IFCI

LIMITED

आई एफ सी आई लिमिटेड

ANNUAL REPORT 1999 - 2000

IFCI LIMITED
आई एफ सी आई लिमिटेड

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.***

SEVENTH ANNUAL GENERAL MEETING
DATE : 20th September, 2000
DAY : Wednesday
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. 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
Dr. Amit Mitra	
Shri Vipin Malik	
Shri Anoop Mishra	
Shri Ramesh Mishra	
Shri Y.P. Gupta	
Shri Rajesh V. Shah	
Dr. Prasanna Chandra	
Dr. Ashok Lahiri	
Shri T.M. Nagarajan	
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 K.A. Najmi (Legal Adviser)
Shri S.C. Kumar
Shri R.S. Rajput
Shri P.K. Sen Gupta
Shri O.P. Aggarwal (Vigilance)

GENERAL MANAGERS

Shri B.N. Banerjee (Law)
Smt. S.P. Lavakare
Shri Kamal Kishore
Shri Sanjeev Ghai
Shri Narinder Kumar
Shri Lokanath Mishra
Shri R.K. Chavali
Shri S.K. Mandal
Shri N.P. Kumar (Hindi)
Shri V.S. Pandey
Shri R.S. Sharma
Shri R.K.M. Prasad
Shri D.K. Jain
Shri R.C. Pandey
Shri N.K. Jain
Dr. S.S. Jha
Shri N.K. Ramachandran
Shri C.V. Kamalakar (Law)
Shri Javed Yunus (CC)
Shri D.U. Rao
Shri B.P. Mishra
Shri R.G. Nirmal
Shri S.P.S. Mann
Shri R. Krishnan (Estates)
Shri D. Rama Rao
Shri S.K. Bhoan
Shri A.K. Ahuja
Shri A.K. Choudhary (IT)
Shri K.R. Rajora
Shri N. Sivaraman
Shri M. Narayanan
Shri D. Ray
Lt. Col. (Retd.) P.P. Singh
(Security & Chief Fire Officer)
Shri V.P. Ahuja
Shri H.N. Belawat
Shri Narendar Kumar (IT)
Shri Naresh Saluja

OPERATIONAL HIGHLIGHTS

(Rs. millions)

	1998-99 (April-March)		1999-2000 (April-March)		Cumulative 1948-2000 (July, 1948 to March, 2000)	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
Rupee Loans	31,495.0	29,733.7	17,212.2	19,050.1	287,997.8	263,898.2
Foreign Currency Loans	97.0	4,002.9	—	2,488.8	57,320.5	55,766.4
Underwritings/Direct Subscriptions	5,784.9	4,643.3	5,343.9	4,077.3	34,551.1	29,393.0
Guarantees	4,289.3	8,341.8	1,206.0	5,257.6	38,057.7	30,914.2
Equipment Leasing	2,785.9	1,471.5	—	1,748.7	12,214.8	10,070.2
TOTAL	44,452.1	48,193.2	23,762.1	32,622.5	430,141.9	390,042.0

FINANCIAL HIGHLIGHTS

(Rs. millions)

	As at 31st March, 2000	As at 31st March, 1999
RESOURCES		
Share Capital	10,964.45	7,904.84
Reserves & Surplus	9,067.99	9,361.44
Borrowings in Rupees	165,771.64	164,598.58
Borrowings in Foreign Currency	35,152.98	37,133.03
	220,957.06	218,997.89
ASSETS		
Loans to Assisted Concerns	172,809.40	178,418.43
Investments	31,646.72	27,447.41
Fixed Assets	7,732.36	5,107.32
Net Current Assets	7,831.72	6,774.25
Misc. Expenditure	936.86	1,250.48
	220,957.06	218,997.89

	1999-2000	1998-1999
EARNINGS		
Total Income (Rs. millions)	29,652.47	28,885.13
Profit before Tax (Rs. millions)	593.71	235.01
Profit after Tax (Rs. millions)	593.71	235.01
Dividend on Equity	—	10%
RATIOS		
Capital Adequacy	8.80%	8.37%

NOTICE

Notice is hereby given that the 7th Annual General Meeting of the Members of IFCI Limited will be held on Wednesday, the 20th September, 2000 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 the Audited Balance Sheet as at and Profit & Loss Account for the year ended 31st March, 2000 and the Directors' Report and the Auditors' Report thereon.
2. To declare dividend on Preference Shares.
3. To appoint a Director in place of Dr. Amit Mitra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Ramesh Mishra, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Tapan Ganguli, who retires by rotation and being eligible, offers himself for re-appointment.
6. 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. Chaddha & 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."
7. 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 17 and other applicable provisions of the Companies Act, 1956, following new Sub-Clause 17 be and is hereby inserted in Clause IIIA of the Memorandum of Association of the Company as part of the main objects to be pursued by the Company :
   '17. To carry on the business of Depository Participant and to provide related services.'

