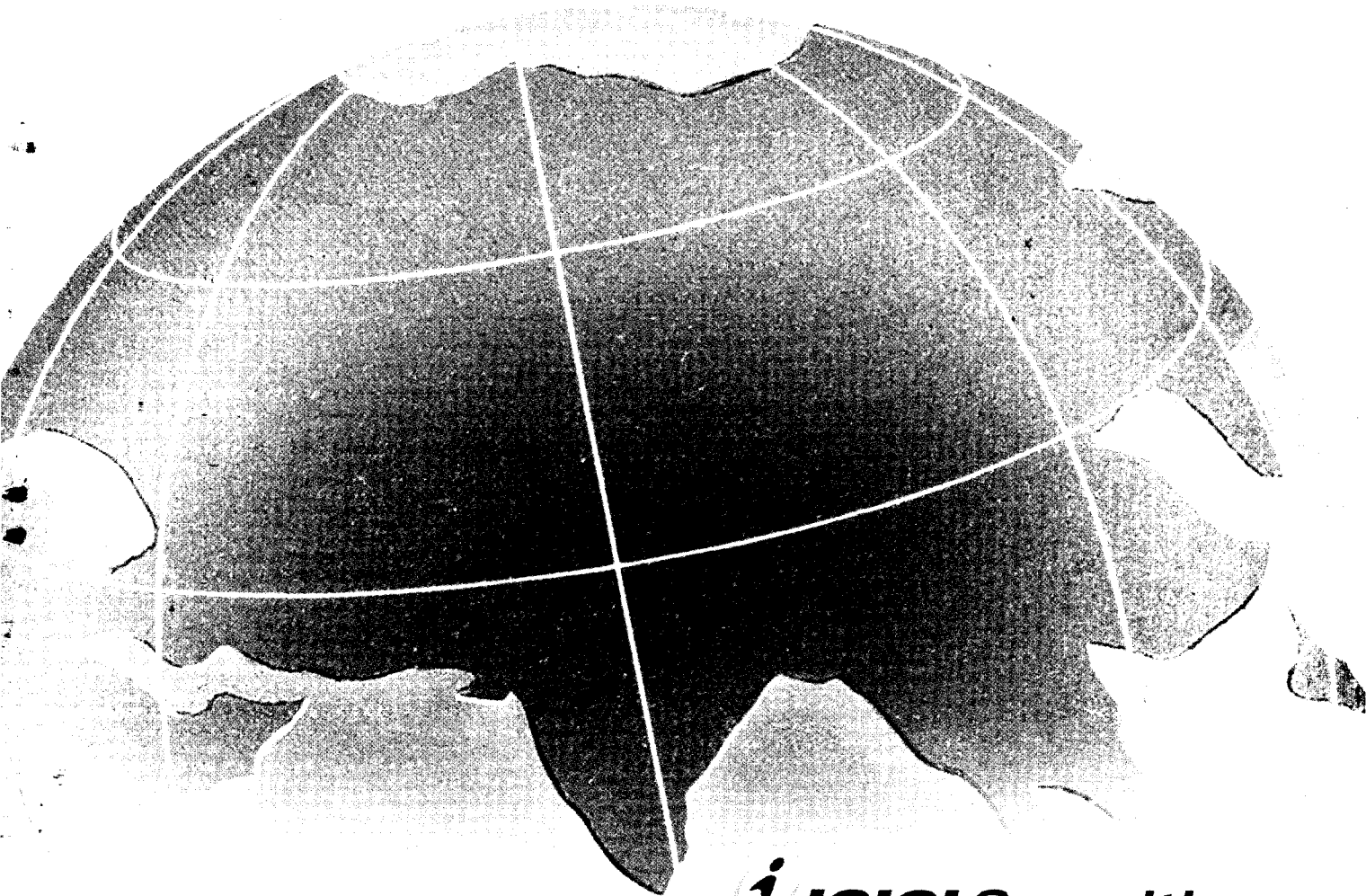


**12<sup>th</sup>** *Annual*  
*Report 2004-05*  
**ICICI Securities Limited**



**i ICICI Securities**

- ICICI Securities Limited
- ICICI Brokerage Services Limited - Member of NSE and BSE
- ICICI Securities Holdings, Inc.
- ICICI Securities, Inc.: Broker - Dealer of National Association of Securities Dealers, Inc., Registered with Securities and Exchange Commission USA, Monetary Authority of Singapore and Financial Services Authority, UK.

## Directors

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

## Executives

Group Heads	Abhijeet Guin Devesh Kumar J. Niranjan Joseph H. Bosco Lovleen Joshi Nitin Jain Swapna Bhargava V. Harikrishnan Anderson Pollock
Company Secretary	

## 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

**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/outsourcing 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>	
	<i>Fiscal 2005</i>	<i>Fiscal 2004</i>
Gross Income	<b>1,823.28</b>	3,211.47
Profit before Interest, Depreciation & Tax	<b>1,354.19</b>	2,536.58
Depreciation	<b>13.21</b>	13.87
Interest	<b>496.42</b>	620.48
Profit before Tax	<b>844.56</b>	1,902.23
Provision for Tax	<b>280.58</b>	463.23
Profit after Tax	<b>563.98</b>	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%.



## **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

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 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)			Schedule	(Rs. in million)	
<b>SOURCES OF FUNDS</b>				<b>INCOME FROM OPERATIONS</b>			
<b>1. Shareholders' Funds</b>				(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			
		<u>4,190.57</u>	<u>3,924.98</u>	(d) Other Income      P      46.63      483.91			
<b>2. Loan Funds</b>				<u>1,823.28</u> <u>3,211.47</u>			
A. Secured Loans	C	2,951.11	—	Less : Operating Expenditure			
B. Unsecured Loans	D	5,960.39	18,671.34	(a) Financial Charges and			
		<u>8,911.50</u>	<u>18,671.34</u>	Operating Expenses      Q      610.69      711.80			
		<u>13,102.07</u>	<u>22,596.32</u>	<u>1,212.59</u> <u>2,499.67</u>			
<b>APPLICATION OF FUNDS</b>				<b>EXPENDITURE</b>			
<b>1. Fixed Assets</b>				Less: Administrative Expenditure			
Gross Block	E	378.05	391.76	(a) Payments to and			
Less: Accumulated depreciation/ amortisation		266.09	290.31	Provisions for Employees      R      169.43      299.19			
Net Block		111.96	101.45	(b) Establishment and			
Capital Work-in-progress		0.68	—	Other Expenses      S      185.29      393.08			
		<u>112.64</u>	<u>101.45</u>	(c) Depreciation      13.31      13.87			
<b>2. Investments</b>				<u>368.03</u> <u>706.14</u>			
<b>3. Deferred Tax Asset</b>				<b>Profit before Taxation &amp; Extraordinary items</b>			
<b>4. Current Assets,</b>				<u>844.56</u> <u>1,793.53</u>			
<b>Loans &amp; Advances</b>				Interest tax reversal of			
<b>A. Current Assets -</b>				earlier years      —      108.70			
(a) Interest Accrued				<b>Profit before Taxation</b>			
(b) Securities held as				<u>844.56</u> <u>1,902.23</u>			
Stock-in-Trade				Less: Provision for current income-tax			
(c) Sundry Debtors				Deferred tax      0.75      (1.77)			
(d) Cash & Bank Balances				<b>Profit After Taxation</b>			
<b>B. Loans &amp; Advances</b>				Brought forward from previous year			
(a) Interest Accrued				Amount available for appropriations			
(b) Securities held as				Transfer to Special Reserve			
Stock-in-Trade				Transfer to General Reserve			
(c) Sundry Debtors				Interim Dividend			
(d) Cash & Bank Balances				Tax on Dividend			
<b>B. Loans &amp; Advances</b>				Balance carried to Balance Sheet			
(a) Interest Accrued				Earnings per share (Basic & Diluted)			
(b) Securities held as				(Face value Rs. 10/- per share)			
Stock-in-Trade				2.78      7.09			
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
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(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
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(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							
(d) Cash & Bank Balances							
<b>B. Loans &amp; Advances</b>							
(a) Interest Accrued							
(b) Securities held as							
Stock-in-Trade							
(c) Sundry Debtors							



# schedules

## forming part of the Accounts

	March 31, 2004		March 31, 2004						
	(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 (maintained under Section 45 IC of the RBI Act, 1935)	1,012.82	112.80	—	1,125.62					
Profit and Loss Account	133.49	563.98	439.39	258.08					
TOTAL	1,894.95			1,894.95					
<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	—					
Total			2,951.11	—					
<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							
Total	5,960.39	18,671.34							
<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	—
Sub-Total	181.76	34.80	48.51	168.05	13.31	37.53	56.09	111.96	101.45
Assets Given on lease (Plant & Machinery)	210.00	—	—	210.00	—	—	210.00	—	—
Total	391.76	—	—	378.05	13.31	37.53	266.09	111.96	101.45
Previous Year	423.11	8.44	39.79	391.76	13.86	18.40	290.31	101.45	
<b>F. INVESTMENTS - LONG TERM</b>									
Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	March 31, 2005	March 31, 2004					
<b>In Equity Shares of Subsidiary Company</b>									
- 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	—					
TOTAL			841.54	120.03					
<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			
Total					50.73	415.76			

### 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.

### G. INTEREST ACCRUED

	(Rs. in million)	March 31, 2004
On Stock-in-Trade	32.77	415.20
On Loans & Advances	17.96	0.56
Total	50.73	415.76



