

STATE GOVERNMENT FINANCES - Weekly SGS

SGS cut-off jumps by 19 bps to 7.48%; spread between 10-year SGS and G-sec yields widens by 21 bps to four-year high of 81 bps

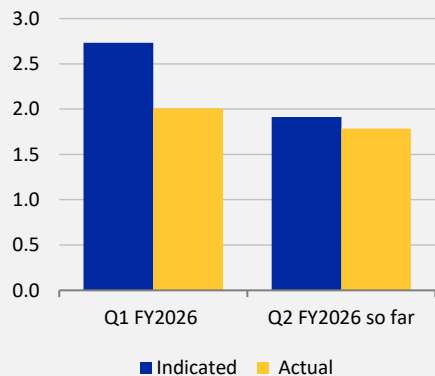
AUGUST 26, 2025





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EXHIBIT: Actual and indicated SGS issuances (Rs. trillion)



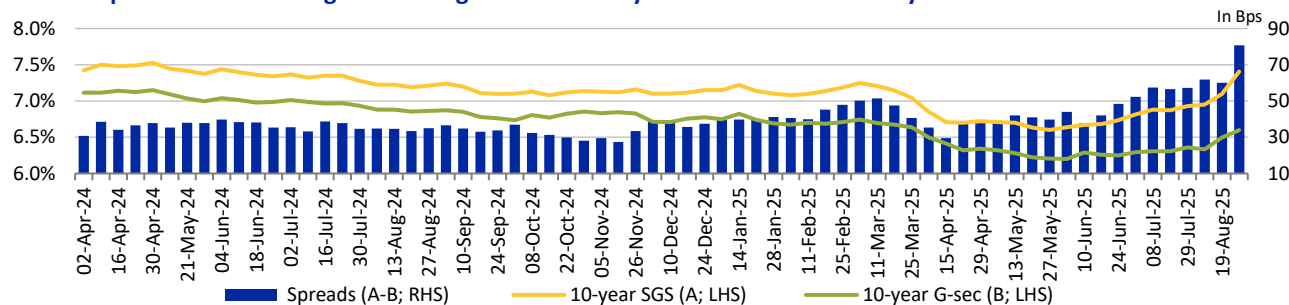
Source: Reserve Bank of India (RBI); ICRA Research

In the largest auction so far in FY2026, 13 state governments and one Union Territory (UT) raised Rs. 289 billion through state government securities (SGS) on August 26, 2025. This was a sharp ~39% above the amount indicated in the Q2 FY2026 auction calendar for the week. The 10-year G-sec yield (6.33 GS 2035) climbed by 10 bps to 6.60% on August 26, 2026, from last Tuesday, driven by multiple factors including higher-than-anticipated SGS issuance, muted market demand especially for longer tenor issuances and emerging fiscal concerns related to potential changes in GST rates. Additionally, the spread between the cut-off yield of the 10-year SGS and the 10-year G-sec surged to a four-year high of 81 bps on August 26, 2025 from 60 bps last Tuesday. Overall, the weighted average cut-off of SGS rose to 7.48% (highest since May 2024) on August 26, 2025 from 7.29% last week, even as some states did not accept full bids in this auction.

EXHIBIT: SGS issuances in FY2026 so far

Amount in Rs. billion	Indicated	Notified	Raised	Cumulative till this week
Week of August 26, 2025	209	342	289	3,793
Week of August 27, 2024	294	363	363	3,034
Growth	-29.1%	-5.8%	-20.3%	25.0%

EXHIBIT: Spread between weighted average cut-off of 10-year state and GoI G-sec yield





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