

*As India Celebrates 50 Years of Independence,
IFCI entered its Golden Jubilee Year as a
leading all India Financial Institution*

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
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YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

ANNUAL REPORT 1996-97



The Industrial Finance Corporation of India Limited



IFCI, the first Development Finance Institution in India, was set up in 1948, as a Statutory Corporation, to pioneer Institutional credit to medium and large industries. IFCI was also the first institution in financial sector to be converted from a Statutory Corporation into a public limited company. Significantly, as India completes 50 years of independence, IFCI entered its 50th year as a leading all-India Financial Institution.

“CORPORATE CREDO”

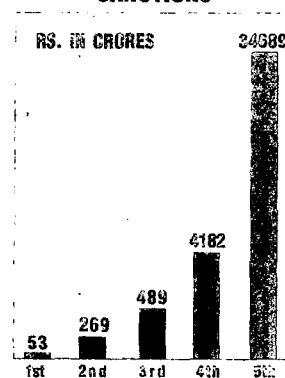
Be a leader in the Indian financial sector, consistent with its role as a Development Finance Institution, providing total solutions at competitive cost, with core strengths in long term lending and related advisory activities by:

- *Developing long term relationship with creditworthy corporate and institutional clients;*
- *Entering other businesses to capitalise on emerging opportunities;*
- *Increasing operational flexibility;*
- *Introducing product innovations;*
- *Enhancing shareholders' value; and*
- *Empowering employees.*

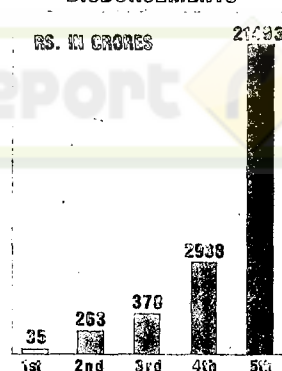


A Saga of Five Decades

SANCTIONS



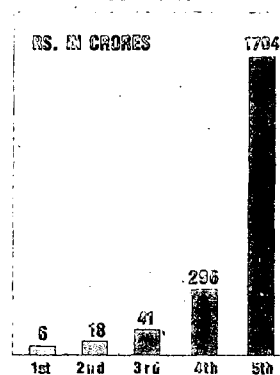
DISBURSEMENTS



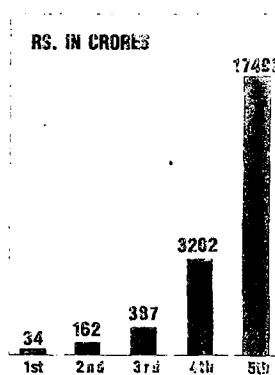
NET PROFIT



NET WORTH



ASSETS



1st Decade : 1948-49 to 1957-58
 2nd Decade : 1958-59 to 1967-68
 3rd Decade : 1968-69 to 1977-78
 4th Decade : 1978-79 to 1987-88
 5th Decade : 1988-89 to 1996-97 (9 Years)



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FOURTH ANNUAL GENERAL MEETING

DATE : 26 September, 1997
 DAY : Friday
 TIME : 11.00 A.M.
 PLACE : Talkatora Indoor Stadium,
 Talkatora Gardens,
 New Delhi - 110 001.

NOTE: 1. Shareholders are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
 2. In view of Directive of Ministry of Finance, Government of India, no gifts or coupons would be given to the shareholders for attending the Annual General Meeting.



BOARD OF DIRECTORS

Shri K.D. Agrawal	Chairman & Managing Director
Shri Rashid Jilani	Chairman & Managing Director, Punjab National Bank
Shri A.V. Singh	Additional Secretary & Financial Advisor to the Government of India, Ministry of Industry
Shri A.K. Jain	Joint Secretary to the Government of India, Ministry of Finance
Shri R.N. Tripathi	Managing Director, Life Insurance Corporation of India
Shri P.V. Narasimham	Executive Director, Industrial Development Bank of India
Shri N. Sankar	Executive Vice Chairman, Champlast Sumatra Ltd.
Shri Dinanath M. Sawhney	Chairman & Managing Director, Triveni Engineering & Industries Ltd.
Dr. Anant Mishra	Secretary General, Federation of Indian Chambers of Commerce & Industry
Shri S.L. Rao	Director General (Retd.), National Council of Applied Economic Research
Shri Vipin Malik	Chartered Accountant & Director, Central Board of Reserve Bank of India



PRINCIPAL OFFICERS

Executive Directors

Shri T. Ganguli

Shri B.M. Agarwal

Shri A.C. Ahuja

Chief General Managers

Shri B.S.S. Gupta (EDP)

