

*India's External Debt as at the end of June 2013**

As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India and those for the quarters ending September and December by the Ministry of Finance, Government of India. The external debt data are released with a lag of one quarter. The external debt data, as compiled in the standard format, as at end-June 2013 in rupees and US dollar terms and revised data for the earlier quarters are available in the RBI Press Release on India's External Debt as at end-June 2013 dated September 30, 2013. The article provides a detailed review of external debt along with the recent policy measures taken by the RBI related to the external debt management and the cross country comparison based on World Bank's database on 'Quarterly External Debt statistics' and 'Global Financial Development' with a focus on 'where does India stand' in terms of different indicators.

With sharp widening of current account deficit during the first quarter of 2013-14 compared to the preceding quarter and increased reliance on debt financing, external debt remained at the elevated level. However, the rise in external debt was more than fully offset by the valuation gains resulting from appreciation of the US dollar against other major currencies and against rupee. Therefore, during April-June 2013, there was absolute decline in the external debt in US dollar terms as compared to the preceding quarter.

Highlights

- India's external debt, as at end-June 2013, was placed at US\$ 388.5 billion showing a decline of US\$ 3.6 billion or 0.9 per cent over the level at end-March 2013.
- Excluding the valuation gains, the external debt as at end-June would have increased by US\$ 5.9 billion over end-March 2013.

- In terms of major components, the share of commercial borrowings continued to be the highest at 30.7 per cent of total external debt, followed by short term debt (24.9 per cent).
- The share of short-term debt in total debt, by original maturity, was 24.9 per cent. However, on residual maturity basis, short-term debt accounted for 43.8 per cent of the total external debt as at end-June 2013.
- The ratio of short-term debt (original maturity) to foreign exchange reserves rose to 34.3 per cent as at end-June 2013 from 33.1 per cent as at end-March 2013.
- The debt denominated in US dollar continued to be the highest with a share of 58.9 per cent in total external debt as at end-June 2013.
- At end-June 2013, the foreign exchange cover to external debt was lower at 72.7 per cent compared with 74.5 per cent at the end of March 2013.

India's External Debt as at end-June 2013

- i. India's external debt, as at end-June 2013, was placed at US\$ 388.5 billion showing a decline of US\$ 3.6 billion or 0.9 per cent over end-March 2013 primarily on account of decline in the level of commercial borrowings as well as bilateral debt and trade credit (Table 1 & Chart 1).
- ii. The decline in the stock of commercial borrowings was mainly due to the disinvestment by the FII in the Government securities and corporate bonds during the quarter in the wake of indication given by the US Fed about tapering of quantitative easing.

Valuation Change

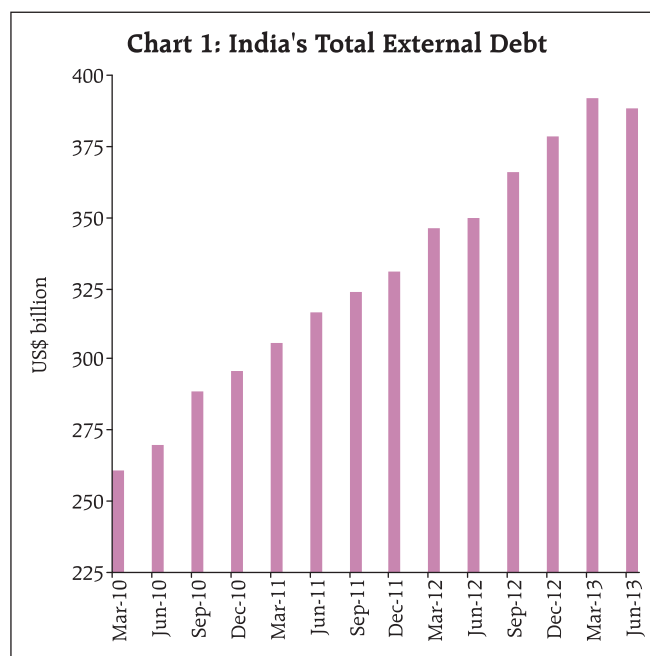
- i. The valuation change (gain) during first quarter of 2013-14 (April-June) amounted to US\$ 9.5 billion reflecting the appreciation of the US dollar against Indian rupee and other major currencies. Thus, excluding the valuation gain, the stock of external debt as at end-June 2013 would have increased by US\$ 5.9 billion.

* Prepared in the Division of International Trade & Finance, Department of Economic and Policy Research, Reserve Bank of India.

