

STUDY TOUR REPORT NO. 30

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

**HOUSING & URBAN DEVELOPMENT CORPORATION
LIMITED**

Laid in the Lok Sabha on 23 April, 2002

Laid in the Rajya Sabha on 24 April, 2002

LOK SABHA SECRETARIAT

NEW DELHI

April, 2002 / Chaitra 1924(S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2001-2002)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Prasanna Acharya
3. Shri Mani Shankar Aiyar
4. Prof. S.P.Singh Baghel
5. Shri Sudip Bandyopadhyay
6. Shri Ram Tahal Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Deo
10. Shri C.K. Jaffer Sharief
11. Shri K E Krishnamurthy
12. Shri Vilas Muttemwar
- *13. Shri C.P.Radhakrishnan
14. Shri Tarit Baran Topdar
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri K. Kalavenkata Rao
18. Shri Jibon Roy
19. Shri B.P.Singhal
20. Smt. Ambika Soni
21. Shri C.P.Thirunavukkarasu
- **22. Shri Ranjan Prasad Yadav

SECRETARIAT

- | | | |
|----|---------------------|----------------------|
| 1. | Shri John Joseph, | Additional Secretary |
| 2. | Shri S. Bal Shekar, | Director |
| 3. | Shri L.N.Gaur | Under Secretary |

* Elected w.e.f 29th November, 2001 vice Shri Rajiv Pratap Rudy ceased to be Member of the Committee consequent upon his appointment as Minister w.e.f. 01.9.2001.

** Retired w.e.f. 9.4.2002.

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of Housing & Urban Development Corporation Ltd.

2. The Committee held discussions with the officials at Chandigarh on 2nd July, 2001. A copy of the tour programme is annexed (Annexure-III).

3. The Committee considered and approved the Report at their sitting held on 11th April, 2002.

4. The Committee wish to express their thanks to Housing and Urban Development Corporation Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

**New Delhi
11, APRIL, 2002
21, CHAITRA, 1924(S)**

**PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS**

'STUDY TOUR NOTES OF THE COMMITTEE ON PUBLIC UNDERTAKINGS'

DISCUSSION WITH THE OFFICIALS OF HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED ON 2rd JULY, 2001 AT CHANDIGARH

At the outset, the Convenor, Committee on Public Undertakings (COPU) made opening remarks and requested the Chairman-cum-Managing Director, Housing & Urban Development Corporation Limited (HUDCO) to introduce himself and his colleagues to the Committee. The Convenor, Committee on Public Undertakings also requested him to give a brief account of the Corporation.

2. After introduction of officers of the Housing & Urban Development Corporation, the CMD, HUDCO informed the Committee that the Housing & Development Corporation Limited (HUDCO), formed in 1970 to finance and undertake urban and rural housing and develop city infrastructure, has grown into a premier investment and lending agency, its initial Rs. 2 crore equity now stands at Rs. 1178 crore. HUDCO, a Government owned Company, is the premier techno-financial institution in the housing and urban development sector. HUDCO's operations focus on Economically Weaker Sections (EWS) and Low Income Groups (LIG) of the society.
3. When asked how far the Corporation has been able to achieve its objectives, the Committee have been informed that HUDCO has emerged

as a market leader in supporting the housing and urban development needs of the 21st Century and has crossed the one crore mark, in facilitating the construction of over 100 lakhs dwelling units in all over the country with its techno-financial assistance. HUDCO has, therefore, become the largest facilitator of Housing Units across the globe, accounting for 1/17th of the total housing stock in India and one in every two cities/towns has received assistance for Housing Infrastructure development.

Cumulatively till 31st March 2001, HUDCO has sanctioned a total of 14,751 schemes involving a total project cost of Rs. 55,354 crore with HUDCO's loan component of Rs. 36,837 crore. HUDCO's assistance has helped in the construction of 126.47 lakh residential units, over 46.65 lakh sanitation units effectively improving the living conditions in the urban and rural areas, in 1760 towns and thousands of villages. The category-wise details of 126.47 lakhs residential dwelling units sanctioned by HUDCO are as follows :

Category	Dwelling	%
EWS	10400924	83.99
LIG	1351577	10.91
MIG	433181	3.5
HIG	198634	1.6
Total	12384316	100.00
HUDCO Niwas	262560	
Grand Total	12646876	

95% of the total dwelling units sanctioned by HUDCO are for EWS (84%) and LIG (11%) which clearly indicates that HUDCO operations for Housing focus on EWS & LIG.

4. With regard to financing for the housing needs of the Economically Weaker Sections (EWS) and Low Income Groups (LIG) of the Society, the Committee have been informed that HUDCO since its inception has adopted a financing policy which favours the needs of low income and poor. At least 55% of its housing portfolio every year caters to the housing need of EWS and LIG and out of the balance 45%, 25% goes for MIG housing. The social objectives of housing the poor are always kept in view and hence a pragmatic shelter programme for the poor has always been implemented by HUDCO through affordable financing packages of lower interest rates, longer repayment periods, maximum extend of assistance with respect to cost of houses.

5. It has been stated in the Brief submitted to the Committee that HUDCO has requested for support from the Central Government for enabling them to sustain its increased lending to EWS especially in view of the 2 Million-Housing Programme. In this connection, the Committee have been informed that as per Government directives, 55% of HUDCO's loans for housing operations are earmarked for the EWS and LIG, with not less than 25% for EWS category. Since 1998-99, in addition to HUDCO's normal housing programme, HUDCO has also been entrusted with the financing of a major share of houses under the 2 Million-Housing

Programme of the Government of India. Under this programme, HUDCO has committed itself to financing 6 lakh houses in the rural areas and 4 lakh houses in the urban areas for the EWS and LIG categories, every year, for five years.

