

ICICI ECO-NET LIMITED**1ST ANNUAL REPORT AND ACCOUNTS 2000-2001****Directors**

Lalita D. Gupte, *Chairperson (upto May 2, 2001)*
Chanda Kochhar
S. Mukherji
Renuka Ramnath, *Managing Director & CEO*
Sanjeev Kapoor, *Company Secretary*

Auditors

S.B. Billimoria & Company
Chartered Accountants

Registered Office

ICICI Towers
Bandra-Kurla Complex
Mumbai 400 051

directors' report**to the members**

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

The Company was incorporated on 25th September 2000 and it received the Certificate for Commencement of Business from the Registrar of Companies, Maharashtra on 6th October 2000.

FINANCIAL PERFORMANCE

During the period under review, the Company earned an income of Rs. 7,531,410. The Profit & Loss Account shows a loss of Rs. 8,637,215 after taking into account all expenses.

OPERATIONAL REVIEW

The Company has been appointed as Investment Manager of ICICI Eco-Net Fund, a Venture Capital Fund registered with the Securities and Exchange Board of India. The Fund has launched its first scheme ICICI Eco-Net Internet and Technology Fund on December 30, 2000. The scheme houses inter-alia incubated ventures like Payseal, the first payment gateway in India, billjunction.com, a bill presentment and payment service, Traveljini.com, a travel portal and Cafenetworks.com, a series of local horizontal portals.

RESOURCES

The Authorised Share Capital comprises of 10,000,000 Equity Shares of Rs. 10 each amounting to Rs. 100 million, which is fully subscribed and paid-up. The paid-up Equity Capital of Rs. 100 million is entirely held by ICICI Limited and its nominees.

BUSINESS STRATEGY AND FUTURE PLANS

The Company has ceased to be the Investment Manager of ICICI Eco-Net Fund w.e.f. April 2, 2001. As a part of its strategy, the company would continue to incubate ventures in the Internet and enabling technology space for ICICI Limited. The key elements of its strategy to capitalize on these opportunities are:

- Web-enabling existing products and services to create value;
- Using the Internet to offer new, innovative solutions to customers;
- Building portals across businesses to meet a wider range of customer needs;
- Use of secured communication on electronic means.

The Company would proactively enhance the value of these ventures through guidance and networking.

The Company will form strategic alliances and partnerships. These alliance partners would not only take a financial stake in the company but also add value to the incubated ventures. The various kinds of alliances currently being tied-up are:

- (a) Technology companies
- (b) Internet companies
- (c) International venture capital firms
- (d) Academic and Research Institutions

PUBLIC DEPOSITS

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

DIRECTORS

Smt. Lalita D. Gupte, Shri S.H. Bhojani, Smt. Chanda Kochhar and Smt. Renuka Ramnath were the first Directors named in the Articles of Association of the Company.

Shri S.H. Bhojani, who was on the Board of the Company since its incorporation 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.

The Board appointed Smt. Renuka Ramnath as the Managing Director of the Company for a period of five years effective from September 27, 2000.

Shri S. Mukherji, who has been appointed as an Additional Director effective from April 30, 2001, holds office only upto the date of the First Annual General Meeting of the Company as provided in 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, Smt. Lalita D. Gupte, Smt. Chanda Kochhar & Smt. Renuka Ramnath would retire at the ensuing Annual General Meeting, and being eligible offer themselves for re-appointment.

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 Shri S. Mukherji, Smt. Chanda Kochhar and Smt. Renuka Ramnath which discharges the functions under Section 292A of the Companies Act, 1956.

AUDITORS

The Auditors, S. B. Billimoria & Company, Chartered Accountants, Mumbai, 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

During 2000-2001, income in foreign currencies was nil and expenditure in foreign currencies amounted to Rs. 10,816,912.

PERSONNEL AND OTHER MATTERS

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

Since 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:

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 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

LALITA D. GUPTA
Chairperson

Mumbai, April 30, 2001

auditors' report

to the members of ICICI Eco-Net Limited

We have audited the attached Balance Sheet of ICICI Eco-Net Limited as at March 31, 2001 and the Profit and Loss Account of the Company for the period 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 account 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 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, 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 loss of the Company for the period ended March 31, 2001.

For S.B. BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

Mumbai, April 30, 2001

annexure to the auditors' report

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 fixed assets, 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.
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 our opinion, 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.
5. 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.
6. The Company has not accepted any deposits from the public.
7. According to the information and explanations given to us, the Company has applied to the Commissioner of Income tax and the Commissioner of Provident Fund. Pending the receipt of registration, the Company has held the provident fund dues in its bank account. According to the information and explanations given to us, the Employees State Insurance Act, 1948 is not applicable to the Company.
8. 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.
9. According to 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.

