IFCI

LIMITED

आई एफ सी आई लिमिटेड

ANNUAL REPORT 2001-2002

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 into a Public Limited Company

IFCI's record of performance has broadly run parallel to the course of industrial and economic development of the nation

CORPORATE CREDO

To be a dominant player in the Financial Sector, providing a range of financial services, with core strength in project finance

- ***Creating and sustaining long term relationships with creditworthy clients***
- ***Developing a new business paradigm as Mid-Corporate Specialist, with increased focus on small and medium-sized enterprises***
- ***Expanding fee-based businesses to capitalize on emerging opportunities in infrastructure, corporate restructuring and investment banking***
- ***Empowering our skilled and professional employees to function proactively***
- ***Enhancing shareholders' value through new strategic initiatives***

NINTH ANNUAL GENERAL MEETING

DATE : 23rd September, 2002
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 V.P. Singh Chairman & Managing Director
Dr. Amit Mitra
Shri Vipin Malik
Shri Ramesh Mishra
Dr. Prasanna Chandra
Dr. Ashok Kumar Lahiri
Shri U.K. Sinha
Shri N.C. Sharma
Shri S. Ravi
Shri A.K. Doda

PRINCIPAL OFFICERS

Shri M.V. Muthu
Executive Director

Shri R.M. Malla
Executive Director

Shri Dhruba Gupta
Adviser (Corporate Affairs)

CHIEF GENERAL MANAGERS

Shri Sanjoy Chowdhury
Shri K.A. Najmi
Shri Kamal Kishore
Shri R. Loonkar
Shri R.K.M. Prasad
Shri N.S. Vishwanathan (Vigilance)

COMPANY SECRETARY

Shri Rakesh Aggarwal

GENERAL MANAGERS

Shri R.G. Nirmal
Shri Sanjeev Ghai
Shri R.C. Pandey
Shri D. Rama Rao
Shri Lokanath Mishra
Dr. S.S. Jha
Shri V.P. Ahuja
Shri R.K. Chavali
Shri N.K. Ramachandran
Shri A.K. Ahuja
Shri S.K. Mandal
Shri A.K. Choudhary (IT)
Shri Narendar Kumar (IT)
Shri Javed Yunus
Shri Naresh Saluja
Shri V.S. Pandey
Shri D.U. Rao
Shri Ashok Kumar
Shri N.D. Auddy
Shri T. Ramesh Babu
Shri D.H. Shinde
Shri Ganga Charan
Shri A.K. Godika
Shri D.G. Chaudhury
Shri A.K. Bhan
Shri Rakesh Kapoor
Shri R.V. Rao
Shri P. Krishnan
Shri Sanjay Sethee
Shri T.K. Ray
Shri P. Kar (Law)
Shri S.L.N. Rao (On deputation as M.D., I-FIN)

FACILITY-WISE SANCTIONS AND DISBURSEMENTS

(Rs. millions)

Facility	2001-2002 (April-March) Sanctions	2001-2002 (April-March) Disbursements	2000-2001 (April-March) Sanctions	2000-2001 (April-March) Disbursements	Cummulative 1948-2002 (July 1948 to March 2002) Sanctions	Cummulative 1948-2002 (July 1948 to March 2002) Disbursements
Rupee Loans	**5,938.8**	**8,255.0**	11,083.3	11,206.8	289,779.7	279,758.2
Foreign Currency Loans	—	**297.3**	1,457.3	1,386.3	57,967.7	57,309.5
Underwritings/Direct Subscriptions	**1,523.5**	**1,934.2**	3,968.4	4,097.5	44,836.2	41,504.7
Guarantees	**342.3**	**270.2**	1,155.5	4,818.0	37,339.9	36,002.1
Equipment Leasing	—	—	—	59.4	7,678.2	7,487.6
TOTAL	**7,804.6**	**10,756.7**	17,664.5	21568.0	437,601.7	422,062.1

FINANCIAL HIGHLIGHTS

(Rs. millions)

