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Morningstar DBRS Upgrades India to BBB, Trend Changed to Stable

Industry Group: Public Finance – Sovereigns
Region: Asia

DBRS, Inc (Morningstar DBRS) upgraded the Republic of India's Long-Term Foreign and Local Currency – Issuer Ratings to BBB from BBB (low). At the same time, Morningstar DBRS upgraded the Republic of India's Short-Term Foreign and Local Currency – Issuer Ratings to R-2 (high) from R-2 (middle). The trend on all ratings has returned to Stable from Positive.

KEY CREDIT RATING CONSIDERATIONS

The upgrade reflects Morningstar DBRS's view that the cumulative and ongoing benefits of India's structural reform efforts are facilitating fiscal consolidation and helping sustain India's high potential growth rate. The upgrade also reflects a more resilient banking system. The successful implementation of reforms coupled with infrastructure investment and rapid digitalization have helped drive India's recovery in the post-pandemic period, with GDP expanding on average by 8.2% from FY22 (April 2021 to March 22) – FY25. Fiscal consolidation remains on track with improvements in transparency of government accounts and the quality of spending. Furthermore, Indian banks are in a strong position to support growth, with the ratio of non-performing loans-to-total loans falling to 2.5%, its lowest level in 13 years. The credit rating action is supported by improvements in the "Fiscal Management and Policy" and "Monetary Policy and Financial Stability".

From a cyclical perspective, the country's macroeconomic balances look healthy. Inflation has returned to the Reserve Bank of India's (RBI) tolerance band of 4±2 percent. The external sector is strong, and a sound policy framework has helped the economy navigate challenging global conditions. While the imposition of U.S tariffs adds uncertainty to the outlook, India looks comparatively well-positioned, given the low level of goods exports to the U.S. and the domestic-driven nature of the Indian economy. The IMF's April 2025 World Economic Outlook projects that India will remain one of the world's fastest growing economies through the end of the decade.

India's BBB credit rating balances India's public finance challenges with the economy's high growth potential. Despite recent improvements, India's perennially large fiscal deficits and elevated government debt levels characterize the country's credit profile. On a general government basis, the public debt-to-GDP ratio has moderated since the shock of the pandemic but remains high at 80.2% in FY25. On the other hand, structural factors of the economy, such as relatively high domestic savings and favorable demographics, continue to underpin the country's high growth potential. India's well-regulated financial system, credible inflation-targeting regime, and flexible exchange rate also enhance the economy's resilience to shocks. While we are closely watching recent developments in Kashmir, we expect these tensions to remain contained within the region and do not anticipate a meaningful impact on India's medium-term growth prospects or creditworthiness.

CREDIT RATING DRIVERS

Morningstar DBRS could upgrade the credit ratings if a combination of the following occurs: (1) continued implementation of reforms that raises the country's investment rate and thereby improves medium-term growth prospects, and (2) further material reduction in the public debt-to-GDP ratio.

Morningstar DBRS could downgrade the credit ratings if one or a combination of the following occurs: (1) the debt-to-GDP ratio materially increases over the medium term, or (2) if there is a weakening in the country's macroeconomic policy framework.

CREDIT RATING RATIONALE

Global Trade Tensions Dampens Outlook, But India's Economy is Largely Domestic Driven and Resilient

Rising trade tensions are adversely impacting global growth expectations. The IMF recently revised its global growth forecast down from 3.3% to 2.8%. Although heightened external risks due to the imposition of U.S. tariffs could impact growth in the coming quarters, the Indian economy is not particularly reliant on trade. The IMF expects India to growth 6.2% in 2025 and 6.3% in 2026.The Reserve Bank of India is slightly more optimistic with GDP growth forecasts of 6.5% in FY26 and 6.7% for FY27. While the near-term outlook is clouded by external risks (i.e. Tariff uncertainty, geo-political tensions, etc.), India's favorable demographics, high savings, and potential catch-up in technological capabilities suggest that India's medium-term growth prospects remain strong. Government efforts to improve the investment climate and build out both physical and digital infrastructure reinforce the country's medium-term growth prospects.

