

India Ratings Affirms HUDCO at 'IND AAA'/Stable & its CP at 'IND A1+'

Apr 25, 2025 | Non Banking Financial Company (NBFC)

India Ratings and Research (Ind-Ra) has taken the following rating actions on Housing and Urban Development Corporation Limited (HUDCO) and its debt instruments:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating Assigned along with Outlook/Watch	Rating Action
Proposed bonds@\$	-	-	-	INR650	IND AAA/Stable	Assigned
Proposed bank loans	-	-	-	INR706.40	IND AAA/Stable/IND A1+	Assigned
Long-term bank loan	-	-	-	INR93.60	IND AAA/Stable	Assigned
Issuer rating	-	-	-	-	IND AAA/Stable	Affirmed
Bonds#	-	-	-	INR375.81 (reduced from INR621.82)	IND AAA/Stable	Affirmed
Government of India fully serviced bonds\$	-	-	-	INR200	IND AAA/Stable	Affirmed
Short-term bank loans^	-	-	-	INR77.15	IND A1+	Affirmed
Long-term bank loans^	-	-	-	INR422.85	IND AAA/Stable	Affirmed
Fixed deposit	-	-	-	INR0.01	WD	Withdrawn**
Commercial papers*	-	-	-	INR100	IND A1+	Affirmed

WD- Rating Withdrawn

**Ind-Ra is no longer required to maintain the rating of the fixed deposit, as it there is no outstanding fixed deposit and the agency has received withdrawal request from the issuer. This is consistent with Ind-Ra's Policy on Withdrawal of Ratings.

@INR 650 billion proposed bonds also has a sub-limit of INR65 billion for subordinated debt.

#Previously rated FY24 long-term borrowing programme of INR15 billion and FY25 long-term borrowing programme of INR400 billion are clubbed with bonds.

\$Details in annexure

^Out of INR185.68 billion proposed bank loans, INR175.08 billion has been sanctioned and clubbed with long-term bank loans, while remaining INR10.6 billion has been sanctioned and clubbed with short-term bank loans.

*unutilised

Analytical Approach

The ratings factor in HUDCO's continued systemic importance to the government of India (GoI), as issues related to the financing of housing and urban infrastructure projects would remain important to the government in the foreseeable future.

Detailed Rationale of the Rating Action

The ratings reflect HUDCO's continued strong financial performance in 9MFY25, led by the rise in its net interest income, adequate liquidity profile, and an improvement in its non-performing assets. HUDCO is a strategically important entity to the GoI for implementation of various government policies in social housing and urban infrastructure-related sectors. The GoI is the majority shareholder (75.0% stake as of 9MFY25) of HUDCO. The ratings also derive comfort from its portfolio quality as majority of it is backed by central or state government guarantees, and budgetary provisions. Post the transition to a non-banking finance company - infrastructure finance company from a non-banking finance company - housing finance company in August 2024, HUDCO's disbursements towards financing of infrastructure projects have increased. Furthermore, Ind-Ra expects HUDCO's linkage with the GoI to remain strong over the long term.

List of Key Rating Drivers

Strengths

- Sustained policy support
- Funding public sector
- Adequate capitalisation
- Higher loan book growth translating in higher profitability
- Largely stable asset quality metrics

Weaknesses

- Concentrated portfolio

Detailed Description of Key Rating Drivers

Sustained Policy Support: Ind-Ra expects HUDCO's role as a public policy institution to continue in the near future. HUDCO is engaged in the development of affordable housing and sustainable urban infrastructure projects. It has a social mandate of funding the housing needs of the economically weaker section/low-income group category, along with uplifting of urban infrastructure sector. HUDCO is the nodal agency for government scheme of 'Housing for All' and is actively involved in action plan schemes such as Jal Jeevan Mission, Atal Mission for Rejuvenation Urban Transformation, Pradhan Mantri Awas Yojna, among others. HUDCO lends under these schemes and provides consultancy services for appraisal of projects sanctioned under schemes. In 9MFY25, HUDCO disbursed INR13.32 billion (9MFY24: INR11.35 billion; FY24: INR23.66 billion, FYE23: INR18.38 billion) in the affordable housing sector and INR304.28 billion (INR66.33 billion; INR156.21 billion; INR 66.28 billion) in the urban infrastructure sector.

Funding Public Sector: Ind-Ra expects the proportion of HUDCO's loans to the government sector to remain dominant in the near-to-medium term. Hudco is now classified as the infrastructure finance company, this may lead to an increase in the proportion of loans to private sector. Ind-Ra expects infrastructure portfolio to be largely concentrated in public-private-partnership schemes. Since FY13, HUDCO's loan portfolio and disbursements have been skewed towards funding state government agencies' housing and urban infrastructure projects, with their share in the loan book rising to 98.30% in 9MFY25 (9MFY24: 97.17%; FY24: 97.50%, FY23: 96.93%). Ind-Ra believes HUDCO's emphasis on loan disbursements to state government agencies engaged in the core infrastructure sector development will continue in the near-to-medium term, as a measure to safeguard its credit profile and meet the growing demand in the public sector.