	As at 31st March, 2002	As at 31st March, 2001
RESOURCES		
Share Capital	**10,679.48**	10,879.48
Reserves and Surplus	**4,976.64**	5,051.35
Borrowings in Rupees	**174,892.12**	166,614.73
Borrowings in Foreign Currency	**22,994.80**	33,735.69
	213,543.04	216,281.25
APPLICATION		
Loans to Assisted Concerns	**147,516.49**	161,578.40
Investments	**43,270.06**	35,232.16
Fixed Assets	**6,317.83**	8,248.44
Net Current Assets	**7,248.07**	10,659.30
Miscellaneous Expenditure to the extent not written off or adjusted	**347.83**	562.95
Profit & Loss A/c	**8,842.76**	0.00
	213,543.04	216,281.25
	2001-2002	2000-2001
EARNINGS		
Total Income (Rs. million)	**22,486.49**	28,903.90
Profit/(Loss) before tax (Rs. millions)	**(8,847.00)**	(2,619.31)
Profit/(Loss) after tax (Rs. millions)	**(8,847.00)**	(2,659.31)
Dividend on Equity	—	—
RATIOS		
Capital Adequacy	**3.12%**	6.22%

NOTICE

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of IFCI Limited will be held on Monday, 23rd September, 2002 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, 2002 and the Profit and Loss Account for the year ended March 31, 2002 and the Report of the Board of Directors and Auditors' thereon.
2. To appoint Prof. I.M. Pandey as a director of the Company in place of Dr. Prasanna Chandra who retires by rotation and has expressed his desire not to offer himself for re-appointment. The Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing, alongwith requisite deposit, from a member of the Company proposing the candidature of Prof. I. M. Pandey for the office of Director in the vacancy being caused by the retirement of Dr. Prasanna Chandra.
3. To appoint a Director in place of Dr. Ashok Kumar Lahiri, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration and for the purpose to consider and, if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:-

   "RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s Ray & Ray, Chartered Accountants, 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."

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 S. Ravi, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice from a member in writing proposing the candidature of Shri S. Ravi for the office of director, be and is hereby appointed as a director of the Company, liable to retire by rotation. "
6. To consider and if thought fit, to pass, with or without modifications, the following resolution, as an Ordinary Resolution:

   "RESOLVED THAT Shri Vishwanath Prasad Singh, who was appointed as an Additional Director by the Board of Directors of the Company and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office up to the date of this Annual General Meeting and in respect of whom the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing from a member proposing the candidature of Shri Vishwanath Prasad Singh for the office of director, be and is hereby appointed as a director of the Company.

   RESOLVED FURTHER THAT subject to the provisions of Section 269, 198, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded for the appointment of Shri Vishwanath Prasad Singh as Chairman & Managing Director of IFCI for a period of two years with effect from 1st October, 2001 and to the payment of remuneration as set out hereunder:

(i) Pay :

Consolidated pay of Rs. 1,00,000/- per month.

Stock option and performance linked incentive as may be decided by the Board.

(ii) Housing :

Free furnished accommodation to be provided by the Company. The cost of furniture/furnishing shall not exceed Rs. 5 lakhs. Electricity, water and gas charges shall be borne by the Chairman & Managing Director. The Electricity Charges for the Security lights and for one room, which will be used for official purpose, shall be borne by the Company. The expenditure incurred on providing security and gardener for protecting and preserving the property of the Company shall also be borne by the Company.

(iii) Conveyance :

Free use of Company's Car with driver for official and private purposes.

(iv) Travelling, Boarding and lodging :

Actual expenditure to be reimbursed by the Company for outstation journey for official work.

(v) Club Fees :

Fees of Clubs, subject to a maximum of two Clubs (excluding admission and Life Membership Fees).

(vi) Leave Travel Concession :

Entitled to travel with family, by any mode, i.e. Air, Train, Road once in two years for visiting any place in India.

(vii) Medical Benefits :

Actual expenses incurred for the Chairman & Managing Director and his family.

