



A N N U A L R E P O R T 2 0 0 3 - 0 4

ELEVENTH ANNUAL GENERAL MEETING

DATE : 18th August, 2004

DAY : Wednesday

TIME : 10.30 A.M.

PLACE : Air Force Auditorium,
Subroto Park,
New Delhi - 110 010.

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

BOARD OF DIRECTORS

Shri S. Ravi
Shri A.K. Doda
Shri I.M. Pandey
Shri Vinod Rai
Shri R.N. Bhardwaj
Shri P.S. Shenoy

PRINCIPAL OFFICERS

Shri M.V. Muthu
Executive Director

Shri R.M. Malla
Executive Director

CHIEF GENERAL MANAGERS

Shri Sanjoy Chowdhury
Shri Sanjeev Ghai

Shri R. Loonkar
Shri Lokanath Mishra

COMPANY SECRETARY

Shri Rakesh Aggarwal

GENERAL MANAGERS

Shri R.C. Pandey
Shri R.K. Chavali
Shri S.K. Mandal (Posted in
Assets Care Enterprise Ltd.)
Shri A.K. Choudhary (IT)
Shri Narendar Kumar (IT)
Shri Javed Yunus

Shri Naresh Saluja
Shri V.S. Pandey (On deputation
as MD, NITCON)
Shri Ashok Kumar
Shri N.D. Auddy
Shri Ganga Charan
Shri D.G. Chaudhury

Shri A.K. Bhan
Shri Rakesh Kapoor
Shri Sonjoy Sethee
Shri T.K. Ray
Shri Prasenjit Kar (Law)
Shri A.K. Das

Shri Dinesh Sharma
Shri G.J. Prasad
Shri Subrata Lahiri
Shri R.P. Singh
Shri R.S. Sandhu (On
deputation as ED, UJVNL)

STATUTORY AUDITORS

Ray & Ray
Chartered Accountants

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of IFCI Limited will be held on Wednesday, the 18th August, 2004 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, 2004 and the Profit and Loss Account for the year ended March 31, 2004 and the Report of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Shri A. K. Doda, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R. N. Bhardwaj, 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 224 A 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/ Committee 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 pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Central Govt. and such other approvals, as may be required and such modifications and conditions, if any, as the Central Government or any other authority may impose and which the Board of Directors are hereby authorized to accept, consent of the members be and is hereby accorded for providing following facilities to Shri V. P. Singh, former Chairman & Managing Director, after retirement:
 - i) Retirement Fare Concession, as available to officers of IFCI, from Delhi to Mumbai (Place of settlement);
 - ii) Shifting of household goods, as available to officers of IFCI, from Delhi to Mumbai (place of settlement);
 - iii) Retention of official accommodation provided to him at Mumbai, with telephone facility, for two months, i.e., till 31st March, 2004.
 - iv) Provision of car with driver to him at Mumbai, for two months, i.e., till 31st March, 2004.

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."

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

'RESOLVED that pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of Central Govt. and such other approvals, as may be required and such modifications and conditions, if any, as the Central Government or any other authority may impose and which the Board of Directors are hereby authorized to accept, consent of the members be and is hereby accorded for the appointment of Shri Mudumbai Venkatavarada Iyengar Muthu as Manager under the Companies Act, 1956 from 1st February, 2004 to 31st October, 2004 i.e., the last day of the month in which he attains the age of Superannuation and to the payment of remuneration as set out hereunder:

- i) **Pay**
Consolidated salary of Rs. 60,000/- p.m. in the graduated range of Rs. 50,000-5000-75000/-.
- ii) **Housing**
Rent free accommodation as per rules of IFCI or House Rent Allowance of Rs. 5000/- p.m.
- iii) **Conveyance Allowance**
Provision of office car, as per Rules of IFCI or reimbursement of conveyance expenses of Rs. 15,000/- p.m.
- iv) **Leave Travel Concession**
2600 Kms each way to any place in India by AC 1st Class for self and dependent family members or Rs. 75,000/- on declaration basis, once in two years.
- v) **Medical Benefit**
Actual expenses for self and dependent family members subject to ceiling as per IFCI Medical Scheme.
- vi) **Group Personal Accident Insurance**
Amount covered - Rs. 2.25 lakhs per annum.
- vii) **Newspapers/ Periodicals / Books Reimbursement**
Rs. 900/- p.m.
- viii) **Furniture / Consumer durables at Residence**
Rs. 70,000/-, subject to recovery of Rs. 175/- p.m.
- ix) **Lunch subsidy**
At Rs. 880/- p.m., subject to recovery of Rs. 105/- p.m.
- x) **Encashment of Ordinary Leave**
15 days once in a financial year.
- xi) **Retirement fare concession and encashment of unavailed Ordinary Leave on Retirement**
 - a) Single fare Journey by entitled Class for self and family and cost of shifting of household goods to hometown.
 - b) Encashment of unavailed ordinary Leave lying to his credit at the time of retirement, subject to maximum of 10 months. The amount of leave

