

6TH ANNUAL REPORT AND ACCOUNTS 2000-2001**Directors**

Devdatt Shah, *Chairman*
Subhash V. Dhavale
Meher Baburaj
Nitin Jain
Devesh Kumar

Auditors

M/s. N.M. Raiji & Co.
Chartered Accountants

Registered Office

41/44, Minoo Desai Marg
Colaba, Mumbai 400 005

directors' report

to the members

Your Directors have pleasure in presenting the Sixth Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2001.

Operations and Financial Results

During the year, the Company recorded Gross Income of Rs. 206.30 million (previous year Rs. 135.83 million). The Profit Before Tax is Rs. 45.22 million (previous year Rs. 75.15 million) and Profit After Tax is Rs. 27.72 million (previous year Rs. 46.05 million) after provision of Rs. 17.50 million (previous year Rs. 29.10 million) towards tax.

In order to focus on Institutional clients, your Company transferred the business of online trading pertaining to retail clients in favour of ICICI Web Trade Limited in March 2001.

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

Performance and Outlook

The secondary market witnessed wide fluctuations and its downturn was accelerated in the last two quarters of the year under review. The valuation across all sectors, in particular, the "new economy" sector saw major correction during the year. Further, the recent investigations into the securities market have affected market sentiments adversely. The IPO market also languished. The Sensex and Nifty touched their lowest mark in two years. Despite unfavourable market conditions, your Company performed well, by expanding its client horizon. Your Company is now targeting U.S. based clients, the results of which would be yielded in the current year.

Public Deposits

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

Directors

Mr. Devesh Kumar was appointed as an Additional Director of the Company with effect from April 26, 2001. In terms of section 260 of the Companies Act, 1956, he holds office as an Additional Director only upto the forthcoming Annual General Meeting of the Company, and being eligible, offers himself for appointment.

In terms of the provisions of the Articles of Association of the Company, Mr. Devdatt Shah will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Auditors

The Auditors, M/s. N. M. Raiji & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 26, 2001, has proposed their appointment as Auditors to audit the accounts of the Company for the financial year ending on March 31, 2002. You are requested to consider their appointment.

Foreign Exchange Earning and Expenditure

During 2000-2001, there was no expenditure or income in foreign currency.

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.

Since your Company does not own any manufacturing facility, the disclosure of information on other matters required 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 the Board of Directors) Rules, 1988, are not applicable and hence not given.

Directors Responsibility Statement

The Directors confirm :

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. that the Directors 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. that the Directors 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, Over the Counter Exchange of India, and its bankers for their continued support to the Company. The Directors also thank the employees for their contribution to the Company.

The Directors thank you for your support and co-operation to the Company. The Directors also thank ICICI Ltd. and its subsidiary companies for the support received from them.

For and on behalf of the Board

Mumbai, April 26, 2001

DEVDAAT SHAH
Chairman

auditors' report

ICICI Brokerage to the members of ICICI Brokerage Services Limited

We have audited the attached Balance Sheet of ICICI BROKERAGE SERVICES LIMITED as at March 31, 2001 and the annexed Profit and Loss Account for the year ended on that date and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) 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 to the extent applicable to the Company.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
 - (b) 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 the books;
 - (c) the Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account of the Company;
 - (d) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the Accounting

Standards referred to in Section 211 (3C) of the Companies Act, 1956 and are in agreement with the books of account.