# schedules

**ICICI Securities** forming part of the Accounts

Continued **i-SEC**

		Total Face Value (Rs. in '000)	(Rs. in March 31, million) 2004	Total Face Value (Rs. in '000)	(Rs. in March 31, million) 2004
<b>H SECURITIES HELD AS STOCK IN TRADE</b>					
<b>(at lower of cost or market value categorywise)</b>					
<b>(Quoted unless otherwise stated)</b>					
<b>Government of India Securities &amp; Deemed Government of India Securities</b>					
5.64%	Government of India 2019	Nil (1,188,000)	—	1,185.10	—
5.85%	Government of Karnataka 2015	Nil (50,000)	—	49.75	—
5.85%	Government of Maharashtra 2015	Nil (49,400)	—	49.15	—
6.01%	Government of India 2028	Nil (1,031,800)	—	1,032.32	—
6.13%	Government of India 2028	Nil (61,800)	—	62.42	—
6.17%	Government of India 2023	Nil (160,000)	—	165.04	—
6.20%	Government of India				
	UTI Special Bonds 2010	Nil (300,000)	—	313.95	—
6.18%	Government of India 2005	28,900 (Nil)	28.89	—	—
6.25%	Government of India 2018	Nil (1,000,000)	—	1,066.00	—
6.35%	Government of India 2020	Nil (350,000)	—	371.35	—
6.40%	Government of India				
	UTI Special Bonds 2010	Nil (200,000)	—	211.10	—
6.96%	Oil Co Bonds 2009	Nil (50,000)	—	53.67	—
7.40%	Government of India 2012	Nil (660,000)	—	756.69	—
7.46%	Government of India 2017	Nil (1,302,190)	—	1,545.70	—
7.49%	Government of India 2017	Nil (1,922,000)	—	2,270.06	—
7.95%	Government of India 2032	Nil (100,000)	—	125.60	—
8.07%	Government of India 2017	Nil (1,150,000)	—	1,422.24	—
8.25%	Government of India 2005	30 (30)	0.03	0.03	—
8.35%	Government of India 2022	Nil (200,000)	—	254.30	—
9.39%	Government of India 2011	Nil (950,000)	—	1,193.01	—
9.40%	Government of India 2012	500 (Nil)	0.57	—	—
9.85%	Government of India 2015	Nil (100,000)	—	138.40	—
12.40%	Government of India 2013	1,100 (Nil)	1.46	—	—
10.03%	Government of India 2019	Nil (Nil)	—	—	—
10.18%	Government of India 2026	Nil (250,000)	—	374.37	—
10.45%	Government of India 2018	Nil (100,000)	—	143.60	—
10.47%	Government of India 2015	Nil (200)	—	0.28	—
10.71%	Government of India 2016	Nil (250,000)	—	359.87	—
11.03%	Government of India 2012	Nil (2,500)	—	3.44	—
11.43%	Government of India 2015	Nil (500,000)	—	742.50	—
11.50%	Government of India 2015	Nil (100,000)	—	148.00	—
11.83%	Government of India 2014	Nil (580,000)	—	872.90	—
12.50%	Government of Gujarat 2004	Nil (9,200)	—	9.20	—
12.50%	Government of Karnataka 2004	Nil (20,000)	—	20.00	—
12.50%	Government of Maharashtra 2004	Nil (70,000)	—	70.00	—
7.17%	Government of Andhra Pradesh 2017	1,900 (Nil)	1.86	—	—
	GOI Floating Rate Bonds 2013	200,000 (Nil)	200.17	—	—
			232.98	15,010.04	
<b>Treasury Bills</b>					
364 Day	Treasury Bill 11-06-2004	Nil (100,000)	—	99.08	—
364 Day	Treasury Bill 21-01-2005	Nil (100,000)	—	96.50	—
364 Day	Treasury Bill 10-06-2005	50,000 (Nil)	49.49	—	—
364 Day	Treasury Bill 13-05-2005	400,000 (Nil)	397.69	—	—
364 Day	Treasury Bill 29-04-2005	250,000 (Nil)	249.19	—	—
91 Day	Treasury Bill 15-04-2005	240,950 (Nil)	240.49	—	—
91 Day	Treasury Bill 03-06-2005	3,050,000 (Nil)	3,022.97	—	—
91 Day	Treasury Bill 06-05-2005	100,000 (Nil)	99.49	—	—
91 Day	Treasury Bill 13-05-2005	200,000 (Nil)	198.84	—	—
91 Day	Treasury Bill 20-05-2005	100,000 (Nil)	99.29	—	—
91 Day	Treasury Bill 23-06-2005	2,225,000 (Nil)	2,198.26	—	—
91 Day	Treasury Bill 23-06-2005	125,000 (Nil)	123.51	—	—
			6,679.22	195.58	
<b>Bonds &amp; Debentures</b>					
5.796%	LIC Housing Finance Ltd 2011	100,000 (Nil)	100.05	—	—
5.63%	Industrial Development Bank of India 2007	200,000 (Nil)	200.02	—	—
5.85%	Housing Development Finance Corp Ltd 2009	Nil (600,000)	—	602.49	—
5.85%	Power Finance Corp Ltd 2010	Nil (700,000)	—	705.25	—
5.87%	Housing Development Finance Corp Ltd 2006	50,000 (Nil)	50.00	—	—
5.89%	Indian Railway Finance Corp Ltd 2008	Nil (150,000)	—	150.70	—
5.90%	Industrial Development Bank of India 2007	Nil (250,000)	—	248.38	—
5.99%	Indian Railway Finance Corp Ltd 2009	Nil (50,000)	—	50.25	—
6.20%	Industrial Development Bank of India 2011	Nil (500,000)	—	492.00	—
6.20%	Reliance Industries Ltd 2007	Nil (600,000)	—	611.39	—
6.25%	Export Import Bank of India 2007	Nil (100,000)	—	101.64	—
6.29%	Housing Development Finance Corp Ltd 2013	Nil (50,000)	—	50.50	—
6.30%	Housing Development Finance Corp Ltd 2007	Nil (50,000)	—	50.56	—
6.35%	National Textile Corporation 2008	14,000 (Nil)	13.63	—	—
6.45%	Export Import Bank of India 2012	Nil (50,000)	—	51.10	—
6.45%	Reliance Industries Ltd 2012	Nil (100,000)	—	102.00	—
6.68%	Powergrid Corp of India Ltd 2018	Nil (42,500)	—	42.50	—
6.68%	Powergrid Corp of India Ltd 2019	Nil (50,000)	—	50.00	—
6.75%	Industrial Development Bank of India 2008	Nil (150,000)	—	152.39	—
6.75%	Unit Trust of India 2008	Nil (17,224)	—	18.24	—
6.80%	Power Finance Corp Ltd 2011	109,000 (Nil)	107.15	—	—
7.00%	Industrial Development Bank of India 2019	Nil (28,500)	—	28.50	—
7.00%	Sterlite O&V 2006	Nil (50,000)	—	50.00	—
7.00%	Sterlite O&V 2007	Nil (50,000)	—	50.00	—
7.00%	Sterlite O&V 2008	Nil (50,000)	—	50.00	—
7.05%	National Textile Corporation 2010	70,000 (Nil)	69.27	—	—
7.05%	Citifinancial Consumer Finance 2008	350,000 (Nil)	350.18	—	—
7.20%	Rural Electrification Corporation Ltd 2010	50,000 (Nil)	49.90	—	—
7.20%	Rural Electrification Corporation Ltd 2011	50,000 (Nil)	49.95	—	—
7.20%	Rural Electrification Corporation Ltd 2011	20,000 (Nil)	19.96	—	—
7.20%	Rural Electrification Corporation Ltd 2012	50,000 (Nil)	49.75	—	—
7.20%	Rural Electrification Corporation Ltd 2012	50,000 (Nil)	49.75	—	—
7.20%	Rural Electrification Corporation Ltd 2013	31,000 (Nil)	30.76	—	—
7.20%	Rural Electrification Corporation Ltd 2014	50,000 (Nil)	49.30	—	—
7.20%	Rural Electrification Corporation Ltd 2015	50,000 (Nil)	49.20	—	—
7.20%	State Bank of Bikaner & Jaipur 2014	12,000 (Nil)	11.80	—	—
7.30%	Export Import Bank of India 2012	Nil (50,000)	—	53.79	—
7.65%	Indian Railway Finance Corp Ltd 2007	Nil (50,000)	—	53.12	—
7.85%	Powergrid Corp Ltd 2005	Nil (50,000)	—	50.92	—
8.00%	Industrial Development Bank of India 2018	Nil (133,400)	—	146.06	—
8.00%	Reliance Industries Ltd 2007	Nil (50,000)	—	53.25	—
8.05%	National Thermal Power Corp Ltd 2007	Nil (150,000)	—	160.87	—
8.38%	Export Import Bank of India 2007	Nil (100,000)	—	107.29	—
8.38%	Export Import Bank of India 2007	Nil (100,000)	—	107.29	—
8.45%	Reliance Industries Ltd 2007	Nil (150,000)	—	160.95	—
8.65%	Reliance Industries Ltd 2007	Nil (50,000)	—	54.13	—
8.70%	Export Import Bank of India 2006	Nil (100,000)	—	107.14	—
8.80%	Housing Development Finance Corp Ltd 2006	Nil (50,000)	—	53.88	—
9.25%	Power Finance Corp Ltd 2012	Nil (400,000)	—	457.19	—
9.25%	Indian Railway Finance Corp Ltd 2006	Nil (50,000)	—	54.01	—
10.61%	Mukand Ltd 2011	250,000 (Nil)	254.85	—	—
10.65%	Great Eastern Shipping Co Ltd 2006	Nil (50,000)	—	54.38	—
11.90%	State Bank of India 2008	Nil (500,000)	—	608.49	—
	Industrial Development Bank of India FRB 2009	Nil (250,000)	—	250.00	—
			1,505.52	6,190.65	
<b>Debentures (Unquoted)</b>					
15.00%	Pal Peugeot Ltd 2004	16,160 (16,160)	12.17	12.17	—
17.50%	Grapco Granites Ltd 1998	20,000 (20,000)	18.25	18.25	—
17.50%	Grapco Granites Ltd 2000	15,000 (15,000)	13.10	13.10	—
17.50%	Grapco Mining Ltd 1995	10,000 (10,000)	9.31	9.31	—
18.00%	Parasrampur Synthetics Ltd 1999	20,000 (20,000)	17.62	17.62	—
19.50%	Grapco Granites Ltd 1998	20,000 (20,000)	18.92	18.92	—
20.00%	Das Lagerwey 1996	30,000 (30,000)	30.00	30.00	—
20.00%	Veena Textiles Ltd 1996	Nil (15,000)	—	14.30	—
22.00%	GTV Spinners Ltd 1996	4,529 (4,529)	4.48	4.48	—
			123.85	138.15	
<b>Equity (Face Value Rs.10 unless specified otherwise)</b>					
6%	Sun Pharmaceuticals Ltd	Nil (8)	—	—	—
	Abhishek Industries Ltd	Nil (4,079)	—	10.26	—
	Aldrich Pharmaceuticals Ltd.	2,400 (Nil)	8.40	—	—
	Associated Cement Company FV Rs. 50	750 (Nil)	5.38	—	—
	Astrazeneca Pharmaceutical Ltd	*(*)	—	—	—
	Bharat Forge Ltd **	788 (750)	16.95	14.85	—
	Bharat Forge Utilities Ltd	750 (750)	—	—	—
	BHEL 100	(Nil)	7.50	—	—
	Bhushan Steel Ltd	Nil (3)	—	0.03	—
	Biochem Synergy Ltd	635 (635)	1.14	1.14	—
	Cadbury India Ltd	*(*)	—	—	—
	CRISIL	Nil (3)	—	0.11	—
	Dabur India Ltd	Nil (76)	—	0.33	—
	Dataline & Research Technologies	*(*)	—	—	—
	Eicher Motors Ltd	Nil (22)	—	0.33	—
	FDC Ltd.	50 (Nil)	2.55	—	—
	Geodesic Ltd	Nil (207)	—	3.13	—

# schedules

forming part of the Accounts

Continued

	Total Face Value (Rs. in '000)	(Rs. in million)	March 31, 2004		(Rs. in million)	March 31, 2004
Geodesic Ltd. - FV RS. 2	214 (Nil)	1.62	-			
GKN Inveit Transmissions Ltd	*(*)	-	-			
Godrej Consumer Products Ltd	Nil (61)	-	0.88			
Hiralal 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 Metallube Ltd	1,000 (1,000)	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			
Kallam 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)	0.64	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 Tehcnofab Ltd	1,910 (1,910)	1.91	1.91			
Parasrampuria Synthetics Ltd	1,246 (1,246)	2.79	2.78			
Parasrampuria 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 & Cie man 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)	-	4.63			
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)			
		<b>354.86</b>	<b>52.80</b>			
<b>Units</b>						
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	-			
		<b>100.29</b>	<b>838.13</b>			
<b>Total</b>		<b>8,996.72</b>	<b>22,149.05</b>			
Less : Provision against Non-performing Assets / Bad debts written off		<b>123.85</b>	<b>138.15</b>			
<b>Grand Total</b>		<b>8,872.87</b>	<b>22,287.20</b>			
<b>Notes:</b>						
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>		
				<b>(A) Receivables outstanding for a period exceeding six months:</b>		
				Considered good	75.65	-
				Considered Doubtful	2.95	6.07
				<b>(B) Receivables outstanding for a period not exceeding six months:</b>		
				Considered good	281.62	103.34
				Considered doubtful	-	1.96
				Trades executed but not settled	16.68	0.55
					<b>376.90</b>	<b>111.92</b>
				Less: Provision for Doubtful Debts	2.95	8.03
				<b>Total</b>	<b>373.95</b>	<b>103.89</b>
				<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	61.91	21.08
				Fixed Deposits with Scheduled Banks	2,250.49	1.80
					<b>2,323.65</b>	<b>39.54</b>
				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)		
				<b>Total</b>	<b>2,445.65</b>	<b>49.74</b>
				<b>K. LOANS AND ADVANCES:</b>		
				<b>(Unsecured and considered good unless otherwise stated)</b>		
				<b>(A) Loans:</b>		
				CBLO Lendings	179.96	-
				<b>Total (A)</b>	<b>179.96</b>	
				<b>(B) Advances :</b>		
				(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
				<b>Total (B)</b>	<b>846.11</b>	<b>123.40</b>
				<b>Total</b>	<b>1,026.07</b>	<b>123.40</b>
				* Includes an amount of Rs.20.58 million receivable from Subsidiary Companies (Previous year -Rs.NIL)		
				<b>L. CURRENT LIABILITIES AND PROVISIONS:</b>		
				<b>(A) Current Liabilities</b>		
				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
				<b>TOTAL (A)</b>	<b>617.36</b>	<b>601.86</b>
				<b>(B) Provisions:</b>		
				Retirement Benefits	8.08	8.10
				<b>TOTAL (B)</b>	<b>8.08</b>	<b>8.10</b>
				<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
				<b>Total</b>	<b>564.83</b>	<b>266.50</b>

# schedules

March 31,  
2004  
(Rs. in million)

<b>N. INTEREST INCOME:</b>		
Interest On Securities Held As Stock in Trade	707.63	1,004.99
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>983.97</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
	13,746.09	(2,167.50)
Add/Less: Increase/(Decrease) In Closing Stock	(13,409.80)	3,281.56
Profit on Stock In Trade	336.30	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
	(4.81)	5.69
<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

- 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.
- Gains and losses on dealing with securities are recognized on trade date.
- 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

- The securities acquired with the intention of holding for short-term and trading are classified as stock-in-trade.
- 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
- 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
- Units of mutual fund are valued at lower of cost and net asset value.