salary shall be calculated on the basis of pay of substantive post of CGM.

xii) Reimbursement of official entertainment expenditure

Rs. 10,000/- per annum.

xiii) Subscription/ renewal fee for Credit Card

Rs. 700/- per annum.

xiv) Telephone

IFCI shall provide telephone at residence for office use.

xv) Payment of tax on perquisites/Special (Perquisite) Allowance

IFCI to bear tax in full on non-monetary perquisites and to pay Special allowance on monetary perquisites.

xvi) Superannuation benefits

- a) Provident Fund - 10% of Pay of substantive post of CGM.
- b) (i) Gratuity - a sum equal to one month's pay of substantive post of CGM + DA for each completed year of service or part thereof in excess of six months, subject to maximum of 20 month's pay + DA, or Rs. 3,15,000/-, whichever is less, for first 24 years of service.
- (ii) An additional sum equal to half month's pay of his substantive post of CGM + DA for each completed year of service in excess of 24 years of service.
- (iii) Gratuity is calculated under IFCI (Payment of gratuity to employees) Regulations, 1968 and Payment of Gratuity Act, 1972 and higher of the two amounts is paid.

Subject to the above, in all other matters, he will be governed by the Staff Regulations of IFCI and other rules and regulations, Administration/HR Circulars and Office Orders as may be in force from time to time in IFCI.

RESOLVED FURTHER that in the event of absence or inadequacy of profit in any financial year, the aforesaid remuneration be paid as minimum remuneration.

RESOLVED FURTHER that the Company shall have the right to terminate the term of office of the Manager 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. Manager 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 approval be and is hereby accorded under Section 163 and other applicable provisions, if any, of the Companies Act, 1956 for maintaining the Register and Index of Members and Family Bondholders and copies of all annual returns prepared under Sections 159 and 160 together with the copies of the Certificates and Documents required to be annexed thereto under Sections 160 and 161 at the premises of the Company's Registrar and Transfer Agent MCS Limited, Srivenkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi - 110 020."

Registered Office :

IFCI Tower
61, Nehru Place
New Delhi - 110 019

By order of the Board of Directors

Rakesh Aggarwal
Company Secretary

Date: 29th June, 2004

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 Special business under Item No. 5 to 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 between 11.00 a.m. and 1.00 p.m. up to the date of Annual General Meeting.
4. The Shareholders holding Cumulative Preference Shares of the Company shall have the right to vote on all the resolutions included in the notice, pursuant to the provisions of Section 87(2) (b) (i) of the Companies Act, 1956.
5. Register of Members and Share Transfer Books for Equity Shares will remain closed from Tuesday, 10th August, 2004, to Wednesday, 18th August, 2004 (both days inclusive).
6. IFCI is not including the financial statements and other details of its subsidiaries viz., IFCI Financial Services Limited and IFCI Venture Capital Funds Limited in terms of exemption granted by the Department of Company Affairs under Section 212(8) of the Companies Act, 1956. IFCI has also obtained exemption under Section 211(4) in respect of disclosure of company-wise investment as per Part I of Schedule VI. However, annual accounts of the subsidiary companies alongwith the related detailed information and company-wise investment will be made available to the Members of IFCI or its subsidiary companies seeking such information at any point of time on specific request in writing to the Company. The Annual Accounts of the Subsidiary companies are open for inspection at the Registered Office

of IFCI and at the registered offices of the respective subsidiary companies up to the date of Annual General Meeting on any working day.

