

STATE GOVERNMENT FINANCES

**Weighted average cost of SGS eased
by 20 bps to 7.52% in FY2024,
despite 33% surge in issuance**

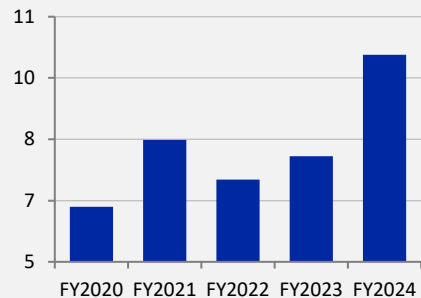
MARCH 2024





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Exhibit: Trends in gross SGS issuance (Rs. Trillion)



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

*States with gross issuance exceeding Rs. 300 billion in FY2024

Twenty-six state governments and 2 Union Territories (UT's) issued gross State Government Securities (SGS) of Rs. 10.1 trillion in FY2024, ~33% higher than the Rs. 7.6 trillion issued in FY2023. Despite this, the weighted average cut-off (WAC) of the SGS dipped by 20 basis points (bps) to 7.52% in FY2024, from 7.71% in FY2023, led by a relatively sharper decline in rates for longer tenor papers. Notably, the WAC of Telangana SGS slipped by 30 bps to 7.47% (lowest WAC along with Kerala and TN at 7.47%). The WAC of Karnataka's SGS issuance eased by a mild ~2 bps to 7.60% in FY2024 from FY2023. However, this was the highest WAC among the sample states in FY2024, reflecting the timing of the entire issuance in H2 FY2024, when yields had hardened compared to H1 FY2024. Reflecting the relatively attractive long-term rates and the highly front-ended redemption profile of the stock of SGS (as on March 31, 2023), the share of longer tenor paper increased to 63% in FY2024 from 55% in FY2023. Although the weighted average maturity (WAM) of the SGS issued in FY2024 was unchanged at 14 years compared to FY2023, there were wide state-wise variations. Amongst the sample states*, Kerala displayed the highest WAM for its issuances at 22 years and Gujarat was the lowest at 7 years in FY2024.

Exhibit: Weighted average cost of SGS

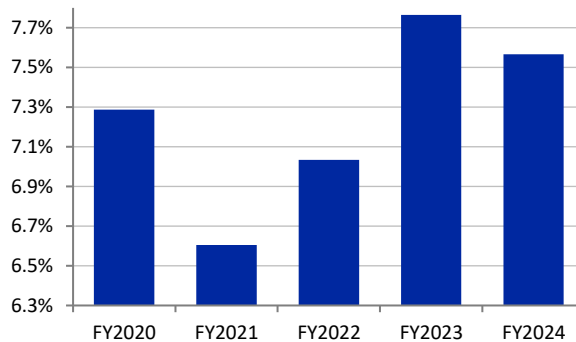
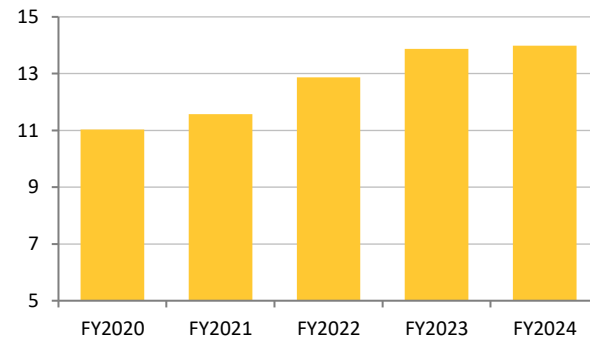
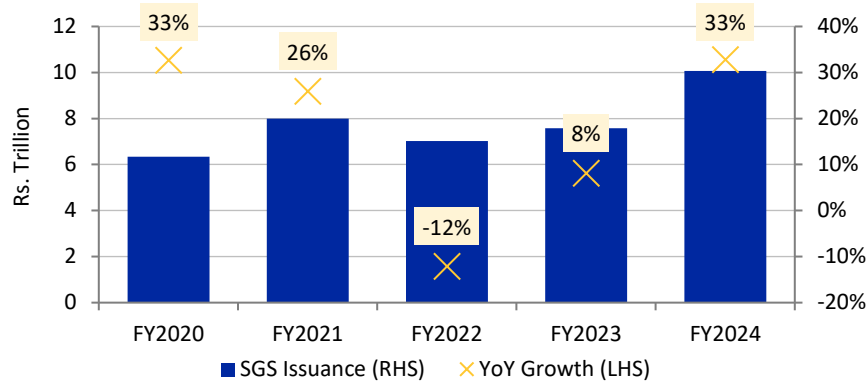


Exhibit: Weighted average maturity of SGS



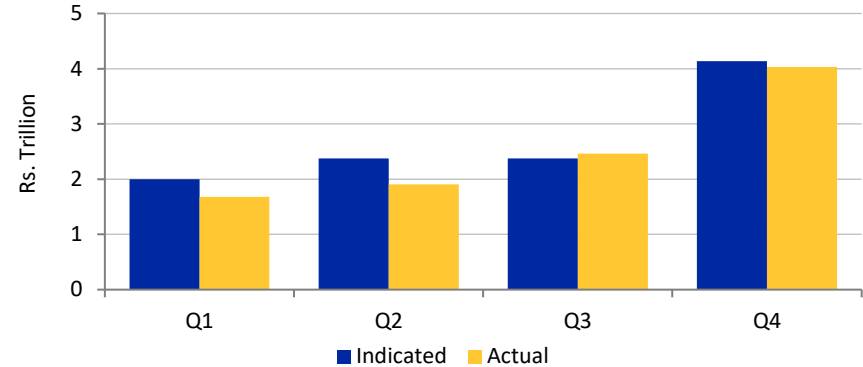
Gross borrowing of states rose by ~33% to Rs. 10.1 trillion in FY2024, with the highest ever quarterly borrowing in Q4 FY2024

Exhibit: Trends in gross SGS issuance and YoY growth



Source: RBI; ICRA Research

Exhibit: Actual and indicated SGS issuance in FY2024



Source: RBI; ICRA Research

- 26 state governments and 2 UTs (excluding Odisha and Tripura) raised Rs. 10.1 trillion SGS in FY2024, 33% higher than the Rs. 7.6 trillion issued in FY2023. However, the gross borrowing in FY2024 was 7% lower than the Rs. 10.9 trillion indicated by the states to the RBI. Adjusting for redemptions in FY2024, net borrowings increased by ~38% to Rs. 7.2 trillion in FY2024 from Rs. 5.2 trillion in FY2023.
- States borrowed Rs. 1.7 trillion and Rs.1.9 trillion in Q1 and Q2 FY2024, respectively, which was lower-than-indicated by 16-20%. The total gross SGS issuance in H1 FY2024 comprised 36% of the total borrowing of Rs. 10.1 trillion in FY2024, in line with the trend in FY2023. The actual SGS issuance in Q3 FY2024 stood at Rs. 2.5 trillion, modestly exceeding the indicated amount. In Q4 FY2024, the SGS issuance of Rs. 4.0 trillion accounted for as much as 40% of the total borrowing in FY2024, in line with the trend in FY2023. This was a mild 2.5% lower than the planned amount for Q4 FY2024 and was the highest quarterly borrowing so far.

Borrowings sharply exceeded the indicative level in March

Exhibit: Month-wise actual and indicated issuance in FY2024

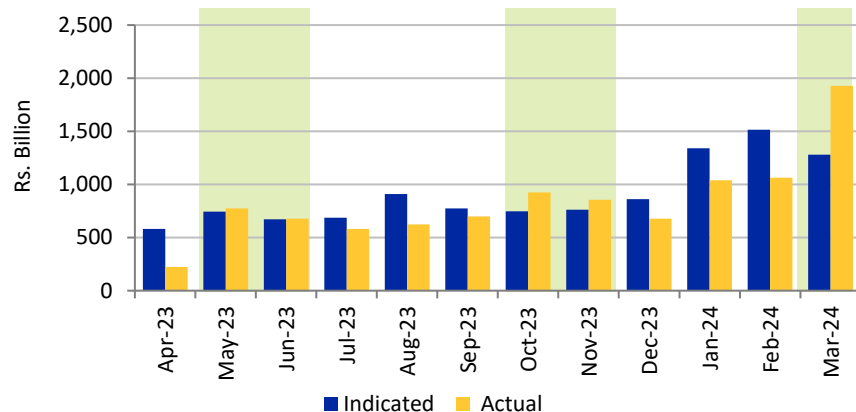
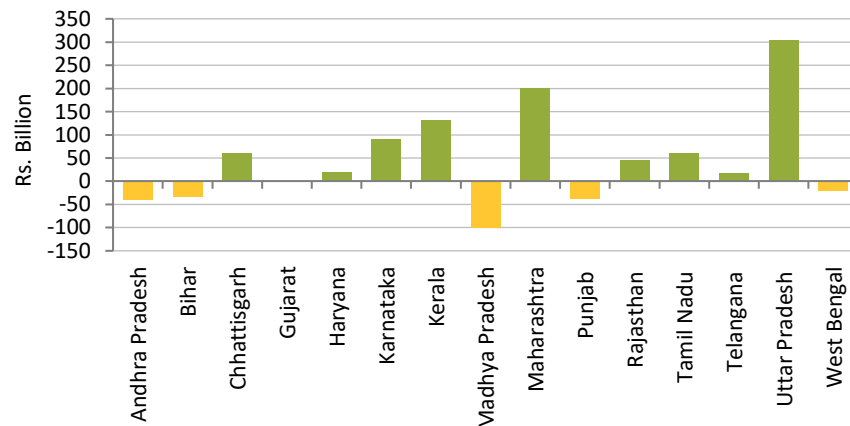


