CCIL SDL QUARTERLY

JULY - SEPTEMBER 2024

Issuances

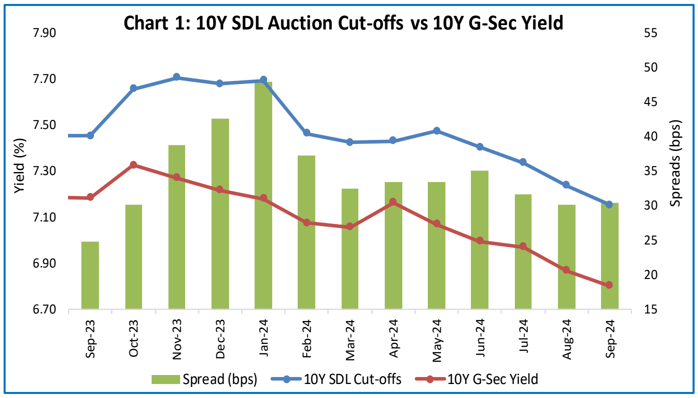
State borrowings in the second quarter of FY25 increased significantly in comparison to the previous quarter (64%) and also the corresponding quarter of FY24 (26%). There has been a significant increase in States' demand for funds following the pick-up in expenditure post the spending standstill due to the general elections. During the quarter, State borrowings exceeded the indicative amounts as notified by RBI on a few auction days. Further, States have also a shown a preference towards reissuance of their existing securities as a part of their market borrowings.

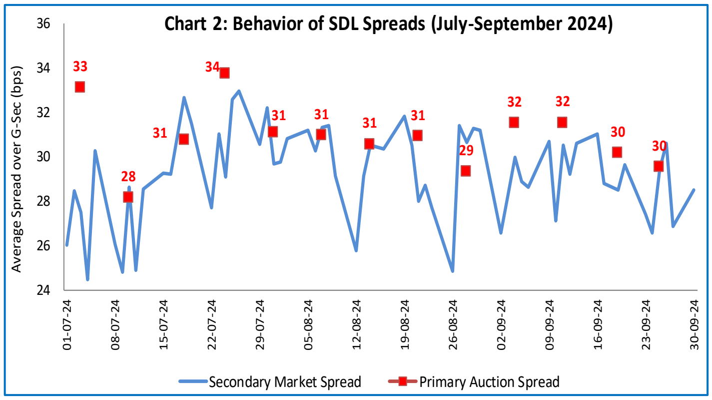
Table 1: Issuance Summary (Amount in ₹ Crore)

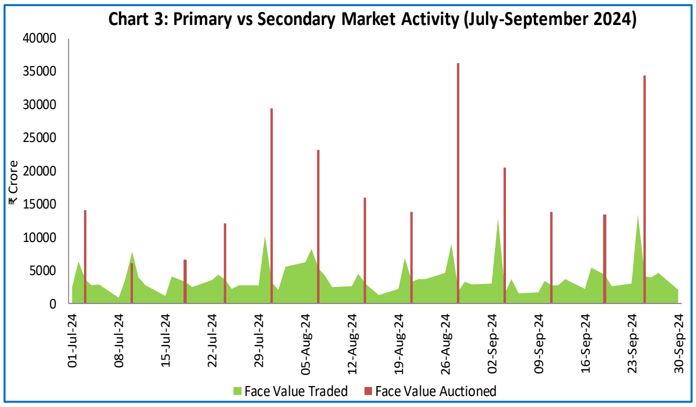
Period	SDLs Auctioned	Gross Issuance	Average Weekly Issuance	Average Participating States	Net Borrowing	New Issue		Reissue	
						Number	Amount	Number	Amount
Q2-FY24	166	190322	14640	9	76303	146	168322	20	22000
Q3-FY24	200	245992	18922	12	176945	191	230842	9	15150
Q4-FY24	275	403044	28789	11	309869	265	393594	10	9450
Q1-FY25	133	145821	11217	6	81263	132	144821	1	1000
Q2-FY25	192	239816	18447	9	57808	177	221616	15	18200

