

May 14, 2025

Housing and Urban Development Corporation Ltd.: Ratings reaffirmed; rated amount enhanced

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|--|--------------------------------------|-------------------------------------|--|
| Long-term borrowing programme FY2026 | 0.00 | 65,000.00 | [ICRA]AAA (Stable); assigned |
| Long-term borrowing programme FY2025 | 42,775.00 | 42,775.00 | [ICRA]AAA (Stable); reaffirmed |
| Long-term borrowing programme FY2025 | 27,035.00 | 0.00 | [ICRA]AAA (Stable); reaffirmed and withdrawn |
| Long-term/Short-term fund based/Non-fund based | 50,000.00 | 1,30,000.00 | [ICRA]AAA (Stable)/ [ICRA]A1+; Reaffirmed and assigned for enhanced amount |
| Fixed deposit programme | 0.00 | 0.00 | [ICRA]AAA (Stable); reaffirmed |
| Commercial paper programme | 10,000.00 | 10,000.00 | [ICRA]A1+; reaffirmed |
| Total | 129,810.00 | 2,47,775.00 | |

Rationale

The ratings for Housing and Urban Development Corporation Ltd.'s (HUDCO) borrowing programmes derive significant strength from its sovereign ownership (75% of the equity held by the Government of India (GoI) as of March 31, 2025) and its important role as a nodal agency for the implementation of Government policies in the priority sectors of social housing and urban infrastructure. The ratings also draw comfort from the relatively low credit risk profile of the company's portfolio, given the focus on Government-sponsored urban infrastructure and other projects backed by guarantees and/or budgetary provisions from Central/state governments for debt servicing by the concerned entities. Moreover, the ratings also factor in HUDCO's healthy capitalisation level, adequate earnings profile, and good financial flexibility and resource profile, which supports its liquidity profile.

ICRA notes that while the credit risk for HUDCO's loan portfolio is mitigated by the presence of government guarantees and/or budgetary allocations for debt repayments, the weak financial profile of many of the state governments remains a monitorable, especially given its concentrated exposure to states such as Telangana (TEL) and Andhra Pradesh (AP). Nonetheless, HUDCO's gross and net stage 3 percentages remain under control and stood comfortable at 1.7% and 0.2%, respectively, as on March 31, 2025 (2.7% and 0.4%, respectively, as on March 31, 2024), supported by strong book growth, limited slippages and some recoveries from stressed accounts.

The Stable outlook reflects ICRA's expectation that HUDCO will remain strategically important to the GoI for the implementation of its policy in the housing and urban development sectors, while maintaining its profitability, borrowing and capitalisation profile.

ICRA has reaffirmed and withdrawn the ratings for the Rs. 27,035.00-crore long-term borrowing programme with no amount outstanding against the rated instruments. The ratings have been withdrawn as per ICRA's policy on the withdrawal of credit ratings.

Key rating drivers and their description

Credit strengths

Majority ownership by GoI; strategic role in implementing various GoI schemes – HUDCO is a nodal agency for the implementation of Government policies for the priority sectors of social housing and urban infrastructure. Further, as one of the major financiers of urban infrastructure and housing projects, it remains strategically important for achieving the Government's objective of Housing for All. The GoI remains the majority shareholder in HUDCO with a stake of 75% as on March 31, 2025, and has representation on the company's board. The company has a skilled management team having significant experience in infrastructure financing. Moreover, HUDCO has well-established relationships with different state governments, making it a preferred lender for their urban infrastructure and housing projects. HUDCO has also received approval from the GoI to raise 54EC¹ low-cost capital gain bonds, which provide comfort with respect to its importance to the GoI.

