DIRECTORS’ REPORT
Your Directors take pleasure in presenting the 41st Annual Report on the business, operations and achievements of Housing and Urban Development Corporation Limited (HUDCO), together with Audited Accounts for the financial year ended March 31st, 2011.

1. HUDCO - A LEADER IN SUSTAINABLE HABITAT AND URBAN DEVELOPMENT

Urbanisation is a natural consequence of socio-economic changes that take place as a country develops. At the same time, urbanisation helps to contribute to the growth process at large. This manifests in the increasing contribution of urban sector to national income. The positive role of urbanisation is often over-shadowed by the deterioration evident in the physical environment and quality of life in the urban areas caused by widening gap between demand and supply of essential services and infrastructure. The challenge of reorienting the urbanisation process, thus, lies in overcoming the infrastructural deficiencies and taking the best advantage of economic momentum inherent in urbanisation. Growing urbanisation also holds tremendous potential, as engines of economic and social development, creating jobs and generating wealth through economies of scale. It needs to be sustained and augmented through high urban productivity for country's progress. National economic growth and poverty reduction efforts will be increasingly determined by the development of these cities and towns. For Indian cities to become growth oriented and productive, it is essential to achieve a world class urban system. This in turn depends on attaining efficiency and equity in the delivery and financing of housing and urban infrastructure.

Urban areas in our country are characterized by severe shortage of affordable housing and basic services like potable water, well laid out drainage system, sewerage network, sanitation facilities, electricity, roads and appropriate solid waste disposal system. Rapid urbanisation is adding further pressure on the existing infrastructure. The widening gap between the rich and poor calls for a strong strategy towards inclusive cities.

The broad elements of the approach of Government of India to tackle the problem of housing the poor include special programmes with subsidy for the poor and vulnerable groups, and improving the access to cheaper funds for housing and social infrastructure. HUDCO, for achieving the overall objective of “Affordable Housing for All” with sustainable development, is committed to extend its helping hand to the development of inclusive cities in the country.
HUDCO is a multi-dimensional and multi-functional organization addressing almost the entire gamut of habitat issues in the country. HUDCO stands out in the burgeoning housing finance industry, for its focus on the low income groups and basic infrastructure provision. Towards supporting housing for the weaker sections of the society, HUDCO follows a policy of lower interest rate, a larger portion of the unit cost as loan and a longer repayment period for this sector. It continues to emphasize on sectors, which are more socially relevant rather than only on commercially viable and profitable sectors. It has played a stellar role in the implementation of National Urban Housing & Habitat Policy and also various other housing programmes of the Government of India and supports national level development initiatives across the country to promote sustainable growth of cities. In response to the changing environment, HUDCO, enjoys considerable experience and expertise in appraising infrastructure projects and financing them at competitive rates. It acts as an enabler and facilitator by developing suitable financial instruments for promotion of housing for the EWS/LIG groups serviced by basic amenities. HUDCO is also supporting provision of infrastructure facilities such as water, drainage, sanitation, sewerage, solid waste disposal, power supply, roads and transport.

2. OPERATIONAL ACHIEVEMENTS

HUDCO has continued to exhibit 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, towards a sustainable and inclusive growth.

During the year, HUDCO 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.

2.1 HOUSING - 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”.

2.1.1 Support for Housing

During the year, HUDCO’s sanction of Rs 5,293 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.

2.1.2 Support for Weaker Section

HUDCO continued its emphasis on weaker section housing in the year 2010-11. During the year, 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). Additionally, 472 beneficiaries were supported with financial assistance for housing under the HUDCO Niwas.
2.2 URBAN INFRASTRUCTURE: HUDCO - BUILDING BETTER HABITATS

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, HUDCO during the financial year 2010-11, has sanctioned 72 schemes with a financial assistance of Rs. 14,469 crore covering various sectors like water supply, sewerage, drainage, power, social infrastructure, commercial infrastructure, roads & transport. A loan of Rs. 4,150 crore was disbursed for urban infrastructure projects. In the year 2010-11, about 45.3% of the total urban infrastructure loan sanctioned and 31.28% of the releases went to the priority sector infrastructure.

2.2.1 Social Infrastructure and Area Development

HUDCO has sanctioned 17 schemes during the year 2010-11 for supporting social infrastructure projects, with a total loan of Rs 175.88 crore, 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 forest department, administrative buildings for home guards, civil defence, science & technology department, treasuries & accounts department.

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. One area development project has been approved in Varanasi town in the State of Uttar Pradesh for a loan amount of Rs 115 crore, which envisages integrated development of various infrastructure components in the extension area.