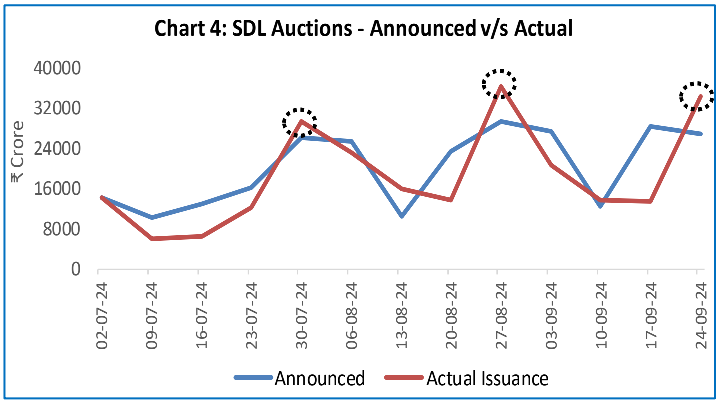
Spreads and Volumes

State paper spreads during the quarter were largely in line with the trend visible in the first quarter of FY25, while they have moved up in comparison to the Q2-FY24. Primary market spreads have generally been higher than the secondary market. Trading in SGS has been buoyant, in line with the overall exuberance related to Indian sovereign bonds.









State wise - Comparison

The significant increase in market borrowings by States during the quarter was driven by the top 5 borrowing states which accounted for around 58% of the total borrowings. Maharashtra, Tamil Nadu, West Bengal, Telangana and Rajasthan were the top borrowers during the quarter. Papers issued by Maharashtra dominated the secondary and primary market during Q2-FY25, accounting for almost 23% of the total activity in the primary and secondary market. Papers from Maharashtra, Tamil Nadu, Karnataka, Uttar Pradesh and Rajasthan were favored by participants in the secondary market.

Table 2: State wise Issuance and Trading - Value (₹ Crore)

State	Q2-FY25				Q2-FY24			
	Issuance	Net Borrowing	Outstanding	Trading	Issuance	Net Borrowing	Outstanding	Trading
Andhra Pradesh	17000	11000	407238	12631	19000	12538	370267	6125
Arunachal Pradesh	-	-	6507	29	-	-	5981	16
Assam	4750	4250	105439	2618	3250	3250	93889	1041
Bihar	12000	9922	228050	2264	14000	5922	192140	2827
Chhattisgarh	3500	1450	87339	4028	2000	600	63226	635
Goa	650	350	19624	463	950	600	19314	418
Gujarat	2500	1500	295505	10575	2500	-600	284958	9146
Haryana	11000	8545	279319	9883	12000	6540	251287	7994
Himachal Pradesh	1700	1400	57809	617	1500	1223	49776	1120
Jammu & Kashmir	4550	4250	80460	1816	2673	2173	62379	743
Jharkhand	-	-	57750	389	-	-800	59955	337
Karnataka	3000	-1000	396793	26982	-	-3602	333788	5616
Kerala	14253	9553	241133	4500	12800	9600	212242	2061
Madhya Pradesh	15000	11750	238913	14097	9000	6500	214249	7691
Maharashtra	**54000**	42400	549692	56571	14000	1581	442735	15437
Manipur	400	400	11111	361	550	450	10295	193
Meghalaya	550	142	13722	275	200	40	11838	31
Mizoram	270	220	6262	74	160	140	5550	1
Nagaland	-	-	13530	100	-	-60	12054	92
Odisha	-	-500	15400	63	-	-1000	19558	152
Puducherry	-	-200	9254	84	-	-125	8204	80
Punjab	10193	10081	263858	6019	14989	11848	232108	2464
Rajasthan	18000	12750	404842	18244	15000	9000	349307	6727
Sikkim	-	-130	10549	306	250	205	9483	50
Tamil Nadu	29000	23375	650746	29972	28000	15930	568930	13347
Telangana	18500	16500	348766	12055	15000	15000	298541	5343
Tripura	-	-	9539	-	-	-	10089	-
Uttar Pradesh	-	-	564513	24866	9000	9000	491178	6339
Uttarakhand	-	-	49810	1113	1000	1000	46110	427
West Bengal	**19000**	14000	491942	10446	12500	7066	436198	8928

State wise Share – Issuance and Trading

There was a distinct concentration of borrowings and trading during the quarter. However, secondary market preference for State papers remained largely similar to that visible during the previous year.

