Government of India
Ministry of Finance
Department of Economic Affairs
(Capital Market Division)

Press Release

Subject: DBRS upgrades India's ratings outlook

India's sovereign debt is rated by six international sovereign credit rating agencies (SCRAs) namely Standard and Poor's (S&P), Moody's Investor Services, DBRS, Fitch Ratings, Japanese Credit Rating Agency (JCRA) and Rating and Investment Information (R&I). These agencies normally visit Ministry of Finance and Reserve Bank of India before making their assessment. The Government on its part has begun a structured interaction process with SCRAs.

2. DBRS has been rating India's debt since June 2007. For the first time it has upgraded the trend of India's Long Term foreign and local currency debt ratings from BBB (low) Negative to Stable outlook. Elaborating on the upgrade in the credit rating trend for India, DBRS has appreciated the efforts of the Government stating that there is "evidence of a stronger commitment to fiscal deficit reduction [in the] 2011-12 Budget". It notes that "Government is addressing the country's infrastructure deficit by spending USD 514 billion, or 9% of GDP, on infrastructure between 2007-2012, and an additional USD 1 trillion from 2013-2017, approximately one-half of which may come from the private sector and public-private partnerships". It has also highlighted the possibility of the new direct tax code contributing to improved tax efficiency and the national identification card increasing labour market formality, raising tax compliance and streamlining subsidies and social security expenditures.

3. DBRS has pointed out that "India's fiscal and monetary policy response to the global credit crisis helped restore the economy to a path of higher growth. The economy has weathered the global credit crisis relatively well, and a strong private sector-led recovery has returned India's growth rates to pre-crisis levels." It has recognised that India has adopted a more responsible medium-term fiscal policy and commitment to debt reduction which bodes well for the ratings.

4. DBRS's ratings trend upgrade follows the release of ratings by Fitch earlier this week. Though Fitch has affirmed the credit ratings issued in June 2010 : Long Term Foreign and Local Currency issuer default ratings at BBB- with Stable outlook, and Short Term Foreign Currency IDR at 'F3' and the country ceiling at 'BBB-', it has appreciated the management of the economy by Indian authorities. Fitch notes that since "early 2010, India's authorities have shown renewed commitment to reducing both its fiscal deficit and debt..." It believes that "India's medium-term economic growth prospects remain strong, as potential GDP growth remains greater than 8%, well above the 'BBB'-range median." It notes that India's rating is "supported by solid external finances, as highlighted by a modest external debt service ratio and a robust external liquidity ratio. Further, the country's foreign exchange reserves are large, standing at USD 313.5 bn at end-May 2011. Fitch also considers the widening in India's current account deficit, to an estimated 2.6% of GDP in FY2010/11, is not a significant risk in light of India's current stage of economic development."

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The Press Information Bureau is requested to give wide publicity to this Press Release.

(Dr. Thomas Mathew)
Joint Secretary to the Government of India

Press Information Officer
Press Information Bureau, Shastri Bhawan
New Delhi.