The EWS operations including operations that the 2 MHP have been resulting into a loss to HUDCO as rates of HUDCO loans for EWS housing have always been lower than its borrowing cost as is evident from the following table:

Year	Borrowing Cost including cost of raising funds & administrative cost	Interest rate for EWS
1997-1998	12.81%	9%
1998-1999	13.36%	9%
1999-2000	12.42%	10%
2000-2001	12.62%	10%

6. The Committee have also been informed that HUDCO has been subsidizing losses internally till 1998 through its profitable streams of lending such as commercial infrastructure lending operations. However, after the advent of 2MHP, the interest subsidy burden coupled with the huge targets is making HUDCO operations increasingly unviable. However, keeping in view that the Two Million Housing Programme is an important component of the National Agenda for Governance, it has been decided that implementation of the Two Million Housing Programme should continue to be one of the main responsibilities of HUDCO.

HUDCO had earlier been given various incentives like direct subsidy exemption from payment of Income Tax, Government Guarantee Fees, Stamp Duty and even higher allocation of tax free bonds which could be raised in market at substantially lower rate of interest as compared to normal bonds. These have since been withdrawn except tax-free bonds, which have, also been reduced substantially to Rs. 100 crore during 2000-2001 as compared to Rs. 675 crore during 1990-91. In addition with the large scale influx of private Housing Finance institutions and other agencies/banks into the housing and urban infrastructure sectors, HUDCO has been forced to reduce its interest rates in commercial/infrastructure sectors.

7. It has also been informed that HUDCO has been sanctioning and releasing funds under 2 Million-Housing Program (2 MHP) for the last 3 years. Since the 2 MHP is predominantly for EWS category, HUDCO has been requesting the Ministry to either provide interest subsidy for the loss incurred by HUDCO on the additional releases made to EWS category due to 2 MHP or increase interest rates for EWS category or provide cheaper funds to HUDCO. The loss on account of funding EWS housing under the 2 MHP @10% for a sanction amount of Rs. 1500 crore in each year for a 5 – year programme, over 15 years repayment period and the interest loss will be to the tune of Rs. 2088 crore. Further, if the interest loss of HUDCO is calculated on actual releases for the past 3 years due to the 2 MHP, considering total cost of funds to HUDCO are EWS lending

rate of 10% (9% for 1998-99), it works out to a cumulative interest loss of Rs.129.76 crore upto 31.3.2001, out of which Rs.68.59 crore is for the year 2000-01 only. The total loss based on the actual releases made till 31.3.2001, over a 15 – year repayment period shall be Rs.675.95 crore. Further, these losses will increase with the releases during the current year and in the coming years keeping in view past sanctions and the sanctions to be made in the current year and the coming years. The decision on the proposal for increase in the interest rate for EWS category is awaited.

8. Detailing the major achievements made by HUDCO in different areas of its operations during the last 3 years, the Committee have been informed that the financial year 1998-99 was a momentous year for HUDCO in respect of its operational performance, diversification of its delivery modes, expansion of its equity base, or forging of tie-ups in green-field areas. As part of its objective to reach beneficiaries directly, HUDCO has started offering financial assistance to individual families to enable them to acquire a home of their own through its “HUDCO NIWAS” Scheme.

HUDCO achieved an all-time high sanctions of Rs. 6,666.67 crore, 118 per cent above last year’s achievement of Rs. 3,019.90 crore, providing assistance for construction of a record of 18.60 lakh dwelling units, over 9,04,929 sanitation units and 122 urban infrastructure projects throughout the country.

In recognition of HUDCO's significant contribution in the fields of housing and urban infrastructure development and also indicating the increased role expected of HUDCO, the Government has raised the authorised capital of HUDCO from the existing Rs. 385 crore to Rs. 1,250 crore, which was over three times of its equity capital which it accumulated over the last 28 years of its existence. In 1998-99, HUDCO was able to achieve a significant success in its resource mobilization of Rs. 3,240 crore surpassing the MoU target of Rs. 2,050 crore by 58.05 per cent and registering an increase of over 22.5 per cent over the last year. During 1998-99 HUDCO was assigned a target of 10 lakhs with 6 lakhs to be provided in rural areas and 4 lakhs in urban areas. Against this target, HUDCO significant a total of 10.65 lakhs units, comprising of 6.35 lakhs in rural areas and 4.30 lakhs units in urban areas. The total loan assistance involved was of the order of Rs.1,894 crore.

9. The financial year 1999-2000 was another year of excellence of HUDCO – be in respect of its operational performance, expansion of its equity base, or forging of tie-ups in green-field areas, HUDCO achieved a landmark performance with all time high operations. During the year 1999-2000, HUDCO achieved an all time high sanctions of Rs.8899.89 crore, over 33.5% above last year's achievement of Rs.6666.67 crore, providing assistance for construction of 16.34 lakh dwelling units and over 1.8 lakh sanitation units, and taken up 86 urban infrastructure projects throughout the country. The loan released during 1999-2000 amounted to

Rs.4372.74 crore, an increase of 35% as compared to Rs.3200.68 crore released last year.

HUDCO made a significant and monumental contribution in the second year of implementation of the Government's ambitious programme of providing additional 20 lakh houses every year. Of this, HUDCO was assigned a target of 10 lakhs with 6 lakhs to be provided in rural areas and 4 lakhs in urban areas. Against this target, HUDCO has sanctioned a total of 11.14 lakhs units, comprising of 6.54 lakh in rural areas and 4.60 lakh units in urban areas. The total loan assistance involved was of the order of Rs.2093 crores.

HUDCO continued its positive response to the people ravaged by the natural disasters in the country. During the year 1999-2000, the country had to face two major calamities, namely the earthquake in the Garhwal region and supercyclone in Orissa. Besides floods in West Bengal also caused much damaged. HUDCO responded spontaneously to reach out its Techno-financial assistance to the victims of these natural calamities.

10. The dawn of the new millennium witnessed another year of momentous operational growth in the edifice of HUDCO – be it in respect of its performance, expansion of equity base, streamlining of operations or fostering strategic collaborations. HUDCO surpassed the allocated MoU targets, both in Housing and Urban Infrastructure Development. During the year 2000-2001, HUDCO sanctions touched Rs.7,912.73 crore, over

19.89% above the target of Rs.6600 crore. This has helped in supporting construction of over 30.97 lakh dwelling units and over 3.68 lakh sanitation units and taking up 79 Urban Infrastructure projects throughout the country. The loan released during 2000-2001 amounted to Rs. 4929.32 crore, surpassing the MoU target of Rs. 4200 crore by 14.97 per cent in 2000-2001.

