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EXTERNAL SECTOR OUTLOOK

India's current account reverts to a deficit in Q2 FY2022; sharp widening expected in Q3 FY2022

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HIGHLIGHTS

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India's current account balance reverted to a deficit of US$9.6 billion in Q2 FY2022 from a surplus of US$6.6 billion in Q1 FY2022

With the large merchandise trade deficits seen in Oct-Nov 2021, we expect the current account deficit to exceed US$25 billion in Q3 FY2022

Overall, ICRA foresees a current account deficit of US$40-45 billion or 1.4% of the GDP in FY2022

India's current account reverted to a deficit of US$9.6 billion (-1.3% of GDP) in Q2 FY2022 from the surplus of US$6.6 billion (+0.9% of GDP) in Q1 FY2022, primarily led by a widening of the merchandise trade deficit (to US$44.4 billion in Q2 FY2022 from US$30.7 billion in Q1 FY2022). While the Q2 FY2022 print was somewhat smaller than our expectation, a considerable widening lies ahead, with the large merchandise trade deficits seen in October-November 2021, and the same being anticipated for December 2021. We expect the current account deficit (CAD) to print in excess of US$25 billion in Q3 FY2022, rivalling the size of the full year current account deficit in FY2020. Consequently, ICRA expects India's current account balance to revert to a deficit of around US$40-45 billion or 1.4% of GDP in FY2022, from the surplus of US$24.0 billion (+0.9% of GDP) in FY2021.

- **India's current account reverted to a deficit in Q2 FY2022:** After recording a surplus of US$6.6 billion (+0.9% of GDP) in Q1 FY2022, India's current account reverted to a deficit of US$9.6 billion (-1.3% of GDP) in Q2 FY2022. This was led by a widening of the merchandise trade deficit to US$44.4 billion in Q2 FY2022 from US$30.7 billion in Q1 FY2022, in conjunction with a rise in the net outflow of primary income to US$9.7 billion from US$7.5 billion. The services trade surplus narrowed slightly (to US$25.6 billion from US$25.8 billion), while the net inflow of secondary income fell marginally (to US$18.9 billion in Q2 FY2022 from US$19.0 billion in Q1 FY2022).

- **Forex reserves witnessed healthy accretion in Q2 FY2022 aided by SDR allocation by the IMF:** Net financial flows to India surged to US$40 billion in Q2 FY2022 from US$25.6 billion in Q1 FY2022 and were also higher than the levels seen in Q2 FY2021. This surge was largely aided by the SDR allocation of US$17.9 billion by the International Monetary Fund (on August 23, 2021) – excluding this, financial flows were lower than Q1 FY2022 levels. This helped offset the deterioration in the current account, leading to a healthy accretion to foreign exchange reserves of US$31.2 billion in Q2 FY2022.

- **Large trade deficits in October-November 2021 to push Q3 FY2022 CAD above full-year FY2020 levels:** The merchandise trade deficit has more than doubled to US$42.6 billion during October-November FY2022, from US$19.3 billion in October-November FY2021. Besides, early data for December 2021 suggests that the trade deficit will remain well above US$20 billion in the month. Thus, we expect the current account deficit to widen further and exceed US$25 billion in Q3 FY2022, surpassing the full year deficit seen in FY2020.

- **Current account to see a deficit of ~1.4% of GDP in full-year FY2022:** With the expected surge in deficit in Q3 FY2022, we project the current account to revert to a deficit of around US$40-45 billion or 1.4% of GDP in FY2022 from the surplus of US$24.0 billion (+0.9% of GDP) in FY2021. A widening current account deficit coupled with apprehensions of capital outflows owing to the spread of Omicron and the US Fed's policy normalisation moves are a cause of concern. However, India's large stockpile of foreign exchange reserves are expected to help absorb shocks to the currency. We expect the US$-INR cross rate to trade in a range of 74.0-78.0/US$ in Q1 CY2022.

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Overview

Current account reverted to a deficit in Q2 FY2022 after recording a surplus in the previous quarter owing to a surge in the merchandise trade deficit, and larger outflows of primary income.

