



**INDIA'S EXTERNAL DEBT**  
**for the quarter ended**  
**SEPTEMBER 2006**

**MINISTRY OF FINANCE**  
DEPARTMENT OF ECONOMIC AFFAIRS  
EXTERNAL DEBT MANAGEMENT UNIT  
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# INDIA'S EXTERNAL DEBT

## FOR THE QUARTER ENDED SEPTEMBER 2006

### 1. Introduction

1.1 To comply with the Special Data Dissemination Standards (SDDS) of International Monetary Fund (IMF), the member countries disseminate data on external debt on a quarterly basis. As a subscriber to SDDS of the IMF, India has been publishing external debt statistics on a quarterly basis, beginning with data on debt outstanding for end-September 2003, within three months of the close of the reference quarter. The current release relates to India's external debt stock for end-September 2006.

### 2. External Debt Stock

2.1 India's external debt stock increased by US\$4.3 billion to US\$136.5 billion (Rs.638,181 crore) as at the end of September 2006 from US\$132.2 billion at end-June 2006 (**Table 1**). The rise in external debt outstanding at end-September 2006 was essentially brought about by a rise in external commercial borrowings, NRI deposits and short term debt. Quarterly disaggregated data on external debt outstanding in terms of both Rupees as well as US dollars are provided for September 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 2006 (R)	June 2006 (R)	Sept. 2006 (QE)	Mar. 06 to Sept. 06 (4-2)	June 06 to Sept. 06 (4-3)	Mar. 06 to Sept. 06	June 06 to Sept. 06
1	2	3	4	5	6	7	8
1. Multilateral	32,559	33,101	33,594	1,035	493	3.2	1.5
2. Bilateral	15,727	15,834	15,734	7	-100	0.0	-0.6
3. IMF	0	0	0	0	0	0.0	0.0
4. Export credit	5,395	5,498	5,663	268	165	5.0	3.0
5. Commercial borrowings	26,849	31,099	32,462	5,613	1,363	20.9	4.4
6. NRI Deposits (long-term)	35,134	35,651	36,563	1,429	912	4.1	2.6
7. Rupee debt	2,031	1,915	1,921	-110	6	-5.4	0.3
8. Long-term debt (1 to 7)	117,695	123,098	125,937	8,242	2,839	7.0	2.3
9. Short-term debt	8,696	9,105	10,579	1,883	1,474	21.7	16.2
<b>10. Total debt (8+9)</b>	<b>126,391</b>	<b>132,203</b>	<b>136,516</b>	<b>10,125</b>	<b>4,313</b>	<b>8.0</b>	<b>3.3</b>

R : Revised      QE : Quick Estimates

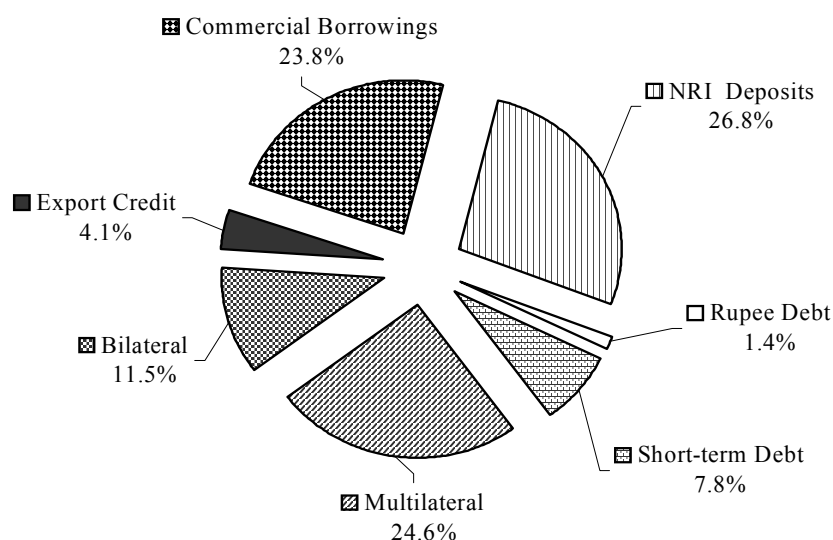
2.2 In terms of components, long-term debt outstanding at US\$125.9 billion at end-September 2006 showed an increase of US\$2.8 billion over the quarter. Under long-term debt, multilateral debt rose by US\$493 million which was partly offset by a drop in bilateral credits by US\$ 100 million. Export credit outstanding rose by US\$165 million. The stock of commercial borrowings at

US\$32,462 million was higher by US\$1,363 million as compared with those at the end of the preceding quarter. While Rupee debt remained broadly at the same level as at the end of previous quarter, NRI deposits rose by US\$912 million to US\$36,563 million.