Healthy capitalisation, good financial flexibility and resource profile – HUDCO's financial profile continues to be characterised by healthy capitalisation with a reported capital adequacy ratio of 47% as on March 31, 2025 and a gearing of 6.0 times (4.9 times, adjusting for GoI fully serviced bonds (GoI FSBs)) as of March 31, 2025 compared to 4.5 times (3.3 times excluding GoI FSBs) as of March 31, 2024. The reported capital adequacy is supported by the 20% risk weight associated with state government-guaranteed exposures and the 0% risk weight for funding to the Building Materials and Technology Promotion Council (BMTPC) out of the extra budgetary resources, i.e. GoI FSBs. Moreover, it is noted that the GoI FSBs are to be serviced through appropriate budgetary allocation to the Ministry of Housing and Urban Affairs (MoHUA) in the Union Budget. Going forward, the gearing is expected to increase from the current levels owing to loan book growth as per business plans, nonetheless the impact on the capitalisation ratio will be cushioned by the lower risk weight applicable to the exposure backed by government guarantees.

HUDCO has a diversified funding profile with sources including tax-free bonds, GoI FSBs, taxable bonds, bank loans, commercial paper, and foreign currency borrowings. Around 30% of the borrowings, as on March 31, 2025, was in the form of tax-free bonds and GoI FSBs with a tenure of at least 10-15 years, auguring well for the asset-liability maturity (ALM) profile.

Relatively low credit risk on portfolio, given the high share of government-backed exposures – Over the past few years, HUDCO's disbursements have been only to state governments and public sector agencies. As a result, the share of its legacy private sector portfolio in the overall portfolio has declined. The public sector loan book accounted for ~98.5% of the company's total advances as on March 31, 2025 (91% as on March 31, 2017). Further, ICRA notes that the majority of HUDCO's advances in the public sector loan book are backed by guarantees/budgetary allocations of the Central or state governments (92% of loan book covered by guarantee as on March 31, 2024). This mitigates the credit risk for the company to some extent as the underlying projects may not have adequate cashflows for debt servicing.

The gross and net stage 3 percentages improved to 1.7% and 0.2%, respectively, as on March 31, 2025 from 2.7% and 0.4%, respectively, as on March 31, 2024, supported by supported by strong book growth and limited slippages and some recoveries from stressed accounts. ICRA also notes that HUDCO's stage 2 percentage remains volatile a on periodic basis due to overdue from some accounts in the softer delinquency buckets. Given the wholesale nature of the loans and the resultant high concentration risk, the company remains exposed to lumpy slippages in the asset quality. ICRA believes that the risks are largely mitigated by the relatively high share of loan accounts guaranteed by the government.

Adequate profitability indicators – HUDCO reported a profit after tax (PAT) of Rs. 2,709 crore in FY2025 compared to Rs. 2,117 crore in FY2024 translating into (return on managed assets (RoMA) of 2.4% in FY2025 and FY2024). Although the company's relatively less risky exposure results in modest yields, its profitability indicators remain adequate, supported by low credit costs and operating expenses. HUDCO's net interest margins (NIMs) have remained range-bound over the past three years. It

¹ Definition- Long term capital gain exemption bonds under section 54EC of the Income Tax, 1961

appears relatively lower at 3.1% in FY2025 (3.0% in FY2024) due to the impact of the low lending spread (0.4%) for the loans extended out of the extra budgetary resources. Further, the company's operating expenses remained low at 0.3% of average managed assets (AMA) in FY2025 (0.4% in FY2024) due to the wholesale nature of its operations. Provisioning costs were negative due to provision reversal, following the favourable resolution of a few stressed accounts and limited slippages in FY2025 and FY2024. ICRA expects the overall profitability to remain adequate, going forward as well.

Credit challenges

Concentration risk; albeit declining supported by book growth over past two years – Although the credit risk for HUDCO's loan portfolio is mitigated by the presence of government guarantees and/or budgetary allocations for debt repayments, the weak financial profile of many of the state governments remains monitorable, especially given the concentration (albeit declining) of its exposure to states such as TEL and AP. As on December 31, 2024, HUDCO's exposure to TEL accounted for about 72% of its net worth while its exposure to both these states aggregated 133% of its net worth (143% of its net worth as on March 31, 2024). In this regard, exposures covered by state/Central guarantees will not be subjected to the regulatory concentration norms. Nevertheless, HUDCO faces high concentration risk, remaining exposed to lumpy slippages in the asset quality. The concentration risk is partly mitigated through the geographically diversified book growth over the past two years. The company disbursed loans worth Rs. 40,038 crore resulting in 123% growth in FY2025. Going forward the company expected to grow at a compound annual growth rate CAGR of ~18-22%, over the next 4-5 years, though, its ability to diversify its state-wise portfolio mix remains imperative from a concentration risk perspective.