#### (v) Investments

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

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

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:-

	(Rupees in million)	
Deferred Tax Assets	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. 0.49million
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
(b) 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
<b>Total</b>	<b>8,930.86</b>	<b>NIL</b>

**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**

	(Rupees in million)	
	2004-2005	2003-2004
(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	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)	1,506.00 (5,921.62)	1,505.52 (6,190.63)
Others	817.59 (100.00)	838.14 (100.00)	96.10 (817.59)	100.29 (838.14)
<b>Total</b>	<b>19,696.06</b> (16,843.49)	<b>22,282.68</b> (19,139.28)	<b>8,626.89</b> (19,696.06)	<b>8,872.87</b> (22,282.20)

# schedules

(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> (632,164.49)	<b>722,132.23</b> (697,059.04)	<b>697,159.47</b> (629,161.23)	<b>735,878.32</b> (694,891.54)

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

For and on behalf of the Board

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





# 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	0.35
	- 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	<u>863.06</u>	<u>1,813.75</u>
	Adjustments for net change in Operating Assets and Liabilities		
	- 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
		<u>12,596.70</u>	<u>(2,364.40)</u>
	Cash generated from Operations	13,459.76	(550.65)
	Payment of Taxes (Net)	(355.50)	(458.96)
	Net Cash from Operating Activities	<u>13,104.26</u>	<u>(1,009.61)</u>
<b>B</b>	<b>Cash Flow From Investment Activities</b>		
	- (Purchase) / Sale of Investments (Net)	(721.51)	1,753.92
	- Income from investment	0.34	—
	- (Purchase) / Sale of Fixed Assets (Net)	(35.42)	(7.90)
	Net cash used in Investment Activities	<u>(756.59)</u>	<u>1,746.02</u>
<b>C</b>	<b>Cash Flow From Financing Activities</b>		
	- Increase/ (Decrease) in Borrowings (Net)	(7,205.84)	(3,177.78)
	- Issue/ redemption of Debentures (Net)	(2,554.00)	3,450.50
	- Dividends & Dividend Tax paid	(303.72)	(992.97)
	Net Cash used in Financing Activities	<u>(10,063.56)</u>	<u>(720.25)</u>
	Net Change in Cash & Cash Equivalents	2,284.11	16.16
	Cash and Cash Equivalents at the beginning of the year	39.54	23.38
	Cash and Cash Equivalents at the end of the year	<u>2,323.65</u>	<u>39.54</u>

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

For S. R. Batliboi & 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. GUPTE  
Director

S. MUKHERJI  
Managing Director &  
CEO

ABHIJEET GUIN  
Vice President &  
Head - Financials

ANDERSON POLLOCK  
Company Secretary

Mumbai, April 21, 2005

## auditors' report

### to the members of ICICI Securities Limited and Subsidiaries (Consolidated)

We have audited the attached consolidated balance sheet of ICICI Securities Limited and its subsidiaries ('ICICI Securities Group'), as at March 31, 2005, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the ICICI Securities Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We report that the consolidated financial statements have been prepared by the ICICI Securities Group's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the ICICI Securities Group as at March 31, 2005;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated 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

Mumbai, April 21, 2005

Membership No.: 48749

# 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)			Schedule	(Rs. in million)	
<b>SOURCES OF FUNDS</b>				<b>Income from Operations</b>			
<b>1. Shareholders' Funds</b>				(a) Income from Services      M      1,042.17      602.01			
A. Share Capital	A	2,030.03	2,030.03	(b) Interest Income      N      996.04      1,134.11			
B. Reserves & Surplus	B	2,550.84	2,212.84	(c) Profit on Securities (Net)      O      212.02      1,390.98			
		<u>4,580.87</u>	<u>4,242.87</u>	(d) Other Income      P      48.03      484.20			
<b>2. Loan Funds</b>				<u>2,298.26</u> <u>3,611.30</u>			
A. Secured Loans	C	2,951.11	175.00	Less : Operating Expenditure			
B. Unsecured Loans	D	5,960.39	18,671.34	(a) Financial Charges and			
		<u>13,492.37</u>	<u>23,089.21</u>	Operating Expenses      Q      693.76      750.85			
				<u>1,604.50</u> <u>2,860.45</u>			
<b>APPLICATION OF FUNDS</b>				<b>Expenditure</b>			
<b>1. Fixed Assets</b>				Less: Administrative Expenditure			
Gross Block	E	391.27	426.82	(a) Payments to and Provisions			
Less: Accumulated depreciation/ amortisation		<u>274.23</u>	<u>319.33</u>	for Employees      R      286.75      315.42			
Net Block		117.04	107.49	(b) Establishment Expenses      S      333.19      420.64			
Capital Work-in-Progress		<u>3.99</u>	<u>—</u>	(c) Depreciation      14.75      15.53			
		121.03	107.49	<u>634.69</u> <u>751.59</u>			
<b>2. Investments</b>				<b>Profit before Taxation &amp; Extraordinary items</b>			
<b>3. Deferred Tax Asset</b>				969.81      2,108.86			
<b>4. Current Assets, Loans &amp; Advances</b>				Interest tax reversal of earlier years      —      108.70			
A. Current Assets -				<b>Profit before Taxation</b>			
(a) Interest Accrued	G	54.44	419.80	969.81      2,217.56			
(b) Securities held as				Less: Provision for Taxation      333.11      573.00			
Stock-in-Trade	H	8,890.61	22,292.32	Deferred Tax Adjustment      0.66      (1.87)			
(c) Sundry Debtors	I	675.74	329.44	<b>Profit After Taxation</b>			
(d) Cash & Bank Balances	J	2,879.29	465.17	636.04      1,646.43			
B. Loans & Advances	K	1,094.47	267.78	Brought forward from previous years      455.29      265.39			
		<u>13,594.55</u>	<u>23,778.38</u>	Amount available for appropriations      1,091.33      1,911.82			
<b>Less : Current Liabilities &amp; Provisions:</b>				Transfer to Special Reserve      112.80      287.80			
A. Current Liabilities	L	939.82	788.53	Transfer to General Reserve      28.20      143.90			
B. Provisions		<u>8.08</u>	<u>8.10</u>	Interim Dividend      263.90      908.44			
<b>NET CURRENT ASSETS</b>				Tax on Dividend      34.49      116.39			
		<u>12,646.65</u>	<u>22,977.88</u>	Balance carried to Balance Sheet      651.94      455.29			
		<u>13,492.37</u>	<u>23,089.21</u>	Earnings per share (Basic & Diluted)      3.13      8.11			
<b>Notes to Accounts</b>				<b>Notes to Accounts</b>			
T				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

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

# schedules

## forming part of the Accounts

	March 31, 2004		March 31, 2004						
	(Rs. in million)		(Rs. in million)						
<b>A. SHARE CAPITAL:</b>									
<b>Authorized:</b>									
50,00,00,000 Equity Shares of Rs 10/- each	5,000.00	5,000.00							
<b>Issued:</b>									
20,30,02,800 Equity Shares of Rs 10/- each	2,030.03	2,030.03							
<b>Subscribed &amp; Paid Up:</b>									
20,30,02,800 Equity Shares of Rs 10/- each	2,030.03	2,030.03							
<b>Notes:</b>									
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/transfers during the Period	Deductions/transfers during the Period	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 (maintained under Section 45 IC of the RBI Act, 1935)	1,012.82	112.80	—	1,125.62					
Translation Reserve	(3.91)	—	—	(3.91)					
Profit and Loss Account	455.29	636.04	439.39	651.94					
<b>Total</b>	<b>2,212.84</b>			<b>2,550.84</b>					
				<b>2,212.84</b>					
<b>C. SECURED LOANS:</b>									
			March 31, 2004						
		(Rs. in million)							
CBLO Borrowings (Secured by pledge of Government securities of Face Value Rs. 3,290 mn)		2,951.11	—						
Cash Credit facility		—	175.00						
		<b>2,951.11</b>	<b>175.00</b>						
				<b>5,960.39</b>					
				<b>18,671.34</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							
4.30% Debentures 2004 (Redeemable at par by July 2004)	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							
4.50% Debentures 2004 (Redeemable at par by April 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>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	6.38	1.02	3.90	3.50	0.32	2.72	1.70	1.80	2.28
Office Equipment	33.34	15.97	17.56	31.75	2.93	12.39	9.04	22.71	14.84
Computers	49.77	11.43	9.74	51.46	6.22	9.51	36.52	14.94	9.96
Furniture & Fixtures	20.79	0.23	18.41	2.61	0.69	13.70	1.29	1.32	6.49
Vehicles	2.84	1.07	—	3.91	0.84	—	1.15	2.76	2.53
BSE Membership Rights	10.00	—	—	10.00	1.00	—	6.07	3.93	4.93
<b>INTANGIBLE</b>									
Software	4.89	5.87	—	10.76	2.40	—	5.04	5.72	2.25
<b>Sub-Total</b>	<b>195.29</b>	<b>35.58</b>	<b>49.61</b>	<b>181.27</b>	<b>14.75</b>	<b>38.32</b>	<b>64.23</b>	<b>117.04</b>	<b>107.49</b>
Assets Given on lease (Plant & Machinery)	210.00	—	—	210.00	—	—	210.00	—	—
<b>Net Block</b>	<b>405.29</b>	<b>35.58</b>	<b>49.61</b>	<b>391.27</b>	<b>14.75</b>	<b>38.32</b>	<b>274.23</b>	<b>117.04</b>	<b>107.49</b>
Previous Year	228.44	8.59	20.21	426.82	15.49	19.29	319.33	107.49	

# schedules

**ICICI Securities** forming part of the Accounts

Continued i-SEC

(Rs. in million) March 31,  
2004

**F. INVESTMENTS - LONG TERM:**

- (AT COST, QUOTED UNLESS OTHERWISE STATED)

(Rs. in million)

Name of the Company	Quantity in thousands	Face Value per unit (Rs.)	March 31, 2005	March 31, 2004
<b>Quoted</b>				
<b>Bonds</b>				
HDFC 06/12/2005				
ZCB	7,500 (Nil)		721.51	—
<b>Total</b>			<u>721.51</u>	<u>—</u>

Notes :

1. 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).

**G. INTEREST ACCRUED:**

(Rs. in million) March 31,  
2004

On Stock-in-Trade	32.77	415.20
On Loans & Advances	21.67	4.60
<b>Total</b>	<u>54.44</u>	<u>419.80</u>

**H. SECURITIES HELD AS STOCK IN TRADE**

(Rs. in million) March 31,  
2004

Government of India Securities & Deemed Government of India Securities	232.98	15,010.04
Treasury Bills	6,679.22	195.58
Bonds & Debentures	1,505.52	6,190.65
Debentures (Unquoted)	123.85	138.15
Equity	354.86	57.92
Units	118.03	838.13
<b>Total</b>	<u>9,014.46</u>	<u>22,430.47</u>
Less : Provision against Non-performing Assets / Bad debts written off	123.85	138.15
<b>Grand Total</b>	<u>8,890.61</u>	<u>22,292.32</u>

Notes:

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.

**I. SUNDRY DEBTORS ( Unsecured ):**

(Rs. in million) March 31,  
2004

<b>(A) Receivables outstanding for a period exceeding six months:</b>		
Considered good	75.65	—
Considered Doubtful	2.95	6.07
<b>(B) Receivables outstanding for a period not exceeding six months:</b>		
Considered good	283.92	111.21
Considered doubtful	—	1.96
Trades executed but not settled	316.17	218.23
	678.69	337.47
Less: Provision for Doubtful Debts	2.95	8.03
<b>Total</b>	<u>675.74</u>	<u>329.44</u>

**J. CASH AND BANK BALANCES:**

Cash & Cheques on hand	0.05	0.02
In Current Accounts with Scheduled Banks	75.61	212.07
In Current Accounts with Reserve Bank of India	61.91	21.08
Fixed Deposits with Scheduled Banks	2,400.49	51.80
	<u>2,538.06</u>	<u>284.97</u>
Fixed Deposits with Scheduled Banks ( Under Lien)	341.23	180.20
(Under lien with Stock Exchanges Rs. 36 mn, previous year Rs. 91 mn; Collateral security towards bank guarantees/ margins issued Rs.305.23 mn, previous year Rs.89.20 mn)		
<b>Total</b>	<u>2,879.29</u>	<u>465.17</u>

**K. LOANS AND ADVANCES:**

(Unsecured and considered good unless otherwise stated)

<b>(A) Loans:</b>		
CBLO Lendings	179.96	—
<b>Total (A)</b>	<u>179.96</u>	<u>—</u>
<b>Advances :</b>		
(Recoverable in cash or in kind or for value to be received)		
Security Deposit for Leased Premises	0.30	0.09
Other Advances and Deposits	93.18	64.65
Application Money for Securities	600.00	—
Deposit with stock exchanges	21.64	136.44
Advance Tax (net of Provisions)	199.39	66.60
<b>Total (B)</b>	<u>914.51</u>	<u>267.78</u>
<b>Total</b>	<u>1,094.47</u>	<u>267.78</u>

**L. CURRENT LIABILITIES AND PROVISIONS:**

<b>(A) Current Liabilities</b>		
Interest Accrued but not due	53.69	20.81
Trades executed but not settled	300.28	389.31
Sundry Creditors For Expenses	68.92	69.84
Other Liabilities	516.47	308.17
Unclaimed Dividends	0.46	0.40
<b>Total (A)</b>	<u>939.82</u>	<u>788.53</u>
<b>(B) Provisions:</b>		
Retirement Benefits	8.08	8.10
<b>Total (B)</b>	<u>8.08</u>	<u>8.10</u>

**M. INCOME FROM SERVICES :**

Issue Management Fees	184.51	69.83
Financial Advisory Services	245.55	134.87
Syndication Fees	109.79	53.80
Underwriting Commission	6.19	10.98
Brokerage & Commission	496.13	332.53
<b>Total</b>	<u>1,042.17</u>	<u>602.01</u>

**N. INTEREST INCOME:**

Interest On Securities Held As Stock in Trade	707.63	1,004.99
Income On Discounted Instruments		
— Investments	0.34	—
— Stock In Trade	154.33	39.95
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	24.84
Interest On Other Loans And Advances	39.43	16.36
<b>Total</b>	<u>996.04</u>	<u>1,134.11</u>