The government has ramped up the country's physical infrastructure capacity in recent years, focusing on the construction of roads, railways, airports and seaports. Due to these initiatives, over the course of the last 8 years the length of national highways has increased 1.5 times, from 91,287 km in FY15 to 146,195 km as of December 2024. Similarly, the length of electrified rail route has more than doubled from 22,224 km to 67,723 km as of February 2025. In this same period, the number of airports has also more than doubled, from 74 to 159, and cargo handled at ports grew from 581 million tons to 819 million tons in FY24. The improvement in efficiency is reflected in waiting times at the toll plaza decreasing from 12 minutes to 47 seconds and container turnaround time at ports dropping by over 50% in the last few years. The cumulative and ongoing effects of these reforms coupled with the reorganization of global supply chains bode well for the investment outlook.

Furthermore, India’s rapidly evolving public digital infrastructure is facilitating innovation, productivity improvements, and access to services. The Jan Dhan—Aadhar--Mobile (JAM) trinity, which links bank accounts, Aadhaar IDs, and mobile numbers, has increased financial inclusion to 80% in 2024. This coupled with the Unified Payments Interface (UPI), a public platform for digitalizing retail payments, has exponentially increased the volume of digital payments. Backed by sound regulation, India’s digitalization push across banking and financial services, commerce, logistics, and healthcare is transforming India from an inefficient and informal cash economy toward a more electronic, efficient and formal economy. Over the past decade, digital enabling industries have growth at 17.3%, significantly higher than the 11.8% nominal growth for the economy as a whole. India’s digital economy is projected to contribute to nearly one-fifth of the country’s overall economy by 2030. The continuation of these trends could strengthen India's fiscal accounts and help sustain the country's relatively strong growth outlook. Please see India’s Rapid Strides in Digitalization Bodes Well for the Fiscal Accounts and the Economy. India’s strong growth prospects have a positive impact on our ‘Economic Structure and Performance’ building block assessment.

High Deficits Remain A Credit Weakness, But Post-Pandemic Fiscal Consolidation Continues

India’s fiscal space has historically been limited by its low revenue base and high non-discretionary expenditures, resulting in its poor score in the Fiscal Management and Policy building block. India’s general government deficit (center and state), which averaged 7.2% for two decades prior to the pandemic, rose to 13.1% in FY21. Since then, the government has been consolidating fiscal accounts and improving transparency (e.g. food subsidies linked to the Food Corporation of India are now above the line). The economic recovery and the unwinding of pandemic measures resulted in the general government deficit narrowing to 7.9% in FY24. The IMF estimates that the general government deficit will fall to 7.4% in FY25 and then gradually decline to 6.8% by FY30. The central government deficit, which rose from 4.6% of GDP in FY20 to 9.2% during the pandemic, narrowed to 4.7% in FY25, with the government setting a target of 4.4% of GDP for FY26. Encouragingly, the central government announced a new glide path with debt-GDP as the fiscal anchor. This entails a gradual reduction in the deficit through FY31 such that central government debt remains on a declining path from 55.9% of GDP in FY25 to roughly 50 per cent by FY31. Please see India Budget Focuses On Growth With Fiscal Consolidation Amid Global Uncertainty.

The government has been taking measures to raise revenues and increase the efficiency of expenditures. In addition to the successful implementation of the Goods and Services Tax Bill (GST), progress on rationalization of tax rates, financial inclusion and digitalization, has helped increase tax buoyancy. On the expenditure front, the switch to direct transfers for subsidy payments and the market-based pricing of fuels has created some space for increased health and education expenditures. Furthermore, following the pandemic, the quality of expenditure has seen an improvement with a focus on increasing infrastructure expenditure and reducing subsidies. This is reflected in India’s budgetary allocations to capital expenditure that have doubled from 1.6% of GDP in FY19 to 3.1% of GDP in FY25. Capex as a percentage of total expenditures has risen from 12.3% in FY18 to 21.6% in FY25. Morningstar DBRS sees this as credit positive as it bodes well for medium-term growth and positively influences our assessment of the “Fiscal Management and Policy” building block.