Adequate Capitalisation: Ind-Ra expects the capital adequacy ratio to remain comfortable in the near-to-medium term. Majority of HUDCO's outstanding loans are backed by state government guarantees. As per the prescribed norms, a risk weight of 20% for such exposures helps maintain a comfortable capital to risk weighted assets ratio (CRAR). The CRAR moderated to 48.27% in 9MFY25 (9MFY24: 72.49%; FY24: 57.65%; FY23: 73.31%). HUDCO's loan book has increased sharply in FY24 and 9MFY25, resulting in the moderation of CRAR. Ind-Ra expects its CRAR to decline further in the near term. HUDCO maintained a comfortable debt/equity ratio of 5.17x in 9MFY25 (9MFY24: 3.87x; FY24: 4.05x; FY23: 3.96x).

Higher Loan Book Growth Translating in Higher Profitability: Ind-Ra expects HUDCO's loan book to continue to grow in the near-to-medium term and lending to the infrastructure sector to grow further. HUDCO's loan book has increased to INR1,189.31 billion at 9MFYE25 (9MFYE24: INR844.24 billion; FYE24: INR926.54 billion, FYE23: INR807.43 billion). The

proportion of urban infrastructure financing in the loan book increased to 59.83% at 9MFYE25 (9MFYE24: 48.93%; FYE24: 53.04%, FYE23: 47.25%). Since it has received the certificate of registration as a non-banking finance company - infrastructure finance company from the Reserve Bank of India in August 2024, HUDCO has requested for extension till March 2026 to achieve the threshold of 75% of the loan book as urban infrastructure.

Ind-Ra expects HUDCO's profitability (net interest margin) to remain above 3.0% in near-to-medium term. Its net interest margin (net interest income/average earning assets) remain stable at 3.19% in 9MFY25 (9MFY24: 3.20%; FY24: 3.18%, FY23: 3.19%). The interest spread (yield on loan net of cost of funds) improved to 1.97% in 9MFY25 (9MFY24: 1.64%; FY24: 1.79%; FY23: 1.76%), leading to an improvement in the pre-tax profit to INR26.2 billion in 9MFY25 (9MFY24: INR19.0 billion; FY24: INR28.43 billion; FY23: INR22.89 billion). HUDCO faces competition from banks in lending to state agencies, particularly those not backed by budgetary provisions. Therefore, sustained and healthy growth in the outstanding loan book over the medium-to-long term would remain critical for the corporation.

Largely Stable Asset Quality Metrics: Ind-Ra expects HUDCO's asset quality metrics to remain largely stable in the near-to- medium term. HUDCO's gross non-performing asset (NPA) and net NPA ratios improved to 1.88% in 9MFY25 (9MFY24: 3.14%; FY24: 2.71%; FY23: 3.42%) and 0.27% (0.44%; 0.36%; 0.52%), respectively. The provision coverage ratio remained high at 85.60% in 9MFY25 (9MFY24: 86.26%; FY24: 86.87%; FY23: 85.24%). As HUDCO has lent predominantly to the government sector, any slippage in the same generally reverts to the standard category within a year or so, which accounts for the marginal variability seen in the asset quality metrics across quarters.

Concentrated Portfolio: Ind-Ra expects the loan book concentration to remain elevated in future. HUDCO's loan book remains concentrated with the top 20 borrowers, accounting for 80.22% of the outstanding loan book as on 9MFY25 (9MFY24: 83.32%). Given such high concentration, any slippage in any of the larger accounts could lead to steep deterioration in its asset quality. However, the concentration risk is mitigated as a more than 80% asset book is secured with state government guarantees.

Liquidity

Adequate: HUDCO's liquidity is likely to remain comfortable in the near-to-medium term. Although there are negative mismatches in the asset-liability management statement as on 31 December 2024, Ind-Ra draws comfort from HUDCO's strategic importance in financing urban infrastructure and housing sector projects, ability to refinance its debt and support from the Gol, and established track record to raise funds at competitive rates from domestic and international markets. As on 31 March 2025, HUDCO had sanctioned unutilised revolving/short-term bank lines of INR98.11 billion available at its disposal. HUDCO's average utilisation of the sanctioned revolving/short-term bank lines was 48.34% over the 12 months ended March 2025.

