

## ICICI PERSONAL FINANCIAL SERVICES LIMITED

### 4TH ANNUAL REPORT AND ACCOUNTS 2000-2001

#### Directors

K.V. Kamath, *Chairman*  
Lalita D. Gupte  
Sanjiv Kerkar  
Chanda Kochhar  
V. Vaidyanathan, *Managing Director*

#### Auditors

S.B. Billimoria & Co.  
N.M. Raiji & Co.  
Chartered Accountants

#### Registered Office

ICICI Towers,  
Bandra-Kurla Complex  
Mumbai 400 051

## directors' report

### to the members

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

#### APPROPRIATIONS

The Profit & Loss Account shows a profit before taxation of Rs. 40.59 million (Previous year Rs. 61.22 million) after write-offs and provisions aggregating Rs. 14.95 million (Previous year Rs. 15.21 million) towards bad and doubtful debts and taking into account all expenses including depreciation of Rs. 54.33 million (Previous year Rs. 41.38 million) on fixed assets. The net profit for the year is Rs. 30.59 million (Previous year Rs. 53.22 million).

Taking into account the balance of Rs. 9.97 million brought forward from the previous year, the disposable profit is Rs. 40.56 million (Previous year Rs. 54.03 million). Your Directors do not recommend payment of dividend for the year ended March 31, 2001 and have appropriated the disposable profit as follows:

	(Rs. in million)	
	Year ended March 31, 2001	Year ended March 31, 2000
To Statutory Reserve (in terms of Section 45-IC of the RBI Act, 1934 as amended by the RBI (Amendment) Act, 1997)	6.13	10.26
To General Reserve	20.00	—
Dividend for the year ended March 31, 2001		
– On equity shares	—	30.00
– Corporate dividend tax	—	3.80
Leaving balance to be carried forward to next year	14.43	9.97

#### BUSINESS STRATEGY

Your Company continued to serve as the focal point for marketing, distribution and servicing of retail asset products of ICICI including auto loans, commercial vehicle loans, consumer & personal loans and channel funding.

The Company has also been instrumental in issuing more than 200,000 credit cards, as the marketing agency of ICICI Bank Limited, during the year under review.

The Company also expanded its call centers to 9 locations during the year. Seven mobile call centers were also activated during the year. These cater to customers of ICICI Bank, Credit cards, ICICI Home Finance Company Limited, ICICI Web Trade Limited and ICICI Limited. It is proposed to cover all other products of ICICI Group also under the call center.

#### OPERATIONAL REVIEW

The Company's disbursements in respect of past commitments of leasing were Rs. 13.06 million.

The Company earned Management fees aggregating Rs. 250.99 million from marketing, distribution and servicing of retail asset products of ICICI group.

#### CORPORATE GOVERNANCE

Your Company is practising the principles of good Corporate Governance, which has been one of the core values of ICICI group. Corporate Governance is not just restricted to ensuring compliance with regulatory requirements but also meeting the higher standards of transparency, accountability and integrity in respect of all its transactions. Your Company has constituted an Audit Committee comprising of Smt. Lalita D. Gupte, Shri Sanjiv Kerkar and Smt. Chanda Kochhar which discharges the functions under Section 292A of the Companies Act, 1956.

#### PUBLIC DEPOSITS

During the year under review, your Company did not accept or renew any Public Deposit within the meaning of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

#### DIRECTORS

Shri S.H. Bhojani, who was on the Board since April 14, 1997 tendered his resignation from the Board effective April 21, 2001. The Board accepted with regret the resignation of Shri S.H. Bhojani and placed on record its appreciation of the valuable services rendered by him during his tenure.

Smt. Shikha Sharma was nominated by ICICI as the Managing Director of the Company. ICICI withdrew her nomination as the Managing Director and

nominated Smt. Chanda Kochhar as the Managing Director in her place effective July 01, 2000. Subsequently, ICICI withdrew the nomination of Smt. Chanda Kochhar as the Managing Director of the Company and in her place nominated Shri V. Vaidyanathan as the Managing Director of the Company for a period of five years effective April 1, 2001. The Board placed on record its appreciation of the valuable services rendered by Smt. Shikha Sharma and Smt. Chanda Kochhar during their tenure as the Managing Directors of the Company.

Shri V. Vaidyanathan, being on deputation from ICICI will continue to draw his remuneration and other benefits from ICICI Limited and hence, will not draw any remuneration from the Company.

