

# **HUDCO**

## ISIN: INE031A01017 | NSE: HUDCO

**Price:** 210

**Recommendation:** Buy

Industry: Financial Institution Sector: Financial Services Report Date: 03-Apr-2025 HUDCO is strategically enhancing its growth by diversifying its borrowing mix, aiming to increase external commercial borrowings to 20%, reducing costs. The company focuses on urban infrastructure and housing, participating in PMAY 2.0 with a target of INR 100,000 crores. With a loan book goal of INR 300,000 crores by 2030, HUDCO is improving asset quality, reducing NPAs to 0.18%. Leveraging its AAA rating, HUDCO is poised for growth in India's infrastructure sector.

Sales		Profit & Los	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(Yo	Growth(YoY)		Growth(QoQ)	
Trailing P/E	15.7	Sales Growth	25.9 %	Sales Growth	9.61 %	
PEG Ratio	1.27	PAT Growth	24.03 %	Sales Growth QYoY	37.11 %	
EV/EBITDA	13.9	EPS Growth	26.42 %	PAT Growth	6.68 %	
P/B	2.45	Dividend Yield	1.98	PAT Growth QYoY	41.62 %	
Capital Allocation		Holdings	Holdings		Leverage	
RoE	13.2 %	Promoter	75.0 %	Debt/Equity	5.46	
RoA	2.40 %	FII	2.08 %	Debt	93565 Cr	
RoCE	9.23 %	DII	9.74 %	Market Cap	42006 Cr	
RoIC	9.23 %	Public	13.2 %	Enterprise value	135173 Cr	
		No of Shares	200 Cr	Cash Equivalents	398 Cr	

### source : Company filings

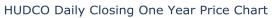
# **Company's Overview Based on Recent Concall and Performance:**

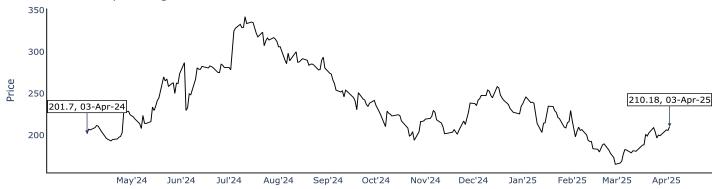
In the recent earnings conference call, HUDCO outlined several strategic initiatives and business strategies aimed at enhancing its growth trajectory. The company is focusing on diversifying its borrowing mix to reduce the overall cost of funds. Currently, 17% of its borrowings are from external commercial sources, and HUDCO plans to increase this to 20%. This strategic move is expected to lower the incremental cost of borrowing, which has already decreased from 7.2% to 6.8% over the past nine months. HUDCO is also exploring opportunities in consortium financing for large infrastructure projects, while maintaining a preference for being the sole lender to retain control over terms and conditions.

HUDCO's diversification strategy includes a significant focus on urban infrastructure and housing projects. The company is actively participating in the Pradhan Mantri Awas Yojana (PMAY) 2.0, expecting to contribute around INR 100,000 crores over the next few years. This initiative is part of a broader effort to support the Government of India's ambitious infrastructure development plans. HUDCO's loan book is expected to grow significantly, with a target of reaching INR 300,000 crores by 2030, driven by a compound annual growth rate (CAGR) of 15% to 16%. The company is also enhancing its asset quality by resolving non-performing assets (NPAs), which have been reduced to a net NPA level of 0.18%.

Looking ahead, HUDCO is optimistic about its growth prospects, supported by strong government backing and a robust pipeline of projects. The company is leveraging its AAA credit rating and strong capital ratios to sustain its growth momentum. HUDCO's strategic focus on urban infrastructure, including metro, road, and port projects, positions it well to capitalize on the increasing demand for infrastructure development in India. The company's commitment to maintaining high asset quality and operational efficiency is expected to support its profitability and return on assets (ROA), which currently stands at around 2.4% to 2.45%.

While HUDCO's growth strategy is promising, there are areas for improvement. The company could further enhance its operational efficiency by optimizing its cost-to-income ratio and exploring innovative financing solutions to reduce dependency on government guarantees. Additionally, HUDCO's focus on sustainable and inclusive growth could be strengthened by expanding its portfolio to include more environmentally friendly and socially impactful projects. By addressing these areas, HUDCO can enhance its competitive edge and ensure long-term success in the dynamic infrastructure financing landscape.





Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
HUDCO	42005.99	15.66	13.17%	9.63%	37.14%	6.74%	41.57%
LIC Housing Fin.	31526.64	6.12	16.22%	1.91%	3.91%	8.07%	22.75%
PNB Housing	24323.31	13.32	11.80%	2.96%	9.99%	-0.06%	36.04%
Aadhar Hsg. Fin.	19698.93	22.67	18.41%	4.36%	18.51%	5.20%	17.17%
AAVAS Financiers	16618.36	29.52	13.93%	3.04%	17.47%	-1.01%	25.52%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a 25.9% YoY increase, indicating robust sales performance. The quarterly growth of 9.61% suggests consistent demand and effective sales strategies. This positive trend reflects the company's ability to capture market opportunities and expand its customer base.
Profit & Loss	Operating profit margins are impressive, with a 100% margin indicating efficient cost management. The PAT growth of 24.03% YoY and 6.68% QoQ highlights strong profitability. This suggests effective operational strategies and cost controls, contributing to the company's financial health.
Profitability Matrix	The company exhibits strong profitability with an EBITDA margin of 81.89% and a net profit margin of 27.0%. These figures indicate efficient operations and cost management, leading to substantial earnings. The EPS of 13.4 further underscores the company's profitability and shareholder value.
Valuation Matrix	The valuation metrics show a trailing P/E of 15.7 and a PEG ratio of 1.27, suggesting reasonable growth expectations. The EV/EBITDA of 13.9 and P/B of 2.45 indicate a balanced valuation, reflecting investor confidence in the company's growth prospects and financial stability.
Growth (YoY)	The company demonstrates strong YoY growth with sales increasing by 25.9% and PAT by 24.03%. This growth is supported by a 26.42% rise in EPS, indicating effective business strategies and market expansion. The dividend yield of 1.98% adds to shareholder returns.
Growth (QoQ)	Quarterly growth is robust, with sales up by 9.61% and PAT by 6.68%. The QYoY sales growth of 37.11% and PAT growth of 41.62% highlight the company's ability to capitalize on market opportunities and drive consistent performance across quarters.
Capital Allocation	The company maintains a strong capital allocation strategy with RoE at 13.2% and RoA at 2.40%. The RoCE and RoIC both at 9.23% indicate efficient use of capital, supporting sustainable growth and profitability. This reflects prudent financial management and strategic investments.
Holdings	The promoter holding of 75.0% indicates strong confidence in the company's prospects. Institutional investors hold a combined 11.82%, suggesting market trust. The public holding of 13.2% provides liquidity, while the total shares of 200 Cr ensure adequate market presence.
Leverage	The company has a high debt/equity ratio of 5.46, indicating significant leverage. With a debt of 93565 Cr, the company must manage its obligations carefully. However, the market cap of 42006 Cr and enterprise value of 135173 Cr suggest strong market positioning and potential for growth.

**Analyst viewpoint:** HUDCO is exhibiting a robust growth profile, underscored by a substantial 9.61% increase in sales QoQ. This growth trajectory is complemented by an impressive PAT expansion of 6.68%, reflecting the company's strong operational strategies and market adaptability. The strategic initiative to diversify its borrowing mix, aiming to elevate external commercial borrowings to 20%, is poised to reduce financing costs and fuel future growth. Valuation metrics remain enticing, with a trailing P/E of 15.7 and an EV/EBITDA of 13.9, indicating that the current market price presents a compelling investment opportunity. Additionally, HUDCO's participation in large-scale infrastructure projects such as Pradhan Mantri Awas Yojana (PMAY) 2.0 not only amplifies its role in urban development but also signifies its intrinsic capability to capture value within India's expanding infrastructure landscape.

Supporting its aggressive growth stance, HUDCO's dedicated focus on enhancing asset quality by reducing NPAs to an impressive 0.18% showcases its commitment to maintaining financial prudence. Furthermore, the strong capital allocation strategy with a RoE at 13.2% demonstrates effective utilization of equity capital, bolstering the company's financial stability. Price performance analysis indicates resilience, and together with a committed promoter holding of 75%, confidence in the company's long-term strategy stands firm. However, attention should be given to the relatively high leverage levels indicated by a debt/equity ratio of 5.46, emphasizing the need for meticulous debt management to sustain its upward trajectory.

Please read detailed disclosure on next page.

	Explanation of Investment Rating*
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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