



## STATE GOVERNMENT FINANCES – Weekly SDL Auction

*Spread between 10-year SDL and G-Sec eases further to 63 bps supported by favourable announcements by GoI and RBI*

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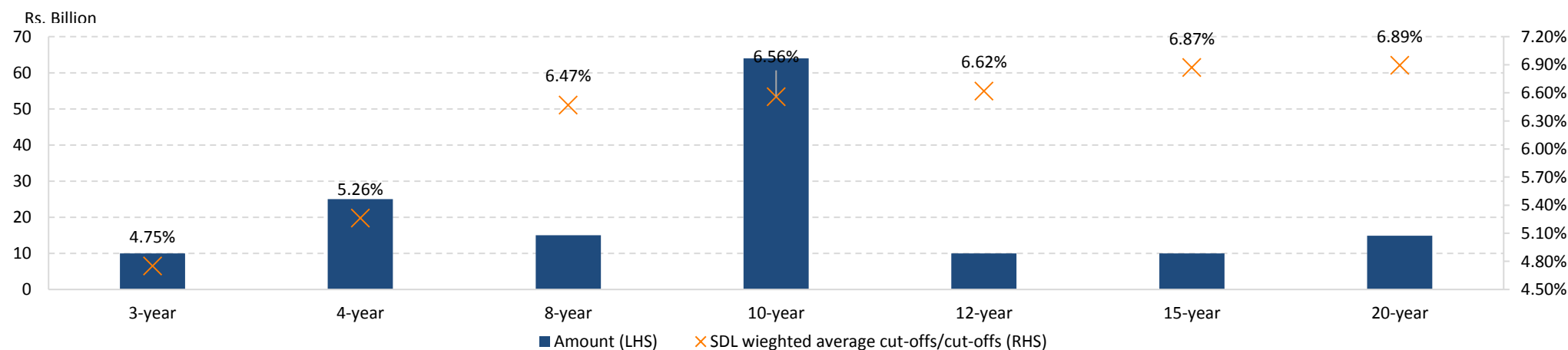
**Exhibit 1: 10 state governments raised Rs. 149 billion through state development loans (SDLs) in the auction held on October 20, 2020, 19.1% higher than the initially indicated amount for this auction; however, SDL issuance today was similar to the year ago level**

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of October 20, 2020	125	149	149	4,101
Week of October 22, 2019			149	2,746
Growth			-0.1%	49.4%

Note: \* Includes additional borrowing or green shoe option

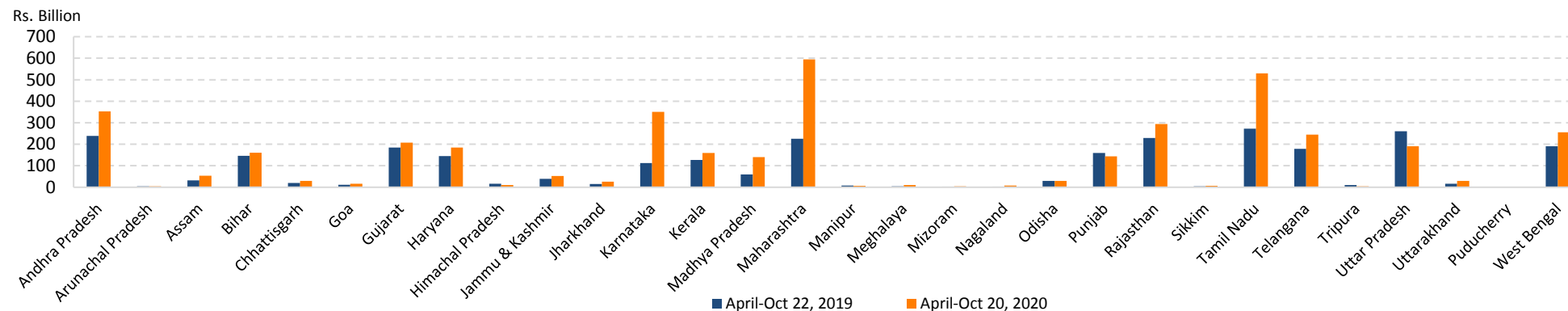
Source: Reserve Bank of India (RBI); ICRA research

**Exhibit 2: Five states issued Rs. 64 billion SDLs (43.0% of the total) in the 10-year tenor at a weighted average cut-off of 6.56% on October 20, 2020, 7 bps lower than the previous week; additionally, Rs. 50 billion or 33.6% of the total issuance was in the 3-8-year tenor; 3 and 4-year SDLs were issued at a cut-off of 4.76% and 5.26%, respectively, on October 20, 2020, a significant 14-18 bps lower than the previous week; the balance Rs. 35 billion or 23.4% of the total issuance was in the 12 to 20-year buckets; the cut-offs of the 15-year and 20-year SDL eased by 12 bps and 2 bps from the previous week; the decision of the Government of India to borrow Rs. 1.1 trillion in lieu of the GST compensation under the Special window of the proposed Option 1 for state government borrowings, and on-lend such funds to the states, and the announcement by the RBI to purchase Rs. 100 billion SDLs of 15 states mostly in 10-year tenor, under Open Market Operations on October 22, 2020 aided in cooling SDL yields at a variable pace across tenors**



