



SOVEREIGN
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SDL Quarterly Overview

**Quarter 3 FY26 & Q4
Calendar updates**



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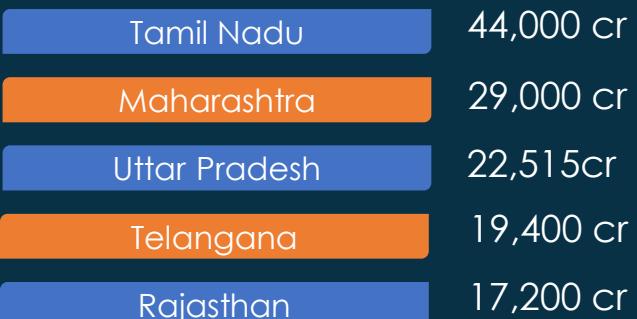
- SDL Issuance Highlights – Q3 FY26
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SDL Issuance Highlights – Q3 FY26

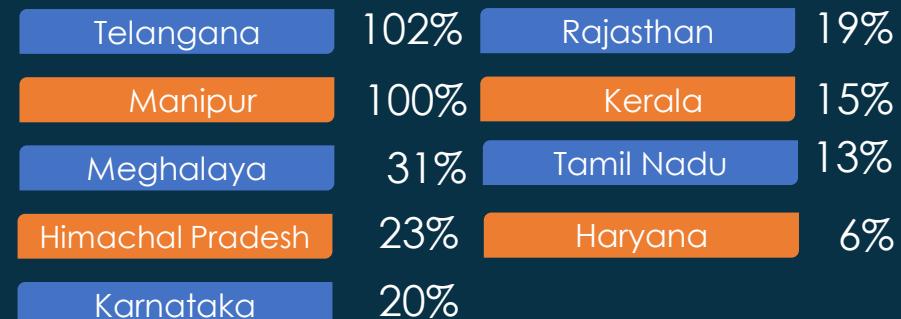
Calendar vs Actual Borrowings



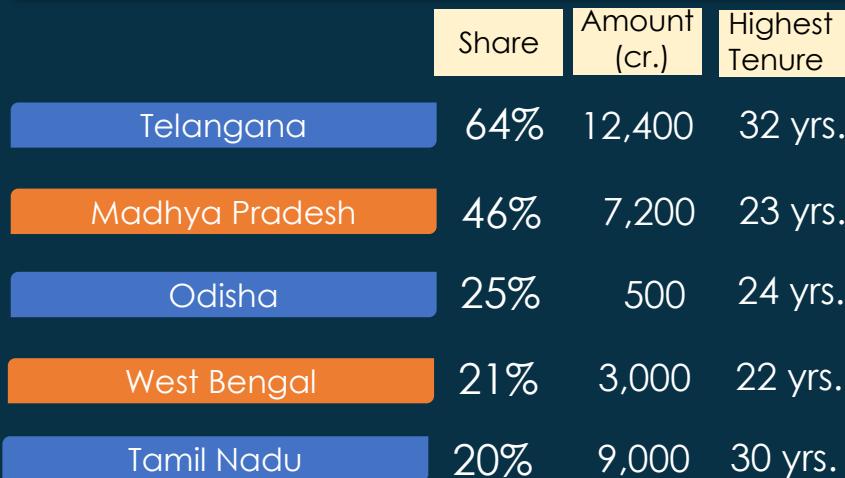
Top 5 borrowing States – Q3



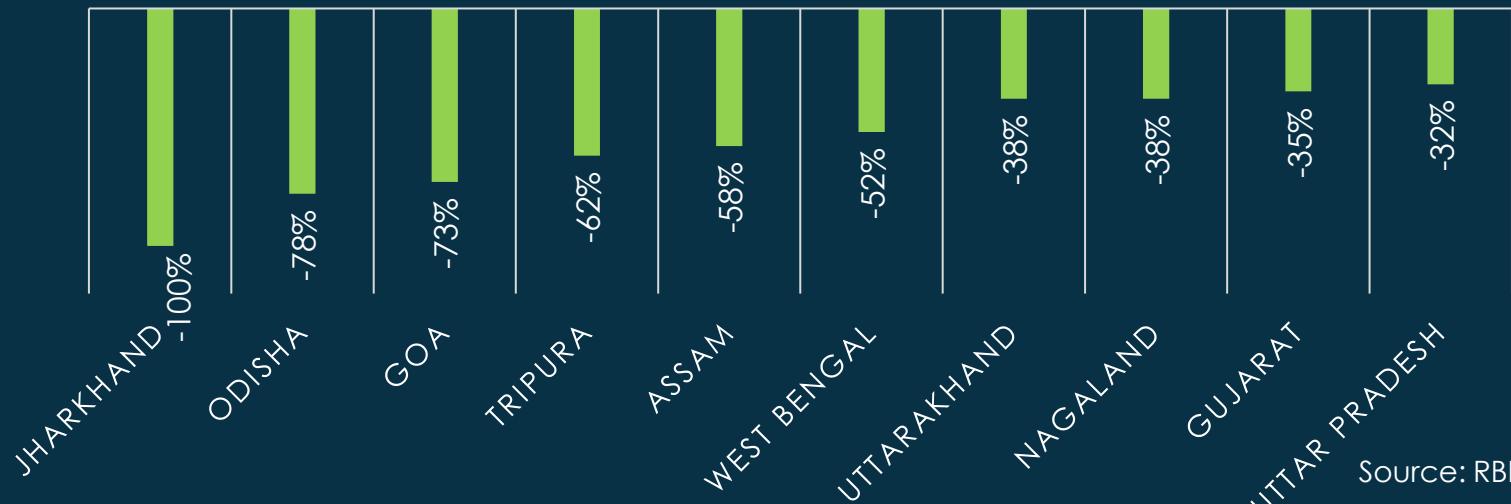
States Borrowing more than Calendar



Top 5 Issued SDLs with tenure > 20 yrs..



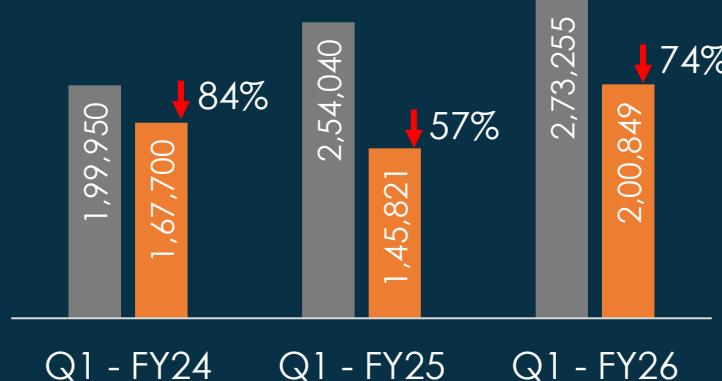
Lowest Borrowing States in Q3 with respect to their planned calendar



