

हाउसिंग एण्ड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड, (भारत सरकार का उपक्रम), कोर 7ए, हडको भवन, भारत पर्यावास केन्द्र, लोधी रोड, नई दिल्ली-110003
दूरभाष : 011-24648160 फ़ैक्स : 011-24625308 Visit us at : www.hudco.org सीआईएन : L74899DL1970GOI005276 जी.एस.टी : 07AAACH0632A1ZF
Housing & Urban Development Corporation Ltd., (A Govt. of India Enterprise), Core-7A, HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi-110003
Telephone : 011-24648160 Fax : 011-24625308 Visit us at : www.hudco.org CIN : L74899DL1970GOI005276 GST : 07AAACH0632A1ZF

आई. एस. ओ. 9001:2008 प्रमाणित कम्पनी

AN ISO 9001 : 2008 CERTIFIED COMPANY

HUDCO/CS/SE/2019

13th March, 2019

**The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001
Scrip Code- 540530**

**The Secretary
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, in respect of International Credit Rating.

Dear Sir/ Ma'am

In compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Code for 'Prevention of Insider Trading in Housing and Urban Development Corporation Limited Equity Shares/ Securities', we wish to inform you about assignment of 'International Credit Rating' as under:

Moody's Investors Service, Singapore, March 13, 2019 - has assigned a "Baa2" local and Foreign Currency issuer rating to HUDCO with Stable Outlook. HUDCO's Baa2 rating is 2 notches higher than its ba1 BCA, because the rating includes uplift due to government support.

The press release in this regard published by Moody's Investors Service is attached.

The above is submitted for your information and record.

Thanking you

Yours faithfully
For Housing and Urban Development Corporation Ltd


Harish Kumar Sharma
Company Secretary & Compliance Officer



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MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Baa2 rating to HUDCO; outlook stable

13 Mar 2019

Singapore, March 13, 2019 -- Moody's Investors Service has assigned a Baa2 local and foreign currency issuer rating to Housing and Urban Development Corporation Limited (HUDCO), an India-based finance company. Moody's has also assigned a Baseline Credit Assessment (BCA) of ba1 to HUDCO. The outlook, where applicable, is stable.

RATINGS RATIONALE

HUDCO's Baa2 rating is 2 notches higher than its ba1 BCA, because the rating includes uplift due to government support. Moody's classifies HUDCO as a government-related issuer given its strong linkages with the government.

The ba1 BCA reflects the fact that almost all lending is to entities owned by Indian state governments, resulting in a low credit risk business model. This is because a large portion of this lending has explicit guarantees from the state governments, as well as provision for loan servicing from the respective state budgets. The BCA also factors in the company's very high capital as well as strong profitability. Funding and liquidity are relative weaknesses, because the company is dependent on wholesale funding and holds almost no excess liquidity on its books.

Around 95% of its outstanding loans and 99% of fresh disbursements over last three years, have been to state government-owned entities. As of December 2018, around 87% of loans to state government-owned entities had a guarantee from the respective state government, and for 80% of these guaranteed-loans, loan repayments are part of the respective state government budgets. As a result of the above factors, the credit risk of the company is largely the credit risk of Indian state governments and much lower than the credit risk at other rated Indian financials.

The company has strong capital, with Tangible Managed Equity(TCE)/managed assets of around 20%, while the reported capital adequacy ratio (CAR) is even higher at around 52.4%, both at end March 2018. The higher reported CAR is a result of its exposures to state government entities being risk-weighted at 20%. Although we expect strong loan growth at the company, its capital will remain high on an absolute basis and remain a key credit strength.

Profitability is strong, with a reported return on assets of around 1.8% for the year ending March 2018, and will further improve as the provisioning requirements for its legacy private sector loans runs off.

The company's healthy spreads are a result of charging the state government-owned entities, higher rates than those at which the state governments are able to borrow from the capital market through State Development Loans (SDL). Loans from Hudco to the state government-owned entities, being largely guaranteed by state governments, are considered as off balance sheet borrowings for the respective governments. The amount state governments can borrow is limited by the provisions of the Fiscal Responsibility and Budget Management (FRBM) Act. However, despite the guarantees, borrowing by the state government-owned entities from Hudco are not counted as part of the state government liabilities under FRBM. As a result, the state governments are incentivized to use Hudco as a funding agency, despite HUDCO's interest rate being higher than the rate applicable on SDLs. The business model of the company will be at risk if this treatment of off balance sheet liabilities of state governments is changed. At this moment, though, there is no visibility of that happening.

The key credit weakness of the company is its funding and liquidity management. Similarly to other finance companies, it is wholesale funded. Its status as a government-owned company results in very good access to domestic sources of wholesale funding, including from banks and the bond market.

The company holds almost no excess liquidity and it manages its liquidity by matching maturities of assets and liabilities. The company occasionally runs maturity mismatches in its short-term maturity buckets, although they are within the limits prescribed by its regulator.

The company's liquidity profile is supported by undrawn committed lines of credit from multiple domestic and international banks, and the aggregate amount of credit available is large relative to the size of the company's balance sheet.

Moody's has also assigned a Baa industry risk score to the industry that HUDCO operates in. While HUDCO lends to projects in housing finance and urban infrastructure, it lends only to state government-owned entities operating in this space, and enjoys explicit state government guarantees on a large portion of its loans. As a result, both industry and product risk are relatively low compared to the other lending segments in India. Further, lending to the state government-owned entities is only moderately competitive because the space is largely dominated by government related financial institutions.

Moody's incorporates a high level of government support into the rating, leading to a 2-notch uplift from its BCA of ba1, for a final issuer rating of Baa2.

The government has a 90% shareholding in the company, and the entire board, including two government nominee directors, are nominated by the government. The government plays a key part in setting the strategic direction of the company, with the company signing an annual memorandum of understanding (MoU) with the government to agree upon its key objectives, including financial goals, for the year. Further, the company plays an important role in implementing some key government programs, including being one of the nodal agencies for credit linked subsidy scheme (CLSS) and Smart Cities scheme.

WHAT COULD CHANGE THE RATING UP

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An upgrade of the ratings is unlikely, because HUDCO's issuer rating is already at the same level as the Government of India's sovereign rating (Baa2 Stable). Nevertheless, the company's BCA could be upgraded if there is a significant and sustained improvement in its liquidity profile, particularly an increase in excess liquidity on its balance sheet to buffer against potential adverse market conditions.

WHAT COULD CHANGE THE RATING DOWN

The company's BCA could be downgraded if the share of the government guaranteed loan book materially reduces from the current levels.

The issuer ratings could be downgraded if the BCA is downgraded by more than one notch or India's sovereign rating is downgraded.

PRINCIPAL METHODOLOGY

The methodologies used in these ratings were Finance Companies published in December 2018 and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

HUDCO is headquartered in New Delhi, and reported total assets of INR489 billion at 31 March 2018.

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