



STATE GOVERNMENT FINANCES – SDL Auction Sept 22, 2020

Spread between 10-year
SDL and G-sec hardens
to above 70 bps, from
50 bps at the start of
the month



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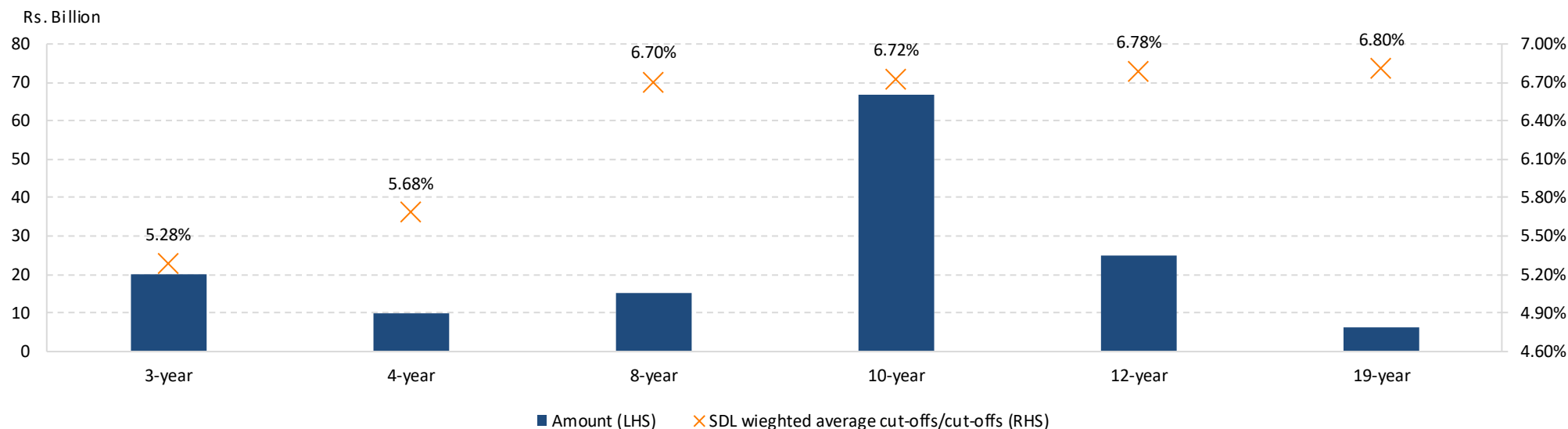
Exhibit 1: 11 state governments raised Rs. 143 billion through state development loans (SDLs) in the auction held on September 22, 2020, 22.7% higher than the amount that was initially indicated for that week; however, SDL issuance was a considerable 29.7% lower from the year ago level

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of September 22, 2020	112	143	143	3,267
Week of September 24, 2019			204	2,254
Growth			-29.7%	44.9%

Note: * Including green shoe

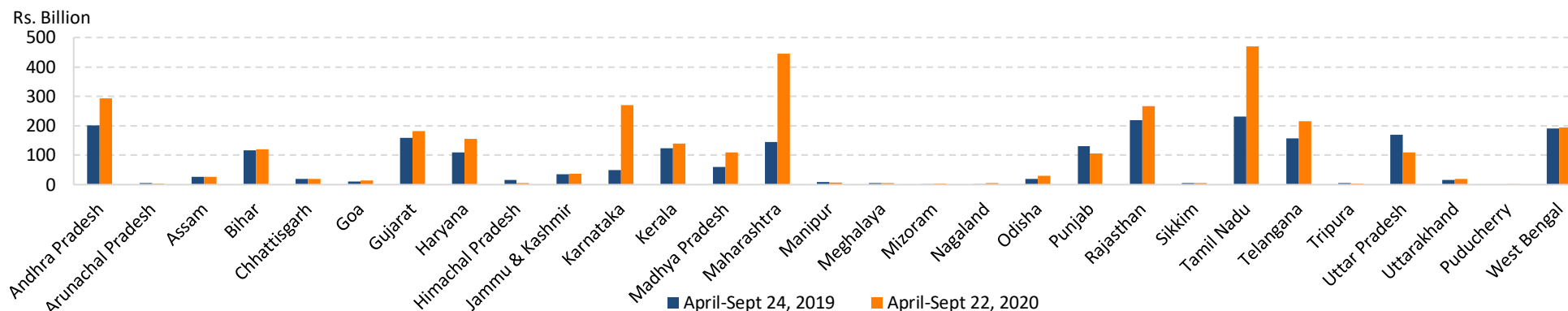
Source: Reserve Bank of India (RBI); ICRA research

