

Price: 222

Recommendation: Buy

Industry: Financial Institution

Sector: Financial Services

Report Date: 02-May-2025

HUDCO, a government-owned entity with a AAA rating, has evolved from a housing finance company to an NBFC-IFC, focusing on infrastructure financing across urban and rural sectors. Its portfolio spans housing, metro mobility, roads, water, energy, and more. With strong financial metrics, diversified funding, and a robust growth strategy, HUDCO is pivotal in driving India's infrastructure development.

Sales		Profit & Loss		Profitability Matrix	
Current Year	9532 Cr	Operating Profit(Year)	9542 Cr	Operating Profit Margin	100 %
Previous Year	7082 Cr	Operating Profit(Quarter)	2687 Cr	EBITDA Margin	81.89 %
Current Quarter	2760 Cr	PAT (Year)	2111 Cr	Net Profit Margin	27.0 %
Previous Quarter	2518 Cr	PAT (Quarter)	735 Cr	EPS	13.4
Revenue (QYoY)	2013 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	16.6	Sales Growth	25.9 %	Sales Growth	9.61 %
PEG Ratio	1.35	PAT Growth	24.03 %	Sales Growth QYoY	37.11 %
EV/EBITDA	14.2	EPS Growth	26.42 %	PAT Growth	6.68 %
P/B	2.59	Dividend Yield	1.87	PAT Growth QYoY	41.62 %
Capital Allocation		Holdings		Leverage	
RoE	13.2 %	Promoter	75.0 %	Debt/Equity	5.46
RoA	2.40 %	FII	2.46 %	Debt	93565 Cr
RoCE	9.23 %	DII	9.69 %	Market Cap	44474 Cr
RoIC	9.23 %	Public	12.8 %	Enterprise value	137641 Cr
		No of Shares	200 Cr	Cash Equivalents	398 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

HUDCO's Q3 FY25 earnings call highlighted its strategic transition from a housing finance company to an NBFC-IFC, emphasizing infrastructure financing across multi-sector domains. The company has expanded its scope to include urban and rural infrastructure, covering housing, metro mobility, roads, transport, water, sewage, and energy. HUDCO is also providing consultancy services, training programs, and inviting foreign participants to share best practices. A key initiative includes the launch of PMAY 2.0, which is expected to contribute significantly to the housing portfolio, with a projected disbursement of INR 100,000 crores over the next five years. The company is actively exploring PPP housing projects under PMAY and has signed an MoU for a major port project with JNPT, showcasing its commitment to large-scale infrastructure development.

HUDCO's business strategies focus on sustainable growth, robust financial metrics, and asset quality improvement. The company has achieved a significant reduction in SMA-2 assets and NPAs, with net NPA levels at 0.18%. It is leveraging its regional offices for business development, monitoring, and recovery, ensuring efficient project execution. HUDCO has diversified its borrowing mix, with 17% of funds sourced from external commercial borrowings, including yen-denominated loans, which have reduced the weighted average cost of borrowing to 6.8%. The company plans to increase this share to 20% to further optimize costs. Additionally, HUDCO is maintaining strong spreads and NIMs, with NIMs at 3.2% and spreads at 2.41%, ensuring profitability while adhering to compliance and governance standards.

Future growth perspectives are promising, with HUDCO targeting a loan book of INR 150,000 crores by FY26 and INR 300,000 crores by 2030, reflecting a CAGR of 15%-20%. The company is focusing on urban infrastructure and housing, with a 40:60 portfolio mix. Key growth drivers include metro projects, roads, ports, water, sewage, and energy, alongside affordable housing initiatives. HUDCO is also shifting towards cash flow-based projects and private sector funding to mitigate reliance on government guarantees. The average loan tenure is expected to remain at 6-7 years, ensuring balanced risk and return. The company's robust pipeline and diversified portfolio position it well for sustained growth.

HUDCO's positive outlook is supported by its strong financial ratios, including a CRAR of 47% and a debt-equity ratio below 6%. The company has demonstrated consistent improvement in profitability, with ROA at 2.45% and ROE exceeding 14%. HUDCO's strategic focus on resolving NPAs, reducing borrowing costs, and maintaining asset quality ensures long-term stability. Its proactive approach to recruitment, IT framework enhancement, and consortium financing for large projects further strengthens its operational capabilities. With a AAA rating and 75% government ownership, HUDCO is well-positioned to capitalize on India's infrastructure growth, driven by the aspirations of its 1.4 billion people.