	March 31, 2004	
	(Rs. in million)	
<b>O. PROFIT ON SECURITIES (NET) :</b>		
Profit On Sale Of Investments	—	68.72
Profit On Commercial Papers & Certificate Of Deposits	1.04	—
Sale Of Securities	736,144.93	695,059.62
Less: Purchases	722,390.26	697,232.80
	<u>13,754.67</u>	<u>(2,173.18)</u>
Add/Less: Increase/(Decrease) In Closing Stock	(13,414.90)	3,285.24
Profit On Stock In Trade	339.77	1,112.06
Net Gain/(Loss) from Derivatives	(128.79)	210.20
<b>Total</b>	<u>212.02</u>	<u>1,390.98</u>
<b>P. OTHER INCOME:</b>		
Dividend Income from Mutual Funds / Companies	9.03	465.35
Recovery Against Bad Debts Written Off	8.38	18.06
Miscellaneous Income	30.62	0.79
<b>Total</b>	<u>48.03</u>	<u>484.20</u>
<b>Q. FINANCIAL CHARGES AND OPERATING EXPENSES:</b>		
Interest On Fixed Loans And Debentures	299.85	269.61
Interest On Borrowings From Reserve Bank of India	1.57	1.46
Interest On Repo And Call Borrowings	201.83	359.73
Procurement Expenses	103.52	34.20
Guarantee Commission	3.13	0.89
Rating Agency Fees	3.00	3.15
Turnover Fees	0.66	0.02
Custodial and Depository Charges	31.80	25.12
Brokerage And Stamp Duty	49.18	47.38
Bank Charges	4.02	3.60
Doubtful Debts Written off / Provided	3.23	7.81
Less: Opening Provision	8.03	2.12
	<u>(4.80)</u>	<u>5.69</u>
<b>Total</b>	<u>693.76</u>	<u>750.85</u>
<b>R. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:</b>		
Salaries, Wages And Incentive	265.12	296.36
Contribution To Provident and other Funds	13.90	12.11
Staff Welfare Expenses	7.73	6.95
<b>Total</b>	<u>286.75</u>	<u>315.42</u>
<b>S. ESTABLISHMENT AND OTHER EXPENSES:</b>		
Rent And Amenities	120.20	232.97
Insurance	2.51	3.06
Business Promotion, Travelling and Conveyance Expenses	74.86	75.35
Repairs, Maintenance And Upkeep	14.61	19.32
Rates And Taxes	1.49	1.16
Electricity Expenses	10.88	9.91
Profit / (loss) on Sale of Fixed Assets	11.24	0.37
Communication Expenses	14.79	16.66
Printing And Stationery	10.91	10.13
Subscription And Periodicals	24.60	21.84
Professional Fees	29.65	9.88
Advertisement Expenses	0.99	0.01
Auditors' Remuneration	2.43	1.90
Miscellaneous Expenses	14.03	18.08
<b>Total</b>	<u>333.19</u>	<u>420.64</u>

## 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) Basis of Consolidation

The consolidated financial statements include results of ICICI Securities Limited and its subsidiaries which are more than 50% owned and controlled. As per requirement of Accounting Standard 21 the consolidation is on a line to line basis, all material inter-company accounts and transactions are eliminated at the time of consolidation.

#### (iv) Procedure for Consolidation

The procedure for consolidation of Financial Statements is in accordance with Accounting Standard - 21 "Consolidated Financial Statements". The list of subsidiary companies is given below.

- a. ICICI Brokerage Services Ltd.
- b. ICICI Securities Holdings Inc.
- c. ICICI Securities Inc

The company does not have any associate/joint venture companies.

#### (v) 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 on cash basis considering prudential norms for income recognition issued by Reserve Bank of India (RBI) for Non-Banking Financial Companies.
- (d) Brokerage income in relation to stock broking activity is recognized on the trade date of transaction. Amounts receivable from and payable to clients for broking transactions are disclosed separately as trades executed but not settled. Brokerage income in relation to public issues/ other securities is recognized based on mobilization and intimation received from clients/intermediaries.

#### (vi) 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

# schedules

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.

**(vii) 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.

**(viii) 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.

**(ix) Fixed Assets and Depreciation**

- (a) Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises 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.
- (d) Membership Rights of Stock Exchanges is treated as an asset and the value paid to acquire such rights is amortised over a period of 10 years.

**(x) 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.

**(xi) 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 Reserve Bank of India 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.

**(xii) 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.

**(xiii) Retirement Benefits**

Retirement benefits to employees comprise of 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.

**(xiv) 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.

**(xv) 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.

**(xvi) 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:-

	(Rupees in million)	
Deferred Tax Assets / (Liabilities)	2004-2005	2003-2004
Depreciation	(0.90)	0.90
Preliminary Expenses	0.05	0.05
Provision for Debtors	1.08	2.88
Provision for Retirement Benefits	2.95	-
	<b>3.18</b>	<b>3.83</b>

**3. Contingent Liabilities**

- (a) Income tax matters disputed by the Company Rs. 377.30 million (Previous year - Rs. 128.80 million).



- (b) Outstanding counter guarantees for subsidiary company, as at March 31, 2005 is Rs. 50 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 / Currency Swaps** Rs. 495,309.05 million (previous year- Rs. 384,765.89 million).
5. **Capital Commitments**  
Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 6.76 million (Previous year - Nil).
6. **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
	Brokerage Income	8.95
	Interest Income	10.07
	Other Income	32.95
	Interest expense	5.21
	Procurement expenses	38.06
	Guarantee Commission	0.34
	Custodial and depository charges	2.49
	Bank charges	2.31
	Establishment Expenses	106.97
	Dividend paid	263.68
	Current Account Balance	57.79
	Fixed Deposits	331.00
	Interest accrued	13.99
	Sundry Debtors	9.44
	Current Liabilities	158.68
	Notional Principal amount of IRS outstanding	105,400.00
	Notional Principal amount of FX Swap outstanding	229.05
ICICI Lombard General Insurance Co. Ltd. - Subsidiary of ICICI Bank Ltd	Brokerage Income	0.73
	Other Income	0.21
	Establishment Expenses	2.45
	Sundry Debtors	0.02
ICICI Prudential Life Insurance Co. Ltd - Group Company	Brokerage Income	5.65
	Current Liabilities	0.77

7. **Segmental Disclosures**

Internally evaluation of performance is based on two business segments - "Investment & Trading" and "Advisory & Transaction Services". These have been considered as a Primary reportable segment. The Company does not have any secondary reportable segment.

Following are the disclosures for the two identified segments. This being a finance company, interest and finance costs is allocated to each segment.

**Segment wise Revenue, Results and Capital Employed for the year ended March 31, 2005**

	March 31, 2005	March 31, 2004
<b>Segment Revenue</b>		
Investment and Trading		
- External	1,169.40	2,963.41
- Internal	-	-
Advisory and Transaction Services		
- External	1,054.15	611.91
- Internal	4.39	0.35
Less: Inter-segment elimination	(4.39)	(0.35)
	<u>2,223.55</u>	<u>3,575.32</u>
<b>Segment Results</b>		
Investment and Trading	624.09	2,289.28
Advisory and Transaction Services	905.70	535.17
	<u>1,529.79</u>	<u>2,824.45</u>
Unallocable expenditure net off unallocable income	559.98	715.59

**Segment wise Revenue, Results and Capital Employed for the year ended March 31, 2005 (Contd.)**

	March 31, 2005	March 31, 2004
Profit before Taxation & Extraordinary items	969.81	2,108.86
Interest tax reversal of earlier years	-	108.70
Profit before tax	969.81	2,217.56
Less: Tax expense	333.77	571.13
Profit after tax	<u>636.04</u>	<u>1,646.43</u>
<b>Segment Assets</b>		
Investment and Trading	12,938.42	22,778.09
Advisory and Transaction Services	1,074.30	803.37
Unallocable assets	330.02	308.24
	<u>14,342.74</u>	<u>23,889.70</u>
<b>Segment Liabilities</b>		
Investment and Trading	(9,156.44)	(18,989.83)
Advisory and Transaction Services	(343.01)	(370.24)
Unallocable liabilities	(262.45)	(286.76)
	<u>(9,761.90)</u>	<u>(19,646.83)</u>
<b>Cost of acquisition of Segment Assets</b>		
Investment and Trading	-	-
Advisory and Transaction Services	0.62	0.13
Unallocable assets	34.97	8.59
	<u>35.58</u>	<u>8.73</u>
<b>Depreciation on Segment Assets</b>		
Investment and Trading	-	-
Advisory and Transaction Services	1.34	1.48
Unallocable assets	13.41	14.01
	<u>14.75</u>	<u>15.49</u>
<b>Non-cash expenses other than depreciation</b>		
Investment and Trading	-	-
Advisory and Transaction Services	0.13	0.13
	<u>0.13</u>	<u>0.13</u>

8. **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.

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

**Signatures to schedules A to T**

Per our Report attached	For and on behalf of the Board	
For S.R. Batliboi & Co. Chartered Accountants	K.V.KAMATH Chairman	
Viren H. Mehta Partner Membership No.: 48749	ANDERSON POLLOCK Company Secretary	LALITA D. GUPTA Director
	ABHIJEET GUIN Vice President & Head - Financials	S.MUKHERJI Managing Director & CEO

Mumbai, April 21, 2005

# cash flow statement

**ICICI Securities** forming part of the Accounts

Continued **i-SEC**

(Rs. in million) March 31, 2004

Cash Flow Statement for the period ended March 31, 2005

**Cash Flow From Operating Activities**

Profit Before Tax	969.81	2,108.86
- (Profit)/Loss on Sale of Fixed Assets	11.24	0.37
- Depreciation	14.75	15.53
- Provision for Interest Tax	(0.41)	-
- Provision for Wealth Tax	0.10	0.10
- Exchange adjustments	0.35	(4.50)
- Income from investment	(0.34)	-
- Bad and Doubtful Debts (Net)	(5.08)	5.90
Operating Profit before Changes in Operating Assets and Liabilities	<u>990.42</u>	<u>2,126.26</u>
Adjustments for net change in Operating Assets and Liabilities		
- Current Assets excluding Cash and Cash equivalents	13,429.72	(3,341.93)
- Fixed Deposits under Lien	(161.03)	(47.19)
- Loans and advances relating to Operations	(693.90)	500.23
- Current Liabilities relating to Operations	147.43	337.44
	<u>12,722.22</u>	<u>(2,551.45)</u>
Cash generated from Operations	13,712.64	(425.19)
Payment of Taxes (Net)	(460.26)	(569.24)
Net Cash from Operating Activities	<u>13,252.38</u>	<u>(994.43)</u>
<b>Cash Flow From Investment Activities</b>		
- (Purchase) / Sale of Investments (Net)	(721.51)	1,753.92
- Income from investment	0.34	-
- (Purchase) / Sale of Fixed Assets (Net)	(39.56)	(8.05)
Net cash used in Investment Activities	<u>(760.73)</u>	<u>1,745.87</u>
<b>Cash Flow From Financing Activities</b>		
- Increase/ (Decrease) in Borrowings (Net)	(7,380.84)	(3,002.78)
- Issue/ redemption of Debentures (Net)	(2,554.00)	3,450.50
- Dividends & Dividend Tax paid	(303.72)	(992.97)
Net Cash used in Financing Activities	<u>(10,238.56)</u>	<u>(545.25)</u>
Net Change in Cash & Cash Equivalents	2,253.09	206.19
Cash and Cash Equivalents at the beginning of the year	284.97	78.78
Cash and Cash Equivalents at the end of the year	<u>2,538.06</u>	<u>284.97</u>

Per our Report attached  
For S. R. BATLIBOI & CO.  
Chartered Accountants

VIREN H. MEHTA  
Partner

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

## **Directors**

Chairman S. Mukherji  
Nitin Jain  
Devesh Kumar  
Paresh Shah  
T.S. Baskaran  
Meher Baburaj

Company Secretary Yogesh Chande

## **Auditors**

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

## **Registered Office**

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

**10TH ANNUAL REPORT AND ACCOUNTS 2004-2005****Directors**

S. Mukherji, *Chairman*  
Nitin Jain  
Devesh Kumar  
Paresh Shah  
T.S. Baskaran  
Meher Baburaj

**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 10<sup>th</sup> Annual Report of ICICI Brokerage Services Limited (the Company) with the audited Statement of Accounts for the year ended March 31, 2005.

**INDUSTRY OVERVIEW**

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. Overall, institutional turnover increased 54% YoY, with FIIs accounting for 80% of the turnover against 76% in FY04. FIIs invested a record US\$10 billion in Indian equities.

**FINANCIAL HIGHLIGHTS**

	<i>(Rupees million)</i>	
	<b>Fiscal 2005</b>	<b>Fiscal 2004</b>
Gross Income	<b>468.62</b>	375.99
Profit before Tax	<b>138.68</b>	298.68
Provision for Tax	<b>53.19</b>	107.90
Profit after Tax	<b>85.49</b>	190.78

**DIVIDEND**

To conserve resources for the business of the Company, the Directors do not recommend payment of dividend for the current year.

**OPERATIONAL REVIEW**

Your Company also recorded an all time high revenue of Rs. 468.62 million registering a growth of 24.64% over the previous year.

The derivatives segment continues to do extremely well as your company maintained leadership position in the institutional market even though competition increased during the year. Total derivatives turnover for your company increased 115%.

Your company was also associated with the largest and the most prestigious IPO of the year, NTPC – the largest power utility in India.

**FUTURE OUTLOOK**

The outlook for the markets remain robust as investors are increasingly convinced about the 'growth story' of the country, the transformation of many Indian companies as global entities and growing political consensus on sustaining economic reforms. 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.

The derivatives market too holds immense promise and the Company expects it to continue to witness significant volume increases in the next few years. The Company remains committed towards maintaining our leadership position in the segment.

Over the years, your company has been successfully able to develop the image of 'a house with independent view'. The investors' conferences in Singapore and New York are now well established events attracting record number of corporates and international investors. On the back of this gaining popularity, the Company remains confident of further deepening and broadening client relationships across geographies.

