

Chairman

Managing Director & CEO

Group Heads

Company Secretary

## Directors

K. V. Kamath  
Lalita D. Gupte  
Kalpana Morparia  
Nachiket Mor  
S. Mukherji

## Executives

Abhijeet Guin  
Devesh Kumar  
J. Niranjana  
Joseph H. Bosco  
Lovleen Joshi  
Nitin Jain  
Swapna Bhargava  
V. Harikrishnan  
Anderson Pollock

## Auditors

M/s. S. R. Batliboi & Company  
Chartered Accountants

## Registered Office

ICICI Centre, H. T. Parekh Marg,  
Churchgate, Mumbai 400 020

## Other Offices

3rd Floor, ICICI Bank Tower  
NBCC Place  
Bisham Pitamah Marg  
New Delhi 110 003

II Floor, ICICI Bank Tower  
93, Santhome High Road,  
Chennai 600 028

2B, Gorky Terrace,  
Off. Lower Circular Road  
Kolkata 700 017

**ICICI SECURITIES LIMITED**
**12TH ANNUAL REPORT AND ACCOUNTS 2004-2005**
**Directors**

K. V. Kamath, *Chairman*  
 Lalita D. Gupte  
 Kalpana Morparia  
 Nachiket Mor  
 S. Mukherji, *Managing Director & CEO*

**Auditors**

M/s. S. R. Batliboi & Company  
 Chartered Accountants

**Registered Office**

iCICI Centre  
 H. T. Parekh Marg  
 Churchgate  
 Mumbai - 400 020

## directors' report

### to the members

The Directors have pleasure in presenting the 12th Annual Report of ICICI Securities Limited (the Company), with the audited Statement of Accounts for the year ended March 31, 2005.

#### INDUSTRY OVERVIEW

The year FY05 saw the domestic economy overcome several constraining factors to maintain its growth momentum. The electoral verdict in the parliamentary elections in May 2004 impacted market sentiment for a while even as a poor monsoon distribution gave rise to fears about domestic growth. Global oil prices too started moving up steadily in Q1 of FY05 and notwithstanding frequent corrections, have risen by over 60% in FY05. Although households were largely insulated by Governmental policy from the full inflationary impact, the corporate sector was impacted. Other commodity prices also rose to multi-year high during the year. Overall, the economy is estimated to have grown at 6.9% despite farm output growth decelerating sharply to 1.1% (9.6% in FY04).

After remaining dormant in April 2004, inflation started moving up rapidly in the next four months to a peak level of 8.7% in August 2004 on the back of rise in fuel prices, minerals, metals and other manufactured goods. For FY05, inflation averaged 6.5% and ended the year at 5.1% in March 2005.

In response to the unforeseen rise in inflation, the Government took several steps to control prices and rein in inflation expectations. These included a mix of indirect duty cuts on various commodities and price control on petroleum products. The Reserve Bank of India (RBI) hiked the Cash Reserve Ratio (CRR) by 50 bps in September 2004 and the reverse repo rate by 25 bps in its October 2004 monetary policy review.

Interest rates remained in a narrow range in the first two months of FY05 before moving up in step with inflation. The 10 year yield, which began the year at 5.15% rose to 6.73% in August 2004 but dipped below 6.0% in September 2004 as RBI relaxed SLR accounting norms for commercial banks. The subsequent hikes in CRR and policy rate as well as renewed inflation fears on the back of the rise in oil prices saw yields rise to over 7.0% in November 2004. The 10 year yield peaked at 7.34% in November 2004 and ended the financial year at 6.66%, up 151 bps over the year.

During the year, the Federal Reserve began tightening interest rates at regular intervals in 25 bps increments and by end of the financial year had moved its policy rate to 2.75%, a cumulative rise of 175 bps. This effect of the U.S. rate rise was mitigated to some extent by the continued weakness in dollar against other major currencies and emerging market currencies. A sharp rise in FII inflows contributed to the rise in the rupee despite a widening trade deficit. The rupee ended the year at 43.76/US\$, down 0.7% over the year, but up 5.8% from the year's low. The central bank's foreign exchange reserves also mirrored this pattern and rose by US\$ 28 billion over the year to an all time high of US\$ 135 billion.

The key feature of M&A activity in FY05 was the dominance of cross-border transactions, both inbound and outbound. The year witnessed a pick up in large, outbound cross-border M&A as Indian companies started acquiring foothold in key overseas markets, especially in sectors like steel, telecom, textiles, oil & gas and pharmaceuticals. At the same time, the year witnessed several large-sized domestic transactions in telecom, information technology and cement sectors, with MNCs increasingly

viewing India as a critical element in their strategic plans, either as a manufacturing/outourcing hub or an explosive growth market. Consolidation in the Indian public and private sector continued as large groups streamlined themselves to compete effectively on a global scale.

Capital markets went through tumultuous times in FY05 as investors initially feared uncertainty due to change in government following general elections in May 2004. Investor confidence, however, returned as the new government demonstrated commitment to the ongoing reforms and investment process. Consequently, India witnessed a record FII inflow of US\$ 10 billion during FY05. Overall, the benchmark index, Nifty, returned 15% during the year. The NSE Midcap index, however, significantly outperformed with 73.5% return as investors took cognizance of the emerging stars of tomorrow. Primary markets, too witnessed, heightened activity as Indian companies raised US\$ 5.8 billion (a 20% increase over last year) through IPO and rights issuances. Fund-raising through overseas offerings (FCCBs and GDRs) also gained momentum. While the year saw maiden issues in sectors like airlines and power, information technology and banking too continued to tap the capital markets. The year witnessed the IPOs of the largest listed power generating company in Asia (NTPC), India's biggest technology company (Tata Consultancy Services) and the largest private sector airline (Jet Airways). These offerings clearly underscore the deepening of Indian capital markets providing more opportunities for investors to invest in global size companies.

#### FINANCIAL HIGHLIGHTS

	<i>(Rupees million)</i>	
	Fiscal 2005	Fiscal 2004
Gross Income	1,823.28	3,211.47
Profit before Interest, Depreciation & Tax	1,354.19	2,536.58
Depreciation	13.21	13.87
Interest	496.42	620.48
Profit before Tax	844.56	1,902.23
Provision for Tax	280.58	463.23
Profit after Tax	563.98	1,439.00

The profit after tax for the year ended March 31, 2005 was Rs. 563.98 million (previous year Rs. 1439.00 million). After taking into account the balance of Rs. 133.49 million (previous year Rs. 151.02 million) brought forward from the previous year, the profit available for appropriation is Rs. 697.47 million (previous year Rs. 1590.02 million) of which Rs. 28.20 million (previous year Rs. 143.90 million) and Rs. 112.80 million (previous year Rs. 287.80 million) have been transferred to General Reserve and Special Reserve respectively.

#### DIVIDEND

During the year, the Company declared two interim dividends aggregating 13%. The Directors are pleased to recommend the aggregate of interim dividends of 13%, as final dividend for the year.

#### OPERATIONAL REVIEW

The Company continued to deliver remarkable performance, in line with its forefront position in the industry. During the year, the Company's net worth increased from Rs. 3.92 billion in 2003 - 2004 to Rs. 4.19 billion in 2004 - 2005, an increase of 6.89% and after-tax return on net worth was 13.90%.

