

**13TH ANNUAL REPORT AND ACCOUNTS 2000-2001**
**Directors**

K.V. Kamath *Chairman*  
 Lalita D. Gupte  
 S. Mukherji  
 Dr. K. Anji Reddy  
 Gopal Srinivasan  
 Rajeev Chandrasekhar  
 Renuka Ramnath *Managing Director & CEO*

**Auditors**

S.B. Billimoria & Co.  
 Chartered Accountants  
 Bangalore

**Registered Office**

4th Floor, Raheja Plaza  
 17, Commissariat Road  
 Bangalore 560 025

# directors' report

**to the members**

Your Directors have pleasure in presenting the Thirteenth Annual Report of the Company together with the audited statement of accounts for the financial year 2000-2001.

**FINANCIAL REVIEW**

	(Rs. in Million)	
	2000-01	1999-00
Profit before taxation	184.73	525.96
Provision for Income Tax	80.20	142.50
Profit after taxation	104.53	383.46
Balance of Profit & Loss Account brought forward from the previous year	134.73	99.40
Disposable Profits	239.26	482.86
<b>Appropriations :</b>		
Statutory Reserve	20.91	76.69
General Reserve	10.45	38.34
Dividend	131.25	210.00
Tax on Dividend	29.24	23.10
Balance Carried forward to next year	47.41	134.73
	239.26	482.86

ICICI Venture has reported a modest performance for the year ending March 31, 2001. During the year under review, the Company continued to broad base its revenue streams by expanding its fund management and advisory business. As on March 31, 2001, the aggregate capital commitments received by the Funds managed/advised by the Company stood at Rs.10.30 billion and grew by over fifty per cent during the year under review. Investments out of the funds overseen by the Company also remained quite robust at over Rs. 3 billion during the year under review.

Given the nature of the business, revenues and earnings of asset management arms of venture capital funds such as ICICI Venture are generally subject to a high degree of volatility. The current financial year was no exception to this phenomenon. Persistent weakness in the Indian and Overseas stock markets presented very few attractive exit opportunities for the Funds overseen by the Company. Consequently, the carried interest income of the Company, which is contingent on distributions to Fund investors, declined sharply during the year under review. Gross revenues excluding revenues from trading operations declined by over fifty per cent during the year ending March 31, 2001 compared to the previous year.

During the year under review, the company also consciously scaled down the purchase and sale of securities held as stock-in-trade. Consequently, revenues from trading operations declined from Rs.1202.96 million in the previous year to Rs.47.99 million during the current year.

Expenses excluding depreciation and provision for contingencies were lower at Rs. 105.98 million. Depreciation charges during the current financial year amounted to Rs. 13.63 million and were higher due to capital spending on property, equipment and creation of incubation facilities. During the year under reference, the company also created a contingency provision of Rs. 10 million to offset potential impairments in the company's asset portfolio.

In view of the above, Profit before Tax declined to Rs.184.73 million compared to Rs.525.96 million in the previous year. The Company closed the year ending March 31, 2001 with a Profit after Tax of Rs.104.53 million.

The disposable profit, after taking into account the surplus of Rs. 134.73 million brought forward from the profit and loss account of last year, was Rs.239.26 million. During the year the Company declared and paid four interim dividends amounting to Rs. 131.25 million, resulting in an aggregate dividend rate of 437.50%.

Transfers to Statutory Reserve and General Reserve were Rs.20.91 million and Rs.10.45 million respectively. The balance amount of Rs.47.41 million has been carried over to the Balance Sheet.

Capital spending on property, equipment and creation of incubation facilities amounted to Rs. 21.99 million during the year under reference. During the year, the Company also used a portion of its surplus cash to reduce its long-term debt from Rs. 55 million to Rs. 39 million.

During the year under review, the Company introduced an employee stock option scheme. Since the options under the scheme were granted at fair value, the company has, in accordance with generally accepted accounting principles,

not recognised any charge in the profit and loss account.

The basic earnings per share (face value of Rs. 10/-) of the Company for the year was Rs 34.84. The Company completed the current year with a net worth of Rs. 260.65 million.

**FUNDS UNDER MANAGEMENT**

ICICI Venture continues to retain its position as the most significant institution in the Indian Private Equity Industry. As on March 31, 2001, ICICI Venture manages/advises eleven Funds with an investment focus both in Indian and Global companies. Members may note that your company was one of the earliest to recognize the value of investing in knowledge based sectors like information technology and biotechnology. The Company has built core competencies for investments in these sectors which would manifest themselves in superior returns from the portfolio comprising Companies in these industries.

**OFFSHORE FUND**

As indicated in the last year's report, the TCW/ICICI Funds' corpus was fully committed by March 31, 2000. The Funds availed of opportunities for follow-on funding for three companies in the portfolio as a measure of support to these companies. The total cumulative disbursements from the Funds stand at US \$ 45.30 million in twenty one companies. In line with our focus on the knowledge-based sectors, all the investments are in the information technology, biotechnology and services sectors. Nine of these companies are incorporated overseas, which enables them to take advantage of expertise in design, marketing and finance abroad, while also exploiting domestic strengths such as high quality human skills, intellectual property and low cost production in order to compete effectively in the international market place.

During the year under review, one of the portfolio companies completed its IPO. Another company, vEngines, which develops DSP for VOIP application, was acquired by Centillum, Inc., a NASDAQ listed company. The Funds also acquired shares in the US based subsidiary of Ind-Telesoft, a portfolio company, by virtue of their investment in the latter. Consequent to the acquisition of the subsidiary by another US based company, the Funds now hold shares in the acquirer Company, which is expected to be listed on NASDAQ by the end of the year. Seven of the 21 portfolio companies are thus listed as on March 31, 2001. Of these, the Funds have completed exit from one company, viz. Neoforma, through market sales, realising US\$ 4.3 mn against an investment of US\$ 2.4 million.