7. The members holding Shares/Bonds in physical form are requested to intimate to the Registrar and Transfer Agents (R&TA), MCS Limited, Srivenkatesh Bhawan, W-40, Okhla Industrial Area, Phase - II, New Delhi - 110 020, change of address, if any, at the earliest quoting their registered folio number. Change of address in respect of shares/bonds held in demat form is required to be intimated to the concerned Depository Participant.
8. 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 them to consolidate the holdings in one folio to facilitate better service.
9. Members seeking any information or clarifications with regard to accounts or operations at the Annual General Meeting are requested to write to the Company at an early date, preferably at least seven days prior to the date of meeting, so as to enable the management to keep the information ready.
10. Members/Proxies should bring the attendance slips duly filled in for attending the meeting. 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.
11. Pursuant to Section 205A of the Companies Act, 1956 the Company has 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.
12. Consequent upon amendment to Section 205 A and introduction of Section 205-C, the unclaimed dividend for the financial years 1994-95 and 1995-96 have been transferred to the Investor Education & Protection Fund. Dividend for the Financial year 1996-97 and thereafter which remains unpaid or unclaimed for a period of seven 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, 1997 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 Investor Education and Protection Fund, as above, no claim shall lie in respect thereof.**

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

ITEM NO. 5

Shri V. P. Singh, Chairman & Managing Director retired on 31st January, 2004 after completion of his tenure. As per the terms of

appointment, he was entitled to certain facilities. Shri Singh, having decided to settle down at Mumbai after retirement, requested the Board of Directors of the Company, to provide following facilities after retirement :

- i) Retirement Fare Concession, as available to officers of IFCI, from Delhi to Mumbai (Place of settlement);
- ii) Shifting of household goods, as available to officers of IFCI, from Delhi to Mumbai (place of settlement);
- iii) Retention of official accommodation provided to him at Mumbai, with telephone facility, for two months, i.e., till 31st March, 2004.
- iv) Provision of car with driver to him at Mumbai, for two months, i.e., till 31st March, 2004.

The Board of Directors considered the matter and decided to accede to the request of Shri V. P. Singh, subject to the approval of the members at the Annual General Meeting and the Central Government. An application has already been made to the Central Government for its approval for providing the above facilities to Shri Singh. In view of this, approval of members is being sought. Since Shri V. P. Singh could not arrange alternative accommodation up to 31st March, 2004, the Board of Directors approved retention of office accommodation from April 01, 2004 to 30th September, 2004, subject to recovery of rent from him.

Your Directors commend the resolution for approval.

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

ITEM NO. 6

Shri V. P. Singh, Chairman & Managing Director of IFCI retired from the Company on 31st January, 2004 on completion of his tenure. The Board of Directors of IFCI at their meeting held on 30th January, 2004 discussed the issue relating to appointment of new Chairman & Managing Director in place of Shri Singh. After discussions, it was felt that in view of the proposed merger of IFCI with Punjab National Bank, no CMD be appointed. In order to fulfil the requirements of the Companies Act, 1956, the Board decided to appoint Shri M. V. Muthu, Executive Director, as Manager under the Companies Act, 1956 w.e.f. 1st February, 2004 till 31st October, 2004, being the last date of the month in which he attains the age of Superannuation. The appointment was made by the Board subject to the approval of members at the Annual General Meeting and the Central Government. An application has already been made to the Central Government for its approval to the appointment of Shri M. V. Muthu as Manager and payment of remuneration to him as set out in the resolution. In view of this, approval of the members is being sought.

Your Directors commend the resolution for approval.

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

ITEM NO. 7

MCS Limited is presently acting as the Registrar and Transfer Agents for both the Equity Shares and Family Bonds of the Company. The Company had at its 3rd Annual General Meeting and 8th Annual General Meeting held on 18th September, 1996 and 10th September, 2001 respectively, taken the approval of members for maintaining the Register and Index of members and Family Bondholders and copies of Annual Returns at the office

of MCS Limited, 212-A, Srivenkatesh Bhawan, Shahpur Jat, New Delhi - 110 049. MCS Limited has changed its office from Shahpur Jat to W-40, Okhla Industrial Area, Phase II, New Delhi - 110 020. In view of this, fresh approval of the Members is required for maintaining the Register and Index of members and Family Bondholders at new address.

Your Directors commend the Special Resolution for approval of members.

