

No. HUDCO/SE/2020-21

9th March, 2021

Listing Department BSE Limited, Phiroze Jeejeebhoy 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
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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, we wish to inform you about assignment of 'International Credit Rating' as under:

- Fitch Ratings – 8th March, 2021 – has affirmed the ratings of Housing and Urban Development Corporation Ltd. (HUDCO) at “BBB-” level with ‘Negative’ outlook, equivalent to that of India’s Sovereign Rating.

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 7 ए, हडको भवन, भारत पर्यावास केन्द्र लोधी रोड, नई दिल्ली-110003
दूरभाष : 011-24648160, फ़ैक्स: (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



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RATING ACTION COMMENTARY

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

Mon 08 Mar, 2021 - 4:03 AM ET

Fitch Ratings - Hong Kong/Jakarta - 08 Mar 2021: Fitch Ratings has affirmed India's 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 India sovereign rating (BBB-/Negative).

The rating on HUDCO's INR50 billion medium-term note programme has also been affirmed at 'BBB-'.

HUDCO is a policy institution that provides housing finance and non-commercial urban infrastructure financing. 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 state owns 89.81% of HUDCO, but has proposed a 10.00% divestment due to the Securities and Exchange Board of India's

requirements. However, the state expects to maintain its majority stake. The MOHUA signs annual memorandums of understanding with HUDCO that set operational and financial performance targets; these are reviewed quarterly. The central government appoints HUDCO's board of directors, which currently comprises five members, with three coming from MOHUA.

'Very Strong' Support Record: Fitch believes the government's support for HUDCO to pursue its 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 provide access to low-cost funding and accounted for 28% of HUDCO's total debt in the financial year ended March 2020 (FY20), guaranteed foreign-currency debt from multilateral institutions, issuance of fully serviced government bonds 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, related projects comprise 96% of HUDCO's loan portfolio. Government guarantees on agency project loans, which help HUDCO achieve its policy role and maintain favourable asset quality, amounted to 87% 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 is involved in project appraisals, the propagation and dissemination of scheme details, monitoring and site inspections and organising awareness programmes. Its policy-role focus is evident from its funding of nearly 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; as such, its default would disrupt the availability of affordable housing and the government's urban infrastructure development.

'Very Strong' Financial Implications of Default: 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; the sector's importance in providing affordable housing is noted in the government's seven-year programme (2015-2022).

Increased Activity: HUDCO's net profit increased to INR17 billion in FY20, from INR12 billion in FY19. Asset quality was maintained, with net non-performing loans at 0.2% (gross: 3.8%), against 0.5% (gross: 4.5%) in 2019. Total asset increased by 4.5%, supported by a 4.7% rise in total loans and disbursements of INR50 billion. HUDCO also received INR199 billion in new sanctions, which were dominated by the urban infrastructure segment.

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 refinancing risk is mitigated by HUDCO's capital-market access and bank relationships. 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. Liquidity is also supported by access to INR60 billion of unutilised cash credit and bank overdraft facilities as at FY20.

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, regardless of the entity's Standalone Credit Profile. Fitch has not assigned HUDCO a Standalone Credit Profile, as it is difficult to detach the entity from the government framework in which it operates. In addition, HUDCO's entire loan book is directed towards its core policy focus segment.

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 India 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.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

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

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Kelvin Tsui, CFA, FRM
Senior Director
Primary Rating Analyst
+852 2263 9965
Fitch (Hong Kong) Limited
19/F Man Yee Building 60-68 Des Voeux Road Central Hong Kong

Irwansyah Maryanto
Associate Director
Secondary Rating Analyst
+62 21 2988 8530

Samuel Kwok, CFA, CAIA
Director
Committee Chairperson
+852 2263 9961

MEDIA CONTACTS

Alanis Ko
Hong Kong
+852 2263 9953
alanis.ko@thefitchgroup.com

Peter Hofflich

Singapore

+65 6796 7229

peter.hofflich@thefitchgroup.com

Wai Lun Wan

Hong Kong

+852 2263 9935

wailun.wan@thefitchgroup.com

Leslie Tan

Singapore

+65 6796 7234

leslie.tan@thefitchgroup.com

Additional information is available on www.fitchratings.com**APPLICABLE CRITERIA**

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

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 23 Feb 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

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Non-Bank Financial Institutions International Public Finance

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