



SDL Analysis & State Finances

FY23-24



- Scope of the Report
- Summary
- Quarter-wise SDL Issuance
- 10 year Spread Trend for SDL Auction
- States with SDL Outstanding > 1 Lac cr
- State wise SDL Auction Frequency
- Increasing Trend for Long – Term SDL Issuance
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Scope of the Report

- To share a summary of state performance on SDL Issuances in FY24
- To provide a glimpse of SDL issuances by Indian states in FY24 and last 3 years
- To understand the maturity profile of outstanding borrowings of states
- To briefly touch upon the fiscal health of states with regards to its outstanding liabilities, revenue receipts and fiscal deficits
- To share insights on individual states and how they could impact future borrowings
- To provide independent views on future borrowings and SDL issuance patterns

Summary

- Indian States and UTs have cumulatively raised 10.07 lac cr in FY24 through market borrowings; 33% more than that raised in FY23
- Total borrowings in FY24 was less by 80,967 cr [7.5%] as planned in the calendar
- Borrowings have continued to rise as states struggle with revenue deficits as well as grapple with higher fiscal deficits
- While few states have been actively using market borrowings to fund their capital expenditure, most of the states are utilizing borrowed funds to service debt which could create problems for them in the future
- States that were highly dependent on GST compensation from the center as part of their revenue receipts have seen a decline in their fiscal health
- Borrowings for FY25 have already shown an increasing trend as per Q1 FY25 calendar, which could increase the spread in the secondary market in the coming weeks

Summary

Top 5 borrowing States – FY24

Tamil Nadu	1,13,001 cr
Maharashtra	1,10,000 cr
Uttar Pradesh	97,650 cr
Karnataka	81,000 cr
Rajasthan	73,624 cr

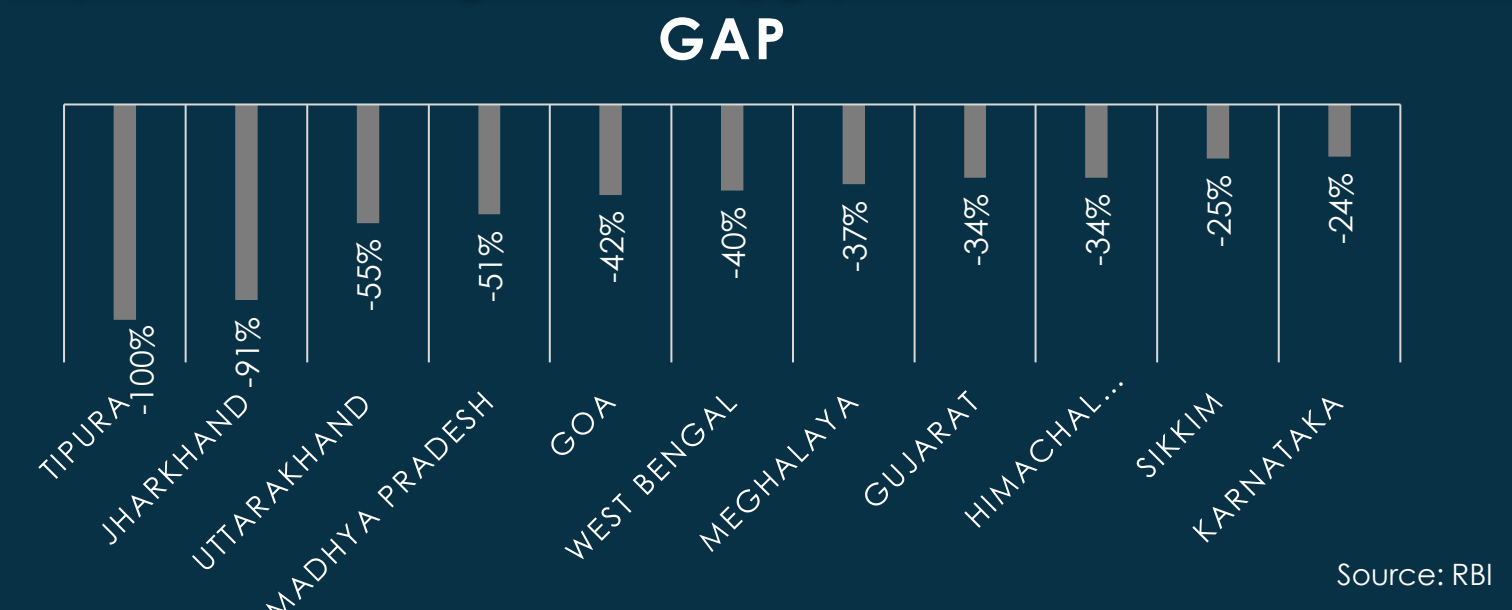
States borrowing more than Calendar – FY24

Kerala	59%	Tamil Nadu	9%	Telangana	4%
Jammu & Kashmir	56%	Uttar Pradesh	9%		
Chhattisgarh	52%	Rajasthan	8%		
Manipur	35%	Mizoram	7%		
Maharashtra	26%	Andhra Pradesh	5%		

States issuing SDLs with tenure > 20 yrs..

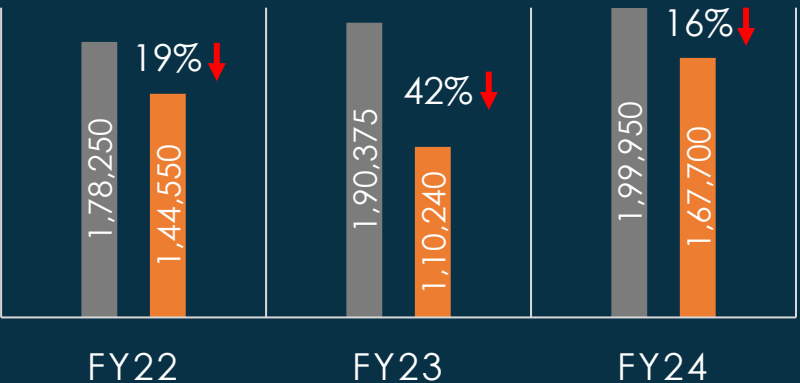
	Share	Amount (cr.)	Highest Tenure
Jammu & Kashmir	64%	10,473	30 yrs.
Telangana	46%	22,718	28 yrs.
Kerala	45%	19,208	40 yrs.
Tamil Nadu	29%	33,000	30 yrs.
Madhya Pradesh	18%	7,000	22 yrs.
Rajasthan	17%	12,500	26 yrs.
Punjab	8%	3,250	25 yrs.
West Bengal	1%	1,000	23 yrs.

Top 10 States with largest borrowing gap to Calendar – FY24



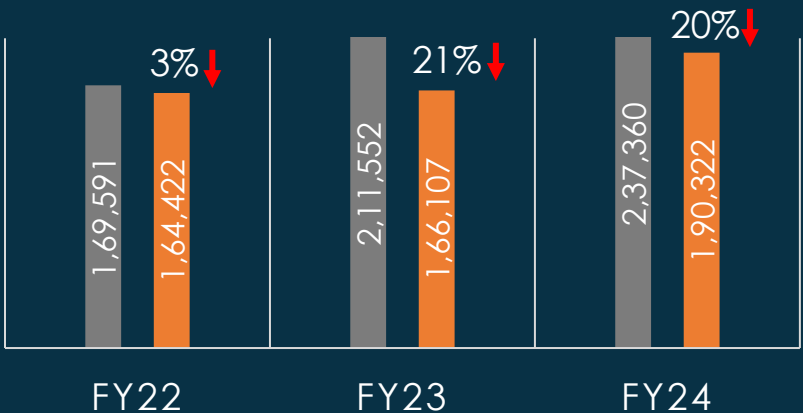
Quarter – wise SDL Issuance

Quarter 1



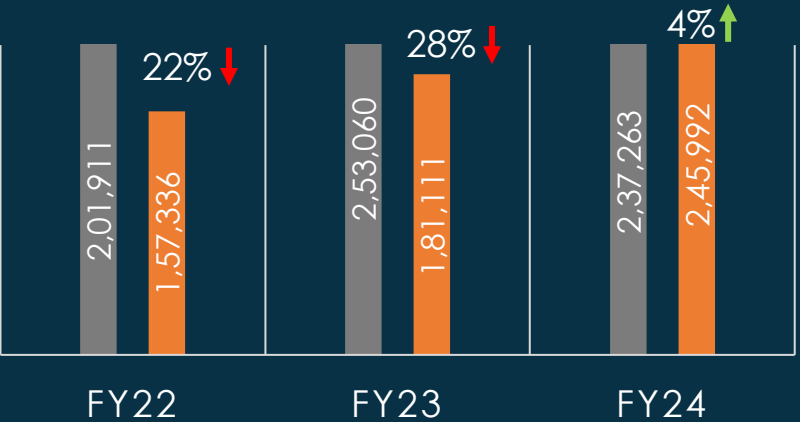
Significant under-borrowing in FY23

Quarter 2



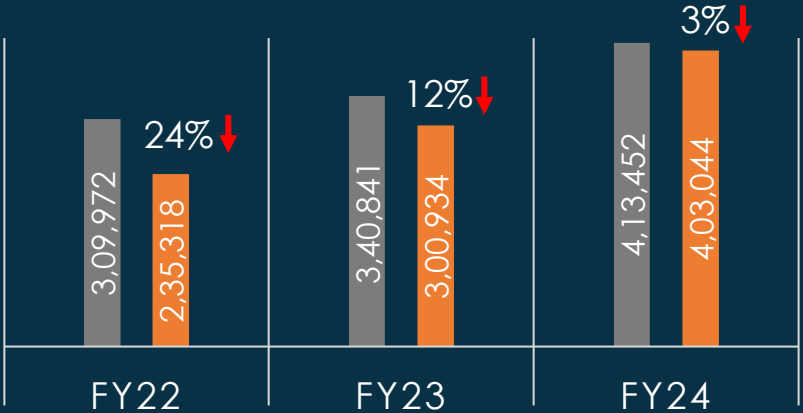
Subdued borrowings both in FY23 & FY24

Quarter 3



Over-borrowing by 4% in FY24

Quarter 4

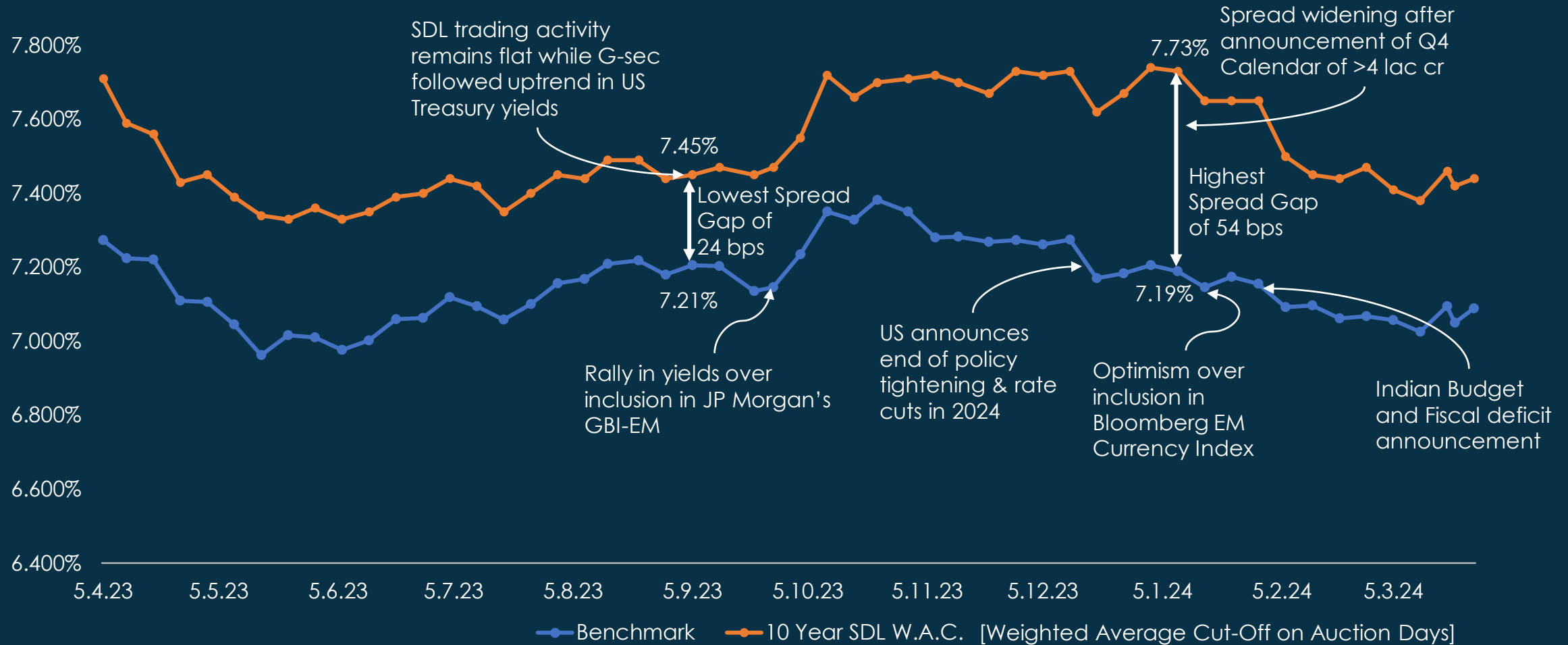


Borrowings almost as per calendar in FY24

Source: RBI

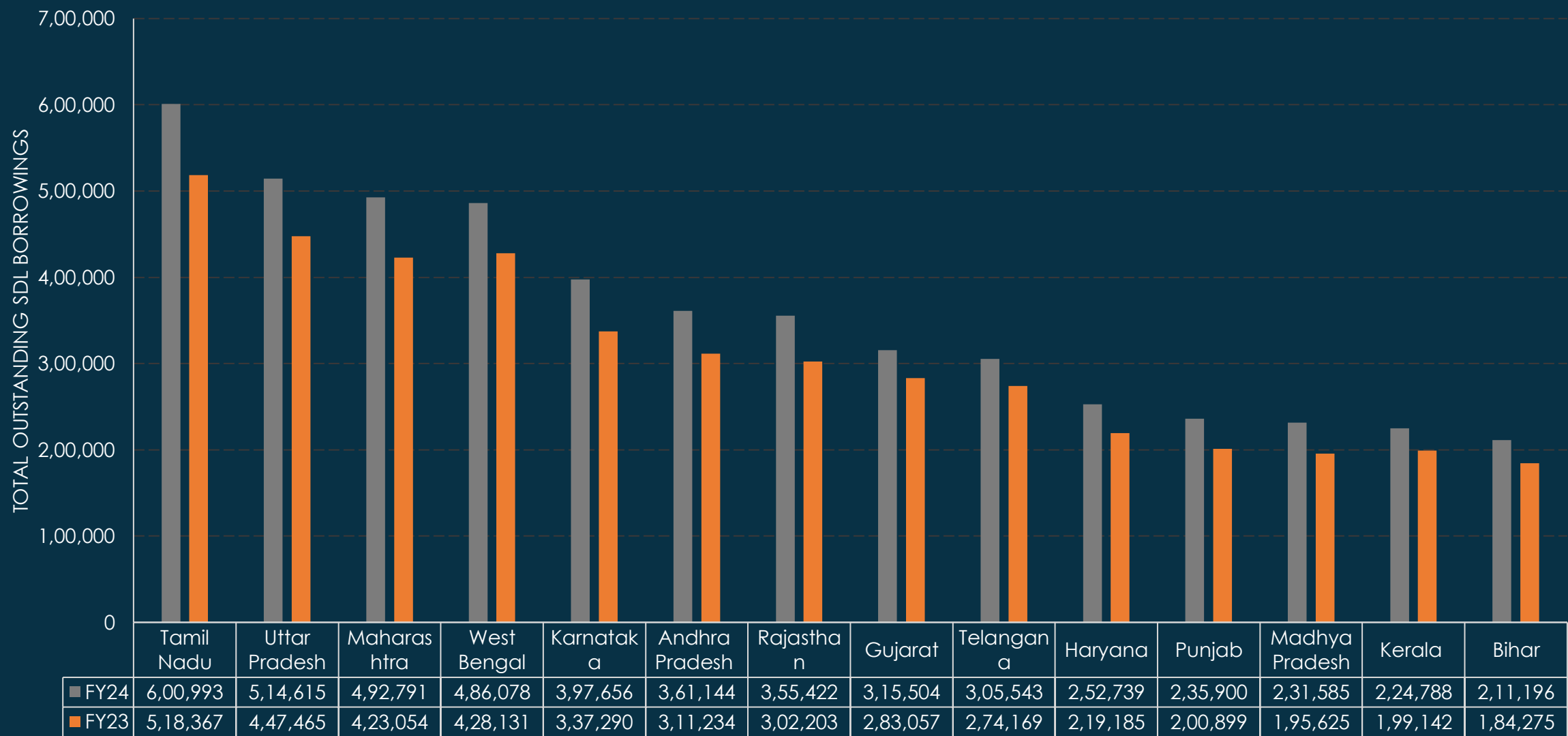
Calendar
Actual

10 Year Spread Trend: FY24 SDL Auction



Source: RBI, CCIL

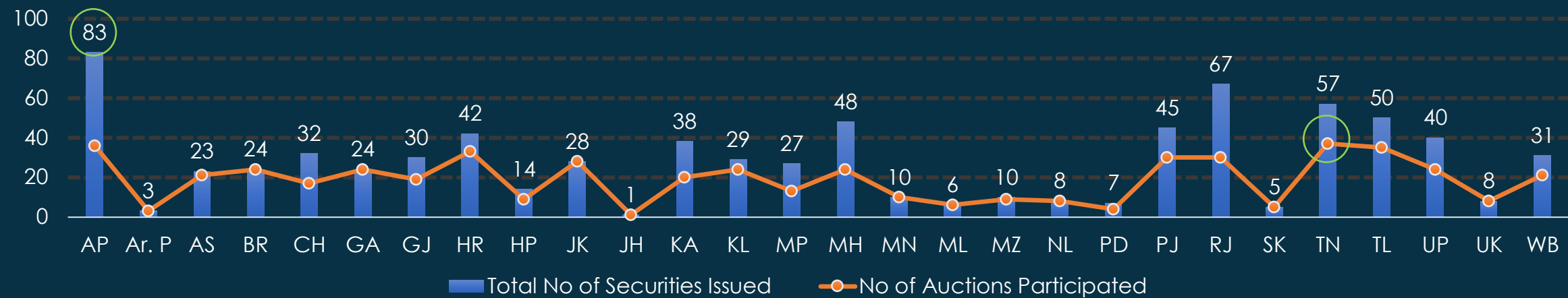
States with SDL Outstanding >1 Lac cr.



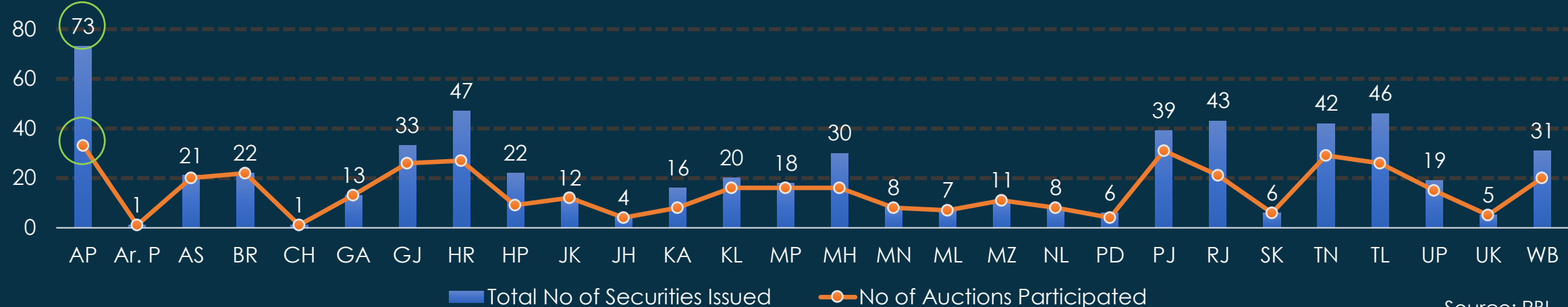
Source: RBI

State Wise SDL Auction Frequency

FY 2023-24



FY 2022-23

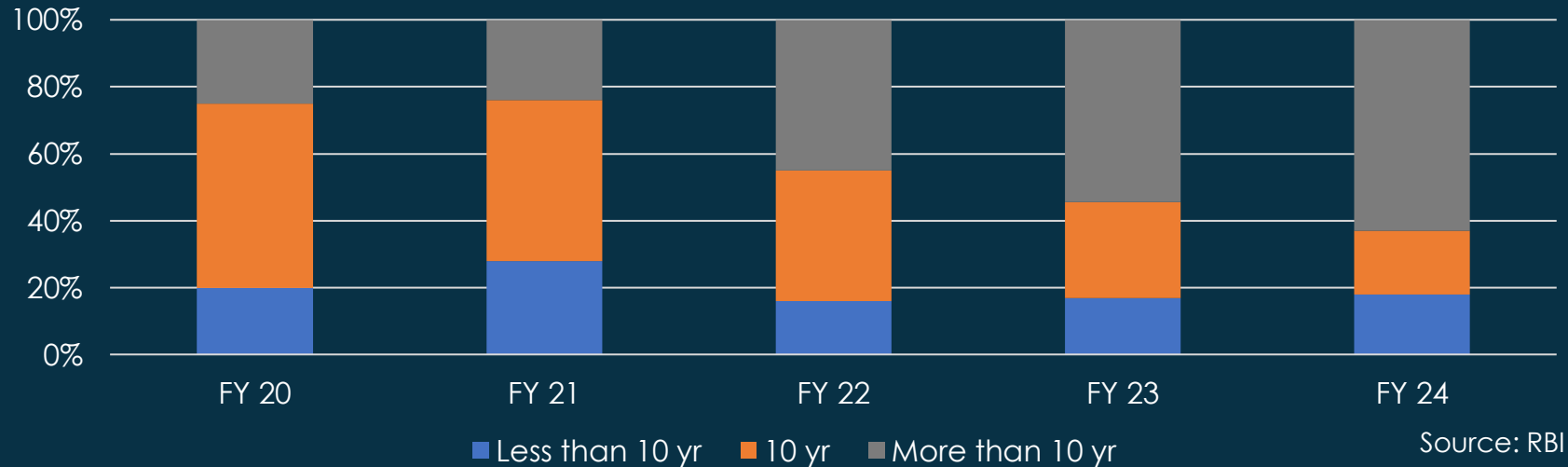


Source: RBI

Andhra Pradesh issued maximum securities in last 2 fiscals while Tamil Nadu participated in maximum auctions in FY24

Increasing trend: Long-Term SDL issuance

Tenor-wise SDL issuance during FY20 - FY24



- States have moved towards issuance of longer tenor SDLs with nearly 63% of the total issuance in FY24 in more than 10-year category with a delta of 25% - 55% in previous 4 years.
- This trend indicates the attractive interest rates available in the segment with respect to short-term rates and significant front-ending of redemption profile for a lot of states
- Borrowing in shorter term papers increased slightly to 17% in FY24. However, SDLs in the 10-year bucket have declined consistently since FY20 from 55% share in FY20 to a low 19% in FY24

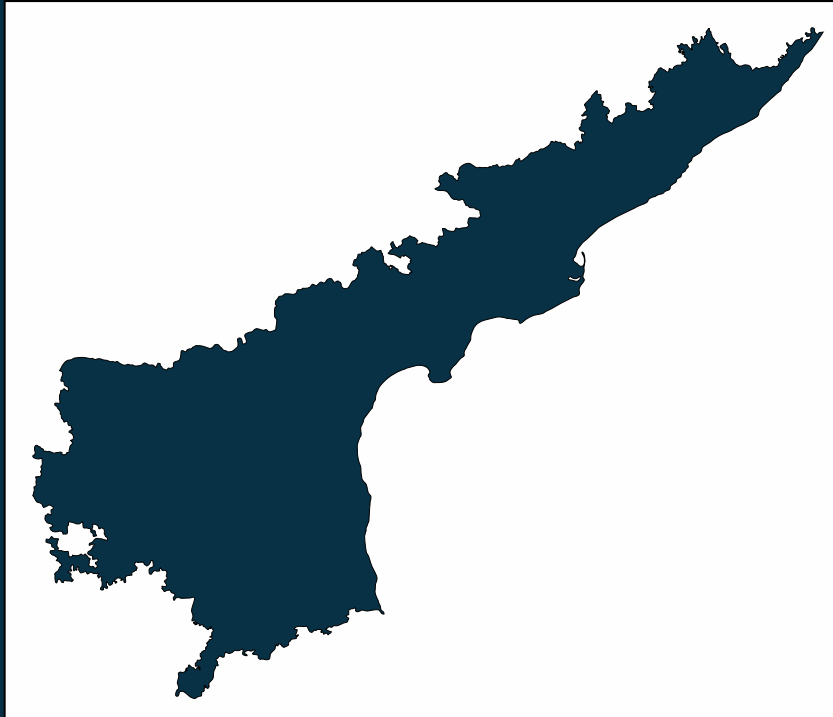


State Wise Analysis

Borrowing Insights & Fiscal Health

Terms of Relevance

SDL	State Development Loan	G.F.D.	Gross Fiscal Deficit
SGS	State Government Securities	F.D.	Fiscal Deficit
R.B.I.	Reserve Bank of India	R.D.	Revenue Deficit
C.C.I.L.	Clearing Corporation of India Ltd	S.O.T.R.	State's Own Tax Revenue
C.A.G.R.	Compounded Annual Growth Rate	S.O.N.T.R.	State's Own Non-Tax Revenue
W.A.C.	Weighted Average Cut-Off	CAG	Comptroller & Auditor General of India
G.D.P.	Gross Domestic Product	R.I.D.F.	Rural Infra Development Fund
G.S.D.P.	Gross State Domestic Product	E.A.P.	Externally Aided Projects
F.R.B.M.	Fiscal Responsibility & Budget Management		

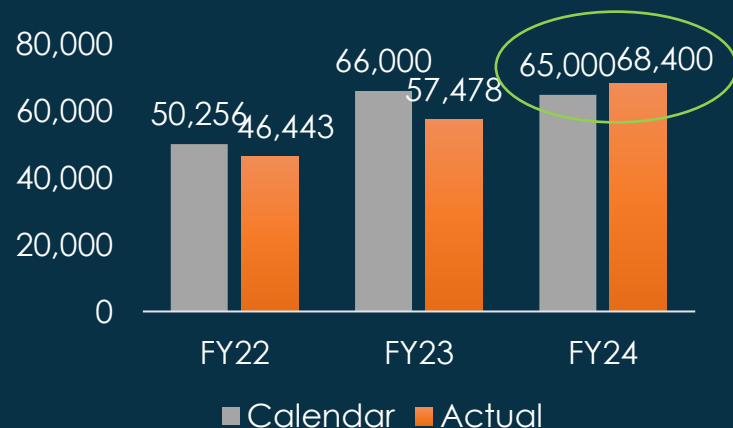


- ▶ Amongst Top 5 Borrowers in FY24 [Ranked 3rd] & FY23 [Ranked 4th]
- ▶ Top 10 Trading State SDLs in last 3 years
 - Market favorite SDL in Q1 FY24 for trading*
- ▶ May has been then Highest borrowing month [9,500 cr in FY24] for last 3 years with tenors spread between 10- 20 years
- ▶ While G.F.D. for the state is under limits (3.98% in FY23), there is an increasing trend on Revenue Deficit which may further impact state's fiscal health