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

Registered Office :

By order of the Board of Directors

IFCI Tower
61, Nehru Place
New Delhi - 110 019

Rakesh Aggarwal
Company Secretary

Date : 29th June, 2004

INFORMATION ABOUT DIRECTORS AS REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE

At the ensuing Annual General Meeting Shri A. K. Doda and Shri R. N. Bhardwaj shall retire by rotation and being eligible offer themselves for re-appointment. The information or details

to be provided for the aforesaid directors under Corporate Governance Code are as under:

- a) Shri A. K. Doda is a director of the Company since 21st June, 2002. He was appointed to fill the casual vacancy arisen due to resignation of Shri T. M. Nagarajan. Shri Doda is Executive Director of Industrial Development Bank of India. He is B. Tech. (Hons.) from the IIT, Mumbai. He has vast experience of the industrial sector including Project Finance and all facets of developmental banking. He is with IDBI for last 3 decades. He is a Director in IDBI Intech Limited and IDBI Capital Markets Limited.
- b) Shri R. N. Bhardwaj is director of the Company since 30th January, 2003. He was appointed to fill the casual vacancy arisen due to resignation of Shri N. C. Sharma. Shri Bhardwaj is Managing Director of Life Insurance Corporation of India. He is Master in Economics and DIR & PM from Punjab University. He has vast experience in insurance field besides Project financing, investment and lending to various sectors of the economy. He is a Director in Jaypee Cement Limited, UTI Bank Limited, ABB Limited, LIC Lanka Limited, LIC (Mauritius) Offshore Ltd. and LIC Mutual Fund Trustee Co. Pvt. Ltd.

LISTING AT STOCK EXCHANGES

The Company's Equity Shares are listed at following six Stock Exchanges in India. Besides, the bonds issued to the public by the Company were also listed at Stock Exchanges mentioned at Sl. No. 1, 2 and 3 below. After the redemption of these bonds on maturity/through exercise of call option, the listing of these bonds have been discontinued on these Stock Exchanges.

- | | |
|---|--|
| 1. The Stock Exchange
Phiroze Jeejeebhoy Tower,
Dalal Street, Fort
MUMBAI - 400 001 | 2. 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 |
| 3. The Delhi Stock Exchange Assn. Ltd.
3/1 Asaf Ali Road
DELHI - 110 002 | 4. The Calcutta Stock Exchange Assn. Ltd.
7 Lyons Range,
KOLKATA - 700 001 |
| 5. The Madras Stock Exchange
Association Limited,
11, Second Line Beach,
Panjarapole
CHENNAI - 600 001 | 6. The Stock Exchange
Kamdhenu Complex,
Opp. Sahajanand College
AHMEDABAD - 380 015 |

Various series of bonds issued by IFCI, when it was a statutory Corporation, and which are guaranteed by the Government of India are listed on one or more Stock Exchanges mentioned at Sl. Nos. 1, 3, 4 and 5 above.

The Company has paid the annual listing fees to all the Stock Exchanges for the financial year 2003-2004 except to the Stock Exchanges at New Delhi, Kolkata, Ahmedabad and Chennai as Company had applied for delisting of Securities pursuant to the resolution passed at the Annual General Meeting held on 10th September, 2001 and 12th September, 2003.

DIRECTORS' REPORT

To the Members

Your Directors present the Eleventh Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March, 2004.

FINANCIAL RESULTS

	(Rs. million)	
	2003-04	2002-03
1. Income from Operations	10,957	14,035
2. Other Income	90	347
3. Total Income	11,047	14,382
4. Cost of borrowings	13,356	15,581
5. Staff cost	861	359
6. Other expenditure	154	200
7. Depreciation	292	322
8. Total expenditure	14,663	16,462
9. Loss before Provision for Bad and Doubtful Assets	(3,616)	(2,080)
10. Write off /Provision for Bad and Doubtful Assets	24,022	18,817
11. Extraordinary items		
(a) Liabilities taken over by GoI	290	18,300
(b) Amount reversed	(4,950)	–
12. Loss for the year	(32,298)	(2,597)
13. Deficit b/f from previous year	(11,440)	(8,843)
14. Balance carried to Balance Sheet	(43,738)	(11,440)