2.2.2 Water Supply

During the year, 11 projects for water supply were sanctioned, with a total project cost of Rs. 8358.14 crore.
which included HUDCO loan assistance of Rs. 2721.43 crore. This includes three schemes in Andhra Pradesh with a loan component of Rs. 1600 crore for implementation of the Godavari Drinking Water Supply project, two schemes for improvement of water supply in various Urban Local Bodies of Karnataka, and one scheme for improvement in service levels of infrastructure including water supply in various Urban Local Bodies of Punjab. The sanctioned projects include 5 water supply schemes in Puducherry for a loan of Rs. 66.43 crore.

2.2.3 Sewerage and Drainage Sector

HUDCO sanctioned loan for 4 projects in the States of Gujarat, Maharashtra and Puducherry for sewerage/drainage projects, during the year. The Sabarmati River Front Development project funded by HUDCO, for channelizing the river front with the implementation of components such as shortcreting of diaphragm wall, retaining wall and special/general earth fill, diversion of sewer and allied/related infrastructure works, is already in progress. An additional loan of Rs. 350 crore has also been sanctioned for the next stage of this project. In the State of Maharashtra, a loan of Rs. 1000 crore has been sanctioned for the project to rejuvenate the existing water bodies like lakes and ponds for proper management and development of storm water drainage system to control flooding in Navi Mumbai. A loan of Rs. 6.83 crore has also been sanctioned for development of sewerage system in Puducherry.

2.2.4 Roads & Transport Sector

Cities, with growing population have taken up upgradation of their mass transport systems to combat traffic problems. During the year, HUDCO sanctioned 15 projects in roads & transport sector with a total project cost of Rs 15677.90 crore and HUDCO loan amount of Rs 3263.09 crore. During the year, HUDCO has released an amount of Rs 1053 crore for implementation of various projects in this sector. The major projects sanctioned by HUDCO include development of roads in Rajasthan, Bangalore Metro Rail project and development of roads in Bellary District in Karnataka and elevated expressway in Hyderabad, Andhra Pradesh.

2.2.5 Power Sector

During the year, HUDCO sanctioned 11 projects with a total project cost of Rs. 52409.87 crore and loan amount of Rs. 4280.26 crore. HUDCO has released an amount of Rs. 2003.83 crore for projects in the power sector. The major projects sanctioned by HUDCO include 1220 MW Power Plant at Uran in Maharashtra, 1320 MW super critical thermal power projects in Chhabra and Suratgarh in Rajasthan and a project for improvement of transmission and distribution network in Tamil Nadu.

2.3 Emerging Sector

Industrial growth is one of the major constituents of economic growth. HUDCO has extended its assistance to the Industrial Sector by financing eligible components of land and land development, water supply, access & internal roads, industrial townships, jetties, bus terminals/stops and community centres.

During the year, HUDCO sanctioned a total of 4 projects amounting to Rs. 2165 crore under this category. A loan amount of Rs 1500 crore was sanctioned for the purpose of license fees of 3G & BWA spectrum. Further, an additional loan of Rs. 500 crore was sanctioned for the national gas highway project of laying two pipelines viz. Chainsa-Jhajjar-Hissar pipeline (CJHPL) with a design capacity of 35.0 MMSCMD and Dadri-Bawana-Nangal pipeline (DBNPL) with a design capacity of 31.0 MMSCMD and setting up of compressor station for transport of re-gasified liquid natural gas/natural gas. HUDCO has also sanctioned a loan amount of Rs. 90 crore for development of land, operation and maintenance of SEZ for electronic hardware and software including IT enabled services and residential township at Hinjewadi, Pune.
2.4 HUDCO’s Support to North-Eastern Region

HUDCO lays special emphasis on the development of North-Eastern Region on account of the fragile ecology as well as the need to accelerate the pace of its socio-economic progress. During the year, HUDCO has sanctioned 6 housing schemes for the North eastern region with a total loan assistance of Rs. 23 crore. This would help addition of 141 housing units in the State of Nagaland. In addition, HUDCO has also sanctioned 14 infrastructure projects with a loan assistance of Rs. 17.75 crore in Nagaland. This includes projects for construction of government institutional buildings, social infrastructure, improvement of roads and bridges and transport nagar.

3. JAWAHARLAL NEHRU NATIONAL URBAN RENEWAL MISSION (JNNURM)

More than a quarter of India’s population lives in the urban areas spread in more than 5100 towns and 380 urban agglomerations. At the beginning of the 11th Five Year Plan, the total housing shortage in the country stood at 24.71 million dwelling units, out of which more than 90% pertains to Economically Weaker Section (EWS) households, mostly living in deplorable conditions.

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 and 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 Programme (IHSDP) projects. Besides appraisal, HUDCO 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, HUDCO 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, HUDCO 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.