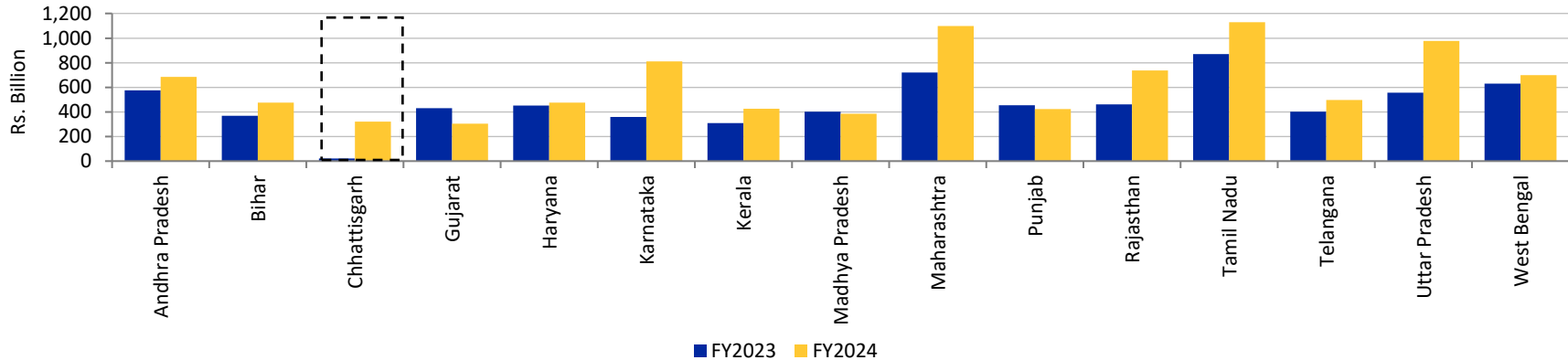
Exhibit: State-wise deviation in actual and indicated issuance in March 2024



- During FY2024, SGS issuance exceeded the indicated amount in five of the 12 months. The actual SGS issuance of Rs. 1.9 trillion during March 2024 was a massive 51% above the indicated amount of Rs. 1.3 trillion. Higher-than-indicated borrowing by UP and Maharashtra comprised nearly 78% of the Rs. 649 billion additional SGS issuance during March 2024.
- Several factors may have driven some states to expand their borrowings in March 2024, such as a preference to hold larger cash going into the period of the model code of conduct prior to the Parliamentary Elections. It is possible that some states chose to use up a larger part of their borrowing limit for FY2024 before the year ended. Additionally, the kick-off of the borrowing calendar in a fiscal is influenced by the timing of receipt of borrowing permission from the Government of India. It is unclear if the heavy borrowing by some state governments in Q4 FY2024, was driven by their anticipation of a delayed receipt of borrowing permission from the GoI for FY2025, similar to the case in FY2023 and FY2024, which had tempered borrowings in Q1 of those years.

Bulk of the incremental gross SGS issuance of Rs. 2.5 trillion in FY2024 was led by Karnataka, UP, Maharashtra Chhattisgarh, Rajasthan and TN

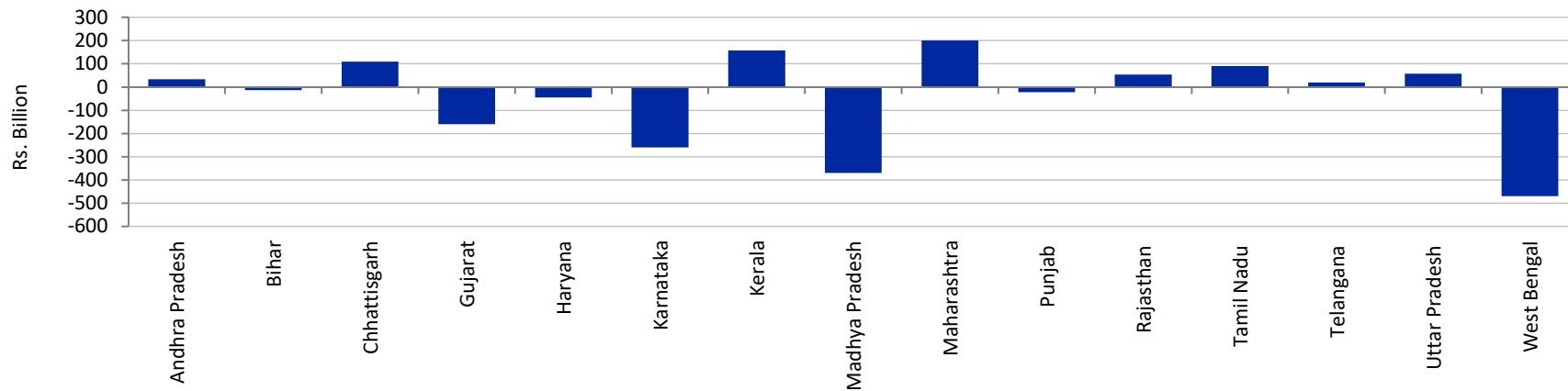
Exhibit: States with SGS issuances greater than Rs. 300 billion in FY2024



- TN retained its position of top borrower in FY2024 for the fourth successive fiscal, with issuance of as much as Rs. 1.13 trillion in FY2024. Maharashtra (Rs. 1.10 trillion), UP (Rs. 977 billion), Karnataka (Rs. 810 billion), Rajasthan (Rs. 736 billion) and AP (Rs. 684 billion) accounted for more than half of the total borrowing of Rs. 10.1 trillion in FY2024.
- The bulk of the incremental borrowing of Rs. 2.5 trillion in FY2024 relative to the year-ago period was led by Karnataka (Rs. 450 billion), UP (Rs 421 billion), Maharashtra (Rs. 380 billion), Chhattisgarh (Rs. 300 billion), Rajasthan (Rs. 276 billion) and TN (by Rs. 260 billion). Interestingly, Chhattisgarh's gross issuance recorded a multi-fold increase to Rs. 320 billion in FY2024 from a low Rs. 20 billion in FY2023.
- In contrast, among the sample states, Gujarat (29%), MP (4%) and Punjab (7%) reported a YoY contraction in their SGS issuance in FY2024.

Gap between actual and indicated narrowed to Rs. 810 billion in FY2024 from Rs. 1.9-2.4 trillion in FY2022-23; WB alone accounted for 58% of this gap in FY2024

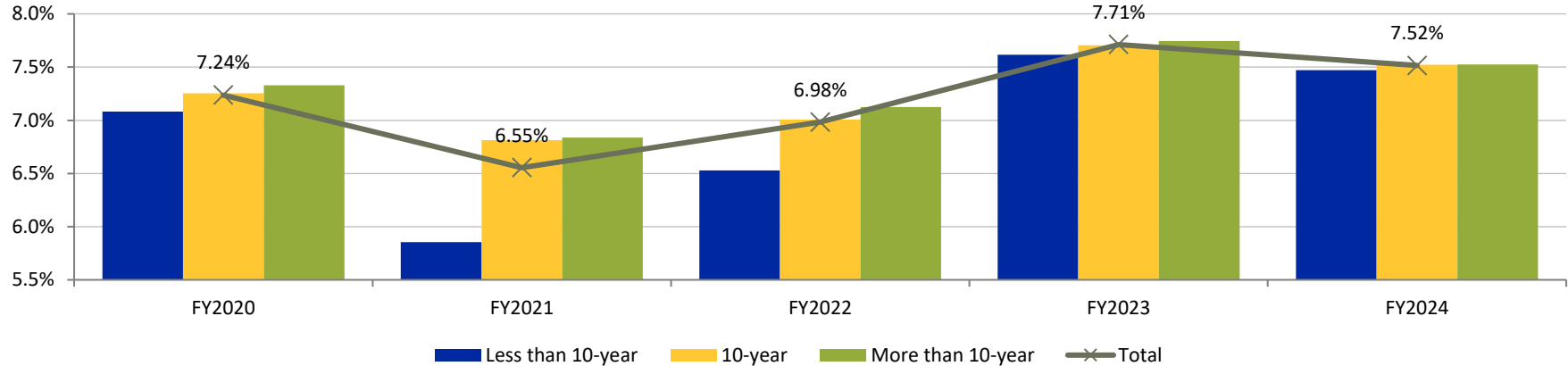
Exhibit: Variation between actual and indicated issuance of top 15 borrowers



- The actual issuance of Rs. 10.1 trillion in FY2024 trailed the Rs. 10.9 trillion indicated to the RBI. This deviation of Rs. 810 billion was significantly narrower than the gap of Rs. 1.9-2.4 trillion in FY2022-23. The downward deviation in FY2024 was chiefly led by WB (Rs. 470 billion), followed by MP (Rs. 370 billion), Karnataka (Rs. 260 billion) and Gujarat (Rs. 160 billion). Moreover, Bihar, Haryana and Punjab borrowed Rs. 10-45 billion less than the indicated amount in FY2024.
- Key states with higher than indicated borrowing in FY2024 include Maharashtra (Rs. 200 billion), Kerala (Rs. 158 billion), Chhattisgarh (Rs. 110 billion), TN (Rs. 90 billion), UP (Rs. 57 billion), Rajasthan (Rs. 54 billion), AP (Rs. 34 billion) and Telangana (Rs. 19 billion) in FY2024.

Weighted average cut-off of SGS dipped by 20 bps to 7.52% in FY2024 from the year-ago levels amid a flattish yield curve

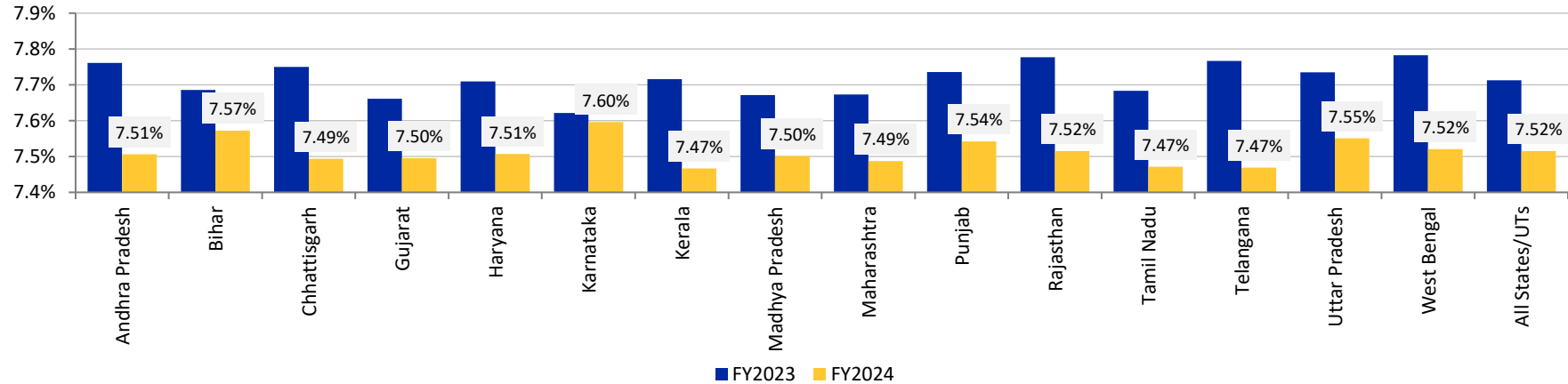
Exhibit: Weighted average cut-off of SGS issuance



- The WAC of the SGS declined by 20 bps to 7.52% in FY2024 from 7.71% in FY2023. Despite this softening, the weighted average cut-off of the SGS in FY2024 was 28 bps above the levels that prevailed in FY2020.
- The WAC of both the longer tenor and as well as the 10-year SGS was 7.52% in FY2024, 22 bps and 18 bps lower than their respective levels in FY2023. The weighted average cut-off of the SGS in the less than 10-year segment fell by a relatively lower 14 bps to 7.47% in FY2024 from 7.62% in FY2023. Overall, the SGS curve the in FY2024 flattened compared to previous years.