The meltdown in the stock markets, both in India and the US, adversely affected the Funds' divestment process, as several companies have been forced to defer their IPOs owing to the poor market sentiments. Even in the case of listed companies, the prices have fallen substantially from their initial levels, and the Funds could not derive the complete benefit of higher prices due to regulatory constraints such as lock-in etc. The Funds commenced the divestment process during the year, and as stated earlier completed the divestment in respect of one company. The total amount realised through divestments aggregated US\$ 17.9 mn (investment cost – US\$ 4.2 mn). The payout to the investors has also commenced during the year, and an amount of US\$ 11 mn has been distributed. Three companies, including one in the US, have started work on their IPO plans, and should be in a position to get listed once the market sentiment improves. In view of the diverse nature of the portfolio, it is relatively immune to the slowdown in the economy.

**SOFTWARE FUND**

As you are aware, the ICICI Software Fund was set up in 1997 by ICICI with support from the World Bank as the country's first dedicated fund for the Software industry. Of the ten companies that the Fund had invested in, exits have been completed in respect of three companies. With the constitution of ICICI Equity Fund as a SEBI registered VC fund, all outstanding equity investments in the Software Fund have been transferred to the Equity Fund, and consequently, only two non-equity investments are outstanding in the Software Fund, and these are being serviced as per the agreements.

**VECAUS FUNDS**

As members are aware, ICICI Venture has been managing three VECAUS funds aggregating Rs. 2800 million, which have been invested to the extent of Rs. 2661 million. The first of these has been liquidated, and the two remaining funds are presently in a divestment mode. The VECAUS portfolio has shrunk considerably and we have managed to complete exits or establish exit paths in respect of companies with significant investor interest. We have also been able to exit from listed investments, which have considerably appreciated in value. As a result, the VECAUS funds have paid out to the investors an aggregate amount of Rs. 2601 million as on March 31, 2001.

While there may be a few investments with some potential for upsides, a large proportion of outstanding investments are not expected to provide positive



returns to the Funds. These are predominantly in the small and medium enterprises (SMEs) belonging to the 'old economy', which have been significantly affected by the economic downturn. Consequently, most of the listed companies in this category are quoting below issue prices and there is inadequate investor interest in these stocks.

#### ICICI STRUCTURED PRODUCTS FUND

As reported last year, the ICICI Structured Products Fund was established in June 1999 as a managed account of ICICI. The Fund with a corpus of Rupees One billion, was originally meant to provide mezzanine financing to mid-cap companies in the knowledge-based sectors in the form of structured loans and quasi-equity instruments. However, towards the end of the financial year 1999-2000, there was a sharp increase in the number of attractive investment opportunities, particularly in the retailing sector, which the Fund was well placed to capture, being one of the few domestic funds. Consequently, an overwhelming proportion of the Fund has been invested in equity. The Fund has invested an amount of Rs. 926.69 mn in 17 companies. A notable feature of the Fund's portfolio is that 52% of the total investment is in the retailing sector, giving ICICI Venture the leadership position in terms of investments in this sector.

#### ICICI EQUITY FUND

ICICI Equity Fund was set up in March 2000, with the premise that ICICI Venture could leverage the strengths in managing exits from both unlisted and listed companies that it had developed over the years. The Fund acquired a portfolio of 479 companies from ICICI for a consideration of Rs. 498 million. In addition to the above, with a view to achieving a better balance in the Fund's portfolio, 17 investments aggregating Rs. 651 million were also approved during the year.

#### ICICI INFORMATION TECHNOLOGY FUND

Members would be aware of ICICI Venture's decision to set up a dedicated Fund to make investments in start-up and early stage companies in the IT products and services sector. The ICICI Information Technology Fund was set up as a domestic Fund, with an initial corpus of Rupees One billion, and had its first closing on March 31, 2000 with an aggregate commitment of Rs.300 million. In view of the healthy dealflow, and the consequent rise in the pace of investment approvals, it was decided to increase the Fund corpus to Rs. 1.55 billion. The Fund has raised Rs. 1.3 billion, and approved 25 investments aggregating Rs. 1.49 billion.

#### ICICI GLOBAL OPPORTUNITIES FUND

ICICI Global Opportunities Fund was the second offshore Fund set up as a sequel to the TCW/ICICI Fund, consequent to the full commitment of the latter in March 2000. This Fund is domiciled in Mauritius with an investment focus on the knowledge-based sectors and a minimum investment size of US \$ 2 million. ICICI had committed an amount of US\$ 25 mn to the Fund. The Fund has approved investments in 10 companies for an amount of US\$ 24.03 mn.

#### ICICI TECHNOLOGY INCUBATOR FUND

With a view to capturing investment opportunities at a very early stage and providing life cycle support to entrepreneurs, ICICI Venture undertook the initiative of establishing incubator facilities at its premises last year. Under this initiative, companies at the concept stage can utilise the facilities as well as the network of service providers offered by the incubator to develop their ideas to a commercially fundable proposition with minimum start-up time, thereby substantially reducing the time to market. To complement this activity, ICICI Venture also set up the ICICI Technology Incubator Fund with a corpus of Rs.500 million. The Fund had its first closing on 14th September 2000, with a contribution of Rs. 220 million from ICICI. This Fund would finance the cost of using the incubation facility in lieu of an equity stake in the Company. During the year, four investments aggregating Rs. 48.33 mn were approved by the Fund.

