



A N N U A L   R E P O R T   2 0 0 4   -   0 5

**TWELFTH ANNUAL GENERAL MEETING**

DATE : 29th August, 2005

DAY : Monday

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.

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

## BOARD OF DIRECTORS

**Shri P.S. Shenoy** Chairman of the Board  
**Shri Vinod Rai**  
**Shri K. Sridhar**  
**Shri S. Ravi**  
**Prof. I.M. Pandey**  
**Shri V.K. Saxena**

## PRINCIPAL OFFICERS

### EXECUTIVE DIRECTORS

Shri M.V. Muthu

Shri R.M. Malla

### CHIEF GENERAL MANAGERS

Shri Sanjoy Chowdhury

Shri R. Loonkar

Shri Sanjeev Ghai

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

Shri Narendar Kumar

Shri Javed Yunus

Shri Naresh Saluja

Shri V.S. Pandey (On  
deputation as MD, NITCON)

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 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 Twelfth Annual General Meeting of the Members of IFCI Limited will be held on Monday, the 29th August, 2005 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, 2005 and the Profit and Loss Account for the year ended March 31, 2005 and the Report of the Board of Directors and Auditor's thereon.
2. To appoint a Director in place of Shri S. Ravi, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Prof. I. M. Pandey, 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 in accordance with the provisions of Sections 198, 269, 309, 310, 387 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Central Government and such other approvals, as may be required, and such modifications and conditions, if any, as the Central Government or any authority may impose while according approval, which the Board of Directors is hereby authorized to accept, consent of the members be and is hereby accorded for the appointment of Shri M.V.Muthu, Executive Director, as Manager under the Companies Act, 1956 for the period from 1st November, 2004 to 30th June, 2005 and to the payment of remuneration as set out hereunder:

- i) **Pay**  
Consolidated salary of Rs.65,000/- p.m. in the pay scale of Rs.50,000-5,000-75,000/-.
- ii) **Housing**  
Rent free accommodation as per rules of IFCI or House Rent Allowance of Rs.5,000/- 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.

RESOLVED FURTHER that in the absence or inadequacy of profit in any Financial Year, the aforesaid remuneration shall be paid as minimum remuneration subject to provisions of Schedule XIII of the Companies Act, 1956.

RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board of Directors of the Company, be and is hereby authorised 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 Shri R. M. Malla, who was appointed as an Additional Director by the Board of Directors of the Company as from 1st July, 2005 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 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company.

RESOLVED FURTHER that subject to the provisions of Sections 269, 198, 309, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and subject to approval of the Central Government and such other approvals, as may be required, and such modifications and conditions, if any, as the Central Government or any authority may impose while according approval, which the Board of Directors is hereby authorized to accept, consent of the members, be and is hereby accorded for the appointment of Shri R. M. Malla as Whole Time Director of the Company with effect from 1st July, 2005 to 30th June, 2006 and to the payment of remuneration as set out hereunder:

- i) **Pay**  
Consolidated salary of Rs.65,000/- p.m. in the pay scale of Rs.50,000-5,000-75,000/-.
- ii) **Housing**  
Rent free accommodation as per rules of IFCI or House Rent Allowance of Rs.5,000/- 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**  
Entitled to travel with dependent family members up to 2600 Kms each way, once in two years, by AC 1st Class or Rs.75,000/- on declaration basis.
- 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) **Lunch subsidy**  
Rs.880/- p.m., subject to recovery of Rs.105/- p.m.
- viii) **Encashment of Ordinary Leave**  
15 days once in a Financial Year.
- ix) **Reimbursement of official entertainment expenditure**  
Rs.10,000/- per annum.
- x) **Subscription/ renewal fee for Credit Card**  
Rs.700/- per annum.
- xi) **Telephone**  
IFCI shall provide telephone at residence for office use.
- xii) **Payment of tax on Perquisites/Special Perquisite Allowance**  
IFCI to bear tax in full on all non-monetary perquisites and to pay Special allowance on monetary perquisites, which are taxable.
- xiii) **Provident Fund**  
10% of pay.
- xiv) **Gratuity**  
Gratuity as calculated under IFCI (Payment of gratuity to employees) Regulations, 1968 and Payment of Gratuity Act, 1972, whichever is higher, for the period of service in IFCI.
- xv) **Encashment of Leave on Retirement**  
Encashment of unavailed Ordinary Leave, earned during the period of service in IFCI and lying to the credit at the time of retirement from IFCI, subject to maximum of 10 months. The amount of leave salary shall be calculated on the basis of pay & allowances.
- xvi) **Retirement Fare Concession/Shifting of household goods**  
Single fare journey by entitled class for self and family and cost of shifting of household goods to hometown at the time of retirement from IFCI.

