



IFCI

A N N U A L R E P O R T 1 9 9 8 - 9 9



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 the financial sector to be converted from a Statutory Corporation into a public limited company.

IFCI's record of performance has broadly run parallel to the course of progress of independent India in over half a century of dedicated efforts towards industrial development and economic prosperity of the nation.

"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 innovation***
- ***Enhancing shareholders' value; and***
- ***Empowering employees.***

SIXTH ANNUAL GENERAL MEETING

DATE : 23rd September, 1999
DAY : Thursday
TIME : 11.00 A.M.
PLACE : Air Force Auditorium, Subroto Park,
New Delhi - 110 010.

- NOTE :**
1. Shareholders are requested to bring their copy of the Annual Report with them to the Annual General Meeting.
 2. No gifts or coupons would be given to the shareholders for attending the Annual General Meeting.

This Annual Report has been printed on woodfree eco-friendly paper.



BOARD OF DIRECTORS

Shri P.V. Narasimham Chairman & Managing Director

Shri N. Sankar

Dr. Amit Mitra

Shri Dhruv M. Sawhney

Shri Vipin Malik

Shri A.V. Singh

Shri Anoop Mishra

Shri Ramesh Mishra

Shri S.K. Chakrabarti

Shri Y.P. Gupta

Shri Tapan Ganguli Wholetime Director

Shri B.M. Agarwal Wholetime Director

COMPANY SECRETARY

Shri R. Loonkar

PRINCIPAL OFFICERS

EXECUTIVE DIRECTOR

Shri A.C. Ahuja

CHIEF GENERAL MANAGERS

Shri B.S.S. Gupta (IT)

Shri M.V. Muthu

Shri C.D. Ghosh

Shri Sanjoy Chowdhury (Economic Adviser)

Shri S.C. Kumar

Shri R.S. Rajput

Shri P.K. Sen Gupta

Shri D.R. Gangopadhyay (Vigilance)

GENERAL MANAGERS

Shri B.N. Banerjee (Law)

Shri B.K. Gupta

Shri R.K.M. Prasad

Shri M. Narayanan

Shri R.G. Sharma

Shri D. Ray

Shri R.C. Pandey

Shri Narinder Kumar

Shri Lokanath Mishra

Shri S.K. Bhoan

Shri N.K. Ramachandran

Shri S.K. Mandal

Shri Narendar Kumar (IT)

Shri R.S. Sharma

Shri N. Sivaraman

Shri N.K. Baksi

Shri K. Desikan

Shri D.K. Jain

Shri M.M. Sikka

Shri R. Krishnan (Estate)

Shri N.K. Jain

Dr. S.S. Jha

Shri V.P. Ahuja

Shri A.K. Ahuja

Shri C.V. Kamalakar (Law)

Shri N.P. Kumar (Hindi)

Shri B.P. Mishra

Smt. S.P. Lavakare

Shri R.G. Nirmal

Shri Kamal Kishore

Shri S.P.S. Mann

Shri Sanjeev Ghai

Lt. Col. (Retd.) P.P. Singh (Security & Chief Fire Officer)

Shri D. Rama Rao

Shri R.K. Narang

Shri R.K. Chavali

Shri H.N. Belawat

Shri A.K. Choudhary (IT)

Shri Javed Yunus (CC)



OPERATIONAL HIGHLIGHTS

	1997-98		1998-99		(Rs. Millions) Cumulative 1948-99	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
Rupee Loans	36989.1	36144.5	59263.6	29218.0	311341.5	243620.9
Foreign Currency Loans	11405.5	12245.7	3214.5	4002.9	65839.6	53079.9
Underwritings/Direct Subscriptions	5634.3	5087.9	6271.2	4431.1	28570.6	24501.0
Guarantees	20944.4	2055.6	15302.7	8341.8	53951.8	25633.4
Equipment Leasing	1958.6	969.8	2785.9	1501.5	12748.2	8304.0
TOTAL	76931.9	56503.5	86837.9	47495.3	472451.7	355139.2

