

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 20th Feb., 2024 has communicated as under:

- Fitch Ratings - has affirmed the ratings of Housing and Urban Development Corporation Ltd. (HUDCO) at "BBB-" level (i.e., at the sovereign level) with 'Stable' outlook.

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.**



Ratna Prakash
Company Secretary & Compliance Officer



हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लिमिटेड (भारत सरकार का उपक्रम)
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वेबसाईट : www.hudco.org, सी आई एन : L74899DL1970GOI005276, GST : 07AAACH0632A1ZF
Housing & Urban Development Corporation Ltd., (A Govt. of India Enterprise)
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20 FEB 2024

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

Fitch Ratings - Singapore/Sydney - 20 Feb 2024: Fitch Ratings has affirmed Housing and Urban Development Corporation Limited's (HUDCO) Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) 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 also been affirmed at 'BBB-'.

Fitch classifies HUDCO as a government-related entity (GRE) that is credit-linked to the Indian sovereign. HUDCO's ratings are equalised to those of the sovereign based on our view that the government has significant responsibility and incentives to provide financial support to HUDCO in case of need.

HUDCO's close ties with the government are reflected in its policy mission to support the supply of affordable housing and development of urban infrastructure, in addition to its regulation by the Reserve Bank of India and National Housing Bank, and its administrative control by the Ministry of Housing and Urban Affairs (MoHUA).

KEY RATING DRIVERS

Support Score Assessment 'Virtually certain'

We believe that extraordinary support from the Indian government to HUDCO would be 'Virtually Certain' in case of need, reflecting a support score of 55 (out of a maximum 60) under our GRE criteria. This reflects our assessment of a combination of responsibility to support and incentive to support factors.

Responsibility to Support

Decision Making and Oversight 'Strong'

Fitch's assessment reflects the state's 75% majority ownership of HUDCO and tight control, including board representation, with two MoHUA-appointed board members. The government sets annual targets and quarterly reviews under a memorandum of understanding between HUDCO and MoHUA. This agreement outlines key financial performance targets, such as shareholder returns, asset quality, loan disbursements and cost of funds relative to similar government entities.

We do not expect significant changes to the control and oversight structure over the medium term, despite the government divesting 25% of its holding in three separate transactions in 2017, 2021 and

2023. We expect the state to maintain a controlling interest in the company.

Precedents of Support 'Very Strong'

The government's support for HUDCO includes access to low-cost financing, operational flexibility and measures to bolster HUDCO's asset quality. The state provides guarantees on foreign-currency debt and has allowed the issuance of fully serviced government bonds, which make up around a third of total debt and are regarded as tantamount to carrying a government guarantee. In addition, the entity was allowed to issue tax-free bonds during 2011-2015, which made up 22% of its borrowings in the fiscal year ended March 2023 (FY23).

Supportive policy also affords HUDCO a higher lending concentration to government borrowers, enabling it to expand its portfolio to government projects, which accounted for 97% of the loan portfolio at FYE23. Loans to government and government agencies are typically guaranteed by respective state governments. Guaranteed loans amounted to 92% of HUDCO's total loans advanced in FY23.

Incentives to Support

Preservation of Government Policy Role 'Very Strong'

HUDCO plays a pivotal role in advancing the government's affordable housing and urban infrastructure initiatives, which are a key focus of the government's agenda. HUDCO's role encompasses a variety of functions, such as financing support for affordable housing and infrastructure, conducting project assessments and coordinating awareness programmes.

The company has supported over 20 million housing units since its inception, predominantly for the lower-income segment of India. Fitch believes that substituting HUDCO in the short term would be difficult and a default could therefore significantly disrupt the government's affordable housing and urban infrastructure agenda, with direct negative consequences for the economically disadvantaged.

Contagion Risk 'Very Strong'

HUDCO's central role in the government's housing and infrastructure agenda indicates that a default would create significant disruption to the borrowing and financing capacity of the government and its entities. Fitch regards HUDCO as MoHUA's strategic financing intermediary to provide financing for the government's high-priority initiatives, particularly in facilitating the housing subsidy scheme. Narrow spreads to Indian sovereign bonds reflect HUDCO's core position with the government.

A default could therefore have profound repercussions for the government's reputation, affect its ability to borrow and refinance in the capital markets, and alter the investment community's perception of the sovereign, government entities, and the broader sector of affordable housing and urban development in India.

Operating Performance

HUDCO's operating performance was stable in the four years to FY23, with yearly net profit of around INR17 billion, except for a dip in FY21 to INR15.8 billion due to government containment policies during the Covid-19 pandemic. Total loans advanced were consequently flat in FY21 at around INR740 billion before resuming growth the following year to INR792 billion at FYE23. Asset quality is sound with gross non-performing loans of 3.42% (0.52% net after provisions) in FY23, compared with 3.58% gross (0.51% net) in FY22.

HUDCO's ability to tap capital markets and maintain strong banking partnerships play a crucial role in reducing the risk of refinancing. Government support from the issuance of tax-free and fully serviced government bonds strengthens investor demand. In addition, HUDCO has minimal exposure to interest rate and foreign-exchange risks as the majority of its borrowings are in Indian rupees and at fixed interest rates. The company's liquidity was fortified by the availability of around INR80 billion in available cash and working-capital lines from several banks at FYE23.

Risk Profile:

Not applicable to the rating.

Derivation Summary

We assess HUDCO under our GRE criteria. The combination of 'Strong' and 'Very Strong' support factor assessments mean there is a significant likelihood of HUDCO receiving extraordinary state support, if required.

The assessment translates into an overall support score of 55 under the criteria, leading to the equalisation of HUDCO's rating with that of the Indian sovereign, irrespective of the entity's Standalone Credit Profile.

Debt Ratings

HUDCO's Indian rupee MTN programme is rated in line with its Long-Term IDR as the programme is for senior unsecured long-term bonds.

Issuer Profile

HUDCO is a policy agency focused on delivering financing for both residential housing and urban infrastructure projects. Its primary objective is to facilitate the creation of affordable housing for low-income households, as well as the development of essential urban infrastructure such as water services, transportation networks, energy and commercial facilities. In executing its operations, HUDCO balances 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 HUDCO. Negative

rating action could also stem from a weaker assessment of the government's responsibility and incentives to support HUDCO.

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, provided our overall support factor assessment remains unchanged.

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](#).

Public Ratings with Credit Linkage to other ratings

HUDCO's ratings are credit-linked to the Indian sovereign's ratings.

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.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Housing and Urban Development Corporation Limited	LT IDR	BBB- ●	Affirmed	BBB- ●
	LC LT IDR	BBB- ●	Affirmed	BBB- ●
• senior unsecured	LT	BBB-	Affirmed	BBB-

RATINGS KEY OUTLOOK WATCH

POSITIVE	+	◇
NEGATIVE	-	◇
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

Government-Related Entities Rating Criteria (pub.12 Jan 2024)

Public Policy Revenue-Supported Entities Rating Criteria (pub.12 Jan 2024) (including rating assumption sensitivity)

Additional Disclosures

Solicitation Status

Endorsement Status

Housing and Urban Development Corporation Limited EU Endorsed, UK Endorsed

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