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ANNUAL REPORT 2009 - 10

SEVENTEENTH ANNUAL GENERAL MEETING

DATE	:	September 17, 2010
DAY	:	Friday
TIME	:	10:30 A.M.
PLACE	:	Air Force Auditorium Subroto Park New Delhi - 110010

- 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.

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BOARD OF DIRECTORS

(As on 23.07.2010)

Shri Prakash P Mallya	Chairman of the Board
Shri K V Eapen	
Shri Sanjeev Kumar Jindal	
Shri Shilabhadra Banerjee	
Shri P G Muralidharan	
Smt Usha Sangwan	
Prof Shobhit Mahajan	
Shri Tejinder Singh Laschar	
Shri K Raghuraman	
Shri S Shabbeer Pasha	
Prof Omprakash Mishra	
Shri Atul Kumar Rai	CEO & Managing Director
Shri Sujit K Mandal	Whole Time Director

PRINCIPAL OFFICERS**EXECUTIVE DIRECTOR**

Shri Javed Yunus

CHIEF CREDIT OFFICER

Shri T K Ray

CHIEF TREASURY & INVESTMENT OFFICER

Smt Shashi Sharma

CHIEF GENERAL MANAGERS

Shri Sonjoy Sethee (CFO)	Shri N D Auddy	Shri N K Duggal	Shri B N Nayak
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GENERAL MANAGERS/VICE PRESIDENTS

Shri Dinesh Sharma	Shri D K Jain	Shri Gautam Meour	Shri Rattan Singh
Shri V Satyavenkata Rao	Shri S P Sharma	Smt Manju Jain	Shri P N Swaminathan
Shri Sanjeev Kumar Jain	Shri S K Vats	Shri Biswajit Banerjee	Shri Prasoon

COMPANY SECRETARY

Smt Rupa Sarkar

STATUTORY AUDITORSChokshi & Chokshi
Chartered Accountants

FINANCIAL HIGHLIGHTS

	(Rs. crore)	
	As at March 31, 2010	As at March 31, 2009
RESOURCES		
Share Capital	1,001.68	1,108.28
Reserves and Surplus	3,608.12	2,632.47
Borrowings in Rupees	13,028.27	9,039.98
Borrowings in Foreign Currency	534.19	631.29
	18,172.26	13,412.02
APPLICATION		
Fixed Assets	1,450.10	889.10
Investments	5,882.43	4,038.76
Deferred Tax Assets	1,387.44	1,726.31
Net Current Assets	9,452.29	6,757.85
	18,172.26	13,412.02
	2009-2010	2008-2009
EARNINGS		
Total Income (Rs. crore)	1,679.33	1,484.52
Profit before tax (Rs. crore)	1,115.26	1,010.23
Profit after tax (Rs. crore)	670.94	657.15
RATIOS		
Capital Adequacy (excl. Deferred Tax Assets)	17.9%	19.7%

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Members of IFCI Limited will be held on Friday, September 17, 2010 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, 2010 and the Profit and Loss Account for the year ended March 31, 2010 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 declare dividend on Equity Shares.
4. To appoint a Director in place of Prof Shobhit Mahajan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Shri Prakash P Mallya, who retires by rotation and being eligible, offers himself for reappointment.

6. 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 of the Companies Act, 1956, if any, the vacancy being caused by retirement by rotation of Shri Tejinder Singh Laschar, a Director, at this Annual General Meeting be not filled up."

7. 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 Chokshi & Chokshi, Chartered Accountants (Firm Registration No.101872W), be and are hereby reappointed 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

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

"RESOLVED that approval be and is hereby accorded under Section 163 and other applicable provisions, if any, of the Companies Act, 1956 for maintaining the Register and Index of Members and Family Bondholders and copies of all annual returns prepared under Sections 159 and

160 together with copies of the Certificates and Documents required to be annexed thereto under Sections 160 and 161, or any one or more of them be kept at the premises of the Company's Registrar and Transfer Agent, MCS Ltd at F-65, 1st Floor, Okhla Industrial Area, Phase I, New Delhi-110020."