The earthquake of 26th January 2001 has resulted in a substantial loss and damage to the lives and properties with its disastrous effect particularly in Gujarat. As ever, HUDCO responded spontaneously to reach out with its techno-financial assistance to the victims of the natural calamity.

HUDCO would extend a financial assistance of upto Rs. 1500 crore for the earthquake rehabilitation programme for reconstruction, retrofitting and rehabilitation of housing and the damaged infrastructure (water supply through the Saurashtra Pipeline project benefiting affected districts in Saurashtra and Kutch regions) including the community asset buildings in the earthquake affected areas. HUDCO would raise this amount in the form of tax free bonds as part of the HUDCO – Gujarat Punarnirman Tax Free bonds to be used for the rehabilitation programme.

As part of the celebration of 50th year of India's Independence, HUDCO initiated 106 projects covering 61 model villages and 45 model bastis with a total grant assistance of Rs. 36.60 crore for development of

Model Villages (Adarsh Gram) and Model Improved Slums (Adarsh Basti) respectively.

11. In the Brief submitted to the Committee, it has been stated that for sustaining the increased Social Housing Mandate of HUDCO, the authorised capital of the Corporation be increased. Explaining the reasons for increasing the authorised capital, the Committee have been informed that HUDCO over the next five years envisage loan release of Rs.30,000 crore approximately, which will be required to be borrowed from the market. The inflow on account of repayment and interest from the borrowers is just sufficient to meet the payment of interest and repayment of the loans taken by HUDCO from the Banks and Financial Institutions. The funds would, therefore, be predominantly raised through market-oriented instruments / sources. However, to enable HUDCO to make market borrowings, the equity to debt ratio of 1:8 is to be ensured. This will require an equity infusion of Rs.3265 crore during the next five years. In addition, there is a requirement of National Housing Bank (NHB) of attaining capital adequacy ratio of 12 as on 31.03.02 onwards and keeping in view the existing capital adequacy ratio of 9.6, the requirement of additional equity capital will not only be necessary to achieve the desired ratio of 12 after considering loan releases as envisaged in the next five years. Further, fresh market borrowings at most competitive rates is possible only when there is a 'AAA' rating by the credit rating agencies, like CRISIL, ICRA, CARE, etc. and for achieving 'AAA' rating, a positive

profit margin is very necessary which is possible either through the increase of EWS rates by the Government or providing subsidy or by providing equity capital substantially.

Keeping above in view, minimum equity infusion of Rs.625 crore each year (including equity from Ministry of Rural Development) is required to be made during the next five years to maintain Debt Equity Ratio, enable higher borrowings, maintain capital adequacy ratio and also achieve highest credit rating.

This was also considered and recommended by HUDCO's Board and it is understood that a note is being sent by the Ministry to the Cabinet for approval of increase in the Authorised Capital upto Rs.2500 crore.

12. The profit as per MoU vis-à-vis actual for the years from 1997-98 to 2001-02 is as under :-

(Rs. in crores)

YEAR	Pretax Profit (As per MoU)	Actual Pretax Profit
1997-1998	65.88	69.38
1998-1999	65.68	80.48
1999-2000	65.98	126.98
2000-2001	130.79	135.30 (Prov.)
2001-2002	158.00	--

The actual profits could have been still higher put for increased dependence on the market borrowings, withdrawal of support by Government in phases from time to time like Income Tax, Government Guarantee fee, stamp duty, non-increase of interest rates for EWS category, implementation of additional 2 Million Housing Programme in which funding for EWS is a major component.

When asked about the steps taken to keep up the profitability of the Corporation, the Committee have been informed that the Corporation has been continuously trying to keep up the profitability despite many constraints like social mandate, increased market borrowings, withdrawal of support by Government etc., for which the Corporation has taken up the matter with Government for increase of the EWS interest rate. In addition, Corporation has continuously been trying to reduce the defaults. Moreover HUDCO has increased its operations in the areas of infrastructure financing which is a profit generating portfolio of HUDCO. Further, HUDCO had opened its RF Wing two years back which has almost no default situation and has, therefore, contributed to the profitability. In addition, efforts are being made to substitute high cost borrowings with low cost borrowings. Apart from this the Government has also contributed equity capital, substantially, during the last 3 years which has enabled the Corporation to bring down its borrowing cost. In fact, as a result of the continued efforts, the rating agencies have upgraded HUDCO's rating from AA to AA+ in the year 2001.

13. The HUDCO's operations as on 31st March, 2001 are as under :-

(Rs. in Crore)

TYPE	NO. OF SCHEMES	PROJECT COST	LOAN SANCTION
Urban Housing	10320	20991.49	14093.58
Rural Housing	2494	8512.36	4780.68
Night Shelters	105	131.58	40.74
Basic Sanitation	177	87.41	588.55
Low Cost Sanitation	834	1421.58	14960.5
Urban Infrastructure	821	24209.25	34506.12
Total	14751	55353.67	34506.12
HUDCO NIWAS			2331.10
TOTAL			36837.22

14. When the Committee asked about the details of the programme chalked out by the Corporation for the different States during 2001-2002, the Committee have been informed that HUDCO proposes to sanction loans of Rs. 3900 crore for housing and Rs. 3250 crore for urban infrastructure projects. As far as State-wise allocations are concerned, the details are as follows:

NORMAL HOUSING

HUDCO's annual housing allocation is distributed amongst States/UTs in two stages. In the first stage 50% of the annual allocation is distributed amongst States/UTs based on area and population. For the balance 50% fund the State Governments are requested to indicate their demand. Overall annual State-wise allocation is finalised based on the demand indicated by States/UTs and other performance parameters of the State Housing Agencies. The State-wise allocation made for the year 2001-02 on 50% basis is appended (Annexure-I).

