IFCI LIMITED

आई एफ सी आई लिमिटेड

ANNUAL REPORT 2000 - 2001

IFCI LIMITED
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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.***

EIGHTH ANNUAL GENERAL MEETING

DATE	: 10th September, 2001
DAY	: Monday
TIME	: 10.30 A.M.
PLACE	: Airforce 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
Dr. Amit Mitra
Shri Vipin Malik
Shri Ramesh Mishra
Shri Rajesh V. Shah
Dr. Prasanna Chandra
Dr. Ashok Lahiri
Shri T.M. Nagarajan
Shri U.K. Sinha
Shri N.C. Sharma

COMPANY SECRETARY

Shri Rakesh Aggarwal

PRINCIPAL OFFICERS

EXECUTIVE DIRECTOR

Shri M.V. Muthu

CHIEF GENERAL MANAGERS

Shri B.S.S. Gupta (IT)
Shri O.P. Aggarwal (Vigilance)
Shri Kamal Kishore
Shri Sanjoy Chowdhury (Economic Adviser)
Shri K.A. Najmi (Legal Adviser)
Shri R. Loonkar

GENERAL MANAGERS

Shri R.K.M. Prasad
Shri R.C. Pandey
Shri Lokanath Mishra
Shri V.P. Ahuja
Shri H.N. Belawat
Shri N.P. Kumar (Hindi)
Shri D.U. Rao
Shri D.H. Shinde
Shri A.K. Bhan
Shri Sanjay Sethee
Shri R.G. Nirmal
Lt. Col. (Retd.) P.P. Singh (Security & Chief Fire Officer)
Shri R.K. Chavali
Shri S.K. Mandal
Shri Javed Yunus (CC)
Shri Ashok Kumar
Shri Ganga Charan
Shri Rakesh Kapoor
Shri T.K. Ray
Shri S.P.S. Mann
Shri N.K. Jain
Dr. S.S. Jha
Shri N.K. Ramachandran
Shri A.K. Choudhary (IT)
Shri Naresh Saluja
Shri N.D. Auddy
Shri A.K. Godika
Shri R.V. Rao
Shri P. Kar (Law)
Shri Sanjeev Ghai
Shri D. Rama Rao
Shri S.K. Bhoan
Shri A.K. Ahuja
Shri Narendar Kumar (IT)
Shri V.S. Pandey
Shri T. Ramesh Babu
Shri D.G. Chaudhury
Shri P. Krishnan
Shri A.K. Sharma (Law)

OPERATIONAL HIGHLIGHTS

(Rs. millions)

	2000-2001 (April-March)		1999-2000 (April-March)		Cumulative 1948-2001 (July, 1948 to March, 2001)	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
Rupee Loans	12,072.7	10,880.0	14,862.0	19,552.0	287,621.1	272,303.6
Foreign Currency Loans	1,457.3	1,386.3	–	2,568.0	58,543.0	57,166.9
Underwritings/Direct Subscriptions	3,899.1	3,532.4	4,732.2	4,077.3	39,412.3	35,915.4
Guarantees	1,155.5	4,818.0	1,206.0	5,257.5	36,997.8	35,732.1
Equipment Leasing	–	592.8	–	1,266.1	11,554.1	10,180.4
TOTAL	18,584.6	21,209.5	20,800.2	32,720.9	434,128.3	411,298.4

FINANCIAL HIGHLIGHTS

(Rs. millions)

	As at 31st March, 2001	As at 31st March, 2000
RESOURCES		
Share Capital	10,879.48	10,964.45
Reserves & Surplus	5,051.35	9,067.99
Borrowings in Rupees	165,932.81	165,771.64
Borrowings in Foreign Currency	33,735.69	35,152.98
	215,599.33	220,957.06
ASSETS		
Loans to Assisted Concerns	161,578.40	172,809.40
Investments	35,232.16	31,646.72
Fixed Assets	8,463.64	7,732.36
Net Current Assets	9,762.18	7,831.72
Misc. Expenditure	562.95	936.86
	215,599.33	220,957.06

	2000-2001	1999-2000
EARNINGS		
Total Income (Rs. millions)	28,903.90	28,997.60
Profit/Loss before Tax (Rs. millions)	(-) 2,619.31	593.71
Profit/Loss after Tax (Rs. millions)	(-) 2,659.31	593.71
Dividend on Equity	—	—
RATIOS		
Capital Adequacy	6.22%	8.80%

NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of IFCI Limited will be held on Monday, 10th September, 2001 at 10.30. A. M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 to transact the following business :

Ordinary Business

1. To consider and adopt the Audited Balance Sheet as at March 31, 2001 and the Profit and Loss Account for the year ended March 31, 2001 and the Report of the Board of Directors and Auditors' thereon.
2. To note payment of dividend on Preference 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 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, if any, of the Companies Act, 1956, M/s. Ray & Ray, Chartered Accountants, Kolkata be and is 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."