Telangana's WAC declined by 30 bps in FY2024 relative to FY2023, while Karnataka's dipped by a mild 2 bps

Exhibit: State-wise weighted average cost of SGS during FY2023 and FY2024

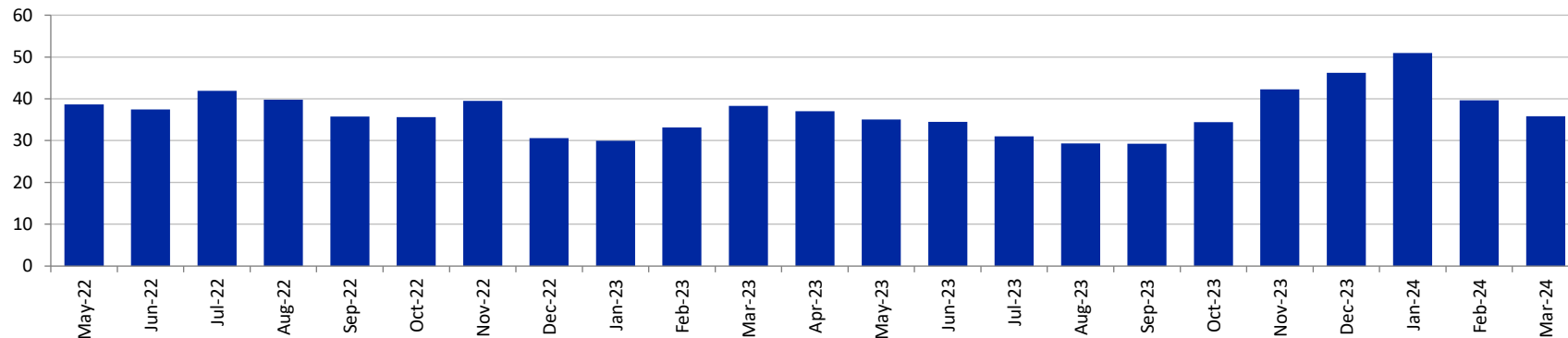


- The WAC of borrowings of states is impacted by various factors, including, interest rates, proportion of borrowing in various tenors, quantum of issuance by a state and the timing of borrowing, in the years for which the change in cost is measured. The WAC of Telangana's SGS issuance stood at 7.47% in FY2024, 30 bps lower than 7.77% in FY2023, the highest decline among the sample states in the ongoing fiscal.
- The WAC of SGS issued by AP, Chhattisgarh, Haryana, Kerala, Rajasthan, TN and WB in FY2024 declined by 20-26 bps relative to the previous fiscal. The WAC of SGS issuance of Gujarat, MP, Maharashtra, Punjab and UP's eased by 17-19 bps in FY2024 from FY2023 while Bihar's fell by a relatively lower 11 bps.
- However, at 7.60%, the WAC of Karnataka SGS in FY2024 was only marginally lower than 7.62% in FY2023. Unlike most of the other states in the sample, Karnataka borrowed exclusively in H2 FY2024, when the average weighted cut-off SGS rose to 7.60% from 7.43% in H1 FY2024, which pushed up the state's WAC. With this, the WAC of Karnataka's SGS issuance went from being one of the lowest amongst the states in FY2023 to the highest in FY2024.

Source: RBI; ICRA Research

Weighted average spread between the 10-year SGS and yield of 10-year G-sec remained below 40 bps for most of FY2024

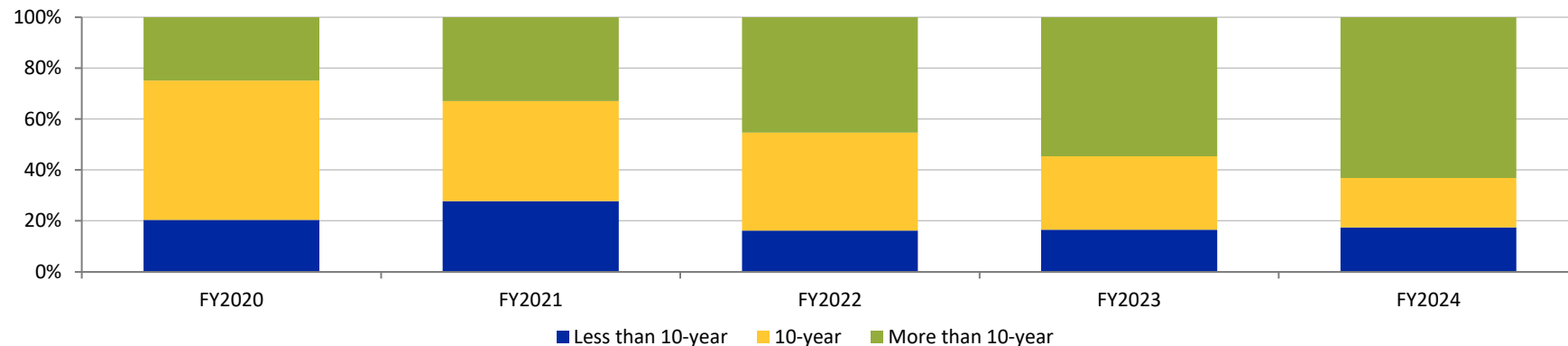
Exhibit: Average spread (in bps) between weighted average cut-off of 10-year SGS yield and closing yield of 10-year G-sec



- The spread between the weighted cut-off of 10-year SGS and the 10-year G-sec yield ranged between 30-35 bps during Q1 FY2024 and Q2 FY2024, with 16-20% shortfall in SGS issuance from the amount indicated for those quarters. In Q3 FY2024, with SGS issuance exceeding the indicated amount, albeit by a modest 4%, the spreads climbed up to 40 bps.
- Following the record-high indicated amount of Rs. 4.1 trillion for Q4 FY2024, the spread between the 10-year SGS and G-sec rose to 50-55 bps in the first three weekly auctions of January 2024. However, the spreads dipped below 50 bps by the end-Jan 2024 and below 40 bps by end-Feb 2024. Despite the actual issuance in March FY2024 sharply exceeding the planned issuance (Rs. 1.9 trillion vs Rs. 1.3 trillion), the spread between the weighted cut-off of 10-year SGS and the 10-year G-sec yield remained in a narrow band of 35-37 bps, as the SGS supply was absorbed with the G-sec issuance calendar having ended on February 16, 2024.

Preference for longer dated tenors continued in FY2024 reflecting attractive long-term rates compared to short term rates and front-ended redemption profile

Exhibit: Tenor-wise SGS issuance during FY2020-24

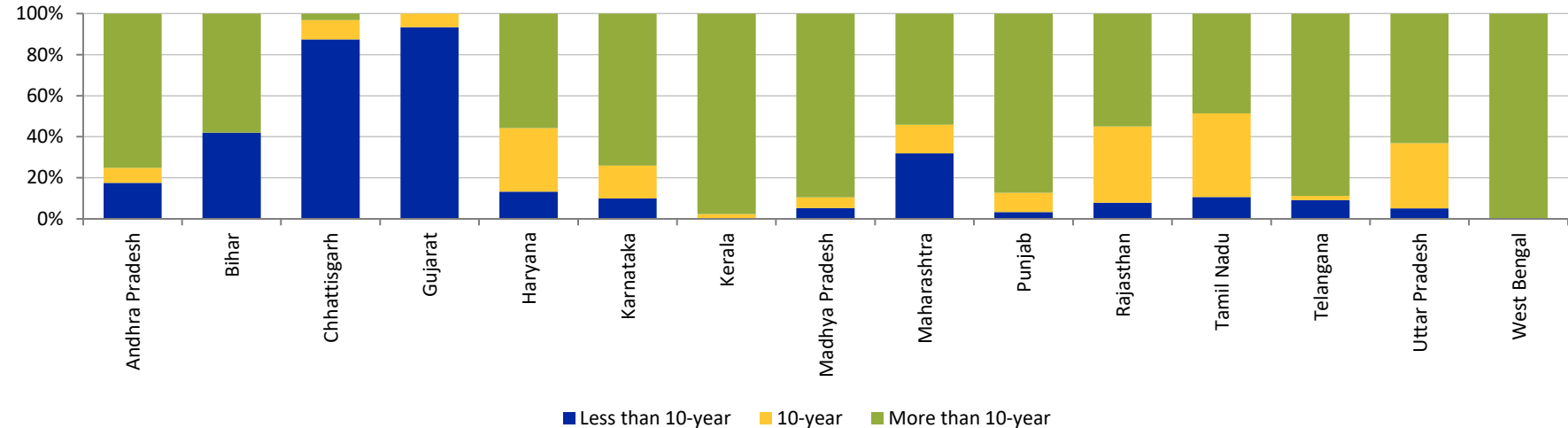


- Preference for longer tenor continued to rise with nearly 63% of the total issuance in FY2024 in the more than 10-year bucket, higher than 25-55% in the previous four years. The share of borrowing in shorter tenor papers increased mildly to 17% in FY2024 from 16% each in FY2022-23. In contrast, the proportion of SGS issued in the 10-year maturity bucket has declined consistently since FY2020. From being a dominant segment with 55% share in total borrowing in FY2020, the total issuance in 10-year bucket dipped to a low 19% in FY2024.
- The increasing preference for greater than 10-year papers reflects the relatively attractive interest rates for this segment compared to the short-term rates and highly front-ended redemption profile for most of the states. Notably, out of the Rs. 49.3 trillion SGS outstanding as on March 31, 2023, nearly 73% or Rs. 36.0 trillion is due to mature in the next 10-years (FY2025-34).