2 MILLION HOUSING PROGRAMME(2MHP)

Government of India has been implementing a 2 Million Housing Programme since 1998 which envisages construction of 20 lakhs additional houses every year. Out of the 20 lakhs houses, 13 lakhs are to be constructed in rural areas and 7 lakhs in urban areas. Under this programme, every year HUDCO has been entrusted with the task of providing loan assistance to facilitate the construction of 6 lakhs houses in rural areas and 4 lakhs houses in urban areas. The State-wise targets under 2MHP (HUDCO component) are enclosed (Annexure – II).

URBAN INFRASTRUCTURE

No State-wise allocation are made for Urban Infrastructure projects. These projects are demand driven and are sanctioned if found technically sound, financially viable and regally acceptable.

15. The total amount sanctioned and released for housing and urban infrastructure to the States/UTs during the years from 1996-97 to 2000-01 is given below :-

(Rs. in crore)

YEAR	HOUSING		URBAN INFRASTRUCTURE	
	SANCTION	RELEASED	SANCTION	RELEASED
1996-97	1414.69	977.22	1028.90	565.76
1997-98	1752.05	1335.16	1267.85	814.45
1998-99	4011.91	1927.89	2654.76	1272.89
1999-2000 *	4761.00	2626.90	4138.89	1745.84
2000-2001 *	3870.77	2842.43	4041.96	1986.89

* Include amount of loan sanctioned / released on HUDCO Niwas.

16. When asked about the mechanism available to ensure timely recovery of loans, it has been informed that HUDCO is recovering the dues quarterly and on monthly basis for HUDCO Niwas. To ensure timely recovery of dues, the following mechanism is adopted :-

1. Demand letter is sent in advance ;
2. Post dated cheques are presented for realisation ;
3. Follow up with escrow account agents ; and
4. Follow up with State Govt. and concerned departments and agencies wherever repayment is linked to budgetary support from the State Govt.

With regard to outstanding / overdues, it has been informed that the total outstanding / overdues for Housing and Urban Infrastructure (UI) Projects as on 31st March, 2001 is of Rs. 1426.87 crore. The period-wise details are as follows:

(Rs. in crores)

PERIOD	HOUSING	URBAN INFRASTRUCTURE	TOTAL
Upto 3 months	70.22	40.44	110.66
Between 3-6 months	9.34	34.10	43.44
Between 6 months – 2-1/2 years	111.62	198.46	310.08
More than 2-1/2 years	746.66	216.03	962.69
Total	937.84	489.03	1426.87

For HUDCO Niwas, the total loan outstanding as on 31st March, 2000 is Rs. 1444.96 crore. Out of the total outstanding, the default amount is Rs. 21.77 lakh.

17. The Committee have been informed that HUDCO has amended its Memorandum of Articles of Association to include Rural Infrastructure in addition to Urban Infrastructure as a part of its operation. The details of the rural infrastructure projects sanctioned during the last 3 years is given below :-

(Rs. in Crore)

Scheme	Loan Amount	Releases made for the scheme
<u>1998-99</u>		
Rural sanitation project in Andhra Pradesh	98.96	--
<u>1999-2000</u>		
LOC for provision of water supply facilities to 2653 habitations in Tamil Nadu	100.00	100.00
LOC for provision of water supply facilities to 1804 habitations in Tamil Nadu	60.00	60.00
<u>2000-2001</u>		
LOC for provision of water supply facilities to 2653 habitations in Tamil Nadu	155.00	102.00
LOC for provision of water supply facilities to 1804 habitations in Tamil Nadu	145.00	145.00
Rural Water Supply scheme in Maharashtra	200.00	50.00
Capital works under Namakku Naame Thittam in 27 districts of Tamil Nadu	25.00	25.00
Improvement / Upgradation of MDRs & ODRs in Haryana Phase I&II (Rural Roads)	225.42	--
LOC for drinking water supply distribution projects based on Saurashtra pipeline in Gujarat. The scheme covers provision of water supply for 27 towns and 1338 villages also.	360.00	300.00
LOC for bulk water transmission pipeline project for Amreli & Bhavnagar distt. The scheme includes water supply to 1625 village besides urban areas in Amreli & Bhavnagar Distt.	200.00	50.00
Total	1569.38	832.00

18. HUDCO continued its thrust towards sanctioning schemes of significant social relevance that enable enhancement of quality of life in

urban areas. The social infrastructure schemes and the loan amount sanctioned during the years from 1997-98 to 2000-01 are given below :-

(Rs. in crore)

YEAR	NO. OF SCHEMES	PROJECTS COST	LOAN AMOUNT SANCTIONED
1997-98	6	1890.24	896.84
1998-99	25	57973.90	31016.06
1999-2000	12	44537.63	28748.99
2000-01	18	31440.03	20797.25

19. On the question of diversification, the Committee have been informed that the potential areas for HUDCO to diversify its operations could be

- (i) Collaboration in Global Consultancy Projects ;
- (ii) Real Estate Development ;
- (iii) Financial Services; Banking ;
- (iv) Insurance & Mutual Fund ;
- (v) Training & Research ;
- (vi) Information Technology ; and
- (vii) Setting up Subsidiaries / Profit Centres.

To a query about implementation of these activities with the existing manpower, the Committee have been informed that wherever possible the existing manpower will be redeployed to handle the new activities. However, in some areas specialised experts with experience in the related areas will be involved.

The Committee have also been informed that in the wake of liberalization of Indian Economy and experience gained by HUDCO in real estate development, HUDCO entered into a Memorandum of Understanding with the Ministry of Railways on 13th January, 2000 to act as a co-promoter for specific projects with the objectives of commercial development of identified Railways' lands. The implementation of concerned projects on railway lands are expected to be provided valuable opportunity for generating additional financial resources for the Railway for the purpose of improving Railway services on one hand and provide opportunity for HUDCO to diversify its activities in the real estate sector.

20. About the Adarsh Gram and Adarsh Bastis Schemes, the Committee have been informed that HUDCO has launched a programme for developing 'Model Villages'/Adarsh Gram and 'Model Improved Slums'/Adarsh Basti' in all the States and Union Territories of the country with all infrastructure facilities, as part of its programme in commemoration of the 50th year of India's Independence celebrations. The selected village/basti, which would have about 200-250 houses, predominantly covering lower income population, would be provided with a grant assistance of upto Rs. 35 lakh, by HUDCO. The difference between the project cost and the grant assistance will be met by the State Governments/Union Territories/Implementing agencies/beneficiaries by dovetailing other resources of Central/State Government schemes such as (i) provision of drinking water/sanitation; (ii) introduction of inputs for tapping non-

conventional and renewable sources of energy; (iii) general village abadi improvement; (iv) grant for Indira Awas Yojana for housing for below poverty line families; and (v) environment improvement.

