



STOCK UPDATE

Result Update - Q3FY2026

SECTOR

NBFC

COMPANY DETAILS

Market cap:	Rs. 38,500 cr
52-week high/low:	Rs. 254/159
NSE volume: (No of shares)	43.0 lakh
BSE code:	540530
NSE code:	HUDCO
Free float: (No of shares)	50.0 cr

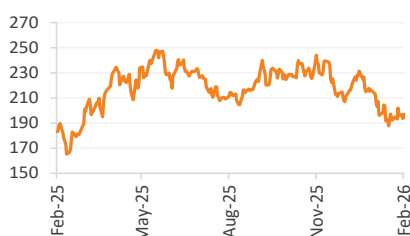
Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	75.0
FII	2.0
DII	11.5
Others	11.5

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-7.5	-19.3	-6.6	7.7
Relative to Sensex	-8.1	-18.2	-9.7	-2.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **BUY**

CMP: **Rs. 195**

Price Target: **Rs. 260**

Quick Snapshot

- Disbursements rose 53% y-o-y and 18% q-o-q as AUM grew 30.9% y-o-y and 7.7% q-o-q Rs. 1,55,631 crore. Sanctions stood at Rs. 1,39,152 crore, up 51% y-o-y.
- Gross NPA fell 80 bps y-o-y and 13 bps q-o-q to 1.08%. Net NPAs stood at 0.06%. Thus, continued benign credit costs drove profitability growth.
- While AUM growth and asset quality remained robust, PAT fell 3.0% y-o-y to Rs. 713 crore, as a rise in borrowing costs shrunk NIMs besides higher hedging expenses and fair value adjustments on short-term foreign debt.
- We stay positive and revise PT to Rs. 260 on strong AUM/PAT CAGR, robust sanction pipeline, continued asset quality improvement and growth in ROE. Stock trades on 1.4x FY2028 BV.

Result overview

- NII lagged estimates at Rs. 1,025 crore, reflecting a 4.2% y-o-y increase but a q-o-q decline of 2.4% due to higher borrowing costs. NIMs fell by 67 bps y-o-y and 27 bps q-o-q to 2.63% of AUM due to higher costs of borrowings.
- PPOP missed estimates, declining 22.3% y-o-y and 24.2% q-o-q to Rs. 711 crore on muted NII and a spike in costs related to short-term foreign currency exposure due to incurring higher hedging expenses and change in fair value.
- Credit cost stayed at -0.2% of AUM, versus -0.06% in Q3FY25 and -0.05% in Q2FY26. It helped to offset the impact of lower PPOP and helped to maintain PAT that came in lower by 3% y-o-y at Rs. 731 crore.
- Asset quality continued to improve, with GNPA falling 80 bps y-o-y and 13 bps q-o-q to 1.08%. Net NPA fell by 21 bps y-o-y and 1 bps q-o-q to 0.06%. PCR stood at 94.7% as of December 2025.
- AUM grew 30.9% y-o-y and 7.7% q-o-q to Rs. 1,55,631 crore driven by infra financing. Disbursements were at Rs. 15,509 crore up 53% y-o-y and 18% q-o-q.

Our Call

AUM is expected to clock a robust 25% CAGR over FY25-FY28 underpinned by a strong sanctions of pipeline of Rs. 139,152 crore, PMAY 2.0 disbursements and Urban challenge fund. Besides, the management also expect to reach on ambitious AUM target of Rs. 3.0 lakh crore by FY2030. NIMs are expected to be stable at 3.0-3.1%. We expect healthy recovery on Rs. 1,639 crore of NPAs in FY27. Hence, continued negative/low credit costs adding for the profitability. Overall, PAT CAGR is expected at 18% over FY25-FY28 also improving RoE at 17.2% in FY28. Hence, we maintain positive view on stock with revised PT of Rs. 260. The stock trades on 1.4x FY2028 BV.