Public Debt Levels Are High But Risks to Debt Sustainability Are Limited

The pandemic resulted in India's public debt-to-GDP rising from 75% of GDP in FY20 to 88.4% in FY21. Since then, the economic recovery and the removal of the stimulus has resulted in the debt-to-GDP ratio trending lower to 80.4% in FY25. The weighted average cost of borrowing across all maturities remains high at 7.3%, and India's interest payments as a percentage of GDP is elevated at 5.4%, which is higher than its emerging market peers. That said, given India's growth prospects and digital measures to increase fiscal efficiency, Morningstar DBRS expects a steady but gradual consolidation of fiscal accounts in the coming years. In its latest World Economic Outlook, the IMF estimates India's general government debt ratio will gradually decline to 78.3% by the end of its forecast horizon in 2030.

Despite the high public debt ratio, Morningstar DBRS believes the risks to debt sustainability are relatively low. India's public debt is almost entirely denominated in local currency and is characterized by a long maturity structure (12 years) as well as fixed interest rates. Public external debt is marginal at 2.6% of GDP, most of which is on concessionary terms from multilateral and bilateral lenders. Moreover, the statutory liquidity requirements create a captive domestic market for government debt. At the same time, limits on foreign portfolio investments in government bonds are being increased incrementally, thereby expanding the pool of funds for government securities and diversifying the investor base. A new development in 2024 was the inclusion of Indian government bonds in global bond indices.

RBI Begins Its Easing Cycle as Inflation Falls Within Its Tolerance Band; Financial Stability Risks Well Contained

Lower food prices since January 2025 have resulted in headline inflation falling within the RBI's tolerance band of 4±2 percent, with the latest inflation reading at 3.3% in March 2025. The RBI began its easing cycle by cutting the policy repo rate by 25bps in February and April, thereby taking the repo rate to 6%. The RBI's monetary policy committee also changed its stance from neutral to accommodative, suggesting further rate cuts in the coming months. Factoring in global market uncertainties coupled with the favorable outlook for India's agriculture crop estimates and the decline in crude oil prices, the RBI expects CPI inflation to moderate further to 4.0% in FY26, with quarterly estimates of 3.6% in Q1, 3.9% in Q2, 3.8% in Q3 and 4.4% in Q4.

On the financial stability front, domestic financial markets have remained stable. Thanks to the resolution and recovery of assets under the reformed Insolvency and Bankruptcy Code, the downward trend in non-performing assets continued, with NPLs falling further from a peak of 11.2% in March 2018 to a 13 year low of 2.5% in December 2024. Banks continue to make adequate provisions resulting in capital adequacy ratios edging higher to 16.7% versus the regulatory minimum of 11.5%. India's non-banking financial sector has also withstood these challenges. The RBI in its latest Financial Stability Report indicates that banks would be able to withstand severe stress conditions should they materialize.

India's External Buffers and Exchange Rate Flexibility Provide Scope to Navigate Changing Global Conditions

India's external accounts are healthy and have improved significantly since the taper-tantrum episode in 2013. Low current account deficits and buoyant capital flows have resulted in India's forex reserves doubling to USD 677 billion since 2013. From a stock perspective, there are no major imbalances in the external accounts. While the ongoing conflicts in Ukraine and the Middle East, coupled with global financial tightening, impacted both sides of the balance of payments in FY23, the improvement in external buffers since 2013 and the strengthening of the financial sector have helped to mitigate stresses coming from the external sector.

