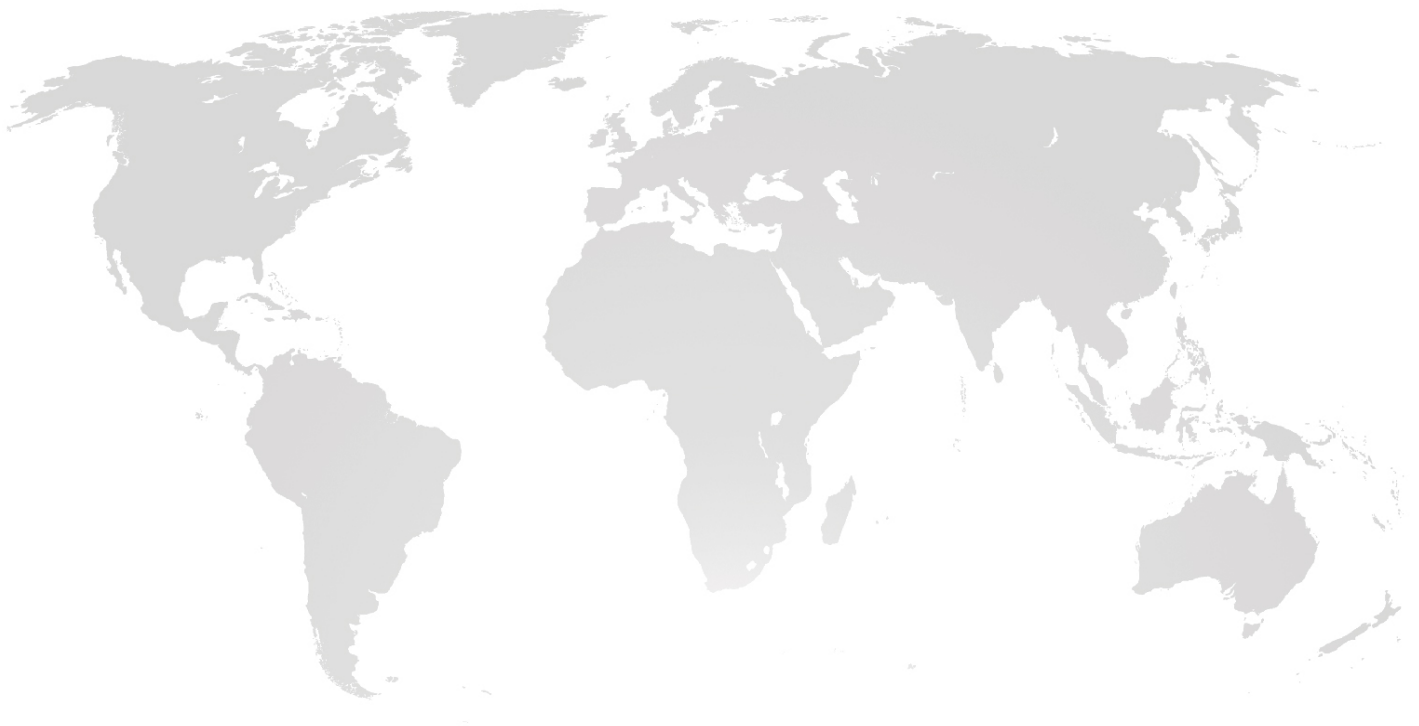


Country Insight Snapshot

India

June 2016





OVERVIEW

OVERALL COUNTRY RISK RATING: DB4b

Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

A

Rating Outlook:

Improving



CORE OUTLOOK

- + India will eventually benefit from a multi-year period of lower commodity prices and pro-productivity reforms.
- + Increased education spending and better access to healthcare should raise intangible wealth, while India's capital stock should grow somewhat faster in 2016-25.
- High costs for business reflect chronic supply-side problems and can outweigh the advantages of an early-stage market, and infrastructure plans lag requirements.
- Two-thirds of Indians depend on farm income, making India vulnerable to monsoonal disruption from climate change and El Nino.