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

By Order of the Board of Directors

R. LOONKAR
Company Secretary

Dated : 26th June, 2000

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 No. 7 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 on all working days except Saturdays and Sundays between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
4. Register of Members and the Transfer Books for Equity Shares shall remain closed from Friday, the 15th September, 2000 to Wednesday, the 20th September, 2000 (both days inclusive) for the purpose of Annual General Meeting of the Company.
5. The members are requested to intimate to the Registrar & Transfer Agents, MCS Limited (Unit : IFCI Equity Shares), 212A, Srivenkatesh Bhawan, Behind Panchsheel Club, 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 R&TA enclosing their share certificates to enable us to consolidate their holdings in one folio to facilitate better service.
7. As per Companies Act, 1956, as amended, a shareholder may nominate in the prescribed manner a person to whom his shares in the Company shall vest in the event of his death (Form 2B of the Companies (Central Govt's.) General Rules & Forms). In the case of joint holding, jointholders may together nominate a person to whom the shares shall vest in the event of death of all the jointholders. Shareholders are requested to avail the facility.
8. Equity Shares of the Company are in the depository set up by National Securities Depository Ltd. and Central Depository Services (India) Ltd. The shares of the Company are in the compulsory dematerialisation list specified by SEBI and are traded in the demat mode. Shareholders are requested to get their holding dematerialised as early as possible, in their own interest.
9. 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. 7

The approval of the Members is being sought, in accordance with the provisions of Section 17 of the Companies Act, 1956 and other applicable provisions, for amendment to the Objects Clause, to explicitly provide for carrying on the business of Depository Participant. IFCI has, as part of project finance, got a large portfolio of Shares and Debentures, which it would like to hold, inhouse, in dematerialised form. IFCI has also got a large base of investors as its shares are already in the Depository. It is felt that IFCI can undertake the operations of Depository Participant and render the services, advantageously and conveniently, to investors and other clients as well.

The Board of Directors commends passing of the said resolution.

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

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By Order of the Board of Directors

R. LOONKAR
Company Secretary

Dated : 26th June, 2000

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., 3/1, Asaf Ali Road, 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.

Different series of bonds issued by IFCI when it was a statutory corporation and which are guaranteed by the Govt. of India are listed on some or all 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 1999-2000.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Seventh Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2000.

FINANCIAL RESULTS

	(Rs. millions)	
	1999-2000	1998-99
Total Income	29,652.47	28,885.13
Profit before taxation	593.71	235.01
Provision for taxation	—	—
Profit after taxation	593.71	235.01
Surplus brought forward from previous year	57.99	474.95
Profit available for appropriation	651.71	709.96
APPROPRIATIONS		
Proposed Dividend on Equity and Preference Shares	480.57	589.48
Corporate Dividend tax	55.79	62.49
Balance carried to Balance Sheet	115.35	57.99

DIVIDEND

Your Directors have recommended payment of dividend on various series of preference shares at the applicable rate, after adjusting interim dividend, subject to a limit of 10% paid during the year. In view of the inadequacy of profits and the need to conserve reserves so as to meet the capital-adequacy requirements, it is proposed not to pay dividend on equity shares.

OPERATING ENVIRONMENT AND OUTLOOK

The Indian economy continued on a relatively strong path in 1999-2000. Although real GDP growth is estimated at a slightly slower rate of 5.9% in 1999-2000 compared with 6.8% in the previous year, this masks the turnaround in industrial performance during the year. Growth of the manufacturing sector is estimated to have jumped from 4.2% in 1998-99 to almost 9% in 1999-2000. Reflecting this turnaround, growth of the industrial production index also climbed from 3.9% during in 1998-99 to about 8% in 1999-2000. Year-on-year growth of industrial production in March 2000 itself was 8.6% compared with only 4.4% in the same month a year ago.

Aside from continuing strong economic growth, 1999-2000 also brought good news on the inflation front. Inflation, based on the CPI-IW, registered a relatively low 3.5% during 1999-2000 compared with the double-digit increase of 13.1% in the previous year. The wholesale price index meanwhile climbed by 3.1% during the year compared with 5.9% in 1998-99. The low inflation in 1999-2000 was partly a reflection of the high base of the previous year. After registering zero inflation in November, the CPI-IW has started to climb once again with the increase in March 2000 accelerating to 4.8%.