Special Business

5. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution :

   "RESOLVED THAT Shri T.M. Nagarajan, who was appointed to fill the casual vacancy arised due to resignation of Shri S. K. Chakraborty and holds office upto the date upto which Shri S.K. Chakraborty would have held office, if he had not resigned, retires by rotation and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the Articles of Association of the Company."
6. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution :

   "RESOLVED THAT Shri N.C. Sharma, who was appointed to fill the casual vacancy arised due to resignation of Shri Y.P. Gupta and holds office upto the date upto which Shri Y.P. Gupta would have held office, if he had not resigned, retires by rotation and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, subject to retirement by rotation under the Articles of Association 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 subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactments thereof for the time being in force), Securities Contracts (Regulation) Act, 1956 and the rules framed thereunder, Listing Agreements with Stock Exchanges and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the Resolution), the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares/Family Bonds/SLR Bonds of the Company from all or any of the Stock Exchanges at New Delhi, Kolkata, Ahmedabad and Chennai."
8. 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 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner as follows:

   (i) In Article 53(a), the words and figures "Section 111" be substituted with the words and figures "Section 111A".

   (ii) Following sentence be added in Article 84(a)(ii) : "or such extended period as may be allowed by the Registrar of Companies pursuant to the provisions of Section 166 read with Section 210 of the Companies Act, 1956."

   (iii) In Article 143(a), the words and phrases "or Debenture Director" be deleted.

   (iv) In Article 174 following new proviso be inserted :
   "Provided that the Company can also pay the dividend by crediting it directly to the Bank accounts of the shareholders through Electronic Fund Transfer System of the Banks or any other mode which in the opinion of the Board of Directors is appropriate for the Shareholders."

   (v) The figures "42" in Article 175(a) be substituted with the figures "30", wherever appearing.

   (vi) The words and phrases in Article 175(b) "three years from the date of such transfer shall be transferred by the Company to the General Revenue Account of the Central Government" be substituted with the words and phrases "seven years from the date of such transfer shall be transferred by the Company to the Investor Education and Protection Fund or any other fund specified and established by the Central Government for the purpose."

   (vii) Following new Article 16A be inserted :
   "The Company may from time to time by Special Resolution, Buy-back its Equity Shares to the extent permissible under the provisions of Section 77A of the Companies Act, 1956 or any Rules framed thereunder."

(viii) Following new Article 3A be inserted :
"The Company shall have the power to issue Shares with differential Rights as to dividend, voting or otherwise to the extent permissible under the provisions of Companies Act, 1956 or any Rules framed thereunder."

9. To consider and if thought fit, to pass, with or without modifications, the following resolution, as a Special Resolution :
"RESOLVED THAT approval be and is hereby accorded under Section 163 and other applicable provisions, if any, of the Companies Act, 1956 for keeping the Register of Family Bondholders and Index of Family Bondholders together with the copies of the Certificates and Documents required to be annexed thereto at the premises of the Company's Registrar and Transfer Agents, M/s. MCS Ltd., 212 -A, Srivenkatesh Bhawan, Shahpur Jat, New Delhi - 110 049."

Registered Office :
IFCI Tower
61, Nehru Place
New Delhi - 110 019
Dated : 31st July, 2001