Rating Sensitivities

Positive: Not applicable

Negative: The following developments, individually or collectively, could be negative for the ratings:

- a dilution in HUDCO's role as a public policy institution,
- a dilution in HUDCO's role as a funding agency for the Gol's development projects in the core sectors,
- a significant reduction in the Gol's stake in HUDCO to the extent that it would weaken the linkages, and
- the net NPA exceeding 3% on a sustained basis.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on HUDCO, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently

asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

About the Company

HUDCO was incorporated in 1970. Its primary objective is to provide long-term finance for social housing and core urban infrastructure development in the country. It is a central public sector undertaking and a public financial institution within the ambit of Clause (72) of section 2 of the Companies Act 2013. On 18 April 2024, HUDCO was conferred with Navratna status by the GoI. It was earlier classified as a housing finance company and received the certificate of registration as a non-banking financial company – infrastructure finance company from the Reserve Bank of India on 23 August 2024, allowing it to finance various infrastructure sectors in addition to housing. Consequently, the company's exposure limits are increased for financing to various infrastructure sectors.

Key Financial Indicators

Particulars	9MFY25	FY24	FY23
Total assets (INR billion)	1,229.35	934.24	809.71
Tangible equity (INR billion)	171.14	166.14	154.45
Net income (INR billion)	19.81	21.17	17.02
Return on average assets (%)	2.45	2.42	2.04
Gross NPA (%)	1.88	2.71	3.42
CET - 1 ratio (%)	47.40	56.34	71.23
Capital to risk weighted assets ratio (%)	48.27	57.65	73.31
Source: HUDCO, Ind-Ra			

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (billion)	Current Rating/Outlook	Historical Rating/Outlook			
				26 April 2024	27 April 2023	31 October 2022	22 April 2022
Issuer rating	Long-term	-	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Proposed bank loans	Long-term/Short-term	INR706.40	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+	IND AAA/Stable/IND A1+
Bonds	Long-term	INR1,025.81	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
GoI fully serviced bonds	Long-term	INR200	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Fixed deposit	Long-term	INR0.01	WD	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND tAAA/Stable
Commercial paper	Short-term	INR100	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Long-term bank loans	Long-term	INR516.45	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable	IND AAA/Stable
Short-term bank loans	Short-term	INR77.15	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+

Short-term issuer rating was withdrawn on 10 March 2023

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Proposed bonds	Low
Proposed bank loans	Low
Bonds	Low
Commercial papers	Low
Fixed deposit	Low
Government of India fully serviced bonds	Low
Long-term bank loans	Low
Short-term bank loans	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Annexure

S.no	Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
1	Bonds	INE031A09FB7	21 October 2011	7.75	21 October 2026	INR0.11	IND AAA/Stable
2	Bonds	INE031A09FD3	11 November 2011	7.83	11 November 2026	INR0.67	IND AAA/Stable
3	Bonds	INE031A09FG6	22 December 2011	8.16	22 December 2026	INR0.48	IND AAA/Stable
4	Bonds	INE031A07840	5 March 2012	8.2	5 March 2027	INR25.18	IND AAA/Stable
5	Bonds	INE031A07865	16 February 2013	7.51	16 February 2028	INR12.74	IND AAA/Stable
6	Bonds	INE031A07881	28 March 2013	7.19	28 March 2028	INR1.09	IND AAA/Stable
7	Bonds	INE031A07899	2 September 2013	8.56	2 September 2028	INR1.91	IND AAA/Stable
8	Bonds	INE031A07923	25 October 2013	8.49	25 October 2033	INR0.36	IND AAA/Stable
9	Bonds	INE031A07956	25 October 2013	8.74	25 October 2033	INR0.89	IND AAA/Stable
10	Bonds	INE031A07915	25 October 2013	8.51	25 October 2028	INR7.99	IND AAA/Stable
11	Bonds	INE031A07949	25 October 2013	8.76	25 October 2028	INR8.15	IND AAA/Stable
12	Bonds	INE031A07980	13 January 2014	8.76	13 January 2034	INR2.87	IND AAA/Stable
13	Bonds	INE031A07AB2	13 January 2014	9.01	13 January 2034	INR6.71	IND AAA/Stable
14	Bonds	INE031A07972	13 January 2014	8.58	13 January 2029	INR1.27	IND AAA/Stable
15	Bonds	INE031A07AA4	13 January 2014	8.83	13 January 2029	INR1.24	IND AAA/Stable
16	Bonds	INE031A07AE6	24 March 2014	8.71	24 March 2034	INR0.09	IND AAA/Stable
17	Bonds	INE031A07AH9	24 March 2014	8.96	24 March 2034	INR0.42	IND AAA/Stable
18	Bonds	INE031A07AD8	24 March 2014	8.73	24 March 2029	INR0.28	IND AAA/Stable
19	Bonds	INE031A07AG1	24 March 2014	8.98	24 March 2029	INR1.28	IND AAA/Stable
20	Bonds	INE031A07AI7	31 July 2015	7.19	31 July 2025	INR1.51	IND AAA/Stable
21	Bonds	INE031A07AJ5	1 October 2015	7.07	1 October 2025	INR10.29	IND AAA/Stable
22	Bonds	INE031A07AK3	9 October 2015	7	9 October 2025	INR1.085	IND AAA/Stable
23	Bonds	INE031A07AM9	8 February 2016	7.39	8 February 2031	INR9.10	IND AAA/Stable