2.3 Short-term debt increased by 16.2 per cent over the quarter to US\$10,579 million at end-September 2006 on account of a rise in trade credits. Increase in trade credits can be attributed to higher import bill during the current year.

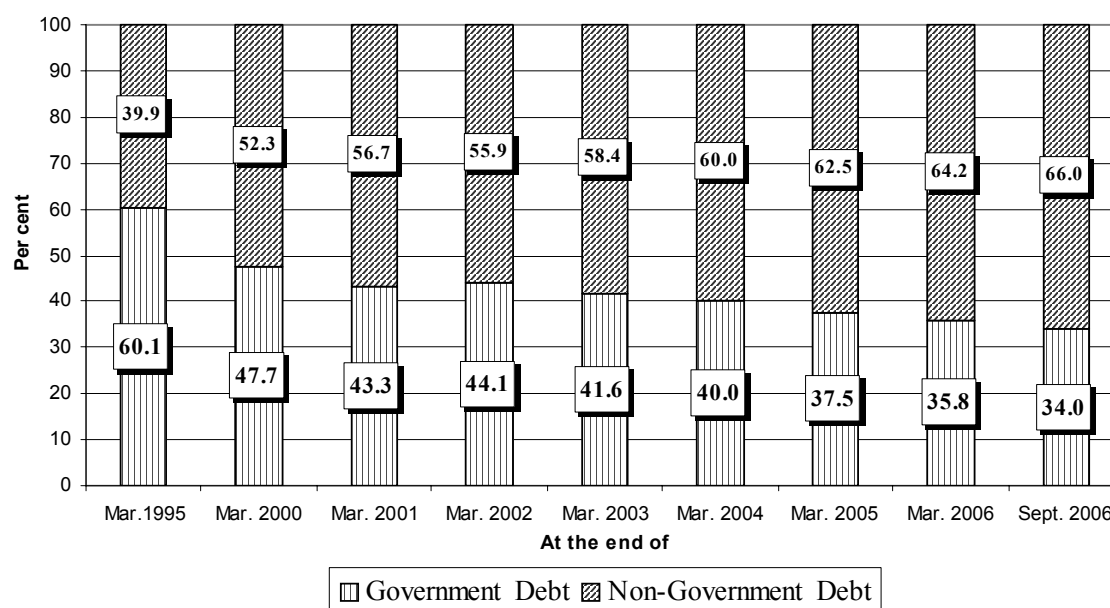
2.4 In terms of their share in total debt stock, Non-Resident deposits accounted for 26.8 per cent of the total debt at end-September 2006, followed by multilateral debt at 24.6 per cent and commercial borrowings at 23.8 per cent. The share of bilateral debt was 11.5 per cent. Export credit and Rupee debt accounted for 4.1 per cent and 1.4 per cent, respectively. The share of short-term debt was 7.8 per cent (**Figure 1**).

**Figure 1: Composition of India's external debt at end-September 2006**



2.5 The composition of external debt shifted in favour of private debt over the last few years. Non-Government debt steadily increased from US\$39,506 million (39.9 per cent of the total debt) at end-March 1995 to US\$90,120 million (66 per cent) at end-September 2006. Correspondingly, Government debt showed a decline from US\$59,502 million (60.1 per cent of the total external debt) to US\$46,396 million (34 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 in 2004-05 to 10.2 per cent in 2005-06, mainly due to redemption payments of India Millennium Deposits. The proportion of short-term debt in total debt rose from 7.0 per cent at end-March 2006 to 7.8 per cent at the end of September 2006. Similarly, the ratio of short-term debt to foreign currency assets increased from 6.0 per cent to 6.7 per cent during this period (**Table 2**).