Quarterly & Half-Yearly SDL Issuance Trend

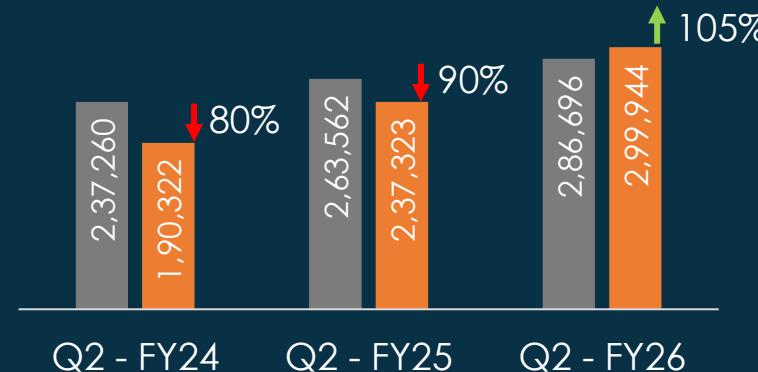
■ Calendar ■ Actual

Quarter 1



Subdued borrowing in Q1FY26 from states

Quarter 2



Highest borrowing in Q2 FY26 vis-à-vis last 2 years

Quarter 3



Borrowings subdued as yields remained very high

Total of Q1 + Q2 + Q3

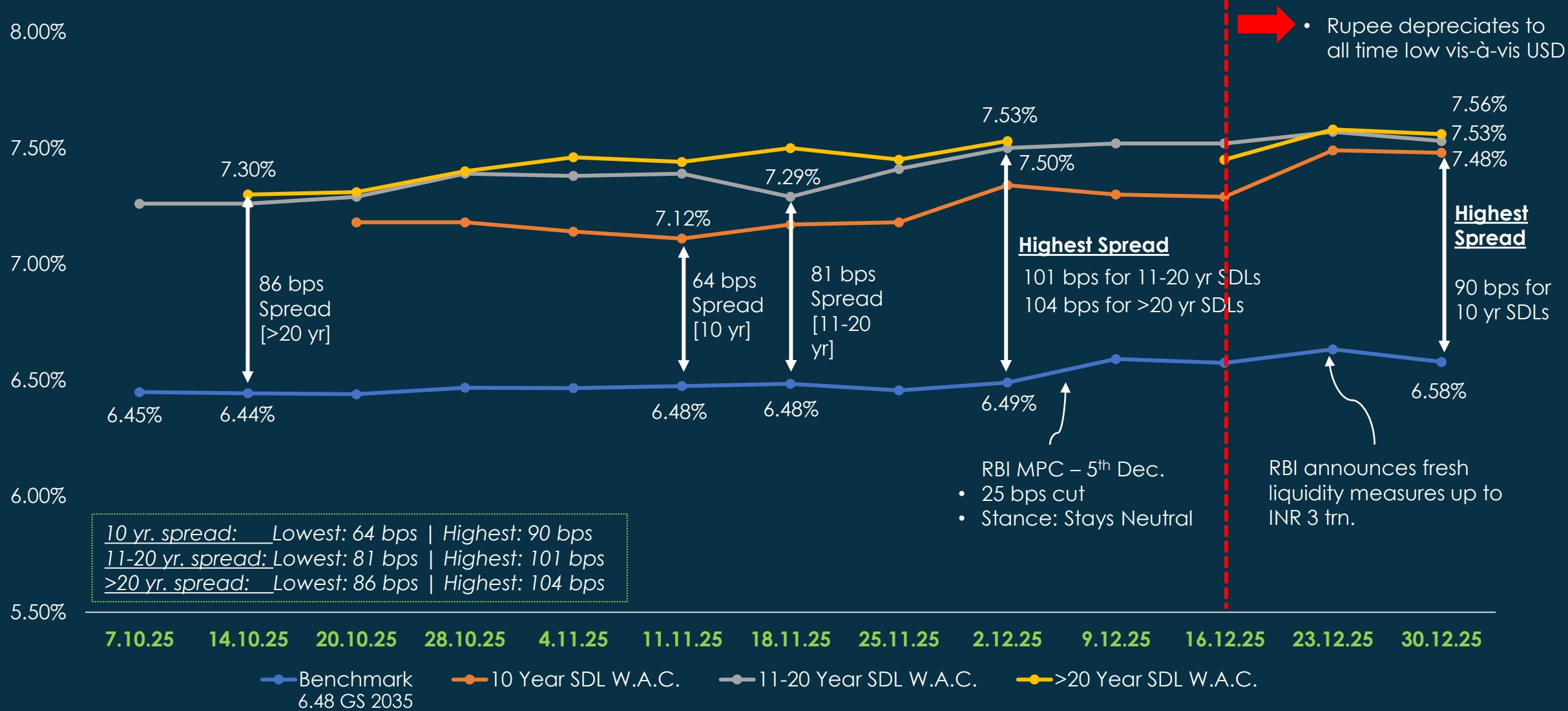


Significant Gap in Calendar-vs-Actuals

Spread Trend: Q3 - FY26 SDL Auctions



Below chart depicts spread trend for Q23 SDL auctions between 10 year benchmark vs yields of states with on **weighted average cut-off** basis in 3 categories



Note: 10-yr. Benchmark Levels are depicted only for SDL Auction dates **in Q3**

[Weighted Average Cut-Off on Auction Days]