Notwithstanding the 90-day pause on reciprocal tariffs, the large, broad-based, and rapid increase in U.S. tariffs to 10%, and to 25% on key manufacturing sectors, represents a disruption to global trade. India looks comparatively well-positioned, given the relatively closed nature of the Indian economy. India's merchandise goods exports are less than 12% of GDP. India and the U.S. are negotiating a multi-sector Bilateral Trade Agreement which could help mitigate the imposition of the 26% reciprocal tariffs (now paused) by the U.S. Given the sustained growth in services exports and high inward remittances, the IMF estimates India's current account deficit at -0.9% in FY25 and average 1.5% during 2026-2028.

On the capital account, India's gradual liberalization has added to the pool of savings available for domestic investment. Ongoing infrastructure build-out coupled with the diversification of supply chains away from China have added to FDI flows. India's external solvency and liquidity indicators have also improved and remain at moderate levels. From a stock perspective, India's net international investment position has continued to improve marginally, from -15.2% of GDP in FY20 to -10.2% of GDP in FY24, while India's gross external debt and short-term external debt remains relatively low. This, coupled with a high level of foreign exchange reserves and exchange rate flexibility, provides buffers in the event of global market volatility.

Policy Continuity Despite NDA Losing Single Party Majority in Parliamentary Elections; Border Tensions Rise

India's parliamentary elections for the members of the 18th Lok Sabha (lower house) held in June 2024 produced a narrower majority than expected. While the incumbent Bharatiya Janta Party (BJP) of the National Democratic Alliance (NDA), led by Prime Minister Modi, won the elections for the third successive term, the BJP government lost its single party majority (272 seats) that it has enjoyed through the 2014 and 2019 elections. Despite a narrower victory margin for the BJP, India has seen continuity with regards to macroeconomic policy.

India benefits from relatively strong democratic and legal institutions. It is a multi-party democracy with an active civil society. Compared to other lower-middle income countries, despite some deterioration in the last few years, India ranks relatively well in Voice and Accountability and Rule of Law according to the Worldwide Governance Indicators. On the other hand, border skirmishes along Jammu & Kashmir in the Northwest and Arunachal Pradesh in the Northeast with both Pakistan and China have contributed to India's low (21st percentile) rank for the Political Stability and Absence of Violence/Terrorism indicators. The recent militant attack in Pahalgam, Kashmir on April 22, 2025, which killed 26 tourists has once again brought India-Pakistan tensions to the fore. Thus far, India has responded by suspending the Indus Water Treaty - a crucial water agreement between the two countries since 1960, closing the Wagah border (land crossing between India and Pakistan), expelling diplomats and suspending visas. Since May 7, India and Pakistan have each retaliated militarily and tensions continue to escalate. While we are closely watching recent developments in Kashmir, we expect these tensions to remain contained within the region and do not anticipate a meaningful impact on India's medium-term growth prospects or creditworthiness.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

ESG Considerations had a significant effect on the credit analysis.

Environmental (E) Factors

The following Environmental factors had a relevant effect on the credit analysis: Resource and Energy Management and Climate and Weather Risks. India's balance of payments and public finances are vulnerable to oil price shocks as India imports 70% of its crude oil requirements. Agriculture and allied activities account for 18% of the economy and directly and indirectly account for close to 60% of employment. With only 45% of the area under cultivation irrigated, most of the arable land is dependent on the vagaries of the monsoon. These considerations have been taken into account within the Economic Structure and Performance Building Block.

Social (S) Factors

The following Social factors had a significant effect on the credit analysis: Human Capital & Human Rights and Access to Basic Services. Similar to other emerging market economies and many of its regional peers, India's per capita GDP is relatively low, at US$2.9k (US$10.1k on a PPP basis). This reflects the relatively low level of labor productivity. Healthcare in India is universal but there are differences in quality of care between urban and rural areas. That said recent developments include India's sanitation coverage increasing from 30% in 2014 to 100% currently and access to clean drinking water now covering 80% of all rural households. These considerations have been taken into account within the Economic Structure and Performance Building Block.

