

BUILDING INDIA

**Speech by the DLF Chairman, Dr. K.P. Singh,
At the 42nd Annual General Meeting on September 29, 2007**

Dear Shareholders,

It gives me great pleasure to welcome you all to the 42nd Annual General Meeting of your Company. The Report of the Directors and the audited results for the year ended March 31, 2007 have been with you for some time, and, with your permission, I shall take them as read.

I am happy to report to you that this has been a landmark year in the history of your Company. During the year under review, your Company has grown rapidly and profitably, as evidenced by a strong financial performance. The Net Profit after Tax has increased by over 370 per cent, from Rs. 411.03 crore in the last year to Rs. 1933.65 crore in the financial year 2006-07.

LANDMARK ACHIEVEMENT

It gives me immense satisfaction to report to you that your Company's equity capital has been successfully listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Your Company is now the fifth largest in the country in terms of Market Capitalization and the shareholders family has been extended to approximately four lakh members.

This landmark achievement was enabled through an Initial Public Offer (IPO) in June 2007, which was the largest and most ambitious IPO in the history of Indian stock markets. It received tremendous response in terms of the quality of investor interest from across the world.

This success not only reflects investor confidence in the DLF growth story - based on strong fundamentals, proven track record, high quality human resources and dynamic corporate leadership aimed at setting industry benchmarks - but also vindicates the conviction of your Company's management team that real estate and infrastructure development is poised to become the new Sunrise Sector of the Indian economy.

BUSINESS SCENARIO

India is at a historic point in its progress as a nation on the move. The country's GDP grew by 9.4 per cent in 2006-07, making India the second-fastest growing economy in the world.

The real estate, hospitality and infrastructure sectors are expanding at an even faster rate of over 20 per cent per annum and this rising trend is expected to continue in the foreseeable future.

Homes: The demand for housing is expected to grow at around 14 per cent per annum. There is scope for 400 new township projects over the next five years, spread across 30 to 35 cities, each with a population of 0.5 million.

Offices: The demand for office space (excluding government and public sector) doubled from 50 msf in 2002 to 100 msf in 2005 and is expected to rise to 500 million sq. ft in the next ten years.

Retail: The organised retail industry is expected to grow at around 27 per cent annually, growing from US\$ 6 billion in 2005 to US\$ 23 billion in 2010.

Hospitality: The Indian hospitality sector is growing at 15 per cent annually, driven by the growing popularity of India

as an international tourism destination.

Special Economic Zones: Large multi-product SEZs are seen as the new growth engines of the Indian economy, providing attractive investment opportunities and employment generation avenues.

Infrastructure: The government outlay for infrastructure development over the next five years is expected to increase from 3 per cent to around 8 per cent of GDP, leading to unprecedented opportunities in this critical focus area.

REFORMS AGENDA

Against these rising demands, however, Ladies and Gentlemen, the ground reality is that the existing state of urban infrastructure and the entire spectrum of real estate products are far from satisfactory. Glaring anomalies hit the eye wherever we turn. Unauthorized construction has mushroomed on a massive scale, leading to congestion, proliferation of slums and degradation of the urban living experience.

One of the root causes of such anomalies dates back to the early Sixties, when the Government decided to take over all aspects of land development from private developers and entrusted this business to public development authorities all over the country.

This step led to the elimination of professional and visionary private sector developers from the real estate scene and created a vacuum, which got subsequently filled by fly-by-night builders who, invariably, resorted to haphazard and unplanned construction activities. Government departments themselves sought to act as developers, a role which, unfortunately, they did not have the vision to fulfill, resulting in the urban chaos that is prevailing today.

That policy, in India's early years after Independence, was perhaps pursued with the best of intentions and in tune with the prevalent ideology at that time. In my humble opinion, the new urban development mantra should be based upon the philosophy of **Thinking Big and Creating Surpluses** rather than on the failed experiment of Thinking Small and Managing Shortages.

At present, real estate business in the country is governed by laws, statutes and town planning regulations, which are not only out of tune with the requirements of today, but will be wholly at variance with the needs and aspirations of the citizens of tomorrow.

Accordingly, major reforms are needed to correct the mistakes of the past and putting into place a futuristic urban development policy, catering to the requirements of not just decades, but centuries ahead.

This can only be done by re-modeling the entire gamut of urban development policies including revamping town planning regulations, particularly critical aspects such as increase in FAR, height relaxation, rationalization of density norms, etc.

More than anything else, there has to be an attitudinal change on the part of policy-makers, municipalities and industry players. We must realize that by the year 2020, there will be 75 major urban agglomerates in the country with populations of over one million citizens each, demanding homes, commercial space, as well as basic infrastructure facilities.

This is the enormity of the challenge before both the policy makers of the country and also visionary developers like your Company. Our mission is to play a role in helping to build an India where living and working standards are on par with the best in the world.

PUBLIC PRIVATE PARTNERSHIP

These gigantic tasks cannot be accomplished by either the public sector or the private sector alone. Therefore, both sectors need to work in close co-operation, co-ordination and harmony, with clearly defined areas of responsibility.

I am firmly of the view that the role of the public sector in urban development should essentially be that of an Enabler, Facilitator and Regulator, and as a Developer only in the areas of bulk offsite infrastructure and housing for vulnerable sections of the population.

All other developmental activities connected with housing and construction, as well as provisioning of onsite and offsite infrastructure should be entrusted entirely to the private sector for execution in accordance with prescribed norms.

MONETARY POLICIES

Monetary policies of the government are, no doubt, aimed at maintaining a fine balance between encouraging economic growth and containing inflationary pressures.