Source: RBI, CCIL

Spread Trend: Q3 - FY26 SDL Auctions

Below chart depicts spread trend for Q3 SDL auctions between 10 year benchmark vs yields of states with **Highest cut-off** in 3 categories

8.00%

7.50%

7.00%

6.50%

6.00%

5.50%

States with maximum number highest cut-offs in each category:

- Tamil Nadu in 10 year
- J&K in 11-20 year
- Telangana in >20 year

7.10.25 14.10.25 20.10.25 28.10.25 4.11.25 11.11.25 18.11.25 25.11.25 2.12.25 9.12.25 16.12.25 23.12.25 30.12.25

—●— Benchmark
6.48 GS 2035

—●— 10 Year SDL W.A.C.

—●— 11-20 Year SDL W.A.C.

—●— >20 Year SDL W.A.C.

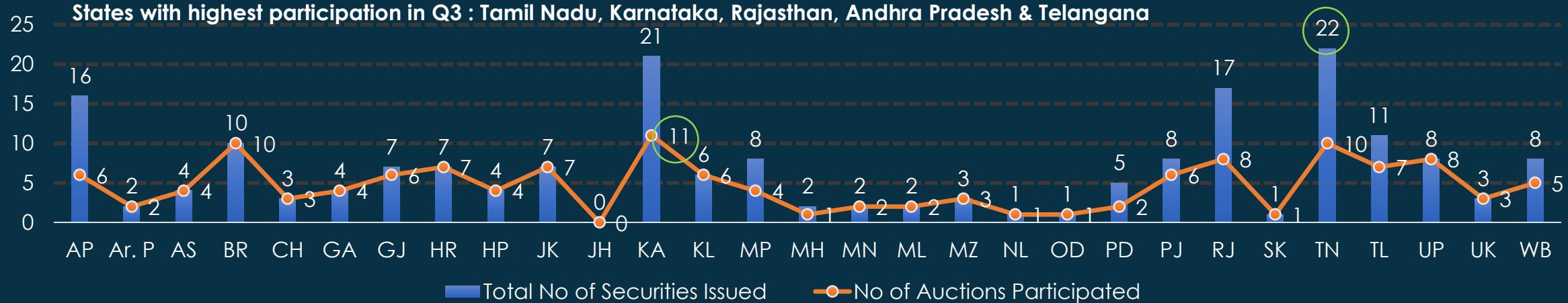
Note: 10-yr. Benchmark Levels are depicted only for SDL Auction dates **in Q2**

[State with Highest Cut-off of in the category
on Auction Days]

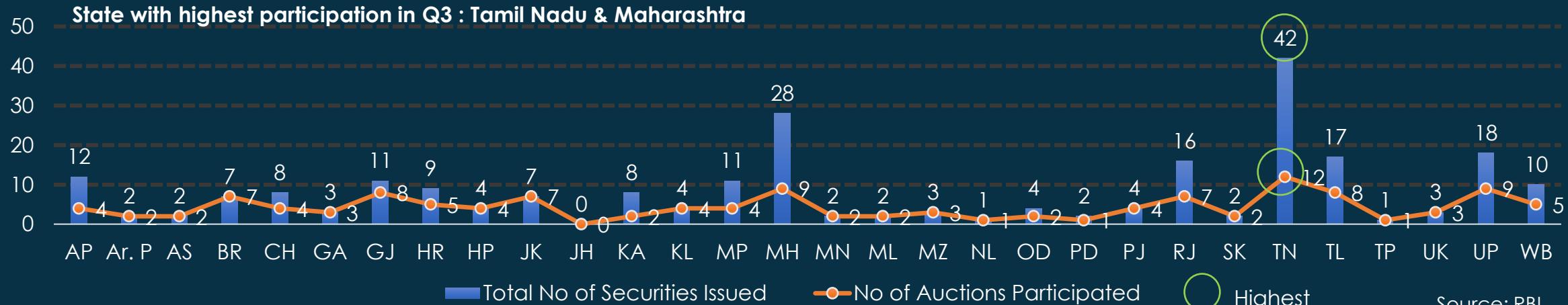
Source: RBI, CCIL

State Wise SDL Auction Frequency – Q3

Q3 FY 2024-25



Q3 FY 2025-26



Highest

Source: RBI

Tamil Nadu issued maximum securities in Q3 both in FY25 and FY26. Maharashtra issued 2nd highest no of securities in Q3FY26

