

## STATE GOVERNMENT FINANCES- Weekly SDL

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**Weighted average cut-off of SDL eases  
by 6 bps to 7.46%**

**SEPTEMBER 13, 2022**





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*9 states and 1 UT raised Rs. 105 billion SDLs, a mild 1.5% higher than indicated*

*Weighted average cut-off of SDLs eased by 6 bps to 7.46% today*

*Spread between 10-year SDL and 10-year G-sec yield declined to 37 bps today from 39 bps last week*

Nine state governments and one Union Territory (UT) raised Rs. 105 billion through state development loans (SDLs) on September 13, 2022. Following four consecutive weeks of lower-than-indicated SDL issuance, today's auction was a mild 1.5% higher than the Rs. 103 billion indicated for this week in the Q2 FY2023 auction calendar. The weighted average cut-off of SDLs eased by 6 bps to 7.46% today from 7.52% in the last auction, despite the weighted average tenor increasing to 14 years from 13 years. The 10-year Gol security (G-sec; 7.26 GS 2032) yield declined to 7.08% from 7.14% last Tuesday. Moreover, the weighted average cut-off of the 10-year SDLs eased to 7.45% today from 7.53% last week. Accordingly, the spread between the weighted average 10-year SDL and new 10-year Gol security yield dipped to 37 bps from 39 bps during the same period.

Himachal Pradesh, Madhya Pradesh, Rajasthan, and Sikkim that had not indicated their participation in today's auction, issued Rs. 58 billion SDLs, while Goa borrowed Rs. 8 billion more SDLs than initially indicated. In contrast, Haryana, Kerala, Meghalaya, Tamil Nadu, and West Bengal did not participate in today's auction, even though they had indicated a combined borrowing of Rs. 52 billion for this week. Andhra Pradesh and Puducherry issued Rs. 12 billion lower SDLs than the amount they had initially indicated.

In today's auction, Rs. 53 billion (or ~50% of the total issuance) was in the 10-year bucket, Rs. 50 billion (or ~48% of the total issuance) was in longer tenor SDLs and the balance Rs. 2 billion (or ~2% of the total issuance) was raised by Puducherry as 5-year SDL. The cumulative SDL issuance of Rs. 2.4 trillion by 21 state governments and two UTs during April-September 13, 2022, is ~16% lower than the year-ago level (Rs. 2.8 trillion). Moreover, the actual issuance so far in FY2023 is ~33% below the indicated level (Rs. 3.6 trillion).

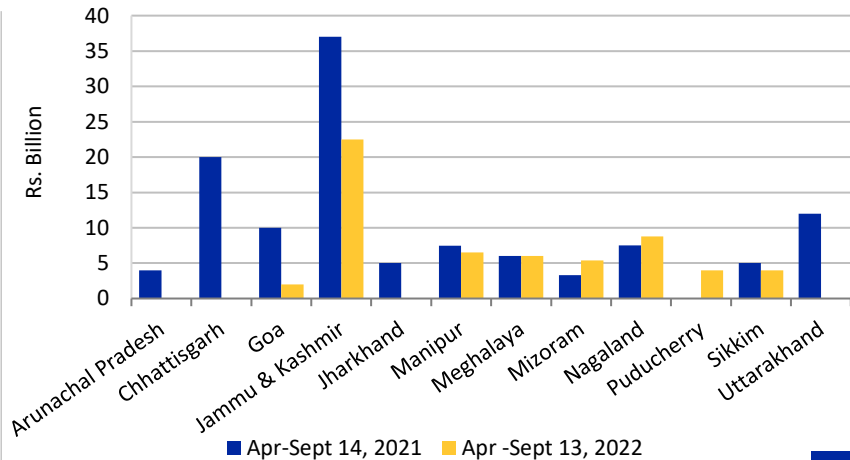
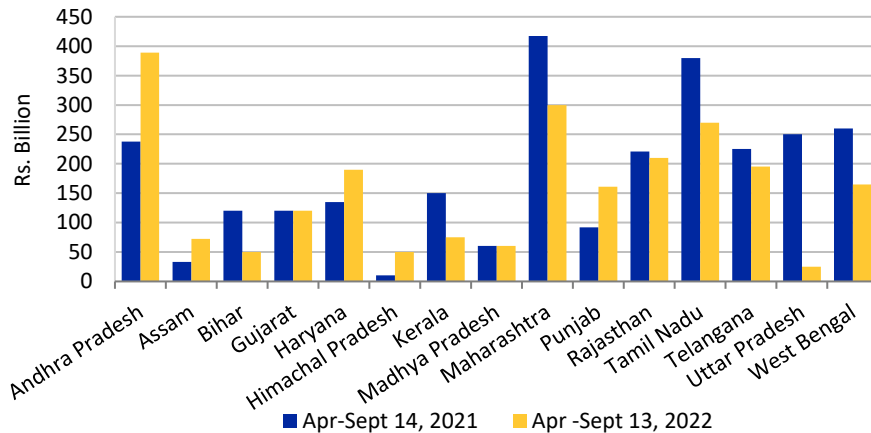
The cut-offs for 10-year SDLs raised by Bihar, Haryana, Madhya Pradesh, Rajasthan and Sikkim were between 7.45-7.46%, similar to the cut-offs of longer tenor SDLs (18-27-year) raised by Andhra Pradesh, Punjab and Telangana. However, Himachal Pradesh raised 11,12,14 and 15-year SDLs at a mildly higher 7.48-7.50%.