However, it needs to be kept in mind that infrastructure and real estate development is a sunrise industry, with a multiplier effect on the economy as a whole. The housing and construction sector alone contributes 78 paise to GDP for every rupee invested in it, has linkages with more than 250 ancillary industries and is, perhaps, one of the largest employers of unskilled labour.

Against this background, monetary policies need to be cautiously formulated to keep interest rates within the reach of all sections of society, to make mortgage terms more attractive, and also to create an environment in which developers will have access to adequate funds at viable rates of interest to meet their developmental needs.

PAN-INDIAN PRESENCE

In order to meet the challenge of competition and remain ahead of the pack, your Company has consciously brought about a paradigm shift in its activities and transformed its corporate image from that of being the biggest and the best in the National Capital Region to that of becoming the foremost real estate developer at the national level, with a truly pan-Indian presence.

Today, your Company's footprints have been established in more than 30 cities across the country. There has been a substantial increase in your

Company's Land Bank with a development potential of around 615 msf, of which a major portion is in the Metro and Super Metro regions.

We have also spread our wings to diversify our project portfolio to span the entire spectrum of infrastructure development and even beyond.

This transformation has been made possible through a series of bold and far-sighted decisions aimed at enhancing our internal corporate efficiency and upgrading our capabilities for project implementation and delivery in tune with global standards.

STRATEGIC INITIATIVES

Your Company has finalized several strategic alliances with global industry leaders in specialized fields, such as:

Laing O'Rourke plc - the largest privately owned construction and hi-tech infrastructure firm in the UK – for Construction;

Dubai World Holdings (Nakheel) - Dubai's premier real estate development company - for Township Development;

Fraport AG – the owner and operator of Frankfurt Airport and a company in the global airport business - for Airport Modernization and Development;

WSP Group - one of the world's fastest-growing design, engineering and management consultancies - for Engineering Design Services;

Feedback Ventures – India's integrated infrastructure services provider - for Consultancy Services;

Fortis Healthcare – premier healthcare provider with a chain of super-specialty hospitals - in the Healthcare sector;

Prudential Financial Inc. – US-based financial services leader - for Life Insurance business;

Hilton International – global hotels and hospitality major - for the Hotels and Hospitality sector.

Your Company has also entered into an agreement with **Four Seasons Hotels and Resorts**, the world's best operator of luxury hotels and resorts, to establish a luxury state-of-the-art resort hotel, overlooking the existing Arnold Palmer Signature Golf Course at the DLF Golf and Country Club in Gurgaon. On completion in 2010, this 250-room hotel will give an impetus to the growing tourism industry in the country, particularly to golf tourism. Likewise, active steps are being taken for development of more luxury hotels and resorts in other parts of the country.

Your Company has also entered into technological partnership agreements with **IBM** for total IT solutions and complete systems integration and with **RAMCO** for computerization of the working processes of the Company. It has also continued its association with **McKinsey Consulting** for restructuring the organization and streamlining operational procedures.

HUMAN RESOURCES

Your management has pioneered innovative human resources policies in the industry and aims to retain its position as a preferred employer of the best talent through a performance-oriented and opportunity-enhancing environment.

The employee pool has been increased by 95 per cent from 1274 to 2478 in the year under review, strengthening its pan-Indian presence across more than 30 cities. Its diverse employee profile comprises professionals and fresh graduates from technical and non-technical backgrounds.

CORPORATE GOVERNANCE

Your Company is committed to conducting its affairs in accordance with the best corporate practices and is constantly striving to improve upon them.

We firmly believe that good corporate governance stems from the management's ideas and thoughts, which cannot be regulated by legislation alone. The DLF management not only ensures compliance with various statutory and regulatory requirements applicable to it, but also goes beyond to ensure exemplary corporate governance.

CORPORATE SOCIAL RESPONSIBILITY

Even as your Company continues to create world-class infrastructure, it has not lost sight of its role as a social and economic change agent across various segments. Your Company has made significant investments over the past five years leading to 2006-07 in community welfare initiatives for employees and citizens at large, particularly the under-privileged, through education, training, health, environment and rural-centric interventions.

FUTURE OUTLOOK

Ladies and Gentlemen, your Company is well placed to continue to lead the Real Estate industry in India and has multiple opportunities for growth and diversification across all lines of business.

Apart from building on its core businesses of Homes, Offices and Malls, your Company has entered the fields of Hospitality and Convention Centres, Healthcare and Community Development, large format integrated land projects like SEZs and Greenfield airport development and modernisation.

Key priorities going forward include focusing on execution of current and planned projects, building a pan-Indian presence, expanding into new consumer segments, pursuing new business opportunities like Wind Energy and Financial Services, Insurance/Asset Management and achieving the highest standards of professionalism, ethics and customer service.

Success cannot be measured by accomplishments alone, but by the vision and foresight to chart our path for the future, the grit and determination we exhibit when we set out to do what has never before been attempted and the unconquerable will and courage with which we overcome the hurdles and obstacles that come in our way.

This is the spirit in which your Company is committed to facing the opportunities and challenges ahead in providing India with world-class real estate products and infrastructure. Our abiding vision, the strength of our human capital, and our commitment to creating enduring value will continue to inspire us as we strive to achieve even greater success in the future.

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank the Central and State Governments, investors at large, bankers, financial institutions, suppliers and customers for their consistent and resolute support. I thank all my colleagues on the Board for their unanimous support and immense encouragement. I would like to specially acknowledge the commitment and dedication of the entire DLF team, working tirelessly to realize the corporate agenda, meeting shareholder aspirations and helping us in creating and sustaining a world-class enterprise.

On the occasion of your Company's 42nd AGM, I would like to once again thank all of you - our valued Shareholders - for your unstinted support in our shared ambition of **Building India**.

Thank you.