# directors' report

## *Fixed Income*

During the year under review, despite the difficult operating environment your Company continued to maintain its premier position in all segments of the domestic fixed income market. In the Primary Dealership business the Company surpassed its bidding and success obligations in government auctions. The Company also achieved a turnover in excess of Rs 1.2 trillion in government securities for the first time in its history. In the non-government business, the Company increased its turnover to Rs. 139 billion. The Company was able to maintain a market share of around 10% confirming its status as one of the leading players in this market. The emphasis continued to be on profitability and out performance of the movement in the benchmark yields. In swaps, the Company almost doubled its volumes during the year and added a number of new counter parties.

The Debt Capital Markets group mobilized funding for a large cross section of clients through private placement of bonds as well as loan syndications. The group structured several innovative floating rate structures for matching the clients' requirements with that of investors, in a rising interest rate scenario. ICICI Securities was also involved as an arranger in the largest private placement transaction of the year, for Food Corporation of India, which mobilized funds in excess of Rs. 40 billion in two tranches.

## *Investment Banking*

During the year under review, the Company strengthened its Advisory business with intensive marketing and by leveraging synergies with the ICICI Group. This has enabled your Company to increase its presence in the advisory segment by effective service delivery and enabling revenue maximization in the advisory segment. The Company launched various initiatives to strengthen its presence in the U.S. and to build presence in Singapore and U.K. markets by networking with intermediaries to identify opportunities in the cross border M&A space. The Company was actively engaged in advising clients in the FMCG, Spirits, Power, Telecom, Automotive, Chemicals, Oil and Gas, Engineering, Fertilizers and Pharmaceutical sectors.

In the recent BLOOMBERG compilation of league tables, the Company was ranked 2nd in terms of deal value for FY05, with announcement of 13 deals aggregating to US\$ 1.5 billion.

Your Company has set up a focused private equity team, which has built up a healthy pipeline of transactions across a cross-section of industries. In addition, the Company has been mandated by several clients in the infrastructure sector, another fast-growing area in India.

## *Capital Markets*

ICICI Securities emerged as the leader in Indian equity capital markets, with 9 issuances during the year. Your Company lead-managed the public offering of the biggest power utility in the country, National Thermal Power Corp. (NTPC). The issue had an overwhelming retail response with 1.4 million applications and mobilized a record amount of funds (Rs. 680 billion/ US\$ 1.2 billion). This also was the biggest offering for FY05. ICICI Securities was the Book-Running Lead Manager to the follow-on public offering of Punjab National Bank, the second largest bank issue ever. Some of other issuances for the year managed/co-managed by the Company included ICICI Bank Limited, Deccan Chronicle Holdings Limited, Dena Bank, 3i Infotech Limited, Jaiprakash Hydro-Power Limited and Emami Limited.

## *Equity Research*

With markets being in frenzy, the role of equity research has become ever so important to provide independent and analytical views. Keeping this in mind, the company augmented its research efforts to become brokers of preferred choice for views on both established as well as emerging companies. The Equity Research team's well-structured ideas as well as strategy and theme reports across sectors have been well received and appreciated by major domestic and international clients. The investors' conferences at Singapore and New York witnessed excellent response from investors across the globe.

## *Risk Management*

As a financial services company, the Company is committed to ensure that effective risk management policies and practices are incorporated as fundamental aspects of all its business operations. The Corporate Risk Management Group of the Company has a comprehensive risk

management policy in place, addressing primarily areas such as market, credit and operation risks. This policy seeks to minimise the risks generated by the activities of the Company. The group continuously develops and enhances its risk management and control procedures in order to better identify and monitor risks and to proactively take appropriate actions to mitigate the same. The Company has also constituted an internal Risk Management Committee comprising the Managing Director & CEO and Senior Executives from cross-functional areas. The Committee is responsible for managing the liquidity and interest rate risk profile of the assets and liabilities of the Company.

## **FUTURE OUTLOOK**

### *Fixed Income*

The domestic growth outlook is positive and despite the likelihood of a slowdown in global growth, Indian GDP growth is likely to be higher than in FY05 on back of strong investment spending and resurgent consumerism. While inflation is likely to be sticky on account of strong GDP growth and also due to pressure from international commodity prices, a repeat of the FY05 scenario appears unlikely. Demand for funds is projected to be robust, given the budgeted fiscal deficit and likely corporate capital expenditure plans. Internationally, as monetary policies get normalized, interest rates are set to harden. Higher interest rates abroad could possibly have an adverse bearing on capital flows and in conjunction with widening current account deficit in India, it implies that a sustained appreciation of the Indian rupee is unlikely. The overall macro-economic environment thus could lead to further, albeit more moderate than FY05, upward movement in benchmark interest rates and bond yields in India.

### *Investment Banking*

The renewed focus of corporates to invest for growth and to establish an overseas footprint, assisted by the buoyancy in the capital markets will drive fund raising activities. The trend towards tapping the capital markets outside India through global offerings is expected to sustain and your Company has initiated efforts to launch these product offerings. This is already being complemented by the emergence of India as an attractive destination for private equity as well and a dedicated team of your Company is focused on opportunities in this space.

### *Capital markets*

Continued emphasis on the economic reforms agenda by the new government has convinced investors on the political consensus towards sustaining economic growth for the country. Consequently, the Company expects India to remain the favoured emerging market destination for equity investments. The Company looks forward to another eventful year as India Inc. continues its march towards making its presence felt on the global investment map.

## **SUBSIDIARY COMPANIES**

The Company has one subsidiary in India, namely ICICI Brokerage Services Limited and two subsidiaries in the U.S.A., namely, ICICI Securities Holdings, Inc. and ICICI Securities, Inc. As required under Section 212 of the Companies Act, 1956, the audited statements of accounts for the year 2004 - 2005 as prepared under the Companies Act, 1956, together with the Reports of the Directors and Auditors for the year ended March 31, 2005 of these subsidiaries are attached.

ICICI Securities, Inc., a broker-dealer member with the National Securities Dealers Association Inc. (NASD), had in early 2004 filed applications for commencing business in Dealing in Securities and Advising on Corporate Finance with the Monetary Authority of Singapore (MAS) and to undertake Merchant Banking activities including Underwriting in Securities with the Financial Services Authority (FSA), United Kingdom. These applications are at a final stage of consideration by both, the MAS and the FSA, and registrations are expected shortly. Accordingly, ICICI Securities, Inc. has finalised the premises for opening of its branch offices in both the United Kingdom and in Singapore and operations are expected to commence shortly.

## **PUBLIC DEPOSITS**

During the year, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956.

# directors' report

**ICICI Securities**

**i-SEC**

## DIRECTORS

in terms of the provisions of the Articles of Association of the Company. Dr. Nachiket Mor will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

## AUDITORS

The Statutory Auditors, S. R. Batliboi & Company, Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 21, 2005, has proposed their re-appointment as Auditors to audit the accounts of the Company for the financial year ending March 31, 2006. You are requested to consider their re-appointment.

## FOREIGN EXCHANGE EARNING AND EXPENDITURE

During 2004 - 2005, expenditure in foreign currencies amounted to Rs. 30.34 million (previous year Rs. 28.66 million) and earnings in foreign currencies amounted to Rs. 26.09 million (previous year Rs. 22.42 million).

## PERSONNEL AND OTHER MATTERS

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

Since the Company does not own any manufacturing facility, the disclosure of information relating to conservation of energy and technology absorption to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence not given.

## AUDIT COMMITTEE

During the year, the Committee met to review the half-yearly and annual accounts, to discuss the audit findings and recommendations of the internal and statutory auditors and to review the internal control systems of the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that in preparation of the annual accounts for the year ended March 31, 2005 -

1. the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. they had 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 of the Company for that period;

3. they had 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; and
4. they had prepared the annual accounts on a going concern basis.