Table 1: External Debt Outstanding

(US\$ Billion)

1	2	Variation			
		Over corresponding Quarter of Previous year		Over Previous Quarter	
		3	4	5	6
		Amount	Per cent	Amount	Per cent
Mar-11	305.9	44.9	17.2	10.2	3.4
Jun-11	316.2	46.0	17.0	10.3	3.4
Sep-11	323.3	34.8	12.1	7.1	2.2
Dec-11	331.2	35.6	12.0	7.9	2.4
Mar-12	345.8	39.9	13.1	14.6	4.4
Jun-12	349.4	33.2	10.5	3.6	1.0
Sep-12	365.9	42.6	13.2	16.5	4.7
Dec-12	378.5	47.3	14.3	12.5	3.4
Mar-13	392.1	46.3	13.4	13.6	3.6
June-13	388.5	39.1	11.2	-3.6	-0.9



Components of External Debt

i. In terms of major components, the share of commercial borrowings (US\$ 119.4 billion) continued to be the highest at 30.7 per cent of

total external debt, followed by short-term debt (24.9 per cent) and NRI deposits (18.3 per cent) (Table 2). However, the stock of NRI deposits,

Table 2: External Debt by Component

(US\$ Billion)

Item	End-March					End-June	
	1991	2010	2011 (PR)	2012 (PR)	2013 (PR)	2012 (PR)	2013 (P)
1	2	3	4	5	6	7	8
1. Multilateral	20.9 (24.9)	42.9 (16.4)	48.5 (15.8)	50.5 (14.6)	51.6 (13.2)	49.7 (14.2)	51.7 (13.3)
2. Bilateral	14.2 (16.9)	22.6 (8.7)	25.7 (8.4)	26.9 (7.8)	25.2 (6.4)	27.4 (7.8)	24.8 (6.4)
3. IMF	2.6 (3.1)	6.0 (2.3)	6.3 (2.1)	6.2 (1.8)	6.0 (1.5)	6.0 (1.7)	6.0 (1.5)
4. Trade Credit	4.3 (5.1)	16.8 (6.5)	18.6 (6.1)	19.1 (5.5)	17.9 (4.6)	19.2 (5.5)	17.5 (4.5)
5. ECBs	10.2 (12.2)	70.7 (27.1)	88.5 (28.9)	105.1 (30.4)	122.7 (31.3)	104.5 (29.9)	119.4 (30.7)
6. NRI Deposits	10.2 (12.2)	47.9 (18.4)	51.7 (16.9)	58.6 (16.9)	70.8 (18.1)	60.9 (17.4)	71.1 (18.3)
7. Rupee Debt	12.8 (15.3)	1.7 (0.6)	1.6 (0.5)	1.4 (0.4)	1.3 (0.3)	1.2 (0.3)	1.2 (0.3)
8. Long-term Debt (1 to 7)	75.3 (89.8)	208.6 (79.9)	240.9 (78.8)	267.6 (77.4)	295.4 (75.3)	269.0 (77.0)	291.8 (75.1)
9. Short-term Debt	8.5 (10.2)	52.3 (20.0)	65.0 (21.2)	78.2 (22.6)	96.7 (24.7)	80.5 (23.0)	96.8 (24.9)
Total (8+9)	83.8 (100.0)	260.9 (100.0)	305.9 (100.0)	345.8 (100.0)	392.1 (100.0)	349.4 (100.0)	388.5 (100.0)

P: Provisional. PR: Partially Revised.

IMF: International Monetary Fund; NRI: Non-Resident Indian

Note: Figures in parentheses are percentage to total external debt.

multilateral debt and short-term debt as at the end of June 2013 was higher as compared with that at end-March 2013.

- ii. There has been a rise in almost all the major components of the external debt during April-June 2013 except commercial borrowings, trade credits and bilateral loans (Table 2).
- iii. ECB approvals during April-June 2013 at US\$ 5.6 billion stood lower than recorded during the same period preceding year (US\$ 8.1 billion). However, gross disbursements during the quarter were higher at US\$ 5.3 billion as compared to US\$ 4.6 billion in the previous year. Net FII investment in Government securities and corporate bonds during the quarter recorded a significant decline as portfolio investment recorded outflows. As stated above, the outflow of FII investment particularly from debt segment was triggered by indication on the possible tapering of quantitative easing by the US Fed on May 22, 2013 (Table 3).
- iv. Trade credit components of external debt (both long-term and short-term) showed an increase of

US\$ 2 billion as at end-June 2013 over end-March 2013 as compared with an increase of US\$ 5.5 billion during the corresponding period of preceding year reflecting lower level of imports being financed through trade credits during April-June 2013 as against a year ago.

- v. NRI deposits recorded a marginal increase of US\$ 0.3 billion to US\$ 71.1 billion as at end-June 2013 over end-March 2013 as compared with an increase of US\$ 2.3 billion during a year ago. The increase was primarily on account of surge in inflows under NRE deposits while other two schemes viz., FCNR(B) and NRO witnessed net outflows during the period. Higher inflows under NRE deposits reflect the impact of deregulation of interest rates on rupee deposit schemes in December 2011.
- vi. Despite increase in the short term trade credit during the quarter, the short-term debt remained almost at the previous quarter level (US\$ 96.8 billion) as there was outflow on account of FII investment in the Government T-bills and commercial papers to the tune of US\$ 2.3 billion.

