No. HUDCO/SE/2020-21

3rd June, 2020

Listing Department BSE Limited, Phiroze Jeejebhoy Towers, Dalal Street, Mumbai -400001 Scrip Code-540530	Listing Department National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (E), Mumbai-400051 NSE Symbol-HUDCO

Sub: Announcement under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Change in Credit Rating

Dear Sir/ Ma'am,

In compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that Moody's Investors Service, Singapore, by press release dated June 1, 2020 and June 2, 2020 has communicated as under:

- Moody's Investors Service, Singapore, vide its press release dated June 1, 2020, has downgraded India's "Baa2" Sovereign rating to "Baa3" with Negative outlook.

- In line with India's "Baa3" Sovereign Rating, Moody's Investors Service, Singapore, vide its press release dated June 2, 2020, has downgraded the ratings of Housing and Urban Development Corporation Ltd. (HUDCO) to "Baa3" from "Baa2" level with Negative outlook.

The press release in this regard published by Moody's Investor Service, Singapore are attached.

The above is submitted for your information and dissemination.

Thanking You,

Yours Sincerely

For **Housing & Urban Development Corporation Ltd.**

Harish Kumar Sharma
Company Secretary & Compliance Officer

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades India's ratings to Baa3, maintains negative outlook

01 Jun 2020

New York, June 01, 2020 -- Moody's Investors Service ("Moody's") has today downgraded the Government of India's foreign-currency and local-currency long-term issuer ratings to Baa3 from Baa2. Moody's has also downgraded India's local-currency senior unsecured rating to Baa3 from Baa2, and its short-term local-currency rating to P-3 from P-2. The outlook remains negative.

The decision to downgrade India's ratings reflects Moody's view that the country's policymaking institutions will be challenged in enacting and implementing policies which effectively mitigate the risks of a sustained period of relatively low growth, significant further deterioration in the general government fiscal position and stress in the financial sector.

The negative outlook reflects dominant, mutually-reinforcing, downside risks from deeper stresses in the economy and financial system that could lead to a more severe and prolonged erosion in fiscal strength than Moody's currently projects.

Moody's also lowered India's long-term foreign-currency bond and bank deposit ceilings to Baa2 and Baa3, from Baa1 and Baa2, respectively. The short-term foreign-currency bond ceiling remains unchanged at Prime-2, and the short-term foreign-currency bank deposit ceiling was lowered to Prime-3 from Prime-2. The long-term local currency bond and bank deposit ceilings were lowered to A2 from A1.

A full list of affected ratings is provided towards the end of this press release.

RATINGS RATIONALE

RATIONALE FOR THE RATING DOWNGRADE TO Baa3

POLICYMAKERS WILL BE CHALLENGED TO MITIGATE RISKS OF BROAD EROSION IN INDIA's CREDIT PROFILE

India faces a prolonged period of slower growth relative to the country's potential, rising debt, further weakening of debt affordability and persistent stress in parts of the financial system, all of which the country's policymaking institutions will be challenged to mitigate and contain.

Moody's upgrade of India's ratings to Baa2 in November 2017 was based on the expectation that effective implementation of key reforms would strengthen the sovereign's credit profile through a gradual but persistent improvement in economic, institutional and fiscal strength. Since then, implementation of these reforms has been relatively weak and has not resulted in material credit improvements, indicating limited policy effectiveness.

While today's action is taken in the context of the coronavirus pandemic, it was not driven by the impact of the pandemic. Rather, the pandemic amplifies vulnerabilities in India's credit profile that were present and building prior to the shock, and which motivated the assignment of a negative outlook last year.

Slow reform momentum and constrained policy effectiveness have contributed to a prolonged period of slow growth, compared to India's potential, that started before the pandemic and that Moody's expects will continue well beyond it. Real GDP growth has declined from a high of 8.3% in fiscal 2016 (ending March 2017) to 4.2% in fiscal 2019. Moody's expects India's real GDP to contract by 4.0% in fiscal 2020 due to the shock from the coronavirus pandemic and related lockdown measures, followed by 8.7% growth in fiscal 2021 and closer to 6.0% thereafter.