4. COMMUNITY TOILETS AND SANITATION PROGRAMME (SANJHA SWACHHATA ABHIYAN)

HUDCO, as part of its social responsibility initiative, continued its efforts in promoting clean habitats. In this direction, HUDCO has taken an initiative for providing better basic sanitation facilities to benefit the people by launching the "Community Toilet and Sanitation Programme" (Sanjha Swachhata Abhiyan). This programme was launched on 30th January, 2006 at Jhajjar, Haryana with the objective of ensuring clean habitats. The programme envisages to fund construction of community toilets in schools, institutes, hospitals, busy market places, bus stands, railway stations and slum localities. Towards the same, HUDCO would be providing subsidy for the WC seats/bath complexes up to a maximum of Rs. 20,000 per seat. The subsidy component of HUDCO for the scheme is available to the nominated Government Agencies, Corporate State Agencies, NGOs, CBOs and Charitable trusts/Institutions. HUDCO would also be providing soft loan to agencies, taking up construction of such projects.

So far, 22 schemes have been sanctioned with a total grant of Rs. 328.60 lac from HUDCO. In addition, a total loan of Rs. 50.33 lac has been sanctioned for 4 schemes for construction of 2408 WC/Bath facilities. Amounts of Rs. 210.50 lac of grant and Rs. 24.33 lac of loan have been released to the implementing agencies.

5. CONSULTANCY INITIATIVES

Beautification of surroundings of Red Fort area, Delhi.
During the year, a distinct thrust has been extended to the fee based consultancy activities by HUDCO during the year. Five consultancy zones have been organised at Delhi, Mumbai, Chennai, Kolkata and Guwahati. The consultancy operations in HUDCO have over the years made significant contribution in the areas of weaker section housing, alternative building materials and technologies, support to green building initiatives, preservation of cultural heritage, environmental improvement and landscape development. HUDCO earned Rs. 9.13 crore during the year as fee-based income from its consultancy operations.

During the year, the major assignments undertaken by HUDCO include Urban Development Strategy for the State of Jharkhand, Master Plan for Thirunallar Town, Tourism Master Plan for Tamil Nadu, Master Plan of Tourism for Puducherry, Development Plan for Arikamedu and Development Plan for Kailashahar town of Tripura. The regional consultancy units have also prepared twelve Development Plans/Master Plans/Slum free city plans and nineteen Detailed Project Reports (DPRs) during the year. A planning exercise has also been undertaken to prepare two ‘slum free’ neighbourhoods in Delhi viz. Sundernagari and Mongolpuri as pilot projects.

6. GREEN BUILDING INITIATIVE

Green Building initiative has been an important focus area during the year. The proposed institutional complex at HUDCO’s plot at NOIDA, proposed office building at HUDCO’s plot at Jhalana Doongri, Jaipur and proposed office building for ASI at Tilak Marg, New Delhi were successfully registered for the GRIHA Four Star Rating.

7. HUDCO NIWAS - HOUSING LOAN SCHEME

HUDCO Niwas is working through a network of 20 Regional Offices throughout the country. Presently, HUDCO provides bulk lending under HUDCO Niwas. The bulk loans to the State Governments/para-statals institutions and other Housing Finance Companies are also provided.

During the year, Rs. 40.42 crore was sanctioned and Rs. 46.94 crore was released under HUDCO Niwas. Till the year 2010-11, an amount of Rs. 4463.59 crore has been sanctioned and Rs. 3,941.46 crore has been disbursed under the HUDCO Niwas portfolio.

8. HUMAN SETTLEMENT MANAGEMENT INSTITUTE (HSMI)

HSMI is the Research and Training Division of HUDCO and has been identified by the Ministry of Housing and Urban Poverty Alleviation as one of the National Resource Centres for various capacity
building programmes to be taken up under the action plan programmes. HSMI also extends significant support to the Ministry with regard to the training and documentation activities under IEC (Information, Education and Communication) component of the Swarna Jayanti Shahari Rozgar Yojana (SJSRY). In order to give a new thrust to the Research and Training activities, four centres of excellence have been constituted which are Centre for Urban Poverty, Slums and Livelihoods (CUPSL), Centre for Sustainable Habitat (CSH), Centre for Project Development & Management (CPDM) and Centre for Affordable Housing (CAH).

During the year, HSMI organized 76 programmes imparting training to 2478 participants. Other training programmes were for participants from ULBs, Housing Agencies and State Government Officials and professionals working in real estate. These programmes also include one international training programme of 8 weeks duration for 18 participants from 15 countries sponsored by the Ministry of External Affairs, Government of India. HSMI continued its professional networking with various national and international agencies to exchange experience and expertise on urban development issues.