Considering the substantial growth in the business of the Company during the tenure of Smt. Chanda Kochhar as the Managing Director, the Board appointed her as an additional Director effective April 1, 2001. She would hold the office only upto the date of the Fourth Annual General Meeting of the Company as provided in the Article 135 of the Articles of Association of the Company but is eligible for appointment.

In terms of the provisions of the Articles of Association of the Company, Shri K.V. Kamath and Shri Sanjiv Kerkar would retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

#### AUDITORS

The Auditors, M/s. S.B. Billimoria & Co. and 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 23, 2001, in consultation with the Auditors, has proposed the appointment of M/s. S.B. Billimoria & Co. as the sole Auditor to audit the accounts of the Company for the financial year ending March 31, 2002. You are requested to consider their appointment.

#### FOREIGN EXCHANGE EARNING AND EXPENDITURE

There was no income or expenditure in foreign currency during the year under review.

#### 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 Board of Directors) Rules, 1988, are not applicable and hence not given.

#### DIRECTORS RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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;
- 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;
- that the Directors had prepared the annual accounts on a going concern basis.

#### ACKNOWLEDGEMENTS

Your Company is grateful to the Reserve Bank of India for their continued support and advice. The Company is also grateful to its clients and bankers for their continued support.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI, the parent organisation and also from other Group companies.

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

For and on behalf of the Board

K. V. KAMATH  
*Chairman*

Mumbai, April 23, 2001

# auditors' report

## to the members of ICICI Personal Financial Services Limited

We have audited the attached Balance Sheet of ICICI PERSONAL FINANCIAL SERVICES LIMITED as at March 31, 2001 and the 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 purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books;
  - (c) the Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - (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) On the basis of written representations made by the Directors to the company, none of the Directors is disqualified as on March 31, 2001 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.
- (f) 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:
  - (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 S.B. BILLIMORIA & CO.  
*Chartered Accountants*

FOR N .M. RAIJI &CO.  
*Chartered Accountants*

SANJIV N. SHAH  
*Partner*

J. M. GANDHI  
*Partner*

*Mumbai, April 23, 2001*

## annexure to the auditors' report

### referred to in paragraph (1) of our report of even date

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. Physical verification of the fixed assets has been carried out by the management during the year. No discrepancies were revealed on such verification.
2. None of the fixed assets has been revalued during the year.
3. The Company has not granted/taken any loans, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 and/or to the companies under the same management as defined under Section 370 (IB) of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets, including assets subsequently given on lease.
5. The Company is a "Non-Banking Financial Company" (NBFC), therefore Section 58A of the Companies Act, 1956 is not applicable to it. During the year the Company did not accept any deposit from the public falling under the purview of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977 as also the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
6. In our opinion, the Company has an internal audit system which is broadly commensurate with the size and nature of its business.
7. As per the records of the Company, the Provident Fund dues have been regularly deposited with the appropriate authority during the year. The

contribution towards family pension fund is held by the Company pending receipt of pension fund code from Pension Fund authorities.

8. There were no undisputed amounts payable in respect of income tax, sales tax and custom duty outstanding as at March 31, 2001 for a period of more than six months from the date they became payable.
9. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
10. Having regard to the nature of service activities, a system for allocating man-hours to the relative jobs is not considered necessary.
11. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