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

"RESOLVED that pursuant to Section 260 of the Companies Act, 1956, Article 130 of the Articles of Association of the Company, Prof Omprakash Mishra, who was appointed as an Additional Director with effect from April 30, 2010 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, proposing his candidature as a Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:

IFCI Ltd
IFCI Tower
61 Nehru Place
New Delhi-110019

By order of the Board of Directors

Dated : July 23, 2010

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 ATLEAST 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 Nos. 8 and 9 are 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 8, 2010 to Friday, September 17, 2010 (both days inclusive).
5. IFCI is not including the financial statements and other details of its subsidiaries viz. IFCI Financial Services Ltd, IFCI Venture Capital Funds Ltd, IFCI Infrastructure Development Ltd, IFCI Factors Ltd and MPCON Ltd, 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 Ltd 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 Agent (R&TA), MCS Ltd, F-65, Okhla Industrial Area, Phase - I, New Delhi-110020, change of address, if any, at the earliest, quoting their registered folio number. Change of address in respect of shares/bonds held in dematerialized 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 atleast 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 205-C of the Companies Act, 1956, the unclaimed dividend for the financial years 1994-95 to 1998-99 has been transferred to the Investor Education and Protection Fund.
12. The dividend for the Financial Year 2008-09, which remained unclaimed after 30 days from the date of declaration of dividend had been transferred to the Unpaid Dividend (2008-09) Account of IFCI Ltd. The Dividend remaining unclaimed for seven years from the date of transfer to the above mentioned account, is required to be transferred by the Company to the Investor Education and Protection

Fund (IEPF). The due date for transfer of unpaid dividend amount for the year (2008-09) to IEPF is 22.10.2016.

13. Members who have not yet encashed their dividend warrants or have not received the dividend warrants are requested to seek issuance of demand draft. Such members may write to IFCI Ltd for the payment of unpaid dividend amount. It may be noted that once the unclaimed dividend is transferred to the IEPF, no claim shall lie in respect thereof.

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

Item No. 8

MCS Ltd is presently acting as the Registrar & Transfer Agent (R&TA) for both Equity Shares and Family Bonds. The Company had at its Eleventh AGM held on August 18, 2004 taken the approval of members for maintaining the Register and Index of Members and Family Bondholders and copies of annual returns at the office of R&TA at Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi-110020. MCS Ltd has changed its office from Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase II, New Delhi-110020 to F-65, 1st Floor, Okhla Industrial Area, Phase I, New Delhi-110020. In view of this, fresh approval of the members is required for maintaining the Register and Index of Members and Family Bondholders at new address.

Your Directors recommend the Special Resolution for approval of the members.

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

Item No. 9

Prof Omprakash Mishra, 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 Mishra shall hold office upto the date of this 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 Mishra for office of Director. Brief resume of Prof Mishra 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 Mishra is interested in the resolution as it relates to his appointment. None of the other Directors of the Company are, in any way, concerned or interested in the said resolution.

Registered Office:

IFCI Ltd
IFCI Tower
61 Nehru Place
New Delhi-110019

By order of the Board of Directors

Dated : July 23, 2010

Rupa Sarkar
Company Secretary

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

Information about Prof Shobhit Mahajan, Shri Prakash P Mallya and Prof Omprakash Mishra, Directors seeking appointment/reappointment are as under:

- a) Professor Shobhit Mahajan, aged 49, has done his M.S. (Physics) and Ph.D (Physics) from University of California, Berkeley. He has been involved for several years in research and teaching at the University of Delhi and California. He has authored several books on Science and Information Technology. He is also on the Board of IFCI Financial Services Ltd. He does not hold any Directorship/Committee Membership in any other company except IFCI Financial Services Ltd. He also does not hold any shares in IFCI.
- b) Shri Prakash P Mallya, aged 62, served Canara Bank for 32 years and was also Executive Director in Syndicate Bank before being posted as Chairman & Managing Director of Vijaya Bank. He is a Post Graduate in Economics and banker by profession. He has experience of more than 34 years in the banking sector.
- c) Professor Omprakash Mishra, aged 49, is the senior most Pro Vice Chancellor, Indira Gandhi National Open University. He has served the National Security Advisory Board. He has been engaged in teaching and research for the last 20 years in Jadavpur University, Kolkata. He has done his M.A and M. Phil in International Politics from Jawaharlal Nehru University, New Delhi. He has been a consultant to many reputed international research institutes and organizations. He serves various committees, expert group and is regularly consulted on policy and governance issues by a number of government departments, academic and research institutes across the country. He does not hold any Directorship/Committee Membership in any other company. He does not hold any shares in IFCI.

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.