Current account reverts to a deficit in Q2 FY2022: After recording a surplus of US$6.6 billion (+0.9% of GDP) in Q1 FY2022, India's current account reverted to a deficit, albeit lower-than-expected, of US$9.6 billion (-1.3% of GDP) in Q2 FY2022 (refer Exhibit 1 and 7). This was also in contrast to the surplus of US$15.3 billion (+2.4% of GDP) seen in Q2 FY2021. The turnaround in current account to a deficit in Q2 FY2022 from a surplus in Q1 FY2022 was led by the widening of the merchandise trade deficit (to US$44.4 billion in Q2 FY2022 from US$30.7 billion in Q1 FY2022), in conjunction with the deepening of primary income outflows (to US$9.7 billion from US$7.5 billion). Moreover, the size of services trade surplus and secondary income inflows eased marginally to US$25.6 billion and US$18.9 billion, respectively, in Q2 FY2022 from US$25.8 billion and US$19.0 billion in the previous quarter.

On a YoY basis, the merchandise trade deficit tripled to US$44.4 billion in Q2 FY2022 from US$14.8 billion in Q2 FY2021, with the expansion in merchandise imports (+65.1%) outpacing that in merchandise exports (+38.7%) in the quarter. As per the preliminary data released by the Ministry of Commerce and Industry, non-oil non-gold imports increased by 44.9% to US$91.8 billion in Q2 FY2022 from US$63.4 billion in Q2 FY2021, reflecting the pick-up in domestic demand after the second wave of Covid-19, as well as elevated commodity prices. Additionally, gold imports surged to US$16.1 billion in Q2 FY2022 from US$6.1 billion in Q2 FY2021, with a modest 6.4% fall in prices during this period. On a BoP basis, net oil imports doubled to US$23.5 billion in Q2 FY2022 from US$11.5 billion in Q2 FY2021.

Net outflows of primary income deepened mildly to US$9.7 billion in Q2 FY2022 from US$9.4 billion in Q2 FY2021. In contrast, the services trade surplus rose in Q2 FY2022 (in YoY terms; to US$25.6 billion from US$21.1 billion in Q2 FY2021), driven by the healthy increase in the net earnings related to telecom, communication and information (to US$27.2 billion from US$22.2 billion) and other business services (an inflow of US$1.4 billion in Q2 FY2022 against an outflow of US$0.7 billion in Q2 FY2021). Besides, net inflows of secondary income inched up to US$18.9 billion in Q2 FY2022 from US$18.4 billion in Q2 FY2021, led by the rise in personal transfers (to US$18.9 billion from US$18.4 billion).

Net financial flows to India surged to US$40 billion in Q2 FY2022 from US$25.6 billion in Q1 FY2022, aided by the SDR allocation of US$17.9 billion by the International Monetary Fund.

Net financial flows to India surged to US$40 billion in Q2 FY2022 from US$25.6 billion in Q1 FY2022 and were also higher than the levels seen in Q2 FY2021 (refer Exhibit 2). This surge was largely aided by the SDR allocation of US$17.9 billion by the International Monetary Fund (on August 23, 2021) – excluding this, financial flows were lower than Q1 FY2022 levels. While net inflows of external commercial borrowings rose multi-fold to US$4.1 in Q2 FY2022 billion from US$0.2 billion in Q1 FY2022, FPIs brought in US$3.9 billion into the country in Q2 FY2022, up from just US$0.4 billion in Q1 FY2022. However, net FDI inflows moderated to US$9.5 billion in Q2 FY2022 from US$11.7 billion in Q1 FY2022.

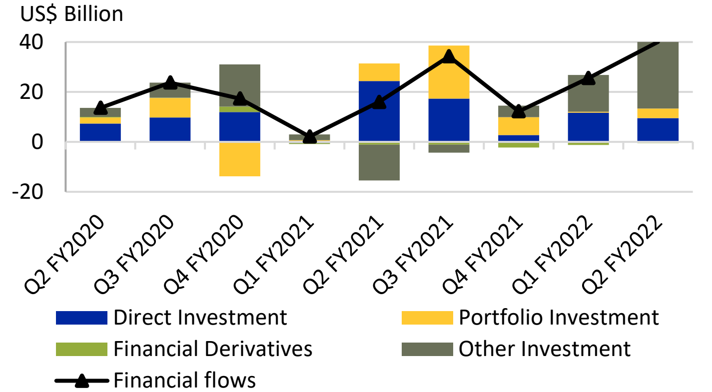
Overall, the reversion to a deficit on the current account was largely offset by the rise in financial flows, leading to a healthy accretion to foreign exchange reserves of US$31.2 billion in Q2 FY2022 (refer Exhibit 3). This was only marginally lower than the accretion of US$31.9 billion seen in Q1 FY2022.