## CORPORATE PHILOSOPHY AND COMPLIANCE

The Company firmly believes that corporate governance and compliance practices are of paramount importance in order to maintain the trust and confidence of the stakeholders, clients, the good reputation of the Company and the unquestioned integrity of all personnel involved in the Company. To ensure transparency, fairness and objectivity in an organisation's functioning, the Company has proactively adopted best practices with regard to corporate governance and compliance, which are ahead of regulatory requirements. The Company's policy on compliance with external regulatory requirements is backed by stringent internal policies and principles to ensure, inter alia, priority to clients' interest over proprietary interest, maintenance of confidentiality of client information and prevention of insider trading.

## ACKNOWLEDGEMENTS

The Directors thank the clients for the confidence reposed, which has enabled the Company to successfully deliver well structured solutions and timely execution, in a preferred way.

The Directors also thank the Company's bankers, lenders, the Government of India, the Securities and Exchange Board of India, the Reserve Bank of India and other statutory authorities for their continued support to the Company.

The Directors express their gratitude for the unstinted support and guidance received from its shareholders, ICICI Bank Limited and other group companies.

The Directors also express their sincere thanks and appreciation to all the employees for their commendable teamwork, professionalism and contribution during the year.

For and on behalf of the Board

**K.V. KAMATH**  
Chairman

Mumbai, April 21, 2005

# auditors' report

to the members of ICICI Securities Limited

1. We have audited the attached Balance Sheet of ICICI Securities Limited (the Company) as at March 31, 2005 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of the written representations received from the directors, as on March 31, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.  
Chartered Accountants  
per Viren H. Mehta  
Partner  
Membership No.: 48749

Mumbai, April 21, 2005

## annexure

to the auditors' report

Annexure referred to in paragraph 3 of our report of even date Re: ICICI Securities Limited

- (i) (a) The fixed assets of the Company comprises of leased fixed assets and other fixed assets. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets, except leased assets, were physically verified by the management during the year in accordance with a planned program of verifying them which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The securities held as stock in trade by the custodian are verified with the confirmation statement received from them on a regular basis. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no discrepancies were noticed on comparing the physical securities/ statement from custodian with book records.
- (iii) As informed, the Company has not granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of securities and fixed assets and for the sale of securities and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The provision of clause (viii) of the Order is not applicable to the Company in the year under audit and hence not reported upon.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, wealth tax, service tax and other material statutory dues applicable to it. We have been informed that the provisions of Investor Education and Protection Fund, customs duty, excise duty and cess are not applicable to the Company in the current year.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, service tax, sales-tax, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs. in million)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses	164.25	AY 2003-04 to 2004-05	CIT (Appeals)

As informed by the management the provision of sales-tax, service tax, custom duty, excise duty and cess are not applicable to the Company in the current year, there are no outstanding disputed dues on account wealth tax.

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit-fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) According to the information and explanations given to us, the Company has given counter guarantee for loans taken by subsidiary from bank, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) The Company did not have any term loans outstanding during the year. For this purpose loans with repayment periods beyond 36 months are considered as long term loans.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding secured debentures during the year.
- (xx) The Company has not raised any money through a public issue.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & CO.  
Chartered Accountants  
per Viren H. Mehta  
Partner  
Membership No.: 48749

Mumbai, April 21, 2005

# balance sheet profit and loss account

**ICICI Securities**

as at March 31, 2005

for the year ended March 31, 2005

**i-SEC**

		March 31, 2004		March 31, 2004			
Schedule		(Rs. in million)	2004	Schedule		(Rs. in million)	2004
<b>SOURCES OF FUNDS</b>				<b>INCOME FROM OPERATIONS</b>			
1. Shareholders' Funds				(a) Income from Services	M	564.83	266.50
A. Share Capital	A	2,030.03	2,030.03	(b) Interest Income	N	983.97	1,123.86
B. Reserves & Surplus	B	2,160.54	1,894.95	(c) Profit on Securities (Net)	O	227.85	1,337.20
				(d) Other Income	P	46.63	483.91
		4,190.57	3,924.98			1,823.28	3,211.47
2. Loan Funds				Less: Operating Expenditure			
A. Secured Loans	C	2,951.11	-	(a) Financial Charges and			
B. Unsecured Loans	D	5,960.39	18,671.34	Operating Expenses	Q	610.69	711.80
		8,911.50	18,671.34			1,212.59	2,499.67
		13,102.07	22,596.32				
<b>APPLICATION OF FUNDS</b>				<b>EXPENDITURE</b>			
1. Fixed Assets	E			Less: Administrative Expenditure			
Gross Block		378.05	391.76	(a) Payments to and			
Less: Accumulated depreciation/				Provisions for Employees	R	169.43	299.19
amortisation		266.09	290.31	(b) Establishment and			
Net Block		111.96	101.45	Other Expenses	S	185.29	393.08
Capital Work-in-progress		0.68	-	(c) Depreciation		13.31	13.87
		112.64	101.45			368.03	706.14
2. Investments	F	841.54	120.03	<b>Profit before Taxation &amp;</b>		844.56	1,793.53
3. Deferred Tax Asset		4.06	4.81	<b>Extraordinary items</b>			
4. Current Assets,				<b>Interest tax reversal of</b>			
Loans & Advances				<b>earlier years</b>		-	108.70
A. Current Assets -				<b>Profit before Taxation</b>		844.56	1,902.23
(a) Interest Accrued	G	50.73	415.76	<b>Less: Provision for current income-tax</b>		279.83	465.00
(b) Securities held as				Deferred tax		0.75	(1.77)
Stock-in-Trade	H	8,872.87	22,287.20	<b>Profit After Taxation</b>		563.98	1,439.00
(c) Sundry Debtors	I	373.95	103.89	<b>Brought forward from previous year</b>		133.49	151.02
(d) Cash & Bank Balances	J	2,445.65	49.74	<b>Amount available for appropriations</b>		697.47	1,590.02
B. Loans & Advances	K	1,026.07	123.40	Transfer to Special Reserve		112.80	287.80
		12,769.27	22,979.99	Transfer to General Reserve		28.20	143.90
Less: Current Liabilities				Interim Dividend		263.90	908.44
& Provisions:	L			Tax on Dividend		34.49	116.39
A. Current Liabilities		617.36	601.86	<b>Balance carried to Balance Sheet</b>		258.08	133.49
B. Provisions		8.08	8.10				
<b>NET CURRENT ASSETS</b>		12,143.83	22,370.03	<b>Earnings per share (Basic &amp; Diluted)</b>		2.78	7.09
		13,102.07	22,596.32	<b>(Face value Rs. 10/- per share)</b>			
<b>Notes to Accounts</b>	T			<b>Notes to Accounts</b>	T		

The Schedules referred above and the notes to accounts form an integral part of the Accounts

The Schedules referred above and the notes to accounts form an integral part of the Accounts

This is the Balance Sheet referred to in our report of even date.

This is the Profit and Loss Account referred to in our report of even date.