#### ICICI ECO-NET INTERNET AND TECHNOLOGY FUND

Consequent to the realignment of Venture Capital Fund activities within the ICICI Group, your Company has become the Investment Manger of ICICI Eco-Net Internet and Technology Fund - a scheme of ICICI Eco-Net Fund, with effect from April 2, 2001.

#### OUTLOOK

ICICI Venture, since its inception in 1988, has remained in the forefront of the Private Equity Fund Management Industry in India. After the euphoria of 1999-2000, marked by the advent of internet based companies, and the boom in the stock markets, the last few months have had a sobering effect, and the Indian Private Equity Industry can be said to be currently poised at a defining moment. As the industry continues to mature, ICICI Venture remains well positioned to access quality investments in world class businesses at various stages of development, add value to its investments and provide supernormal returns to investors. This would enable ICICI Venture to realise its vision of being the preferred private equity partner for entrepreneurs and businesses related to India.

#### PUBLIC DEPOSITS

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

#### DIRECTORS

Shri M. J. Subbaiah, who was on the Board of the Company, tendered his resignation effective June 30, 2000. The Board accepted with regret the resignation of Shri M. J. Subbaiah and placed on record its gratitude for the valuable services rendered by Shri M.J. Subbaiah during his tenure as Director of the Company.

Shri A. J. V Jayachander who was the Managing Director and CEO of the Company tendered his resignation effective January 25, 2001. The Board accepted with regret the resignation of Shri A. J. V. Jayachander and placed on record its gratitude for the valuable services rendered by Shri A. J. V. Jayachander. Shri S.H. Bhojani, who was on the Board of the Company tendered his resignation on April 30, 2001. The Board accepted the resignation of Shri S.H. Bhojani and placed on record its gratitude for the valuable services rendered by Shri S.H. Bhojani during his tenure as Director of the Company.

Smt. Renuka Ramnath was appointed as Additional Director and designated as Managing Director & CEO by the Board of Directors with effect from January 25, 2001. Smt. Renuka Ramnath is not liable to retire by rotation. In accordance with the provisions of the Companies Act, 1956, the approval of the shareholders is being sought at the next general meeting for the appointment of Smt. Renuka Ramnath as Managing Director & CEO of the Company.

Shri S. Mukherji has been appointed as additional Director of the Company with effect from April 30, 2001. Shri S. Mukherji holds office upto the date of forthcoming Annual General Meeting of the Company as per the provisions of Section 260 of the Companies Act, 1956 and is eligible for appointment.

In terms of the Articles of Association of the Company, Dr. K Anji Reddy and Shri Rajeev Chandrasekar, Directors of the Company would retire at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

#### CORPORATE GOVERNANCE

Your Company is practicing 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 in place clear processes and well-defined roles and responsibilities for people at various levels. This, along with robust internal information systems, ensures appropriate information flow to facilitate monitoring. Adherence to processes is ensured through internal audits. As a measure of good Corporate Governance your Company has constituted an Audit Committee though not mandatory under the provisions of the Companies Act, 1956. The Audit Committee comprises of Shri S. Mukherji, Smt. Renuka Ramnath and Shri Gopal Srinivasan and will discharge the functions under Section 292A of the Companies Act, 1956.

#### AUDITORS

The Auditors, S. B. Billimoria & Company, Chartered Accountants, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 30, 2001 has proposed their appointment as Auditors 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

The Foreign Exchange Earnings during the year under review amounted to Rs. 45.08 million. Expenditure in foreign currency amounted to Rs. 1.58 million.

#### PERSONNEL AND OTHER MATTERS

Information required to be disclosed in accordance with Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, forming part of the Directors' Report for the year ended March 31, 2001 is enclosed as an Annexure to this Report.

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 have not been given.

#### EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Shareholders of the Company approved the Employee Stock Option Scheme (ESOS) on October 13, 2000. The ESOS provides for issue of share options to the employees of the Company, the holding Company viz. ICICI Limited and the group companies of ICICI Limited. Each option confers the right to receive one equity share of Rs. 10/- each (fully paid-up of the Company) at an exercise price of Rs. 835/- per share. The options will vest over a period of three years and can be exercised within ten years of grant. The share options, if fully granted and exercised, will result in the issue of 125,000 equity shares. The ESOS is administered by the Board of Directors of the Company.

#### 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

Relationship with the shareholders, government, regulatory authorities and clients remained excellent. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement. Your Directors also wish to thank the investors in the Funds managed and advised for their continued support to the company.

ICICI Ventures has been successful in attracting new talent and has put a team which comprises of individuals with complimentary skills and diverse backgrounds which would combine effectively for taking the Company forward. The Directors wish to place on record their appreciation of the dedication, professionalism and hardwork put in by the employees of the company at all levels who have continued to put in unstinted efforts despite adverse market conditions.

For and on behalf of the Board of Directors

Mumbai, April 30, 2001

K.V. KAMATH  
Chairman



# auditors' report



to the members of ICICI Venture Funds Management Company Limited

We have audited the attached Balance Sheet of ICICI VENTURE FUNDS MANAGEMENT COMPANY LIMITED as at 31st March, 2001 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. We report as follows:

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 give 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 accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
  - c. The Balance Sheet and the Profit and Loss Account are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and the 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.

- e. On the basis of the written representations from the Directors, taken on record by the Board of Directors, 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 read together 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 of the Company for the year ended March 31, 2001.

For S.B. BILLIMORIA & CO.  
Chartered Accountants

Bangalore, April 30, 2001

UDAYAN SEN  
Partner

## annexure to auditors' report

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

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a programme of physically verifying all fixed assets, other than leased assets, in a year, which, according to us, is reasonable. The said fixed assets have accordingly been verified by the management. No material discrepancies have been noticed on such physical verification.