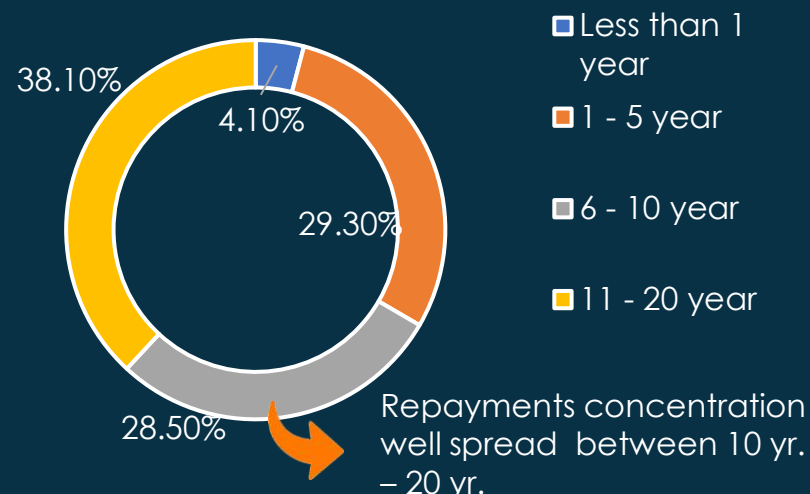
Weighted Average Cut off [10 year] : 7.47%
Min Spread of 10 year SDL with Benchmark : 23 bps
Max Spread of 10 year SDL with Benchmark : 44 bps

Andhra Pradesh

Borrowing Pattern of last 3 years



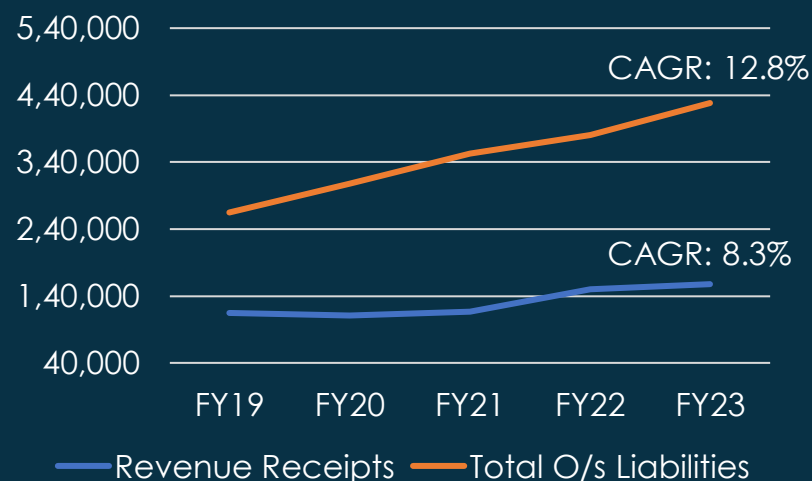
Maturity Profile of Outstanding SDLs



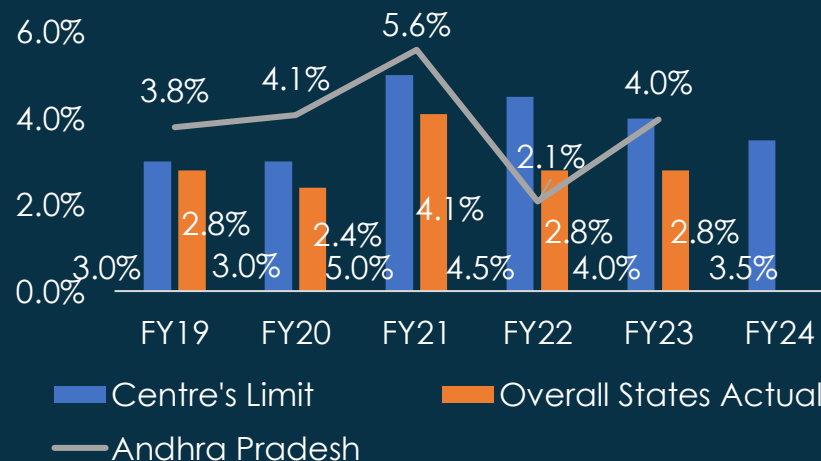
Insights

- **Excessive borrowing in FY24**
 - Capital Expenditure in FY23 was only 24% of Budgeted Expenditure
 - Capital Expenditure of FY23 deferred to FY24; increasing borrowing requirements
- **Higher GFD-GDP Ratio vis-à-vis National Average**
 - State has Revenue Deficit lower than the National average
 - GFD is higher due to high Capital & Revenue Expenditure in FY24

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- **Maturity Profile for next fiscal may be anchored between 15-20 years**
- **Borrowings for next fiscal could be ~70,000 due to heavy Capex**
- **Likely Pressure on spreads considering high borrowing for FY25**
- **Preferred SDL for investors & traders**

Arunachal Pradesh

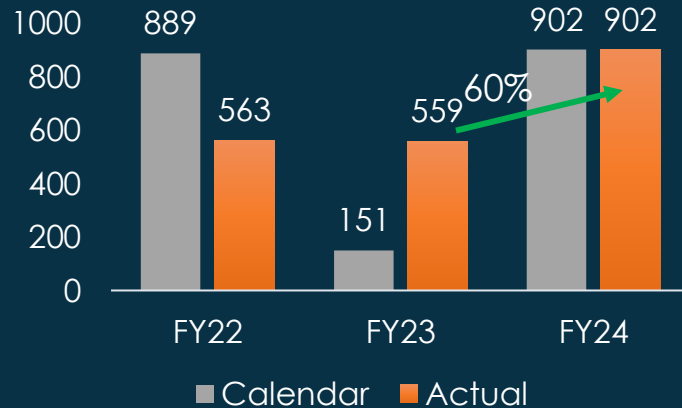


- ▶ One of the lowest issued and traded SDLs in the debt market however in FY24, investors have expressed interest in North-East state SDLs including Arunachal Pradesh
- ▶ Preferred tenor for new issuances is 10 year for last 3 FYs
- ▶ Borrowings had increased by 60% in FY24 as compared to previous 2 years
 - 5 year CAGR on Outstanding Liabilities has been one of the highest at ~22%
- ▶ Outstanding Debt to G.S.D.P. is one of the highest in the country at 50% (FY 23)

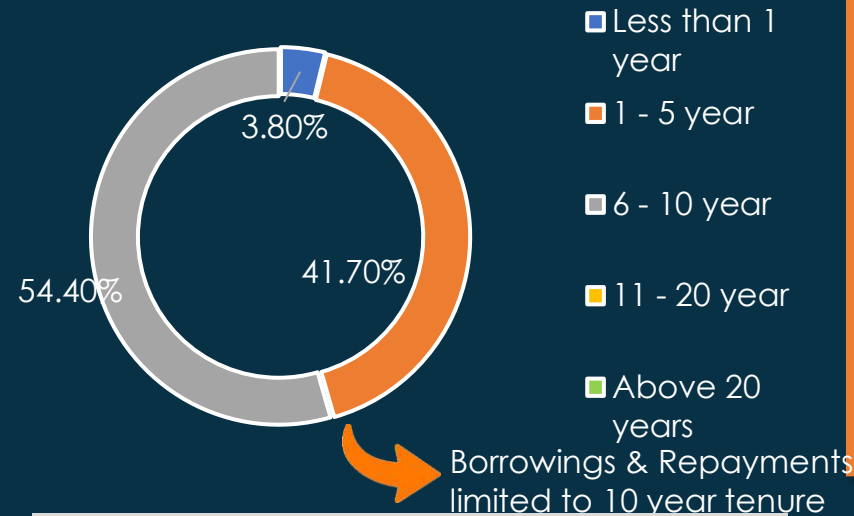
Weighted Average Cut off [10 year] : 7.60%
Min Spread of 10 year SDL with Benchmark : 38 bps
Max Spread of 10 year SDL with Benchmark : 46 bps

Arunachal Pradesh

Borrowing Pattern of last 3 years



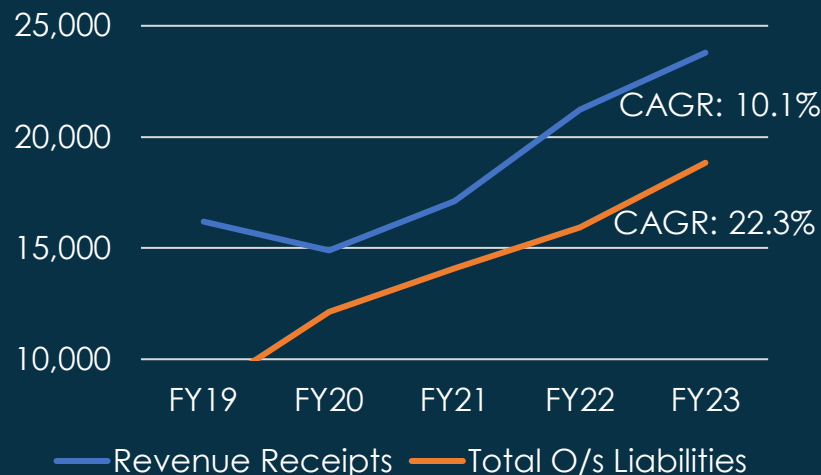
Maturity Profile of Outstanding SDLs



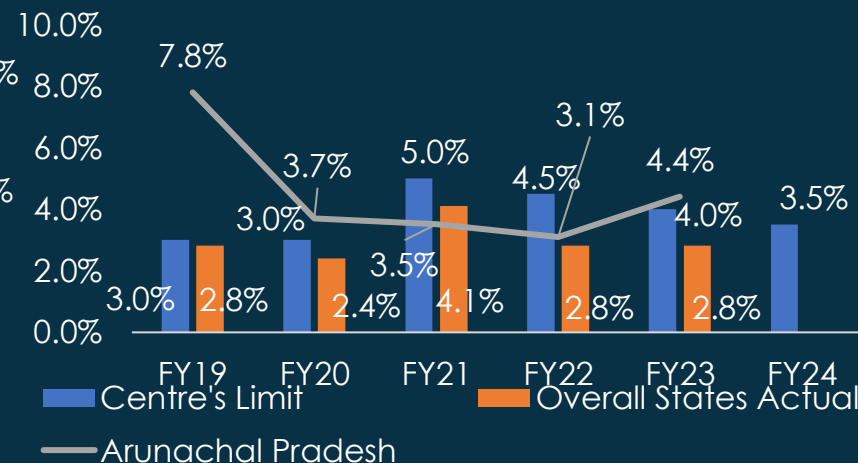
Insights

- Despite revenue surplus for last 5 years, state has considerable G.F.D. due to huge capital outlay (>100% use of capital budget in last 2 FYs)
- GSDP growth at 12% CAGR while, Liabilities growth at 22% in last 5 yrs.
- Massive increase in Central loans (322%-FY23); increasing Public Debt

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

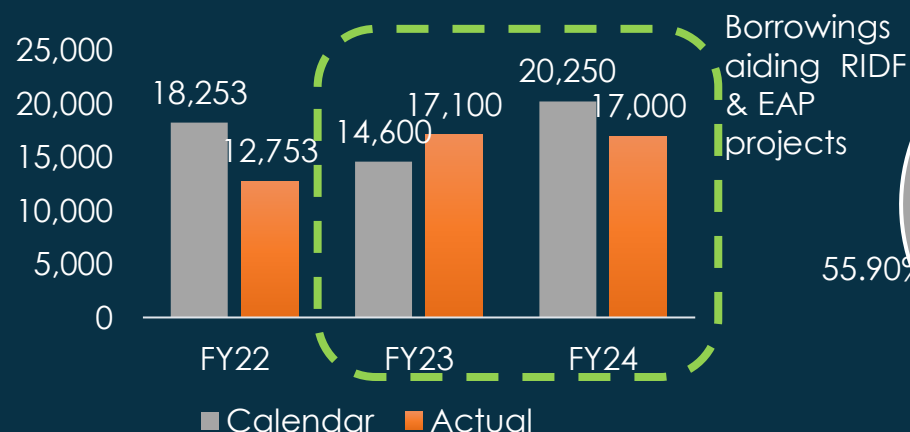
- SDL issues will be limited to 1,500 cr
- 10 yr. SDLs to be continued as repayments negligible beyond 2033
- Capital expenditure of state to be in sync with GSDP growth to avoid increase in O/s liabilities



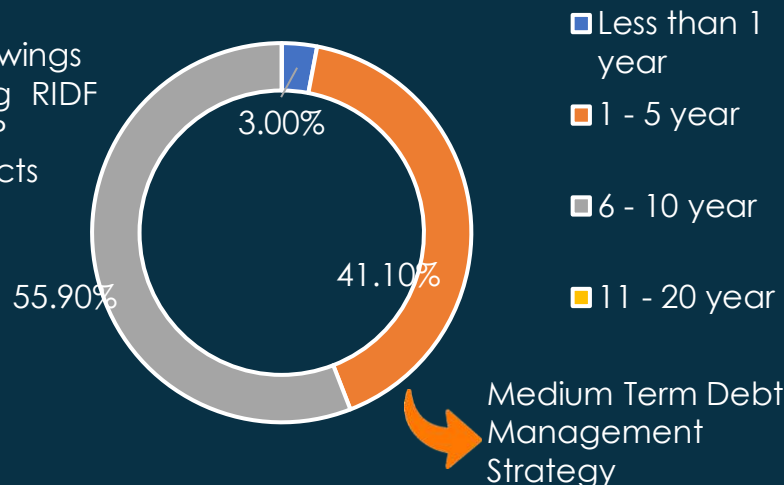
- ▶ More than 70% Issuance for 10 year SDLs in last 3 years
- ▶ Outstanding Debt / G.S.D.P. @ 24% at bottom 7 as compared to all states for FY23
- ▶ Capital Expenditure for Assam grew 4x between 2016-24 vis-à-vis 2001-16 period
- ▶ Medium Term Debt Investment Strategy applied by the State

Weighted Average Cut off [10 year] : 7.51%
Min Spread of 10 year SDL with Benchmark : 26 bps
Max Spread of 10 year SDL with Benchmark : 59 bps

Borrowing Pattern of last 3 years



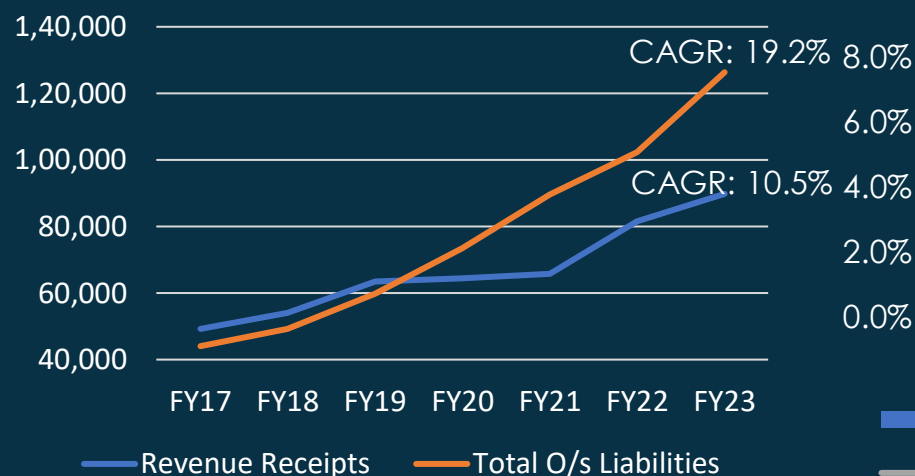
Maturity Profile of Outstanding SDLs



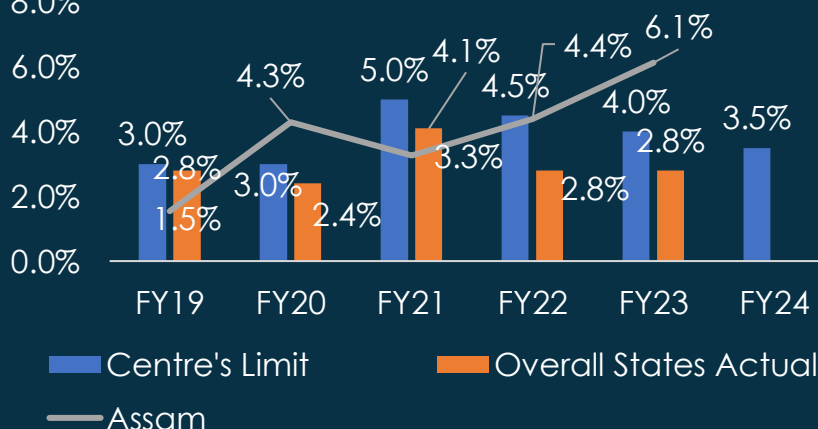
Insights

- **Increase in both Revenue And Capital Expenditure in last 2 FYs**
 - C.A.G. raised concerns over rapid increase in borrowings in FY23
- **Revenue Generation poses concern**
 - Tax and Non Tax Revenue significantly less than budgeted (Up to Jan'24)
 - Aided by higher Capital Receipts due to Recovery of Loans & Advances
 - Low Revenue and High GFD may impact debt servicing commitments

O/s Liabilities to Revenue Receipts

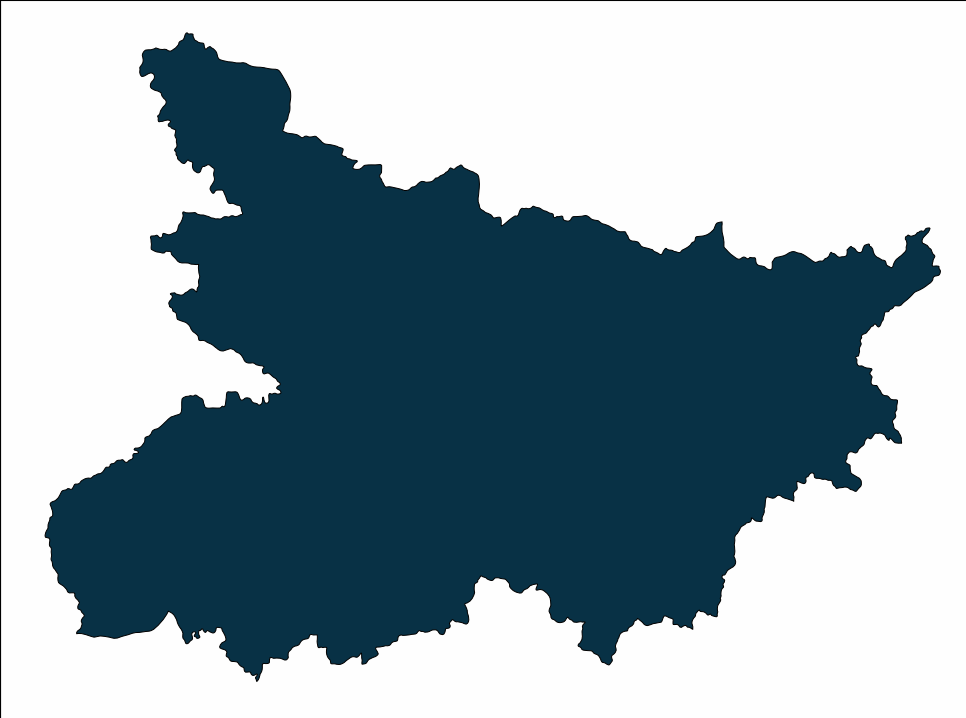


Comparison of GFD as a % of GDP



Outlook

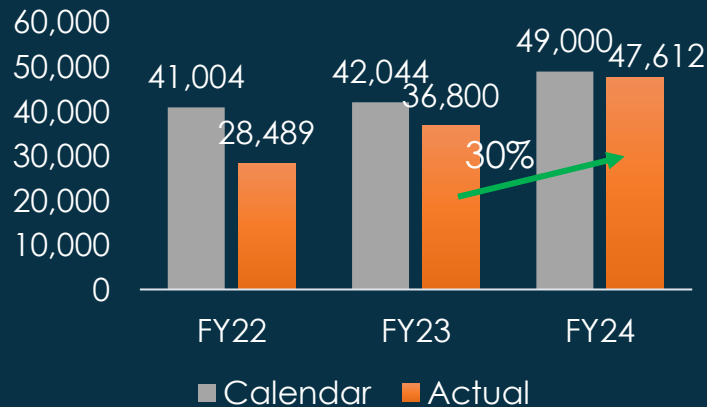
- **No cushion for issuance of short term securities (1 year – 5 year) to smoothen the repayment curve**
- **Majority of borrowings will continue to be for 10 year SDLs**
- **States may continue to increase its borrowings as it has Debt/GSDP ratio of 24% within limits of 32% as per AFRBM Act but should focus on long-term SDLs**



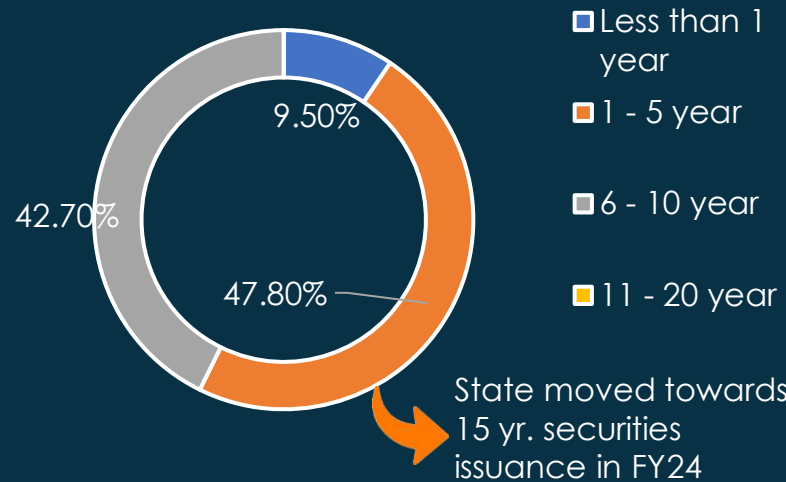
- ▶ Top 3 States with Highest SDLs maturing in FY24
- ▶ One of lowest S.O.T.R. [29.4%] & S.O.N.T.R. [3.5%] as a % of Overall Revenue in 18 Major States
- ▶ Bihar has one of the highest dependencies on Central Grants as part of its Revenue Receipts
- ▶ G.F.D./ G.S.D.P. Ratio significantly higher than prescribed limit [5.7% for FY23]

Weighted Average Cut off [8 year] : 7.57%
Min Spread of 8 year SDL with Benchmark : 27 bps
Max Spread of 8 year SDL with Benchmark : 43 bps

Borrowing Pattern of last 3 years



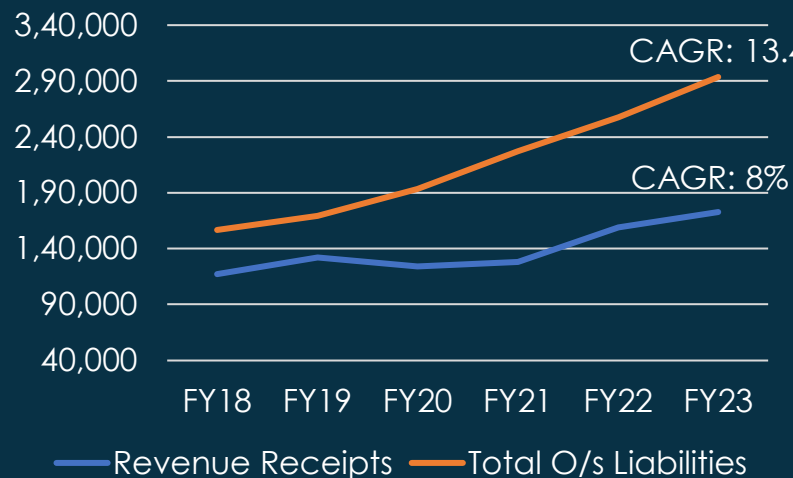
Maturity Profile of Outstanding SDLs



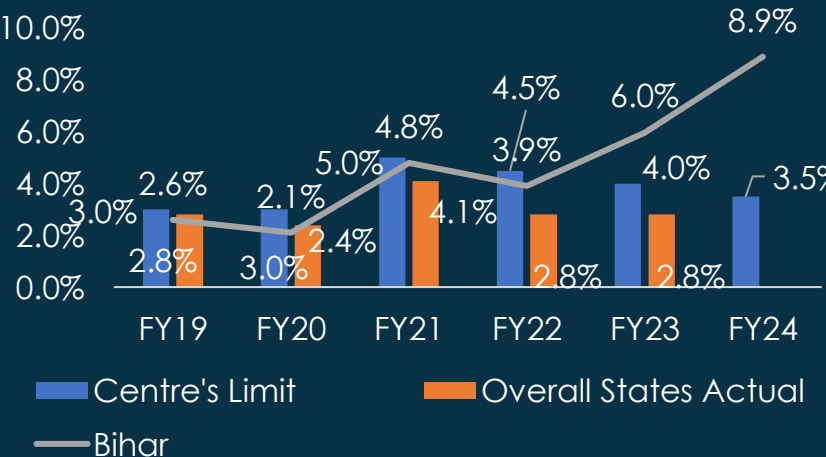
Insights

- State GSDP increasing at better rates than national average
- However, significant borrowings is aiding to burgeoning outstanding liabilities of the state
- State is struggling to generate revenue from both Tax and Non-Tax sources to match borrowings

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- Existing repayment book will not allow state to issue securities maturing before FY32
- State will continue to increase its borrowings for next 3 years in order to service existing repayments and issue securities with tenor between 8 - 15 years

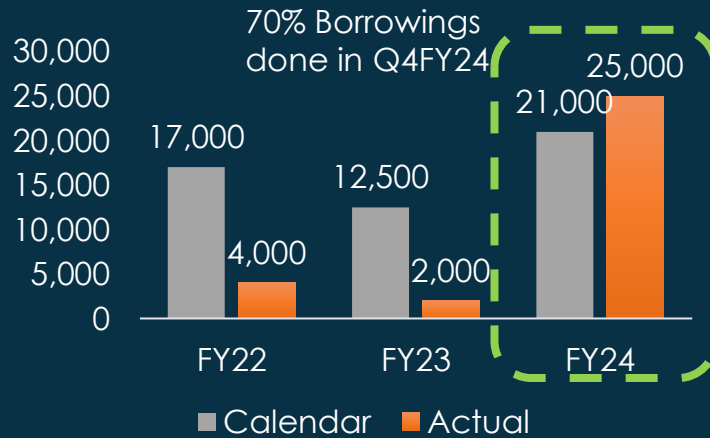


- ▶ State has seen 12x increase in borrowings in FY24 as compared to last Fiscal
- ▶ One of least traded SDLs in the secondary debt market
- ▶ Amongst Top 3 States in terms of Fiscal Health with G.F.D./ G.S.D.P. @ 1.03% [FY23]
 - Bottom 5 in Outstanding Debt/ G.S.D.P. Ratio [~21%]
- ▶ Top 3 States in S.O.N.T.R. as a % of Overall Revenue in 18 Major States

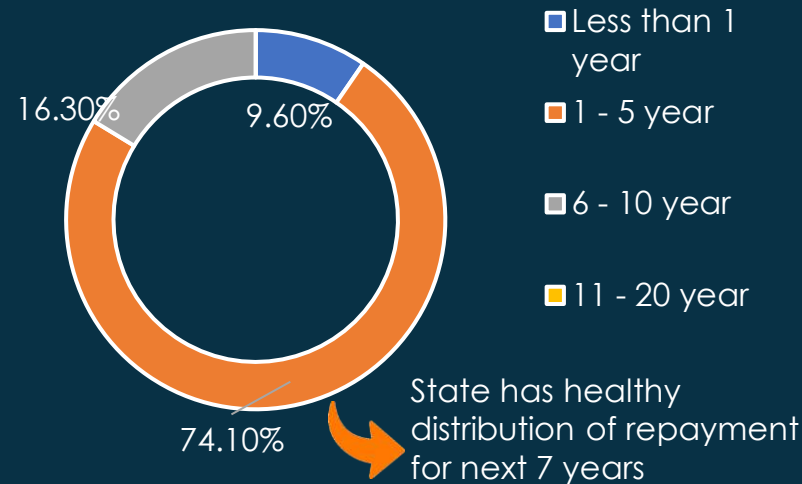
Weighted Average Cut off [10 year] : 7.44%
Min Spread of 10 year SDL with Benchmark : 35 bps
Max Spread of 10 year SDL with Benchmark : 38 bps

