

Affordable Housing for All

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Thursday, 06 July 2017



Dr M Ravi Kanth, Chairman and Managing Director, HUDCO, believes that the housing market in urban India is not yet saturated. Besides, the rural to urban migration is still strong enough to generate a demand for allied infrastructure in the hub and the hinterland

What is your assessment of the over-subscription of the IPO, which raised over Rs 1,120 crore?

People have demonstrated great faith in our shares through the overwhelming response to the IPO that raised Rs 1,209.78 crore, thereby assisting the government's efforts to meet its disinvestment target. The HUDCO IPO was the first by any CPSE in the last five years and having been oversubscribed by 80 times, it has recorded the highest oversubscription in any PSU disinvestment. It is great encouragement for a public-owned company and we have done a lot of ground work to achieve this. We have gone to both domestic and international investors and held various road shows in Singapore, Hong Kong, London and major cities in the US. All our investors know that our fundamentals are very strong, and accordingly responded.

A minority stake sale via public offer provides benefits of long-term capital appreciation and can help the government realise the real "value" of a PSU, as has been shown by past IPOs of PSUs, wherein the valuation that the market has given to the PSUs is far higher than the original offer price. With more PSUs being listed, this would provide a benchmark with a greater depth and width to our capital market.

The portion reserved for qualified institutional buyers (QIBs) was subscribed 55 times, non-institutional investors saw a subscription of 330 times and retail investors' category was subscribed by about 11 times. What do the numbers mean in terms of propelling these sectors and ensuring overall viability of HUDCO?

HUDCO has been making profit and paying dividends since its inception in 1970. Listing of the company would lead to better and timely disclosures, bringing in greater transparency and professionalism, thus protecting the interest of the investors. It would improve efficiency by way

of being accountable to many more shareholders, who would have expectations about returns on their investments. This will help HUDCO run more efficiently and earn more profits. Flexibility in ownership structure can, in effect, impart efficiency and create conditions conducive for greater autonomy and effective functioning of the public enterprise.

How are you working on issues related to land acquisition?

Today, HUDCO is the one of the very few financing companies funding land acquisition and its integrated development. We provide financial assistance for procurement of land, to state government public borrowing agencies, like housing boards and development authorities.

We have supported land acquisition for housing and economic infrastructure development in different parts of the country, including Uttarakhand, Sikkim, Kerala and Uttar Pradesh. Currently, we are supporting Haryana for setting up of metro rail and allied uses. Besides, as part of the prestigious Delhi Mumbai Industrial corridor, we have extended financial assistance for land acquisition in Madhya Pradesh for setting up a logistic hub, a green-field integrated township, Knowledge City and economic corridor. In Ahmedabad, we have supported land acquisition for establishing an agriculture produce market and in Himachal Pradesh for setting up an urban estate. In Telangana, land acquisition has been undertaken with HUDCO financing for establishment of a national investment and manufacturing zone. HUDCO has pride in being partners in the land acquisition for the development of the Naya Raipur capital city.

How will the Rent-to-Own scheme help government employees?

The 'rent to own' scheme enables migrants in cities to take a house on rent from government bodies for a certain number of years and subsequently own them by paying the entire cost in easy instalments. We started this scheme to empower the lower category of government functionaries like police constables, conductors and drivers. Any government agency can initially avail loan from HUDCO on behalf of its identified lower-level employees. The agency would allot the houses to its employees initially on rental basis and the employee would become the "owner" of the house, as and when the full-cost of the house is repaid to the agency. Instead of taking a house on rent, users will take mortgage and instead of paying rent every month, they would pay EMIs. As a result, over time, they will become proud house owners.

What has been HUDCO's experience of lending for urban development and housing through state public agencies?

HUDCO's focus is to support the government in creation of housing stock and infrastructure for the nation and to try and reach every income and social group of society. The state public agencies are our key partners for achieving this end.

HUDCO's financial assistance is available to housing boards, slum clearance boards, development authorities, improvement trusts, local bodies and any other agency authorised by state government for housing projects, including structural repairs and renewal of old and dilapidated buildings, and infrastructure projects. In respect of housing projects taken up by public agencies, HUDCO provides subsidised loans upto 90 per cent of the project cost for EWS housing. In fact, one of our internal targets has been to provide assistance to at least 100 urban local bodies each year.