For S. R. Batliboi & Co.  
Chartered Accountants

For and on behalf of the Board

Per Viren H. Mehta  
Partner  
Membership No.: 48749

K. V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

Mumbai, April 21, 2005

ABHIJEET GUIN  
Vice President &  
Head - Financials

ANDERSON POLLOCK  
Company Secretary

S. MUKHERJI  
Managing Director &  
CEO

# schedules

forming part of the Accounts

	March 31, 2004		March 31, 2005						
	(Rs. in million)		(Rs. in million)						
<b>A. SHARE CAPITAL</b>									
Authorized:									
50,00,00,000 Equity Shares of Rs 10/- each	5,000.00	5,000.00							
Issued, Subscribed & Paid Up:									
20,30,02,800 Equity Shares of Rs 10/- each	2,030.03	2,030.03							
Notes:									
Of the above, 20,28,33,200 (Previous year - 20,28,33,200) Equity Shares of Rs.10/- each are held by ICICI Bank Ltd. (the Holding company) and its nominees.									
<b>B. RESERVES AND SURPLUS</b>									
	(Rs. in million)								
	Balance as on April 1, 2004	Additions/transfer during the year	Deductions/transfers during the year	Balance as at March 31, 2005					
				Balance as at March 31, 2004					
Share Premium Account	112.80	-	-	112.80					
General Reserve	635.84	28.20	-	664.04					
Special Reserve	1,012.82	112.80	-	1,125.62					
Maintained under Section 45 IC of the RBI Act, 1935)									
Profit and Loss Account	133.49	563.98	439.39	258.08					
<b>TOTAL</b>	<b>1,894.95</b>			<b>2,160.54</b>					
				<b>1,894.95</b>					
<b>C. SECURED LOANS</b>									
	(Rs. in million) March 31, 2004								
CBLO Borrowings (Secured by pledge of Govt. securities of Face Value Rs. 3,290 mn)	2,951.11		-						
<b>Total</b>	<b>2,951.11</b>		<b>-</b>						
<b>D. UNSECURED LOANS</b>									
Subordinated Bonds issued as Tier III Capital	-250.00	250.00							
Inter-Corporate Borrowings	1,425.00	105.00							
Money at Call and Short Notice									
- From Banks	-	9,930.90							
- From Others	-	1,712.30							
Commercial Paper Borrowings	989.39	742.80							
FCNRB Borrowing	229.00	309.34							
Floating Rate Debentures (Redeemable at par by April 2005)	500.00	-							
Floating Rate Debentures (Redeemable at par by June 2005)	1,885.50	-							
6.00% Debentures 2005 (Redeemable at par by April 2005)	250.00	-							
5.55% Debentures 2005 (Redeemable at par by April 2005)	431.50	-							
4.65% Debentures 2004 (Redeemable at par by April 2004)	-	231.50							
4.50% Debentures 2004 (Redeemable at par by April 2004)	-	422.50							
4.30% Debentures 2004 (Redeemable at par by April 2004)	-	49.00							
4.35% Debentures 2004 (Redeemable at par by May 2004)	-	142.50							
4.60% Debentures 2004 (Redeemable at par by May 2004)	-	127.50							
4.50% Debentures 2004 (Redeemable at par by May 2004)	-	80.50							
Floating Rate Debentures (Redeemable at par by April 2004)	-	3,000.00							
Floating Rate Debentures (Redeemable at par by May 2004)	-	111.00							
Floating Rate Debentures (Redeemable at par by June 2004)	-	1,456.50							
<b>Total</b>	<b>5,960.39</b>	<b>18,671.34</b>							
<b>E. FIXED ASSETS</b>									
	(Rs. in million)								
	Gross Block (at Cost)			Accumulated Depreciation		Net Block			
	April 1, 2004	Additions	Sale/Adj	March 31, 2005	Additions	Sale/Adj	March 31, 2005	March 31, 2005	March 31, 2004
<b>TANGIBLE</b>									
Freehold Land	57.23	-	-	57.23	-	-	-	57.23	57.23
Building	10.05	-	-	10.05	0.35	-	3.42	6.63	6.98
Plant & Machinery / Electrical Installation	6.39	1.02	3.90	3.51	0.32	2.71	1.72	1.79	2.28
Office Equipment	31.82	15.84	16.46	31.20	2.84	11.61	8.63	22.57	14.42
Computers	48.25	10.83	9.74	49.34	5.97	9.51	35.12	14.22	11.70
Furniture & Fixtures	20.52	0.20	18.41	2.31	0.65	13.70	1.16	1.15	6.31
Vehicles	2.84	1.06	-	3.90	0.83	-	1.14	2.76	2.53
<b>INTANGIBLE</b>									
Software	4.66	5.85	-	10.51	2.35	-	4.90	5.61	-
<b>Sub-Total</b>	<b>181.76</b>	<b>34.80</b>	<b>48.51</b>	<b>168.05</b>	<b>13.31</b>	<b>37.53</b>	<b>56.09</b>	<b>111.96</b>	<b>101.45</b>
Assets Given on lease (Plant & Machinery)	210.00	-	-	210.00	-	-	210.00	-	-
<b>Total</b>	<b>391.76</b>	<b>-</b>	<b>-</b>	<b>378.05</b>	<b>13.31</b>	<b>37.53</b>	<b>266.09</b>	<b>111.96</b>	<b>101.45</b>
<i>Previous Year</i>	<i>423.11</i>	<i>8.44</i>	<i>39.79</i>	<i>391.76</i>	<i>13.86</i>	<i>18.40</i>	<i>290.31</i>	<i>101.45</i>	
<b>F. INVESTMENTS - LONG TERM</b>									
Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	March 31, 2005	March 31, 2004					
In Equity Shares of Subsidiary Company - Unquoted and fully paid up									
ICICI Brokerage Services Ltd	4,500.7 (4,500.7)	10.00	45.01	45.01					
ICICI Securities Holdings, Inc.	1,600.0 (1,600.0)		75.02	75.02					
- Quoted Bonds									
HDFC 06/12/2005 ZCB	0.75 (Nil)		721.51	-					
<b>TOTAL</b>			<b>841.54</b>	<b>120.03</b>					
<b>G. INTEREST ACCRUED</b>									
	(Rs. in million) March 31, 2004								
On Stock-in-Trade	32.77		415.20						
On Loans & Advances	17.96		0.56						
<b>Total</b>	<b>50.73</b>		<b>415.76</b>						

## Notes:

- The aggregate cost of unquoted investments as at March 31, 2005 is Rs. 120.03 million (previous year - Rs.120.03 million)
  - The aggregate cost and market value of the quoted investments as at March 31, 2005 is Rs. 721.51 million and Rs. 721.47 million respectively (previous year - Rs. Nil).
- \* Face Value of US Dollar 1.00 per unit.