For S.B. BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

Mumbai, April 30, 2001

balance sheet profit and loss account



as at March 31, 2001

for the period September 25, 2000 to March 31, 2001

	Schedule	(Rupees)	March 31, 2001	Schedule	(Rupees)	March 31, 2001
Sources of funds				Income		
Shareholders' funds				Fee Income		
Share Capital	I		100,000,000	Other income	VI	5,625,000
			<u>100,000,000</u>			<u>1,906,410</u>
Application of funds				Expenses		
Fixed Assets				Salaries		
Gross Block	II		4,535,030	Contribution to Provident and other funds		6,063,433
Less Depreciation			<u>(325,101)</u>	Staff welfare		371,420
Net Block			4,209,929	Rent		159,965
Incubation Projects in Progress				Travelling and conveyance		
			27,637,346	Advertisement and publicity		3,304,181
Current Assets, Loans and Advances				Telephones		
Current assets	III		45,495,344	Professional fees		2,231,844
Loans and advances			32,068,671	Office expenses		230,475
Less: Current liabilities and provisions				Depreciation		
Net current assets	IV		<u>(42,777,267)</u>	Insurance		505,848
Miscellaneous expenditure (to the extent not written off or adjusted)	V		24,728,762	Legal charges		459,223
Profit and Loss account			<u>8,637,215</u>	Technical and software		1,033,198
			<u>100,000,000</u>	Miscellaneous expenses amortized during the period		174,726
				Miscellaneous		19,724
Accompanying notes form an integral part of the Accounts	VII					7,350
						274,405
						<u>16,168,625</u>
				Loss for the period carried to Balance Sheet		<u>(8,637,215)</u>
				Accompanying notes form an integral part of the Accounts	VII	

For and on behalf of the Board

For S.B. BILLIMORIA & CO.
Chartered Accountants

LALITA D. GUPTA
Chairperson

RENUKA RAMNATH
Managing Director & CEO

UDAYAN SEN
Partner

SANJEEV KAPOOR
Company Secretary

SUMIT CHANDWANI
Chief Financial Officer

Mumbai, April 30, 2001

schedules

forming part of the Accounts

(Rupees)

March 31, 2001

SCHEDULE - I

Share Capital

Authorized				
10,000,000 equity shares of Rs 10 each				100,000,000
Issued subscribed and paid-up				
10,000,000 equity shares of Rs 10 each				100,000,000
(All the above equity shares are held by ICICI Limited, the holding Company and its nominees.)				

SCHEDULE - II

Fixed Assets

	Gross Block		Depreciation upto 31.03.2001	Net Block As at 31.03.2001
	Additions	Cost as at 31.03.2001		
Computers	3,657,547	3,657,547	(294,444)	3,363,103
Office equipment	579,265	579,265	(13,644)	565,621
Furniture & fixtures	298,218	298,218	(17,013)	281,205
Total	4,535,030	4,535,030	(325,101)	4,209,929

SCHEDULE - III

A. Current Assets, Loans and advances

Current Assets				
Cash on hand				5,939
Balances with Scheduled Banks:				
In Current Accounts				18,231,323
In Deposit Accounts				26,500,000
Interest accrued on deposits				758,082
				45,495,344

B. Loans and advances (Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received				1,079,819
Inter-corporate deposit with ICICI				30,000,000
Advance tax				988,852
				32,068,671

SCHEDULE - IV

Current liabilities

Sundry Creditors-				
- Dues to creditors other than small-scale industrial undertakings				40,873,941
Other Liabilities				1,903,326
Provisions				—
				42,777,267

SCHEDULE - V

Miscellaneous expenses to the extent not written off or adjusted

Preliminary expenses	911,996			
Less: Amount Amortized	(45,599)			866,397
Pre-operative expenses	25,118,280			
Less: Amount Amortized	(1,255,915)			23,862,365
				24,728,762

The breakup of pre-operative expenses is as under:

Expenses

Salaries				11,025,612
Contribution to Provident and other funds				700,478
Staff welfare				476,971
Professional fees				859,245
Advertisement and Business promotion				2,008,001
Travel				4,835,153
Technical and software				158,172
Office expenses				2,981,031
Telephones				552,301
Rent				3,292,933
Depreciation				150,375
Miscellaneous				100,945
				27,141,217
Less: Income during pre-operative period				(2,022,937)
Excess of expenditure over income				25,118,280

schedules

ICICI Eco-Net forming part of the Accounts

Continued

(Rupees)

March 31, 2001

SCHEDULE - VI

Other Income

Interest on Deposits (Tax deducted at source - Rs 104,609)	937,314
Interest on ICDs (Tax deducted at source - Rs 213,204)	969,096
	1,906,410

SCHEDULE - VII

Notes forming part of the accounts

1. Background and nature of operations

The Company provides venture capital assistance to the Internet and technology industry. The assistance is extended through the Venture Fund managed by the Company called ICICI Eco-Net Internet and Technology Fund ('the Fund'). The accounts of this Fund are maintained separately and do not form part of the Company's accounts.

The Company was incorporated on September 25, 2000 and commenced commercial operations on December 30, 2000 and the accounts presented are the first accounts of the Company.