KEY DEVELOPMENT

The rupee has demonstrated its stability, but its level in Q3 will be less certain in the wake of renewed international financial market uncertainty.

CREDIT ENVIRONMENT OUTLOOK

A

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

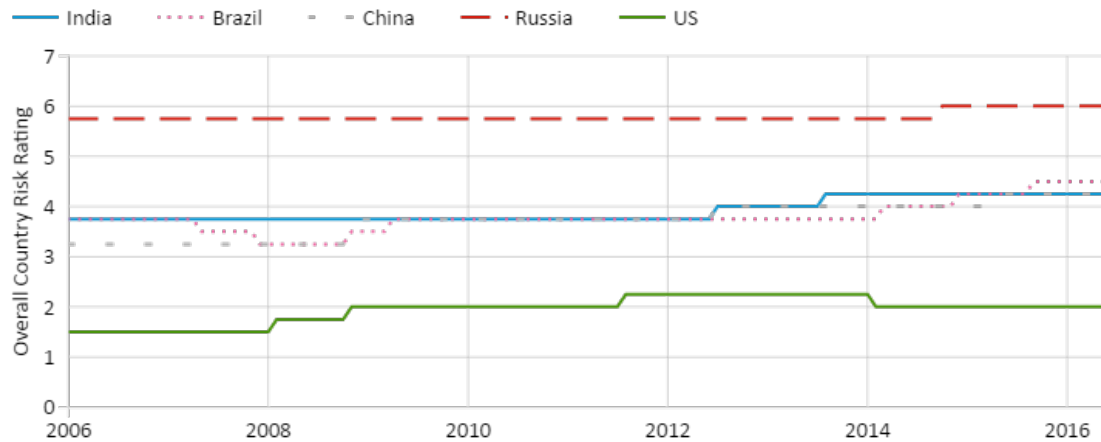
A

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

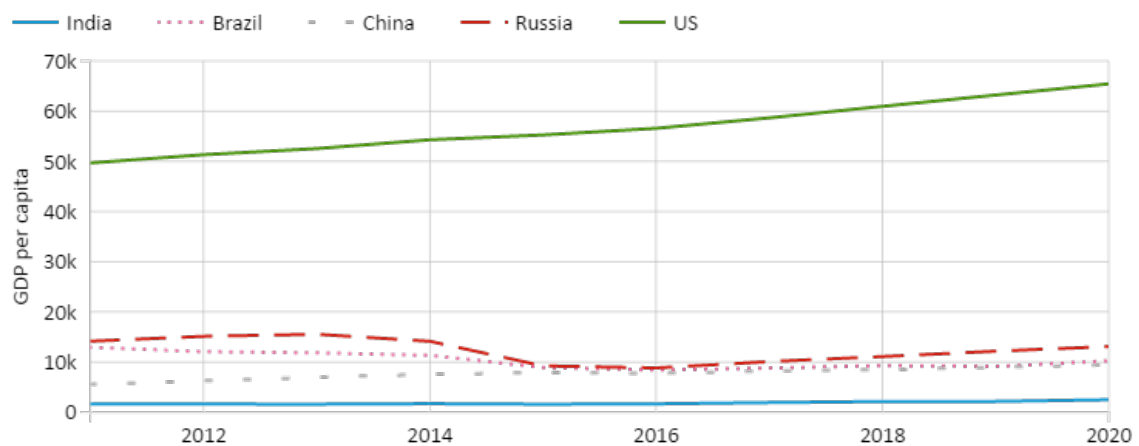
Rating History and Comparison



Source : Dun & Bradstreet

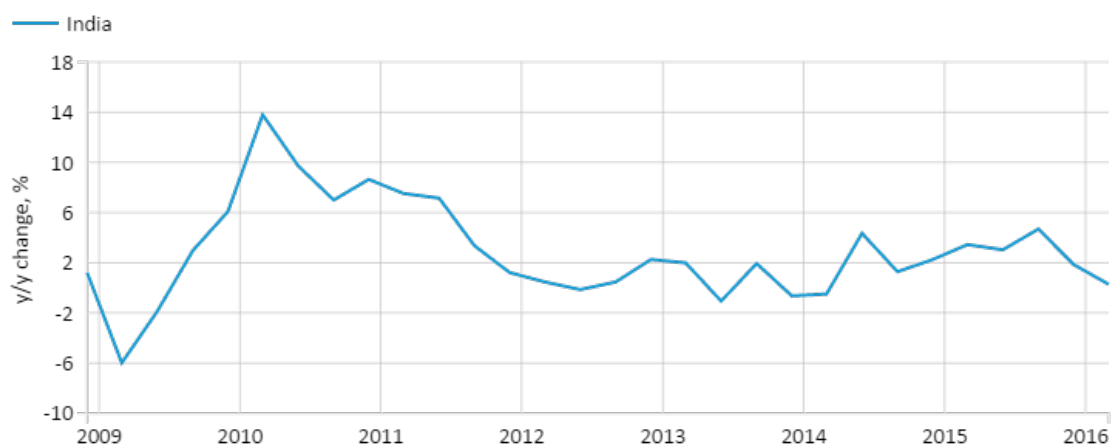
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-1.6	-1.2	-1.3	-1.2	-1.4	-1.8	-1.0	-1.5
Debt Service Ratio, %	5.9	7.5	7.8	8.0	7.9	7.3	7.3	7.3
Govt balance, % GDP	-4.1	-3.8	-3.9	-3.7	-3.4	-3.0	-3.5	-3.3
Inflation, annual avge %	9.4	5.9	4.9	5.4	5.9	6.5	7.0	6.3
Real GDP Growth, %	7.1	7.3	7.3	7.5	7.9	8.0	7.0	8.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The government has raised the foreign investment caps in critical sectors such as insurance (from 26% to 49%), telecoms (to 100%), defence (26% to 49%), and railways (construction, operation