**Table 2: India's Key External Debt Indicators**

(Ratio as per cent)

Ratios	As at the end of								
	March								
	1995	2000	2001	2002	2003	2004 R	2005 R	2006 R	Sept. 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	16.0	15.9	6.1	10.2	-
Short-term to total Debt	4.3	4.0	3.6	2.8	4.5	4.0	6.1	7.0	7.8
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
Concessional Debt to Total Debt	45.3	38.9	35.4	35.9	36.8	36.1	33.0	31.2	29.3

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 including foreign currency assets of the RBI, gold, SDRs and Reserve Tranche Position in the International Monetary Fund stood at US\$165.3 billion as at the end of September 2006. Foreign currency assets of the RBI were of the order of US\$158.3 billion as on September 30, 2006 providing a cover of around 116 per cent to total external debt stock.

### 5. Currency Composition

5.1 US dollar continued to be the major currency of denomination in India's external debt portfolio. The share of US dollar in the debt stock of the country increased further from 45.4 per cent at end-March 2006 to 46.7 per cent at end-September 2006 (**Table 3**) (**Figure3**).

**Table 3: Currency Composition of India's External Debt**

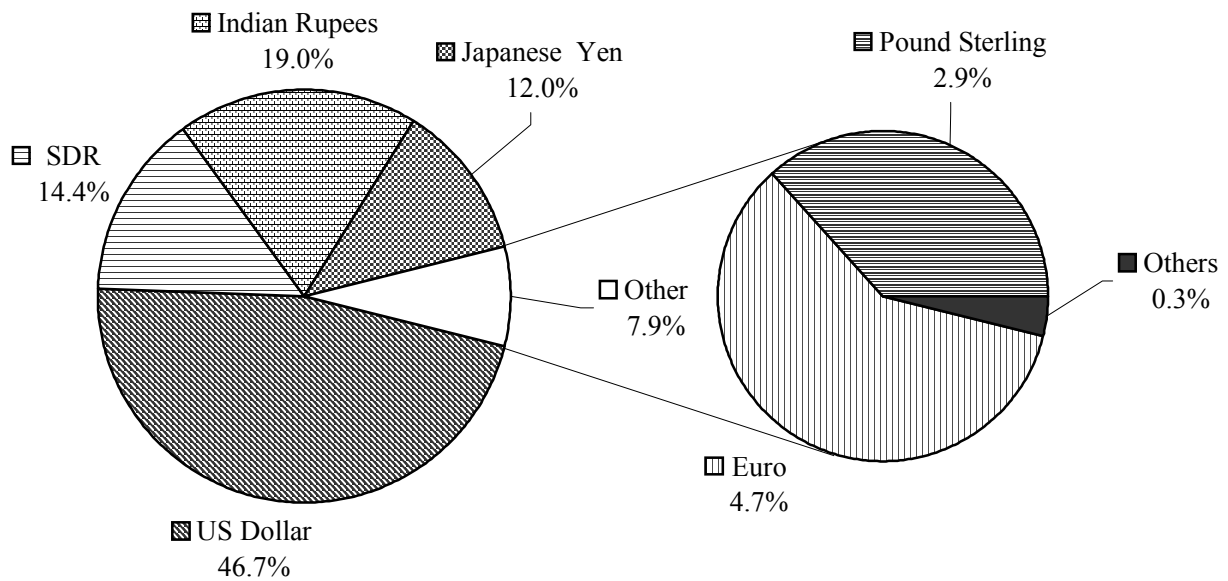
(per cent to total external debt)

Currencies	As at the end of					
	Mar. 02	Mar. 03	Mar. 04 R	Mar. 05	Mar. 06 R	Sept. 06 QE
US Dollar	54.3	46.3	40.4	44.3	45.4	46.7
SDRs	14.1	15.2	15.6	15.3	14.9	14.4
Indian Rupees	11.9	17.4	22.7	21.1	19.8	19.0
Japanese Yen	10.2	10.8	11.7	11.2	12.2	12.0
Euro	5.7	6.2	5.8	4.9	4.5	4.7
Pound Sterling	2.9	3.1	3.4	2.8	2.8	2.9
Others	0.9	1.0	0.4	0.4	0.4	0.3
<b>Total:</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

R : Revised.