Chhattisgarh

Borrowing Pattern of last 3 years



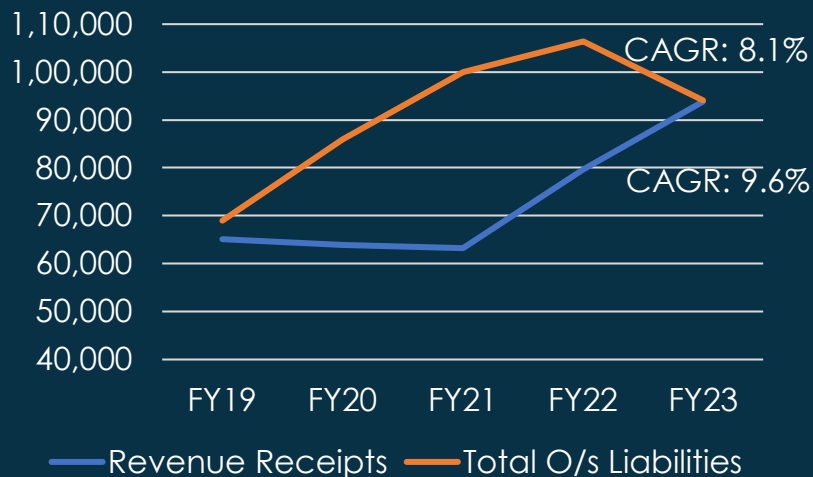
Maturity Profile of Outstanding SDLs



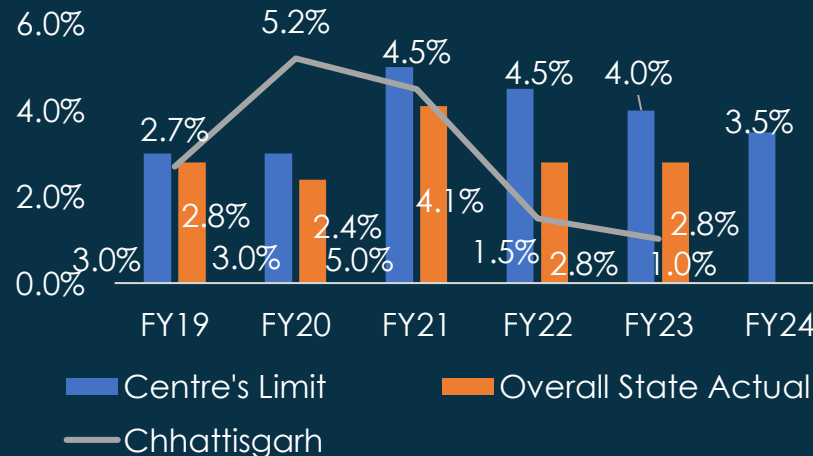
Insights

- State's Fiscal Health one the best in the country. Still, it needs to undergo significant development
- State has considerable GDP growth in last 2 fiscal years
- State has initiated large scale borrowings to fuel development with new Government in Dec'24

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

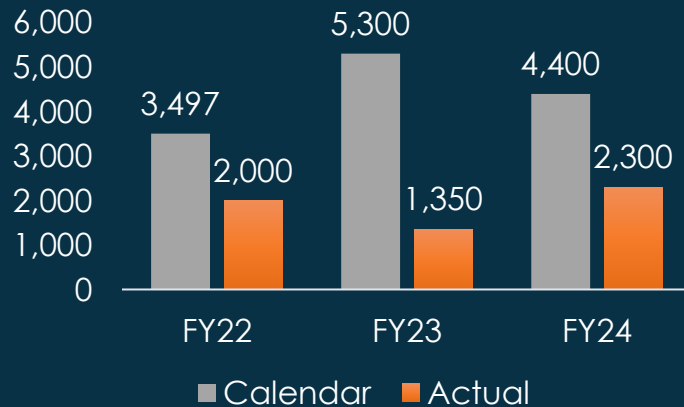
- State may further raise debt to the tune of ~25,000 in FY25 and stagger it between maturity of 5-10 years
- Higher contribution in SDL trading of Chhattisgarh securities is expected next Fiscal considering liquidity due to large issuance in FY24



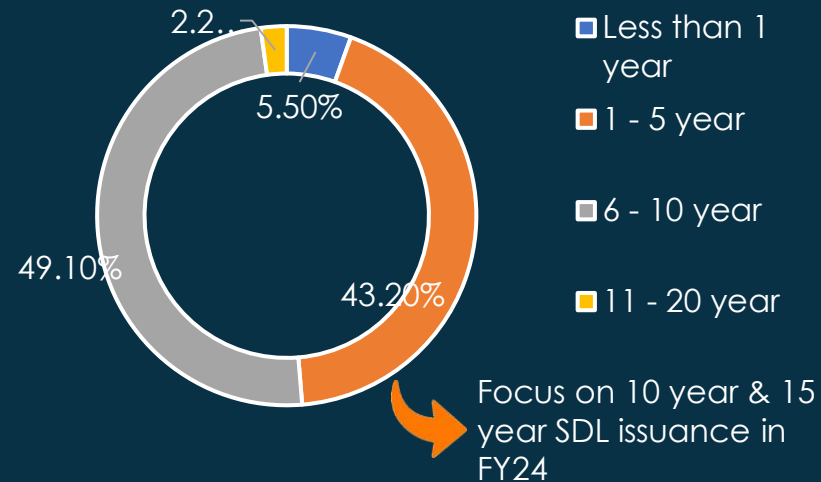
- ▶ Increase in borrowing by more than 70% in FY24 compared to FY23
- ▶ One of the key reasons being expenditure of ~500 cr for 37th National Games held in Goa between Oct-Nov
- ▶ 2nd Highest S.O.N.T.R. revenue in the country due to mining royalties and inclusion of power tariffs
- ▶ Outstanding Debt/ G.S.D.P. was at 29.6% for FY23

Weighted Average Cut off [10 year] : 7.57%
Min Spread of 10 year SDL with Benchmark : 26 bps
Max Spread of 10 year SDL with Benchmark : 52 bps

Borrowing Pattern of last 3 years



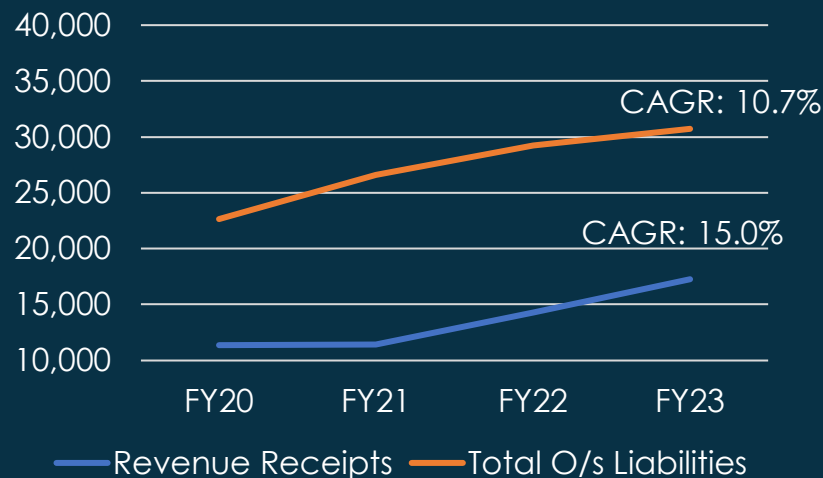
Maturity Profile of Outstanding SDLs



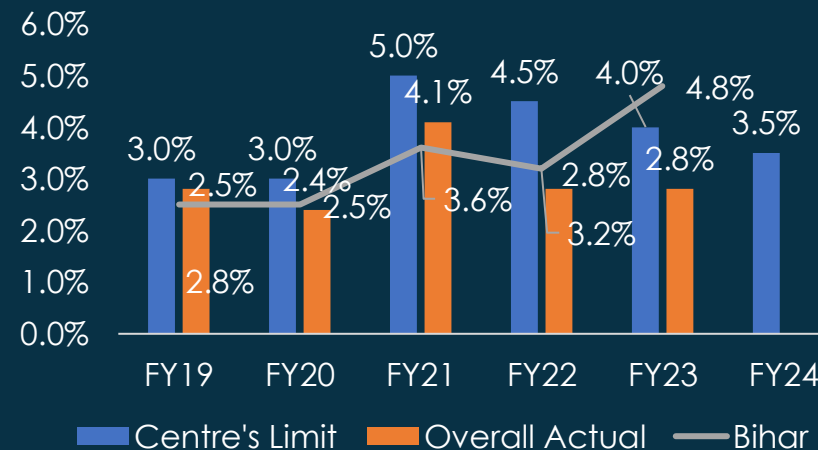
Insights

- Increase in borrowing influenced by Capex for National Games
- Maturity profile of outstanding SDLs is increasing on a YOY basis for the next 8-9 years which will lead to increasing repayments in short term
- GFD of state has increased and requires immediate steps for control

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

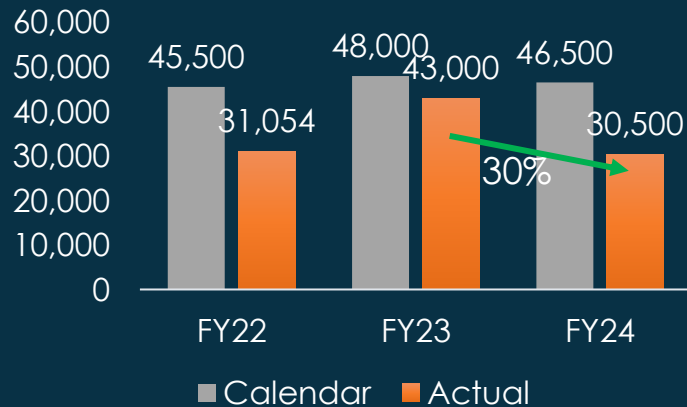
- Actual borrowing for FY25 may be less than FY24 as event led expenditures have been completed
- Issuance for new SDLs may have maturity between 10-15 years as short term repayments look high
- State may increase power tariff to boost its SOTR revenue & curb GFD



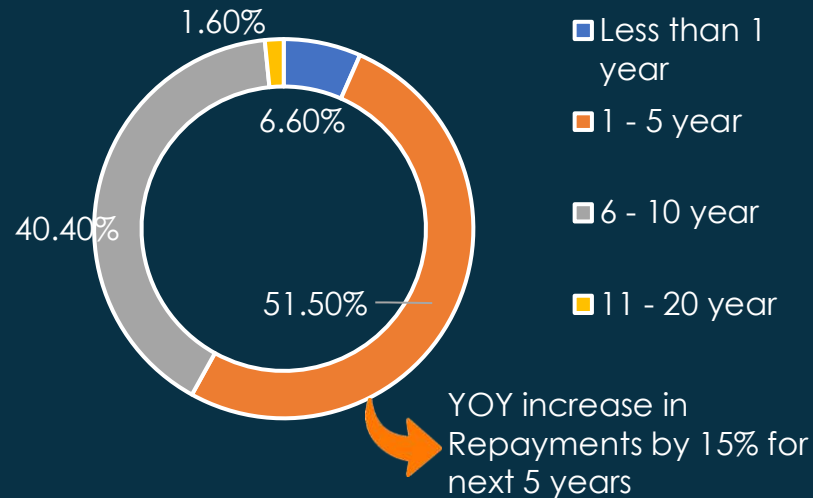
- ▶ One of the Most Preferred SDLs in the secondary market
 - Within Top 3 traded SDLS in Q1 & Q2 FY24*
 - Within Top 5 traded SDLS in FY24*
- ▶ Top 5 States in S.O.T.R. as a proportion of overall revenue in last 8 years [More than 75%]
- ▶ One of the Lowest Outstanding Debt/ G.S.D.P. Ratio [16.4%]
- ▶ Borrowing Utilization ~70% in FY24 & FY22 due to high revenue receipts and moderate Capital Expenditure

Weighted Average Cut off [10 year] : 7.64%
Min Spread of 10 year SDL with Benchmark : 46 bps
Max Spread of 10 year SDL with Benchmark : 49 bps

Borrowing Pattern of last 3 years



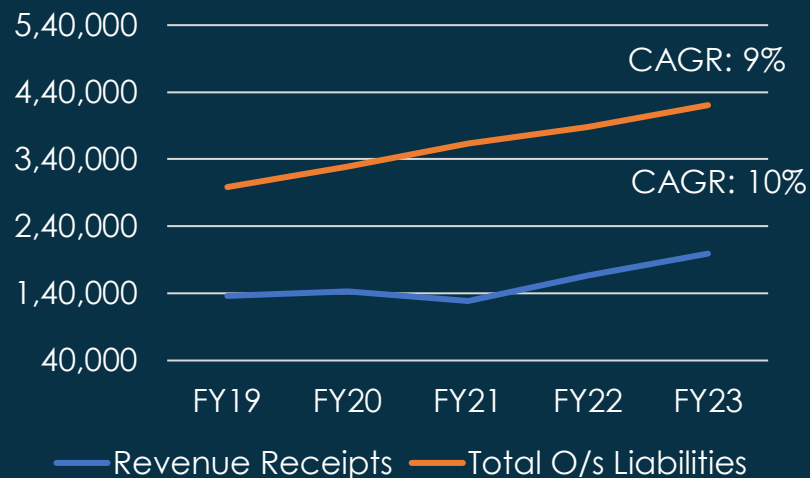
Maturity Profile of Outstanding SDLs



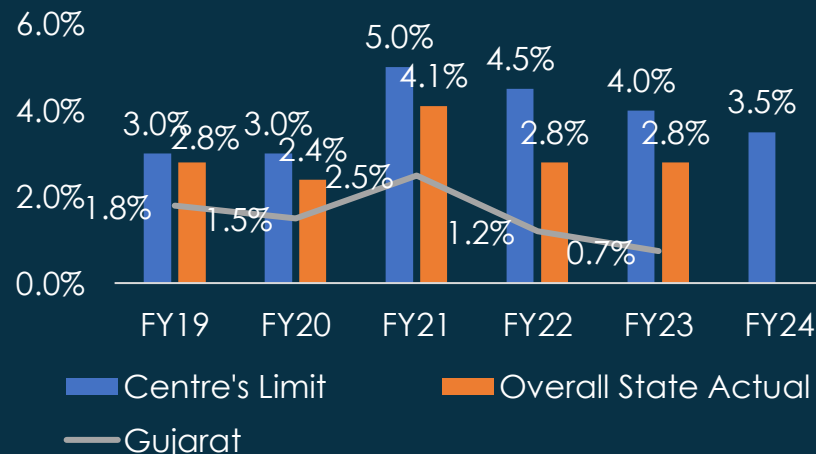
Insights

- More than 40% SDLs issued in Q4 in last 3 years
- GFD/GSDP one of the lowest due to increasing Revenue Receipts (0.74% in FY23)
- However, Outstanding Debt of ~4 Lac cr is significantly high and may create a debt trap in the future

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

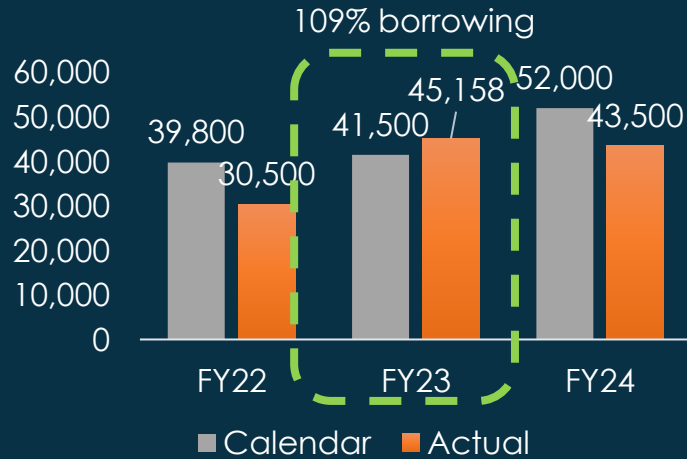
- High Capex on Water Supply, Sanitation, Housing, Transport & Irrigation may increase borrowings
- Borrowings may be limited to 20,000 cr-30,000 cr with SDLs issuance of 2-5 yrs. and 10-12 yrs. on the calendar
- High frequency trading to continue in secondary market by traders



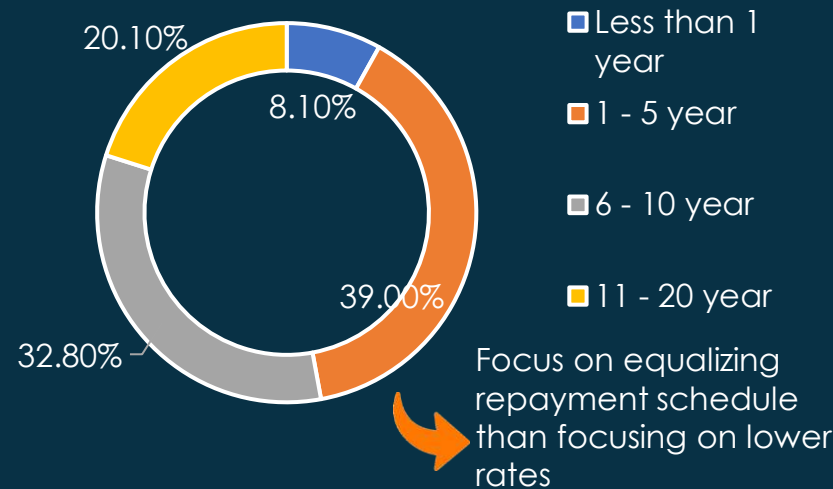
- ▶ Amongst Top 10 traded SDLs in last 2 fiscals
- ▶ Over 80% borrowing utilization as per calendar in last 3 years
- ▶ Highest S.O.T.R. as a proportion of Overall Revenue in the country for last 8 years [>80%]
 - Top 5 states in S.O.N.T.R. as a proportion of Overall Revenue
- ▶ G.F.D./ G.S.D.P. ratio within limits prescribed by Central Govt [3.12% in FY23 – Centre's Limit 4%]

Weighted Average Cut off [10 year] : 7.49%
Min Spread of 10 year SDL with Benchmark : 26 bps
Max Spread of 10 year SDL with Benchmark : 46 bps

Borrowing Pattern of last 3 years



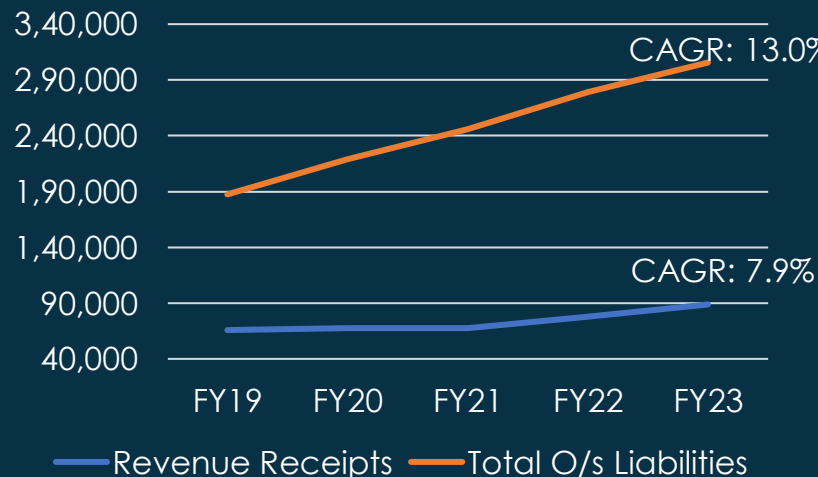
Maturity Profile of Outstanding SDLs



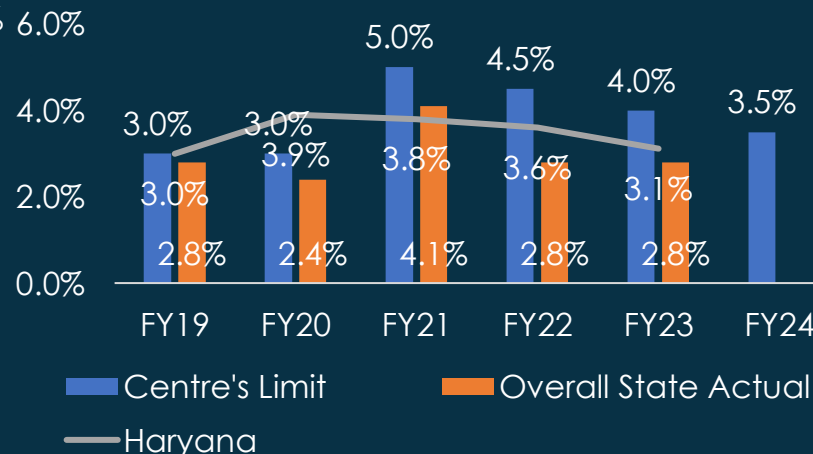
Insights

- High borrowings diverted towards capital expenditure in FY23 & FY24 likely influenced by upcoming Assembly elections in Oct'24
- Expenditure catering towards rural & agri-sector development
- Large gap between growth of O/s Liabilities vs Revenue Receipts

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- State to continue borrowing heavily in Q1&Q2 before assembly elections with concentration along 10-15 year tenors
- Focus on rural development to continue as per long-term strategy
- Haryana SDLs will continue to stay in demand among investors

Himachal Pradesh

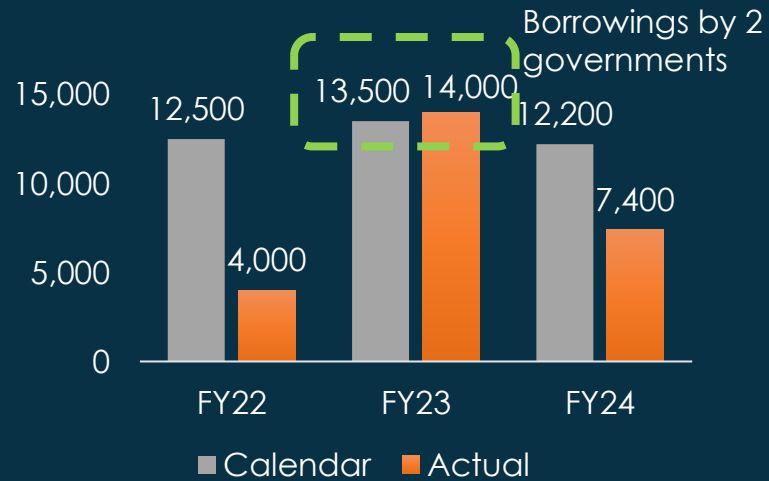


- ▶ SDL issuance concentrated mainly in H2 in last 3 fiscals with average tenor 10-12 years
 - State issued 20 year SDL 1st time in last 3 years
- ▶ Despite huge debt outstanding, liabilities have increased at a C.A.G.R. of 14% between FY19 to FY23
- ▶ Fifth highest debt-stressed state in the country
 - Outstanding Debt / G.S.D.P. is ~42%
- ▶ State borrowings primarily used to service interests & repayments
 - Only 26% utilization of Borrowed Funds in Capital Expenditure

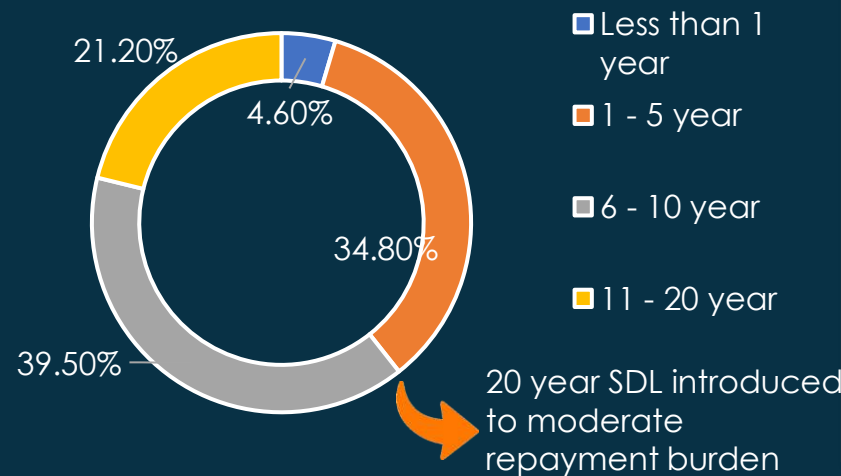
Weighted Average Cut off [10 year] : 7.50%
Min Spread of 10 year SDL with Benchmark : 33 bps
Max Spread of 10 year SDL with Benchmark : 52 bps

Himachal Pradesh

Borrowing Pattern of last 3 years



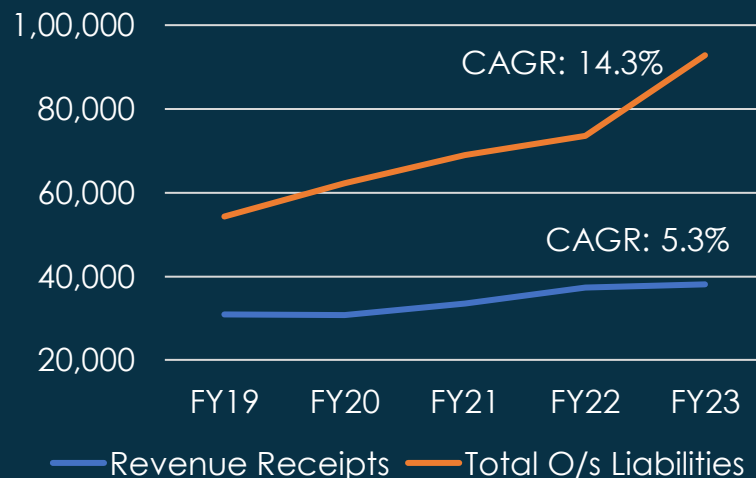
Maturity Profile of Outstanding SDLs



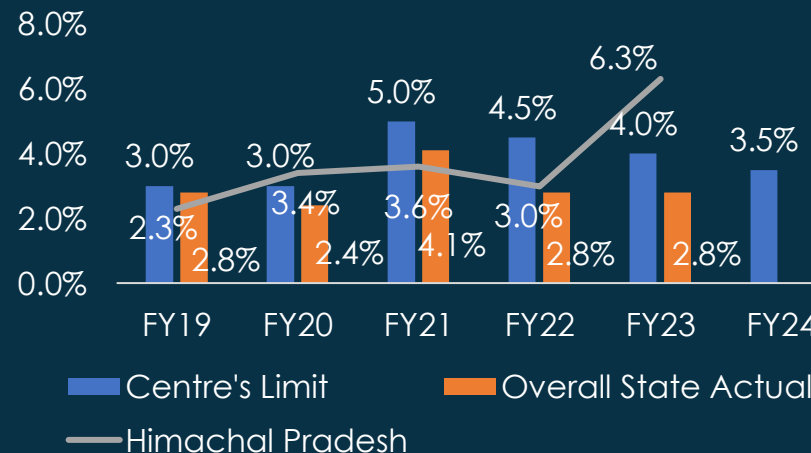
Insights

- Debt utilization anchored to fulfill political promises instead of prudent fiscal management
- Low revenue generation deemed to worsen further as GST compensation from center has stopped since FY23
- High fiscal deficit mainly due to revenue deficit

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- Borrowings might range between 30,000-40,000 for next 5 years
- Borrowings may concentrate along tenors 10 – 20 yrs.. as short term repayments are significantly high
- Revenue generation initiatives need to be increased multifold to avoid debt trap

Jammu & Kashmir

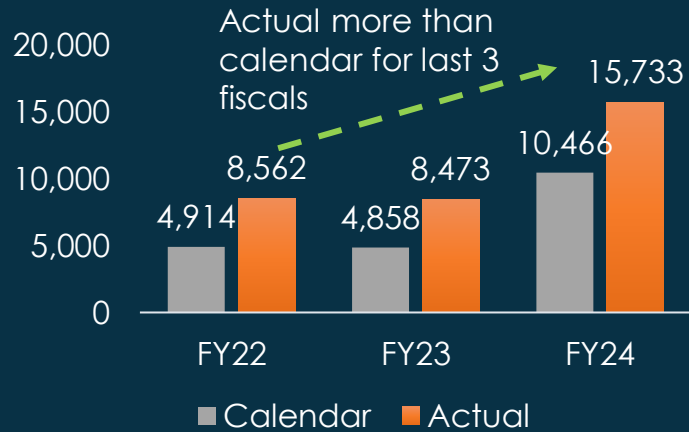


- ▶ Borrowings continue to exceed calendar as capital expenditure grows
- ▶ Substantial demand for long-term borrowings
- ▶ Grants from center constitute major portion of revenue receipts [>60%]
- ▶ One of the highest Outstanding Debt/ G.S.D.P. ratios in the country

