

ICICI KNOWLEDGE PARK

3RD REPORT AND ACCOUNTS FOR THE PERIOD 2000-2001

Directors

N. Vaghul *Chairman*
 B.P. Acharya
 Sheela Bhide
 A.S. Ganguly
 Rakesh Khurana
 R.A. Mashelkar
 R. Rajamani
 Renuka Ramnath
 P.J.V. Sarma

Auditors

S.B. Billimoria & Co.
 Chartered Accountants

Registered Office

L.B. Bhavan, 4th floor
 6-3-550, Somajigude
 Opp. Medinova
 Hyderabad - 500 082

directors' report

to the members

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

FINANCIAL PERFORMANCE

ICICI Limited has provided Rs.0.3 million towards the Company's equity capital. In addition, ICICI Limited has also provided financial assistance in the way of a 20-year interest free loan of Rs.309.7 million and a grant of upto Rs.20.0 million to meet the revenue shortfall from operations for the period ending March 31, 2001. There has been an increase in the cost of the project by around Rs.40 million from Rs.270 million estimated in 1999-2000, mainly due to addition/modification in the scope of work for obtaining regulatory compliance and certain additional requirements of telecom and power utilities. A brief summary of the financial results of your Company is as under:

	(Rupees)
	2000-2001
INCOME	
Lease Rent (including expenses recoverable)	1,843,688
Interest on Short Term Deposits	3,858,919
Income from Grants from ICICI	15,000,000
TOTAL	20,702,607
EXPENDITURE	
Operating expenses	11,763,764
Depreciation	8,119,556
Deferred Revenue Expenditure	765,829
TOTAL	20,649,149
EXCESS OF INCOME OVER EXPENDITURE	53,458

OPERATIONAL REVIEW

The first phase of the Park comprising an area covering nearly fifteen acres and envisaging a saleable area of about 30,000 sq. ft., with 1 block of 10 laboratory modules and central facilities/services such as administrative building, canteen, un-interrupted power supply, air-conditioning facilities, telecommunication and IT facilities, conference hall, water and sewerage treatment units, effluent neutralization facility, house keeping, security and utility maintenance teams have been operational from June 1, 2000.

The first tenant of ICICI Knowledge Park, Mediorp Technologies India Limited started operating from June 2000. Intense marketing effort is continuing and positioning a Principal Scientific Advisor and acting CEO at the Park has yielded encouraging results. The second tenant has signed up for leasing one laboratory for 3 years from April 1, 2001 while 2 more tenants are to start operating from June 1, 2001. Full occupancy is projected by the end of 2001-02.

The Park has obtained sanction for grant of Rs. 15.0 million from the Department of Scientific and Industrial Research, Government of India to partly fund the Virtual Information Centre (VIC) Project at the Park. The duration of the project is 3 years beginning April 2001. The VIC Project is part of the Knowledge Networking programme and is aimed at information/knowledge sharing and facilitating collaborative research between Park tenants and academic and research institutions in the country. The VIC would provide Park tenants a database of expertise and facilities of Network Member Institutions, their library catalogues and online access to international and national databases.

The Park has received full support of the Government of Andhra Pradesh and Government of India in promoting its activities.

ICICI Knowledge Park is recognised by the Department of Scientific & Industrial Research, Government of India as a Scientific and Industrial Research Organisation (SIRO). By virtue of this recognition, the Park is entitled to customs duty exemption and excise duty waiver.

Customs Department has issued a Public Notice No. 142/2000, dated November 28, 2000 for speedy clearance of perishable and refrigerated goods at Hyderabad airport for R&D centres located in the Park.

The Andhra Pradesh Government has declared the area surrounding the park as a 'no-pollution zone' and prohibited the establishment of polluting industries within a radius of 25 km of the Park.

DIRECTORS

ICICI Limited vide its letter dated April 6, 2001 withdrew the nomination of Shri A.J.V. Jayachander and nominated Smt. Renuka Ramnath, the Managing Director of ICICI Venture Funds Management Company Limited in his place effective April 6, 2001. The Board placed on record its appreciation of the valuable services rendered by Shri Jayachander during his tenure.

The Board has appointed Shri B.P. Acharya, Secretary, Industry and Commerce Department, Government of Andhra Pradesh and Shri R. Rajamani, former Secretary, Ministry of Environment, Government of India as additional Directors of the Company effective April 20, 2001. They would hold the office upto the date of the ensuing Annual General Meeting of the Company but are eligible for appointment.