Table 3: External Debt – Outstanding and Variation

(US\$ Billion)

Item	Outstanding at the end-of			Absolute variation		Percentage Variation	
	Jun 2012 (PR)	Mar 2013 (PR)	Jun 2013 (P)	Jun-13/Jun-12	Jun-13/Mar-13	Jun-13/Jun-12	Jun-13/Mar-13
1	2	3	4	5	6	7	8
1. Multilateral	49.7	51.6	51.7	2.0	0.1	4.1	0.3
2. Bilateral	27.4	25.2	24.8	-2.6	-0.4	-9.6	-1.5
3. IMF	6.0	6.0	6.0	-0.1	0.0	-0.9	0.3
4. Trade Credit	19.2	17.9	17.5	-1.7	-0.4	-8.8	-2.3
5. Commercial Borrowings	104.5	122.7	119.4	14.9	-3.3	14.2	-2.7
6. NRI Deposits	60.9	70.8	71.1	10.2	0.3	16.8	0.4
7. Rupee Debt	1.2	1.3	1.2	0.0	0.0	2.5	-0.7
8. Short term Debt	80.5	96.7	96.8	16.3	0.1	20.3	0.1
<i>Of which</i>							
Short-Term Trade Credit	70.5	86.8	89.2	18.7	2.5	26.6	2.8
Total Debt (1 to 8)	349.4	392.1	388.5	39.1	-3.6	11.2	-0.9
Memo Items							
A. Long-Term Debt (1 to 7)	269.0	295.4	291.8	22.8	-3.7	8.5	-1.2
B. Short-Term Debt	80.4	96.7	96.8	16.3	0.1	20.3	0.1

P: Provisional; PR : Partially Revised.

Table 4: Commercial Borrowings

(US\$ Billion)

End March	Approvals#	Gross Disbursement	Amortisation	Interest	Total Servicing	ECB Debt Outstanding
1	2	3	4	5	6=(4+5)	7
1990-91	1.9	4.3	2.0	1.4	3.4	10.2
1995-96	6.3	4.3	3.0	1.4	4.4	13.9
2000-01	2.8	9.6	5.3	1.7	7.0	24.4
2001-02	2.7	2.7	4.3	1.5	5.7	23.3
2002-03	4.2	3.5	5.2	1.2	6.4	22.5
2003-04	6.7	5.2	8.2	2.1	10.3	22.0
2004-05	11.5	9.1	3.7	1.0	4.6	26.4
2005-06	17.2	14.3	11.6	3.0	14.6	26.5
2006-07	25.4	20.3	3.8	2.5	6.3	41.4
2007-08	28.9	28.7	6.1	3.7	9.7	62.3
2008-09	15.7	13.2	6.6	4.0	10.5	62.5
2009-10	20.6	14.0	11.5	3.2	14.7	70.7
2010-11 R	25.2	22.3	10.5	3.5	14.0	88.5
2011-12 PR	35.4	28.9	19.8	5.4	25.2	105.1
2012-13 PR	32.0	25.5	16.9	6.3	23.2	122.7
2012-13 PR (Apr-Jun)	8.1	4.6	4.2	1.7	5.8	104.5
2013-14 P (Apr-Jun)	5.6	5.3	4.9	1.3	6.2	119.4

PR : Partially Revised; P: Provisional; R : Revised

: Based on date of agreement of the loan which may differ from the date of granting the loan registration number by the RBI. Ceiling on ECB approvals is fixed on the basis of the latter, which may either be after or before the date of agreement of the loan. Hence, there may be some difference between the amount shown under approvals in the table and the amount of ceiling fixed for a particular year.

Note: Disbursements during 2000-01 include IMDs (US\$ 5.5 billion). Debt service payments during 2003-04 and 2005-06 include redemption of RIBs and IMDs, respectively.

Currency Composition of India's External Debt

- i. The US dollar denominated debt continued to be the largest component of India's external debt with a share of 58.9 per cent as at end-June 2013, followed by that in Indian rupee (22.6 per cent), SDR (7.6 per cent), Japanese Yen (6 per cent) and Euro (3.2 per cent) (Table 5).

Instrument-wise Classification of External Debt

- i. The instrument-wise classification of India's external debt across the borrower category indicates that loans accounted for 45.6 per cent of

Table 5: Currency Composition of India's External Debt

(Percentage share in total external debt)

Currency	End-March						End-June
	2008	2009	2010	2011 (R)	2012 (PR)	2013 (PR)	2013 (P)
1	2	3	4	5	6	7	8
US Dollar	55.3	54.1	53.2	53.6	55.0	57.2	58.9
Indian rupee	16.2	15.4	18.7	19.5	21.4	24.0	22.6
Japanese Yen	12.0	14.3	11.5	11.3	9.1	6.3	6.0
SDR	10.6	9.8	10.7	9.7	8.7	7.5	7.6
Euro	3.5	4.1	3.6	3.7	3.7	3.5	3.2
Pound Sterling	2.2	1.9	1.8	1.7	0.9	0.7	1.2
Others	0.2	0.4	0.5	0.5	1.2	0.8	0.5
Total	100	100	100	100	100	100	100

total debt outstanding as at end-June 2013 as compared with 45.3 per cent as at end-March 2013 (Table 6).