# SDL issuance has declined by 15.5% in FY2023 (so far) on a YoY basis, led by 16 states/UT

Exhibit: SDL issuances during FY2023 (so far)

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of September 13, 2022	103	105	105	2,391
Week of September 14, 2021	149	138	138	2,828
Growth	-30.9%	-24.5%	-24.5%	-15.5%

Exhibit: Cumulative SDL issuance during Apr-Sept 13, 2022, and year-ago level

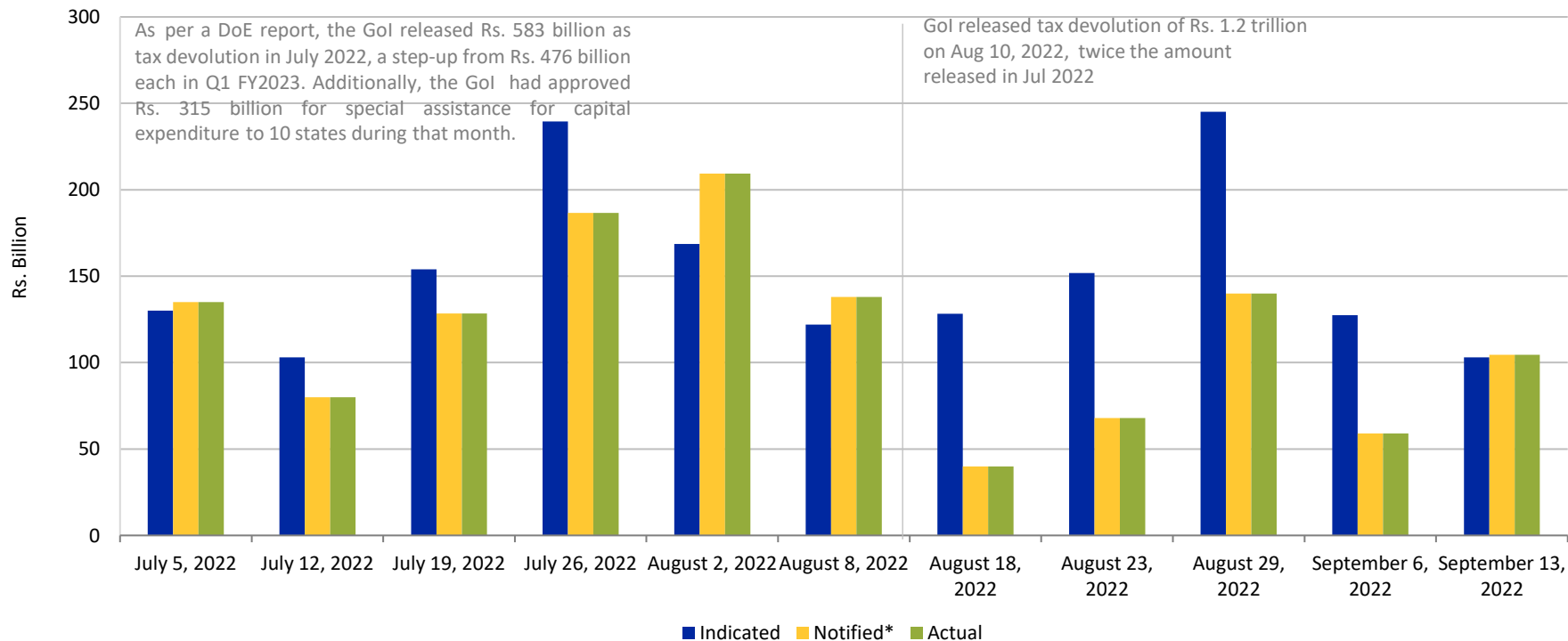


Note: \*Including green shoe

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

# Today's SDL issuance was a mild 1.5% higher than the indicated level for this week

Exhibit: Indicated, notified and actual SDL issuances in O2 FY2023 (so far)