FINANCIAL HIGHLIGHTS

	(Rs. Millions)	
	As at 31st March, 1998	As at 31st March, 1999
RESOURCES		
Share Capital	4529.35	7904.84
Reserves & Surplus	12439.47	9361.44
Borrowings in Rupees	143623.80	164598.58
Borrowings in Foreign Currency	36556.56	37133.03
	197149.18	218997.89
ASSETS		
Loans to Assisted Concerns	164233.38	178418.43
Investments	20908.07	27447.41
Fixed Assets	5292.64	5107.32
Net Current Assets	5313.95	6774.25
Misc. Expenditure	1401.14	1250.48
	197149.18	218997.89

	1997-98	1998-99
EARNINGS		
Total Income	26016.99	28885.13
Profit before Tax (Rs. million)	4545.00	235.01
Profit after Tax (Rs. million)	3705.00	235.01
Dividend	30%	10%
RATIOS		
Capital Adequacy	11.57%	8.37%

**NOTICE**

Notice is hereby given that the 6th Annual General Meeting of the Members of The Industrial Finance Corporation of India Ltd. will be held on Thursday, 23rd September, 1999 at 11.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi 110 010 to transact the following business :

1. To consider and adopt the Audited Balance Sheet as at and Profit & Loss Account for the year ended 31st March, 1999 and the Directors' Report and the Auditors' Report thereon.
2. To declare dividend on Preference and Equity Shares.
3. To appoint a Director in place of Shri Vipin Malik who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Shri Rajesh V. Shah as a Director of the Company in place of Shri Dhruv M. Sawhney who retires by rotation and has expressed his desire not to offer himself for re-appointment. The Company has received a notice in writing from a member signifying the intention to propose the candidature of Shri Rajesh V. Shah for the office of Director under Section 257 of the Companies Act, 1956 in the vacancy being caused by the retirement of Shri Dhruv M. Sawhney and to move the following resolution as an Ordinary Resolution :
"RESOLVED that Shri Rajesh V. Shah be and is hereby appointed as a Director of the Company liable to retirement by rotation."
5. 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. T.R. 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."
6. To appoint Shri Y.P. Gupta as a Director of the Company who was appointed as a Director on 22nd April, 1999 to fill the casual vacancy caused by the resignation of Shri R.N. Tripathi. In accordance with the provisions of Section 262 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Shri Y.P. Gupta 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 Y.P. Gupta be and is hereby appointed as a Director of the Company, liable to retirement by rotation."

7. To appoint Shri S.K. Chakrabarti as a Director of the Company who was appointed as an additional Director on 30th September, 1998. In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Shri S.K. Chakrabarti 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 S.K. Chakrabarti be and is hereby appointed as a Director of the Company, liable to retirement by rotation."
8. To appoint Dr. Prasanna Chandra as a Director of the Company 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 Dr. Prasanna Chandra be and is hereby appointed as a Director of the Company, liable to retirement by rotation."
9. To appoint Dr. Ashok Lahiri as a Director of the Company 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 Dr. Ashok Lahiri be and is hereby appointed as a Director of the Company, liable to retirement by rotation."
10. 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. 1,500,00,00,000 (Rupees One thousand five hundred crores) to Rs. 3,000,00,00,000 (Rupees Three thousand crores) divided into 150,00,00,000 equity shares of Rs. 10/- each and 150,00,00,000 preference shares of Rs. 10/- each."