Table 6: Instrument-wise classification of External Debt Outstanding

(US\$ Billion)

Borrower	End-March 2012	End-March 2013	End-June 2013
1	2	3	4
A. Government (1+2+3)	81.9	81.7	78.4
1. Short-Term	6.1	3.8	2.1
(i) Money Market Instruments	6.1	3.8	2.1
2. Long-term {(i)+(ii)+(iii)}	69.6	71.9	70.3
(i) Bonds and Notes	5.3	9.6	8.3
(ii) Loans	62.8	60.8	60.7
(iii) Trade Credit	1.6	1.4	1.4
3. Other debt liabilities	6.2	6.0	6.0
(i) IMF	6.2	6.0	6.0
B. Monetary Authority	0.2	0.2	0.2
1. Short-term	0.2	0.2	0.2
(i) Currency and Deposits	0.2	0.2	0.2
C. Non-Government (1+2)	263.7	310.3	310.0
1. Short-Term {(i)+(ii)}	71.9	92.7	94.5
(i) Money Market Instruments	6.8	5.9	5.3
(ii) Trade Credit	65.1	86.8	89.2
2. Long-term {(i)+(ii)+(iii)+(iv)}	191.8	217.6	215.5
(i) Bonds and Notes	25.8	29.2	27.0
(ii) Loans	106.8	116.8	116.5
(iii) Currency and Deposits	58.6	70.8	71.1
(iv) Trade Credits	0.6	0.8	0.8
Total External Debt (A+B+C)	345.8	392.1	388.5

- ii. The share of trade credit (long-term and short-term) at 23.5 per cent as at end-June 2013 has been higher as compared to 22.7 per cent as at end-March 2013. The share of currency and deposits at 18.4 per cent of the total India's external debt as at end-June 2013 also witnessed a marginal increase as against 18.1 per cent as at end-March 2013.
- iii. On the other hand, the share of 'bonds & notes' in the total India's external debt has declined at end-June 2013 over end-March 2013.

6. Short-term Debt

- i. The short-term debt (on original maturity basis) primarily comprises trade credits, FII investment in T-bills and other instruments and borrowings of commercial banks. Trade credit continued to be the predominant component of short-term debt and witnessed an increase during April-June 2013 as compared to the preceding year. On the other hand, there has been a decline in FII investment in T-bills to the tune of US\$ 2.3 billion during the quarter.
- ii. The share of external liabilities of commercial banks in short-term debt as at end-June 2013 remained at the previous quarter's level of 4.3 per

cent, which was, however, higher than the level of end-June 2012 (1.8 per cent). Similarly, the share of FII investment in T-bills and other instruments declined from 5.6 per cent at end-March 2013 to 3.2 per cent at end-June 2013 mainly on account of net sales by FIIs during the period under review. Concomitantly, the share of trade credit in short term debt increased to 92.2 per cent as at end of June 2013 as compared to 89.8 per cent as at end-March 2013 (Table 7).

External Debt by Residual Maturity

- i. Based on residual maturity, the short-term debt accounted for 43.8 per cent of total external debt as at end-June 2013. Within the short-term debt (residual maturity), the share of NRI deposits was the highest at 28.1 per cent. The ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 60.2 per cent at end-June 2013 (Table 8).

Government and Non-Government External Debt

- i. Government (Sovereign) external debt stood lower at US\$ 78.4 billion as at end-June 2013 as against US\$ 81.7 billion as at end-March 2013. The share of Government external debt in the total external debt at 20.2 per cent at end-June 2013 was

Table 7: Short-Term Debt by Original Maturity

(US\$ Billion)

	End-March			End-June	
	2011	2012	2013	2012	2013
1	2	3	4	5	6
A Short-Term Debt	65.0	78.2	96.7	80.5	96.8
a) Trade-related Credits	58.5	65.1	86.8	70.5	89.2
(i) Above 6 months and up to 1 year	35.3	39.2	59.0	45.2	61.2
(ii) Up to 6 months	23.1	25.9	27.8	25.3	28.1
b) FII Investments in Government Treasury Bills & other instruments	5.4	9.4	5.5	8.3	3.1
c) Investment in Treasury Bills by foreign central banks and international institutions, etc.	0.1	0.1	0.1	0.1	0.1
d) External Debt Liabilities of:	1.1	3.6	4.4	1.6	4.3
(i) Central Bank	0.2	0.2	0.2	0.2	0.2
(ii) Commercial Bank	0.9	3.4	4.2	1.4	4.1
B. Imports (during the year/Quarter)*	383.5	499.5	502.2	118.9	124.4
C. Trade Credits to Imports (%)	15.2	13.0	17.3	59.3	71.7

* On balance of payment basis.

