

3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

Company details

Market cap:	Rs. 46,153 cr
52-week high/low:	Rs. 264/ 159
NSE volume: (No of shares)	48.0 lakh
BSE code:	540530
NSE code:	HUDCO
Free float: (No of shares)	50.1 cr

Shareholding (%)

Promoters	75.0
FII	1.9
DII	10.9
Others	12.1

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	0.8	8.0	0.3	11.7
Relative to Sensex	-0.2	4.0	-4.2	1.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Housing & Urban Development Corporation Ltd

Outlook bright: RoE stays northbound

NBFC	Sharekhan code: HUDCO		
Reco/View: Positive	↔	CMP: Rs. 230 (as on Nov 21, 2025)	Price Target: Rs. 270 ↑

Summary

- FY26 AUM growth guidance raised to Rs. 1.6 lakh crore from Rs. 1.5 lakh crore earlier. Overall, AUM CAGR of 27% is eyed over FY25–FY28.
- NIM eyed 3.0-3.1% in the medium term. Higher focus toward urban infrastructure projects to generate higher margins.
- GNPA/NNPA are low at 1.21%/0.7% and are expected to further reduce on recoveries. Credit cost outlook is benign for 2-3 years.
- Stock trades at 2.2x/1.9x/1.6x FY26/FY27/FY28 BV. We stay positive and expect a potential upside of 17% on strong AUM growth, steady NIM, benign credit costs and asset quality improvement

HUDCO is a primary proxy for the nation's infrastructure and housing development story. H1FY26 performance was strong, which led to an upward revision of AUM growth guidance to Rs. 160,000 from Rs. 150,000 crore. With over half of its Rs. 50,000 crore disbursement target met in H1FY26, the company is entering into private sector funding for the roads, airport, ports and power. Overall, HUDCO is poised for significant growth due to AUM growth, steady NIM profile, healthy recoveries and benign credit costs, and is set to clock a PAT CAGR of 22%, and significantly improving profile of RoE at 18.6% with steady RoA of 2.1% in FY28.

- Strong AUM growth:** Steady NIMs: H1FY26 AUM growth was robust, leading to an upward revision of FY26 AUM target from Rs. 150,000 crore to Rs. 160,000 crore. We expect AUM CAGR of 27% for FY25–FY28, on a strong sanctions pipeline (Rs. 92,985 crore) primarily through urban infrastructure financing and the Urban Challenge Fund (UCF). The UCF is expected to see Rs. 4.0 lakh crore in investment an additional Rs. 1 lakh crore in state government subsidies, allowing HUDCO to capitalise on an estimated Rs. 2 lakh crore worth of projects, alongside its re-entry into the private sector project space. With the current strong pipeline standing at Rs. 92,985 crore and disbursements already surpassing Rs. 25,000 crore toward the FY26 target of Rs. 50,000 crore, the company is on track to meet management's highly ambitious AUM target of Rs. 3.0 lakh crore by FY30. Medium-term NIM guidance remains robust at 3-3.1%, primarily driven by a lower cost of funds, maintaining a targeted spread of 2%. Furthermore, margins are projected to improve as the loan book strategically shifts toward urban infrastructure projects.
- Asset quality and credit cost:** The company exhibits strong asset quality, underscored by the fact that 90% of its exposure is secured by state government guarantees, leading to continuous improvement in key metrics. Currently, the GNPA/NNPA stands impressively low at 1.21% / 0.7%, with expectations for further decline as management focuses on accelerated recovery efforts. The credit cost outlook is benign for the next two to three years, supported by recent recoveries of Rs. 339 crore in H1FY26. This momentum is projected to continue with healthy recovery targets for H2 FY26 and FY27. Specifically, a targeted portfolio of 10 projects with an outstanding principal of approximately Rs. 730 crore is expected to yield over Rs. 900 crore in total recoveries, with ~Rs. 450 crore (50%) anticipated to be realized in H2FY26 and the remainder scheduled for FY27.
- Strong return ratios:** HUDCO is poised for a significant enhancement in its return profile, projecting a steady RoA of 2.1-2.2% and a significant expansion in RoE to 18.6% by FY28. This impressive growth in return ratios is expected to be propelled by a combination of factors: strong AUM growth, steady NIM expansion, sustained high recovery rates and benign credit costs.

Our Call

Valuation – A strong outlook limits the stock's downside and offers a good investment opportunity. Disbursements under PMAY 2.0, PP partnership model would be additional growth catalysts, apart from sustained growth in existing healthy pipeline. The stock currently trades at 2.2x/1.9x/1.6x FY26/FY27/FY28 BV. We maintain positive view and expect an upside of 14%.

Key Risks

Change in regulatory policies, delay in repayment from state government, credit risk from private sector exposure and a government OFS.