# schedules

forming part of the Accounts

Continued

	Total Face Value (Rs. in '000)	(Rs. in March 31 million)	2004	March 31, 2004	(Rs. in million)	2004
Geodesic Ltd. - FV RS. 2	214 (Nil)	1.62	-	-	-	-
GKN Invel Transmissions Ltd	** (*)	-	-	-	-	-
Godrej Consumer Products Ltd	Nil (611)	-	0.88	-	-	-
Hirala Print Works	1,935 (Nil)	1.94	-	-	-	-
IAEC Industries Ltd.	1,500 (Nil)	6.00	-	-	-	-
India Containers Ltd	934 (934)	2.80	2.80	-	-	-
Indian Seamless Metaltube Ltd	5,000 (5,000)	24.00	24.00	-	-	-
Indoco Remedies Ltd.	115 (Nil)	3.79	-	-	-	-
Inland Printers Ltd	7,992 (7,992)	47.95	47.95	-	-	-
Jocil Ind Ltd	2,371 (2,371)	17.78	17.78	-	-	-
Kailam Spinning Mills Ltd	4,634 (4,634)	4.63	4.63	-	-	-
Knoll Pharmaceuticals Ltd	** (*)	-	-	-	-	-
Lakshmi Machine Works Ltd	Nil (7)	-	0.34	-	-	-
Lanco Industries Ltd.	** (*)	-	-	-	-	-
Lyka Labs Ltd.	1,149 (Nil)	7.60	-	-	-	-
Mahanagar Telephone Nigam Ltd.	600 (Nil)	8.27	-	-	-	-
Maharashtra Seamless Ltd.	1,000 (Nil)	32.01	-	-	-	-
Mahindra Sona Ltd.	1,158 (Nil)	6.16	-	-	-	-
Maral Overseas Ltd.	Nil (700)	-	2.27	-	-	-
Marico Industries Ltd	Nil (1)	-	0.01	-	-	-
Maruti Udyog Ltd	15 (27)	0.84	1.14	-	-	-
Mascon Global Ltd.	500 (Nil)	1.24	-	-	-	-
MIL Industries Ltd.	350 (Nil)	0.35	-	-	-	-
Mirza Tanners Ltd.	2,000 (Nil)	43.00	-	-	-	-
Nucent Finance Limited	1 (1)	-	-	-	-	-
Orissa Lamp Limited	7,215 (Nil)	7.22	-	-	-	-
Otis Elevator Company (India) Ltd	** (*)	-	-	-	-	-
Parakaram Technofab Ltd	1,910 (1,910)	1.91	1.91	-	-	-
Parasampuria Synthetics Ltd	1,246 (1,246)	2.79	2.78	-	-	-
Parasampuria Synthetics Ltd	905 (905)	0.09	0.09	-	-	-
Philips India Ltd	** (*)	-	-	-	-	-
Punjab Tractors Ltd.	164 (Nil)	3.19	-	-	-	-
Rama Newsprint Ltd	Nil (10)	-	0.01	-	-	-
Rayban Sun Optics India Ltd	** (*)	-	-	-	-	-
Reliance Industries Ltd	Nil (25)	-	1.16	-	-	-
Reckitt & Cleman India Ltd	** (*)	-	-	-	-	-
Ring Plus Aqua Ltd.	2,258 (Nil)	7.34	-	-	-	-
Satyam Computer Services - FV RS. 2	20 (Nil)	3.95	-	-	-	-
Sesa Goa Ltd	Nil (80)	-	4.03	-	-	-
Shasun Chemicals Ltd.	50 (Nil)	1.87	-	-	-	-
Shri Renuga Textiles Ltd	1,000 (1,000)	4.50	4.50	-	-	-
Standard Industries Ltd.	500 (Nil)	2.30	-	-	-	-
State Bank Of India	200 (Nil)	13.04	-	-	-	-
Subex Systems Ltd.	100 (Nil)	4.00	-	-	-	-
Sundaram Finance Ltd	Nil (24)	-	0.56	-	-	-
Sunshield Chemicals Ltd	2(2)	-	-	-	-	-
TASC Pharmaceuticals Ltd.	1,250 (Nil)	36.03	-	-	-	-
Tata Investment Corp Ltd	203 (768)	6.59	24.95	-	-	-
Tata Iron & Steel Co.	100 (Nil)	3.99	-	-	-	-
TVS Motors Ltd	Nil (14)	-	0.12	-	-	-
Unipon Industries Ltd	2,177 (2,177)	4.35	4.35	-	-	-
Welspun India Ltd	Nil (500)	-	5.43	-	-	-
Whirlpool India Ltd	** (*)	-	-	-	-	-
Widia India Ltd	** (*)	-	-	-	-	-
Less: Provision for Diminution in value of Equity to bring it down to market value, Market value being lower of cost and market value			(129.67)			
* indicates amounts below one thousand						
** 1875 warrants received with Rights shares						
		354.86	52.80			
Units						
JM High Liquid Fund Annual Dividend Option	Nil (367,410)	-	371.53			
Prudential ICICI - Monthly Dividend Option	Nil (334,602)	-	346.60			
JM Floater Fund - Growth Option	Nil (115,582)	-	120.00			
JM Floater Fund	46,098 (Nil)	50.29	-			
Kotak Mid -Cap Growth	50,000 (Nil)	50.00	-			
		100.29	838.13			
Total		8,996.72	22,148.05			
Less: Provision against Non-performing Assets / Bad debts written off		123.85	138.15			
Grand Total		8,872.87	22,287.20			
Notes:						
1. Certain Debentures which have defaulted for payment on maturity date have been written off. However, the same have been continued to be disclosed as Stock-in-trade to reflect existence of the claim on the Issuer/ Seller.						
2. The aggregate carrying value and market value of quoted securities as at March 31, 2005 is Rs. 8,747.52 Million and Rs. 8,838.93 million respectively. (previous year - Rs. 22,287.20 million and Rs. 22,343.38 million respectively).						
<b>I. SUNDRY DEBTORS (Unsecured):</b>						
(A) Receivables outstanding for a period exceeding six months:						
Considered good		75.65	-			
Considered Doubtful		2.95	6.07			
(B) Receivables outstanding for a period not exceeding six months:						
Considered good		281.62	103.34			
Considered doubtful		-	1.96			
Trades executed but not settled		16.68	0.55			
		376.90	111.92			
Less: Provision for Doubtful Debts		2.95	8.03			
Total		373.95	103.89			
<b>J. CASH AND BANK BALANCES:</b>						
Cash & Cheques on hand		0.05	0.02			
In Current Accounts with Scheduled Banks		11.20	16.64			
In Current Accounts with Reserve Bank of India		61.51	21.08			
Fixed Deposits with Scheduled Banks		2,250.49	1.80			
		2,323.65	39.54			
Fixed Deposits with Scheduled Banks (Under Lien)		122.00	10.20			
(Under lien with ICICI Bank Rs. 71 mn (previous year Rs. 10 mn and ICICI Brokerage Rs.51 mn (previous year Rs. 0.20 mn)						
Total		2,445.65	49.74			
<b>K. LOANS AND ADVANCES:</b>						
(Unsecured and considered good unless otherwise stated)						
(A) Loans:						
CBLO Landings		179.96	-			
Total (A)		179.96	-			
(B) Advances:						
(Recoverable in cash or in kind or for value to be received)						
Other Advances and Deposits*		100.14	58.75			
Application Money for Securities		600.00	-			
Advance Tax (net of Provisions)		145.97	64.65			
Total (B)		846.11	123.40			
Total		1,026.07	123.40			
* Includes an amount of Rs.20.58 million receivable from Subsidiary Companies (Previous year -Rs.NIL)						
<b>L. CURRENT LIABILITIES AND PROVISIONS:</b>						
(A) Current Liabilities						
Interest Accrued but not due		53.22	20.00			
Sundry Creditors		36.51	211.49			
Sundry Creditors for Expenses		45.73	63.26			
Other Liabilities		481.44	306.71			
Unclaimed Dividends		0.46	0.40			
TOTAL (A)		617.36	601.86			
(B) Provisions:						
Retirement Benefits		8.08	8.10			
TOTAL (B)		8.08	8.10			
<b>M. INCOME FROM SERVICES:</b>						
Issue Management Fees		184.51	69.83			
Financial Advisory Services		235.16	110.72			
Syndication Fees		109.79	53.80			
Underwriting Commission		6.19	10.98			
Brokerage and Commission		29.18	21.17			
Total		564.83	266.50			

