

External Commercial Borrowings

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Foreign Investments - Indian Scenario

Foreign Investment Inflows (\$ bn)

| | 2005-06 | 2006-07 | 2007-08 | Apr- Dec07 | Apr- Dec08 |
|------------------------------|---------|---------|---------|---------------|---------------|
| FDI | 9.2 | 23.0 | 34.9 | 17.7 | 24.7 |
| FII | 12.5 | 7.1 | 29.3 | 33.2 | -11.3 |
| ECB | 2.5 | 16.2 | 22.2 | 21.5 | 13.8 |
| NRI Deposit s | 2.8 | 4.3 | 0.2 | -0.9 | 2.0 |
| Total | 27.0 | 50.6 | 86.6 | 71.5 | 29.2 |

Foreign Investments - Indian Scenario

India's External Debt (\$ bn)

| | Mar 06 | Mar 07 | Mar 08 | Sep 08 |
|------------------|--------|--------|--------|--------|
| ECB | 26.5 | 41.5 | 62.5 | 60.3 |
| NRI Deposits | 36.3 | 41.2 | 43.7 | 40.6 |
| Trade | 5.4 | 7.2 | 10.4 | 12.1 |
| Total Long Term | 118.6 | 143.2 | 177.8 | 172.5 |
| Total Short Term | 19.5 | 28.1 | 47.0 | 50.1 |
| Total | 138.1 | 171.3 | 224.8 | 222.6 |

Foreign Investments - Indian Scenario

India's External Debt

(Per cent)

| | Mar 06 | Mar 07 | Mar 08 | Sep 08 |
|----------------------|--------|--------|--------|--------|
| Total Debt/GDP | 17.2 | 18.0 | 19.1 | -- |
| ST Debt/Total Debt | 14.1 | 15.6 | 20.9 | 22.5 |
| ST Debt/Reserves | 12.9 | 14.1 | 15.2 | 17.5 |
| Reserves /Total Debt | 109.8 | 116.2 | 137.8 | 128.6 |
| Debt Service Ratio | 9.9 | 4.7 | 4.8 | 4.3 |

