

<http://www.icici.com>

45th

annual report

and accounts

1999-2000



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message from the chairman

As we enter the new millennium, we see the global economy undergoing a transition from the 'old' to the 'new' fostered by rapid advances in information technology and telecommunications, and the emergence of the Internet as a mainstream medium for conducting business. Consequently, traditional businesses are being forced to innovate and re-think the way they conduct business. With the volume of online business transactions increasing at an exponential rate, the momentum of this transition is only getting stronger and traditional players are being forced to realign organization structures to meet the changing needs of the new economy.

While the Internet revolution has far reaching implications for all businesses, its most dramatic impact has been on the services sector and in particular the financial services and banking industry. Internet banking or e-banking has emerged as a mainstream service delivery channel, which is providing customers unmatched convenience in terms of a location-and-time-independent service offering. E-banking presents lower transaction costs for banks, unrivalled opportunities for customization and encourages a greater degree of interactivity. At the pace and degree of technological innovation being witnessed today, customers are able to or will soon be able to carry out all their banking through electronic devices like personal computers, palmtops, laptops, mobile phones and other hand-held devices. Once this trend gains acceptance, banks with large physical branch networks will gradually lose their competitive edge.

Though the leadership status of the Indian software industry has come to be acknowledged the world over, the Internet has not impacted the Indian economy to the same extent as in the West. However, this situation is expected to be remedied shortly with the growing popularity of cyber-cafes and the emergence of set-top boxes, both of which are expected to provide Internet access at affordable rates. Further, an enabling regulatory framework for

e-commerce is expected shortly, with the passing of cyber-laws by Parliament. As a result, India has an opportunity to make the transition towards a knowledge-based society, which in turn promises an overall improvement in the quality of life. There is every evidence that this improvement will take place across a broad spectrum of the society including the semi-urban and rural areas.

The globalization of the economy has pushed competition in the Indian financial sector to unprecedented heights. In such an environment, ICICI has endeavoured to become a globally competitive player through constant innovation and adoption of cutting-edge technology to provide superior customer solutions. We have created history by becoming the first Indian company to list on the New York Stock Exchange.

Our thrust on innovation is reflected in the fact that we were among the first Indian entities to recognize the opportunities offered by the Internet. We launched several pioneering financial products during the year, which provided increased convenience to our corporate and retail customers. Our corporate customers benefited significantly from our online supply chain management solution in terms of lower inventory holding costs and speedier collections. We launched India's first web-enabled credit card and first web-based utility bill payment system for our retail customers through ICICI Bank Limited, our banking subsidiary. We also offer India's most comprehensive online trading facility through ICICI Web Trade Limited, a wholly-owned subsidiary. All these initiatives have resulted in lower cost and increased benefits, and thereby enhanced value creation for our shareholders.

The transformation of ICICI first from a Development Bank to a Universal Bank and thereafter to a technology-intensive financial services group, has been possible only because of the commitment and dedication of a pool of highly skilled and motivated professionals led by an outstanding CEO and a high-calibre senior management team. Their efforts have done ICICI proud and we can justifiably look forward to the future with a considerable degree of optimism.