HUDCO has, as on 31.5.2001 sanctioned 109 Adarsh Grams/Adarsh Basti schemes with grant of Rs. 37.21 crore covering 25 States and 2 Union Territories.

Out of the 109 Adarsh Grams / Adarsh Basti schemes, documentation has been completed in respect of 86 schemes. Second or subsequent instalment has been released in respect of 52 schemes and only first instalment has been released in respect of 34 schemes. It may be mentioned that the second or subsequent instalment is released after the first instalment is properly utilised, the site is visited by the HUDCO officials and the site inspection report is submitted to Headquarter. Thus, out of 86 schemes where the releases have been made, evaluation of current status have been made in respect of 52 schemes and the remaining 34 schemes are yet to submit the utilisation certificate for the first installment which is being pursued.

21. About the resources mobilised by the Corporation which are now extended to the beneficiaries as loan, the Committee have been informed that as on 31st March 2001, the cumulative resource mobilized has been Rs. 19403.77 crore whereas the cumulative releases as at the same period stood at Rs. 24697.00 crore. The gap between resource mobilized and loan release has been met by the internal accruals and repayments.

When asked as to how the Corporation treat the fund that remain with them after releasing the sanctioned amount to the borrowers, it has been stated that the resources are mobilized as per the requirement and the surpluses, if any, during the course of normal operations are invested in various short term options available from time to time.

22. When enquired whether the business of HUDCO has been affected with the entry of a large number of banks and other housing financial institutions in private sector, the Committee have been apprised that initially, HUDCO had been the only housing finance company in the country. It was only in 1977-78, the HDFC started its operations in the field of individual housing finance. Thereafter, in 1996 NHB was formed as an apex body for housing finance companies. Now, because of the recession, banks have also started lending in the areas of housing finance by starting their housing finance subsidiaries. Even ICICI, which were originally financing industries, have also shifted to housing because of the less off-take in the industry.

Thus, now HUDCO has to face a stiff competition from all these HFIs, who have no social commitment, whereas HUDCO continues with its social justice plank. This was initially done under a Planning commission mandate of providing 55% of its housing loans to EWS/LIG categories and now because of additional commitment of one million houses under the Two Million Housing Programme of the Government of India.

To overcome the loss of HUDCO, because of lower rate of interest for the priority sector lending, HUDCO has requested the Government for compensation.

23. The position of the Board of Directors of HUDCO is as under :-

Functional Directors : At present, HUDCO is having three positions of Functional Directors i.e. Chairman and Managing Director, Director-Finance and Director-Corporate Planning. The post of Director-Finance is at present vacant and is being filled by the Public Enterprises Selection Board (PESB).

Government Directors : At present three Government Directors are on the Board of the Company. The Addl. Secretary (Finance), MOUD, Joint Secretary(H), MOUEPA, and Joint Secretary (Rural development), MORD are the Directors on the Board at present.

Non-Official Part Time Directors : At present two Non-Official Part-Time Directors are on the Board of HUDCO. Therefore, one position of Non Official Part-Time Director is vacant at present.

24. On the question of upgradation of status of the Corporation, the Committee have been informed that HUDCO has made a formal reference in November, 1992 to the Government for upgradation from Schedule B category to Schedule A category. This is already under consideration of the Department of Public Enterprises. In the proposal, a recommendation has been submitted for upgradation of the posts of CMD/Director and 6 posts of EDs in the pay scales applicable to Schedule A Companies. The Government's approval in the matter is awaited.

RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

INTEREST SUBSIDY FOR EWS / LIG HOUSING PROGRAMMES

The Committee note that as per the Government Directive issued on 5th April, 1975, fifty-five percent of HUDCO's loans for housing operations are earmarked for the Economically Weaker Sections (EWS) and also the Low Income Group (LIG), and within this 55%, not less than 25% of the total loans should be earmarked in favour of the EWS category. They also note that the interest rate of loans for housing schemes for EWS and LIG decided by the Empowered Committee is lower than the market rate with a view to providing subsidy to EWS households and it is much lower than the borrowing cost of HUDCO. The Committee have been informed that from 1998-99 onwards HUDCO has also been entrusted with the task of financing 1 million houses (6 lakh houses in the rural areas and 4 lakh houses in the urban areas) for the EWS and the LIG every year for a period of five years under the 2 Million Housing Programme of the Government of India. It has been noticed by the Committee that EWS operations including operations under the 2 Million Housing Programme, have been resulting in a loss to HUDCO, although the Government have tried to support HUDCO by subscribing equity at enhanced levels during 1998-99, 1999-2000 and 2000-01. The Committee have further noticed that the Government support for these

programmes other than in the form of equity has been NIL and the earlier concessions such as income tax exemption, stamp-duty exemption, exemption from payment of dividend and payment of Government Guarantee fee, etc. have gradually been withdrawn with the liberalisation of the economy. They have also noticed that even higher allocations of Tax Free Bonds which were earlier available and enabled HUDCO to raise resources in the market at a substantially lower rate of interest as compared to the rate of interest on normal bonds have since been reduced substantially to Rs.100 crore during 2000-01 as compared to Rs.675 crore during 1990-91. The Committee are of the view that the unviable task of subsidising housing for weaker sections on one hand and mobilising resources from market at market rates on the other hand would make this public sector enterprise sick in the coming years. They, therefore, recommend that the Government should provide adequate interest subsidy to HUDCO for implementing the housing programmes for EWS/LIG sections of the society both under the normal and under the additional Two Million Housing Programme. The Committee also recommend that HUDCO should be exempted from payment of Government Guarantee Fee and Stamp Duty Charges.

