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III. TERMS OF THE PRESENT ISSUE

ICICI is offering for public subscription two simultaneous (but not linked) Public Issues of Unsecured Redeemable Bonds in the nature of Debentures:

Money Multiplier Bond and Regular Income Bond together aggregating Rs. 250 crore with a right to retain oversubscription up to Rs. 250 crore

AND

Tax Saving Bond aggregating Rs. 50 crore with a right to retain oversubscription up to Rs. 50 crore.

The Bonds being offered are subject to the provisions of the Act, the Memorandum and Articles, the terms of this Prospectus, Application Form and other terms and conditions as may be incorporated in the Trustee Agreement, Letter of Allotment and Bond Certificates. Over and above such terms and conditions, the Bonds shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI/the Government of India/RBI and/or other authorities and other documents that may be executed in respect of the Bonds.

NATURE OF BONDS

ICICI is offering for subscription for cash the following three types of Bonds in the nature of Debentures:

- Money Multiplier Bond
- Regular Income Bond
- Tax Saving Bond

Out of the above Bonds, Options II to VI of the Money Multiplier Bond (i.e., except Option I), Option I of the Regular Income Bond and all options of the Tax Saving Bond will constitute direct, unsecured and subordinated obligations of the Company (See also "Status" on page-10).

1. MONEY MULTIPLIER BOND (in the nature of Deep Discount Bond)

Each Money Multiplier Bond in the nature of Deep Discount Bond will have different Face Values under each option and will be issued at a discounted Issue Price of Rs. 3,000/- each.

Minimum Application: 1 Bond

The investors can choose any of the following six options (as per the Table below) in respect of the Money Multiplier Bond:

| Option | I | II | III | IV | V | VI |
|-------------------|---------------------|-----------------------|---------------------|---------------------|----------------------|----------------------|
| Issue Price (Rs.) | 3,000/- | 3,000/- | 3,000/- | 3,000/- | 3,000/- | 3,000/- |
| Face Value (Rs.) | 4,500/- | 6,000/- | 12,000/- | 24,000/- | 48,000/- | 1,00,000/- |
| Redemption | 3 years 7 months | 5 years 8 months | 11 years | 17 years | 22 years 7 months | 28 years 6 months |
| Redemption Date | August 21, 2001 | September 21, 2003 | January 21, 2009 | January 21, 2015 | August 21, 2020 | July 21, 2026 |
| YTM * | 11.98% | 13.00% | 13.42% | 13.00% | 13.05% | 13.08% |

* Subject to tax deduction at source.

See also "Common Features, Terms and Conditions of the Bonds".

2. REGULAR INCOME BOND

- Face Value : Rs. 5,000/-
- Redemption : At Face Value, i.e., Rs. 5,000/- at the end of five years from the Deemed Date of Allotment, i.e., on January 21, 2003
- Minimum Application : 6 Bonds under Option I and 2 Bonds each under Option II or Option III and in multiples of one Bond thereafter.

Interest:

The Investors can choose any of the following three options in respect of payment of interest.

Option I: (Monthly Interest)

Interest: 12.00 % p.a. payable monthly.
 Annualised YTM: 12.68%.

Option II: (Half-yearly Interest)

Interest: 12.25% p.a. payable half-yearly.
 Annualised YTM: 12.63%.

Option III: (Annual Interest)

Interest: 12.75% p.a. payable annually.
 Annualized YTM: 12.75%.

Payment of Interest

Option I (Monthly Interest)

Interest will be paid monthly on the last day of each month.

For the convenience of the investors, ICICI will send every year in the month of April, a set of 12 post-dated cheques dated last day of the relevant month towards the payment of interest for each month in arrears, subject to the finalization of taxation rates for the year by the Finance Act/Bill. In case TDS rates for the year undergo a change after sending the post-dated cheques, the Corporation reserves the right to recover the differential TDS amount, if any, from the Investors. Payment of interest for the first month from the Deemed Date of Allotment and the last month before redemption shall be made on pro-rata basis. The interest payment for the period from the Deemed Date of Allotment till the last date of the month succeeding the Deemed Date of Allotment will be paid along with the interest due for such succeeding month. The first set of post-dated cheques towards the interest from the Deemed Date of Allotment till March 31, 1998 will be sent with the Bond Certificate(s).

Option II (Half-yearly Interest)

Interest will be paid at the end of each half year of each financial year, i.e., on March 31 and on September 30 each year. The first interest payment will be made on March 31, 1998 for the period commencing from the Deemed Date of Allotment and the last interest payment will be made at the time of Redemption of the Bond on a pro-rata basis.

Option III (Annual Interest)

Interest will be paid at the end of each financial year, i.e., on March 31 each year. The first interest payment will be made on March 31, 1998 for the period commencing from the Deemed Date of Allotment and the last interest payment will be made at the time of Redemption of the Bond on a pro-rata basis.

See also "Common Features, Terms and Conditions of the Bonds".

3. TAX SAVING BOND

Investors can avail rebate under Section 88 of the Income-tax Act, 1961 by investing in Bonds issued by a public financial institution for the purpose of deploying these funds towards infrastructure projects. The Central Board of Direct Taxes, Department of Revenue, Ministry of Finance, Government of India vide its notification nos. 10278 and 10279 dated March 4, 1997 has declared the Bonds issued by ICICI as specified assets for the purposes of Section 54EA and 54EB of the Income-tax Act, 1961 and vide its notification No. F.No.178/94/97-ITA-I dated September 2, 1997 has declared the Tax Saving Bond Option I as eligible security for the purposes of Section 88 of the Income-tax Act, 1961.

Investors desirous of availing rebate under Section 88 or for availing benefits under Sections 54EA or 54EB of the Income-tax Act, 1961 from payment of capital gains can invest in the relevant option of this Bond.

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The investor can choose any of the following Options in respect of subscription for Tax Saving Bond.

| Option | Tax Benefit u/s | Face Value (Rs.) | Tenure (Years) | Redemption Date | Interest** (Payable annually) | YTM** | | | |
|--------|-----------------|------------------|----------------|------------------|-------------------------------|--------|--------|--------|--------|
| I | 88 | 5,000 | 5 | January 21, 2003 | 12.00% | 18.46% | | | |
| II | 54EA | 5,000 | 5 | January 21, 2003 | 12.00% | 20%* | 40%* | 60%* | 80%* |
| | | | | | | 13.14% | 14.35% | 15.63% | 17.00% |
| III | 54EB | 5,000 | 7 | January 21, 2005 | 12.50% | 17.70% | | | |

- * Percentage of Capital Gains in amount invested.
- ** Subject to TDS as per the then prevailing tax laws.

Note: Investors are requested to please note the following:

- (i) Investors applying for Option I will be able to avail rebate only under Section 88 and not under Section 54EA/54EB in respect of the amount subscribed to.
- (ii) Investors applying for Option II will be able to avail benefit only under Section 54EA and not under Section 88/54EB in respect of the amount subscribed to.
- (iii) Investors applying for Option III will be able to avail benefit only under Section 54EB and not under Section 88/54EA in respect of the amount subscribed to.

Payment of Interest

Interest will be paid on March 31 each year. The first interest payment will be made on March 31, 1998 for the period commencing from the Deemed Date of Allotment and the last interest payment for the remaining period will be made on a pro-rata basis at the time of Redemption of the Bond. In case the cheque payable at par facility is not available, ICICI reserves the right to adopt any other suitable mode of payment.

Taxation

This Bond is eligible security for the purpose of Sections 88, 54EA & 54EB of the Income-tax Act, 1961 in accordance with the option opted for.

Any long-term capital gains arising in the hands of the investor from the sale of a capital asset and invested within a period of six months from it having arisen in such approved Instruments shall be eligible for an exemption from payment of Capital Gains Tax to the extent specified under the relevant section.

Subscription to Option I would entitle an individual to a rebate from Income tax @ 20 per cent (@ 25% in case of authors, playwrights, artists, musicians, actors or sportsmen) of the aggregate of the sums paid or deposited up to Rs.70,000 in a financial year by the taxpayer out of his Income chargeable to tax as prescribed in sub-section 2 of Section 88 of the Income Tax Act, 1961.

To avail of the benefit under Section 88, such investment needs to be locked in for a period of three years. To avail benefit under Section 54EA, the investor is required to invest the net sales realization in the approved securities which needs to be locked in for three years. To avail benefit under Section 54EB, the investor is required to invest the capital gains arising in the approved security and such investment needs to be locked in for seven years.

Any investor claiming benefit under Sections 54EA and 54EB of the Income-Tax Act, 1961 is not permitted to pledge these Bonds as eligible security for any loan taken by him/her during three/seven years from the Deemed Date of Allotment for Section 54EA and Section 54EB, respectively. In case the investor pledges these Bonds for any loan taken, he/she will be required to pay the Capital Gains Tax as per the provisions of the said section. The CBDT has clarified that for the purposes of Sections 54EA and 54EB, investors would be allowed to obtain benefit under these sections if the application is made within the stipulated time limit of 6 months to the extent of allotment made.

COMMON FEATURES, TERMS AND CONDITIONS OF THE BONDS

Interest on Application Money @ 5.00 per cent p.a. from the date of deposit of Application Form with the Bankers to the Issue

Interest on application money will be paid to all the allottees, who

have paid the application money by way of cheque/cash/demand draft on the amount allotted at the rate of 5.00 per cent p.a. Such interest will be paid for the period commencing from the date of lodgement of the Application Form at the bank branches listed in the Application Form till a day prior to the Deemed Date of Allotment. The date of receipt of Application Form as given by the bank branch will be considered as final.

In case of applications by minors, the interest warrants for interest on application money will be issued in the name of the applicant along with the name of the guardian. However, there will be no mention of the bank account number.

An investor should not deduct the interest on application money receivable by him from the amount payable on application. The interest warrants will be despatched along with the Letter of Allotment/Bond Certificates, at the sole risk of the applicant, to the sole/first applicant as mentioned in the Application Form.

Investors applying through stockinvest will not be entitled to any interest on application money. No interest on application money will be paid on the amount refunded.

In case the cheque payable at par facility is not available, ICICI reserves the right to adopt any other suitable mode of payment.

Deemed Date of Allotment

The Deemed Date of Allotment for the issue has been fixed as January 22, 1998. All benefits relating to the Bonds will be available to the investors from the Deemed Date of Allotment. The actual allotment may occur on a date other than the Deemed Date of Allotment.

Market Lot

The market lot will be one Bond.

Terms of Payment

| Type of Bond | Minimum Application for | Amount Payable on Application per Bond (Rs.) |
|------------------------------|-------------------------|--|
| MONEY MULTIPLIER BOND | | |
| Option I | One Bond | Rs. 3,000/- |
| Option II | One Bond | Rs. 3,000/- |
| Option III | One Bond | Rs. 3,000/- |
| Option IV | One Bond | Rs. 3,000/- |
| Option V | One Bond | Rs. 3,000/- |
| Option VI | One Bond | Rs. 3,000/- |
| REGULAR INCOME BOND | | |
| Option I (Monthly) | Six Bonds | Rs. 5,000/- |
| Option II (Half-yearly) | Two Bonds | Rs. 5,000/- |
| Option III (Annual) | Two Bonds | Rs. 5,000/- |