Thereafter and over the longer term, growth rates are likely to be materially lower than in the past, due to persistent weak private sector investment, tepid job creation and an impaired financial system. In turn, a prolonged period of slower growth may dampen the pace of improvements in living standards that would help support sustained higher investment growth and consumption. While the government responded to the growth

slowdown prior to the coronavirus outbreak with a series of measures aimed at stimulating domestic demand, and recently announced a support package aimed at supporting India's most vulnerable households and small businesses, Moody's does not expect that these measures will durably restore real GDP growth to rates around 8%, which had seemed within reach just a few years ago.

Moreover, persistent stress among banks and non-bank financial institutions (NBFIs) weighs on growth dynamics through constrained supply of credit for consumption and investment. Moody's does not expect the credit crunch in India's undercapitalized financial sector to be resolved quickly. In turn, subdued growth further challenges the banking system's incomplete resolution of legacy non-performing assets and governance reforms, and is likely to further weaken asset quality and the health of banks and NBFIs.

Together with the immediate coronavirus-related policy support, the government has announced a series of reforms aimed at enhancing productivity, investment, employment and the ease of doing business across a variety of sectors including agriculture, mining, defense and power. Factor market reforms, including more flexible labor laws, are also being pursued by some states with support from the central government. While achieving the objectives laid out in these announcements would be credit positive, challenges with implementation of previous reforms suggest that the benefits to medium-term growth will likely be less than intended.

FISCAL CONSTRAINTS POINT TO A HIGHER DEBT BURDEN FOR LONGER

In turn, lower real and nominal GDP growth over the medium term will diminish the government's ability to reduce its debt burden, after a significant rise as a result of the coronavirus economic shock. A mixed track record on implementation of revenue-raising measures lowers the prospects of fiscal policy-driven budget consolidation, amplifying a long-standing weakness in India's credit profile.

Prior to the coronavirus outbreak, at an estimated 72% of GDP in fiscal 2019, India's general government (combined central and state governments) debt burden was 30 percentage points larger than the Baa median. Although large private sector savings and long government debt maturities provide some stability and resilience to shocks to the cost of debt, interest payments comprised about 23% of general government revenue, the highest interest burden among Baa-rated peers and around three times the Baa median. Moody's expects the coronavirus shock to cause the debt burden to rise higher still, to about 84% of GDP in fiscal 2020. While it should stabilise at that point, it is unlikely to fall materially thereafter.

Measures to improve India's fiscal strength, which were at the heart of the government's policy framework a few years ago, have underwhelmed. Fiscal performance in recent years has been weaker than expected, with fiscal deficit targets consistently missed and a persistent lack of clarity on how medium-term fiscal consolidation objectives would be achieved. Rather than beginning to fall, the debt burden remained at around 70% of GDP.

India's high debt is a product of persistent general government fiscal deficits, which in turn partly reflect rigidities in the government's finances. Wages and salaries account for a large portion of total expenditure, and low incomes add to the government's social and development spending requirements. Achieving significant and durable spending restraint is therefore highly challenging. These constraints may encourage greater reliance on state-owned enterprises to meet India's need for social and physical infrastructure which would raise contingent liability risks to the government.

Meanwhile, India's large low-income population limits the government's tax revenue base. Earlier prospects of a broadening of the tax base have not materialized, even during years of more robust growth than Moody's now projects.

Overall, with very limited room for outright fiscal consolidation, the outlook for India's debt burden will depend on trends in nominal GDP growth and is unlikely to decline unless growth accelerates markedly and sustainably above 10%.

RATIONALE FOR THE NEGATIVE OUTLOOK

The negative outlook reflects mutually-reinforcing downside risks from potentially deeper stresses in the economy and financial system that could lead to a more severe and prolonged erosion in fiscal strength than Moody's currently projects.

Persistent growth challenges, including weak infrastructure, rigidities in labor, land and product markets, and rising financial sector risks, continue to constrain the economy's potential. These structural weaknesses may

impair the economy's recovery from domestic or external shocks, like the current one, to a greater extent than Moody's currently assumes.

