

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

Press Release

Subject: India's sovereign credit ratings- fourth upgrade by Moody's

On 20th December, 2011, Moody's Investor Services released a credit rating update for India. It upgraded the rating on long-term government bonds denominated in domestic currency from Ba1 to Baa3 (from speculative to investment grade). The long-term country ceiling on the foreign currency bank deposits was also upgraded from Ba1 to Baa3 (from speculative to investment grade). Apart from this, Moody's had upgraded the short-term government bonds denominated in domestic currency from NP(Not Prime) to P-3 (from speculative to investment grade). This short-term rating had been upgraded for the first time since it was newly assigned in 1998.

2. In addition to the three upgrades above, there has been another upgrade by Moody's with the short-term country ceiling on foreign currency bank deposits increasing from NP (Not Prime) to P-3 (Prime: acceptable ability to repay short-term obligations).

3. In its Investors Services Global Credit research (released on 20th December, 2011), Moody's has underlined some of the Government's efforts at fiscal consolidation by appreciating that the "[Government] eliminated petrol subsidies and changed the way fertilizer subsidies are calculated, which may yield some budgetary savings. There have also been initiatives on the revenue front involving simplification (and hence hoped-for improvements in compliance) of indirect and direct taxes."

4. Moody's upgrade follows a positive rating action by Dominion Bond Rating Service (DBRS). It had been rating India's debt since June 2007. For the first time, in June 2011 they upgraded the trend of India's Long Term foreign and local currency debt ratings from BBB (low) Negative to Stable outlook.

5. Similarly, in its June 2011 report, Fitch affirmed the credit ratings issued the year before and appreciated the management of the economy by India. Fitch noted, "India's medium-term economic growth prospects remain strong, as potential GDP growth remains greater than 8%, well above the 'BBB'- range median."

6. India's sovereign debt is rated by six international sovereign credit rating agencies namely Standard and Poor's (S&P), Moody's Investors Service, Dominion Bond Rating Service (DBRS), Fitch Ratings, Japanese Credit Rating Agency (JCRA) and Rating and Investment Information (R&I). These agencies normally visit the Ministry of Finance and the Reserve Bank of India before making their credit assessment. DEA will continue to engage rating agencies on regular basis to impress upon them the long-term structural strengths and sound fundamentals of the Indian economy.

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



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