RESOLVED FURTHER that in the absence or inadequacy of profit in any Financial Year, the aforesaid remuneration shall be paid as minimum remuneration subject to provisions of Schedule XIII of the Companies Act, 1956.

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.”

**Registered Office :**

IFCI Tower  
61, Nehru Place  
New Delhi - 110 019

By order of the Board of Directors

**Rakesh Aggarwal**  
Company Secretary

Dated : 13th June, 2005

## 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 and 6 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. The Shareholders holding 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 Thursday, 18th August, 2005 to Monday, 29th August, 2005 (both days inclusive).
6. IFCI has not included the financial statements and other details of its subsidiaries viz. IFCI Financial Services Limited and IFCI Venture Capital Funds Limited in its financial statements 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 along with 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.
7. The Members holding shares in physical form are requested to intimate to the Registrar and Transfer Agent, 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 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 with regard to accounts or operations 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 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.
12. Consequent upon amendment to Section 205A and introduction of Section 205-C, the unclaimed dividend for the Financial Years 1994-95 to 1996-97 & interim dividend paid for the Financial Year 1997-98 has been transferred to the Investor Education & Protection Fund. Dividend for the Financial Year 1997-98 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, 1998 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 M. V. Muthu, Executive Director, was appointed Manager as per the provisions of Section 269 of the Companies Act, 1956 up to 31st October, 2004. At the last Annual General Meeting, Members approved the above appointment and also accorded their approval to the remuneration payable to him. Subsequently, as IFCI's strategic restructuring was in process and was expected to take some more time, the Board of Directors of the Company extended the term of Shri M. V. Muthu, firstly for a period of five months from 1st November, 2004 to 31st March, 2005 and thereafter for a further period of one year from 1st April, 2005 to 31st March, 2006. However, subsequently Shri M. V. Muthu, due to his personal commitments requested early retirement from the service of IFCI and the Board of Directors while accepting his request decided to relieve him on 30th June, 2005. The extensions of term were granted by the Board subject to the approval of Members at the General Meeting and the Central Government. An application has already been made to the Central Government for its approval to the extensions of the term 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 recommend 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 R. M. Malla is proposed to be appointed as an Additional Director by the Board of Directors of the Company in accordance with Section 260 of the Companies Act, 1956 w.e.f. 1st July, 2005. Shri Malla as an Additional Director, shall hold office up to the date of this Annual General Meeting. The Company has received a notice along with requisite deposit from a Member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Malla for the office of Director.

The Board of Directors of Company also propose to appoint Shri R. M. Malla as Whole Time Director of the Company for a period of one year from 1st July, 2005 to 30th June, 2006, subject to approval of the Members at their General Meeting. The approval of Members is sought for appointment of Shri Malla as Whole Time Director, not liable to retire by rotation, and payment of remuneration to him as set out in Resolution No. 6.

Information about Directors as required under clause 49 of the Listing Agreement relating to Corporate Governance is set out separately in the Notice of Annual General Meeting.

This along with resolution under Item No. 6 may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

Your Directors recommend the resolution for approval of the Members.

Shri R. M. Malla 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.

**Registered Office :** By order of the Board of Directors

IFCI Tower  
61, Nehru Place  
New Delhi - 110 019

**Rakesh Aggarwal**  
Company Secretary

Dated : 13th June, 2005

#### INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

At the ensuing Annual General Meeting Shri S. Ravi and Prof. I. M. Pandey shall retire by rotation and being eligible offer themselves for re-appointment. Shri R. M. Malla, appointed as Additional Director by the Board, also seek appointment as a new Director. The information or details to be provided for the aforesaid Directors under Corporate Governance clause of Listing Agreement are as under:

- a) Shri S. Ravi is a Director of the Company since 1st October, 2001. Shri Ravi is a practicing Chartered Accountant and founder member of Ravi Rajan & Co., New Delhi. He is also Director in Canbank Investment Management Services Ltd., IDBI Capital Markets Services Ltd., Garware Chemicals Ltd., Principal Trustee Company Pvt. Ltd., Batliboi Ltd., Spectrum Power Generation Ltd. & Gujrat Pipavav Port Ltd. He is also on the Board of a Public Sector Bank and on the Board of Trustees of a Mutual Fund.
- b) Prof. I. M. Pandey is a Director of the Company since 23rd September, 2002. He is a professor of Finance & Accounting at the Indian Institute of Management, Ahmedabad (IIMA), since December 1980. He has served as Dean, Acting Director, Chairman of Doctoral Programme and Chairman of Finance & Accounting at IIMA. He is providing consultancy services to several public and private sector organisations in India and abroad. He is also a Director in Cochin Shipyard Ltd.
- c) Shri R. M. Malla is an MBA from University of Delhi and also has professional qualification of PGDBM & CAIIB. He has total work experience of over 29 years in the field of banking and has worked in a nationalised bank and in IDBI before joining IFCI as Executive Director in 2001. As Executive Director, he has undertaken and accomplished the challenging task of liability restructuring. He is actively pursuing the restructuring exercise of IFCI. He is also Director in GIC Housing Finance Ltd., Tourism Finance Corporation of India Ltd., Haldia Petrochemicals Ltd. and Assets Care Enterprise 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 2004-2005 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 Twelfth Annual Report of the Company together with the Audited Statements of Accounts for the year ended the 31st March, 2005.

### FINANCIAL RESULTS

	(Rs. crore)	
	2004-05	2003-04
1. Total Income	<b>1,318</b>	1,105
2. Cost of borrowings	<b>958</b>	1,336
3. Staff cost/Other expenditure	<b>51</b>	102
4. Depreciation	<b>18</b>	29
5. Total expenditure	<b>1,027</b>	1,467
6. Profit/Loss before Provision for Bad and Doubtful Assets	<b>291</b>	(362)
7. Write off/Provision for Bad and Doubtful Assets	<b>916</b>	2,402
8. Extraordinary items	<b>182</b>	(466)
9. Loss	<b>(443)</b>	(3,230)
10. Transfer from Restructuring Reserve	<b>119</b>	—
11. Net Loss	<b>(324)</b>	(3,230)
12. Deficit brought forward from previous year	<b>(4,374)</b>	(1,144)
13. Balance carried to Balance Sheet	<b>(4,698)</b>	(4,374)

IFCI made an operating profit, before provision for bad and doubtful assets, of Rs.291 crore for the year ended the 31st March, 2005 as against an operating loss, before provision, of Rs. 362 crore for the previous year ended the 31st March, 2004. The improved financial performance was due to an increase in income from assets as also the reduction in interest cost on liabilities. Your Company was able to reduce significantly the cost of borrowings during the Financial Year 2004-05 by Rs.378 crore to Rs.958 crore, compared with Rs.1,336 crore in the Financial Year 2003-04.

### 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 for the year under report.

### Significant Developments

#### (i) Restructuring of Liabilities

Your Company made further efforts for getting the old high cost liabilities restructured during the year under report, which had become necessary due to the interest rate mismatch between assets restructured at lower interest rates in a low interest rate environment and the old liabilities continuing at higher interest rates. Through persistent efforts, a large part of the rupee borrowings of your Company was restructured by the end of the year. Efforts would

continue for restructuring or prepayment of the balance un-restructured liabilities so as to further bring down the cost of borrowings.

#### (ii) Management of Non-Performing Assets

The Asset Classification for the Financial Years ended the 31st March, 2004 and 31st March, 2005 is furnished in the following table :-

**Table 1 : Asset Classification of Portfolio**

Asset Classification as on	(Rs. crore)		(Rs. crore)	
	31st March, 2005		31st March, 2004	
	Amount	%	Amount	%
Standard Assets	<b>6,910</b>	<b>72.0</b>	8,116	67.7
Sub-standard Assets	<b>205</b>	<b>2.1</b>	899	7.5
Doubtful Assets	<b>2,483</b>	<b>25.9</b>	2,965	24.8
<b>TOTAL</b>	<b>9,598</b>	<b>100.0</b>	<b>11,980</b>	<b>100.0</b>

The net NPAs of your Company stood at Rs.2,688 crore (28%) as on 31st March, 2005 as against Rs.3,864 crore (32.3%) as on 31st March, 2004. The recovery from NPAs was Rs.570 crore during the year ended the 31st March, 2005 compared with Rs.210 crore in the previous year.

