

# STATE GOVERNMENT FINANCES- Weekly SGS

---

**Spread between 10-year SGS and G-sec  
compresses to seven-week low 30 bps in  
small-sized auction**

**DECEMBER 6, 2022**





## Click to Provide Feedback

*5 states raised Rs. 88 billion in today's auction, ~51% lower than indicated, albeit a YoY rise of 10%*

*Weighted average cut-off of SGS declined by 4 bps to 7.57% today*

*Spread between 10-year SGS and G-sec yield narrowed to 30 bps today from 33 bps from last week*

Five states (Bihar, Karnataka, Punjab, Tamil Nadu and Telangana) raised Rs. 88 billion through state government securities (SGS) on December 6, 2022, ~51% lower than the Rs. 179 billion that had been indicated for this week in the Q3 FY2023 auction calendar. Moreover, with Punjab accepting Rs. 3 billion out of the notified Rs. 7.5 billion, the total issuance by five states in today's auction, was lower than the notified Rs. 93 billion. The expected improvement in the cash-flow position of the states following the release of around half of the pending GST compensation (Rs. 170 billion out of Rs. 353 billion) by the Government of India (GoI) to the states on November 24, 2022, and the disbursement of two instalments of tax devolution earlier in that month, seem to have restricted state borrowing in the recent weeks.

The weighted average cut-off of the SGS declined by 4 bps to 7.57% today from 7.61% in the last auction, despite the mild rise in the weighted average tenor to 15 years from 14 years. The 10-year G-sec (7.26 GS 2032) yield dipped to 7.25% today from 7.28% last Tuesday. The weighted average cut-off of the 10-year SGS decreased to 7.55% today from 7.61% last week. Accordingly, the spread between the 10-year SGS and G-sec yield compressed to a seven-week low 30 bps today relative to 33 bps last week.

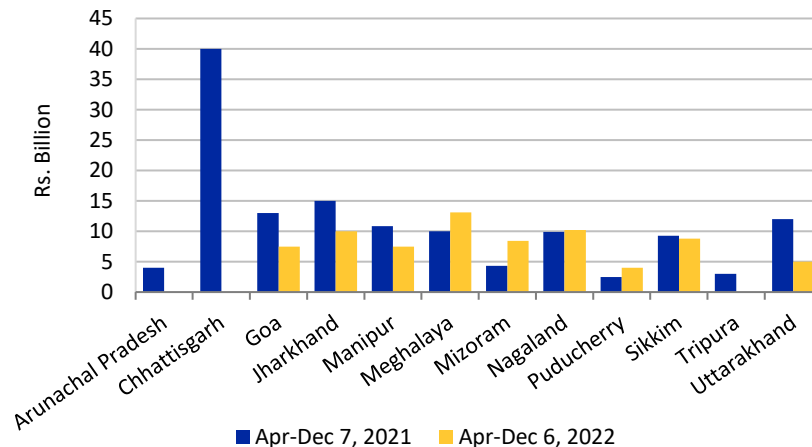
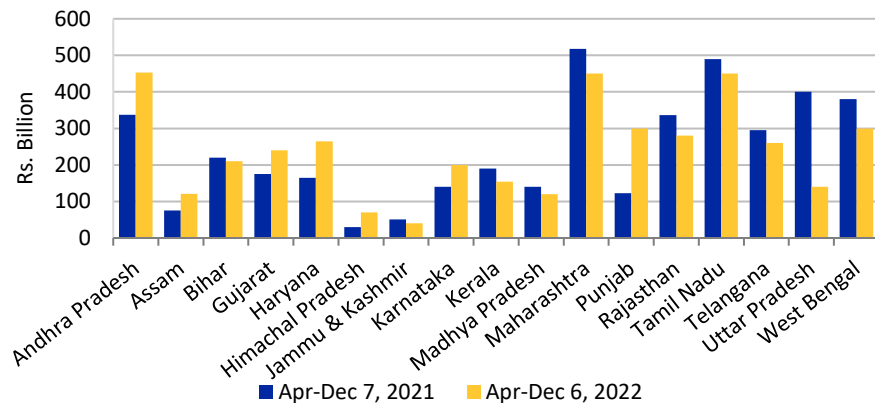
Andhra Pradesh, Goa, Maharashtra, Manipur, Mizoram, Rajasthan, Uttarakhand, Uttar Pradesh and West Bengal did not participate in today's auction, even though they had indicated a combined borrowing of Rs. 84 billion for this week. Moreover, Punjab, Tamil Nadu and Telangana together borrowed Rs. 27 billion less than what they had initially indicated. In contrast, continuing with the trend seen in recent auctions, Karnataka issued additional SGS of Rs. 20 billion today beyond the indicated amount. After nil issuance in H1 FY2023, Karnataka has issued SGS of Rs. 200 billion in Q3 FY2023 (till Dec 6, 2022), 54% higher than Rs. 130 billion indicated for Oct 1 – Dec 6, 2022, making it the largest borrower in the ongoing quarter. The cut-off for Karnataka's 16-year SGS and Tamil Nadu's 13-year SGS of 7.59% each, exceeded the cut-off of Karnataka's 19-year at 7.54%. Moreover, Telangana raised 25-year SGS at 7.53%, lower than the cut-off the 10-year SGS at 7.55%, indicating an inverted curve at the longer end. In today's auction, Rs. 20 billion (or ~23% of the total) was in the 10-year bucket and balance Rs. 68 billion (77% of the total) was in the longer tenor.