2. Significant accounting policies

i) Basis of presentation

The Company 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 generally accepted accounting principles in 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.

ii) Income recognition

As fund manager, the Company is entitled to a management fee and a performance fee which is contingent on the payouts to the Fund's investors. The annual management fee and performance fee are recognized as revenue when they contractually accrue except where the management believes that collectibility is in doubt.

Interest income is recognized, except where collectibility is in doubt, on time proportionate basis taking into account the amount outstanding and the interest rates implicit in the transactions.

iii) Foreign Exchange transaction

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 recognized as income or expense in the period in which they arise.

iv) Fixed Assets and depreciation

Fixed asset 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:

Depreciation on fixed assets is provided on straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except on software expenditure where the rate is 20%, higher than those prescribed.

v) Incubation Projects in progress

The Company incubates new venture ideas. For such projects, which are specifically identified and where management has reasonable belief that the projec will be viable and spun off into a separate company, the incubation costs are carried in the Balance Sheet for transfer to the new legal entity to be set up.

vi) Miscellaneous expenditure

Preliminary expenditure incurred for the formation of the Company is being amortized over a period of five years from the date of commencement of commercial operations of the Company. Pre-operative Expenses include pre-incorporation expenses incurred by the holding company for the business of the Company. Pre-operative expenditure are amortized over a period of five years from the date of commencement of commercial operations.

3. Professional fees include amounts paid/payable to the auditors for:

Audit Fees	50,000
Service tax	2,500
	52,500

4. Expenditure in foreign currency

Foreign Travel	796,473
Software development expenses (Capitalized)	9,775,992
Subscription & seminar expenses	243,797
	10,816,262

5. Salaries (including contributions to the Providend Fund, Gratuity and leave encashment) of the Managing Director is borne by ICICI Limited, the holding Company.

6. There are no outstanding overdues to Small Scale Industrial undertakings and/or ancillary industrial suppliers on account of principal and/or interest as at the close of the year. This disclosure is based on the documents/information available with the Company.

7. Office Expenses in the Profit and Loss Account and in Schedule V include Rs 840,385 and Rs 2,521,158 respectively, being the Company's share of various common overhead expenses incurred by ICICI Limited, the holding Company.

For S.B. BILLIMORIA & CO.
Chartered Accountants

UDAYAN SEN
Partner

Mumbai, April 30, 2001

SANJEEV KAPOOR
Company Secretary

For and on behalf of the Board
LALITA D. GUPTA
Chairperson

RENUKA RAMNATH
Managing Director & CEO

SUMIT CHANDWANI
Chief Financial Officer

**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.

1	1	-	1	2	8	8	5	2
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State Code

1	1
---	---

Balance Sheet Date

3	1
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0	3
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2	0	0	1
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Date

Month

Year

2. Capital raised during the Period

(Amount in Rupees thousand)

Public Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Bonus Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Rights Issue

							N	I	L
--	--	--	--	--	--	--	---	---	---

Private Placement

			1	0	0	0	0	0	0
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3. Position of Mobilization and Deployment of Funds

(Amount in Rupees thousand)

Total Liabilities

			1	0	0	0	0	0	0
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Total Assets

			1	0	0	0	0	0	0
--	--	--	---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital

			1	0	0	0	0	0	0
--	--	--	---	---	---	---	---	---	---

Reserves & Surplus

							N	I	L
--	--	--	--	--	--	--	---	---	---

Secured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

Unsecured Loans

							N	I	L
--	--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets

						4	2	1	0
--	--	--	--	--	--	---	---	---	---

Investments

							N	I	L
--	--	--	--	--	--	--	---	---	---

Incubation Projects in Progress

			2	7	6	3	7		
--	--	--	---	---	---	---	---	--	--

Net Current Assets

			3	4	7	8	7		
--	--	--	---	---	---	---	---	--	--

Miscellaneous Expenditure

				2	4	7	2	9	
--	--	--	--	---	---	---	---	---	--

Accumulated losses

						8	6	3	7
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4. Performance of the Company

(Amount in Rupees thousand)

Turnover/Income

						7	5	3	1
--	--	--	--	--	--	---	---	---	---

Total Expenditure

						1	6	1	6	9
--	--	--	--	--	--	---	---	---	---	---

Profit/(Loss) before Tax

						8	6	3	7
--	--	--	--	--	--	---	---	---	---

Profit/(Loss) after Tax

						8	6	3	7
--	--	--	--	--	--	---	---	---	---

Earnings per Share in Rupees

							N	I	L
--	--	--	--	--	--	--	---	---	---

Dividend Rate %

							N	I	L
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5. Generic Names of Principal Products/Services of the Company

Items Code No.

Not applicable

Product Description:

Financial Services

For and on behalf of the Board
LALITA D. GUPTA
Chairperson

RENUKA RAMNATH
Managing Director & CEO

SUMIT CHANDWANI
Chief Financial Officer

SANJEEV KAPOOR
Company Secretary

Mumbai, April 30, 2001