

No. HUDCO/SE/2021-22

7th March, 2022

Listing Department BSE Limited, Phiroze Jeebhoy 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 – International Credit Rating by Fitch Ratings

Dear Sir/ Ma'am,

In compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that Fitch Ratings, by press release dated 4th March, 2022 has communicated as under:

- Fitch Ratings – has affirmed the ratings of Housing and Urban Development Corporation Ltd. (HUDCO) at “BBB-” level. The Outlook is Negative, reflecting the Outlook on the Indian sovereign rating (i.e., BBB-/Negative).

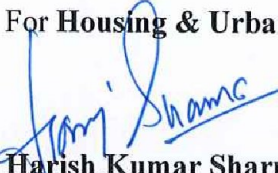
The press release in this regard published by Fitch Ratings is attached.

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



हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड (भारत सरकार का उपक्रम)
कोर 7ए, हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली-110003
दूरभाष : 011-24648160 फैक्स : (011) 24625308, आई.एस.ओ. 9001:2015 प्रमाणित कम्पनी
वेबसाईट : www.hudco.org, सी आई एन : L74899DL1970GOI005276, GST : 07AAACH0632A1ZF
Housing & Urban Development Corporation Ltd., (A Govt. of India Enterprise)
Core-7'A', HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi - 110 003
Tel : 011-24648160, Fax : 011-24625308 AN ISO 9001:2015 Certified Company
website : www.hudco.org CIN : L74899DL1970GOI005276 GST : 07AAACH0632A1ZF



Profitability with Social Justice



RATING ACTION COMMENTARY

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

Fri 04 Mar, 2022 - 5:57 AM ET

Fitch Ratings - Sydney/Jakarta - 04 Mar 2022: Fitch Ratings has affirmed Housing and Urban Development Corporation Limited's (HUDCO) Long-Term Foreign- and Local-Currency Issuer Default Ratings at 'BBB-'. The Outlook is Negative, reflecting the Outlook on the Indian sovereign rating (BBB-/Negative). The rating on HUDCO's INR50 billion medium-term note (MTN) programme has also been affirmed at 'BBB-'.

HUDCO is a policy institution that provides financing for housing and non-commercial urban infrastructure. It is regulated by the National Housing Bank (NHB) and Reserve Bank of India and is under the administrative control of the Ministry of Housing and Urban Affairs (MOHUA). 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.

KEY RATING DRIVERS

'Strong' Status, Ownership and Control: The central government's ownership and control of HUDCO reinforces Fitch's expectations that extraordinary support would be extended to the company, if needed. Fitch expects the government will maintain a sufficiently high majority stake and thus control of HUDCO. The government owns 81.81% of HUDCO after divesting 8% in 2021. The divestment was part of government's plan since 2019.

HUDCO is established as a limited liability company. The government's control is exercised via control of the board, which includes three MOHUA-appointed government nominees. HUDCO also enters into an annual agreement with the MOHUA that sets out its operational and financial performance targets, which are reviewed quarterly.

'Very Strong' Support Record: Fitch believes the government's support for HUDCO's policy role is evident from HUDCO's access to low-cost funding, regulatory flexibility and financial stability. The support includes: access to tax-free bonds, which accounted for 28% of HUDCO's total debt in the financial year ended March 2021 (FY21); guaranteed foreign-currency debt from multilateral institutions; issuance of fully serviced government bonds (33% of total debt outstanding); and waivers on guarantee fees applicable on debt.

The NHB allows HUDCO to have higher loan exposure to government agencies than other housing-finance companies. Lending to the government and its agencies can make up 50% (individual) and 100% (group) of HUDCO's net owned funds, against limits of 15% and 25%, respectively, for other housing-finance companies. Consequently, government-related projects dominate 97% of its loan portfolio. Government guarantees on agency project loans, which help HUDCO maintain favourable asset quality, are 88% of the total loan portfolio.

'Very Strong' Socio-Political Implications of Default: HUDCO plays an important role in supporting the government's affordable housing policies. HUDCO provides financing, such as viability-gap funding with long repayment duration, and appraises projects, promotes scheme details, monitors site inspections and organises awareness programmes. Affordable housing is a high priority programme reflected in the government housing for all programmes. The company has funded almost 20 million dwelling units, of which 86% belong to India's lower-income population.

Fitch does not believe HUDCO could be easily substituted, as it is the sole policy entity for financing affordable housing projects. A default would therefore disrupt the availability of affordable housing and the government's urban infrastructure development.

'Very Strong' Financial Implications of Default: HUDCO reported total loan assets of INR742.9 billion in FY21, of which around 97% were to government agencies borrower. The government also controls and monitors HUDCO's borrowing and target of cost of fund via Memorandum of Understanding with the government. In addition, issuance of tax-free bonds and government fully serviced bonds are also directed and approved by the government. Therefore, Fitch regards HUDCO as a proxy funding vehicle for the

MOHUA to finance the state's high-priority programmes by allocating housing subsidies. Its default would limit the government's borrowing and refinancing capacity and damage investor sentiment towards the sovereign, other government-related entities and the affordable-housing and urban-infrastructure sector.