Table 8: Residual Maturity of External Debt Outstanding as at end-June 2013

(US\$ Billion)

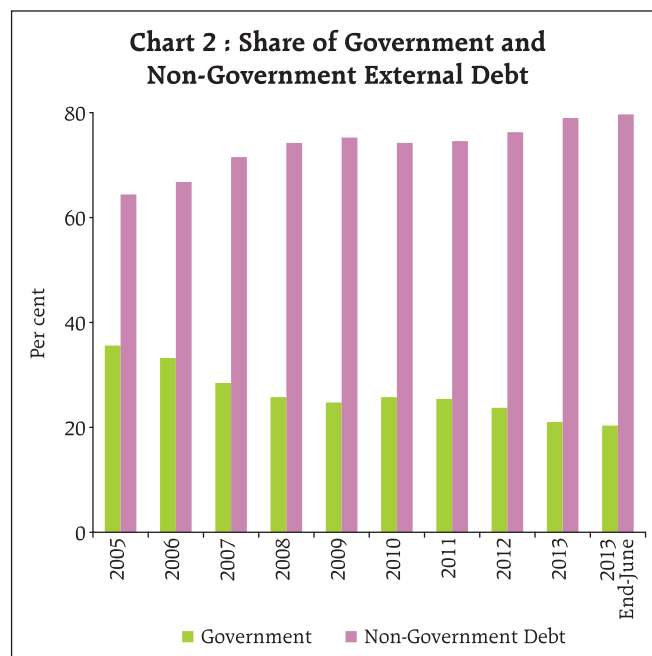
Components	Short-term up to one year	Long-term			Total (2) to (5)
		1 to 2 years	2 to 3 years	More than 3 years	
1	2	3	4	5	6
1. Sovereign Debt (long-term) \$	5.3	5.5	5.7	59.8	76.3
2. Commercial borrowings (including trade credit) #	20.2	19.9	24.7	79.5	144.3
3. NRI deposits {(i) + (ii) + (iii)}	47.9	8.0	4.0	11.2	71.1
(i) FCNR(B)	11.3	1.5	1.2	1.1	15.1
(ii) NR(E)RA	29.3	5.8	2.5	9.5	47.2
(iii) NRO	7.2	0.8	0.2	0.6	8.9
4. Short-term Debt* (Original maturity)	96.8	0.0	0.0	0.0	96.8
Total (1 to 4)	170.1	33.5	34.4	150.5	388.5
<i>Memo Items</i>					
Short-term debt (Residual maturity as per cent of total external debt)	43.8				
Short-term debt (Residual maturity as per cent of Reserves)	60.2				

\$: Inclusive of FII Investments in Government Securities.

* : Also includes FII investment in sovereign debt and commercial paper.

: Commercial Borrowings are inclusive of trade credit, FII investment in corporate debt instruments and a portion of non-Government multilateral and bilateral borrowing and therefore may not tally with the ECB provided in other Tables under original maturity

Note : Residual Maturity of NRI Deposits is estimated on the basis of returns submitted by authorised dealer.



marginally lower than that of 20.8 per cent as at end-March 2013. Concomitantly, the share of non-Government debt in total external debt increased to 79.8 per cent as at end-June 2013 from 79.2 per cent at end-March 2013 (Table 9 & Chart 2).

Debt Service Payments

- Debt service ratio as measured by the proportion of total debt service payments (principal repayments and interest payments) to current receipts excluding official transfers on balance of

Table 9: Government and Non-Government External Debt

(US\$ Billion)

Components	End-March						End-June
	2007	2009	2010	2011	2012PR	2013 PR	2013
1	2	3	4	5	6	7	8
A. Sovereign Debt (I+II)	49.4	55.9	67.1	76.9	81.9	81.7	78.4
<i>(As a percentage of GDP)</i>	5.0	5.1	4.7	4.4	4.7	4.4	4.6
I. External Debt on Government Account under External Assistance	46.2	51.8	55.2	62.3	63.4	61.3	61.1
II. Other Government External Debt @	3.2	4.1	11.8	14.6	18.5	20.3	17.3
B. Non-Government Debt #	123.0	168.6	193.9	229.0	263.9	310.4	310.2
<i>(As a percentage of GDP)</i>	12.5	15.2	13.5	13.1	15.0	16.8	18.1
C. Total External Debt (A+B)	172.4	224.5	260.9	305.9	345.8	392.1	388.5
<i>(As a percentage of GDP)</i>	17.5	20.3	18.2	17.5	19.7	21.3	22.7

@ : Other Government external debt includes Defence Debt, Investment in Treasury Bills/Government Securities by FIIs, Foreign Central Banks and International Institutions and IMF.