In terms of the provisions of the Articles of Association of the Company, Dr. Rakesh Khurana and Dr. R.A. Mashelkar would retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The Auditors, M/s. S.B. Billimoria and Co., Chartered Accountants, Hyderabad, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 20, 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.

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

directors' report

to the members

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 is grateful for the guidance, advice, support and co-operation received from the Government of India and the Government of Andhra Pradesh.

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

Finally, the Directors wish to express their gratitude to the Members for their continued support.

For and on behalf of the Board

N. VAGHUL
Chairman

Hyderabad, April 20, 2001

auditors' report

to the members of ICICI Knowledge Park

We have audited the attached Balance Sheet of ICICI KNOWLEDGE PARK as at March 31, 2001 and the Income and Expenditure Account for the year ended on that date annexed thereto and report that:

- 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 the books;
- c. The Balance Sheet and Income and Expenditure Account are in agreement with the books of account;
- d. In our opinion, the Balance Sheet and the Income and Expenditure 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. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, 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 the affairs of the Company as at March 31, 2001; and

- ii) In the case of the Income and Expenditure Account, of the excess of income over expenditure of the Company for the year ended on that date.

- f. On the basis of the written representations received from the Directors as on March 31, 2001, we report that none of the Directors are disqualified as on March 31, 2001 from being appointed as Directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For S.B. BILLIMORIA & CO.
Chartered Accountants

P. R. RAMESH
Partner

Hyderabad, April 20, 2001

balance sheet

ICICI Knowledge Park

as at March 31, 2001

Schedule

(Rupees)

March 31,
2000

SOURCES OF FUNDS

Shareholders' Funds

a) Capital	A	300,000		300,000	
b) Reserves and Surplus	B	<u>53,459</u>	<u>353,459</u>	<u>1</u>	<u>300,001</u>

Loan Funds

a) Secured loans	C	309,700,000		269,700,000	
b) Unsecured loans		<u>—</u>	<u>309,700,000</u>	<u>—</u>	<u>269,700,000</u>

Total			<u>310,053,459</u>		<u>270,000,001</u>
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APPLICATION OF FUNDS

Fixed Assets

Gross block	D	255,659,495		127,719	
Less: Depreciation		<u>8,119,556</u>		<u>2,512</u>	
Net Block			<u>247,539,939</u>		<u>125,207</u>

Capital Work-in-progress

Pre-operative Expenses pending allocation		<u>—</u>		11,487,594	
Value of Capital Jobs		<u>143,833</u>	<u>143,833</u>	<u>225,900,113</u>	<u>237,387,707</u>

Current Assets, Loans & Advances

A. i) Cash & Bank balances	E	63,832,284		89,280,128	
ii) Sundry Debtors		950,891		—	
iii) Other Current Assets		<u>6,904,966</u>		<u>1,133,565</u>	
		<u>71,688,141</u>		<u>90,413,693</u>	
B. Loans & Advances		<u>4,077,751</u>		<u>3,861,947</u>	
		<u>75,765,892</u>		<u>94,275,640</u>	

Less:

Current Liabilities and Provisions

Current Liabilities	F	<u>17,225,358</u>		<u>67,760,515</u>	
			<u>58,540,534</u>		<u>26,515,125</u>

Miscellaneous Expenditure

(to the extent not written off or adjusted)	G		<u>3,829,153</u>		<u>5,971,962</u>
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Total			<u>310,053,459</u>		<u>270,000,001</u>
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Contingent Liabilities and Notes	H				
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As per our Report attached

For S.B. BILLIMORIA & CO.
Chartered Accountants

P. R. Ramesh
Partner

Hyderabad, April 20, 2001

On behalf of the Board

N. VAGHUL
Chairman

P.J.V. SARMA
Director

NILESH TRIVEDI
Compliance Officer

income and expenditure

for the year ended March 31, 2001

Schedule

(Rupees)

March 31,
2001

1. INCOME

Lease Rent (Including expenses recoverable)		1,843,688
Interest on Short Term Deposits		3,858,919
Income from grants from ICICI		15,000,000
Total		20,702,607

2. EXPENDITURE

A) Operating Expenses	I		
Remuneration and Payments to Employees		685,451	
Operating and Maintenance Expenses		8,277,099	
Office and Administrative Expenses		2,378,927	
Marketing and Promotional Expenses		422,287	11,763,764
B) Depreciation			8,119,556
C) Deferred Revenue Expenditure			765,829
Total			20,649,149

