

No.HUDCO/SE/2024-25

18<sup>th</sup> February, 2025

**Listing Department**  
**BSE Limited,**  
**Phiroze Jeejebhoy Towers,**  
**Dalal Street,**  
**Mumbai – 400001**  
**Scrip Code – 540530**

**Listing Department**  
**National Stock Exchange of India Limited**  
**Exchange Plaza, C-1, Block-G,**  
**Bandra Kurla Complex, Bandra (E)**  
**Mumbai – 400051**  
**NSE Symbol – HUDCO**

**Subject: Announcement under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – International Credit Rating by Fitch Ratings.**

Dear Sir/Madam,

In compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform that Fitch Ratings, Singapore, by Press Release has communicated as under: -

- Fitch Ratings – has affirmed the ratings of Housing and Urban Development Corporation Ltd. (HUDCO) at “BBB-” level with ‘Stable’ outlook, equivalent to that of India’s Sovereign Rating.

The Press Release in this regard issued by Fitch Ratings is attached.

यह आपकी जानकारी के लिए है। This is for your kind information.

धन्यवाद

भवदीय

फॉर हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड



विकास गोयल

कंपनी सेक्रेटरी एंड कंप्लायंस ऑफिसर

Encl. as above

# Fitch Affirms Housing and Urban Development Corporation at 'BBB-'; Outlook Stable

17 Feb 2025 4:22 AM

Fitch Ratings - Singapore - [publication date will be automatically inserted]

Fitch Ratings has affirmed Housing and Urban Development Corporation Limited's (HUDCO) Long-Term Foreign- and Local-Currency Issuer Default Ratings at 'BBB-', with a Stable Outlook. The rating on HUDCO's INR50 billion medium-term note (MTN) programme has also been affirmed at 'BBB-'.

Fitch classifies HUDCO as a government-related entity (GRE) that is credit-linked to the Indian sovereign (BBB-/Stable). HUDCO's ratings are equalised to those of the sovereign based on our view that the government has significant responsibility and incentives to provide financial support to HUDCO if needed.

HUDCO's close ties with the government are reflected in its policy mission to support the supply of affordable housing and development of urban infrastructure, in addition to its regulation by the Reserve Bank of India (RBI) and National Housing Bank (NHB), and its administrative control by the Ministry of Housing and Urban Affairs (MoHUA).

## KEY RATING DRIVERS

### Support Score Assessment 'Virtually certain'

We believe that extraordinary support from the Indian government to HUDCO would be 'Virtually Certain' in case of need, reflecting a support score of 55 (out of a maximum 60) under our Government-Related Entities Rating Criteria. This reflects our assessment below of a combination of responsibility to support and incentive to support factors.

### Responsibility to Support

#### Decision Making and Oversight 'Strong'

Fitch's assessment reflects the state's 75% stake in HUDCO and two government ministry-appointed members on the company's board of directors, which highlight the government's strong decision-making influence. The government's control is exercised via a memorandum of understanding that outlines key financial performance targets, such as shareholder return, asset quality, loan disbursements and cost of funds relative to similar government entities. HUDCO adheres to RBI regulations after obtaining Non-Banking Financial Companies - Infrastructure Finance Company (NBFC-IFC) status in August 2024.

However, HUDCO is established as a limited liability company, which is subject to bankruptcy procedures. In addition, it enjoys some operational and financial autonomy under its "Navratna" status, which allows for certain

capital expenditures and the establishment of joint ventures without government approval. These factors constrain against a higher attribute assessment.

### **Precedents of Support 'Very Strong'**

The government has provided substantial support to underpin HUDCO's asset quality. At end-March 2024, 91% of the loan portfolio was covered by bank and government guarantees, and 8% backed by tangible assets. The issuer's capital adequacy ratio was at 57.65%, well above the 15% requirement. The government has also provided guarantees to HUDCO's debt. Bonds issued by HUDCO that will be fully serviced by the government formed 19.8% of its total debt in the first nine months of the financial year to March 2025 (FY25). HUDCO was allowed to issue tax-free bonds (12% of outstanding borrowings) in 2011-2015.

The regulatory environment supports HUDCO, with the NHB granting leniency for HUDCO to achieve policy-mandated goals without constraints from exposure limits. This privilege is unique to HUDCO among housing-finance entities, enabling a higher lending concentration to government borrowers. Government projects account for 98.3% of the company's loans at end-December 2024. The NBFC-IFC status also gives HUDCO higher exposure limits for financing infrastructure projects.

### **Incentives to Support**

#### **Preservation of Government Policy Role 'Very Strong'**

HUDCO is pivotal in advancing the state's affordable housing and urban infrastructure initiatives, which are a key government focus. HUDCO undertakes functions such as financing affordable housing and infrastructure, conducting project assessments and coordinating awareness programmes. HUDCO has supported over 20 million housing units since inception, mainly for the lower-income segment. Fitch believes that substituting HUDCO in the short term would be difficult and a default would significantly disrupt the affordable housing and infrastructure agenda, with direct impact on the disadvantaged.