**PUBLIC DEPOSITS**

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

**DIRECTORS**

Dhanpal Jhaveri resigned from the Board with effect from June 1, 2004. The Board places on record its appreciation for the valuable services rendered by him.

In terms of the provisions of the Articles of Association of the Company, T.S. Baskaran, Director, 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 19, 2005, has proposed their re-appointment as Auditors to audit the accounts of the Company for the year ended 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. 28.55 million (Previous Year Rs. 21.83 million). There were no earnings in foreign currency during the year.

**PERSONNEL AND OTHER MATTERS**

There are no employees within the purview of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Since your 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.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. in preparation of the annual accounts, 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;
4. they had prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

The Directors thank the clients, the Securities and Exchange Board of India, the Stock Exchange, Mumbai, the National Stock Exchange of India Limited, National Securities Depositories Limited, Central Depositories Securities Limited and its bankers 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

Mumbai, April 19, 2005

S. Mukherji  
Chairman

# auditors' report

**ICICI Brokerage** to the members of **ICICI Brokerage Services Limited**

1. We have audited the attached Balance Sheet of ICICI Brokerage Services 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 19, 2005

## annexure to the auditors' report

**Annexure referred to in paragraph 3 of our report of even date**  
Re: ICICI Brokerage Services Limited

- (i)
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All fixed 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 Company does not hold any securities in physical form. 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 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 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, 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, wealth tax 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 information and explanations given to us, there are no dues of income-tax and service tax which have not been deposited on account of any dispute. As informed by the management, provisions of wealth-tax, sales-tax, customs duty, excise duty and cess are not applicable to the Company in the current year.

# annexure to the auditors' report

Continued

- (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 banks. The Company has no outstanding dues in respect of a financial institution 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 not given any guarantee for loans taken by others from bank or financial institutions.
- (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 19, 2005

# balance sheet profit and loss account



as at March 31, 2005

for the year ended March 31, 2005

	Schedule	(Rs. in million)	March 31, 2004		Schedule	(Rs. in million)	March 31, 2004
<b>I SOURCES OF FUNDS</b>				<b>INCOME FROM OPERATIONS</b>			
<b>1 Shareholders' Funds</b>				(a) Brokerage Income		471.34	311.66
A. Share Capital	A	45.01	45.01	(b) Interest Income	I	11.98	9.89
B. Reserves & Surplus		<u>419.22</u>	<u>334.83</u>	(c) Other Income	J	1.15	0.66
		464.23	379.84	(d) Profit/(Loss) on Securities (Net)	K	<u>(15.85)</u>	<u>53.78</u>
<b>2 Loan Funds</b>						468.62	375.99
Secured Loans				<i>Less: Financial Charges and Operating Expenses</i>	L	<u>110.06</u>	<u>62.93</u>
Cash Credit facility		—	175.00			358.56	313.06
<b>3 Deferred Tax Liability</b>		<u>0.88</u>	<u>0.98</u>	<b>EXPENDITURE</b>			
		<u>465.11</u>	<u>555.82</u>	(a) Payments to and provisions for Employees	M	94.64	1.03
<b>II APPLICATION OF FUNDS</b>				(b) Establishment and other Expenses	N	125.01	11.86
<b>1 Fixed Assets</b>				(c) Depreciation		<u>1.33</u>	<u>1.49</u>
A. Gross Block	B	12.39	12.87			220.98	14.38
Less : Accumulated depreciation/amortisation		<u>7.63</u>	<u>7.07</u>	<b>Profit Before Taxation</b>		137.58	298.68
Net Block		4.76	5.80	<i>Less: Provision for current income-tax</i>		53.28	108.00
B. Capital Work In Progress		<u>3.31</u>	<u>—</u>	Deferred tax credit		<u>(0.09)</u>	<u>(0.10)</u>
		8.07	5.80	<b>Profit after Taxation</b>		84.39	190.78
<b>2 Current Assets, Loans &amp; Advances</b>				<b>Brought forward from previous years</b>		<u>334.83</u>	<u>144.05</u>
A. Current Assets -				Balance carried to Balance Sheet		<u>419.22</u>	<u>334.83</u>
(a) Interest Accrued	C	3.71	4.04	<b>Earnings per share (Basic &amp; Diluted)</b>		18.75	42.39
(b) Securities held as Stock-in-Trade	D	—	5.12	<b>Notes to Accounts</b> O			
(c) Sundry Debtors	E	352.11	217.67	<b>The Schedules referred above and the notes to accounts form an integral part of the Accounts</b>			
(d) Cash & Bank Balances	F	423.29	369.30	<b>This is the Balance Sheet referred to in our report of even date</b>			
B. Loans & Advances	G	79.01	139.65	<b>For S. R. Batliboi &amp; CO. Chartered Accountants</b>			
		<u>858.12</u>	<u>735.78</u>	<b>Per Viren H. Mehta Partner Membership No.: 48749</b>			
<i>Less: Current Liabilities &amp; Provisions :</i>				<b>Mumbai, April 19, 2005</b>			
Current Liabilities	H	401.08	185.76	<b>For and on behalf of the Board</b>			
<b>Net Current Assets</b>		<u>457.04</u>	<u>550.02</u>	<b>S. MUKHERJI Chairman</b>			
		<u>465.11</u>	<u>555.82</u>	<b>YOGESH CHANDE Company Secretary</b>			
				<b>DEVESH KUMAR Director</b>			

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

S. MUKHERJI  
Chairman

Mumbai, April 19, 2005

YOGESH CHANDE  
Company Secretary

DEVESH KUMAR  
Director



# schedules

forming part of the Accounts

Continued

(Rs. in million) March 31,  
2004

## A. SHARE CAPITAL :

Authorised: 25,000,000 Equity Shares of Rs 10 each	250.00	250.00
Issued: 4,500,700 Equity Shares of Rs 10 each	45.01	45.01
Subscribed & Paid-up: 4,500,700 Equity Shares of Rs 10 each	45.01	45.01

The entire share capital of the Company is held by ICICI Securities Limited (the holding company) and its nominees.

## B. FIXED ASSETS

	(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>									
Computers	1.54	0.58	-	2.12	0.25	-	1.41	0.71	0.38
Office Equipment	1.11	-	1.10	0.01	0.02	0.78	-	0.01	0.35
BSE Membership Rights	10.00	-	-	10.00	1.00	-	6.07	3.93	4.93
<b>INTANGIBLE</b>									
Software	0.22	0.04	-	0.26	0.07	-	0.15	0.11	0.14
<b>Total</b>	<b>12.87</b>	<b>0.62</b>	<b>1.10</b>	<b>12.39</b>	<b>1.34</b>	<b>0.78</b>	<b>7.63</b>	<b>4.76</b>	<b>5.80</b>
Previous Year	14.69	0.13	1.95	12.87	1.48	1.01	7.07	5.80	

(Rs. in million) March 31,  
2004

## C. INTEREST ACCRUED:

On Fixed Deposits	3.71	4.04
<b>Total</b>	<b>3.71</b>	<b>4.04</b>

## D. SECURITIES HELD AS STOCK IN TRADE :

(Quoted unless otherwise stated):

	Face Value (in Rupees)		
<b>SHARES</b>			
Apollo Hospitals Limited	Nil (2,000)	-	0.03
Clariant India Limited	Nil (4,000)	-	0.07
Maruti Udyog Limited	Nil (111,750)	-	4.47
United Breweries (Holdings) Limited	Nil (40,700)	-	0.16
United Breweries Limited	Nil (24,940)	-	0.24
United Phosphorus Limited	Nil (2,730)	-	0.11
Zee Telefilms Limited	Nil (3,210)	-	0.04
<b>Total</b>		-	<b>5.12</b>

### Note :

The aggregate carrying value and market value of quoted securities as at March 31, 2005 is Nil. (previous year - Rs.5.12 mn and Rs.11.76 mn respectively).

## E. SUNDRY DEBTORS (Unsecured):

Considered Good (less than six months)		
Trades executed but not settled	351.98	217.67
Other Receivables	0.13	-
<b>Total</b>	<b>352.11</b>	<b>217.67</b>

# schedules

**ICICI Brokerage** forming part of the Accounts

Continued

	March 31, 2004		March 31, 2004	
	(Rs. in million)		(Rs. in million)	
<b>F. CASH AND BANK BALANCES:</b>				
In Current Accounts With Scheduled Banks	54.06	149.30		
Fixed Deposits with Scheduled Banks	150.00	50.00		
	<u>204.06</u>	<u>199.30</u>		
Fixed Deposits with Scheduled Banks (Under Lien)	219.23	170.00		
(Under lien with Stock Exchanges Rs. 36 mn, previous year Rs. 91 mn and collateral security towards bank guarantees issued Rs.183.23 mn, previous year Rs.79 mn)				
<b>Total</b>	<u>423.29</u>	<u>369.30</u>		
<b>G. LOANS AND ADVANCES:</b> (Unsecured and Considered Good)				
<b>Advances:</b> (Recoverable in cash or in kind or for value to be received)				
Deposit with stock exchanges	21.64	136.44		
Other advances and deposits	3.94	1.25		
Advance Tax (net of Provisions)	53.43	1.96		
<b>Total</b>	<u>79.01</u>	<u>139.65</u>		
<b>H. CURRENT LIABILITIES AND PROVISIONS:</b>				
<b>CURRENT LIABILITIES:</b>				
Interest accrued but not due	0.46	0.80		
Trades executed but not settled	316.27	177.82		
Other Sundry Creditors	49.35	5.70		
Other Liabilities	35.00	1.44		
<b>Total</b>	<u>401.08</u>	<u>185.76</u>		
<b>I. INTEREST INCOME:</b>				
Interest income on Fixed Deposits	11.98	9.89		
<b>Total</b>	<u>11.98</u>	<u>9.89</u>		
<b>J. OTHER INCOME :</b>				
Interest - Income-tax Refund	-	0.22		
Miscellaneous Income	1.15	0.44		
<b>Total</b>	<u>1.15</u>	<u>0.66</u>		
<b>K. PROFIT / (LOSS) ON SECURITIES (NET)</b>				
On Equity				
Sales	266.61	168.08		
Less: Purchases	258.03	173.76		
	<u>8.58</u>	<u>(5.68)</u>		
Add/(Less): Increase/ (Decrease) in Closing Stock	(5.13)	3.45	(2.00)	
On Derivatives	(19.30)	55.78		
<b>Total</b>	<u>(15.85)</u>	<u>53.78</u>		
<b>L. FINANCIAL CHARGES AND OPERATING EXPENSES:</b>				
Interest on Fixed Loans	6.83	10.32		
Procurement Expenses	56.09	26.26		
Turnover Fees	0.66	0.02		
Transaction Charges	17.30	8.95		
Custodial and Depository Charges	1.03	0.80		
Guarantee Commission	3.13	0.89		
Stamp Duty	24.84	15.62		
Bank Charges	0.18	0.07		
<b>Total</b>	<u>110.06</u>	<u>62.93</u>		
<b>M. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>				
Salaries, Wages and Incentive	93.35	1.00		
Staff Welfare Expenses	1.29	0.03		
<b>Total</b>	<u>94.64</u>	<u>1.03</u>		
<b>N. ESTABLISHMENT AND OTHER EXPENSES:</b>				
Rent & Amenities	20.62	6.12		
Insurance	0.40	0.22		
Business Promotion, Travelling and Conveyance Expenses	53.46	0.06		
Repairs, Maintenance & Upkeep	4.02	0.87		
Rates & Taxes	0.04	0.01		
Electricity Expenses	1.76	-		
Communication Expenses	5.88	0.98		
Loss / (Profit) on Sale of Fixed Assets	0.32	0.02		
Printing & Stationery	5.90	0.54		
Subscription & Periodicals	12.77	1.97		
Professional Fees	11.62	0.58		
Auditors' Remuneration	0.51	0.29		
Miscellaneous Expenses	7.71	0.20		
<b>Total</b>	<u>125.01</u>	<u>11.86</u>		



### 0 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) Revenue Recognition

(a) Brokerage income in relation to stock broking activity is recognized on the trade date of transaction. Amounts receivable from and payable to clients for broking transactions are disclosed separately as Trades executed but not settled. Brokerage income in relation to public issues/ other securities is recognized based on mobilization and intimation received from clients/intermediaries.

(b) Gains/ losses on dealing in securities are recognized on trade date.

##### (iii) Stock-in-trade

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

(b) The securities held as stock-in-trade under current assets are valued at lower of cost arrived at on weighted average basis or market/ fair value, computed category-wise.

##### (iv) Investments

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

(b) The Investments are shown in balance sheet at cost on a weighted average basis. Appropriate provision is made for other than temporary diminution in the value of investments.

##### (v) Derivatives

(a) All open positions are marked to market.

(b) Gains are recognized only on settlement/ expiry of the derivative instruments.

(c) Receivables/ Payables on open position are disclosed as current assets/current liabilities, as the case may be.

##### (vi) Fixed Assets and Depreciation/ Amortisation

(a) Fixed assets are stated at historical cost less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for intended use.

(b) Depreciation on fixed assets and membership rights of The Stock Exchange, Mumbai (BSE), is provided on written down value method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

(c) Membership rights of stock exchange is treated as an asset and the value paid to acquire such rights is amortized over a period of 10 years.