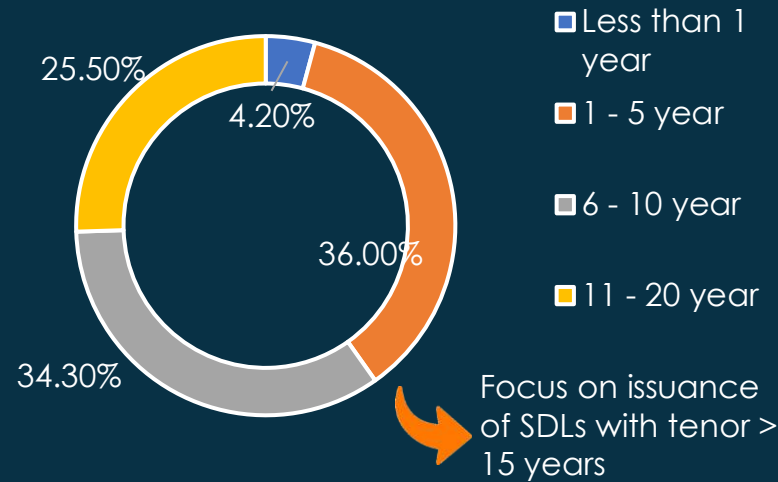
Weighted Average Cut off [11 year] : 7.48%
Min Spread of 11 year SDL with Benchmark : 39 bps
Max Spread of 11 year SDL with Benchmark : 59 bps

Jammu & Kashmir

Borrowing Pattern of last 3 years



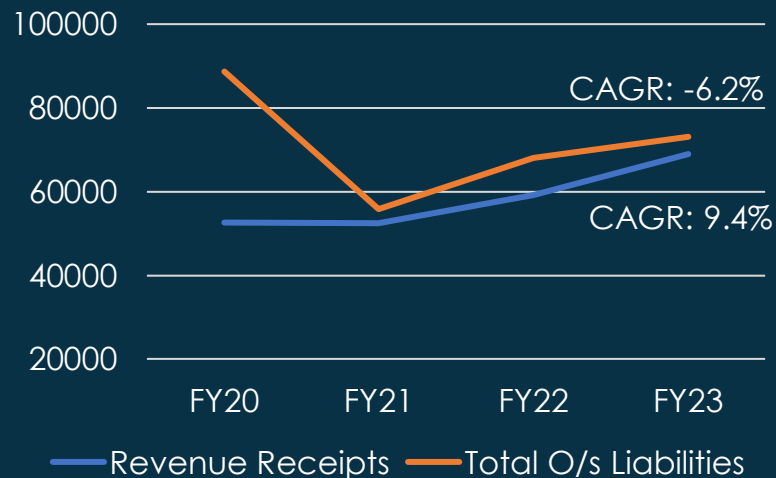
Maturity Profile of Outstanding SDLs



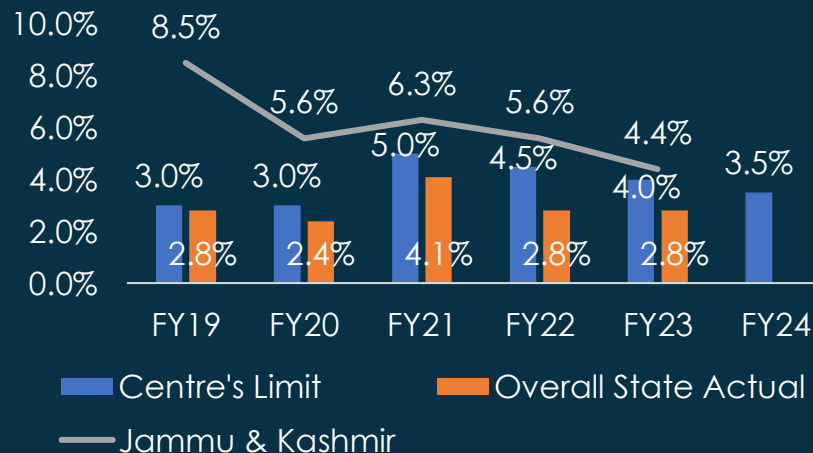
Insights

- Actual Borrowings exceed calendar due to Development Expenditure
- High capital expenditure for upliftment of territory has led to more borrowings from the market
- Despite revenue surplus, state is grappling with high debt & therefore borrowing for longer tenors

O/s Liabilities to Revenue Receipts

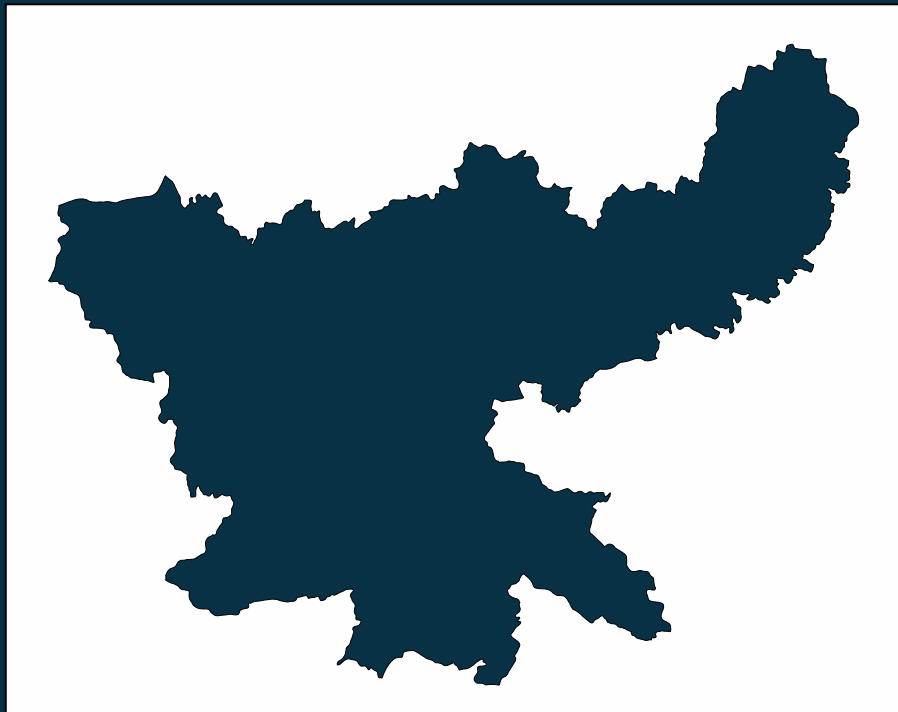


Comparison of GFD as a % of GDP



Outlook

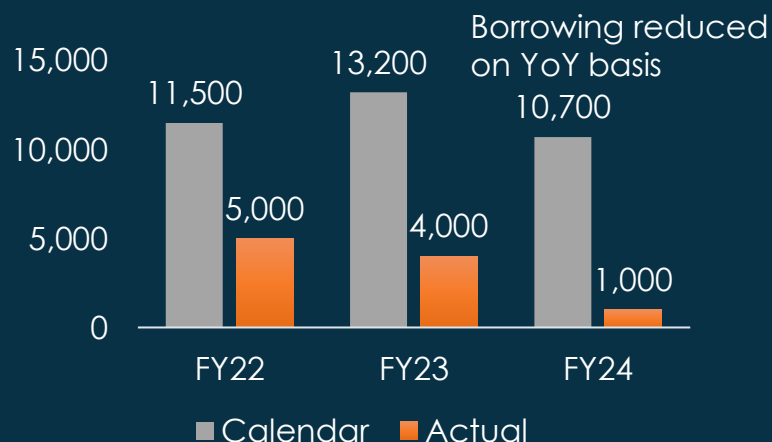
- Revenue to further grow with growth of economic activity in the valley
- Borrowing pattern of longer tenors to continue along with available provisions for 8-10 year SDLs
- State will continue to receive better demand and cut-off rates as seen in FY24



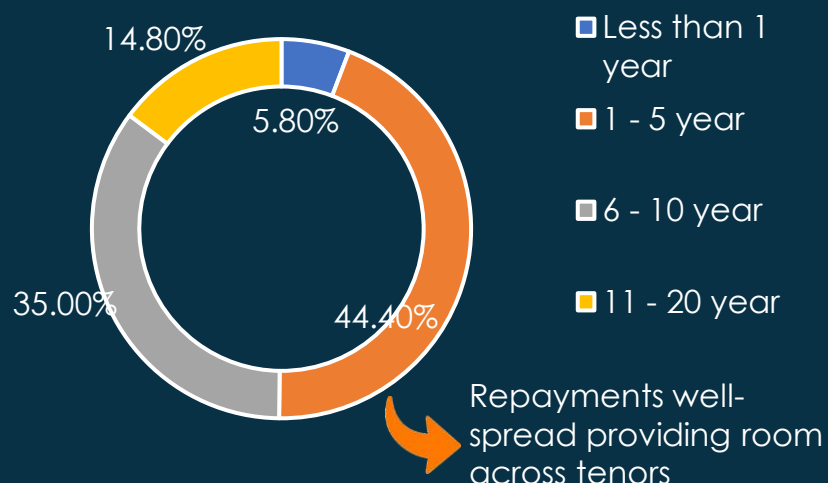
- ▶ One of the lowest borrowing states in FY24 vis-à-vis other states with similar area and population
- ▶ Significant underutilization of borrowing calendar in FY24.
 - Issuance of 1,000 cr vs 10,700 as per calendar [9%]
- ▶ State has one of the lowest Outstanding Debts/ G.S.D.P. thereby having debt sustainability
- ▶ While the state has one of the lowest S.O.T.R. to overall revenue [46%], S.O.T.N.R. to overall is one of the highest in the country [15%]

Weighted Average Cut off [8 year] : 7.68%
Min Spread of 8 year SDL with Benchmark : 51 bps
Max Spread of 8 year SDL with Benchmark : 51 bps

Borrowing Pattern of last 3 years



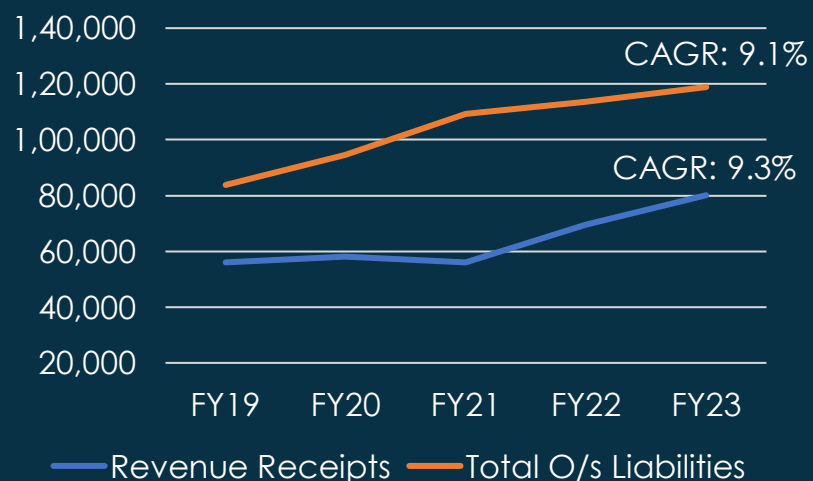
Maturity Profile of Outstanding SDLs



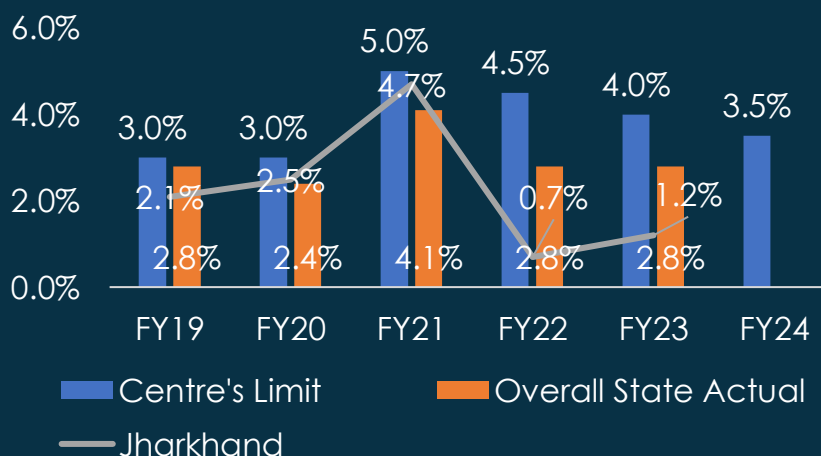
Insights

- State had revenue surplus in last 5 years except for FY21
- Fiscal position seems healthy with borrowings & deficits within limits
- Despite prudent fiscal management, overall state development and capital outlay for the same remains a concern

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

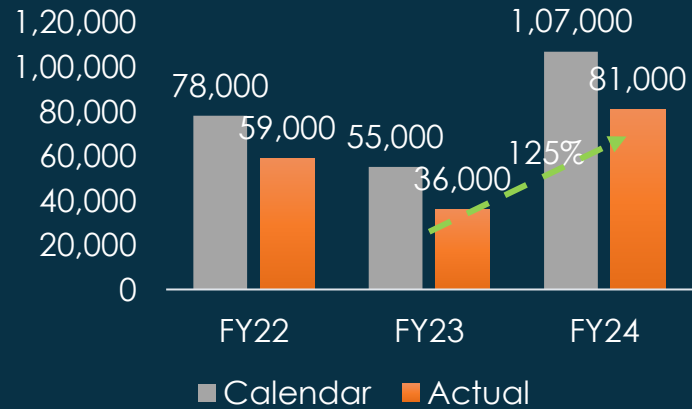
- Borrowings to be limited to less than 5,000 cr
- GFD to be healthy with further growth in tax and non-tax revenue
- Investors would be keen to invest if supply of SDLs increase



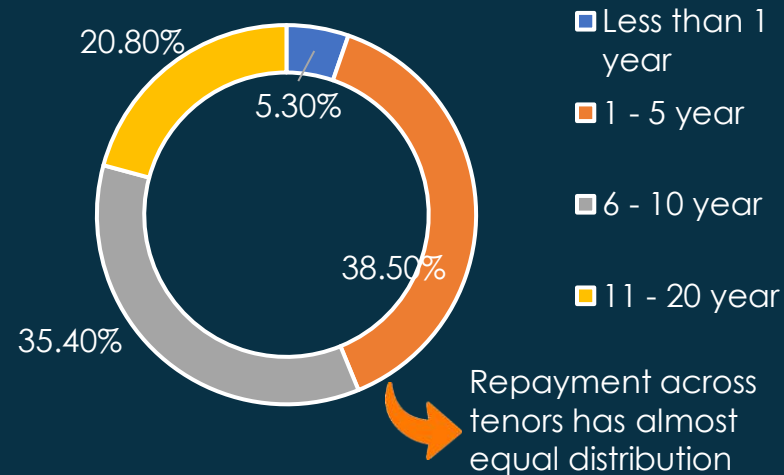
- ▶ Top 5 borrowing states in FY24 [81,000 cr]
- ▶ New borrowings spread between tenors 8-18 years with >50% concentration in 10-13 year SDLs in FY24
- ▶ Issuance of Karnataka SDLs occur in second half of the year [Last 3 year trend]
- ▶ Despite high outstanding liabilities, state has one of the lowest Debt/ G.S.D.P. ratio due to healthy G.S.D.P. growth over the years

Weighted Average Cut off [10 year] : 7.62%
Min Spread of 10 year SDL with Benchmark : 33 bps
Max Spread of 10 year SDL with Benchmark : 53 bps

Borrowing Pattern of last 3 years



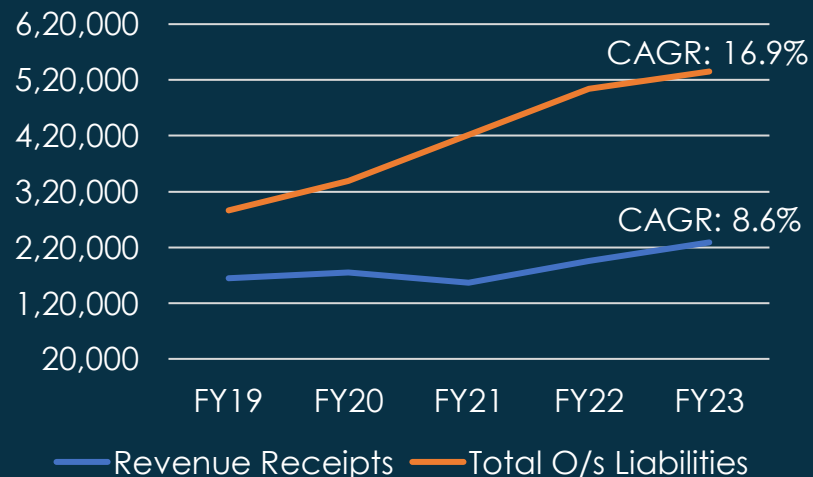
Maturity Profile of Outstanding SDLs



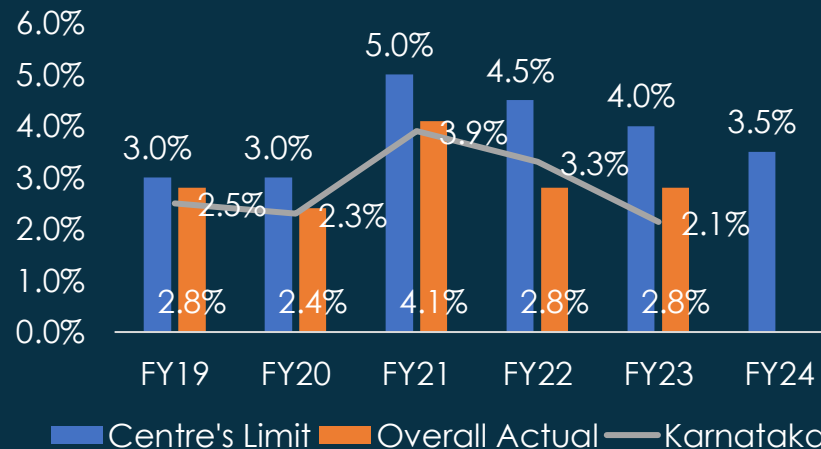
Insights

- Borrowings almost equally spread across tenors. Repayment burden to be less in future with revenue growth
- O/s Liability increasing at 2x the revenue receipts than budgeted Capital Expenditure since FY21
- Fiscal deficit within FRBM limit of 3.5%

O/s Liabilities to Revenue Receipts

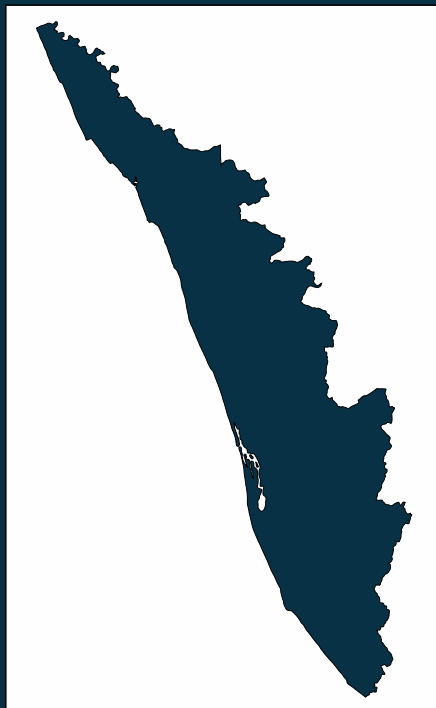


Comparison of GFD as a % of GDP



Outlook

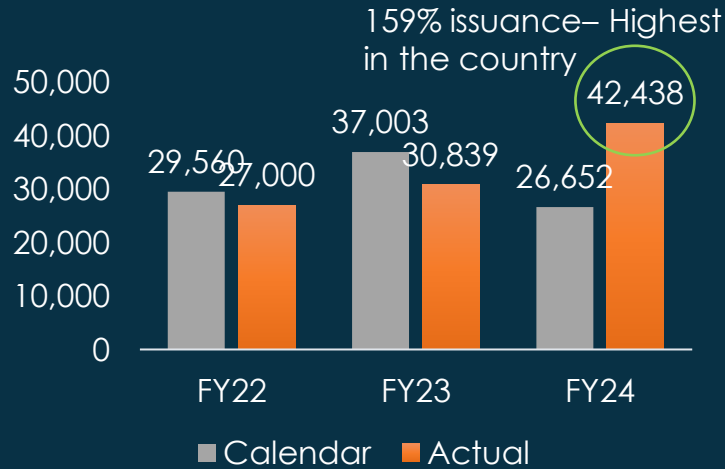
- State borrowings will continue to be at elevated levels as the new government will aim to fulfill 5 key promises on social welfare
- Tenor for new issuance would be expected to range between 10 year - 20 years SDLs basis current repayment profile



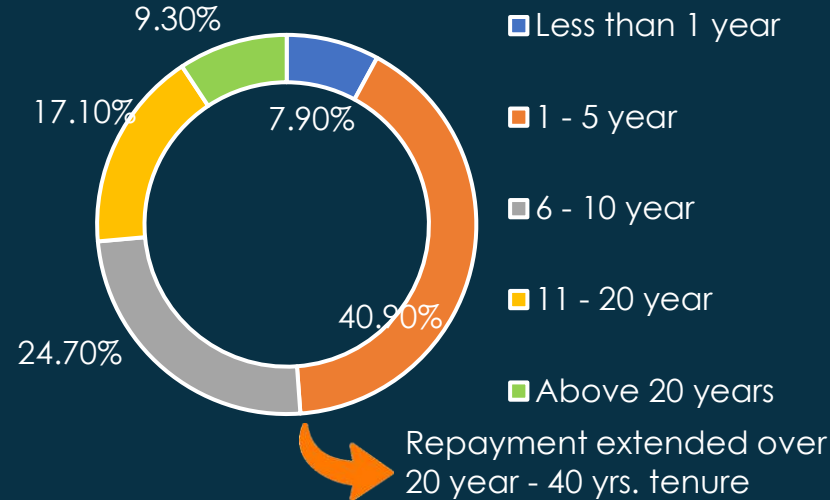
- ▶ Kerala has overborrowed by 159% over the planned borrowings
 - Highest by any state in FY24
- ▶ One of the 3 states with >10% exposure in SDLs having maturity >20 years
- ▶ Only state to issue SDLs of 40 years tenure [FY24]
- ▶ State under legal tussle with Centre with regards to additional borrowings as the state deems to highly debt-stressed

Weighted Average Cut off [10 year] : 7.39%
Min Spread of 10 year SDL with Benchmark : 36 bps
Max Spread of 10 year SDL with Benchmark : 36 bps

Borrowing Pattern of last 3 years



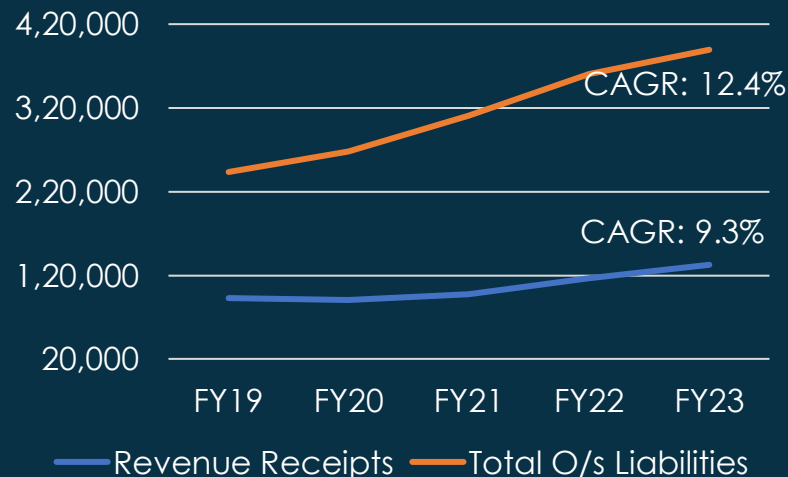
Maturity Profile of Outstanding SDLs



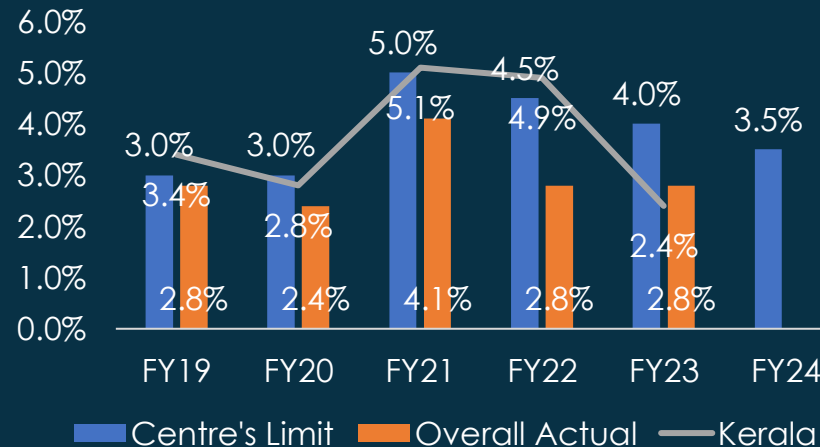
Insights

- Despite multiple initiatives to increase Tax Revenue, the net borrowings have increased
- State has 2nd highest share in payment of salaries from overall revenue expenditure
- While GFD has reduced, growth in O/s Liabilities are still a problem

O/s Liabilities to Revenue Receipts



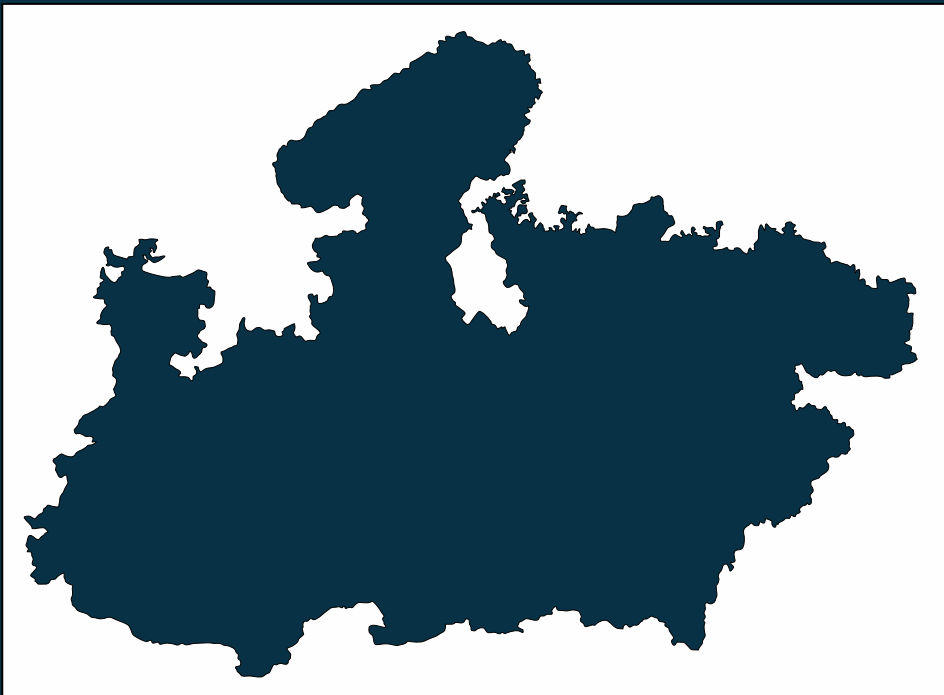
Comparison of GFD as a % of GDP



Outlook

- Borrowing limit discussion between Centre and state remains a concern. It may be limited to 35,000 cr – 40,000 cr
- We can expect tenures to range between 7 - 35 years with issuance concentrated more towards second half of FY25