- | | |
|--|---|
| 1. Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Tower
Dalal Street
MUMBAI-400 001 | 2. The National Stock Exchange of India Ltd
Exchange Plaza, 5 th Floor
Plot No.C/1, G Block
Bandra-Kurla Complex, Bandra (East)
MUMBAI-400 051 |
| 3. The Delhi Stock Exchange Ltd
DSE House, 3/1 Asaf Ali Road
NEW DELHI-110 002 | 4. The Calcutta Stock Exchange Ltd
7 Lyons Range
KOLKATA-700 001 |
| 5. The Madras Stock Exchange Ltd
Post Box No.183
No.30, Second Line Beach
CHENNAI-600 001 | 6. Ahmedabad Stock Exchange Ltd
Kamdhenu Complex
Opp. Sahajanand College
Panjara Pole, Ambawadi
AHMEDABAD-380 015 |

The Company has paid the annual listing fee to all the Stock Exchanges for the Financial Year 2010-2011 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.

DIRECTORS' REPORT

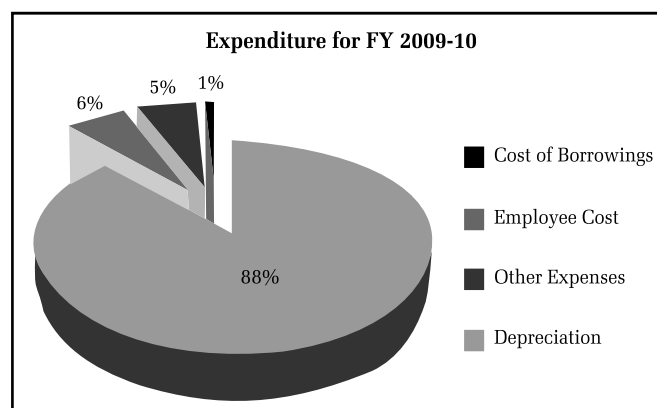
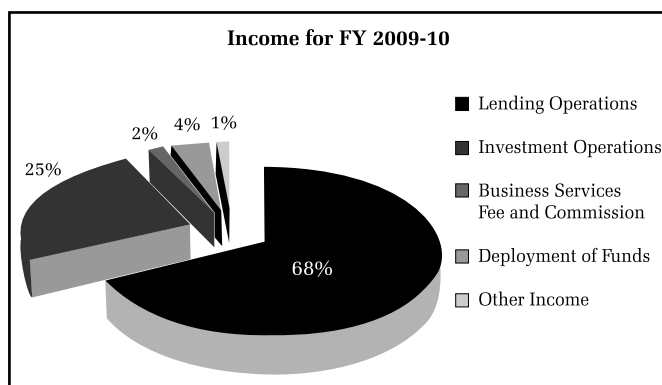
To the Members

The Board of Directors of your Company has the pleasure of presenting the Seventeenth Annual Report of IFCI Limited together with the Audited Statements of Accounts for the year ended March 31, 2010.

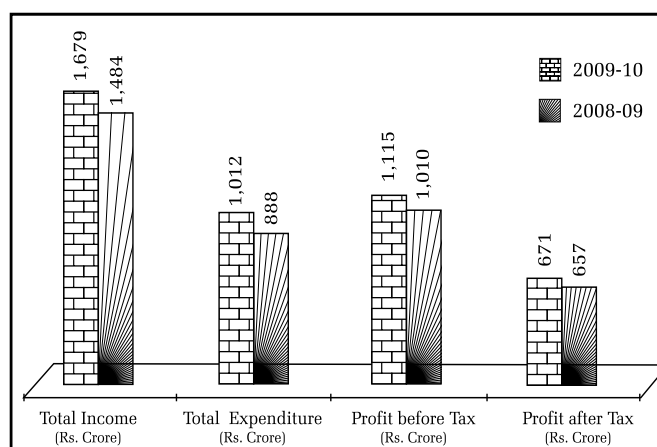
FINANCIAL RESULTS

PARTICULARS	(Rs. crore)	
	2009-10	2008-09
1. Operational Income	1,657	1,402
2. Total Income	1,679	1,484
3. Cost of Borrowings	891	790
4. Staff Cost/Other Expenditure	112	91
5. Depreciation	9	7
6. Total Expenditure	1,012	888
7. Profit before provisions/write-off	667	596
8. Write-off/Provisions for Bad & Doubtful Assets(net of reversal)	(448)	(414)
9. Profit Before Tax	1,115	1,010
10. Tax Expense	444	353
11. Profit After Tax	671	657
12. Surplus brought forward from previous year	312	12
13. Appropriations:		
Reserve u/s 45 IC of RBI Act	134	134
Capital Redemption Reserve	82	82
General Reserve	65	65
Special Reserve u/s 36(1)(viii)	10	—
Dividend on Equity Shares (incl. Tax)	84	71
Dividend on Preference Shares (incl. Tax)	0*	5
14. Balance carried to Balance Sheet	608	312