A major thrust of policymakers during the year has been to reduce the relatively high-cost structure of doing business, and which in turn has rendered the economy less competitive than some other developing countries. A key element in this cost structure has been the high cost of funds, i.e. interest rates. It is with a view to lowering the overall level of interest rates in the economy that the Reserve Bank reduced its Bank Rate from 8% at the beginning of 1999-2000 to 7% in April 2000. The cut in the Bank Rate was also accompanied by measures to reduce banks' cash-reserve ratios and a cut in the savings deposit rate from 4.5% to 4%. These moves by the Reserve Bank came after the government itself moved to lower interest rates paid on small savings, the public provident fund (PPF) and the general provident fund (GPF). In response to these changes, most banks and financial institutions have also followed suit and cut their own lending rates. The prime lending rate (PLR) of major public sector banks fell to 11.25-11.75% in April 2000 compared with 12.0-14.0% a year ago.

The drop in interest rates was aided by the favorable macro-economic conditions that prevailed during the year. Aside from low inflation, a drop in the growth of net bank credit to the government (from 17% in 1998-99 to 14.3% in 1999-2000) and the slower growth of net foreign exchange assets of the banking sector also helped to reduce growth of money demand-supply. Broad money supply (M3) growth fell to 13.6% at the end of 1999-2000 compared with 19.2% a year ago. Trends in the external sector during the year have been also helpful in pushing interest rates lower. Exports grew marginally faster than the growth of imports during 1999-2000 (11.6% vs. 10.2%), thereby helping to keep the current-account deficit in check – this despite a sharp jump in oil imports by over 60% during the year. Coupled with buoyant capital inflows, total foreign exchange reserves at the end of 1999-2000 stood at US$38 billion or about 8 months' imports. In turn, large forex reserves helped to keep the Indian Rupee relatively stable during the year. The Rupee depreciated against the US dollar by a small 2.7% during the year to close at Rs.43.52:US$1 compared with a drop of 7.3% in 1998-99.

The overall economic environment in 1999-2000 was thus mostly favorable. Sustained economic growth, a low rate of inflation, a downtrend in interest rates, a stable balance of payments position and a mild depreciation of the rupee would broadly summarize the state of the economy during 1999-2000. The outlook for the current year, 2000-01, also appears to be positive. Overall GDP growth is likely to be maintained at about 6%, assuming normal rainfall and a trend rate of growth of the agricultural sector. Growth of the industrial sector too should be maintained at about 7%. Investment growth is likely to receive a further boost following the cuts in interest rates in April, 2000. Although inflation may pick up in the coming year, it should still remain comfortably in single digits. Lastly, the healthy foreign exchange reserves at almost eight months' imports should also help to keep the depreciation of the rupee relatively modest.

INDUSTRIAL PERFORMANCE

The turnaround in respect of industrial production during 1999-2000, however, masks the variations within individual segments. In particular, the growth of the production of capital goods – which is usually seen as a lead indicator of investment trends in the economy – slowed sharply from 11.9% in 1998-99 to 5.2% in the last fiscal year. The recovery was strongest in case of intermediate goods and consumer durables, both of which registered double-digit rates of growth in the last financial year. A more modest recovery was seen in respect of basic goods and consumer non-durables. Significant variations could be also discerned in respect of the performance of individual industries. Although industries like steel, cement, aluminium, paper, non-electrical machinery, electronics and transport equipment registered faster rates of growth in 1999-2000 compared with the previous year, growth in some other industries remained relatively lackluster. These included chemicals, synthetic fibers, drugs and pharmaceuticals, and some segments of electrical machinery.

Better performance by some individual industries during the last twelve months has been largely a demand-driven phenomenon. This increased demand in turn has been partly a result of the sharp jump in agricultural output in 1998-99, which is likely to have boosted incomes, and thus demand for industrial goods. While slower growth of agriculture in 1999-2000, coupled with the current drought in some parts of the country, could dampen the demand for industrial goods in the current year, the greater worry relates to the long-term prospects of domestic industry in light of recent changes in trade policy.

The removal of non-tariff barriers, coupled with a lowering of tariffs, in respect of many industrial goods is putting more competitive pressure on domestic industry. While these changes should be beneficial in the long run as it will force companies to become more competitive and efficient, the short-term impact could nevertheless be troublesome and may even push many companies into the red. Profits-after-tax for manufacturing companies had only managed to show positive growth during the first three-quarters of 1999-2000 after three successive years of decline. The relatively depressed capital market during the period 1996-1998 also compounded the difficulty of raising matching equity resources, especially for new green-field projects for which debt financing was being considered. The corporate sector is beginning to feel the winds of change and for a majority of companies, the emphasis over the last year or so has been mainly to consolidate operations rather than pursue rapid growth, especially in respect of building new capacity or diversifying into new areas.