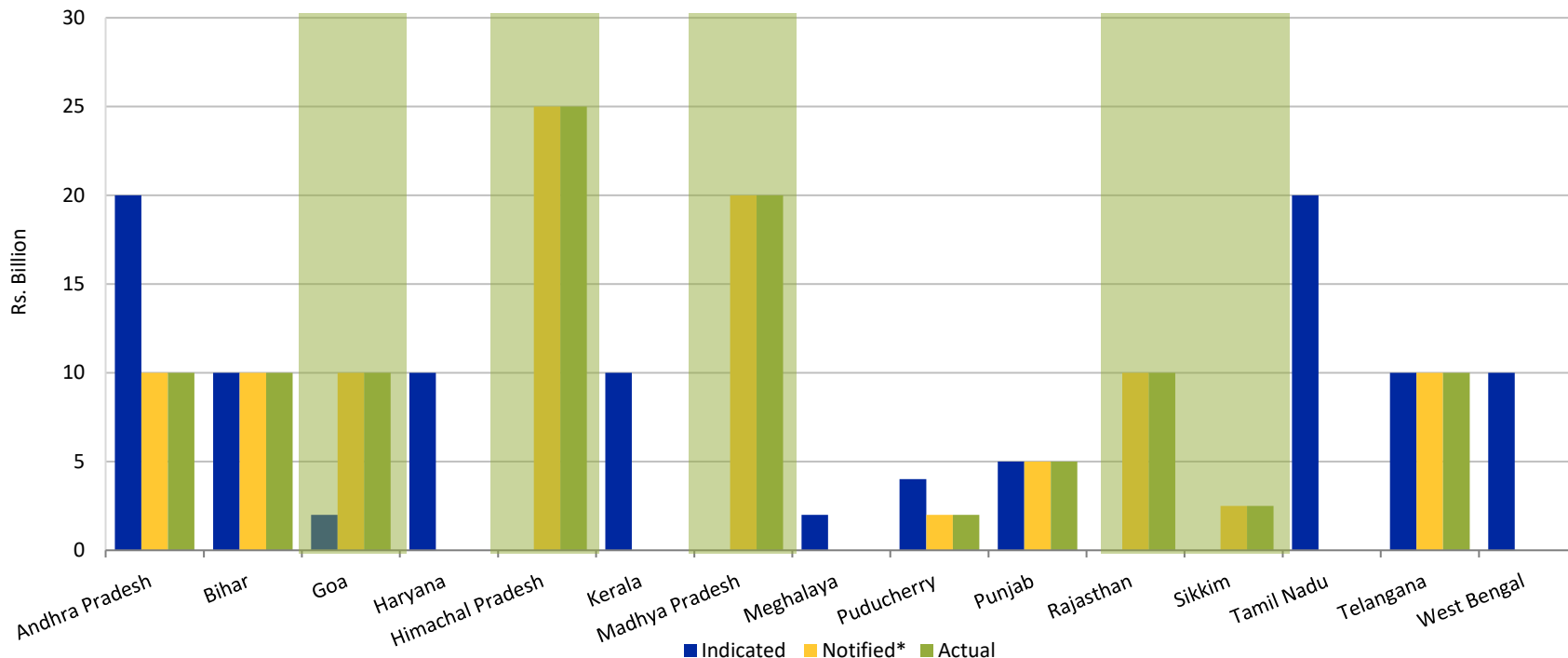


**Note:** \*Including green shoe

**Source:** RBI; Department of Expenditure (DoE), Ministry of Finance, India; ICRA Research

# Four states borrowed Rs. 58 billion SDLs today even though they had not indicated they would participate, and Goa raised an additional Rs. 8 billion

Exhibit: State-wise indicated, notified and actual SDL issuance on September 13, 2022