HUDCO Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HUDCO	44473.68	16.59	13.17%	9.63%	37.14%	6.74%	41.57%
LIC Housing Fin.	32904.73	6.38	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	27314.23	14.01	12.27%	5.57%	12.73%	20.30%	27.79%
Aadhar Hsg. Fin.	20320.56	23.40	18.41%	4.36%	18.51%	5.20%	17.17%
Aptus Value Hou.	15999.09	22.59	17.22%	6.80%	28.07%	4.69%	20.88%

Aspect	Commentary
Revenue	HUDCO's revenue growth reflects strong performance, with a 25.9% YoY increase and 9.61% QoQ growth. The QYoY growth of 37.11% highlights robust demand across urban and rural infrastructure sectors, driven by diversified portfolio expansion and strategic initiatives like PMAY 2.0.
Profit & Loss	Operating profit margin at 100% and PAT growth of 24.03% YoY underscore HUDCO's efficiency in cost management and profitability. Quarterly PAT growth of 6.68% and EPS growth of 26.42% reflect consistent earnings improvement, supported by reduced NPAs and strong spreads.
Profitability Matrix	HUDCO's profitability metrics are solid, with an EBITDA margin of 81.89% and net profit margin of 27%. ROE at 13.2% and ROA at 2.40% indicate effective asset utilization and shareholder returns. NIMs at 3.2% and spreads at 2.41% ensure sustained profitability.
Valuation Matrix	Valuation ratios like P/E of 16.6 and P/B of 2.59 suggest HUDCO is reasonably priced relative to peers. A PEG ratio of 1.35 indicates balanced growth and valuation. Dividend yield of 1.87% adds to investor appeal, supported by strong financial fundamentals.
Growth (YoY)	HUDCO's YoY growth metrics are impressive, with sales growth at 25.9% and PAT growth at 24.03%. EPS growth of 26.42% reflects consistent profitability improvement. These figures highlight the company's ability to scale operations while maintaining financial stability.
Growth (QoQ)	QoQ growth metrics show steady progress, with sales growth at 9.61% and PAT growth at 6.68%. QYoY PAT growth of 41.62% underscores HUDCO's ability to capitalize on infrastructure demand. EPS growth reflects operational efficiency and strategic execution.
Capital Allocation	HUDCO's capital allocation is prudent, with RoCE and RoIC at 9.23%, ensuring efficient use of resources. A CRAR of 47% and debt-equity ratio of 5.46 highlight financial stability. Diversified borrowing mix reduces costs, supporting sustainable growth strategies.
Holdings	Promoter holding at 75% ensures stability, while FII and DII holdings at 2.46% and 9.69% reflect institutional confidence. Public holding at 12.8% indicates retail investor interest. Cash equivalents of INR 398 Cr provide liquidity for operational and strategic needs.
Leverage	Debt-equity ratio of 5.46 and total debt of INR 93,565 Cr reflect HUDCO's leverage strategy to fund infrastructure projects. Market cap of INR 44,474 Cr and enterprise value of INR 137,641 Cr showcase its scale. Reduced borrowing costs enhance financial efficiency.

Analyst viewpoint: HUDCO's robust financial performance and strategic initiatives position it as a compelling investment opportunity in the short to mid-term. The company has demonstrated impressive growth metrics, with a 25.9% YoY sales increase and 9.61% QoQ growth, driven by its diversified portfolio across urban and rural infrastructure sectors. Key initiatives like PMAY 2.0 and PPP housing projects under PMAY are expected to significantly boost its housing portfolio, while its focus on metro mobility, roads, water, and energy ensures sustained demand. HUDCO's profitability remains strong, with a PAT growth of 24.03% YoY and QYoY growth of 41.62%, supported by reduced NPAs and efficient cost management. Valuation metrics such as a P/E of 16.6 and PEG ratio of 1.35 indicate balanced growth potential, while a dividend yield of 1.87% enhances investor appeal. The company's strategic capital allocation, including a CRAR of 47% and diversified borrowing mix, further strengthens its financial stability and growth outlook.

HUDCO's competitive edge is evident in its ability to outperform peers like LIC Housing Finance and PNB Housing in QoQ and QYoY growth metrics, reflecting its operational efficiency and strategic execution. Its AAA rating and 75% government ownership provide stability, while initiatives to reduce borrowing costs and improve asset quality ensure long-term profitability. The company's ambitious loan book targets and focus on sustainable infrastructure development highlight its growth trajectory. However, its high debt-equity ratio of 5.46, while manageable, warrants close monitoring to ensure continued financial efficiency. Overall, HUDCO's strong fundamentals, diversified portfolio, and strategic focus make it a promising investment in India's infrastructure growth story.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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