3. EXCESS OF INCOME OVER EXPENDITURE

53,458

Contingent Liabilities and Notes H

As per our Report attached

For S.B. BILLIMORIA & CO.
Chartered Accountants

P. R. Ramesh
Partner

Hyderabad, April 20, 2001

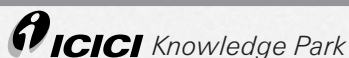
On behalf of the Board

N. VAGHUL
Chairman

P.J.V. SARMA
Director

NILESH TRIVEDI
Compliance Officer

schedules



forming part of Balance Sheet

	(Rupees)	March 31, 2000
A. SHARE CAPITAL		
Authorized		
30,000 Equity Shares of Rs. 10 each	300,000	300,000
	<u>300,000</u>	<u>300,000</u>
Issued, Subscribed & Paid up		
30,000 Equity Shares of Rs. 10 each	300,000	300,000
	<u>300,000</u>	<u>300,000</u>

NOTE : Of the above, 29,300 shares are held by ICICI Limited (holding company) and the remaining 700 shares by its nominees.

B. RESERVES AND SURPLUS		
Capital Reserve	1	1
Surplus (Excess of Income over Expenditure):		
Opening balance	—	—
Surplus for the year	53,458	—
Closing balance	<u>53,459</u>	<u>—</u>
Total	<u>53,459</u>	<u>1</u>

NOTE : The Company has been allotted 200 acres of land, free of cost. In accordance with AS-12 (Accounting for Government grants) the land has been capitalized at a nominal value of Re.1 (One Rupee only). The Capital Reserve reflects the corresponding credit.

C. SECURED LOANS		
Interest-free loans from ICICI Limited	200,000,000	200,000,000
	69,700,000	69,700,000
	<u>40,000,000</u>	<u>—</u>
	<u>309,700,000</u>	<u>269,700,000</u>

These loans are secured by:

- a first mortgage of all IKPL's immovable property, both present and future and,
- a first charge by way of hypothecation of all IKPL's movables, save and except book debts.

D. FIXED ASSETS

Particulars	Gross Block				Depreciation		Net Block		
	Cost or book value as on 1.04.2000	Additions during the period	Expenditure during construction period capitalized	Deductions during the year	Cost or book value as on 2001	Depreciation for the year	As on March 31, 2001	As on March 31, 2001	As on March 31, 2000
Freehold land	1	—	15,454,554	—	15,454,555	—	—	15,454,555	1
Office equipment	26,722	699,889	51,000	1,960	775,651	9,471	9,471	766,180	25,520
Furniture and fittings	100,996	664,219	520,730	9,576	1,276,369	36,674	36,674	1,239,695	99,686
Plant and Machinery	—	2,299,253	115,238,003	—	117,537,256	4,652,673	4,652,673	112,884,583	—
Lab Buildings	—	2,423,654	59,055,437	—	61,479,091	1,724,461	1,724,461	59,754,630	—
Other Buildings	—	938,407	50,184,293	—	51,122,700	698,283	698,283	50,424,417	—
Computers	—	1,786,391	6,227,482	—	8,013,873	997,994	997,994	7,015,879	—
Total	127,719	8,811,813	246,731,499	11,536	255,659,495	8,119,556	8,119,556	247,539,939	125,207
Capital Work-in-Progress								143,833	237,387,707
GRAND TOTAL	127,719	8,811,813	246,731,499	11,536	255,659,495	8,119,556	8,119,556	247,683,772	237,512,914
Previous year (as on 31.03.2000)	1	127,718		—	127,719	2,512	2,512	237,512,914	150,344,748

E. CURRENT ASSETS AND LOANS & ADVANCES

A. Current Assets		
a) Cash and Bank balances		
Cash in hand	1,937	—
Bank balances with Scheduled Banks		
In fixed Deposit with ICICI Banking Corporation	63,830,347	89,280,128
In Current account	<u>—</u>	<u>—</u>
	<u>63,832,284</u>	<u>89,280,128</u>
b) Sundry Debtors		
Less than 6 months	950,891	—
More than 6 Months	<u>—</u>	<u>—</u>
	<u>950,891</u>	<u>—</u>
c) Other current assets		
Interest accrued on fixed deposits	216,014	362,500
Tax Deducted at Source	2,088,952	771,065
Grants receivable	<u>4,600,000</u>	<u>—</u>
	<u>6,904,966</u>	<u>1,133,565</u>