By Order of the Board of Directors

RAKESH AGGARWAL
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 OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID AND EFFECTIVE, MUST BE DELIVERED TO THE REGISTERED OFFICE OF THE COMPANY AT LEAST FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956, setting out material facts in respect of the business under Item No. 5 to 9 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, Sundays and Holidays between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
4. Register of Members and Share Transfer Books for Equity Shares will remain closed from Tuesday, the 4th September, 2001 to Monday, the 10th September, 2001 (both days inclusive).
5. The members holding shares in physical form are requested to intimate to the Registrar and Transfer Agents, M/s. MCS Limited (Unit: IFCI Equity Shares), 212 A, Srivenkatesh Bhawan, Behind Panchsheel Club, Shahpur Jat, New Delhi - 110 049 about 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. 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.
8. Members/Proxies should bring the attendance slips duly filled in for attending the meeting. Members are also requested to bring their copies of Annual Report and Accounts to the meeting.
9. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.
10. The Company has already transferred all unclaimed dividend declared upto the financial year ended 31st March, 1994 to the General Revenue Account of the Central Government as required by the Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those Shareholders who have so far not claimed their dividend upto the aforesaid financial year may claim their dividend from the Registrar of Companies, Delhi and Haryana, CGO Complex, Paryavaran Bhawan, Lodi Road, New Delhi - 110 003.
11. Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, dividend to the financial year ended 31st March, 1995 and thereafter, which remain unpaid or unclaimed for a period of 7 years will be transferred to the Investor Education and Protection Fund of the Central Government. Shareholders who have not encashed the dividend warrant(s) so far for the financial year ended 31st March, 1995 or any subsequent financial years are requested to make their claim to the office of Registrar & Transfer Agents, M/s. MCS Limited. **It may be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund, as above, no claim shall lie in respect thereof.**
12. Appointment/Re-appointment of Directors :
At the ensuing Annual General Meeting Shri Vipin Malik retire by rotation and being eligible, offers himself for re-appointment. Shri T.M. Nagarajan and Shri N.C. Sharma, who were appointed to fill the casual vacancy arised due to resignation of Shri S.K. Chakraborty and Shri Y.P. Gupta, respectively shall also liable to retire by rotation and in respect of whom notices have been received from members proposing their candidature for appointment as Directors of the Company. The information or details to be provided for the aforesaid Directors under Corporate Governance Code are as under :
(a) Shri Vipin Malik is a Director of the Company since 29th March, 1997. He is a practising Chartered Accountant and having experience of over two decades. He was on the Board of Canara Bank and Central Board of Reserve Bank of India. He is a member of various clubs and is holding membership of various organisations namely CII, FICCI, ASSOCHAM etc. As on date he is a Director in following Companies viz. Unit Trust of India Investment Advisory Services Ltd., Oswal Chemicals & Fertilisers Ltd., Ispat Metallics Ltd., A.B. Hotels Ltd., Gujarat State Fertilisers & Chemicals Ltd., CMYK Printech Ltd., AGEE Gold Refiners Ltd., Vindhya Paper Mills Ltd., Zee Telefilms Ltd. and H.B. Portfolio Ltd. He is also Chairman/member of Audit Committees of Gujarat State Fertilisers & Chemicals Ltd., Oswal Chemicals & Fertilisers Ltd., Unit Trust of India

Investment Advisory Services Ltd., A.B. Hotels Ltd., CMYK Printech Ltd. and Ispat Metallics Ltd.

(b) Shri T.M. Nagarajan is a Director of the Company since 27.03.2000. He was appointed to fill up casual vacancy arised due to resignation of Shri S.K. Chakraborty. He is Executive Director of Industrial Development Bank of India. He is Director in following Companies viz. IDBI Principal Asset Management Company Ltd., Small Industries Development Bank of India, IDBI Intech Ltd., PPN Power Generating Company Ltd. and National Securities Depository Services Ltd. He is also a member of the Audit Committee of PPN Power Generating Company Ltd.

(c) Shri N.C. Sharma is a Director of the Company since 28.03.2001. He was appointed to fill up the casual vacancy arised due to resignation of Shri Y.P. Gupta. He is working as Managing Director of Life Insurance Corporation of India. He is Director in following companies viz. Jenson & Nicholson (India) Ltd., Mukund Ltd., Tata Chemicals Ltd. and LIC Housing Finance Company Ltd.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NOS. 5 & 6

Shri T.M. Nagarajan and Shri N.C. Sharma were appointed on the Board of the Company to fill the casual vacancy arised due to resignation of Shri S.K. Chakraborty and Shri Y.P. Gupta respectively. Pursuant to the provisions of Companies Act, 1956 they can hold the office as Director only upto the date upto which the Director in whose place they have been appointed would have held office if they had not resigned. Shri S.K. Chakraborty and Shri Y.P. Gupta were liable to retire by rotation at this Annual General Meeting, had they not resigned. Accordingly Shri Nagarajan and Shri Sharma would retire at this AGM.

Notices have been received from two members under Section 257 of the Companies Act, 1956 proposing the candidature of Shri Nagarajan and Shri Sharma for appointment as Directors of the Company.

Your Directors recommend the Ordinary Resolutions for approval of members.

None of the other Directors is concerned or interested in the said resolutions.