The impact of the factors outlined above may be summarized as follows :

- Although industrial production has picked up, there are large variations between different industries. The pick up in production has been largely based on higher capacity utilization.
- Prices of major industrial goods have firmed and this trend is helping companies to generate better cash flows.
- New investments and capacity creation, especially in respect of the traditional manufacturing industries, have stayed subdued in light of the uncertainties with respect to future policy changes and the business environment. The after-effects of the Southeast Asian crisis in the late 1990s also compounded business uncertainties forcing many projects to be postponed or even completely abandoned. Most fresh investment is now being seen only in infrastructure, especially in power and road projects.

This last observation is also borne out by data from the Centre for Monitoring the Indian Economy (CMIE). CMIE's most recent survey of Investment Projects (April 2000) envisages aggregate investments of Rs.13.44 billion spread over 3,569 projects. While this figure is 7% higher than the comparable figure in April, 1999, the increase is largely concentrated in the infrastructure sector. Investments envisaged in the power sector registered a 14% increase over last year, while the transport sector witnessed a 16.4% rise. Aggregate investment envisaged in the manufacturing sector itself recorded a 10.4% fall in April, 2000 compared with a year ago with particularly sharp falls in respect of industries like chemicals, steel, metal products, textiles and transport equipment.

THE IMPACT OF THE REGULATORY ENVIRONMENT

A number of changes in the regulatory environment, as applicable to IFCI, also came into effect during the year 1999-2000, or will do so in the current year. These changes include :

- An increase in the minimum capital to risk asset ratio from 8% to 9% with effect from the year 1999-2000.
- A debt-equity ratio of less than 12:1; a minimum NDSCR of 1.2.
- Income recognition and provisioning norms on government-guaranteed advances to be brought on par with those of other advances with effect from 2000-01.
- Provisioning requirements introduced in respect of standard assets with effect from 1999-2000 with the timeframe for categorizing an advance as doubtful debt being shortened.
- Government/government-approved securities too would have to be provided with a risk weight of 2.5% with effect from 1999-2000 (to be increased later to 5%).
- An additional risk weight of 20% on investments in government-guaranteed securities, which do not form part of the market borrowing program, will also be introduced with effect from 2000-01.
- Open foreign exchange positions to carry a 100% risk weight with effect from 1999-2000.
- A uniform risk weight of 20% introduced on investments in bonds/debentures of public financial institutions as defined in Section 4A of the Companies Act, 1956.
- A minimum of 75% of banks' securities to be classified as current investments with effect from 1999-2000 in a bid to move towards the "mark-to-market" valuation of the investment portfolio.
- Investment by a bank or FI in the Tier-II capital of other banks/FIs be subject to a ceiling of 10% of the bank's or FI's total capital.

Taking cognizance of the emerging industrial scenario, where new capacities have not been forthcoming as quickly as before, and the tighter regulatory framework for the creation of a healthier financial system, the company took a conscious decision to scale down its sanctions of new projects in the short term. Unfortunately, however, the tighter regulatory framework was not accompanied by needed changes in respect of corporate bankruptcy laws. Although there has been improvement in the working of the debt recovery tribunals, there continue to be inordinate delays in respect of BIFR cases. The recovery mechanisms available to the financial sector in the country remain outdated and act as a hindrance to the smooth and profitable operations of banks and FIs.

SANCTIONS AND DISBURSEMENTS

IFCI sanctioned aggregate assistance of Rs.23,762 million (vs. target of Rs.25,000 million) to 108 projects during the year 1999-2000 compared with Rs.44,452 million to 193 projects in the previous year. Total disbursements in 1999-2000 amounted to Rs.32,623 million (vs. target of Rs.25,000 million) compared with Rs.48,193 million in 1998-99. The lower level of sanctions and disbursements during the year were mainly a reflection of trends in the industrial sector, especially in respect of slow growth of new capacity in traditional industries.

Textiles and iron & steel accounted for 19.0% and 11.6% respectively of the sanctions accorded in 1999-2000. Of the total assistance sanctioned to the textile industry, Rs.3,537 million was sanctioned for 11 projects under the technology upgradation scheme. Petroleum refining also accounted for over 10% of the total sanctions during the year. A significant change from the previous year has been the lower level of sanctions in respect of infrastructure industries like power generation and telecom services as companies have been sometimes unable to effect financial closure in respect of new projects being undertaken by them. Power and telecom accounted for less than 5% of the sanctions in 1999-2000 compared with 34% in the previous year.

