

INDIA'S EXTERNAL DEBT
for the quarter ended
DECEMBER 2006

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
EXTERNAL DEBT MANAGEMENT UNIT
MARCH 2007
www.finmin.nic.in

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INDIA'S EXTERNAL DEBT

FOR THE QUARTER ENDED DECEMBER 2006

1. Introduction

1.1 All the member countries subscribing to the Special Data Dissemination Standard of International Monetary Fund are required to publish data on important economic indicators including external debt on a quarterly basis within three months of the close of the reference quarter. Accordingly, India has been publishing external debt statistics on a quarterly basis, beginning with data on debt outstanding for end-September 2003. The current release relates to India's external debt stock for end-December 2006.

2. External Debt Stock

2.1 India's external debt stock increased by US\$6.2 billion to US\$142.7 billion (Rs.632,051 crore) as at the end of December 2006 from US\$136.5 billion (Rs. 627,112 crore) at end-September 2006 (**Table 1**). The rise in external debt outstanding at end-December 2006 was due to an increase in multilateral debt, external commercial borrowings and NRI deposits, offset by a marginal decline in short-term debt. Quarterly disaggregated data on external debt outstanding in terms of both Rupees as well as US dollars are provided for end-December 2006 along with the data for the previous five quarters in Annex I and II, respectively.

Table 1: India's External Debt

(US \$ million)

Items	Debt Outstanding at end			Variation (absolute)		Variation (Per cent)	
	March	Sept.	Dec.	Mar. 06	Sept 06	Mar. 06	Sept 06
	2006 (R)	2006 (R)	2006 (QE)	to	to	to	to
				Dec. 06	Dec. 06	Dec. 06	Dec. 06
				(4-2)	(4-3)		
1	2	3	4	5	6	7	8
1. Multilateral	32,559	33,594	34,569	2,010	975	6.2	2.9
2. Bilateral	15,727	15,734	15,770	43	36	0.3	0.2
3. IMF	0	0	0	0	0	0.0	0.0
4. Export credit	5,398	5,658	5,957	559	299	10.4	5.3
5. Commercial borrowings	26,869	32,421	35,980	9,111	3,559	33.9	11.0
6. NRI Deposits (long-term)	35,134	36,515	38,382	3,248	1,867	9.2	5.1
7. Rupee debt	2,031	1,921	1,983	-48	62	-2.3	3.2
8. Long-term debt (1 to 7)	117,718	125,843	132,641	14,923	6,798	12.7	5.4
9. Short-term debt	8,696	10,625	10,015	1,319	-610	15.2	-5.7
10. Total debt (8+9)	126,414	136,468	142,656	16,242	6,188	12.8	4.5

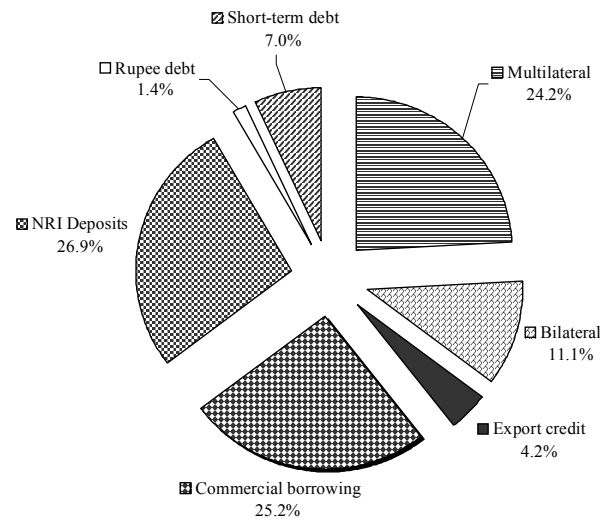
R : Revised QE : Quick Estimates

2.2 While long-term debt outstanding increased over the quarter by US\$6,798 million to US\$132,641 million, short-term debt declined by US \$610 million (5.7 per cent) to US\$10,015 million at end-December 2006. Under long-term debt, all the components showed an increase over the quarter. The largest increase was recorded by commercial borrowings; an increase of 11.0 per

cent over the quarter taking the amount outstanding to US\$ 35,980 million. While multilateral debt rose by US\$975 million, bilateral debt showed a marginal increase of US\$ 36 million. Export credit outstanding rose by US\$299 million. While Rupee debt remained broadly at the same level as at the end of previous quarter, NRI deposits rose by US\$1,867 million to US\$38,382 million.

