

# Sixty Years of Financing Development

Annual Report 2007-08

## FINANCIAL HIGHLIGHTS

(Rs. crore)

	As at March 31, 2008	As at March 31, 2007
<b>RESOURCES</b>		
Share Capital	1,190.32	1,067.95
Reserves and Surplus	2,134.55	873.84
Borrowings in Rupees	9,595.91	11,452.50
Borrowings in Foreign Currency	627.08	1,471.78
	<b>13,547.86</b>	<b>14,866.07</b>
<b>APPLICATION</b>		
Loans to Assisted Concerns	5,355.35	6,051.78
Investments	2,270.72	2,170.53
Fixed Assets	922.88	949.18
Deferred Tax Assets	2,037.72	2,682.42
Net Current Assets	2,961.19	2,175.96
Profit & Loss Account	-	836.20
	<b>13,547.86</b>	<b>14,866.07</b>
	<b>2007-08</b>	2006-07
<b>EARNINGS</b>		
Total Income (Rs. crore)	2,111.42	2,046.68
Profit before tax (Rs. crore)	1,668.59	1,261.65
Profit after tax (Rs. crore)	1,020.57	898.02
<b>RATIOS</b>		
Capital Adequacy (excl. Deferred Tax Assets)	17.4%	-ve

## **IFCI – Pioneering India's Economic Development since Independence**

IFCI Ltd., formerly known as the Industrial Finance Corporation of India Ltd., the first Development Finance Institution of the country, was set up in 1948 to provide impetus to industrial development through medium and long-term finance. It played a pioneering role in the economic development of India, when capital markets were relatively underdeveloped and incapable of meeting the long-term requirements of the economy adequately.

With Pan-India presence across 17 locations in India, IFCI has been in the business of undertaking techno-economic and financial viability studies for projects and extending financial assistance for the last six decades. In 60 years of its existence, IFCI has evaluated more than 4800 projects, with a well-diversified sector portfolio and extended cumulative financial assistance of over INR 400 billion. Today besides providing long-term project-specific assistance, IFCI caters to the diverse needs of the Indian and Overseas Institutions by providing a host of Advisory and Consultancy Services in the areas of Project Appraisal, Risk Analysis, Credit Syndication, Placement of Debt and Equity, Corporate Restructuring, Infrastructure Advisory and Legal Advisory.

Aside from its role in promoting industries and creating capacities, IFCI has also played a pivotal role in institution building. Through a host of subsidiaries and associate organizations, IFCI has emerged as a major player providing comprehensive financial solutions ranging from Project Finance, Merchant Banking, Insurance Broking, Venture Capital, Depository Services, Factoring Services, Asset Reconstruction and Securitization.

In addition to its core competence in long-term lending to industrial and infrastructure sectors, IFCI aims to enhance its organizational value through better realization of its Non-performing Assets (NPAs) and unlocking of value of its investment portfolio including unquoted investments as well as real estate assets.

## IFCI GROUP Subsidiaries & Associates

- **IIDL - IFCI Infrastructure Development Ltd.** A wholly owned subsidiary promoted by IFCI to leverage its expertise in the emerging real estate sector.
- **IVCF - IFCI Venture Capital Funds Ltd.** Promoting entrepreneurship by providing institutional support to first generation technocrats and entrepreneurs for setting up their own ventures in the medium scale sector.
- **I-FIN - IFCI Financial Services Ltd.** Incorporated to carry on the merchant banking business of IFCI. Other services include stock brokerage, investment advisory services, portfolio management services, insurance broking and depository services.
- **ACE - Assets Care Enterprise Ltd.** Asset reconstruction and securitization company, incorporated for focussed management of distressed and non-performing assets.
- **TFCI - Tourism Finance Corporation of India Ltd.** Promoting hospitality and tourism industry.
- **FFL - Foremost Factors Ltd.** Providing domestic and export factoring services.
- **RGVN - Rashtriya Gramin Vikas Nidhi** A non-profit making Institution promoting organizations for social and economic upliftment of economically backward communities.
- **MDI - Management Development Institute** One of India's premiere Business Schools. Aims to inculcate professionalism in management and enhance the effectiveness of organizations through education, training and research.
- **ILD - Institute of Labour Development** Providing quality training and development services to industries and organizations in the field of labour development.

