

State Government Borrowings : 11 August'20

9 states raised a total of Rs.16,800 crores at the auction of state government securities or state development loans (SDLs) held today, which was Rs.1,750 crores more than the notified amount of the auction as 3 states – Gujarat, Maharashtra and Tamil Nadu exercised the over-allotment (green –shoe) option and accepted Rs.500 to Rs.1,000 crores more than the auction amount.

So far in the current fiscal year (7 April – 11 August'20), 26 states and 1 UT have cumulatively raised Rs.2.45 lakhs crores via market borrowings, which is a 57% increase from the borrowings in the corresponding period of 2019-20 (Rs. 1.55 lakh crores from 9 April- 13 Aug'19). As per the proposed market borrowings calendar, the state government borrowings in H1 2020-21 at Rs. 3.45 lakh crores is likely to be 53% more than that in H1 2019-20.

Table 1: Auction of State Development Loans of State Governments: 11 August'20

State	Notified Amount (Rs Crs)	Amount Raised (Rs Crs)	Cut Off Yield (%)	Tenure (Yrs)
Andhra Pradesh	1000	1000	5.41	4
	1000	1000	6.6	19
	1000	1000	6.6	20
Chhattisgarh	1300	1300	5.4	4
Gujarat	1000	1500	6.44	9
Karnataka	1000	1000	6.48	10
	1000	1000	6.49	11
Madhya Pradesh	1000	1000	6.61	15
Maharashtra	1000	1000	6.44	8
	1000	2000	6.49	11
Rajasthan	250	250	5.39	4
	500	500	6.46	10
Tamil Nadu	1000	1000	4.74	Re-issue of 4.54% TNSDL 2023 Issued On July 08, 2020
	1000	1250	6.58	Re-issue of 6.49% TNSDL 2050 Issued On July 22, 2020
West Bengal	2000	2000	6.62	15

Source: RBI

State-wise market borrowings so far in 2020-21

The sharp fall in revenues consequent to the pandemic led lockdowns since end March'29 has seen state governments increasingly tapping the markets through the issue of SDLs to meet their funding requirements. There has been a notable increase in borrowings across the majority of states so far in 2020-21 when compared with year ago. 13 states out of the 26 states that have issued SDLs so far in the current financial year have seen their borrowings increase by 50% and more when compared with the corresponding period of 2019. Tamil Nadu, Maharashtra, Andhra Pradesh, Rajasthan, Telangana, West Bengal, Karnataka and Kerala are amongst the largest borrowers so far in 2020-21 and have accounted for 74% of total borrowings.

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On the other hand the borrowings of 8 states have been lower than year ago. These include Uttar Pradesh, Punjab, Bihar, Jharkhand, Uttarakhand and the north-eastern states.

Table 2: State-wise Market Borrowings

	FY 20 (9 April- 13 Aug '19) Rs crs	FY 21 (7 April- 11 Aug '20) Rs crs	% change
Andhra Pradesh	14,078	24,000	70
Arunachal Pradesh	472	428	-9
Assam	1000	1,000	0
Bihar	5,600	4,000	-29
Chhattisgarh		1,300	NA
Goa	600	900	50
Gujarat	12,000	12,280	2
Haryana	8,001	12,000	50
Himachal Pradesh	1,350	500	-63
Jammu & Kashmir	2,749	3,300	20
Jharkhand	1,500		NA
Karnataka	3,000	15,000	400
Kerala	10,229	12,930	26
Madhya Pradesh	6,000	9,000	50
Maharashtra	12,500	34,500	176
Manipur	803	700	-13
Meghalaya	350	200	-43
Mizoram	258	310	20
Nagaland	100	350	250
Odisha	2,000	3,000	50
Punjab	10,420	6,950	-33
Rajasthan	14,382	22,250	55
Sikkim	213	467	119
Tamil Nadu	17,615	39,750	126
Telangana	11,800	16,961	44
Tripura	450		NA
Uttar Pradesh	8,000	6,500	-19
Uttarakhand	1,300	1,000	-23
West Bengal	9,010	15,500	72

Source: RBI and CARE Ratings

Tenure and Interest Rate of State Government Dated Securities

- Although the 10 year securities account for the largest share of issuance across states (37% of total issuance), states have also been seen to be tapping the lower as well as longer end of the tenure range. The 3 year tenure SDLs have the second highest share of issuances (10% of total) followed by the 30 year SDLs (7%).

- 33% of Maharashtra’s borrowing so far in 2020-21 has been through the issue of SDLs of 2- 3 years tenure and nearly 38% of Rajasthan’s borrowings carry a tenure of 3 to 5 years. On the other hand Punjab has raised 25% of its borrowings through securities having a tenure of 30 years. Tamil Nadu has been resorting to both short and long term securities – 34% of its borrowings have a tenure of 2 to 5 years and 30% have a maturity period of 30 to 35 years.
- The weighted average interest rate of state government dated securities (across states and tenures) auctioned on 11 August’20 at 6.25% was 19 bps lower than of week ago (04 August’20).
- The yields of the 10 year SDLs (weighted average) in today’s auction hardened by 5 bps to 6.47% from week ago. The 10 year SDL yields have fallen by 143 bps since the start of the financial year (7 April’20).
- The yields (weighted average) of the 3 year SDLs have fallen by 181 bps since early April’20 while than of the 30 year SDLs has declined by 64 bps from late April’20.
- The difference between the 3 year and 10 year SDLs (primary market) currently stands at 193 bps and that between 10 year and 30 years is 4 bps.
- The spread of 10 year SDL and GSec (based on the latest auction on 31 July’20) stands at 70 bps. The spread between these 2 securities has narrowed by 30 bps since mid-May’20.

Chart 1: Market Borrowings and Yield

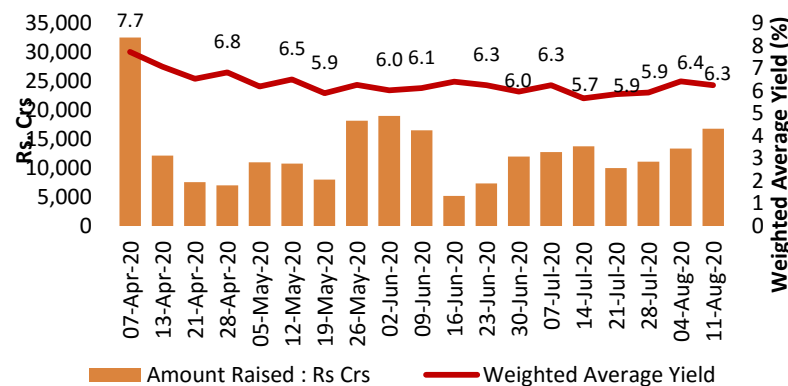


Chart 2 : Yield Movement of 10 year SDLs