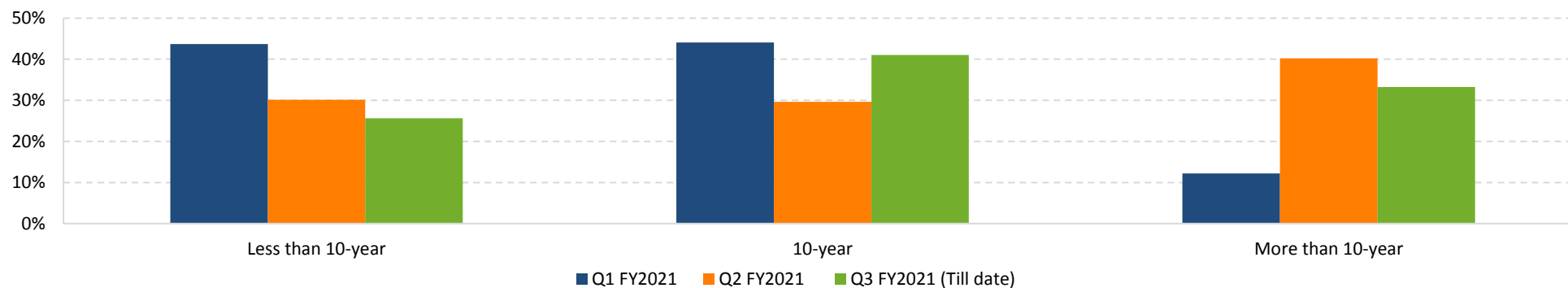
Source: RBI; ICRA research

**Exhibit 3: 28 state governments and two UTs have raised Rs. 4,101 billion during April – October 20, 2020, a YoY rise of 49.4%; nearly 73% of the increase in SDL issuance has been led by Karnataka, Maharashtra, Tamil Nadu (TN) and Andhra Pradesh (AP), with YoY expansions of 212.5%, 164.4%, 94.9% and 48.0%, respectively, during this period**



Source: RBI; ICRA Research

**Exhibit 4: Share of shorter tenor SDLs in total issuance continued to decline from 43.7% in Q1 FY2021 to 30.1% in Q2 FY2021, and further to 25.7% in Q3 FY2021 (till October 20, 2020); proportion of 10-year SDLs in total issuance, which had declined from 44.1% in Q1 FY2021 to 29.6% in Q2 FY2021, has increased to 41.1% in Q3 FY2021**



Source: RBI; ICRA Research

**Exhibit 5: In contrast to the 7 bps decline in the weighted average 10-year SDL cut-off, the 10-year G-sec yield rose by a mild 3 bps to 5.93% in the same period; accordingly, the spread between the two compressed further to 63 bps on October 20, 2020, from 72 bps on October 13, 2020.**

10-year SDL cut-offs	Sept 15, 2020	Sept 22, 2020	Sept 29, 2020	Oct 6, 2020	Oct 13, 2020	Oct 20, 2020
Assam		6.80%	6.90%	6.91%		6.56%
Goa		6.74%	6.89%	6.90%		
Gujarat		6.70%	6.83%	6.84%		
Himachal Pradesh				6.90%		
Jharkhand				6.93%		6.62%
Karnataka	6.65%	6.70%	6.85%	6.86%	6.61%	6.51%
Maharashtra				6.87%	6.63%	6.56%
Meghalaya	6.70%		6.90%		6.65%	
Nagaland	6.70%			6.91%		
Punjab					6.69%	
Rajasthan	6.67%	6.72%	6.85%	6.92%	6.60%	
Sikkim		6.73%				
Tamil Nadu		6.69%		6.84%	6.63%	
Tripura	6.70%					
Uttar Pradesh	6.68%	6.74%	6.90%	6.91%	6.63%	6.54%
Uttarakhand	6.67%		6.90%		6.62%	
West Bengal						
<b>Weighted Average 10-year SDL cut-offs (A)</b>	<b>6.67%</b>	<b>6.72%</b>	<b>6.87%</b>	<b>6.89%</b>	<b>6.63%</b>	<b>6.56%</b>
<b>Minimum 10-year SDL cut-off</b>	<b>6.65%</b>	<b>6.69%</b>	<b>6.83%</b>	<b>6.84%</b>	<b>6.60%</b>	<b>6.51%</b>
<b>Maximum 10-year SDL cut-off</b>	<b>6.70%</b>	<b>6.80%</b>	<b>6.90%</b>	<b>6.93%</b>	<b>6.69%</b>	<b>6.62%</b>
<b>10-year G-sec closing yield (B)</b>	<b>6.03%</b>	<b>6.01%</b>	<b>6.04%</b>	<b>6.03%</b>	<b>5.90%</b>	<b>5.93%</b>
<b>Spread (A-B)</b>	<b>64 bps</b>	<b>71 bps</b>	<b>84 bps</b>	<b>86 bps</b>	<b>72 bps</b>	<b>63 bps</b>

Source: RBI; ICRA research





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