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Cross-Sector - India

FAQ on credit impact of sovereign upgrade

Summary

On 17 November 2017, we upgraded India's sovereign rating to Baa2 from Baa3 and changed the outlook to stable from positive. In this report we address the drivers of the sovereign rating upgrade and the implications for other Indian issuers.

» **What are the drivers of the upgrade to Baa2?** The government is midway through a wide-ranging program of economic and institutional reforms. While some reforms remain at the design stage, those implemented to date will support India's strong growth potential and improving global competitiveness to enhance the economy's shock absorption capacity. In turn, sustained strong growth and large and stable domestic savings will foster a gradual decline in India's high debt burden over time.

» **What are some of the key reforms and their impact?** Key elements of the reform program include the recently introduced Goods and Services Tax (GST), which will, among other things, promote productivity by removing barriers to interstate trade; improvements in the monetary policy framework, which, by anchoring inflation at moderate levels, provides greater visibility to businesses; and measures such as demonetization, the Aadhaar system of biometric accounts and targeted delivery of benefits through the Direct Benefit Transfer (DBT) system intended to reduce informality in the economy. The recently announced bank recapitalization program, while modestly increasing the government's debt burden, should help address the overhang of non-performing loans (NPLs) and ease lending constraints thereby contributing to more robust growth.

» **How will these changes impact government debt dynamics?** We believe that recent reforms offer greater confidence that the high level of public indebtedness, one of India's principal credit weaknesses, will remain stable, even in the event of shocks, and will ultimately decline. The impact of the high debt load is mitigated somewhat by the large pool of private savings, which allows the government to finance debt at long maturities domestically and broadly stable costs.

» **How does the sovereign upgrade impact other Indian issuers?** The government's credit strength impacts our assessment of the government's capacity to provide support in times of stress. As such, the sovereign upgrade has led to ratings upgrades to four financial institutions, four Government-Related Issuers (GRIs) in the infrastructure space, five non-financial corporations, and one structured finance transaction (see Exhibit 6).

Q1. What are the drivers of the upgrade to Baa2?

The upgrade is driven by our assessment that a number of reforms will combine to enhance India's structural credit strengths, including its strong growth potential, improving global competitiveness and its large and stable financing base for government debt.

It will take time for the impact of most of the measures to be seen. Some, such as the GST and demonetization, have undermined near-term growth. However, as disruption fades, we expect to see a rebound in real and nominal GDP growth to sustained higher levels. In turn, sustained high nominal GDP growth will likely contribute to a gradual decline in the general government debt burden over the medium term.

Overall, recent reforms, combined with India's structural strength, offer greater confidence that the high level of public indebtedness, which is India's principal credit weakness, will not rise materially even in potential downside scenarios and will eventually decline gradually.

Q2. How did the implementation of recent economic reforms, including demonetization and the introduction of the GST, factor into the ratings decision?

Our assessment of India's credit profile integrates our analysis of the likely medium-term impact of the range of reforms being undertaken. Progress with reforms in general will foster sustained strong nominal GDP growth in the future, which will contribute to a decline in the debt burden.

For instance, the GST's impact on government tax revenue and the broader economy will stem from potential changes in corporate decisions with regards to production, pricing and tax compliance. One of the largest benefits of the GST is removal of an inefficient web of taxes at both the state and national levels, including border taxes for the transport of goods across state lines, which fragmented the national market. Over time, the GST will contribute to productivity gains and higher GDP growth by improving the ease of doing business, unifying the national market and enhancing India's attractiveness as a foreign investment destination. It will also support higher government revenue generation through improved tax compliance and administration. Indeed, the new system should ultimately incentivize some businesses to change their business models to service a now unified national market.

Demonetization should also help reduce tax avoidance and corruption.

Progress towards financial inclusion will reinforce the effectiveness of these measures. The government is committed to supporting increased usage of the Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts—a programme launched in 2014 that has led to the opening of bank accounts for 254 million previously unbanked individuals—through Aadhaar-supported direct benefit transfers, improved financial literacy and usage of mobile banking applications. Over time, increased integration of economic activity within the formal financial system will help strengthen the basis for both tax revenue generation and more efficient government expenditure.

Moreover, rationalization of government expenditure schemes and better-targeted delivery of payments through the DBT Gateway, combined with PMJDY bank accounts, Aadhaar identification and mobile connectivity, will help improve the overall efficiency of government spending by increasing transparency and reducing fiscal leakage.

Other important measures that have yet to reach fruition include planned land and labor market reforms, which will rely to a great extent on cooperation with and between India's states.