- (e) as per the information and explanations provided to us, none of the directors of the Company are disqualified from being appointed as director u/s 274(1)(g) of the Companies Act, 1956.
- (f) in our opinion, to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2001 and
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 26, 2001

annexure to the auditors' report

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. Fixed Assets, have been physically verified by the management during the year. No discrepancies were noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The securities held as stock-in-trade and in custody of the Company have been physically verified by the management at reasonable intervals. For securities with the custodian and depository participants, statements from them have been obtained on a regular basis.
4. The procedures of physical verification of securities followed by the management are reasonable and adequate in relation to the size of the Company.
5. No material discrepancies have been noticed on reconciliation of stock with the custodian and depository participants as compared to the book stock.
6. In our opinion, the valuation of stock-in-trade is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has taken loans from the companies listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company. The Company has taken loans, secured or unsecured, from companies under the same management as defined under Section 370(1B) of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are, prima facie, not prejudicial to the interest of the Company.
8. The Company has not granted loan either to the parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to the companies under the same management defined under Section 370 (1B) of the Companies Act, 1956.
9. The Company has not accepted any deposits from the public and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable to the Company.
10. The Company has an adequate internal control procedure commensurate with the size of the Company and the nature of its business in respect of purchase of assets and purchase and sale of securities.
11. In our opinion, and according to the information and explanations given to us, services provided and purchase and sale of securities in pursuance of contracts or arrangements listed in the register maintained under

Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable, having regard to the prevailing market prices for such services/securities.

12. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
13. The Employees' Provident Fund Act and Employees' State Insurance Act are not applicable to the Company.
14. As per the records of the Company and according to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise Duty were outstanding as at March 31, 2001 for a period of more than six months from the date they became payable.
15. During the course of our examination of the books of account and according to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
16. The Company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 will not be applicable.
17. In respect of service activities, there is a reasonable system of authorization at proper levels and the system of internal control is commensurate with the size of the Company and nature of its business.
18. In respect of the loans and advances granted on the basis of security by way of pledge of shares, debentures and other securities, the Company has maintained adequate documents and records.
19. Proper records have been maintained for the transactions relating to trading in shares, securities, debentures and other investments and entries therein have been made generally on a timely basis. Securities are held by the Company as "stock-in-trade" and are generally sent for transfer or are held in dematerialized form.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Mumbai, April 26, 2001

balance sheet

profit and loss account

as at March 31, 2001

for the period ended March 31, 2001

as at March 31, 2001			for the period ended March 31, 2001		
Schedule	(Rupees in million)	March 31, 2000	Schedule	(Rupees in million)	March 31, 2000
SOURCES OF FUNDS			INCOME FROM OPERATIONS		
Shareholders' Funds			Brokerage Income		
Share Capital	A	45.01		166.09	84.99
Reserves & Surplus		79.11	Other Income	H	32.96
			Profit/(Loss) on Securities	I	7.25
		124.12		206.30	135.83
Loan Funds			Less: Financial Charges and Operating Expenses		
Secured Loans				J	147.56
Cash Credit facility		64.90			58.74
(Secured by guarantee from ICICI Ltd.)			EXPENDITURE		
Unsecured Loans			Payments to and provisions for Employees		
From Holding Company		—		K	0.30
		64.90	Establishment and other Expenses	L	11.92
		189.02	Depreciation		1.30
					13.52
APPLICATION OF FUNDS			Profit Before Taxation		
Fixed Assets			Less: Provision for Taxation		
Gross Block	B	13.26			45.22
Less: Depreciation		4.15			17.50
Net Block		9.11	Profit after Taxation		27.72
Capital Work-in-Progress		0.46	Brought forward from previous years		51.39
		9.57	Amount available for appropriations		79.11
					51.41
Investments			Tax on Dividend		
		—			—
Current Assets and Loans & Advances			Balance carried to Balance Sheet		
Current Assets :					79.11
Securities held as Stock-in-Trade	C	0.03			51.39
Sundry Debtors	D	51.56			
Cash & Bank Balances	E	126.04			
		83.67			
		261.30			
Loans & Advances					
	F	83.67			
		261.30			
Less: Current Liabilities & Provisions:					
Current Liabilities	G	32.26			
Provisions		49.59			
		179.45			
		189.02			
Net Current Assets					
		179.45			
		189.02			
Notes forming part of the Accounts and Accounting Policies					
	M				

Per our Report attached

For N.M. RAJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

Mumbai, April 26, 2001

For and on behalf of the Board

DEV DATT SHAH
Chairman

SUBHASH DHAVALA
Director

schedules

ICICI Brokerage forming part of the Accounts

(Rupees in million)

March 31, 2000

A. SHARE CAPITAL:

Authorized:		
25,000,000 Equity Shares of Rs. 10 each	<u>250.00</u>	<u>250.00</u>
Issued:		
4,500,700 Equity Shares of Rs. 10 each	<u>45.01</u>	<u>45.01</u>
Subscribed and Paid up:		
4,500,700 Equity Shares of Rs. 10 each	<u>45.01</u>	<u>45.01</u>

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

B. FIXED ASSETS:

(Rupees in million)

	Gross Block (At Cost)				Accumulated Depreciation				Net Block	
	April 1, 2000	Additions	Sale/Adj.	March 31, 2001	April 1, 2000	Additions	Sale/Adj.	March 31, 2001	March 31, 2001	March 31, 2000
Computers	0.91	0.19	—	1.10	0.78	0.08	—	0.86	0.24	0.13
Office Equipment	1.12	0.01	—	1.13	0.49	0.09	—	0.58	0.55	0.63
Improvements to Leased Property	1.03	—	—	1.03	0.51	0.13	—	0.64	0.39	0.52
BSE Memberships Rights	10.00	—	—	10.00	1.07	1.00	—	2.07	7.93	8.93
Total	13.06	0.20	—	13.26	2.85	1.30	—	4.15	9.11	10.21
Previous Year	13.05	0.01	—	13.06	1.54	1.31	—	2.85	10.21	

C. SECURITIES HELD AS STOCK-IN-TRADE:

(At cost or market value whichever is lower)

QUOTED - EQUITY SHARES	Face Value (in Rupees)		
HDFC Ltd.	2,000 (Nil)	0.01	—
R.S. Software Ltd.	1,000 (Nil)	0.01	—
Software Solution International Ltd.	130 (Nil)	0.01	—
Morepen Lab. Ltd.	350 (Nil)	0.00	—
Kirloskar Cummins Ltd.	Nil (500)	—	0.02
Federal Bank Ltd.	Nil (93,000)	—	0.49
Total		<u>0.03</u>	<u>0.51</u>

Note: The aggregate carrying value and market value of quoted securities as at March 31, 2001 is Rs. 0.03 million and Rs. 0.03 million respectively. (previous year - Rs. 0.51 million and Rs. 0.51 million respectively).

D. SUNDRY DEBTORS (Unsecured):

Outstanding for a period exceeding six months

Considered good	—	—
Considered doubtful	—	—
Other receivables		
Considered good	51.56	359.99
Total	<u>51.56</u>	<u>359.99</u>