EXHIBIT 1: Trends in India's Current Account

Figures in US$ billion	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022	Q2 FY2022	FY2020	FY2021	*FY2022 ICRA exp.*
Merchandise Exports	75.6	77.2	91.3	97.4	104.8	320.4	296.3	*407 to 409*
Merchandise Imports	90.4	111.8	133.0	128.2	149.3	478.0	398.5	*595 to 597*
Merchandise Trade Balance	**-14.8**	**-34.6**	**-41.7**	**-30.7**	**-44.4**	**-157.5**	**-102.2**	***-188 to -190***
Net Services	21.1	23.2	23.5	25.8	25.6	84.9	88.6	*102 to 104*
Primary Income	-9.4	-10.1	-8.7	-7.5	-9.7	-27.3	-36.0	*-35 to -37*
Secondary Income	18.4	19.3	18.9	19.0	18.9	75.3	73.6	*78 to 80*
Current Account Balance	**+15.3**	**-2.2**	**-8.1**	**+6.6**	**-9.6**	**-24.5**	**+24.0**	***-40 to -45***
Percentage of GDP	*+2.4%*	*-0.3%*	*-1.0%*	*+0.9%*	*-1.3%*	*-0.9%*	*+0.9%*	*-1.4%*

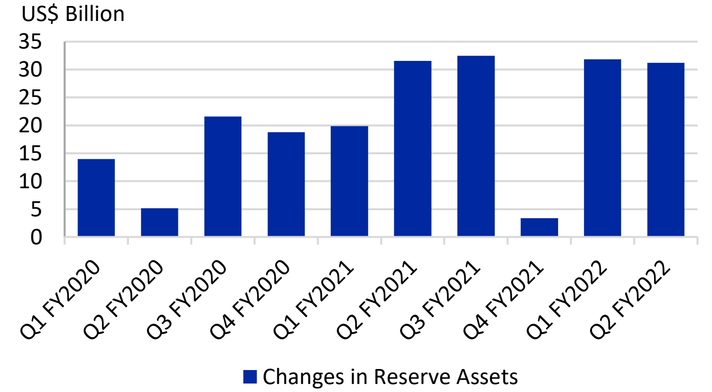
*Surplus (+)/Deficit (-); **Source**: RBI; CEIC; ICRA Research*

EXHIBIT 2: Trends in Financial flows to India



*"-"denotes outflows and vice versa; **Source**: RBI; CEIC; ICRA Research*

EXHIBIT 3: Trends in changes in India's reserve assets



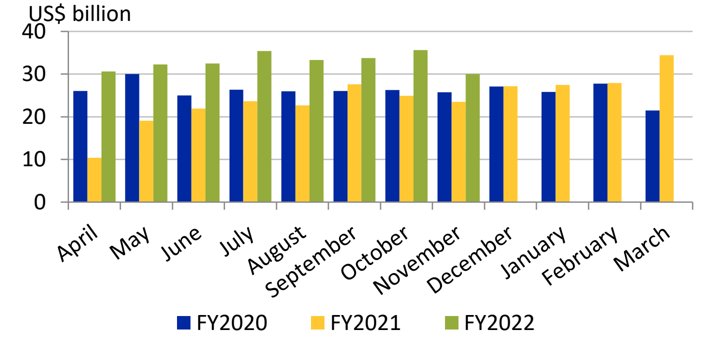
*Change in Reserve Asset [Increase (+)/Decrease (-)]; **Source:** ICRA Research*

CURRENT ACCOUNT DEFICIT TO INFLATE IN Q3 FY2022 AS MERCHANDISE TRADE DEFICIT WIDENS

Merchandise exports recorded a YoY growth of 35.3% in Oct-Nov FY2022; however, the absolute level of exports moderated in Nov 2021.