FOR S.B. BILLIMORIA & CO.  
*Chartered Accountants*

FOR N .M. RAIJI &CO.  
*Chartered Accountants*

SANJIV N. SHAH  
*Partner*

J. M. GANDHI  
*Partner*

*Mumbai, April 23, 2001*

# balance sheet      profit and loss account



as at March 31, 2001

for the year ended March 31, 2001

	Schedule	(Rupees in millions)	March 31, 2000	Schedule	(Rupees in millions)	March 31, 2000	
<b>SOURCES OF FUNDS</b>				<b>INCOME</b>			
<b>Shareholders' Funds</b>				Income from Operations	H	343.17	239.74
Share Capital	A	500.00	500.00	Other Income	I	8.78	2.17
Reserves and Surplus	B	93.71	63.12			<u>351.95</u>	<u>241.91</u>
		<u>593.71</u>	<u>563.12</u>	<b>EXPENDITURE</b>			
		<u>593.71</u>	<u>563.12</u>	Staff Expenses	J	120.20	31.43
<b>APPLICATION OF FUNDS</b>				Establishment Expenses	K	23.28	0.05
<b>Fixed Assets</b>				Other Expenses	L	95.98	10.76
Gross Block	C	453.72	412.30	Loss on sale of investment		0.41	0.90
Less: Depreciation		168.36	97.82	Financial Charges	M	—	78.74
Add: Lease Adjustment		44.24	27.91	Bad-debts written off		14.95	15.21
Net Block		<u>329.60</u>	<u>342.39</u>	Depreciation			
Capital work in progress		12.55	6.80	- against assets given on lease		63.51	57.64
		<u>342.15</u>	<u>349.19</u>	- Less: Lease equalization		16.33	19.70
<b>Investments</b>						<u>47.18</u>	<u>37.94</u>
	D	35.62	99.10	- against own assets		7.15	3.44
<b>Current Assets, Loans and Advances</b>				Preliminary and Pre-operative expenses written off		2.21	2.22
Less: Current Liabilities and Provisions	E	266.16	212.31			<u>311.36</u>	<u>180.69</u>
Net Current Assets	F	55.67	105.14	Profit before Tax		40.59	61.22
		<u>210.49</u>	<u>107.17</u>	Less: Provision for Taxation		10.00	8.00
<b>Miscellaneous Expenditure</b>				Profit after Tax		30.59	53.22
(to the extent not written off or adjusted)				Less: Prior year adjustments	N	—	1.91
Preliminary & Pre-operative expenses	G	5.45	7.66	Profit for the period		30.59	51.31
		<u>593.71</u>	<u>563.12</u>	Add: Balance brought forward from previous year		9.97	2.72
<b>Notes forming part of the Accounts and Accounting Policies</b>				Amount Available for Appropriations		<u>40.56</u>	<u>54.03</u>
	O			<b>APPROPRIATIONS</b>			
				Statutory Reserve		6.13	10.26
				General Reserve		20.00	—
				Interim Dividend		—	30.00
				Tax on Dividend		—	3.80
				Surplus - Carried to Balance Sheet		14.43	9.97
						<u>40.56</u>	<u>54.03</u>
				<b>Notes forming part of the Accounts and Accounting Policies</b>			
					O		

As per our Report attached

For S.B. BILLIMORIA & CO.  
Chartered Accountants

SANJIV N. SHAH  
Partner

Mumbai, April 23, 2001

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For N.M. RAIJI & CO.  
Chartered Accountants

J.M. GANDHI  
Partner

For and on behalf of the Board

K.V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

SANJIV KERKAR  
Director

CHANDA KOCHHAR  
Director

RAJESH S. CHAWATHE  
Company Secretary

V. VAIDYANATHAN  
Managing Director

# schedules

## forming part of the Accounts

	(Rupees in million)	March 31, 2000	(Rupees in million)	March 31, 2000
<b>A. SHARE CAPITAL</b>			<b>B. RESERVES AND SURPLUS</b>	
<b>Authorized</b>			<i>Balance as at April 1, 2000</i>	<i>Balance as at March 31, 2001</i>
150,000,000 Equity Shares of Rs.10 each	<b>1,500.00</b>	<i>1,500.00</i>		
<b>Issued, Subscribed and Paid up</b>			<b>Additions/Transfers during the year</b>	
50,000,000 Equity Shares of Rs.10 each	<b>500.00</b>	<i>500.00</i>		
	<b>500.00</b>	<i>500.00</i>	Statutory Reserve	<b>38.68</b>
			General Reserve	<b>40.60</b>
			Surplus in Profit and Loss Account	<b>14.43</b>
			<b>63.12</b>	<b>93.71</b>
All the above equity shares are held by ICICI Limited – the Holding Company and its nominees.				
			<i>As at March 31, Previous year</i>	<i>63.12</i>