In respect of the leased assets, the Company has generally adopted a procedure of calling for confirmation letters from the respective lessees regarding the existence and condition of the assets. Where no confirmation has been received from any lessee for two consecutive years, the procedure provides for physical verification of the respective assets to be carried out by the management in the following year. The above procedure is considered reasonable, taking into account the constraints in arranging for physical verification of the assets located at the premises of the various lessees.

2. The fixed assets of the Company have not been revalued during the year.
3. The Company has not taken or granted any loans, secured or unsecured from/to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. We are informed that there are no Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.
4. In respect of loans given by the Company, and considered good, parties have generally repaid the principal amounts as stipulated and have also generally been regular in the payment of interest.

In cases where instalments of principal and/or interest are not received, it is the practice of the Company to review the operations of the borrower and on the basis of such review, to take such steps as are considered appropriate in the circumstances, having regard to the overall objectives of the Company. In our opinion, the steps taken by the Company are reasonable having regard to the nature of business of the Company.

5. In our opinion and according to the information and explanations given to us, there are reasonable internal control procedures commensurate with the size of the Company and the nature of its business with regard

to the purchase of the plant and machinery, equipment and other assets.

6. There were no purchase of goods and materials or sale of goods, materials and services in excess of Rs.50,000 in value for each type from firms, companies or other parties entered in the Registers maintained under Section 301 of the Companies Act, 1956.
7. The Company has not accepted any deposits from the public.
8. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
9. According to the records of the Company, Provident Fund dues have been generally regularly deposited with the appropriate authorities during the year. According to the information and explanations given to us, the Employees State Insurance Act, 1948 is not applicable to the Company.
10. According to information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs 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.
11. According to the information and explanations received by us and the records of the Company examined by us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
12. The Company has maintained proper records of the investments made in shares, securities, etc. The investments are held in the name of the Company.

For S.B. BILLIMORIA & CO.  
Chartered Accountants

Bangalore, April 30, 2001

UDAYAN SEN  
Partner

# balance sheet

# profit and loss account

as at March 31, 2001

for the year ended March 31, 2001

as at March 31, 2001			for the year ended March 31, 2001			
	Schedule	(Rupees in millions)	March 31, 2000		(Rupees in millions)	March 31, 2000
<b>SOURCES OF FUNDS</b>				<b>INCOME</b>		
<b>Shareholders' Funds</b>				Income from Operations VIII <b>344.24</b> 1,796.79		
Share Capital	I	<b>30.00</b>	30.00	Profit on Sale of Investments (net)		— 49.28
Reserves and Surplus	II	<b>230.65</b>	286.61	Provision written back (net)		<b>16.30</b> 4.01
		<b>260.65</b>	316.61	Other Income	IX	<b>3.05</b> 0.46
						<b>363.59</b> 1,850.54
<b>Loan Funds</b>				<b>EXPENDITURE</b>		
Unsecured Loans	III	<b>39.00</b>	55.00	Cost of Sale of Securities held as Stock-in-trade (See Note 8)		<b>49.25</b> 1,209.55
<b>Total</b>		<b>299.65</b>	371.61	Staff Expenses (See Note 9)	X	<b>31.03</b> 33.75
				Establishment Expenses	XI	<b>10.27</b> 7.05
<b>APPLICATION OF FUNDS</b>				Other Expenses	XII	<b>64.68</b> 64.15
<b>Fixed Assets</b>				Provision for Contingencies		<b>10.00</b> —
Gross Block	IV	<b>169.73</b>	202.90	Depreciation		<b>13.63</b> 10.12
Less: Depreciation and lease adjustment		<b>45.63</b>	68.07			<b>178.86</b> 1,324.58
Net Block		<b>124.10</b>	134.83	<b>Profit before Taxation</b>		<b>184.73</b> 525.96
<b>Investments</b>	V	<b>95.03</b>	217.34	Less: Provision for Income Tax (See note 5)		<b>80.20</b> 142.50
<b>Current Assets, Loans and Advances</b>	VI	<b>120.21</b>	113.88	<b>Profit after Taxation</b>		<b>104.53</b> 383.46
Less: <b>Current Liabilities and Provisions</b>	VII	<b>39.69</b>	94.44	Add: Balance brought forward from previous year		<b>134.73</b> 99.40
<b>Net Current Assets</b>		<b>80.52</b>	19.44	<b>DISPOSABLE PROFIT</b>		<b>239.26</b> 482.86
<b>Total</b>		<b>299.65</b>	371.61	<b>APPROPRIATIONS</b>		
<b>Notes forming part of Accounts</b>	XIII			Statutory Reserve (See note 11)		<b>20.91</b> 76.69
<b>Accounting Policies</b>	XIV			General Reserve		<b>10.45</b> 38.34
				Interim Dividend		<b>131.25</b> 210.00
				Tax on Interim Dividend		<b>29.24</b> 23.10
				Balance carried to Balance Sheet		<b>47.41</b> 134.73
						<b>239.26</b> 482.86
				<b>Notes forming part of Accounts</b>	XIII	
				<b>Accounting Policies</b>	XIV	

As per our Report attached

For S.B. BILLIMORIA & CO.  
Chartered Accountants

UDAYAN SEN  
Partner

Bangalore, April 30, 2001

N. SUBRAMANIAN  
CFO and  
Company Secretary

RENUKA RAMNATH  
Managing Director & CEO

For and on behalf of the Board

K.V. KAMATH  
Chairman

LALITA D. GUPTA  
Director

Mumbai, April 30, 2001



# schedules



forming part of the Accounts

(Rupees in millions)