Global Scenario

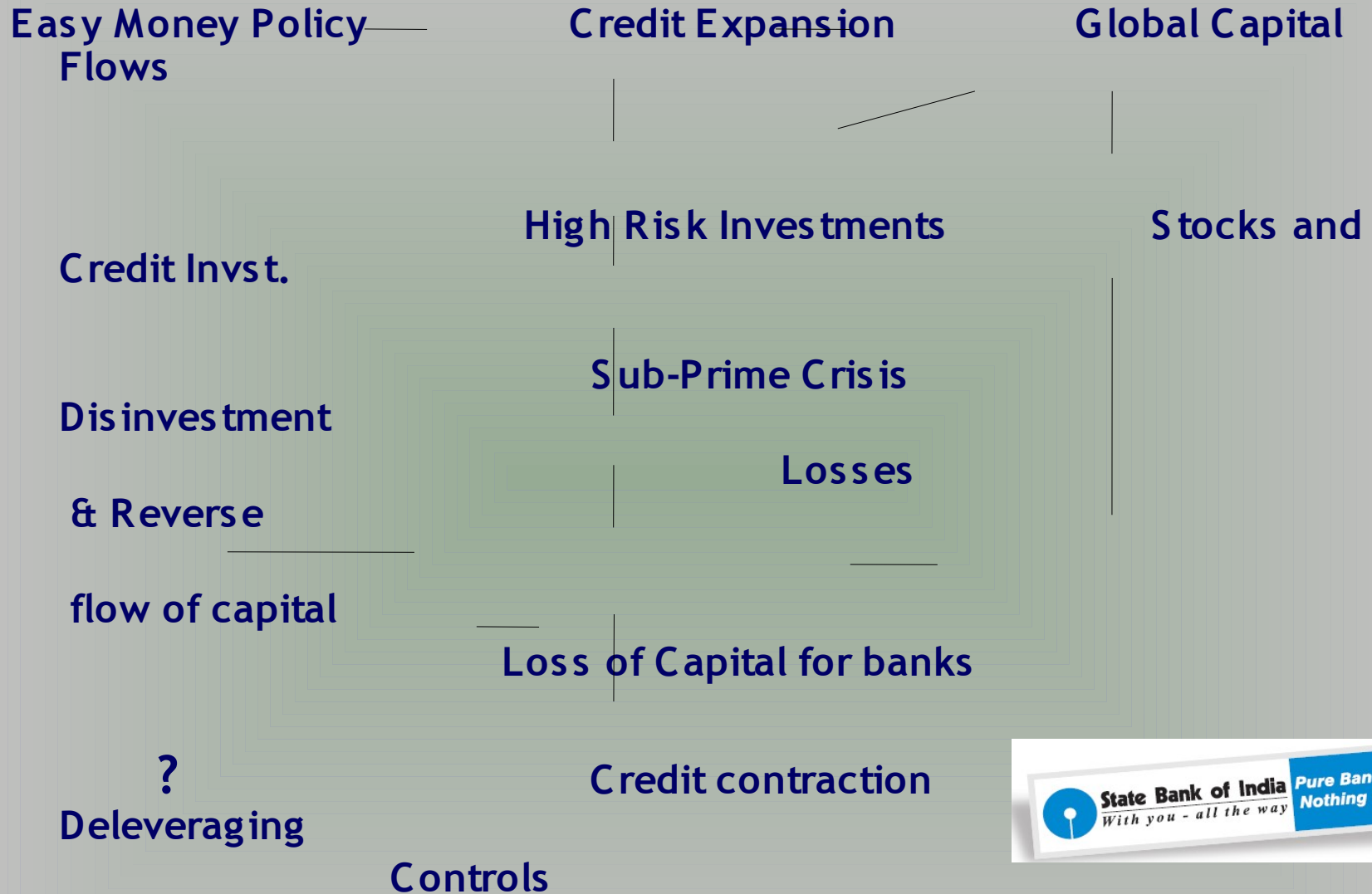
Gross External Debt / FX Reserves



Global Market Scenario

- **Global Capital Flows**
- **Appetite for Emerging Market Credit**
- **Liquidity of Funds**