RECOMMENDATION NO. 2

NEED TO INCREASE THE AUTHORISED CAPITAL

The Committee note that HUDCO envisages a loan release of about Rs.30,000 crore over the next five years. The Committee have been informed that as the inflow on account of repayment and interest from the borrowers is barely sufficient to meet the payment of interest and repayment of the loans taken by HUDCO from the Banks and Financial Institutions, huge funds would have to be raised through market borrowings and for this purpose the equity to debt ratio of 1:8 has to be ensured which requires an equity infusion of Rs.3265 crore in the next five years. The Committee have also noticed that the existing capital adequacy ratio of HUDCO is 9.6 which is well below the requirement of National Housing Bank (NHB) for attaining capital adequacy ratio of 12 as on 31st March, 2002 onwards. The Committee are of the view that the additional equity capital requirement is necessary to achieve the desired ratio of 12 during the current year and also in future years to maintain it at a level of 12, after considering the extent of loan releases envisaged in the next five years. The Committee are given to understand that HUDCO's Board has requested the Government for an increase in the Authorised Capital to be made during the next five years with a view to maintain a proper Debt-Equity ratio, capital adequacy ratio and to achieve the highest credit rating, etc. The Committee, therefore, recommend that the Government should clear the proposal for increase in the Authorised

Capital of the Corporation expeditiously to enable the Corporation to implement the schemes / programmes of the Government smoothly.

RECOMMENDATION NO. 3

HIGH COST BORROWINGS

The Committee note that HUDCO has been borrowing from the market since its inception at the prevailing rates. Some of these borrowings carry very high rates of interest in comparison to the present interest rates. The Committee has been informed that loans to the tune of Rs.929.47 crore have been borrowed in the past from various financial institutions and these can be termed as high cost funds now. The Committee feel that all such high cost funds should be identified first in the light of the recent drop in the bank rates so that these can be retired quickly to reduce the interest burden on the Company and to increase profitability. The Committee, therefore, recommend that HUDCO should formulate a time-bound plan in this regard urgently so that measures may be taken to substitute the high cost funds with those bearing low rate of interest.

RECOMMENDATION NO. 4

NON PERFORMING ASSETS

The Committee note that the performance of HUDCO as reflected in the MoU signed by it with the Government has been adversely affected due to its inability to reduce defaults and Non Performing Assets. The Committee note that one of the factors that has affected the profitability of the Company is the increasing NPA because of defaults of State Government Agencies. The Committee desire that special efforts should be made to intensify the efforts to reduce defaults / NPA by formulating suitable measures and by taking up the matter at the highest political executive level to arrive at proper settlements. The Committee also recommend that the Planning Commission should consider paying out the outstanding dues of the State Governments by adjusting them against their plan allocations, as is being done in the case of their dues to the Power Sector Companies.

RECOMMENDATION NO. 5

ACCESS TO GREATER AND SOFTER RESOURCES

The Committee note that the operating margins of HUDCO have been declining over the years which would serious affect its financial viability. The Committee feel that there is a strong case in favour of HUDCO to gain access to low interest rate funds from various sources. The Committee recommend in this regard that government should take a conscious decision to make available Banking Sector funds at low interest rates as is being made available to NABARD for its lending operations. The Commercial Banks should be directed to make a specific subscription of upto 10% HUDCO Bonds in order to qualify for benefits under priority sector lending as in the case of agriculture and SSI Units. There should be access to low-cost funds at least to the extent of Rs.2000 crore for each year through Tax Free Bonds, etc so as to enable HUDCO to keep its borrowing cost comparatively lower in view of their social commitment to provide houses to Economically Weaker Sections under the Two Million Housing Programme. Besides this, the incremental deposit of banking sector should be increased to 5% from 3% for investment in housing sector by the Banks. The Committee also recommend that there should be availability of both Pension and Insurance funds to address the problems of tenurial mismatch. The Committee desire that PF subscriptions should be placed safely with

HUDCO, as it is a high-rated Company for security of principal and interest.

RECOMMENDATION NO. 6

EXEMPTIONS UNDER INCOME TAX ACT

The Committee note that HUDCO's profitability has been adversely affected due to increased market borrowings and withdrawal of Government support. In view of the huge investments required in the housing sector, the Committee feel that HUDCO's efforts to mobilise resources should be supported by extending certain tax concessions. They recommend that the Ministry of Finance should declare HUDCO's Public Deposit Scheme eligible for exemptions under Section 88 of the Income Tax Act and the Scheme may be approved for investments by Provident Fund Trusts. All investments in HUDCO Bonds may be declared to qualify for investment under Section 54 C of the Income Tax Act. HUDCO may also be granted exemption from payment of Income Tax as available to income of housing authorities under Section 10 (20 A) of the Income Tax Act. The Committee desire that Ministry of Urban Development should immediately take up this matter at the highest level so that a decision in this regard is taken in the current financial year itself.

RECOMMENDATION NO. 7

UPGRADATION OF HUDCO STATUS FROM SCHEDULE `B' TO SCHEDULE `A' COMPANY

The Committee note that in November, 1992 a formal reference was made by HUDCO to the Government for upgradation of status of the Corporation from a Schedule `B' Company to that of a Schedule `A' company which inter-alia includes upgradation of posts of CMD / Director and 6 posts of Executive Directors in the pay scales applicable to Schedule `A' companies. They are surprised to note that even after a lapse of more than 9 years, the proposal of the Corporation is awaiting Government's approval. They, therefore, recommend that the Government should accord Category `A' company status to HUDCO without any further delay, considering the record of service rendered by the Company to the nation, especially in favour of the poorer sections of the society.

RECOMMENDATION NO. 8

VACANCIES IN THE BOARD OF DIRECTORS OF HUDCO

The Committee note that the post of Director (Finance) who acts as a Full Time Functional Director in the Board of Directors has been lying vacant for a very long time, while one position of Non-Official Part Time Director to be filled up from among persons of eminence with a background in housing sector is also lying vacant in the Board of Directors. The Committee recommend that expeditious action should be taken to fill up the vacancies in the Board of Directors at the earliest to enable the Company get directions from professionally competent Board.