March 31,  
2000

## SCHEDULE I

### SHARE CAPITAL

#### Authorized

20,000,000 Equity Shares of Rs. 10 each

200.00

200.00

#### Issued, Subscribed and Paid up

3,000,000 Equity Shares of Rs.10 each

30.00

30.00

30.00

30.00

Out of 3,000,000 Equity Shares issued by the Company, 2,999,880 equity shares (For the Year ended March 31, 2000 - 2,999,880) are held by ICICI Limited (the Holding Company)

	Additions/ (deletions) during the period	Balance at March 31,2001	Balance at March 31,2000
Statutory Reserve	20.91	121.88	100.97
General Reserve	10.45	61.36	50.91
Surplus in Profit and Loss Account	47.41	47.41	134.73
	(134.73)		
	(55.96)	230.65	(286.61)
Previous year	150.34	286.61	136.25

## SCHEDULE II

### RESERVES AND SURPLUS

Statutory Reserve

20.91

121.88

100.97

General Reserve

10.45

61.36

50.91

Surplus in Profit and Loss Account

47.41

47.41

134.73

(134.73)

(55.96)

230.65

(286.61)

150.34

286.61

136.25

## SCHEDULE III

### LOAN FUNDS

Interest-free loan from ICICI Ltd.

(Repayable within one year Rs. 16,000,000) (Previous Year - Rs. 16,000,000)

39.00

55.00

39.00

55.00

## SCHEDULE IV

### FIXED ASSETS

(Rupees in millions)

	Gross Block				Depreciation				Lease Adj. Account up to March 31, 2001	Net Block	
	As at March 31, 2000	Addi- tions	Deduc- tions	As at March 31, 2001	As at March 31, 2000	For the Year	Depre- ciation with- drawn	As at March 31, 2001		As at March 31, 2001	As at March 31, 2000
<b>ASSETS ON LEASE</b>											
Vehicles	1.20	—	—	1.20	1.18	0.01	—	1.19	—	0.01	0.02
Plant & Machinery	145.44	—	44.14	101.30	24.22	6.99	19.00	12.21	14.79	74.30	96.07
<b>Sub-Total - A</b>	146.64	—	44.14	102.50	25.40	7.00	19.00	13.40	14.79	74.31	96.09
As at March 31, 2000				146.64				25.40	25.15	96.09	
<b>OTHER ASSETS</b>											
Building **	19.84	5.27	3.49	21.62	5.37	0.93	1.03	5.27	—	16.35	14.47
Equipment	6.56	12.12	0.75	17.93	2.90	1.54	0.55	3.89	—	14.04	3.66
Computers	6.51	4.03	0.85	9.69	4.39	2.11	0.73	5.77	—	3.92	2.12
Furniture & Fixtures	6.23	11.94	5.93	12.24	4.45	1.92	4.40	1.97	—	10.27	1.78
Vehicles	0.93	1.00	—	1.93	0.41	0.13	—	0.54	—	1.39	0.52
<b>Sub-Total - B</b>	40.07	34.36	11.02	63.41	17.52	6.63	6.71	17.44	—	45.97	22.55
<b>Capital advances - C</b>	16.19	12.79	25.16	3.82	—	—	—	—	—	3.82	16.19
As at March 31, 2000				40.07				17.52		22.55	
<b>Grand Total - (A)+(B)+(C)</b>	202.90	47.15	80.32	169.73	42.92	13.63	25.71	30.84	14.79	124.10	134.83
As at March 31, 2000				202.90				42.92	25.15	134.83	

\* Lease adjustment account is net of amounts withdrawn during the year consequent to termination of leases.

\*\* Building acquired on long lease.

# schedules

forming part of the Accounts

Continued

(Rupees in millions)

March 31,  
2000

## SCHEDULE V

### INVESTMENTS (at cost)

Less : Provision for diminution in value of investments

96.58 217.34

1.55 —

Total

95.03 217.34

### NOTES TO SCHEDULE V

Particulars	As at March 31, 2001			As at March 31, 2000		
	Number	Face Value Rs. (per unit)	Cost	Number	Face Value Rs. (per unit)	Cost
<b>INVESTMENTS</b>						
<b>I. Long term</b>						
1. Industrial Development Bank of India 11.5% IDBI Bonds 2010 (Fifty-fifth Series)	—	—	0.01	—	—	0.01
2. Geometric Software Solutions India Ltd. (Quoted) Equity Shares of Rs. 10 each fully paid [(Shares purchased/acquired during the Year - Nil) (Previous Year - 1,100)] [(Shares sold during the Year - Nil) (Previous Year - Nil)]	1,100	10	0.33	1,100	10	0.33
3. Creative Eye Limited (Quoted) Equity Shares of Rs. 10 each fully paid [(Shares purchased/acquired during the Year - 100,000) (Previous Year - Nil)] [(Shares sold during the Year - Nil) (Previous Year - Nil)]	100,000	10	5.50	—	—	—
<b>Total - (I)</b>			<b>5.84</b>			<b>0.34</b>
<b>II. Current Investments (Quoted)</b>						
1. Television Eighteen India Ltd. Equity Shares of Rs.10 each fully paid [(Shares purchased/acquired during the Year - Nil) (Previous Year - 4,900)] [(Shares sold during the Year - 800) (Previous Year - Nil)]	4,100	10	0.74	4,900	10	0.88
<b>Total - (II)</b>			<b>0.74</b>			<b>0.88</b>
<b>III. Current Investments (Unquoted)</b>						
1. Units of Prudential ICICI Liquid Plan	6,966,861	10	90.00	6,807,912	10	80.12
2. Units of Dundee Liquidity (Appreciation Option)	—	—	—	3,151,536	10	36.00
3. Units of Sun F & C Money Value Fund - Liquid	—	—	—	8,863,755	10	100.00
<b>Total - (III)</b>			<b>90.00</b>			<b>216.12</b>
<b>Grand Total - (I)+(II)+(III)</b>			<b>96.58</b>			<b>217.34</b>
<b>SUMMARY</b>						
			<b>Current Year Rs.</b>			<b>Previous Year Rs.</b>
<b>Aggregate Value of Investments :</b>						
<b>Quoted</b>			<b>5.02</b>			<b>1.21</b>
<b>Unquoted</b>			<b>90.01</b>			<b>216.13</b>