ITEM NO. 7

Presently, the Company's securities are listed at the following six Stock Exchanges in India :

i. The Delhi Stock Exchange Association Limited (the Regional Stock Exchange)(DSE).
ii. The Stock Exchange, Mumbai (BSE).
iii. The National Stock Exchange of India Limited (NSE).
iv. The Calcutta Stock Exchange Association Limited (CSE).
v. The Stock Exchange, Ahmedabad (ASE).
vi. Madras Stock Exchange Limited (MSE).

With the extensive networking of BSE and NSE and the extension of the BSE/NSE terminals to other cities as well, investors have access to on-line dealings in the Company's securities across the country. The bulk of the trading in the Company's securities in any case take place on the BSE and NSE and the depth and liquidity of trading in the Company's securities on all other Stock Exchanges are lower. The average daily trading volume at different Stock Exchanges during the financial year 2000-2001 was as under :

		No. of Shares
Delhi Stock Exchange	:	7,129
Mumbai Stock Exchange	:	44,516
National Stock Exchange	:	1,38,266
Calcutta Stock Exchange	:	2,081
Ahmedabad Stock Exchange	:	NIL
Chennai Stock Exchange	:	NIL

The Company's Equity Shares are one of the scripts which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialised form by all investors, since, April, 1999.

It is also observed that the listing fees paid to other Stock Exchanges is disproportionately higher and as a part of cost reduction measures, the Company has proposed this resolution, which will enable it to delist its Equity Shares/Bonds from all or any of the Stock Exchanges at Delhi, Ahmedabad, Kolkata and Chennai.

The proposed delisting will not adversely affect the investors. The Company's securities will continue to be listed on BSE and NSE. The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which delisting will take effect will be suitably notified at that time.

In line with the SEBI regulations and approval, if any required, members' approval is being sought by a special resolution for enabling voluntary delisting of its securities from the said Stock Exchanges.

Your Directors recommend the Special Resolution for approval of members.

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

ITEM NO. 8

Your Company has, as a good Corporate Governance Practice, got its Secretarial Records audited by a Company Secretary in whole-time practice. The Secretarial Auditor in his report, has recommended certain alterations in the Articles of Association of the Company. Most of these alterations have become necessary due to the amendments in the Companies Act, 1956 in the recent past.

Your Directors recommend the Special Resolution for approval of members.

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

ITEM NO. 9

MCS Ltd. is presently acting as the Registrar and Transfer Agents for both the Equity Shares and Family Bonds of the Company. The Company has, at its 3rd Annual General Meeting held on 18th September, 1996, taken the approval of shareholders for maintaining the Register and Index of members and copies of Annual Returns at the office of MCS Limited. Now the approval of the Shareholders is sought for maintaining the Register and Index of Family Bondholders at the office of MCS Ltd.

Your Directors recommend the Special Resolution for approval of members.

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

Registered Office :
IFCI Tower
61, Nehru Place
New Delhi - 110 019
Dated : 31st July, 2001

By Order of the Board of Directors

RAKESH AGGARWAL
Company Secretary

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Eighth Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

	(Rs. millions) 2000-2001	1999-2000
Income from operations	28,799.28	28,433.79
Other income	104.62	563.81*
Total Income	28,903.90	28,997.60
Profit before Provision for Bad & Doubtful Debts and Investments and Taxation	2,339.67	1,887.80
Profit/Loss before taxation	(-) 2,619.31	593.71
Transfer from General Reserves	3,189.73	—
Surplus brought forward from previous year	115.35	57.99
Less: Provision for taxation (earlier years)	40.00	—
Surplus available for appropriation	645.77	651.71
APPROPRIATIONS		
Dividend on Preference Shares	482.49	480.57
Corporate Dividend Tax	109.04	55.79
Debenture Redemption Reserve	50.00	—
Balance carried to Balance Sheet	4.24	115.35

* includes profit on sale of fixed assets - Rs.332.76 million.

DIVIDEND

Dividend on various series of preference shares, at the applicable rate, was paid during the year, as recommended by your Directors. In view of the inadequacy of profits, it is proposed not to pay dividend on equity shares.