Governance (G) Factors

The following Governance factors had a relevant effect on the credit analysis: Institutional Strength, Governance and Transparency and Peace and Security. According to Worldwide Governance Indicators, India ranks in the 43rd percentile for Control of Corruption and in the 56th percentile for Rule of Law. Institutional Strength, Governance and Transparency and Peace and Security are also relevant to the ratings. India ranks in the 51st percentile for Voice & Accountability and in the 67th percentile for Government Effectiveness. While there have been occasional peace talks, border skirmishes along Jammu & Kashmir in the Northwest and Arunachal Pradesh in the Northeast with both Pakistan and China have contributed to India's low (21st percentile) rank for the Political Stability and Absence of Violence/Terrorism indicator. India has also suffered periodically from sectarian tensions. These considerations have been taken into account within the following Building Blocks: Fiscal Management and Policy, Economic Structure and Performance, and Political Environment.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (August 13, 2024) https://dbrs.morningstar.com/research/437781.

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

Notes:
All figures are in US dollars unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (July 15, 2024) https://dbrs.morningstar.com/research/436000. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings https://dbrs.morningstar.com/research/437781 in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are monitored.

The primary sources of information used for these credit ratings include The primary sources of information used for this rating include Ministry of Finance, Reserve Bank of India, Central Statistical Organization, Ministry of Health and Family Welfare, UIDAI, NREGA, PMJDY, IMF, BIS, World Bank, United Nations' Gender Inequality Index and Macrobond. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings was of satisfactory quality.

The credit rating was not initiated at the request of the rated entity.

The rated entity or its related entities did participate in the credit rating process for this credit rating action.

Morningstar DBRS did not have access to the accounts, management and other relevant internal documents of the rated entity or its related entities in connection with this credit rating action.

This is a solicited credit rating.

For more information on Morningstar DBRS' policy regarding the solicitation status of credit ratings, please refer to the Credit Ratings Global Policy, which can be found in the Morningstar DBRS Understanding Ratings section of the website: https://dbrs.morningstar.com/understanding-ratings

The last credit rating action on this issuer took place on May 14, 2024 .

For more information on this credit or on this industry, visit dbrs.morningstar.com.

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Issuer	Debt Rated	Credit Rating Action	Credit Rating	Trend
India, Republic of	Long-Term Foreign Currency - Issuer Rating	Trend Change	BBB (low)	Stable
India, Republic of	Long-Term Foreign Currency - Issuer Rating	Upgraded	BBB	Stable
India, Republic of	Long-Term Local Currency - Issuer Rating	Trend Change	BBB (low)	Stable
India, Republic of	Long-Term Local Currency - Issuer Rating	Upgraded	BBB	Stable
India, Republic of	Short-Term Foreign Currency - Issuer Rating	Trend Change	R-2 (middle)	Stable
India, Republic of	Short-Term Foreign Currency - Issuer Rating	Upgraded	R-2 (high)	Stable
India, Republic of	Short-Term Local Currency - Issuer Rating	Trend Change	R-2 (middle)	Stable
India, Republic of	Short-Term Local Currency - Issuer Rating	Upgraded	R-2 (high)	Stable

