CHAIRMAN’S SPEECH
Ladies and Gentlemen,

At the outset, I extend a warm welcome to you on the occasion of the 41st Annual General Meeting of the Company. It is my privilege to address this august group of members for the first time. I also acknowledge your continued support for enabling HUDCO to attain new heights of success during the financial year 2010-11. The Annual Accounts alongwith Directors' Report, Auditors' Report and Management Reply thereon have already been with you and with your permission, I take the aforesaid as read.

1. ECONOMIC ENVIRONMENT

The financial year 2010-11 began on a positive note, spearheaded by the broad-based economic recovery witnessed in 2009-10, post the American sub-prime crisis. The GDP growth rate in 2009-10 had risen to 8% from the lows of the crisis period and the growth momentum continued unabated, leading to an estimated GDP growth rate of 8.6% in 2010-11. Though the economic growth has been robust and broad-based, the threat of inflation emerged during the financial year 2010-11. At the prospect of growth being slowed down by the surging inflation rate, the Reserve Bank of India (RBI) had intervened throughout the year by hiking various policy rates, mainly the Repo and the Reverse Repo rates. As a result the borrowing and lending rates had gone up across the economy in 2010-11 posing a challenge for the financial institutions.

2. SECTORAL OVERVIEW AND MAJOR POLICY INITIATIVES BY THE GOVERNMENT

India's fast growing economy is propelling rapid urbanization, which in turn is being fostered by an enabling policy framework. While economic growth is providing impetus to the housing and infrastructure sectors, the population growth is adding to the demand side on a continuous basis. The overall scenario thus provides a vast opportunity for HUDCO in terms of business generation.
Towards ameliorating the conditions of urban habitations, the Ministry of Housing and Urban Poverty Alleviation has taken a number of initiatives. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM), a flagship programme of the government of India was launched in 2005, for the first time recognized the importance of unleashing the potential within cities to drive economic and social development with a focus on provision of basic services. This programme has a special sub-mission for providing the ‘Basic Services for the Urban Poor’ (BSUP) and for ‘Integrated Housing and Slum Development Programme’ (IHSDP). Other programmes that support the inclusive city agenda, which have been launched in the recent past include the ‘Affordable Housing in Partnership’ and the ‘Interest Subsidy scheme for Housing the Urban Poor’ (ISHUP). In order to have a focused approach towards slums that epitomize abject human misery and ultimate inequity, the Hon’ble President of India announced a new scheme called ‘Rajiv Awas Yojana’ (RAY) in June 2009. This scheme emphasizes a multi-pronged approach by addressing the issue of services, availability of land, financial services and skill development of the slum dwellers for ensuring a better future and equitable opportunities. This programme envisages to link security of land tenure with sustainability. However, fundamental to the success of government programmes would be the participation and concerted efforts by all stakeholders to rise to the challenge and create healthier, cleaner, greener, safer, productive, sustainable and better cities for all residents.

3. EMERGING ISSUES AND CHALLENGES

The development of housing and infrastructure sectors is crucial for sustainable growth of the economy. There is also a need for development of harmonious and inclusive cities. It is imperative to lay emphasis on earmarking land and built up space for economically weaker sections and lower income groups in new housing projects.

The quantum of housing and infrastructure shortage in the country presents a huge gap to be filled in this sector. The urban housing shortage in the country is currently estimated at a whopping 26.53 million units which would require an investment of over Rs. 3,61,300 crore as per the 11th plan estimates. Further, as per preliminary assessment by the Planning Commission, the infrastructure sector needs nearly Rs. 41,00,000 crore investment in the 12th Plan period. Thus, there are immense opportunities for financing the key sectors of the economy such as housing and real estate development, roads and highways, power, water supply, ports, tourism infrastructure, etc.

Due to a long gestation period and large capital outlay, the risk level in housing and infrastructure projects is high. The recent global experiences have shown that these sectors are often characterized by irrational exuberance and prone to bubble formation. Hence, careful due diligence needs to be ensured while evaluating the financing proposals involving such projects.

4. OPERATIONAL AND FINANCIAL PERFORMANCE - 2010-11

Your Company has continued to exhibit an impressive growth in its operations and achieved an outstanding performance, catering to the needs of every section of the society, both in housing and urban infrastructure development.