Summary

- Indian States and UTs have cumulatively raised 2.52 lac cr in Quarter 3 of FY26 through market borrowings; relatively lesser than that raised in Quarter 3 of FY25 [2.53 lac cr]
- Total borrowings in this quarter was **less by 29,304 cr [10%]** as planned in the calendar
- Total 3 Quarter borrowings in FY26 was 7.18 lac cr; 13% more than FY25 for the same period [Q1+Q2+Q3]
- States borrowings in Q3 have been muted as compared to the Q2 over-borrowings as the yields remained elevated across all tenors
- Demand for SDLs in the secondary market was low which restricted any spread compression even in Q3; spreads for longer tenors again breach the 100 bps gap from 10 year benchmark before the MPC meeting in Dec'25
- The quarter once again saw volatility in yields of different states for the same maturity. States yield cut-offs saw differences as high as 37 bps within same maturity of 10 year SDLs at the fag end of the quarter auctions
- 10 year yields went as high as 7.72% for Punjab SDL in December, 2025

SDL Calendar Highlights – Q4 FY26

Quarter 4 SDL Calendar for FY26

4,99,821 cr

SDL Calendar of states Q-o-Q



Summary

- SDL calendar increased by ~6% as compared to Q4FY25 and by ~77% vis-a-vis Q3FY26 increasing significantly since last quarter
- Despite continued high borrowing costs of SDLs in Q2 & Q3, states have still planned for a large fiscal borrowing in Q4

States with highest calendar borrowings for Q4FY26

	Q4FY26		Q4FY26
Karnataka	93,000 cr	Rajasthan	24,469 cr
Maharashtra	51,000 cr	Chhattisgarh	24,000 cr
Tamil Nadu	51,000 cr	Haryana	21,000 cr
Madhya Pradesh	48,600 cr	Andhra Pradesh	17,500 cr
West Bengal	46,000 cr	Gujarat	16,000 cr

Calendar Insights

- 18% of the total calendar has been provided by Karnataka for Q4 followed by ~10% by Maharashtra & Tamil Nadu
- Top 5 states plan to borrow more than 50% of the total the supply of SDLs in Q4 FY26.

Source: RBI

Outlook

- **States have significantly increased their borrowings in Q4 by ~77% which is one of the highest QoQ growth in last 3 Financial Years, despite limiting their borrowings in Q3**
- While the overall SDL calendar for FY26 is only 2% more than FY25, actual borrowing will considerably depend on demand from buy only funds and banks as actual borrowings in last fiscal was only 82% of calendar (10.73 lac cr borrowed on a calendar of 13.11 lac cr in FY25)
- Investors should actively track the business offtake of such institutions to gauge their appetite for SDLs as:
 - Demand from buy only funds such as insurance companies largely depend on business in Q4
 - Banks already have more than 35% of their HTM portfolio in SDLs thereby limiting further investments
- Announcement of recent OMOs for G-Secs may create some headroom for investments by institutions in the debt market, however, reinvestments are more likely to be made in the new supply of G-Secs than SDLs
- After witnessing the MPCs decision of rate cut in December'25 and the current economic outlook, it looks unlikely that the RBI will go ahead with additional rate cut in February'26

Outlook

- Yields for SDLs will continue to remain elevated as the supply for SDLs in Q4 has been more than what was anticipated by the market participants*
- Investors need to watch yields especially for top 10 borrowings states as yields for some of these states may go up due to oversupply and low investor appetite
- Abnormalities in SDL cut offs for same maturities have increased, hence, institutions must take caution while investing in states with very high yields for trading purpose as liquidity for such states in the secondary markets have reduced significantly
- We expect the SDL spreads compared to 10 year benchmark to range between 50-100 bps across all tenors in Quarter 4 of FY26
- Actual borrowings for FY26 may be around 11.5 lac crore; i.e. ~85% of total calendar and 75% - 80% of the planned borrowings for Q4 FY26 (3.75 lac cr – 4 lac cr)