Timely restructuring packages for loan assets were formulated wherever feasible, in order to resolve the existing NPAs and also to prevent slippage of performing assets into NPAs. During 2004-05, restructuring packages were formulated in 31 cases including 8 cases for which approval for restructuring was obtained under the Corporate Debt Restructuring forum. In projects, where the prospects of recovery of dues in the normal course, even after restructuring, were considered remote and recovery through normal legal route was expected to be unduly long-drawn, your Company continued to pursue Negotiated / One Time Settlement (OTS) of dues. During 2004-05, OTS was entered into in respect of 93 cases for an aggregate amount of Rs.707 crore, compared with 55 cases for an amount of Rs.478 crore in the previous Financial Year.

Your Company initiated legal action for recovery where loan recovery has not been found possible through other means. In order to achieve expeditious recovery through the legal system, there has been intense follow-up of the cases pending before DRTs/Company Courts at various centres. As of 31st March, 2005, your Company had filed 810 Recovery Applications involving an amount of Rs. 11,845 crore in various Debt Recovery Tribunals (DRTs) in India. These included 16 new cases filed during the Financial Year 2004-05 involving an aggregate amount of Rs. 1,247 crore. Your Company has also obtained Recovery Certificates through DRTs in 238 cases for an aggregate amount of Rs. 2,706 crore. The sale of assets through DRTs/ Company Courts has yielded recovery of Rs. 225 crore during the Financial Year 2004-05, compared with Rs. 53 crore in the previous Financial Year.



Your Company also initiated action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and issued notices, wherever necessary, under the Act, besides giving consent letters to co-lenders.

### (iii) Corporate Advisory Services

During the year, in the area of providing customized advisory services, despite stiff market competition your Company has not only been retained by the existing clients but has also been able to secure some prestigious assignments through competitive bidding from the Government of India (GoI) and Public Sector organizations for corporatization, bid process management and formation of joint ventures. In addition, assignments relating to investment appraisals and business restructuring were also undertaken for public and private sector entities during the year under review.

### Sanctions and Disbursements

In keeping with the on-going objectives of consolidation of operations and fulfilling the terms and conditions of loan/grants received from GoI, the assistance by your Company during 2004-05 was only by way of restructuring assistance/devolvement of guarantees. While no fresh assistance was sanctioned during the year 2004-05, the assistance disbursed during the year was of the order of Rs. 91 crore mainly due to devolvement of guarantees issued earlier.

### Industry-wise Classification of Portfolio

The total outstanding assistance provided by your Company at the end of 2004-05 was Rs. 11,947 crore spread across a number of industries.

The industry-wise classification of outstanding portfolio as of 31st March, 2005 is given in Table 2 hereunder :

**Table 2 : Industry-wise net Outstandings as of 31st March, 2005**

(Rs. crore)

Industry	Loans	Debentures	Leasing	Shares/ Units/ G. Sec etc.	Guarantees	Total	% to Total
<b>Infrastructure</b>							
Power	611	156	123	71	557	1,518	12.7
Ports & Port Services, Telecom and Bridge Construction	442	1	0	4	0	447	3.7
<b>Sub-Total</b>	<b>1,053</b>	<b>157</b>	<b>123</b>	<b>75</b>	<b>557</b>	<b>1,965</b>	<b>16.4</b>
Iron & Steel	2,317	23	2	313	147	2,802	23.5
Textiles	873	135	7	76	18	1,109	9.3
Petroleum Refining	971	27	0	29	14	1,041	8.7
Synthetic & Other Man made Fibres	369	121	0	123	25	638	5.4
Fertilizers	178	393	0	21	27	619	5.2
Synthetic Resins and Plastic Products	362	60	0	4	40	466	3.9
Metal Products	287	28	21	83	0	419	3.5
Cement	224	18	0	24	0	266	2.2
Basic Chemicals	171	21	5	20	0	217	1.8
Sugar	168	5	0	17	0	190	1.6
Electronics	80	57	10	11	0	158	1.3
Electrical Machinery and Appliances	83	61	0	12	0	156	1.3
Machinery and Accessories	61	44	0	0	6	111	0.9
Miscellaneous Food Products	76	8	0	3	0	87	0.7
Govt. Securities & IDF/MF Units	0	0	0	552	0	552	4.7
Others	827	163	9	151	1	1,151	9.6
<b>Grand Total</b>	<b>8,100</b>	<b>1,321</b>	<b>177</b>	<b>1,514</b>	<b>835</b>	<b>11,947</b>	<b>100.0</b>

The turn-around of assisted units in the steel and textile sectors in the last two years has had a significant favourable impact on the assets portfolio of your Company.

