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ANNUAL REPORT 2006-07

FOURTEENTH ANNUAL GENERAL MEETING

DATE : September 21, 2007

DAY : Friday

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 N. Balasubramanian	Chairman of the Board
Shri P. S. Shenoy	
Shri P. G. Muralidharan, IAS (Retd.)	
Shri Thomas Mathew T.	
Shri S. Ravi	
Shri R. C. Razdan	
Prof. I. M. Pandey	
Shri Vinayak Chatterjee	
Prof. Shobhit Mahajan	
Shri Atul Kumar Rai	Chief Executive Officer & Managing Director

PRINCIPAL OFFICERS

EXECUTIVE DIRECTORS

Shri Sanjoy Chowdhury	Shri Sanjeev Ghai
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CHIEF GENERAL MANAGERS

Shri Lokanath Mishra	Shri R. C. Pandey	Shri S. K. Mandal
Shri Narendar Kumar		Shri Javed Yunus

GENERAL MANAGERS

Shri A. K. Choudhary	Shri Naresh Saluja	Shri N. D. Auddy	Shri Ganga Charan
Shri D. G. Chaudhury (On deputation as MD, IFIN)	Shri Rakesh Kapoor	Shri Sonjoy Sethee (CFO)	Shri T. K. Ray
Shri Dinesh Sharma	Shri G. J. Prasad	Shri R. P. Singh (On deputation as MD, IVCF)	Shri R. S. Sandhu
Shri D. K. Jain	Smt. Shashi Sharma	Shri Gautam Meour	Shri N. K. Duggal
Shri B. N. Nayak	Shri Rattan Singh		

COMPANY SECRETARY

Shri S. P. Arora

STATUTORY AUDITORS

Ray & Ray
Chartered Accountants

FINANCIAL HIGHLIGHTS

	(Rs. crore)	
	As at 31st March, 2007	As at 31st March, 2006
RESOURCES		
Share Capital	1,067.95	1,067.95
Reserves and Surplus	873.84	442.98
Borrowings in Rupees	11,452.50	12,066.78
Borrowings in Foreign Currency	1,471.78	1,611.40
	14,866.07	15,189.11
APPLICATION		
Loans to Assisted Concerns	6,051.78	7,023.17
Investments	2,170.53	2,113.57
Fixed Assets	949.18	540.36
Deferred Tax Assets	2,682.42	–
Net Current Assets	2,175.96	739.73
Miscellaneous Expenditure to the extent not written off or adjusted	–	0.03
Profit & Loss Account	836.20	4,772.25
	14,866.07	15,189.11
	2006-2007	2005-2006
EARNINGS		
Total Income (Rs. crore)	2,046.68	1,683.15
Profit/(Loss) Before Tax (Rs. crore)	1,261.65	(73.82)
Profit/(Loss) After Tax (Rs. crore)	898.02	(74.10)
Dividend on Equity	–	–
RATIOS		
Capital Adequacy	14.04%	-ve

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of IFCI Limited will be held on Friday, September 21, 2007 at 10.30 A.M. at Air Force Auditorium, Subroto Park, New Delhi-110010 to transact the following business:

Ordinary Business

1. To consider and adopt the Audited Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the year ended March 31, 2007 and the report of the Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Shri Thomas Mathew T., who retires by rotation and being eligible, offers himself for reappointment.
3. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that in accordance with the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, the vacancy being caused by retirement by rotation of Prof. I. M. Pandey, a Director, at this Annual General Meeting be not filled up."
4. To appoint Auditors and fix their remuneration and for the purpose to consider and, if thought fit, to pass, with or without modification(s), 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/Audit 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 modification(s), the following resolution, as an Ordinary Resolution:
"RESOLVED that Shri P. G. Muralidharan, who was appointed as an Additional Director by the Board of Directors of the Company w.e.f. August 25, 2006 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 P. G. Muralidharan 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 modification(s), the following resolution, as an Ordinary Resolution:
"RESOLVED that Shri Vinayak Chatterjee, who was appointed as an Additional Director by the Board of Directors of the Company w.e.f. August 4, 2007 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 Vinayak Chatterjee for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution, as an Ordinary Resolution:
"RESOLVED that Prof. Shobhit Mahajan, who was appointed as an Additional Director by the Board of Directors of the Company

w.e.f. August 4, 2007 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 Prof. Shobhit Mahajan for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution, as an Ordinary Resolution:

"RESOLVED that Shri Atul Kumar Rai, who was appointed as an Additional and Whole Time Director by the Board of Directors of the Company w.e.f. June 1, 2007 and who, as per the provisions of Section 260 of the Companies Act, 1956, holds office upto 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 Atul Kumar Rai for the office of Director, be and is hereby appointed as a Director of the Company not liable to retire by rotation."

"RESOLVED FURTHER that subject to the provisions of Section 198, 269, 309, 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and Article 162 of Articles of Association of the Company and such other approvals as may be required, and such modifications and conditions, if any, as 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 Atul Kumar Rai as Whole Time Director w.e.f. June 1, 2007 and redesignated as Managing Director w.e.f. July 11, 2007 upto May 31, 2012 of the Company and to the payment of remuneration as set out hereunder:

- i) **Pay:**
Salary of Rs.1,00,000/- p.m. in the pay scale of Rs.1,00,000-10,000-1,50,000/-.
- ii) **Performance Linked Incentive:**
As may be decided by the Remuneration Committee and the Board.
- iii) **Housing:**
 - a) Free furnished accommodation to be provided by the Company. The cost of furniture/furnishings shall not exceed Rs.5 lakh.
or
in lieu of free furnished accommodation, House Rent Allowance @ 30% of Basic Pay.
 - b) The electricity charges for the security lights and for one room, which will be used for official purposes, shall be borne by the Company. The expenditure incurred on providing security and gardener shall also be borne by the Company.
- iv) **Conveyance:**
Free use of company's car (costing upto Rs.10 lakh) with driver for official and private purposes.
or
Reimbursement of conveyance expenses of Rs.25,000/- p.m.
- v) **Travelling, Boarding & Lodging:**
Actual expenditure to be reimbursed by the Company for outstation journey for official work.
- vi) **Club Fees:**
Fees of clubs, subject to a maximum of two clubs (excluding Admission and Life Membership Fees).

vii) Leave Fare Concession:

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

viii) Medical Benefits:

Actual expenses incurred for self and his family.

ix) Personal Accident Insurance:

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

x) Company's Contribution:

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

xi) 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.

xii) Leave:

As per Staff Regulations of the Company.

xiii) Encashment of Leave on Retirement:

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

xiv) Telephone:

The Company 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, which are taxable.

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/exit from IFCI.

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 during his tenure, the aforesaid remuneration shall be paid as minimum remuneration subject to compliance of 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."

9. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

"RESOLVED that pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modification or re-enactment thereof for the time being in force), consent of the members be and is hereby

accorded for investment by Foreign Institutional Investors including their Securities and Exchange Board of India (SEBI) approved sub-accounts (hereinafter referred to as "FIIs"), in the equity shares, by acquiring the equity shares from Company or purchasing the same from the market under the Portfolio Investment Scheme under FEMA subject to the condition that the total holding of all FIIs put together shall not exceed 74% of the paid up equity share capital of the Company."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion deem appropriate for the purpose of giving effect to the resolution and to do all such acts, deeds, matters and things connected therewith or incidental thereto."

Registered Office:

IFCI Ltd.
IFCI Tower,
61, Nehru Place,
New Delhi-110019

By order of the Board of Directors

Dated : August 4, 2007

S. P. Arora
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, 6, 7, 8 and 9 is annexed hereto.
3. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturdays, Sundays and Holidays between 11.00 a.m. and 1.00 p.m. upto the date of Annual General Meeting.
4. The shareholders holding preference shares of the Company shall have the rights 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 Wednesday, September 12, 2007 to Friday, September 21, 2007 (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 its financial statements in terms of exemption granted by the Ministry of Corporate Affairs under Section 212(8) of the Companies Act, 1956. However, annual accounts of the subsidiary companies and the related detailed information will be made available to the investors 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 Ltd., Sri Venkatesh 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 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 March 31, 1994 to the General Revenue Account of the Central Government as required by the Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed their dividend upto the aforesaid Financial Year may claim their dividend from the Registrar of Companies, Delhi & Haryana.
12. Consequent upon amendment to Section 205A and introduction of Section 205C, the unclaimed dividend for the financial years 1994-95 to 1998-99 has been transferred to the Investor Education & Protection Fund.

