# NEWS RELEASE

Sep 19, 2025

Rating and Investment Information, Inc. (R&I) has announced the following:

**India** (Sec. Code: -)

**[Rating Changed]**

Foreign Currency Issuer Rating: BBB, Stable -> BBB+, Stable

**[Affirmed]**

Foreign Currency Short-term Debt Rating: a-2

**RATIONALE:**

India is a large-scale economy as indicated by its nominal gross domestic product (GDP) and is currently in the demographic dividend phase. Despite the uncertainties surrounding the global economic environment, India's economy can be expected to maintain firm growth thanks to the economic structures driven by domestic demand and the policies of the administration of Prime Minister Shri Narendra Modi. The government has made progress in reducing the fiscal deficit at a moderate pace, and the government debt ratio will likely fall. In addition, external stability has been strengthened, as seen in the current account deficit staying at a low level, the narrowing negative net international investment position and other factors. R&I has upgraded the Foreign Currency Issuer Rating to BBB+, based on the said factors including the recognition that the risk related to financial system is limited.

In FY2024 (the year ended March 2025), the real GDP grew by 6.5%. Besides the firm growth in private consumption and investment, the external demand also contributed. The economy showed good performance in the April to June period of 2025, recording 7.8% growth from the previous year's level. The United States has raised its tariff rate on India to 50%. While this may pose a risk factor for the economic outlook, India's economy is mainly driven by domestic factors and its dependence on exports to the US is not high. Taking also into account the reduction in the Goods and Services Tax (GST) rate scheduled for September, R&I views that the impact on the economy will be limited. The Reserve Bank of India (central bank) projects the real GDP growth for FY2025 at 6.5%. R&I believes that the economy will maintain the growth rate in the mid-6% range from FY2026 onwards, backed by the population growth, the catch-up effect of income, and the government's public investment and economic policy among other factors.

As for the current account balance, services balance centered on business process outsourcing and software development and secondary income balance contributed by remittances from overseas Indians maintain stable surpluses. However, the current account balance has been in deficit due to the trade balance deficit. The current account deficit was slightly less than 1% of GDP for FY2024 and will likely remain at a modest level. The external debt ratio to GDP is low and foreign exchange reserves are sufficient to cover imports and short-term external debts. The concern on an external front is small.

The government is striving to reduce the central government fiscal deficit, which narrowed to 4.8% of GDP in FY2024. While the government has been increasing capital expenditures, it has managed to reduce the fiscal deficit thanks to the tax revenue increase backed by the strong domestic demand as well as the cut of subsidies. In the government budget for FY2025, the government plans to constrain the fiscal deficit at 4.4%. In August 2025, the government announced the plan to simplify the GST to a two-tier structure, and will implement it in September. While the tax change will result in revenue losses due to tax rate reduction, the negative impact will likely be offset to some extent by the stimulation of private consumption. The possibility that the fiscal deficit will surpass the government plan considerably is limited, in R&I's view. The combined debt of central and state governments fell to around 80% to GDP at the end of FY2024. Although the level of debt remains high, R&I believes that it stands at a manageable level, given that the majority of debts are held by residential investors and given the high growth rate of nominal GDP.

The administration led by Prime Minister Narendra Modi has pushed ahead with economic policies aimed mainly at attracting foreign manufacturers to India, developing infrastructures, institutionalizing the legal framework to improve the business environment, reducing the reliance on energy imports and ensuring the economic security. While the government aims to make India a

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developed economy by 2047, it is necessary to accelerate the economic growth in order to achieve this goal. Eyes are on the government's moves to see whether it will be able to upgrade the economic growth structure, while tackling the social issues such as poverty and unemployment simultaneously with pursuing fiscal consolidation.

**R&I RATINGS:**
**ISSUER: India**

**[Rating Changed]**

| | Rating | Rating Outlook |
|---|---|---|
| Foreign Currency Issuer Rating | BBB+ | Stable |

**[Affirmed]**

| | Rating |
|---|---|
| Foreign Currency Short-term Debt | a-2 |

Primary rating methodologies applied:
R&I's Analytical Approach to Sovereigns [Jul 23, 2024]

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