(d) 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.

##### (vii) 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.

##### (viii) 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.

##### (ix) Segment Reporting

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

##### (x) 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.

##### (xi) 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 and liabilities into major components as on the Balance Sheet date is as follows:

	2004-05	2003-04
<b>Deferred Tax Liability</b>		
Depreciation	0.93	1.03
<b>Less: Deferred Tax Assets</b>		
Preliminary Expenses	0.05	0.05
	<u>0.88</u>	<u>0.98</u>

#### 3. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 6.76 million (Previous year - Nil).

#### 4. Contingent Liabilities

Income tax matters disputed by the Company Rs. 68.72 million (Previous year - Rs. 20.63 million).

#### 5. Retirement Benefits

At present, there is no liability towards retirement benefits.

#### 6. Auditors' remuneration

	2004-05	2003-04
(a) Audit Fees	0.50	0.13
(b) Tax Audit & Certification Fees	0.01	0.15
(c) Out of pocket expenses	—	0.01
	<u>0.51</u>	<u>0.29</u>

#### 7. Expenditure in foreign currency

(Procurement & Other expenses) 28.55 21.83

#### 8. Quantitative Details

##### (a) OPENING AND CLOSING STOCK

Category	Opening Stock		Closing Stock	
	Face Value	Value	Face Value	Value
Equity shares	0.19 (0.12)	5.13 (1.45)	0.00 (0.19)	0.00 (5.13)

##### (b) PURCHASES AND SALES

Category	Purchases		Sales	
	Face Value	Value	Face Value	Value
Equity shares	12.65 (13.07)	258.03 (173.76)	12.85 (12.99)	266.61 (168.08)

Note: Figures in parenthesis pertain to previous year.

#### 9. Related Party Disclosures

The following are the details of transactions with related parties:

Name of the Related Party	Type of Transactions	Amount
		(Rupees in million)
ICICI Bank Ltd - The Parent Company	Brokerage Income	8.95
	Interest Income	3.66
	Procurement Expenses	12.75
	Guarantee Commission	0.34
	Interest expense	1.46
	Current Account balance	48.14
	Fixed Deposits	209.00
	Interest Accrued	1.22
	Sundry Debtors	0.62
Current Liabilities	10.47	
ICICI Securities Ltd. - The Holding Company	Brokerage Income	4.39
	Sundry Debtors	36.89
	Current Liabilities	36.18
	Share Capital	45.01
ICICI Securities Inc. - Fellow Subsidiary	Procurement Expenses	39.63
	Current Liabilities	21.32
ICICI Prudential Life Insurance Co. Ltd. - Subsidiary of ICICI Bank Ltd.	Brokerage Income	5.65
	Current Liabilities	0.77
ICICI Lombard General Insurance Co. Ltd. - Subsidiary of ICICI Bank Ltd.	Brokerage Income	0.73
	Other Income	0.21
	Establishment Expenses	0.40
	Sundry Debtors	0.02

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

Signature to Schedule A to O

Per our Report attached

For S. R. BATLIBOI & CO.  
Chartered Accountants

per Viren H. Mehta  
Partner  
Membership No.: 48749

Mumbai, April 19, 2005

For and on behalf of the Board

S. MUKHERJI  
Chairman

YOGESH CHANDE  
Company Secretary

DEVESH KUMAR  
Director





# cash flow statement

for period ended March 31, 2005

(Rs. in million) March 31, 2004

<b>A</b>	<b>Cash Flow From Operating Activities</b>		
	Profit Before Tax	137.58	298.68
	- (Profit)/Loss on Sale of Fixed Assets	0.32	0.02
	- Depreciation	1.33	1.49
	Operating Profit before Changes in Operating Assets and Liabilities	<u>139.23</u>	<u>300.19</u>
	Adjustments for net change in Operating Assets and Liabilities		
	- Current Assets excluding Cash and Cash equivalents	(128.99)	(172.59)
	- Fixed Deposits under Lien	(49.23)	(36.99)
	- Loans and advances relating to Operations	112.11	(117.33)
	- Current Liabilities relating to Operations	<u>215.32</u>	<u>134.56</u>
		<u>149.21</u>	<u>(192.35)</u>
	Cash generated from Operations	<u>288.44</u>	<u>107.84</u>
	Payment of Taxes (Net)	(104.75)	(110.28)
	- Dividends & Dividend Tax paid	-	-
	Net Cash from Operating Activities	<u>183.69</u>	<u>(2.44)</u>
<b>B</b>	<b>Cash Flow From Investment Activities</b>		
	- (Purchase) / Sale of Fixed Assets (Net)	<u>(3.93)</u>	<u>(0.13)</u>
	Net cash used in Investment Activities	<u>(3.93)</u>	<u>(0.13)</u>
<b>C</b>	<b>Cash Flow From Financing Activities</b>		
	- Increase/ (Decrease) in Borrowings (Net)	<u>(175.00)</u>	<u>175.00</u>
	Net Cash used in Financing Activities	<u>(175.00)</u>	<u>175.00</u>
	Net Change in Cash & Cash Equivalents	<u>4.76</u>	<u>172.43</u>
	Cash and Cash Equivalents at the beginning of the year	<u>199.30</u>	<u>26.87</u>
	Cash and Cash Equivalents at the end of the year	<u>204.06</u>	<u>199.30</u>

For S.R.BATLIBOI & CO.  
Chartered Accountants

Per VIREN H.MEHTA  
Partner

Mumbai, April 19, 2005

YOGESH CHANDE  
Company Secretary

For and on behalf of the Board

S. MUKHERJI  
Chairman

DEVESH KUMAR  
Director

**5TH ANNUAL REPORT AND ACCOUNTS 2004-2005****Directors**

Sripat Pandey, *President*  
Nitin Jain  
Joseph H. Bosco

**Auditors**

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

**Registered Office**

1013 Centre Road  
City of Wilmington  
County of New Castle  
Delaware 19805

## directors' report

**to the members**

The Directors have pleasure in presenting the Fifth audited Statement of Accounts of ICICI Securities Holdings, Inc. (the Company) for the year ended March 31, 2005.

**INDUSTRY OVERVIEW**

The Indian economy continued to perform well and attracted interest from companies in the United States (U.S.). The business environment in the U.S. which was lackluster in the previous year showed signs of significant improvement in the wake of strong industrial growth and pick-up of the general economy in the U.S. Your Company has been advising clients on some deals mainly in speciality chemicals and pharmaceutical sectors. Higher U.S. interest was also evident in flexible packaging and textile sector. A new trend seems to have developed wherein private equity funds have shown interest to invest in India. The Company believes that this activity will pick up in the years to come.

Interest from Indian companies to acquire companies internationally has also been on the rise. The Company has also formed working relationships with boutique investment banks which are helping in generating deal flow.

Your Company also sponsored 'India Breakfast' in the Oil and Gas conference in Houston organised by Cambridge Energy Research Associates, a leading energy consulting company.

**FINANCIAL HIGHLIGHTS***(Rupees in '000s)*

	<b>Fiscal 2005</b>	<b>Fiscal 2004</b>
Gross Income	<b>23,071.78</b>	<b>26,847.72</b>
Profit before Tax	<b>(13,361.58)</b>	<b>538.22</b>
Provision for Tax	—	—
Profit after Tax	<b>(13,361.58)</b>	<b>538.22</b>

**OPERATIONAL REVIEW**

The Company, a wholly owned subsidiary of ICICI Securities Limited provides corporate advisory services to the investors in the U.S. who wish to enter the Indian financial market and Indian investors who wish to enter the financial market in the U.S.

**DIRECTORS**

Sripat Pandey, Nitin Jain and Joseph Bosco continue as Directors of the Company.

**AUDITORS**

The Auditors, S. R. Batliboi & Company, Chartered Accountants, Mumbai, appointed pursuant to the provisions of the Companies Act, 1956, will retire at the ensuing Annual General Meeting and offer themselves for re-appointment.

**ANNUAL ACCOUNTS OF SUBSIDIARY**

As required under section 212 of the Companies Act, 1956, the audited Statements of Accounts for the year 2004 - 2005, together with the reports of Directors and Auditors for the year ended March 31, 2005, of the subsidiary company, namely, ICICI Securities, Inc. are attached.

**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.

For and on behalf of the Board

Mumbai, April 19, 2005

Director



# auditors' report

to the members of ICICI Securities Holdings, Inc.

1. We have audited the attached Balance Sheet of ICICI Securities Holding Inc. ('the Company') as at March 31, 2005, the Profit and Loss Account and 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 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. In our opinion and to the best of our information and according to the explanations given to us, the Financial Statements 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; and
- b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.
- c) in case of the 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 19, 2005



# balance sheet

as at March 31, 2005

# profit and loss account

for the year ended March 31, 2005

**ICICI Securities Holdings, Inc**

Schedule	(Rs in Thousands)		(US\$ in Thousands)		Schedule	(Rs in Thousands)		(US\$ in Thousands)		
	As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004		For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2004	
<b>SOURCES OF FUNDS</b>					<b>INCOME FROM OPERATIONS</b>					
<b>Shareholders' Funds</b>					(a) Income from Services I 6,892.41 12,934.12 153.36 281.00					
A. Share Capital	A	75,025.00	75,025.00	1,600.00	1,600.00	(b) Interest Income J — 104.93 — 2.28				
B. Reserves & Surplus	B	(21,110.43)	(8,116.63)	(421.88)	(124.58)	(c) Other Income K 16,179.37 13,808.67 360.00 300.00				
		<u>53,914.57</u>	<u>66,908.37</u>	<u>1,178.12</u>	<u>1,475.42</u>	23,071.78 26,847.72 513.36 583.28				
<b>APPLICATION OF FUNDS</b>					Less : Operating Expenditure					
<b>1. Fixed Assets</b>					Financial Charges and					
Gross Block	C	830.55	650.60	18.99	14.88	Operating Expenses L 1,099.44 184.86 24.46 4.02				
Less: Depreciation		523.09	411.86	11.96	9.42	21,972.34 26,662.86 488.90 579.26				
Net Block		<u>307.46</u>	<u>238.74</u>	<u>7.03</u>	<u>5.46</u>	<b>EXPENDITURE</b>				
<b>2. Investments</b>					Less: Administrative Expenditure					
	D	48,309.55	48,309.55	1,050.00	1,050.00	(a) Payments to and				
<b>3. Current Assets,</b>					Provisions for Employees M 22,676.35 15,853.21 504.56 344.42					
<b>Loans &amp; Advances</b>					(b) Establishment and					
A. Current Assets -						Other Expenses N 12,543.56 10,100.05 279.10 219.44				
(a) Sundry Debtors	E	1,093.63	7,869.15	25.00	180.00	(c) Depreciation - On other				
(d) Cash & Bank						owned Assets				
Balances	F	929.72	7,974.85	21.25	182.42	114.01 171.38 2.54 3.72				
B. Loans & Advances	G	5,034.30	3,665.38	115.08	83.84	<u>35,333.92</u> <u>26,124.64</u> <u>786.20</u> <u>567.58</u>				
		<u>7,057.65</u>	<u>19,509.38</u>	<u>161.33</u>	<u>446.26</u>	<b>Profit before Taxation</b> (13,361.58) 538.22 (297.30) 11.68				
Less : Current Liabilities						<i>Less: Provision for Taxation</i> — — — —				
& Provisions:	H	1,760.09	1,149.30	40.24	26.30	<b>Profit After Taxation</b> (13,361.58) 538.22 (297.30) 11.68				
<b>NET CURRENT ASSETS</b>		<u>5,297.56</u>	<u>18,360.08</u>	<u>121.09</u>	<u>419.96</u>	Brought forward from				
		<u>53,914.57</u>	<u>66,908.37</u>	<u>1,178.12</u>	<u>1,475.42</u>	previous years (5,505.15) (6,043.37) (124.58) (136.26)				
<b>Notes to Accounts</b>					Amount available for					
O					appropriations (18,866.73) (5,505.15) (421.88) (124.58)					
The Schedules referred above and the notes to accounts form an integral part of the Accounts					Balance carried to					
					Balance Sheet (18,866.73) (5,505.15) (421.88) (124.58)					
					Earnings per share					
					(Basic & Diluted) (8.35) 0.34					
					(Face value US. \$1 per share)					
					<b>Notes to Accounts</b> O					
					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

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

per VIREN H. MEHTA  
Partner  
Membership No.: 48749  
Mumbai, April 19, 2005

For and on behalf of the Board

SRIPAT PANDEY  
President

NITIN JAIN  
Director





# schedules

forming part of the Accounts

Continued

	(Rupees in Thousand)		(US\$ in Thousand)	
	As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE "A" - SHARE CAPITAL :</b>				
Authorized:				
15,000,000 Equity Shares of US\$ 1/- each				
Issued Subscribed & Paid Up:				
Common stock, \$1 par value; 1,600,000 shares	75,025.00	75,025.00	1,600.00	1,600.00

	Balance as on April 1, 2004	(Rupees in Thousand)		(US\$ in Thousand)	
		As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE "B"-RESERVES AND SURPLUS:</b>					
Profit and Loss Account	(5,505.15)	(18,866.73)	(5,505.15)	(421.88)	(124.58)
Translation Reserve	(2,611.48)	(2,243.70)	(2,611.48)	-	-
<b>TOTAL</b>	<u>(8,116.63)</u>	<u>(21,110.43)</u>	<u>(8,116.63)</u>	<u>(421.88)</u>	<u>(124.58)</u>

## SCHEDULE C - FIXED ASSETS

	(Rupees in Thousand) (US\$ in Thousand)										
	GROSS BLOCK (at Cost)			ACCUMULATED DEPRECIATION			NET BLOCK		NET BLOCK		
	April 1 2004	Additions	Sale/Adj	Mar 31, 2005	Additions	Sale/Adj	Mar 31, 2005	Mar 31, 2005	Mar 31, 2004	Mar 31, 2005	Mar 31, 2004
Office Equipment	383.72	145.80	-	529.52	71.40	-	391.13	138.39	63.99	3.17	1.46
Furniture & Fixtures	266.88	34.15	-	301.03	39.83	-	131.96	169.07	174.75	3.86	4.00
<b>TOTAL</b>	<u>650.60</u>	<u>179.95</u>	<u>-</u>	<u>830.55</u>	<u>111.23</u>	<u>-</u>	<u>523.09</u>	<u>307.46</u>	<u>238.74</u>	<u>7.03</u>	<u>5.46</u>
<i>Previous Period</i>	642.98	7.62	-	650.60	141.31	-	411.86	238.74			

Note :

- Fixed Assets includes Translation Reserve of Rs.(41) Thousand
- Depreciation for the year includes Translation Reserve of Rs.(26) Thousand

## SCHEDULE "D" - INVESTMENTS - LONG TERM: - (AT COST)

Name of the Company	Quantity in thousands	FV per unit (Rs.)	(Rupees in Thousand)		(US\$ in Thousand)	
			As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
<b>In Equity Shares of Subsidiary Company</b>						
- Unquoted and fully paid up						
ICICI Securities Inc.	1,050.00	*	48,309.55	48,309.55	1,050.00	1,050.00
<b>TOTAL</b>			<u>48,309.55</u>	<u>48,309.55</u>	<u>1,050.00</u>	<u>1,050.00</u>

\* Face Value of US Dollar 1.00 per unit.