Madhya Pradesh

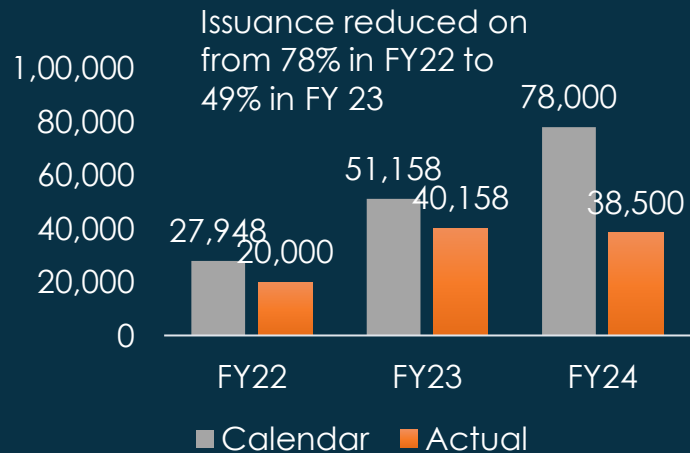


- ▶ SDL issuances largely focused on higher tenors with borrowings less than 50% as anticipated in the calendar
- ▶ Borrowings skewed towards second half of the year with concentration in Q4
- ▶ Outstanding Liabilities growing 2x the Revenue Receipts of the state [5 year CAGR]
- ▶ High Debt poses a concern regarding future repayments vis-à-vis growth in revenue receipts

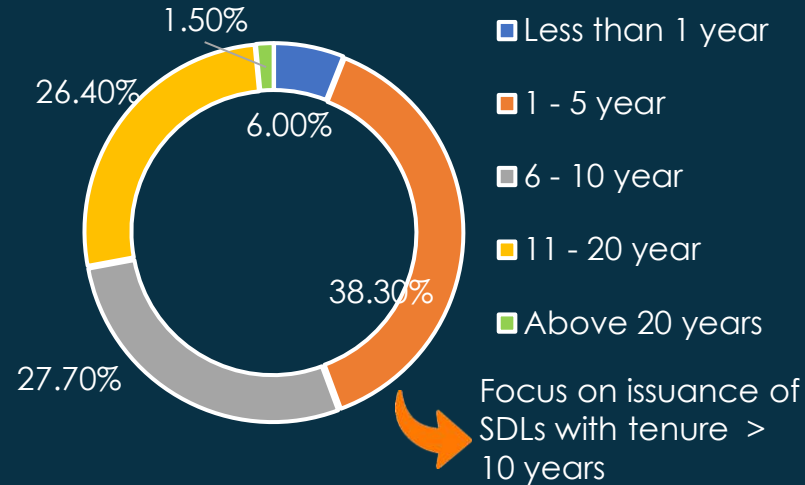
Weighted Average Cut off [10 year] : 7.36%
Min Spread of 10 year SDL with Benchmark : 35 bps
Max Spread of 10 year SDL with Benchmark : 35 bps

Madhya Pradesh

Borrowing Pattern of last 3 years



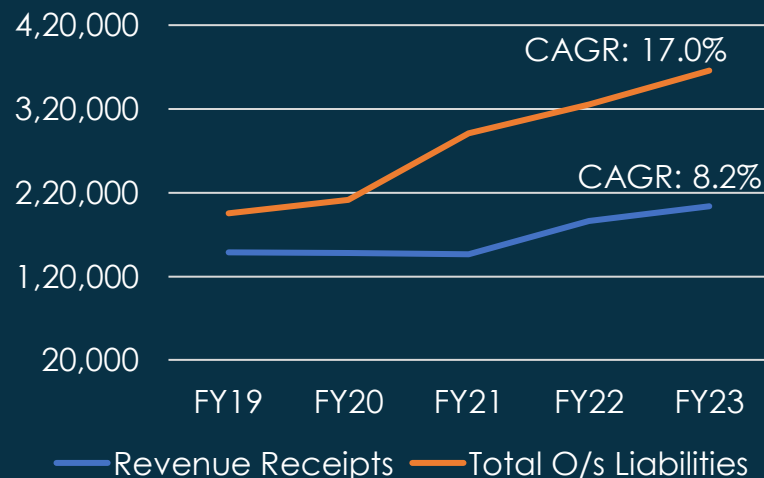
Maturity Profile of Outstanding SDLs



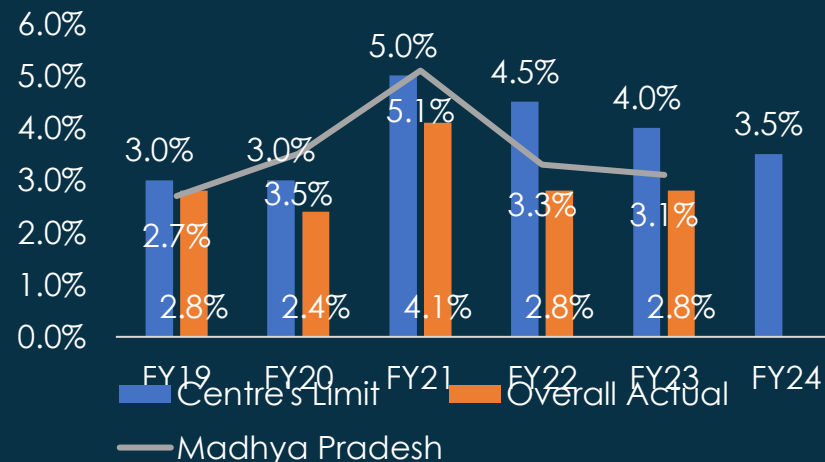
Insights

- MP is revenue surplus for last 2 FYs
- Despite healthy GFD, the state has a massive outstanding liabilities of ~3.5 lac crore
- Borrowings being used for Capital Outlay as well as repayment of principal and interest on outstanding debt

O/s Liabilities to Revenue Receipts



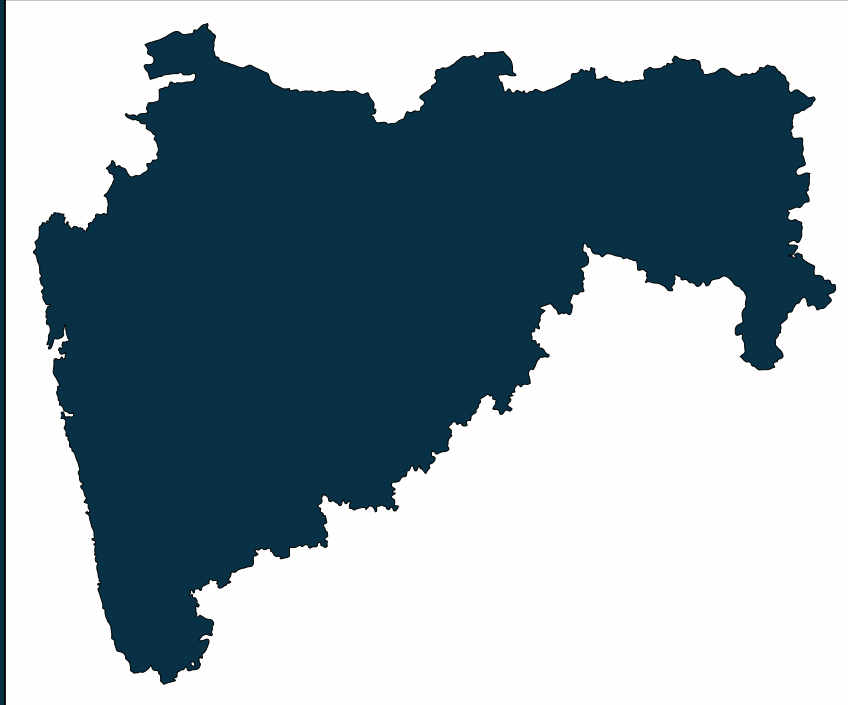
Comparison of GFD as a % of GDP



Outlook

- State borrowings may go up by 10% with the new government looking to fulfill election promises and manage day to day finances
- Tenure for new SDLs can be expected to be 8-15 years
- Investor demand to increase with increase in supply

Maharashtra

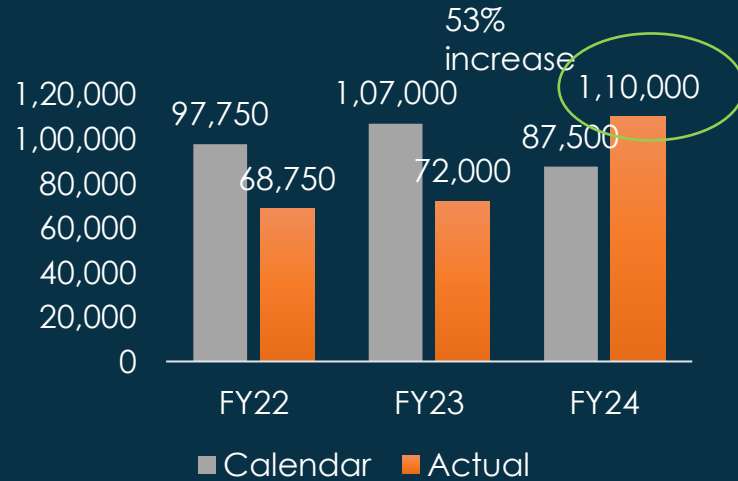


- ▶ Most traded State SDLs in the country in FY24
- ▶ Overutilization of borrowing calendar by 126% with surplus borrowings of 12,000 cr out of auction calendar on 21st March, 2024
- ▶ State has one of the lowest Outstanding Debt/ G.S.D.P. Ratios [16% in FY23] well within the prescribed limits of 25%
- ▶ S.O.T.R. as a % of Overall Revenue is one of the best in the country for last 8 years

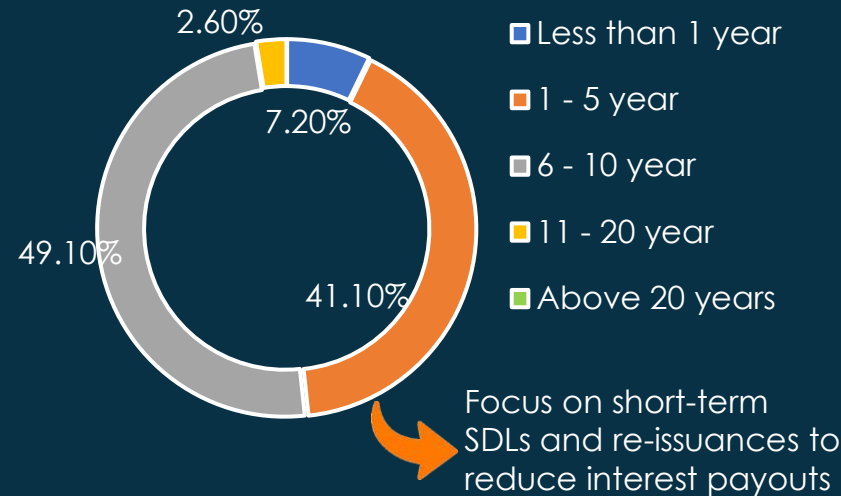
Weighted Average Cut off [10 year] : 7.61%
Min Spread of 10 year SDL with Benchmark : 26 bps
Max Spread of 10 year SDL with Benchmark : 43 bps

Maharashtra

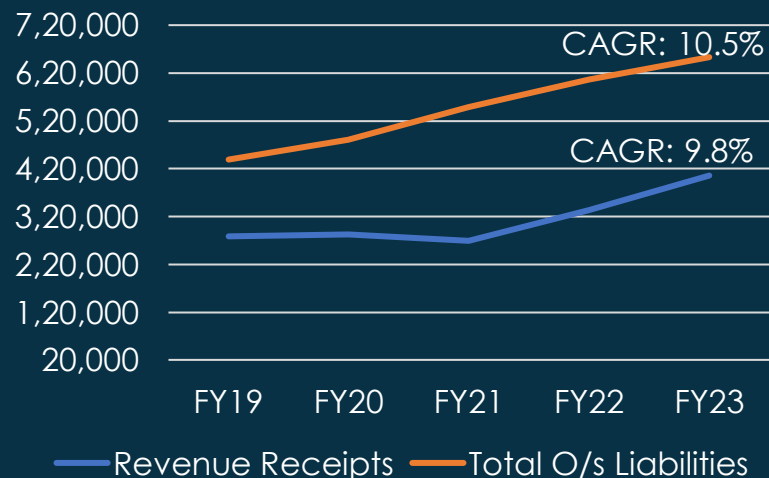
Borrowing Pattern of last 3 years



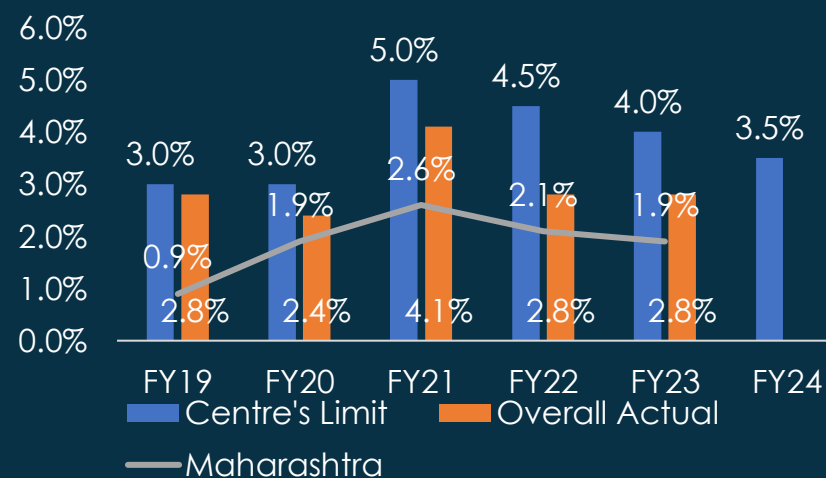
Maturity Profile of Outstanding SDLs



O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Insights

- O/s Debt at ~7 Lac cr – One of the highest in India oriented towards infrastructure development
- Funds being used for development instead of populist schemes
- GFD under limits and state focused on curtailing interest payouts with better Fiscal management

Outlook

- Borrowings for Maharashtra to stay around 1.25 - 1.5 lac cr for FY25
- SDLs with tenor 10 – 20 year might be issued considering high concentration of repayments between FY31-FY33
- State SDLs will command heavy demand from investors & traders

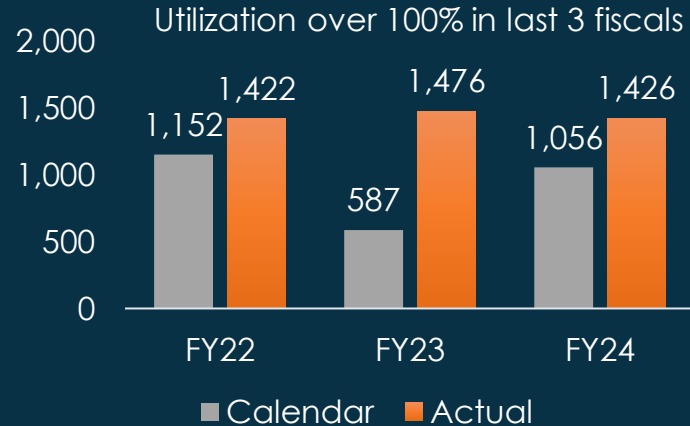
Manipur



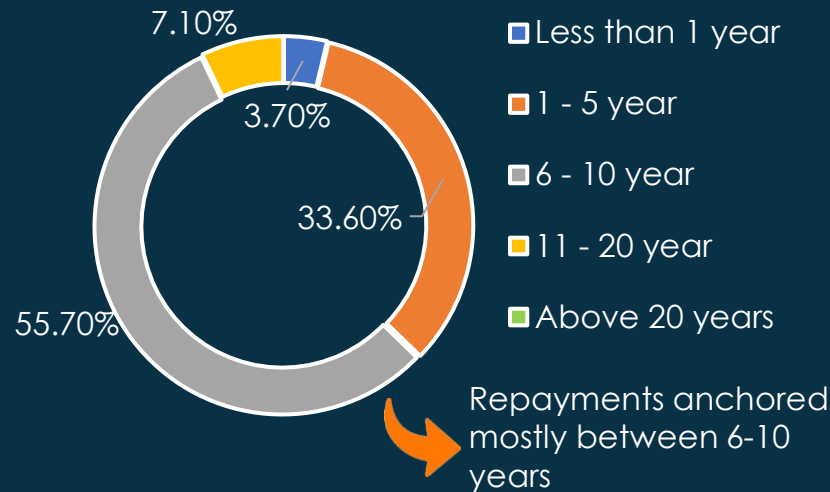
- ▶ State SDLs have low preference due to low supply and low liquidity
- ▶ Manipur has consistently overborrowed for last 3 years w.r.t. calendar
- ▶ Manipur has one of the highest Outstanding Debt/ G.S.D.P. ratios in the country [~39% - Top 5]
- ▶ State struggles with high Fiscal Deficit due to low revenue and high expenditure coupled with extended state violence in FY24

Weighted Average Cut off [12 year] : 7.50%
Min Spread of 12 year SDL with Benchmark : 23 bps
Max Spread of 12 year SDL with Benchmark : 44 bps

Borrowing Pattern of last 3 years



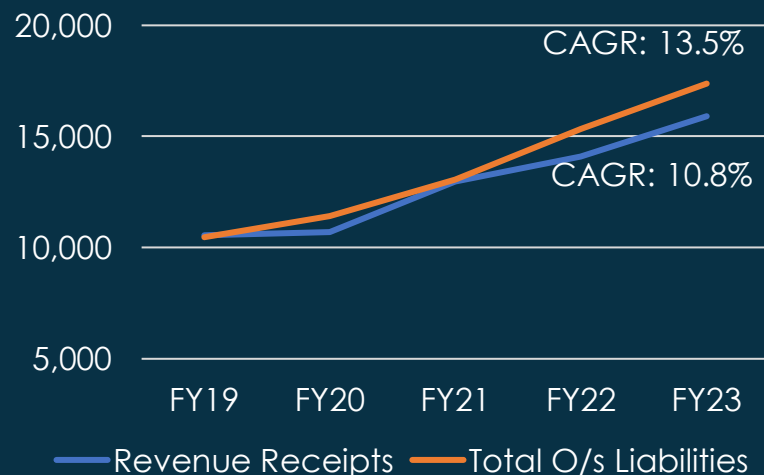
Maturity Profile of Outstanding SDLs



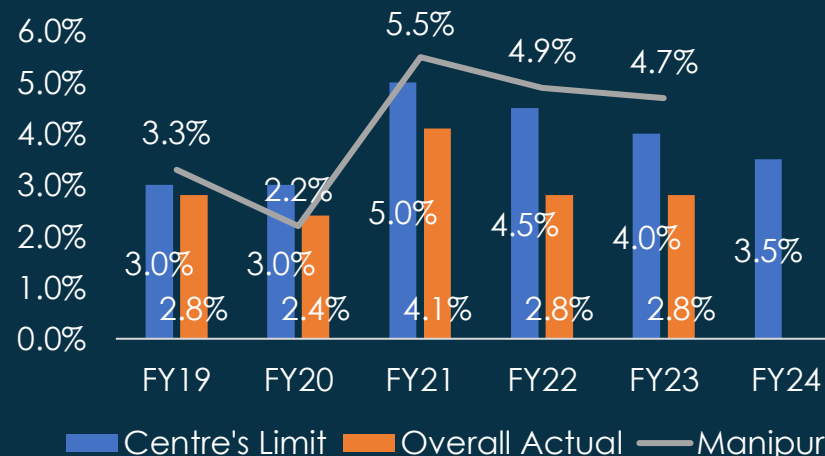
Insights

- Issuance of 12 yr. SDLs in FY24 with shift from 10 yr. SDLs in FY22 & FY23
- High GFD remains a concern as liabilities grow beyond the receipts increasing debt stress for the state
- Social stability impacted economic growth leading to limited improvement in fiscal numbers

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- Manipur may issue 10 yr. & 12 yr. SDLs this fiscal as repayment profile has room for such maturities
- Borrowings may increase 10% - 15% as repayments & interest on debt to increase by similar ratios in FY25
- Borrowings may be spread equally across all quarters

GFD: Gross Fiscal Deficit

Meghalaya

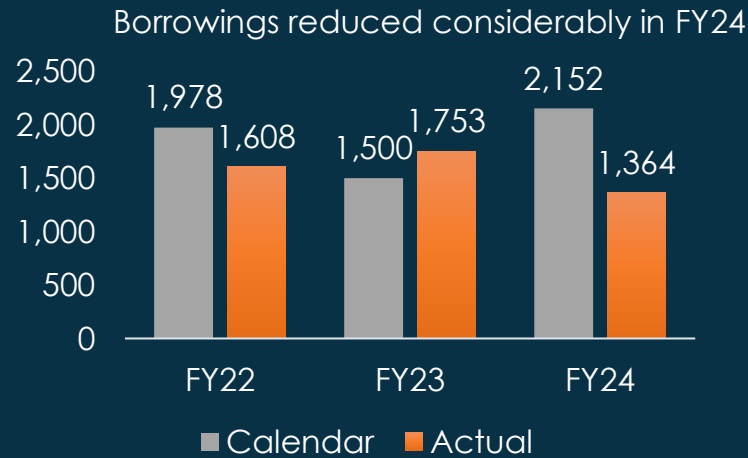


- ▶ State borrowings have been lower than planned in the calendar by 37% and 22% lower than last year
- ▶ Outstanding Debt/ G.S.D.P. of Meghalaya is close to 38% - Top Quartile among all states
- ▶ Meghalaya issued SDLs only for 8 year and 9 year tenors in FY24
- ▶ State has a significantly high fiscal deficit primarily due to low revenue growth of the state

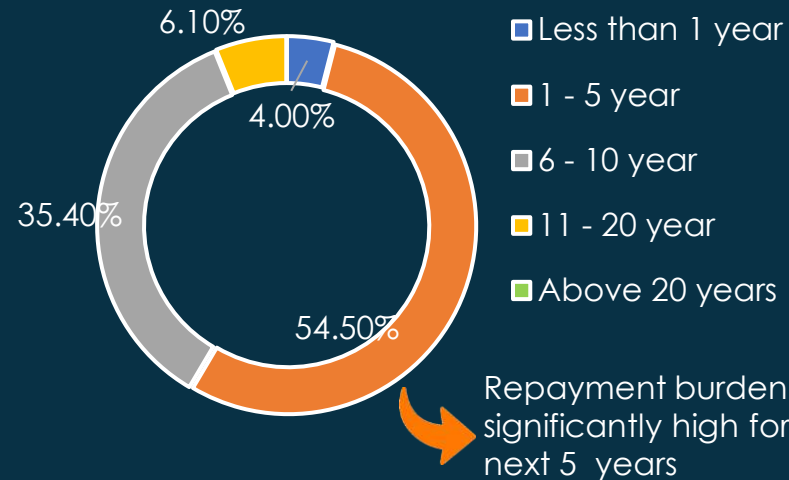
Weighted Average Cut off [9 year] : 7.50%
Min Spread of 9 year SDL with Benchmark : 35 bps
Max Spread of 9 year SDL with Benchmark : 46 bps

Meghalaya

Borrowing Pattern of last 3 years



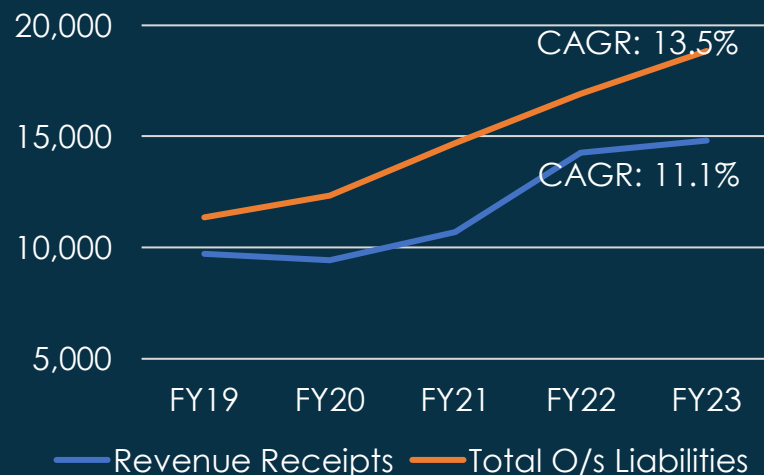
Maturity Profile of Outstanding SDLs



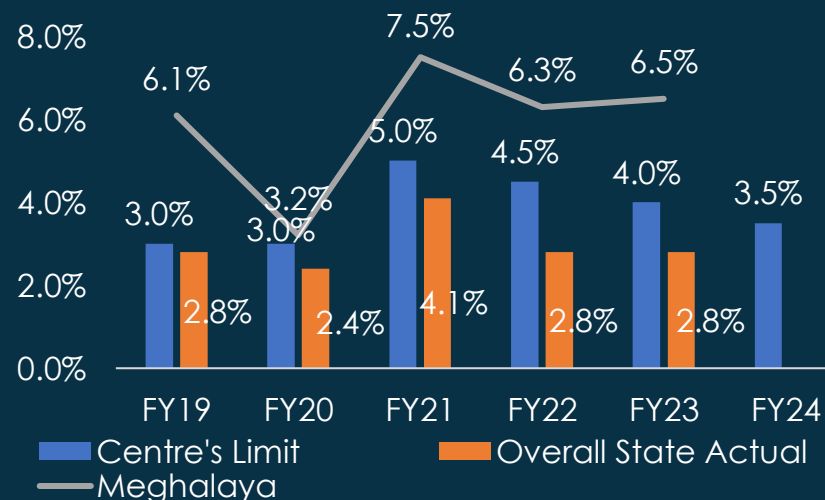
Insights

- State has amended its FRBM Act in Nov'24 thereby increasing its borrowing capacity by 400cr
- Meghalaya is utilizing a large part of fresh borrowings for interest payments instead of development
- State may fall in a debt trap as short-term repayments are high

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- While state has room to borrow ~1500 cr it will be cognizant of not stretching beyond the limits
- New SDLs are anticipated for 9 year and 10 year SDLs
- Borrowings in Q1 may be anticipated as there has not been any borrowings in Q4 of FY24

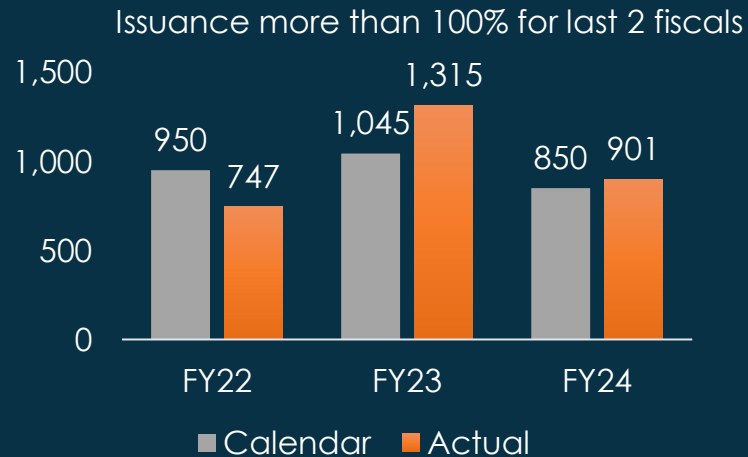
Mizoram



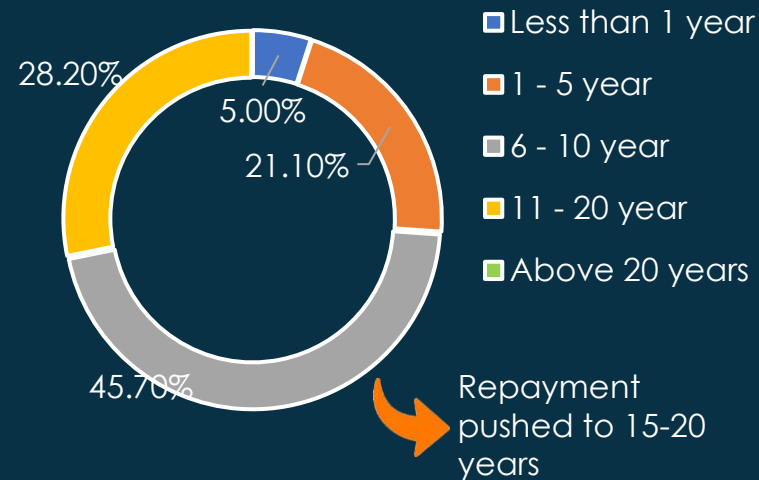
- ▶ State SDLs have low preference due to low supply and low liquidity
- ▶ Mizoram has overborrowed as per calendar for last 2 Fiscals
- ▶ While the debt has increase significantly, the state struggles to meet the sustain the revenue growth vis-à-vis outstanding liabilities
- ▶ State borrowings were concentrated towards 13-16 years SDLs in FY24