- Investments have been classified as Long-Term and Current Investments in accordance with Accounting Standard 13 Issued by the Institute of Chartered Accountants of India.
- Purchases of units of Mutual Funds held as Investments - 114,078,844 units amounting to (net of brokerage refunds) Rs. 1,547.29 million. (Previous Year - 74,128,245 units amounting to Rs. 866.05 million)
- Sales of units of Mutual Funds held as Investments - 125,935,187 units amounting to Rs. 1,656.62 million. (Previous Year - 55,305,041 units amounting to Rs. 658.92 million.)
- Market value of quoted Investments Rs. 2.41 million. (Previous Year - Rs.6.84 million)



# schedules

**ICICI Venture** forming part of the Accounts

Continued

	(Rupees in millions)	March 31, 2000	(Rupees in millions)	March 31, 2000
<b>SCHEDULE VI</b>				
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>				
<b>Current Assets</b>				
Accrued Interest		4.40	—	
Sundry Debtors (unsecured)				
(i) Debts (considered good - outstanding for less than six months)	13.02		6.66	
(ii) Debts (considered good - outstanding for more than six months)	8.00		0.47	
(iii) Debts (considered doubtful)	0.54		0.54	
Less: Provision for doubtful debts	(0.54)		(0.54)	
		21.02	7.13	
Cash		0.01	0.04	
Balance with Scheduled Banks				
Balance in Current Accounts	39.26		62.99	
Balance in Deposit Account	—		7.44	
		64.69	77.60	
<b>Loans and Advances *</b>				
Loans to Staff (See note 6)		5.89	8.25	
Other Loans		43.30	—	
Advance tax and tax deducted at source (Net of provisions)		1.22	21.93	
Advances recoverable in cash or in kind or for value to be received	5.23		6.16	
Less: Provision for doubtful advances	(0.12)		(0.06)	
		55.52	36.28	
		120.21	113.88	
*Of the above Advances				
(a) Fully Secured		49.00	7.63	
(b) Unsecured, Considered Good		6.52	28.65	
(c) Considered Doubtful	0.12		0.06	
Less: Provision for doubtful advances	(0.12)		(0.06)	
		55.52	36.28	
		120.21	113.88	
<b>SCHEDULE VII</b>				
<b>CURRENT LIABILITIES AND PROVISIONS</b>				
<b>Current Liabilities</b>				
Sundry Creditors				
Dues to creditors other than small-scale industrial undertakings		28.64	41.30	
Income and Lease Rentals received in advance	0.03		52.13	
Other Liabilities	1.02		1.01	
		29.69	94.44	
<b>Provisions</b>				
Provision for contingencies		10.00	—	
		10.00	—	
		39.69	94.44	
<b>SCHEDULE VIII</b>				
<b>INCOME FROM OPERATIONS</b>				
<b>Fee Income</b>				
[Tax at source Rs. 10,696,782] (Previous Year - Rs. 32,469,436)	245.49		569.48	
Sales of Securities held as Stock-in-trade	40.16		1,083.45	
Interest on Loans	6.10		3.97	
[Tax at source Rs. 253,007] (Previous Year - Rs. 272,171)	—		1.92	
Bad debts recovered	—		—	
Income from Incubation Facility	0.60		—	
[Tax at source Rs. 114,400] (Previous Year - Nil)	30.20		29.19	
Lease rentals and related income	30.20		29.19	
Less: Lease Equalization Account	(14.64)		(11.37)	
	15.56		17.82	
Dividend (See note 7)	35.13		119.51	
Interest on Deposits and Securities	1.20		0.64	
[Tax at source Rs. 127,752] (Previous Year - Rs. 193,211)		344.24	1,796.79	
<b>SCHEDULE IX</b>				
<b>OTHER INCOME</b>				
Interest on Miscellaneous Advances		0.26	0.29	
Interest on Income Tax Refund		1.90	—	
Miscellaneous Income (net)		0.89	0.17	
		3.05	0.46	
<b>SCHEDULE X</b>				
<b>STAFF EXPENSES</b>				
Salaries, Wages and Bonus		25.49	30.59	
Contribution to Provident and Other Funds		4.23	1.54	
Salary of ICICI staff reimbursed		—	0.63	
Staff Welfare Expenses		1.31	0.99	
		31.03	33.75	
<b>SCHEDULE XI</b>				
<b>ESTABLISHMENT EXPENSES</b>				
Insurance		0.14	0.11	
Postage		0.18	0.14	
Electricity Charges		2.16	1.26	
Rates and Taxes		0.28	0.28	
Repairs and Maintenance - Building		4.08	1.68	
- Others		0.27	0.36	
Telex, Telephone and Telegram Charges		1.80	1.91	
Rent - Office		1.36	1.31	
		10.27	7.05	
<b>SCHEDULE XII</b>				
<b>OTHER EXPENSES</b>				
Advertisement		0.60	—	
Bank Charges		0.04	0.03	
Books and Periodicals		0.09	0.09	
Directors' Meeting Expenses		—	0.02	
E.D.P. Expenses		1.53	2.82	
Travel, Conveyance and Motor Car Expenses (See note 15)		2.39	2.86	
Advisory Fees		24.60	42.81	
Legal and Professional Charges (See note 1)		6.36	4.40	
Printing and Stationery		0.59	0.43	
Memberships and Subscriptions		0.79	0.89	
Loss on Sale of assets (net)		4.10	0.28	
Loss on Sale of investments (net)		14.34	—	
Interest on Income-Tax		0.50	8.30	
Provision for diminution in value of investments		1.55	—	
Bad debts written off (net)		1.71	—	
Miscellaneous expenses (See note 16)		5.49	1.18	
		64.68	64.11	
<b>SCHEDULE XIII</b>				
<b>NOTES FORMING PART OF THE ACCOUNTS</b>				
1. <b>Legal &amp; Professional Charges include amounts paid/payable to the Auditors for:</b>				
			(Rupees in million)	
		2000-2001	1999-2000	
Audit Fees		0.05	0.05	
Taxation Matters		0.01	0.01	
Other Matters		0.31	0.05	
Out-of-pocket Expenses		0.03	—	
		0.40	0.11	
2. <b>Earnings in Foreign Exchange</b>				
Fees		44.91	28.69	
Interest on EEFC Deposit		0.17	0.36	
		45.08	29.05	
3. <b>Expenditure in Foreign Currency</b>				
Capital		1.43	—	
Travel		0.12	0.24	
Others		0.03	0.04	
		1.58	0.28	

