Observations:

1. The rupee depreciation has been playing havoc on several macro aspects of India, giving sleepless nights to several market participants.

2. In that backdrop of rupee depreciation, one more element which can cause tremendous challenge to Indian banking system is "NRI Deposits".

3. As of 30th June 2011, the total NRI Deposits with all the Indian banks put together is about US$ 52.897 Bn.

4. Starting 1st July 2011 till date, the rupee has depreciated by 18% against dollar.

5. This naturally translates into an increased burden on the Indian banks in repaying the NRI Deposits. Such additional burden works out to US$ 9.47 Bn. That is, an additional burden of about Rs 49,000 Crores.

6. This additional burden is quite a significant amount, as it works out to about 9.61% of total networth of Indian banking system. (The total networth of Indian banking system is about Rs 5,09,891 Crores.)

7. The banks would have largely hedged such exposure with their other dollar-denominated business revenues. However, such an additional burden of about Rs 49,000 Crores cannot be completely wished away.

8. Further, out of this US$ 52.897 Bn of NRI Deposits, about US$ 43.434 Bn is in the nature of 'short term'. Meaning thereby, these short term deposits will be matured by 30th June 2012. If the rupee weakness persists, then such short term deposits may not be renewed (by NRIs) and may need to be redeemed.

9. Banks, RBI and the Government may need to be prepared for such eventuality of complete redemption demand of NRI Deposits by 30th June 2012.

10. Whichever way one looks at it, the rupee weakness has surely redesigned the 'Indian macro architecture', as we know. What needs to be seen is that whether the Indian economic system, Indian regulators and Indian market participants are prepared for this 'new' macro architecture.

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Particulars	**Total Amount (in US$ Bn)**	**Of this, Total Amount due by 30th June 2012 (in US$ Bn)**
FCNR(B) Deposits	16.14	13.027
NR(E)RA Deposits	26.19	22.628
NRO Deposits	10.57	7.779
Total	**52.90**	43.434
Rupee Depreciation	18%	18%
Additional Burden (in US$ Billion)	**9.47**	**7.78**
Additional Burden (approx. in INR Crores)	**49,264**	**40,451**

Thank You

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