Table 3: State wise Share

State	Q2-FY25				Q2-FY24			
	Issuance		Trading		Issuance		Trading	
	Share (%)	Ranking	Share (%)	Ranking	Share (%)	Ranking	Share (%)	Ranking
Andhra Pradesh	7.09	6	5.02	7	9.98	2	5.81	9
Arunachal Pradesh	-	-	0.01	29	0.00	-	0.02	28
Assam	1.98	12	1.04	15	1.71	13	0.99	16
Bihar	5.00	9	0.90	16	7.36	6	2.68	12
Chhattisgarh	1.46	14	1.60	14	1.05	16	0.60	18
Goa	0.27	18	0.18	20	0.50	19	0.40	20
Gujarat	1.04	16	4.21	9	1.31	15	8.68	3
Haryana	4.59	10	3.93	11	6.31	10	7.59	5
Himachal Pradesh	0.71	17	0.25	19	0.79	17	1.06	15
Jammu & Kashmir	1.90	13	0.72	17	1.40	14	0.71	17
Jharkhand	-	-	0.15	21	0.00	-	0.32	21
Karnataka	1.25	15	10.73	3	0.00	-	5.33	10
Kerala	5.94	8	1.79	13	6.73	8	1.96	14
Madhya Pradesh	6.25	7	5.61	6	4.73	11	7.30	6
Maharashtra	22.52	1	22.50	1	7.36	6	14.65	1
Manipur	0.17	20	0.14	22	0.29	20	0.18	22
Meghalaya	0.23	19	0.11	24	0.11	22	0.03	27
Mizoram	0.11	21	0.03	27	0.08	23	0.00	29
Nagaland	-	-	0.04	25	0.00	-	0.09	24
Odisha	-	-	0.03	28	0.00	-	0.14	23
Puducherry	-	-	0.03	26	0.00	-	0.08	25
Punjab	4.25	11	2.39	12	7.88	5	2.34	13
Rajasthan	7.51	5	7.26	5	7.88	3	6.38	7
Sikkim	-	-	0.12	23	0.13	21	0.05	26
Tamil Nadu	12.09	2	11.92	2	14.71	1	12.67	2
Telangana	7.71	4	4.79	8	7.88	3	5.07	11
Tripura	-	-	-	-	0.00	-	0.00	-
Uttar Pradesh	-	-	9.89	4	4.73	11	6.02	8
Uttarakhand	-	-	0.44	18	0.53	18	0.41	19
West Bengal	7.92	3	4.15	10	6.57	9	8.47	4

State wise - Spread and Yield Comparison

In line with the easing of interest rates in the G-Sec market, auction cut-offs during Q2-FY25 moved lower in comparison to Q1-FY25 and also Q2-FY24. Demand for G-Secs following the inclusion of Indian sovereign in the JP Morgan Government Bond Index from June 28, 2024 has percolated to increased demand for State papers.