(viii) Personal Accident Insurance :

Premium not to exceed Rs. 4000/- per annum.

(ix) Company's Contribution :

(a) towards Provident Fund	:	10% of pay
(b) towards Superannuation Fund / Annuity Fund	:	15% of pay

(x) Gratuity :

15 days' salary for each completed year of service. Part service in excess of six months shall be reckoned as a completed year of service.

(xi) Leave :

As per staff Regulations of the Company.

(xii) Encashment of Leave on Retirement :

Entitled to encash Earned Leave at the time of retirement, which may be lying to his credit. The amount of leave salary shall be calculated on the basis of last pay drawn.

(xiii) Telephone :

The company shall provide telephone at residence for office use.

NOTE: The family for the purpose of Leave Travel Concession and Medical Benefits shall, besides the Chairman & Managing Director, consist of spouse, wholly dependent parents and wholly dependent children of the Chairman & Managing Director.

RESOLVED FURTHER THAT Chairman & Managing Director will submit the property returns as on the date of appointment and at the end of every financial year thereafter during the period of his tenure as Chairman & Managing Director.

RESOLVED FURTHER THAT the Company shall have the right to terminate the terms of office of the Chairman & Managing Director at any time before the expiry of the term by giving notice, without assigning any reason, of not less than 3 months in writing or the salary and allowance in lieu thereof. Chairman & Managing Director shall also have the right to relinquish his office at any time before the expiry of the term by giving to the Company notice, without assigning any reason, of not less than 3 months in writing.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter and vary the aforesaid terms as to remuneration (including perquisites) within the ceiling limits in that behalf laid down in Schedule XIII to the Companies Act, 1956 as in force from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in such manner as it may deem fit."

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 81 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other 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 shall be deemed to include any committee(s) constituted / to be constituted by the Board to exercise its powers conferred by this resolution), approval of the Company be and is hereby accorded to issuance of Convertible Debentures of Rs. 600 Crores to the Government of India and Life Insurance Corporation of India under the Recapitalisation plan for IFCI approved by the Government of India."

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 81 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to such other 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 shall be deemed to include any committee(s) constituted / to be constituted by the Board to exercise its 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. 1000 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, Companies and other Bodies Corporate, Non resident Indians, 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 trenches, 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.

RESOLVED FURTHER 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.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be deemed necessary or desirable or to settle any question or difficulty that may arise, in regard to the offer, issue, allotment and utilization of the proceeds of issue of the preference shares and to finalize and execute all documents and writings as may be necessary, desirable or expedient."

Registered Office :
IFCI Tower
61, Nehru Place
New Delhi - 110 019
Date: 31st July, 2002

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 8 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. up to the date of Annual General Meeting.
4. Register of Members and Share Transfer Books for Equity Shares will remain closed from Tuesday, 17th September 2002, to Monday, 23rd September, 2002 (both days inclusive).
5. The members holding shares/bonds in physical form are requested to intimate to the Registrar and Transfer Agents, M/s MCS Limited, 212-A, 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 for consolidation of 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.
9. Members who hold shares in dematerialized 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 up to 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 up to the aforesaid financial year may claim their dividend from the Registrar of Companies, Delhi & 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, MCS Limited. **It may be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.**
12. Appointment / Re-appointment of Directors:

    At the ensuing Annual General Meeting Dr. Prasanna Chandra and Dr. Ashok Kumar Lahiri retire by rotation. While Dr. Prasanna Chandra has expressed his desire not to offer himself for re-appointment, Dr. Ashok Kumar Lahiri, being eligible, offers himself for re-appointment. The Company has received a notice, pursuant to Section 257 of the Companies Act, 1956, from a member proposing the candidature of Prof. I. M. Pandey, as director of the Company in place of Dr. Prasanna Chandra. The information or details to be provided for the aforesaid directors under Corporate Governance Code are as under:

    a) Prof. I. M. Pandey, a Ph.D. in Finance from Delhi School of Economics, is professor of Finance & Accounting Area at Indian Institute of Management, Ahmedabad (IIMA), since December 1980. He has served as Dean, Acting Director, Chairman of the Doctoral Programme and Chairman of Finance & Accounting Area at IIMA. He has taught finance in MBA, doctoral and the executive development, in several countries including USA, UK, France, Thailand, Vietnam, Bangladesh, Sri Lanka, Canada and Malaysia. He has published several books and has written about 100 articles and management cases in Indian and international journals. He is providing consultancy services to several public and private sector organisations in India and external agencies like ADB, World Bank etc. He has also won several awards including Award of Excellence, ABI award of Excellence, USA etc.

