

State Government Borrowings – 13 October’20

13 states raised a total of Rs.19,250 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 2 states – Maharashtra and Telangana accepted an additional amount of Rs. 1,000 crores and Rs. 500 crores respectively.

So far in the current fiscal year (7 Apr-13 Oct’20), 28 states and 2 UT have cumulatively raised a total of Rs.3.95 lakhs crores via market borrowings, 52% more than the borrowings in the corresponding period of 2019-20 (Rs. 2.59 lakh crores). As per the borrowing calendar for the first 3 quarters of 2020-21 (Apr-Dec), the states are to borrow Rs. 5.07 lakhs crores. States have already borrowed 78% of this amount

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Table 1: Auction of State Development Loans of State Governments: 13 October’20

State	Notified Amount (Rs Crs)	Amount Raised (Rs Crs)	Cut Off Yield (%)	Tenure (Yrs)
Andhra Pradesh	1000	1000	6.91	19
Bihar	2000	2000	5.4	4
Karnataka	1000	1000	6.61	10
	1000	1000	6.75	13
Madhya Pradesh	1000	1000	6.91	20
Maharashtra	1000	1000	6.45	7
	1000	1500	6.55	8
	1000	1500	6.63	10
Meghalaya	250	250	6.65	
Punjab	500	500	6.69	10
Rajasthan	500	500	6.6	10
Tamil Nadu	1000	1000	4.9328	Re-issue of 4.54% SDL 2023
	1000	1000	6.6292	Re-issue of 6.33% SDL 2030
Telangana	1000	1500	6.94	30
Uttar Pradesh	2000	2000	6.63	10
Uttarakhand	500	500	6.62	10
West Bengal	2000	2000	6.99	15

Source: RBI

State-wise market borrowings so far in 2020-21

The lockdown led sharp decline in the revenues of the state governments coupled with the higher expenditure requirements to mitigate the impact of the pandemic has severely pressured their finances. To meet their funding requirements, states have been increasingly resorting to market borrowings. There has been a significant increase in the market borrowings for the majority of the states so far in the current financial year when compared with the comparable period of year ago as has been highlighted in table 2 below.

Barring 7 states – Arunachal Pradesh, Jharkhand, Himachal Pradesh, Punjab, Manipur, Uttar Pradesh and Tripura, the borrowing of all the other states has seen a notable increase from year ago.

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Maharashtra, Tamil Nadu, Andhra Pradesh, Karnataka and Rajasthan have been top 5 borrowing states, accounting for 52% of the total borrowings by state governments so far in 2020-21. 5 states i.e. Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh and Nagaland have seen their market borrowings so far in the current financial year increase by over 100% from year ago period, while 3 states (Uttarakhand, Assam and Chhattisgarh) have seen an increase of 50-88% and 12 states have witnessed an increase of 20-48%.

Table 2: States that have seen an increase in market borrowings (y-o-y)

	FY 20 (9 April- 15 October'19) Rs crs	FY 21 (7 April-13 October'20) Rs crs	% change (y-o-y)
Maharashtra	19,500	56,500	190
Tamil Nadu	25,690	52,000	102
Andhra Pradesh	23,078	34,250	48
Karnataka	9,000	33,000	267
Rajasthan	22,882	29,450	29
West Bengal	19,010	25,500	34
Telangana	17,800	23,961	35
Gujarat	15,900	20,780	31
Haryana	14,501	18,500	28
Kerala	12,682	15,930	26
Bihar	13,600	14,000	3
Madhya Pradesh	6,000	13,000	117
Jammu & Kashmir	3,883	5,205	34
Assam	2,700	4,300	59
Uttarakhand	1,600	3,000	88
Chhattisgarh	2,000	3,000	50
Odisha	2,500	3,000	20
Goa	1,100	1,600	45
Meghalaya	450	1,050	133
Nagaland	250	750	200
Sikkim	451	615	36
Mizoram	358	442	23
Puducherry	0	225	

Source: RBI and CARE Rating calculation

Table 3 : States that have seen a decline in market borrowings (y-o-y)

	FY 20 (9 April- 15 October'19) Rs crs	FY 21 (7 April-13 October'20) Rs crs	% change (y-o-y)
Arunachal Pradesh	472	428	-9
Tripura	450	400	-11
Punjab	15,920	13,910	-13
Manipur	803	700	-13
Jharkhand	1,500	1,200	-20
Uttar Pradesh	24,000	17,000	-29
Himachal Pradesh	1,600	1,000	-38

Source: RBI and CARE Rating calculations

Cost of Borrowing

- Consequent to the policy measures announced by the RBI at its monetary policy meet on Friday which included special OMO's (open market operations) in SDLs to support borrowings of state governments, there has been a moderation in the cost of borrowings for state governments this week. The weighted average cost of borrowing for the state government dated securities (across states and tenures) auctioned today at 6.50% was 30 bps lower than week ago. It however was 17 bps higher than month ago (15 Sep'20).
- The (weighted average) yields of the 10 year SDLs (across states) at the auction held today at 6.63% was 26 bps lower than week ago. Nearly 40% of the state borrowings is through the issue of SDLs carrying a tenure of 10 years.
- The spread between the 10 year SDLs and GSecs too narrowed to 68 bps, a 20 bps decline from week ago.