Weighted Average Cut off [13 year] : 7.43%
Min Spread of 13 year SDL with Benchmark : 42 bps
Max Spread of 13 year SDL with Benchmark : 42 bps

Borrowing Pattern of last 3 years



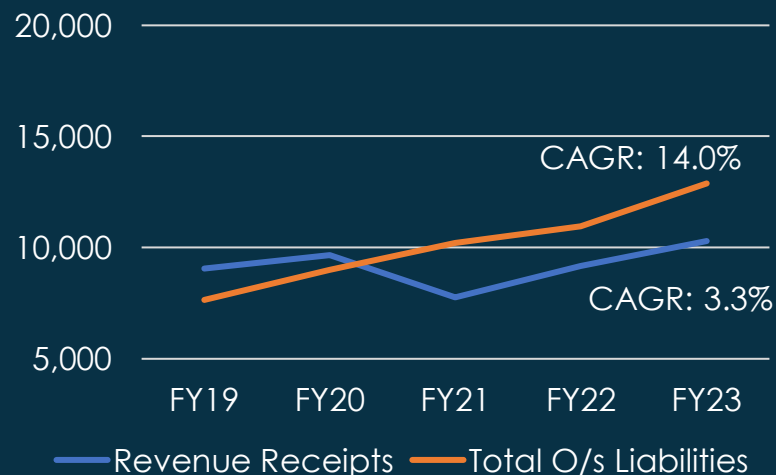
Maturity Profile of Outstanding SDLs



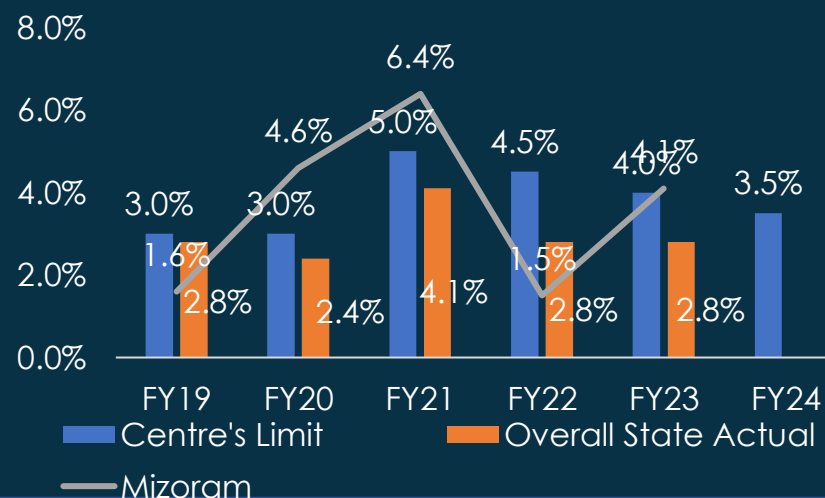
Insights

- State looking to borrow between 15-20 yrs. to avoid short-term repayments & improve rising GFD
- More than 50% of revenue was used for committed expenditure which is very high
- Only 32% borrowing used for Capital Expenditure by the state

O/s Liabilities to Revenue Receipts



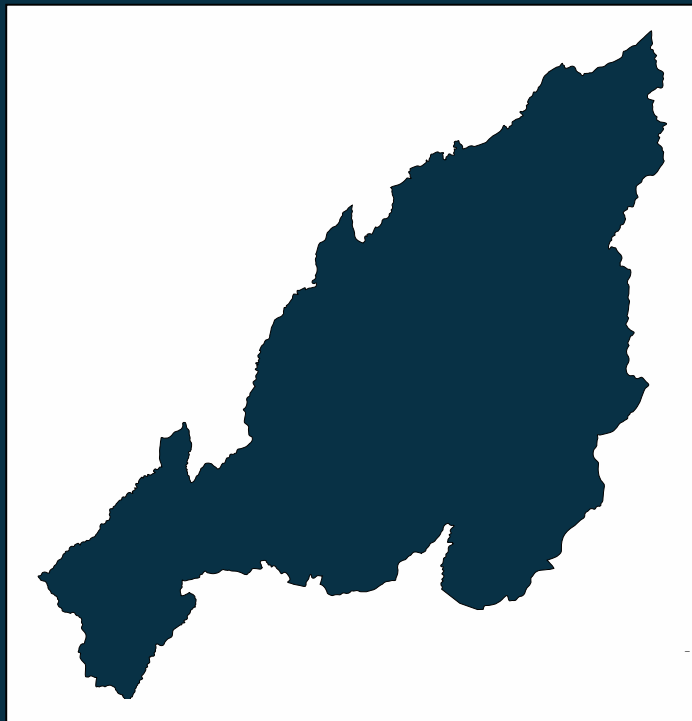
Comparison of GFD as a % of GDP



Outlook

- State might limit its borrowings to < 1,000 cr in the short term
- New SDLs tenors to range between 15-20 yr.
- Room available for 5 year SDLs depending on interest rate scenario

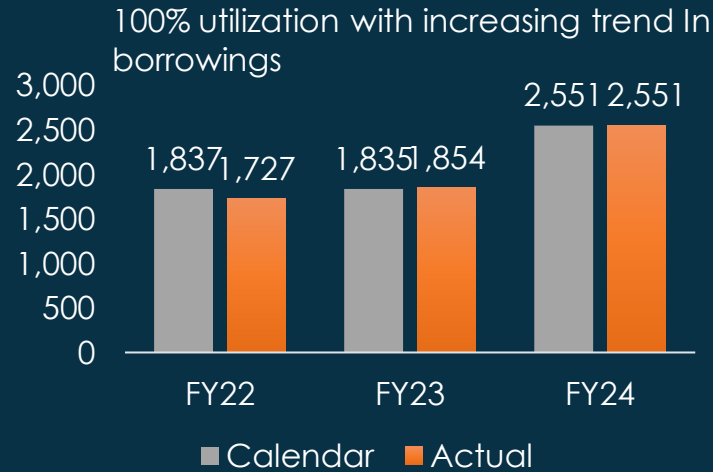
Nagaland



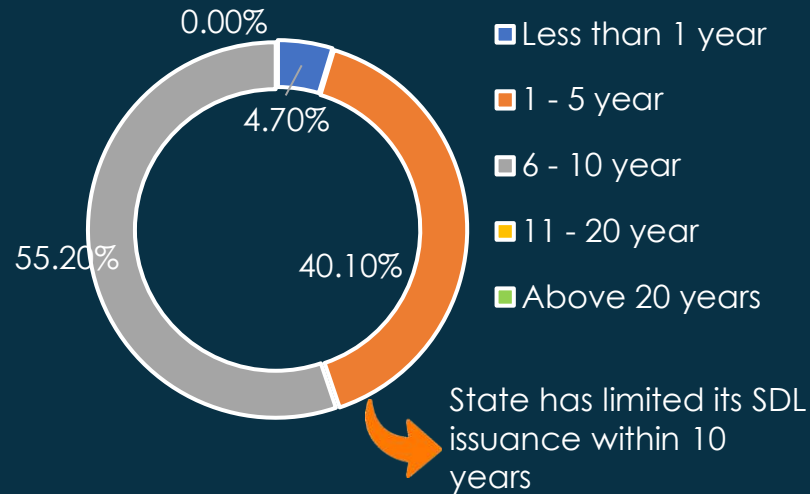
- ▶ State SDLs have low preference due to low supply and low liquidity
- ▶ However, Nagaland has seen increasing trend in its borrowing since last year
 - State has borrowed only 10 year SDLs in last 3 fiscals
- ▶ Nagaland has one of the highest Outstanding Debt/ G.S.D.P. ratios in the country [~40% - Top 5]
- ▶ State expects major reduction in its Fiscal Deficit for FY24 basis overall growth in economy

Weighted Average Cut off [10 year] : 7.55%
Min Spread of 10 year SDL with Benchmark : 39 bps
Max Spread of 10 year SDL with Benchmark : 52 bps

Borrowing Pattern of last 3 years



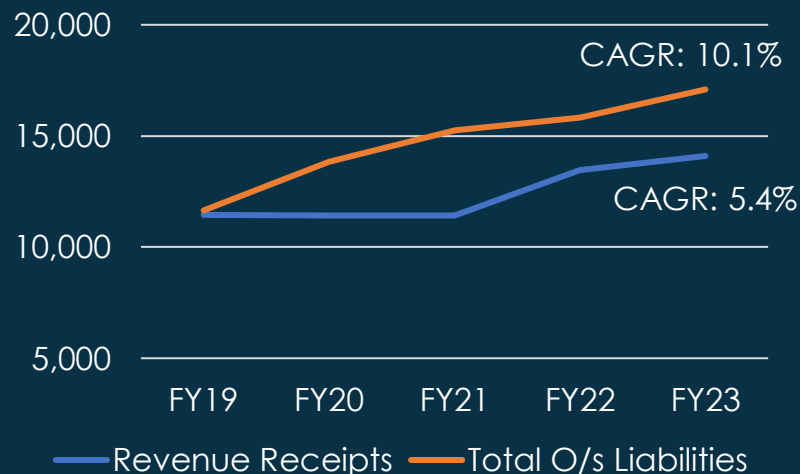
Maturity Profile of Outstanding SDLs



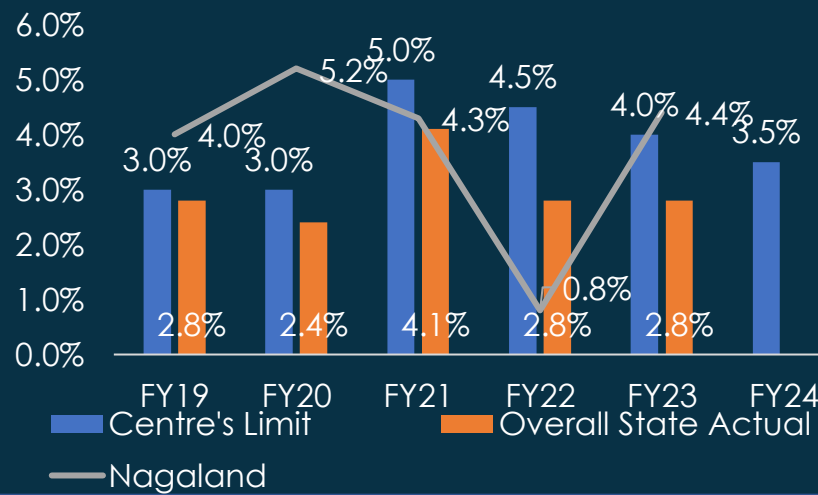
Insights

- > 70% of Capex spent by the state on repayment of public debt
- Low revenues and low capital expenditure on development poses a threat on overall state economy
- High dependency on Central Grants as it constitutes 50% of state revenues

O/s Liabilities to Revenue Receipts

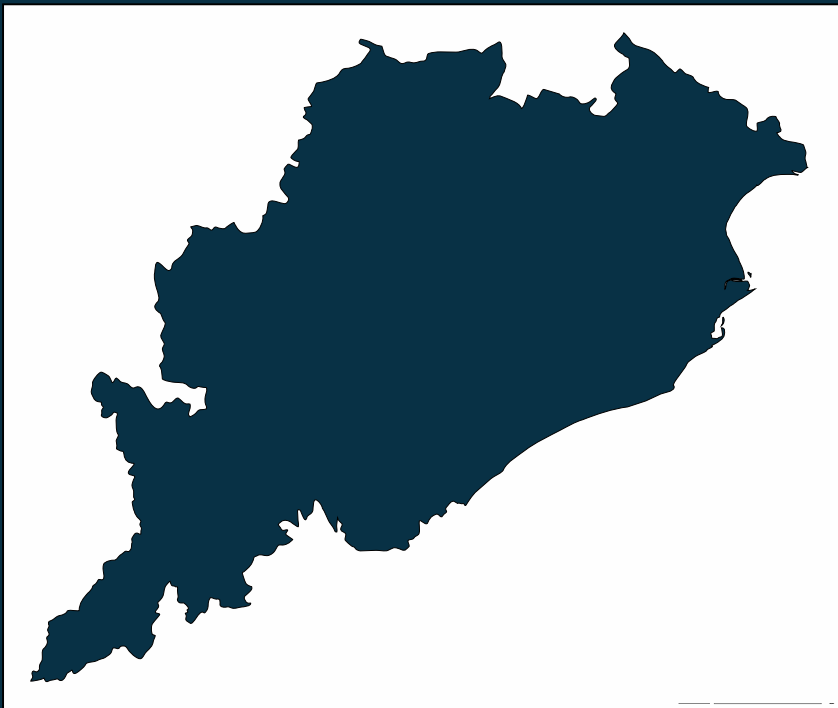


Comparison of GFD as a % of GDP



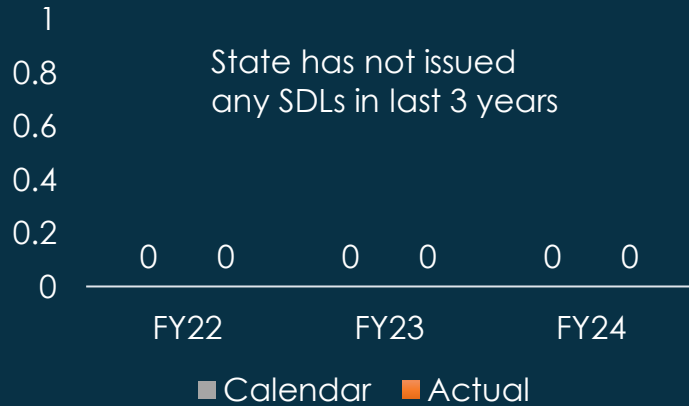
Outlook

- SDL issuances are likely to be used for repayment of public debt instead of development
- State may continue its trend of borrowing only 10 year SDLs
- Demand & Liquidity will continue to be limited

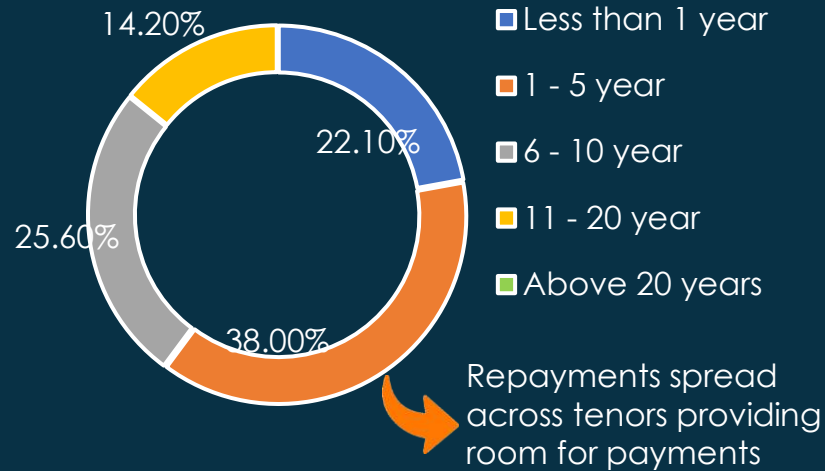


- ▶ Only state with Zero SDL issuance in last 3 years
- ▶ Odisha has the lowest Outstanding Debt/ G.S.D.P. ratio in the country (~13%)
- ▶ While Odisha has one of the lowest S.O.T.R. as a % of Overall Revenue [54%], it has one of the highest S.O.N.T.R. [28%]
- ▶ Significant efforts on driving mining royalties on revenue with a healthy G.F.D.

Borrowing Pattern of last 3 years



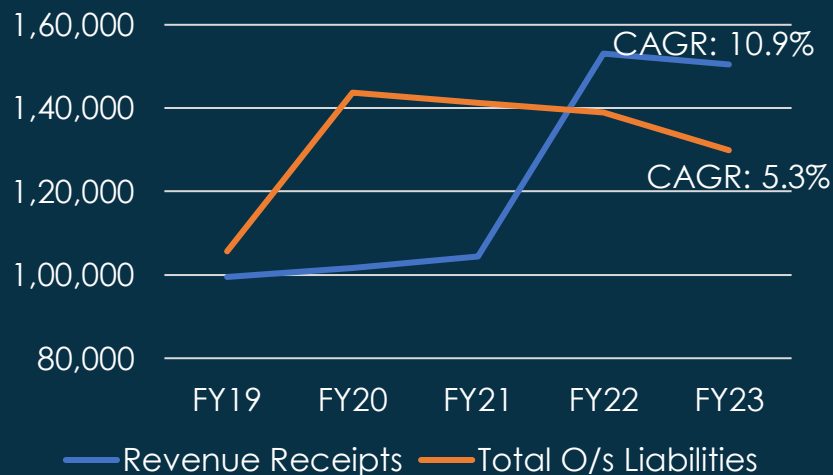
Maturity Profile of Outstanding SDLs



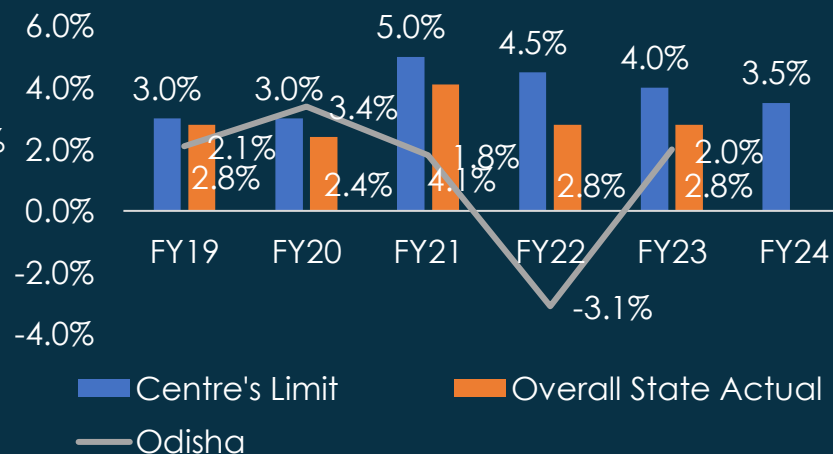
Insights

- Reducing trend towards outstanding repayments of public debt
- Revenue Receipts growing at 2x the rate of growth of O/s Liabilities
- State had become Fiscal Surplus in FY22 but had a Fiscal deficit in FY23 due to significant rise in Capital Expenditure

O/s Liabilities to Revenue Receipts

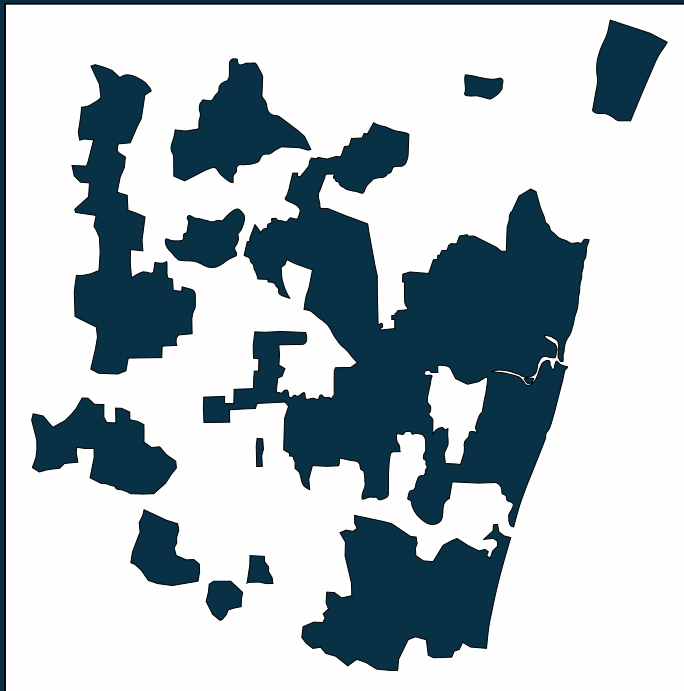


Comparison of GFD as a % of GDP



Outlook

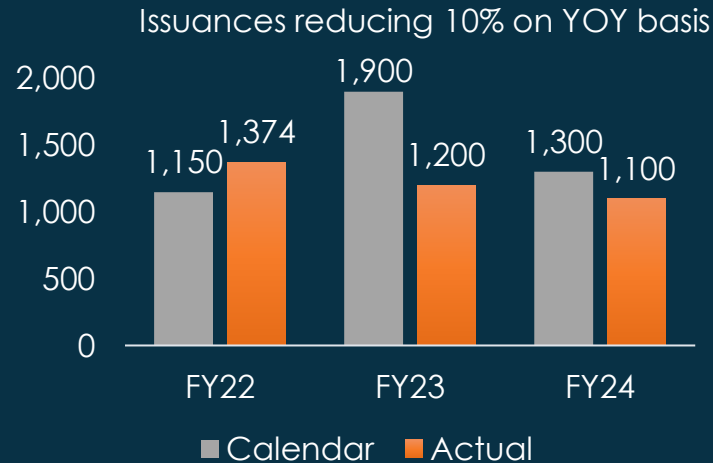
- May look to borrow to the tune of 5,000 – 10,000 cr this fiscal as it has allocated significant sum towards capital expenditure for FY24-25
- Tenor for SDL Issuance may be between 5-10 years
- Borrowings will be well - received with better rates than Gujarat



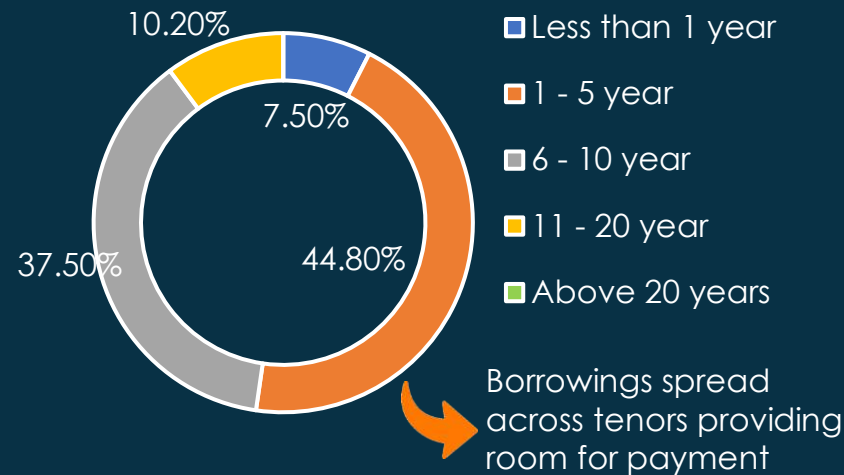
- ▶ Puducherry borrowings have been within prescribed limits
- ▶ The U.T. has predominantly borrowed in H2 of last 3 fiscals
 - 100% borrowing in FY24 has been in Q4
- ▶ Puducherry has a maturity profile skewed towards <10 year
- ▶ The U.T. has its Fiscal Deficit within prescribed limits by the Center

Weighted Average Cut off [12 year] : 7.65%
Min Spread of 12 year SDL with Benchmark : 38 bps
Max Spread of 12 year SDL with Benchmark : 59 bps

Borrowing Pattern of last 3 years



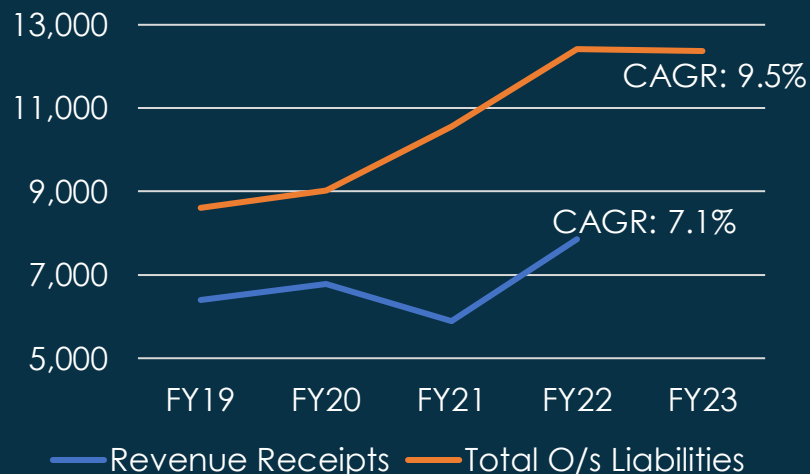
Maturity Profile of Outstanding SDLs



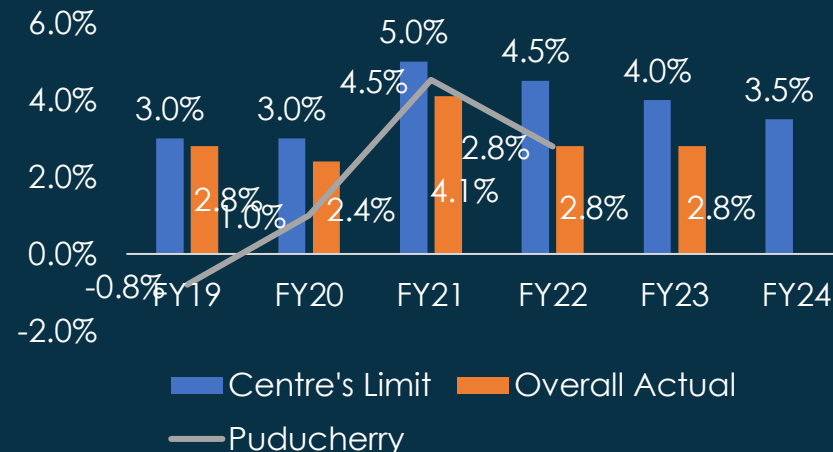
Insights

- Significant impact from Covid bringing it into Deficit from Surplus
- Revenue also impacted from cessation of GST compensation from the center
- Borrowings skewed towards tenor 12-14 years to distribute future repayments

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

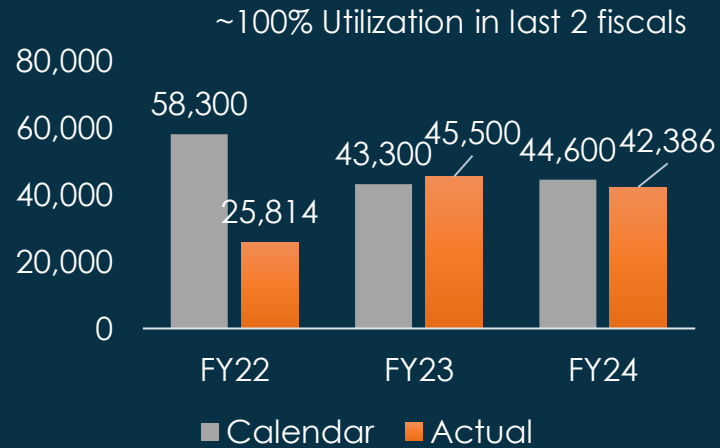
- SDL issuances of Puducherry will not increase significantly due to limited development avenue of the UT
- Borrowings may be limited to 1,000 cr with issuance between 10 - 15 years