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

Item No. 5

Shri P. G. Muralidharan 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 Muralidharan shall hold office upto the date of Annual General Meeting of the Company. The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Shri Muralidharan for office of Director. In view of the background and valuable varied experience of Shri Muralidharan, it will be in the interest of the Company that Shri Muralidharan continues as a Director of the Company. Brief resume of Shri Muralidharan is set out in the "Information about Directors seeking appointment/reappointment at the Annual General Meeting as required under the Code of Corporate Governance Clause of Listing Agreement."

Your Directors recommend the resolution for approval of the Members.

Shri Muralidharan 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 said resolution.

Item No. 6

Shri Vinayak Chatterjee 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 Chatterjee shall hold office upto the date of Annual General Meeting of the Company. The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Shri Chatterjee for office of Director. In view of the background and valuable experience of Shri Chatterjee, in Infrastructure Advisory it will be in the interest of the Company that Shri Chatterjee continues as a Director of the Company. Brief resume of Shri Chatterjee is set out in the "Information about Directors seeking appointment/reappointment at the Annual General Meeting as required under the Code of Corporate Governance Clause of Listing Agreement."

Your Directors recommend the resolution for approval of the Members.

Shri Chatterjee 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 said resolution.

Item No. 7

Prof. Shobhit Mahajan was appointed as an Additional Director by the Board of Directors of the Company. In terms of Section 260 of the Companies Act, 1956, Prof. Mahajan shall hold office upto the date of Annual General Meeting of the Company. The Company has received a valid notice and requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956 proposing the candidature of Prof. Mahajan for office of Director. In view of the background and valuable experience of Prof. Mahajan, it will be in the interest of the Company that Prof. Mahajan continues as a Director of the Company. Brief resume of Prof. Mahajan is set out in the "Information about Directors seeking appointment/reappointment at the Annual General Meeting as required under the Code of Corporate Governance Clause of Listing Agreement."

Your Directors recommend the resolution for approval of the Members.

Prof. Mahajan 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 said resolution.

Item No. 8

Shri Atul Kumar Rai was appointed as an Additional and Whole Time Director by the Board of Directors of the Company in accordance with Section 260 of the Companies Act, 1956 w.e.f. June 1, 2007. Shri Rai as an Additional Director, shall hold office upto the date of this Annual General Meeting. The Company has received a notice in writing, along with requisite deposit from a member of the Company under Section 257 of the Companies Act, 1956, proposing the candidature of Shri Rai for the office of Director.

The Board of Directors of the Company also appointed Shri Rai as Whole Time Director w.e.f. June 1, 2007 and as Managing Director w.e.f. July 11, 2007 upto May 31, 2012 of the Company subject to the approval of the Members at their General Meeting. The approval of Members is being sought for appointment of Shri Rai as Managing Director, not liable to retire by rotation, and payment of remuneration to him as set out in Resolution No. 8.

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. 8 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 Rai 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 said resolution.

Item No. 9

In terms of Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000, issued by the Reserve Bank of India (RBI), under the Portfolio Investment Scheme available to the Non Resident Investors, each FII can acquire and hold upto 10% of the paid up equity capital of an Indian Company. The Aggregate holding of all such FIIs and/or SEBI approved sub-accounts in an Indian company can be upto a maximum of 24% of the paid up equity capital of the Indian company.

The said limit of 24% can be increased upto the sectoral cap/statutory limit as applicable to the Indian company, if the same is approved by the Board of Directors of the Company and by a special resolution passed by the shareholders in the general meeting.

The shareholding of FIIs and/or their SEBI approved sub-accounts in your Company has been increasing gradually and recently the holding of FIIs in equity of IFCI reached a level of 22% and RBI cautioned FIIs to seek clearance of RBI for further purchase of equity in IFCI.