    b) Dr. Ashok Kumar Lahiri is a Director of the Company since 23rd September 1999. He is M.A. (Eco.). Ph. D. (Eco). He is Director of National Institute of Public Finance & Policy. He had worked as Senior Economist in International Monetary Fund. He had also worked as consultant of World Bank. He is member of National Institute of Bank Management, Pune and Southern Area Local Board, RBI, Chennai.
13. At the next Annual General Meeting approval of shareholders is being sought for appointment of Shri Vishwanath Prasad Singh and Shri S. Ravi, as Directors of the Company. The Board of Directors of the Company appointed both of them as Additional Directors. The information or details to be provided for the aforesaid directors under Corporate Governance Code are as under:

    a) Shri Vishwanath Prasad Singh joined IFCI as Chairman & Managing Director of the Company on 1st October 2001. He was appointed subsequent to the retirement of Shri P. V. Narasimham, who retired on 28th September 2001. Shri Singh, born on 25th January 1944, is commerce graduate. He had undergone extensive training in Development Banking in USA, Japan, Korea and Singapore. He is having an experience of almost 37 years including 30 years in Industrial Development Bank of India (IDBI) and 3 years in Reserve Bank of India. Before joining IFCI, he was working as Executive Director of IDBI. He is a director on the Board of Tourism Finance Corporation of India Limited and National Stock Exchange of India Limited. He is also Chairman of Board of Governors of Institute of Labour Development and Management Development Institute.

    b) Shri S. Ravi was appointed as an Additional Director of the Company w.e.f. 01st October 2001. He is a practicing Chartered Accountant. He is a Director on the Board of following Companies viz. Corporation Bank, Canbank Investment Management Services Limited, IDBI Capital Markets Services Limited, JCT Electronics Limited, Jindal Strips Limited and PNB Mutual Fund.

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

ITEM NO. 5

Shri S. Ravi was appointed as an Additional Director by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, Shri Ravi shall hold office up to the date of the Annual General Meeting of the Company. The Company has received valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri S. Ravi for the office of Director. In view of the background and valuable experience of Shri Ravi in Banks and FIs, it will be in the interest of the Company that Shri Ravi continues as a director of the Company. Brief resume of Shri Ravi is set out in the notes to AGM Notice at note no. 13.

Your directors commend the resolution for approval of the members.

Shri Ravi is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 6

Shri Vishwanath Prasad Singh was appointed as an Additional Director and Chairman & Managing Director by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, Shri Singh as an Additional Director, shall hold office up to the date of the Annual General Meeting of the Company. The Company has received valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Singh for the office of Director. Shri Singh shall not be liable to retire by rotation.

The Board of Directors of Company appointed Shri Singh as Chairman & Managing Director of the Company for a period of two years, subject to approval of the shareholders at their General Meeting. It is mentioned that pursuant to the provisions of Section 302 of the Companies Act, 1956 abstract of the terms of appointment of Shri Singh was sent to all the Shareholders of the Company.

It is stated that the Board of Directors of IFCI at their meeting held on 28th / 29th June 2001 constituted a Nomination Committee consisting of IDBI Chairman, LIC Chairman, and three directors of the Company viz. Shri Vipin Malik, Shri U.K. Sinha and Dr. Ashok Kumar Lahiri to search and recommend the name of a suitable candidate for the post of Chairman & Managing Director. The Committee met thrice and considered the names of various candidates and finally recommended the name of Shri Singh for the post of new Chairman & Managing Director of the Company. The Committee also recommended that the salary of Chairman & Managing Director should be Rs. 1.00 lakh to Rs. 1.50 lakh per month. Besides ESOP up to 2 lakh number of shares could be considered. These shares could be purchased after 3 years at Rs. 10/- per share.