Shri S.C. Kumar*

Shri M.V. Muthu

Shri R.S. Rajput

Shri C.D. Ghosh

Shri P.K. Sen Gupta

General Managers

Shri B.N. Banerjee (Law)

Shri Kamal Kishore

Shri R.S. Sharma

Shri R.G. Sharma

Shri B.P. Mishra

Shri D.K. Jain

Shri B.K. Gupta

Shri S.P.S. Mann

Shri N. Sivaraman

Shri D. Ray

Smt. S.P. Lavakare

Shri M.M. Sikka

Shri R.K.M. Prasad

Shri B.R. Mittal (Law)

Shri N.K. Baksi

Shri P.R.N. Kutty (Law)

Shri R.G. Nirmal

Shri Sanjeev Ghai*

Shri M. Narayanan

Shri R.C. Pandey

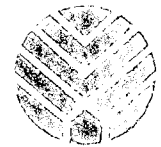
Shri K. Desikan

Company Secretary

Shri R. Loonkar

* On deputation to IFCI Financial Services Limited (I-FIN)

OPERATIONAL HIGHLIGHTS



(Rs. in Crores)

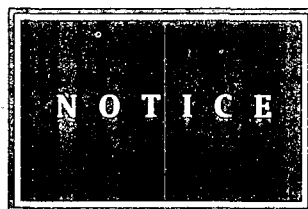
	1995-96		1996-97		Cumulative 1995-97	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
Rupee Loans	7075.89	3008.32	4347.11	3356.24	26396.96	17399.84
Foreign Currency Loans	1154.15	762.85	1441.50	731.80	1061.21	589.48
Underwriting/Direct						
Subscription	618.86	461.58	228.65	304.46	3100.53	1458.18
Guarantees	1154.99	259.15	906.31	579.93	2872.29	1517.15
Equipment Leasing	296.43	71.56	288.77	214.77	1211.37	597.44
TOTAL	10300.32	4563.26	7212.34	5157.14	39582.33	29108.64

FINANCIAL HIGHLIGHTS

(Rs. in Crores)

	As at 31st March, 1996	As at 31st March, 1997
RESOURCES		
Share Capital	352.59	352.59
Reserves & Surplus	1282.53	1350.26
Borrowings in Rupees	8658.45	11441.92
Borrowings in Foreign Currency	2612.99	3107.51
	12905.56	16343.00
ASSETS		
Loans to Assisted Concerns	10858.39	13199.65
Investments	1249.13	1623.46
Fixed Assets	309.23	518.35
Net Current Assets	320.64	627.65
Misc. Expenditure	173.17	165.31
	12905.56	16343.00

	1995-96	1996-97
EARNINGS		
Total Income	1950.63	2582.91
Profit before Tax (Rs. crores)	454.90	461.58
Profit after Tax (Rs. crores)	354.90	378.58
Dividend (%)	25%	25%
	(Subject to tax)	(without deduction of tax)
EPS (Rs.)	10.07	10.07
RATIOS		
Return on Average Networth	25.62%	25.23%
Debt: Equity	7.71:1	6.19:1
Capital Adequacy	12.35%	10.67%



Notice is hereby given that the 4th Annual General Meeting of the Members of The Industrial Finance Corporation of India Ltd., will be held on Friday, 26th September, 1997 at 11.00 A.M. at Talkatora Indoor Stadium, Talkatora Gardens, New Delhi-110 001 to transact the following business :