*As per our independent primary research

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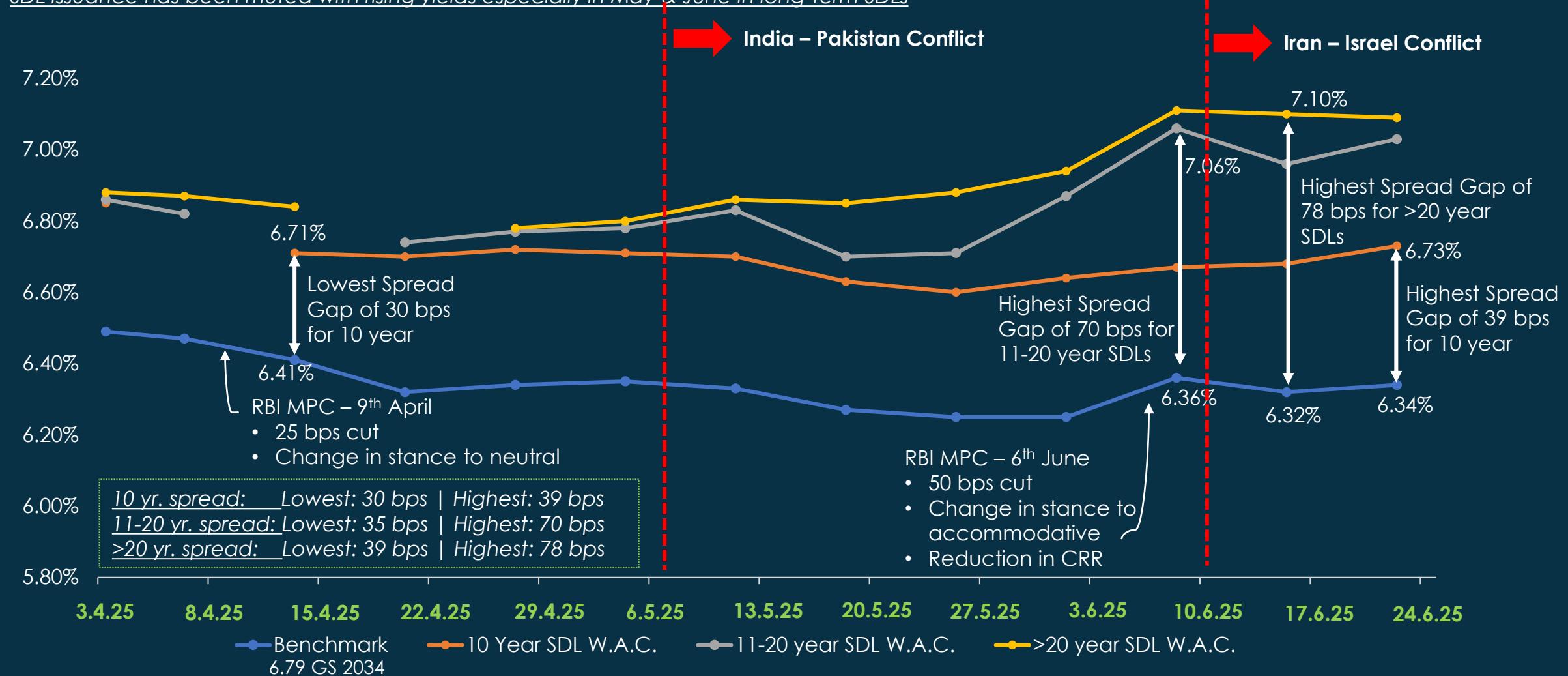
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Spread Trend: Q1 - FY26 SDL Auctions

SDL Issuance has been muted with rising yields especially in May & June in long-term SDLs