and maintenance segment opened to 100% FDI). The much-awaited Insolvency and Bankruptcy Code has also been passed: this will eventually help create a time-bound settlement of insolvency and enabling faster turnaround of businesses. Currently, on average it takes over four years to resolve a bankruptcy case in India - the new code seeks to reduce this to less than a year. Successful implementation will depend on the availability of a new professional class of licensed insolvency practitioners, while the efficacy of the Code's ranking of secured, unsecured and trade creditors will need to be demonstrated in practice. The Code will also be vital to assist banks in collecting debts. The banking sector has seen gross non-performing assets rise by over 80% since March 2015, while growth in bank credit to industry has stalled.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: LC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-2 months

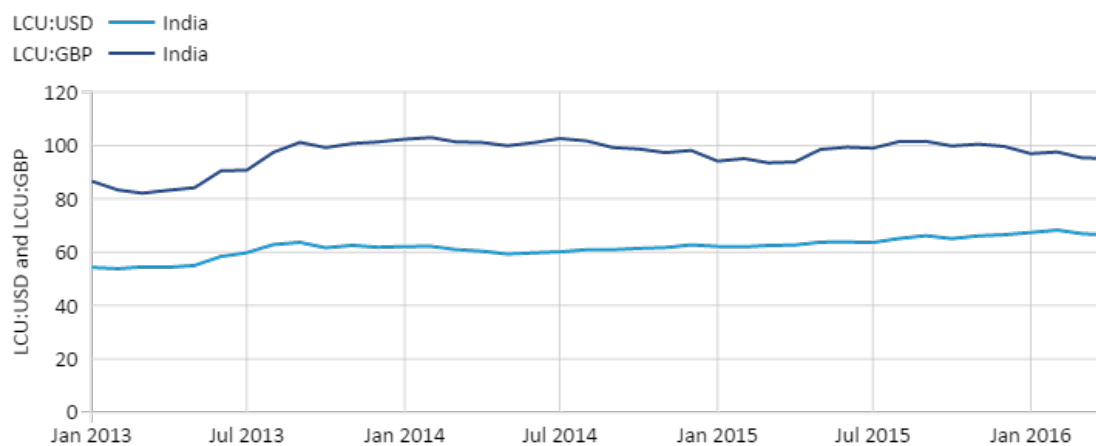
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