You are aware that the Board of IFCI has resolved to seek strategic investments from domestic/foreign concerns in IFCI. Accordingly, to increase the liquidity in equity shares of IFCI it is proposed to increase

the limit of FIIs investment to 74% of the paid up equity capital of the Company.

The Board of Directors has, at its meeting held on May 3, 2007 approved the increase in the limit of FIIs investment in the paid up equity share capital of the Company to 74%.

Your approval is required for increasing the said FIIs investment limit under the said scheme.

Your Directors recommend the passing of the special resolution in this regard as proposed.

None of the Directors of the Company shall be deemed to be concerned or interested in the said resolution.

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

IFCI Ltd
IFCI Tower,
61, Nehru Place,
New Delhi-110019

Dated : August 4, 2007

S. P. Arora
Company Secretary

INFORMATION ABOUT DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT AS REQUIRED UNDER THE CODE OF CORPORATE GOVERNANCE CLAUSE OF LISTING AGREEMENT

At the ensuing Annual General Meeting Shri Thomas Mathew T. and Prof. I. M. Pandey shall retire by rotation. Prof. Pandey has desired not to seek reappointment. Shri Thomas being eligible offers himself for reappointment. Shri P. G. Muralidharan, Shri Vinayak Chatterjee and Prof. Shobhit Mahajan, who have been appointed as Additional Directors by the Board, also seek approval of Members for reappointment. Shri Atul Kumar Rai, who has been appointed as an Additional & Whole Time Director by the Board, also seeks approval of Members for reappointment. The information or details to be provided for the aforesaid Directors under Corporate Governance Code are as under:

- a) Shri Thomas Mathew T., aged 54, is a Managing Director of LIC of India. He is a Post Graduate in Economics, Graduate in Law, and holds a Post Graduate Diploma in Management(Marketing) and also an Associate of the Insurance Institute of India. He is also Director of LIC Housing Finance Ltd., LIC Care Homes Ltd., LIC (Lanka) Ltd., Saudi Indian Insurance Company, Riyadh, Mahindra

& Mahindra Ltd. and Larsen & Toubro Ltd. Presently Shri Mathew does not hold any shares in IFCI Ltd. He has rich experience in Banking Finance and Insurance. Shri Mathew does not hold Committee Membership in any other company.

- b) Shri P. G. Muralidharan, aged 73, former Secretary to Government of India has more than 34 years of rich experience of various Ministries of Central & State Government. He had been Chairman of various PSUs. He had led Government delegation to various foreign countries for important assignments. Shri Muralidharan does not hold Directorship/Committee Membership in any other Company. Presently Shri Muralidharan does not hold any shares in IFCI Ltd.
- c) Shri Vinayak Chatterjee, aged 48, Chairman, Feedback Ventures (P) Ltd. and Co-Chairman of the Confederation of Indian Industry's(CII) Apex Council on Infrastructure, has done MBA from Indian Institute of Management, Ahmedabad. He has played strategic advisory role to leading Indian companies, Government of India, Ministry of Finance, State Governments as well as multilateral and bilateral institutions in the areas of infrastructure planning and implementation. He is also Director of SRF Ltd., Bilt Power Ltd. Presently Shri Chatterjee does not hold any shares in IFCI Ltd. Shri Chatterjee also holds Membership of two Committees in SRF Ltd.
- d) Prof. Shobhit Mahajan, aged 46, Director, Delhi University Computer Center has done M.S.(Physics) and Ph.D (Physics) from University of California, Berkeley, U.S.A. He has rich experience of research and teaching in the University of Delhi and California. He has authored several books on science and computer. Prof. Mahajan does not hold Directorship/Committee Membership in any other Company. He holds 5000 shares in IFCI through his wife.
- e) Shri Atul Kumar Rai, aged 46, is a postgraduate in Economics from Jawahar Lal Nehru University. Shri Rai has rich and varied experience of over 20 years and has held various posts in the Government of India including as Director in DDA and Ministry of Finance. He is also presently on the Board of Directors of Tourism Finance Corporation of India Ltd., GIC Housing Finance Ltd., IFCI Financial Services Ltd., IFCI Venture Capital Funds Ltd., Assets Care Enterprise Ltd., Haldia Petrochemicals Ltd. and IIBI. Presently Shri Rai does not hold any shares in IFCI Ltd. He also holds Committee Membership in 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

