



Report **DIRECTORS'**com

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THE YEAR
2004-2005

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DIRECTORS' REPORT

**To the Esteemed Members
Housing and Urban Development Corporation Ltd.**

Your Directors have immense pleasure in presenting the Thirty Fifth Annual Report on the business, operations and achievements of HUDCO, together with audited accounts for the year ended 31st March, 2005.

HUDCO – THE ASSETS CREATOR

Since independence, India has substantially achieved self-sufficiency in food production and clothing. The efforts to provide a roof on every one's head is resulting in significant progress despite increase in the population. HUDCO has been significantly contributing through its technological strength, excellent performance parameters and other services in the areas of shelter and services, which have a multiplier effect on generation of income, employment, safe environment and better quality of life. HUDCO's assistance covers the housing needs of various income categories (including MIG and HIG) of the society with special thrust on Economically Weaker Sections (EWS)/Low Income Groups (LIG). HUDCO extends the loan support for the construction of new housing stock as well

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as repairs renewals and retrofitting of existing housing stock and for infrastructure developmental projects in the country by making available funds on competitive rate of interest and longer repayment period etc.

Rural areas are cheaper than cities, yet investments from various sources pour into cities and not in the villages. The main reason of low investment in the rural areas is lack of supporting infrastructural connectivities. With the development of infrastructural facilities in the rural areas, the major portion of investments are likely to be diverted from cities to villages, which, in turn may trigger the economic development in the rural areas, where substantial portion of the population of the country is living and is full of various types of locational advantages like low cost raw material and man-power etc. The establishment of infrastructure facilities in rural areas is much more cost effective as compared to the cities. Keeping the aforesaid in view, the concept of Providing Urban amenities in Rural Areas (PURA) has been introduced. PURA necessitates the variety of connectivities in rural areas through the physical connectivity of road and transport, economic connectivity of commerce, banking, insurance and ware-housing, knowledge connectivity of colleges and vocational studies, sociological connectivity of hospitals, re-creation centers, places of worship and electronic connectivity, which encompasses the entire economic

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space with the rural areas. PURA aims to make all these connectivities economically viable. Keeping in view the country's need for infrastructural development, HUDCO, in principle has agreed to provide Rs.10 crores as seed capital for the PURA. The said fund shall be utilized for establishment of center for programme implementation of PURA, identifying PURA clusters and work out institutional/ organisational modalities for implementation of PURA programme. Foreseeing, the benefits that will be available, the State Government of Chattisgarh has taken the lead for expeditious implementation of the programme of PURA and has constituted a State level steering committee under the chairmanship of the Chief Secretary of the State.

HUDCO has continued its key emphasis on provision of housing for Low Income Groups and Economically Weaker Sections of the Society. HUDCO has not only fulfilled the mandate of the Government to provide 55% of the housing finance to Low Income Groups and Economically Weaker Sections at lower interest rates and also to operate as a commercial entity, competing with other players in the field of urban housing, infrastructure development, promoting innovative technologies, retail financing, it has appreciably been able to achieve profits.

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ELEVATION OF HUDCO AS MINI-RATNA COMPANY

As you are aware that HUDCO was granted schedule 'A' status in the year 2001-02, now, you will be pleased to note that due to continued excellent performance of your Company, the Mini-Ratna Status has been conferred to HUDCO in the year 2004-05 for category -1 Public Sector Enterprise. The status of upgradation was based on a comprehensive evaluation based on quantitative factors such as investments, capital employed, net operations, profitability, staff strength as well as qualitative aspects like national importance, level of technologies, expansion and diversification of activities of increasing market competition. While rendering the greater operational flexibility, the elevation of the status has enabled HUDCO to establish Joint Venture, increase in delegation of powers for capital expenditure, enter into strategic alliance, structure and implement the schemes relating to Personnel Human Resource Management without any financial support and contingent liability on the part of the Government. This is a huge leap taken by HUDCO in the direction of being self-sufficient and self dependent Company.

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FUTURE OUTLOOK AND AVENUES

HUDCO's Vision for 2012 is to emerge as the market leader by consolidating and elevating HUDCO's image in the areas of housing and urban infrastructure finance through market-orientation, involving public-private and people's participation and wider coverage of market both through reaching out to new segments and diversifying into related areas to provide new services, while keeping its social commitment and promoting appropriate building technologies by competent motivated work force.

