



# STATE GOVERNMENT FINANCES- Weekly SDL

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**SDL issuance lower than indicated  
for the third consecutive week**

**AUGUST 3, 2021**





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*Eight state governments raised Rs. 125 billion SDLs, lower than the Rs. 187 billion indicated for this week*

*Spread between the 10-year SDLs and new 10-year G-sec eased mildly to 78 bps today from 80 bps last week*

*Weighted average cut-off of SDLs remained stable at 6.98% in today's auction, despite a increase in weighted average tenor to 13 years*

Eight state governments raised Rs. 125 billion through state development loans (SDLs) on August 3, 2021, a sharp 33% lower than the indicated (Rs. 187 billion) and 6.7% lower than the year-ago level (Rs. 134 billion). Initially, 16 state governments and one Union Territory (UT) had indicated that they would borrow Rs. 187 billion in today's auction. However, of these states/UT, only Andhra Pradesh, Assam, Bihar, Maharashtra and Tamil Nadu participated in today's auction and borrowed Rs. 85 billion SDLs. The balance Rs. 40 billion SDLs were raised by Haryana, Telangana and West Bengal, which had not initially indicated that they would participate in today's auction.

Today's SDL auction was the third consecutive weekly auction with lower-than-indicated issuance. This has followed from the release of the Rs. 750 billion goods and services tax compensation loan by the Government of India to the state governments in a single instalment on July 15, 2021, which seems to have eased the cash-flow position of the states.

Cumulatively, 24 state governments/UT have borrowed Rs. 2,064 billion SDLs so far in FY2022, nearly 18% and 10%, respectively, lower than the indicated (Rs. 2,512 billion) and the year-ago (Rs. 2,283 billion) level.

In today's auction, Rs. 55 billion or ~44% of the total issuance was raised in longer tenors, Rs. 45 billion or ~36% of the total issuance in the 10-year bucket and the remaining Rs. 25 billion (~20%) in shorter tenors.

The weighted average cut-off of the 10-year SDLs was stable at 6.98% on August 3, 2021, in line with the last week. The new 10-year GoI security (G-Sec; 6.10% GS 2031) closed at 6.20% today, 2 bps higher than last week. Accordingly, the spread between the 10-year weighted average SDL and the new G-sec yield declined mildly to 78 bps from 80 bps during the same period.

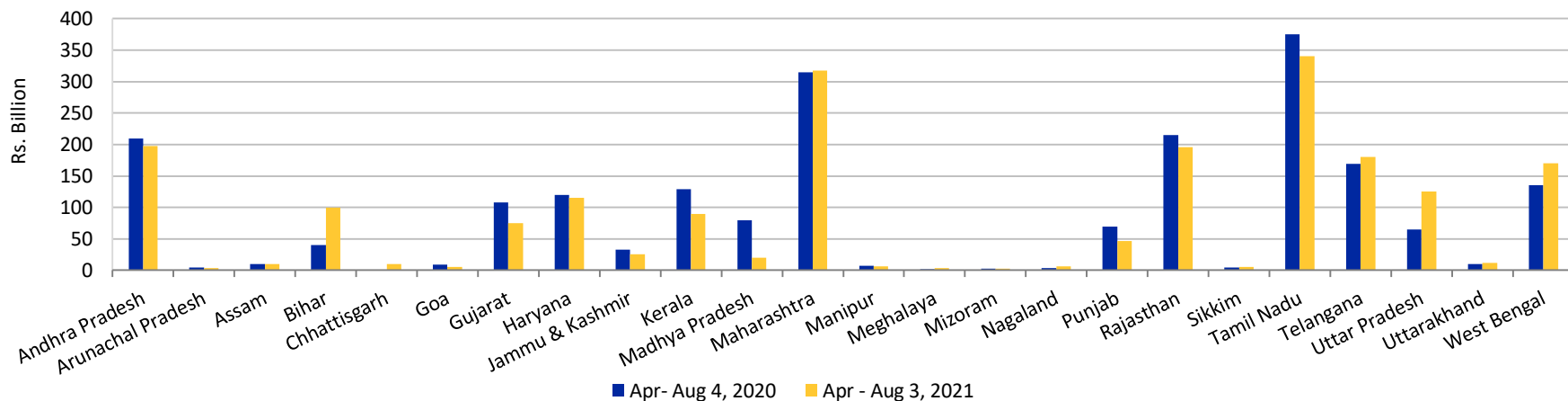
The weighted average cut-off of the aggregate SDL issuance also remained stable at 6.98% today, despite the weighted average tenor of SDLs increasing to 13 years from 10 years last week.

# SDL issuance declined by 9.6% during April-Aug 3, 2021 on a YoY basis

Exhibit: SDL issuances during April 8-Aug 3, 2021

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of Aug 3, 2021	187	135	125	2,064
Week of Aug 4, 2020	143	144	134	2,283
Growth	30.4%	-6.3%	-6.7%	-9.6%

Exhibit: Cumulative SDL issuance during April 8-Aug 3, 2021



Note: \*Including green shoe

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

# SDL issuance was ~33% lower than indicated in today's auction

Exhibit: State-wise indicated, notified and actual SDL issuance on Aug 3, 2021

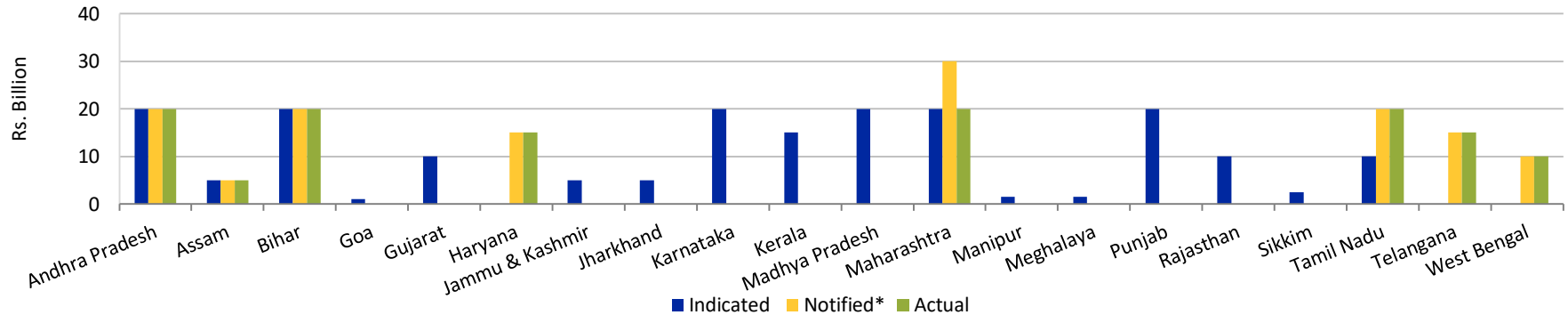
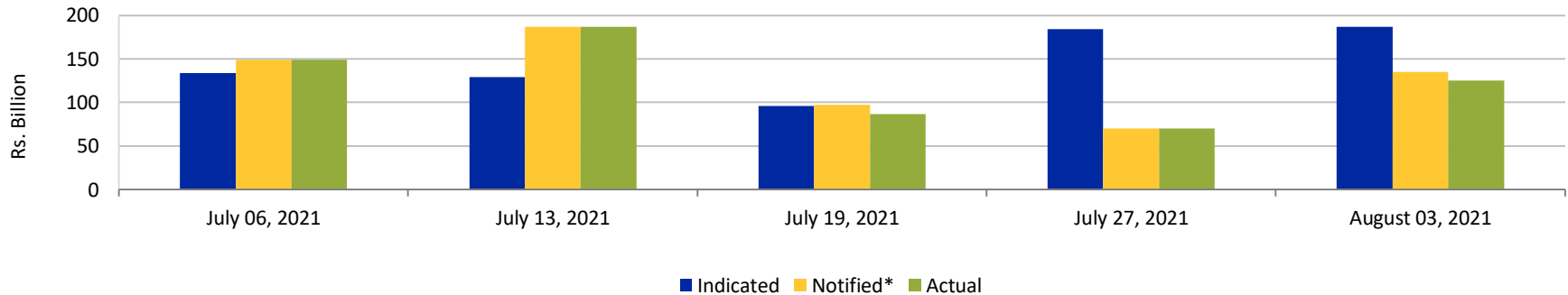