# Cumulative SGS issuance has nearly caught up with the year-ago level

Exhibit: SGS issuances during FY2023 (so far)

Amount in Rs. Billion	Indicated	Notified*	Raised	Cumulative till this week
Week of December 6, 2022	179	93	88	4,128
Week of December 7, 2021	136	80	80	4,199
Growth	31.9%	15.6%	10.0%	-1.7%

Exhibit: Cumulative SGS issuance during Apr-Dec 6, 2022, and year-ago level

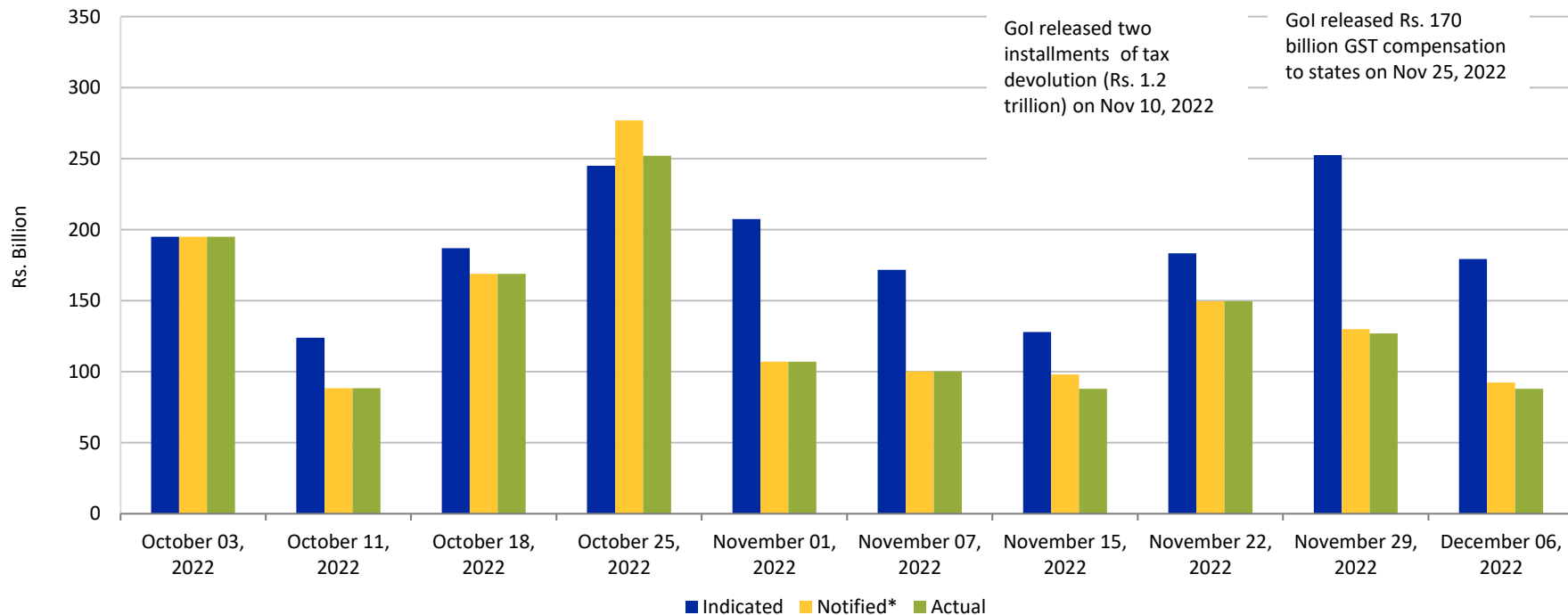


Note: \*Including green shoe

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

# Today's SGS issuance was ~51% below the initially indicated amount

Exhibit: Indicated, notified and actual SGS issuances in Q3 FY2023 (so far)