1. To consider and adopt Audited Balance Sheet as at and Profit & Loss Account for the year ended 31st March, 1997 and the Directors' Report and the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri S.L. Rao who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration and for the purpose to consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution :
"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions of the Companies Act, 1956, M/s. Lodha & Co., Chartered Accountants, Calcutta and M/s. TR. Chadha & Co., Chartered Accountants, New Delhi be and are hereby appointed as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company, in addition to reimbursement of all out of pocket expenses in connection with the audit of the Company."
5. To appoint Shri R.N. Tripathi as a Director of the Company who was appointed as a Director on 2nd August, 1997 to fill the casual vacancy caused by the resignation of Shri S.P. Subhedar. In accordance with Section 262 and Article 130 of the Articles of Association of the Company, Shri R.N. Tripathi holds office upto the date of this Annual General Meeting and in respect of whom the Company has received notice from a member signifying the intention to propose his candidature for the office of Director u/s 257 of the Companies Act, 1956 and to move the following resolution as an Ordinary Resolution:
"RESOLVED that Shri R.N. Tripathi be and is hereby appointed as a Director of the Company, liable to retirement by rotation."
6. To appoint Shri P.V. Narasimham as a Director of the Company who was appointed as an additional Director on 13th January, 1997. In accordance with Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Shri P.V. Narasimham holds office upto the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing from a member, signifying the intention to propose his candidature for the office of Director under Section 257 of the Companies Act, 1956 and to move the following resolution as an Ordinary Resolution:
"RESOLVED that Shri P.V. Narasimham be and is hereby appointed as a Director of the Company, liable to retirement by rotation."
7. To appoint Shri Vipin Malik as a Director of the Company who was appointed as an additional Director on 29th March, 1997. In accordance with Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Shri Vipin Malik holds office upto the date of this Annual General Meeting and in respect of whom the Company has received Notice in writing from a member, signifying the intention to propose his candidature for the office of Director under Section 257 of the Companies Act, 1956 and to move the following resolution as an Ordinary Resolution:
"RESOLVED that Shri Vipin Malik be and is hereby appointed as a Director of the Company, liable to retirement by rotation."
8. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:
"RESOLVED that the authorised share capital of the Company be increased from Rs. 1,000,00,00,000 (Rupees one thousand crores) to Rs. 1,500,00,00,000 (Rupees one thousand five hundred crores) divided into 100,00,00,000 equity shares of Rs. 10/- each and 50,00,00,000

cumulative redeemable preference shares of Rs. 10/- each.

FURTHER RESOLVED that the Memorandum of Association of the Company be altered by amending Clause V as follows:

The words and figures "Rs. 1,000,00,00,000 (Rupees one thousand crores) divided into 90,00,00,000 equity shares of Rs. 10 each and 10,00,00,000 cumulative redeemable preference shares of Rs. 10 each" be substituted by the words and figures "Rs. 1,500,00,00,000 (Rupees one thousand five hundred crores) divided into 100,00,00,000 equity shares of Rs. 10 each and 50,00,00,000 cumulative redeemable preference shares of Rs. 10 each."

9. To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

"RESOLVED that the Articles of Association of the Company be altered by substituting the following for Article 3 of the Articles of Association of the Company:

The authorised Share Capital of the Company is Rs.1,500,00,00,000 (Rupees one thousand five hundred crores) divided into 100,00,00,000 equity shares of Rs. 10 each and 50,00,00,000 cumulative redeemable preference shares of Rs. 10 each."

10. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED that in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such approval, consent, permission and/or sanction, if any, as may be necessary and subject to such conditions and modifications as may be prescribed by any authorities in granting such approval, consent, permission and/or sanction and which may be agreed to by the Board of Directors (hereinafter referred to as "the Board"), the consent of the Company be and is hereby accorded to the Board to issue/offer cumulative redeemable preference shares of the face value of Rs.10 each of an aggregate amount not exceeding Rs.400 crores (Rupees four hundred crores) as the Board at its sole discretion may at any time or times hereafter decide, to the Members, Bondholders, Employees, Banks, Insurance Companies, Financial Institutions, Investment Institutions, Mutual Funds, Companies and other Bodies Corporate, Non-Resident Indians, Overseas Corporate Bodies (OCBs), Foreign Institutional Investors (FIIs) and to such other persons or class of persons, whether through public issue, rights issue, private placement and in one or more tranches, at such price or prices and on such terms and conditions including the number of shares to be issued, rate of dividend, redemption period, manner of redemption, and related or incidental matters, as the Board may in its absolute discretion think fit.

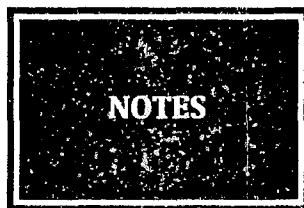
FURTHER RESOLVED that such of these shares to be issued, as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board may, in its absolute discretion, think most beneficial to the Company.

FURTHER RESOLVED that for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment and utilisation of the proceeds of issue of the cumulative redeemable preference shares and to finalise and execute all documents and writings as may be necessary, desirable or expedient."