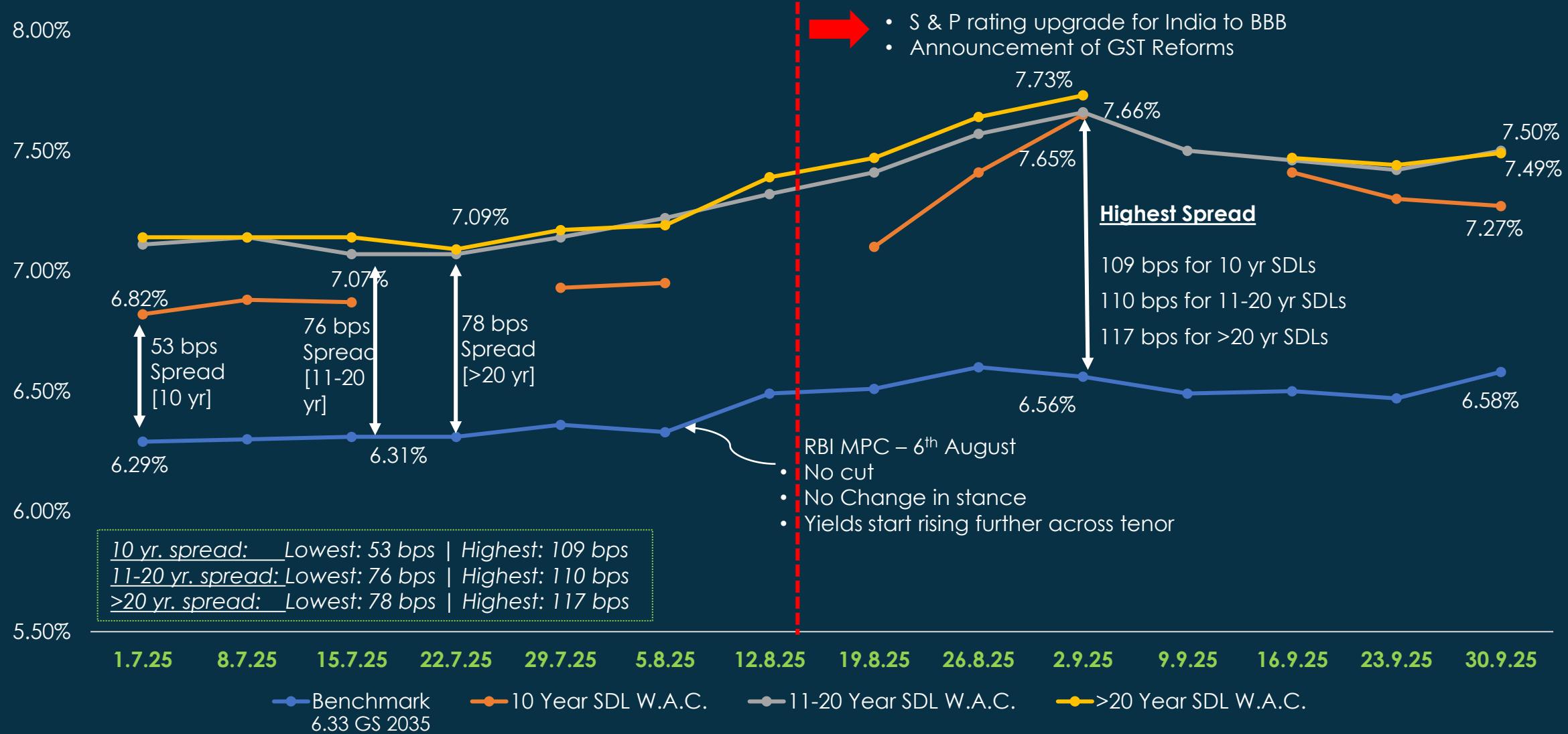
Note: 10-yr. Benchmark Levels are depicted only for SDL Auction dates in Q1

[Weighted Average Cut-Off on Auction Days]

Source: RBI, CCIL

Spread Trend: Q2 - FY26 SDL Auctions

Below chart depicts spread trend for Q2 SDL auctions between 10 year benchmark vs yields of states with on **weighted average cut-off** basis in 3 categories