During the year, your Company has sanctioned 134 schemes with a loan amount of Rs. 19,762 crore as against Rs. 16,624 crore in the previous year, recording a growth of 19%. These sanctions include a wide spectrum of projects covering housing, basic infrastructure, energy, transport etc., with a loan amount of Rs. 5,293 crore for Housing and Rs. 14,469 crore for Urban Infrastructure. An amount of Rs. 5,105 crore was released during the year, which includes Rs. 955 crore for Housing and Rs. 4,150 crore for Infrastructure, recording a growth of 65% over previous year’s performance.

It gives me immense pleasure to report that your Company has achieved a profit before tax and after prior period adjustment of Rs. 821.48 crore during the year 2010-11 as against Rs. 785.82 crore in the previous year. The net profit stood at Rs. 550.03 crore during the year, as against Rs. 495.31 crore in the previous year. Your Directors are happy to report that this is the highest profit after tax recorded by HUDCO so far. The total reserves and surplus stood at Rs.3,519.07 crore as on 31.03.2011.

You will be glad to note that the Board of Directors of your Company has recommended the payment of final dividend of Rs. 110.02 crore for the year ended 31st March, 2011.
5. CREDIT RATING

Your Directors are pleased to report that HUDCO’s surveillance rating for long term instruments was reaffirmed at ‘AA+’ by Fitch Ratings India Private Limited and CARE Ratings. Fitch Ratings and CARE Ratings have further affirmed ‘F1+’ and ‘PR1+’ rating respectively for HUDCO's short term instruments, which is the highest rating on standalone basis.

6. TOWARDS ‘AFFORDABLE HOUSING FOR ALL’

Housing, besides being a very basic requirement, also holds the key to accelerate the pace of development. Housing continued to receive a special focus in HUDCO's operations during the year, with a particular emphasis on weaker section. HUDCO has been striving to contribute most significantly towards achieving the objective of “affordable housing for all”.

HUDCO’s sanction of Rs 5293 crore for housing projects has facilitated building of 295732 housing units across the country. An amount of Rs 955 crore has been released during the year for housing projects. Out of the total housing units sanctioned, 93.43% (276319 units) has been for the Economically Weaker Section (241225 units) and Low Income Group (35094 units). A total of 13712 units were sanctioned to the Middle Income Group (MIG) while 5229 units were for Higher Income Group (HIG).

7. SPEARHEADING INFRASTRUCTURE DEVELOPMENT IN THE COUNTRY

Infrastructure development is very important and essential for improving quality of the life of citizens. Towards fulfilling its strong commitment to providing quality infrastructure in the country, during the financial year 2010-11, HUDCO sanctioned a total of 72 schemes with a financial assistance of Rs. 14,469 crore for various projects covering Water Supply, Sewerage/ Drainage, Social and Commercial Infrastructure, Roads & Transport and Power Sector. An amount of Rs. 4,150 crore was released during 2010-11 for these schemes.

Your Company has sanctioned 17 schemes during the year 2010-11 for supporting social infrastructure projects, with a total loan assistance of Rs 175.88 crore. The sanctioned projects are located in the States of Punjab, Tamil Nadu, Nagaland and Puducherry. The schemes cover projects for community health centres, school and college buildings and government buildings for various departments. A major social infrastructure project for construction of International Sports-cum-Commercial complex in Jalandhar in Punjab has been sanctioned with a loan assistance of Rs 130 crore which would be implemented on a PPP model.

8. HUDCO’S ROLE IN JAWAHARLAL NEHRU NATIONAL URBAN RENEWAL MISSION (JNNURM)

In order to promote the concept of inclusive cities in which every citizen has reasonable and affordable access to basic amenities, the Government of India launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for provision of basic amenities to the urban poor in terms of security of tenure, affordable housing, potable water & sanitation while envisaging convergence of health, education and social security. The Mission aims at reform driven, planned development of cities and towns with a focus on community participation and accountability of Urban Local Bodies (ULBs)/Para-statal bodies towards the citizens.