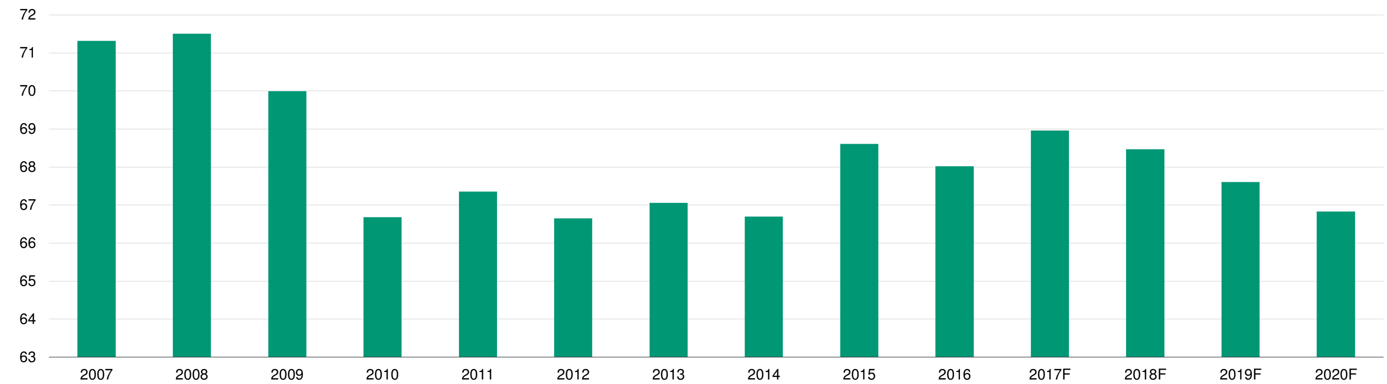
Q3. India's debt-to-GDP ratio remains high. How does this factor into the upgrade?

India's high public debt burden will likely remain an important constraint on its credit profile relative to peers, notwithstanding the mitigating factors that support fiscal sustainability. That constraint is not expected to diminish rapidly, with low income levels continuing to point to significant development spending needs over the coming years. Measures to encourage greater formalization of the economy, reduce expenditure and increase revenues will likely take time to diminish the debt stock.

However, we believe that recent reforms offer greater confidence that the high level of public indebtedness, which is India's principal credit weakness, will remain broadly stable, even in the event of shocks, and will ultimately decline.

India's general government debt burden, at about 68% of GDP in 2016, is significantly higher than the Baa median of around 45%. Meanwhile, interest payments are about 22% of general government revenue for India, the highest interest burden among Baa-rated peers and nearly three times the Baa median of about 8%.

Exhibit 1
Debt burden to remain high, but decline gradually
General government debt-to-GDP (%)



Source: Moody's Investors Service

The impact of the high debt load is mitigated somewhat by the large pool of private savings available to finance government debt. Robust domestic demand has enabled the government to lengthen the maturity of its debt stock, more than 90% of which is owed to domestic institutions and denominated in rupees. The weighted average maturity on the outstanding stock of debt stood at 10.65 years as of fiscal year 2016 ended in March 2017, compared with 9.60 years five years earlier. This in turn lowers the impact of interest rate volatility on debt servicing costs and reduces refinancing risks since gross financing requirements in any given year are moderate.

In addition, measures that increase the degree of formality in the economy, broaden the tax base (as with the GST) and promote expenditure efficiency through rationalization of government schemes and better-targeted delivery (as with the DBT system), will support the expected, though very gradual, improvement in India's fiscal metrics over time.