Key Risks

Continued pressure on margins and higher hedging costs may impact profitability.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
NII	2,692	3,453	4,229	5,439	6,885
PAT	2,117	2,709	2,818	3,598	4,427
EPS (Rs.)	10.6	13.5	14.1	18.0	22.1
P/E (x)	18.5	14.5	13.9	10.9	8.9
P/BV (x)	2.4	2.2	1.9	1.7	1.4
RoE (%)	13.2%	15.7%	14.6%	16.3%	17.2%
RoA (%)	2.4%	2.4%	1.9%	2.0%	2.0%

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

AUM and Disbursement Growth

- Management remains confident of achieving a minimum of 25% AUM growth over the next couple of years. Company has set a disbursement target of Rs. 50,000 crore for FY2026.
- By 2030, the company aims to scale its loan book to Rs. 3 lakh crore, supported by internal efforts and robust government backing.
- Urban infrastructure development is receiving a significant boost from legislative frameworks, including the Urban Challenge Fund and various Finance Commission grants.
- High-impact initiatives, such as Rs. 2.0 lakh crore SASCI long-term loans and specific grants for water recycling, are being utilized to drive deep-rooted urban reforms.
- PMAY 2.0 initiative experienced a cautious start, it is now gaining traction as states finalize assessments, setting the stage for a major surge in activity next year.
- Management views the demand for urban infrastructure as enormous, requiring multiple institutions like HUDCO, NaBFID, NABARD, and IIFCL, as current annual funding is significantly below the estimated need of Rs. 7-8 lakh crore.

NII & NIM

- NIMs are expected at 3-3.1%, despite some back-loaded disbursements. The temporary fall in NIMs to 2.88% for 9MFY26 was attributed to back-loaded disbursements.
- Most bank borrowings are linked with the external benchmark lending rate, making them variable, while bonds are of a fixed nature.
- Asset side of loan book is structured with ~60% linked to one-year resets, 30% to three-year resets, and 5-7% at a fixed rate.

Fundraising plan

- Management plans to issue perpetual debt instruments, qualifying as Tier 1 capital, to improve its debt-to-equity ratio, aiming to bring it below 6% within the next two to three months. The debt-to-equity ratio was at 7.28x as of December 31, 2025. As an NBFC, there is no upper cap on the debt-to-equity ratio, except for external commercial borrowings which have a 10:1 cap.

Results

	Rs cr				
Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Interest Income	3,419	2,746	24.5%	3,197	6.9%
Interest Expenses	2,394	1,762	35.8%	2,147	11.5%
NII	1,025	983	4.2%	1,050	-2.4%
Other Income	87	25	252.3%	54	61.4%
Total Income	1,111	1,008	10.3%	1,104	0.7%
Opex	401	93	331.6%	166	140.8%
PPOP	711	915	-22.3%	938	-24.2%
P&C	-78	-17	361.5%	-17	357.4%
PBT	788	932	-15.4%	955	-17.4%
Tax	75	197	-61.6%	245	-69.2%
PAT	713.0	735	-3.0%	710	0.4%
AUM	1,55,631	1,18,931	30.9%	1,44,554	7.7%

Source: Company; Mirae Asset Sharekhan Research

Key Metrics

Particulars	Q3FY26	Q3FY25	Q2FY26
NII as % of AUM	2.63%	3.31%	2.91%
Fee income % of AUM	0.22%	0.08%	0.15%
OpEx as % of AUM	1.03%	0.31%	0.46%
Prov as % of AUM	-0.20%	-0.06%	-0.05%
Tax Rate	0.19%	0.66%	0.68%

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Republic of India	75.0
2	Life Insurance Corp of India	7.4
3	Vanguard Group Inc/The	1.0
4	ICICI Prudential Life Insurance Co	0.7
5	L&T Mutual Fund Trustee Ltd/India	0.7
6	Aditya Birla Sun Life Asset Manage	0.4
7	Norges Bank	0.3
8	Bank of India Investment Managers	0.2
9	Kotak Mahindra Asset Management Co	0.2
10	HDFC Asset Management Co Ltd	0.2

Source: Bloomberg

Key management personnel

Name	Designation
Sanjay Kulshrestha	Chairman & Managing Director
Daljeet Singh Khatri	Director (Finance) and CFO

Source: Company Website

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