- | | |
|--|---|
| <p>1. The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra-Kurla Complex
Bandra (East)
MUMBAI - 400 051</p> <p>3. The Delhi Stock Exchange Assn. Ltd.
3/1, Asaf Ali Road
DELHI - 110 002</p> <p>5. The Madras Stock Exchange Ltd.
Exchange Building
11, Second Line Beach
CHENNAI - 600 001</p> | <p>2. The Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Tower
Dalal Street, Fort
MUMBAI - 400 001</p> <p>4. The Calcutta Stock Exchange Assn. Ltd.
7, Lyons Range
KOLKATA - 700 001</p> <p>6. Ahmedabad Stock Exchange Ltd.
Kamdhenu Complex, 1st Floor
Opp. Sahajanand College, Panjarapole
AHMEDABAD - 380 015</p> |
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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. No. 2, 3, 4 and 5 above.

The Company has paid the annual listing fees to all the Stock Exchanges for the Financial Year 2007-2008 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 September 10, 2001 and September 12, 2003.

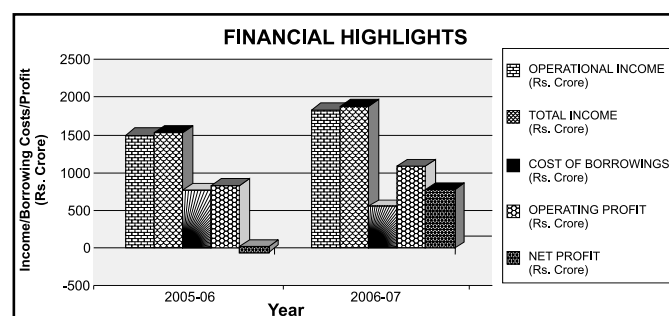
DIRECTORS' REPORT

To the Members

Your Directors present the Fourteenth Annual Report of the Company together with the Audited Statements of Accounts for the year ended March 31, 2007.

FINANCIAL RESULTS

	(Rs. crore)	2006-07	2005-06
1. Operational Income		1,990	1,646
2. Total Income		2,047	1,683
3. Cost of borrowings		731	762
4. Staff cost/Other expenditure		54	47
5. Depreciation		9	10
6. Write-off/Provisions for Bad and Doubtful Assets (Net of reversal)		15	1,130
7. Total expenditure		809	1,949
8. Profit/Loss before Tax		1,238	(266)
9. Tax Expenses		364	-
10. Profit/(Loss) after Tax		874	(266)
11. Extra-ordinary items		-	88
12. Transfer from Restructuring Reserve		24	104
13. Profit/(Loss) after Tax and Extra-ordinary items		898	(74)
14. Deferred Tax Assets at the beginning of the year		3,038	-
15. Deficit brought forward from previous year		(4,772)	(4,698)
16. Balance carried to Balance Sheet		(836)	(4,772)



Your Company's operational income, in the year 2006-07 rose significantly by 21% to Rs.1,990 crore from Rs.1,646 crore in the previous year, while the total income rose by 22% to Rs.2,047 crore in 2006-07 from Rs.1,683 crore in the previous year. The cost of borrowings of the Company was reduced to Rs.731 crore in 2006-07 from Rs.762 crore in the previous year. Higher operational income and reduced cost of borrowings resulted in a profit before tax of Rs.1,238 crore in 2006-07 compared to a loss of Rs.266 crore in the previous year. Profit after tax (after accounting for extra-ordinary items and transfer from restructuring reserve etc.) was Rs.898 crore in 2006-07 against a loss of Rs.74 crore in the previous year.

Dividend

In view of the carried forward accumulated losses, the Directors are unable to recommend any dividend on preference shares as well as equity shares for the year under report.