TABLE 1: INDUSTRY-WISE SANCTIONS & DISBURSEMENTS **(Rs. millions)**

INDUSTRY	SANCTIONS				DISBURSEMENTS			
	1998-99		1999-2000		1998-99		1999-2000	
	Amount	%	Amount	%	Amount	%	Amount	%
Textiles	3,565	8.0	**4,512**	**19.0**	5,354	11.1	**3,103**	**9.5**
Iron & Steel	5,052	11.4	**2,761**	**11.6**	6,284	13.0	**8,154**	**25.0**
Petroleum Refining	1,000	2.2	**2,400**	**10.1**	2,617	5.4	**935**	**2.9**
Steel Products	1,398	3.2	**1,768**	**7.4**	2,010	4.2	**2,038**	**6.2**
Sugar	1,240	2.8	**1,382**	**5.8**	898	1.9	**658**	**2.0**
Basic Chemicals	906	2.0	**1,374**	**5.8**	1,877	3.9	**609**	**1.9**
Ports	2,138	4.8	**1,200**	**5.1**	2,213	4.6	**465**	**1.4**
Transport Equipment	922	2.1	**780**	**3.3**	1,075	2.2	**553**	**1.7**
Synthetic Resins	123	0.3	**700**	**2.9**	1,383	2.9	**614**	**1.9**
Business Services	106	0.2	**634**	**2.7**	49	0.1	**690**	**2.1**
Power Generation	11,308	25.4	**575**	**2.4**	8,990	18.6	**5,908**	**18.1**
Telecom Services	4,008	9.0	**539**	**2.3**	1,633	3.4	**1,639**	**5.0**
Cement	1,496	3.4	**347**	**1.5**	1,151	2.4	**739**	**2.3**
Misc. Chemicals	592	1.3	**262**	**1.1**	1,380	2.9	**517**	**1.6**
NBFCs	600	1.4	**250**	**1.0**	57	0.1	**678**	**2.1**
Others	9,998	22.5	**4,278**	**18.0**	11,222	23.3	**5,323**	**16.3**
TOTAL	44,452	100.0	**23,762**	**100.0**	48,193	100.0	**32,623**	**100.0**

TABLE 2 : SIZE-WISE SANCTIONS

Size of assistance sanctioned	Number of companies	Amount (Rs. millions)	% to Total
Upto Rs.100 million	51	3,407	14%
Rs.100 million to Rs.250 million	28	4,725	20%
Rs.250 million to Rs.500 million	9	3,977	17%
Rs.500 million to Rs.1,000 million	6	4,130	17%
Rs.1,000 million to Rs.2,000 million	4	5,123	22%
Above Rs.2,000 million	1	2,400	10%
TOTAL	**99**	**23,762**	**100%**

Only 5 companies were sanctioned assistance exceeding Rs.1,000 million during the year, accounting for 32% of the total assistance sanctioned. Six companies were sanctioned assistance between Rs.500 to Rs.1,000 million, accounting for 17% of the sanctions. The remaining 51% of the assistance sanctioned in 1999-2000 was spread over 88 companies. Of these, 51 companies accounted for assistance sanctioned of less than Rs.100 million each.

During the year 1999-2000, almost 39% and 47% of the assistance sanctioned and disbursed respectively were either for new projects or expansion & diversification of existing projects. Many assisted projects, however, were delayed, as promoters could not bring forth the required matching equity funds owing to low internal accruals. Under these circumstances, IFCI was required in many instances to provide necessary additional funding in order to ensure that projects were completed. The major focus of the operations during the year under review was, thus, one of restructuring assets to help companies augment their long-term working capital needs, particularly as these firms had been experiencing liquidity problems in recent years.

The major share of assistance sanctioned and disbursed during the year under review was fund-based. Further, no sanctions were accorded for foreign currency loans during 1999-2000, reflecting perhaps the loss of appetite among borrowers for any exposure to foreign exchange risks. Disbursements of foreign currency loans, based on the sanctions of previous years, however, continued, though at a slower pace than in the preceding year. The share of debentures in the total sanctions jumped from 12.3% in 1998-99 to over 17% in 1999-2000.