Table 4: State wise Yields and Spreads

State	Q2-FY25				Q2-FY24			
	Weighted Average Yield (%)		Spreads (bps)		Weighted Average Yield (%)		Spreads (bps)	
	Issuance	Trading	Issuance	Trading	Issuance	Trading	Issuance	Trading
Andhra Pradesh	7.31	7.24	32	30	7.45	7.42	20	23
Arunachal Pradesh	-	7.34	-	36	-	7.53	-	32
Assam	7.26	7.24	34	34	7.46	7.38	27	25
Bihar	7.20	7.18	36	32	7.46	7.41	29	26
Chhattisgarh	7.07	7.18	32	31	7.48	7.46	30	30
Goa	7.24	7.20	33	32	7.46	7.36	27	24
Gujarat	7.05	7.07	26	23	7.43	7.35	24	22
Haryana	7.25	7.19	32	30	7.46	7.40	25	24
Himachal Pradesh	7.27	7.19	34	33	7.46	7.41	23	25
Jammu & Kashmir	7.33	7.33	30	32	7.43	7.42	10	17
Jharkhand	-	7.19	-	32	-	7.46	-	28
Karnataka	6.95	7.16	27	29	-	7.29	-	21
Kerala	7.27	7.20	28	29	7.43	7.44	17	23
Madhya Pradesh	7.21	7.17	30	29	7.46	7.40	19	20
Maharashtra	7.22	7.19	30	29	7.43	7.40	24	25
Manipur	7.33	7.27	35	33	7.48	7.51	23	24
Meghalaya	7.35	7.28	36	33	7.44	7.59	30	38
Mizoram	7.26	7.16	34	33	7.41	7.43	18	17
Nagaland	-	7.24	-	34	-	7.28	-	25
Odisha	-	7.32	-	30		7.29		17
Puducherry	-	7.25	-	33	-	7.13	-	20
Punjab	7.29	7.28	34	33	7.47	7.47	20	23
Rajasthan	7.24	7.22	31	31	7.43	7.37	19	22
Sikkim	-	7.22	-	32	7.46	7.45	29	25
Tamil Nadu	7.21	7.12	28	27	7.41	7.38	18	20
Telangana	7.29	7.23	32	30	7.43	7.46	16	21
Tripura	-	-	-	-		-		-
Uttar Pradesh	-	7.22	-	31	7.46	7.44	25	26
Uttarakhand	-	7.22	-	31	7.48	7.32	25	24
West Bengal	7.26	7.23	31	30	7.41	7.42	14	22

Dispersion of Trading

Despite significantly higher new SGS issuances, secondary market activity shifted to older bonds.

Table 5: Age Analysis - Share (%)					
Age of SDL/Quarter	**Q2-FY25**	**Q1-FY25**	**Q4-FY24**	**Q3-FY24**	**Q2-FY24**
<= 7 Days	23.10	29.06	54.52	46.89	26.25
7 Days - 1 Month	5.07	5.89	3.33	7.33	0.99
1 Month - 3 Months	2.81	16.92	5.31	9.40	3.44
3 Months - 6 Months	12.23	8.24	5.43	1.47	14.71
6 Months - 1 Year	15.59	6.70	3.34	5.79	13.61
>= 1 Year	41.19	33.19	28.08	29.12	41.01

Trading Behavior

Share of OTC trading as well as number of SGS traded increased in line with the enhanced issuances. Secondary market activity in state papers benefitted from the overall buoyancy in the government securities market.

Table 6: SDL Trading - Platform Summary														
Period	**OTC**				**NDS-OM**				**Brokered Deals ***				**Total SDL Trading**	
	Trades	**No. of SDLs #**	**Face Value (₹ crore)**	**Share in Total Trading (%)**	**Trades**	**No. of SDLs #**	**Face Value (₹ crore)**	**Share in Total Trading (%)**	**Trades**	**No. of SDLs #**	**Face Value (₹ crore)**	**Share in Total Trading (%)**	**Trades**	**Face Value (₹ crore)**
Q2-FY24	3682	38	80367.07	76	3272	34	25015.27	24	446	6	18358.81	17	6954	105382.33
Q3-FY24	4750	41	107346.41	70	4971	39	45689.05	30	492	7	19337.31	13	9721	153035.46
Q4-FY24	5989	51	198085.75	76	6160	53	61325.60	24	653	9	26601.86	10	12149	259411.35
Q1-FY25	3614	34	123160.63	70	4205	42	51920.10	30	810	10	35594.68	20	7819	175080.73
Q2-FY25	5442	50	167934.47	67	7455	67	83506.31	33	1028	13	52333.95	21	12897	251441.14

** Part of the OTC Segment. #Daily Average*

Participant Behavior

While domestic banks increased their SGS buying, Provident Funds slowed their purchases and Insurance Companies turned net sellers during the quarter.

