No. HUDCO/SE/2020-21

10th 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 – 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 June, 2020 – 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 i.e. "BBB-/Stable/F3".

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

Housing and Urban Development Corporation Limited

Key Rating Drivers

Ratings Linked to Sovereign: Fitch Ratings classifies Housing and Urban Development Corporation Limited (HUDCO) as a government-related entity (GRE) that is credit-linked to the Indian sovereign (BBB-/Stable/F3). Fitch sees HUDCO as an important GRE and hence believes there is a high likelihood of extraordinary support from the state, if needed.

'Strong' Status, Ownership, Control: HUDCO is 89.81%-owned by the state after a 10.19% stake was divested during an IPO in May 2017. The government has proposed a further 10% divestment following a requirement from the Securities and Exchange Board of India, but it expects to maintain a majority shareholding in HUDCO. The Ministry of Housing and Urban Affairs (MOHUA) controls HUDCO through setting the company's operational and financial targets, including the placement of two representatives on the board.

'Very Strong' Support Record, Expectations: The government has provided funding through access to tax-free bonds, issuance of government fully serviced bonds, guarantees on foreign-currency debt from multilateral institutions and waivers on the guarantee fees for the debt. HUDCO is allowed to have higher financing exposure to government agencies, which is not available for other housing-finance companies.

The state also provided guarantees for loans extended to its agencies' projects, which made up 66% of HUDCO's total loan portfolio in the financial year ended March 2019 (FY19).

'Very Strong' Socio-Political Implications: Affordable housing is a priority for India's urban growth and HUDCO plays an important role in the implementation of the government's urbanisation programme. Fitch believes HUDCO cannot be easily substituted as it is the sole policy entity providing financing and other non-financing aid for the sector. The attribute was assessed as 'Very Strong' as a default could disrupt the availability of affordable housing and urban infrastructure, which are high on the government's political agenda.

'Very Strong' Financial Implications: Fitch believes HUDCO is a proxy funding vehicle for MOHUA to finance the government's high-priority programmes by allocating its housing subsidies. It is also the government's tool in stimulating urban growth. A financial default would have significant implications for the government and wider investor sentiment towards the sovereign and other GREs.

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

Credit-Linked with Sovereign: HUDCO's ratings are credit-linked to those of the Indian government; hence, positive or negative rating action on the sovereign would result in similar rating action on the issuer.

Pressure on Rating: A material weakening of the operational and administrative links with the sponsor and/or direct government control, manifested in HUDCO's lower strategic importance in the funding of government policies in the affordable-housing and urban-infrastructure sector, would result in negative rating action.

Ratings

Foreign Currency	
Long-Term IDR	BBB-
Local Currency	
Long-Term IDR	BBB-
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Issuer Profile

HUDCO is the sole public-policy institution under MOHUA engaged in financing the development of affordable housing for the economically weak and low-income population. It is also involved in upgrading non-commercial urban infrastructure.

Financial Data

Housing and Urban Development Corporation Ltd

	FY18	FY19
Interest revenue (INRbn)	40.2	54.7
Loans (INRbn)	470.9	709.6
Total debt (INRbn)	360.1	595.6
Total assets (INRbn)	489.5	728.3
Total equity and reserves (INRbn)	98.2	109.5
Interest revenue on loans/loans (%)	8.1	7.4
Net interest income/earning assets (%)	3.7	3.3
Loan impairment charges/loans (%)	1.2	0.4
Liquid assets/total assets (%)	0.5	0.5
Loans/equity and reserves (%)	504.3	674.6

Source: Fitch Ratings, Fitch Solutions, HUDCO

Applicable Criteria

Government-Related Entities Rating Criteria (November 2019)

Rating Criteria for International Local and Regional Governments (September 2019)

Related Research

India (January 2020)

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Appendix A – Financial Statements