TABLE 3 : PURPOSE-WISE SANCTIONS & DISBURSEMENTS IN 1999-2000 **(Rs. millions)**

	Sanctions		Disbursements	
	Amount	% to Total	Amount	% to Total
New Projects	3,251	13.7%	7,414	22.7%
Expansion/ diversification/ modernisation/ addl. assistance/TUFs	12,671	53.3%	14,162	43.4%
Short-term Products				
— Corporate Loan	463	2.0%	1,011	3.1%
— Short Term Loan	50	0.2%	50	0.2%
— Working Capital Loan	97	0.4%	—	—
Financial Services/ Leased Assets	340	1.4%	2,906	8.9%
Others	6,890	29.0%	7,080	21.7%
TOTAL	**23,762**	**100.0%**	**32,623**	**100.0%**

TABLE 4 : FACILITY-WISE SANCTIONS & DISBURSEMENTS **(Rs. millions)**

FACILITY	SANCTIONS		DISBURSEMENTS	
	1998-99	**1999-2000**	1998-99	**1999-2000**
Rupee Loans (incl. eqpmt. lsq.)	34,281	**17,212**	31,205	**20,798**
Foreign Currency Loans	97	**—**	4,003	**2,489**
Guarantees	4,289	**1,206**	8,342	**5,258**
Debentures	5,484	**4,055**	3,831	**3,871**
Equity Shares	170	**139**	130	**107**
Preference Shares	131	**1,150**	682	**100**
TOTAL	44,452	**23,762**	48,193	**32,623**
Fund Based	40,143	**22,556**	39,623	**27,365**
Non-Fund Based	4,309	**1,206**	8,570	**5,258**

Undisbursed sanctions or outstanding commitments of the Company stood at Rs.41,934 million at the end of 1999-2000. Of these, loan agreements in respect of sanctions aggregating Rs. 10,355 million are yet to be executed and these sanctions are not yet effective. Of the outstanding commitments, 9.5% related to sanctions made prior to April 1, 1997 (3 years ago); 20% made prior to two years but less than three years ago, 42% made to one year but less than two years, and 28.5% made during the current year. Almost one-third of the outstanding commitments pertained to the power sector, where disbursements could not take place, as financial closure of the concerned projects has not been effected. Other industries with large outstanding commitments include textiles, steel, petroleum refining and telecom services. As many projects in these industries are currently under implementation, it is expected that commitments will be drawn down fully over the next year or two. In most other cases where there was tardy progress in financial closure cancellation were effected. In recognition of these undisbursed sanctions and the likely flow of withdrawals, the management has targeted a budget of Rs.20,000 million in respect of sanctions and Rs.22,500 million in respect of disbursements for the year 2000-01.

FLOW OF PROPOSALS FOR FINANCIAL ASSISTANCE

During the financial year 1999-2000, 214 proposals for financial assistance aggregating Rs.59.5 billion were received. Of these, 109 proposals aggregating Rs.26.9 billion were considered for further processing, of which 103 proposals for an aggregate amount of Rs.25.7 billion were sanctioned. On March 31, 2000, there were 6 proposals aggregating Rs.1.2 billion that were pending for further processing. The average time taken for processing applications by your Company during the year under review was 31 days.

PORTFOLIO ANALYSIS

The total outstanding assistance, including equity investments, by your Company at the end of 1999-2000 was Rs.207.1 billion (Rs.208.3 billion as of March 31, 1999) spread across a number of industries. The drop in outstanding assistance was partly due to prepayments by borrowers of about Rs.8 billion during the year. Had these prepayments not taken place, the outstanding assistance would have increased correspondingly. However, with a view to continued consolidation of the company's operations, and in the context of the emerging industrial/ regulatory environment, the Management's objective will be to maintain the overall level of outstanding assistance at roughly current levels during the next 1-2 years. The effort will be to re-orient the portfolio within these aggregate numbers, both in terms of its industry-and product-composition.

TABLE 5 : FACILITY-WISE LOANS OUTSTANDING **(Rs. millions)**

	As of March 31, 2000	As of March 31, 1999
Rupee Loans	**131,907.74**	135,604.41
Foreign Currency Loans	**40,901.66**	42,814.02
Debentures	**22,108.99**	18,915.38
Lease Assistance, incl. lease rental receivables	**3,484.80**	3,166.10
TOTAL	**198,403.19**	200,499.91

Total outstanding loans of the Company declined marginally in 1999-2000 to Rs.198.4 billion compared with Rs.200.5 billion in the previous year. While both outstanding rupee and foreign currency loans fell during the year, there was an increase in respect of debentures.

The net non-performing assets (NPAs) amounted to Rs. 41,026 million as of March 31, 2000 and constituted 20.7% of the total net assets of Rs.198.4 billion (net of investments in equity and preference shares). Total provisions/write-offs made against these NPAs in 1999-2000 amounted Rs.4,096 million. The cumulative provisions/write-offs as of March, 2000 thus amounted to Rs.17,776.8 million.