N. Vaghul

Chairman

board of directors

N. Vaghul *Chairman*

Ashok Ganguly

B.K. Jhavar

Rakesh Khurana

G. Krishnamurthy

Ajit Kumar

Lakshmi N. Mittal

N.R. Narayana Murthy

D. Sengupta

R. Seshasayee

Marti G. Subrahmanyam

Devi Dayal

K.V. Kamath *Managing Director & CEO*

Lalita D. Gupte *Joint Managing Director &
Chief Operating Officer*

S.H. Bhojani *Deputy Managing Director*

board committees

AUDIT COMMITTEE

R. Seshasayee, Chairman

Ashok Ganguly

B.K. Jhawar

BOARD GOVERNANCE COMMITTEE

N.R. Narayana Murthy, Chairman

Ashok Ganguly

G. Krishnamurthy

D. Sengupta

K.V. Kamath

INVESTMENT COMMITTEE

Marti G. Subrahmanyam, Chairman

G. Krishnamurthy

K.V. Kamath

Lalita D. Gupte

S.H. Bhojani

CREDIT COMMITTEE

Ashok Ganguly, Chairman

Rakesh Khurana

D. Sengupta

K.V. Kamath

Lalita D. Gupte

MANAGEMENT COMMITTEE

K.V. Kamath, Chairman

Lalita D. Gupte

S.H. Bhojani

RESOURCES & TREASURY & ASSET LIABILITY MANAGEMENT

K.V. Kamath, Chairman

Lalita D. Gupte

S.H. Bhojani

SHARE TRANSFER COMMITTEE

Lalita D. Gupte, Chairperson

Rakesh Khurana

G. Krishnamurthy

S.H. Bhojani

SYSTEMS & TECHNOLOGY COMMITTEE

Rakesh Khurana, Chairman

N.R. Narayana Murthy

K.V. Kamath

senior management

SENIOR GENERAL MANAGERS

S. Kerkar

Chanda Kochhar

N.M. Mor

Kalpana Morparia

S. Mukherji

Ramni Nirula

Shikha Sharma

V. Srinivasan

M.J. Subbaiah

GENERAL MANAGERS

S. Bakhshi

K. Bharathan

A.J.V. Jayachander

R. Kannan

A. Karati

S. Khasnobis

A.T. Kusre

K. Mrutyunjaya Rao

N. D. Pinge

Madhabi Puri Buch

Renuka Ramnath

Shalini S. Shah

R. Vedaagar

Jyotin Mehta

Company Secretary

dear shareholders,

*T*he start of the trading session at the New York Stock Exchange (NYSE) on September 22, 1999 marked a new milestone for ICICI in its quest towards becoming a globally competitive player. On that day, ICICI became the first Indian company to get listed on the NYSE, marking the successful completion of a US\$ 500 million capital raising programme comprising a Rs. 5.00 billion preferential allotment to principal domestic shareholders, a Rs. 3.03 billion domestic public issuance of equity and a US\$ 315 million international offering of American Depository Shares. As a result, ICICI became only the second Asian Bank and one among a handful of non-US banks to get listed on the NYSE with a full-scope US GAAP audit. The entire process, from conception to final listing, was completed in less than four months, and I would like to extend my congratulations to all those who made this happen. I would also like to welcome all new shareholders to the ICICI family with a reaffirmation of our commitment to enhancing shareholder value.

In a period marked by consolidation and recovery in several key industrial sectors in the economy, ICICI posted strong financial results. During the year ended March 31, 2000, profit before tax and provisions amounted to Rs. 20.18 billion compared to Rs. 15.74 billion in the previous year—an increase of 28%. Notwithstanding the enhanced provisions and write-offs of Rs. 6.90 billion during the year (Rs. 4.78 billion in the previous year), profit after tax amounted to Rs. 12.06 billion. This represents an increase of 21% over the corresponding figure of Rs. 10.01 billion in the previous year. Net income as per US GAAP was Rs. 9.08 billion, up nearly 26% from Rs. 7.23 billion in the previous year.

ICICI continued to record a healthy growth in business during the year, achieving a 34% increase in disbursements from Rs. 192.25 billion for the year ended March 31, 1999 to Rs. 258.36 billion for the year ended March 31, 2000. The key drivers of this growth were our sustained marketing efforts to top quality corporate borrowers, innovative structured products meeting diverse customer needs, and a continued focus on the key industry sectors of infrastructure and oil & gas. Our retail asset base also grew at a rapid pace, with products like automobile loans, home loans and loans for consumer durables being well received by customers. Our growing presence in the Indian retail finance market was mirrored in ICICI achieving the highest top-of-the-mind advertising recall in a recent independent survey of financial sector brands in India.

The net NPL ratio as per US GAAP was 6.2% at March 31, 2000 down from 6.3% at March 31, 1999. The net NPL ratio under Indian GAAP declined to 7.6% at March 31, 2000, from 8.1% at March 31, 1999. The decrease in NPL ratio was on account of the greater emphasis placed on recovery and settlement of bad assets and the pro-active approach towards cases under stress adopted by our Special Asset Management Group, the driver of ICICI's initiatives in respect of recovery and settlements from problem cases.

Technology has effected a paradigm shift in the way banking business is being conducted world-wide and in India, ICICI has pro-actively been at the forefront of technology adoption. As a reflection of our continued commitment to technology adoption, we recently consolidated our server systems through the purchase of a Starfire server from Sun Microsystems. The only one of its kind in India, this server will help us provide uninterrupted and efficient service to our rapidly expanding customer base. Our focus on the customer was also reflected in the introduction of several innovations in our retail and corporate product range. In a bid to provide global standards in convenience and transparency to the capital market investor, we launched India's most comprehensive online trading facility through a wholly-owned subsidiary. This product leverages the shared technology platforms across the ICICI group to seamlessly integrate the customer's savings account with his depository and online brokerage account.