OPERATING ENVIRONMENT AND OUTLOOK

The slowdown of the Indian economy evident since the second half of the nineties seems to have continued during the year 2000-01. India experienced a deceleration in growth rate for the third consecutive year and was able to achieve only a growth rate of 5.2% as against a budget forecast of 7%. This is against the 6.4% and 6.6% growth achieved in 1999-2000 and 1998-99 respectively. The slowdown may be attributed to internal and external shocks like irregular monsoon, sharp hikes in international prices of crude oil etc. However, the single most contributing factor for the decline in growth is the disappointing performance of agriculture sector that has recorded a poor growth of 0.2% in 2000-01 (over the marginal growth rate of 0.7% in 1999-2000). Noticeable decline is also witnessed by the secondary sector with a growth rate of 4.9% as against 6.7% in the previous year. Although the services sector recorded a better performance compared to the other sectors, its rate of growth of 7.7% in 2000-01 indicates a decline by 1.9 percentage points over the previous year.

With a view to revive the economy, the Government has indicated a policy preference for a softer interest rate environment and initiated budgetary measures to reduce relatively high cost structure of the economy resulting in easy liquidity conditions and lower interest rates. However, industrial revival spurred by rise in investments is yet to materialize in spite of these measures. Due to the lower GDP growth during 2000-01, the fiscal deficit could not be contained at 5.1% of GDP as budgeted and has risen to 5.8% during 2000-01.

On the inflation front also there has been a worsened scenario. The annual rate of inflation on a point-to-point basis, based on Wholesale Price Index (WPI), climbed to 6.3% at the end of March, 2001 as against 5.5% at the end of March, 2000. While inflation on account of manufactured products and primary articles was modest at 3.7% and 1.2% respectively, the increase in prices of fuel, power and lubricants (21.9%) was mainly responsible for the increase in WPI.

The creditable export performance recorded in 1999-2000 continued for the year under review. Exports, in dollar terms, recorded a growth of 20.4% for the year 2000-01 against 13.2% in 1999-2000. This was the result of higher growth in manufactured exports (19.9%), ores and minerals (87.5%) and petroleum products (2471%), besides external factors like rupee depreciation, further trade liberalization, tariffs reductions and more openness to foreign investment in export oriented sectors. Imports on the other hand experienced a drastically lower growth of 0.27% as compared with 10.7% growth recorded during the previous year. Thus the trade deficit was lower at US $5.6 billion as compared to US $5.85 billion in the previous year. As a result, the economy remained secured with record levels of foreign exchange reserves crossing US $42 billion by the end of March 2001. The India Millennium Deposits (IMD) to the tune of US $5.5 billion also contributed significantly to this. The IMD is also responsible for raising up the money supply (M3) to 16.2%. Net of IMD M3 is only 13.9%, significantly lower than the 16.7% growth rate as of March 2000.

The foreign investment flows have also deteriorated as indicated by a fall from US $5.1 billion in 1999-00 to US $3.6 billion in 2000-01. Although there was increase in FDI inflows during the year under consideration, the subdued activity of the capital markets is reflected by the lower FII inflows amounting to US $ 170 million in 2000-01 compared with US $ 2,135 million during 1999-2000. Moreover, the depreciation in the exchange rate of the Indian Rupee on Y-o-Y basis was high at 6.46% in March 2001, as compared 2.6% in March 2000.

Thus the overall economic environment for the year 2000-01 was not encouraging; the main concern being the slowdown in industrial growth. In a nutshell, the state of the economy during 2000-01 was characterized by deceleration in economic growth juxtaposed with a fall in demand, higher rate of inflation, subdued capital market activity and, depreciation of the Rupee without any improvement in the foreign investment climate of the economy. On the positive side may be noted the consistently good export performance and comfortable foreign reserves. However, it is evident that this has not been sufficient to put the economy back on the growth trajectory, in the absence of any support-worthy investment proposals.

INDUSTRIAL PERFORMANCE

After recording a turn-around during 1999-2000, industrial sector has again shown poor performance during 2000-01. Overall industrial growth stood at 4.9% during 2000-01 compared with 6.7% during the previous year. The poor industrial performance has been due to a slow-down in manufacturing sector (from 7.1% in 1999-2000 to 5.2% during 2000-01) which is having about 80% weightage in the index of industrial production (IIP), and the electricity sector (from 7.3% to 4.0%). Mining sector, however, has shown some improvement in performance (from 1.0% in 1999-00 to 3.4% in 2000-01). As per use-based classification, capital goods sector has registered a sharply lower growth rate of 1.4% during 2000-01 compared with 6.9% during the previous year. Basic goods sector has also registered a lower growth of 3.8% compared with 5.5% in the previous year. Although consumer durable sector has continued its impressive growth at 14.1% during 2000-01 (compared with 14% during 1999-00), this sector also has been exhibiting signs of slowing down, of late. The deceleration of industrial growth appears unabated in the year 2001-02 with the index of industrial production showing a poor growth of 2.7% (with capital goods sector recording a negative growth of 1.8%) for the month of April 2001.

