

External commercial borrowings

6.63 For the third successive year since 2001-02, ECB in 2003-04 recorded net outflows in the capital account. Higher levels of repayments, vis-à-vis disbursements, have resulted in these net outflows. During 2003-04, disbursements at US\$6.6 billion, exhibited a sharp increase over US\$3.5 billion and US\$2.7 billion in 2002-03 and 2001-02, respectively. However, the higher disbursement was more than offset by an even larger increase in repayment to US\$8.1 billion (primarily on account of redemption of Resurgent India Bonds(RIBs)) in 2003-04, up from similar repayments of US\$5.2 billion and US\$4.3 billion in 2002-03 and 2001-02, respectively. Incidentally, the India Millennium Deposits (IMD) raised in 2000 would come up for redemption in December 2005.

6.64 During April-September 2004, ECB turned into net inflows. While a net inflow was recorded in the first half of the previous year as well, the volume was much smaller

(US\$167 million) than that in the current year (US\$2.1 billion). While the first quarter had a net inflow of US\$1.6 billion under ECB with large disbursements (US\$2.6 billion) and relatively lower repayments (US\$1.0 billion), the net inflow narrowed down to only US\$545 million in the second quarter.

6.65 During April-December 2004, total volume of ECB/FCCB approvals stood higher at US\$9.4 billion, compared to US\$4.7 billion in the corresponding period of 2003. More than 90 per cent of the total approvals (US\$8.5 billion) have taken place under the automatic approval route of the RBI.

6.66 During the current year, international credit rating agencies like Standard & Poor (S&P) and the Japanese Credit Rating Agency (JCRA), have upgraded their ratings for India, on account of the country's strong fundamentals and the consequent sharp improvements in investor outlook (Table 6.12).

Table 6.12 : Recent changes in India's foreign and local currency ratings

Name of Agency	Earlier Ratings & Outlook	New Ratings & Outlook
Foreign Currency		
1. Moody's	Ba1; Stable	Baa3 (in January 2004; Upgraded to investment grade after six years); Stable
2. S&P	BB; Positive	BB+; Stable (February 2005)
3. FITCH	BB; Stable	BB+ (January 2004; Highest grade in non-investment category); Stable
4. JCRA	BBB; Negative	BBB (September 2004); Stable
Local Currency		
1. Moody's	Ba2; Negative	Ba2; Negative (January 2004)
2. S&P	BB+; Stable	BB+; Stable (February 2005)
3. FITCH	BB+	BB+
4. JCRA	None	BBB (newly assigned; September 2004)