* Rs.0.31 crore



The Profit and Loss Account for the current year shows a growth of 13% in the total income to Rs.1,679 crore vis-à-vis Rs.1,484 crore in the previous year. It may be observed that the growth in total income has been attained even as the size of the Balance Sheet of the Company had been declining continuously right upto March 31, 2009 when it had shrunk to Rs.13,415 crore as compared to Rs.15,189 crore as on March 31, 2006, owing to restrictions on creation of fresh assets. The rise in the income during 2009-10 arises mainly out of the fresh assets created by your Company over the last two years.



In order to create fresh assets and resume growth in the Balance Sheet of your Company fresh borrowing became necessary which accounts for increase in the cost of borrowings to Rs.891 crore from Rs.790 crore in the previous year. Your Company has posted a 10% growth in Profit Before Tax of Rs.1,115 crore for the current year vis-à-vis Rs.1,010 crore in the previous year. This is the fourth consecutive year of robust profits and it is significant that the financial performance of your Company has gone from strength to strength in the face of a challenging economic environment.

Dividend

Your Directors have recommended a Dividend @ Re.1 per equity share (10%) of face value of Rs.10/- for the year 2009-10. Further, Dividend at the applicable rate i.e. Rs.0.31 crore (including Corporate Dividend Tax) on Preference Shares has been paid as Interim Dividend.

Directors

Since the last Annual General Meeting, Shri K Narasimha Murthy resigned from the Board of Directors w.e.f. September 19, 2009 and Shri Shilabhadra Banerjee was appointed as a Director in casual vacancy w.e.f. April 30, 2010. Also, Prof Omprakash Mishra joined as an Additional Director w.e.f. April 30, 2010.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to any departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts for the year ended March 31, 2010 on a 'going concern basis'.

Auditors

M/s Chokshi & Chokshi, Chartered Accountants (Firm Registration No.101872W), Mumbai, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. You are requested to consider their appointment.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Operating Environment and Outlook

Global Scenario

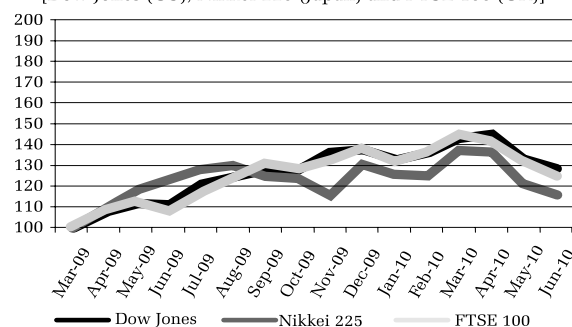
The fiscal 2010 began on a positive note. The economies world over witnessed discernible improvement, after passing through a financial crisis which erupted in the third quarter of 2008-09 from the financial sector in western countries, which soon enveloped the entire world in an economic recession. The recovery owes itself mainly to the interventions which, on the monetary side, consisted in central banks infusing ample liquidity and

the package launched by Governments, on the fiscal side, to boost aggregate demand.

With the recovery well underway led by emerging economies, the problem now being encountered is the timing and speed with which to address the mounting public debt. Euro zone has already been hit by waves of insecurity churned up by the region's debt crisis arising from mounting debt burden of Greece and some other countries and consequent down-gradation of their credit ratings. To check the debt crisis, the European Governments have announced a financial package of 750 Billion Euro (almost USD 1 Trillion). However, concerns remain on whether the financial package would be sufficient to address the situation. The financial markets, owing to their integration, continue to display nervousness due to the uncertainties in the pace of recovery in the North Atlantic world.

A comparative analysis of the movement of stock exchange indices of three developed economies, represented through the Dow Jones (US), Nikkei 225 (Japan) and FTSE 100 (UK), and assuming a base "Index" of '100', representing the closing index of March 2009, the closing index at the end of each month till June 2010 have been plotted on a graph. Similarly, the monthly closing data on stock exchange indices in respect of developing economies represented through Sensex (India), Bovespa (Brazil) and Kospi (South Korea) are plotted in another graph, which are as under:

Relative movement of Stock indices of select Developed Countries
[Dow Jones (US), Nikkei 225 (Japan) and FTSE 100 (UK)]



Relative movement of Stock indices of select Developing Countries
[Sensex (India), Bovespa (Brazil) and Kospi (South Korea)]