- There has been a near sustained increase in the cost of market borrowings across states. Among the top 5 borrowing states, the weighted average cost of borrowing so far in October'20 is the highest for Andhra Pradesh (at 7.01%) followed by Karnataka (6.83%) and Maharashtra (6.74%)

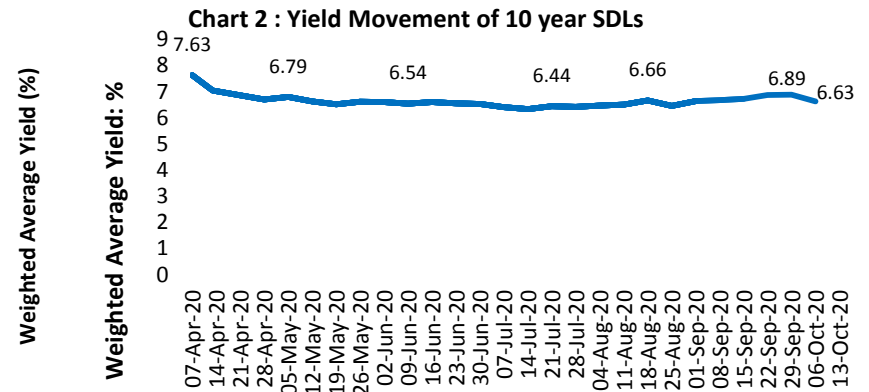
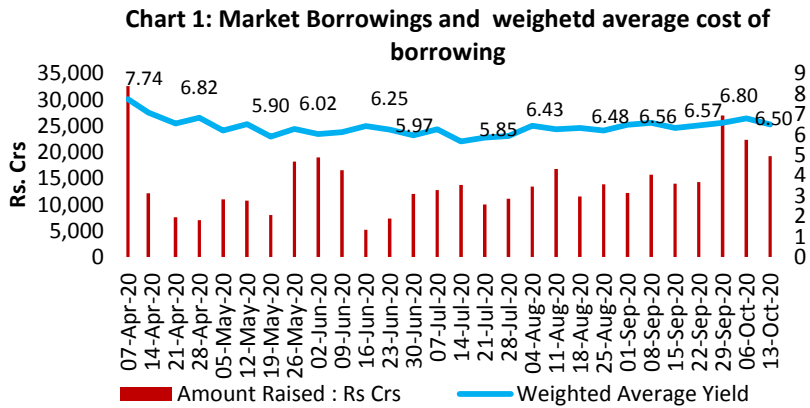
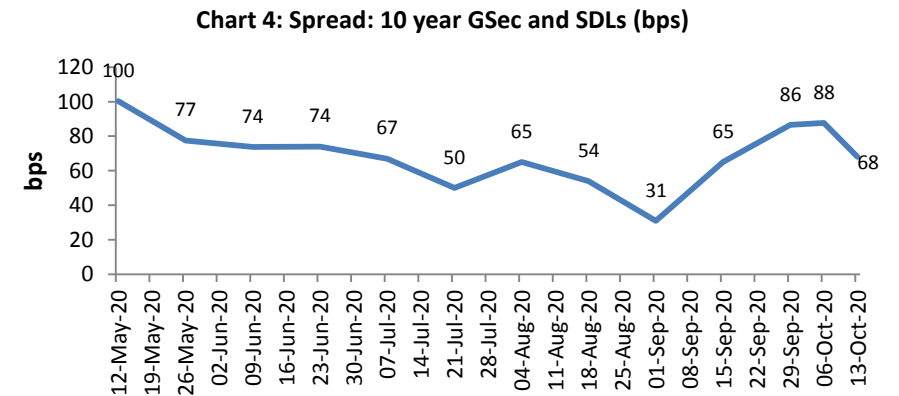


Table 3: Weighted Average Yields - Top 5 Borrowing States

	Apr'20	Jun'20	Sep'20	Oct'20 (till 13 Oct'20)
Tamil Nadu	7.00	6.16	6.19	6.06
Maharashtra	7.76	5.31	6.18	6.74
Andhra Pradesh	6.85	6.11	6.48	7.01
Karnataka	7.87	6.30	6.70	6.83
Rajasthan	7.13	6.24	6.45	6.51

Source: CARE Ratings Calculations



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