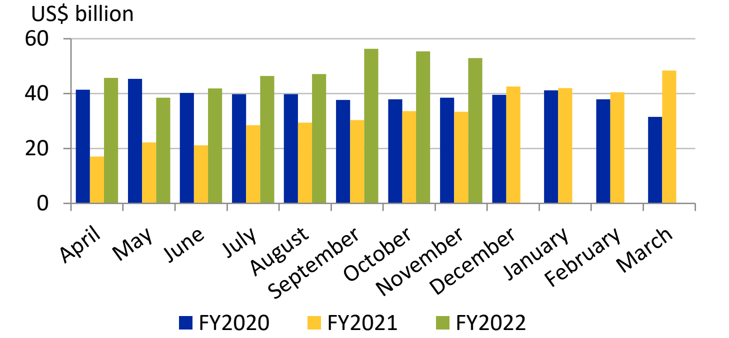
Trends in merchandise trade for October-November FY2022: The initial data released by the Ministry of Commerce and Industry indicates that merchandise exports in October-November FY2022 increased by a healthy 35.3% to US$65.7 billion on a YoY basis from US$48.5 billion in October-November FY2021 (refer Exhibit 4) and were a robust 26.3% higher than the pre-Covid level of October-November FY2020 (US$52.0 billion). This reflects a combination of the elevated commodity prices and continued demand from major export destinations. However, in monthly terms, merchandise exports dipped from the record high US$35.6 billion in October 2021 to US$30.0 billion in November 2021, the lowest monthly level of FY2022, dampened by the impact of festive holidays in early part of November 2021.

EXHIBIT 4: Monthly Trends in Merchandise Exports



*Surplus (+)/Deficit (-); **Source:** RBI, Ministry of Commerce and Industry, GoI; ICRA Research*

EXHIBIT 5: Monthly Trends in Merchandise Imports



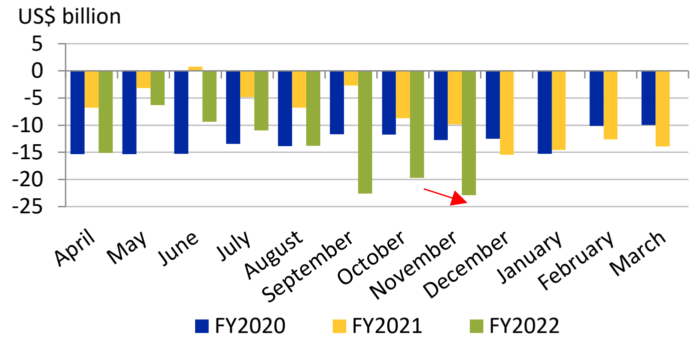
*Surplus (+)/Deficit (-); **Source:** ICRA Research*

The healthy YoY uptick in merchandise exports during Oct-Nov FY2022 was led by tripling of oil exports, a part of which was due to a subdued base.

The YoY uptick in merchandise exports during October-November FY2022 was led by tripling of the oil exports to US$9.3 billion in that period (+197%), from US$3.1 billion in October-November FY2021 (-57.0%), boosted by elevated crude oil prices (+93%) coupled with a low base (oil exports had shrunk when advance economies grappled with Delta variant and re-imposed lockdowns). Nevertheless, oil exports in October-November FY2022 exceeded the pre-Covid level of October-November FY2020 by a healthy 28%. Moreover, non-oil exports rose sharply by 24.2% YoY to US$56.4 billion from US$45.4 billion, respectively, and were also 26.0% higher than the pre-Covid level (US$44.7 billion). Notably, four items, engineering goods (absolute increase: US$5.4 bn; YoY growth: +44%; share of total rise in non-oil exports: +49%), organic and inorganic chemicals (+US$1.3 bn; +37%; +12%), gems and jewellery (+US$1.0 bn; +18%; +9%) and cotton yarn/fabrics, handloom products (+US$0.8 bn; +46%; +7%) accounted for a sizeable 77% of the total YoY increase of US$11.0 billion recorded in non-oil exports during Oct-Nov FY2022. Nevertheless, compared to the pre-Covid levels, exports of as many as 24 of the 29 non-oil commodities were higher in Oct-Nov FY2022.