FURTHER RESOLVED that the Memorandum of Association of the Company be altered by substituting the following for Clause V of the Memorandum of Association of the Company :

- V. The authorised share capital of the Company is Rs. 3,000,00,00,000 (Rupees Three thousand crores) divided into 150,00,00,000 equity shares of Rs. 10 each and 150,00,00,000 preference shares of Rs. 10 each, with rights, privileges and conditions attached thereto as are provided by the Articles of Association of the Company for the time being with power to increase and reduce the capital of the Company and to divide the share in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the Articles of Association of the Company for the time being."
11. 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 :
3. The authorised share capital of the Company is Rs. 3,000,00,00,000 (Rupees Three thousand crores) divided into 150,00,00,000 equity shares of Rs. 10/- each and 150,00,00,000 preference shares of Rs. 10/- each."
12. 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" which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to issue/offer 100,00,00,000 preference shares of the face value of Rs. 10/- each of an

aggregate amount of Rs. 1,000 crores (Rupees One thousand 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, terms for cumulation or otherwise 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 preference shares and to finalise and execute all documents and writings as may be necessary, desirable or expedient."

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

"RESOLVED that subject to the approval of the Central Government under Section 21 and other applicable provisions, if any, of the Companies Act, 1956, the name of the Company be changed from "The Industrial Finance Corporation of India Limited" to "IFCI Limited" and accordingly the name "The Industrial Finance Corporation of India Limited" wherever it appears in the Memorandum and Articles of Association and in all other records of the Company be substituted by the name "IFCI Limited".

Registered Office :
IFCI Tower,
61, Nehru Place,
New Delhi 110 019.

29th July, 1999

By Order of the Board of Directors

R. LOONKAR
Company Secretary

**NOTES :**

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. 4 and 6 to 13 is annexed hereto.
3. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered office of the Company during office hours on all working days except Saturdays and Sundays between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
4. Register of Members and the Transfer Books for Equity Shares shall remain closed from Friday, the 23rd July, 1999 to Tuesday, the 10th August, 1999 (both days inclusive) for the purpose of ascertaining entitlement of Members to the Dividend.
5. The Dividend on Equity Shares, if declared, will be paid on or after the 24th September, 1999 to those members whose names appear :
 - (a) As Beneficial Owners as at the end of the business on 22nd July, 1999, as per the list being furnished by National Securities Depository Ltd. in respect of the shares held in electronic form, and
 - (b) as Members in the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 22nd July, 1999.
6. 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.
7. Members holding shares in more than one folio in identical order of names are requested to write to the R&TA enclosing their share certificates to enable us to consolidate their holdings in one folio to facilitate better service.
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. While opening a depository account with participants of NSDL, you may have given your bank account details, which will be used by the Company for printing on dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the account specified on the dividend warrant. This ensures safety for investors. However, you may want to receive dividend in an account other than the one specified, while opening the depository account. If so, you may

change/correct bank account details with your depository participant. We also request you to kindly give MICR code of your bank to your depository participant.

10. Members 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. 4**

Shri Dhruv M. Sawhney who has been a Director of the Company for about six years has expressed his desire not to offer himself for re-appointment.

The Company has received notice under Section 257 of the Companies Act, 1956 from a member signifying the intention to propose the candidature of Shri Rajesh V. Shah in the vacancy being caused by retirement of Shri Dhruv M. Sawhney.

Shri Shah is a well known industrialist. He is Managing Director of Mukand Ltd. Shri Shah is actively associated with industry association(s) and was President of Confederation of Indian Industry (CII). The Board of Directors commends the passing of the said resolution.

None of the Directors is concerned or interested in the resolution.

Though explanatory statement as such is not strictly required for this item, it is being provided for information of Members.

Item No. 6

Shri Y.P. Gupta was appointed as a Director on 22nd April, 1999 to fill the casual vacancy caused by the resignation of Shri R.N. Tripathi. Shri Y.P. Gupta is Managing Director of Life Insurance Corporation of India and LIC Housing Finance Ltd.

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

None of the Directors except Shri Y.P. Gupta is concerned or interested in the said resolution.

Item No. 7

Shri S.K. Chakrabarti was appointed as an additional Director of the Company on 30th September, 1998. Shri Chakrabarti is Executive Director of IDBI.