Exhibit 2: Eight states issued Rs. 67 billion SDLs (46.8% of the total) in the 10-year bucket at a weighted average cut-off of 6.72% on September 22, 2020; moreover, three states issued Rs. 45 billion of SDLs (31.5% of the total) in 3,4 and 8-year tenors; the cut-offs for the 3-year and the 4-year SDLs were 100-145 bps lower than the weighted average for the 10-year; however, at 6.7%, the cut-off of 8-year SDL was nearly in line with the 10-year; moreover, the cut-off of the 12-year SDLs and 19-year SDL were only 6 bps and 8 bps higher, respectively, than the weighted average cut off-of the 10-year SDL



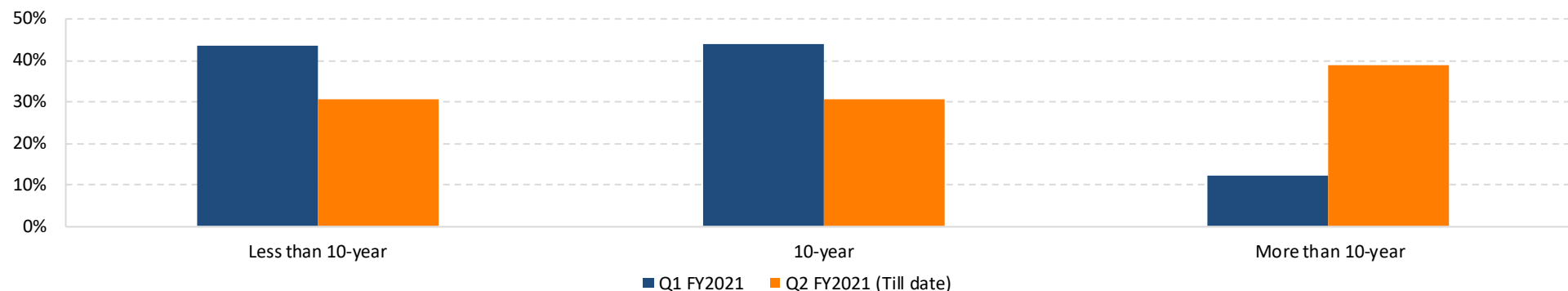
Source: RBI; ICRA research

Exhibit 3: 27¹ state governments and two Union Territories (UTs) have raised Rs. 3,267 billion during April – September 22, 2020, a YoY rise of 44.9%; nearly 75% of the increase in SDL issuance has been led by Karnataka, Maharashtra and Tamil Nadu (TN), with YoY expansions of 440.0%, 206.9% and 102.7%, respectively



Source: RBI; ICRA Research

Exhibit 4: Despite the issuance of 31.5% and 46.8% of total SDLs, respectively, in shorter tenors and 10-year paper in today's auction, cumulatively the issuance in these two buckets has eased to 30.8% and 30.4%, respectively, of total SDL issuance in Q2 FY2021, from 43.7% and 44.1%, respectively, in Q1 FY2021; in contrast, the total SDL issuance in longer tenor SDLs has risen to 38.8% in Q2 FY2021 from 12.2% in Q1 FY2021



Source: RBI; ICRA Research

¹ Jharkhand has not yet borrowed from the market.

Exhibit 5: With TN's 10-year cut-off at 6.69% and Assam's at 6.80%, the inter-state 10-year spread widened to 11 bps on September 22, 2020 from 5 bps in the previous weekly auction; the weighted average cut-off for the 10-year SDLs stood at 6.72% on September 22, 2020, 5 bps higher than the previous week, while the 10-year G-sec yield cooled by 2 bps in the same period; accordingly, the spread between the 10-year SDL and G-sec widened to 71 bps on September 22, 2020 from 64 bps in the previous auction

10-year SDL cut-offs	August 18, 2020	August 25, 2020	September 1, 2020	September 8, 2020	September 15, 2020	September 22, 2020
Assam			6.55%			6.80%
Goa	6.50%	6.68%		6.60%		6.74%
Gujarat		6.65%	6.45%			6.70%
Haryana				6.70%		
Jammu & Kashmir				6.70%		
Karnataka	6.50%	6.63%	6.40%	6.56%	6.65%	6.70%
Meghalaya			6.45%		6.70%	
Nagaland					6.70%	
Rajasthan	6.50%	6.64%	6.46%	6.60%	6.67%	6.72%
Sikkim						6.73%
Tamil Nadu	6.50%	6.66%	6.47%			6.69%
Tripura					6.70%	
Uttar Pradesh		6.67%		6.64%	6.68%	6.74%
Uttarakhand			6.43%		6.67%	
West Bengal		6.68%				
Weighted Average 10-year SDL cut-offs (A)	6.50%	6.66%	6.45%	6.64%	6.67%	6.72%
Minimum 10-year SDL cut-off	6.50%	6.63%	6.40%	6.56%	6.65%	6.69%
Maximum 10-year SDL cut-off	6.50%	6.68%	6.55%	6.70%	6.70%	6.80%
10-year G-sec closing yield (B)	5.96%	6.13%	5.94%	6.06%	6.03%	6.01%
Spread (A-B)	54 bps	53 bps	51 bps	58 bps	64 bps	71 bps

Source: RBI; ICRA research



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