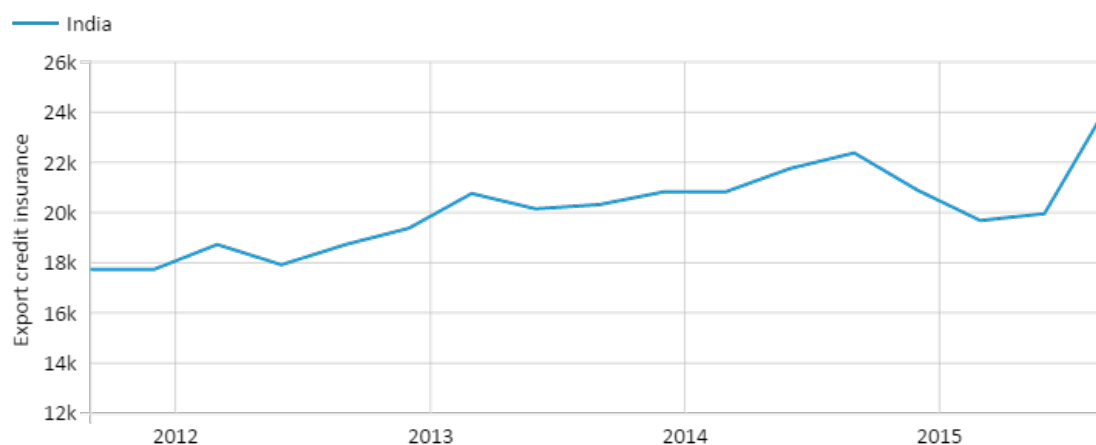
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Indian rupee

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, short-term, USDm



RISKS AND OPPORTUNITIES

FX Risk

Rupee's resilience faces challenges

The Indian rupee has been relatively flat against the US dollar so far in 2016, as the Reserve Bank of India continued to build up its FX reserves to act as a cushion in the event of future global uncertainties. The central bank is seen as generally more aggressive in buying dollars, than in selling, to control rupee liquidity in the local market and manage inflation pressures. The RBI's liquidity framework is an implicit baseline for the FX market, and suggests that the rupee may see little appreciation even if the dollar weakens and other emerging currencies manage to rally on the back of strong inflows into 2017.

A potential shock was the question of who will be replacing RBI governor Raghuram Rajan. In June, Rajan announced he would not extend his term, which briefly impacted local financial markets. Rajan had created a stable environment for investors in India in a context of global uncertainty, which is potentially at stake with his exit from the RBI. The shape of policy will depend on Rajan's successor, and how the incoming person reviews his policies on inflation and bad debts in the banking sector; the government will also be a factor after a new policy board structure at the RBI diluted the discretionary powers of the central bank governor.

The impact of Britain's referendum vote on the rupee via emerging market and India-specific FX dynamics in Q3-Q4 2016 remained unclear as of June. Initial evidence was of a slight increase in downward pressure on the US dollar-value of the rupee. That pressure could both be ameliorated by softer pricing conditions for crude oil in the event of protracted international financial market uncertainty, and be encouraged by inelastic demand for higher-priced imported gold.

Short-Term Economic Outlook

Delayed monsoon to revive rural demand

In June, all eyes were fixed on the monsoon rains to assess the potential inflationary or disinflationary pressures they could bring to bear. Onset of the Indian monsoon has been delayed for three years in a row. With a 25% deficit in rainfall during the first two weeks of June, the sowing of crops during this period is likely to have been affected. However, the June rainfall deficit should have narrowed as the month progressed and, after two consecutive years of sub-normal rainfall which had stressed rural demand, the monsoon is still projected by the Indian Meteorological Department to be normal or better than normal. Along with the 7th Pay Commission's recommendation for civil service salaries, a good monsoon is thus still expected to drive up consumption demand (and to revive rural demand especially). Near-term inflationary pressures are still evident after the sharp rise in CPI inflation in May 2016. But CPI inflation is projected to stay below 6.0%, as targeted, as progress of the monsoon, enhanced by the positive impact of La Nina phenomenon effects, is likely to improve the inflation scenario.