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

None of the Directors except Shri S.K. Chakrabarti is concerned or interested in the said resolution.

Item Nos. 8 and 9

The Company has received notice(s) under Section 257 of the Companies Act, 1956 from member(s) signifying their



intention to propose the candidature of Dr. Prasanna Chandra and Dr. Ashok Lahiri for the office of Directors.

Dr. Prasanna Chandra is Director, Centre for Financial Management (CFM). He is a distinguished professor having specialised knowledge and expertise in financial management. He had served as a member of several committees appointed by the government/SEBI.

Dr. Ashok Lahiri is Director, National Institute of Public Finance and Policy (NIPFP). He is Economic Adviser in the Ministry of Finance, Government of India and is on deputation to NIPFP. Dr. Lahiri is an economist and was earlier associated with International Monetary Fund and World Bank.

The Board of Directors commends the passing of the said resolution(s).

None of the Directors is concerned or interested in the aforesaid resolutions.

Item Nos. 10 to 12

The present authorised share capital of the Company is 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 issued equity share capital is Rs. 353 crores and Company is further making rights issue in the ratio of 1:1. The preference share capital is presently Rs. 457 crores. Your Company, being an All India Financial Institution, is in the business of financing. It has to, therefore, raise resources on ongoing basis by way of debt as well as capital. Infusion of capital from time to time is must for business growth as well as from prudence point of view. It ensures that healthy capital adequacy and Debt Equity Ratio is maintained and enhances the borrowing capacity.

It is, therefore, proposed to increase the authorised share capital to Rs. 3000 crores divided into 150 crore equity shares of Rs. 10/- each and 150 crore preference shares of Rs. 10/- each. The resolutions set out at S. Nos. 10 & 11 are for increasing the authorised capital as aforesaid and carrying out the necessary changes in the Memorandum and Articles of Association in this respect.

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 decide otherwise. The listing agreement with the stock exchanges also have provisions to the similar effect. Resolution set out at item no. 12 is an enabling resolution empowering the Board of Directors to further issue preference shares as envisaged in the resolution notwithstanding that the total amount of preference shares issued may exceed the total amount of equity capital issued.

None of the Directors is concerned or interested in the resolutions set out at item Nos. 10 and 11.

The Directors may be deemed to be the concerned or interested in the resolution set out at item no. 12 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.

Item No. 13

Our Company is widely known and referred to as "IFCI" in business circles as well as to the general public and the corporate identity has always been as "IFCI". Changing the name to IFCI Ltd. would formalise this. The new name would reflect as well as reinforce the corporate identity. It would also contribute towards developing and strengthening "IFCI" as a distinct brand equity and would facilitate the "Corporate Image Management". A short name has also greater recall value.

An application will be made to the Central Government for the change of name under Section 21 of the Companies Act. The Board of Directors commends the passing of the said resolution.

None of the Directors is concerned or interested in the said resolution.

Registered Office :

IFCI Tower,
61, Nehru Place,
New Delhi - 110 019.

By Order of the Board of Directors

29th July, 1999

R. LOONKAR
Company Secretary

LISTING AT STOCK EXCHANGES

The Company's Equity Shares are listed on the following six Stock Exchanges in India. Besides, the bonds issued to the public by the Company are also listed at the Stock Exchanges mentioned at Sl. Nos. (1), (2) and (3) below :

- | | |
|--|---|
| (1) The Delhi Stock Exchange Association Ltd.,
West Plaza, Indira Gandhi Stadium,
Indraprastha Estate,
New Delhi - 110 002. | (2) The Stock Exchange, Mumbai,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001. |
| (3) National Stock Exchange of India Ltd.,
Trade World, Senapati Bapat Marg, Lower Parel,
Mumbai - 400 013. | (4) The Calcutta Stock Exchange Association Ltd.,
7, Lyons Range,
Calcutta - 700 001. |
| (5) The Stock Exchange, Ahmedabad,
Kamdhenu Complex,
Opp. Sahajanand College,
Panjarapole,
Ahmedabad - 380 015. | (6) Madras Stock Exchange Ltd.,
Exchange Building,
11, Second Line Beach,
Chennai - 600 001. |

Various series of bonds issued by IFCI when it was a statutory corporation and which are guaranteed by the Govt. of India are listed on certain Stock Exchanges viz. Delhi stock Exchange, Stock Exchange, Mumbai, Calcutta Stock Exchange and Madras Stock Exchange.