# schedules

**ICICI Securities**

forming part of the Accounts

**i-SEC**

March 31  
(Rs. in million) 2004

<b>N. INTEREST INCOME:</b>		
Interest On Securities Held-As Stock In Trade	707.63	1,004.59
Income On Discounted Instruments		
— Investments	0.34	
— Stock In Trade	154.33	39.84
Interest On Repo and Call Lendings	48.60	37.79
Interest On Deposits for Leased Premises	—	10.18
Interest on Income - Tax Refund	45.71	24.62
Interest On Other Loans and Advances	27.36	6.44
<b>Total</b>	<b>963.97</b>	<b>1,123.86</b>
<b>O. PROFIT ON SECURITIES (NET) :</b>		
Profit on Sale of Investments	—	68.72
Profit on Commercial Papers & Certificate of Deposits	1.04	
Profit On Stock In Trade		
Sale Of Securities	735,878.32	694,891.54
Less: Purchases	722,132.23	697,059.04
	<b>13,746.09</b>	<b>(2,167.50)</b>
Add/Less: Increase/(Decrease) In Closing Stock	(13,409.80)	3,281.56
Profit on Stock In Trade	333.30	1,114.06
Net Gain/(Loss) from Derivatives	(109.49)	154.42
<b>Total</b>	<b>227.85</b>	<b>1,337.20</b>
<b>P. OTHER INCOME:</b>		
Dividend income from Mutual Funds / Companies	8.80	465.34
Recovery against Bad Debts Written Off	8.38	18.06
Miscellaneous Income	29.45	0.51
<b>Total</b>	<b>46.63</b>	<b>483.91</b>
<b>Q. FINANCIAL CHARGES AND OPERATING EXPENSES:</b>		
Interest on Fixed Loans and Debentures	293.02	259.29
Interest on Borrowings from Reserve Bank of India	1.57	1.46
Interest On Repo and Call Borrowings	201.83	359.73
Procurement Expenses	70.18	31.98
Guarantee Commission	0.01	—
Rating Agency Fees	3.00	3.15
Brokerage and Stamp Duty	28.72	32.12
Bank Charges	3.70	3.00
Custodial and Depository Charges	13.47	15.38
Doubtful Debts Written Off / Provided	3.22	7.81
Less: Opening Provision	8.03	2.12
	<b>(4.81)</b>	<b>5.69</b>
<b>Total</b>	<b>610.69</b>	<b>711.80</b>
<b>R. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:</b>		
Salaries, Wages and Incentive	149.54	280.16
Contribution to Provident and other Funds	13.90	12.11
Staff Welfare Expenses	5.99	6.92
<b>Total</b>	<b>169.43</b>	<b>299.19</b>
<b>S. ESTABLISHMENT AND OTHER EXPENSES:</b>		
Rent And Amenities	96.83	225.08
Insurance	2.05	2.14
Business Promotion, Travelling and Conveyance Expenses	18.28	72.46
Repairs, Maintenance and Upkeep	10.57	18.45
Rates and Taxes	0.60	0.46
Electricity Expenses	9.12	9.91
Profit / (Loss) on Sale of Fixed Assets	10.92	0.35
Communication Expenses	7.13	13.68
Printing and Stationery	4.98	9.57
Subscription and Periodicals	10.32	19.03
Professional Fees	7.24	3.61
Advertisement Expenses	0.99	0.01
Auditors' Remuneration	1.05	0.82
Miscellaneous Expenses	5.21	17.51
<b>Total</b>	<b>185.29</b>	<b>393.08</b>

## SCHEDULE "T": NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES:

### 1. Significant Accounting Policies:

#### (i) Method of Accounting

The Financial statements are prepared under the historical cost convention on the accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Companies act, 1956.

#### (ii) Changes in Accounting Policies

In the current year, the Company changed its method of accounting for interest rate swaps (IRS). Hitherto, mark-to-market gains on open IRS positions were not recognized. From the current year, the Company has started recognizing gains on all open IRS positions. However, there is no impact on the profits for the year ended March 31, 2005 since the Company does not have mark-to-market gains on open IRS positions as at March 31, 2005.

#### (iii) Revenue Recognition

a) Revenue from issue management, loan syndication, financial advisory services etc., is recognized based on the stage of completion of assignments and terms of agreement with the client.

(b) Gains and losses on dealing with securities are recognized on trade date.

(c) Interest income is accounted on an accrual basis except for non performing / doubtful assets, interest in respect of which is recognized, considering prudential norms for income recognition issued by Reserve Bank of India (RBI) for Non-Banking Financial Companies on a cash basis

#### (iv) Stock-in-trade

(a) The securities acquired with the intention of holding for short-term and trading are classified as stock-in-trade.

(b) The securities held as stock-in-trade are valued at lower of cost arrived at on weighted average basis or market/fair value, computed category-wise. In case of investments transferred to stock-in-trade, carrying amount on the date of transfer is considered as cost. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition. Fair value of unquoted shares is taken at break-up value of shares as per the latest audited balance sheet of the concerned company. In case of debt instruments, fair value is worked out on the basis of yield to maturity rate selected considering quotes where available and credit profile of the issuer and market related spreads over the government securities

(c) Discounted instruments like Commercial paper/ treasury bills/ zero coupon instruments are valued at carrying cost. The difference between the acquisition cost and the redemption value of discounted instruments is apportioned on a straight line basis for the period of holding and recognized as interest income

(d) Units of mutual fund are valued at lower of cost and net asset value.

#### (v) Investments

(a) The securities acquired with the intention of holding till maturity or for a longer period are classified as investments.

(b) Investments are carried at cost arrived at on weighted average basis. Commissions earned in respect of securities acquired upon devolvement are reduced from the cost of acquisition. Appropriate provision is made for other than temporary diminution in the value of investments.

#### (vi) Repurchase and Resale Transactions (Repo)

Repo transactions are treated as purchase and sale of the securities as per RBI guidelines and accordingly disclosed in the financial statements. The difference between purchase and sale consideration is treated as interest income or expenditure, as the case may be, over the period of the contract.

The difference between the sale price of the security offered under repo and its book value are shown under current assets / liabilities in the balance sheet, as the case may be. In case, the sale price is lower than the book value the same is provided as loss on security. In case, the sale price is higher than the book value, the differential gain is not recognised. Securities under repo/reverse repo are marked to market.

#### (vii) Fixed Assets and Depreciation

(a) Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises

# schedules

forming part of the Accounts

Continued

the purchase price and any attributable cost of bringing the asset to its working condition for intended use.

(b) Depreciation on fixed assets is provided on written down value method at the rate and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

(c) The Carrying amounts are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts and when carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

## (viii) Deferred Tax

Tax expense comprises both current and deferred taxes. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

## (ix) Provision for Doubtful Loans and Advances

The policy of provisioning against non performing loans and Advances has been decided by the management considering prudential norms prescribed by the RBI for Non Banking Financial Companies except that amounts recovered subsequent to the balance sheet date have not been considered for provisioning. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the Company. Certain non performing loans and Advances are considered as loss assets and full provision has been made against such assets.

## (x) Foreign Currency Transactions

Expenses and income are recorded at the exchange rate prevailing on the date of transaction. Assets and liabilities at the balance sheet date are restated at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of the transaction and on account of restatement of assets and liabilities are dealt with in the profit and loss account.