# schedules

## forming part of the Accounts

Continued

4. Estimated amount of Contracts remaining to be executed on capital account not provided for (net of advances, if any) Rs. 2.41 Mn. (Previous Year - Rs. 3.48 million).
5. Income Tax demands (net of tax provision already created) for which appeals are being preferred Rs. 3.57 Mn. (Previous Year - Rs. 3.57 million).
6. Loans to staff include Rs. 0.07 million (Previous Year - Rs. 0.09 million) from an Officer of the Company. Maximum amount due during the year Rs. 0.09 million (Previous Year - Rs. 0.11 million).
7. Dividend Income comprises the following:

	(Rupees in million)	
	2000-2001	1999-2000
Dividend from Non-Trade Investments		
- Current Term Investments	27.31	—
- Dividend from units held as Stock-in-trade	7.82	119.51
<b>Total</b>	<b>35.13</b>	<b>119.51</b>

8. Cost of sales of securities held as stock-in-trade is net of brokerage refunds.
9. Staff Expenses include :
  - (a) Provision towards unutilised leave salary Rs.0.99 million (Previous Year - Rs.0.33 million).
  - (b) Rent paid in respect of Company leased accommodation facility provided to eligible employees Rs.0.89 million (Previous Year - Rs. 1.13 million)
10. The company has complied with the Prudential norms prescribed by the Reserve Bank of India in respect of Income Recognition, Provision for Bad and Doubtful Debts and other Non Performing Assets.
11. In accordance with Section 45-1C of the Reserve Bank of India (Amendment) Act, 1997, twenty percent of the profit after taxation in the current year has been transferred to a Statutory Reserve.
12. The Company has obtained the Central Government's permission under Section 211 to use "Rupees in Million" (up to at least second place of decimal) as the monetary unit in the Annual Accounts.
13.
  - a) Purchases of units of Mutual Funds held as stock in trade - 3,479,471 units amounting to (net of brokerage refunds) Rs.49.25 million (Previous Year - Rs. 1209.55 million).
  - b) Sales of Units of Mutual Funds held as stock-in-trade - 3,479,471 units amounting to Rs.40.16 million (Previous year - Rs. 1083.45 million).
  - c) Opening and closing stock of securities held as Stock-in-trade - Nil (Previous Year - Nil).
14. The Shareholders of the Company approved the Employee Stock Option Scheme (ESOS) on October 13, 2000. The ESOS provides for issue of share options to the employees of the Company, the holding Company viz. ICICI Limited and the group companies of ICICI Limited. Each option confers the right to receive one equity share of Rs. 10/- each (fully paid-up of the Company) at an exercise price of Rs. 835/- per share. The share options, if fully granted & exercised, will result in the issue of 125,000 equity shares. As on date, the Company has granted 81,400 share options under the ESOS. Out of the options granted, 2500 share options have been forfeited consequent to resignations. The ESOS is administered by the Board of Directors of the Company.
15. Travel, Conveyance and Motor Car expenses include write-offs amounting to Rs. 0.13 million in respect of travel expenses recoverable from third parties (Previous Year - Nil).
16. Miscellaneous expenses include Rs. 4.67 Mn. (Previous Year - Nil), being the Company's share of various common overhead expenses incurred by ICICI Limited, the holding company.
17. The figures for the previous year have been re-grouped wherever necessary so as to make them comparable with those of the current year.

### SCHEDULE XIV

#### OPERATIONS & SIGNIFICANT ACCOUNTING POLICIES

The following paragraphs describe the nature of operations, the basis of presentation and the main policies adopted by the company.

##### 1. Nature of Operations

The Company is a public financial institution and provides venture capital assistance to a wide spectrum of industrial sectors. The assistance is extended through the Venture Funds and the Private Equity Funds managed/advised by the Company. The accounts of these Funds are maintained separately and do not form part of the Company's financial statements.

##### 2. Basis of Presentation

ICICI Venture Funds Management Company Limited maintains the Books of Account in accordance with Section 209 of the Companies Act, 1956. The accounting and reporting policies of the company are in conformity with the provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of

Chartered Accountants of India. The Company's assets and liabilities are principally recorded on the historical cost basis and the accrual method of accounting is followed, except where otherwise noted. The principal accounting policies followed are consistent with those followed in the previous year.

### 3. Income Recognition

- i. As Fund Manager, the Company is entitled to an annual management fee and a performance fee, which is contingent on the payouts to the Fund investors. In respect of the Private Equity Funds advised by the Company, the Company is entitled to an advisory fee. The annual management fee, performance fee and the advisory fee are recognized as revenue when they contractually accrue except where the management believes that the collectability is in doubt.
- ii. Dividend income from investment in units of Mutual Fund is recognized on cash basis. Dividend from shares of corporate bodies is accrued when such dividend has been declared by the corporate body in its Annual General Meeting and the Company's right to receive the dividend payment is established.
- iii. Income on securities classified as stock-in-trade is recognised on trade date.
- iv. Interest is recognised, except where collectability is in doubt, on time proportionate basis taking into account the amount outstanding and the interest rates implicit in the transaction. Revenue recognition on loans placed in non-accrual status is resumed and suspended income recognised when the investment becomes contractually current and incomes are actually realised.
- v. No credit is taken for interest and other dues in respect of (a) decreed debts, (b) where suits have been filed, (c) where loans have been recalled and (d) where accounts are considered bad or doubtful.

### 4. Foreign Exchange Transactions

Transactions in foreign currency, to the extent not covered by forward contracts, are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions are recognised as income or expense in the period in which they arise.

Current assets and current liabilities (other than those relating to fixed assets) are restated at the rates prevailing at the year end. The difference between the year end rate and the exchange rate at the date of the transaction is recognised as income or expense in the profit and loss account.

### 5. Investments

Long-term Investments are carried at cost. Provision for diminution, if any, in the value of long-term investments is made to recognise a decline which is not temporary. The said diminution is determined for each investment individually. Current Investments are stated at lower of cost or fair value.

### 6. Stock-in-trade

Units and Securities held for trading purposes are classified as Stock-in-trade. Stock-in-trade is stated at lower of cost or market value.

### 7. Leasing Business

Lease income is recognized on accrual basis, except where collectability is in doubt. In respect of assets leased, the company has followed the recommendations contained in the guidance note on Accounting for Leases issued by the Institute of Chartered Accountants of India. The corresponding assets are depreciated at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

### 8. Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated depreciation. Additions, major renewals and improvements are capitalized, while maintenance and repairs are expensed. Upon disposition, the net book value of assets is relieved and resultant gains and losses are reflected in the Profit and Loss Statement. The basis of depreciation is as follows :

- a) In respect of leased assets (other than vehicles leased to third parties), depreciation is provided on straight-line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.
- b) In respect of all other assets, depreciation is provided on written-down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

### 9. Employee Benefits

The Company has a superannuation fund and a gratuity fund maintained and administered by Life Insurance Corporation of India to which transfers are made annually based on advises 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 to the Family Pension Scheme administered by the Central Government. Contributions to retirement benefit schemes are booked under staff expenses. Provision for unutilised leave benefits has been made on the basis of management estimates.

Signatures to Schedules 'I' to 'XIV' which form an integral part of the Accounts.

As per our Report attached  
For S.B. BILLIMORIA & CO.  
Chartered Accountants  
UDAYAN SEN  
Partner  
Bangalore, April 30, 2001

N. SUBRAMANIAN  
CFO & Company Secretary

RENUKA RAMNATH  
Managing Director & CEO

For and on behalf of the Board  
K.V. KAMATH  
Chairman  
LALITA D. GUPTA  
Director  
Mumbai, April 30, 2001



**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. 0 8 / 1 0 0 9 9

State Code 0 8

Balance Sheet Date 3 1  
Date

0 3  
Month

2 0 0 1  
Year

**2. Capital raised during the Year**

(Amount in Rupees Thousand)

Public Issue

0 0 0 0 0 0 N I L

Bonus Issue

0 0 0 0 0 0 N I L

Rights Issue

0 0 0 0 0 0 N I L

Private Placement

0 0 0 0 0 0 N I L

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

(Amount in Rupees Thousand)

Total Liabilities

2 9 9 6 3 3 . 2 6

Total Assets

2 9 9 6 3 3 . 2 6

**Sources of Funds**

Paid-up Capital

0 3 0 0 0 0 . 0 0

Reserves & Surplus

2 3 0 6 3 3 . 2 6

Secured Loans

0 0 0 0 0 0 N I L

Unsecured Loans

0 3 9 0 0 0 . 0 0

**Application of Funds**

Net Fixed Assets

1 2 4 1 0 6 . 9 6

Investments

0 9 5 0 2 3 . 7 2

Net Current Assets

0 8 0 5 0 2 . 5 8

Miscellaneous Expenditure

0 0 0 0 0 0 N I L

Accumulated Losses

0 0 0 0 0 0 N I L

**4. Performance of Company**

(Amount in Rupees Thousand)

Turnover / Income

0 3 6 3 5 9 3 . 4 6

Total Expenditure

0 1 7 8 8 7 0 . 2 2

Profit/Loss before Tax

1 8 4 7 2 3 . 2 4

Profit/Loss after Tax

1 0 4 5 2 8 . 1 8

Earnings per Share in Rupees

0 0 0 0 3 4 . 8 4

Dividend Rate %

0 0 0 0 4 3 7 . 5 0

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

Item Code No. : Not Applicable

Product Description : Financial Services

For and on behalf of the Board

K.V. KAMATH  
Chairman

N. SUBRAMANIAN  
CFO and  
Company Secretary

RENUKA RAMNATH  
Managing Director & CEO

LALITA D. GUPTA  
Director

Bangalore, April 30, 2001

Mumbai, April 30, 2001