: Includes external debt of Monetary Authority.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

Table 10: India's External Debt Service Payments

(US \$ Billion)

Item	1990-91	2008-09	2009-10	2010-11	2011-12	2012-13	Apr-Jun 2013
1	2	3	4	5	6	7	8
1. External Assistance	2.3	3.4	3.5	3.7	3.9	4.3	0.8
Repayment	1.2	2.4	2.6	2.8	3.1	3.4	0.7
Interest	1.1	1.0	0.9	0.8	0.8	0.8	0.2
2. Commercial borrowings	3.4	10.5	14.7	14.0	25.2	23.2	6.2
Repayment	2.0	6.6	11.5	10.5	19.8	16.9	4.9
Interest	1.4	4.0	3.2	3.5	5.4	6.3	1.3
3. I.M.F.	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Repayment	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0
4. NRI Deposits Interest	1.3	1.5	1.6	1.7	2.3	3.8	1.1
5. Rupee Debt Service Repayments	1.2	0.1	0.1	0.1	0.1	0.1	0.0
6. Total Debt Service (1 to 5)	9.0	15.6	19.9	19.4	31.5	31.3	8.2
Repayment	5.0	9.1	14.2	13.4	23.0	20.4	5.6
Interest	4.0	6.5	5.7	6.1	8.5	10.9	2.6
7. Current Receipts #	25.5	356.2	345.1	446.0	528.4	530.2	130.8
Debt Service Ratio (6/7) (per cent)	35.3	4.4	5.8	4.4	6.0	5.9	6.2

#: Current Receipts minus Official Transfers.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

payments basis. India's debt service payments during April-June 2013 amounted to US\$ 8.2 billion as compared to US\$ 7.7 billion during the corresponding period previous year.

- ii. Higher repayments towards commercial borrowings coupled with decline in current receipts led to worsening of debt service ratio to 6.2 per cent during April-June 2013 from 5.9 per cent in 2012-13. Servicing of commercial borrowings (including principal and interest payments) increased to around 76.1 per cent of total debt service payments during April-June 2013 from about 74.2 per cent during 2012-13 indicating growing recourse to the use of commercial borrowings by the companies to meet their financing requirements (Table 10).
- iii. The projected debt service payments at end-June 2013, for ECB including Foreign Currency Convertible Bonds (FCCBs) revealed that the principal repayments during 2013-14 (July-March) and between 2015-16 and 2016-17 would be

higher, though they are expected to come down in the subsequent years (Table 11). The projections, however, do not include future debt service obligations arising out of fresh borrowings.

Key Indicators of India's External Debt

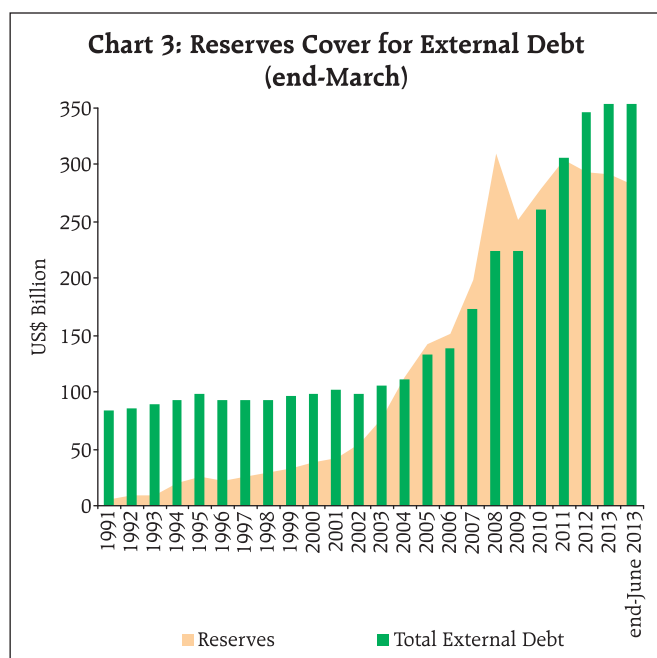
- i. Despite decline in the nominal value of external debt as on end-June 2013, almost all the indicators of external debt considered for

Table 11: Projected Debt Service Payments for Commercial Borrowings and FCCBs

(US\$ Billion)

Year	Principal	Interest	Total
1	2	3	4
2013-14	13.5	2.6	16.2
2014-15	15.1	3.5	18.6
2015-16	19.2	3.1	22.3
2016-17 and beyond	74.1	9.5	83.6

Note: Projections on debt servicing are based on the end-June 2013 debt outstanding position. Data based on as per schedule indicated in Form-83 and reschedules repayments as reflected in ECB-2 returns received through ADs so far. The projections exclude NRI deposits and FII investment in government debt securities.



assessing external sector vulnerability, witnessed deterioration over end-March 2013. Worsening

of vulnerability indicators was mainly due to lower level of GDP, higher debt service payment, decline in foreign exchange reserves and surge in short term debt.

Recent Policy Developments

Taking into account the financing requirements of corporate sector and prevailing liquidity conditions in the domestic and international financial markets, the Ministry of Finance, Government of India, in consultation with the Reserve Bank of India, regularly reviews the policy stance on commercial borrowings and trade credits and introduce various policy measures that are consistent with the debt management objectives. The principal elements of policy for commercial borrowings include: (i) long maturities, (ii) low cost, and (iii) boost investments in infrastructure and export sectors. Recently, various policy measures have been undertaken which can have implication for level and composition of India's external debt.