Table 7: Net Activity in Outright Trading - Share (%)					
Category/Period	**Q2-FY25**	**Q1-FY252**	**Q4-FY24**	**Q3-FY24**	**Q2-FY24**
Co-operative Banks	-0.30	0.90	0.45	0.96	0.53
Financial Institutions	0.14	-0.02	-0.02	0.04	0.07
Foreign Banks	-5.44	-10.38	-24.68	-9.81	-6.14
FPIs	-0.04	0.63	0.09	0.00	0.00
Insurance Companies	-3.28	4.43	10.68	8.00	-3.61
Mutual Funds	0.54	-3.58	3.10	-0.20	-2.40
NBFCs	-0.34	0.26	-0.28	1.12	0.54
Others	-1.76	0.68	2.19	5.09	-0.85
Payment Banks	0.61	0.63	0.16	0.01	0.02
Primary Dealers	-9.41	-17.93	-14.14	-22.24	-19.66
Private Sector Banks	2.18	-0.57	-9.05	-3.63	2.00
Provident Funds	10.03	20.75	30.82	19.40	22.48
Public Sector Banks	7.10	3.70	0.31	1.00	6.66
Small Finance Banks	-0.04	0.50	0.35	0.28	0.36

Summary of Outstanding SDLs

Table 8: Outstanding SDLs Summary				
Quarter	**Number of SDLs**	**Face Value (₹ lakh crore)**	**Average Coupon**	**Average Maturity (years)**
Q2-FY24	4628	51.66	7.54%	8.06
Q3-FY24	4735	53.43	7.53%	8.15
Q4-FY24	4864	56.52	7.51%	8.50
Q1-FY25	4918	57.33	7.50%	8.51
Q2-FY25	5027	59.15	7.49%	8.61

Table 9: Tenor wise Outstanding SDLs - Share (%)				
State/Years	**0-<=5Y**	**>5Y-<=10Y**	**>10Y-<=20Y**	**>20Y**
Andhra Pradesh	22.91	27.12	47.02	2.95
Arunachal Pradesh	43.36	56.64	-	-
Assam	35.04	61.16	3.79	-
Bihar	44.15	43.74	12.11	-
Chhattisgarh	52.65	46.20	1.14	-
Goa	42.16	52.74	5.10	-
Gujarat	58.70	39.78	1.52	-
Haryana	34.29	36.20	29.51	-
Himachal Pradesh	31.40	37.51	31.09	-
Jammu & Kashmir	29.51	21.22	23.97	25.30
Jharkhand	46.30	38.29	15.41	-
Karnataka	33.09	34.40	32.51	-
Kerala	35.20	18.41	23.68	22.70
Madhya Pradesh	33.02	24.31	37.23	5.44
Maharashtra	34.01	45.62	18.19	2.18
Manipur	35.38	40.34	24.28	-
Meghalaya	44.96	49.94	5.10	-
Mizoram	19.88	38.04	42.08	-
Nagaland	34.20	65.80	-	-
Odisha	51.95	28.57	19.48	-
Puducherry	43.43	32.26	18.91	5.40
Punjab	25.93	27.61	42.46	4.00
Rajasthan	39.06	35.54	17.48	7.92
Sikkim	36.57	63.43	-	-
Tamil Nadu	33.77	34.13	11.33	20.77
Telangana	20.02	11.76	43.29	24.93
Tripura	50.79	33.32	15.89	-
Uttar Pradesh	38.44	45.22	16.33	-
Uttarakhand	56.03	43.97	-	-
West Bengal	27.23	22.65	48.09	2.03
Total	**34.48**	**33.92**	**25.05**	**6.55**

Holding Pattern of Outstanding SDLs at end-June 2024

Table 10: Holding Pattern of Outstanding SDLs - Share (%)					
As at end of	**Jun-24**	**Mar-24**	**Dec-23**	**Sep-23**	**Jun-23**
Commercial Banks	33.85	34.14	33.90	33.87	34.13
Co-operative Banks	3.38	3.39	3.53	3.60	3.68
Corporates	2.03	2.02	2.03	1.87	1.92
Financial Institutions	1.58	1.59	1.63	1.65	1.82
Foreign Portfolio Investors	0.05	0.07	0.03	0.02	0.02
Insurance Companies	25.85	26.14	26.64	26.97	26.73
Mutual Funds	2.08	2.09	2.00	1.86	2.08
Non-Bank PDs	0.59	0.60	0.63	0.61	0.50
Others	1.91	1.95	2.10	2.07	2.12
Provident Funds	22.94	22.35	22.00	21.70	21.19
RBI	0.62	0.63	0.66	0.69	0.70
State Governments	0.26	0.25	0.27	0.27	0.27
Pension Funds	4.87	4.76	4.56	4.82	4.84
Source: RBI					