HUDCO has been involved in this programme, since inception, as an appraisal agency for Basic Services to the Urban Poor (BSUP) and Integrated Housing & Slum Development Program (IHSDP) projects. Besides appraisal, your Company has been instrumental in disseminating information on JNNURM through trainings/workshops for functionaries of the State Govt./ULBs across the country and assisting State Governments/Implementing agencies in formulation of detailed project reports (DPRs) by providing technical and design consultancy services for inclusive housing. During the financial year, your Company was appointed as one of the Central Monitoring Agencies for monitoring of BSUP/IHSDP projects and review of reports submitted by Third Party Inspection & Monitoring Agencies (TPIMA).

Till 31st March, 2011, cumulatively, under BSUP and IHSDP, your Company has appraised 1257 projects with a project cost of Rs 28,426 crore and central assistance of Rs 15,694 crore for the construction/ upgradation of 11.52 lac dwelling units which is approximately 83% of total projects sanctioned by the Ministry of Housing and Urban Poverty Alleviation. Appraisal of DPRs under the programme has also
contributed to enhancing the fee-based income of HUDCO. So far, through appraisal of JNNURM projects, HUDCO has earned Rs. 40.68 crore, including Rs.5.66 crore during 2010-11. HUDCO has sanctioned Rs.1,645 crore for viability-gap funding of JNNURM projects. Further, 42 trainings / workshops were conducted and about 3000 participants were trained by HUDCO. During the year, HUDCO also conducted 92 field visits for monitoring of BSUP/IHSDP projects. Further, 89 TPIMA reports have been analyzed to assist the Ministry of Housing & Urban Poverty Alleviation.

9. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company has been undertaking various CSR activities since its inception, including disaster rehabilitation. During the year, HUDCO created a non-lapsable budget of 3% of net profit for activities under CSR and also approved HUDCO's CSR Policy. A budget of Rs.14.85 crore (3% of net profit of Rs. 495 crore) has been provided for CSR activities for the year 2010-11.

10. COMPLIANCE WITH CORPORATE GOVERNANCE

Your Company endeavors not only to meet the statutory requirements but also to institute systems and procedures that are in accordance with the global trends of making management completely transparent and institutionally sound. Good Corporate Governance practices and ethical business conduct remain at the core of HUDCO's value system. HUDCO's philosophy on corporate governance stems from the belief that timely disclosure, transparent accounting policies and strong and independent boards go a long way in maximizing corporate value. HUDCO has its own Code of Conduct and Ethics in compliance with DPE guidelines, which is placed on the website of the Company. Upgradation of procedures and systems is an ongoing process and your Company continued its efforts towards bringing transparency and raising the standards of corporate governance. The video conference facility would further facilitate participative decision making process through active involvement of its regional offices.

11. ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I express my gratitude for the invaluable guidance and continued co-operation and support, extended by the Ministry of Housing and Urban Poverty Alleviation, Ministry of Urban Development, Ministry of Rural Development, Ministry of Finance and Ministry of External Affairs; the Planning Commission, Reserve Bank of India (RBI), National Housing Bank (NHB), Comptroller and Auditor General, Statutory Auditors, Bankers, and other Government Departments. I deeply appreciate the continued support provided by the International Financial Institutions such as Kreditanstalt fur Wideraufbau (KfW), Japan Bank of International Cooperation (JBIC), Asian Development Bank (ADB), USAID, etc.

I am grateful to the State Governments, State Housing Boards, Development Authorities, Municipal/Local Bodies, etc. for their support and confidence reposed in your company. I am also thankful to the debenture/bond holders, depositors and other investors for their patronage and unstinted support to the various instruments issued by HUDCO. I extend my thanks to the valuable clients of HUDCO Niwas, with whom HUDCO has nurtured close and mutually beneficial relationships. I would like to conclude by commending the hard work and efforts put in by all the members of HUDCO family, towards achievement of the all-round growth of the Company.

Place : New Delhi
Date : 29th June, 2011

V P Baligar
Chairman and Managing Director
The Hon'ble Minister of Housing & Urban Poverty Alleviation and Minister of Culture, Kumari Selja handing over the approval of the loan of Rs. 1400 crore for construction of 2.8 lakh housing units in rural areas of Rajasthan for BPL families to the Hon'ble Chief Minister of Rajasthan, Shri Ashok Gehlot in the presence of Hon'ble UPA Chairperson, Smt. Sonia Gandhi.