

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Indian Railway Finance Corporation Limited (security code: -)

<Affirmation>

Foreign Currency Long-term Issuer Rating:	BBB+
Outlook:	Stable
Local Currency Long-term Issuer Rating:	BBB+
Outlook:	Stable

Rationale

- (1) Indian Railway Finance Corporation (IRFC) is a public financial institution founded under the country's Ministry of Railway (MOR) in 1986. Its primary function is to raise funds needed for the purchase of railway-related assets such as rolling stock used by the Indian Railways, a core segment of MOR, through lease financing. The ratings on IRFC strongly reflect the long-term issuer ratings (FC: BBB+/Stable and LC: BBB+/Stable) of the Government of India (GOI) based on, among others: (i) its strong capital and personnel relationships with GOI, (ii) government support and de facto revenue assurances as stipulated in a lease agreement, (iii) assured quality of assets leased only to MOR and (iv) its importance in GOI's industrial policy on railway operations.
- (2) IRFC has solid personnel relationships with GOI as exemplified by the fact that its chairman is concurrently served by a senior MOR official and that members of its Board of Directors are appointed by GOI. IRFC had been 100% owned by GOI. However, under its Union Budget for fiscal 2017/18, GOI announced a policy to conduct an IPO of some shares of the public enterprises affiliated with MOR including IRFC in order to improve accountability and upgrade corporate value. The IPO, which had been delayed, was carried out on January 18-20, 2021. The total amount of the IPO was INR 46.33 billion and GOI's shareholding ratio after the IPO was brought down to 86%. With GOI committed to keep holding more than 75% of IRFC's shares, JCR believes that their strong relationship will be retained in the future.
- (3) In actual operations, MOR purchases rolling stock based on the plans worked out by the Indian Railways. IRFC then purchases those assets from MOR and leases them back to MOR. In doing so, IRFC procures the funds needed for the purchase from the capital market and pays them to MOR. A standard lease agreement IRFC concludes with MOR is normally effective for 30 years and stipulates the lease rentals to be set to cover the cost of funds plus a prescribed margin. In addition, the payment of principal and interest on lease obligations by MOR is provided for in the Union budget, which is required to be approved by Parliament. These assure the profitability of IRFC's lease receivables. In fact, its ROA based on net profit has been staying stable at around mid-1% in recent years. The lease agreement stipulates that MOR shall pay lease rentals in advance when IRFC faces difficulties in repaying its own debt. However, this clause has never been invoked by IRFC since its inception.
- (4) IRFC's total assets have been on the increase, reaching INR 3.78 trillion (approximately JPY 5.7 trillion) at the end of fiscal 2020/21, up 37.2% from the year before. Particularly contributing to the expansion of assets in recent years is lease receivables related to MOR's railway infrastructure buildup plan. The lessee here is exclusively MOR, which means that the quality of assets is quite stable. IRFC's financial base also stays stable even amid a substantial increase of its borrowings in line with the expansion of assets thanks to GOI's continuing capital injection. Its capital adequacy ratio stands at about 9.5%, with its D/E ratio kept at around 9 times, well below the 10 times or less as defined by its internal rules. IRFC's borrowings may increase further in the future in keeping with the expansion of railway operations in India. Therefore, a stable profit accumulation and a continued capital increase will be essential for IRFC to maintain its sound financial position. The government continues its support as evidenced by the increase of IRFC's authorized share capital in fiscal 2020/21. JCR will watch a further capital injection in the future.

Atsushi Masuda, Hiroshi Tonegawa

Rating

Issuer: Indian Railway Finance Corporation Limited

<Affirmation>

Foreign Currency Long-term Issuer Rating: BBB+

Outlook: Stable

Local Currency Long-term Issuer Rating : BBB+

Outlook: Stable

Rating Assignment Date: December 3, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "Sovereign and Public Sector Entities" (October 1, 2021) and "Leasing" (July 1, 2013) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Indian Railway Finance Corporation Limited
Rating Publication Date:	December 8, 2021

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Legal Protection and Support Provided by the Government

The likelihood of a given debt payment is highly conditional to the issuer's legal protection provided by the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement, and other forms of the government's supporting policy, framework and the strength thereof.

B) Business Bases

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

C) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

D) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Legal Protection and Support Provided by the Government

The credit rating is subject to alteration if there is a change in the issuer's legal support by the government, personnel or capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

C) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the

issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

D) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating is subject to alteration if there is a change in the creditworthiness of the government, etc. that constitute the framework of credit enhancement. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change on such framework is exceptionally large.

G) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Legal Protection and Government Support

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's legal protection provided by

the government, personnel and capital relationship with the government, importance in the government's policy, credit enhancement and other forms of the government's supporting policy, framework and the strength thereof. The resultant change of the credit rating is most likely by one notch, as JCR stipulates, but possibly as much as a few notches if the change in the government's supporting policy is significant.

B) Business Bases

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

C) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

D) Creditworthiness of the Government, etc. that Constitute the Framework of Credit Enhancement

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the creditworthiness of the government, etc. that constitute the framework of credit enhancement. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches should the creditworthiness of said government, etc. change so greatly.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	January 30, 2007	BBB	Positive
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	August 2, 2007	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	February 29, 2008	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	April 9, 2009	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	March 5, 2010	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	February 23, 2011	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	March 9, 2012	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	March 22, 2013	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	December 13, 2013	BBB+	Negative
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	February 13, 2015	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	February 24, 2016	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	January 30, 2017	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	October 25, 2017	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	January 31, 2019	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	January 30, 2020	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(FC)	April 6, 2021	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	January 30, 2007	BBB	Positive
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	August 2, 2007	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	February 29, 2008	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	April 9, 2009	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	March 5, 2010	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	February 23, 2011	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	March 9, 2012	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	March 22, 2013	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	December 13, 2013	BBB+	Negative
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	February 13, 2015	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	February 24, 2016	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	January 30, 2017	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	October 25, 2017	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	January 31, 2019	BBB+	Stable

The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	January 30, 2020	BBB+	Stable
Indian Railway Finance Corporation Ltd.	Issuer(Long-term)(LC)	April 6, 2021	BBB+	Stable

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Toshihiko Naito
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