STATEWISE MINIMUM ALLOCATION(S) FOR ENDURING PROJECTS FOR THE YEAR 2001-2002

STATE	IDA IN CRORES					TOTAL	REMAINING	G. TOTAL
	GYMFI	OWSI	LIG	MRS	IID			
A & N ISLANDS	0.04	0.03	0.01	0.05	0.05	0.20	0.08	0.20
ANDHRA PRADESH	0.34	4.32	12.87	10.58	0.45	42.38	15.60	57.91
BIHAR	3.90	1.71	5.31	4.43	3.54	17.72	5.52	24.03
CHHATTISGARH	0.13	0.00	0.27	0.22	0.10	0.30	0.32	1.20
CHHATTISGARH	1.77	1.10	3.00	2.00	2.37	11.43	4.22	19.05
D & K HAVELI	0.01	0.01	0.02	0.01	0.01	0.00	0.02	0.09
DAMAN & DIU	0.01	0.01	0.03	0.02	0.02	0.09	0.03	0.12
DELHI	1.80	1.13	3.10	2.32	3.20	11.59	4.03	18.32
GOA	0.21	0.14	0.47	0.34	0.27	1.37	0.40	1.00
GUJARAT	5.80	3.91	11.30	9.77	7.82	38.10	13.84	52.04
HARYANA	1.22	0.88	2.54	2.20	1.79	8.78	3.18	11.91
HIMACHAL PRADESH	0.36	0.34	0.72	0.80	0.48	2.30	0.85	3.24
JAMMU & KASHMIR	2.13	0.77	2.30	1.82	1.30	7.87	2.73	10.40
JHARKHAND	2.20	1.47	4.40	3.87	2.84	14.09	5.22	19.82
KARNATAKA	4.16	3.14	10.22	8.80	6.82	24.39	12.26	46.68
KERALA	2.01	1.74	8.22	4.25	3.43	17.19	8.22	23.58
LAKSHADWEEP	0.01	0.01	0.02	0.02	0.02	0.04	0.03	0.11
MADHYA PRADESH	5.00	3.37	10.12	8.43	9.75	33.74	12.03	45.76
MAHARASHTRA	8.54	4.38	19.04	16.90	12.72	60.69	22.97	88.20
ORISSA	0.08	1.78	4.32	4.46	3.67	17.85	8.20	44.21
PONDICHERY	0.10	0.10	0.20	0.23	0.20	0.80	0.35	1.34
PUNJAB	4.03	1.30	3.85	3.21	2.57	12.80	4.88	17.43
RAJASTHAN	6.41	2.60	10.81	9.01	7.24	35.64	12.86	48.90
TAMIL NADU	7.28	4.83	14.88	12.83	11.30	40.63	17.30	66.82
UTTAR PRADESH	7.13	3.17	16.31	12.92	10.34	49.59	18.43	70.12
UTTARANCHAL	1.08	0.72	2.17	1.41	1.45	7.73	2.60	9.80
WEST BENGAL	3.22	3.46	10.44	9.70	8.08	34.79	12.40	47.18
TOTAL	77.83	51.75	185.28	139.38	103.60	517.60	184.80	702.00
NORTH EASTERN STATES								
ASSAM	5.08	2.33	3.65	7.37	8.60	39.18	10.76	40.81
MANIPUR	0.77	0.88	1.07	1.84	1.31	6.35	2.28	8.81
MEGHALAYA	0.79	0.40	1.19	1.00	0.80	4.19	1.44	5.87
NAGALAND	0.58	0.37	1.11	0.82	0.74	3.72	1.32	5.06
BIHAR	0.00	0.02	0.07	3.08	0.99	0.28	0.09	0.40
TRIPURA	0.03	0.39	1.37	0.80	0.74	3.95	1.41	5.36
ARUNACHAL PRADESH	0.12	0.07	0.31	0.17	0.14	0.70	0.25	0.98
MIZORAM	0.68	0.89	2.88	2.23	1.79	8.10	2.92	11.10
NEE TOTAL	8.03	5.78	17.26	14.38	11.80	67.60	20.65	78.66
GRAND TOTAL	88.23	57.50	192.50	143.76	115.00	576.60	209.90	700.00

ADDITIONAL 2 MILLION HOUSING PROGRAMME FOR THE YEAR 2001-2002
(NATIONAL TARGETS / LOCO COMPONENT)

Sl. No.	State	TARGETED UNITS		HOUSING COMPONENT					
		AS PER NATIONAL AGENDA		DWELLING UNITS			LOAN ASSISTANCE (IN IN CRORES)		
		RURAL	URBAN	RURAL	URBAN	TOTAL	RURAL	URBAN	TOTAL
1	ANDHRA PRADESH	523	317	241	131	423	0.24	0.36	0.60
2	ANDHRA PRADESH	95482	51428	44083	29387	73450	44.07	58.77	102.84
3	ARUNACHAL PRADESH	2274	848	1028	483	1508	1.03	0.87	1.90
4	ASSAM	76778	35867	35438	28513	55949	25.44	41.03	71.48
5	BHARAT	73247	39435	22312	11483	37115	22.27	26.88	51.88
6	CHHATTISGARH	3992	1033	808	819	1524	0.91	1.24	2.14
7	CHHATTISGARH			14371	7407	21878	13.58	14.10	35.88
8	DAMAN & DIU	262	108	121	61	181	0.12	0.12	0.24
9	DAN KAVELI	131	74	60	46	106	0.06	0.03	0.15
10	DELHI	25508	13733	15772	7849	18621	11.77	15.70	27.47
11	GOA	3128	1884	1448	851	2400	1.48	0.90	3.25
12	GUJARAT	85412	47373	40848	27184	67932	42.81	64.37	95.18
13	KARNATAKA	19881	10823	9176	8113	15239	3.11	12.23	21.40
14	PINACHAL PRADESH	5980	2879	2475	1845	4320	2.48	3.29	5.77
15	JAMMU & KASHMIR	17265	8324	7958	5328	13285	7.97	10.60	18.52
16	JHARKHAND			11484	11042	10228	11.54	15.38	28.92
17	KARNATAKA	77894	41888	35829	22923	58742	29.88	47.85	89.71
18	KERALA	39222	21128	19110	12880	32001	18.11	24.18	42.29
19	LAKSHADWEEP	131	108	60	41	121	0.06	0.12	0.18
20	MADHYA PRADESH	168089	35470	33289	24060	57319	33.98	45.30	79.29
21	MAHARASHTRA	143747	77420	68345	44240	110585	69.34	88.48	154.82
22	MAYPUL	11841	8003	5373	4573	9946	5.37	8.15	14.52
23	MIZHALAYA	11800	4880	5484	2777	8271	5.43	6.65	11.05
24	MIZORAM	8762	10881	4344	6218	10242	4.04	12.64	18.48
25	NAGALAND	6833	4517	3884	2381	6266	3.28	5.18	9.15
26	ORISSA	40288	21799	18584	12422	31016	18.58	24.84	43.44
27	PONDICHERY	2224	1189	1028	878	1708	1.03	1.98	2.29
28	PUNJAB	29037	15887	13402	8935	22337	13.46	17.87	31.27
29	RAJASTHAN	81487	42874	37829	25071	62900	37.81	50.14	87.75
30	SIKKIM	918	791	423	188	611	0.42	0.33	0.75
31	TAMILNADU	136739	59092	58849	33733	84581	60.68	87.50	118.15
32	TAMILNADU	8548	4788	4427	2717	7124	4.41	6.49	9.94
33	UTTAR PRADESH	133162	71741	54821	34848	89610	64.26	72.81	128.87
34	UTTARANCHAL			8783	4142	12920	7.10	6.48	13.58
35	WEST BENGAL	78310	42381	38282	24210	62402	28.28	43.42	84.70
TOTAL		1200000	700000	600000	400000	1000000	620.20	840.00	1400.00