BY ORDER OF THE BOARD OF DIRECTORS

Registered Office :
Bank of Baroda Building,
16, Sansad Marg, New Delhi-110 001.
August 18, 1997

R. LOONKAR
COMPANY SECRETARY



1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Explanatory Statement setting out material facts in respect of the business under Item Nos. 5 to 10 is annexed hereto.
3. Register of Members and the Share Transfer Books shall remain closed from Thursday, the 28th August 1997, to Friday, the 26th September, 1997, (Both days inclusive) for the purpose of ascertaining entitlement to Dividend.
4. The Dividend on Equity Shares, if declared, will be paid on or after the 27th September, 1997.
The Dividend, will be exempt from income tax in the hands of the Members in terms of the relevant provisions of the Finance Act, 1997.
5. The members are requested to intimate to the Registrar & Transfer Agents, M/s. MCS Ltd. (Unit: IFCI Equity Shares), 212A, Srivenkatesh Bhawan, Shahpur Jat, New Delhi - 110 049, change of address, if any, at the earliest quoting their registered folio number.
6. Members holding shares in more than one folio in identical order of names are requested to write to the Company or R&TA enclosing their share certificates to enable us to consolidate their holdings in one folio to facilitate better service.
7. The unclaimed Dividend for 1993-94 shall be transferred to the General Revenue Account of the Central Govt. immediately after 20th October, 1997 as required by the Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Members who have not encashed their Dividend Warrants are requested to approach the Company or R&TA immediately.
8. Members who have not forwarded earlier the details of their bank account number and the name and address of the bank are requested again to advise the same to the Company or R&TA quoting their Folio Number(s) for incorporating these details on Dividend Warrants to avoid fraudulent encashment of the dividend warrants.
9. Shareholders seeking any information with regard to accounts or operations are requested to write to the Company at an early date so as to enable the management to keep the information ready.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.

ITEM NO.5

Shri R.N. Tripathi was appointed as a Director on 2nd August, 1997 to fill the casual vacancy caused by the resignation of Shri S.P. Subhedar. Shri R.N. Tripathi is Managing Director of Life Insurance Corporation of India.

Shri Tripathi holds office upto the date of this Annual General Meeting and the Company has received notice from a member under Section 257 of the Companies Act, 1956, signifying the intention to propose the candidature of Shri R.N. Tripathi for the office of Director. The Board of Directors commends the passing of the said resolution.

None of the Directors except Shri R.N. Tripathi is concerned or interested in the said resolution.

ITEM NO.6

Shri P.V. Narasimham was appointed as an additional Director of the Company on 13th January, 1997. Shri Narasimham is Executive Director of IDBI.

Shri Narasimham holds office upto the date of this Annual General Meeting and the Company has received notice from a member under Section 257 of the Companies Act, 1956, signifying the intention to propose the candidature of Shri Narasimham for the office of Director. The Board of Directors commends the passing of the said resolution.

None of the Directors except Shri P.V. Narasimham is concerned or interested in the said resolution.

ITEM NO.7

Shri Vipin Malik is a practising Chartered Accountant based at New Delhi. He is also on the Central Board of Reserve Bank of India besides being Director of other companies. He was appointed as an additional Director on 29th March, 1997.

Shri Vipin Malik holds office upto the date of this Annual General Meeting and the Company has received notice from a member under Section 257 of the Companies Act, 1956, signifying the intention to propose the candidature of Shri Vipin Malik for the office of the Director. The Board of Directors commends the passing of the said resolution.

None of the Directors except Shri Vipin Malik is concerned or interested in the said resolution.

ITEM NO.8 to 10

Section 81 of the Companies Act, 1956, provides that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in the general meeting may decide otherwise. The listing agreement with the stock exchanges also have provisions to the similar effect.

Your company is one of the leading all India Financial Institutions. Being in the business of providing finance to industries as well as the service sector, it has to constantly raise resources. Preference shares might also have to be included in the resource raising plan keeping in view the objective of enlarging the capital base, capital adequacy, tax benefits, etc., without enlarging the equity base or diluting EPS or net worth per share. By an amendment in the Income Tax Act, 1961, dividend has now been exempted from tax in the hands of shareholders. This has also made Preference Shares an attractive proposition for investors as well as issuers.

Pursuant to the resolution u/s 81 of the Companies Act, 1956, passed by the shareholders at the last Annual General Meeting held on the 18th September, 1996, your Company successfully made issue of Preference Shares in July, 1997, for the entire amount of Rs.100 crores.

Resolution set out at item No.10 is an enabling resolution empowering the Board of Directors to further issue cumulative redeemable preference shares as envisaged in the resolution.

The present authorised share capital of the Company is Rs. 1000 Crores divided into 90 crore Equity Shares of Rs. 10/- each and 10 crore Cumulative Redeemable Preference Shares of Rs. 10/- each. It is proposed now to increase the authorised share capital to Rs. 1500 crores divided into 100 crore equity shares of Rs. 10/- each and 50 crore Cumulative Redeemable Preference Shares of Rs. 10/- each. The resolution set out at S.Nos. 8 & 9 are for increasing the authorised capital as aforesaid and carrying out the necessary changes in the Memorandum and Articles of Association in this respect.