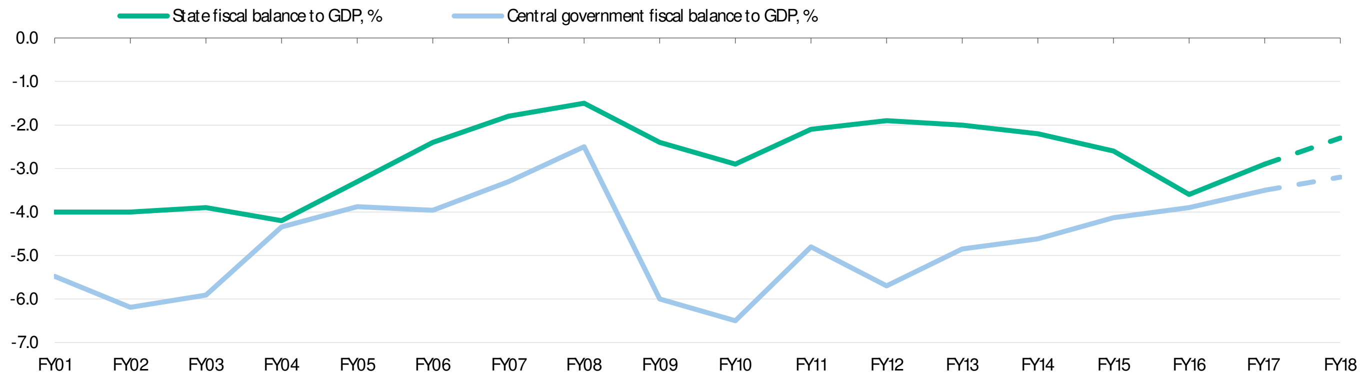
We expect India's debt-to-GDP ratio to rise by about 1 percentage point this fiscal year, to 69%, as nominal GDP growth has slowed following demonetization and the implementation of GST. The debt burden will likely remain broadly stable in the next few years, before falling gradually as nominal GDP growth continues and measures that broaden revenue and enhance expenditure efficiency take effect.

Q4. State deficits have been widening. What are the implications for India's fiscal outlook and rating?

Deficit reduction at the central government level has been supportive of India's credit profile. However, a recent widening of Indian state deficits has more than offset the narrowing of the central government deficit.

Clearer focus on the general government debt level (combined central and state debt) as per the Fiscal Responsibility and Budget Management (FRBM) Review Committee's[1] recommendations would help to address concerns about the management of state deficits, which have deteriorated recently and risk undermining fiscal consolidation at the center.

Exhibit 2
State deficits remain wide
Fiscal balance-to-GDP (%)



Source: Moody's Investors Service

State government deficits have risen steadily to about 3% of GDP from around 2% in fiscal 2012.

In the last two years, many states issued Ujwal DISCOM Assurance Yojana (UDAY) bonds as part of a government program to restructure the outstanding debt of state electricity boards (DISCOMs). According to the Reserve Bank of India (RBI), this added about 0.7 percentage point of GDP to states' gross fiscal deficits, raising them to 3.6% of GDP from what would have been 2.9% in the fiscal year ended March 2016.

Wider deficits have led to an increase in state bond issuance (state development loans, or SDLs) and interest payments. Meanwhile, salary increases for state employees could add to pressure on expenditures.

Finally, recent announcements of farm loan waivers by some Indian state governments, if not offset by expenditure reductions, risk further widening state deficits. Such loan waivers also risk setting expectations of future loan forbearance, which could relax borrowers' attitudes toward repayment and further undermine asset quality in the banking system, another constraint on India's credit profile.

However, the states are limited in how much they can spend, because the central government caps their ability to borrow beyond budget deficits of 3% of GDP. This rule should serve to constrain future state expenditure and limit the extent of state fiscal slippage.

A durable and effective reduction in state deficits will be a critical component of reducing India's high general government debt burden.

Q5. How does the recently announced bank recapitalization plan impact the government's fiscal position and how has it been factored into the Baa2 rating?

On 24 October, the government announced a INR2.1 trillion (around $32 billion) recapitalization plan for Indian Public Sector Banks (PSBs). The size of the recapitalization is large enough to allow PSBs to meet regulatory capital requirements and absorb greater provisioning of bad loans.

The recapitalization is credit positive for the sovereign. While the capital injection will modestly increase the government's debt burden (by about 0.8% of GDP), it should enable banks to move forward with the resolution of NPLs through comprehensive writedowns of impaired loans and gradually increase lending. Over the medium term, if met by rising demand for investment and loans, this will help foster more robust growth and support fiscal consolidation.

Beside the recapitalization, since the Insolvency and Bankruptcy Code 2016 was introduced in May 2016, there has been a strong regulatory push toward the resolution of large corporate NPLs. The Reserve Bank of India is instructing banks to increase provisioning, which in turn will enable them to take charges required for the disposal of problem assets in the market. While banks will have to absorb higher credit costs, the regulatory actions are credit positive as they may lead to more active NPL resolutions.

However, banking sector risk continues to constrain the sovereign rating. A banking sector significantly contributing to growth through a material ramp up in financing of investment projects remains a medium-term prospect. In the nearer term, both demand and supply for credit will likely remain constrained.

Q6. What is the reason for an upgrade amidst the current macroeconomic slowdown?