Source: RBI; ICRA Research

AP, Karnataka, Kerala, MP, Punjab, Telangana and WB borrowed 75-100% of their total issuance in longer-tenor segment; Gujarat and Chhattisgarh were outliers

Exhibit: Tenor-wise SGS issuance during FY2024 of 15 states



- AP, Karnataka, Kerala, MP, Punjab, Telangana and WB borrowed 75-100% of their total issuance in FY2024 in the longer tenor segment. Additionally, Bihar Haryana, Maharashtra, Rajasthan and UP borrowed 55-63% of the total amount by issuing longer tenor papers in FY2024. Additionally, TN issued less than half of its total SGS in FY2024 in the more than 10-year segment.
- Amid, a clear inclination displayed by most of the states towards longer term papers in FY2024, Gujarat and Chhattisgarh were outliers with 88-93% of their total issuance in the shorter tenor segment.

Weighted average maturity of gross SGS issued in FY2024 was unchanged at 14 years in line with FY2023, amid wide inter-state variations

Exhibit: WAM of SGS issuance

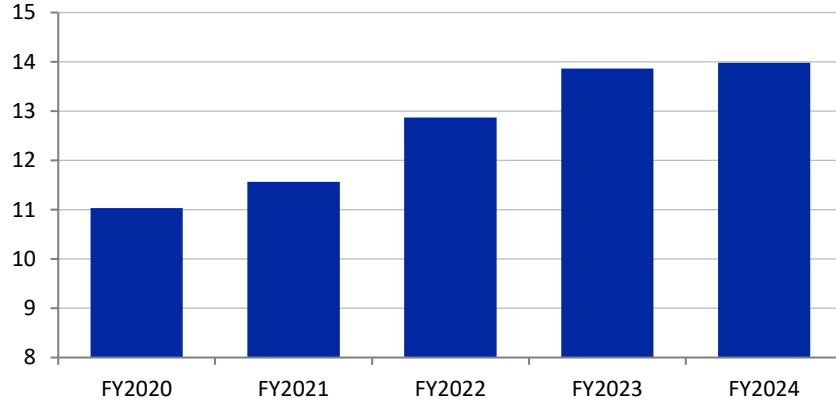
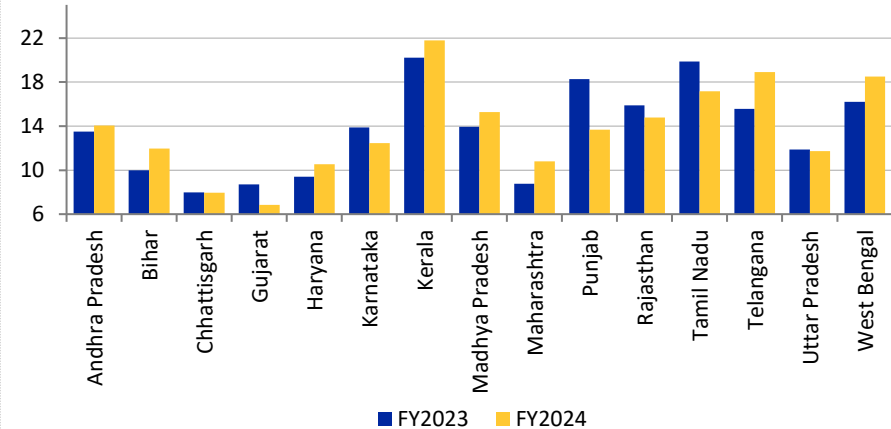


Exhibit: State-wise WAM during FY2023 and FY2024



- The WAM of SGS issued since FY2020 has successively stepped up from ~11 years in FY2020 to ~14 years each in FY2023 and FY2024. WAM of Kerala's SGS was the highest at 22 years in FY2024 (20 years in FY2023) while that of Gujarat's SGS was the lowest at 7 years (9 years in FY2023).
- Aside from Kerala, WAM of SGS issued by Telangana and WB was 19 years each in FY2024, 2-3 years higher than FY2023. Additionally, the WAM of SGS issuance by AP, Bihar, Haryana, MP, Maharashtra, stood between 11-15 years in FY2024, 1-2 years higher than FY2023.
- Apart from Gujarat, the WAM of SGS issuance of Jharkhand (8 years), Karnataka (12 years), Punjab (14 years), Rajasthan (15 years) and TN (17 years) declined by 1-5 years in FY2024 from FY2023. At 12 years, the WAM of UP in FY2024 was unchanged from FY2023.



ANNEXES

Summary performance for 15 states

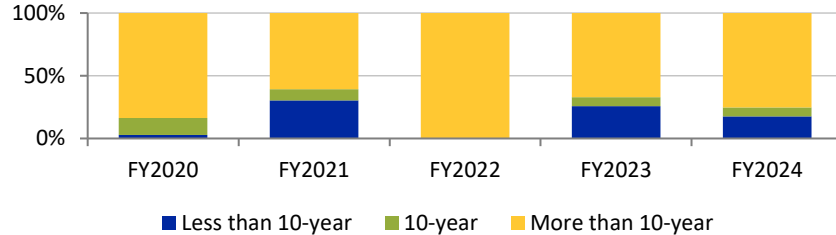
Exhibit: Snapshot of trends for states with SGS issuance greater than Rs. 300 billion

| | Highest | Lowest |
|---|---|--------------------------------------|
| Borrowing in FY2024 | TN (Rs. 1.1 trillion) | Gujarat (Rs. 305 billion) |
| Incremental borrowing in FY2024 over FY2023 | Karnataka (increase of Rs. 450 billion) | Gujarat (decline of Rs. 125 billion) |
| Positive deviation from indicative amount in FY2024 | Maharashtra (by Rs. 200 billion) | Telangana (by Rs. 19 billion) |
| Negative deviation from indicative amount in FY2024 | WB (by Rs. 470 billion) | Bihar (by Rs. 14 billion) |
| Weighted average cost in FY2024 | Karnataka (7.60%) | Kerala , TN and Telangana (7.47%) |
| Incremental decline in weighted average cost in FY2024 | Telangana (by 30 bps) | Karnataka (by 2 bps) |
| WAM in FY2024 | Kerala (22 years) | Gujarat (7 years) |
| Share of borrowing in less than 10-year issuance in FY2024 | Gujarat (93%) | Kerala and WB (0%) |
| Share of borrowing in 10-year bucket in FY2024 | TN (41%) | WB and Bihar (0%) |
| Share of borrowing in greater than 10-year issuance in FY2024 | WB (100%) | Gujarat (0%) |

Source: RBI; ICRA Research

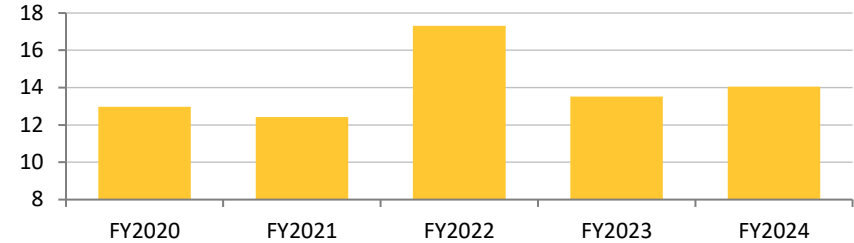
WAC of AP SGS declined by 25 bps to 7.51% in FY2024 from 7.76% in FY2023 despite a mild increase in WAM to 14 years

Exhibit: Tenor-wise issuance of AP SGS



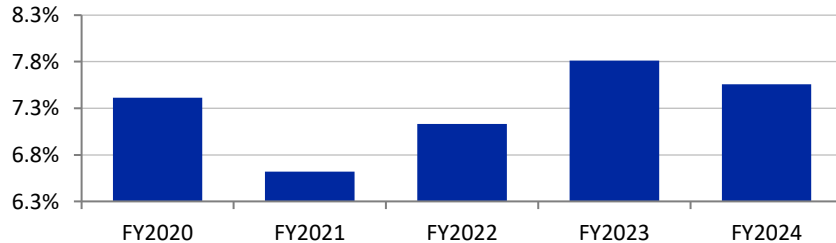
Source: RBI; ICRA Research

Exhibit: WAM of AP's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of AP's SGS issued during FY2020-24



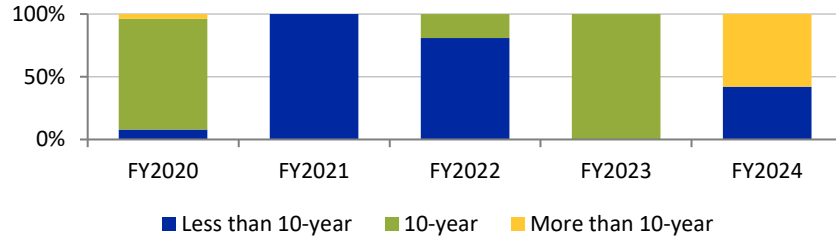
Source: RBI; ICRA Research

- AP issued Rs. 684 billion in FY2024, ~19% higher on a YoY basis and ~9% above the indicated amount.
- 75% of AP's total borrowing in FY2024 was in the more-than-10-year segment (11-20-years), higher than the trend in FY2021 and FY2023.
- The WAM of SGS issued by AP in FY2024 was ~14 years, mildly higher than the levels in FY2020, FY2021 and FY2023.
- The WAC of SGS issued by AP in FY2024 declined by 25 bps to 7.51% from 7.76% in FY2023.