TABLE 6 : ASSET CLASSIFICATION OF PORTFOLIO **(Rs. millions)**

	1999-2000	1998-99
Standard Assets	**157,377.6 (79.3%)**	157,924.1 (78.8%)
Sub-standard Assets	**21,769.0 (11.0%)**	26,768.1 (13.3%)
Doubtful Assets	**19,256.6 (9.7%)**	15,807.7 (7.9%)
TOTAL	**198,403.2**	200,499.9

Note : Includes lease rental receivables, but excludes investments in equity and preference shares and investments made out of IDF funds.

Of the total NPAs, the top 100 NPAs by size accounted for Rs.25,042 million, and constituted 13% and 61% of the total net assets and NPA portfolio of IFCI respectively. Of these top 100 NPAs, 61 are under the sub-standard category accounting for 66% of the total outstanding amount of the top 100 NPAs and the balance are under doubtful asset category. Based on the outstanding amount, two cases out of the top 100 NPAs have outstandings exceeding Rs..1,000 million, which represent 12% of the total outstandings in respect of the top 100 NPAs. The textile and synthetic fibre/yarn industry, together with iron and steel and steel products, have been the major contributors to the extent of 50% of the outstanding amount in respect of the top 100 NPAs. Though some concerns faced unit-specific problems, industry-specific recession conditions had also a severe impact on these units.

The healthcode classification of loans and debentures is given in Table 7. Over 88% of the outstanding assets of Rs.194.9 billion in 1999-2000 constituted assistance to companies that were either in operation or were currently under implementation.

TABLE 7 : HEALTHCODE-WISE CLASSIFICATION OF ASSETS (LOANS & DEBENTURES) **(Rs. millions)**

	1999-2000	%	1998-99	%
Companies in Operation	**99,513.3**	51.1	108,215.2	54.8
Companies under Implementation	**72,828.5**	37.4	68,965.7	35.0
Companies under BIFR	**13,487.7**	6.9	11,956.0	6.0
Suit-filed/liquidation/ recalled cases	**7,478.4**	3.8	6,305.4	3.2
OTS Cases	**1,610.5**	0.8	1,891.5	1.0
TOTAL	**194,918.4**	100.0	197,333.8	100.0

Note : Excluding net leased assets and lease rental receivables

EQUITY AND PREFERENCE SHARES PORTFOLIO

Assistance given in the form of equity/preference shares, as of March 31, 2000, amounted to Rs.8.651 million (excluding investment of Rs.886.9 million out of IDF), after a write-off of Rs.250 million effected during the year in line with RBI guidelines. The break-up of this equity portfolio is provided in the table below :

TABLE 8 : EQUITY PORTFOLIO **(Rs. millions)**

	As per books as on March 31, 2000	Market/break-up value as on March 31, 2000
Quoted Equity	6,354.3	5,366.3
Unquoted Equity	1,078.4	1,085.6
Unquoted Preference Shares	1,218.1	1,363.7
TOTAL	**8,650.8**	**7,815.6**

INDUSTRY-WISE CLASSIFICATION OF PORTFOLIO

Aside from iron & steel and textiles, the Company's exposure in most industries remains at less than 5% of the total outstanding assistance (refer Table 9). The relatively high concentration in respect of iron & steel (16.4%) is explained by the fact that most projects in this industry are currently under implementation. Once these projects begin operations, it is likely that this percentage share will drop quickly. Further, the Company has taken a conscious decision not to take up financing of any new, green-field steel projects owing to the already high exposure. The textile industry accounts for about 12% of the total outstanding assistance, though it should be noted that this is spread over a large number of units, thereby mitigating the risks to some extent. Other major industries that accounted for 4-7% of total assistance included power generation, metal products, synthetic fibers, basic chemicals, cement, and petroleum refining.