Significant Developments

(i) Sanctions and Disbursements

Your Company sanctioned short term loans of Rs.1,050 crore during 2006-07 to top performing and highly-rated corporates and banks. Out of the above amount sanctioned, the amount disbursed during the year was Rs.550 crore.

(ii) Investment Portfolio

The investment portfolio of your Company comprises assistance in the form of Equity Shares, Preference Shares and Convertible/ Non-Convertible Debentures to industrial and other concerns, as a part of its role in developmental and promotional activities. It also includes support received from Govt. of India in the form of Govt. Securities, Security Receipts received from Asset Reconstruction Companies/Securitization Companies and deployment of funds in units of Mutual Funds. The unprecedented growth of the economy, reflected in the uptrend in the capital market, has yielded enhanced market value of the quoted equity portfolio of your Company. It has also contributed significantly in realizing a part of the upside in unquoted equity shares.

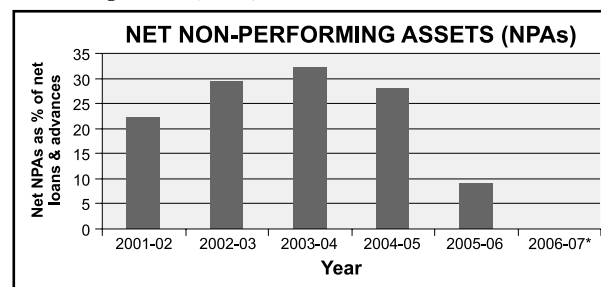
During the year, your Company sold a part of its holding in National Stock Exchange (NSE) and ICRA Ltd. and realized a profit of Rs.793.30 crore. It is expected that the growth in the economy will add further value to the quoted/unquoted equity portfolio of your Company in the future.

(iii) Corporate and Infrastructure Advisory Services

Your Company was able to secure prestigious assignments relating to investment/financial appraisals and business restructuring from public and private sector entities during the year besides being retained by existing clients in the area of providing customized advisory services. Your company is also undertaking assignments on Bid Process Management and acting as Monitoring Agent for the Initial Public Offers (IPOs) of some reputed companies.

(iv) Management of Non-Performing Assets

Your Company achieved the status of having zero net Non-Performing Assets (NPAs) as of March 31, 2007.



(* Net NPAs for 2006-07 are zero)

The NPAs were fully provided for through adequate provisioning.

Emphasis on prevention of slippage of performing assets to NPAs, upgradation of loans, restructuring of debt and settlements contributed to the reduction of NPAs and helped achieve the status of zero net NPAs. Major industrial sectors in which your Company has significant exposure viz. iron and steel, infrastructure, petroleum refining etc. continued to perform well in 2006-07 on account of high economic growth and expansion. This in turn had a beneficial influence on your Company's assets portfolio.

During the year under report, debt restructuring packages were formulated in 8 cases with outstanding amount involved of Rs.588 crore including 4 cases in which approval for restructuring was obtained under the Corporate Debt Restructuring (CDR) Forum. In cases where recovery through the debt restructuring and legal routes was likely to be remote or unduly long-drawn, your Company pursued Negotiated/One Time Settlement (OTS) of dues. OTS was entered into in respect of 105 cases during 2006-07 for an aggregate amount settled of Rs.917 crore compared to 103 cases for an amount settled of Rs.941 crore in the previous year.

Where recovery of dues was not found possible in the normal course, your Company initiated and pursued legal action. During 2006-07, your Company filed 7 new cases with Debt Recovery Tribunals (DRTs), involving an amount of Rs.1,233 crore. In 2006-07, your Company obtained Recovery Certificates in 18 cases through DRTs for a total amount of Rs.562 crore. Cumulatively, as of March 31, 2007, your Company has obtained recovery certificates through DRTs in 316 cases for an aggregate amount of Rs.4,879 crore. The sale of assets through DRTs/ Company Courts/Settlements in suit filed cases yielded Rs.312 crore during 2006-07 as compared to Rs.269 crore during the previous year.

Besides the above, action was initiated by your Company under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and notices were issued and consent letters to co-lenders were given wherever necessary under the Act.