The net investment portfolio of your Company as of 31st March, 2005 was Rs. 2,835 crore, comprising Equity/Preference Shares (Rs.962 crore); Convertible/Non-Convertible Debentures (Rs.1,321 crore); Government Securities/MF Units (Rs.466 crore) and other investments of Rs.86 crore. Your Company earned a profit of Rs.81 crore through sale of investments during 2004-05.

#### **Resources**

Your Company did not raise any fresh resources during the year and the emphasis was on restructuring of the existing liabilities. During the year, the existing foreign currency loans and SLR Bonds as well as retail borrowings were serviced regularly as per the original terms and schedules and all other liabilities as per the restructured terms, without any default. The repayment of matured principal was also made on due dates without any delay, on receipt of duly discharged bonds.

#### **Public Deposits**

Your Company has not raised any fresh Public Deposits during 2004-05. As of 31st March, 2005, total outstanding deposits were to the tune of Rs.0.83 crore. There were no unpaid deposits or overdue interest on deposits at the end of 2004-05. Deposits to the extent of Rs. 0.12 crore and interest thereon to the extent of Rs.0.03 crore remained unclaimed as of 31st March, 2005; reminders were issued to the concerned depositors to claim the above matured deposits.

#### **Management Discussion and Analysis**

##### **(i) Operating Environment and Outlook**

The Indian economy is estimated to have grown by 6.9% in 2004-05 compared with 8.5% in the previous year. GDP growth during the year was satisfactory, as it came after the high growth rate of the previous year and was achieved mainly through rapid expansion of the manufacturing and services sectors. Exports remained buoyant and forex reserves rose to new highs during the year. Although the trade deficit widened, capital inflows continued to be strong. There was adequate liquidity and interest rates remained benign. Inflation was also relatively soft as measured by the Consumer Price Index. The outlook for 2005-06 remains positive.

##### **(ii) Industry Structure and Developments**

Project finance is the main business of your Company. Banks and Financial/Investment Institutions are the significant entities engaged in project finance. The share of Banks in this activity has increased. A trend towards universal banking and consolidation has been gathering momentum amongst Financial Institutions previously engaged mainly in project finance.

##### **(iii) Financial Performance**

Your Company's financial performance during 2004-05 was driven by a greater thrust on recoveries from assets and

restructuring of liabilities. The financial performance during 2004-05 was characterized by a higher earning from assets and a reduction in interest costs on liabilities resulting in an operating profit of Rs.291 crore, before provision during the year vis-à-vis operating loss before provision of Rs.362 crore during the previous year.

##### **(iv) Segment-wise/Product-wise Performance**

Segment reporting as required under Accounting Standard – 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) Opportunities and Future Outlook**

Increasing disintermediation and competition from banks which have access to low cost funds are significant factors in the area of business of your Company. However, there is a trend towards consolidation amongst Banks and Financial Institutions and this should present an opportunity to your Company to achieve operational and financial synergy through a merger.

##### **(vi) Risk Management**

As your Company had not raised any fresh borrowing or made any fresh lending, continuous efforts were made during the year to reduce the risks associated with the existing portfolio of assets and liabilities. In the Assets Portfolio, besides adequate provisioning, on a case to case basis, need based restructuring and one-time settlements were considered. An endeavour was made to reduce the interest cost and extend the maturity of your Company's borrowings. Recovery follow-up measures were further strengthened to reduce credit risks arising out of non-payment/delayed payment. RBI guidelines with respect to Asset-Liability Management and management of market risks continued to be observed during the year. Asset-Liability Committee (ALCO) meetings were held every month to discuss the asset-liability position, liquidity related issues, recovery position, hedging of currency risk and interest as well as exchange rate movements and to recommend steps for hedging various forms of market risks. Operational risks, during the year, continued to be managed through the internal control mechanism and the internal audit system.

##### **(vii) Internal Control Systems and their Adequacy**

###### **(a) Internal Audit and Inspection**

Your Company has a comprehensive and well-documented system of Internal Inspection and Audit to serve as a check on 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