Industrial growth has been weighed down by poor performance in industries like chemical products, machinery & equipment, paper, cotton and synthetic textiles, cement, beverages, leather and basic metals. However, some of the industries like rubber, plastic and petroleum products, metal products, etc. have fared well. The extremely poor growth of capital goods sector during 2000-01 has resulted in the lack of support-worthy investment proposals, which ultimately reflected in the lower sanctions by your Company.

Normally agricultural growth affects industrial performance through demand variation with a one-year lag. The agricultural sector has performed poorly during the previous two years i.e., 1999-00 and 2000-01. As a result, industrial sector has suffered due to inadequate demand during 2000-01 and the situation is unlikely to improve during 2001-02 for the industrial sector in view of continued lower agricultural growth during 2000-01.

Lifting of quantitative restrictions with effect from April 1, 2001 will make imports of most products possible. Although some amount of protection is available to the domestic industry through increased import duties and some non-tariff barriers (e.g., quality assurance requirements, stipulation that Maximum Retail Price (MRP) in Indian Rupees be printed on labels/products, import to be channeled through specific port in case of some commodities, etc.), domestic industry is faced with the global competitive forces like never before. There is a limit to which import duties can be raised due to WTO obligations. The role of non-tariff barriers (NTBs) that India can resort to is limited in the sense that they apply in most cases to specific products, unlike NTBs imposed on reasons related to environment or social issues (like child labour) which are applicable to a wider range of products. As a consequence, the level of competition facing Indian industry is bound to increase significantly. Domestic industry is further constrained by the lack of international class infrastructure and production facilities which their competitors from outside the border have access to. Tardy progress of the second-generation reforms has only made matters worse. In short, outlook in 2001-02 for the domestic industry is far from bright.

IMPACT OF REGULATORY CHANGES

Changes in the regulatory environment which came into effect during 2000-01 or will come into effect during 2001-02 and having a bearing on IFCI include the following:

- With regard to asset classification, the concept of "Past Due" has been dispensed with and the same has come into effect from March 31, 2001. This has removed the one-month grace period available for classification of non-performing assets (NPAs).
- As per the extant guidelines, FIs are required to treat a loan as non-performing if interest is overdue for more than 180 days and/or the principal is overdue for more than 365 days. As the banking system has ultimately to move towards 90 days' norm for recognition of loan impairment in line with the international practice, RBI has decided that the asset of a financial institution would be treated non-performing if interest and/or principal remain overdue for 180 days with effect from the year ending March 31, 2002. This will result in additional provisioning on the NPAs from the next financial year.
- RBI has also tightened the prudential norms by adjusting the exposure ceiling for single borrower from the existing 20% to 15% of the capital funds of FIs effective from March 2002. Similarly, the group exposure will be adjusted to 40% from 50% of capital funds from March 31, 2002; however in case of infrastructure projects, the limit is extendable by another 10%, i.e., upto 50%.
- In July 2000, RBI, having realized that a more realistic approach was needed to reduce the stock of chronic NPAs, issued guidelines, which provided a simplified, non-discretionary and non-discriminatory mechanism for recovery of NPAs. These guidelines were operative till March, 31, 2001. In view of the representations from industry/trade associations, individual borrowers, RBI has now extended the aforesaid guidelines upto 30th June, 2001. This measure will help in arriving at one-time settlement of more NPAs.
- Government of India, in the Union Budget for 2001-02, has decided to set up 7 more DRTs in addition to the existing 22 DRTs and 5 ADRTs. This measure is expected to help in the speedy disposal of applications pending before DRTs.
- Proposals contained in the Union Budget 2001-02 regarding abolition of SICA and replacing BIFR and AAIFR by National Company Law Tribunal and proposal to bring in legislation for facilitating foreclosure and enforcement of securities in case of default will help banks and FIs in realizing their dues and reduction of NPAs.
- The Union Budget 2001-02 also sent a strong signal towards a lower interest rate regime by drastically cutting interest rates on small savings. This was followed by half-a-percentage point cut in Bank Rate by the RBI.
- Rating was made mandatory for term deposits accepted by all India financial institutions with effect from November 1, 2000.
- Changes were brought about in the norms for classification and valuation of investments effective from the half-year ended March 31, 2001 in order to bring them closer to international best practices. Accordingly, the financial institutions are required to classify their entire investment portfolio as on March 31, 2001, under three categories viz. 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. The investments under the "Available for Sale" and "Held for Trading" categories should be marked to market as prescribed or at more frequent intervals.