While we have lowered our forecast for Indian GDP growth to take into account the recent slowdown, the economy's growth potential is strong and stronger than most peers. Combined with a large and diversified economy and improving global competitiveness, this boosts economic strength, our view of an economy's shock absorption capacity, which we assess as "High (+)", the fourth highest score on our 15-rung sovereign factor score scale.

India's real GDP growth slowed to 5.7% year-over-year in the second quarter of calendar year 2017, following a slowdown to 6.1% in the first quarter from 7.0% in the fourth quarter of 2016. The economic slowdown reflects the temporary impact of demonetization and destocking of inventory in advance of the implementation of the GST in July.

Meanwhile, a material rise in imports over the past two quarters suggests that domestic supply chains have been disrupted, particularly among small and medium-sized enterprises (SMEs), as they begin to integrate into the formal economy and increase tax compliance as a result of demonetization and GST.

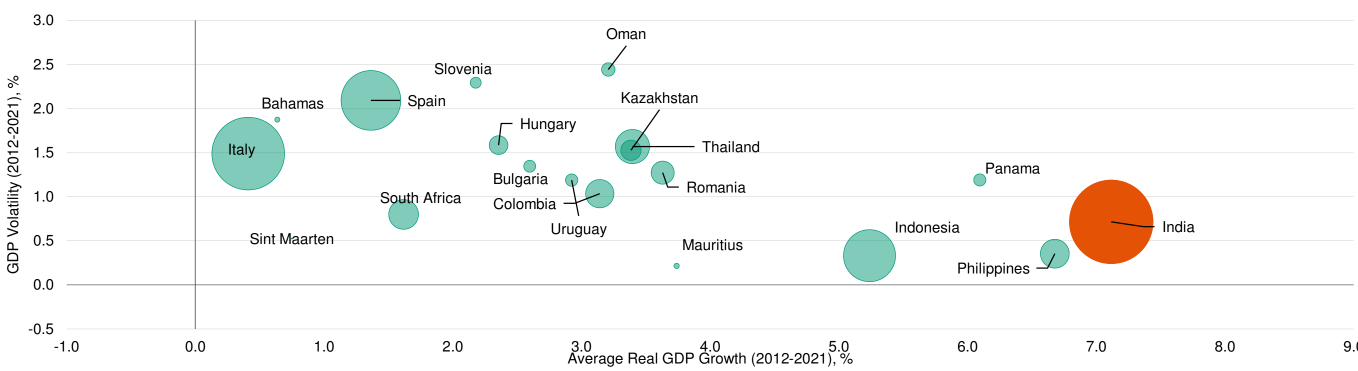
We expect the disruption of domestic supply chains to restrain growth over the next few quarters as SMEs and exporters continue to adjust to the new GST regime. As a result, we expect real GDP growth to moderate to 6.7% in fiscal year 2017, which ends in March 2018.

However, as disruption fades, assisted by recent government measures to support SMEs and exporters with GST compliance, we expect to see a rebound in real GDP growth to 7.5% in fiscal year 2018 ending in March 2019, with similarly robust levels of growth from fiscal 2019 onward.

Longer term, India's strong growth potential and improving global competitiveness will be core credit strengths.

Exhibit 3

India demonstrates robust and relatively stable growth compared with Baa-rated peers
(Size of bubble = 2017F nominal GDP at $ market exchange rates)



Source: Moody's Investors Service

Q7. How well can the sovereign credit fundamentals withstand global interest rate hikes over the coming years?

We assume a gradual normalisation of US interest rates over the next two to three years, which will contribute to slowly rising interest rates in a wide range of markets over time, including India.

