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**Sub: Announcement under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – International Credit Rating by Moody's Investors Service, Singapore**

Dear Sir/ Ma'am,

In compliance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that Moody's Investors Service, Singapore, by Press Release dated 1<sup>st</sup> November, 2023 has communicated as under:

- Moody's Investor Service, Singapore – has affirmed the ratings of Housing and Urban Development Corporation Ltd. (HUDCO) at "Baa3" level with 'Stable' outlook, equivalent to that of India's Sovereign Rating.

The Press Release in this regard published by Moody's Investors Service 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

*Ma'am*



**Housing & Urban Development Corporation Ltd . (A Govt. Of India Enterprise)**

Core 7 A, HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi - 110 003

**हाउसिंग एंड अर्बन डेवलपमेंट कॉर्पोरेशन लि.(भारत सरकार का उपक्रम)**

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**Profitability With Social Justice**



# MOODY'S

## Rating Action: Moody's affirms HUDCO's Baa3 ratings; outlook stable

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01 Nov 2023

Singapore, November 01, 2023 – Moody's Investors Service has affirmed the Baa3 local- and foreign-currency issuer ratings of Housing and Urban Development Corp Ltd (HUDCO).

At the same time, Moody's has affirmed HUDCO's (P)Baa3 local- and foreign-currency senior unsecured medium-term note (MTN) ratings, and ba1 Baseline Credit Assessment (BCA).

Moody's has maintained the stable outlook on the ratings, reflecting the agency's expectation that the company's credit fundamentals will be stable, and that it will continue to receive strong support from the Government of India (Baa3 stable) when needed.

### RATINGS RATIONALE

HUDCO's Baa3 rating is one notch above its ba1 BCA reflecting the high level of extraordinary support Moody's expects it to receive from the government when needed based on the company's strong linkages with the government. The government owns 75.17% of HUDCO's shareholding and appoints the company's board of directors. HUDCO plays an important role of providing financing to housing and urban development programs in India and signs a Memorandum of Understanding with the Ministry of Housing and Urban Affairs that outlines the company's annual performance targets.

The ba1 BCA reflects HUDCO's low credit risk given around 97% of its outstanding loans are to state governments and their related entities with 90% of such loans benefiting from explicit state government guarantees. Almost all of HUDCO's nonperforming loans (NPL) are from the private sector, to which HUDCO has ceased sanctioning loans since 2013. HUDCO's NPL ratio decreased to 3.4% as of 30 June 2023 from 3.6% a year earlier, and provisioning coverage was sufficient at 86.9% as of 30 June 2023. Moody's expects the company's asset quality to remain stable over the next 12 to 18 months.

HUDCO's profitability and capital are strong. HUDCO is a preferred lender to state-government-owned entities given such lending is considered off-balance-sheet borrowings for respective state governments. Moody's expects HUDCO's return on assets to be stable at around 2.1%, underpinned by stable net interest margins and credit costs. HUDCO's capital, as measured by tangible common equity (TCE)/total managed assets (TMA), was strong at 19.1% as of 31 March 2023. Moody's expects HUDCO's capital to moderate as the company targets a rebound in loan growth in fiscal year (FY) ending 31 March 2024 and FY2025 from an average of about 2% over the past 3 years.

Like other non-deposit-taking finance companies, HUDCO has high reliance on wholesale funding. This is mitigated by its strong access to funding from banks and bond markets because of its government linkage. The company holds modest on-balance-sheet liquidity. But good asset-liability maturities matching and access to undrawn credit lines from commercial banks support the company's liquidity.

### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

HUDCO's Baa3 issuer ratings are at the same level as India's Baa3 sovereign rating, and Moody's will likely upgrade the ratings if the sovereign rating is upgraded.



Moody's could upgrade HUDCO's BCA if there is a significant and sustained improvement in the company's balance liquidity to buffer against adverse market conditions, while asset quality and capital remain stable.

Conversely, Moody's could downgrade HUDCO's issuer ratings if the sovereign rating is downgraded or if government support for the company weakens.

The ratings could also be downgraded if HUDCO's BCA is downgraded because of a material deterioration in asset quality or capital, reflected in an increase in the NPL ratio to above 5% or a decline in the TCE/TMA ratio to below 16%.

## PRINCIPAL METHODOLOGY

The methodologies used in these ratings were Finance Companies Methodology published in November 2019 and available at <https://ratings.moodys.com/mmc-documents/65543>, and Government-Related Issuers Methodology published in February 2020 and available at <https://ratings.moodys.com/mmc-documents/64864>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

HUDCO is headquartered in New Delhi and reported total assets of INR810 billion as of 31 March 2023.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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