Table 12: India's Key External Debt Indicators

(Per cent)

Year	External Debt (US \$ billion)	Ratio of External Debt to GDP	Debt Service Ratio	Ratio of Foreign Exchange Reserves to Total Debt	Ratio of Concessional Debt to Total Debt	Ratio of Short-Term Debt to Foreign Exchange Reserves	Ratio of Short-Term Debt to Total Debt
1	2	3	4	5	6	7	8
1990-91	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1995-96	93.7	27.0	26.2	23.1	44.7	23.2	5.4
2000-01	101.3	22.5	16.6	41.7	35.4	8.6	3.6
2001-02	98.8	21.1	13.7	54.7	35.9	5.1	2.8
2002-03	104.9	20.3	16.0*	72.5	36.8	6.1	4.5
2003-04	112.6	18.0	16.1**	100.3	35.8	3.9	3.9
2004-05	134.0	18.1	5.9 [^]	105.6	30.7	12.5	13.2
2005-06	139.1	16.8	10.1#	109.0	28.4	12.9	14.0
2006-07	172.4	17.5	4.7	115.6	23.0	14.1	16.3
2007-08	224.4	18.0	4.8	138.0	19.7	14.8	20.4
2008-09	224.5	20.3	4.4	112.2	18.7	17.2	19.3
2009-10	260.9	18.2	5.8	106.9	16.8	18.8	20.1
2010-11PR	305.9	17.5	4.4	99.7	15.5	21.3	21.2
2011-12PR	345.8	19.7	6.0	85.1	13.9	26.6	22.6
2012-13PR	392.1	21.3	5.9	74.5	11.6	33.1	24.7
End-June 2013P	388.5	22.7	6.2	72.7	11.6	34.3	24.9

P: Provisional; PR: Partially Revised.

* Works out to 12.4 per cent, with the exclusion of pre-payment of external debt of US \$ 3,430 million.

** Works out to 8.2 per cent with the exclusion of pre-payment of external debt of US \$ 3,797 million and redemption of Resurgent India Bonds (RIBs) of US \$ 5,549 million.

[^] Works out to 5.7 per cent with the exclusion of pre-payment of external debt of US \$ 381 million.

Works out to 6.3 per cent with the exclusion of India Millennium Deposits (IMDs) repayments of US \$ 7.1 billion and pre-payment of external debt of US \$ 23.5 million.

June 2013

End use list of commercial borrowings has been expanded to include the imports of services, technical know-how and payment of license fees as part of the import of capital goods by the companies for use in the manufacturing and infrastructure sectors.

To meet the financial requirement of infrastructure financial companies and other Indian companies engaged exclusively in the infrastructure development, it has been decided that credit enhancement can be provided by eligible non-resident entities to domestic debt raised through issue of INR bonds/debentures by all borrowers eligible to raise ECB under the automatic route with minimum average maturity of the underlying debt instruments with three years.

July 2013

NBFC-AFCs are allowed to avail of commercial borrowings under the automatic route from all recognised lenders with minimum average maturity period of five years in order to finance the import of infrastructure equipment for leasing to infrastructure projects up to 75 per cent of their owned funds subject to maximum of US\$ 200 million per financial year. Commercial borrowings above 75 per cent will be considered under approval route.

Indian companies in manufacturing, infrastructure and hotel sector, which have established joint ventures (JV)/wholly owned subsidiaries (WOS)/have acquired assets overseas and are consistent foreign exchange earners can avail of commercial borrowings for repayment of all term loans having average residual maturity of 5 years and above/credit facilities availed from domestic banks for overseas investment in JV/WOS in addition to Capital Expenditure.

August 2013

Public sector Financial Institutions were allowed to raise quasi-sovereign bonds to finance long term infrastructure. It also liberalised commercial borrowings guidelines and permitted PSU oil companies to raise additional funds through commercial borrowings and trade finance.

September 2013

Indian FDI companies are permitted to avail of commercial borrowings under approval route from their foreign equity holder company with minimum average maturity of 7 years for general corporate purposes subject to certain conditions.

The definition of infrastructure sector for the purpose of availing of commercial borrowings has been expanded to take in to account the Harmonised Master List of Infrastructure Sub-sector and Institutional Mechanism as approved by the Government of India.

The end use of commercial borrowings proceeds are permitted for multiple rounds of acquisition of shares in the disinvestment process of PSU shares under the Government disinvestment programme.

Commercial banks are allowed to borrow from their Head Office, overseas branches and correspondence or any other entity and overdraft in Nostro accounts up to a limit of 100 per cent of their unimpaired Tier I capital as at the close of the previous quarter or US\$ 10 million, whichever is higher, as against the existing limit of 50 per cent.

Commercial banks have been offered a window to swap fresh FCNR(B) dollar funds with the Reserve Bank. The tenor of the swap will be for three years or more in line with the tenor of the underlying FCNR(B) deposits.

Cross-country Comparison among Top 20 Indebted Countries

- i. According to the latest data available on Quarterly External Debt Statistics database, World Bank for end-June 2013, the international comparison of external debt of the twenty most indebted countries indicates that India continues to be the fourth most indebted country (Table 13).
- ii. The element of concessionality in India's external debt portfolio as at end-December 2011 was the fourth highest after Pakistan, Indonesia and Philippines.