Global Market Scenario



Global Market Scenario

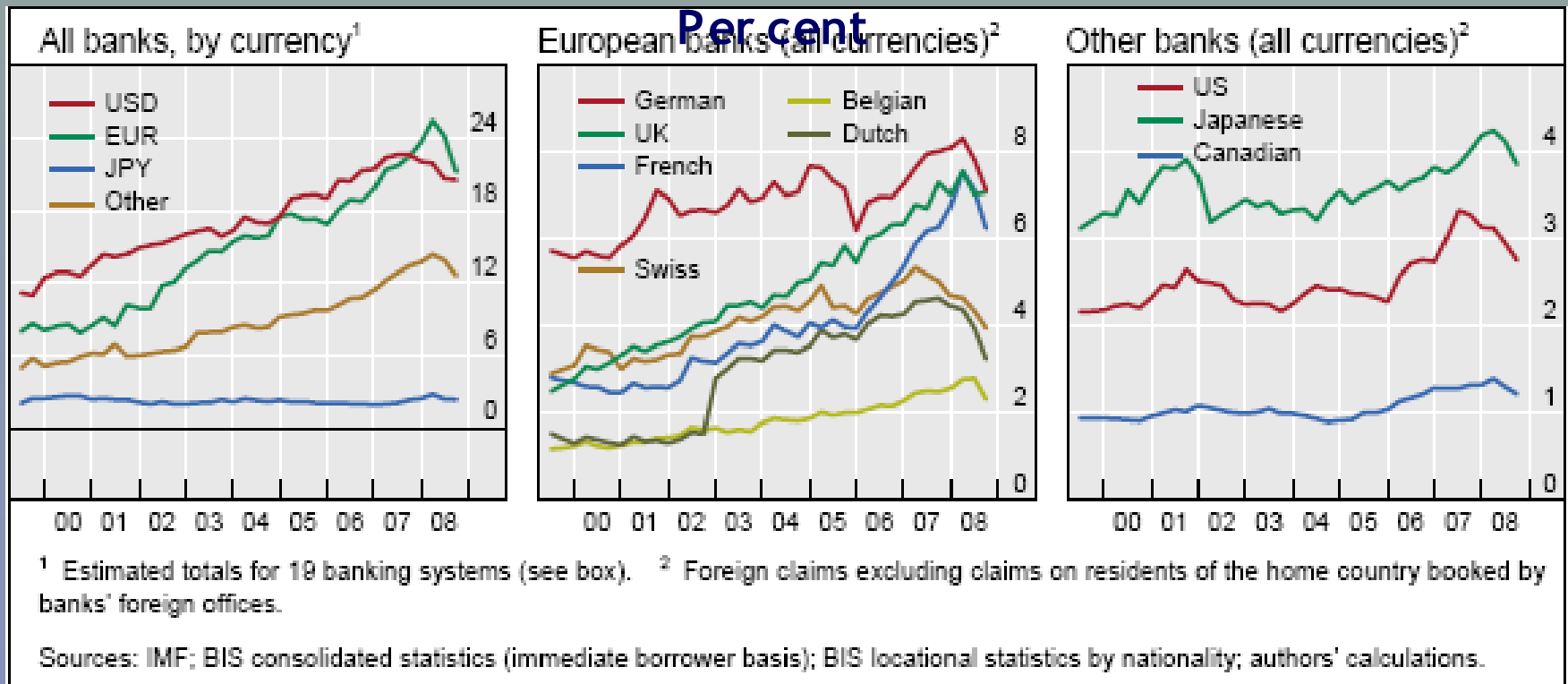
Global Liquidity Crisis

- Expansion of global banking activity
- Expansion of Banks' Global Balance Sheets and their appetite for foreign currency assets
- Accelerated by growth of Hedge Funds and emergence of structured finance industry and the spread of “universal banking”
- Funding needs in foreign currency, especially US dollars grows hugely
- European banks' funding needs at \$1.1 - 1.3 trillion by mid-2007
- Funded thru' borrowing in interbank market (\$400 bn), non-bank market participants, central banks (\$380 bn) and
(\$800 bn)



Global Market Scenario

Foreign Currency Exposures scaled by world GDP



Global Market Scenario

Shortage of US Dollars

- Term funds not rolled over due to disruptions in interbank markets
- Short term market tightened and became unstable
- Drying up of swap markets
- Withdrawals from Bank issued papers
- Large scale redemption of funds
- Withdrawal of reserve funds placed by Central banks with Commercial banks due to US \$ crunch
- Market became illiquid for \$ assets other than US Govt securities

Lines by Central Banks by co-ordinated policy with Federal Reserve thru' reciprocal \$ Sw



Current Indian Market Scenario

- **International banks**
 - *Vast Distribution capabilities, Large funding capabilities,*
 - Limited credit appetite*
 - *Liquidity, capital, exposure issues*
 - *Large deals not possible*
- **Indian banks**
 - *Vast credit appetite, Limited funding capabilities,*
 - Limited Distribution capabilities*
 - *Liquidity issues*



Current Indian Market Scenario

- **Market Revival Prospects**
 - *Global Capital Flows should resume*
 - *Demand from Corporates due to interest rate differential*
- **Regulations**
 - *Stable Policies / Guidelines*
 - *Control measures*
- **Market Structures and Instruments**
 - *Banks in India to develop liquidity and Distribution capabilities*
 - *Domestic Debt Capital market to be developed*
 - *Hybrid Instruments / Structured Products developed*





THANK YOU