QE Quick Estimates

**Figure 3 :Currency Composition of India's external debt at end-September 2006**



## 6. External Debt Management

6.1 Prudent external debt management policies are pursued by the Government to maintain external debt within manageable limits. These include emphasis on raising funds on concessional terms and from less expensive sources with longer maturities, monitoring of short-term debt, prepaying high cost loans, rationalizing 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					
	June 2005R	Sept. 2005R	Dec. 2005R	Mar. 2006R	June. 2006R	Sept. 2006 QE
<b>V. COMMERCIAL BORROWINGS</b>	121,659	128,915	105,911	119,763	143,322	<b>149,180</b>
(a) Commercial bank loans #	62,171	65,335	67,890	73,111	83,875	<b>87,725</b>
(b) Securitised borrowings ##	55,856	59,928	34,566	43,299	55,399	<b>57,439</b>
(c) Loans/secured borrowings etc., with multilateral/bilateral guarantee + IFC(W)	3,632	3,652	3,455	3,353	4,048	<b>4,016</b>
(d) Self-Liquidating Loans	0	0	0	0	0	0
<b>VI. NRI DEPOSITS@</b> (Above one year maturity)	142,425	144,556	149,792	156,715	164,298	<b>168,025</b>
<b>VII. RUPEE DEBT*</b>	9,337	9,329	9,330	9,064	8,833	<b>8,827</b>
(a) Defence	8,179	8,173	8,174	7,992	7,789	<b>7,783</b>
(b) Civilian	1,158	1,156	1,156	1,072	1,044	<b>1,044</b>
<b>VIII. TOTAL LONG TERM DEBT (I TO VII)</b>	504,266	514,645	503,201	525,392	568,969	<b>589,565</b>
<b>IX. SHORT-TERM DEBT</b>	31,157	36,437	40,248	39,199	41,960	<b>48,616</b>
(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	31,157	36,437	40,248	39,199	41,960	<b>48,616</b>
<b>X. GRAND TOTAL (VIII+IX)</b>	535,423	551,082	543,449	564,591	610,929	<b>638,181</b>
<u>Memo Items :</u>						
Concessional Debt***	173,475	173,514	176,237	176,334	184,988	<b>183,660</b>

QE: Quick Estimates

R: Revised

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

#: 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 FIIs in debt instruments.

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.



(US \$ million)

	As at the end of					
	June 2005R	Sept. 2005R	Dec. 2005R	Mar. 2006R	June. 2006R	Sept. 2006 QE
<b>V. COMMERCIAL BORROWINGS</b>	27,958	29,306	23,502	26,849	31,099	32,462
(a) Commercial bank loans #	14,287	14,853	15,065	16,390	18,200	19,089
(b) Securitized borrowings ##	12,836	13,623	7,670	9,707	12,021	12,499
(c) Loans/secured borrowings etc., with multilateral/bilateral guarantee + IFC(W)	835	830	767	752	878	874
(d) Self-Liquidating Loans	0	0	0	0	0	0
<b>VI. NRI DEPOSITS@</b> (Above one year maturity)	32,730	32,861	33,239	35,134	35,651	36,563
<b>VII. RUPEE DEBT*</b>	2,146	2,120	2,069	2,031	1,915	1,921
(a) Defence	1,880	1,858	1,814	1,791	1,690	1,694
(b) Civilian	266	262	255	240	225	227
<b>VIII. TOTAL LONG TERM DEBT (I TO VII)</b>	115,803	116,864	111,428	117,695	123,098	125,937
<b>IX. SHORT-TERM DEBT</b>	7,160	8,283	8,816	8,696	9,105	10,579
(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	7,160	8,283	8,816	8,696	9,105	10,579
<b>X. GRAND TOTAL (VIII+IX)</b>	122,963	125,147	120,244	126,391	132,203	136,516
<u>Memo Items :</u>						
Concessional Debt***	39,801	39,342	38,922	39,460	39,856	39,970

QE: Quick Estimates

R: Revised

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

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