None of the Directors is concerned or interested in the resolutions set out at item nos. 8 & 9.

The Directors may be deemed to be the concerned or interested in the resolution set out at item no. 10 to the extent the preference shares may be allotted to them and/or their relatives and/or bodies corporate in which they may be interested.

BY ORDER OF THE BOARD OF DIRECTORS
R. LOONKAR
COMPANY SECRETARY

Registered Office :
Bank of Baroda Building,
16, Sansad Marg,
New Delhi-110 001.
August 18, 1997



DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the Fourth Annual Report of The Industrial Finance Corporation of India Ltd., (IFCI), together with the Audited Statement of Accounts for the year ended the 31st March, 1997.

Profits and Appropriations

Total income during 1996-97 aggregated Rs.2582.41 crores (previous year : Rs. 1950.63 crores) and pre-tax profit amounted to Rs. 462.56 crores (Rs. 454.90 crores). After making a provision of Rs.84.00 crores (Rs. 100.00 crores) for taxation, profit after taxation amounted to Rs.378.56 crores (Rs.354.90 crores). Taking into account the surplus of Rs.55.93 crores (Rs.19.06 crores) brought forward from the previous year, the disposable profit for the year aggregated Rs.434.49 crores (Rs.373.96 crores). Your Board of Directors have approved appropriation of disposable profit, as under :-

	(Rs. crores)	
	1996-97	1995-96
Profit before taxation	462.56	454.90
Provision for taxation	84.00	100.00
Profit after taxation	378.56	354.90
Surplus brought forward from previous year	55.93	19.06
Profit available for appropriation	434.49	373.96
APPROPRIATIONS		
Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	100.00	129.06
Benevolent Reserve Fund	1.00	1.00
Staff Welfare Fund	0.50	0.30
General Reserve	135.00	100.00
Proposed Dividend	105.78	87.67
Corporate Dividend tax	10.58	—
Balance carried to Balance Sheet	81.63	55.93
Total	434.49	373.96

Dividend

In view of the satisfactory working results, your Board of Directors have recommended payment of dividend @ 30% (tax free) on equity shares for 1996-97 as against 25% (subject to tax) for the previous year.

Operating Environment And Your Corporation's Strategic Response

The pace of economic growth achieved in the previous years, as a consequence of ongoing structural and economic liberalisation measures, was sustained during 1996-97, with growth rate of GDP at factor cost estimated at 6.8% during the year. Inflation continued

to remain within manageable limits with the average annual increase in Wholesale Price Index (WPI) at 6.4% in 1996-97 which has further come down to 4.05% during the week ended August 2, 1997. The year witnessed slower growth in industrial production. Decline was more pronounced in the electricity and mining sectors compared to the manufacturing sector. However, a favourable monsoon ensuring improved agricultural production, especially foodgrains, helped to sustain overall economic growth.

Against the backdrop of tight liquidity conditions in the previous year characterised by contraction in money supply for a variety of factors, the liquidity situation in 1996-97 eased considerably as a result of monetary and credit policy initiatives taken by the Government of India and Reserve Bank of India. These measures resulted in increase in the lendable resources and the year witnessed an all-round reduction in the lending rates offered by Commercial Banks and Financial Institutions. However, the credit off-take remained somewhat subdued mainly on account of the sluggish investment climate and the inability of corporates to raise equity capital envisaged for financing investments from the capital market. Your Corporation could, however, successfully meet its commitments towards disbursements to assisted concerns by raising requisite resources and recorded an increase in disbursements by over 13% during the year compared to the previous year. Further, to ensure that the ongoing projects assisted by your Corporation do not suffer time and cost overruns during implementation because of their inability to access equity resources through public issues, your Corporation had taken several initiatives including restructuring of the debt-equity ratios, sanction of additional loans and/ or Underwriting/Direct Subscription to equity and providing assistance to promoter concerns for investment in equity of concerns promoted by them which had been facing difficulty in raising non-promoters' share of equity from capital market.

After the close of the financial year, the Reserve Bank of India in its monetary and credit policy for the first half of 1997-98 revived the concept and significance of the Bank Rate. It also notified its intention to make the Bank Rate both an effective signalling rate and a reference rate. Subsequently, the reductions in the Bank Rate announced by the Reserve Bank of India triggered a general reduction in lending rates by Commercial Banks and Financial Institutions. With these measures, the credit off-take is likely to improve further during 1997-98 which will give a boost to the industrial investment.

In line with the continued emphasis laid by the Government on infrastructure development, your Corporation is playing an increasing role in direct financing of infrastructure projects. IFICI has also been