Environment and social risks

Given the service-oriented nature of its business, HUDCO does not face material physical climate risks. However, it is exposed to environmental risks indirectly through its portfolio of assets. If the entities or businesses to which HUDCO has an exposure face business disruption because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory, or customer behaviour changes, the same could translate into credit risks for the company. However, such risk is mitigated for HUDCO through adequate portfolio diversification. With regard to social risks, data security and customer privacy are among the key sources of vulnerability for lending institutions as material lapses could be detrimental to their reputation and invite regulatory censure. Given the nature of its business, HUDCO's exposure to social risks is limited.

Liquidity position: Adequate

While HUDCO does not maintain sizeable on-balance sheet liquidity, it has a demonstrated track record of maintaining sufficient unutilised bank lines for plugging near-term mismatches. As of December 31, 2024, the company's asset-liability maturity profile reflected debt servicing burden of Rs. 31,326 crore against estimated inflows from advances of Rs. 19,452 crore. The liquidity profile is also supported by undrawn bank lines of about Rs. 9,397 crore as on December 31, 2024 and cash and liquid investments of Rs. 455 crore. Moreover, the healthy financial flexibility, backed by the company's parentage and strategic importance to the GoI, provides comfort.

Rating sensitivities

Positive factors – Not applicable

Negative factors – Change in the ownership and/or a change in HUDCO's strategic role or importance to the GoI shall negatively impact the ratings. Also, a deterioration in the solvency level to more than 40% on a sustained basis will be a negative for HUDCO's credit profile.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | ICRA's Credit Rating Methodology for Non-banking Finance Companies Policy on Withdrawal of Credit Ratings |
| Parent/Group support | The ratings derive significant strength from HUDCO's sovereign ownership (75% held by the GoI as of March 31, 2025) and its important role as a nodal agency for the implementation of Government policy in the high priority sectors of social housing and urban infrastructure. ICRA expects support from the GoI to be forthcoming, if required. |
| Consolidation/Standalone | Standalone |

About the company

Housing and Urban Development Corporation Ltd. (HUDCO), incorporated in 1970, is a listed Navratna public sector enterprise under the Ministry of Housing and Urban Affairs (MoHUA), Government of India (GoI). It is a public financial institution, primarily financing social housing and urban infrastructure projects. The GoI held a share of 75% in HUDCO, as on March 31, 2025, while the balance was held by the public. In August 2024, the company has received a fresh certificate of registration from the Reserve Bank of India as an NBFC-Infrastructure Finance Company (NBFC-IFC).

HUDCO has been taking incremental exposures exclusively to state governments and public sector agencies. As a result, the share of its legacy private sector portfolio in the overall portfolio declined to about 2% of its total advances as on December 31, 2024 while the public sector loan book accounted for 98.3% (91% as on March 31, 2017). As far as the sector-wise portfolio mix is concerned, the housing segment accounted for ~40% of the loan book as on December 31, 2024 while urban infrastructure accounted for 60%.

HUDCO reported a profit after tax (PAT) of Rs. 2,709 crore on a total income of Rs. 10,348 crore in FY2025 against PAT of Rs. 2,117 crore on a total income of Rs. 7,948 crore in FY2024.