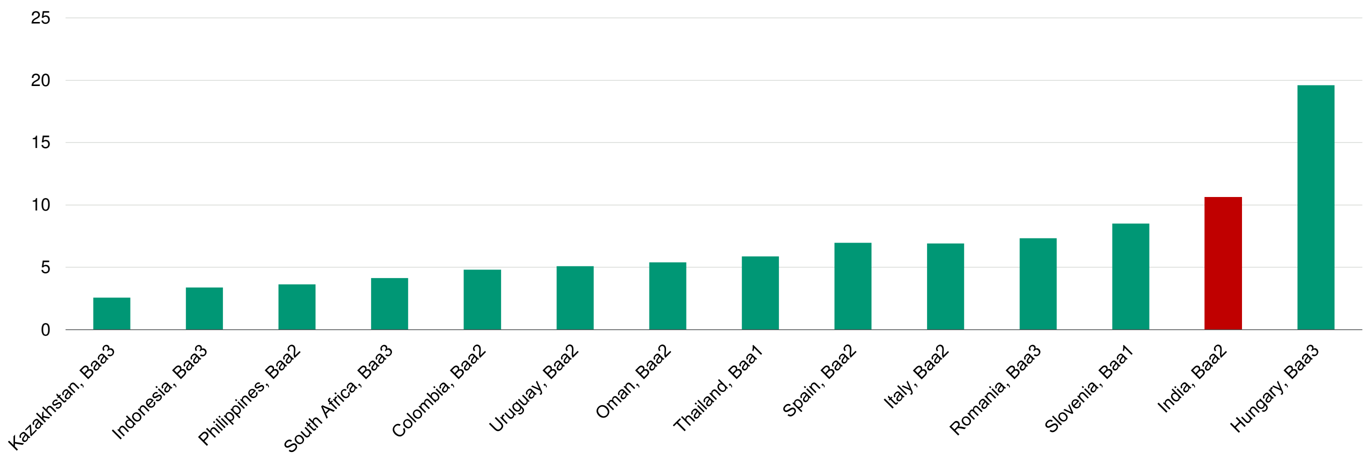
Directly, India is relatively less exposed than many other sovereigns to higher global interest rates given its reliance on domestic funding. For example, India's external debt exposure was only 6.7% of total general government debt in 2016.

Indirectly, as higher US rates potentially contribute to higher domestic interest rates, the credit impact will be tempered by the Indian government's refinancing of debt contracted at a higher cost several years ago, even as interest rates increase from the current levels. Moreover, as mentioned, the average maturity of debt is relatively long at 10.65 years (Exhibit 4).

Exhibit 4

India's funding is stable and of longer maturity than most Baa-rated peers

Average term to maturity, 2017



Source: IMF Fiscal Monitor and Reserve Bank of India

Overall for India, while the average cost of debt may rise over time, we expect the increase to be very gradual. Developments in debt affordability will result from the net effect of such potential increases in the effective cost of debt and the credit positive impact of measures aimed at broadening the tax base. We forecast that interest payments to revenue will be broadly stable at around 22.5% in the next one to two years, before edging lower towards 21%.

Q8. How would a further increase in oil prices impact the sovereign fiscal position?

We assume that oil prices will remain in a range of $40-60 per barrel over the next few years.

The most direct impact of higher oil prices on India's sovereign credit profile would materialise through their effect on the current account. With crude oil accounting for about 17% of total imports in 2016, a rise in oil prices would markedly raise the oil and overall imports bill, which would in turn weigh on the current account deficit.

However, we do not think that this would threaten India's external stability. A sharp increase in foreign direct investment implies that the basic balance is now in surplus. Moreover, foreign exchange reserves have increased very significantly, to about $374 billion in October 2017. Overall, we expect India's external vulnerability to remain very low.

Q9. How will credit conditions in India be impacted if there is a conflict in North Korea?

Uncertainty about a potential conflict on the Korean peninsula has risen. Such a scenario would have credit implications for other sovereigns globally through potentially severe disruptions to trade and supply chains and shifts in capital flows as risk aversion increases.

India has relatively little exposure to these transmission channels. For instance, India's exports to Korea only amount to around 0.2% of India's GDP, even less than for Indonesia and the Philippines (both 0.7%), Thailand (1%) and much less than Vietnam (just under 6%). Similarly, India has little activity in supply chains involving Korea. Finally, with low external debt, it is not particularly exposed to a sharp increase in global risk aversion and tapering of investment flows towards emerging markets.

Overall, India's credit profile would mainly be affected by a conflict on the Korean peninsula if it led to deep, wide-ranging and prolonged dislocations in economic and financial flows.

Q10. What are the upside and downside risks to India's sovereign rating?

A material strengthening in fiscal metrics, combined with a strong and durable recovery of the investment cycle, probably supported by significant economic and institutional reforms, could lead to a sovereign rating upgrade. In particular, greater expectation of a sizeable and sustained reduction in the general government debt burden, through increased government revenues combined with reduction in expenditures, would put positive pressure on the rating. Implementation of key pending reforms, including land and labor reforms, could put additional upward pressure on the rating.

Material deterioration in fiscal metrics and the outlook for general government fiscal consolidation would put negative pressure on the rating. The rating could also face downward pressure if the health of the banking system deteriorated significantly or external vulnerability increased sharply.

Q11. How has the sovereign upgrade impacted Moody's-rated public sector banks?