9. MEMORANDUM OF UNDERSTANDING (MOU) BETWEEN HUDCO AND MINISTRY OF HOUSING AND URBAN POVERTY ALLEVIATION

HUDCO has recorded impressive results and has surpassed the MoU (Memorandum of Understanding) targets for the year 2010-11 on various profitability, sanctions and recovery parameters. HUDCO expects to have an improvement in its MoU score over the previous year.

Further, HUDCO and the Ministry of Housing and Urban Poverty Alleviation have entered into a Memorandum of Understanding (MoU) for the year 2011-12 in regard to various operational performance parameters. The MoU envisages significant growth in the operations of HUDCO in the Housing and Urban Development sector with sanctions of more than Rs. 20,000 crore and release of Rs. 6,000 crore during the year.

Towards facilitating HUDCO in achieving its projected growth, the Ministry would support HUDCO to increase its credit worthiness and enable it to achieve its social objective by providing the necessary policy support. The MoU entails the Ministry’s support to HUDCO in mobilising resources at lower costs.

10. CREDIT RATING

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.

11. VIGILANCE

The Corporate Vigilance Department (CVD) continued to exert on improving the systems and procedures in the working of the company. In line with CVC's directions, several steps were initiated as part of preventive vigilance by putting in place and implementation of e-governance by the concerned wings of the Company and Regional Offices. An additional link “Online Access for Existing Customers” has been created on HUDCO’s website so that the borrowing agencies can directly access their scheme account for knowing the status of their schemes. At the instance of the CVD, different training modules were formulated for “induction training:" for almost 250 non-executives recently promoted to executive grade. So far around 172 officials promoted to executive grade have undergone the induction training.

Inspection of Regional Office at Guwahati and Bangalore were carried out during the year and employees were detailed about preventive aspects of Vigilance. Vigilance Awareness Period was observed by the Corporation from 25th October to 1st November, 2010 at the Head Office as well as at all the Regional Offices with focus on ‘Generation of Awareness and Publicity against Corruption’.
12. OFFICIAL LANGUAGE

HUDCO has been making concerted efforts to implement the Official Language Policy of Government of India in all its offices and encouraging the employees at all levels to achieve the targets set in the Annual Official Language Programme issued by the Government of India. In this context during the year, meetings of the Official Language Implementation Committee and Hindi workshops were held in the Corporate Office as well as in all the Regional Offices and the Rajbhasha Month was celebrated in September 2010.

During the year, trainings have been imparted to all the non-executive officials newly promoted to the level of executives, with respect to Official Language Policy, Rules, Act and official language annual programme. Further, Guwahati Regional Office, Kochi Development Office and HUDCO Corporate Office were inspected and progress of the implementation of Official Language in HUDCO has been appreciated by the Parliamentary Committee. The Official Language inspections were conducted by Head Office Rajbhasha Wing at Chennai, Chandigarh, Mumbai, Patna, Hyderabad and Thiruvanathapuram Regional Offices during the year. In recognition of efforts towards progressive use of Hindi in HUDCO, Bhopal, Thiruvanathapuram, Chandigarh and Jammu Regional Offices were awarded by the Town Official Language Implementation Committee (TOLIC).

13. FINANCIAL PERFORMANCE

Your Directors are glad to report that your Company has achieved a profit before tax and after prior period adjustment of Rs. 821.48 crore during the year 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.
14. DIVIDEND

Your Directors are pleased to recommend a final dividend of Rs. 110.02 crore for the year-ended 31.03.2011.

15. STRESSED ASSETS MANAGEMENT

Your Company is regularly following up vigorously with the agencies and also pursuing legal actions for the recovery of defaulted amount. Through persistent efforts, the Net NPA has come down to 0.19% during the year as compared to 0.52% in the previous year. Your Company has also created adequate additional provision as a matter of caution.

As part of increasing the quality of loan portfolio, HUDCO, during the year, was able to acquire business from Government of India Navratna/ Miniratna Public Sector Undertakings and State Government Undertakings.

16. RISK MANAGEMENT

Your Company has an Asset Liability Management Committee, which meets periodically to assess and take actions for meeting various risks like interest rate risk, liquidity mismatch risk etc. A risk management cell has also been established.

17. NET WORTH AND DEBT EQUITY RATIO

The net worth of the Company stood at Rs. 5,520.97 crore as on 31.03.2011 as against the net worth of Rs. 5,097.09 crore on 31.03.2010. The borrowings from all sources stood at Rs. 15778.66 crore as on 31.03.2011. The Debt Equity ratio of the Company as on 31.03.2011 works out to 2.86:1.
18. RESOURCE MOBILISATION

During the year, your Company mobilized total resources amounting to Rs. 4,806.55 crore through Banking Sector loans and Public Deposits. Owing to inflationary pressures, the economy continued to witness rising interest regime during the financial year 2010-11. However, despite rising interest rate regime, HUDCO was able to mobilize resources at a weighted average incremental cost of 9.03 % (105 bps above 10 year G-sec).