## SCHEDULE "E" - SUNDRY DEBTORS (Unsecured):

Receivables outstanding for a period not exceeding six months (considered good)	1,093.63	7,869.15	25.00	180.00
<b>Total</b>	<u>1,093.63</u>	<u>7,869.15</u>	<u>25.00</u>	<u>180.00</u>

## SCHEDULE "F" - CASH AND BANK BALANCES:

In Current Accounts with Banks	929.72	7,974.85	21.25	182.42
<b>TOTAL</b>	<u>929.72</u>	<u>7,974.85</u>	<u>21.25</u>	<u>182.42</u>

## SCHEDULE "G" - LOANS AND ADVANCES:

(Unsecured and considered good unless otherwise stated)

Advances :

(Recoverable in cash or in kind  
or for value to be received)

Other Advances and Deposits*	4,947.68	3,578.82	113.10	81.86
Security Deposit for Leased Premises	86.62	86.56	1.98	1.98
<b>TOTAL</b>	<u>5,034.30</u>	<u>3,665.38</u>	<u>115.08</u>	<u>83.84</u>

\*Includes an amount of Rs.4.95 million receivable from Subsidiary Company (Previous year Rs. 3.58 million)

# schedules

	(Rupees in Thousand)		(US\$ in Thousand)	
	As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
<b>SCHEDULE "H" - CURRENT LIABILITIES AND PROVISIONS:</b>				
Sundry Creditors for Expenses	1,760.09	1,149.30	40.24	26.30
<b>TOTAL</b>	<b>1,760.09</b>	<b>1,149.30</b>	<b>40.24</b>	<b>26.30</b>
<b>SCHEDULE "I" - INCOME FROM SERVICES :</b>				
Financial Advisory Services	6,892.41	12,934.12	153.36	281.00
<b>TOTAL</b>	<b>6,892.41</b>	<b>12,934.12</b>	<b>153.36</b>	<b>281.00</b>
<b>SCHEDULE "J" - INTEREST INCOME</b>				
Income On Discounted Instruments				
- Stock in Trade	-	104.93	-	2.28
<b>TOTAL</b>	<b>-</b>	<b>104.93</b>	<b>-</b>	<b>2.28</b>
<b>SCHEDULE "K" - OTHER INCOME:</b>				
Service Charges	16,179.37	13,808.67	360.00	300.00
<b>TOTAL</b>	<b>16,179.37</b>	<b>13,808.67</b>	<b>360.00</b>	<b>300.00</b>
<b>SCHEDULE "L" - FINANCIAL CHARGES AND OPERATING EXPENSES:</b>				
Bank Charges	59.97	184.86	1.33	4.02
Procurement Expenses	1,039.47	-	23.13	-
<b>TOTAL</b>	<b>1,099.44</b>	<b>184.86</b>	<b>24.46</b>	<b>4.02</b>
<b>SCHEDULE "M" - PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:</b>				
Salaries, Wages and Incentive	22,223.59	15,853.21	494.49	344.42
Staff Welfare Expenses	452.76	-	10.07	-
<b>TOTAL</b>	<b>22,676.35</b>	<b>15,853.21</b>	<b>504.56</b>	<b>344.42</b>
<b>SCHEDULE "N" - ESTABLISHMENT AND OTHER EXPENSES:</b>				
Rent and Amenities	2,742.81	1,770.93	61.03	38.47
Business Promotion, Travelling and Conveyance Expenses	2,670.55	2,828.16	59.42	61.45
Repairs, Maintenance and Upkeep	19.53	-	0.43	-
Rates and Taxes	667.78	411.53	14.86	8.94
Communication Expenses	1,778.79	1,998.31	39.58	43.41
Printing and Stationery	29.55	23.26	0.66	0.51
Subscription and Periodicals	363.26	47.65	8.08	1.04
Professional Fees	3,958.33	2,573.72	88.08	55.92
Miscellaneous Expenses	312.96	446.49	6.96	9.70
<b>TOTAL</b>	<b>12,543.56</b>	<b>10,100.05</b>	<b>279.10</b>	<b>219.44</b>



**SCHEDULE "O": 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) Revenue Recognition**

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.

**(iii) 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.

**(iv) Conversion to Indian Rupees**

For the purpose of the accounts during the year all income and expense items are converted at the average rate of exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of the year-end translation is being debited or credited to Translation Reserve.

The Equity Share Capital and Investments in subsidiary is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year-end are transferred to Translation Reserve account and the said account is being treated as "Reserves and Surplus".

**(v) Fixed Assets and Depreciation**

Fixed assets are stated at historical cost.

Depreciation on fixed assets is provided on written down value method at the rates which are equal or higher than the rates prescribed in Schedule XIV of the Companies Act, 1956. Such rates are fixed after considering applicable laws in the United States of America and management estimation of the useful life of the asset.

Depreciation of Assets	Estimate Life
Office Equipment & Computers	3 Years
Furniture & Fixtures	7 Years

**(vi) 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. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. 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.

**(vii) 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.

**(viii) 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. The Company is a wholly owned subsidiary of ICICI Securities Ltd. The accounts have been prepared and audited to attach with the accounts of ICICI Securities Ltd., the Holding Company, to comply with the provisions of the Indian Companies Act, 1956.

**3. Deferred Tax**

Deferred Tax asset resulting from accumulated losses have not been accounted because of uncertainty of availability of sufficient future taxable income.

4. For the purpose of conversion of the local currency (USD) into Indian Currency (Indian Rupees) the exchange rate applied is as per para (iv) of the accounting policies.

**5. Related Party Disclosures**

The Company being a finance company the transactions in the normal course of business have not been disclosed. The following are the details of transactions with related parties: -

(Rupees in thousand)

Name of the Related Party	Type of Transactions	Amount
ICICI Securities Inc. - Subsidiary Company	Service charges	16,179
	Investments	48,310
ICICI Bank Ltd - The Parent Company	Rent	2,743

6. 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 O**

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

Viren H. Mehta  
Partner  
Membership No.: 48749

Mumbai, April 19, 2005

For and on behalf of the Board

SRIPAT PANDEY  
President

NITIN JAIN  
Director

# cash flow statement

**ICICI Securities Holdings, Inc**

forming part of the Accounts

	(Rupees in Thousand)		(US\$ in Thousand)	
	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>A Cash Flow From Operating Activities</b>				
Profit Before Tax	(13,361.58)	538.22	(297.30)	11.68
- Depreciation	114.01	171.38	2.54	3.72
- Exchange adjustments	365.00	(1,615.87)	—	—
Operating Profit before Changes in Operating Assets and Liabilities	<u>(12,882.57)</u>	<u>(906.27)</u>	<u>(294.76)</u>	<u>15.40</u>
Adjustments for net change in Operating Assets and Liabilities				
- Current Assets excluding Cash and Cash equivalents	6,775.52	6,362.83	155.00	119.72
- Loans and advances relating to Operations	(1,368.92)	(3,525.18)	(31.24)	(80.89)
- Current Liabilities relating to Operations	610.79	(1,105.41)	13.94	(21.18)
	<u>6,017.39</u>	<u>1,732.24</u>	<u>137.70</u>	<u>17.65</u>
Cash generated from Operations	<u>(6,865.18)</u>	<u>825.97</u>	<u>(157.06)</u>	<u>33.05</u>
Payment of Taxes (Net)	—	—	—	—
Net Cash from Operating Activities	<u><u>(6,865.18)</u></u>	<u><u>825.97</u></u>	<u><u>(157.06)</u></u>	<u><u>33.05</u></u>
<b>B Cash Flow From Investment Activities</b>				
- (Purchase) / Sale of Investments (Net)	—	—	—	—
- (Purchase) / Sale of Fixed Assets (Net)	(179.95)	(7.62)	(4.11)	(1.34)
Net cash used in Investment Activities	<u>(179.95)</u>	<u>(7.62)</u>	<u>(4.11)</u>	<u>(1.34)</u>
<b>C Cash Flow From Financing Activities</b>				
Net Change in Cash & Cash Equivalents	(7,045.13)	818.35	(161.17)	31.71
Cash and Cash Equivalents at the beginning of the year	7,974.85	7,156.50	182.42	150.71
Cash and Cash Equivalents at the end of the year	<u>929.72</u>	<u>7,974.85</u>	<u>21.25</u>	<u>182.42</u>

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

For and on behalf of the Board

For S. R. BATLIBOI & CO.  
Chartered Accountants

SRIPAT PANDEY  
President

per VIREN H. MEHTA  
Partner  
Membership No.: 48749

NITIN JAIN  
Director

Mumbai, April 19, 2005

**ICICI SECURITIES, INC.****5TH ANNUAL REPORT AND ACCOUNTS 2004-2005****Directors**

Sripat Pandey, *President*  
Nitin Jain  
Devesh Kumar  
Joseph H. Bosco  
Sanjeev Patni

**Auditors**

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

**Registered Office**

1013 Centre Road  
City of Wilmington  
County of New Castle  
Delaware 19805

**directors' report****to the members**

The Directors have pleasure in presenting the Fifth audited Statement of Accounts of ICICI Securities, Inc. (the Company) for the year ended March 31, 2005.

**INDUSTRY OVERVIEW**

The capital market environment in the United States (U.S.) remained strong during the year under review, however by the end of the year challenging market conditions seem to be returning. The prime economic indicators continued to improve during the year, however the strong oil prices have started taking their toll on the economic numbers. The Company expects markets to remain challenging throughout FY06.

**FINANCIAL HIGHLIGHTS**

(Rupees in '000s)

	Fiscal 2005	Fiscal 2004
Gross Income	43,663.26	35,335.13
Profit before Tax	1,030.23	16,111.88
Provision for Tax	—	—
Profit after Tax	1,030.23	16,111.88

**OPERATIONAL REVIEW**

The Company was formed to undertake securities business in the U.S. and is registered with the Securities and Exchange Commission as a broker-dealer and is a member of the National Association of Securities Dealers (NASD). Since commencement of its operations, the Company has been providing brokerage and research services to U.S. institutional investors and has been focusing on institutional clients in the U.S. who have been actively investing in the Indian equity markets.

During the period under review, the Company continued to make its presence felt among the institutional investor community by adding a significant number of large institutional clients based in the U.S.

Your Company continued its brand building efforts with road shows involving various Indian companies and analysts from ICICI Securities Limited, a second level holding company of the Company, making presentations to major fund management companies based in the U.S. The Company also successfully organized its annual 'India Unlimited Investor Conference' in New York in November 2004. The conference attracted huge investor interest and was attended by blue chip Indian companies, foreign equity funds and institutional investors.

Your Company is also in process of expanding its footprints into other global markets and has set up branches in the United Kingdom (U.K.) and Singapore. To this end, it has made an application for registration to the Financial Services Authority, United Kingdom for acting as lead manager and arranger for issuance of equity and equity linked instruments (such as Global Depository Receipts and Convertible Bonds), by Indian companies and for providing other services related to the

securities market to institutional and qualified investors in the secondary market. An application has also been made to the Monetary Authority of Singapore for obtaining the capital market services licence for undertaking business of dealing in securities and advising on corporate finance. It is expected to get the registrations shortly. These offices would provide a major impetus to your Company's growth momentum going forward.

**DIRECTORS**

Sripat Pandey, Nitin Jain and Devesh Kumar continue as Directors of the Company. Joseph Bosco, Senior Vice President of ICICI Securities Limited and Sanjeev Patni, Senior Vice President of ICICI Securities Holdings, Inc. were appointed on the Board of the Company as Directors effective June 1, 2004.