The income from operations during the financial year 2003 - 04 was lower as compared to the previous financial year mainly due to the reduction in interest earning assets caused by normal repayments / prepayments of loans and also interest reversal/non-recognition of income on Non-Performing Assets (NPAs). Your Company has, however, been able to reduce cost of borrowings significantly to Rs. 13,356 million as compared to Rs. 15,581 million in the previous year. The staff cost, during the year, has been higher due to payment/provision of retirement benefits under Voluntary Retirement Scheme (VRS). Further, the entire VRS expenditure has been charged to revenue during the year as against earlier practice of amortising the same over a period of five years. Your Company has made significant and extensive provisions towards NPAs during the year in compliance of guidelines of the regulatory authorities. Your Company has also reversed an amount of Rs. 4,950 million (principal : Rs. 840 million and interest : Rs. 4,110 million) accounted for as extra-ordinary item/reduction from cost of borrowings respectively in the previous year, being the financial support provided by Govt. of India and expected to be converted into grant. However, the same has not been converted into grant as yet. Further an amount of Rs. 17,170 million (being principal in respect of foreign currency liabilities, servicing of which has been agreed to be done by Govt. of India) which is expected to be received by way of a grant from Govt. of India in future years has not been recognised. The above financial support will be accounted for as

and when actually received from Govt. of India by way of grant. As an additional measure of prudence, your Company has also not recognised Deferred Tax Assets in terms of the Accounting Standard (AS 22).

Dividend

In view of the loss incurred by the Company, your Directors are unable to recommend any dividend on preference shares as well as equity shares.

Significant Developments

(i) Proposal for Merger

A detailed study was conducted by Mckinsey & Co. to determine the future road map for your Company, based on which, various efforts were made. The Govt. of India also provided financial support to overcome the assets-liabilities gap. However, under the present circumstances for achieving long term sustainability, the Board of Directors of your Company have agreed, in principle, for a merger with Punjab National Bank. SBI Capital Markets Ltd. (SBI Caps), a leading Merchant Bank of the country, has been appointed to carry out a due diligence exercise, covering, inter alia, all assets, liabilities including contingent liabilities, legal aspects, share exchange ratio etc. on completion of which, a final view on merger will be taken.

(ii) Restructuring of Liabilities

Your Company had in the past been raising rupee resources at fixed interest rates. With the progressive and relatively sharp decline in interest rates in the last few years, your Company had to restructure some of the assets at lower interest rates. On the other hand, in view of the adverse credit rating, your Company could not raise funds from the market to retire high cost debts. Under these circumstances, your Company approached its major investors and requested them for restructuring of their investments in IFCI. The above restructuring has been completed for the major portion of the rupee liabilities and efforts for further restructuring is in progress.

(iii) Management of Non-Performing Assets

The net NPAs of your Company were Rs.38,641 million (32.3%) as on 31st March, 2004 compared with Rs. 45,597 million (29.5%) as on 31st March, 2003. The Asset Classification is furnished in the following table :-

Table 1 : Asset Classification of Portfolio

Asset Classification as on	(Rs. million)			
	31st March, 2004 Amount	%	31st March, 2003 Amount	%
Standard Assets	81,162	67.7	108,957	70.5
Sub-standard Assets	8,986	7.5	8,203	5.3
Doubtful Assets	29,655	24.8	37,394	24.2
TOTAL	119,803	100	154,554	100

In order to resolve the existing NPAs and also to prevent slippage of performing assets into NPAs, timely restructuring packages were formulated, wherever feasible. During 2003-04, restructuring

packages have been formulated in 42 cases with an aggregate outstanding amount of Rs. 37,898 million, including 21 cases restructured under Corporate Debt Restructuring System. In projects, where the prospects of recovery of dues in normal course, even after restructuring, are considered remote and recovery through normal legal route is expected to be unduly long-drawn, your Company continued to pursue Negotiated/One Time Settlement (OTS) of dues. During 2003-04, OTS was entered into in respect of 55 cases with an aggregate outstanding of Rs.12,220 million. The amount settled was Rs.4,782 million in 2003-04 compared with Rs.4,865 million in the previous year.