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India

Scorecard Indicators | Source | Current Scorecard Input

Fiscal Management and Policy	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source		Current Scorecard Input
Overall Fiscal Balance (% of GDP)	-7.7%	-12.9%	-9.4%	-9.0%	-7.9%	-7.4%	-6.9%	-7.2%	-7.1%	IMF WEO	13 year average	-7.9%
Government Effectiveness (Percentile Rank)	59.0	65.7	61.0	63.2	67.9	-	-	-	-	World Bank	5 year average	63.4
Debt and Liquidity	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
General Government Gross Debt (% of GDP)	75.0%	88.4%	83.5%	82.2%	81.2%	81.3%	80.4%	79.6%	78.8%	IMF WEO	5 year projection	76.9%
Interest Costs (% of GDP)	4.7%	5.6%	5.2%	5.1%	4.9%	5.1%	5.3%	5.3%	5.2%	IMF WEO	5 year average	5.1%
Economic Structure and Performance	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
GDP per Capita (USD thousands)	2.1	1.9	2.3	2.4	2.5	2.7	2.9	3.1	3.4	IMF WEO	10 year average	2.1
Output Volatility (%)	3.2%	3.2%	3.2%	3.1%	3.1%	3.1%	3.1%	3.0%	-	IMF WEO	Latest	3.1%
Economic Size (USD billions)	2,836	2,675	3,167	3,346	3,638	3,909	4,187	4,601	5,069	IMF WEO	5 year average	3,347
Monetary Policy and Financial Stability	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Rate of Inflation (%, EOP)	6.7%	4.9%	6.3%	6.2%	5.0%	3.9%	4.1%	4.1%	4.0%	IMF WEO	13 year average	4.7%
Total Domestic Savings (% of GDP)	68%	78%	72%	69%	69%	69%	-	-	-	MoS&PI/IMF	Latest[1]	69%
Change in Domestic Credit (% of GDP)	-5.6%	7.2%	-6.0%	-1.0%	2.3%	2.8%	-	-	-	BIS/IMF	7 year average[1]	-0.9%
Net Non-Performing Loans (% of Capital)	38.7%	23.2%	13.7%	10.3%	6.9%	6.9%	-	-	-	IMF IFS	Latest[1]	6.9%
Change in Property Price/GDP Index (%)	-3.2%	3.5%	-13.2%	-9.8%	-7.3%	-6.1%	-	-	-	RBI/IMF	7 year average[1]	-5.9%
Balance of Payments	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Current Account Balance (% of GDP)	-0.9%	0.9%	-1.2%	-2.0%	-0.7%	-0.8%	-0.9%	-1.4%	-1.6%	IMF WEO	8 year average	-1.0%
International Investment Position (% of GDP)	-15.1%	-12.8%	-11.1%	-11.6%	-10.2%	-9.1%	-	-	-	IMF	5 year average[1]	-11.0%
Share of Global Foreign Exchange Turnover (Ratio)	54.1%	54.8%	54.1%	50.7%	49.2%	47.8%	-	-	-	BIS/IMF	Latest	47.8%
Exchange Rate Classification (see footnote)	2	2	2	2	2	2	-	-	-	IMF	Latest	2
Political Environment	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Voice and Accountability (Percentile Rank)	56.0	52.7	50.7	49.3	51.5	-	-	-	-	World Bank	5 year average	52.0
Rule of Law (Percentile Rank)	51.4	52.4	50.0	55.2	56.1	-	-	-	-	World Bank	5 year average	53.0

See Morningstar DBRS' Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.

[1] Scores for 2024 have been computed using the most recent data when year-end data is not available.

Rating Committee Date: 5-May-2025

India

Building Block Assessments and Rating Committee Summary

5-May-2025

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	6.56	Poor	+ 1 Category	Poor/Moderate
Debt and Liquidity	6.79	Poor	N/A	Poor
Economic Structure and Performance	10.56	Moderate	+ 1 Category	Good/Moderate
Monetary Policy and Financial Stability	15.98	Strong/Good	N/A	Strong/Good
Balance of Payments	14.74	Good	N/A	Good
Political Environment	9.18	Moderate	N/A	Moderate
Overall Assessment	**Composite Scorecard Result**	**Scorecard Rating Range**	**Composite Building Block Assessment**	**Indicative Rating Range**
	53.2	BBB - BB (high)	56.5	BBB (high) - BBB (low)

India's Long-Term Foreign Currency - Issuer Rating BBB

Main topics discussed in the Rating Committee include: India's growth and fiscal prospects in the context of ongoing structural reforms and digitalization, positive demographics and high savings. For additional details on Morningstar DBRS analysis and opinions, please see the accompanying rating report.