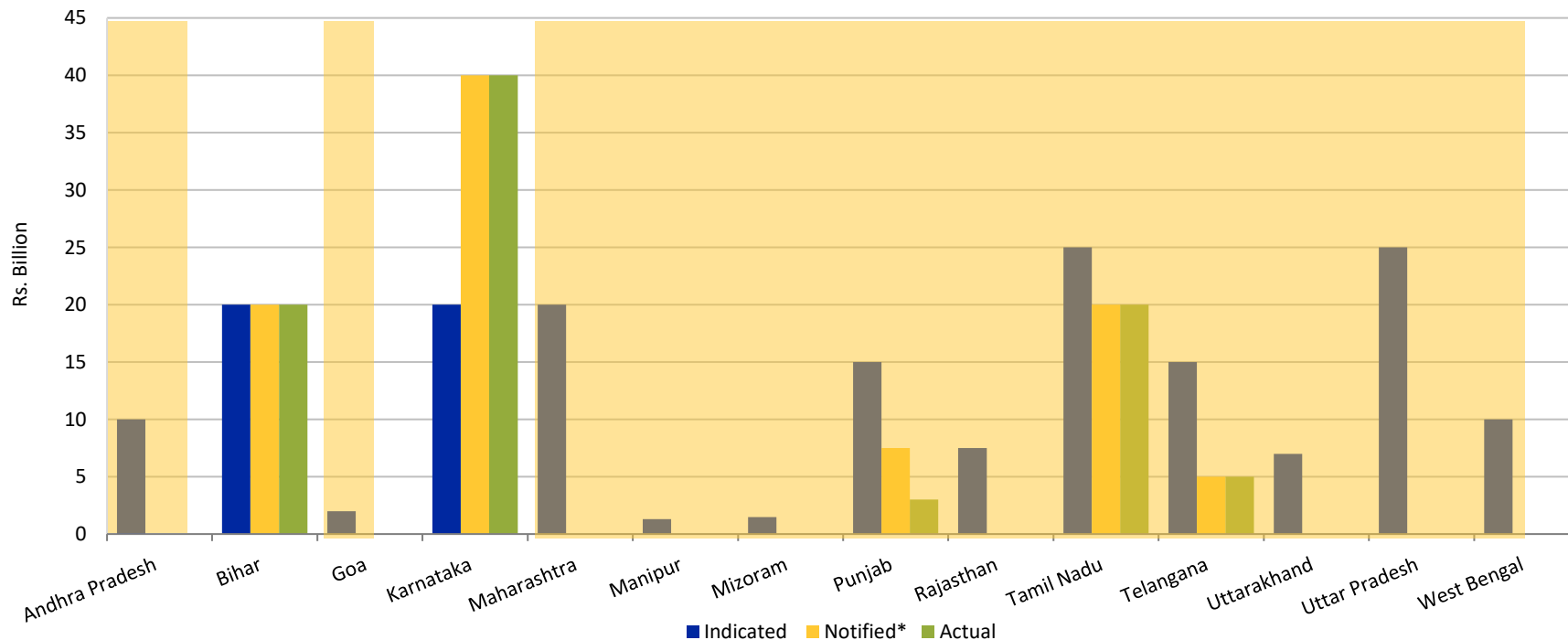


**Note:** \*Including green shoe

**Source:** RBI; ICRA Research

# Nine states that had indicated a combined issuance of Rs. 84 billion, did not participate; Punjab, Tamil Nadu and Telangana together raised Rs. 27 billion less SGS

Exhibit: State-wise indicated, notified and actual SGS issuance on December 6, 2022