The Company has paid the annual listing fee to the Stock Exchanges for the financial year 1998-99.



DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Sixth Annual Report of the Corporation together with the Audited Statements of Accounts for the year ended 31st March, 1999.

FINANCIAL RESULTS

	(Rs. Millions)	
	1998-99	1997-98
Total Income	28885.13	26016.99
Profit before taxation	235.01	4545.00
Provision for taxation	—	840.00
Profit after taxation	235.01	3705.00
Surplus brought forward from previous year	474.95	816.28
Profit available for appropriation	709.96	4521.28

APPROPRIATIONS

Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	—	1450.00
Staff Welfare Fund	—	5.00
General Reserve	—	1350.00
Proposed Dividend on Equity and Preference Shares	589.48	1128.45
Corporate Dividend tax	62.49	112.88
Balance carried to Balance Sheet	57.99	474.95

DIVIDEND

The Board of Directors has recommended dividend on equity shares @ 10% for the year 1998-99.

OPERATING ENVIRONMENT AND OUTLOOK

The operating environment was not particularly favourable during 1998-99. Several East Asian economies experienced sharply negative GDP growth during 1998 and world economic growth too is estimated to have decelerated in 1998 to less than 2% compared with 3.2% in the previous year. Against this global backdrop, the performance of the Indian economy, though creditable, was also not very healthy. Although real GDP growth is estimated at 5.8% during 1998-99 compared with 5% in the previous year, this jump was driven mainly by an estimated 6.6% growth (-1.0% in 1997-98) in the agricultural sector. Growth of industrial

production is put at only 3.8% in 1998-99 compared with 6.6% in 1997-98.

The slowdown in industry during 1998-99 – which witnessed the lowest growth since 1992-93 – is likely to have been caused by both demand and supply factors:

- Weak demand from the agricultural sector as income growth was affected by the negative growth of this sector in 1997-98;
- Significant over-capacity in several industries which particularly affected production of many capital goods industries;
- The failure of external demand to compensate for the sluggish domestic scenario;
- The gradual lowering of import tariffs and the elimination of non-tariff barriers which affected the benchmark for domestic prices in a number of industries.

Several major industries in India, including cement, chemicals, paper, steel, synthetic fibres and textiles have been affected by the above developments, and this in turn has put pressure on the profitability of these industries. Significantly, 1998-99 would be the third consecutive year of poor performance in respect of corporate profits. The only exceptions to this trend appear to be companies in the information technology and pharmaceutical industries. Poor profitability has in turn also affected the internal generation of funds, especially by companies in the manufacturing sector. New investments have been similarly affected. A significant share of new investments is being financed through debt, especially in light of the poor response to equity offerings. However, without the matching equity funds, it is often difficult for companies to raise the debt funds through borrowings, even to complete ongoing investments.

The inflation picture has brightened somewhat in recent months. Although inflation registered a strong up-tick during the year (consumer prices were up 19.7% y-o-y in November 1998), it has since eased to single digit. The deceleration in inflation and weak credit demand influenced a cut in interest rates by the Reserve Bank towards the end of 1998-99. The Bank Rate was thus cut from 9% to 8%. Significantly, the growth of overall bank credit to the commercial sector too has eased in recent months. The latest cut in interest rates reflects the sluggish investment climate. The CapEx Monitoring System of the Centre for Monitoring the Indian Economy shows net fresh investments in 1998-99 of Rs. 559.6 billion, 34% lower than in 1997-98 and 63% below that in 1996-97.