**Note:** \*Including green shoe

**Source:** RBI; ICRA Research

# Weighted average cut-off of SDLs eased by 6 bps to 7.46% today from last week; cut-offs at the longer end were flattish

Exhibit: Tenor-wise SDL issuance and cut-offs on September 13, 2022

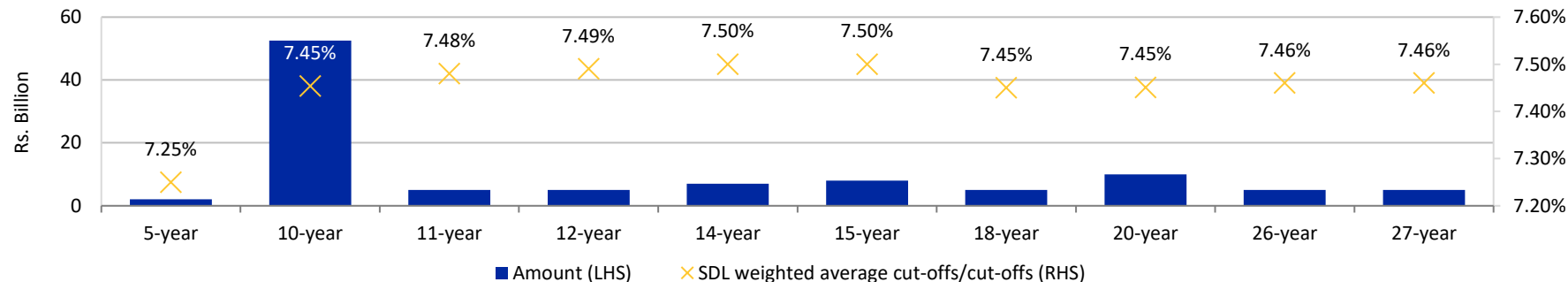
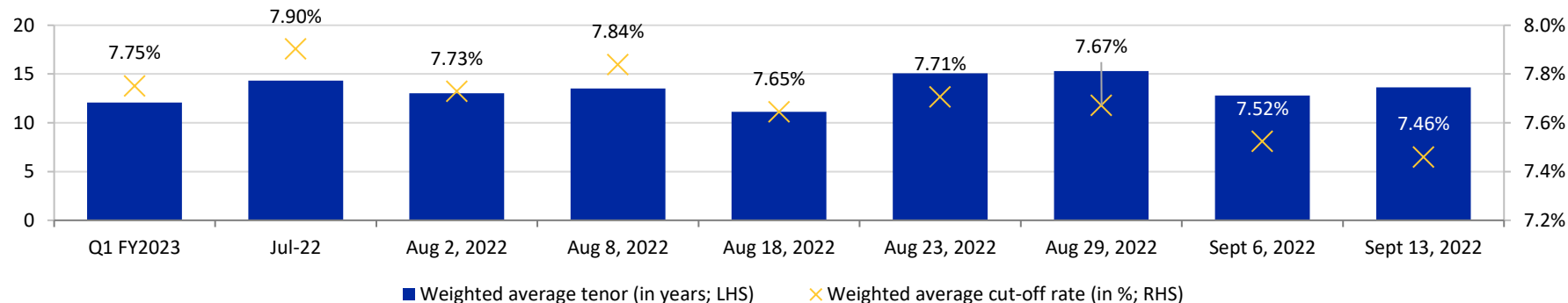
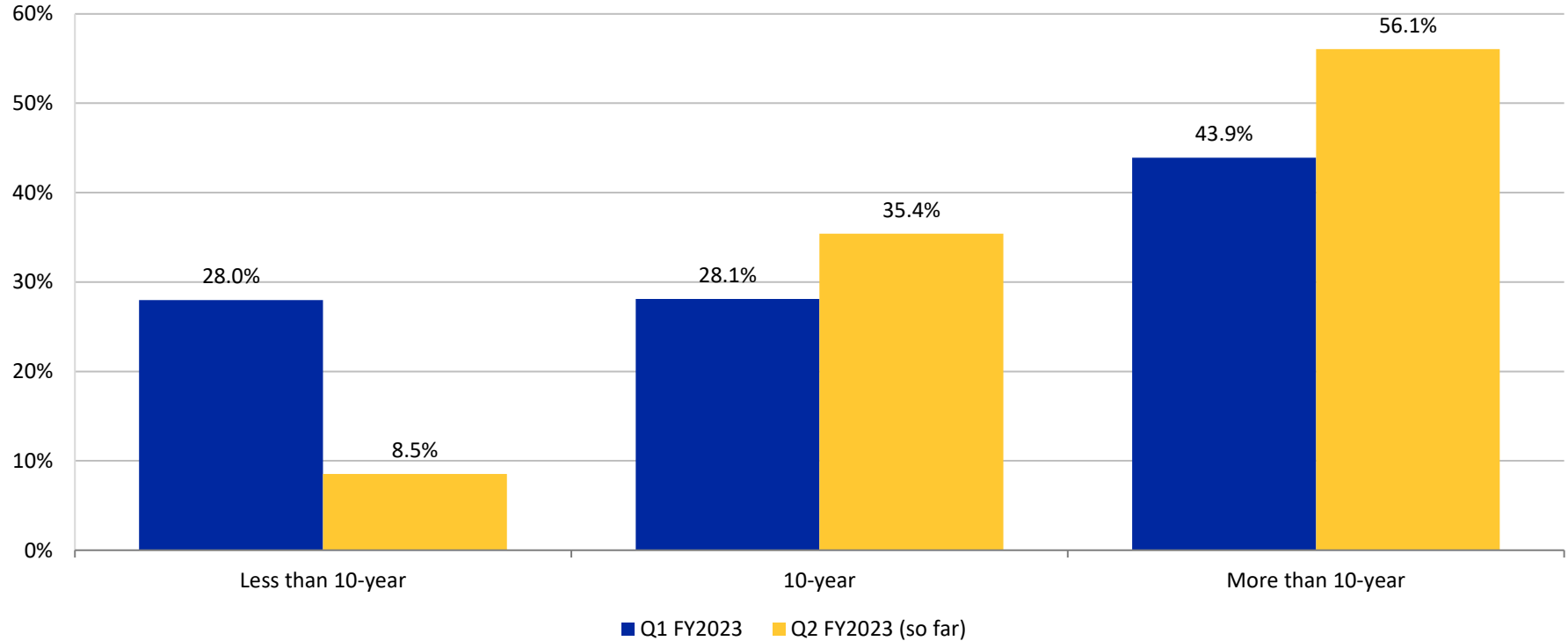