schedules

forming part of the Accounts

Continued

	(Rupees in million)	March 31, 2000	(Rupees in million)	March 31, 2000
E. CASH & BANK BALANCES:				
In Current Accounts with Scheduled Banks	49.16	3.55		
Fixed Deposits with Scheduled Bank (Under Lien with Stock Exchanges)	76.88	120.30		
Total	<u>126.04</u>	<u>123.85</u>		
F. LOANS & ADVANCES: (Unsecured and considered good)				
Advances: (Recoverable in cash or in kind or for value to be received)				
Advance income & other taxes	60.15	33.78		
Deposit with stock exchanges	21.04	17.00		
Other advances and deposits	2.48	6.11		
Total	<u>83.67</u>	<u>56.89</u>		
G. CURRENT LIABILITIES & PROVISIONS:				
(A) Current Liabilities:				
Interest accrued but not due	3.47	0.91		
Trade Creditors	17.31	48.36		
Other Sundry Creditors	8.55	6.99		
Other Liabilities	2.93	1.67		
Total (A)	<u>32.26</u>	<u>57.93</u>		
(B) Provisions:				
Income and Other Taxes	49.59	32.09		
Total (B)	<u>49.59</u>	<u>32.09</u>		
H. OTHER INCOME:				
Interest income on Fixed Deposits	9.53	—		
Fees for Services	3.73	—		
Income from Contango Transactions	19.24	9.67		
Dividend Income on Stock-in-Trade	0.44	0.01		
Miscellaneous income	0.02	0.95		
Total	<u>32.96</u>	<u>10.63</u>		
Aggregate Tax deducted at source Rs. 1.90 million (Previous year Rs.0.01 million)				
I. PROFIT/(LOSS) ON SECURITIES:				
On Securities held as Stock-in-Trade				
Sales	2,411.69	7,409.00		
Less: Purchases	<u>2,403.95</u>	<u>7,368.09</u>		
	7.74	40.91		
Add/(Less): Increase/(Decrease) in Closing Stock	<u>(0.49)</u>	<u>(0.70)</u>		
Total	<u>7.25</u>	<u>40.21</u>		
J. FINANCIAL CHARGES & OPERATING EXPENSES:				
Interest on Fixed Loans	27.28	19.47		
Interest - Others	4.44	—		
Fees for Technical Services	57.21	—		
Procurement Expenses	43.61	12.86		
Brokerage	—	4.57		
Turnover Fees	6.66	—		
Transaction Charges	2.17	2.18		
Custodial & Depository Charges	2.03	1.99		
Guarantee Commission & Bank Charges	1.86	1.12		
Doubtful Debts written off/Provided	—	0.38		
Others	2.30	1.38		
Total	<u>147.56</u>	<u>43.95</u>		
K. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES:				
Salaries, Wages and Incentive	0.11	0.68		
Contribution to Provident and other Funds	—	0.02		
Staff Welfare Expenses	0.19	0.18		
Total	<u>0.30</u>	<u>0.88</u>		
Note: Refer Note 3 to Schedule M - Notes forming part of the Accounts & Accounting Policies.				
L. ESTABLISHMENT AND OTHER EXPENSES:				
Rent and Amenities	6.12	6.12		
Rates and Taxes	0.00	0.01		
Insurance	0.22	0.28		
Travelling and Conveyance	0.39	0.78		
Stationery and Supplies	0.32	0.23		
Communication Expenses	1.01	1.35		
Software Expenses	1.25	3.39		
Preliminary Expenses Written Off	—	0.27		
Office Expenses, Repairs and Maintenance	0.84	0.43		
Subscription and Periodicals	0.21	0.36		
Professional Fees	0.08	0.81		
Audit Fees	0.30	0.18		
Registration Fees	1.09	—		
Miscellaneous Expenses	0.09	0.33		
Total	<u>11.92</u>	<u>14.54</u>		

schedules

M. NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES:

1. Significant Accounting Policies

(i) Method of Accounting

The accounts are prepared in accordance with accounting principles generally accepted in India. The Company follows accrual method of accounting.

(ii) Revenue Recognition

- (a) Income from Brokerage activities is recognised as income on the trade date of the transaction. Related expenditure incurred for procuring business is accounted for as procurement expenses.
- (b) Contango transactions are treated as secured lending transactions and accordingly disclosed in the financial statements. The difference between purchase and sale values on such transactions is recognised as "Income from Contango transactions".

(iii) Investments and stock-in-trade

- (a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and shown under current assets. Other securities acquired with the intention of long-term holding are considered as 'Investments'.
- (b) In respect of securities held as stock-in-trade, brokerage and stamp duty are written-off as revenue expenditure. The cost of investment includes brokerage and stamp duty payable.
- (c) The securities held as stock-in-trade under current assets are valued at cost or market/realisable value, whichever is lower.
- (d) Investments are shown in the Balance Sheet at cost. In case of quoted investments, provision for diminution in value of investments is made, if such diminution is of a permanent nature in the opinion of the management.

(iv) Depreciation / Amortisation

Depreciation on value of improvements to leasehold property is provided on straight line method at the rate determined, considering the period of the lease or at the rate prescribed in Schedule XIV of the Companies Act, 1956, whichever is higher.

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.

Depreciation on fixed assets other than improvements to leasehold property and Membership Rights of Stock Exchanges, is provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Additionally, an asset whose

written down value falls below Rs.5,000 is fully depreciated for the remaining balance.

(v) Sundry debtors and creditors

Amounts receivable from and payable to clients for broking transactions are recognised on trade date basis and disclosed separately as sundry debtors and creditors.

(vi) Provision for Taxation

Provision for income tax is made on the assessable income at applicable tax rates.

2. Contingent Liabilities

Contingent liabilities comprise bank guarantees amounting to Rs. 158.5 million provided to Stock Exchanges (Previous year – Rs. 278.50 million).

3. Retirement Benefits

At present, there is no liability towards retirement benefits.

4. Improvement to Leasehold Property

Expenditure incurred on plumbing, flooring and other civil works at leased premises prior to its occupation by the Company have been capitalised as "Improvements to Leasehold Property".

5. Auditors' Remuneration

	(Rupees in million)	
	2000-2001	1999-00
(a) Audit Fees	0.12	0.12
(b) Tax Audit & Certification Fees	0.15	0.05
(c) Out-of-Pocket Expenses	0.01	0.01
	0.28	0.18

6. Quantitative details

(a) Details of Opening and Closing stock

CATEGORY	(Rupees in million)			
	OPENING STOCK		CLOSING STOCK	
	Face Value	Value	Face Value	Value
EQUITY	0.09 (0.15)	0.51 (1.21)	0.00 (0.09)	0.03 (0.52)

(b) Details of Purchases and Sales during the year

CATEGORY	PURCHASES		SALES	
	Face Value	Value	Face Value	Value
EQUITY	36.68 (154.94)	2,403.95 (7,368.09)	36.77 (154.99)	2,411.69 (7,409.33)

Note: Figures in parenthesis pertain to previous year.

7. Figures for the previous year have been regrouped wherever necessary.

For N.M. RAJI & CO.
Chartered Accountants

J.M. GANDHI
Partner

Mumbai, April 26, 2001

For and on behalf of the Board

DEVDAAT SHAH
Chairman

SUBHASH DHAVALÉ
Director

Statement pursuant to Part IV, Schedule VI to the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

1. Registration Details

Registration No. 8 6 2 4 1
 State Code 1 1
 Balance Sheet Date 3 1 0 3 2 0 0 1
 Date Month Year

2. Capital raised during the Period

(Amount in Rupees million)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees million)

Total Liabilities and Shareholder Funds

1 8 9 . 0 2

Total Assets

1 8 9 . 0 2

Sources of Funds

Paid-up Capital

4 5 . 0 1

Reserves & Surplus

7 9 . 1 1

Secured Loans

6 4 . 9 0

Unsecured Loans

N I L

Application of Funds

Fixed Assets

9 . 5 7

Investments

N I L

Net Current Assets

1 7 9 . 4 5

Miscellaneous Expenditure

N I L

4. Performance of the Company

(Amount in Rupees million)

Turnover

2 0 6 . 3 0

Total Expenditure

1 6 1 . 0 8

Profit before Tax

4 5 . 2 2

Profit after Tax

2 7 . 7 2

Earnings per Share in Rupees

6 . 1 6

Dividend Rate %

N I L

5. Generic Names of Three Principal Services of the Company

(As per Monetary Terms)

Brokerage commission from primary market operations

Brokerage commission from secondary market operations

Income from trading in securities

For and on behalf of the Board

DEV DATT SHAH
 Chairman

SUBHASH DHAVALA
 Director

Mumbai, April 26, 2001