The economic environment in 1998-99 was thus far from being conducive to the Corporation's operations. Not only have new investments shrunk, both in number and value, but most projects are also facing delays as they are unable to effect their financial closure. A disturbing trend has been the sharp rise in the number of companies that were referred to the BIFR during the past year. It is against this sluggish economic scenario that the Corporation's financial results are presented.



SANCTIONS AND DISBURSEMENTS

During the year 1998-99, your Corporation sanctioned aggregate assistance of Rs. 86,838 million to 242 projects compared with Rs. 76,932 million to 253 projects in 1997-98, registering a growth of about 13%. Total disbursements during 1998-99 amounted to Rs. 47,495 million compared with Rs. 56,504 million in 1997-98.

A significant feature of your Corporation's performance has

been that a major share of assistance was for asset creation, consisting of 93% and 92% of the total sanctions and disbursements respectively. The assistance extended by your Corporation has been widely dispersed amongst all industries; assistance to any one industry has not exceeded 15% of the total outstanding assistance.

The industry-wise distribution of sanctions and disbursements in 1997-98 and 1998-99 is provided in Table 1.

TABLE 1: INDUSTRY-WISE SANCTIONS & DISBURSEMENTS

(Rs. Millions)

INDUSTRY	SANCTIONS				DISBURSEMENTS			
	1997-98		1998-99		1997-98		1998-99	
	Amount	%	Amount	%	Amount	%	Amount	%
Power Generation	21,871	28.4	31,060	35.8	4,497	7.9	8,207	17.3
Telecom Services	2,360	3.1	9,770	11.3	2,371	4.2	1,633	3.4
Textiles	7,254	9.4	5,682	6.5	5,647	10.0	5,376	11.3
Hotels	630	0.8	4,915	5.7	899	1.6	603	1.3
Petroleum Refining	2,993	3.9	4,000	4.6	7,050	12.5	2,617	5.5
Iron & Steel	12,072	15.7	3,781	4.4	6,560	11.6	6,283	13.2
Steam Generation	—	—	2,790	3.2	—	—	—	—
Cement	2,252	2.9	2,346	2.7	2,606	4.6	1,151	2.4
Ports	1,090	1.4	2,196	2.5	2,138	3.8	2,212	4.7
Petro product pipeline	—	—	2,000	2.3	—	—	—	—
Sugar	834	1.1	1,763	2.0	824	1.5	898	1.9
Others	25,576	33.3	16,535	19.0	23,912	42.3	18,515	39.0
TOTAL	76,932	100.0	86,838	100.0	56,504	100.0	47,495	100.0

The infrastructure sector including power generation, telecom services, ports and port related services, bridges and roads accounted for 50.4% of total sanctions and 25.6% of total disbursements in 1998-99 compared with 32.9% and 15.9% respectively in the previous year. The Corporation provided assistance to several unique projects during the past year. This included assistance for the construction of a toll bridge, generation of steam for sale to industrial concerns; a geo-stationary, satellite-based telecommunication system to provide fixed, mobile and satellite services; aviation services; and two pipeline projects for transportation of petroleum products.

Outstanding commitments for Rupee loans stood at Rs.72.1 billion as of March 31st,1999. Total outstanding commitments,

including foreign currency loans, shares, debentures and guarantees, stood at Rs.113.2 billion. Over 50% (Rs.57.3 billion) of the total outstanding commitments were to the power and telecom sectors.

The product-wise sanctions and disbursements data is provided in Table 2. The share of Rupee loans in the total sanctions increased sharply during 1998-99 largely due to a loss of appetite by borrowers for foreign currency assistance on account of exchange rate risks. A sharp fall was discernible both in respect of sanctions and disbursements of foreign currency loans during the year. Although the share of funds-based assistance in total sanctions grew in 1998-99, the same was not true in respect of disbursements.