The government's credit strength is an important input in our deposit and debt ratings for financial institutions because it impacts our assessment of the government's capacity to provide support in times of stress. As such, an improvement in the government's own creditworthiness, as measured by its sovereign rating, has lifted the supported ratings for the financial institutions.

The sovereign rating action resulted in the rating upgrade of only one public sector bank, the State Bank of India (SBI, Baa2 stable, ba1). The upgrade reflects the bank’s baseline credit assessment (BCA) of ba1, and an assumption of a very high level of government support given SBI’s status as the largest commercial bank in the country. As of the end of September, SBI held a 23% share of total system deposits and 20% of system loans.

The ratings of Export-Import Bank of India (EXIM India, Baa2 stable) and Indian Railway Finance Corporation (IRFC, Baa2 stable) were also upgraded following the sovereign upgrade. EXIM India’s rating reflects the bank’s public policy role in servicing the needs of India’s export-oriented companies and in promoting and executing the government's external trade and foreign policy objectives. Because of these features, our support assumption for Exim India's senior unsecured and deposit ratings is government-backed. This results in a four-notch uplift from its ba3 BCA.

IRFC's rating is in line with the foreign-currency bond rating of the Government of India. We view IRFC's credit profile as inseparable from the Indian government's owing to: 1) the level of support provided by the Ministry of Railways (MOR) and 2) the public policy role IRFC plays as the exclusive borrowing arm of the MOR.

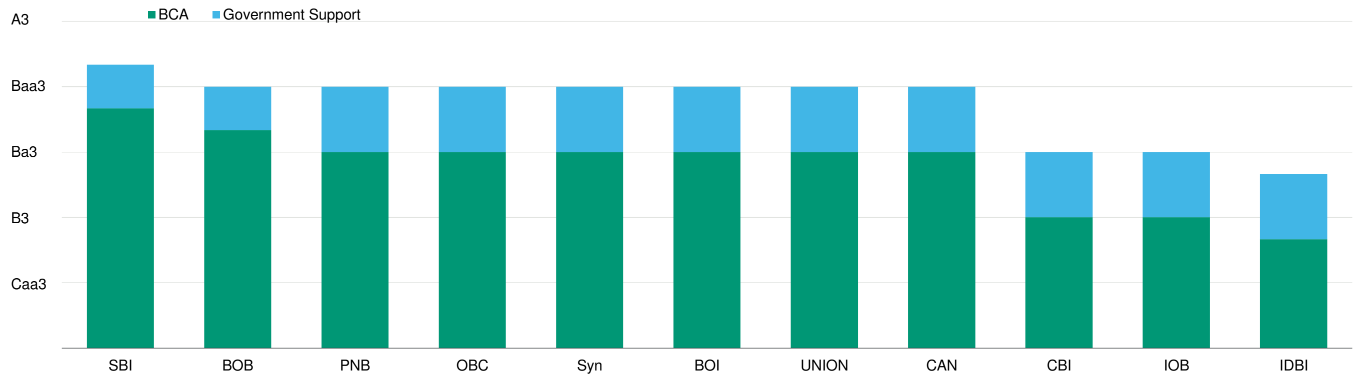
Q12. Why are there so few ratings changes to the PSBs following the sovereign action?

Aside from SBI, the ratings of the other 10 rated PSBs remain unaffected by the sovereign upgrade as we assess their respective standalone credit profiles at ba2 and below. Therefore, despite our expectation of a very high level of government support, the PSBs’ ratings remain at least one notch below the sovereign rating as seen in Exhibit 5.

Exhibit 5

Standalone credit profiles limit upward rating movement

Government support to PSBs



Note: SBI=State Bank of India, BOB=Bank of Baroda, PNB=Punjab National Bank, OBC=Oriental Bank of Commerce, SYN=Syndicate Bank, BOI=Bank of India, UNION=Union Bank of India, CAN=Canara Bank, CBI=Central Bank of India, IOB=Indian Overseas Bank, IDBI=IDBI Bank

Source: Moody's Investors Service

For the same reason, the ratings of the other three Indian financial sector rated GRIs—Power Finance Corporation Limited (PFC, Baa3 stable), Rural Electrification Corporation Limited (REC, Baa3 stable) and Indian Renewable Energy Development Agency Limited (IREDA, Baa3 stable)—were also not affected by the sovereign rating upgrade.

Q13. Is there an impact on Moody's-rated private sector banks in India?

Only one private sector bank, HDFC Bank Limited (HDFC Bank, Baa2 stable, baa2), was upgraded following the sovereign rating action. The upgrade was driven by HDFC Bank's strong BCA of baa2, which is the highest among all rated banks in India, and a high level of government support considering HDFC's status as the largest private sector bank in India by assets, its large retail deposit franchise and its importance to the national payments system.