**Note:** \*Including green shoe

**Source:** RBI; ICRA Research

# Weighted average cut-off of SGS declined by 4 bps to 7.57% today from last week

Exhibit: Tenor-wise SGS issuance and cut-offs on December 6, 2022

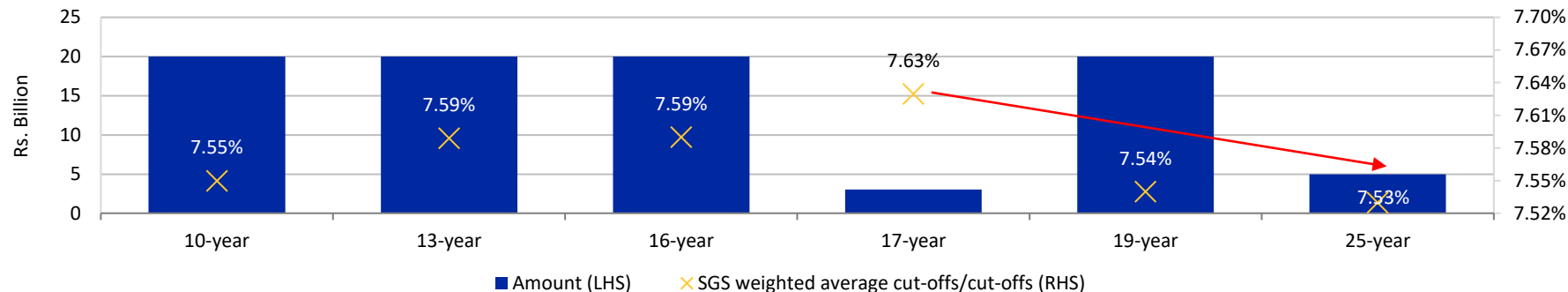
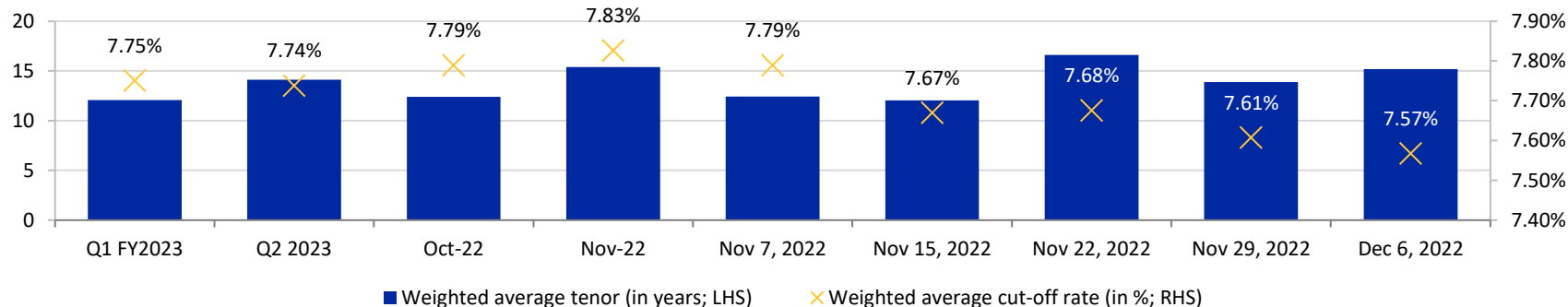
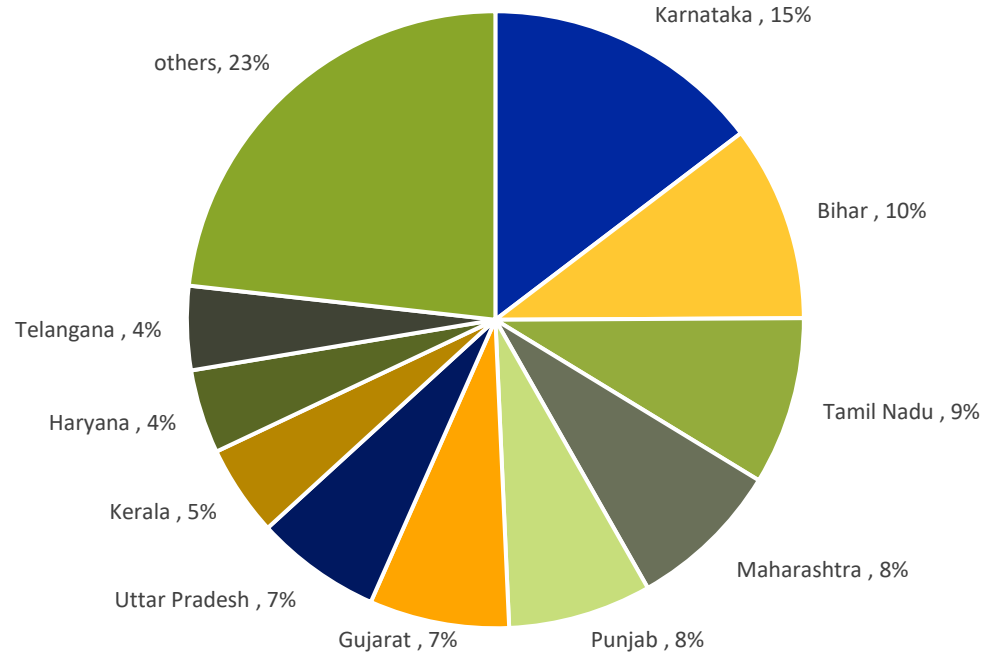