## (xi) Retirement Benefits

Retirement benefits to employees comprise gratuity and provident fund. The company's employees are covered under the Employees' Gratuity Scheme & contribution is made to the Life Insurance Corporation of India (LIC). The provision for gratuity has been made as per the actuarial valuation at the year end. Contributions for provident fund is accounted on accrual basis and deposited with a Provident Fund Commissioner.

## (xii) Derivatives Transactions

(a) All open positions are marked to market.  
(b) Gains are recognized only on settlement / expiry of the derivative instruments except for Interest Rate derivatives where even mark-to-market gains are recognized.  
(c) Receivables/payables on open position are disclosed as current assets / current liabilities, as the case may be.

## (xiii) Segment Reporting

Segment information is disclosed in the consolidated financial statement and hence not furnished in the separate financial statement.

## (xiv) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

## (xv) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## 2. Deferred Tax

The break-up of deferred tax assets into major components as on the balance sheet date is as follows:-

Deferred Tax Assets	(Rupees in million)	
	2004-2005	2003-2004
Depreciation	0.03	1.93
Provision for Debtors	1.08	2.88
Provision for Retirement Benefits	2.95	—
	<u>4.06</u>	<u>4.81</u>

## 3. Contingent liabilities

- (a) Income tax matters disputed by the Company Rs. 308.58 million (Previous year - Rs. 108.17 million).  
(b) Outstanding counter guarantees for subsidiary company, as at March 31, 2005 is Rs. 50.00 million (Previous year - Rs. 200.32 million).  
(c) Outstanding Bank Guarantees taken by the company Rs. 0.49 million
4. Notional Principal outstanding on account of Swaps/ Forward Rate Agreements/ Foreign Currency Swaps Rs. 495,309.05 million (previous year- Rs. 384,765.89 million)
5. Loans and advances availed by the Company inclusive of interest accrued thereon but not paid:

	(Rupees in million)	
	Amount out-standing	Amount overdue
(a) Unsecured Debentures	3,079.37	NIL
(b) CBLO Borrowing	2,952.27	NIL
(c) Inter-corporate loans and borrowing	1,425.00	NIL
(c) Commercial Paper	989.39	NIL
(d) Other Loans		
— Liquidity Adjustment Facility from RBI	NIL	NIL
— Subordinated Bonds issued as Tier III Capital	255.11	NIL
— Money at Call and Short Notice	NIL	NIL
— FCNR Borrowing	229.72	NIL
Total	<u>8,930.86</u>	<u>NIL</u>

## 6. Managerial Remuneration

	(Rupees in million)	
	2004-2005	2003-2004
Salary, perquisites and bonus	9.35	0.91
Contribution to Provident Fund and other Funds	0.59	0.08
	<u>9.94</u>	<u>0.99</u>

## 7. Auditors' remuneration

(a) Audit Fees	1.00	0.69
(b) Tax Audit & Certification Fees	0.05	0.12
(c) Out of pocket expenses	—	0.01
	<u>1.05</u>	<u>0.75</u>

## 8. Payments in foreign currency

(Traveling & Other expenses)	30.81	28.66
Receipts in foreign currency (Fees towards Advisory Services)	26.09	22.42

## 9. QUANTITATIVE DETAILS OF SECURITIES HELD AS STOCK IN TRADE

### (a) OPENING AND CLOSING STOCK

Category	(Rupees in million)			
	Opening Stock		Closing Stock	
	Face Value	Value	Face Value	Value
Government Securities	12,707.12 (11,415.83)	15,010.04 (13,789.00)	232.43 (12,707.12)	232.98 (15,010.04)
Treasury Bills	200.00 (1,250.00)	191.07 (1,184.54)	6,740.95 (200.00)	6,679.22 (195.59)
Equity Shares	49.73 (61.97)	52.80 (75.37)	52.24 (49.73)	354.86 (52.80)
Debentures/Bonds	5,921.62 (3,865.00)	6,190.63 (3,852.22)	1,508.00 (5,921.62)	1,505.52 (3,190.63)
Others	817.59 (100.00)	838.14 (100.00)	96.10 (817.59)	100.29 (838.14)
Total	<u>19,696.06</u> <u>(16,843.49)</u>	<u>22,282.68</u> <u>(19,139.28)</u>	<u>8,626.89</u> <u>(19,696.06)</u>	<u>8,872.87</u> <u>(22,287.20)</u>

# schedules

ICICI Securities forming part of the Account

Continued i-SEC

## (b) PURCHASES AND SALES

(Rupees in million)

Category	Purchases		Sales	
	Face Value	Value	Face Value	Value
Government Securities	326,668.78 (506,566.50)	359,170.83 (563,860.81)	339,143.47 (505,275.21)	374,019.70 (563,886.27)
Treasury Bills	303,303.53 (59,280.40)	296,130.97 (57,636.51)	296,762.58 (60,330.40)	289,660.00 (58,647.55)
Equity Shares	54.15 (24.38)	1,502.96 (105.52)	51.56 (36.62)	1,410.33 (224.30)
Debentures/Bonds	28,673.70 (41,120.98)	28,862.24 (41,863.24)	33,089.33 (39,123.04)	33,532.70 (39,726.57)
Others	27,391.03 (25,172.23)	36,465.23 (33,592.96)	28,112.53 (24,395.96)	37,255.59 (32,406.85)
<b>Total</b>	<b>686,091.19</b> <b>(632,164.49)</b>	<b>722,132.23</b> <b>(697,059.04)</b>	<b>697,159.47</b> <b>(629,161.23)</b>	<b>735,878.32</b> <b>(694,891.54)</b>

Note: Figures in parenthesis pertain to previous year.

### 10. Interest Rate Swaps

As the swaps are entered into with counter parties having high credit rating, no counter party default is expected. However, in case the counter party to the swaps fail to fulfill their commitments, there will be no loss (as at March 31, 2004 loss of Rs.57.91 million).

The notional principal amount of IRS, which are valued on 'marked-to-market' basis as at March 31, 2005 aggregates to Rs. 495,309.05 million (As at March 31, 2004 Rs.384,490 million) and the fair value of these IRS as at March 31, 2005 is Rs. (190.69) million (as at March 31, 2004 Rs.57.89 million).

In accordance with the market practice and considering the credit qualities of the counter parties, the Company has not taken any collateral at the time of entering into the swaps.

### 11. Related Party Disclosures

(Rupees in million)

Name of the related Party	Type of Transactions	Amount
ICICI Bank Ltd		
- The Holding Company	Fee Income	22.76
	Interest Income	6.41
	Other Income	32.95
	Interest expense	3.75
	Procurement expenses	25.31
	Bank charges	2.31
	Custodial and depository charges	2.49
	Establishment Expenses	104.23
	Dividend paid	263.68
	Current Account Balance	9.65
	Fixed Deposits	122.00
	Interest Accrued	12.77
	Sundry Debtors	8.82
	Current Liabilities	148.21
	Notional Principal amount of IRS outstanding	105,400.00
	Notional Principal amount of Fx swap outstanding	229.05
ICICI Brokerage Services Ltd-		
Wholly owned subsidiary	Brokerage Expenses	4.38
	Current Liabilities	36.89
	Sundry Debtors	36.18
	Investments	45.01
ICICI Lombard General Insurance Co. Ltd. -		
Subsidiary of ICICI Bank Ltd	Establishment Expenses	2.05

The control exists over the following parties with whom there are no transactions:

- ICICI Securities Holdings Inc.
- ICICI Securities Inc.