## Technical Consultancy Organizations (TCOs)

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• <b>NITCON</b></li> <li>• <b>HIMCON</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>MPCON</b></li> <li>• <b>HARDICON</b></li> </ul> |
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## BOARD OF DIRECTORS

(As on 12.07.2008)



**Mr Atul Kumar Rai**  
Chief Executive Officer &  
Managing Director



**Mr P G Muralidharan**  
IAS (Retd)



**Ms Sukriti Likhi**



**Mr Thomas Mathew T**



**Mr S Ravi**



**Prof Shobhit Mahajan**



**Mr R K Kapoor**

### PRINCIPAL OFFICERS EXECUTIVE DIRECTORS

Mr Sanjoy Chowdhury

Mr Sanjeev Ghai

Mr Sujit K Mandal

### CHIEF GENERAL MANAGERS

Mr Lokanath Mishra

Mr Narendar Kumar

Mr Javed Yunus

### GENERAL MANAGERS

Mr A K Choudhary  
(On deputation to IVCF)  
Mr Sonjoy Sethee (CFO)

Mr N D Auddy  
Mr T K Ray

Mr Ganga Charan  
Mr Dinesh Sharma

Mr Rakesh Kapoor  
(On deputation to FFL)  
Mr R P Singh

Mr R S Sandhu

Mr D K Jain

Ms Shashi Sharma

Mr Gautam Meour

Mr N K Duggal

Mr S P Arora  
(On deputation to ACE)

Mr B N Nayak

Mr Rattan Singh

Mr V Satyavenkata Rao

### COMPANY SECRETARY

Ms Rupa Sarkar

### STATUTORY AUDITORS

Ray & Ray  
Chartered Accountants

## NOTICE

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of IFCI Limited will be held on Friday, September 12, 2008 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, 2008 and the Profit and Loss Account for the year ended March 31, 2008 and the report of the Board of Directors and Auditors' thereon.
2. To confirm the interim dividend already paid on Preference Shares as Final dividend.
3. To appoint a Director in place of Mr S Ravi, 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 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 a Special Resolution:

"RESOLVED that pursuant to the provisions of Section 100-104 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by Hon'ble High Court of Delhi and such other approvals, as may be required and such modifications and conditions, if any, as the Hon'ble High Court of Delhi may impose and which the Board of Directors and the Committee of Directors (Reduction of Share Capital) are hereby authorised to accept, consent of the members be and is hereby accorded for reduction of the paid up equity share capital of the Company from Rs.7,62,41,34,970/- to Rs.7,37,83,73,310/- by cancelling 2,45,76,166 equity shares of Rs.10/- each and Securities Premium Account from Rs.12,10,22,81,989.50 to Rs.9,71,83,93,887.50 held by Life Insurance Corporation of India (LIC) and thereby reconverting the

amount of Rs.2,62,96,49,762/- to 2,62,96,49,762 number of Zero Coupon Optionally Convertible Debentures (ZCOCDs) of Re.1/- each in accordance with the original terms of issue of ZCOCDs resulting in LIC's holding in Company to revert to 8.39% of the post reduction equity share capital of the Company."

**Registered Office:** By order of the Board of Directors  
IFCI Ltd.  
IFCI Tower  
61 Nehru Place  
New Delhi-110 019

Dated : July 12, 2008

**Rupa Sarkar**  
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 is annexed hereto.
3. All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Saturdays, Sundays and Holidays between 11:00 A.M. and 1:00 P.M. up to the date of Annual General Meeting.
4. Register of Members and Share Transfer Books for Equity Shares will remain closed from Wednesday, September 3, 2008 to Friday, September 12, 2008 (both days inclusive).
5. IFCI is not including the financial statements and other details of its subsidiaries viz. IFCI Financial Services Limited, IFCI Venture Capital Funds Limited and IFCI Infrastructure Development 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.