19. COST REDUCTION MEASURES

Efforts to foreclose the costly loans continued this year too. During the year, loans were foreclosed or prepayment option was exercised in respect of outstanding loans amounting to Rs. 425 crore. It would be imperative to highlight that by virtue of term loan agreement executed with the respective lender(s), no prepayment penalty in respect of loans foreclosed have been paid. The year witnessed an increasing interest rate regime wherein the banks constantly increased their lending rates. During the year, in line with the loan agreements executed with the Banks, the interest rates were reset in respect of outstanding loans of around Rs. 1,570 crore. However, none of the outstanding loan was reset at a rate higher than the rates at which fresh loans were tied up by HUDCO during the year. Towards optimizing travel costs, the video conferencing facility, linking Head Office with the 20 Regional Offices, has been established.

20. CORPORATE GOVERNANCE

Your Company imparts utmost importance to good Corporate Governance and as per the required provisions, a Corporate Governance Report and Auditors’ Certificate regarding compliance of Corporate Governance norms, form part of the Directors’ Report.

21. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As per the required provisions, a Management Discussion and Analysis Report, form part of the Directors’ Report.

22. DECLARATION OF CODE OF CONDUCT

Board of Directors of your Company has laid down HUDCO's Code of Conduct and Ethics for all Board Members and senior management personnel of the Company and the same has been placed on the website as well. The Board Members and senior management personnel have affirmed compliance with the Code.
23. AUDIT REVIEW
Statutory Auditors’ report to the members and comments of the Board of Directors thereon, are self-explanatory and form part of this report as required u/s 217(3) of the Companies Act, 1956.

24. PARTICULARS OF EMPLOYEES
There is no employee, in receipt of remuneration in excess of limit under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended and as per notification [F.No. 2/29/1998-CL.V] dated 31st March, 2011 by the Ministry of Corporate Affairs, Government of India

25. LISTING OF SECURITIES
The Stock Exchanges, wherein your Company bonds are listed as on 31.03.2011, are as follows: -
1. National Stock Exchange of India Ltd. (NSE)
2. Delhi Stock Exchange Association Ltd. (DSE)

26. TRANSFER TO/FROM RESERVE AND SURPLUS
During the financial year, your Company has transferred Rs. 214 crore to Special Reserve, Rs. 6.80 crore to Welfare Reserve, Rs. 197.77 crore to General Reserve and Rs. 130 crore has been carried to balance sheet. Further, an amount of Rs. 3.59 crore has been transferred to Welfare Reserve from Profit and Loss Account and Rs. 130 crore has been transferred from Surplus Account to Profit and Loss Account.

27. UNCLAIMED DEPOSITS
As mandated under the Housing Finance Companies (NHB) Directions, 2010, it is informed that the deposits matured but not claimed as on 31st March, 2011 amounted to Rs. 3.45 crore against 298 FDRs and interest thereof was of Rs. 1.11 crore. As per the procedure, regular reminder letters are sent to deposit holders of unclaimed/unpaid deposits for claiming their maturity payment in time.

28. FOREIGN EXCHANGE EARNINGS AND OUTGO
During the year, the inflow on account of Foreign Exchange transactions amounted to Rs. 1.86 crore and outflow of Foreign Exchange on account of foreign exchange transactions was Rs. 6.86 crore.

29. CONSERVATION OF ENERGY
Since HUDCO is not a manufacturing Company and does not own any manufacturing unit, the disclosure of particulars regarding Conservation of Energy are not applicable. However, efforts are made to take appropriate energy efficient measures equipment in the office to ensure conservation of energy.

30. TECHNOLOGICAL UPGRADATION: BAMBOO CENTRE OF EXCELLENCE AT IIT DELHI
The bamboo based building system has been developed as part of a DFID (Department for International Development, UK) funded collaborative project between the TRADA (The Timber Research & Development Association) and Indian Plywood Industries Research Institute (IPIRTI). In order to learn about this system and to promote this technology in building construction, a Bamboo Centre of Excellence has been established by HUDCO in IIT Delhi.

31. FUTURE OUTLOOK
Provision of quality and efficient infrastructure services is essential to realize the full potential of the emerging Indian economy. Various State Governments have taken major initiatives to attract investments and generate revenue as well as employment by promoting existing or new sectors. The Central Government has in turn eased certain regulatory requirements to promote investments by the State Governments, in addition to giving a big thrust to Public Private Partnership (PPP) in infrastructure development.