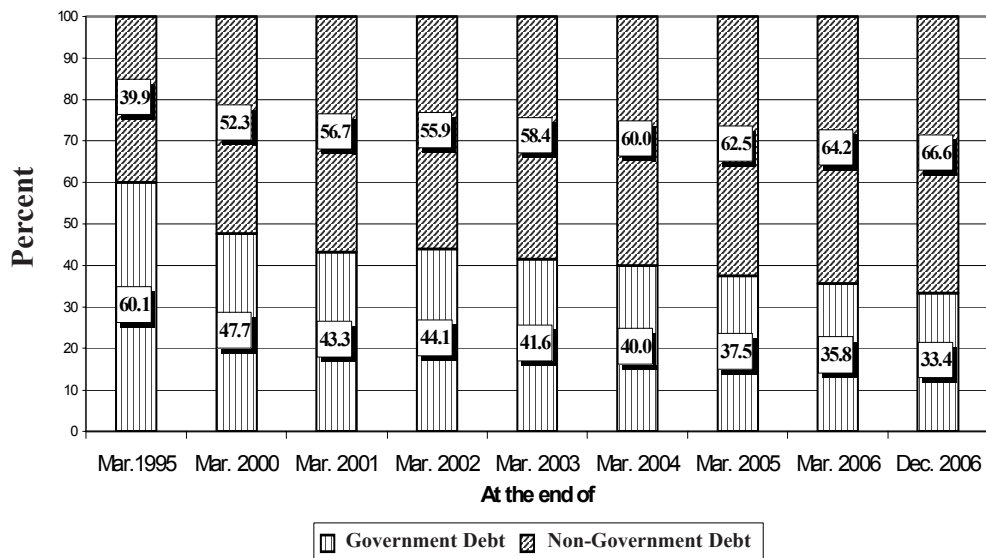
2.3 Non-Resident deposits continued to account for the largest share of 26.9 per cent in the total debt outstanding at end-December 2006, followed by commercial borrowings at 25.2 per cent and multilateral debt at 24.2 per cent. The share of bilateral debt was 11.1 per cent. Export credit and Rupee debt accounted for 4.2 per cent and 1.4 per cent, respectively. The share of short-term debt was 7.0 per cent as compared to 7.8 per cent at end-September 2006 (**Figure 1**).

Figure 1:Composition of India's External Debt at end-December 2006



2.4 The share of private debt in total debt showed a continuous rise. Non-Government debt (private debt) steadily increased from US\$39,506 million (39.9 per cent of the total debt) at end-March 1995 to US\$95,024 million (66.6 per cent) at end-December 2006. Correspondingly, Government debt showed a decline from US\$59,502 million (60.1 per cent of the total external debt) to US\$ 47,632 million (33.4 per cent) during this period (**Figure 2**).

Figure 2:Share of Government and Non-Government External Debt



3. External Debt Indicators

3.1 External debt to GDP ratio dropped from 17.3 per cent at end-March 2005 to 15.8 per cent at end-March 2006. Debt servicing as a proportion of gross external current receipts rose from 6.1 per cent at end March 2005 (2004-05) to 10.2 per cent at end March 2006 (2005-06), mainly due to redemption payments of India Millennium Deposits. The proportion of short-term debt to total debt and the ratio of short-term debt to foreign currency assets declined to 7.0 per cent and 5.9 per cent, respectively, in the quarter ended December 2006 as compared to the previous quarter (**Table 2**).

Table 2: India's Key External Debt Indicators

(Ratio as per cent)

Ratios	As at the end of March								end-Sept.	end-Dec.
	1995	2000	2001	2002	2003	2004	2005	2006	2006R	2006 QE
External Debt to GDP	30.8	22.1	22.4	21.1	20.4	17.8	17.3	15.8	-	-
Debt service to										
Current Receipts	25.9	17.1	16.2	13.6	16	15.9	6.1	10.2	-	-
Short-term to total Debt	4.3	4	3.6	2.8	4.5	4.0	6.1	6.9	7.8	7.0
Short-term Debt to										
Foreign Currency Assets	20.5	11.2	9.2	5.4	6.5	4.1	5.6	6.0	6.7	5.9
Concessional Debt										
to Total Debt	45.3	38.9	35.4	35.9	36.8	36.1	33	31.2	29.3	28.3

QE : Quick Estimates R: Revised

-:Not worked out for broken period of the year.