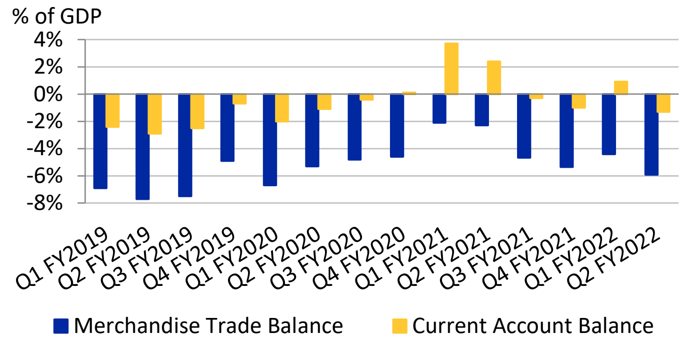
Merchandise imports expanded by a sharper 60% YoY in Oct-Nov FY2022, benefitting from sustenance of healthy demand and elevated global commodity prices with widening economic recovery.

EXHIBIT 6: Monthly Trends in Merchandise Trade Balance



Source: *Ministry of Commerce and Industry, GoI; ICRA Research*

EXHIBIT 7: Trends in Merchandise Trade Balance and Current Account Balance



Source: *Ministry of Commerce and Industry, GoI; ICRA Research*

The YoY trend in merchandise imports was broad-based during Oct-Nov FY2022.

Merchandise imports expanded by relatively sharper ~60% YoY to US$108.3 billion in October-November FY2022 from US$67.9 billion in October-November FY2021 (YoY: -11.3%; refer Exhibit 5), driven by the sustained domestic demand amid significantly higher commodity prices. Moreover, they exceeded the pre-Covid value of October-November FY2020 by a sizeable ~42%. The YoY trend was broad-based during October-November FY2022, reflecting a considerable rise in the imports of petroleum, crude and products (+136%; to US$29.1 bn in Oct-Nov FY2022 from US$12.3 bn in Oct-Nov FY2021) and non-oil non-gold items (+40%; to US$70.0 bn from US$50.0 bn). Additionally, gold imports grew to US$9.3 trillion from US$5.5 trillion, respectively, benefitting from the healthy festive and marriage demand with a modest 4% fall in prices during this period.

The YoY surge of US$19.8 billion in non-oil non-gold imports during October-November FY2022 was driven by coal, coke and briquettes (absolute increase: US$3.9 bn; YoY growth: +127%), electronic goods (+US$2.3 billion; +22%), organic and inorganic chemicals (+US$2.1 bn; +67%), machinery, electrical and non-electrical goods (+US$1.7 bn; +35%) and agricultural commodities (+US$1.7 bn; +58%). Compared to pre-Covid levels of October-November FY2020, imports of as many as 23 of the 28 non-oil non-gold items expanded in October-November FY2022, except for leather and leather products, transport equipment, project goods, newsprint, and raw cotton.

With a surge in merchandise trade deficit in Oct-Nov FY2022 relative to year-ago level, we expect the size of current account deficit to enlarge considerably in Q3 FY2022.

Merchandise trade deficit in October-November FY2022: With a sharper YoY expansion in merchandise imports (+59.6%) relative to exports (+35.3%) during October-November FY2022, the merchandise trade deficit more than doubled to US$42.6 billion in that period, relative to US$19.3 billion in October-November FY2021 (US$24.5 billion in October-November FY2020). The absolute YoY surge in trade deficit of US$23.3 billion in October-November FY2022 was broad-based, with oil (US$10.6 bn; +46% share), and gold (US$3.8 billion; +16%) accounting for a sizeable 62% of the rise in deficit. Moreover, the trade deficit of non-oil non-gold items widened by US$8.9 billion in October-November FY2022, relative to the year-ago level. In monthly terms, the deficit bloated to a record high US$22.9 billion in November 2021 from US$19.7 billion in the previous month, attributing to a relatively sharper sequential dip in exports (-15.7%) compared to imports (-4.4%) in November 2021, amidst the festive season in India (refer Exhibit 6).