Morningstar DBRS Scorecard: Scoring Ranges and Associated Assessment Categories

Lower Bound	0.00	1.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	17.00	19.00
Upper Bound	0.99	2.99	4.99	6.99	8.99	10.99	12.99	14.99	16.99	18.99	20.00
Assessment Category	Very Weak	Weak	Weak/ Poor	Poor	Poor/ Moderate	Moderate	Good/ Moderate	Good	Strong/ Good	Strong	Very Strong

India, Republic of

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	Y	R
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs	N	N
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	Y	R
		Resource and Energy Management	Y	R
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Under key IPCC climate scenarios up to a 2°C rise in temperature by 2050, will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	Y	R
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	Y	S
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible, and productive?	Y	S
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights	Y	S
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	Y	S
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	Y	S
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	Y	S
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	Y	R
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	Y	R
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency	Y	R
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighboring governments?	Y	R
		Is the government's authority over certain regions contested by domestic or foreign militias?	Y	R
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	Y	R
		Peace and Security	Y	R
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	Y	S

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

Republic of India: ESG Considerations

May 8, 2025

Environmental

The following Environmental factors had a relevant effect on the credit analysis: Resource and Energy Management and Climate and Weather Risks. India's balance of payments and public finances are vulnerable to oil price shocks as India imports 70% of its crude oil requirements. Agriculture and allied activities account for 18% of the economy and directly and indirectly accounts for close to 60% of employment. With only 45% of the area under cultivation irrigated, most of the arable land is dependent on the vagaries of the monsoon. As regards carbon emissions, while in absolute terms, India is the third largest emitter of greenhouse gases after China and the US, its per-capita emissions remain well below the global average. At the 26th Conference of Parties (CoP26), India announced a five-fold strategy to achieve Net Zero emissions by 2070. Subsequently, India updated its NDC in 2022, committing to reduce the emissions intensity of its GDP by 45 per cent by 2030 from the 2005 level and achieving about 50 per cent cumulative electric power installed capacity from non-fossil fuel. Meeting these targets will necessitate government action to enact policies and increase investment to reduce emissions.

Social

The following Social factors had a significant effect on the credit analysis: Human Capital & Human Rights and Access to Basic Services. Similar to other emerging market economies and many of its regional peers, India's per capita GDP is relatively low, at US$2.9k (US$10.1k on a PPP basis). This reflects the relatively low level of labor productivity. Healthcare in India is universal but there are differences in quality of care between urban and rural areas. That said recent developments include India's sanitation coverage increasing from 30% in 2014 to 100% currently and access to clean drinking water now covering 80% of all rural households. India ranks 111 out of the 169 countries assessed in the 2023 Social Progress Index. Gender inequality is also stark in India: the country ranks 102 out of 191 countries in the United Nations' Gender Inequality Index, a composite measure reflecting women's reproductive health, empowerment, and labor market participation.

Governance

The following Governance factors had a relevant effect on the credit analysis: Institutional Strength, Governance and Transparency and Peace and Security. According to Worldwide Governance Indicators, India ranks in the 43rd percentile for Control of Corruption and in the 56th percentile for Rule of Law. Institutional Strength, Governance and Transparency and Peace and Security are also relevant to the ratings. India ranks in the 51st percentile for Voice & Accountability and in the 67th percentile for Government Effectiveness. While there have been occasional peace talks, border skirmishes along Jammu & Kashmir in the Northwest and Arunachal Pradesh in the Northeast with both Pakistan and China have contributed to India's low (21st percentile) rank for the Political Stability and Absence of Violence/Terrorism indicator. India has also suffered periodically from sectarian tensions.