Exhibit: Weighted average cut-off and tenor of SDLs during FY2023 (so far)



# Share of longer tenor issuances has risen to ~56% in Q2 FY2023 (so far) from ~44% in Q1 FY2023

Exhibit: Classification of SDL issuance in FY2023 (so far)



# Spread between the 10-year SDL and 10-year G-sec declined to 37 bps today from 39 bps last week

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

	August 18, 2022	August 23, 2022	August 29, 2022 <sup>#</sup>	September 6, 2022	September 13, 2022
Assam		7.65%		7.53%	
Bihar	7.65%		7.62%	7.53%	7.45%
Haryana			7.61%		7.45%
Madhya Pradesh					7.46%
Rajasthan					7.45%
Sikkim					7.45%
Tamil Nadu	7.60%		7.61%		
Uttar Pradesh		7.66%			
<b>Weighted Average 10-year SDL cut-offs (A)</b>	<b>7.62%</b>	<b>7.66%</b>	<b>7.61%</b>	<b>7.53%</b>	<b>7.45%</b>
<b>Minimum 10-year SDL cut-off</b>	<b>7.60%</b>	<b>7.65%</b>	<b>7.61%</b>	<b>7.53%</b>	<b>7.45%</b>
<b>Maximum 10-year SDL cut-off</b>	<b>7.65%</b>	<b>7.66%</b>	<b>7.62%</b>	<b>7.53%</b>	<b>7.46%</b>
<b>10-year G-sec closing yield (B)</b>	<b>7.24%</b>	<b>7.28%/7.27%*</b>	<b>7.23%</b>	<b>7.14%</b>	<b>7.08%</b>
<b>Spread (A-B)</b>	<b>37 bps</b>	<b>38 bps/39 bps</b>	<b>38 bps</b>	<b>39 bps</b>	<b>37 bps</b>

**Note :** \* 7.28% refers to yield of old 10-year G sec 6.54 GS 2033 and 7.27% was the closing yield of new 10-year G sec i.e., 7.26 GS 2032; # From August 29, 2022, the 10-year G-sec closing yield refers to the new 10-year G-sec (7.26 2032)

**Source:** RBI; ICRA Research





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