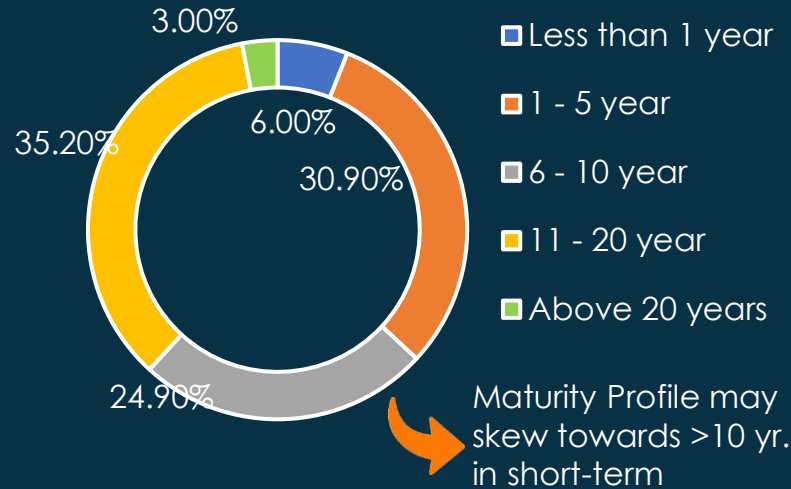
- ▶ Punjab SDLs have been in the Top 5 issued SDLs in H1FY24 with 95% borrowing as per calendar
- ▶ The state has second highest Outstanding Debt/ G.S.D.P. in the country among all states [> 45%]
- ▶ More than 80% SDLs issued for tenors between 10-15 years
- ▶ State seeking moratorium of 5 years on debt repayment in order to reduce debt stress and increase capital expenditure

Weighted Average Cut off [10 year] : 7.62%
Min Spread of 10 year SDL with Benchmark : 37 bps
Max Spread of 10 year SDL with Benchmark : 42 bps

Borrowing Pattern of last 3 years



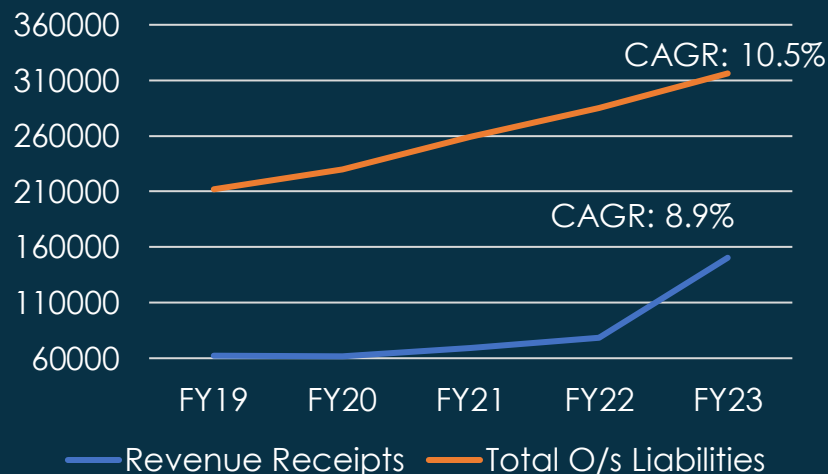
Maturity Profile of Outstanding SDLs



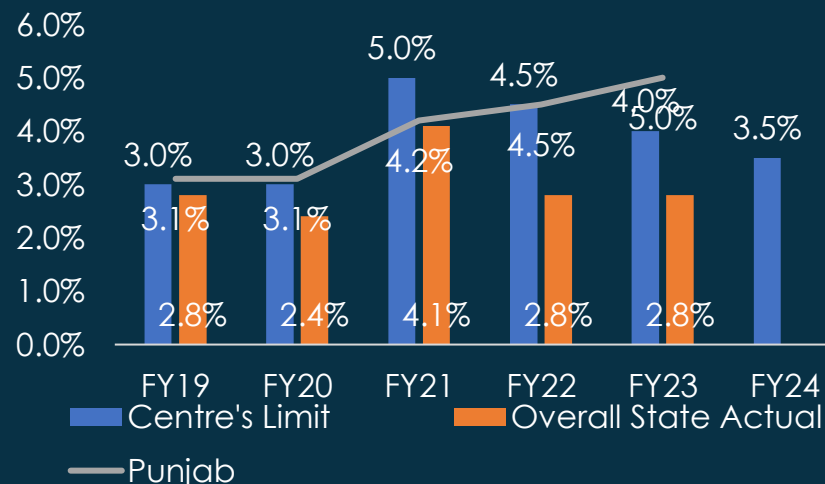
Insights

- Struggles with debt management as large chunk of fresh borrowings used for debt servicing
- High dependency on Central transfer of Grants constituting more than 5th of their revenue
- Revenues and Development impacted as Capex is limited

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- Borrowings may not be cut down as it struggles to find ways to service debt
- New SDLs to trend on long-term to give cushion in the medium term
- Calls for limitation on populist schemes necessary to curb debt - trap

Rajasthan

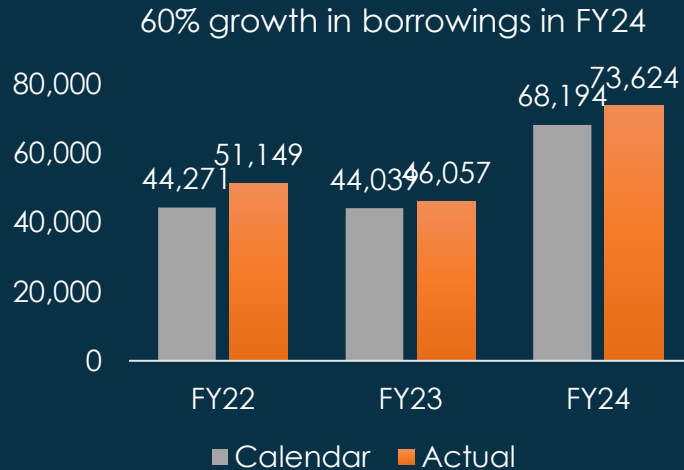


- ▶ Amongst Top 5 borrowing state and Top 5 traded SDLs in FY24
- ▶ Rajasthan has exceeded its borrowing as per calendar for last 3 fiscals with 60% increase in borrowings in FY24
- ▶ SDL borrowings have been spread across tenors from 6-26 years but 10 year SDLs have seen more than 30% issuance
- ▶ State borrowings increased ~3x in March'24 to 14,575 cr compared to monthly average of ~5,000 cr

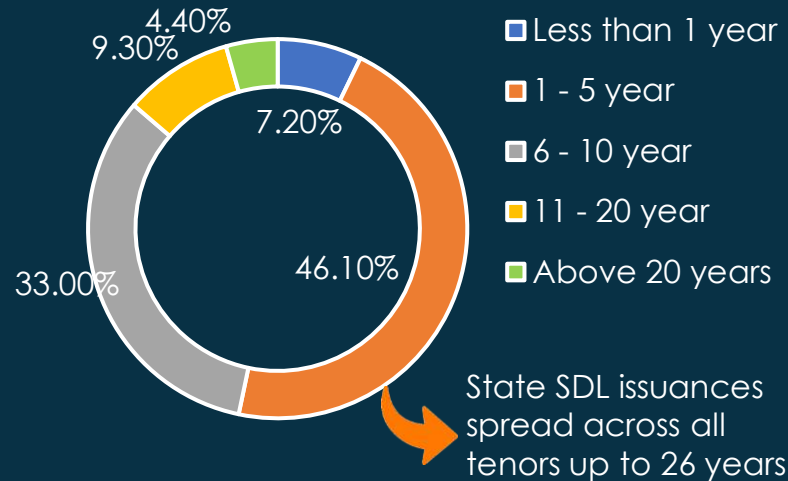
Weighted Average Cut off [10 year] : 7.53%
Min Spread of 10 year SDL with Benchmark : 26 bps
Max Spread of 10 year SDL with Benchmark : 53 bps

Rajasthan

Borrowing Pattern of last 3 years



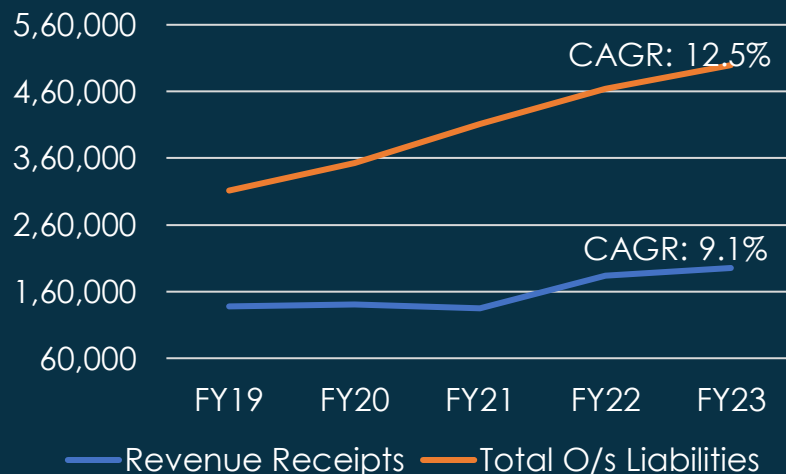
Maturity Profile of Outstanding SDLs



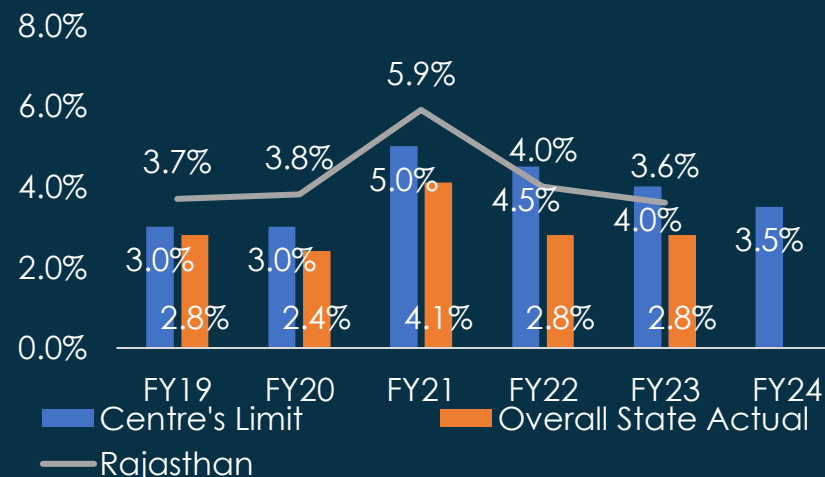
Insights

- Borrowings exceeding the limit of 4% of GDP in FY24 as per FRBM act
- > 80% Revenue Receipts utilized towards salaries, pensions, subsidies, etc. thereby increasing revenue deficit
- Fresh loans used mostly to service debt

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

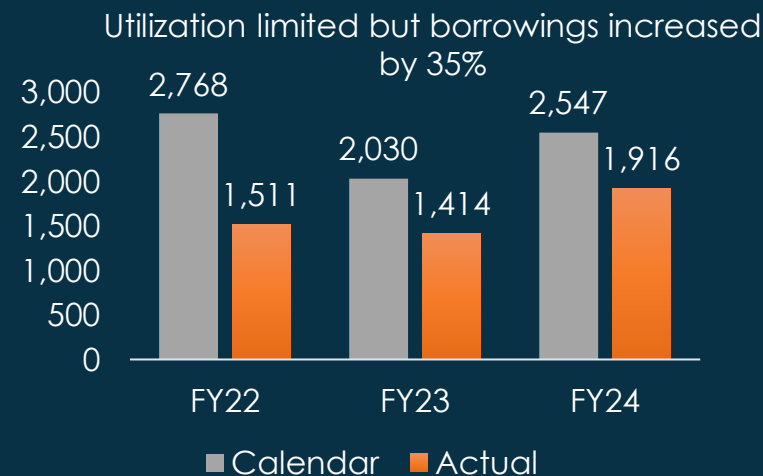
- State borrowings should remain limited to 50,000 – 70,000 considering its GSDP growth
- While GFD is under limits, new borrowings will be spread between 10 yr. - 25 yr. SDLs
- Political stability may improve Fiscal Health of the state



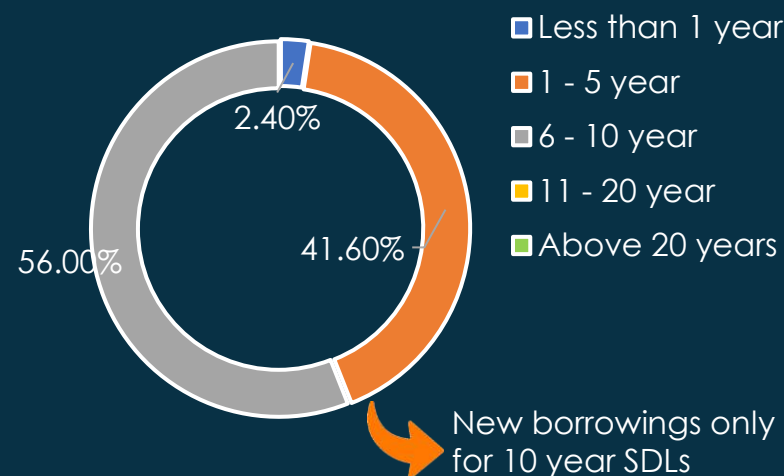
- ▶ State SDLs are least traded and issued with volumes below 2,000 cr
- ▶ State borrowings have seen a shortfall of 25%-30% than planned as per calendar
- ▶ Sikkim has only issued 10 year SDLs in last 3 years with most of the borrowings happening in second half of the financial year
- ▶ Sikkim is one of the few states having Revenue Surplus with significant growth in Capital Expenditure in FY24

Weighted Average Cut off [10 year] : 7.58%
Min Spread of 10 year SDL with Benchmark : 32 bps
Max Spread of 10 year SDL with Benchmark : 55 bps

Borrowing Pattern of last 3 years



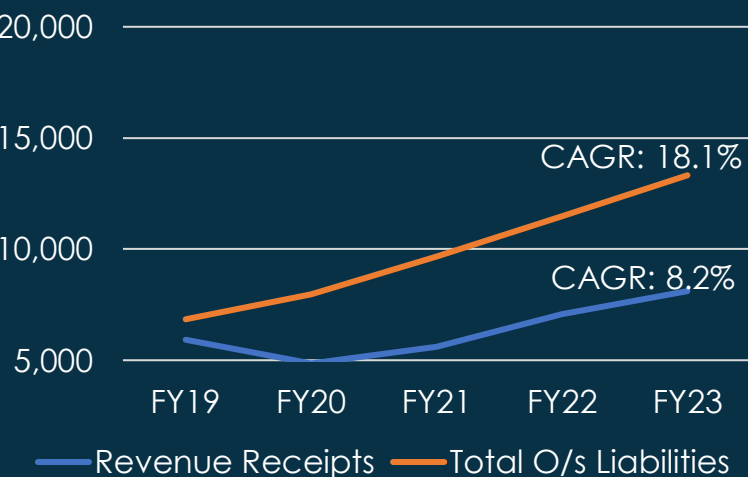
Maturity Profile of Outstanding SDLs



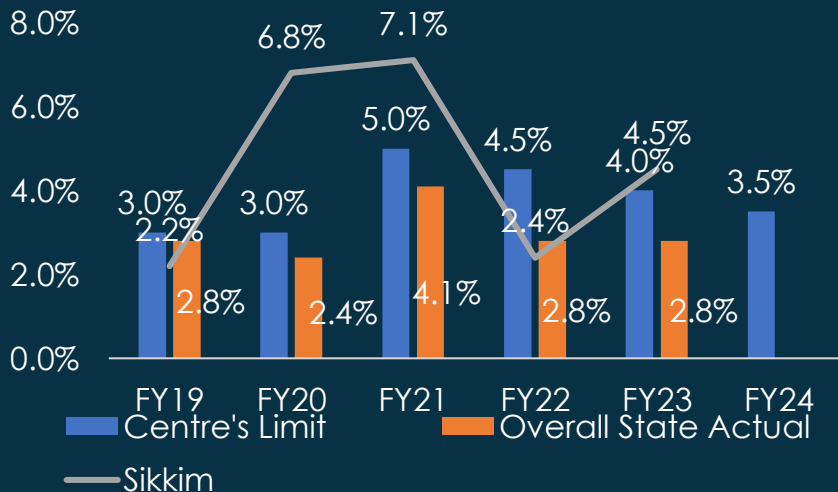
Insights

- Significant growth in liabilities (18% 5 yr. CAGR) while revenue and GDP growth have been good
- > 100% of borrowed funds used for capital expenditure which is healthy
- Repayment of debt to rise significantly from FY25; increasing revenue receipts is very important

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- SDLs will continue to carry 10 year tenors to spread repayments between FY34 & FY35
- Majority of the borrowing may still happen in H2FY25
- Quantum of total borrowings may increase to 2,500 cr with increasing state development

Tamil Nadu

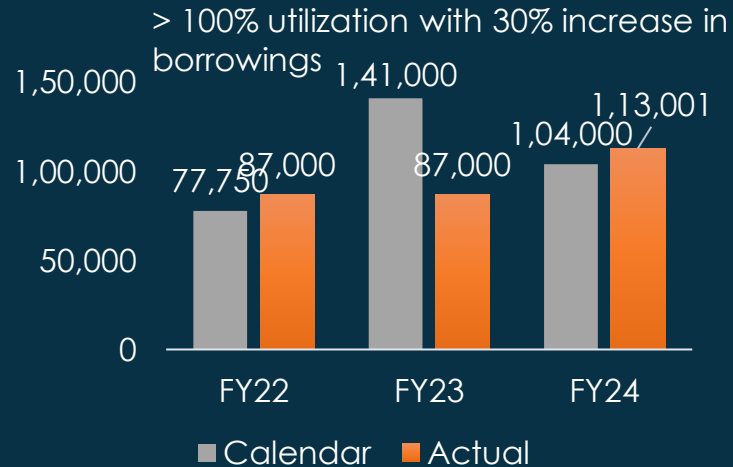


- ▶ Highest borrowing state for FY24 with more than 1 lac cr SDLs issued with tenors up to 30 years
- ▶ Tamil Nadu SDLs have been in the Top 5 issued and traded SDLs for last 3 fiscals
- ▶ The state has highest outstanding debt in the country
- ▶ One of the 3 states with >10% exposure in SDLs having maturity >20 years

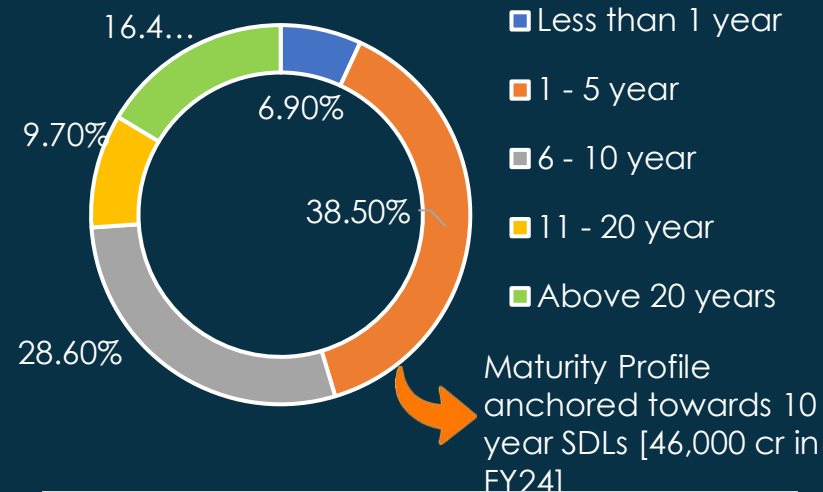
Weighted Average Cut off [10 year] : 7.46%
Min Spread of 10 year SDL with Benchmark : 22 bps
Max Spread of 10 year SDL with Benchmark : 53 bps

Tamil Nadu

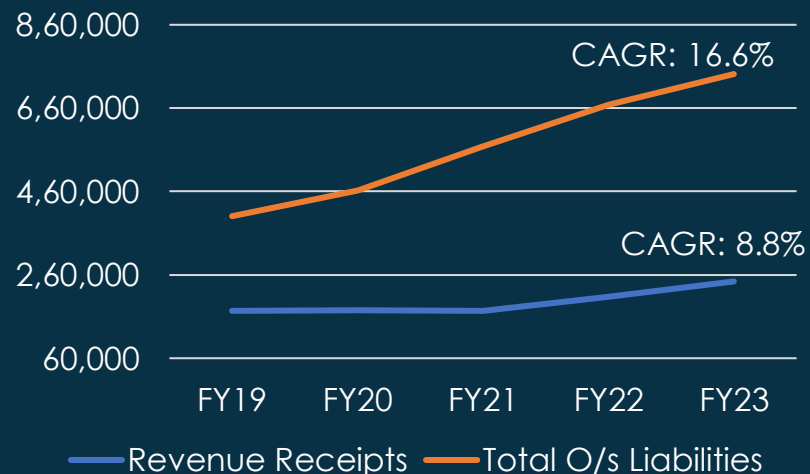
Borrowing Pattern of last 3 years



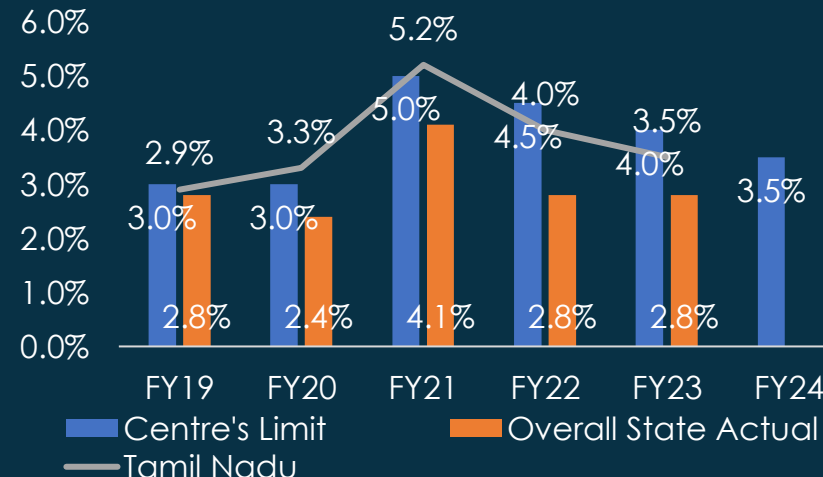
Maturity Profile of Outstanding SDLs



O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP

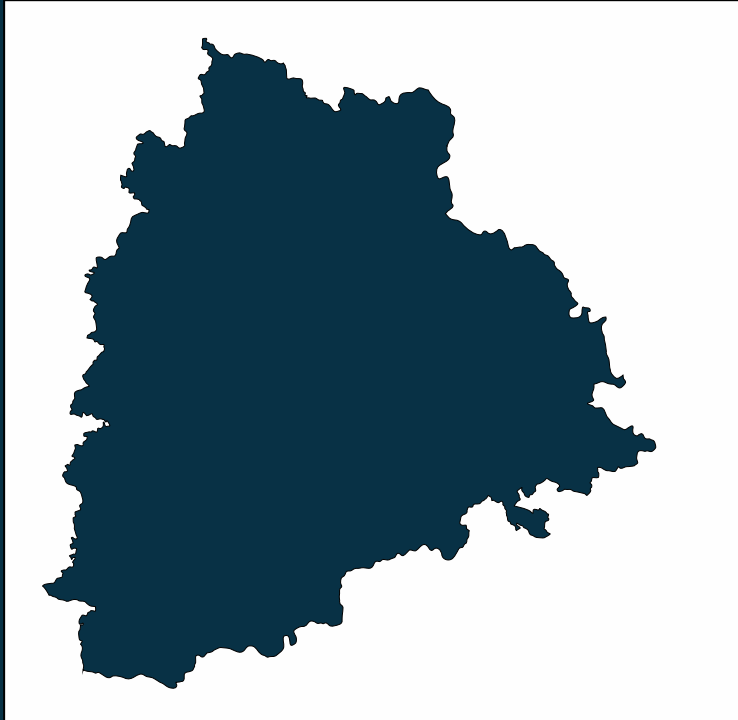


Insights

- Borrowings shifting more towards debt servicing & meeting revenue expenditure than capital outlay
- O/s Liabilities continue to grow at 2x of revenue receipts [5 yr. CAGR]
- While Fiscal Deficit is under control, rising future repayments may lead the state into a debt trap

Outlook

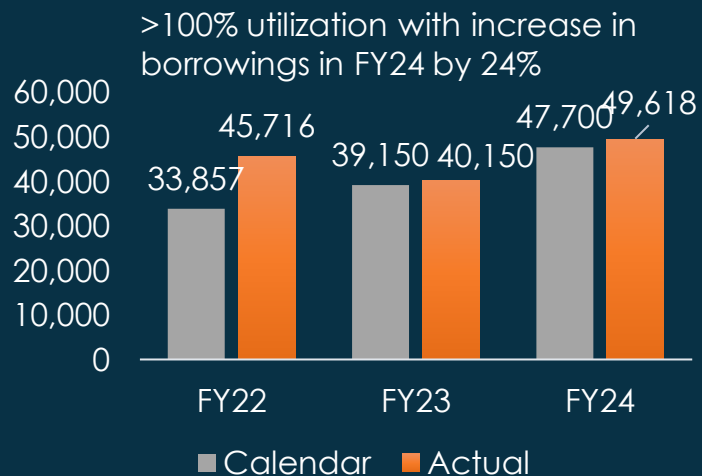
- New SDLs to be issued for tenors between 10 – 20 yrs.
- Issuance of 1.25 - 1.5 lac cr as debt servicing & revenue shortfalls continue to be a major problem
- Premium commanded by the state does not seem justified looking at the fiscal health of the state



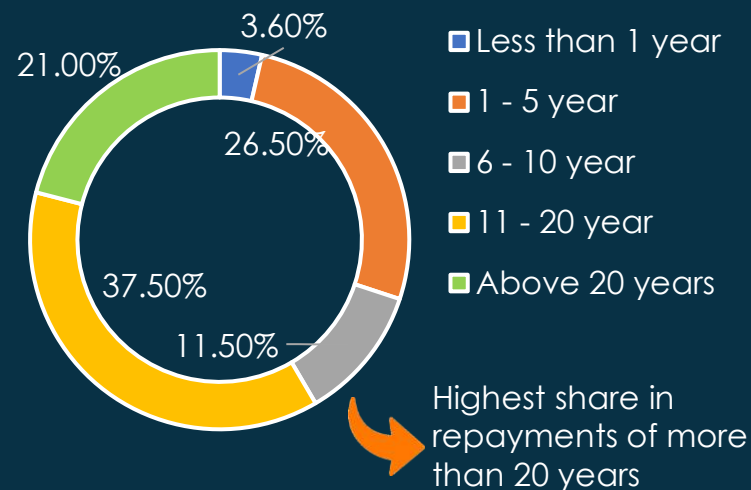
- ▶ State SDL issuances have been in the Top Quartile for FY24
- ▶ State has one of the highest SOTR to overall revenue [Top 3 – 84%]
- ▶ Overutilization of borrowing calendar for last 3 fiscals with 24% increase in borrowing in FY24
- ▶ One of the 3 states with >10% exposure in SDLs having maturity >20 years

Weighted Average Cut off [10 year] : 7.43%
Min Spread of 10 year SDL with Benchmark : 32 bps
Max Spread of 10 year SDL with Benchmark : 32 bps

