



Stock Update

Housing and Urban Development Corp. Ltd. (HUDCO)

February 19, 2026

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
BFSI - NBFC	Rs 195	Buy in Rs 190-198 band and add on dips in Rs 172-177 band	Rs 223	Rs 248	4 quarters

HDFC Scrip Code	HUDCOEQNR
BSE Code	540530
NSE Code	HUDCO
Bloomberg	HUDCO IN
CMP Feb 19, 2026	194.9
Equity Capital (Rs Cr)	2001.9
Face Value (Rs)	10
Equity Share O/S (Cr)	200.2
Market Cap (Rs Cr)	38907
Book Value (Rs)	93.6
Avg. 52 Wk Volumes	59,35,000
52 Week High	253.7
52 Week Low	158.9

Share holding Pattern % (Dec, 2025)	
Promoters	75.0
Institutions	13.4
Non Institutions	11.6
Total	100.0



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Atul Karwa

atul.karwa@hdfcsec.com

Our Take:

HUDCO derives significant strength from majority Govt. ownership (75% stake) and “AAA” rating which provides comfort to the lenders and aids in reducing the cost of borrowing for the company. It plays an important role as a nodal agency for implementing Government policies in the high-priority sectors of social housing and urban infrastructure. Its portfolio has a relatively low risk profile, given its focus on Government-sponsored urban infrastructure and social housing projects. HUDCO, since its inception, over the last 5 decades, has sanctioned a total of 17,441 housing and urban infrastructure projects, with a cumulative loan component of Rs 4.4 lakh crore and has made a total disbursement of Rs 2.6 lakh crore. Apart from this, it has sanctioned loans for more than 2 crore houses across rural and urban India.

In the longer term, we expect demand for housing to increase with the increasing urbanisation, better affordability and higher incentives provided by the government. This is likely to be beneficial for companies like HUDCO. The Govt. is also looking to improve urban infrastructure and provide better living conditions to the rising urban population. HUDCO has restricted its fresh exposures to the private sector since 2013. Legacy private sector loans accounted for only ~1.2% of the total loan book as of FY25.

Q3FY26 Result Update and Concall Highlights

HUDCO reported a 4.2% YoY increase in NII, reaching Rs 1025 cr for Q3FY26. This growth was primarily driven by strong interest income as the company continued to expand its lending footprint. However, PAT declined marginally by 3.0% YoY to Rs 713cr. The dip in profitability was largely attributed to higher finance costs and a one-time fair value loss of approximately Rs 470cr related to FCNR (Foreign Currency Non-Resident) borrowings.

Margin outlook and cost of funds

While Net Interest Margins (NIM) stood at 2.88% for the nine-month period—below the historical 3% mark—management has guided for a recovery. The moderation was linked to the timing of disbursements and currency volatility; however, NIMs are expected to normalise to the 3.0%–3.1% range in the coming quarters. To optimise the cost of funds, HUDCO is diversifying its borrowing profile, including the issuance of Perpetual Tier-1 bonds and 54EC Capital Gains Bonds. Management also clarified that the FCNR-related losses are temporary and will not impact the P&L from Q1 FY27 onwards, as they move away from 1-year foreign currency borrowings.

Strategic shift into infrastructure

HUDCO is rapidly evolving into a premier infrastructure financier, actively transitioning to meet the RBI’s requirement of having 75% of its

loan book in infrastructure by March 2026. Management highlighted a strategic shift toward high-impact urban projects, including metro rail (Indore, Bhopal), airport financing (Andhra Pradesh, Kangra), and green energy initiatives. The company is also positioning itself as a key implementation partner for PMAY 2.0 and the newly announced City Economic Regions (CER) scheme, both of which aim to develop Tier-2 and Tier-3 cities.

Asset Quality and Capital Structure

The company's asset quality remains among the best in the PSU finance space. Net NPAs have been brought down to a near-zero level of 0.06%, with the Gross NPA ratio improving significantly to 1.08% (from 1.88% a year ago). Management aims to reach a "Zero-NPA" status by FY27. To support this growth while maintaining a healthy balance sheet, HUDCO plans to reduce its debt-to-equity ratio from the current 7.28x to below 6.0x in the near term through the issuance of perpetual debt instruments and the infusion of retained earnings.