India’s economic growth has been robust in 2010-11 and the momentum is likely to continue in the financial year 2011-12 with a projected GDP growth of around 9%. However the inflationary pressures
continue to persist owing to certain domestic and international factors, which if not tackled effectively through proper policy interventions, may weigh on the growth momentum. With the impressive growth performance of the economy, the housing and infrastructure sectors have also reported good performances during 2010-11. The Union Budget 2011-12 has given further fillip to these twin sectors. For infrastructure development, tax-free bonds to the tune of Rs. 30,000 crore have been allowed to be raised by various entities including Rs.5,000 crore by HUDCO. These provisions imply that the ongoing policy thrust is supportive for growth of housing and infrastructure sectors. Further, as the economy continues to grow at a healthy pace, it automatically provides a boost to real estate and infrastructure development. All these augur well for the business development of HUDCO in the fields of both housing and infrastructure development.

32. COMPOSITION OF AUDIT COMMITTEE

Your Company has an Audit Committee in compliance to the provisions of Section 292A of the Companies Act, 1956 and DPE guidelines and it is dealt in detail in the Corporate Governance section later in the Annual Report.

33. BUY-BACK OF SHARES

The President of India holds 100% shares of HUDCO and during the year, no offer has been made for buy-back of shares. In view of the same, provisions of section 77A and 217(2B) of the Companies Act, 1956 are not required to be complied and the time limit for compliance for buy back of shares is, therefore, not required.

34. NAME AND ADDRESS OF DEBENTURE-TRUSTEES

| 2. | IL & FS Trust Company Limited, Plot C-22, G block, Bandra Kurla Complex, Bandra East, Mumbai-400051. |
| 4. | United Bank Of India, Block-P, 9/90, J C Das Building, Connaught Circus, New Delhi-110001. |

35. EMPLOYEE STOCK OPTION SCHEME (ESOS)

HUDCO is a Government Company and all the shares are being held by the President of India. During the year, no Employee Stock Option Scheme has been offered to the employees by the Company.

36. REDEMPTION OF DEBENTURES/BONDS DURING THE YEAR

All the debentures/bonds, which were due for redemption during the year 2010-11, were redeemed in that period and the details are given below:

<table>
<thead>
<tr>
<th>Series</th>
<th>Interest rate p.a.</th>
<th>Redemption Amount (Rs. in crore)</th>
<th>Redemption date</th>
<th>Maturity/Option exercised</th>
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<td>SPS I (A)</td>
<td>12%</td>
<td>2.10</td>
<td>10-Jun-10</td>
<td>Maturity</td>
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<td>SPS II (A)</td>
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<td>4.44</td>
<td>15-Jun-10</td>
<td>Maturity</td>
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<td>HB XVII A</td>
<td>8.25%</td>
<td>61.50</td>
<td>19-Sep-10</td>
<td>Maturity</td>
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<td>HB XVIII C</td>
<td>12.40%</td>
<td>11.00</td>
<td>19-Sep-10</td>
<td>Maturity</td>
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<tr>
<td>SIB II (A)</td>
<td>12.50%</td>
<td>1.09</td>
<td>23-Sep-10</td>
<td>Maturity</td>
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<tr>
<td>HB XVII B</td>
<td>8.25%</td>
<td>30.00</td>
<td>28-Sep-10</td>
<td>Maturity</td>
</tr>
<tr>
<td>HB XVIII F</td>
<td>12.40%</td>
<td>24.78</td>
<td>28-Sep-10</td>
<td>Maturity</td>
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</table>
37. BOARD OF DIRECTORS AND CHANGE IN COMPOSITION OF BOARD

During the year, 16 Board Meetings were held to transact the business of the Company. The Audit Committee met seven times during the year. The Government of India appointed Shri Nasser Munjee, as Part-time Non-official Director on the Board of HUDCO w.e.f. 05.08.2010. Further, Shri VP Baligar, IAS, has been appointed as Chairman and Managing Director of HUDCO. Shri Baligar has taken over the charge of the post w.e.f. 11.04.2011. Smt Aruna Sundararajan, JS (RAY), MoHUPA, has been appointed as Part-time Official Director on the Board of HUDCO w.e.f. 18.04.2011 in place of Dr. PK Mohanty.

Your Directors extend a warm welcome to Shri VP Baligar, Smt. Aruna Sundararajan and Shri Nasser Munjee for being part of HUDCO. Your Directors also place on record their appreciation for the valuable contribution made by Shri Dinesh Mahajan during his tenure from 26.12.2007 to 25.12.2010, Smt. Nirmala Samant Prabhavalkar, during her tenure from 08.04.2008 to 07.04.2011 as Part-time Non-official Directors and Dr. PK Mohanty, during his tenure from 02.01.2009 to 18.04.2011 as Part-time Official Director.