Borrowing Pattern of last 3 years



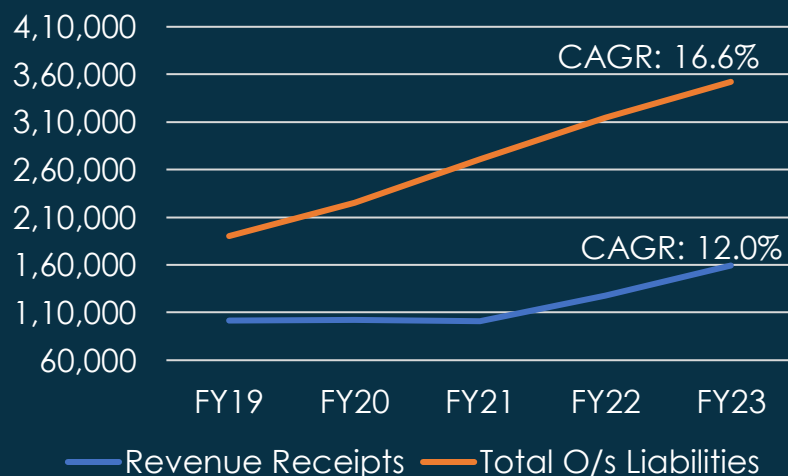
Maturity Profile of Outstanding SDLs



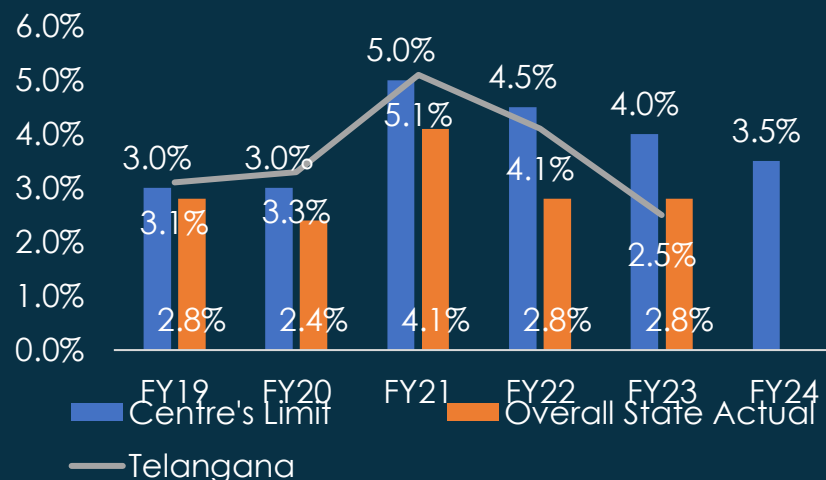
Insights

- Borrowings increased significantly for Capital Expenditure in FY24
- Mobilization of off-budget borrowings for Mega Projects and lack of revenue sources in earlier years increased liabilities and GFD
- State may benefit from new developments in the medium term

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



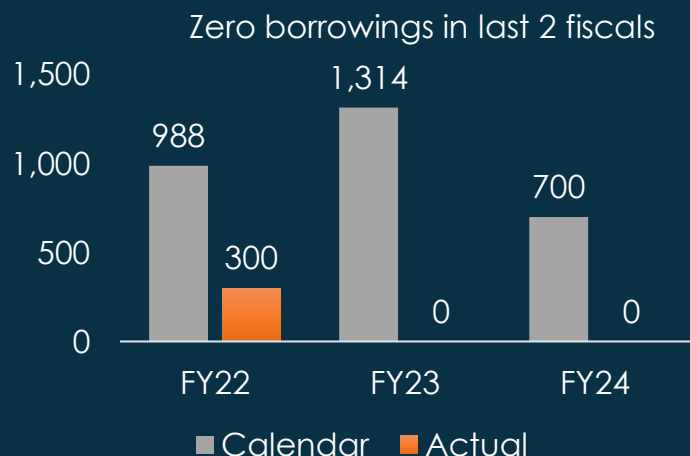
Outlook

- May look to borrow 55,000 – 60,000 cr to meet budgetary requirements
- New SDL tenors to range between 5 – 25 yrs. as state has spread its repayments in the past
- Very well spread borrowing program and therefore a recommended State SDL

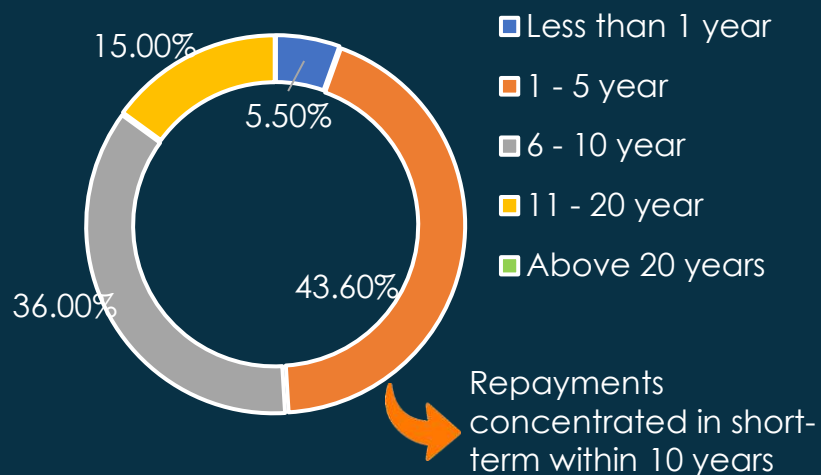


- ▶ Tripura has not borrowed any amount for last 2 financial years despite a cumulative calendar of over 2,000 cr
- ▶ State has stayed away from Market Borrowings as new debt taken in last 5 years have mostly been interest free and under favorable conditions
- ▶ Tripura also has a healthy fiscal deficit with revenue surplus and has seen a significant increase in its non-tax revenue
- ▶ However, utilization of capital expenditure budget has not been up to the mark which could explain the limitations in borrowings of the state

Borrowing Pattern of last 3 years



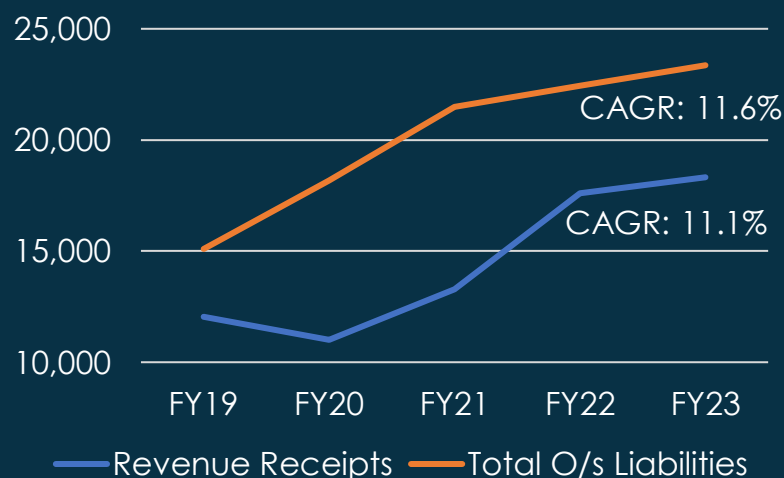
Maturity Profile of Outstanding SDLs



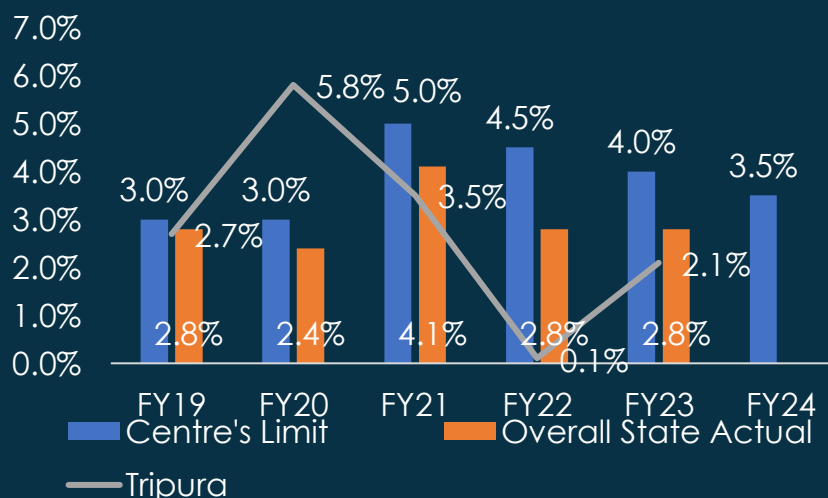
Insights

- Managed to stay away from SDL borrowings for 2 consecutive years
- While state has further increased in Capex budget to ~6,500 cr for FY25, utilization will be key for taking up fresh borrowings by the state
- Outstanding liabilities growth in sync with growth of revenue receipts

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- Fresh borrowings dependent on utilization of capital expenditure budget by the state
- Overall calendar may not exceed 1,000 cr for FY 25
- New borrowings may be limited to 8-10 year SDLs

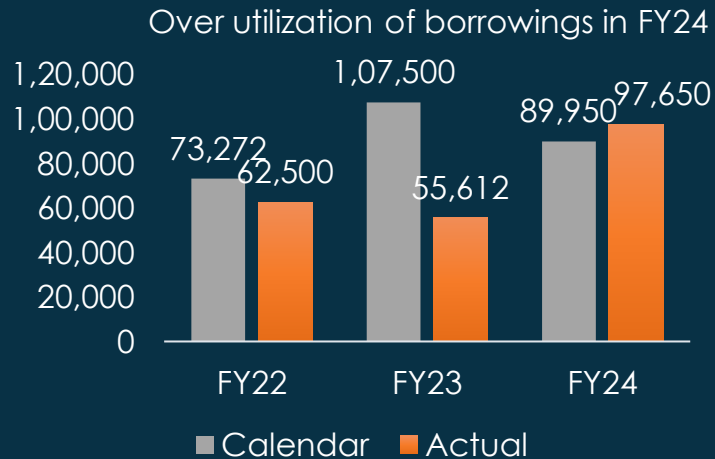
Uttar Pradesh



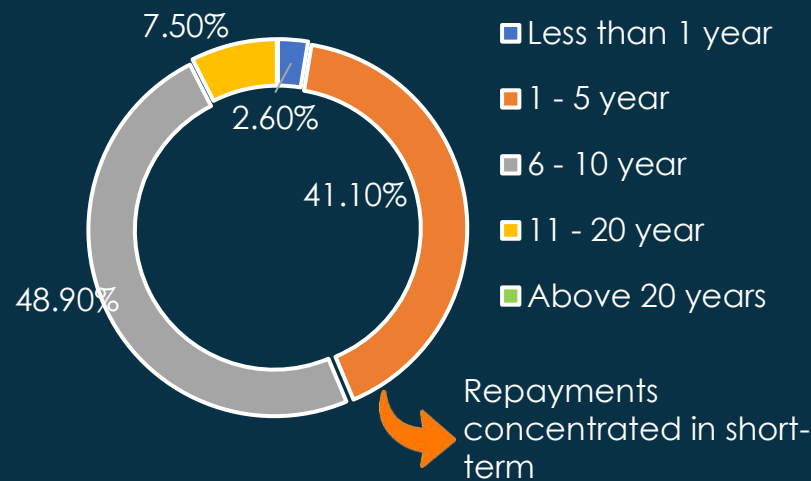
- ▶ Top 3 borrowing states for FY24 [97,650 cr]
- ▶ 75% borrowing concentrated between 10 year, 11 year & 12 year SDLs
- ▶ More than 80% SDLs issued in second half of Financial Year 23 & 24
- ▶ While the S.O.T.R. to Overall Revenue is one of the lowest, it has one of the highest S.O.N.T.R. with Revenue Surplus and a healthy Fiscal Deficit
 - Weighted Average Cut off [10 year] : 7.55%
 - Min Spread of 10 year SDL with Benchmark : 30 bps
 - Max Spread of 10 year SDL with Benchmark : 49 bps

Uttar Pradesh

Borrowing Pattern of last 3 years



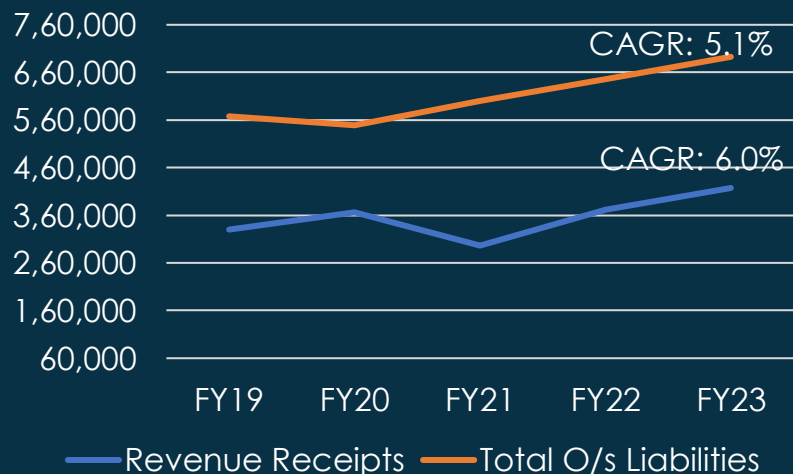
Maturity Profile of Outstanding SDLs



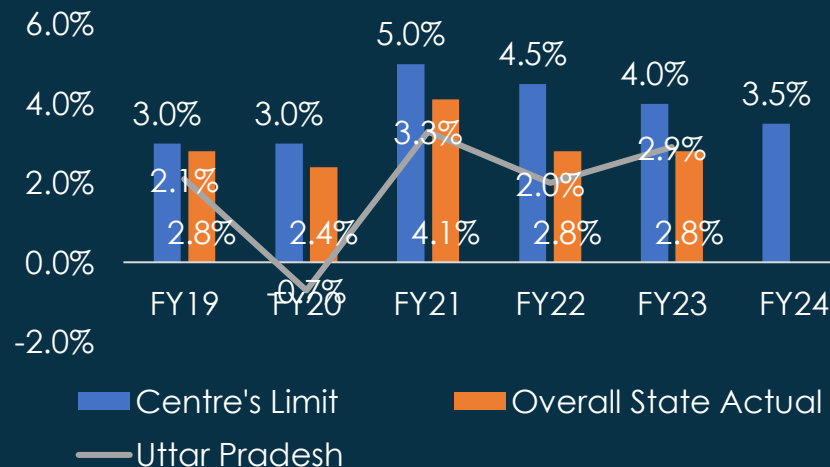
Insights

- Borrowings have largely been within FRBM limits but overall liabilities are significantly high (>7 lac cr)
- U.P. is borrowing heavily for capital expenditure as it aims to be a 1 trillion economy by 2027
- G.F.D. may take a hit from FY25 as repayments to increase significantly

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- Borrowings for FY25 may increase to 1.15 lac cr considering elections & deployment for populist schemes; SDL issuance for tenors 10 - 15 yrs.
- Demand in secondary market will increase in H2 as per earlier trend
- Fiscal health may improve over 5 — 10 years

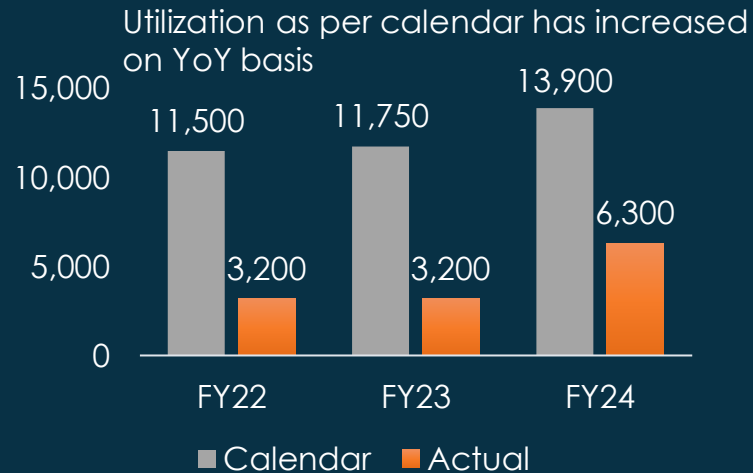
GFD: Gross Fiscal Deficit



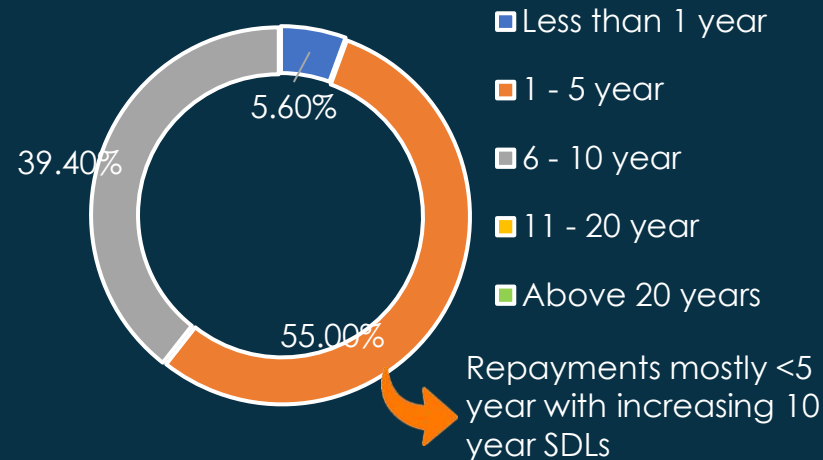
- ▶ Uttarakhand SDLs issuances have grown 2x between FY23 & FY24
 - Actual borrowings have only been 45% of calendar
- ▶ Most of the SDLs issued by the state have been for 10 year tenors
- ▶ State has one of the lowest Outstanding Debt/ G.S.D.P. ratios in the country
- ▶ Uttarakhand has a healthy fiscal deficit with increasing revenue surplus and controlled expenditures

Weighted Average Cut off [10 year] : 7.53%
Min Spread of 10 year SDL with Benchmark : 26 bps
Max Spread of 10 year SDL with Benchmark : 48 bps

Borrowing Pattern of last 3 years



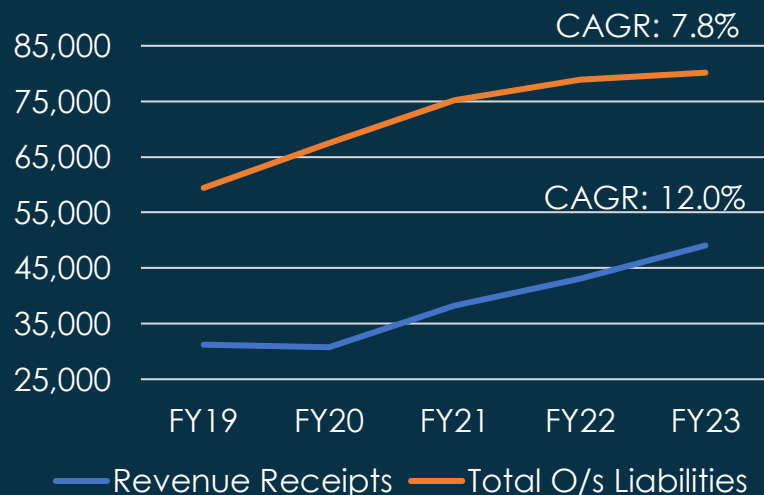
Maturity Profile of Outstanding SDLs



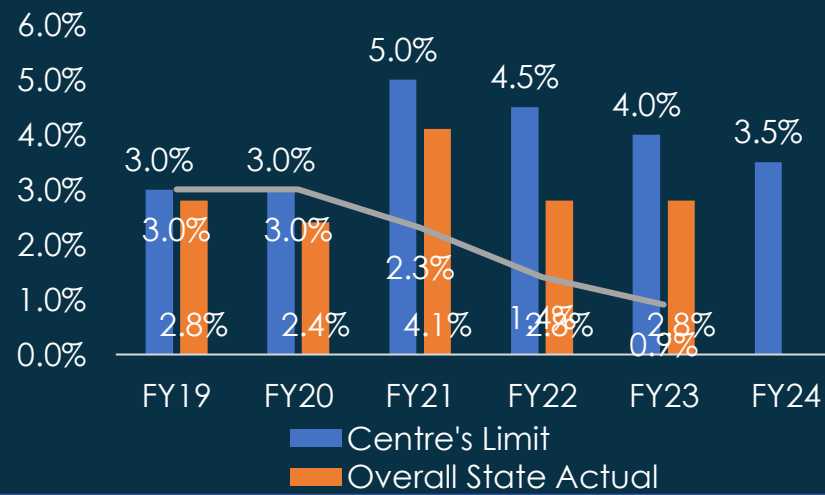
Insights

- State has not utilized 100% of its borrowings on capital expenditure but used some of it to service debt
- Healthy increase in revenue receipts as compared to O/s liabilities but utilization of budgeted Capex has been low
- This explains lower borrowings

O/s Liabilities to Revenue Receipts



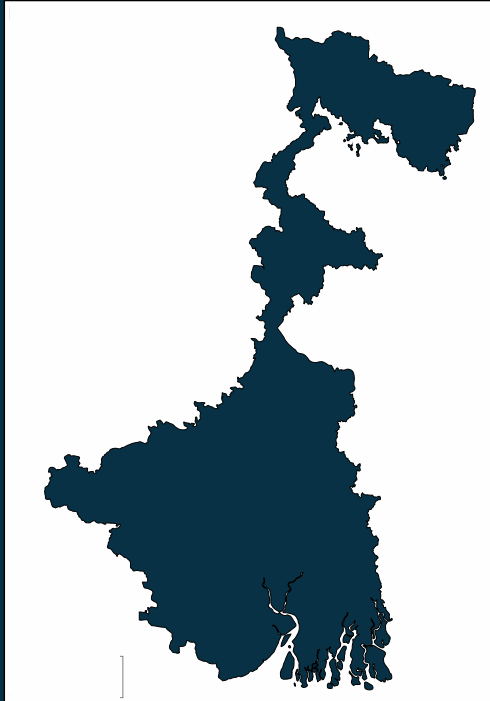
Comparison of GFD as a % of GDP



Outlook

- Uttarakhand will increase its borrowing calendar to the tune of 15,000 cr while actual borrowings may go up by 6,000 cr to fund capital outlay
- State may issue 8 year & 10 year SDLs this fiscal considering the existing repayment profile of the state

West Bengal

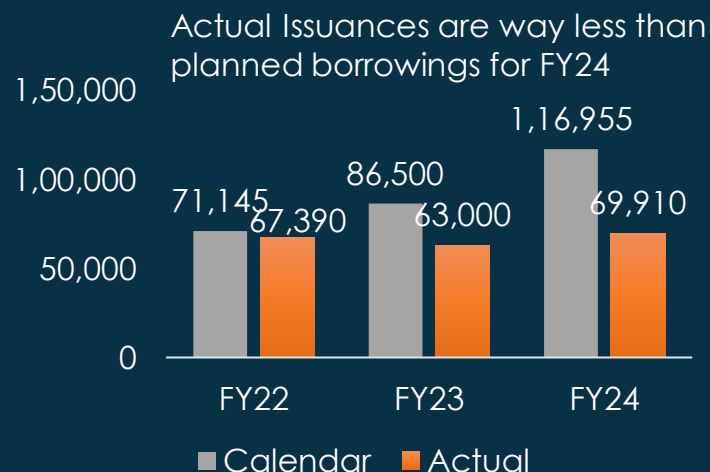


- ▶ Top Quartile borrowing state in FY24 with borrowings ~70,000 cr
- ▶ West Bengal has the highest borrowing plans for FY24 [1.17 lac cr]
 - Actual borrowing was only 60%
- ▶ New borrowings are concentrated between 19 year & 20 year SDLs with overall issuances for SDLs with tenor > 13 years
- ▶ Gross Fiscal Deficit of the state is within limits but Liabilities continue to outpace Revenue Receipts

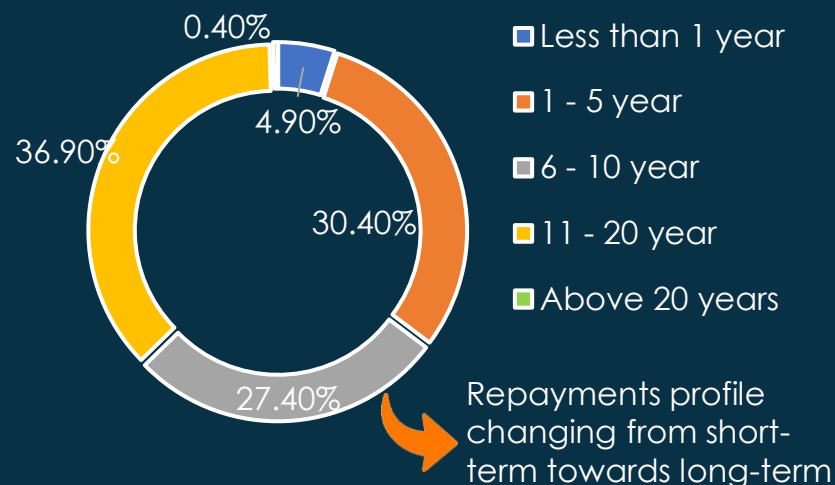
Weighted Average Cut off [14 year] : 7.72%
Min Spread of 14 year SDL with Benchmark : 46 bps
Max Spread of 14 year SDL with Benchmark : 46 bps

West Bengal

Borrowing Pattern of last 3 years



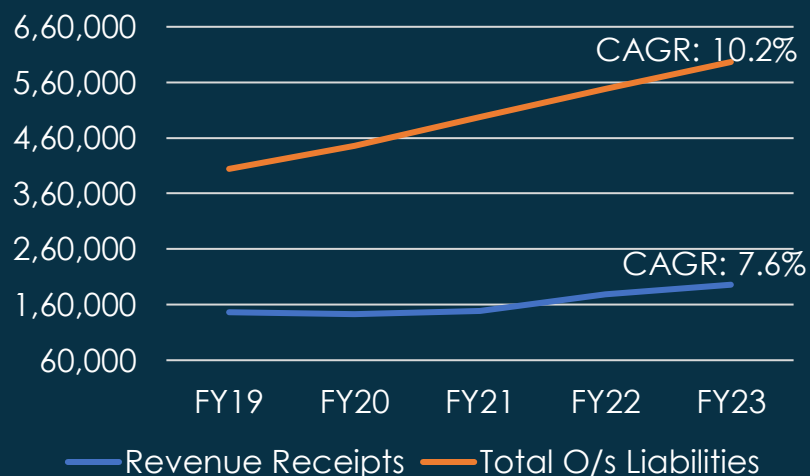
Maturity Profile of Outstanding SDLs



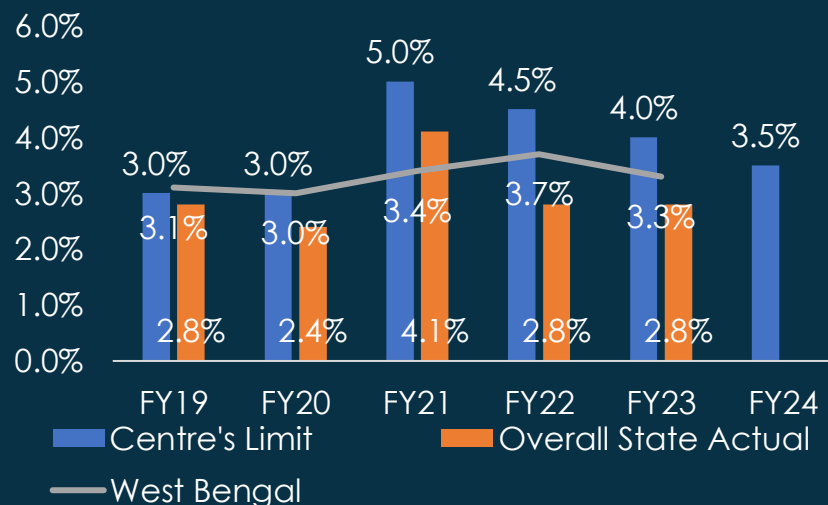
Insights

- Rising debt due to increasing non-planned expenses & limited growth
- State tried to limit its annual repayment to 25,000 cr by extending tenor of new issuances
- While this brings short-term relief, it may create long-term problems if capital expenditure is not improved

O/s Liabilities to Revenue Receipts



Comparison of GFD as a % of GDP



Outlook

- State will increase its borrowings for FY25 to compensate for capital expenditure delays of last Fiscals
- FY25 SDL issuances may happen up to 85,000 cr
- SDLs will be further spread to longer term with expectations of 25-30 year SDLs from the state

Sources of Information:

- Reserve Bank of India
- Clearing Corporation of India Ltd
- Reports from Comptroller & Auditor General of India for states
- Publicly available information on Print & Digital Media, Official Websites of News Agencies and Publications
- Other Publicly available information from recognized and regulated entities

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