Apart from our lending operations, we also support public agencies through our capacity-building activities and CSR projects. HUDCO also awards recognition to the innovative initiatives undertaken by state public agencies to improve the living environment, through the HUDCO Best Practice Awards. In view of the housing shortage in the country, HUDCO will continue to support the state public agencies to meet the challenge of providing affordable housing in the country by taking care of the financing needs of their projects.

Which are the innovative infrastructure projects being supported by HUDCO?

Over the past 47 years, HUDCO has been quietly redefining the infrastructure landscape in the country. It has successfully financed many innovative projects including the integrated railway projects at Navi Mumbai, construction of a road bridge across Thane Creek at Airoli, Navi Mumbai, the Bandra sea link project construction of airports at Cochin & Calicut in Kerala, Borai water supply scheme on BOOT basis, National Games Village at Bengaluru and Manipur, Film City at Chennai and rain-water harvesting for Santhigiri Ashram at Thiruvananthapuram.

In addition to loans, HUDCO also offers consultancy services which promote research projects and use of cost-effective and innovative construction technologies. We are actively involved in all activities that are improving the citizens' quality of life and are proud to be partners in the financing of some more innovative infrastructure projects like the metro rail projects, the Sabarmati riverfront development and the Delhi-Mumbai Industrial Corridor.

What kind of work is your company undertaking to promote research and promote use of local and green building materials?

HUDCO promoted the use of local, cost-effective and environment-friendly building materials, through the network of building centres/nirmithi kendras. It is noteworthy that the building centre movement was included in the best Practices Global 100 list of UN-Habitat.

HUDCO extends financial assistance to building material industries for manufacturing building materials and components which are innovative and alternatives to conventional options, and those utilising agricultural and industrial wastes with energy-efficient and geo-climatically appropriate options. A major focus has been on support to flyash based building material industries and alternates to timber. Through our R&D grants, we have supported several research studies through institutions of national repute to undertake research on topics like recycling of construction and agricultural waste materials into construction materials, developing innovative and faster construction systems, green city index, energy efficiency. These studies provide latest field level information as well as innovative and practical solutions that offer alternatives to the current practices to tackle the issue of affordable and appropriate building materials.

What is the importance of the 'Housing for All Mission' in the overall scheme of urban development?

Housing is not just a dream but a basic necessity after food and clothing. India faces a huge backlog of affordable housing. If left unaddressed, this could have a paralysing affect on the economic development of the nation. As per the Report of The Technical Group, on urban housing shortage, for the Twelfth Plan, the housing shortage in 2012 was 18.78 million units. Three-fourths of this shortage is in the economically weaker sections of society.

To reduce the housing shortage, the government plans to build around 20 million urban homes and 30 million rural homes by the year 2022, under the “Housing for All” Mission. An attractive subsidy scheme has also been launched to make housing loans more affordable, and to make the dream of owning a house a reality. HUDCO has been identified as one of the central nodal agencies for the Credit Linked Subsidy Scheme component of the Affordable Housing Mission and HUDCO will assist the Ministry in appraising the Plan of Action sent by states/cities, and Annual Implementation Plans.

India is the seventh largest nation in the world with about seven lakh villages and we should avoid being only metro-centric or city-centric. We should focus more on small towns and backward villages, especially in SC hamlets & tribal habitats. We need to provide affordable finance and a mix of housing options, rental housing for migrants, slum redevelopment and housing for urban destitute and homeless. HUDCO is constantly striving to reach the unreached sections of the population, and to make the housing dream a reality for everyone.

What are the CSR initiatives undertaken by HUDCO for the welfare of people?

The CSR activities of HUDCO aim to triple the bottomline of its People-Planet-Profit mantra, to improve the quality of life of the deprived sections, to promote inclusive socio-economic growth, environmental protection, green and energy-efficient technologies, and development of backward regions. HUDCO CSR activities include support to projects related to provision of basic amenities, slum redevelopment, skills and livelihood development, promoting education, preservation and restoration of heritage sites, promoting alternate, energy-efficient and ecologically appropriate building materials and technologies and projects of renewable sources of energy.

In the past year the emphasis of our CSR activities was on proposals related to the “Swachh Bharat Mission” and the “Skill India Mission”. HUDCO released a total of Rs 5.69 crore towards implementation of proposals such as, construction of toilets, solid waste management, water supply, skill training, renewable energy projects such as LED and solar lighting and construction of night shelters for the marginalised sections of society in various states.