Exhibit: Weighted average cut-off and tenor of SGS during FY2023 (so far)



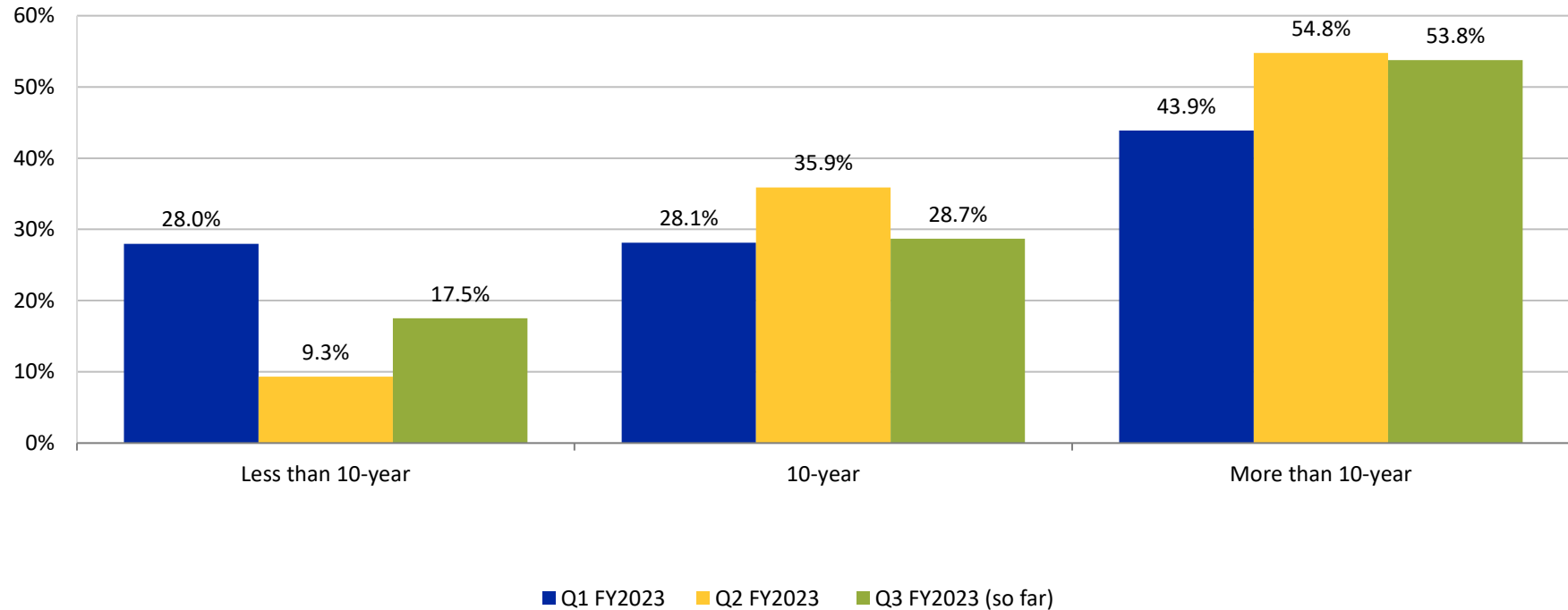
# Karnataka has emerged as the largest borrower so far in Q3 FY2023, accounting for 15% of the total issuance in this quarter