Approval of Shareholders is sought for appointment of Shri Singh as Chairman & Managing Director and payment of remuneration to him as set out in Resolution at Item No. 6. Brief resume of Shri Singh is set out in notes to the AGM Notice at note no. 13.

Your directors commend the resolution for approval of the members.

Shri Singh is interested in the resolution as it relates to his appointment. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 7

The Government of India had sanctioned a recapitalisation plan of Rs. 1000 Crores in August 2001. In the said plan, Rs. 400 Crores was to be contributed by the Government of India and balance 600 crores was to be contributed by major shareholders. The Government of India and LIC has contributed their portion through subscription to the Convertible Bonds of IFCI. Since these Bonds are convertible into equity shares of the Company at the option of the Government of India and LIC, approval of Shareholders is required under Section 81 of the Companies Act, 1956. IFCI would pay interest @ 9.75% p.a. and 10.77% p.a. to the GOI and LIC respectively on these Bonds. The money received from GOI was reinvested in the Government Securities on which IFCI will receive interest @ 9.75% per annum.

Your directors commend the resolution for approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

ITEM NO. 8

IFCI, being a 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. Besides, the preference shares issued earlier are becoming due for redemption in current and next financial year and these Shares can be redeemed only out of the proceeds of fresh shares issued or out of profits of the Company. Since your Company does not have sufficient profits to redeem these Shares, fresh shares will have to be issued for redemption of shares issued earlier.

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 general meeting decide otherwise. The listing agreement with the Stock Exchanges also has provisions to the similar effect.

Resolution set out at item no. 8 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.

Your Directors commend the Special Resolution for approval of members.

The Directors may be deemed to be concerned or interested in the resolution set out at item no. 8 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.

Registered Office :
IFCI Tower
61, Nehru Place
New Delhi - 110 019
Dated : 31st July, 2002

By order of the Board of Directors

Rakesh Aggarwal
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 (4) below :

1. The Stock Exchange
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort
Mumbai - 400 001
2. The Delhi Stock Exchange
Assn Ltd.
3/1, Asaf Ali Road
Delhi - 110 002
3. The Calcutta Stock Exchange
Assn. Limited
7. Lyons Range,
Kolkata - 700 001
4. The National Stock Exchange
of India Limited,
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East)
Mumbai - 400 051
5. The Stock Exchange
Kamdhenu Complex,
Opp. Sahajanand College
Panjarapole
Ahmedabad - 380 015
6. The Madras Stock Exchange
Association Limited,
11, Second Line Beach,
Chennai - 600 001

Various series of bonds issued by IFCI when it was s statutory Corporation and which are guranteed by the Government of India are listed on Stock Exchanges mentioned at Sl. No. 1,2,3, & 6 above.

The Company has paid the annual listing fees to the Stock Exchanges for the financial year 2001-2002.

Pursuant to the Resulotion passed at the previous Annual General Meeting held on 10th September 2001, the Company has applied for delisting of securities from the Stock Exchanges at New Delhi, Kolkata, Ahmedabad and Chennai. Approval of Stock Exchanges/SEBI is awaited.

DIRECTORS' REPORT

To the Members

Your Directors present the Ninth Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

(Rs. Million)

	2001-02	2000-01
Income from operations	22,185.30	28,799.28
Other income	301.19	104.62
Total Income	22,486.49	28903.90
Profit/(Loss) before Provision for Bad & Doubtful Debts and Investments and Taxation	(2,531.27)	2339.67
Profit/(Loss) before taxation	(8,847.00)	(2619.31)
Transfer from General Reserve	—	3189.73
Surplus brought forward from previous year	4.24	115.35
Less: Provision for taxation (earlier years)	—	40.00
Surplus/ (Deficit)	(8,842.76)	645.77
APPROPRIATIONS		
Dividend on Preference Shares	—	482.49
Corporate Dividend tax	—	109.04
Debenture Redemption Reserve	—	50.00
Balance carried to Balance Sheet	(8,842.76)	4.24

Dividend

In view of the loss suffered by your Company, your Directors have been unable to recommend dividend on preference shares as well as equity shares.