Sample states include 15 states, namely, AP, Bihar, Chhattisgarh, Gujarat, Haryana, Karnataka, Kerala, MP, Maharashtra, Punjab, Rajasthan, TN, Telangana, UP and WB, whose SGS issuance in FY2024 exceeded Rs. 300 billion

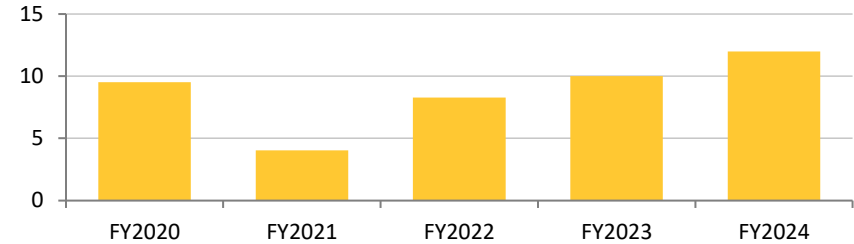
WAC of Bihar SGS declined by 11 bps to 7.57% in FY2024 from 7.69% in FY2023 even as WAM rose to 12 years from 10 years

Exhibit: Tenor-wise issuance of Bihar SGS



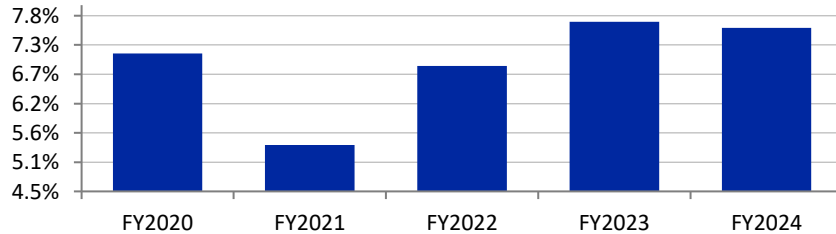
Source: RBI; ICRA Research

Exhibit: WAM of Bihar's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Bihar's SGS issued during FY2020-24

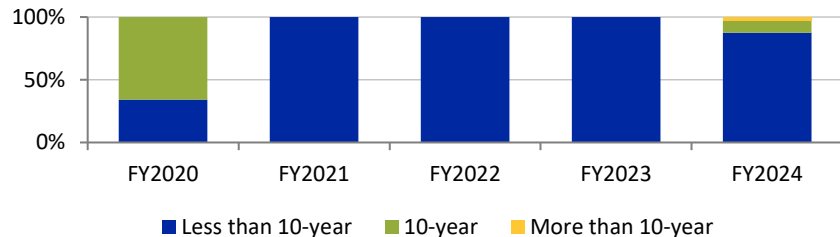


Source: RBI; ICRA Research

- Bihar raised Rs. 476 billion in FY2024, 29% higher on a YoY basis albeit a mild 1% below the indicated amount.
- The proportion of more than 10-year paper in Bihar's total borrowing of FY2024, stood at 58%, in contrast to the trends seen in the recent years. Moreover, the state had nil issuance in the 10-year bucket in FY2024, compared to 100% issuance in this segment in FY2023.
- Reflecting these trends, the WAM of SGS issued by Bihar in FY2024 rose to 12 years in FY2024 from 10 years in FY2023, and 4-8 years in FY2021-22
- Despite this, the WAC of SGS issued by Bihar in FY2024 declined by 11 bps to 7.57% from 7.69% in FY2023, although it was the second-highest WAC amongst the sample states.

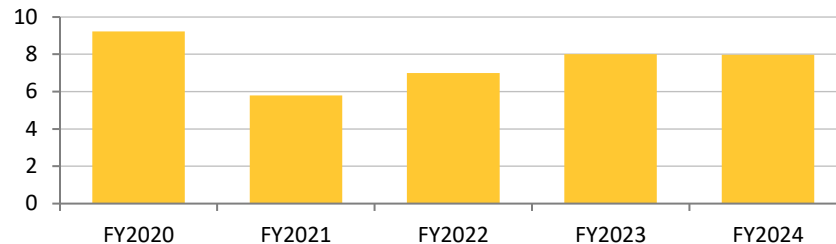
WAC of Chhattisgarh SGS eased by 26 bps to 7.49% in FY2024 from last year, amid stable WAM of 8 years

Exhibit: Tenor-wise issuance of Chhattisgarh SGS



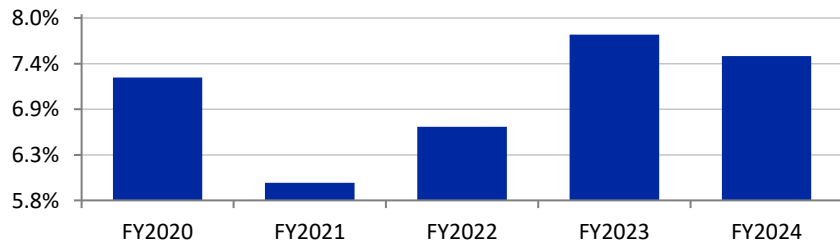
Source: RBI; ICRA Research

Exhibit: WAM of Chhattisgarh's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Chhattisgarh's SGS issued during FY2020-24

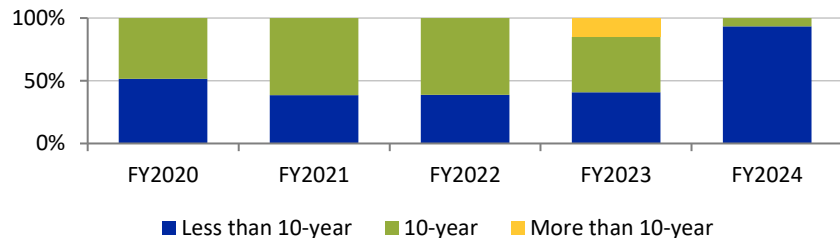


Source: RBI; ICRA Research

- Chhattisgarh raised Rs. 320 billion in FY2024, nearly 16x higher than Rs. 20 billion raised in FY2023 and a sharp ~52% above the indicated amount.
- Nearly 88% of the total issuance in FY2024 was in the shorter tenors (5-9-years). While this was lower than the trend of 100% issuance in the segment during FY2021-23, it remained the preferred maturity bucket for Chhattisgarh. Notably, the state borrowed in longer tenors (11 years) for the first time in FY2024 (3% of total).
- The WAM of Chhattisgarh's SGS issued in FY2024 was stable at ~8 years from FY2023 and mildly higher than the levels in FY2021-22.
- The WAC of SGS issued by Chhattisgarh in FY2024 dipped by 26 bps to 7.49%.

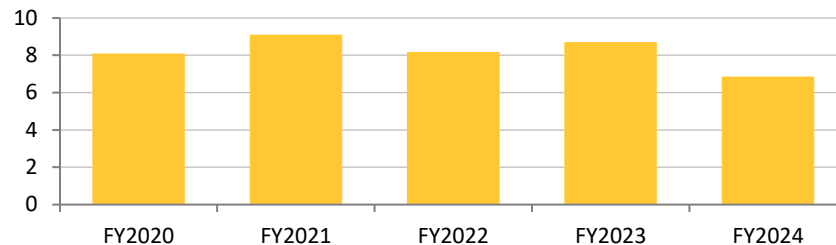
WAC of Gujarat SGS declined to 7.50% in FY2024 from 7.66% in FY2023, benefitting from predominantly shorter tenor borrowing, which restricted WAM to 7 years

Exhibit: : Tenor-wise issuance of Gujarat SGS



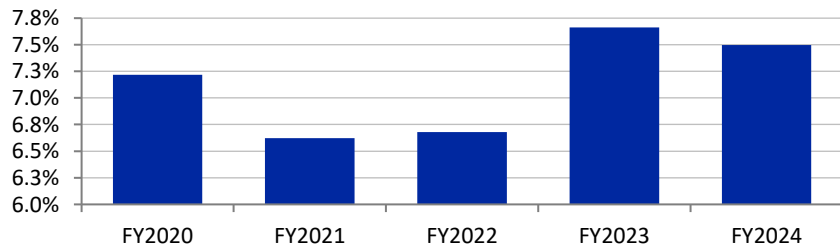
Source: RBI; ICRA Research

Exhibit: WAM of Gujarat's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Gujarat's SGS issued during FY2020-24

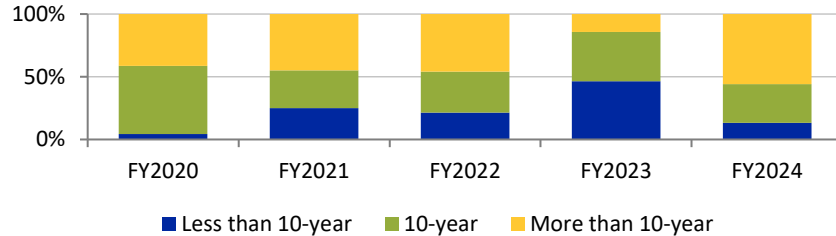


Source: RBI; ICRA Research

- Gujarat issued Rs. 305 billion in FY2024, 29% lower on a YoY basis and 34% below the indicated amount.
- As much as 93% of Gujarat's total issuance in FY2024 were in the shorter tenors (2-9-years), higher than 39-51% in the previous four years. The proportion of borrowing in the 10-year bucket narrowed to 7% in FY2024 from a sizeable 44% in FY2023.
- Reflecting a jump in the share of shorter tenor papers, WAM of Gujarat SGS in FY2024 declined to 7 years, the lowest in the sample and below the trends during FY2020-23 (8-9-year).
- The WAC of SGS issued by Gujarat in FY2024 decreased by 17 bps to 7.50% to 7.66% in FY2023.

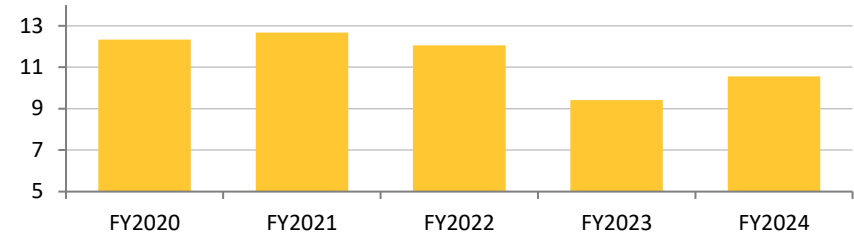
WAC of Haryana SGS dipped by 20 bps to 7.51% in FY2024 from 7.71% in FY2023, WAM increased to ~11 years from ~9 years

Exhibit: Tenor-wise issuance of Haryana SGS



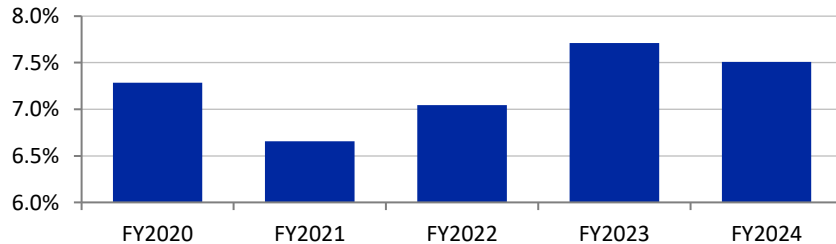
Source: RBI; ICRA Research

Exhibit: WAM of Haryana's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Haryana's SGS issued during FY2020-24

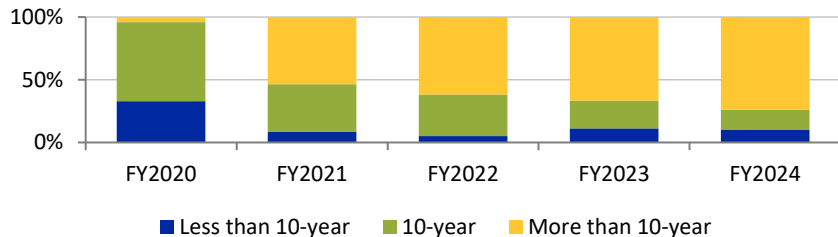


Source: RBI; ICRA Research

- In FY2024, Haryana's borrowing increased by 5% to Rs. 475 billion on a YoY basis while being 9% lower than the indicated amount.
- Following a sharp rise in share of shorter tenor papers to 47% in FY2023, the share of the same declined to 13% in FY2024. The state reverted to the earlier trend of issuing higher proportion of longer tenor papers (11-12-year papers), the share of which rose to 56% in FY2024.
- Reflecting these trends, the weighted average tenor of Haryana SGS in FY2024 increased to ~11 years from ~9 years in FY2023, while trailing the levels during FY2020-22 (12-13 years).
- The cost of Haryana SGS declined by 20 bps to 7.51% in FY2024, on a YoY basis.