Key financial indicators

| | FY2023 | FY2024 | FY2025 |
|--------------------------|---------|---------|----------|
| | Audited | Audited | Audited |
| Total income | 7,086 | 7,948 | 10,348 |
| PAT | 1,702 | 2,117 | 2,709 |
| Total managed assets | 83,402 | 95,647 | 1,30,309 |
| Return on managed assets | 2.1% | 2.4% | 2.4% |
| Gearing (times) | 4.1 | 4.5 | 6.0 |
| Gross stage 3 | 3.4% | 2.7% | 1.7% |
| CRAR | 74% | 58% | 47% |

Source: HUDCO, ICRA Research; Amount in Rs. Crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current Rating (FY2026) | | Chronology of Rating History for the Past 3 Years | | | | | |
|--|-------|--------------------------|----------------------------|---|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| | | Amount Rated (Rs. crore) | Date and Rating in FY2026 | Date and Rating in FY2025 | | Date and Rating in FY2024 | | Date and Rating in FY2023 | |
| | | | May 14, 2025 | Date | Rating | Date | Rating | Date | Rating |
| 1 Fixed deposit programme | LT | - | [ICRA]AAA (Stable) | 14-May-24 | [ICRA]AAA (Stable) | 25-Apr-23 | [ICRA]AAA (Stable) | 27-Dec-22 | [ICRA]AAA (Stable) |
| | | | | 24-Apr-24 | [ICRA]AAA (Stable) | - | - | 02-Jun-22 | [ICRA]AAA (Stable) |
| 2 LT borrowing programme FY2026 | LT | 65,000 | [ICRA]AAA (Stable) | - | - | - | - | - | - |
| 3 LT borrowing programme (up to FY2025) | LT | 42,775 | [ICRA]AAA (Stable) | 14-May-24 | [ICRA]AAA (Stable) | 25-Apr-23 | [ICRA]AAA (Stable) | 27-Dec-22 | [ICRA]AAA (Stable) |
| | | | | 24-Apr-24 | [ICRA]AAA (Stable) | - | - | 02-Jun-22 | [ICRA]AAA (Stable) |
| 4 Commercial paper | ST | 10,000 | [ICRA]A1+ | 14-May-24 | [ICRA]A1+ | 25-Apr-23 | [ICRA]A1+ | 27-Dec-22 | [ICRA]A1+ |
| | | | | 24-Apr-24 | [ICRA]A1+ | - | - | 02-Jun-22 | [ICRA]A1+ |
| 5 Long-term/short-term fund-based/Non-fund based | LT/ST | 1,30,000 | [ICRA]AAA/Stable/[ICRA]A1+ | 14-May-24 | [ICRA]AAA/Stable/[ICRA]A1+ | 25-Apr-23 | [ICRA]AAA/Stable/[ICRA]A1+ | 27-Dec-22 | [ICRA]AAA/Stable/[ICRA]A1+ |
| | | | | 24-Apr-24 | [ICRA]AAA/Stable/[ICRA]A1+ | - | - | 02-Jun-22 | [ICRA]AAA/Stable/[ICRA]A1+ |

Source: ICRA Research; Note: LT: Long term, ST: Short term

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|--|----------------------|
| Long-term borrowing programmes | Simple |
| Commercial paper programme | Very Simple |
| Fixed deposit programme | Very Simple |
| Long-term/Short-term fund-based/Non-fund based bank facilities | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details as on April 30, 2025