Operating Environment and outlook

The Indian economy has shown resilience to global slowdown, and is expected to record a real GDP growth of 5.4% in 2001-02 as per revised estimates of CSO. Despite the reasonably higher GDP growth, the economic recovery in 2001-02 has been uneven. The recovery has been primarily due to a significant rise in 'agriculture, forestry and fishing' output with growth estimated at 5.7% in 2001-02 compared with 0.2% decline in the previous year. The strong growth of agriculture has resulted in buoyant and sustained performance of the consumer goods industry. However, the growth performance of the other industrial sub-sectors has been nominal, restricting overall industrial growth.

Industrial growth at 2.9% in 2001-02 was the slowest since 1992-93 and was substantially lower compared with 6.2% registered in the previous year. Growth of the manufacturing sector slowed to 2.8% in 2001-02 compared with 6.7% in 2000-01 and was accompanied by slower growth of the mining sector and electricity output during the previous year. The output of capital goods, which is closely correlated with investment trends in the economy, fell by 4% in 2001-02 after registering a meagre 1.7% growth in the previous year. Growth of intermediate goods dropped from 4.7% in 2000-01 to 1.5% in 2001-02, while that of basic goods declined from 3.9% to 2.8% during the same period. The above trend was also manifested in the lower non-food credit growth of 12.8% during 2001-02 compared to 14.9% in the previous year. However, the services sector recorded a higher growth of 6.5% during 2001-02 compared with 4.8% during 2000-01.

Exports remained more or less flat in 2001-02 with a marginally negative growth of 0.1%. Weak domestic demand also meant that imports too did not increase significantly during the year with overall growth of a mere 1.1%. The foreign exchange reserves, at the end of March 2002, were placed comfortably at US$51.1 billion (excluding gold and SDRs), equivalent to over 12 months' imports.

Inflation, during the period, hovered at historic lows, reflecting slack demand in the economy. Although, comfortable inventories of foodgrains as well as low fuel prices have been the other major contributory factors, the muted demand for intermediate inputs was also responsible for the low inflation.

The government initiated several positive steps toward reviving the economy not only through direct investment in infrastructure but also by providing encouragement to private investment. For this purpose efforts were made to inject liquidity into the system by easing monetary policy through a cut in the Cash Reserve Ratio (CRR). Also steps were initiated to bring down the cost of credit, by moving towards softer interest rates, These changes are likely to have a positive impact on credit demand during the current Financial Year.

The overall economic environment in 2001-02 was mixed. While the industrial sector experienced lower demand both in the domestic and export markets, a strong balance-of-payments position relatively low inflation and falling interest rates emerged as positive indicators for the economy. These positive signals are expected to translate into a industrial revival in the coming year. More so, the commitment of government towards speedy implementation of the second-generation reforms is likely to restore investors' confidence and improve investment climate.

In order to face the challenge posed by large quantum of Non-Performing Loans (NPL), the Government has initiated several measures with major breakthrough in financial sector reforms by issue of an Ordinance on Securitisation and Reconstruction of Financial Assets that would strengthen creditors' rights through foreclosure and enforcement of securities, creation of Asset Reconstruction Companies (ARCs) involving the participation of public, private sector banks and financial institutions. The ARCs would initiate measures for taking over the NPLs and develop a market for securitised loans.