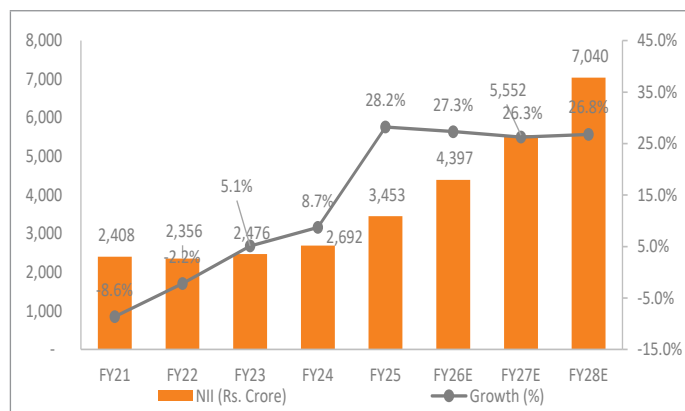
Valuation

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
NII	2,692	3,453	4,397	5,552	7,040
PAT	2,117	2,709	3,221	4,074	4,967
EPS (Rs.)	10.6	13.5	16.1	20.4	24.8
P/E (x)	21.8	17.0	14.3	11.3	9.3
P/BV (x)	2.8	2.6	2.2	1.9	1.6
RoE (%)	13.2	15.7	16.6	17.9	18.6
RoA (%)	2.4	2.4	2.2	2.2	2.1

Source: Company; Mirae Asset Sharekhan estimates

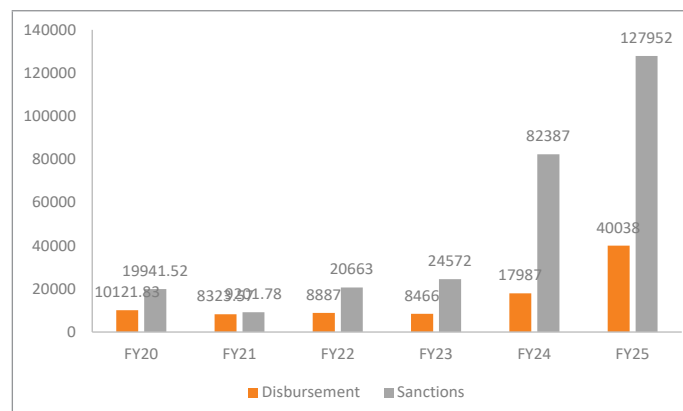
Financials in charts

Robust AUM growth



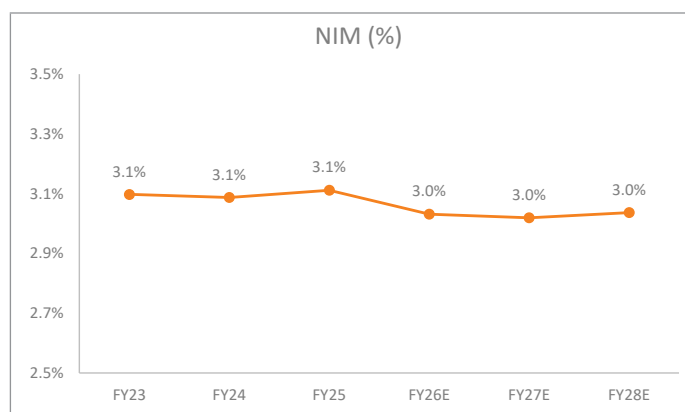
Source: Company; Mirae Asset Sharekhan Research

Strong pipe line of Sanctions and Disbursements



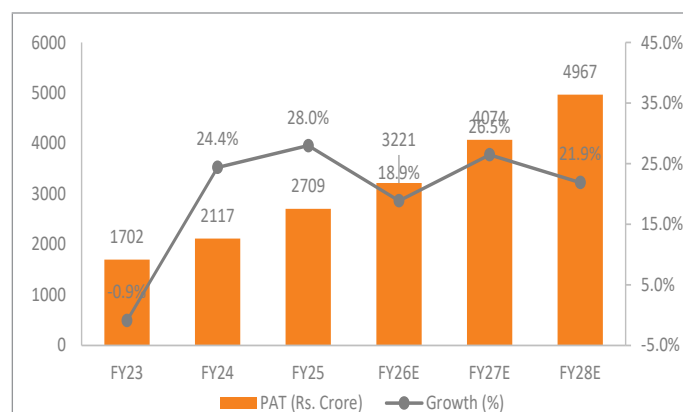
Source: Company; Mirae Asset Sharekhan Research

Steady NIM Trajectory



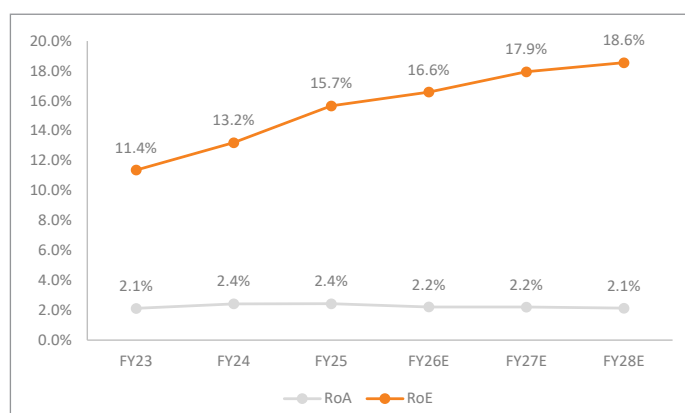
Source: Company; Mirae Asset Sharekhan Research