In view of the not so bright outlook for the domestic industrial sector, and increasingly tightening of regulatory framework, your Company continued with the earlier policy to scale down its sanctions to new projects in the short run. The much-needed changes in corporate bankruptcy laws are still at proposal stage and actual implementation of the same may take some time. Till that time, the functioning of banks and FIs will continue to be hindered in a situation where regulatory framework is increasingly being tightened without any commensurate change in the outdated recovery mechanism.

SANCTIONS AND DISBURSEMENTS

IFCI sanctioned aggregate net assistance of Rs.18,585 million (vs. target of Rs.20,000 million) to 68 projects during the year 2000-01 (April-March) compared with Rs.20,800 million to 90 projects in the previous year. Total disbursements during the year 2000-01 amounted to Rs.21,210 million (vs. target of Rs.22.500 million) compared with Rs.32,721 million in the previous year. The lower sanctions and disbursements during the year were in line with the business strategy evolved by IFCI. It also partly reflects the trends in the industrial sector/investment climate and slow growth of new capacities in the country.

INDUSTRY-WISE SANCTIONS AND DISBURSEMENTS

During the year 2000-01, iron & steel sector had the highest share in sanctions (38.28%), followed by petroleum refining (8.96%), synthetic resins (5.92%), ports (5.38%), textiles (5.08%) and steel/metal products (3.88%). Iron & Steel industry got the highest share in sanctions, as it had to be supported mainly to complete the on-going large projects, which registered high cost overruns due to delays in implementation. A significant change from the previous year has been the lower level of sanctions in respect of textiles, petroleum refining and metal/steel products due to slow down in industrial growth.

A statement showing the industry-wise sanctions and disbursements made during the year 2000-01 vis-à-vis the previous year are given in Table-1 below :

(Rs. million)

TABLE 1: INDUSTRY-WISE SANCTIONS AND DISBURSEMENTS

INDUSTRY	SANCTIONS				DISBURSEMENTS			
	2000-2001		1999-2000		2000-2001		1999-2000	
	Amount	% to total	Amount	% to total	**Amount**	% to total	Amount	% to total
Iron and Steel	**7,114.88**	**38.28**	2,315.49	11.13	**3,086.47**	**14.55**	8,044.48	24.59
Petroleum Refining	**1,665.50**	**8.96**	2,400.00	11.54	**1,505.69**	**7.10**	934.66	2.86
Synthetic Resins	**1,100.00**	**5.92**	700.00	3.37	**630.64**	**2.97**	613.75	1.88
Ports	**1,000.00**	**5.38**	1,200.00	5.77	**268.86**	**1.27**	464.80	1.42
Textiles	**943.25**	**5.08**	3,561.62	17.12	**2,099.48**	**9.90**	3,102.79	9.48
Metal/Steel Products	**721.20**	**3.88**	1,913.30	9.20	**677.65**	**3.20**	2,226.52	6.80
Misc. Food & Beverages	**541.43**	**2.91**	117.50	0.56	**209.66**	**0.99**	289.04	0.88
Sugar	**453.35**	**2.44**	1,079.00	5.19	**734.30**	**3.46**	657.67	2.01
Cement	**449.50**	**2.42**	347.04	1.67	**642.35**	**3.03**	738.70	2.26
Misc. Chemicals	**350.84**	**1.89**	262.20	1.26	**64.00**	**0.30**	517.26	1.58
Telecom Services	**330.00**	**1.78**	138.50	0.67	**184.86**	**0.87**	1,638.63	5.01
Basic Chemicals	**253.67**	**1.36**	1,110.30	5.34	**787.42**	**3.71**	609.44	1.86
Power Generation	**164.35**	**0.88**	575.00	2.76	**5,802.09**	**27.36**	5,907.85	18.06
Transport Equipment	**127.24**	**0.68**	540.00	2.60	**194.74**	**0.92**	572.49	1.75
NBFCs	**100.00**	**0.54**	250.00	1.20	**34.95**	**0.16**	677.65	2.07
Non-ferrous Metal	**41.15**	**0.22**	442.17	2.13	**477.16**	**2.25**	629.18	1.92
Others	**3,228.22**	**17.38**	3,848.04	18.49	**3,809.14**	**17.96**	5,096.01	15.57
TOTAL	**18,584.58**	**100.00**	20,800.16	100.00	**21,209.46**	**100.00**	32,720.92	100.00