Where loan recovery has not been found possible through other means, your Company has initiated legal action for recovery. As on 31st March, 2004, your Company had filed 802 recovery applications, involving an amount of Rs.106,530 million in the various Debt Recovery Tribunals (DRTs) in India. These included 25 new cases filed during the year involving an aggregate amount of Rs.4,070 million. Your Company has also obtained Recovery Certificates through DRTs in 202 cases for an aggregate amount of Rs.21,619 million as on 31st March, 2004. The sale of assets through the DRTs/Company Courts has yielded Rs.417 million in 68 cases during the year 2003-04.

Your Company initiated action under the Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 and issued notices under the Act in respect of 42 cases involving an amount of Rs.13,312 million and gave consent letters in 25 cases involving an amount of Rs.7,361 million during 2003-04. Cumulatively, since June, 2002 upto the 31st March, 2004, notices have been issued under the said Act in respect of 92 cases involving an amount of Rs.42,272 million and consent letters have been issued in respect of 68 cases involving

an amount of Rs.44,421 million.

Your Company alongwith PNB, LIC, BoB, United Bank of India, TFCI and Madhya Pradesh Consultancy Organisation Ltd., has set up an Asset Reconstruction Company viz., Assets Care Enterprise Ltd. (ACE Ltd.) which has obtained the Certificate of Registration from RBI. ACE is in the process of increasing the Paid-up Capital to Rs.100 crores, for commencement of business. In the meantime, ACE has also become a member of the Corporate Debt Restructuring (CDR) forum.

(iv) Corporate Advisory Services

Pursuant to the endeavours to provide customised services, your Company has been able to make a mark in the area of advisory services including investment appraisals, Corporatisation, Disinvestment, Business Restructuring, Bid-Process Management and formation of joint ventures. Your Company has not only been retained but has also been given new assignments by Central Government, State Governments, Public and Private Sector Undertakings, often through open competitive bidding.

Sanctions and Disbursements

In keeping with the on-going objective of consolidation of operations, the assistance sanctioned and disbursed by your Company during 2003-04 was largely by way of restructuring assistance. The assistance sanctioned and disbursed during the year were Rs. 13,916 million and Rs. 2,782 million respectively.

Industry-wise Classification of Portfolio

The total outstanding assistance provided by your Company at the end of 2003-04 was Rs. 149,860 million spread across a number of industries.

The industry-wise classification of outstanding portfolio as of 31st March 2004 is given in Table 2 hereunder :

Table 2 : Industry-wise net Outstanding as on 31st March, 2004

								(Rs. million)
INDUSTRY	LOANS	DEBENTURES	LEASING	SHARES/UNITS	GUARANTEES	G-SEC/IDF/MF UNITS	TOTAL	% TO TOTAL
Infrastructure								
Power	9,454	3,718	1,390	533	6,795	0	21,890	14.6
Port & Port Services, Telecom and Bridge Construction	4,308	25	0	50	0	0	4,383	2.9
Sub-Total	13,762	3,743	1,390	583	6,795	0	26,273	17.5
Iron & Steel	29,163	600	23	3,038	2,291	0	35,115	23.4
Textiles	11,373	1,569	103	1,124	186	0	14,355	9.7
Petroleum Refining	8,218	269	0	295	238	0	9,020	6.0
Synthetic & Other Man made Fibres	3,960	1,342	0	1,099	388	0	6,789	4.5
Fertilisers	1,964	3,933	0	133	335	0	6,365	4.2
Metal Products	4,464	458	218	815	0	0	5,955	4.0
Synthetic Resins and Plastic Products	4,285	782	0	59	689	0	5,815	3.9
Basic Chemicals	2,631	304	52	251	0	0	3,238	2.2
Cement	2,640	233	0	292	0	0	3,165	2.1
Sugar	2,364	57	0	190	0	0	2,611	1.7
Electronics	1,399	776	101	137	0	0	2,413	1.6
Electrical Machinery and Appliances	1,254	626	0	119	77	0	2,076	1.4
Miscellaneous Food Products	1,265	95	0	33	0	0	1,393	0.9
Machinery and Accessories	768	542	0	14	87	0	1,411	0.9
Govt. Securities & IDF/MF Units	0	0	0	0	0	9,031	9,031	6.0
Others	11,477	1,451	100	1,643	164	0	14,835	10.0
Grand Total	100,987	16,780	1,987	9,825	11,250	9,031	149,860	100.0

Equity and Preference Shares Portfolio

The net investment portfolio of your Company as on 31st March, 2004 was Rs. 35,636 million comprising Equity/Preference Shares (Rs. 9,825 million); Convertible/Non-convertible Debentures (Rs. 16,780 million); Govt. Securities/MF Units (Rs. 8,122 million) and investment out of Interest Differential Funds received from Govt. of India of Rs. 909 million (Equity Shares - Rs. 645 million; Units - Rs. 264 million). Your Company earned a profit of Rs. 1,877 million through sale of investments during 2003-04.