LOAN ASSISTANCE FOR RURAL UNITS & URBAN UNITS (PAID) IN TAKEN AS OF 18000 AND Rs 2000 PER DWELLING UNIT RESPECTIVELY.

**TOUR AS ACTUALLY PERFORMED BY THE COMMITTEE ON PUBLIC
UNDERTAKINGS TO CHANDIGARH AND SHIMLA
FROM 2ND JULY, 2001 TO 6TH JULY, 2001**

(MEMBERS ASSEMBLED AT CHANDIGARH)

DATE & DAY	TIME	VISIT & DISCUSSION
2.7.2001 (Monday)	1500 hrs	Discussion with the Officers of Housing & Urban Development Corporation
	1700 hrs	Discussion with the Officers of National Building Construction Corp. Ltd.
(NIGHT HALT AT CHANDIGARH)		
3.7.2001 (Tuesday)	0915 hrs	Discussion with the Officers of Semi-Conductor Complex Ltd.
	1430 hrs	Departure for Shimla by Road
	1800 hrs	Arrival Shimla
(NIGHT HALT AT SHIMLA)		
4.7.2001 (Wednesday)	1200 hrs	Discussion with the Officers of Rural Electrification Corporation Ltd.
(NIGHT HALT AT SHIMLA)		
5.7.2001 (Thursday)	1000 hrs	Discussion with the Officers of National Fertilizers Ltd.
(NIGHT HALT AT SHIMLA)		
6.7.2001 (Friday)	1000 hrs	Discussion with the Officers of Nathpa Jhakri Power Corp. Ltd.

DISPERSAL

ANNEXURE – IV

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED CHANDIGARH AND SHIMLA
FROM 2ND TO 6TH JULY, 2001

S. NO.	NAME	DATE OF JOINING	DATE OF LEAVING
1.	Prof Vijay Kumar Malhotra, Chairman	4.7.01 SHIMLA	7.7.01 SHIMLA
2.	Shri Prasanna Acharya	2.7.01 CHANDIGARH	6.7.01 SHIMLA
3.	Prof. S. P. Singh Baghel	2.7.01 CHANDIGARH	6.7.01 SHIMLA
4.	Shri Sudip Bandyopadhyay	3.7.01 CHANDIGARH	7.7.01 SHIMLA
5.	Shri Ram Tahal Chaudhary	2.7.01 CHANDIGARH	7.7.01 SHIMLA
6.	Shri Ajay Singh Chautala	2.7.01 CHANDIGARH	2.7.01 CHANDIGARH
7.	Shri Shiv Raj Singh Chauhan	2.7.01 CHANDIGARH	7.7.01 SHIMLA
8.	Smt. Sangeeta Kumari Singh Deo	3.7.01 CHANDIGARH	5.7.01 SHIMLA / 6.7.01 CHANDIGARH
9.	Shri Rajiv Pratap Rudy	2.7.01 CHANDIGARH	6.7.01 SHIMLA
10.	Shri Tarit Baran Topdar	3.7.01 SHIMLA	5.7.01 SHIMLA
11.	Shri Suresh Kalmadi	3.7.01 CHANDIGARH	5.7.01 SHIMLA / 6.7.01 CHANDIGARH
12.	Shri B. P. Singhal	2.7.01 CHANDIGARH	6.7.01 SHIMLA
13.	Smt Ambika Soni	2.7.01 CHANDIGARH	3.7.01 CHANDIGARH
14.	Shri Ranjan Prasad Yadav	2.7.01 CHANDIGARH	7.7.01 SHIMLA

SECRETARIAT

1. Shri S Bal Shekar, Director
2. Shri L. N. Gaur, Under Secretary
3. Shri Girdhari Lal, Executive Asstt.

ANNEXURE – V

LIST OF OFFICIALS OF HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED WHO WERE PRESENT DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC UNDERTAKINGS AT CHANDIGARH ON 02.07.2001

- | | |
|-------------------------|--|
| 1. Shri V. Suresh, | Chairman –cum –Managing Director |
| 2. Dr. P.S.Rana | Director(Corp. Plg) |
| 3. Smt. S Baliga | Chief Vigilance Officer |
| 4. Shri P.K.Aggarwal, | Chief (Finance) |
| 5. Shri K.C. Jain | Executive Director (Management System) |
| 6. Col. Arvind Malhotra | Executive Director (North-West Zone) |
| 7. Shri. M.K. Gupta | Company Secretary |