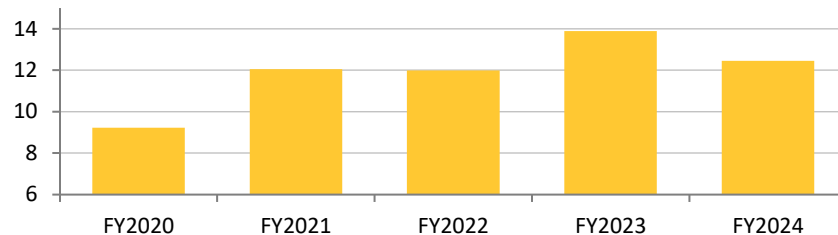
WAC of Karnataka SGS eased by a low 2 bps to 7.60% in FY2024, costliest amongst the sample states, with borrowing concentrated in H2

Exhibit: Tenor-wise issuance of Karnataka SGS



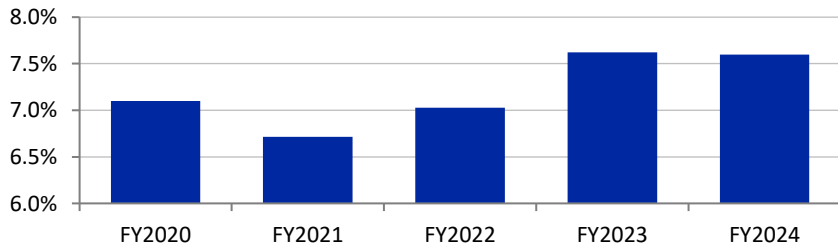
Source: RBI; ICRA Research

Exhibit: WAM of Karnataka's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Karnataka's SGS issued during FY2020-24

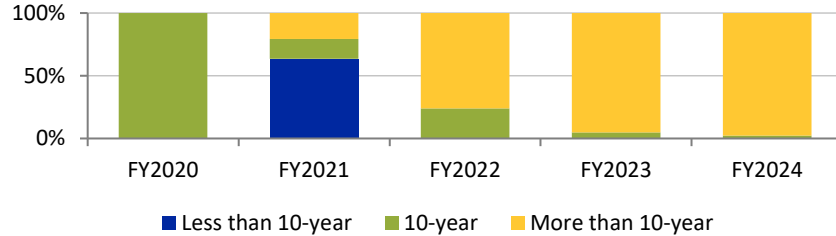


Source: RBI; ICRA Research

- Issuance by Karnataka more than doubled to Rs. 810 billion in FY2024 on a YoY basis, even as it was 24% lower than the indicated amount.
- The proportion of issuance in more than 10-year segment rose consistently to 74% in FY2024 (11-18-years) from 4% in FY2020. At the same time, Karnataka's borrowing in the 10-year bucket has declined to 16% from 63%.
- Notwithstanding the increase in share of longer tenor papers, the WAM of SGS issued by Karnataka in FY2024 declined to ~12 years from ~14 years in FY2023, while marginally exceeding the levels in FY2021-22.
- The WAC of SGS issued by Karnataka in FY2024 declined by a low 2 bps to 7.60%, the narrowest decrease amongst the sample states. Notably, at 7.60%, the WAC of Karnataka was the highest amongst the sample states, possibly reflecting the fact that the state's entire borrowing was in H2 FY2024, when the yields had hardened relative to H1 FY2024 (7.60% vs. 7.43%).

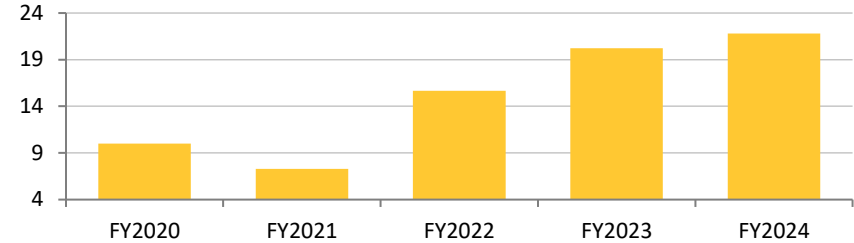
WAC of Kerala's SGS dipped by 25 bps to 7.47% and was the lowest amongst the sample states

Exhibit: Tenor-wise issuance of Kerala SGS



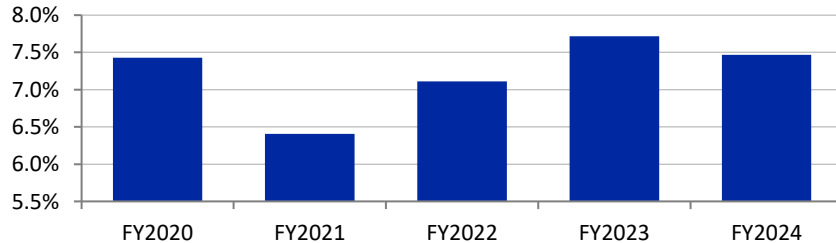
Source: RBI; ICRA Research

Exhibit: WAM of Kerala's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Kerala's SGS issued during FY2020-24

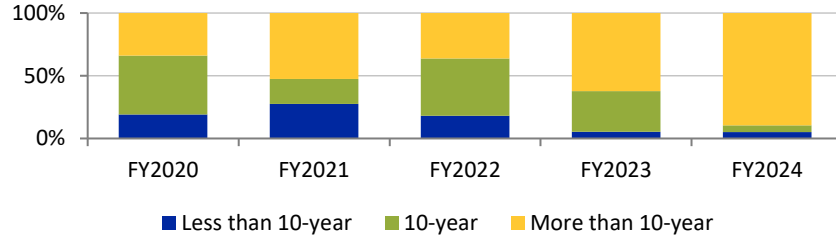


Source: RBI; ICRA Research

- On a YoY basis, Kerala's borrowing grew by ~38% to Rs. 424 billion in FY2024 and was a sharp ~59% above the indicated amount for that year.
- Kerala stepped up its issuance in the more than 10-year segment to ~98% of its total issuance in FY2024, while skipped the less than 10-year segment for the third consecutive year in FY2024.
- The WAM of SGS issued by Kerala in FY2023 rose to ~22 years (highest amongst the sample) from ~20 years in FY2023. Moreover, Kerala raised a 40-year SGS for the first time in FY2024.
- The WAC of SGS issued by Kerala in FY2024 eased by 25 bps to 7.47%. This was the lowest WAC among the sample states, in line with TN and Telangana.

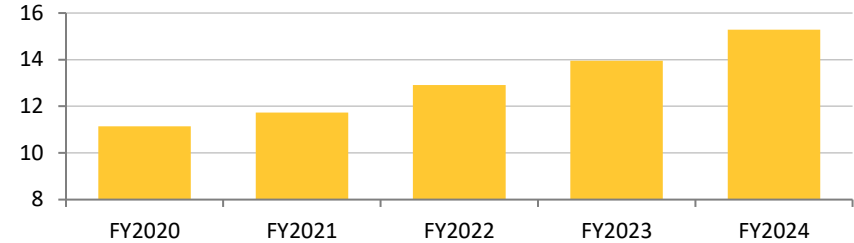
WAC of MP SGS declined by 17 bps to 7.50% in FY2024; rise in share of longer tenor issuance increased WAM to 15 years from 14 years

Exhibit: Tenor-wise issuance of MP SGS



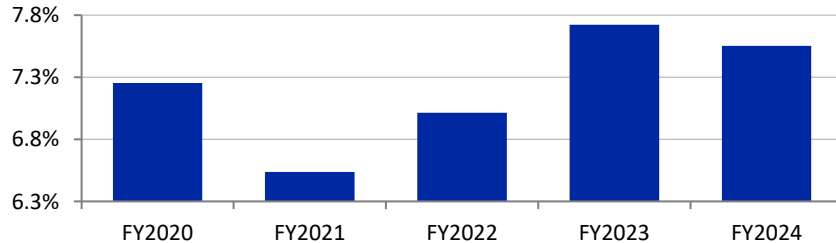
Source: RBI; ICRA Research

Exhibit: WAM of MP's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of MP's SGS issued during FY2020-24

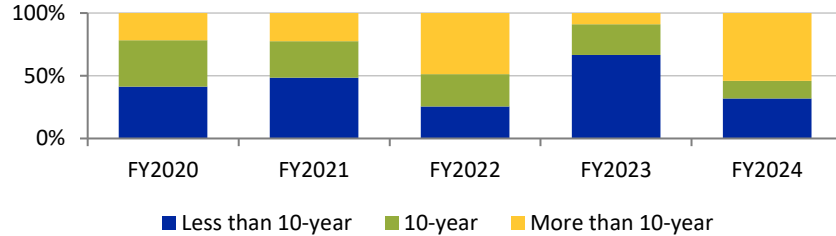


Source: RBI; ICRA Research

- MP's issuance declined by a mild 4% to Rs. 385 billion in FY2024 from FY2023 and trailed the indicated amount by a sharp 49%. Notably, nearly 62% of the total under-borrowing of Rs. 370 billion was in Q4 FY2024.
- The share of more than 10-year paper in the total issuance of MP increased substantially to 90% in FY2024 (11-22-years) from ~62% in FY2023 and 34-53% in previous three years.
- The WAM of issuance by MP has risen consistently from 11 years in FY2020 to 14 years in FY2023 and further to 15 years in FY2024.
- The WAC of MP SGS issued in FY2023 dipped by 17 bps to 7.50%, while remaining higher than the levels during FY2020-22.