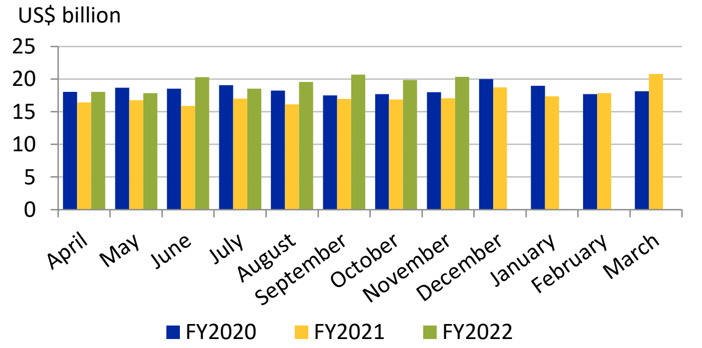
Early data for December 2021 suggests that the trade deficit will remain well above US$20 billion in the month.

Early data for December 2021 for merchandise trade: Despite the uncertainty engendered by the Omicron variant, merchandise exports have reportedly expanded by 36.2% in YoY terms during December 1-21, 2021, as per the early estimates shared by the Ministry of Commerce and Industry, although the momentum may slacken in the later part of the month during the year-end holiday period. On the other hand, domestic demand remains resilient, with merchandise imports recording a YoY expansion of 42.6% in the first two weeks of December 2021, as per the available information. Moreover, gold imports are expected to remain healthy in the ongoing month, attributing to the wedding season demand, weighing on the trade deficit. **Overall, the early data for December 2021 suggests that the trade deficit in this month will remain well above US$20 billion. In this scenario, we expect the current account deficit to print in excess of US$25 billion in Q3 FY2022, rivalling the size of the full year deficit in FY2020.**

We expect the current account deficit to print in excess of US$25 billion in Q3 FY2022, rivalling the size of the full year deficit in FY2020.

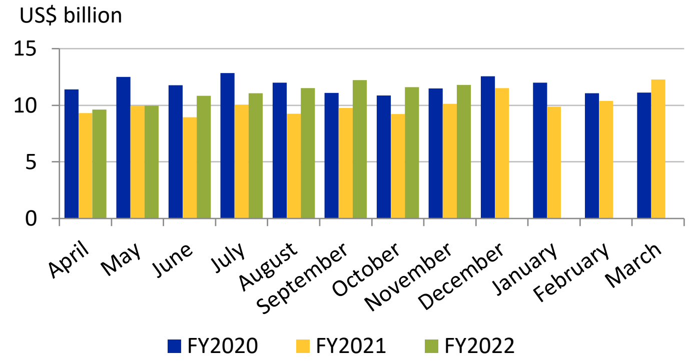
Trend for October 2021 for services trade: As per the data released by the RBI, services exports and imports witnessed a YoY growth of 17.5% and 26.0%, respectively, in October 2021 (-4.6% and -15.2%, respectively, in October 2020), and exceeded the respective pre-Covid levels of October 2019 by 12.1% and 6.8%, respectively (refer Exhibit 8 and 9). Accordingly, the services trade surplus rose by 7.3% YoY to US$8.2 billion in October 2021 and was a robust 20.6% higher than the October 2019 level. The initial data provided by the Ministry indicated a modest decline in the YoY growth of services exports and imports to 16.9% and 20.7%, respectively, in November 2021, compared to October 2021, with the trade surplus being largely steady at US$8.5 billion (US$8.2 billion in October 2021).

EXHIBIT 8: Monthly Trends in Services Exports



***Source:** RBI; Ministry of Commerce and Industry; ICRA Research*

EXHIBIT 9: Monthly Trends in Services Imports



***Source:** RBI; Ministry of Commerce and Industry; ICRA Research*

INDIA'S CURRENT ACCOUNT EXPECTED TO RECORD A SIZEABLE DEFICIT OF US$40-45 BILLION IN FY2022

Amidst container shortages and other supply-side constraints, major export destinations have imposed restrictions to contain the surge in Covid-19 cases and are considering trade curbs

Merchandise exports are expected to rise by ~38% to US$407-409 billion in FY2022, exceeding the target of US$400 billion.