24	Bonds	INE031A07AO5	8 February 2016	7.64	8 February 2031	INR5.56	IND AAA/Stable
25	Bonds	INE031A07AL1	8 February 2016	7.02	8 February 2026	INR1.17	IND AAA/Stable
26	Bonds	INE031A07AN7	8 February 2016	7.27	8 February 2026	INR1.28	IND AAA/Stable
27	Bonds	INE031A07AP2	22 February 2016	7.39	22 February 2031	INR2.12	IND AAA/Stable
28	Bonds	INE031A07AR8	15 March 2016	7.39	15 March 2031	INR10.25	IND AAA/Stable
29	Bonds	INE031A07AT4	15 March 2016	7.69	15 March 2031	INR6.10	IND AAA/Stable
30	Bonds	INE031A07AQ0	15 March 2016	7.04	15 March 2026	INR0.48	IND AAA/Stable
31	Bonds	INE031A07AS6	15 March 2016	7.29	15 March 2026	INR1.05	IND AAA/Stable
32	GoI fully serviced bonds	INE031A08616	12 November 2018	8.6	12 November 2028	INR30.00	IND AAA/Stable
33	GoI fully serviced bonds	INE031A08624	28 November 2018	8.52	28 November 2028	INR20.50	IND AAA/Stable
34	GoI fully serviced bonds	INE031A08673	30 January 2019	8.38	30 January 2029	INR20.67	IND AAA/Stable
35	GoI fully serviced bonds	INE031A08681	14 February 2019	8.58	14 February 2029	INR25.63	IND AAA/Stable
36	GoI fully serviced bonds	INE031A08699	15 March 2019	8.41	15 March 2029	INR53.20	IND AAA/Stable
37	GoI fully serviced bonds	INE031A08707	25 March 2019	8.37	25 March 2029	INR50.00	IND AAA/Stable
38	Bonds	INE031A08806	29 May 2020	6.75	29 May 2030	INR10.40	IND AAA/Stable
39	Bonds	INE031A08814	4 August 2020	5.35	11 April 2025	INR8.00	WD (paid in full)
40	Bonds	INE031A08830	22 February 2022	5.59	4 March 2025	INR10.00	WD (paid in full)
41	Bonds	INE031A08848	25 March 2022	5.62	25 May 2025	INR15.00	IND AAA/Stable
42	Bonds	INE031A08855	11 November 2022	7.54	11 February 2026	INR15.00	IND AAA/Stable
43	Bonds	INE031A08863	19 December 2022	7.52	15 April 2033	INR4.70	IND AAA/Stable
44	Bonds	INE031A08871	16 February 2023	7.68	16 May 2026	INR20.00	IND AAA/Stable
45	Bonds	INE031A08889	20 April 2023	7.48	20 August 2026	INR15.00	IND AAA/Stable
46	Bonds	INE031A08897	17 May 2024	7.48	17 May 2029	INR19.36	IND AAA/Stable
47	Bonds	INE031A08905	18 July 2024	7.28	18 July 2029	INR18.50	IND AAA/Stable
48	Bonds	INE031A08913	25 September 2024	7.15	25 September 2034	INR20.00	IND AAA/Stable
49	Bonds	INE031A08921	26 December 2024	7.12	26 December 2034	INR12.30	IND AAA/Stable
50	Bonds	INE031A08939	12 February 2025	7.29	12 February 2035	INR29.10	IND AAA/Stable
51	Bonds	INE031A08947	12 March 2025	7.37	12 March 2035	INR28.43	IND AAA/Stable
52	Bonds	INE031A08954	27 March 2025	7.19	27 March 2035	INR20.00	IND AAA/Stable
53	Bonds	INE031A08962	23 April 2025	6.9	23 April 2032	INR24.30	IND AAA/Stable
54	Proposed bonds (unutilised)	-	-	-	-	INR650	IND AAA/Stable

Total	INR1,225.815	
Source: HUDCO		

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Evaluating Corporate Governance

Rating of Public Sector Entities

The Rating Process

Financial Institutions Rating Criteria

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