(v) Resources

Your Company did not raise any fresh resources during the year. The foreign currency loans from the ADB line of credit were fully repaid during the year. Other foreign currency loans were serviced regularly as per the terms and schedules. Certain investors in bonds, who did not surrender the certificates upon maturity, were approached for registering their claims with duly discharged certificates.

(vi) Restructuring of Liabilities

During the year under report, consequent to the efforts for getting some of the remaining high cost liabilities restructured or prematurely repaid with interest at the restructured rate, there was further reduction in the cost of borrowings. As of March 31, 2007, only a small portion of such liabilities remained to be restructured. The matter is being negotiated with the concerned investors in favour of restructuring or accepting prepayment of their investments.

(vii) Public Deposits

Your Company did not raise any fresh Public Deposits during the year under report nor renew any existing deposits. During the year, there was no case where any deposit was claimed but had not been paid. At the end of the year, outstanding deposits were a mere Rs.0.05 crore, which though fully matured, remained unclaimed alongwith interest of Rs.0.02 crore. This whole amount has been kept in an earmarked bank account, to be utilized exclusively for repayment of the deposits, as and when claimed.

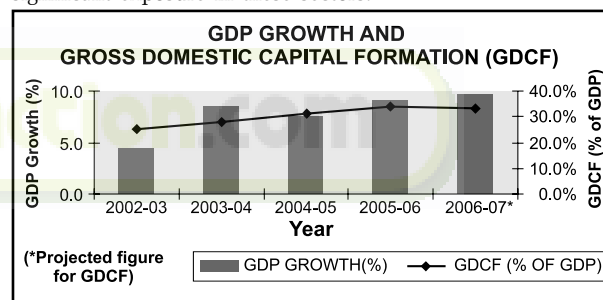
(viii) Identification of a Strategic Investor/Partner

Your Company has now recovered from the deep crisis in which it found itself in 2002-03, owing to a restructuring of our liabilities and financial assistance received from the Government of India. During 2006-07, the Company posted a profit after tax owing largely to the unlocking of value from our investments. Hence, it is an appropriate juncture to re-orient the Company to achieve a big leap in the size of operations and earnings in a conducive environment of high economic and investment growth and to leverage the significantly better financial and operational performance already achieved. Your Company has appointed M/s Ernst & Young to search for and identify an appropriate strategic investor/partner. The objective of this exercise would be such that the strategic partner is one who shares the existing vision/business goals of IFCI and thereby adheres to the core rationale behind the original decision to establish IFCI.

Management Discussion and Analysis

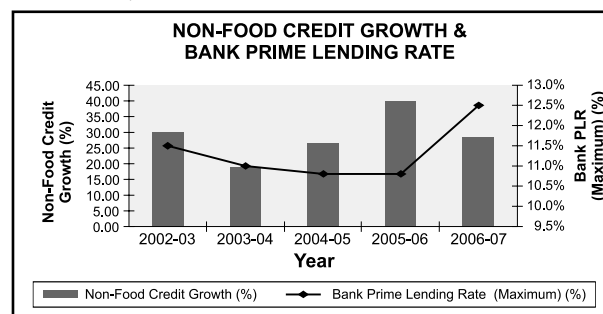
(i) Operating Environment and Outlook

In 2006-07, the Indian economy is estimated to have grown by 9.4% compared to 9.0% in the previous year. These growth rates have placed India amongst the fastest growing economies of the world and reflect the growth potential of the economy. The high economic growth rates in the past few years have spurred corporate profitability, capital formation and investments in key industrial sectors and infrastructure. Your Company has significant exposure in these sectors.



Source: CMIE

Non-food credit from Scheduled Commercial Banks increased by 28% in 2006-07 on top of a 40% increase in the previous year. Exports grew by 21% in dollar terms over the previous year. As of March 31, 2007, foreign exchange reserves with RBI stood at US\$ 192 billion.



Source: CMIE

With a buoyant investment outlook, improving infrastructure and the RBI and the Government taking effective steps to control inflation, sustained high economic growth is likely to continue in the coming years. As a concomitant, key industrial sectors should also continue to perform well.