Moreover, the nature of stress among NBFIs and banks is still being revealed and may prove deeper and broader than Moody's has assessed so far.

The materialization of economic and financial system risks would be mutually reinforcing as a deeper and more prolonged credit crunch would constrain GDP growth further, which in turn would increase the pressure on financial institutions' balance sheets.

Should the downside risks to growth and/or the financial system materialize, negative consequences for India's fiscal strength would follow. The longer the period of relatively subdued growth, the more likely India's debt burden will continue to rise beyond 85% of GDP. And the materialization of further contingent liabilities for the government, should renewed financial support to financial institutions be needed, would only add to the debt burden.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

Environmental considerations are material to India's rating. The country is vulnerable to climate change through its dependence on variable monsoon rains, given that almost one-half of the country's farm land is not irrigated. The variability of seasonal monsoon rainfall influences agricultural sector growth, food inflation and rural household consumption, creating economic, fiscal and social costs for the sovereign. Elevated levels of pollution and rising concerns around water scarcity and management also present environmental risks.

Social considerations are material to India's credit profile, though with both positive and negative influences evident their overall impact on the rating level is limited. They mainly relate to demographics driven by India's young and growing working age population. Between 8 and 12 million young adults will likely enter the labor force every year through 2030. This creates both opportunities, through a higher contribution of labor to potential growth, and social challenges, if job creation does not keep pace with the volume of job demand and expectations of new entrants in the labor force. More immediately, Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety. For India, stretched healthcare services are likely to add to the social, economic and fiscal costs of the outbreak.

Governance is material to India's credit profile and a material factor in today's downgrade. The country's scores are moderate on institutional factors, as measured by the Worldwide Governance Indicators, reflecting modest government and policy effectiveness compared with peers. Policymakers' limited success in achieving stated objectives in recent years -- an important aspect of governance under Moody's definitions -- together with Moody's expectation that policymaking will remain challenged is an important driver in both the downgrade to Baa3 and the assignment of a negative outlook.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Although a rating upgrade is unlikely in the near future, Moody's would change the outlook on India's rating to stable if outturns and policy actions were to raise confidence that real and nominal growth will rise to sustainably higher rates than Moody's projects, including through measures which enhance financial stability by strengthening the supervision, regulation and capitalization of the financial sector. Commensurate action to halt and reverse the rise in the debt trajectory, even slowly, would also support a stable outlook.

Further evidence that self-reinforcing economic and financial risks are rising would put downward pressure on the rating.

GDP per capita (PPP basis, US$): 7,859 (2018 Actual) (also known as Per Capita Income)

Real GDP growth (% change): 6.1% (FY2018 Actual) (also known as GDP Growth)

Inflation Rate (CPI, % change Dec/Dec): 2.9% (FY2018 Actual)

Gen. Gov. Financial Balance/GDP: -5.9% (FY2018 Actual) (also known as Fiscal Balance)

Current Account Balance/GDP: -2.1% (FY2018 Actual) (also known as External Balance)

External debt/GDP: 20% (FY2018 Actual)

Economic resiliency: baa1

Default history: No default events (on bonds or loans) have been recorded since 1983.

On 26 May 2020, a rating committee was called to discuss the rating of the India, Government of. The main points raised during the discussion were: The issuer's economic fundamentals, including its economic strength, have not materially changed. The issuer's institutions and governance strength, have materially decreased. The issuer's fiscal or financial strength, including its debt profile, has materially decreased. The issuer's susceptibility to event risks has not materially changed.

The principal methodology used in these ratings was Sovereign Ratings Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1158631 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The weighting of all rating factors is described in the methodology used in this credit rating action, if applicable.