(ii) Size-wise Sanctions

Statement showing size-wise analysis of sanctions during 2000-01 is given in Table 2 below :

TABLE 2 : SIZE-WISE SANCTIONS

Size of assistance sanctioned	Number of Companies	Amount (Rs. million)	% to Total
Upto Rs. 100 million	35	1,606	9
Rs. 100 million to Rs. 250 million	13	2,044	11
Rs. 250 million to Rs. 500 million	13	4,307	23
Rs. 500 million to Rs. 1000 million	4	2,895	16
Rs. 1000 million to Rs. 2000 million	4	4,515	24
Above Rs. 2000 million	1	3,218	17
TOTAL	**70**	**18,585**	**100**

Only 5 companies were sanctioned assistance exceeding Rs. 1,000 million during the year, accounting for 41% of the total assistance sanctioned. Four companies were sanctioned assistance between Rs. 500 to Rs. 1,000 million, accounting for 16% of the sanctioned amount. The remaining 43% of the assistance sanctioned in 2000-01 was spread over 61 companies. Of these, 35 companies accounted for assistance sanctioned of less than Rs.100 million each.

(iii) Purpose-wise Sanctions and Disbursements

A Statement showing the purpose-wise assistance sanctioned and disbursed during the year 2000-01 is given in Table 3 below :

TABLE 3: PURPOSE-WISE SANCTIONS & DISBURSEMENTS

(Rs. millions)

	Sanctions		Disbursements	
	Amount	% to Total	Amount	% to Total
New Projects	2,848	15.32	3,662	17.27
Expansion/Modernisation/ Diversification	1,376	7.40	2,118	9.99
TUFS	200	1.08	1,546	7.29
Addl. Assistance (overrun)/ funding of interest	8,713	46.88	7.694	36.26
Short Term Products :				
– Corporate Loan	15	0.08	17	0.08
– Short Term Loan	1,239	6.67	1,209	5.70
– Working Capital Loan	846	4.55	462	2.18
Financial Services	350	1.88	890	4.20
Financial Restructuring	744	4.00	748	3.53
Others @	2,254	12.14	2,864	13.50
TOTAL	**18,585**	**100.00**	**21,210**	**100.00**

@ Includes Balancing Equipment, General Corporate Purpose, Margin Money, etc.

During the year 2000-01, 15.32% and 17.27% of the assistance sanctioned and disbursed respectively was for new projects. While 7.40% of the assistance sanctioned was for expansion/ diversification/modernization of existing projects, 9.90% of the assistance disbursed was for these projects. Many assisted projects were delayed, as promoters could not bring forth the required matching equity or other funds due to adverse market conditions. Under these circumstances, IFCI, in line with other FIs, was required in many instances to provide necessary additional funding (46.88% accounting for sanctions and 36.28% accounting for disbursements) to meet cost over-run in order to ensure that projects were completed. The focus of the operations during the year under review was also to assist financial restructuring to help companies augment their long-term working capital needs, particularly as these firms had been experiencing liquidity problems in recent years; assistance for this purpose was 4.00% in sanctions and 3.53% in disbursements.

(iv) Facility-wise Sanctions and Disbursements

The share of fund based assistance sanctioned and disbursed during the year under review accounted for 94% and 77% compared to 94% and 84% respectively in the previous year. Of the foreign currency loans equivalent to Rs. 1,457 million sanctioned during the year 2000-01, Rs. 1,166 million (80%) was in the nature of short-term deposits of surplus funds for 6 months. The share of debentures in the total sanctions increased from 16.9% in 1999-2000 to 19.2% in 2000-01. A Statement showing the facility-wise sanctions and disbursements during the year 2000-01 vis-à-vis the previous year is given in Table-4 below :

TABLE 4 : FACILITY-WISE SANCTIONS AND DISBURSEMENTS

(Rs. millions)

FACILITY	SANCTIONS		DISBURSEMENTS	
	2000-2001	1999-2000	2000-2001	1999-2000
Rupee Loans (Incl. Eqpmt. Leasing)	12,073	14,862	**11,473**	20,817
Foreign Currency Loans	1,457	—	**1,386**	2,568
Guarantees	1,156	1,206	**4,818**	5,258
Debentures	3,574	3,523	**2,562**	3,871
Equity Shares	30	139	**23**	107
Preference Shares	295	1,070	**948**	100
TOTAL	18,585	20,800	**21,210**	32,721
Fund Based	17,429	19,594	**16,392**	27,463
Non-Fund Based	1,156	1,206	**4,818**	5,258