Prior to this rating action, HDFC Bank's BCA and ratings were constrained by India's previous sovereign rating of Baa3 given the bank's significant exposure to the Indian government in common with other Indian banks. As such, an upgrade of the sovereign rating also drove an upgrade of the bank's BCA and ratings.

The ratings of the other three rated private-sector banks—ICICI Bank Limited (ICICI, Baa3 stable, ba1), AXIS Bank Limited (AXIS, Baa3 stable, ba1) and Yes Bank (Yes, Baa3 stable, ba1)—were unaffected by the sovereign rating action as their BCAs of ba1 and a high level of government support result in a one-notch uplift, keeping the final rating unchanged at Baa3.

Q14. How does the recently announced bank recapitalization plan help Indian banks?

On 24 October, the Indian government announced a INR2.1 trillion ($32 billion) recapitalization for Indian public sector banks, of which INR1.5 trillion will come from the injection of public funds from the existing budget and the issuance of recapitalization bonds. The government expects the public sector banks in aggregate to raise INR580.0 billion ($8.9 billion) from the capital markets.

Given that the overarching credit weakness of the public sector banks is currently their capitalization level, we see the announced capital infusion plan as a credit positive for the banks. To this effect, on 6 November we changed the outlook of three Indian public sector banks—Bank of India (BOI, Baa3 stable, ba3), Oriental Bank of Commerce (OBC, Baa3 stable, ba3) and Union Bank of India (UBI, Baa3 stable, ba3)—to stable from negative. (See Banks-India: FAQ on government's recapitalization plan).

We estimate that the external capital requirements for the 11 rated public sector banks over the next two years are likely to be around INR700-950 billion ($10.6-$14.8 billion). This estimate factors in the two main drivers of the banks' capital needs: Basel III compliance and conservative recognition and provisioning for problem assets. As of March, the 11 rated public-sector banks represented 81% of the total assets of Indian public-sector banks. As such, we expect this INR1.5 trillion package, which is for all the public sector banks, will be sufficient to address the broad capital needs of the public sector banks.

Furthermore, the capital infusion will also help banks build their provisioning coverage ratios as they will be able to allocate much of their operating profits towards loan loss provisioning without having to worry about the impact on their capital position. This situation will allow the banks to take appropriate haircuts on problem assets. The haircuts reflect one step in the regulator's effort to push for a thorough cleanup of balance sheets across these banks.

Q15. What is the rating impact on state-owned enterprises and non-financial corporates?

The upgrade reduces the state-owned enterprises' credit spread on their foreign currency borrowings and further improves their access to global capital markets.

The sovereign upgrade has also resulted in rating upgrades of three state-owned companies whose standalone credit quality, as captured by their BCA, was weaker than that of the sovereign. This includes Indian Oil Corporation Ltd. (IOC, Baa2 stable), Bharat Petroleum Corporation Limited (BPCL, Baa2 stable) and Hindustan Petroleum Corporation Ltd. (HPCL, Baa2 stable), which have a BCA of ba1. The ratings of these three companies incorporate a high-level of government support because of their strategic importance to the oil and gas sector in India. They have been upgraded to Baa2 from Baa3 in line with the rating upgrade of the sovereign.

The Ba1 corporate family ratings on HPCL- Mittal Energy Limited (HMEL, Ba1 stable) remains unchanged despite upgrade of the rating of its support provider - HPCL – to Baa2 from Baa3. This is because HMEL's rating remains constrained by the company's planned petrochemical capacity expansion that will keep its credit metrics weak and free cash flow negative over at least the next three years.

Similarly, for our rated project and infrastructure finance portfolio, we upgraded the ratings of NTPC Limited (Baa2 stable), NHPC Limited (Baa2 stable), National Highways Authority of India (NHAI, Baa2 stable) and GAIL (India) Limited (Baa2 stable) following the upgrade in sovereign rating. The rating upgrades for NTPC, NHPC, NHAI and GAIL reflect our expectation of a high level of government support for each of these issuers given their strategic importance to India, as well as their close operational and financial links with the government. There is no change in the respective BCAs for NTPC, NHPC and GAIL, which stay at baa3.

Ratings of state-owned companies rated above or on par with the Baa2 sovereign rating—Oil and Natural Gas Corporation Ltd. (ONGC, Baa1 stable) and Oil India Limited (Baa2 stable)—remain unchanged as there is no scope to incorporate any uplift from an equal or lower sovereign rating.