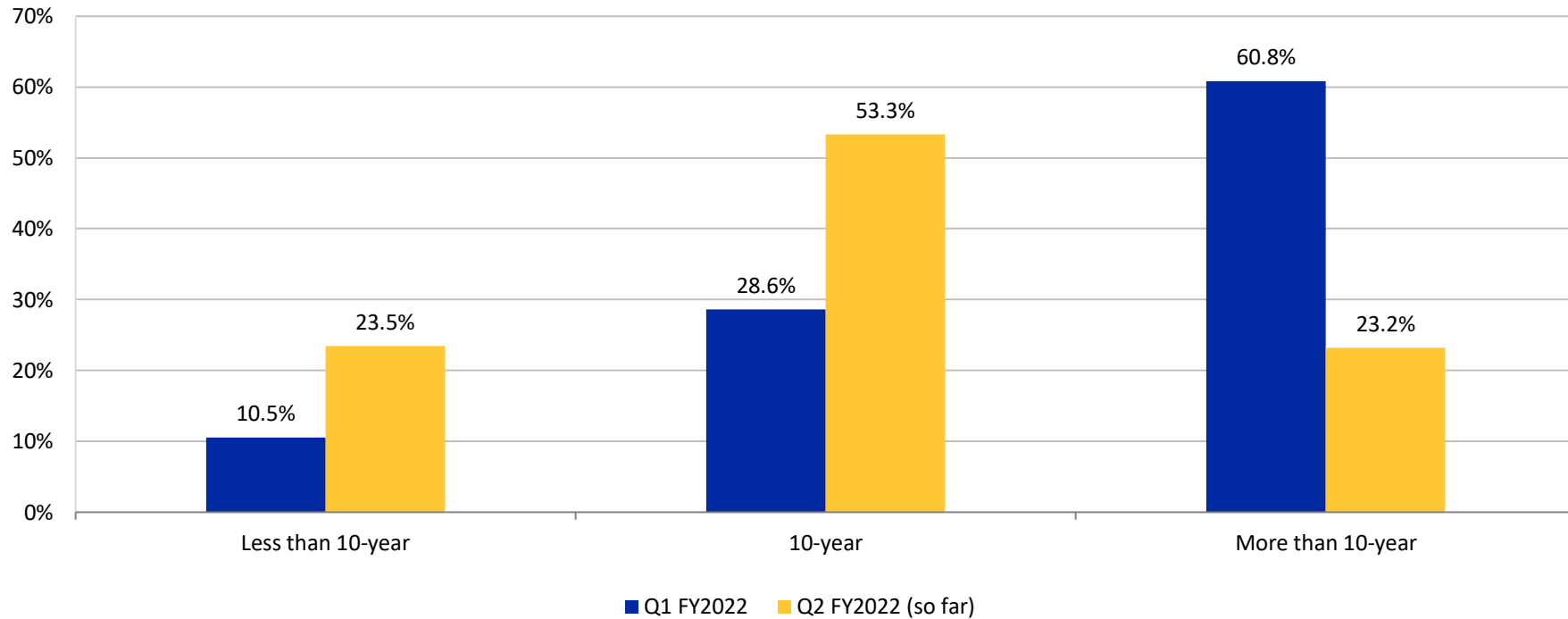
Exhibit: Indicated, notified and actual SDL issuances in Q2 FY2022 (so far)



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

# Despite a higher issuance in longer tenors today, the share of same has declined to ~23% in Q2 FY2022 (so far) from ~61% in previous quarter