Resources

Your Company has not resorted to any significant fresh borrowings during the year as the emphasis was on restructuring of the existing liabilities. Your Company serviced the foreign currency loans and liabilities to SLR Bondholders as well as to small investors fully and to other investors as per the restructured terms.

During the year, your Company also exercised call option in respect of Millionaire and Gift Bonds as on 6th December, 2003 and redeemed the bonds subject to surrender of bond certificates. IFCI Growing Income Bonds matured and were redeemed on 6th September, 2003.

Public Deposits

Your Company has not raised any fresh Public Deposits during 2003-04. As on 31st March, 2004, total outstanding deposits were to the tune of Rs.826 million. There were no unpaid deposits or interest on deposits at the end of the year. Deposits to the extent of Rs. 8.03 million in respect of 283 depositors remained unclaimed as on 31st March, 2004 and reminders were issued to the investors to claim the matured deposits.

Management Discussion and Analysis

(i) Operating Environment and Outlook

The Indian economy is estimated to have grown by 8.2% in 2003-04 compared to 4% in the previous year. The state of the economy in 2003-04 was characterised by high GDP growth, high agricultural output, sustained industrial recovery, buoyant exports, comfortable forex reserves, adequate liquidity and low interest rates. However, inflation was relatively higher compared to the previous year though it remained manageable. The outlook for 2004-05 is also quite positive.

(ii) Industry Structure and Developments

The primary business of your Company is project finance. Banks and All India Financial Institutions are the main entities engaged in project finance. The share of Banks in this activity has been increasing in the last few years. During the year, the movement towards universal banking and the downward trend in interest rates continued.

There is considerable demand for project finance especially from infrastructure sector. However, considering the present consolidation phase, your Company has restricted its activities in respect of fresh business.

(iii) Financial Performance

Your Company's financial performance during 2003-04 was guided by a greater thrust towards higher provisions, interest reversal and non-recognition of income in view of classification of assets to meet regulatory requirements.

(iv) Segment-wise/Product-wise Performance

Segment reporting as required under Accounting Standards –17 is not applicable as more than 90% of revenue is from a single segment viz., project finance, which has been the main business activity of your Company.

(v) Risk Management

An Internal Risk Rating Model has been developed with the help of ICRA in conformity with the regulatory requirements. The prototype of the said model is being subjected to a provisional rating-cum-testing mechanism. In respect of existing cases, the risk scores will be mapped to a scale of ratings of the borrowers that will be useful in future for periodic rating review and portfolio risk management.

Your Company has been following RBI guidelines on Asset Liability Management for Financial Institutions. The Asset Liability Committee (ALCO) has been monitoring the current as well as potential asset-liability mismatches and using this input in decision making.

Operational risks are being addressed by adopting appropriate internal control systems, developing contingency measures such as maintaining back-up for key transactions as well as through appropriate internal audit and periodic systems audit.

(vi) Internal Control Systems and their Adequacy

(a) Internal Audit and Inspection

A comprehensive system of Internal Inspection and Audit is in place in IFCI to monitor internal control systems. The scope and coverage of the audit is reviewed from time to time to make it more focussed and effective. The system of both out-sourced and in-house audits continued during the year.

(b) Compliance

The task of ensuring timely submission of various returns and data/information to RBI, SEBI, other regulatory bodies, Parliament and Govt. of India is done by the Compliance Divn. at your Company's Head Office. The Reserve Bank of India undertakes both off-site supervision and on-site inspection of IFCI. In respect of its functions as Debenture Trustee, IFCI is also subject to supervision by the Securities and Exchange Board of India.

(c) Vigilance

Your Company attends to the vigilance function in a manner similar to that of other banks and financial institutions. During the year, the Vigilance Deptt. was headed by a senior