TABLE 9 : INDUSTRY-WISE OUTSTANDINGS AS OF MARCH 31, 2000

(Rs. millions)

INDUSTRY	LOANS	SHARES	DEBENTURES	LEASING	TOTAL	% TO TOTAL	GUARANTEES	GRAND TOTAL
INFRASTRUCTURE								
POWER GENERATION	12,660.11	118.14	819.06	1,550.78	15,148.08	7.32	11,875.60	27,023.68
PORT & PORT SERVICES	2,828.07	0.00	1,959.50	0.00	4,787.57	2.31		4,787.57
TELECOM SERVICES	3,649.69	200.15	0.00	0.00	3,849.85	1.86	100.02	3,949.87
ROADS & BRIDGE CONSTRUCTION	49.22	50.00	0.00	0.00	99.22	0.05		99.22
SUB-TOTAL	**19,187.09**	**368.29**	**2,778.56**	**1,550.78**	**23,884.71**	**11.54**	**11,975.62**	**35,860.33**
IRON & STEEL	30,254.01	1,030.01	2,714.89	27.30	34,026.21	16.43	4,414.60	38,440.82
TEXTILES	20,566.40	954.99	2,690.09	154.18	24,365.66	11.77	536.99	24,902.65
STEEL/METAL PRODUCTS	8,347.31	483.87	2,131.31	182.42	11,144.90	5.38	0.00	11,144.90
SYNTHETIC FIBRES	7,659.49	967.14	2,015.60	449.27	11,091.49	5.36	1,205.90	12,297.39
CEMENT	5,793.99	350.99	3,884.19	242.72	10,271.89	4.96	0.00	10,271.89
BASIC CHEMICALS	9,375.18	436.81	390.22	32.94	10,235.15	4.94	325.41	10,560.56
PETROLEUM REFINING	7,476.35	556.75	268.81	0.00	8,301.91	4.01	664.10	8,966.01
FERTILISERS	7,014.11	139.00	706.17	0.00	7,859.27	3.80	1,172.02	9,031.29
SYNTHETIC RESINS & PLASTICS	6,086.65	114.86	451.66	0.00	6,653.17	3.21	999.02	7,652.19
ELECTRONICS	4,649.42	445.33	1,106.85	95.30	6,296.90	3.04	0.00	6,296.90
MISC. CHEMICALS	5,178.01	157.85	312.03	0.00	5,647.89	2.73	32.98	5,680.87
SUGAR	4,053.85	109.96	354.66	16.47	4,534.94	2.19	0.00	4,534.94
HOTEL	4,239.71	45.16	0.00	0.96	4,285.83	2.07	200.00	4,485.83
TRANSPORT EQUIPMENT	3,745.01	35.65	261.26	15.12	4,057.04	1.96	0.00	4,057.04
PAPER	3,455.01	222.16	113.69	168.34	3,959.19	1.91	0.00	3,959.19
ELECTRICAL MACHINERY	3,205.10	126.52	57.60	0.00	3,389.22	1.64	76.70	3,465.92
MISC. FOOD PRODUCTS	2,891.97	68.74	188.76	0.00	3,149.46	1.52	0.00	3,149.46
MACHINERY & PARTS	2,349.38	27.61	48.13	5.59	2,430.71	1.17	186.33	2,617.04
MISC. NON-METALLIC MINERALS	2,228.34	20.90	83.71	0.00	2,332.95	1.13	16.75	2,349.70
NON-FERROUS METALS	1,621.98	151.48	92.67	0.00	1,866.12	0.90	0.00	1,866.12
PRINTING	1,371.65	4.80	0.00	0.00	1,376.45	0.66	230.66	1,607.10
RUBBER PRODUCTS	1,179.97	83.50	100.00	0.00	1,363.47	0.66	5.36	1,368.83
MINING & GAS	965.14	19.32	369.90	0.00	1,354.36	0.65	0.00	1,354.36
GLASS	1,277.41	5.27	28.12	0.00	1,310.79	0.63	200.32	1,511.11
LEASING CONCERNS	1,101.77	29.07	0.00	0.00	1,130.85	0.55	0.00	1,130.85
HOSPITAL & MEDICAL SERVICES	620.78	23.32	2.60	0.00	646.70	0.31	0.00	646.70
LEATHER PRODUCTS	458.49	0.00	0.00	0.00	458.49	0.22	773.73	1,232.22
CONSTRUCTION	287.18	0.00	0.00	0.00	287.18	0.14	0.00	287.18
SHIPPING	221.41	0.00	0.00	0.00	221.41	0.11	0.00	221.41
AVIATION	211.97	0.00	0.00	0.00	211.97	0.10	0.00	211.97
TRANSPORT & STORAGE	31.59	0.00	0.00	0.00	31.59	0.02	0.00	31.59
OTHERS	4,670.15	58.39	119.09	0.00	4,847.64	2.34	0.00	4,847.64
INVESTMENTS IN F/Is & BANKS	1,033.56	1,613.06	838.44		3,485.06	1.68		
LEASE RENTALS RECEIVABLE				543.41	543.41	0.26		
TOTAL	**172,809.4**	**8,650.8**	**22,109.0**	**3,484.8**	**207.054.0**	**100.0**	**23,016.5**	**230,070.4**