COUNTRY PROFILE AND STATISTICS

Overview

With close to 1.3bn citizens, India is the world's most populous democracy and second largest country. It became a sovereign republic in 1947 and joined the Commonwealth of former British colonies in 1950. India borders Pakistan to the northwest; China, Bhutan and Nepal to the northeast; and Bangladesh and Myanmar to the east.

India's diverse economy encompasses village farming, modern agriculture, handicrafts, modern industries, and services (the most dynamic sector). Until the 1990s, the economy was held back by stringent state controls, but these have been liberalised considerably, and in the 2000s the economy grew on average by over 7% a year. However, realising India's potential in the 2016-25 period will require addressing major challenges from chronic infrastructure constraints, restrictions on changes in land use, endemic poverty, an inefficient bureaucracy, and corruption, as well as overcoming political factors such as insurgencies in the northeast and the threat of communal violence.

Key Facts

Key Fact	Detail
Head of state	President Pranab MUKHERJEE
Capital	New Delhi
Timezone	GMT +05-30
Official languages	Hindi, English
Population (millions)	1,283.6
GDP (USD billions)	2,044
GDP per capita (USD)	1,592
Life expectancy (years)	67
Literacy (% of adult pop.)	69.3
Surface area (sq km)	3,287,260

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	5.4	6.3	7.1	7.3	7.3
Nominal GDP in USDbn	2,015	2,010	2,018	2,164	2,044
Nominal GDP in local currency (bn)	96,539	109,337	122,083	132,318	133,815
GDP per Capita in USD	1,645	1,619	1,604	1,703	1,592
Population (year-end, m)	1,224.6	1,241.5	1,258.4	1,270.9	1,283.6
Exchange rate (yr avge, USD-LCU)	47.92	54.41	60.5	61.14	65.47
Current Account in USDbn	-78.2	-87.8	-32.4	-26.7	-27.0
Current Account (% of GDP)	-3.9	-4.4	-1.6	-1.2	-1.3
FX reserves (year-end, USDbn)	270.1	268.8	275.1	300.7	334.5
Import Cover (months)	5.0	5.4	5.9	6.7	8.0
Inflation (annual avge, %)	8.1	9.9	9.4	5.9	4.9
Govt Balance (% GDP)	-5.3	-4.5	-4.1	-3.8	-3.9

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	7.5	7.9	8.0	7.0	8.0
Nominal GDP in USDbn	2,165	2,520	2,815	2,875	3,354
Nominal GDP in local currency (bn)	147,197	166,332	182,965	201,262	221,388
GDP per Capita in USD	1,670	1,925	2,128	2,152	2,486
Population (year-end, m)	1,296.5	1,309.4	1,322.5	1,335.8	1,349.1
Exchange rate (yr avge, USD-LCU)	68.0	66.0	65.0	70.0	66.0
Current Account in USDbn	-25.0	-35.0	-50.0	-29.0	-50.0
Current Account (% of GDP)	-1.2	-1.4	-1.8	-1.0	-1.5
FX reserves (year-end, USDbn)	310.0	370.0	384.5	396.0	407.9
Import Cover (months)	7.5	8.5	8.5	8.5	8.6
Inflation (annual avge, %)	5.4	5.9	6.5	7.0	6.3
Govt Balance (% GDP)	-3.7	-3.4	-3.0	-3.5	-3.3

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	India	Brazil	China	Russia	US
Income per Capita (USD)	1,592	8,907	7,897	9,233	55,262
Country Population (m)	1,283.6	208.8	1,376	143.5	321.8
Internet users (% of population)	18	57.6	49.3	70.5	87.4
Real GDP Growth (% p.a., 2016 - 2025)	6 - 8	1 - 2	3.5 - 6.5	1.5 - 3	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



LINKS

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