4. External Debt and Foreign Currency Assets

4.1 India's foreign currency reserves (foreign currency assets of the RBI, gold, SDRs and Reserve Tranche Position) in the International Monetary Fund was US\$177.3 billion at end-December 2006. Foreign currency assets of the RBI stood at US\$170.2 billion as on December 31, 2006 providing a cover of around 119 per cent to total external debt stock.

5. Currency Composition

5.1 US dollar continued to be the major currency of composition in India's external debt portfolio. The share of US dollar in the debt stock of the country which increased from 45.4 per cent at end-March 2006 to 46.7 per cent in the quarter ended September 2006, had marginally come down to 46.3 per cent at end-December 2006 (**Table 3**) (**Figure3**).

Table 3: Currency Composition of India's External Debt

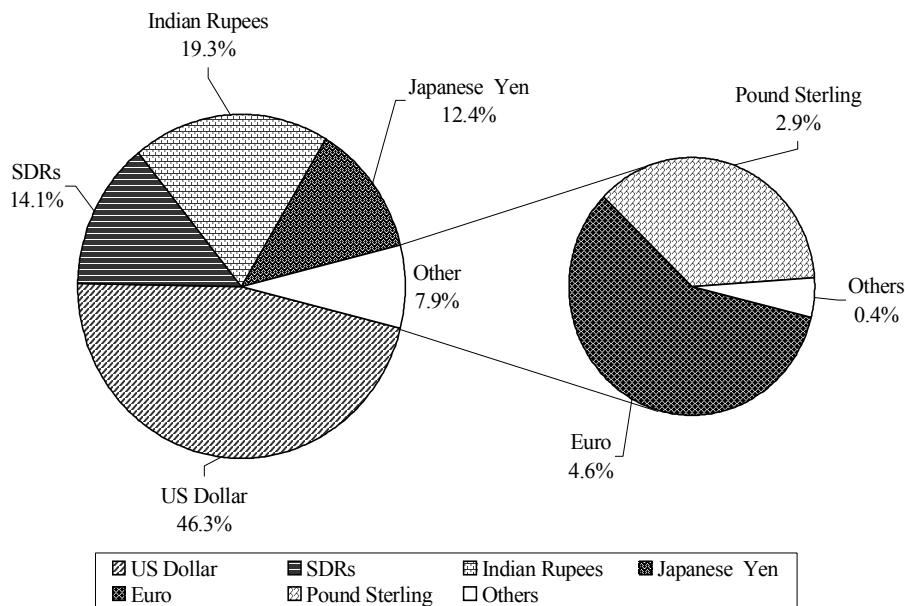
(per cent to total external debt)

Currencies	As at the end of					
	Mar. 02	Mar. 03	Mar. 04	Mar. 05	Mar. 06 R	Dec. 06 QE
US Dollar	54.3	46.3	40.4	44.3	45.4	46.3
SDRs	14.1	15.2	15.6	15.3	14.9	14.1
Indian Rupees	11.9	17.4	22.7	21.1	19.7	19.3
Japanese Yen	10.2	10.8	11.7	11.2	11.9	12.4
Euro	5.7	6.2	5.8	4.9	4.8	4.6
Pound Sterling	2.9	3.1	3.4	2.8	2.8	2.9
Others	0.9	1.0	0.4	0.4	0.5	0.4
Total:	100.0	100.0	100.0	100.0	100.0	100.0

R : Revised.

QE Quick Estimates

Figure 3: Currency Composition of India's External Debt as at end-December 2006



6. External Debt Management

6.1 Government continued to pursue prudent external debt management policies to maintain external debt within manageable limits. These include emphasis on raising funds under Government borrowing on concessional terms and from less expensive sources with longer maturities, monitoring of short-term debt, prepaying high cost loans, rationalising interest rates on NRI deposits, restricting end-use of external commercial borrowings, limiting trade credits and encouraging non-debt creating capital flows.