Electronic commerce is set to revolutionize the way business is conducted in the future and ICICI has geared itself by creating a dedicated in-house e-commerce group to exploit the opportunities thrown up by the new economy. We launched a pioneering B2B Internet based supply chain solution, and are presently working on an open-loop payment gateway in collaboration with a Compaq-led consortium. In addition, we introduced a one-stop housing finance portal during the year and are in the process of launching other portals that will offer synergies with our existing retail finance business. Our broad strategy is aimed at leveraging the benefits of the new economy to deliver superior value in the old economy, all the while seeking synergies in the virtual space.

I would like to take this opportunity to thank all our investors and clients for their continued support. I would also like to express my gratitude to all our employees for their relentless efforts at making ICICI the most preferred financial services provider in India.

K. Vaman Kamath

K.V. Kamath

Managing Director & CEO

“We have taken the leadership role in bringing the new economy paradigm to the Indian financial sector. We have used the power of technology to forge relationships with several key multinationals and to establish virtual partnerships with our corporate clients. We will continue to ride the technology paradigm and retain the cutting edge.”

Lalita D. Gupte
*Joint Managing Director
& Chief Operating Officer*

“Leading its drive to attain global standards of transparency, disclosures and services, ICICI completed a full-scope US GAAP audit of its accounts this year. ICICI also implemented an ESOS to encourage employee participation in the growth of the Company. ICICI shall thus remain committed to global best practices to maximize shareholder value.”

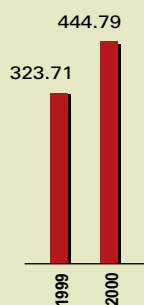
S.H. Bhojani
Deputy Managing Director

performance highlights

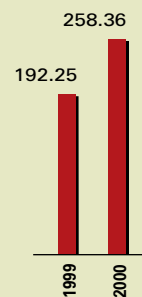
Operational Highlights

(Rs. in billion)

Approvals for the year



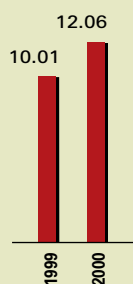
Disbursements for the year



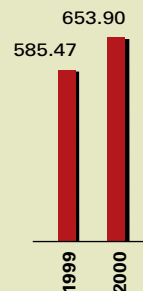
Financial Highlights

(Rs. in billion)

Profit after tax



Total assets



Dividend at
55%

Capital adequacy ratio at
17.2%

Return on Assets at
2.1%

Return on Net Worth at
16.8%

five years at a glance

		FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	
		Rs. bn	Rs. bn	Rs. bn	Rs. bn	Rs. bn	US\$ mn
FOR THE YEAR							
Total Income		29.01	44.71	57.36	73.21	84.60	1,938.0
Profit before tax and adjustments		5.08	8.56	10.23	10.96	13.28	304.2
Provision for tax		0.72	1.04	0.82	0.95	1.22	27.9
Profit after tax		4.36	7.52	9.41	10.01	12.06	276.2
Adjustment for changes in accounting policy		0.38	0.17	(0.05)	0.56	0.40	9.3
Extraordinary items		—	—	1.45	—	—	—
Profit after tax for the year		4.74	7.69	10.81	10.57	12.46	285.5
Approvals		145.95	140.84	247.17	323.71	444.79	10,189.9
Disbursements		71.20	111.81	158.07	192.25	258.36	5,918.8
AT YEAR-END							
Assets							
Total assets		233.24	362.92	459.20	585.47	653.90	14,980.4
Net loans and debentures		167.85	261.16	338.02	422.11	482.99	11,065.1
Equity and other investments		19.18	23.27	24.37	25.98	30.75	704.5
Leased assets		11.89	23.95	26.76	31.07	36.09	826.8
Liabilities							
Shareholders' equity		23.61	43.76	46.70	51.35	80.23	1,837.9
Borrowings		193.90	294.20	374.49	476.59	508.81	11,656.7
Selected ratios							
Return on net worth	(%)	19.6	20.5	21.0	20.3	16.8	
Return on assets	(%)	2.2	2.3	2.4	2.1	2.1	
Earnings per share (diluted for domestic convertible)	(Rs.)	13.0	15.9	18.2	18.2	17.0	
Dividend per share	(Rs.)	3.7	4.5	5.5	5.5	5.5	
Book value per share	(Rs.)	76.4	85.9	91.3	100.3	98.0	
Capital adequacy	(%)	10.0	13.2	12.9	12.5	17.2	
Of which Tier-1 capital	(%)	8.0	10.5	9.4	8.3	11.5	