schedules

forming part of the Balance Sheet

Continued

	(Rupees)	March 31, 2000
CURRENT ASSETS AND LOANS & ADVANCES (continued)		
B. Loans & Advances		
Deposits	3,316,349	3,393,859
Prepaid expenses	490,702	468,088
Advances-others	270,700	—
	<u>4,077,751</u>	<u>3,861,947</u>
Total	75,765,892	94,275,640
F. CURRENT LIABILITIES		
(Other than dues to small-scale industries)		
Amount payable to ICICI Limited	15,803,763	37,913,729
Amount payable against Capital Jobs completed	148,646	29,133,065
Other liabilities	1,272,949	713,721
	<u>17,225,358</u>	<u>67,760,515</u>
Total	17,225,358	67,760,515
G. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Opening Balance	9,476,801	—
Expenditure incurred during the year	2,191,582	9,476,801
Total expenditure	11,668,383	9,476,801
Less: Indirect project expenditure apportioned to cost of fixed assets	2,533,467	—
Less: Interest earned on Fixed deposits	4,539,934	3,504,839
Deferred Revenue Expenditure	4,594,982	5,971,962
Preliminary expenditure	63,439	63,439
Other Expenditure during construction period treated as deferred expenses	4,531,543	5,908,523
	<u>4,594,982</u>	<u>5,971,962</u>
Total	4,594,982	5,971,962
Less: Charged to Income and Expenditure Account during the year	765,829	—
Net amount carried to Balance Sheet	3,829,153	5,971,962
H. CONTINGENT LIABILITIES AND NOTES		
1. The Company was ready for commercial operations on May 27, 2000. The expenditure incurred during the construction period up to this date pertaining to the project has been capitalized and disclosed under the head Fixed Assets after netting off the income relating to the said period.		
2. The Government of Andhra Pradesh had given the Company 200 acres of freehold land free of cost. In accordance with AS12- Accounting for Government Grants the same has been recorded at a nominal value of Re. 1 (One Rupee only). The corresponding credit has been given to the Capital Reserve. Further, while the Company has sought exemption from payment of stamp duty and registration fee on registration of property of 200 acres of land allotted by the Government during June 2000, the Commissioner and Inspector General of Registration & Stamps, Hyderabad has rejected the request of the Company. The Company proposes to take up the matter with the Government of Andhra Pradesh.		
3. No provision for taxation has been considered in these accounts as the Company has obtained registration under Section 12AA of the Income Tax Act, 1961 and proposes to claim exemption of its income under section 11 of the said Act.		
4. Capital Work-in-Progress pending allocation is as under:		
	As At 26.05.2000	As At 31.03.2000
	Rs.	Rs.
Pre-Operative Expenses		
Architect fees	9,396,077	8,465,896
Land acquisition charges	1,000	1,000
Legal charges	14,500	14,500
Miscellaneous expenses	73,615	73,615
Project management fees	1,818,349	1,818,349
Soil investing charges	28,500	28,500
Telephone expenses	56,330	18,230
Topographical survey fees	259,025	259,025
Travelling expenses	851,462	808,479
	<u>12,498,858</u>	<u>11,487,594</u>
Total	12,498,858	11,487,594
Payment against capital jobs	231,127,445	225,900,113
Grand total	243,626,303	237,387,707
Less: Allocated to fixed assets as explained in note 1 above.	243,626,303	—
Balance	NIL	—
5. The following Indirect Pre-Operative expenses have been allocated on commencement of commercial operations.		
	During	During
	01.04.2000 To	24.07.1998 To
	26.05.2000	31.03.2000
	Rs.	Rs.
Opening Balance	9,476,801	—
Preliminary expenses	—	63,439
Travelling expenses	3,427	592,317
Hotel charges	14,166	556,330
Conveyance	93,608	629,952
Telephone expenses	49,651	262,049
Advertising expenses	—	194,577