**AUDITORS**

The Auditors, S. R. Batliboi & Company, Chartered Accountants, Mumbai, appointed pursuant to the provisions of the Companies Act, 1956, will retire at the ensuing Annual General Meeting and offer themselves for reappointment.

**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.

For and on behalf of the Board

Mumbai, April 19, 2005

Director



# auditors' report

 **ICICI Securities, Inc** to the members of **ICICI Securities, Inc.**

1. We have audited the attached Balance Sheet of ICICI Securities Inc. ('the Company') as at March 31, 2005, 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 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. In our opinion and to the best of our information and according to

the explanations given to us, the financial statements 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; and
- b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
- c) in case of the 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 19, 2005

# balance sheet

# profit and loss account

as at March 31, 2005

for the year ended March 31, 2005

	Schedule	(Rs. in Thousands)		(US\$ in Thousands)	
		As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
A. Share Capital	A	48,309.55	48,309.55	1,050.00	1,050.00
B. Reserves & Surplus	B	(7,794.04)	(8,807.90)	(123.82)	(146.75)
		<u>40,515.51</u>	<u>39,501.65</u>	<u>926.18</u>	<u>903.25</u>
<b>APPLICATION OF FUNDS</b>					
<b>Current Assets,</b>					
<b>Loans &amp; Advances</b>					
A. Current Assets -					
(a) Sundry Debtors	C	22,395.56	1,844.40	511.96	42.19
(b) Securities held as Stock-in-Trade	D	17,736.00	-	405.44	-
(c) Cash & Bank Balances	E	9,417.96	38,158.97	215.29	872.85
B. Loans & Advances	F	4,939.22	4,645.65	112.91	106.27
		<u>54,488.74</u>	<u>44,649.02</u>	<u>1,245.60</u>	<u>1,021.31</u>
Less : Current Liabilities & Provisions	G	<u>13,973.23</u>	<u>5,147.37</u>	<u>319.42</u>	<u>118.06</u>
<b>NET CURRENT ASSETS</b>		<u>40,515.51</u>	<u>39,501.65</u>	<u>926.18</u>	<u>903.25</u>
		<u>40,515.51</u>	<u>39,501.65</u>	<u>926.18</u>	<u>903.25</u>

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

	Schedule	(Rs. in Thousands)		(US\$ in Thousands)	
		For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>INCOME FROM OPERATIONS</b>					
(a) Income from Services	H	43,319.15	35,312.59	963.88	767.18
(b) Interest Income	I	97.58	22.54	2.17	0.49
(b) Other Income	J	246.53	-	5.48	-
		<u>43,663.26</u>	<u>35,335.13</u>	<u>971.53</u>	<u>767.67</u>
Less : Operating Expenditure Financial Charges and Operating Expenses	K	<u>16,110.41</u>	<u>345.83</u>	<u>358.46</u>	<u>7.51</u>
		<u>27,552.85</u>	<u>34,989.30</u>	<u>613.07</u>	<u>760.16</u>
<b>EXPENDITURE</b>					
Less: Administrative Expenditure - Establishment and Other Expenses	L	<u>26,522.62</u>	<u>18,877.42</u>	<u>590.14</u>	<u>410.12</u>
<b>Profit before Taxation</b>		<u>1,030.23</u>	<u>16,111.88</u>	<u>22.93</u>	<u>350.04</u>
Less: Provision for Taxation		-	-	-	-
<b>Profit After Taxation</b>		<u>1,030.23</u>	<u>16,111.88</u>	<u>22.93</u>	<u>350.04</u>
Brought forward from previous years		<u>(7,510.84)</u>	<u>(23,622.72)</u>	<u>(146.75)</u>	<u>(496.79)</u>
Amount available for appropriations		<u>(6,480.61)</u>	<u>(7,510.84)</u>	<u>(123.82)</u>	<u>(146.75)</u>
Balance carried to Balance Sheet		<u>(6,480.61)</u>	<u>(7,510.84)</u>	<u>(123.82)</u>	<u>(146.75)</u>
Earnings per share (Basic & Diluted) (Face value US. \$1 per share)		0.98	15.34		

Notes to Accounts M  
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

per VIREN H. MEHTA  
Partner  
Membership No.: 48749

Mumbai, April 19, 2005

For and on behalf of the Board

SRIPAT PANDEY  
President

DEVESH KUMAR  
Director

# schedules

**ICICI Securities, Inc** forming part of the Accounts

	(Rupees in Thousand)		(US\$ in Thousand)		
	As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004	
<b>SCHEDULE "A" - SHARE CAPITAL :</b>					
<b>Authorized:</b>					
15,000,000 Equity Shares of US\$ 1/- each					
<b>Issued Subscribed &amp; Paid Up:</b>					
Common stock, \$1 par value; 1,050,000 shares	<u>48,309.55</u>	<u>48,309.55</u>	<u>1,050.00</u>	<u>1,050.00</u>	
	Balance as on April 1, 2004	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004	
<b>SCHEDULE "B" - RESERVES AND SURPLUS:</b>					
Profit and Loss Account	(7,510.84)	(6,480.61)	(123.82)	(146.75)	
Translation Reserve	(1,297.06)	(1,313.43)	—	—	
<b>TOTAL</b>	<u>(8,807.90)</u>	<u>(7,794.04)</u>	<u>(123.82)</u>	<u>(146.75)</u>	
<b>SCHEDULE "C" - SUNDRY DEBTORS (Unsecured):</b>					
Receivables outstanding for a period not exceeding six months (considered good)		22,395.56	511.96	42.19	
		<u>22,395.56</u>	<u>511.96</u>	<u>42.19</u>	
<b>Total</b>		<u>22,395.56</u>	<u>511.96</u>	<u>42.19</u>	
<b>SCHEDULE "D" - SECURITIES HELD AS STOCK IN TRADE:</b>					
(at lower of cost or market value) (Quoted Unless otherwise stated)	Total Face Value (In US\$ thousands)	As at March 31, 2005	As at March 31, 2004	As at March 31, 2005	As at March 31, 2004
Units of Mutual Fund	400 (Nil)	17,736.00	—	405.44	—
		<u>17,736.00</u>	<u>—</u>	<u>405.44</u>	<u>—</u>
<b>SCHEDULE "E" - CASH AND BANK BALANCES:</b>					
In Current Accounts with Banks		9,417.96	38,158.97	215.29	872.85
<b>TOTAL</b>		<u>9,417.96</u>	<u>38,158.97</u>	<u>215.29</u>	<u>872.85</u>
<b>SCHEDULE "F" - LOANS AND ADVANCES:</b>					
(Unsecured and considered good unless otherwise stated)					
<b>Advances :</b>					
(Recoverable in cash or in kind or for value to be received)					
Other Advances and Deposits		4,730.00	4,645.65	108.13	106.27
Security Deposit for Leased Premises		209.22	—	4.78	—
		<u>4,939.22</u>	<u>4,645.65</u>	<u>112.91</u>	<u>106.27</u>
<b>SCHEDULE "G" - CURRENT LIABILITIES:</b>					
Sundry Creditors For Expenses		13,973.23	5,147.37	319.42	118.06
<b>TOTAL</b>		<u>13,973.23</u>	<u>5,147.37</u>	<u>319.42</u>	<u>118.06</u>
<b>SCHEDULE "H" - INCOME FROM SERVICES:</b>					
Brokerage and Commission		39,820.36	24,097.50	886.03	523.53
Financial Advisory Services		3,498.79	11,215.09	77.85	243.65
<b>TOTAL</b>		<u>43,319.15</u>	<u>35,312.59</u>	<u>963.88</u>	<u>767.18</u>
<b>SCHEDULE "I" - INTEREST INCOME:</b>					
Interest On Other Loans and Advances		79.20	22.54	1.76	0.49
Profit on Stock In Trade		18.38	—	0.41	—
<b>TOTAL</b>		<u>97.58</u>	<u>22.54</u>	<u>2.17</u>	<u>0.49</u>
<b>SCHEDULE "J" - OTHER INCOME:</b>					
Miscellaneous Income		20.39	—	0.45	—
Dividend Income from Mutual Funds		226.14	—	5.03	—
<b>TOTAL</b>		<u>246.53</u>	<u>—</u>	<u>5.48</u>	<u>—</u>





# schedules

forming part of the Accounts

Continued

	(Rupees in Thousand)		(US\$ in Thousand)	
	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>SCHEDULE "K" - FINANCIAL CHARGES AND OPERATING EXPENSES:</b>				
Bank Charges	80.61	345.83	1.79	7.51
Procurement Expenses	16,028.00	—	356.63	—
Transaction Charges	1.80	—	0.04	—
<b>TOTAL</b>	<b>16,110.41</b>	<b>345.83</b>	<b>358.46</b>	<b>7.51</b>
<b>SCHEDULE "L" - ESTABLISHMENT AND OTHER EXPENSES:</b>				
Rates and Taxes	185.28	287.11	4.12	6.24
Insurance	65.44	67.02	1.46	1.46
Business Promotion, Travelling and Conveyance Expenses	449.43	—	10.00	—
Subscription and Periodicals	1,144.73	792.41	25.47	17.22
Professional Fees	6,830.08	3,116.26	151.97	67.70
Auditors' Remuneration	870.54	794.00	19.37	17.25
Service Charges	16,179.37	13,808.67	360.00	300.00
Miscellaneous Expenses	797.75	11.95	17.75	0.25
<b>TOTAL</b>	<b>26,522.62</b>	<b>18,877.42</b>	<b>590.14</b>	<b>410.12</b>

## SCHEDULE "M": 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) Revenue Recognition

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

#### (iii) Conversion to Indian Rupees

For the purpose of the accounts during the year all income and expense items are converted at the average rate of exchange applicable for the year. All assets and liabilities are translated at the closing rate as on the Balance Sheet date. The exchange difference arising out of the year-end translation is being debited or credited to Translation Reserve.

The Equity Share Capital and is carried forward at the rate of exchange prevailing on the transaction date. The resulting exchange difference on account of translation at the year-end are transferred to Translation Reserve account and the said account is being treated as "Reserves and Surplus"

#### (iv) 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. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. 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

#### (v) 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.

#### (vi) 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. The Company is a wholly owned subsidiary of ICICI Securities Holdings Inc. The accounts have been prepared and audited to attach with the accounts of ICICI Securities Ltd., the Holding Company, to comply with the provisions of the Indian Companies Act, 1956.

#### 3. Deferred Tax

Deferred Tax asset resulting from accumulated losses have not been accounted because of uncertainty of availability of sufficient future taxable income.

4. For the purpose of conversion of the local currency (USD) into Indian Currency (Indian Rupees) the exchange rate applied is as per para (iii) of the accounting policies.

#### 5. Related Party Disclosures

The following are the details of transactions with related parties: -

(Rupees in thousand)		
Name of the related Party	Type of Transactions	Amount
ICICI Securities Holdings Inc. - The Holding Company	Establishment expenses	16,179
	Share Capital	48,310
ICICI Brokerage Services Ltd. - Subsidiary of ICICI Securities Ltd.	Brokerage & Commission	39,629
	Sundry Debtors	21,316

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

#### Signatures to schedules A to M

Per our Report attached	For and on behalf of the Board
S. R. Batliboi & Co. Chartered Accountants Viren H. Mehta Partner Membership No.: 48749	SRIPAT PANDEY President
Mumbai, April 19, 2005	DEVESH KUMAR Director



# cash flow statement

**ICICI Securities, Inc** forming part of the Accounts

Continued

	(Rupees in Thousand)		(US\$ in Thousand)	
	For the year ended March 31, 2005	For the year ended March 31, 2004	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>A Cash Flow From Operating Activities</b>				
Profit Before Tax	1,030.23	16,111.88	22.93	350.04
- Exchange adjustments	(16.37)	(2,879.56)	-	-
Operating Profit before Changes in Operating Assets and Liabilities	1,013.86	13,232.32	22.93	350.04
Adjustments for net change in Operating Assets and Liabilities				
- Current Assets excluding Cash and Cash equivalents	(38,287.16)	(1,624.50)	(875.21)	(37.56)
- Loans and advances relating to Operations	(293.57)	102.83	(6.64)	(6.27)
- Current Liabilities relating to Operations	8,825.86	5,081.00	201.36	116.66
	(29,754.87)	3,559.33	(680.49)	72.83
Cash generated from Operations	(28,741.01)	16,791.65	(657.56)	422.87
Payment of Taxes (Net)	-	-	-	-
Net Cash from Operating Activities	(28,741.01)	16,791.65	(657.56)	422.87
<b>B Cash Flow From Investment Activities</b>	-	-	-	-
<b>C Cash Flow From Financing Activities</b>	-	-	-	-
Net Change in Cash & Cash Equivalents	(28,741.01)	16,791.65	(657.56)	422.87
Cash and Cash Equivalents at the beginning of the year	38,158.97	21,367.32	872.85	449.98
Cash and Cash Equivalents at the end of the year	9,417.96	38,158.97	215.29	872.85

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

For and on behalf of the Board

For S. R. BATLIBOI & CO.  
Chartered Accountants

SRIPAT PANDEY  
President

per VIREN H. MEHTA  
Partner  
Membership No.: 48749

DEVESH KUMAR  
Director

Mumbai, April 19, 2005