Exhibit: Percentage state-wise SGS issuances in Q3 FY2023 (so far)



# Nearly 54% of the total issuance in Q3 FY2023 (so far) has been in the longer tenor, mildly lower than ~55% in Q2 FY2023

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





# Spread between the 10-year SGS and G-sec yields compressed to 30 bps today 33 bps last week, with a decline in the auction size

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

	November 7, 2022	November 15, 2022	November 22, 2022	November 29, 2022	December 6, 2022
Assam		7.67%		7.62%	
Bihar	7.83%	7.68%	7.70%		7.55%
Goa			7.69%	7.62%	
Gujarat				7.60%	
Karnataka		7.67%			
Nagaland	7.82%				
Punjab				7.62%	
Sikkim	7.82%				
<b>Weighted Average 10-year SGS cut-offs (A)</b>	<b>7.83%</b>	<b>7.67%</b>	<b>7.70%</b>	<b>7.61%</b>	<b>7.55%</b>
<b>Minimum 10-year SGS cut-off</b>	<b>7.82%</b>	<b>7.67%</b>	<b>7.69%</b>	<b>7.60%</b>	<b>7.55%</b>
<b>Maximum 10-year SGS cut-off</b>	<b>7.83%</b>	<b>7.68%</b>	<b>7.70%</b>	<b>7.62%</b>	<b>7.55%</b>
<b>10-year G-sec closing yield (B)</b>	<b>7.43%</b>	<b>7.26%</b>	<b>7.29%</b>	<b>7.28%</b>	<b>7.25%</b>
<b>Spread (A-B)</b>	<b>39 bps</b>	<b>41 bps</b>	<b>41 bps</b>	<b>33 bps</b>	<b>30 bps</b>

Source: RBI; ICRA Research



**Click to Provide Feedback**



# ICRA Analytical Contact Details



**Aditi Nayar**

*Chief Economist*

**Neetika Shridhar**

*Assistant Vice President*

**Jaspreet Kaur**

*Analyst*



aditin@icraindia.com

neetika.shridhar@icraindia.com

jaspreet.kaur@icraindia.com



0124- 4545 385

0124 – 4545 305

0124 – 4545 853





ICRA

## Business Development/Media Contact Details



**L. Shivakumar**

*Executive Vice-President*

**Jayanta Chatterjee**

*Executive Vice-President*

**Naznin Prodhani**

*Head Media & Communications*



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





***© Copyright, 2022 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**