Sanctions and Disbursements

IFCI sanctioned aggregate net assistance of Rs.7,804.58 million to 47 projects during the year 2001-02 compared with Rs.17,664.52 million to 64 projects in the previous year. Total disbursements during the year 2001-02 amounted to Rs.10,756.65 million compared with Rs.21,568.01 million in the previous year. The lower sanctions and disbursements during the year were in line with IFCI's current approach to consolidate business strategy. It was also a reflection of the trends in the industrial sector/investment climate and slow growth of new industrial capacities in the country. During the year 2001-02, miscellaneous services had the highest share in the sanctions (40.8%), followed by iron & steel (13%), power generation (12.1%), petroleum refining (6.4%), telecom services(6.4%) and construction (6.4%). Purpose-wise, while 19.78% of the assistance sanctioned during the year 2001-02 was for new projects, 13.51% was for expansion/ diversification/modernization of existing projects. However, 66.71% of total sanctions during the year was for the purpose of balancing equipment, general corporate purposes, margin money for working capital, financial restructuring etc. Implementation of many assisted projects were delayed, as companies promoters could not raise the required equity funds due to adverse capital market conditions. Under these circumstances, your Company, in line with other financial institutions, was required to provide necessary additional funding to meet cost over-run these projects.

Facility-wise Sanctions and Disbursements

The share of fund-based assistance sanctioned and disbursed during the year under review accounted for 95.6% and 97.5% compared with 93.5% and 77.7% respectively in the previous year. No foreign currency loan was sanctioned during the year 2001-02 compared with sanctions of Rs 1,457 million in the previous year. The share of debentures in total sanctions also declined from 20.5% in 2000-01 to 15.0% in 2001-02.

Undisbursed Sanctions

Undisbursed sanctions or outstanding commitments of IFCI stood at Rs 15,514 million at the end of 2001-02. The iron & steel sector accounted for almost 44% of the undisbursed sanctions, followed by the infrastructure (power 9.5%, telecom 4.6%, ports 2.5%, and bridges 1.5%), and petroleum sector 7.6%. The rest covered a variety of industries including basic chemicals (4.5%), textiles (3.8%), sugar (3.7%) and synthetic resins (2.4%).

Portfolio Analysis

The total outstanding assistance, (excluding equity investments and guarantees) by your Company at the end of 2001-02 was Rs. 175.48 billion (Rs. 187.55 billion as of March 31, 2001), spread across a number of industries. The drop in outstanding assistance was partly due to prepayments by borrowers of about Rs 5.6 billion during the year. However, with a view to continuing consolidation of your Company's operations, and in the context of the emerging industrial/ regulatory environment, the management's approach will be to maintain the overall level of outstanding assistance at current levels. Facility-wise outstanding loans are given in Table - 1.

Table 1: Facility-wise Outstanding loans etc.

(Rs. million)

Facility-wise Loans Outstanding	As of March 31, 2002	As of March 31, 2001
Rupee loans	**1,11,845.65**	1,24,603.60
Foreign currency loans	**35,670.83**	36,974.80
Debentures	**25,234.99**	23,254.44
Lease Assistance, incl. lease rental receivables	**2,726.56**	2,716.54
TOTAL	**1,75,478.03**	1,87,549.38

Industry-wise Classification of Portfolio

Other than iron & steel, textiles, and power generation, your Company's exposure in all other industrial sectors remained below 6% of the total outstanding assistance (Table 2). The relatively high concentration in respect of iron & steel (21.69%) is explained by the fact that most projects in this industry are currently under