Management Guidance on Growth and Disbursements

The management remains highly optimistic about the company's growth trajectory, maintaining a loan book growth guidance of 25%+ for the full year. HUDCO has an aggressive disbursement target of Rs 50,000cr for FY26, supported by a massive committed sanction pipeline of approximately Rs 2.5 lakh crore. To fuel this expansion, the Board has approved an increase in the annual borrowing plan from Rs 65,000cr to Rs 80,000cr. Management is also focusing on a long-term vision to scale the loan book to Rs 3 lakh crore by 2030, leveraging its Navratna status to participate in large-scale national projects.

Key Risks

- There is strong competition from banks and peer companies in the housing finance industry, as it is considered a relatively lower-risk loan. Higher competition might result in lower yields going forward.
- Many of the State Governments have high amounts of debt and delays in payment from them could block the cash flows available for further lending and also increase the NPA levels. About 66% (or Rs 1.03 lakh crore) of the loan book of HUDCO as of Q3FY26 is lent to urban Infra projects sponsored mainly by State Govts, while the balance is to housing finance.
- Urban infrastructure projects in India are notorious for delays and cash flow mismatches due to failure to enforce pay for use of these facilities and/or poor finances of State Govts.
- HUDCO has a strong reliance on wholesale funding. However, its status as a government-owned company results in very good access to domestic funding from banks and the bond market.
- Regulatory changes like increase in risk weights for a certain category, cap on interest rates under refinance, provisioning requirements etc. could mar the growth and profitability of the company. Also if its access to cheap sources of funds is restrained due to whatever reason, its cost of funds can rise.

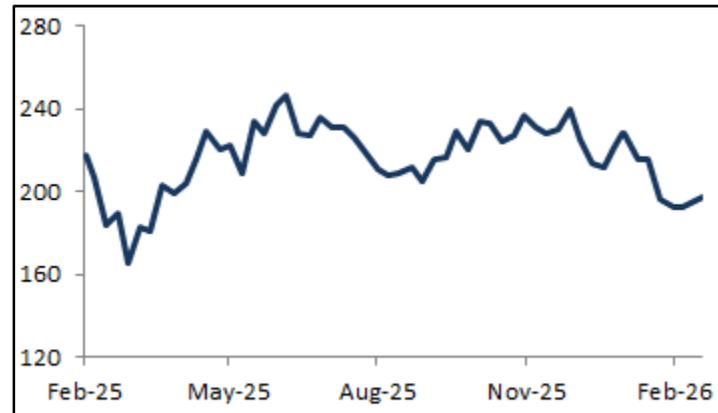
Valuation & Recommendation:

HUDCO has ventured into corporate lending activities for urban infrastructure, including power, lending to Gridcos in states. We expect the company's loan book to grow at a CAGR of ~13% over FY25-FY28E. PAT is expected to grow at 12% CAGR on account of NIM compression as interest rate get reset and contained credit costs. Post its correction from highs of above Rs 300 over the last year and pristine asset quality, we believe the stock is trading at a reasonable valuation with negligible risk of NPAs. We believe investors can buy the stock in the band of Rs 190-198 and add on dips in Rs 172-177 band (1.4x FY28E BV) for base case fair value of Rs 223 (1.8x FY28E BV) and bull case fair value of Rs 248 (2x FY28E BV) in the next 4 quarters.

Financial Summary:

Particulars (Rs cr)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	FY25	FY26E	FY27E	FY28E
NII	1025	983	4.2	1050	-2.4	3453	4112	4523	5066
PPoP	711	915	-22.3	938	-24.2	3226	3268	3595	4026
PAT	713	735	-3.0	710	0.4	2709	2906	3255	3678
EPS (Rs)	3.6	3.7	-3.0	3.6	0.3	13.5	13.6	16.3	18.4
BVPS (Rs)						89.8	99.9	111.3	124.2
P/ABV (x)						2.2	2.0	1.8	1.6
RoAA (%)						2.4	2.2	2.2	2.2

One Year Price chart



HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.

These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

I, **Atul Karwa**, Research Analyst, **MMS**, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may 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. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. "This report may have been refined using AI tools to enhance clarity and readability." Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customer care@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme 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.