# schedules

forming part of the Accounts

## 12. Composition of investments in non Government securities (Debt):

(Rupees in million)

No.	Issuer	Amount	Extent of private placement	Extent of 'unlisted securities'
(1)	(2)	(3)	(4)	(5)
1	PSUs	538.62	417.84	—
2	FIs	350.07	250.05	—
3	Banks	11.80	—	—
4	Other PDs	—	—	—
5	Private corporates	1,326.54	605.03	—
6	Subsidiaries/ Joint ventures	—	—	—
7	Others	50.29	—	—
8	Provision held towards depreciation	—	—	—
	<b>Total</b>	<b>2,277.32</b>	<b>1,172.92</b>	<b>—</b>

All the investments in the above non government securities are rated and are above investment grade securities.

## 13. Repo/ Reverse repo transactions :

(Rupees in million)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As on March 31, 2005
Securities sold under repos	—	8,517.48	1816.25	—
Securities purchased under reverse repos	—	148.52	2.29	—

14. For the purpose of comparison, figures for the previous year have been given, which have been regrouped / reclassified wherever necessary.

Signatures to schedules A to T

Per our Report attached  
S. R. Batliboi & Co.  
Chartered Accountants

Viren H. Mehta  
Partner  
Membership No.: 48749

Mumbai, April 21, 2005

ABHIJEET GUIN  
Vice President &  
Head - Financials

ANDERSON POLLOCK  
Company Secretary

For and on behalf of the Board

K.V.KAMATH  
Chairman

LALITA D. GUPTA  
Director

S.MUKHERJI  
Managing Director & CEO

1. Registration details

Registration No. 1 3 1 9 0 0

Balance sheet date

3 1

Date

0 3

Month

2 0 0 5

Year

State code 1 1

2. Capital raised during the Period  
(Amount in Rupees Million)

Public issue

Nil

Right issue

Nil

Bonus issue

Nil

Private placement

Nil

3. Position of Mobilisation and Deployment of Funds

Total liabilities and shareholders' funds

1 3 1 0 2 0 7

Sources of Funds

Paid-up capital

2 0 3 0 0 3

Secured loans

2 9 5 1 1 1

Application of Funds

Fixed assets

1 1 2 6 4

Net current assets

1 2 1 4 3 8 3

Total assets

1 3 1 0 2 0 7

Reserves and surplus

2 1 6 0 5 4

Unsecured loans

5 9 6 0 3 9

Investments

8 4 1 5 4

Miscellaneous expenditure

Nil

4. Performance of the Company

Turnover

1 8 2 3 2 8

Profit before tax

8 4 4 5 6

Earnings per share in Rupees

2 7 8

Total expenditure

9 7 8 7 2

Profit after tax

5 6 3 9 8

Dividend rate %

1 3 0 0

5. Generic names of three principal services of the Company  
(As per Monetary Terms)

Securities Investment and Trading

Investment banking activities

Corporate Finance

For and on behalf of the Board

K. V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

S. MUKHERJI  
Managing Director &  
CEO

ABHIJEET GUIN  
Vice President &  
Head - Financials

ANDERSON POLLOCK  
Company Secretary

Mumbai, April 21, 2005

# cash flow statement

for year ended March 31, 2005

(Rs. in million) March 31, 2004

<b>A</b>	<b>Cash Flow From Operating Activities</b>		
	Profit Before Tax	844.56	1,793.53
	- (Profit)/Loss on Sale of Fixed Assets	10.92	0.25
	- Depreciation	13.31	13.87
	- Provision for Wealth Tax	0.10	0.10
	- Provision for Interest Tax	(0.41)	-
	- Income from investment	(0.34)	-
	- Bad and Doubtful Debts (Net)	(5.08)	5.90
	Operating Profit before Changes in Operating Assets and Liabilities		863.06
			1,813.75
	<b>Adjustments for net change in Operating Assets and Liabilities</b>		
	- Current Assets excluding Cash and Cash equivalents	13,514.38	(3,174.08)
	- Fixed Deposits under Lien	(111.80)	(10.20)
	- Loans and advances relating to Operations	(821.35)	620.98
	- Current Liabilities relating to Operations	15.47	198.90
			12,596.70
	Cash generated from Operations		13,459.76
	Payment of Taxes (Net)		(355.50)
	Net Cash from Operating Activities		13,104.26
<b>B</b>	<b>Cash Flow From Investment Activities</b>		
	- (Purchase) / Sale of Investments (Net)		(721.51)
	- Income from investment		0.34
	- (Purchase) / Sale of Fixed Assets (Net)		(35.42)
	Net cash used in Investment Activities		(756.59)
			1,753.92
			-
			(7.90)
			1,746.02
<b>C</b>	<b>Cash Flow From Financing Activities</b>		
	- Increase/ (Decrease) in Borrowings (Net)		(7,205.84)
	- Issue/ redemption of Debentures (Net)		(2,554.00)
	- Dividends & Dividend Tax paid		(303.72)
	Net Cash used in Financing Activities		(10,063.56)
	Net Change in Cash & Cash Equivalents		2,284.11
	Cash and Cash Equivalents at the beginning of the year		39.54
	Cash and Cash Equivalents at the end of the year		2,323.65
			16.16
			23.38
			39.54

This is the Cash Flow Statement referred to in our report of even date.

For S. R. Battiboi & Co.  
Chartered Accountants

Per Viren H. Mehta  
Partner  
Membership No.: 48749

Mumbai, April 21, 2005

ABHIJEET GUIN  
Vice President &  
Head - Financials

ANDERSON POLLOCK  
Company Secretary

For and on behalf of the Board

K. V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

S. MUKHERJI  
Managing Director &  
CEO

# statement pursuant to section 212

**ICICI Securities of the Companies Act, 1956, relating to subsidiary companies**

**i-SEC**

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

(Rupees in Million)

Sr.No.	Name of the Subsidiary Company	ICICI Brokerage Services Ltd	ICICI Securities Holdings Inc.	ICICI Securities Inc.
1.	The financial year of the Subsidiary Company ended on	March 31, 2005	March 31, 2005	March 31, 2005
2.	(a) Number of Equity Shares held by ICICI Securities Limited and/or its nominees in the Subsidiary as on March 31, 2005	4,500,700 Equity Shares of Rs. 10/- each Fully Paid-up	1,600,000 Equity Shares of US\$1.00/- per unit Fully Paid-up	1,050,000 Equity Shares of US\$1.00/- per unit Fully Paid-up held by ICICI Securities Holdings Inc.
	(b) Extent of interest of ICICI Securities Limited in the Capital of the Subsidiary	100%	100%	100%
3.	Net aggregate amount of Profits/Losses of the Subsidiary so far as it concerns the Members of ICICI Securities Limited and is not dealt with in the Accounts of ICICI Securities Limited			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2005	84.39	(13.36)	1.03
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	334.83	(5.51)	(7.51)
4.	Net aggregate amount of Profits/Losses of the Subsidiary so far as dealt with or provisions made for those losses in the Accounts of ICICI Securities Limited			
	(a) Profits of the Subsidiary for the financial year ended on March 31, 2005	Nil	Nil	Nil
	(b) Profits for the previous financial years of the Subsidiary since it became Subsidiary of ICICI Securities Limited	Nil	Nil	Nil

For and on behalf of the Board

K. V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

S. MUKHERJI  
Managing Director &  
CEO

ABHIJEET GUIN  
Vice President &  
Head - Financials

ANDERSON POLLOCK  
Company Secretary

Mumbai, April 21, 2005