Summary of State Borrowings H1-FY25

Chart 5: State Borrowing Distribution - H1-FY25 (₹ crore)

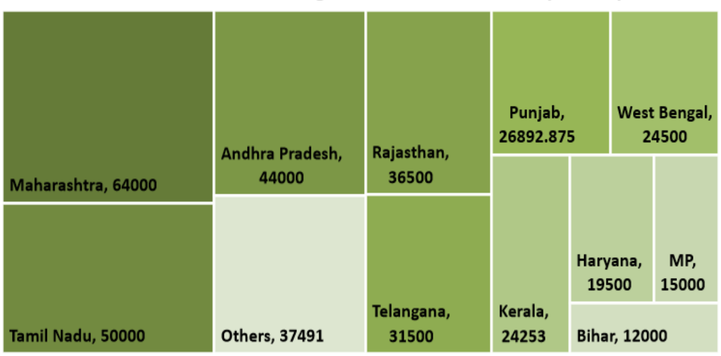


Chart 6: H1-FY25 - Borrowing Divergence over Indicative Calendar

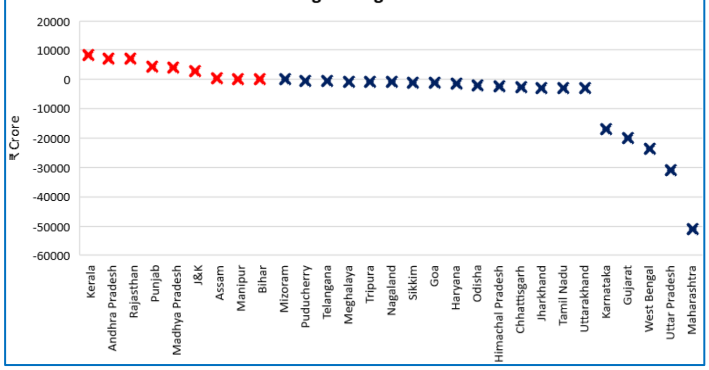
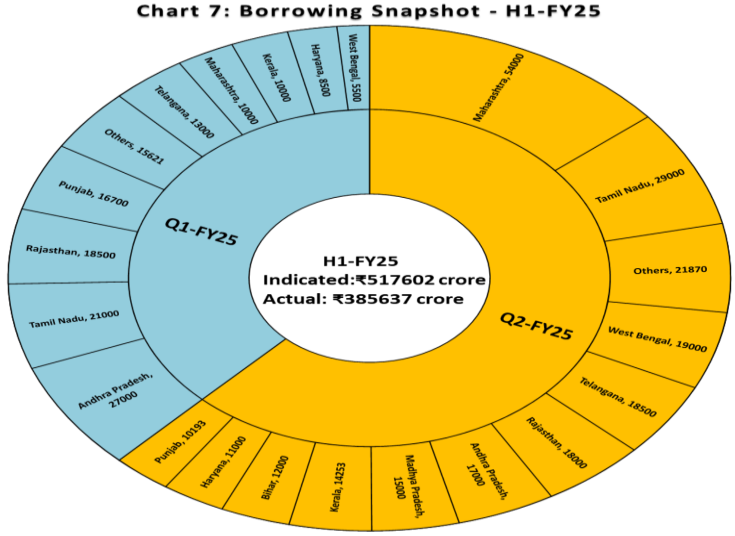


Chart 7: Borrowing Snapshot - H1-FY25



Outlook

State borrowings are expected to pick-up tempo as spending accelerates in the third quarter of FY25. The Union Budget presented in July has increased the allocation for special loans to States for capital expenditure from ₹1.30 lakh crore budgeted in the Interim Budget to ₹1.50 lakh crore, with around 58% of this quantum linked to implementation of defined reforms by States. As per the third quarter indicative calendar, States are expected to borrow ₹3.20 lakh crore, which is 22% higher than the indicative amount of the second quarter. Interest rate dynamics in the economy and the trends in the demand for government securities both by domestic and international investors will determine the activity in State papers.

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