Recently, the Govt. of India has allowed 100% Foreign Direct Investment (FDI) in the housing sector pertaining to township development and related infrastructure. The Government has also in the current budget announced the establishment of 'National Urban Renewal Fund', which will focus on Housing, Urban Infrastructure and Poverty Alleviation. The said initiatives by the Govt. shall trigger the growth in the housing and infrastructure development sector in a big way and it is expected that HUDCO shall also contribute substantially in the said growth programme.

Your Company has identified a number of thrust areas for further supplementing the profitability, diversifying its operations and operation base through fee based activities.

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The potential avenues identified were consultancy in financial and project management, corporate planning and restructuring of local bodies, housing and public utility institutions, consultancy management to the state governments, securitisation, property valuation, project formulation and techno-economic feasibility.

HUDCO has also identified areas like take-out financing, real estate development, and promotion of joint ventures in strategic areas for mutual advantage.

NEW INITIATIVES

A dynamic movement is desired in this changing paradigm to promote a value revolution with deeper conviction and creative consciousness, leading the company to be a good corporate citizen and it is out of this only that HUDCO took the following new initiatives:

Joint-Venture

HUDCO has launched its first Joint Venture Initiative, through public-private partnership, in a move to accelerate the growth of infrastructure development. The said venture has been formed in partnership with Pragati Growth &

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Development Ltd., Kolkata by floating a Joint Venture company named 'Pragati Social Infrastructure & Development Ltd. (PSIDL)'.

MoU with IIT, Delhi (for Bamboo Technology)

It is said that – if you cross over the ignorance with the help of knowledge, you will get the nectar of success and to get this nectar, HUDCO has always been taking new initiatives for promoting and strengthening new materials and technologies for housing & infrastructure development. In this direction, HUDCO has signed a MoU with IIT, Delhi to establish a 'National Resource Facility on Bamboo Technology' which will play positive role in the development of rural areas by providing low-cost housing, high-end architecture and also have multiple beneficial effects on the environment and generating employment opportunities as well. Through the setting-up of "National Resource Facility on Bamboo Technology", the aim is to synergise and spread the bamboo technology through research and training.

Tie-up with CIDC

HUDCO has also signed a Memorandum of Co-operation with the Construction Industry Development Council (CIDC) to jointly work for development of the sector on various areas. The agreement is also intended to improve the work environment for construction workers and other

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manpower employed in the building industry. The tie-up envisages, CIDC to provide assistance for Lender Engineer's services, as well as to propose improvements in the system, guidelines etc. for the policies in the sector.

A HEALING TOUCH

HUDCO rising to the occasion - extending help to the Tsunami victims

On 26th December 2004, the World's biggest disaster 'Tsunami' devastated the life of lakhs of people living in coastal areas of the country. Responding in the hour of need, HUDCO contributed Rs 1 crore to the Prime Minister's Relief Fund for the immediate relief to the people affected by the tsunami disaster and also an additional sum of Rs. 1 crore has been earmarked for construction of community building and cyclone shelters with disaster resistant technologies, through Building Centres. In addition, all necessary planning and design inputs are being provided to the State Governments and Union Territories.

A special loan scheme has also been floated for the repairs, retrofitting and reconstruction of affected houses for the economically weaker sections at a highly subsidized interest rate for the people affected by tsunami.

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Taking stock of the situation of the after effects of tsunami disaster, HUDCO has earmarked a sum of Rs. 2000 crores for construction and rehabilitation works, which will be made available in the tsunami affected areas.

HUDCO is extending it's cooperation to the Tsunami victims not only in terms of finances but also has decided to make Earthquake-resistant houses in the affected areas.

Helping hand for Schools and Colleges

HUDCO has extended its support to the State Government of Andhra Pradesh by extending a loan assistance of Rs.330 crores for upgrading the infrastructural facilities of medical colleges and hospitals throughout the state.

HUDCO has built Composite School at Tikri Khurd, Delhi for slum rehabilitation at a cost of Rs.83.50 lacs (excluding HUDCO's over heads @ 10%) @ Rs.380 per square feet, with a total plinth area of 2040 square meters (21950 square feet).

INTERNATIONAL ALLIANCES

HUDCO has began its search for attaining higher level of excellence by deciding to join hand with international partners.