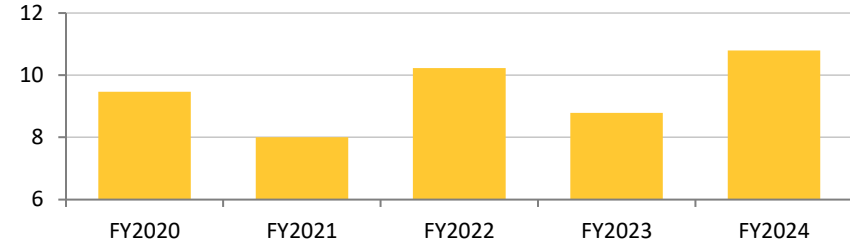
WAC of Maharashtra SGS declined by 19 bps to 7.49% in FY2024 from FY2023, with an increase in longer tenor issuances pushing WAM above 10 years

Exhibit: Tenor-wise issuance of Maharashtra SGS



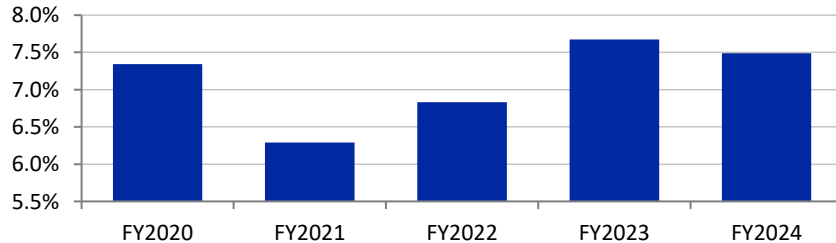
Source: RBI; ICRA Research

Exhibit: WAM of Maharashtra's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Maharashtra's SGS issued during FY2020-24

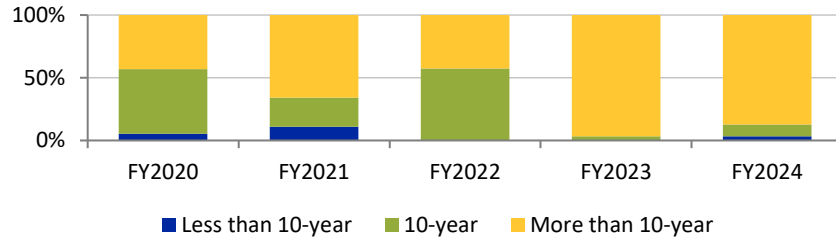


Source: RBI; ICRA Research

- Maharashtra issued Rs. 1.0 trillion in FY2024, a substantial 53% higher on a YoY basis and 22% above the indicated amount.
- Maharashtra nearly halved its share of issuance in the shorter tenor segment to 32% in FY2024 from 67% in FY2023, while increasing it for longer tenors to 54% (11-20-years) from 9% in the same period.
- The WAM of SGS issued by Maharashtra in FY2024 rose to ~11 years, higher than the levels in the previous years.
- The WAC of SGS issued by Maharashtra in FY2024 declined by a below-average 19 bps to 7.49% from last year.

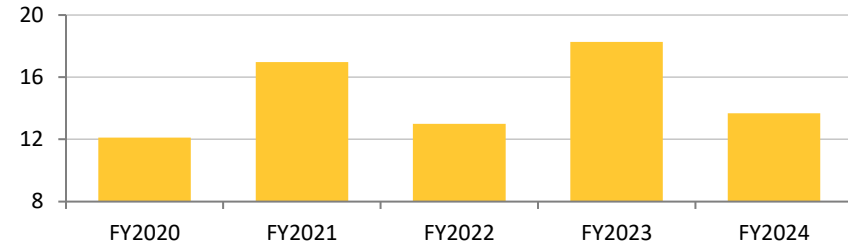
WAC of Punjab SGS dropped to 7.54% in FY2024 from 7.74% in FY2023; WAM eased to 14 years from 18 years, partly led by lower share of longer tenor issuance

Exhibit: Tenor-wise issuance of Punjab SGS



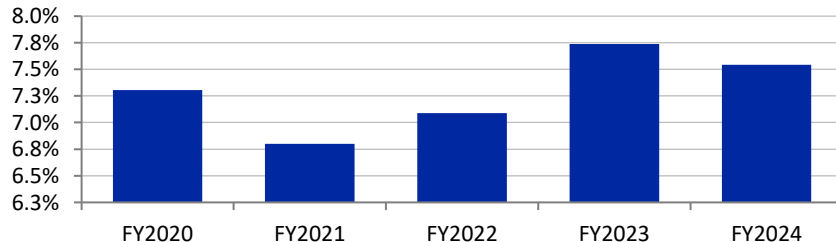
Source: RBI; ICRA Research

Exhibit: WAM of Punjab's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Punjab's SGS issued during FY2020-24

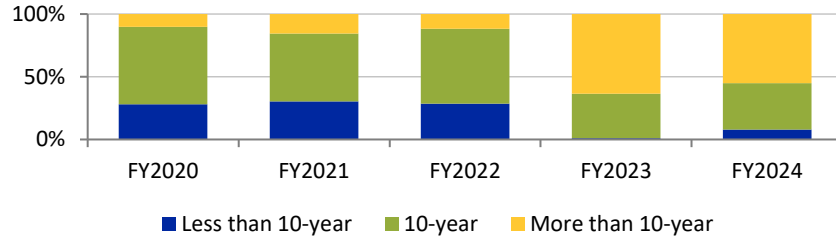


Source: RBI; ICRA Research

- Punjab's SGS issuance declined by ~7% to Rs. 424 billion in FY2024 on a YoY basis and was nearly in line with the indicated amount of Rs. 428 billion for that year.
- In FY2024, Punjab reduced its proportion of issuance in more than 10-year tenors to 87% (11-25 years) from 97% in FY2023. Simultaneously, it raised around 3% of its total issuance in FY2024 in shorter tenors (9 year) after a gap of two years and increased it for the 10-year bucket to 9% from 3%.
- As a result, the WAM of Punjab SGS in FY2024 declined to ~14 years from ~18 years in FY2023, the largest dip amongst the sample states.
- The cost of SGS issued by Punjab decreased by 19 bps to 7.54% in FY2024 from 7.74% in FY2023.

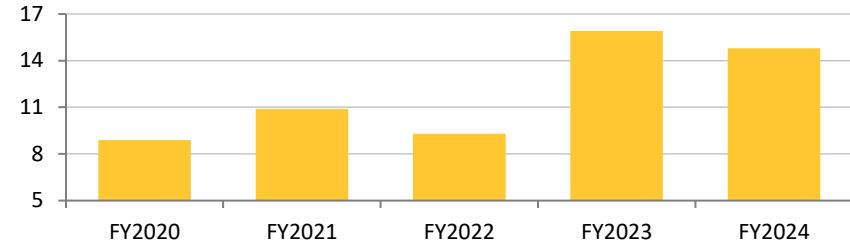
WAC of Rajasthan SGS declined by 26 bps to 7.52% in FY2024 from FY2023 amid WAM easing mildly to 15 years from 16 years

Exhibit: Tenor-wise issuance of Rajasthan SGS



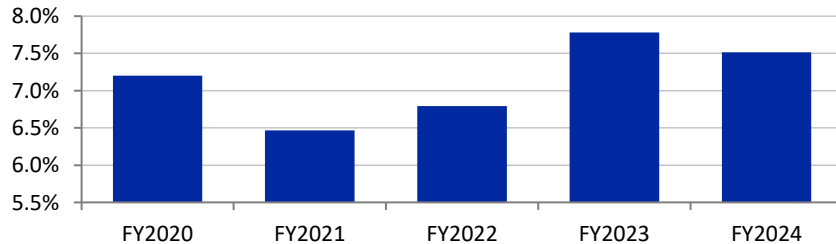
Source: RBI; ICRA Research

Exhibit: WAM of Rajasthan's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Rajasthan's SGS issued during FY2020-24

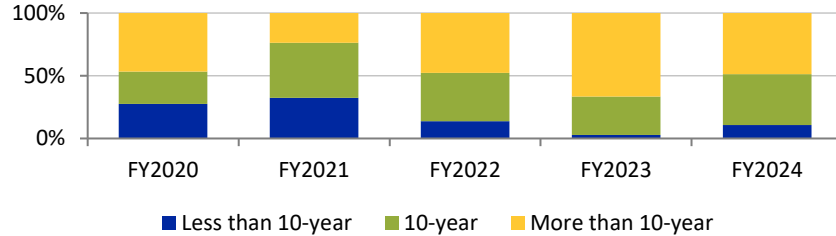


Source: RBI; ICRA Research

- Rajasthan borrowed Rs. 736 billion SGS in FY2024, a massive ~60% higher on a YoY basis and ~8% above the indicated amount for that year.
- During FY2024, Rajasthan lowered its issuance in the longer tenor segment to 55% from 64% in FY2023, although it was higher than 10-16% during FY2020-22. At the same time, the proportion of issuance in shorter tenors and the 10-year bucket was increased to 8% and 37%, respectively, in FY2024 from 1% and 35%, respectively in FY2023.
- The WAM of SGS issued by Rajasthan in FY2024 declined mildly to ~15 years from ~16 years in FY2023.
- The WAC of SGS issued by Rajasthan registered a second-largest dip of 26 bps to 7.52% in FY2024 from 7.78% in FY2023.

