

STATE GOVERNMENT FINANCES

Weighted average SGS cut-offs rose by 12 bps to 7.32% in FY2026 despite 100 bps cut in Repo rates during the year

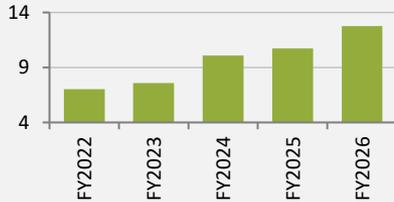
MARCH 2026





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EXHIBIT: Trends in gross SGS issuance of all states/UTs (Rs. Trillion)



Note: In subsequent slides, the state wise discussions are only for 15 states, namely Andhra Pradesh (AP), Bihar, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh (MP), Maharashtra, Punjab, Rajasthan, Tamil Nadu (TN), Telangana, Uttar Pradesh (UP) and West Bengal (WB) with gross issuance exceeding Rs. 250 billion in FY2026; Source: Reserve Bank of India (RBI); ICRA Research

Twenty-eight state governments and three Union Territories (UTs) raised higher-than-expected Rs. 12.8 trillion state government securities (SGS) in FY2026, a sizeable 18.9% higher than the Rs. 10.7 trillion issued in FY2025. While the actual SGS issuances in FY2026 were ~5% below the indicated amount, this marks the lowest deviation since FY2022. The weighted average cut-off (WAC) of all state government securities (SGS) rose by 12 bps to 7.32% in FY2026 from 7.20% in FY2025, despite cumulative Repo rate cuts of 100 bps between April-December 2025. Factors that led to a hardening in the WAC included markets concerns about increase in supply of SGS due to adverse impact of GST rate rationalisation on revenues of states, weak demand for longer-tenor securities etc. The latter was reflected in a 20 bps increase in longer term securities to 7.42% in FY2026 from 7.22% in FY2025.

The share of 10-year and longer than 10-year papers in total SGS issuances of all states/UTs for FY2026 declined to 11% and 63%, respectively, from 13% and 67%, respectively in FY2025. This was offset by a rise in share of shorter tenor securities to 27% in FY2026 from 21% in FY2025. The tenor-wise issuances profile led to the weighted average maturity (WAM) of SGS issued by states/UTs in FY2026 to inch up to 15 years from 14 years, previously. Overall, the WAC of papers issued by West Bengal (WB) hardened by a high 39 bps in FY2026 from FY2025 and those by Bihar, Karnataka and Madhya Pradesh (MP) rose by 25-30 bps while that of SGS issued by AP, Gujarat, Maharashtra and Punjab's declined by 1-2 bps.

EXHIBIT: Weighted average cost of SGS of all states/UTs

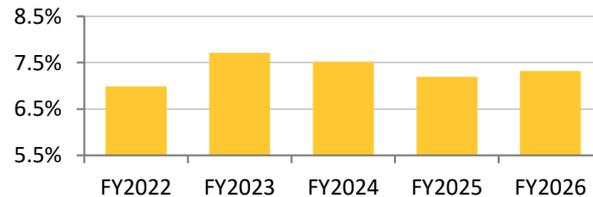
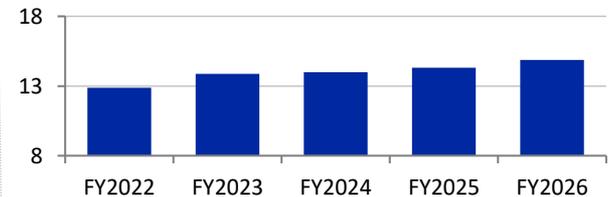


EXHIBIT: Weighted average maturity of SGS of all states/UTs





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Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head – Research & Outreach	aditin@icraindia.com	0124- 4545 385
Neetika Shridhar	Vice President	neetika.shridhar@icraindia.com	0124 – 4545 305
Jaspreet Kaur	Senior Analyst	jaspreet.kaur@icraindia.com	0124 – 4545 853





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





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