schedules

	(Rupees)	March 31, 2000
CONTINGENT LIABILITIES AND NOTES (Continued)		
Stationery	—	270,733
Office expenses	296,591	345,258
Rates and Taxes	1,860	14,330
Professional charges	260,250	2,436,462
Miscellaneous charges	280,517	36,168
Electricity charges	833,240	2,276,010
Security charges	215,880	606,493
Depreciation	9,025	2,511
Inauguration expenses	—	788,425
Generator maintenance	—	331,194
Insurance	85,107	42,553
Book keeping charges	38,000	12,000
Audit fees	—	16,000
Salaries	10,260	—
Total	2,191,582	9,476,801
Gross expenditure	11,668,383	9,476,801
Less: Interest on fixed deposit	4,505,834	3,504,839
Less: Interest on electricity deposit	34,100	—
Net expenditure	7,128,449	5,971,962
Less: Indirect project expenditure apportioned to cost of fixed assets	2,533,467	—
Less: Other expenditure treated as deferred revenue expenditure	4,594,982	—
Total	Nil	—
6.	Estimated amounts of contracts remaining to be executed on capital account and not provided for : Rs.6.39 lakhs.	
7.	During the year, the Company has changed the method of providing for depreciation on fixed assets from written down value (WDV) method to straight line Method (SLM) at the rates prescribed in Schedule XIV to the Companies Act, 1956. Consequently, depreciation for the year ended March 31, 2001 is lower by Rs. 15,405,381 and the surplus would have become a deficit of Rs.15,351,923	
8.	Figures for the previous year have been regrouped wherever considered necessary.	
9.	As this is the first year of operations there are no corresponding figures for the previous year in respect of the Income and Expenditure Account.	
10. Significant Accounting Policies		
	The Company follows accrual method of accounting.	
(a) Revenue Recognition	Lease rent is accounted on an accrual basis and includes all expenses recoverable from the tenants.	
(b) Fixed Assets	Fixed Assets are stated at their original cost of acquisition including all expenses attributable to bringing the assets to their intended use. Expenditure incurred during construction period to the project has been capitalised up to the date on which the Company was ready for commercial operations.	
(c) Depreciation	All assets are depreciated on Straight line Method (SLM) in accordance with the rates given in Schedule XIV to the Companies Act, 1956.	
(d) Miscellaneous Expenditure	Preliminary expenses of Rs. 63,439 and deferred expenditure of Rs.4,531,545 are amortised over a period of five years from the time the Company was ready for commercial operations.	
I. OPERATING EXPENSES		
Remuneration And Other Benefits To Employees		
Salaries		272,772
Payments to Contractual employees		396,218
Reimbursement of Expenditure to employees		16,461
Total		685,451
Operating and Maintenance Expenses		
Power, Water and Fuel		5,170,130
Security Charges		1,079,400
Horticulture Charges		82,615
I.T. Knowledge Network Expenses		528,210
House Keeping Charges		285,498
Rates and Taxes		57,800
Interest on Work Contract Tax		90,235
General Expenses		239,641
Land Scape Maintenance		743,570
Total		8,277,099
Office And Administrative Expenses		
Insurance		436,368
Office Expenses		142,226
Car Hire and Conveyance		478,580
Telephone Expenses		1,029,603
Auditors Remuneration: audit fees		64,800
Other services		52,500
Professional Charges		122,350
Book Keeping Charges		52,500
Total		2,378,927
Marketing And Promotional Expenses		
Advertising Expenditure		213,774
Travel Expenses		208,513
Total		422,287

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

1. Registration Details

Registration No. -
 Balance Sheet Date
Date Month Year State Code

2. Capital Raised during the Year

(Amount in Rupees Thousand)

Public Issue

Bonus Issue

Rights Issue

Private Placement

3. Position of Mobilization and Deployment of Funds

(Amount in Rupees Thousand)

Total Liabilities

Sources of Fund

Paid-up Capital

Secured Loans

Application of Funds

Net Fixed Assets

Net Current Assets

Accumulated Losses

Total Assets

Reserves & Surplus

Unsecured Loans

Investments

Miscellaneous Expenditure

4. Performance of the Company

(Amount in Rupees Thousand)

Turnover (including interest and other income)

Profit (+)/Loss (-) before Tax

Earnings per Share (Rupees)

Total Expenditure

Profit (+)/Loss (-) after Tax

Dividend Rate (%)

5. Generic Names of principal products/services of the Company as per monetary terms

Product Description

R&D Infrastructure

Item Code (ITC Code)

NIL

Product Description

Knowledge Network

Item Code (ITC Code)

NIL

On behalf of the Board

N. VAGHUL
 Chairman

P.J.V. SARMA
 Director

NILESH TRIVEDI
 Compliance Officer

Hyderabad, April 20, 2001