Following the sovereign rating upgrade, the country ceiling for foreign currency bonds has also been raised to Baa1 from Baa2. This has resulted in an upgrade of the foreign currency issuer and bond ratings of ONGC to Baa1 from Baa2.

Although Petronet LNG Limited (PLL, Baa2 stable) is not a state-owned company, its ratings were upgraded to Baa2 from Baa3 following the upgrade of the sovereign rating. This was driven by the upgrades of IOC, BPCL and GAIL, which are PLL's key counterparties. Their respective ratings have been a constraint on PLL's ratings.

The following ratings, which were above the sovereign ratings, have not been impacted by a sovereign upgrade:

ONGC's Baa1 local currency rating remains unchanged. Its baa1 BCA reflects our expectation that the company will increase its borrowings following its acquisition of a 51.1% stake in HPCL. (See Oil & Gas — India: ONGC's HPCL acquisition will increase leverage and linkages to the government)

Oil India Limited's Baa2 local and foreign currency issuer and bond ratings also remain unchanged as its baa2 BCA remains constrained by the company's relatively small scale and increasing leverage.

Reliance Industries Limited's Baa2 issuer rating also remains unchanged. The company's ratings are constrained by increasing business risk because of its growing telecom business and our expectation that the company's free cash flow will remain negative for at least the next 18 months.

Tata Consultancy Services' A3 local currency rating also remains unchanged. It is not constrained by the sovereign ratings.

Exhibit 6

RATINGS UPDATE

New Final Rating	Previous Final Rating

	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Outlook Change	New BCA	Previous BCA
	INVESTMENT GRADE										SPECULATIVE GRADE									
Sovereign																				
Government of India									New Final Rating	Previous Final Rating								Stable from positive	Not applicable	Not applicable
Infrastructure Government-Related Issuers (GRIs)																				
NTPC Limited									New Final Rating	Previous Final Rating								Stable from positive	baa3	baa3
NHPC Limited									New Final Rating	Previous Final Rating								Stable from positive	baa3	baa3
National Highways Authority of India									New Final Rating	Previous Final Rating								Stable from positive	baa3	baa3
Gail (India) Limited									New Final Rating	Previous Final Rating								Stable from positive	baa3	baa3
Non-Financial Corporates																				
Oil and Natural Gas Corporation Ltd.								New Final Rating	Previous Final Rating									Stable	baa1	baa1
Bharat Petroleum Corporation Limited									New Final Rating	Previous Final Rating								Stable from positive	ba1	ba1
Hindustan Petroleum Corporation Limited									New Final Rating	Previous Final Rating								Stable from positive	ba1	ba1
Indian Oil Corporation Ltd.*									New Final Rating	Previous Final Rating								Stable from positive	ba1	ba1
Petronet LNG Limited									New Final Rating	Previous Final Rating								Stable from positive	Not applicable	Not applicable
Financial Institutions																				
Export-Import Bank of India									New Final Rating	Previous Final Rating								Stable from positive	ba3	ba3
HDFC Bank Limited									New Final Rating	Previous Final Rating								Stable from positive	baa2	baa3
Indian Railway Finance Corporation Limited									New Final Rating	Previous Final Rating								Stable from positive	Not applicable	Not applicable
State Bank of India									New Final Rating	Previous Final Rating								Stable from positive	ba1	ba1
Structured Finance																				
AE-Rotor Holding B.V.									New Final Rating	Previous Final Rating								Not applicable	Not applicable	Not applicable

Note: *ONGC's local currency issuer ratings remain unchanged at Baa1 with a stable outlook

Source: Moody's Investors Service

Moody's related publications

Rating Action:

» Moody's upgrades India's government bond rating to Baa2 from Baa3; changes outlook to stable from positive, November 2017

Credit Opinion:

» Government of India - Baa2 Stable: Update following rating upgrade, November 2017

Issuer In-Depth:

» Government of India, Effective Implementation of Key Fiscal and Banking Sector Reforms Would Address Core Credit Challenges, May 2017

Sector In-Depth:

» India: FAQ on government's recapitalization plan, November 2017

» Oil & gas - India, ONGC's HPCL acquisition will increase leverage and linkages to the government, October 2017

Outlook:

» Banking System Outlook – India: Asset quality at trough levels drives stable outlook, August 2017

Endnotes

1 Committee established to review implementation of the Fiscal Responsibility and Budget Management Act, 2003 legislation that governs the fiscal framework of the Indian economy.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE