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**HOUSING AND URBAN DEVELOPMENT CORPORATION (HUDCO)**

**MINISTRY OF HOUSING AND URBAN AFFAIRS**

**COMMITTEE ON PUBLIC UNDERTAKINGS**
**(2018-2019)**

# TWENTY-THIRD REPORT

**(SIXTEENTH LOK SABHA)**

(Action taken by the Government on the Observations / Recommendations contained in the Eighteenth Report (Sixteenth Lok Sabha) of the Committee on Public Undertakings (2017-18) on Housing And Urban Development Corporation (HUDCO)

**LOK SABHA SECRETARIAT**

**NEW DELHI**

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**MINISTRY OF HOUSING AND URBAN AFFAIRS**

**(Action taken by the Government on the Observations / Recommendations contained in the Eighteenth Report of the Committee on Public Undertakings on Housing and Urban Development Corporation)**

***Presented to Lok Sabha on 30.07.2018***
***Laid in Rajya Sabha on 30.07.2018***

सत्यमेव जयते

**LOK SABHA SECRETARIAT**
**NEW DELHI**

**30 July, 2018/ 08 Sravana, 1940 (Saka)**

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## COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS (2018-19)

**Shri Shanta Kumar - Chairperson**

**Lok Sabha**

2. Shri L.K. Advani
3. Shri Ramesh Bais
4. Shri G. Hari
5. Dr. Khambhampati Haribabu
6. Shri Boianappalli Vinod Kumar
7. Shri Ajay Nishad
8. Shri Prahlad Singh Patel
9. Shri Nagendra Kumar Pradhan
10. Shri Konakalla Narayana Rao
11. Prof. Saugata Roy
12. Shri Narendra Keshav Sawaikar
13. Shri Ravneet Singh
14. Shri Sushil Kumar Singh
15. Shri Rameshwar Teli

**Rajya Sabha**

16. Shri Pratap Keshari Deb
17. Shri Naresh Gujral
18. Mohd. Ali Khan
19. Shri Shamsher Singh Manhas
20. Shri Ram Vichar Netam
21. Shri A.K. Selvaraj
22. Vacant

SECRETARIAT

1. Smt. Sudesh Luthra - Additional Secretary
2. Smt. Anita B. Panda - Director
3. Shri Haokip Kakai - Senior Executive Assistant

# INTRODUCTION

I, the Chairperson, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Twenty-third Report on Action Taken by the Government on the Observations/Recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (Sixteenth Lok Sabha) on "Housing and Urban Development Corporation (HUDCO)."

2. The Eighteenth Report of the Committee on Public Undertakings (2017-18) was presented to Lok Sabha and laid on the Table of Rajya Sabha on 24 March, 2017. The Action taken Replies to all the 18 recommendations contained in the Report were received from the Ministry of Housing and Urban Affairs 19 December, 2017.

3. The Committee considered and adopted the draft Report at their sitting held on 29 May, 2018.

4. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the Twenty-third Report of the Committee (2017-2018) is given in Appendix II.

**New Delhi**
**30 July , 2018**
**08 Sravana, 1940(S)**

**SHANTA KUMAR**
**Chairperson,**
**Committee on Public Undertakings.**

# CHAPTER I

## DRAFT REPORT

This Report of the Committee on Public Undertakings (2016-17) deals with the action taken by the Government on the Observations/Recommendations contained in their Eighteenth Report (Sixteenth Lok Sabha) on "**Housing and Urban Development Corporation (HUDCO)**", which was presented to Lok Sabha on the 24th March, 2017.

2. The Report contained eighteen Observations/Recommendations. Action Taken notes have been received from the Government in respect of all the eighteenth Observations / Recommendations contained in the Report. These have been categorized as follows:

(i) Observations / Recommendations which have been accepted by the Government (Chapter II)
Sl. Nos. 1, 2, 5, 6, 7, 8, 10, 13, 15, 16, 17 and 18
(Total 12)

(ii) Observations / Recommendations which the Committee do not desire to pursue in view of the Government's replies (Chapter III)
Sl. Nos. 9
(Total 1)

(iii) Observations / Recommendations in respect of which replies of the Government have not been accepted by the Committee and need reiteration (Chapter IV)
Sl. Nos. 3 and 4
(Total 2)

(iv) Observations / Recommendations to which the Government have furnished interim replies. (Chapter V)
Sl. No. 11, 12 and 14
(Total 3)

**3. The Committee desire that the response to their comments in Chapter I of the Report should be furnished to them expeditiously. They further desire that the final replies in respect of the Observations/Recommendations, for which interim replies have been furnished, may be furnished to them expeditiously**.

4. The Committee will now deal with the Action Taken by the Government on some of the Observations/Recommendations in succeeding paragraphs.

**HUDCO Niwas Scheme**

**Recommendation Serial No. 3**

5. The Committee, in their original recommendation in their Eighteenth report had observed as under:

> "As regards HUDCO Niwas, the retail loan scheme for individuals, the Committee note from the Company's statistics that their performance is on a steep slide. From the data given in their website, the number of dwelling units sanctioned under this scheme has come down from 4924 in 2012-13 to a mere 86 in 2015-16. This confirms the Committee's apprehension that getting HUDCO loans under retail segment is not easy. The Ministry's argument that since these loans are considered in municipal areas only, a perception has perhaps developed that HUDCO does not sanction loans so easily to individuals, is not very convincing to the Committee, given the existing scenario of a vast gap between the demand and supply of low cost houses in urban areas and consequent requirement of housing loans. They feel that with a very low number of DUs sanctioned under HUDCO Niwas Scheme, this component does not justify its existence. In the past, during September, 2010 to June, 2011, the HUDCO Niwas loans were discontinued too. Besides, out of a total portfolio of ` 619.53 crore, individual loans amount to a measly sum of ` 140.49 crore only and the rest ` 478.74 crore is for bulk loans given to State Governments/ Para-Statals of State Governments/ PSUs and other housing finance companies. Although the there are some attractive features of the HUDCO Niwas which include no processing fee, interest subsidy @ 6.50% as available under Credit Linked Subsidy Scheme (CLSS) to eligible beneficiaries, as per Govt. of India guidelines, waiver of last 2 instalments (only for fixed rate) and free personal accident insurance cover to borrowe₹ The Committee fail to understand such a low number of beneficiaries even with the certain subsidies / exemptions from fees provided under the scheme. From the aforesaid analysis, it appears that perhaps adequate efforts are not being made to popularize the scheme through various mechanisms. The Committee note that since HUDCO Niwas is operated through 32 Regional / Development offices of the Company, their performance need to be monitored to explore ways and means for popularize the scheme among individual house loan aspirants too. The Committee also desire to know the actual impact of HORSYS (HUDCO Online Retail Finance System), the new software package for retail finance, on the HUDCO Niwas scheme performance during the year 2016-2017 and the number of beneficiaries of HUDCO Niwas separately for rural and urban areas of the Country."

6. The Ministry of Housing and Urban Affairs (Ministry of HUA, earlier known as Ministry of HUPA), in their Action Taken Reply, have submitted as follows:

> "In view of the large number of default cases in far flung areas, the operations of HUDCO Niwas were limited to municipal areas, where

Regional Offices are located. However, in the recent FY 2016-17, the number of units sanctioned increased to 245 and there was also a spurt in the bulk loan operations of HUDCO Niwas and during 2016-17 an amount of ₹732.31 Crore including two Bulk Loans sanctioned to LIC-HFL and TANGEDCO. Further, the HUDCO Niwas operations are limited to 21 Regional Offices and due to the limited reach, the number of sanctions under HUDCO Niwas is not increasing at a faster rate, while the closure of the live accounts is happening at a faster rate. Accordingly, the existing live cases as on 31-03-2017 are 4067 nos. as compared to 4924 numbers in 2012-13.

Considering the special advantageous features of HUDCO Niwas, HUDCO made certain course corrections in the Guidelines and interest rates were matched as per the market trend. However, with the limited branches and the consequent limited reach of HUDCO Niwas and the earlier version of HUDCO Online Retail Finance System (HORSYS) developed in-house was only used with limitations, the operations in 2016-17 increased to ₹32.31 crore though the same was highest in comparison with preceding 3 financial years after re-opening of HUDCO Niwas.

Towards propagation of HUDCO Niwas extensively, all the 21 HUDCO Regional offices are pursuing potential beneficiaries particularly for employees in State Government agencies/PSUs, central CPSEs located in the respective States through communications as well as personal visits/presentations. Special camps are also organised in consultation with such agencies. In addition, HUDCO also propagates HUDCO Niwas loans in respect of projects sanctioned by HUDCO. Towards systematically expanding the HUDCO Niwas portfolio, HUDCO has also decided to undertake feasibility studies in selected states on pilot basis for opening HUDCO Niwas branches in selected cities. The process is in progress for carrying out demand survey in two States namely Andhra Pradesh and Gujarat.

Regarding number of beneficiaries of HUDCO Niwas separately for rural and urban areas of the country, it is stated that as per policy of HUDCO Niwas after re-opening in 2012-13, the Niwas operations are limited to municipal areas, where HUDCO Regional Offices are located and as such all 245 cases sanctioned in FY 2016-17 pertains to urban areas."

**7. Concerned about the low performance of the HUDCO Niwas Scheme, which was a retail loan scheme for individuals in municipal areas only, the Committee had recommended for adequate efforts to popularize the same given the vast gap between demand and supply of low cost houses in urban areas and further desired to know the performance of HUDCO's Regional**

**offices, the operators of the scheme, as well as the actual impact of a new software for retail finance called 'HORSYS' on this scheme. From the action taken replies of the Ministry, the Committee observe that the number of DUs sanctioned under HUDCO Niwas Scheme, has risen from 86 in Financial Year 2015-16 to 245 in Financial Year 2016-17 and the total live cases as on 31.3.17 are 4067, and there is a spurt in 'bulk' loan with an amount of ₹732.31 crore during 2016-17. The Committee have also been furnished with the manner in which HUDCO's 21 Regional offices pursue the scheme with potential beneficiaries as well as HUDCO's decision to conduct two pilot feasibility studies in Andhra Pradesh and Gujarat. At the same time, the Ministry have informed about limited reach of regional offices of HUDCO as well as usage of HORSYS software with limitations, thus implying constraints in operation of HUDCO Niwas Scheme. From the reply, the Committee are hardly impressed about the extremely low reach of the scheme under which mere 245 DUs were sanctioned in 2016-17. The spurt shown in loan amount is also 'bulk loan' and not 'individual' loan, which again reiterates the Committee's apprehension that the scheme is perhaps not performing well in providing retail loans for individuals. Unfortunately the performance of HUDCO's regional offices as well as its newly developed software on the scheme has also remained low, which according to the Ministry themselves, have suffered from limitations. The Committee feel that the efforts of HUDCO to conduct two pilot feasibility studies are in the right spirit and recommend that these should be carried out expeditiously in a time-bound manner under a specified action plan so that the Ministry could take a call on the continuation of the scheme, based on results of these studies.**

**Occupancy of the Houses Constructed With HUDCO Loans**

**Recommendation Serial No. 4**

8. The Committee in their Eighteenth Report had recommended the following with regard to occupancy of Houses:-

> "The Committee are perturbed to find that many beneficiaries do not occupy housing units constructed with the loan given by HUDCO under three schemes of JNNURM, BSUP and IHSDP and feel that it is a worrisome issue which needs to be addressed. As admitted by the Secretary HUPA during the course of oral evidence, 25% of houses under these schemes still remain unoccupied and the major States, which have the problem of unoccupancy are Uttar Pradesh, Bihar, Delhi and Madhya Pradesh. However, on the Committee's specific query relating to details of unoccupancy of the houses, HUDCO has tried to skirt the issue by stating that details relating to occupancy of the houses are available only with the State Governments and the Company's role is limited to providing just the loan assistance.
>
> The Committee feel that the stance taken by HUDCO to remain unconcerned about large unoccupancy of the houses, particularly when the magnitude of housing shortage in the Country is huge, is unwarranted and defeats the purpose of HUDCO's mandate for social housing. They, therefore, opine that the Company need to be aware of the position regarding unoccupancy of

houses constructed with HUDCO loan and analyze its possible reasons and accordingly frame a strategy with the loan availing agencies to ensure that the beneficiaries for whom houses are constructed, occupy the houses so as to realise the laudable objective of addressing housing shortage in the Country through these schemes. The Committee desire to be apprised of action taken in this regard by the Company".

9. The Ministry of Housing and Urban Affairs, in their action taken reply, have stated as follows:-

"It has been reported that 25% of houses under these schemes still remain unoccupied and the major States, which have the problem of unoccupancy are Uttar Pradesh, Bihar, Delhi and Madhya Pradesh. It is felt that this may cover the status of all the projects taken up under BSUP and IHSDP components of JNNURM programme of Government of India. As part of the BSUP and IHSDP components of the JNNURM programme, the States/ULBs had availed part project cost as loan from HUDCO, to meet the share of the States/ULBs in the total project cost. Of this major programme, loan assistance has been availed from HUDCO for about 40 schemes throughout the country. Further, no loans have been availed from HUDCO for these schemes by the States of Uttar Pradesh, Bihar and Delhi. In respect of Madhya Pradesh, the details collected through the HUDCO Regional Office at Bhopal on the status of occupancy in the BSUP & IHSDP schemes where HUDCO loan was availed, the position is 98.82% and 95.68% respectively of the allotted houses. The reason for non-occupancy has been reported as non-payment of beneficiary share".

**10. With regard to occupancy of dwelling/housing units constructed with loan assistance given by HUDCO, the Committee in their earlier report had noted with concern that about 25% of the housing units constructed with the loan given by HUDCO under three schemes of JNNURM, BSUP and IHSDP remain unoccupied. The Committee had opined that the stance taken by HUDCO to remain unconcerned about large unoccupancy of the Houses, as their role was limited to providing just the loan assistance, was unwarranted and defeated the purpose of HUDCO's mandate for social housing. Hence the Committee had desired that the company needs to be aware of the position regarding unoccupancy of houses constructed with HUDCO loan and its possible reasons as well as proceed further with appropriate strategy. The Committee find the reply furnished to them vague as while on the one hand it is stated that under BSUP & IHSDP, loan assistance has been availed by HUDCO for about 40 schemes throughout the country, albeit not by UP, Bihar and Delhi Governments, yet, on the other, the occupancy position only in M.P. has been furnished as 98.82% under BSUP and 95.68% under IHSDP. The reply does not clarify the position regarding other States apart from M.P., where 40 schemes are operating with HUDCO loans. The Committee have further been informed that the reported 25% houses remaining unoccupied 'may' cover the status of all projects under BSUP and IHSDP. In this**

**connection, the Committee feel that while HUDCO themselves made an effort to report occupancy position in M.P. through their Bhopal Regional Office, the Ministry of HUPA, being the nodal Ministry on Housing Schemes of BSUP AND IHSDP, should have ensured to collect occupancy details in other States where loan assistance under 40 housing schemes has been availed as problem of unoccupancy is present in nearly all States, even if U.P., Bihar and Delhi are not considered as they reportedly did not avail loan from HUDCO. The Committee hence desire to be given a clear position at the action taken statement stage, more so in the light of the fact that the Ministry, in action taken reply to the next recommendation no. 5 of the original report, have stated that all the HUDCO Regional Offices have been advised to consider the status of occupancy in the earlier sanctioned schemes, while examining future proposals received by them. In a nutshell, the Committee would like to reiterate that the problem of non-occupancy of 25 per cent of the units constructed with HUDCO loans needs to be addressed very seriously now by the Ministry. They recommend that first of all, the Ministry may ascertain the reasons for low occupancy of the housing units which may include infrastructural issues. The Committee further recommend that once all occupancy details are obtained and analysed, the Ministry may revisit their policy in this regard to explore the measures and taking initiatives thereto so as to have cent per cent occupancy of the housing units and apprise the Committee accordingly along with latest state wise occupancy details at the action taken statement stage..**

**Issues Concerning Tax Exemptions to HUDCO**

**Recommendation Serial No. 11**

11. The Committee, in their Eighteenth Report, had recommended the following with regard to Issues concerning exemptions/support to HUDCO:-

> "As on March 31st 2016, HUDCO had total outstanding borrowings of ₹ 25,608.95 crore, out of which ₹ 19,945.16 crore (77.89%) was secured and ₹ 5,663.79 crore (22.11%) unsecured. In this regard, the Committee have been informed that HUDCO is adequately positioned to meet its debt obligations timely. At the same time, the Company has submitted that in order to strengthen their efforts in assisting various social housing and core infrastructure projects requiring long term finance at competitive terms, it is important that they are supported with alternative instruments (viz capital gain bonds) through which their requirement of low cost funds could be met. The Committee note that as the concessions, which were previously available to the Company viz. income tax exemption, exemption from payment of dividend, equity support from Government of India etc. have been withdrawn, presently the Company meets its fund requirements from open market, banks and financial institutions at market determined rules.

The Committee are of the view that HUDCO, as 100% Government owned Company, was set up primarily for lending to the social housing sector and core urban infrastructure sector in the Country. The exemptions and budgetary support have been withdrawn by the Government since it is a profit making Company and thus can sustain by internally generating its own resources. The Committee also note that in the year 2015-2016, HUDCO has mobilized a substantial amount of ₹10,250 crore through tax free bonds and Commercial Paper. The Company has, during evidence, also replied in affirmative when asked about their capability to repay their borrowings. The Committee nonetheless are of the opinion that if the PSUs are to survive in the current economic scenario, they must depend on their own resources to meet their fund requirements, particularly when they are earning profits and have a positive networth. In this backdrop, the Committee would like to know whether the administrative Ministry (Ministry of Housing and Urban Poverty Alleviation) have examined the possibility of pleading HUDCO's case for tax exemptions before the appropriate authority and if so, the results thereof, so as to enable the Committee to comment further in this regard".

12. The Ministry of Housing and Urban Affairs, in their Action Taken reply, have given details as follows:-

"A proposal was submitted by HUDCO for permitting HUDCO to issue Capital Gain Bonds under section 54EC of the Income Tax Act. This proposal for notifying it as an eligible entity for issuance of Capital Gain bonds had been favourably recommended by the then Ministry of HUPA (now MoHUA) for incorporating the same in the Pre-budget memorandum for Fiscal 2015. The issue has been taken up again by HUDCO (on 12.07.2017) with MoHUA requesting that the proposal for notifying HUDCO as an eligible entity for issuance of Capital Gain bonds may be favourably recommended to Ministry of Finance.

Brief Note is put up for information.

Sub: HUDCO-Permission for issue of Capital Gain bonds (u/s 54EC of the I.T. Act)

Section 54 EC of the Income Tax Act, provides that the capital gain arising from transfer of long term capital asset (viz. residential properties) shall be exempt, if the amount of such gain is invested in capital gain bonds within 6 months from the date of transfer of such capital assets.

The said section (i.e. 54EC) was inserted in the Income Tax Act w.e.f. 1st April, 2001 vide which investment made in Capital Gain Bonds issued by NABARD (excluded w.e.f. 1st April, 2006) and National Highway Authority of India (NHAI) qualified for exemption from capital gains tax. Subsequently, since rural electrification, including electrification of villages was a matter of priority for the Government, section 54EC was amended w.e.f. 1st April, 2002 to include the name of Rural Electrification Corporation (REC) for the purpose of this section. Pursuant to notification under the above referred section of the Income Tax Act, both NHAI and REC continue to raise substantial long term funds at subsidized interest rates, every year. Under the said allocation, both NHAI and REC raised around ₹5,000 crore each at an interest rate of 5.25-6.00% p.a. during FY 2016-17, which was substantially lower than interest rates prevailing in the market for any other debt instruments.

Further to the above, with an objective to widen the scope of the section, the provisions of the section have been amended recently so as to provide that investment in any bond redeemable after three years, which has been notified by the Central Government, shall also be eligible for exemption. In accordance with the said amendment, Ministry of Finance vide its notification dated 8th June, 2017, has included bonds redeemable after three years and issued on or after 15th June, 2017 by Power Finance Corporation (PFC) within the purview of Section 54EC.

In view of the above referred amendment, the grounds for HUDCO seeking 54EC Capital Gain bonds, are being submitted as under:

1. Housing and Urban Development Corporation Limited (HUDCO) is a Public Financial Institution owned by Government of India and is under administrative control of Ministry of Housing and Urban Affairs (MoHUA). Its mandate is to provide financial and technical assistance to housing and urban infrastructure sectors, with a significant focus on weaker section housing, infrastructure and disaster mitigation.

2. In achieving the objective of 'Housing for All by 2022', HUDCO is expected to play a major role by providing housing for EWS/LIG categories at affordable prices. Accordingly, notifying HUDCO as an entity permitted to issue 54EC Bonds will help us to raise funds at reasonable cost to lend for "Housing for All by 2022" and '100 smart cities', the flagship programmes of Govt. of India.

3. Further, out of loan disbursements of ₹9,095 crore made by HUDCO during the financial year (FY) 2016-17, an amount of ₹1,847 crore has been disbursed for social housing projects (i.e. EWS/LIG Housing), within HUDCO's lending rates are less than its overall cost. During FY 2016-17, HUDCO has also sanctioned loan amount of ₹3,365 crore for various social housing projects. In this regard, it would be imperative to highlight that HUDCO is perhaps the only financial institution which is supporting such projects across the country. In addition, the Corporate Plan 2020 also envisages increased focus on lending for Urban Infrastructure projects (viz. water supply, sewerage, drainage, solid waste management, roads, social infrastructure, etc.) and social housing projects. Keeping in view the projected levels of lending for Social Housing and Infrastructure projects, it is necessary

that HUDCO is supported with avenues/instruments (viz. Capital gain bonds) through which its requirement of low-cost funds can be met on a continuous basis.

4. HUDCO's request for permitting it to issue Capital Gain bonds merit favourable consideration on the following grounds also:

a) Most of the capital gain is arising from the housing and infrastructure sector. Considering HUDCO's role in this sector, it is important that HUDCO is also notified as one of the entities permitted to raise resources through Capital-gain bonds so that these funds are utilized for improvement of housing and infrastructure facilities.

b) Considering, the overall housing shortage in EWS and low income groups (LIG), it is important that HUDCO is supported with low cost funds (through instruments viz. Capital gain bonds) in order to enable it to cater to the financing needs of this sector at lower lending rates.

c) Owing to HUDCO's lending for social housing sector where the lending rates are below its 'reference rate', its gross incremental spread has been declining. All this, if not supported with low cost funds of longer tenure, would affect HUDCO's sustainability considerably in the near future.

d) Over the years, HUDCO has disseminated its resource raising ability/capacity to raise funds from the market. Owing to its contribution over the years, HUDCO is now a well- known CPSE amongst retail investors, which are largely the target investor group for Capital-gain bonds. Over last three years, HUDCO has received maximum response from retail investors in its tax-free bonds, amongst all other entities permitted to raise tax-free bonds.

With this background, it is requested that HUDCO may also be notified as one of the eligible Institutions, which are permitted to issue Capital gain bonds under section 54EC of the Income tax Act. This would enable HUDCO in supporting housing for economically weaker sections at lower cost. As this would be required to be notified, it is requested that the above proposal may be favourable recommended to Department of_Revenue in Ministry of Finance".

**13. Subsequent to the observation of the Committee on examining the possibility of pleading HUDCO's case for tax exemptions before the appropriate authority by their administrative Ministry, i.e. Ministry of Housing and Urban Affairs, the Committee note that a proposal was submitted by HUDCO in 2015 and again in July, 2017 for permission to issue Capital Gain Bonds under Section 54EC of the Income Tax Act. The same has reportedly**

**been favourably recommended and forwarded by the Ministry to the Department of Revenue, Ministry of Finance. The Committee desire to be apprised of the response of Department of Revenue on the same.**

14. While submitting their Action Taken Replies, the Ministry of HUA has suggested two minor corrections in recommendation No. 1 of the Committee's 18th Report on HUDCO which is as under:

> In the fifth line from above in the said recommendation after the word 'housing', the following may be added – 'and urban infrastructure'.
>
> In the twelfth line from below in the said recommendation 'and AMRUT' to be deleted.

The Committee noted that the Ministry has suggested minor corrections so as to factually correct the position and as such agreed to the said suggestion.

# CHAPTER II

## OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

### Recommendation (Sl.No.1)

**Performance**

The Committee note that HUDCO, a Government of India undertaking, as a lending institution in its long journey of 46 years, has been striving to fulfill its mandate to finance/undertake housing and urban infrastructure project of providing houses throughout the Country. From the information made available, they observe that in order to support 17,011 housing projects sanctioned since inception till 31 March, 2016, HUDCO has sanctioned a loan amount of ₹ 1,61,871 crore, out of which ₹ 1,09,438 crore could be released. In urban infrastructure development sector, HUDCO sanctioned a total loan amount of ` 94,422 crore for 2149 schemes extending to 1900 towns and thousands of villages.

So far as the financial performance of the Company as a commercial entity is concerned, HUDCO has been conferred the 'Mini Ratna' category-I status in the financial services sector. The Committee appreciate that HUDCO, as a Company, has always achieved beyond its MoU targets. For example, in the years 2011-2012, 2012-2013, 2013-2014, 2014-2015 and 2015-16, the achievement was 102%, 109%, 117%, 131% and 180% respectively. In respect of urban infrastructure also, during the same years, achievement of the Company was 119%, 110%, 105%, 105% and 106% respectively.

The Committee note that given the advantageous positioning of HUDCO in the field of financial assistance of housing and infrastructure as well as project consultancy, the Company has been accorded the responsibility of being one of the nodal agencies for housing and urban revival schemes like Pradhan Mantri Awas Yojna and AMRUT. Under the newly launched scheme of developing 100 'smart cities' too, a huge opportunity awaits HUDCO to prove itself as a leading lender for urban infrastructure projects. In addition, during the current fiscal, affordable housing is to be given infrastructure status as a fiscal incentive to increase flow of funds to the housing sector, on which the Ministry of HUPA has statedly sent a proposal to the Ministry of Finance. The Committee take note that this proposal has been included in the Budget 2017-18 and are of the view that once operationalized, it would help HUDCO and also more attention would be given to affordable housing thereby helping the lower income group. They desire to be apprised of the latest status on the matter, apart from the targets and performance of HUDCO in the on-going schemes at the action taken stage. Their specific observations / recommendations are given in the succeeding paragraphs.

### Reply of the Government

The status of declaration of infrastructure status for affordable housing is as follows:

Subsequent to the announcement in the Union Budget of 2017-18 that 'affordable housing will be given infrastructure status, which will enable these projects to avail the associated benefits', the same has been notified by the Ministry of Finance, Department of Economic Affairs (Infrastructure Section) through a Gazette of India notification dated 5th April, 2017 providing that the affordable housing has been added in the updated harmonised master list of infrastructure sub-sectors. The affordable housing has been included as a new sub-sector under the category of 'social and commercial infrastructure' where by affordable housing is defined as a housing project using atleast 50% of the floor-area ratio/floor space index for dwelling units with carpet area @ of not more than 60 sq mts.

In regard to impact on HUDCO, it is submitted that during the year 2017-18, till 22nd August, 2017 HUDCO has already sanctioned a total loan assistance of Rs 5367 crore has been for housing sector, for facilitating housing for over 8.25 lakh households. A substantial part of this covers affordable housing segment as part of the Pradhan Mantri Awas Yojana (urban and Gramin). The major projects sanctioned under housing include:

i) A loan amount of ₹ 1000 crore for meeting the State Government share for supporting 1 lakh EWS houses in various urban areas of Uttar Pradesh, under the Pradhan Mantri Awas Yojana (Urban) programme as part of the Affordable Housing under Partnership component. This scheme will be implemented by the Uttar Pradesh Housing Development Board (UPHDB).

ii) A loan amount of ₹ 3000 crore for meeting the State Government share for supporting 6.25 lakh EWS - SC/ST/OBC households in the rural areas of Uttar Pradesh, under the Pradhan Mantri Awas Yojana (Gramin) programme, under which the beneficiaries availing the funds would construct the houses on their own. This scheme shall be implemented by the UP Rural Housing Board (UPRHB).

iii) The Government of Uttar Pradesh has also been sanctioned a loan assistance of ₹ 1000 crore for taking up 1 lakh EWS houses under Pradhan Mantri Awas Yojana (Urban) programme as part of the Beneficiary led Construction component, under which the beneficiaries would receive the grant and construct the houses on their own. This scheme is being implemented by the Uttar Pradesh State Urban Development Agency (SUDA).

iv) Construction of 102 staff housing units by Power Transmission Corporation of Uttarakhand at Dehradun with a HUDCO loan assistance of ₹ 63.60 crore.

v) Resettlement and rehabilitation of Heavy Engineering Corporation (HEC) displaced 400 families at Ranchi with a HUDCO loan assistance of ₹. 216 crore.

vi) Construction of 333 housing units by Chakma Autonomous District Council, Mizoram with a HUDCO loan assistance of ₹ 20 crore.

Further, as part of the Credit Linked Subsidy Scheme (CLSS) Component of PMAY (Urban), HUDCO is one of the designated Central Nodal agency (CNA) for disbursing the subsidy. Till March 2017, HUDCO has signed 53 MoUs for EWS/LIG, and 22 MoUs for MIG category with Primary Lending Institutions (PLIs) viz Banks. A total of ₹ 11.66 crore of subsidy has been disbursed to 759 beneficiaries for EWS/LIG category. In fact, continuing the emphasis, till 21st August, 2017, HUDCO, as a CNA has signed MoUs with 108 PLIs (of which 62 for EWS/LIG and 46 for MIG category) and HUDCO is making all out efforts for increased level of disbursement of subsidy for a larger number of beneficiaries under the CLSS programme.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.2)**

**Performance in EWS/ LIG Housing Segment**

HUDCO, as a major contributor in the housing sector, has given significant emphasis to housing for the under privileged sections of society i.e. rural population and for Economically Weaker Section (EWS) and Low Income Group (LIG) households. The Committee were informed that HUDCO has been extending substantial emphasis on housing for weaker sections, particularly in rural areas, as out of the total 1,62,44,447 units sanctioned by HUDCO till January, 2016, a total of 102,06,978 units (62.83%) are meant for rural areas. The types of schemes financed by HUDCO in rural areas include EWS rural housing schemes for the landless and EWS rural housing schemes for the land owning category Village abadi schemes including repairs.

The Committee note that during the years 2010-11, 2011-12, 2012- 13, 2013-14, 2014-15 and 2015-16 the number of units sanctioned were 276319, 407206, 425295, 1411962, 472765 and 457123. The amount of loan sanctioned during these years was ` 2149.16 crore, ` 2284.10 crore, ` 2952.43 crore, ` 6267.00 crore, ` 3977.22 crore and ` 17249.81 crore for each year respectively. However, as the actual amount released during these years was ` 339 crore, ` 1096 crore, ` 930.88 crore, ` 2109.79 crore, ` 2663.64 crore and ` 2519 crore respectively, the Committee find that though the amount of loan sanctioned has been substantial, the quantum of amount actually released has remained quite less. The situation was particularly so during 2013-14 and 2015-16 when despite the sanctioned amount of ` 6267 crore for 1411962 units and ₹ 17249.81 crore for 457123 units respectively the actual amounts released were only ₹ 2109.79 crore and ₹ 2519 crore. While taking note of the long gestation period for housing projects which may slow down the pace of releasing funds, the Committee find a very large gap between sanctioned and released funds unsatisfactory. The Company have submitted that non-fulfilment of pre-disbursal conditions by the agencies as well as non-completion of documentation process as per HUDCO's requirements are the main reasons for delay in release of funds. The Committee agree that some of these reasons could be beyond the control of HUDCO yet they feel that long gaps in release of funds for EWS/ LIG category houses may have grave impact on the overall progress in providing houses for this under-privileged section of society. The Committee hence recommend that as the Company's motto is 'Profitability with Social Justice', they should not treat it as a systematic restraint, and instead should take steps to minimize delay by providing handholding to implementing agencies, with respect to documentation or other pre-disbursal requirements, if needed, and evolve an effective mechanism to improve their operational performance in EWS/ LIG housing.

The Committee observe from the data furnished by HUDCO that not only the amount released in respective years is lesser than the amount sanctioned; the amount sanctioned does not correspond to the number of units sanctioned in these years. For example, whereas during the year 2011-2012 the number of units sanctioned has increased from 276319 units to 407206 units, quantum of amount sanctioned has just slightly increased from ₹ 2149.16 crore to ₹ 2284.10 crore. Similar is the position in the following years. From the aforesaid scenario the Committee infer that the actual relief given to rural poor by way of grant of loan by HUDCO may not correspond to the data of targets fixed in various years. While expressing concern over the aforesaid scenario, the Committee would like the Ministry/ HUDCO to clarify the position in this regard.

**Reply of the Government**

In regard to the gap between the sanctioned amount and released amount being large, and the need to take steps to minimize delay by providing handholding to implementing agencies, with respect to documentation or other pre-disbursal requirements, if needed, and evolving an effective mechanism to improve their operational performance in EWS/ LIG housing, the following reply is submitted:

The Committee has kindly noted that some of the reasons for delay in release of funds could be beyond the control of HUDCO. Towards providing a hand holding to facilitate completion of documentation requirements (such as getting State Government guarantee/mortgage as security where ever needed, signing of agreement, compliance of pre-disbursal conditions as applicable, etc), HUDCO has a facilitatory mechanism already by which the initial four months' time for completion of the documentation is extended case to case basis, depending on the requirement. Immediately after sanction of projects, HUDCO continues to pursue the agencies for early documentation of the sanctioned schemes and to provide the essential requirements such as the security / guarantee for the borrowing, essential documents / compliances which are pre-documentation and pre-disbursal requirements towards facilitating early drawl of funds from HUDCO. The various documents such as loan agreements, guarantee etc are already available in a standardised format and HUDCO Regional Offices hold frequent discussions with the borrowing agencies for facilitating completion of documentation requirements. The status of documentation is monitored closely at Corporate office level, and the Regional Offices are advised for providing support for early documentation and disbursal of loans to borrowing agencies. Further, HUDCO disburses funds linked to various stages of progress of the project. The progress is verified by HUDCO through periodical site inspections which cover both physical and financial progress. HUDCO provides appropriate suggestions for the expediting the progress and availing next installment of funds.

As suggested by the Hon'ble Committee, HUDCO would continue to pursue the agencies by providing all facilitatory support for early completion of documentation and also expediting progress of implementation so as to avail next installment of loan assistance.

In regard to the query on the loan amount sanctioned not corresponding to the number of units sanctioned in various years, the following clarification is submitted:

HUDCO's offer of loans is demand based. HUDCO offers loans to EWS and LIG category beneficiaries both in urban and rural areas. It is clarified that

i) The loan amount requested by the borrowing agencies for each unit in urban or rural area varies. Often, the unit cost in the rural areas may be lower and accordingly, the requirement of loan also varies and may be lesser for each unit in rural areas.
ii) Many times, the housing projects are implemented with grants / subsidy provided by the State or Central Government, and the balance amount is taken as loan from HUDCO. The loans are taken by the borrowing agencies, often to meet the balance requirement of unit cost beyond the State or Central grant offered. Thus, the loan sanctioned for each unit under various projects would differ.

HUDCO offers loan assistance for each unit up to a specified loan amount. For instance, the EWS housing unit is offered loan assistance of up to Rs 3.5 lakh and for LIG unit up to Rs 7 lakh. However, the actual requirement of loan for each unit may vary depending on factors such as availability of subsidy/grant from central Government/State Government/Local body/other sources. Thus, for the same number of units sanctioned by HUDCO, the total loan amount required may vary. As the unit loan is not uniform under all projects and by all States / borrowing institutions, and during various years, the number of units and loan amounts would not be proportional every year.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.5)**

**Monitoring of evaluation of the projects**

The Committee have been informed about the process through which HUDCO analyzes the projects submitted to them by means of a three tier multi dimensional appraisal method that includes mission team consisting of senior officers at the regional office level from project, finance and law cadres, for establishing technical feasibility, financial viability and legal eligibility of the project. The project is again said to be apprised at Head Office level and finally by the Project Appraisal Committee which consists of functional directors of HUDCO. The Committee further note that in November, 2016 HUDCO has implemented an internal credit rating of the agencies/proposals submitted to them. Besides, in order to further strengthen lending, HUDCO has also introduced additional risk matrix to already existing appraisal methods. HUDCO has also informed about using methods like internal rate of returns and a variety of indicators for assessing the viability of projects received for funding. Nonetheless, during their examination, the Committee had came across the fact that the NPA of the Company in housing business is quite high i.e. 6.68 percent. They also note that the C&AG in his Report No. 14 of 2016 have also made observations regarding higher NPA in HUDCO due to deficiencies in their appraisal mechanism, system of disbursement, monitoring etc. during the period 2010-11 to 2014-15. Further, non-occupancy of the houses, on which data is available neither with the Ministry of HUPA nor with the HUDCO, also counters the Company's claim that projects are well appraised. The fact that on one hand a large number of houses are lying vacant while, on the other, EWS/LIG persons are in dire need of low cost houses is a matter of utter disappointment. The Committee also feel that unless the assets created through HUDCO loan are gainfully utilized by the beneficiaries, the repayment capacity of the agency/body availing HUDCO loans to build those assets could be severely compromised, thus contributing to the burden of NPAs on HUDCO further. The Committee, therefore, recommend that while evaluating the project proposals of loan taking agencies, the Company need to minutely scrutinize the projects so that issues like non-occupancy of houses and loan turning into NPAs do not arise once loan is sanctioned to the agencies. At the same time, while appreciating the newly introduced internal credit rating of the agency/proposals and additional risk matrix to the existing appraisal methods of the Company, the Committee would like to be apprised of the impact of these measures on the physical performance of HUDCO, at the action taken stage.

In this context, the Committee would like to recall the recommendation contained in the Report of the Working Group on construction sector (Institutional Financing working) for the 12th Five Year Plan, (December 2011) about the concept of employing a 'lender's engineer' specialising in venture management to deal with the financial aspects and risk assessment to oversee the operations to protect the interests of lenders. The Committee note that the recommendation of the Working Group merits consideration and would like the Ministry to consider the same and apprise about the action taken accordingly.

**Reply of the Government**

In regard to the recommendation on the need to minutely scrutinize the projects so that issues like non occupancy of houses and loan turning into NPAs do not arise once loan is sanctioned to agencies, the following is submitted:

"The agencies approaching HUDCO and the projects posed for loan are evaluated and apprised from multiple angles of legal eligibility as well as technical and financial viability. Further, the risks associated with the projects in terms of demand risk, implementation risk and repayment risk are also studied. Further, all the HUDCO Regional Offices wherein the receipt of projects and basic appraisal are done, have been advised that while examining the proposal for housing projects, the status of occupancy in the earlier sanctioned schemes to the agency/schemes taken up by the agency on its own and how the current scheme is expected to fully occupied are also to be considered."

In regard to the impact of the newly introduced internal credit rating of the agency/proposals and additional risk matrix to the existing appraisal methods of the Company, the following is submitted:

Every project considered is being evaluated through the Internal Credit Risk Rating and the risk matrix. This internal credit risk rating analysis of projects help in comprehensively grading the projects based on a number of aspects including the nature of project, nature of security offered, the repayment mode/method, past history of the agency, etc., and finally obtains a overall grading for the project. The Risk Matrix contains a brief list of major risks which are generally involved in a project and the possible key measures which should be taken for risk mitigation. The effectiveness of the new system would emerge over a period when the repayments start in these schemes after their initial implementation period of two to three years."

In regard to the feasibility of the concept of a 'lender's engineer' specialising in venture management to deal with the financial aspects and risk assessment to oversee the operations to protect the interests of lenders as recommended in the Report of the Working Group on Construction sector (Institutional Financing working) for the 12th Five Year Plan (December, 2011), the following is submitted:

"HUDCO already has part of its standard terms and conditions that 'HUDCO reserves the right to appoint lenders auditors and lenders engineers during implementation period and till the repayment of entire outstanding loan amount and all the expenses to be borne by the borrowing agency'. Thus, the concept is already in operation in HUDCO, and depending on the nature and complexity, the concept already implemented in HUDCO."

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.6)**

**Loan assistance to local bodies**

The Committee note that HUDCO has sanctioned loan assistance amounting to ₹ 3949 Crore to 31 Zila Parishads in the State of Rajasthan out of which ₹ 3173.86 crore has been disbursed. Said amount was stated to be refinanced by NHB. In this regard, the Committee were informed that HUDCO has entered into an agreement with various Zila Parishads in the State of Rajasthan to provide loans for construction of 2.80 lakh dwelling units for the BPL/ EWS category under the 'Chief Minister's Rural BPL Housing Programme'. HUDCO has also stated that the repayment of loan to HUDCO is secured by way of Government Guarantee as the beneficiaries are getting the money in the form of a grant from the Government of Rajasthan.

The Committee were further informed that in case the dues of State government agency / urban local body which is backed by Government guarantee are more that 90 days (i.e. over dues for more than 90 days), the agency is categorized as NPA as per NHB directions. While noting that Zila Parishads may not be accustomed to undertake construction of group housing the Committee recommend that the Company should hold review meetings with the concerned Zila Parishads on a regular basis to monitor the progress. The Committee would like to be apprised of the progress of work done so far by the Zila Parishads in State of Rajasthan along with number of beneficiaries and dwelling units constructed through HUDCO loan assistance at action taken stage.

**Reply of the Government**

The status in respect of the loan assistance to Zila Parishads for weaker sections in the State of Rajasthan (under Mukhyamantri Gramin BPL Awas Yojana) is as follows:

The Rajasthan State Govt. had implemented the State wide programme "Mukyamantri Gramin BPL Awas Yojana" for providing houses to the BPL families. As per the assessment for the period ending 01.09.2017, the Rajasthan State Government through Zila Parishads availed HUDCO loan assistance of about Rs. 3595 crore for providing houses to BPL households under the Mukhyamantri Gramin BPL Awas Yojana in three phases i.e. financial years 2011-12, 2012-13 & 2013-14. Under the scheme, financial assistance in the form of subsidy amounting to ₹ 45,000 to ₹ 70,000/- was provided to eligible BPL families belonging to SC / ST / OBC & Others under beneficiary led construction.

The details of HUDCO's loan sanctioned in 3 (three) phases as on 1st September 2017 are given below:-

(₹ in crore)

| F.Y. | No. of Zila Parishad | No. of DUs | Total Project Cost | Curtailed Loan Amount | Total Loan Amt. released |
|---|---|---|---|---|---|
| 2011-12 | 31 | 274729 | 1959 | 1298.43 | 1296.35 |
| 2012-13 | 26 | 199459 | 1398 | 949.58 | 943.16 |
| 2013-14 | 23 | 193352 | 1761 | 1343.55 | 1328.75 |
| | **Total** | **667540** | **5118** | **3591.56** | **3568.26** |

As per above, HUDCO had sanctioned the loan amount of Rs. 3592 crore to 31 Zila Parishad in the State of Rajasthan. Out of which Rs. 3568.26 crore has been disbursed. HUDCO has sanctioned these schemes to various Zila Parishad to provide loan assistance for construction of approx. 6.68 lakh dwelling units for the BPL category under this scheme. The loan was secured by Government Guarantee and the repayment of Loan to HUDCO is through respective Zila Parishad from the fund specifically allocated to them by the State Government.

In regard to the monitoring, the following are indicated:

1) The scheme consists of construction of individual housing unit by the beneficiary themselves.
2) The loan amount is released in instalments linked to progress of each of the houses. The amount for each house is distributed to beneficiary in 3 instalments (1st instalment of 50% amount; 2nd instalment of 40% amount and 3rd instalment of 10% amount).
3) The scheme is being reviewed regularly by Rural Development Department, Govt. of Rajasthan through meetings, video conference, where HUDCO officials always participate.
4) The progress of the scheme is also available on the webpage of the scheme.

The scheme is nearing the completion stage. It may be noted that a total loan amount of Rs 3568.26 crore has already been drawn against the final loan amount of Rs. 3591.56 crore (99.35%). It is further submitted that all the Zila Parishads are timely repaying HUDCO loan.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.7)**

**Financial Performance**

The Committee are happy to note that HUDCO, which started with ₹ 2 crore equity base in the year 1970 has, at present, an authorized capital base of ₹ 2500 crore along with equity paid-up capital of ₹2001.90 crore and net worth of ₹ 8317.25 crore. With regard to financial performance of the Company, HUDCO has shown a consistent trend of earning profits since 2010-2011. The Company's profit in the year 2011- 12, 2012-13, 2013-14, 2014-15 and 2015-16 remains as ₹ 630.33 crore, ₹700.56 crore, ₹ 726.34 crore, ₹ 777.63 crore and ₹783.79 crore respectively. The gross income of the Company stood at ₹ 3,302.20 crore in the year 2015-16. The Committee also note that the Company's net profit to total revenue percentage was 22.69% and 23.70% in the year 2014-15 and 2015-16 respectively and that their profit, over last 5 years, has increased at a Compounded Annual Growth Rate (CAGR) of around 7.30%. In view of the above, the Committee appreciate that the Company has been showing consistently good financial progress. As HUDCO is the only PSU with the mandate for social housing, they expect that the Company will continue to endeavor to utilize their financial strength for social good and contribute to realize the vision to provide 'Housing for all' by the year 2022.

**Reply of the Government**

One of the main objects of the Corporation is to provide long term finance for construction of houses for residential purposes or finance or undertake housing and urban development programmes in the country.

The Corporate vision is to be a leading Techno-Financial Institution Promoting sustainable habitat development for transforming lives of people and the Corporate mission is to promote sustainable habitat development to enhance the quality of life.

HUDCO all throughout has been able to maintain its motto of 'profitability with social justice'. The Corporate Plan 2020 document has given more emphasis to social housing and had set goal of realizing a share of 20-25% of its entire operations for social housing by year 2014 while the organisation in working for achieving the ratio of sanctions and releases in urban infrastructure and housing to an equal ratio of 50:50.

HUDCO through Human Settlement Management Institute is assisting technical support to the Ministry / Government and helping them in capacity building throughout the nation for realisation of the vision of providing 'Housing for all' by the year 2022. HUDCO has created separate cell named 'HFA' to carry out the appraisal of the assigned projects. HUDCO through network of its Regional Offices is extending gap funding to state public agencies executing the priority action plan of PMAY (Pradhan Mantri Awas Yojana) which is also a traditional funding area. HUDCO is a Central Nodal Agency (CNA) for Credit Link Subsidy Scheme (CLSS) and is even involved in directly individual lending through HUDCO Niwas.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.8)**

**HUDCO & NHB**

The Committee note that HUDCO is registered with National Housing Bank (NHB). NHB, apart from being its regulator, also has refinanced HUDCO for providing housing loan to different agencies. The Committee also note that in total portfolio of HUDCO business, 29% finance is extended for housing sector and 71% for non housing sector, During their evidence, NHB informed the Committee that housing Companies need to put 75% of their Capital in housing sector. However, since HUDCO's mandate includes urban infrastructure too along with social housing, NHB cannot force HUDCO to bring 75% of their Capital employed in the housing sector alone. Further HUDCO through its Corporate Plan 2020 has also assured that Company's housing finance business will be 50% by 2019-20. The Committee have also been informed that HUDCO's housing loans to total loans has increased from 24% as on 31.3.2013 to 29% as on 31.03.2015 and 36% in 2015-16. While appreciating the progress made towards increasing housing finance percentage in the total portfolio of HUDCO, the Committee desire that Company should continue their efforts to invest at least 50% of their capital in housing finance as per the target set in their Corporate Plan 2020 thus justifying its mandate. Moreover, more and more thrust on social housing by HUDCO would be a substantial contribution towards EWS/ LIG sections of society particularly when providing affordable housing to low income group is exclusively undertaken by HUDCO. The Committee would like to be informed of the status in this regard at action taken stage by the Company.

**Reply of the Government**

In regard to more and more thrust on social housing by HUDCO, the following is submitted:

"Being a loan, the quantum of lending by HUDCO depends on the demand. This is particularly so in the light of availability of subsidy/grant based schemes for housing, with focus on weaker sections. However, HUDCO continues its efforts for an increased level of lending for weaker sections housing. As part of providing loan assistance to meet the State Government / Local Body share under the PMAY (Urban and Gramin) programmes, as of 25.07.2017, HUDCO has already sanctioned 8 projects in 5 States offering a total loan assistance of Rs 7,748.60 crore for taking up 10,26,446 housing units, for which an amount of Rs 820 crore has also been released. Further, during the year 2017-18, till 23rd August, 2017, HUDCO has already sanctioned a total loan of Rs. 5367 crore for housing sector. Thus, HUDCO would continue to offer priority for sanction of housing projects particularly meant for weaker sections of the society, received from various States / UTs."

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.13)**

**Vacancies of Independent Directors**

The Committee note that as per Article 39 of the Articles of Association of the Company, total number of posts of Director is 15, which also includes 5 posts of independent Directors. The Committee further note that only one Independent Director against the requirement of 5 independent directors, as per DPE Guidelines and 3 Independent Directors as per Companies Act, 2013, have also completed their term on 9th October, 2015. As per the Ministry of Housing and Urban Poverty Alleviation, they have to go through DPE for appointment of independent Directors for which they have issued many reminders to DPE. Till 31st March, 2016 there were no Independent Directors on the Board of HUDCO. However, later HUDCO, vide Ministry's (HUPA) order dated 17 June 2016, received appointment of three part-time non-official Directors on its Board for the period of three years. The Committee feel that appointment of independent Directors is routinely delayed in most of the PSUs, in contravention to the existing Corporate Governance guidelines. The Committee expressed grave concern over delay in appointment of independent Directors in various CPSUs, in this case HUDCO, since DPE has to take action in this regard the Committee desire that their concern should be duly communicated to DPE so that the independent Directors are in place, particularly when the Audit Committee and the Remuneration Committee of HUDCO Board which play an important role in overall functioning of CPSUs can only be functional with independent directors. The Committee would like to be apprised of the progress made in this direction.

**Reply of the Government**

As on date all the five Part-time Non-Official Director (Independent Directors) have been appointed by Ministry on the Board of HUDCO. Names of them are given below.

1. Shri Mukesh Arya
2. Shri Chetan V. Vaidya
3. Shri Amrishkumar G Patel
4. Dr. S K Nanda
5. Smt. Pratima Dayal

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.15)**

**Corporate Social Responsibility**

The Committee note that in line with the identified thrust areas in the HUDCO CSR policy, CSR assistance is being provided by the PSU for implementation of the various projects viz. construction of night shelters/shelter facilities, construction of community toilets in the school, construction of skill upgradation centres etc., they are of the considered opinion that now areas like critical health care for EWS/LIG sections of society in the wake of alarming rise in the incidence of various types of cancers, heart and lung diseases etc., green energy initiatives and rain water harvesting etc need urgent attention for which PSUs can contribute under their CSR activities. The Committee feel that PSUs may undertake such activities on a PAN-India basis too. As the Committee have already presented their views on CSR in their 8th report on 4th December, 2015, they desire HUDCO to revisit its recommendations and urge upon them to invest more on these areas under their CSR Programme.

**Reply of the Government**

It is to indicate that as per CSR Policy, approved by the HUDCO Board of Directors on the recommendations of the CSR Committee of Board, support to the projects of sustainability viz. Water, waste or energy management promotion of renewable sources of energy etc., is one of the thrust areas of the CSR Policy in addition to support the other measures for providing basic necessities viz. food, clothing, shelter, health to the poor and marginalised sections of the society.

Accordingly, in line with the above referred areas, HUDCO has supported proposal of installation of solar lights in Kolkata, Ukhimath, Vijaywada in addition to wind power plant at Naya Raipur in the past years. Further, during the last financial year (2016-17), HUDCO has sanctioned CSR assistance of ₹137.73 lakh for installation of LED lights at Bus stations of Hyderabad, SPV LED lights at Bilara and Takhatgarh in Rajasthan and provision of Solar Power Plant for school building at Kolkata. In addition to above, in the past years, HUDCO has taken up proposals of Rain Water harvesting in its Office Building at Jaipur and Jammu and also supported proposal of Wash Water recovery at Ahmednagar, Maharashtra.

Further, in line with the thrust areas, HUDCO in the past also provided Ambulances in the States of Goa, Rajasthan and Ambulances in the States of Goa, Rajasthan and Kerala through their health department.

However, in view of the observations / recommendations of the Committee as indicated above, all the Regional Offices of HUDCO have been requested to take up the matter with the concerned agencies for identification of the proposals relating to the critical health care of EWS / LIG sections of the society, green energy initiative and rain water harvesting etc., for consideration under HUDCO CSR initiatives.

Further, the above recommendations of the Committee were also placed before the 17th CSR Committee of Board held on 20th May 2017 and have been noted.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.16)**

**Sewa Grih-Rin**

The Committee observe that HUDCO has joined hands with Self Employed Women Association (SEWA) through 15% equity investment in the new housing finance Company by SEWA i.e. SEWA GRIH RIN Ltd. out of total equity capital of the Company i.e. ₹ 13.50crore. SEWA GRIH RIN was formed with a mandate to provide housing finance to women and their families working in informal sector trades. The Committee note that the loan given by SEWA GRIH RIN Ltd. ranges from Rs. 50,000 to Rs. 80,000 per beneficiary. Further, SEWA GRIH RIN has sanctioned loan of ₹ 6.12 crore till 30.06.2016 to 276 women beneficiaries mainly belonging to EWS category (71%) and LIG category (28%) with a further break-up as SC (37%), ST (21%), OBC (29%) and others (32%). The Committee, while appreciating the initiatives taken by HUDCO through which the Company has been endeavoring to help deprived sections of society particularly women, urge the Company to continue exploring areas wherein the less privileged section of society could further be helped to provide a roof over their heads. The Committee, in future, would like to be apprised of further collaborations of HUDCO with small companies and their achievements.

**Reply of the Government**

The Committee has kindly appreciated the initiatives taken by HUDCO through which the Company has been endeavouring to help deprived section of society. The Committee shall be kept informed on further collaborations in this regard in future as well.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.17)**

**Encouraging Age-Old Local Technologies**

The Committee note that HUDCO has run the Building Centre Movement during 1988 till the Xth Plan and trained 3 lakh artisans to train them in various cost effective building technologies. However, now the scheme is discontinued. The Committee also note that HUDCO is supporting building material industries to manufacture innovative and alternate materials and components. So far 30 units have been given HUDCO assistance of ₹ 29.48 crore. The Committee are not satisfied with the meager efforts in the matter. They are of the strong opinion that with a strong R & D backup, HUDCO is placed at an advantageous position and hence must contribute substantially to explore and utilize the most successful building technologies found in the Country for diverse topographical areas which have resulted in some of the age-old structures still standing strong and intact. Hence, the Committee desire that HUDCO may give adequate thrust to projects in this field. They recommend that a concrete plan for the same may be chalked out. The Committee desire that the Ministry of Housing and Urban Poverty Alleviation may rethink of initiating again a scheme like the 'Building Centre Movement' and implement it well before all such age-old building technologies of the Country become extinct. The Committee, at the same time, also desire that cost effective housing technology specific for rural areas and disaster proof technology must be emphasised by the Company in their functioning. The Committee would like to be apprised of the specific action taken in this matter.

**Reply of the Government**

HUDCO would continue to advocate “low cost” or cost effective construction technologies in the various projects supported by it. Special studies are also being taken up on cost effective technologies through the Research and Training institution of HUDCO namely Human Settlements Management Institute as part of the Technology mission under the Pradhan Mantri Awas Yojana (Urban).

There is a specific Technology Sub-Mission as part of the PMAY(U) guidelines / initiative which facilitates adoption of modern, innovative and green technologies and building material for faster and quality construction of houses. This sub-mission also facilitates preparation and adoption of layout designs and building plans suitable for various geo-climatic zones. It also assists States / Cities in deploying disaster resistant and environment friendly technologies. The sub-mission works on the following aspects (i) design & planning, (ii) innovative technologies & materials, (iii) green buildings using natural resources and (iv) earthquake and other disaster resistant technologies and designs. IITs, NITs and Planning & Architecture institutes are being partnered for developing technical solutions, capacity building and handholding of States and Cities. State or region specific needs of technologies and designs are also supported under this sub-mission.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.18)**

**New Initiatives**

The Committee observe that HUDCO has initiated two new projects namely 'Financing of Senior Citizen homes; for senior citizens and 'Rent to own scheme' for the salaried Government employees. The Committee note that the purpose of the project relating to financing for senior citizen homes is to facilitate Urban Local Bodies and other public agencies to promote comprehensive and integrated senior citizens homes which would be elderly friendly in design and fully equipped to handle the special needs of senior citizens. With regard to Rent-to-own scheme, it is a 'rental-cum-ownership' scheme intended to facilitate an agency to initially avail loan from HUDCO on behalf of its identified employees and allot the houses to its employees initially on rental basis. The employee would become the 'owner' of the house as and when the full cost of the house is paid to the agency and would improve satisfaction level of its employees. The Committee have also been apprised that many States such as Uttar Pradesh, Madhya Pradesh, Maharashtra and West Bengal have expressed considerable interest in the concept and had detailed discussions with HUDCO for availing loans for their employees such as police personnel, employees of transport corporations, etc.

The Committee appreciate the new initiatives taken by HUDCO for the benefit of senior citizens and Government employees and hope that the concerned agencies/departments would come forward thereby helping the intended beneficiaries. The Committee urge HUDCO to make sincere efforts to popularize their newly conceived projects for the benefit of senior citizens and persons with limited income. The Committee desire to be kept apprised about the status/progress on the matter.

**Reply of the Government**

The Committee has kindly appreciated the intent of the special programmes conceived by HUDCO ‘Financing to senior Citizen Homes’ and ‘Rent to own Scheme’. HUDCO has advocated the programmes extensively. The success of the programmes depends on the willingness of the implementing agencies to avail the significant concessions offered under the programme. In respect of the Senior Citizen Homes’, the ULBs can avail the significant concessional interest rate offered for the loan assistance. Similarly, in respect of the Rent to Own Scheme, the institutions need to take a pro-active step for the benefit of their employees by availing the loan under this novel scheme on behalf of their employees initially. HUDCO continues to advocate and pursue willing borrowers for availing the benefits under the scheme.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

# CHAPTER III

## OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES

### Recommendation (Sl.No.9)

**Relaxation sought by HUDCO in NPA norms**

The Committee note that being a housing finance Company, which accepts public deposits, HUDCO is registered with National Housing Bank. All guidelines of NHB apply on HUDCO and NHB works as regulator of the Company. The Committee note from the briefing given by NHB that HUDCO has been seeking certain relaxations from them and the same were granted in consultation with Government of India and Reserve Bank of India in view of its mandate to perform other functions such as infrastructure financing. However, relaxation sought by HUDCO on NPA norms and relaxation to Government agencies (under individual borrower exposure) other than housing and housing related activities were declined by NHB. In regard to NHB, NPA prudential norms, HUDCO had requested that facilities granted to Government sector entities be considered loan-wise and a period of 180 days may be considered for Government/ Government agencies to be accounted as NPA. NHB had statedly sought the views of the Ministry of Housing and Urban Poverty Alleviation on the request received from HUDCO and the Ministry of Housing and Urban Poverty Alleviation have, vide the letter dated 25.02.2016, recommended to accede to the requests in relaxation in credit concentration (exposure) norms and prudential NPA norms for Government/ Public Agencies. The Committee note that matter is currently under examination at NHB.

The Committee further note that NPA of the Company which was 6.25% as on 31st March, 2015 has increased to 6.68% in 2016, and HUDCO is struggling hard to reduce the same. The Committee were also given the impression by the Company that the regulatory norms of the NHB are very rigid as compared to RBI. In view of the role being played by HUDCO as the sole Government entity in social housing, the Committee feel that their administrative Ministry needs to take up the matter with the appropriate authorities to examine whether the NHB norms are hindering the Company's mandate and hence need to be revisited. The considered opinion of RBI can also be taken in this case. Nonetheless the Committee note that the Company has not been able to bring down one percent NPA per annum as per the ambitious target set for itself under 'Mission Five Ones' and strongly recommend to take all the initiatives to address all the issues concerning NPA.

### Reply of the Government

National Housing Bank’s credit concentration norms states that a Housing Finance company’s agency wise exposure should not exceed 15% of its net owned funds. Further, as per NHB’s latest circular dated 21.03.2013, investment of a Housing Finance Company (HFC) in the shares of another HFC shall not exceed 15% of the Equity Capital of the investee company.

The company is complying with National Housing Bank's credit concentration norms except in one case of investment in another HFC viz., Ind bank Housing Ltd. (IBHL) in which HUDCO has invested 25% capital of investee.

HUDCO had invested ₹ 2.50 crore, even before guidelines were applicable, in the Equity Shares of IBHL, whose total paid-up capital is ₹ 10 crore resulting in investment to the extent of 25% of the equity. HUDCO's Board in the meeting held on 25th September, 2014 has approved the proposal of merger of IBHL into "Indian Bank", the promoter of IBHL, which has been conveyed to the IBHL. The matter is yet to be finally concluded along with swap ratio of shares. Once the merger is effected, the investment will be as per NHB Norms.

The Ministry has been recommending the requests of HUDCO for relaxations in various applicable norms towards improving the performance and operations of HUDCO. This has facilitated in HUDCO receiving special dispensation from applicable NHB norms for HFCs.

NHB has given certain relaxations from credit concentration norms considering the role envisaged for HUDCO as given below:

| NHB's Letter No. | Relaxation | Remarks |
|---|---|---|
| NHB/ ND/ HFC/ DRS/ 3792/ 2011 dated 05.04.2011 | For lending upto 50% of its Net Owned Fund (NOF) to the Government Agencies (Under individual borrower exposure) only for housing and housing related infrastructure and upto 100% of its NOF to the individual State Governments (under group exposure) | The permission will not be applicable in respect of HUDCO's lending to builders, private parties and cooperatives, in respect of whom, the extant provisions of the Directions will continue to apply. |
| NHB/ ND/ SUP/ 6682/ 2014 dated 16.05.2014 | For housing and housing related activities for Government/ Public agencies permitted upto 75% of its Net Owned Funds for individual exposure, and 150% of its Net Owned Funds for group exposure in respect of four states namely Andhra Pradesh, Rajasthan, Karnataka and Tamil Nadu. | Also granted permission for other than housing and housing related activities for Government / Public agencies is permitted upto 20% of its Net Owned Funds for individual exposure. |
| NHB/ ND/ DRS/ SUP/ 5744/ 2015 dated 08.06.2015 | Permitted Company's group exposure limit upto 150% of its Net Owned Funds for housing and housing related activities for Government/ Public agencies in respect of newly formed State of Telangana. | |

| | | |
|---|---|---|
| NHB/ ND/ DRS/ SUP/ 9252/ 2015 dated 30.09.2015 | Granted special dispensation for asset classification in respect of Loan account of Nagarjuna Oil Corporation Ltd. For classifying the account as ‘Standard’. | The Company is required to make adequate provision as per the extant guidelines. |
| NHB/ ND/ DRS/ SUP/ 7416/ 2016 dated 24.08.2016 | Permitted Company’s group exposure limit of upto 200% of its Net Owned Funds in respect of States of Telangana and Madhya Pradesh each. | |
| NHB/ ND/ DRS/ SUP/ 10970/ 2016 dated 30.11.2016 | Granted special dispensation in respect of applicability of asset classification norms in respect of the loans extended to KSK Mahanandi Power Company Limited subject to the agency cleaning the dues of the Company. Further, provisioning requirement if any, made applicable to the other Joint Lender Forum (JLF) members by the RBI, the same shall also be applicable to HUDCO in line with the provisions of NHB Directions. | The Company has made provision of 5% in line with the provisioning requirement made applicable by the RBI to the other Joint Lender Forum (JLF) members. |
| NHB/ ND/ SUP/ 2234/ 2017 dated 06.03.2017 | Granted special dispensation for treating the loan extended to Sikkim Industrial Development & Investment Corporation Ltd. (SIDICO) as standard asset subject to the agency being regular in repayment of dues and there being no default. | The Company has to create provision of 5% on the outstanding loan amount in first two years. |
| NHB/ ND/ SUP/ 2235/ 2017 dated 06.03.2017 | Permitted for housing and housing related activities for Government/Public agencies up-to 100% of its Net Owned Funds for individual exposure, in respect of states of Telangana and Madhya Pradesh and; For other than housing and housing related activities for Government Public agencies up-to 30% of its Net Owned Funds for Individual exposures. | The permission is subject to the exposures being guaranteed by the State Government and ensuring that the State’s borrowings are within FRBM limits. |

**<u>A brief on the policy of monitoring of default / NPA in HUDCO is put up for information:</u>**

## I. Monitoring by Ministry

(a) Recovery / NPA reduction is monitored as a performance evaluation parameter and is monitored by the Ministry through the Memorandum of Understanding (MoU) between HUDCO and the Ministry of Housing and Urban Affairs (HUA), Govt. of India (GoI). A quarterly review in this regard is taken by Secretary, HUA, GoI.

(b) A monthly report on Status of Default & NPA is also being submitted to Ministry of HUA as a part of Monthly review of CPSEs & PSUs under the Ministry.

## II. Monitoring by Management

### At Corporate Office

(a) Default issue is reviewed and closely monitored by Default Monitoring and Resolution Committee (DMRC) headed by Chairman & Managing Director and has Director Corporate Planning, Director Finance, Sr. ED / ED (SBUs), EDL, EDF(DMRC), EDF(LA), EDF(Operations), RC(NCR) and GMF(DMRC) as Members. The above Committee deals with periodical monitoring and review of defaults; Review of the Default Resolution Package (DRP) / OTS Packages; Considers the request / recommendation of Regional Offices regarding waivers / relaxation in HUDCO dues; Periodic review of the status of implementation of OTS / Default Resolution Package already given to the borrowers; Special attention to the default of less than one quarter and deliberates on all cases of first time defaulters.

(b) The issue of default / NPA is discussed as a main agenda with the Regional Chiefs in every Business Review Meeting to deal with overall targets and decide strategy in this regard.

(c) The status of default and Non Performing Assets and the action taken to deal with major defaulting borrowers is reported to the Board of Directors on quarterly basis for their information & discussion. The valuable guidance and suggestions of the Board of Directors are also sought on the subject.

### At Regional Office level

The default / NPA issue is discussed at each Regional Office by a Regional Default Resolution Committee headed by Regional Head, at least on a monthly basis. In this Committee every case of default is discussed in detail with reference to reasons for default, legal action undertaken / proposed status of default resolution package if any, given by the RO, etc.

## III. Prompt Legal actions

As a matter of policy, HUDCO has decided to take time bound all possible legal action for recovery of over dues.

## IV. Preventive actions to curb defaults / NPA

- **Appraisal –** All efforts are made to see that projects are appraised in most professional manner to ensure that defaults do not occur.
- **No release to defaulting borrowers –** Default status has to be checked at Head Office also before transfer of funds for releases.

## V. OTS Schemes – Strategy for resolution of defaults

Even in suit filed cases, efforts are made to recover the money / arrive at amicable out of court settlement by granting genuine concessions through default resolution package / one time settlement packages on the merits of the case with reference to HUDCO's OTS policy approved by the Board from time to time.

The actual position of Gross NPA is 6.02% as on 31.03.2017 and net NPA is 1.15%.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

# CHAPTER IV

## OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND NEED REITERATION

### Recommendation (Sl.No.3)

**HUDCO Niwas Scheme**

As regards HUDCO Niwas, the retail loan scheme for individuals, the Committee note from the Company's statistics that their performance is on a steep slide. From the data given in their website, the number of dwelling units sanctioned under this scheme has come down from 4924 in 2012-13 to a mere 86 in 2015-16. This confirms the Committee's apprehension that getting HUDCO loans under retail segment is not easy. The Ministry's argument that since these loans are considered in municipal areas only, a perception has perhaps developed that HUDCO does not sanction loans so easily to individuals, is not very convincing to the Committee, given the existing scenario of a vast gap between the demand and supply of low cost houses in urban areas and consequent requirement of housing loans. They feel that with a very low number of DUs sanctioned under HUDCO Niwas Scheme, this component does not justify its existence. In the past, during September, 2010 to June, 2011, the HUDCO Niwas loans were discontinued too. Besides, out of a total portfolio of ₹ 619.53 crore, individual loans amount to a measly sum of ₹ 140.49 crore only and the rest ₹ 478.74 crore is for bulk loans given to State Governments/ Para-Statals of State Governments/ PSUs and other housing finance companies. Although the there are some attractive features of the HUDCO Niwas which include no processing fee, interest subsidy @ 6.50% as available under Credit Linked Subsidy Scheme (CLSS) to eligible beneficiaries, as per Govt. of India guidelines, waiver of last 2 instalments (only for fixed rate) and free personal accident insurance cover to borrowers. The Committee fail to understand such a low number of beneficiaries even with the certain subsidies / exemptions from fees provided under the scheme. From the aforesaid analysis, it appears that perhaps adequate efforts are not being made to popularize the scheme through various mechanisms. The Committee note that since HUDCO Niwas is operated through 32 Regional / Development offices of the Company, their performance need to be monitored to explore ways and means for popularize the scheme among individual house loan aspirants too. The Committee also desire to know the actual impact of HORSYS (HUDCO Online Retail Finance System), the new software package for retail finance, on the HUDCO Niwas scheme performance during the year 2016-2017 and the number of beneficiaries of HUDCO Niwas separately for rural and urban areas of the Country.

### Reply of the Government

In view of the large number of default cases in far flung areas, the operations of HUDCO Niwas were limited to municipal areas, where Regional Offices are located. However, in the recent FY 2016-17, the number of units sanctioned increased to 245 and there was also a spurt in the bulk loan operations of HUDCO

Niwas and during 2016-17 an amount of ₹ 732.31 Crore including two Bulk Loans sanctioned to LIC-HFL and TANGEDCO. Further, the HUDCO Niwas operations are limited to 21 Regional Offices and due to the limited reach, the number of sanctions under HUDCO Niwas is not increasing at a faster rate, while the closure of the live accounts is happening at a faster rate. Accordingly, the existing live cases as on 31-03-2017 are 4067 nos. as compared to 4924 numbers in 2012-13.

Considering the special advantageous features of HUDCO Niwas, HUDCO made certain course corrections in the Guidelines and interest rates were matched as per the market trend. However, with the limited branches and the consequent limited reach of HUDCO Niwas and the earlier version of HUDCO Online Retail Finance System (HORSYS) developed in-house was only used with limitations, the operations in 2016-17 increased to ₹ .32.31 crore though the same was highest in comparison with preceding 3 financial years after re-opening of HUDCO Niwas.

Towards propagation of HUDCO Niwas extensively, all the 21 HUDCO Regional offices are pursuing potential beneficiaries particularly for employees in State Government agencies/PSUs, central CPSEs located in the respective States through communications as well as personal visits/presentations. Special camps are also organised in consultation with such agencies. In addition, HUDCO also propagates HUDCO Niwas loans in respect of projects sanctioned by HUDCO. Towards systematically expanding the HUDCO Niwas portfolio, HUDCO has also decided to undertake feasibility studies in selected states on pilot basis for opening HUDCO Niwas branches in selected cities. The process is in progress for carrying out demand survey in two States namely Andhra Pradesh and Gujarat.

Regarding number of beneficiaries of HUDCO Niwas separately for rural and urban areas of the country, it is stated that as per policy of HUDCO Niwas after re-opening in 2012-13, the Niwas operations are limited to municipal areas, where HUDCO Regional Offices are located and as such all 245 cases sanctioned in FY 2016-17 pertains to urban areas.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.4)**

**Occupancy of the Houses**

The Committee are perturbed to find that many beneficiaries do not occupy housing units constructed with the loan given by HUDCO under three schemes of JNNURM, BSUP and IHSDP and feel that it is a worrisome issue which needs to be addressed. As admitted by the Secretary HUPA during the course of oral evidence, 25% of houses under these schemes still remain unoccupied and the major States, which have the problem of unoccupancy are Uttar Pradesh, Bihar, Delhi and Madhya Pradesh. However, on the Committee's specific query relating to details of unoccupancy of the houses, HUDCO has tried to skirt the issue by stating that details relating to occupancy of the houses are available only with the State Governments and the Company's role is limited to providing just the loan assistance. The Committee feel that the stance taken by HUDCO to remain unconcerned about large unoccupancy of the houses, particularly when the magnitude of housing shortage in the Country is huge, is unwarranted and defeats the purpose of HUDCO's mandate for social housing. They, therefore, opine that the Company need to be aware of the position regarding unoccupancy of houses constructed with HUDCO loan and analyze its possible reasons and accordingly frame a strategy with the loan availing agencies to ensure that the beneficiaries for whom houses are constructed, occupy the houses so as to realise the laudable objective of addressing housing shortage in the Country through these schemes. The Committee desire to be apprised of action taken in this regard by the Company.

**Reply of the Government**

It has been reported that 25% of houses under these schemes still remain unoccupied and the major States, which have the problem of unoccupancy are Uttar Pradesh, Bihar, Delhi and Madhya Pradesh. It is felt that this may cover the status of all the projects taken up under BSUP and IHSDP components of JNNURM programme of Government of India. As part of the BSUP and IHSDP components of the JNNURM programme, the States/ULBs had availed part project cost as loan from HUDCO, to meet the share of the States/ULBs in the total project cost. Of this major programme, loan assistance has been availed from HUDCO for about 40 schemes throughout the country. Further, no loans have been availed from HUDCO for these schemes by the States of Uttar Pradesh, Bihar and Delhi. In respect of Madhya Pradesh, the details collected through the HUDCO Regional Office at Bhopal on the status of occupancy in the BSUP & IHSDP schemes where HUDCO loan was availed, the position is 98.82% and 95.68% respectively of the allotted houses. The reason for non-occupancy has been reported as non-payment of beneficiary share.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

# CHAPTER V

## OBSERVATIONS/RECOMMENDATIONS TO WHICH THE GOVERNMENT HAS FURNISHED INTERIM REPLIES

### Recommendation (Sl.No.11)

**Issues concerning exemptions / support to HUDCO**

As on March 31st 2016, HUDCO had total outstanding borrowings of ₹ 25,608.95 crore, out of which ₹19,945.16 crore (77.89%) was secured and ₹ 5,663.79 crore (22.11%) unsecured. In this regard, the Committee have been informed that HUDCO is adequately positioned to meet its debt obligations timely. At the same time, the Company has submitted that in order to strengthen their efforts in assisting various social housing and core infrastructure projects requiring long term finance at competitive terms, it is important that they are supported with alternative instruments (viz capital gain bonds) through which their requirement of low cost funds could be met. The Committee note that as the concessions, which were previously available to the Company viz. income tax exemption, exemption from payment of dividend, equity support from Government of India etc. have been withdrawn, presently the Company meets its fund requirements from open market, banks and financial institutions at market determined rules.

The Committee are of the view that HUDCO, as 100% Government owned Company, was set up primarily for lending to the social housing sector and core urban infrastructure sector in the Country. The exemptions and budgetary support have been withdrawn by the Government since it is a profit making Company and thus can sustain by internally generating its own resources. The Committee also note that in the year 2015-2016, HUDCO has mobilized a substantial amount of ₹ 10,250 crore through tax free bonds and Commercial Paper. The Company has, during evidence, also replied in affirmative when asked about their capability to repay their borrowings. The Committee nonetheless are of the opinion that if the PSUs are to survive in the current economic scenario, they must depend on their own resources to meet their fund requirements, particularly when they are earning profits and have a positive networth. In this backdrop, the Committee would like to know whether the administrative Ministry (Ministry of Housing and Urban Poverty Alleviation) have examined the possibility of pleading HUDCO's case for tax exemptions before the appropriate authority and if so, the results thereof, so as to enable the Committee to comment further in this regard.

### Reply of the Government

A proposal was submitted by HUDCO for permitting HUDCO to issue Capital Gain bonds under section 54EC of the Income Tax Act. This proposal for notifying it as an eligible entity for issuance of Capital Gain bonds had been favourably recommended by the then Ministry of HUPA (now MoHUA) for incorporating the same in the Pre-budget memorandum for Fiscal 2015. The issue has been taken up again by HUDCO (on 12.07.2017) with MoHUA requesting that the proposal for notifying HUDCO as an eligible entity for issuance of Capital Gain bonds may be favourably recommended to Ministry of Finance.

*Brief Note is put up for information.*

***Sub: HUDCO-Permission for issue of Capital Gain bonds (u/s 54EC of the I.T. Act)***

*Section 54 EC of the Income Tax Act, provides that the capital gain arising from transfer of long term capital asset (viz. residential properties) shall be exempt, if the amount of such gain is invested in capital gain bonds within 6 months from the date of transfer of such capital assets.*

*The said section (i.e. 54EC) was inserted in the Income tax Act w.e.f. 1st April, 2001 vide which investment made in capital gain bonds issued by NABARD (excluded w.e.f. 1st April, 2006) and National Highway Authority of India (NHAI) qualified for exemption from capital gains tax. Subsequently, since rural electrification, including electrification of villages was a matter of priority for the Government, section 54EC was amended w.e.f. 1st April, 2002 to include the name of Rural Electrification Corporation (REC) for the purpose of this section. Pursuant to notification under the above referred section of the Income tax Act, both NHAI and REC continue to raise substantial long term funds at subsidized interest rates, every year. Under the said allocation, both NHAI and REC raised around Rs. 5,000 crore each at an interest rate of 5.25-6.00% p.a. during FY 2016-17, which was substantially lower than interest rates prevailing in the market for any other debt instruments.*

*Further to the above, with an objective to widen the scope of the section, the provisions of the section have been amended recently so as to provide that investment in any bond redeemable after three years, which has been notified by the Central Government, shall also be eligible for exemption. In accordance with the said amendment, Ministry of Finance vide its notification dated 8th June, 2017, has included bonds redeemable after three years and issued on or after 15th June, 2017 by Power Finance Corporation (PFC) within the purview of Section 54EC.*

*In view of the above referred amendment, the grounds for HUDCO seeking 54EC Capital Gain bonds, are being submitted as under:*

1. *Housing and Urban Development Corporation Limited (HUDCO) is a Public Financial Institution owned by Government of India and is under administrative control of Ministry of Housing and Urban Affairs (MoHUA). Its mandate is to provide financial and technical assistance to housing and urban infrastructure sectors, with a significant focus on weaker section housing, infrastructure and disaster mitigation.*

2. *In achieving the objective of 'Housing for All by 2022', HUDCO is expected to play a major role by providing housing for EWS/LIG categories at affordable prices. Accordingly, notifying HUDCO as an entity permitted to issue 54EC Bonds will help*

*us to raise funds at reasonable cost to lend for "Housing for All by 2022" and '100 smart cities', the flagship programmes of Govt. of India.*

*3. Further, out of loan disbursements of Rs.9,095 crore made by HUDCO during the financial year (FY) 2016-17, an amount of Rs.1,847 crore has been disbursed for social housing projects (i.e. EWS/LIG Housing), within HUDCO's lending rates are less than its overall cost. During FY 2016-17, HUDCO has also sanctioned loan amount of Rs.3,365 crore for various social housing projects. <u>In this regard, it would be imperative to highlight that HUDCO is perhaps the only financial institution which is supporting such projects across the country.</u> In addition, the Corporate Plan 2020 also envisages increased focus on lending for Urban Infrastructure projects (viz. water supply, sewerage, drainage, solid waste management, roads, social infrastructure, etc.) and social housing projects. Keeping in view the projected levels of lending for Social Housing and Infrastructure projects, it is necessary that HUDCO is supported with avenues/instruments (viz. Capital gain bonds) through which its requirement of low-cost funds can be met on a continuous basis.*

*4. HUDCO's request for permitting it to issue Capital Gain bonds merit favourable consideration on the following grounds also:*

a) *Most of the capital gain is arising from the housing and infrastructure sector. Considering HUDCO's role in this sector, it is important that HUDCO is also notified as one of the entities permitted to raise resources through Capital-gain bonds so that these funds are utilized for improvement of housing and infrastructure facilities.*

b) *Considering, the overall housing shortage in EWS and low income groups (LIG), it is important that HUDCO is supported with low cost funds (through instruments viz. Capital gain bonds) in order to enable it to cater to the financing needs of this sector at lower lending rates.*

c) *Owing to HUDCO's lending for social housing sector where the lending rates are below its 'reference rate', its gross incremental spread has been declining. All this, if not supported with low cost funds of longer tenure, would affect HUDCO's sustainability considerably in the near future.*

d) *Over the years, HUDCO has disseminated its resource raising ability/capacity to raise funds from the market. Owing to its contribution over the years, HUDCO is now a well- known CPSE amongst retail investors, which are largely the target investor group for Capital-gain bonds. Over last three years, HUDCO has received maximum response from retail investors in its tax-free bonds, amongst all other entities permitted to raise tax-free bonds.*

*With this background, it is requested that HUDCO may also be notified as one of the eligible Institutions, which are permitted to issue Capital gain bonds under section 54EC of the Income tax Act. This would enable HUDCO in supporting housing for economically weaker sections at lower cost. As this would be required to be notified, it is requested that the above proposal may be favourable recommended to Department of Revenue in Ministry of Finance.*

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.12)**

**Joint Ventures of HUDCO**

The Committee note that in order to give a fillip to quality urban development activities in the Country, HUDCO had decided to enter into joint venture partnerships for implementation of various real estate, housing and infrastructure projects emerging in the Country. A Joint venture Company can carry out fee based advisory/consultancy/project execution and other assignments as per their project clauses, and accordingly, HUDCO had formed 4 joint venture companies i.e. Shristi Urban Infrastructure Development Ltd., SIGNA Infrastructure India Ltd, MCM Infrastructure Pvt. Ltd. and Pragati Social Infrastructure and Development Ltd with investment in their equity capital, to the tune of 40%, 26%, 26% and 26% respectively. However, the experiment did not prove to be successful. From the material furnished by the Company, the Committee observe that out of the four joint venture companies, two companies namely Shristi Urban Infrastructure Development Ltd (SUIDL) and Signa Infrastructure India Ltd (SIIL), earned profits and gave small dividend twice to HUDCO amounting to ₹ 3.02 lakh and ` 2.08 lakh in the years 2013-2014 and 2014-2015 respectively. However, SUIDL went into losses from the year 2015-2016 onwards as it could not recover its dues for the consultancy assignments undertaken from different agencies. The other JV SIIL went into losses too being unable to generate further works. As regards the remaining two JVs, the Committee note that Pragati Social Infrastructure Development Ltd. (PSIDL) and MCM Infrastructure Pvt. Ltd. (MCMI) went in losses right from the beginning, mainly due to their inability to get the desired works/projects, which was envisaged at the time of their formation. When asked so, HUDCO has informed the Committee that the total loss incurred to them due to failure of JVs can only be determined when they exit from them. Regarding the exit from MCMI and SIIL, HUDCO would be able to exit in current financial year but in the case of the other two joint venture companies i.e. PSIDL and SUIDL, the exit of HUDCO may take more time due to some ongoing litigations. The Committee feel that HUDCO need to exit from these loss making JVs as early as possible. While risk taking, to some extent, is vital for a Company, the Committee are of the opinion that, HUDCO perhaps should have ventured into JVs with appropriate cushioning as well as an alternate work plan in case of non-receipt of adequate work. They desire to be furnished with the figures of total loss suffered by HUDCO from the JVs subsequently.

**Reply of the Government**

The exact loss incurred by HUDCO can be quantified only when HUDCO exits from the Joint ventures. Presently, HUDCO has exited from only one Joint Venture i.e MCM Infrastructure Pvt Ltd. The loss incurred by HUDCO is ₹12.35 lakh consequent upon exit, since HUDCO has received consideration of ₹13.65 lakh at a valuation of ₹5.25 per share for 2.60 lakh shares against investment of ₹26 lakh by investing @ ₹10 per equity share for 2.60 lakh shares.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**Recommendation (Sl.No.14)**

**Pay Scale**

The Committee note that though HUDCO is a schedule 'A' Public Sector Company, yet the benefits of schedule 'A' Company are not uniformly enjoyed by all the employees of the Company as the Company is not operating E-6 scale. The Committee further note that from E-5 scale the Company have gone to E-7 scale, which is not permissible under DPE guidelines. Due to the prevailing situation, the employees in E-5 scale and below are deprived of the benefits enjoyed by some of the other schedule 'A' PSUs. In this regard Committee have been informed that up to First Pay Commission, the PSUs had the liberty of having different pay scales and thus the Companies were having intermediary scales between the already prescribed scales of DPE. But after 01.01.2007, the DPE has been regularly issuing advisories to put things in proper platform. The Committee have been convinced that the HUDCO management is sensitive towards the issue and in March 2016, Ministry of Housing and Urban Poverty Alleviation has given them the clearance to start with E-6 scale. The Committee, while taking note of the developments, expect the Ministry of Housing and Urban Poverty Alleviation and the Company to expedite the process and fast track the implementation of E-6 scale in the Company. At the same time the Committee urge the Ministry to convey their recommendation to the DPE to implement granting of the benefits of Schedule 'A' Public Sector Company to staff below E-5 level at the earliest, if not done so far.

**Reply of the Government**

HUDCO has introduced E6 scale of ₹ 36600-3%-62000 w.e.f. 1st April 2016 with designation of Joint General Manager.

[MoHUA, OM No. H-11013/01/2017-AA(P-9018125) dated December 19, 2017]

**New Delhi**
**30 July , 2018**
**08 Sravana, 1940(S)**

**SHANTA KUMAR**
**Chairperson,**
**Committee on Public Undertakings.**

**APPENDIX - I**

## COMMITTEE ON PUBLIC UNDERTAKINGS
## (2018-2019)

### MINUTES OF THE THIRD SITTING OF THE COMMITTEE (2018-19)

The Committee sat on Tuesday, the 29th May 2018 from 1100 hrs to 1125 hrs in Committee Room 1, Block A, Parliament House Annexe Extension Building, New Delhi.

**PRESENT**

Shri Shanta Kumar - Chairperson

**MEMBERS**

***Lok Sabha***

2. Shri Lal Krishna Advani
3. Shri Nagendra Kumar Pradhan
4. Dr. Hari Babu Kambhampati
5. Shri Prahlad Singh Patel
6. Prof. Saugata Roy
7. Shri Ravneet Singh
8. Shri Sushil Kumar Singh
9. Shri Rameswar Teli

***Rajya Sabha***

10. Shri Pratap Keshari Deb
11. Shri Shamsher Singh Manhas
12. Shri Naresh Gujral
13. Mohd. Ali Khan

**SECRETARIAT**

| | | |
|---|---|---|
| 1. | Smt. Sudesh Luthra | Additional Secretary |
| 2. | Smt. Anita B. Panda | Director |
| 3. | Shri G.C. Prasad | Deputy Secretary |

2. At the outset, the Chairperson welcomed the members to the sitting of the Committee and informed them about the agenda items of the sitting i.e. (i) adoption of the draft Action Taken Report on the observations / recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (2017-18) on "Housing and Urban Development Corporation (HUDCO)" and **** ****

3. The Committee then took up for consideration and adoption the draft Action Taken Report on the observations / recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (2017-18) on "Housing and Urban Development Corporation (HUDCO)". The Committee adopted the draft report with minor modifications as given in *Appendix*. The Committee then authorized the Chairperson to finalise the aforesaid draft Report on the basis of factual verification by Ministries/ Departments concerned and present the same to Parliament.

4. ***** ***** *****

***The Committee then adjourned.***

*Appendix*

| Page No. | Recommendation Para No. | Modifications |
|---|---|---|
| 6 | 10 | At the end of recommendation, add the following :<br><br>*'In a nutshell, the Committee would like to reiterate that the problem of non-occupancy of 25 per cent of the units constructed with HUDCO loans needs to be addressed very seriously now by the Ministry. They recommend that first of all, the Ministry may ascertain the reasons for low-occupancy of housing units which may include infrastructural issues. The Committee further recommend that once all occupancy details are obtained and analysed, the Ministry may revisit their policy in this regard to explore the measures and taking initiatives thereto so as to have cent percent occupancy of the housing units and apprise the Committee accordingly alongwith latest state-wise occupancy details at the action taken statement stage'.* |

**APPENDIX - II**

*(Vide para 4 of the Introduction)*

**Analysis of the Action Taken by Government on the Observations/ Recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (2017-18) on Housing and Urban Development Corporation (HUDCO)**

| | | |
|---|---|---|
| I | Total number of recommendations | 18 |
| II | Observations/Recommendations that have been accepted by the Government [vide Recommendations at Sl. Nos.1,5,7,8,9,10,11,13,14,19,20 and 21] | Total - 12<br>Percentage - 66.67 |
| III | Observations/Recommendation which the Committee do not desire to pursue in view of Government's replies.<br>[vide Recommendations at Sl. No. 9] | Total - 01<br>Percentage - 5.55 |
| IV | Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee and need reiteration.[ vide Recommendations at Sl. Nos.3 and 4] | Total - 02<br>Percentage - 11.11 |
| V | Observations/Recommendations to which the Government has furnished interim replies.[ vide Recommendations at Sl. Nos.11,12 and 14] | Total - 03<br>Percentage - 16.67 |