Covid-19 Pandemic Reduced Activity: HUDCO's net profit fell by 8% in FY21 to INR15.7 billion on a slowdown in economic activity and government containment policy during the pandemic. Consequently, HUDCO's loan asset was flat in FY21 at INR742.9 billion, influenced by a lower new sanction and disbursement during the period. However, asset quality was maintained with net non-performing loans at 0.5% (gross: 4.0%), against 0.2% (gross: 3.8%) in 2020.

Funding Access Supports Liquidity: HUDCO's well-spread debt maturities are concentrated in the next one to three years and seven to 10 years. We believe HUDCO's capital-market access and bank relationships mitigate refinancing risk. Its tax-free and fully serviced government bonds have attracted a broad range of investors. The company also has limited interest rate and currency risk, as most of its debt is issued in Indian rupees at fixed rates. Access to INR87 billion of unused cash credit and bank overdraft facilities as of FY21 also supports liquidity.

DERIVATION SUMMARY

Fitch classifies HUDCO as a government-related entity that is credit-linked to the Indian sovereign. This is attributable to our assessment of the entity's 'Strong' legal status, control and oversight, 'Very Strong' historical financial support and 'Very Strong' socio-political and financial implications of default. These factors mean there is a strong likelihood of HUDCO receiving extraordinary state support, if required.

The assessment translates into an overall support score of 55 under our Government-Related Entities Rating Criteria, leading to the equalisation of HUDCO's rating with that of the Indian sovereign, irrespective of the entity's Standalone Credit Profile.

HUDCO's INR50 billion MTN programme is aligned with HUDCO's Long-Term Issuer Default Rating as the notes issued under the programme constitute HUDCO's direct, unsubordinated and unsecured obligations and shall at all times rank *pari passu* with all its other present and future outstanding unsecured and unsubordinated debt and obligations

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

A revision of the Outlook on India's sovereign rating to Stable from Negative would result a similar revision of the Outlook on HUDCO's ratings.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Negative rating action on the Indian sovereign would result in similar rating action on the issuer.

Negative rating action could also stem from a weakening in the operational and administrative links with the state or direct government control, manifested in HUDCO's lower strategic importance in funding government policies in the affordable-housing and urban-infrastructure sector.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

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

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

HUDCO's rating is credit linked to the India sovereign's rating.

ESG CONSIDERATIONS

Fitch is no longer providing separate ESG scores for HUDCO as the ratings and ESG profile are derived from the parent. ESG relevance scores and commentary for the parent entity, India, can be found here www.fitchratings.com/entity/india-80442259

RATING ACTIONS

ENTITY / DEBT ♦	RATING ♦		PRIOR ♦
Housing and Urban Development Corporation Limited	LT IDR	BBB- Rating Outlook Negative	BBB- Rating Outlook Negative
	Affirmed		
	LC LT IDR		BBB- Rating Outlook Negative
	BBB- Rating Outlook Negative	Affirmed	
senior unsecured	LT	BBB- Affirmed	BBB-

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Paul Norris

Director

Primary Rating Analyst

+61 2 8256 0326

paul.norris@fitchratings.com

Fitch Australia Pty Ltd

Suite 15.01, Level 15 135 King Street Sydney 2000

Irwansyah Maryanto

Associate Director

Secondary Rating Analyst

+62 21 2988 8530

irwansyah.maryanto@fitchratings.com

Samuel Kwok, CFA, CAIA

Senior Director

Committee Chairperson

+852 2263 9961

samuel.kwok@fitchratings.com

MEDIA CONTACTS

Bindu Menon

Mumbai

+91 22 4000 1727

bindu.menon@fitchratings.com

Wai Lun Wan

Hong Kong

+852 2263 9935

wailun.wan@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

Government-Related Entities Rating Criteria (pub. 30 Sep 2020)

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 02 Sep 2021) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Housing and Urban Development Corporation Limited

EU Endorsed, UK Endorsed

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, THE FOLLOWING [HTTPS://WWW.FITCHRATINGS.COM/RATING-DEFINITIONS-DOCUMENT](https://www.fitchratings.com/rating-definitions-document) DETAILS FITCH'S RATING DEFINITIONS FOR EACH RATING SCALE AND RATING CATEGORIES, INCLUDING DEFINITIONS RELATING

TO DEFAULT. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE OR ANCILLARY SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF PERMISSIBLE SERVICE(S) FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA- REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) OR ANCILLARY SERVICE(S) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH RATINGS WEBSITE.

[READ LESS](#)

COPYRIGHT

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other

reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to

provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

[READ LESS](#)

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Non-Bank Financial Institutions International Public Finance

Supranationals, Subnationals, and Agencies Asia-Pacific India