LIST OF AFFECTED RATINGS

..Issuer: India, Government of

....Long-term Issuer Rating (Foreign and Local Currency), Downgraded to Baa3 from Baa2

....Long-term Senior Unsecured Debt (Local Currency), Downgraded to Baa3 from Baa2

....Other Short-term Senior Unsecured Debt (Local Currency), Downgraded to P-3 from P-2

....Outlook, Remains Negative

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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MOODY'S
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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's takes rating actions on four Indian government-related issuers following sovereign downgrade

02 Jun 2020

Singapore, June 02, 2020 -- Moody's Investors Service has taken the following rating actions:

• Downgraded the long-term local and foreign currency issuer ratings of Indian Railway Finance Corporation Limited (IRFC) and Housing and Urban Development Corp Ltd (HUDCO) to Baa3 from Baa2 -- in line with India's Baa3 sovereign rating. The outlooks on their ratings remain negative.

• Affirmed HUDCO's Baseline Credit Assessment (BCA) at ba1.

• Affirmed the long-term local and foreign currency issuer ratings of Power Finance Corporation Limited (PFC) and REC Limited (REC) at Baa3. The outlooks on their ratings have been changed to negative from stable -- in line with the sovereign's outlook.

• Affirmed the BCA of PFC at ba3, while REC's Standalone Assessment remains unchanged at ba3.

A list of all affected ratings and assessments is provided at the end of this press release.

RATINGS RATIONALE

ECONOMIC DISRUPTION CAUSED BY THE CORONAVIRUS OUTBREAK AND THE DOWNGRADE OF THE SOVEREIGN RATING ARE THE KEY DRIVERS FOR TODAY'S RATING ACTIONS

The rating actions on Indian government-related issuers follows Moody's recent downgrade of the Indian government's ratings to Baa3 from Baa2 with a negative outlook. See Moody's press release https://www.moodys.com/research/--PR_424605 published on 1 June 2020 for details.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, volatile oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets.

Government-related issuers in India have been affected because of disruptions to India's economy, which will weaken borrowers' credit profiles. Moody's regards the coronavirus outbreak as a social risk under its environmental, social and governance (ESG) framework, given the substantial implications for public health and safety.

The disruptions from the coronavirus outbreak will worsen an economic slowdown in India that has already been underway in the past year and accelerate a deterioration in government-related issuers' asset quality and profitability. Stimulus measures announced by the Indian government and the RBI since the start of the outbreak, such as those directed towards the power sector, will help mitigate some of the credit risks. But the longer and broader the economic slowdown, the more these issuers will face asset quality and profitability issues.

Today's rating actions reflect the impact on the rated issuers of the breadth and severity of the shock, and the deterioration in credit quality it has triggered.

DOWNGRADE OF RATINGS OF IRFC AND HUDCO

IRFC and HUDCO's final ratings are at the same level as the sovereign rating, reflecting Moody's assumption that the two companies will receive government support in times of need given their close links with the Government of India. Consequently, the downgrade of the sovereign rating has led to a downgrade of their long-term issuer ratings to Baa3 from Baa2 with negative outlooks -- in line with the outlook on the sovereign rating.

For HUDCO, the affirmation of its ba1 BCA reflects Moody's expectation that asset quality and profitability pressures arising from the coronavirus outbreak will be largely mitigated by its strong capitalization and good

asset quality, a result of state government guarantees and repayment provisions in state budgets over the years. Moody's also expects the company's liquidity and funding profile to remain steady, as it benefits from being a public sector enterprise.

AFFIRMATION OF PFC AND REC'S RATINGS AND CHANGE IN OUTLOOKS TO NEGATIVE FROM STABLE

Moody's affirmation of PFC's long-term issuer ratings at Baa3 -- which includes a three-notch uplift based on government support -- and BCA at ba3 reflects Moody's expectation that asset quality and profitability pressures arising from the coronavirus outbreak will weigh on its capitalization. However, these pressures are mitigated by (1) the fact that it is mainly exposed to central and state-owned power companies, and (2) its good access to funding. The three-notch uplift for government support reflects PFC's strategic importance to the Indian government in serving the power sector.

The change in PFC's outlook to negative from stable follows the negative outlook on the sovereign rating, as a downgrade of the sovereign rating would reduce the number of notches incorporated in its rating for government support and consequently result in a downgrade.

