

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1851
ANSWERED ON:02.12.2011
CREDIT RATING OF INDIA
Sugumar Shri K.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government had urged the rating agencies to reconsider the credit ratings given to India; and
(b) if so, the details thereof and response of the rating agencies thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) : Yes Sir.

(b): Moody's Investor Services, Standard and Poor's (S&P), Dominion Bond Rating Service (DBRS), Fitch Ratings, Japanese Credit Rating Agency (JCRA) and Rating and Investment Information (R&I) are the six Sovereign Credit Rating Agencies (SCRAs) that rate India's sovereign debt. The Union Government has begun a structured interaction process with these SCRAs.

During the interaction, the Government presents its perspective to SCRAs about the strengths of the Indian economy and recent initiatives taken by it. The Government encourages SCRAs to also consider the long-term credit strengths of the Indian economy in a holistic manner, and, in view of such strengths, consider upgrading the rating of India's sovereign debt. The Department of Economic Affairs has also begun interacting with these agencies on a more regular basis giving clarifications where necessary.

These interactions have yielded positive results. In June 2011, for the first time since DBRS started rating India's sovereign debt, it upgraded the trend of India's Long Term foreign and local currency debt ratings from BBB (low) Negative to Stable outlook. Further, in their recent reports, Credit Rating Agencies such as Fitch Ratings, DBRS, and Moody's have taken note of some of the strengths of the Indian economy, and of the initiatives taken by the Government.

For example, in their report released on 24 June 2011, Fitch noted that since "early 2010, India's authorities have shown renewed commitment to reducing both its fiscal deficit and debt. and that `India`s medium-term economic growth prospects remain strong, as potential GDP growth remains greater than 8%, well above the `BBB` median." Similarly, in their report released on 27 June 2011, DBRS appreciated the efforts of the Government stating that there is `evidence of a stronger commitment to fiscal deficit reduction [in the] 2011-12 Budget".