

## STATE GOVERNMENT FINANCES - Weekly SGS

Weighted average SGS cut-off eased by 5 bps to 7.81%; spread of 10-year SGS over G-sec remained firm at 81 bps

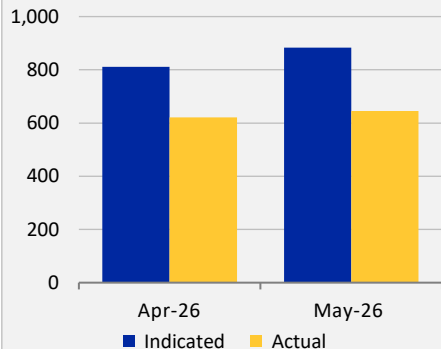
May 26, 2026





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**EXHIBIT: Indicated and actual issuance (Rs. billion) in Q1 FY2027 till date**



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

Eight state governments raised Rs. 116 billion through state government securities (SGS) on May 26, 2026, less than half of the indicated amount in the Q1 FY2027 auction calendar. The actual issuance by states that had adopted the Benchmark Issuance Strategy (BIS) except for Bihar was in line with their indicated amounts for this auction. Bihar partially accepted bids (Rs. 9 billion vs. Rs. 12 billion) for its 9-year SGS. In contrast, seven non-BIS states – Goa, Karnataka, Odisha, Punjab, Sikkim, Tamil Nadu and West Bengal – had indicated a borrowing of Rs. 108 billion on May 26, 2026, but did not participate in the auction. Additionally, Gujarat and Uttarakhand under-borrowed by Rs. 15 billion on account of non-acceptance/partial acceptance. Assam raised an additional Rs. 3 billion through SGS.

In the auction held on May 26, 2026, ~66% of the total issuance was in longer tenors, ~21% in the shorter tenors and the balance 13% in the 10-year bucket. The weighted average tenor of all SGS declined mildly to 15 years in this auction from 16 years last week. The weighted average SGS cut-off eased by 5 bps to 7.81% in the auction held on May 26, 2026, from 7.86% last week. The new benchmark 10-year G-sec (06.94 GS 2036) yield declined to 6.98% on May 26, 2026 from 7.05% last Tuesday. During the same period, the weighted average cut-off of 10-year SGS decreased to 7.78% from 7.82%. Accordingly, the spread between them rose to 81 bps on May 26, 2026 from 77 bps last week.

On a cumulative basis, SGS issuance stands at Rs. 1.3 trillion in Q1 FY2027 till date, ~7% higher than Rs. 1.2 trillion raised in the same period last year. Notably, the actual borrowings were 25% below the Rs. 1.7 trillion planned for this period, on account of 23-27% shortfalls in April and May 2026.

Separately, the average monthly investments of state governments in 14-day intermediate treasury bills (ITBs) declined to Rs. 1.7 trillion in May 2026 from Rs. 2.0 trillion in April 2026. However, the investment in auction treasury bills (ATBs) increased to Rs. 873 billion from Rs. 685 billion in the same period.

**EXHIBIT: SGS issuances in FY2027 so far**

Amount in Rs. billion	Indicated	Notified (including green shoe)	Raised	Cumulative till this week	SGS weighted average cut-off	10-year SGS and G-sec spread
May 26, 2026	240	135	116	1,266	7.81%	81 bps
May 27, 2025	289	158	157	1,186	6.74%	40 bps



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