The value of net oil imports is projected at US$102-104 billion in FY2022, unless Omicron constrain the mobility and demand

Gold imports appear set to spike to US$45-46 billion in FY2022

In its World Economic Outlook report released in October 2021, the IMF projected global output to grow by 5.9% in CY2021 and 4.9% in CY2022. Moreover, it expected trade volumes to expand by 10% in CY2021, and 7% in CY2022, faster than the projected global growth recovery. However, the overall trade recovery masks a subdued outlook for tourism-dependent economies and cross-border services, until the virus transmission declines durably. Moreover, the **recurring emergence of new variants of Covid-19 such as Omicron could further spur the pandemic's spread, leading to a re-imposition of stringent restrictions and delay the normalisation of contact-intensive cross-border services. Amidst continuing concerns regarding the timelines for the recovery in tourism back to pre-Covid levels, we expect the IT sector to continue to boost services exports.**

To contain the rapid spread of Covid-19, many European countries, the US, China and Canada have imposed strict restrictions and are also considering trade curbs, indicating that export momentum may not sustain in the coming months. **With a global economic recovery and associated rise in commodity prices, we expect merchandise exports to rise by ~38% YoY to US$407-409 billion in FY2022, exceeding the target of US$400 billion. However, we remain watchful of the evolving impact of surging Covid-19 cases and the Omicron variant in major economies, and elevated container freight rates. Moreover, supply-side constraints including container shortages, labour shortages, recurring Covid-19 restrictions across port regions, and congestion at ports could also impact the outlook for India's exports. Over the medium term, we expect the government's PLI scheme to help in enhancing overall India's competitiveness of manufacturing exports.**

The average price of the Indian crude oil basket eased from US$82.0/barrel in October 2021 to US$80.5/barrel in November 2021, supported by the release of strategic reserves by the US (50 million barrels) and other countries, namely, China, Japan, India, South Korea and UK (cumulative 10-20 million barrels). Moreover, prices were weighed down by the announcement of classifying Omicron as a variant of concern by the World Health Organization on November 26, 2021. Subsequently, average oil prices have corrected by a significant 9.2% to US$73.1/barrel in December 2021 so far (up to Dec 30, 2021), following fresh localised restrictions and air travel curbs imposed by major economies (such as the US, Europe and India) amid the growing Omicron threat. However, prices have recovered modestly in recent sessions after some recalibration of evolving demand and supply dynamics.

We expect the Indian basket of crude oil to average at ~US$75-77/barrel in Q4 FY2022, with rising concerns over sustained demand and growth triggered by the Omicron variant. Domestically, if more restrictions are imposed with rising infection rate, it may dampen the mobility and weigh on fuel demand and net oil imports in the immediate term. Net oil imports during Apr-Nov FY2022 stood at a high US$64.1 billion, exceeding the level of FY2021 as a whole (US$56.7 billion), as well as the pre-Covid period of Apr-Nov FY2020 (US$56.2 billion) by ~13-14%. **Overall, the value of net oil imports is projected to rise to ~US$102-104 billion in FY2022 from US$56.7 billion in FY2021 and US$88.0 billion**

With a healthy trend seen in recent months, non-oil non-gold imports may expand to ~US$380-390 billion in FY2022, unless Omicron act as dampener of the domestic demand and derail the meaningful pick-up in investment activity in remainder of FY2022

Merchandise exports and imports to rise by ~38% and a steep ~50%, respectively, in FY2022

ICRA expects India's current account to revert to a sizeable deficit of US$40-45 billion or around 1.4% of GDP in FY2022, led by anticipated surge in deficit during Q3 FY2022

in FY2020, unless a surge in Covid cases leads to stringent restrictions on domestic mobility, or global crude oil prices ease meaningfully following the restrictions being seen in major economies.

Despite elevated prices, gold imports have surged to US$33.3 billion in April-November FY2022, a decadal high in terms of the level seen in the first eight months of a fiscal year (FY2012: US$38.2 billion), benefiting from the robust wedding and festive season demand. This was nearly 62% higher than the pre-Covid level of April-November FY2020. **We expect gold imports to spike to ~US$45-46 billion in FY2022 from US$34.6 billion in FY2021 and the low US$28.2 billion recorded in FY2020, unless renewed restrictions result in a postponement of wedding demand.**