Table 13: International Comparison of Top Debtor Countries

(US\$ Billion)

	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2		2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2
1	2	3	4	5	6	7	8	9	1	2	3	4	5	6	7	8	9
China		685.4			770.8				Kazakhstan	123.7	125.4	129.3	132.6	134.6	136.9	139.6	145.4
Russia	527.8	540.6	557.5	574.8	598.9	636.4	690.3	706.1	Thailand	113.0	104.6	117.2	119.7	123.8	130.7	139.1	141.0
Brazil	400.3	404.1	414.4	417.7	428.4	440.6	466.5	476.6	Argentina	139.5	140.7	143.5	143.8	142.6	140.9	138.5	135.0
India	323.3	331.3	345.5	349.1	366.0	378.5	392.1	388.5	Ukraine	123.2	126.2	126.9	129.0	132.4	135.1	136.3	134.4
Turkey	312.5	304.4	317.3	322.4	327.5	339.0	352.0	367.3	Romania	134.8	129.3	134.9	127.1	131.1	133.0	130.6	131.5
Mexico	276.0	286.5	309.9	314.9	334.5	351.2	367.7	362.9	South Africa	107.8	113.1	120.7	121.7	136.5	142.3	140.6	130.4
Poland	336.0	323.3	349.1	334.2	354.6	365.7	357.7	359.0	Chile	94.7	98.7	99.8	101.7	108.5	117.8	119.1	119.8
Indonesia	224.5	225.4	228.8	238.9	243.6	252.4	254.3	258.0	Malaysia	92.0	91.7	93.3	97.3	98.9	98.6	100.5	105.7
Mauritius	..	227.4	228.9	212.5	214.0	211.0	205.2	203.5	Colombia	72.0	75.9	76.8	76.4	80.1	79.1	81.8	83.9
Hungary	214.6	209.3	214.7	205.6	203.9	202.9	196.9	202.8	Croatia	63.4	59.8	61.9	59.4	59.6	59.6	58.1	60.9

Source: Quarterly External Debt Statistics, World Bank.

- iii. As at end-December 2011, India's debt service ratio and debt as a percentage of GNI was third lowest.
- iv. External debt as a percentage of current receipt of BoP was fifth lowest after Thailand, China, Malaysia and Venezuela.
- v. India's position with respect to short term debt to total external debt was eighth highest with Pakistan having the lowest ratio and China the highest ratio of short-term debt to total external debt.

Table 14: Key External Debt Indicators

(Per cent)

Country	Concessional debt to Total external debt		Short Term to Total External Debt		External debt stocks to GNI		External Debt to Current Receipts		Debt Service Ratio	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
1	2	3	4	5	6	7	8	9	10	11
Argentina	2.4	2.7	27.4	14.5	31.2	26.3	132.5	111.9	12.8	13.5
Brazil	3.3	2.9	18.9	10.4	16.7	16.6	146.3	132.6	13.0	14.6
Bulgaria	1.9	2.2	32.0	32.3	106.0	77.9	175.4	109.1	8.2	11.2
Chile	0.3	0.2	30.0	17.8	40.4	41.0	89.5	93.9	17.8	16.0
China	7.0	5.6	63.4	69.6	9.5	9.4	31.2	32.1	11.4	11.4
Colombia	1.9	2.0	13.0	14.3	23.2	24.3	138.1	117.2	15.0	13.1
India	16.8	15.5	21.2	22.9	17.4	18.3	80.7	74.8	8.4	8.7
Indonesia	23.5	21.4	17.5	17.9	28.4	26.0	115.6	99.1	15.0	14.6
Kazakhstan	1.0	1.0	7.6	7.2	91.9	77.9	176.5	132.5	33.1	26.4
Malaysia	4.1	3.2	43.0	46.3	37.1	34.8	35.0	33.5	15.7	11.5
Mexico	1.0	1.1	19.5	17.9	23.8	25.2	75.0	76.4	13.3	14.7
Pakistan	57.7	58.9	4.0	4.2	31.9	27.3	203.5	187.1	7.4	4.9
Philippines	21.2	20.1	8.7	9.2	36.9	33.6	124.7	120.1	17.5	14.4
Romania	5.7	6.8	20.6	22.9	78.2	72.3	226.3	186.4	14.9	14.7
Russia	0.8	0.4	10.1	12.9	35.6	31.1	106.3	88.1	11.1	11.8
South Africa	0.0	0.0	27.2	16.6	28.7	28.4	98.1	92.3	6.1	5.7
Thailand	8.3	8.3	54.0	56.2	26.4	24.0	34.9	29.9	13.6	13.1
Turkey	3.2	3.4	26.6	27.3	41.4	40.1	185.2	162.9	19.8	18.4
Ukraine	1.1	0.9	22.7	24.3	86.3	83.3	164.9	150.9	23.6	20.4
Venezuela	2.6	4.2	27.8	24.6	15.7	21.8	88.0	70.0	7.3	9.1

Source: Global Financial Development online database, World Bank.