Further, Dr. PK Mohanty, AS & Mission Director (JNNURM), Ministry of Housing and Urban Poverty Alleviation, held the additional charge of the post of Chairman and Managing Director of HUDCO, from 05.07.2010 to 11.04.2011.

38. DIRECTORS’ RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors of your Company states hereunder:

(i) that in the preparation of the annual accounts, the applicable accounting standards have been followed, alongwith proper explanation relating to material departures, if any;

(ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for the financial year 2010-2011;

(iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and

(iv) that the directors have prepared the annual accounts on a going concern basis.

39. APPRECIATION AND GRATITUDE

Your Directors place on record their 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 External Affairs; the Planning Commission, Reserve Bank of India (RBI), National Housing Bank (NHB), Bankers, Comptroller and Auditor General, Statutory Auditors, Bankers and other Government Departments. Your Directors also appreciate the continued support provided by the International Finance Institutions such as Kreditanstalt fur Wideraufbau (KfW), Japan Bank of International Cooperation (JBIC), Asian Development Bank (ADB), USAID, etc.

Your Directors are grateful to the State Governments, State Housing Boards, Development Authorities, Municipal/Local Bodies and similar Institutions for their support and confidence reposed in your Company. Your Directors are also thankful to the debenture/bond holders, depositors and other investors.
for their patronage and unstinted support to the various instruments issued by HUDCO. The Directors also thank the valuable clients of HUDCO Niwas, with whom HUDCO has nurtured close and mutually beneficial relationship.

Your Directors also take this opportunity to acknowledge and appreciate the hard work and efforts put in by all the members of HUDCO family, towards achievement of the all-round growth of the Company.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 23rd June, 2011

V P Baligar
Chairman and Managing Director

Hon’ble Minister for Housing and Urban Poverty Alleviation and Minister of Culture, Kumari Selja with families affected by cloud burst in Leh.
1. INDUSTRY STRUCTURE AND DEVELOPMENTS

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. The RBI had raised these rates seven times since March, 2010 till March 2011, with a hike of 1.75% in Repo rate and 2.25% in Reverse Repo rate in its bid to arrest inflation. As a result the borrowing and lending rates had gone up across the economy in 2010-11 posing a challenge for the financial institutions.

The Rajiv Awas Yojana (RAY), which was launched in June 2009 with the vision of a slum-free India, made further progress during the year 2010-11. Detailed guidelines have been issued for Slum Free City Planning under RAY. A budget of Rs. 1270 crore has been allocated for the year 2010-11 for the scheme. Further, the Union Budget 2011-12 has proposed to set up a 'Mortgage Risk Guarantee Fund' for economically weaker and low income housing under RAY as a measure to enhance their creditworthiness which would facilitate flow of credit from banks and FIs to this segment. The Ministry of Housing & Urban Poverty Alleviation (MoHUPA) has selected 30 cities across 16 states for initiating the 'National Slum Free City Campaign' and is working closely with the concerned State Governments / ULBs to design and implement model pilot initiatives.

2. STRENGTH AND WEAKNESS

HUDCO is a reputed techno-financial institution of 40 years with established brand name in Housing and Infrastructure Sector. The Corporation has a commendable track record in dealing with a variety of housing, real estate and infrastructure projects and has a long history of outstanding performance. In the process, the Corporation has gained extensive experience and expertise in different aspects of such type of projects. Starting from financing conventional urban infrastructure projects, HUDCO has also added other type of infrastructure projects in its portfolio. This rich legacy of experience over the years is the main strength of HUDCO. Further, with the nationwide network in all States and UTs, the Corporation has a wide coverage of all stakeholders including Government, public sector, private sector, NGO's and individuals, with decentralised operations. It has a wide range of skilled and technical manpower, broad spectrum of operations and range of products catering to every section of housing and infrastructure. A separate and well-equipped set-up has been established at HSMI for research and training to impart skill upgradation/capacity building for in-house as well as borrowing agencies' professionals with latest practices and innovative ideas for project implementation. This initiative of HSMI is another strength of HUDCO.

HUDCO has been awarded ISO 9001:2008 certification by Indian Registrar of Quality System (IRQS), which has accreditation with the National Accreditation Board for Certification Bodies (NABCB) and RVA (an International Accreditation Body). HUDCO has been appreciated for quality management for all of its activities through systematic procedures, covering projects and retail financing services, resource mobilization for funding, consultancy, joint venture, training, research and networking in human settlement planning and management.