Particulars	Gross Block - at cost			Depreciation			Net Block		
	<i>As at April 1, 2000</i>	<b>Acquired during the year</b>	<b>Deduction during the year</b>	<b>As at March 31, 2001</b>	<i>As at April 1, 2000</i>	<b>For the period</b>	<b>Upto March 31, 2001</b>	<b>As at March 31, 2001</b>	<i>As at March 31, 2000</i>
Furniture and fixtures	—	<b>5.65</b>	—	<b>5.65</b>	—	<b>0.13</b>	<b>0.13</b>	<b>5.52</b>	—
Office equipment	<i>0.16</i>	<b>3.96</b>	—	<b>4.12</b>	**—	<b>0.11</b>	<b>0.11</b>	<b>4.01</b>	<i>0.16</i>
Computer Hardware and software	<i>28.70</i>	<b>21.75</b>	<b>3.70</b>	<b>46.75</b>	<i>2.39</i>	<b>6.91</b>	<b>0.12</b>	<b>37.57</b>	<i>26.31</i>
	<i>28.86</i>	<b>31.36</b>	<b>3.70</b>	<b>56.52</b>	<i>2.39</i>	<b>7.15</b>	<b>0.12</b>	<b>47.10</b>	<i>26.47</i>
Assets given on lease – Plant and Machinery	<i>383.44</i>	<b>13.76</b>	—	<b>397.20</b>	<i>95.43</i>	<b>63.51</b>	—	<b>158.94</b>	<i>288.01</i>
<b>Total</b>	<i>412.30</i>	<b>45.12</b>	<b>3.70</b>	<b>453.72</b>	<i>97.82</i>	<b>70.66</b>	<b>0.12</b>	<b>168.36</b>	<i>314.48</i>
<i>As at March 31, 2000</i>	<i>354.59</i>	<i>66.84</i>	<i>9.13</i>	<i>412.30</i>	<i>47.06</i>	<i>61.08</i>	<i>10.32</i>	<i>314.48</i>	<i>307.53</i>
Lease adjustment								<b>44.24</b>	<i>27.91</i>
Capital work in progress								<b>12.55</b>	<i>6.80</i>
								<b>56.79</b>	<i>34.71</i>
								<b>342.15</b>	<i>349.19</i>

\*\* Less than Rs. 5,000/-

D. SHORT TERM INVESTMENTS (Unquoted at cost)	Quantity	Face Value Rs.		
<b>In units of Mutual Funds</b>				
Prudential ICICI Gilt Fund-Treasury Plan	# 21,04,773	10.00	<b>21.46</b>	<i>80.00</i>
Prudential ICICI Liquid Plan	1,197,678	10.00	<b>14.16</b>	—
Alliance Government Securities Fund-Short Term			—	<i>20.00</i>
Less: Diminution in value of investments			<b>0.90</b>	<i>0.90</i>
# Previous year 7,750,382 units			<b>35.62</b>	<i>99.10</i>

### E. CURRENT ASSETS, LOANS AND ADVANCES

(a) Current Assets			
(Unsecured considered good unless otherwise stated)			
Stock on Hire	<b>16.01</b>	<i>95.98</i>	
Interest and lease rentals accrued	<b>0.63</b>	<i>0.89</i>	
Sundry Debtors			
more than six months	<b>78.36</b>	<i>2.60</i>	
others	<b>54.71</b>	<i>69.12</i>	
	<b>133.06</b>	<i>71.72</i>	
Less: Provision for doubtful debts	<b># 36.20</b>	—	
	<b>96.86</b>	<i>71.72</i>	
# Considered doubtful Rs. 36.20 mn (previous year Rs. Nil)			
Inter-Corporate Deposits	<b>35.00</b>	—	
Cash and bank balances:			
in Current Accounts			
Balance with Scheduled Bank	<b>0.03</b>	<i>13.30</i>	
in Fixed Deposit accounts	<b>* 0.11</b>	<i>0.11</i>	
	<b>0.14</b>	<i>13.41</i>	
	<b>148.64</b>	<i>182.00</i>	

\* Punjab National Bank and Bank of Baroda have lien over fixed deposit receipts of Rs. 0.105 million and Rs. 0.05 mn respectively, against Bank Guarantees.

### E. CURRENT ASSETS, LOANS AND ADVANCES (Contd.)

(b) Loans and Advances		
(Unsecured - Considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
For Stock on Hire	—	<i>0.32</i>
Others	<b>1.84</b>	<i>6.17</i>
	<b>1.84</b>	<i>6.49</i>
Loan to Staff	<b>82.44</b>	—
Advance tax	<b>33.24</b>	<i>23.82</i>
	<b>117.52</b>	<i>30.28</i>
	<b>266.16</b>	<i>212.31</i>