Healthy PAT Growth Trend



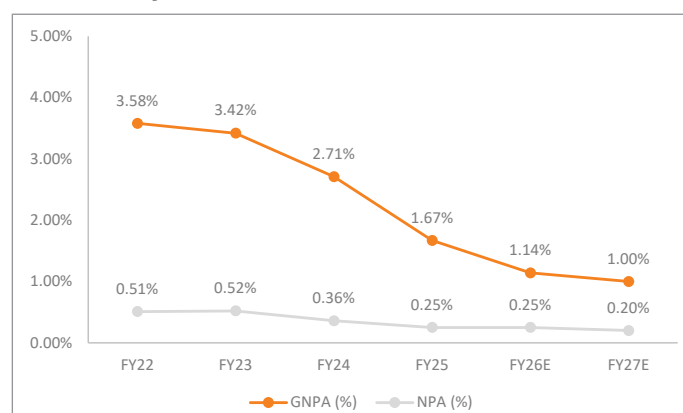
Source: Company; Mirae Asset Sharekhan Research

ROE & RoA Trend



Source: Company; Mirae Asset Sharekhan Research

Asset Quality Trend



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Large pool of opportunity

India's long-term economic growth perspective aims to achieve \$10 trillion by 2035, and \$30 trillion by 2047, necessitating a quantum leap in investment in infrastructure, including 'Affordable Housing'. Infrastructure investments have a strong multiplier effect on the GDP. As India marches towards becoming a developed nation by 2047, it must navigate challenges such as rapid urbanisation, and the demand-supply gap in the housing and infrastructure sectors. HUDCO is a proxy play on the government's housing impetus and the infrastructure cycle that has just begun. It is a preferred financing entity for government projects both at central as well as state levels.

■ Company Outlook – On a steady growth path

HUDCO is a nodal agency that implements government policies for the high priority sectors of social housing and urban infrastructure. It remains a strategically important entity to achieve the overall objective with a shareholding of 75% from the government. It has well-established relationships with governments, making it a preferred lender for their urban infrastructure and housing projects. Currently, ~75% of HUDCO's exposure is state government-guaranteed thus risk is low providing steady path for RoA trajectory and off late, it has started underwriting cash flow generating projects.

■ Valuation

A strong outlook limits the stock's downside and offers a good investment opportunity. Disbursements under PMAY 2.0, PP partnership model would be additional growth catalysts, apart from sustained growth in existing healthy pipeline. The stock currently trades at 2.2x/1.9x/1.6x its FY26/FY27/FY28 BV. We maintain positive view and expect an upside of 14%.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/E(x)		P/BV(x)		RoA (%)		RoE (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
HUDCO	230	46,150	14.3	11.3	2.2	1.9	2.2	2.2	16.6	17.9
PFC*	370	120,272	4.0	3.7	0.8	0.7	3.1	3.0	19.4	18.2
REC	358	93519	6.0	5.4	1.2	1.1	2.7	2.7	21.8	21.1

Source: Company; Mirae Asset Sharekhan Research, PFC: Core PE/PB

About company

Incorporated in 1970, HUDCO is a navratna CPSE company. It provides financing for social housing and urban infrastructure projects. It also offers consultancy services in construction technologies. It has a pan-India presence, encompassing 21 regional offices and 11 development offices with presence in the capital cities of each State. Its pan India presence has enabled it to develop strong relationships with State governments and their agencies as well as enable it to diversify geographical risk of the loan portfolio.

Investment theme

Due to its niche in social housing and urban infrastructure financing space and given the substantial financing requirements, it can play a vital role in attaining the crucial national goal, leveraging its more than five decades of expertise in financing infrastructure and social housing projects. It is a high growth, low risk story as its exposures are guaranteed by the state government.

Key Risks

Economic slowdown leading to lower growth, change in regulatory policies, delay in repayment from state government, credit risk from private sector exposure.

Additional Data

Key management personnel

Name	Designation
Shri Sanjay Kulshrestha	Chairman & Managing Director
Shri Daljeet Singh Khatri	CFO and Director

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Republic of India	75.00
2	Life Insurance Corp of India	7.68
3	Vanguard Group Inc/The	1.02
4	ICICI Prudential Life Insurance Co	0.73
5	L&T Mutual Fund Trustee Ltd/India	0.66
6	Aditya Birla Sun Life Asset Manage	0.34
7	Kotak Mahindra Asset Management Co	0.32
8	Norges Bank	0.28
9	Bank of India Investment Managers	0.23
10	HDFC Asset Management Co Ltd	0.18

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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