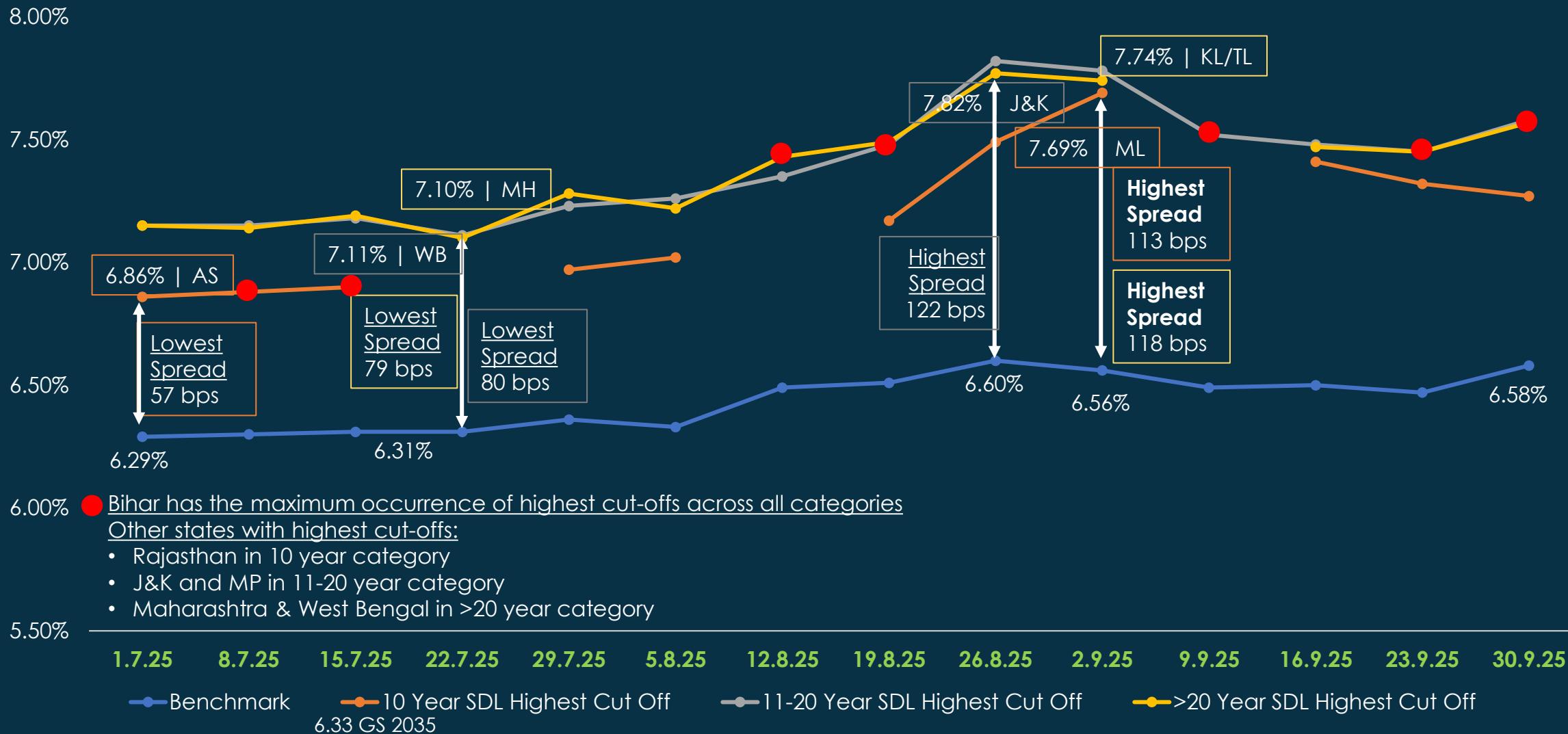
Note: 10-yr. Benchmark Levels are depicted only for SDL Auction dates **in Q2**

[Weighted Average Cut-Off on Auction Days]

Source: RBI, CCIL

Spread Trend: Q2 - FY26 SDL Auctions

Below chart depicts spread trend for Q2 SDL auctions between 10 year benchmark vs yields of states with **Highest cut-off** in 3 categories



Note: 10-yr. Benchmark Levels are depicted only for SDL Auction dates **in Q2**

[State with Highest Cut-off of in the category
on Auction Days]

Source: RBI, CCIL