6. The members holding shares/bonds in physical form are requested to intimate to the Registrar and Transfer Agents (R&TA), MCS Ltd., 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.
7. 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.
8. 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.
9. 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.
10. 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.
11. 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**

IFCI issued Zero Coupon Optionally Convertible Debentures (ZCOCDs) to Public Sector Banks (PSUs) and Financial Institutions (FIs). As per the terms of issue of ZCOCDs, 30 (thirty) PSU Banks and Insurance Companies had an option to convert their debentures into equity shares anytime after 5 years from the date of issue of ZCOCDs. All the Banks and Insurance Companies except Life Insurance Corporation of India (LIC) applied to convert their entire ZCOCD holding into equity shares. LIC applied to convert its ZCOCD holding

on the condition that, the then existing LIC equity holding of 8.39% in the Company should be maintained post conversion of ZCOCDs and post induction of strategic investor which was another item on the Agenda of the same Board Meeting but did not fructify. Accordingly 3,29,01,210 (Three crore twenty nine lakh one thousand two hundred and ten only) equity shares of the Company were allotted to LIC by converting 352,04,29,470 (Three hundred fifty two crore four lakh twenty nine thousand four hundred and seventy only) number of ZCOCDs, at the price determined as per SEBI Guidelines i.e. @ Rs.107/- (Rupees One Hundred and Seven Only) per share (as per terms of issue of ZCOCDs). Meanwhile the proposal of induction of the strategic investor having not materialized, no infusion of additional capital was made. Consequently the percentage shareholding of LIC in the Company after the conversion of ZCOCDs increased from its desired level of 8.39% to 11.35%. LIC has claimed that the allotment of shares made in excess of its application be reverted back to the desired level of 8.39% and the remaining amount be reconverted into ZCOCDs at the same terms and conditions of the original issue. The Board of Directors after examining the claim of LIC and considering it valid, decided to realign the stake of LIC to the desired level by following the due process of law i.e. Reduction of Capital under Section 100-104 of the Companies Act, 1956. Your Board of Directors now recommends, to approve the resolution for reduction of equity share capital subject to the approval of the Hon'ble High Court of Delhi.

Article 73 of the Articles of Association of the Company provides for the Reduction of Capital.

Except Mr Thomas Mathew T, Director, who has no personal interest except in his capacity as Managing Director of LIC, none of the Directors are concerned or interested in the resolution.

**Registered Office:** By order of the Board of Directors  
IFCI Ltd.  
IFCI Tower  
61 Nehru Place  
New Delhi-110 019

Dated: July 12, 2008

**Rupa Sarkar**  
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 Mr S Ravi shall retire by rotation. Mr Ravi being eligible offers himself for re-appointment. The information or details to be provided for the Director seeking re-appointment under Corporate Governance Code are as under:



- Mr S Ravi has been Director of the Company since October 1, 2001. He is a Practising Chartered Accountant and promoter partner of Ravi Rajan & Company. During the course of his extensive practice, he has gained rich experience in banking and has specialised in several areas like accounting & auditing, financial consulting, business valuations, etc. He is also Director in Corporation Bank, IDBI Capital Markets Services Ltd., Batiliboi Ltd., Mahindra Ugine Steel Co. Ltd.,

Gujarat Pipavav Port Ltd., LIC Housing Finance Ltd., IDBI Homefinance Ltd., Kudremukh Iron Ore Company Ltd., Hindustan Aeronautics Ltd., Inter-connected Stock Exchange of India Ltd., Bharat Heavy Electricals Ltd., Ravi Rajan & Co. Pvt. Ltd., UTI Trustee Company Pvt. Ltd. and S Ravi Financial Management Services Pvt. Ltd. Presently Mr Ravi does not hold any shares in IFCI 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.