Table 2: Industry-wise outstanding as on March 31, 2002 **(Rs. Million)**

INDUSTRY	LOANS	SHARES	DEBENTURES	LEASING	TOTAL	% TO TOTAL	GUARANTEE	GRAND TOTAL
INFRASTRUCTURE								
POWER GENERATION	10,691.36	548.45	3,806.12	1,937.45	16,983.38	8.96	14,224.39	31,207.77
PORT& PORT SERVICES	3,199.66	0.00	970.00	0.00	4,169.66	2.20	0.00	4,169.66
TELECOM SERVICES	3,470.15	152.39	0.00	0.00	3,622.54	1.91	0.00	3,622.54
ROADS & BRIDGE CONSTRUCTION	50.00	50.00	0.00	0.00	100.00	0.05	0.00	100.00
SUB TOTAL	**17,411.17**	**750.84**	**4,776.12**	**1,937.45**	**24,875.58**	**13.13**	**14,224.39**	**39,099.97**
IRON & STEEL	33,723.82	2,609.51	4,736.96	27.23	41,097.52	21.69	3,652.01	44,749.53
TEXTILES	16,959.33	1,882.84	2,610.96	152.31	21,605.44	11.40	239.71	21,845.15
STEEL/METAL PRODUCTS	8,360.08	1,681.45	1,571.38	116.33	11,729.24	6.19	0.00	11,729.24
SYNTHETIC FIBRES	7,237.16	1,497.84	1,941.55	9.56	10,686.11	5.64	757.76	11,443.87
PETROLEUM REFINING	8,891.33	520.56	268.81	0.00	9,680.70	5.11	391.88	10,072.58
BASIC CHEMICALS	6,446.39	390.37	541.82	52.41	7,430.99	3.92	338.90	7,769.89
FERTILISERS	2,935.43	137.78	3,933.35	0.00	7,006.56	3.70	536.72	7,543.28
SYNTHETIC RESINS & PLASTICS	5,884.54	85.51	829.19	0.00	6,799.24	3.59	815.75	7,614.99
CEMENT	3,448.56	468.05	1,430.15	41.17	5,387.93	2.84	0.00	5,387.93
SUGAR	3,341.20	196.64	154.73	11.36	3,703.93	1.95	0.00	3,703.93
ELECTRONICS	2,537.61	97.46	781.51	88.44	3,505.02	1.85	0.00	3,505.02
PAPER & PAPER PRODUCTS	2,379.48	375.00	264.83	181.46	3,200.77	1.69	0.00	3,200.77
HOTEL & TOURISUM	3,023.86	156.24	8.60	0.00	3,188.70	1.68	0.00	3,188.70
ELECTRICAL MACHINERY	2,649.21	135.28	132.60	0.00	2,917.09	1.54	76.70	2,993.79
MACHINERY & PARTS	2,760.33	26.49	99.21	0.00	2,886.03	1.52	161.23	3,047.26
OTHERS	19,526.98	3,023.21	1,53.22	108.84	23,812.25	12.56	658.07	24,470.32
TOTAL	**1,47,516.48**	**14,035.07**	**25,234.99**	**2,726.56**	**1,89,513.10**	**100.00**	**21,853.12**	**2,11,366.22**

implementation. Once these projects begin operations, it is expected that the repayment from these projects would commence and thus the share of this sector will decline. Further, your Company has taken a conscious decision not to take up financing of any new, green-field steel projects. Though the textile industry accounts for 11.40% of the total outstanding assistance, it is spread over a large number of units, thereby mitigating the risks considerably. IFCI's exposure in all other industries, except power generation (8.96%), steel/metal products (6.19%), synthetic fibres (5.64%) and petroleum refining (5.11%), ranged between 0.02% to 3.92% of total outstanding assistance.

Asset Classification

Asset classification of your Company is furnished below (Table 3). The standard assets constitute 77.79% of total outstanding; Assets comprise loans, debentures, net leased assets and lease rentals receivables.

Table 3: Asset Classification of Portfolio

(Rs. millions)

Asset Classification of Portfolio	2001-02	2000-01
Standard Assets	**136,501.59(77.79%)**	148,178.78(79.01%)
Sub-standard Assets	**8,952.37(5.10%)**	9,739.64 (5.19%)
Doubtful Assets	**30,024.07(17.11%)**	29,630.96 (15.80%)
TOTAL	**175,478.03(100%)**	187,549.38(100%)

Management of Non-Performing Assets

Net Non Performing Assets (NPAs) of your Company as on 31st March, 2002 amounted to Rs 38,976 million (22.21%) compared with Rs. 39,371 million (20.99%) as on 31st March, 2001. Though the level of NPAs came down marginally from the previous year, the same was relatively higher in percentage terms owing to the drop in the