	As at the end of					
	Sept. 2005R	Dec. 2005R	Mar. 2006R	June. 2006R	Sept. 2006R	Dec.2006 QE
V. COMMERCIAL BORROWINGS	128,949	105,974	119,849	143,389	148,988	159,193
(a) Commercial bank loans #	65,369	67,963	73,190	83,942	87,552	95,987
(b) Securitized borrowings ##	59,928	34,555	43,306	55,399	57,405	59,566
(c) Loans/secured borrowings etc., with multilateral/bilateral guarantee + IFC(W)	3,652	3,456	3,353	4,048	4,031	3,640
(d) Self-Liquidating Loans	0	0	0	0	0	0
VI. NRI DEPOSITS@ (Above one year maturity)	144,555	149,791	156,715	164,297	167,805	169,822
VII. RUPEE DEBT*	9,329	9,329	9,064	8,833	8,827	8,779
(a) Defence	8,173	8,173	7,992	7,789	7,783	7,735
(b) Civilian	1,156	1,156	1,072	1,044	1,044	1,044
VIII. TOTAL LONG TERM DEBT (I TO VII)	514,678	503,261	525,491	569,034	578,285	587,740
IX. SHORT-TERM DEBT	36,437	39,729	38,789	41,960	48,827	44,311
(a) NRI deposits (up to one year maturity)@	0	0	0	0	0	0
(b) Others (trade-related)** of which, short-term debt over 6 months	36,437	39,729	38,789	41,960	48,827	44,311
X. GRAND TOTAL (VIII+IX)	551,115	542,990	564,280	610,994	627,112	632,051

QE: Quick Estimates

R: Revised

IFC(W): International Finance Corporation (Washington D.C.).

#: includes Financial Lease since 1996.

##: includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Deposits (IMDs), also includes Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds.

FCCB debt has been adjusted since End-March, 1998 after netting out conversion into equity and redemptions.

@ Figures include accrued interest.

*: Rupee denominated debt owed to Russia and payable through exports.

** : This does not include Suppliers' credits of up to 180 days.

Source: Ministry of Finance (Department of Economic Affairs), Ministry of Defence, Reserve Bank of India, Securities & Exchange Board of India.

(US \$ million)

	As at the end of					
	Sept. 2005R	Dec. 2005R	Mar. 2006R	June. 2006R	Sept. 2006R	Dec.2006 QE
V. COMMERCIAL BORROWINGS	29,313	23,516	26,869	31,114	32,421	35,980
(a) Commercial bank loans #	14,860	15,081	16,408	18,215	19,052	21,694
(b) Securitized borrowings ##	13,623	7,668	9,709	12,021	12,492	13,463
(c) Loans/secured borrowings etc., with multilateral/bilateral guarantee + IFC(W)	830	767	752	878	877	823
(d) Self-Liquidating Loans	0	0	0	0	0	0
VI. NRI DEPOSITS@ (Above one year maturity)	32,861	33,239	35,134	35,651	36,515	38,382
VII. RUPEE DEBT*	2,120	2,069	2,031	1,915	1,921	1,983
(a) Defence	1,858	1,814	1,791	1,690	1,694	1,748
(b) Civilian	262	255	240	225	227	235
VIII. TOTAL LONG TERM DEBT (I TO VII)	116,871	111,441	117,718	123,112	125,843	132,641
IX. SHORT-TERM DEBT	8,283	8,816	8,696	9,105	10,625	10,015
(a) NRI deposits (up to one year maturity)@	0	0	0	0	0	0
(b) Others (trade-related)** of which, short-term debt over 6 months	8,283	8,816	8,696	9,105	10,625	10,015
X. GRAND TOTAL (VIII+IX)	125,154	120,257	126,414	132,217	136,468	142,656
<u>Memo Items :</u>						
Concessional Debt***	39,342	38,922	39,460	39,855	39,970	40,377

QE: Quick Estimates

R: Revised

IFC(W): International Finance Corporation (Washington D.C.).

#: includes Financial Lease since 1996.

##: includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Deposits (IMDs), also includes Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds. FCCB debt has been adjusted since End-March, 1998 after netting out conversion into equity and redemptions.

@: Figures include accrued interest.

*: Rupee denominated debt owed to Russia and payable through exports.

**: This does not include Suppliers' credits of up to 180 days.

***: The definition of concessional debt here includes concessional categories under multilateral and bilateral debt and rupee debt under item VII.

Source: Ministry of Finance (Department of Economic Affairs), Ministry of Defence, Reserve Bank of India, Securities & Exchange Board of India.