

**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 & 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	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		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.

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
<b>HUDCO</b>	42005.99	15.66	13.17%	9.63%	37.14%	6.74%	41.57%
<b>LIC Housing Fin.</b>	31526.64	6.12	16.22%	1.91%	3.91%	8.07%	22.75%
<b>PNB Housing</b>	24323.31	13.32	11.80%	2.96%	9.99%	-0.06%	36.04%
<b>Aadhar Hsg. Fin.</b>	19698.93	22.67	18.41%	4.36%	18.51%	5.20%	17.17%
<b>AAVAS Financiers</b>	16618.36	29.52	13.93%	3.04%	17.47%	-1.01%	25.52%

Aspect	Commentary
<b>Revenue</b>	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.
<b>Profit &amp; Loss</b>	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.
<b>Profitability Matrix</b>	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.
<b>Valuation Matrix</b>	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.
<b>Growth (YoY)</b>	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.
<b>Growth (QoQ)</b>	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.
<b>Capital Allocation</b>	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.
<b>Holdings</b>	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.
<b>Leverage</b>	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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (hereinafter referred to as the Regulations).

1. GOALZEN CAPITAL SERVICES PRIVATE LIMITED is a SEBI-Registered Research Analyst having SEBI registration number INH000013448. GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"), the research entity, is engaged in providing research services on securities and information on personal financial products. This Research Report (called Report) is prepared and distributed by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with brand name 'GoalFi' (brand name trademarked to research analyst and company director 'Robin Arya') and used by GOALZEN CAPITAL SERVICES PRIVATE LIMITED with mutual consent.

2. GOALZEN CAPITAL SERVICES PRIVATE LIMITED, its partners, employees, directors or agents, do not have any material adverse disciplinary history as on the date of publication of this report.

3. I, Robin Arya, author/s and the name/s in this report, hereby certify that all of the views expressed in this research report accurately reflect my/our views about the subject issuer(s) or securities. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any financial interest in the subject company.

4. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. I/we or my/our relative or GOALZEN CAPITAL SERVICES PRIVATE LIMITED do not have any material conflict of interest. I/we have not served as director / officer, etc. in the subject company in the last 12-month period.

5. I, Robin Arya, do not hold this stock as part of my investment portfolio at the date of recommendation. I/analysts in the Company have not traded in the subject stock thirty days preceding this research report and will not trade within five days of publication of the research report as required by regulations.

6. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received any compensation from the subject company in the past twelve months. GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not been engaged in market making activity for the subject company.

7. In the last 12-month period ending on the last day of the month immediately preceding the date of publication of this research report, GOALZEN CAPITAL SERVICES PRIVATE LIMITED has not received compensation or other benefits from the subject company of this research report or any other third-party in connection with this report.

#### Analyst Certification:

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

**Disclaimers:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent.

This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment.

The investment discussed or views expressed may not be suitable for all investors. Certain transactions - including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of GOALZEN CAPITAL SERVICES PRIVATE LIMITED. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject GOALZEN CAPITAL SERVICES PRIVATE LIMITED to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees responsible for any such misuse and further agrees to hold GOALZEN CAPITAL SERVICES PRIVATE LIMITED or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of GOALZEN CAPITAL SERVICES PRIVATE LIMITED only.

GOALZEN CAPITAL SERVICES PRIVATE LIMITED has a contractual arrangement with a vendor - Smallcase Technologies Private Limited (STPL) whereby STPL provides technology solutions and related back-end infrastructure along with support for back-office related operations & processes. STPL does not provide any investment advice or recommendation nor does it make any claim of returns or performance with respect to any advice or recommendation.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

**Terms & Conditions:**

These Terms and Conditions govern the use of the research subscription services provided by GOALZEN CAPITAL SERVICES PRIVATE LTD ("GoalFi" or "We"). By subscribing to our services, you agree to these terms, if you disagree with any part of the terms, you must not use our services.

**Payment and Renewal:**

The subscription fee is non-refundable. No such requests over email or any other channel requesting for refund or for pro-rata refund will be acknowledged if smallcase constituents or research provided is accessed by the user. Please do not subscribe if you disagree with any part of the terms. Subscription renewals will be charged the standard rate unless otherwise notified.

**Limitation of Liability:**

GoalFi provides research based on data and analysis. The subscriber acknowledges that all investment decisions carry inherent risks, and GoalFi shall not be liable for any losses incurred based on our research.

**No Investment Advice:**

The content provided under the subscription is purely for informational purposes and should not be construed as investment advice. GoalFi, being a SEBI Registered Research Analyst (RA), provides research insights and not investment advisory services.

**Termination:**

GoalFi reserves the right to terminate the subscription at any time due to non-compliance with these terms or any other reasons deemed appropriate by us and no refund will be made.

**No Guarantee:** While we strive to provide accurate and reliable research, there is no guarantee on the returns or performance of the recommendations. Investing in securities involves risks, and there's the potential for losing money.

**Review and Update:** Our research products are reviewed and updated periodically to reflect the latest market conditions and insights. However, market conditions can change rapidly, and there's no guarantee that the conditions on which recommendations and insights are based will remain the same.

**Research Analyst Details:**

Name: Robin Arya

Email: [smallcase@goalfi.in](mailto:smallcase@goalfi.in)

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – [support@goalfi.in](mailto:support@goalfi.in)

Customer having any query/feedback/ clarification/ In case of grievances for any of the services rendered by GOALZEN CAPITAL SERVICES PRIVATE LIMITED, write to [hello@goalfi.app](mailto:hello@goalfi.app)

Website: [goalfiresearch.smallcase.com](http://goalfiresearch.smallcase.com)