Housing and Urban Development Corporation Limited

(INRm)	FY19	FY18	FY17	FY16	FY15
Profit and loss					
Interest revenue	54,655.9	40,210.5	34,729.4	31,874.3	33,118.5
Interest expenditure	-30,705.1	-22,336.8	-19,731.4	-18,583.9	-17,640.3
Net interest income	23,950.8	17,873.7	14,998.0	13,290.4	15,478.2
Net fees and commissions					
Other operating income	598.0	500.7	321.5	30.6	499.0
Personnel expenses	-2,241.2	-1,682.5	-1,244.7	-1,404.6	-1,613.7
Other operating expenses	-841.6	-318.2	-180.0	-369.0	-166.3
Net gains and losses on securities and trading					
Net operating income/(loss)	21,466.0	16,373.7	13,894.8	11,547.4	14,197.2
Provisions	-3,272.7	-5,681.3	-2,965.7	-1,299.6	-2,738.0
Operating profit (loss) after provisions	18,193.3	10,692.4	10,929.1	10,247.8	11,459.2
Other non-operating revenue/expense	435.8	221.4	825.2	513.2	350.2
Contributions from state budgets					
Profit (loss) before tax	18,629.1	10,913.8	11,754.3	10,761.0	11,809.4
Taxation	-6,830.6	-2,914.3	-3,331.9	-2,933.1	-4,033.1
Net profit (loss)	11,798.5	7,999.5	8,422.4	7,827.9	7,776.3
Balance sheet					
Assets					
Cash and cash equivalents	3,400.4	2,223.8	3,328.9	5,901.1	2,849.2
Liquid securities					
Deposits with banks					
Loans	709,637.1	470,855.2	374,570.2	337,333.6	309,759.8
Other earning assets	10,283.7	11,569.0	10,671.2	10,919.5	13,971.6
Long-term investments					
Fixed assets	1,087.5	1,167.9	1,154.7	1,119.9	995.6
Intangible	4.1	5.6	.3	.5	.7
Other long-term assets	3,870.5	3,665.2	3,665.2	3,665.3	3,556.8
Total assets	728,283.3	489,486.7	393,390.5	358,939.9	331,133.7
Liabilities & equity					
Customer deposits	2,891.6	1,948.6	5,640.1	6,828.8	3,248.2
Deposits from banks					
Short-term borrowing	127,230.5	75,551.1	32,299.8	40,946.1	23,371.4
Other short-term liabilities	13,993.9	22,353.1	12,028.4	11,896.2	38,410.0
Debt maturing after 1 year	468,357.5	284,557.0	244,021.4	206,715.1	179,903.2
Other long-term funding					
Other provisions and reserves					
Other long-term liabilities	6,262.2	6,839.5	7,717.2	8,088.8	8,389.2
Equity	20,019.0	20,019.0	20,019.0	20,019.0	20,019.0
Reserves	89,528.6	78,218.4	71,664.6	64,445.9	57,792.7
Total liabilities & equity	728,283.3	489,486.7	393,390.5	358,939.9	331,133.7

Source: Fitch Ratings, Fitch Solutions, HUDCO

Appendix B – Ratio Analysis

Housing and Urban Development Corporation Limited

(%)	FY19	FY18	FY17	FY16	FY15
Ratios					
Performance					
Interest revenue on loans/loans	7.35	8.05	8.71	8.78	10.00
Interest expense/borrowings and deposits	5.13	6.17	7.00	7.30	8.54
Net interest income/earning assets	3.31	3.69	3.86	3.75	4.74
Net operating income/net interest income and other operating revenue	87.44	89.11	90.70	86.69	88.86
Net operating income/equity and reserves	19.60	16.67	15.16	13.67	18.25
Net operating income/total assets	2.95	3.35	3.53	3.22	4.29
Credit					
Growth of total assets	48.79	24.43	9.60	8.40	9.60
Growth of loans	49.19	25.70	11.28	8.82	10.51
Impaired loans/total loans	3.79	6.31	6.05	6.72	6.36
Reserves for impaired loans/impaired loans	105.08	78.42	81.87	70.62	75.75
Loan impairment charges/loans	.44	1.15	.75	.37	.84
Liquidity and funding					
Long-term debt/total equity and reserves	427.54	289.66	266.16	244.73	231.20
Liquid assets/total assets	.47	.45	.85	1.64	.86
Total deposits and debt/total assets	82.18	73.97	71.67	70.90	62.37
Liquid assets/short-term deposits and borrowing	2.67	2.94	10.31	14.41	12.19
Capitalisation					
Equity and reserves/total assets	15.04	20.07	23.31	23.53	23.50
Net profit/total equity and reserves	10.77	8.14	9.19	9.27	9.99
Loans/equity and reserves	674.62	504.25	429.84	419.28	418.24
Regulatory capital-adequacy ratio	57.98	52.38	58.55	63.85	50.46

Source: Fitch Ratings, Fitch Solutions, HUDCO

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