

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
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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, this is to inform you that Fitch Ratings, by press release dated 23<sup>rd</sup> February, 2023-8:21 AM ET (i.e., 6:51 PM IST) has communicated as under:

- Fitch Ratings – 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.

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](http://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](http://www.hudco.org) CIN : L74899DL1970GOI005276 GST : 07AAACH0632A1ZF



**RATING ACTION COMMENTARY**

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

Thu 23 Feb, 2023 - 8:21 AM ET

Fitch Ratings - Singapore/Jakarta - 23 Feb 2023: 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 Stable, reflecting the Outlook on the Indian sovereign rating (BBB-/Stable). The rating on HUDCO's INR50 billion medium-term note (MTN) programme has been affirmed at 'BBB-'.

HUDCO is regulated by Reserve Bank of India under the supervision of the National Housing Bank (NHB) and is under the administrative control of the Ministry of Housing and Urban Affairs (MOHUA).

**KEY RATING DRIVERS****Status, Ownership and Control: 'Strong'**

The central government owns 81.81% of HUDCO, a limited liability company, after divesting 8% in 2021 as part of its plan since 2019. The government's control is via control of the board, which includes two 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.

The government's ownership and control of HUDCO reinforces Fitch's expectations that extraordinary support would be extended to the company, if needed. Fitch does not expect changes to HUDCO's status, ownership and control over the medium term.

### **Support Track Record: 'Very Strong'**

The government's support for HUDCO includes guaranteed foreign-currency debt from multilateral institutions, issuance of fully serviced government bonds (33% of total debt outstanding in the financial year end-March 2022 (FY22) and relaxations in levying guarantee fees applicable on debt, which allows HUDCO to have financial stability and flexibility. Fitch expects the government to maintain its very strong financial support to HUDCO.

The National Housing Bank (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 in FY22.

### **Socio-Political Implications of Default: 'Very Strong'**

Fitch's assessment reflects HUDCO's designation as an important financing vehicle in supporting the government's affordable housing policies. HUDCO provides financing, such as viability-gap funding with long repayment durations, and appraises projects, promotes scheme details, monitors site inspections and organises awareness programmes. Affordable housing is a high-priority government programme. The company funded around 19.7 million dwelling units in FY22, of which 86% belong to India's lower-income population.

Fitch believes HUDCO lacks any potential substitutes, 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.

### **Financial Implications of Default: 'Very Strong'**

HUDCO reported total loan assets of INR769.9 billion in FY22, 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, 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.

### **Operating Performance**

**Gradually Increasing Activity After Covid-19:** HUDCO's net profit increased by 9% in FY22 to INR17.2 billion following more efficient cost management. HUDCO's loan assets rose by 4% in FY22 to INR769.9 billion, influenced by a higher new sanction and disbursement during the period. Asset quality was also maintained with net non-performing loans at 0.5% (gross: 3.6%), against 0.5% (gross: 4.0%) in 2021.

**Funding Access Supports Liquidity:** HUDCO's well-spread debt maturities are concentrated in the next one to three years and over five years. We believe HUDCO's capital-market access and bank relationships mitigate refinancing risk. Its 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 supported by access to INR92 billion of unused cash credit and working capital sanctioned by various banks.

### **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 will at all times rank pari passu with all its other outstanding unsecured and unsubordinated debt and obligations

### **Issuer Profile**

HUDCO is a policy institution that provides housing finance and non-commercial urban infrastructure financing. 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 (including water supply, road and transport, power, commercial infrastructure). HUDCO conducts its business by balancing profitability with its social mandate.

## **RATING SENSITIVITIES**

### **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 of the socio-political and financial implications of a default by HUDCO or, a weakening of the government's support record or control and influence in the company.

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

Any positive movement or upgrade in the Indian sovereign rating would be reflected in HUDCO's ratings.

Any rating action on HUDCO's IDRs would result in a similar action on the rating of its senior unsecured notes.

## **ESG Considerations**

Fitch does not assign 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](http://www.fitchratings.com/entity/india-80442259).

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

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

## **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 Rating**

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

## RATING ACTIONS

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

[VIEW ADDITIONAL RATING DETAILS](#)

## FITCH RATINGS ANALYSTS

### Ethan Lee

Director

Primary Rating Analyst

+65 6796 2726

ethan.lee@fitchratings.com

Fitch Ratings Singapore Pte Ltd.

1 Wallich Street #19-01 Guoco Tower Singapore 078881

### Ghaida Gunarti

Associate Director

Secondary Rating Analyst

+62 21 4000 0748

ghaida.gunarti@fitchratings.com

### Sherry Zhao, CFA, FRM

Director

Committee Chairperson

+852 2263 9964

sherry.zhao@fitchratings.com

## **MEDIA CONTACTS**

**Jack Li**

Beijing

+86 10 5957 0964

jack.li@thefitchgroup.com

**Bindu Menon**

Mumbai

+91 22 4000 1727

bindu.menon@fitchratings.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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## **APPLICABLE CRITERIA**

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

Public Sector, Revenue-Supported Entities Rating Criteria (pub. 01 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

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India