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



# Weighted average cut-off of SDLs remained stable at 6.98%

Exhibit: Tenor-wise SDL issuances and cut-offs on Aug 3, 2021

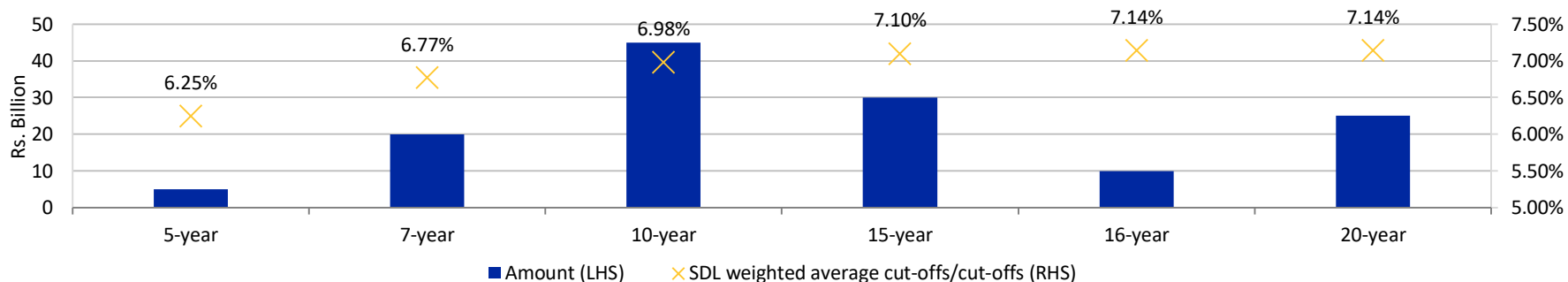
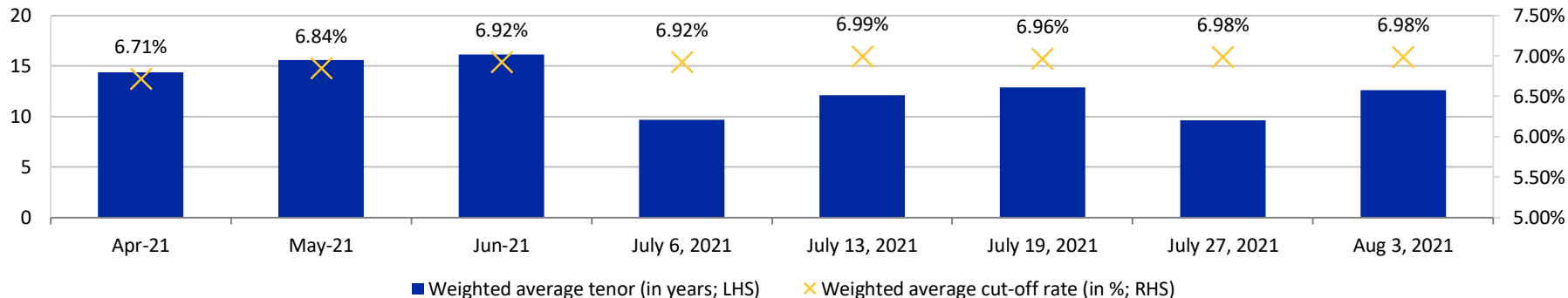


Exhibit: Weighted average cut-off and tenor of SDLs during April- Aug 3, 2021



# Spread between the 10-year SDLs and new G-sec eased mildly to 78 bps on August 3, 2021 from 80 bps last week

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

10-year SDL cut-offs	July 6, 2021	July 13, 2021	July 19, 2021	July 27, 2021	Aug 3, 2021
Goa	6.99%	6.99%			
Gujarat		6.95%			
Haryana					6.98%
Madhya Pradesh		7.00%			
Maharashtra	6.94%	6.95%	6.99%		
Manipur			7.01%		
Punjab	6.99%				
Rajasthan	6.97%	7.00%			
Tamil Nadu	6.95%*	6.98%^	6.97%	6.97%	6.98%
Uttar Pradesh		6.99%	7.01%	6.99%	
Uttarakhand		7.00%			
West Bengal		7.02%			7.00%
<b>Weighted Average 10-year SDL cut-offs (A)</b>	<b>6.96%</b>	<b>6.98%</b>	<b>7.00%</b>	<b>6.98%</b>	<b>6.98%</b>
<b>Minimum 10-year SDL cut-off</b>	<b>6.94%</b>	<b>6.95%</b>	<b>6.97%</b>	<b>6.97%</b>	<b>6.98%</b>
<b>Maximum 10-year SDL cut-off</b>	<b>6.99%</b>	<b>7.02%</b>	<b>7.01%</b>	<b>6.99%</b>	<b>7.00%</b>
<b>10-year G-sec closing yield (B)<sup>#</sup></b>	<b>6.18%</b>	<b>6.10%</b>	<b>6.13%</b>	<b>6.18%</b>	<b>6.20%</b>
<b>Spread (A-B)</b>	<b>79 bps</b>	<b>88 bps</b>	<b>87 bps</b>	<b>80 bps</b>	<b>78 bps</b>

**Note:** \*Tamil Nadu (TN) also reissued a 10-year security (6.83% TN SDL 2031) at 6.96% on July 6, 2021; ^TN reissued a 10-year security (6.95% TN SDL 2021) at 6.99% on July 13, 2021; # Closing yield of 10-year G-sec from July 13, 2021 onwards refers to the new 10-year G-sec 6.10% GS 2031

**Source:** RBI; ICRA research



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