For REC, the affirmation of its long-term issuer ratings of Baa3 reflects its ba3 Standalone Assessment and a three-notch uplift for expected affiliate support from its parent PFC. The maintenance of its ba3 Standalone Assessment reflects Moody's expectation that asset quality and profitability pressures arising from the coronavirus outbreak will weigh on its capitalization. But similar to PFC, these risks are mitigated by (1) the fact that it is mainly exposed to central and state-owned power companies, and (2) its good access to funding.

The three-notch uplift from its parent reflects Moody's expectation that government support will flow through its parent to REC, if needed, given REC's strategic importance to the government. The three-notch affiliate support is based on PFC's issuer rating of Baa3 and the assumption of "Very High" support and "Very High" dependence under Finance Companies Methodology.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD CHANGE THE RATING UP

An upgrade of the ratings is unlikely because the ratings of IRFC, HUDCO, PFC and REC are already at the same level as India's sovereign rating. Moody's will stabilize their outlooks if India's sovereign outlook stabilizes.

WHAT COULD CHANGE THE RATING DOWN

For PFC, a downgrade of its BCA could lead to a downgrade of its long-term issuer ratings. Moody's would downgrade its BCA if Moody's expects a deterioration in its profitability and/or higher problem loans, which will weigh on its already weak capitalization.

For REC, a lowering of its Standalone Assessment could lead to a downgrade of its long-term issuer ratings. Moody's will lower its Standalone Assessment if Moody's expects a significant weakness in its profitability and asset quality which will deteriorate its capital.

Any indication of diminishing government support for IRFC, HUDCO, PFC and REC could also lead to a downgrade of their ratings.

The principal methodologies used in rating Housing and Urban Development Corp Ltd, and Power Finance Corporation Limited were Finance Companies Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1187099 , and Government-Related Issuers Methodology published in February 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207 . The principal methodology used in rating Indian Railway Finance Corporation Limited was Government-Related Issuers Methodology published in February 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186207 . The principal methodology used in rating REC Limited was Finance Companies Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1187099 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Indian Railway Finance Corporation Limited (IRFC), headquartered in New Delhi, reported total assets of INR2.04 trillion as of 31 March 2019.

Housing and Urban Development Corp Ltd (HUDCO), headquartered in New Delhi, reported total assets of INR0.74 trillion as of 31 March 2019.

Power Finance Corporation Limited (PFC), headquartered in New Delhi, reported total consolidated assets of INR6.48 trillion as of 30 September 2019.

REC Limited (REC), headquartered in New Delhi, reported total assets of INR3.27 trillion as of 31 December 2019.

List of Affected Ratings:

..Issuer: Indian Railway Finance Corporation Limited

....Long-term Issuer Rating (Foreign and Local Currency), Downgraded to Baa3 from Baa2

....Senior Unsecured Medium-Term Note Program (Foreign and Local Currency), Downgraded to (P)Baa3 from (P)Baa2

....Senior Unsecured Regular Bond/Debenture (Foreign Currency), Downgraded to Baa3 from Baa2

....Outlook, Remains Negative

..Issuer: Housing and Urban Development Corp Ltd

....Long-term Issuer Rating (Foreign and Local Currency), Downgraded to Baa3 from Baa2

....Senior Unsecured Medium-Term Note Program (Foreign and Local Currency), Downgraded to (P)Baa3 from (P)Baa2

....Outlook, Remains Negative

..Issuer: Power Finance Corporation Limited

....Long-term Issuer Rating (Foreign and Local Currency), Affirmed Baa3

....Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

....Senior Unsecured Regular Bond/Debenture (Foreign Currency), Affirmed Baa3

....Outlook, Changed To Negative From Stable

..Issuer: REC Limited

....Long-term Issuer Rating (Foreign and Local Currency), Affirmed Baa3

....Senior Unsecured Medium-Term Note Program (Foreign Currency), Affirmed (P)Baa3

....Senior Unsecured Regular Bond/Debenture (Foreign Currency), Affirmed Baa3

....Outlook, Changed To Negative From Stable

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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