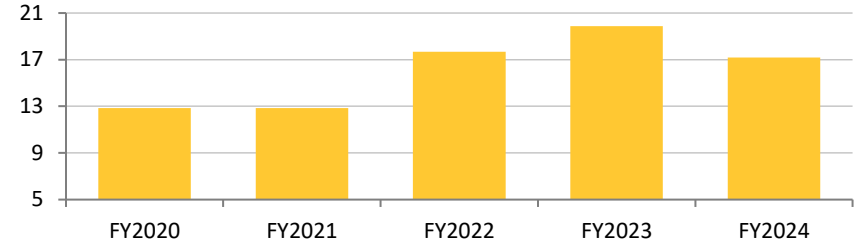
WAC of TN SGS eased by 21 bps to 7.47% in FY2024 from FY2023 emerging as the lowest WAC among the sample, with a dip in WAM to ~17 years from ~20 years

Exhibit: Tenor-wise issuance of TN SGS



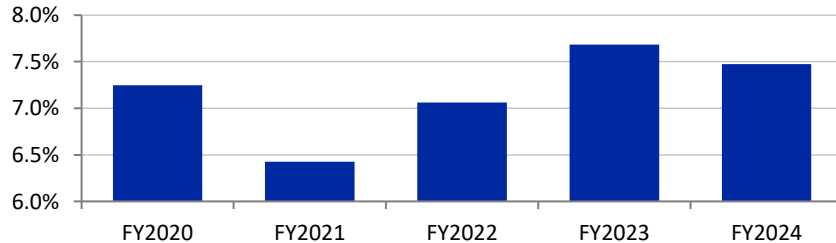
Source: RBI; ICRA Research

Exhibit: WAM of TN's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of TN's SGS issued during FY2020-24

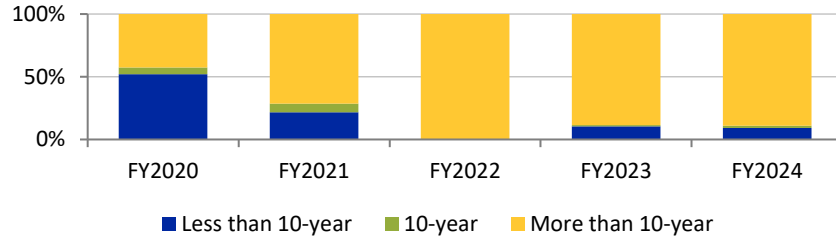


Source: RBI; ICRA Research

- Borrowing by TN rose by a sharp ~30% to Rs. 1.1 trillion in FY2024 on a YoY basis and was 9% above the indicated amount for the period.
- During FY2024, TN increased its issuance in the 10-year bucket to 41% (similar to FY2022) from 30% in FY2023, while lowering it in the more-than-10-year segment (49% vs. 67%).
- WAM of TN SGS raised in FY2024 declined to ~17 years, lower than ~20 years in FY2023 and ~18 years in FY2022. This was the second-largest decrease amongst the sample states after Punjab.
- The cost of SGS issued by TN declined by 21 bps to 7.47% in FY2024, making it one of the lowest cut-offs amongst the sample states (along with Kerala and Telangana).

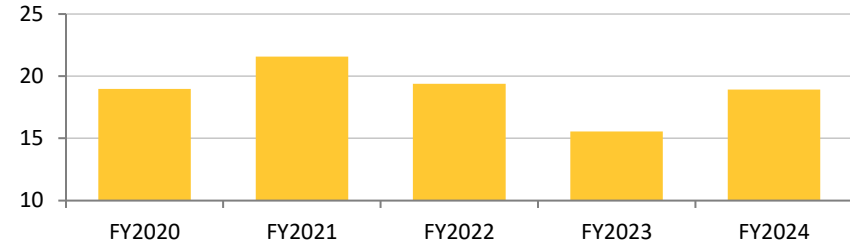
WAC of Telangana SGS displayed the largest dip of 30 bps to 7.47%, the lowest WAC among the sample states, amidst rise in WAM to 19 years from 16 years

Exhibit: Tenor-wise issuance of Telangana SGS



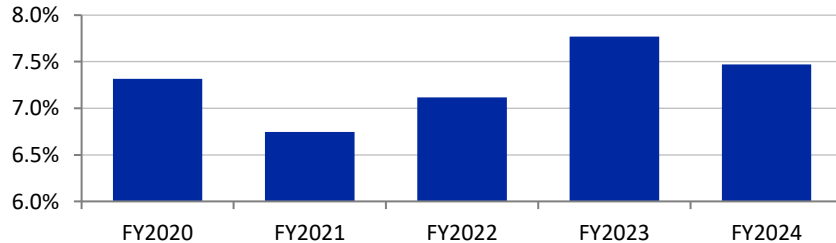
Source: RBI; ICRA Research

Exhibit: WAM of Telangana's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of Telangana's SGS issued during FY2020-24

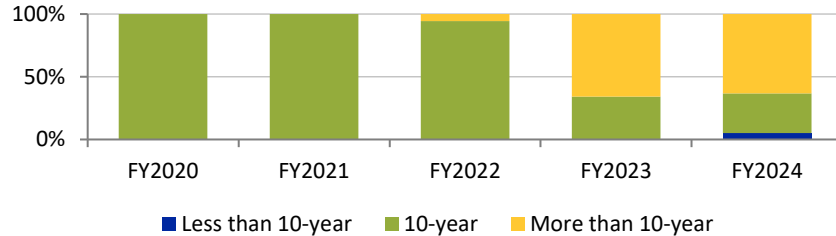


Source: RBI; ICRA Research

- On a YoY basis, Telangana's issuance rose by 24% to Rs. 496 billion in FY2024. Additionally, its actual issuance in FY2024 exceeded the indicated amount by a mild ~4%.
- The composition of borrowing by Telangana in FY2024 was similar to the year-ago level, with borrowing in more than 10-year segment mildly increasing to 89% from 88%.
- As a result, the WAM of Telangana's SGS in FY2024 rose to ~19 years from ~16 years in FY2023.
- The WAC of SGS issued by Telangana dropped by a sharp 30 bps to 7.47% in FY2024, the largest decline amongst the sample states, possibly with the state largely borrowing when the interest rates were relatively lower (H1 and Feb-March-24). Notably, at 7.47%, the cost of Telangana SGS was the lowest amongst the sample states.

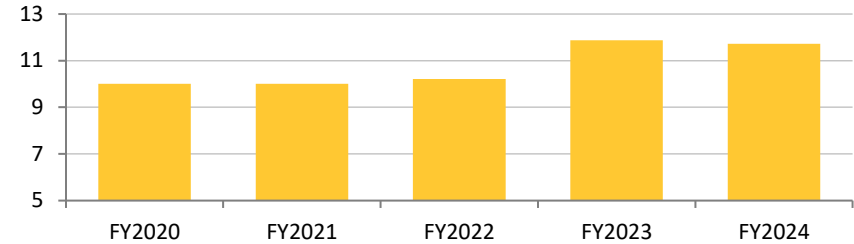
WAC of UP SGS eased by below-average 18 bps to 7.55% in FY2024 from FY2023, with unchanged WAM at 12 years

Exhibit: Tenor-wise issuance of UP SGS



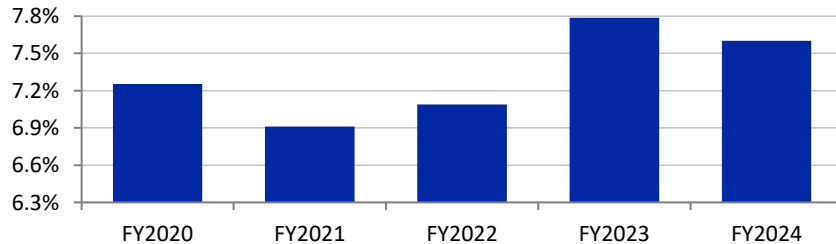
Source: RBI; ICRA Research

Exhibit: WAM of UP's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of UP's SGS issued during FY2020-24

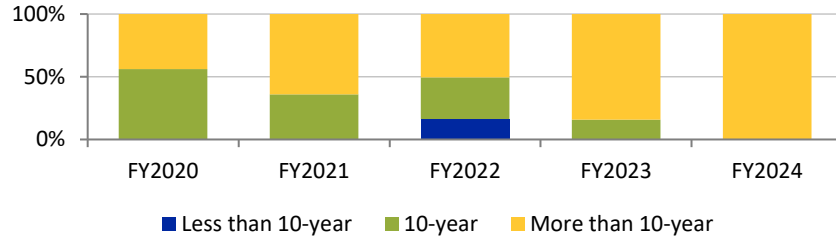


Source: RBI; ICRA Research

- During FY2024, UP increased its SGS issuance by a massive 76% to Rs. 977 billion on a YoY basis, albeit 4% below the indicated amount for the year.
- For the first-time ever, UP raised shorter tenor securities (3-year and 8-year) in FY2024, which comprised ~5% of its total issuance. After increasing the share of more than 10-year papers to 66% in FY2023, UP lowered the proportion of the same to 63% in FY2024.
- Overall, the WAM of UP's SGS remained unchanged ~12 years between FY2023-24.
- The WAC of UP's SGS decreased by 18 bps to 7.55% in FY2024, relative to FY2023.

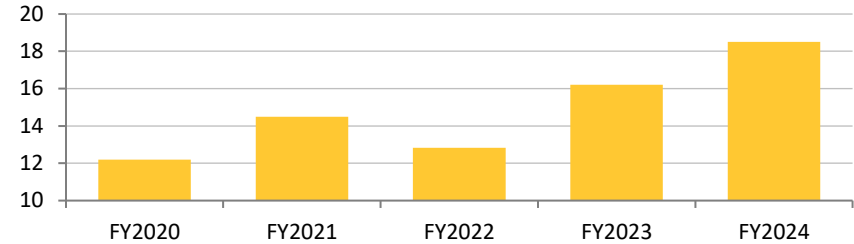
WAC of WB SGS declined by 26 bps to 7.52% in FY2024 from FY2023; 100% issuance in longer tenors pushed WAM to ~19 years from ~16 years

Exhibit: Tenor-wise issuance of WB SGS



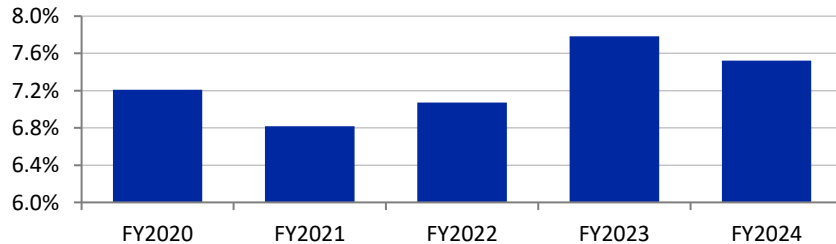
Source: RBI; ICRA Research

Exhibit: WAM of WB's SGS issued during FY2020-24



Source: RBI; ICRA Research

Exhibit: WAC of WB's SGS issued during FY2020-24



Source: RBI; ICRA Research

- WB raised Rs. 699 billion SGS during FY2024, ~11% higher on a YoY basis, albeit a substantial 40% below the indicated amount. Notably, WB borrowed Rs. 470 billion less SGS relative to its indicated amount, comprising ~58% of the total Rs. 1.1 trillion lower-than-indicated issuance in FY2024.
- During FY2024, WB skipped borrowing in the 10-year bucket (16% in FY2023) and raised 100% of its issuance in longer tenors (14-23-year).
- As a result, the WAM of SGS issued in FY2024 increased to ~19 years from ~16 years in FY2023, the third largest increase amongst the sample states (after Punjab and TN).
- The weighted average cost of SGS issued by WB in FY2024 declined by a high 26 bps to 7.52%, with two-thirds of the issuance in H1 and Feb-Mar FY2024.



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