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

The Company has paid the annual listing fees to all the Stock Exchanges for the Financial Year 2008-2009 except to the Stock Exchanges at New Delhi, Kolkata, Ahmedabad and Chennai as the 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (i) Operating Environment and Outlook

The world economy grew by around 5% in 2007 mainly on account of high growth rates reported by emerging economies like India and China. Indian economy grew in the fiscal 2008 by 9% driven by double digit growth in the services sector and supported by steady growth in the industrial sector and improved performance in the agricultural sector. Inflation remained under control for the greater part of the Financial Year 2007-08, but was looking ominous towards the end. Your Company took advantage of the opportunities provided by the favourable operating environment, strong liquidity position and the benefits of restructuring of liabilities to capitalize on its core strength. Focus was laid on maximizing recovery from NPAs, selective profit booking from investments and capitalizing on new lending opportunities. As a result, the Company made record profits during the year. To address future concerns and improve productivity, a VRS was introduced. Foundation was laid for new profitable areas of business by empowering subsidiary and associate companies in order to ensure a cohesive and synergetic growth. During this period, your Company took the initiative to induct a strategic investor to further the organizational objectives and improve value creation for the shareholders but this effort did not succeed. However, as the PSU Banks and Financial Institutions opted for converting their holding in the form of optionally convertible debentures in your Company into equity, improvement in your Company's capital adequacy ratio, for the first time in a decade crossed the minimum regulatory threshold of 10%.

During the last quarter of 2007, the US economy began to slow-down as a result of sub-prime crisis and its cascading effect on other sectors of the economy. This had a contagion effect, more or less, on all other economies of the world. The slow-down has been greatest in advanced economies, particularly in the United States, where the housing market correction continues to impose financial stress. The growth in Western Europe also started decelerating. The emerging and developing economies, however, were not immediately affected by these developments and continued to grow at a rapid pace until the end of fiscal 2008, led by China and India. Beginning 2008, headline inflation has increased around the world boosted by the continuing buoyancy of food and energy prices. In the emerging markets, headline inflation has risen more markedly, reflecting both strong demand growth and the greater weight of energy and particularly food in price indices. Strong demand from emerging economies which has accounted for much of the increase in commodity consumption in recent

years, has been a driving force in the price run-up, while bio-fuel related demand has boosted prices of major food crops. At the same time, supply adjustments to higher prices have lagged. Notably for oil, inventory levels in many markets have declined to all time lows. The recent run-up in commodity prices also seems to have been at least partly due to financial factors, as commodities have increasingly emerged as an alternative assets class. Oil prices have been continuously going up and have already scaled US\$ 140 per barrel.

Indian economy has also been affected by all the above developments. A slowdown in growth has been witnessed, coupled with rising inflation level, sizable decline in stock market indices, increasing fiscal deficit and rising interest rates. It is apprehended that the above condition would continue for some more months, at least up to end of the current fiscal, in spite of appropriate and timely regulatory responses from the central bank to increase the bench mark rates and suck out excess liquidity from the banking system through increase in CRR. This could result in decline in recovery from NPAs, fewer opportunities for profit booking from investments, slow-down in industrial growth thereby decreasing the repayment capability of borrowers, corrections in property prices and postponement of major investment programmes, which may affect your Company's performance during 2008-09. However, your Company would continue to create value during this period by focusing on major capability development programmes such as skill development of employees through well conceived training and development programmes, improving adaptability and implementation capabilities, pursuing continuous organizational restructuring and development exercises, strengthening the investment portfolio by adding new growth stocks, undertaking technology development and productivity improvement plans, upgrading the risk management system and further synergetic development of subsidiary and associate companies by providing them need based assistance and empowerment opportunities so that they can help in value enhancement of your Company. Your Company would also continue to lay stress on looking into new innovative business opportunities which could add value and simultaneously boost its profit earning capability.

### (ii) Industry Structure and Developments

The corporate finance and financial services sectors are in a state of evolution owing to significant increase in the level of competition and efforts for consolidation. The major entities engaged in project finance are Banks and Financial/Investment Institutions.