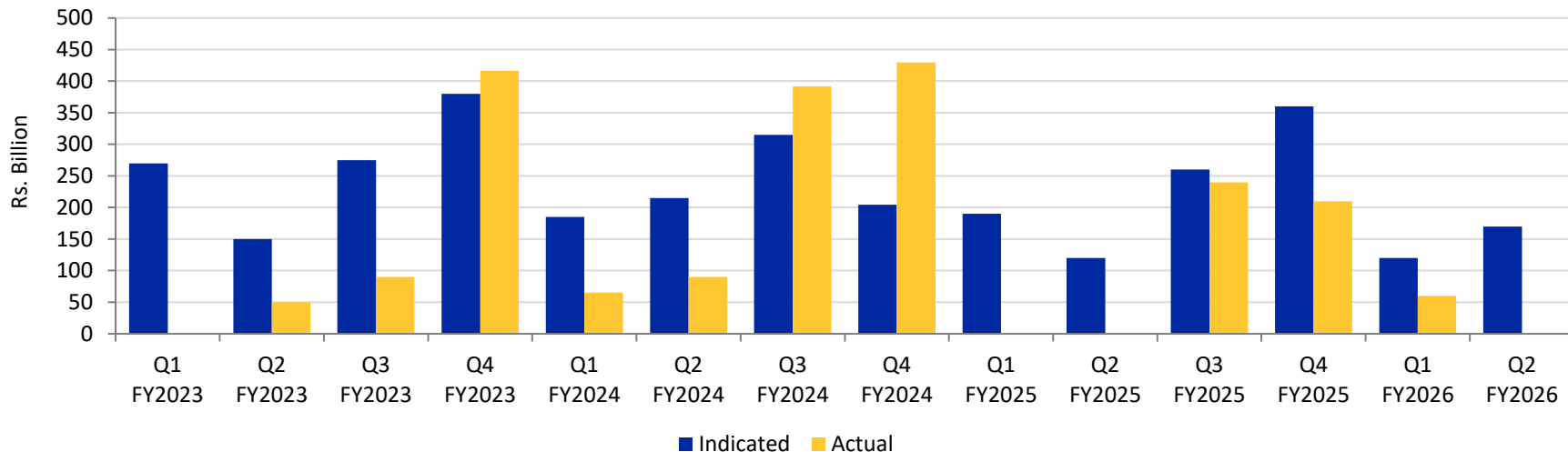


- After a gap of three years, Odisha borrowed Rs. 208 billion in FY2025 through SGS. This amount was ~48% higher than Rs. 140 billion indicated for FY2025. Moreover, Odisha issued nearly 95% of the total SGS in FY2025 in the last quarter of that fiscal and the remaining in Q3 FY2025.
- In Q1 FY2026, Odisha had indicated to borrow Rs. 50 billion; however, it did not issue any SGS during that quarter. Presuming, Odisha continues to borrow in H2, it may skip borrowing in Q2 FY2026 or borrow a modest amount relative to the indicated issuance of Rs. 70 billion for the ongoing quarter.

Source: RBI; ICRA Research

UP's actual SGS issuance in Q2 FY2026 could be limited below 50% of the indicated Rs. 170 billion

EXHIBIT: Quarterly indicated and actual SGS issuance of Uttar Pradesh



- UP's quarterly borrowing pattern has been highly back-ended, with the state borrowing 80-100% of its total borrowing during H2 of FY2023-FY2025. UP borrowed 33% and 42% of the indicated amount in Q2 FY2023 and Q2 FY2024, respectively, while borrowing nil amount in Q2 FY2025 against the indicated Rs. 120 billion.
- If UP chooses to continue with its recent borrowing pattern, its actual borrowings in Q2 FY2026 could range from 0-50% of the indicated Rs. 170 billion.

Source: RBI; ICRA Research

Several factors could influence the size of the actual SGS issuance in Q2 FY2026 relative to the planned amount

EXHIBIT: Net and gross SGS issuance estimate in H1 FY2026 and YoY growth

Amount in Rs. Trillion	H1 FY2025	FY2026			
		Q1	Q2	H1	YoY Growth
Net Borrowing	2.6	1.2	2.2	3.4	30.2%
Redemption	1.2	0.8	0.7	1.4	18.3%
Gross Borrowing	3.9	2.0	2.9	4.9	26.4%

- The actual SGS issuance in Q2 FY2026 could be impacted by a few factors including the release of more than one instalment of monthly tax devolution to the states by the GoI in Q2 FY2026 and the pace of disbursement of the interest-free capex loan to the states. The Southwest monsoon has begun on a promising note in 2025. The magnitude and distribution of monsoon rainfall in the coming months, could lead to some states altering their spending plans which may affect the size of their actual SGS issuance relative to the planned amount.
- If the gross SGS issuances in Q2 FY2026 are in line with the indicated Rs. 2.9 trillion, the total borrowing in H1 FY2026 would expand by 26.4% to Rs. 4.9 trillion from Rs. 3.9 trillion in H1 FY2025.
- After adjusting for the estimated redemptions of Rs. 1.4 trillion in H1 FY2026, the net SGS issuance is projected at Rs. 3.4 trillion in H1 FY2026, ~30% higher than Rs. 2.6 trillion in H1 FY2025.

ICRA retains its estimate for FY2026 gross SGS issuance at Rs. 11.9-12.5 trillion

EXHIBIT: Net and gross SGS issuance estimate in H1 FY2026 and imputed H2 FY2026 and YoY growth

Amount in Rs. Trillion	H2 FY2025	Scenario I		Scenario II	
		H2 FY2026	YoY Growth	H2 FY2026	YoY Growth
Net Borrowing	4.9	4.8	-2.7%	5.3	8.4%
Redemption	2.0	2.3	14.6%	2.3	14.6%
Gross Borrowing	6.9	7.0	2.3%	7.6	10.2%

- We have retained our full-year estimate of SGS issuance for FY2026 at Rs. 11.9-12.5 trillion (see Annexure I). After adjusting for the expected issuance in H1 FY2026, ICRA pegs the gross SGS issuance for H2 FY2026 at Rs. 7.0 trillion (under Scenario I) and Rs. 7.6 trillion (under Scenario II). Accordingly, the projected gross SGS issuance in H2 FY2026 is a mild 2.3% higher than the Rs. 6.9 trillion raised in H2 FY2025 under Scenario I, and 10.2% higher under Scenario II.
- With the increase in the SGS redemptions to Rs. 2.3 trillion in H2 FY2026 from Rs. 2.0 trillion in H2 FY2025, we estimate the net SGS issuance in H2 FY2026 at Rs. 4.8 trillion and Rs. 5.3 trillion, under Scenario I and II, respectively. Accordingly, the projected net SGS issuance in H2 FY2026 is a mild ~3% lower than the Rs. 4.9 trillion raised in H2 FY2025 under Scenario I, and 8.4% higher under Scenario II.

Annexure I: Gross and Net SGS issuance for FY2026

EXHIBIT: 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%

- Based on ICRA's estimate of FY2026 gross domestic product or 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). 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.



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