#### **Contagion Risk 'Very Strong'**

Fitch considers HUDCO a reference issuer. It had debt of INR739 billion at FYE24, of which 57% was bonds and 43% bank loans and other sources. The debt is used for its policy role, with over 90% of its loan portfolio dedicated to the public sector. Fitch believes a default would have profound repercussions, potentially damaging the government's reputation, affecting its ability to borrow and refinance in capital markets, and altering the investment community's perception of the sovereign, related government entities, and the affordable housing and urban development sector in India.

### **Operating Performance**

HUDCO's operating performance is driven by its loan book expansion. The return on assets, indicated by the net interest income to total assets, as calculated by Fitch, remained stable at 2.7%. Although there has been an increase in the loans to equity and reserves ratio, HUDCO maintains a robust capital adequacy ratio of 57.65%, significantly exceeding the minimum requirement.

HUDCO's ability to tap capital markets and maintain strong banking partnerships plays a crucial role in reducing its refinancing risk. Government support from the issuance of tax-free and fully serviced government bonds

strengthens investor demand. In addition, HUDCO has limited exposure to interest rate and foreign-exchange risks, as the majority of its borrowings are in Indian rupees and at fixed rates. The issuer also has an internal hedging mechanism to manage its foreign-exchange exposure.

## **Derivation Summary**

We assess HUDCO's rating under our Government-Related Entities Rating Criteria, with the assessment of the four key rating factors resulting in an overall government support score of 55, leading to the equalisation of HUDCO's rating with that of the Indian sovereign, irrespective of the entity's Standalone Credit Profile.

## **Debt Ratings**

HUDCO's Indian rupee MTN programme is rated in line with its Long-Term IDR given the programme is for senior unsecured long-term bonds.

## **Issuer Profile**

HUDCO is a policy institution that provides housing finance and non-commercial urban infrastructure financing. The company's key mission is to support the construction of affordable housing for lower-income households and the development of non-commercial urban infrastructure.

## **Liquidity and Debt Structure**

HUDCO has a wholesale-based funding profile. The ability to issue government fully serviced bonds has helped the company attract a broad range of investors. HUDCO also has access to a refinancing facility from the NHB under the Rural Housing Fund programme, which provides another avenue for low-cost funding.

We believe HUDCO's capital-market access and bank relationships mitigate refinancing risk. Most of its debt is issued in rupees at fixed rates, which is in line with HUDCO's revenue and costs being denominated in local currency.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

- Negative rating action on the India sovereign would result in similar rating action on the issuer.
- Negative rating action could also stem from a weaker assessment of the government's responsibility and incentives to support HUDCO.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

- Any positive action on the Indian sovereign rating would be reflected in HUDCO's ratings.
- Any rating action on HUDCO's IDRs would result in a similar action on the rating of its senior unsecured notes.

## **ESG Considerations**

Fitch does not provide ESG relevance scores for Housing and Urban Development Corporation Limited.

In cases where Fitch does not provide ESG relevance scores in connection with the credit rating of a transaction, programme, instrument or issuer, Fitch will disclose any ESG factor that is a key rating driver in the key rating drivers section of the relevant rating action commentary. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products>

## PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

HUDCO's ratings are credit-linked to the Indian sovereign's ratings.

## References for Substantially Material Source Cited as Key Driver Rating

The principal sources of information used in the analysis are described in the Applicable Criteria.

ENTITY	RATING ACTIONS			PRIOR
	RATING			
Housing and Urban Development Corporation Limited	LT IDR	BBB- ●	Affirmed	BBB- ●
	LC LT IDR	BBB- ●	Affirmed	BBB- ●
	senior unsecured	LT	BBB-	BBB-

## FITCH RATINGS ANALYSTS

### Ethan Lee

Director

Primary Rating Analyst

+65 6796 2726

ethan.lee@fitchratings.com

Fitch Ratings Singapore Pte Ltd.

1 Wallich Street #19-01 Guoco Tower

Singapore 078881

### Jean Luo

Senior Director

Secondary Rating Analyst

+852 2263 9952

jean.luo@fitchratings.com

### Vladimir Redkin

Managing Director

Committee Chairperson

+44 20 3530 1514

vladimir.redkin@fitchratings.com

## **Media relations**

### **Bindu Menon**

Mumbai

+91 22 4000 1727

bindu.menon@fitchratings.com

### **Jack Li**

Beijing

+86 10 5957 0964

jack.li@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

## **Applicable Criteria**

Government-Related Entities Rating Criteria (pub.09-Jul-2024)

Public Policy Revenue-Supported Entities Rating Criteria (pub.12-Jan-2024)(includes rating assumption sensitivity)

## **Additional Disclosures**

Dodd-Frank Rating Information Disclosure Form

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