# schedules



forming part of the Accounts

Continued

	(Rupees in million) March 31, 2000		(Rupees in million) March 31, 2000	
<b>F. CURRENT LIABILITIES AND PROVISIONS</b>				
<b>(a) Liabilities</b>				
Sundry Creditors	16.17	57.78		
Unmatured finance charges	2.54	13.45		
Income received in advance	9.57	8.89		
Other Liabilities:				
- Against collection of				
Securitized Assets	—	2.17		
Interest received in advance	—	0.55		
		<b>28.28</b>		<b>82.84</b>
<b>(b) Provisions</b>				
Provision for Taxation		27.39		22.30
		<b>55.67</b>		<b>105.14</b>
<b>G. MISCELLANEOUS EXPENDITURE</b>				
(to the extent not written off or adjusted)				
Preliminary Expenses	2.92	3.38		
Pre-operative Expenses	2.53	4.28		
		<b>5.45</b>		<b>7.66</b>
<b>H. INCOME FROM OPERATIONS</b>				
(1) Income from Financing Operations				
(a) Securitization	1.86	54.56		
(b) Leasing	83.11	79.44		
(c) Hire Purchase	7.21	6.89		
(d) IPO Funding	—	49.18		
(e) Other Income	—	1.92		
		<b>92.18</b>		<b>191.99</b>
(2) Income from Services				
(a) Service fees	—	4.15		
(b) Management fees	250.99	37.16		
		<b>343.17</b>		<b>233.30</b>
(3) Income from Fees				
(a) Front end fees	—	7.71		
Less: Provision for Interest Tax	—	1.27		
		<b>343.17</b>		<b>239.74</b>
<b>I. OTHER INCOME</b>				
Dividend from Mutual fund units	5.03	2.03		
Interest on inter-corporate deposits	1.01	—		
Interest on Staff Loan	1.36	—		
Miscellaneous Income	1.38	0.14		
		<b>8.78</b>		<b>2.17</b>
<b>J. STAFF EXPENSES</b>				
Salaries and Other Employee benefits		98.55		29.03
Contribution to Provident and Other Funds		7.18		2.40
Staff Welfare Expenses		14.47		—
		<b>120.20</b>		<b>31.43</b>
<b>K. ESTABLISHMENT EXPENSES</b>				
Rent		19.83		—
Electricity		0.70		—
Repairs and Maintenance		2.74		0.05
Insurance**		0.01		—
** Figures indicates amount less than Rs. 5000/-		<b>23.28</b>		<b>0.05</b>
<b>L. OTHER EXPENSES</b>				
Advertising and Marketing expenses		14.87		—
Service Charges		—		7.70
Travel and Conveyance		17.54		0.06
Computer expenses		20.75		—
Communication Expenses		10.67		0.04
Printing and Stationery		3.20		—
Professional Fees		13.27		2.23
Recruitment expenses		2.81		—
Miscellaneous Expenses		7.08		0.35
Sundry Balances written off		—		0.08
Service tax		5.58		—
Auditors' Remuneration				
Audit Fees		0.14		0.10
Tax Audit Fees		0.06		0.06
Company Law and Other Matters		—		0.12
Out of Pocket Expenses and service tax		0.01		0.02
		<b>0.21</b>		<b>0.30</b>
		<b>95.98</b>		<b>10.76</b>
<b>M. FINANCIAL CHARGES</b>				
Interest on Fixed Loans		—		67.89
Processing Charges		—		10.85
		—		<b>78.74</b>
<b>N. PRIOR PERIOD ADJUSTMENTS</b>				
Depreciation (net of Lease Adjustments)		—		0.52
Lease Rental		—		0.65
Finance Fees on Securitization (lease)		—		0.32
Finance Fees on Securitization (debt)		—		0.42
		—		<b>1.91</b>

(Tax deducted at source on interest income Rs. 0.15 million, Previous year Rs. Nil)

# schedules

## forming part of the Accounts

### O. NOTES FORMING PART OF THE ACCOUNTS AND ACCOUNTING POLICIES

#### (a) Notes on the accounts

1. Remuneration to Managing Director – Rs. Nil (previous year – Rs. Nil).  
Per the terms of appointment, the Managing Director draws her remuneration and other benefits from ICICI Limited.
2. Estimated amounts of contracts remaining to be executed on capital account and not provided for, in respect of lease contracts – Rs. NIL (previous year – Rs. 1.62 million), hire purchase contracts – Rs. NIL (previous year – Rs. 0.32 million)
3. Contingent liabilities – bank guarantees of Rs. 0.11 million (previous year – Rs. 0.11 million). Income Tax demand of Rs. 12.29 million for earlier assessment years disputed and in appeal by the Company.
4. Sales Tax liability on the transfer of right to use any goods for any purpose under the sales tax laws of various states, if held payable, are recoverable from the concerned lessees, in accordance with the respective lease agreements.
5. Management fees include income charged to Group companies for recovery of employees' cost and for rendering of Call Centre Services.
6. The figures of the previous year have been regrouped wherever necessary.