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating |
|--------------|---|-----------------------------|-------------|---------------|--------------------------|-------------------------------|
| INE031A08616 | GoI FSB* | Nov-12-18 | 8.60% | Nov-12-28 | 3,000 | [ICRA]AAA (Stable) |
| INE031A08624 | GoI FSB* | Nov-28-18 | 8.52% | Nov-28-28 | 2,050 | [ICRA]AAA (Stable) |
| INE031A08673 | GoI FSB* | Jan-30-19 | 8.38% | Jan-30-29 | 2,066.90 | [ICRA]AAA (Stable) |
| INE031A08681 | GoI FSB* | Feb-14-19 | 8.58% | Feb-14-29 | 2,563.10 | [ICRA]AAA (Stable) |
| INE031A08699 | GoI FSB* | Mar-15-19 | 8.41% | Mar-15-29 | 5,320 | [ICRA]AAA (Stable) |
| INE031A08707 | GoI FSB* | Mar-25-19 | 8.37% | Mar-25-29 | 5,000 | [ICRA]AAA (Stable) |
| INE031A08806 | Taxable bond | May-29-20 | 6.75% | May-29-30 | 1,040 | [ICRA]AAA (Stable) |
| INE031A08848 | Taxable bond | Mar-25-22 | 5.62% | May-25-25 | 1,500 | [ICRA]AAA (Stable) |
| INE031A08855 | Taxable bond | Nov-11-22 | 7.54% | Feb-11-26 | 1,500 | [ICRA]AAA (Stable) |
| INE031A08863 | Taxable bond | Dec-19-22 | 7.52% | Apr-15-33 | 470 | [ICRA]AAA (Stable) |
| INE031A08871 | Taxable bond | Feb-16-23 | 7.68% | May-16-26 | 2,000 | [ICRA]AAA (Stable) |
| INE031A08889 | Taxable bond | Apr-20-23 | 7.48% | Aug-20-26 | 1,500 | [ICRA]AAA (Stable) |
| INE031A08897 | Taxable bond | May-17-24 | 7.48% | May-17-29 | 1,936 | [ICRA]AAA (Stable) |
| INE031A08905 | Taxable bond | Jul-18-24 | 7.28% | Jul-18-29 | 1,850 | [ICRA]AAA (Stable) |
| INE031A08913 | Taxable bond | Sep-25-24 | 7.15% | Sep-25-34 | 2,000 | [ICRA]AAA (Stable) |
| INE031A08921 | Taxable bond | Dec-26-24 | 7.12% | Dec-26-34 | 1,230 | [ICRA]AAA (Stable) |
| INE031A08939 | Taxable bond | Feb-12-25 | 7.29% | 12-Feb-35 | 2,910 | [ICRA]AAA (Stable) |
| INE031A08947 | Taxable bond | Mar-12-25 | 7.37% | Mar-12-35 | 2,842.50 | [ICRA]AAA (Stable) |
| INE031A08954 | Taxable bond | Mar-27-25 | 7.19% | Mar-27-35 | 2,000 | [ICRA]AAA (Stable) |
| INE031A08962 | Taxable bond | Apr-23-25 | 6.90% | Apr-23-32 | 2,430 | [ICRA]AAA (Stable) |
| INE031A08970 | Taxable bond | May-06-25 | 6.90% | May-06-30 | 2,190 | [ICRA]AAA (Stable) |
| NA^ | LT borrowing programme (upto FY2025) | - | - | - | 1,996.5 | [ICRA]AAA (Stable) |
| NA^ | LT borrowing programme FY2026 | - | - | - | 58,380 | [ICRA]AAA (Stable) |
| NA^ | Commercial paper | - | - | 7-365 days | 10,000 | [ICRA]A1+ |
| NA | Fixed deposits | - | - | - | - | [ICRA]AAA (Stable) |
| NA | Long-term/Short-term fund based/Non- fund based bank facilities | - | - | - | 1,30,000 | [ICRA]AAA (Stable)/ [ICRA]A1+ |
| NA^ | LT borrowing programme (upto FY2025) | - | - | - | 25,235 | [ICRA]AAA (Stable); withdrawn |
| INE031A08814 | Taxable bond | Aug-4-20 | 5.35% | Apr-11-25 | 800 | [ICRA]AAA (Stable); withdrawn |
| INE031A08830 | Taxable bond | Feb-22-22 | 5.59% | Mar-4-25 | 1,000 | [ICRA]AAA (Stable); withdrawn |

Source: ICRA Research, HUDCO; *Government of India fully serviced bonds (taxable); ^ Yet to be placed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan

+91 22 6114 3444

karthiks@icraindia.com

A M Karthik

+91 44 4596 4308

a.karthik@icraindia.com

Sandeep Sharma

+91 22 6114 3419

sandeep.sharma@icraindia.com

Mishi Yadav

+91 124 4545 320

mishi.yadav@icraindia.com

Rajat Kher

+91 124 4545 833

rajat.kher@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91-11-23357940-45



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