The business opportunities in the housing and infrastructure sector have triggered intense competition amongst the players. HUDCO faces substantial challenges in terms of resource mobilization and financing options from the existing and the new players. In a market driven economy, the key to tackle such challenges depends on adaptability of the product and processes, technological upgradation etc. Further, the real estate and infrastructure projects are inherently risky as they are characterized by huge capital investment, long gestation and payback periods and sensitivity to various domestic and international economic factors.
3. OPPORTUNITIES, THREATS, RISKS AND CONCERNS

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. 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 various risks involved are credit risk, market risk, liquidity risk, regulatory restriction, forex risk, operational risk and ability to maintain its recovery performance and assets quality. The recent global experiences have shown that these sectors are often characterized by irrational exuberance and prone to bubble formations. Hence careful due diligence needs to be ensured while evaluating the financing proposals involving such projects.

4. SEGMENT-WISE / PRODUCT-WISE PERFORMANCE

This has already been discussed in Housing and Urban Infrastructure section of the Directors’ Report.

5. OUTLOOK

Detail on outlook has already been discussed in the ‘Future Outlook’ Section of the Directors’ Report.

6. INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

Internal control system entails the overall control environment established by the management of an organisation for effective & efficient monitoring and control of its operations. It endeavors to ensure adherence to the management policies, safeguarding of assets of the enterprise and proper accounting and recording of the business transactions.

HUDCO has robust internal control system with adequate checks and balances in various operational areas. It is regulated and controlled by Master Circulars, Operational Circulars, Guidelines, Checklists, Manuals etc. which ensures the proper functioning of the internal control system. There is also a detailed system of authorisation of transaction through delegation of authority and responsibility. The norms for concurrence of the proposals are prescribed for technical, legal and financial areas and their adherence is ensured. The financial transactions of HUDCO are recorded in a tailor made Software Package with inbuilt control mechanism. These are constantly reviewed and updated keeping in view the latest developments on the economic scenario and experiences learnt during the course of operations.

7. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

This portion has already been discussed in the Directors’ Report under the heading ‘Operational achievements’.

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The total employee strength of your Company stood at 993 comprising 677 executives and 316 non-executives as on 31st March, 2011. Out of the total strength, there were 179 SCs, 60 STs, 82 OBCs, 17 Physically Handicapped and 27 Ex-servicemen. The total number of women employees was 279, including 55 in SC/ST category. HUDCO continues to follow the Government policies on reservation for SC/ST/OBCs etc.
During the year, HUDCO has finalized its Corporate Plan 2020 and adopted a new Organogram to support the Corporate Plan focusing on a business model having revenue verticals of Social Housing, Infrastructure and Consultancy, besides other divisions. For implementing the new Organogram, functional orders have been issued to various departments highlighting their key responsibilities and key result areas. This will pave way for allocating the departmental responsibilities to individual executives as per the new roles.

As part of restructuring, categorization of Regional Offices was done. This is largely based on loan outstanding and other parameters of loan sanction, release and schemes. Besides its corporate office, HUDCO has its operations through a network of 20 Regional Offices and 10 Development Offices, in addition to a Training Centre: Human Settlement Management Institute (HSMI) at New Delhi.

With a view to sharpen and upgrade the skills of employees, capacity building exercise was taken up in various strategic, functional and behavioural areas for the employees. During the year, HUDCO trained 462 employees in different areas of management. This also includes an intensive two week orientation programme for all the newly promoted employees having attained the supervisory executive level.

**9. ENVIRONMENTAL PROTECTION AND CONSERVATION, TECHNOLOGICAL CONSERVATION, RENEWABLE ENERGY DEVELOPMENT, FOREIGN EXCHANGE CONSERVATION**

This portion has already been discussed in the Directors’ Report. Further, Renewable Energy Development, due to its distinctive nature, is beyond the scope of operations of HUDCO.

**10. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

HUDCO 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 a 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.

During the year, HUDCO made significant progress in its CSR activities by making available financial assistance to various projects. HUDCO provided Rs.5.00 crore for construction of 133 prefabricated one room houses under the rehabilitation project for the disaster affected people of Leh. The houses have been constructed and handed over to the beneficiaries. An amount of Rs. 46.92 lac has been sanctioned for construction of toilet and vocational centre for slum dwellers in Seemapuri, Delhi through the Delhi Urban Shelter Improvement Board. HUDCO also sanctioned Rs. 9.10 crore for City Resource Centre at Raebarely to be taken up by Nagar Palika Parishad. This centre shall provide a range of services under various poverty reduction programmes. In addition to the above, support was also provided for initiatives in the sanitation sector through construction of ten toilet complexes at Yamuna Nagar and Jagadhari in Haryana.

**11. CAUTIONARY STATEMENT**

Statements in the Management Discussion and Analysis Report with regard to projections, estimates and expectations have been made in good faith. Many unforeseen factors may come into play and affect the actual results, which could be different from what the Management envisages in terms of performance and outlook. The Management of the Company reserves the right to re-visit any of the predictive statements to decide the best course of action for meeting social and human obligations.