#### (b) Significant Accounting Policies

The accounts are prepared in accordance with the accounting principles generally accepted in India and the directions issued by Reserve Bank of India for NBFCs from time to time, wherever applicable.

#### 1. Revenue Recognition

- (i) Income  
Income from Financing Operations, Services, Fees and other sources are recognized on accrual basis.  
Lease Rentals, Hire charges and other dues are accounted on accrual basis except in respect of non-performing assets and dividend income which is recognized on cash basis.  
Lease income is accounted for in accordance with the guidance note issued by the Institute of Chartered Accountants of India, which ensures a constant periodic rate of return on the net investment in the lease.  
Hire purchase income is accounted to ensure a constant periodic rate of return on the net outstanding balance.
- (ii) Expenses  
All expenses are accounted for on an accrual basis.

#### 2. Fixed Assets, Depreciation and Lease Equalization

- (i) Fixed assets are carried at cost less accumulated depreciation. In respect of assets given on lease, accumulated depreciation is adjusted for the balance in "Accumulated Lease Equalization Account", created in terms of Guidance Note issued by The Institute of Chartered Accountants of India.
- (ii) Depreciation on assets given on lease is provided on straight-line method at the higher of the rates determined with reference to the primary period of lease and the rates prescribed in Schedule XIV of the Companies Act, 1956. Adjustment towards lease equalization based on principal recovery portion of lease rentals, is made as prescribed by the Guidance Note on Lease Accounting issued by The Institute of Chartered Accountants of India.
- (iii) Depreciation on assets for own use is provided on straight-line method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except in respect of software expenditure against which the depreciation has been provided at the rate of 20 per-cent p.a. on straight line method basis.

#### 3. Stock on Hire

Stock on Hire includes securities receivable assigned in favour of the Company and is carried at gross value of future receivables. The unmatured income arising towards such future receivables are carried as unmatured finance charges.

#### 4. Investments

Investments, being short-term investments, are carried at the lower of cost or net asset value.

#### 5. Preliminary Expenses

Preliminary expenses are amortized over ten years.

#### 6. Pre-operative Expenses

Pre-operative expenses are amortized over five years from the date of registration of the Company.

#### 7. Retirement and other benefits

The Company has a gratuity fund maintained and administered by Life Insurance Corporation of India to which transfers are made annually based on advices received from the Life Insurance Corporation of India. Additionally, the Company also makes monthly contributions to the employees provident fund scheme managed by a trust constituted for the purpose and administered by the Central Government. Contributions to retirement benefit schemes are booked under staff expenses. Provision for unutilized leave benefits has been made on the basis of an actuarial valuation.

As per our Report attached

For S.B. BILLIMORIA & CO.  
Chartered Accountants

SANJIV N. SHAH  
Partner

For N.M. RAIJI & CO.  
Chartered Accountants

J.M. GANDHI  
Partner

For and on behalf of the Board

K.V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

SANJIV KERKAR  
Director

CHANDA KOCHHAR  
Director

RAJESH S. CHAWATHE  
Company Secretary

V. VAIDYANATHAN  
Managing Director

Mumbai, April 23, 2001

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**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.        
 State Code    
 Balance Sheet Date          
 Date Month Year

**2. Capital Raised during the Year**

(Amount in Rupees million)

Public Issue

Bonus Issue

Rights Issue

Private Placement

**3. Position of Mobilization and Deployment of Funds**

(Amount in Rupees million)

Total Liabilities

Total Assets

**Sources of Funds**

Paid-up Capital

Reserves and Surplus

Secured Loans

Unsecured Loans

**Application of Funds**

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

**4. Performance of Company**

(Amount in Rupees million)

Turnover

Total Expenditure

Profit (+)/Loss (-) before Tax

Profit/Loss after Tax

Earnings per Share in Rupees

Dividend Rate %

**5. Generic Names of three Principal Products/Services of the Company**

(As per monetary terms)

Product Description

Item Code No.

Securitization

Not Applicable

Leasing and Hire Purchase

Not Applicable

Call Centre services

Not Applicable

For and on behalf of the Board

K.V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

Mumbai, April 23, 2001

RAJESH S. CHAWATHE  
Company Secretary

CHANDA KOCHHAR  
Director

SANJIV KERKAR  
Director