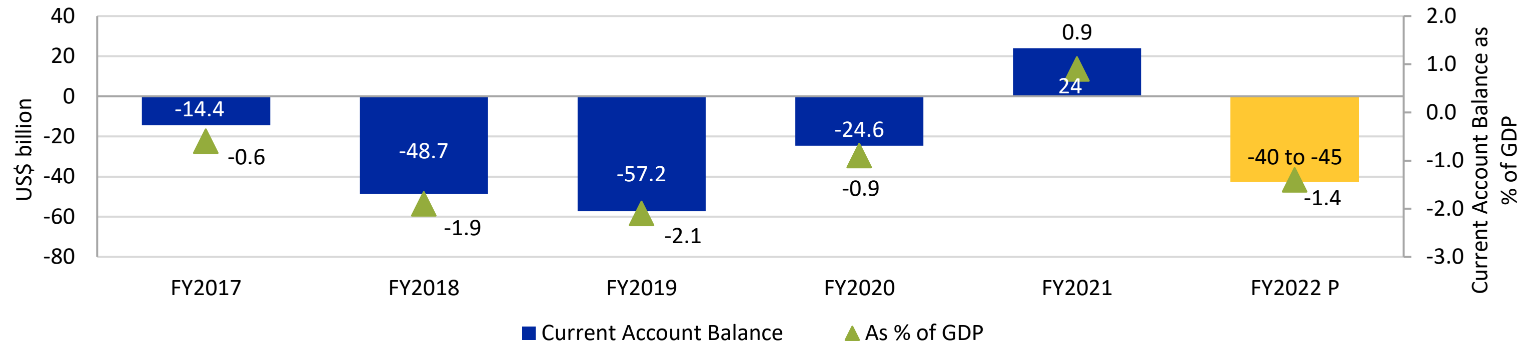
Non-oil non-gold imports expanded by 54% YoY to US$248.9 billion in April-November 2021 and were also 16% higher than the April-November FY2020 level, with a broad-based uptick across various commodity groups reflecting rising commodity prices, the expectation of healthy festive demand and a turnaround in domestic economic activity. The expectations of a sustenance of domestic consumption amid elevated commodity prices is likely to increase the average non-oil non-gold imports in the remainder of FY2022 to US$33.5 billion/month from US$31.1 billion/month in Apr-Nov FY2022, unless Omicron dampens domestic demand if restrictions intensify across states. **ICRA expects non-oil non-gold imports to expand to ~US$380-390 billion in FY2022 from US$274.4 billion in FY2021 and US$312.8 billion in FY2020.**

Overall, ICRA expects merchandise exports and imports to rise by 38% to ~US$407-409 billion and a steep 50% to US$595-597 billion, respectively, in FY2022. Consequently, the merchandise trade deficit is expected to surge to ~US$188-190 billion from US$ 102.4 billion in FY2021. The global economic recovery is expected to boost India's services trade surplus by ~17% in FY2022, partially offsetting the higher merchandise trade deficit. Following the surge in merchandise trade deficit, ICRA expects India's current account to revert to a sizeable deficit of US$40-45 billion (-1.4% of GDP; refer Exhibit 10) in FY2022 from a surplus of US$24.0 billion (+0.9% of GDP) in FY2021. While the size of the deficit in FY2022 is likely to exceed the FY2020 level (US$24.6 billion), it will continue to remain at comfortable levels in the current year.

The uncertainty engendered by the recent surge in infections owing to the spread of the Omicron variant across the globe poses risks to our forecasts. If India were to witness a third wave of infections in Q4 FY2022, leading to restrictions across the country, this would likely hurt imports more than exports – in this case the current account deficit would be lower than our projections. The intensity and duration of the spread of the virus and the associated restrictions would determine the extent of the impact of the current account deficit.

Notwithstanding the surge in merchandise trade deficit during September-November FY2022 and the expected deterioration in India's current account position in FY2022, India's large stockpile of foreign exchange reserves provide cushion against any potential capital outflows owing to concerns around the spread of Omicron and the US Fed's policy normalisation moves. Thus, while the INR/USD cross rate is expected to be volatile in H1 CY2022, any sharp one-sided moves in the currency are unlikely. Overall, we expect the US$-INR cross rate to trade in a range of 74.0-78.0/US$ in Q1 CY2022.

EXHIBIT 10: Current Account Balance (absolute and as % of GDP) and ICRA's expectations for FY2022



Deficit (-)/Surplus (+); P: Projected; ***Source:*** *RBI; ICRA Research*

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

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